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Consolidated Financial Results for the Three Months Ended May 31, 2022 <Under Japanese GAAP>

July 12, 2022

Company name: **TOHO CO., LTD.**
 Listing: Tokyo Stock Exchange/Fukuoka Stock Exchange
 Securities code: 9602
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 Scheduled date to file Quarterly Securities Report: July 12, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: None
 (Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended May 31, 2022 (from March 1, 2022 to May 31, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended May 31, 2022	61,865	–	14,273	–	15,829	–	11,516	–
May 31, 2021	57,808	75.1	10,518	275.2	10,847	275.2	6,684	–

Note: Comprehensive income Three months ended May 31, 2022 ¥10,867 million [–%]
 Three months ended May 31, 2021 ¥7,149 million [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended May 31, 2022	65.22	–
May 31, 2021	37.63	–

Note: Please note that the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. was adopted from the beginning of the fiscal year ending February 28, 2023, and each figure for the first three months of the fiscal year ending February 28, 2023 reflects the adoption of the accounting standard. As such, year-on-year percentage changes are not provided.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of May 31, 2022	508,309	413,622	78.7
February 28, 2022	502,532	409,181	78.7

Reference: Equity As of May 31, 2022 ¥399,809 million
 As of February 28, 2022 ¥395,722 million

2. Cash dividends

	Annual cash dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 28, 2022	–	17.50	–	27.50	45.00
Fiscal year ending February 28, 2023	–				
Fiscal year ending February 28, 2023 (forecast)		20.00	–	20.00	40.00

Note: Revisions to dividends forecasts most recently announced: None

Breakdown of year-end dividends Fiscal year ended February 28, 2022 Special dividend – ¥10.00

3. Consolidated earnings forecasts for the fiscal year ending February 28, 2023 (from March 1, 2022 to February 28, 2023)

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending February 28, 2023	232,000	–	38,000	–	41,000	–	28,500	–	161.41

Note: Revisions to earnings forecasts most recently announced: None

Please note that the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. was adopted from the beginning of the fiscal year ending February 28, 2023, and the above consolidated earnings forecasts reflect the adoption of the accounting standard. As such, year-on-year percentage changes are not provided.

*** Notes**

- (1) Changes in significant subsidiaries during the period: None
- (2) Adoption of special accounting treatments for preparing quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - a. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - b. Changes in accounting policies due to other reasons: None
 - c. Changes in accounting estimates: None
 - d. Restatement: None

Note: For details, please see “Changes in accounting policies” on page 10.

(4) Number of issued shares (common shares)

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

As of May 31, 2022	186,490,633 shares
As of February 28, 2022	186,490,633 shares

b. Number of treasury shares at the end of the period

As of May 31, 2022	9,926,105 shares
As of February 28, 2022	9,925,592 shares

c. Average number of shares during the period

Three months ended May 31, 2022	176,564,777 shares
Three months ended May 31, 2021	177,655,755 shares

* 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

(Caution regarding forward-looking statements and others)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed reasonable by the Company. Actual results may differ significantly from these forecasts due to various factors. Please refer to “(3) Consolidated earnings forecasts and other forward-looking statements” in “1. Qualitative Information” on page 4 of the attached materials for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

(Availability of supplementary material on financial results)

The supplementary document on quarterly earnings is disclosed on the same day as the quarterly financial results, and it is made available on the Company’s website.

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1. Qualitative Information

(1) Details of operating results

In the three months ended May 31, 2022, the outlook for the Japanese economy remained uncertain due to the rise in raw material prices, etc. amid concerns that the novel coronavirus disease (COVID-19) and circumstances in Ukraine will be protracted, despite signs of a recovery.

Under these conditions, the Group carried out flexible sales activities in each business while working to prevent the spread of COVID-19. Hit works such as “Detective Conan: The Bride of Halloween” and “SHIN ULTRAMAN,” which are distributed by TOHO CO., LTD. contributed to the financial results. As a result, operating revenue was ¥61,865 million (¥57,808 million in the same period of the previous fiscal year), operating profit was ¥14,273 million (¥10,518 million in the same period of the previous fiscal year), ordinary profit was ¥15,829 million (¥10,847 million in the same period of the previous fiscal year) and profit attributable to owners of parent was ¥11,516 million (¥6,684 million in the same period of the previous fiscal year). In addition, cooperative grants for large-scale facilities, etc. associated with the impact of COVID-19 have been recorded under extraordinary income as “subsidy income.”

In addition, the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year. Consequently, since the figures for the first three months of the current fiscal year are the amounts following the application of such accounting standards, we have not presented changes as compared to corresponding period of the previous fiscal year.

In addition, in April this year, we launched the “TOHO VISION 2032 TOHO Group Management Corporate Strategy” comprised of the “Long-term Vision 2032,” which is targeting the 100th anniversary, and the “Medium-term Management Plan 2025,” which outlines specific measures for the next 3 years and we are engaged in initiatives for sustained growth and to increased medium to long-term corporate value.

The operating results by segment are as follows.

Cinema business

In the Production and Distribution business, TOHO CO., LTD. had hits with collaboratively produced and distributed works “Detective Conan: The Bride of Halloween,” “SHIN ULTRAMAN” and “Doraemon the movie: Nobita’s Little Star Wars 2021,” while “Sing 2,” which is distributed by Toho-Towa Co., Ltd. and others had high levels of operation and “Top Gun: Maverick” also had a favorable start. In addition, we did not recognize the total amount of revenue for some international movie distribution transactions within film distribution where the Group’s role is categorized as an agency under the application of Accounting Standard for Revenue Recognition, etc., and changed to recognizing revenue on a net basis after deducting related expenses. As a result, operating revenue in the Production and Distribution business was ¥11,727 million (¥12,321 million in the same period of the previous fiscal year) and operating profit was ¥4,800 million (¥2,702 million in the same period of the previous fiscal year). The above operating revenue mainly consists of ¥8,472 million from distribution to movie theaters and ¥705 million from the domestic streaming of theatrical films.

In the Movie Theater Chain business, TOHO Cinemas Co., Ltd. benefited from the above distributed works being blockbusters in addition to theater closures, etc. not lasting as long compared with the same period of the previous fiscal year, and the number of movie theater customers in the three months ended May 31, 2022 increased by 46.3% year on year to 9,904,000. In addition, we did not recognize the total amount of revenue for sales of some souvenir programs and merchandise at the retail shops in theaters where the Group’s role is categorized as an agency under the application of Accounting Standard for Revenue Recognition, etc., and changed to recognizing revenue on a net basis after deducting related expenses. As a result, operating revenue in the Movie Theater Chain business was ¥17,339 million (¥12,879 million in the same period of the previous fiscal year) and operating profit was ¥2,089 million (¥295 million in the same period of the previous fiscal year). With regard to theater changes in the three months ended May 31, 2022, TOHO Cinemas Co., Ltd. opened “TOHO Cinemas LaLaport Fukuoka” (9 screens) in Hakata-ku, Fukuoka City on April 25. As a result, the number of

screens managed by the corporate group increased by 9 to 721 throughout Japan (including 56 collaboratively managed screens).

In the Production and Licensing business, the Company commenced TOHO animation's 10th anniversary project and rolled out various initiatives, including TV animation and movies as well as the Merchandising business with a wide lineup such as "JUJUTSU KAISEN," "My Hero Academia," "SPY x FAMILY" and "Teasing Master Takagi-san." There was revenue in the Animation Production business as a result of royalty from various platforms and through investing into the production of the above works, etc. In addition, the Home Entertainment business of TOHO CO., LTD. provided works such as the movies "Masquerade Night" and "What Did You Eat Yesterday? Movie." In the Publishing and Merchandising business, sales grew for souvenir programs and character goods for works distributed by the Company such as the movies "SHIN ULTRAMAN" and "Detective Conan: The Bride of Halloween." The Alternative Content business provided "JO1 THE MOVIE - Go to the TOP -," and so on. TOHO Studios Co., Ltd. operated smoothly as a result of integrating the Production and Studio businesses. At TOHO EIZO BIJUTSU Co., Ltd. and Toho Butai Co., Ltd., the situation continued to be difficult in relation to stage production and art production for movies, TV and commercials, etc. as well as production services for display items in theme parks. As a result, operating revenue in the Production and Licensing business was ¥10,461 million (¥12,481 million in the same period of the previous fiscal year) and operating profit was ¥2,340 million (¥3,082 million in the same period of the previous fiscal year). The above operating revenue mainly consists of ¥3,874 million for the use of animation contents, ¥1,087 million for sale of home entertainment and ¥1,646 million for art production related to production and licensing works, etc.

As a result, in the overall Cinema business, operating revenue was ¥39,528 million (¥37,682 million in the same period of the previous fiscal year) and operating profit was ¥9,230 million (¥6,079 million in the same period of the previous fiscal year).

Theatrical business

In the Theatrical business, the first stage performance of "Spirited Away," as a work commemorating the 90th anniversary of TOHO's founding, was staged at the Imperial Theatre and was completely sold out. Subsequently, the Company rolled out various initiatives including performance and streaming at regions throughout Japan. "Endless SHOCK -Eternal-" was performed and achieved success at the Imperial Theatre, but some performances were cancelled. "Piaf," "Next to Normal," "VOICARION XIV ~The Spoon~, " "My Story, My Song ~and YOU~" and others were performed at Theatre Creation, and we conducted live streaming, etc. to secure revenue. "Your Lie in April" was performed to a full house at Nissay Theatre. At Toho Entertainment Co., Ltd., affiliated actors worked favorably on commercial performances, etc.

As a result of the above, operating revenue in the Theatrical business was ¥4,561 million (¥2,884 million in the same period of the previous fiscal year) and operating profit was ¥737 million (¥483 million in the same period of the previous fiscal year).

Real Estate business

The Lease of Land and Buildings business continued to be in a difficult situation due to factors such as changes in the office market, but due to efforts to effectively use owned properties and comprehensively respond to tenants, the vacancy rate of real estate for leasing was 1.1% as of the end of the first quarter of the current fiscal year. As a result, operating revenue in the Lease of Land and Buildings business was ¥6,939 million (¥6,725 million in the same period of the previous fiscal year) and operating profit was ¥3,027 million (¥3,136 million in the same period of the previous fiscal year).

In the Road business, there was strong public investment, but the situation continued to be unpredictable due to a chronic labor shortage and rising labor costs and equipment prices. Subaru Enterprise Co., Ltd. and its subsidiaries worked to increase new orders and expand orders for existing projects through proactive sales activities by making technical proposals, etc., aiming for thorough safety management. As a result, operating revenue in the Road business was ¥8,048 million (¥7,471 million in the same period of the previous fiscal year) and operating profit was ¥1,942 million (¥1,570

million in the same period of the previous fiscal year). Operating revenue mainly consists of ¥7,457 million from road maintenance, repair and cleaning services and also includes ¥195 million of other revenue.

In the Building Maintenance business, TOHO BUILDING MANAGEMENT Co., Ltd. and Toho Facilities Co., Ltd. worked to secure new orders and reduce expenses. As a result, operating revenue was ¥2,489 million (¥2,407 million in the same period of the previous fiscal year) and operating profit was ¥223 million (¥215 million in the same period of the previous fiscal year).

As a result of the above, operating revenue in the overall Real Estate business was ¥17,477 million (¥16,604 million in the same period of the previous fiscal year) and operating profit was ¥5,193 million (¥4,922 million in the same period of the previous fiscal year).

Other business

Toho Kyoei Kigyo Co., Ltd.'s Toho Chofu Sports Park and TOHO RETAIL CO., LTD.'s theater concession stands, etc. developed various sales measures and carried out sales activities taking profitability into consideration. TOHO RETAIL CO., LTD. withdrew from the Directly Managed Restaurant business in August 2021. As a result, operating revenue in the Other business was ¥297 million (¥636 million in the same period of the previous fiscal year) and operating profit was ¥57 million (operating loss of ¥39 million in the same period of the previous fiscal year).

(2) Details of financial position

With regard to the financial position as of the end of the first quarter of the current fiscal year, total assets increased by ¥5,777 million from the end of the previous fiscal year to ¥508,309 million. This was mainly due to increases of ¥6,794 million in cash and deposits, ¥3,368 million in notes and accounts receivable - trade, and contract assets compared to the notes and accounts receivable - trade at the end of the previous fiscal year and ¥1,850 million in buildings and structures, despite decreases of ¥4,999 million in short-term loans receivable with resale agreement and ¥2,597 million in investment securities.

Liabilities increased by ¥1,335 million from the end of the previous fiscal year to ¥94,686 million. This was mainly due to an increase of ¥1,513 million in accounts payable - trade.

Net assets increased by ¥4,441 million from the end of the previous fiscal year to ¥413,622 million. This was mainly due to an increase of ¥5,400 million in retained earnings.

(3) Consolidated earnings forecasts and other forward-looking statements

There have been no changes in the consolidated earnings forecasts for the fiscal year ending February 28, 2023, which were announced on April 12, 2022, in the "Consolidated Financial Results for the Fiscal Year Ended February 28, 2022."

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of February 28, 2022	As of May 31, 2022
Assets		
Current assets		
Cash and deposits	37,750	44,545
Notes and accounts receivable - trade	22,852	-
Notes and accounts receivable - trade, and contract assets	-	26,220
Securities	40,607	40,608
Inventories	8,417	8,479
Short-term loans receivable with resale agreement	53,999	48,999
Other	24,313	25,504
Allowance for doubtful accounts	(74)	(80)
Total current assets	187,866	194,278
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	80,050	81,901
Land	75,438	76,537
Construction in progress	5,453	3,962
Other, net	8,922	9,093
Total property, plant and equipment	169,865	171,494
Intangible assets		
Goodwill	2,745	2,566
Other	2,641	2,632
Total intangible assets	5,386	5,199
Investments and other assets		
Investment securities	121,891	119,293
Other	17,601	18,126
Allowance for doubtful accounts	(78)	(83)
Total investments and other assets	139,413	137,336
Total non-current assets	314,665	314,031
Total assets	502,532	508,309

(Millions of yen)

	As of February 28, 2022	As of May 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	19,305	20,818
Short-term borrowings	60	56
Income taxes payable	9,751	4,599
Provision for bonuses	972	1,409
Other provisions	170	129
Asset retirement obligations	-	16
Other	17,269	22,985
Total current liabilities	47,531	50,016
Non-current liabilities		
Retirement benefit liability	3,636	3,663
Provision for retirement benefits for directors (and other officers)	140	131
Other provisions	236	236
Asset retirement obligations	6,994	7,102
Other	34,812	33,536
Total non-current liabilities	45,819	44,670
Total liabilities	93,351	94,686
Net assets		
Shareholders' equity		
Share capital	10,355	10,355
Capital surplus	14,122	14,124
Retained earnings	380,430	385,831
Treasury shares	(28,712)	(28,714)
Total shareholders' equity	376,197	381,597
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,854	18,373
Revaluation reserve for land	800	800
Foreign currency translation adjustment	(121)	16
Remeasurements of defined benefit plans	(1,008)	(979)
Total accumulated other comprehensive income	19,525	18,211
Non-controlling interests	13,458	13,813
Total net assets	409,181	413,622
Total liabilities and net assets	502,532	508,309

(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income

Quarterly consolidated statement of income

Three months ended May 31, 2022

(Millions of yen)

	Three months ended May 31, 2021	Three months ended May 31, 2022
Operating revenue	57,808	61,865
Operating costs	35,136	32,639
Gross profit	22,672	29,226
Selling, general and administrative expenses		
Personnel expenses	4,384	4,587
Advertising expenses	990	1,761
Provision for bonuses	485	467
Retirement benefit expenses	247	278
Provision for retirement benefits for directors (and other officers)	7	7
Rent expenses on land and buildings	1,658	2,149
Other	4,381	5,699
Total selling, general and administrative expenses	12,154	14,952
Operating profit	10,518	14,273
Non-operating income		
Interest income	17	24
Dividend income	25	51
Share of profit of entities accounted for using equity method	34	238
Foreign exchange gains	147	1,125
Other	137	131
Total non-operating income	362	1,570
Non-operating expenses		
Interest expenses	10	1
Commission for purchase of treasury shares	22	-
Provision of allowance for doubtful accounts	-	11
Other	0	1
Total non-operating expenses	33	14
Ordinary profit	10,847	15,829
Extraordinary income		
Gain on sale of non-current assets	-	75
Subsidy income	282	1,419
Total extraordinary income	282	1,494
Extraordinary losses		
Loss on valuation of investment securities	22	28
Loss caused by temporary closures	620	-
Total extraordinary losses	643	28
Profit before income taxes	10,486	17,296
Income taxes - current	3,698	4,937
Income taxes - deferred	(472)	177
Total income taxes	3,226	5,115
Profit	7,260	12,181
Profit attributable to non-controlling interests	575	665
Profit attributable to owners of parent	6,684	11,516

Quarterly consolidated statement of comprehensive income

Three months ended May 31, 2022

(Millions of yen)

	Three months ended May 31, 2021	Three months ended May 31, 2022
Profit	7,260	12,181
Other comprehensive income		
Valuation difference on available-for-sale securities	(949)	(1,476)
Foreign currency translation adjustment	809	138
Remeasurements of defined benefit plans, net of tax	28	29
Share of other comprehensive income of entities accounted for using equity method	0	(5)
Total other comprehensive income	(110)	(1,313)
Comprehensive income	7,149	10,867
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,574	10,202
Comprehensive income attributable to non-controlling interests	575	665

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Three months ended May 31, 2021	Three months ended May 31, 2022
Cash flows from operating activities		
Profit before income taxes	10,486	17,296
Depreciation	2,046	2,295
Amortization of goodwill	178	178
Increase (decrease) in allowance for doubtful accounts	(35)	10
Interest and dividend income	(43)	(76)
Interest expenses	10	1
Share of loss (profit) of entities accounted for using equity method	(34)	(238)
Loss (gain) on valuation of investment securities	22	28
Decrease (increase) in trade receivables	1,382	(3,356)
Decrease (increase) in inventories	564	(17)
Increase (decrease) in trade payables	246	1,508
Increase (decrease) in accrued consumption taxes	1,876	(69)
Other	1,727	1,524
Subtotal	18,428	19,085
Interest and dividends received	126	142
Interest paid	(33)	(6)
Income taxes paid	(2,329)	(9,722)
Net cash provided by (used in) operating activities	16,191	9,498
Cash flows from investing activities		
Purchase of securities	(10,199)	(10,199)
Proceeds from sale of securities	11,600	12,800
Purchase of property, plant and equipment	(4,923)	(4,515)
Proceeds from sale of property, plant and equipment	1	362
Purchase of investment securities	(1,001)	(2,001)
Loan advances	(41)	(21)
Proceeds from collection of loans receivable	2	14
Investments in money held in trust	-	(300)
Proceeds from cancellation of money held in trust	2,600	2,300
Other	214	(405)
Net cash provided by (used in) investing activities	(1,747)	(1,966)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(54)	(4)
Purchase of treasury shares	(4)	(2)
Dividends paid	(3,026)	(4,740)
Dividends paid to non-controlling interests	(189)	(202)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(1)	(0)
Repayments of lease obligations	(4)	(3)
Net cash provided by (used in) financing activities	(3,280)	(4,953)
Effect of exchange rate change on cash and cash equivalents	881	1,217
Net increase (decrease) in cash and cash equivalents	12,044	3,795
Cash and cash equivalents at beginning of period	85,827	92,341
Cash and cash equivalents at end of period	97,872	96,136

(4) Notes to quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Adoption of special accounting treatments for preparing quarterly consolidated financial statements)

Not applicable.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, Etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. The main changes due to this are as follows.

We do not recognize the total amount of revenue such as for some international movie distribution transactions with distribution to movie theaters and for sales of some souvenir programs and merchandise at the retail shops in theaters where the Group's role is categorized transactions as an agency and recognize revenue on a net basis after deducting related expenses.

With regard to point systems operated by the management of movie theaters, we do not recognize the points that are granted as revenue when the movie is viewed but recognize them as a performance obligation. We allocate the transaction price based on an independently calculated sales price that considers factors including the forecast future expiration.

We do not recognize revenue at the time of sale for future forecast returns of sales of home entertainment, etc., and deduct this from operating revenue and operating costs after estimating in accordance with the provisions related to variable consideration.

With regard to construction contracts for road civil engineering works under road maintenance, repair and cleaning services, the percentage-of-completion method was previously applied to construction contracts whose outcome was deemed certain, while the completed-contract method was applied to other construction contracts. However, revenue is now recognized over a certain period of time, based on the percentage of completion measured by the ratio of the cost of construction incurred to the total estimated cost of construction.

The application of the Accounting Standard for Revenue Recognition, etc. is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of applying the new accounting policy retrospectively prior to the beginning of the first quarter of the current fiscal year is added to or deducted from the opening balance of the retained earnings of the first quarter of the current fiscal year, and thus the new accounting policy is applied to such opening balance. However, in accordance with the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition, the new accounting policy was not retrospectively applied to contracts wherein almost all revenues were recognized before the beginning of the first quarter of the current fiscal year according to the former treatment.

For the first three months of the current fiscal year, as a result of this change, operating revenue decreased by ¥2,023 million, operating costs decreased by ¥1,191 million and selling, general and administrative expenses decreased by ¥915 million, while operating profit increased by ¥83 million and ordinary profit and profit before income taxes each increased by ¥82 million. In addition, the opening balance of the retained earnings decreased by ¥1,250 million.

Due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, "Notes and accounts receivable - trade" under current assets of the consolidated balance

sheet as of the end of the previous fiscal year has been included in “Notes and accounts receivable - trade, and contract assets” under current assets from the quarterly consolidated balance sheet as of the end of the first quarter of the current fiscal year.

In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation. Furthermore, the information on disaggregation of revenue from contracts with customers during the first three months of the previous fiscal year has not been disclosed as allowed by the transitional treatment provided for in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020).

(Adoption of Accounting Standard for Fair Value Measurement, Etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no impact on the quarterly consolidated financial statements.

(Segment information, etc.)

[Segment information]

I. Three months ended May 31, 2021

Disclosure of net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Amounts in the quarterly consolidated statement of income (Note 3)
	Cinema business	Theatrical business	Real Estate business	Total				
Net sales								
Sales to external customers	37,682	2,884	16,604	57,171	636	57,808	–	57,808
Intersegment sales or transfers	539	6	1,262	1,807	9	1,817	(1,817)	–
Total	38,222	2,890	17,866	58,979	646	59,626	(1,817)	57,808
Segment profit (loss)	6,079	483	4,922	11,486	(39)	11,446	(928)	10,518

(Notes) 1. The “Other” category is a business segment that is not included in the reportable segments and includes businesses that operate restaurants and sports facilities.

2. The ¥928 million deducted from segment profit (loss) as adjustment consists of an addition of ¥2 million in intersegment transaction elimination, and a deduction of ¥930 million in corporate expenses that cannot be allocated to any reportable segment. Corporate expenses mainly consist of general and administrative expenses that are not attributable to reportable segments.

3. Segment profit (loss) is adjusted with operating profit stated in the quarterly consolidated statement of income.

II. Three months ended May 31, 2022

1. Disclosure of net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Amounts in the quarterly consolidated statement of income (Note 3)
	Cinema business	Theatrical business	Real Estate business	Total				
Net sales								
Sales to external customers	39,528	4,561	17,477	61,568	297	61,865	–	61,865
Intersegment sales or transfers	588	17	1,269	1,874	40	1,915	(1,915)	–
Total	40,117	4,578	18,747	63,443	338	63,781	(1,915)	61,865
Segment profit (loss)	9,230	737	5,193	15,161	57	15,219	(946)	14,273

(Notes) 1. The “Other” category is a business segment that is not included in the reportable segments and includes businesses that operate sports facilities, etc.

2. The ¥946 million deducted from segment profit (loss) as adjustment consists of an addition of ¥9 million in intersegment transaction elimination, and a deduction of ¥956 million in corporate expenses that cannot be allocated to any reportable segment. Corporate expenses mainly consist of general and administrative expenses that are not attributable to reportable segments.

3. Segment profit (loss) is adjusted with operating profit stated in the quarterly consolidated statement of income.

2. Disclosure of changes, etc. in reportable segments

As described in “Changes in Accounting Policies,” the Company has applied the Accounting Standard for Revenue Recognition, etc. from the beginning of the first quarter of the current fiscal year, and changed the accounting treatment for revenue recognition. Accordingly, the Company has changed the method of measuring profit or loss of operating segments.

For the first three months of the current fiscal year, as a result of this change, and compared with the figures obtained by the previous method, net sales and segment profit decreased by ¥2,137 million and ¥77 million, respectively, for the Cinema business, and net sales and segment profit increased by ¥343 million and ¥166 million, respectively, for the Real Estate business.