Consolidated financial results (Japanese Accounting Standards) for the fiscal year ended March 31, 2022

Filing date: May 13, 2022

Company name: IMAGICA GROUP Inc. Stock exchange listing: Tokyo Prime
Securities code: 6879 URL: https://www.imagicagroup.co.jp/en/
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Scheduled date for ordinary general meeting of shareholders: June 28, 2022
Scheduled date for commencement of dividend payment: June 14, 2022
Expected date of filing of annual securities report: June 28, 2022
Supplemental material of quarterly results: Yes
Convening briefing of quarterly results: Yes

(Millions of yen, rounded down)

1. Consolidated Financial Results for the fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 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	%
Fiscal year ended Mar.2022	80,184	(7.5)	3,417	-	3,934	-	2,729	(21.0)
Fiscal year ended Mar.2021	86,727	(7.8)	(1,084)	-	(1,343)	-	3,454	420.2

(Note) Comprehensive income: Fiscal year 2022: 3,753 millions of yen /7.5%
Fiscal year 2021: 3,490 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.2022	61.49	-	9.3	5.9	4.3
Fiscal year ended Mar.2021	77.89	-	13.2	(2.2)	(1.3)

(Reference) Equity in net income of affiliates: Fiscal year ended March 31, 2022 : (7) millions of yen
Fiscal year ended March 31, 2021 : (340) 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, 2022	73,384	34,025	42.4	701.63
As of March 31, 2021	60,446	29,832	45.4	618.43

(Reference) Shareholders' equity: Year ended March 31, 2022: 31,149 millions of yen
Year ended March 31, 2021: 27,450 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.2022	7,414	(3,928)	(4,183)	6,419
Fiscal year ended Mar.2021	(592)	(1,364)	1,469	6,856

2. Dividends

	Dividend per share					Dividends total (Annual)	Dividend payout ratio (Consolidated)	Dividends to Net Assets (Consolidated)
	1st quarter-end	2nd quarter - end	3rd quarter - end	Year-end	Annual			
	yen	yen	yen	yen	yen	Millions of yen	%	%
Fiscal year ended Mar.2021	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended Mar.2022	-	0.00	-	15.00	15.00	665	24.4	2.3
Fiscal year ending Mar.2023 (Forecast)	-	0.00	-	15.00	15.00		31.7	

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 Mar.2023	88,000	9.7	3,600	5.3	3,300	(16.1)	2,100	(23.0)	47.30

*Notes:

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

(Name) IMAGICA Lab.Inc.

(2) 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 standard: Yes
3) Changes in accounting estimates: Yes
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, 2022	44,741,467 shares	As of March 31, 2021	44,741,467 shares

2) Number of treasury stock at the end of fiscal year

As of March 31, 2022	345,938 shares	As of March 31, 2021	353,231 shares

3) Average number of shares

As of March 31, 2022	44,392,807 shares	As of March 31, 2021	44,350,392 shares

(Explanation about the appropriate usage of business prospects and other special notes)

・The above-mentioned business forecasts were based on the information available as of the date of the release of this report.

・Future events may cause the actual results to be significantly different from the forecasts.

1. Overview of Operating Results

(1) Overview of operating results for the current period

① Overview for the current consolidated fiscal year

The environment surrounding the IMAGICA GROUP was marked by various changes including rapidly unfolding technological innovation and changes in the social environment due to the Covid-19 pandemic. These factors caused changes in our imaging related businesses with the emergence of the live streaming market and video streaming market. Seeing these changes as opportunities for growth, the Group devised the new mid-term plan "G-EST2025".

The fiscal year ending March 2022, the first fiscal year in the mid-term plan, was positioned as the year in which we would "build the foundation for transforming into a highly profitable business" while adopting various approaches toward our four basic strategies.

As a result, the Group's sales for the consolidated fiscal year were 80,184 million yen (down 7.5% year-over-year), due to factors such as the sale at the end of the previous fiscal year of all shares in the SDI Media Group, Inc., which had been a consolidated subsidiary, while operating income was 3,417 million yen (compared to an operating loss of 1,084 million in the same period of the previous year) and ordinary income was 3,934 million yen (compared to an ordinary loss of 1,343 million yen in the same period of the previous year). These results show that income increased significantly compared to the previous fiscal year. On the other hand, net income attributable to parent company shareholders for the current period was 2,729 million yen (down 21.0% year-over-year) due to special losses including impairment losses of 120 million yen.

② Performance by business segment

Financial results by business segment are as follows.

This consolidated fiscal year one consolidated subsidiary (Imagica Live, Ltd.) which was previously in the Production Service business segment was reclassified to the Imaging Systems & Solutions business segment. Comparisons and analyses for the current consolidated fiscal year are based on conditions after the reclassification.

1) Content Creation business

The Content Creation segment this consolidated fiscal year saw sales of 21,674 million yen (up 9.4% year-over-year) and operating income of 582 million yen (compared to an operating loss of 440 million yen in the same period of the previous year).

The theater movies category saw strong sales due to delivery of dramas for video streaming service providers in addition to theater movies and TV animations. Orders for production of commercials recovered and profitability improved. Besides video streaming, live music event recordings also improved, while orders for making music videos were robust.

These developments resulted in improved Content Creation income and profits.

2) Production Services business

Production Services business for the current fiscal year saw sales of 42,080 million yen (down 10.4% year-over-year) with operating income of 1,726 million yen (compared to an operating loss of 2,223 million yen for the same period of the previous year).

In domestic E2E services*1, which saw a tie-up with Pixelogic Holdings LLC (PXL) consolidated from the previous fiscal year and other developments, service orders for video streaming service providers (video file compression, conversion, and other encoding, localization) performed well. Orders for digital cinema services for Japanese and non-Japanese works increased significantly, as the number of feature films increased. . We continue to secure orders for post-production services for feature films and animation works.

In overseas E2E services, PXL continues to receive strong orders for localization services from video streaming service providers, while sales of digital cinema services are on the rise due to the reopening of theaters in Europe and the US.

In post-production services for TV programs and TV commercials*2 sales of services for TV commercials did well and demand for online submissions expanded as the advertising market recovered.

In game production and personnel services etc.*3, game production-related services enjoyed strong orders for 3D computer graphics and debugging.

Sales for Production Services business overall decreased due to the sale at the end of the previous fiscal year of all shares in the SDI Media Group, Inc., a consolidated subsidiary, but profits were up significantly due to strong domestic and overseas E2E services and the effects of the structural reforms implemented in the previous fiscal year.

*1 E2E 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.

*2 As part of the restructuring of the Production Services business, the description of services collectively called “media and postproduction services” up to last fiscal year has been changed to “E2E services” and “post-production services for TV programs and TV commercials, etc.”

*3 The descriptions of “personnel services” and “digital content” used up to last fiscal year have been changed to “game production, personnel services, etc.”

*Overseas E2E services have a settlement date of December 31, so their performance from January 1, 2021 to December 31, 2021 is reflected in the current consolidated fiscal year.

3) Imaging Systems & Solutions business

The Imaging Systems & Solutions business in the current consolidated fiscal year saw sales of 17,639 million yen (down 16.0% year-over-year) and operating income of 1,740 million yen (down 14.9% year-over-year).

Systems for broadcasting stations struggled to secure orders due to stagnating demand and restrictions on sales activities due to Covid-19, and while sales of high-speed cameras struggled in Japan in the first half though recovered in the second, sales continued strongly in the rest of Asia, and Europe and America. The online delivery system for TV commercials continued to post good sales in an expanding market, as sales of video and image processing LSI's continued strongly in Japan and overseas (particularly in the rest of Asia).

Imagica Live, Ltd., which changed segments this consolidated fiscal year to the Imaging Systems & Solutions business, posted solid orders for sports-related live relays and archive video distribution operations, etc.

Mobile communications line sales were down due to the application of revenue recognition accounting standards. This resulted in lower income and profits for the Imaging Systems & Solutions business.

(2) Overview of financial situation for the current period

① Assets

Current assets increased 10,625 million yen (34.9%) to 41,066 million yen. This was primarily due to increases in inventory assets and accounts receivable.

Primarily as a result of increases in buildings and structures, fixed assets increased 2,312 million yen (7.7%) from the previous fiscal year to 32,317 million yen.

As a result, total assets increased to 12,938 million yen (21.4%) from the previous fiscal year to 73,384 million yen.

② Liabilities

Current liabilities increased 10,161 million yen (45.9%) from the previous fiscal year to 32,278 million yen mainly due to increases in contract liabilities, notes and accounts payable.

Fixed liabilities decreased 1,415 million yen (16.7%) from the previous fiscal year to 7,079 million yen, primarily due to a decrease in long-term loans payable.

As a result, total liabilities increased 8,745 million yen (28.6%) from the previous fiscal year to 39,358 million yen.

③ Net assets

Net assets increased to 4,192 million yen (14.1%) from the previous fiscal year to 34,025 million yen. The ratio of shareholder's equity to total assets is now 42.4%.

(3) Overview of cash flow for the current perod

Cash and cash equivalents (hereafter, cash) at the end of this consolidated fiscal year decreased 437 million yen (6.4%) from the previous fiscal year to 6,419 million yen.

Cash flows this consolidated fiscal year and the reasons are as follows.

1) Cash flow from operating activities

Funds obtained through operating activities were 7,414 million yen (592 million were used in the same period of the previous year).

This occurred despite a decrease in funds due to increased inventory assets primarily due to increasing contract liabilities, notes and accounts payable.

2) Cash flows for investment activities

Funds used as a result of investment activities increased 2,564 million yen (187.9 %) from the previous consolidated fiscal year to 3,928 million yen.

This was mainly caused by a decrease in funds due to the acquisition of tangible fixed assets.

3) Cash flow from financing activities

Funds used for finance activities amounted to 4,183 million yen (1,469 million yen acquired in the same period of the previous year). Primarily this was caused by a decrease in funds due to the repayment of short-term and long-term loans payable.

(Reference) Trends in cash flow related indicators

	Fiscal year ending March 2018	Fiscal year ending March 2019	Fiscal year ending March 2020	Fiscal year ending March 2021	Fiscal year ending March 2022
Shareholders' equity ratio to total assets	41.7	38.9	40.3	45.4	42.4
Shareholders' equity ratio on a market price basis (%)	76.0	45.5	25.1	39.7	43.3
Ratio of cash flow to interest-bearing liabilities	358.2	10,625.2	162.4	(2,282.9)	117.2
Interest coverage ratio	26.0	0.4	21.4	(1.7)	35.5

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

Shareholders' equity ratio on a market price basis: Total market value of shares/total assets

Ratio of cash flow to interest-bearing liabilities: Interest-bearing liabilities/operating

cash flow interest coverage ratio: Operating cash flow/interest payments.

Notes: 1. All indicators are calculated using financial figures on a consolidated basis.

2. Market capitalization is calculated by multiplying the closing share price at the end of the period by the number of shares outstanding (less treasury stock) at the end of the period.

3. Cash flow from operating activities is the cash flow from operating activities in the consolidated statements of cash flow. Interest-bearing debt includes all liabilities on the consolidated balance sheets for which interest is paid. Interest payments are based on the amount of interest paid in the consolidated statements of cash flows.

(4) Future outlook

The fiscal year ending March 2023, the second year of the G-EST2025 mid-term plan, is positioned as the year for "continuing to build the foundation for conversion to a high profitability Group". Going forward, we intend to continue implementing the four basic strategies in the mid-term plan.

1. Expand “Global E2E” business
   ・ Focus continues on services for video streaming service providers which remain strong
   ・ Make up-front investments for growth
2. Establish a new Live Entertainment business
   ・ Strengthen alliances with key companies in hybrid live and high-definition live viewing
   ・ Develop new projects in experiential theme parks
3. Generate Additional Business Value in the Imaging Systems & Solutions business
   ・ Expand revenue in high-speed cameras, online delivery system for TV commercials, and video networks for cardiovascular equipment
   ・ Improve profits from systems for broadcasting stations
   ・ Expand optical measurements business
4. Complete Transformation in the "Transformational business"
   ・ Promote business development using proprietary intellectual property
   ・ Expand content production for video streaming service providers
   ・ Further cost control over production of movie theater movies, TV animations and TV dramas

Our efforts using the basic strategies have resulted in consolidated performance forecasts for the fiscal year ending March 2023 projecting sales of 88,000 million yen, operating income of 3,600 million yen, ordinary income of 3,300 million yen and net income attributable to parent company shareholders of 2,100 million yen. Operating income includes approximately 1,600 million yen of amortization of goodwill and other expenses*. We assume that the impact of the novel coronavirus on business performance will continue for a certain period of time in the fiscal year ending March 2023, but the situation will gradually improve.

Specific details on the progress of the mid-term plan "G-EST 2025" will be disclosed at the financial results briefing to be held on May 17, 2022.

(*Amortization of goodwill and other expenses equals amortization of good will plus amortization of intangible fixed assets associated with M&A.)

<Dividend policy>

The Group considers the return of profits to shareholders 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.

Based on the above the year-end dividend (forecast) for the fiscal year ending March 2023 will be ¥15 per share.

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, 2021	March 31 2022
Assets		
Current assets		
Cash and deposits	6,908,657	6,420,308
Notes and accounts receivable- trade	15,159,083	–
Notes receivable- trade	–	353,710
Accounts receivable- trade	–	18,321,433
Contract assets	–	174,250
Inventories	6,499,812	13,613,658
Other	1,918,018	2,223,017
Allowance for doubtful accounts	(44,735)	(39,570)
Total current assets	30,440,836	41,066,808
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,065,365	5,448,367
Machinery and equipment	85,810	832,609
Land	1,705,819	1,705,807
Lease Assets	475,187	303,675
Other	1,892,686	1,878,964
Total Property, plant and equipment	7,224,868	10,169,425
Intangible assets		
Goodwill	12,048,747	11,482,801
Other	2,464,367	2,352,770
Total Intangible assets	14,513,115	13,835,572
Investments and other assets		
Investment securities	3,163,483	2,670,687
Lease and guarantee deposits	1,641,911	2,066,324
Deferred tax asset	2,154,662	3,051,529
Other	1,424,759	672,435
Allowance for doubtful accounts	(117,446)	(148,462)
Total Investments and other assets	8,267,369	8,312,513
Total Non-current assets	30,005,354	32,317,511
Total assets	60,446,190	73,384,320

(Thousands of yen)	March 31, 2021	March 31 2022
Liabilities		
Current liabilities		
Notes and accounts payable- trade	5,416,309	8,884,981
Short-term loans payable	7,402,726	4,170,485
Accounts payable	1,212,857	1,824,055
Income taxes payable	211,609	850,863
Advances received	2,811,112	–
Contract liabilities	–	8,373,707
Asset retirement obligations	–	41,401
Provision for bonuses	977,286	1,594,260
Provision for loss on order received	79,660	3,717
Provision for loss on litigation	531,408	584,309
Other	3,474,389	5,951,109
Total current liabilities	22,117,359	32,278,892
Non-current liabilities		
Long-term loans payable	5,384,905	4,019,743
Long-term accounts payable-other	148,018	208,183
Net defined benefit liabilities	550,324	396,815
Deferred tax liabilities	1,219,724	1,311,241
Asset retirement obligations	627,722	636,938
Other	565,200	507,067
Total non-current liabilities	8,495,895	7,079,990
Total Liabilities	30,613,255	39,358,882
Net assets		
Shareholders' equity		
Capital stock	3,306,002	3,306,002
Capital surplus	13,238,832	13,223,561
Retained earnings	10,966,151	13,785,809
Treasury stock	(361,659)	(351,569)
Total shareholders' equity	27,149,326	29,963,804
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	880,107	610,074
Revaluation reserve for land	(17,933)	(17,933)
Foreign currency translation adjustment	(559,947)	595,800
Re-measurements of defined benefit plans	(688)	(2,483)
Total accumulated other comprehensive income	301,538	1,185,458
Stock acquisition right	11,484	–
Non-controlling Interests	2,370,585	2,876,174
Total Net assets	29,832,935	34,025,437
Total liabilities and Net assets	60,446,190	73,384,320

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

Consolidated Statements of Income

(Thousands of yen)	Fiscal year 2020	Fiscal year 2021
Net sales	86,727,250	80,184,157
Cost of sales	66,144,342	56,797,356
Gross profit	20,582,908	23,386,800
Selling, general and administrative expenses	21,667,668	19,969,029
Operating income (loss)	(1,084,760)	3,417,771
Non-operating income		
Interest income	211,506	1,203
Dividend income	35,623	22,240
Subsidy income	159,998	667,109
Foreign exchange gains	80,382	46,132
Other	123,818	138,752
Total non-operating income	611,329	875,437
Non-operating expenses		
Interest expenses	339,794	204,657
Equity in losses of affiliates	340,681	7,224
Other	189,668	146,855
Total non-operating expenses	870,144	358,737
Ordinary income (loss)	(1,343,575)	3,934,471
Extraordinary income		
Gain on sales of non-current assets	3,790	4,690
Gain on sales of investment securities	－	414,702
Gain on sale of shares of subsidiaries and associates	4,936,083	417,882
Compensation for forced relocation	121,825	438,754
Gain on step acquisitions	2,076,728	－
Other	－	25,077
Total extraordinary income	7,138,428	1,301,107
Extraordinary losses		
Loss on sales of non-current assets	263	－
Loss on retirement of non-current assets	50,714	102,982
Impairment loss	410,443	1,280,371
Business restructuring expenses	1,716,210	－
Office transfer related expenses	21,166	586,397
Other	41,214	67,513
Total extraordinary losses	2,240,013	2,037,265
Net income before income tax	3,554,839	3,198,313
Income Taxes Current	774,733	1,351,725
Income Taxes Deferred (loss)	(128,541)	(1,018,408)
Income taxes	646,191	333,317
Net income	2,908,647	2,864,995
Net income (loss) attributable to non-controlling interests	(545,990)	135,277
Net income attributable to owners of the parent	3,454,638	2,729,718

Consolidated Statements of Comprehensive Income

(Thousands of yen)	Fiscal year 2020	Fiscal year 2021
Net income	2,908,647	2,864,995
Other comprehensive income		
Valuation difference on available-for-sale securities	690,975	(266,504)
Foreign currency translation adjustment	(109,391)	1,156,758
Re-measurements of defined benefit plans	393	(1,795)
Total other comprehensive income	581,977	888,458
Comprehensive income	3,490,624	3,753,454
(Breakdown)		
Comprehensive income attributable to owners of parent	4,117,494	3,613,638
Comprehensive income attributable to non-controlling interests	(626,869)	139,815

(3) Consolidated Statements of Cash Flow Statement

(Thousands of yen)	Fiscal year 2020	Fiscal year 2021
Cash flows from operating activities		
Income before income taxes	3,554,839	3,198,313
Depreciation and Amortization	2,757,520	2,059,069
Amortization of goodwill	871,375	1,406,351
Impairment loss	410,443	1,280,371
Increase (decrease) in net defined benefit liabilities	(19,166)	62,677
Increase (decrease) in allowance for doubtful accounts	7,930	22,559
Increase (decrease) in provision for bonuses	(272,580)	585,000
Interest and dividend income	(249,299)	(23,443)
Subsidy income	(159,998)	(667,109)
Interest expenses	339,794	204,657
Equity in (earnings) losses of affiliates	340,681	7,224
Loss (gain) on step acquisitions	(2,076,728)	–
Loss (gain) on sales of investment securities	–	(414,702)
Loss (gain) on sales of socks of subsidiaries and affiliates	(4,936,083)	(417,882)
Loss (gain) on sales of non-current assets	47,187	98,292
Compensation for forced relocation	(121,825)	(438,754)
Office transfer related expenses	21,166	586,397
Business restructuring expenses	1,716,210	–
Decrease (increase) in notes and accounts receivable-trade	(52,438)	–
Decrease (increase) in trade receivables and contract assets	–	(1,992,676)
Decrease (increase) in inventories	2,741,123	(6,770,229)
Increase (decrease) in notes and accounts payable-trade	26,013	2,431,249
Increase (decrease) in advance payment	(1,635,027)	–
Increase (decrease) in contract liabilities	–	5,393,275
Other, net	(792,888)	344,666
Subtotal	2,518,250	6,955,306
Interest and dividend income received	248,536	22,585
Subsidies received	159,535	22,617
Interest expenses paid	(354,142)	(209,152)
Proceeds from compensation for forced relocation	121,825	1,858,926
Office transfer related expenses paid	(17,082)	(530,888)
Business restructuring expenses paid	(1,400,653)	(315,537)
Income taxes paid	(1,868,750)	(389,105)
Net cash provided by (used in) operating activities	(592,481)	7,414,751
Cash flows from investing activities		
Payments into time deposits	(394,699)	–
Purchase of property, plant and equipment	(1,500,380)	(3,996,470)
Proceeds from sales of property, plant and equipment	5,302	11,277
Purchase of intangible assets	(709,320)	(612,816)
Proceeds from sale of investment securities	5,000	944,982
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(60,000)	–
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	5,859,020	417,882
Payments of leasehold and guarantee deposits	(23,298)	(546,979)
Other, net	(4,545,874)	(146,229)
Net cash provided by (used in) investing activities	(1,364,250)	(3,928,354)

(Thousands of yen)	Fiscal year 2020	Fiscal year 2021
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,596,512	(2,023,493)
Proceeds from long-term loans payable	4,939,764	–
Repayment of long-term loans payable	(4,048,685)	(1,974,386)
Cash dividends paid	(221,365)	–
Proceeds from share issuance to non-controlling shareholders	–	267,500
Others, net	(2,797,224)	(453,581)
Net cash provided by (used in) financing activities	1,469,000	(4,183,962)
Effect of exchange rate change on cash and cash equivalents	2,723	211,125
Net increase (decrease) in cash and cash equivalents	(485,008)	(486,439)
Cash and cash equivalents at beginning of period	7,327,842	6,856,953
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	14,119	48,693
Cash and cash equivalents at end of period	6,856,953	6,419,206

(4) Notes to consolidated financial statements

(Notes on premise of a going concern)

None.

(Changes in accounting policy etc.)

(Changes in accounting policy)

(Changes accompanying application of Accounting Standards for Recognizing Revenue etc.)

The Accounting Standards for Recognizing Revenue, (Corporate Accounting Standard No. 29, March 31, 2020; hereafter "Revenue Recognition Accounting Standards") were applied from the start of this consolidated fiscal year. These standards prescribe that payment expected to be received in exchange for a good or service is recognized as revenue at the point in time when control of the good or service is transferred to the customer. This resulted in the following changes to recognition of revenue.

(1) Recognition of revenue from product export sales

Previously the Company recognized revenue from export sales of imaging equipment etc., at the time of export customs clearance. This has changed and the revenue is now recognized when it is determined that control of the asset has been transferred to the customer in accordance with the terms of the transaction.

(2) Revenue recognition for transactions with multiple performance obligations in one contract

In our Content Creation business, in the case of transactions with multiple performance obligations in a single contract we previously recognized revenue when all performance obligations were completed if they were highly interrelated. Now however, in the case of items for which the service is determined to be complete after the customer conducts an acceptance inspection, we have changed to a method in which that determination is made for each individual performance obligation and the revenue is deemed received at the point in time at which the inspection is completed.

(3) Revenue recognition for transactions conducted by agent

Previously we recognized revenue from sales of mobile communications lines based on the total amount received from the customer. However, as a result of determining the role (principal or agent) used in provision of goods or services to the customer, we have changed to a method that recognizes revenue as the net amount obtained after deducting amounts paid to the supplier from the total.

When applying the Revenue Recognition Accounting Standards an amount representing the cumulative effect after retroactive application of the new accounting policy prior to the start of the current fiscal year is added to or subtracted from retained earnings at the start of the current fiscal year in accordance with the requirements of the proviso of paragraph 84 of the Standards on how to handle the transition.

However applying the provisions of paragraph 86 of the Standards, the new accounting policy was not applied retroactively to contracts for which almost the entire amount of revenue was recognized according to the previous method that was being used before the start of the current consolidated fiscal year.

The "Notes and accounts receivable" that were stated in "Current assets" in the consolidated balance sheets for the previous consolidated fiscal year, are, from this consolidated fiscal year, shown included in "Notes receivable", "Accounts receivable", and "Contract assets" and are shown as "Current liabilities".

"Advances received" are included under "Contract liabilities" from this fiscal year onward. In addition, while in the consolidated statements of cash flow for the previous fiscal year, the "increase/decrease in notes and accounts receivable-trade" (increase) are stated in the "cash flow from operating activities", from this consolidated fiscal year these are included in "increase/decrease of notes and accounts receivable-trade and contract assets" (increase). The "increase/decrease of advanced payments" (decrease) are included in "increase/decrease of contract liabilities" (decrease) from this consolidated fiscal year.

However in accordance with the provisions for transitional treatment prescribed in the Revenue Recognition Accounting Standards paragraph 89-2, no reclassification has been made for the previous consolidated fiscal year using the new statement method.

As a result the retained earnings at the start of this consolidated fiscal year decreased 9,934 thousand yen. Also, compared to the situation prior to application of the Revenue Recognition Accounting Standards, sales for this consolidated fiscal year decreased 5,947,684 thousand yen while the cost of sales decreased 5,936,563 thousand yen, with operating income, ordinary income and net profit before tax adjustments etc. each decreasing 11,120 thousand yen.

The impact on per-share Information is stated in the relevant sections.

(Changes in line with application of "Accounting Standards for Calculation of Market Value")

"Accounting Standards for Calculation of Market Value" (Corporate Accounting Standard No. 30, July 4, 2019; hereafter "Market Value Calculation Accounting Standards") were applied from the start of this consolidated fiscal year. It was decided that going forward the new accounting policy that prescribes market value accounting standards etc. would be applied in accordance with the transitional treatment prescribed in the Market Value Accounting Standards paragraph 19 and paragraph 44-2 of the Financial Product Accounting Standards (Corporate Accounting Standard No. 10, July 4, 2019). This change has not impacted the consolidated financial statements.

(Changes in accounting policy that are difficult to distinguish from changes in accounting estimates)

Previously, the Company and its domestic consolidated subsidiaries mainly used the declining balance method for depreciation and amortization of tangible fixed assets (excluding leased assets), but from this consolidated fiscal year we changed to the straight-line method.

Responding to the transition from an era in which state-of-the-art equipment functionality and editing services were our strengths to an era that demands consistent performance of complex tasks in a secure environment for simultaneous worldwide distribution, prior to the fiscal year ending March 2021 the Group made changes to its overseas strategy, carried out structural reforms and a whole Group reorganization and began making more effective use of fixed assets, while reinvigorating our human resources by creating an office environment suited to new ways of working.

Taking implementation of the above measures as an opportunity, we examined the actual use of our tangible fixed assets. The result led us to believe that the risk of technological and economic obsolescence was low. Further, based on the new G-EST2025 medium-term management plan we expect our assets to continue stable operations over their useful lives. We therefore decided to adopt the straight-line depreciation method which distributes costs uniformly, more rationally reflecting how those assets are used.

The changes we implemented brought results. Operating income, ordinary income and net profit before tax adjustments etc. for this period each increased 143,917 thousand yen compared to what the previous method would have produced.

(Segment information and other items)

[Segment information]

1. Overview of reportable segments

(1) Method for determining reportable segments

The reportable segments of the Group are constituent units of the Company and its consolidated subsidiaries for which separate financial information is available and which are subject to periodic review by the Board of Directors for the purpose of determining the allocation of management resources and evaluating performance.

The Group is engaged in a wide range of businesses in the Content Creation field, and has three reportable segments: Content Creation business, Production Services business and Imaging Systems & Solutions business.

The Content Creation business plans and produces movie theater movies, TV dramas, animations, and web-related videos. It also produces commercials and Internet and other advertisements, and is involved in publishing and production of music videos as well as providing integrated production services in the space surrounding video such as live music and events.

The Production Services business segment offers one-stop global video technology services from shooting to editing and distribution, including services such as shooting, relays, program/commercial/PR/etc., video and audio editing, digital synthesis, virtual effects and computer graphics production, digital cinema, localization and distribution, as well as offering game production and personnel services.

The Imaging Systems & Solutions business segment operates in areas such as developing, manufacturing, importing, selling, and providing maintenance services for cutting edge hardware and software related to video and imaging and developing and selling video and image processing LSIs.

(2) Note concerning changes in reportable segments

(Reporting Segments changed)

From this consolidated fiscal year one consolidated subsidiary (Imagica Live, Ltd.) that had previously been classified under Production Service business was reclassified into the Imaging Systems & Solutions business segment.

Relevant "information for each reportable segment including net sales, profit or loss, assets, liabilities, and other items" for the previous consolidated fiscal year is disclosed based on the new classification.

(Changes in accounting policy)

As described in "Changes in accounting policy", the Revenue Recognition Accounting Standards were applied from the start of this consolidated fiscal year and as the method of accounting used for recognizing revenue was changed, the method for calculating profits and losses for each business segment was changed in the same manner.

As a result of these changes, in comparison to accounting under the previous method, net sales for this consolidated fiscal year increased 70,401 thousand yen in the Content Creation business segment, decreased 12,612 thousand yen in the Production Services business segment and decreased 6,005,472 thousand yen in the Imaging Systems & Solutions business segment. Profits increased 1,492 thousand yen in the Content Creation business segment and decreased 12,612 thousand yen in the Production Services business segment.

(Change in depreciation and amortization method used for tangible fixed assets)

As stated in "Changes in accounting policy that are difficult to distinguish from changes in accounting estimates", the Company and its domestic consolidated subsidiaries have changed the depreciation and amortization method for tangible fixed assets (excluding leased assets) from the declining-balance method to the straight-line method from the current fiscal year.

As a result of this change this consolidated fiscal year profits increased 10,542 thousand yen in the Content Creation business segment, 42,347 thousand yen in the Production Services business segment, 60,085 thousand yen in the Imaging Systems & Solutions business segment, and 30,941 thousand yen as "Adjustments".

2. Method for calculating sales, profit or loss, assets, liabilities, and other items for each reportable segment

The accounting methods for reportable business segments are generally the same as those used in consolidated financial statements.

Profits of reportable segments are based on operating income.

Intersegment sales or transfers are based on prevailing market prices.

3. Information concerning sales, profit or loss, assets, liabilities and other items

Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)

(Thousands of yen)

	Content Creation	Production Services	Imaging Systems & Solutions	Sub total
Net sales				
Sales to external customers	19,630,096	46,037,741	20,603,612	86,271,450
Inter-segment sales or transfers	179,763	936,209	403,158	1,519,131
Total	19,809,860	46,973,950	21,006,771	87,790,582
Segment income (loss)	(440,895)	(2,223,448)	2,046,577	(617,766)

	Adjustments (Note 1)	Amount in the Quarterly Consolidated Statements of Income (Note 2)
Net sales		
Sales to external customers	455,800	86,727,250
Inter-segment sales or transfers	(1,519,131)	–
Total	(1,063,331)	86,727,250
Segment income (loss)	(466,994)	(1,084,760)

Notes: 1. Adjustments are as follows.

(1) Sales to outside customers Include new business-related income and real estate rental income.

(2) The (466,994) thousand yen segment profit or loss (loss) adjustment consists mainly of a 1,130,385 thousand yen profit related to the Company and (1,597,379) thousand yen of elimination of intersegment transactions.

(3) The amount of 6,615,705 thousand yen as an adjustment for segment assets includes corporate assets of 15,179,695 thousand yen not allocated to reportable segments and elimination of intersegment transactions amounting to (8,563,990) thousand yen. Corporate assets consist mainly of cash and deposits and fixed assets such as investment securities.

(4) An adjustment for depreciation and amortization of 113,279 thousand yen includes 136,418 thousand yen depreciation and amortization related to corporate assets and elimination of intersegment transactions of (23,138) thousand yen.

(5) An adjustment of 46,273 thousand yen increasing tangible and intangible fixed assets includes acquisition of corporate assets of 47,117 thousand yen and elimination of intersegment transactions of (844) thousand yen.

2. Segment profit and loss (loss) is adjusted with operating loss in the consolidated financial statements.

Current consolidated fiscal year (April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Content Creation	Production Services	Imaging Systems & Solutions	Sub total
Net sales				
Sales to external customers	21,328,985	40,902,341	16,981,276	79,212,603
Inter-segment sales or transfers	345,204	1,178,645	658,710	2,182,560
Total	21,674,190	42,080,986	17,639,986	81,395,164
Segment income	582,216	1,726,100	1,740,806	4,049,124

	Adjustments (Note 1)	Amount in the Quarterly Consolidated Statements of Income (Note 2)
Net sales		
Sales to external customers	971,553	80,184,157
Inter-segment sales or transfers	(2,182,560)	–
Total	(1,211,006)	80,184,157
Segment income	(631,352)	3,417,771

Notes: 1. Adjustments are as follows.

(1) Sales to outside customers Include new business-related income and real estate rental income.

(2) The adjustment of segment profits amounting to (631,352) thousand yen mainly includes profits of 666,930 thousand yen related to the Company and elimination of intersegment transactions of (1,298,283) thousand yen

(3) The 1,155,918 thousand yen adjustment for segment assets includes corporate assets of 15,472,585 thousand yen not allocated to a reportable segment and inter-segment elimination of (14,316,666) thousand yen. Corporate assets consist mainly of cash and deposits and fixed assets such as investment securities.

(4) The 92,419 thousand yen adjustment for depreciation and amortization includes depreciation and amortization of 111,104 thousand yen related to corporate assets and elimination of inter-segment transactions of (18,684) thousand yen.

(5) An adjustment increase in tangible and intangible fixed assets of 267,853 thousand yen includes acquisition of corporate assets of 270,299 thousand yen and elimination of inter-segment transactions of (2,446) thousand yen.

2. Segment profits are adjusted with operating income in the consolidated statements of income.

(Per-share information)

	Fiscal Year 2020 (April 1, 2020 to March 31, 2021)	Fiscal Year 2021 (April 1, 2021 to March 31, 2022)
Net assets per share	618.43 yen	701.63 yen
Net income per share	77.89 yen	61.49 yen

Notes: 1. As there are no residual shares that could dilute stock value diluted net income per share is not shown.

2. As stated in "Changes in accounting policy", the "Revenue Recognition Accounting Standards" have been applied. This had only a minor impact on net income per share for the current fiscal year.

3. Net income per share is calculated on the following basis.

	Fiscal Year 2020 (April 1, 2020 to March 31, 2021)	Fiscal Year 2021 (April 1, 2021 to March 31, 2022)
Net income per share		
Net income (thousands of yen) attributable to parent company shareholders	3,454,638	2,729,718
Amount not attributable to ordinary shareholders (thousands of yen)	—	—
Net income (thousands of yen) attributable to shareholders of the parent company for common stock	3,454,638	2,729,718
Average number of shares of common stock during period (shares)	44,350,392	44,392,807
Summary of potential stock not included in the calculation of diluted net income per share due to the absence of a dilutive effect.	Stock acquisition rights by resolution of the Board of Directors meeting of July 11, 2019 Third series of stock acquisition rights 42,901 stock acquisition rights (4,290 thousand shares of common stock) Fourth series of stock acquisition 40,000 stock acquisition rights (4,000 shares of common stock)	Stock acquisition rights by resolution of the Board of Directors on July 11, 2019 Third series of stock acquisition rights 42,901 stock acquisition rights (4,290 thousand shares of common stock) Fourth series of stock acquisition rights 40,000 stock acquisition rights (4,000 shares of common stock) The above stock acquisition rights were acquired and canceled on All have been acquired and canceled.

4. Basis for calculating net assets per share is as follows.

	Fiscal Year 2020 (April 1, 2020 to March 31, 2021)	Fiscal Year 2021 (April 1, 2021 to March 31, 2022)
Total net assets (thousands of yen)	29,832,935	34,025,437
Amount deducted from total net assets (thousands of yen)	2,382,070	2,876,174
(of which, stock acquisition rights (thousands of yen))	(11,484)	—
(of which, non-controlling interest (thousands of yen))	(2,370,585)	(2,876,174)
Net assets at period end related to common shares (thousands of yen)	27,450,865	31,149,262
Number of shares of common stock at end of period used for calculating net assets per-share	44,388,236	44,395,529

(Significant subsequent events)

No relevant matters to be noted.

4. Others, net

(1) Changes in executives

Will be disclosed when decided.