

Imagica Robot Group

Mid-term management plan 2020

Imagica Robot Holdings Inc.

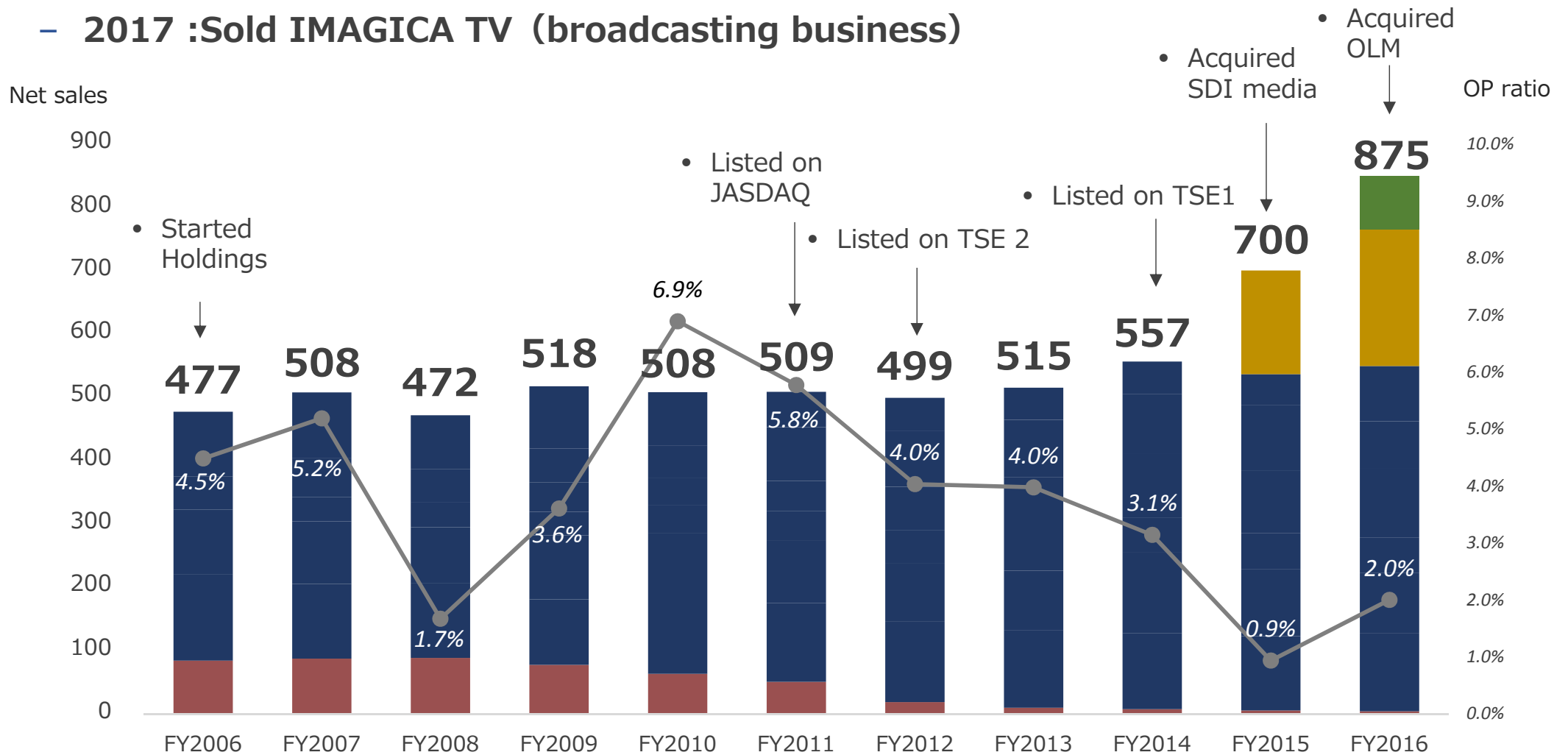
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1. History

History

- 1935 :Founded
- 2006 :Started holding company
- 2014 :Listed on the first section of Tokyo stock exchange
- 2015 :Acquired SDI media 2016 :Acquired OLM group
- 2017 :Sold IMAGICA TV (broadcasting business)



2. Business environment

Current issue

Business branched out. Difficult to grasp core domain or business strategy.



Clarify business strategy through selection and concentration

Low profitability

- Consolidated OP ratio 2.0% *FY2016
- Large goodwill amortization related to large-scale M&A
- Media localization(SDI Media)recorded operating losses



Improve ability to generate profits

Growth driver unclear

- Existing business(excluding M&A) sales 101%YoY*FY2016



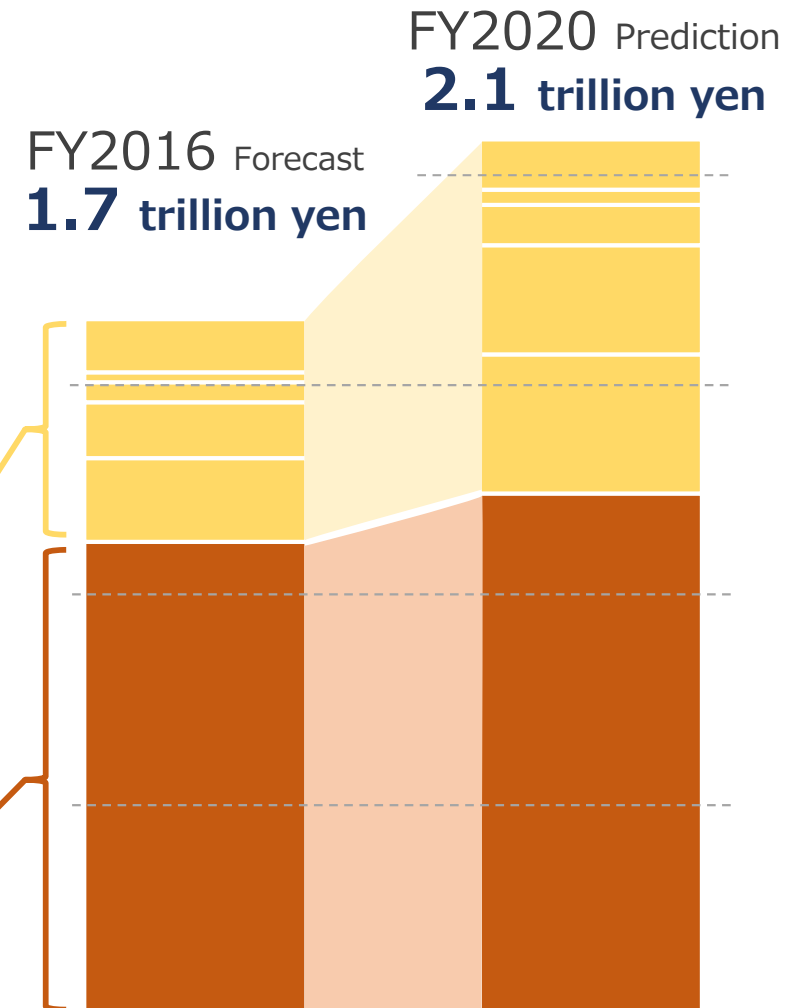
Clarify growth drivers

With the rapid growth of the **video streaming, digital signage, and AR/VR markets**, needs for video content production and video system solutions expected to rise rapidly

Total market CAGR : 6%

- Distribution and Technology** CAGR:16%
- Production** CAGR: 2%

- Other film solution
- Education + Medical film, Telemedicine
- AR / VR solution
- Digital signage + Projection mapping
- Digital distribution + Contents distribution + Digital cinema
- Film production



Source Fuji-Keizai Group 「Next generation film business 2017」

Advance digitization and networking in film & video market



Upgrade visual presentation

Diversify visual utilization

Upgrade content distribution

3.Group Principles

Group Management Principles

We approach the creation of new value with integrity and commitment and strive to achieve visual communications that deliver surprise and excitement to people around the world.

Our Ideal Situation for 2020

To be an Only One creative & technology group that delivers world-class visual content, production services, and imaging systems solutions.

Group Basic Strategy for 2020

1. Use growth drivers to expand business
2. Improve ability to generate profits
3. Strengthen operating platform

4. New business segment

New business segment

- **Sold TV Channel Operations & media Businesses (IMAGICA TV)**
- **Focus on 3 business field**

- 3 business field
- ① **Content Creation**
 - ② **Production Services** (Production Services & Media Localization)
 - ③ **Imaging Systems & Solutions**

6 Previous segment (until FY2016)

- ✓ Post Production & Media Distribution
- ✓ Creative Services & Content Production
- ✓ Imaging Systems & Digital Video Solutions
- ✓ Human Resource Consulting & Staffing Services
- ✓ Media Localization
- ✓ TV Channel Operations & media

Businesses ► Sold

4 New segment (from FY2017)

Content Creation

Production Services

Media Localization

Imaging Systems & Solutions

Production
Services

New business segment details

Content Creation

- Production of feature films, TV dramas, Animations
- Advert work such as TV-commercials
- Production of visual contents in exhibition (Projection mapping, Digital signage, AR&VR)

Imaging Systems & Solutions

- High-speed video cameras
- TV broadcast imaging equipment
- CAD software and systems
- Medical imaging systems



Production Services

Production Services

- Production, Editing & Sound Services
- Digital Cinema, Film to Video Transfer
- Human Resources Consulting Business



Media Localization

- Translation, Dubbing and Subtitling Services

Clients: Hollywood studio and Internet television network



5.Group Strategy

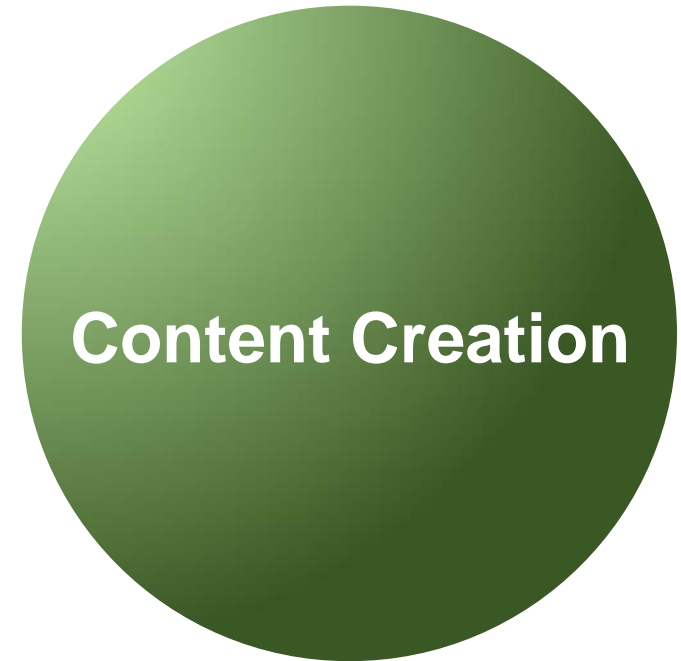
Growth Driver



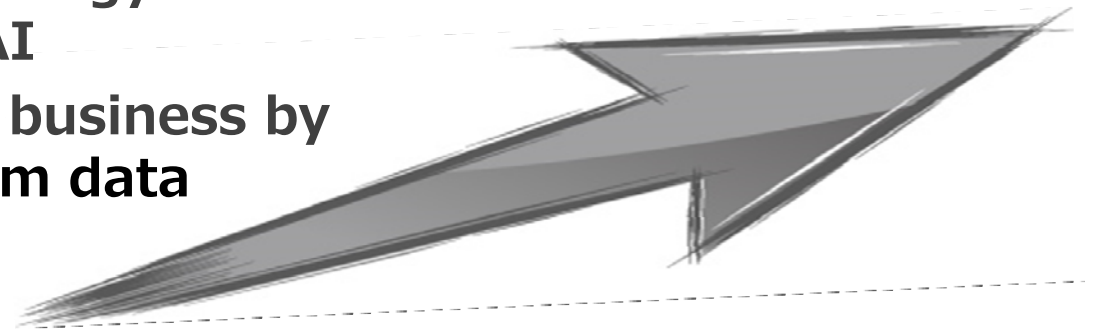
- **Upfront investment on growth business**



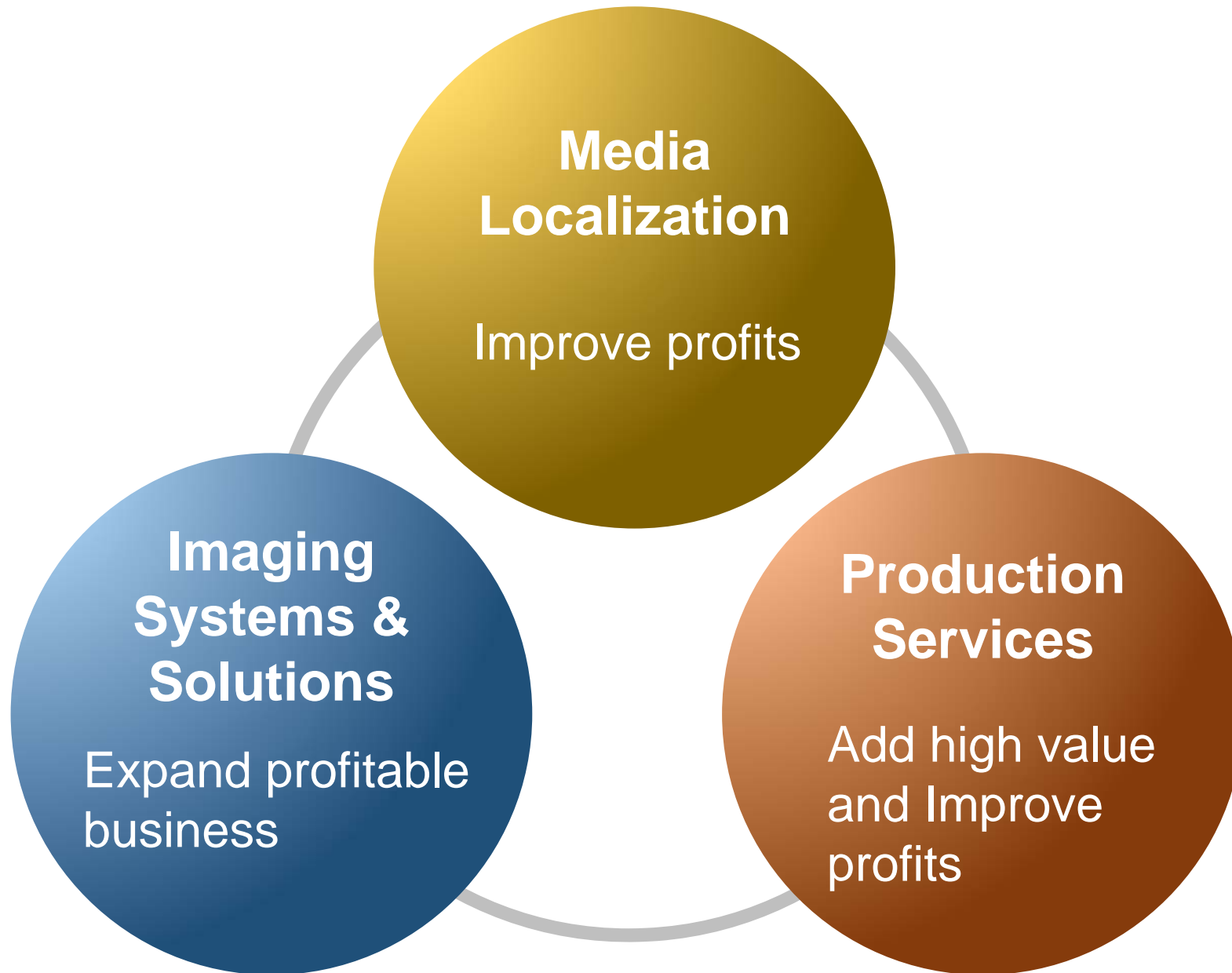
- **Expand business by new technology such as IoT & AI**
- **Build new business by video & film data**



- **Produce original contents**
- **Expand rights business**
- **Build new business**



To generate profits

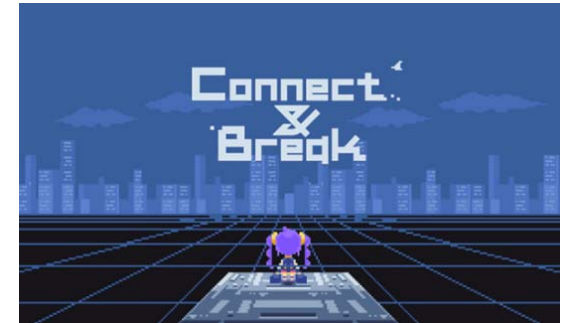


Produce original contents and expand rights business

Produce and launch brand-centric original content continuously



© Sprite Animation Studios



©ROBOT COMMUNICATIONS INC.

Build and expand new business

Incorporate 4K/8K, VR/AR, and other new technology to product industry-leading video content



8K/HDR Original Video Work 「LUNA」
©ROBOT COMMUNICATIONS INC

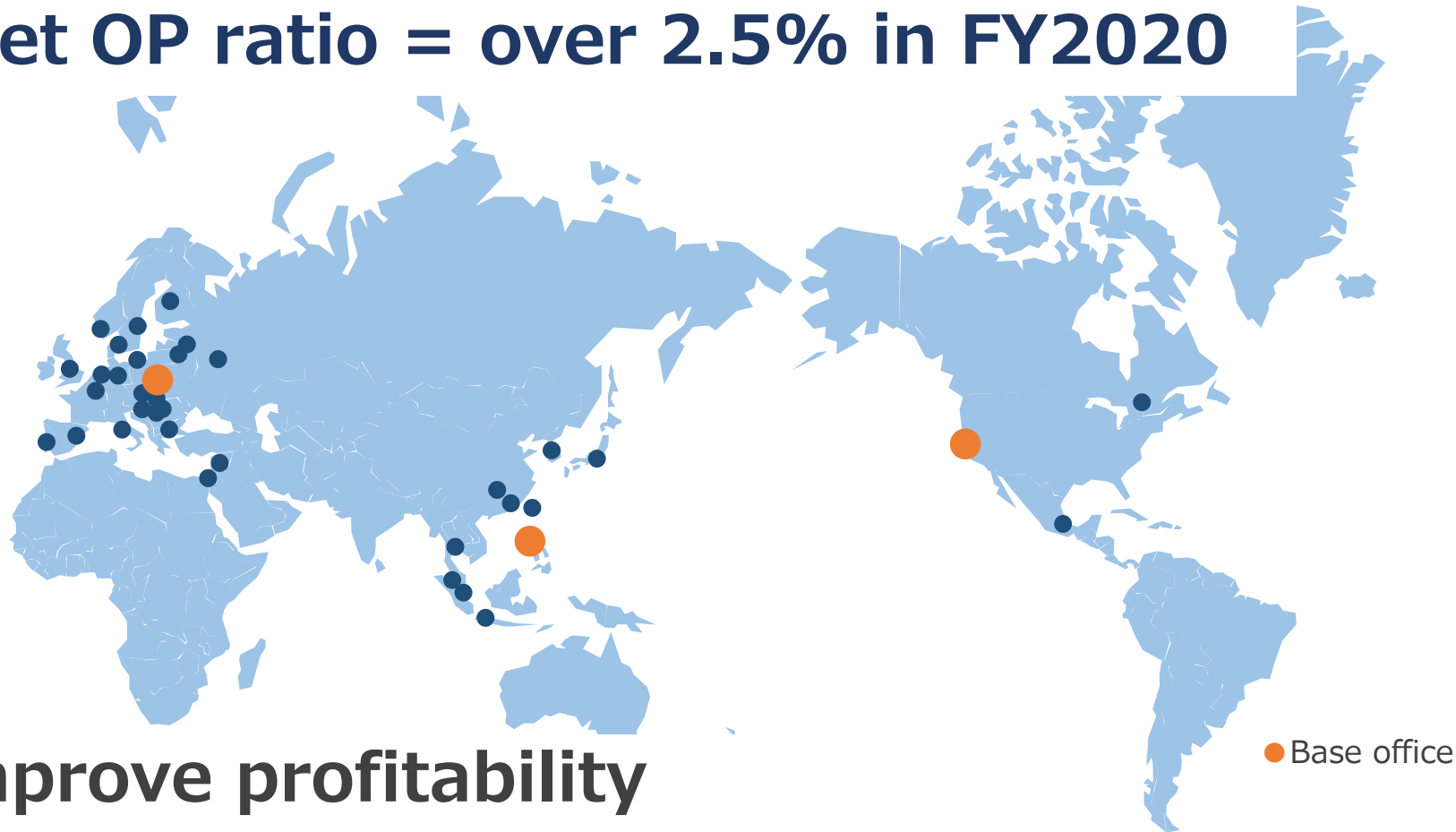


VR version Rhythm dance game
「INPEX Energy Rhythm」



Tokyo international projection mapping
Awards Vol.1

Target OP ratio = over 2.5% in FY2020

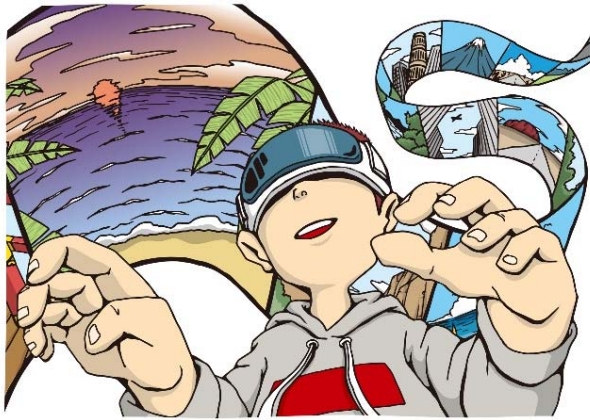


Improve profitability

- ▷ Strengthen relationships with fast-growing OTT companies and existing major customers to maintain and expand business
- ▷ Improve margins for each customer and incorporate IT into workflow to reduce operating costs
- ▷ Review and restructure offices in Europe and Asia

Upfront investment on growth business

Investment on group R&D



- ▷ VR (Virtual reality)
- ▷ AR (Augmented reality)
- ▷ MR (Mixed reality)



- ▷ AI
(Artificial intelligence)



- ▷ IoT
(Internet of things)

Investment on Driver business

- ▷ Original contents
- ▷ House brand business
- ▷ M&A

| Create workplace everyone can be active

Restricting work hours

Promote work-life balance

Promote diversity



Review work-flow

Promote telework

Introduce interval-system

**Improve
productivity
and quality**

**Demonstrate
Creativity**

**Secure skilled
personnel**

Move to company with audit and supervisory committee

| Goal

Enhance corporate governance and work to improve corporate value

- ▷ Enhance auditing and supervisory functions of the Board of Directors
- ▷ Accelerate decision-making by authorization

| Effective date

June 28, 2017

6.KPI in 2020

Management KPI

FY2016

FY2020

Net sales

¥85bn



¥100bn

OP ratio

1.5%



5%

■ Dividend payout ratio 30%

Our Group positions profit returns to shareholders as one of our corporate management goals. Our principle approach to dividends is to issue profit dividends tied to consolidated performance with a goal consolidated dividend payout ratio of **30%**. We will continue working to maintain stable dividends and improve our dividend payout level.

【About this document】

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