

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2022 (Based on Japanese GAAP)

February 14, 2023

Company name: TOEI COMPANY, LTD.
 Stock exchange listing: Tokyo
 Stock code: 9605 URL <https://www.toei.co.jp>
 Representative: Chairman & Chief Executive Officer Noriyuki Tada
 Inquiries: Senior Director, Accounting Kei Yamauchi TEL 03(3535)4641
 Scheduled date to file Quarterly Securities Report: February 14, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		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 December 31, 2022	128,160	48.2	28,939	106.1	32,546	84.9	14,220	95.1
Nine months ended December 31, 2021	86,492	13.5	14,044	43.2	17,601	43.9	7,288	84.5

Note: Comprehensive income For the nine months ended December 31, 2022: ¥21,815 million [39.0%]
 For the nine months ended December 31, 2021: ¥15,697 million [(13.3)%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2022	1,147.17		–	
Nine months ended December 31, 2021	587.27		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2022	372,239	278,998	56.7
As of March 31, 2022	348,561	261,127	57.6

Reference: Equity As of December 31, 2022: ¥210,970 million
 As of March 31, 2022: ¥200,764 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2022	–	30.00	–	30.00	60.00
Year ending March 31, 2023	–	30.00	–	–	–
Year ending March 31, 2023 (Forecast)	–	–	–	30.00	60.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Forecast of consolidated financial results for the year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	157,000	33.6	31,600	77.4	36,300	55.8	16,000	78.2	1,290.71

Note: Revisions to the forecast of financial results most recently announced: None

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2022 (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of December 31, 2022	14,768,909 shares	As of March 31, 2022	14,768,909 shares
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Number of treasury shares at the end of the period

As of December 31, 2022	2,387,377 shares	As of March 31, 2022	2,357,867 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2022	12,396,277 shares	Nine months ended December 31, 2021	12,411,398 shares
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Note: From the second quarter, the Company has introduced an executive compensation BIP trust, and shares in the Company held by this trust are included in the number of treasury shares at the end of the period and treasury shares excluded from the calculation of the average number of shares during the period.

* 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

The forward-looking statements, including earnings outlook, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. The Company makes no warranty as to the achievability of the projections. Actual business and other results may differ substantially from the statements herein due to a number of factors. Please refer to “(3) Information regarding consolidated earnings forecasts and other forward-looking statements” on page 3 of the attached materials for the assumptions used for the forecast of financial results and precautions regarding the use of the forecast.

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1. Qualitative information regarding financial results for the nine months ended December 31, 2022

(1) Explanation of operating results

During the first nine months of the fiscal year ending March 31, 2023, the Japanese economy continued to face an uncertain outlook owing to the impact of rising resource and energy prices and soaring prices due to the situation in Ukraine and the rapid depreciation of the yen, despite signs of a moderate economic recovery as restrictions on people's actions caused by COVID-19 eased and the normalization of economic and social activities progressed.

Under these circumstances, the Group executed solid sales measures, including endeavoring to further strengthen and improve efficiency in its business, centering on the Film and Video-related business.

As a result, net sales for the period under review were ¥128,160 million (up 48.2% YoY), ordinary profit was ¥32,546 million (up 84.9% YoY), and profit attributable to owners of parent was ¥14,220 million (up 95.1% YoY).

Operating results by segment are as follows:

(i) Film and Video-related business

In the movie business, we distributed 33 films, including co-produced works, of which *ONE PIECE FILM RED* became the highest-grossing film in our Group's history, and *THE FIRST SLAM DUNK* and *Dragon Ball Super: SUPER HERO* were also big hits.

In the television content business, the Company worked to enhance the content of its productions and secure the number of orders received by producing programs such as *AIBOU (Partners) season21*, *The Woman of S.R.I. 2022* and *KAMEN RIDER GEATS*, while sales of merchandising rights for characters remained strong amid diversifying consumer preferences regarding toys, etc.

In the Entertainment content business, in addition to sales of terrestrial, BS and CS broadcasting rights and video rights for theatrical films, etc., we sold items including DVD and Blu-ray disc titles of theatrical films, DVD and Blu-ray disc titles of TV films and content for VOD (Video on Demand) operators. In the animation-related business, sales of overseas screening rights and overseas video distribution rights for *Dragon Ball Super: SUPER HERO*, *ONE PIECE FILM RED* and *THE FIRST SLAM DUNK*, as well as sales of merchandising rights for *ONE PIECE* and the *Dragon Ball* series in Japan and overseas performed well.

Consequently, the segment reported net sales of ¥100,185 million (up 52.8% YoY) and an operating profit of ¥28,199 million (up 85.3% YoY).

(ii) Entertainment-related business

In the movie exhibition business, box-office revenues remained steady, backed by the screening of hit movies such as *ONE PIECE FILM RED*. Furthermore, on December 4, 2022, "Shibuya TOEI" (two screens), a movie theater directly operated by the Company, was closed, and as of the end of the quarter under review, the Group operated 212 screens (including two screens directly operated by the Company).

Consequently, the segment reported net sales of ¥14,053 million (up 32.4% YoY) and an operating profit of ¥915 million (compared to an operating loss of ¥126 million in the same period of the previous fiscal year).

(iii) Event-related business

In the event business, we held various events such as "KAMEN RIDER 50 YEARS EXHIBITION," "120th Anniversary Exhibition Happy Birthday! Peter Rabbit," and popular character shows, and we also sold movie-related products and conducted mail-order sales of event-related products. At TOEI Kyoto Studio Park, there were signs that the number of visitors was trending toward recovery, thanks to the easing of restrictions on people's actions.

Consequently, the segment reported net sales of ¥6,337 million (up 95.3% YoY) and an operating profit of ¥769 million (compared to an operating loss of ¥452 million in the same period of the previous fiscal year).

(iv) Tourism real estate business

In the real estate leasing business, rental facilities such as “Platz Oizumi,” “Oz Studio City,” “Shibuya Toei Plaza,” “Shinjuku Sanchome East Bldg.” and “Hiroshima Toei Plaza” were in operation. In the hotel business, the increase in inbound tourism caused by the easing of border control measures and the implementation of nationwide travel support led to a recovery in tourism demand.

Consequently, the segment reported net sales of ¥4,253 million (up 14.1% YoY) and an operating profit of ¥1,526 million (up 47.0% YoY).

(v) Architectural interior design business

Private capital investment is on the rise, and construction demand is showing solid trends. On the other hand, prices for a wide range of materials and equipment have risen, necessitating measures in the areas of order receipt and procurement. Under these circumstances, we conducted aggressive sales activities to secure existing customers and increase orders to handle construction work related to cinema complexes and other projects.

Consequently, the segment reported net sales of ¥3,330 million (down 0.6% YoY) and an operating profit of ¥77 million (down 65.0% YoY).

(2) Explanation of financial position

Total assets at the end of the quarter under review amounted to ¥372,239 million, up ¥23,678 million from the end of the previous fiscal year. This was mainly due to increases of ¥5,954 million in cash and deposits, ¥9,942 million in notes and accounts receivable - trade, and contract assets, ¥2,200 million in merchandise and finished goods, ¥1,910 million in “other” in current assets, ¥1,717 million in land and ¥5,788 million in “other” in investments and other assets and decreases of ¥1,300 million in work in process and ¥3,889 million in investment securities.

Total liabilities amounted to ¥93,240 million, up ¥5,807 million from the end of the previous fiscal year. This was mainly due to increases of ¥2,911 million in notes and accounts payable - trade, ¥2,593 million in income taxes payable and ¥7,071 million in long-term borrowings and a decrease of ¥7,022 million in short-term borrowings.

Total net assets amounted to ¥278,998 million, up ¥17,871 million from the end of the previous fiscal year. This was mainly due to increases of ¥13,447 million in retained earnings and ¥7,665 million in non-controlling interests and a decrease of ¥3,584 million in valuation difference on available-for-sale securities.

(3) Information regarding consolidated earnings forecasts and other forward-looking statements

With regard to earnings forecasts for the fiscal year ending March 31, 2023, at present, there are no changes to the earnings forecasts announced on November 14, 2022. Please note that actual results may differ from the forecasts described in this document due to various factors, including the economic environment surrounding the Group’s business and market trends.

2. Quarterly consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	81,631	87,585
Notes and accounts receivable - trade, and contract assets	23,775	33,718
Merchandise and finished goods	1,571	3,772
Work in process	17,648	16,348
Raw materials and supplies	425	580
Other	4,493	6,403
Allowance for doubtful accounts	(62)	(62)
Total current assets	129,483	148,347
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	35,661	36,487
Land	49,851	51,569
Other, net	3,750	3,642
Total property, plant and equipment	89,264	91,699
Intangible assets	1,087	1,567
Investments and other assets		
Investment securities	114,288	110,398
Other	14,652	20,440
Allowance for doubtful accounts	(215)	(214)
Total investments and other assets	128,726	130,625
Total non-current assets	219,077	223,892
Total assets	348,561	372,239
Liabilities		
Current liabilities		
Notes and accounts payable - trade	28,567	31,478
Short-term borrowings	7,570	547
Current portion of long-term borrowings	3,133	2,237
Income taxes payable	3,201	5,795
Provision for bonuses	1,182	684
Other	11,995	13,914
Total current liabilities	55,649	54,659
Non-current liabilities		
Long-term borrowings	7,217	14,288
Provision for retirement benefits for directors (and other officers)	844	313
Provision for share awards for directors (and other officers)	100	235
Retirement benefit liability	4,825	4,974
Other	18,796	18,768
Total non-current liabilities	31,784	38,581
Total liabilities	87,433	93,240

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Net assets		
Shareholders' equity		
Share capital	11,707	11,707
Capital surplus	22,598	22,656
Retained earnings	142,457	155,904
Treasury shares	(11,040)	(11,597)
Total shareholders' equity	165,723	178,670
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	23,310	19,726
Deferred gains or losses on hedges	(1)	(9)
Revaluation reserve for land	11,508	11,508
Foreign currency translation adjustment	533	1,338
Remeasurements of defined benefit plans	(310)	(264)
Total accumulated other comprehensive income	35,040	32,299
Non-controlling interests	60,363	68,028
Total net assets	261,127	278,998
Total liabilities and net assets	348,561	372,239

(2) Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	86,492	128,160
Cost of sales	50,735	74,598
Gross profit	35,757	53,562
Selling, general and administrative expenses	21,712	24,623
Operating profit	14,044	28,939
Non-operating income		
Dividend income	685	1,441
Share of profit of entities accounted for using equity method	2,075	1,837
Subsidy income	887	420
Other	144	242
Total non-operating income	3,792	3,942
Non-operating expenses		
Interest expenses	49	88
Foreign exchange losses	98	192
Other	86	54
Total non-operating expenses	235	335
Ordinary profit	17,601	32,546
Extraordinary income		
Gain on sale of non-current assets	718	–
Subsidies for employment adjustment	24	–
Total extraordinary income	742	–
Extraordinary losses		
Loss on retirement of non-current assets	8	10
Loss on disaster	6	9
Loss on valuation of investment securities	188	–
Loss due to temporary closure	159	–
Other	–	0
Total extraordinary losses	363	20
Profit before income taxes	17,980	32,526
Income taxes - current	4,713	8,486
Income taxes - deferred	260	146
Total income taxes	4,974	8,633
Profit	13,006	23,892
Profit attributable to non-controlling interests	5,717	9,672
Profit attributable to owners of parent	7,288	14,220

Consolidated statements of comprehensive income (cumulative)

	(Millions of yen)	
	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	13,006	23,892
Other comprehensive income		
Valuation difference on available-for-sale securities	591	(2,624)
Deferred gains or losses on hedges	(4)	(8)
Foreign currency translation adjustment	508	1,749
Remeasurements of defined benefit plans, net of tax	(21)	(24)
Share of other comprehensive income of entities accounted for using equity method	1,617	(1,169)
Total other comprehensive income	2,691	(2,077)
Comprehensive income	15,697	21,815
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,668	11,479
Comprehensive income attributable to non-controlling interests	6,029	10,336

(3) Notes to quarterly consolidated financial statements

Notes on going concern assumptions

Not applicable.

Notes on significant changes in the amount of shareholders' equity

Not applicable.

Additional information

Abolition of reserve for executive retirement benefits

The Company resolved to make a termination payment in connection with the abolition of the reserve for executive retirement benefits at the Annual General Meeting of Shareholders held on June 29, 2022. Accordingly, the “provision for retirement benefits for directors (and other officers)” was reversed, and the unpaid amount of ¥450 million for the termination payment was included in “other” under the non-current liabilities.

Performance-based stock remuneration system

Effective from the second quarter, the Company has targeted Managing Directors (excluding Managing Directors who are Audit and Supervisory Committee members, outside Managing Directors or non-residents of Japan) and Executive Directors (excluding non-residents of Japan; Managing Directors and Executive Directors are collectively referred to as “Eligible Persons”) for inclusion in a performance-based stock remuneration system (the “System”) that the Company has introduced through the executive compensation BIP trust. The linkage between the compensation of Eligible Persons and the Company’s business performance and shareholder value is clarified with the main purpose of raising awareness of the need to contribute to the medium- and long-term performance improvement and increase corporate value and share with shareholders the returns and risks associated with stock price fluctuations.

The accounting treatment for such trust agreement is in accordance with the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (ASBJ PITF No.30, March 26, 2015).

(1) Transaction summary

In this System, shares of the Company, etc., will be issued in accordance with the degree of achievement of the position and performance targets for the three consolidated fiscal years from the consolidated fiscal year ending March 31, 2023, to the consolidated fiscal year ending March 31, 2025.

(2) Shares of the Company remaining in the trust

The Company’s shares remaining in the trust are recorded as treasury shares under net assets at their book value in the trust (excluding the amount of incidental expenses). The book value of such treasury shares at the end of the quarter under review was ¥553 million, and the number of shares was 29,300.

Segment information and other information

Segment information

I Nine months ended December 31, 2021

1. Information relating to the amounts of net sales and profit or loss by reportable segment

(Millions of yen)

	Film and Video-related business	Entertainment-related business	Event-related business	Tourism real estate business	Architectural interior design business	Total	Adjustment (Note 1)	Amount recorded in the consolidated statements of income (Note 2)
Net sales								
Net sales to external customers	65,550	10,618	3,244	3,727	3,352	86,492	–	86,492
Inter-segment net sales or transfers	1,105	144	431	441	27	2,150	(2,150)	–
Total	66,655	10,762	3,676	4,169	3,379	88,643	(2,150)	86,492
Segment profit (loss)	15,215	(126)	(452)	1,038	221	15,897	(1,852)	14,044

Notes: 1. The segment profit (loss) adjustment of ¥(1,852) million includes the elimination of inter-segment transactions of ¥(17) million and company-wide expenses of ¥(1,835) million that are not allocated to each reportable segment. Company-wide expenses mainly consist of general and administrative expenses that do not belong to any reportable segment.

2. Segment profit (loss) is adjusted with operating profit in the consolidated statements of income.

II Nine months ended December 31, 2022

1. Information relating to the amounts of net sales and profit or loss by reportable segment

(Millions of yen)

	Film and Video-related business	Entertainment-related business	Event-related business	Tourism real estate business	Architectural interior design business	Total	Adjustment (Note 1)	Amount recorded in the consolidated statements of income (Note 2)
Net sales								
Net sales to external customers	100,185	14,053	6,337	4,253	3,330	128,160	–	128,160
Inter-segment net sales or transfers	2,633	137	429	555	186	3,943	(3,943)	–
Total	102,819	14,191	6,766	4,809	3,516	132,103	(3,943)	128,160
Segment profit	28,199	915	769	1,526	77	31,487	(2,548)	28,939

Notes: 1. The segment profit adjustment of ¥(2,548) million includes the elimination of inter-segment transactions of ¥(73) million and company-wide expenses of ¥(2,474) million that are not allocated to each reportable segment. Company-wide expenses mainly consist of general and administrative expenses that do not belong to any reportable segment.

2. Segment profit is adjusted with operating profit in the consolidated statements of income.