

# Consolidated Financial Highlights for FY2019 3Q

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## IMAGICA GROUP Inc.

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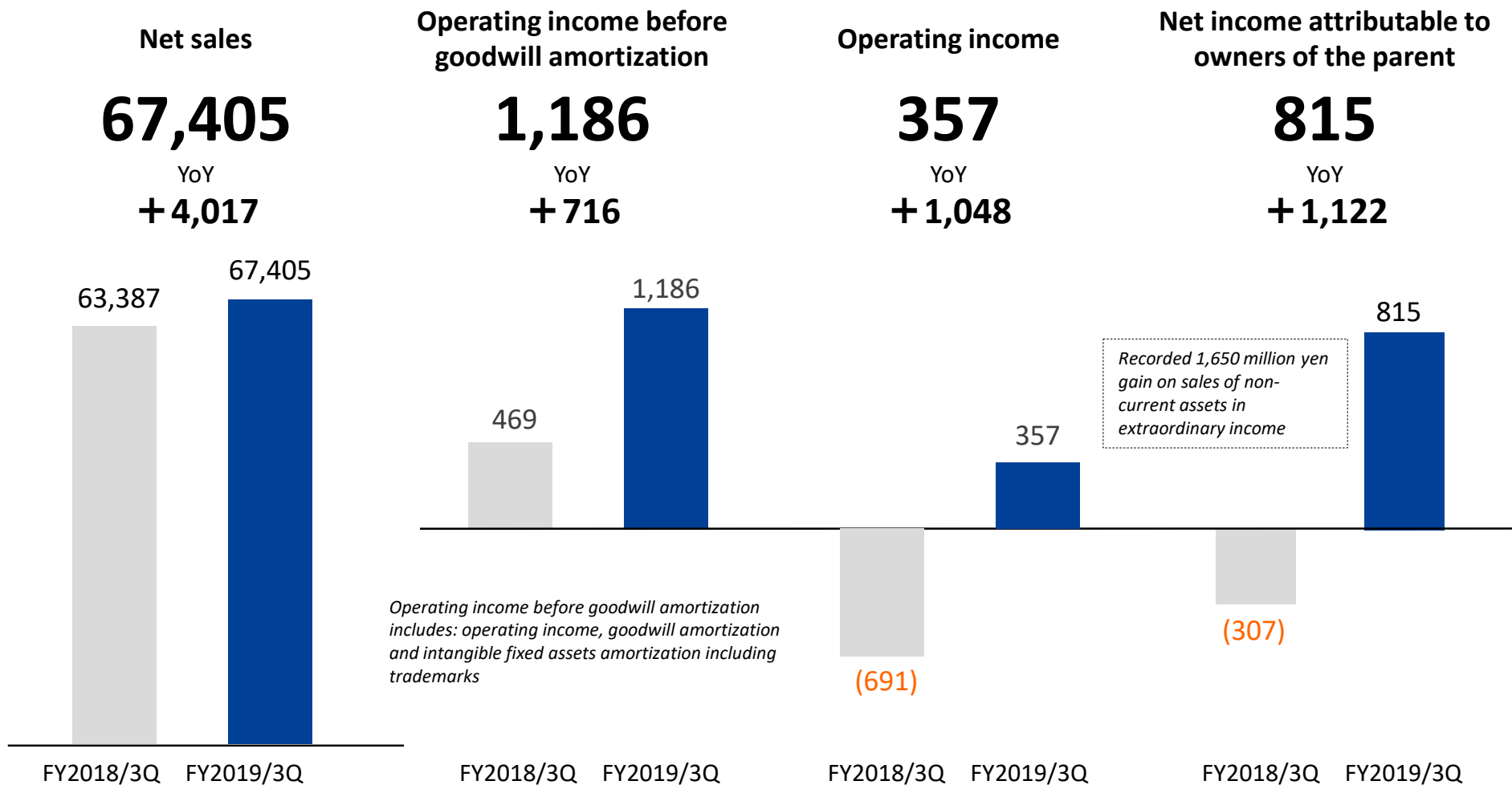


# FY2019 3Q Financial Highlights

Net sales increased by 4.0 billion yen

(Million Yen)

Operating income increased by 1.0 billion yen



# Financial Results by Business Segment

## Profit growth in Media Localization

## Sales and profit growth in Imaging Systems & Solutions

| (Million Yen)                        |  | FY2018 3Q      | FY2019 3Q      |         |        |
|--------------------------------------|--|----------------|----------------|---------|--------|
|                                      |  | Actual         | Actual         | Change  | YoY    |
| Content Creation                     | Net sales  | <b>16,334</b>  | <b>20,038</b>  | 3,704   | +22.7% |
|                                      | Operating income (loss)                              | <b>(149)</b>   | <b>(203)</b>   | (53)    | —      |
|                                      | [Ratio]  | —              | —              |         |        |
| Production Services                  | Net sales  | <b>20,070</b>  | <b>19,249</b>  | (820)   | (4.1%) |
|                                      | Operating income                                     | <b>170</b>     | <b>183</b>     | 12      | +7.5%  |
|                                      | [Ratio]  | 0.9%           | 1.0%           |         |        |
| Media Localization                   | Net sales  | <b>18,240</b>  | <b>16,516</b>  | (1,723) | (9.5%) |
|                                      | Operating income (loss)                              | <b>(1,211)</b> | <b>(729)</b>   | 481     | —      |
|                                      | [Ratio]  | —              | —              |         |        |
|                                      | Operating income (loss) before goodwill amortization | <b>(322)</b>   | <b>72</b>      | 395     | —      |
| Imaging Systems & Solutions          | Net sales  | <b>10,035</b>  | <b>12,784</b>  | 2,749   | +27.4% |
|                                      | Operating income                                     | <b>822</b>     | <b>1,478</b>   | 656     | +79.8% |
|                                      | [Ratio]  | 8.2%           | 11.6%          |         |        |
| Others<br>(Consolidated adjustments) | Net Sales  | <b>(1,292)</b> | <b>(1,182)</b> | 109     | —      |
|                                      | Operating income (loss)                              | <b>(323)</b>   | <b>(371)</b>   | (48)    | —      |
| Consolidated total                   | Net sales  | <b>63,387</b>  | <b>67,405</b>  | 4,017   | +6.3%  |
|                                      | Operating income (loss)                              | <b>(691)</b>   | <b>357</b>     | 1,048   | —      |

**Growth in revenue due to the expanded scale and increased number of feature film productions, TV commercials and live-music performance recordings**

| (Million Yen)    |                         | FY2018 3Q | FY2019 3Q |        |        |
|------------------|-------------------------|-----------|-----------|--------|--------|
|                  |                         | Actual    | Actual    | Change | YoY    |
| Content Creation | Net sales               | 16,334    | 20,038    | 3,704  | +22.7% |
|                  | Operating income (loss) | (149)     | (203)     | (53)   | —      |
|                  | [Ratio]                 | —         | —         |        |        |

**Net sales + 3,704 million YoY**

- ✓ Expanded scale and increased number of feature film productions (live action and anime)
- ✓ Sales posted for the production of a large-scale special TV drama
- ✓ Favorable growth in TV commercial productions, live-music performance recordings (major orders received)

**Operating loss - 53 million YoY**

- ✓ Higher gross margin from increased sales in TV commercial productions, live-music performance recordings
- ✓ Reduction of goodwill amortization costs
- ✓ Largely impacted by the valuation loss of investment in production committees for feature film productions

**Steady growth in the E2E services business area, but a decline in sales and profit in the human talent services business area**

| (Million Yen)       |                  | FY2018 3Q     | FY2019 3Q     |        |        |
|---------------------|------------------|---------------|---------------|--------|--------|
|                     |                  | Actual        | Actual        | Change | YoY    |
| Production Services | Net sales        | <b>20,070</b> | <b>19,249</b> | (820)  | (4.1%) |
|                     | Operating income | <b>170</b>    | <b>183</b>    | 12     | +7.5%  |
|                     | [Ratio]          | 0.9%          | 1.0%          |        |        |

**Net sales - 820 million YoY**

- ✓ Steady growth in the E2E services\* business area
- ✓ Solid demand in post-production services for feature films and anime
- ✓ Sales impacted by the selling of one of the consolidated subsidiaries in the human talent services business area

**Operating income + 12 million YoY**

- ✓ Increased profits in the E2E services\* business area
- ✓ Improved profits in post-production owing to effective cost control
- ✓ SG&A expenses increased due to investment in the human talent services business area

\*E2E services: Refers to an integrated service that covers the entire post-editing process from localization (subtitling/dubbing) to distribution of feature films and other source video .

## Improved operating income through fixed cost reduction measures

| (Million Yen)      |  | FY2018 3Q      | FY2019 3Q     |         |        |
|--------------------|--|----------------|---------------|---------|--------|
|                    |  | Actual         | Actual        | Change  | YoY    |
| Media Localization | Net sales  | <b>18,240</b>  | <b>16,516</b> | (1,723) | (9.5%) |
|                    | Operating income (loss)                              | <b>(1,211)</b> | <b>(729)</b>  | 481     | —      |
|                    | [Ratio]  | —              | —             |         |        |
|                    | Operating income (loss) before goodwill amortization | <b>(322)</b>   | <b>72</b>     | 395     | —      |

Net sales - **1,723** million YoY

- ✓ Decreased sales due to the selling of two consolidated subsidiaries
- ✓ Orders for localization of TV programs in Europe remained stagnant

Operating income + **481** million YoY

- ✓ Progress shown in the cost reduction by optimizing fixed costs
- ✓ Orders received for high gross margin production projects (feature film trailer productions, localization, etc.)

## Achieved sales and profit growth in both video systems and imaging (high-speed camera) business areas

| (Million Yen)               |                  | FY2018 3Q     | FY2019 3Q     |        |        |
|-----------------------------|------------------|---------------|---------------|--------|--------|
|                             |                  | Actual        | Actual        | Change | YoY    |
| Imaging Systems & Solutions | Net sales        | <b>10,035</b> | <b>12,784</b> | 2,749  | +27.4% |
|                             | Operating income | <b>822</b>    | <b>1,478</b>  | 656    | +79.8% |
|                             | [Ratio]          | 8.2%          | 11.6%         |        |        |

Net sales **+ 2,749** million YoY

- ✓ Steady growth in the video systems business area
- ✓ Sales of new high-speed camera products remained strong in Europe and the U.S.
- ✓ Steady increase in the demand for the online delivery system of TV commercials

Operating income **+ 656** million YoY

- ✓ Gross profit grew due to increased orders, including major projects with high profit margins

# Full Year Consolidated Forecast for FY2019

## The Imaging Systems & Solutions business segment expected to post sales from a major project in FY2019 4Q

### Content Creation

Due to the carry-over of several feature film productions into the next fiscal year, the impact of the valuation loss of investment in production committees, and the prospect of TV commercial production profits falling below expectations, it is anticipated that there will be a YoY increase in sales, and decrease in profit for the full FY.

### Production Services

Although sales in the E2E services business area remain brisk, the impact of the sale of a human talent services subsidiary and investment spending will continue into the fourth quarter; therefore, it is anticipated that there will be a YoY decrease in sales and profit for the full FY.

### Media Localization

Despite sales for broadcasters in Europe remaining slow, orders from newly launching video streaming platforms will be acquired from the fourth quarter, and fixed cost improvements are likely to continue; therefore, it is anticipated that there will be a YoY decrease in sales, and increase in profit for the full FY.

### Imaging Systems & Solutions

In the Imaging Systems & Solutions segment, sales from a major broadcasting station project is expected to be posted in the fourth quarter, and sales of high-speed cameras remain robust; therefore, it is anticipated that there will be a YoY increase in sales and profit for the full FY.



# Consolidated Financial Forecast for FY2019

## Revisions to net sales, operating income, ordinary income, net income (loss)

| (Million Yen)  | FY2017        | FY2018         | FY2019             |                  |                                   |         |
|--|---------------|----------------|--------------------|------------------|-----------------------------------|---------|
|  | Actual        | Actual         | 2019/5/14 Forecast | Revised Forecast | Change from the previous forecast |         |
| Net sales  | <b>91,351</b> | <b>90,212</b>  | <b>95,000</b>      | <b>93,000</b>    | (2,000)                           | (2.1%)  |
| Operating income                                       | <b>2,424</b>  | <b>926</b>     | <b>1,680</b>       | <b>1,200</b>     | (480)                             | (28.6%) |
| [Ratio]  | 2.7%          | 1.0%           | 1.8%               | 1.3%             |                                   |         |
| Ordinary income  | <b>2,424</b>  | <b>789</b>     | <b>1,200</b>       | <b>400</b>       | (800)                             | (66.7%) |
| Net income (loss) attributable to owners of the parent | <b>2,937</b>  | <b>(2,010)</b> | <b>1,800</b>       | <b>1,200</b>     | (600)                             | (33.3%) |
| Earnings (loss) per share of common stock (Yen)        | <b>65.98</b>  | <b>(45.55)</b> | <b>40.82</b>       | <b>27.21</b>     | (13.61)                           | (33.3%) |

# Appendix

# Consolidated Statements of Income

| (Million Yen)  | FY2018 3Q     | FY2019 3Q     |        |         |
|--|---------------|---------------|--------|---------|
|  | Actual        | Actual        | Change | YoY     |
| Net sales  | <b>63,387</b> | <b>67,405</b> | 4,017  | +6.3%   |
| Gross Profit   | <b>16,259</b> | <b>16,919</b> | 660    | +4.1%   |
| [Ratio]  | 25.7%         | 25.1%         |        |         |
| Operating income (loss)                                | <b>(691)</b>  | <b>357</b>    | 1,048  | —       |
| [Ratio]  | —             | 0             |        |         |
| Ordinary income (loss)                                 | <b>(685)</b>  | <b>(310)</b>  | 374    | —       |
| [Ratio]  | —             | —             |        |         |
| Extraordinary income                                   | <b>372</b>    | <b>1688</b>   | 1,315  | +353.5% |
| Extraordinary losses                                   | <b>84</b>     | <b>59</b>     | -25    | (29.5%) |
| Net income (loss) before taxes                         | <b>(397)</b>  | <b>1317</b>   | 1,715  | —       |
| Net income (loss) attributable to owners of the parent | <b>(307)</b>  | <b>815</b>    | 1,122  | —       |
|  |               |               |        |         |
| (Ref.) Operating income before goodwill amortization   | <b>469</b>    | <b>1,186</b>  | 716    | +152.7% |

\*Operating income before goodwill amortization includes: operating income, goodwill amortization and intangible fixed assets amortization including trademarks

# Consolidated Balance Sheets

| (Million Yen)                           |  | Fiscal year ended<br>March 31, 2019 | 9 months ended<br>December 31, 2019 | Change        |         |
|---|--|-------------------------------------|-------------------------------------|---------------|---------|
| Assets                                  | Current Assets                         | <b>40,119</b>                       | <b>34,957</b>                       | (5,161)       |         |
|   | Cash and deposits                      | 6,079                               | 5,720                               | (358)         |         |
|   | Non-current Assets                     | <b>24,606</b>                       | <b>25,323</b>                       | 717           |         |
|   | Goodwill                               | 3,769                               | 3,215                               | (554)         |         |
| <b>Total Assets</b>                     |  | <b>64,725</b>                       | <b>60,281</b>                       | (4,444)       |         |
| Liabilities / Net Assets                | Current liabilities                    | <b>26,712</b>                       | <b>23,067</b>                       | (3,645)       |         |
|   | Short-term loans payable               | 5,375                               | 4,593                               | (781)         |         |
|   | Non-current liabilities                | <b>10,115</b>                       | <b>9,068</b>                        | (1,047)       |         |
|   | Long-term loans payable                | 6,169                               | 5,657                               | (512)         |         |
|   | <b>Total Liabilities</b>               |                                     | <b>36,828</b>                       | <b>32,135</b> | (4,692) |
|   | Shareholders' equity                   | <b>24,857</b>                       | <b>25,566</b>                       | 709           |         |
|   | Accumulated other comprehensive income | 292                                 | 181                                 | (111)         |         |
|   | Stock acquisition rights               | —                                   | 11                                  | 11            |         |
|   | Non-controlling interests              | <b>2,747</b>                        | <b>2,386</b>                        | (361)         |         |
|   | <b>Total Net Assets</b>                |                                     | <b>27,897</b>                       | <b>28,145</b> | 248     |
| <b>Total Liabilities and Net Assets</b> |  | <b>64,725</b>                       | <b>60,281</b>                       | (4,444)       |         |
|   |  |                                     |                                     |               |         |
| Net Cash                                |  | <b>(5,465)</b>                      | <b>(4,530)</b>                      | 935           |         |

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