

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

IMAGICA GROUP Inc.

Code: 6879

November 2, 2022



1

Company-wide operating income before goodwill amortization was approximately 2.2 billion yen, an increase of 1.0 billion yen from the previous year.

2

Production Services continues to be driven by overseas demand, with profit increasing by 1.0 billion yen from the previous year.

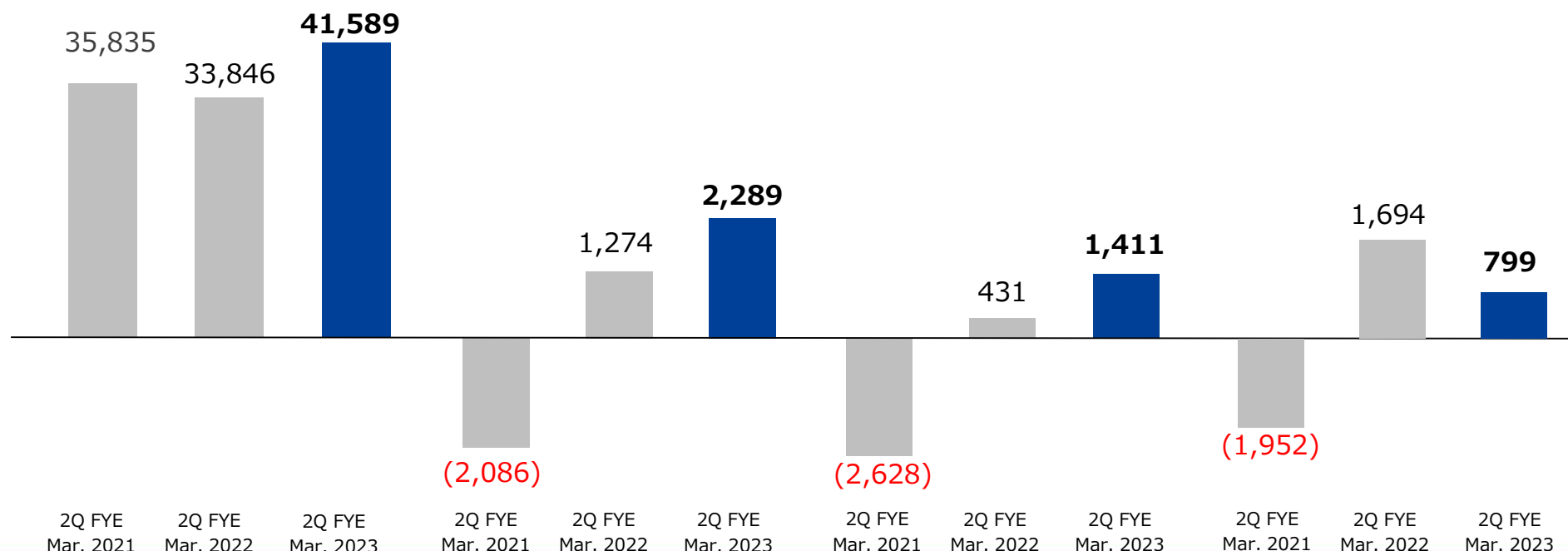
3

Net income decreased by 800 million yen from the previous year due to the absence of extraordinary gains recorded in the previous year and an increase in income taxes, etc.

Highlights of Financial Results for the First Half

- The company secured a significant increase in both sales and profits. Net income declined from the previous year due to the absence of extraordinary gains recorded in the previous year and an increase in income taxes, etc. (Million Yen)

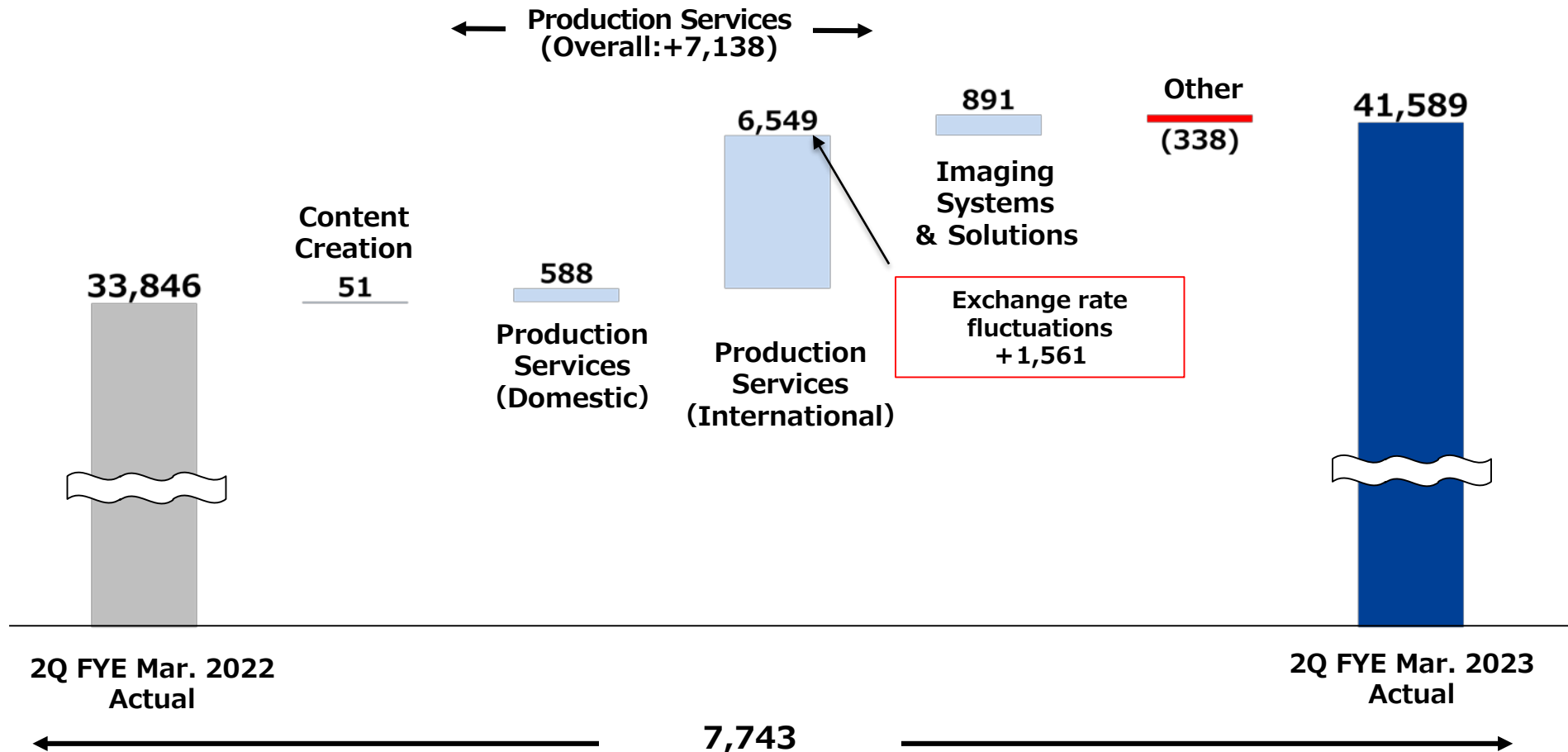
Net sales	Operating income (loss) before goodwill amortization	Operating income(loss)	Net income (loss) attributable to owners of the parent
41,589	2,289	1,411	799
YoY +7,743 (+22.9%)	YoY +1,015 (+79.7%)	YoY +980 (+227.0%)	YoY (895)



Analysis of increase/Decrease in Net Sales (YoY)

- Sales increased in all segments, especially Production Services (International), in which sales increased by 6.5 billion yen.

(Million Yen)

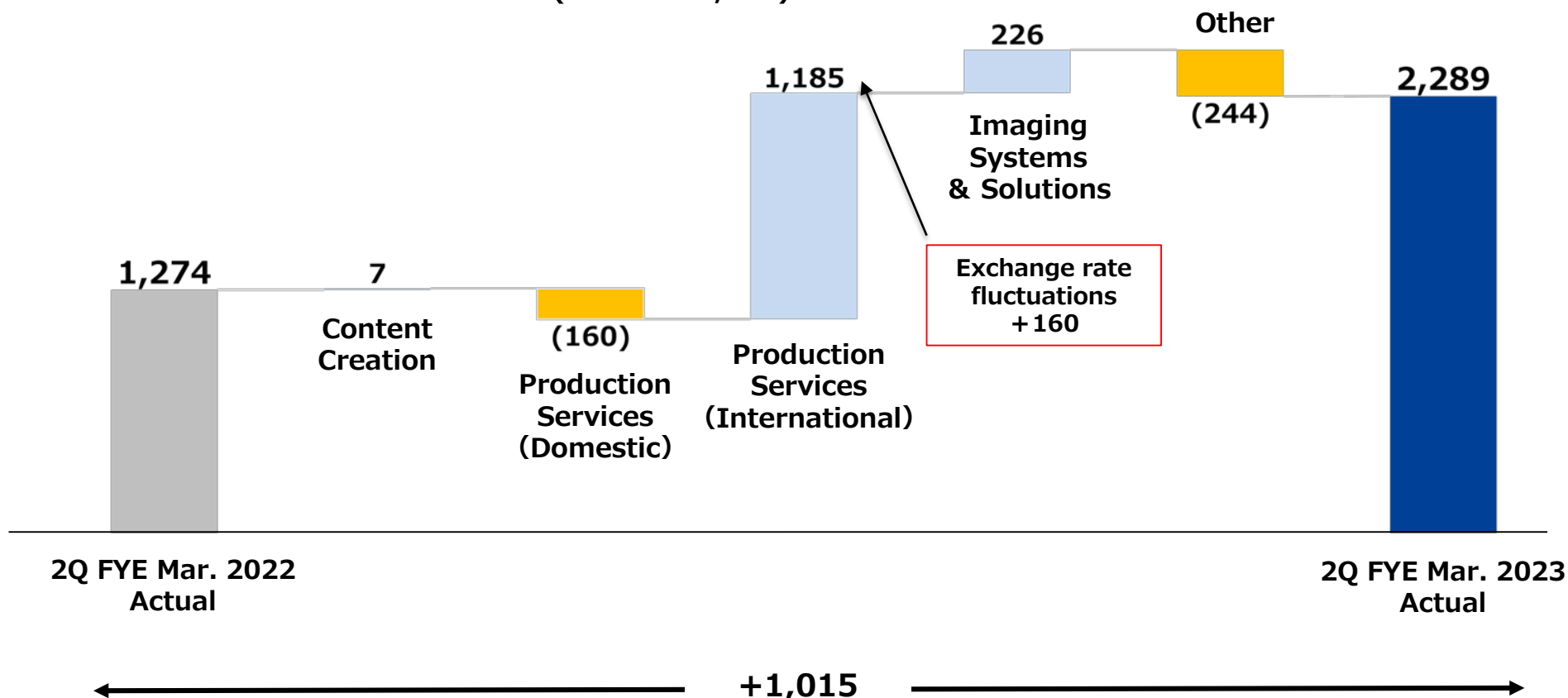


Analysis of Increase/Decrease in Operating Income before goodwill amortization (YoY)

- Profit increased by 1.0 billion yen in Production Services and 200 million in Imaging Systems & Solutions. On a consolidated basis, profit increased by 1.0 billion yen.

(Million Yen)

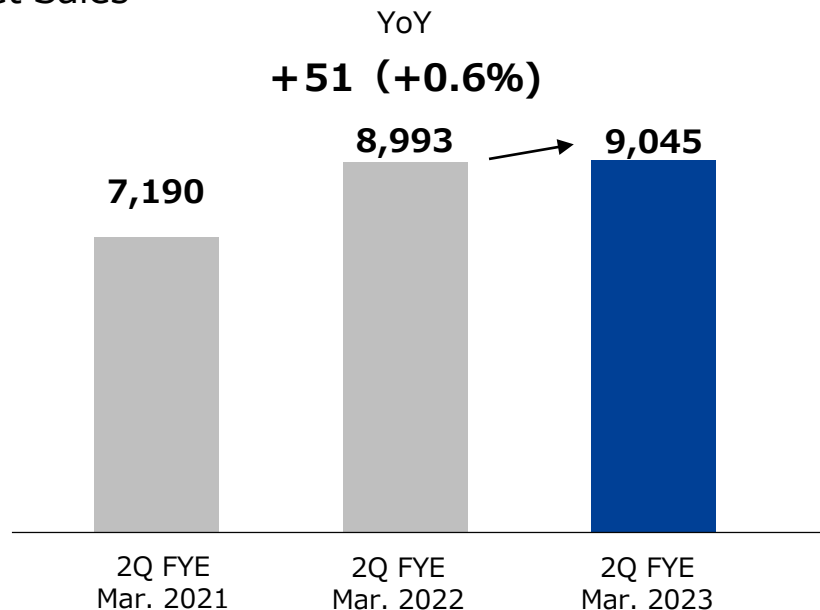
← Production Services (Overall: +7,138) →



Content Creation (First Half)

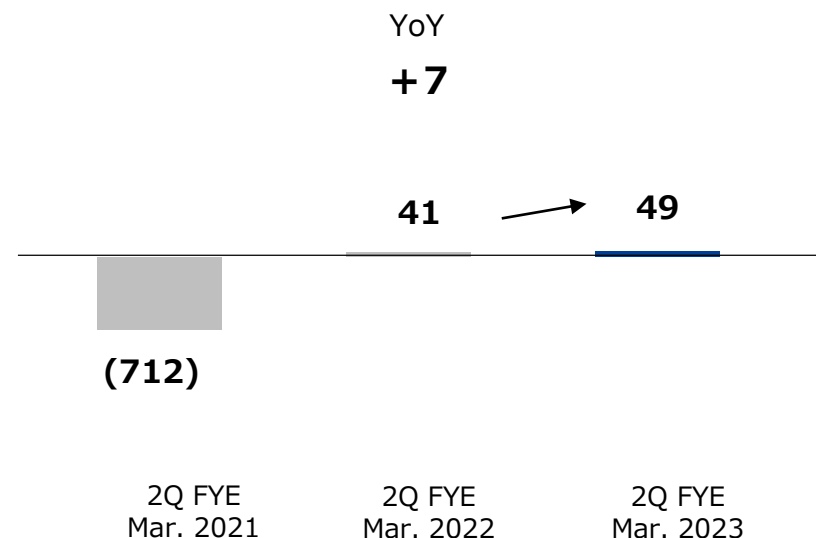
- Net sales were strong for production of feature films, dramas, and TV commercials, while the gross margin rate improved for animation works.

Net Sales



Operating income before goodwill amortization

(Million Yen)

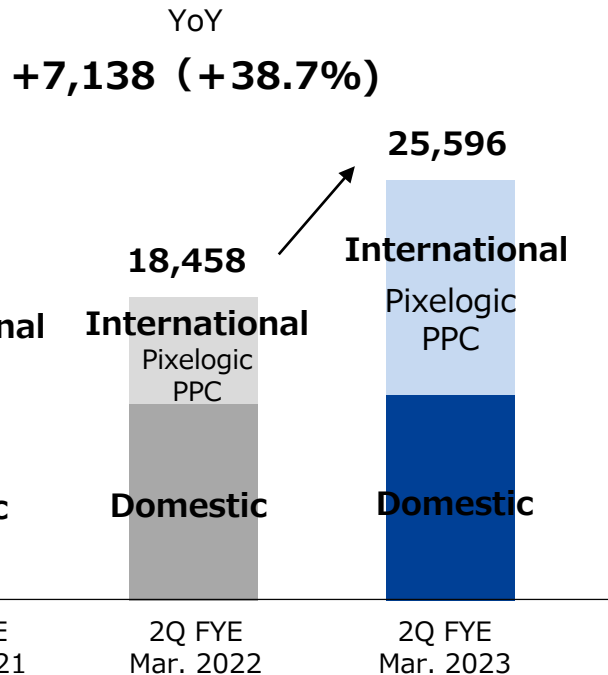


- ✓ Net sales of feature films and dramas were strong, despite the postponement of the delivery of some productions to the third quarter or later.
- ✓ In animation productions, the gross margin ratio improved through strict management of per-production earnings and the streamlining of production.

Production Services (First Half)

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

Net sales

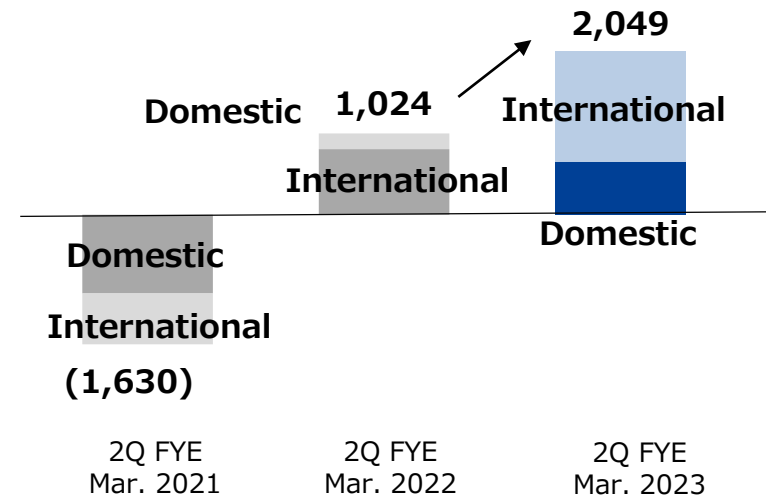


Operating income before goodwill amortization

(Million Yen)

(Numbers show the sum of domestic plus international.)

YoY
+1,025(+100.1%)



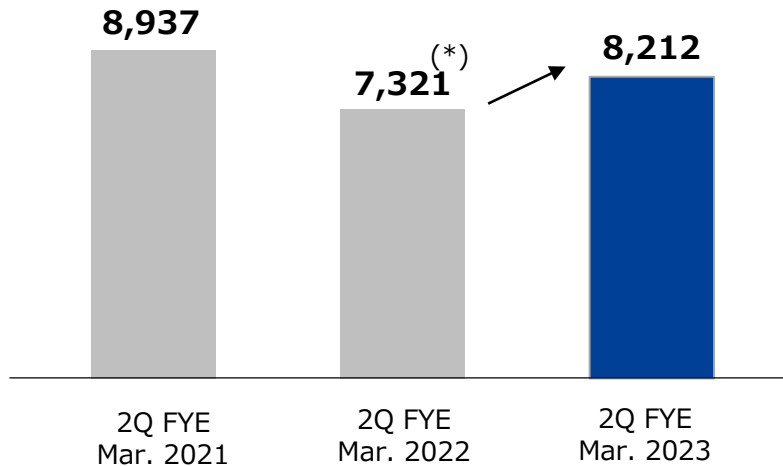
- ✓ In the domestic market, digital cinema services*² and post-production services were strong. However, profit declined due to an increase in fixed costs associated with site relocation.
- ✓ In the international market, sales and profit increased significantly due to strong demand for localization for video streaming service providers*³.

Imaging Systems & Solutions (First Half)

• Broadcast Imaging Systems & Solutions, Image Processing LSI, and optical measurement remained strong.

Net sales

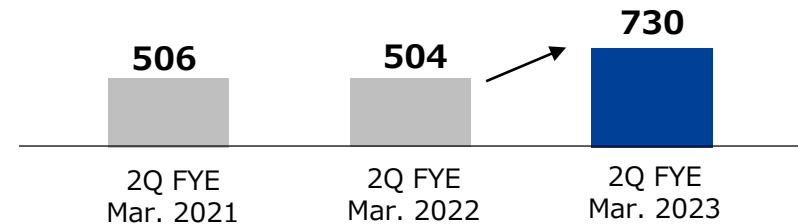
YoY
+891 (+12.1%)



Operating income before goodwill amortization

(Million Yen)

YoY
+226 (+44.8%)



- ✓ Image Processing LSI sales remained strong in Japan and Asia.
- ✓ In optical measurement, orders remained solid in line with a recovery in capital investment.
- ✓ Orders for high-speed cameras were strong, but net sales were flat YoY due to the shortage of semiconductors.

*Impact of change in accounting standards: Impact of mobile communication line sales being booked as net figure

FYE Mar.2023: Full-year forecasts

•The impact of the semiconductor shortage is still unclear, and there was a special demand in the second half of the previous year, so the full-year forecast remains unchanged.

(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.

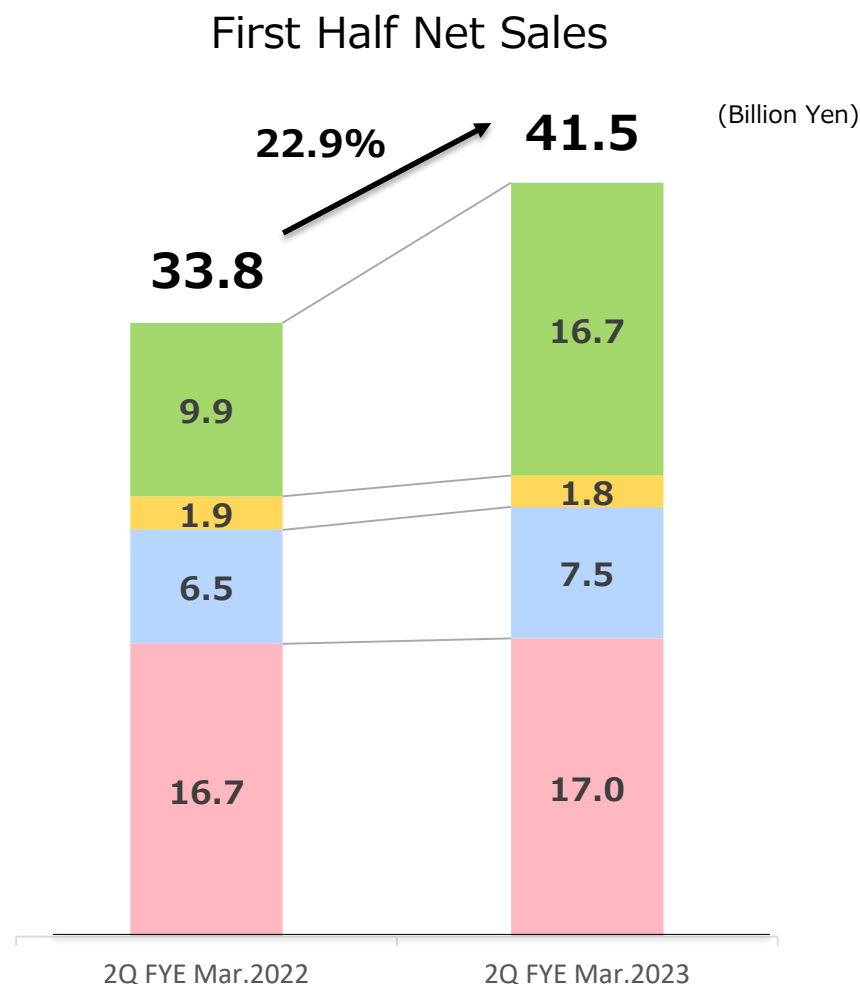
If any special factor, such as an extraordinary gain or loss, significantly impacts the net income of a given fiscal year, our general policy is to take the special factor into consideration in determining dividends, after consideration of all aspects, including provision of stable dividends to shareholders,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

- Global E2E business saw a significant increase in sales, while other businesses also progressed as plan.



■ Global E2E services

- ✓ Overseas, recording for video streaming service providers remained strong, with a significant 68.6% increase in sales from the previous year.

■ Live Entertainment Business

- ✓ Sales declined from the level created by event-related special demand in the previous year, but new initiatives aimed at business model creation are underway.

■ Imaging Systems & Solutions Business

- ✓ Despite the impact of the shortage of semiconductors for high-speed cameras, sales progressed favorably and increased overall.

■ Transformation Business

- ✓ Feature film productions and drama productions remained strong. Sales increased for animation productions, with gross margin ratio also improving.

Consolidated Income Statements

(Million Yen)	2Q FYE Mar. 2022	2Q FYE Mar. 2023		
	Actual	Actual	YoY	%YoY
Net sales	33,846	41,589	7,743	22.9%
Gross profit (Gross margin)	9,858 29.1%	12,092 29.1%	2,233	22.7%
Operating income (Operating margin)	431 1.3%	1,411 3.4%	980	227.0%
Ordinary income (Ordinary margin)	999 3.0%	1,336 3.2%	337	33.7%
Extraordinary income	793	318	(475)	(59.9%)
Extraordinary losses	237	234	(2)	(1.1%)
Net income before income tax	1,555	1,420	(135)	(8.7%)
Net profit attributable to owners of parent	1,694	799	(894)	(52.8%)
(Reference) Operating income before goodwill amortization	1,274	2,289	1,015	79.7%

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 Sep.30,2022	YoY	
Assets	Current assets	41,066	44,510	3,443	
	Cash and deposits	6,420	4,752	(1,668)	
	Non-current assets	32,317	39,372	7,055	
	Goodwill	11,482	12,959	1,476	
Total Assets		73,384	83,883	10,499	
Liabilities Net Assets	Current liabilities	32,278	36,815	4,536	
	Short-term loans payable	4,170	5,495	1,324	
	Non-current liabilities	7,079	11,142	4,062	
	Long-term loans payable	4,019	3,683	(336)	
	Total Liabilities		39,358	47,958	8,599
	Shareholders' equity		29,963	30,085	121
	Accumulated other comprehensive income		1,185	3,046	1,861
	Non-controlling interests		2,876	2,792	(83)
Total Net Assets		34,025	35,925	1,899	
Total Liabilities and Net Assets		73,384	83,883	10,499	
Net Cash		(1,769)	(4,426)	(2,656)	

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

Consolidated Statements of Cash Flow

(Unit: million yen)	2Q FYE Mar. 2022	2Q FYE Mar. 2023
Income before income taxes (loss)	1,555	1,420
Depreciation and amortization	939	1,210
Amortization of goodwill	690	729
Increase (Decrease) in provision for bonuses	(88)	(779)
Increase (Decrease) in trade receivables and contract assets	2,938	2,364
Increase (Decrease) in inventory	(4,508)	(5,323)
Decrease (Increase) in notes and accounts payable-trade	600	(2,142)
Increase (Decrease) in contract liabilities	2,626	5,715
Income taxes paid	(90)	(1,320)
Others, net	(1,986)	(661)
Cash flow from operating activities	2,679	1,213
Purchase of property, plant and equipment	(1,373)	(1,354)
Purchase of intangible assets	(402)	(292)
Expenditures due to security and compensation deposits	(526)	(92)
Others, net	1,232	(208)
Net cash used in investing activities	(1,069)	(1,947)
Net increase (decrease) in short-term loans payable	(897)	747
Repayment of long-term loans payable	(1,346)	(667)
Cash dividends paid	–	(665)
Purchase of investments in subsidiaries do not result in change in scope of consolidation	(4)	(442)
Others, net	80	(278)
Cash flow from financing activities	(2,169)	(1,306)
Effect of exchange rate change on cash and cash equivalents	66	372
Increase (Decrease) in cash and cash equivalents	(492)	(1,668)
Increase (Decrease) in cash and cash equivalents resulting from change in scope of consolidation	48	–
Cash and cash equivalents at end of period	6,413	4,750

Financial Results by Segment

(Million Yen)		2Q FYE Mar. 2022	2Q FYE Mar. 2023		
		Actual	Actual	YoY	%YoY
Content Creation	Net sales	8,993	9,045	51	0.6%
	Operating income	39	46	7	19.0%
	(Operating margin)	0.4%	0.5%		
	Operating income before goodwill amortization	41	49	7	17.9%
Production Services	Net sales	18,458	25,596	7,138	38.7%
	Operating income	202	1,192	990	489.7%
	(Operating margin)	1.1%	4.7%		
	Operating income before goodwill amortization	1,024	2,049	1,025	100.1%
Imaging Systems & Solutions	Net sales	7,321	8,212	891	12.2%
	Operating income	486	712	226	46.6%
	(Operating margin)	6.6%	8.7%		
	Operating income before goodwill amortization	504	730	226	44.9%
Others	Net sales	(926)	(1,265)	(338)	—
	Operating loss	(296)	(540)	(244)	—
Consolidated total	Net sales	33,846	41,589	7,743	22.9%
	Operating income before goodwill amortization	431	1,411	980	227.0%
	Operating income before goodwill amortization	1,274	2,289	1,015	79.7%

- *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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