

Financial Results Briefing for the Fiscal Year Ended August 31, 2026

Date: October 16th, 2026

Speaker: President, CEO Hiro Matsuoka

Q1: Current status of the Godzilla IP, its future potential, and media/channel strategies

Compared to when the previous film, *Godzilla Minus One*, was released, we can sense an expanding fan base and growing global enthusiasm. How do you view the current status of *Godzilla* as an IP? Furthermore, could you share your thoughts on its potential for future value enhancement and media/channel strategies, including merchandising (MD)?

A1:

My honest feeling is that *Godzilla*'s current standing is far stronger and broader than we ourselves realized. With the domestic theatrical release of *Godzilla Minus Zero* scheduled for November 3, we have been continuously monitoring ticket sales and brand awareness. So far, we feel a response that significantly exceeds that of *Godzilla Minus One*.

Godzilla Minus One followed a unique theatrical trajectory—word-of-mouth praise grew, it spread nationwide, won an Academy Award, and pushed the numbers even higher. This time around, in terms of initial momentum, we are seeing far greater strength. Overseas, the reaction is actually even stronger. Last time, centering on North America, it felt somewhat like beginner's luck for us—we tried it, and it turned into something incredible.

This time—to put it a bit boldly—we are intentionally playing to win. Having a tangible sense that we can win is a major milestone. This applies not only to North America, but also to upcoming releases in Europe and Asia. In those regions, by holding *Godzilla* Festival-like events at theaters, screening classic catalog films, and hosting numerous events—similar to what we do in Japan and the US—*Godzilla* fans are emerging in greater numbers than ever before.

To reach this point, we established the *Godzilla* Department, treated *Godzilla* strictly as an IP, and worked to build long-term touchpoints. Through the accumulation of these efforts, *Godzilla*'s recognition grew, *Godzilla Minus One* earned the public's trust, and the *Godzilla* brand expanded. However, there is no need to pause here; we must keep going. When looking at Japanese IPs, there are many senior IPs above *Godzilla*. We are now able to clearly benchmark how these Japanese IPs have been accepted globally and identify what we are currently lacking in comparison.

Godzilla's current weaknesses lie in areas where global reach is not yet complete. To broaden the fan base, we are strategically considering how to expand beyond young-to-middle-aged males into younger female demographics, and how to enter regions where *Godzilla* has yet to establish a presence—not just through films, but through various non-film touchpoints as well.

For now, while carefully assessing the results of *Godzilla Minus Zero*, we aim to elevate the brand to the next stage.

Q2: Outlook for next fiscal year's film lineup and initiatives to reduce volatility in the film business

Following strong slate performance in both the previous and current fiscal years, box office results have been exceptional. Do you feel this level can be maintained in the next fiscal year and beyond? Also, please share your thoughts on whether an expanded lineup of series/franchise titles is helping build a stable revenue structure less susceptible to the success or failure of individual hits.

A2:

Last year, the entire industry recorded all-time high box office revenues, within which Toho also achieved extremely large numbers. This year is also tracking very well, though we will not know the final numbers until December as time remains. Following last year, I expect this year's figures to rank around 2nd or 3rd all-time.

I have most of next year's lineup in mind, but I have been instructed not to disclose it yet. If I could share it, I think you would all feel reassured. However, the film business is inherently unpredictable—you never truly know what will hit until it opens. Within that environment, series and established franchises offer predictable numbers. A key feature of next year's slate is that we have a large array of such reliable titles, as well as works by creators whose track records give us strong confidence.

Whether live-action or anime, our in-house developed projects are exceptionally robust. Regarding the film department for the next fiscal year, we believe we can aim for very strong figures. When the next fiscal year begins, we expect to formally present the lineup and explain how far these titles will take us.

That said, given that this is the entertainment business, volatility arising from individual hit-or-miss outcomes cannot be completely avoided. Across the broader business, we maintain a well-balanced portfolio to ensure performance does not rely solely on film hits. Even within the film segment, we strategically combine in-house projects with works produced by external partners to strengthen short-term results. Furthermore, over the medium-to-long term, we must ensure original works and TV series succeed as long-standing franchises. We construct our lineup by combining these short-term and medium-to-long-term perspectives.

We will maintain this strategy moving forward—ensuring short-term stability while nurturing promising concepts for the future as we manage the film division.

Q3: Approach to creating "100% in-house owned IPs" and taking risks using Toho's financial foundation

IR materials highlight the strength of "100% in-house owned IPs (such as *Godzilla*).\" While highly attractive due to their high profitability and operational flexibility, creating brand-new 100% owned IPs is structurally difficult in this industry. Please explain your approach to taking calculated risks using your solid balance sheet (financial base) and creating fully original 100% owned IPs following *Godzilla*.

A3:
Toho holds other 100% owned IPs besides *Godzilla*. For instance, *The Human Vapor*, which was rebooted on Netflix, is a 100% Toho-owned IP. Within our library sleep past works that we are evaluating for potential future revival.

However, creating a brand-new original IP from scratch is no easy task—it has been over 70 years since *Godzilla* was created. The fact that Toho has continually tried for over 70 years without yielding another *Godzilla*-level IP highlights just how difficult it is. That said, because *Godzilla* has sustained us for over 70 years, the executive management team fully agrees that we must create original IPs now for the benefit of future generations at Toho 70 years down the line. We have dedicated teams in both the live-action and anime divisions focused specifically on creating original content. They are formulating various projects that will gradually enter the market.

Of course, we cannot expect immediate success for every title. But if promising seeds emerge from these attempts, we will nurture them into larger properties. To prepare for the stage where we can flexibly expand fully owned 100% IPs, we are currently building the necessary infrastructure.

Naturally, we will not focus exclusively on in-house originals. While working on our own original titles, if strong external original projects emerge, we want to participate. Even for non-original properties—whether based on games, manga, or existing anime—we want to partner with creators to grow them into major IPs. What we can control internally, however, comes down to our own original creations. To achieve this, we have recently established dedicated team structures, and those titles will soon begin rolling out, so we ask for your continued support as we monitor their progress.

Q4: Platform expansion and investment/funding strategy in the game business

Looking back over the past few years, your company has primarily focused on mobile game releases, leading us to expect console games as the next target. Is the recently announced console game *The*

Apothecary Diaries a unique exception, or are you exploring the optimal approach on an IP-by-IP basis? Please share your current strategy.

A4:

Regarding the game business, our underlying strategy and approach have not changed. While we consider ourselves latecomers to the gaming industry, games represent an essential element when viewing the broader entertainment industry and IP business, making it a sector we must actively engage in.

Centering on our IPs, we have no rigid rules dictating that a game must be made in a specific way, via a specific business model, or with a specific partner. Currently, for each IP, we evaluate who the best partner would be to turn it into a game, and how much investment is appropriate when balancing risk against prospective return upon success. We discuss and determine these factors on a project-by-project basis.

We intend to continue this approach for a while. As we accumulate data and build internal expertise, our policy may evolve, or we may develop a structure that allows us to handle more in-house. While I wouldn't call our current state "groping in the dark," we are in a phase of gaining hands-on experience, conducting research, and internalizing know-how while maximizing earnings.

Q5: Current progress and evaluation of "TOHO NEXT" in collaborating with young and emerging talent

Recently, highly discussed works such as *We Are Aliens* have emerged from "TOHO NEXT." How are you building relationships (contract structure, talent networking) with external creators and young talent outside traditional theatrical distribution frameworks? Please share your current impressions and future pipeline.

A5:

I am truly delighted that you are paying attention to TOHO NEXT. To provide background, as movie theaters underwent digitization, content outside of traditional features came to be called "alternative content" or Other Digital Stuff (ODS) overseas. In Japan, ODS encompasses animated TV series compilations, music content, and live event broadcasts.

Historically, these were difficult to categorize or evaluate, so non-traditional feature films were categorized under ODS. Today, those boundaries have largely blurred. Except for live broadcasts, most content is treated similarly to feature films, so we do not draw rigid distinctions.

Toho distributes approximately 30 to 40 feature films domestically each year. Compared to that capacity, we receive more than ten times that number in proposals from external parties—and even more at the planning stage. When evaluating these proposals, expected box office revenue serves as the primary screening criterion. However, managing relationships with creators who possess extraordinary talent but whose immediate commercial success remains uncertain was a major challenge for Toho.

Nowadays, streaming platforms often approach rising talent early on, or creators choose to produce works with third parties. To ensure Toho does not miss out on top talent and later realize, "There was an incredible creator there," we needed an answer for how to engage with new talent. TOHO NEXT is that solution.

TOHO NEXT encompasses music content, genre-specific event films, and several hit titles. For example, *Hypnosis Mic* was released via TOHO NEXT and generated over 1 billion yen in box office revenue—a remarkable result for an experimental project. *We Are Aliens* was produced by an individual currently employed by Toho who is on leave. It is truly built on personal relationships.

Through these projects, we allow creators to experience working with Toho. If a creator demonstrates the potential for a wide 300-screen release in the future but isn't quite there yet, TOHO NEXT provides a platform to start. While profitability is important, we intend to manage this division using

multi-faceted KPIs beyond short-term financial returns.

Q6: Global IP strength of *The Apothecary Diaries* and criteria for future IP cultivation

Where does *The Apothecary Diaries* rank in overseas popularity and awareness compared to your other main anime IPs? Also, as you expand into live-action and game adaptations, what criteria or mindset does "TOHO animation" apply when cultivating and expanding IPs over the medium to long term?

A6:

The Apothecary Diaries occupies a unique position among the titles we manage. Previously, the typical hit formula involved Shueisha's Weekly Shonen Jump manga properties that gained popularity in Japan, translated that success overseas, and became massive hits upon anime adaptation. However, *The Apothecary Diaries*—much like *Frieren: Beyond Journey's End*—demonstrates that successful non-Shueisha properties are emerging. This proves that the global anime market is expanding and that fans are responding enthusiastically to diverse genres.

While it is difficult to cite precise qualitative or quantitative viewer metrics, it is undoubtedly among our top five largest anime properties.

Awareness has steadily climbed since the premiere of Season 1, giving us very high expectations. The upcoming feature film is being produced primarily by TOHO animation Studio and is becoming one of Toho's most critical IPs.

Furthermore, we are producing a live-action adaptation in-house. If series expansions succeed, we can continuously develop subsequent seasons. A successful live-action adaptation boosts anime popularity, while a hit anime movie encourages audiences to rewatch past television seasons. This generates overage royalties, drives merchandising sales, and allows subsequent movie releases to launch from a larger baseline fan count. Executing this virtuous cycle is our ideal model.

However, predicting which properties will achieve this is difficult. When selecting properties—especially in anime—we choose them with IP expansion in mind. Properties like *The Apothecary Diaries* grow far beyond our initial expectations, whereas other highly recognized properties may not expand as much as anticipated when adapted into anime. It varies case by case. Our approach is to apply the optimal strategy for each project's future and exert our full effort; only when that succeeds does a property become a long-term profit-generating IP.

Q7: Strengthening structures in international business operations

SG&A expenses are trending upward to support the expansion of international operations. Specifically, what capabilities were strengthened over the past six months? How do you plan to fill out the matrix shown in the presentation slides, and how will these acquired capabilities be leveraged for global *Godzilla* expansion?

A7:

We are expanding our overseas operations at a very rapid pace. Although SG&A expenses are leading indicator costs, international revenue is accumulating very successfully. We are currently building an operational structure to further increase these revenues. Whether everything proceeds exactly to plan remains to be seen, but we believe our strategic direction is correct.

In Japan, Toho's theatrical distribution network serves as a primary source of competitive advantage. However, owning physical movie theaters overseas to drive expansion is impractical.

Overseas, success depends on how effectively we commercialize our content. Historically, selling content to global streaming platforms from Japan was doable and executed well. The resulting overage royalties have provided strong revenue momentum. On the other hand, merchandising was previously managed directly by streaming platforms, which hindered growth. As licensing periods expire, we are reclaiming those rights to manage merchandising ourselves, or structuring agreements to handle them from the start. Doing so requires sales personnel, warehouse

management infrastructure, and dedicated IP marketing teams. Much of the increased SG&A costs reflect investments in these operational functions.

While we will not apply a uniform approach to every market, our foundational strategy involves establishing direct theatrical distribution capabilities in North America. Once we can handle localized merchandising and IP marketing for anime series and live-action titles across key regions, our international strategy will not only drive top-line revenue growth, but also fully recover costs to generate substantial profit margins.

For *Godzilla Minus Zero*, we hosted a "Godzilla Night" at the Los Angeles Dodgers' regular-season home finale, distributing *Godzilla* bobbleheads, trading cards, and clear tote bags. Long lines formed as fans rushed to receive them, making news headlines. This marketing initiative was co-developed by Toho International in the US and the Japanese marketing team.

Marketing initiatives executed in the US generate positive spillover effects back in Japan, where real-time information sharing occurs because both teams co-manage the campaigns. As mentioned earlier, we are initiating various events utilizing the *Godzilla* IP across Asia and Europe. This is possible because Toho as a corporate group can now directly manage properties across global territories. Local teams in Europe and Asia who previously did not handle *Godzilla* now receive actionable insights from Japan and the US, allowing them to replicate successful strategies locally.

Moving forward, applying this framework not only to *Godzilla* but also to Japanese live-action and anime titles will further enhance our theatrical distribution capabilities. We view theatrical distribution capabilities as essential tools for elevating overall IP value. By strengthening these foundations, we aim to enhance both financial performance and long-term IP brand equity globally.

Q8: Sustainability of streaming royalties in the IP & Anime business and medium-to-long-term profitability

Performance in Q1 and Q2 was exceptional. How do you view the sustainability of overage royalties from streaming platforms like Crunchyroll? Also, considering investments and amortization costs for new IPs (such as *Phantom Busters*), please share your expected profitability curve (profit margin trajectory) for the anime business.

A8:
Thank you for analyzing our Anime/IP revenue structure so closely. Overage royalties are generated under our agreement with Crunchyroll. Once viewership surpasses designated thresholds, royalties are paid out based on incremental view counts. Historically, we received minimal overage royalties because viewership had not reached those thresholds, and we lacked full visibility into viewer volume.

Over the past one to two years, we have gained a clearer understanding of the pace at which overage royalties accrue. Currently, *Jujutsu Kaisen* generates the largest share of overage royalties. Leveraging the strong inherent power of the *Jujutsu Kaisen* IP alongside our internal marketing capabilities—utilizing influencers and social media—we continuously drive viewer engagement and rewatch cycles.

Our target for the IP/Anime segment is 44.4 billion yen in operating profit by FY2032. Because upfront investments currently precede revenue realization, profit margins have not fully caught up with top-line growth. However, we firmly believe that revenue will outpace upfront costs at a specific tipping point, resulting in a steep upward profit trajectory. We are currently establishing the necessary infrastructure to support this growth. Once that infrastructure is fully operational and new projects integrate effectively with ongoing properties, our profit structure will advance by multiple tiers, positioning us to achieve the 44.4 billion yen operating profit target.

Q9: Negotiations with streaming partners regarding anime overage royalties

As paid subscriber bases for platforms like Crunchyroll expand, is it correct to assume the growth rate of overage royalties is accelerating? Also, does the trust built with streaming platforms serve as

a core structural advantage that attracts top-tier titles and original works to Toho?

A9:
We maintain an excellent relationship with Crunchyroll, and based on our long-standing business history, we operate under our agreed contractual terms without fundamental alterations. Crunchyroll—beyond being a Sony subsidiary—is an indispensable partner for conducting anime business globally.

As we maintain this strong business relationship, viewer volume and market size continue to expand steadily across North America and other international regions. Overall viewership is growing; however, views are heavily concentrated in top-tier blockbuster properties rather than distributed evenly across all titles.

During the recent period, *Jujutsu Kaisen* drove those numbers. When new major titles enter the market, engagement for *Jujutsu Kaisen* could potentially soften. To prevent that, we execute independent marketing campaigns and release feature films to encourage audiences to revisit prior catalog content. Elevating Toho's operational presence within Crunchyroll's expanding ecosystem forms a core component of our strategy.

Q10: Long-term cultivation and growth strategy for flagship IPs like *Jujutsu Kaisen*

Jujutsu Kaisen serves as a major pillar of your financial performance. Please explain your cultivation strategy and initiatives to ensure this IP continues to grow and develop over a 5- to 10-year horizon.

A10:
Both *Jujutsu Kaisen* and *Godzilla* hold Guinness World Records. *Godzilla* is recognized as the longest-continuously running film franchise, while *Jujutsu Kaisen* was named the world's most in-demand TV anime series in 2025. Both properties possess massive global brand recognition. When traveling to the US on business, people frequently refer to *Jujutsu Kaisen* as "JJK." While surprising at first, it underscores how deeply embedded the property has become in mainstream culture.

Beyond producing high-quality content, managing release intervals and cadence is critical to sustaining *Jujutsu Kaisen* long term.

Maintaining fan engagement during the gaps between content releases requires dedicated marketing execution. Historically, marketing occurred during theatrical releases for films or during broadcast runs for TV anime, with activity pausing in between. From an IP management perspective, those interim periods are the most crucial. We must place heavy strategic emphasis on maintaining engagement during these windows, and platform initiatives like TOHO-ONE play a key role.

Through TOHO-ONE, we deliver exclusive information and benefits directly to *Jujutsu Kaisen* fans, keeping community engagement warm between releases so that excitement peaks whenever new content drops. Through these structured efforts, we aim to expand and sustain not only *Jujutsu Kaisen*, but Toho's entire IP portfolio over the long term.

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