

**Consolidated Financial Highlights for
the Second Quarter of the fiscal year ending
March 31, 2024
Supplemental Materials**

IMAGICA GROUP Inc.

Securities Code: 6879

October 31, 2023

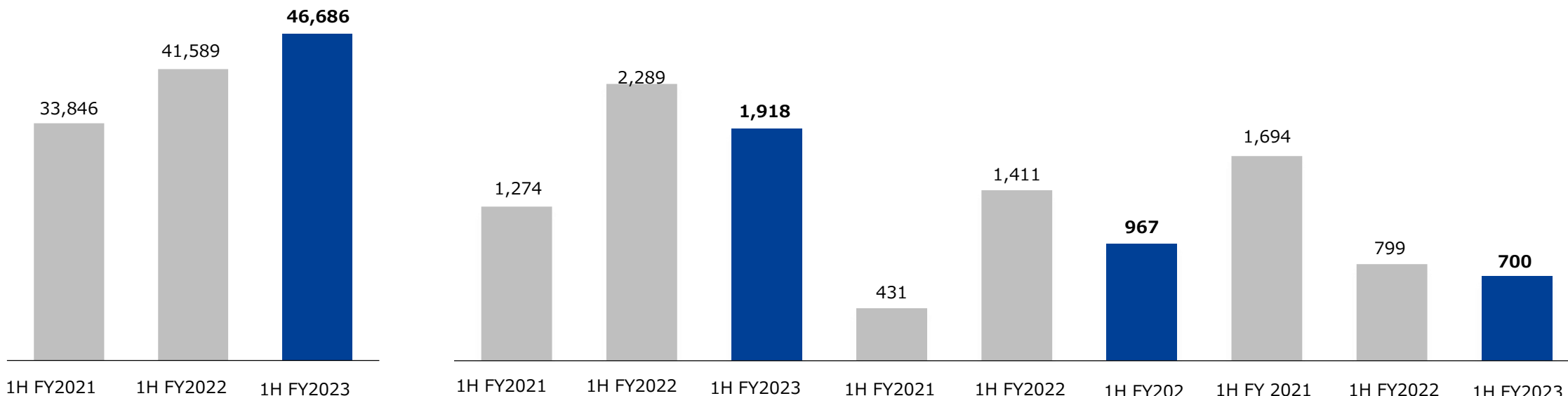


Highlights of Financial Results for the Second Quarter

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

(Million Yen)

Net sales	Operating income before goodwill and other amortization	Operating income	Net income attributable to owners of the parent
46,686	1,918	967	700
YoY +5,096 (+12.3%)	YoY -371 (-16.2%)	YoY -444 (-31.5%)	YoY -99 (-12.4%)



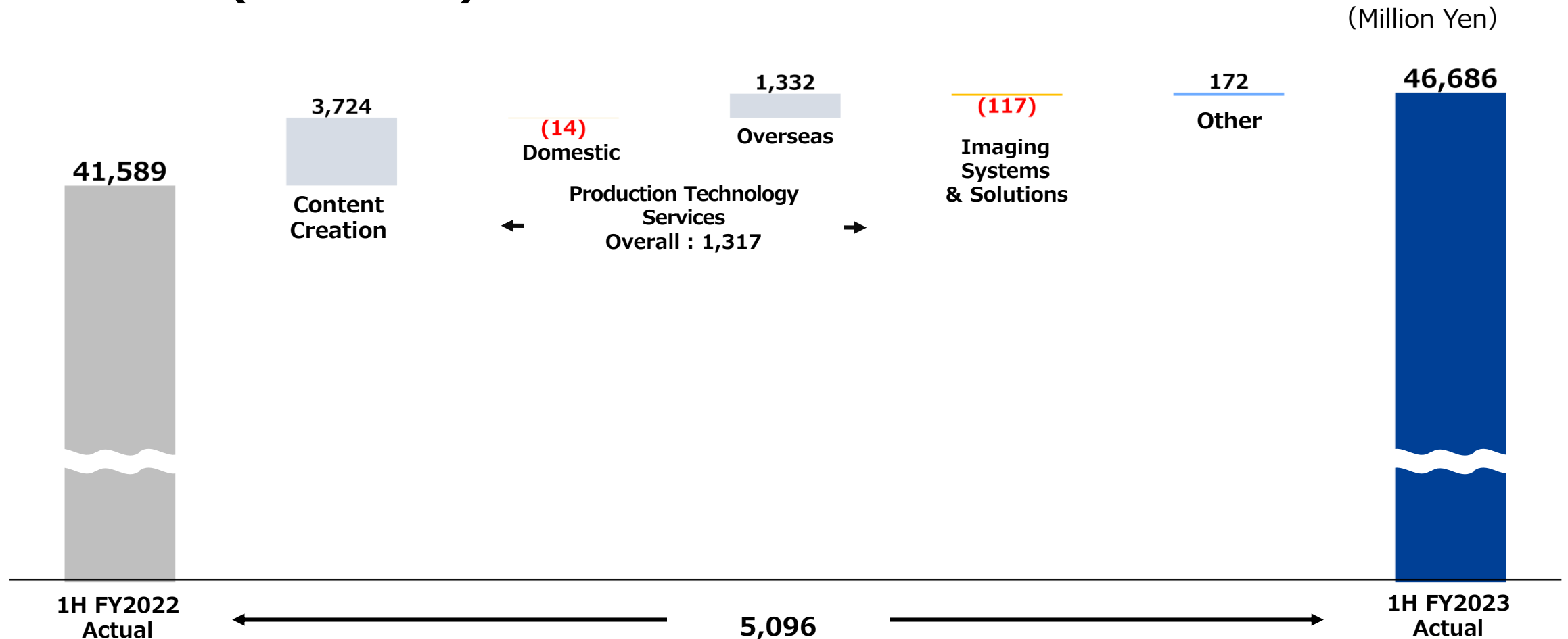
Performance by segment (YoY and vs. forecast)

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)		

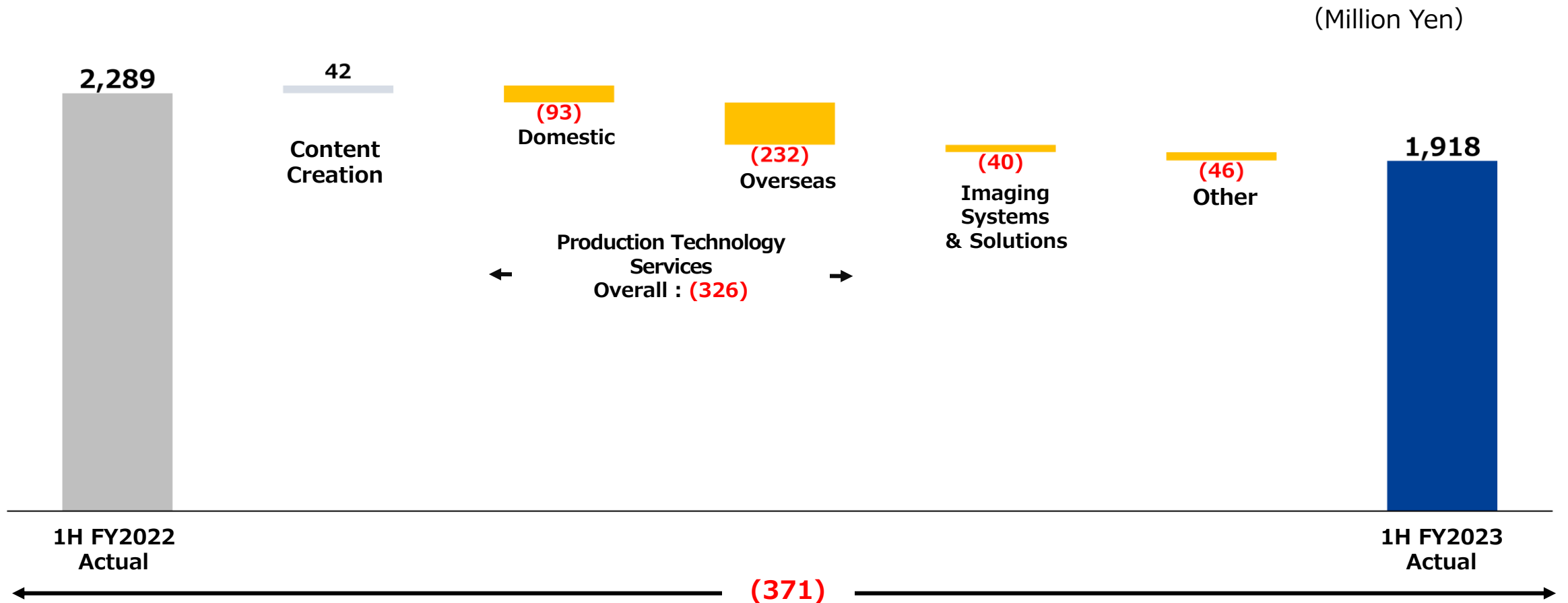
Analysis of increase/decrease of Net sales (YoY)

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



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.

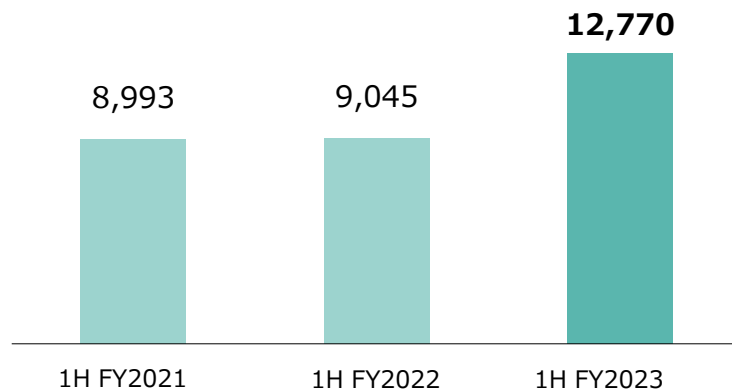


Content Creation

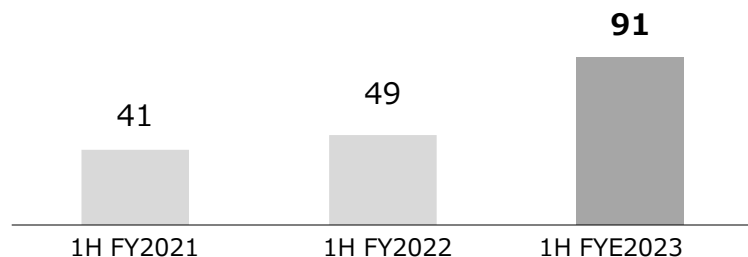
Sales and operating income increased with theater and video streaming works, animation works and publishing business.

(Million Yen)

Net sales



Operating income (before goodwill and other amortization)



Sales and operating income increased.

■ Net sales	+3,724 (+41.2%)
■ Operating income	+42 (+85.8%)

✓ Feature films and dramas

Sales increased significantly with theater and video streaming works.

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

✓ Animation works

Sales increased with TV series and margin improved with digitalization.

✓ Publishing business

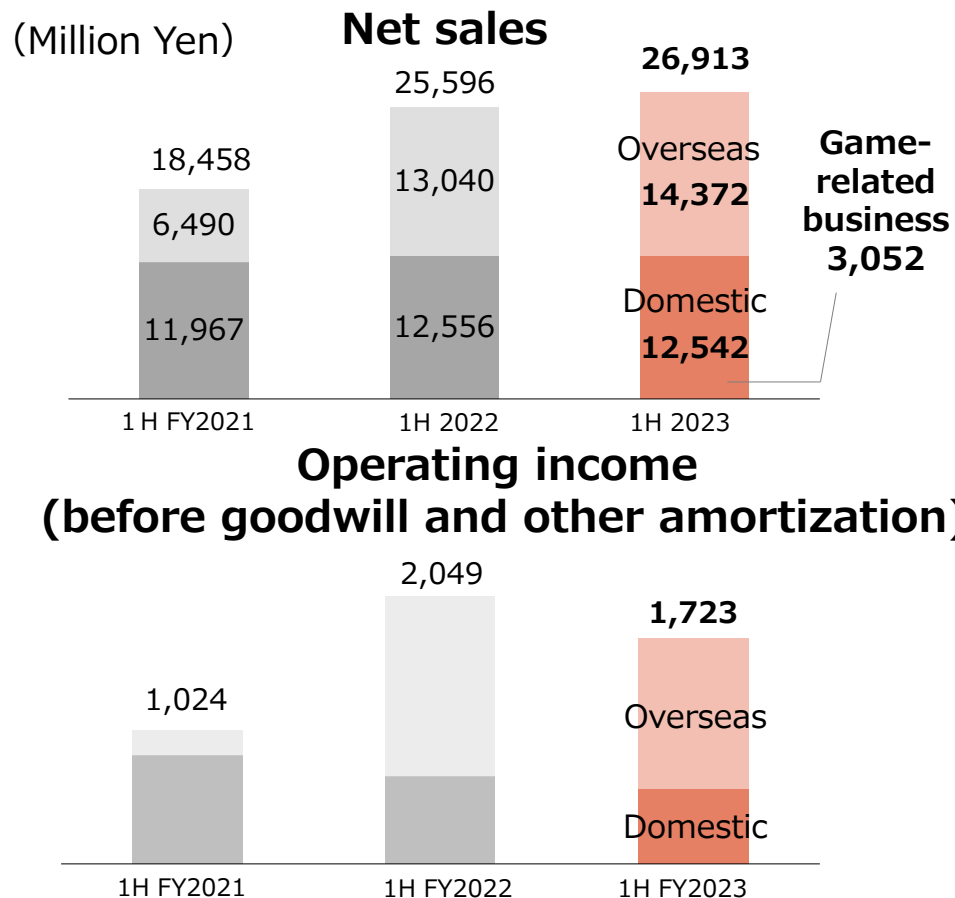
Sales increased with strong sales of "The Apothecary Diaries" etc.

✓ CM works

Sales decreased with weak order for TV although strong order for web.

Production Technology Services*

Sales increased in the digital cinema services* and trailer production services. Operating income decreased due to fixed cost increase in the overseas operation by growth investment and weak order for TV-CM post-production.



Sales increased but operating income decreased.

Net sales	+1,317	(+5.1%)
Operating income	-326	(-15.9%)

✓ **Domestic E2E services***

Sales increased with solid sales of digital cinema services.

✓ **Overseas E2E services***

Sales increased with increase in the digital cinema services and trailer production service though decrease in localization service for video streaming by demand settle down.

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

✓ **Game-related business**

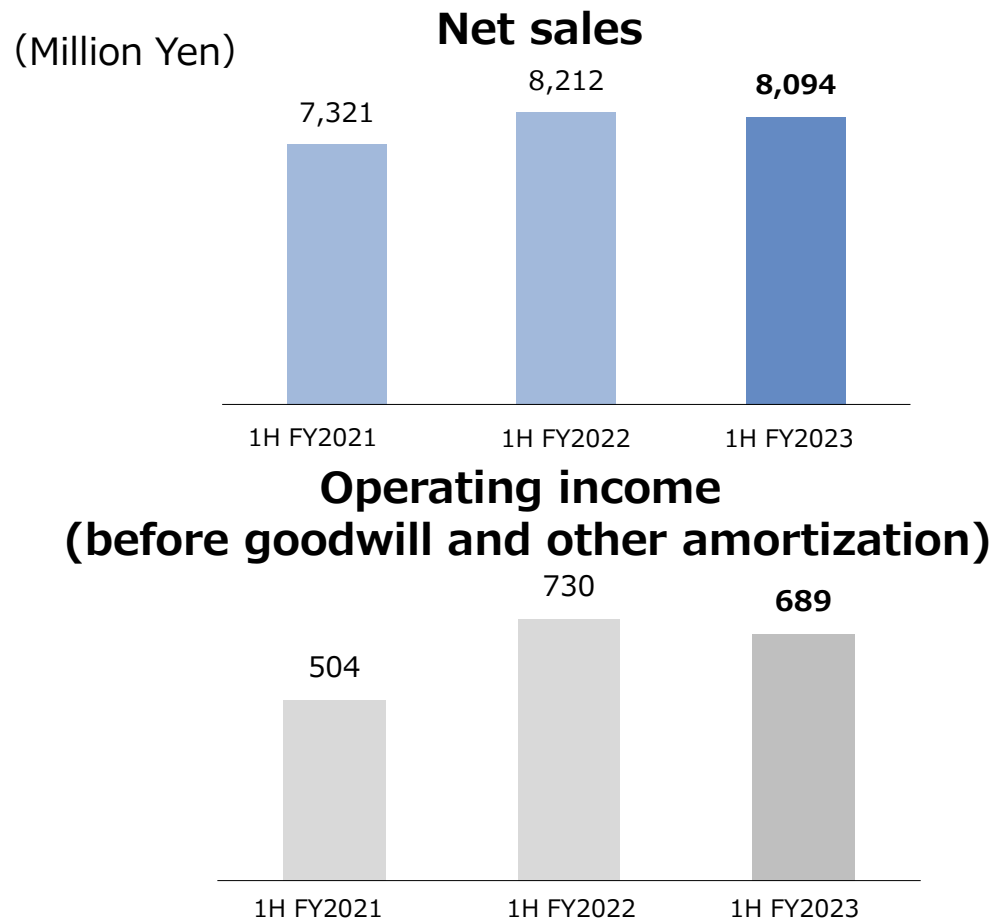
Sales increased with good sales of Game 3DCG production.

✓ **Post-production services for TV**

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

Imaging Systems & Solutions

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



Sales and operating income decreased.

■ Net sales	-117	(-1.4%)
■ Operating income	-40	(-5.6%)

- ✓ **High-speed cameras**
Sales increased significantly owing to recovery of production by settlement of semiconductor shortage and strong orders.
- ✓ **Broadcast imaging systems & solutions**
Sales decreased as it had sales of the large projects in the previous year.
- ✓ **Video and image processing LSI/Optical measurement/Video**
Sales decreased due to 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	

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 (1H FY2023)	Content Creation	Production Technology Services	Imaging Systems & Solutions business	Total
1 Global E2E Business		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			7.3	7.3
4 Game-related business		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 51		17.2
Total	13.5	26.2	8.1	47.8

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

Consolidated Income Statements

(Million yen)	1H FY2022	1H FY2023		
	Actual	Actual	YoY	%YoY
Net sales	41,589	46,686	5,096	12.3%
Gross profit	12,092	12,864	772	6.4%
(Margin)	29.1%	27.6%		
Operating income	1,411	967	(444)	(31.5%)
(Margin)	3.4%	2.1%		
Ordinary income	1,336	938	(398)	(29.8%)
(Margin)	3.2%	2.0%		
Extraordinary income	318	524	205	64.7%
Extraordinary loss	234	16	(217)	(92.9%)
Net income before income taxes	1,420	1,445	25	1.8%
Net income attributable to owners of the parent	799	700	(99)	(12.4%)
EBITDA	3,334	3,117	(217)	(6.5%)
(Reference) Operating income before goodwill and other amortization	2,289	1,918	(371)	(16.2%)

- 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	September 30, 2023	Increase/Decrease
Assets	Current assets	44,970	39,305	(5,665)
	Cash and deposits	7,813	4,868	(2,945)
	Non-current assets	36,917	37,250	333
	Goodwill	11,780	11,999	219
	Total assets	81,888	76,556	(5,331)
Liabilities / Net assets	Current liabilities	33,205	30,100	(3,104)
	Short-term borrowings	6,432	6,686	253
	Non-current liabilities	8,378	7,958	(420)
	Long-term borrowings	1,366	913	(453)
	Total liabilities	41,584	38,059	(3,524)
	Shareholders' equity	33,150	32,064	(1,086)
	Accumulated other comprehensive income	2,956	4,193	1,236
	Non-controlling interests	4,197	2,239	(1,957)
	Net assets	40,303	38,496	(1,807)
	Total liabilities and net assets	81,888	76,556	(5,331)
Net cash		14	(2,731)	(2,745)

• 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.