

# **Consolidated Financial Highlights for the Second Quarter of the fiscal year ending September 30, 2021**

---

IMAGICA GROUP Inc.

Code : 6879

October 30, 2020

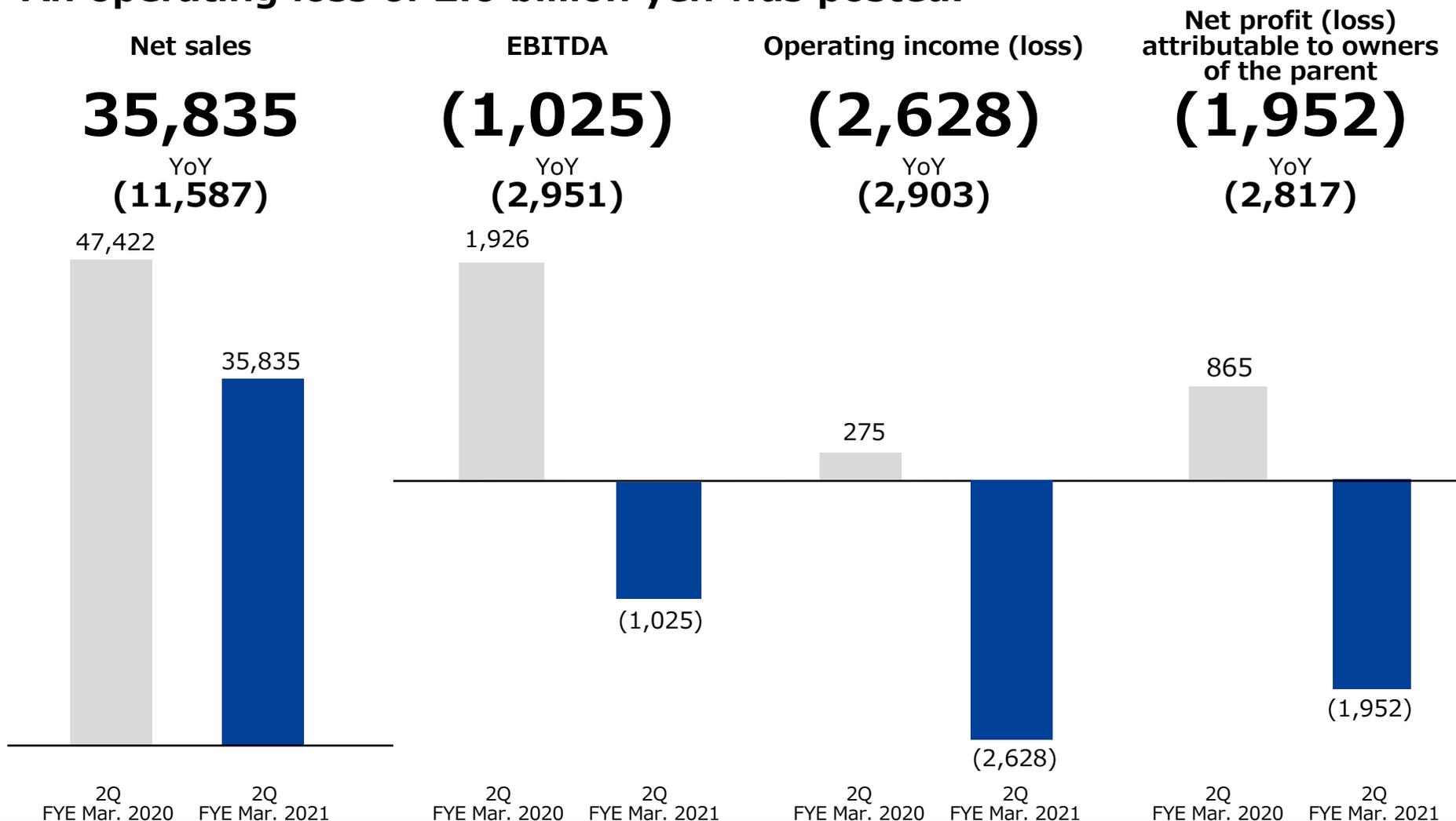


# Highlights of Financial Results for the First Half



Net sales decreased by 11.5 billion yen.  
An operating loss of 2.6 billion yen was posted.

(Million Yen)



\* EBITDA includes: Operating income, depreciation and amortization, goodwill amortization and intangible fixed assets amortization including trademarks

# Second Quarter Results (July 1 to September 30)

Both net sales and losses improved in the second quarter, compared to the first quarter.

(Million Yen)	1Q	2Q (July 1 to September 30)		1H
	Actual	Actual	% Change from 1Q/ Change from 1Q	Actual
Net sales	<b>16,855</b>	<b>18,980</b>	<b>12.6%</b>	<b>35,835</b>
Operating loss	<b>(1,868)</b>	<b>(760)</b>	<b>1,108</b>	<b>(2,628)</b>
Ordinary loss	<b>(1,942)</b>	<b>(986)</b>	<b>956</b>	<b>(2,928)</b>
Net loss attributable to owners of parent	<b>(1,213)</b>	<b>(739)</b>	<b>474</b>	<b>(1,952)</b>
EBITDA (Reference)	<b>(1,063)</b>	<b>37</b>	<b>1,101</b>	<b>(1,025)</b>

# First Half Financial Results by Segment

**Imaging Systems & Solutions earned a profit.**

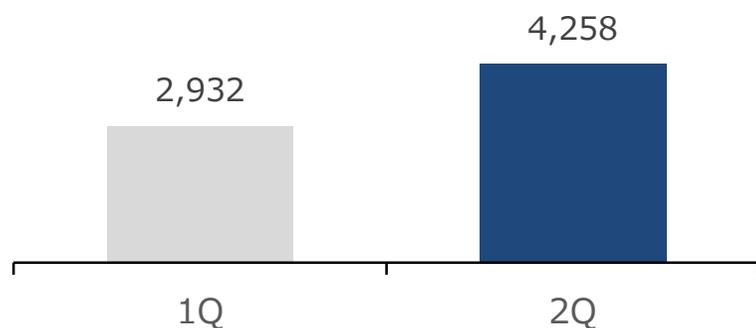
(Million Yen)		1H FYE Mar. 2020	1H FYE Mar. 2021		
		Actual	Actual	YoY	YoY ratio
Content Creation	Net sales	<b>15,454</b>	<b>7,190</b>	(8,263)	(53.5%)
	Operating loss	<b>(26)</b>	<b>(712)</b>	(685)	—
	(Operating margin)	—	—		
Production Services	Net sales	<b>23,743</b>	<b>20,719</b>	(3,024)	(12.7%)
	Operating loss	<b>( 751)</b>	<b>(2,224)</b>	(1,473)	—
	(Operating margin)	—	—		
Imaging Systems & Solutions	Net sales	<b>8,955</b>	<b>8,495</b>	(459)	(5.1%)
	Operating income	<b>1,250</b>	<b>558</b>	(691)	(55.3%)
	(Operating margin)	14.0%	6.6%		
Others	Net sales	<b>(730)</b>	<b>(569)</b>	160	—
	Operating loss	<b>(197)</b>	<b>(250)</b>	(53)	—
Consolidated total	Net sales	<b>47,422</b>	<b>35,835</b>	(11,587)	(24.4%)
	Operating income (loss)	<b>275</b>	<b>(2,628)</b>	(2,903)	—

# Content Creation (Quarterly Performance)

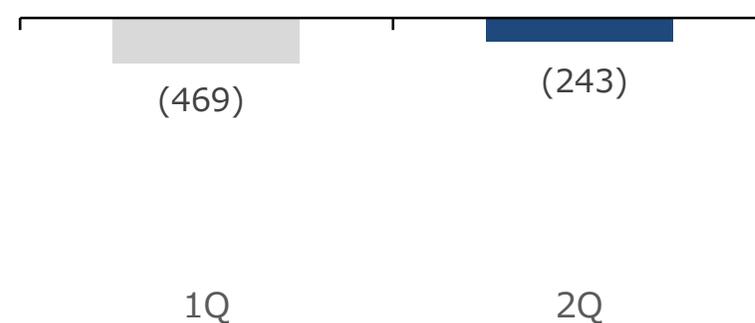
**Performance bottomed out in the first quarter and both net sales and the operating loss improved in the second quarter.**

(Million Yen)

Net sales



Operating income



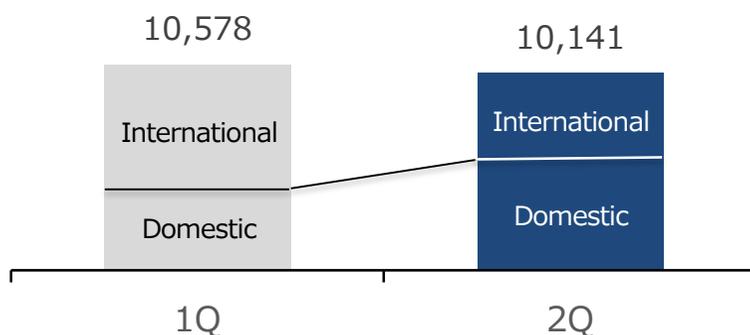
- ✓ Some feature film productions were released at the end of the second quarter, but other film productions were postponed to the third quarter or later.
- ✓ Shooting of TV commercials resumed.
- ✓ Suspension or postponements of live-music performance recordings continued.
- ✓ The number of TV animation series produced decreased and changes in television broadcasting schedules occurred.

# Production Services (Quarterly Performance)

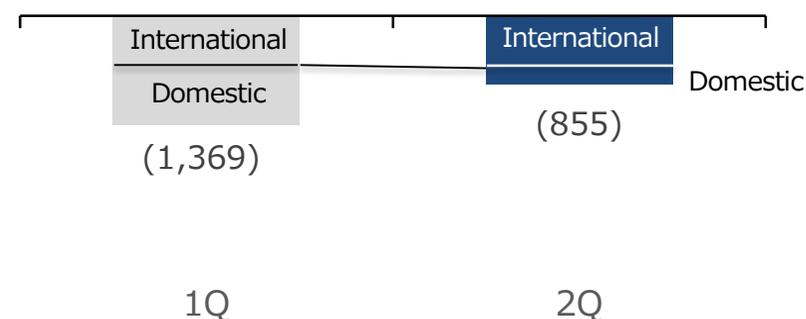
Signs of a rebound were seen in the domestic market, while conditions remained difficult in overseas localization.

(Million Yen)

Net sales



Operating income

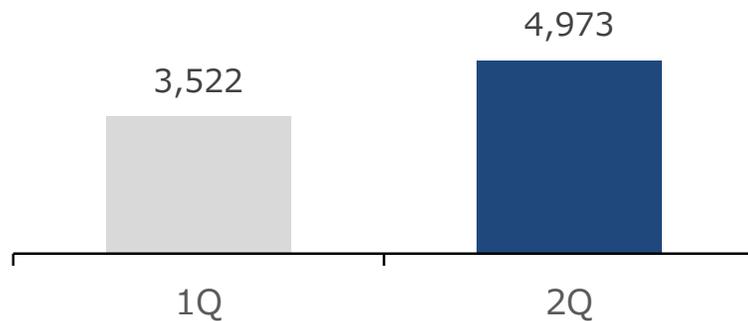


- ✓ Media and post-production services saw a rebound in orders for post-production for TV programs and TV commercials, digital cinema services, video streaming, and archiving services.
- ✓ International media services (localization) saw a decline in orders due to the lockdowns in various countries in Europe and North America.
- ✓ Human talent services secured orders on par with the second quarter of last year due to the shift to remote operation for the production of Game 3DCG, and despite the difficult conditions in the creative talent dispatch and referral business.

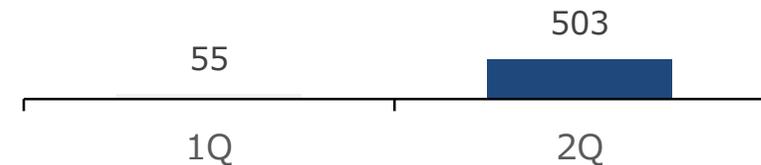
**The online delivery system for TV commercials was strong and sales in the Asia region rebounded.**

(Million Yen)

Net sales



Operating income



- ✓ The online delivery system for TV commercials was strong and sales rebounded to the same level as last year.
- ✓ Recognition of sales from projects for TV broadcasters was postponed to the third quarter or later.
- ✓ Conditions were tough for high-speed cameras in Japan, Europe, and the U.S., while sales showed signs of rebounding in the Asian region.
- ✓ Sales were also steady for video and image processing LSI for Taiwan and China.

# Consolidated Forecast for Fiscal Year Ending March 31, 2021

Continued improvement is anticipated in the third quarter onward.

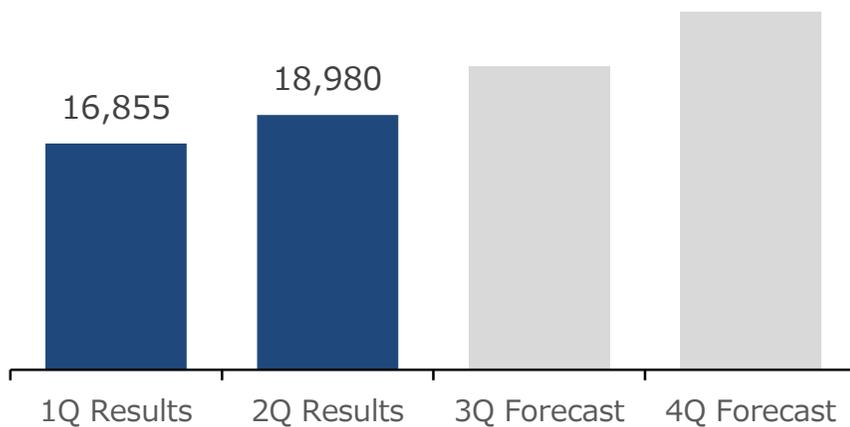
(Million Yen)	FYE Mar. 2020	FYE Mar. 2021				
	Actual	1H	YoY	Full Year Forecast	YoY	YoY ratio
Net sales	<b>94,090</b>	35,835	(11,587)	<b>84,000</b>	(10,090)	(10.7%)
Operating income	<b>1,351</b>	(2,628)	(2,903)	<b>(2,200)</b>	(3,551)	—
(Operating margin)	(1.0%)	(-)	-	<b>(-)</b>	-	
Ordinary income	<b>416</b>	(2,928)	(2,736)	<b>(2,650)</b>	(3,066)	—
Net profit (loss) attributable to owners of parent	<b>664</b>	(1,952)	(2,817)	<b>(1,150)</b>	(1,814)	—
Earnings (Loss) per share (Yen)	<b>15.05</b>	(44.05)	(63.69)	<b>(25.91)</b>	(40.96)	—
EBITDA (Reference)	<b>4,706</b>	(1,025)	(2,952)	<b>1,255</b>	(3,451)	(73.3%)

# Trend in Quarterly Consolidated Performance

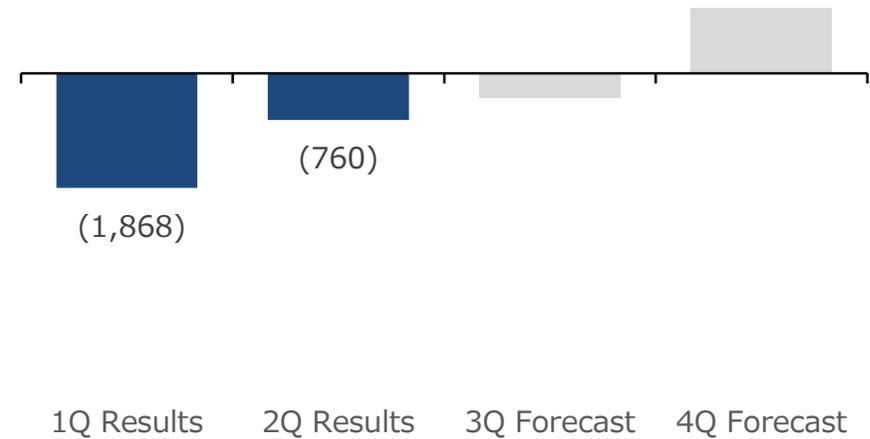
Improvement in both net sales and operating income to the same level as last year is anticipated in the fourth quarter.

(Million Yen)

Net sales



Operating income



# Business Environment by Segment in the Third Quarter Onward

**Further improvement in the business environment is expected in the third quarter onward.**

Segments	Trend (vs. 1H)	Comments
Content Creation	Improvement	<p>(Positive) Release of feature film productions will be scheduled in the third quarter onward.</p> <p>(Positive) Resumption in shooting of TV commercials will continue.</p> <p>(Neutral) It is still unclear whether there will be large live-music performance projects, but online streaming of performances with no audience will proceed.</p>
Production Services	Domestic: Improvement  Overseas: Slight improvement	<p>(Positive) Digital cinema services will rebound as theaters reopen.</p> <p>(Positive) J.LEAGUE resumed in the second quarter and other sports will also resume.</p> <p>(Neutral) International media services (localization) will struggle in the U.S. and various countries in Europe due to the spread of COVID-19. Asia will rebound.</p>
Imaging Systems & Solutions	Improvement	<p>(Positive) Orders from TV broadcasters are expected in the fourth quarter and maintenance services will increase.</p> <p>(Positive) Online delivery system demand will increase amid the remote production environment.</p> <p>(Neutral) The demand for high-speed cameras will be strong in Asia, but it is still unclear what conditions in Europe and the U.S. will be.</p>

## Dividend policy

The Group considers the return of profits to shareholders as an important management objective. Our basic policy is to distribute earnings in line with consolidated results. We target a consolidated payout ratio of 30% and aim to maintain stable dividends and increase the level of dividends.

	Net loss attributable to owners of the parent	Net loss per share	Dividend forecast	Dividend payout ratio
Forecast for fiscal year ending March 31, 2021	(1,150) million yen	(25.91) yen	0 yen	– %

We project a net loss attributable to owners of the parent for this fiscal year. We have therefore decided to declare zero year-end dividends based on the basic policy stated above.

# Appendix.

# Consolidated Statements of Income

(Million Yen)	1H FYE Mar. 2020	1H FYE Mar. 2021		
	Actual	Actual	YoY	YoY ratio
Net sales	<b>47,422</b>	<b>35,835</b>	(11,587)	(24.4%)
Gross profit (Gross margin)	<b>11,357</b> 23.9%	<b>7,621</b> 21.3%	(3,736)	(32.9%)
Operating income (loss) (Operating margin)	<b>275</b> 0.6%	<b>( 2,628)</b> —	(2,903)	—
Ordinary loss (Ordinary margin)	<b>(192)</b> —	<b>(2,928)</b> —	(2,736)	—
Extraordinary income	<b>1,658</b>	<b>123</b>	(1,534)	(92.6%)
Extraordinary losses	<b>30</b>	<b>118</b>	88	287.2%
Net profit (loss) before taxes	<b>1,435</b>	<b>(2,924)</b>	(4,359)	—
Net profit (loss) attributable to owners of parent	<b>865</b>	<b>(1,952)</b>	(2,817)	—
<b>EBITDA (Reference)</b>	<b>1,926</b>	<b>(1,025)</b>	(2,951)	—

\* EBITDA includes: Operating income, depreciation and amortization, goodwill amortization and intangible fixed assets amortization including trademarks

# Consolidated Balance Sheets

(Million Yen)		As of Mar. 31, 2020	As of Sep. 30, 2020	YoY	Main Factors	
Assets	Current assets	<b>35,295</b>	<b>30,661</b>	(4,634)	Cash and deposits: (1,468) Notes and accounts receivable-trade: (4,947) Inventories: +1,082 Other: +699	
	Cash and deposits	<b>7,339</b>	<b>5,871</b>	(1,468)		
	Non-current assets	<b>26,859</b>	<b>26,296</b>	(563)	Investment securities: +320 Shares of subsidiaries and affiliates: (253) Deferred tax asset: +322	
	Goodwill	<b>3,167</b>	<b>2,864</b>	(303)		
<b>Total Assets</b>		<b>62,154</b>	<b>56,957</b>	(5,197)		
Liabilities / Net Assets	Current liabilities	<b>25,762</b>	<b>26,356</b>	594	Notes and accounts payable-trade: (1,819) Short-term loans payable: +2,051 Income taxes payable: (1,228) Advances received: +2,206	
	Short-term loans payable	<b>5,004</b>	<b>7,055</b>	2,051		
	Non-current liabilities	<b>8,913</b>	<b>8,574</b>	(339)	Long-term loans payable: (463)	
	Long-term loans payable	<b>5,510</b>	<b>5,047</b>	(463)		
	<b>Total Liabilities</b>		<b>34,676</b>	<b>34,931</b>	255	
	Shareholders' equity	<b>25,428</b>	<b>21,063</b>	(4,364)	(Reference) Shareholders' equity	
	Accumulated other comprehensive income	<b>(361)</b>	<b>(234)</b>	126	As of March 31, 2020: 25,066 (40.3%)	
	Stock acquisition rights	<b>11</b>	<b>11</b>	–	As of September 30, 2020: 20,828 (36.6%)	
	Non-controlling interests	<b>2,400</b>	<b>1,186</b>	(1,214)		
	<b>Total Net Assets</b>		<b>27,478</b>	<b>22,026</b>	(5,452)	
<b>Total Liabilities and Net Assets</b>		<b>62,154</b>	<b>56,957</b>	(5,197)		
<b>Net Cash</b>		<b>(3,175)</b>	<b>(6,232)</b>	(3,056)	(Cash and deposits – long and short loans payable)	

# Consolidated Statements of Cash Flow

(Million Yen)	2Q FYE Mar. 31, 2020	2Q FYE Mar. 31, 2021
Income before income taxes (loss)	1,435	(2,924)
Depreciation and amortization	1,359	1,308
Amortization of goodwill	291	293
Decrease (increase) in notes and accounts receivable-trade	4,056	4,871
Decrease (increase) in inventories	825	(1,098)
Decrease (increase) in notes and accounts payable-trade	(1,154)	(1,755)
Increase (Decrease) in advanced payment	(2,684)	2,217
Increase (decrease) in consumption taxes payable or receivable	828	(835)
Increase (decrease) in account payable	(860)	(1,466)
Other, net	(1,232)	(711)
<b>Net cash provided by operating activities</b>	<b>2,865</b>	<b>(98)</b>
Payments of short-term loans receivable	(1,650)	–
Collection of short-term loans receivable	555	–
Purchase of property, plant and equipment	(390)	(606)
Proceeds from sales of property, plant and equipment	2,673	1
Purchase of investments in affiliates	(3,000)	(100)
Other, net	(728)	(530)
<b>Net cash used in investing activities</b>	<b>(2,541)</b>	<b>(1,235)</b>
Net increase (decrease) in short-term loans payable	601	2,677
Repayment of long-term loans payable	(1,240)	(1,230)
Proceeds from long-term loans payable	–	434
Cash dividends paid	(220)	(221)
Purchase of investments in subsidiaries do not result in change in scope of consolidation	–	(1,500)
Other, net	(158)	(240)
<b>Net cash used in financing activities</b>	<b>(1,018)</b>	<b>(79)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(800)</b>	<b>(1,468)</b>
<b>Cash and cash equivalents at end of period</b>	<b>5,266</b>	<b>5,859</b>

# Business segment list of consolidated subsidiaries

Content Creation	Production Services	Imaging Systems & Solutions
<p>ROBOT COMMUNICATIONS INC.</p> <p>P.I.C.S. Co., Ltd.</p> <p>OLM, Inc.</p> <p>OLM Digital, Inc.</p> <p>OLM Ventures Inc.</p> <p>Sprite Animation Studios</p>	<p>IMAGICA Lab. Inc.</p> <p>IMAGICA LIVE Corp.</p> <p>COSMO SPACE Co., Ltd.</p> <p>IMAGICA SDI Studio, Inc.</p> <p>SDI Media Group, Inc.</p> <p>PPC Creative Limited</p> <p>IMAGICA DIGITAL SCAPE Co., Ltd.</p> <p>IMAGICA ALOBASE Co., Ltd.</p> <p>Shonan Hi-tech Planning Co.,Ltd.</p> <p>Weather Map Co., Ltd.</p> <p>※Pixelogic Holdings, LLC added from 4Q</p>	<p>PHOTRON LIMITED</p> <p>PHOTRON M&amp;E Solutions Inc.</p> <p>PHOTRON USA, INC.</p> <p>PHOTRON EUROPE LIMITED</p> <p>i-Chips Technology Inc.</p> <p>IPmotion Inc.</p>

# Contact for inquiries:

IMAGICA GROUP Inc.

Corporate Management Department

11th Floor, Uchisaiwaicho Tokyu Building 1-3-2 Uchisaiwaicho,

Chiyoda-ku, Tokyo 100-0011, Japan

TEL: +81-3-6741-5742 FAX: +81-3-6741-5752

Email: [ir@imagicagroup.co.jp](mailto:ir@imagicagroup.co.jp)

URL: <https://www.imagicagroup.co.jp/en/>

**DISCLAIMER:**

The forward-looking statements for the current and future business periods described in this document are formulated based on the plans and prospects of the Group as of the date on which these materials were disclosed. Actual performance may differ from numerical forecasts due to the uncertainties inherent in the judgments and assumptions made, as well as possibility of future changes that may occur in business management and internal and external circumstances.