

# Financial Results Presentation

Second Quarter for FYE Mar. 2021

November 18, 2020



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\* The notation for fiscal years in this presentation is abbreviated as follows: Fiscal year ended March 31, 2021 → FYE Mar. 2021

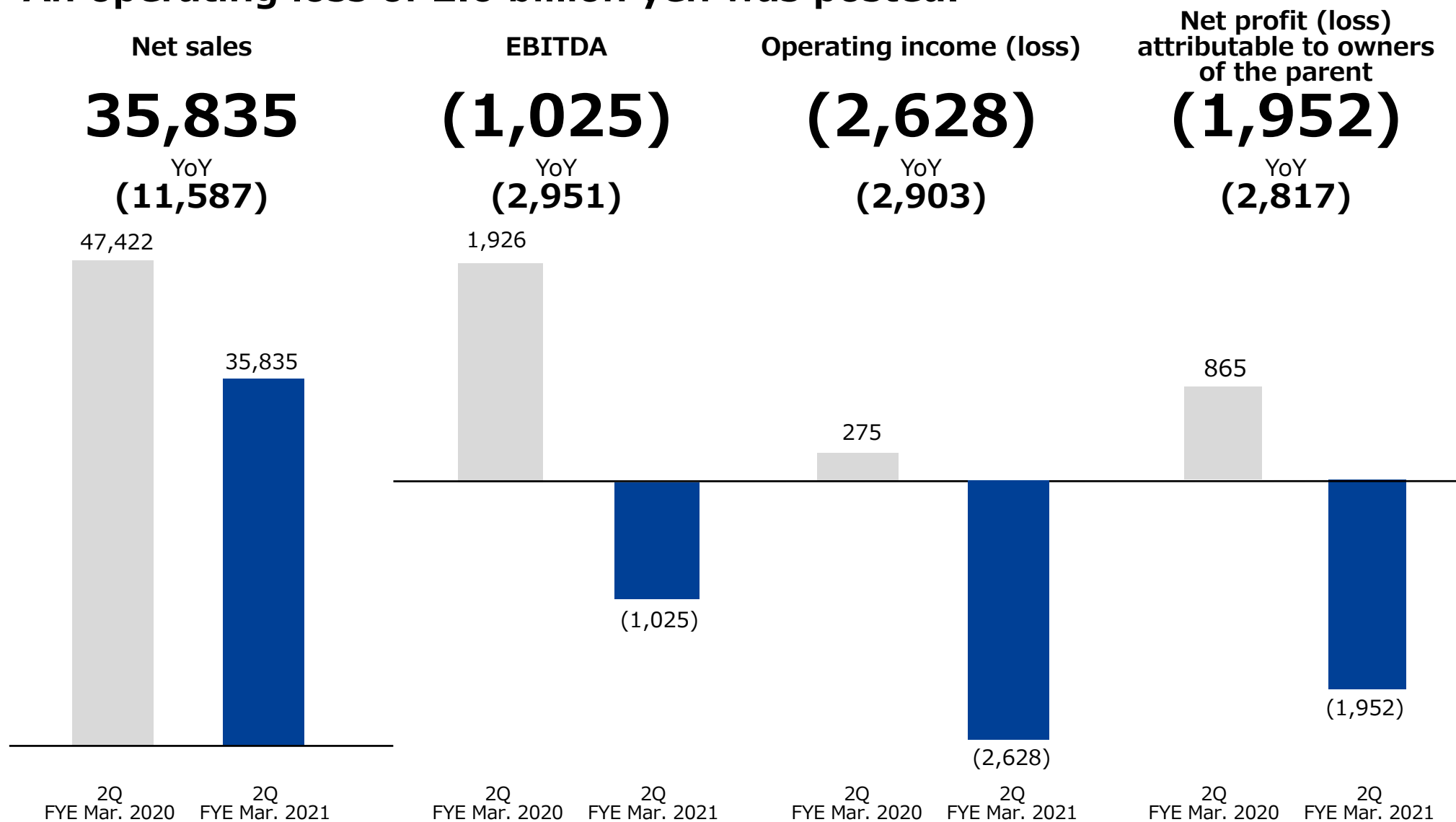
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# **I Second Quarter Financial Results Summary and Financial Forecast for FYE Mar. 2021**

1 . Highlights of Financial Results for the First Half

**Net sales decreased by 11.5 billion yen.  
An operating loss of 2.6 billion yen was posted.**

(Million Yen)



I Second Quarter Financial Results Summary and Financial Forecast for FYE Mar. 2021

2. Second Quarter Results (July 1 to September 30)

**Both net sales and losses improved in the second quarter, compared to the first quarter.**

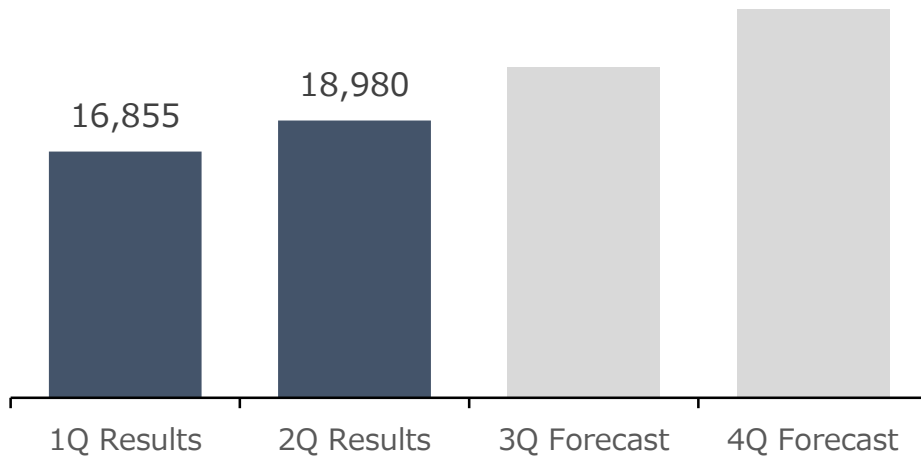
(Million Yen)	1Q	2Q (July 1 to September 30)		1H
	Actual	Actual	% Change from 1Q/ Change from 1Q	Actual
Net sales	<b>16,855</b>	<b>18,980</b>	<b>12.6%</b>	<b>35,835</b>
Operating loss	<b>(1,868)</b>	<b>(760)</b>	<b>1,108</b>	<b>(2,628)</b>
Ordinary loss	<b>(1,942)</b>	<b>(986)</b>	<b>956</b>	<b>(2,928)</b>
Net loss attributable to owners of parent	<b>(1,213)</b>	<b>(739)</b>	<b>474</b>	<b>(1,952)</b>
EBITDA (Reference)	<b>(1,063)</b>	<b>37</b>	<b>1,101</b>	<b>(1,025)</b>

3. Trend in Quarterly Consolidated Performance

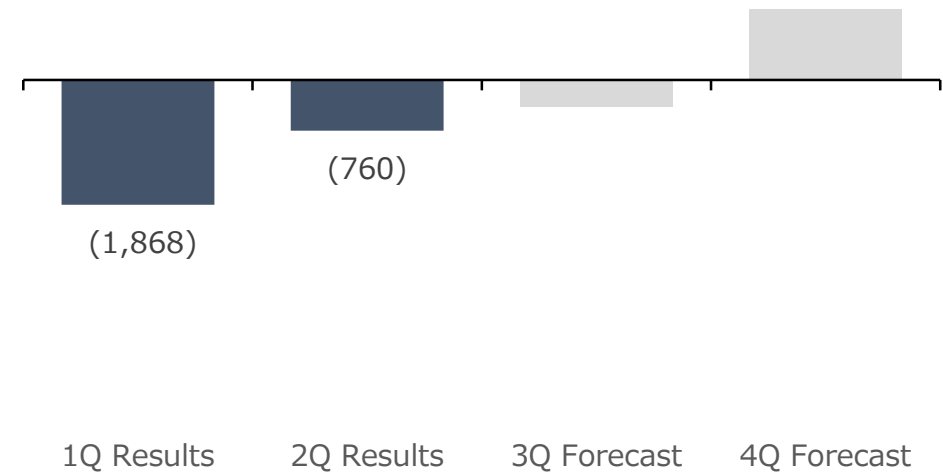
**Improvement in both net sales and operating income to the same level as last year is anticipated in the fourth quarter.**

(Million Yen)

Net sales



Operating income



4. Business Environment by Segment

**Further improvement in the business environment is expected in the third quarter onward.**

Segments	Trend (vs. 1H)	Comments
Content Creation	Improvement	<p>(Positive) Release of feature film productions will be scheduled in the third quarter onward.</p> <p>(Positive) Resumption in shooting of TV commercials will continue.</p> <p>(Neutral) It is still unclear whether there will be large live-music performance projects, but online streaming of performances with no audience will proceed.</p>
Production Services	Domestic: Improvement  Overseas: Slight improvement	<p>(Positive) Digital cinema services will rebound as theaters reopen.</p> <p>(Positive) J.LEAGUE resumed in the second quarter and other sports will also resume.</p> <p>(Neutral) International media services (localization) will struggle in the U.S. and various countries in Europe due to the spread of COVID-19. Asia will rebound.</p>
Imaging Systems & Solutions	Improvement	<p>(Positive) Orders from TV broadcasters are expected in the fourth quarter and maintenance services will increase.</p> <p>(Positive) Online delivery system demand will increase amid the remote production environment.</p> <p>(Neutral) The demand for high-speed cameras will be strong in Asia, but it is still unclear what conditions in Europe and the U.S. will be.</p>

## Continued improvement is anticipated in the third quarter onward.

(Million Yen)	FYE Mar. 2020	FYE Mar. 2021				
	Actual	1H	YoY	Full Year Forecast	YoY	YoY ratio
Net sales	<b>94,090</b>	35,835	(11,587)	<b>84,000</b>	(10,090)	(10.7%)
Operating income	<b>1,351</b>	(2,628)	(2,903)	<b>(2,200)</b>	(3,551)	—
(Operating margin)	(1.0%)	(-)	-	<b>(-)</b>	-	
Ordinary income	<b>416</b>	(2,928)	(2,736)	<b>(2,650)</b>	(3,066)	—
Net profit (loss) attributable to owners of parent	<b>664</b>	(1,952)	(2,817)	<b>(1,150)</b>	(1,814)	—
Earnings (Loss) per share (Yen)	<b>15.05</b>	(44.05)	(63.69)	<b>(25.91)</b>	(40.96)	—
EBITDA (Reference)	<b>4,706</b>	(1,025)	(2,952)	<b>1,255</b>	(3,451)	(73.3%)



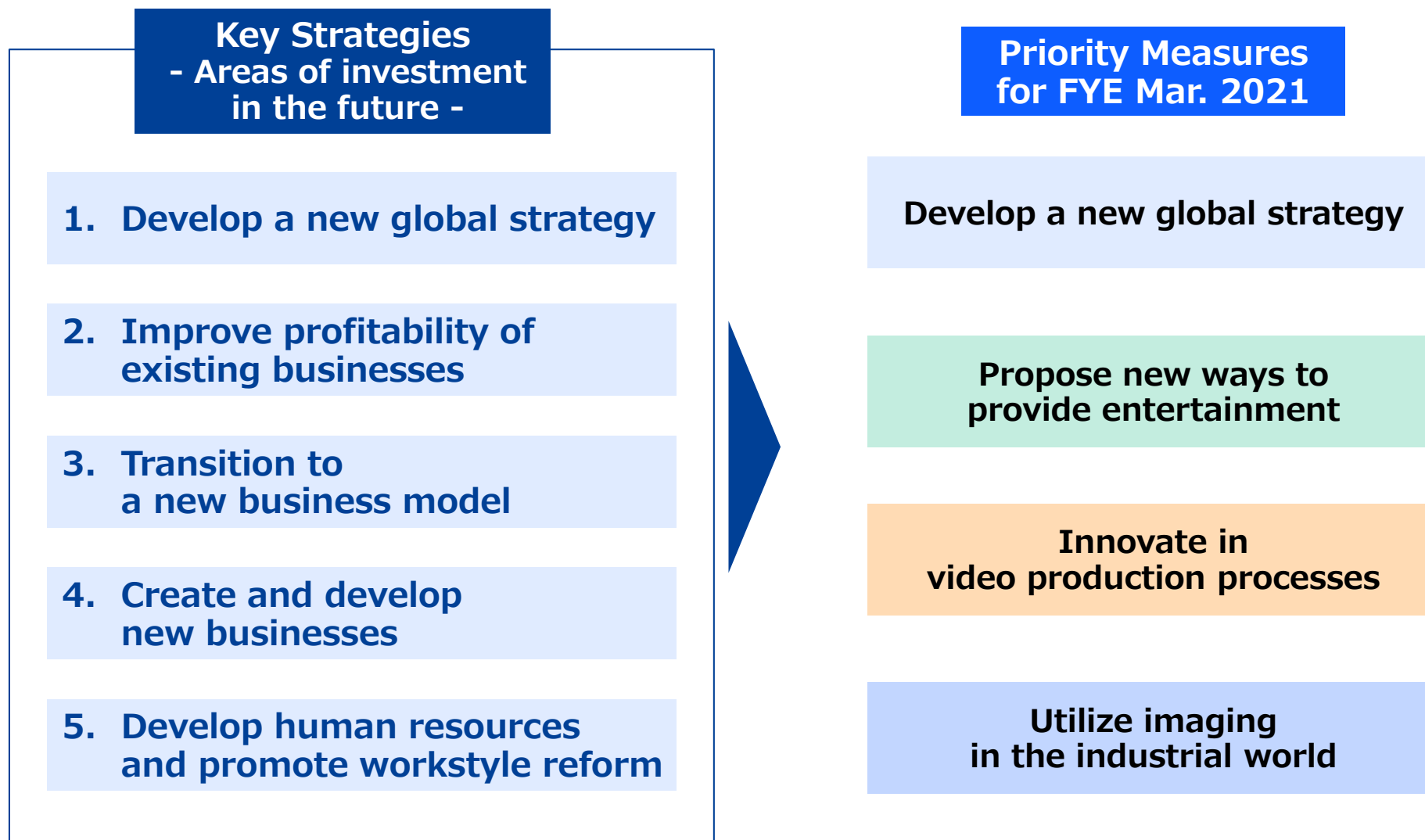
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## **II Progress on Priority Measures for FYE Mar. 2021**

## II. Progress on Priority Measures for FYE Mar. 2021

### 1. Five Key Strategies and Priority Measures for FYE Mar. 2021 (announced June 24, 2020)

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- II. Progress on Priority Measures for FYE Mar. 2021
- 2. Develop a New Global Strategy (1) Overall Picture

**Pixelogic became a consolidated subsidiary as of October 1<sup>st</sup>**  
**→Pixelogic performs key role in E2E Service and IMAGICA GROUP accelerates a globally integrated management.**



\* 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 Priority Measures for FYE Mar. 2021

2. Develop a New Global Strategy (2) Pixelogic Company Overview

<b>Company name</b>	Pixelogic Holdings LLC	<b>Business description</b>	Provides integrated localization and distribution services ( <b>E2E Service</b> ) for entertainment content (feature films and dramas series etc.) mainly to major Hollywood studios, broadcasters and digital platforms (OTT/streaming services).
<b>Date established</b>	July 19, 2016		
<b>No. of employees</b>	Approx. 600		
<b>Net sales</b>	6,769 million yen (FY2019)		
<b>Officers</b>	Masakazu Morita, Shunjiro Nagase, Masashi Nakamura (IMAGICA GROUP) John Suh, Robert Seidel		

Headquartered in Los Angeles (Burbank and Culver City), Pixelogic also has UK operation in London and technology development team in Cairo, Egypt.



II. Progress on Priority Measures for FYE Mar. 2021

2. Develop a New Global Strategy (3) Changes in External Environment

### Expanded the video streaming platform



- ✓ Increase of original content produced by OTTs
- ✓ Diversification of distribution/release windows



**Growing Demand for E2E Service**

1. Growing demand for E2E service by major Hollywood studios and OTT.
2. Increasing requirements for capability to handle for diverse distribution formats with a short turnaround and high-level security.



Unique Position

**One of the few companies** that can **provide E2E Service globally.**

→ Key factor to expand IMAGICA GROUP's global presence.

Technical  
Capabilities

**Capable engineers** and **internally developed systems** that enable **seamless** E2E workflow.

→ Shorter turnaround and higher-level security requirements

Customer  
base

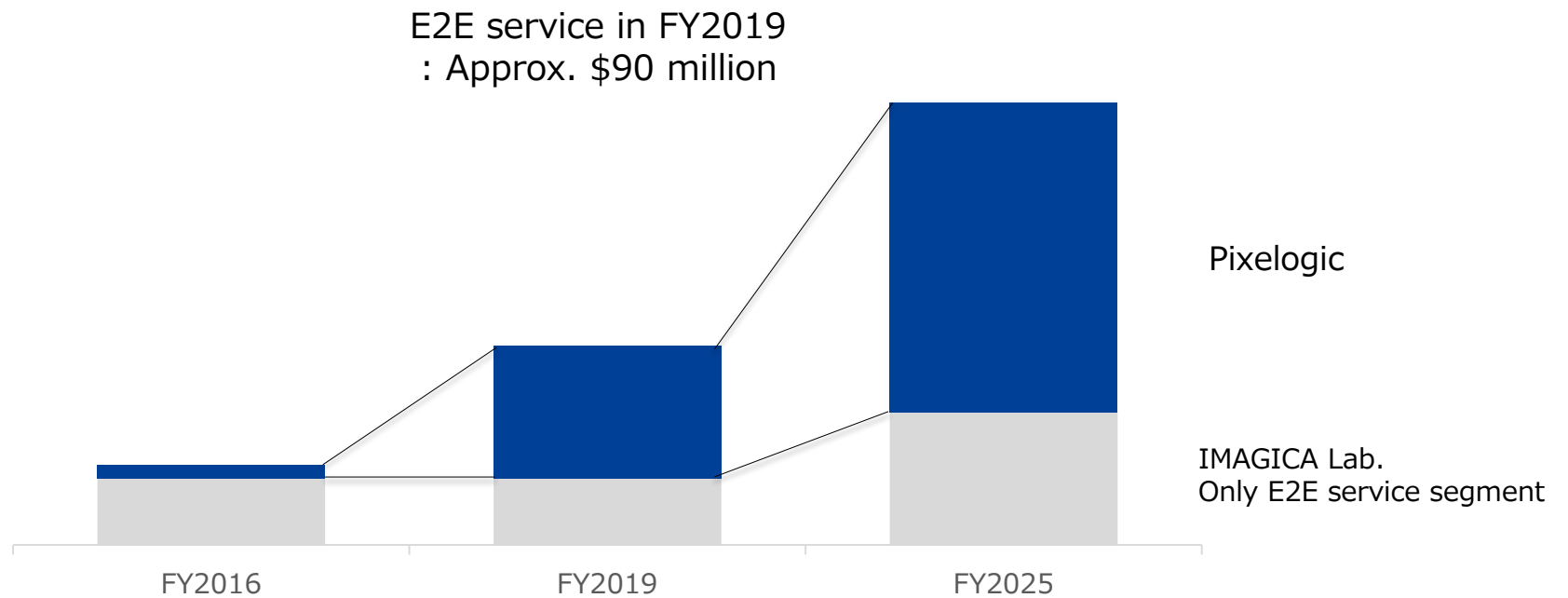
**Strong relationships** with industry leading content owners including major Hollywood studios and OTTs.

→ Essential to global business expansion of IMAGICA GROUP.

- II. Progress on Priority Measures for FYE Mar. 2021
- 2. Develop a New Global Strategy (5) Vision

Scale the business of E2E Service as a whole Group  
**Target CAGR 10%+**

Trend in Net Sales Growth for Pixelogic and IMAGICA Lab. (E2E service segment)



Pixelogic established

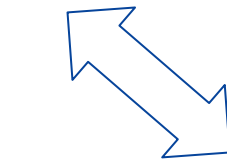
\* The figures above do not include SDI sales.

II. Progress on Priority Measures for FYE Mar. 2021

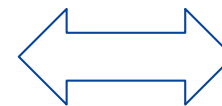
3. Propose New Ways to Provide Entertainment (1) Business Model

**Target business expansion in the entertainment technology business segment by concentrating Group “creativity x technology,” mainly in IMAGICA EEX.**

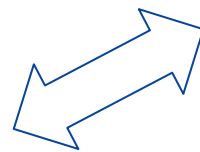
Talent agencies, etc.  
Artists,  
Performers ...



IMAGICA EEX



Group companies engaged in the entertainment business



- Wholly owned by IMAGICA GROUP
- Business planning & promotion
  - IP development & investment
  - Project management

Streaming platforms

\* 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.

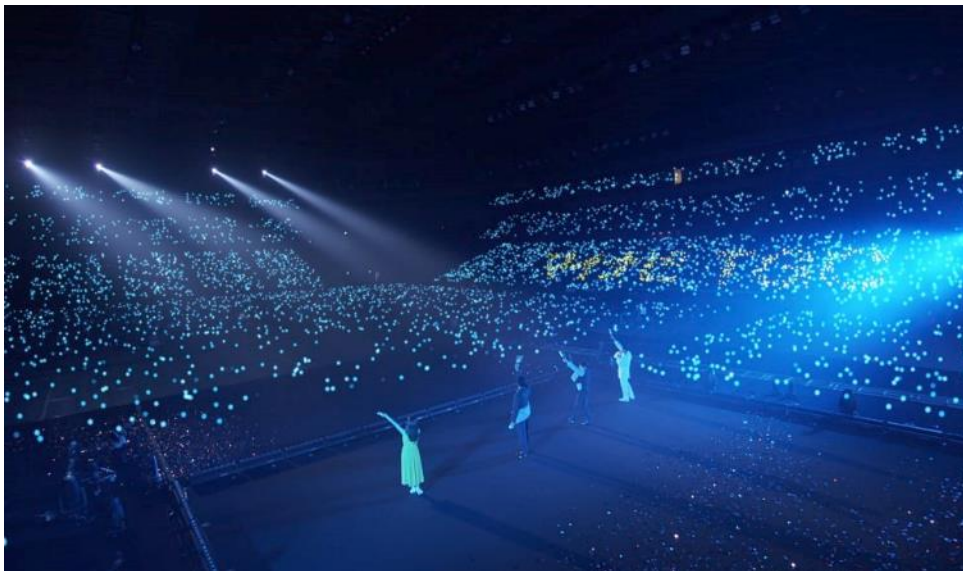


II. Progress on Priority Measures for FYE Mar. 2021

3. Propose New Ways to Provide Entertainment (2) First Half Business Results

### 1. XR stage for online streaming fashion show(Sep. 5)

Produced online streaming fashion show using XR technology for “The 31st Mynavi TOKYO GIRLS COLLECTION 2020 AUTUMN/WINTER ONLINE” on September 5.



© Mynavi TOKYO GIRLS COLLECTION 2020 AUTUMN/WINTER ONLINE

### 2. Online streaming live performance (Aug. 22)

Produced online streaming live performance using 360 degree giant LED vision that enabled viewers to participate in “ALLE JAPAN TSUYOSHI NAGABUCHI LINE LIVE VIEWING”, which was streamed by LINE Corporation for a fee.



II. Progress on Priority Measures for FYE Mar. 2021

3. Propose New Ways to Provide Entertainment (3) Second Half Initiatives

**Our proposals were selected for the Project to Strengthen Earning Capacity of Cultural Arts led by the Agency for Cultural Affairs (¥483 million in aid).**

We plan to implement six projects on following four themes

1. High-definition live viewing on wide screen

(Live viewing of live music and theatrical performances, etc.)



2. Planetarium screening

(Showing visual contents on a dome shape)



3. XR live streaming

(Streaming using XR and other state-of-the-art technologies)



4. Natural 3D imaging

(Showing 3D films that can be viewed with the naked eye)



**Aim for full-scale businesses from next year onward.**

## Targeting ¥5 billion in the entertainment technology business in 2025

To develop new business only IMAGICA Group can produce by leveraging its unique capability of “**Creativity x Technology**”.



1. High-definition live viewing  
Planning and operating theater-style live viewing through collaboration



2. Experiential theme park  
Planning and operating an experiential theme park using imaging technology



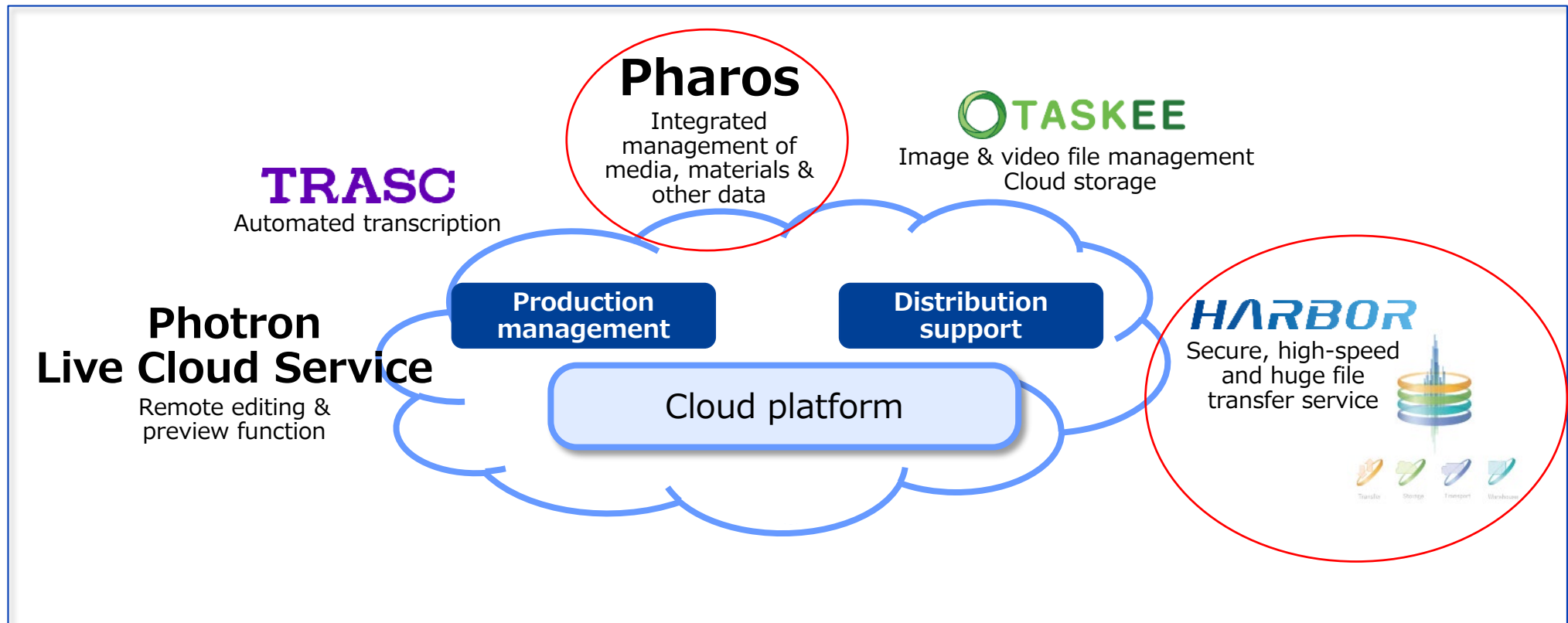
3. Online streaming of live performances  
Online live streaming using XR and other state-of-the-art technologies

II. Progress on Priority Measures for FYE Mar. 2021

4. Innovate in Video Production Processes (1) Conceptual Diagram of Cloud Service

**Provide all video production processes on the cloud**

- Respond to advances in new forms of video production due to the COVID-19 pandemic.
- Make progress on the platform business concept.





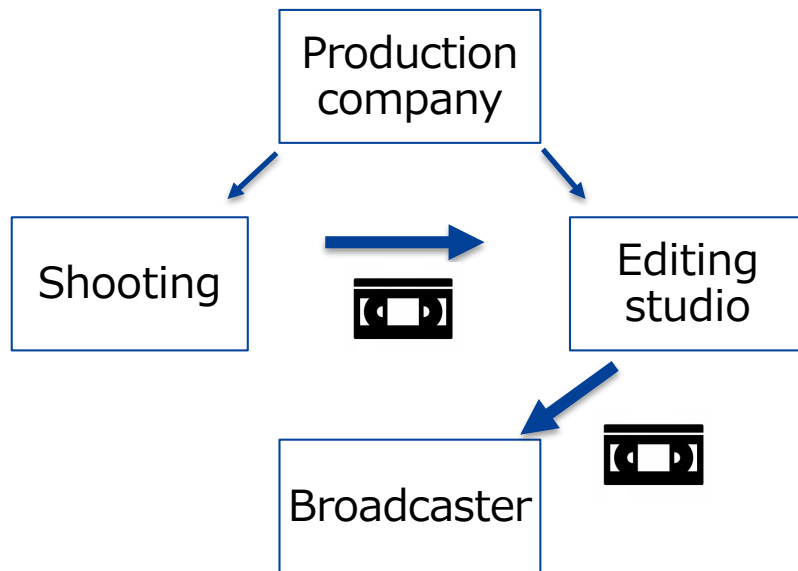
II. Progress on Priority Measures for FYE Mar. 2021

4. Innovate in Video Production Processes (2) Introduction of Case 1: C.M.Harbor

**“C.M.Harbor”, an online delivery system for TV commercials.**

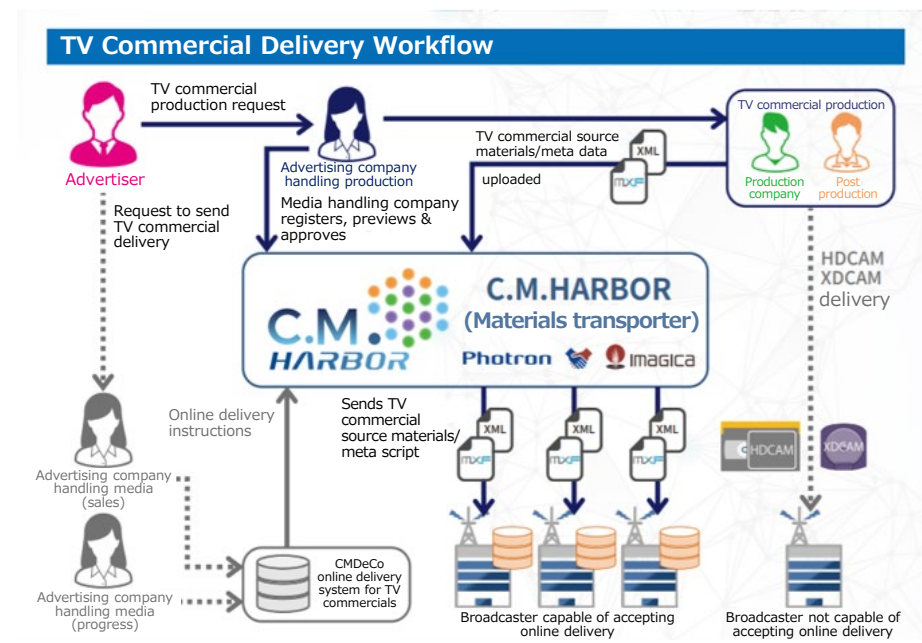
**Conventional Method**

Tapes containing commercial source materials are delivered in many ways, including bike courier and hand delivery.



**Current Method**

Various commercial production processes are completed online.

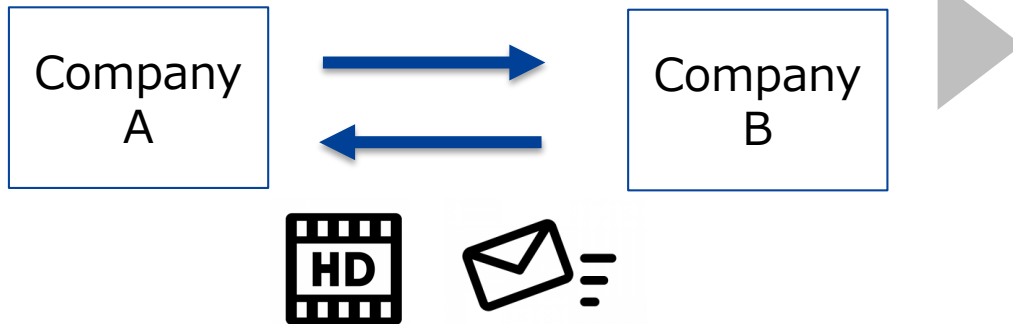


The COVID-19 pandemic has had a ripple effect on online delivery system.  
 ↓  
 C.M.HARBOR has a 30% share of the industry and aims to expand this share further.

## “Pharos” supports Cloud production workflow

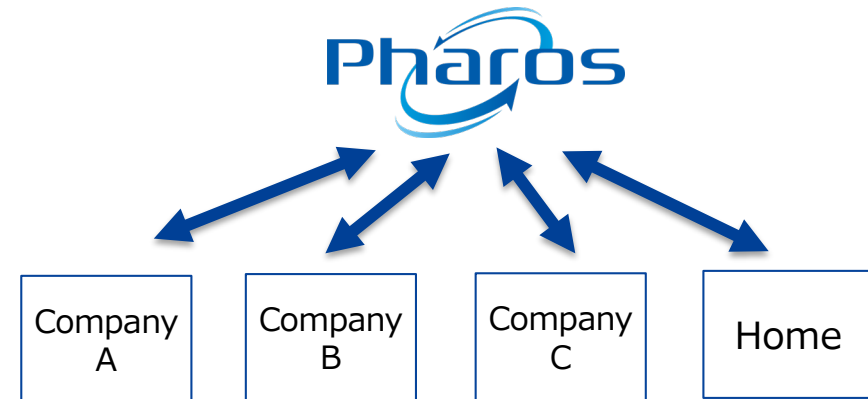
### Conventional Method

Visual data are managed on the server for the video editing tools. Visual data is distributed via physical media or by sending files.



### Future Method

Various kinds of visual data are managed and accepted/delivered on the cloud, regardless of the types of video editing tools used, and file conversion is also possible.



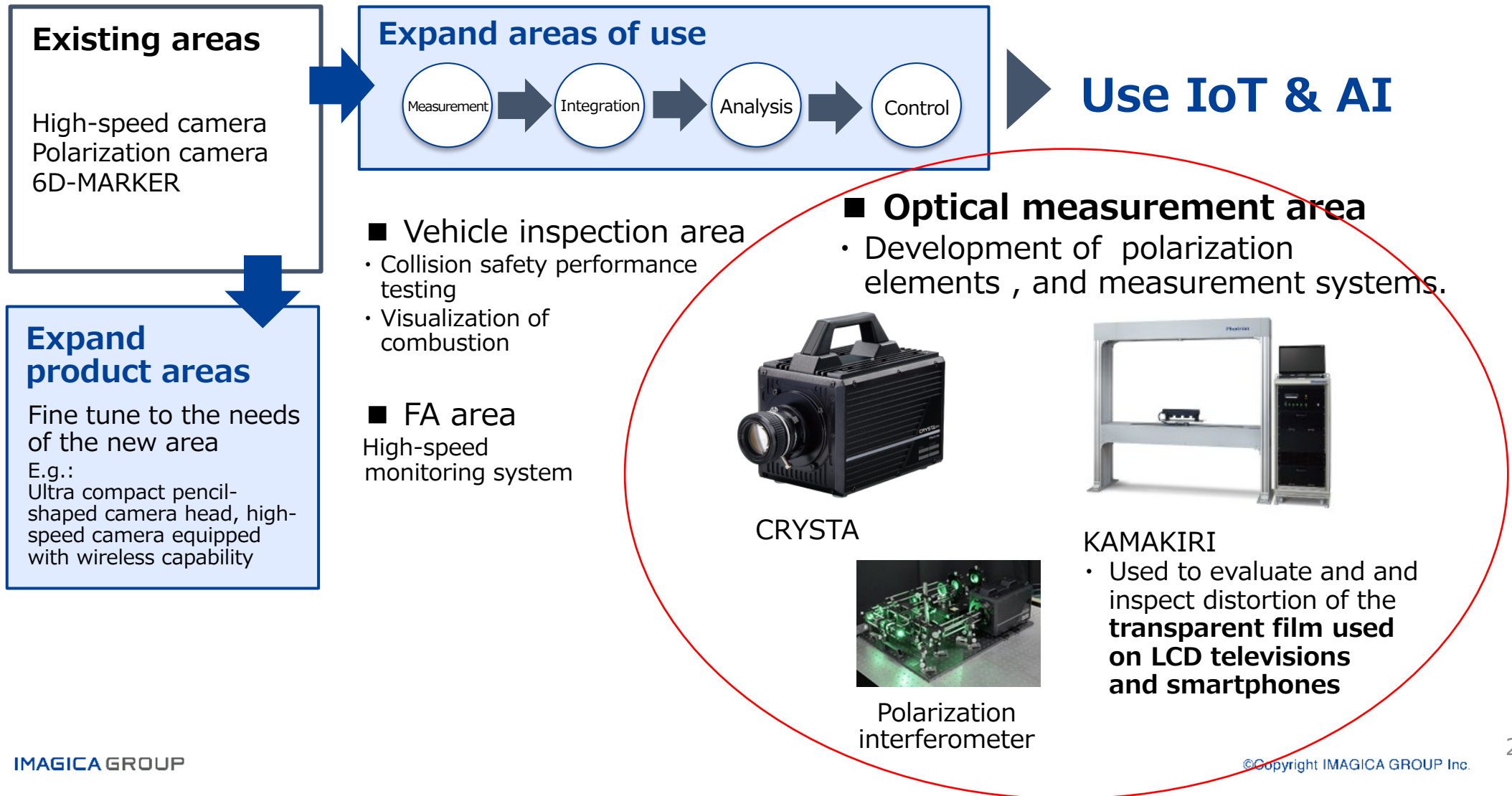
The COVID-19 pandemic is also having a ripple effect on the video production workflow online.

↓  
We launched this service in November and aim for top share.

II. Progress on Priority Measures for FYE Mar. 2021

5. Utilize Imaging in the Industrial World (1) Expansion from Existing Areas

**New Challenges in the Optical Measurement Area**



II. Progress on Priority Measures for FYE Mar. 2021

5. Utilize Imaging in the Industrial World (2) Acquisition of shares in Photonic Lattice, Inc.

**PHOTRON LIMITED acquired 100% of the shares in Photonic Lattice, Inc. This will be the expansion of Optical Measurement Business.**

Photonic Lattice, Inc. is a technology venture company from Tohoku University, which excels in photonic crystal designing and manufacturing of Photonic Crystal.

Technological  
Advantage

**Photonic Lattice is one of the few companies in the world that can design and mass produce Photonic Crystals.**

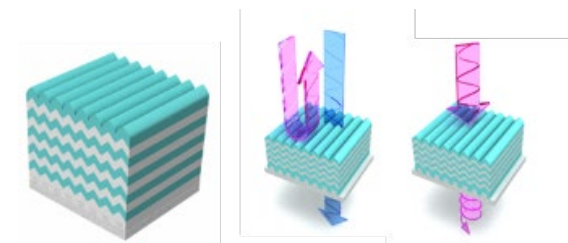
Basic Patents

**Photonic Lattice holds highly effective patents of photonic crystals and polarization cameras.**

Joint Development  
with Photron

**Photonic Lattice has engaged in joint development of polarization cameras and other devices with the Optical Measurement Divisions of PHOTRON for more than 10 years.**

\* A Photonic Crystal is an artificial crystal that can control light path and direction of light. It is expected to be used in the field of optical multiplexing communication (5G), and Optical Measurement area.



Controls light pass, and direction via a highly flexible 3D nano structure.



## **Purpose of share acquisition:**

### **To expand the optical measurement business of PHOTRON LIMITED**

Build a more closely integrated relationship between the two companies in development, sales, manufacturing, and management.



**1**

**Secure a stable supply chain, shorten development lead time, and improve manufacturing quality.**

**2**

**Develop and sell new products in the optical measurement area, using the technology of Photonic Lattice.**

**3**

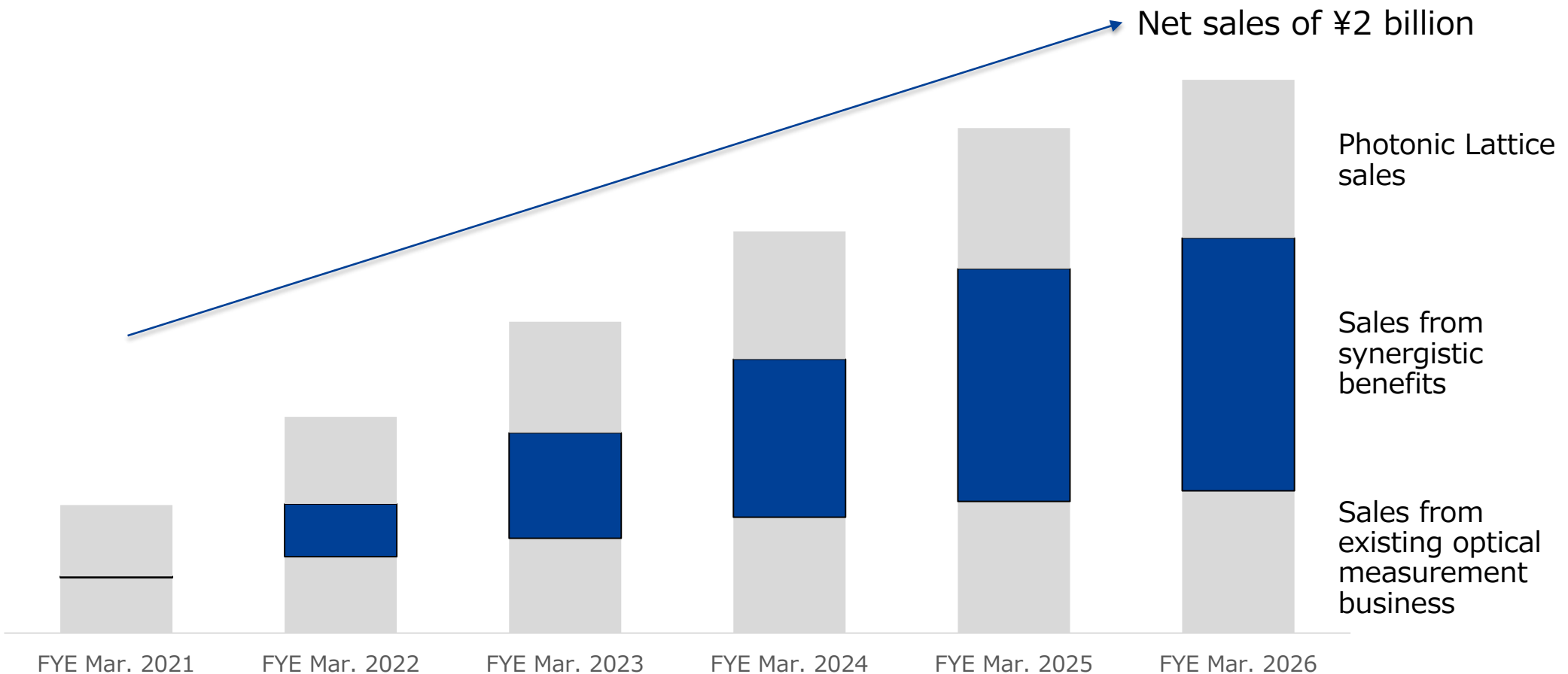
**Engage in new product development in the optical communications and semiconductor manufacturing sectors where market growth is anticipated and pursue global market expansion.**

II. Progress on Priority Measures for FYE Mar. 2021

5. Utilize Imaging in the Industrial World (4) Vision Targeted by the Optical Measurement Business

**Target net sales of ¥2 billion in 2025 through synergistic benefits.**

Image of growth in the optical measurement business of PHOTRON LIMITED



**Invest in the future.**

**Curb unnecessary and non-urgent investment,  
And steadily implement priority measures for FYE Mar. 2021**

**Develop a new global  
strategy**

**Propose new ways  
to provide entertainment**

**Innovate in video  
production processes**

**Utilize imaging  
in the industrial world**

# Feature film productions and drama productions to be released in the third quarter onward

*STAND BY ME Doraemon 2*

Nov. 2020 release

Image not displayed  
due to copyright considerations

© Fujiko Pro/2020 STAND BY ME Doraemon 2  
Film Partners

*Alice in Borderland*

Exclusive streaming on  
NETFLIX from Dec. 10

Image not displayed  
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© Haro Aso, Shogakukan/ROBOT

*Pocket Monsters the Movie: Coco*

Dec. 25 release

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