

Q1. I would like to hear about changes in the global imaging business environment. Would it be right to think that the recent increase in the distribution of original programs by video streaming service providers will have a positive impact on your business?

A Recently, the number of original programs created by video streaming service providers has been increasing. Pixelogic and Imagica Entertainment Media Services, which belong to the Production Services segment, are engaged in the localization (subtitling and dubbing) and distribution (file creation and distribution) services for theatrical releases as well as the original works of these video streaming service providers. In particular, the increase in orders from these companies has had a significant positive impact on our performance.

Q2. The subtitles and dubbing services seem to be offered by other companies. Please tell us about your company's superiority and competitive environment.

A Major video streaming service providers have very strict security requirements and tend to order from companies that are global and can guarantee security. There are many companies in the world that provide only subtitle, dubbing, and file creation/distribution services, but there are only a few companies like our group Pixelogic that can provide both services in one company, and we recognize that companies that provide both services on a global scale are rare. Pixelogic has two strengths. The first is that it is a system that can provide high-quality services in a short delivery time using its proprietary IT system. Another is building strong relationships of trust with customers and building up a track record to support them.

Q3. Could you give us more details about the operating income margin of 8% in the medium-term management plan for FY2025?

A The Global E2E Business, centered on Pixelogic, is the primary driver of operating income growth. We expect to achieve 2.4 billion yen in operating income (before goodwill amortization), 30% of our 8 billion yen target for FY2025 by achieving sales growth and high profitability. The Imaging Systems & Solutions business has been highly profitable for some time, and we believe that profitability can be maintained by expanding the business into peripheral areas. We expect its Imaging Systems & Solutions business to account for 35%.

In the Live Entertainment business, sales are around 10 billion yen but are expected to have the highest growth rate.

The largest portion of net sales is in the field of existing businesses, which it has positioned as a transformation business (part of the Content Creation segment and the Production Services segment). In content creation, securing profitability is an issue due to the impact of COVID-19. In this field, we aim to achieve an operating income (before goodwill amortization) margin of 5% by expanding services in growth areas such as video streaming services and games, and by strengthening cost control.

Q4. Please tell us about the background and policy behind your decision to enter the metaverse business.

- A The reason why we entered the metaverse market was when we were consulted by the TGC side to hold the Tokyo Girls Collection (TGC) in the VR space, which could no longer be held at the venue due to COVID-19. Our group company had already accumulated production know-how utilizing cutting-edge technologies, such as XR* (cross-reality) direction in the VR space, in order to carry out live music performances in online streaming from the second half of 2020, so we were able to gain an opportunity to enter the metaverse business.

In the metaverse business, our group will develop and operate VR platforms in collaboration with prominent partners such as TGC, as mentioned above. The planning, presentation, and production of "visual content" for users to enjoy as avatars in the VR space will also be our domain.

Our group's metaverse business will specialize in the entertainment field, providing VR spaces such as fashion shows, live music, theatre such as kabuki etc, and sports event. Visual presentation in the VR space is the field in which our group is the most specialized, and this is a differentiating factor of our metaverse business.

This was triggered by inability to hold physical events due to COVID-19, but even if physical events are resumed, we expect this type of metaverse business to grow significantly, and we will focus our resources into it as we see business opportunities in the future.

*XR is a generic term for all virtual space technologies, such as VR (virtual reality), AR (augmented reality), and MR (mixed reality), and is a technology that realizes a real-world convergence with virtual reality.

Q5. What is the difference between the Content Creation segment and the Production Services segment?

- A In the film production process, the Content Creation segment involves shooting the movies, as well as gathering film directors, producers, and actors to shoot the film. Then, the Production Services segment provides services such as editing the images and sounds of the filmed files, adding subtitles and dubbing, and finally delivering the film to the film distribution company according to various formats of each theater.