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# New Mid-Term Plan "G-EST 2025"

**G-EST means: From four key strategies**

**G: The "3 Gs,"** Growth, Global, and Group

**E: E2E and Live Entertainment** (global E2E business, live entertainment business)

**S: System** (Imaging Systems & Solutions business)

**T: Transformation** (Transformation business)

# Review of the “Integration to 2021” Mid-term Business Strategy

(formulated in May 2019)

We developed the “**Integration to 2021**” Mid-term Business Strategy based on our business challenges and opportunities.

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

## 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**

# Achievements in the Previous Mid-term Strategy “Integration to 2021”

We have achieved a certain degree of progress over the past two years.

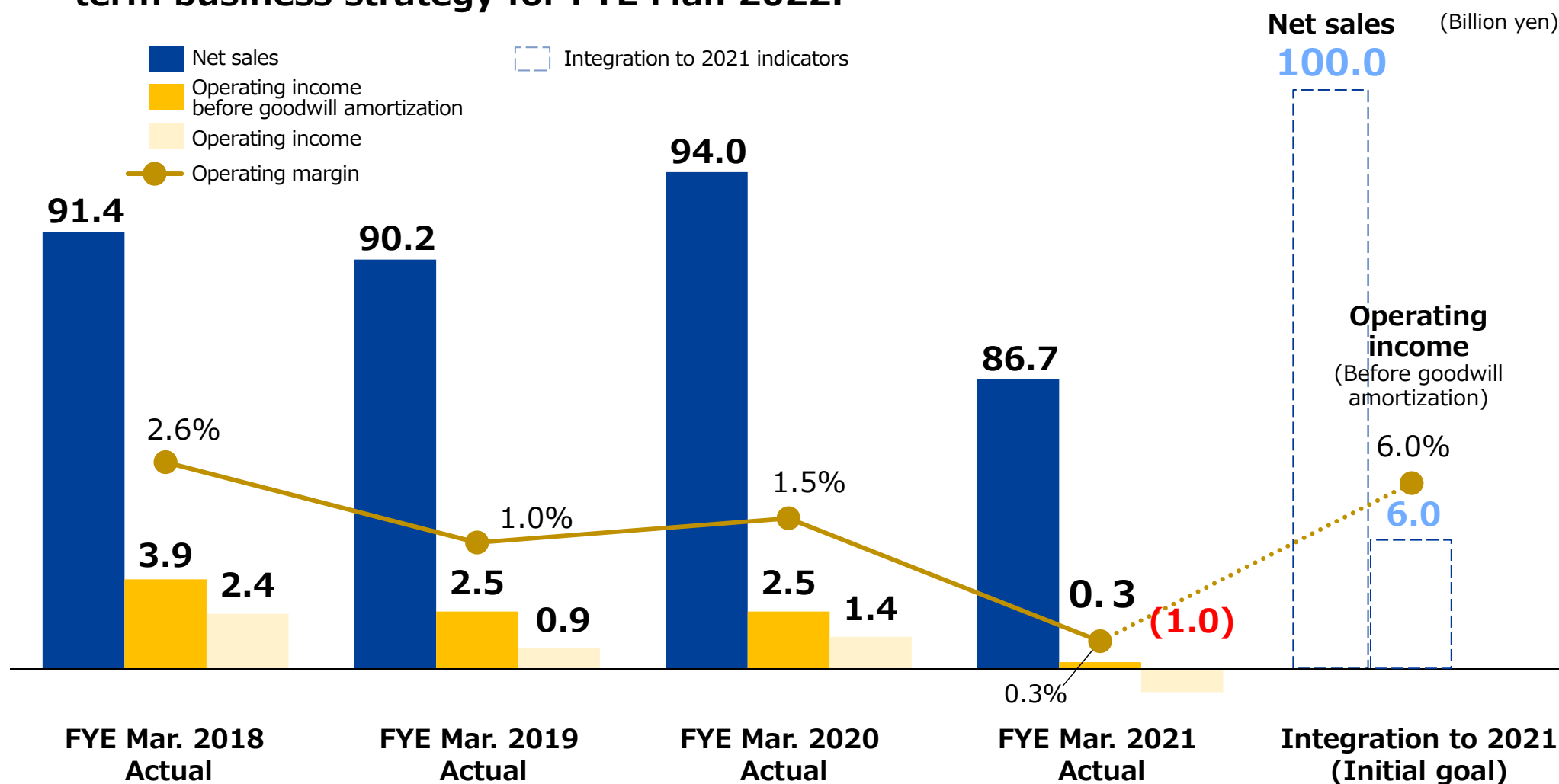
## “Integration to 2021” Assessment

1. <b>Develop a new global strategy.</b>	<ul style="list-style-type: none"><li>• <b><u>Made Pixelogic a consolidated subsidiary, sold SDI Media Group, Inc. and established IEMS*</u></b> to complete building a new global business structure.</li></ul>
2. <b>Improve profitability of existing businesses.</b>	<ul style="list-style-type: none"><li>• Cost management and improvement of ROBOT COMMUNICATIONS INC. and OLM, Inc. is underway.</li><li>• <b><u>Implemented structural reform in the Production Services business in April 2021.</u></b></li></ul>
3. <b>Transition to a new business model.</b>	<ul style="list-style-type: none"><li>• Started work on establishing a new business model for the IP business (Shufunotomo Infos Co., LTD.), digital marketing, cloud services, etc.</li></ul>
4. <b>Create and develop new businesses.</b>	<ul style="list-style-type: none"><li>• Expanded into new businesses by <b><u>establishing IMAGICA EEX Co., Ltd. (live entertainment), acquiring Photonic Lattice, Inc. (optical measurement)</u></b>, etc.</li></ul>
5. <b>Develop human resources and promote workstyle reform.</b>	<ul style="list-style-type: none"><li>• Began developing executive management and global talent.</li><li>• Will accelerate workstyle reform and diversity in the future.</li></ul>

\* IEMS: Imagica Entertainment Media Services, Inc.

# Trends in Business Results (FYE Mar. 2018 to FYE Mar. 2022)

- An operating loss was recorded in FYE Mar. 2021 due to the large impact from COVID-19.
- We expect it will be difficult to achieve the financial goals in the previous mid-term business strategy for FYE Mar. 2022.



# Challenges

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Following **six challenges** have been **revealed** due to the COVID-19 pandemic, **in addition to rapid market changes in the visual media industry.**

**1. We are just at the starting line in expanding revenues in the global market.**

- We have built a new global business structure, but the results in terms of net sales will emerge in FYE March 2022 and beyond.

**2. We are working on domestic growth markets, but the business scale is still small.**

- We have entered the live entertainment market and other new markets, but business expansion will occur from this point onward.

**3. We rely on the Imaging Systems & Solutions business for profit.**

- We cannot hedge risks with our current business structure amid rapid social changes and need a second and third pillar of business.

**4. Improving the profitability of existing businesses continues to be a significant challenge.**

- Transforming the business structure and entering growth markets are pressing issues amid the rapid changes in the market environment.

**5. Operational improvements through digital technology and data utilization are insufficient and not yet established.**

**6. Further efforts are needed to secure and develop talent.**



**We have formulated a new mid-term plan to resolve these challenges.**

# Goal of the New Mid-Term Plan "G-EST 2025"

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**Become a Group consisted of a balanced, highly profitable businesses that is resilient even under adverse circumstances**



**Make the global E2E business a second pillar of the Group.**

**Put the live entertainment business on the path to growth.**

**Leverage the highly profitable Imaging Systems & Solutions business to an even greater degree.**

**Stabilize transformational businesses\* and build a structure capable of generating profit.**

**\* Transformational businesses:** Production services (feature film shooting and editing, human talent solutions), anime production, feature film/drama production, TV commercial/video production

# Key Strategies in the New Mid-Term Plan "G-EST 2025"

Become a Group consisted of a balanced, highly profitable businesses that is resilient even under adverse circumstances

## <Key Strategies>

1. Expand "Global E2E" Business

2. Establish a new Live Entertainment business

3. Generate Additional Business Value in the Imaging Systems & Solutions business

4. Complete Transformation in the "Transformational business"

## <Strategic Measures>

Achieve company transformation through DX

Strengthen R&D capabilities

Secure & activate talented employees

## <Resolve Social Challenges and Achieve Sustainable Growth>

SDGs initiatives

# Financial Goals in the New Mid-Term Plan "G-EST 2025"

## Targeting to become a balanced business structure

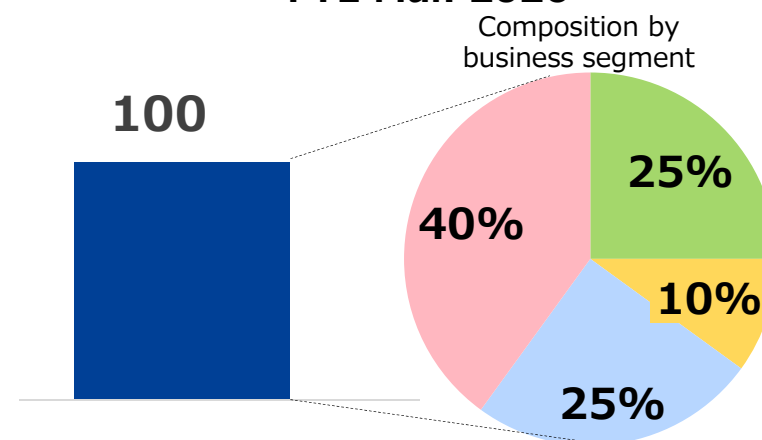
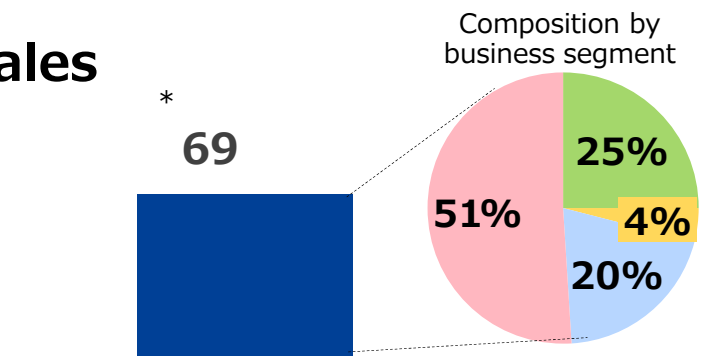


(Billion yen)

FYE Mar. 2021 Actual

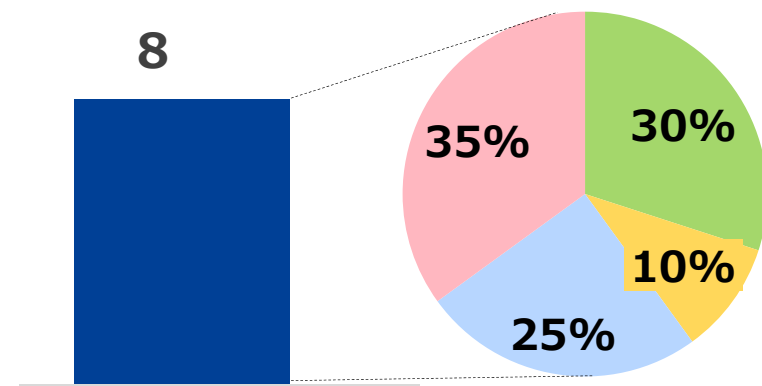
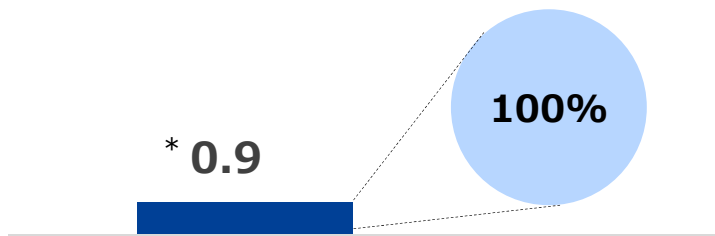
FYE Mar. 2026

### Net sales



### Operating income

(Before goodwill amortization)



\* Net sales and operating income for FYE Mar. 2021 were adjusted for the impact from a change in accounting policies in overseas M&A and the Imaging Systems & Solutions business, for purposes of comparison.



# Key Strategies in the New Mid-Term Plan "G-EST 2025"

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1.  
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2.  
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business

3.  
Generate Additional  
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the Imaging  
Systems &  
Solutions business

4.  
Complete  
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"Transformational  
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## <Strategic Measures>

Achieve company  
transformation  
through DX

Strengthen R&D  
capabilities

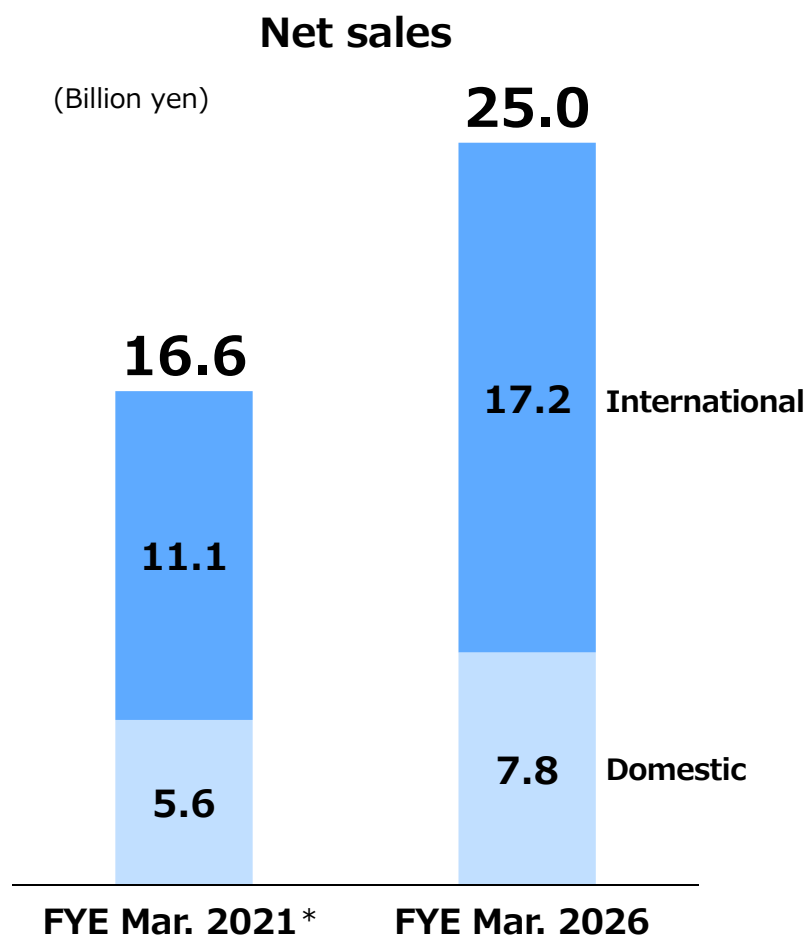
Secure & activate  
talented employees

## <Resolve Social Challenges and Achieve Sustainable Growth>

SDGs initiatives

## Vision for the Global E2E Business

Expand the business domain globally by integrating operation of Pixelogic and Imagica Entertainment Media Services, Inc.



### Pursue a global E2E service structure

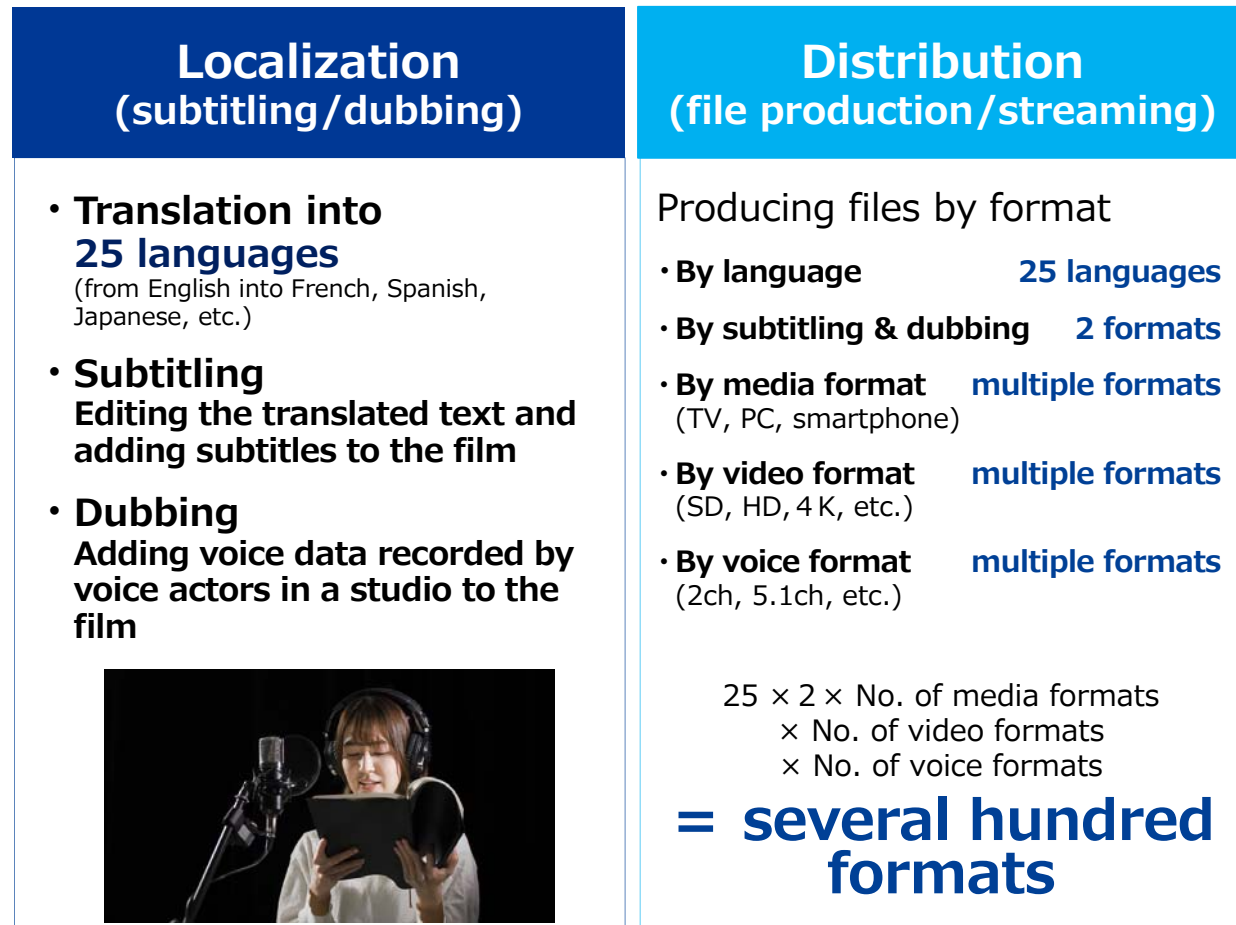
- Increase orders for E2E services received from video streaming service providers.
- Strengthen efforts to expand the business to the Asian market.
- Share domestic and international customer bases
- Improve productivity by sharing systems.

\* FYE Mar. 2021 results reflect full-year sales of Pixelogic.

# Global Client Needs

Worldwide Simultaneous release requires implementing complex tasks in a secure environment over a short period of time.

## E2E services (rapid delivery)



(Example)  
Decision to distribute the biggest hit Sci-Fi film in 25 languages

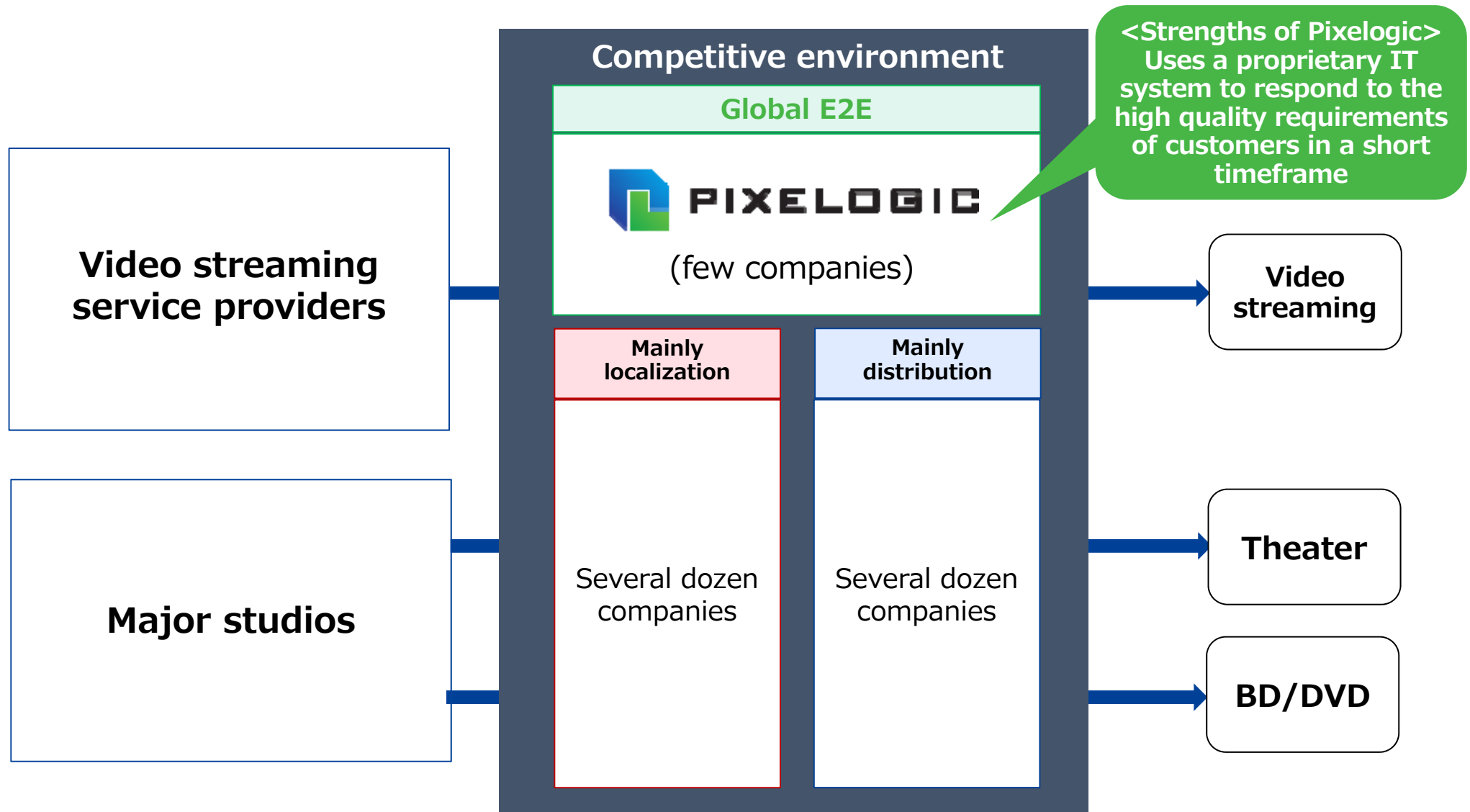


Worldwide Simultaneous release in 25 languages



# Competitive Environment Surrounding Pixelogic

Pixelogic is one of the few E2E service providers capable of providing seamless localization and distribution, even on a global basis.

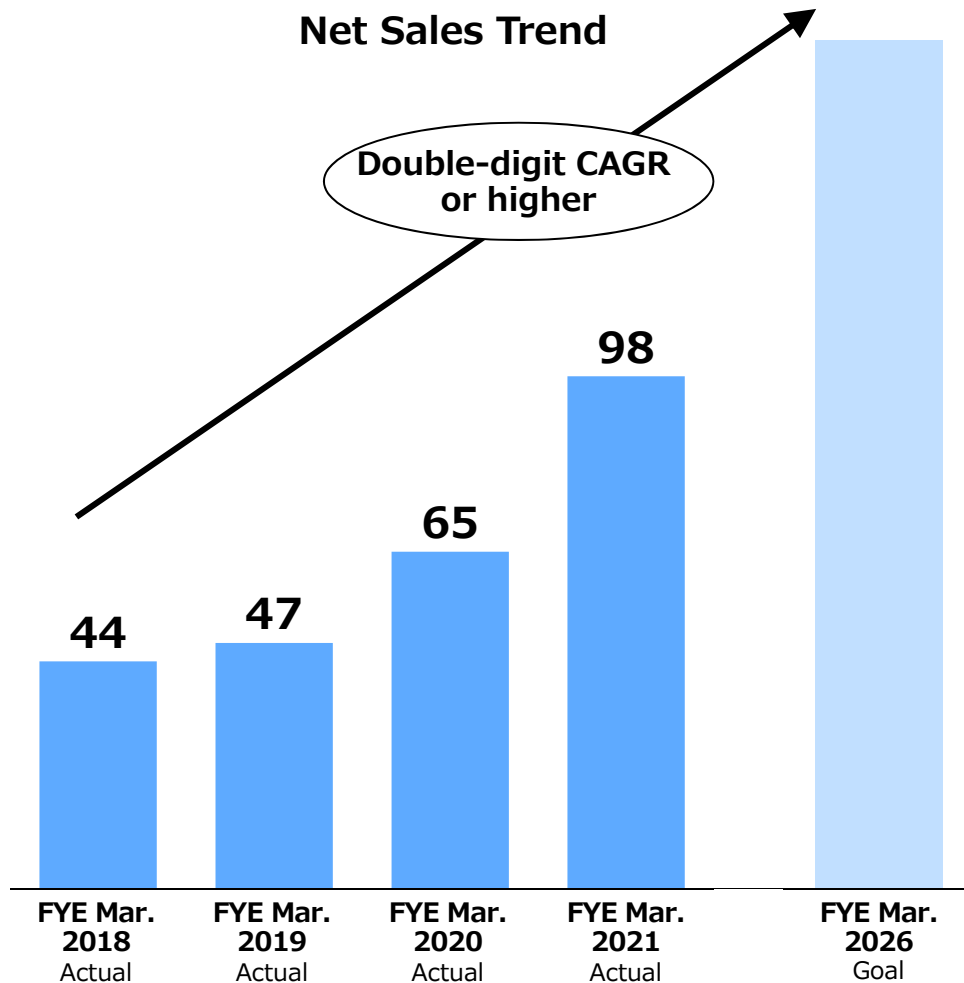


# Competitive Advantage of Pixelogic

Achieve a high growth rate (double-digit CAGR or higher) and high profitability through competitive superiority on the following points.

(Billion yen)

<Pixelogic>  
Net Sales Trend



High growth rate

## Provide secure, high-quality service only possible through E2E

Uses the proprietary pHelix IT system to provide **secure, high-quality, seamless service** that supports the requirements for a **short delivery timeframe, many languages, and many file formats.**

Strong trust from customers

High profitability

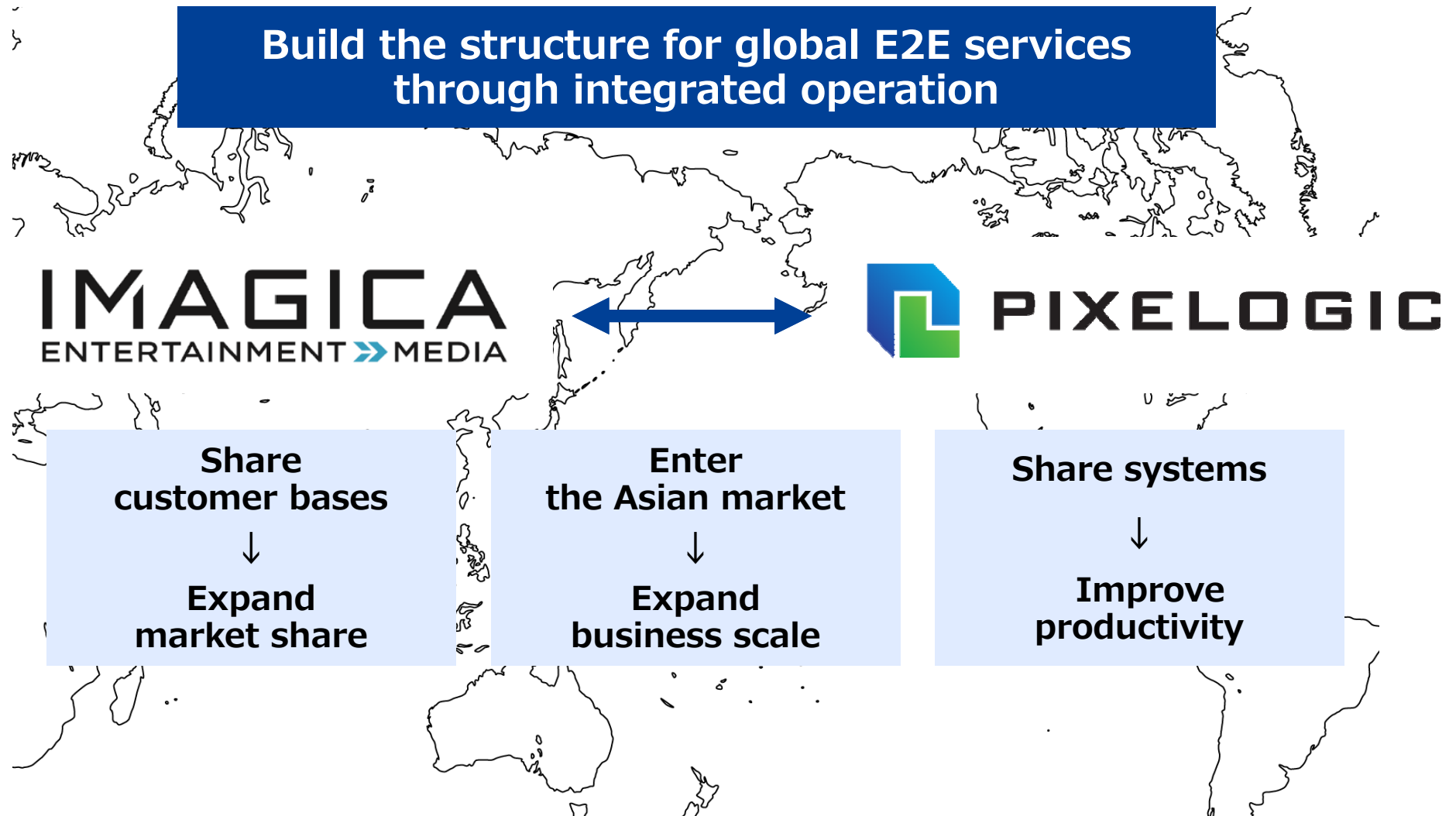
## High productivity, low-cost

Uses the proprietarily developed IT system to **automate** tasks (IT system developed at a location in Egypt)  
**Minimum necessary owned studios**  
Network of translators and dubbing studios (production of English files in South Africa, etc.)

High gross margin

## Services Structure of the Global E2E Business

Increase productivity, expand the scope of services provided, and expand the business through integrated operation of Pixelogic and Imagica Entertainment Media Services, Inc.



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Achieve company transformation through DX

Strengthen R&D capabilities

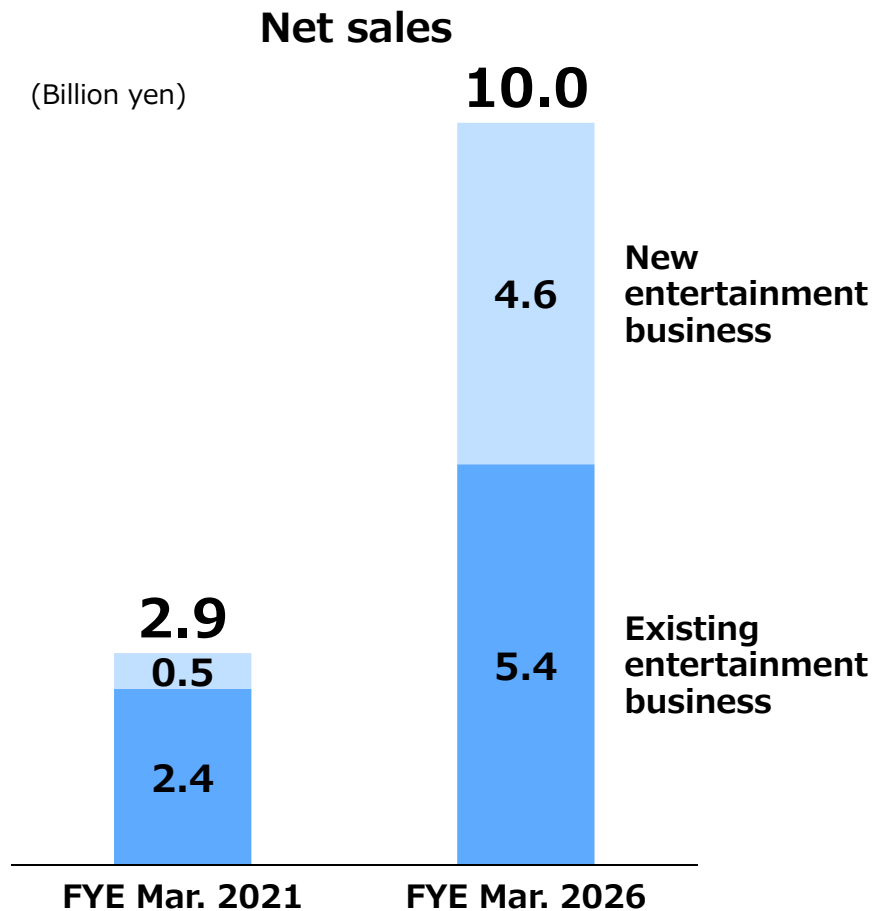
Secure & activate talented employees

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SDGs initiatives

## Vision for the Live Entertainment Business

Establish a new business model through cross-organizational Group efforts and expand business.



### Establish a new business model

- Enter the digital event area (planning and producing online live streaming)
- Establish a business with a revenue-sharing business model through cooperation with streaming service providers and talent agencies.
- Launch a sports tech business that provides a new spectator experience and imaging solutions for sports events.

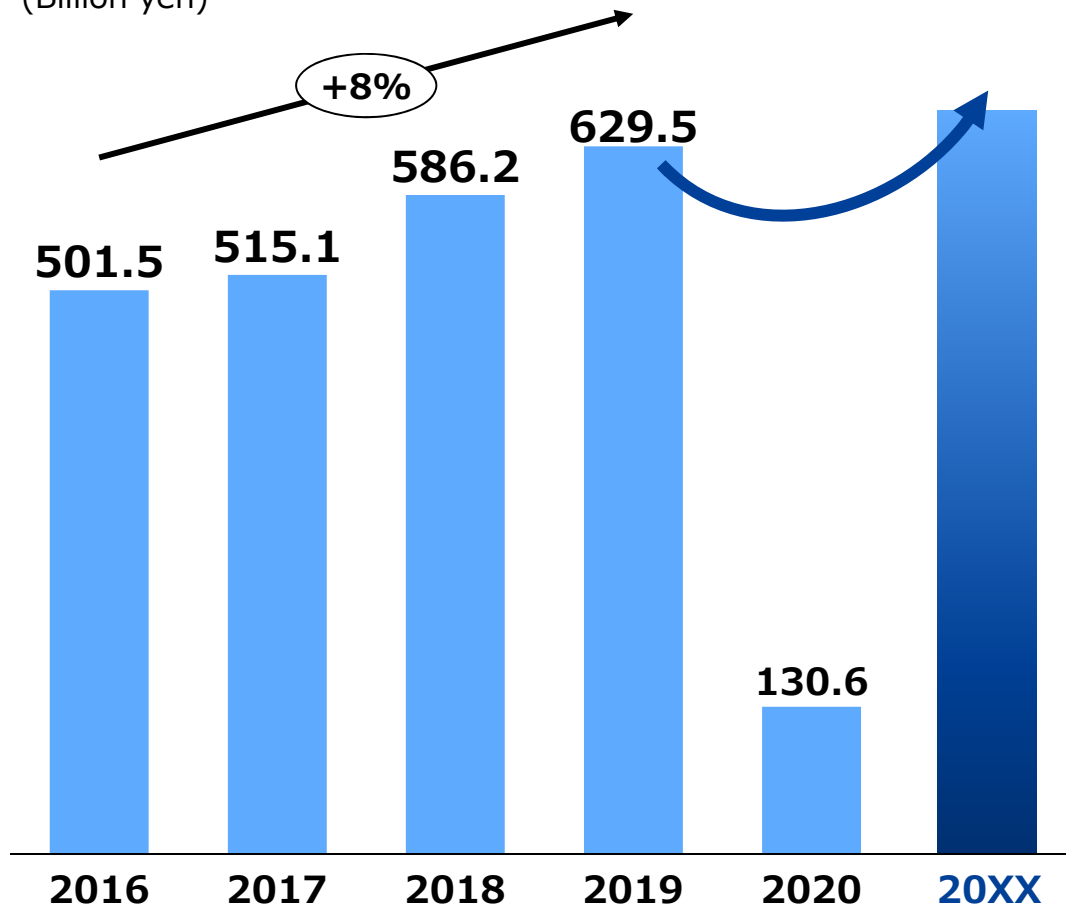


# Live Entertainment Industry Undergoing Major Changes

The business scale shrank temporarily due to the COVID-19 pandemic, but a new online live market emerged and grew rapidly.

### Domestic Live Entertainment Market Scale

(Billion yen)

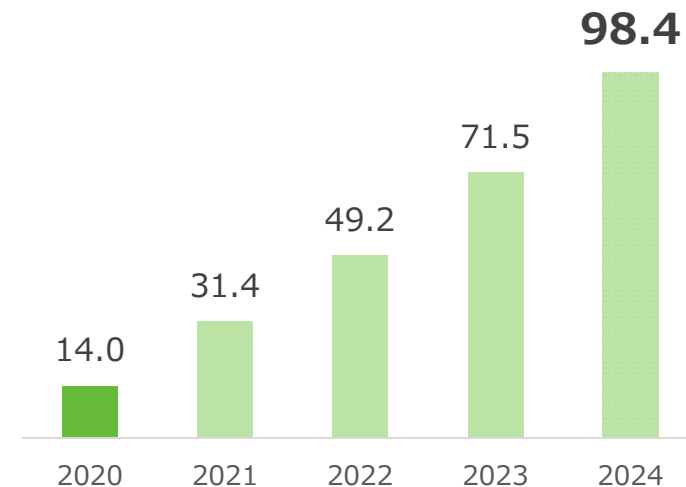


\* Created based on a survey by Pia Research Institute

Online live market that emerged during the COVID-19 pandemic

## Forecast at 98.4 billion yen in 2024\*

Forecast digital live entertainment market size in 2020—2024



\* From CyberZ, Inc., OEN, and Digital InFact surveys.

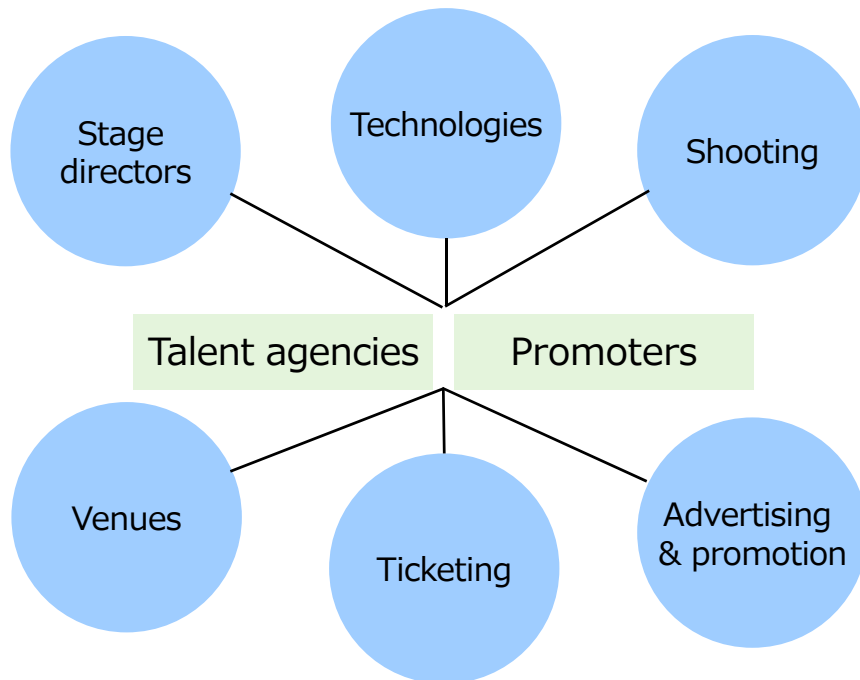
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# New Business Opportunities from the Emergence of Online Live Entertainment Business

Opportunity to enter the live entertainment market as a digital event producer.

## Existing live market

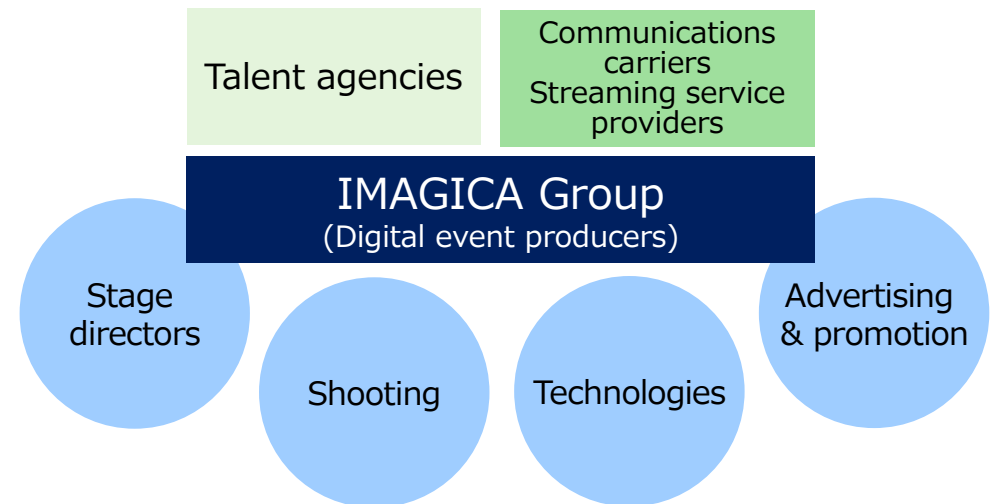
The players in directing, shooting, etc. and the business flow are entrenched.  
**(little opportunity for entrance)**



## Hybrid Live Market

(Use of both real & online)

Switched to revenue-sharing based business model for online events, in collaboration with communications carriers and streaming service providers.  
**(more room for entrance)**



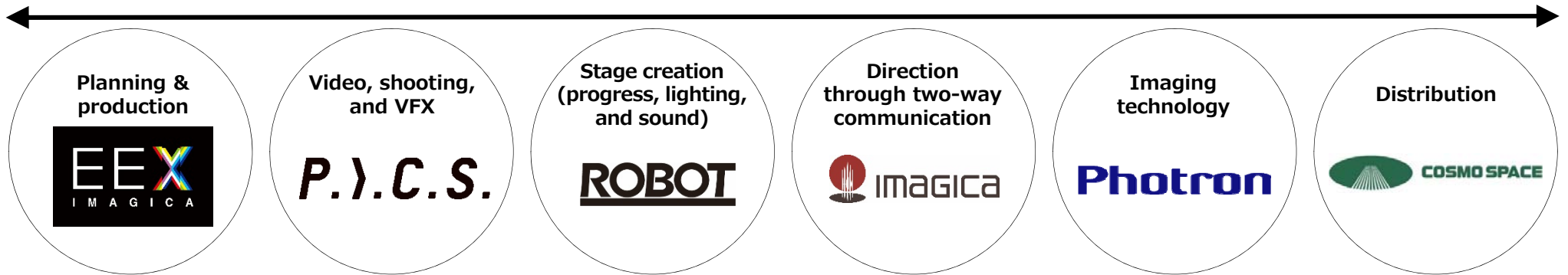
**Provide planning and directing using state-of-the-art technologies unique to online live through cross-organizational Group efforts and expand business.**

# Successful case study in the Digital Event Production

## NEXT VISION JAPAN 2021 XR LIVE

Online live employing **two-way communication and XR direction**

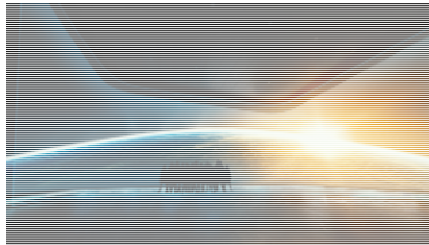
Each company in the Group manifested its strengths in online live event production.



## Establish New Business Models

Enter the live market as a digital event producer.

**Three-sided  
high-definition  
live viewing**



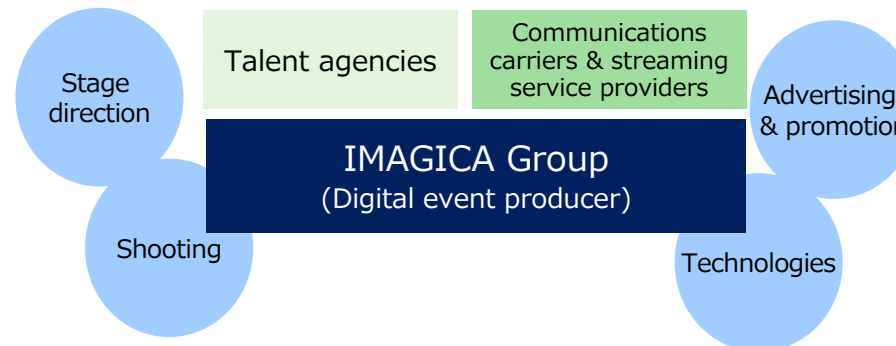
**Hybrid live**  
(Use of both real & online)



**Experiential  
theme park**



Establish a revenue-sharing business model for production of various kinds of events through collaboration with many partners.



**Provide planning and directing using state-of-the-art technologies through cross-organizational Group efforts and expand business.**

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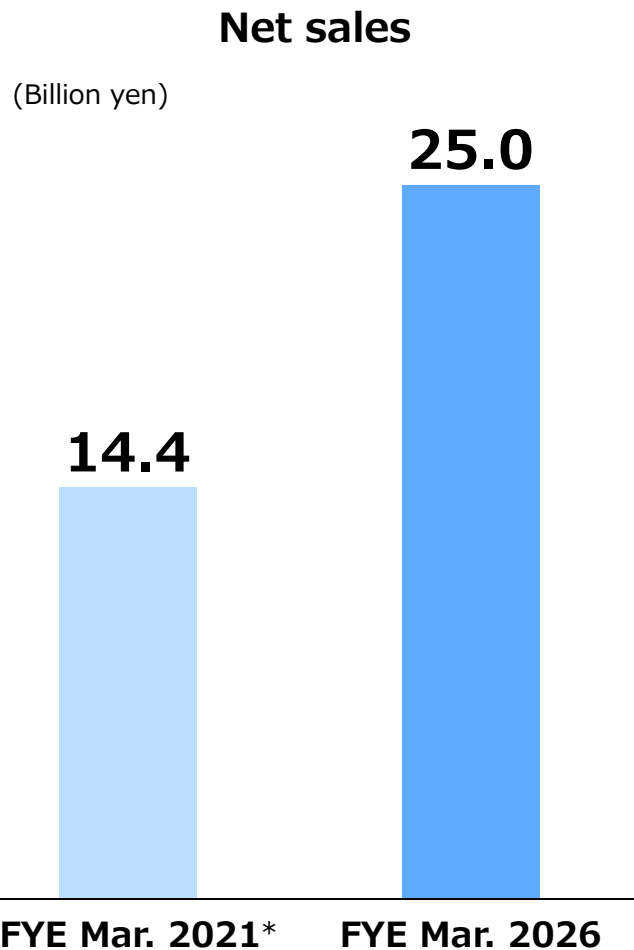
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## <Resolve Social Challenges and Achieve Sustainable Growth>


SDGs initiatives

# Imaging Systems & Solutions Business: From Selling Products to Selling Services

## Switch to a “Service-Selling” business (Subscription SaaS, and Solutions)

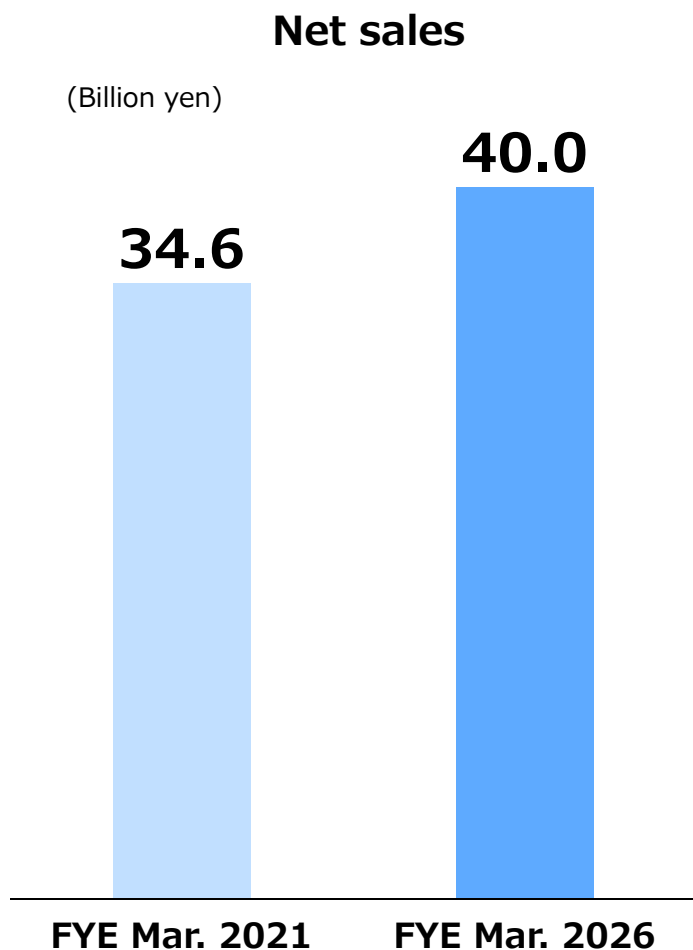


\* FYE Mar. 2021: Numbers adjusted for change in accounting standards

Business model transformation	<b>Imaging Systems &amp; Solutions</b>	Continue to expand provision of imaging systems (equipment).  + <ul style="list-style-type: none"><li>• <b>Cloud-based production workflow service (subscription or SaaS model)</b></li><li>• <b>Imaging network monitoring business</b></li></ul>
	<b>High-speed Camera</b>	Expand business solutions for vehicle crash safety tests, etc.  
Business domain expansion	<b>Optical Measurement</b>	<ul style="list-style-type: none"><li>• <b>Overseas expansion of polarization testing equipment</b> (E.g.: Smartphone liquid crystal film testing devices, etc.)</li><li>• <b>Provide polarizer components to the high-speed communications market</b></li></ul>

## Transformational Business: Improved Profitability and Stabilized Profit Generation

Target an operating income of 5% or higher through business expansion in high-growth industries.



### Content Creation

- **Acquire production projects in Japan and overseas by strengthening relationships with streaming service providers.**

<Actual example>

#### **Alice in Borderland**

An original Netflix series planned and produced by ROBOT COMMUNICATIONS, INC.

December 10, 2020, exclusive global rights

- **Make a greater effort to pursue acquisition and create intellectual property (IP).**

**Obtain copyrights** through active involvement in production committees.

**Create IP** by animating original works of Group companies.

### Production Services

- Expand business and net sales by **rolling out E2E services to the game industry.**

- (1) contracts for 3DCG production.
- (2) game creators dispatching.
- (3) contracts for game debugging (quality assurance).

- Improve productivity by promoting **DX in post-production business.**

# Strategic Measures in the New Mid-Term Plan "G-EST 2025"

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# Achieve company transformation through DX

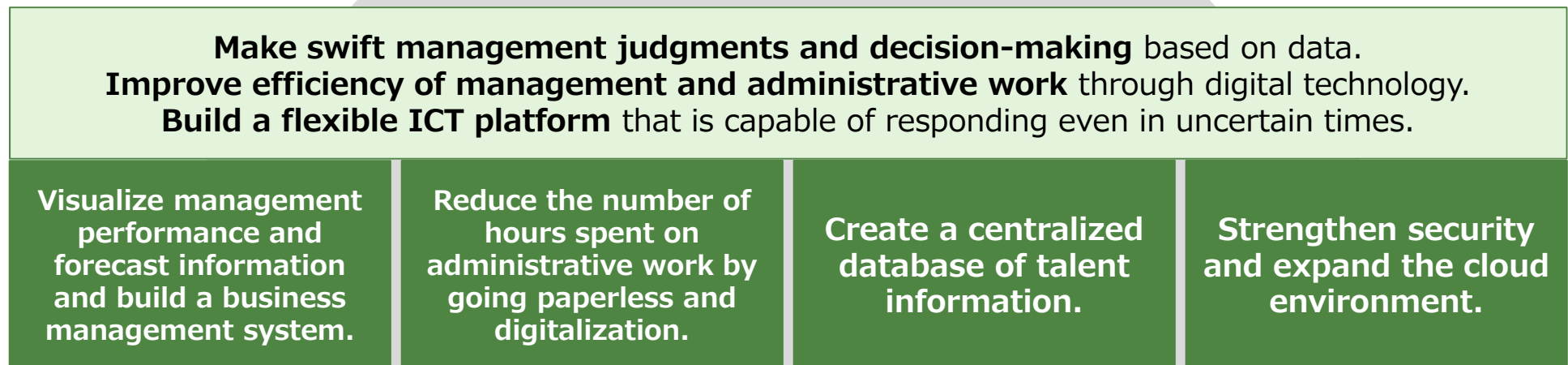
Pursue DX in both business and management foundation (management) and create new value in the entire Group.

## Create new value through digital technology

Business evolution



Strengthen the management foundation



# Strengthen R&D capabilities

Make technological development capabilities the engine of growth for the entire Group.



Establish a Group R&D organization.

## Collaborate with overseas Group companies.

Build a global imaging network with Pixelogic.

## Fuse creativity and technology.

Provide live streaming, recording, real time synthesis, and other solutions.

## Develop products for research institutions and the manufacturing industry.

Provide imaging products and analysis, design, and drawing management solutions for research, development, and quality control.

## Use technology to transform the production business.

Provide a broad range of proposals for production and streaming equipment, cloud service, etc.

# Secure & activate talented employees

Improve ability to secure and develop the talent to support business growth.

Secure talent possessing both creativity and knowledge of technology

- Secure talent to lead new businesses and **centralize hiring activities**.
- Establish an employment format that makes it easy for creators to work.
- **Introduce a career development system** for talent skilled in technology.

Utilize talent through talent management

- **Centralize information** on the next generation of management, global talent, etc. and **use it strategically**.

Build a personnel system that provides job satisfaction

- **Introduce a job rotation system** in which Group talent can take on challenges.
- Develop **multi-talented personnel** who specialize in multiple areas and pursue integrated strengths.

Promote diversity

- Promote advancement of **female leaders**.
- **Encourage promotion of foreign nationals** and transform the workplace into an inclusive workplace.
- **Utilize veteran talent**.

# SDGs Initiatives

Establish Group SDGs initiatives based on the three themes from the management philosophy and business model.

<b>1</b>	<b>Initiatives that use “imaging” to contribute to society</b>		Use “imaging” to resolve social challenges in many areas. <b>Example:</b> Produce a “creator preparatory school” in cooperation with local governments (ROBOT COMMUNICATIONS INC.)
<b>2</b>	<b>Creation of a production process that is environmentally and people-friendly</b>		Pursue ecological activities and services that support new workstyles in video production workplaces and offices. <b>Example:</b> Pursue full digitalization of the animation production process.
<b>3</b>	<b>Development of human resources and promoting diversity</b>		Build an environment in which many different kinds of talent who work for “imaging” industry to be active and pursue talent development. <b>Example:</b> Establish an environment where people with disabilities can actively contribute. Implement programs to develop the next generation (entire Group).

Resolve social challenges



Achieve sustained growth

# Goal of the New Mid-Term Plan "G-EST 2025"

Strive for a balanced, highly profitable structure by implementing the Key Strategies.

