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[Delayed] Notice of Revisions to Financial Forecasts and Expected Recording of Extraordinary Loss

Taking into consideration recent earning trends, IMAGICA GROUP Inc. has revised its consolidated earning forecasts for the fiscal year ending March 31, 2022, which were announced December 24, 2021, as given below. The company also expects to record an extraordinary loss in the same fiscal year.

Details are as follows.

1. Revisions to Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2022 (April 1, 2021–March 31, 2022)

	Net sales	Operating income	Ordinary income	Net profit attributable to owners of parent	Per share Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	77,000	2,000	2,500	2,500	56.32
Revised forecast (B)	80,000	2,800	3,200	1,800	40.55
Change (B-A)	3,000	800	700	-700	-15.77
Percent change (%)	3.8%	40.0%	28.0%	-28.0%	-28.0%
(Ref.)Previous results (FY3/21)	86,727	-1,084	-1,343	3,454	77.89

Reason for revisions

Net sales are expected to exceed the previously announced forecast for various reasons. The Omicron variant, a source of concern, had only a minor impact on business performance, there continued to be strong sales of E2E services for video streaming service providers in Japan and overseas, and orders related to live music recording and commercial production were also strong.

Operating income and ordinary income are also expected to surpass the previously announced forecasts

because of not only an increase in gross profit due to strong sales but also a decline in fixed costs as a result of structural reforms in the Production Services segment.

On the other hand, net income attributable to owners of parent is expected to fall short of the previously announced forecast as a result of an extraordinary loss of about 1.4 billion yen, which includes an impairment loss on goodwill of 830 million yen and an impairment loss on fixed assets of 450 million yen.

(Note) that the dividend forecast announced on December 24, 2021, remains unchanged at 10 yen per share.

2. Expected extraordinary loss

PPC Creative Limited (PPC) is a consolidated subsidiary of the company, and its movie trailer production business that targets new theater releases struggled during 2020 and the first half of 2021 on account of the spread of COVID-19. It was determined that despite the recent recover in orders as theaters reopen, it would be difficult to achieve initially expected earnings following a careful review of projections. The company also expects to record an impairment loss on goodwill for PPC of 830 million yen (estimated amount) for 4Q of the consolidated fiscal year.

For the Production Services-segment, which PPC is part of, the company expects to generate dramatic growth in both sales and income for the whole segment as a result of not only firm performance for localization services and digital cinema services for video streaming service providers, which the consolidated subsidiary Pixelogic Holdings LLC is involved in, but also strong earnings from Imagica Entertainment Media Services, Inc. in Japan.

At the same time, the company expects to post a non-consolidated valuation loss on shares of affiliated companies of 690 million yen (estimated amount) as an extraordinary loss. The valuation loss on shares of affiliated companies will not impact the consolidated statement of income as it is eliminated during the consolidation process.

In line with "Accounting Standard for Impairment of Fixed Assets," the book value of some fixed assets held by the Group (software, etc.) will be reduced to their recoverable value as a result of an examination of the previous recoverable value, and the corresponding loss of 450 million yen (estimated amount) will be recorded as an extraordinary loss.

(Note) The above forecasts are based on information available at the time of publication. Actual results may differ from these forecasts due to various factors that may occur in the future.