

Financial Results Presentation

Second Quarter for FYE Mar. 2022

November 10, 2021

Stock code : 6879

<https://www.imagicagroup.co.jp/en/>



Contents of Today's Presentation

I Second Quarter Financial Results Summary for FYE Mar. 2022

Masakazu Morita, Director, Managing Executive Officer

II Progress on New Mid-Term Plan "G-EST 2025"

Nobuo Fuse, Representative Director, President

* Fiscal years in this presentation are abbreviated as follows: Fiscal year ended March 31, 2021 → FYE Mar. 2021

**I Second Quarter Financial Results Summary for
FYE Mar. 2022**

Masakazu Morita, Director, Managing Executive Officer

Second Quarter Results Highlights

1

Total operating income before goodwill amortization for the company was 1.2 billion yen, exceeding the level in FYE March 2020 (pre-COVID-19) and staging a V-shaped recovery.

2

Operating income before goodwill amortization turned into the black in all segments.

3

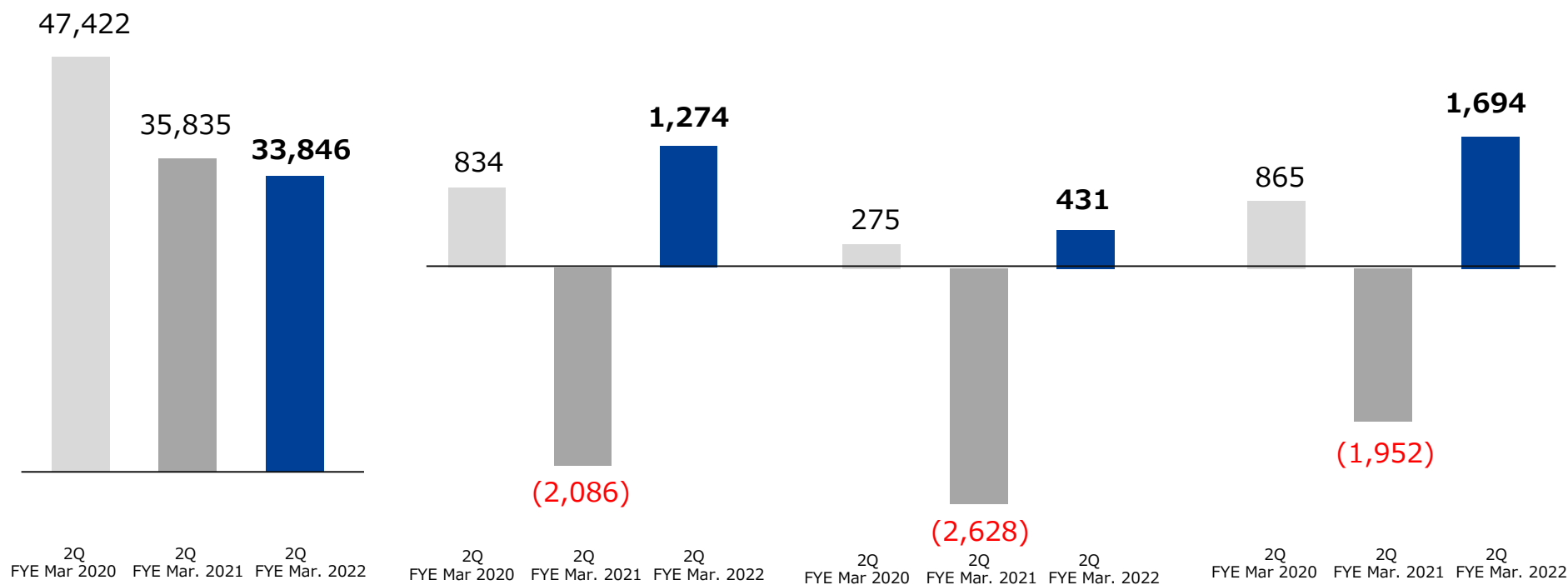
Production Services reached profitability both domestically and internationally, showing substantial profit growth to 2.6 billion yen.

Highlights of Financial Results for the First Half

- Operating income before goodwill amortization was 1.2 billion yen, exceeding FYE March 2020 (pre-COVID-19) by more than 400 million yen.

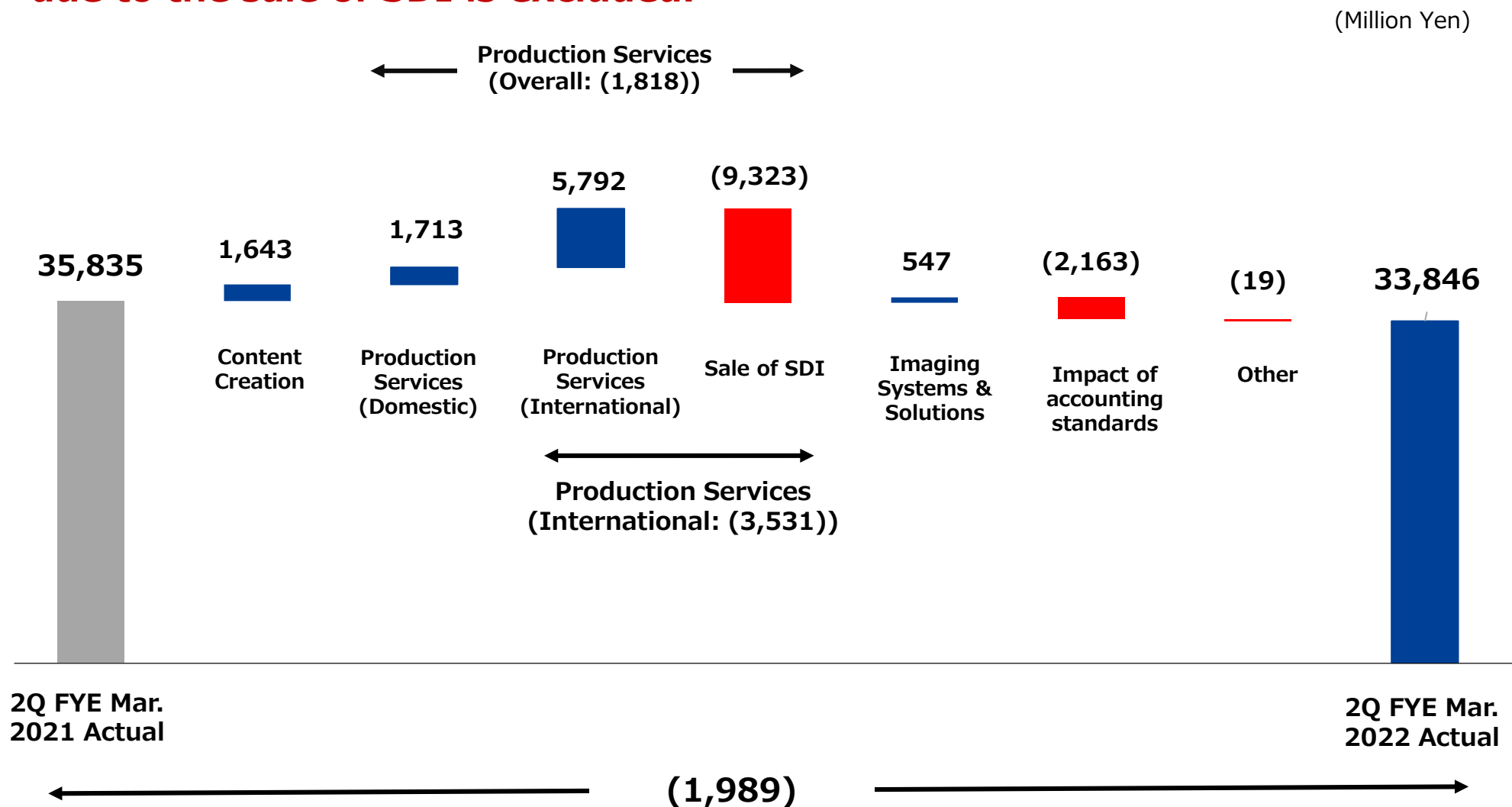
(Million Yen)

Net sales	Operating income (loss) before goodwill amortization	Operating income (loss)	Net profit (loss) attributable to owners of the parent
33,846	1,274	431	1,694
YoY (1,989)	YoY 3,360	YoY 3,060	YoY 3,646



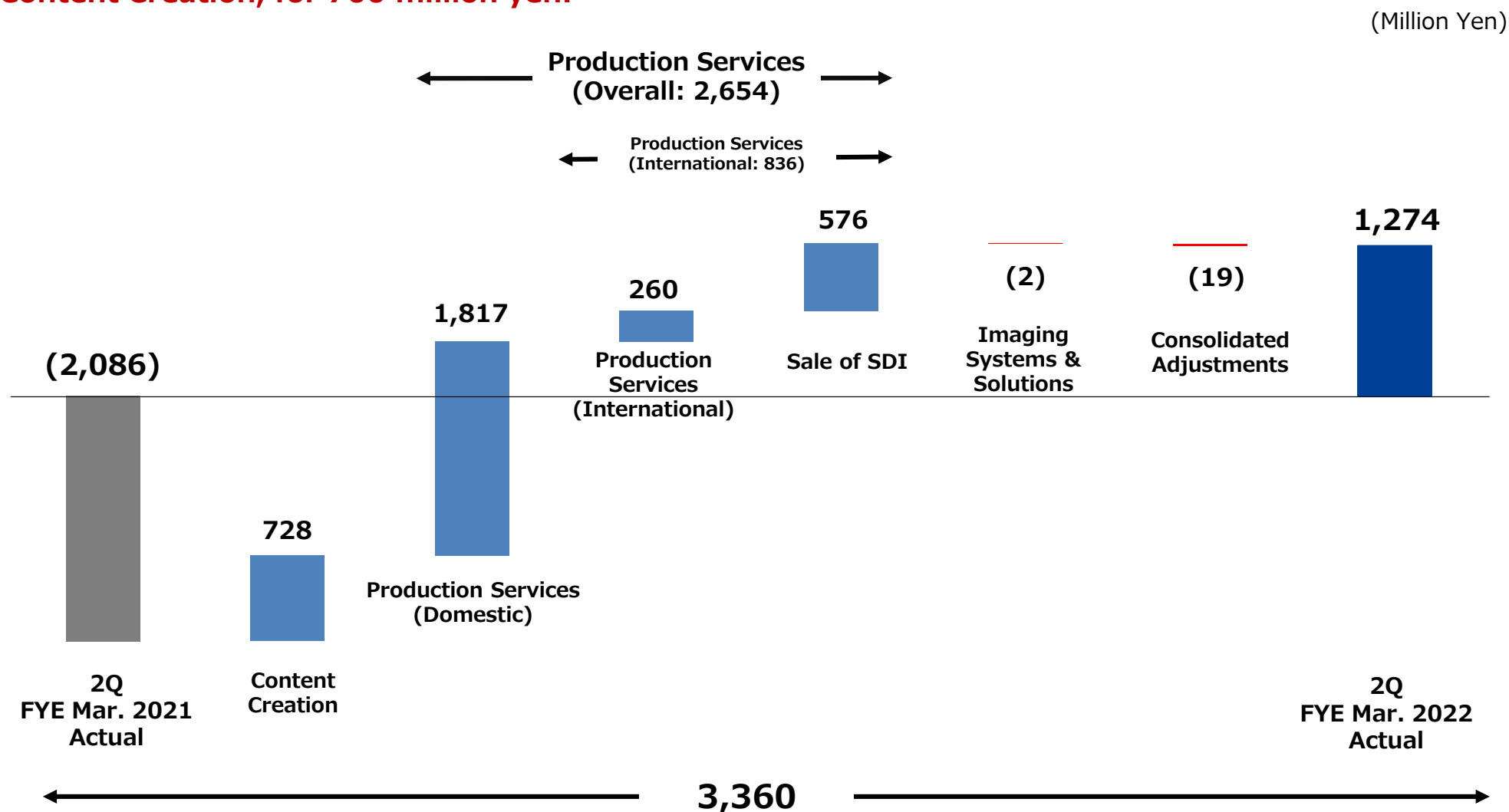
Contributing Factors to Increases (Decreases) in Net Sales (vs 2Q FYE Mar. 2021)

- All business segments achieved growth in net sales when the decrease due to the sale of SDI is excluded.



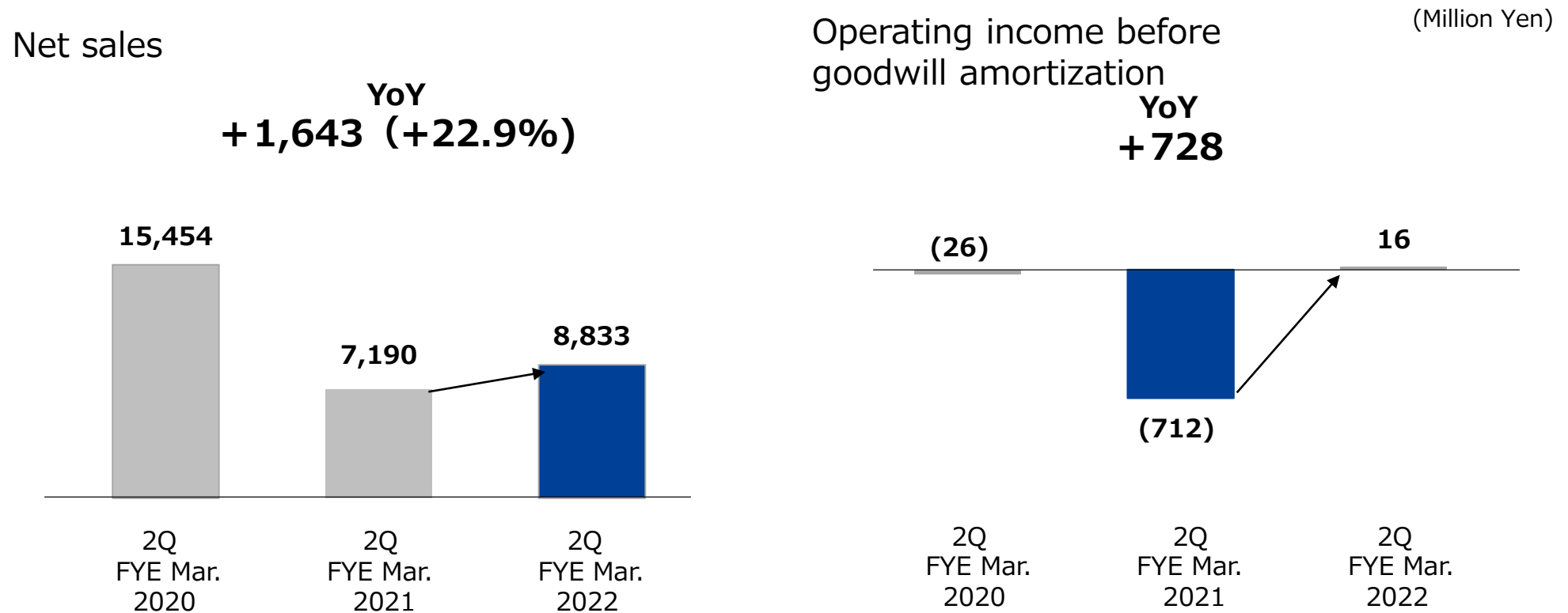
Contributing Factors to Increases (Decreases) in Operating Income before Goodwill Amortization (vs 2Q FYE Mar. 2021)

- Operating income before goodwill amortization increased substantially to 3.3 billion yen on a consolidated basis. Production Services was responsible for 2.6 billion yen of the increase, and Content Creation, for 700 million yen.



Content Creation (First Half)

- Net sales rebounded substantially, owing to a lesser impact from COVID-19 and a rebound in orders, etc. This led to turning a profit from the 2Q onward.



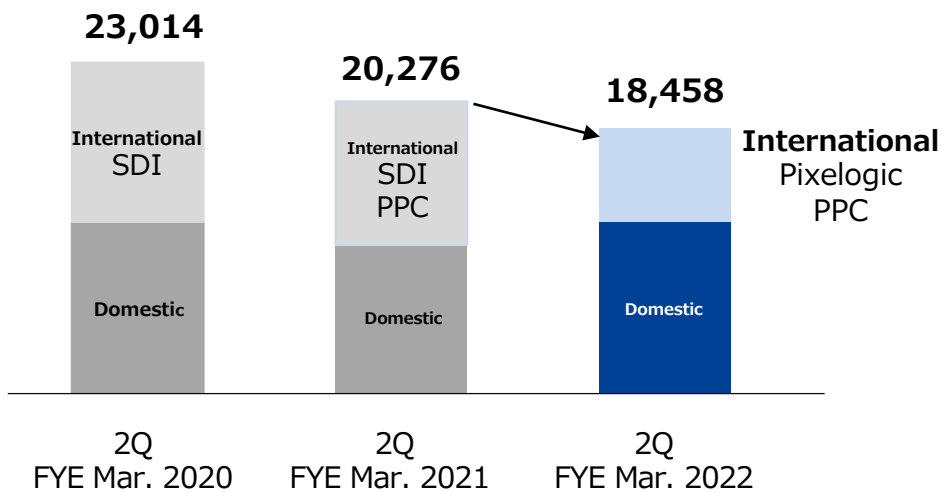
- ✓ The rebound in the advertising market from the impact of COVID-19 resulted in a rebound in orders for TV commercial production.
- ✓ Feature films, TV dramas, and animation productions were also firm.
- ✓ Orders for online streaming of live music performances and shooting music videos were strong.

Production Services (First Half)

- **Strong growth in operating income before goodwill amortization resulted mainly from strong sales of global E2E services*¹ and domestic structural reform*².**

Net sales

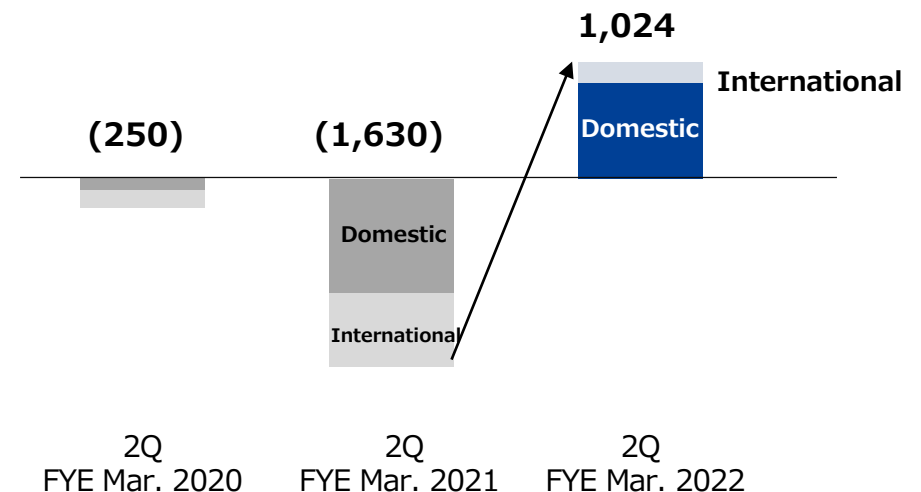
YoY
(1,818)



Operating income before goodwill amortization

YoY
+2,654

(Million Yen)
(Numbers show the sum of domestic plus international.)

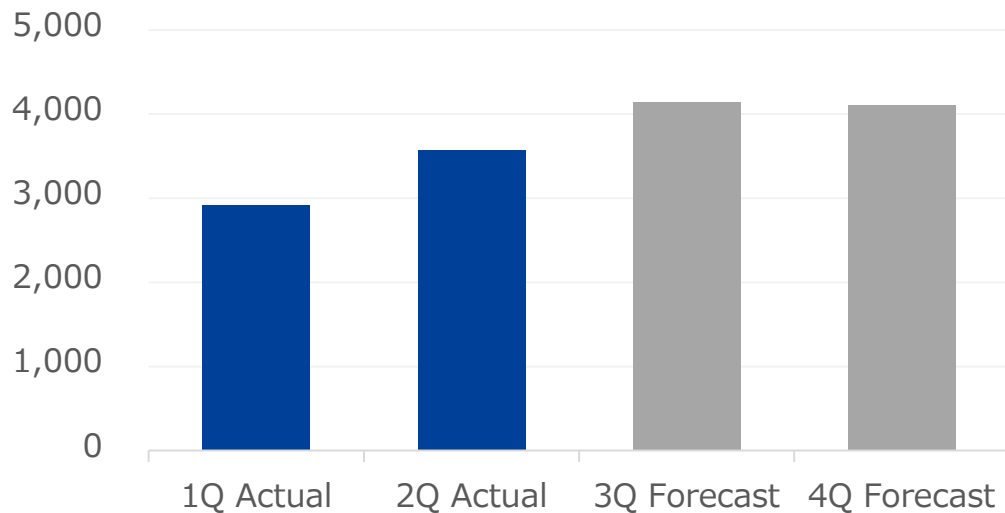


- ✓ In the domestic market, global E2E services*¹ for video streaming service providers*³ were strong. Feature films, drama series, animation productions, and post-production services for TV commercials were firm. This resulted in substantial growth in operating income before goodwill amortization, due in part to orders for large event projects and benefits derived from structural reform*¹.
- ✓ In the international market, although feature film trailer production services were sluggish due to the impact of COVID-19 in Europe and the U.S., Pixelologic's localization business for video streaming service providers*³ was strong.

Production Services (International) Quarterly Consolidated Performance Forecast

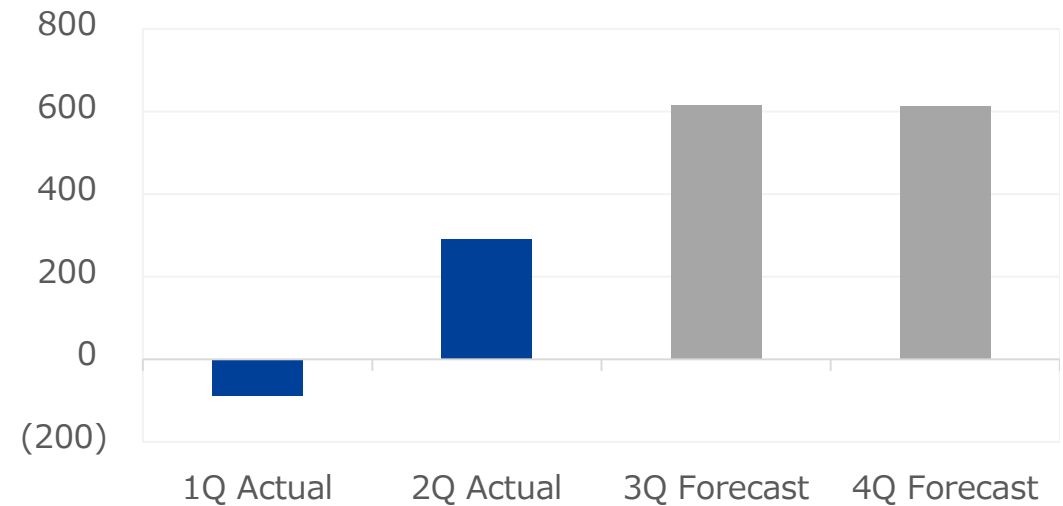
- The 2Q turned into the black as expected and growth is expected in the 3Q. This will boost growth and profitability.

Net sales



Operating income before goodwill amortization

(Million Yen)

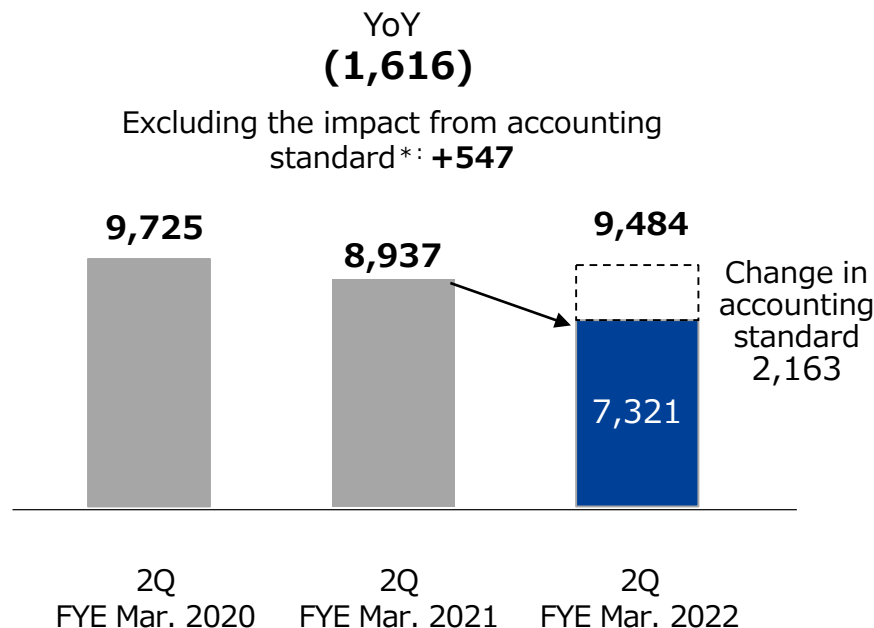


- ✓ We expect strong orders for video streaming service providers*³ from the 3Q onward.
- ✓ The resumption of new feature film releases are forecast to increase sales and profit of Pixelogic from the 3Q onward.

Imaging Systems & Solutions (First Half)

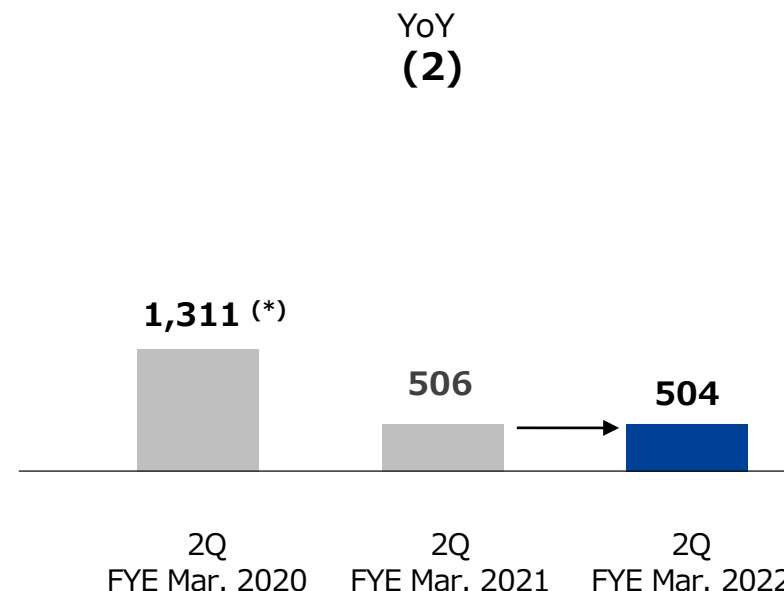
- Net sales increased by 500 million yen, if the impact from the change in accounting standard*⁴ is excluded.

Net sales



Operating income before goodwill amortization

(Million Yen)



- ✓ Sales of the online delivery system for TV commercials*⁵ remained strong due to expansion in market needs.
- ✓ Sales of high-speed cameras rebounded in Asia and the U.S./Europe despite the continued struggle for sales in the domestic market.
- ✓ Sales of video and image processing LSI were strong in both the domestic and international markets.

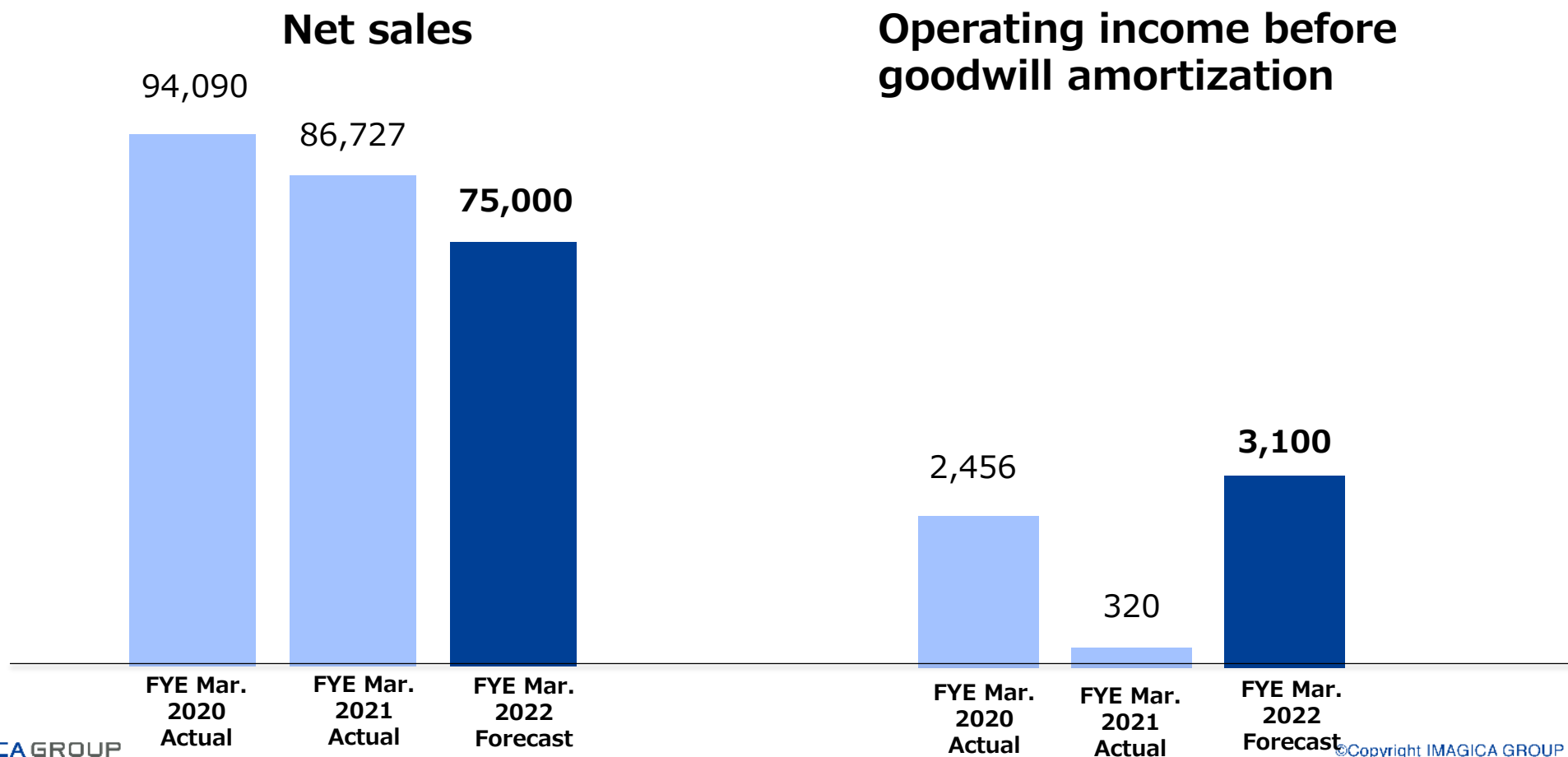
*Impact from a change in accounting standard: Impact from posting the net amount for mobile communication line sales.

*IMAGICA LIVE Corp. performance was added to Imaging Systems & Solutions net sales and operating income (loss) from FYE Mar. 2021 due to the reclassification of the subsidiary into this segment.

Net Sales and Operating Income before Goodwill Amortization Forecasts for FYE March 31, 2022

◆ Despite the decline in net sales due mainly to structural reform of overseas business, operating income before goodwill amortization is forecasted to exceed FYE March 31, 2020.

Second half: Content Creation will show signs of recovery, Production Services will remain strong both domestically and internationally, and as for the Imaging Systems & Solutions despite the strong image processing systems for broadcasting stations will struggle. (Full Year)



Business Plan for Fiscal Year Ending March 31, 2022

(Million Yen)	FYE Mar. 2021	FYE Mar. 2022				
	Actual	Forecast disclosed on May 13, 2021	YoY	Forecast disclosed on August 3, 2021	Change from May 13 th forecast	YoY
Net sales	86,727	75,000	(11,727)	75,000	0	(11,727)
Operating income (loss)	(1,084)	1,500	2,584	1,500	0	2,584
(Operating margin)	(%)	(2.0%)	-	(2.0%)	-	
Ordinary income (loss)	(1,343)	1,300	2,643	2,000	700	3,343
Net income (loss) attributable to owners of parent	3,454	800	(2,654)	2,000	1,200	(1,454)
Earnings (Loss) per share (Yen)	77.89	18.02	(58.87)	45.06	27.04	(32.83)
Operating income before goodwill amortization	320	3,100	2,780	3,100	0	2,780

II Progress on New Mid-Term Plan "G-EST 2025"

Nobuo Fuse, Representative Director and President

G-EST means: From four key strategies

G: The "3 Gs," Growth, Global, and Group

E: E2E and Live Entertainment (global E2E business, live entertainment business)

S: System (Imaging Systems & Solutions business)

T: Transformation (Transformation business)

(Re-posting) New Mid-Term Plan "G-EST 2025"

Become a Group consisted of a balanced, highly profitable businesses that is resilient even under adverse circumstances

<Key Strategies>

1. Expand "Global E2E" Business

2. Establish a new Live Entertainment business

3. Generate Additional Business Value in the Imaging Systems & Solutions business

4. Complete Transformation in the "Transformational business"

<Strategic Measures>

Achieve company transformation through DX

Strengthen R&D capabilities

Secure & activate talented employees

<Resolve Social Challenges and Achieve Sustainable Growth>

SDGs initiatives

(Re-posting) Financial Goals in the New Mid-Term Plan "G-EST 2025"

Targeting to become a balanced business structure

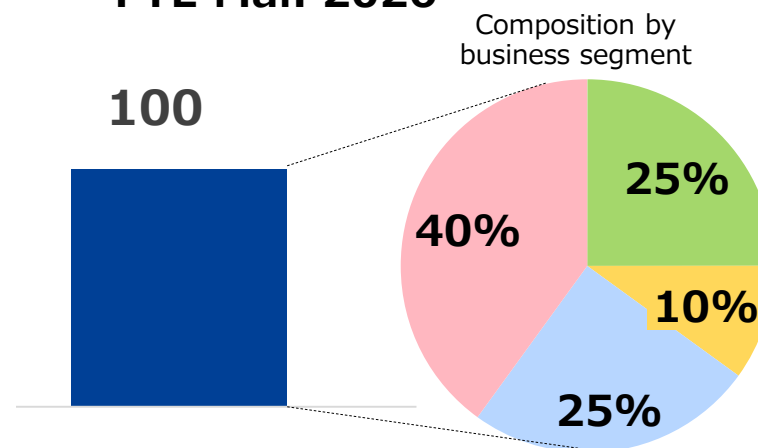
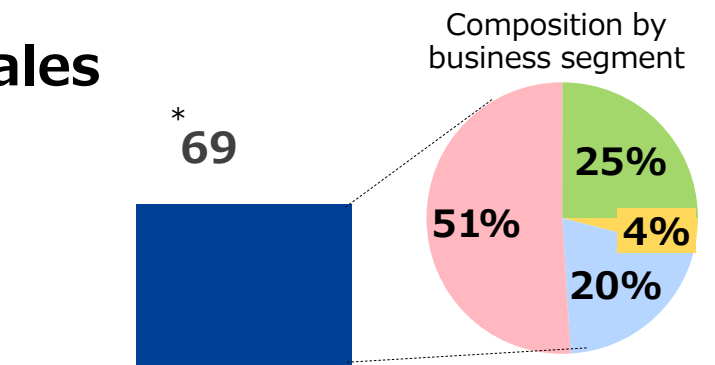
■ Global E2E ■ Live Entertainment ■ Imaging Systems & Solutions ■ Transformation

(Billion Yen)

FYE Mar. 2021 Actual

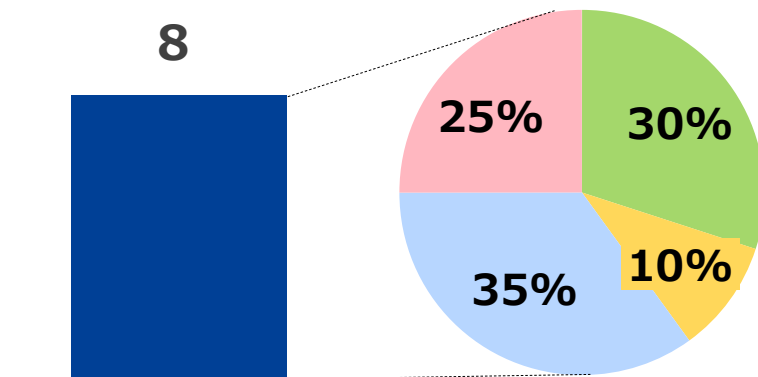
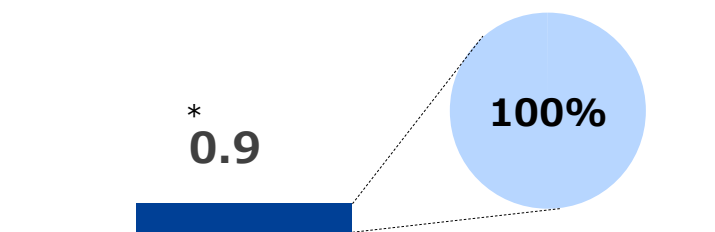
FYE Mar. 2026

Net sales



Operating income

(Before goodwill amortization)



* Net sales and operating income for FYE Mar. 2021 were adjusted for the impact from a change in accounting policies in overseas M&A and the Imaging Systems & Solutions business, for purposes of comparison.

Progress in the Second Quarter

Become a Group consisted of a balanced, highly profitable businesses that is resilient even under adverse circumstances

<Key Strategies>

1. Expand "Global E2E" Business

2. Establish a new Live Entertainment business

3. Generate Additional Business Value in the Imaging Systems & Solutions business

4. Complete Transformation in the "Transformational business"

<Strategic Measures>

Achieve company transformation through DX

Strengthen R&D capabilities

Secure & activate talented employees

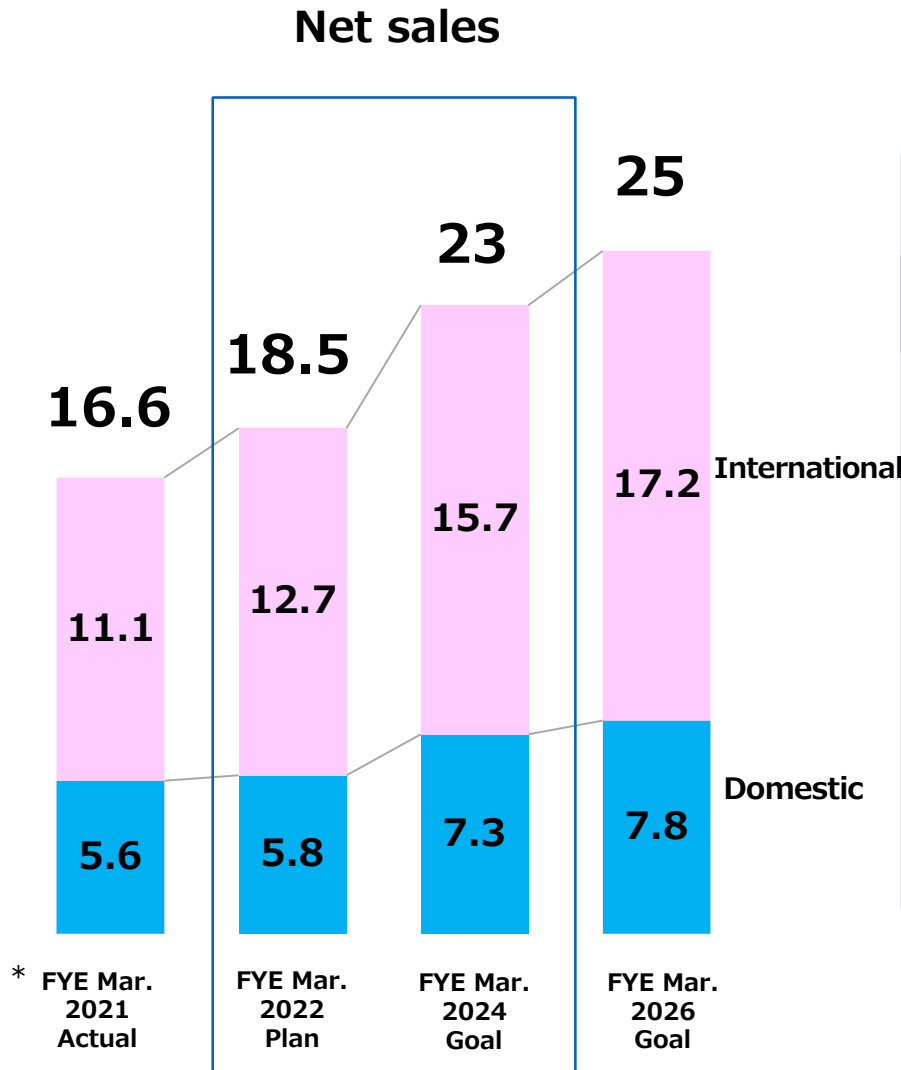
<Resolve Social Challenges and Achieve Sustainable Growth>

SDGs initiatives

Vision for the Global E2E Business

The global E2E service is progressing steadily.

(Billion Yen)



Pursue the global E2E service

- Increase orders for E2E services received from video streaming service providers.
- Strengthen efforts to expand the business to the Asian market.
- Share domestic and international customer bases
- Improve productivity by sharing systems.

Progress in the Global E2E Services

Orders for video streaming service providers are strong domestically and internationally. We expect orders for digital cinema services to also rebound internationally from the third quarter onward.

Domestic

Domestic E2E Services achieved 140% YoY (First half)

- ✓ Orders for encoding and localization for video streaming service providers are strong domestically and internationally
- ✓ Orders for digital cinema services rebounded from the second quarter
→ Expect further expansion of orders in the second half

International

International E2E Services achieved 130% YoY (First half)

- ✓ Services for video streaming service providers are expected to remain strong
→ Catalog work (past works)-related tasks in newly entering countries continue
- ✓ Also expect digital cinema services to rebound with the reopening of theatres from the third quarter onward

Progress in the Global E2E Service Activities

International: Strengthened Asian business and enhanced facilities

Domestic: Launched services in new locations

International

➤ Strengthened business in the Asian market

- ✓ Established a subsidiary in Korea as a location for media services business

➤ Enhanced facilities in each location to respond to increase in orders

- ✓ Los Angeles: Expansion of audio and dubbing rooms
- ✓ South Africa: Established a subsidiary as a localization business office



Domestic

Started providing services in new locations from early November

- ✓ Promoted the global E2E services under the world-class security management system according to next-generation file-based workflow

“Takeshiba Media Studio”

1-14-2 Kaigan, Minato-ku, Tokyo
7-story building above the ground
Fully equipped with preview room,
editing room and office space

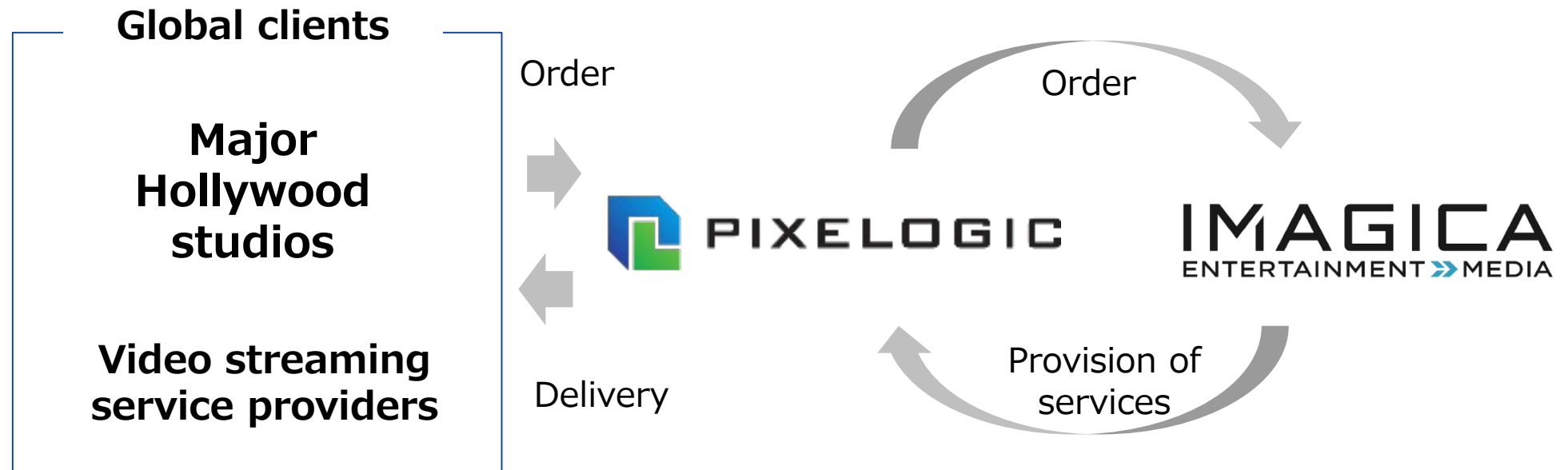


Alliance between Pixelogic and Imagica EMS

Progress in “jointly providing services to global clients” and “utilization of sharing systems”

➤ Jointly provide services to global clients

→ Imagica EMS handles Japanese localization of works ordered by Pixelogic



➤ Utilization of sharing systems

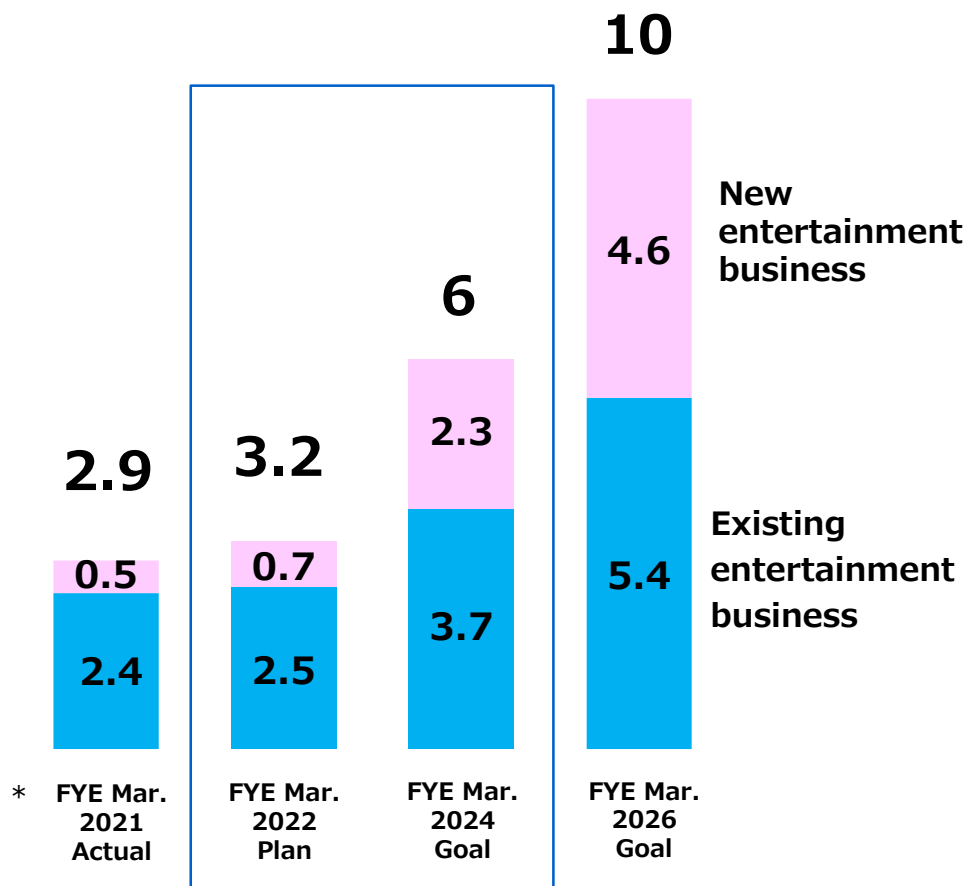
→ Share capacities in work fields which the two companies have in common and promote discussions on workflow improvement, etc.

Vision for the Live Entertainment Business

We will establish new business models and expand business mainly lead by IMAGICA EEX.

(Billion Yen)

Net sales



Establish new business models

- Enter the digital event area (planning and producing online live streaming)
- Establish a business with a revenue-sharing business model through cooperation with streaming service providers and talent agencies.
- Launch a sports tech business that provides a new spectator experience and imaging solutions for sports events.

Winning of Projects and New Initiatives

Winning of projects and promoting new initiatives in three fields.

1

Hybrid live
(real & online)



Strengthen collaboration with NTT DOCOMO

2

High-definition live viewing



Joint venture with a partner is under consideration

3

Experiential theme park
Co-creation of "Real place" + "Virtual space"



- ✓ **Challenge to Metaverse business**
- ✓ **Plan to expand into the Theme Park business**

Hybrid Live: Strengthen Collaboration with NTT DOCOMO

Expand both companies' Live business in collaboration with NTT DOCOMO

Launched online live with NTT DOCOMO using online live streaming studio.
Strengthen relationship with NTT DOCOMO to expand both companies' Live businesses.



"LIVE DIVE," an imaging online live streaming using large-scale four-sided LED



Experiential Theme Park: Challenge to Metaverse Business

Enter into Metaverse business (virtual-reality space) through VR platform.

Developed VR application “Virtual TGC β Version” at the online “TOKYO GIRLS COLLECTION 2021 AUTUMN/WINTER” and conducted trial operation in September 2021.

Develop and operate VR platform for various live events including live music.



Metaverse (virtual-reality space) application “Virtual TGC β Version” for fashion show through business alliance with TOKYO GIRLS COLLECTION

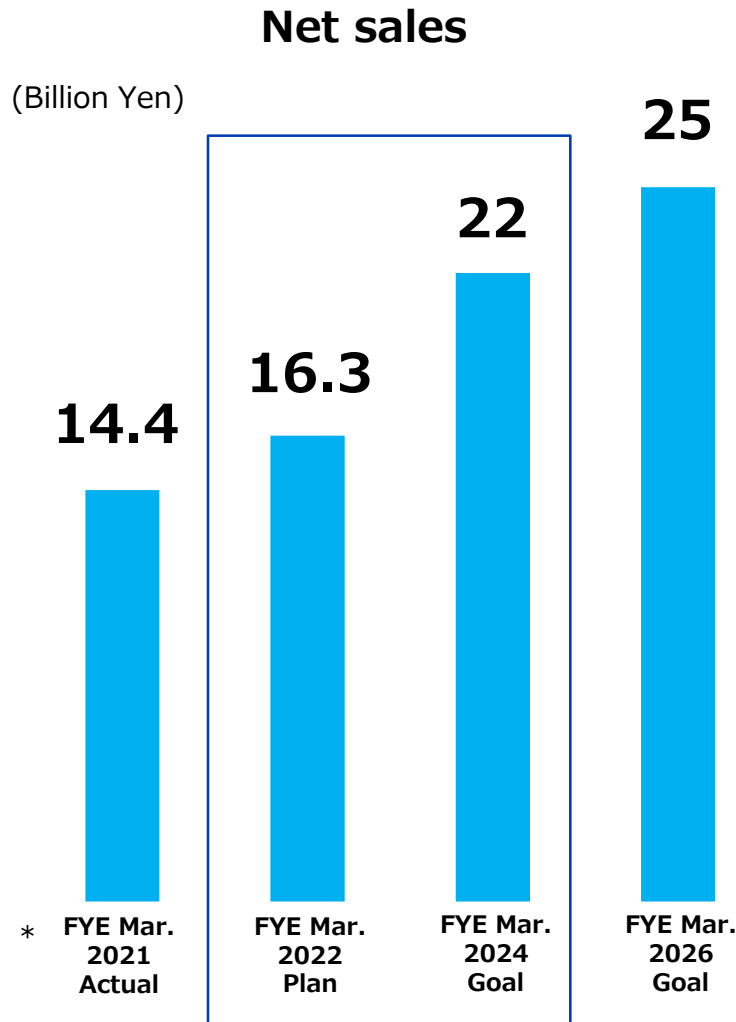
(Reference) Introduction of Previous Performances

Work on various new live entertainment productions following the establishment of **IMAGICA EEX**

Date	Event name	Partner, etc.
August 22, 2020	In charge of video direction of “ALLE JAPAN TSUYOSHI NAGABUCHI LINE LIVE VIEWING”	LINE
December 21, 2020	Produced an exact copy of the popular rock band “MY FIRST STORY” live on a giant screen using high realistic sensation live viewing “VISIONS”	Project commissioned by the Agency for Cultural Affairs
January 26, 2021	Produced an exact copy of the Japanese drum performer “DRUM TAO” using high realistic sensation live viewing “VISIONS”	Project commissioned by the Agency for Cultural Affairs
March 6, 2021	Planned, directed and produced “NTT DOCOMO New Virtual Live CONNECT Special Live ‘TWICE in Wonderland’,” a next-generation online live using XR remotely between Japan and Korea	NTT DOCOMO
March 16, 2021	Held “NEXT VISION JAPAN 2021 XR LIVE,” a next-generation online live using XR	Project commissioned by the Agency for Cultural Affairs
September 4, 2021	Jointly developed “TOKYO GIRLS COLLECTION’s” virtual-reality space application “Virtual TGC (β Version)” and used at the event	W TOKYO
October 16, 2021	Streamlined “LIVE DIVE,” a new type of online live using state-of-the-art studio with a large-scale four-sided LED	NTT DOCOMO

Progress in the Imaging Systems & Solutions Business

Preparing for measures to switch to a “Service-Selling” business.



Building a framework

Establishment of Technology development division

Established a division incorporating technology segment of group companies in PHOTRON LIMITED in April. Also made a company of an engineer group a subsidiary in November.

Business model transformation

Imaging Systems & Solutions

- An online delivery system for TV commercials is doing well (10 thousand deliveries/month, share of less than 30%)
- Services for such as monitoring of network system and remote production are now under development

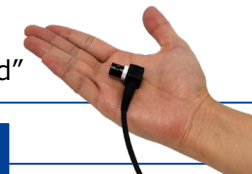
High-speed Camera

- Sold 2 new models
- New services for vehicle crash test is in preparation



“INFINICAM UC-1 Ver.1.3”

“MH6 ST Camera Head”



Scale expansion

Optical Measurement Business

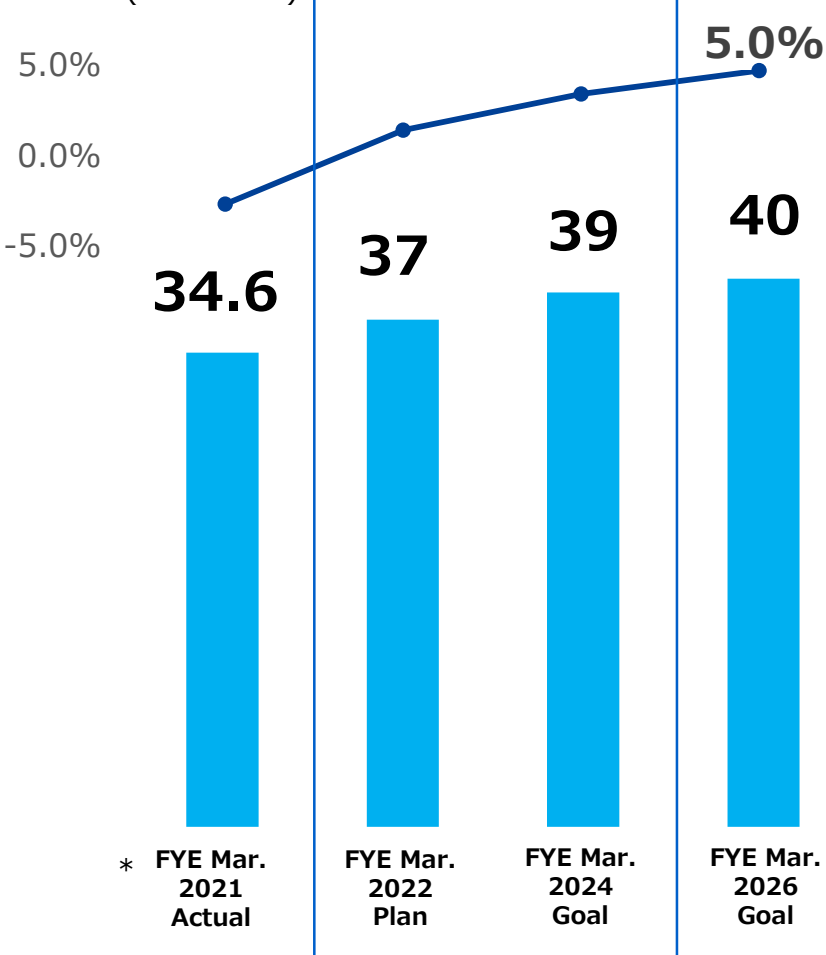
Collaboration with Photonic Lattice, Inc. is going well

Progress in the Transformational Business

Promote initiatives to improve profitability in each business segment

Net sales and operating margin

(Billion Yen)



Content Creation

- **Strengthen relationships with video streaming service providers**

Original Netflix drama productions continue

- Production of "Alice in Borderland Season 2" in progress
- Production of "Yu Yu Hakusho" determined

Projects with other video streaming service providers are also in process

- **Make a greater effort to acquire and create intellectual property (IP)**

Animating Group companies' original works of anime one after another – "ODD TAXI" and "Restaurant to Another World 2," etc.

Production Services

- **E2E service to the game industry is in progress**

Debugging and 3 DCG both exceeded 120% YoY

- **TV commercial post-production business profitability substantially improved**

Improved due to increase in net sales and effect of structural reform and promotion of DX is in preparation

SDGs Initiatives: Examples

1. Initiatives that use “imaging” to contribute to society

ROBOT

“Regional revitalization”

Produced a creator preparatory school in cooperation with local governments

“Koshi-city creator preparatory school”

Produced a creative preparatory school with Koshi-city, Kumamoto Prefecture as a joint project. This year, the number of local governments has increased, and we are promoting the development of citizen creators who can publicize the appeal of the region by themselves.



塾生 = 市民クリエイター



© 合志市コンテンツ産業創出協議会



SDGs Initiatives: Examples

2. Creation of a production process that is environmentally and people-friendly

P.V.C.S.

Realized virtually 100% renewable energy at the Tokyo International Projection Mapping Award Vol. 6



to develop domestic and international young spatial video creators and to spread new technologies

Offset (virtually 100% renewable energy) CO2 emitted by using the J-Credit Scheme.



3. Development of human resources and promoting diversity



Promote the employment and support of athletes with disabilities



Wheelchair basketball player: Takato Ueki

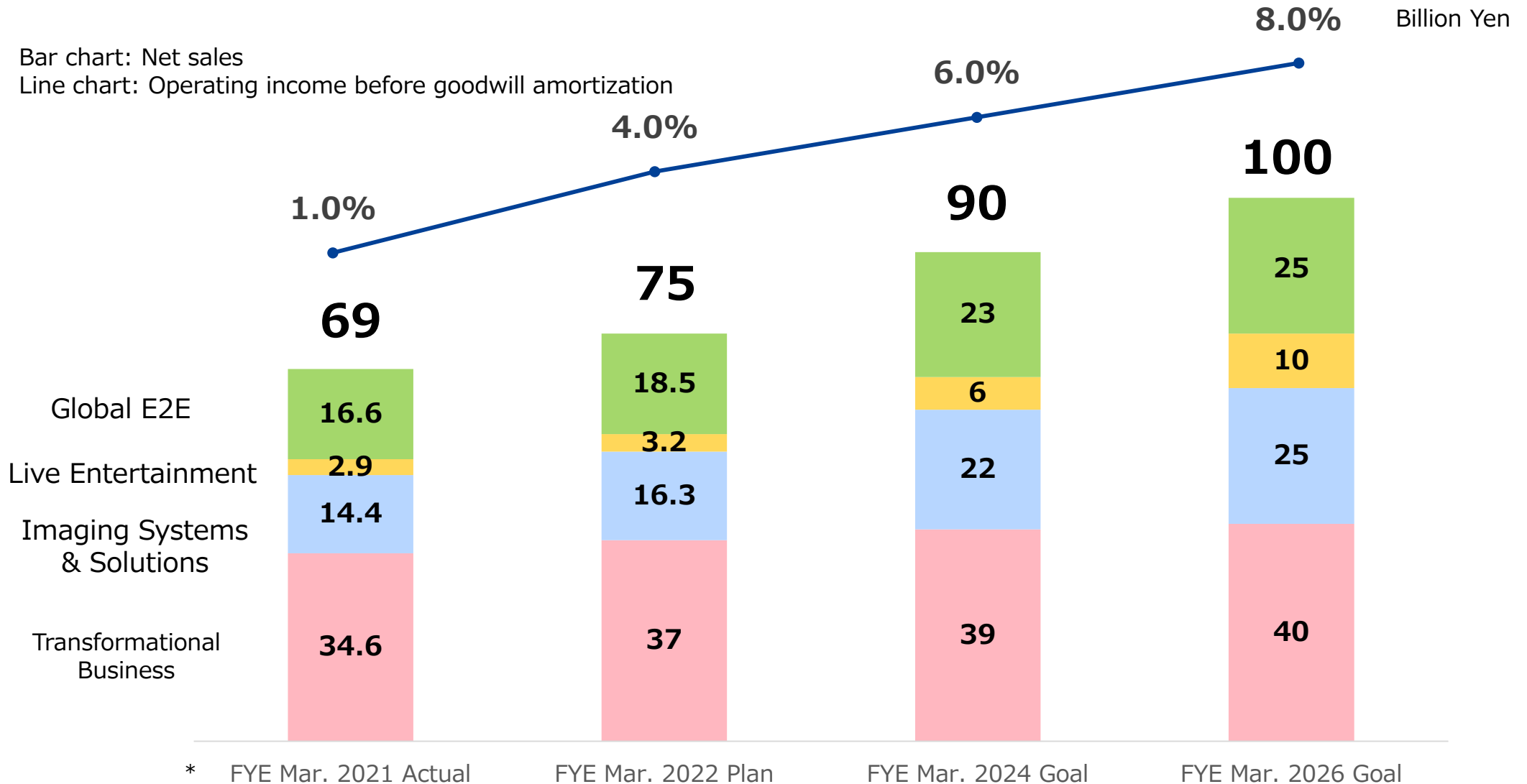


Track and field athlete: Satoshi Osanai

Currently, a track and field athlete with hearing disability and wheelchair basketball player belong to our company and participate actively. Various athletes including Judo and archery also participate actively in the entire Group.

Growth up to FYE Mar. 31, 2026

Continue to grow steadily each fiscal year.



* FYE Mar. 2021 Actual FYE Mar. 2022 Plan FYE Mar. 2024 Goal FYE Mar. 2026 Goal

*Regarding sales by each fiscal year FYE Mar. 2021: Adjusted for the impact from overseas M&A and inter-segment sales for purposes of comparison

FYE Mar. 2022 to FYE Mar. 2026: Adjusted for the inter-segment sales

Notes

*1 Global 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.

*2 Structural reform

The structural reform discussed in this document refers to the voluntary retirement implemented in the Production Services business segment to achieve sustainable growth and a rebound in financial [performance of the IMAGICA GROUP, as stated "Notice of Establishment of New Subsidiaries, Structural Reform of Production Services, and Group Business Reorganization" disclosed on January 22, 2021 \(posted in English on February 9, 2021\).](#)

*3 Video streaming service providers

Refers to companies that provide video streaming services on a platform through the Internet.

*4 Impact from a change in accounting standard

This refers to the impact from the change in accounting standard in the Imaging Systems & Solutions business segment, which resulted in posting the net amount for mobile communication line sales.

*5 Online delivery system for TV commercials

Refers to the service for online delivery of TV commercial source materials, etc. (service provided by PHOTRON: C.M. HARBOR).

Contact for inquiries:

IMAGICA GROUP Inc.
Corporate Management Department
1-14-2 Kaigan, Minato-ku, Tokyo, 105-0022, Japan

Email : ir@imagicagroup.co.jp

URL : <https://www.imagicagroup.co.jp/>

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.

IMAGICA
GROUP