

Financial Results Presentation

**Fiscal Year Ended March 31, 2023
(FYE Mar. 2023)**

May 18, 2023

Stock code: 6879

<https://www.imagicagroup.co.jp/>



Contents of Today's Presentation

- I Financial Results Summary for FYE Mar. 2022**
- II Progress of the Mid-Term Plan "G-EST2025"**

Nobuo Fuse, Representative Director, President

G-EST means: From four key strategies

G: The "3 Gs," Growth, Global, 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 ended March 31, 2022 → FYE Mar. 2022

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Financial Highlights

1

Company-wide operating income before goodwill amortization was approximately 5.7 billion yen, a second consecutive record high.

2

Production Services (International) continues to lead the way with an increase of 900 million yen from the previous year.

3

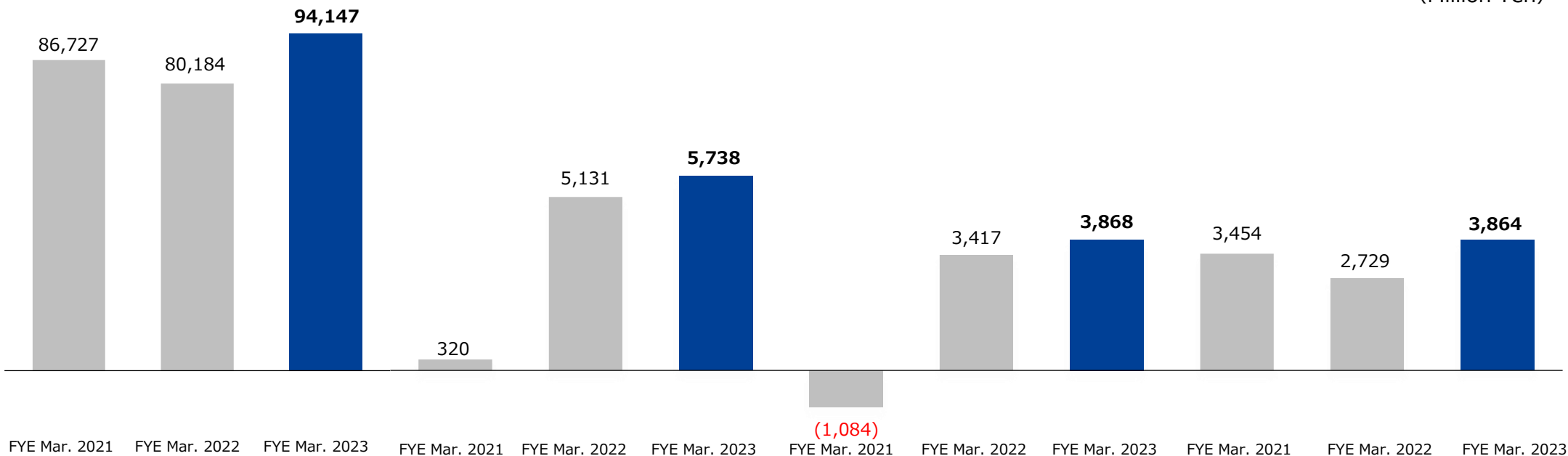
Net income attributable to owners of the parent increased by 1.1 billion yen due to the recording of extraordinary income, including compensation for relocation.

Financial results highlights

• The Company achieved two-digit growth in sales and profit, with net sales, operating income, and net income reaching their highest values since the listing of the Company.

Net sales	Operating income before goodwill amortization	Operating income (loss)	Net profit attributable to owners of the parent
94,147	5,738	3,868	3,864
YoY	YoY	YoY	YoY
+13,963 (+17.4%)	+607 (+11.8%)	+451 (+13.2%)	+1,134 (+41.6%)

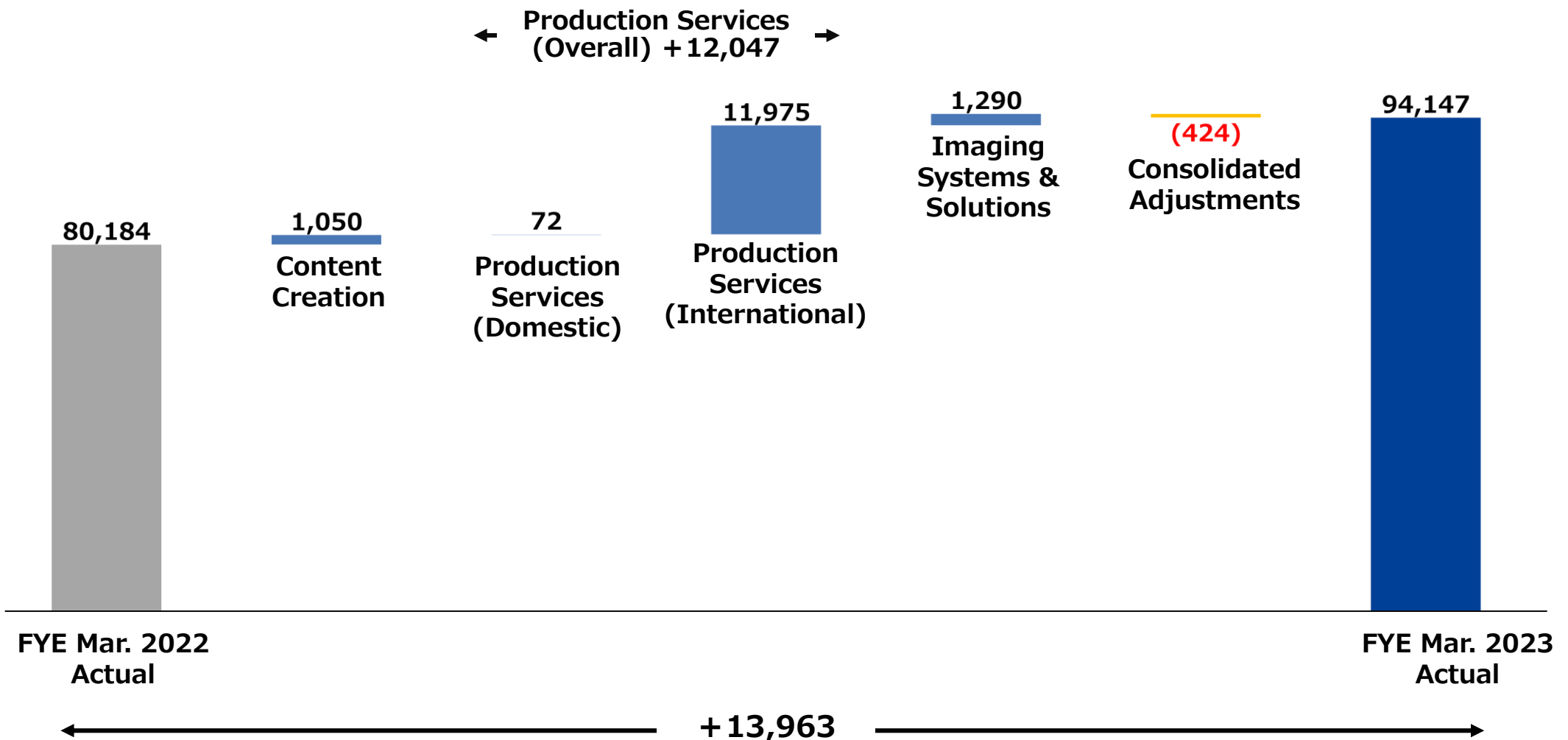
(Million Yen)



Analysis of increase/decrease in Net Sales (YoY)

- Revenue increased in all segments, with Production Services (International) recording an increase of 12.0 billion yen.

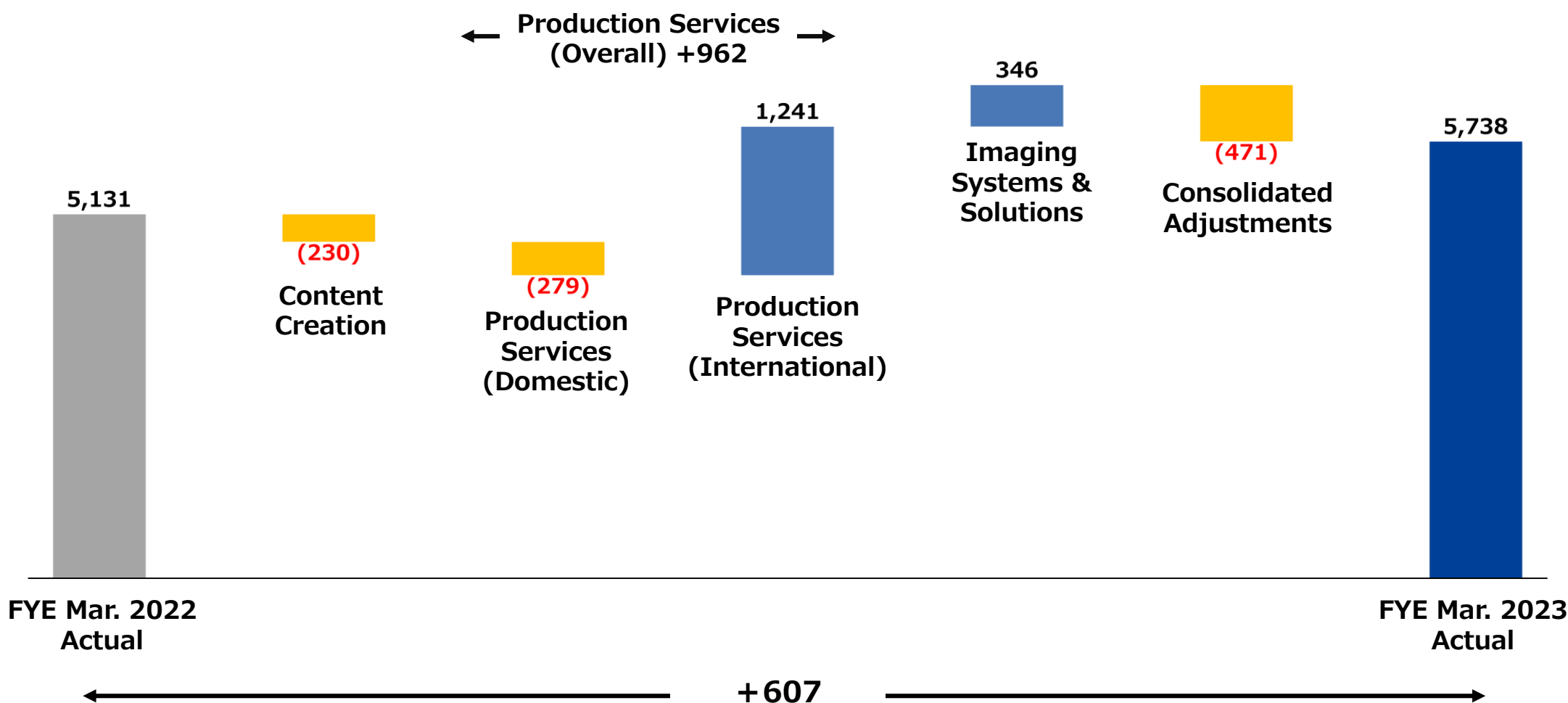
(Million Yen)



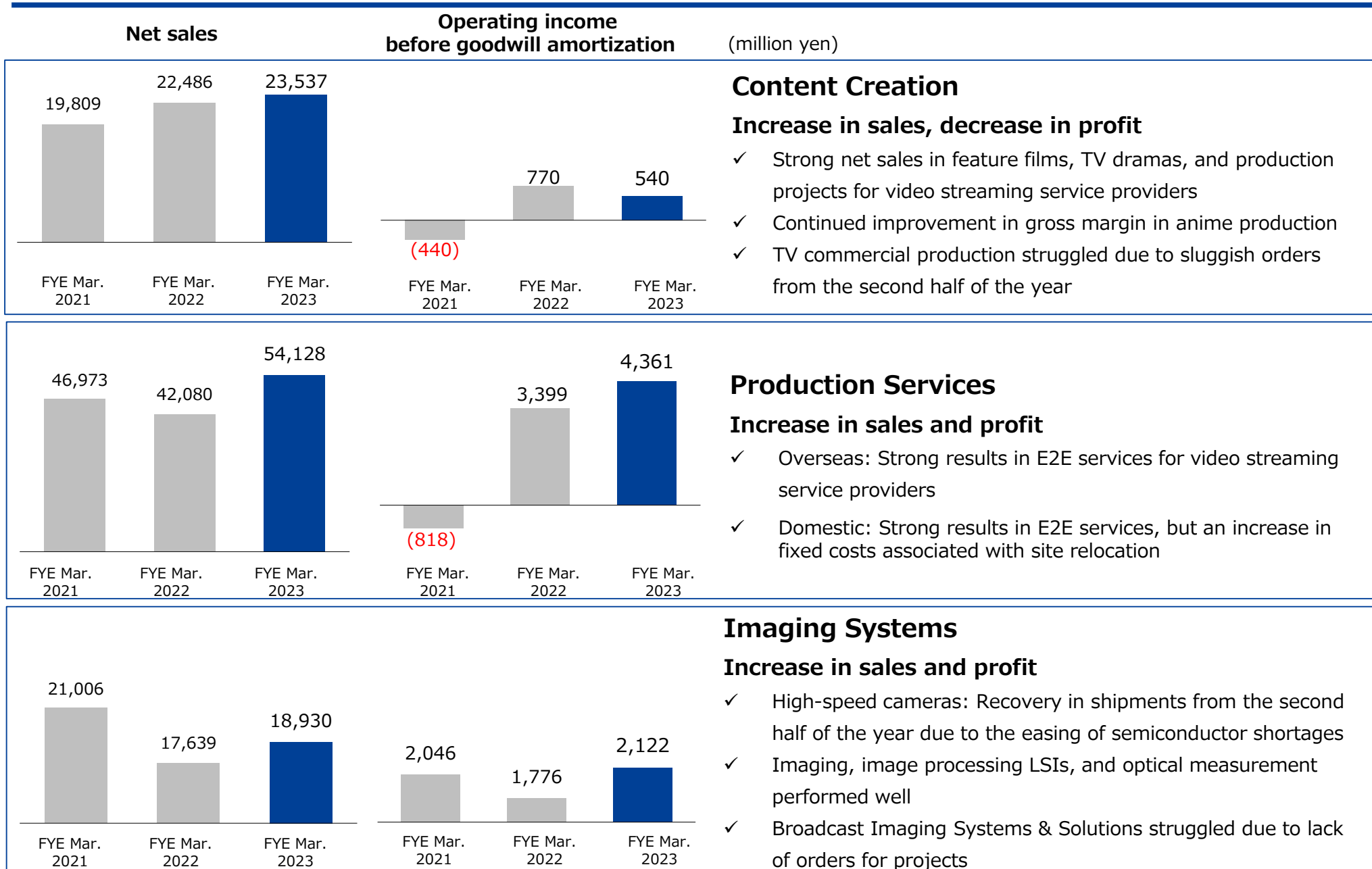
Analysis of increase/decrease in Operating Income before goodwill amortization (YoY)

- Increases: Production Services, 960 million yen; Imaging Systems & Solutions, 340 million yen; consolidated, 600 million yen

(Million Yen)



Financial Results by Segment (FYE Mar. 2021-2023 actual)



Full-year financial forecast for the FYE March 2024

The Company aims to achieve net sales of 100 billion yen and a third consecutive fiscal year of increased profit.

(Million yen)	FYE Mar. 2023	FYE Mar. 2024		
	Actual	Financial Forecast	YoY	% YoY
Net sales	94,147	100,000	5,853	6.2%
Operating income before goodwill amortization	5,738	5,900	162	2.8%
(Profit margin)	6.1%	5.9%		
Operating income	3,868	4,000	132	3.3%
(Profit margin)	4.1%	4.0%		
Ordinary income	3,639	3,500	△139	△3.8%
Net income attributable to parent company shareholders	3,864	2,200	△1,664	△43.0%
Net income				
Net income per share (yen)	86.79	49.34	△37.45	△43.1%
Dividend per share (yen)	15.0	15.0	0	0.0%

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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 circumstances

<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.
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

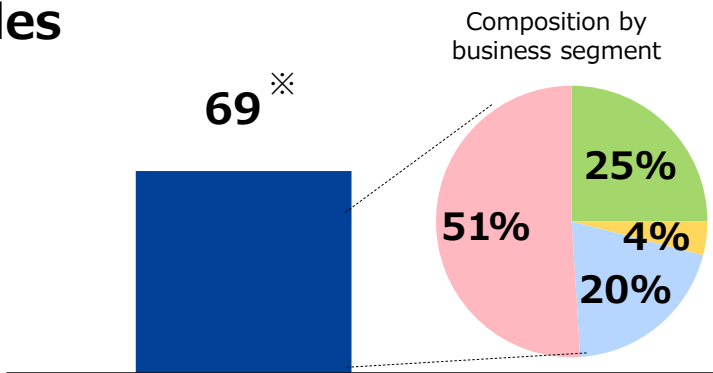
(Re-posting) Financial Goals in the Mid-Term Plan "G-EST2025"

Targeting to become a balanced business structure

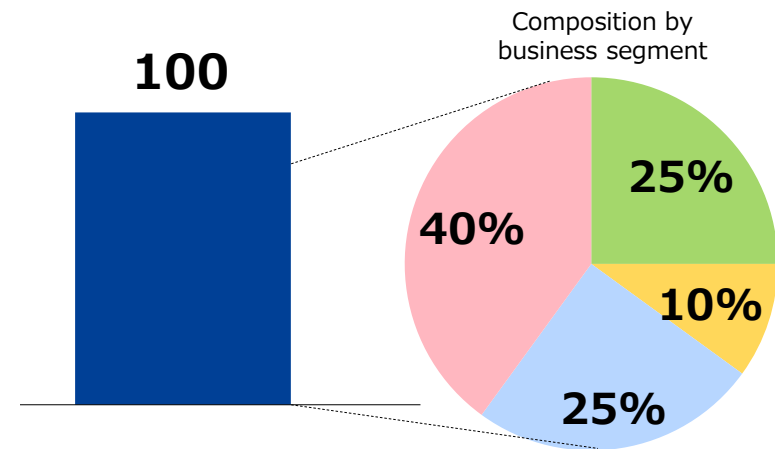


FYE Mar. 2021 Actual

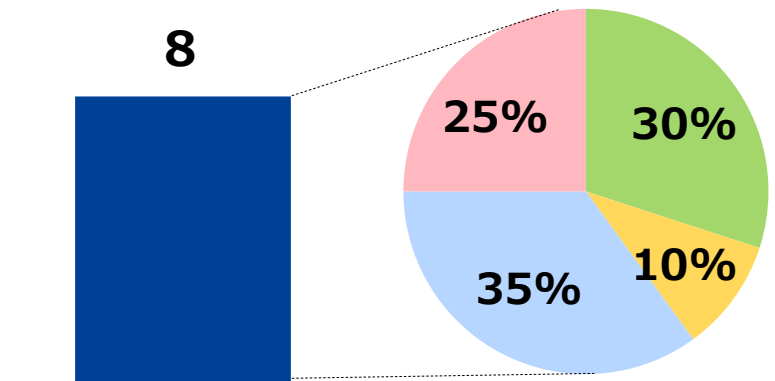
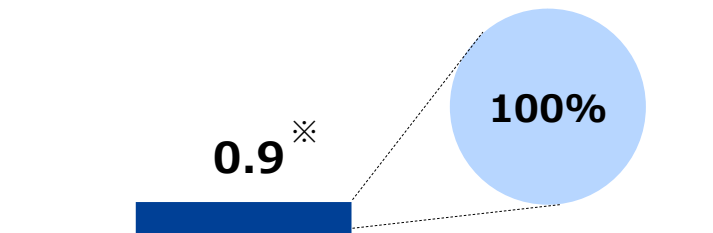
Net sales
(billion yen)



FYE Mar. 2026 Target



Operating income
(Before goodwill amortization)

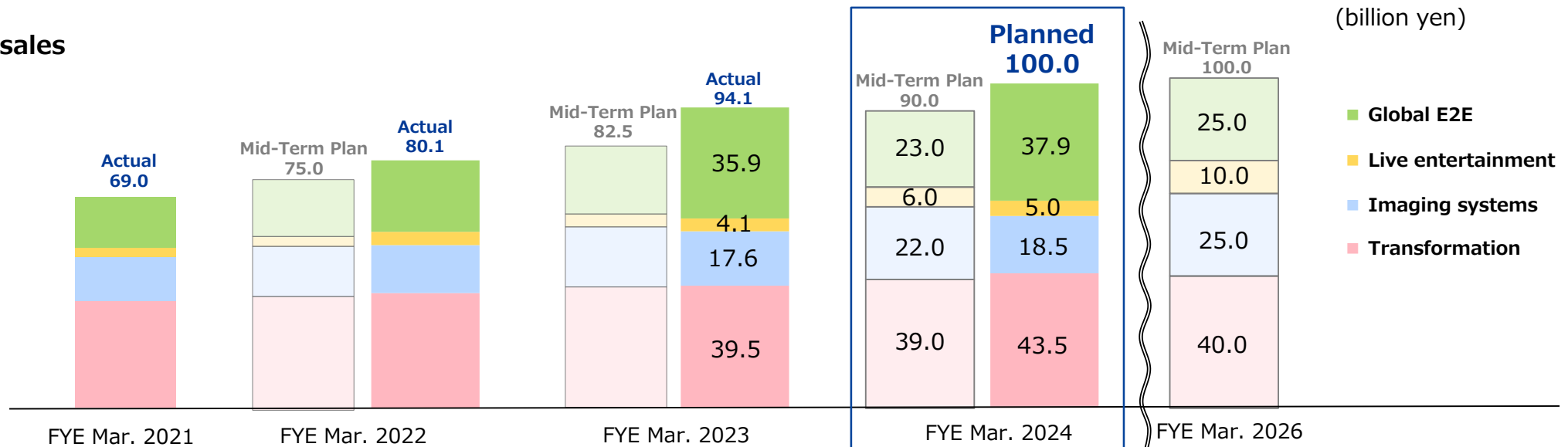


*Net sales and operating income for FYE Mar. 2021 were adjusted for the impact of changes in accounting standards in overseas subsidiaries and the Imaging Systems & Solutions for comparison.

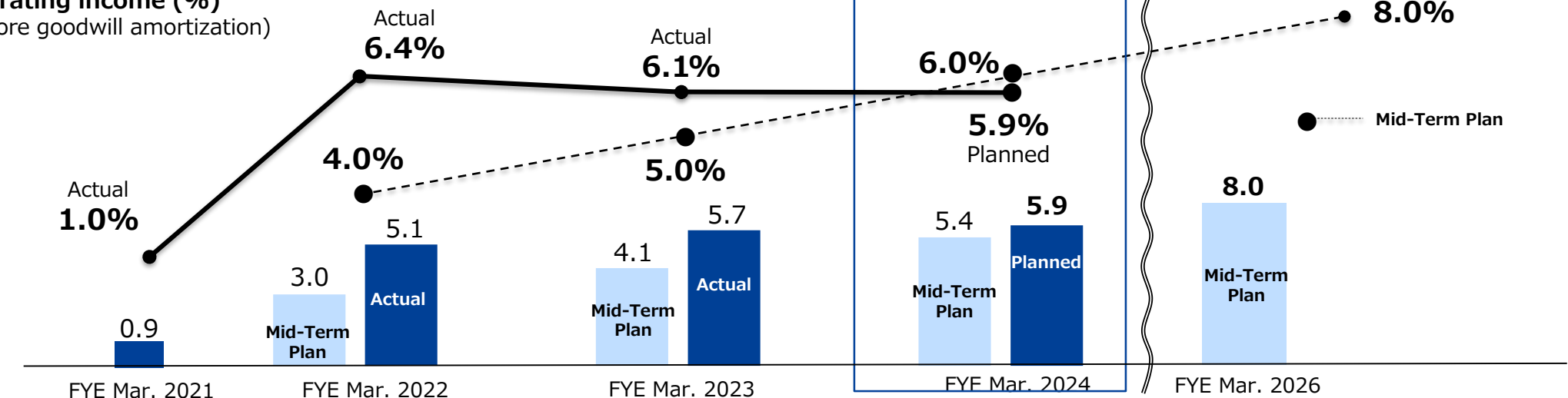
Progress of the Mid-Term Plan

In FY2023, net sales forecasts for the Global E2E business and the Transformation business exceeded the Mid-Term Plan to reach 100 billion yen. ⇒ Reset of management indicators for FY2025

Net sales



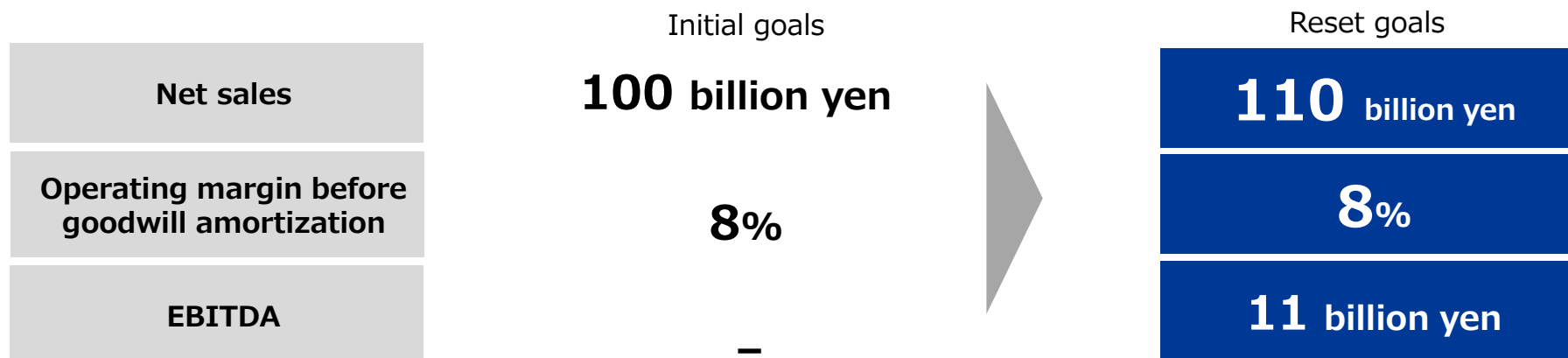
Operating income (%) (Before goodwill amortization)



Resetting of Mid-Term Plan Key Strategies and Management Indicators

With the addition of new strategy “Expansion of game-related business” to the four key strategies, key strategies and management indicators were reset with an emphasis on improving profitability. EBITDA was also newly added.

Global E2E business	We aim for transition from rapid growth to stable growth, enhancing profitability and increasing operating margin to 10% or higher
Live Entertainment business	We aim to maintain growth in growth business areas while shifting to stock business
Imaging Systems & Solutions business	Steadily advance business model transformation and a shift to new businesses, and maintain solid growth and high profitability (operating margin: 12%)
Game-related business	Position as a new driver of growth in the Group, and aim a goal of net sales of 15 billion yen and operating margin of 10% or higher (including expansion from M&A)
Transformation business	Work to improve profitability, and ensure an operating margin of 5%



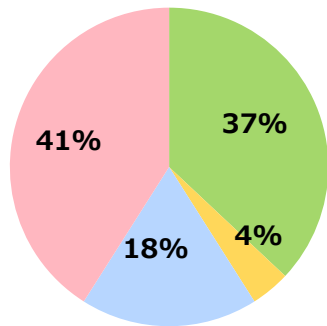
Mid-Term Plan: Strategy-specific Portfolio Following Reset

Reset a well-balanced portfolio based on strategy-specific progress

Net sales

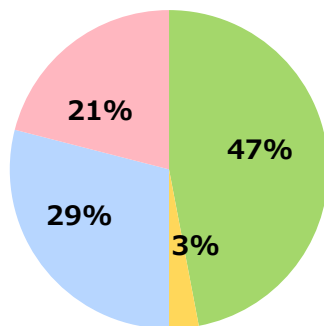
FYE Mar. 2023 Actual

94.1 billion yen



Operating margin
(before goodwill amortization)

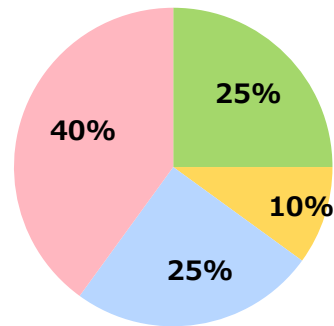
6.1%



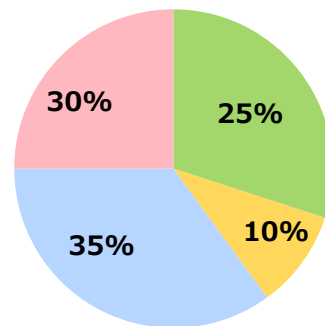
FYE Mar. 2026

Initial goal

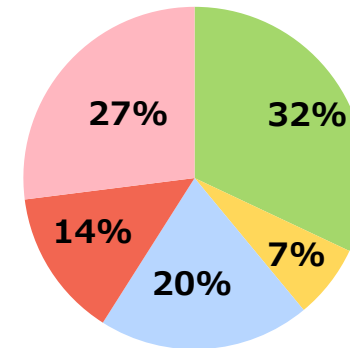
100 billion yen



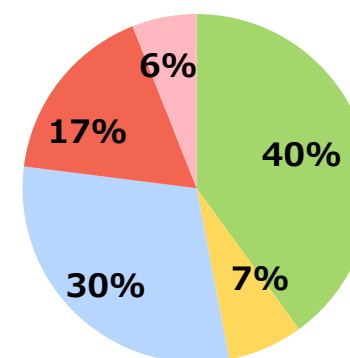
8%



Reset goals
110 billion yen



8%



- Global E2E
- Game-related
- Transformation
- Live entertainment
- Imaging systems

5 Key Strategies

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

<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

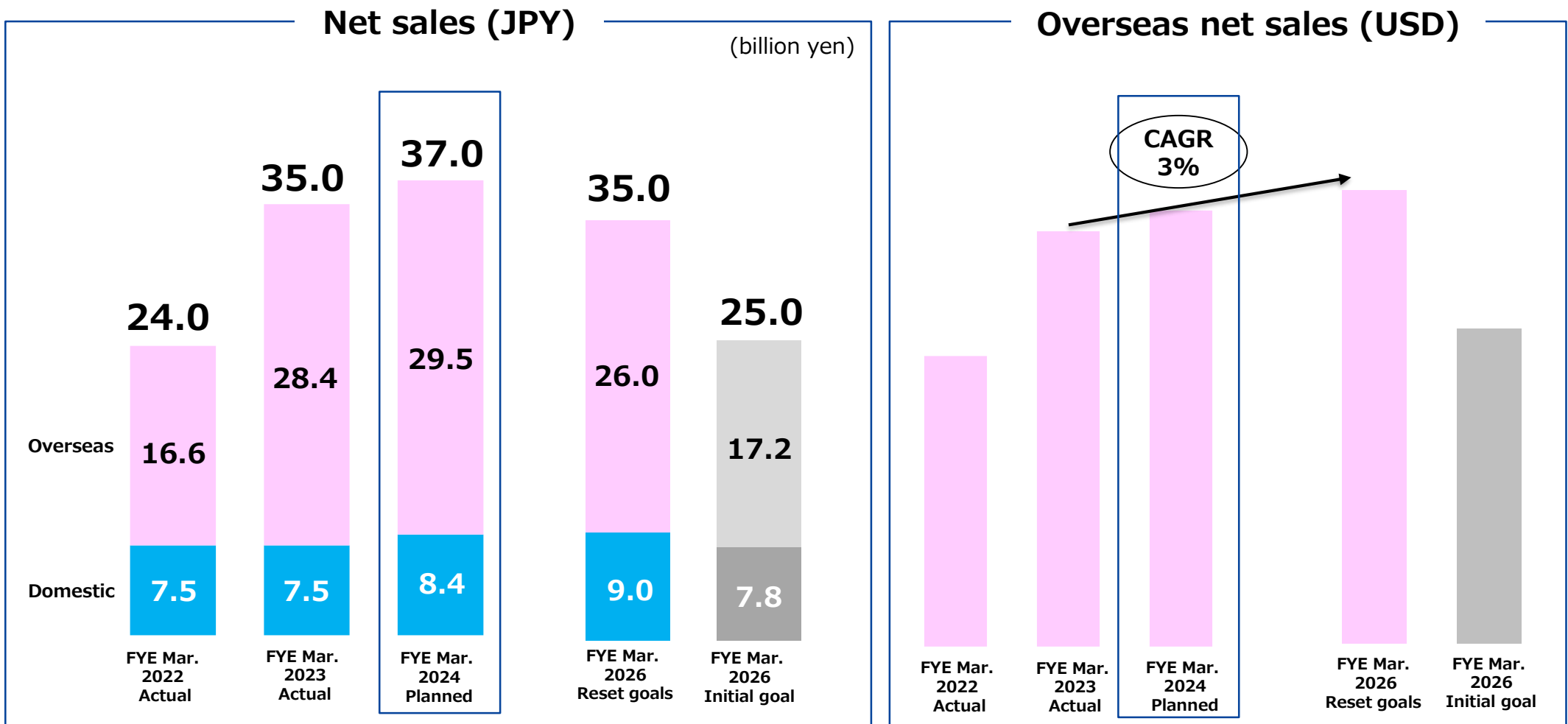
Secure & activate talented employees

<Resolve Social Challenges and Achieve Sustainable Growth>

SDGs initiatives

Global E2E Business (expand globally)

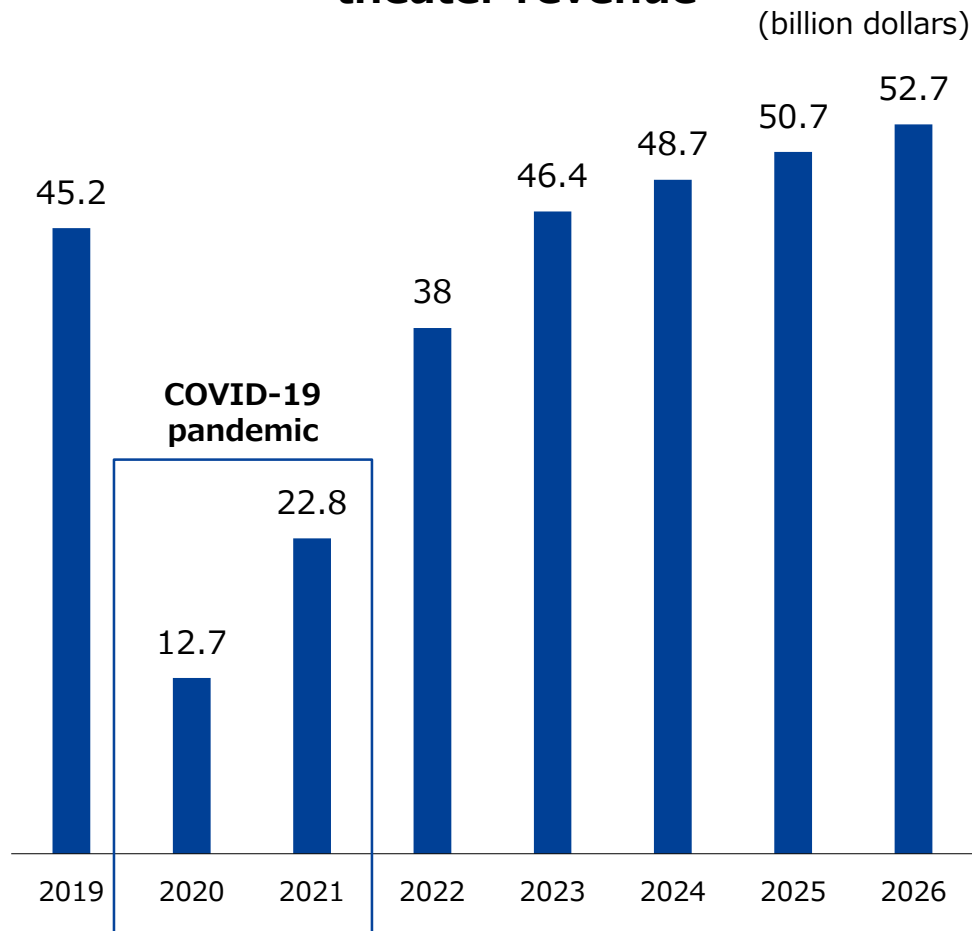
- Migrate from rapid growth to stable growth, enhance profitability, and aim for an operating margin of 10%
- Aim for stable growth overseas on a local currency basis



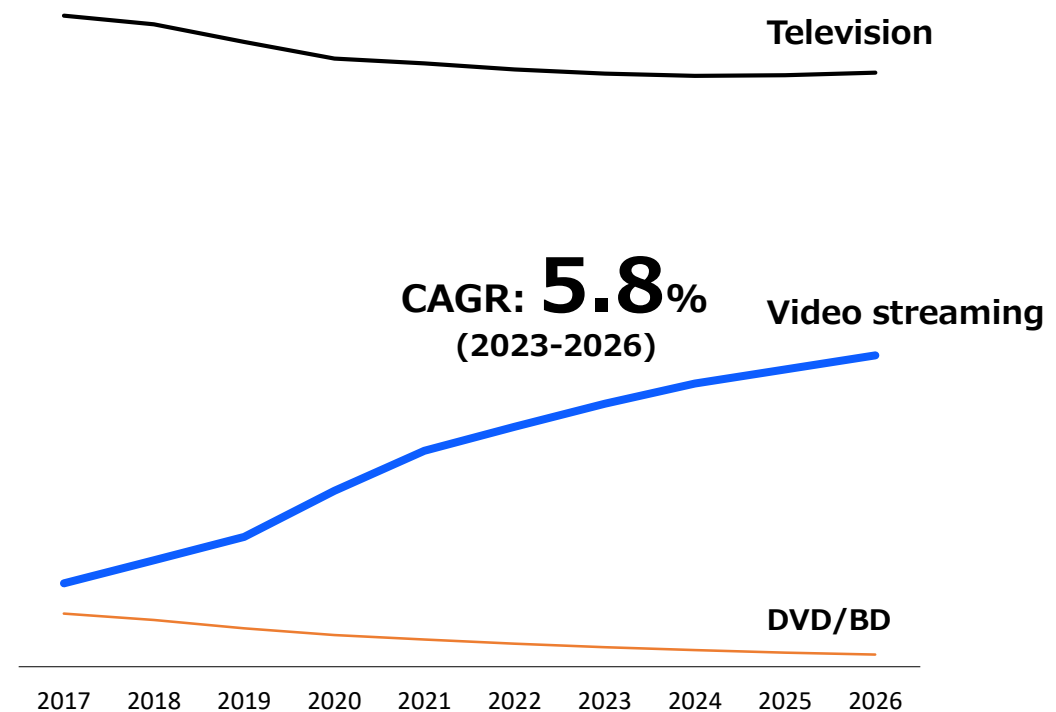
Trends in the Feature Films and Video Streaming Markets

- Feature films market: Revenues are expected to exceed pre-COVID-19 levels due to post-pandemic recovery in audiences
- Video streaming market: Despite intensification of competition, overall market growth is expected to continue

Global feature film theater revenue



Global Entertainment market trend



Global E2E Business (expand globally)

- **Overseas: Aim to secure stable orders by strengthening approaches to customers**
- **Domestic: Established a new digital cinema distribution services company and aim to expand market share**

Overseas

➤ **Strengthen approaches to customers**

- 1) Secure orders for feature film services, a market that is on a recovery trend
- 2) Meet the needs of existing video streaming service providers (short delivery times and high security) and continue securing orders
- 3) Strengthen approaches to video streaming service providers
- 4) Acquire orders for localization (subtitling, dubbing) of non-English works (especially Korean and Japanese)

➤ **Continue efforts to enhance productivity**

- 1) Make operation more efficient by advancing the development of our in-house “pHelix” IT system, etc.
- 2) Curb labor costs through expansion of our structure in low-cost countries (Cairo, Cape Town)

Domestic

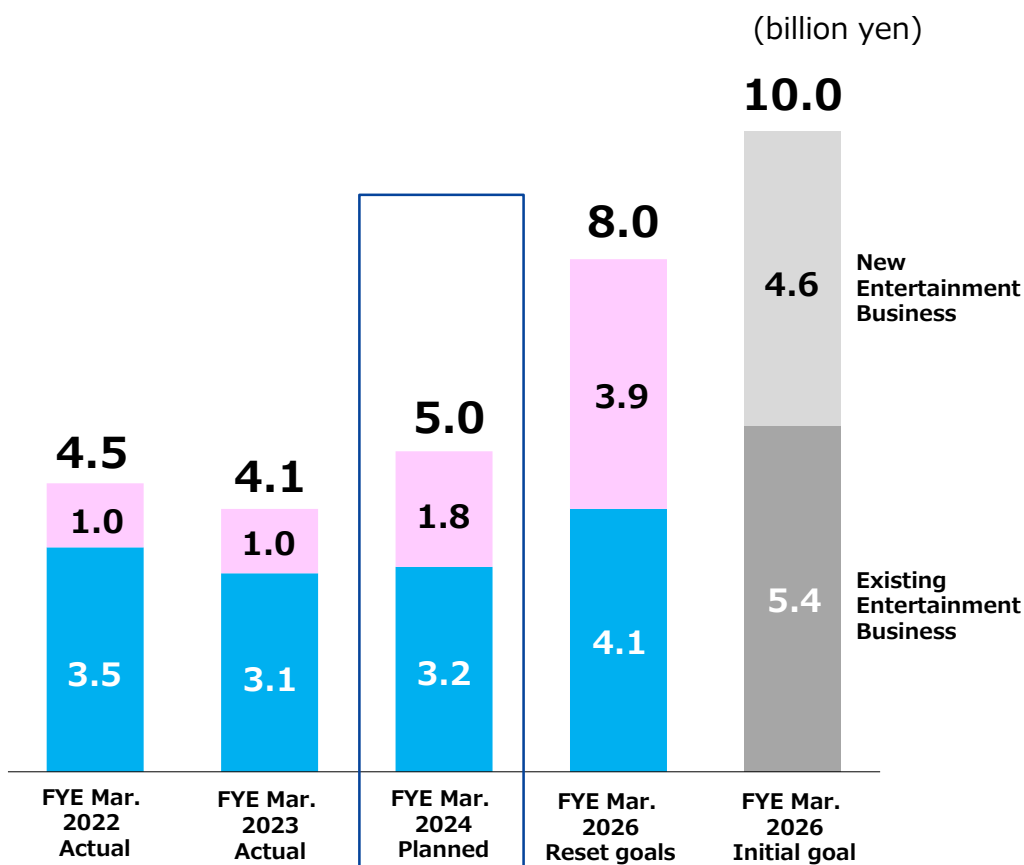
➤ **Established a new company for digital cinema distribution services (Cinema Connect, Inc.)**

Full-scale start of services to digitally distribute theatrical film productions (trailers and feature films) to theaters. Aim for market share expansion

Live Entertainment Business

- Aim for continued growth in growth business areas and a shift to highly profitable stock businesses

Net sales



FYE Mar. 2024 Strategy

✓ Acquire highly profitable stock business

- 1) Building of business with external partners
- 2) Participation in urban space design and production
- 3) Joint development of AR content
- 4) Examination of business alliances and M&A

Aim at Acquiring Stock Business

- The stock business model the Company aims for
 1. Secure continued orders through business alliances with key partners, etc.
 2. Participate in the planning stage of urban space design and secure stable orders as a point of contact for operations

Building of businesses with key partners



December 8, 2022 Release
Start of comprehensive joint study on expression and staging techniques for fused real/cyber spaces

Continuously secure orders from NTT's R&D business



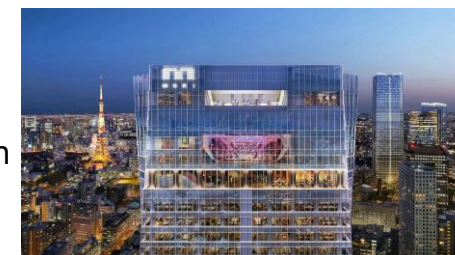
May 17, 2023 Release
Launch of UN-SCALABLE VISION service, a transformable imaging solution that adapts to any environment regardless of scale

Aiming for continued and stable orders for various large projects in collaboration with the Dentsu Group

Participation in urban space design and production

Toranomon Hills Station Tower scheduled to open in the fall of 2023

Selected as the designated management company for the theater and hall. In addition, participated in stages from design and delivery of imaging-related equipment to event production



Joint development of AR content

Joint development of the "XR City" content by NTT QONOQ

The first release is "LOST ANIMAL PLANET," AR content that brings back extinct creatures.

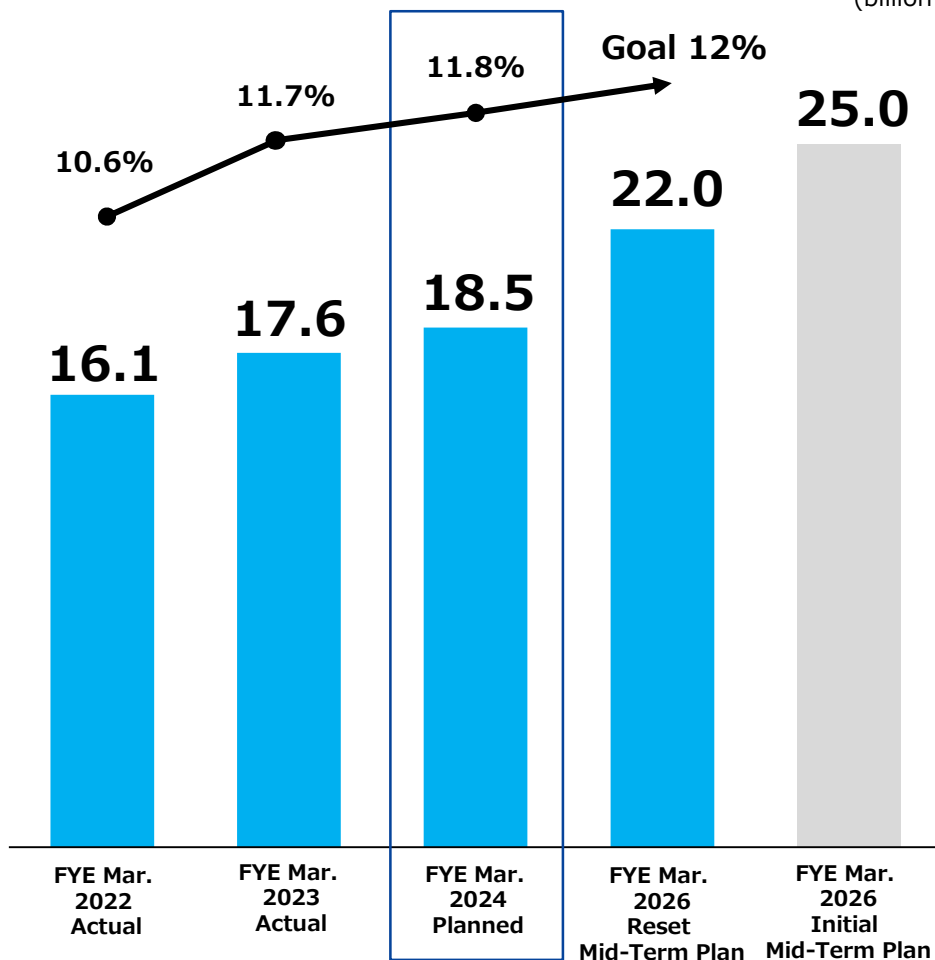


Imaging Systems & Solutions Business (create new value)

- Steadily promote business model reform and shift to new businesses, and maintain solid growth and high profitability

Net sales and operating margin
(before goodwill amortization)

(billion yen)



FYE Mar. 2024 Strategy

- ✓ **Increased production and acceleration of sales of high-speed cameras**
 - 1) Recovery and increase production
 - 2) Acquisition of large project (vehicle crash test)
- ✓ **Expansion of Optical Measurement business**
- ✓ **Improvement of earnings in the Broadcast Imaging Systems & Solutions Business model reform (new service development)**

High-Speed Cameras

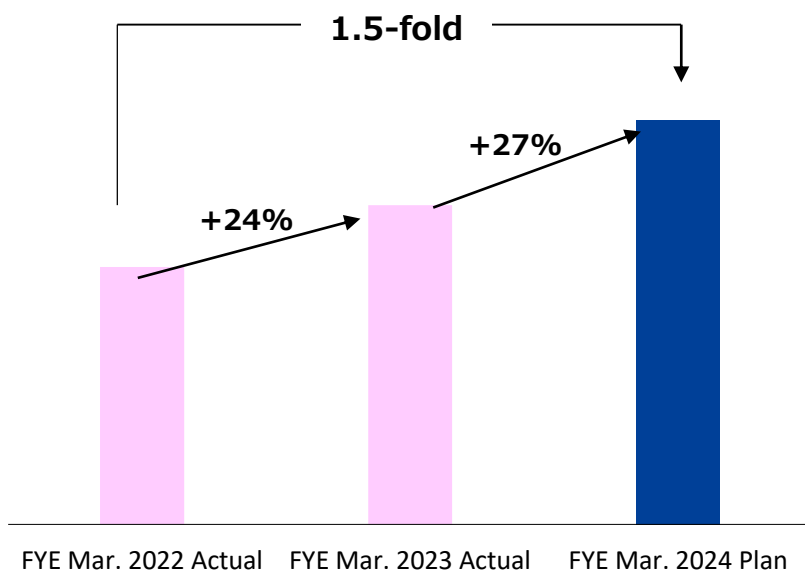
1.5-fold increase in production compared to FY2021

- ✓ The production system recovered from the second half of FY2022; in the current fiscal year, we will increase production to meet steady orders
- ✓ Following two new models last year, new models are scheduled for release in 2023



New models launched in 2022
 FASTCAM Nova S20
 FASTCAM Nova R5-4K, R3-4K

High-speed cameras: Annual production, units



Large project order for vehicle crash tests



- ✓ Last year, an order for a large project from a domestic automobile manufacturer was received
- ✓ A large number of cameras for shooting from multiple angles were delivered
- ✓ We will continue to aim for orders from domestic and overseas manufacturers

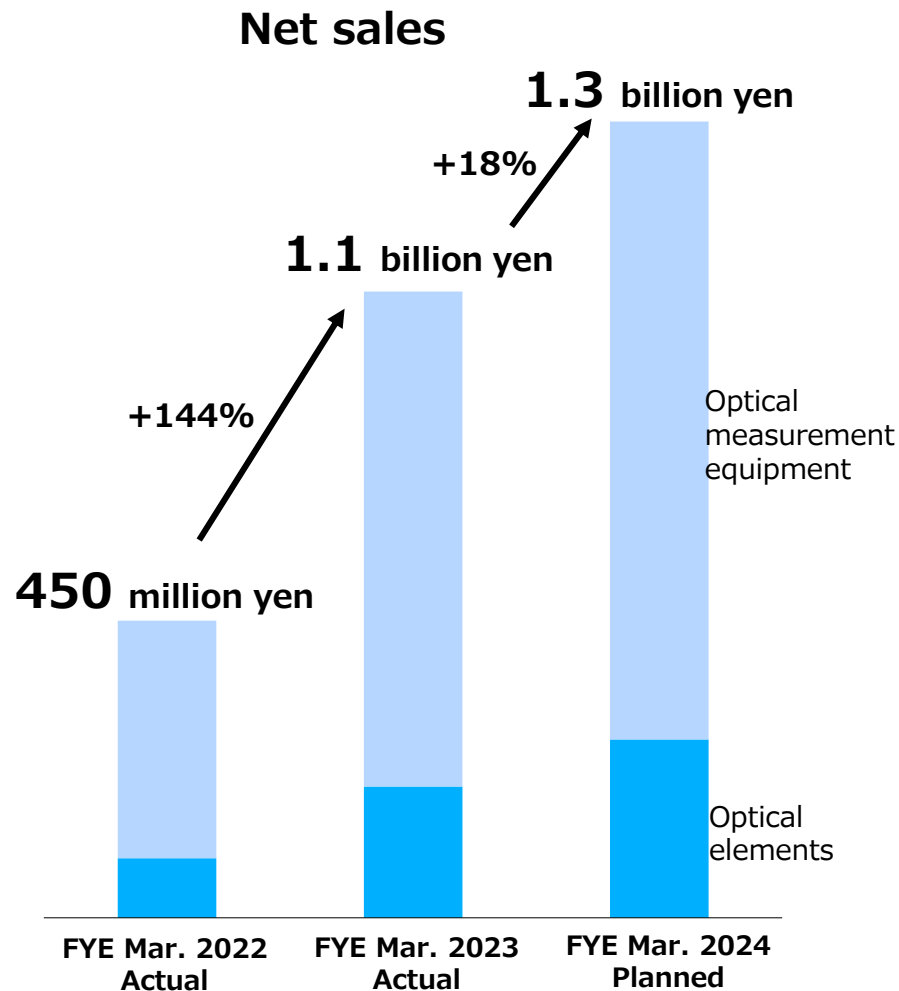
Start of new services for the automotive development market

Launching of a new outsourced service utilizing 3D video through proprietary technology (scheduled for June)

*Patent pending

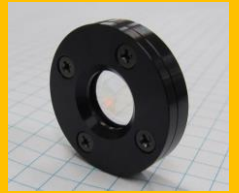
Optical Measurement Business

- Aim to expand business in new areas and expand overseas sales channels



Optical elements

Expand in fields including semiconductor inspection and high-speed optical communications using photonic crystals, a state-of-the-art optical control technology



✓ New entry into the element laser processing field

- 1) At the stage of introducing prototypes to domestic laser processing manufacturers, and studying mass production
- 2) Start of approach to overseas laser processing manufacturers
- 3) Aim to pioneer new markets for difficult-to-process materials, etc., add new areas to telecommunications devices, and expand sales

Optical measurement equipment

Expansion of optical measurement systems incorporating proprietary optical elements into applications including LCD film production and inspection



✓ Strengthening of sales in Europe and the U.S. in cooperation with overseas subsidiaries of PHOTRON LIMITED

- 1) Exhibit at trade shows in Europe and the U.S. and start online business discussions
- 2) Target is manufacturers of glass, VR lenses, semiconductor wafers, etc.

Broadcast Imaging Systems & Solutions

Current state of the broadcast equipment market

① Broadcasters in general continue to curb capital investments ② Orders for large projects are decreasing due to the shift to cloud computing in Imaging Systems & Solutions

**Aim to improve profitability through business model reform
(new services development)**

Expand virtual broadcasting system

- ✓ A system that creates virtual spaces through CG, without the need for sets in studios. Enables imaging production not possible on actual studio sets, with applicability to weather forecasting, news, sports programs, etc.
- ✓ Sales of systems for regional TV stations started in FY2021 and have remained strong.
- ✓ Evening news programs on key stations also began “full virtual” programs without studio sets in April.



Virtual broadcasting system (example image)

Offer new imaging production cloud services in a subscription format

Examples of services

- ✓ Photron Live Cloud Service: Easy imaging transmission/sharing between sites by anyone over the general Internet
- ✓ C.M.HARBOR: Television commercial online delivery service
- ✓ Photron Remote Access Gateway: Application developed in-house that allows remote access to company servers
- ✓ TASKEE: Specialized cloud service dedicated to imaging and video files

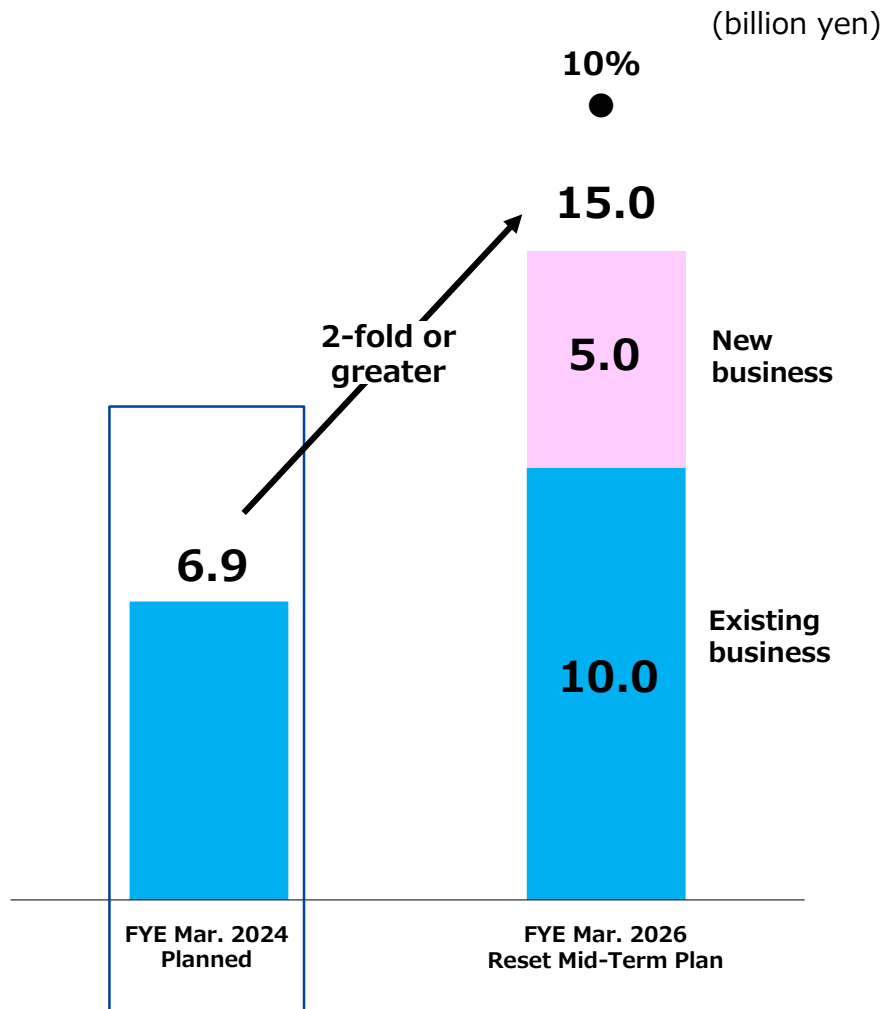
Offering a lineup of diverse services and applications to broadcasters, production companies, agencies, etc.



Game-related Business (expansion of business)

- Aim for net sales of 15.0 billion yen and operating margin of 10% including M&A

Net sales and operating margin
(before goodwill amortization)



FYE Mar. 2024 Strategy

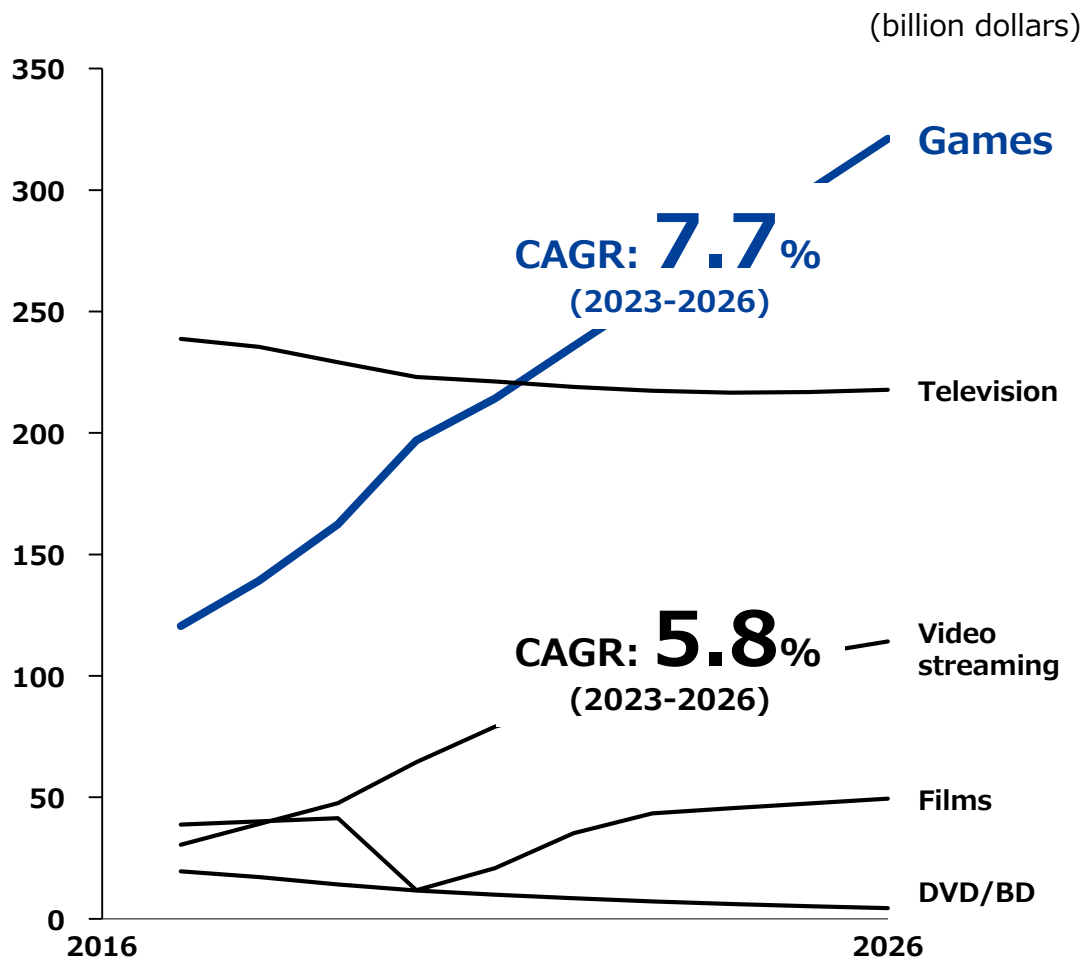
- ✓ Establishment of new company through spin-off of game-related business
- ✓ Expansion of existing business (game design and quality control)
- ✓ Expansion into new business areas through M&A and capital alliances

Growth of existing businesses + expansion into new business areas
Toward **15.0 billion-yen** scale in 2025

About the Games Market Trend

- In the global entertainment market, the games market is **the largest and the fastest growing**.

Entertainment market trend



Our business environment

- **Games feature the largest market size and growth rate**
- The trend is toward **increased outsourcing needs** as game content becomes more complex
- **The game vendor market is not oligopolistic.**

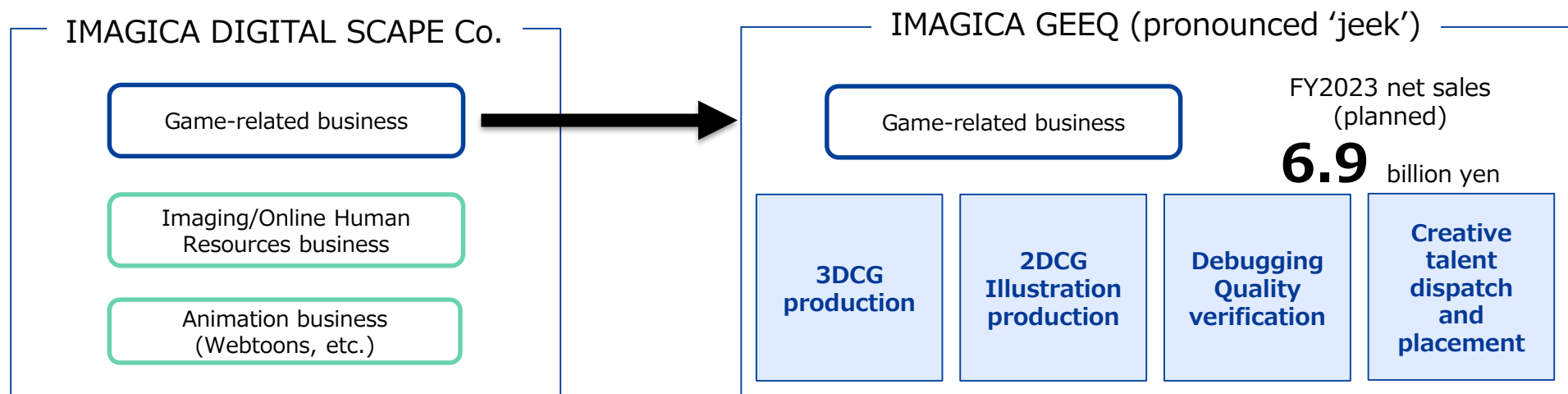
The market is positioned as a growth area in which we aim to expand business

Source: PWC Global Entertainment & Media Outlook 2022-2026

About New Company for Game-related Business

Background

Establishment of a new company through a spin-off of the game-related business, to turn it into a growth business of the Group



Three Strengths



Vision and Key Strategies for FY2025

Vision for FY2025

Global Game E2E Company, capable of driving the growth of the Group

Key strategies

Expansion of existing businesses

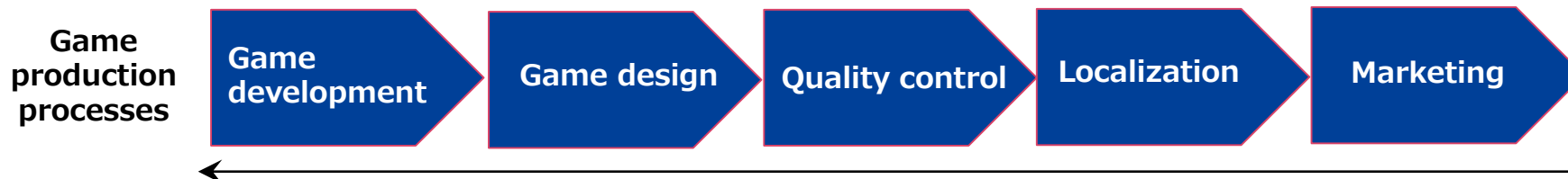
2D/3DCG production
Debugging and software testing
Game creative talent dispatch
and placement

+

Expansion into new business areas

Overseas expansion through
M&A and capital alliances
Game development, localization, etc.

Our target business area = Games: End to End

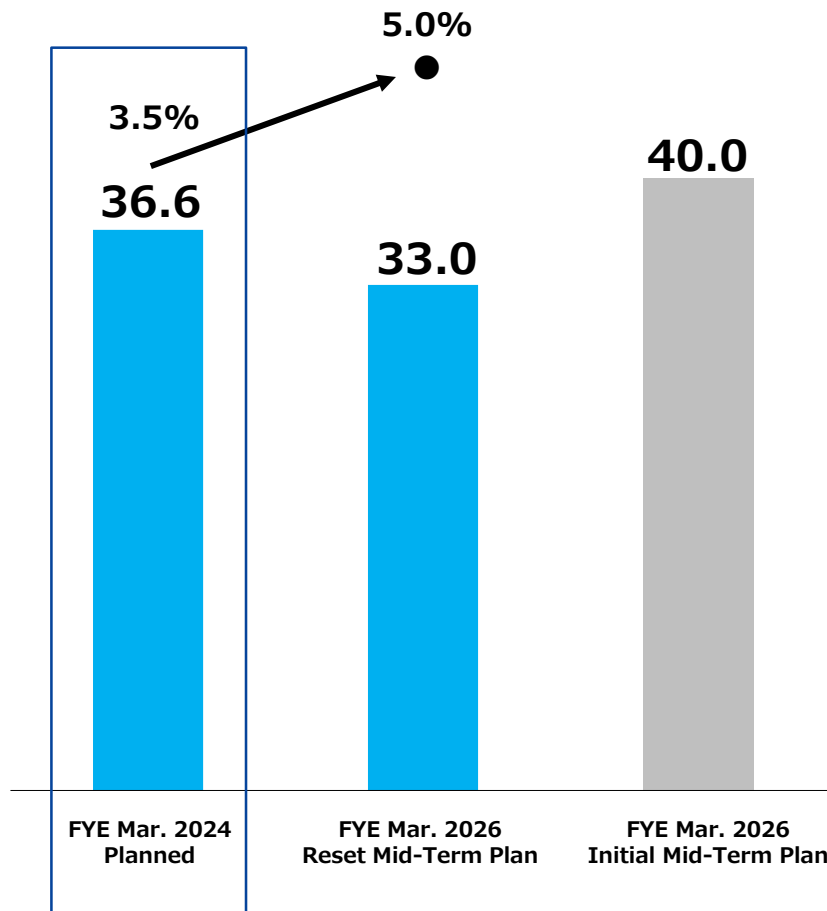


Transformation Business (Complete Transformation)

- Work to improve profitability, and aim for an operating margin of 5%

Net sales and operating margin (before goodwill amortization)

(billion yen)



FYE Mar. 2024 Strategy

- ✓ Increased revenue through the creation of IP
- ✓ Enforcement of further cost control in feature films, TV dramas, and animation production
- ✓ Entry into the comic adaptation area, e.g. Webtoons
- ✓ Advertising Production: Strengthening the digital advertising domain

Increased Revenue Through the Creation of IP

- Two works for TV animation has been decided, in addition to entry into the comic adaptation area, e.g. Webtoons

TV animation of major “light novel” works

Major works with over 21 million copies in print
The TV animation of “The Apothecary Diaries” will be broadcast in 2023

We expect an increase in net sales of original paperbacks and comics after the TV broadcast, as well as tie-up projects with companies



©Hyuuga Natsu, illustrated by Touco Shino/IMAGICA infos
©Hyuuga Natsu, IMAGICA infos/“The Apothecary Diaries”Project

TV animation of original projects

Original projects and works
TV animation of “Bullbuster” will be broadcast in 2023

We expect an increase in sales of the original novel after the TV broadcast, as well as expanded initiatives in collaboration with the city of Kitakyushu, where it was set

Volumes 1 and 2 of the novel now on sale from KADOKAWA



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

Entry into the comic adaptation area, e.g. Webtoons

- ✓ Through Group reorganization, IMAGICA DIGITAL SCAPÉ Co., Ltd. merged its animation and Webtoon businesses into Imagica Infos Co., Ltd.
- ✓ Promote the development of comics adaptations and imaging inside and outside the Group, as well as Group IP

About Strategic measures and SDGs initiatives

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

<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
"Transformatio
nal 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

Progress of Strategic Measures

Three measures are being progressed

Through DX,
company
transformation
Business/management foundation

- ✓ **Promotion of shift to online for post-production services work management system to enhance productivity**
- ✓ Promotion of digitalization of animation production (completion of in-house system → digitalization by cooperating contractors)
- ✓ Strengthening of Group-wide security measures

Strengthening of
technological
development
capability

- ✓ **Promotion of R&D for the manufacturing industry (measurement, analysis, Digital Twins, etc.)**
- ✓ **Investment of R&D in networks, AI, CG, VR, etc.**
- ✓ Promotion of joint research with companies, research institutes, and universities outside the Group

Greater efforts
for securing and
utilizing talent

- ✓ **Securing of technology talent (personnel system reform, strengthening of recruitment through industry-academia collaboration)**
- ✓ Strengthening of talent recruitment and training (joint recruitment of new graduates by the Group, joint training for young employees)
- ✓ Utilization of talent management system (information aggregation and talent utilization for Group managerial talent and engineering/creator talent)

Promotion of Sustainability

Developing SDGs initiatives to promote overall sustainability activities

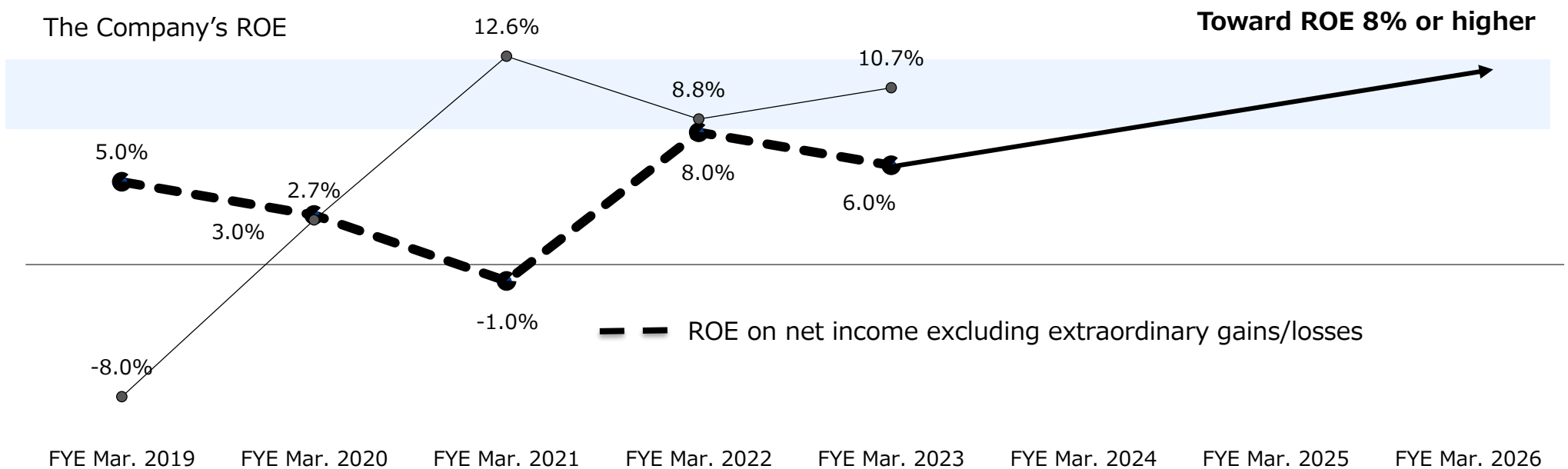
We will establish a new Sustainability Committee chaired by the President,
to formulate key policies and initiatives related to sustainability and reflect
these in management strategies.

We will continue to work comprehensively and across the board on activities related
to human asset management, climate change response, risk management,
SDGs, and sustainability overall.

About ROE Levels for the Enhancement of Corporate Value

The current ROE level does not exceed the cost of shareholders' equity

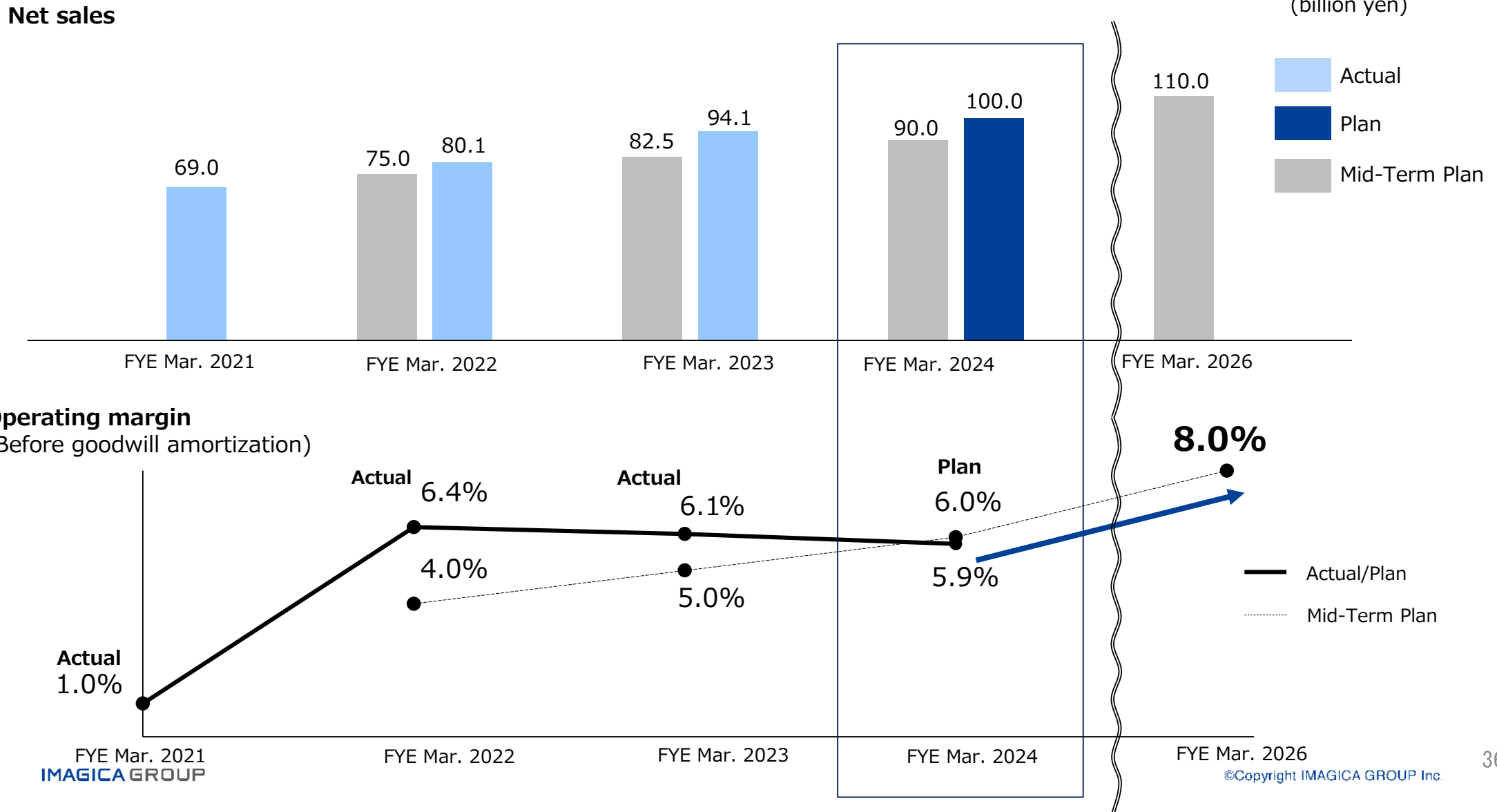
* The Company recognizes the cost of shareholders' equity costs as **7% to 8%**



Aim for **ROE of 8% or higher**, exceeding the cost of shareholders' equity, by achieving an operating margin before goodwill amortization of 8% and greater soundness and efficiency in B/S

FY2023 Plan and Mid-Term Plan

Place focus on enhancement of profitability based on the five key strategies and aim for operating margin of 8% in FY2025



Appendix.

Consolidated Income Statements

(Million Yen)	FYE Mar. 2022	FYE Mar. 2023		
	Actual	Actual	YoY	%YoY
Net sales	80,184	94,147	13,963	17.4%
Gross profit	23,386	26,723	3,336	14.3%
(Gross margin)	29.2%	28.4%	—	—
Operating income	3,417	3,868	451	13.2%
(Operating margin)	4.3%	4.1%	—	—
Ordinary income	3,934	3,638	(295)	(7.5%)
(Ordinary margin)	4.9%	3.9%	—	—
Extraordinary income	1,301	5,327	4,026	309.4%
Extraordinary losses	2,037	1,445	(591)	(29.0%)
Net income before income tax	3,198	7,519	4,321	135.1%
Net profit attributable to owners of parent	2,729	3,864	1,134	41.6%
(Reference) Operating income before goodwill amortization	5,131	5,738	606	11.8%

Operating income before goodwill amortization = operating income + goodwill amortization + amortization of intangible fixed assets including trademarks

Consolidated Balance Sheets

(Million Yen)		As of Mar. 2022	FYE Mar. 2023	YoY
Assets	Current assets	41,066	44,970	3,904
	Cash and deposits	6,420	7,813	1,393
	Non-current assets	32,317	36,917	4,599
	Goodwill	11,482	11,780	297
	Total Assets	73,384	81,888	8,503
Liabilities Net Assets	Current liabilities	32,278	33,205	926
	Short-term loans payable	4,170	6,432	2,262
	Non-current liabilities	7,079	8,378	1,298
	Long-term loans payable	4,019	1,366	(2,653)
	Total Liabilities	39,358	41,584	2,225
	Shareholders' equity	29,963	33,150	3,186
	Accumulated other comprehensive income	1,185	2,956	1,770
	Non-controlling interests	2,876	4,197	1,321
	Total Net Assets	34,025	40,303	6,278
	Total Liabilities and Net Assets	73,384	81,888	8,503
	Net Cash	(1,769)	14	1,784

Consolidated Statements of Cash Flow

(million yen)	FYE Mar. 2022	FYE Mar. 2023
Income before income taxes (loss)	3,198	7,519
Depreciation and amortization	2,059	2,596
Amortization of goodwill	1,406	1,558
Gain/loss on sales of investment securities	(414)	(1,576)
Increase (Decrease) in trade receivables and contract assets	(1,992)	(2,179)
Increase (Decrease) in inventory	(6,770)	1,172
Decrease (Increase) in notes and accounts payable-trade	2,431	(2,007)
Increase (Decrease) in contract liabilities	5,393	(876)
Income taxes paid	(389)	(2,189)
Others, net	2,493	2,091
Cash flow from operating activities	7,414	6,109
Purchase of property, plant and equipment	(3,996)	(2,853)
Purchase of intangible assets	(612)	(655)
Income from the sale of investment securities	944	1,642
Others, net	(264)	(514)
Net cash used in investing activities	(3,928)	(2,380)
Net increase (decrease) in short-term loans payable	(2,023)	280
Repayment of long-term loans payable	(1,974)	(1,334)
Cash dividends paid	–	(665)
Purchase of investments in subsidiaries do not result in change in scope of consolidation	(43)	(442)
Others, net	(142)	(423)
Cash flow from financing activities	(4,183)	(2,585)
Effect of exchange rate change on cash and cash equivalents	211	250
Increase (Decrease) in cash and cash equivalents	(486)	1,393
Increase (Decrease) in cash and cash equivalents resulting from change in scope of consolidation	48	–
Cash and cash equivalents at end of period	6,419	7,812

Financial Results by Segment

(Million Yen)		FYE Mar. 2022	FYE Mar. 2023		
		Actual	Actual	YoY	%YoY
Content Creation	Net sales	22,486	23,537	1,050	4.7%
	Operating income	765	535	(230)	(30.1%)
	(Operating margin)	3.4%	2.3%	—	—
	Operating income before goodwill amortization	770	540	(230)	(29.9%)
Production Services	Net sales	42,080	54,128	12,047	28.6%
	Operating income	1,726	2,532	806	46.7%
	(Operating margin)	4.1%	4.7%	—	—
	Operating income before goodwill amortization	3,399	4,361	962	28.3%
Imaging Systems & Solutions	Net sales	17,639	18,930	1,290	7.3%
	Operating income	1,740	2,086	346	19.9%
	(Operating margin)	9.9%	11.0%	—	—
	Operating income before goodwill amortization	1,776	2,122	346	19.5%
Others	Net sales	(2,023)	(2,448)	(424)	—
	Operating loss	(814)	(1,286)	(471)	—
Consolidated total	Net sales	80,184	94,147	13,963	17.4%
	Operating income	3,417	3,868	451	13.2%
	Net sales before goodwill amortization	5,131	5,738	606	11.8%

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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.