Consolidated Financial Highlights for FY2019 2Q

IMAGICA GROUP Inc.

Code : 6879

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Highlight of Financial Results 2Q

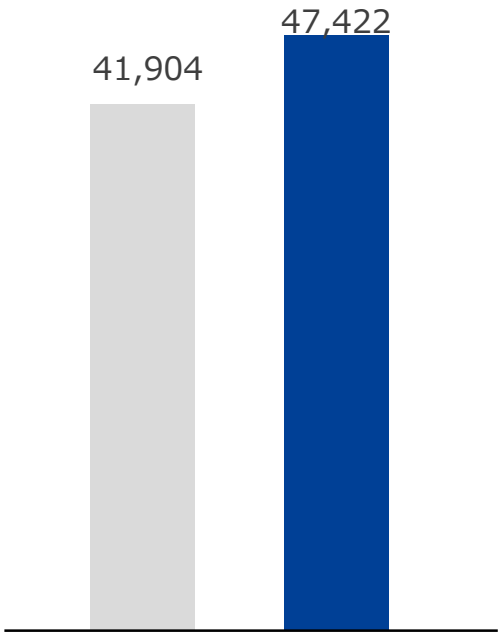
Net sales increased 5.5 billion yen YoY.
Operating income increased by 980 million yen and regained profitability.

(Million Yen)

Net sales

47,422

YoY
+5,517

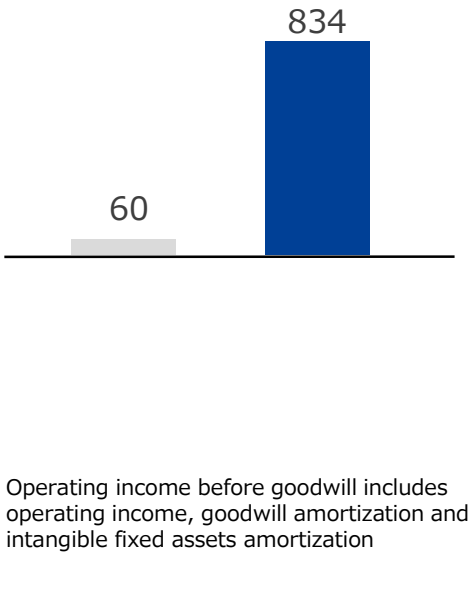


(Reference)

Operating income before goodwill

834

YoY
+774

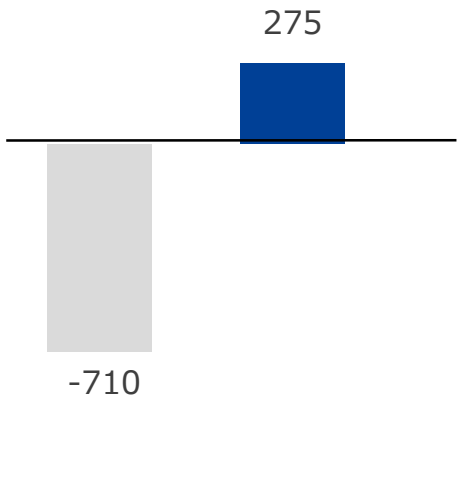


Operating income before goodwill includes operating income, goodwill amortization and intangible fixed assets amortization

Operating income

275

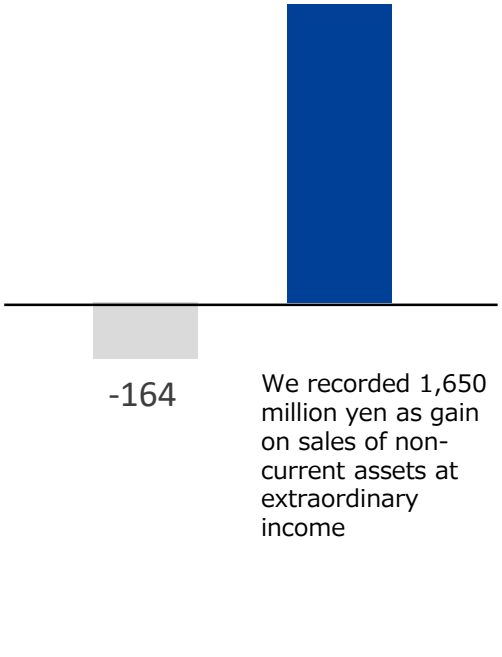
YoY
+986



Net profit attributable to owners of the parent

865

YoY
+1,029



We recorded 1,650 million yen as gain on sales of non-current assets at extraordinary income

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Financial Results by Segment

Content Creation significantly increased sales.
Imaging Systems & Solutions increased sales and profit.

(Million Yen)		FY2018 2Q	FY2019 2Q		
		Actual	Actual	YoY	YoY ratio
Content Creation	Net sales	**10,697**	**15,454**	4,756	44.5%
	Operating income	**- 329**	**- 26**	303	—
	(OP ratio)	—	—		
Production Services	Net sales	**13,266**	**12,676**	- 590	- 4.4%
	Operating income	**- 28**	**- 57**	- 29	—
	(OP ratio)	—	—		
Media Localization	Net sales	**12,143**	**11,120**	- 1,022	- 8.4%
	Operating income	**- 828**	**- 692**	136	—
	(OP ratio)	—	—		
	Operating income after goodwill amortization	**- 239**	**- 151**		
Imaging Systems & Solutions	Net sales	**6,704**	**8,955**	2,250	33.6%
	Operating income	**671**	**1,250**	579	86.3%
	(OP ratio)	10.0%	14.0%		
Adjustments	Net sales	**- 906**	**- 783**	122	—
	Operating income	**- 195**	**- 198**	- 3	—
Consolidated	Net sales	**41,904**	**47,422**	5,517	13.2%
	Operating income	**- 710**	**275**	986	—

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Content Creation

Sales grew, as feature film production expanded in size and number and as TV commercial and recordings of live-music performances increased.

(Million Yen)		FY2018 2Q	FY2019 2Q		
		Actual	Actual	YoY	YoY ratio
Content Creation	Net sales	**10,697**	**15,454**	4,756	+44.5%
	Operating income	**- 329**	**- 26**	303	—
	(OP ratio)	—	—		

Net sales YoY **+4,756** million

- ✓ More and bigger feature films (live-action and anime)
- ✓ Additional sales from TV episodes
- ✓ Strong TV commercials production and live-music recordings (major orders received)

Operating income YoY **+303** million

- ✓ Higher gross margin from bigger sales
- ✓ Lower goodwill amortization cost
- ✓ Lower TV anime production cost

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Production Services

The digital cinema service was successful, yet the human resources service lost sales and profit.

(Million yen)		FY2018 2Q	FY2019 2Q		
		Actual	Actual	YoY	YoY ratio
Production Services	Net sales	**13,266**	**12,676**	- 590	- 4.4%
	Operating income	**- 28**	**- 57**	- 29	—
	(OP ratio)	—	—		

Net sales YoY - 590 million

- ✓ Healthy growth for digital cinema
- ✓ Robust post-production for feature films and anime
- ✓ Sales drop for human resources business due to disposal of a consolidated subsidiary

Operating income YoY - 29 million

- ✓ Improved post-production profit from effective cost reduction
- ✓ Carried out an investment in the human resources service field (expansion of digital content business and such).
  SG & A expenses increased.

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Media Localization

Fixed cost reduction measures improved operational income.

(Million Yen)		FY2018 2Q	FY2019 2Q		
		Actual	Actual	YoY	YoY ratio
Media Localization	Net sales	**12,143**	**11,120**	- 1,022	- 8.4%
	Operating income	**- 828**	**- 692**	136	—
	(OP ratio)	—	—		
	Operating income after goodwill amortization	**- 239**	**- 151**		

Net sales YoY **+1,022** million

- ✓ Lower sales due to disposal of two consolidated subsidiaries
- ✓ Slow business in Europe
- ✓ Potential new orders for OTT in 2H from SDI and PXL collaboration

Operating income YoY **+136** million

- ✓ Progress in fixed cost reduction measures by reviewing production system
- ✓ Growing high-margin orders (feature film trailer production and localization)

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Imaging Systems & Solutions

Both video systems and imaging systems businesses achieved sales and profit growth.

(Million Yen)		FY2018 2Q	FY2019 2Q		
		Actual	Actual	YoY	YoY ratio
Imaging Systems & Solutions	Net sales	**6,704**	**8,955**	2,250	+33.6%
	Operating income	**671**	**1,250**	579	+86.3%
	(OP ratio)	10.0%	14.0%		

Net sales YoY **＋2,250** million

- ✓ Delivered major broadcasting project
- ✓ Steadily growing on-line commercial transmissions
- ✓ Successful sales of new high-speed camera in Europe and America

Operating income YoY **＋579** million

- ✓ Improved gross margin from increasing major, high-margin orders

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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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Appendix.

Consolidated Statements of Income

(Million Yen)	FY2018 2Q	FY2019 2Q		
	Actual	Actual	YoY	YoY ratio
Net sales	**41,904**	**47,422**	5,517	13.2%
Gross profit	**10,499**	**11,357**	857	8.2%
(Ratio)	25.1%	23.9%		
Operating income	**- 710**	**275**	986	—
(Ratio)	—	0.6%		
Non-operating expenses	**233**	**171**	- 61	—
Non-operating expenses＊	**171**	**639**	467	272.4%
Ordinary income	**- 649**	**- 192**	456	—
(Ratiio)	—	—		
Extraordinary income	**371**	**1,658**	1,286	346.6%
Extraordinary losses	**67**	**30**	37	-54.9%
Net profit (loss) before taxes	**- 346**	**1,435**	1,781	—
Net profit (loss) attributable to owners of parent	**- 164**	**865**	1,029	—

＊:FY2019 2Q non-operating expenses　Interest expenses 169／Equity in losses of affiliates 280／Foreign exchange losses 106／Other

(Reference) Operating income before goodwill	**60**	**834**	774	1290.0%

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

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Consolidated Balance Sheets

(Million Yen)	As of March 31,2019	As of October 31, 2019	YoY
Current Assets	**40,119**	**33,901**	- 6,217
Cash and deposits	**6,079**	**5,278**	- 801
Non-current Assets	**24,606**	**25,353**	747
Goodwill	**3,769**	**3,377**	- 391
Total Assets	**64,725**	**59,255**	- 5,469
Current liabilities	**26,712**	**23,336**	- 3,376
Short-term loans payable	**5,375**	**5,918**	542
Non-current liabilities	**10,115**	**8,274**	- 1,840
Long-term loans payable	**6,169**	**4,812**	- 1,357
Total Liabilities	**36,828**	**31,610**	- 5,217
Shareholder's equity	**24,857**	**25,508**	650
Accumulated other comprehensive income	**292**	**- 65**	- 357
Stock acquisition right	**0**	**11**	11
Non-controlling interests	**2,747**	**2,189**	- 558
Total Net Assets	**27,897**	**27,644**	- 252
Total liabilities and Net Assets	**64,725**	**59,255**	- 5,469
Net Cash* (Cash and deposits－Long and short loans	**- 5,465**	**- 5,452**	- 13

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Consolidated Cash Flows Sheets

(Million Yen)	FY2018 2Q	FY2019 2Q
Income before income taxs	- 346	1,435
Depreciation and Amortization	1,416	1,359
Amortization of goodwill	463	291
Increase(decrease) in notes and accounts receivable -trade	3,639	4,056
Decrease(Increase) in inventories	- 1,947	825
Decrease(Increase) in notes and accounts payable -trade	122	- 1,154
Income taxes paid	- 566	- 860
Others	158	- 3,088
Cash flows from operating activities	**2,940**	**2,865**
Payments of short-term loans receivable	—	- 1,650
Collection of short-term loans receivable	—	555
Proceeds from sales of property, plant and equipment	2	2,673
Purchase of stocks of subsidiaries and affiliates	- 69	- 3,000
Others	- 474	- 1,118
Cash flows from investing activities	**- 541**	**- 2,541**
Net increase in short-term loans payable	371	601
Repayments of long-term loans payable	- 1,244	- 1,240
Purchase of treasury stock	- 512	—
Cash dividends paid	- 445	- 220
Others	- 53	- 158
Cash flows from financing activities	**- 1,883**	**- 1,018**
Net increase (decrease) in cash and cash equivalents	**535**	**- 800**
Cash and cash equivalents at the end of period	**11,667**	**5,266**

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The Group's Major Topics from July 2019

2019/7 IMAGICA Lab.

"Mekong-Japan Exchange Year 2019" Anniversary Project
Participating as general cooperation company for exchange and cooperation in the areas of filmmaking, including the digital revival of the first Myanmar-Japan co-produced feature film in 1935.

2019/8/5 Photron M&E Solutions

New Projects
Launched Kada OR for recording and streaming surgery footage and Kada Live for recording and streaming for the cardiology department



2019/9/1 IMAGICA GROUP

Corporate Governance Guideline

Established to show the Group's principal philosophy of business and corporate governance.

2019/9/11 Photron

New Products

Launched Zuno RAPIDPRO 20 and Zuno RAPID 20, the latest editions of a domestic two-dimentional CAD software series.



2019/10 ROBOT・P.I.C.S

Ebisu Cultural Festival 2019

Held an event for children at this local culture event in Ebisu Garden Place.

2019/10 IMAGICA Lab.

The 32nd Tokyo International Film Festival

Festival Supporter.

For more information, please contact/visit us at

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