

**Consolidated Financial Highlights for  
the Third Quarter of the fiscal year ending  
March 31, 2022  
Supplemental Materials**

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**IMAGICA GROUP Inc.**

Code : 6879

February 4, 2022



1

**Total operating income before goodwill amortization\* for the company was 3.2 billion yen, an increase of 4.7 billion yen versus the 3Q of FYE March 2021, and an increase of 2.0 billion yen from FYE March 2020 (pre-COVID-19).**

2

**Production Services was the engine driving improvement in profit, recording a 3.8 billion yen increase in OIBDA versus the 3Q of FYE March 2021.**

3

**Content Creation also saw a rebound in orders. This resulted in improvement in OIBDA of 0.7 billion yen versus the 3Q of FYE March 2021.**

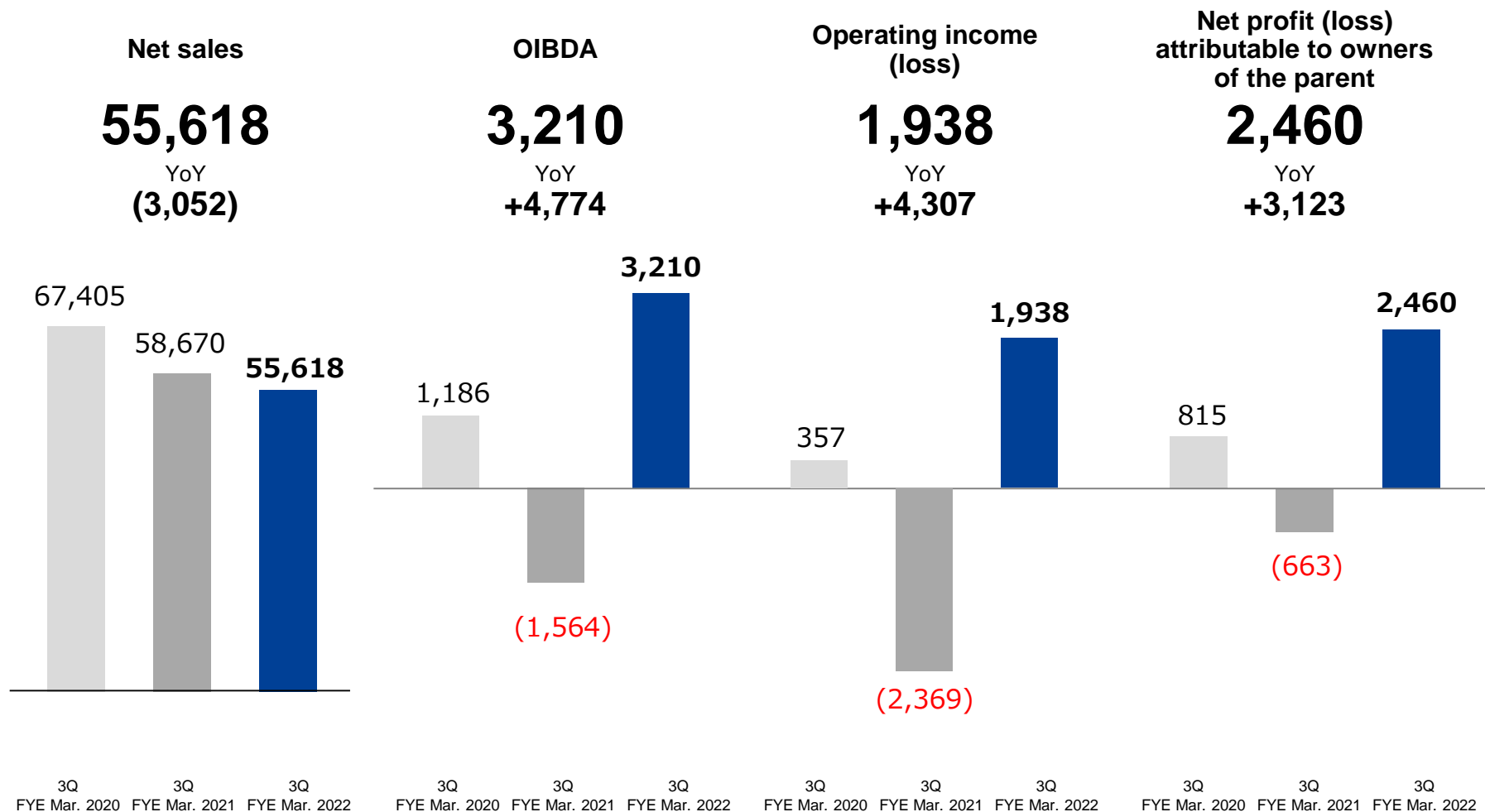
\* Operating income before goodwill amortization: Abbreviated to “OIBDA” (operating income before depreciation and amortization) hereafter.

# Highlights of Financial Results for the First Three Quarters



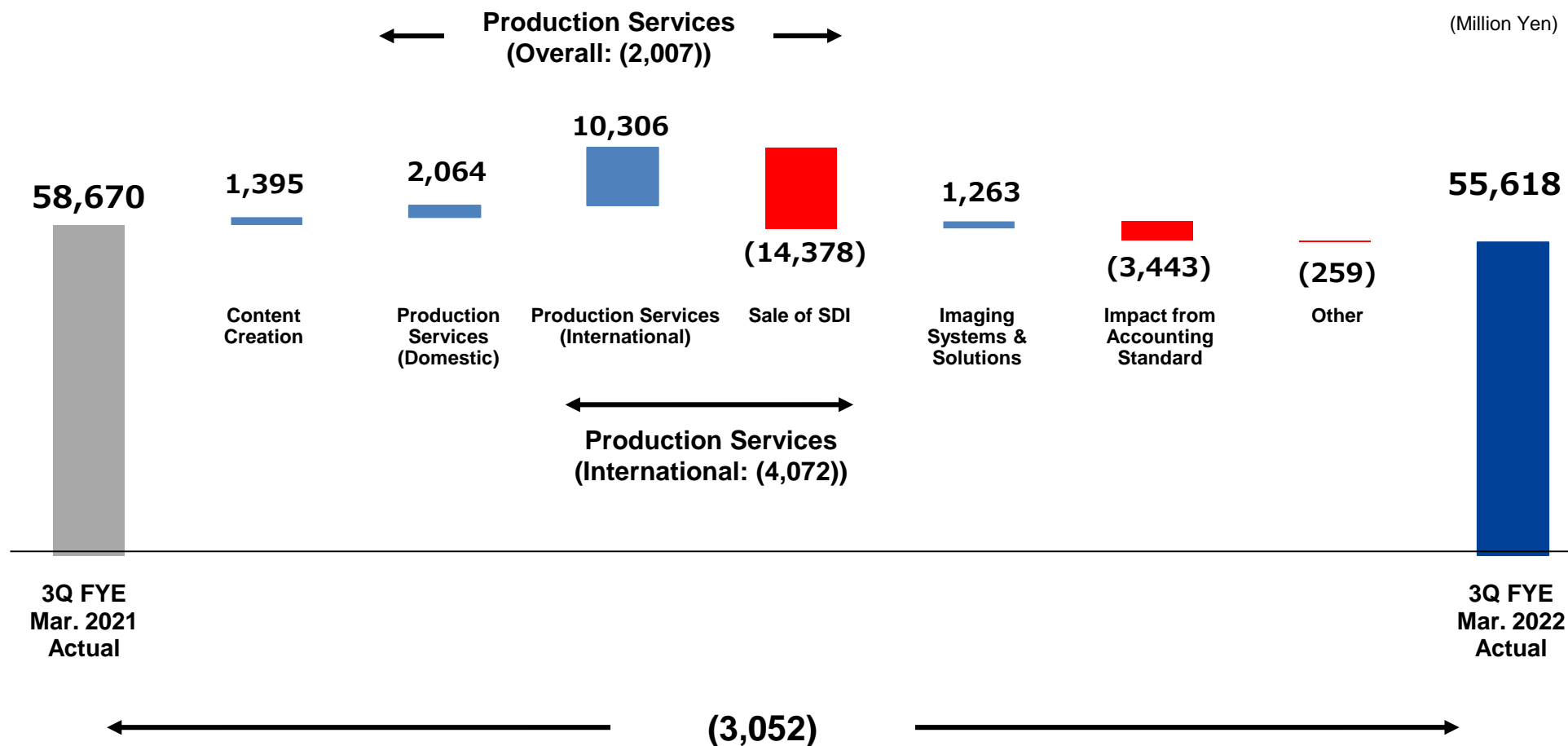
- Net sales declined due to the sale of SDI, but profit at all levels substantially outperformed FYE March 2020 (pre-COVID-19).

(Million Yen)



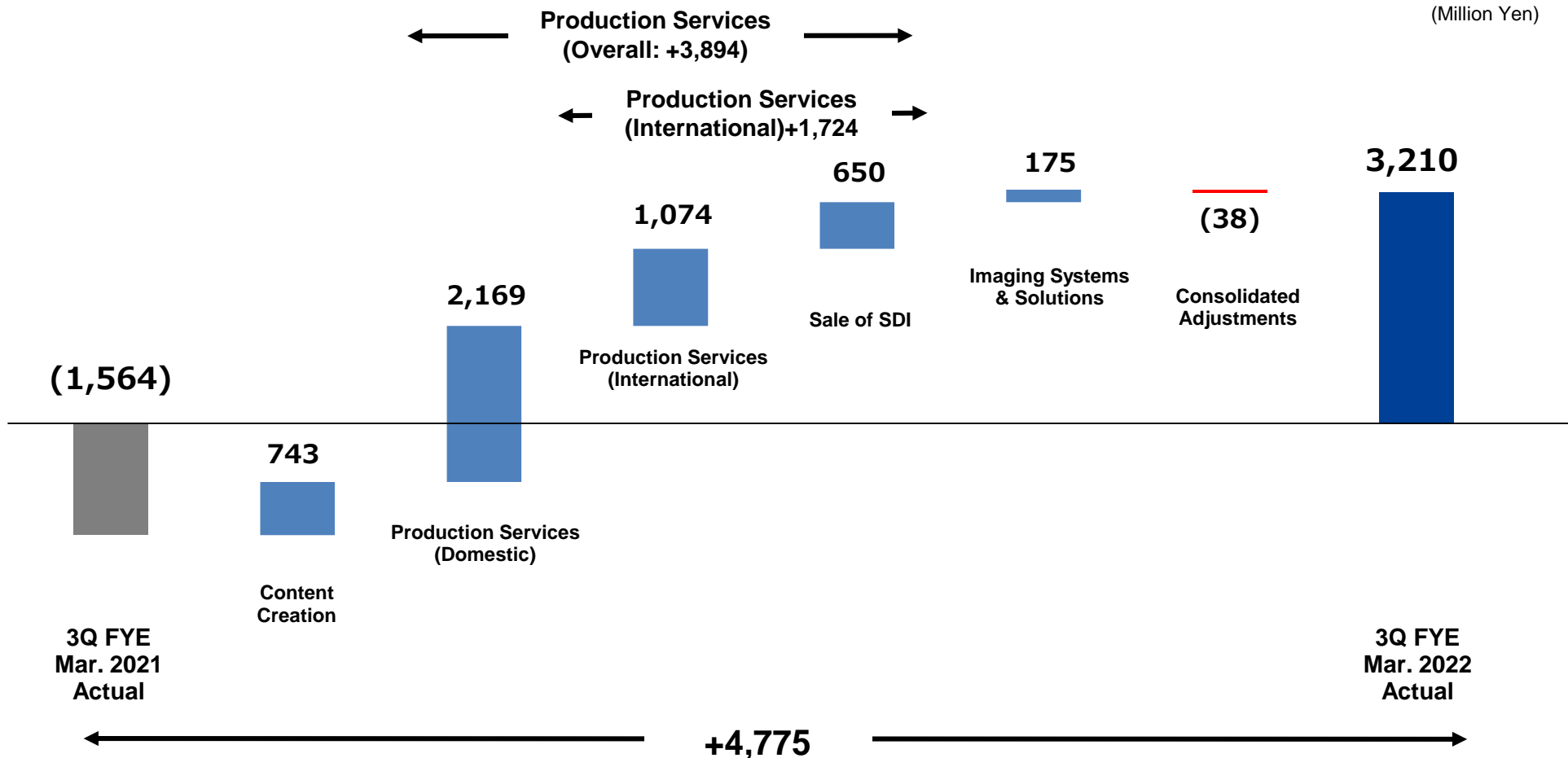
# Contributing Factors to Increases (Decreases) in Net Sales (vs 3Q FYE March 2021)

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



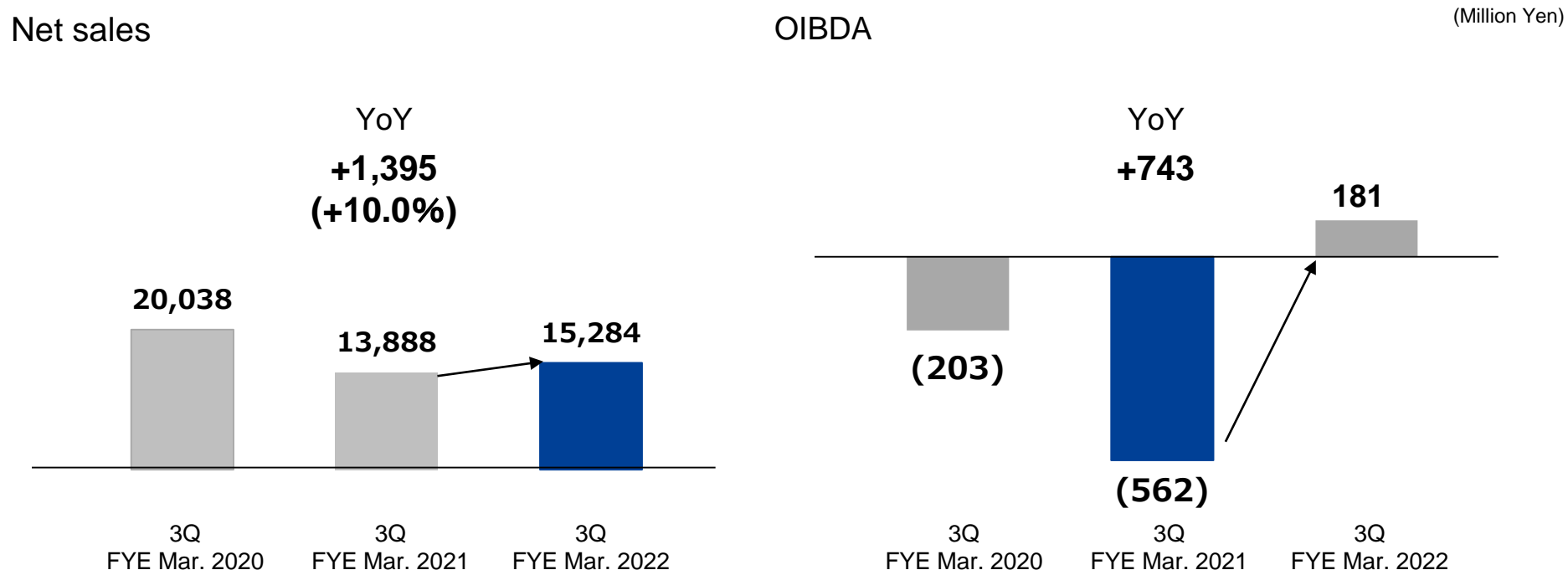
# Contributing Factors to Increases (Decreases) in OIBDA (vs 3Q FYE March 2021)

- OIBDA increased substantially to 4.7 billion yen on a consolidated basis. Production Services was responsible for 3.8 billion yen of the increase, and Content Creation, for 700 million yen.



# Content Creation (First Three Quarters)

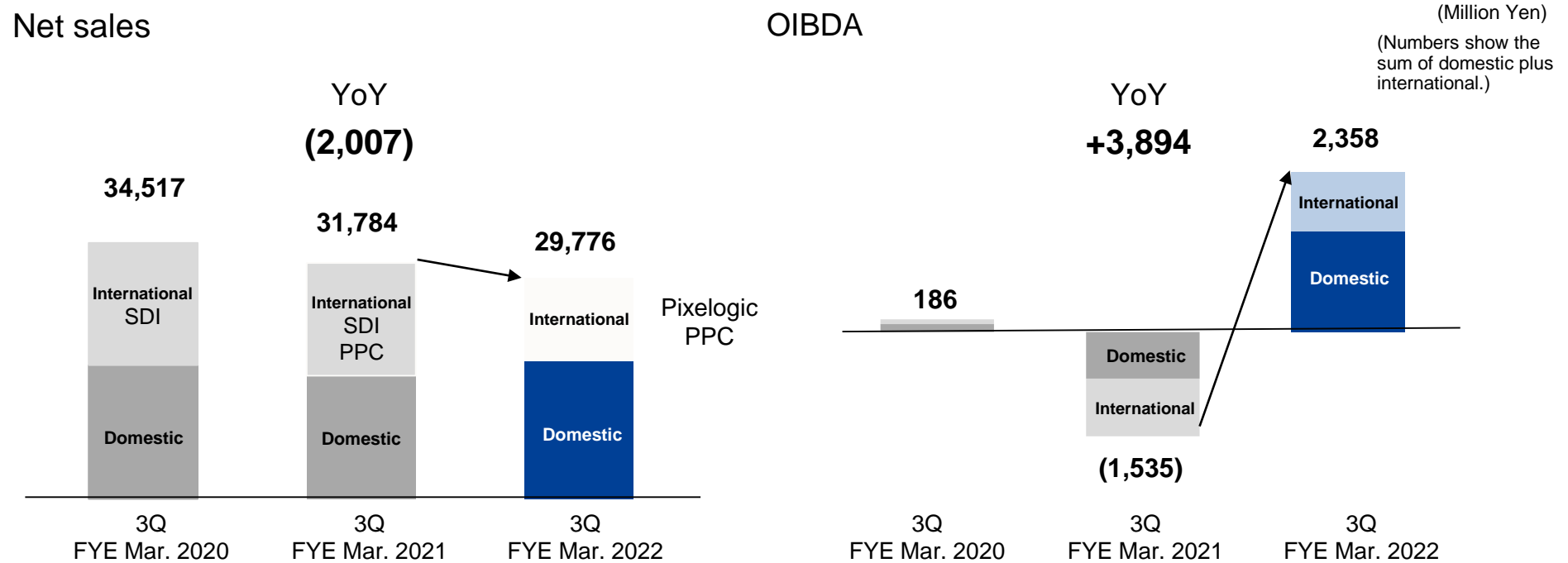
- Net sales rebounded substantially owing to a rebound in orders, increasing by 300 million yen from FYE March 2020.



- ✓ The rebound in orders for TV commercial production continued and profitability also improved.
- ✓ Sales were firm, partially due to the delivery of TV dramas to video streaming service providers, despite postponement in delivery of some feature films to the 4Q.
- ✓ Orders for online streaming of live music performances and shooting music videos were also strong.

# Production Services (First Three Quarters)

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



- ✓ In the domestic market, services for video streaming service providers<sup>\*3</sup> remained strong. An increase in the number of feature films also led to a rebound in digital cinema services, and post-production services were also firm. In addition to strong sales, benefits derived from structural reform boosted OIBDA substantially.
- ✓ In the international market, Pixelologic's localization business for video streaming service providers remained strong. OIBDA improved substantially, due in part to a rebound in sales of digital cinema services accompanying the resumption of theater operation in Europe and the U.S.

\* IMAGICA LIVE Corp. performance was excluded from net sales and operating income (loss) for Production Services in FYE March 2020 and FYE March 2021 due to the reclassification of the subsidiary into another segment.

# Production Services (International) Quarterly Consolidated Performance Forecast

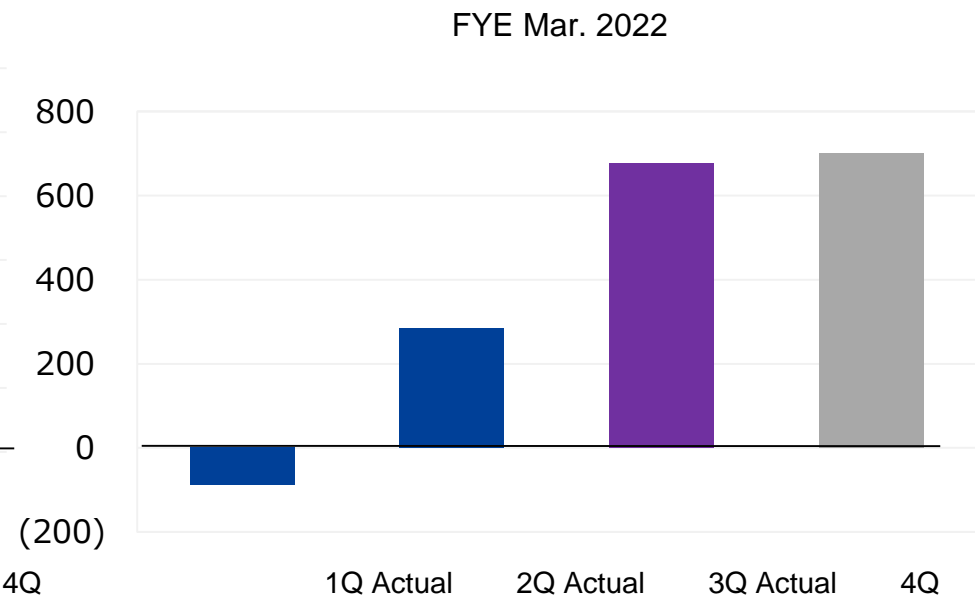
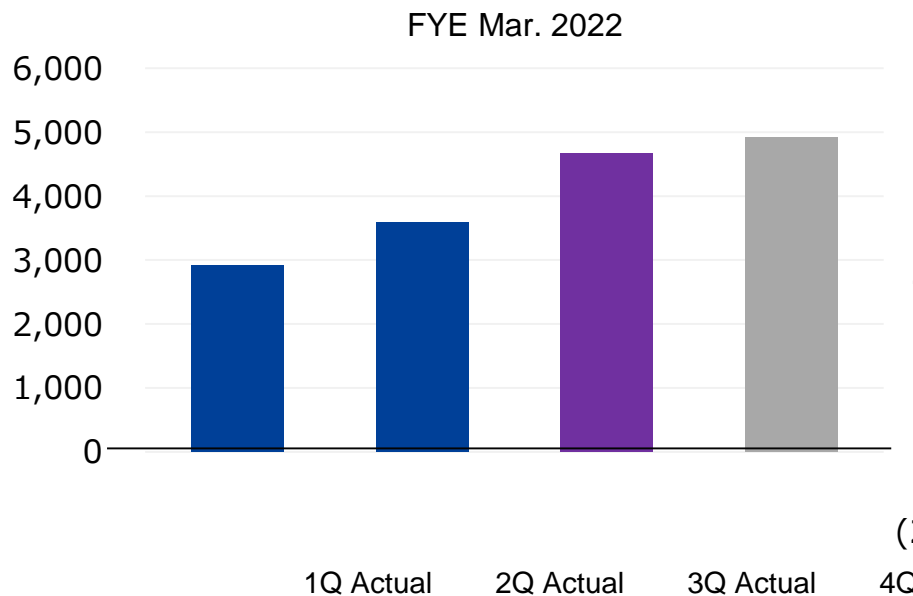


- 3Q results exceeded the forecast.
- Theaters in Europe and the U.S. will continue to resume operation in the 4Q, resulting in substantial improvement in net sales and OIBDA.

(Million Yen)

Net sales

OIBDA

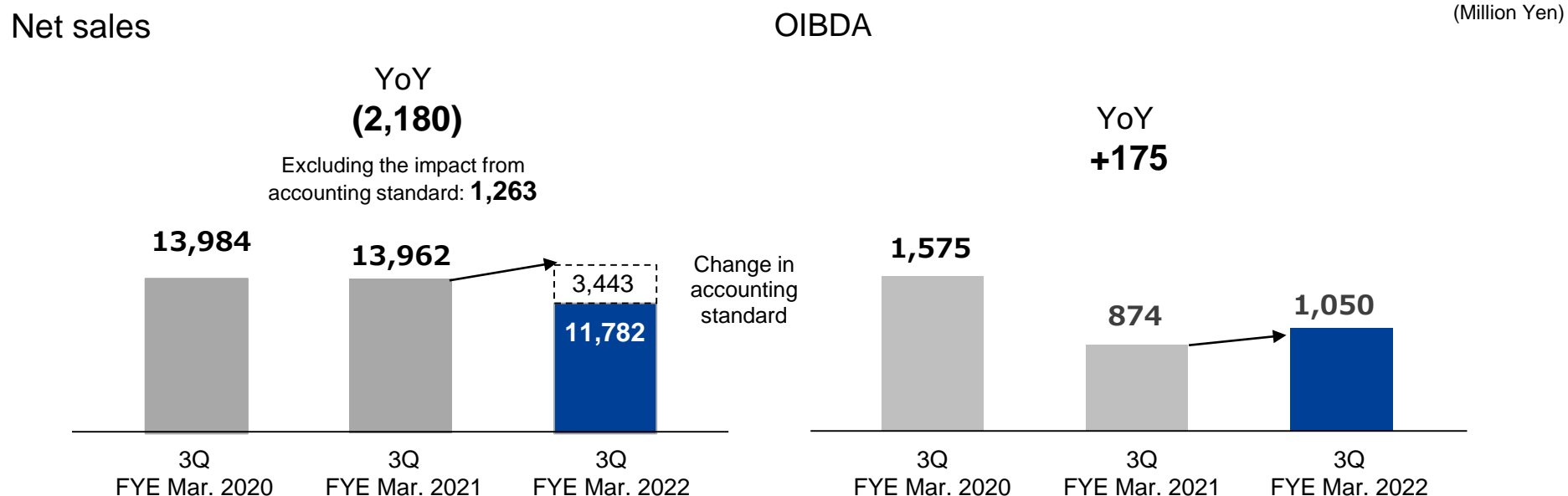


- ✓ Forecast Services for video streaming service providers are also expected to be strong from the 4Q onward.
- ✓ The resumption of theater operation in Europe and U.S. in the 3Q (July through September locally), resulted in substantial improvement in OIBDA, as anticipated.



# Imaging Systems & Solutions (First Three Quarters)

- Net sales increased by 1.2 billion yen, if the impact from the change in accounting standard\*4 is excluded.



- ✓ Sales of high-speed cameras showed a trend of rebound in Japan and remained strong in Asia and the U.S./Europe.
- ✓ Sales of the online delivery system for TV commercials\*5 remained strong due to expansion in market needs.
- ✓ Sales of video and image processing LSI were strong in both the domestic and international markets.
- ✓ Sales of systems for broadcasting stations were slow compared to FYE March 2020, mainly due to a slump in demand.

\* 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) in FYE March, 2020 and FYE March, 2021 due to the reclassification of the subsidiary into the Imaging Systems & Solutions segment.

# Consolidated Forecasts for FYE March 31, 2022

- We expect the Omicron variant and other factors to have an impact on financial results and have therefore left the forecasts unchanged at present.

| (Million Yen)                                      | FYE Mar. 2021  | FYE Mar. 2022                           |         |         |
|--|----------------|---|---------|---------|
|  | Actual         | Forecast disclosed on December 24, 2021 | YoY     | % YoY   |
| Net sales  | <b>86,727</b>  | <b>77,000</b>                           | (9,727) | (11.2%) |
| Operating income (loss)                            | <b>(1,084)</b> | <b>2,000</b>                            | 3,084   | —       |
| (Operating margin)                                 | (%)            | <b>(2.6%)</b>                           | —       | —       |
| Ordinary income (loss)                             | <b>(1,343)</b> | <b>2,500</b>                            | 3,843   | —       |
| Net income (loss) attributable to owners of parent | <b>3,454</b>   | <b>2,500</b>                            | (954)   | (27.6%) |
| Earnings (loss) per share (Yen)                    | <b>77.89</b>   | <b>56.32</b>                            | (21.57) | (27.6%) |
| OIBDA  | <b>320</b>     | <b>3,610</b>                            | 3,290   | 1,028%  |

# Appendix

# Consolidated Statements of Income



| (Million Yen)                                      | 3Q             | 3Q            |         |         |
|--|----------------|---------------|---------|---------|
|  | FYE Mar. 2021  | FYE Mar. 2022 |         |         |
|  | Actual         | Actual        | YoY     | % YoY   |
| (Million Yen)                                      | <b>58,670</b>  | <b>55,618</b> | (3,052) | (5.2%)  |
| Gross profit                                       | <b>12,932</b>  | <b>16,390</b> | 3,458   | 26.7%   |
| (Gross margin)                                     | 22.0%          | 29.5%         |         |         |
| Operating income (loss)                            | <b>(2,369)</b> | <b>1,938</b>  | 4,308   | —       |
| (Operating margin)                                 | —              | 3.5%          |         |         |
| Ordinary income (loss)                             | <b>(2,729)</b> | <b>2,448</b>  | 5,178   | —       |
| (Ordinary margin)                                  | —              | 4.4%          |         |         |
| Extraordinary income                               | <b>2,216</b>   | <b>858</b>    | (1,357) | (61.3%) |
| Extraordinary losses                               | <b>154</b>     | <b>559</b>    | 405     | 262.1%  |
| Net income (loss) before income tax                | <b>(667)</b>   | <b>2,747</b>  | 3,415   | —       |
| Net profit (loss) attributable to owners of parent | <b>(663)</b>   | <b>2,460</b>  | 3,123   | —       |
| (Reference) OIBDA                                  | <b>(1,564)</b> | <b>3,210</b>  | 4,775   | —       |

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

# Consolidated Balance Sheets

| (Million Yen)                           |  | As of<br>Mar. 31, 2021 | As of<br>Dec. 31, 2021 | YoY           | Main Factors   |  |
|---|--|------------------------|------------------------|---------------|--|--|
| Assets                                  | Current assets                         | 30,440                 | 36,814                 | 6,373         | Cash and deposits: (893)<br>Notes and accounts receivable-trade and contract assets: +875<br>Inventories: +6,221 |  |
|   | Cash and deposits                      | 6,908                  | 6,014                  | (893)         |  |  |
|   | Non-current assets                     | 30,005                 | 32,698                 | 2,692         |  |  |
|   | Goodwill                               | 12,048                 | 12,134                 | 85            | Buildings and structures +2,217<br>Investment securities: (750)<br>Shares of subsidiaries and affiliates: (638)  |  |
| <b>Total Assets</b>                     |  | <b>60,446</b>          | <b>69,512</b>          | 9,066         |  |  |
| Liabilities /<br>Net Assets             | Current liabilities                    | 22,117                 | 28,782                 | 6,664         | Notes and accounts payable-trade: +1,163<br>Accounts payable: +1,648<br>Contract liabilities +5,093              |  |
|   | Short-term loans payable               | 7,402                  | 5,520                  | (1,882)       |  |  |
|   | Non-current liabilities                | 8,495                  | 7,497                  | (998)         |  |  |
|   | Long-term loans payable                | 5,384                  | 4,297                  | (1,087)       |  |  |
|   | <b>Total Liabilities</b>               |                        | <b>30,613</b>          | <b>36,279</b> | 5,666  |  |
|   | Shareholders' equity                   | 27,149                 | 29,691                 | 2,541         | (Reference) Equity capital   |  |
|   | Accumulated other comprehensive income | 301                    | 732                    | 430           | As of March 31, 2021: 27,450 (45.4%)   |  |
|   | Stock acquisition rights               | 11                     | —                      | (11)          | As of December 31, 2021: 30,423 (43.8%)  |  |
|   | Non-controlling interests              | 2,370                  | 2,809                  | 438           |  |  |
|   | <b>Total Net Assets</b>                |                        | <b>29,832</b>          | <b>33,232</b> | 3,399  |  |
| <b>Total Liabilities and Net Assets</b> |  | <b>60,446</b>          | <b>69,512</b>          | 9,066         |  |  |
| <b>Net cash</b>                         |  | <b>(5,878)</b>         | <b>(3,803)</b>         | 2,075         | (Cash and deposits — long-term and short-term loans payable)   |  |

# Financial Results by Segment

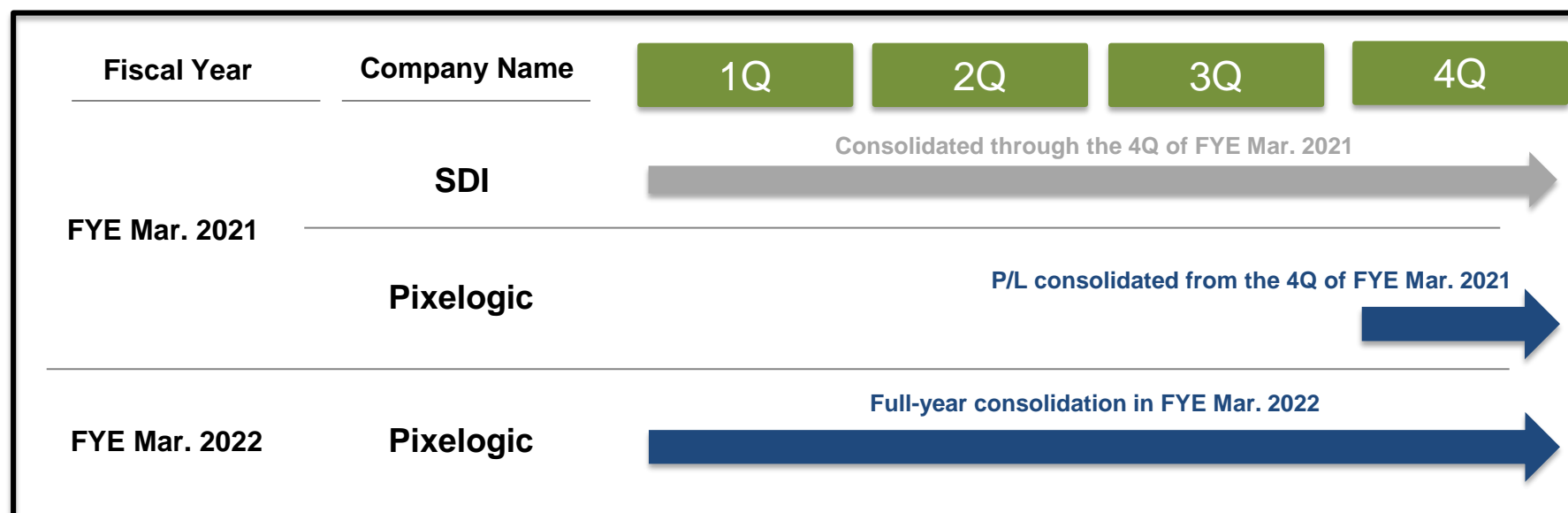
| (Million Yen)               |                         | 3Q             | 3Q            |         |         |
|-----------------------------|-------------------------|----------------|---------------|---------|---------|
|                             |                         | FYE Mar. 2021  | FYE Mar. 2022 |         |         |
|                             |                         | Actual         | Actual        | YoY     | % YoY   |
| Content Creation            | Net sales               | <b>13,888</b>  | <b>15,284</b> | 1,395   | 10.0%   |
|                             | Operating income (loss) | <b>(562)</b>   | <b>177</b>    | 740     | —       |
|                             | (Operating margin)      | —              | 1.2%          |         |         |
|                             | OIBDA                   | <b>(562)</b>   | <b>181</b>    | 743     | —       |
| Production Services         | Net sales               | <b>31,784</b>  | <b>29,766</b> | (2,007) | (6.3%)  |
|                             | Operating income (loss) | <b>(2,340)</b> | <b>1,116</b>  | 3,457   | —       |
|                             | (Operating margin)      | —              | 3.8%          |         |         |
|                             | OIBDA                   | <b>(1,535)</b> | <b>2,358</b>  | 3,894   | —       |
| Imaging Systems & Solutions | Net sales               | <b>13,962</b>  | <b>11,782</b> | (2,180) | (15.6%) |
|                             | Operating income        | <b>874</b>     | <b>1,023</b>  | 148     | 17.0%   |
|                             | (Operating margin)      | 6.3%           | 8.7%          |         |         |
|                             | OIBDA                   | <b>874</b>     | <b>1,050</b>  | 175     | 20.1%   |
| Others                      | Net sales               | (965)          | (1,225)       | (259)   | —       |
|                             | Operating loss          | (340)          | (379)         | (38)    | —       |
| Consolidated total          | Net sales               | <b>58,670</b>  | <b>55,618</b> | (3,052) | (5.2%)  |
|                             | Operating income (loss) | <b>(2,369)</b> | <b>1,938</b>  | 4,308   | —       |
|                             | (Operating margin)      | —              | 3.5%          |         |         |
|                             | OIBDA                   | <b>(1,564)</b> | <b>3,210</b>  | 4,775   | —       |

\* The figures for Production Services, Imaging Systems and Solutions, and Others have changed due to reclassification of subsidiaries into different segments in the 3Q of FYE March 2021.

## (Reference)

# Change in Overseas Subsidiaries in Production Services

- ✓ The P/L of Pixelogic, which provides E2E service\*1, 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 3Q of FYE March 2022 therefore reflects the results for January 1 through September 31, 2021.

# (Reference)

## Disclosure of OIBDA

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

| (単位：百万円)         | FYE Mar.2022<br>3 Q | FYE Mar.2022<br>Full year | Mew Mid-Term Plan<br>“G-EST2025” |
|------------------|---------------------|---------------------------|----------------------------------|
|                  | Actual              | Plan                      | Goal                             |
| Net sales        | <b>55,618</b>       | <b>75,000</b>             | <b>100,000</b>                   |
| Operating income | <b>1,938</b>        | <b>2,000</b>              |                                  |
| OIBDA            | <b>3,210</b>        | <b>3,610</b>              | <b>8,000</b>                     |

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



# (Reference) Request for Prime Market Selection

- We have requested Prime Market selection and have submitted a written plan for meeting the continued listing requirements.
- Listing Requirement Fulfillment Status

|                           | Prime Market Listing Criteria | Fulfillment Status  | IMAGICA GROUP Numbers<br>(Base date: June 30, 2021) |
|---------------------------|-------------------------------|---------------------|---|
| No. of Tradable Shares    | At least 20,000 units         | Met                 | <b>122,002 units</b>                                |
| Tradable Share Market Cap | At least JPY 10 billion       | <u>Will improve</u> | <b>JPY 6.12 billion</b>                             |
| Tradable Share Ratio      | At least 35.0%                | <u>Will improve</u> | <b>27.2%</b>  |
| Ave. Daily Trading Value  | At least JPY 20 million       | Met                 | <b>JPY 41 million</b>                               |

- Basic Policy and Initiatives Aimed at Improvement

## 1. Increase market capitalization

We will strive to achieve the goal of being “Group with a balanced, highly profitable structure that is resilient even under adverse circumstances” stated in Mid-Term Plan “G-EST 2025,” and will continually work to increase market capitalization by strengthening IR activities and promoting dialog with shareholders and investors in other ways.

## 2. Increase tradable share ratio

We will engage in dialog with major shareholders and corporate shareholders on increasing the tradable share ratio and will implement other measures that will contribute to increasing liquidity.

- \*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).

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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.