New Mid-Term Plan "G-EST 2025"

G-EST means: From four key strategies

G: The "3 Gs," Growth, **G**lobal, and **G**roup
E: E2E and Live **E**ntertainment (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

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"

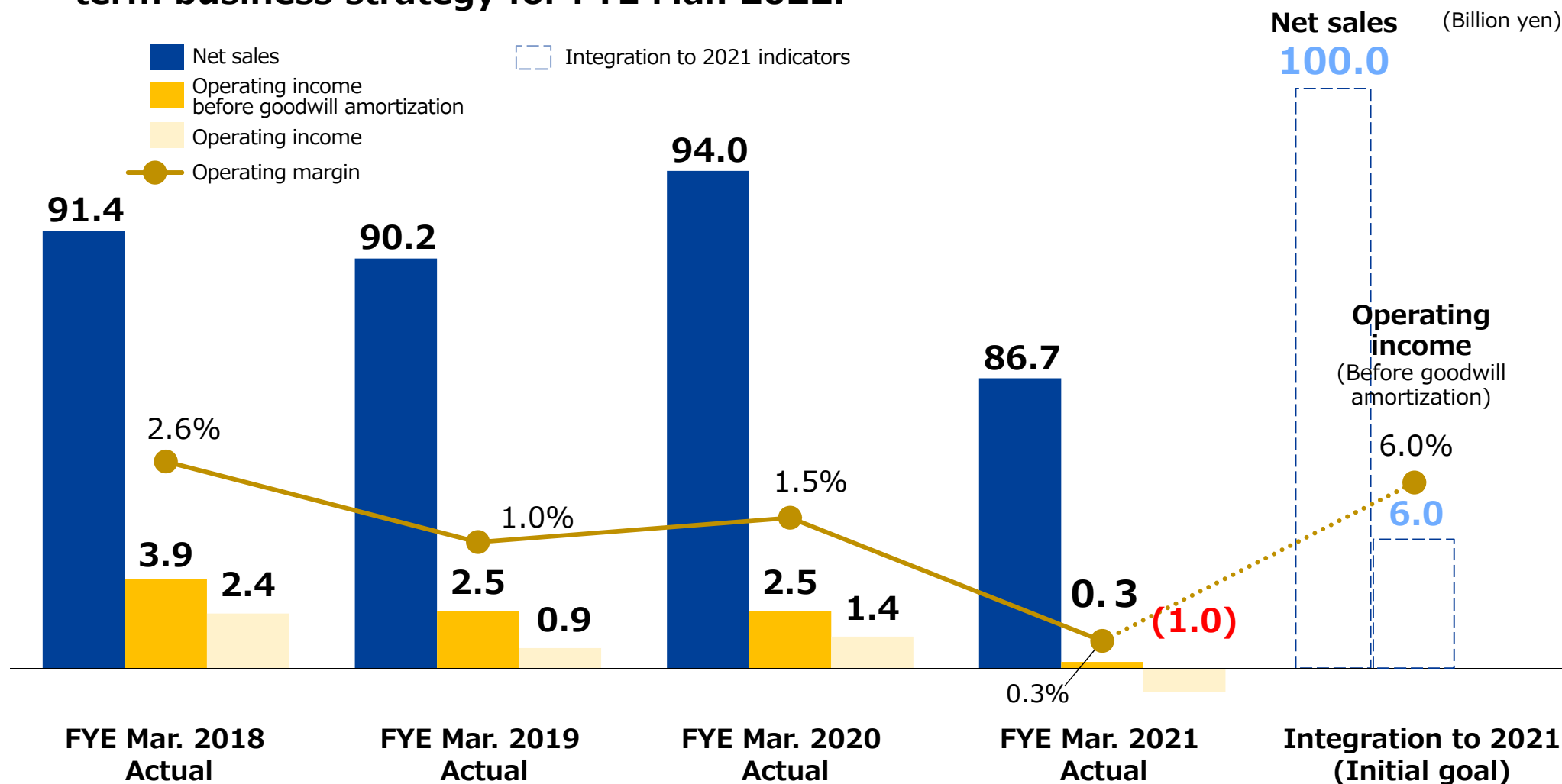**We have achieved a certain degree of progress over the past two years.**

"Integration to 2021" Assessment	
1. **Develop a new global strategy.**	• **Made Pixelogic a consolidated subsidiary, sold SDI Media Group, Inc. and established IEMS*** to complete building a new global business structure.
2. **Improve profitability of existing businesses.**	• Cost management and improvement of ROBOT COMMUNICATIONS INC. and OLM, Inc. is underway. • **Implemented structural reform in the Production Services business in April 2021.**
3. **Transition to a new business model.**	• Started work on establishing a new business model for the IP business (Shufunotomo Infos Co., LTD.), digital marketing, cloud services, etc.
4. **Create and develop new businesses.**	• Expanded into new businesses by **establishing IMAGICA EEX Co., Ltd. (live entertainment), acquiring Photonic Lattice, Inc. (optical measurement)**, etc.
5. **Develop human resources and promote workstyle reform.**	• Began developing executive management and global talent. • Will accelerate workstyle reform and diversity in the future.

* IEMS: Imagica Entertainment Media Services, Inc.

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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.**

Net sales **100.0** (Billion yen)

Legend:
- Net sales
- Operating income before goodwill amortization
- Operating income
- Operating margin
- Integration to 2021 indicators

Operating income (Before goodwill amortization)
6.0%
6.0

	FYE Mar. 2018 Actual	FYE Mar. 2019 Actual	FYE Mar. 2020 Actual	FYE Mar. 2021 Actual	Integration to 2021 (Initial goal)
Net sales	91.4	90.2	94.0	86.7	100.0
Operating income before goodwill amortization	3.9	2.5	2.5	0.3	6.0
Operating income	2.4	0.9	1.4	(1.0)	
Operating margin	2.6%	1.0%	1.5%	0.3%	6.0%

Challenges

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.

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Goal of 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

▼

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

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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"
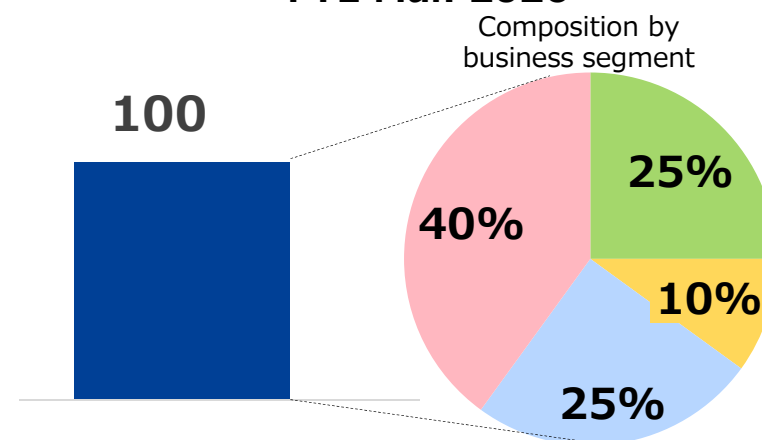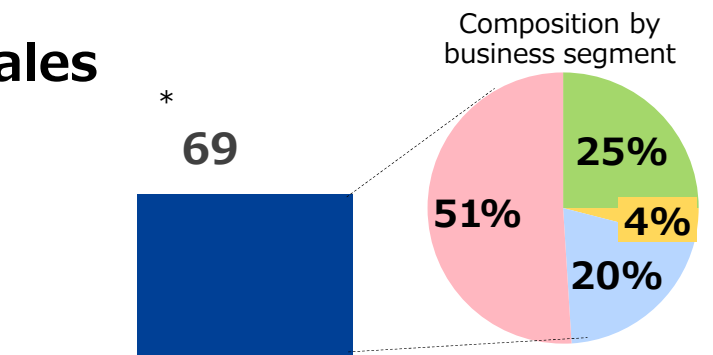
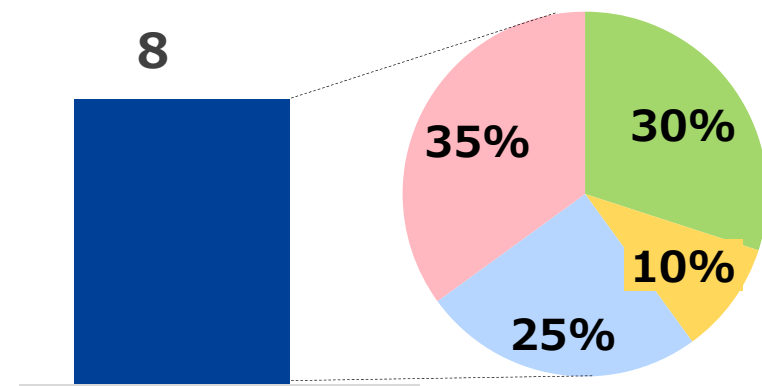## Targeting to become a balanced business structure

Legend: ■ Global E2E ■ Live Entertainment ■ Imaging Systems & Solutions ■ Transformation

(Billion yen)

FYE Mar. 2021 Actual

FYE Mar. 2026

Net sales

*
69

Composition by business segment
- 25%
- 4%
- 20%
- 51%

100

Composition by business segment
- 25%
- 10%
- 25%
- 40%

Operating income
(Before goodwill amortization)

* 0.9

100%

8

Composition by business segment
- 30%
- 10%
- 25%
- 35%
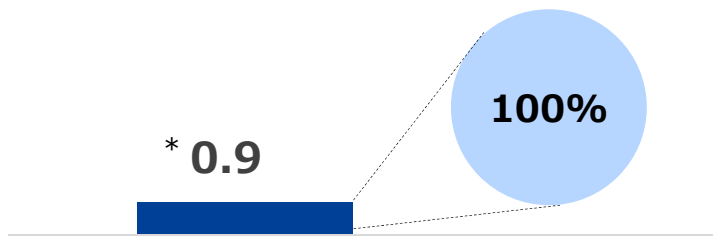
*Net sales and operating income for FYE Mar. 2021 were adjusted for the impact from a change in accounting policies in overseas M&A and the Imaging Systems & Solutions business, for purposes of comparison.

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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>

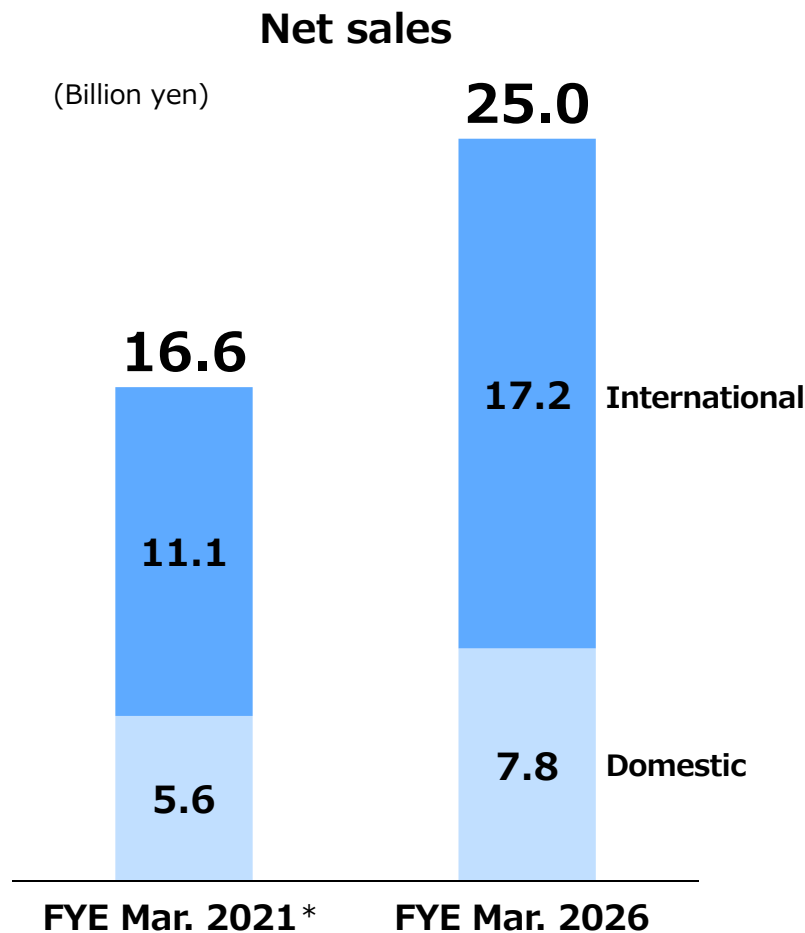| Achieve company transformation through DX | Strengthen R&D capabilities | Secure & activate talented employees |

<Resolve Social Challenges and Achieve Sustainable Growth>

SDGs initiatives

Vision for the Global E2E Business

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

Net sales

(Billion yen)

25.0

16.6

| | International | |
| 17.2 | |

| FYE Mar. 2021* | FYE Mar. 2026 |

11.1

5.6

7.8 Domestic

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

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.

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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**

Localization
(subtitling/dubbing)

- **Translation into 25 languages**
  (from English into French, Spanish, Japanese, etc.)

- **Subtitling**
  Editing the translated text and adding subtitles to the film

- **Dubbing**
  Adding voice data recorded by voice actors in a studio to the film

Distribution
(file production/streaming)

Producing files by format

- **By language**   **25 languages**
- **By subtitling & dubbing**   **2 formats**
- **By media format**   **multiple formats**
  (TV, PC, smartphone)
- **By video format**   **multiple formats**
  (SD, HD, 4 K, etc.)
- **By voice format**   **multiple formats**
  (2ch, 5.1ch, etc.)

25 × 2 × No. of media formats
× No. of video formats
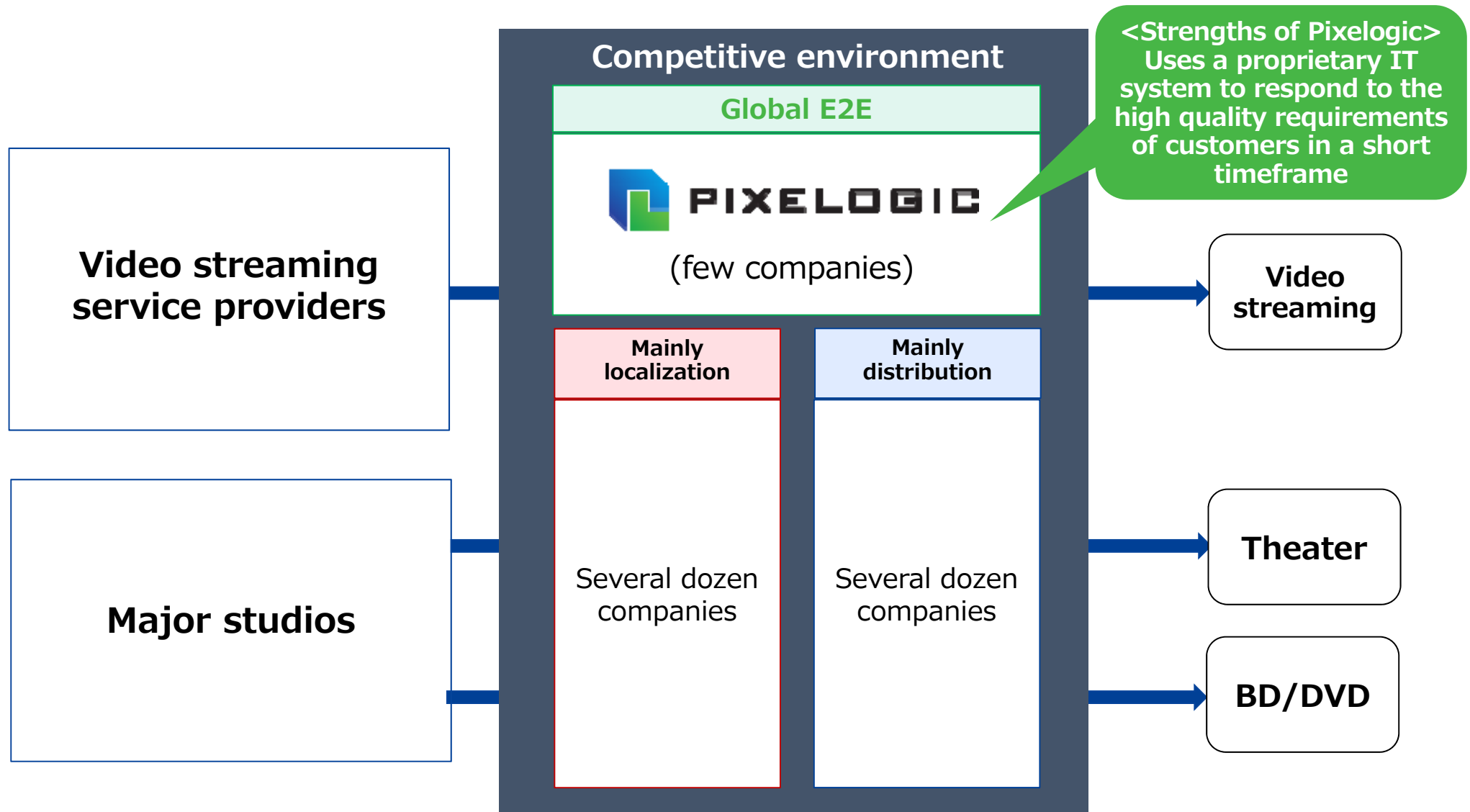× No. of voice formats

= several hundred formats

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 environment

Global E2E

PIXELOGIC

(few companies)

<Strengths of Pixelogic>
Uses a proprietary IT system to respond to the high quality requirements of customers in a short timeframe

Video streaming service providers

Video streaming

Mainly localization	Mainly distribution
Several dozen companies	Several dozen companies

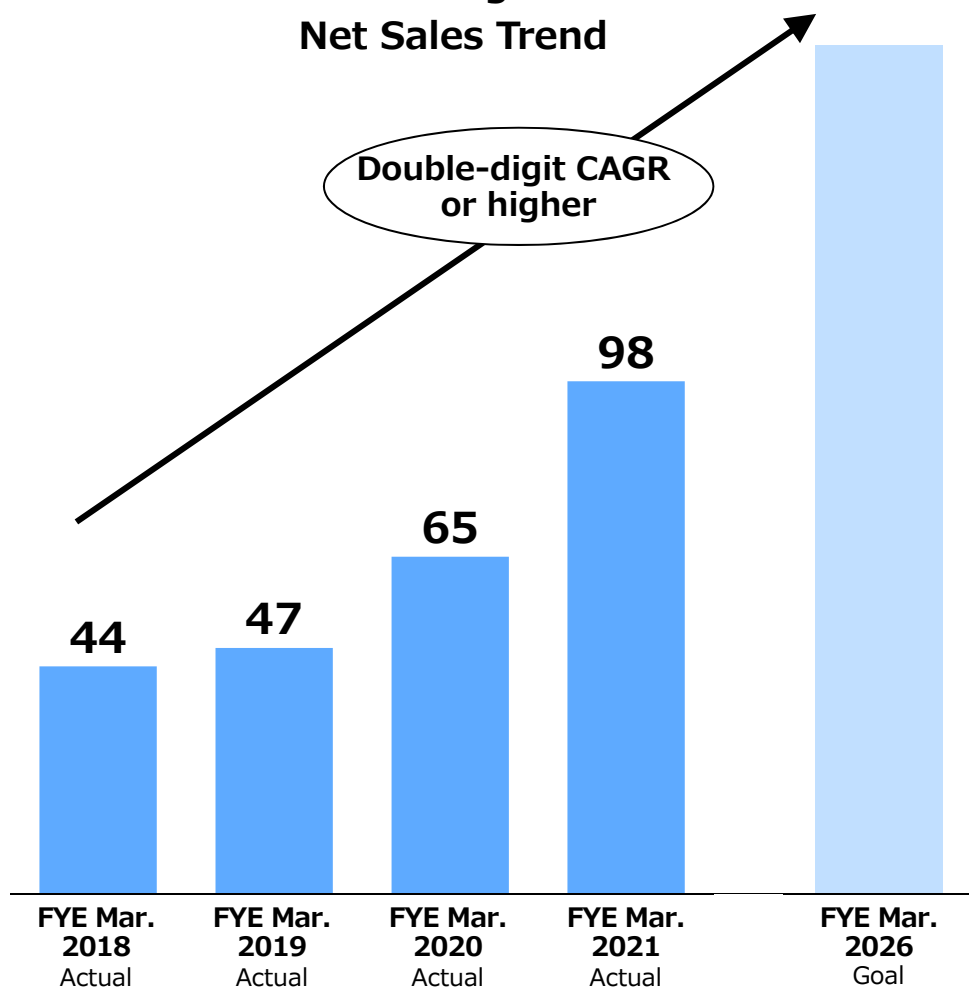**Major studios**

Theater

BD/DVD

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

Double-digit CAGR or higher

FYE Mar. 2018 Actual	FYE Mar. 2019 Actual	FYE Mar. 2020 Actual	FYE Mar. 2021 Actual	FYE Mar. 2026 Goal
44	47	65	98	

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
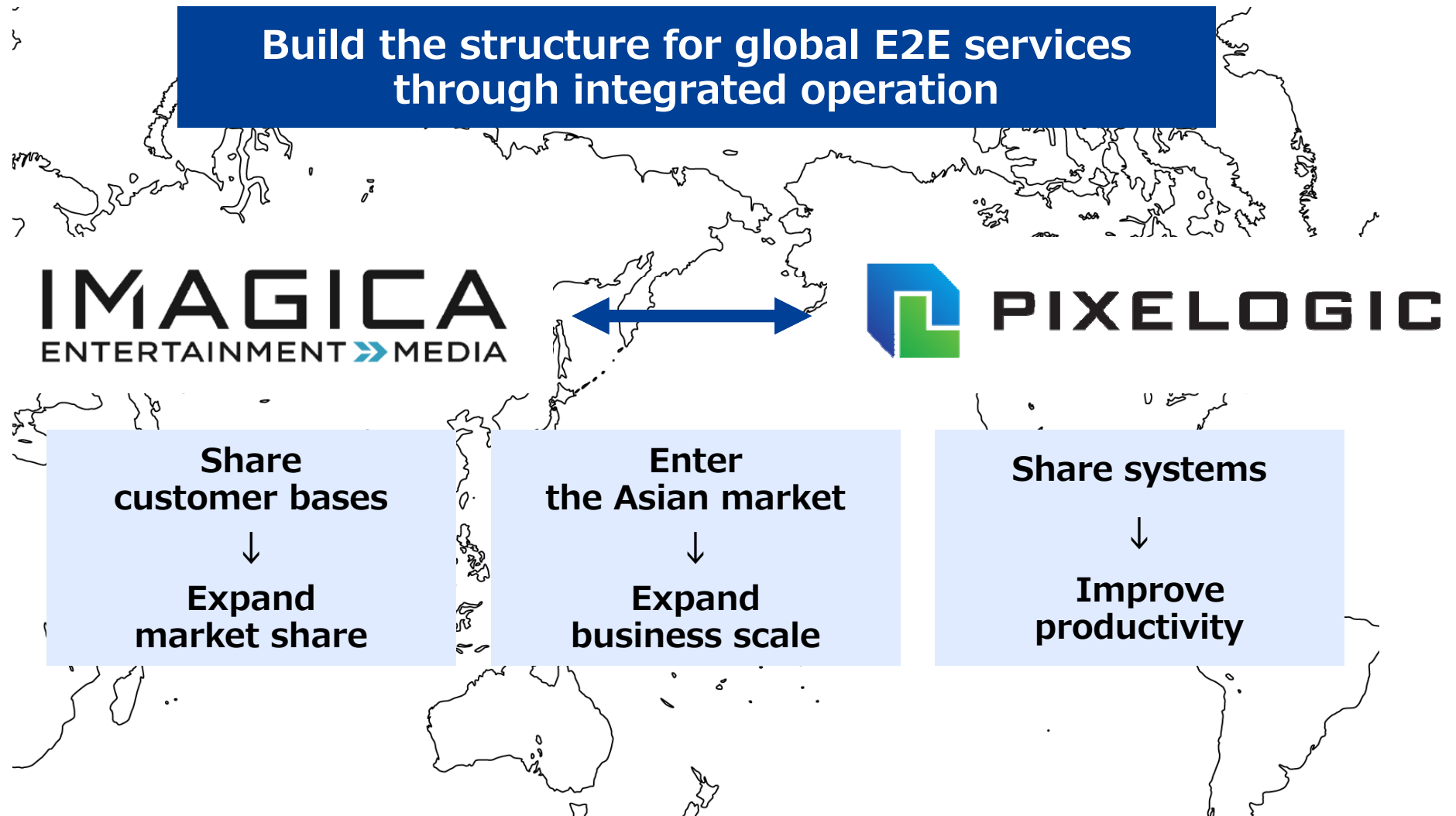
High profitability

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

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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.

Build the structure for global E2E services through integrated operation

IMAGICA ENTERTAINMENT ▶▶ MEDIA ⟷ PIXELOGIC

| **Share customer bases** ↓ **Expand market share** | **Enter the Asian market** ↓ **Expand business scale** | **Share systems** ↓ **Improve productivity** |

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

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

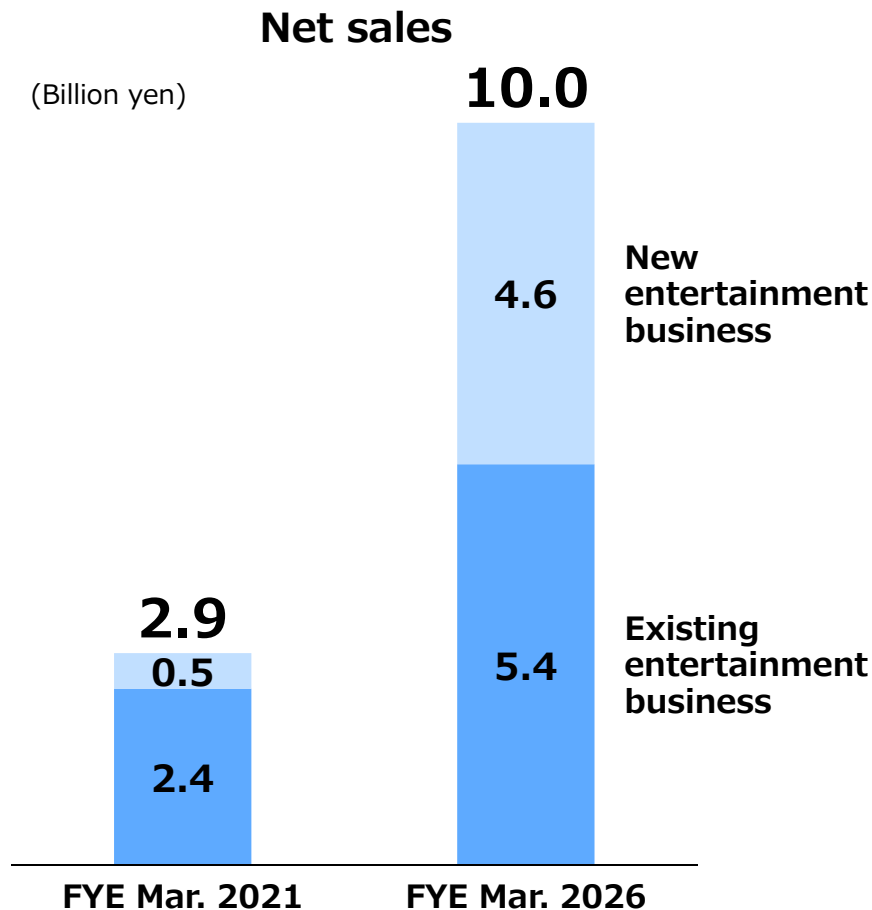Secure & activate talented employees

\<Resolve Social Challenges and Achieve Sustainable Growth\>

SDGs initiatives

Vision for the Live Entertainment Business

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

Net sales

(Billion yen)

```
                              10.0

                        4.6    New
                               entertainment
                               business


                        5.4    Existing
         2.9                   entertainment
         0.5                   business

         2.4

   FYE Mar. 2021      FYE Mar. 2026
```

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)

+8%

501.5 — 2016
515.1 — 2017
586.2 — 2018
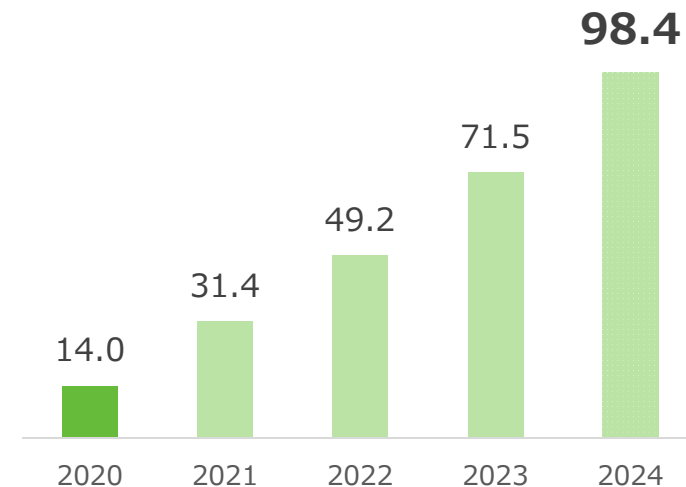629.5 — 2019
130.6 — 2020
20XX
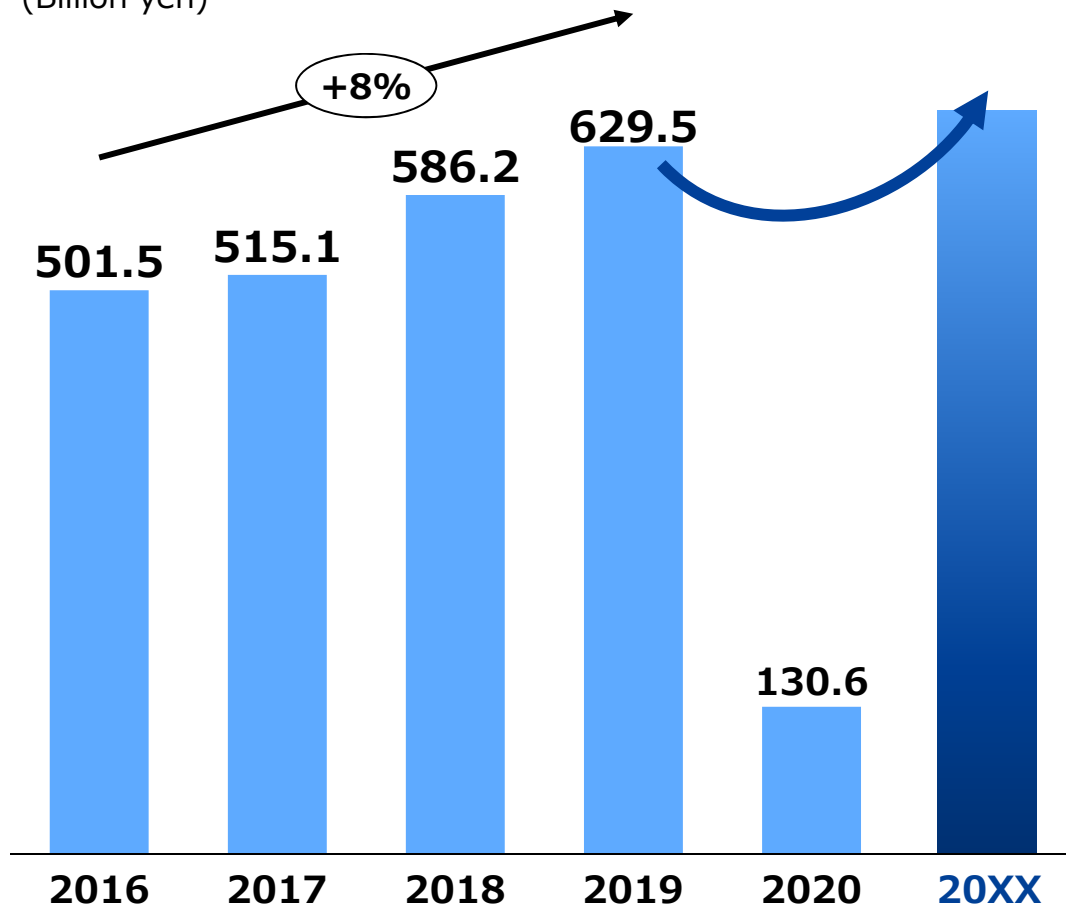
* Created based on a survey by Pia Research Institute

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

14.0 — 2020
31.4 — 2021
49.2 — 2022
71.5 — 2023
98.4 — 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	Hybrid Live Market (Use of both real & online)

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

Switched to revenue-sharing based business model for online events, in collaboration with communications carriers and streaming service providers.
(more room for entrance)
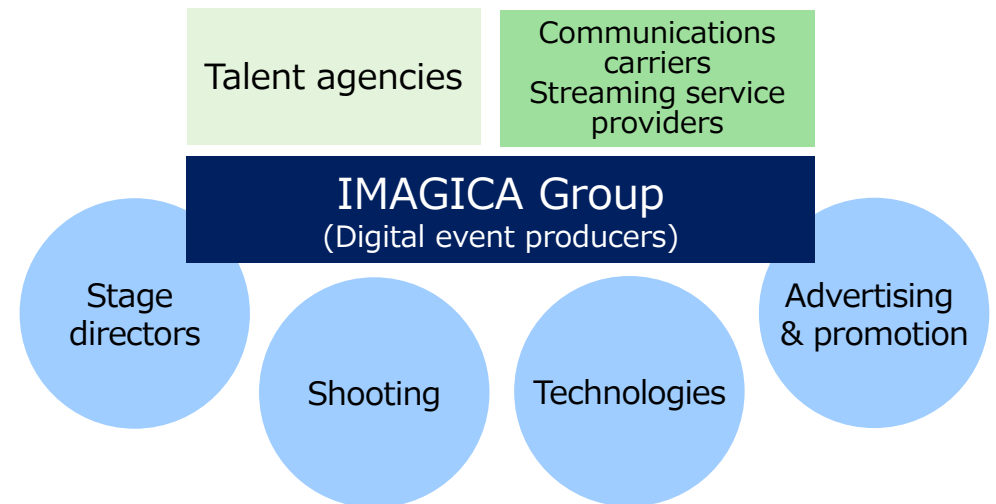
Provide planning and directing using state-of-the-art technologies unique to online live through cross-organizational Group efforts and expand business.

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.

Planning & production	Video, shooting, and VFX	Stage creation (progress, lighting, and sound)	Direction through two-way communication	Imaging technology	Distribution
EEX IMAGICA	P.).C.S.	ROBOT	IMAGICA	Photron	COSMO SPACE

Establish New Business Models

Enter the live market as a digital event producer.

| **High-definition live viewing** | **Hybrid live** (Use of both real & online) | **Experiential theme park** |
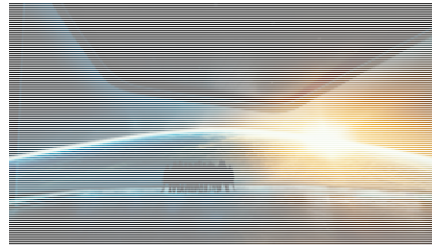
Establish a revenue-sharing business model for production of various kinds of events through collaboration with many partners.

Stage direction

Talent agencies

Communications carriers & streaming service providers

Advertising & promotion
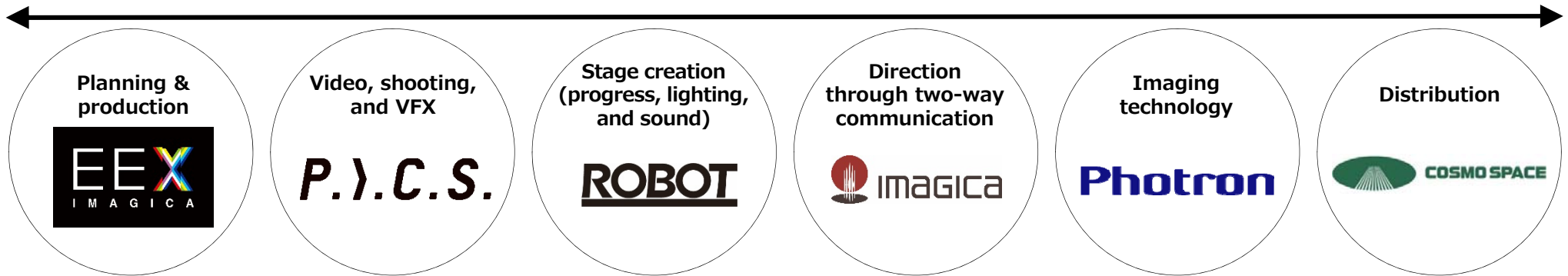
IMAGICA Group (Digital event producer)

Shooting
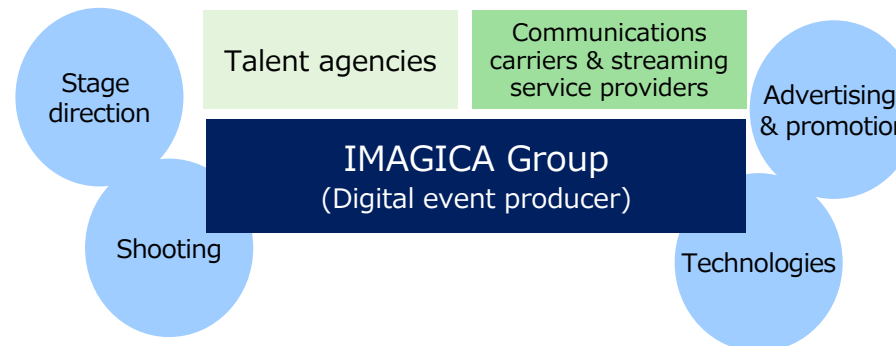
Technologies

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

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

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<Strategic Measures>

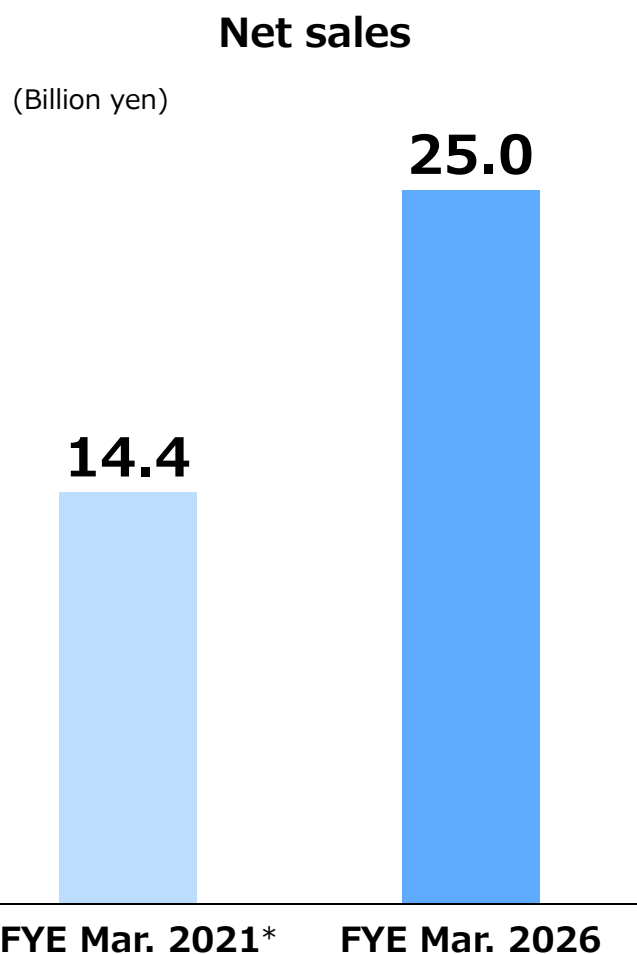| Achieve company transformation through DX | Strengthen R&D capabilities | Secure & activate talented employees |

<Resolve Social Challenges and Achieve Sustainable Growth>

| SDGs initiatives |

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

Switch to a "Service-Selling" business (Subscription SaaS, and Solutions)

Net sales

(Billion yen)

25.0

14.4

FYE Mar. 2021*   **FYE Mar. 2026**

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

Business model transformation

Imaging Systems & Solutions

Continue to expand provision of imaging systems (equipment).

+

- **Cloud-based production workflow service (subscription or SaaS model)**
- **Imaging network monitoring business**

High-speed Camera

Expand business solutions for vehicle crash safety tests, etc.

Business domain expansion

Optical Measurement

- **Overseas expansion of polarization testing equipment**

  (E.g.: Smartphone liquid crystal film testing devices, etc.)

- **Provide polarizer components to the high-speed communications market**

Transformational Business: Improved Profitability and Stabilized Profit Generation

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

Net sales

(Billion yen)

40.0

34.6

FYE Mar. 2021   FYE Mar. 2026
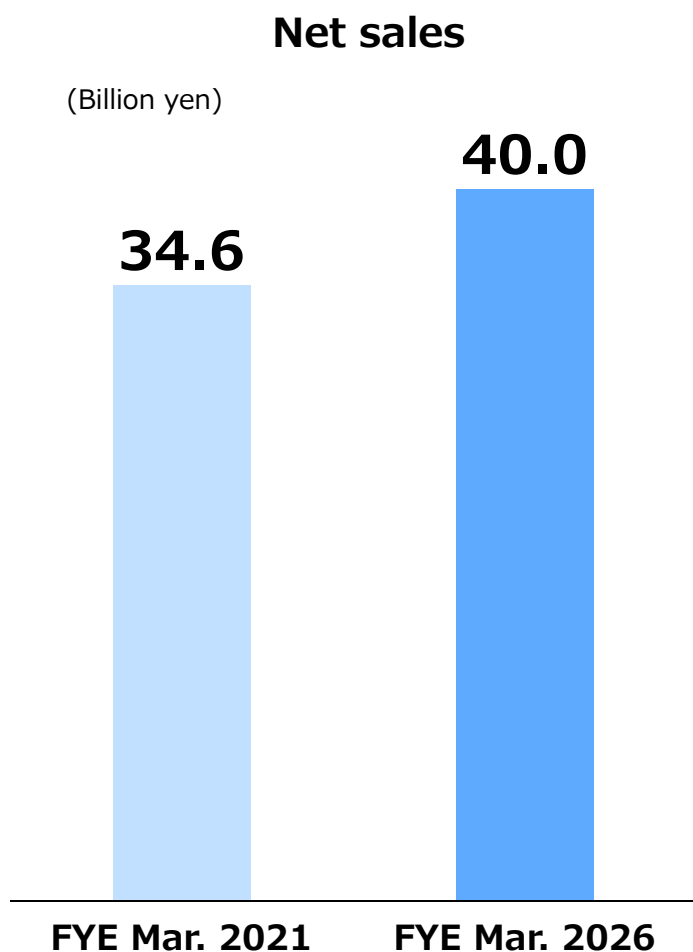
Content Creation

- **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"

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

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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

<Strategic Measures>

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

**Extract the Group from reliance on equipment, location, and physical media.
Automate simple creator tasks.**

Move relay production and editing work to remote work.	Go all digital in the anime production workflow.	Automate image processing and visualize status.

Strengthen the management foundation

Make swift management judgments and decision-making based on data.
Improve efficiency of management and administrative work through digital technology.
Build a flexible ICT platform that is capable of responding even in uncertain times.

Visualize management performance and forecast information and build a business management system.	Reduce the number of hours spent on administrative work by going paperless and digitalization.	Create a centralized database of talent information.	Strengthen security and expand the cloud environment.

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Strengthen R&D capabilities

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

Integration & connection of technological development capabilities

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.**

< Resolve Social Challenges and Achieve Sustainable Growth >

SDGs Initiatives

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

1	Initiatives that use "imaging" to contribute to society		Use "imaging" to resolve social challenges in many areas. **Example:** **Produce a "creator preparatory school" in cooperation with local governments (ROBOT COMMUNICATIONS INC.)**
2	**Creation of a production process that is environmentally and people-friendly**		Pursue ecological activities and services that support new workstyles in video production workplaces and offices. **Example:** **Pursue full digitalization of the animation production process.**
3	**Development of human resources and promoting diversity**		Build an environment in which many different kinds of talent who work for "imaging" industry to be active and pursue talent development. **Example:** **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.

Imaging Systems & Solutions business
Leverage to an even greater degree

Net sales
25 billion yen

Global E2E business
Make it the second pillar of the Group

Net sales
25 billion yen

Percentage of profit

- 35%
- 30%
- 10%
- 25%

Transformational business
Create a structure capable of generating stable profit

Net sales
40 billion yen

Live Entertainment business
Put on the path to growth

Net sales
10 billion yen

Group with a balanced, highly profitable structure that is resilient even under adverse circumstances

Net sales
100 billion yen

Operating income
(Before goodwill amortization)
8 billion yen