



**The Second Quarterly Report  
For the Six Months Ended September 30, 2004**

**TOMY COMPANY, LTD.**

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## Consolidated Balance Sheets (Unaudited)

TOMY COMPANY, LTD. AND SUBSIDIARIES

As of September 30, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars
	<b>2004</b>	2003	<b>2004</b>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	<b>¥18,455</b>	¥16,388	<b>\$166,185</b>
Marketable securities	<b>565</b>	865	<b>5,085</b>
Trade notes and accounts receivable	<b>14,774</b>	16,137	<b>133,039</b>
Less - Allowance for doubtful receivables	<b>(343)</b>	(312)	<b>(3,092)</b>
Inventories	<b>7,816</b>	7,505	<b>70,385</b>
Deferred income taxes - current	<b>1,447</b>	1,358	<b>13,034</b>
Others	<b>3,614</b>	3,823	<b>32,550</b>
	<b>46,328</b>	45,764	<b>417,186</b>
Property, Plant and Equipment, at Cost:			
Land	<b>3,408</b>	3,414	<b>30,689</b>
Buildings and structures	<b>6,559</b>	6,642	<b>59,063</b>
Machinery and equipment	<b>22,047</b>	21,720	<b>198,534</b>
Construction in progress	<b>145</b>	186	<b>1,308</b>
	<b>32,159</b>	31,962	<b>289,594</b>
Less - Accumulated depreciation	<b>(24,090)</b>	(22,925)	<b>(216,935)</b>
	<b>8,069</b>	9,037	<b>72,659</b>
Investments and Other Assets:			
Investment securities	<b>907</b>	1,059	<b>8,170</b>
Investment in unconsolidated subsidiaries and affiliates	<b>87</b>	101	<b>784</b>
Leasehold deposits and other	<b>1,070</b>	787	<b>9,629</b>
Deferred income taxes - non current	<b>744</b>	614	<b>6,703</b>
	<b>2,808</b>	2,561	<b>25,286</b>
<b>Total Assets</b>	<b>57,205</b>	57,362	<b>515,131</b>

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current Liabilities:			
Short-term borrowings	<b>¥4,965</b>	¥14,424	<b>\$44,712</b>
Current portion of long-term debt	<b>913</b>	333	<b>8,223</b>
Trade notes and accounts payable	<b>5,806</b>	5,551	<b>52,287</b>
Other payables	<b>3,829</b>	3,435	<b>34,481</b>
Accrued expenses	<b>2,813</b>	2,820	<b>25,332</b>
Accrued income taxes	<b>843</b>	584	<b>7,594</b>
Others	<b>1,629</b>	1,200	<b>14,662</b>
	<b>20,798</b>	28,347	<b>187,291</b>
Long-Term Liabilities:			
Long-term debt, less current portion	<b>12,029</b>	6,000	<b>108,319</b>
Severance retirement allowances:			
Employees	<b>1,123</b>	1,013	<b>10,116</b>
Directors	<b>449</b>	403	<b>4,040</b>
Deferred income taxes for revaluation of land	<b>18</b>	18	<b>159</b>
Others	<b>1,227</b>	1,270	<b>11,051</b>
	<b>14,846</b>	8,704	<b>133,685</b>
Minority Interests	<b>294</b>	80	<b>2,645</b>
Shareholders' Equity:			
Common stock, no par			
Authorized 60,000,000 shares			
Issued 20,419,299 shares at September 30, 2004 and 2003	<b>2,990</b>	2,990	<b>26,924</b>
Additional paid-in capital	<b>2,936</b>	2,936	<b>26,440</b>
Retained earnings	<b>17,018</b>	15,926	<b>153,245</b>
Revaluation reserve for land, net of tax	<b>26</b>	26	<b>234</b>
Net unrealized holding gains on securities	<b>84</b>	25	<b>760</b>
Foreign currency translation adjustments	<b>(1,772)</b>	(1,663)	<b>(15,959)</b>
	<b>21,282</b>	20,240	<b>191,644</b>
Less - treasury stock, at cost			
10,173 shares at September 30, 2004 and 6,963 shares at September 30, 2003	<b>(15)</b>	(9)	<b>(134)</b>
	<b>21,267</b>	20,231	<b>191,510</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>57,205</b>	57,362	<b>515,131</b>

## Consolidated Statements of Operations (Unaudited)

TOMY COMPANY, LTD. AND SUBSIDIARIES

For the six months ended September 30, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars
	<b>2004</b>	2003	<b>2004</b>
Net Sales	<b>¥37,851</b>	¥38,742	<b>\$340,845</b>
Cost of Sales	<b>23,760</b>	23,496	<b>213,952</b>
Gross profit	<b>14,091</b>	15,246	<b>126,893</b>
Selling, General and Administrative Expenses	<b>12,241</b>	11,405	<b>110,234</b>
Operating Income	<b>1,850</b>	3,841	<b>16,659</b>
Other Income (Expenses):			
Interest and dividend income	<b>20</b>	28	<b>177</b>
Interest expenses	<b>(82)</b>	(158)	<b>(737)</b>
Gain on sale of fixed assets	<b>4</b>	1	<b>33</b>
Loss on disposal of plant and equipment, net	<b>(16)</b>	(2)	<b>(145)</b>
Sales discounts	<b>(57)</b>	(81)	<b>(513)</b>
Impairment loss on investment securities	<b>(0)</b>	-	<b>(4)</b>
Foreign exchange gain (loss), net	<b>98</b>	(194)	<b>879</b>
Loss on voluntary recall of products	<b>(200)</b>	-	<b>(1,801)</b>
Others, net	<b>12</b>	31	<b>120</b>
	<b>(221)</b>	(375)	<b>(1,991)</b>
Income before Income Taxes	<b>1,629</b>	3,466	<b>14,668</b>
Provision for Income Taxes - current	<b>921</b>	702	<b>8,295</b>
- deferred	<b>(172)</b>	852	<b>(1,554)</b>
Minority Interest in Subsidiaries	<b>(44)</b>	(17)	<b>(397)</b>
Net Income	<b>836</b>	1,895	<b>7,530</b>
Per Share of Common Stock:			
Net Income:			
Basic	<b>¥40.97</b>	¥92.82	<b>\$0.37</b>
Diluted	<b>37.13</b>	-	<b>0.33</b>
Cash dividends, applicable to the year	<b>¥5.00</b>	¥0.00	<b>\$0.05</b>

## Consolidated Statements of Shareholders' Equity (Unaudited)

TOMY COMPANY, LTD. AND SUBSIDIARIES

As of September 30, 2004 and 2003

	Millions of yen					
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Net gains and losses not recognized in the statements of operations	Total
Balance at March 31, 2004	¥2,990	¥2,936	¥16,533	(¥12)	(¥1,609)	¥20,838
Unrealized holding losses on securities arising during the period					(51)	(51)
Foreign currency translation adjustments					(2)	(2)
Net income			836			836
Dividends declared			(204)			(204)
Bonuses paid to directors & corporate auditors			(150)			(150)
Equity in subsidiaries excluded in consolidation at beginning of year			3			3
Tresury stock				(3)		(3)
Balance at September 30, 2004	¥2,990	¥2,936	¥17,018	(¥15)	(¥1,662)	¥21,267

	Millions of yen					
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Net gains and losses not recognized in the statements of operations	Total
Balance at March 31, 2003	¥2,990	¥2,936	¥14,078	(¥8)	(¥1,518)	¥18,478
Unrealized holding gains on securities arising during the period					144	144
Foreign currency translation adjustments					(238)	(238)
Net income			1,895			1,895
Bonuses paid to directors & corporate auditors			(47)			(47)
Tresury stock				(1)		(1)
Balance at September 30, 2003	¥2,990	¥2,936	¥15,926	(¥9)	(¥1,612)	¥20,231

	Thousands of U.S. dollars					
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Net gains and losses not recognized in the statements of operations	Total
Balance at March 31, 2004	\$26,924	\$26,440	\$148,883	(\$110)	(\$14,492)	\$187,645
Unrealized holding losses on securities arising during the period					(457)	(457)
Foreign currency translation adjustments					(16)	(16)
Net income			7,530			7,530
Dividends declared			(1,838)			(1,838)
Bonuses paid to directors & corporate auditors			(1,359)			(1,359)
Equity in subsidiaries excluded in consolidation at beginning of year			29			29
Tresury stock				(24)		(24)
Balance at September 30, 2004	\$26,924	\$26,440	\$153,245	(\$134)	(\$14,965)	\$191,510

## Consolidated Statements of Cash Flows (Unaudited)

TOMY COMPANY, LTD. AND SUBSIDIARIES

For the six months ended September 30, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars
	<b>2004</b>	2003	<b>2004</b>
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	<b>¥1,629</b>	¥3,466	<b>\$14,668</b>
Depreciation and amortization	<b>761</b>	1,087	<b>6,850</b>
Interest and dividend income	<b>(20)</b>	(28)	<b>(177)</b>
Interest expenses	<b>82</b>	158	<b>737</b>
Increase in trade notes and accounts receivable	<b>(4,450)</b>	(6,552)	<b>(40,072)</b>
Increase in inventories	<b>(2,239)</b>	(2,320)	<b>(20,160)</b>
Increase in prepaid expenses	<b>(687)</b>	(398)	<b>(6,189)</b>
Increase in trade notes and accounts payable	<b>1,969</b>	1,512	<b>17,727</b>
Others, net	<b>227</b>	582	<b>2,052</b>
Sub total	<b>(2,728)</b>	(2,493)	<b>(24,564)</b>
Interest and dividend received	<b>19</b>	27	<b>173</b>
Interest paid	<b>(125)</b>	(160)	<b>(1,124)</b>
Income tax paid	<b>(407)</b>	(442)	<b>(3,667)</b>
Net cash used in operating activities	<b>(3,241)</b>	(3,068)	<b>(29,182)</b>
<b>Cash Flows from Investing Activities:</b>			
Purchase of property, plant and equipment	<b>(569)</b>	(1,201)	<b>(5,122)</b>
Purchase of marketable and investment securities	<b>(501)</b>	(666)	<b>(4,513)</b>
Proceeds from sales of marketable and investment securities	<b>505</b>	3,437	<b>4,545</b>
Others, net	<b>(119)</b>	3	<b>(1,066)</b>
Net cash provided by (used in) investing activities	<b>(684)</b>	1,573	<b>(6,156)</b>
<b>Cash Flows from Financing Activities:</b>			
Proceeds from short-term borrowings, net	<b>529</b>	5,286	<b>4,759</b>
Repayment of long-term debt	<b>(307)</b>	(10,130)	<b>(2,761)</b>
Proceeds from long-term debt	<b>7,000</b>	1,300	<b>63,035</b>
Dividends paid	<b>(204)</b>	(1)	<b>(1,833)</b>
Others, net	<b>(27)</b>	(1)	<b>(260)</b>
Net cash provided by (used in) financing activities	<b>6,991</b>	(3,546)	<b>62,940</b>
Effect of Exchange Rate on Cash and Cash Equivalents	<b>(31)</b>	(84)	<b>(275)</b>
Net increase (decrease) in Cash and Cash Equivalents	<b>3,035</b>	(5,125)	<b>27,327</b>
Cash and Cash Equivalents at Beginning of period	<b>15,349</b>	21,513	<b>138,219</b>
Net Increase in cash and cash equivalents due to change of consolidated subsidiaries	<b>71</b>	-	<b>639</b>
Cash and Cash Equivalents at End of Period	<b>¥18,455</b>	¥16,388	<b>\$166,185</b>

## **Business Segment Information (Unaudited)**

For the six months ended September 30, 2004 and 2003

The Group operates principally in the toy manufacturing and marketing business.

<b>2004</b>	Millions of yen				Consolidated
	Toy	Others	Total	Eliminations	
Net Sales:					
Sales to customers	<b>¥36,587</b>	<b>¥1,264</b>	<b>¥37,851</b>	-	<b>¥37,851</b>
Inter-segment sales	<b>9</b>	<b>1,290</b>	<b>1,299</b>	<b>(1,299)</b>	-
Total	<b>36,596</b>	<b>2,554</b>	<b>39,150</b>	<b>(1,299)</b>	<b>37,851</b>
Operating expenses	<b>34,269</b>	<b>2,274</b>	<b>36,543</b>	<b>(542)</b>	<b>36,001</b>
Operating income	<b>¥2,327</b>	<b>¥280</b>	<b>¥2,607</b>	<b>(¥757)</b>	<b>¥1,850</b>
Total assets	<b>¥36,320</b>	<b>¥4,642</b>	<b>¥40,962</b>	<b>¥16,243</b>	<b>¥57,205</b>

<b>2003</b>	Millions of yen				Consolidated
	Toy	Others	Total	Eliminations	
Net Sales:					
Sales to customers	¥37,464	¥1,278	¥38,742	-	¥38,742
Inter-segment sales	11	1,207	1,218	(1,218)	-
Total	37,475	2,485	39,960	(1,218)	38,742
Operating expenses	33,157	2,259	35,416	(515)	34,901
Operating income	¥4,318	¥226	¥4,544	(¥703)	¥3,841
Total assets	¥37,246	¥4,504	¥41,750	¥15,612	¥57,362

<b>2004</b>	Thousands of U.S. Dollars				Consolidated
	Toy	Others	Total	Eliminations	
Net Sales:					
Sales to customers	<b>\$329,462</b>	<b>\$11,383</b>	<b>\$340,845</b>	-	<b>\$340,845</b>
Inter-segment sales	<b>82</b>	<b>11,618</b>	<b>11,700</b>	<b>(11,700)</b>	-
Total	<b>329,544</b>	<b>23,001</b>	<b>352,545</b>	<b>(11,700)</b>	<b>340,845</b>
Operating expenses	<b>308,588</b>	<b>20,477</b>	<b>329,065</b>	<b>(4,879)</b>	<b>324,186</b>
Operating income	<b>\$20,956</b>	<b>\$2,524</b>	<b>\$23,480</b>	<b>(\$6,821)</b>	<b>\$16,659</b>
Total assets	<b>\$327,061</b>	<b>\$41,798</b>	<b>\$368,859</b>	<b>\$146,272</b>	<b>\$515,131</b>

## Operations by Geographic Area (Unaudited)

For the six months ended September 30, 2004 and 2003

Sales and operating income are attributed to countries, based on location of business assets.

2004	Millions of yen						
	Japan	Europe	North America	Asia	Total	Eliminations	Consolidated
Net Sales:							
Sales to customers	¥29,736	¥5,612	¥1,217	¥1,286	¥37,851	-	¥37,851
Inter-segment sales	1,326	2	0	6,869	8,197	(8,197)	-
Total	31,062	5,614	1,217	8,155	46,048	(8,197)	37,851
Operating expenses	27,660	5,551	1,844	8,140	43,195	(7,194)	36,001
Operating income (loss)	¥3,402	¥63	(¥627)	¥15	¥2,853	(¥1,003)	¥1,850
Total assets	¥31,668	¥7,872	¥1,736	¥7,155	¥48,431	¥8,774	¥57,205

2003	Millions of yen						
	Japan	Europe	Asia	Others	Total	Eliminations	Consolidated
Net Sales:							
Sales to customers	¥28,156	¥6,023	¥1,702	¥2,861	¥38,742	-	¥38,742
Inter-segment sales	2,425	30	6,366	1	8,822	(8,822)	-
Total	30,581	6,053	8,068	2,862	47,564	(8,822)	38,742
Operating expenses	26,787	5,795	7,874	2,492	42,948	(8,047)	34,901
Operating income	¥3,794	¥258	¥194	¥370	¥4,616	(¥775)	¥3,841
Total assets	¥30,860	¥8,093	¥6,994	¥2,520	¥48,467	¥8,895	¥57,362

2004	Thousands of U.S. Dollars						
	Japan	Europe	North America	Asia	Total	Eliminations	Consolidated
Net Sales:							
Sales to customers	\$267,768	\$50,532	\$10,960	\$11,585	\$340,845	-	\$340,845
Inter-segment sales	11,940	17	0	\$61,860	73,817	(73,817)	-
Total	279,708	50,549	10,960	73,445	414,662	(73,817)	340,845
Operating expenses	249,083	49,987	16,605	73,298	388,973	(64,787)	324,186
Operating income (loss)	\$30,625	\$562	(\$5,645)	\$147	\$25,689	(\$9,030)	\$16,659
Total assets	\$285,166	\$70,888	\$15,629	\$64,426	\$436,109	\$79,022	\$515,131



## **Overseas Sales and the Ratios (Unaudited)**

For the six months ended September 30, 2004 and 2003

Overseas sales consist of export sales by TOMY COMPANY, LTD. and domestic subsidiaries and sales by consolidated foreign subsidiaries.

	Millions of yen						
	2004				2003		
	Europe	North America	Asia	Total	Europe	Others	Total
Overseas sales	<b>¥6,392</b>	<b>¥1,611</b>	<b>¥1,418</b>	<b>¥9,421</b>	¥6,367	¥4,693	¥11,060
Consolidated sales	-	-	-	<b>¥37,851</b>	-	-	¥38,742
Overseas sales ratio	<b>16.9%</b>	<b>4.3%</b>	<b>3.7%</b>	<b>24.9%</b>	16.4%	12.1%	28.5%

  

	Thousands of U.S.Dollars			
	2004			
	Europe	North America	Asia	Total
Overseas sales	<b>\$57,562</b>	<b>\$14,505</b>	<b>\$12,769</b>	<b>\$84,836</b>
Consolidated sales	-	-	-	<b>\$340,845</b>
Overseas sales ratio	<b>16.9%</b>	<b>4.3%</b>	<b>3.7%</b>	<b>24.9%</b>

## **Notes to Consolidated Financial Statements**

### **1. BASIS OF PRESENTATION**

TOMY COMPANY, LTD. and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen and in accordance with the provisions set forth in the Japanese Commercial Code and accounting principles and practices generally accepted in Japan. The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile. Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements.

All amounts are unaudited.

### **2. BASIS OF TRANSLATING CONSOLIDATED FINANCIAL STATEMENTS**

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at September 30, 2004, which was ¥111.05 to U.S.\$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.