

Financial Results Presentation

Second Quarter of the fiscal year ending March 31, 2025 (2Q FY2024)

IMAGICA GROUP Inc.

Securities Code: 6879

November 13, 2024



*FY2024: Fiscal year ending March 31, 2025

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**Masakazu Morita, Director and
Senior Managing Executive Officer**

II Initiatives for Business Portfolio Transformation

**Shunjiro Nagase, Representative
Director, President**

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II Initiatives for Business Portfolio Transformation

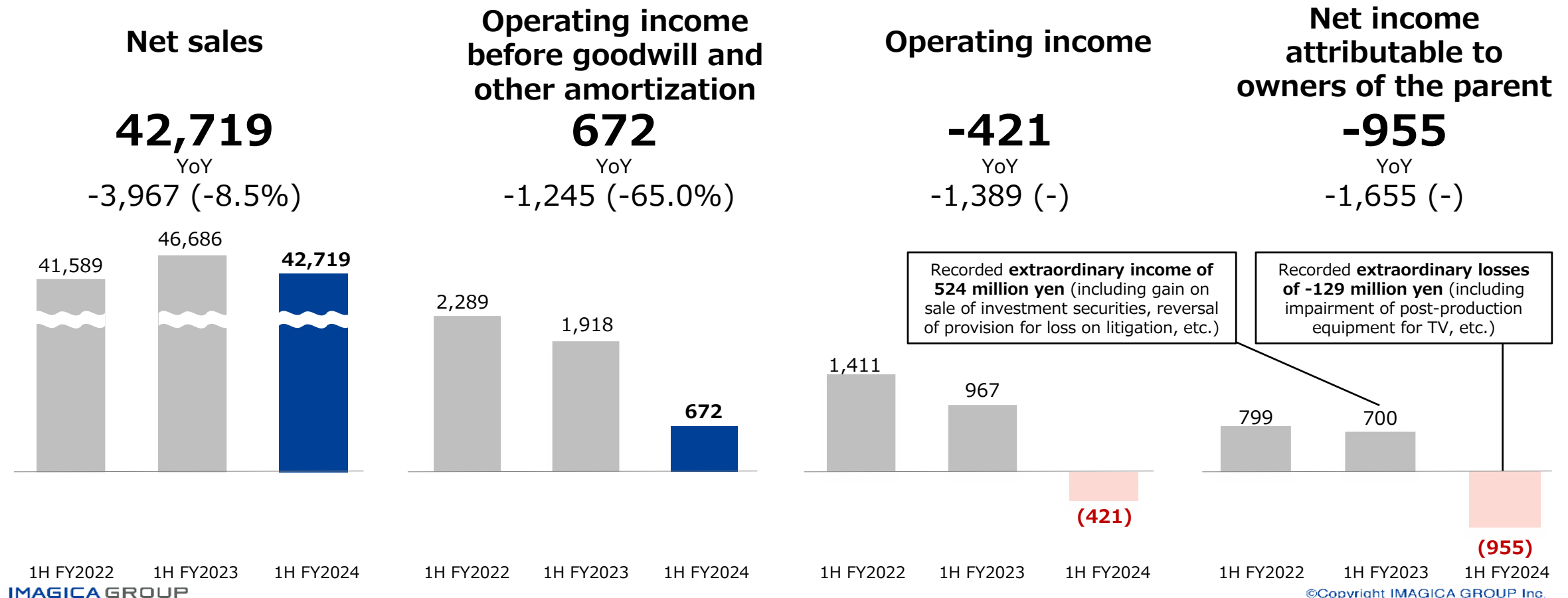
**Shunjiro Nagase, Representative
Director, President**

Highlights of Financial Results

Net sales and operating income decreased on a consolidated basis as overseas business struggled, despite domestic business performing well.

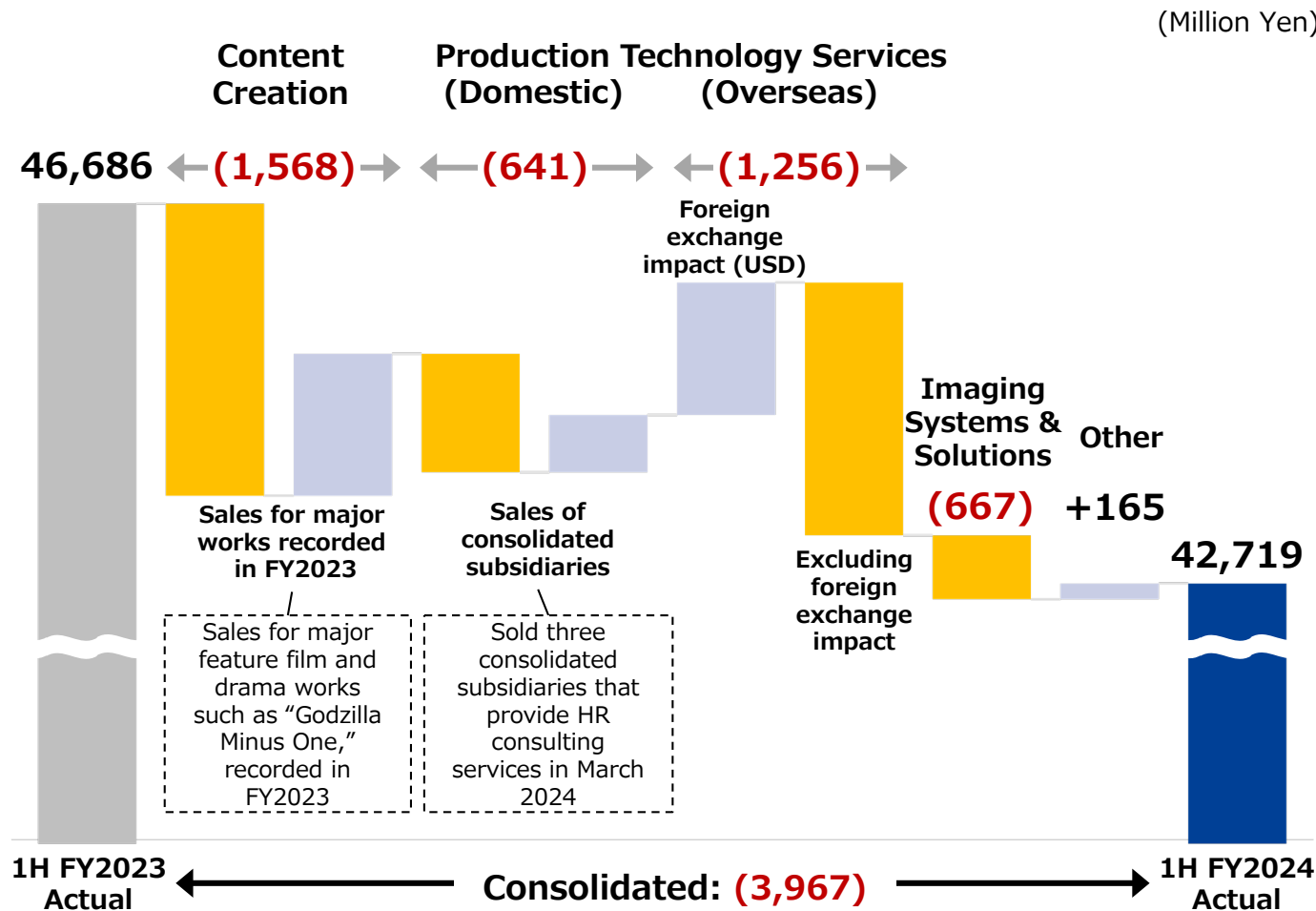
Substantial impact from operating losses in overseas business led to consolidated operating and net losses.

(Million Yen)



Analysis of YoY Change in Net Sales

- While overseas business saw decreased sales, domestic business showed sales growth when excluding the effects of the sale of consolidated subsidiaries and the recording of sales for major works in FY2023.



Analysis of change

Content Creation

- Strong performance in TV commercial production
- Strong sales of the original works and comics of "The Apothecary Diaries," and recorded distribution-related income from the TV animation production committee
- Recorded incentive fees for films produced

Production Technology Services (Domestic)

- Strong performance in film-editing and digital cinema services
- In game-related business, orders for 3DCG production were strong due to a scaling-up of the production system
- Post-production services for TV saw sluggish orders for TV programs

Production Technology Services (Overseas)

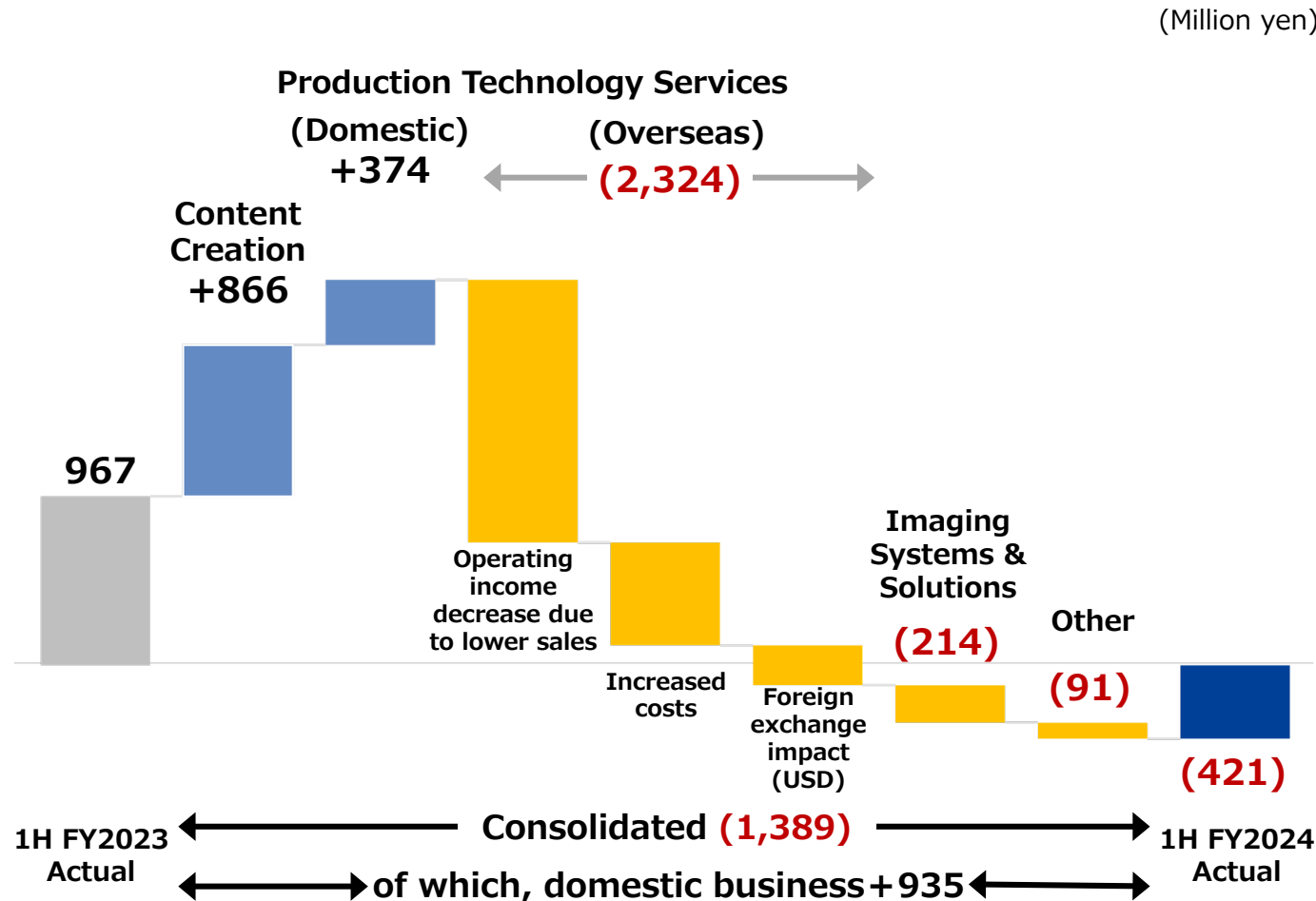
- Decrease in sales as orders for localization services have not returned to the FY2023 levels, despite the positive effect of the weak yen

Imaging Systems & Solutions

- High-speed cameras performed well overseas (excluding China) and in Japan, but sales slowed down in China
- Broadcast imaging systems & solutions saw sales decrease following the recording of sales for major works in FY2023

Analysis of YoY Change in Operating Income

- Operating income in domestic business increased, mainly due to strong performance in Content Creation.
- Operating income in overseas business decreased significantly due to reduced sales, increased expenses, and foreign exchange impact.



Analysis of change

Content Creation

- Increase in operating income in TV commercial production
- In animation works, operating income improved due to contributions from TV series and CG animation works
- Strong performance in publishing business (book sales, comic book royalties, distribution-related income from the TV animation production committee, etc.)
- Recorded incentive fees for films produced

Production Technology Services (Domestic)

- Increase in operating income in film-editing and digital cinema services and game-related business
- Decrease in operating income in post-production services for TV

Production Technology Services (Overseas)





- Significant decrease in operating income due to an operating income decline from decreased sales, an increase in costs associated with base expansion in FY2023, and the negative effect of the weak yen

Imaging Systems & Solutions

- Decrease in operating income due to decreased sales of high-speed cameras and broadcast imaging systems & solutions, etc.

Performance by Segment vs. Forecast

- While Content Creation and Imaging Systems & Solutions progressed as forecast, deterioration in overseas business of Production Technology Services exceeded anticipations, resulting in consolidated operating income falling short of forecast.

(Million Yen)		1H FY2023 Actual	1H FY2024 Actual	YoY	Operating income Vs. forecast	Factors causing gap from forecast
Content Creation	Net sales	12,770	11,201	(1,568)	 Over 5%	<ul style="list-style-type: none"> • Strong performance in publishing business (book sales, comic book royalties, distribution-related income from the TV animation production committee, etc.) • Profit margin improved in animation production through enhanced cost management
	Operating income before goodwill and other amortization	91	960	868		
	Operating income	89	955	866		
Production Technology Services	Net sales	26,913	25,016	(1,897)	 Below 5%	<ul style="list-style-type: none"> • Overseas business demand was significantly below expected levels • Sluggish orders for post-production services for TV
	Operating income before goodwill and other amortization	1,723	(85)	(1,809)		
	Operating income	793	(1,156)	(1,950)		
Imaging Systems & Solutions	Net sales	8,094	7,427	(667)	 Over 5%	<ul style="list-style-type: none"> • While high-speed camera sales to China slowed, sales to other overseas markets remained solid
	Operating income before goodwill and other amortization	689	475	(214)		
	Operating income	671	457	(214)		
Consolidated total	Net sales	46,686	42,719	(3,967)	 Below 5%	
	Operating income before goodwill and other amortization	1,918	672	(1,245)		
	Operating income	967	(421)	(1,389)		

Full-Year Financial Forecast for FY2024

For details, please refer to “Notice Regarding Revision of Forecast” dated October 31, 2024.

- Revised forecast to reflect deterioration in overseas Production Technology Services business and strong performance in Content Creation.
- Dividend per share is unchanged in line with stable dividend policy.

(Million Yen)	FY2023	FY2024				
	Actual	Financial forecast on May 9	Current revised forecast	Change from May 9 forecast	Change from FY2023	% change from FY2023
Net sales	99,684	98,000	96,000	(2,000)	(3,684)	(3.7%)
Operating income before goodwill and other amortization	5,901	5,800	3,400	(2,400)	(2,501)	(42.4%)
(Margin)	5.9%	5.9%	3.5%			
Operating income	3,924	3,700	1,200	(2,500)	(2,724)	(69.4%)
(Margin)	3.9%	3.8%	1.3%			
Ordinary income	3,727	3,200	800	(2,400)	(2,927)	(78.5%)
Net income attributable to owners of parent	2,373	2,000	(900)	(2,900)	(3,273)	-
Basic earnings per share (yen)	53.57	45.25	(20.36)	(65.61)	(73.93)	-
Dividend per share forecast (yen)	15.0	15.0	15.0	0.0	0.0	

Financial Forecast by Segment for FY2024

- Reflected deterioration in overseas Production Technology Services business and solid performance in Content Creation.

(Million Yen)		FY2023	FY2024			
		Actual	Financial forecast on May 9	Current revised forecast	Change from May 9 forecast	Change from FY2023
Content Creation	Net sales	28,186	24,300	25,300	1,000	(2,886)
	Operating income	1,276	1,310	1,660	350	384
Production Technology Services	Net sales	53,967	55,100	52,100	(3,000)	(1,867)
	Operating income	1,430	1,350	(1,500)	(2,850)	(2,930)
Imaging Systems & Solutions	Net sales	19,756	20,300	20,300	0	544
	Operating income	2,404	2,270	2,270	0	(134)
Consolidated total	Net sales	99,684	98,000	96,000	(2,000)	(3,684)
	Operating income	3,924	3,700	1,200	(2,500)	(2,724)

Breakdown of change from forecast

Content Creation

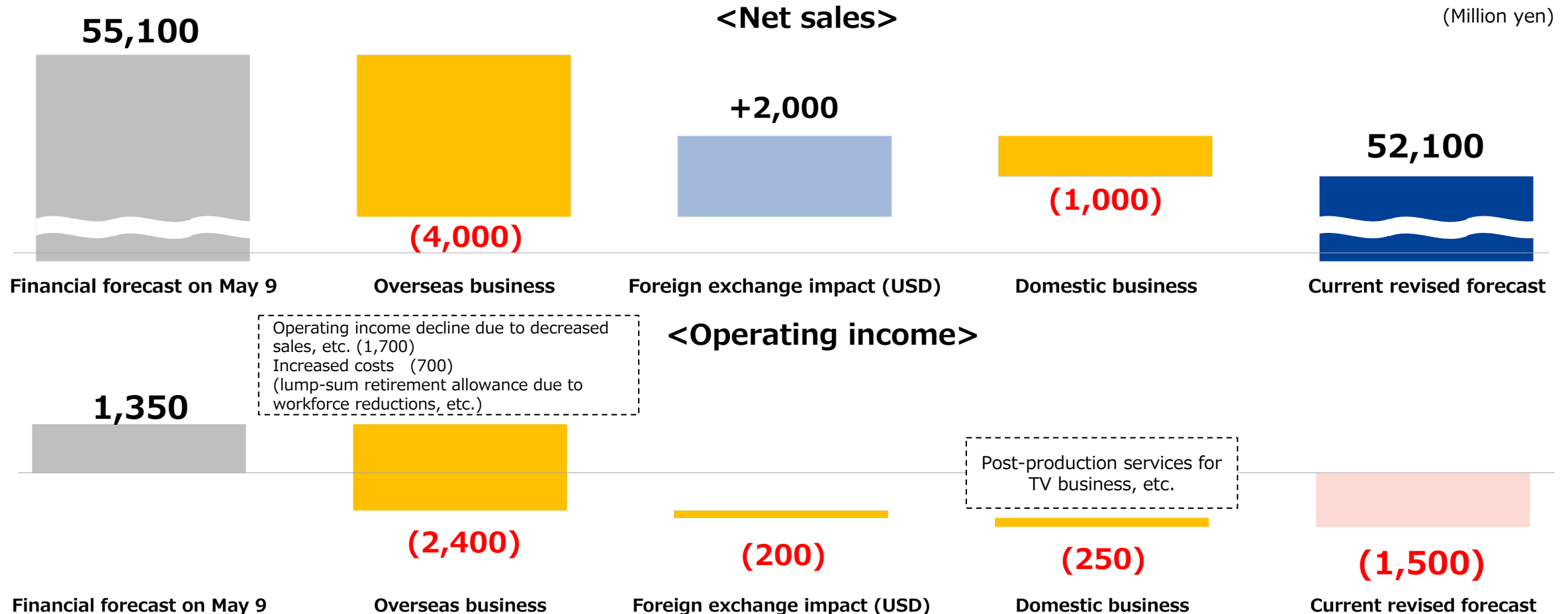
- Strong performance in publishing business (book sales, comic book royalties, distribution-related income from the TV animation production committee, etc.)
- Profit margin improved in animation production through enhanced cost management

Production Technology Services *Details on next page

- Overseas business and post-production services for TV are expected to fall below the previously announced forecast.
- Overseas business demand is significantly below expected levels, and net sales and operating income, including foreign exchange effects, are expected to fall below the previously announced forecast.
- In order to deal with this situation, the business has been implementing cost reduction measures, including workforce reductions.

Production Technology Services: Breakdown of Change from Full-Year Forecast

- Due to operating losses in overseas business, foreign exchange fluctuations (USD) were positive for net sales but negative for operating income.



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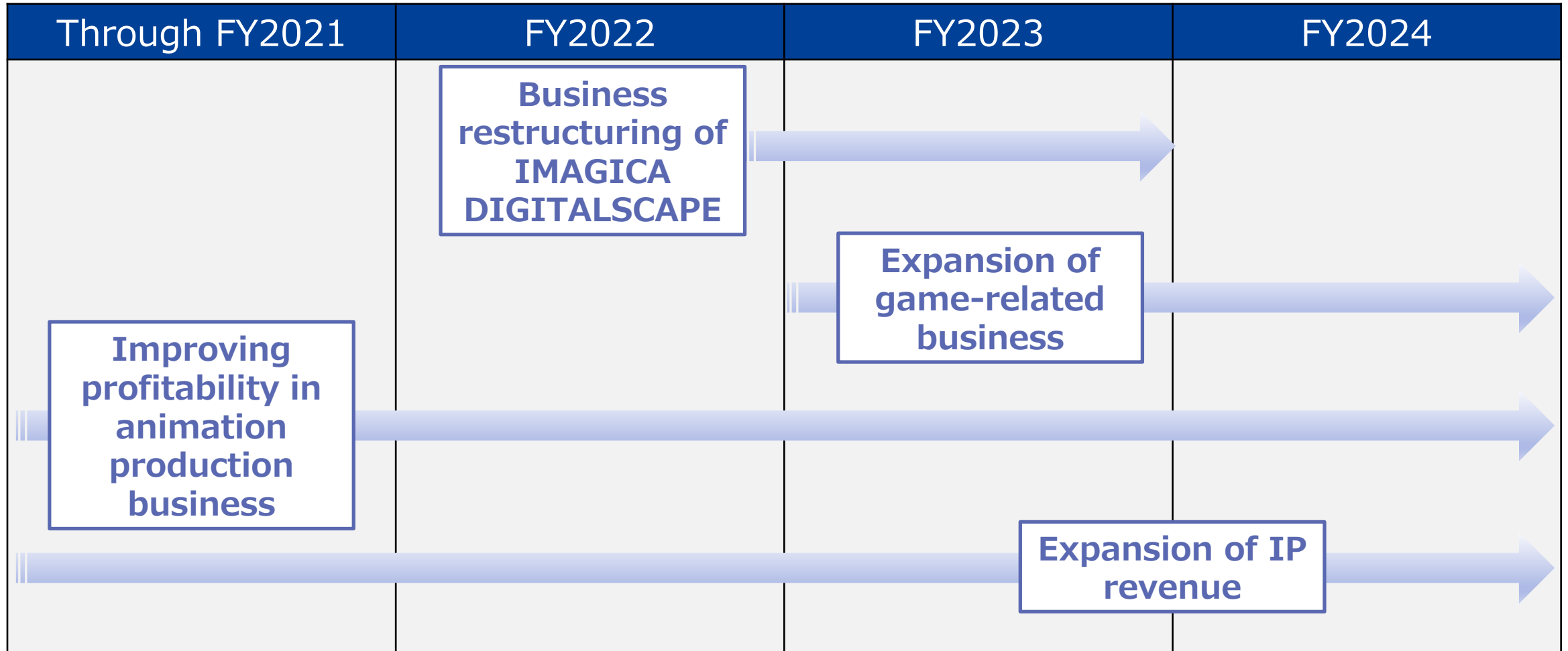
Masakazu Morita, Director and
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II Initiatives for Business Portfolio Transformation

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Past Initiatives

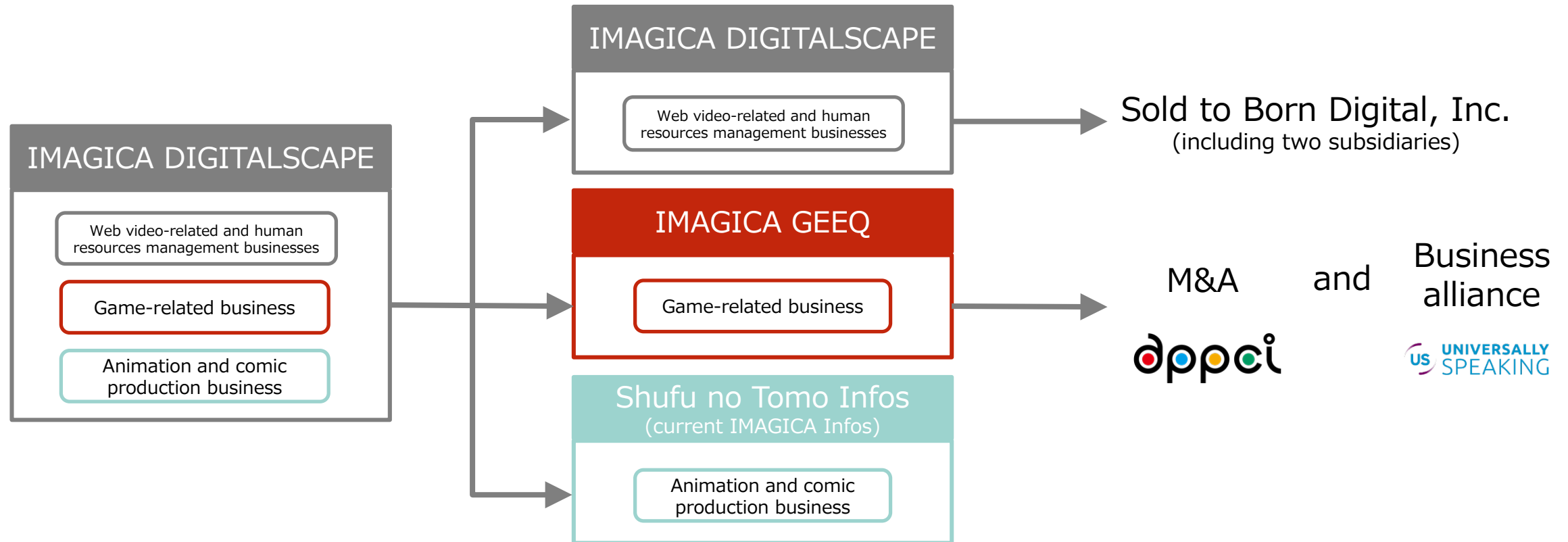
- In response to changes in the business environment, we have worked on various business portfolio transformations to expand business and improve profitability.



Business Restructuring of IMAGICA DIGITALSCAPE

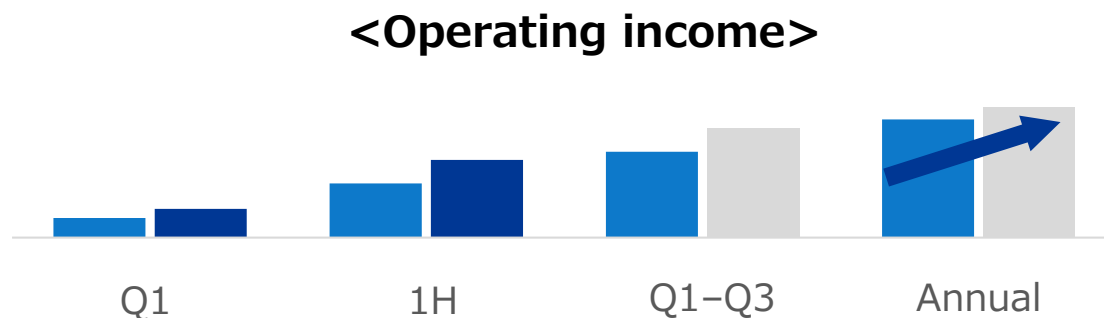
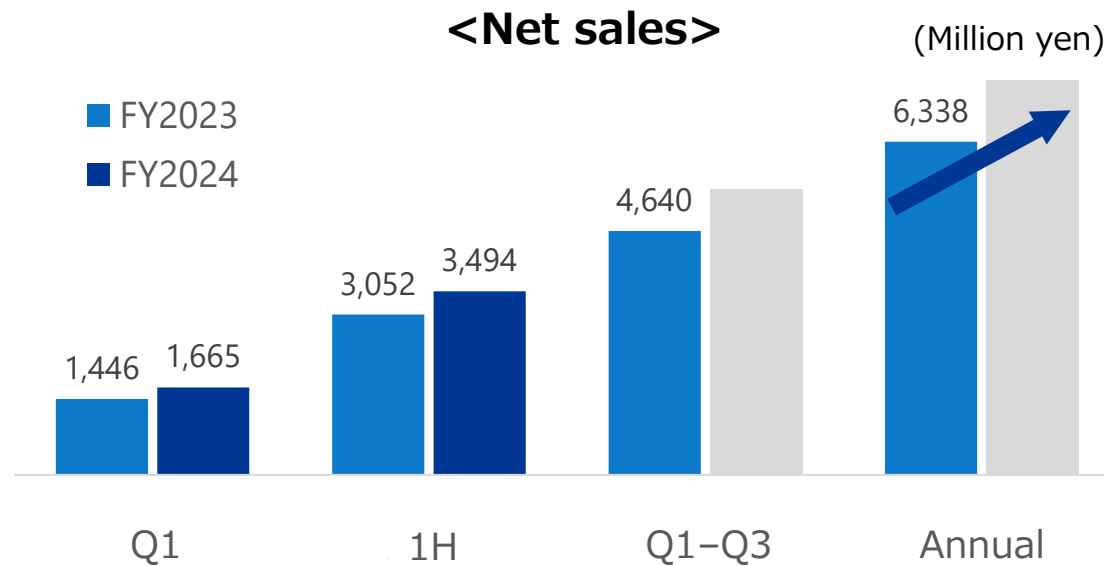
- We accelerated business restructuring of IMAGICA DIGITALSCAPE since FY2023, selling web video-related and human resources management businesses to third parties and incorporating the game-related business into the Group.

————— -March 2023 ————— April 2023 ————— January–March 2024 ➔



Expansion of Game-related Business

- Since the spin-off in April 2023, net sales and operating income in the game-related business have continued to grow, driven by 3DCG production.



IMAGICA GROUP

M&A of a development company:

Strengthening upstream processes

Business alliance with Universally Speaking in UK:

Stepping stone to overseas expansion



Accelerate global expansion

(acquire projects from overseas clients)

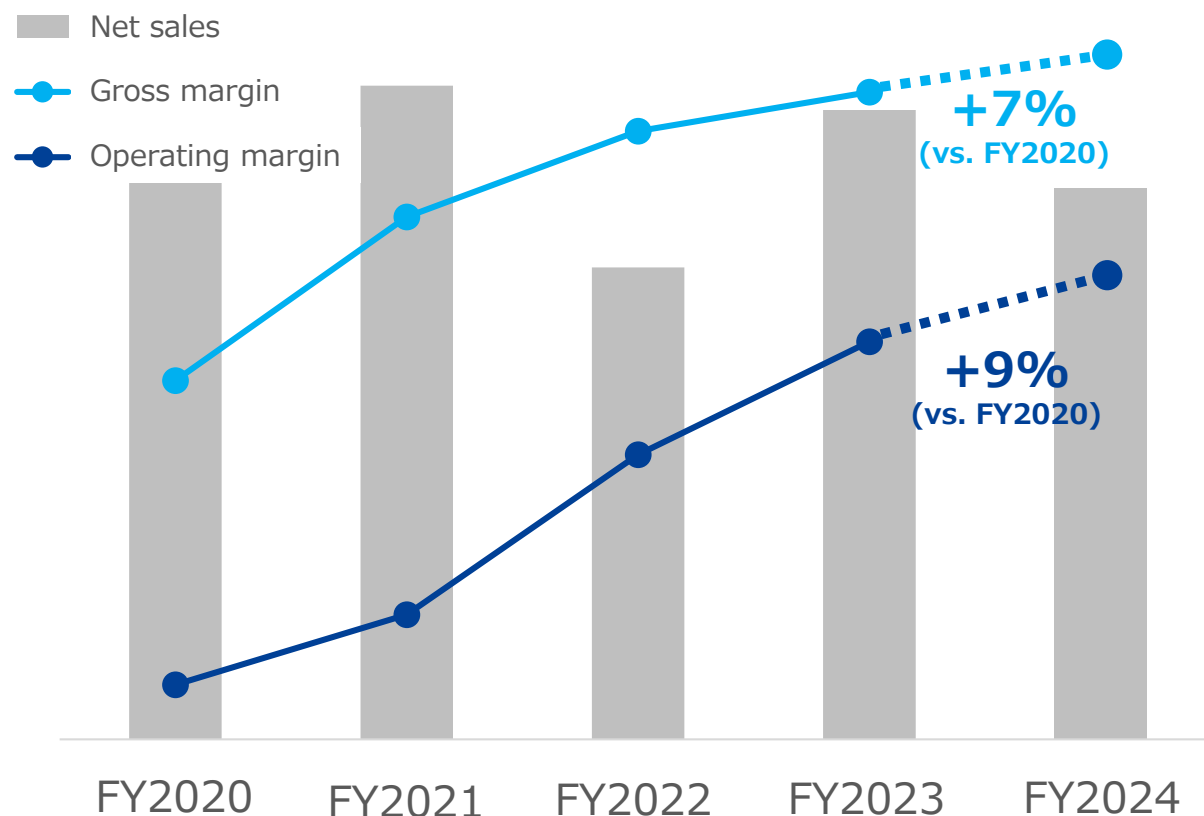
- Acquire overseas projects via Universally Speaking, Ltd. in UK, with whom we have a business alliance, and respond in cooperation with group companies



Improving Profitability in Animation Production Business

- Margin in the animation production business has continued to increase over the past four years, regardless of changes in net sales.
- The margin is expected to increase in FY2024 as well.

<Sales/margins of animation production subsidiaries>



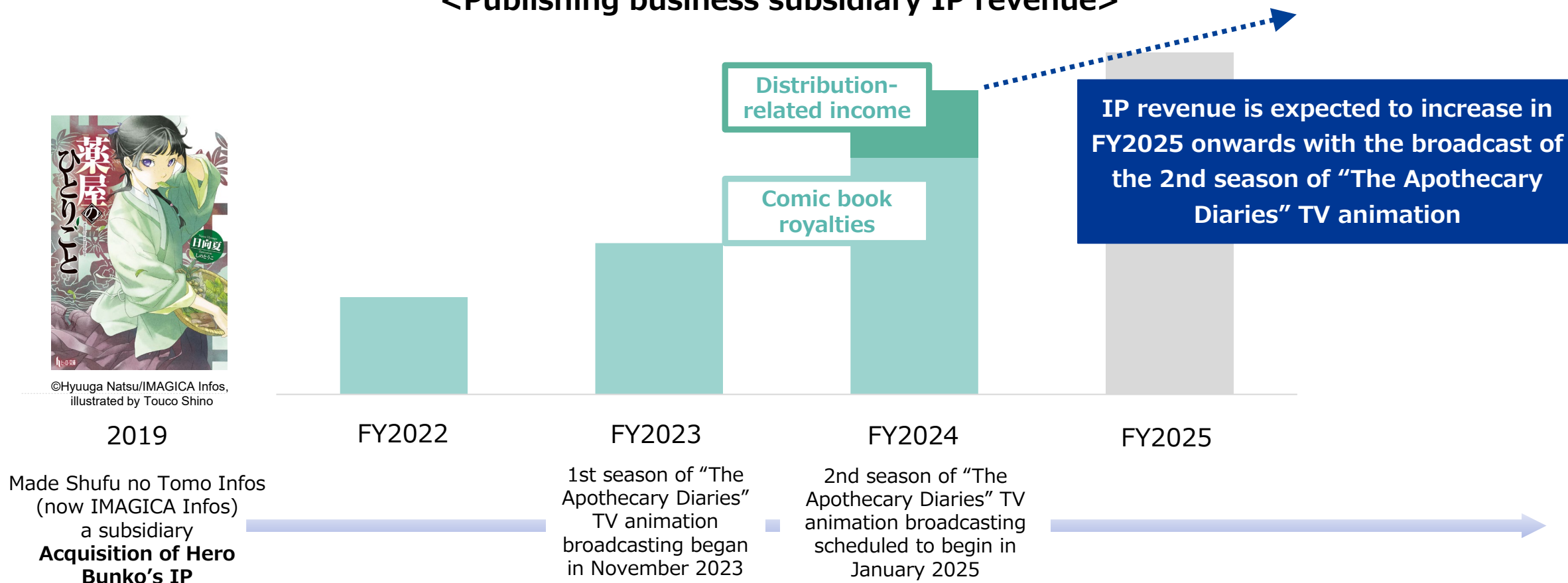
Initiatives to improve profitability

- Accept orders by assessing profitability from the negotiation stage amidst continuous strong demand for animation production.
- Strengthen project management, reduce outsourcing costs, and increase in-house production rates.
- Negotiating power increase supported by experience gained in producing children's animation series such as "Pokémon."

Expansion of IP revenue

- In the past four years since acquiring the Hero Bunko's IP in 2019, IP revenue has increased with high margins, mainly owing to "The Apothecary Diaries".

<Publishing business subsidiary IP revenue>



FY2024 Initiatives

Overseas E2E business

**Post-production
services for TV**

These businesses are struggling and undergoing transformation in FY2024 with the aim of improving their profitability in FY2025

Post-Production Services for TV

- We are promoting costs and SG&A expenses rationalization measures in order to improve profitability.

TV market	<ul style="list-style-type: none"> • TV market is experiencing negative growth as people move away from TV due to a rise in OTT and internet usage
Major TV post-production customers	<ul style="list-style-type: none"> • End of long-running variety programs, fewer programs • Decrease in program production costs • Promotion of in-house production at major customers
Competitors	<ul style="list-style-type: none"> • Small profit or loss-making • Barriers to entry lowering due to cheaper equipment prices, and rise in freelancing
Our current status	<ul style="list-style-type: none"> • Review of work shift ⇒ Talented editors' leaving their jobs and customers' leaving ⇒ Decreasing operating rate and rising costs • Fewer programs ⇒ Difficulties in receiving orders for new programs to make up for finished long-running programs • Impairment losses on related equipment recorded in 1H results (127 million yen)
Initiatives	<p>Promoting costs and SG&A expenses rationalization measures in order to improve profitability</p>

Overseas E2E Business (Recognition of Current Status and Measures)

Recognition
of current
status

Need to make appropriate staffing adjustments to match changes in the business environment



Measures

Implemented two rounds of workforce reductions in 2024
(business and administrative divisions)

June 2024 (90 employees)

October 2024 (70 employees)

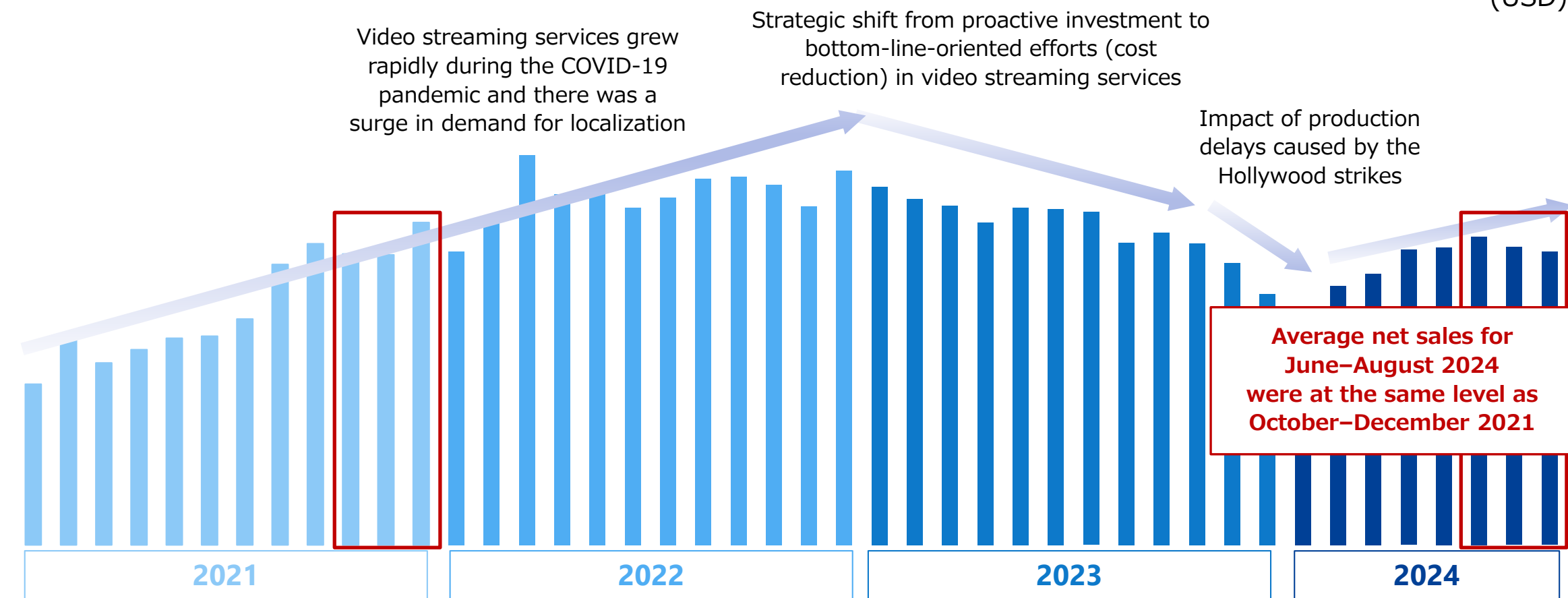
→ **Annual cost reduction of approximately \$13 million through the two workforce reductions**

Overseas E2E Business (Changes in Net Sales)

- Though net sales hit bottom in January 2024 due to the impact of the Hollywood strikes, they have only recovered in June–August 2024 to the level of October–December 2021 under the changes to the environment of video streaming service.

<US subsidiary net sales>

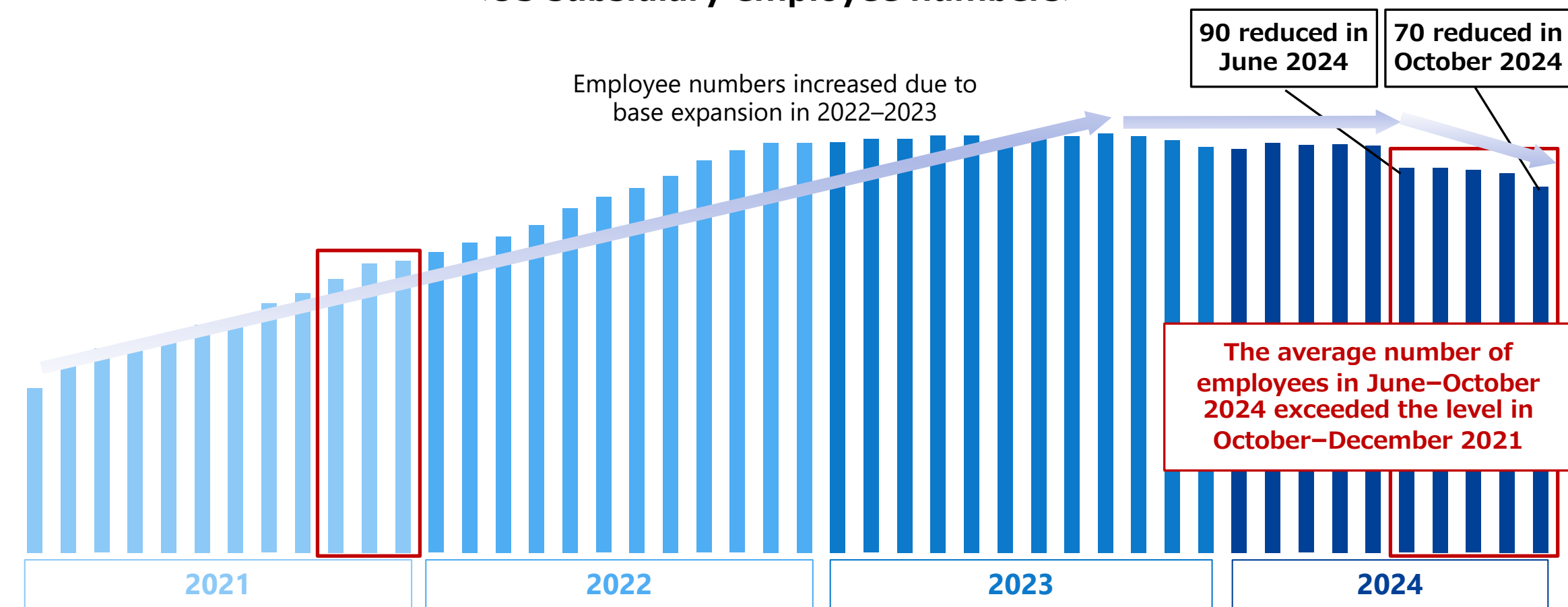
(USD)



Overseas E2E Business (Changes in Employee Numbers)

- Employee numbers increased due to base expansion in 2022–2023. Although 160 employees were reduced in June and October 2024, the average number of employees in June–October 2024 was significantly higher than the level in October–December 2021.

<US subsidiary employee numbers>



Overseas E2E Business

(Relationship Between Net Sales and Employee Numbers)

- Despite reduction of 160 employees in June and October 2024, further cut is possible in light of net sales per employee.
⇒ We will continue cost reduction efforts such as workforce reductions as needed according to changes of our business scale to ensure a profitable structure.

