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Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (J-GAAP)



May 9, 2024

Company name:	IMAGICA GROUP Inc.	Stock exchange listing:	Tokyo Prime
Securities code:	6879	URL:	https://www.imagicagroup.co.jp/en/
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Planned date for ordinary general meeting of shareholders:	June 25, 2024		
Planned dividend payment date:	June 11, 2024		
Planned annual securities report filing date:	June 25, 2024		
Supplementary material of financial results:	Available		
Planned financial results briefing:	Available		

(Millions of yen, rounded down)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023 – March 31, 2024)

(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 parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended								
March 31, 2024	99,684	5.9	3,924	1.4	3,727	2.5	2,373	(38.6)
March 31, 2023	94,147	17.4	3,868	13.2	3,638	(7.5)	3,864	41.6

(Note) Comprehensive income: Fiscal year ended March 31, 2024: ¥3,466 million / (51.8)%
Fiscal year ended March 31, 2023: ¥7,186 million / 91.5%

	Basic earnings per share	Diluted earnings per share	Return on equity net income	Total assets ordinary income ratio	Operating income ratio
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2024	53.57	—	6.4	4.6	3.9
March 31, 2023	86.79	—	11.5	4.7	4.1

(Reference) Equity in net income of affiliates: Fiscal year ended March 31, 2024: ¥(14) million
Fiscal year ended March 31, 2023: ¥(8) million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2024	78,694	39,906	48.1	855.85
As of March 31, 2023	81,888	40,303	44.1	809.83

(Reference) Shareholders' equity: As of March 31, 2024: ¥37,828 million
As of March 31, 2023: ¥36,106 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and Cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2024	5,730	(4,461)	(4,117)	5,241
March 31, 2023	6,109	(2,380)	(2,585)	7,812

2. Dividends

	Dividend per share					Dividends total (Annual)	Dividend payout ratio (Consolidated)	Dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2023	–	0.00	–	15.00	15.00	668	17.3	2.0
March 31, 2024	–	0.00	–	15.00	15.00	663	28.0	1.8
March 31, 2025 (Forecast)	–	0.00	–	15.00	15.00		33.2	

* For details of the dividend forecast approach for the fiscal year ending March 31, 2025, please refer to “1. Overview of Operating Results, etc. (4) Future Outlook <Dividend policy>” on page 5 of the Attachments.

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 - March 31, 2025)

(Percentage represents change from the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	98,000	(1.7)	3,700	(5.7)	3,200	(14.2)	2,000	(15.7)	45.25

* Notes:

(1) Material changes in subsidiaries during this period (changes in scope of consolidations resulting from change in subsidiaries): None

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

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 standards: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(3) Number of shares issued (common shares)

1) Number of shares issued at the end of the period (including treasury stock)

As of March 31, 2024	44,741,467 shares	As of March 31, 2023	44,741,467 shares
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2) Number of treasury stock at the end of the period

As of March 31, 2024	541,346 shares	As of March 31, 2023	156,042 shares
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3) Average number of shares during the period

As of March 31, 2024	44,298,707 shares	As of March 31, 2023	44,527,222 shares
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[Reference] Overview of Non-Consolidated Financial Results**Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023 – March 31, 2024)****(1) Non-Consolidated Operating Results**

(Percentage represents change from the same period of the previous fiscal year.)

Fiscal year ended	Operating revenue		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2024	3,366	(6.3)	595	(19.9)	729	(1.0)	1,111	24.4
March 31, 2023	3,591	13.7	743	15.2	736	15.2	893	(14.4)

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2024	25.09	—
March 31, 2023	20.06	—

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2024	31,695	20,925	66.0	473.42
As of March 31, 2023	30,323	20,449	67.4	458.67

(Reference) Shareholders' equity: As of March 31, 2024: ¥20,925 million
As of March 31, 2023: ¥20,449 million

*** These financial results are exempted from audit by a certified public accountant or an auditing firm.**

*** Explanation regarding the appropriate usage of financial forecasts and other special instructions**

Forward-looking statements, such as financial forecasts, presented in this document are based on information available and certain assumptions the Company deemed to be reasonable at the time of publication, and the Company does not guarantee its future performance. Actual results may differ significantly due to various factors.

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1. Overview of Operating Results, etc.

(1) Overview of operating results for the current period

① Overview of the current fiscal year

In the fiscal year ended March 31, 2024 (the “fiscal year” or “FY2023”), although the Japanese economy slowly recovered, the outlook still contains uncertainties such as ongoing rapid depreciation of the yen and rising prices.

IMAGICA GROUP Inc. (the “Company”) and its subsidiaries (collectively, the “Group”) has positioned FY2023, the third year of our G-EST 2025 Mid-Term Plan as “the year to get on growth path after establishment of basis for growth,” and implemented five key strategies.

As a result, the group’s performance in FY2023 was as follows: Net sales were 99,684 million yen (up 5.9% year on year), operating income was 3,924 million yen (up 1.4%), ordinary income was 3,727 million yen (up 2.5%), and net income attributable to owners of parent was 2,373 million yen (down 38.6%). Net income attributable to owners of parent decreased due to the recording of extraordinary income including compensation for forced relocation in the previous fiscal year.

② Performance by business segment

Financial results by business segment are as follows.

Effective from FY2023, the reportable segment “Production Services” has been renamed to “Production Technology Services.” This change is merely nominal and has no impact on the details of segment information.

1) Content Creation business

In FY2023, the Content Creation business reported sales of 28,186 million yen (up 19.8% year on year) and operating income of 1,276 million yen (up 138.4%).

Sales of films and dramas increased owing to the feature film “Godzilla Minus One”, the Netflix feature film “Zombie 100: Bucket List of the Dead”, the Netflix series “Yu Yu Hakusho,” and other major works. Sales of animation works significantly increased owing to CG animation works and TV series with strong orders. Sales in the publishing business significantly increased owing to strong sales of books of the light novel “The Apothecary Diaries,” whose TV animated series aired from October 2023 to March 2024. Sales of commercial production grew in web commercials owing to high number of orders although performance in TV commercials was sluggish due to weak orders.

As a result, sales and operating income significantly increased in the segment.

2) Production Technology Services business

In FY2023, the Production Technology Services business reported sales of 53,967 million yen (down 0.3% year on year) and operating income of 1,430 million yen (down 43.5%).

In domestic E2E services^{*1}, sales increased mainly owing to solid sales of digital cinema services. In overseas E2E services^{*1}, sales decreased due to a decrease in sales of localization services as the Hollywood actors’ and writers’ strike lasted longer than expected and new releases were delayed, although sales of digital cinema services grew. Operating income decreased as a result of decrease in the sales, and a rise in depreciation expenses and the other costs brought on by capital expenditure. In the game-related business^{*2}, sales increased as orders for Game 3DCG production increased, among other factors. In post-production services for TV, sales declined with weak orders due to environmental change in domestic TV industry caused by platform diversification for movie contents.

As a result, sales and operating income decreased in the segment.

*1 E2E services: End-to-end services. This is a general term for one-stop services ranging from post-production in the production of video content such as movies, dramas, and animation to media services for the localization (dubbing and subtitling) and distribution through movie theaters, TV, and the Internet. Meanwhile, the closing date for overseas E2E services is December 31, and therefore the results from January 1, 2023 to December 31, 2023 are reflected in those for FY2023.

*2 Game-related business: Game software development, visual production (CG), translation, audio recording, quality assurance and creative talent dispatch and referral, etc.

3) Imaging Systems & Solutions business

In FY2023, the Imaging Systems & Solutions business reported sales of 19,756 million yen (up 4.4% year on year) and operating income of 2,404 million yen (up 15.2%).

Sales of high-speed cameras significantly increased, breaking a record-high annual volume of product shipments, owing in part to the settlement of parts shortages in the previous fiscal year and strong orders especially from overseas. Operating income of broadcast imaging systems & solutions increased by improving cost structure, although the sales decreased due to weak orders. On the other hand, sales of video and image processing LSIs declined mainly due to slower recovery of market environments.

As a result, sales and operating income increased in the segment.

(2) Overview of financial situation for the current period

① Assets

Current assets decreased by 3,682 million yen (8.2%) from the end of the previous fiscal year to 41,288 million yen. This was mainly due to decreases in cash and deposits and accounts receivable - trade.

Non-current assets increased by 488 million yen (1.3%) from the end of the previous fiscal year to 37,405 million yen. This was mainly due to increases in shares of subsidiaries and affiliates, buildings and structures and goodwill, while deferred tax assets decreased.

As a result, total assets decreased by 3,193 million yen (3.9%) from the end of the previous fiscal year to 78,694 million yen.

② Liabilities

Current liabilities decreased by 4,254 million yen (12.8%) from the end of the previous fiscal year to 28,950 million yen. This was mainly due to decreases in contract liabilities and short-term borrowings.

Non-current liabilities increased by 1,458 million yen (17.4%) from the end of the previous fiscal year to 9,837 million yen. This was mainly due to an increase in long-term borrowings, while lease liabilities decreased.

As a result, total liabilities decreased by 2,796 million yen (6.7%) from the end of the previous fiscal year to 38,788 million yen.

③ Net assets

Net assets decreased by 397 million yen (1.0%) from the end of the previous fiscal year to 39,906 million yen. Equity ratio is 48.1%.

(3) Overview of cash flows for the current period

Cash and cash equivalents ("cash") at the end of the fiscal year ended March 31, 2024 decreased by 2,571 million yen (32.9%) from the end of the previous fiscal year to 5,241 million yen.

Cash flows for the fiscal year ended March 31, 2024 and the reasons for them are as follows.

1) Cash flows from operating activities

Cash provided by operating activities amounted to 5,730 million yen (6,109 million yen in the same period of the previous year).

This was mainly due to an increase in cash associated with decreases in trade receivables and contract assets and inventories while cash decreased associated with a decrease in contract liabilities.

2) Cash flows from investing activities

Cash used as a result of investing activities amounted to 4,461 million yen (2,380 million yen in the same

period of the previous year).

This was mainly due to a decrease in cash associated with the purchases of property, plant and equipment and shares of subsidiaries and affiliates.

3) Cash flows from financing activities

Cash used as a result of financing activities amounted to 4,117 million yen (2,585 million yen in the same period of the previous year).

This was mainly due to a decrease in cash associated with the repayment of long-term borrowings and purchase of investments in subsidiaries do not result in change in scope of consolidation while cash increased associated with the proceeds from long-term borrowings.

(Reference) Trends in cash flow related indicators

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal Year ended March 31, 2023	Fiscal Year ended March 31, 2024
Equity ratio	40.3	45.4	42.4	44.1	48.1
Equity ratio on a market price basis (%)	25.1	39.7	43.3	32.4	38.4
Ratio of cash flow to interest- bearing liabilities	162.4	(2,282.9)	117.2	215.7	231.5
Interest coverage ratio	21.4	(1.7)	35.5	21.0	14.0

* Equity ratio: Shareholders' equity/total assets

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. Total market value of shares 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. Operating cash flow is the cash flows from operating activities in the consolidated statements of cash flows. Interest-bearing liabilities include 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

For the fiscal year ending March 31, 2025 ("FY2024"), the Group will implement mainly the following measures to pursue expanding growth path and continuous business transformation.

1) Content Creation business: Growing revenue by creation and leverage of IP, and improving profitability of animation and CM production by further digitalization

2) Production Technology Services business: Growing global E2E services from the APAC bases, and growing the game-related business with 3DCG production and expansion into the global market

3) Imaging Systems & Solutions business: Expanding product lineup and developing sales channels for high-speed cameras, and investing continuously growing business such as business using 3D sensing

For FY2024, additionally assuming reversal of sales of films and dramas with some major works in FY2023, sales of consolidated subsidiaries and impact after the Hollywood actors' and writers' strike, we expect net sales of 98,000 million yen, operating income of 3,700 million yen, ordinary income of 3,200 million yen, and net income attributable to owners of parent of 2,000 million yen. Operating income includes approximately 2,100 million yen in goodwill and other amortization*.

For future management policies, Shunjiro Nagase, who was newly appointed as Representative Director of the Company on April 1, 2024, will present at the financial results briefing to be held on May 16, 2024.

(* Goodwill and other amortization equal to amortization of goodwill plus amortization of intangible assets associated with M&A.)

<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.

Based on the above, the fiscal year-end dividend for the fiscal year ending March 31, 2025 is forecast to be 15 yen 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.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	March 31, 2023	March 31, 2024
Assets		
Current assets		
Cash and deposits	7,813,769	5,242,625
Notes	420,745	338,971
Accounts receivable - trade	21,445,673	20,171,802
Contract assets	71,061	61,614
Inventories	12,460,112	11,536,441
Other	2,868,953	3,997,518
Allowance for doubtful accounts	(109,328)	(60,000)
Total current assets	44,970,987	41,288,972
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,213,112	13,081,194
Accumulated depreciation	(7,584,337)	(8,155,338)
Accumulated impairment	(619,501)	(598,722)
Buildings and structures, net	4,009,273	4,327,134
Machinery, equipment and vehicles	6,210,738	5,904,211
Accumulated depreciation	(5,525,748)	(5,212,534)
Accumulated impairment	(139,607)	(137,053)
Machinery, equipment and vehicles, net	545,383	554,623
Land	921,363	921,363
Leased assets	5,991,152	5,411,365
Accumulated depreciation	(871,877)	(734,703)
Accumulated impairment	(121,127)	(89,060)
Leased assets, net	4,998,147	4,587,602
Construction in progress	1,711,600	1,516,451
Other	7,801,738	9,016,129
Accumulated depreciation	(5,377,680)	(6,303,911)
Accumulated impairment	(135,685)	(125,339)
Other, net	2,288,372	2,586,878
Total property, plant and equipment	14,474,140	14,494,052
Intangible assets		
Goodwill	11,780,285	12,045,813
Other	2,460,007	2,462,141
Total intangible assets	14,240,292	14,507,955
Investments and other assets		
Investment securities	2,876,524	3,081,638
Shares of subsidiaries and affiliates	514,042	1,480,535
Leasehold and guarantee deposits	2,048,952	2,000,866
Deferred tax assets	2,420,133	1,672,072
Other	490,206	326,433
Allowance for doubtful accounts	(147,088)	(157,899)
Total investments and other assets	8,202,771	8,403,647
Total non-current assets	36,917,204	37,405,654
Total assets	81,888,191	78,694,627

(Thousands of yen)

	March 31, 2023	March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,133,738	6,799,221
Short-term borrowings	6,432,680	5,143,423
Lease liabilities	881,977	983,578
Accounts payable	1,769,403	2,530,291
Income taxes payable	1,172,785	1,432,145
Contract liabilities	7,591,449	4,886,312
Provision for bonuses	1,281,691	1,393,870
Provision for loss on orders received	1,100	11,380
Provision for loss on litigation	630,660	—
Asset retirement obligations	23,181	—
Other	6,286,605	5,770,083
Total current liabilities	33,205,274	28,950,308
Non-current liabilities		
Long-term borrowings	1,366,665	3,120,478
Lease liabilities	4,498,102	4,015,709
Long-term accounts payable	252,767	519,874
Deferred tax liabilities	196,598	214,227
Retirement benefit liability	1,241,071	1,219,274
Asset retirement obligations	653,518	667,624
Other	170,257	80,746
Total non-current liabilities	8,378,982	9,837,935
Total liabilities	41,584,257	38,788,243
Net assets		
Shareholders' equity		
Share capital	3,306,002	3,306,002
Capital surplus	13,020,018	12,149,768
Retained earnings	16,982,736	18,686,595
Treasury shares	(158,530)	(411,349)
Total shareholders' equity	33,150,226	33,731,016
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	713,553	1,076,431
Deferred gains or losses on hedges	20,740	30,654
Revaluation reserve for land	(17,933)	(17,933)
Foreign currency translation adjustment	2,237,081	3,024,687
Remeasurements of defined benefit plans	2,828	(16,227)
Total accumulated other comprehensive income	2,956,270	4,097,613
Non-controlling interests	4,197,436	2,077,752
Total net assets	40,303,934	39,906,383
Total liabilities and net assets	81,888,191	78,694,627

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

(Thousands of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net sales	94,147,707	99,684,745
Cost of sales	67,424,283	71,097,516
Gross profit	26,723,423	28,587,228
Selling, general and administrative expenses	22,854,523	24,663,192
Operating income	3,868,899	3,924,035
Non-operating income		
Interest income	3,709	10,253
Dividend income	26,117	34,747
Rent income	65,177	51,001
Foreign exchange gains	83,005	226,621
Other	111,149	119,996
Total non-operating income	289,160	442,620
Non-operating expenses		
Interest expenses	290,255	408,691
Equity in losses of affiliates	8,290	14,610
Administrative expenses for investment partnerships	—	105,497
Other	220,957	109,887
Total non-operating expenses	519,503	638,685
Ordinary income	3,638,556	3,727,971
Extraordinary income		
Gain on sale of non-current assets	7,464	2,668
Gain on sale of investment securities	1,576,172	290,067
Gain on sale of shares of subsidiaries and affiliates	132,878	189,252
Gain on step acquisitions	—	159,561
Reversal of provision for loss on litigation	—	234,162
Compensation for forced relocation	3,608,494	—
Other	2,156	12,372
Total extraordinary income	5,327,166	888,084
Extraordinary losses		
Loss on retirement of non-current assets	21,425	11,191
Impairment losses	326,587	23,903
Loss on valuation of investment securities	188,001	95,127
Loss on valuation of shares of subsidiaries and affiliates	—	84,677
Extra retirement payments	785,559	—
Other	124,279	1,840
Total extraordinary losses	1,445,854	216,740
Net income before income taxes	7,519,868	4,399,315
Income Taxes Current	1,984,715	1,296,386
Income Taxes Deferred (loss)	345,712	570,282
Income taxes	2,330,427	1,866,668
Net income	5,189,440	2,532,646
Net income attributable to non-controlling interests	1,324,955	159,503
Net income attributable to owners of parent	3,864,485	2,373,143

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net income	5,189,440	2,532,646
Other comprehensive income		
Valuation difference on available-for-sale securities	318,208	158,091
Deferred gains or losses on hedges	20,740	9,914
Foreign currency translation adjustment	1,652,856	784,515
Remeasurements of defined benefit plans, net of tax	5,312	(19,056)
Total other comprehensive income	1,997,117	933,464
Comprehensive income	7,186,558	3,466,111
(Breakdown)		
Comprehensive income attributable to owners of parent	5,635,297	3,514,486
Comprehensive income attributable to non-controlling interests	1,551,261	(48,374)

(3) Consolidated Statements of Changes in Equity
Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,306,002	13,223,561	13,785,809	(351,569)	29,963,804
Cumulative effects of changes in accounting policies			(1,625)		(1,625)
Restated balance	3,306,002	13,223,561	13,784,184	(351,569)	29,962,178
Changes during period					
Dividends of surplus			(665,932)		(665,932)
Net income attributable to owners of parent			3,864,485		3,864,485
Purchase of treasury shares				(151)	(151)
Disposal of treasury shares		(53,280)		193,190	139,910
Change in ownership interest of parent due to transactions with non-controlling interests		(150,263)			(150,263)
Net changes in items other than shareholders' equity					
Total changes during period	—	(203,543)	3,198,552	193,039	3,188,048
Balance at end of current period	3,306,002	13,020,018	16,982,736	(158,530)	33,150,226

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	610,074	—	(17,933)	595,800	(2,483)	1,185,458	2,876,174	34,025,437
Cumulative effects of changes in accounting policies								(1,625)
Restated balance	610,074	—	(17,933)	595,800	(2,483)	1,185,458	2,876,174	34,023,811
Changes during period								
Dividends of surplus								(665,932)
Net income attributable to owners of parent								3,864,485
Purchase of treasury shares								(151)
Disposal of treasury shares								139,910
Change in ownership interest of parent due to transactions with non-controlling interests								(150,263)
Net changes in items other than shareholders' equity	103,479	20,740	—	1,641,280	5,312	1,770,812	1,321,261	3,092,074
Total changes during period	103,479	20,740	—	1,641,280	5,312	1,770,812	1,321,261	6,280,122
Balance at end of current period	713,553	20,740	(17,933)	2,237,081	2,828	2,956,270	4,197,436	40,303,934

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,306,002	13,020,018	16,982,736	(158,530)	33,150,226
Cumulative effects of changes in accounting policies					—
Restated balance	3,306,002	13,020,018	16,982,736	(158,530)	33,150,226
Changes during period					
Dividends of surplus			(668,781)		(668,781)
Net income attributable to owners of parent			2,373,143		2,373,143
Purchase of treasury shares				(339,978)	(339,978)
Disposal of treasury shares		(17,764)		87,159	69,395
Change in ownership interest of parent due to transactions with non-controlling interests		(852,485)			(852,485)
Change in scope of consolidation			(502)		(502)
Net changes in items other than shareholders' equity					
Total changes during period	—	(870,249)	1,703,858	(252,818)	580,790
Balance at end of current period	3,306,002	12,149,768	18,686,595	(411,349)	33,731,016

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	713,553	20,740	(17,933)	2,237,081	2,828	2,956,270	4,197,436	40,303,934
Cumulative effects of changes in accounting policies								—
Restated balance	713,553	20,740	(17,933)	2,237,081	2,828	2,956,270	4,197,436	40,303,934
Changes during period								
Dividends of surplus								(668,781)
Net income attributable to owners of parent								2,373,143
Purchase of treasury shares								(339,978)
Disposal of treasury shares								69,395
Change in ownership interest of parent due to transactions with non-controlling interests								(852,485)
Change in scope of consolidation								(502)
Net changes in items other than shareholders' equity	362,877	9,914	—	787,606	(19,056)	1,141,342	(2,119,684)	(978,341)
Total changes during period	362,877	9,914	—	787,606	(19,056)	1,141,342	(2,119,684)	(397,550)
Balance at end of current period	1,076,431	30,654	(17,933)	3,024,687	(16,227)	4,097,613	2,077,752	39,906,383

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities		
Net income before income taxes	7,519,868	4,399,315
Depreciation and amortization	2,596,176	2,941,143
Impairment losses	326,587	23,903
Amortization of goodwill	1,558,279	1,655,201
Increase (decrease) in net defined benefit liabilities	(61,306)	21,602
Increase (decrease) in allowance for doubtful accounts	63,157	(45,305)
Increase (decrease) in provision for bonuses	(312,568)	183,907
Increase (decrease) in provision for loss on litigation	—	(630,660)
Interest and dividend income	(35,041)	(45,001)
Interest expenses	290,255	408,691
Equity in (earnings) losses of affiliates	8,290	14,610
Loss (gain) on sales of non-current assets	13,960	8,523
Loss (gain) on valuation of investment securities	188,001	95,127
Loss on valuation of shares of subsidiaries and affiliates	—	84,677
Loss (gain) on sale of investment securities	(1,576,172)	(290,067)
Loss (gain) on sale of shares of subsidiaries and affiliates	(132,878)	(189,252)
Loss (gain) on step acquisitions	—	(159,561)
Compensation for forced relocation	(3,608,494)	—
Extra retirement payments	785,559	—
Decrease (increase) in trade receivables and contract assets	(2,179,438)	1,928,766
Decrease (increase) in inventories	1,172,665	1,007,708
Increase (decrease) in notes and accounts payable-trade	(2,007,531)	(523,675)
Increase (decrease) in contract liabilities	(876,900)	(2,668,142)
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(113,379)	919,529
Increase (decrease) in accounts payable	10,251	920,704
Other, net	2,203,626	(2,314,628)
Subtotal	5,832,968	7,747,117
Interest and dividend income received	34,182	43,995
Interest expenses paid	(290,320)	(408,310)
Proceeds from compensation for forced relocation	3,434,095	—
Extra retirement payments paid	(712,525)	(73,034)
Income taxes paid	(2,189,269)	(1,579,527)
Net cash provided by (used in) operating activities	6,109,130	5,730,240
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,853,620)	(2,291,501)
Purchase of intangible assets	(655,015)	(781,978)
Proceeds from sale of investment securities	1,642,912	321,785
Purchase of shares of subsidiaries and affiliates	(215,681)	(1,289,081)
Purchase of investments in subsidiaries result in change in scope of consolidation	—	(203,303)
Sales of investments in subsidiaries result in change in scope of consolidation	—	(267,310)
Payments of leasehold and guarantee deposits	(161,444)	(59,343)
Other, net	(137,593)	108,953
Net cash provided by (used in) investing activities	(2,380,444)	(4,461,779)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	280,149	(272,203)
Proceeds from long-term borrowings	—	3,448,960
Repayment of long-term borrowings	(1,334,433)	(3,017,609)

Cash dividends paid	(665,932)	(668,781)
Dividends paid to non-controlling interests	(140,670)	(102,689)
Purchase of investments in subsidiaries do not result in change in scope of consolidation	(442,473)	(1,522,345)
Distribution paid to non-controlling interests	—	(1,379,514)
Other, net	(282,415)	(603,522)
Net cash provided by (used in) financing activities	(2,585,777)	(4,117,706)
Effect of exchange rate change on cash and cash equivalents	250,452	176,940
Net increase (decrease) in cash and cash equivalents	1,393,361	(2,672,305)
Cash and cash equivalents at beginning of period	6,419,206	7,812,568
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	101,000
Cash and cash equivalents at end of period	7,812,568	5,241,262

(5) Notes to consolidated financial statements
(Notes on ongoing concern assumption)

No relevant matters to be noted.

(Segment information and others)

[Segment information]

1. Overview of reportable segments

(1) Method for determining reportable segments

The reportable segments of the Group are those 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 Technology Services business, and Imaging Systems & Solutions business.

The Content Creation business includes planning and production of feature films, drama programs, animation, and web-related video; advertising production for TV commercials, the Internet, etc.; publishing; audio-visual production primarily for music videos; and comprehensive production of spaces centered on visual content, such as live entertainment.

The Production Technology Services business provides one-stop global imaging technology services that range from shooting and broadcasting to editing and distribution, including shooting; live broadcasting; image and audio editing for programs, commercials, PR, etc.; digital synthesis; VFX and CG production; digital cinema; localization; and distribution, as well as game software development, visual production (CG), translation, audio recording, quality assurance and human talent services, etc.

The Imaging Systems & Solutions business operates in areas such as development, manufacturing, import, sales, and maintenance services for cutting-edge hardware and software related to video and imaging, as well as the development and sales of video and image processing LSIs, and the live broadcast and distribution of sporting events, etc.

(2) Information regarding changes in reportable segments

Effective from FY2023, the reportable segment “Production Services” has been renamed “Production Technology Services.” This change is merely nominal and has no impact on the details of segment information.

Segment information for the fiscal year ended March 31, 2023 is presented using the new name.

2. Method for calculating net sales, income (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.

Income of reportable segments are based on operating income.

Inter-segment sales or transfers are based on prevailing market prices.

3. Information regarding net sales, income (loss), assets, liabilities, and other items by reportable segment

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Content Creation	Production Technology Services	Imaging Systems & Solutions	Sub total	Adjustments (Note 1)	Amount in the Consolidated Financial Statements (Note 2)
Net sales						
Sales to external customers	23,397,103	52,563,615	18,173,043	94,133,762	13,944	94,147,707
Inter-segment sales or transfers	140,321	1,564,527	757,182	2,462,031	(2,462,031)	—
Total	23,537,424	54,128,142	18,930,226	96,595,794	(2,448,086)	94,147,707
Segment income	535,234	2,532,715	2,086,987	5,154,937	(1,286,037)	3,868,899
Segment assets	18,448,131	44,625,497	16,601,645	79,675,274	2,212,916	81,888,191
Other items						
Depreciation and amortization	60,253	2,009,073	424,485	2,493,812	102,363	2,596,176
Impairment losses	299,217	27,370	—	326,587	—	326,587
Increase in property, plant and equipment, and intangible assets	124,996	2,702,160	799,000	3,626,156	90,224	3,716,381

(Notes) 1. Adjustments are as follows.

- (1) Sales to external customers include dividend income and real estate rental income.
 - (2) Adjustment to segment income of (1,286,037) thousand yen consists mainly of income (loss) related to the Company of 872,667 thousand yen and elimination of inter-segment transactions of (2,158,704) thousand yen.
 - (3) Adjustment to segment assets of 2,212,916 thousand yen includes corporate assets of 14,277,047 thousand yen not allocated to reportable segments and elimination of inter-segment transactions of (12,064,130) thousand yen. Corporate assets consist mainly of cash and deposits and fixed assets such as investment securities.
 - (4) Adjustment to depreciation and amortization of 102,363 thousand yen includes depreciation and amortization related to corporate assets of 119,466 thousand yen and elimination of inter-segment transactions of (17,103) thousand yen.
 - (5) Adjustment to increase in property, plant and equipment and intangible assets of 90,224 thousand yen includes an increase in corporate assets of 513,506 thousand yen and elimination of inter-segment transactions of (423,282) thousand yen.
2. Segment income is adjusted against operating income on the consolidated statements of income.

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Content Creation	Production Technology Services	Imaging Systems & Solutions	Sub total	Adjustments (Note 1)	Amount in the Consolidated Financial Statements (Note 2)
Net sales						
Sales to external customers	28,091,795	52,547,746	19,036,354	99,675,896	8,848	99,684,745
Inter-segment sales or transfers	94,824	1,419,288	720,262	2,234,374	(2,234,374)	—
Total	28,186,619	53,967,034	19,756,616	101,910,270	(2,225,525)	99,684,745
Segment income	1,276,056	1,430,304	2,404,840	5,111,201	(1,187,166)	3,924,035
Segment assets	17,219,222	42,327,572	16,994,774	76,541,569	2,153,058	78,694,627
Other items						
Depreciation and amortization	60,894	2,265,607	534,400	2,860,903	80,239	2,941,143
Impairment losses	18,327	5,576	—	23,903	—	23,903
Increase in property, plant and equipment, and intangible assets	160,418	2,180,090	402,047	2,742,555	32,785	2,775,341

(Notes) 1. Adjustments are as follows.

- (1) Sales to external customers include real estate rental income.
 - (2) Adjustment to segment income of (1,187,166) thousand yen consists mainly of income (loss) related to the Company of 595,283 thousand yen and elimination of inter-segment transactions of (1,782,450) thousand yen.
 - (3) Adjustment to segment assets of 2,153,058 thousand yen includes corporate assets of 14,553,765 thousand yen not allocated to reportable segments and elimination of inter-segment transactions of (12,400,707) thousand yen. Corporate assets consist mainly of cash and deposits and fixed assets such as investment securities.
 - (4) Adjustment to depreciation and amortization of 80,239 thousand yen includes depreciation and amortization related to corporate assets of 99,423 thousand yen and elimination of inter-segment transactions of (19,183) thousand yen.
 - (5) Adjustment to increase in property, plant and equipment and intangible assets of 32,785 thousand yen includes an increase in corporate assets of 51,236 thousand yen and elimination of inter-segment transactions of (18,450) thousand yen.
2. Segment income is adjusted against operating income on the consolidated statements of income.

(Per share information)

	Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)
Net assets per share	809.83 yen	855.85 yen
Basic earnings per share	86.79 yen	53.57 yen

(Notes) 1. Diluted earnings per share is not stated as there were no dilutive shares.

2. The basis for calculating basic earnings per share is as follows.

	Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)
Basic earnings per share		
Net income attributable to owners of parent (thousands of yen)	3,864,485	2,373,143
Amount not attributable to ordinary shareholders (thousands of yen)	—	—
Net income attributable to owners of parent relating to common shares (thousands of yen)	3,864,485	2,373,143
Average number of common shares during the period (shares)	44,527,222	44,298,707

3. The basis for calculating net assets per share is as follows.

	As of March 31, 2023	As of March 31, 2024
Total net assets (thousands of yen)	40,303,934	39,906,383
Amount deducted from total net assets (thousands of yen)	4,197,436	2,077,752
[of which non-controlling interests (thousands of yen)]	[4,197,436]	[2,077,752]
Net assets at end of period related to common shares (thousands of yen)	36,106,497	37,828,630
Number of common shares at end of period used for calculating net assets per share (shares)	44,585,425	44,200,121

(Significant subsequent events)

No relevant matters to be noted.

4. Other

(1) Changes in executives

1. Change of representative

Please refer to the “Notice regarding Change of Representative Director” dated February 6, 2024, for the change of representative.