

Q&A Regarding 1Q FY2024 Financial Results (Summary)

This Q&A summarizes the main questions from investors.

Some contents have been edited for ease of understanding.

Q1. The reasons for the operating loss in the first quarter are explained in the Consolidated Financial Highlights Supplemental Materials as the decrease in income from Production Technology Services (overseas) due primarily to the impact of the strike in Hollywood. I believe that the strike itself ceased in November 2023, but the impact continued in the first quarter. Please explain why.

A. Although the Hollywood strike ceased in November 2023, orders in overseas E2E services decreased significantly, particularly from January 1 to March 31, 2024, as localization services including subtitling and dubbing are post-processes. As the results of overseas E2E services from January 1 to March 31, 2024 are reflected in our 1Q financial results on a consolidated basis, we recorded an operating loss in the first quarter mainly due to the effects mentioned above.

Q2. To what extent has the yen depreciation had an impact on the financial results?

A. Compared to the first quarter of FY2023, although yen depreciation in the first quarter of FY2024 had the effect of increasing sales in overseas E2E services, it had the effect of reducing income due to loss in the same services on a local currency basis.

Q3. When will the comic royalty revenue for “The Apothecary Diaries” and the distribution-related revenue from the TV animation production committee be recorded?

A. Comic royalty revenue (payment of royalties based on comic sales) is received in the form of deposits several months after the comics are sold. The payment of distribution-related revenue from the TV animation production committee began in the first quarter. Going forward, the production committee plans to make periodic payments of distribution-related revenue in proportion to the investment ratio upon calculating the revenue.

Q&A Regarding 1Q FY2024 Financial Results (Summary)

This Q&A summarizes the main questions from investors.

Some contents have been edited for ease of understanding.

Q4. Malpractices by domestic automakers in model certification applications have been uncovered. Do you expect an impact from this issue?

A. Our high-speed cameras are used in automotive R&D and manufacturing sites. We have not seen any impact so far, but considering that various safety tests, including collision safety tests, are mandatory in the development process, we believe that we may see increased demand for our high-speed cameras if automakers' inspections become more stringent in response to the discovery of these malpractices.

End.