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Financial Results Briefing for the Fiscal Year Ended February 28, 2025 and Mid-Term Plan Briefing Q&As

Date: April 15th, 2025

Speaker: Hiro Matsuoka, President & CEO
Nobuyuki Tako, Director, Executive Vice President

Q1: This is about the Real Estate business, which, as we know, is a stable pillar, but I personally think that for your company, one key challenge is how to create that same level of stability in the entertainment business. And in other industries, well, this is just my own speculation, but we see business models where companies develop a solid fan base and successfully monetize through apps, or in the case of globally expanding merchandise, they're able to drive revenue that way. And that, I think, could be one of the success models. So this new TOHO-ONE Project, does it tie into that? From the outside, it's still a bit unclear to me. I'd love to know how you, as president, view the idea I just shared. And further, I personally believe that if you could layer a model like that on top of your mid-term plan and long-term vision, a model where you build up a foundation for stable revenue from fans through your content, that would turn you into an even stronger company. What are your thoughts on that?

A1: Thank you very much. Honestly, I feel like you've pinpointed one of the very challenges we're facing. Up until now, we've built our business with a central focus on film and specifically, how much profit we can generate through box office performance. That's been the main axis, and I don't think there's any need to change that. We'll continue to do that in the Film business.

But in the IP & Anime business, especially the IP side, the model isn't one where you just release a movie, and then after some secondary exploitation, the revenue stops unless there's a sequel. That's not what we're aiming for. Instead, we're working toward a model where, like with anime series or the ongoing development of the Godzilla IP, you can keep the business running over a long period of time. That's what we see as one layer of stability within the entertainment business.

And in addition to that, as I mentioned earlier in the presentation, we believe it's essential to connect directly with audiences around the world. That kind of connection is something we absolutely must pursue for the sake of our growth. So, through digital channels, we aim to establish those links; by connecting with our customers, we'll gain a deeper understanding of them. And by having the entire TOHO Group connected as one, we can offer the full scope of our businesses, services, and products, and have customers choose and enjoy what we offer. To give that form, we're planning to launch TOHO-ONE Project as a core part of our digital strategy.

Details will be shared at a later stage, but I absolutely believe that, as you said, in order to create a business that maintains a stable connection with fans, TOHO-ONE Project represents a critically important step forward. So we're committed to executing on this properly and delivering real results. I hope you'll watch closely as it takes shape.

Q2: This is something I often hear from investors, and it concerns your equity holdings—specifically, there's been a lot of discussion recently around your stake in Fuji Media Holdings, Inc. If you're able to comment, even just to a limited extent, I'd appreciate hearing your perspective on this from your position as president.

A2: When it comes to individual equity holdings, it's quite difficult for me to speak in detail in a setting like this.

However, as noted in the appendix of our Presentation materials, the number of strategic shareholdings we hold has been gradually declining.

Looking ahead, we will continue to review our strategic shareholdings carefully and, when the timing is appropriate, proceed with selling and reducing them in a measured fashion. At the same time, if the partner company is one with whom we are seriously engaged in business, we do still consider cross-shareholding as one potential approach.

Q3: Regarding your performance forecast for the current fiscal year, specifically regarding the Production and Distribution business. From my perspective, the lineup you have for this year looks strong enough that on a box office basis, it might even exceed last year's performance. With that in mind, even considering the drag from GODZILLA MINUS ONE no longer being in the picture, your forecast still feels a bit muted. Could you share your thoughts on that?

A3: When it comes to the Film business in general, the metric that inevitably draws the most attention is box office revenue. That's a direct reflection of how many people are coming to the theaters and spending money. So yes, the higher that number is, the more successful the film can be considered. There's no doubt about that.

However, when we look at this from a business standpoint, there are other factors to consider like how much was spent on production, how much was spent on distribution, and if there's a production committee involved, what our stake is in that committee. Those things have a very big impact on the bottom line. Last year, we not only reached an almost unbelievable milestone of over JPY90 billion in box office revenue, but we also had a large number of titles where we were the lead distributor. Those factors helped drive profits higher.

This year, yes, we do have titles with big potential, like *Demon Slayer*, that could become major hits, but that particular title, for example, is not one where we are the lead distributor. It's a co-distribution with partners. And naturally, that means our profit margin is lower. So when we take all of that into account, especially the absence of something like *GODZILLA MINUS ONE*, it becomes clear that matching last year's level of profit from the Film business won't be easy.

That said, that doesn't mean we're giving up. On the contrary, we're going to work to build it back up and aim to at least match last year's performance. And if we can, that could be a positive upside factor for us.

Q4: Focusing on capital allocation under the mid-term plan, specifically strategic investments. I understand that you've set aside JPY100 billion as a framework for this, which strikes me as quite bold, it's a sizable amount. Could you elaborate a bit more on what kinds of investments you're envisioning for that fund? Also, you made a number of investments during the previous mid-term period, so I'd be interested to hear your assessment of those, what kind of results they yielded and whether there are any lessons or reflections you'd be willing to share.

A4: In the previous mid-term plan, we declared our intention to proactively invest, set that as a goal for ourselves, but at that time, we didn't have concrete examples of which companies we would invest in or what kind of M&A activity we would undertake. Even with initiatives like TOHO-ONE Project that I mentioned earlier, we didn't yet have a clearly defined image of how those would take shape.

Over the past three years, we've brought a variety of companies into the group: some large, some small; some through full acquisition, others through partial investment; some based in Japan, others overseas. Through that experience, I think we've gained a certain level of insight, a sense of what's possible and what kinds of opportunities exist.

So this JPY100 billion figure, it's not a rigid budget that we must use up, but more of an estimate based on our past three years of activity and what it might look like to accelerate that pace. If we were to keep driving things forward, what kind of scale would we be looking at? That's what led us to the JPY100 billion figure. It's also

entirely possible that if a particularly large and attractive opportunity came along, we might exceed that amount, so please understand it as a reference point, something drawn from our recent momentum and experience. As for the investments we've made so far, many of them have yet to produce visible returns. So instead of making a firm assessment now, we'd prefer to use this mid-term plan period to carefully observe how these various companies contribute not just in terms of profit, but strategically as well.

Q5: Regarding your initial guidance, sorry to harp on it, but I'd like to ask specifically about the organic portion, excluding the Godzilla streaming rights and the TEIGEKI. Looking at your Production and Distribution business, with titles like *Godzilla* and *Haikyu!!*, the product mix looks quite favorable to me. So I'm wondering, are films with unannounced release dates not factored into the guidance?

Also, regarding your animation lineup, I expect it to ramp up significantly in the second half of FY2026 through FY2027. That said, as you explained, particularly in regard to overage royalties, I understand those are hard to forecast at the beginning of the fiscal year. But if we consider the possibility that some of those may materialize during this fiscal year or next, would it be fair to say that your current organic forecast leaves some room for upward revision as the year progresses?

A5: As for unannounced titles, if it's a project that we've already secured internally and we can reasonably expect a release within a given timeframe, then yes, in some cases we do include it in the budget.

That said, even for projects that are budgeted, schedules can shift to the next fiscal year for various reasons, so from our standpoint, there's a fair amount of fluidity there.

There will likely also be titles that we receive after this point and manage to release before the end of the fiscal year and in those cases, if they're not already included in the budget, they could end up being upside factors. It's the same with animation. Even if we haven't officially announced something, there may be projects we've internally factored in to some extent.

I can't share details with you here, of course, but we've tried to reflect those in our guidance where possible. Still, for the parts that couldn't be fully accounted for, I think it's fair to say they may turn into upside elements down the line.

That's my response.

Q6: Regarding your JPY70 billion operating profit target under the mid-term plan. This overlaps with my earlier question but taking *Godzilla* and TOHO animation label-originated IP as examples, there are quite a few titles already announced where TOHO is the lead distributor.

I'm wondering, do you have a specific number of titles you're aiming to release during this mid-term period? In the past, if I'm not mistaken, it was more like one such major title per year. But now, with the emphasis you've placed on expanding production capacity, should we expect that trend to thicken, should we be feeling optimistic about a greater supply volume over the medium- to long term? Also, could you touch on the potential for overseas distribution as well?

A6: With regard to animation, without expanding our production capacity, it's very difficult to increase the number of titles we're able to handle. That's why, although it wasn't explicitly stated in the previous mid-term plan, enhancing our production capabilities and increasing staffing has become one of the key strategies for the IP & Anime division.

What this really means is, if there are high-quality works available, we will be in a better position to take them on and distribute more titles. At the end of the day, it all starts with the content, it starts with the idea. So it's not just about increasing the number of titles for the sake of volume. Some of these will be original projects. Others may be adaptations of manga published by external publishers, which we'd need to acquire the rights to. That's a fundamental prerequisite.

So, taking all of that into account, both the pluses and the challenges, we intend to increase the number of titles we handle as part of our growth strategy in the IP & Anime division. That's one of the foundational goals for the next three years.

As for overseas distribution, *GODZILLA MINUS ONE* was our first time handling North American distribution in-house, and yes, we were fortunate, but I do believe we were able to achieve a solid result. And through that process, I think we gained a clearer understanding of what's possible, how to approach things, how to reach people more effectively.

Now, the question is: how do we replicate that model for animation? The Godzilla distribution was handled by TOHO International Inc., which is a subsidiary of TOHO Global Inc., effectively a grandchild company of TOHO CO., LTD. But beyond just using TOHO International as a distribution arm, we also now have GKIDS INC., which joined the group via M&A. This gives us a distribution infrastructure in North America and potentially in other regions as well.

At the moment, we're still in the process of determining the best approach, whether we should decide case-by-case per title, or whether we should establish defined business lines for overseas distribution going forward. That's something we're actively considering right now. But our ultimate goal remains the same: to increase the portion of titles and operations we can handle ourselves.

Q7: The first builds a bit on an earlier topic, looking backward from your TOHO VISION 2032. For example, to achieve JPY 100 billion in operating profit and maintain an ROE of 10% or higher on a consistent basis, well, if it's truly consistent, then we're talking about TOHO producing over JPY100 billion in profit year after year. That's the image I get.

If I try to imagine what that scenario might look like, I picture a situation where you're regularly putting out two to three titles a year that generate JPY50 billion in global box office revenue and doing it with your own in-house productions. In other words, TOHO becomes a member of the major studio club. Would that be an accurate understanding of your vision?

It sounds like a pretty bold, even audacious goal and an exciting one. But in that case, the key breakthrough would really need to happen in the US. You mentioned GKIDS earlier, but I'd like to hear more about what it would actually take to break through in the US and become a global major. Do you feel like you're starting to get a real sense of that path? I'd appreciate it if you could go into detail.

A7: When we first put out the JPY75 billion to JPY100 billion operating profit target three years ago, it wasn't because we thought we had to be operating on the same scale as a major studio to get there.

Right now, our overseas revenue accounts for about 10% of our total and we want to increase that to 30% and yes, increasing box office revenue is part of that. But even more important, I think, is using our IP & Anime business to grow our fan base. And once we do that, to sell merchandise to those fans, to offer them services, to invite them to events, by building that ecosystem, I believe both our revenue and profit will grow steadily. Of course, when the sequel to *GODZILLA MINUS ONE* comes along, the question will be: how can we bring that to theaters around the world and make it a major business? And with TOHO animation, I'm confident that some of the works we produce will eventually be suitable for TOHO to distribute theatrically around the globe. It may sound like a dream, but I don't think the day is too far off when TOHO's live-action films are also being shown in cinemas worldwide. That said, getting to the point where we're releasing multiple such titles every year, as a matter of course, well, I think that will still take some time.

Now, as for the US, it's the single largest market in terms of entertainment revenue and profit. And I believe the foothold we currently have there comes from titles like *My Hero Academia*, *JUJUTSU KAISEN*, *Kaiju No. 8*, and *SPY x FAMILY*. These are works we've been involved in producing, in collaboration with our committee partners. We've rolled them out in North America, and they've won the hearts of many fans. That's our most concrete starting point.

If we can build deeper relationships with those fans, if we can offer them services and merchandise—then I believe our business can grow far more than it has. So moving forward, we want to use that foothold to determine exactly what's needed to break through and over the next three years, we're committed to putting those pieces into place.

That's my response.

Q8: Concerning page 18 and your Real Estate business. The phrase "synergy with entertainment" is used there, and I'd like to dig into that a bit. Take for example the Godzilla Head in Shinjuku; it's a very visible symbol. If there were some concrete figures tied to that, how much impact it had, for instance, that would make the concept a lot easier to grasp. I assume there must be some kind of economic benefit, even if it's not clear exactly how it's monetized, whether it's through tenants or something else but I'd expect that kind of activation does create value.

So if entertainment can contribute to improving asset efficiency in your Real Estate business, then maybe what TOHO has is a very distinct kind of real estate strategy, something more advanced than just building physical

structures and leasing them out. From an outside perspective, it feels like there might be something uniquely TOHO developing in this area. Could you elaborate further on how you're pursuing synergies between entertainment and real estate?

A8: Your question really touches on a key issue for us: what is the future of TOHO's Real Estate business? You're absolutely right, just engaging in conventional real estate activities, is that really enough? Especially for us, a company rooted in entertainment, shouldn't we be pursuing real estate that's more closely intertwined with entertainment?

You mentioned the Godzilla Head in Shinjuku. That project dates back well before COVID-19. When the building was being constructed, there were a lot of opinions flying around, but in the end, then Vice President Mr. Chida and then President Mr. Shimatani made a bold decision: we're going to build the Godzilla Head.

And thanks to that decision, even though the royalties that come back to us from that installation are honestly minimal, if anything, the construction costs may have outweighed the returns; the promotional impact it's had over the past several years has been massive.

People from all over the world come to Shinjuku, take photos in front of the Godzilla building, post them on Instagram. That alone has created incredible advertising value. I believe it's become a huge support for the Godzilla IP itself.

Godzilla was already well-known internationally, of course, but the Godzilla building has deepened people's emotional connection to the character. Their affection for Godzilla has grown, and that's directly contributed to our Godzilla business. This is the kind of tangible and intangible asset that we believe holds great value for TOHO.

So now the question is, can we do more of this? Can we take these kinds of entertainment-driven ideas and apply them more systematically to the Real Estate business? That's exactly the kind of future-facing challenge we're beginning to explore now, so I truly appreciate your question.

Q9: The cash outflow components in the mid-term plan. You've indicated JPY15 billion for the Godzilla IP, JPY120 billion for M&A and cinema complex investments, and JPY70 billion for content production over the next three years. How should we interpret the certainty or basis behind these figures? Are these based on investments that are already reasonably foreseeable, or are they more reflective of broader plans and intentions, even if some specifics haven't been finalized yet? Also, in terms of uncertainty, should we assume that M&A is the most variable factor in whether these figures materialize?

A9: Regarding the JPY15 billion investment into the Godzilla IP over the next three years, we do have various developments planned. However, what we can publicly disclose at this stage is quite limited. That JPY15 billion isn't a fully fixed or finalized budget. Still, to some extent, we do have a reasonably clear internal outlook that we will be making steady investments into Godzilla over the next three years, and that we'll be allocating funds toward further growing the IP. So yes, there is some visibility on that front.

As for the JPY100 billion investment figure, that, as I mentioned earlier, is based on the actual amounts we've invested over the past three years. We asked ourselves, what would it look like if we accelerated that pace? And that's where the JPY100 billion number came from.

To be clear, we haven't made any decisions yet about whether or not we'll proceed with M&A. It's entirely possible that if a rare and valuable opportunity arises, we could exceed that figure. Conversely, if no compelling opportunity presents itself, we may not do any M&A and instead pursue growth through other avenues. So this isn't a rigid budget we're obligated to spend, it's more of a reference point. You can view it as having a relatively low level of certainty in terms of fixed commitments. That said, it is grounded in what we've seen over the past three years as a benchmark.

Regarding the JPY70 billion for content production, we've already been making significant investments in film, theater, and IP & Anime content. Production costs are rising as we push to improve the quality of our titles, and the total investment amount is growing as we increase the number of works we produce. Taking all that into account, we've set the JPY70 billion figure for this three-year period. Unlike previous years, we plan to put a greater emphasis on production itself and if we stay on that course, we expect the total investment to approach that JPY70 billion level.

Q10: Turning to your overseas sales ratio. You've set a target of 30% by 2032, but what do you see as the key requirements or conditions for achieving that figure? You touched on North America earlier. Is that region alone

sufficient to reach the 30% mark? Or as you briefly hinted, do you see expansion into Europe as essential to achieving that goal? I'd appreciate it if you could elaborate on that as well.

A10: Last fiscal year was actually the first time our overseas sales ratio reached the 10% level. Up to that point, generating meaningful revenue overseas had been quite difficult for us but thanks to the growth of IP & Anime, and the performance of Godzilla, we've finally begun to accumulate some solid numbers. Now we're aiming to triple that.

But the reality is that the way revenue grows depends greatly on the title and the business model. Whether we work with partners, license to local distributors, or handle everything ourselves, each approach has a different impact on revenue. So in terms of how exactly we get to that 30% target, we don't have a clear, fixed route at this point.

It's possible that we may not reach 30%, but if we're releasing our own titles or offering our own services, we might generate substantial profit regardless. Conversely, we might hit the 30% mark through partnerships and external collaborations, but the profit margins could be lower. So it's a balancing act. We're thinking through those various patterns, and the number we've set reflects our desire to ultimately lift profits to a certain level, even if the exact pathway remains fluid.

Of course, it won't just be the US. We also see Europe, Southeast Asia, and India as important markets, and even China, which is a highly unpredictable but incredibly large market, will be an important piece of the puzzle. So, while we can't give precise percentages by region or concrete revenue targets by business line at this stage, our goal is to accelerate what we've already begun and through that momentum, push our way toward the 30% overseas sales ratio.

Q11: Regarding your IP & Anime business. You mentioned that you plan to increase the number of anime titles you handle, so I imagine this will help build up your content library. That said, even with popular anime, unless they develop into ongoing series, they don't necessarily contribute to that kind of long-term stock. And lately, even among titles based on well-known source material, many of those are reaching their conclusions. So, from a medium- to long-term perspective, how is your company thinking about nurturing IP that could last 10, 20 years into the future?

A11: I know we talk about Godzilla a lot, but it's worth noting, it's been 71 years since the first film, and it's apparently listed in Guinness as the longest-running franchise film series. But I doubt the people at TOHO who made Godzilla in 1954 ever imagined it would last this long.

With every project, we always aim to grow the fan base, develop a series, have it explode in popularity with a theatrical release, and then return to series format again. That's the model we aspire to, but it only works if fans truly love the content. No matter how much we might want to continue a title, if it doesn't resonate with audiences, it's difficult to sustain.

So, it's really a case-by-case situation. Our responsibility is to take the works we're entrusted with and deliver them in the best possible form so that audiences watch them, feel satisfied, and say, I want to see what comes next. That's how we gain more fans. And if we keep repeating that cycle, eventually it becomes a series, eventually it becomes a long-lasting franchise. That's something every team here puts effort into with every project. But whether it ends up having longevity or not, that part is out of our hands.

From a probability standpoint though, increasing the number of projects we produce improves our chances of creating those evergreen, long-term titles and to make that happen, we need the right internal structure and capabilities, so one of the key focuses of this mid-term plan is to build out that structure.

Q12: Concerning returns on investment for the TOHO-ONE project. Since this new membership service won't be limited to film, it may include anime, games, shopping, and more, I'd like to ask how you view the investment side. For example, in the case of anime streaming, if you're aiming to gather data, the reality today is that most of that happens on services like Amazon Prime or Netflix. So will TOHO-ONE focus more on deepening those partnerships, or are you envisioning a move to build your own platform and stream content in-house? What's your investment philosophy here?

A12: Well I've been explicitly told by our team not to disclose too much detail today, so I'm afraid there's not much I can say at this point.

But I will say this: we've already begun building the foundation for the service. Our goal is to get people who engage with TOHO's various facilities, services, and products to become not just fans of individual works, but fans of the entire TOHO brand. If we can do that, if we can build that kind of ecosystem, almost like a mini economy, then we'll be able to curate and tailor what services we offer. That would open up a whole new range of possibilities for us. So, if I may, please understand that right now, we're focused on creating that foundation.

Q13: With the global rise in popularity of Japanese anime, we're starting to see adaptations of a broader range of source material, titles like *The Lord of the Rings* or game IPs, for instance, are being reimagined in anime format to appeal to global audiences. Currently, many of your titles are based on *Shonen Jump* or manga, but what are your thoughts on this growing diversity in source material? How is TOHO approaching this trend in terms of content acquisition and development?

A13: What really strikes me about Japanese IP is just how powerful it is. If you look at global IP rankings, though they belong to other companies so I should be careful about speaking too lightly, titles like *Pokémon*, *Hello Kitty*, *Super Mario*, and *Gundam* are all on that list. These are IPs that originated in Japan but have since been handled by creators around the world for a global audience. They've grown into IPs of that scale.

Even among manga-based titles, while they may not have reached quite that level yet, we're certainly seeing IPs that are getting close. So I think it's also valid to consider the reverse path, where anime series that we develop steadily can grow over time and evolve into large-scale global IPs.

As for adapting major global IPs into anime, of course we are considering that, but from a competition standpoint, we have to be aware that we may be up against major Hollywood studios. So the question becomes how do we position ourselves to compete? That's certainly one of our key challenges. Still, just as you mentioned, there are plenty of strong IPs out there, including game-based and non-Japanese-origin ones. So while we're not yet aggressively pursuing them, it's definitely something we're keeping in our field of vision.

Q14: Concerning talent, especially in relation to your mid-term plan and your goal of expanding globally. I imagine that reaching that level will require not only different kinds of producers but also talent with experience building businesses and directing them strategically. Your materials mention proactively hiring from outside the Company, so could you share more about how TOHO plans to secure and develop the human resources necessary to support global expansion through 2032?

A14: One of the biggest changes over the past three years, I think, has been in how the entire TOHO Group approaches international business. When it comes to content creation, I think we're at a stage where the works we produce are already being well-received overseas. So the question now is: how do we raise that level even further, and how do we evaluate the methods we're using now? I think that's going to be a key point going forward.

As for how we actually deliver this content, and how we make it into a viable business, that's something I don't think we can solve with domestic talent and strategy alone. That's precisely why we now have offices in Los Angeles and Singapore, and we're planning to open one in Europe in the near future.

When it comes to content creation itself, Japan will remain our main base, but when it comes to expanding and distributing that content globally, we definitely need local talent on the ground. Fortunately, right now, there are many people abroad who love anime and want to work in the IP & Anime business. Thanks to that, we've been able to recruit relatively well given the size of our current organization.

However, as our business grows, we may face questions like where do we find the right people, and what kind of talent should we bring in? When that time comes, we'll make sure we're fully prepared to respond.

Q15: You've raised your ROE target from 8% to 9% in this mid-term plan, with the aim of eventually exceeding 10% over the longer term. That said, it does feel a little conservative. Considering you're expanding your exposure to licensing and animation, both of which are higher-margin businesses, and also working on improving asset efficiency in the real estate segment, I wonder if there's potential to push both the numerator and denominator in favorable directions. And with your ongoing share buyback program, wouldn't there be room to aim a little higher?

When we look at listed companies in the IP/content space, many of them consistently achieve ROEs above 10%. So if that's the benchmark, wouldn't it be feasible to set a higher target? I'd love to hear your thoughts on that.

A15: I sincerely appreciate your comment.

As a company with a long history, TOHO has a significant amount of accumulated assets, perhaps more so than newer companies. Managing that legacy is one of our key challenges.

So when we think about improving ROE, it's not so much about tweaking just the numerator or the denominator, but more about steadily implementing a range of initiatives across the board. At this stage, rather than trying to boost the number by making one big move, we're looking to improve things incrementally, through a variety of efforts.

That's why we've raised the target from 8% to 9%, and expressed our intent to eventually maintain ROE consistently above 10%. We see that as a milestone we need to reach over the next three years and seven years ahead.

And of course, if we do what we need to do: accumulate profit, return capital to shareholders, and continue improving both sides of the equation, then there's certainly a chance that we'll exceed that figure. We've already improved once, so if and when it becomes necessary, we'll revise our targets and communicate that appropriately.

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