

Financial Results Presentation for FY2019 1Q

株式会社IMAGICA GROUP

Code : 6879

July 31, 2019



Highlight of Financial Results

Net sales increased 2.3 billion yen YoY, and net profit turned into black at 5.8 billion yen.

(Million Yen)

Net sales

21,747

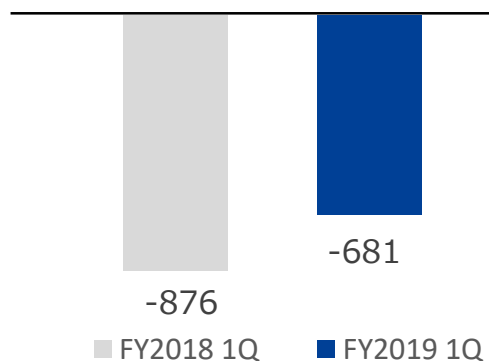
YoY + 2,385



Operating income

- 681

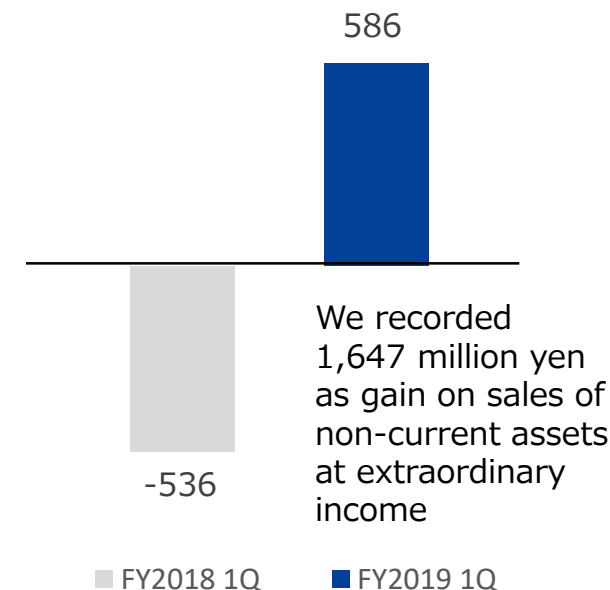
YoY + 194



Net profit attributable to owners of the parent

586

YoY + 1,123



Net sales increased 3.1 billion yen YoY, operating income also increased 3 million yen YoY

(Million Yen)		FY2018 1Q	FY2019 1Q		
		Actual	Actual	YoY	YoY ratio
Content Creation	Net sales	4,685	7,830	3,144	67.1%
	Operating income	-374	-31	342	—
	(OP ratio)	—	—		

Net sales YoY +3,144 million

- ✓ Recorded big-budget theater films and TV dramas
- ✓ Increased the number of TV animation projects
- ✓ Solidly continued in making commercials and recording music lives

Operating income YoY +342 million

- ✓ Gross profit increased due to sales increase
- ✓ Profitability got improved by cost control on TV animation production
- ✓ Decreased in goodwill amortization burden

Despite profit improvement in the post-production business, profit decreased in human resource service

(Million yen)		FY2018 1Q	FY2019 1Q		
		Actual	Actual	YoY	YoY ratio
Production Services	Net sales	6,228	5,965	- 263	- 4.2%
	Operating income	- 11	- 101	- 90	—
	(OP ratio)	—	—		

Net sales YoY - **263** million

- ✓ Services for digital cinema (DCP) was solid
- ✓ Sales declined due to sell-out of one consolidated subsidiary in the human resource services field

Operating income YoY - **90** million

- ✓ Post-production business for TV shows profit improved by workflow reform
- ✓ Carried out an investment in the human resources service field (expansion of digital content business and such).
SG & A expenses increased temporarily.

Build strong organization for OTT orders expected from the 3rd quarter

(Million Yen)		FY2018 1Q	FY2019 1Q		
		Actual	Actual	YoY	YoY ratio
Media Localization	Net sales	5,840	5,122	- 717	- 12.3%
	Operating income	- 591	- 685	- 93	—
	(OP ratio)	—	—		

Net sales YoY - **717** million

- ✓ Sales decreased due to sell-out of consolidated subsidiaries
- ✓ Business in Europe was slow temporarily
- ✓ Expect orders for new OTT (Over-The-Top platforms) from 3Q by joint promotion with SDI and Pixellogic

Operating income YoY - **93** million

- ✓ Gross profit decreased due to sales decrease
- ✓ Implement fixed cost reduction measures after 2Q
- ✓ Build strong organization in E2E service

Net sales increased, but recording of large project in Imaging Systems has been delayed in the 2nd quarter

(Million Yen)		FY2018 1Q	FY2019 1Q		
		Actual	Actual	YoY	YoY ratio
Imaging Systems & Solutions	Net sales	2,919	3,154	235	8.1%
	Operating income	204	160	- 43	- 21.5%
	(OP ratio)	7.0%	5.1%		

Net sales YoY +**235** million

- ✓ Sales of new high-speed camera products was well in Japan and overseas
- ✓ The number of commercial on-line delivery was steadily increasing
- ✓ Got a big-budget project in ICT business

Operating income YoY - **43** million

- ✓ Big-budget project for TV-broadcaster were recorded in 2Q
- ✓ Sales of video and image processing LSI for China got shrunk due to US-China trade friction

Financial Results by Segment

(Million Yen)		FY2018 1Q	FY2019 1Q		
		Actual	Actual	YoY	YoY ratio
Content Creation	Net sales	4,685	7,830	3,144	67.1%
	Operating income	- 374	- 31	342	—
	(OP ratio)	—	—		
Production Services	Net sales	6,228	5,965	- 263	-4.2%
	Operating income	- 11	- 101	- 89	—
	(OP ratio)	—	—		
Media Localization	Net sales	5,840	5,122	- 717	-12.3%
	Operating income	- 591	- 685	- 93	—
	(OP ratio)	—	—		
	Operating income after goodwill amortization	- 297	- 414		
Imaging Systems & Solutions	Net sales	2,919	3,154	235	8.1%
	Operating income	204	160	- 43	-21.5%
	(OP ratio)	7.0%	5.1%		
Adjustments	Net sales	- 312	- 325	- 13	—
	Operating income	- 103	- 24	78	—
Consolidated	Net sales	19,362	21,747	2,385	12.3%
	Operating income	- 876	- 681	194	—

Consolidated results for 2Q is expected to improve YoY significantly

Segments	Factors
Content Creation	<ol style="list-style-type: none">1. Continue to control animation production costs2. Expect to record sales of big-budget theater films in 2Q
Production Services	<ol style="list-style-type: none">1. Continue to improve profitability for post-production business2. Human resource consulting business is still effected by sell-out of a consolidated subsidiary
Media Localization	<ol style="list-style-type: none">1. Reduce SG & A by fixed cost reduction will be implemented in 2Q2. Trailer production (Creative campaigns) business is favorable
Imaging System & Solutions	<ol style="list-style-type: none">1. Sales of new high-speed camera products is well2. Expected to record sales of big-budget project for broadcasters in 2Q

Consolidated Statements of Income

(Million Yen)	FY2018 1Q	FY2019 1Q		
	Actual	Actual	YoY	YoY ratio
Net sales	19,362	21,747	2,385	12.3%
Gross profit	4,746	4,894	148	3.1%
(Ratio)	24.5%	22.5%		
Operating income	- 876	- 681	194	—
(Ratio)	—	—		
Ordinary income	- 839	- 841	- 1	—
(Ratio)	—	—		
Extraordinary income	1	1,655	1,654	140921.7%
Extraordinary losses	21	9	- 12	-57.7%
Net profit (loss) before taxes	- 860	805	1,665	—
Net profit (loss) attributable to owners of parent	- 536	586	1,123	—
(Reference) Operating income before goodwill	- 491	- 401	89	—

Operating income before goodwill includes operating income, goodwill amortization and intangible fixed assets amortization

Consolidated Balance Sheets

(Million Yen)		As of March 31,2019	As of June 30, 2019	YoY	Main Factor
	Current Assets	40,119	34,978	- 5,140	Notes and accounts receivable- trade - 4,219
	Cash and deposits	6,079	4,458	- 1,620	
	Non-current Assets	24,606	26,296	1,690	Land -1,238
	Goodwill	3,769	3,644	- 125	Stocks of subsidiaries and affiliates + 3,000 (Pixelogic)
Total Assets		64,725	61,275	- 3,449	
	Current liabilities	26,712	24,755	- 1,956	Notes and accounts payable- trade -1,396
	Short-term loans payable	5,375	5,979	604	Advance payment -1,442
	Non-current liabilities	10,115	8,870	- 1,245	
	Long-term loans payable	6,169	5,324	- 845	
	Total Liabilities	36,828	33,626	- 3,201	
	Shareholder's equity	24,857	25,224	366	(Reference) Shareholders equity
	Accumulated other comprehensive income	292	203	88	As of March 31,2019 25,150 (41.7%)
	Non-controlling interests	2,747	2,221	525	As of June 30,2019 25,427 (41.5%)
	Total Net Assets	27,897	27,649	247	
Total liabilities and Net Assets		64,725	61,275	- 3,449	
Net Cash		- 5,465	- 6,845	- 1,379	(Cash and deposits– Long and short loans)

Consolidated Forecast for FY2019

No change in consolidated forecast disclosed on May 14

(Million Yen)	FY2017	FY2018	FY2019		
	Actual	Actual	Forecast (May 14)	YoY	YoY ratio
Net sales	91,351	90,212	95,000	4,788	5.3%
Operating income	2,424	926	1,680	754	81.4%
(OP ratio)	(2.7%)	(1.0%)	(1.8%)		
Ordinary income	2,424	789	1,200	411	52.0%
Net income(loss) attributable to owners of the parent	2,937	-2,010	1,800	3,810	—
Earnings (loss) per share of common stock (Yen)	65.98	-45.55	40.86	86.41	—

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