

**Consolidated Financial Highlights for
the Third Quarter of the Fiscal Year Ending
March 31, 2024
Supplemental Materials**

IMAGICA GROUP Inc.

Securities Code: 6879

February 6, 2024

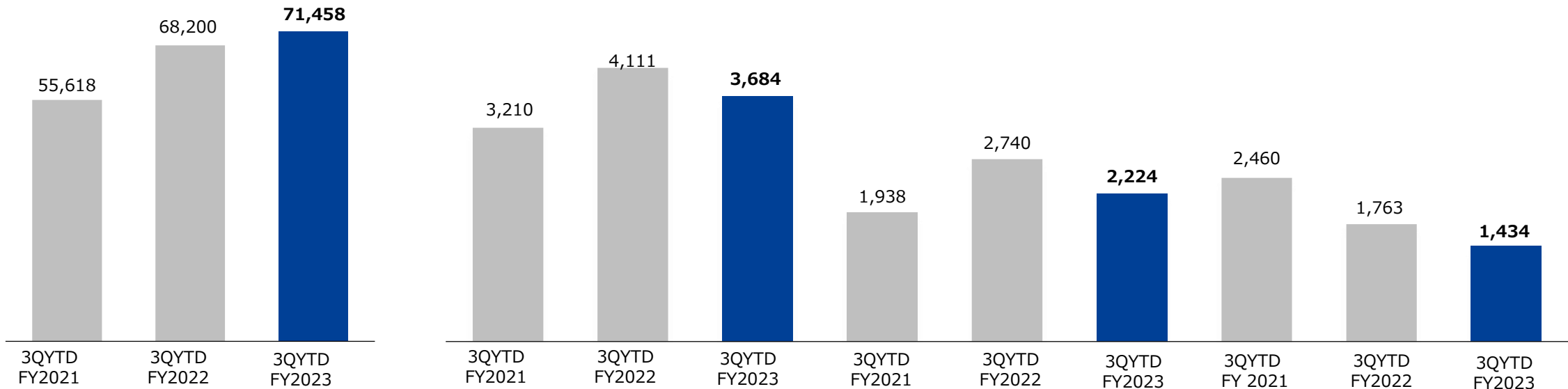


Highlights of financial results for the third quarter

Sales increased in all segments. Operating income decreased due to cost increase in Production Technology Services (Overseas) by expanding bases globally.

(Million Yen)

Net sales	Operating income before goodwill and other amortization	Operating income	Net income attributable to owners of the parent
71,458	3,684	2,224	1,434
YoY +3,258 (+4.8%)	YoY -427 (-10.4%)	YoY -516 (-18.8%)	YoY -328 (-18.7%)



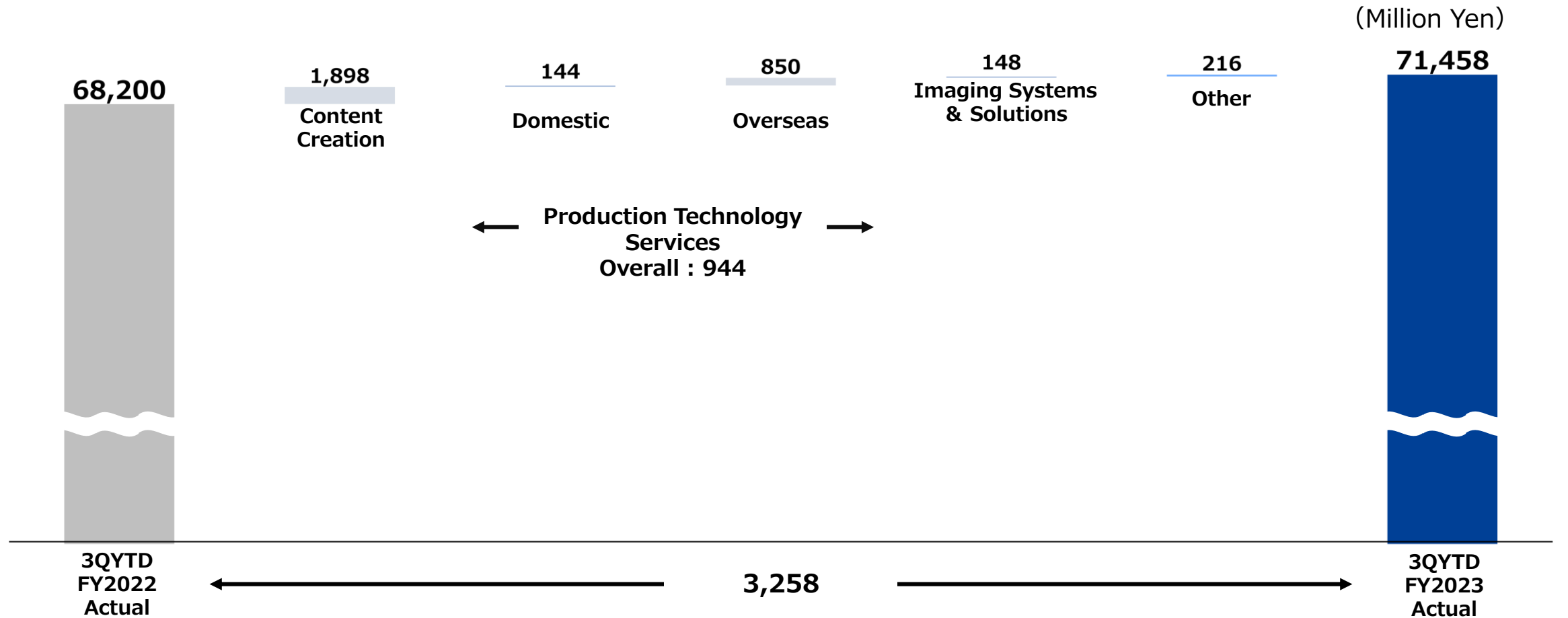
Performance by segment (YoY and vs. forecast)

Operating income achieved the target for this 3Q YTD although decreased YoY mainly in Production Technology Services.

(Million Yen)		3QYTD FY2022 Actual	3QYTD FY2023 Actual	YoY	vs. forecast	
					Net Sales	Operating income before goodwill and other amortization
Content Creation	Net sales	17,731	19,630	1,898		
	Operating income	285	540	254	→	↗
	Operating income before goodwill and other amortization	289	543	254		
Production Technology Services	Net sales	39,645	40,639	994		
	Operating income	2,147	1,403	(743)	→	→
	Operating income before goodwill and other amortization	3,487	2,832	(654)		
Imaging Systems & Solutions	Net sales	12,635	12,783	148		
	Operating income	1,184	1,144	(39)	↘	↗
	Operating income before goodwill and other amortization	1,210	1,171	(39)		
Others	Net sales	(1,811)	(1,595)	216		
	Operating loss	(875)	(863)	12		
Consolidated total	Net sales	68,200	71,458	3,258		
	Operating income	2,740	2,224	(516)	→	↗
	Operating income before goodwill and other amortization	4,111	3,684	(427)		

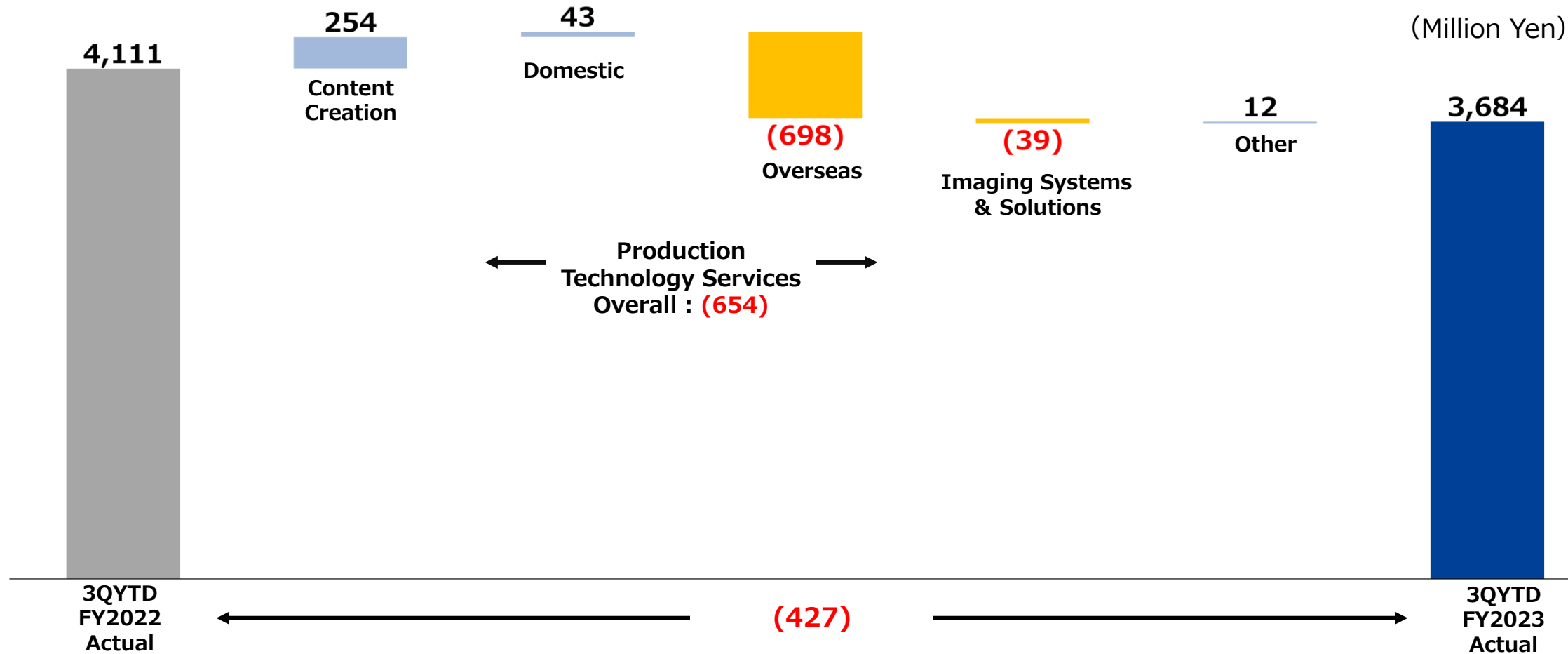
Analysis of increase/decrease of Net sales (YoY)

Sales increased in Content Creation and other segments.



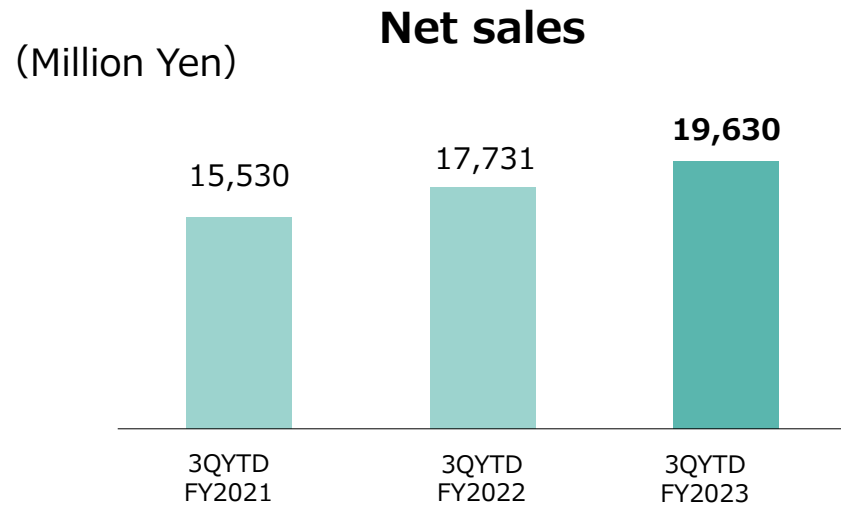
Analysis of increase/decrease of Operating income before goodwill and other amortization (YoY)

Operating income decreased mainly in Production Technology Services (Overseas) due to cost increase by expanding bases globally although increased in Content Creation.

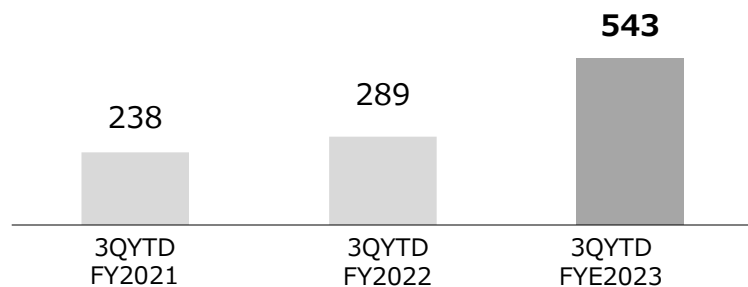


Content Creation

Sales and operating income increased with theater and video streaming works, animation works and publishing business.



Operating income
(before goodwill and other amortization)



Sales and operating income increased.

■ Net sales	+1,898 (+10.7%)
■ Operating income	+254 (+87.8%)

✓ **Feature films and dramas**

Sales remained the same level as the previous year for theater and video streaming works.

- Feature film "Godzilla Minus One", "Rohan au Louvre"
- Netflix feature film "YuYu Hakusho"

✓ **Animation works**

Sales significantly increased with CG animation and strong orders for TV series.

✓ **Publishing business**

Sales increased with strong book sales including the light novel "The Apothecary Diaries".

✓ **CM works**

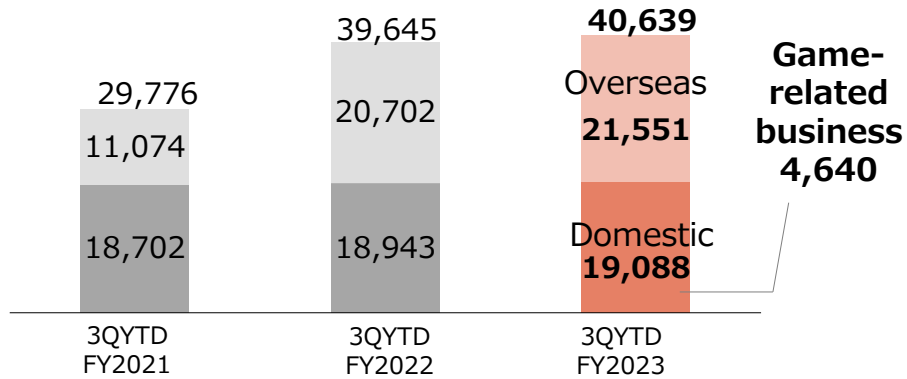
Sales increased in web commercials owing to high number of orders although decreased in TV commercials due to weak orders.

Production Technology Services*

Sales increased by good sales of digital cinema services* (domestic and overseas) and trailer production services, and forex impact. Operating income decreased due to cost increase in the overseas operation by expanding bases globally.

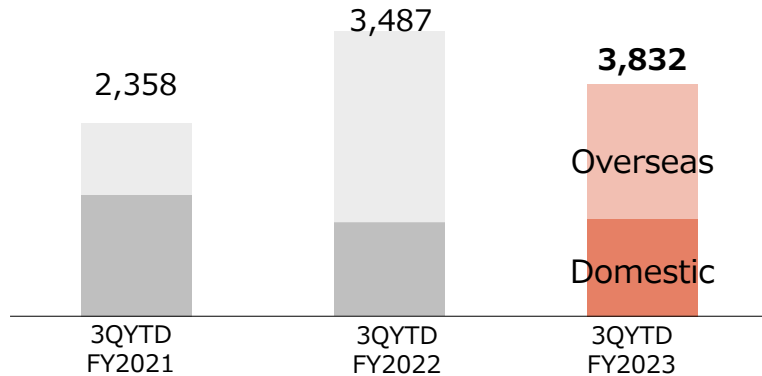
(Million Yen)

Net sales



Operating income

(before goodwill and other amortization)



Sales increased but operating income decreased.

Net sales	+994	(+2.5%)
Operating income	-654	(-18.8%)

✓ Domestic E2E services*

Sales and operating income increased with solid sales of digital cinema services and localization services.

✓ Overseas E2E services*

Sales increased by the growth in digital cinema services and trailer production services and foreign exchange impact though decreased sales of localization services for video streaming by demand settle down. Operating income decreased due to a rise in personnel costs, depreciation expenses and the other costs by expanding bases globally.

✓ Game-related business

Sales increased with solid sales of Game 3DCG production.

✓ Post-production services for TV

Sales and operating income decreased due to weak orders for TV commercials.

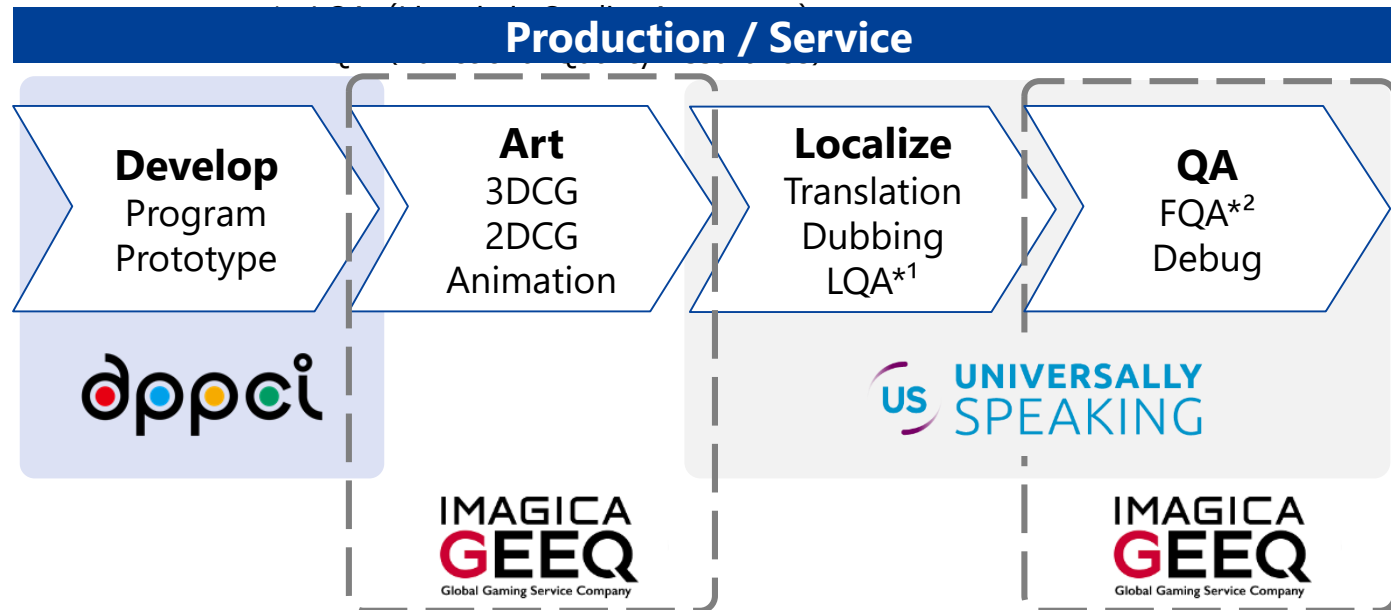
Business alliance and M&A to enhance capacity for E2E game production and services

Update on Key Strategy #4 "Expansion of Game-related Business"

We have formed a business alliance and an M&A for enhanced capacity to provide E2E game production and services targeting the global gaming market, centered on IMAGICA GEEQ.

Announce date	Form	Partner	Business area
Jan 15, 2024	Business alliance	Universally Speaking , UK	Localization, QA
Feb 6, 2024	M&A	appci corporation , Japan	Development

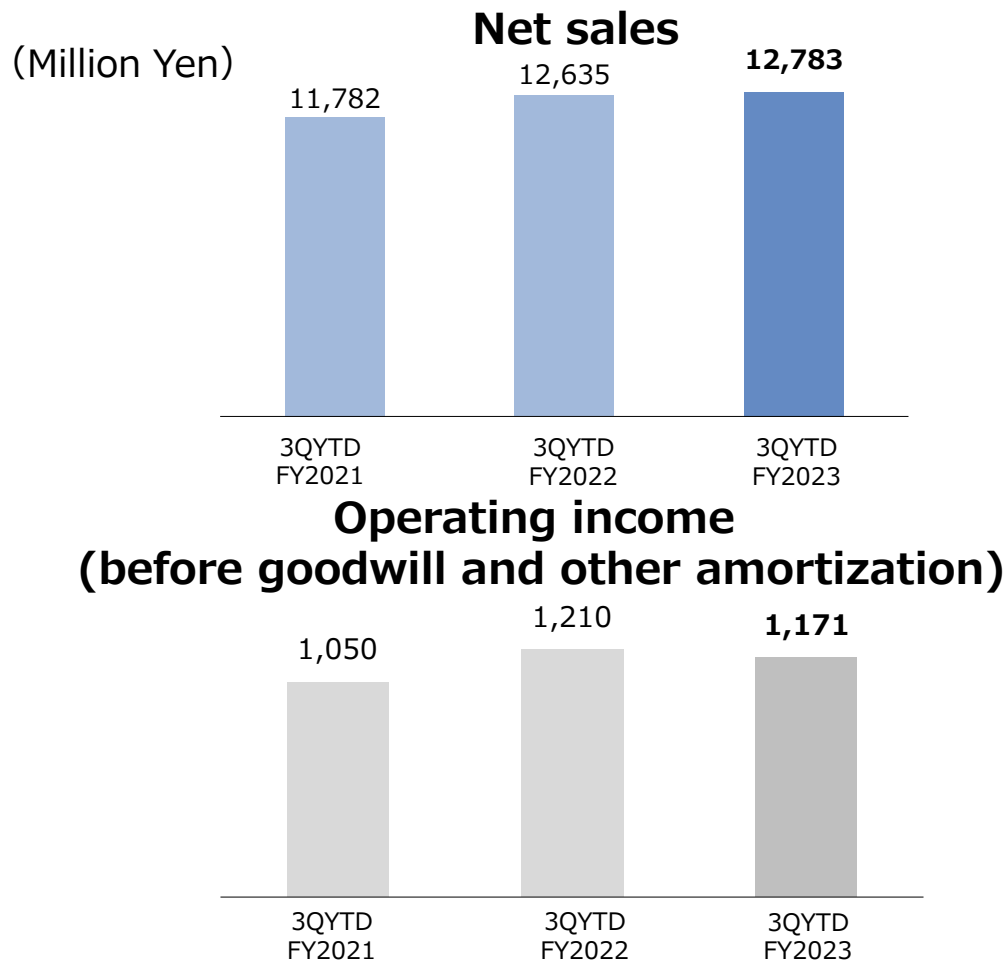
The E2E game production and services we aim for



- * 1 LQA (Linguistic Quality Assurance)
- * 2 FQA (Functional Quality Assurance)

Imaging Systems & Solutions

Sales of high-speed cameras significantly increased with strong orders but sales of video and image processing LSI decreased due to market deterioration.



Sales increased but operating income decreased.

■ Net sales	+148	(+1.2%)
■ Operating income	-39	(-3.3%)

- ✓ **High-speed cameras**
Sales increased significantly with strong orders.
- ✓ **Broadcast imaging systems & solutions**
Sales decreased with weak orders.
- ✓ **Video and image processing LSI**
Sales and operating income decreased by continued market deterioration.

FY2023 Full-year forecast

No change with the full year forecast

(Million yen)	FY2022	FY023		
	Actual	Forecast	YoY	% YoY
Net sales	94,147	100,000	5,853	6.2%
Operating income before goodwill and other amortization	5,738	5,900	162	2.8%
(Margin)	6.1%	5.9%		
Operating income	3,868	4,000	132	3.4%
(Margin)	4.1%	4.0%		
Ordinary income	3,638	3,500	(138)	(3.8%)
Net income attributable to owners of the parent	3,864	2,200	(1,664)	(43.0%)
Earnings per share (yen)	86.79	49.34	(37.45)	(43.1%)
Dividend per share (yen)	15.0	15.0	0.0	0.0%

Notes

*Production Technology Services business

Effective from the first quarter of the consolidated fiscal year, the name of the reportable segment "Production Services business" has been changed to "Production Technology Services business." This represents a change in segment name only and has no impact on the segment Information.

*E2E services

Refers to an integrated end-to-end (E2E) service that covers the entire post-production process for feature films, TV dramas, animation, and other audio/video content up to media services for localization (subtitling/dubbing) and distribution of these through all kinds of media, including theaters, TV, and video streaming via the Internet.

*Digital cinema services

Refers to services for DCP (Digital Cinema Package) production and DCP delivery for digital showing in movie theaters, KDM distribution, and other services (KDM: An abbreviation of Key Delivery Message, the key for unlocking DCP encryption).

Appendix.

Key strategies and services/Net sales of each segment

(Billion yen)

Net sales (3QYTD FY2023)	Content Creation	Production Technology Services	Imaging Systems & Solutions	Total
1 Global E2E Business		<ul style="list-style-type: none"> • Localization (Subtitling, Dubbing) • Distribution 27.7		27.7
2 Live Entertainment business	<ul style="list-style-type: none"> • Live-music performances direction • Live-viewing • Metaverse 2.4		<ul style="list-style-type: none"> • Sports Broadcasting • Video Archiving 1.2	3.6
3 Imaging Systems & Solutions business			<ul style="list-style-type: none"> • High-speed cameras, Broadcast imaging systems & solutions, Optical measurement, Video and image processing LSI 14.3	14.3
4 Game-related business		<ul style="list-style-type: none"> • 2D/3DCG production • Quality Assurance 4.6		4.6
5 Transformation Business	<ul style="list-style-type: none"> • Production of feature film, TV drama, animation • Publishing 18.5	<ul style="list-style-type: none"> • Postproduction for TV, commercial • Human resource consulting 9.4		27.9
Total	19.6	40.6	12.7	71.4

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

Consolidated Income Statements

(Million yen)	3QYTD FY2022	3QYTD FY2023		
	Actual	Actual	YoY	%YoY
Net sales	68,200	71,458	3,258	4.8%
Gross profit	19,197	20,508	1,310	6.8%
(Margin)	28.1%	28.7%		
Operating income	2,740	2,224	(516)	(18.8%)
(Margin)	4.0%	3.1%		
Ordinary income	2,391	2,003	(387)	(16.2%)
(Margin)	3.5%	2.8%		
Extraordinary income	585	685	99	16.9%
Extraordinary loss	255	76	(178)	(70.1%)
Net income before income taxes	2,722	2,612	(109)	(4.0%)
Net income attributable to owners of the parent	1,763	1,434	(328)	(18.7%)
EBITDA	5,741	5,573	(168)	(2.9%)
(Reference) Operating income before goodwill and other amortization	4,111	3,684	(427)	(10.4%)

- EBITDA = Operating income + goodwill amortization + amortization of intangible fixed assets including trademarks + depreciation
- Operating income before goodwill and other amortization = operating income + goodwill amortization + amortization of intangible fixed assets including trademarks

Consolidated Balance Sheets

(Million yen)		March 31, 2023	December 31, 2023	Increase/Decrease
Assets	Current assets	44,970	41,025	(3,945)
	Cash and deposits	7,813	4,377	(3,436)
	Non-current assets	36,917	37,117	200
	Goodwill	11,780	11,933	153
	Total assets	81,888	78,142	(3,745)
Liabilities / Net assets	Current liabilities	33,205	30,828	(2,376)
	Short-term borrowings	6,432	7,163	730
	Non-current liabilities	8,378	7,595	(783)
	Long-term borrowings	1,366	686	(680)
	Total liabilities	41,584	38,424	(3,160)
	Shareholders' equity	33,150	32,798	(352)
	Accumulated other comprehensive income	2,956	4,640	1,684
	Non-controlling interests	4,197	2,279	(1,917)
	Net assets	40,303	39,718	(585)
	Total liabilities and net assets	81,888	78,142	(3,745)
Net cash		14	(3,472)	(3,486)

• Net Cash = Cash and deposits – long-term and short-term loans payable

FY2023 Full year forecast by segment

The company targets operating income growth YoY with increase in Content Creation and other businesses assuming decline in Production Technology Services

(Million yen)		FY2022	FY2023	
		Actual	Forecast	YoY
Content Creation	Net sales	23,537	26,000	2,463
	Operating income	535	1,000	465
	Operating income before goodwill and other amortization	540	1,000	460
Production Technology Services	Net sales	54,128	57,000	2,872
	Operating income	2,532	2,000	(532)
	Operating income before goodwill and other amortization	4,361	3,900	(461)
Imaging Systems & Solutions	Net sales	18,930	20,000	1,070
	Operating income	2,086	2,200	114
	Operating income before goodwill and other amortization	2,122	2,200	78
Others	Net sales	(2,448)	(3,000)	552
	Operating loss	(1,286)	(1,200)	(86)
Consolidated total	Net sales	94,147	100,000	5,853
	Operating income	3,868	4,000	132
	Operating income before goodwill and other amortization	5,738	5,900	162

Year-end dividend forecast

Dividend policy

The group considers the return of profits to shareholders as an important management objective. Our basic policy is to distribute earnings in line with consolidated results. We target a consolidated payout ratio of 30% and aim to maintain stable dividends while increasing their level.

If any special factor, such as an extraordinary gain or loss, significantly impacts the net income of a given fiscal year, our general policy is to take the special factor into consideration in determining dividends, after consideration of all aspects, including provision of stable dividends to shareholders, future business development, and retained earnings.

Based on the above policy, the dividend forecast for FY2023 is 15 yen.

	Net income attributable to owners of the parent	Earnings per share	Dividend forecast	Dividend payout ratio
Expected for FY2023	2,200 million yen	49.34 yen	15.0 yen	30.4%

Contact for inquiries

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DISCLAIMER:

The forward-looking statements for the current and future business periods described in this document are formulated based on the plans and prospects of the group as of the date on which these materials were disclosed. Actual performance may differ from numerical forecasts due to the uncertainties inherent in the judgments and assumptions made, as well as possibility of future changes that may occur in business management and internal and external circumstances.