

TOEI ANIMATION CO., LTD

Nov 2, 2016



For FY Ended September 30, 2016 (April 1, 2016 to September 30, 2016)



*Witchy Pretty Cure! The Movie
Wonderous! Cure Mofurun!*
Showing at theaters from October 29, 2016



POPIN Q
To be released on December 23, 2016

15歳
寄り道
青春もまた、
冒険

12.23(金・祝)正月第一弾
全国拡大ロードショー決定!
popin-q.com

ポップンQ
POP IN Q
東映アニメーション60周年記念作品

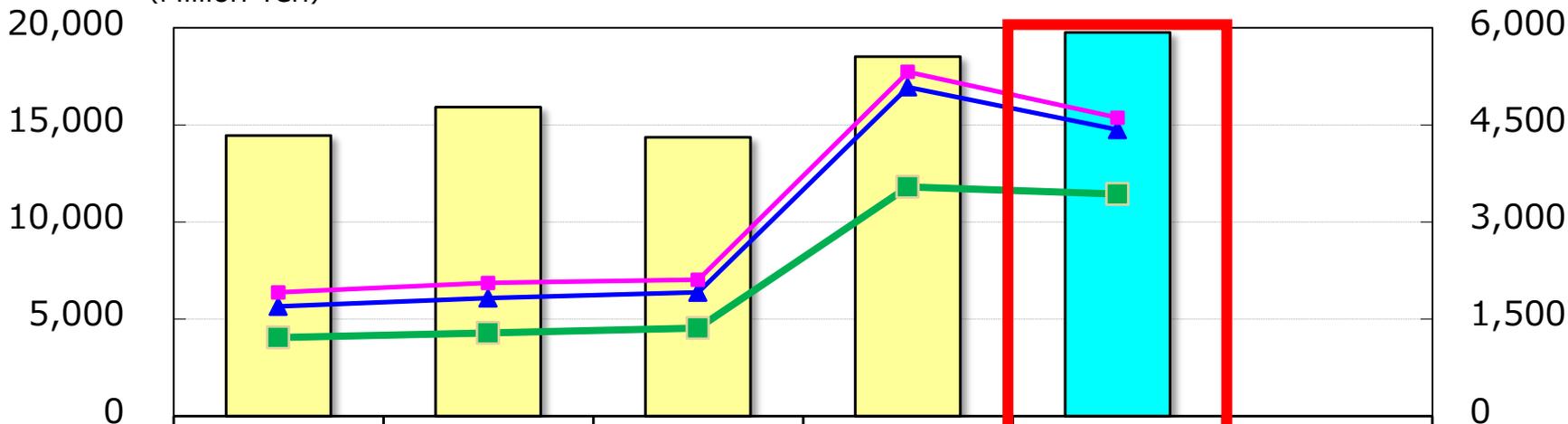
FY2017.3 Second Quarter Results – Consolidated

- Good performance of sales relating to tie-ups and promotions linked to the release of *ONE PIECE FILM GOLD* in theaters.
- Strong license sales for app games in the domestic and the overseas segment.
- Partial postponement of sales from large-scale online distribution licensing for China relating to multiple titles scheduled to the second half.

Net Sales

Income

(Million Yen)



	FY2013.3 2Q	FY2014.3 2Q	FY2015.3 2Q	FY2016.3 2Q	FY2017.3 2Q	% v.s. prior year
Net Sales	14,467	15,920	14,373	18,519	19,774	6.8%
Cost of Sales	10,451	11,551	9,704	10,838	12,612	16.4%
SG&A	2,321	2,546	2,757	2,596	2,736	5.4%
Operating Income	1,694	1,822	1,911	5,085	4,426	-13.0%
Ordinary Income	1,911	2,059	2,106	5,320	4,612	-13.3%
Net Income	1,216	1,286	1,360	3,541	3,433	-3.0%

FY2017.3 2Q Results Segment Breakdown – Consolidated

(Million Yen)		FY2016.3 2Q	FY2017.3 2Q	% v.s. prior year
FILM	Net Sales	7,869	7,154	-9.1%
	Segment Income	2,604	1,578	-39.4%
Licensing	Net Sales	7,526	8,534	13.4%
	Segment Income	3,357	3,895	16.0%
Sales of Goods	Net Sales	2,357	3,329	41.2%
	Segment Income	-1	124	-
Others	Net Sales	862	916	6.3%
	Segment Income	27	50	84.1%
TOTAL	Net Sales	18,519	19,774	6.8%
	Operating Income	5,085	4,426	-13.0%

*Numbers for each segment includes intra-company sales.

FY2017.3 2Q Results Segment Analysis (1) (Film)

(Million Yen)		FY16.3 2Q	FY17.3 2Q
Net Sales		18,519	19,774
Operating Income		5,085	4,426
Film		7,869	7,154
	Movies	317	998
	TVs	1,537	1,691
	DVDs	521	389
	Overseas	4,329	3,288
	Others	1,163	786
Licensing		7,526	8,534
	Japan	4,808	5,284
	Overseas	2,717	3,249
Sales of Goods		2,357	3,329
Others		862	916

Film (9.1% year on year)

- In movies, revenues substantially increased due to revenues from the production and distribution of *ONE PIECE FILM GOLD*.
- In TV Anime, revenues substantially increased due to the strong performance of sound production for games, etc., despite a decrease in the number of titles aired and distributed (from seven to four).
- In DVDs, revenues substantially decreased due to the incorporation of sound production games into TV Anime, etc.
- In the Overseas segment, revenues substantially decreased due to the partial postponement of sales from large-scale online distribution licensing for China relating to multiple titles for the same period of the previous year to the second half.
- In the Others segment, revenues fell sharply largely due to the effect of terminating the service for the social game *SAINT SEIYA Galaxy Card Battle*, despite the strong performance of online distribution service.

* The figures for each segment include intra-company sales.

FY2017.3 2Q Results Segment Analysis (2)

(Licensing/Sales of Goods/Others)

(Million Yen)		FY16.3 2Q	FY17.3 2Q
Net Sales		18,519	19,774
Operating Income		5,085	4,426
Film		7,869	7,154
	Movies	317	998
	TVs	1,537	1,691
	DVDs	521	389
	Overseas	4,329	3,288
	Others	1,163	786
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	Japan	4,808	5,284
	Overseas	2,717	3,249
Sales of Goods		2,357	3,329
Others		862	916

Licensing (↑ 13.4% year on year)

- In domestic licensing, revenues increased due to the strong performance of app games such as *DRAGON BALL Z DOKKAN BATTLE* and products related to *ONE PIECE*.
- In overseas licensing, revenues increased substantially, reflecting the strong sales of the app game *DRAGON BALL Z DOKKAN BATTLE* and *ONE PIECE TREASURE CRUISE* in the whole world, gaming rights and the *SAINT SEIYA* series app game in China.

Sales of Goods (↑ 41.2% year on year)

- Revenues increased considerably due to the strong sales of collaborative and promotional products, and merchandise sales at overseas events in support of the theatrical release of *ONE PIECE FILM GOLD*.

Others (↗ 6.3% year on year)

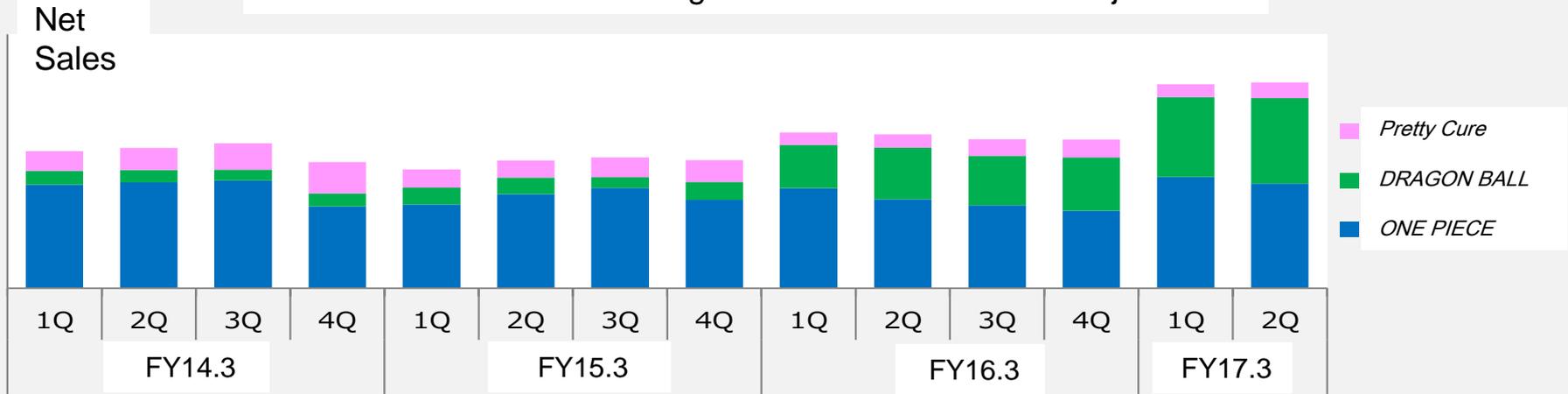
- Revenues rose due to the favorable operation of events related to *DRAGON BALL* series and *SAINT SEIYA* series.

* The figures for each segment include intra-company sales

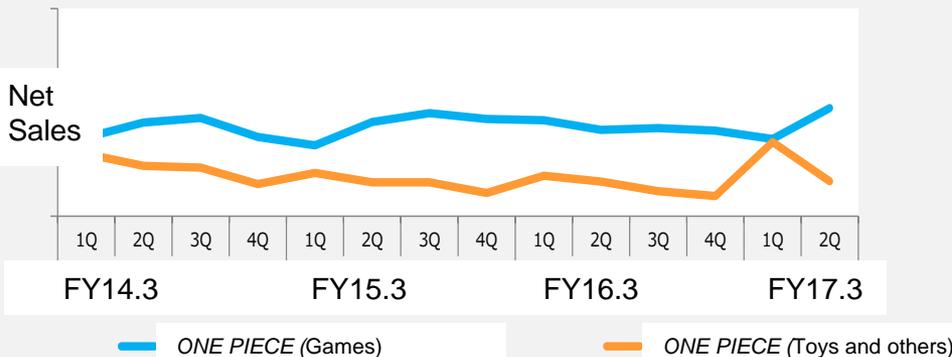
Trends in Domestic Licensing for Major Titles

- Success with actions linked with the release of the movie *ONE PIECE*.
- Revenues from app games of *DRAGON BALL* and *ONE PIECE* remained strong.
- Expansion of the weight of the two major titles and the reliance on gaming rights.

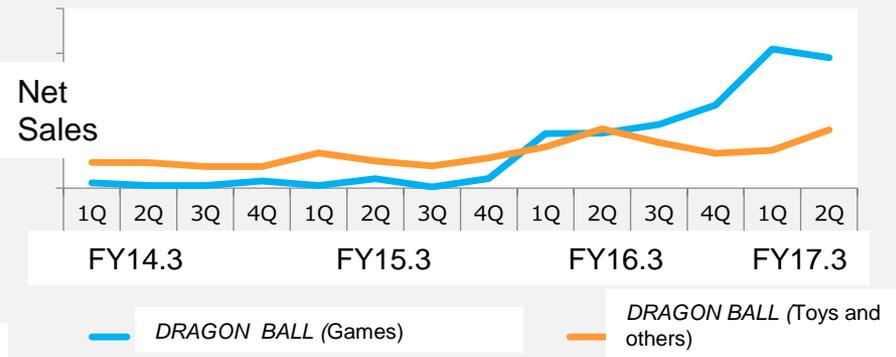
Trends in Domestic Licensing Revenues for the Three Major Titles



Trends in Domestic Licensing Revenues for *ONE PIECE*



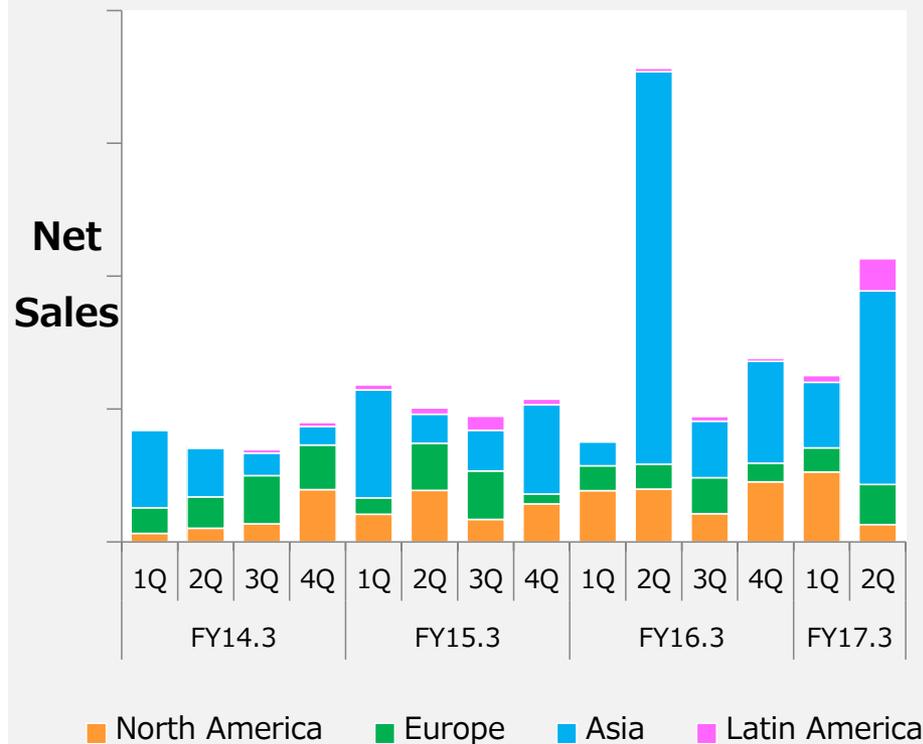
Trends in Domestic Licensing Revenues for *DRAGON BALL*



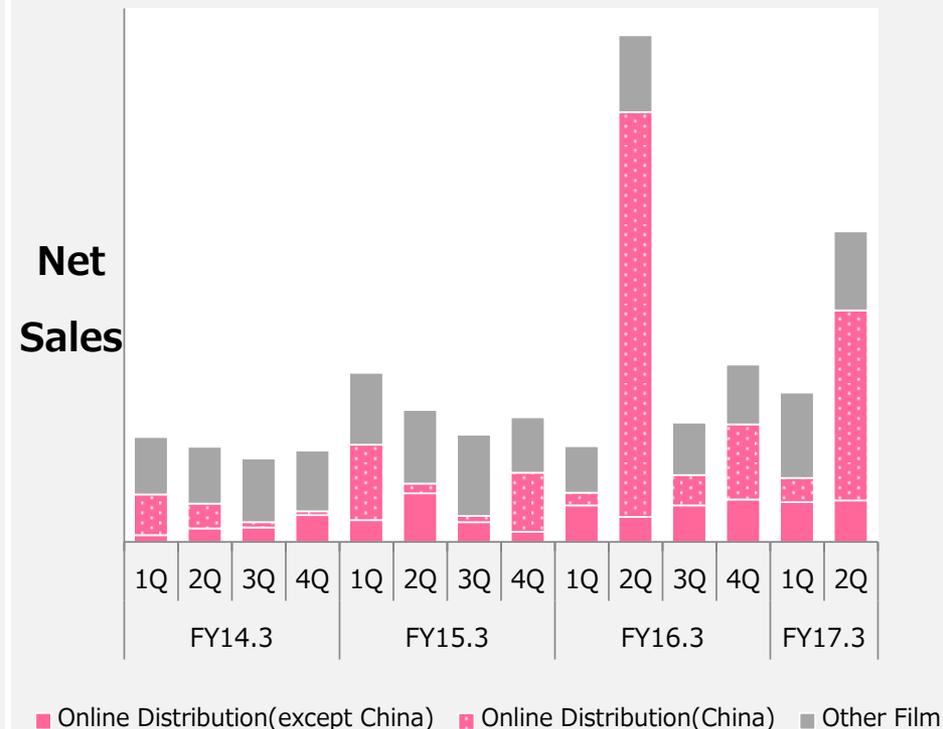
Trends in Film Overseas

- Partial postponement of sales from large-scale online distribution licensing for China scheduled to the second half.
- Good overseas performance of *DRAGON BALL Z Resurrection 'F'*.
- The influence of exchange rates, tightened capital regulations and concerns about restrictions on content in China.

Trends in Net Sales of Film Overseas



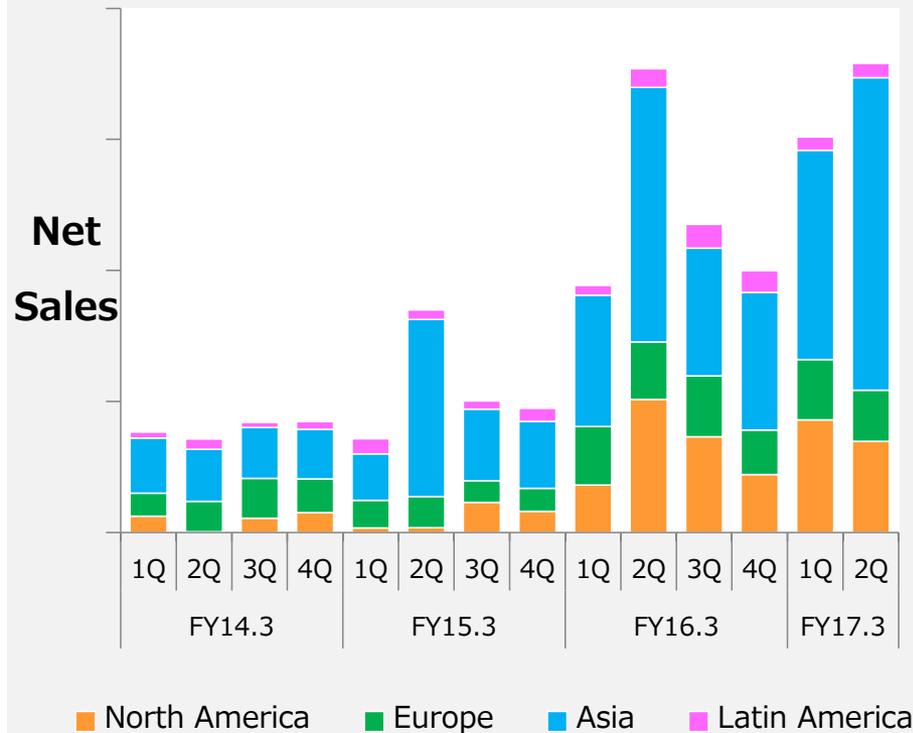
Breakdown of Net Sales by Business



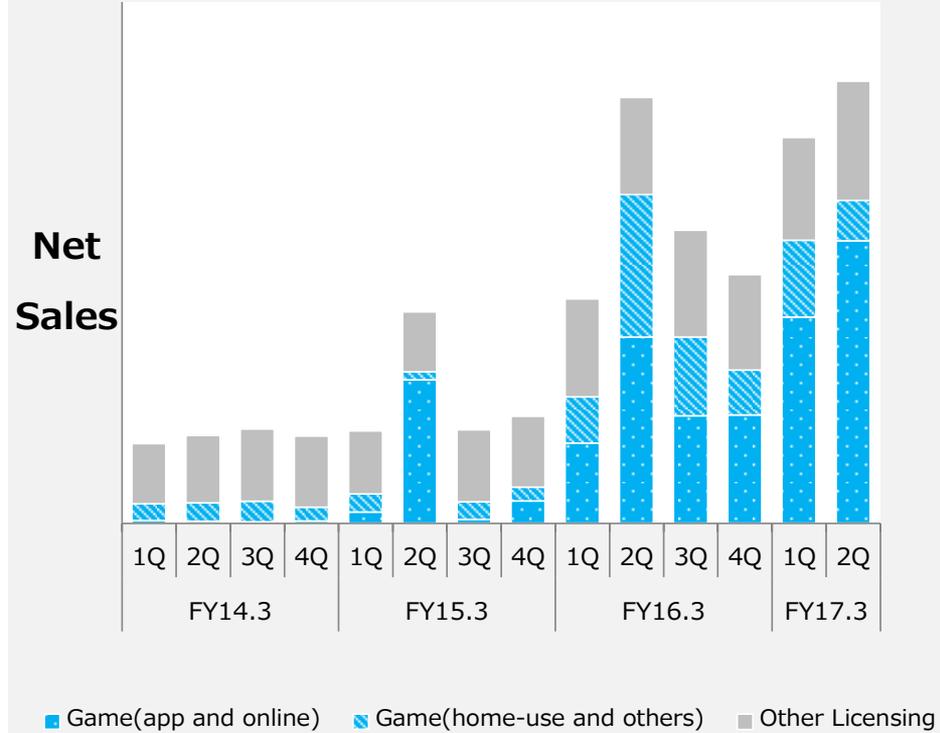
Trends in Licensing Overseas

- The sales of app games of *DRAGON BALL* and *ONE PIECE* in the whole world performed strongly.
- Tendency toward shrinking sales in gaming rights for home-use in the US and Europe.
- Trend of expansion for the mobile app market for China and expansion of reliance on gaming rights.

Trends in Net Sales of Licensing Overseas



Breakdown of Net Sales by Business



FY2017.3 Second Quarter Results Review

(Million Yen)	FY16.3 2Q	FY17.3 2Q	+ -	% v.s. prior year
Net Sales	18,519	19,774	1,254	6.8%
Costs of Sales	10,838	12,612	1,773	16.4%
Gross Profit	7,681	7,162	-518	-6.8%
SG & A	2,596	2,736	140	5.4%
Operating Income	5,085	4,426	-658	-13.0%
Non-Operating Income	263	246	-16	-6.2%
Non-Operating Expense	27	60	32	118.5%
Ordinary Income	5,320	4,612	-707	-13.3%
Extraordinary Gain and Loss	-220	204	424	-
Net Income before tax	5,100	4,817	-283	-5.6%
Income Taxes	1,518	1,504	-13	-0.9%
Income Taxes Adjustment	41	-120	-162	-
Minority Interest	-	-	-	-
Net Income	3,541	3,433	-107	-3.0%

Net Sales

- Businesses with sharp increases in revenues
 - Sales of Goods[971] ⇒
 - Movies[681] ⇒
 - Licensing Overseas[532]
- Businesses with significant declines in revenues
 - Film Overseas[-1,041] ⇒
 - Film Others[-376] ⇒
 - DVDs[-132]

Cost of Sales / Gross Profit

- The cost rate was deteriorated to **63.8%** (from 58.5% in 2Q of the previous FY)
 - Partial postponement of overseas sales to the second half and expansion of sales of goods, among others.
 - Provision for retirement benefits increased due to the introduction of the contract employee system.

SG&A

- SG&A[+140]
 - Advertising expenses[+86] (from 136 in the previous FY to 223 in the current FY)
 - Provision for retirement benefits[+62] (from 47 in the previous FY to 110 in the current FY)
 - Outsourcing expenses[+49](from 78 in the previous FY to 128 in the current FY)

Extraordinary Gain and Loss

- Extraordinary gain[260]
gain on sales of securities
- ※extraordinary loss [220] due to the cost for demolishing Oizumi Studio in the previous FY

FY2017.3 Revised Estimates – Consolidated

(Million Yen)	First-half				Full Year			
	Previous Estimates (May.12)	Revised estimates (Oct.24)	+-	%	Previous Estimates (May.12)	Revised estimates (Oct.24)	+-	%
Net Sales	16,700	19,700	3,000	18.0%	30,500	35,400	4,900	16.1%
Operating Income	4,000	4,400	400	10.0%	5,700	7,700	2,000	35.1%
Ordinary Income	4,200	4,600	400	9.5%	6,000	8,100	2,100	35.0%
Net Income	2,600	3,400	800	30.8%	3,800	5,800	2,000	52.6%

【FY2017.3 Grounds for full-year earnings estimates】

- Addition of sales from large-scale online distribution licensing for China, which is postponed to the second half
- Sales of app gaming rights are expected to remain strong in the future both domestically and overseas.

Future Initiatives for the second half of the FY2017.3

Strong promotion for development of original titles

■ TV

Digimon Universe App Monsters(Appmon)

- start of TV broadcast on October 1
- Active offering of products to elementary school boys, the main target customers
- Reinforcement of licensing starting with animation for children

■ **Movie POPIN Q**

- nationwide expanded roadshow on December 23

■ **TV KADO: The Right Answer**

- Decision on TV broadcast in 2017
- TV series animation with the Company's first CG

Stabilization of business in China



Online distribution business

■ **Large-scale online distribution licensing**

- Maintenance of the current unit price and number of titles
 - toward a high level of stabilization and long-term transactions
- Concerns about restrictions on content and restrictions on foreign-affiliated companies in China

Licensing business

■ **App games**

- Revenues from *DRAGON BALL Z DOKKAN BATTLE*, *ONE PIECE QI HANG*, *SAINT SEIYA CHONGSHENG* remained strong
- Competition with quality rather than quantity toward long-term expansion

Prompt and diversified overseas expansion

Game business

■ **DRAGON BALL XENOVERSE 2**

- The former title was a big hit with shipment of 3.8 million units total worldwide
- Overseas release before Japan (North America on October 25, Europe on October 27)

Showing in theaters

■ **ONE PIECE FILM GOLD**

- Released in Japan on July 23
- planning to release in 10 countries from August to December, after releasing in Hong Kong and Macau on July 28

Shops/events

■ **Relating to ONE PIECE**

- Opening of a Mugiwara Store for Thailand on September 9
- Opening of restaurants and cafes for Taiwan/South Korea in November

Future Initiatives <Domestic>



Schedule(Domestic)

Film Licensing
Sales of Goods Others

FY17.3 2Q	USJ <i>ONE PIECE</i> Premiere Summer [Jul.1-Sep.4]
	USJ <i>DRAGON BALL Z THE REAL 4-D</i> [Jul.1-Sep.4]
	Digital card game <i>DRAGON BALL Heroes</i> GDM-9 [Jul.14]
	Broadcast of <i>ONE PIECE TVSP HEART OF GOLD</i> [Jul.16]
	Release of <i>ONE PIECE FILM GOLD</i> [Jul.23]
	3DS <i>DRAGON BALL FUSIONS</i> [Aug.4]
	Digital card game <i>DRAGON BALL Heroes</i> GDM-10 [Sep.15]
	Limited-time opening of "Digimon tri. Shop 2" [Sep.23-Oct.12]
	<i>Digimon Adventure tri.</i> Chapter 3 to be put on theaters [Sep.24]
	Start of broadcast of <i>Digimon Universe App Monsters</i> [Oct.1]
Start of broadcast of <i>Tiger Mask W</i> [Oct.1]	
Start of the <i>Cinema Kabuki ONE PIECE</i> in theaters [Oct.22]	
Release of <i>Witchy Pretty Cure! The Movie Wonderful! Cure Mofurun!</i> [Oct.29]	
FY17.3 3Q	PS4 <i>DRAGON BALL XENOVERSE 2</i> [Nov.2]
	Digital card game <i>Super DRAGON BALL Heroes</i> [Nov.17]
	Opening of collaboration cafe " <i>DRAGON BALL x TOWER RECORDS</i> " [November]
	3DS <i>Digimon Universe App Monsters</i> [Dec.1]
	Release of <i>POPIN Q</i> [Dec.23]
FY17.3 4Q~	<i>Digimon Adventure tri.</i> Chapter 4 to be put on theaters [Feb.25]
	Release of the latest movie of <i>Pretty Cure</i> [2017 spring]
	Start of broadcast of <i>KADO: The Right Answer</i> [2017]

Topics

Development of *Dragon Ball* series

■ TV *DRAGON BALL Super*

- broadcasting new chapter "'Future' Trunks" saga from June 12
- Active development of merchandising(card game, toy, etc)

■ App Game *DRAGON BALL Z DOKKAN BATTLE*

- More than 100 million downloads in the world for iOS and Android

■ Events

- "*DRAGON BALL Z THE REAL 4-D*"
Held at Universal Studio Japan from July 1 to September 4
- "*DRAGON BALL* collaboration cafe"
Opened at TOWER RECORDS CAFE for a limited time in November

Development of New Titles

■ Movie *POPIN Q*

- nationwide expanded roadshow from December 23
Scheduled to be put on 200 screens

■ TV *Digimon Universe App Monsters(Appmon)*

- Start of TV broadcast from October 1
- Scheduled expansion of offering for secondary use mainly with toys
- Scheduled release of 3DS game of the same title on December 1

■ TV *Tiger Mask W*

- Start of TV broadcast from October 1
First audience rating: 1.3% (top of the same time slot)

■ TV *KADO: The Right Answer*

- First CG animation decided on TV broadcast in 2017

Future Initiatives <Overseas>

Schedule(Overseas)

Film	Licensing
Sales of Goods	Others

Topics

Development of *ONE PIECE*

■ *ONE PIECE FILM GOLD*

-Planning release/online distribution mainly in regions where the title is more popular, starting from Hong Kong and Macau on July 28.

■ App game *ONE PIECE TREASURE CRUISE*

-More than 50 million downloads in the world
 -Holding a collaboration event with *DRAGON BALL Z DOKKAN BATTLE* in October
 -The area of distribution is being expanded in North America, Europe, Southeast Asia, etc.

Business in China

■ Online Distribution Business

-Online distribution of multiple titles of *ONE PIECE*, etc. is going to stabilize
 -Stronger crackdown on titles that may influence minors in China (our company's titles are not included) and tightened capital regulations

■ App Games

-New contracts for app games will decline from the preceding fiscal year.
 -Development of *Digimon Soul Chaser* was started in August.
 -Development of *Let's Go ONE PIECE* was started in September.
 -We plan to start opened test of *ONE PIECE* on Yesgames in October.



FY17.3 2Q	Holding <i>ONE PIECE MUSIC SYMPHONY</i> in France [Jul.2]	
	Holding <i>ONE PIECE Summer Carnival</i> in Hong Kong [Jul.8-Aug.7]	
	World Premiere of <i>ONE PIECE FILM GOLD</i> in Abu Dhabi [Jul.15]	Film
	Holding <i>SEINT SAIYA PEGASUS SYMPHONY</i> in Spain [Jul.23]	
	Release of <i>ONE PIECE FILM GOLD</i> in Hong Kong and Macau [Jul.28]	Film
	Holding <i>SEINT SAIYA Docks</i> in Hong Kong [Aug.8-31]	
	Release of <i>ONE PIECE FILM GOLD</i> in Taiwan, Singapore, Thailand, Vietnam and Philippines [August]	Film
	Distribution of <i>Digimon Soul Chaser</i> app game for Taiwan and Hong Kong [August]	Licensing
	Opening of "<i>ONE PIECE Mugiwara Store</i>" for Thailand [Sep.9]	Sales of Goods
	Release of <i>Digimon Adventure tri.</i> in North America [Sep.15,17]	
FY17.3 3Q	Distribution of <i>Let's Go ONE PIECE</i> app game for China [September]	Licensing
	Release of <i>ONE PIECE FILM GOLD</i> in Indonesia and Malaysia [September]	Film
	Release of <i>Dragon Ball Z Resurrection 'F'</i> in China [Oct.21]	
	PS4 <i>DRAGON BALL XENOVERSE 2</i> for North America and Europe [Oct 25,27]	
	Release of <i>ONE PIECE FILM GOLD</i> in Germany [October]	Film
	Start of opened test of China app game <i>ONE PIECE Yesgames</i> version [October]	Licensing
	Release of <i>ONE PIECE FILM GOLD</i> in Spain, Italy and France [November]	Film
	Scheduled opening of <i>ONE PIECE RESTAURANT</i> for Taiwan and <i>ONE PIECE CAFÉ</i> for Korea[November]	Sales of Goods
	PS4 <i>DRAGON BALL XENOVERSE 2</i> for Asia [Dec.1]	
	Release of <i>ONE PIECE FILM GOLD</i> in North America [January]	Film
17.3 4Q~	Start of broadcast of <i>DRAGON BALL Super</i> dubbed version for Europe [January]	
	Release of <i>ONE PIECE FILM GOLD</i> in Australia [2017]	Film

Initiatives Aimed for Medium and Long-Term Growth

Getting back to the basics of planning and production

Accelerate investment to remain a studio selected by the industry and viewers

Establish a new Planning and Production Headquarter

Integration of Planning and Production Departments

Aim to improve production schedules and enhance the quality of productions.

Development of production site environment

- **Reconstruction of Oizumi Studio**
Scheduled to be completed in the August, 2017
- **Renew the system for production progress management**
Establish more sophisticated form of production process management

Active production of pilot movies

Aim to create the seeds of hit titles that will be profit-makers and support future growth

Growth through the development of frontiers

Actively take on new challenges beyond the boundaries of existing businesses in peripheral and overseas segments

Domestic expansion

- **ONE PIECE Kabuki**
Advance into 2.5 dimension business
- **30th Anniversary Exhibition of SAINT SEIYA**
Our first in-house box-office event

Overseas expansion

- **Improve product sales and event business**
Focus on the overseas expansion of events popular in Japan
- **Planning and production of titles released first overseas**
Multiple other planning/production projects are in progress.

Evolution into “Emergent Company 2.0.”

Promote system development that encourages all employees to think of projects and systems for maximizing profit and create new businesses.

Evaluation system

- **Introduce president’s award**
Continuously evaluate the activities of employees and give the President’s prize.
- **Review of the performance evaluation system**

Other system reform

- **Introduction of the contract employee system**
- **Introduction of the overseas training system on a trial basis**
- **Employment of new graduates every year**

About Dividend

Plan for year-end Dividend

FY2016.3

¥95 per share

(Ordinary Dividend ¥30 + **Special and Anniversary Dividend ¥65**)

FY2017.3

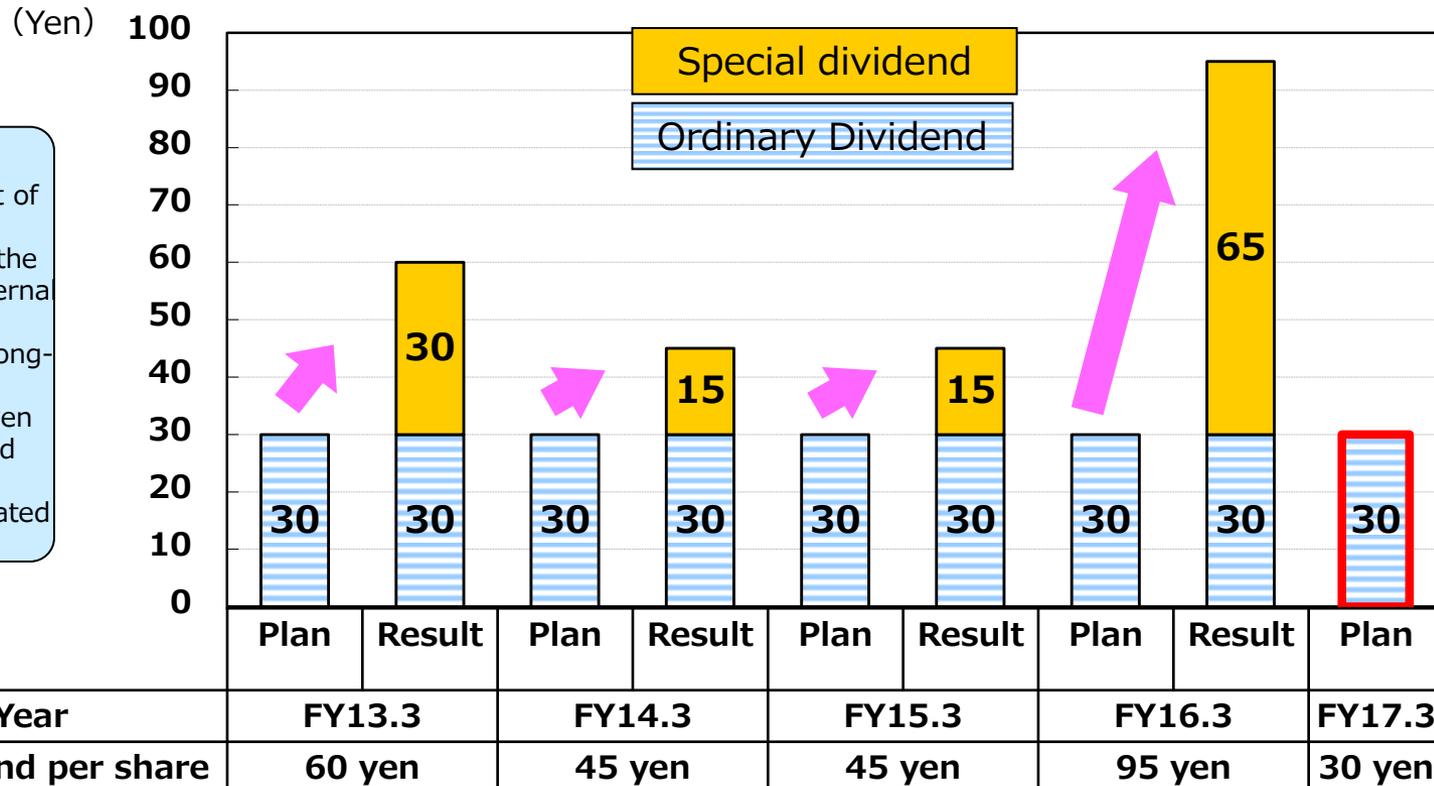
Ordinary Dividend Planned: ¥30+ per share

(in consideration of actual results; special dividend)

Dividend Policy

Based on sustained and stable dividends, we decide the amount of dividend each year with comprehensive consideration of the financial results and securing internal funds for aggressive business development in the medium-to long-term.

Based on the annual rate of 30 yen per share, we expect the dividend payout ratio to be approximately 25%, depending on the consolidated financial results.



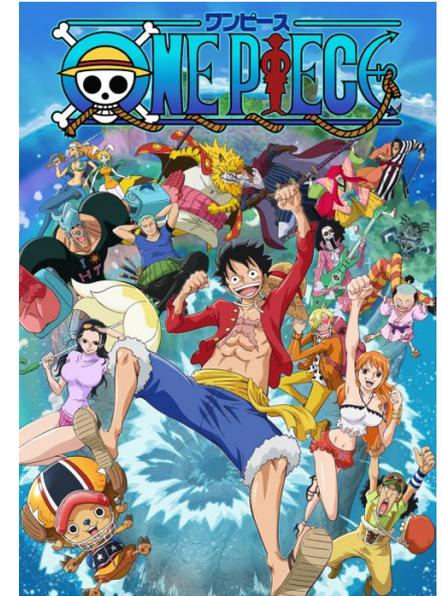
Reference (1) Lineup of Titles Being Broadcast



SUN at 8:30am on ABC/TV Asahi Network
Witchy Pretty Cure!



SUN at 9:30am on Fuji TV et al.
Dragon Ball Super



SUN at 9:00am on Fuji TV et al.
ONE PIECE



SAT at 2:45am
on TV Asahi et al.
Tiger Mask W



SAT at 7:00am
on TV Tokyo et al.
*Digimon Universe
App Monsters*

Reference (2) Movies Scheduled for Release in FY2017.3

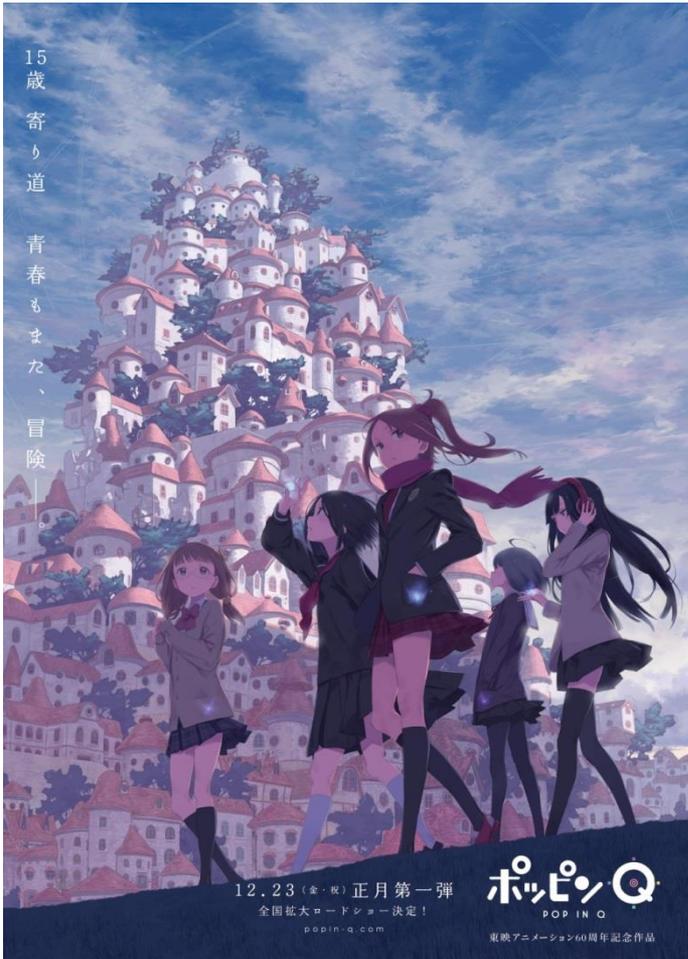
Digimon Adventure tri. Chapter 4

To be put on theaters on
February 25, 2017



NO
IMAGE

The latest movie of *Pretty Cure*
To be released on spring 2017



POPIN Q

To be released on December 23, 2016