

## Q&A Regarding 2Q of the Fiscal Year Ending March 31, 2023 (Summary)

These Q&A items cover the main questions asked by investors at the financial results briefing. Some questions have been revised for ease of understanding.

### **Q1. In the Production Services business, major U.S. video streaming service providers have seen a slowdown in membership momentum due to inflation and a weakening of nesting-related demand. Please provide some quantitative data on the outlook for the industry.**

A. We would like to refrain from disclosing quantitative data at this time, but would like to reiterate our thoughts on the outlook of the industry, which we provided at the earlier briefing.

1. In the U.S., new video streaming platforms are increasing, led by major Hollywood studios. Competition for members is becoming increasingly intense.

2. Until now, the mainstream approach has been to distribute works from English-speaking countries worldwide, but recently there has been a movement to distribute works from non-English-speaking countries, such as South Korea.

These two developments have led to a significant increase in the number of works and languages distributed, which is providing a tailwind for our E2E service. At the same time, it is true that the revenue model of video streaming service providers is undergoing change, as seen in the emergence of advertising-supported models aimed at preventing slowdowns in the growth rate of subscriber numbers. We recognize the need to closely watch what effects this will have on investment in original works.

### **Q2. For each segment, what is the current situation of orders and what is the financial results forecast for the year?**

A. We would like to refrain from giving a specific answer on the current situation of orders at this time, but we will respond regarding the outlook by segment through the second half of the year.

1. Content Creation business: Orders for feature films, dramas, and anime production are favorable overall, despite delays in some works. In particular, 3Q will see delivery of Season 2 of Alice in Borderland for Netflix. Regarding TV commercial productions, there have been many reports of anticipated deterioration of performance in the manufacturing industry due to factors including the rising cost of raw materials against a background of high resource prices and the weak yen. We have a conservative outlook for orders for TV commercial production in 4Q.

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2. Production Services business: There is no change in the trend of increasing sales of video streaming E2E services (overseas), but we expect the rate of increase in sales to slow from 4Q. In the first half of the fiscal year, we were able to significantly grow net sales due to new video streaming platforms in the U.S. placing strong orders for localization services for past titles (about double the level of the previous year). At the same time, we expect that these orders for past titles will slow from 4Q, and orders for new, original works will take center stage. Domestically, TV programming and post-production services for TV commercial production are performing well, but we do not expect to reach the strong growth in orders that occurred last year under recovery from the COVID-19 pandemic.

3. Imaging Systems & Solutions business: In high-speed cameras, whether we will be able to stably procure semiconductors in the second half remains unclear. However, we expect sales of optical measurement and image processing LSIs to remain strong, as was noted in the briefing.

### **Q3. Looking at the market as a whole, it seems that monetizing of business has yet to occur in the metaverse. Can you speak about the Company's vision from here on out?**

A. We are working on experiential theme parks as part of our live entertainment business, with the metaverse a part of this.

We are currently working with various partners including Tokyo Girls Collection, Pia, Tokyo eSports Gate, and Mori Building on new initiatives aimed at developing business models, and have delivered a number of results. Rather than developing the business on our own, we will collaborate with leading partners to advance the creation of a live entertainment business model that incorporates the metaverse.

End.