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## Consolidated financial results (Japanese Accounting Standards) for the Third Quarter of the fiscal year ending March 31, 2023

Company name: IMAGICA GROUP Inc. Filing date: February 7, 2023  
 Stock exchange listing: Tokyo Prime  
 Securities code: 6879 URL: <https://www.imagicagroup.co.jp/en/>  
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 Quarterly report filing date (as planned): February 7, 2023  
 Dividend payment date (as planned): —  
 Supplemental material of quarterly results: Yes  
 Convening briefing of quarterly results: None

(Millions of yen, rounded down)

### 1. Consolidated Financial Results for the Third Quarter of the fiscal year ending March 31, 2023 (April 1, 2022 – December 31, 2022)

#### (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                                 | %      |
| 9 months ended Dec. 31, 2022 | 68,200          | 22.6  | 2,740            | 41.4 | 2,391           | (2.3) | 1,763   | (28.3) |
| 9 months ended Dec. 31, 2021 | 55,618          | (5.2) | 1,938            | —    | 2,448           | —     | 2,460   | —      |

(Note) Comprehensive income: 3rd quarter ended December 31, 2022: 4,635 millions of yen / 54.5 %  
 3rd quarter ended December 31, 2021: 3,000 millions of yen / — %

|                              | Earnings per share of common stock | Diluted earnings per share of common stock |
|------------------------------|------------------------------------|--|
|                              | Yen                                | Yen  |
| 9 months ended Dec. 31, 2022 | 39.61                              | —  |
| 9 months ended Dec. 31, 2021 | 55.42                              | —  |

#### (2) Consolidated Financial Position

|                      | Total assets    | Net assets      | Shareholders' equity ratio to total assets |
|----------------------|-----------------|-----------------|--|
|                      | Millions of yen | Millions of yen | %  |
| As of Dec. 31, 2022  | 84,780          | 37,859          | 41.2                                       |
| As of March 31, 2022 | 73,384          | 34,025          | 42.4                                       |

(Reference) Shareholders' equity: As of December 31, 2022: 34,964 millions of yen  
 As of March 31, 2022: 31,149 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 31,2022                | —                  | 0.00             | —                | 15.00    | 15.00  |
| Year ending March 31,2023               | —                  | 0.00             | —                |          |        |
| Year ending March 31,2023<br>(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, 2023 (April 1, 2022 - March 31, 2023)

(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 March 31, 2023 | 88,000          | 9.7 | 3,600            | 5.3 | 3,300           | (16.1) | 3,800   | 39.2 | 85.59                              |

(Note) Changes in earnings forecast from the latest disclosed information : Yes

### \*Notes:

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

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

(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: 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 December 31, 2022 | 44,741,467 shares | As of March 31, 2022 | 44,741,467 shares |
|-------------------------|-------------------|----------------------|-------------------|

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

|                         |                |                      |                |
|-------------------------|----------------|----------------------|----------------|
| As of December 31, 2022 | 156,042 shares | As of March 31, 2022 | 345,938 shares |
|-------------------------|----------------|----------------------|----------------|

3) Average number of shares

|                         |                   |                         |                   |
|-------------------------|-------------------|-------------------------|-------------------|
| As of December 31, 2022 | 44,508,174 shares | As of December 31, 2021 | 44,391,917 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.

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## 1. Qualitative Information on Results in this Quarter

### (1) Explanation of operating results

#### ① Overview of the third quarter of the consolidated fiscal year ending March 31, 2023

In the imaging-related business, the Group's main business domain, the market environment is undergoing dizzying changes, including rapid technological innovation, the emergence of online live shows and new forms of entertainment utilizing the metaverse due to social changes caused by the COVID-19 pandemic, and fiercer competition among video streaming service providers.

Viewing this environment as an opportunity for growth, the Group has launched its mid-term plan "G-EST 2025." In the fiscal year ending March 31, 2023, the second year of the plan, we plan to "continue to build the foundation for conversion to a high profitability Group" and will maintain our efforts to promote various initiatives based on our four key strategies.

During the third quarter of the consolidated fiscal year ending March 31 2023, net sales were 68,200 million yen (up 22.6% year on year), operating income was 2,740 million yen (up 41.4% year on year), ordinary income was 2,391 million yen (down 2.3% year on year), and net income attributable to owners of the parent was 1,763 million yen (down 28.3% year on year). Ordinary income decreased due to the recording of 748 million yen in non-operating income, including subsidy income, in the previous year. The decrease in net income attributable to owners of the parent was due to an increase in income taxes compared to the previous year.

#### ② Performance by business segment

Financial results by business segment are as follows.

Effective from the first quarter of the consolidated fiscal year ending March 31, 2023, one consolidated subsidiary (IMAGICA EEX Inc.), which was previously included in "Adjustments," was reclassified to the Content Creation business segment because of an increase in its importance.

Comparisons and analyses for the third quarter of the consolidated fiscal year ending March 31, 2023, are based on the new classification.

##### 1) Content Creation business

Net sales for the third quarter of the consolidated fiscal year were 17,731 million yen (up 14.2% year on year) and operating income was 285 million yen (up 21.7% year on year).

Net sales of feature films and dramas remained strong due to an increase in the number of projects from the previous fiscal year. In the third quarter in particular, sales increased significantly due to the recording of a major project for a video streaming service provider. In commercial production, the number of orders for projects has struggled to meet expectations from the third quarter. The gross margin for animation productions is improving due to strict per-production profit management and the streamlining of production. In the live entertainment business, orders were robust.

These developments resulted in an increase in sales and profit for the overall Content Creation business segment.

## 2) Production Services business

Net sales for the third quarter of the consolidated fiscal year were 39,645 million yen (up 33.1% year on year) and operating income was 2,147 million yen (up 92.3% year on year).

In domestic E2E services\*, post-production services for feature films, drama series, and feature animations remained strong. Orders for digital cinema services also increased. In addition, net sales remained strong in the areas of encoding and localization, including compression and conversion of video files, as we continued to secure orders from video streaming service providers.

In overseas E2E services, demand for localization for video streaming service providers remained strong, and foreign exchange effects also contributed to a significant increase in sales.

In post-production services, etc. for TV programs and TV commercials, the number of orders for TV commercials has struggled to meet expectations since the third quarter.

In game production and human talent services, etc., orders for game 3DCG production, debugging, and other services remained strong.

As a result, net sales and income grew for the overall Production Services business.

\* E2E services: End-to-end 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 through 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.

\* Overseas E2E services have a settlement date of December 31, so E2E earnings from January 1, 2022, to September 30, 2022, are reflected in the results for the third quarter of the consolidated fiscal year ending March 31, 2023.

## 3) Imaging Systems & Solutions business

Net sales for the third quarter of the consolidated fiscal year were 12,635 million yen (up 7.2% year on year) and operating income was 1,184 million yen (up 15.7% year on year).

In high-speed cameras, net sales increased year on year as the impact of the semiconductor shortage began to ease and product shipments began to recover. In Broadcast Imaging Systems & Solutions, net sales failed to grow due to low orders for projects. In the Optical Measurement Business, net sales of both optical elements and optical measurement systems increased in line with recovery in capital investments. Sales of online delivery of TV commercials remained strong, and sales of Image processing LSIs continued to be strong in Japan and overseas (especially in Asia).

Therefore, net sales and income rose for the overall Imaging Systems & Solutions business.

## (2) Explanation of financial position

### ① Assets

Current assets increased by 3,098 million yen (7.5%) from the end of the previous consolidated fiscal year to 44,165 million yen. This was mainly due to a decrease in cash and deposits and an increase in inventory assets, including work in process for production.

Non-current assets increased by 8,297 million yen (25.7%) from the end of the previous consolidated fiscal year to 40,614 million yen.

This is mainly due to an increase in lease assets resulting from the start of application of U.S. lease accounting standards and an increase in goodwill resulting from the foreign currency translation effect.

As a result, total assets increased by 11,395 million yen (15.5%) from the end of the previous consolidated fiscal year to 84,780 million yen.

### ② Liabilities

Current liabilities increased by 3,466 million yen (10.7%) from the end of the previous consolidated fiscal year to 35,745 million yen.

This was primarily due to increases in contract liabilities and short-term loans payable, amid a decrease in notes and accounts payable.

Non-current liabilities increased by 4,095 million yen (57.8%) from the end of the previous consolidated fiscal year to 11,175 million yen.

This was primarily due to an increase in lease obligations included under Non-current liabilities in others, net, amid a decrease in long-term loans payable.

As a result, total liabilities increased by 7,561 million yen (19.2%) from the end of the previous consolidated fiscal year to 46,920 million yen.

### ③ Net assets

Net assets increased by 3,834 million yen (11.3%) from the fiscal year ended March 31, 2022 to 37,859 million yen.

This was primarily due to an increase in retained earnings and foreign currency translation adjustments.

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

Revisions have been made to the full-year financial forecast figures for the fiscal year ending March 31, 2023 from the forecast announced on May 13, 2022. For details, see the "Notice Concerning the Recording of Extraordinary Profit/Loss and Revision of Consolidated Financial Forecast" released today (February 7, 2023).

## 2. Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheets

| (Thousands of yen)   | March 31, 2022 | December 31, 2022 |
|--|----------------|-------------------|
| Assets   |                |                   |
| Current assets   |                |                   |
| Cash and deposits  | 6,420,308      | 5,098,713         |
| Notes and accounts receivable - trade, and contract assets | 18,849,395     | 18,268,693        |
| Inventories  | 13,613,658     | 17,749,330        |
| Other  | 2,223,017      | 3,101,787         |
| Allowance for doubtful accounts                            | (39,570)       | (52,974)          |
| Total current assets                                       | 41,066,808     | 44,165,551        |
| Non-current assets   |                |                   |
| Property, plant and equipment                              |                |                   |
| Buildings and structures                                   | 5,448,367      | 5,412,989         |
| Machinery, equipment and vehicles                          | 832,609        | 847,416           |
| Land   | 1,705,807      | 1,705,807         |
| Lease Assets   | 303,675        | 5,413,316         |
| Other  | 1,878,964      | 2,751,787         |
| Total Property, plant and equipment                        | 10,169,425     | 16,131,317        |
| Intangible assets  |                |                   |
| Goodwill   | 11,482,801     | 13,253,339        |
| Other  | 2,352,770      | 2,596,822         |
| Total Intangible assets                                    | 13,835,572     | 15,850,162        |
| Investments and other assets                               |                |                   |
| Investment securities                                      | 2,670,687      | 2,649,847         |
| Stocks of subsidiaries and affiliates                      | 385,838        | 496,023           |
| Lease and guarantee deposits                               | 2,066,324      | 2,184,050         |
| Deferred tax asset   | 3,051,529      | 3,087,596         |
| Other  | 286,596        | 377,613           |
| Allowance for doubtful accounts                            | (148,462)      | (162,041)         |
| Total Investments and other assets                         | 8,312,513      | 8,633,090         |
| Total Non-current assets                                   | 32,317,511     | 40,614,570        |
| Total assets   | 73,384,320     | 84,780,121        |

| (Thousands of yen)                                    | March 31, 2022 | December 31, 2022 |
|---|----------------|-------------------|
| Liabilities   |                |                   |
| Current liabilities                                   |                |                   |
| Notes and accounts payable- trade                     | 8,884,981      | 6,479,181         |
| Short-term loans payable                              | 4,170,485      | 5,706,579         |
| Accounts payable                                      | 1,824,055      | 1,233,400         |
| Income taxes payable                                  | 850,863        | 226,673           |
| Contract liabilities                                  | 8,373,707      | 12,539,184        |
| Provision for bonuses                                 | 1,594,260      | 585,525           |
| Provision for loss on order received                  | 3,717          | 700               |
| Provision for loss on litigation                      | 584,309        | 627,061           |
| Asset retirement obligations                          | 41,401         | —                 |
| Other   | 5,951,109      | 8,346,724         |
| Total current liabilities                             | 32,278,892     | 35,745,031        |
| Non-current liabilities                               |                |                   |
| Long-term loans payable                               | 4,019,743      | 3,441,885         |
| Long-term accounts payable-other                      | 208,183        | 303,295           |
| Deferred tax liabilities                              | 396,815        | 440,763           |
| Net defined benefit liabilities                       | 1,311,241      | 1,309,286         |
| Asset retirement obligations                          | 636,938        | 641,706           |
| Other   | 507,067        | 5,038,518         |
| Total non-current liabilities                         | 7,079,990      | 11,175,455        |
| Total Liabilities                                     | 39,358,882     | 46,920,487        |
| Net assets  |                |                   |
| Shareholders' equity                                  |                |                   |
| Capital stock   | 3,306,002      | 3,306,002         |
| Capital surplus                                       | 13,223,561     | 13,020,018        |
| Retained earnings                                     | 13,785,809     | 14,881,363        |
| Treasury stock  | (351,569)      | (158,530)         |
| Total shareholders' equity                            | 29,963,804     | 31,048,854        |
| Accumulated other comprehensive income                |                |                   |
| Valuation difference on available-for-sale securities | 610,074        | 559,164           |
| Revaluation reserve for land                          | (17,933)       | (17,933)          |
| Foreign currency translation adjustment               | 595,800        | 3,377,105         |
| Re-measurements of defined benefit plans              | (2,483)        | (2,767)           |
| Total accumulated other comprehensive income          | 1,185,458      | 3,915,569         |
| Non-controlling Interests                             | 2,876,174      | 2,895,210         |
| Total Net assets                                      | 34,025,437     | 37,859,634        |
| Total liabilities and Net assets                      | 73,384,320     | 84,780,121        |



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

## Quarterly Consolidated Statements of Income

| (Thousands of yen)                                    | 9 months ended<br>December 31, 2021 | 9 months ended<br>December 31, 2022 |
|---|-------------------------------------|-------------------------------------|
| Net sales   | 55,618,324                          | 68,200,306                          |
| Cost of sales   | 39,227,628                          | 49,003,240                          |
| Gross profit  | 16,390,696                          | 19,197,066                          |
| Selling, general and administrative expenses          | 14,452,390                          | 16,456,158                          |
| Operating income                                      | 1,938,305                           | 2,740,907                           |
| Non-operating income                                  |                                     |                                     |
| Interest income                                       | 814                                 | 1,433                               |
| Dividend income                                       | 22,240                              | 26,117                              |
| Rent income   | 49,131                              | 50,483                              |
| Equity in earnings of affiliates                      | 109                                 | —                                   |
| Other   | 676,449                             | 89,438                              |
| Total non-operating income                            | 748,746                             | 167,473                             |
| Non-operating expenses                                |                                     |                                     |
| Interest expenses                                     | 152,391                             | 191,203                             |
| Equity in losses of affiliates                        | —                                   | 6,572                               |
| Foreign exchange losses                               | 17,101                              | 160,660                             |
| Other   | 68,679                              | 158,478                             |
| Total non-operating expenses                          | 238,172                             | 516,915                             |
| Ordinary income                                       | 2,448,879                           | 2,391,464                           |
| Extraordinary income                                  |                                     |                                     |
| Gain on sales of non-current assets                   | 4,560                               | 7,070                               |
| Gain on sale of shares of subsidiaries and associates | 417,882                             | 132,878                             |
| Compensation for forced relocation                    | —                                   | 416,055                             |
| Other   | 436,359                             | 29,909                              |
| Total extraordinary income                            | 858,802                             | 585,913                             |
| Extraordinary losses                                  |                                     |                                     |
| Loss on retirement of non-current assets              | 64,692                              | 3,785                               |
| Office transfer related expenses                      | 477,468                             | 61,862                              |
| Extra retirement payments                             | —                                   | 170,228                             |
| Other   | 17,803                              | 19,156                              |
| Total extraordinary losses                            | 559,965                             | 255,032                             |
| Net income before income tax                          | 2,747,716                           | 2,722,345                           |
| Income taxes  | 180,998                             | 838,911                             |
| Net income  | 2,566,717                           | 1,883,433                           |
| Net income attributable to non-controlling interests  | 106,482                             | 120,321                             |
| Net income attributable to owners of the parent       | 2,460,235                           | 1,763,112                           |

Quarterly Consolidated Statements of Comprehensive Income

| (Thousands of yen)   | 9 months ended<br>December 31, 2021 | 9 months ended<br>December 31, 2022 |
|--|-------------------------------------|-------------------------------------|
| Net income   | 2,566,717                           | 1,883,433                           |
| Other comprehensive income                                     |                                     |                                     |
| Valuation difference on available-for-sale securities          | (436,099)                           | (42,791)                            |
| Foreign currency translation adjustment                        | 870,289                             | 2,794,869                           |
| Re-measurements of defined benefit plans                       | (502)                               | (284)                               |
| Total other comprehensive income                               | 433,687                             | 2,751,793                           |
| Comprehensive income   | 3,000,405                           | 4,635,227                           |
| (Breakdown)  |                                     |                                     |
| Comprehensive income attributable to owners of parent          | 2,890,964                           | 4,493,223                           |
| Comprehensive income attributable to non-controlling interests | 109,440                             | 142,003                             |

(3) Notes related to quarterly consolidated financial statements

(Notes regarding 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.

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

(Calculation of tax expenses)

Tax expenses are calculated by rationally estimating the effective tax rate after applying tax effect accounting to net income before income tax for the consolidated fiscal year that includes the current third quarter and multiplying net income before income taxes for the quarter by the estimated effective tax rate.

However, if the calculation of tax expenses using this estimated effective tax rate leads to obviously irrational results, the statutory effective tax rate is used after adjusting income/loss before income taxes for material differences that do not fall under temporary differences.

(Changes in accounting policies)

(1) Adoption of FASB Accounting Standards Codification (ASC) No. 842, "Leases"

As of the beginning of the first quarter of the consolidated fiscal year ending March 31, 2023, ASC No. 842, "Leases," was adopted for foreign consolidated subsidiaries that have adopted U.S. GAAP.

In principle, therefore, all leases of lessees are recorded as assets and liabilities. When applying this standard, the Company follows transitional treatment and recognizes the cumulative effect of a change in accounting policy at the date of adoption.

As a result, "Lease assets (net)" under property, plant, and equipment, "Other" under current liabilities, and "Other" under non-current liabilities increased 3,002,985 thousand yen, 384,364 thousand yen, and 2,735,036 thousand yen, respectively, at the beginning of the first quarter of the current fiscal year. The effect on retained earnings at the beginning of the first quarter of the current consolidated fiscal year and the effect on the quarterly consolidated statement of income for the third quarter of the current consolidated fiscal year are immaterial.

(2) Change in method for calculating tax expenses

Previously, with the exception of some consolidated subsidiaries, tax expenses were calculated using the basic method. However, in order to further improve the efficiency of the Company and its consolidated subsidiaries' quarterly accounting operations, effective from the first quarter of the current consolidated fiscal year, the Company has changed the method it uses to calculate tax expenses to rationally estimating the effective tax rate after applying tax effect accounting to net income before income taxes for the consolidated fiscal year and then multiplying the estimated effective tax rate and net income before income taxes for the quarter.

Since the impact of this change is immaterial, it has not been retrospectively applied.

(Segment information and others)

[Segment Information]

I. For the 9 months ended December 31, 2021 (from April 1, 2021 to December 31, 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      | 15,399,522       | 28,903,978          | 11,304,452                  | 55,607,953 |
| Inter-segment sales or transfers | 131,354          | 872,984             | 477,810                     | 1,482,149  |
| Total                            | 15,530,876       | 29,776,962          | 11,782,263                  | 57,090,102 |
| Segment Income                   | 234,869          | 1,116,667           | 1,023,675                   | 2,375,213  |

|                                  | Adjustments (Note 1) | Amount in the Quarterly Consolidated Statements of Income (Note 2) |
|----------------------------------|----------------------|--|
| Net sales                        |                      |  |
| Sales to external customers      | 10,371               | 55,618,324   |
| Inter-segment sales or transfers | (1,482,149)          | —  |
| Total                            | (1,471,778)          | 55,618,324   |
| Segment Income                   | (436,907)            | 1,938,305  |

Notes:

1. The segment income adjustment of (436,907) thousand yen consists of income/loss related to the Company of 766,218 thousand yen and elimination of inter-segment transactions of (1,203,125) thousand yen.
2. Segment income is adjusted against operating income on the quarterly consolidated financial statements.

II. For the 9 months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

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      | 17,627,671       | 38,473,727          | 12,087,135                  | 68,188,534 |
| Inter-segment sales or transfers | 104,249          | 1,171,442           | 547,877                     | 1,823,569  |
| Total                            | 17,731,921       | 39,645,169          | 12,635,012                  | 70,012,103 |
| Segment income                   | 285,810          | 2,147,007           | 1,184,033                   | 3,616,851  |

|                                  | Adjustments (Note 1) | Amount in the Quarterly Consolidated Statements of Income (Note 2) |
|----------------------------------|----------------------|--|
| Net sales                        |                      |  |
| Sales to external customers      | 11,772               | 68,200,306   |
| Inter-segment sales or transfers | (1,823,569)          | —  |
| Total                            | (1,811,796)          | 68,200,306   |
| Segment income                   | (875,944)            | 2,740,907  |

Notes:

1. Adjustment of segment income of (875,944) thousand yen consists of income/loss related to the Company of 1,192,718 thousand yen and elimination of inter-segment transactions of (2,068,662) thousand yen.
2. Segment income is adjusted against operating income on the quarterly consolidated financial statements.

2. Note concerning changes in reportable segments

Effective from the first quarter of the consolidated fiscal year ending March 31, 2023, one consolidated subsidiary (IMAGICA EEX Inc.), which was previously included in "Adjustments," was reclassified to the Content Creation business segment because of an increase in its importance.

"Information regarding net sales and income (loss) by reportable segment" for the third quarter of the previous fiscal year is presented based on the new classification.