

Consolidated Financial Highlights for Fiscal Year Ended March 31, 2020

IMAGICA GROUP Inc.

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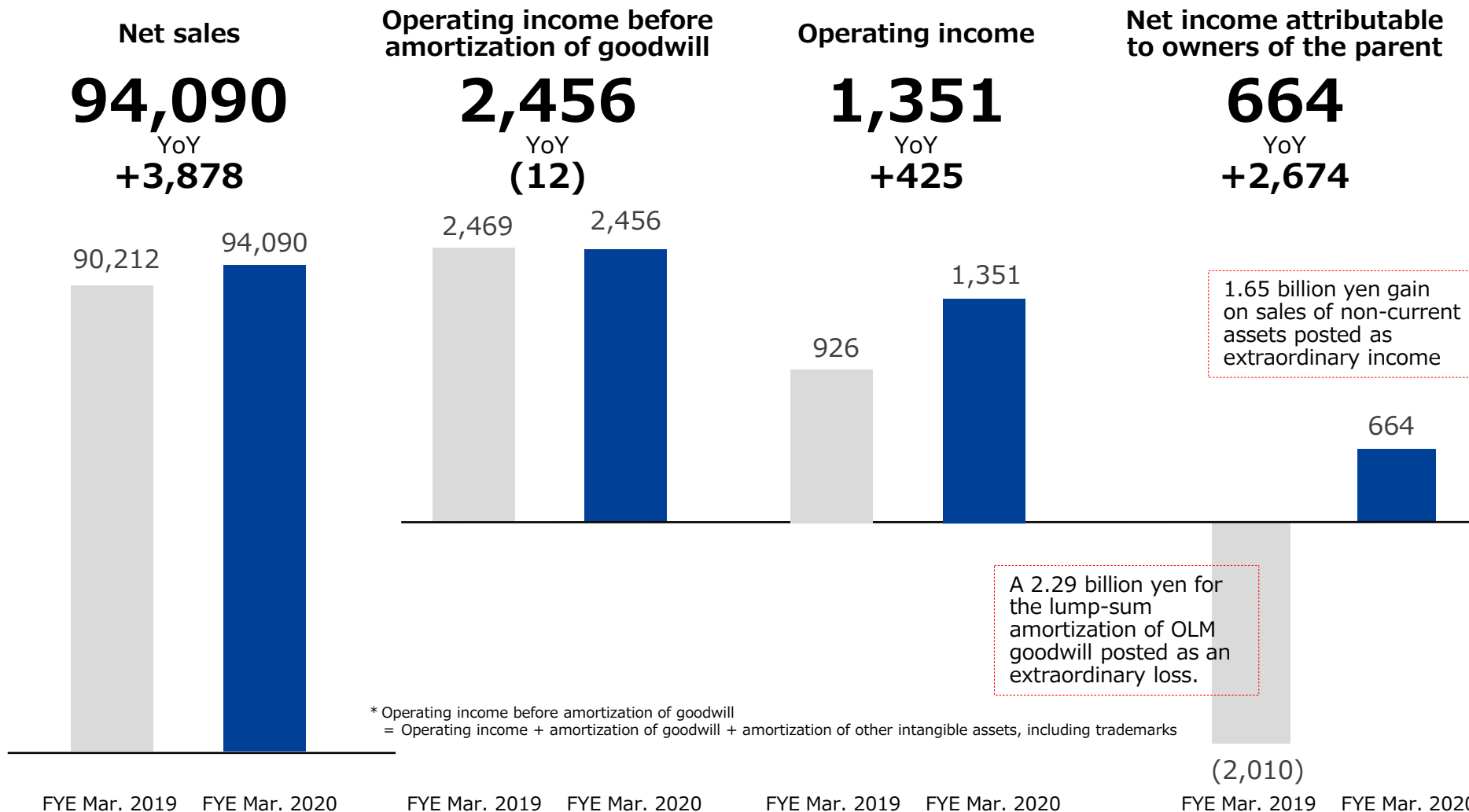
June 12, 2020



Financial Highlights for FYE Mar. 2020

Net sales increased by 3.8 billion yen.
Operating income increased by 400 million yen.

(Million Yen)



Financial Results by Business Segment



The Media Localization business segment saw growth in operating income and the Imaging Systems & Solutions business segment saw growth in both sales and operating income.

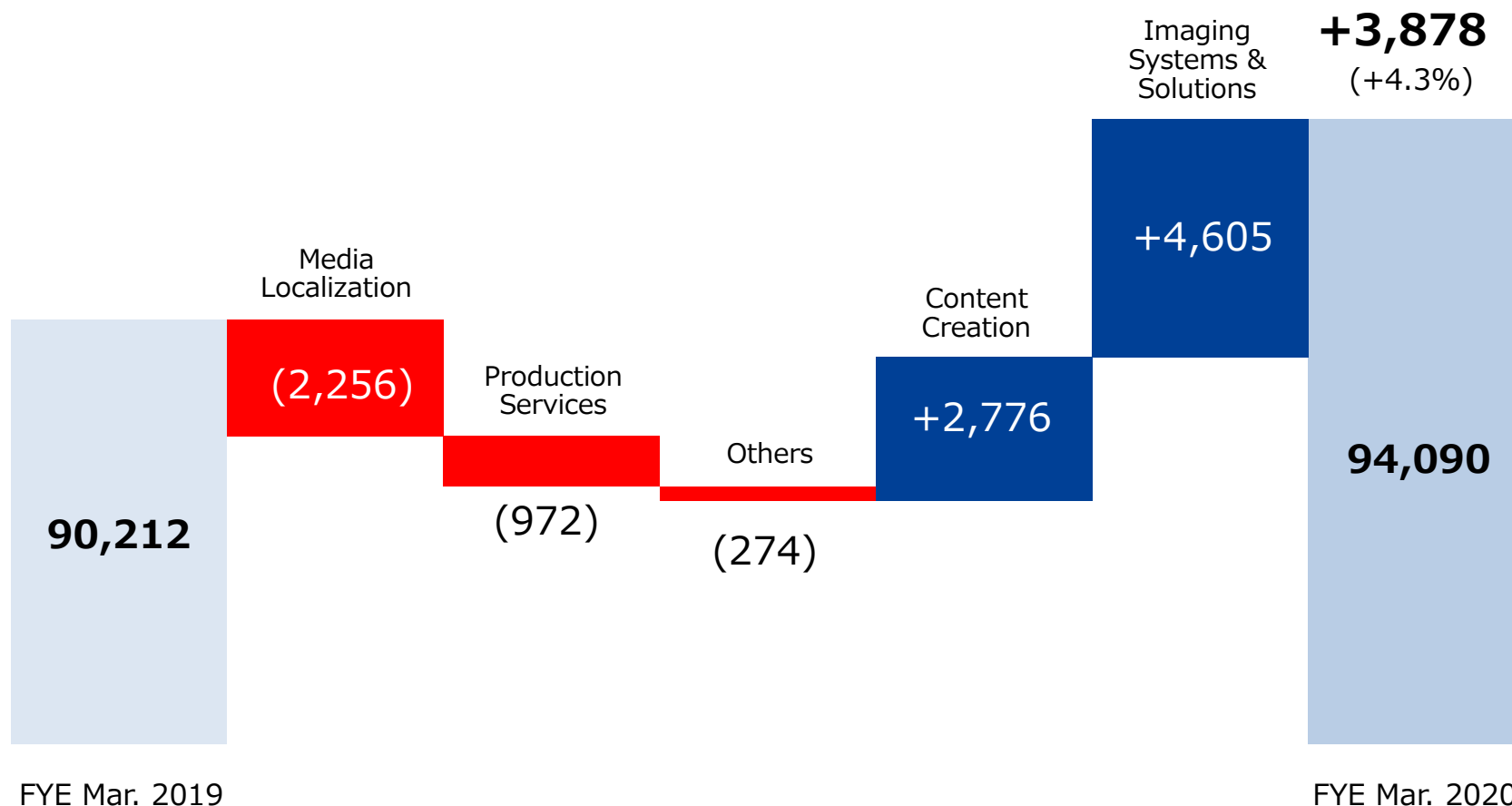
(Million Yen)

(Million Yen)		FYE Mar. 2019	FYE Mar. 2020		
		Actual	Actual	Change	YoY
Content Creation	Net sales	23,429	26,205	2,776	11.8%
	Operating income	43	(359)	(402)	–
	(Operating margin)	0.2%	–		
Production Services	Net sales	27,529	26,557	(972)	(3.5%)
	Operating income	677	431	(245)	(36.3%)
	(Operating margin)	2.5%	1.6%		
Media Localization	Net sales	24,916	22,660	(2,256)	(9.1%)
	Operating income	(1,257)	(768)	489	–
	(Operating margin)	–	–		
Imaging Systems & Solutions	Operating income before goodwill amortization	(77)	300	378	–
	Net sales	15,946	20,551	4,605	28.9%
	Operating income	1,896	2,714	817	43.1%
Others (Consolidated adjustments)	(Operating margin)	11.9%	13.2%		
	Net sales	(1,609)	(1,884)	(274)	–
Consolidated total	Operating income	(433)	(666)	(232)	–
	Net sales	90,212	94,090	3,878	4.3%
	Operating income	926	1,351	425	45.9%

Net Sales: YoY Change

Both the Content Creation and Imaging Systems & Solutions business segments saw sales growth. Overall, net sales increased by 4.3% YoY.

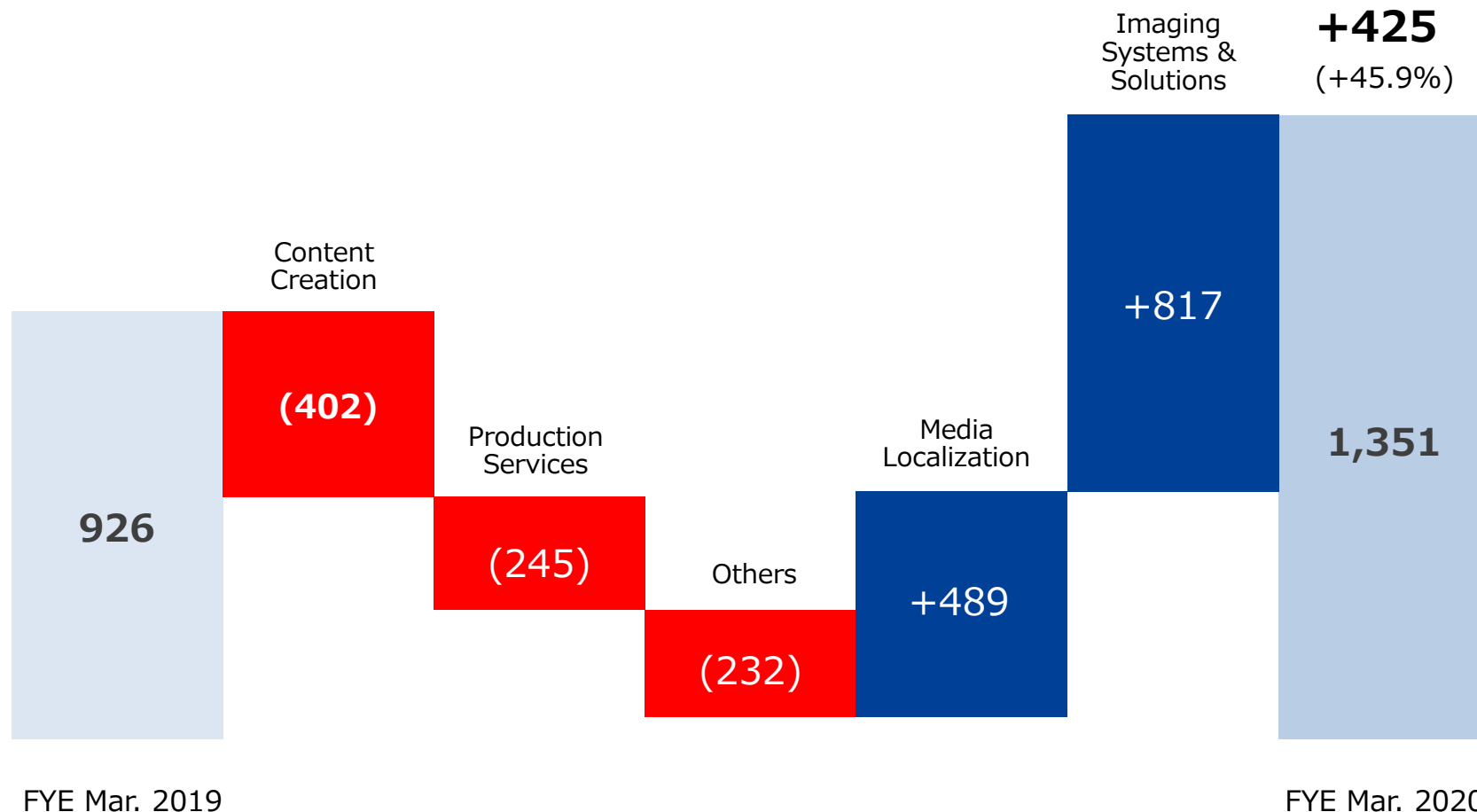
(Million Yen)



Operating Income: YoY Change

Two business segments saw growth in operating income: Imaging Systems & Solutions and Media Localization.

(Million Yen)



Net sales increased due to the expanded scale and increased number of feature film productions, and an increase in the number of TV commercials and live-music performance recordings.

(Million Yen)		FYE Mar. 2019	FYE Mar. 2020		
		Actual	Actual	Change	YoY
Content Creation	Net sales	23,429	26,205	2,776	11.8%
	Operating income	43	(359)	(402)	–
	(Operating margin)	0.2%	–		

Net sales **+2,776** million YoY

- ✓ Expanded scale and increased number of feature film productions (live action and anime)
- ✓ Strong performance of TV commercial productions and live-music performance recordings (orders received for a major project)

Operating income **-402** million YoY

- ✓ Valuation loss on investment in production committees for feature film production resulted in an operating loss

E2E services* performed well, but human talent services saw a decline in both sales and operating income.

(Million Yen)		FYE Mar. 2019	FYE Mar. 2020		
		Actual	Actual	Change	YoY
Production Services	Net sales	27,529	26,557	(972)	(3.5%)
	Operating income	677	431	(245)	(36.3%)
	(Operating margin)	2.5%	1.6%		

Net sales -972 million YoY

- ✓ Strong performance in E2E services* post-production services for feature films and anime
- ✓ Impact from the novel coronavirus and a decline in orders for archiving services in the 4Q
- ✓ Sales for human talent services declined due to the sale of one subsidiary

Operating income -245 million YoY

- ✓ Post-production cost control efforts mitigated the decline in profit
- ✓ Investment increased SG&A expenses for human talent services

* E2E services: Refers to an integrated end-to-end (E2E) service that covers the entire post-editing process from localization (subtitling/dubbing) to distribution*2 of feature films, TV dramas, and other source videos.

Optimization of costs improved the loss at the operating income level.

(Million Yen)		FYE Mar. 2019	FYE Mar. 2020		
		Actual	Actual	Change	YoY
Media Localization	Net sales	24,916	22,660	(2,256)	(9.1%)
	Operating income	(1,257)	(768)	489	-
	(Operating margin)	-	-		
	Operating income before goodwill amortization	(77)	300	378	-

Net sales **-2,256** million YoY

- ✓ Decline in net sales from the sale of two consolidated subsidiaries
- ✓ Sluggish orders for localization of TV programs (in Europe)

SDI Media Group, Inc. and its subsidiaries have a fiscal year-end of December 31, so the performance of this business segment reflects results from January 1 to December 31, 2019 in the performance for consolidated fiscal year ended March 31, 2020.

Operating income **+489** million YoY

- ✓ Changes in production structure to optimize fixed costs
- ✓ Orders for high-margin production projects (feature film trailer production & localization, etc.)

Both video systems and imaging (high-speed camera) saw growth in net sales and operating income.

(Million Yen)		FYE Mar. 2019	FYE Mar. 2020		
		Actual	Actual	Change	YoY
Imaging Systems & Solutions	Net sales	15,946	20,551	4,605	28.9%
	Operating income	1,896	2,714	817	43.1%
	(Operating margin)	11.9%	13.2%		

Net sales **+4,605** million YoY

- ✓ Smooth progress on completion and delivery in the video systems business area
- ✓ Strong sales of new high-speed camera products, mainly in Europe and the U.S.
- ✓ Steady growth in TV commercials via the online delivery system

Operating income **+817** million YoY

- ✓ Increase in orders for large, high-margin projects and other projects substantially boosted gross profit.

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.

Appendix

Consolidated Statements of Income

(Million Yen)	FYE Mar. 2019	FYE Mar. 2020		
	Actual	Actual	Change	YoY
Net sales	90,212	94,090	3,878	4.3%
Gross profit	23,617	23,769	151	0.6%
(Gross margin)	26.2%	25.3%		
Operating income	926	1,351	425	45.9%
(Operating margin)	1.0%	1.4%		
Ordinary income	789	416	(372)	(47.2%)
(Ordinary margin)	0.9%	0.4%		
Extraordinary income	391	1,688	1,297	331.5%
Extraordinary losses	2,876	358	(2,517)	(87.5%)
Net income (loss) before taxes	(1,695)	1,746	3,442	–
Net income (loss) attributable to owners of the parent	(2,010)	664	2,674	–
(Ref.) Operating income before goodwill amortization	2,469	2,456	(12)	(0.5%)

*Operating income before goodwill amortization

= Operating income + amortization of goodwill + amortization of other intangible assets, including trademarks

Consolidated Balance Sheets

(Million Yen)		FYE Mar. 2019	FYE Mar. 2020	Change	Main factor (YoY)	
Assets	Current assets	40,119	35,295	(4,824)	Cash and deposits: +1,260 Notes and accounts receivable- trade: (2,434) Inventories: (1,618) Other: (2,039)	
	Cash and deposits	6,079	7,339	1,260		
	Non-current assets	24,606	26,859	2,253	Land: (1,238) Goodwill: (601) Investment securities: (484) Stocks of subsidiaries and affiliates: +2,384 Deferred tax asset: +445	
	Goodwill	3,769	3,167	(601)		
Total Assets		64,725	62,154	(2,570)		
Liabilities / Net Assets	Current liabilities	26,712	25,762	(950)	Income taxes payable: +857 Notes and accounts payable- trade: (596) Short-term loans payable: (370) Advance payments: (796) Accounts payable: (660)	
	Short-term loans payable	5,375	5,004	(370)		
	Non-current liabilities	10,115	8,913	(1,201)	Long-term loans payable: (658) Deferred tax liabilities: (210) Long-term accounts payable-other: (142)	
	Long-term loans payable	6,169	5,510	(658)		
	Total Liabilities		36,828	34,676	(2,151)	
	Shareholders' equity	24,857	25,428	570	(Reference)Shareholders' equity)	
	Accumulated other comprehensive income	292	(361)	(653)	As of March 31, 2019: 25,150 (38.9%)	
	Stock acquisition rights	–	11	11	As of March 31, 2020: 25,066 (40.3%)	
	Non-controlling interests	2,747	2,400	(347)		
	Total Net Assets		27,897	27,478	(418)	
Total Liabilities and Net Assets		64,725	62,154	(2,570)		
Net Cash		(5,465)	(3,175)	2,290	(Cash and deposits - long-term loans payable)	

Consolidated Statements of Cash Flow

(Million Yen)	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net income before taxes	(1,695)	1,746
Depreciation and amortization	2,887	2,777
Amortization of goodwill	3,220	576
(Increase) Decrease in accounts receivable-trade	(976)	2,248
(Increase) Decrease in inventories	(3,399)	1,528
Increase (Decrease) in notes and accounts payable-trade	949	(480)
Increase (Decrease) in advance payments	2,474	(482)
Change in net consumption taxes receivable/payable	(879)	1,115
Income taxes paid	(1,197)	(1,337)
Other	(1,266)	(719)
Cash flows from operating activities	117	6,974
Disbursements for short-term loans receivable	(609)	(15)
Proceeds from collection of short-term loans receivable	–	583
Disbursements for long-term loans receivable	–	(1,791)
Purchase of property, plant and equipment	(1,177)	(1,468)
Proceeds from sale of property, plant and equipment	309	2,674
Expenditure for acquisition of stock of subsidiaries and affiliates	(147)	(2,975)
Other	204	(1,304)
Cash flows from investing activities	(1,420)	(4,297)
Net increase (decrease) in short-term loans payable	471	245
Expenditures for redemption of long-term loans payable	(2,490)	(2,473)
Proceeds from long-term loans payable	–	1,090
Expenditures for acquisition of treasury stock	(512)	–
Dividend payments	(445)	(220)
Other	(783)	66
Cash flows from financing activities	(3,760)	(1,291)
Net increase (decrease) in cash and cash equivalents	(5,064)	1,260
Cash and cash equivalents at end of period	6,067	7,327

January-March 2020: Main Group Topics

January 2020
IMAGICA DIGITALSCAPE

Debut in Niigata
Decided to open a new location due to the expansion of the debugging business.

February 2020
PHOTRON

Launched Zuno CAD 3D V2, a 3D CAD software support tool for manufacturing in Japan. Eliminates data interruption in manufacturing!



February 2020
IMAGICA SDI Studio

IMAGICA Lab. and SDI Media Group established IMAGICA SDI Studio, Inc. as a dubbing studio in Japan.



February 2020
IMAGICA DIGITALSCAPE

Launched Infinite Pixel Viewer, an interactive viewer that enables expansion and viewing of ultra-high-resolution images in real time. Targeted for use in art museums, other museums, healthcare, and education.



March 2020
PHOTRON

Launched a model of the Photron-Mobile Video Creator that is equipped with a translation function to help foreign workers understand their work.



March 2020
IMAGICA DIGITALSCAPE

Began offering Online Company Presentations via KURI HAKU Navi for students scheduled to graduate in March 2021.

March 2020
IMAGICA GROUP

The IMAGICA GROUP participated in planning the highly realistic live viewing of NTT Docomo's Shintaikan Live CONNECT special event.



2020
Record of Feature Film
Productions Released

Higanbana in the Rain,
released on January 17th
First Love,
released on February 28

October-December 2019: Main Group Topics

October 2019
IMAGICA LIVE

Embarked on innovative visual content streaming with WSC Sports and J.LEAGUE Media Promotion, Inc. (now, J.LEAGUE, Inc.), which are global leaders in AI sport imaging technology.



November 2019
ROBOT

Released Momomachi, with character content from ROBOT, Shochiku, and PIA, in collaboration with Okayama Prefecture.



November 2019
ROBOT

The Sakana-kun and Secret Lab in Sunshine Aquarium special exhibit ran from November 1 to January 13, 2020. Planned and produced by ROBOT, this exhibit provided hands-on entertainment.



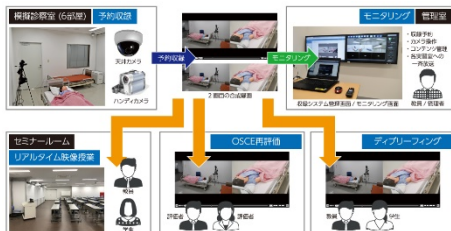
November 2019
IMAGICA Lab.

Launched Japan's first color grading and digital cinema package (DCP) mastering and projection service for Dolby Cinema™.



November 2019
PHOTRON

Spider Rec network camera recording system was installed at Toho University.



November 2019
IMAGICA Lab. / PHOTRON

Exhibited at Inter BEE 2019 (international exhibition of video and communications equipment) and proposed the latest services using cloud technology, which is central to next-generation video production flow.



November 2019
IMAGICA Lab.

IMAGICA Lab. opened Studio NEXT at a new location on Shibuya Koen-Dori. It has an MA room equipped for 22.2ch.



December 2019
Three Group Companies

Joint development by Weather Map, OLM Digital, and IMAGICA GROUP

Partnered with the Saruwatari Lab in the Graduate School of Information Science and Technology, at The University of Tokyo on the joint development of Virtual Morita-san, a real-time voice synthesis system that replicates the voice of the weather newscaster Masamitsu Morita.

July-October 2019: Main Group Topics

July 2019
IMAGICA Lab.

Participated as a general cooperating partner in the projects to commemorate Mekong-Japan Exchange Year 2019 (exchange and cooperation projects in the imaging field). Also digitally restored the very first film co-produced by Japan and Myanmar (in 1935).



August 5, 2019
Photron M&E Solutions

Launched Kada-OR, a surgery video recording and streaming system, and Kada-Live, a video recording and streaming system for cardiovascular departments.



September 1, 2019
IMAGICA GROUP

Formulated the Corporate Governance Guidelines, which describes the Group's basic stance on corporate management and governance.



September 11, 2019
PHOTRON

Released Zuno RAPID PRO 20 and Zuno RAPID 20, the latest in the 2D CAD software series produced in Japan.



2019
Record of Feature Film Productions Released

Little Love Song, released May 24
WE ARE LITTLE ZOMBIES, released June 14
MONGOL800 -message-, released July 5
Pokémon: Mewtwo Strikes Back! – EVOLUTION, released July 12
The Great War of Archimedes, released July 26
DRAGON QUEST Your Story, released August 2
NI NO KUNI, released August 23
The Witness, released September 20
Ninkyogakuen, released September 27
One Night, released November 8

October 2019
ROBOT·P.I.C.S

Held a youth-oriented event for kids at Yebisu Garden Place as the plan for the local cultural event, Ebisu Cultural Festival 2019.



October 2019
IMAGICA Lab.

Supporting sponsor of the 32nd Tokyo International Film Festival



April-June 2019: Main Group Topics

April 1, 2019
IMAGICA Lab.

IMAGICA IRIS, the first digital imaging company in the Group venture system, opened for business.



April 1, 2019
IMAGICA GROUP

Acquired shares in the U.S. media and entertainment services company, Pixelogic Holdings, LLC through a new share subscription.



April 2019
PHOTRON

Launched the FASTCAM Mini CX100, a high-speed camera for vehicle crash safety tests.



June 2019
IMAGICA Lab.

Built a structure for collaboration with Realize Mobile Communications Corp. for domestic marketing of 3D hologram generation technology.



March 24, 2019
IMAGICA GROUP / ROBOT

World's first: Put on VISIONS SUPER LIVE VIEWING supported by LDH, a futuristic live viewing of a 12K-wide synchronized video and lighting display, a state-of-the-art live spectacular event.



June 2019
ROBOT

Received the Grand Award and the top corporate advertising award for the special movie, Okuru FUKUSHIMA-MINPO (Sending the FUKUSHIMA MINPO NEWS).



June 2019
IMAGICA Lab.

Received the METI Minister's Award for Every Day a Good Day, in the 23rd JPPA AWARDS 2019 (Japan Post Production Association).



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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.