

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.



Consolidated Financial Results for the Nine Months Ended November 30, 2022 <Under Japanese GAAP>

January 12, 2023

Company name: **TOHO CO., LTD.**
 Listing: Tokyo Stock Exchange/Fukuoka Stock Exchange
 Securities code: 9602
 URL: <https://www.toho.co.jp/>
 Representative: Hiro Matsuoka
 Representative Director and President
 Inquiries: Harunori Kato
 Senior Executive Officer in charge of Finance & Accounting, Corporate Management Group
 TEL: +81-3-3591-1218
 Scheduled date to file Quarterly Securities Report: January 12, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: None
 (Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended November 30, 2022 (from March 1, 2022 to November 30, 2022)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
November 30, 2022	179,738	–	35,867	–	40,913	–	27,138	–
November 30, 2021	168,620	22.3	28,176	64.0	29,946	64.5	20,164	79.6

Note: Comprehensive income
 Nine months ended November 30, 2022 ¥27,109 million [–%]
 Nine months ended November 30, 2021 ¥19,554 million [75.0%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
November 30, 2022	154.26	–
November 30, 2021	114.01	–

Note: Please note that the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. were adopted from the beginning of the fiscal year ending February 28, 2023, and each figure for the nine months ended November 30, 2022, reflects the adoption of the accounting standard, etc. As such, year-on-year percentage changes are not provided.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
November 30, 2022	518,354	416,065	77.6
February 28, 2022	502,532	409,181	78.7

Reference: Equity
 As of November 30, 2022 ¥401,997 million
 As of February 28, 2022 ¥395,722 million

2. Cash dividends

	Annual cash dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 28, 2022	–	17.50	–	27.50	45.00
Fiscal year ending February 28, 2023	–	20.00	–		
Fiscal year ending February 28, 2023 (forecast)				20.00	40.00

Note: Revisions to dividends forecasts most recently announced: None

The year-end dividend for the fiscal year ended February 28, 2022, includes a special dividend of ¥10.00 per share.

3. Consolidated earnings forecasts for the fiscal year ending February 28, 2023 (from March 1, 2022 to February 28, 2023)

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending February 28, 2023	240,000	–	42,000	–	45,000	–	32,000	–	181.90

Note: Revisions to earnings forecasts most recently announced: None

Please note that the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. were adopted from the beginning of the fiscal year ending February 28, 2023, and the above consolidated earnings forecasts reflect the adoption of the accounting standard, etc. As such, year-on-year percentage changes are not provided.

*** Notes**

- (1) Changes in significant subsidiaries during the period: None
- (2) Adoption of special accounting treatments for preparing quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- a. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - b. Changes in accounting policies due to other reasons: None
 - c. Changes in accounting estimates: None
 - d. Restatement: None

Note: For details, please see “Changes in accounting policies” on page 11.

(4) Number of issued shares (common shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As of November 30, 2022	186,490,633 shares
As of February 28, 2022	186,490,633 shares

b. Number of treasury shares at the end of the period

As of November 30, 2022	11,915,530 shares
As of February 28, 2022	9,925,592 shares

c. Average number of shares during the period

Nine months ended November 30, 2022	175,924,417 shares
Nine months ended November 30, 2021	176,867,718 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

*Proper use of earnings forecasts, and other special matters

(Caution regarding forward-looking statements and others)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed reasonable by the Company. Actual results may differ significantly from these forecasts due to various factors. Please refer to “(3) Consolidated earnings forecasts and other forward-looking statements” in “1. Qualitative Information” on page 5 of the attached materials for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

(Availability of supplementary material on financial results)

The supplementary document on quarterly earnings is disclosed on the same day as the quarterly financial results, and it is made available on the Company’s website.

Attached Material

1. Qualitative Information.....	2
(1) Details of operating results	2
(2) Details of financial position	4
(3) Consolidated earnings forecasts and other forward-looking statements	5
2. Quarterly Consolidated Financial Statements and Significant Notes Thereto.....	6
(1) Quarterly consolidated balance sheet.....	6
(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income	8
Quarterly consolidated statement of income	8
Quarterly consolidated statement of comprehensive income	9
(3) Quarterly consolidated statement of cash flows.....	10
(4) Notes to quarterly consolidated financial statements	11
(Notes on going concern assumption).....	11
(Notes on significant changes in the amount of shareholders' equity).....	11
(Adoption of special accounting treatments for preparing quarterly consolidated financial statements)	11
(Changes in accounting policies).....	11
(Segment information, etc.)	13

1. Qualitative Information

(1) Details of operating results

In the nine months ended November 30, 2022, the outlook for the Japanese economy remained uncertain due to the effect of rising prices, etc. amid concerns that the circumstances in Ukraine will be protracted, despite signs of a recovery.

Under these conditions, the Group carried out flexible sales activities in each business while working to prevent the spread of COVID-19. In the Cinema business, its flagship operation, popular animation works and other much-talked-about works were distributed. As a result, operating revenue was ¥179,738 million (¥168,620 million in the same period of the previous fiscal year), operating profit was ¥35,867 million (¥28,176 million in the same period of the previous fiscal year), ordinary profit was ¥40,913 million (¥29,946 million in the same period of the previous fiscal year) and profit attributable to owners of parent was ¥27,138 million (¥20,164 million in the same period of the previous fiscal year). Furthermore, cooperative grants for large-scale facilities, etc. associated with the impact of COVID-19 have been recorded under extraordinary income as “subsidy income.”

In addition, the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year. Consequently, since the figures for the first nine months of the current fiscal year are the amounts following the application of such accounting standards, etc., we have not presented changes as compared to corresponding period of the previous fiscal year.

In addition, in April 2022, we launched the “TOHO VISION 2032 TOHO Group Management Corporate Strategy” comprised of the “Long-term Vision 2032,” which is targeting the 100th anniversary, and the “Medium-term Management Plan 2025,” which outlines specific measures for 3 years and we are engaged in initiatives for sustained growth and increased medium- to long-term corporate value.

The operating results by segment are as follows.

Cinema business

In the Production and Distribution business, TOHO CO., LTD. had hits with collaboratively produced and distributed works “Detective Conan: The Bride of Halloween,” “Suzume,” “KINGDOM2: Far and Away,” and “SHIN ULTRAMAN.” As for works distributed by Toho-Towa Co., Ltd. and others, “Top Gun: Maverick” has been a long-running blockbuster, while “Jurassic World: Dominion,” “Minions: The Rise of Gru” and “Sing 2” had high levels of operation. In addition, we did not recognize the total amount of revenue for some international movie distribution transactions within film distribution where the Group’s role is categorized as an agency under the application of Accounting Standard for Revenue Recognition, etc., and changed to recognizing revenue on a net basis after deducting related expenses. As a result, operating revenue in the Production and Distribution business was ¥29,154 million (¥29,636 million in the same period of the previous fiscal year) and operating profit was ¥10,907 million (¥6,986 million in the same period of the previous fiscal year). The above operating revenue mainly consists of ¥19,542 million from distribution to movie theaters (*1) and ¥3,103 million from the domestic streaming of theatrical films (*2).

In the Movie Theater Chain business, TOHO Cinemas Ltd. and others benefited from the above distributed works being blockbusters, release of popular works such as “ONE PIECE FILM RED,” and theater closures, etc. not lasting as long compared with the same period of the previous fiscal year. As a result, the number of movie theater customers in the nine months ended November 30, 2022 increased by 37.7% year on year to 29,628,000. In addition, we did not recognize the total amount of revenue for sales of some souvenir programs and merchandise at the retail shops in theaters where the Group’s role is categorized as an agency under the application of Accounting Standard for Revenue Recognition, etc., and changed to recognizing revenue on a net basis after deducting related expenses. As a result, operating revenue in the Movie Theater Chain business was ¥52,767 million (¥40,958 million in the same period of the previous fiscal year) and operating profit was ¥5,860 million (¥488 million in the same period of the previous fiscal year). With regard to theater changes in the nine months ended November 30, 2022, TOHO Cinemas Ltd. opened “TOHO Cinemas LaLaport Fukuoka” (9 screens) in Hakata-ku, Fukuoka City on April 25. As a result, the number of screens managed by the corporate group increased by 9 to 721 throughout Japan (including 56 collaboratively managed screens).

In the Production and Licensing business, TOHO animation's 10th anniversary project gathered significant momentum at "TOHO animation 10th Anniversary Great Thanksgiving Festival" held in September. There was revenue in TOHO animation as a result of royalty from various platforms and through investing into the production of "My Hero Academia," "SPY x FAMILY," "JUJUTSU KAISEN" and other works in addition to revenue from distribution and royalty from merchandising rights in Japan and overseas. In the Home Entertainment business, the movie "Jujutsu Kaisen: Zero" did well. In the Publishing and Merchandising business, sales grew for souvenir programs and character goods for works distributed by the Company such as the movies "SHIN ULTRAMAN," "Suzume," "Jujutsu Kaisen: Zero," and "Detective Conan: The Bride of Halloween," and for the international movie "Top Gun: Maverick." The Alternative Content business provided works such as "TOKU TOUKEN RANBU -HANAMARU- SETSUGETSUKA" animation trilogy, and so on. TOHO Studios Co., Ltd. operated smoothly as a result of integrating the Production and Studio businesses. At TOHO EIZO BIJUTSU Co., Ltd. and TOHO STAGE CRAFT Co., Ltd., although the situation continued to be difficult in relation to stage production and art production for movies, TV and commercials, etc. as well as production services for display items in theme parks, cost-reduction efforts were made. As a result, operating revenue in the Production and Licensing business was ¥33,581 million (¥36,270 million in the same period of the previous fiscal year) and operating profit was ¥6,252 million (¥8,853 million in the same period of the previous fiscal year). The above operating revenue mainly consists of ¥12,456 million for the use of animation contents (*3), ¥4,521 million for sale of home entertainment and ¥6,017 million for art production related to production and licensing works, etc. (*4).

As a result, in the overall Cinema business, operating revenue was ¥115,504 million (¥106,865 million in the same period of the previous fiscal year) and operating profit was ¥23,019 million (¥16,328 million in the same period of the previous fiscal year).

In the third quarter of the current fiscal year, TOHO animation STUDIO Inc. and AID-DCC Inc. became consolidated subsidiaries.

Theatrical business

In the Theatrical business, the first stage performance of "Spirited Away," as a work commemorating the 90th anniversary of TOHO's founding, was staged at the Imperial Theatre and was completely sold out. Subsequently, the Company rolled out various initiatives including performance and live streaming at regions throughout Japan. "Endless Shock -Eternal-," "Guys and Dolls," "Miss Saigon," "DREAM BOYS" and "Elisabeth" were performed and achieved success at the Imperial Theatre. "Piaf," "Next to Normal," "VOICARION XIV ~The Spoon~, " "Only 1, NOT No.1," "Daddy Long Legs," "Thoroughly Modern Millie," "The Great War of Archimedes," "The Fantasticks" and others were performed at Theatre Creation. "Your Lie in April," "Jersey Boys" and others were performed at Nissay Theatre. "Sister Act" and others were performed at TOKYU THEATRE Orb. "Hairspray" was performed to a full house at Brillia HALL. However, as was the case last year, performances of some works were cancelled due to the spread of COVID-19, which affected financial results. At Toho Entertainment Co., Ltd., affiliated actors worked favorably on commercial performances, etc.

As a result of the above, operating revenue in the Theatrical business was ¥13,875 million (¥11,904 million in the same period of the previous fiscal year) and operating profit was ¥2,233 million (¥2,455 million in the same period of the previous fiscal year).

Real Estate business

The Lease of Land and Buildings business continued to be in a difficult situation due to factors such as changes in the office market, but due to efforts to effectively use owned properties and comprehensively respond to tenants, the vacancy rate of real estate for leasing was 0.5% as of the end of the third quarter of the current fiscal year. As a result, operating revenue in the Lease of Land and Buildings business was ¥20,937 million (¥20,273 million in the same period of the previous fiscal year) and operating profit was ¥9,044 million (¥8,768 million in the same period of the previous fiscal year).

In the Road business, there was strong public investment, but the situation continued to be unpredictable due to factors such as a chronic labor shortage, intensified competition in obtaining orders, and continued rise in labor costs, equipment and materials prices and fuel prices. Subaru Enterprise Co., Ltd. and its consolidated subsidiaries worked to streamline operations and reduce costs while securing constant orders. As a result, operating revenue in the Road business was ¥21,083 million (¥20,324 million in the same period of the previous fiscal year) and operating profit was ¥3,978 million (¥2,972 million in the same period of the previous fiscal year). Operating revenue mainly consists of ¥19,216 million from road maintenance, repair and cleaning services and also includes ¥598 million of other revenue.

In the Building Maintenance business, TOHO BUILDING MANAGEMENT Co., Ltd. and Toho Facilities Co., Ltd. worked to secure new orders and reduce expenses. As a result, operating revenue was ¥7,462 million (¥7,288 million in the same period of the previous fiscal year) and operating profit was ¥686 million (¥541 million in the same period of the previous fiscal year).

As a result of the above, operating revenue in the overall Real Estate business was ¥49,482 million (¥47,885 million in the same period of the previous fiscal year) and operating profit was ¥13,708 million (¥12,283 million in the same period of the previous fiscal year).

Other business

Toho Kyoei Kogyo Co., Ltd.'s Toho Chofu Sports Park and TOHO RETAIL CO., LTD.'s theater concession stands, etc. developed various sales measures and carried out sales activities taking profitability into consideration. TOHO RETAIL CO., LTD. withdrew from the Directly Managed Restaurant business in August 2021. As a result, operating revenue in the Other business was ¥876 million (¥1,965 million in the same period of the previous fiscal year) and operating profit was ¥165 million (operating loss of ¥35 million in the same period of the previous fiscal year).

* Additional information

- (*1) Distribution to movie theaters: Revenue recognized on a net basis with respect to some international movie distribution transactions within film distribution to box-office companies
- (*2) Domestic streaming of theatrical films: Domestic streaming of theatrical films excluding income from streaming TV animation
- (*3) Use of animation contents: Sales of programs mainly centered on streaming, royalty from merchandising rights, etc.
- (*4) Art production related to production and licensing works, etc.: Art production works for movies and TV, event construction, and production services for display items, etc.

(2) Details of financial position

With regard to the financial position as of the end of the third quarter of the current fiscal year, total assets increased by ¥15,822 million from the end of the previous fiscal year to ¥518,354 million. This was mainly due to increases of ¥8,568 million in cash and deposits and ¥10,818 million in notes and accounts receivable - trade, and contract assets compared to the notes and accounts receivable - trade at the end of the previous fiscal year, despite a decrease of ¥9,246 million in investment securities.

Liabilities increased by ¥8,938 million from the end of the previous fiscal year to ¥102,289 million. This was mainly due to an increase of ¥4,408 million in accounts payable - trade.

Net assets increased by ¥6,884 million from the end of the previous fiscal year to ¥416,065 million. This was mainly due to an increase of ¥17,502 million in retained earnings, despite an increase of ¥10,152 million in treasury shares.

(3) Consolidated earnings forecasts and other forward-looking statements

There have been no changes in the consolidated earnings forecasts for the fiscal year ending February 28, 2023, which were announced on October 12, 2022, in the “Consolidated Financial Results for the Six Months Ended August 31, 2022.”

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of February 28, 2022	As of November 30, 2022
Assets		
Current assets		
Cash and deposits	37,750	46,319
Notes and accounts receivable - trade	22,852	-
Notes and accounts receivable - trade, and contract assets	-	33,670
Securities	40,607	37,702
Inventories	8,417	10,863
Short-term loans receivable with resale agreement	53,999	54,999
Other	24,313	25,745
Allowance for doubtful accounts	(74)	(43)
Total current assets	187,866	209,259
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	80,050	79,205
Land	75,438	77,520
Construction in progress	5,453	8,006
Other, net	8,922	8,765
Total property, plant and equipment	169,865	173,498
Intangible assets		
Goodwill	2,745	2,210
Other	2,641	2,673
Total intangible assets	5,386	4,883
Investments and other assets		
Investment securities	121,891	112,644
Other	17,601	18,151
Allowance for doubtful accounts	(78)	(81)
Total investments and other assets	139,413	130,713
Total non-current assets	314,665	309,095
Total assets	502,532	518,354

(Millions of yen)

	As of February 28, 2022	As of November 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	19,305	23,714
Short-term borrowings	60	52
Current portion of long-term borrowings	-	61
Income taxes payable	9,751	7,045
Provision for bonuses	972	524
Other provisions	170	150
Asset retirement obligations	-	10
Other	17,269	25,150
Total current liabilities	47,531	56,709
Non-current liabilities		
Long-term borrowings	-	339
Retirement benefit liability	3,636	4,466
Provision for retirement benefits for directors (and other officers)	140	171
Other provisions	236	86
Asset retirement obligations	6,994	7,105
Other	34,812	33,410
Total non-current liabilities	45,819	45,580
Total liabilities	93,351	102,289
Net assets		
Shareholders' equity		
Share capital	10,355	10,355
Capital surplus	14,122	14,177
Retained earnings	380,430	397,933
Treasury shares	(28,712)	(38,864)
Total shareholders' equity	376,197	383,602
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,854	17,886
Revaluation reserve for land	800	800
Foreign currency translation adjustment	(121)	628
Remeasurements of defined benefit plans	(1,008)	(921)
Total accumulated other comprehensive income	19,525	18,394
Non-controlling interests	13,458	14,068
Total net assets	409,181	416,065
Total liabilities and net assets	502,532	518,354

(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income

Quarterly consolidated statement of income

Nine months ended November 30, 2022

(Millions of yen)

	Nine months ended November 30, 2021	Nine months ended November 30, 2022
Operating revenue	168,620	179,738
Operating costs	100,392	97,219
Gross profit	68,228	82,519
Selling, general and administrative expenses		
Personnel expenses	14,731	15,367
Advertising expenses	3,999	5,192
Provision for bonuses	140	138
Retirement benefit expenses	735	747
Provision for retirement benefits for directors (and other officers)	20	19
Rent expenses on land and buildings	5,626	6,567
Other	14,797	18,620
Total selling, general and administrative expenses	40,052	46,652
Operating profit	28,176	35,867
Non-operating income		
Interest income	46	65
Dividend income	842	1,007
Share of profit of entities accounted for using equity method	198	363
Foreign exchange gains	441	3,386
Other	291	234
Total non-operating income	1,820	5,057
Non-operating expenses		
Interest expenses	22	5
Commission for purchase of treasury shares	22	0
Other	5	4
Total non-operating expenses	50	10
Ordinary profit	29,946	40,913
Extraordinary income		
Gain on sale of non-current assets	5	75
Subsidy income	2,610	2,489
Total extraordinary income	2,616	2,565
Extraordinary losses		
Impairment losses	-	448
Demolition cost of non-current assets	1,186	270
Loss on valuation of investment securities	23	28
Extra retirement payments	-	812
Loss caused by temporary closures	548	-
Total extraordinary losses	1,758	1,559
Profit before income taxes	30,803	41,919
Income taxes - current	9,553	13,845
Income taxes - deferred	(0)	(166)
Total income taxes	9,552	13,678
Profit	21,250	28,240
Profit attributable to non-controlling interests	1,086	1,101
Profit attributable to owners of parent	20,164	27,138

Quarterly consolidated statement of comprehensive income

Nine months ended November 30, 2022

(Millions of yen)

	Nine months ended November 30, 2021	Nine months ended November 30, 2022
Profit	21,250	28,240
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,580)	(1,972)
Foreign currency translation adjustment	796	749
Remeasurements of defined benefit plans, net of tax	85	87
Share of other comprehensive income of entities accounted for using equity method	2	4
Total other comprehensive income	(1,695)	(1,130)
Comprehensive income	19,554	27,109
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18,464	26,008
Comprehensive income attributable to non-controlling interests	1,089	1,101

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Nine months ended November 30, 2021	Nine months ended November 30, 2022
Cash flows from operating activities		
Profit before income taxes	30,803	41,919
Depreciation	6,573	6,957
Amortization of goodwill	688	1,650
Increase (decrease) in allowance for doubtful accounts	(230)	(28)
Interest and dividend income	(888)	(1,073)
Interest expenses	22	5
Share of loss (profit) of entities accounted for using equity method	(198)	(363)
Loss (gain) on valuation of investment securities	23	28
Decrease (increase) in trade receivables	(1,923)	(10,664)
Decrease (increase) in inventories	11	(2,272)
Increase (decrease) in trade payables	(1,630)	4,334
Increase (decrease) in accrued consumption taxes	1,708	197
Other	6,349	1,686
Subtotal	41,308	42,377
Interest and dividends received	1,049	1,227
Interest paid	(49)	(7)
Income taxes paid	(3,928)	(16,395)
Net cash provided by (used in) operating activities	38,379	27,201
Cash flows from investing activities		
Purchase of securities	(35,599)	(31,599)
Proceeds from sale of securities	47,500	43,100
Purchase of property, plant and equipment	(23,840)	(11,579)
Proceeds from sale of property, plant and equipment	174	364
Purchase of investment securities	(2,006)	(2,006)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(92)	(842)
Loan advances	(61)	(33)
Proceeds from collection of loans receivable	36	68
Investments in money held in trust	(300)	(2,600)
Proceeds from cancellation of money held in trust	3,100	2,600
Other	(323)	(539)
Net cash provided by (used in) investing activities	(11,412)	(3,068)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(54)	(7)
Purchase of treasury shares	(5,788)	(10,187)
Dividends paid	(6,133)	(7,983)
Dividends paid to non-controlling interests	(367)	(408)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(3)	(31)
Repayments of lease obligations	(11)	(11)
Net cash provided by (used in) financing activities	(12,360)	(18,631)
Effect of exchange rate change on cash and cash equivalents	1,148	4,046
Net increase (decrease) in cash and cash equivalents	15,755	9,549
Cash and cash equivalents at beginning of period	85,827	92,341
Cash and cash equivalents at end of period	101,583	101,890

(4) Notes to quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

The Company purchased 1,000,000 treasury shares based on a resolution at the Board of Directors meeting held on July 12, 2022, and purchased 1,000,000 treasury shares based on a resolution at the Board of Directors meeting held on October 12, 2022. Due to this purchase, etc., treasury shares increased by ¥10,152 million in the nine months ended November 30, 2022, bringing the amount of treasury shares to ¥38,864 million as of the end of the third quarter ended November 30, 2022.

(Adoption of special accounting treatments for preparing quarterly consolidated financial statements)

Not applicable.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, Etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. The main changes due to this are as follows.

We do not recognize the total amount of revenue such as for some international movie distribution transactions with distribution to movie theaters and for sales of some souvenir programs and merchandise at the retail shops in theaters in the management of movie theaters where the Group's role is categorized transactions as an agency and recognize revenue on a net basis after deducting related expenses.

With regard to point systems operated by the management of movie theaters, we do not recognize the points that are granted as revenue when the movie is viewed but recognize them as a performance obligation. We allocate the transaction price based on an independently calculated sales price that considers factors including the forecast future expiration.

We do not recognize revenue at the time of sale for future forecast returns of sales of home entertainment, etc., and deduct this from operating revenue and operating costs after estimating in accordance with the provisions related to variable consideration.

With regard to construction contracts for road civil engineering works under road maintenance, repair and cleaning services, the percentage-of-completion method was previously applied to construction contracts whose outcome was deemed certain, while the completed-contract method was applied to other construction contracts. However, revenue is now recognized over a certain period of time, based on the percentage of completion measured by the ratio of the cost of construction incurred to the total estimated cost of construction.

The application of the Accounting Standard for Revenue Recognition, etc. is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of applying the new accounting policy retrospectively prior to the beginning of the first quarter of the current fiscal year is added to or deducted from the opening balance of the retained earnings of the first quarter of the current fiscal year, and thus the new accounting policy is applied to such opening balance. However, in accordance with the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition, the new accounting policy was not retrospectively applied to contracts wherein almost all revenues were recognized before the beginning of the first quarter of the current fiscal year according to the former treatment.

For the first nine months of the current fiscal year, as a result of this change, operating revenue decreased by ¥12,473 million, operating costs decreased by ¥8,806 million, selling, general and administrative expenses decreased by ¥3,375 million, operating profit decreased by ¥291 million, and

ordinary profit and profit before income taxes each decreased by ¥294 million. In addition, the opening balance of the retained earnings decreased by ¥1,250 million.

Due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, “Notes and accounts receivable - trade” under current assets of the consolidated balance sheet as of the end of the previous fiscal year has been included in “Notes and accounts receivable - trade, and contract assets” under current assets from the quarterly consolidated balance sheet as of the end of the first quarter of the current fiscal year.

In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation. Furthermore, the information on disaggregation of revenue from contracts with customers during the first nine months of the previous fiscal year has not been disclosed as allowed by the transitional treatment provided for in paragraph 28-15 of the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, March 31, 2020).

(Adoption of Accounting Standard for Fair Value Measurement, Etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no impact on the quarterly consolidated financial statements.

(Segment information, etc.)

[Segment information]

I. Nine months ended November 30, 2021

Disclosure of net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Amounts in the quarterly consolidated statement of income (Note 3)
	Cinema business	Theatrical business	Real Estate business	Total				
Net sales								
Sales to external customers	106,865	11,904	47,885	166,655	1,965	168,620	–	168,620
Intersegment sales or transfers	1,774	20	3,764	5,559	35	5,595	(5,595)	–
Total	108,640	11,925	51,649	172,215	2,001	174,216	(5,595)	168,620
Segment profit (loss)	16,328	2,455	12,283	31,066	(35)	31,030	(2,854)	28,176

(Notes) 1. The “Other” category is a business segment that is not included in the reportable segments and includes businesses that operate restaurants and sports facilities.

2. The ¥2,854 million deducted from segment profit (loss) as adjustment consists of an addition of ¥1 million in intersegment transaction elimination, and a deduction of ¥2,856 million in corporate expenses that cannot be allocated to any reportable segment. Corporate expenses mainly consist of general and administrative expenses that are not attributable to reportable segments.

3. Segment profit (loss) is adjusted with operating profit stated in the quarterly consolidated statement of income.

II. Nine months ended November 30, 2022

1. Disclosure of net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Amounts in the quarterly consolidated statement of income (Note 3)
	Cinema business	Theatrical business	Real Estate business	Total				
Net sales								
Sales to external customers	115,504	13,875	49,482	178,862	876	179,738	–	179,738
Intersegment sales or transfers	1,759	33	3,791	5,585	144	5,729	(5,729)	–
Total	117,264	13,909	53,273	184,447	1,020	185,468	(5,729)	179,738
Segment profit (loss)	23,019	2,233	13,708	38,961	165	39,127	(3,260)	35,867

(Notes) 1. The “Other” category is a business segment that is not included in the reportable segments and includes businesses that operate sports facilities, etc.

2. The ¥3,260 million deducted from segment profit (loss) as adjustment consists of an addition of ¥7 million in intersegment transaction elimination, and a deduction of ¥3,267 million in corporate expenses that cannot be allocated to any reportable segment. Corporate expenses mainly consist of general and administrative expenses that are not attributable to reportable segments.

3. Segment profit (loss) is adjusted with operating profit stated in the quarterly consolidated statement of income.

2. Disclosure of changes, etc. in reportable segments

As described in “Changes in accounting policies, etc.” the Company has applied the Accounting Standard for Revenue Recognition, etc. from the beginning of the first quarter of the current fiscal year, and changed the accounting treatment for revenue recognition. Accordingly, the Company has changed the method of measuring profit or loss of business segments.

For the first nine months of the current fiscal year, as a result of this change, and compared with the figures obtained by the previous method, net sales and segment profit decreased by ¥11,433 million and ¥394 million, respectively, for the Cinema business, while net sales decreased by ¥333 million and segment profit increased by ¥108 million for the Real Estate business.