

Financial Results Presentation for FY2018 2Q

株式会社IMAGICA GROUP

Code : 6879

December 4, 2018

The logo for IMAGICA GROUP, featuring the word "IMAGICA" in a stylized, white, sans-serif font with a thin white arc underneath it, and the word "GROUP" in a simpler, white, sans-serif font below that. The logo is centered on a dark blue background that has a curved top edge.

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FY2018 2Q financial results and FY2018 forecast

Business strategy

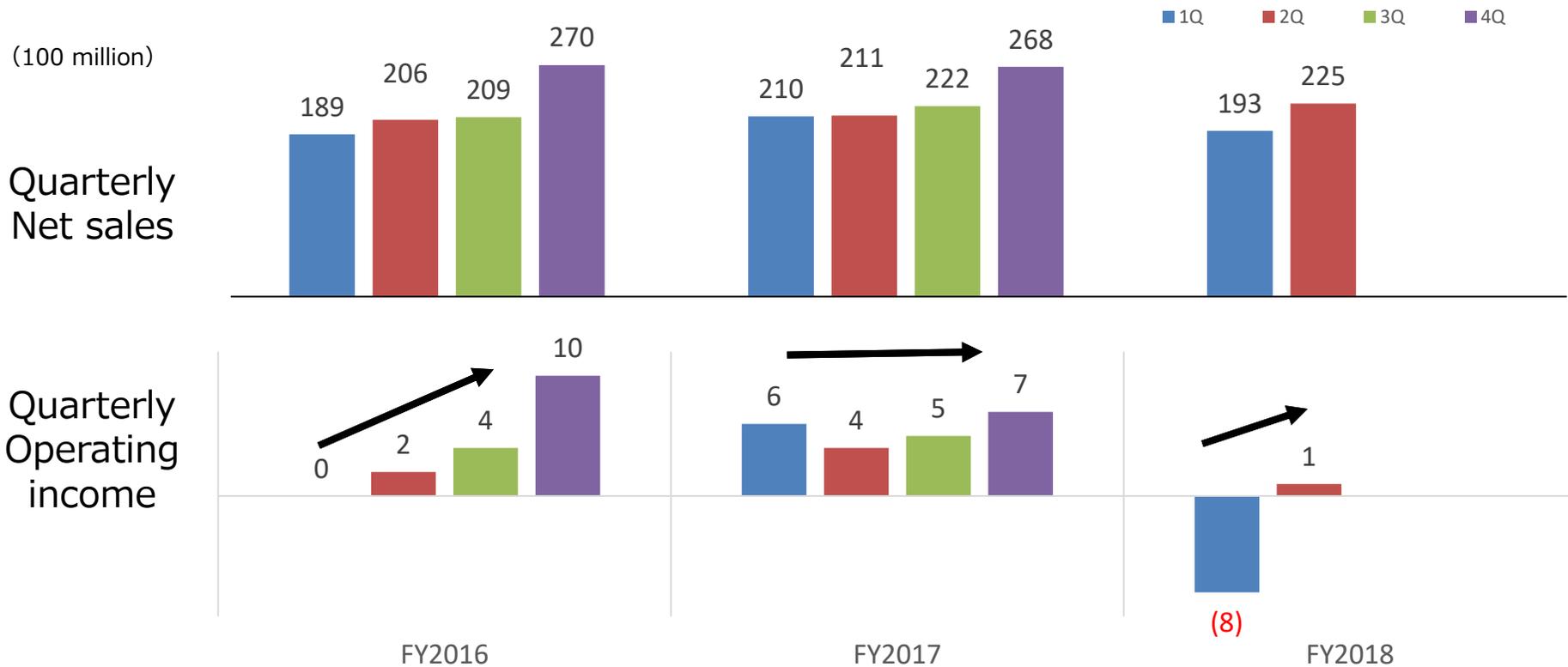
Topics

FY2018 2Q financial results and FY2018 forecast

Quarterly financial results trend



100million	FY2016 Actual	FY2017 Actual	FY2018 Forecast
Net sales	875	913	900
Operating income	17	24	5

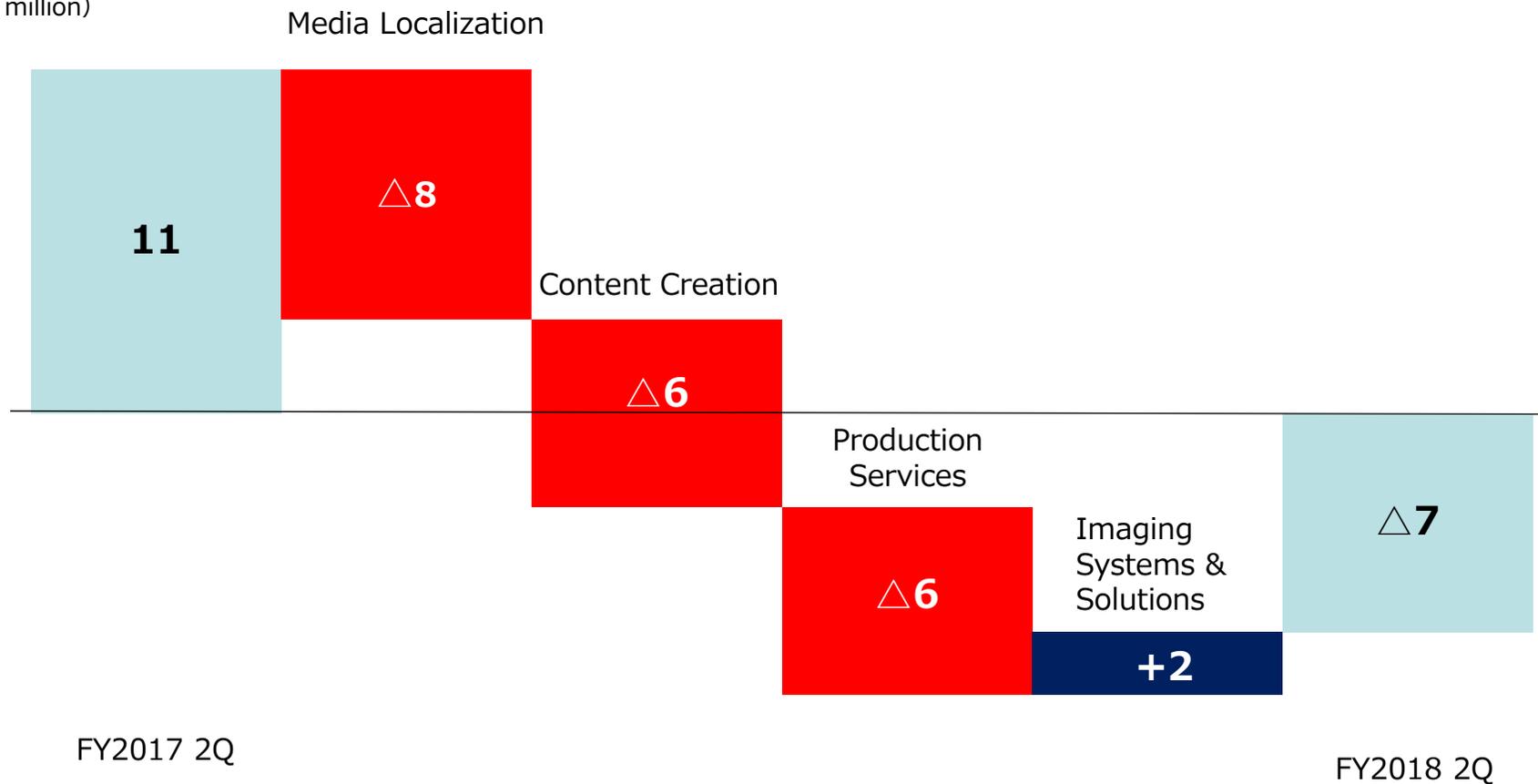


Operating income: YoY Change



Imaging Systems & Solutions recorded 200 million yen in increased income but other 3 segments recorded decreased income

(100 million)

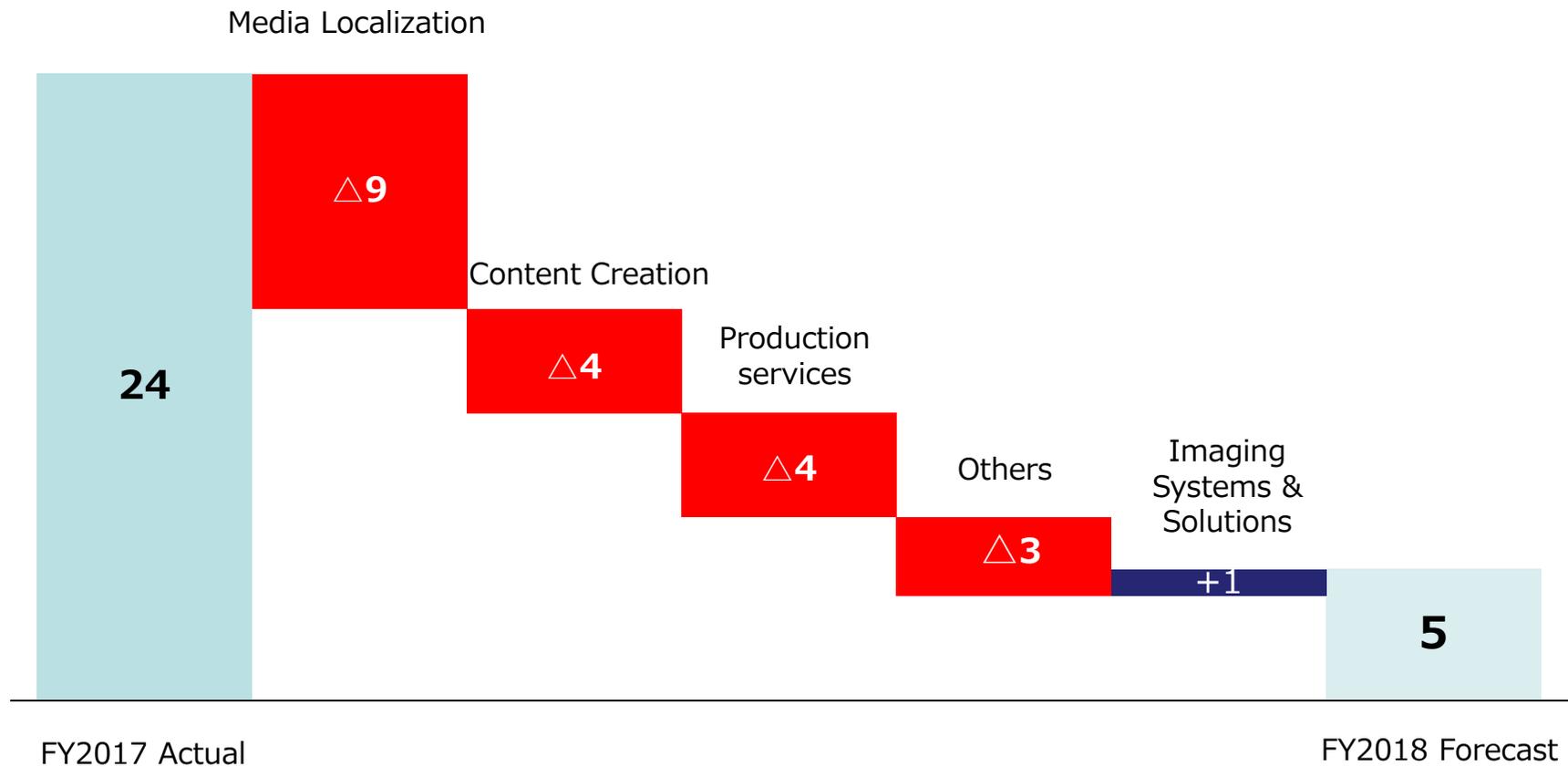


Forecast of operating income: YoY Change



Projecting 3 segments decreased income other than Imaging Systems & Solutions

(100 million)



FY2018 Forecast by business segment



Content Creation

- ✓ Favorable orders for TV CM and TV animation production
- ✓ Animation production costs increased higher than expected

Production Services

- ✓ Favorable post-production for TV animation and digital cinema
- ✓ Decrease in orders of post-production for TV program

Media localization

- ✓ North America : Decrease in localization of old titles for OTT
- ✓ Europe : Both net sales and income firm
- ✓ Asia : Decrease in distribution of Hollywood works to Asia

Imaging Systems & Solutions

- ✓ Firm demand for 4K/8K system integration for broadcast stations
- ✓ Favorable imaging and photo processing LSI sales to China

Business strategy

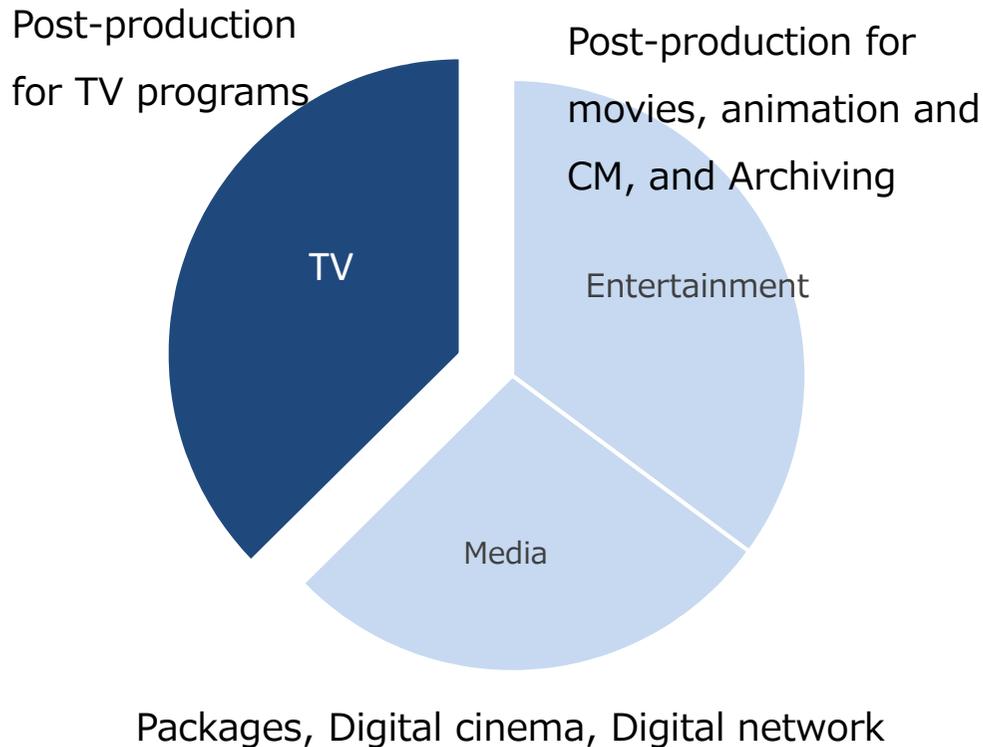
Production Services

Improve TV program post-production revenues-1



➤ About IMAGICA Lab. * Figures are FY2018 forecast

Net sales composition by business



Net sales YoY by business

IMAGICA Lab. total	95.9%
Entertainment	102.7%
Media	101.5%
TV	87.2%

Production Services

Improve TV program post-production revenues-2



- Implementing reforms to create uniform editing process with clients

Before

- ✓ System of clients + 2 staff members working in the same room until the end of editing work
- ✓ Many processes don't require all members so there is a lot of restraint time ⇒ Long restraint times, Inefficient assignments



After

- ✓ Create large room that allows centralized management of multiple projects, and enables multiple staff to conduct editing work simultaneously.
- ⇒ Reduce restraint times, efficient use of personnel, increase editing capacity

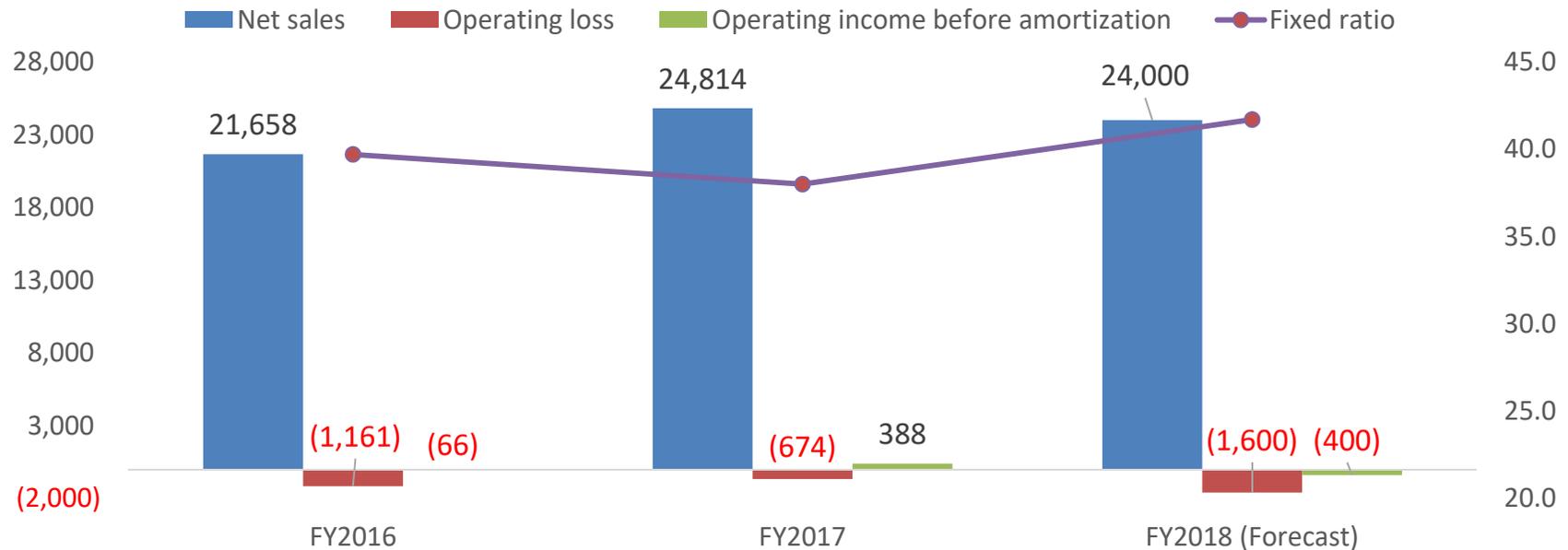
Increase orders and Improve revenues by efficiency

Performance of Media Localization segment



(Million)

(%)



	FY2016	FY2017	FY2018
OTT market	Start up period	Growth period	Turning period
Media Localization segment	Full-scale start of OTT services	Increased personnel to response to rapid increase in localization of old titles	Decreased localization of old titles

1

More services for OTT providers

2

Focus on localization of cinema works to create high profits

3

Invest on IT system to improve work efficiency

4

Expand localize business about Japanese

Target of Production service segment

Film production workflow



Target: End to End service in Japan and overseas

Japan : Localize business
(IMAGICA Lab.)



Overseas : Distribution business
(SDI Media)



Topics

1. Research & Development

- ✓ Launch group R&D departments (October 2017)
To gather information and promote R&D about advanced technology for image production
- ✓ Start some studies with universities and public institution
Joint research with some universities about new image technology using AI
- ✓ **Present one research result among above some studies, “Pre-and Post-Process for Automatic Colorization using a Fully Convolutional Network” at SIGGRAPH ASIA 2018**
Succeeded in developing the world's first technique for automatic colorization of Japanese anime production



Aim to put this research to practice use at 2020

2. New product of High-Speed Camera

“FASTCAM NOVA” on 15, November 2017

Compact and versatile high performance camera system

FASTCAM
NOVA



- ✓ Maximum frame rate: 1,000,000fps
 - Conventional ratio of over 8 times
- ✓ 120×120×217.2mm • 3.3kg
- ✓ Class leading light sensitivity
 - ISO 64,000 monochrome, ISO 16,000 color
- ✓ Main sales target : R&D department inside and outside Japan
- ✓ Production volume : 200units per year (forecast)

3. Venture capital business

- ✓ Completed creation of venture capital fund:

Promised capital: approx. 1.4 billion yen – investment in venture companies involved in VR, AR, MR, and new video-related businesses in the media content domain

Main shareholders

Adways Inc.

East Japan Marketing & Communications, Inc

Shogakukan

TOMY COMPANY,LTD

DENTSU INC.

BANDAI NAMCO Holdings Inc.

mixi, Inc.

- ✓ Fund investment example (currently investing in 3 companies)

Cover Corporation: Operates distribution services for virtual YouTubers



<https://www.hololive.tv/>

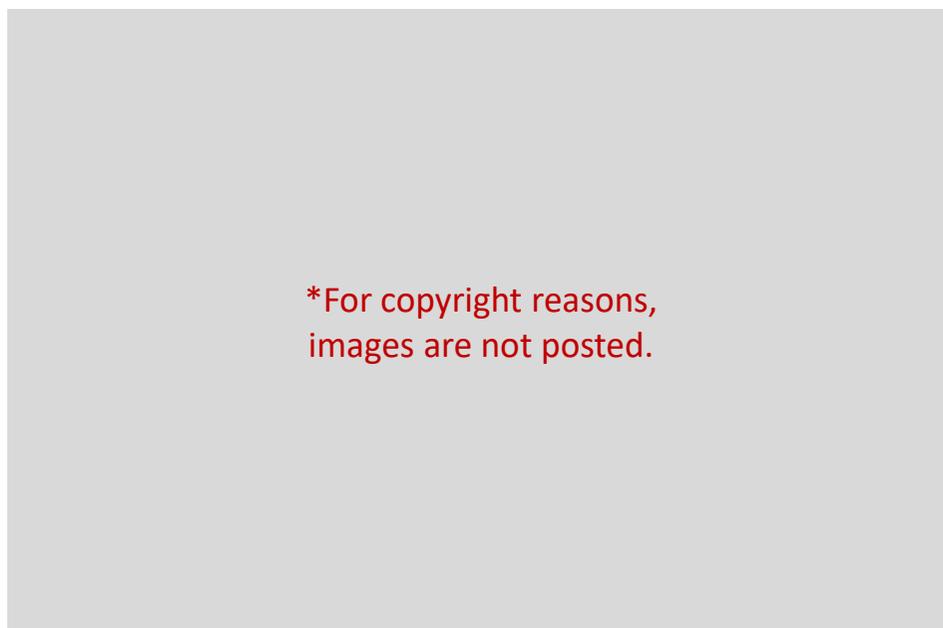
4. Content Creation segment-1

ROBOT

Children's animation

"OTOPPE"

- Children's TV program broadcast on NHK ETV
- Focuses on familiar sounds to provide new experiences that stimulate children's curiosity



NHK ETV Mon-Fri 8:40-8:45 on air

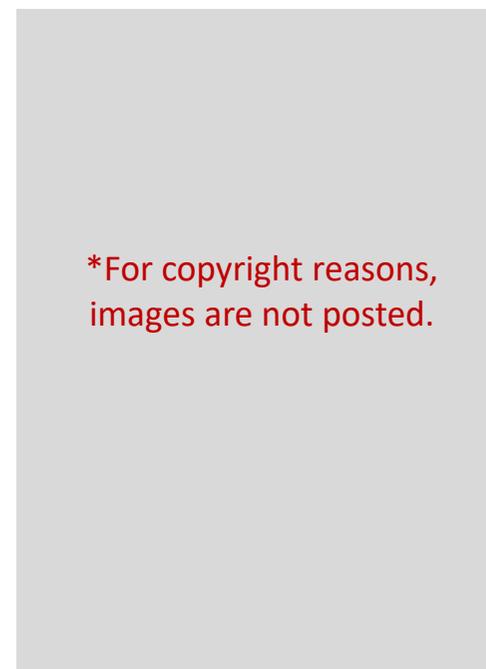
©NHK/オトツベ町役場

P.Y.C.S.

Original TV animation

"Space bug"

- Japan-Korea collaborative work with screenwriting and directing by Hiroyuki Nakao (director signed with Pics)
- Simultaneous production of Japanese and English versions to expand foreign market
- KBS Korea to start broadcasting from October 2019



TOKYO MX etc. on air

©W.BABA&TMS



Full 3DCG animation for overseas 「Tinpo」

First showing – 10th Decemner,2018 on CBeebies

CBeebies is a British free-to-air television channel owned and operated by the British Broadcasting Corporation (BBC).

*For copyright reasons,
images are not posted.

<http://www.tinpo.com/>

Appendix.

2Q Financial results by segments



(million yen)

Content Creation

Net sales (YoY)	Operating income(YoY)
10,697 (Δ0.1%)	Δ329 (Δ606)

- ✓ TV commercial and TV animation resulted in positive sales.
- ✓ Cost of theatrical animation, TV animation and full-CG works increased.

Production Services

Net sales (YoY)	Operating income(YoY)
13,266 (Δ2.8%)	Δ28 (Δ639)

- ✓ Post-production service for TV animation, digital cinema, digital network remained strong, but orders from TV program decreased due to TV programming reshuffle.

Media Localization

Net sales (YoY)	Operating income(YoY)
12,143 (Δ0.8%)	Δ828 (Δ803)

- ✓ Localization of old titles for OTT decreased.
- ✓ Americas and Asia were negative due to shifts in market

Imaging Systems & Solutions

Net sales (YoY)	Operating income(YoY)
6,704 (4.4%)	671 (230)

- ✓ 4K broadcast system sales remained strong, maintenance increase.
- ✓ Sales in LSI for China was strong.

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

Revision on consolidated forecast and dividend

(million yen)	FY2017	FY2018					
	Actual	Forecast On July 31	Revised Forecast	vs July 31	vs July 31 ratio	YoY	YoY ratio
Net Sales	91,351	93,000	90,000	△3,000	△3.1%	△1,351	△1.5%
Operating income	2,424	1,750	500	△1,250	△71.5%	△1,924	△79.3%
(Ratio)	2.7%	1.9%	0.9%				
Ordinary income	2,424	1,650	500	△1,150	△30.37%	△1,924	△79.3%
(Ratio)	2.7%	1.8%	0.9%				
Net income (loss) attributable to owners of the parent	2,937	1,100	700	△400	△36.3%	△2,237	△76.2%
Earnings per share of common	65.9	24.7	15.9	△8.8	△35.6%	△50	△75.9%
Dividend per share	10.0	10.0	5.0	△5.0		△5.0	

Revision on forecast by segments



(million yen)		FY2017 Full year Actual	FY2018 Forecast on July 31	FY2018 Revised Forecast	Vs July 31	YoY ratio	YoY
Content Creation	Net sales	25,289	23,200	23,200	0	△8.3%	△2,089
	Operating income (OP ratio)	799 3.2%	800 3.4%	400 1.7%	△400	△49.9%	△399
Production Services	Net sales	27,725	29,300	28,300	△1,000	2.1%	575
	Operating income (OP ratio)	1,209 4.4%	1,100 3.8%	800 2.8%	△300	△33.8%	△409
Media Localization	Net sales	24,814	26,000	24,000	△2,000	△3.3%	△814
	Operating income (OP ratio)	△ 674 -%	△ 1,050 -%	△ 1,600 -%	△550	-	△926
Imaging Systems & Solutions	Net sales	14,997	15,500	15,500	0	3.4%	503
	Operating income (OP ratio)	1,449 9.7%	1,600 10.3%	1,600 10.3%	0	10.4%	151
Others (Consolidated adaptation)	Net sales	△1,474	△1,000	△1,000	0	-	474
	Operating income	△359	△700	△700	0	-	△341
Consolidated	Net sales	91,351	93,000	90,000	△3,000	△1.5%	△1,351
	Operating income	2,424	1,750	500	△1,250	△79.3%	△1,924

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