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## Consolidated financial results (Japanese Accounting Standards) for the First Quarter of the fiscal year ending March 31, 2021

Company name: IMAGICA GROUP Inc. Filing date: August 4, 2020  
 Securities code: 6879 Stock exchange listing: Tokyo 1<sup>st</sup> section  
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 Quarterly report filing date (as planned): August 4, 2020  
 Dividend payment date (as planned): —  
 Supplemental material of quarterly results: Yes  
 Convening briefing of quarterly results: No

(Millions of yen, rounded down)

### 1. Consolidated Financial Results for the First Quarter of the fiscal year ending March 31, 2021 (April 1, 2020 – June 30, 2020)

#### (1) Consolidated Operating Results

(Percentage represents change from the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3 months ended June 30, 2020	16,855	(22.5)	(1,868)	—	(1,942)	—	(1,213)	—
3 months ended June 30, 2019	21,747	12.3	(681)	—	(841)	—	586	—

(Note) Comprehensive income: 1st quarter ended June 30, 2020: (1,413) millions of yen / — %  
 1st quarter ended June 30, 2019: 32 millions of yen / — %

	Earnings per share of common stock	Diluted earnings per share of common stock
	Yen	Yen
3 months ended June 30, 2020	(27.41)	—
3 months ended June 30, 2019	13.32	—

#### (2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	Millions of yen	Millions of yen	%
As of June 30, 2020	57,922	25,796	40.9
As of March 31, 2020	62,154	27,478	40.3

(Reference) Shareholders' equity: As of June 30, 2020: 23,701 millions of yen  
 As of March 31, 2020: 25,066 millions of yen

**2. Dividends**

	Dividend per share				
	1st quarter- end	2nd quarter- end	3rd quarter- end	Year-end	Annual
	yen	yen	yen	yen	yen
Year ended March 31,2020	—	0.00	—	5.00	5.00
Year ending March 31,2021	—				
Year ending March 31,2021 (Forecast)		—	—	—	—

(Note) Changes in dividends forecast from the latest disclosed information: None

The financial forecast for the fiscal year ending March 2021 has not yet been determined because the impact from the spread of the novel coronavirus makes it difficult to calculate a reasonable forecast. The financial forecast will be disclosed once it becomes possible to calculate it.

**3. Consolidated earnings forecast for the fiscal year ending March 31, 2021  
(April 1, 2020 - March 31, 2021)**

The financial forecast for the fiscal year ending March 2021 has not yet been determined because the conditions noted above make it difficult to calculate a reasonable forecast. The financial forecast will be disclosed once it becomes possible to calculate it.

**\*Notes:**

(1) Material changes in subsidiaries during this period (changes in scope of consolidations resulting from change in subsidiaries): None

(2) The application of specific accounting of the consolidated quarterly financial statements: None

(3) Changes in accounting policies, accounting estimates and retrospective

1) Changes in accounting policies based on revisions of accounting standards: None

2) Changes in accounting policies other than ones based on revisions of accounting standards: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Number of issued and outstanding shares (common stock)

1) Number of issued and outstanding shares at the end of fiscal year (including treasury stock)

As of June 30, 2020	44,741,467 shares	As of March 31, 2020	44,741,467 shares
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2) Number of treasury stock at the end of fiscal year

As of June 30, 2020	468,341 shares	As of March 31, 2020	468,341 shares
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3) Average number of shares

As of June 30, 2020	44,273,126 shares	As of June 30, 2019	44,053,226 shares
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**\*Consolidated quarterly financial results are exempted from quarterly review by a public certified accountant or an auditing firm.**

**(Explanation regarding the appropriate usage of financial forecasts and other special instructions)**

Forward-looking statements, such as financial forecasts, presented in this document are based on information available and certain assumptions deemed to be reasonable to the Company at the time of publication, and are not to be read as guarantees of future performance by the Company. For preconditions of the assumptions and special instructions regarding the appropriate use of financial forecasts, please refer to "1. Qualitative Information on Results in the First Quarter, (3) Explanation of Consolidated Financial Forecast and Forward-looking Statements" on page 3 of the supplemental material.

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## 1. Qualitative Information on Results in the First Quarter

### (1) Explanation of operating results

#### **(Overview of the first quarter of consolidated fiscal year ending March 31, 2021)**

During the first quarter of consolidated fiscal year ending March 31, 2021, a State of Emergency was declared to prevent the spread of the novel coronavirus. The resulting restrictions on the various business activities of the IMAGICA GROUP were unavoidable and had a substantial impact on operating results. The Group's financial performance for the first quarter of fiscal year ending March 31, 2021 resulted in net sales of 16,855 million yen (down 22.5% year-on-year), an operating loss of 1,868 million yen (compared to an operating loss of 681 million yen in the first quarter of the previous fiscal year), an ordinary loss of 1,942 million (compared to an ordinary loss of 841 million yen in the first quarter of the previous fiscal year), and a net loss attributable to owners of the parent of 1,213 million yen (compared to a profit of 586 million yen in the first quarter of the previous fiscal year).

#### **(Performance by business segment)**

The financial results by business segment are as follows.

Please note that Production Services and Media Localization were integrated from the first quarter of consolidated fiscal year ending March 31, 2021, thereby reducing the four reportable segments to three: Content Creation, Production Services, and Imaging Systems & Solutions.

##### 1) Content Creation

The financial performance of the Content Creation Business Segment in the first quarter of consolidated fiscal year ending March 31, 2021 resulted in net sales of 2,932 million yen (down 62.6% year-on-year) and an operating loss of 469 million yen (compared to an operating loss of 31 million yen in the first quarter of the previous fiscal year).

Showings of feature film productions of both anime and live action films were postponed to the second quarter and later, causing the posting of net sales for multiple films to be delayed to a later fiscal period. The filming and recording of multiple TV commercials and live music performances were also suspended or postponed. Conditions also caused changes in television broadcasting schedules in addition to a decrease in the number of TV animation series produced. The above factors resulted in a decline in sales and an expansion of the operating loss in the Content Creation Business Segment.

##### 2) Production Services

The financial performance of the Production Services Business Segment in the first quarter of consolidated fiscal year ending March 31, 2021 resulted in net sales of 10,578 million yen (down 4.3% year-on-year) and an operating loss of 1,369 million yen (compared to an operating loss of 786 million yen in the first quarter of the previous fiscal year).

While this segment continued to secure orders for post-production services for TV programs, it saw a decline in volumes of post-production for films and commercials, distribution of cinema and other digital content, shooting and archiving services.

Orders for international media services remained firm and benefited from continued efforts to reduce fixed costs for production.

In the human talent services, the Company maintained net sales from creative talent dispatch on par with the previous quarter by having creative talent transition to telecommuting and other measures. However, growth in talent referrals suffered due to voluntary restraints on corporate hiring activities. Job fairs for students were also suspended and the operating rate in the debugging business fell.

The above factors resulted in a decline in sales and an expansion of the operating loss in the Production Services Business Segment.

\* Companies in the international media services area have a fiscal year-end of December 31. The financial performance for this area during the first quarter of fiscal year ending March 31, 2021 therefore reflects the results for January 1 through March 31, 2020.

The impact from the novel coronavirus pandemic was therefore minimal.

### 3) Imaging Systems & Solutions

The financial performance of the Imaging Systems & Solutions Business Segment in the first quarter of consolidated fiscal year ending March 31, 2021 resulted in net sales of 3,522 million yen (up 11.7% year-on-year) and operating income of 55 million yen (down 65.5% year-on-year).

Projects for broadcasting stations were delayed to the second quarter and later in the video systems business area. In the imaging business area, sales of high-speed cameras slumped in Asia, Europe, and the U.S., and were delayed to the second quarter and later in Japan. The mobile solutions area saw firm sales in contrast, due to increased domestic demand for mobile data communications. Sales were also steady for video and image processing LSI for Taiwan and China. The above factors resulted in an increase in sales and a decrease in profit in the Imaging Systems & Solutions Business Segment.

## (2) Explanation of Financial Position

### (Assets)

Current assets decreased by 4,326 million yen (or 12.3%) from the end of the previous consolidated fiscal year to 30,969 million yen. This was mainly due to a fall in notes and accounts receivable- trade.

Non-current assets increased by 94 million yen (or 0.4%) from the end of the previous consolidated fiscal year to 26,953 million yen.

This increase was mainly due to an increase in stocks of deferred tax asset, which more than compensated for the decrease in stocks of subsidiaries and affiliates and goodwill.

Consequently, total assets declined by 4,231 million yen (or 6.8%) from the end of the previous fiscal year to 57,922 million yen.

### (Liabilities)

Current liabilities decreased by 2,340 million yen (9.1%) from the end of the previous consolidated fiscal year to 23,421 million yen. This decrease was mainly due to a decrease in notes and accounts payable-trade, income taxes payable, and provision for bonuses, which more than compensated for an increase in advance payments.

Non-current liabilities decreased by 208 million yen (2.3%) from the end of the previous consolidated fiscal year to 8,705 million yen.

This decrease was mainly due to a decrease in long-term loans payable, which more than compensated for an increase in deferred tax liabilities.

The above factors resulted in total liabilities of 32,126 million yen, a decrease of 2,549 million yen (7.4%) from the end of the previous consolidated fiscal year.

### (Net Assets)

Net assets declined by 1,682 million yen (6.1%) from the end of the previous consolidated fiscal year to 25,796 million yen.

This was mainly due to a decrease in retained earnings and non-controlling interests.

## (3) Explanation of consolidated forecasts and other forward-looking information

During the first quarter of consolidated fiscal year ending March 31, 2021, a State of Emergency was declared to prevent the spread of the novel coronavirus. The resulting restrictions on the various business activities of the IMAGICA GROUP were unavoidable and had a substantial impact on operating results. Although we have seen signs of a gradual resumption of business activities after the State of Emergency declaration was lifted in May, we expect it will take some time for the business environment to improve, due to concerns over a second wave of infections, and other factors.

The financial forecast for the fiscal year ending March 2021 has not yet been determined because the conditions noted difficult to calculate a reasonable forecast. The financial forecast will be disclosed once it becomes possible to calculate it.

The Group has entered a major period of transformation in our core imaging business due to an environment and social changes precipitated by the recent spread of the novel coronavirus in addition to rapid advancement in technological innovation.

The Group is accelerating reforms aimed at accomplishing "Integration to 2021" by seizing the business opportunities presented by these changes in the environment to take on the challenge of offering new types of entertainment through imaging, producing visual content that suits new lifestyles, using imaging in non-entertainment fields such as healthcare and education, and other initiatives to transform our business model and create new businesses.

## 2. Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheets

(Thousands of yen)	March 31, 2020	June 30, 2020
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	7,339,777	6,007,476
Notes and accounts receivable- trade	16,609,098	11,506,579
Inventories	9,734,028	10,988,919
Other	1,665,660	2,518,822
Allowance for doubtful accounts	(53,471)	(52,793)
<b>Total current assets</b>	<b>35,295,092</b>	<b>30,969,004</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	3,343,459	3,255,971
Machinery and equipment	133,153	125,887
Land	1,705,819	1,705,819
Lease Assets	735,973	716,108
Construction in progress	341,285	390,546
Other	1,563,637	1,526,779
<b>Total Property, plant and equipment</b>	<b>7,823,328</b>	<b>7,721,111</b>
<b>Intangible assets</b>		
Software	1,242,332	1,192,016
Goodwill	3,167,870	3,038,312
Other	4,085,856	3,929,836
<b>Total Intangible assets</b>	<b>8,496,059</b>	<b>8,160,164</b>
<b>Investments and other assets</b>		
Investment securities	2,296,170	2,526,989
Stocks of subsidiaries and affiliates	2,691,296	2,541,760
Long-term loans receivable	1,986,264	1,975,453
Lease and guarantee deposits	1,466,390	1,455,985
Deferred tax asset	1,852,835	2,342,540
Other	375,336	356,422
Allowance for doubtful accounts	(128,070)	(126,455)
<b>Total Investments and other assets</b>	<b>10,540,222</b>	<b>11,072,695</b>
<b>Total Non-current assets</b>	<b>26,859,610</b>	<b>26,953,972</b>
<b>Total assets</b>	<b>62,154,703</b>	<b>57,922,976</b>

(Thousands of yen)	March 31, 2020	June 30, 2020
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable- trade	6,060,774	3,910,465
Short-term loans payable	5,004,318	4,690,144
Accounts payable	3,027,865	2,755,188
Income taxes payable	1,504,588	250,856
Advance payment	4,939,345	7,164,919
Provision for bonuses	1,245,383	712,766
Provision for directors compensations based on profit	106,568	—
Provision for loss on order received	218,878	230,892
Other	3,654,716	3,706,319
<b>Total current liabilities</b>	<b>25,762,438</b>	<b>23,421,552</b>
<b>Non-current liabilities</b>		
Long-term loans payable	5,510,940	5,120,757
Long-term accounts payable-other	174,097	148,018
Deferred tax liabilities	283,312	423,035
Net defined benefit liabilities	1,233,649	1,263,432
Other	1,711,796	1,750,119
<b>Total non-current liabilities</b>	<b>8,913,796</b>	<b>8,705,363</b>
<b>Total Liabilities</b>	<b>34,676,235</b>	<b>32,126,915</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	3,306,002	3,306,002
Capital surplus	14,871,552	14,871,552
Retained earnings	7,730,081	6,295,384
Treasury stock	(479,516)	(479,516)
<b>Total shareholders' equity</b>	<b>25,428,120</b>	<b>23,993,424</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	187,009	350,842
Revaluation reserve for land	(17,933)	(17,933)
Foreign currency translation adjustment	(529,312)	(624,474)
Re-measurements of defined benefit plans	(1,082)	(833)
<b>Total accumulated other comprehensive income</b>	<b>(361,318)</b>	<b>(292,398)</b>
Stock acquisition right	11,484	11,484
<b>Non-controlling Interests</b>	<b>2,400,180</b>	<b>2,083,550</b>
<b>Total Net assets</b>	<b>27,478,467</b>	<b>25,796,060</b>
<b>Total liabilities and Net assets</b>	<b>62,154,703</b>	<b>57,922,976</b>

## (2) Quarterly Consolidated Statements of Income and Statements of Comprehensive Income

## Quarterly Consolidated Statements of Income

(Thousands of yen)	3 months ended June 30, 2019	3 months ended June 30, 2020
Net sales	21,747,863	16,855,763
Cost of sales	16,853,006	13,497,809
Gross profit	4,894,857	3,357,953
Selling, general and administrative expenses	5,576,601	5,226,879
Operating loss	(681,744)	(1,868,925)
Non-operating income		
Interest income	12,096	64,811
Dividend income	13,370	14,702
Foreign exchange gains	—	58,145
Other	59,118	45,350
Total non-operating income	84,584	183,009
Non-operating expenses		
Interest expenses	83,544	79,383
Equity in losses of affiliates	1,340	135,767
Foreign exchange losses	134,491	—
Other	24,512	41,101
Total non-operating expenses	243,888	256,251
Ordinary loss	(841,047)	(1,942,167)
Extraordinary income		
Gain on sales of non-current assets	1,647,502	659
Other	7,750	—
Total extraordinary income	1,655,252	659
Extraordinary losses		
Loss on sales of non-current assets	—	263
Loss on retirement of non-current assets	9,202	4,948
Impairment loss	—	73,135
Other	—	12,069
Total extraordinary losses	9,202	90,418
Net income (loss) before income tax	805,001	(2,031,926)
Income taxes	700,540	(621,680)
Net income (loss)	104,461	(1,410,245)
Net loss attributable to non-controlling interests	(482,219)	(196,914)
Net income (loss) attributable to owners of the parent	586,680	(1,213,331)



## Quarterly Consolidated Statements of Comprehensive Income

(Thousands of yen)	3 months ended June 30, 2019	3 months ended June 30, 2020
Net income (loss)	104,461	(1,410,245)
Other comprehensive income		
Valuation difference on available-for-sale securities	(90,353)	163,833
Deferred gains or losses on hedges	1,346	—
Foreign currency translation adjustment	18,017	(167,523)
Re-measurements of defined benefit plans	(881)	248
Total other comprehensive income	(71,870)	(3,441)
Comprehensive income	32,590	(1,413,687)
(Breakdown)		
Comprehensive income attributable to owners of parent	498,071	(1,144,411)
Comprehensive income attributable to non-controlling interests	(465,480)	(269,275)

## (3) Notes to Quarterly Consolidated Statements

(Notes regarding ongoing concern assumption)

No relevant matters to be noted.

(Notes on the event of material changes in the amount of shareholders' equity)

No relevant matters to be noted.

(Segment information and others)

[Segment Information]

## I. For the 3 months ended June 30, 2019 (from April 1, 2019 to June 30, 2019)

## 1. Information regarding net sales and profit (loss) by reportable segment

(Thousands of yen)

	Content Creation	Production Services	Imaging Systems & Solutions	Sub total
Net sales				
Sales to external customers	7,797,163	10,851,764	3,096,478	21,745,406
Inter-segment sales or transfers	32,957	197,235	58,091	288,284
Total	7,830,120	11,049,000	3,154,570	22,033,690
Segment income (loss)	(31,313)	(786,565)	160,982	(656,896)

	Adjustments (Note 1)	Amount in the Quarterly Consolidated Statements of Income (Note 2)
Net sales		
Sales to external customers	2,457	21,747,863
Inter-segment sales or transfers	(288,284)	—
Total	(285,827)	21,747,863
Segment income (loss)	(24,847)	(681,744)

Notes:

- The segment income (loss) adjustment of (24,847) thousand yen consists of 1,612,944 thousand yen in incomes of holding companies (consolidated financial statement-submitting companies) and intersegment transaction eliminations of (1,637,791) thousand yen.
- The segment income (loss) adjustment is based on the operating loss item in the Quarterly Consolidated Statements of Income.

## II. For the 3 months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

## 1. Information regarding net sales and profit (loss) by reportable segment

(Thousands of yen)

	Content Creation	Production Services	Imaging Systems & Solutions	Sub total
Net sales				
Sales to external customers	2,932,062	10,476,851	3,444,040	16,852,955
Inter-segment sales or transfers	30	102,046	78,731	180,808
Total	2,932,093	10,578,898	3,522,772	17,033,763
Segment income (loss)	(469,437)	(1,369,404)	55,473	(1,783,368)

	Adjustments (Note 1)	Amount in the Quarterly Consolidated Statements of Income (Note 2)
Net sales		
Sales to external customers	2,808	16,855,763
Inter-segment sales or transfers	(180,808)	—
Total	(178,000)	16,855,763
Segment income (loss)	(85,557)	(1,868,925)

## Notes:

- The segment income (loss) adjustment of (85,557) thousand yen consists of 1,493,674 thousand yen in incomes of holding companies (consolidated financial statement-submitting companies) and intersegment transaction eliminations of (1,579,231) thousand yen.
- The segment income (loss) adjustment is based on the operating loss item in the Quarterly Consolidated Statements of Income.

## 2. Note concerning changes in reportable segments

The IMAGICA GROUP previously had four business segments: Content Creation, Production Services, Media Localization, and Imaging Systems & Solutions. The Production Services and Media Localization business segments were integrated from the first quarter of consolidated fiscal year ending March 31, 2021, thereby reducing the number of reportable business segments to three: Content Creation, Production Services, and Imaging Systems & Solutions.

The figures provided in "Information regarding net sales and profit (loss) by reportable segment" for the first quarter of the previous consolidated fiscal year show the figures after the changes to the reportable segments were made.