

Consolidated Financial Highlights for Fiscal Year Ended March 31, 2021

IMAGICA GROUP Inc.

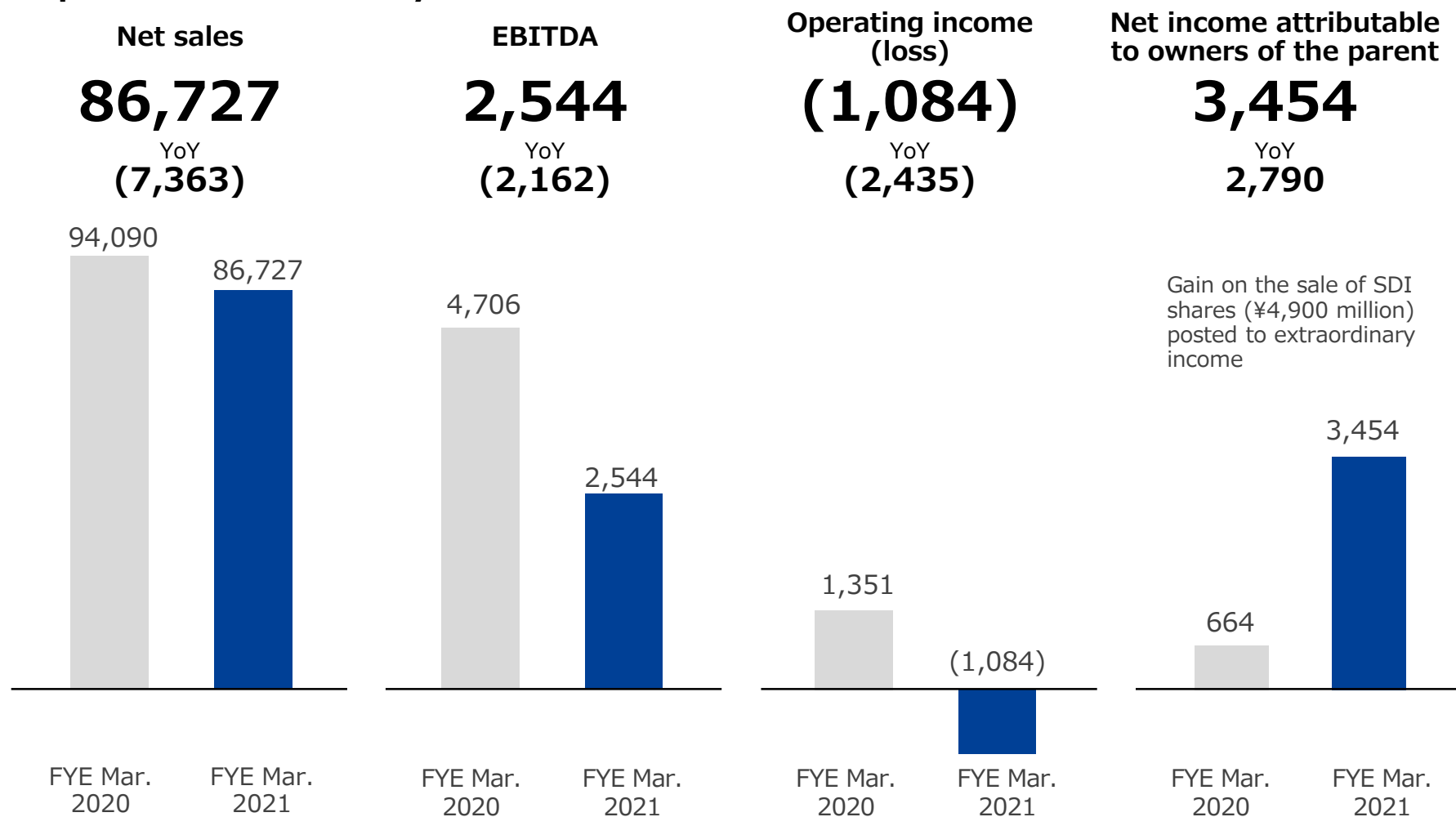
Code : 6879

May 13, 2021



Highlights of Consolidated Financial Results

An operating loss of 1.0 billion yen was posted, but a gain on the sale of shares was posted to extraordinary income, resulting in net income attributable to owners of the parent of 3.4 billion yen.



Fourth Quarter Results (January 1 to March 31)

- The first and second quarters deteriorated substantially from the previous year due to the impact of COVID-19.
- Both net sales and operating income improved over the previous year from the third quarter onward, returning to profitability.

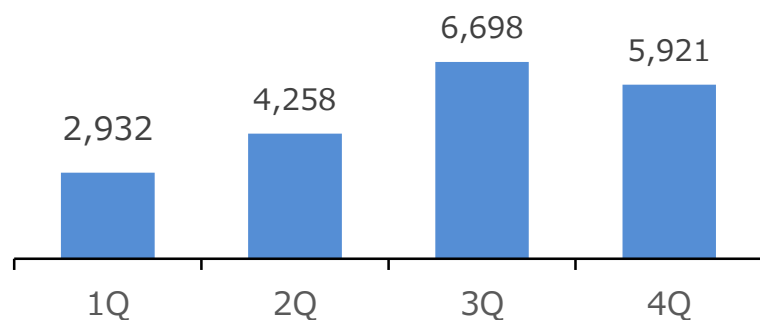
(Million Yen)	1Q	2Q	3Q	4Q (January 1 to March 31)	Full Year
	Actual	Actual	Actual	Actual	Actual
Net sales	16,855	18,980	22,835	28,057	86,727
Operating income (loss)	(1,868)	(760)	259	1,285	(1,084)
Ordinary income (loss)	(1,942)	(986)	199	1,386	(1,343)
Net income (loss) attributable to owners of the parent	(1,213)	(739)	1,289	4,117	3,454
EBITDA (Reference)	(1,063)	37	1,034	2,536	2,544

Content Creation (Quarterly Performance)

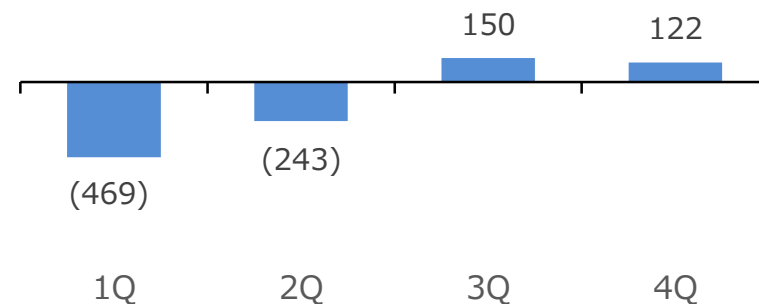
The rebound continued from the second quarter onward.

(Million Yen)

Net sales



Operating income



- ✓ Conditions were tough during the first half. The release of multiple feature films was postponed and shooting of TV commercials and live music performance recordings were suspended. The number of TV animation series produced also declined and changes in TV broadcasting schedules occurred.
- ✓ Net sales improved during the second half as postponed feature films were released, shooting of drama series resumed, and online streaming of live music performances and orders for production of TV commercial productions increased.

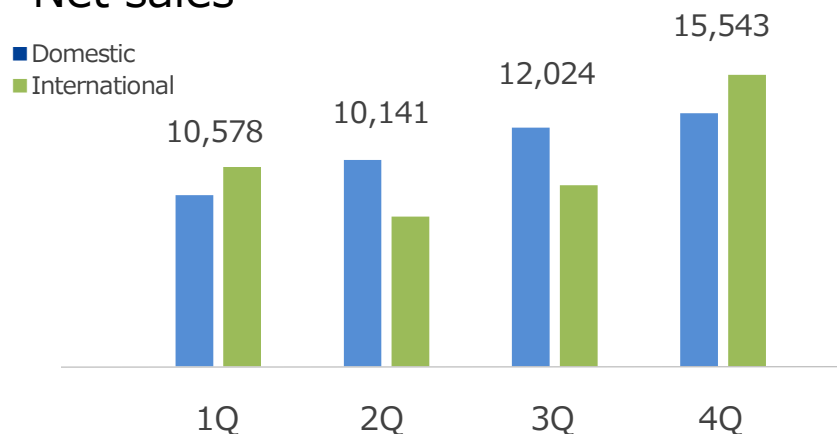
Production Services (Quarterly Performance)

Performance improved in the domestic business from the third quarter and operating income returned to black.

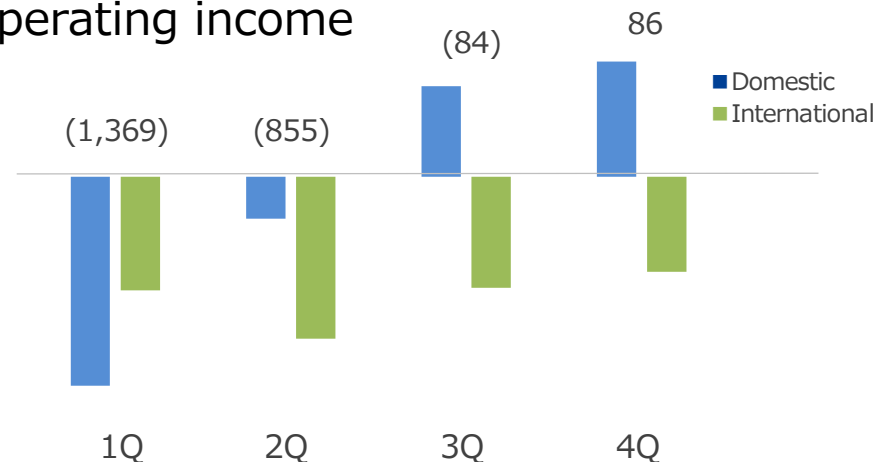
(Million Yen)

(Numbers show the sum of domestic plus overseas.)

Net sales



Operating income



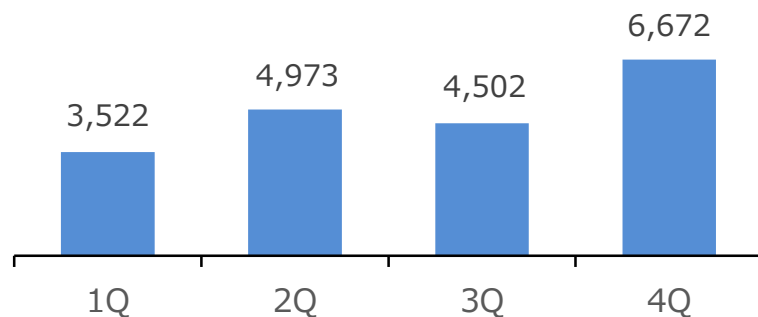
- ✓ Conditions were tough in the domestic business during the first half. The release of multiple feature films was postponed and shooting of live music performance recordings was suspended. During the second half, orders increased for post-production services for TV programs, TV commercials, and animation, and recording for video streaming service providers. The resumption of live music and sports events streamed online also improved performance.
- ✓ SDI Media Group continued to experience severe conditions such as the cancellation of new projects due to COVID-19. Pixelogic received steady orders for E2E services* for video streaming service providers.
- The decision was made to pursue structural reform (Group business reorganization and voluntary retirement) of the Production Services business. We will start business management under a strong operating structure from fiscal year ending March 31, 2022.
- All shares in SDI Media Group Inc. were sold and it was removed from consolidation as of March 31, 2021.

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

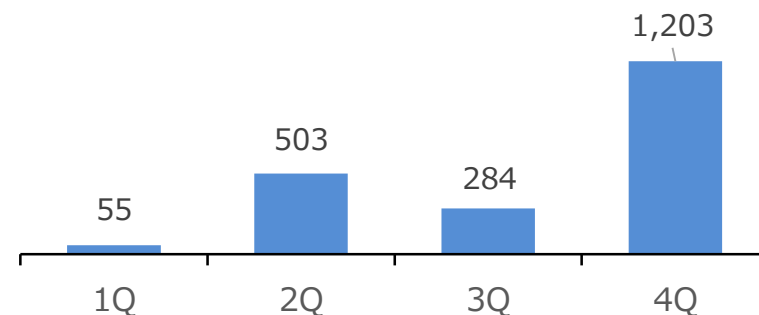
Online delivery system sales for TV commercials continued to expand and sales in the Asian region were also firm.

(Million Yen)

Net sales



Operating income



- ✓ The online delivery system for TV commercials saw strong sales due to the expansion in market needs.
- ✓ Some projects for TV broadcasters decreased in number, shrank in size or others were postponed.
- ✓ Conditions remained 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 remained firm and demand expanded throughout the year.

Full-Year Forecast for Fiscal Year Ending March 31, 2022

Net sales are forecast to decline due to the deconsolidation of SDI Media Group, Inc., but we expect substantial improvement in operating and ordinary income.

(Million Yen)	FYE Mar. 2020	FYE Mar. 2021	FYE Mar. 2022		
	Actual	Actual	Full year forecast	YoY	% YoY
Net sales	94,090	86,727	75,000	(11,727)	(13.5%)
Operating income (loss)	1,351	(1,084)	1,500	2,584	—
(Operating margin)	(1.0%)	(-)	(2.0%)	-	
Ordinary income (loss)	416	(1,343)	1,300	2,643	—
Net income attributable to owners of parent	664	3,454	800	(2,654)	(76.8%)
Earnings per share (Yen)	15.05	77.89	18.02	(59.87)	—
EBITDA (Reference)	4,706	2,544	5,228	2,684	

Dividend policy

The Group considers the return of profits to shareholders as an important management objective. Our basic policy is to distribute earnings in line with consolidated results. We target a consolidated payout ratio of 30% and aim to maintain stable dividends and increase the level of dividends.

If any special factor, such as an extraordinary gain or loss, significantly impacts the net income of a given fiscal year, our general policy is to take the special factor into consideration in determining dividends, after consideration of all aspects, including provision of stable dividends to shareholders, future business development, and retained earnings.

We forecast a dividend of 5 yen/share for fiscal year ending March 31, 2022, based on the policy stated above.

	Net income attributable to owners of parent	Net income attributable to owners of parent per share	Dividend forecast	Dividend payout ratio
FYE Mar. 2022 Forecast	800 million yen	18.02 yen	5 yen	27.7%

Appendix.

Consolidated Statements of Income

(Million Yen)	FYE Mar. 2020	FYE Mar. 2021		
	Actual	Actual	YoY	% YoY
Net sales	94,090	86,727	(7,363)	(7.8%)
Gross profit	23,769	20,582	(3,186)	(13.4%)
(Gross margin)	25.3%	23.7%		
Operating income (loss)	1,351	(1,084)	(2,436)	—
(Operating margin)	1.4%	—		
Ordinary income (loss)	416	(1,343)	(1,759)	—
(Ordinary margin)	0.4%	—		
Extraordinary income	1,688	7,138	5,449	322.7%
Extraordinary losses	358	2,240	1,881	525.3%
Net income (loss) before income tax	1,746	3,554	1,808	103.5%
Net profit attributable to owners of parent	664	3,454	2,790	420.2%
EBITDA (Reference)	4,706	2,544	(2,162)	(45.9%)

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

Financial Results by Segment (1Q-4Q)

(Million Yen)		FYE Mar. 2020	FYE Mar. 2021		
		Actual	Actual	YoY	% YoY
Content Creation	Net sales	26,205	19,809	(6,395)	(24.4%)
	Operating loss	(359)	(440)	(81)	—
	(Operating margin)	—	—		
Production Services	Net sales	49,091	48,286	(805)	(1.6%)
	Operating loss	(348)	(2,222)	(1,874)	—
	(Operating margin)	—	—		
Imaging Systems & Solutions	Net sales	20,551	19,669	(882)	(4.3%)
	Operating income	2,714	2,045	(669)	(24.6%)
	(Operating margin)	13.2%	10.4%		
Others	Net sales	(1,758)	(1,038)	720	—
	Operating loss	(655)	(466)	188	—
Consolidated total	Net sales	94,090	86,727	(7,363)	(7.8%)
	Operating income (loss)	1,351	(1,084)	(2,436)	—

Consolidated Balance Sheets

(Million Yen)		As of Mar. 31, 2020	As of Mar. 31, 2021	YoY	Main Factors	
Assets	Current assets	35,295	30,440	(4,854)	Cash and deposits: (431) Notes and accounts receivable-trade: (1,450) Inventories: (3,234) Other: +252	
	Cash and deposits	7,339	6,908	(431)		
	Non-current assets	26,859	30,005	3,145	Investment securities: +867 Shares of subsidiaries and affiliates: (1,595) Deferred tax asset: +301	
	Goodwill	3,167	12,048	8,880		
Total Assets		62,154	60,446	(1,708)		
Liabilities / Net Assets	Current liabilities	25,762	22,117	(3,645)	Notes and accounts payable-trade: (644) Short-term loans payable: +2,398 Income taxes payable: (1,292) Advances received:(2,128)	
	Short-term loans payable	5,004	7,402	2,398		
	Non-current liabilities	8,913	8,495	(417)	Long-term loans payable: (126)	
	Long-term loans payable	5,510	5,384	(126)		
	Total Liabilities		34,676	30,613	(4,062)	
	Shareholders' equity		25,428	27,149	1,721	(Reference) Equity capital
	Accumulated other comprehensive income		(361)	301	662	As of March 31, 2020: 25,066 (40.3%)
	Stock acquisition rights		11	11	–	As of March 31, 2021: 27,450 (45.4%)
	Non-controlling interests		2,400	2,370	(29)	
	Total Net Assets		27,478	29,832	2,354	
Total Liabilities and Net Assets		62,154	60,446	(1,708)		
Net Cash		(3,175)	(5,878)	(2,703)	(Cash and deposits – long-term and short-term loans payable)	

Consolidated Statements of Cash Flow

(Million Yen)	FYE Mar. 2020	FYE Mar. 2021
Net income (Loss) before income tax	1,746	3,554
Depreciation and amortization	2,777	2,757
Amortization of goodwill	576	871
Loss (Gain) on sales of stocks of subsidiaries and affiliates	(7)	(4,936)
Gain (Loss) on step acquisitions	–	(2,076)
Decrease (Increase) in notes and accounts receivable-trade	2,248	(52)
Decrease (Increase) in inventories	1,528	2,741
Decrease (Increase) in notes and accounts payable-trade	(480)	26
Increase (Decrease) in advanced payment	(482)	(1,635)
Other, net	(933)	(1,843)
Cash flows from operating activities	6,974	(592)
Long-term loan advances	(1,791)	–
Purchase of property, plant and equipment	(1,468)	(1,500)
Proceeds from sales of property, plant and equipment	2,674	5
Purchase of investments in affiliates	(2,975)	(467)
Purchase of investments in subsidiaries	–	(60)
Expenditure for purchase of subsidiary stock accompanying a change in the scope of consolidation	–	(4,099)
Gain on sales of subsidiary stock accompanying a change in the scope of consolidation	–	5,859
Other, net	(735)	(1,100)
Cash flows from investing activities	(4,297)	(1,364)
Net increase (decrease) in short-term loans payable	245	3,596
Proceeds from long-term loans payable	1,090	4,939
Repayment of long-term loans payable	(2,473)	(4,048)
Cash dividends paid	(220)	(221)
Purchase of investments in subsidiaries do not result in change in scope of consolidation	(7)	(2,794)
Other, net	74	(2)
Cash flows from financing activities	(1,291)	1,469
Effect of exchange rate change on cash and cash equivalents	(124)	(2)
Net increase (decrease) in cash and cash equivalents	1,260	(485)
Net increase (decrease) in cash and cash equivalents accompanying change in the scope of consolidation	–	14
Cash and cash equivalents at end of period	7,327	6,856

Business segment list of consolidated subsidiaries (Fiscal Year Ending March 31, 2022)



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>Shufunotomo Infos Co., Ltd.</p>	<p>Imagica Entertainment Media Services, Inc.</p> <p>IMAGICA SDI Studio, Inc.</p> <p>PPC Creative Limited</p> <p>Pixelogic Holdings LLC</p> <p>IMAGICA Lab. Inc.</p> <p>COSMO SPACE Co., Ltd.</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>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> <p>IMAGICA LIVE Corp.</p>

Contact for inquiries:

IMAGICA GROUP Inc.

Corporate Management Department

11th Floor, Uchisaiwaicho Tokyu Building 1-3-2 Uchisaiwaicho,

Chiyoda-ku, Tokyo 100-0011, Japan

TEL: +81-3-6741-5742 FAX: +81-3-6741-5752

Email: ir@imagicagroup.co.jp

URL: <https://www.imagicagroup.co.jp/en/>

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.