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Financial Results Briefing for the Fiscal Year Ended August 31, 2025 Q&As

Date: October 16th, 2025

Speaker: Hiro Matsuoka, President & CEO

Q1: Question regarding the company plan (performance forecast). The growth in operating income appears limited despite the increase in operating revenue. Although there is no disclosure by segment, have new costs or risks been incorporated this time? Or, as suggested, are the figures presented in reports, etc., to be understood as having upside potential, given that animation-related revenues are expected to expand, especially in the next fiscal year, but are not included in the plan due to current uncertainties?

A1: Regarding the question that profit growth is limited despite revenue increase, I will explain from a broader perspective.

Among our four businesses, particularly in the film division, the profit margin against revenue varies significantly depending on the title. This is a factor we cannot control, so please understand this major premise.

For example, if box office revenue increases by 100 million yen, roughly 50% goes to the movie theaters (exhibitors), and the remaining 50% goes to the distributors. Out of the 50% that remains with the movie theaters, the proportion corresponding to our market share becomes TOHO Cinemas' revenue.

If TOHO is the distributor, we would receive a commission calculated by multiplying 50% of that 100 million yen (i.e., 50 million yen) by our commission rate.

However, in the case of a co-distributed film like *Demon Slayer* with Aniplex and TOHO, the commission also needs to be shared.

The revenue after deducting commissions is returned to the production committee. For *Demon Slayer*, we are not a member of the production committee, so we do not receive revenue from it. On the other hand, if it's *KOKUHO*, we are a member of the production committee, so we do receive revenue.

In other words, even with the same box office revenue of 100 million yen, while TOHO Cinemas can make certain calculations for any film screened, there is a significant variability in revenue depending on whether it is a film we actively produced, a film in which we were partially involved in production, or a film for which we only handled distribution. This is a primary significant factor.

Furthermore, while not considered a risk, we are making various investments in theaters and IP for future growth. These are already factored into the budget. Such expenses can, of course, depress profits. The current upward revision of our performance forecast includes these factors.

Q2: I would like to ask about movie theaters. Although this deviates from short-term performance, I believe that the more content like games and streaming services, and digital consumption advances, the more the value of real-world user touchpoints will increase. In that sense, movie theaters have a strong ability to capture users' time, and your company, in particular, boasts a high-quality viewing environment. Could you please explain your perspective on the positioning of movie theaters once again? Looking at other companies' examples, price increases for movie tickets have also been announced. I would like to ask if there is a possibility of higher pricing through such added value improvement.

A2: I will speak about the value of TOHO Cinemas, that is, the value of movie theaters. In fact, globally speaking, there are probably few countries where the film industry is doing as well as Japan this year. While 2019 saw the highest box office revenue ever, slightly exceeding 260 billion yen, we anticipate that this year will see figures approaching that record.

After the end of the pandemic, amidst various changes in circumstances, what is the value of movie theaters that are showing such strong figures? This is a point that has made us profoundly rethink once again.

The fundamental principle of TOHO Cinemas is "GOOD MEMORIES." It is about visitors taking home good memories from the movie theater and spending time with those memories. We believe this holds almost the same meaning as "Moments for Life," which we recently established.

We want visitors to immerse themselves for a few hours at the movie theater, forgetting everything else, to have their emotions stirred, their hearts moved, and to return feeling they "had a great experience." This experience

generates a positive cycle of "I want to go to the movie theater again" or "I want to watch this film, even if it's not at the cinema." We attach great importance to movie theaters in order to create this positive cycle.

For that purpose, we will continue to actively invest and aim to make TOHO Cinemas "a wonderful movie theater worth seeing." We want visitors to enjoy those few hours to their heart's content.

Against that backdrop, what is the optimal price at which we should offer this to customers? This is a question with no single right answer, and while we are not setting a specific timeframe, it is a point we are constantly considering and keeping in mind.

Q3: I would like to inquire about the relationship with Warner Bros. and the recent theatrical distribution agreement. Although your company will be distributing foreign films, with Warner Bros. Japan already in existence, I would appreciate it if you could provide details on how your company was evaluated and how this agreement came about. While I understand that your company's distribution and sales capabilities, as well as the strength of owning screens, might be factors, I would be grateful if you could elaborate further. Additionally, if possible, I would also like to hear about the treatment of Warner Bros. Japan's films and the company itself.

A3: This is regarding the theatrical distribution agreement with Warner Bros. Our understanding is that, as part of their global strategy, Warner Bros. evaluated how best to approach each region and concluded that entrusting the Japanese market to the TOHO Group would be optimal. This proposal came from them.

We believe that the background to this decision lies in the proven track record of TOHO-TOWA and TOWA PICTURES in distributing Western films from studios such as Universal and Paramount. Although Warner Bros. Japan exists, we understand that they decided to entrust the distribution of their Western films to the TOHO Group. Regarding local productions, we have not been informed of any developments whatsoever at this point and understand that they are currently under consideration by Warner Bros. What has been decided so far is that TOHO-TOWA will contract their Hollywood-produced films, TOWA PICTURES will handle promotion, and TOHO will manage theatrical sales. Therefore, I cannot disclose any further details beyond this.

Q4: I would like to ask about the relationship with Sony Pictures. While GKIDS will handle the North American distribution for the current *KOKUHO*, since the lead producer is a subsidiary of Aniplex, I had thought it wouldn't be unusual for Sony Pictures to handle it. Also, I recall that your company handled the domestic distribution for past works by Director Mamoru Hosoda. This time, *Scarlet* has become a co-distribution with Sony Pictures. Observing recent developments, I get the impression that your relationship with Sony Group is becoming quite close. Regarding this point, if there have been any changes in your approach to business segmentation or joint ventures, please let me know.

A4: First, regarding *KOKUHO*. Honestly, within a few weeks after its theatrical release, everyone internally started saying, "This is going to be huge." Considering what we could do in that situation, we thought we might be able to handle the overseas, particularly North American, distribution ourselves, and so we volunteered.

Subsequently, we contacted the individuals in charge of overseas business and conveyed our enthusiasm, our desire to "work hard and be entrusted with this." As a result, we were allowed to entrust the North American distribution to GKIDS. Our group has a track record of handling North American distribution for *GODZILLA MINUS ONE* in the past, and GKIDS also has experience winning Academy Awards. In this context, please understand that this initiative came about because we volunteered and pursued it.

Similarly, for *Scarlet*, it was decided from the outset that the theatrical distribution in Japan would be a joint effort with Sony.

The film was screened at the Venice Film Festival and the New York Film Festival, and on October 17th (local time), it was selected as the opening film for "Animation Is Film," one of the world's leading animation film festivals, co-hosted by GKIDS, one of our group companies. Director Hosoda and others will walk the red carpet there, creating much excitement.

We believe that when a film receives recognition at major international film festivals recently, and this is widely publicized, it directly leads to publicity efforts within Japan. For example, the screening of *KOKUHO*, *Exit 8*, and *LOVE ON TRIAL* at the Cannes International Film Festival represents significant publicity.

As a result, if Sony and TOHO, who co-distribute in Japan, also co-distribute in America, wouldn't it be possible for both companies to directly share information from America? Based on this idea, after repeated discussions among the relevant personnel, we concluded that this should be done together, leading to joint distribution not only in Japan but worldwide.

Therefore, while it might seem as if this was decided from the beginning, it is an initiative that arose from the idea of "couldn't there be a better way to do this?" or "couldn't we do this more effectively?" through repeated discussions with each other as we worked on the film.

Q5: I would like to hear more about "Point 2: Promote Development of Live-Action Film project Targeted at the Global Market" on page 50 of the financial results presentation material. Specifically, what kind of production structure are you envisioning? What is the approximate production budget, or what aspects does your company see as winning factors? When it comes to a general global live-action hit, is the image one of spending around 10 billion yen on production and aiming for 300 million dollars in box office revenue, or is it different? Personally, I humbly believe that the scheme and content selection for *Human Vapor* show a unique originality characteristic of your company and represent a promising direction. Could you please explain your approach to this global live-action project scheme a little more?

A5: In the global live-action scheme, we believe that the approach differs between live-action films and live-action series for streaming.

Is the method of spending 10 billion or 20 billion yen on production, like in Hollywood, truly optimal right now? On the contrary, we have started to achieve good results in overseas sales and box office revenue with films such as *GODZILLA MINUS ONE*, as well as *Exit 8*, which we co-produced with STORY Inc.

Therefore, while live-action films are created with an awareness of the international market, we believe that making films solely for the overseas market might not be suitable for TOHO at present. We think it's more appropriate to approach live-action films with the mindset that if we make good films, there will be an overseas market for them. On the other hand, for live-action series for streaming, there is a significant difference in initial production costs between producing for domestic streaming platforms and producing for global platforms. *Human Vapor* is precisely our first endeavor with Netflix. Although it took a considerable amount of time, we were able to create a work for a global audience from the outset, within a production environment that satisfied us.

This was a major challenge, but it was also a wonderful learning experience where we incorporated various insights, such as what would be possible and what would be beneficial by adopting approaches similar to American or Korean production methods, and what we could learn through that.

Through this experience, what kind of works should we send out to the world next? Of course, there are works like *Human Vapor*, but we also have *FIFTH SEASON*, an American company we invested in about two years ago, which specializes in producing large-scale video works, primarily series. Currently, their team and our project team are exchanging ideas on various projects and are aiming to move to the next stage. We are currently discussing questions like "how can this be achieved, and when?"

While it will take some time, we are keeping in mind that a Japan-originated streaming series aiming for the global market will emerge from this.

Q6: I would like to ask about the establishment of the "Godzilla Dept." mentioned on page 79 of the financial results presentation material. I understand that departmentalizing it signifies your company's strong intention for the Godzilla IP to become a focal point moving forward. Regarding the "new fan base" mentioned here, what kind of numbers should we imagine for the current Godzilla fan base? Additionally, what is the global distribution of fans, the male-to-female ratio, and where do you see potential for growth in creating "new fans"? If possible, please provide quantitative aspects as well.

A6: The "Godzilla Dept." is a division that was inevitably created as a result of our consideration of how to foster our Godzilla IP moving forward. Now that it has been departmentalized, we intend to accelerate our efforts and further develop the Godzilla business.

Currently, I apologize, but we do not have quantitative data such as fan demographics, domestic and international distribution, or male-to-female ratio readily available.

I joined TOHO in 2014, the year Legendary Pictures first produced the "Legendary Godzilla." Since then, approximately 5 to 6 Godzilla films have been produced.

During that period, there was *Monarch: Legacy of Monsters*, a large-scale streaming series for Apple TV+ co-produced by Legendary and TOHO. In Japan, *Shin Godzilla*, the "Godzilla" anime trilogy, *GODZILLA MINUS ONE*, and *Chibi Godzilla* were released, and I recognize that Godzilla's exposure has dramatically increased.

Against this backdrop, for example, when foreign tourists visit Japan, most of them photograph the Godzilla Head at the SHINJUKU TOHO BLDG. In the Hibiya area, many people take pictures of our Godzilla statue. It is highly likely that they are potential Godzilla fans, or already existing Godzilla fans.

Therefore, our policy moving forward is to connect with Godzilla fans in various ways, and after understanding their numbers and distribution, to deploy effective marketing strategies.

Q7: I understand that GKIDS, which is strong in anime distribution, will also handle North American distribution for live-action works like *KOKUHO* in the future. Could you please share your expectations and feedback regarding this, or any challenges and difficulties you are currently experiencing?

A7: As you mentioned, GKIDS is fundamentally a company specializing in the theatrical release of animated works in North America.

When we were proceeding with the North American theatrical release of *GODZILLA MINUS ONE* through our subsidiary, Toho International, we began considering the M&A of GKIDS.

When GKIDS joined the group, we debated whether GKIDS or Toho International should handle the North American distribution of TOHO's works in the future. Ultimately, we concluded that, in principle, GKIDS should take the lead in theatrical distribution.

They have highly capable staff with abundant knowledge and experience. Toho International was a team that learned about theatrical distribution for the first time for the release of *GODZILLA MINUS ONE*.

Therefore, the plan is to transfer personnel who were involved in theatrical distribution at Toho International to GKIDS, and GKIDS will handle future theatrical releases.

However, when we initially brought up a live-action work like *KOKUHO* to GKIDS, which primarily distributes anime, they seemed surprised at first. Their reaction was, "A live-action film? Three hours long? And it's about Kabuki?" However, after the preview screening, they understood the quality and universal appeal of this work.

Of course, many employees at GKIDS are passionate about anime, but similarly, there are also individuals who graduated from major university film departments, such as film schools in New York where the headquarters is located, and joined GKIDS after internships. In other words, there are also people who love live-action films. These employees are very happy that they can now also handle live-action works like *KOKUHO*.

Incidentally, Director Anno's Shin Godzilla was theatrically released in the U.S. after its Japanese release, but this past summer, when GKIDS theatrically released the 4K remastered version of Shin Godzilla, it achieved a higher box office performance than the previous release. As a result, GKIDS must have gained a strong sense that they can deliver solid results not only with animated works but also with live-action films.

Q8: Regarding anime, I recognize that there is a rich lineup of popular anime slated for TV broadcast from this fall to winter. Among them, if there are any specific titles your company expects to contribute significantly to revenue, particularly through streaming and character licensing, please let us know. Additionally, if you have an idea of whether the peak revenue contribution for those titles will be in the latter half of this fiscal year or the next, I would like to hear it.

A8: Thanks to a strong lineup of titles in the latter half of the fiscal year, I will personally refrain from naming specific titles. However, many of the anime works we handle hold great potential, and as you noted, this latter half, in particular, features an excellent lineup.

However, not all revenue from TV broadcasts, streaming, and various other businesses will be recorded within the current fiscal year. The income and profits from these works will continue to be recorded in the next fiscal year and beyond, so from a long-term perspective, we believe this will be a very significant business. The income and profits to be recorded in the current fiscal year are already factored into our performance forecast.

Q9: With the success of *KOKUHO* and *Demon Slayer*, and the distribution agreement from Warner Bros., I believe your company's domestic presence as a distributor is growing even stronger. Could you please explain your competitive strengths as a distributor, specifically the factors supporting your current distribution capabilities?

A9: This is merely my own analysis, but I have always believed that the strength of TOHO's film distribution division lies in its "comprehensive capabilities" (or "overall strength"). Others in the industry might have different opinions. Historically, TOHO was a company with a very strong film exhibition division, meaning it owned movie theaters. While there are production, distribution, and exhibition in the film business, I recognize TOHO as a company that was primarily evaluated first for its exhibition business.

Looking back, at one point, TOHO did not actively engage in production, separated its production studios, and as a result, specialized in distribution. Because its exhibition division was strong, a structure emerged where distributors, including those of other companies' works, would entrust TOHO with their distribution. However, more recently, we have increased our in-house film production, raised our investment ratios, and started producing our own IPs.

I believe this is ultimately a result of our comprehensive capabilities.

In addition, we are very fortunate to have various parties entrust us with their works, and recently, we ourselves have been surprised by the results. I believe this is evidence that all company members are experiencing significant success. While this might sound somewhat arrogant, I believe that a year spent at TOHO is more intense and fulfilling than for those involved in other distribution companies. When members with such experiences work on further projects, the probability of success also increases.

I recognize that TOHO currently has such a positive cycle. However, this is strictly our own view.

I believe the entertainment industry is highly volatile and its future is always uncertain. Therefore, we will always exercise self-restraint, invite feedback on our shortcomings, and address challenges to improve, aiming to grow into an even stronger company with comprehensive capabilities.

Q10: Regarding TOHO Animation's IPs, I would like to confirm the current extent of fan base expansion. Even if specific figures are difficult to provide, the number of IPs is accumulating. For example, for titles whose original anime broadcast has ended, rather than obsolescence in a negative sense, isn't there a progression towards "vintage" in a positive sense? Even if the anime broadcast itself has finished, as stated in the material, if you can show data that revenue has not decreased, or at least the fan base has not decreased, due to the longevity of content and various strategies, then the possibility of promising projects being brought to your company by original creators, etc., will also increase. What are your thoughts on this point? In particular, for titles whose broadcast has ended. Rather than currently trending works, how are titles that have contributed to revenue until now maintaining and boosting their fan base? I would like to hear about your efforts in this area.

A10: This all began when Chairperson Shimatani suggested about 12–13 years ago that we should "actively engage in anime production going forward." One of the early examples of works that could generate long-term, multifaceted, and multi-layered profits is probably *My Hero Academia*. Since then, our IPs have steadily accumulated.

How to make works whose serialization or TV broadcast has ended endure and continue to be loved by fans is precisely what we are currently challenging ourselves with.

We are exploring how we can make fans continue to love our characters, IPs, and works for a long time. We believe this requires not a single approach, but diverse approaches.

For example, TOHO-ONE, which will launch its service in the spring of 2026, will enable direct connections with anime and IP fans. This will allow us to maintain fan support and ensure they promptly attend any events.

This is just one example, but we need to implement many unprecedented measures in the future. Without doing so, we cannot possess evergreen IPs.

On that point, returning to the case of *GODZILLA*, we could produce a *GODZILLA* film whenever we wanted to.

However, in the case of manga adaptations, which are not original, we need to decide how to proceed through discussions with editors, writers, and publishers. While there may be aspects we cannot control, we intend to continue to develop various measures to supplement and compensate for them.

Q11: I would like to hear your company's thoughts on AI. With OpenAI's video generation AI "Sora," it has become easy to create content using anime and IPs. I understand this as both an opportunity and a threat, but how does your company perceive it, and do you have any countermeasures in place?

A11: Regarding AI, how every company and every industry confronts it is a common challenge. In our entertainment industry, we recognize that how AI is utilized in creative work and activities is an extremely crucial point.

In fact, as of October 1st, we established the "AI Solution Promotion" within the Information Systems Department. This aims to utilize AI to rationalize our work as much as possible. We position AI as a tool to streamline and rationalize our important operations. However, immediately introducing it to film production sites carries various risks. Of course, overcoming those risks might also create significant opportunities.

I feel that the approach to this issue varies greatly depending on the country and company. I relatively often have opportunities to speak with film production professionals in North America. While a year ago, the conversation was about "AI seems to be able to do this," now it feels like we are quite far into the practical application phase, where it's "AI can do this, but actually this is also possible."

Although I believe we should not be left behind by this trend, there are various challenges, legal risks, and copyright issues currently existing in Japan. If asked whether we should push forward despite ignoring these, regarding the creative aspects, our stance is to observe and learn for now, and be prepared to act when necessary.

Q12: Regarding the Godzilla business, approximately three months have passed since the partnership agreement with SCLA. I would be grateful if you could comment on what opportunities have been found since the partnership began, or your evaluation of SCLA as a partner.

A12: Regarding "Godzilla" and SCLA, we believe we found a truly good partner at a very opportune time. In the past, before the release of *GODZILLA MINUS ONE*, we actually approached SCLA to handle "Godzilla," but were politely declined. This time, we approached them through a different route, and after several meetings, we reached an agreement of "understood, let's work together." While we cannot make specific announcements at this moment, they are devising various initiatives.

The Chinese market is highly unpredictable, and we ourselves are hesitant to enter it abruptly without a partner. Under such circumstances, we recognize that it is very fortunate to have met SCLA, a highly capable partner, and that they already have numerous projects and ideas to grow "Godzilla" in China.

Q13: Including the distribution of Warner Bros. films from next year onwards, I believe the range of films your company can distribute will further expand. With this, it is expected that films that previously resulted in opportunity loss, for instance, those that could not realize their full box office potential due to booking issues, could now be efficiently screened without opportunity loss by leveraging your company's extensive TOHO Cinemas network. In line with this, are there plans to further increase capital investment in cinema operations? While there are projects like TOHO Cinemas Oimachi and TOHO Cinemas Nagoya Sakae (tentative name), how do you view increasing the number of larger screens? Rather than merely discussing ticket prices, I would first like to hear your company's thoughts on strategies such as raising the average price by offering a more diverse range of seating

A13: The average seat occupancy rate for movie theaters is generally said to be around 30%. It would be difficult to reach 60%. Therefore, to achieve the most efficient operations, we believe it is extremely important to appropriately allocate films throughout the year and avoid competition between them.

In that sense, we feel that balancing Japanese films, ODS (Other Digital Screenings such as music concerts and live events), and Western films will contribute not only to TOHO but also to the efficient exhibition of movie theaters as a whole.

Furthermore, even if we wanted to add more large screens, there are various issues to consider, such as what scale of construction is possible in urban areas, or whether expanding existing cinema screens is realistic. Therefore, we will continue to study and determine the optimal scale and content of cinemas according to individual circumstances, aiming to always provide the best possible.

Q14: While the cinema business outside Japan is not in a favorable situation, I would like to ask Mr. Matsuoka about TOHO's thoughts on how it should contribute to the potential and opportunities for obtaining distribution revenue for Japanese works in regions outside North America, such as Asia and Europe. I recognize this as a more long-term perspective rather than a short-term discussion.

A14: Regarding distribution revenue in Asia, specifically for anime, Japanese animated films have recently been big hits in South Korea, for example, and this is a great encouragement for us. Our works are also achieving great success in South Korea. For how to expand this to other regions, we are considering various options, such as selecting partners or pursuing more proactive activities.

For instance, if we were to release a film in India, although many audiences would likely watch it, the ticket prices are considerably lower compared to Japan, so the box office revenue would probably not be that large. However, if India continues to grow, ticket prices are likely to rise. Considering that, we are hopeful that by steadily providing works and cultivating fans from now on, our income and profits will become substantial when they are willing to pay higher ticket prices in the future.

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