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## Consolidated financial results (Japanese Accounting Standards) for the First Quarter of the fiscal year ending March 31, 2023

Company name: IMAGICA GROUP Inc. Filing date: August 2, 2022  
 Securities code: 6879 Stock exchange listing: Tokyo Prime  
 Representative: Nobuo Fuse, Representative Director, President URL: <https://www.imagicagroup.co.jp/en/>  
 Inquiries: Masakazu Morita, Director, Senior Managing Executive Officer Tel:+81-3-5777-6295  
 Quarterly report filing date (as planned): August 2, 2022  
 Dividend payment date (as planned): —  
 Supplemental material of quarterly results: Yes  
 Convening briefing of quarterly results: None

(Millions of yen, rounded down)

### 1. Consolidated Financial Results for the First Quarter of the fiscal year ending March 31, 2023 (April 1, 2022 – June 30, 2022)

#### (1) Consolidated Operating Results

(Percentage represents change from the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3 months ended June 30, 2022	19,861	28.9	271	—	306	—	53	(89.3)
3 months ended June 30, 2021	15,414	(8.6)	(255)	—	(285)	—	499	—

(Note) Comprehensive income: 1st quarter ended June 30, 2022: 740 millions of yen / (43.3) %  
 1st quarter ended June 30, 2021: 1,306 millions of yen / — %

	Earnings per share of common stock	Diluted earnings per share of common stock
	Yen	Yen
3 months ended June 30, 2022	1.20	—
3 months ended June 30, 2021	11.25	—

#### (2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	Millions of yen	Millions of yen	%
As of June 30, 2022	77,832	34,160	40.1
As of March 31, 2022	73,384	34,025	42.4

(Reference) Shareholders' equity: As of June 30, 2022: 31,190 millions of yen  
 As of March 31, 2022: 31,149 millions of yen

## 2. Dividends

	Dividend per share				
	1st quarter- end	2nd quarter- end	3rd quarter- end	Year-end	Annual
	yen	yen	yen	yen	yen
Year ended March 31,2022	—	0.00	—	15.00	15.00
Year ending March 31,2023	—				
Year ending March 31,2023 (Forecast)		0.00	—	15.00	15.00

(Note) Changes in dividends forecast from the latest disclosed information: None

## 3. Consolidated forecast for the fiscal year ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(Percentage represents change from the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Earnings per share of common stock
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Fiscal year ending March 31, 2023	88,000	9.7	3,600	5.3	3,300	(16.1)	2,100	(23.0)	47.30

(Note) Changes in earnings forecast from the latest disclosed information : None

### \*Notes:

(1) Material changes in subsidiaries during this period (changes in scope of consolidations resulting from change in subsidiaries): None

(2) The application of specific accounting of the consolidated quarterly financial statements: Yes

(3) Changes in accounting policies, accounting estimates and retrospective

1) Changes in accounting policies based on revisions of accounting standards: Yes

2) Changes in accounting policies other than ones based on revisions of accounting standards: Yes

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Number of issued and outstanding shares (common stock)

1) Number of issued and outstanding shares at the end of fiscal year (including treasury stock)

As of June 30, 2022	44,741,467 shares	As of March 31, 2022	44,741,467 shares
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2) Number of treasury stock at the end of fiscal year

As of June 30, 2022	345,938 shares	As of March 31, 2022	345,938 shares
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3) Average number of shares

As of June 30, 2022	44,395,529 shares	As of June 30, 2021	44,386,657 shares
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**\*Consolidated quarterly financial results are exempted from quarterly review by a public certified accountant or an auditing firm.**

### (Explanation regarding the appropriate usage of financial forecasts and other special instructions)

Forward-looking statements, such as financial forecasts, presented in this document are based on information available and certain assumptions deemed to be reasonable to the Company at the time of publication, and are not to be read as guarantees of future performance by the Company.

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## 1. Qualitative Information on Results in this Quarter

### (1) Explanation of operating results

#### ① Overview of the first quarter of the consolidated fiscal year ending March 31, 2023

In the imaging-related business, the Group's main business domain, the market environment is undergoing dizzying changes, including rapid technological innovation, the emergence of online live shows and new forms of entertainment utilizing the metaverse due to social changes caused by the COVID-19 pandemic, and fiercer competition among video streaming service providers.

Viewing this environment as an opportunity for growth, the Group has launched its mid-term plan "G-EST 2025." In the fiscal year ending March 31, 2023, the second year of the plan, we plan to "continue to build the foundation for conversion to a high profitability Group" and will maintain our efforts to promote various initiatives based on our four key strategies.

The Group's financial performance for the first quarter of the consolidated fiscal year ending March 31, 2023, resulted in net sales of 19,861 million yen (up 28.9% year over year), operating income of 271 million yen (compared to an operating loss of 255 million yen in the first quarter of the previous fiscal year), and ordinary income of 306 million yen (compared to an ordinary loss of 285 million yen in the first quarter of the previous fiscal year). On the other hand, net income attributable to owners of the parent was 53 million yen (down 89.3% year over year) due to an extraordinary loss of 219 million yen and an increase in income taxes due to deferred tax assets.

#### ② Performance by business segment

Financial results by business segment are as follows.

Effective from the first quarter of the consolidated fiscal year ending March 31, 2023, one consolidated subsidiary (IMAGICA EEX Inc.), which was previously included in "Adjustments," was reclassified to the Content Creation business segment because of an increase in its importance.

Comparisons and analyses for the first quarter of the consolidated fiscal year ending March 31, 2023, are based on the new classification.

##### 1) Content Creation business

For the first quarter of the consolidated fiscal year ending March 31, 2023, the Content Creation business segment saw net sales of 4,149 million yen (up 5.0% year over year) but an operating loss of 193 million yen (compared to an operating loss of 28 million yen in the first quarter of the previous fiscal year).

For feature film productions and TV dramas, business was healthy as there was an increase in the number of delivered products. Orders for TV commercials also remained strong. On the other hand, for anime productions, both net sales and income declined due to the postponement of the delivery of some productions to the second quarter or later. For the publishing business, both net sales and income fell for the first quarter of the current fiscal year as a result of the strong earnings for the first quarter of the previous fiscal year when new young-adult fiction novels were released.

IMAGICA EEX Inc. which is included in the Content Creation business segment from this fiscal year, is engaged in the "live entertainment business," which forms one of the key strategies set forth in the mid-term plan, and orders were firm as a result of cooperation in the development and movie direction of "NeoMe," a virtual live platform provided by PIA Corporation.

These developments resulted in improved net sales and income for the overall Content Creation business segment.

##### 2) Production Services business

For the first quarter of the consolidated fiscal year ending March 31, 2023, the Production Services business saw net sales of 11,955 million yen (up 37.6% year over year), and operating income of 355 million yen (compared to an operating loss of 174 million yen in the first quarter of the previous fiscal year).

For the domestic E2E service\*<sup>1</sup>, post-production service for large feature films and drama series, and feature animation films were firm, and orders for digital cinema services also increased. In addition, through collaboration with Pixelogic Holdings LLC, we continued to win orders from video streaming service providers, resulting in firm sales related to encoding, such as compression and conversion of video files, and localization.

For overseas E2E services, demand for localization for video streaming service providers remained strong, and net sales grew.

As for post-production services for TV programs and TV commercials, etc., sales remained firm as a result of a steady stream of orders.

In game production and personnel services etc. orders for game 3DCG production and debugging, etc., were also strong.

As a result, net sales and income grew for the overall Production Services business.

\*<sup>1</sup>E2E services: End-to-end services. Refers to an integrated end-to-end (E2E) service that covers the entire post-production process for feature films, dramas, animation, and other audio/video content through 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.

\* Overseas E2E services have a settlement date of December 31, so E2E earnings from January 1, 2022, to March 31, 2022, are reflected in the results for the first quarter of the consolidated fiscal year ending March 31, 2023.

### 3) Imaging Systems & Solutions business

For the first quarter of the consolidated fiscal year ending March 31, 2023, the Imaging Systems & Solutions business saw net sales of 4,225 million yen (up 34.1% year over year) and operating income of 325 million yen (up 214.6% year over year).

Orders for high-speed cameras remained steady in Japan and overseas, but the shortage of semiconductors caused delays in some deliveries. On the other hand, broadcasting video systems contributed to an increase in both net sales and income thanks to orders related to large projects. Sales of online delivery of TV commercials remained strong, and sales of video and image processing LSIs continued to be strong in Japan and overseas (especially in Asia).

Therefore, net sales and income rose for the overall Imaging Systems & Solutions business.

## (2) Explanation of financial position

### ① Assets

Current assets decreased 59 million yen (0.1%) from the previous fiscal year to 41,007 million yen.

This was mainly due to decreases in notes and accounts, receivable-trade, contract assets, and cash and deposits even though inventories increased.

Non-current assets increased 4,507 million yen (13.9%) from the previous fiscal year to 36,824 million yen. This was mainly due to an increase in lease assets.

As a result, total assets increased 4,447 million yen (6.1%) from the previous fiscal year to 77,832 million yen.

### ② Liabilities

Current liabilities increased 1,085 million yen (3.4%) from the previous fiscal year to 33,364 million yen. This was mainly due to an increase in contract liabilities even though notes and accounts payable decreased.

Non-current liabilities increased 3,227 million yen (45.6%) from the previous fiscal year to 10,307 million yen. This was mainly due to an increase in other non-current liabilities.

As a result, total liabilities increased 4,312 million yen (11.0%) from the previous fiscal year to 43,671 million yen.

### ③ Net assets

Net assets increased 135 million yen (0.4%) from the previous fiscal year to 34,160 million yen.

This was mainly due to an increase in foreign currency translation adjustment even though retained earnings decreased.

## (3) Explanation of consolidated forecasts and other forward-looking information

There are no revisions to the full-year forecasts for the consolidated fiscal year ending March 31, 2023, from those announced on May 13, 2022.

## 2. Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheets

(Thousands of yen)	March 31, 2022	June 30, 2022
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	6,420,308	5,487,142
Notes and accounts receivable - trade, and contract assets	18,849,395	15,331,717
Inventories	13,613,658	17,168,428
Other	2,223,017	3,059,997
Allowance for doubtful accounts	(39,570)	(40,032)
<b>Total current assets</b>	41,066,808	41,007,253
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	5,448,367	5,396,808
Machinery, equipment and vehicles	832,609	808,174
Land	1,705,807	1,705,807
Lease Assets	303,675	4,183,503
Other	1,878,964	2,022,514
<b>Total Property, plant and equipment</b>	10,169,425	14,116,808
<b>Intangible assets</b>		
Goodwill	11,482,801	11,844,408
Other	2,352,770	2,422,193
<b>Total Intangible assets</b>	13,835,572	14,266,601
<b>Investments and other assets</b>		
Investment securities	2,670,687	2,711,259
Stocks of subsidiaries and affiliates	385,838	512,779
Lease and guarantee deposits	2,066,324	2,027,601
Deferred tax asset	3,051,529	3,074,182
Other	286,596	271,440
Allowance for doubtful accounts	(148,462)	(155,724)
<b>Total Investments and other assets</b>	8,312,513	8,441,540
<b>Total Non-current assets</b>	32,317,511	36,824,950
<b>Total assets</b>	73,384,320	77,832,204

(Thousands of yen)	March 31, 2022	June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable- trade	8,884,981	7,013,739
Short-term loans payable	4,170,485	4,308,115
Accounts payable	1,824,055	1,449,988
Income taxes payable	850,863	135,797
Contract liabilities	8,373,707	11,884,153
Provision for bonuses	1,594,260	699,423
Provision for loss on order received	3,717	6,168
Provision for loss on litigation	584,309	647,606
Asset retirement obligations	41,401	—
Other	5,951,109	7,219,301
Total current liabilities	32,278,892	33,364,294
Non-current liabilities		
Long-term loans payable	4,019,743	3,806,097
Long-term accounts payable-other	208,183	205,948
Deferred tax liabilities	396,815	411,417
Net defined benefit liabilities	1,311,241	1,277,036
Asset retirement obligations	636,938	639,839
Other	507,067	3,966,718
Total non-current liabilities	7,079,990	10,307,058
Total Liabilities	39,358,882	43,671,352
Net assets		
Shareholders' equity		
Capital stock	3,306,002	3,306,002
Capital surplus	13,223,561	13,223,561
Retained earnings	13,785,809	13,171,481
Treasury stock	(351,569)	(351,569)
Total shareholders' equity	29,963,804	29,349,475
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	610,074	612,974
Revaluation reserve for land	(17,933)	(17,933)
Foreign currency translation adjustment	595,800	1,248,601
Re-measurements of defined benefit plans	(2,483)	(2,861)
Total accumulated other comprehensive income	1,185,458	1,840,781
Non-controlling Interests	2,876,174	2,970,595
Total Net assets	34,025,437	34,160,852
Total liabilities and Net assets	73,384,320	77,832,204

## (2) Quarterly Consolidated Statements of Income and Statements of Comprehensive Income

## Quarterly Consolidated Statements of Income

(Thousands of yen)	3 months ended June 30, 2021	3 months ended June 30, 2022
Net sales	15,414,113	19,861,611
Cost of sales	11,028,031	14,366,860
Gross profit	4,386,082	5,494,751
Selling, general and administrative expenses	4,642,006	5,223,393
Operating income (loss)	(255,924)	271,357
Non-operating income		
Interest income	260	278
Dividend income	13,229	16,006
Foreign exchange gains	—	85,038
Other	32,366	55,352
Total non-operating income	45,856	156,675
Non-operating expenses		
Interest expenses	52,165	50,203
Equity in losses of affiliates	208	4,649
Foreign exchange losses	2,767	—
Other	19,976	66,872
Total non-operating expenses	75,117	121,725
Ordinary income (loss)	(285,186)	306,307
Extraordinary income		
Gain on sales of non-current assets	794	2,923
Gain on sale of shares of subsidiaries and associates	357,963	—
Compensation for forced relocation	—	138,685
Total extraordinary income	358,757	141,609
Extraordinary losses		
Loss on retirement of non-current assets	4,039	1,640
Extra retirement payments	—	170,228
Other	68	47,685
Total extraordinary losses	4,107	219,554
Net income before income tax	69,464	228,362
Income taxes	(395,136)	145,385
Net income	464,601	82,976
Net income (loss) attributable to non-controlling interests	(34,651)	29,746
Net income attributable to owners of the parent	499,252	53,230



Quarterly Consolidated Statements of Comprehensive Income

(Thousands of yen)	3 months ended June 30, 2021	3 months ended June 30, 2022
Net income	464,601	82,976
Other comprehensive income		
Valuation difference on available-for-sale securities	75,973	2,900
Foreign currency translation adjustment	765,850	654,645
Re-measurements of defined benefit plans	(167)	(377)
Total other comprehensive income	841,656	657,167
Comprehensive income	1,306,257	740,144
(Breakdown)		
Comprehensive income attributable to owners of parent	1,342,023	677,733
Comprehensive income attributable to non-controlling interests	(35,766)	31,591

(3) Notes related to quarterly consolidated financial statements

(Notes regarding ongoing concern assumption)

No relevant matters to be noted.

(Notes in the event of significant changes in shareholders' equity)

No relevant matters to be noted.

(The application of specific accounting of the consolidated quarterly financial statements)

(Calculation of tax expenses)

Tax expenses are calculated by rationally estimating the effective tax rate after applying tax effect accounting to net income before income tax for the consolidated fiscal year that includes the current first quarter and multiplying net income before income taxes for the quarter by the estimated effective tax rate.

However, if the calculation of tax expenses using this estimated effective tax rate leads to obviously irrational results, the statutory effective tax rate is used after adjusting income/loss before income taxes for material differences that do not fall under temporary differences.

(Changes in accounting policies)

(1) Adoption of FASB Accounting Standards Codification (ASC) No. 842, "Leases"

As of the beginning of the first quarter of the consolidated fiscal year ending March 31, 2023, ASC No. 842, "Leases," was adopted for foreign consolidated subsidiaries that have adopted U.S. GAAP.

In principle, therefore, all leases of lessees are recorded as assets and liabilities. When applying this standard, the Company follows transitional treatment and recognizes the cumulative effect of a change in accounting policy at the date of adoption.

As a result, "Lease assets (net)" under property, plant, and equipment, "Other" under current liabilities, and "Other" under non-current liabilities increased 3,002,985 thousand yen, 384,364 thousand yen, and 2,735,036 thousand yen, respectively, at the beginning of the first quarter of the current fiscal year. The effect on retained earnings at the beginning of the first quarter of the current consolidated fiscal year and the effect on the quarterly consolidated statement of income for the first quarter of the current consolidated fiscal year are immaterial.

(2) Change in method for calculating tax expenses

Previously, with the exception of some consolidated subsidiaries, tax expenses were calculated using the basic method. However, in order to further improve the efficiency of the Company and its consolidated subsidiaries' quarterly accounting operations, effective from the first quarter of the current consolidated fiscal year, the Company has changed the method it uses to calculate tax expenses to rationally estimating the effective tax rate after applying tax effect accounting to net income before income taxes for the consolidated fiscal year and then multiplying the estimated effective tax rate and net income before income taxes for the quarter.

Since the impact of this change is immaterial, it has not been retrospectively applied.

(Segment information and others)

[Segment Information]

I. For the 3 months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

1. Information regarding net sales and profit (loss) by reportable segment

(Thousands of yen)

	Content Creation	Production Services	Imaging Systems & Solutions	Sub total
Net sales				
Sales to external customers	3,921,417	8,443,751	3,044,891	15,410,060
Inter-segment sales or transfers	30,217	244,006	106,164	380,388
Total	3,951,634	8,687,758	3,151,056	15,790,449
Segment Income(loss)	(28,682)	(174,833)	103,511	(100,004)

	Adjustments (Note 1)	Amount in the Quarterly Consolidated Statements of Income (Note 2)
Net sales		
Sales to external customers	4,052	15,414,113
Inter-segment sales or transfers	(380,388)	—
Total	(376,335)	15,414,113
Segment Income(loss)	(155,920)	(255,924)

Notes:

1. The segment income (loss) adjustment of (155,920) thousand yen consists of income/loss related to the Company of 978,807 thousand yen and elimination of inter-segment transactions of (1,134,727) thousand yen.
2. Segment income (loss) is adjusted against operating loss on the quarterly consolidated financial statements.

II. For the 3 months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

1. Information regarding net sales and profit (loss) by reportable segment

(Thousands of yen)

	Content Creation	Production Services	Imaging Systems & Solutions	Sub total
Net sales				
Sales to external customers	4,145,021	11,648,297	4,060,900	19,854,219
Inter-segment sales or transfers	4,672	307,413	164,138	476,224
Total	4,149,693	11,955,710	4,225,039	20,330,443
Segment income (loss)	(193,668)	355,187	325,674	487,192

	Adjustments (Note 1)	Amount in the Quarterly Consolidated Statements of Income (Note 2)
Net sales		
Sales to external customers	7,391	19,861,611
Inter-segment sales or transfers	(476,224)	—
Total	(468,832)	19,861,611
Segment income (loss)	(215,835)	271,357

Notes:

1. Adjustment of segment income (loss) of (215,835) thousand yen consists of income/loss related to the Company of 1,502,576 thousand yen and elimination of inter-segment transactions of (1,718,411) thousand yen.
2. Segment income (loss) is adjusted against operating loss on the quarterly consolidated financial statements.

2. Note concerning changes in reportable segments

Effective from the first quarter of the consolidated fiscal year ending March 31, 2023, one consolidated subsidiary (IMAGICA EEX Inc.), which was previously included in "Adjustments," was reclassified to the Content Creation business segment because of an increase in its importance.

"Information regarding net sales and income (loss) by reportable segment" for the first quarter of the previous fiscal year is presented based on the new classification.