

Imagica · Robot Group

Financial Results Presentation for FY2017 2Q

Imagica Robot Holdings Inc.
November 22, FY2017

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**Summary for 2Q FY2017
Forecast for the full year FY2017**

Summary

- **Net sales increased 7% YoY**

(Excluding the impact of sales IMAGICA TV: 15% YoY)

- **OP reached ¥1.1bn(5 times YoY)**

Improvement of Media localization segment was attributable to this performance greatly.

- **Gain on sales of IMAGICA TV stocks were posted ¥2.1bn and Net profit records ¥1.85bn.**

- **Consolidated forecast for FY2017 was revised based on 2Q performance.**

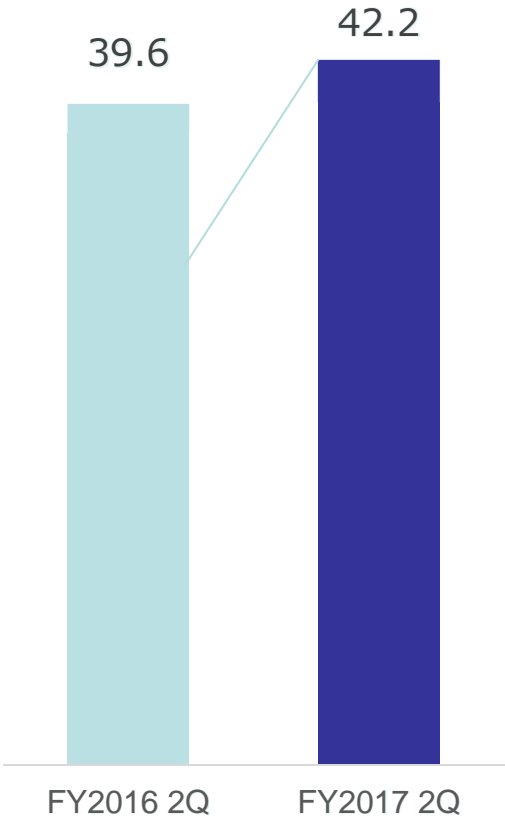
Highlights of financial results

Nat sales

¥42.2bn

YoY
+¥2.6bn

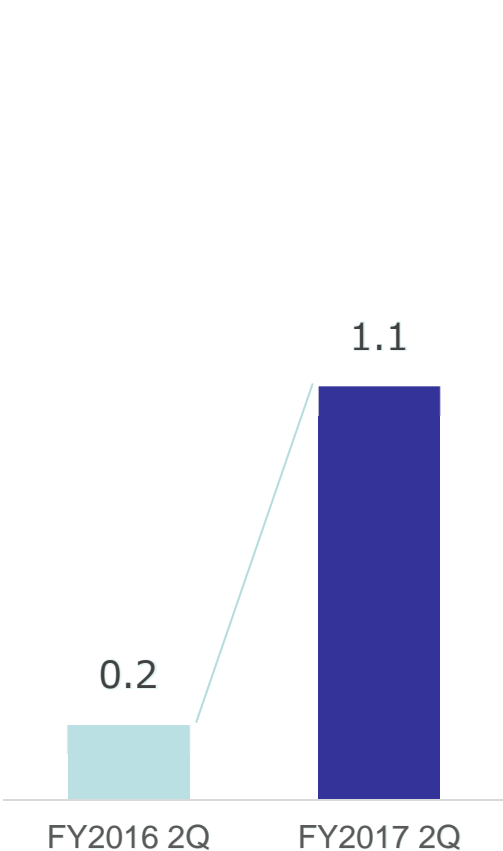
(billions of yen)



Operating income

¥1.1bn

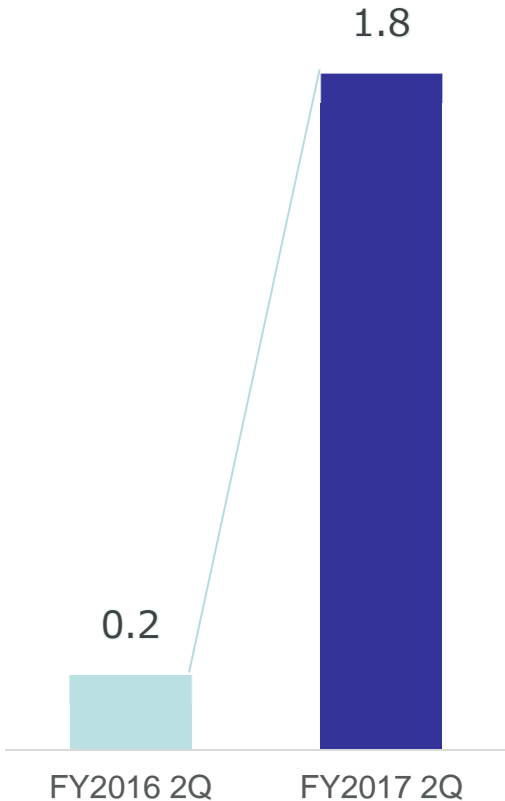
YoY
+¥0.9bn



Net income attributable to owners of the parent

¥1.8bn

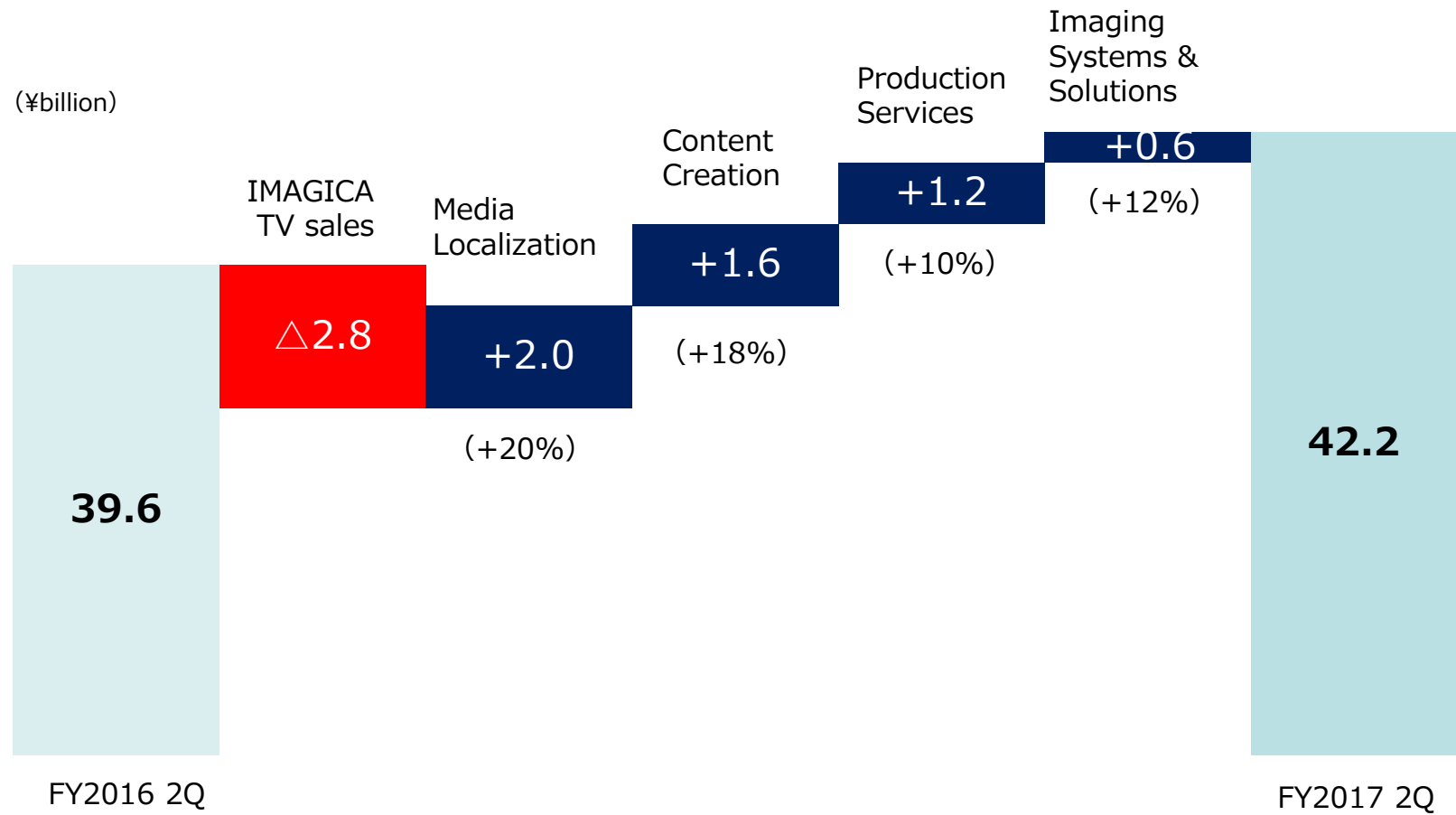
YoY
+¥1.5bn



Net sales Analysis: YoY Change Factors

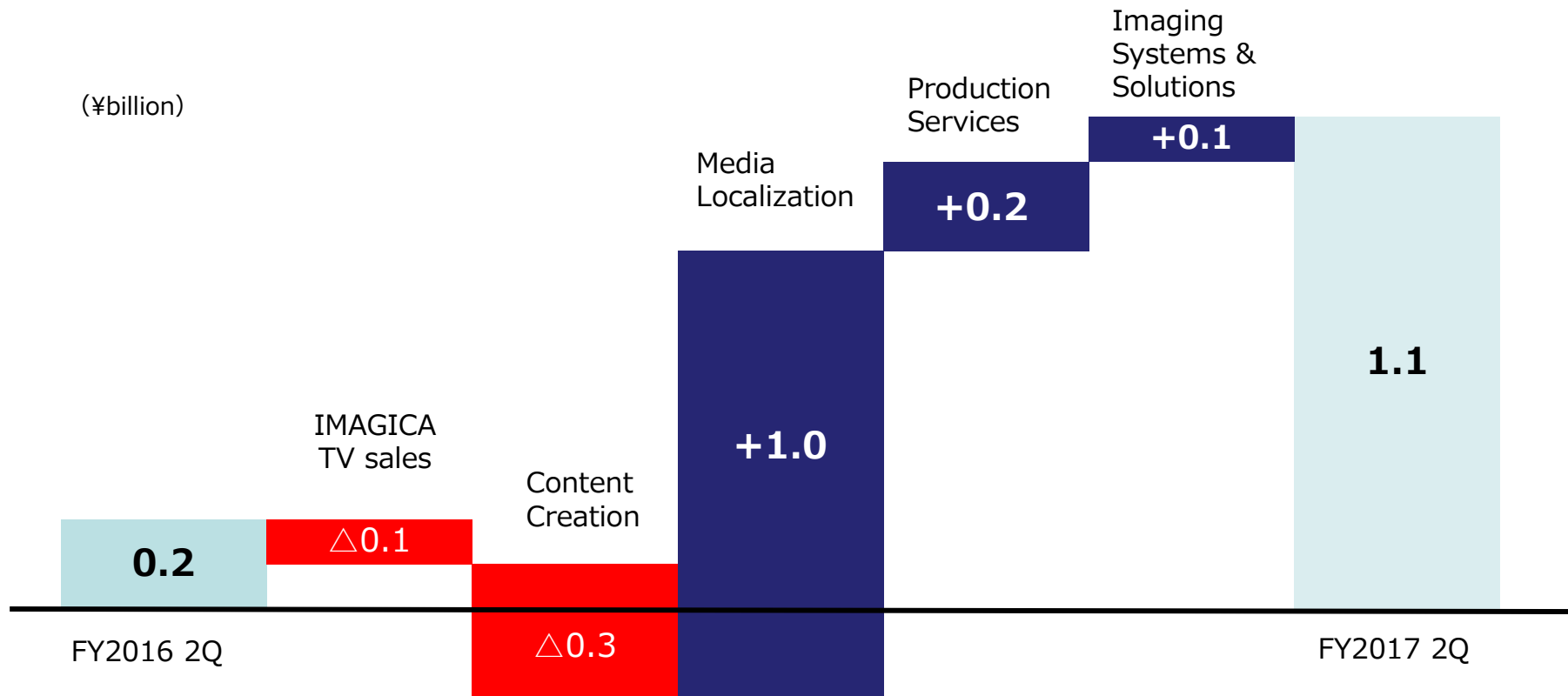
Net sales were up 7% YoY as the decrease resulting from selling IMAGICA TV was covered by other segments

(Sales grew +5.4bn or +15% YoY without the impact of sales of IMAGICA TV)



Operating income Analysis: YoY Change Factors

Improved profitability of the Media Localization segment contributed to ¥0.9 billion increase in income YoY



2Q Financial results by segments

(Millions of yen)		FY2016	FY2017		Factor	
		2Q Actual	2Q Actual	YoY ratio		YoY
Content Creation	Net sales	9,070	10,705	18.0%	1,635	<ul style="list-style-type: none"> ➤ Decrease YoY in Anime distribution from production committee ➤ Decrease YoY CM production
	Operating income (OP ratio)	567 (6.3%)	277 (2.6%)	△51.1%	△289	
Production Services	Net sales	12,397	13,642	10.0%	1,245	<ul style="list-style-type: none"> ➤ Business for OTT saw strong performance. ➤ Increase sales in the game CG and debugging businesses.
	Operating income (OP ratio)	356 (2.9%)	611 (4.5%)	71.4%	254	
Media Localization	Net sales	10,242	12,235	19.5%	1,992	<ul style="list-style-type: none"> ➤ Business for OTT saw strong performance ➤ Performance was improved due to improvement of direct margin in Europe.
	Operating income (OP ratio)	△ 1,024 (---%)	△ 25 (---%)	-	999	
Imaging Systems & Solutions	Net sales	5,747	6,419	11.7%	672	<ul style="list-style-type: none"> ➤ Increase sales in 4K-broadcasting system and maintenance service.
	Operating income (OP ratio)	358 (6.2%)	440 (6.9%)	22.9%	82	

* OTT = "Over The Top" means the companies excluding telecommunications that provide contents such as video and audio. 7

Topics for 2Q FY2017

June : Venture investment company

Name	OLM ventures
Equity	¥10 million (OLM 100%)
Foundation	2017, Jun 30

We established a new company to promote capital tie-ups in the media and content domain with venture companies engaged in VR, AR, MR and new film-related businesses.

Sep : Mobile Satellite Service



Partnering with Globalstar, a US-based satellite communications provider, we will launch a mobile satellite communications in Japan. Product sales are to be launched at the end of 2017.

July : Capital from J.LEAGUE



IMAGICA LIVE accepted a capital contribution from J.LEAGUE. Together we will engage in recording of live sports and distribution and archiving that leverages the world's first cloud-based media center.

Sep : R&D group



Advanced Research Group, specializing in support of R&D on cutting-edge technology for production of visual contents utilizing the Group's technology resources, was established as a cross-functional research organization for the Group.

Revision on consolidated forecast

Net sales remains, but Operating income, Ordinary income and Net income were revised upward.

(Millions yen)

	FY2015	FY2016	FY2017			
	Actual	Actual	Previous Forecast	Revised forecast	Difference ratio	Difference
Net sales	70,036	87,586	87,900	87,900	0.0%	0
Operating income	653	1,787	1,600	1,800	12.5%	200
(Ratio)	(0.9%)	(2.0%)	(1.8%)	(2.0%)		
Ordinary income	760	2,014	1,500	1,800	20.0%	300
(Ratio)	(1.1%)	(2.3%)	(1.7%)	(2.0%)		
Net income (loss) attributable to owners of the parent	△1,555	1,707	2,200	2,300	4.5%	100
Earnings per share of common	△34.93	38.35	49.40	51.6	4.5%	2.2

The target consolidated dividend payout ratio is 30%, with a basic policy of distribution according to consolidated results. In the event that an extraordinary factor such as an extraordinary loss will significantly impact net income, when determining the dividend, a comprehensive review will be conducted that includes maintaining stable dividends for shareholders, future business expansion and the status of internal reserves based on a payout ratio that basically takes special factors into account. The dividend forecast for the fiscal year ending March 31, 2018 is 10 yen per share as announced on August 3, 2017.

Revision on forecast by segments

(Millions yen)		FY2017 2Q Actual	FY2017 Previous forecast	FY2017 Revised forecast	Difference	Perspective
Content Creation	Net sales	10,705	24,000	24,300	300	Sales forecast raised due to strong orders for TV animation. OP decreased due to low distribution from the animation production committee.
	Operating income (Ratio)	277 (2.6%)	900 (3.8%)	700 (2.9%)	Δ 200	
Production Services	Net sales	13,642	28,000	27,800	Δ 200	Sales in TV business are expected to decline temporarily, but we maintain OP.
	Operating income (Ratio)	611 (4.5%)	1,100 (3.9%)	1,100 (3.6%)	0	
Media Localization	Net sales	12,235	24,000	24,000	0	Sales for OTT was favorable in the first half, but will return to normal base in the second half. Such as IT expenses are expected to increase in the second half.
	Operating income (Ratio)	Δ 25 (---%)	Δ 1,050 (---%)	Δ 650 (---%)	400	
Imaging Systems & Solutions	Net sales	6,419	14,000	14,000	0	The Order of 4K system in broadcast station is steady. No change in the initial forecast.
	Operating income (Ratio)	440 (6.9%)	1,300 (9.3%)	1,300 (9.3%)	0	

* OTT = "Over The Top" means the companies excluding telecommunications that provide contents such as video and audio 10

Topics (Oct,2017 – March,2018)

➤ Movie

「DESTINY 鎌倉ものがたり」
Dec 9 Release



「妖怪ウォッチ シャドウサイド
魔王の復活」 Dec 16 Release



「嘘を愛する女」
January 20 Release



「ちはやふる-結び-」
March 17 Release



*For copyright reasons, images are not posted.

➤ Projection mapping award vol.2 (Dec 16)



➤ Expansion of transition to 4K broadcasting system



➤ Polari metric measurement system (KAMAKIRI)



KAMAKIRI is a specialized device for high-speed, two-dimensional birefringent inspection and measurement researched and developed using a new approach differing from conventional methods of measurement. The business is currently being expanded for optical film.

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Business strategy

Management KPI

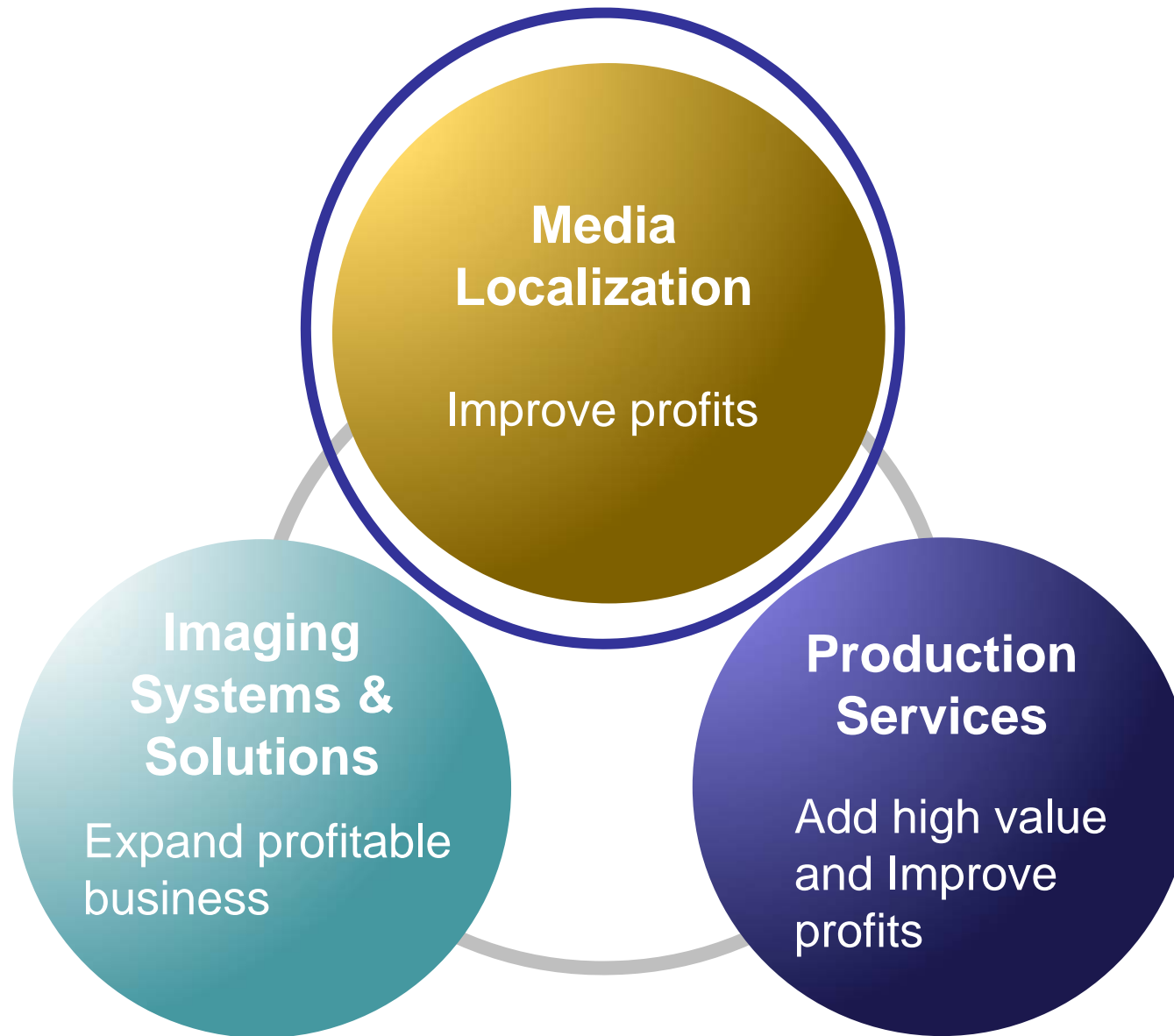
FY2016

FY2020

Net sales **¥ 85bn**  **¥100bn**

OP ratio **1.5%**  **5.0%**

To generate profits

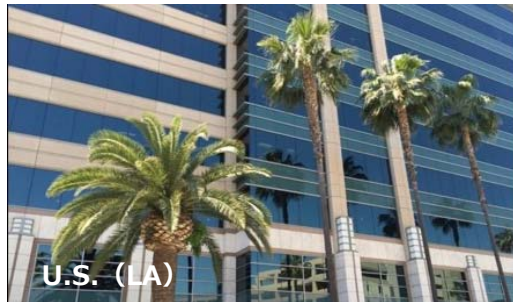


About SDI Media

Provide localize service in 37 countries

Dubbing Services

Dubbing services including television, movie, digital content and new media formats provided in more than 50 languages



Subtitling Services

Subtitle translation services including television, movie, digital content and new media formats provided in more than 80 languages



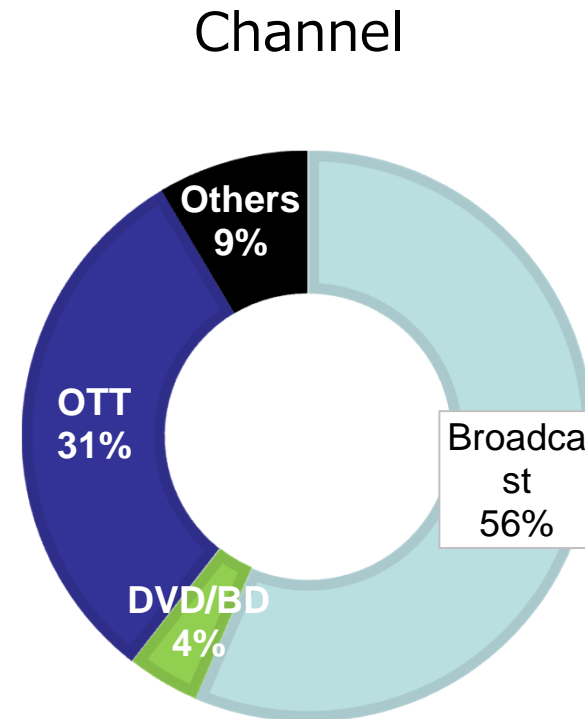
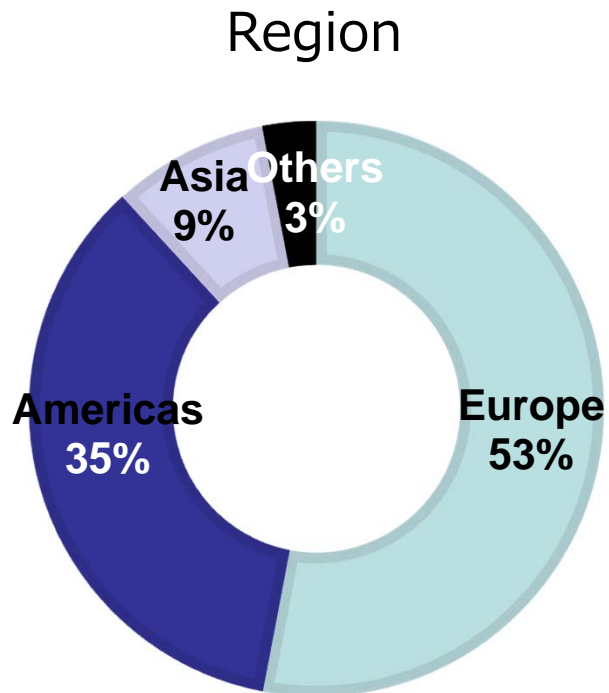
➤ SDI has strong relationships with major media-related companies.

AETN, History Channel	Imagica Corp.	Sony Pictures
CBS	Lego	Turner
CNN	MTG	Universal
Discovery	NBC/Universal	Viasat
Fox	Paramount	Warner Bros
Hasbro	Pokémon	
HBO	Scripps	

Sales breakdown

Breakdown by region and channels (FY2017 2Q Actual)

- Europe business accounts for more than 50%
- Business for OTT is rapidly increasing; it's over 30%



* OTT = "Over The Top" means the companies excluding telecommunications that provide contents such as video and audio.

Reasons for strong performance 2Q

Great business performance for OTT

- Received bulk order for localization of works for OTT from content holder.
- Received order for localization of original content from.

Improve direct margin and reduce fixed costs

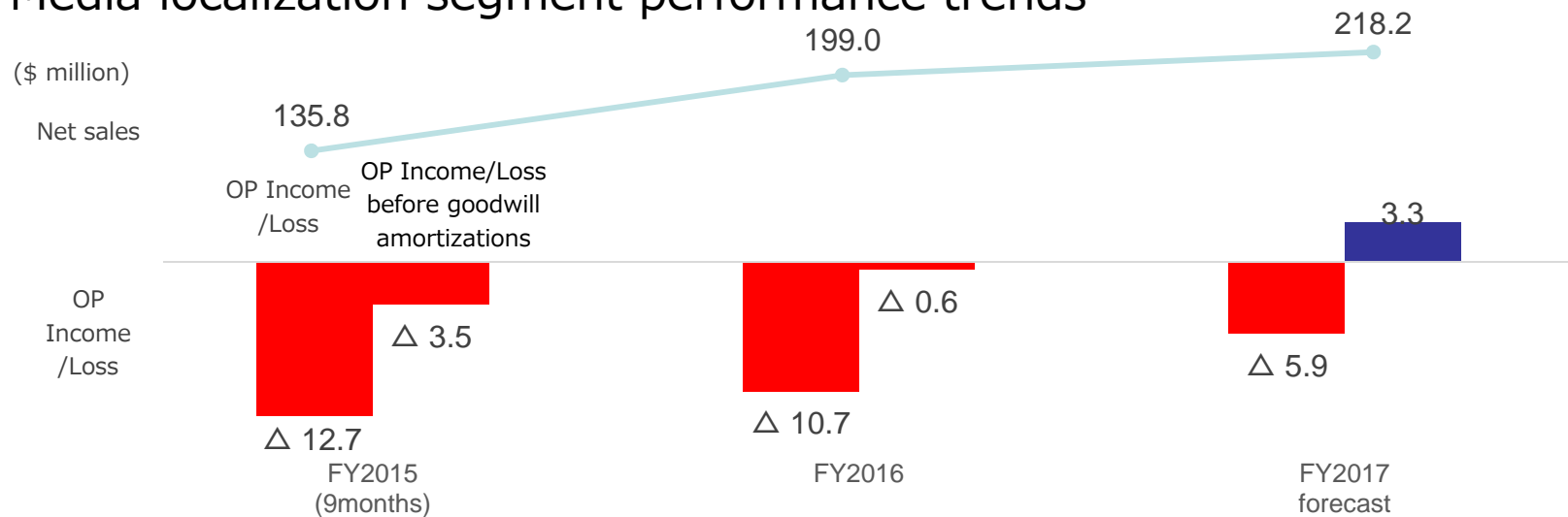
- Obtained favorable business terms through negotiations with major customers.
- One-time cost for establishing administrative structure to be eliminated
- Effects of management reform by new CEO (including reduction of management positions based on organizational review)

¥million

	FY2016	FY2017		
	2Q Actual	2Q Actual	Difference ratio	Difference
Net sales	10,242	12,235	19.5%	1,992
Operating income (Ratio)	△ 1,024 (---%)	△ 25 (---%)	-	999

Main factor for improving performance

Media localization segment performance trends



- **Expansion of market size** : Global market projected to grow an average of 4% per year, reaching approx. \$1,600* million by 2020
- **Focus on growth fields**: Ongoing orders from multiple OTT
- **Business expansion through M&A and entry into the green field**: Acquisition of PPC
- **Expansion of business for Asia**: Expansion of Japan-related localization business
- **Improvement of profitability**: Improvement of service quality and gross margin

* Global market size is based on our study.

About PPC

Company overview

Name	PPC (Picture Production Company)
Business	Creative production agency Film marketing, creative advertising, create movie previews and localization
Size	Net sales ¥1.67bn (FY2017 prospect)
Office	London, Los Angeles
Clients	Major film studio in UK and U.S.
Consolidation	FY2017 4Q

Goal and synergy

- Aim for improved profitability by integrating companies with highly profitable structures.
- Expand business into localization of movie previews.

【About this document】

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