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## Q&As: Financial Results Briefing for the Fiscal Year Ended February 28, 2026

Date: April 15<sup>th</sup>, 2026

Speaker: Hiro Matsuoka, President & CEO

### Q1: International Operations: Current Outlook, Challenges, and SG&A Expansion

Question: We would like to understand the overall status of your overseas business. It has been over a year since the acquisition of GKIDS. What are the current operational challenges in regions with high average expectations, such as North America and Europe? Additionally, you are increasing SG&A expenses related to IP and anime in this fiscal year's plan; could you explain the specific areas and strategic direction for this reinforcement?

Answer: Since I joined the company in 2014 as the head of overseas operations, I have continued to focus on this area as a growth engine, even after becoming President & CEO. My intuitive sense is that we are performing very well. The M&A of GKIDS was a significant achievement. Their prestige in the anime world is unparalleled, and their integration into our group has allowed us to handle original IP-based anime and motion picture productions like “*Kokuho*”, which was previously out of reach. This synergy extends to the *Godzilla* franchise as well. Having GKIDS as our local arm provides a sense of security and trust for both domestic and international partners when releasing theatrically in North America.

At Toho International, Inc in North America, we manage merchandising and marketing for *Godzilla* and other anime IPs. We have transitioned from a passive “licensing-only” model to a proactive structure where we manage promotions ourselves to enhance IP value. For titles with confirmed release dates, we begin marketing more than six months in advance, aiming to maintain constant engagement with fans even between major releases. Regarding the nearly simultaneous day-and-date release of *Godzilla Minus Zero* in Japan and the U.S., we have already “sown many seeds” in the U.S. market. We believe that by connecting these individual efforts, we can execute a highly strategic film launch.

We intend to expand this model to Asia and Europe. Toho Entertainment Asia (“TEA”) in Singapore is growing rapidly, having moved offices twice to accommodate an expanding team. In Europe, we aim to replicate the North American success using Anime Limited as our hub. By proactively expanding business in these three major markets, we expect to see direct improvements not only in revenue but also in profit margins. Consequently, SG&A will increase due to headcount growth and the strengthening of corporate, digital, and security functions. However, we view this as a “strategic investment”—a powerful weapon for when our planned IP lineup is fully realized. If we deem it necessary, we will not hesitate to deploy capital aggressively.

### Q2: Profitability, One-time Expenses, and Investment Balance for ROE Improvement

Question: Fourth-quarter expenses seemed higher than anticipated. Is it correct to assume that the one-time expenses are limited to the ¥2.2 billion mentioned? Please follow up on the nature, timing, and expected effects of the expenses planned for the new fiscal year. Also, could you provide an update on the balance between growth investment and shareholder returns, as well as the priority of asset utilization on the B/S to achieve your mid-to-long-term target of 10% ROE?

Answer: The one-time expenses in Q4 totaled ¥2.2 billion. This includes two main components: first, the inherent risk of the content business where certain titles may underperform, which we recorded this time. Second, a valuation loss (contingent consideration) related to a past M&A; because the acquired business has been performing exceptionally well, we were required to increase the provision for earn-out payments per the contract. Since this is an accounting adjustment and does not involve an immediate cash-out, we categorize it as one-time.

Regarding the increase in SG&A, this is due to the necessary increase in personnel to drive business growth, as well as strengthening of corporate functions (IT, digital, security, etc.) required to support them. Furthermore, TOHO-ONE, which we are amortizing over five years, is a critical initiative to build a “Toho Economic Ecosystem” and enhance fan convenience. While there was some critical feedback regarding the TOHO-ONE app’s usability and download process, we have deployed dedicated staff at major TOHO Cinemas to assist users. Unlike direct content investment, infrastructure investment does not yield immediately visible profit contributions, but it is essential for elevating the company’s overall operational standard.

Regarding ROE, it is always a top priority for management team. While hitting the numerical target itself is not the sole objective, we aim to achieve it consistently by focusing on capital efficiency. Rather than taking forced measures just to chase numbers, our management team will continue to engage in constant dialogue to promote a well-balanced management approach.

### Q3: Entry into Mobile Gaming and Expectations for “Haikyu!!”

Question: You are launching a new game for *Haikyu!!*. We assume your expectations are high. Why enter the “red ocean” of the domestic mobile gaming market now, and what are your expectations? Also, could you comment on the synergy with the pre-registration campaign linked to TOHO-ONE?

Answer: Our position in the gaming business differs from that of dedicated game developers. Our fundamental premise is that gaming is an “extension of our IP business.” Everything starts with having a fan base for our anime and *Godzilla* IPs. Our goal is to create works that delight these fans and encourage long-term engagement.

Regarding *Sakuna: Of Rice and Ruin*, we admit a strategic miscalculation in not sufficiently expanding its IP value during its anime adaptation. Launching the game before establishing a robust fan base was one reason for the struggle. In contrast, for *Haikyu!!*, pre-registrations through TOHO-ONE are progressing very well. While I will refrain from citing specific figures, we feel strong momentum. Moving forward, we will increase the TOHO-ONE adoption rate and roll out fan-centric initiatives, such as platform-exclusive rewards, leading up to the launch. We are fully aware of the harsh market environment, but we intend to focus steadily on our area of expertise: giving tangible form to fan excitement.

### Q4: Cinema Operations: Cost Increases and Pricing Strategy

Question: Fixed costs and general cost levels are rising, as seen in the Q4 results, and there are concerns about rising utility costs. How do you view the healthy profitability of the exhibition business? Also, what is the status of your considerations regarding ticket pricing strategies?

Answer: Last fiscal year, the film exhibition industry recorded historical highs, and TOHO Cinemas performed strongly. However, detailed analysis shows that rising various expenses have slightly suppressed the profit margin relative to revenue. While movie theaters are often perceived as dark spaces that don't use much power, they actually consume significant electricity for projector operation, food and beverage temperature control, etc. The surge in utility costs is a real burden.

The challenge for the entire exhibition industry is how much of these rising costs, including labor, can be absorbed through corporate efforts. At the same time, we strongly believe that cinema should remain an affordable “extraordinary” entertainment experience. While we have not made a final decision on ticket price increases at this time, we are treating it as a critical management issue to determine the most appropriate method for sustainable operations.

### Q5: Strategic Rationale for the New Joint Venture with Good Smile Company

Question: What is the strategic positioning of the new company established with Good Smile Company last December? How will it contribute to accelerating merchandising and IP development? When do you expect to see the effects?

Answer: By establishing this new company with Good Smile Company, we aim to accelerate our global and domestic merchandising (MD) capabilities. The deeper we go into the anime business, the more we realize the weight of MD. While we have internal functions, we chose to grow by absorbing expertise from a partner who excels in this field.

As the company has just launched, it is too early to provide specific financial targets. However, the existing figures and the sense of potential—the feeling that “this company can go much higher”—are very significant. By leveraging this partnership, we believe we can develop IPs with greater speed than ever before.

### Q6: Global Goals for “Godzilla Minus Zero” and Authority of Overseas Hubs

Question: What is the global box office target for *Godzilla Minus Zero*? Could you also explain the specific details of your distribution strategy, which differs from Hollywood majors, and the status of decision-making authority delegated to the newly spun-off TOHO Global?

Answer: For *Godzilla Minus Zero*, we aim to exceed the performance of the previous film, *Godzilla Minus One*, which reached the ¥8 billion level in both Japan and overseas. While the previous film benefited somewhat from “beginner’s luck”—such as a lack of competition due to Hollywood strikes—this time we are strategically going for the win in a “red ocean” filled with strong competitors. Following the applause for the footage at CinemaCon in Las Vegas this week, we feel a massive opportunity. We are targeting additional growth, including theatrical releases across Asia.

Strategically, we have chosen to build an organization with its own distribution capabilities in various countries rather than being solely dependent on major studios. While we have delegated a certain level of authority to TOHO Global, critical matters are decided in consultation with the head office. We believe the current stance—respecting local speed while not being overly bound by Japanese-style rules—is the most effective approach right now.

#### Q7: Multilayered Marketing for *The Apothecary Diaries* and Future Outlook

Question: Regarding the multilayered marketing combining TV and film, and the high ratio of in-house production: do you see this evolving into an annual franchise like *Detective Conan*?

Answer: *The Apothecary Diaries* is a very special IP with a passionate global fan base that grew from a different context than traditional manga hits. We are aiming for long-term sustainability rather than a single-year business, and our team, including TOHO animation STUDIO, is crafting the strategy. We have reached a stage where we can increase touchpoints across anime, film, and MD to keep fans engaged. While I will refrain from confirming whether it will be an annual release, it is an extremely important IP for us, and our expectations are that high.

#### Q8: Cost Structure of International Business and the Pre-investment Phase

Question: Will the increase in SG&A this term complete the necessary structure, or will the phase of “pre-investment” for your long-term vision continue? How should we think about the future cost structure?

Answer: We expect the increase in costs, primarily SG&A, to continue for some time beyond the next fiscal year. There are still many areas where we are under-resourced, and we need to fill those gaps. In 2014, we had about three people in international operations; now we have over 100. We must build the infrastructure now to maximize profit margins when our future IP lineup is fully realized. If you wait until the content is finished to build a team, you are too late. We view this as a period of “pre-investment” to prepare for major future business opportunities, and we intend to invest without hesitation.

#### Q9: Update on New Anime Lineup and Personnel Reinforcement

Question: Could you provide any hints regarding the securing of major original titles or the breadth of genres for the upcoming fiscal year? Also, what is the progress of your plan to increase headcount?

Answer: We have largely finalized an anime lineup of approximately 20 cours for the fiscal year ending February 2029. While we cannot disclose specific titles, the content is well-balanced across genres and media platforms. I am proud of the quality of the titles we have secured. I am confident this will lead to significant future business opportunities. Regarding personnel, strengthening all departments is essential to accelerate the anime and IP business. We will continue to scale appropriately, not just in production but also in the support staff who underpin the business.

#### Q10: Significance of Holding Real Estate and Policy on Divestment

Question: What is the expected scale of divestment for low-yield properties? How do you respond to criticism that holding real estate with unrealized gains dilutes the growth potential of the IP business?

Answer: Regarding property sales, we will scrutinize each individual case and share information as appropriate. The reason we continue to place importance on real estate is that our core business is extremely high volatility. While we are performing well now, the entertainment world is unpredictable, and we cannot afford to be overly optimistic. Throughout our 94-year history, it was real estate that saved Toho multiple times.

We acknowledge the feedback regarding capital efficiency. We will divest assets that should be sold based on profitability and business impact. However, the stability provided by real estate is the greatest support for an inherently unstable entertainment business. We believe this “twin-pillar” management strategy (Entertainment and Real Estate) serves Toho’s interests best in the long term.

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