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Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2025 (J-GAAP)



February 4, 2025

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 Planned dividend payment date: —
 Supplemental material of financial results: Available
 Planned financial results briefing: Not available

(Millions of yen, rounded down)

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2025 (April 1, 2024 – December 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	%
Nine months ended December 31, 2024	66,536	(6.9)	488	(78.1)	252	(87.4)	(242)	—
Nine months ended December 31, 2023	71,458	4.8	2,224	(18.8)	2,003	(16.2)	1,434	(18.7)

(Note) Comprehensive income: Nine months ended December 31, 2024: ¥86 million / (97.4)%

Nine months ended December 31, 2023: ¥3,328 million / (28.2)%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2024	(5.47)	—
Nine months ended December 31, 2023	32.35	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2024	78,278	38,707	47.2
As of March 31, 2024	78,694	39,906	48.1

(Reference) Shareholders' equity: As of December 31, 2024: ¥36,982 million

As of March 31, 2024: ¥37,828 million

(Note) In the first quarter of the fiscal year ending March 31, 2025, the Company finalized the provisional accounting treatments related to business combinations, and the figures for the fiscal year ended March 31, 2024 reflect the details of the provisional accounting treatments.

2. Dividends

	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual
Fiscal year ended March 31, 2024	Yen —	Yen 0.00	Yen —	Yen 15.00	Yen 15.00
Fiscal year ending March 31, 2025	—	0.00	—		
Fiscal year ending March 31, 2025 (Forecast)				15.00	15.00

(Note) Changes in dividends forecast from the latest disclosed information: None

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
Full year	Million yen 96,000	% (3.7)	Million yen 1,200	% (69.4)	Million yen 800	% (78.5)	Million yen (900)	% —	Yen (20.36)

(Note) Changes in earnings forecast from the latest disclosed information: None

* Notes:

(1) Significant changes in the scope of consolidation during the period: None

(2) The application of specific accounting of the consolidated quarterly financial statements: Yes

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

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 standards: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Number of shares issued (common shares)

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

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

As of December 31, 2024	444,809 shares	As of March 31, 2024	541,346 shares
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3) Average number of shares during the period

As of December 31, 2024	44,256,288 shares	As of December 31, 2023	44,331,329 shares
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*** Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None**

*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 this period

① Overview of the first nine months of the fiscal year

The Group is working on business operations focused on “expanding its growth path and promoting business transformation” in the current consolidated fiscal year.

The Group’s performance in the first nine months of the fiscal year was as follows: Net sales were 66,536 million yen (down 6.9% year on year), operating income of 488 million yen (down 78.1% year on year), ordinary income of 252 million yen (down 87.4% year on year), and net loss attributable to owners of parent was 242 million yen (compared to net income of 1,434 million yen in the same period of the previous fiscal year), reflecting the recording of 130 million yen in extraordinary losses, including impairment losses of non-current assets.

② Performance by business segment

Financial results by business segment are as follows.

1) Content Creation business

In the first nine months of the fiscal year, the segment reported sales of 17,728 million yen (down 9.7% year on year) and operating income of 1,459 million yen (up 170.2% year on year).

Despite a decrease in sales of feature films and dramas, reflecting the fact that the previous fiscal year had seen several major works, operating income was increased by recording incentive fees for films produced. Sales for commercial production increased, owing to steady inflows of orders for TV and Internet commercials. Operating income in animation works increased due to contributions from CG animation works. Sales and operating income in the publishing business also increased owing to the recording of distribution-related income from the TV animation production committee.

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

2) Production Technology Services business

In the first nine months of the fiscal year, the segment reported sales of 38,351 million yen (down 5.6% year on year) and operating loss of 1,047 million yen (compared to operating income of 1,403 million yen in the same period of the previous fiscal year).

In domestic E2E services^{*1}, sales increased mainly owing to solid sales of film-editing and digital cinema services.

However, in overseas E2E services^{*1}, sales decreased because orders of localization services were significantly lower than the previous fiscal year, and the segment implemented workforce reductions at our overseas locations and reduced costs in order to deal with this situation. In addition to the decline in operating income due to decreased sales, there was an increase in expenses related to workforce reductions, and operating income decreased significantly.

In the game-related business^{*2}, sales increased as orders for Game 3DCG production increased in response to a scaling-up of our production system, among other factors.

In post-production business, sales continued to decline due to sluggish orders for TV, despite steady orders for commercials. In response to changes in the business environment, we have concluded that it will be difficult to achieve a quick recovery in the performance of our TV post-production business, and have therefore decided to withdraw from this business and call for voluntary retirement. For details, please refer to the timely disclosure^{*3} on December 26, 2024.

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, 2024 to September 30, 2024 are reflected in those for the first nine months of the fiscal year.

*2 Game-related business: 2D/3DCG production, debugging and software testing, creative talent dispatch and referral etc. for games

*3 Notice Regarding Withdrawal from a Business of Consolidated Subsidiary, Call for Voluntary Retirement and Recognition of Extraordinary Losses

<https://www.imagicagroup.co.jp/ir/news.html>

3) Imaging Systems & Solutions business

In the first nine months of the fiscal year, the segment reported sales of 11,830 million yen (down 7.5% year on year) and operating income of 1,061 million yen (down 7.3% year on year).

Sales of high-speed cameras decreased due to the slowdown in China despite steady sales in Europe and mostly unchanged in USA. Sales of broadcast imaging systems & solutions decreased due to the lower orders than the previous fiscal year. Sales of optical measurements declined due to weak demand for measurement equipment overseas.

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

(2) Overview of financial situation for this period

With regard to the business combination made on February 8, 2024, between mediafellows GmbH and one of its subsidiaries, provisional accounting was carried out in the previous fiscal year. However, with the finalization being made in the first three months of the current fiscal year, the amount used in the year-on-year comparison and analysis is one that reflects significant revisions made to the initial amount allocated for the acquisition following this finalization of the provisional accounting method.

① Assets

Current assets increased by 2,002 million yen (4.9%) from the end of the previous fiscal year to 43,291 million yen. This was mainly due to increases in inventories and cash and deposits, while notes and accounts receivable - trade, and contract assets decreased.

Non-current assets decreased by 2,419 million yen (6.5%) from the end of the previous fiscal year to 34,986 million yen. This was mainly due to decreases in goodwill and leased assets.

As a result, total assets decreased by 416 million yen (0.5%) from the end of the previous fiscal year to 78,278 million yen.

② Liabilities

Current liabilities increased by 2,663 million yen (9.2%) from the end of the previous fiscal year to 31,613 million yen. This was mainly due to an increase in contract liabilities.

Non-current liabilities decreased by 1,880 million yen (19.1%) from the end of the previous fiscal year to 7,957 million yen. This was mainly due to decreases in long-term borrowings and lease liabilities.

As a result, total liabilities increased by 782 million yen (2.0%) from the end of the previous fiscal year to 39,570 million yen.

③ Net assets

Net assets decreased by 1,199 million yen (3.0%) from the end of the previous fiscal year to 38,707 million yen. This was mainly due to decreases in retained earnings and capital surplus.

(3) Explanation of consolidated forecasts and other forward-looking information

There are no revisions to the full-year forecasts for the fiscal year ending March 31, 2025, from the forecasts announced on October 31, 2024.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	March 31, 2024	December 31, 2024
Assets		
Current assets		
Cash and deposits	5,242,625	5,808,412
Notes and accounts receivable - trade, and contract assets	20,572,387	17,013,551
Inventories	11,536,441	16,076,306
Other	3,997,518	4,435,894
Allowance for doubtful accounts	(60,000)	(42,526)
Total current assets	41,288,972	43,291,639
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,081,194	13,363,911
Accumulated depreciation	(8,155,338)	(8,574,222)
Accumulated impairment	(598,722)	(663,092)
Buildings and structures, net	4,327,134	4,126,597
Machinery, equipment and vehicles	5,904,211	5,844,255
Accumulated depreciation	(5,212,534)	(5,131,795)
Accumulated impairment	(137,053)	(173,682)
Machinery, equipment and vehicles, net	554,623	538,777
Land	921,363	921,363
Leased assets	5,411,365	4,495,115
Accumulated depreciation	(734,703)	(946,929)
Accumulated impairment	(89,060)	(32,312)
Leased assets, net	4,587,602	3,515,873
Construction in progress	1,516,451	1,177,805
Other	9,016,129	9,329,904
Accumulated depreciation	(6,303,911)	(6,557,467)
Accumulated impairment	(125,339)	(129,141)
Other, net	2,586,878	2,643,295
Total property, plant and equipment	14,494,052	12,923,712
Intangible assets		
Goodwill	11,411,410	10,212,838
Other	3,096,544	3,083,712
Total intangible assets	14,507,955	13,296,551
Investments and other assets		
Investment securities	3,081,638	3,286,679
Shares of subsidiaries and affiliates	1,480,535	1,503,235
Leasehold and guarantee deposits	2,000,866	2,062,795
Deferred tax assets	1,672,072	1,691,668
Other	326,433	386,050
Allowance for doubtful accounts	(157,899)	(164,141)
Total investments and other assets	8,403,647	8,766,287
Total non-current assets	37,405,654	34,986,551
Total assets	78,694,627	78,278,190

(Thousands of yen)

	March 31, 2024	December 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,799,221	6,577,512
Short-term borrowings	5,143,423	7,229,439
Lease liabilities	983,578	924,678
Accounts payable	2,530,291	2,063,798
Income taxes payable	1,432,145	820,822
Contract liabilities	4,886,312	7,670,349
Provision for bonuses	1,393,870	695,308
Provision for loss on orders received	11,380	700
Assets retirement obligations	—	57,173
Other	5,770,083	5,574,034
Total current liabilities	28,950,308	31,613,816
Non-current liabilities		
Long-term borrowings	3,120,478	2,066,128
Lease liabilities	4,015,709	3,059,043
Long-term accounts payable	519,874	555,500
Deferred tax liabilities	214,227	206,128
Retirement benefit liability	1,219,274	1,252,301
Asset retirement obligations	667,624	745,880
Other	80,746	72,036
Total non-current liabilities	9,837,935	7,957,019
Total liabilities	38,788,243	39,570,835
Net assets		
Shareholders' equity		
Share capital	3,306,002	3,306,002
Capital surplus	12,149,768	11,781,941
Retained earnings	18,686,599	17,792,874
Treasury shares	(411,354)	(337,995)
Total shareholders' equity	33,731,016	32,542,823
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,076,431	1,271,423
Deferred gains or losses on hedges	30,654	(1,975)
Revaluation reserve for land	(17,933)	(17,933)
Foreign currency translation adjustment	3,024,687	3,201,011
Remeasurements of defined benefit plans	(16,227)	(12,643)
Total accumulated other comprehensive income	4,097,613	4,439,883
Non-controlling interests	2,077,752	1,724,648
Total net assets	39,906,383	38,707,355
Total liabilities and net assets	78,694,627	78,278,190

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

(Thousands of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Net sales	71,458,362	66,536,750
Cost of sales	50,950,328	46,485,614
Gross profit	20,508,033	20,051,135
Selling, general and administrative expenses	18,283,545	19,562,940
Operating income	2,224,488	488,194
Non-operating income		
Interest income	7,449	7,874
Dividend income	34,747	35,969
Foreign exchange gains	102,672	117,448
Other	121,129	123,218
Total non-operating income	265,999	284,510
Non-operating expenses		
Interest expenses	285,034	423,176
Equity in losses of affiliates	8,200	—
Other	193,369	96,580
Total non-operating expenses	486,604	519,756
Ordinary income	2,003,882	252,948
Extraordinary income		
Gain on sale of non-current assets	2,644	934
Gain on bargain purchase	—	34,282
Gain on sale of investment securities	290,067	65,645
Gain on sale of shares of subsidiaries and affiliates	145,943	—
Reversal of provision for loss on litigation	234,162	—
Other	12,372	—
Total extraordinary income	685,189	100,863
Extraordinary losses		
Loss on sale of non-current assets	—	378
Loss on retirement of non-current assets	1,523	2,195
Impairment losses	18,327	127,786
Loss on valuation of shares of subsidiaries and affiliates	41,940	—
Other	14,343	—
Total extraordinary losses	76,135	130,360
Net income before income taxes	2,612,936	223,451
Income taxes	969,963	490,888
Net income (loss)	1,642,973	(267,436)
Net income (loss) attributable to non-controlling interests	208,708	(25,199)
Net income (loss) attributable to owners of parent	1,434,264	(242,236)

Quarterly Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Net income (loss)	1,642,973	(267,436)
Other comprehensive income		
Valuation difference on available-for-sale securities	142,899	213,253
Deferred gains or losses on hedges	8,361	(32,630)
Foreign currency translation adjustment	1,535,242	169,803
Remeasurements of defined benefit plans, net of tax	(956)	3,583
Total other comprehensive income	1,685,548	354,010
Comprehensive income	3,328,521	86,574
(Breakdown)		
Comprehensive income attributable to owners of parent	3,118,799	111,546
Comprehensive income attributable to non-controlling interests	209,721	(24,972)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on ongoing concern assumption)

No relevant matters to be noted.

(Notes in the event of significant changes in shareholders' equity)

No relevant matters to be noted.

(Special accounting method applied to quarterly consolidated financial statements)

(Calculation of tax expenses)

Tax expenses are calculated by reasonably estimating the effective tax rate after tax effect accounting on net income before income taxes for the fiscal year that includes the third quarter and multiplying net income before income taxes for the nine-month period by the estimated effective tax rate.

However, if using this estimated effective tax rate results in extremely unreasonable tax expenses, the statutory effective tax rate is used after adjusting net income (loss) before income taxes for material differences that are not temporary.

(Changes in accounting policies)

The Company has applied the "Accounting Standard for Current Income Taxes, etc." (ASBJ Statement No. 27, October 28, 2022; hereinafter, referred to as "Revised Accounting Standard, 2022") and other standards from the beginning of the first three months of the fiscal year.

With regard to the accounting classification used for income taxes, etc. (other comprehensive income taxation), the Company acts in accordance with the transitional treatment provided for in the proviso to Paragraph 20-3 of the Revised Accounting Standard, 2022 and the proviso to Paragraph 65-2 (2) of Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter, referred to as the "Revised Guidance on Tax Effect Accounting"). This change in accounting policy will have no material impact on the quarterly consolidated financial statements.

Furthermore, with regard to the amendments made in relation to the review of treatments in the consolidated financial statements for the deferment of profits/losses arising from the sale of shares, etc., of subsidiary companies between consolidated companies for tax purposes, Revised Accounting Standard, 2022 has been applied from the beginning of the first three months of the fiscal year. This change in accounting policy has been applied retroactively, and the quarterly consolidated financial statements and the annual consolidated financial statements for the previous quarter and previous fiscal year reflect this retroactive application. This change in accounting policy will have no impact on the quarterly consolidated financial statements and the annual consolidated financial statements for the previous quarter and previous fiscal year.

(Notes on segment information and others)

I. For the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

1. Information regarding net sales and income (loss) by reportable segment

(Thousands of yen)

	Content Creation	Production Technology Services	Imaging Systems & Solutions	Sub total	Adjustments (Note 1)	Amount in the Quarterly Consolidated Statements of Income (Note 2)
Net sales						
Sales to external customers	19,572,583	39,619,450	12,259,674	71,451,708	6,653	71,458,362
Inter-segment sales or transfers	57,820	1,020,188	524,070	1,602,079	(1,602,079)	—
Total	19,630,403	40,639,639	12,783,745	73,053,788	(1,595,426)	71,458,362
Segment income	540,123	1,403,073	1,144,530	3,087,726	(863,238)	2,224,488

(Notes) 1. Adjustment to segment income of (863,238) thousand yen consists of income (loss) related to the Company of 923,088 thousand yen and elimination of inter-segment transactions of (1,786,326) thousand yen.

2. Segment income is adjusted against operating income on the quarterly consolidated financial statements.

II. For the nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)

1. Information regarding net sales and income (loss) by reportable segment

(Thousands of yen)

	Content Creation	Production Technology Services	Imaging Systems & Solutions	Sub total	Adjustments (Note 1)	Amount in the Quarterly Consolidated Statements of Income (Note 2)
Net sales						
Sales to external customers	17,695,364	37,478,678	11,324,355	66,498,398	38,351	66,536,750
Inter-segment sales or transfers	33,109	872,577	505,995	1,411,682	(1,411,682)	—
Total	17,728,474	38,351,255	11,830,350	67,910,080	(1,373,330)	66,536,750
Segment income (loss)	1,459,178	(1,047,331)	1,061,267	1,473,114	(984,920)	488,194

(Notes) 1. Adjustment to segment income (loss) of (984,920) thousand yen consists of income (loss) related to the Company of 1,355,123 thousand yen and elimination of inter-segment transactions of (2,340,043) thousand yen.

2. Segment income (loss) is adjusted against operating income on the quarterly consolidated financial statements.

2. Information regarding impairment losses on non-current assets or goodwill, etc., by reportable segment
(Significant impairment losses on non-current assets)

Production Technology Services business recorded impairment losses of 127,786 thousand yen on non-current assets.

(Significant changes in the amount of goodwill)

In the Production Technology Services business, with regard to the business combination made on February 8, 2024 with mediafellows GmbH and one of its subsidiaries, provisional accounting was carried out in the previous fiscal year. However, it was finalized in the first three months of the current fiscal year. As a result of the finalization of the provisional accounting, the amount of goodwill provisionally calculated at the end of the previous fiscal year changed from 1,126,082 thousand yen to 491,679 thousand yen.

(Significant gain on bargain purchase)

Production Technology Services business recorded gain on bargain purchase of 34,282 thousand yen in extraordinary income, resulting from the acquisition of the post-production segment “ATELIER ARTE” of ADK Creative One Inc.

(Notes on quarterly consolidated statements of cash flows)

The Group has not prepared quarterly consolidated statements of cashflows for the nine months ended December 31, 2024. Depreciation and amortization (including amortization associated with intangible assets, excluding goodwill) and goodwill amortization for the nine months ended December 31, 2023 & 2024 are as follows:

(Thousands of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Depreciation and amortization	2,126,923	2,562,256
Goodwill amortization	1,221,897	1,361,264