

Consolidated Financial Highlights for the First Quarter of the fiscal year ending March 31, 2021

IMAGICA GROUP Inc.

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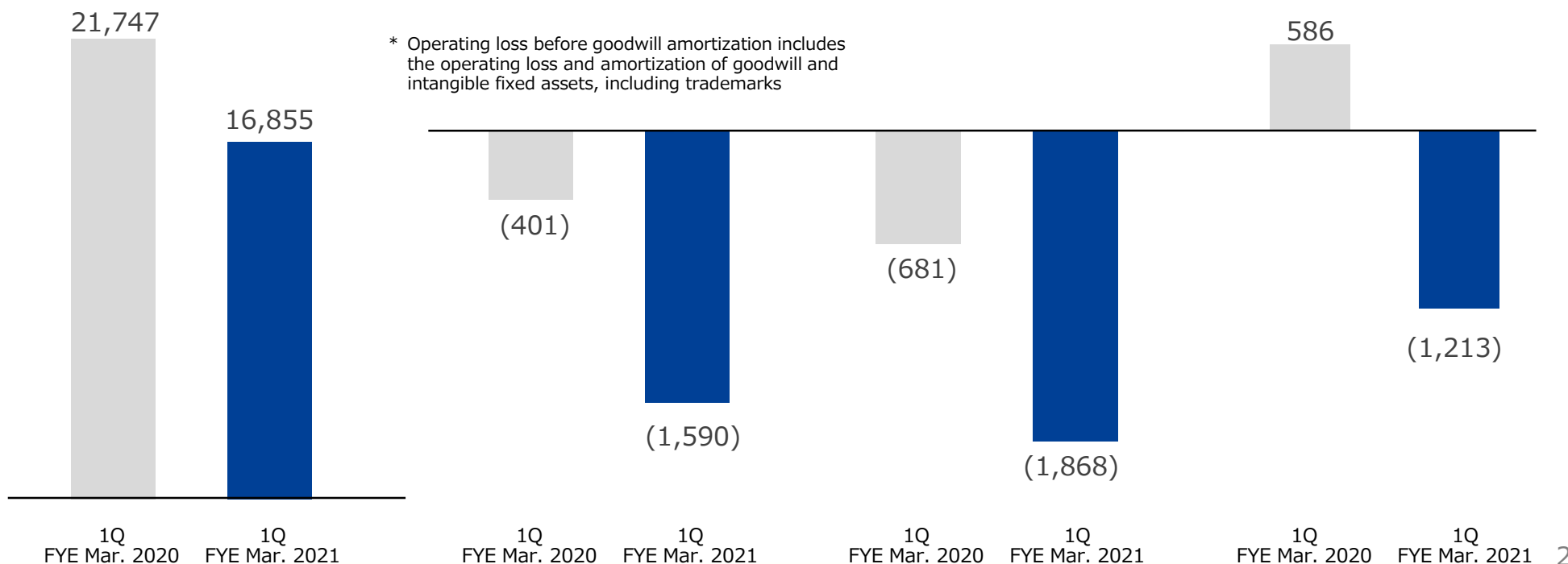


Highlights of Financial Results

Net sales decreased by 4.8 billion yen.
An operating loss of 1.8 billion yen was posted.

(Million Yen)

Net sales	Operating loss before goodwill amortization	Operating loss	Net profit (loss) attributable to owners of the parent
16,855	(1,590)	(1,868)	(1,213)
YoY (4,892)	YoY (1,189)	YoY (1,187)	YoY (1,800)

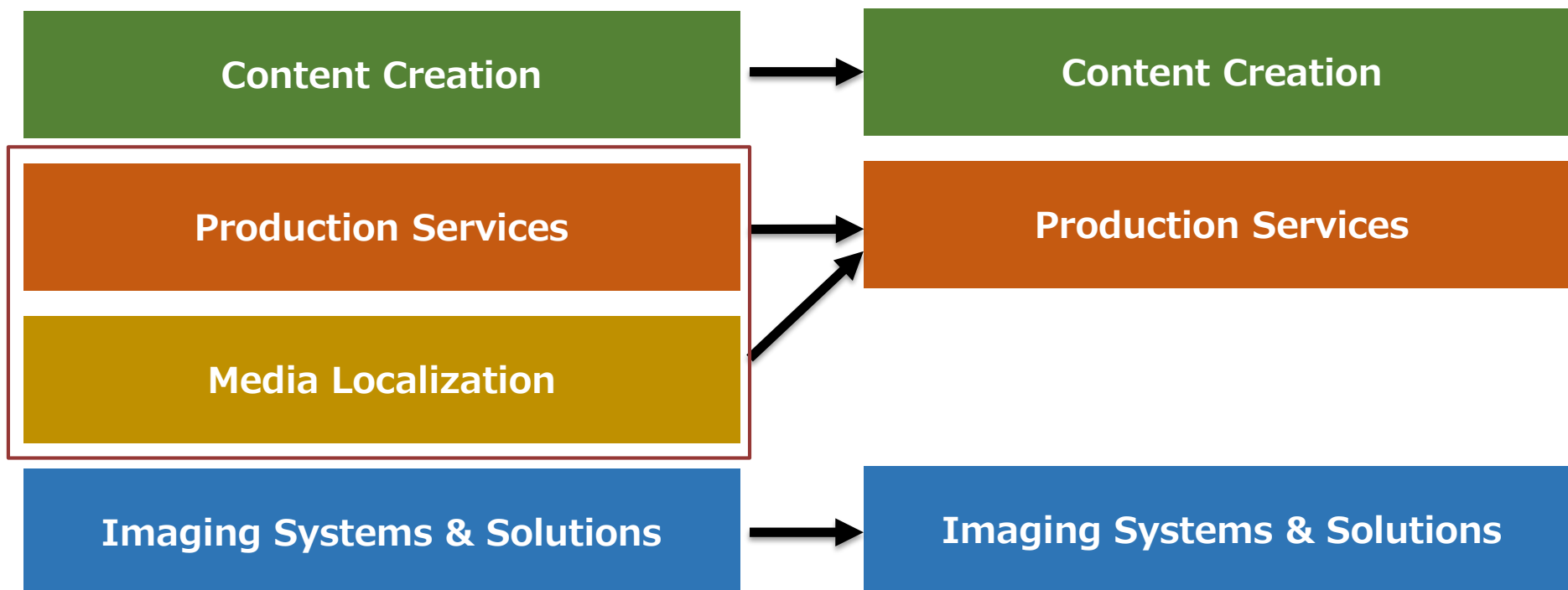


(For Reference) Changes in Reportable Segments

The Production Services business segment and Media Localization business segment were integrated.

Previous Segments (FYE Mar. 2017 to 2020)

New Business Segments (FYE Mar. 2021 -)



Financial Results by Segment

**Increase in sales for the Imaging Systems & Solutions segment.
Decrease in both sales and operating income for the Content Creation and Production Services segments.**

(Million Yen)		1Q FYE Mar.2020	1Q FYE Mar.2021		
		Actual	Actual	YoY	YoY ratio
Content Creation	Net sales	7,830	2,932	(4,898)	(62.6%)
	Operating loss	(31)	(469)	(438)	—
	(Operating margin)	—	—		
Production Services	Net sales	11,049	10,578	(470)	(4.3%)
	Operating loss	(786)	(1,369)	(582)	—
	(Operating margin)	—	—		
	Operating loss before goodwill amortization	(506)	(1,091)	(584)	—
Imaging Systems & Solutions	Net sales	3,154	3,522	368	11.7%
	Operating income	160	55	(105)	(65.5%)
	(Operating margin)	5.1%	1.6%		
Others	Net sales	(285)	(178)	107	—
	Operating loss	(24)	(85)	(60)	—
Consolidated total	Net sales	21,747	16,855	(4,892)	(22.5%)
	Operating loss	(681)	(1,868)	(1,187)	—

Release of feature film productions were postponed, and shooting of TV commercials and live music performances were also suspended or postponed. This resulted in a decrease in sales and expansion of the operating loss.

(Million Yen)		1Q FYE Mar.2020	1Q FYE Mar.2021		
		Actual	Actual	YoY	YoY ratio
Content Creation	Net sales	7,830	2,932	(4,898)	(62.6%)
	Operating loss	(31)	(469)	(438)	—
	(Operating margin)	—	—		

Net sales **-4,898** million YoY

- ✓ Release of feature film productions (live action and anime) postponed, causing sales to be posted in a later period
- ✓ Shooting of TV commercials and live music performances also suspended or postponed
- ✓ Decrease in the number of projects and changes in broadcasting schedules of TV animation

Operating loss **-438** million YoY

- ✓ Decrease in gross profit from decline in net sales
- ✓ Reduction in activity expenses and other costs

The decline in orders for feature film post-production, digital cinema, shooting, and other services resulted in a decrease in sales and expansion of the operating loss.

(Million Yen)		1Q	1Q		
		FYE Mar.2020	FYE Mar.2021		
		Actual	Actual	YoY	YoY ratio
Production Services	Net sales	11,049	10,578	(470)	(4.3%)
	Operating loss	(786)	(1,369)	(582)	—
	(Operating margin)	—	—		
	Operating loss before goodwill amortization	(506)	(1,091)	(584)	—

Net sales **-470** million YoY

- ✓ Orders for post-production services for TV programs remains firm, while orders for post-production for feature films and TV commercials, digital cinema, shooting and other services fell
- ✓ Net sales from creative talent dispatch on par with the previous quarter due to the transition to telecommuting, while talent referrals suffered

Operating loss **-582** million YoY

- ✓ Performance of International media services reflected results for January through March, so the impact from the novel coronavirus was minimal and fixed costs were reduced further
- ✓ Decline in orders for post-production for feature films and TV commercials, digital cinema, shooting and other services resulted in an expansion of the operating loss for the segment overall

Orders from TV broadcasters were delayed to the second quarter and later, and sales of high-speed cameras slumped, resulting in a decrease in operating income.

(Million Yen)		1Q FYE Mar.2020	1Q FYE Mar.2021		
		Actual	Actual	YoY	YoY ratio
Imaging Systems & Solutions	Net sales	3,154	3,522	368	11.7%
	Operating income	160	55	(105)	(65.5%)
	(Operating margin)	5.1%	1.6%		

Net sales **+368** million YoY

- ✓ Orders from TV broadcasters were delayed to the second quarter and later, while sales of high-speed cameras slumped in Asia, Europe, and the U.S. and were delayed to the second quarter and later in Japan
- ✓ Firm sales in mobile solutions area due to increased domestic demand for mobile data communications

Operating income **-105** million YoY

- ✓ Slump in sales of highly profitable projects for TV broadcasters and high-speed cameras resulted in a decrease in operating income

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.

2Q Trends in the Business Environment

- ✓ While the severe environment will persist through the first half, the 2Q is showing signs of improvement compared to the 1Q.
- ✓ Group SG&A expenses will be reduced and capital investments that are not necessary or urgent will be reviewed and postponed.

Segments	Trend (vs. 1Q)	Comments
Content Creation	Slight improvement	<ul style="list-style-type: none"> ✓ Decision made to gradually release feature film productions in the 2Q and beyond ✓ Shooting of TV commercials is beginning gradually, but the operating rate will still be insufficient ✓ The status of live-music performance recordings and staging of other events still unclear
Production Services	Japan: Slight improvement Overseas: Severe	<ul style="list-style-type: none"> ✓ Post-production services for feature films and dramas for OTT still severe, but signs of a rebound seen in digital cinema services and post-production services for TV commercials and TV programs ✓ International media services (localization) will show the results for April-June, which is the 2Q for overseas subsidiaries, so the impact from the novel coronavirus will be large. Dubbing studios resumed work in May, but concerns over a second wave in both Europe and the U.S. means that the severe conditions will continue.
Imaging Systems & Solutions	Improvement	<ul style="list-style-type: none"> ✓ The demand for high-speed cameras in Europe and the U.S. is still unclear, and projects for TV broadcasters are remaining firm with growth in maintenance services. ✓ A reduction in R&D expenses, activity expenses, and other costs will contribute to the bottom line.

Appendix.

Consolidated Statements of Income

(Million Yen)	1Q FYE Mar. 2020	1Q FYE Mar. 2021		
	Actual	Actual	YoY	% YoY
Net sales	21,747	16,855	(4,892)	(22.5%)
Gross profit	4,894	3,357	(1,536)	(31.4%)
(Gross margin)	22.5%	19.9%		
Operating loss	(681)	(1,868)	(1,187)	—
(Operating margin)	—	—		
Ordinary loss	(841)	(1,942)	(1,101)	—
(Ordinary margin)	—	—		
Extraordinary income	1,655	0	(1,654)	(100.0%)
Extraordinary losses	9	90	81	882.5%
Net profit (loss) before taxes	805	(2,031)	(2,836)	—
Net profit (loss) attributable to owners of parent	586	(1,213)	(1,800)	—
(Reference) Operating loss before goodwill amortization	(401)	(1,590)	(1,189)	—

*Operating loss before goodwill amortization includes the operating loss and amortization of goodwill and intangible fixed assets, including trademarks

Consolidated Balance Sheets

(Million Yen)		As of March 31, 2020	As of June 30, 2020	YoY	Main factor	
Assets	Current assets	35,295	30,969	(4,326)	Cash and deposits: (1,332) Notes and accounts receivable-trade: (5,102) Inventories: +1,254 Other: +853	
	Cash and deposits	7,339	6,007	(1,332)		
	Non-current assets	26,859	26,953	94	Shares of subsidiaries and affiliates: (149) Investment securities: +230 Deferred tax asset: +489	
	Goodwill	3,167	3,038	(129)		
Total Assets		62,154	57,922	(4,231)		
Liabilities / Net Assets	Current liabilities	25,762	23,421	(2,340)	Notes and accounts payable-trade: (2,150) Short-term loans payable: (314) Income taxes payable: (1,253) Advances received: +2,225	
	Short-term loans payable	5,004	4,690	(314)		
	Non-current liabilities	8,913	8,705	(208)	Long-term loans payable: (390)	
	Long-term loans payable	5,510	5,120	(390)		
	Total Liabilities		34,676	32,126	(2,549)	
	Shareholders' equity	25,428	23,993	(1,434)	(Reference)Shareholders' equity	
	Accumulated other comprehensive income	(361)	(292)	68	As of March 31, 2020: 25,066 (40.3%)	
	Stock acquisition rights	11	11	–	As of June 30, 2020: 23,701 (40.9%)	
	Non-controlling interests	2,400	2,083	(316)		
	Total Net Assets		27,478	25,796	(1,682)	
Total Liabilities and Net Assets		62,154	57,922	(4,231)		
Net Cash		(3,175)	(3,803)	(627)	(Cash and deposits – long and short loans payable)	

(For Reference) Results for Fiscal Year Ended March 31, 2020 (New Business Segments After Change)

FYE Mar. 2020 Results by Segment for New Segments After Integration

(Million Yen)		1Q	1H	1Q-3Q	Full Year
		Actual	Actual	Actual	Actual
Content Creation	Net sales	7,830	15,454	20,038	26,205
	Operating loss	(31)	(26)	(203)	(359)
	(Operating margin)	—	—	—	—
Production Services	Net sales	11,049	23,743	35,663	49,091
	Operating loss	(786)	(751)	(550)	(348)
	(Operating margin)	—	—	—	—
	Operating income before goodwill amortization	(506)	(192)	278	756
Imaging Systems & Solutions	Net sales	3,154	8,955	12,784	20,551
	Operating income	160	1,250	1,478	2,714
	(Operating margin)	5.1%	14.0%	11.6%	13.2%
Others (Consolidated adjustments)	Net sales	(285)	(730)	(1,080)	(1,758)
	Operating loss	(24)	(197)	(367)	(655)
Consolidated Total	Net sales	21,747	47,422	67,405	94,090
	Operating income (loss)	(681)	275	357	1,351

* The figures for the Production Services business segment include adjustments for intersegment transactions.

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>SDI Media Group, Inc.</p> <p>IMAGICA DIGITAL SCAPE Co., Ltd</p> <p>IMAGICA LIVE Corp.</p> <p>COSMO SPACE Co., Ltd.</p> <p>IMAGICA SDI Studio, Inc.</p> <p>PPC Creative Limited</p> <p>Weather Map Co., Ltd</p> <p>IMAGICA ALOBASE Co., Ltd.</p> <p>Shonan Hi-tech Planning Co.,Ltd.</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.