

January 14, 2010

Fundamental Policy Concerning TYO Group Integration

The board of directors of TYO Inc. approved a fundamental policy on January 14, 2010 concerning the “integration of the TYO Group” to be accomplished primarily by merging almost all consolidated subsidiaries with TYO (18 companies excluding one subsidiary and five subsidiaries of a subsidiary outside Japan, three subsidiaries of subsidiaries in Japan, two production committees, and three subsidiaries with corporate shareholders that do not belong to the TYO Group (Tsuburaya Productions Co., Ltd., Colabo Inc., and Ludens Co., Ltd.)).

1. Purpose of “TYO Group Integration” and Expected Benefits

(1) Purpose

Since its initial public offering in 2002, the TYO Group has pursued a multi-brand strategy that involved mergers, acquisitions, the establishment of new companies and other actions. This process added a large number of outstanding visual content production companies to the group. Operations include TV commercials, websites, marketing and promotional activities, computer graphics, movies, animation, TV programs, characters and music. Overall, the TYO Group’s operations now span a diverse range of visual content. Furthermore, there are often several group companies in a single category of the visual content domain. The aim is to achieve growth in sales and earnings by providing customers a broad array of content.

The TYO Group’s earnings have been severely impacted by the economic recession that started in the fall of 2008. TV programs have been delayed and canceled as sponsors cut their payments to broadcasters. In addition, companies are cutting their budgets for TV commercials. These events have greatly altered the operating environment of the TYO Group. In this environment, success requires more than individual production skills in the visual content categories listed above. The group also requires comprehensive skills in offering ideas and producing content, including the ability to hold down costs.

In response, the TYO Group started reorganizing its operations in the previous fiscal year. Actions included the elimination of unprofitable businesses by using mergers, management buyouts and other measures. Two animation companies were combined to become more competitive. Three content solutions companies were combined to cut costs significantly for TV commercial operations. Overall, these initiatives gave the group a framework for adapting swiftly to changes in market conditions. The TYO Group is now determined to take still more actions in order to achieve sustained growth. The objective is to integrate the capabilities currently spread across many companies into a single organization. Performing this integration is expected to create a new corporate framework that can strengthen all group capabilities and improve the quality and flexibility of the group’s operations.

One overseas subsidiary and five overseas subsidiaries of a subsidiary are not included in this integration because of legal issues. Three subsidiaries in Japan are not included in the integration because TYO has decided that it would be best to continue operating these companies as separately entities. Two production committees are not included in the integration because they are voluntary partnerships that were formed to conduct specific visual content businesses. Finally, Tsuburaya Productions, Colabo and Ludens are not included in the integration because these companies have corporate shareholders that do not belong to the TYO Group.

(2) Expected benefits

TYO foresees the following benefits from the “integration of the TYO Group”.

① Creation of a production with comprehensive skills as a one-stop source of value

In the video content business, the TYO Group performs marketing, planning and production activities. By integrating the group to establish a unified platform for these functions, TYO will be able to supply customers with accurate services based on a more comprehensive approach.

Brands of the current consolidated subsidiaries will continue to be used following the integration. TYO will continue to pursue its “multi-brand strategy” with the goal of conducting a diverse range of business activities.

② Cut group fixed expenses

The TYO Group currently has 30 consolidated subsidiaries (not including the two production committees). The group integration is expected to lower administrative expenses at individual companies as well as real estate leasing expenses and other expenses.

③ Centralization of ordering and procurement

Each group company has been performing its own ordering and procurement operations. Centralizing these activities will allow each business sector to conduct centralized operations in order to receive volume discounts on purchases.

④ Lower income taxes

TYO prepares consolidated financial statements but taxes are paid individually by each group company. As a result, income taxes have a significant impact on the group’s earnings and are often one cause of a decline in earnings. Integration the group is expected to enable the group to pay taxes that are in line with its overall earnings.

Today’s resolution of the TYO board of directors establishes the fundamental policy for the “TYO Group integration” using mergers and other measures. As explained, in principle, the integration will cover almost all consolidated subsidiaries (18 companies excluding one subsidiary and five subsidiaries of a subsidiary outside Japan, three subsidiaries of subsidiaries in Japan, two production committees, and three subsidiaries with corporate shareholders from outside the TYO Group). A schedule and other information concerning this integration will be announced promptly when these items are determined.

2. Overview of TYO Group Integration

(1) The TYO Group

In principle, TYO plans to conduct a merger of almost all consolidated subsidiaries (18 companies excluding one subsidiary and five subsidiaries of a subsidiary outside Japan, three subsidiaries of subsidiaries in Japan, two production committees, and three subsidiaries with corporate shareholders that do not belong to the TYO Group). The details (merger ratios, schedule, companies to be merged, etc.) and other information concerning the mergers will be announced promptly when these items are determined.

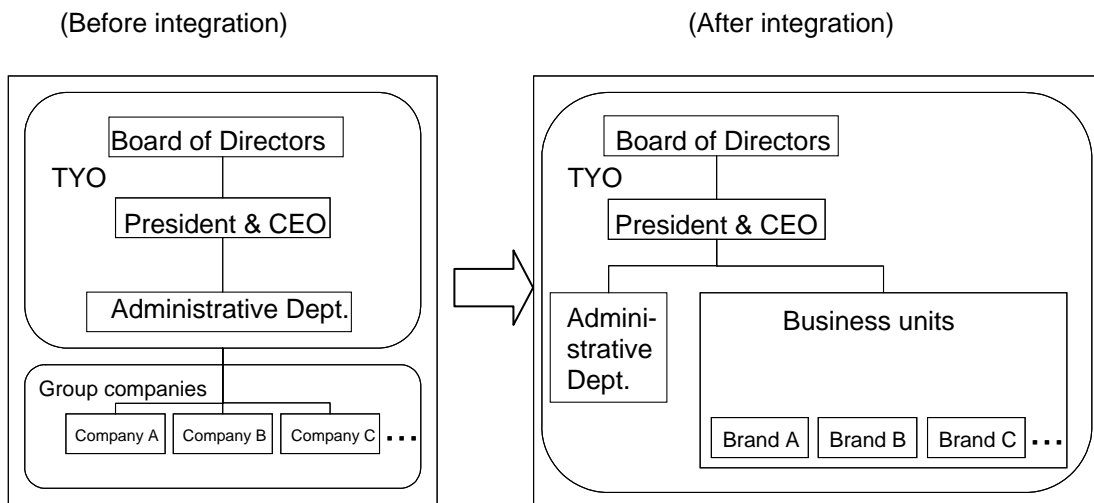
(2) Group Profile and Organization After Integration

① Post-integration profile

Name	TYO Inc.
CEO	Hiroaki Yoshida, President and Representative Director
Head office	2-21-7 Kamiosaki, Shinagawa-ku, Tokyo
Activities	Administrative: Oversight of business departments Businesses: Planning and production of TV commercials, websites, marketing and promotional activities, computer graphics, movies, animation, TV programs, characters, music and other forms of content
Fiscal year	Ends July 31
Capital	TBD (Will be announced promptly when decided)
Net assets	TBD (Will be announced promptly when decided)
Total assets	TBD (Will be announced promptly when decided)

② Post-integration organization

The organization of the TYO Group will be as follows after the integration.



The businesses of group companies that currently operate as consolidated subsidiaries will remain after the integration as brands that are operated as business units.

(3) Schedule for integration

A timetable has not yet been determined for the integration but TYO plans to complete this integration quickly. An announcement will be made promptly when a timetable has been determined.

3. Outlook

TYO will reduce the group's fixed expenses, lower income taxes and streamline the realization of volume discounts by using ordering and procurement operations to establish a more powerful profit structure and financial position after the group integration.

TYO is currently studying the effect of this integration on its results of operations. An announcement will be made promptly if this study results in any information that should be disclosed.