

**Consolidated Financial Highlights for
the Third Quarter of the fiscal year ending
December 31, 2021**

IMAGICA GROUP Inc.

Code : 6879

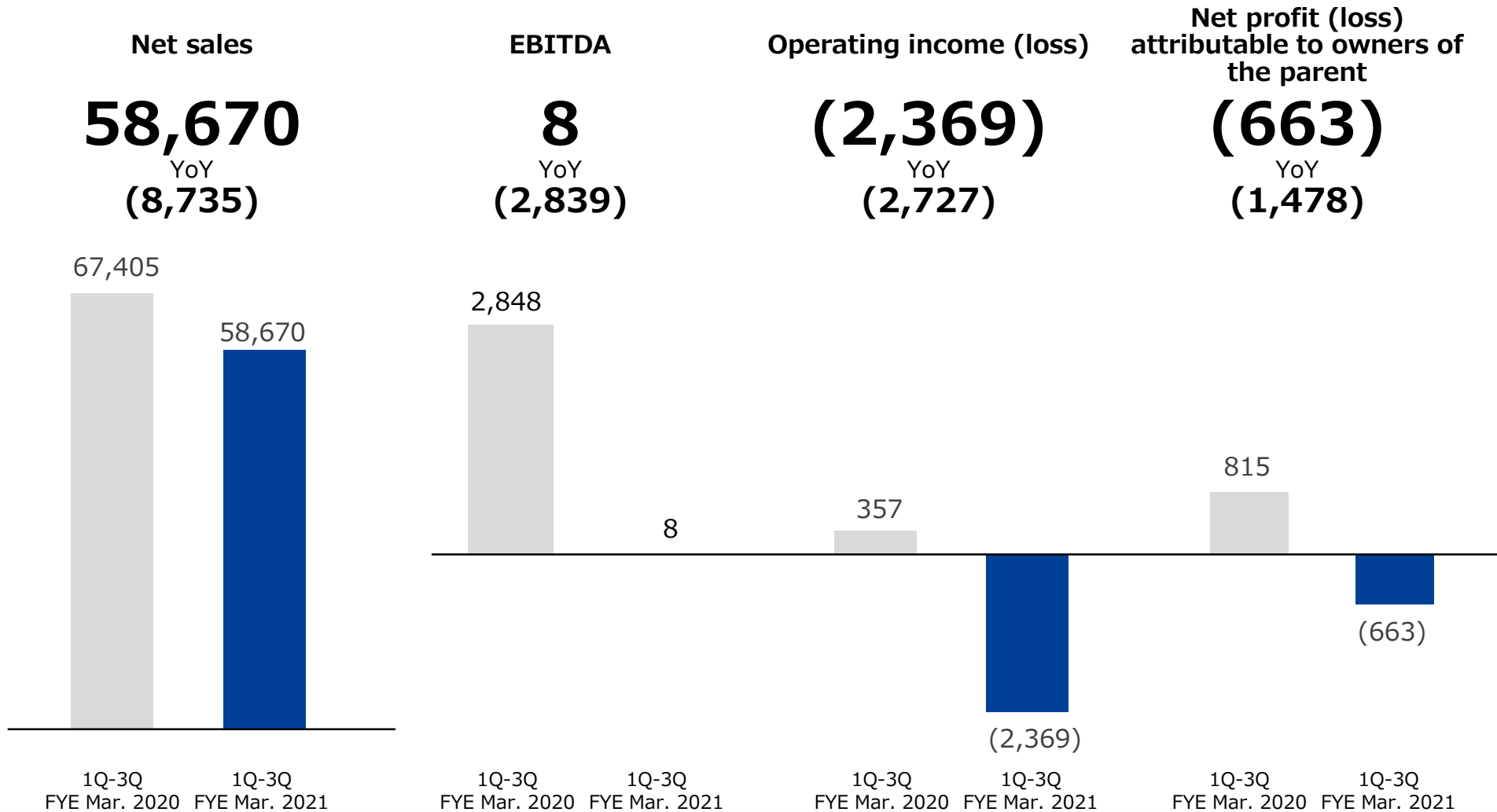
February 4, 2021



Highlights of Financial Results for the First Three Quarters

Net sales decreased by 8.7 billion yen.
An operating loss of 2.3 billion yen was posted.

(Million Yen)



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

Third Quarter Results (October 1 to December 31)

Both net sales and profit improved in the third quarter, compared to the second quarter.

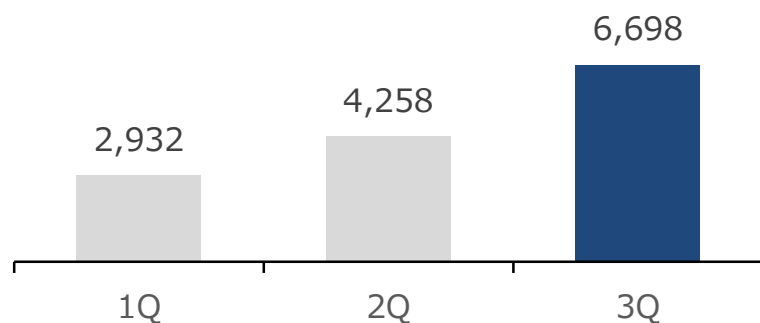
(Million Yen)	1Q	2Q	3Q (October 1 to December 31)		1Q-3Q (Apr. 1 to Dec. 31)
	Actual	Actual	Actual	% Change from 2Q/ Change from 2Q	Actual
Net sales	16,855	18,980	22,835	20.3%	58,670
Operating income (loss)	(1,868)	(760)	259	1,019	(2,369)
Ordinary income (loss)	(1,942)	(986)	199	1,185	(2,729)
Net profit (loss) attributable to owners of the parent	(1,213)	(739)	1,289	2,028	(663)
EBITDA (Reference)	(1,063)	37	1,034	997	8

Content Creation (Quarterly Performance)

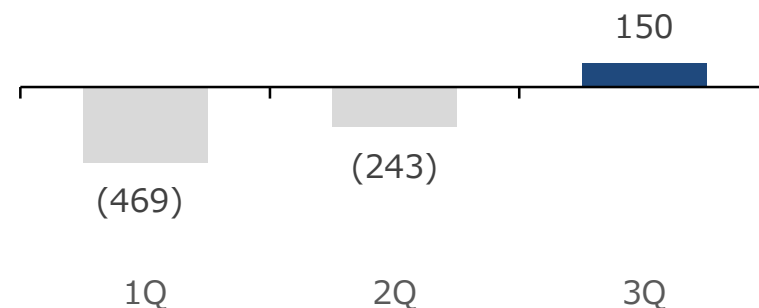
Performance bottomed out in the first quarter and both net sales and the operating income (loss) improved gradually from the second quarter onward.

(Million Yen)

Net sales



Operating income (loss)



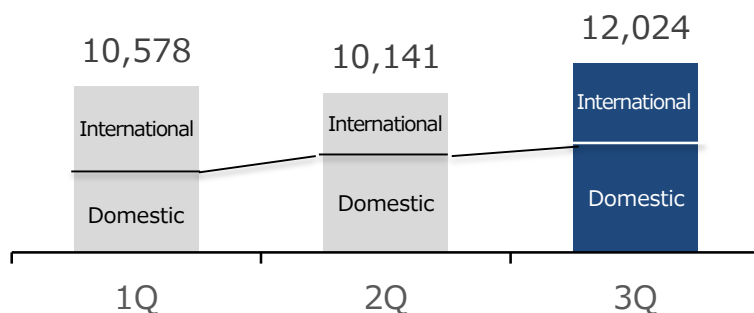
- ✓ Live action films and anime feature film productions, which had been postponed, were released.
- ✓ OTT streaming of dramas began (Alice in Borderland, an original Netflix series planned and produced by ROBOT COMMUNICATIONS, INC.)
- ✓ Orders increased for live streaming of live music performance recordings and other events without audiences.
- ✓ The number of new orders for TV commercials and other advertisements did not rebound.
- ✓ The number of TV animation series produced continued to decline and changes in delivery and TV program broadcasting schedules continued to occur.

Production Services (Quarterly Performance)

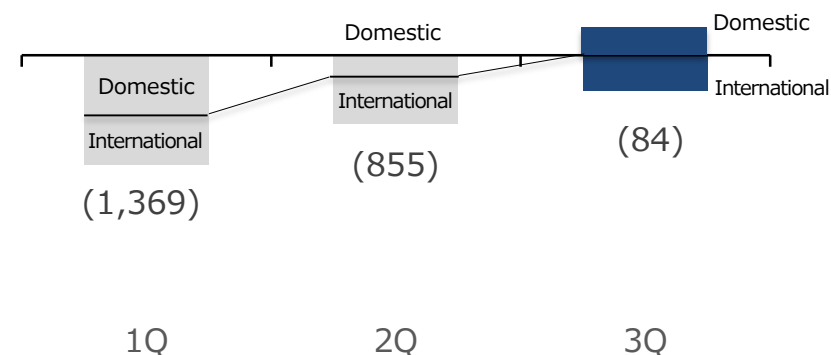
In the domestic market, orders showed signs of a rebound and operating income moved into the black in the third quarter.

(Million Yen)

Net sales



Operating income (loss)

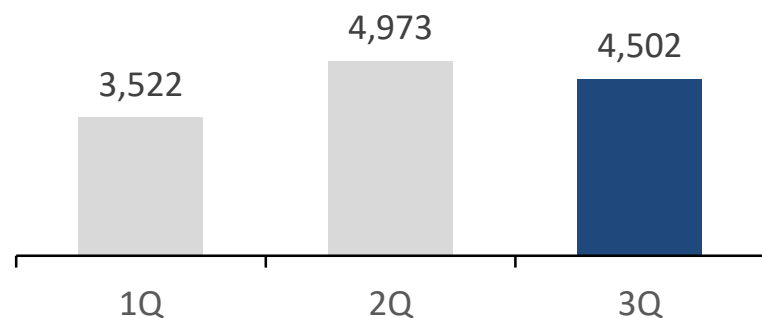


- ✓ **Media and post-production services:** This segment continued to secure post-production orders for TV programs. Orders for post-production services for TV commercials and animation and encoding and other services for OTT projects also increased.
- ✓ **Video shooting, streaming, and archiving services:** The resumption of sports events and shift of live music performances to online streaming resulted in an increase in orders.
- ✓ **International media services (localization)** saw continued severe conditions in various countries in the Americas and orders declined, despite the resumption of operations at dubbing studios.
- ✓ **Human talent services** saw an increase in new orders for debugging business and orders for Game 3DCG production also remained firm, despite the difficult conditions in the creative talent dispatch and referral business.

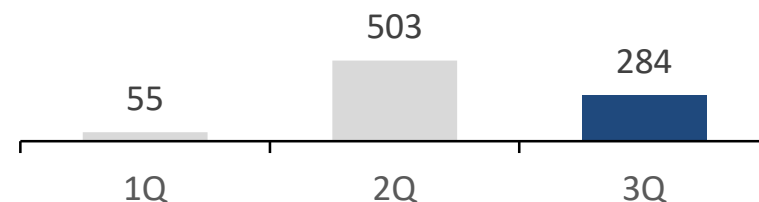
Online delivery system sales for TV commercials continued to expand and sales in the Asian region were also firm.

(Million Yen)

Net sales



Operating income



- ✓ The online delivery system for TV commercials saw an increase in the number of TV commercials delivered due to expanding market needs, securing growth in sales.
- ✓ Some projects for TV broadcasters decreased in number or shrank in size and others were postponed.
- ✓ 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 of video and image processing LSI for Taiwan and China continued to remain firm.

Financial Results by Segment (1Q-3Q)

The Imaging Systems & Solutions segment has continued to earn a profit since the first quarter.

(Million Yen)		1Q-3Q FYE Mar. 2020	1Q-3Q FYE Mar. 2021		
		Actual	Actual	YoY	% YoY
Content Creation	Net sales	20,038	13,888	(6,149)	(30.7%)
	Operating income (loss)	(203)	(562)	(359)	—
	(Operating margin)	—	—		
Production Services	Net sales	35,663	32,743	(2,919)	(8.2%)
	Operating income (loss)	(550)	(2,308)	(1,757)	—
	(Operating margin)	—	—		
Imaging Systems & Solutions	Net sales	12,784	12,997	212	1.7%
	Operating income (loss)	1,478	842	(636)	(43.0%)
	(Operating margin)	11.6%	6.5%		
Others	Net sales	(1,080)	(959)	120	—
	Operating income (loss)	(367)	(340)	26	—
Consolidated total	Net sales	67,405	58,670	(8,735)	(13.0%)
	Operating income (loss)	357	(2,369)	(2,727)	—

Consolidated Forecast for Fiscal Year Ending March 31, 2021

The forecast for the full year remains unchanged.

(Million Yen)	FYE Mar. 2020	FYE Mar. 2021				
	Actual	1Q-3Q	YoY	Full year forecast	YoY (Full year)	% YoY (Full year)
Net sales	94,090	58,670	(8,735)	84,000	(10,090)	(10.7)%
Operating income (loss)	1,351	(2,369)	(2,727)	(2,200)	(3,551)	—
(Operating margin)	(1.0%)	(-)	-	(-)	-	
Ordinary income (loss)	416	(2,729)	(2,418)	(2,650)	(3,066)	—
Net profit (loss) attributable to owners of parent	664	(663)	(1,478)	(1,150)	(1,814)	—
Earnings (Loss) per share (Yen)	15.05	(14.96)	(33.45)	(25.91)	(40.96)	—
EBITDA (Reference)	4,706	8	(2,839)	1,255	(3,451)	(73.3%)

Announced January 22

Establishment of new subsidiaries, structural reform of Production Services, and Group business reorganization

Two new subsidiaries were established to improve Group growth and profitability.

(1) Imagica Entertainment Media Services, Inc.

(2) IMAGICA Lab. Inc.

See next page for details

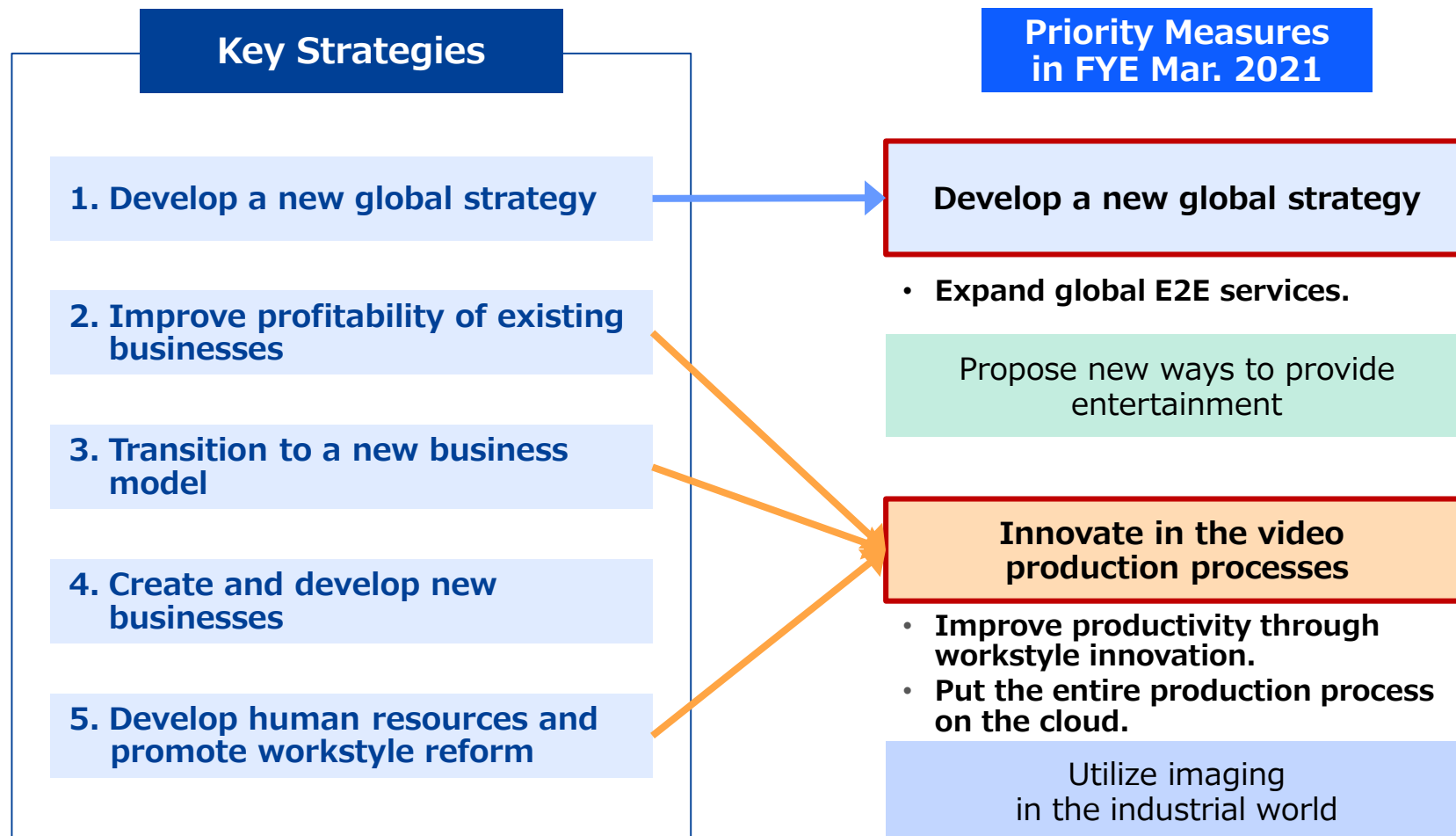
Supplemental Materials on Establishment of New Subsidiaries, Structural Reform of Production Services, and Group Business Reorganization

January 22, 2021



Mid-term Business Strategy

Development of global strategy and pursuit of video production reform through structural reform of Production Services and Group Reorganization aimed at achieving the Integration to 2021 Mid-term Business Strategy



Specific Measures

Develop a new global strategy

1

Split off IMAGICA Lab. Entertainment business as an independent business.
Strengthen alliance with Pixelogic and **expand global E2E services.**
Aim for a highly profitable structure that serves as the engine for Group growth.

Innovate in the video production processes

2

Split off IMAGICA Lab. TV/CM post-production business as an independent business.
Create a new business model through the switch to cloud-based services, remote production, etc.
Build a strong profit structure and transform the business.

3

Clearly specify the core businesses of subsidiaries.
Reorganize and consolidate the shooting, video production, and game-related businesses of IMAGICA Lab. and **optimize and maximize business expansion.**

4

Establish a Group technology development division in PHOTRON LIMITED.
Integrate IMAGICA Lab. and IMAGICA DIGITALSCAPE technical talent into PHOTRON.
Accelerate innovation in video production.

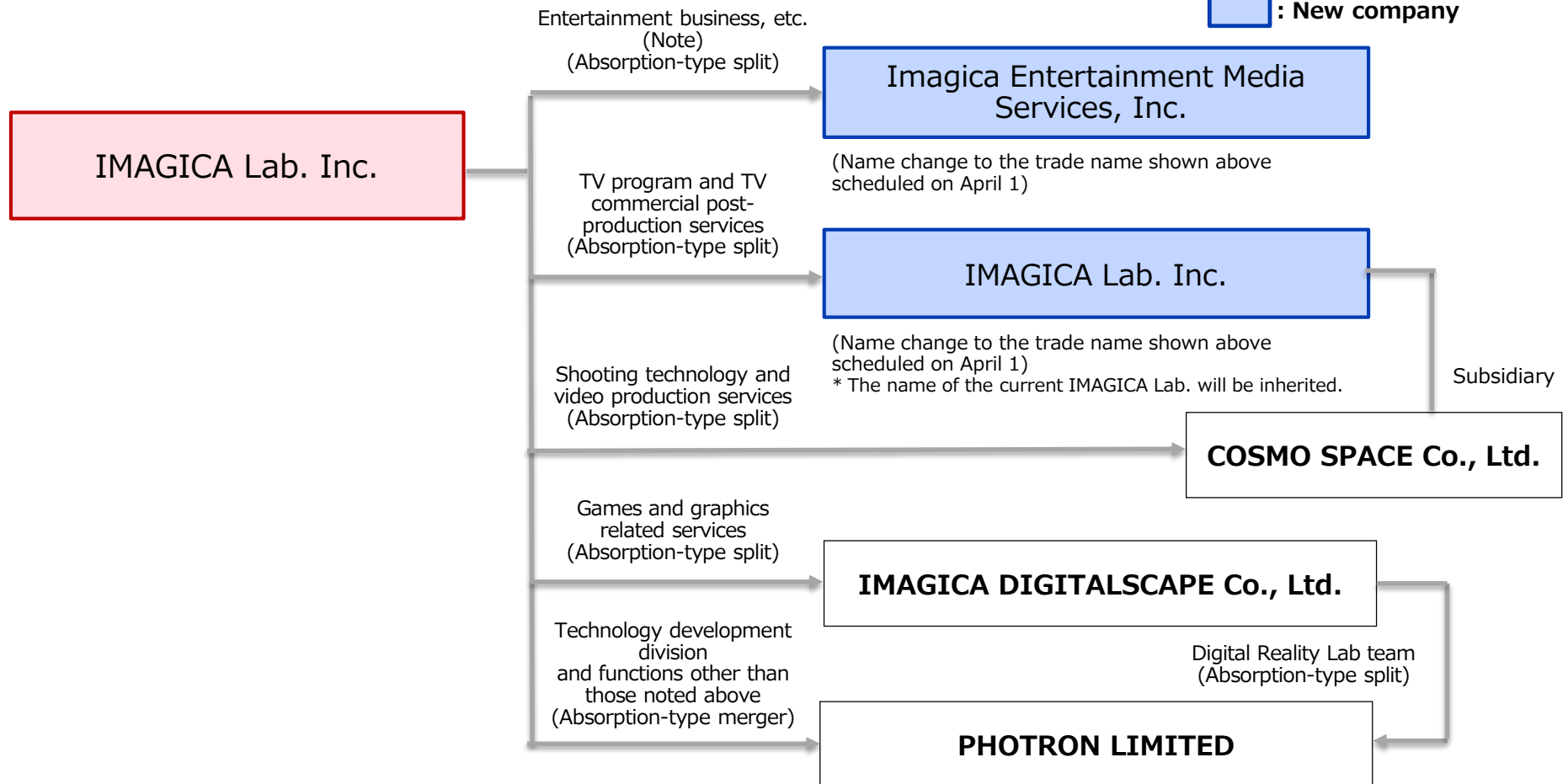
Group Business Reorganization

[Current]

[After Reorganization]

April 1, 2021 onward

: New company



Note: Entertainment business, etc.: Feature film, dramas, anime, and other source video production and distribution-related technical services (Distribution, streaming, packaging, localization, etc.), and film-related services

Appendix.

Consolidated Statements of Income



(Million Yen)	1Q-3Q FYE Mar. 2020	1Q-3Q FYE Mar. 2021		
	Actual	Actual	YoY	% YoY
Net sales	67,405	58,670	(8,735)	(13.0%)
Gross profit (loss)	16,919	12,932	(3,987)	(23.6%)
(Gross margin)	25.1%	22.0%		
Operating income (loss)	357	(2,369)	(2,727)	—
(Operating margin)	0.5%	—		
Ordinary profit (loss)	(310)	(2,729)	(2,418)	—
(Ordinary margin)	—	—		
Extraordinary income	1,688	2,216	528	31.3%
Extraordinary losses	59	154	94	158.3%
Net profit (loss) before taxes	1,317	(667)	(1,985)	—
Net profit (loss) attributable to owners of parent	815	(663)	(1,478)	—
EBITDA(Reference)	2,848	8	(2,839)	(99.7%)

* 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 Dec. 31, 2021	YoY	Main Factors	
Assets	Current assets	35,295	35,070	(224)	Cash and deposits: +302 Notes and accounts receivable-trade: (977) Inventories: (768) Other: +1,265	
	Cash and deposits	7,339	7,641	302		
	Non-current assets	26,859	36,317	9,457	Investment securities: +372 Shares of subsidiaries and affiliates: (1,624) Deferred tax asset:(2)	
	Goodwill	3,167	15,480	12,312		
Total Assets		62,154	71,387	9,232		
Liabilities / Net Assets	Current liabilities	25,762	32,347	6,584	Notes and accounts payable-trade: (1,116) Short-term loans payable: +8,998 Income taxes payable: (1,365) Advances received:(501)	
	Short-term loans payable	5,004	14,002	8,998		
	Non-current liabilities	8,913	14,394	5,480	Long-term loans payable: +4,767	
	Long-term loans payable	5,510	10,278	4,767		
	Total Liabilities		34,676	46,741	12,065	
	Shareholders' equity	25,428	22,352	(3,075)	(Reference) Equity capital	
	Accumulated other comprehensive income	(361)	(252)	108	As of March 31, 2020: 25,066 (40.3%)	
	Stock acquisition rights	11	11	–	As of December 31, 2020: 22,099 (31.0%)	
	Non-controlling interests	2,400	2,534	134		
	Total Net Assets		27,478	24,645	(2,832)	
Total Liabilities and Net Assets		62,154	71,387	9,232		
Net Cash		(3,175)	(16,638)	(13,463)	(Cash and deposits – long and short loans payable)	

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&E Solutions Inc.</p> <p>PHOTRON USA, INC.</p> <p>PHOTRON EUROPE LIMITED</p> <p>i-Chips Technology Inc.</p> <p>IPmotion Inc.</p>

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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.