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## Consolidated financial results (Japanese Accounting Standards) for the fiscal year ended March 31, 2021

Filing date: May 13, 2021

Company name: IMAGICA GROUP Inc. Stock exchange listing: Tokyo 1<sup>st</sup> section  
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 Scheduled date for ordinary general meeting of shareholders: June 25, 2021  
 Scheduled date for commencement of dividend payment: —  
 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, 2021 (April 1, 2020 – March 31, 2021)

#### (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.2021	86,727	(7.8)	(1,084)	—	(1,343)	—	3,454	420.2
Fiscal year ended Mar.2020	94,090	4.3	1,351	45.9	416	(47.2)	664	—

(Note) Comprehensive income: Fiscal year 2020: 3,490 millions of yen / — %  
 Fiscal year 2019: (537) 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.2021	77.89	—	13.2	(2.2)	(1.3)
Fiscal year ended Mar.2020	15.05	—	2.6	0.7	1.4

(Reference) Equity in net income of affiliates: Fiscal year ended March 31, 2021: (340) millions of yen  
 Fiscal year ended March 31, 2020: (597) 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, 2021	60,446	29,832	45.4	618.43
As of March 31, 2020	62,154	27,478	40.3	566.19

(Reference) Shareholders' equity: Year ended March 31, 2021: 27,450 millions of yen  
 Year ended March 31, 2020: 25,066 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.2021	(592)	(1,364)	1,469	6,856
Fiscal year ended Mar.2020	6,974	(4,297)	(1,291)	7,327

**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.2020	—	0.00	—	5.00	5.00	221	33.2	0.9
Fiscal year ended Mar.2019	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ending Mar.2021(Forecast)	—	0.00	—	5.00	5.00		27.7	

**3. Consolidated forecast for the fiscal year ending March 31, 2022 (April 1, 2021 - March 31, 2022)**

(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.2021	75,000	(13.5)	1,500	—	1,300	—	800	(76.8)	18.02

**\*Notes:**

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

(Name) Pixelogic Holdings LLC、SDI Media Group, Inc.

(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: 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, 2021	44,741,467 shares	As of March 31, 2020	44,741,467 shares
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2) Number of treasury stock at the end of fiscal year

As of March 31, 2021	353,231 shares	As of March 31, 2020	468,341 shares
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3) Average number of shares

As of March 31, 2021	44,350,392 shares	As of March 31, 2020	44,113,005 shares
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**(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.

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## 1. Overview of operating results

### (1) Overview of operating results for consolidated fiscal year ended March 31, 2021

#### (i) Overview of the consolidated fiscal year ended March 31, 2021

The global spread of the novel coronavirus (COVID-19) during consolidated fiscal year ended March 31, 2021 led to substantial restrictions on social and economic activities and the persistence of extremely severe conditions. The business environment in Japan showed signs of a gradual recovery from the third quarter onward and improvement performance of the IMAGICA GROUP was evident, compared to the first half of the fiscal year.

The Group's financial performance for consolidated fiscal year ended March 31, 2021 resulted in net sales of 86,727 million yen (a decline of 7.8% year-on-year), an operating loss of 1,084 million yen (compared to operating income of 1,351 million yen in the previous fiscal year), and an ordinary loss of 1,343 million yen (compared to an ordinary income of 416 million yen in the previous fiscal year). Net income attributable to owners of the parent was 3,454 million yen (an increase of 420.2% year-on-year), due to 7,138 million yen recorded as a gain on the sale of stocks of subsidiaries and a gain on step acquisitions in extraordinary income.

#### **(Performance by business segment)**

The financial results by business segment are as follows.

Please note that Production Services and Media Localization were integrated from the first quarter of consolidated fiscal year ending March 31, 2021, thereby reducing the four reportable segments to three: Content Creation, Production Services, and Imaging Systems & Solutions.

#### 1) Content Creation

The financial performance of the Content Creation business segment in consolidated fiscal year ended March 31, 2021 resulted in net sales of 19,809 million yen (a decline of 24.4% year-on-year) and an operating loss of 440 million yen (compared to an operating loss of 359 million yen in the previous fiscal year).

This severe business environment persisted during the first half, leading to a substantial decline in both net sales and profit. The Declaration of a State of Emergency resulted in the postponed release of multiple feature films and suspension of shooting of TV commercials and live music performance recordings. The number of TV animation series produced also declined and changes in TV broadcasting schedules occurred. However, a number of the postponed feature films were released, shooting of films, dramas, and other works resumed, and orders for TV commercials and other advertising increased during the second half.

Growth in the online live market has expanded new business opportunities for streaming live music performance recordings, etc. This led to a rebound in net sales from the second half, but the large negative impact on financial results during the first half resulted in a decline in sales and an expansion of the operating loss in the Content Creation Business overall for the full year.

(2) Production Services

The financial performance of the Production Services business segment in consolidated fiscal year ended March 31, 2021 resulted in net sales of 48,286 million yen (a decline of 1.6% year-on-year) and an operating loss of 2,222 million yen (compared to an operating loss of 348 million yen in the previous fiscal year).

In the first half of the fiscal year, media and post-production services<sup>\*1</sup> struggled from the postponement of multiple feature films and the suspension of shooting and live music performance recordings. During the second half, orders increased for post-production services for TV programs, TV commercials, and animation, and encoding for video streaming service providers. The resumption of live music and sports events streamed online also improved net sales and profits in video streaming and archiving services. The Group also decided to structural reform of the production services business (Group business reorganization and voluntary retirement) on January 22, 2021 to improve the earning capacity of the production services business. This structural reform will enable the Group to manage the business with a strong management structure from fiscal year ending March 31, 2022.

In international media services, the impact from the COVID-19 pandemic caused SDI Media Group, Inc. to close dubbing studios and halt production of new projects, and resulted in tough conditions that persisted through the whole year. Pixelogic Holdings LLC, which became a consolidated subsidiary from the third quarter, received steady orders for E2E services<sup>\*2</sup> for video streaming service providers.

The sale of all shares in SDI Media Group, Inc. was completed on March 26, 2021 and it was removed from the scope of consolidation on March 31, 2021. The consolidated forecast for fiscal year ending March 31, 2022 therefore does not include profit (loss) from the company.

In human talent services, changes in and restrictions on corporate hiring activities persisted and this resulted in a decline in demand in the creative talent dispatch and referral business compared to the previous year. In the digital content business, Game 3DCG production was firm, benefitting from the addition of more locations and establishment of a remote production structure.

The performance described above resulted in a decline in sales and an expansion of the operating loss for the Production Services business segment as a whole for the full year.

<sup>\*1</sup> Media and post-production services: Entire range of services relating to video production technology, including post-production services, E2E services<sup>\*2</sup>, filming, and archiving services.

<sup>\*2</sup> E2E services: Integrated end-to-end (E2E) service that covers the entire post-editing process from localization (subtitling/dubbing) to distribution<sup>\*3</sup> of feature films, TV dramas, and other source videos.

<sup>\*3</sup> Distribution: 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.

\* Companies in the international media services area have a fiscal year-end of December 31. The financial performance for this area during consolidated fiscal year ended March 31, 2021 therefore reflects the results for January 1 through December 31, 2020.

3) Imaging Systems & Solutions

The financial performance of the Imaging Systems & Solutions business segment in consolidated fiscal year ended March 31, 2021 resulted in net sales of 19,669 million yen (a decline of 4.3% year-on-year) and operating income of 2,045 million yen (a decline of 24.6% year-on-year).

In the video systems business area, the online delivery system for TV commercials saw strong sales due to the expansion in market needs. However, some projects for broadcasting stations declined or shrunk in size due to curtailment of investment by each broadcaster. In the imaging business area, conditions remained tough for high-speed cameras in Japan, Europe, and the U.S., while sales showed signs of rebounding in the Asian region. Sales of video and image processing LSI for Taiwan and China remained firm. In the mobile solutions area, demand for mobile data communications continued to expand throughout the year.

The performance described above resulted in a decline in both sales and profit in the Imaging Systems & Solutions business segment as a whole for the full year.

(2) Overview of financial position for consolidated fiscal year ended March 31, 2021

1) Assets

Current assets decreased by 4,854 million yen (13.8%) from the end of the previous consolidated fiscal year to 30,440 million yen.

This was mainly due to a decrease in inventories, and notes and accounts receivable-trade.

Non-current assets increased by 3,145 million yen (11.7%) from the end of the previous consolidated fiscal year to 30,005 million yen.

This was mainly due to an increase in goodwill and in investment securities, which exceeded the decline in stocks of subsidiaries and affiliates.

Consequently, total assets decreased by 1,708 million yen (2.7%) from the end of the previous fiscal year to 60,446 million yen.

2) Liabilities

Current liabilities decreased by 3,645 million yen (14.1%) from the end of the previous consolidated fiscal year to 22,117 million yen.

This decrease was mainly due to a decrease in advances received and accounts payable which more than compensated for an increase in short-term loans payable.

Non-current liabilities decreased by 417 million yen (4.7%) from the end of the previous consolidated fiscal year to 8,495 million yen.

This decrease was mainly due to a decrease in long-term loans payable.

The above factors resulted in total liabilities of 30,613 million yen, a decrease of 4,062 million yen (11.7%) from the end of the previous consolidated fiscal year.

3) Net Assets

Net assets increased by 2,354 million yen (8.6%) from the end of the previous consolidated fiscal year to 29,832 million yen. Shareholders' equity ratio to total assets was 45.4%.

## (3) Overview of cash flows for consolidated fiscal year ended March 31, 2021

Cash and cash equivalents (hereafter, "cash") on March 31, 2021 decreased by 470 million yen (or 6.4%) compared to the end of the previous fiscal year, to 6,856 million yen.

The breakdown of cash flows for consolidated fiscal year ended March 31, 2021 and the main factors behind changes in cash flows are summarized below.

## 1) Cash flows from operating activities

Net cash used in operating activities was 592 million yen (compared to 6,974 million yen in net cash provided in the previous fiscal year).

This mainly resulted from an increase in cash due to a decrease in inventories and a decrease in cash due to a decrease in advances received.

## 2) Cash flows from investing activities

Net cash used in investing activities was 1,364 million yen, a decrease of 2,933 million yen (or 68.3%) compared to the end of the previous fiscal year.

This mainly resulted from an increase in cash due to the sale of stock of subsidiaries accompanying a change in the scope of consolidation, and a decrease in cash from the purchase of subsidiary stock accompanying a change in the scope of consolidation and property, plant, and equipment.

## 3) Cash flows from financing activities

Net cash provided by financing activities was 1,469 million yen (compared to 1,291 million yen in cash used during the previous fiscal year).

This mainly resulted from a decrease in cash from the repayment of long-term loans payable, and an increase in cash from proceeds from long-term and short-term loans payable.

## (Reference) Trend of Cash Flow Indicators

	FY ended March 31, 2017	FY ended March 31, 2018	FY ended March 31, 2019	FY ended March 31, 2020	FY ended March 31, 2021
Shareholders' equity ratio (%)	38.6	41.7	38.9	40.3	45.4
Shareholders' equity ratio on a market price basis (%)	48.5	76.0	45.5	25.1	39.7
Ratio of net cash to interest-bearing liabilities (year)	371.7	358.2	10,625.2	162.4	(2,282.9)
Interest coverage ratio (times)	26.3	26.0	0.4	21.4	(1.7)

\*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 debt/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 Statements of Cash Flow. Interest-bearing debt include all debt reported on the Consolidated Balance Sheets for which interest is paid. The amount of interest payments is the amount of interest expenses paid reported on the Consolidated Statements of Cash Flow.

(4) Forecast of financial results for consolidated fiscal year ending March 31, 2022

Changes in the business environment precipitated by rapid technological innovation and the COVID-19 pandemic have also caused many changes in imaging-related businesses, such as the rapid expansion of the online live and video streaming markets.

The Group regards these changes as growth opportunities and has designated fiscal year ending March 31, 2022 as the year to build the foundation for transforming into a highly profitable business. We will pursue the following key initiatives in each business segment:

1) Content Creation: Acquire production projects for video streaming service providers, promote expansion to multiple media by utilizing the Group intellectual property (IP), and improve productivity through comprehensive cost management and pursuit of digitalization.

2) Production Services: Expand E2E services for video streaming service providers, expand localization in Japanese and digital cinema services, strengthen the solution service in the game business area, and improve productivity by reducing fixed costs through structural reform and through remote production.

3) Imaging Systems & Solutions: Expand sales by accessing new sales channels for imaging systems for broadcasting stations and providing new solutions, develop the solution business for the vehicle crash test market, and launch and expand sales of a cloud-based video production workflow service (subscription-based model).

In light of the Group's pursuit of these key initiatives, the financial forecast for consolidated fiscal year ending March 31, 2022 is 75 billion yen in net sales, 1.5 billion yen in operating income, 1.3 billion yen in ordinary income, and 800 million yen in net income attributable to owners of the parent. We also expect COVID-19 to continue to impact financial performance for some time.

The Group has also formulated the "Integration to 2021" Mid-term Business Strategy for fiscal year ending March 31, 2022 and is working on implementing it. We plan to disclose our progress on "Integration to 2021" and future initiatives in the financial results briefing scheduled on May 19, 2021.

<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 policy stated above, we have set the year-end dividend of 5 yen per share for fiscal year ending March 31, 2022.

**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, 2020	March 31, 2021
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	7,339,777	6,908,657
Notes and accounts receivable- trade	16,609,098	15,159,083
Inventories	9,734,028	6,499,812
Other	1,665,660	1,918,018
Allowance for doubtful accounts	(53,471)	(44,735)
<b>Total current assets</b>	35,295,092	30,440,836
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	3,343,459	3,065,365
Machinery and equipment	133,153	85,810
Land	1,705,819	1,705,819
Lease Assets	735,973	475,187
Construction in progress	341,285	526,880
Other	1,563,637	1,365,805
<b>Total Property, plant and equipment</b>	7,823,328	7,224,868
<b>Intangible assets</b>		
Goodwill	3,167,870	12,048,747
Other	5,328,189	2,464,367
<b>Total Intangible assets</b>	8,496,059	14,513,115
<b>Investments and other assets</b>		
Investment securities	2,296,170	3,163,483
Stocks of subsidiaries and affiliates	2,691,296	1,095,950
Lease and guarantee deposits	1,466,390	1,641,911
Deferred tax asset	1,852,835	2,154,662
Other	2,361,601	328,808
Allowance for doubtful accounts	(128,070)	(117,446)
<b>Total Investments and other assets</b>	10,540,222	8,267,369
<b>Total Non-current assets</b>	26,859,610	30,005,354
<b>Total assets</b>	62,154,703	60,446,190

(Thousands of yen)	March 31, 2020	September 30, 2020
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable- trade	6,060,774	5,416,309
Short-term loans payable	5,004,318	7,402,726
Accounts payable	3,027,865	1,212,857
Income taxes payable	1,504,588	211,609
Advances received	4,939,345	2,811,112
Provision for bonuses	1,245,383	977,286
Provision for directors compensations based on profit	106,568	—
Provision for loss on order received	218,878	79,660
Provision for loss on litigation	—	531,408
Other	3,654,716	3,474,389
<b>Total current liabilities</b>	<b>25,762,438</b>	<b>22,117,359</b>
<b>Non-current liabilities</b>		
Long-term loans payable	5,510,940	5,384,905
Long-term accounts payable-other	174,097	148,018
Deferred tax liabilities	283,312	550,324
Net defined benefit liabilities	1,233,649	1,219,724
Asset retirement obligations	49,714	627,722
Other	1,662,082	565,200
<b>Total non-current liabilities</b>	<b>8,913,796</b>	<b>8,495,895</b>
<b>Total Liabilities</b>	<b>34,676,235</b>	<b>30,613,255</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	3,306,002	3,306,002
Capital surplus	14,871,552	13,238,832
Retained earnings	7,730,081	10,966,151
Treasury stock	(479,516)	(361,659)
<b>Total shareholders' equity</b>	<b>25,428,120</b>	<b>27,149,326</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	187,009	880,107
Revaluation reserve for land	(17,933)	(17,933)
Foreign currency translation adjustment	(529,312)	(559,947)
Re-measurements of defined benefit plans	(1,082)	(688)
<b>Total accumulated other comprehensive income</b>	<b>(361,318)</b>	<b>301,538</b>
Stock acquisition right	11,484	11,484
<b>Non-controlling Interests</b>	<b>2,400,180</b>	<b>2,370,585</b>
<b>Total Net assets</b>	<b>27,478,467</b>	<b>29,832,935</b>
<b>Total liabilities and Net assets</b>	<b>62,154,703</b>	<b>60,446,190</b>

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

## Consolidated Statements of Income

(Thousands of yen)	Fiscal year 2019	Fiscal year 2020
Net sales	94,090,704	86,727,250
Cost of sales	70,321,653	66,144,342
Gross profit	23,769,050	20,582,908
Selling, general and administrative expenses	22,417,329	21,667,668
Operating profit (loss)	1,351,721	(1,084,760)
Non-operating income		
Interest income	189,665	211,506
Dividend income	43,486	35,623
Rental income	71,181	65,200
Subsidy income	19,745	159,998
Foreign exchange gains	—	80,382
Other	64,496	58,618
Total non-operating income	388,574	611,329
Non-operating expenses		
Interest expenses	337,478	339,794
Equity in losses of affiliates	597,858	340,681
Foreign exchange losses	193,201	—
Other	195,455	189,668
Total non-operating expenses	1,323,993	870,144
Ordinary income (loss)	416,302	(1,343,575)
Extraordinary income		
Gain on sales of non-current assets	1,650,783	3,790
Gain on sales of investment securities	30,063	—
Gain on sale of shares of subsidiaries and associates	7,750	4,936,083
Gain on step acquisitions	—	2,076,728
Other	—	121,825
Total extraordinary income	1,688,596	7,138,428
Extraordinary losses		
Loss on sales of non-current assets	—	263
Loss on retirement of non-current assets	35,639	50,714
Impairment loss	220,351	410,443
Business restructuring expenses	—	1,716,210
Other	102,250	62,381
Total extraordinary losses	358,240	2,240,013
Income before income taxes	1,746,657	3,554,839
Income Taxes Current	2,190,709	774,733
Income Taxes Deferred (loss)	(553,874)	(128,541)
Income taxes	1,636,835	646,191
Net income	109,822	2,908,647
Net loss attributable to non-controlling interests	(554,234)	(545,990)
Net income attributable to owners of parent	664,057	3,454,638

## Consolidated Statements of Comprehensive Income

(Thousands of yen)	Fiscal year 2019	Fiscal year 2020
Net income	109,822	2,908,647
Other comprehensive income		
Valuation difference on available-for-sale securities	(555,045)	690,975
Deferred gains or losses on hedges	1,346	—
Foreign currency translation adjustment	(79,554)	(109,391)
Re-measurements of defined benefit plans	(14,001)	393
Total other comprehensive income	(647,254)	581,977
Comprehensive income	(537,431)	3,490,624
(Breakdown)		
Comprehensive income attributable to owners of parent	10,357	4,117,494
Comprehensive income attributable to non-controlling interests	(547,788)	(626,869)

## (3) Consolidated Statements of Cash Flow Statement

(Thousands of yen)	Fiscal year 2019	Fiscal year 2020
Cash flows from operating activities		
Income before income taxes (loss)	1,746,657	3,554,839
Depreciation and Amortization	2,777,709	2,757,520
Amortization of goodwill	576,956	871,375
Impairment loss	220,351	410,443
Increase (decrease) in net defined benefit liabilities	(114,517)	(19,166)
Increase (decrease) in allowance for doubtful accounts	11,869	7,930
Increase (decrease) in provision for bonuses	143,999	(272,580)
Interest and dividend income	(233,151)	(249,299)
Interest expenses	337,478	339,794
Equity in (earnings) losses of affiliates	597,858	340,681
Loss (gain) on sales of investment securities	(16,412)	–
Loss (gain) on sales of socks of subsidiaries and affiliates	(7,750)	(4,936,083)
Loss (gain) on step acquisitions	–	(2,076,728)
Subsidy income	(19,745)	(159,998)
Business restructuring expenses	–	1,716,210
Loss (gain) on sales of non-current assets	(1,615,143)	47,187
Decrease (increase) in notes and accounts receivable-trade	2,248,159	(52,438)
Decrease (increase) in inventories	1,528,726	2,741,123
Increase (decrease) in notes and accounts payable-trade	(480,136)	26,013
Increase (decrease) in advance payment	(482,079)	(1,635,027)
Increase (decrease) in consumption taxes payable or receivable	1,115,632	(720,363)
Increase (decrease) in account payable	(715,304)	399,326
Other, net	764,244	(467,767)
Subtotal	8,385,402	2,622,993
Interest and dividend income received	232,698	248,536
Interest expenses paid	(325,682)	(354,142)
Subsidies received	19,745	159,535
Business restructuring expenses paid	–	(1,400,653)
Income taxes paid	(1,337,915)	(1,868,750)
Net cash provided by (used in) operating activities	6,974,248	(592,481)
Cash flows from investing activities		
Payments into time deposits	–	(394,699)
Payments of short-term loans receivable	(15,000)	–
Collection of short-term loans receivable	583,446	142,957
Long-term loan advances	(1,791,800)	–
Purchase of property, plant and equipment	(1,468,069)	(1,500,380)
Proceeds from sales of property, plant and equipment	2,674,252	5,302
Purchase of intangible assets	(881,215)	(709,320)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(60,000)
Purchase of investments in affiliates	(2,975,955)	(467,768)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(4,099,820)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	–	5,859,020
Other, net	(423,124)	(139,541)
Net cash provided by (used in) investing activities	(4,297,465)	(1,364,250)

(Thousands of yen)	Fiscal year 2019	Fiscal year 2020
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	245,688	3,596,512
Proceeds from long-term loans payable	1,090,500	4,939,764
Repayment of long-term loans payable	(2,473,788)	(4,048,685)
Cash dividends paid	(220,266)	(221,365)
Purchase of investments in subsidiaries do not result in change in scope of consolidation	(7,828)	(2,794,252)
Proceeds from share issuance to non-controlling shareholders	267,500	—
Repayments of finance lease obligations	(445,758)	(431,750)
Others, net	252,457	428,777
Net cash provided by (used in) financing activities	(1,291,495)	1,469,000
Effect of exchange rate change on cash and cash equivalents	(124,518)	2,723
Net increase (decrease) in cash and cash equivalents	1,260,768	(485,008)
Cash and cash equivalents at beginning of period	6,067,073	7,327,842
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	14,119
Cash and cash equivalents at end of period	7,327,842	6,856,953

## (4) Notes to consolidated statements

(Segment information and others)

[Segment Information]

## I. Fiscal year 2019 (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	Imaging Systems & Solutions	Sub total
Net sales				
Sales to external customers	25,938,151	48,046,082	20,015,927	94,000,161
Inter-segment sales or transfers	267,442	1,045,479	535,816	1,848,739
Total	26,205,594	49,091,562	20,551,744	95,848,901
Segment income (loss)	(359,560)	(348,063)	2,714,477	2,006,853
Segment assets	14,781,406	32,239,835	10,906,01	57,927,259

	Adjustments (Note 1)	Amount in the Quarterly Consolidated Statements of Income (Note 2)
Net sales		
Sales to external customers	90,542	94,090,704
Inter-segment sales or transfers	(1,848,739)	—
Total	(1,758,196)	94,090,704
Segment income (loss)	(655,131)	1,351,721
Segment assets	4,227,443	62,154,703

Notes:

## 1. Adjustments is as follows

- (1) Sales to external customers consisting of income related to new business development and real estate leasing and building management.
- (2) The segment income (loss) adjustment of (655,131) thousand yen consists of 1,038,865 thousand yen in incomes of holding companies (consolidated financial statement-submitting companies) and intersegment transaction eliminations of (1,693,997) thousand yen.
- (3) The adjustment of 4,227,443 thousand yen in segment assets includes 14,700,511 thousand yen in Company assets not allocated to individual segments and intersegment transaction eliminations of (10,473,067) thousand yen. Company assets consist mainly of cash and deposits, and investment securities and other non-current assets of holding companies (consolidated financial statement-submitting companies).

## 2. The segment income (loss) adjustment is based on the operating profit item in the Consolidated Statements of Income.

II. Fiscal year 2020(from April 1, 2020 to March 31, 2021)  
Information regarding net sales, profit (loss) and assets by reportable segment

(Thousands of yen)

	Content Creation	Production Services	Imaging Systems & Solutions	Sub total
Net sales				
Sales to external customers	19,630,096	47,379,971	19,261,382	86,271,450
Inter-segment sales or transfers	179,763	906,351	407,700	1,493,815
Total	19,809,860	48,286,322	19,669,083	87,765,266
Segment income (loss)	(440,895)	(2,222,275)	2,045,404	(617,766)
Segment assets	11,289,502	30,573,710	11,942,169	53,805,383

	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	(1,493,815)	—
Total	(1,038,015)	86,727,250
Segment income (loss)	(466,994)	(1,084,760)
Segment assets	6,640,807	60,446,190

## Notes:

1. Adjustments is as follows
  - (1) Sales to external customers consisting of income related to new business development and real estate leasing and building management.
  - (2) The segment income (loss) adjustment of (466,994) thousand yen consists of 1,130,385 thousand yen in incomes of holding companies (consolidated financial statement-submitting companies) and intersegment transaction eliminations of (1,597,379) thousand yen.
  - (3) The adjustment of 6,640,807 thousand yen in segment assets includes 15,179,695 thousand yen in Company assets not allocated to individual segments and intersegment transaction eliminations of (8,538,888) thousand yen. Company assets consist mainly of cash and deposits, and investment securities and other non-current assets of holding companies (consolidated financial statement-submitting companies).
2. The segment income (loss) adjustment is based on the operating loss item in the Consolidated Statements of Income.