English Translation

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Consolidated financial results (Japanese Accounting Standards) for the First Quarter of the fiscal year ending March 31, 2022

Filing date: August 3, 2021

Company name: IMAGICA GROUP Inc.
Stock exchange listing: Tokyo 1st section
Securities code: 6879
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Quarterly report filing date (as planned): August 3, 2021
Dividend payment date (as planned): —
Supplemental material of quarterly results: Yes
Convening briefing of quarterly results: No

(Millions of yen, rounded down)

1. Consolidated Financial Results for the First Quarter of the fiscal year ending March 31, 2022 (April 1, 2021 – June 30, 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	%
3 months ended June 30, 2021	15,414	(8.6)	(255)	—	(285)	—	499	—
3 months ended June 30, 2020	16,855	(22.5)	(1,868)	—	(1,942)	—	(1,213)	—

(Note) Comprehensive income: 1st quarter ended June 30, 2021: 1,306 millions of yen / —%
1st quarter ended June 30, 2020: (1,413) millions of yen / —%

	Earnings per share of common stock	Diluted earnings per share of common stock
	Yen	Yen
3 months ended June 30, 2021	11.25	—
3 months ended June 30, 2020	(27.41)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	Millions of yen	Millions of yen	%
As of June 30, 2021	60,735	31,311	47.6
As of March 31, 2021	60,446	29,832	45.4

(Reference) Shareholders' equity: As of June 30, 2021: 28,883 millions of yen
As of March 31, 2021: 27,450 millions of yen

2. Dividends

	Dividend per share				
	1st quarter- end	2nd quarter- end	3rd quarter- end	Year-end	Annual
	yen	yen	yen	yen	yen
Year ended March 31,2021	—	0.00	—	0.00	0.00
Year ending March 31,2022	—				
Year ending March 31,2022 (Forecast)		0.00	—	5.00	5.00

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

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.2022	75,000	(13.5)	1,500	−	2,000	−	2,000	(42.1)	45.06

(Note) Changes in earnings forecast from the latest disclosed information : Yes
Operating income includes 1,600 million yen as goodwill amortization etc.
Operating income before goodwill amortization includes: Operating income, goodwill amortization and amortization of intangible fixed assets accompanying M&A.

*Notes:

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

(2) The application of specific accounting of the consolidated quarterly financial statements: No

(3) Changes in accounting policies, accounting estimates and retrospective
1) Changes in accounting policies based on revisions of accounting standards: Yes
2) Changes in accounting policies other than ones based on revisions of accounting standards: Yes
3) Changes in accounting estimates: Yes
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 June 30, 2021	44,741,467 shares	As of March 31, 2021	44,741,467 shares

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

As of June 30, 2021	355,844 shares	As of March 31, 2021	353,231 shares

3) Average number of shares

As of June 30, 2021	44,386,657 shares	As of June 30, 2020	44,273,126 shares

***Consolidated quarterly financial results are exempted from quarterly review by a public certified 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 deemed to be reasonable to the Company at the time of publication, and are not to be read as guarantees of future performance by the Company. For preconditions of the assumptions and special instructions regarding the appropriate use of financial forecasts, please refer to "*1. Qualitative Information on Results in the First Quarter, (3) Explanation of Consolidated Financial Forecast and Forward-looking Statements*" on page of the supplemental material.

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1. Qualitative Information on Results in the First Quarter

(1) Explanation of operating results

(Overview of the first quarter of consolidated fiscal year ending March 31, 2022)

The business environment surrounding the IMAGICA GROUP saw changes in the social environment due to the novel coronavirus (COVID-19) pandemic, in addition to rapid technological innovations. These factors are bringing about many changes in our imaging-related businesses such as the emergence of the online live market and video streaming market. The IMAGICA GROUP formulated G-EST 2025, our new mid-term plan, based on our view that these changes present growth opportunities. We have positioned fiscal year ending March 31, 2022, the initial year of this plan, as the year in which we will build the foundation for transforming into a highly profitable business, and are pursuing initiatives aimed at achieving the plan in each business segment.

The Group's financial performance for the first quarter of consolidated fiscal year ending March 31, 2022 resulted in net sales of 15,414 million yen (down 8.6% year-on-year), an operating loss of 255 million yen (compared to operating loss of 1,868 million yen in the first quarter of the previous fiscal year), and an ordinary loss of 285 million yen (compared to an ordinary loss of 1,942 million yen in the first quarter of the previous fiscal year). Net profit attributable to owners of the parent was 499 million yen (compared to a loss of 1,213 million yen in the first quarter of the previous fiscal year).

The decline in net sales resulted from the implementation of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, revised March 31, 2020; hereafter, the "Revenue Recognition Accounting Standard") and related guidance from the beginning of the first quarter of consolidated fiscal year ending March 31, 2022, and the sales of all shares held in SDI Media Group, Inc. at the end of last fiscal year, removing it from consolidation.

See "(Changes in accounting policies, etc.)," and "(Segment information and others), [Segment Information], 2. Notes concerning changes in reportable segments" under "2. Quarterly Consolidated Financial Statements, (3) Notes to Quarterly Consolidated Statements" for further details on the impact of the implementation of the Revenue Recognition Accounting Standard and related guidance on the financial status and operating results of the IMAGICA GROUP.

(Performance by business segment)

The financial results by business segment are as follows.
One subsidiary (IMAGICA LIVE Corp.), which was previously included in the Production Services business segment, was reclassified to the Imagining Systems & Solutions business segment from the first quarter of consolidated fiscal year ending March 31, 2022. The consolidated fiscal year comparisons for the first quarter are based on the new classification.

1) Content Creation

The financial performance of the Content Creation business segment in the first quarter of consolidated fiscal year ending March 31, 2022 resulted in net sales of 3,928 million yen (up 34.0% year-on-year) and an operating loss of 30 million yen (compared to an operating loss of 469 million yen in the first quarter of the previous fiscal year).

Orders received for TV animation and other productions were firm, despite the fact that net sales of some feature film productions and TV dramas will be posted in the second quarter or later. Orders for TV commercials and other advertising show signs of rebounding, and orders were also strong for online streaming of live music performances and shooting music videos.

The above factors resulted in an increase in both sales and operating income in the Content Creation business segment.

2) Production Services

The financial performance of the Production Services business segment in the first quarter of consolidated fiscal year ending March 31, 2022 resulted in net sales of 8,687 million yen (down 17.4% year-on-year) and an operating loss of 174 million yen (compared to an operating loss of 1,267 million yen in the first quarter of the previous fiscal year).

Domestic E2E services[*1] saw growth in orders for digital cinema, in addition to post-production for large projects such as feature films and drama series and theater animation due to the reopening of theaters and other factors. This segment saw growth in the number of productions delivered to video streaming service providers, due in part to collaboration with Pixelogic Holdings LLC, which became a consolidated subsidiary last fiscal year. Orders for video file compression, conversion, and other encoding and localization services grew, and sales were steady.

International E2E services saw substantial sales growth due to firm orders for localization for video streaming service providers, despite a decrease in orders for digital cinema services, owing to the delayed release of feature films by Pixelogic Holdings LLC in Europe and the U.S.

In post-production services for TV programs and TV commercials, etc.[*2], sales for post-production services for TV programs trended on par with last year. With the activation of the advertising market, the number of orders for TV commercials increased year-on-year, and demand for the online delivery system also expanded.

In game production, human talent services, etc.[*3], the creative talent dispatch and referral business continued to experience severe conditions. However, strong orders for 3DCG production and debugging led to improvement in sales.

Sales for the Production Services business segment as a whole declined due to the sale of all shares held in SDI Media Group, Inc., removing the subsidiary from consolidation. However, the structural reform completed last fiscal year led to improvement in the operating loss.

[*1] E2E services: Refers to an integrated end-to-end (E2E) service that covers the entire post-production process for feature films, dramas, animation, and other audio/video content up to media services for localization (subtitling/dubbing) and distribution of these through all kinds of media, including theaters, TV, and video streaming via the Internet.

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

[*3] The names of "human talent services" and "digital content" used up to last fiscal year have been revised to "game production, human talent services, etc."

[*] Companies in the international E2E services area have a fiscal year-end of December 31. The financial performance for this area during the first quarter of fiscal year ending March 31, 2022 therefore reflects the results for January 1 through March 31, 2021.

3) Imaging Systems & Solutions

The financial performance of the Imaging Systems & Solutions business segment in the first quarter of consolidated fiscal year ending March 31, 2022 resulted in net sales of 3,151 million yen (down 11.9% year-on-year) and operating income of 103 million yen (compared to an operating loss of 46 million yen in the first quarter of the previous fiscal year).

High-speed cameras saw a rebound in demand in Asia, Europe, and the U.S., despite continued sluggish sales in Japan. Projects for broadcasting stations continued to struggle as the number of projects declined and the size of projects shrank. The online delivery system for TV commercials continued to see strong sales due to expansion in market needs, while video and image processing LSI saw a rebound in demand in Japan and strong sales in Europe, the U.S., and South Korea.

Moreover, IMAGICA LIVE Corp. was included in the Imaging Systems & Solutions business in the first quarter of consolidated fiscal year ending March 31, 2022 due to segment reclassification. It achieved growth in both orders and sales of live sports relay and streaming services for archived videos.

The full amount received from customers for sale of mobile communication lines was previously recognized as revenue. However, the implementation of the Revenue Recognition Accounting Standard and related guidance has resulted in a decrease in net sales due to the change in the method of recognizing revenue for the net amount after amounts paid to suppliers are deducted from the total amount of the sale.

The above factors resulted in a decrease in sales and an increase in profit in the Imaging Systems & Solutions business segment.

(2) Explanation of Financial Position

(Asset)

Current assets decreased by 1,384 million yen (4.5%) from the end of the previous consolidated fiscal year to 29,056 million yen. This decrease was mainly due to a decrease in notes and accounts receivable-trade and contract assets, which exceeded an increase in inventories.

Non-current assets increased by 1,674 million yen (5.6%) from the end of the previous consolidated fiscal year to 31,679 million yen. This was mainly due to an increase in goodwill, and lease and guarantee deposits, which exceeded the decline in stocks of subsidiaries and affiliates.

Consequently, total assets increased by 289 million yen (0.5%) from the end of the previous fiscal year to 60,735 million yen.

(Liabilities Statement)

Current liabilities decreased by 727 million yen (3.3%) from the end of the previous consolidated fiscal year to 21,389 million yen. This was mainly due to a decrease in short-term loans payable.

Non-current liabilities decreased by 461 million yen (5.4%) from the end of the previous consolidated fiscal year to 8,034 million yen. This decrease was mainly due to a decrease in long-term loans payable.

The above factors resulted in total liabilities of 29,424 million yen, a decrease of 1,189 million yen (3.9%) from the end of the previous consolidated fiscal year.

(Net Assets)

Net assets increased by 1,478 million yen (5.0%) from the end of the previous consolidated fiscal year to 31,311 million yen. This was mainly due to an increase in foreign currency translation adjustment and retained earnings.

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

We have revised the full-year forecasts for fiscal year ending March 31, 2022, announced on May 13, 2021. See the news release disclosed on August 3, 2021, entitled “Notice concerning recognition of non-operating income and revision of financial forecasts” for further details.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)	March 31, 2021	June 30, 2021
Assets		
Current assets		
Cash and deposits	6,908,657	5,799,588
Notes and accounts receivable- trade	15,159,083	―
Notes and accounts receivable - trade, and contract assets	―	11,943,834
Inventories	6,499,812	8,913,366
Other	1,918,018	2,444,241
Allowance for doubtful accounts	(44,735)	(44,756)
Total current assets	30,440,836	29,056,275
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,065,365	3,038,042
Machinery and equipment	85,810	117,002
Land	1,705,819	1,705,819
Lease Assets	475,187	427,712
Construction in progress	526,880	927,274
Other	1,365,805	1,476,228
Total Property, plant and equipment	7,224,868	7,692,078
Intangible assets		
Goodwill	12,048,747	12,727,301
Other	2,464,367	2,645,760
Total Intangible assets	14,513,115	15,373,061
Investments and other assets		
Investment securities	3,163,483	3,289,768
Stocks of subsidiaries and affiliates	1,095,950	326,643
Lease and guarantee deposits	1,641,911	2,211,464
Deferred tax asset	2,154,662	2,581,885
Other	328,808	321,464
Allowance for doubtful accounts	(117,446)	(116,923)
Total Investments and other assets	8,267,369	8,614,303
Total Non-current assets	30,005,354	31,679,444
Total assets	60,446,190	60,735,719

(Thousands of yen)	March 31, 2021	June 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable- trade	5,416,309	5,352,658
Short-term loans payable	7,402,726	5,904,362
Accounts payable	1,212,857	927,640
Income taxes payable	211,609	136,356
Advance received	2,811,112	—
Contract liabilities	—	3,861,189
Provision for bonuses	977,286	695,977
Provision for loss on order received	79,660	24,021
Provision for loss on litigation	531,408	593,788
Other	3,474,389	3,893,600
Total current liabilities	22,117,359	21,389,595
Non-current liabilities		
Long-term loans payable	5,384,905	4,977,526
Long-term accounts payable-other	148,018	140,056
Net defined benefit liabilities	550,324	484,293
Deferred tax liabilities	1,219,724	1,246,686
Asset retirement obligations	627,722	647,324
Other	565,200	538,588
Total non-current liabilities	8,495,895	8,034,475
Total Liabilities	30,613,255	29,424,070
Net assets		
Shareholders’ equity		
Capital stock	3,306,002	3,306,002
Capital surplus	13,238,832	13,239,662
Retained earnings	10,966,151	11,555,343
Treasury stock	(361,659)	(361,659)
Total shareholders’ equity	27,149,326	27,739,348
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	880,107	956,080
Revaluation reserve for land	(17,933)	(17,933)
Foreign currency translation adjustment	(559,947)	207,018
Re-measurements of defined benefit plans	(688)	(855)
Total accumulated other comprehensive income	301,538	1,144,310
Stock acquisition right	11,484	11,484
Non-controlling Interests	2,370,585	2,416,505
Total Net assets	29,832,935	31,311,648
Total liabilities and Net assets	60,446,190	60,735,719

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

Quarterly Consolidated Statements of Income

(Thousands of yen)	3 months ended June 30, 2020	3 months ended June 30, 2021
Net sales	16,855,763	15,414,113
Cost of sales	13,497,809	11,028,031
Gross profit	3,357,953	4,386,082
Selling, general and administrative expenses	5,226,879	4,642,006
Operating loss	(1,868,925)	(255,924)
Non-operating income		
Interest income	64,811	260
Dividend income	14,702	13,229
Rent income	17,175	15,832
Foreign exchange gains	58,145	—
Other	28,175	16,534
Total non-operating income	183,009	45,856
Non-operating expenses		
Interest expenses	79,383	52,165
Equity in losses of affiliates	135,767	208
Foreign exchange losses	—	2,767
Other	41,101	19,976
Total non-operating expenses	256,251	75,117
Ordinary loss	(1,942,167)	(285,186)
Extraordinary income		
Gain on sales of non-current assets	659	794
Gain on sale of shares of subsidiaries and associates	—	357,963
Total extraordinary income	659	358,757
Extraordinary losses		
Loss on sales of non-current assets	263	—
Loss on retirement of non-current assets	4,948	4,039
Impairment loss	73,135	—
Other	12,069	68
Total extraordinary losses	90,418	4,107
Net income (loss) before income tax	(2,031,926)	69,464
Income taxes	(621,680)	(395,136)
Net income (loss)	(1,410,245)	464,601
Net loss attributable to non-controlling interests	(196,914)	(34,651)
Net income (loss) attributable to owners of the parent	(1,213,331)	499,252

Quarterly Consolidated Statements of Comprehensive Income

(Thousands of yen)	3 months ended June 30, 2020	3 months ended June 30, 2021
Net income (loss)	(1,410,245)	464,601
Other comprehensive income		
Valuation difference on available-for-sale securities	163,833	75,973
Foreign currency translation adjustment	(167,523)	765,850
Re-measurements of defined benefit plans	248	(167)
Total other comprehensive income	(3,441)	841,656
Comprehensive income	(1,413,687)	1,306,257
(Breakdown)		
Comprehensive income attributable to owners of parent	(1,144,411)	1,342,023
Comprehensive income attributable to non-controlling interests	(269,275)	(35,766)

(3) Notes to Quarterly Consolidated Statements

(Notes regarding ongoing concern assumption)
No relevant matters to be noted.

(Notes concerning material changes in the amount of shareholders' equity)
No relevant matters to be noted.

(Changes in accounting policies, etc.)

(Changes in accounting policies)

(Changes accompanying implementation of the Accounting Standard for Revenue Recognition and related guidance)
The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, revised March 31, 2020; hereafter, the "Revenue Recognition Accounting Standard") and related guidance were implemented from the beginning of the first quarter of consolidated fiscal year ending March 31, 2022. Under this standard, the amount the company expects to receive in exchange for goods and services is recognized as revenue when control over the promised goods or services is transferred to the customer. The main changes from implementation of the Revenue Recognition Accounting Standard and related guidance are as follows:

(1) Recognition of revenue on product export sales

For export sales of imaging equipment, etc., revenue was previously recognized when the goods cleared customs. This has changed to the method of recognizing revenue once control over the asset is deemed to have transferred to the customer, according to the transaction terms.

(2) Recognition of revenue on transactions involving multiple fulfillment obligations in a single contract

In the Content Creation business, revenue on transactions involving multiple fulfillment obligations in a single contract was previously recognized once all obligations were completely fulfilled in cases where the obligations were highly interrelated. For transactions in which the customer performs an inspection for each of the fulfillment obligations, this has changed to the method of recognizing revenue for each fulfilled obligation once the customer has performed the inspection and deemed each individual obligation fulfilled.

(3) Recognition of revenue on agency transactions

For mobile communication lines, revenue was previously recognized on the total amount of the sale received from the customer. This has changed to the method of recognizing revenue for the net amount after deducting payments to suppliers from the full amount. This resulted from determining the company's role (provided directly or as an agent) in providing the goods or services to the customer.

The implementation of the Revenue Recognition Accounting Standard and related guidance follows the transitional treatment in the exception clause of Paragraph 84 of the Revenue Recognition Accounting Standard. The new accounting standard was applied to the balance of retained earnings from the beginning of the period and retained earnings were adjusted for the cumulative impact assuming application of the new accounting standard retroactively before the beginning of the accounting period for the first quarter of consolidated fiscal year ending March 31, 2022.
However, we have applied the method specified in Paragraph 86 of the Revenue Recognition Accounting Standard and have not retroactively applied the new accounting policy to contracts for which nearly all of the revenue recognized prior to the beginning of the first quarter of consolidated fiscal year ending March 31, 2022, was handled according to the previous accounting method.
These changes resulted in a decrease in retained earnings at the beginning of the first quarter of consolidated fiscal year ending March 31, 2022 of 9,934 thousand yen. It also resulted in decreases of 1,577,039 thousand yen in net sales and 1,578,443 thousand yen in cost of sales for the same consolidated period. The ordinary loss and operating loss decreased by 1,404 thousand yen, respectively, and net income before income tax increased by 1,404 thousand yen.
Due to implementation of the Revenue Recognition Accounting Standard and related guidance, "Notes and accounts receivable-trade," which was presented in "Current assets" in the Quarterly Consolidated Balance Sheets for the previous fiscal year, is included in "Notes and accounts receivable-trade and contract assets" from the first quarter of consolidated fiscal year ending March 31, 2022. Likewise, "Advances received," which was presented in "Current liabilities," is included "contract liabilities" from the first quarter of consolidated fiscal year ending March 31, 2022. In accordance with the transitional treatment specified in Paragraph 89-2 of the Revenue Recognition Accounting Standard, the new method of presentation has not been retroactively applied to the previous consolidated fiscal year. In accordance with the transitional treatment specified in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, Revised March 31, 2020), a breakdown of revenues arising from contracts with customers during the first quarter of the previous consolidated fiscal year has not been provided.

(Changes accompanying implementation of the Accounting Standard for Fair Value Measurement)
The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereafter, "Fair Value Accounting Standard") and related guidance were implemented from the beginning of the first quarter of consolidated fiscal

year ending March 31, 2022. In accordance with the transitional treatment specified in Paragraph 19 of the Fair Value Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy specified in the Fair Value Accounting Standard and related standards were applied prospectively. The change did not have any impact on the quarterly consolidated financial statements.

(Changes in accounting policies that are difficult to differentiate from changes in accounting estimates)

The IMAGICA GROUP and its domestic subsidiaries have mainly used the declining balance method of depreciation for property, plant, and equipment (excluding lease assets). We have changed this to the straight-line depreciation method from the first quarter of consolidated fiscal year ending March 31, 2022.

In light of the change from an era in which state-of-the-art equipment functions and editing services were strengths to an era in which we are called upon to perform an integrated range of complex work in a secure environment for worldwide simultaneous release, the IMAGICA GROUP response up to fiscal year ended March 31, 2021 included revising the international strategy, undertaking structural reform and Group business reorganization, using fixed assets effectively, and invigorating creative talent by establishing an office environment that accommodates new workstyles.

We took advantage of the opportunity presented by implementing the measures mentioned above to consider the status of property, plant, and equipment use. This revealed that the risk of rapid technological and economic obsolescence is now lower and property, plant, and equipment can be expected to operate stably over the remaining useful life, based on our New Mid-Term Plan "G-EST 2025.” We therefore decided that the equal allocation of costs under the straight-line depreciation method is a more reasonable reflection of the actual usage of property, plant, and equipment.

This change resulted in a decrease of 27,277 thousand yen in the operating loss and ordinary loss, respectively, and an increase of 27,277 thousand yen in income before income tax for the first quarter of consolidated fiscal year ending March 31, 2022.

(Segment information and others)

[Segment Information]

I. For the 3 months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

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

(Thousands of yen)

	Content Creation	Production Services	Imaging Systems & Solutions	Sub total
Net sales				
Sales to external customers	2,932,062	10,413,883	3,507,008	16,852,955
Inter-segment sales or transfers	30	105,236	70,216	175,482
Total	2,932,093	10,519,120	3,577,224	17,028,438
Segment loss	(469,437)	(1,267,718)	(46,212)	(1,783,368)

	Adjustments (Note 1)	Amount in the Quarterly Consolidated Statements of Income (Note 2)
Net sales		
Sales to external customers	2,808	16,855,763
Inter-segment sales or transfers	(175,482)	—
Total	(172,674)	16,855,763
Segment loss	(85,557)	(1,868,925)

Notes:

1. The segment loss adjustment of (85,557) thousand yen consists of 1,493,674 thousand yen in income of the Company and intersegment transaction eliminations of (1,579,231) thousand yen.
2. The segment loss adjustment is based on the operating loss item in the Quarterly Consolidated Statements of Income.

2. Information on impairment losses, goodwill, etc. by reportable segment

(Material impairment loss on non-current assets)

An impairment loss of 73,135 thousand yen on non-current assets was posted in the Production Services business segment.

II. For the 3 months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

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

(Thousands of yen)

	Content Creation	Production Services	Imaging Systems & Solutions	Sub total
Net sales				
Sales to external customers	3,897,955	8,443,751	3,044,891	15,386,599
Inter-segment sales or transfers	30,517	244,006	106,164	380,688
Total	3,928,473	8,687,758	3,151,056	15,767,287
Segment income (loss)	(30,610)	(174,833)	103,511	(101,932)

	Adjustments (Note 1)	Amount in the Quarterly Consolidated Statements of Income (Note 2)
Net sales		
Sales to external customers	27,514	15,414,113
Inter-segment sales or transfers	(380,688)	—
Total	(353,174)	15,414,113
Segment income (loss)	(153,992)	(255,924)

Notes:
1. The segment income (loss) adjustment of (153,992) thousand yen consists of 922,735 thousand yen in income of the Company and intersegment transaction eliminations of (1,076,727) thousand yen.
2. The segment income (loss) adjustment is based on the operating loss item in the Quarterly Consolidated Statements of Income.

2. Notes concerning changes in reportable segments

(Changes in reportable segments)
One consolidated subsidiary (IMAGICA LIVE Corp.) was previously included in the Production Services segment. It has been reclassified and included in the Imaging Systems & Solutions segment from the first quarter of consolidated fiscal year ending March 31, 2022.
The figures provided in "Information regarding net sales and profit (loss) by reportable segment" for the first quarter of the previous consolidated fiscal year show the figures after the changes to the reportable segments were made.

(Changes in accounting policies)
As stated in "Changes in accounting policies," the Revenue Recognition Accounting Standard and related guidance were implemented from the beginning of the first quarter of consolidated fiscal year ending March 31, 2022. The changes in the method of accounting for revenue recognition also resulted in the same changes in the method of calculating business segment income or loss.
Compared to the previous method, this change resulted an increase of 12,885 thousand yen in sales for Content Creation, an increase of 3,531 thousand yen in sales for Production Services, and a decrease of 1,593,455 thousand yen in sales for Imaging Systems & Solutions. It also increased segment losses by 2,127 thousand yen for Content Creation and by 3,531 thousand yen for Production Services.

(Change in property, plant, and equipment depreciation method)
As stated in "Changes in accounting policies that are difficult to differentiate from changes in accounting estimates," the Group and its domestic consolidated subsidiaries previously used the declining balance method for depreciating property, plant, and equipment (excluding lease assets). The method of depreciation was changed to the straight-line method from the first quarter of consolidated fiscal year ending March 31, 2022.
Compared to the previous method, this change resulted in decreases of 2,571 thousand yen in the segment loss for Content Creation, 9,508 thousand yen in the segment loss for Production Services, and 7,102 thousand yen in adjustments for the first quarter of consolidated fiscal year ending March 31, 2022. Segment profit increased by 8,095 thousand yen for Imaging Systems & Solutions.