

# Financial Results Presentation

Fiscal Year Ended March 31, 2020  
(FYE Mar. 2020)

June 24, 2020



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\* The notation for fiscal years in this presentation is abbreviated as follows: Fiscal year ended March 31, 2020 → FYE Mar. 2020

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**I. FYE Mar. 2020 Financial Results Summary  
and FYE Mar. 2021 Financial Forecast**

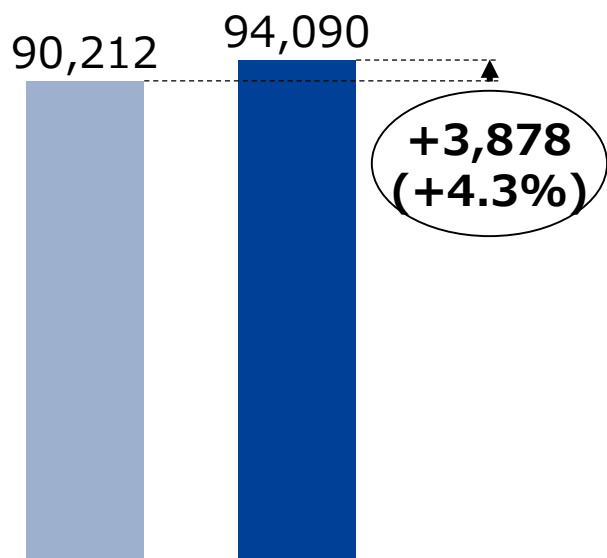
1. Consolidated Financial Highlights

- Net sales, operating income and net income (loss) attributable to owners of the parent all recorded substantial YoY growth.

(Millions of yen)

### Net sales

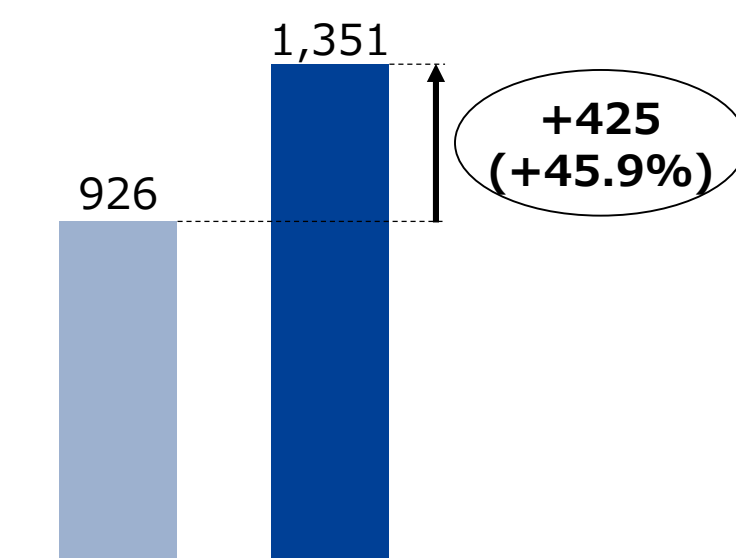
**94,090** million yen  
YoY  
+3,878 million yen (+4.3%)



FYE Mar. 2019 FYE Mar. 2020

### Operating income

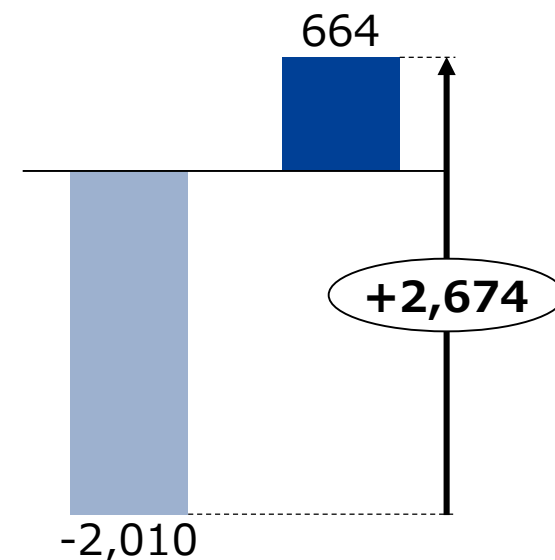
**1,351** million yen  
YoY  
+425 million yen (+45.9%)



FYE Mar. 2019 FYE Mar. 2020

### Net income (loss) attributable to owners of the parent

**664** million yen  
YoY  
+2,674 million yen

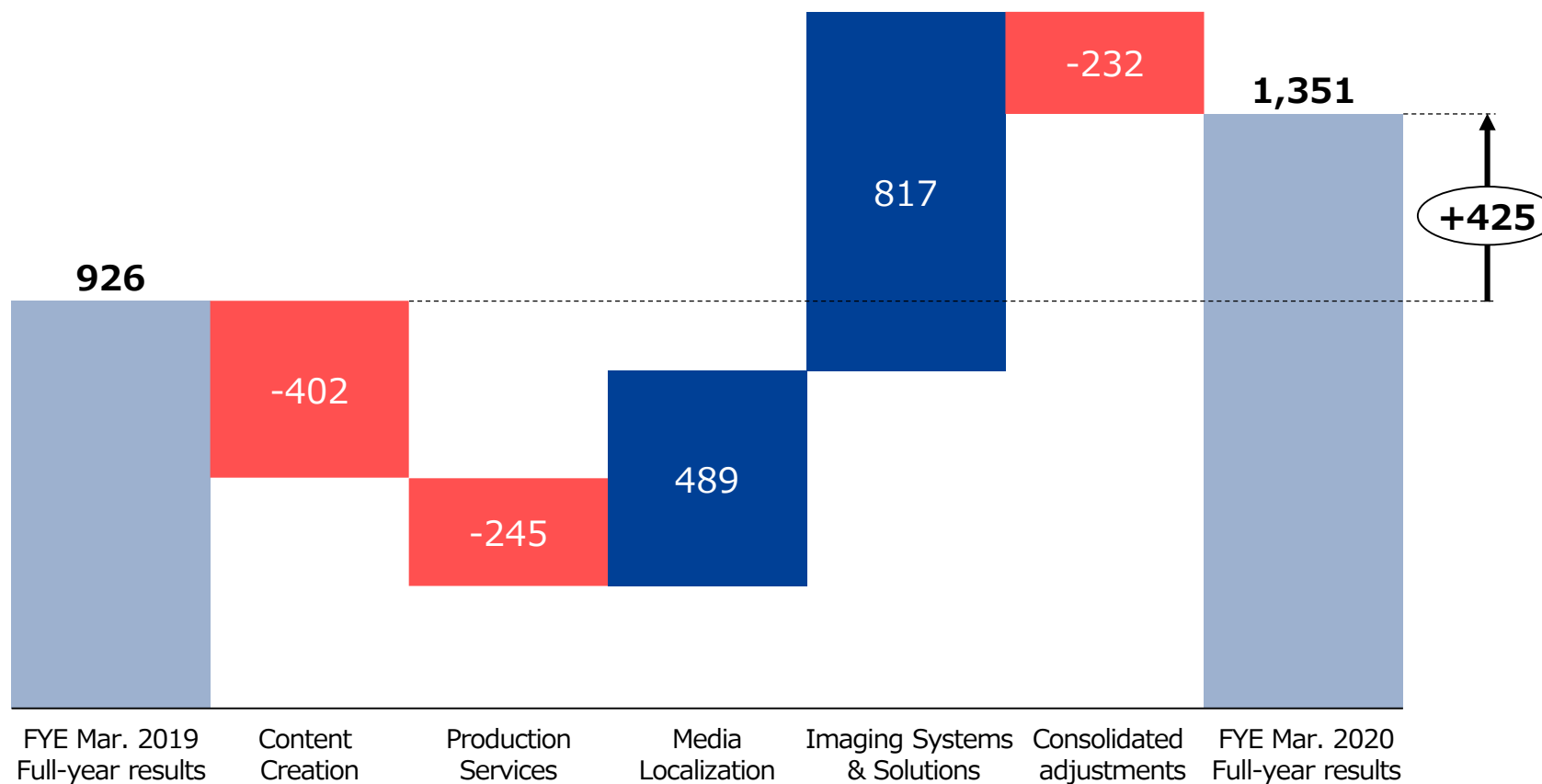


FYE Mar. 2019 FYE Mar. 2020

2. Operating Income: YoY Comparison

- **Operating income increased overall as the reduction in the operating loss in Media Localization and profit increase in Imaging Systems & Solutions covered for the decline in operating income in Content Creation and Production Services.**

(Millions of yen)



# I. FYE Mar. 2020 Financial Results Summary and FYE Mar. 2021 Financial Forecast

## 3. Financial Results by Segment

		FYE Mar. 2019	FYE Mar. 2020			Summary
		Actual	Actual	YoY	% YoY	
Content Creation	Net sales	<b>23,429</b>	<b>26,205</b>	2,776	11.8%	<ul style="list-style-type: none"> <li>➢ Net sales increased due to the expanded scale and increased number of feature film productions, and an increase in the number of TV commercials and live-music performance recordings.</li> <li>➢ A valuation loss on investment in production committees for feature film production resulted in an operating loss.</li> </ul>
	Operating income	<b>43</b>	<b>(359)</b>	(402)		
	(Operating margin)	(0.2%)	(---%)			
Production Services	Net sales	<b>27,529</b>	<b>26,557</b>	(972)	(3.5%)	<ul style="list-style-type: none"> <li>➢ Performance was strong in E2E services and post-production services for feature films and anime.</li> <li>➢ Post-production cost control efforts mitigated the decline in profit.</li> <li>➢ Human talent services saw a decline in both sales and profit.</li> </ul>
	Operating income	<b>677</b>	<b>431</b>	(245)		
	(Operating margin)	(2.5%)	(1.6%)			
Media Localization	Net sales	<b>24,916</b>	<b>22,660</b>	(2,256)	(9.1%)	<ul style="list-style-type: none"> <li>➢ Changes in production structure to optimize fixed costs and orders for high-margin production projects reduced the operating loss.</li> <li>➢ The sale of two consolidated subsidiaries caused a decline in net sales.</li> <li>➢ Orders for localization of TV programs (in Europe) were sluggish.</li> </ul>
	Operating income	<b>(1,257)</b>	<b>(768)</b>	489		
	(Operating margin)	(---%)	(---%)			
Imaging Systems & Solutions	Net sales	<b>15,946</b>	<b>20,551</b>	4,605	28.9%	<ul style="list-style-type: none"> <li>➢ Both video systems (major projects for broadcasting stations, online delivery system for commercials, etc.) and imaging (high-speed camera, etc.) saw growth in net sales and operating income.</li> </ul>
	Operating income	<b>1,896</b>	<b>2,714</b>	817		
	(Operating margin)	(11.9%)	(13.2%)			
Consolidated adjustments	Adjustment to operating income	(433)	(666)	(232)		
Total Consolidated	Net sales	<b>90,212</b>	<b>94,090</b>	3,878	4.3%	
	Operating income	<b>926</b>	<b>1,351</b>	425	45.9%	
	(Operating margin)	(1.0%)	(1.4%)			

IMAGICA GROUP businesses suffered the following impacts from the spread of the novel coronavirus (COVID-19):

- Suspension of some TV commercial projects
- Delayed delivery of productions due to postponement of theater releases in Japan and overseas
- Postponement of post-production and localization services

The Declaration of a State of Emergency has been rescinded in all areas of Japan, but we think it will take some time for economic activity to return to the previous level.

The financial forecast for the fiscal year ending March 2021 has not yet been determined because the impact from the spread of the novel coronavirus makes it difficult to calculate a reasonable forecast.

The financial forecast will be disclosed once it becomes possible to calculate it.

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**II. Progress on Mid-term Business Strategy & Priority Measures  
for FYE Mar. 2021  
—Focus on the Living with COVID-19 and Post-COVID-19 Environments**



**We have developed a new mid-term business strategy  
“Integration to 2021”  
based on our business challenges and opportunities**

**We will accelerate the Group’s structural reform and build a well-balanced business portfolio with the five key strategies below:**

**Key Strategies**

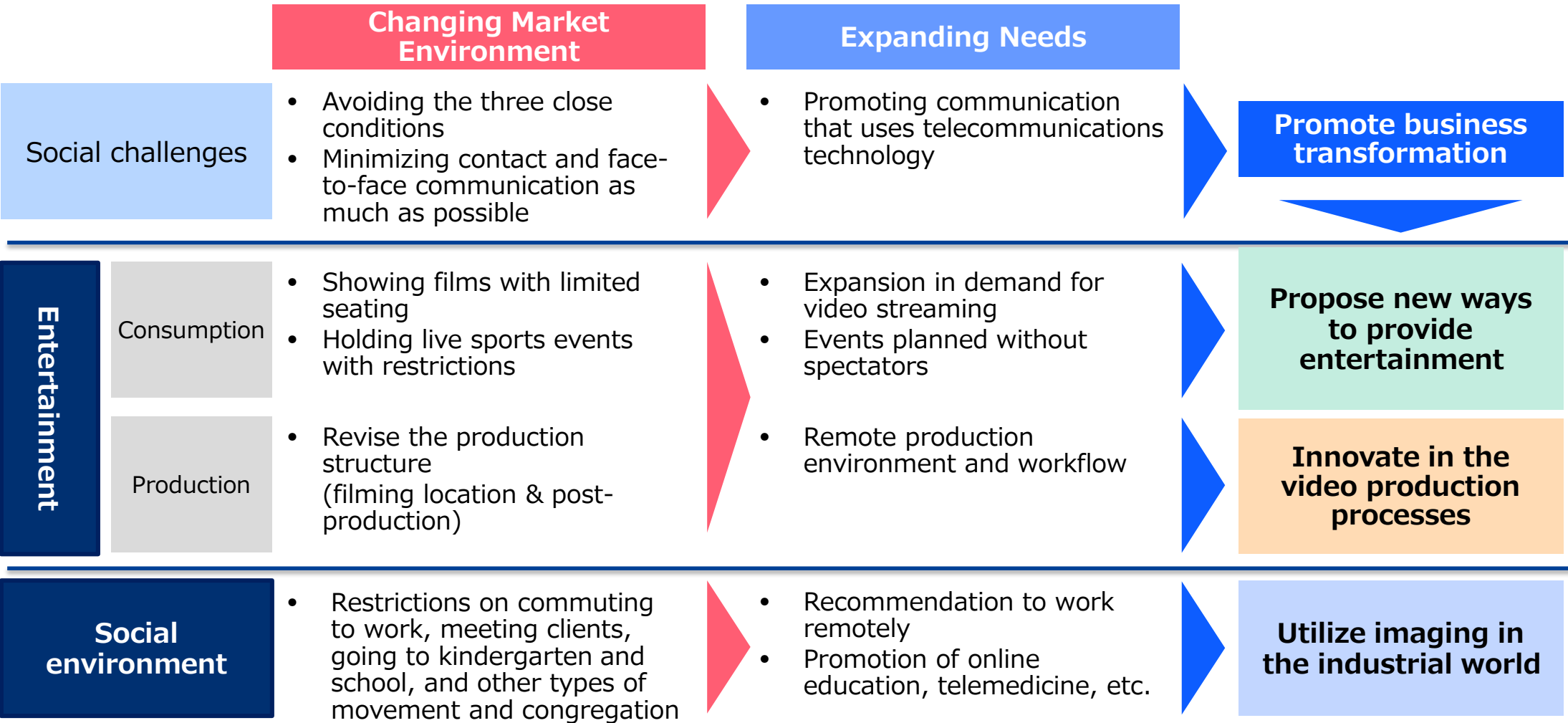
- 1. Develop a new global strategy**
- 2. Improve profitability of existing businesses**
- 3. Transition to a new business model**
- 4. Create and develop new businesses**
- 5. Develop human resources and promote workstyle reform**

**A business portfolio that  
provides both growth  
and profitability**

II. Progress on Mid-term Business Strategy & Priority Measures for FYE Mar. 2021

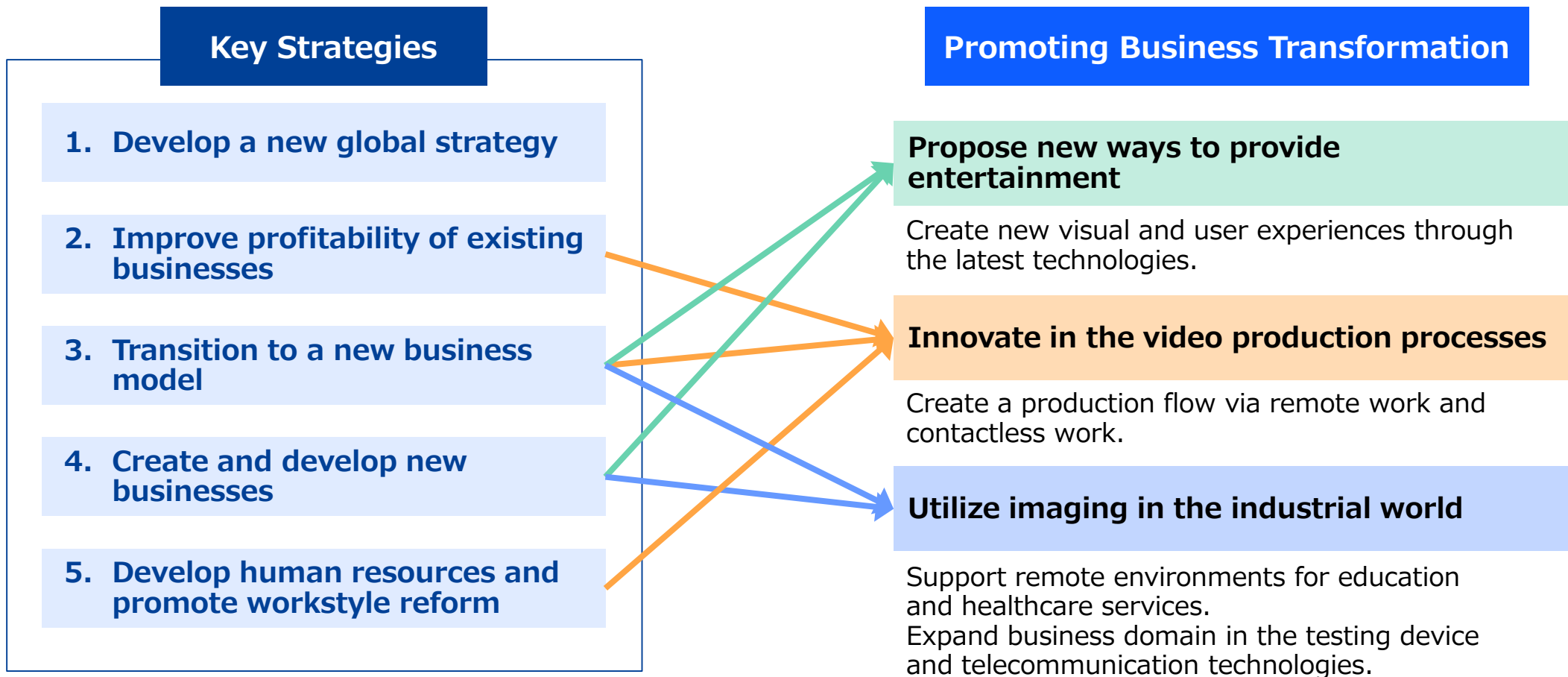
—Focus on the Living with COVID-19 and Post-COVID-19 Environments

2. Market & Social Changes



3. Promoting Transformation

**Accelerating “Integration to 2021”**



## II. Progress on Mid-term Business Strategy & Priority Measures for FYE Mar. 2021

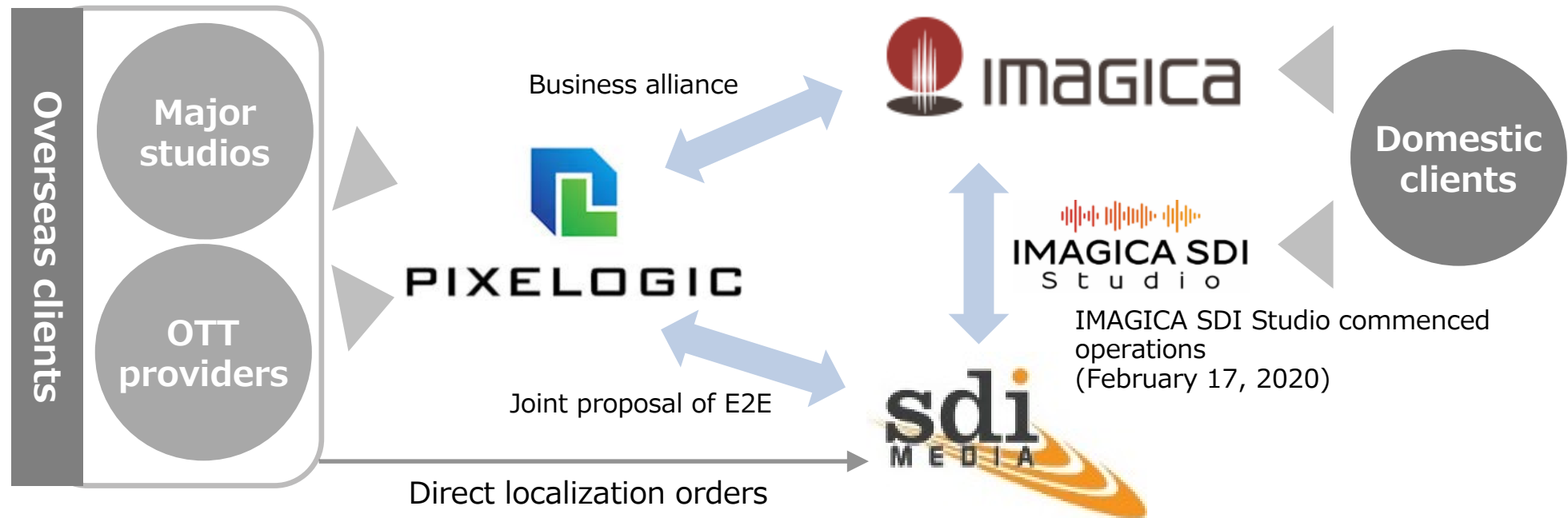
—Focus on the Living with COVID-19 and Post-COVID-19 Environments

### 4. Progress on Five Key Strategies

#### 1. Develop a new global strategy

##### Global Expansion of E2E Services

- Establish global one-stop service.
- Expand and shift service domains.
- Improve operating efficiency.



\* E2E (End-to-End) Service:

Integrated services encompassing localization (subtitling, dubbing) and distribution provided after the original production of a feature film, etc. is completed

II. Progress on Mid-term Business Strategy & Priority Measures for FYE Mar. 2021  
—Focus on the Living with COVID-19 and Post-COVID-19 Environments

4. Progress on Five Key Strategies

**2. Improve profitability of existing businesses**

<b>Anime production</b>	<ul style="list-style-type: none"><li>○ Developed a stable production structure by obtaining multiple orders for long-term projects.</li><li>○ Began direct transactions with major studios overseas.</li><li>○ Strictly managed production project costs.</li><li>○ Promoted offshore production in Malaysia.</li></ul>	<b>Innovate in the video production processes</b>
<b>Commercial &amp; film production</b>	<ul style="list-style-type: none"><li>○ Strictly managed production project costs and strengthened the cost management system.</li><li>○ Tightened the standards for managing production projects invested in.</li><li>○ Strengthened relationships with OTT providers.</li><li>○ Produced and released short films via a completely remote process.</li></ul>	<b>Innovate in the video production processes</b>
<b>Post-production</b>	<ul style="list-style-type: none"><li>○ Revised the work process and shortened working hours through automation.</li><li>○ Pursued working remotely.</li><li>○ Expanded E2E services through alliances with overseas affiliates.</li></ul>	<b>Innovate in the video production processes</b>
<b>Human talent solutions</b>	<ul style="list-style-type: none"><li>○ Improved debugging (particularly games) → Opened new office in Niigata prefecture (March 2020).</li><li>○ Novel coronavirus increased the demand for IT engineers → Shonan Hi-tech Planning Co.,Ltd joined the Group (June 2020).</li><li>○ Strengthened dispatch of human talent to clients that are pursuing DX.</li></ul>	

1 Secure & use IP to expand business

Propose new ways to provide entertainment

○ Shufunotomo Infos Co., LTD. joined the Group

- “Kusuriya no Hitorigoto” : Sold 6 million copies in total
- “Restaurant to Another World” made into a comic and anime
- Pursued expansion of media asset based on light novels and voice actors

○ “Bullbuster”, original robot project planned and produced by P.I.C.S. made into a novel

- Volume 1 & 2 is on sale from KADOKAWA.

Expand to multiple media channels



©P.I.C.S.

## II. Progress on Mid-term Business Strategy & Priority Measures for FYE Mar. 2021

—Focus on the Living with COVID-19 and Post-COVID-19 Environments

### 4. Progress on Five Key Strategies

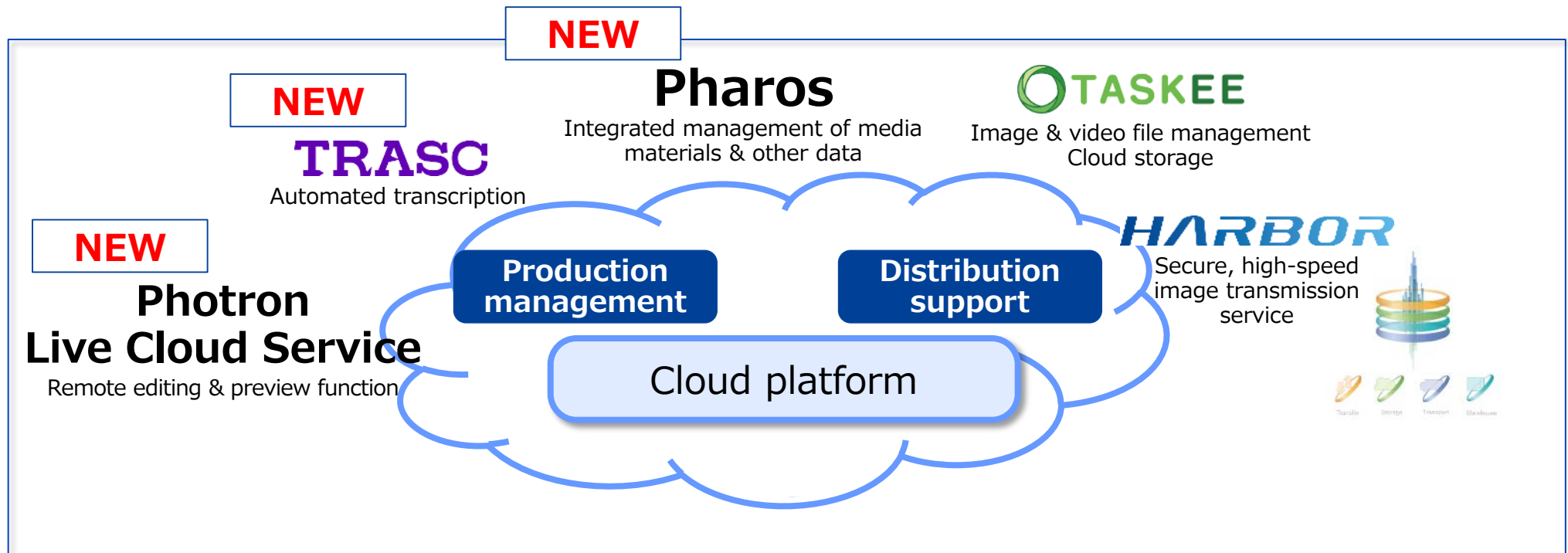
### 3. Transition to a new business model

#### 2 Innovate in the video production processes (1)

Innovate in the video production processes

#### ○ Provide all production processes on the cloud

- Make progress in the platform business concept.
- Expand number of cloud services supporting media production and distribution processes.

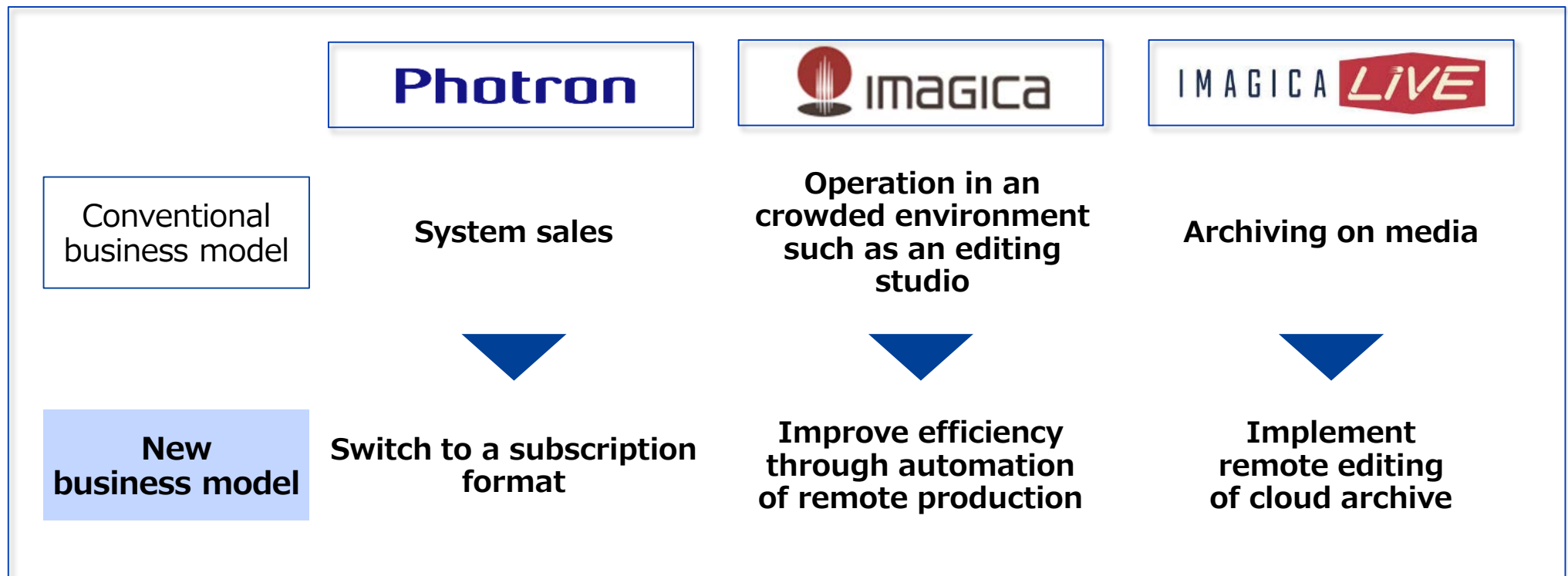


**2 Innovate in the video production processes (2)**

Innovate in the video production processes

○ **Transition to a new business model**

- Move away from the conventional business model through active use of cloud systems.





II. Progress on Mid-term Business Strategy & Priority Measures for FYE Mar. 2021  
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4. Progress on Five Key Strategies

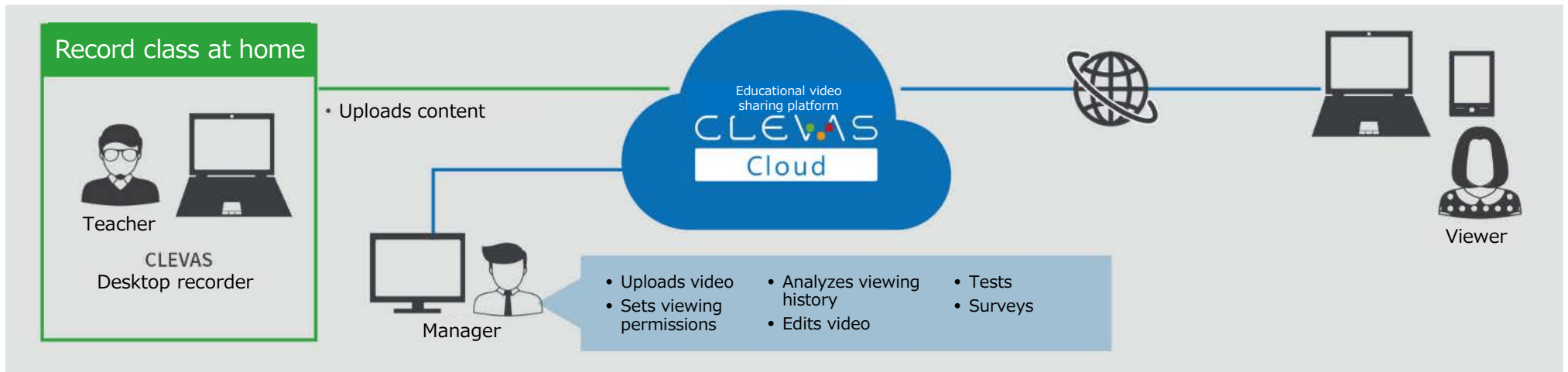
**3. Transition to a new business model**

**3 Taking on challenges in the imaging systems area**

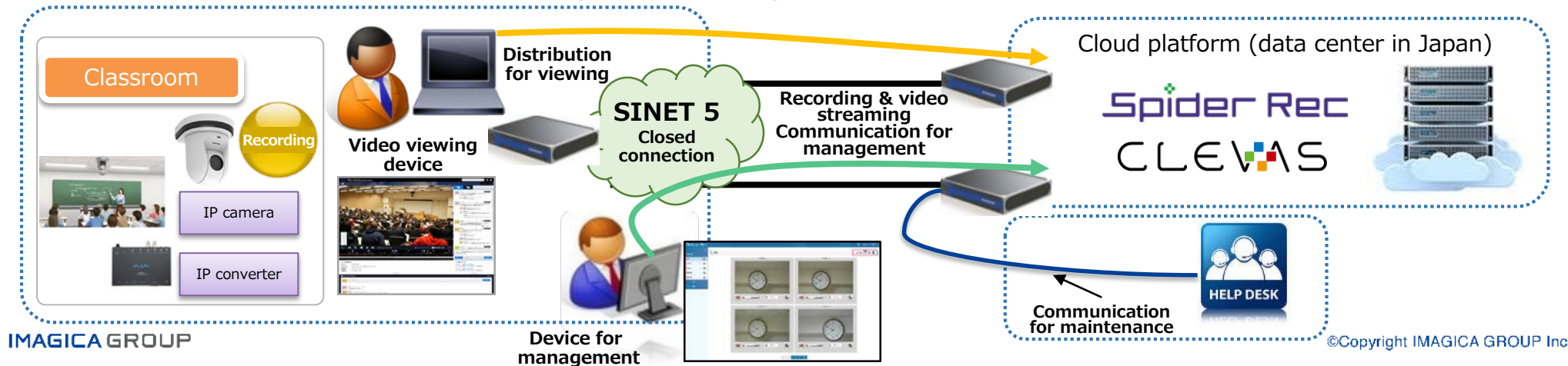
Utilize imaging in the industrial world

○ **Transition to new business models in the areas of education and healthcare**

- Supporting remote education sites required by under the “new normal” environment



- Cloud support in the healthcare environment: Study session videos, explanatory videos for medical devices, etc. used by healthcare providers



II. Progress on Mid-term Business Strategy & Priority Measures for FYE Mar. 2021  
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4. Progress on Five Key Strategies

**4. Create and develop new businesses**

**1 Expand the live entertainment business**

Propose new ways to provide entertainment

- **Established IMAGICA EEX, a new entertainment technology company** (July 3, 2020)  
Created opportunities for new visual experiences in the “new normal” environment by fusing creativity and technology.

IMAGICA GROUP will create completely new forms of entertainment that provide innovative visual expression, space design, and real event experiences that overcome the limitations of distance, as we have in the VISIONS initiative we have been pursuing.

Illustrative Example : “VISIONS”



- \* Entertainment Technology:  
Refers to the use of live viewing, 5G, video streaming, AR/VR, and other state-of-the-art technologies to provide a more enjoyable entertainment experience and new innovations in technology or the entire business.

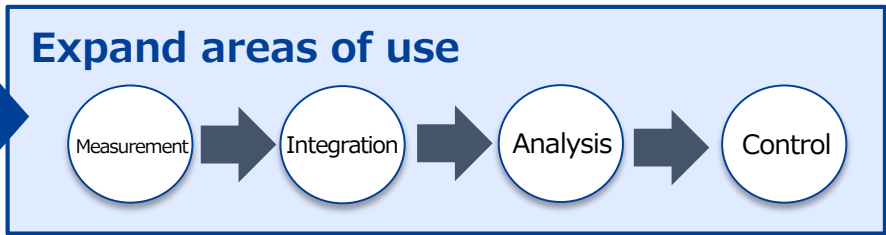
4. Progress on Five Key Strategies

**4. Create and develop new businesses**

**2 Expand Imaging Systems & Solutions areas**

Utilize imaging in the industrial world

**Existing areas**  
 High-speed camera  
 Polarization camera  
 6D-MARKER



**Use IoT & AI**

**Expand product areas**  
 Fine tune to the needs of the new area  
 E.g.:  
 Ultra compact pencil-shaped camera head, high-speed camera equipped with wireless capability

- FA area  
 High-speed monitoring system

- Vehicle inspection area
  - Collision safety performance testing
  - Visualization of combustion

- Optical measurement area
  - Optical film inspection




**3 Create new businesses via M&A**

- Continue to search for M&A business opportunities that will contribute to acceleration of Group structural reforms.

## 1 Develop human resources

- **launched training program for the managers who will lead the Group.**
  - **Managers in 5 years:** Business management preparatory course
  - **Managers in 10 years:** Next-generation manager training
- **Launched programs for global human resource.**
  - **Training for global leader :** Next-generation global leader training program
  - **Training for basic skills:** Global mindset training

## 2 Workstyle reform

- **Changing mindsets and improving productivity.**
    - **Changing mindsets:** Created concepts and rules that are not encumbered by traditional work styles.
    - **Improving productivity:** Further improved employee work-life balance while simultaneously improving work efficiency.
- 
- **Pursuing digital transformation**
    - Improved workflow efficiency through remote production.
    - Diversified workstyles through telecommuting, online meetings, etc.

**Innovate in the video production processes**

## Invest in the future, curb unnecessary and non-urgent investment, and make steady progress toward realizing “Integration to 2021.”



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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.

