

# TOEI ANIMATION CO., LTD

For FY Ended September 30, 2017 (April 1, 2017 to September 30, 2017)

## *MAZINGER Z : INFINITY*

To be released in Italy on October 31, 2017  
To be released in France on November 22, 2017  
To be released in Japan on January 13, 2018



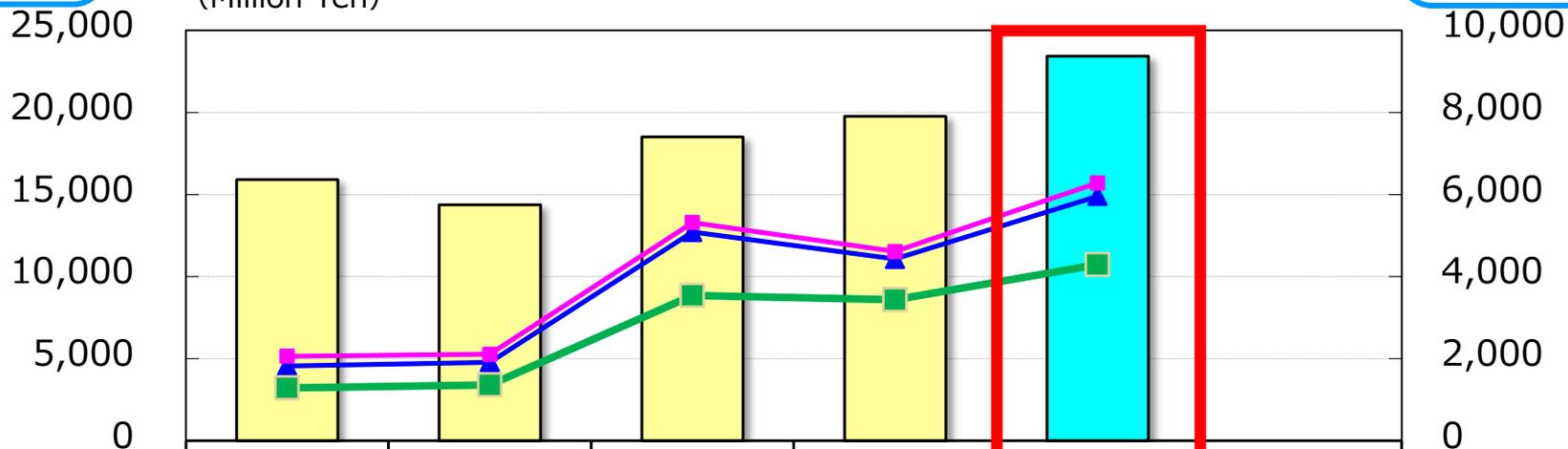
# FY2018.3 Second Quarter Results – Consolidated

- Net sales and each income item hit new second-quarter record highs.
- Sales of game development rights mainly for *DRAGON BALL Z DOKKAN BATTLE* were strong in Japan and overseas.
- The sales of online distribution rights for multiple titles in China performed strongly.

## Net Sales

(Million Yen)

## Income



	2014.03 2Q	2015.03 2Q	2016.03 2Q	2017.03 2Q	2018.03 2Q	% v.s. prior year
Net Sales	15,920	14,373	18,519	19,774	23,444	18.6%
Cost of Sales	11,551	9,704	10,838	12,612	14,620	15.9%
SG&A	2,546	2,757	2,596	2,736	2,861	4.6%
Operating Income	1,822	1,911	5,085	4,426	5,962	34.7%
Ordinary Income	2,059	2,106	5,320	4,612	6,281	36.2%
Net Income	1,286	1,360	3,541	3,433	4,291	25.0%

# FY2018.3 2Q Results Segment Breakdown –Consolidated

(Million Yen)		FY2017.3 2Q	FY2018.3 2Q	% v.s. prior year
FILM	Net Sales	7,154	7,667	7.2%
	Segment Income	1,578	1,010	-36.0%
Licensing	Net Sales	8,534	13,019	52.5%
	Segment Income	3,895	6,097	56.5%
Sales of Goods	Net Sales	3,329	2,341	-29.7%
	Segment Income	124	63	-49.4%
Others	Net Sales	916	527	-42.4%
	Segment Income	50	0	-99.3%
TOTAL	Net Sales	19,774	23,444	18.6%
	Operating Income	4,426	5,962	34.7%

\*Numbers for each segment includes intra-company sales.

# FY2018.3 2Q Results Segment Analysis (1) (Film)

(Million Yen)		FY17.3 2Q	FY18.3 2Q
<b>Net Sales</b>		<b>19,774</b>	<b>23,444</b>
<b>Operating Income</b>		<b>4,426</b>	<b>5,962</b>
<b>Film</b>		<b>7,154</b>	<b>7,667</b>
	<b>Movies</b>	<b>998</b>	<b>421</b>
	<b>TVs</b>	<b>1,691</b>	<b>1,793</b>
	<b>DVDs</b>	<b>389</b>	<b>391</b>
	<b>Overseas</b>	<b>3,288</b>	<b>3,896</b>
	<b>Others</b>	<b>786</b>	<b>1,164</b>
<b>Licensing</b>		<b>8,534</b>	<b>13,019</b>
	<b>Japan</b>	<b>5,284</b>	<b>6,785</b>
	<b>Overseas</b>	<b>3,249</b>	<b>6,233</b>
<b>Sales of Goods</b>		<b>3,329</b>	<b>2,341</b>
<b>Others</b>		<b>916</b>	<b>527</b>

## Film ( 7.2% year on year)

- In movies, revenues fell sharply with the absence of a hit equivalent to *ONE PIECE FILM GOLD* in the same period of the previous fiscal year.
- In TV Anime, revenues rose due to an increase in the number of new titles aired or distributed (from four to six).
- In DVDs, revenues remained mostly unchanged from the previous fiscal year due to generally weak sales of packaged film offsetting the sales of the Blu-ray/DVD of *Sailor Moon Crystal*.
- In the Overseas segment, revenues increased substantially thanks to strong sales of online distribution rights for multiple titles in China and online distribution rights for the *DRAGON BALL* series in North America.
- In the Others segment, revenues rose sharply due to the expansion of the fixed-amount online distribution market and strong sales of the online distribution rights.

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

# FY2018.3 2Q Results Segment Analysis (2)

## (Licensing/Sales of Goods/Others)

(Million Yen)		FY17.3 2Q	FY18.3 2Q
<b>Net Sales</b>		<b>19,774</b>	<b>23,444</b>
<b>Operating Income</b>		<b>4,426</b>	<b>5,962</b>
<b>Film</b>		<b>7,154</b>	<b>7,667</b>
	Movies	998	421
	TVs	1,691	1,793
	DVDs	389	391
	Overseas	3,288	3,896
	Others	786	1,164
<b>Licensing</b>		<b>8,534</b>	<b>13,019</b>
	Japan	5,284	6,785
	Overseas	3,249	6,233
<b>Sales of Goods</b>		<b>3,329</b>	<b>2,341</b>
<b>Others</b>		<b>916</b>	<b>527</b>

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

### Licensing (↑ 52.5% year on year)

- In domestic licensing, revenues increased substantially because revenues from the app game *DRAGON BALL Z DOKKAN BATTLE* increased above the strong sales in the previous fiscal year.
- In overseas licensing, revenues increased substantially, reflecting strong sales of the app game *DRAGON BALL Z DOKKAN BATTLE* worldwide and of the home-use game *DRAGON BALL XENOVERSE 2* for North America.

### Sales of Goods (↓ 29.7% year on year)

- Revenues declined substantially because there was no collaborative products equivalent to *ONE PIECE FILM GOLD* in the same period of the previous fiscal year.

### Others (↓ 42.4% year on year)

- Revenues declined substantially because of the absence of events equivalent to those related to *SAINT SEIYA* series in the same period of the previous fiscal year and weak sales of *ONE PIECE* compared to the same period of the previous fiscal year.

# FY2018.3 Second Quarter Results Review

(Million Yen)	FY17.3 2Q	FY18.3 2Q	+ -	% v.s. prior year
Net Sales	19,774	23,444	3,669	18.6%
Costs of Sales	12,612	14,620	2,008	15.9%
Gross Profit	7,162	8,823	1,661	23.2%
SG & A	2,736	2,861	125	4.6%
Operating Income	4,426	5,962	1,535	34.7%
Non-Operating Income	246	340	94	38.1%
Non-Operating Expense	60	21	-38	-63.9%
Ordinary Income	4,612	6,281	1,668	36.2%
Extraordinary Gain and Loss	204	-123	-328	-
Net Income before tax	4,817	6,157	1,340	27.8%
Income Taxes	1,504	1,848	343	22.9%
Income Taxes Adjustment	-120	17	138	-
Minority Interest	-	-	-	-
Net Income	3,433	4,291	857	25.0%

## Net Sales

- Businesses with sharp increases in revenues  
1)Licensing Overseas[2,983] ⇒ 2)Licensing Japan[1,501]⇒ 3)Film Overseas[608]
- Businesses with significant declines in revenues  
1)Sales of Goods[-987] ⇒ 2)Movies[-577]⇒ 3)Events[-388]

## Cost of Sales / Gross Profit

- Gross profit to net sales : 37.6%  
(Gross profit to net sales last year:36.2%)  
The profit rate of film business worsened. The ratio of sales of the overseas and licensing segment with a low cost rate increased sharply. Consequently, the overall gross profit to net sales was improved.

## Non-Operating Income and Expense

- Non-operating income [+94]  
1)Foreign exchange gain[+103] (from 0 in the previous FY to 103 in the current FY)  
2)Dividend income[+43] (from 117 in the previous FY to 161 in the current FY)
- Non-operating expense [-38]  
Foreign exchange loss[-52] (from 52 in the previous FY to 0 in the current FY)

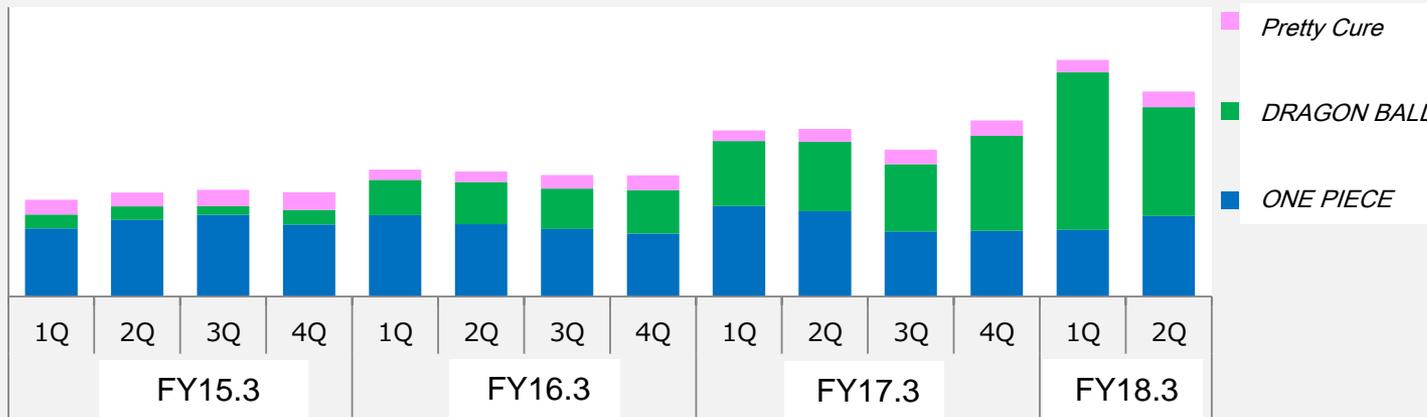
## Extraordinary Gain and Loss

Loss on sale of Shinjuku office [-123]  
(previous FY: gain on sales of investment securities +260)

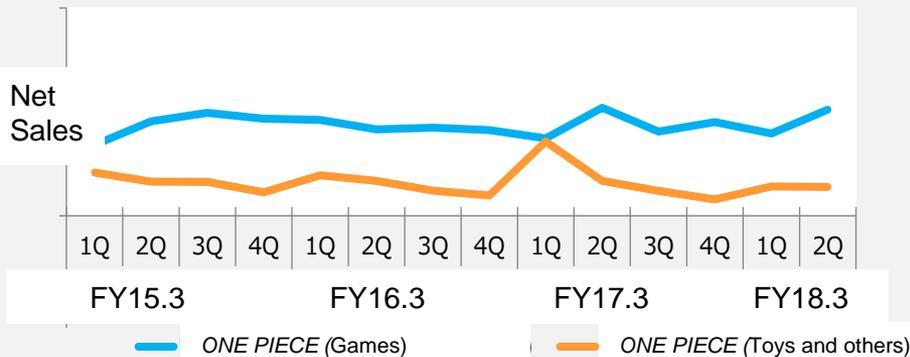
# Trends in Domestic Licensing for Major Titles

- Revenues from the *DRAGON BALL* app game increased above the strong sales in the previous fiscal year.
- The weight of the two major titles and reliance on the app game development rights increased further.

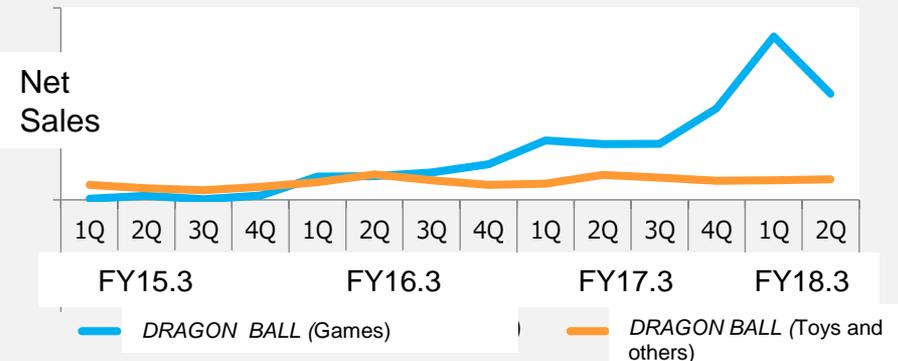
Trends in Domestic Licensing Revenues for the Three Major Titles



Trends in Domestic Licensing Revenues for *ONE PIECE*



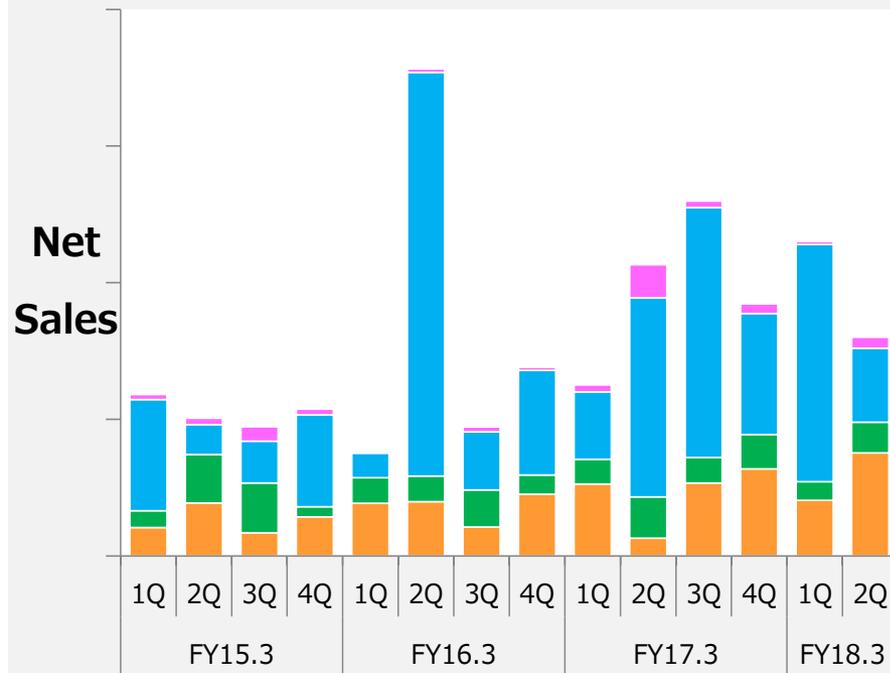
Trends in Domestic Licensing Revenues for *DRAGON BALL*



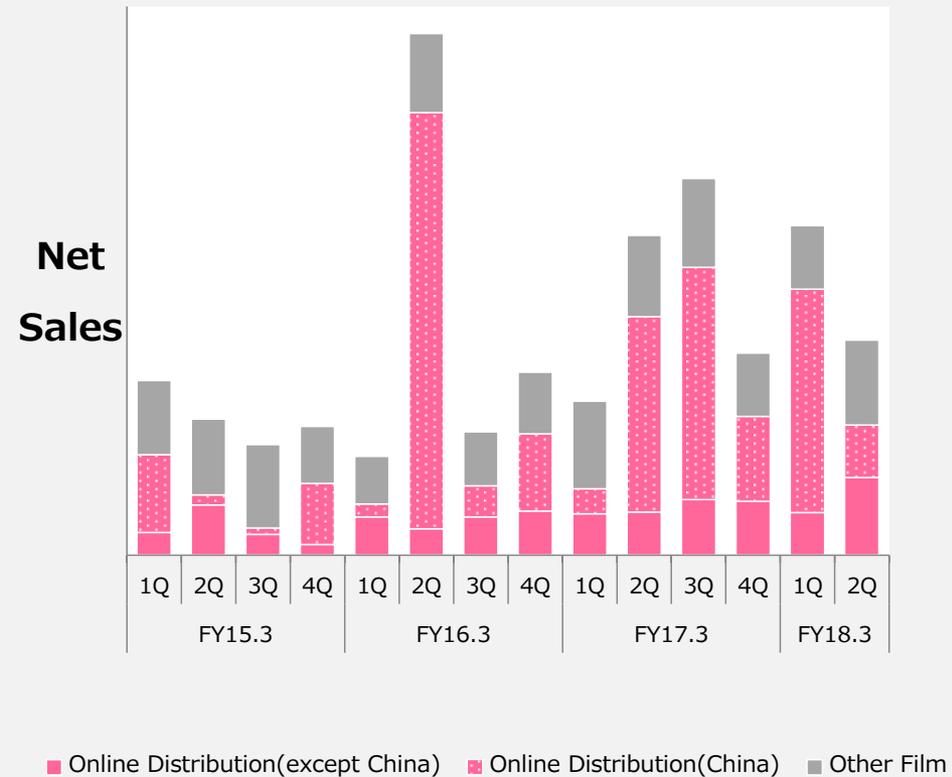
# Trends in Film Overseas

- The sales of online distribution rights for multiple titles in China performed strongly.
- The sales of online distribution rights for the *DRAGON BALL* series in North America performed strongly as well.

## Trends in Net Sales of Film Overseas



## Breakdown of Net Sales by Business



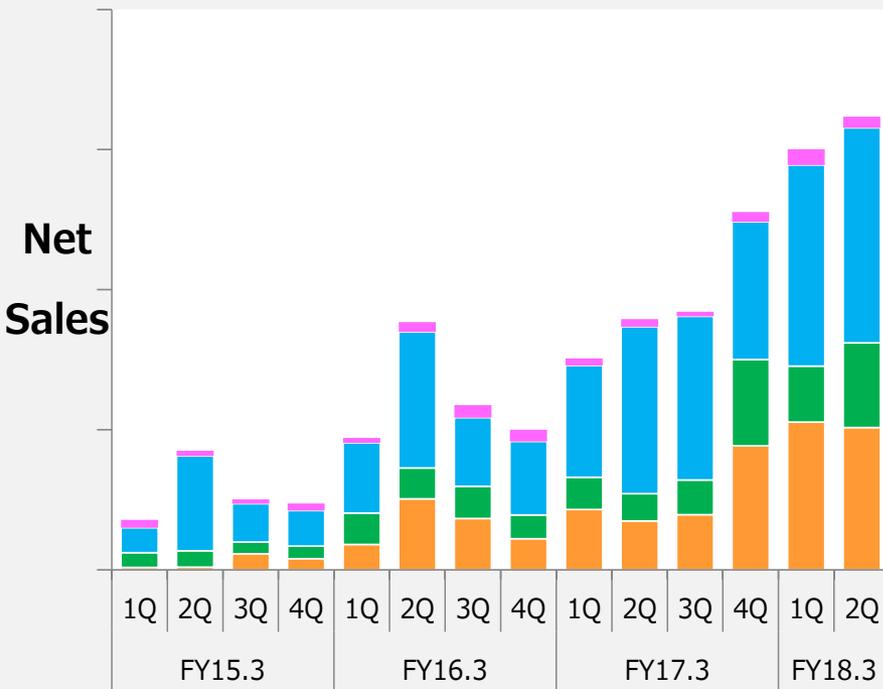
■ North America
 ■ Europe
 ■ Asia
 ■ Latin America

■ Online Distribution(except China)
 ■ Online Distribution(China)
 ■ Other Film

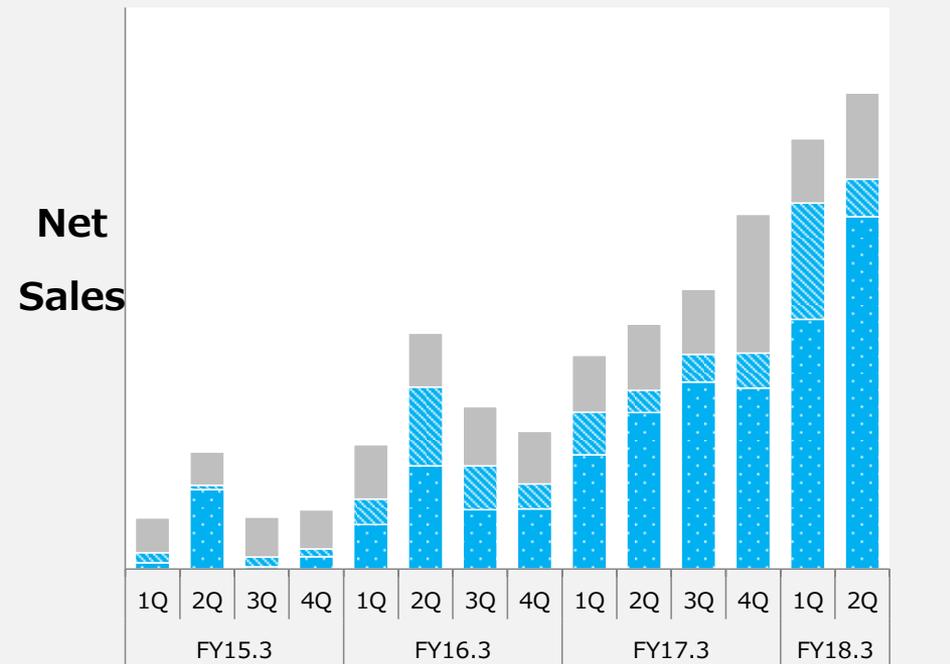
# Trends in Licensing Overseas

- The sales of the app game *DRAGON BALL Z DOKKAN BATTLE* in the whole world performed strongly.
- The sales of the home-use game *DRAGON BALL XENOVERSE 2* for North America performed strongly as well.

## Trends in Net Sales of Licensing Overseas



## Breakdown of Net Sales by Business



■ North America
 ■ Europe
 ■ Asia
 ■ Latin America

■ Game(app and online)
 ■ Game(home-use and others)
 ■ Other Licensing

# Progress toward Earnings Estimates for FY2018.3

(Million Yen)	FY18.3 Estimates(full year) Disclosed on July 28, 2017 Progress			FY17.3(full year) Results		
	Estimates	2Q Results	Progress	Estimates	2Q Results	Progress
<b>Net Sales</b>	<b>38,000</b>	<b>23,444</b>	<b>61.7%</b>	<b>40,747</b>	<b>19,774</b>	<b>48.5%</b>
<b>Operating Income</b>	<b>9,100</b>	<b>5,962</b>	<b>65.5%</b>	<b>10,133</b>	<b>4,426</b>	<b>43.7%</b>
<b>Ordinary Income</b>	<b>9,400</b>	<b>6,281</b>	<b>66.8%</b>	<b>10,362</b>	<b>4,612</b>	<b>44.5%</b>
<b>Net Income</b>	<b>6,300</b>	<b>4,291</b>	<b>68.1%</b>	<b>7,203</b>	<b>3,433</b>	<b>47.7%</b>
<b>Film</b>	-	<b>7,667</b>	-	<b>15,939</b>	<b>7,154</b>	<b>44.9%</b>
Movies	-	<b>421</b>	-	<b>1,765</b>	<b>998</b>	<b>56.6%</b>
TVs	-	<b>1,793</b>	-	<b>3,254</b>	<b>1,691</b>	<b>52.0%</b>
DVDs	-	<b>391</b>	-	<b>942</b>	<b>389</b>	<b>41.3%</b>
Overseas	-	<b>3,896</b>	-	<b>7,860</b>	<b>3,288</b>	<b>41.8%</b>
Others	-	<b>1,164</b>	-	<b>2,117</b>	<b>786</b>	<b>37.2%</b>
<b>Licensing</b>	-	<b>13,019</b>	-	<b>18,192</b>	<b>8,534</b>	<b>46.9%</b>
Japan	-	<b>6,785</b>	-	<b>10,439</b>	<b>5,284</b>	<b>50.6%</b>
Overseas	-	<b>6,233</b>	-	<b>7,752</b>	<b>3,249</b>	<b>41.9%</b>
<b>Sales of Goods</b>	-	<b>2,341</b>	-	<b>5,531</b>	<b>3,329</b>	<b>60.2%</b>
<b>Others</b>	-	<b>527</b>	-	<b>1,315</b>	<b>916</b>	<b>69.6%</b>

[Causes of year-on-year change from the second half of the fiscal year under review]  
 (+/-) Sale of rights to develop games from *DRAGON BALL*  
 (+) Release of multiple app game titles in China  
 (-) Reactionary fall from *DRAGON BALL* toy development and MG in the U.S. and Europe  
 (-) Maintenance and management expenses for new studio  
 (-) Increased and improved personnel

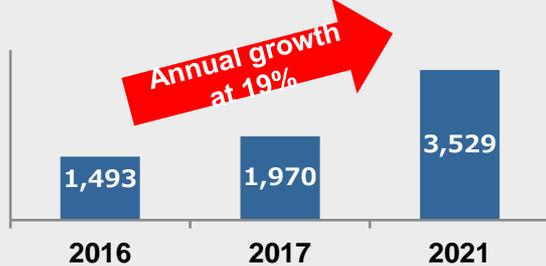
\* The figures for each segment include intra-company sales.

# Future Initiatives for the second half of the FY2018.3

Sales of app game development rights and film distribution rights are expected to continue growing

## Global app market trend

Forecast for Number of App Downloads (in units of 100 million downloads)



### ■ **DRAGON BALL Z DOKKAN BATTLE**

- More than 200 million downloads in the world
- Ranked first in App store, GooglePlay sales ranking in 14 countries

Source of reference : App Annie

Total App Store Revenues (in units of 100 million dollars)

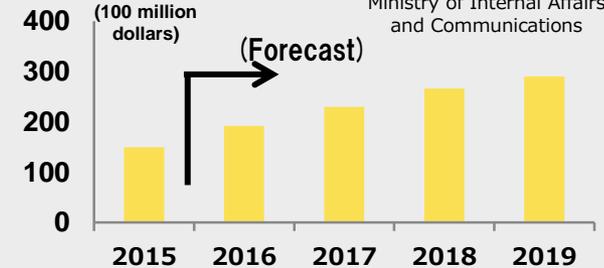


### ■ **Multiple release of app games for China**

- *SAINT SEIYA Zodiac Brave*
- *DRAGON BALL Z Awakening*
- *ONE PIECE* app game
- *DR.SLUMP -ARALE-* app game

## Global online distribution market trend

Source of reference : Ministry of Internal Affairs and Communications



Sales of Domestic Online Distribution (Toei Animation)

Sales of Online Distribution Abroad (Toei Animation)

15/3 16/3 17/3

15/3 16/3 17/3

⇒ Growth of the online distribution market will help increase sales of distribution rights both in Japan and abroad.

## Development of overseas business

### Releasing first overseas

#### ■ **MAZINGER Z : INFINITY**

- Scheduled to be released in Italy on October 31
- Scheduled to be released in France on November 22
- Scheduled to be released in Japan on January 13, 2018

### Development of toy

#### ■ **Relating to DRAGON BALL series**

- Actively develop action figures, trading cards, and other toys in the U.S. and Europe.

### Shops/events

#### ■ **Relating to ONE PIECE**

- Scheduled opening of exclusive theater *ONE PIECE LIVE STAGE* in Shanghai this winter
- Scheduled opening of Mugiwara Store in Taiwan and Shanghai

# Future Initiatives

## Schedule

Film    Licensing  
Sales of Goods    Others

FY18.3 2Q	USJ <i>ONE PIECE</i> Premiere 2017 [Jun.30-Oct.1]
	USJ <i>DRAGON BALL Z THE REAL 4-D</i> [Jun.30-Oct.1]
	Holding <i>DRAGON BALL Tenkaichi Budosai 2017</i> [Aug.10-Aug.27]
	Opening of <i>Sailor Moon</i> store in Tokyo [Sep.23]
	<b><i>Digimon Adventure tri. Chapter 5</i> to be put on theaters [Sep.30]</b>
	Release of <i>Kira Kira Pretty Cure A La Mode the Movie</i> [Oct.28]
	Release of <b><i>MAZINGER Z : INFINITY</i></b> in Italy [Oct.31]
FY18.3 3Q	Release of <b><i>MAZINGER Z : INFINITY</i></b> in France [Nov.22]
	PS4/PSvita <i>Digimon Story: Cyber Sleuth</i> [Dec.14]
	Holding an event of <b><i>Oshiri Tantei</i></b> in Tokyo [Dec.23-Jan.8]
	Scheduled distribution of <i>SAINT SEIYA Zodiac Brave</i> app game for China [2017 winter]
	Scheduled distribution of <i>DRAGON BALL Awakening</i> for China [2017]
	Start of closed beta test of <i>ONE PIECE</i> app game for China [2017]
	Scheduled distribution of <i>DR.SLUMP -ARALE-</i> app game for China [2017]
	PC game <i>ONE PIECE ONLINE</i> for China [2017]
	Release of <b><i>MAZINGER Z : INFINITY</i></b> in Japan [Jan.13]
	Opening of exclusive theater <b><i>ONE PIECE LIVE STAGE</i></b> in Shanghai [Winter]
FY18.3 4Q~	Worldwide home-use game <b><i>DRAGON BALL FighterZ</i></b> [Feb.1]
	HTML game <i>DRAGON BALL Z Butchigiri Match</i> [2018 spring]
	Scheduled distribution of <i>DRAGON BALL</i> app game for China [2018]

## Topics

### Development of *Dragon Ball* series

- App Game ***DRAGON BALL Z DOKKAN BATTLE***  
- More than 200 million downloads in the world  
- Ranked first in App store, GooglePlay sales ranking in 14 countries such as North America and France
- Worldwide home-use game ***DRAGON BALL FighterZ***  
On sale from February 1

### Development of *ONE PIECE*

- **Mugiwara Store in Taiwan**  
Scheduled to open from November 3 to 26
- **Mugiwara Store in Shanghai**  
Scheduled to open from November 18
- ***ONE PIECE LIVE STAGE***  
The first exclusive theater in China is scheduled to open in this winter

### Development of New Titles

- ***MAZINGER Z : INFINITY***  
Scheduled to be released in Italy on October 31,  
in France on November 22,  
in Japan on January 13
- ***Digimon Adventure tri. Chapter 6***  
To be put on theaters early in summer of 2018
- ***Oshiri Tantei***  
Animation project has launched  
An event is scheduled to be held in Tokyo  
from December 23 to January 8

# 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*

### Development of production site environment

- **Rebuilding of Oizumi Studio**  
Completed in August 2017  
Staff will move in at the end of December 2017 and start full operation in January 2018

### Programs not restricted to existing casting Production in view of wide-ranging media development

- For both TV and online distribution(Amazon prime)  
"KADO: The Right Answer"
- For online distribution(Netflix)  
"Knights of the Zodiac: Saint Seiya(tentative)"

### Active production of pilot movies

Aim to create the seeds of hit titles that will be profit-makers and support future growth  
⇒Oshiri Tantei animation project has launched

## 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 values.*

### Work-style innovation

- **Increase productivity and shift to day-time working**
  - Increase and maintain quality and productivity at high levels by rationalizing production schedules and improving the process
  - Improve employees' work-life balance by promoting day-time working

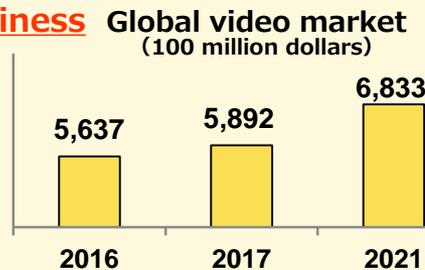
### Improvement of personnel system

- **Revise the appraisal system**  
Create an organizational climate that allows employees to maintain high motivation and independence

## Growth through the further development of overseas market

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

### Overseas market and our business



### Ranking of total number of views by online distribution website iQiyi

1. ONE PIECE
  2. DRAGON BALL Super
- Ranked top, above the products of domestic and local competitors  
Maintaining high popularity in the growth market

### Accelerate further overseas expansion

- **Planning and development for overseas markets**
  - "MAZINGER Z : INFINITY"
  - Original series for Netflix  
"Knights of the Zodiac: Saint Seiya(tentative)"
  - Multiple projects including movies for Hollywood are under way
- **Expand functions of overseas offices**
  - Raise the Shanghai office to a local subsidiary

# About Dividend

## Plan for year-end Dividend

**FY2017.3**

Ordinary Dividend ¥30 + **Special Dividend ¥100** per share

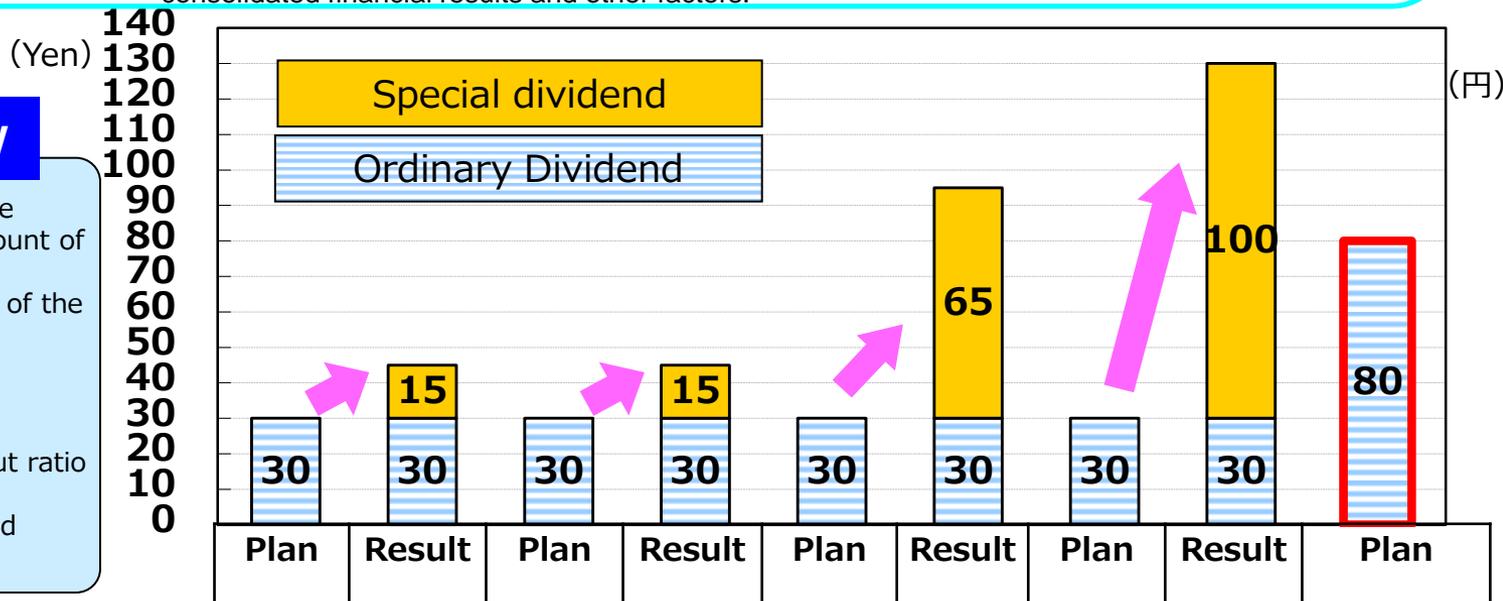
**FY2018.3**

Ordinary Dividend ¥80 per share(forecast)

\* The year-end dividend for the fiscal year ending March 31, 2018 is the amount initially forecast at the beginning of the fiscal year. Any revision of the forecast will be considered separately by examining consolidated financial results and other factors.

## 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. we expect the dividend payout ratio to be approximately 25%, depending on the consolidated financial results.



Fiscal Year	FY14.3	FY15.3	FY16.3	FY17.3	FY18.3
Dividend per share	45 yen	45 yen	95 yen	130 yen	80yen (forecast)
Payout ratio	26.3%	25.2%	25.2%	24.6%	25%

# Reference (1) Lineup of Titles Being Broadcast



SUN at 8:30am on ABC/TV Asahi Network  
*Kira Kira☆Pretty Cure A La Mode*



SUN at 9:30am on Fuji TV et al.  
*ONE PIECE*



SUN at 9:00am on Fuji TV et al.  
*Dragon Ball Super*

# Reference (2) Movies Scheduled for Release in FY2018.3

## **MAZINGER Z : INFINITY**

To be released in Italy in October 31, 2017  
To be released in France on November 22, 2017  
To be released in Japan on January 13, 2018



## The latest movie of *Pretty Cure*

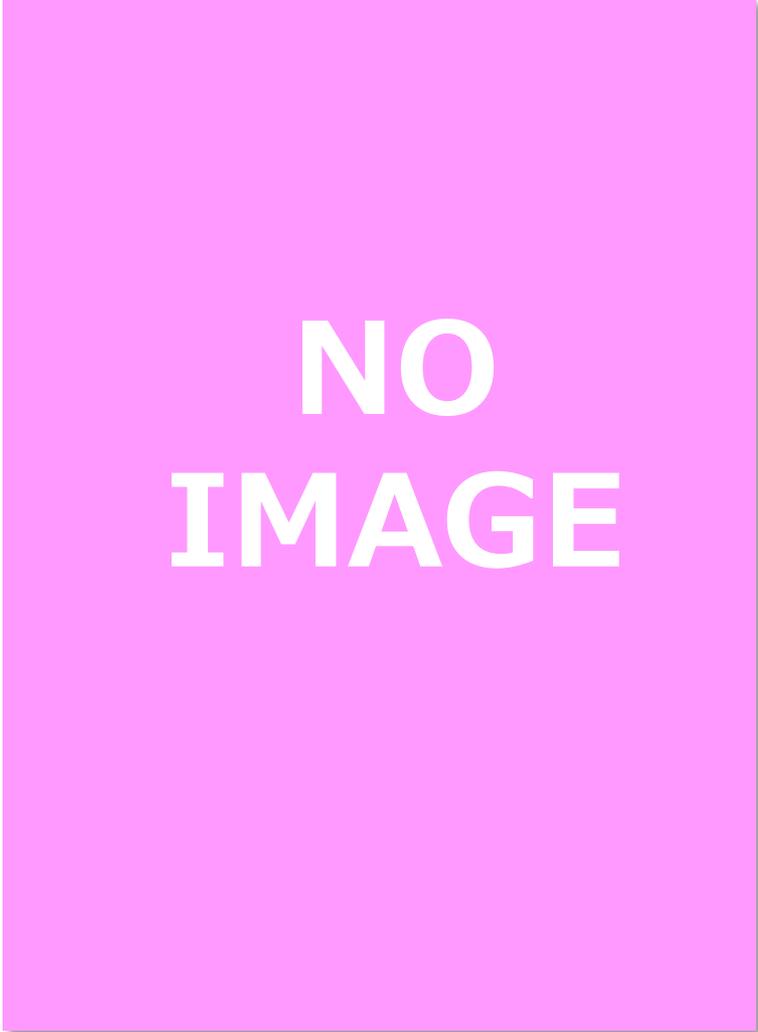
To be released on spring 2018

NO  
IMAGE

# Reference (3) Lineup of New Titles from FY2018.3~

*Digimon Adventure tri. Chapter 6*

To be put on theaters early in summer of 2018



NO  
IMAGE