Financial Results Presentation for FY2019 1Q

株式会社IMAGICA GROUP

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Highlight of Financial Results

Net sales increased 2.3 billion yen YoY, and net profit turned into black at 5.8 billion yen.

(Million Yen)

Net sales

21,747

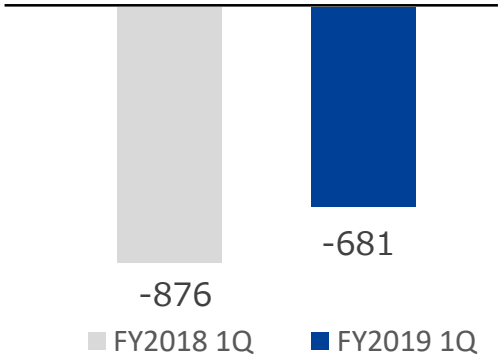
YoY **+2,385**



Operating income

- 681

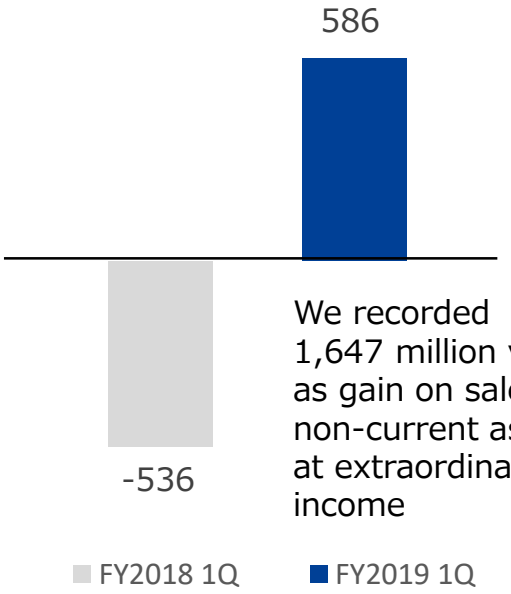
YoY **+194**



Net profit attributable to owners of the parent

586

YoY **+1,123**



We recorded 1,647 million yen as gain on sales of non-current assets at extraordinary income

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Content Creation

Net sales increased 3.1 billion yen YoY, operating income also increased 3 million yen YoY

(Million Yen)		FY2018 1Q	FY2019 1Q		
		Actual	Actual	YoY	YoY ratio
Content Creation	Net sales	**4,685**	**7,830**	3,144	67.1%
	Operating income	**-374**	**-31**	342	—
	(OP ratio)	—	—		

Net sales YoY +**3,144** million

- ✓ Recorded big-budget theater films and TV dramas
- ✓ Increased the number of TV animation projects
- ✓ Solidly continued in making commercials and recording music lives

Operating income YoY +**342** million

- ✓ Gross profit increased due to sales increase
- ✓ Profitability got improved by cost control on TV animation production
- ✓ Decreased in goodwill amortization burden

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Production Services

Despite profit improvement in the post-production business, profit decreased in human resource service

(Million yen)		FY2018 1Q	FY2019 1Q		
		Actual	Actual	YoY	YoY ratio
Production Services	Net sales	**6,228**	**5,965**	- 263	- 4.2%
	Operating income	**- 11**	**- 101**	- 90	—
	(OP ratio)	—	—		

Net sales YoY - 263 million

- ✓ Services for digital cinema (DCP) was solid
- ✓ Sales declined due to sell-out of one consolidated subsidiary in the human resource services field

Operating income YoY - 90 million

- ✓ Post-production business for TV shows profit improved by workflow reform
- ✓ Carried out an investment in the human resources service field (expansion of digital content business and such).

  SG & A expenses increased temporarily.

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Media Localization

Build strong organization for OTT orders expected from the 3rd quarter

(Million Yen)		FY2018 1Q	FY2019 1Q		
		Actual	Actual	YoY	YoY ratio
Media Localization	Net sales	**5,840**	**5,122**	- 717	- 12.3%
	Operating income	**- 591**	**- 685**	- 93	—
	(OP ratio)	—	—		

Net sales YoY **-717** million

- ✓ Sales decreased due to sell-out of consolidated subsidiaries
- ✓ Business in Europe was slow temporarily
- ✓ Expect orders for new OTT (Over-The-Top platforms) from 3Q by joint promotion with SDI and Pixelogic

Operating income YoY **- 93** million

- ✓ Gross profit decreased due to sales decrease
- ✓ Implement fixed cost reduction measures after 2Q
- ✓ Build strong organization in E2E service

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Imaging Systems & Solutions

Net sales increased, but recording of large project in Imaging Systems has been delayed in the 2nd quarter

(Million Yen)		FY2018 1Q	FY2019 1Q		
		Actual	Actual	YoY	YoY ratio
Imaging Systems & Solutions	Net sales	**2,919**	**3,154**	235	8.1%
	Operating income	**204**	**160**	- 43	- 21.5%
	(OP ratio)	7.0%	5.1%		

Net sales YoY +235 million

- ✓ Sales of new high-speed camera products was well in Japan and overseas
- ✓ The number of commercial on-line delivery was steadily increasing
- ✓ Got a big-budget project in ICT business

Operating income YoY - 43 million

- ✓ Big-budget project for TV-broadcaster were recorded in 2Q
- ✓ Sales of video and image processing LSI for China got shrunk due to US-China trade friction

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Financial Results by Segment

(Million Yen)		FY2018 1Q	FY2019 1Q		
		Actual	Actual	YoY	YoY ratio
Content Creation	Net sales	**4,685**	**7,830**	3,144	67.1%
	Operating income	**- 374**	**- 31**	342	—
	(OP ratio)	—	—		
Production Services	Net sales	**6,228**	**5,965**	- 263	-4.2%
	Operating income	**- 11**	**- 101**	- 89	—
	(OP ratio)	—	—		
Media Localization	Net sales	**5,840**	**5,122**	- 717	-12.3%
	Operating income	**- 591**	**- 685**	- 93	—
	(OP ratio)	—	—		
	Operating income after goodwill amortization	- 297	- 414		
Imaging Systems & Solutions	Net sales	**2,919**	**3,154**	235	8.1%
	Operating income	**204**	**160**	- 43	-21.5%
	(OP ratio)	7.0%	5.1%		
Adjustments	Net sales	**- 312**	**- 325**	- 13	—
	Operating income	**- 103**	**- 24**	78	—
Consolidated	Net sales	**19,362**	**21,747**	2,385	12.3%
	Operating income	**- 876**	**- 681**	194	—

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Consolidated Results for 2Q /Jul - Sep

Consolidated results for 2Q is expected to improve YoY significantly

Segments	Factors
Content Creation	1. Continue to control animation production costs 2. Expect to record sales of big-budget theater films in 2Q
Production Services	1. Continue to improve profitability for post-production business 2. Human resource consulting business is still effected by sell-out of a consolidated subsidiary
Media Localization	1. Reduce SG & A by fixed cost reduction will be implemented in 2Q 2. Trailer production (Creative campaigns) business is favorable
Imaging System & Solutions	1. Sales of new high-speed camera products is well 2. Expected to record sales of big-budget project for broadcasters in 2Q

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Consolidated Statements of Income

(Million Yen)	FY2018 1Q	FY2019 1Q		
	Actual	Actual	YoY	YoY ratio
Net sales	19,362	**21,747**	2,385	12.3%
Gross profit	4,746	**4,894**	148	3.1%
(Ratio)	24.5%	22.5%		
Operating income	- 876	**- 681**	194	—
(Ratio)	—	—		
Ordinary income	- 839	**- 841**	- 1	—
(Ratiio)	—	—		
Extraordinary income	1	**1,655**	1,654	140921.7%
Extraordinary losses	21	**9**	- 12	-57.7%
Net profit (loss) before taxes	- 860	**805**	1,665	—
Net profit (loss) attributable to owners of parent	- 536	**586**	1,123	—

(Reference) Operating income before goodwill	- 491	**- 401**	89	—

Operating income before goodwill includes operating income, goodwill amortization and intangible fixed assets amortization

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Consolidated Balance Sheets

(Million Yen)	As of March 31,2019	As of June 30, 2019	YoY	Main Factor
Current Assets	**40,119**	**34,978**	- 5,140	Notes and accounts receivable- trade - 4,219
Cash and deposits	**6,079**	**4,458**	- 1,620	
Non-current Assets	**24,606**	**26,296**	1,690	Land -1,238
Goodwill	**3,769**	**3,644**	- 125	Stocks of subsidiaries and affiliates +3,000 (Pixelogic)
Total Assets	**64,725**	**61,275**	- 3,449	
Current liabilities	**26,712**	**24,755**	- 1,956	Notes and accounts payable- trade -1,396
Short-term loans payable	**5,375**	**5,979**	604	Advance payment -1,442
Non-current liabilities	**10,115**	**8,870**	- 1,245	
Long-term loans payable	**6,169**	**5,324**	- 845	
Total Liabilities	**36,828**	**33,626**	- 3,201	
Shareholder's equity	**24,857**	**25,224**	366	(Reference) Shareholders equity
Accumulated other comprehensive income	**292**	**203**	88	As of March 31,2019 25,150 (41.7%)
Non-controlling interests	**2,747**	**2,221**	525	As of June 30,2019 25,427 (41.5%)
Total Net Assets	**27,897**	**27,649**	247	
Total liabilities and Net Assets	**64,725**	**61,275**	- 3,449	
Net Cash	**- 5,465**	**- 6,845**	- 1,379	(Cash and deposits－Long and short loans)

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Consolidated Forecast for FY2019

No change in consolidated forecast disclosed on May 14

(Million Yen)	FY2017	FY2018	FY2019		
	Actual	Actual	Forecast (May 14)	YoY	YoY ratio
Net sales	**91,351**	**90,212**	**95,000**	4,788	5.3%
Operating income	**2,424**	**926**	**1,680**	754	81.4%
(OP ratio)	(2.7%)	(1.0%)	(1.8%)		
Ordinary income	**2,424**	**789**	**1,200**	411	52.0%
Net income(loss) attributable to owners of the parent	**2,937**	**-2,010**	**1,800**	3,810	–
Earnings (loss) per share of common stock (Yen)	**65.98**	**-45.55**	**40.86**	86.41	–

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