

# Financial Results Presentation

## Third Quarter for FYE Mar. 2022

February 17, 2022

Stock code : 6879

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



# Contents of Today's Presentation

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

**II Global E2E Business**

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\* Fiscal years in this presentation are abbreviated as follows: Fiscal year ending March 31, 2022 = FYE Mar. 2022

\* Global E2E business (overseas) is the video production service business (overseas) in the disclosure segment categories.

# Contents of Today's Presentation

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## **I Third Quarter Financial Results Summary for FYE Mar. 2022**

# Third Quarter Results Highlights

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1

**Total operating income before goodwill amortization\* for the company was 3.2 billion yen, an increase of 4.7 billion yen versus the 3Q of FYE March 2021, and an increase of 2.0 billion yen from FYE March 2020 (pre-COVID-19).**

2

**Production Services was the engine driving improvement in profit, recording a 3.8 billion yen increase in OIBGA versus the 3Q of FYE March 2021.**

3

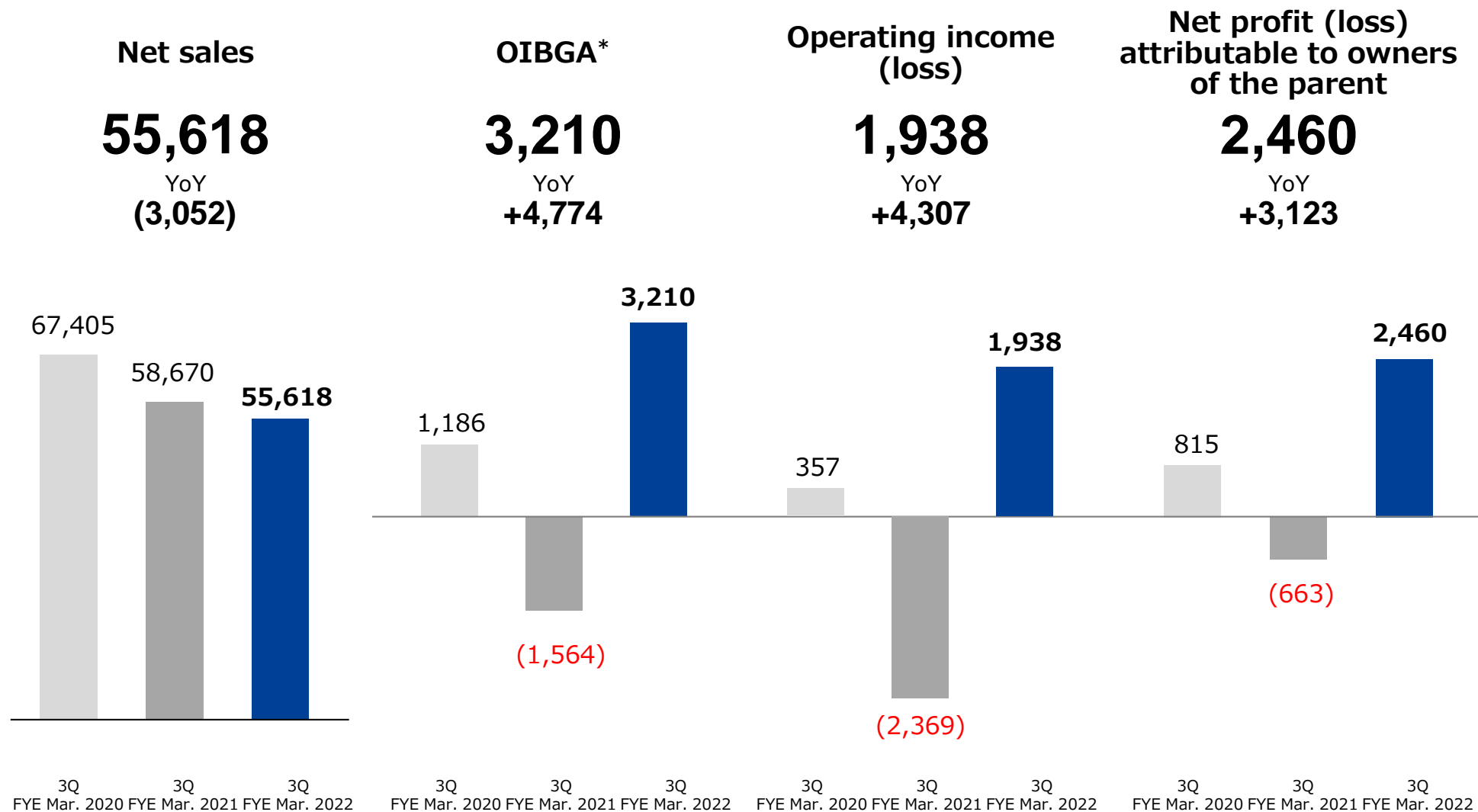
**Content Creation also saw a rebound in orders. This resulted in improvement in OIBGA of 0.7 billion yen versus the 3Q of FYE March 2021.**

- Operating income before goodwill amortization: Abbreviated to "OIBGA" hereafter.
- Notes (\*1-\*5) are on page 19 of these materials.

# Highlights of Financial Results for the First Three Quarters

- Net sales declined due to the sale of SDI, but profit at all levels substantially outperformed FYE March 2020 (pre-COVID-19).

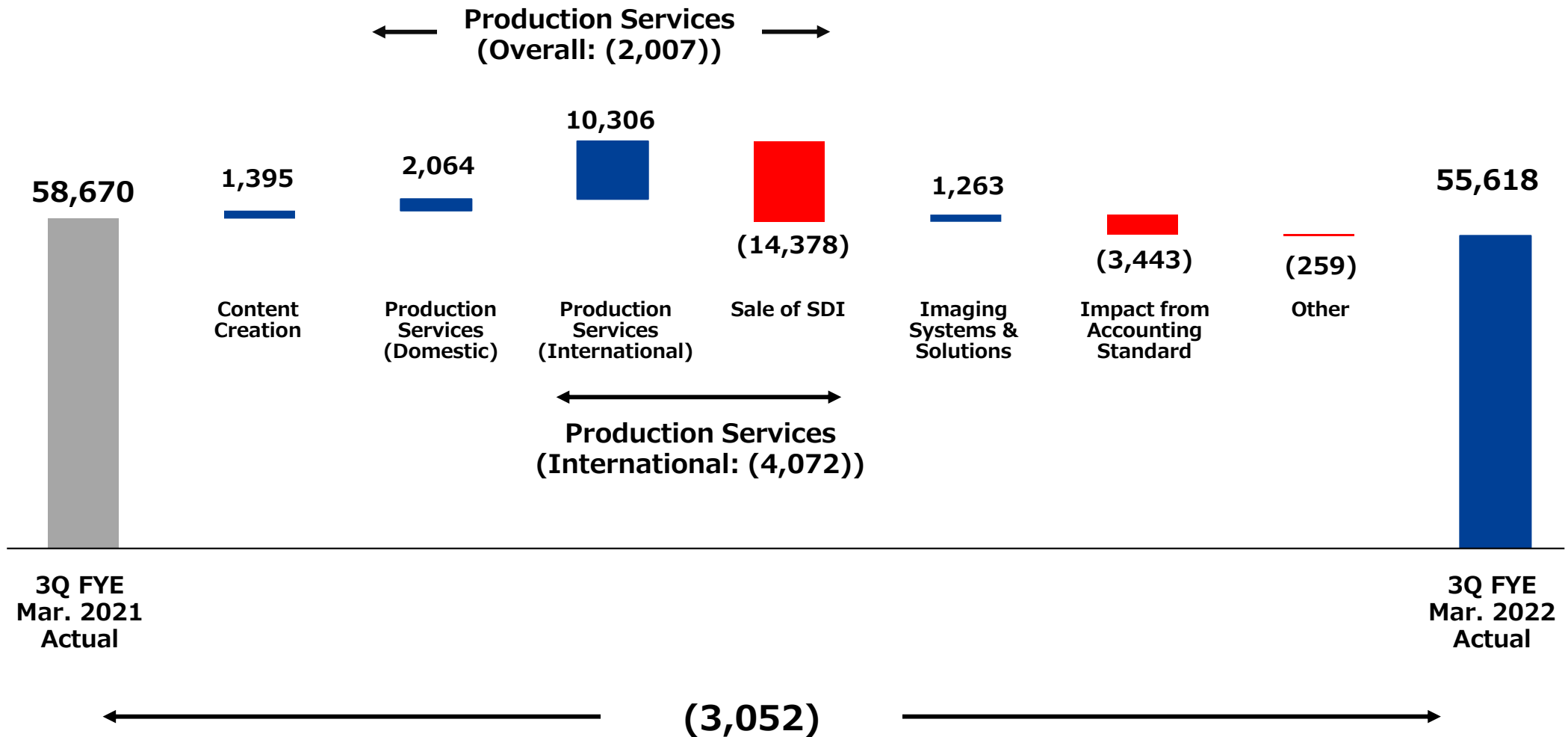
(Million Yen)



# Contributing Factors to Increases (Decreases) in Net Sales (vs 3Q FYE March 2021)

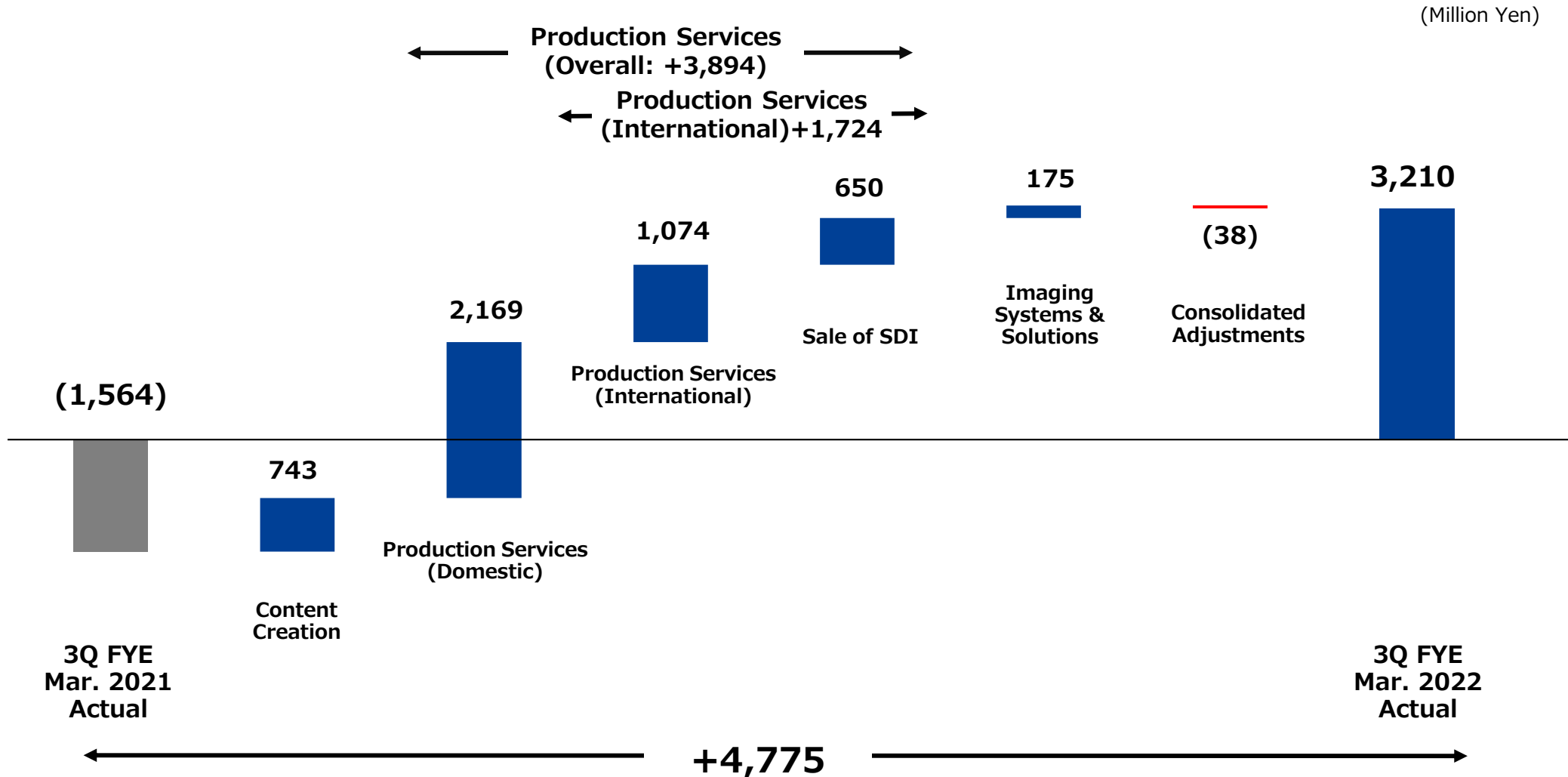
- All business segments achieved growth in net sales when the decrease due to the sale of SDI is excluded.

(Million Yen)



# Contributing Factors to Increases (Decreases) in OIBGA\* (vs 3Q FYE March 2021)

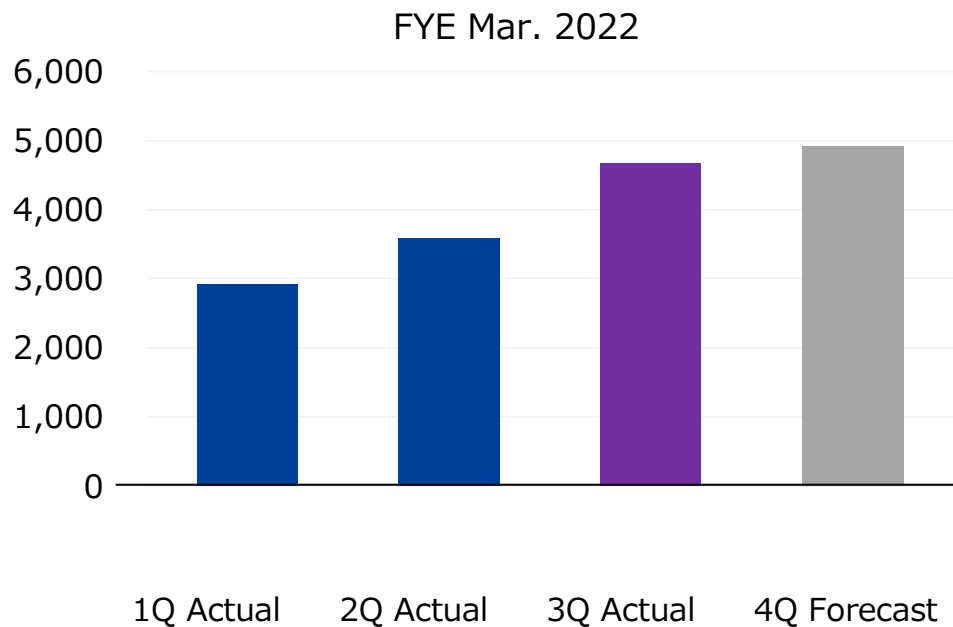
- OIBGA increased substantially to 4.7 billion yen on a consolidated basis. Production Services was responsible for 3.8 billion yen of the increase, and Content Creation, for 700 million yen.



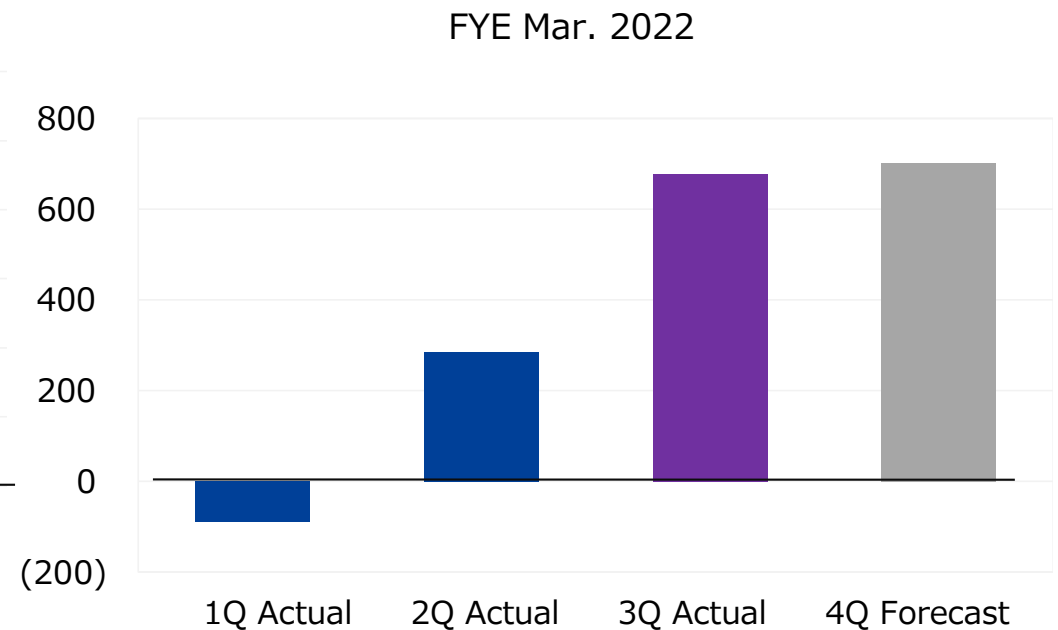
# Production Services (International) Quarterly Consolidated Performance Forecast

- 3Q results exceeded the forecast.
  - Theaters in Europe and the U.S. will continue to resume operation in the 4Q, resulting in substantial improvement in net sales and OIBGA\* .
- (Million Yen)

Net sales



OIBGA



- ✓ Services for video streaming service providers are also expected to be strong from the 4Q onward.
- ✓ The resumption of theater operation in Europe and U.S. in the 3Q (July through September locally), resulted in substantial improvement in OIBDA, as anticipated.



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**II Global E2E Business**

**III Metaverse Business**

# Key Strategies in the 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

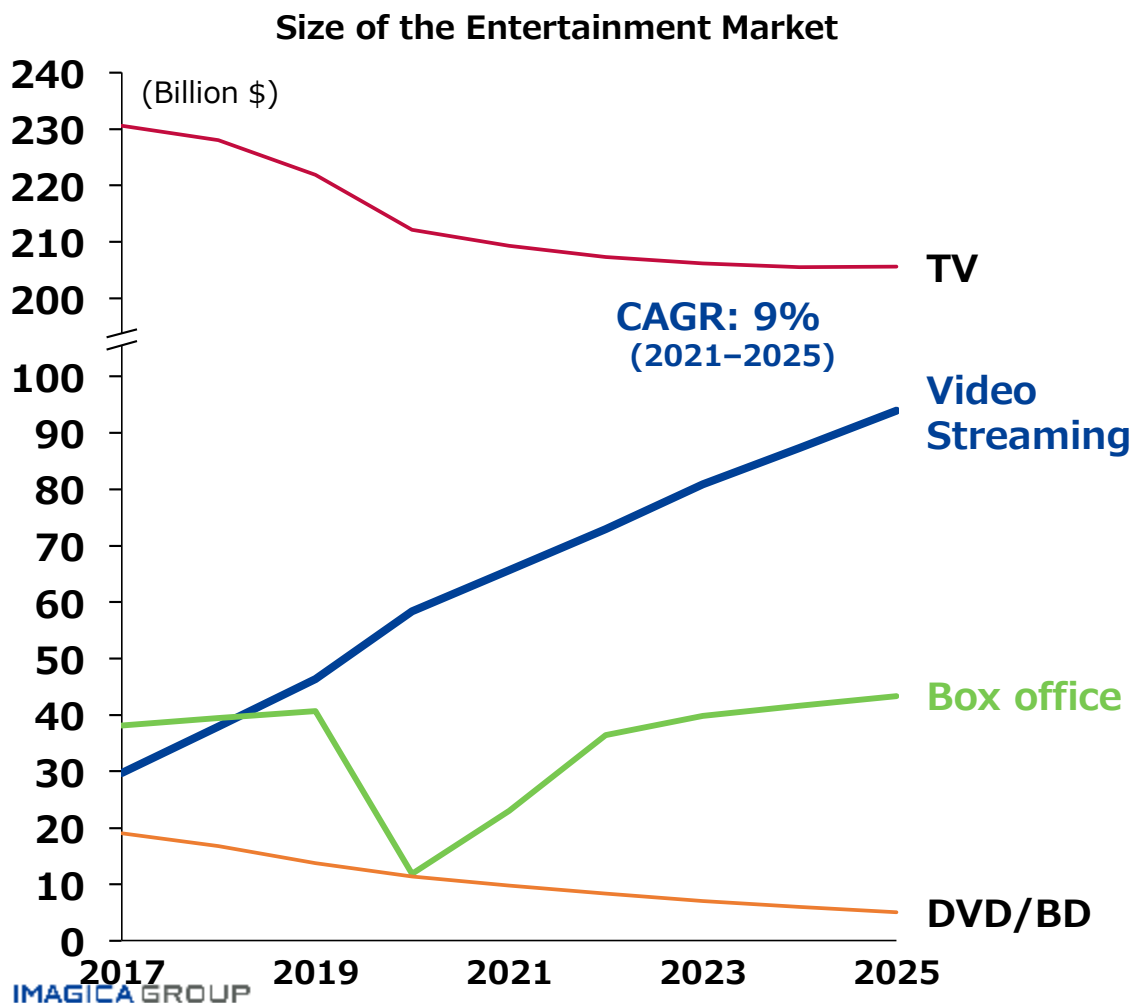
Secure & activate  
talented employees

## <Resolve Social Challenges and Achieve Sustainable Growth>

SDGs initiatives

# Global Video Business Environment Trends

- The video streaming market continues to grow and expand, and Box office are recovering from the impact of the COVID-19 pandemic.
- The number of original works produced is increasing, and movies are being simultaneously released at theaters and offered via streaming services.



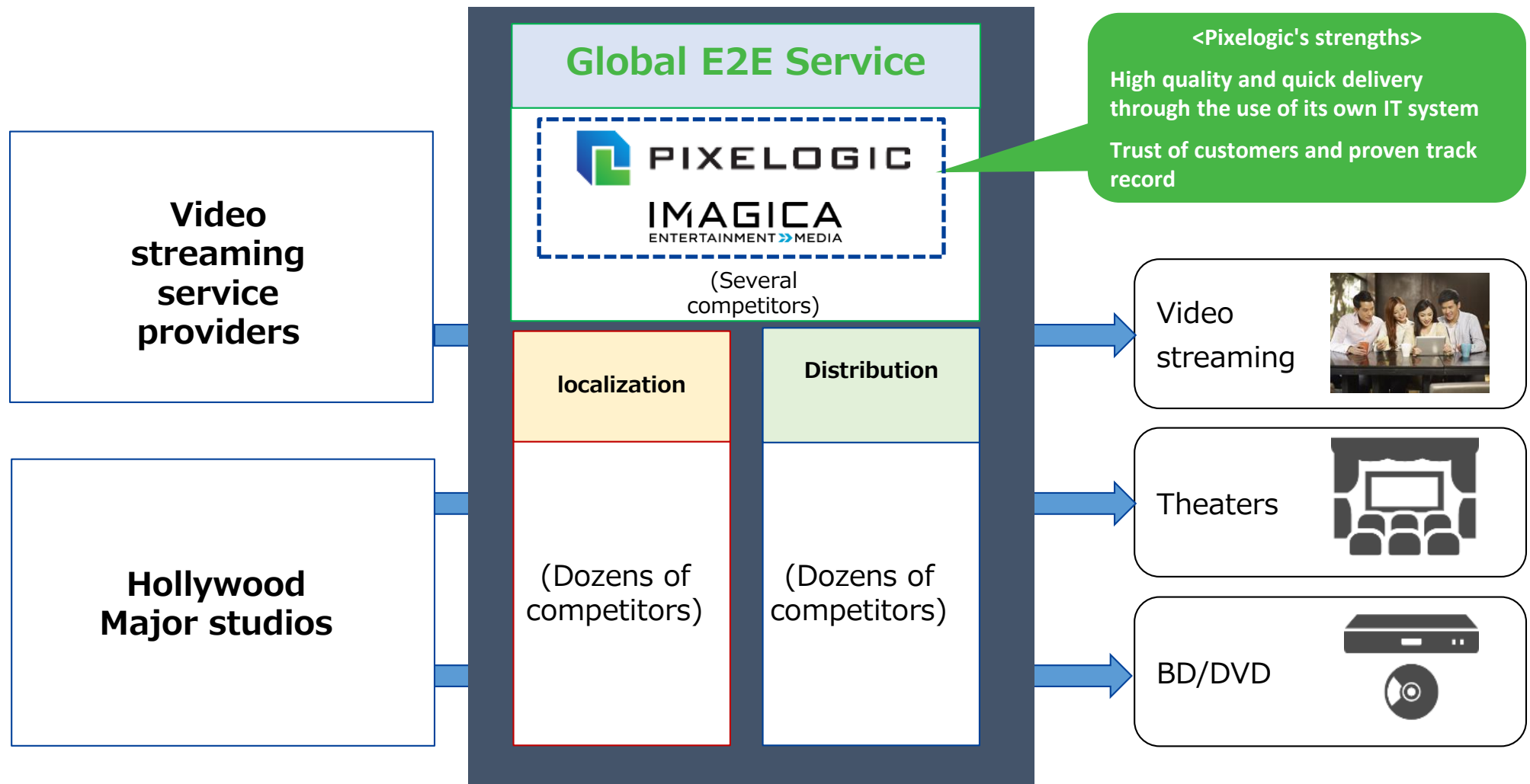
## Video Streaming Service Provider/ Movie Company Trends



1. The number of works with multilingual subtitles/translations is growing.
2. Diverse delivery formats are necessary for each distribution platform.
3. The demand for greater security is increasing.

# Global Business Fields

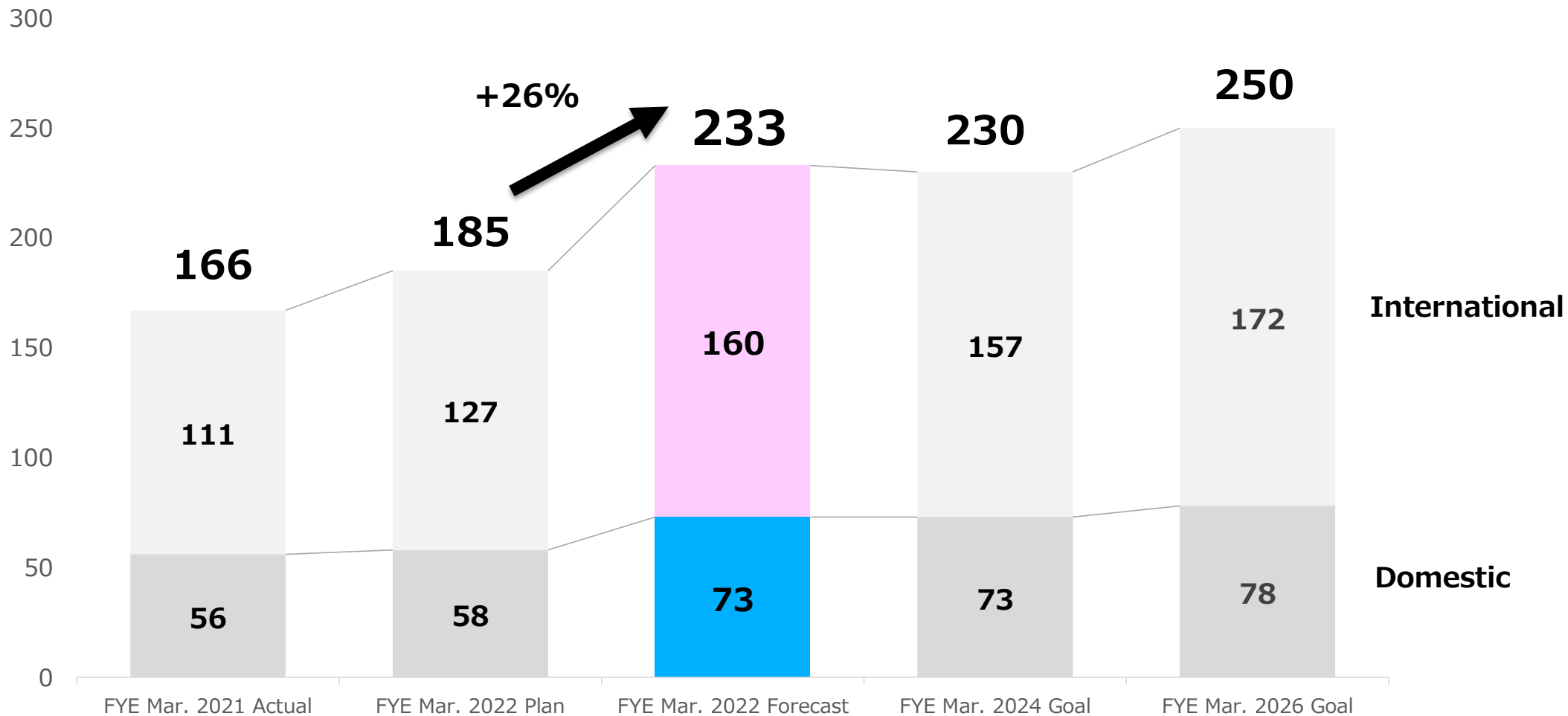
- The global end-to-end service field, which involves providing localization and distribution services to video streaming service providers and major Hollywood studios



# Global E2E Business Net Sales (FYE Mar. 2021–FYE Mar. 2026)

- FYE Mar. 2022 net sales are forecast to hit 23.3 billion yen (26% above plan) and surpass the FYE Mar. 2024 goal.

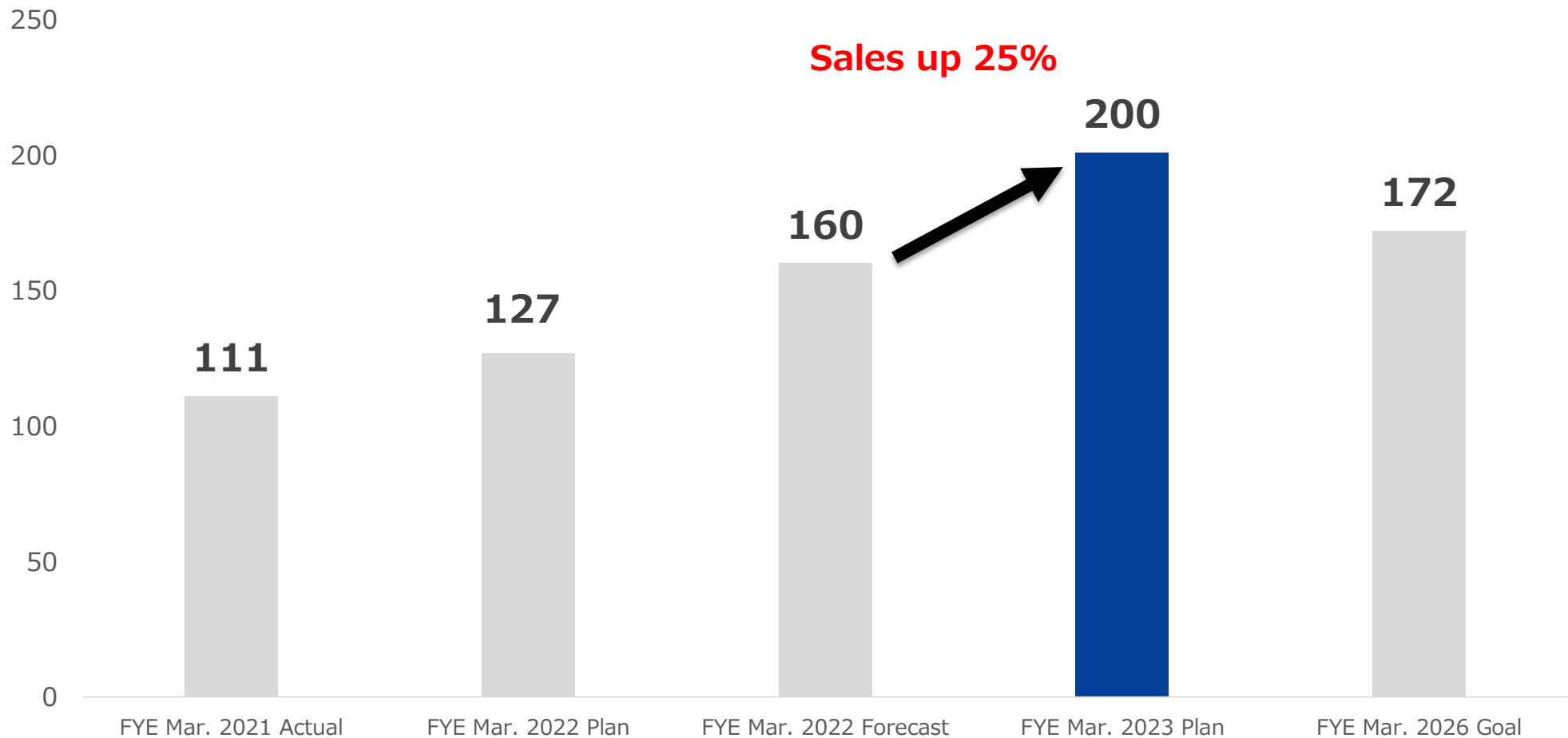
(100 million yen)



# FYE Mar. 2023 Global E2E Business International

- FYE Mar. 2023 nets sales are projected to grow 25% YoY and surpass the FYE Mar. 2026 goal.
- Growth in localization (+20%) and digital cinema (+45%) is expected to drive overall growth in sales.

(100 million yen)



# Response to Customer Trends and Business Environment

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## Customer trends

Entry of new video streaming service providers and greater use of simultaneous theater release and streaming

- Increase in the number of both original and catalog works
- Greater demand for multi-language localization
- Need for quick delivery and 24-hour-a-day customer service



## Countermeasure 1

**Expand capacity**

## E2E business environment

Fiercer competition for human resources

- Red-hot labor market for video-related human resources
- Competition for engineers
- Greater costs to capture and keep human resources



## Countermeasure 2

**Raise productivity and reduce costs**

# Concrete Measures

- **Maintain competitive advantage by expanding capacity and raising productivity and reducing costs.**

## Expand capacity.

- **Expand the Los Angeles and London offices.**  
Expand audio-related facilities and creative services.
- **Move and expand the Egypt office.**  
Increase audio facilities and improve security by relocating to new offices.
- **Invest in a digital cinema distribution service company.**  
Leverage partnership with MetaMedia, which is involved in distribution services to theaters.

Los Angeles office



## Raise productivity and reduce costs.

- **Make additional investment in "pHelix", our proprietary IT system.**  
Further increase efficiency of E2E operations by moving forward with development.
- **Acquire superior human resources in Egypt.**  
Implement low-cost operations and introduce 24-hour-a-day customer service.
- **Expand the South African English-language service team.**  
Have South African native English speakers handle English-language files that will be the source of subtitles and dubbing.

New Egypt office





# Key Strategies in the New Mid-Term Plan "G-EST 2025"

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

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

# New Initiatives of Live Entertainment business

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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 in  
progress

3

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



**Expand into Metaverse business**

# IMAGICA GROUP's Expansion into the Metaverse Business

## IMAGICA GROUP Metaverse business

**Leverage our video production skills in space and our strength in visualization technology for videos in virtual worlds**

- Investment in Metaverse business will focus on entertainment, urban spaces, and industrial use.

Investment amount: **1 billion yen**

### Priority fields

#### Entertainment Metaverse

Plan, direct, and produce various virtual events, including music concerts and sports events.

#### Urban space Metaverse

Plan, direct, and create virtual cities and buildings linked to new development areas and existing facilities.

#### Metaverse for industry

Photograph products, create detailed reproductions using 3D CG, and conduct simulations in virtual space.

### Related fields

#### Advertising Metaverse

Introduce new ad videos in Metaverse using XR technology.

#### EC Metaverse

Create avatars in virtual space and digital products using 3D CG.

# Examples of Priority Fields

## Entertainment Metaverse

Develop and operate a VR app for Tokyo Girls Collection.



## Urban space Metaverse

Plan, direct, and produce virtual cities and buildings.



## Metaverse for industry

Conduct simulations using 3D CG.



## For FYE Mar. 2023

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### Drive further growth with global E2E business.

- **25% growth** due to strong demand from video streaming service providers and Hollywood major studios
- **Maintain competitive advantage by expanding capacity and raising productivity and reducing costs.**

### Develop the Metaverse business.

- **Invest in Metaverse business and focus on the three fields of "entertainment", "urban spaces", and "industry".**

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GROUP