

English translation

This is a translation of the original release in Japanese. In the event of any discrepancy, the original release shall prevail.

Consolidated financial results (Japanese Accounting Standards) for the fiscal year ended March 31, 2019

Filing date: May 14, 2019

Company name: IMAGICA GROUP Inc.

Stock exchange listings: Tokyo 1st section

Securities code: 6879

URL: <https://www.imagicagroup.co.jp/en/>

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Shareholders meeting date(as planned): June 25, 2019

Dividend payment date(as planned): June 11, 2019

Supplemental material of results: Yes

Convening briefing of results: Yes

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

1. Consolidated Financial Results for the fiscal year 2018 (ended March, 2019) (April 1, 2018 - March 31, 2019)

1) Consolidated Operating Results

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

	Net sales		Operating income		Ordinary income		Net profit attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year 2018	90,212	(1.2)	926	(61.8)	789	(67.5)	(2,010)	-
Fiscal year 2017	91,351	4.3	2,424	35.6	2,424	20.3	2,937	72.1

(Note) Comprehensive income: Fiscal year 2018 : (3,768) millions of yen /(-)%
Fiscal year 2017 : 3,349 millions of yen /(625.7)%

	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 2018	(45.55)	-	(7.4)	1.2	1.0
Fiscal year 2017	65.98	-	10.5	3.5	2.7

(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, 2019	64,725	27,897	38.9	570.90
As of March 31, 2018	70,529	32,978	41.7	660.79

(Reference) Shareholders' equity: Year ended March 31, 2018: 25,150 millions of yen
Year ended March 31, 2017: 29,425 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 2018	117	(1,420)	(3,760)	6,067
Fiscal year 2017	4,161	(1,251)	(489)	11,131

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2. Dividends

	Dividend per share				
	1st quarter- end	2nd quarter- end	3rd quarter- end	Year-end	Annual
	yen	yen	yen	yen	yen
Fiscal year 2017	—	0.00	—	10.00	10.00
Fiscal year 2018	—	0.00		5.00	5.00
Fiscal year 2019 (Forecast)	—	0.00	—	5.00	5.00

(Note) Changes in dividends forecast from the latest disclosed information: No

3. Consolidated forecast for the fiscal year ending March 31, 2020 (April 1, 2019 - March 31, 2020)

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

	Net sales		Operating income		Ordinary income		Net profit attributable to owners of the parent		Net profit attributable to owners of parent per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	
Fiscal year 2019	95,000	5.0	1,680	81.0	1,200	52.0	1,800	—	40.86

(Note) Changes in earnings forecast from the latest disclosed information : No

* Notes

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

(2) Applying of specific accounting of the consolidated quarterly financial statements: None

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

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

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

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) 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, 2019	44,531,567 shares	As of March 31, 2018	44,531,567 shares
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2) Number of treasury stock at the end of fiscal year

As of March 31, 2019	478,341 shares	As of March 31, 2018	108 shares
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3) Average number of shares

As of March 31, 2019	44,127,131 shares	As of March 31, 2018	44,531,459 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.

(Disclaimer)

This document is a translation of the Japanese original. The Japanese original has been disclosed in Japan in accordance with Japanese accounting standards and the Financial Instruments and Exchange Act. This document does not contain or constitute any guarantee and the Company will not compensate any losses and/or damage stemming from actions taken based on this document. In the case that there is any discrepancy between the Japanese original and this document, the Japanese original is assumed to be correct.

1. Overview of operating results

(1) Overview of operating results for the fiscal year 2018 (ended March 31, 2019)

(i) Overview of the consolidated fiscal year ended March 31, 2019

During the consolidated fiscal year 2018 fourth quarter, Japan's economy continued to recover at a moderate pace as stronger wage gains picked up private consumption while the degree of impact of trade conflicts and multiple external economic issues on the Japanese economy remained uncertain.

The Imagica Group (the "Group") addressed the importance expanding the range of our video business by bringing the Group's total power into full play to improve the overall financial structure and profitability. We changed our corporate name from Imagica Robot Holdings Inc. to IMAGICA GROUP Inc. on October 1, 2018.

The Group's financial performance for consolidated fiscal year 2018 was net sales of 90,212 million yen (-1.2% year-on-year), operating income of 926 million yen (-61.8%), ordinary income of 789 million yen (-67.5%), and net loss attributable to owners of the parent was 2,010 million yen (compared to the net profit attributable to owners of the parent of 2,937 million yen in the previous year).

(ii) Performance by Business Segment

1) Content Creation

The financial performance of the contents creation business segment in consolidated fiscal year 2018 was net sales of 23,429 million yen (-7.4% year-on-year), operating income of 43 million yen (-94.6%). While television commercials, projection mapping and out of home advertisements performed well, number of major live-action feature films decreased and the result for this business segment was a sales loss. Part of the cause for operating income loss was the rise in the anime production cost including feature film adaptations of anime and full computer graphics.

2) Production Services

The financial performance of the production service business segment in consolidated fiscal year 2018 was net sales of 27,529 million yen (-0.7% year-on-year) and operating income of 677 million yen (-44%). The structural reform measure in line with the work-style reform law that were applied in the area of TV programs post-production service was successful and the situation had improved compared to the first half of the fiscal year. Nevertheless, sales and profit declined and this business segment as a whole recorded net sales almost equivalent to the previous year's level and operating income loss compared to the previous year.

3) Media Localization

The financial performance of the media localization business segment in consolidated fiscal year 2018 was net sales of 24,916 million yen (+0.4% year-on-year) and operating loss of 1,257 million yen (compared to 674 million yen in the previous year). Revenue from localization service in the European region is steadily growing. While the Americas and Asia regions dropped revenues due to OTT customer trend change, there are signs of recovery and this business segment as a whole posted a sales increase. As for the operating income, we posted a loss because there was the fixed costs for depreciation of capital expenditures, even though we are continuing to review our production capacity which was expanded in the previous year to accommodate the volume increase occurring at the time.

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4) Imaging Systems & Solutions

The financial performance of the imaging systems and solutions business segment in consolidated fiscal year 2018 was net sales of 15,946 million yen (+6.3% year-on-year) and operating income of 1,896 million yen (+30.9%). The imaging systems area of the business showed a strong performance driven by domestic sales. The professional video equipment area, on top of achieving favorable sales with the broadcasters, tightened control of costs. The LSI development area also successfully continued to ship video and imaging LSI to the Chinese market. As a result, this business segment as a whole gained both revenue and profit.

(2) Overview of financial position for the consolidated fiscal year 2018 (ended March 31, 2019)

1) Assets Statement

Total assets at the end of the consolidated fiscal year 2018 decreased by 5,803 million yen (or 8.2%) from the end of the previous consolidated fiscal year to 64,725 million yen.

Current assets increased by 458 million yen (or 1.2%) from the end of the previous consolidated fiscal year to 40,119 million yen. This was mainly because inventories increased, while cash and deposits decreased.

Non-current assets decreased by 6,262 million yen (or 20.3%) from the end of the previous consolidated fiscal year to 24,606 million yen. This was mainly because goodwill decreased.

2) Liabilities Statement

Total liabilities at the end of the consolidated fiscal year 2018 decreased by 723 million yen (or 1.9%) from the end of the previous consolidated fiscal year to 36,828 million yen.

Current liabilities increased by 2,818 million yen (or 11.8%) from the end of the previous consolidated fiscal year to 26,712 million yen. This was mainly because bills payable, accounts payable and advance payment increased.

Non-current liabilities decreased by 3,541 million yen (or 25.9%) from the end of the previous consolidated fiscal year to 10,115 million yen. This was mainly because long-term loans payable declined.

3) Net Assets

Total net assets at the end of the consolidated fiscal year 2018 decreased by 5,080 million yen (or 15.4%) from the end of the previous consolidated fiscal year to 27,897 million yen.

The capital adequacy ratio was 38.9%.

(3) Overview of cash flows for fiscal year 2018 (ended March 31, 2019)

Cash and cash equivalents ("fund") at the end of the consolidated fiscal year 2018 totaled 6,067 million yen, a decrease of 5,064 million yen (or 45.5%) from the end of the previous consolidated fiscal year.

The status of each cash flow and factor for fiscal year ended March 31, 2019 are as follows:

1) Cash flows from operating activities

Net cash provided by operating activities totaled 117 million yen, down 4,043 million yen (or 97.2%) from the end of the previous consolidated fiscal year. This was mainly because fund decreased due to an increase in inventories, while advance payment grew.

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2) Cash flows from investing activities

Net cash used in investing activities totaled to 1,420 million yen, increased 169 million yen (or 13.5%) from the end of the previous consolidated fiscal year.

This was mainly because fund decreased due to the purchase of property, plant and equipment, and purchase of intangible assets, while fund increased due to the sales of Investment securities.

3) Cash flows from financing activities

Net cash used in financing activities totaled 3,760 million yen, up 3,270 million yen (or 667.6%) from the end of the previous consolidated fiscal year.

This was mainly because fund decreased due to repayments of long-term loans payable and purchase of investments in subsidiaries does not involve a change in scope of consolidation.

(Reference) Trend of Cash Flow Indicators

	FY ended March 31, 2015	FY ended March 31, 2016	FY ended March 31, 2017	FY ended March 31, 2018	FY ended March 31, 2019
Shareholders' equity ratio (%)	44.8	40.2	38.6	41.7	38.9
Shareholders' equity ratio on a market price basis (%)	51.8	28.4	48.5	76.0	45.5
Ratio of net cash to interest-bearing liabilities (year)	405.0	3,430.8	371.7	358.2	10,625.2
Interest coverage ratio (times)	349.8	5.9	26.3	26.0	0.4

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

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

Interest coverage ratio: Operating cash flow/Interest payments

(Notes)

1. These indicators are calculated based on consolidated financial results.

2. Total market value of stock is calculated by the following formula: closing price at period-end x outstanding shares at period-end (excluding treasury stock).

3. Operating cash flow is based on net cash provided by operating activities reported on the consolidated statement of cash flow. Interest-bearing liabilities include all liabilities reported on the consolidated balance sheet for which interest is paid. The amount of interest payments is the amount of interest expenses paid reported on the consolidated statement of cash flow.

(4) Forecast of financial results for fiscal year 2019 (ending March 31, 2020)

The video related market in which the Group operates businesses would further see a rapid growth of the digital network. In the technology area, we are already seeing 4K, 8K, and HDR. More sophisticated visual presentations such as VR, AR, and digital signage are available in the production area. Smartphones and tablets signify the diversity of visual devices that are available. Advancement in compression technology and the cloud allow for more sophisticated visual transmission systems. We are in a time when conventional business models are making a big shift.

At the same time, video has become indispensable in the modern society as technologies advance and

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social environment changes. We believe that opportunities to use video will continue to ever expand.

Against this backdrop, the Group is conducting a wide range of businesses in the video market with our corporate philosophy: We strive to create new value with honesty and sincerity, and aim to be a visual communications group that provides the world with surprise and excitement.

The Group's management policy for fiscal year 2019 (ending March 31, 2020) is to have the Group exert its full comprehensive power through video business to improve profitability of existing major businesses and to enter into new domestic and global markets. We recognize the need to shift our businesses to match the changing business environment. Adapting to technological revolution with speed as well as improving ourselves to become a corporate group that will be attractive for the workforce and people's preferred corporate group are also a matter of great importance.

In particular, we will address the issues of redeveloping global strategy, achieving expansion, profitability and stability of the production services business, and making a stable portfolio that includes a balanced profit structure as well as sales structure. We will engage ourselves in accomplishing the agenda as follows:

1. Develop new global business
2. Improve profitability
3. Shift our business from the existing business model
4. Create and develop new business
5. Promote work-style reform

The Group will focus on the above priority items and expect to generate net sales of 9.5 billion yen, operating income of 1.68 billion yen, ordinary income of 1.2 billion, and net profit attributable to owners of the parent of 1.8 billion yen as consolidated business performance in fiscal year 2019.

The net profit attributable to owners of the parent will include extraordinary income from the transfer of fixed assets (property and building) that took place in April 2019.

As for the outlook of dividend for the fiscal year 2019, the dividend is set at 5.00 yen per share in accordance with the policy below.

Dividend policy

Dividend is one of the most important management objectives of the Group.

Principally, profits are shared with our shareholders in line with our consolidated results, with a consolidated payout ratio of 30% as the target. We aim to maintain a stable dividend and improve dividend scale.

If any special factor, such as an extraordinary income or loss, significantly impacts the net income of a given fiscal year, a dividend incorporating such special factor would be determined in principal, following a comprehensive consideration on stable dividend, future business development, and retained earnings.

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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) Quarterly consolidated balance sheets

(Thousands of yen)	March 31, 2018	March 31, 2019
Assets		
Current assets		
Cash and deposits	11,131,784	6,079,172
Notes and accounts receivable- trade	18,415,035	19,043,240
Inventories	8,031,571	11,352,166
Other	2,142,656	3,704,760
Allowance for doubtful accounts	(60,110)	(60,006)
Total current assets	39,661,037	40,119,332
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,823,616	3,502,684
Machinery and equipment	175,420	117,391
Land	2,943,085	2,944,295
Lease Assets	914,502	800,677
Construction in progress	99,593	60,508
Other	1,632,753	1,658,500
Total Property, plant and equipment	9,588,971	9,084,058
Intangible assets		
Software	1,213,321	1,189,223
Goodwill	7,255,938	3,769,751
Other	5,163,572	4,377,450
Total Intangible assets	13,632,833	9,336,425
Investments and other assets		
Investment securities	4,436,692	2,780,364
Stocks of subsidiaries and affiliates	614,858	306,705
Lease and guarantee deposits	1,167,132	1,177,433
Deferred tax asset	1,054,660	1,407,252
Other	488,717	624,476
Allowance for doubtful accounts	(115,614)	(110,528)
Total Investments and other assets	7,646,445	6,185,703
Total Non-current assets	30,868,250	24,606,187
Total assets	70,529,288	64,725,520

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(Thousands of yen)	March 31, 2018	March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable- trade	5,788,972	6,657,281
Short-term loans payable	4,982,314	5,375,309
Accounts payable	3,626,139	3,688,369
Income taxes payable	711,802	646,989
Advance payment	2,944,637	5,735,832
Provision for bonuses	1,514,231	1,131,264
Provision for directors compensations based on profit	95,778	146,678
Provision for loss on order received	63,449	73,117
Other	4,167,091	3,257,658
Total current liabilities	23,894,417	26,712,502
Non-current liabilities		
Long-term loans payable	8,891,288	6,169,835
Long-term accounts payable-other	601,062	316,773
Deferred tax liabilities	1,011,906	493,520
Net defined benefit liabilities	1,259,724	1,356,280
Other	1,892,742	1,779,206
Total non-current liabilities	13,656,725	10,115,616
Total Liabilities	37,551,142	36,828,119
Net assets		
Shareholders' equity		
Capital stock	3,244,915	3,244,915
Capital surplus	15,190,725	14,816,170
Retained earnings	9,749,118	7,286,290
Treasury stock	(42)	(489,754)
Total shareholders' equity	28,184,716	24,857,620
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,689,371	741,443
Deferred gains or losses on hedges	(388)	(1,346)
Revaluation reserve for land	(17,933)	(17,933)
Foreign currency translation adjustment	(433,870)	(442,700)
Re-measurements of defined benefit plans	3,942	12,919
Total accumulated other comprehensive income	1,241,121	292,382
Non-controlling Interests	3,552,306	2,747,397
Total Net assets	32,978,145	27,897,401
Total liabilities and Net assets	70,529,288	64,725,520

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(2) Consolidated statements of income and statements of comprehensive income

Consolidated statements of income

(Thousands of yen)	Fiscal year 2017	Fiscal year 2018
Net sales	91,351,958	90,212,331
Cost of sales	67,229,463	66,595,086
Gross profit	24,122,494	23,617,245
Selling, general and administrative expenses	21,698,422	22,690,582
Operating income	2,424,071	926,663
Non-operating income		
Interest income	6,399	17,149
Dividend income	56,802	55,958
Rent income	48,053	63,102
Equity in earnings of affiliates	58,211	20,157
Foreign exchange gains	–	3,382
Other	141,935	125,553
Total non-operating income	311,402	285,303
Non-operating expenses		
Interest expenses	176,822	328,027
Foreign exchange losses	98,333	–
Other	36,051	94,924
Total non-operating expenses	311,207	422,951
Ordinary income	2,424,266	789,014
Extraordinary income		
Gain on sales of non-current assets	5,340	21,817
Gain on sales of investment securities	102,244	369,510
Gain on sales of subsidiaries and affiliates' stocks	2,177,929	–
Total extraordinary income	2,285,514	391,328
Extraordinary losses		
Loss on sales of non-current assets	294	24,322
Loss on retirement of non-current assets	17,782	31,536
Goodwill amortization	–	2,290,323
Loss on valuation of stocks of subsidiaries and affiliates	–	296,324
Loss on Liquidation of Subsidiaries and Affiliates General	115,716	–
Loss On Workers Compensation	85,549	–
Other	133,275	233,527
Total extraordinary losses	352,617	2,876,033
Income before income taxes (loss)	4,357,163	(1,695,690)
Income Taxes Current	1,417,210	1,535,509
Income Taxes Deferred (loss)	188,665	(405,507)
Income taxes	1,605,875	1,130,002
Net profit (loss)	2,751,288	(2,825,692)
Net profit (loss) attributable to non-controlling interests	(186,675)	(815,631)
Net profit (Loss) attributable to owners of parent	2,937,964	(2,010,061)

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Consolidated statements of income

(Thousands of yen)	Fiscal year 2017	Fiscal year 2018
Net profit (Loss)	2,751,288	(2,825,692)
Other comprehensive income		
Valuation difference on available-for-sale securities	612,415	(950,923)
Deferred gains or losses on hedges	(388)	(958)
Foreign currency translation adjustment	(13,873)	(387)
Re-measurements of defined benefit plans	(366)	8,976
Total other comprehensive income	597,786	(943,292)
Comprehensive income	3,349,074	(3,768,984)
Comprehensive income attributable to owners of parent	3,556,333	(2,958,800)
Comprehensive income attributable to non-controlling interests	(207,259)	(810,184)

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(3) Consolidated statements of cash flow statement

(Thousands of yen)	Fiscal year 2017	Fiscal year 2018
Cash flows from operating activities		
Income before income taxes (loss)	4,357,163	(1,695,690)
Depreciation and Amortization	2,719,479	2,887,997
Amortization of goodwill	883,950	3,220,942
Increase (decrease) in net defined benefit liabilities	(754,405)	110,165
Increase (decrease) in allowance for doubtful accounts	(61,720)	(4,073)
Increase (decrease) in provision for bonuses	173,167	(382,966)
Interest and dividend income	(63,201)	(73,107)
Interest expenses	176,822	328,027
Equity in (earnings) losses of affiliates	(58,211)	(20,157)
Loss (gain) on sales of investment securities	(102,244)	(363,503)
Loss (gain) on sales of socks of subsidiaries and affiliates	(2,177,929)	247,317
Loss (gain) on sales of non-current assets	12,736	34,040
Decrease (increase) in notes and accounts receivable-trade	(786,440)	(976,766)
Decrease (increase) in inventories	1,647,792	(3,399,043)
Increase (decrease) in notes and accounts payable-trade	(595,239)	949,284
Increase (decrease) in advance payment	(286,946)	2,474,295
Increase (decrease) in consumption taxes payable or receivable	275,893	(879,589)
Increase (decrease) in account payable	279,309	207,739
Other, net	645,491	(1,095,254)
Subtotal	6,285,467	1,569,656
Interest and dividend income received	68,490	74,673
Interest expenses paid	(159,909)	(329,026)
Income taxes paid	(2,032,746)	(1,197,909)
Net cash provided by (used in) operating activities	4,161,301	117,394
Cash flows from investing activities		
Payments of short-term loans receivable	–	(609,326)
Purchase of property, plant and equipment	(1,359,398)	(1,177,430)
Proceeds from sales of property, plant and equipment	6,923	309,772
Purchase of intangible assets	(447,220)	(653,733)
Proceeds from sales of investment securities	235,150	628,866
Proceeds from sales of investments in affiliates		401,551
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(2,497,660)	–
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	2,941,715	–
Other, net	(131,178)	(320,400)
Net cash provided by (used in) investing activities	(1,251,668)	(1,420,700)

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(Thousands of yen)	Fiscal year 2017	Fiscal year 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(365,898)	471,552
Proceeds from long-term loans payable	2,748,664	–
Repayment of long-term loans payable	(2,230,993)	(2,490,726)
Purchase of treasury stock	–	(512,001)
Cash dividends paid	(445,314)	(445,314)
Purchase of investments in subsidiaries do not result in change in scope of consolidation	–	(775,680)
Proceeds from share issuance to non-controlling shareholders	127,500	447,500
Repayments of finance lease obligations	(321,975)	(422,351)
Others, net	(1,802)	(33,026)
Net cash provided by (used in) financing activities	(489,819)	(3,760,046)
Effect of exchange rate change on cash and cash equivalents	(3,956)	(1,357)
Net increase (decrease) in cash and cash equivalents	2,415,857	(5,064,711)
Cash and cash equivalents at beginning of period	8,715,927	11,131,784
Cash and cash equivalents at end of period	11,131,784	6,067,073

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2. Segment information

I. Fiscal year 2017 (from April 1, 2017 to March 31, 2018)

(Thousands of yen)	Content Creation	Production Services	Media Localization	Imaging Systems & Solutions	Sub total
Net sales					
Sales to external customers	25,114,451	26,982,069	24,472,361	14,637,521	91,206,403
Inter-segment sales or transfers	175,236	743,212	342,430	360,191	1,621,071
Total	25,289,687	27,725,282	24,814,792	14,997,713	92,827,475
Segment profit (loss)	799,212	1,209,810	(674,142)	1,449,462	2,784,343

	Adjustments (Note 1)	Amount in the quarterly consolidated statement of income (Note 2)
Net sales		
Sales to external customers	145,554	91,351,958
Inter-segment sales or transfers	(1,621,071)	—
Total	(1,475,517)	91,351,958
Segment profit (loss)	(360,272)	2,424,071

Notes:

- Adjustments is as follows
 - Sales to external customers is income from real estate and building management.
 - The Segment profit (loss) adjustment of (360,272) thousand yen consists of 916,746 thousand yen in profits of holding companies (consolidated financial statement-submitting companies) and intersegment transaction eliminations of (1,277,018) thousand yen.
- The segment profit (loss) adjustment is based on the operating income item in the quarterly consolidated statements of income.

English translation

This is a translation of the original release in Japanese. In the event of any discrepancy, the original release shall prevail.

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

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

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

Notes:

- Adjustments is as follows
 - Sales to external customers is income from real estate and building management.
 - The Segment profit (loss) adjustment of (433,622) thousand yen consists of 776,274 thousand yen in profits of holding companies (consolidated financial statement-submitting companies) and intersegment transaction eliminations of (1,209,897) thousand yen.
- The segment profit (loss) adjustment is based on the operating income item in the quarterly consolidated statements of income.