

## JCR Affirmed AA/Stable on Toho

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

### *Rationale*

- (1) Toho Co., Ltd. is the largest movie company in Japan, boasting of the top share of about 30% for box-office revenue and about 20% for the number of screens.
- (2) The industry-wide annual box-office revenue had been stable around 200 billion yen until 2010 when the revenue renewed the record at 220.7 billion yen, helped by some blockbuster 3D films. It is estimated that the revenue fell about 20% in 2011 as some audiences refrained from going out after the Great East Japan Earthquake and few films became a huge hit. As such, the movie business in general depends on the presence or absence of hit films.
- (3) The Company is releasing hit films on a constant basis, while diversifying risks through alliances with television networks that have excellent contents and other companies that are good in planning. The Company's movie distribution segment handles a variety of categories including popular animations and foreign films to stabilize earnings. Even with these positive factors, the Company always faces the task of making contents to attract audiences.
- (4) Meanwhile, the real estate business is a stable source of earnings for the Company, as it owns many properties favorably located on former movie theater sites in entertainment districts, which yield high occupancy rate. Large redevelopment projects on the sites of former Hiroshima Takarazuka Kaikan and Shinjuku Toho Kaikan are under way to expand income from lease over the medium to long term.
- (5) The Company expects a poor business performance for the fiscal year ending February 2012 with few hit films, compared with the previous year when earnings were supported by many hits. While being dependent on the presence of hits, the movie business maintains a relatively high profit level, and the real estate business generates stable earnings. JCR views the Company can maintain certain level of earnings over the medium term
- (6) Financial structure is solid with ready liquidity exceeding interest-bearing debt and equity capital ratio being high. The Hiroshima Takarazuka Kaikan and Shinjuku Toho Kaikan redevelopment projects will be covered by operating cash flow and sufficient liquidity on hand. JCR assumes the Company can maintain its sound financial structure.

### *Rating*

Issuer: Toho Co., Ltd. (security code: 9602)

#### <Affirmation>

Senior debts: AA      Outlook: Stable

Outline of the method for the determination of the credit rating is posted as "Rating Methodology (Corporate)" on JCR's home page (<http://www.jcr.co.jp>). The rating methodology is subject to additions and changes. In such cases, however, these additions and changes are shown in chronological order. Please check the release date of this press release against that of the rating methodology (i.e., the date when such methodology became effective) and then refer to the rating methodology above.

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan  
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

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