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Consolidated financial results (Japanese Accounting Standards) for the fiscal year ended March 31, 2020

Filing date: June 12, 2020

Company name: IMAGICA GROUP Inc. Stock exchange listings: Tokyo 1st section
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 Scheduled date for ordinary general meeting of shareholders: June 30, 2020
 Scheduled date for commencement of dividend payment: June 30, 2020
 Supplementary briefing material on annual results: Yes
 Holding of financial results briefing: Yes

(Japanese yen amounts of less than 1 million have been rounded down)

1. Consolidated Financial Results for the fiscal year ended March 31, 2020 (April 1, 2019 - March 31, 2020)

(1) Consolidated Operating Results

(Percentage represents change from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net profit attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Mar.2020	94,090	4.3	1,351	45.9	416	(47.2)	664	—
Fiscal year ended Mar.2019	90,212	(1.2)	926	(61.8)	789	(67.5)	(2,010)	—

(Note) Comprehensive income: Fiscal year ended March 31, 2020 : (537) millions of yen /(-)%
 Fiscal year ended March 31, 2019 : (3,768) millions of yen /(-)%

	Net profit attributable to owners of parent per share	Diluted net profit attributable to owners of parent per share	Return on equity net income	Total asset ordinary income ratio	Operating income ratio
	yen	yen	%	%	%
Fiscal year ended Mar.2020	15.05	—	2.6	0.7	1.4
Fiscal year ended Mar.2019	(45.55)	—	(7.4)	1.2	1.0

(Reference) Equity in net income of affiliates: Fiscal year ended March 31, 2020 : (597) millions of yen
 Fiscal year ended March 31, 2019 : 20 millions of yen

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio to total assets	Net assets per share of common stock
	Millions of yen	Millions of yen	%	yen
As of March 31, 2020	62,154	27,478	40.3	566.19
As of March 31, 2019	64,725	27,897	38.9	570.90

(Reference) Shareholders' equity: As of March 31, 2020 : 25,066 millions of yen
 As of March 31, 2019 : 25,150 millions of yen

(3) Consolidated Cash Flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended Mar.2020	6,974	(4,297)	(1,291)	7,327
Fiscal year ended Mar.2019	117	(1,420)	(3,760)	6,067

2. Dividends

	Dividend per share					Total dividends (Annual)	Dividend payout ratio (Consolidated)	Dividends to Net Assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Annual			
Fiscal year ended Mar.2019	yen —	yen 0.00	yen —	yen 5.00	yen 5.00	Millions of yen 220	% —	% 0.8
Fiscal year ended Mar.2020	—	0.00	—	5.00	5.00	221	33.2	0.9
Fiscal year ending Mar.2021 (Forecast)	—	—	—	—	—		—	

(Note) We have refrained from providing a forecast for the year-end dividends in fiscal year ending March 31, 2021

**3. Consolidated earnings forecast for the fiscal year ending March 31, 2021
(April 1, 2020 - March 31, 2021)**

The financial forecast for the fiscal year ending March 2021 has not yet been determined because the conditions noted above make it difficult to calculate a reasonable forecast. The financial forecast will be disclosed once it becomes possible to calculate it.

*** Notes:**

(1) Changes in significant subsidiaries during this period (Changes in scope of consolidations resulting from change in subsidiaries): Yes

(Name) IMAGICA TOTAL SERVICE

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

1) Changes in accounting policies based on revisions of accounting standards: None

2) Changes in accounting policies other than ones based on revisions of accounting standard: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(3) 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 March 31, 2020	44,741,467 shares	As of March 31, 2019	44,531,567 shares
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2) Number of treasury stock at the end of fiscal year

As of March 31, 2020	468,341 shares	As of March 31, 2019	478,341 shares
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3) Average number of shares

As of March 31, 2020	44,133,005 shares	As of March 31, 2019	44,127,131 shares
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1. Overview of operating results

(1) Overview of operating results for fiscal year ended March 31, 2020

(i) Overview of the consolidated fiscal year ended March 31, 2020

The IMAGICA GROUP has formulated "Integration to 2021," our new mid-term business strategy aimed at accelerating structural reform of the Group and building a business portfolio that balances growth and profitability, in light of the growth opportunities and business challenges surrounding the Group. Based on this new mid-term business strategy, the Group positioned fiscal year ended March 31, 2020 as the year to reinforce its earning structure, adopting "Motivate - Integration to 2021 - on imaging" as its basic policy. Each business segment has engaged in efforts directed at its individual areas of focus through this basic policy.

The Group's financial performance for consolidated fiscal year ended March 31, 2020 resulted in net sales of 94,090 million yen (up 4.3% year-on-year), and operating income of 1,351 million yen (up 45.9% year-on-year). Ordinary income fell to 416 million yen (down 47.2% year-on-year) due to non-operating expenses such as foreign exchange losses and equity in losses of affiliates. Net income attributable to owners of the parent was 664 million yen (compared to a net loss of 2,010 million yen in the previous fiscal year). This resulted from the recognition of an extraordinary gain on the transfer of non-current assets, and recognition of other extraordinary income which more than covered for impairment losses posted under extraordinary losses due to the collective assessment of the impact of the novel coronavirus on future results as well as the reversal of deferred tax assets.

(ii) Performance by business segment

The financial results by business segment are as follows:

1) Content Creation

The financial performance of the Content Creation Business Segment in consolidated fiscal year ended March 31, 2020 resulted in net sales of 26,205 million yen (up 11.8% year-on-year) and an operating loss of 359 million yen (compared to operating income of 43 million yen in the previous fiscal year).

In the first half of the fiscal year, the Content Creation Business Segment showed an increase in sales, owing to the expanded scale and increased number of feature film productions of both anime and live action films compared with the same period of the previous year, alongside the positive trend in the increased number of TV commercials and major live-music performances. The second half saw a decrease in the number of TV anime series produced, but this segment achieved growth in full-year sales despite this.

At the operating income level, a valuation loss on investment in production committees for feature film production resulted in an operating loss.

2) Production Services

The financial performance of the Production Services Business Segment in consolidated fiscal year ended March 31, 2020 resulted in net sales of 26,557 million yen (down 3.5% year-on-year) and operating income of 431 million yen (down 36.3% year-on-year).

In the visual content post-production and E2E services^{*1} area, digital cinema services and post-production services for feature films and anime performed well. This business segment was able to maintain net sales for the full year on par with last fiscal year despite the decrease in orders for some filming and archiving services that accompanied the suspension and delay of sports and other events during the fourth quarter to prevent the spread of the novel coronavirus. Operating income grew due to ongoing cost control efforts.

Both sales and operating income in human talent services declined compared to last fiscal year, owing to the sale of one consolidated subsidiary and investment in the expansion of the digital content business.

^{*1} E2E services: Refers to an integrated end-to-end (E2E) service that covers the entire post-editing process from localization (subtitling/dubbing) to distribution^{*2} of feature films, TV dramas, and other source videos.

^{*2} Distribution refers to a comprehensive service which includes the creation of data from the original version of the completed work, QC and distribution tailored to the requirements of release/delivery format of visual contents (theater, VOD, DVD/BD, etc.), and the management of the process and source materials.

3) Media Localization

Media Localization Business Segment in consolidated fiscal year ended March 31, 2020 resulted in net sales of 22,660 million yen (down 9.1% year-on-year) and an operating loss of 768 million yen (compared to an operating loss of 1,257 million yen in the previous fiscal year). Net sales declined due to the slowdown in localization of episodic programs in Europe and the sale of two consolidated subsidiaries. The operating loss reduced despite the decrease in revenue, however, thanks to a favorable mix of projects delivered and the steady efforts made to reduce fixed costs by improving production efficiency.

SDI Media Group, Inc. continued to collaborate with Pixelogic Holding, LLC, a company which began to be consolidated with IMAGICA GROUP starting in April 2019 by equity method, to increase its business with new OTT media service providers. For the purpose of this fiscal year, the performances of SDI Media Group, Inc. and its subsidiaries are consolidated for a period from January 1, 2019 through December 31, 2019, which is their fiscal year-end.

4) Imaging Systems & Solutions

The financial performance of the Imaging Systems and Solutions Business Segment in consolidated fiscal year ended March 31, 2020 resulted in net sales of 20,551 million yen (up 28.9% year-on-year) and operating income of 2,714 million yen (up 43.1% year-on-year).

The video systems business area saw substantial profit growth as a result of smooth progress on the completion and delivery of various other projects, in addition to a major project for a broadcasting station posted in the first half of the fiscal year. Sales from the online delivery system for TV commercials also grew steadily along with expanding market needs. In the imaging business area, sales of new high-speed camera products in Europe and the United States remained strong, contributing to a significant increase in the overall sales and profits of the Imaging Systems and Solutions Business Segment.

- * The business that had been described and reported as the “professional video equipment business” until fiscal year ended March 31, 2019 has been renamed to the “video systems business area” in line with the Group’s current business structure.

(2) Overview of financial position for consolidated fiscal year ended March 31, 2020

1) Assets

Current assets declined by 4,824 million yen (12.0%) from the end of the previous consolidated fiscal year to 35,295 million yen. This decline was mainly due to a decline in notes and accounts receivable-trade and inventories.

Non-current assets increased by 2,253 million yen (9.2%) from the end of the previous consolidated fiscal year to 26,859 million yen. This increase was mainly due to an increase in stocks of subsidiaries and affiliates and long-term loans receivable, which more than compensated for the decrease in land and goodwill.

The above factors resulted in total assets of 62,154 million yen, a decline of 2,570 million yen (4%) from the end of the previous consolidated fiscal year.

2) Liabilities

Current liabilities decreased by 950 million yen (3.6%) from the end of the previous consolidated fiscal year to 25,762 million yen. This decrease was mainly due to a decrease in advance payments, accounts payable, and notes and accounts payable-trade, which more than compensated for an increase in income taxes payable.

Non-current liabilities decreased by 1,201 million yen (11.9%) from the end of the previous consolidated fiscal year to 8,913 million yen. This was mainly due to a decrease in long-term loans payable and deferred tax liabilities.

The above factors resulted in total liabilities of 34,676 million yen, a decrease of 2,151 million yen (5.8%) from the end of the previous consolidated fiscal year.

3) Net assets

Net assets declined by 418 million yen (1.5%) from the end of the previous consolidated fiscal year to 27,478 million yen. The shareholders’ equity ratio to total assets was 40.3%.

(3) Overview of cash flows for fiscal year ended March 31, 2020

Cash and cash equivalents (hereafter, “cash”) on March 31, 2020 increased by 1,260 million yen (20.8%) from the end of the previous consolidated fiscal year to 7,327 million yen. The breakdown of cash flows for fiscal year ended March 31, 2020 and the main factors behind changes in cash flows are summarized below.

1) Cash flows from operating activities

Net cash provided by operating activities was 6,974 million yen (compared to 117 million yen in net cash provided in the previous fiscal year). This mainly resulted from an increase in cash due to collection of notes and accounts receivable-trade, a decrease in inventories, and the net change in consumption taxes payable or receivable, which more than compensated for a decrease in cash from a decrease in advance payments.

2) Cash flows from investing activities

Net cash used in investing activities was 4,297 million yen, an increase of 2,876 million yen (202.5%) from the end of the previous consolidated fiscal year. This mainly resulted from cash expended for the acquisition of stocks of subsidiaries and affiliates and a decrease in cash from the provision of long-term loans, which outstripped the cash inflow from the sale of property, plant, and equipment.

3) Cash flows from financing activities

Net cash used in financing activities was 1,291 million yen, a decrease of 2,468 million yen (65.7%) from the end of the previous consolidated fiscal year. This resulted from cash expended for the redemption of long-term loans payable, which exceeded the cash inflow from long-term loans received.

(Reference) Trend of Cash Flow Indicators

	Fiscal year ended Mar.2016	Fiscal year ended Mar. 2017	Fiscal year ended Mar.2018	Fiscal year ended Mar.2019	Fiscal year ended Mar.2020
Shareholders' equity ratio (%)	40.2	38.6	41.7	38.9	40.3
Shareholders' equity ratio on a market price basis (%)	28.4	48.5	76.0	45.5	25.1
Ratio of net cash to interest-bearing liabilities (year)	3,430.8	371.7	358.2	10,625.2	162.4
Interest coverage ratio (times)	5.9	26.3	26.0	0.4	21.4

*Shareholders' equity ratio: Shareholders' equity/Total assets

Shareholders' equity ratio on a market price basis: Total market value of shares/Total assets Ratio of net cash to interest-bearing liabilities: Interest-bearing liabilities/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest payments

Notes:

1. These indicators are calculated based on consolidated financial results.
2. Total market value of stock is calculated by the following formula: closing price at period-end x outstanding shares at period-end (excluding treasury stock).
3. Operating cash flow is based on net cash provided by operating activities reported on the consolidated statement of cash flow. Interest-bearing liabilities include all liabilities reported on the consolidated balance sheet for which interest is paid. The amount of interest payments is the amount of interest expenses paid reported on the consolidated statement of cash flow.

(4) Forecast of financial results for fiscal year ending March 31, 2021

The IMAGICA GROUP has been pursuing to the following basic strategies raised in "Integration to 2021," our new mid-term business strategy which started in fiscal year ended March 31, 2020. We are accelerating structural reform of the Group and aim to build a business portfolio that balances growth and profitability.

1. Develop a new global strategy.
2. Improve profitability of existing businesses.
3. Transition to a new business model.
4. Create and develop new businesses.
5. Develop human resources and promote workstyle reform.

The Group has entered a major period of transformation in our core imaging business due to an environment and social changes precipitated by the recent spread of the novel coronavirus in addition to rapid advancement in technological innovation.

The Group is accelerating reforms aimed at accomplishing "Integration to 2021" by seizing the business opportunities presented by these changes in the environment to take on the challenge of offering new types of entertainment through imaging, producing visual content that suits new lifestyles, using imaging in non-entertainment fields such as healthcare and education, and other initiatives to transform our business model and create new businesses.

The spread of the novel coronavirus will have a certain degree of impact on Group businesses, owing to the delay in delivery of productions caused by the delay in opening movie theaters and the postponement of post-production and E2E services due to the temporary suspension of TV commercial production, among other factors. Moreover, while the Declaration of a State of Emergency has been rescinded nationwide in Japan, it will take some time for the business environment to improve.

The financial forecast for the fiscal year ending March 2021 has not yet been determined because the conditions noted above make it difficult to calculate a reasonable forecast. The financial forecast will be disclosed once it becomes possible to calculate it.

<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 and increase the level of dividends.

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.

We have refrained from providing a forecast for the year-end dividends in fiscal year ending March 31, 2021 and will disclose our forecast once it becomes possible to calculate it.

2. Basic policy for the selection of accounting standards

Considering comparability of consolidated financial statements over time, the Group will continue to use the Japanese accounting standards in the immediate future.

Meanwhile, the Group plans to appropriately decide the adoption of the International Financial Reporting Standards (IFRS) after considering developments regarding accounting standards in Japan and abroad.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)	March 31, 2019	March 31, 2020
Assets		
Current assets		
Cash and deposits	6,079,172	7,339,777
Notes and accounts receivable- trade	19,043,240	16,609,098
Inventories	11,352,166	9,734,028
Other	3,704,760	1,665,660
Allowance for doubtful accounts	(60,006)	(53,471)
Total current assets	40,119,332	35,295,092
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,502,684	3,343,459
Machinery and equipment	117,391	133,153
Land	2,944,295	1,705,819
Leased assets	800,677	735,973
Construction in progress	60,508	341,285
Other	1,658,500	1,563,637
Total Property, plant and equipment	9,084,058	7,823,328
Intangible assets		
Software	1,189,223	1,242,332
Goodwill	3,769,751	3,167,870
Other	4,377,450	4,085,856
Total Intangible assets	9,336,425	8,496,059
Investments and other assets		
Investment securities	2,780,364	2,296,170
Stocks of subsidiaries and affiliates	306,705	2,691,296
Long-term loans receivable	182,554	1,986,264
Lease and guarantee deposits	1,177,433	1,466,390
Deferred tax asset	1,407,252	1,852,835
Other	441,921	375,336
Allowance for doubtful accounts	(110,528)	(128,070)
Total Investments and other assets	6,185,703	10,540,222
Total Non-current assets	24,606,187	26,859,610
Total assets	64,725,520	62,154,703

(Thousands of yen)	March 31, 2019	March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable- trade	6,657,281	6,060,774
Short-term loans payable	5,375,309	5,004,318
Accounts payable	3,688,369	3,027,865
Income taxes payable	646,989	1,504,588
Advanced payment	5,735,832	4,939,345
Provision for bonuses	1,131,264	1,245,383
Provision for directors compensations based on profit	146,678	106,568
Provision for loss on order received	73,117	218,878
Other	3,257,658	3,654,716
Total current liabilities	26,712,502	25,762,438
Non-current liabilities		
Long-term loans payable	6,169,835	5,510,940
Long-term accounts payable-other	316,773	174,097
Deferred tax liabilities	493,520	283,312
Net defined benefit liabilities	1,356,280	1,233,649
Other	1,779,206	1,711,796
Total non-current liabilities	10,115,616	8,913,796
Total Liabilities	36,828,119	34,676,235
Net assets		
Shareholders' equity		
Capital stock	3,244,915	3,306,002
Capital surplus	14,816,170	14,871,552
Retained earnings	7,286,290	7,730,081
Treasury stock	(489,754)	(479,516)
Total shareholders' equity	24,857,620	25,428,120
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	741,443	187,009
Deferred gains or losses on hedges	(1,346)	—
Revaluation reserve for land	(17,933)	(17,933)
Foreign currency translation adjustment	(442,700)	(529,312)
Re-measurements of defined benefit plans	12,919	(1,082)
Total accumulated other comprehensive income	292,382	(361,318)
Stock acquisition right	—	11,484
Non-controlling Interests	2,747,397	2,400,180
Total Net assets	27,897,401	27,478,467
Total liabilities and Net assets	64,725,520	62,154,703

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

Consolidated Statements of Income

(Thousands of yen)	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	90,212,331	94,090,704
Cost of sales	66,595,086	70,321,653
Gross profit	23,617,245	23,769,050
Selling, general and administrative expenses	22,690,582	22,417,329
Operating income	926,663	1,351,721
Non-operating income		
Interest income	17,149	189,665
Dividend income	55,958	43,486
Rent income	63,102	71,181
Equity in earnings of affiliates	20,157	—
Foreign exchange gains	3,382	—
Other	125,553	84,241
Total non-operating income	285,303	388,574
Non-operating expenses		
Interest expenses	328,027	337,478
Equity in losses of affiliates	—	597,858
Foreign exchange losses	—	193,201
Other	94,924	195,455
Total non-operating expenses	422,951	1,323,993
Ordinary income	789,014	416,302
Extraordinary income		
Gain on sales of non-current assets	21,817	1,650,783
Gain on sales of investment securities	369,510	30,063
Other	—	7,750
Total extraordinary income	391,328	1,688,596
Extraordinary losses		
Loss on sales of non-current assets	24,322	—
Loss on retirement of non-current assets	31,536	35,639
Impairment loss	12,266	220,351
Goodwill amortization	2,290,323	—
Loss on valuation of stocks of subsidiaries and affiliates	296,324	—
Other	221,260	102,250
Total extraordinary losses	2,876,033	358,240
Income before income taxes (loss)	(1,695,690)	1,746,657
Income Taxes Current	1,535,509	2,190,709
Income Taxes Deferred (loss)	(405,507)	(553,874)
Income taxes	1,130,002	1,636,835
Net profit (loss)	(2,825,692)	109,822
Net loss attributable to non-controlling interests	(815,631)	(554,234)
Net profit (Loss) attributable to owners of parent	(2,010,061)	664,057

Consolidated Statements of Comprehensive income

(Thousands of yen)	Fiscal year ended March 31,2019	Fiscal year ended March 31,2020
Net profit (Loss)	(2,825,692)	109,822
Other comprehensive income		
Valuation difference on available-for-sale securities	(950,923)	(555,045)
Deferred gains or losses on hedges	(958)	1,346
Foreign currency translation adjustment	(387)	(79,554)
Re-measurements of defined benefit plans	8,976	(14,001)
Total other comprehensive income	(943,292)	(647,254)
Comprehensive income	(3,768,984)	(537,431)
(Breakdown)		
Comprehensive income attributable to owners of parent	(2,958,800)	10,357
Comprehensive income attributable to non-controlling interests	(810,184)	(547,788)

(3) Consolidated Statements of Cash Flow Statement

(Thousands of yen)	Fiscal year ended March 31,2019	Fiscal year ended March 31,2020
Cash flows from operating activities		
Income before income taxes (loss)	(1,695,690)	1,746,657
Depreciation and Amortization	2,887,997	2,777,709
Amortization of goodwill	3,220,942	576,956
Impairment loss	12,266	220,351
Increase (decrease) in net defined benefit liabilities	110,165	(114,517)
Increase (decrease) in allowance for doubtful accounts	(4,073)	11,869
Increase (decrease) in provision for bonuses	(382,966)	143,999
Interest and dividend income	(73,107)	(233,151)
Interest expenses	328,027	337,478
Equity in (earnings) losses of affiliates	(20,157)	597,858
Loss (gain) on sales of investment securities	(363,503)	(16,412)
Loss (gain) on sales of socks of subsidiaries and affiliates	247,317	(7,750)
Loss (gain) on sales of non-current assets	34,040	(1,615,143)
Decrease (increase) in notes and accounts receivable-trade	(976,766)	2,248,159
Decrease (increase) in inventories	(3,399,043)	1,528,726
Increase (decrease) in notes and accounts payable-trade	949,284	(480,136)
Increase (decrease) in advanced payment	2,474,295	(482,079)
Increase (decrease) in consumption taxes payable or receivable	(879,589)	1,115,632
Increase (decrease) in account payable	207,739	(715,304)
Other, net	(1,107,520)	764,244
Subtotal	1,569,656	8,405,147
Interest and dividend income received	74,673	232,698
Interest expenses paid	(329,026)	(325,682)
Income taxes paid	(1,197,909)	(1,337,915)
Net cash provided by operating activities	117,394	6,974,248
Cash flows from investing activities		
Payments of short-term loans receivable	(609,326)	(15,000)
Collection of short-term loans receivable	—	583,446
Long-term loan advances	—	(1,791,800)
Purchase of property, plant and equipment	(1,177,430)	(1,468,069)
Proceeds from sales of property, plant and equipment	309,772	2,674,252
Purchase of intangible assets	(653,733)	(881,215)
Purchase of investments in affiliates	(147,781)	(2,975,955)
Proceeds from sales of investments in affiliates	401,551	—
Other, net	456,246	(423,124)
Net cash used in investing activities	(1,420,700)	(4,297,465)

(Thousands of yen)	Fiscal year ended March 31,2019	Fiscal year ended March 31,2020
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	471,552	245,688
Proceeds from long-term loans payable	—	1,090,500
Repayment of long-term loans payable	(2,490,726)	(2,473,788)
Purchase of treasury stock	(512,001)	—
Cash dividends paid	(445,314)	(220,266)
Purchase of investments in subsidiaries do not result in change in scope of consolidation	(775,680)	(7,828)
Proceeds from share issuance to non-controlling shareholders	447,500	267,500
Repayments of finance lease obligations	(422,351)	(445,758)
Others, net	(33,026)	252,457
Net cash used in financing activities	(3,760,046)	(1,291,495)
Effect of exchange rate change on cash and cash equivalents	(1,357)	(124,518)
Net increase (decrease) in cash and cash equivalents	(5,064,711)	1,260,768
Cash and cash equivalents at beginning of period	11,131,784	6,067,073
Cash and cash equivalents at end of period	6,067,073	7,327,842

(4) Notes to consolidated statements

(Segment information and others)

[Segment information]

I. Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

Information regarding net sales, profit (loss) and assets by reportable segment

(Thousands of yen)

	Content Creation	Production Services	Media Localization	Imaging Systems & Solutions	Sub total
Net sales					
Sales to external customers	23,213,514	26,570,985	24,630,007	15,600,909	90,015,416
Inter-segment sales or transfers	216,044	958,784	286,387	345,670	1,806,886
Total	23,429,559	27,529,770	24,916,394	15,946,579	91,822,303
Segment profit (loss)	43,355	677,699	(1,257,694)	1,896,925	1,360,286
Segment Assets	16,036,756	11,484,445	17,872,463	12,057,441	57,451,107

	Other	Adjustments (Note 1)	Amount in the quarterly consolidated statement of income (Note 2)
Net sales			
Sales to external customers	—	196,915	90,212,331
Inter-segment sales or transfers	—	(1,806,886)	—
Total	—	(1,609,971)	90,212,331
Segment profit (loss)	—	(433,622)	926,663
Segment Assets	—	7,274,413	64,725,520

Notes:

1. Adjustments is as follows

- (1) Sales to external customers is income from real estate and building management.
- (2) The Segment profit (loss) adjustment of (433,622) thousand yen consists of 776,274 thousand yen in profits of holding companies (consolidated financial statement-submitting companies) and intersegment transaction eliminations of (1,209,897) thousand yen.
- (3) The adjustment of 7,274,413 thousand yen to segment assets was calculated by subtracting the 9,642,431 thousand yen in eliminations for intersegment transactions from the 16,916,844 thousand yen in total company assets that are not allocated by segment. Total company assets mainly consist of cash and deposits and non-current assets such as investment securities of the holding company (the company that submits the consolidated financial statements).

2. The segment profit (loss) adjustment is based on the operating income item in the quarterly consolidated statements of income.

II. Fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Information regarding net sales, profit (loss) and assets by reportable segment

(Thousands of yen)

	Content Creation	Production Services	Media Localization	Imaging Systems & Solutions	Sub total
Net sales					
Sales to external customers	25,938,151	25,461,130	22,584,951	20,015,927	94,000,161
Inter-segment sales or transfers	267,442	1,096,469	75,164	535,816	1,974,892
Total	26,205,594	26,557,600	22,660,115	20,551,744	95,975,054
Segment profit (loss)	(359,560)	431,944	(768,691)	2,714,477	2,018,170
Segment Assets	14,781,406	11,722,662	16,649,222	10,906,017	54,059,308

	Other (Note 1)	Adjustments (Note 2)	Amount in the quarterly consolidated statement of income (Note 3)
Net sales			
Sales to external customers	—	90,542	94,090,704
Inter-segment sales or transfers	—	(1,974,892)	—
Total	—	(1,884,350)	94,090,704
Segment profit (loss)	(11,316)	(655,131)	1,351,721
Segment Assets	3,879,439	4,215,955	62,154,703

Notes:

- The Other segment includes business segments that are not included in reportable segments and consists of businesses operated by overseas consolidated subsidiaries and affiliates to which the equity method is applied.
- Adjustments is as follows
 - Sales to external customers consists of revenue related to new business development and real estate rental income, among other sources.
 - The Segment profit (loss) adjustment of (655,131) thousand yen consists of 1,037,565 thousand yen in profits of holding companies (consolidated financial statement-submitting companies) and intersegment transaction eliminations of (1,692,697) thousand yen.
 - The adjustment of 4,215,955 thousand yen to segment assets was calculated by subtracting the 10,484,555 thousand yen in eliminations for intersegment transactions from the 14,700,511 thousand yen in total company assets that are not allocated by segment. Total company assets mainly consist of cash and deposits and non-current assets such as investment securities of the holding company (the company that submits the consolidated financial statements).
- The segment profit (loss) adjustment is based on the operating income item in the quarterly consolidated statements of income.