TOEI ANIMATION

Financial results briefing of FY2026.3

Q&A

[Question (1)]

It has been announced that One Piece will adopt a two-cour broadcasting format starting this fiscal year, but what impact will the reduction in the number of episodes have on sales? Has there been any change in the strategy for the One Piece series?

[Answer (1)]

One Piece, one of our flagship titles, returned this April with a new series following a three-month hiatus, and it has been very well received by viewers.

As you pointed out, the series will be broadcast in a two-cour format each year, totaling approximately 26 episodes annually. This is a measure intended to maintain the pacing, narrative density, and quality of the series by aligning the anime more closely with the pacing and rhythm of the currently serialized original manga.

While the lower number of episodes, which is purely quantitative and does not reflect any decline in quality, may have a certain negative impact on some areas of film sales, we believe that, from the perspective of the overall One Piece series and its related businesses as a whole including its secondary uses, the positive impact of enhancing the quality of the work and further strengthening its reputation will be far greater.

In addition to the TV series, various plans are in progress, including spin-offs and movies, so we hope you will look forward to further growth and excitement surrounding One Piece.

[Question (2)]

Despite setting targets of 200 billion yen in net sales and 50 billion yen in operating profit for the final year of the medium-term management plan, your guidance forecasts a decline in profit. What initiatives will you undertake to achieve these targets?

[Answer (2)]

As explained earlier, for the fiscal year ending March 2027, we have provided guidance of 100 billion yen in net sales and 25 billion yen in operating profit (27 billion yen before strategic investments), representing higher sales but lower profits year on year.

This is because, in line with the “Mid-Term Management Plan/VISION 2030” announced in October last year, we will implement various strategic investments starting this fiscal year, the first year of the plan, to strengthen our existing businesses and pursue new business initiatives.

Although profit levels will decline in the short term, we will proactively make strategic investments to realize the “ideal vision” set forth in our Medium-term Management Plan/VISION2030. As a result of these efforts, we expect that five years from now, we will have fully established the structure for further growth on a global scale.
To achieve our goals of 200 billion yen in net sales and 50 billion yen in operating profit over the next five years, we plan to enhance both profit levels and profitability through the broader ripple effects generated by major flagship titles, as well as through the promotion of M&As that capitalize on favorable business opportunities. Please remain optimistic.

[Question (3)]
You announced the acquisition of shares in Gaudiy Group. What are the background and objectives of this investment?
[Answer (3)]
As you mentioned, in April of this year, we acquired shares in Gaudiy Group through the subscription to a third-party allotment of new shares issued by the company.
Gaudiy Group’s mainstay fan community business develops services such as “Gaudiy Fanlink,” an interactive community application that connects content holders and fans by utilizing advanced technologies.
In addition, as part of its global media business, Gaudiy Group operates “MyAnimeList,” an overseas Japanese anime review website with approximately 20 million registered users worldwide. By utilizing the extensive big data accumulated through “MyAnimeList,” we believe it will become possible to develop more effective marketing strategies.
We expect that this investment will contribute significantly to further strengthening the global growth of our IP and our global business development capabilities, both of which are key themes set forth in our Medium-Term Management Plan.

[Question (4)]
There are concerns that the advancement of generative AI will lower the barrier to entry into the animation industry in the future. I’d like to know how the company internally views the current situation.
[Answer (4)]
In April of last year, we entered into a capital and business alliance with Preferred Networks (“PFN”), one of Japan’s leading AI development startups.
As you are well aware, animation production has many labor-intensive aspects, and the industry continues to face a chronic shortage of creators and animation production personnel.

Going forward, by combining PFN's AI technological capabilities with our animation production expertise and our proprietary archive of high-quality, noise-free historical data, we intend to further deepen and accelerate business creation initiatives through the joint venture company, and lead these efforts to improvements in animation's video quality and production efficiency, as well as to better working environments for creators.

[Question (5)]
DIGIMON is performing well in games and sales of goods. What is your medium- to long-term strategy going forward? Could you also tell us your thoughts on overseas regional expansion?
[Answer (5)]
As you pointed out, the Licensing business for the Digimon series performed strongly this fiscal year.
In particular, products such as the video game released by Bandai Namco Entertainment that became major hits and trading card games developed by Bandai have achieved greater success overseas than in Japan. As a result, the Digimon series has become positioned within our company as a truly global IP.
In addition, with the latest title, "DIGIMON BEATBREAK," which has been airing since last autumn, we are continuing to take on various new challenges, including not only engaging with long-time fans, but also attracting new fanbases.
We believe the Digimon series is an IP that still has significant room for growth without limiting its focus to any particular region. Therefore, we hope to further expand this series in a variety of ways going forward, both from the perspectives of planning and production, and business.

[Question (6)]
Could you tell me the ratio of sales in China? Isn't a high level of dependence on China a risk?
[Answer (6)]
While we will refrain from disclosing specific figures regarding the proportion of sales generated in China, the sales composition ratio of Asia, including China, has been on a declining trend due to the regional expansion of our major IPs, such as One Piece and Dragon Ball, particularly in North America and Europe.
We recognize the deterioration in Japan-China relations as one of the geopolitical risks, and we have issued guidance with such factors in mind. However, the diversified regional expansion that we have cultivated as a strength has proven effective, and at present, we have not seen any significant impact on our business.

In our Medium-Term Management Plan, in addition to further strengthening our business structure in North America, Europe, and Asia, we have also set forth plans to expand into regions such as the Middle East and Latin America. Going forward, we will continue to develop our business under the policy of mitigating geopolitical risks through expansion into new countries and regions.

[Question (7)]
What is the impact of the conflict in the Middle East? Will it affect the progress of the Dragon Ball theme park project?
[Answer (7)]
Amid the ongoing instability in the region, we are prioritizing the safety of our employees and have implemented measures such as travel restrictions. However, there has been no significant impact on project execution, and the Dragon Ball theme park project is progressing according to the original schedule.
Our local partner companies have also informed us that they are continuing normal operations after confirming safety conditions.
While continuing to ensure the safety of our employees, we will proceed as scheduled.

[Question (8)]
It has been announced that “THE ONE PIECE” will begin streaming in February 2027. What effects do you expect from this launch?
[Answer (8)]
As you are aware, “THE ONE Piece,” a new anime series based on “ONE PIECE,” is scheduled to begin streaming in February 2027.
The series will be newly produced starting from the “East Blue Arc,” the very beginning of the “ONE PIECE” story that has already aired more than 1,000 episodes, so we expect that it will not only delight existing fans but also make a significant contribution to attracting new audiences.
In terms of the impact on our financial performance, we plan to recognize a portion of the related revenue in the Film Business segment during the current fiscal year.
Please look forward to the further expansion of the overall “ONE PIECE” IP through the synergy between the currently airing “ONE PIECE” anime series and “THE ONE PIECE.”

[Question (9)]
I understand that the company will become a constituent of TOPIX starting this year. Is this correct?

[Answer (9)]
According to the new rules recently announced by the Tokyo Stock Exchange, we understand that there is a possibility that we will be “included in the TOPIX index” starting this October, as we meet the two quantitative criteria of “annual turnover ratio” and “cumulative free-float market capitalization ratio.”
Since this is the first phase of implementing the new rules, we do not expect the weighting of our stock in the index to be particularly high; however, we expect that this will stimulate demand from index-linked passive funds, which have been difficult to attract under the company’s current listing on the Tokyo Stock Exchange Standard Market.
As a result, we expect improved liquidity and higher trading value, and we also hope that high-quality institutional investors who had previously hesitated to invest in our shares due to liquidity concerns will consider holding our stock.

[Question (10)]
The share price has remained weak. How does the company view the current situation?
[Answer (10)]
As you pointed out, while the Company’s business performance remains strong, our share price has recently been trading in the JPY 2,600 range.
In principle, share prices are determined by market supply and demand, and therefore, as the issuer, we would like to refrain from commenting on whether the current share price is undervalued or overvalued.
On the other hand, when we look back at recent share price movements, we believe the situation may be attributable more to macroeconomic factors rather than to stock-specific factors.
As many of you are aware, beginning around mid-February this year, SaaS-related companies were among the first to be affected by the so-called “Anthropic Shock” among institutional investors. We believe that this subsequently led to broader concerns across entertainment companies that “generative AI could significantly lower barriers to entry in areas such as film production, intensify competition, or potentially even leave some companies behind.”
As we mentioned earlier in response to the question regarding AI, we recognize that the Company is not one that will be displaced by AI, but rather one that will leverage AI effectively to enhance corporate value.
Going forward, we will continue striving to achieve sustainable growth and enhance our medium- to long-term corporate value by improving capital efficiency. We will also work to meet the expectations of our shareholders and investors by aiming to achieve a steadily rising share price from a medium- to long-term perspective.

To that end, we will first focus on demonstrating the feasibility of the recently announced VISION2030 Medium-Term Management Plan through various initiatives, so that we can meet the expectations of our shareholders.
We sincerely appreciate your continued support.

[Question (11)]
“Dragon Ball Super: Beerus” is scheduled to begin airing this fall. Could you share the projected contribution to earnings? Also, please share your future IP strategy for Dragon Ball as a whole.
[Answer (11)]
“Dragon Ball Super: Beerus” is scheduled to start airing this fall. As a new film following last year’s “Dragon Ball DAIMA,” we believe it will further expand the recognition of the Dragon Ball series.
While this series is a remake, it is being produced as an “enhanced edition” that goes beyond a conventional remake. By fully leveraging our advanced animation production capabilities, we aim to deliver the series at a high level of quality, so please look forward to it.
As for the Dragon Ball series overall, we have also announced other projects, including the brand-new “Dragon Ball Super: The Galactic Patrol” and the Dragon Ball theme park project.
Under our Medium-Term Management Plan, VISION2030, Dragon Ball is also positioned as a worldwide IP with significant growth potential. Going forward, we will continue implementing various initiatives to further expand the work globally.

[Question (12)]
Could you tell us the impact of foreign exchange rates? Also, based on the recent movement in the USD/JPY exchange rate, could you explain how you expect it to affect performance for the current fiscal year?
[Answer (12)]
As I explained earlier, since most of our sales come from overseas markets, a weaker yen is basically a positive factor for our earnings.
Due to the complex nature of individual contract terms and confidentiality restrictions, we have not disclosed our foreign exchange sensitivity. However, I will talk about it as much as I can.
By region, sales are highest in North America, followed by Asia and Europe. Many businesses in Asia also trade in U.S. dollars, thus U.S. dollar transactions dominate the overall volume.

In terms of segments, overseas film and licensing are affected by fluctuations in foreign exchange rates.
In fiscal year 2025, foreign exchange resulted in a boost of approximately 4.2 billion yen on a net sales basis.
By the way, the USD/JPY budget rate set at the beginning of the term was 145 yen, but for the full year, we were able to settle at approximately 149 yen on a simple average basis.
For fiscal year 2026, we are planning based on an exchange rate of 150 yen to the U.S. dollar.
Although the yen remains weak against other currencies, we will continue to act cautiously and appropriately in response to developments in the macroeconomic environment, including the monetary policies of the Federal Reserve and the Bank of Japan.

[Question (13)]
The profit margin of the licensing business has been rising year by year. What are the specific factors driving this trend?
[Answer (13)]
As we have consistently mentioned, our company is currently implementing various IP strategies for the future. However, looking at our current results, the majority of our revenue still comes from so-called “export model” works—those that originated as domestic television programs and expanded globally following their success in Japan.
Since the export model naturally starts in Japan, the business first aims to recoup costs in the domestic market before expanding overseas. As a result, overseas business tends to generate significantly higher profit margins structurally.
Therefore, we believe that the recent rise in profit margins in the licensing business is partly attributable to the increasing level of success in overseas markets.
Furthermore, original titles, which involve fewer rights holders, including original creators, tend to maintain higher profit margins. Accordingly, the strong performance of our original titles, such as “Pretty Cure” and “Girls Band Cry”, is also contributing to the overall improvement in profit margins in the Licensing Business.

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