

**Consolidated Financial Highlights for  
the Second Quarter of the fiscal year ending  
March 31, 2022**

IMAGICA GROUP Inc.

Code : 6879

November 1, 2021



1

**Total operating income before goodwill amortization for the company was 1.2 billion yen, exceeding the level in FYE March 2020 (pre-COVID-19) and staging a V-shaped recovery.**

2

**Operating income before goodwill amortization turned into the black in all segments.**

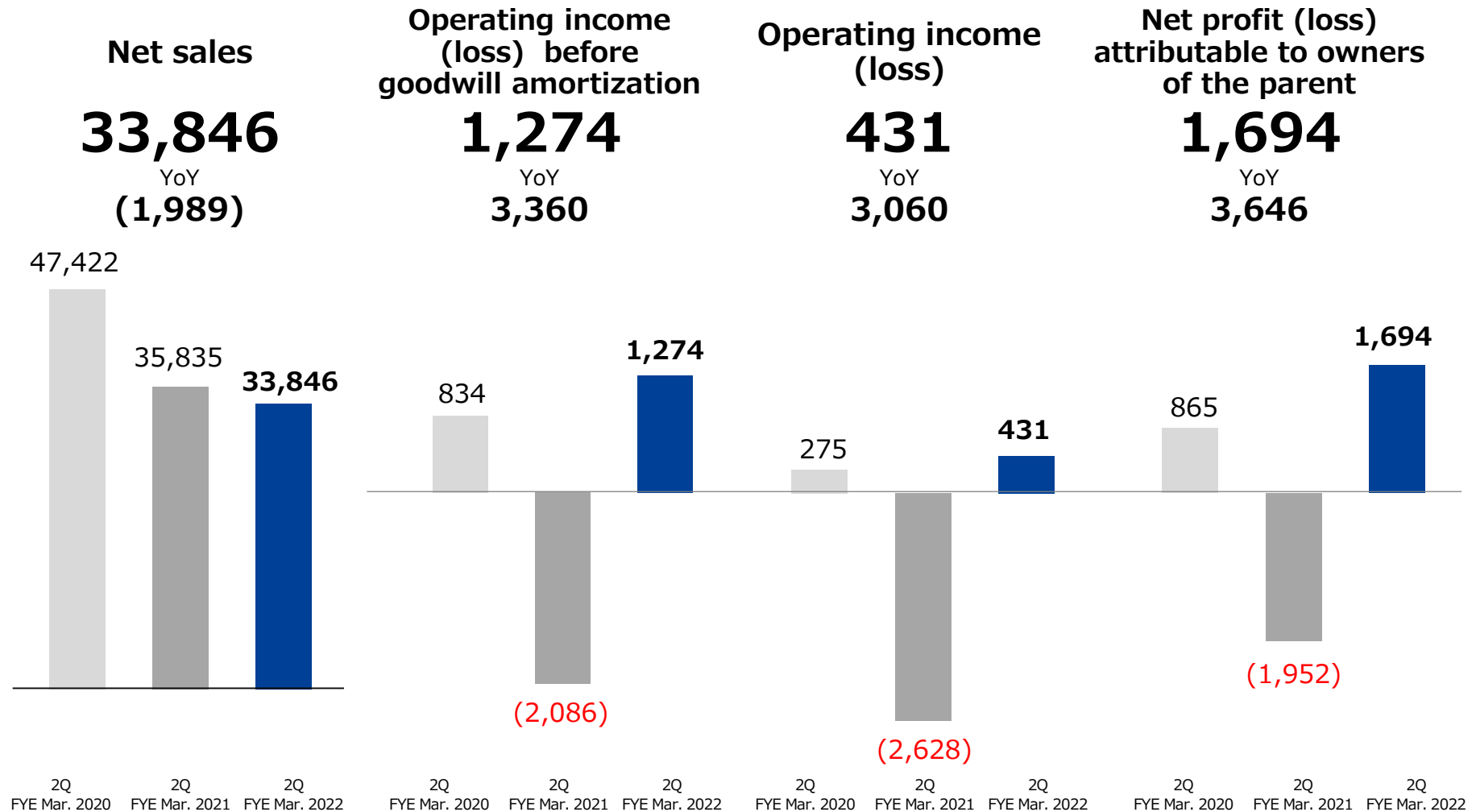
3

**Production Services reached profitability both domestically and internationally, showing substantial profit growth to 2.6 billion yen.**

# Highlights of Financial Results for the First Half

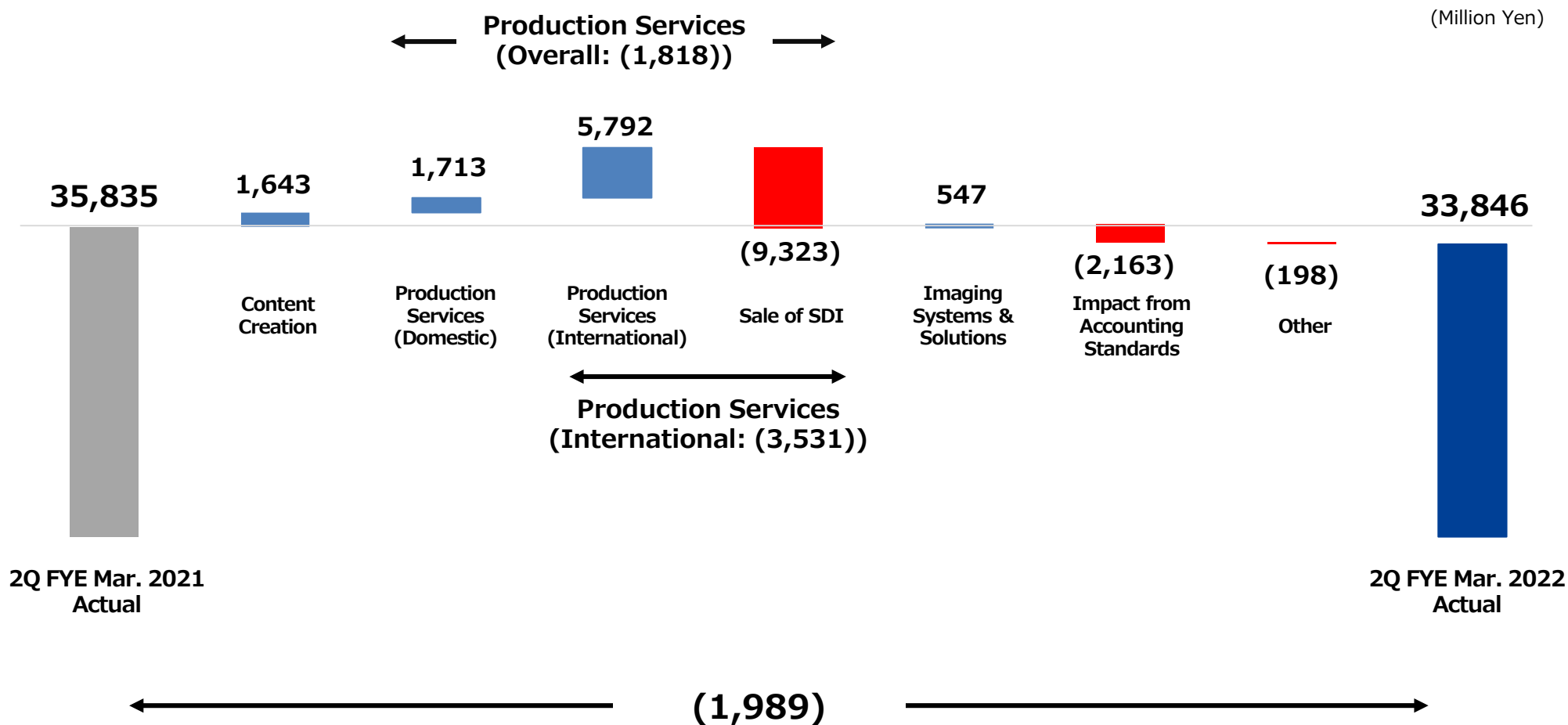
- Operating income before goodwill amortization was 1.2 billion yen, exceeding FYE March 2020 (pre-COVID-19) by more than 400 million yen.

(Million Yen)



# Contributing Factors to Increases (Decreases) in Net Sales (vs 2Q FYE Mar. 2021)

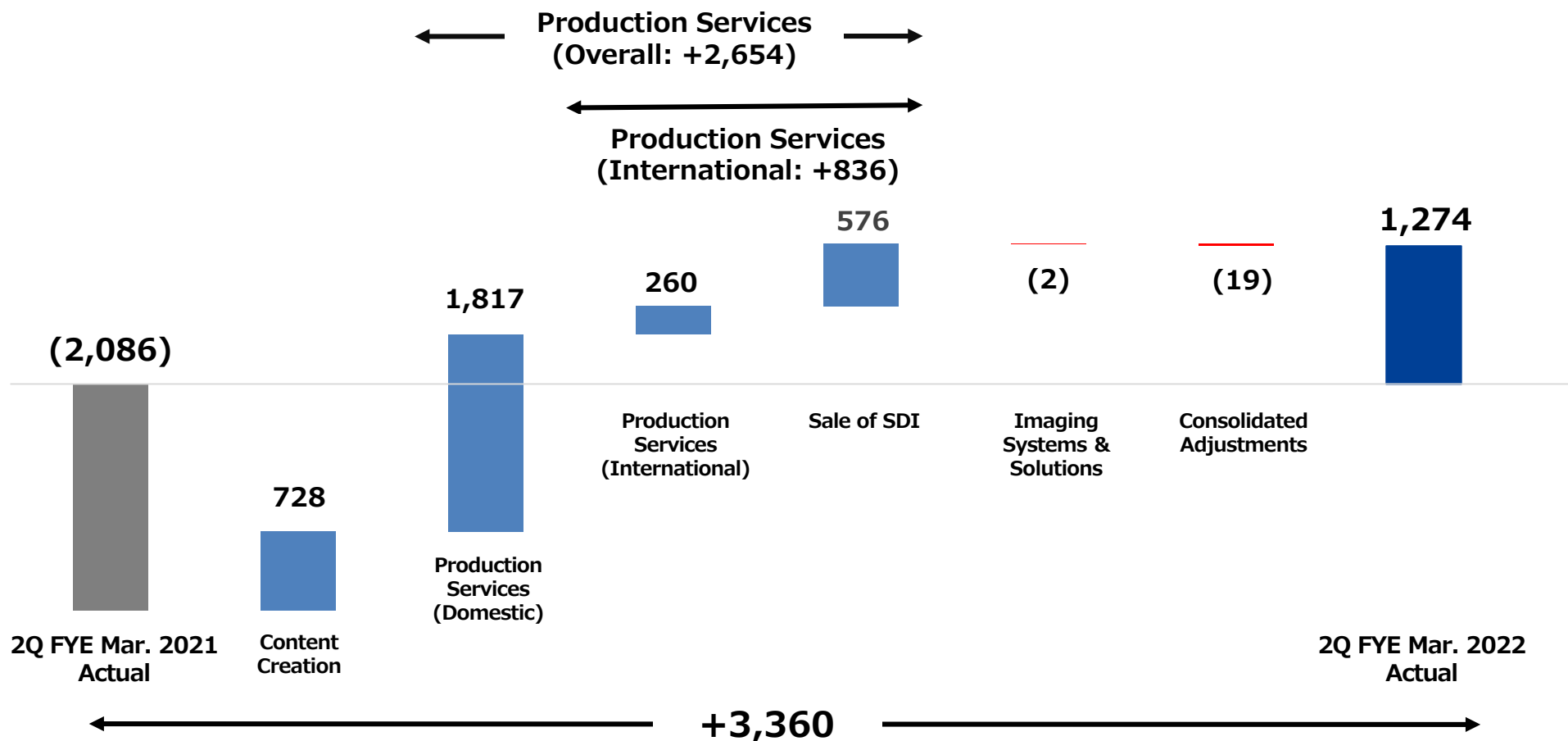
- All business segments achieved growth in net sales when the decrease due to the sale of SDI is excluded.



# Contributing Factors to Increases (Decreases) in Operating Income before Goodwill Amortization (vs 2Q FYE Mar. 2021)

- Operating income before goodwill amortization increased substantially to 3.3 billion yen on a consolidated basis. Production Services was responsible for 2.6 billion yen of the increase, and Content Creation, for 700 million yen.

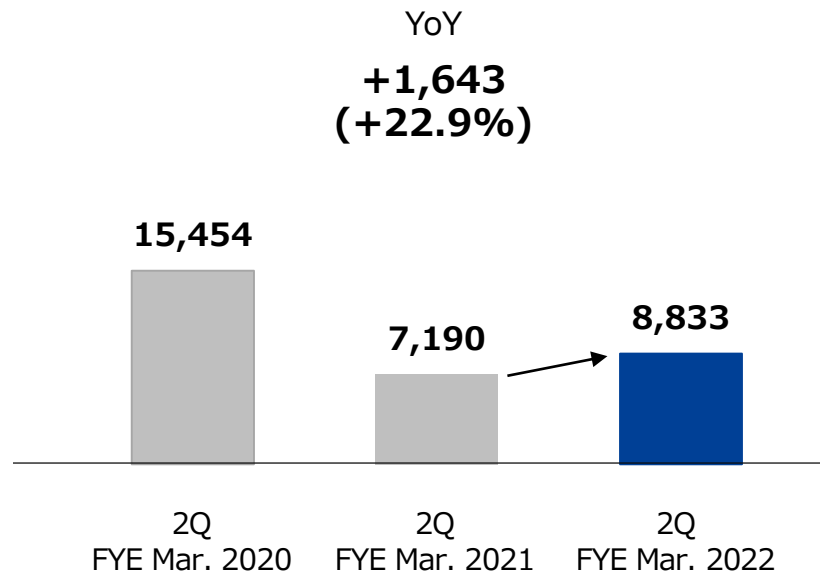
(Million Yen)



# Content Creation (First Half)

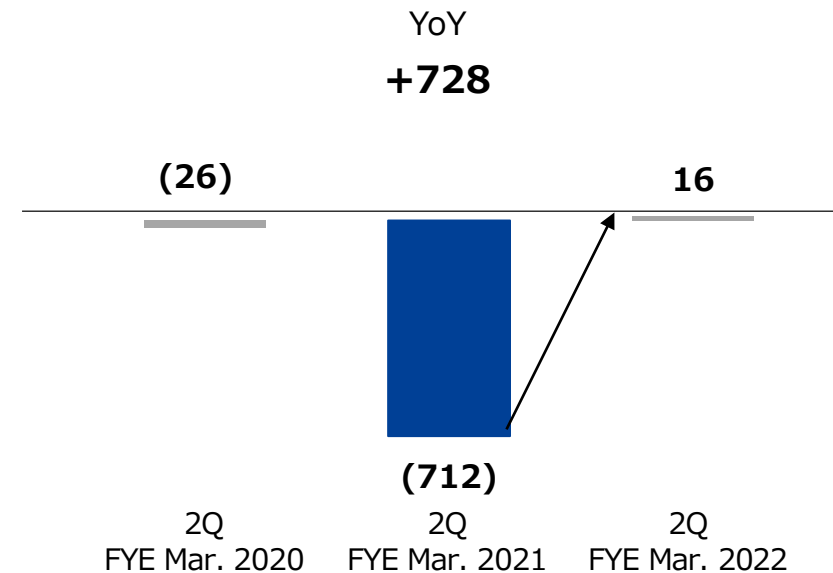
- Net sales rebounded substantially, owing to a lesser impact from COVID-19 and a rebound in orders, etc. This led to turning a profit from the 2Q onward.

Net sales



Operating income before goodwill amortization

(Million Yen)

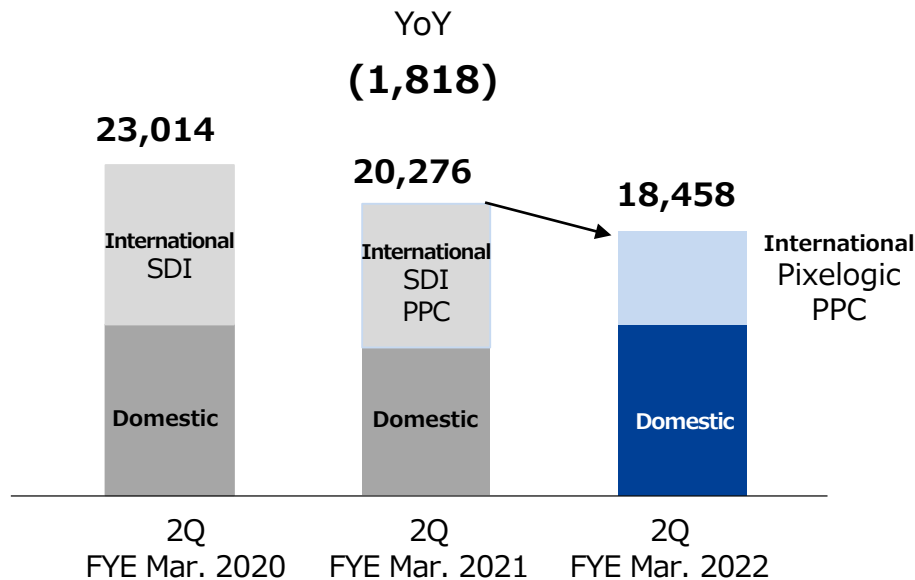


- ✓ The rebound in the advertising market from the impact of COVID-19 resulted in a rebound in orders for TV commercial production.
- ✓ Feature films, TV dramas, and animation productions were also firm.
- ✓ Orders for online streaming of live music performances and shooting music videos were strong.

# Production Services (First Half)

- Strong growth in operating income before goodwill amortization resulted mainly from strong sales of global E2E services\*<sup>1</sup> and domestic structural reform\*<sup>2</sup>.

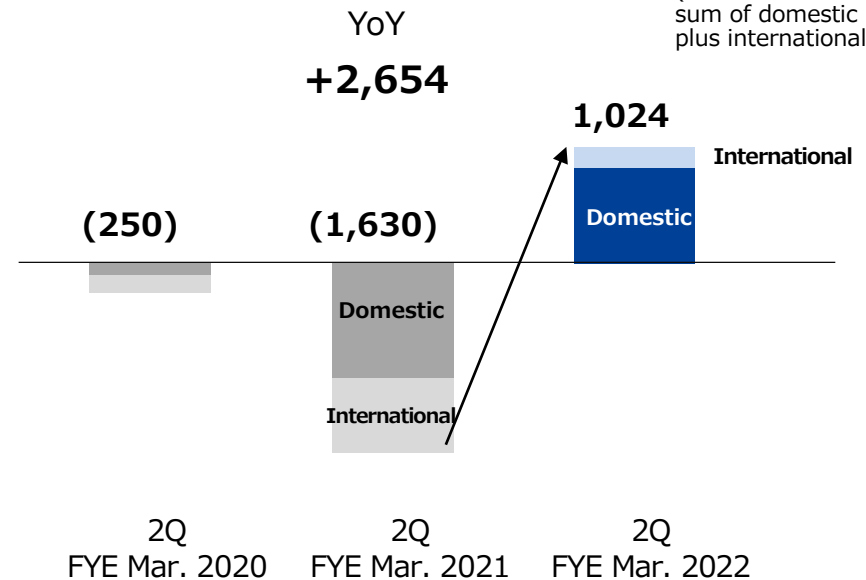
Net sales



Operating income before goodwill amortization

(Million Yen)

(Numbers show the sum of domestic plus international.)



- ✓ In the domestic market, global E2E services\*<sup>1</sup> for video streaming service providers\*<sup>3</sup> were strong. Feature films, drama series, animation productions, and post-production services for TV commercials were firm. This resulted in substantial growth in operating income before goodwill amortization, due in part to orders for large event projects and benefits derived from structural reform\*<sup>1</sup>.
- ✓ In the international market, although feature film trailer production services were sluggish due to the impact of COVID-19 in Europe and the U.S., Pixelogic's localization business for video streaming service providers\*<sup>3</sup> was strong.

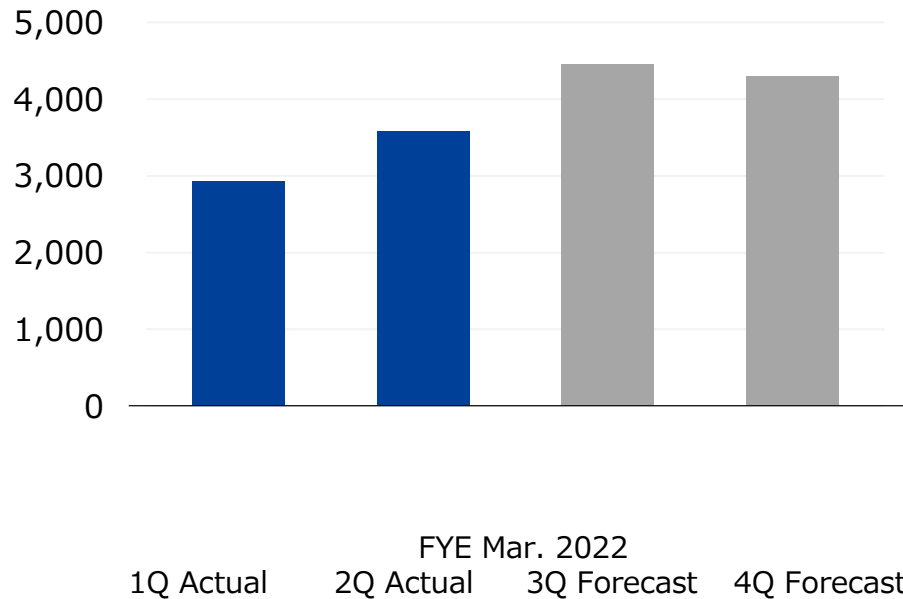
\*IMAGICA LIVE Corp. performance was excluded from net sales and operating income (loss) for Production Services from 1Q FYE Mar. 2021 due to the reclassification of the subsidiary into another segment.

# Production Services (International) Quarterly Consolidated Performance Forecast



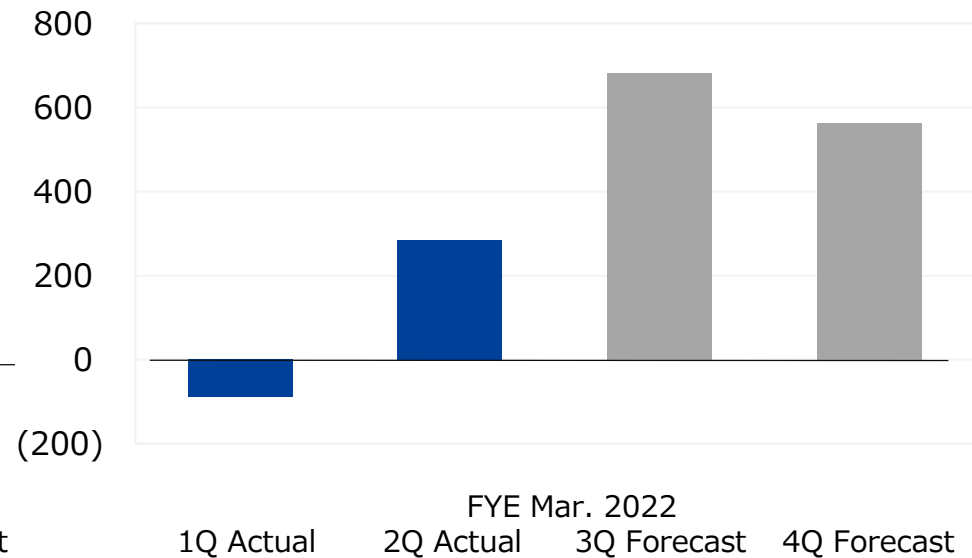
- The 2Q turned into the black as expected and growth is forecast in the 3Q. This will boost growth and profitability.

Net sales



Operating income before goodwill amortization

(Million Yen)



- ✓ We expect strong orders for video streaming service providers\*<sup>3</sup> from the 3Q onward.
- ✓ The resumption of new feature film releases are forecast to increase sales and profit of Pixelogic from the 3Q onward.



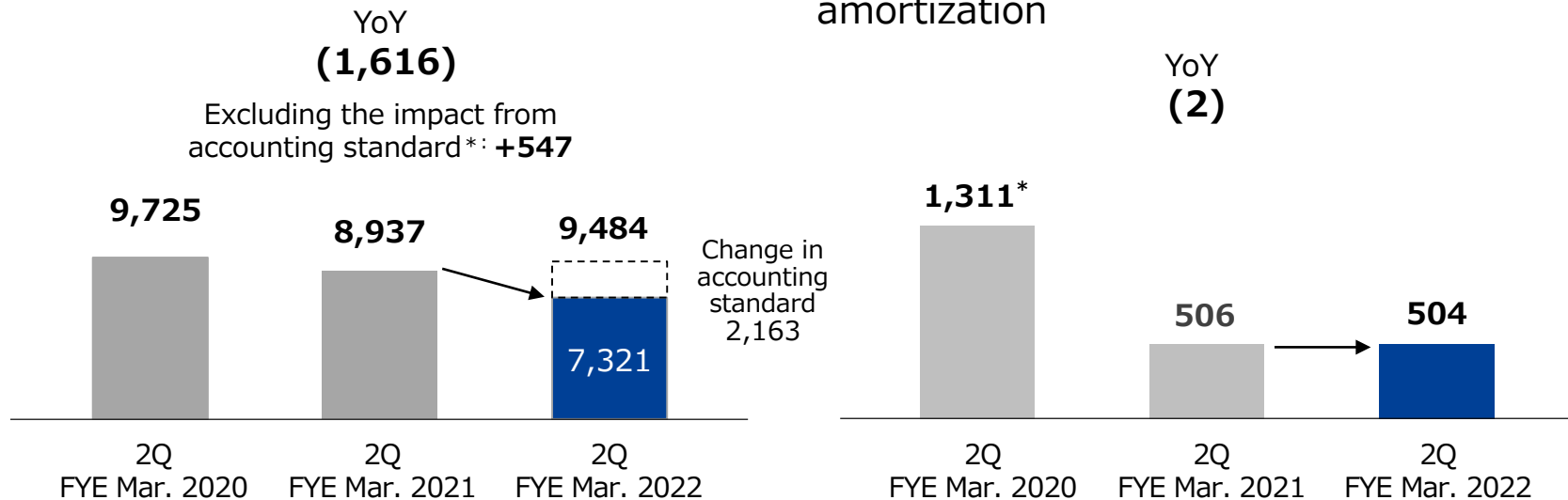
# Imaging Systems & Solutions (First Half)

- Net sales increased by 500 million yen, if the impact from the change in accounting standard\*<sup>4</sup> is excluded.

Net sales

Operating income before goodwill amortization

(Million Yen)



- ✓ Sales of the online delivery system for TV commercials\*<sup>5</sup> remained strong due to expansion in market needs.
- ✓ Sales of high-speed cameras rebounded in Asia and the U.S./Europe despite the continued struggle for sales in the domestic market.
- ✓ Sales of video and image processing LSI were strong in both the domestic and international markets.

\* Impact from a change in accounting standard: Impact from posting the net amount for mobile communication line sales.

\* IMAGICA LIVE Corp. performance was added to Imaging Systems & Solutions net sales and operating income (loss) from 1Q FYE March 2022 due to the reclassification of the subsidiary into this segment.

# Consolidated Forecasts for FYE March 31, 2022

(Million Yen)	FYE Mar. 2021	FYE Mar. 2022				
	Actual	Forecast disclosed on May 13, 2021	YoY	Full-year forecast	Change from May 13 <sup>th</sup> forecast	Percentage change from May 13 <sup>th</sup> forecast
Net sales	<b>86,727</b>	75,000	(11,727)	<b>75,000</b>	0	0%
Operating income (loss)	<b>(1,084)</b>	1,500	2,584	<b>1,500</b>	0	0
(Operating margin)	(%)	(2.0%)	-	<b>(2.0%)</b>	-	-
Ordinary income (loss)	<b>(1,343)</b>	1,300	2,643	<b>2,000</b>	*1 700	53.8%
Net income (loss) attributable to owners of parent	<b>3,454</b>	800	(2,654)	<b>2,000</b>	*2 1,200	150.0%
Earnings (Loss) per share (Yen)	<b>77.89</b>	18.02	(58.87)	<b>45.06</b>	27.04	150.0%
Operating income before goodwill amortization	<b>320</b>	3,100	2,780	<b>3,100</b>	0	0

\*1 Reason for increase in ordinary income: We posted 640 million yen in subsidy income in the 2Q due to debt relief on a loan Pixelogic received as part of government COVID-19 assistance measures.

\*2 Reasons for increase in net income: A gain of 357 million yen on the sale of affiliate shares was posted in the first quarter, and a gain of 395 million yen on sales of investment securities was posted in the 2Q. (See [the July 12, 2021 news release](#) for further information.)

# Appendix

# Consolidated Statements of Income



(Million Yen)	2Q FYE Mar. 2021	2Q FYE Mar. 2022		
	Actual	Actual	YoY	% YoY
Net sales	<b>35,835</b>	<b>33,846</b>	(1,989)	(5.6%)
Gross profit (Gross margin)	<b>7,621</b> 21.3%	<b>9,858</b> 29.1%	2,237	29.4%
Operating income (loss) (Operating margin)	<b>(2,628)</b> –	<b>431</b> 1.3%	3,060	–
Ordinary income (loss) (Ordinary margin)	<b>(2,928)</b> –	<b>999</b> 3.0%	3,928	–
Extraordinary income	<b>123</b>	<b>793</b>	670	543.9%
Extraordinary losses	<b>118</b>	<b>237</b>	118	99.8%
Net income (loss) before income tax	<b>(2,924)</b>	<b>1,555</b>	4,480	–
Net profit (loss) attributable to owners of parent	<b>(1,952)</b>	<b>1,694</b>	3,646	–
(Reference) Operating income (loss) before goodwill amortization	<b>(2,086)</b>	<b>1,274</b>	3,360	–

\* Operating income before goodwill amortization includes: Operating income, goodwill amortization, and amortization of intangible assets including trademarks.

# Consolidated Balance Sheets

(Million Yen)		As of Mar. 31, 2021	As of Sep. 30, 2021	YoY	Main Factors	
Assets	Current assets	<b>30,440</b>	<b>33,286</b>	2,845	Cash and deposits: (494) Notes and accounts receivable-trade and contract assets: (1,473) Inventories: +4,818 Other: (26)	
	Cash and deposits	<b>6,908</b>	<b>6,414</b>	(494)		
	Non-current assets	<b>30,005</b>	<b>31,247</b>	1,242	Investment securities: (550) Shares of subsidiaries and affiliates: (636) Deferred tax assets: +424	
	Goodwill	<b>12,048</b>	<b>12,363</b>	314		
<b>Total Assets</b>		<b>60,446</b>	<b>64,533</b>	4,087		
Liabilities / Net Assets	Current liabilities	<b>22,117</b>	<b>24,196</b>	2,079	Notes and accounts payable-trade: +1,485 Short-term loans payable: (2,197) Income taxes payable: +53 Advances received: (2,811)	
	Short-term loans payable	<b>7,402</b>	<b>5,205</b>	(2,197)		
	Non-current liabilities	<b>8,495</b>	<b>7,753</b>	(742)	Long-term loans payable: (794)	
	Long-term loans payable	<b>5,384</b>	<b>4,590</b>	(794)		
	<b>Total Liabilities</b>		<b>30,613</b>	<b>31,950</b>	1,337	
	Shareholders' equity		<b>27,149</b>	<b>28,935</b>	1,786	(Reference) Equity capital
	Accumulated other comprehensive income		<b>301</b>	<b>881</b>	580	As of March 31, 2021: 27,450 (45.4%)
	Stock acquisition rights		<b>11</b>	<b>11</b>	–	As of September 30, 2021: 32,583 (46.2%)
	Non-controlling interests		<b>2,370</b>	<b>2,754</b>	383	
	<b>Total Net Assets</b>		<b>29,832</b>	<b>32,583</b>	2,750	
<b>Total Liabilities and Net Assets</b>		<b>60,446</b>	<b>64,533</b>	4,087		
<b>Net cash</b>		<b>(5,878)</b>	<b>(3,382)</b>	2,496	(Cash and deposits – long-term and short-term loans payable)	

# Financial Results by Segment

(Million Yen)		2Q FYE Mar. 2021	2Q FYE Mar. 2022		
		Actual	Actual	YoY	% YoY
Content Creation	Net sales	<b>7,190</b>	<b>8,833</b>	1,643	22.9%
	Operating income (loss)	<b>(712)</b>	<b>13</b>	726	—
	(Operating margin)	—	0.2%		
	Operating income (loss) before goodwill amortization	<b>(712)</b>	<b>16</b>	728	—
Production Services	Net sales	* <b>20,276</b>	<b>18,458</b>	(1,818)	(9.0%)
	Operating income (loss)	<b>(2,172)</b>	<b>202</b>	2,374	—
	(Operating margin)	—	1.1%		
	Operating income (loss) before goodwill amortization	<b>(1,630)</b>	<b>1,024</b>	2,654	—
Imaging Systems & Solutions	Net sales	* <b>8,937</b>	<b>7,321</b>	(1,616)	(18.1%)
	Operating income (loss)	<b>506</b>	<b>486</b>	(20)	(4.1%)
	(Operating margin)	5.7%	6.6%		
	Operating income (loss) before goodwill amortization	<b>506</b>	<b>504</b>	(2)	(0.6%)
Others	Net sales	(568)	(766)	(198)	—
	Operating income (loss)	(250)	(270)	(19)	—
Consolidated total	Net sales	<b>35,835</b>	<b>33,846</b>	(1,989)	(5.6%)
	Operating income (loss)	<b>(2,628)</b>	<b>431</b>	3,060	—
	Operating income (loss) before goodwill amortization	<b>(2,086)</b>	<b>1,274</b>	3,360	—

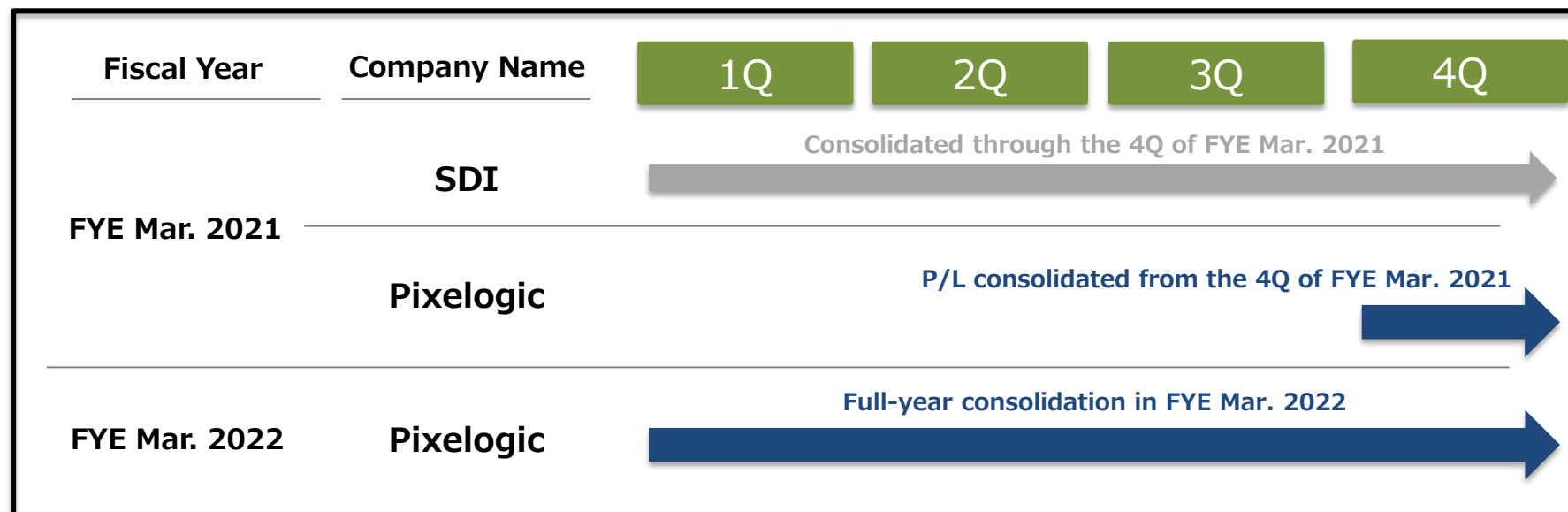
\* The figures for Production Services, Imaging Systems and Solutions, and Others have changed due to reclassification of subsidiaries into different segments.

# Consolidated Statements of Cash Flow

(Million Yen)	2Q FYE Mar. 31, 2021	2Q FYE Mar. 31, 2022
Income before income taxes (loss)	(2,924)	1,555
Depreciation and amortization	1,308	939
Amortization of goodwill	293	690
Loss (gain) on sales of investment securities	–	(414)
Loss (gain) on sales of stocks of subsidiaries and affiliates	–	(357)
Decrease (increase) in notes and accounts receivable-trade and contract assets	4,871	2,938
Decrease (increase) in inventories	(1,098)	(4,508)
Decrease (increase) in notes and accounts payable-trade	(1,755)	600
Increase (decrease) in contract liabilities	2,217	2,626
Income taxes paid	(1,466)	(90)
Other, net	(1,546)	(1,302)
<b>Net cash provided by operating activities</b>	<b>(98)</b>	<b>2,679</b>
Purchase of property, plant and equipment	(606)	(1,373)
Purchase of intangible assets	(361)	(402)
Proceeds from the sale of investment securities	5	944
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	–	357
Payment of lease and guarantee deposits	(9)	(526)
Other, net	(262)	(70)
<b>Net cash used in investing activities</b>	<b>(1,235)</b>	<b>(1,069)</b>
Net increase (decrease) in short-term loans payable	2,677	(897)
Proceeds from long-term loans payable	434	–
Repayment of long-term loans payable	(1,230)	(1,346)
Other, net	(1,961)	75
<b>Net cash used in financing activities</b>	<b>(79)</b>	<b>(2,169)</b>
Effect of exchange rate change on cash and cash equivalents	(54)	66
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,468)</b>	<b>(492)</b>
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	–	48
<b>Cash and cash equivalents at end of period</b>	<b>5,859</b>	<b>6,413</b>

# (Reference) Change in Overseas Subsidiaries in Production Services

- ✓ The P/L of Pixelogic, which provides E2E service, was consolidated from the fourth quarter of FYE March 2021.
- ✓ All shares held in SDI were sold at the end of March 2021, removing it from the scope of consolidation.



\* Pixelogic has a fiscal year-end of December 31. The financial performance during the 2Q of FYE March 2022 therefore reflects the results for January 1 through June 30, 2021.



(Reference)

## Disclosure of Operating Income before Goodwill Amortization



We have disclosed operating income before goodwill amortization as a key indicator from the first quarter of FYE March 2022 onward to appropriately reflect the actual status of the IMAGICA GROUP.

(Million Yen)	1H FYE Mar. 2022	FYE Mar. 2022 Full year	New Mid-Term Plan "G-EST 2025"
	Actual	Plan	Goal
Net sales	<b>33,846</b>	<b>75,000</b>	<b>100,000</b>
Operating income	<b>431</b>	<b>1,500</b>	
Operating income before goodwill amortization	<b>1,274</b>	<b>3,100</b>	<b>8,000</b>

Operating income before goodwill amortization includes: Operating income, goodwill amortization, and amortization of intangible fixed assets accompanying M&A.

- \*1 Global E2E services  
Refers to an integrated end-to-end (E2E) service that covers the entire post-production process for feature films, TV dramas, animation, and other audio/video content up to media services for localization (subtitling/dubbing) and distribution of these through all kinds of media, including theaters, TV, and video streaming via the Internet.
  
- \*2 Structural reform  
The structural reform discussed in this document refers to the voluntary retirement implemented in the Production Services business segment to achieve sustainable growth and a rebound in financial [performance of the IMAGICA GROUP, as stated "Notice of Establishment of New Subsidiaries, Structural Reform of Production Services, and Group Business Reorganization" disclosed on January 22, 2021 \(posted in English on February 9, 2021\).](#)
  
- \*3 Video streaming service providers  
Refers to companies that provide video streaming services on a platform through the Internet.
  
- \*4 Impact from a change in accounting standard  
This refers to the impact from the change in accounting standard in the Imaging Systems & Solutions business segment, which resulted in posting the net amount for mobile communication line sales.
  
- \*5 Online delivery system for TV commercials  
Refers to the service for online delivery of TV commercial source materials, etc. (service provided by PHOTRON: C.M. HARBOR).

# Contact for inquiries:

IMAGICA GROUP Inc.

Corporate Management Department

1-14-2 Kaigan, Minato-ku, Tokyo 105-0022, Japan

Email : [ir@imagicagroup.co.jp](mailto:ir@imagicagroup.co.jp)

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

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