

**Consolidated Financial Highlights for
the First Quarter of the fiscal year ending
March 31, 2023
Supplemental Materials**

IMAGICA GROUP Inc.

Code: 6879

August 2, 2022



1

Company-wide operating income before amortization of goodwill was approximately ¥700 million, an increase of ¥500 million yen from the previous year.

2

Production services increased ¥500 million from the previous year, driven by overseas demand.

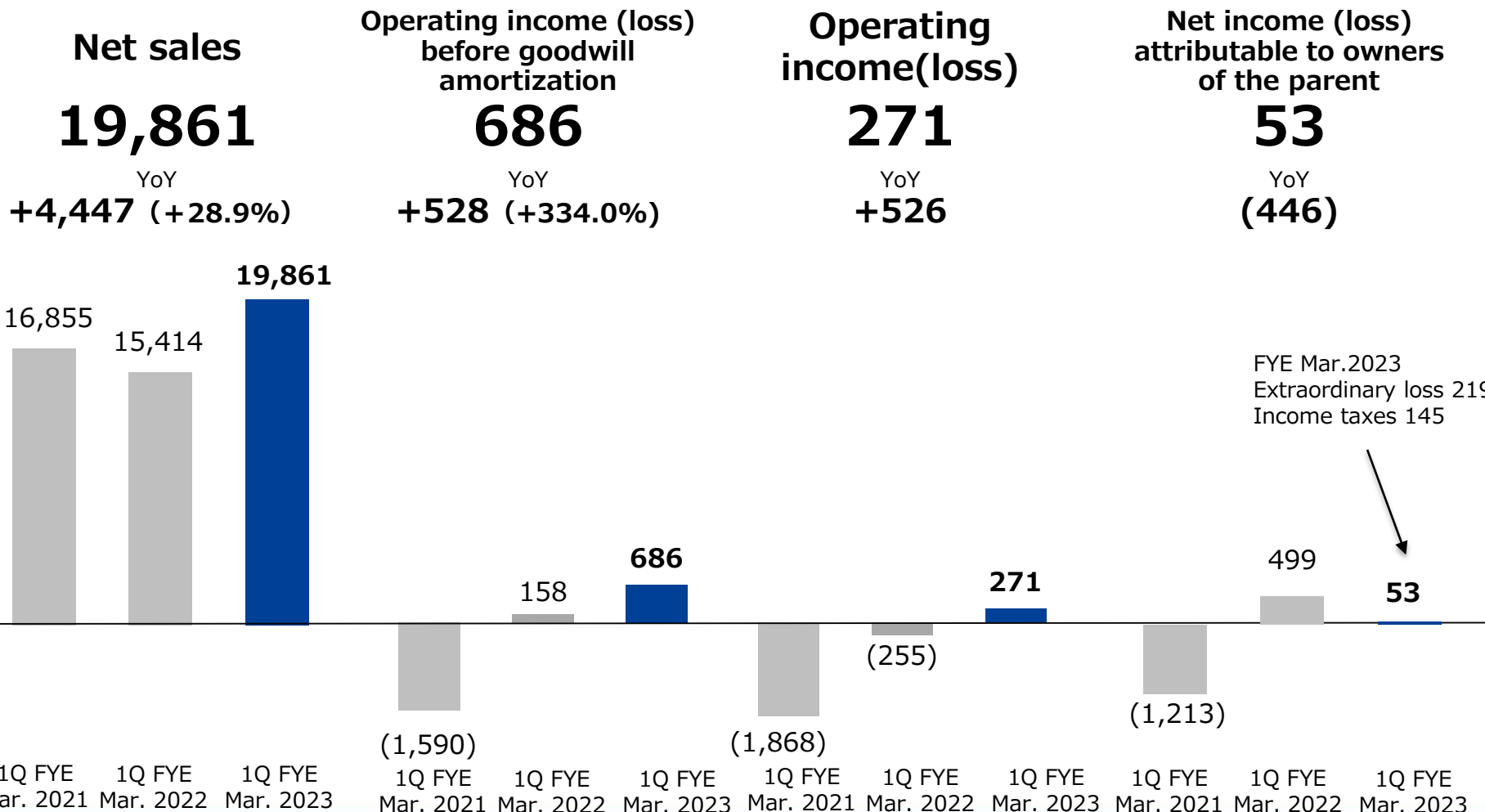
3

Net income declined ¥400 million due to extraordinary losses and an increase in income taxes attributable to deferred tax assets.

Highlights of Financial Results for the First Quarter

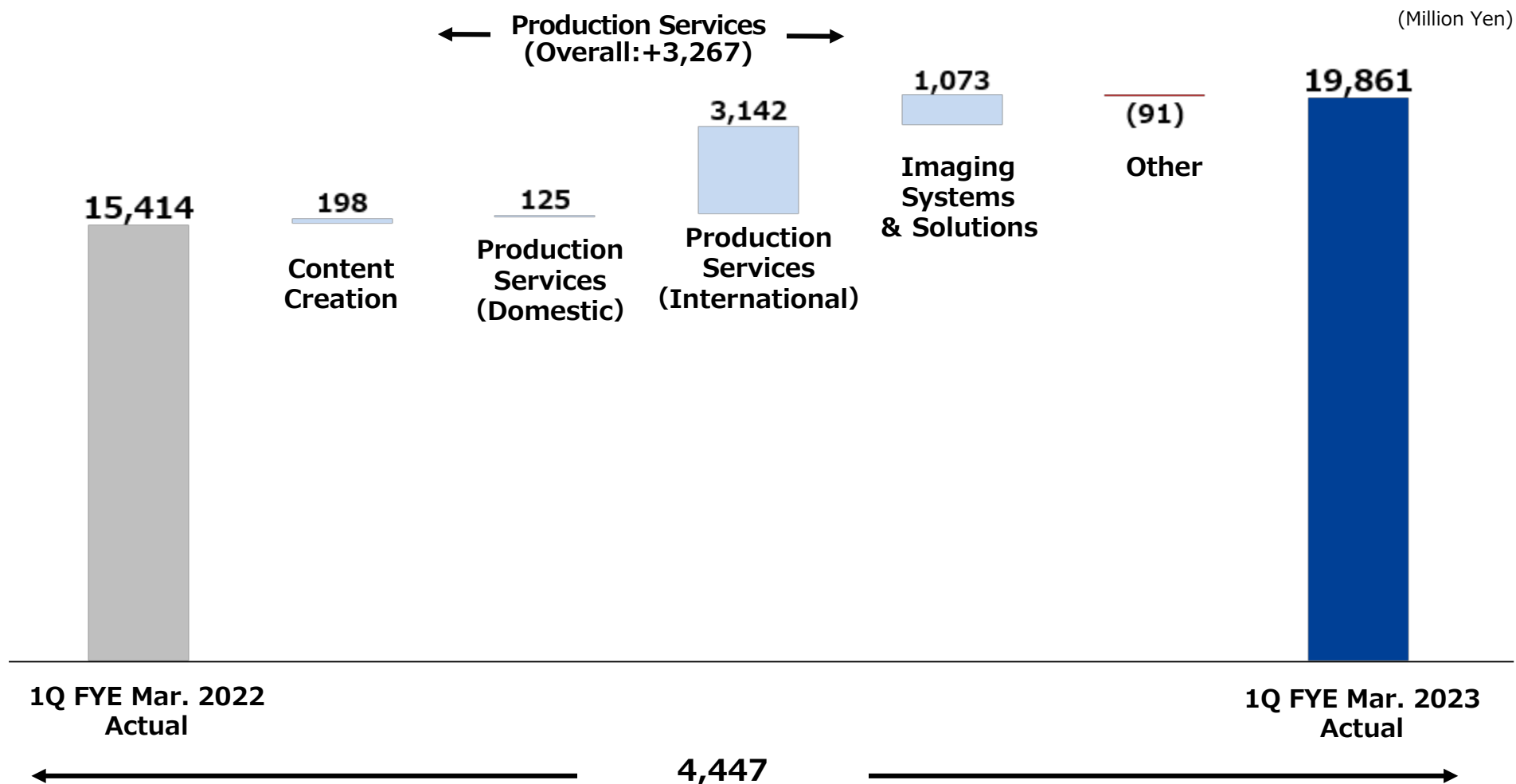
- The company secured a significant increase in both sales and profits. Net income decreased due to extraordinary losses and higher income taxes.

(Million Yen)



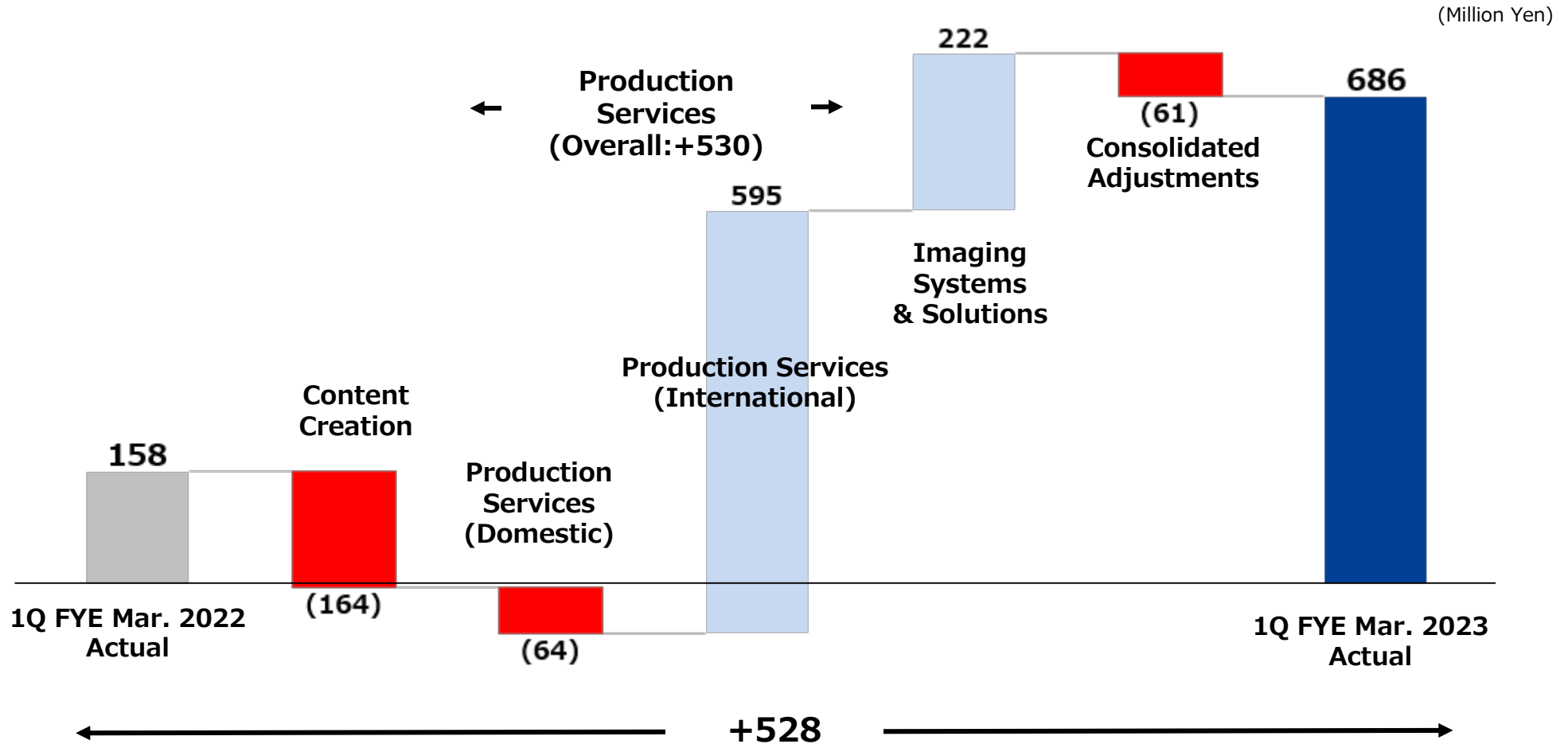
Contributing Factors to Increases (Decreases) in Net Sales (vs 1Q FYE Mar 2022)

- All segments increased revenues, especially production services (International) which increased by ¥3.1 billion.



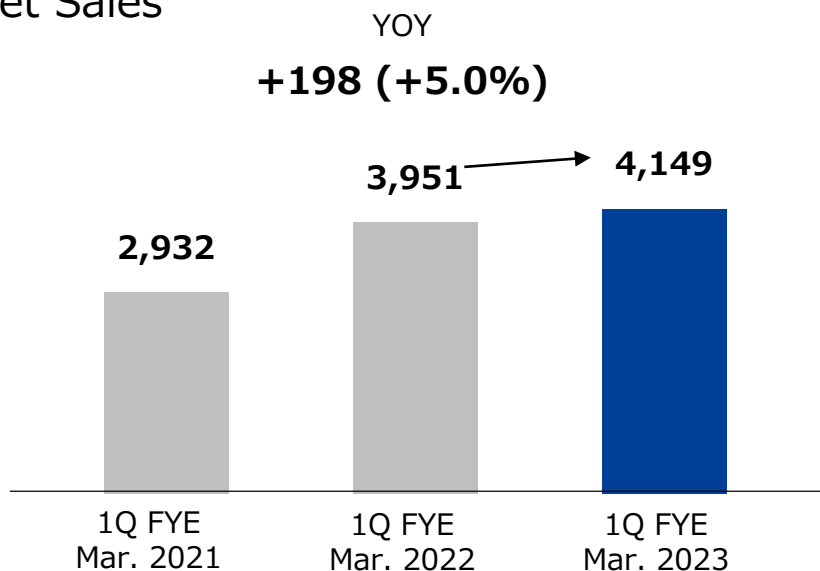
Contributing Factors to Increases (Decreases) in Operating Income before Goodwill Amortization (vs 1Q FYE Mar 2022)

- Production services increased ¥500 million yen, Imaging Systems & Solutions ¥200 million yen, and consolidated profits ¥500 million yen



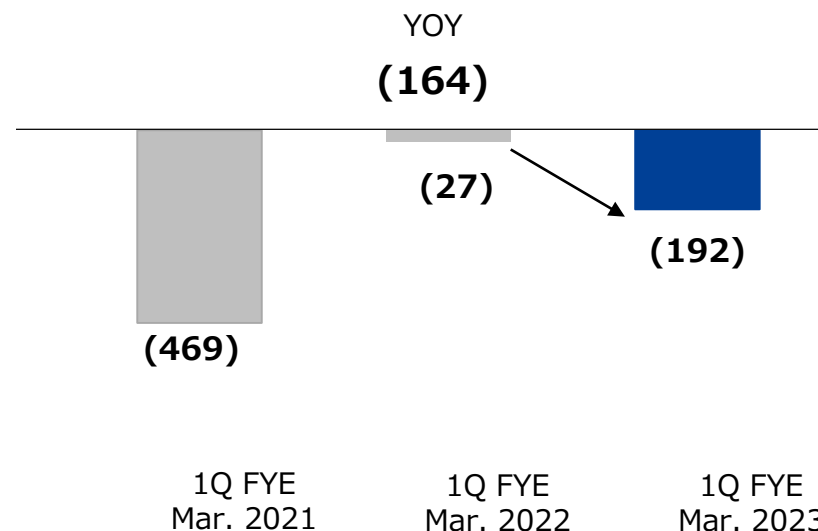
• Despite strength in feature films and drama productions, income declined due to postponement of animation productions and a reactionary downturn in young-adult fiction productions

Net Sales



Operating income before goodwill amortization

(Million Yen)



- ✓ Sales and profits of animation productions decreased due to postponement of delivery of some productions to the second quarter or later.
- ✓ Sales and income declined in the publishing business due to the release of popular new young-adult fiction in the previous first quarter.
- ✓ In the live entertainment business, VR platform development cooperation work and imaging direction orders did well.

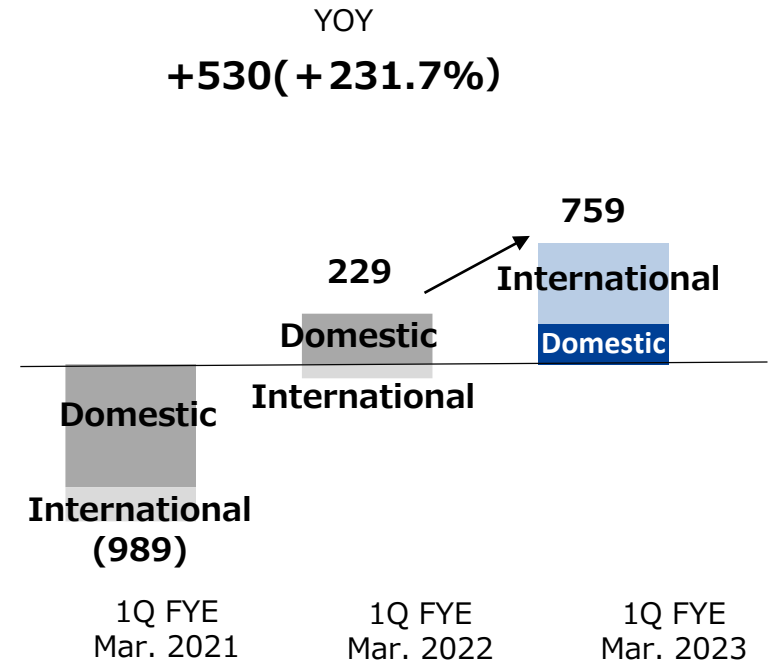
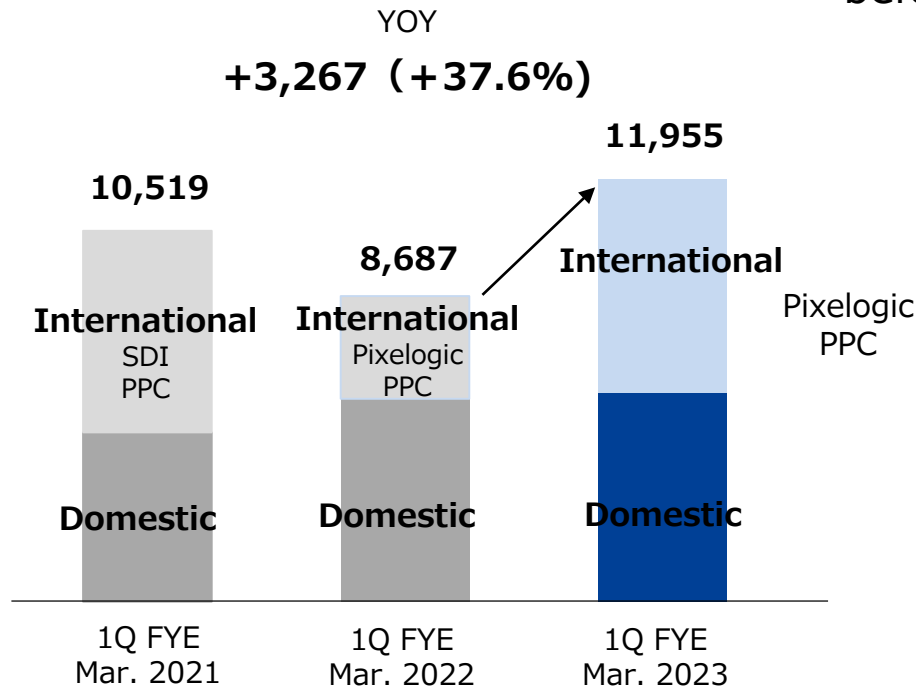
Production Services

- Significant increase in revenue and profit thanks to continued strength of Global E2E services *1

Net sales

Operating income
before goodwill amortization

(Million Yen)



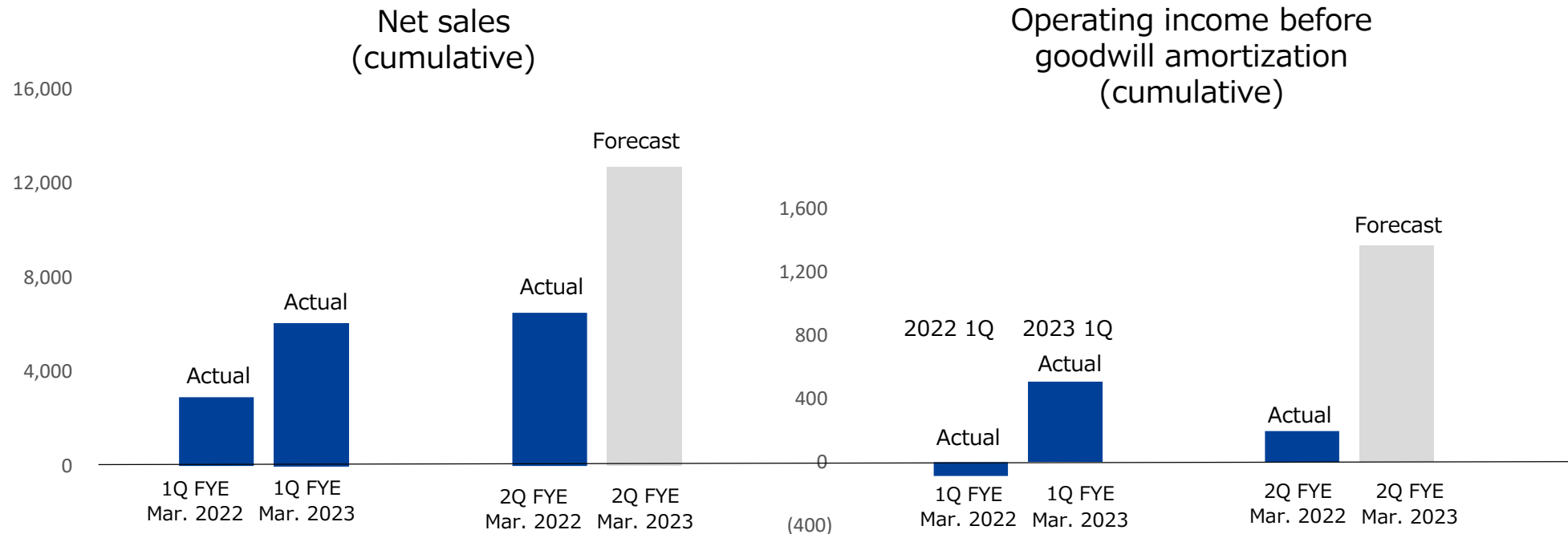
- ✓ In Japan, digital cinema services*2 and post-production services were strong due to an increase in the number of feature films, but profit decreased due to an increase in fixed costs accompanying the relocation of bases.
- ✓ Overseas sales and profits increased significantly due to continued strong demand for localization by video streaming service providers*3.

Production Services (International) Quarterly Results (cumulative) and Forecasts



- Services for video streaming service providers continued strongly and the second quarter is also expected to be solid

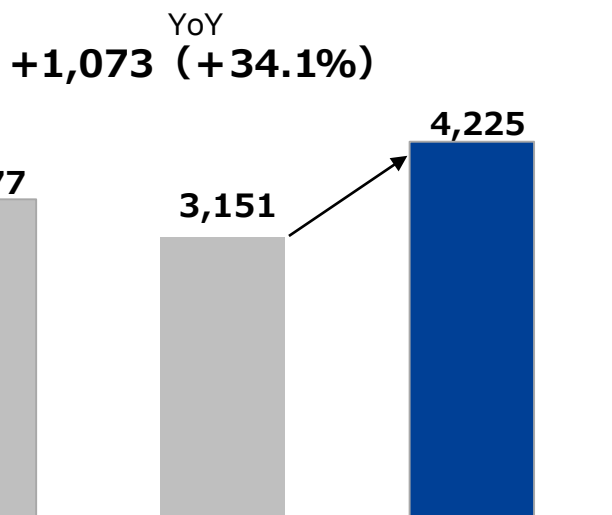
(Million Yen)



- ✓ Services for video streaming service providers are expected to be strong in the second quarter too.
- ✓ Digital cinema services are expected to remain strong as theater releases in the U.S. and Europe return to normal.

- Imaging systems for broadcasting stations and video and image processing LSI started well and posted increased sales and profits

Net sales

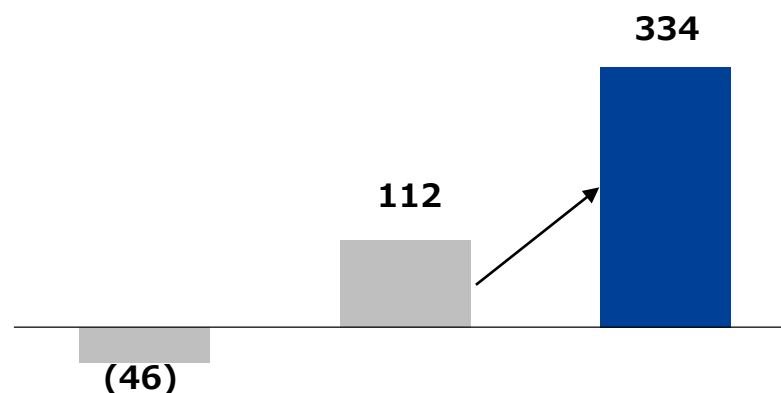


1Q FYE Mar.2021 1Q FYE Mar.2022 1Q FYE Mar.2023

Operating income before goodwill amortization

(Million Yen)

YoY
+222 (+197.6%)



1Q FYE Mar.2021 1Q FYE Mar.2022 1Q FYE Mar.2023

- ✓ Imaging systems for broadcasting stations, sales and income increased due to the orders for large projects.
- ✓ Orders for high-speed cameras were solid, with sales and profits increasing.
- ✓ Video and image processing LSI had strong sales in Japan and in Asia.

FYE Mar.2023: Full-year forecasts

- Despite strong performance in production services (International), Full-year forecast will not be revised at this time because of concerns about the impact of the shortage of semiconductors on Imaging Systems & Solutions business.

(Million yen)	FYE Mar.2022	FYE Mar.2023		
	Actual	Financial forecast	YoY change	YoY change
Net sales	80,184	88,000	7,816	9.7%
Operating income before goodwill amortization	5,131	5,200	69	1.3%
(Profit margin)	6.4%	5.9%		
Operating income	3,417	3,600	183	5.3%
(Profit margin)	4.3%	4.1%		
Ordinary income	3,934	3,300	(634)	(16.1%)
Net income attributable to parent company shareholders	2,729	2,100	(629)	(23.0%)
Net income per share (yen)	61.49	47.30	(14.19)	(23.0%)

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 while increasing their level.

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.

Based on the above policy, the dividend forecast for FYE Mar.2023 is 15 yen.

	Net income attributable to parent company Net income	Per share Net income attributable to parent company Net income	Dividend forecast	Dividend payout ratio
Expected for FYE Mar.2023	2,100 mn yen	47.30 yen	15.0 yen	31.7%

Appendix.

Reference: Progress of the G-EST2025 Mid-Term Plan

- In the first quarter of 2023, the four key strategies started well

Net Sales
(Billion Yen)



Global E2E services (Net sales 7.7billion yen)

- ✓ Services for video streaming service providers continued their strong performance, both in Japan and overseas, with a significant 70% increase in revenues compared to the same quarter in the previous year.

Live Entertainment Business (Net sales 0.8billion yen)

- ✓ Orders for development cooperation for the NeoMe virtual live platform provided by PIA Corporation and for imaging direction have been strong.

Imaging Systems & Solutions Business (Net sales 3.8billion yen)

- ✓ Sales and income increased thanks to the contribution of large orders for imaging systems for broadcasting stations.
- ✓ Orders for high-speed cameras remained steady.

Transformation Business (Net sales 8billion yen)

- ✓ Despite the postponement of animation productions to the second quarter, post-production for feature films and drama productions, TV programs, and TV commercials did well.

Global E2E services



Domestic and international E2E services

Live Entertainment Business



Live music performances, music video productions, online live performances, metaverse business, etc.

Imaging Systems & Solutions Business



Imaging systems & solutions business excluding IMAGICA LIVE.

Transformation Business



- Production of feature films, dramas, and animation.
- Advertisement production
- Post-production services for TV programs and TV commercials
- Game production and personnel services

Consolidated Income Statements

(Million Yen)	1Q FYE Mar. 2022	1Q FYE Mar. 2023		
	Actual	Actual	YoY	%YoY
Net sales	15,414	19,861	4,447	28.9%
Gross profit	4,386	5,494	1,108	25.3%
(Gross margin)	28.5%	27.7%		
Operating loss	(255)	271	527	—
(Operating margin)	—	1.4%		
Ordinary loss	(285)	306	591	—
(Ordinary margin)	—	1.5%		
Extraordinary income	358	141	(217)	(60.5%)
Extraordinary losses	4	219	215	5245.1%
Net income (loss) before income tax	69	228	158	228.7%
Net profit (loss) attributable to owners of parent	499	53	(446)	(89.3%)
(Reference) Operating income (loss) before goodwill amortization	158	686	528	334.0%

Operating income before goodwill amortization = operating income + goodwill amortization + amortization of intangible fixed assets including trademarks

Consolidated Balance Sheets

(Million Yen)		As of Mar.31,2022	As of June.30,2022	YoY
Assets	Current assets	41,066	41,007	(59)
	Cash and deposits	6,420	5,487	(933)
	Non-current assets	32,317	36,824	4,507
	Goodwill	11,482	11,844	361
	Total Assets	73,384	77,832	4,447
Liabilities	Current liabilities	32,278	33,364	1,085
	Short-term loans payable	4,170	4,308	137
	Non-current liabilities	7,079	10,307	3,227
	Long-term loans payable	4,019	3,806	(213)
	Total Liabilities	39,358	43,671	4,312
Net Assets	Shareholders' equity	29,963	29,349	(614)
	Accumulated other comprehensive income	1,185	1,840	655
	Stock acquisition rights	—	—	—
	Non-controlling interests	2,876	2,970	94
	Total Net Assets	34,025	34,160	135
	Total Liabilities and Net Assets	73,384	77,832	4,447
	Net Cash	(1,769)	(2,627)	(857)

Net Cash : (Cash and deposits – long-term and short-term loans payable)

Financial Results by Segment

(Million Yen)		1Q FYF Mar.2022	1Q FYF Mar.2023		
		Actual	Actual	YoY	%YoY
Content Creation	Net sales	3,951	4,149	198	5.0%
	Operating loss (Operating margin)	(28) —	(193) —	(164)	—
	Operating loss before goodwill amortizations	(27)	(192)	(164)	—
Production Services	Net sales	8,687	11,955	3,267	37.6%
	Operating income (loss) (Operating margin)	(174) —	355 3.0%	530	—
	Operating income before goodwill amortization	229	759	530	231.7%
Imaging Systems & Solutions	Net sales	3,151	4,225	1,073	34.1%
	Operating income (Operating margin)	103 3.3%	325 7.7%	222	214.6%
	Operating income before goodwill amortization	112	334	222	197.6%
Others	Net sales	(376)	(468)	(92)	—
	Operating loss	(155)	(215)	(59)	—
Consolidated total	Net sales	15,414	19,861	4,447	28.9%
	Operating income (loss)	(255)	271	527	—
	Operating income before goodwill amortization	158	686	528	334.0%

- *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 Digital cinema services
Refers to services for DCP (Digital Cinema Package) production and DCP delivery for digital showing in movie theaters, KDM distribution, and other services (KDM: An abbreviation of Key Delivery Message, the key for unlocking DCP encryption).

- *3 Video streaming service providers
Refers to companies that provide video streaming services on a platform through the Internet.

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