

Financial Results Presentation

**Second Quarter of the fiscal year ending March 31, 2024
(2Q FY2023)**

IMAGICA GROUP Inc.

Securities Code: 6879

November 2, 2023



Contents of Today's Presentation

- I Financial Results Summary for 2Q FY2023**
- II Progress of the Mid-Term Plan "G-EST2025"**

Nobuo Fuse, Representative Director, President

G-EST means: From five key strategies

G : The "4 Gs," Growth, Global, Game, and Group

E : E2E and Live Entertainment (global E2E business, live entertainment business)

S : System (Imaging Systems & Solutions business)

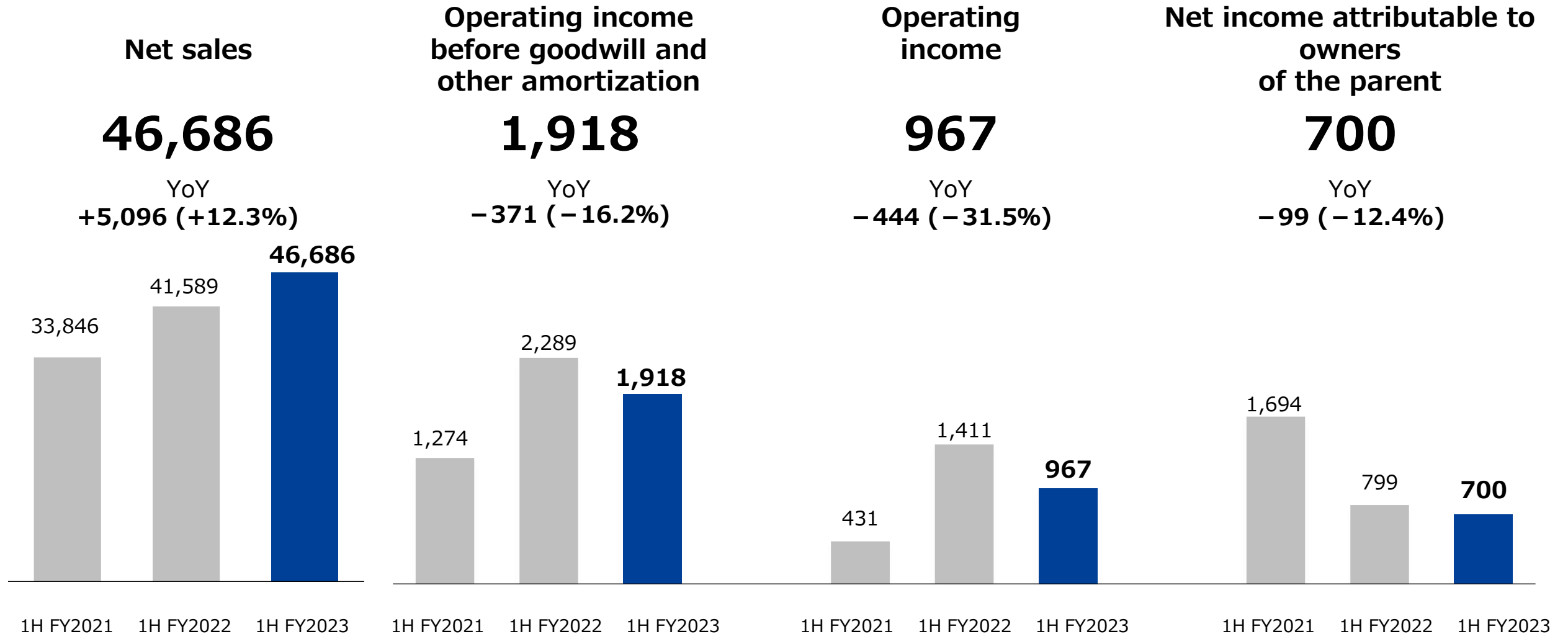
T : Transformation (Transformation business)

* Fiscal years in this presentation are abbreviated as follows: Fiscal year ending March 31, 2024 → FY2023

Highlights of Financial Results

Sales increased for two consecutive years. Operating income decreased due to fixed cost increase in Production Technology Services (Overseas) by growth investment.

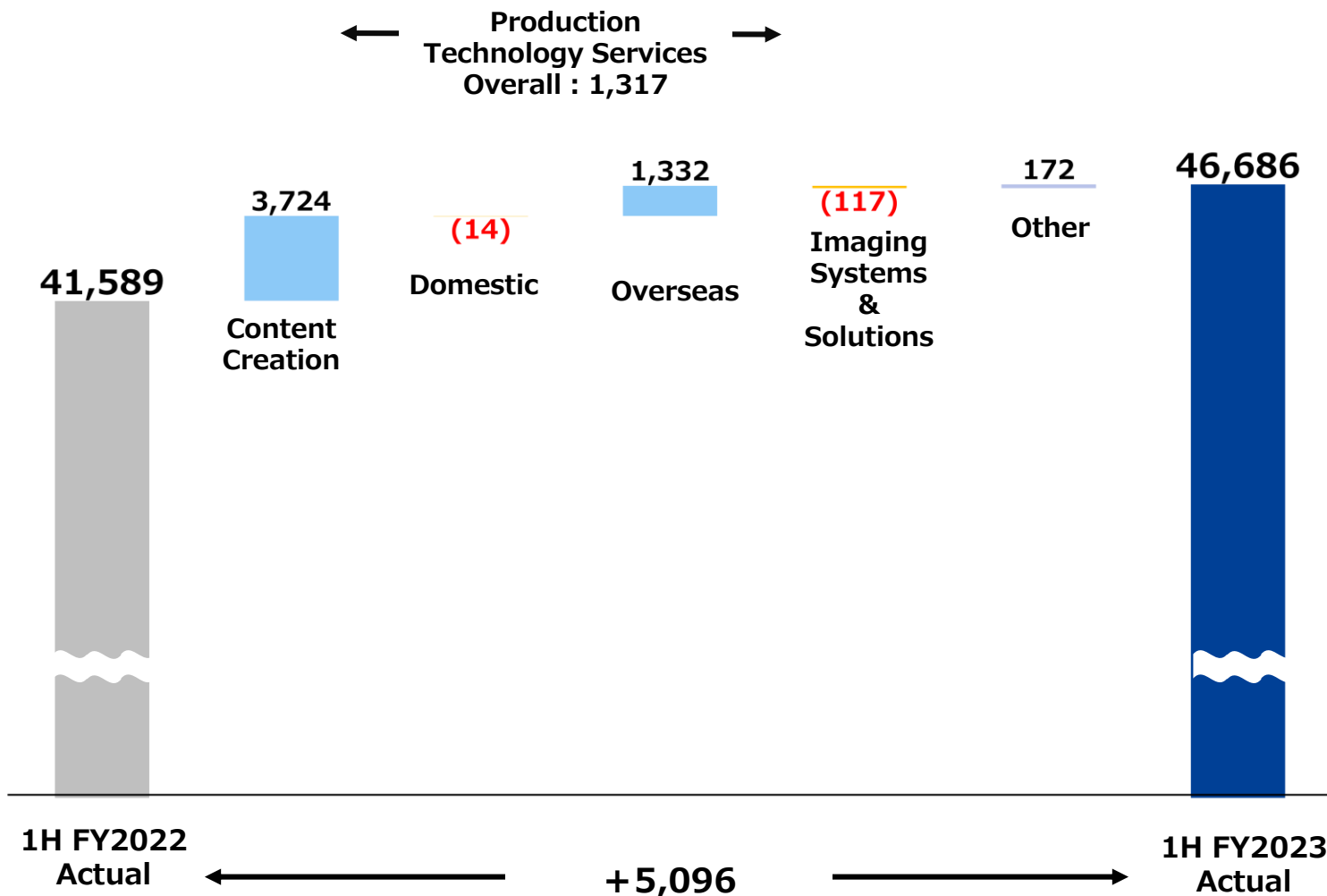
(Million Yen)



Analysis of increase/decrease of Net sales (YoY)

Sales increased in Content Creation and Production Technology Services (Overseas).

(Million Yen)



Analysis of increase/decrease

Content Creation (increased sales)

Sales increased significantly with theater and video streaming works.

Production Technology Services (increased sales)

Sales of localization services for video streaming decreased by demand settle down, but the digital cinema services remained steady.

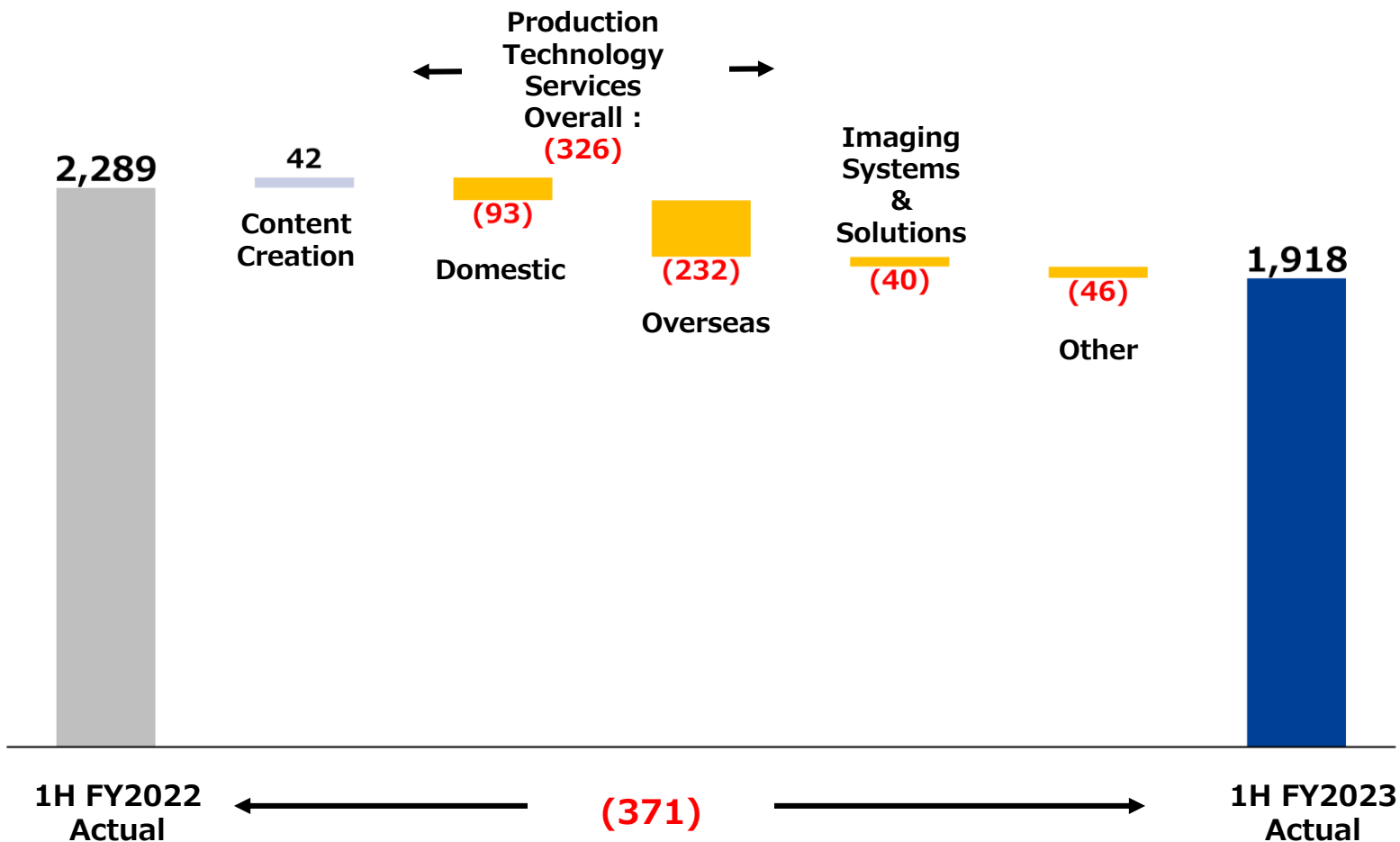
Imaging Systems & Solutions (same level as last year)

- Sales of high-speed cameras increased significantly owing to strong order after settlement of semiconductor shortage.
- Video and image processing LSI sales were sluggish due to market deterioration.

Analysis of increase/decrease of Operating income before goodwill and other amortization (YoY)

Operating income decreased in Production Technology Services (Overseas) but it is going as planned.

(Million Yen)



Analysis of increase/decrease

Content Creation

(increased operating income)

Despite a downturn in production for TV-CM, operating income increased owing partly to orders for high-profit projects such as live-music production.

Production Technology Services

(decreased operating income)

Operating income decreased due to fixed cost increase by growth investment.

Imaging Systems & Solutions

(same level as last year)

Although high-speed camera sales were strong, operating income remained at the same level as the previous year due to the recession in the market environment for video and image processing LSI.

Performance by segment (YoY and vs. forecast)

Operating income achieved the target for this first half although decreased YoY with decrease in Production Technology Services and Imaging Systems & Solutions.

(Million Yen)		1H FY2022 Actual	1H FY2023 Actual	YoY	vs. forecast	
					Net Sales	Operating income before goodwill and other amortization
Content Creation	Net sales	9,045	12,770	3,724		
	Operating income	46	89	42	→	↘
	Operating income before goodwill and other amortization	49	91	42		
Production Technology Services	Net sales	25,596	26,913	1,317		
	Operating income	1,192	793	(398)	→	↗
	Operating income before goodwill and other amortization	2,049	1,723	(326)		
Imaging Systems & Solutions	Net sales	8,212	8,094	(117)		
	Operating income	712	671	(40)	→	↗
	Operating income before goodwill and other amortization	730	689	(40)		
Others	Net sales	(1,265)	(1,092)	172		
	Operating loss	(540)	(587)	(46)		
Consolidated total	Net sales	41,589	46,686	5,096		
	Operating income	1,411	967	(444)	→	↗
	Operating income before goodwill and other amortization	2,289	1,918	(371)		

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(Re-posting) Mid-Term Plan "G-EST2025"

Become a Group consisted of a balanced, highly profitable businesses that is resilient even under adverse circumstance

<Key strategies>

1.
Expand "Global E2E" business

2.
Establish a new Live Entertainment business

3.
Generate additional business value in the Imaging Systems & Solutions business

4.
Expansion of the Game-related business

5.
Complete transformation in the "Transformational business"

<Strategic measures>

Achieve company transformation through DX

Strengthen R&D capabilities

Secure & activate talented employees

<Resolve social challenges and achieve sustainable growth>

SDGs initiatives

Key strategies, Policies and Management Indicators

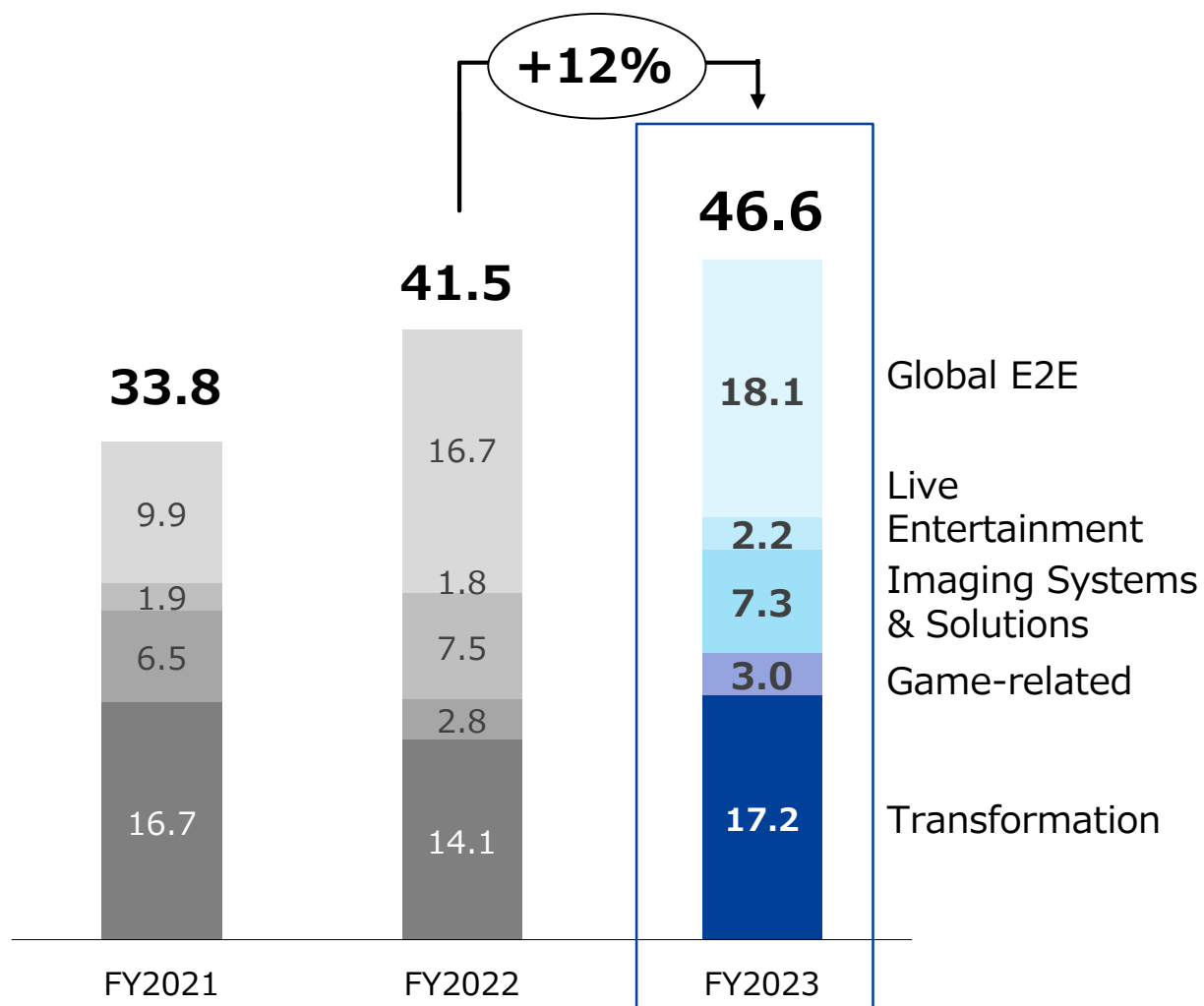
Key strategies and policies		Sales target for FY2025	Management indicators for FY2025	
<div style="background-color: #004a99; color: white; padding: 10px; text-align: center; font-weight: bold; font-size: 24px;">1</div>	Global E2E business <ul style="list-style-type: none"> Transition from rapid growth to stable growth Enhance profitability and increase operating margin to 10% or higher 	35 billion yen	<div style="background-color: #004a99; color: white; padding: 10px; text-align: center; font-weight: bold; font-size: 24px;">Net sales</div> <div style="background-color: #e6f2ff; padding: 10px; text-align: center; font-weight: bold; font-size: 24px;">110 billion yen</div> <div style="background-color: #004a99; color: white; padding: 10px; text-align: center; font-weight: bold; font-size: 24px;">Operating margin before goodwill and other amortization</div> <div style="background-color: #e6f2ff; padding: 10px; text-align: center; font-weight: bold; font-size: 24px;">8%</div> <div style="background-color: #004a99; color: white; padding: 10px; text-align: center; font-weight: bold; font-size: 24px;">EBITDA</div> <div style="background-color: #e6f2ff; padding: 10px; text-align: center; font-weight: bold; font-size: 24px;">11 billion yen</div>	
	<div style="background-color: #004a99; color: white; padding: 10px; text-align: center; font-weight: bold; font-size: 24px;">2</div>	Live Entertainment business <ul style="list-style-type: none"> Maintain growth in growth business areas Aim to shift to stock business 		8 billion yen
		<div style="background-color: #004a99; color: white; padding: 10px; text-align: center; font-weight: bold; font-size: 24px;">3</div>		Imaging Systems & Solutions business <ul style="list-style-type: none"> Steadily advance business model transformation and shift to new businesses Maintain solid growth and high profitability (operating margin: 12%)
	<div style="background-color: #004a99; color: white; padding: 10px; text-align: center; font-weight: bold; font-size: 24px;">4</div>			Game-related business <ul style="list-style-type: none"> Position as a new driver of growth in the group Aim a goal of net sales of 15 billion yen and operating margin of 10% or higher (including expansion from M&A)
	<div style="background-color: #004a99; color: white; padding: 10px; text-align: center; font-weight: bold; font-size: 24px;">5</div>	Transformation business <ul style="list-style-type: none"> Work to improve profitability, and ensure an operating margin of 5% 		33 billion yen

Sales trends by key strategies as of 1H FY2023

There was double-digit growth in the second consecutive quarter due to double-digit sales increases in Live Entertainment and Transformation businesses.

(Billion Yen)

1H Net sales



	1H FY2022	1H FY2023	YoY
Global E2E	16.7	18.1	1.4 (8.3%)
Live Entertainment	1.8	2.2	0.4 (22.2%)
Imaging Systems & Solutions	7.5	7.3	-0.2 (-2.6%)
Game-related	2.8	3.0	0.2 (7.1%)
Transformation	14.1	17.2	3.1 (21.9%)
Consolidated	41.5	46.6	5.1 (12.2%)

Progress Report for Each Strategy

- Report focusing on the progress of three key strategies

<Key Strategies>

1 Global E2E business

2 Live Entertainment business

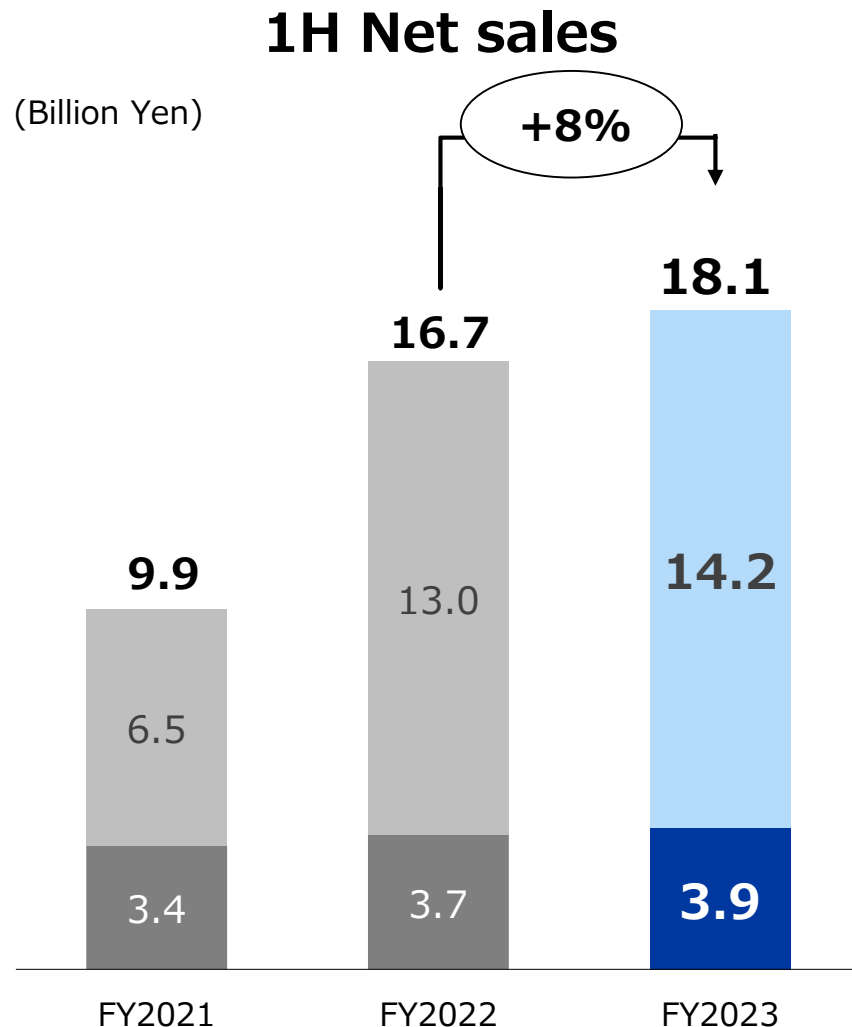
3 Imaging Systems Solutions business

4 Game-related business

5 Transformation business

Global E2E business

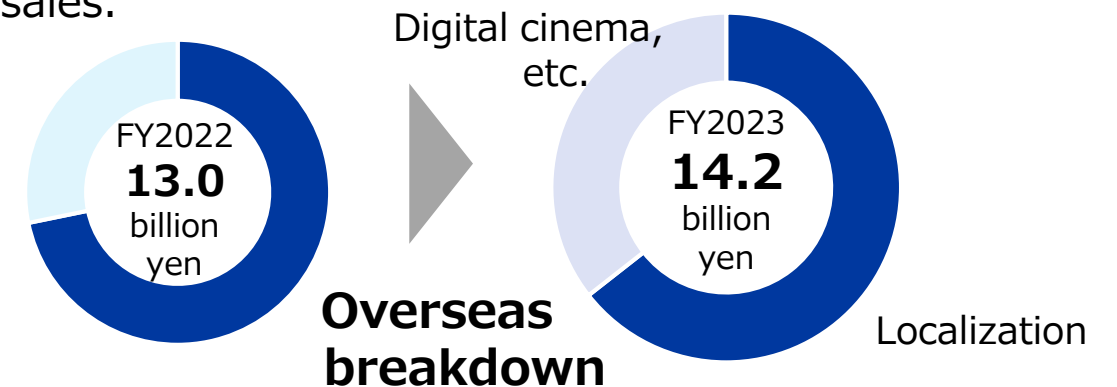
Sales of localization services decreased by demand settle down, but the digital cinema services were strong and sales increased.



Progress of 1H FY2023

1 Net sales

Sales of localization services decreased slightly by demand settle down for old titles, but strong digital cinema and trailer production services due to the recovery of feature films led to increased sales.



2 Profitability

- Gross margin remained at the same level as the previous year owing to growth in highly profitable digital cinema.
- Operating income decreased due to increased fixed costs associated with growth investment.

Initiatives to achieve stable growth and enhance profitability

Strengthen approach to customers for stable growth

1 Continue to secure orders from major existing customers

Continue to secure orders by responding to the needs (short delivery times and high security) of major existing customers such as major Hollywood studios and video streaming service providers.

2 Strengthen sales to expand market share

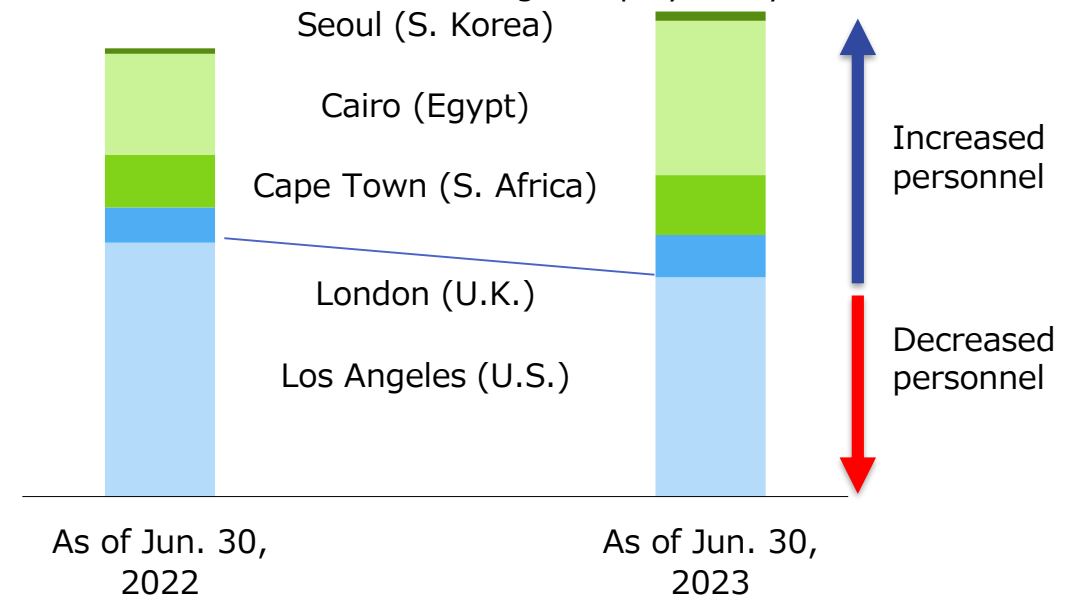
We are strengthening sales to expand our share in each customer such as a video streaming service provider, making progress in acquiring orders.

Optimally allocate human resources to enhance productivity

Expand bases in low-cost countries and reallocate talent

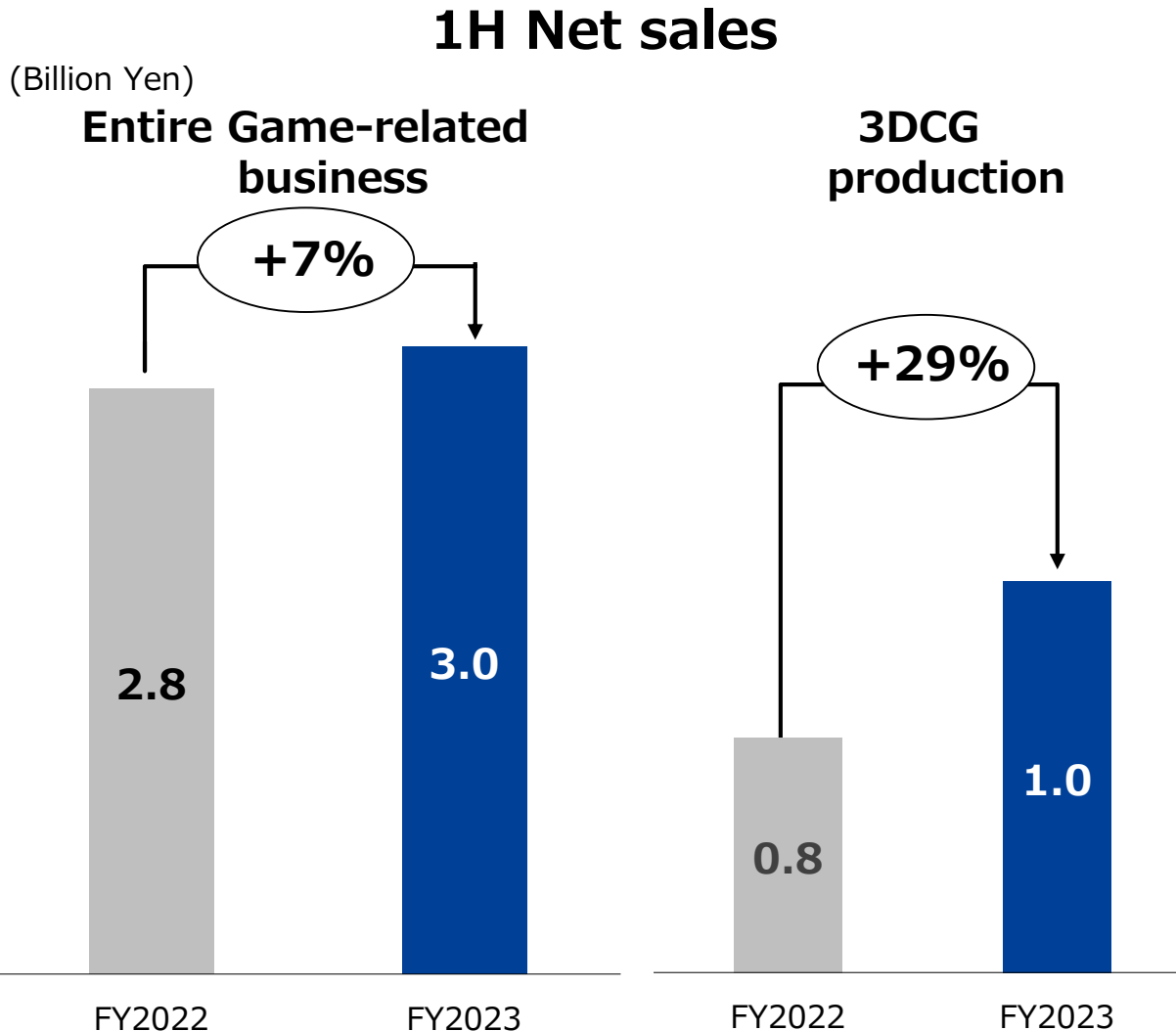
- Expand bases and introduce service equipment in Cairo and Cape Town.
- Increase the number of human resources at the same locations, while curbing unit labor costs.

Trends in the number of Pixelogic employees by location



Expansion of the Game-related business

Owing to increased operating income from 3DCG production, sales increased by 7% compared to the previous year, and expansion into new business areas progressed smoothly.



Progress of 1H FY2023

1 Growth of existing businesses

- 3DCG production sales increased significantly (**+29%**) owing to increased orders.
- Relocation of 3DCG and QA bases to increase floor space and expand business.



	Floor increase rate	Location
3DCG production	Approx. 2 times	Hanzomon
QA	Approx. 2.3 times	Iidabashi

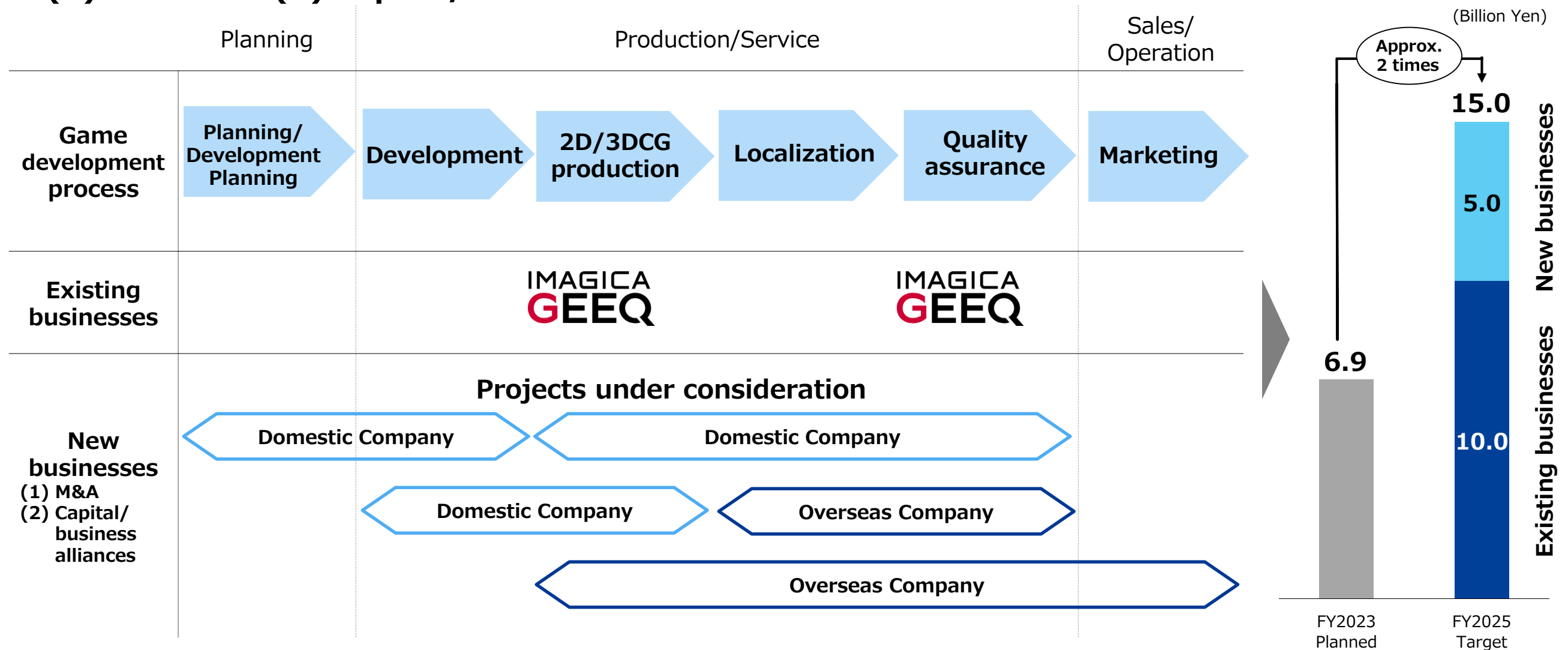
◀ Building that houses our 3DCG production base

2 Expand into new business areas

- Consider M&A and alliances to expand business areas.
- We are promoting business alliances with game QA/localization companies.

Roadmap for expanding new business areas

We are expanding new business areas by promoting both (1) M&A and (2) capital/business alliances.

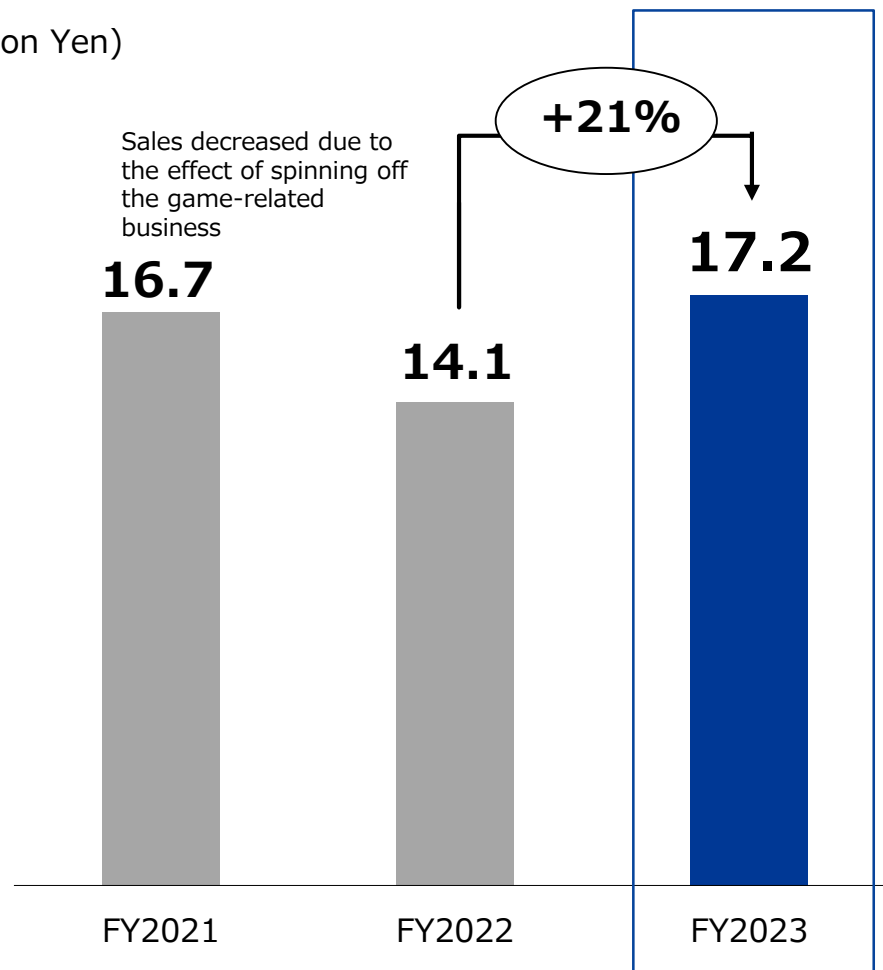


Transformation business

Sales increased owing to strong animation production, while TV-CM were sluggish.

1H Net sales

(Billion Yen)



Progress of 1H FY2023

1 Theater and video streaming works

- Feature film "Godzilla Minus One"
- Netflix feature film "Zombie 100: Bucket List of the Dead"

2 Animation production performed well

- IP creation progressed: TV animation based on two group company original works have been broadcasted since October.
- Margin in animation production has improved owing to digitalization, etc.
- We expanded the base for post-production services for animation in May and have received strong orders.

3 Web-CM strong, while TV-CM sluggish

- TV-CM (production and post-production) were sluggish.
- Orders for web-based videos linked to various social media were strong.

Primary IP (Animation) currently in operation

Three works as our primary IP (animation) are currently in operation in a range of media.

“The Apothecary Diaries”

A thrilling mystery, set in a palace cloister in the middle ages, of a young poison tester who solves one difficult mystery after another



©Hyuuga Natsu, IMAGICA Infos/“The Apothecary Diaries” Project

- Over 24 million paperbacks and comics sold
- Broadcast on Nippon TV affiliate stations starting in October

“Bullbuster”

An “economically accurate” robot hero tale



©P.I.C.S.・Published by KADOKAWA / Namidome Kogyo Video Production Dept.

- Volume 3 of paperback now on sale from KADOKAWA
- Broadcast on TOKYO MX, Kansai TV, and other stations starting in October

“Odd Taxi”

Comical yet biting, pop yet mysterious...an original animation series in a genre of its own

“Odd Taxi — Diamonds Can’t Be Hurt” play



©P.I.C.S. / Butai Odogawa Kotsu Partners

- In addition to being broadcast on TV Tokyo and other stations, it is being streamed on Amazon Prime, and adapted as a comic and as a movie. It is scheduled to be replayed in November with a new cast.

Ongoing creation of IP

We are continuing to create and expand our IP using two approaches.

1. In-house development

Group companies develop new original works, which are adapted for various media

Products developed in-house by P.I.C.S. (comics, novels)

“Odd Taxi”



©P.I.C.S. / Odogawa Kotsu Partners

“Bullbuster”



©P.I.C.S. • Published by KADOKAWA / Namidome Kogyo Video Production Dept.

“The Apothecary Diaries”



©Hyuuga Natsu, illustrated by Touco Shino/IMAGICA Infos

2. Discovering works

New original works are discovered from paperback series published by group companies and adapted for various media

Works adapted for animation from Hero Bunko published by IMAGICA Infos

“Restaurant to Another World”



©Written by: Junpei Inuzuka, Illustrated by: Katsumi Enami /IMAGICA Infos

“Harem in the Labyrinth of Another World”



©Written by: Shachi Sogano, Illustrated by: Shikidouji/IMAGICA Infos

“Cheat Magician from Another World”



Written by: Takeru Uchida, Illustrated by: Nardack/IMAGICA Infos

Diversifying Revenue Sources through IP

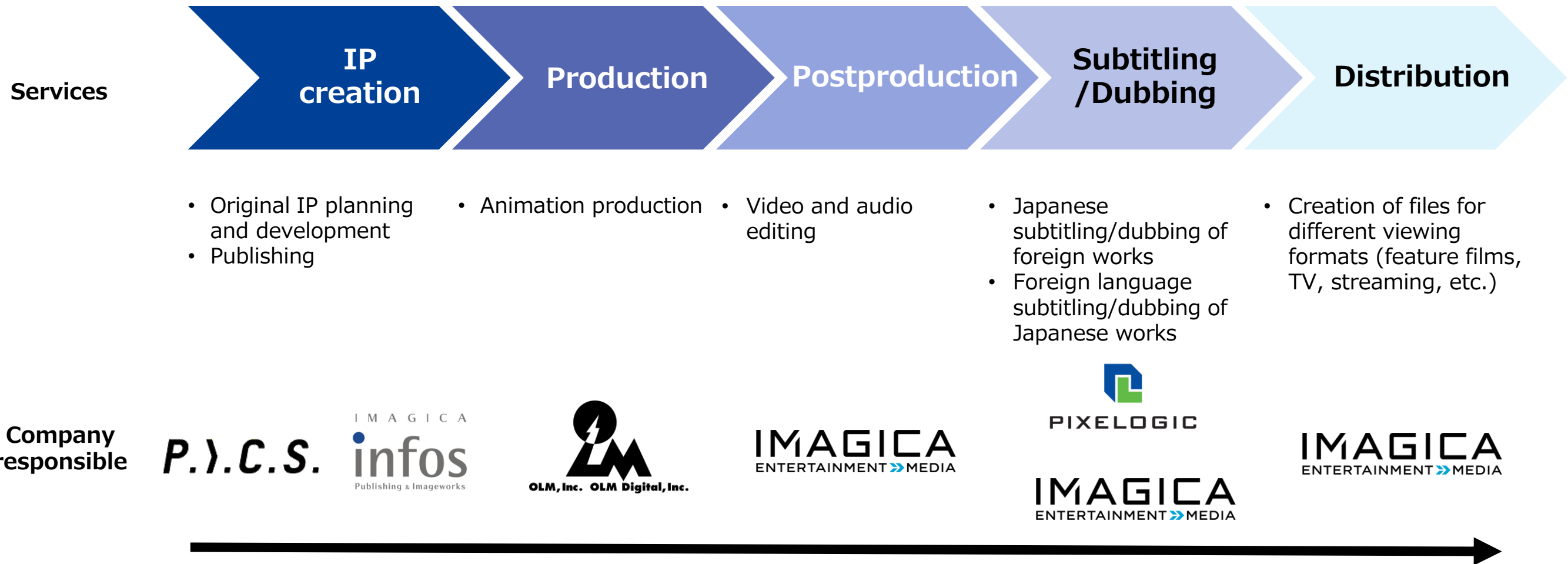
“The Apothecary Diaries” case example: We have secured diverse revenue sources by adapting the source material for various media.



©Hyuuga Natsu, illustrated by Touco Shino/IMAGICA Infos

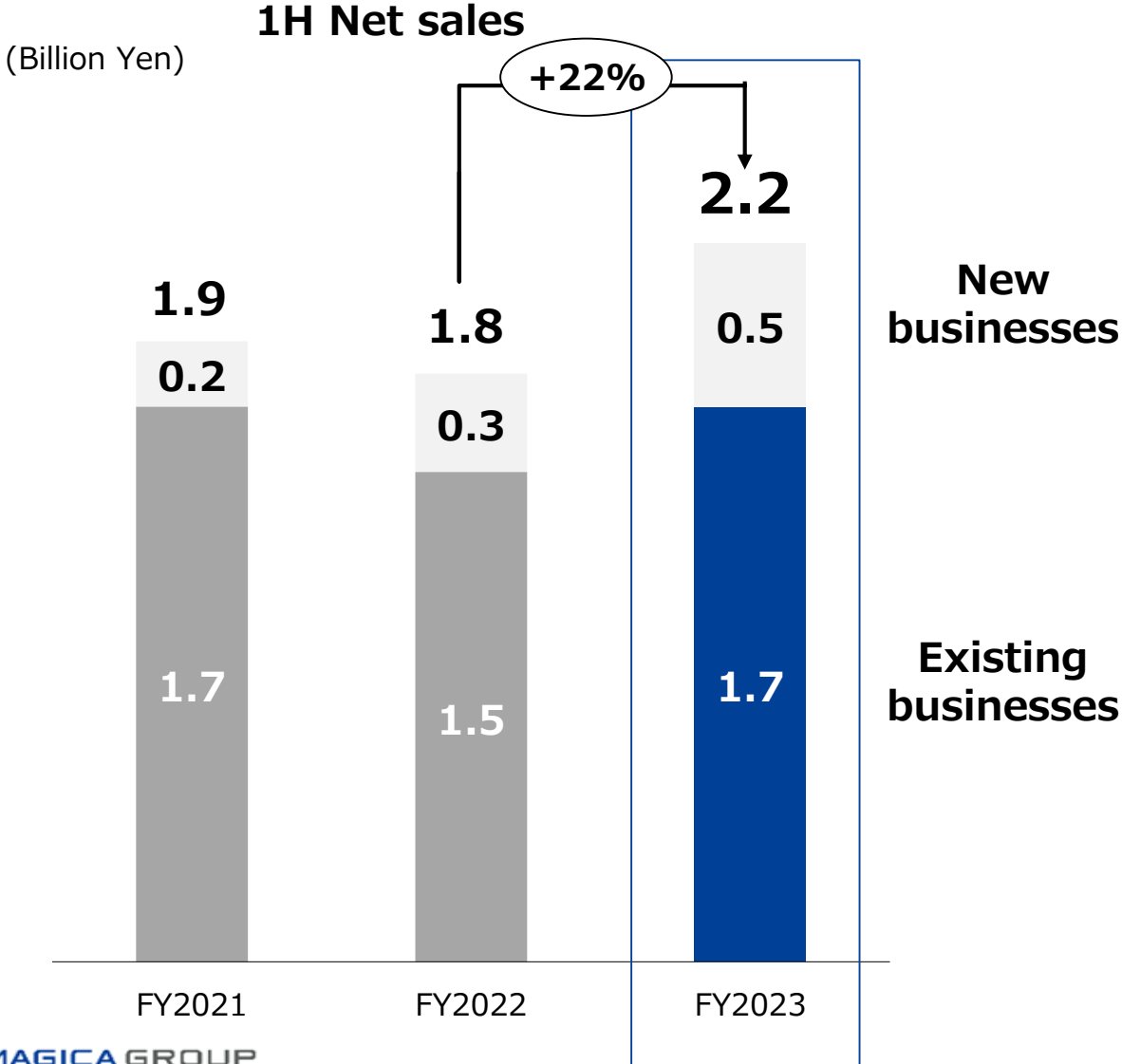
Animation production services offered by our group

We are a one-stop provider of animation production services, covering everything from IP creation to streaming.



Establish a new Live Entertainment business

Sales increased owing to acquisition of stock-based projects and strong orders for live music performances, making steady progress.



Progress of 1H FY2023

- Sales are progressing steadily, up 22% vs. the previous year**
 - Acquisition of stock-based projects.
 - Strong orders for recording live performances and music videos for Nogizaka 46, etc.
- Results of new businesses**
 - Urban space design and production. "TOKYO NODE" Toranomom Hills Station Tower opened on October 6.
 - Comprehensive joint studies with NTT rolled out new performance at Paris Collection on September 26



TOKYO NODE

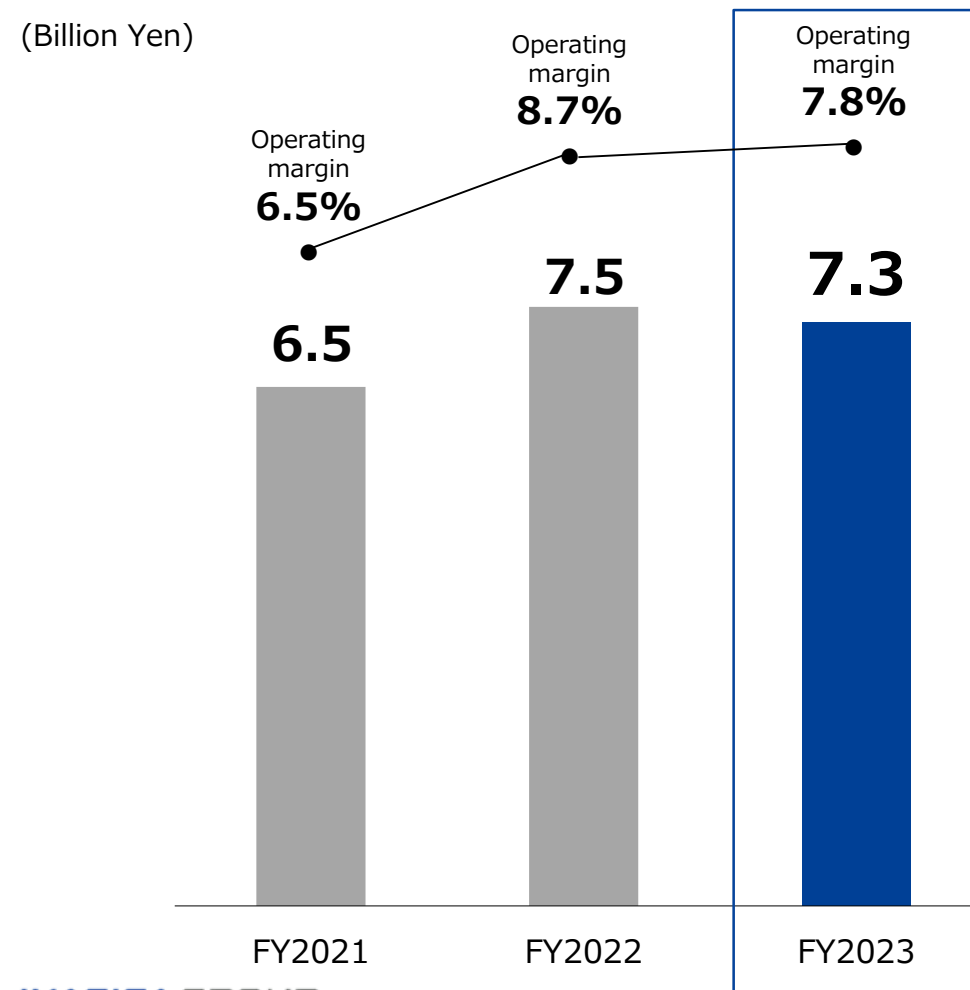


ANREALAGE SPRING/SUMMER Paris Collection 2024 performance

Generate additional business value in the Imaging Systems & Solutions business

Although video and image processing LSI sales were sluggish, high-speed camera sales were strong, and overall the segment performed well.

1H Net sales/Operating margin before goodwill and other amortization



Progress of 1H FY2023

1 Overall status

- Both sales and operating income of high-speed cameras increased owing to the recovery of production after settlement of semiconductor shortage and strong orders.
- Both sales and operating income of video and image processing LSI declined due to deteriorating market environments, so the overall operating margin decreased.

2 Launch of measurement service for airbag development

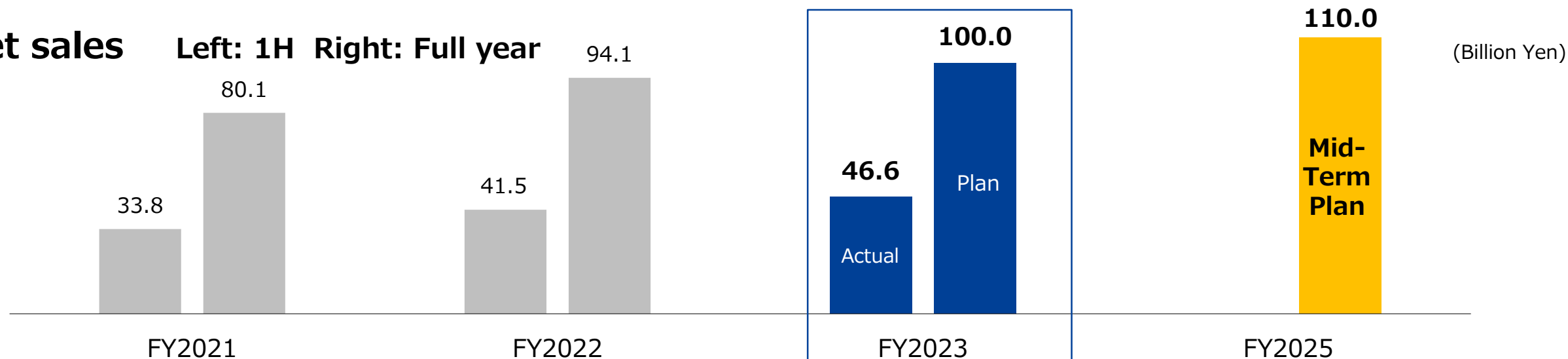
- We internally developed new technologies for creating 3D model videos in super-slow space and for playing back the videos and performing measurement. We launched a service using these technologies in July.
- This service is being provided to automotive and airbag manufacturers.

The 1H results and progress towards 2025 targets

The 1H results have been in line with our initial forecasts. In 2H we will steadily implement our five key strategies and aim to achieve our Mid-Term Plan targets.

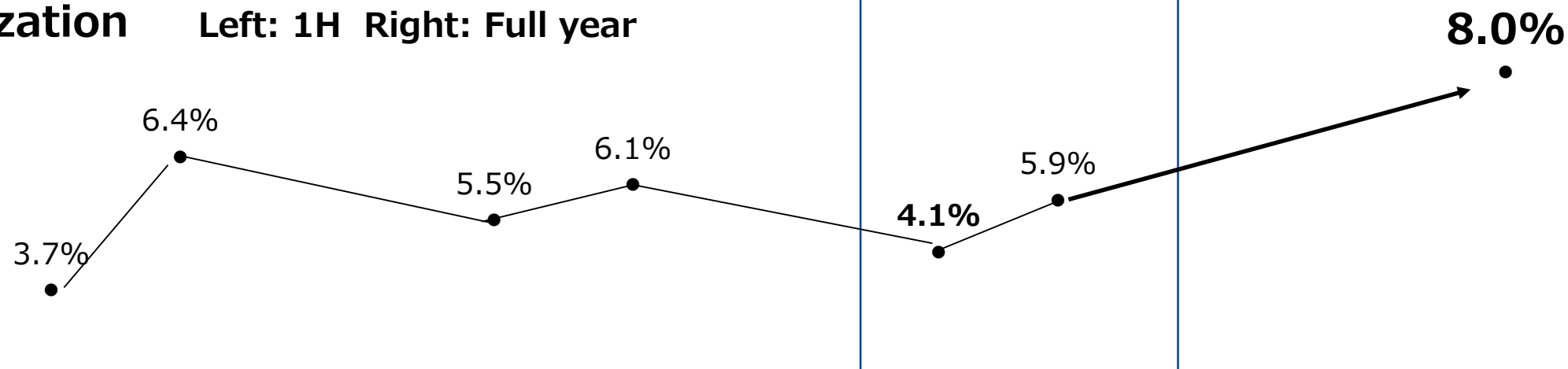
Net sales

Left: 1H Right: Full year



Operating margin before goodwill and other amortization

Left: 1H Right: Full year



Enhancing Our Corporate Value

To raise our PBR to 1.0 or greater, we tackle to improve our ROE and increase our PER.

PBR

(Price-to-book ratio)

0.7

=

ROE

(Return on equity)

5.9%

×

PER

(Price-to-earnings ratio)

12.1

As of
Mar 31, 2024
(Forecast)



**Measures for
achieving targets**

**Profitability improvement
= ROE improvement**

**Achieve Mid-Term Plan
targets**

Operating margin before goodwill
and other amortization: 8%
EBITDA: 11.0 billion yen
(See page 9)

**Foster growth expectations=
improve PER**

**Growth investment in new
business areas**

Invest in growth areas through our five key
strategies (See page 9)

**Promote greater understanding of
our business**

Improve communications to make them
clearer and easier to understand our
business

As of
Mar 31, 2026
(Target)

1.0

Appendix.

Key strategies and services/Net sales of each segment

(Billion yen)

Net sales (1H FY2023)		Content Creation	Production Technology Services	Imaging Systems & Solutions business	Total
1	Global E2E business		<ul style="list-style-type: none"> • Subtitling, dubbing • Streaming 18.1		18.1
2	Live Entertainment business	<ul style="list-style-type: none"> • live-music performances direction • live-viewing • metaverse 1.4		<ul style="list-style-type: none"> • Sports Broadcasting • Video Archiving Business 0.8	2.2
3	Imaging Systems & Solutions business			<ul style="list-style-type: none"> • high-speed cameras • Broadcast imaging systems & solutions 7.3	7.3
4	Game-related business		<ul style="list-style-type: none"> • 3DCG production, Quality Assurance • Human resource consulting service 3.0		3.0
5	Transformation business	<ul style="list-style-type: none"> • Production feature film, TV drama, Animation • Publishing 12.1	<ul style="list-style-type: none"> • Postproduction for TV, Commercials • Human resource consulting service 5.1		17.2
Total		12.7	26.9	8.1	46.6

*Total of net sales by strategy do not match the total because consolidation eliminations are not taken into account.

IMAGICA
GROUP