

(TRANSLATION FOR REFERENCE ONLY)

This is a translation of the original Japanese text of the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2023.”
Should there be any discrepancy between any part of this translation and the original Japanese text, the latter shall prevail.

Consolidated Financial Results

for the Fiscal Year Ended March 31, 2023 <Japanese GAAP>

May 11, 2023

Company Name: GLORY LTD. Stock exchange listing: Tokyo
Code number: 6457 URL: <https://corporate.glory-global.com/>
Representative: Motozumi Miwa President & Representative Director
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Scheduled date of Ordinary General Meeting of Shareholders: June 23, 2023
Scheduled date of dividend payments: June 26, 2023
Scheduled filing date of Annual Securities Report: June 26, 2023
Preparation of earnings supplementary explanatory material: Yes
Holding of earnings presentation: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded downward.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated Operating Results

(The percentages show the changes from the corresponding period of the previous year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Year ended March 31, 2023	255,857	12.9	522	(94.9)	(2,720)	—	(9,538)	—
Year ended March 31, 2022	226,562	4.2	10,195	(28.2)	10,404	(26.4)	6,410	12.4

(Note) Comprehensive income

Year ended March 31, 2023: ¥3,362 million [(80.8)%]
Year ended March 31, 2022: ¥17,509 million [3.1%]

	Net income per share	Fully diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	(Yen)	(Yen)	(%)	(%)	(%)
Year ended March 31, 2023	(167.02)	—	(4.8)	(0.7)	0.2
Year ended March 31, 2022	106.02	—	3.2	3.0	4.5

(Reference) Income or loss from investments accounted for by the equity method

Year ended March 31, 2023: ¥(2,978) million [— %]
Year ended March 31, 2022: ¥(58) million [— %]

EBITDA (Operating income + Depreciation + Amortization of goodwill)

Year ended March 31, 2023: ¥18,988 million [(31.0)%]
Year ended March 31, 2022: ¥27,505 million [(6.5)%]

Net income before amortization of goodwill (Net income attributable to owners of parent + Amortization of goodwill)

Year ended March 31, 2023: ¥(2,834) million [— %]
Year ended March 31, 2022: ¥11,529 million [12.9%]

(Note) During the second quarter of the fiscal year ended March 31, 2023, the Company finalized the provisional accounting treatment for business combinations, and the figures for the year ended March 31, 2022 reflect the details of the finalization of the provisional accounting treatment.

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(2) Consolidated Financial Position

	Total assets	Equity	Ownership equity ratio	Equity per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of March 31, 2023	381,273	195,984	50.7	3,474.76
As of March 31, 2022	363,269	208,607	56.5	3,395.33

(Reference) Ownership equity

As of March 31, 2023: ¥193,166 million As of March 31, 2022: ¥205,318 million

(Note) During the second quarter of the fiscal year ended March 31, 2023, the Company finalized the provisional accounting treatment for business combinations, and the figures as of March 31, 2022 reflect the details of the finalization of the provisional accounting treatment.

(3) Consolidated Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Year ended March 31, 2023	(16,486)	(9,364)	8,526	36,693
Year ended March 31, 2022	10,315	(25,739)	(942)	52,316

2. Dividends

(Record date)	Dividends per share					Total dividends (annual)	Dividend payout ratio (consolidated)	Dividends to equity ratio (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Annual			
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Millions of yen)	(%)	(%)
Year ended March 31, 2022	—	34.00	—	34.00	68.00	4,132	63.2	2.1
Year ended March 31, 2023	—	34.00	—	34.00	68.00	3,855	—	2.0
Year ending March 31, 2024 (forecast)	—	36.00	—	36.00	72.00		20.6	

3. Consolidated Financial Forecast for the Year Ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(The percentages show the changes from the corresponding period of the previous year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
Six months ending September 30, 2023	142,000	26.6	6,000	—	5,000	—	2,000	—	35.02
Full year	335,000	30.9	35,000	—	33,000	—	20,000	—	350.21

(Reference) EBITDA

Six months ending September 30, 2023: ¥15,200 million

Year ending March 31, 2024 (full year): ¥53,500 million

Net income before amortization of goodwill

Six months ending September 30, 2023: ¥5,300 million

Year ending March 31, 2024 (full year): ¥26,700 million

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Notes:

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries involving a change in the scope of consolidation):
 None

(2) Changes in accounting policies and estimates, and restatements

- | | |
|---|------|
| (a) Changes in accounting policies associated with revisions of accounting standards, etc.: | Yes |
| (b) Changes in accounting policies other than (a): | Yes |
| (c) Changes in accounting estimates: | Yes |
| (d) Restatements: | None |

(Note) For more information, please refer to “3. Consolidated Financial Statements and Significant Notes Thereto (5) Notes to Consolidated Financial Statements, Changes in Accounting Policies and Changes in Accounting Policy That Are Difficult to Make a Distinction from Changes in Accounting Estimates” on page 19 of the Attachment.

(3) Total number of shares issued (common shares)

(a) Total number of shares issued at the end of the period (including treasury shares)

As of March 31, 2023:	58,938,210 shares
As of March 31, 2022:	63,638,210 shares

(b) Number of treasury shares at the end of the period

As of March 31, 2023:	2,873,306 shares
As of March 31, 2022:	2,866,078 shares

(c) Average number of shares

Year ended March 31, 2023:	57,108,564 shares
Year ended March 31, 2022:	60,467,088 shares

(Note) In addition to the number of treasury shares at the end of the period, there also existed Company shares owned by the “Board Incentive Plan (BIP) Trust Account” and “Employee Stock Ownership Plan (ESOP) Trust Account.” (As of March 31, 2023: 473,645 shares, As of March 31, 2022: 301,284 shares)

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Non-consolidated Operating Results

(The percentages show the changes from the corresponding period of the previous year.)

	Net sales		Operating income		Ordinary income		Net income	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Year ended March 31, 2023	127,160	5.0	(2,456)	—	3,602	(58.4)	(344)	—
Year ended March 31, 2022	121,075	(6.4)	2,736	(63.0)	8,670	(29.7)	9,855	0.6

	Net income per share	Fully diluted net income per share
	(Yen)	(Yen)
Year ended March 31, 2023	(6.04)	—
Year ended March 31, 2022	162.99	—

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(2) Non-consolidated Financial Position

	Total assets	Equity	Ownership equity ratio	Equity per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of March 31, 2023	295,885	175,088	59.2	3,149.57
As of March 31, 2022	282,619	189,258	67.0	3,129.75

(Reference) Ownership equity

As of March 31, 2023: ¥175,088 million As of March 31, 2022: ¥189,258 million

(Note) Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

(Note) Explanation regarding the appropriate use of financial forecasts and other special items

(Caution concerning forward-looking statements)

The forward-looking statements such as operational forecasts contained in this report are based on the information currently available to the Company and certain assumptions which the Company regards as legitimate, and are not promises regarding the achievement of forecasts. Actual performance may differ greatly from these forecasts due to various present and future factors. For the assumptions and other related matters concerning the financial forecasts, please refer to “1. Overview of Operating Results and Others (4) Future Outlook” on page 8 of the Attachment.

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Attachment

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1. Overview of Operating Results and Others

(1) Overview of Operating Results for the Fiscal Year

In fiscal 2022, economic activity continued to normalize globally, leading to a recovery trend despite the ongoing impact of COVID-19. However, the outlook remained uncertain due to supply chain disruption caused by high material prices, the ongoing Russia's military invasion of Ukraine, and the increased risk of economic downturn triggered by global monetary tightening.

In Japan, the economy continued its moderate recovery, but business conditions remained uncertain due to factors including ongoing price hikes and procurement difficulties of materials, rising consumer prices, and the significant depreciation of the yen.

Under these circumstances, the Group focused its business activities on the concept of "Core and New businesses powering growth together" set out in the 2023 Medium-Term Management Plan that began in April 2021.

In the Core business, in the overseas market, sales to the financial institutions were sluggish due to production delays caused by procurement problems for semiconductors, etc. Sales to the retail industry (self-service coin and banknote recyclers for cashiers and maintenance services) were strong despite the impact of parts shortages on production in response to workforce shortages and soaring labor costs as well as ongoing demand for contact-free and self-service solutions. In addition, sales were steady at the Revolution group acquired in the previous fiscal year. We were able to extend the regional coverage for our self-checkout systems with the launch of the CI-X-series, a new range of retail store cash management solutions capable of dealing with the currencies of more than 60 countries. In the domestic market, demand remained strong, centered on self-service products. Sales were steady in the financial market, but sluggish in the retail and transportation market with sales of main products being postponed due to delays in delivery and production caused by parts shortages. Sales from maintenance services also decreased in both of these markets with the completion of system modifications associated with the issuance of the new 500-yen coin.

In the new business domain, the self-service kiosk business, expanded by the Acrelec group in overseas markets, was steady. We made additional investments in OneBanx, which provides shared services for bank branch operations within UK retail outlets, and invested in Clip Money, Inc., a Canadian company that operates an agency service for the deposit of sales proceeds by retail and restaurant operators. In this way, we advanced our development of solutions that provide access to cash or financial services. In the domestic market, we launched the FGK-series of self-order kiosks, which accommodate the diversification of store management and payment methods for food and beverage companies. We also made additional investments in Showcase Gig Inc., a mobile order services provider, with the aim of expanding sales of our solutions for next-generation stores. Furthermore, we launched mirAI-EYE, a fall detection system developed with EcoNaviSta Co., Ltd., with whom we have a capital and business alliance. Our AI-driven image recognition technology is used in mirAI-EYE to accurately perceive a person's posture by recognizing the position of their skeleton, and is intended for the monitoring of residential rooms in nursing care facilities.

As a result of the above, net sales in fiscal 2022 totaled ¥255,857 million (up 12.9% year on year). Of this, sales of merchandise and finished goods were ¥155,064 million (up 8.7% year on year) and sales from maintenance services were ¥100,793 million (up 20.1% year on year). Operating income was ¥522 million (down 94.9% year on year) despite our initiatives to raise our selling prices to cover the loss caused by high material prices. An ordinary loss of ¥2,720 million was recorded (vs. ordinary income of ¥10,404 million for the previous fiscal year) due mainly to a loss on valuation of shares. Net loss attributable to owners of parent was ¥9,538 million (vs. net income attributable to owners of parent of ¥6,410 million for the previous fiscal year) due to extraordinary losses associated with the impairment of goodwill of the Acrelec group and impairment losses associated with the termination of the development of internal systems.

Results of operations in each business segment are as follows.

Financial market

Sales increased year on year despite this segment's main products, open teller systems and coin and banknote recyclers for tellers, being affected by production delays caused by parts shortages. Sales from maintenance services decreased with the completion of system modifications associated with the issuance of the new 500-yen coin.

As a result, net sales in this segment were ¥36,248 million (up 0.5% year on year) and operating income was ¥152 million (down 96.7% year on year) due mainly to the impact of high material prices.

Retail and transportation market

Sales of this segment's main product of coin and banknote recyclers for cashiers increased year on year, but were affected by production delays caused by parts shortages. Sales of sales proceeds deposit machines for cash-in-transit companies and medical payment kiosks declined. In addition, sales from maintenance services decreased with the completion of system modifications associated with the issuance of the new 500-yen coin.

As a result, net sales in this segment were ¥45,595 million (down 4.7% year on year). Operating loss was ¥571 million (vs. operating income of ¥2,543 million in the previous fiscal year) due mainly to decreased sales and the impact of high material prices.

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Amusement market

Sales of this segment's main products of card systems significantly increased year on year, supported by the launch of new units for smart amusement machines, despite production delays caused by parts shortage.

As a result, net sales in this segment were ¥15,139 million (up 24.8% year on year) and operating income was ¥1,624 million (vs. operating loss of ¥366 million in the previous fiscal year).

Overseas market

In the Americas, sales of this segment's main products, RBG-series coin and banknote recyclers for financial institutions, declined year on year due to the impact of production delays caused by parts shortages. However, sales of CI-series sales proceeds deposit machines for the retail industry, increased. Additionally, net sales totaled ¥69,336 million (up 55.2% year on year) supported by the increase in net sales of maintenance services, yen depreciation, and the acquisition of the Revolution group.

In Europe, sales of the main products, RBG-series coin and banknote recyclers for financial institutions and CI-series sales proceeds deposit machines for the retail industry, declined due to production delays caused by parts shortages. However, net sales totaled ¥70,758 million (up 2.6% year on year) owing to the growth in maintenance sales and yen depreciation.

In Asia, net sales were ¥15,806 million (up 11.7% year on year), supported by increased sales of UW-series banknote sorters.

Net sales of the Acrelec group totaled ¥22,464 million (up 13.4% year on year), while net sales of the Revolution group in the U.S., which was added to the scope of consolidation in the third quarter of the fiscal year ended March 31, 2022, were ¥17,758 million.

As a result, net sales in this segment came to ¥155,902 million (up 22.0% year on year) while operating income was ¥436 million (down 90.9% year on year), mainly due to the advance of inflation worldwide, increases in labor costs as well as high material prices and logistics costs.

In the "Other" business segment, net sales were ¥2,971 million (up 10.5% year on year) and operating loss was ¥1,118 million (vs. operating loss of ¥1,408 million in the previous fiscal year).

(2) Overview of Financial Position for the Fiscal Year

The following is the financial position at the end of fiscal 2022: Total assets at the end of fiscal 2022 were ¥381,273 million, an increase of ¥18,003 million compared with the end of the previous fiscal year. This is mainly the result of a decrease of ¥15,622 million in cash and deposits, and increases of ¥25,083 million in inventories, ¥7,367 million in notes and accounts receivable - trade, and contract assets, and ¥5,111 million in retirement benefit asset.

Liabilities were ¥185,288 million, an increase of ¥30,626 million compared with the end of the previous fiscal year. This is mainly the result of an increase of ¥28,879 million in short-term borrowings.

Total equity at the end of fiscal 2022 was ¥195,984 million, a decrease of ¥12,622 million compared with the end of the previous fiscal year. This is mainly the result of an increase of ¥8,622 million in foreign currency translation adjustment and a decrease of ¥25,044 million in retained earnings.

As a result, the ownership equity ratio became 50.7% compared with 56.5% at the end of the previous fiscal year.

(3) Overview of Cash Flows for the Fiscal Year

Cash and cash equivalents ("cash") at the end of fiscal 2022 decreased ¥15,622 million from one year earlier to ¥36,693 million.

The following is a summary of cash flows:

Cash flows from operating activities

Net cash used in operating activities was ¥16,486 million, compared to ¥10,315 million provided in the previous fiscal year. This was because despite cash increases consisting mainly of ¥11,762 million from depreciation and ¥6,703 million from amortization of goodwill, there were capital outflows of ¥6,540 million due to payment of income taxes and a ¥25,569 million increase in working capital, among other items.

Cash flows from investing activities

Net cash used in investing activities was ¥9,364 million, compared to ¥25,739 million in the previous fiscal year. This was mainly due to ¥5,015 million used for purchases of property, plant and equipment in relation to molds and jigs for product manufacturing, ¥1,918 million used for purchases of software and other intangible assets, and ¥2,076 million for the acquisition of Showcase Gig, Inc. shares and others.

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As a result, the free cash flows or total cash flows from operating and investing activities were negative ¥25,851 million.

Cash flows from financing activities

Net cash provided by financing activities was ¥8,526 million, compared to ¥942 million used in the previous fiscal year. This was mainly due to proceeds from a net increase in short-term borrowings of ¥28,159 million, despite ¥10,570 million used for purchases of treasury shares and ¥4,014 million used for payment of dividends.

Cash flow indices

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Ownership equity ratio	59.5%	59.9%	58.4%	56.6%	50.6%
Ownership equity ratio based on market value	50.4%	52.8%	47.1%	37.4%	42.2%
Debt repayment ratio (years)	2.0	2.0	1.7	5.5	—
Interest coverage ratio	38.0	32.9	51.4	16.5	—

Notes: Ownership equity ratio: (Shareholders' equity + Valuation and translation adjustments) / Total assets

Ownership equity ratio based on market value: Market capitalization / Total assets

Debt repayment ratio: Interest-bearing liabilities / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest payments

* All indices are calculated using financial data on a consolidated basis.

* Market capitalization is calculated by multiplying the closing price on the balance sheet date by the number of shares issued, net of treasury shares, on the balance sheet date.

* Operating cash flow represents cash flow from operating activities per the consolidated statement of cash flows. Interest-bearing liabilities consist of all liabilities on the consolidated balance sheet for which interest is being paid. Interest payments consist of interest expenses paid as presented on the consolidated statement of cash flows.

* Debt repayment ratio (years) and interest coverage ratio for FY2022 are not presented here due to negative operating cash flow.

(4) Future Outlook

For the next fiscal year (FY2023), we anticipate steady demand for our products and services both in Japan and overseas, and an increase in sales with a recovery in production and parts procurement.

In the domestic market, we forecast significant increases in sales and profit, in response to the demand for machine replacement and software update associated with the new banknote issuance scheduled in the first half of FY2023. In overseas market, we expect the demand for self-service solutions to continue and anticipate growth in sales and profit for both the financial institutions and the retail industry, through proactive sales of new products and services.

Based on the above, we forecast full-year consolidated business performance as follows: net sales of ¥335,000 million (up 30.9% year on year), operating income of ¥35,000 million (up 6,592.2% year on year), ordinary income of ¥33,000 million (vs. ordinary loss of ¥2,720 million in the previous fiscal year) and net income attributable to owners of parent of ¥20,000 million (vs. ordinary loss of ¥9,538 million in the previous fiscal year).

The forecast uses exchange rate assumptions of US\$1=¥130, 1 euro=¥135.

(5) Basic Policy on Profit Distributions and Dividends for the Current and Next Fiscal Years

The Company considers the return of profits to shareholders to be an important management task and retains a policy to continue stable dividends while striving to maintain and enhance a sound financial standing in preparation for future business growth. The target for the "2023 Medium-Term Management Plan" (from the fiscal year ended March 31, 2022 to the fiscal year ending March 31, 2024), is to achieve an average dividend payout ratio over the three-year period of at least 30% before amortization of consolidated goodwill.

<Formula>

$$\begin{aligned} &\text{Target payout ratio (\%)} \\ &\text{(three fiscal years average payout ratio before goodwill amortization on a consolidated basis)} \end{aligned} = \frac{\text{Total dividends paid over the three fiscal years}}{\text{Three fiscal years total of "Net income attributable to owners of parent + Goodwill amortization"}} \times 100$$

The Articles of Incorporation of the Company stipulates that matters such as dividends of surplus provided for in Article 459, paragraph 1 of the Companies Act may be determined by a resolution of the Board of Directors unless otherwise specified by laws and regulations, and the Company has decided to pay dividends of surplus twice in each fiscal year, once at the interim period and again at the year-end.

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Based on the above basic policy, the Company plans to pay a dividend of surplus for fiscal 2022 of ¥68 per share (interim dividend of ¥34 and year-end dividend of ¥34).

Based on the above-mentioned policy, the dividend for the next fiscal year (FY2023) is expected to be ¥72 per share (¥36 of interim dividend, ¥36 of year-end dividend).

With regard to the future purchase of treasury shares, the Company will take the best approach, considering future business development, investment plans, the internal reserves, and performance trends. The Company's policy is to keep treasury shares within approximately 5% of total shares issued by retiring any treasury shares in excess of that amount.

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2. Basic Approach to Selection of Accounting Standard

Given the ongoing convergence between accounting standards, the Group has adopted a policy for the time being of continuing to use the Japanese accounting standard.

However, the Group has started preparation on the premise that the application of the International Financial Reporting Standards (IFRS) will be introduced, and the timing of introduction will be disclosed once confirmed.

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3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	52,376	36,753
Notes and accounts receivable - trade, and contract assets	52,420	59,787
Electronically recorded monetary claims - operating	749	1,821
Investments in leases	775	547
Securities	50	833
Merchandise and finished goods	36,657	53,175
Work in process	15,658	14,951
Raw materials and supplies	17,599	26,872
Other	12,913	10,171
Allowance for doubtful accounts	(1,240)	(1,437)
Total current assets	187,960	203,477
Non-current assets		
Property, plant and equipment		
Buildings and structures	39,176	39,905
Accumulated depreciation	(24,255)	(25,321)
Buildings and structures, net	14,921	14,583
Machinery, equipment and vehicles	15,434	15,734
Accumulated depreciation	(13,130)	(13,368)
Machinery, equipment and vehicles, net	2,304	2,365
Tools, furniture and fixtures	53,427	54,895
Accumulated depreciation	(48,211)	(48,603)
Tools, furniture and fixtures, net	5,215	6,292
Land	11,877	11,892
Right-of-use assets	10,845	13,744
Accumulated depreciation	(4,880)	(6,553)
Right-of-use assets, net	5,964	7,190
Construction in progress	201	192
Total property, plant and equipment	40,485	42,517
Intangible assets		
Customer relationships	26,790	26,428
Software	8,709	7,452
Goodwill	58,399	55,528
Other	3,007	2,315
Total intangible assets	96,907	91,725
Investments and other assets		
Investment securities	15,313	14,553
Deferred tax assets	8,266	9,981
Retirement benefit asset	9,660	14,772
Other	6,782	6,351
Allowance for doubtful accounts	(2,106)	(2,106)
Total investments and other assets	37,916	43,552
Total non-current assets	175,309	177,795
Total assets	363,269	381,273

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(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,656	18,197
Electronically recorded obligations - operating	6,975	7,276
Short-term borrowings	16,743	45,623
Current portion of long-term borrowings	2,585	1,481
Current portion of bonds payable	–	10,000
Income taxes payable	1,075	428
Contract liabilities	22,502	22,037
Provision for bonuses	7,373	7,110
Provision for bonuses for directors (and other officers)	102	54
Provision for stock grant	209	48
Other	27,673	27,244
Total current liabilities	99,898	139,501
Non-current liabilities		
Bonds payable	20,000	10,000
Long-term borrowings	11,187	12,055
Lease liabilities	4,409	5,412
Deferred tax liabilities	8,809	9,721
Provision for stock grant	247	194
Retirement benefit liability	2,327	2,166
Other	7,782	6,238
Total non-current liabilities	54,763	45,787
Total liabilities	154,661	185,288
Net assets		
Shareholders' equity		
Share capital	12,892	12,892
Capital surplus	12,286	12,286
Retained earnings	166,566	141,522
Treasury shares	(9,191)	(8,161)
Total shareholders' equity	182,554	158,540
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	666	1,367
Foreign currency translation adjustment	18,050	26,672
Remeasurements of defined benefit plans	4,047	6,584
Total accumulated other comprehensive income	22,764	34,625
Non-controlling interests	3,289	2,818
Total net assets	208,607	195,984
Total liabilities and net assets	363,269	381,273

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(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	226,562	255,857
Cost of sales	136,800	164,630
Gross profit	89,762	91,226
Selling, general and administrative expenses	79,566	90,704
Operating income	10,195	522
Non-operating income		
Interest income	222	151
Dividend income	149	187
Foreign exchange gains	480	–
Gain on valuation of derivatives	–	1,443
Other	576	503
Total non-operating income	1,429	2,286
Non-operating expenses		
Interest expenses	638	1,138
Foreign exchange losses	–	724
Share of loss of entities accounted for using equity method	58	2,978
Other	522	687
Total non-operating expenses	1,219	5,529
Ordinary income (loss)	10,404	(2,720)
Extraordinary income		
Gain on sale of non-current assets	12	6
Gain on sale of investment securities	1	56
Gain on sale of shares of subsidiaries and associates	4,739	–
Total extraordinary income	4,752	63
Extraordinary losses		
Loss on sale of non-current assets	1	11
Loss on retirement of non-current assets	32	10
Loss on sale of investment securities	–	0
Loss on valuation of investment securities	49	171
Provision of allowance for doubtful accounts	1,171	1
Impairment losses	121	3,810
Special investigation expenses	100	–
Total extraordinary losses	1,476	4,004
Income (loss) before income taxes	13,680	(6,661)
Income taxes - current	6,333	4,621
Income taxes - deferred	(97)	(2,533)
Total income taxes	6,235	2,087
Net income (loss)	7,444	(8,748)
Net income attributable to non-controlling interests	1,034	789
Net income (loss) attributable to owners of parent	6,410	(9,538)

(TRANSLATION FOR REFERENCE ONLY)

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net income (loss)	7,444	(8,748)
Other comprehensive income		
Valuation difference on available-for-sale securities	(9)	706
Foreign currency translation adjustment	9,128	8,885
Remeasurements of defined benefit plans, net of tax	937	2,537
Share of other comprehensive income of entities accounted for using equity method	7	(16)
Total other comprehensive income	10,064	12,111
Comprehensive income	17,509	3,362
Comprehensive income attributable to		
Owners of parent	16,366	2,323
Non-controlling interests	1,142	1,039

(TRANSLATION FOR REFERENCE ONLY)

(3) Consolidated Statement of Changes in Equity

Previous Fiscal Year (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	12,892	12,294	164,411	(9,241)	180,357
Cumulative effects of changes in accounting policies			(1)		(1)
Restated balance	12,892	12,294	164,410	(9,241)	180,356
Changes during period					
Dividends of surplus			(4,254)		(4,254)
Net income attributable to owners of parent			6,410		6,410
Purchase of treasury shares					–
Disposal of treasury shares				49	49
Cancellation of treasury shares					–
Change in scope of equity method					–
Purchase of shares of consolidated subsidiaries		(7)			(7)
Net changes in items other than shareholders' equity					
Total changes during period	–	(7)	2,156	49	2,198
Balance at end of period	12,892	12,286	166,566	(9,191)	182,554

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	680	9,054	3,109	12,843	3,131	196,332
Cumulative effects of changes in accounting policies				–		(1)
Restated balance	680	9,054	3,109	12,843	3,131	196,331
Changes during period						
Dividends of surplus				–	(972)	(5,226)
Net income attributable to owners of parent				–		6,410
Purchase of treasury shares				–		–
Disposal of treasury shares				–		49
Cancellation of treasury shares				–		–
Change in scope of equity method				–		–
Purchase of shares of consolidated subsidiaries				–		(7)
Net changes in items other than shareholders' equity	(13)	8,995	937	9,920	1,130	11,050
Total changes during period	(13)	8,995	937	9,920	157	12,276
Balance at end of period	666	18,050	4,047	22,764	3,289	208,607

(TRANSLATION FOR REFERENCE ONLY)

Fiscal 2022 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	12,892	12,286	166,566	(9,191)	182,554
Cumulative effects of changes in accounting policies					–
Restated balance	12,892	12,286	166,566	(9,191)	182,554
Changes during period					
Dividends of surplus			(4,016)		(4,016)
Net income attributable to owners of parent			(9,538)		(9,538)
Purchase of treasury shares				(10,570)	(10,570)
Disposal of treasury shares			(0)	253	253
Cancellation of treasury shares			(11,347)	11,347	–
Change in scope of equity method			(142)		(142)
Purchase of shares of consolidated subsidiaries					–
Net changes in items other than shareholders' equity					
Total changes during period	–	–	(25,044)	1,030	(24,013)
Balance at end of period	12,892	12,286	141,522	(8,161)	158,540

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	666	18,050	4,047	22,764	3,289	208,607
Cumulative effects of changes in accounting policies				–		–
Restated balance	666	18,050	4,047	22,764	3,289	208,607
Changes during period						
Dividends of surplus				–	(1,510)	(5,526)
Net income attributable to owners of parent				–		(9,538)
Purchase of treasury shares				–		(10,570)
Disposal of treasury shares				–		253
Cancellation of treasury shares				–		–
Change in scope of equity method				–		(142)
Purchase of shares of consolidated subsidiaries				–		–
Net changes in items other than shareholders' equity	701	8,622	2,537	11,861	1,039	12,900
Total changes during period	701	8,622	2,537	11,861	(470)	(12,622)
Balance at end of period	1,367	26,672	6,584	34,625	2,818	195,984

(TRANSLATION FOR REFERENCE ONLY)

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Income (loss) before income taxes	13,680	(6,661)
Depreciation	12,191	11,762
Impairment losses	121	3,810
Amortization of goodwill	5,119	6,703
Increase (decrease) in allowance for doubtful accounts	1,198	98
Increase (decrease) in retirement benefit liability	(419)	(246)
Increase (decrease) in provision for bonuses	(429)	(489)
Increase (decrease) in provision for stock grant	210	(213)
Loss (gain) on sale of investment securities	(1)	(56)
Loss (gain) on sale of shares of subsidiaries and associates	(4,739)	–
Interest and dividend income	(372)	(339)
Interest expenses	638	1,138
Loss on retirement of non-current assets	32	10
Share of loss (profit) of entities accounted for using equity method	58	2,978
Decrease (increase) in trade receivables	9,374	(5,631)
Decrease (increase) in inventories	(9,073)	(21,902)
Increase (decrease) in trade payables	1,306	1,963
Increase (decrease) in lease liabilities	(287)	200
Decrease (increase) in investments in leases	299	228
Decrease (increase) in accounts receivable - other	(2,600)	1,085
Increase (decrease) in accounts payable - other	0	(90)
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(834)	(243)
Other, net	(7,692)	(3,244)
Subtotal	17,780	(9,137)
Interest and dividends received	384	347
Interest paid	(624)	(1,156)
Income taxes refund (paid)	(7,225)	(6,540)
Net cash provided by (used in) operating activities	10,315	(16,486)
Cash flows from investing activities		
Payments into time deposits	(60)	(60)
Proceeds from withdrawal of time deposits	130	60
Purchase of securities	–	(813)
Purchase of property, plant and equipment	(4,809)	(5,015)
Proceeds from sale of property, plant and equipment	20	13
Purchase of intangible assets	(3,424)	(1,918)
Purchase of investment securities	(3,938)	(2,076)
Proceeds from sale and redemption of investment securities	29	180
Proceeds from distributions from investment partnerships	390	487
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(20,423)	(227)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	6,201	–
Proceeds from sale of shares of subsidiaries and associates	156	–
Other, net	(11)	5
Net cash provided by (used in) investing activities	(25,739)	(9,364)

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(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	148	28,159
Proceeds from long-term borrowings	11,531	1,185
Repayments of long-term borrowings	(5,637)	(2,681)
Repayments of lease liabilities	(1,738)	(2,041)
Dividends paid	(4,253)	(4,014)
Dividends paid to non-controlling interests	(972)	(1,510)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(20)	–
Purchase of treasury shares	–	(10,570)
Proceeds from sale of treasury shares	–	0
Net cash provided by (used in) financing activities	(942)	8,526
Effect of exchange rate change on cash and cash equivalents	2,625	1,702
Net increase (decrease) in cash and cash equivalents	(13,741)	(15,622)
Cash and cash equivalents at beginning of period	66,057	52,316
Cash and cash equivalents at end of period	52,316	36,693

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(5) Notes to Consolidated Financial Statements
Notes Regarding Assumption of a Going Concern

Not applicable.

Changes in Accounting Policies

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) from the beginning of fiscal 2022. Furthermore, in accordance with the transitional treatment prescribed in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the Company will prospectively apply the new accounting policy prescribed by the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no impact on the consolidated financial statements as a result of this change.

Changes in Accounting Policy That Are Difficult to Make a Distinction from Changes in Accounting Estimates

(Change in the depreciation method for property, plant and equipment)

The Company and its consolidated subsidiaries in Japan had primarily adopted the declining balance method for the depreciation method on property, plant and equipment (excluding leased assets) in the past (However, the straight-line method has been used for buildings (excluding attached structures) acquired since April 1, 1998 and for attached structures and structures acquired since April 1, 2016), but changed this to the straight-line method from the beginning of fiscal 2022.

This change is attributed to the reconsideration given to the method of depreciation on property, plant and equipment from the perspective of appropriately stating the profit and loss for the term and unified accounting policies for the Group. The stable operations of property, plant and equipment owned by the Company and its consolidated subsidiaries in Japan were considered to be reasons for this change. This also reflects that fact that the overseas ratio of the Group’s production facilities has increased due to the accelerated development of the global business with the increase in market needs and as a result of revisions to the production system, including transfer of control for production items to overseas. As a result, since there is also thought to be fixed depreciation of property, plant and equipment owned by the Company and its consolidated subsidiaries in Japan, we decided to adopt the straight-line method as the depreciation method for property, plant and equipment as it is rational from the perspective of stating the profit and loss for the term and it more appropriately reflects the Group’s management conditions.

Due to the above changes, operating income for fiscal 2022 increased by ¥850 million, and the ordinary loss and loss before income taxes each decreased by ¥850 million compared to the previous method.

Segment Information

1. Summary of reportable segments

The Company’s reportable segments are based on those units within the Company where separate financial information is available and where the Board of Directors periodically reviews matters such as the distribution of management resources and financial performance.

The Group operates business activities after formulating comprehensive strategies for the products and services in each market. Accordingly, the Group is comprised of market-specific segments and has established the “Financial market,” “Retail and transportation market,” “Amusement market,” and “Overseas market,” as its four reportable segments.

A summary of each reportable segment is as follows:

Financial market:	Sales and maintenance services to financial institutions, OEM clients and others in Japan.
Retail and transportation market:	Sales and maintenance services to supermarkets, department stores, cash-in-transit companies, railroad companies, tobacco companies, hospitals, local governments, general companies, and others in Japan.
Amusement market:	Sales and maintenance services to amusement halls (pachinko parlors) and others in Japan.
Overseas market:	Sales and maintenance services to financial institutions, cash-in-transit companies, retail stores, casinos, OEM clients and others in overseas.

2. Calculation method of sales, income (loss), assets, and other items by reportable segment

Income by reportable segment is operating income.

(Change in the depreciation method for property, plant and equipment)

As stated in the “Changes in Accounting Policy That Are Difficult to Make a Distinction from Changes in Accounting Estimates,” the Company and its consolidated subsidiaries in Japan changed the depreciation method for property, plant and equipment (excluding leased assets) from the beginning of fiscal 2022. Due to the above changes, segment profit or loss for fiscal 2022 changed, causing an increase in income of ¥291 million for the Financial market, ¥57 million for the Amusement

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market, and ¥204 million for the Overseas market, and a decrease in losses of ¥272 million for the Retail and transportation market, and ¥24 million for Other, compared to the previous method.

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3. Information on sales, income (loss), assets and other items by reportable segment

Previous Fiscal Year (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segments					Other (Note: 1)	Total	Reconcilia- tion	Amounts reported on the consolidated financial statements
	Financial market	Retail and transportation market	Amusement market	Overseas market	Total				
Net sales									
(1) Sales to customers	36,079	47,859	12,131	127,803	223,873	2,688	226,562	—	226,562
(2) Intersegment sales or transfers	—	—	—	—	—	—	—	—	—
Total	36,079	47,859	12,131	127,803	223,873	2,688	226,562	—	226,562
Segment profit (loss) (Note: 2)	4,644	2,543	(366)	4,781	11,603	(1,408)	10,195	—	10,195
Segment assets (Note: 3)	37,639	44,633	15,146	202,932	300,351	10,541	310,893	52,376	363,269
Others									
(1) Depreciation and amortization (Note: 4)	1,764	1,840	649	7,785	12,040	151	12,191	—	12,191
(2) Amortization of goodwill	—	—	—	5,119	5,119	—	5,119	—	5,119
(3) Investments in entities accounted for using equity method	—	—	—	433	433	5,052	5,486	—	5,486
(4) Increase in property, plant and equipment and intangible assets (Note: 5)	2,108	2,032	850	23,938	28,929	171	29,101	—	29,101

- Notes: 1. "Other" segment is merchandise and finished goods that is not included in the above reportable segments.
2. All operating expenses are either directly charged or allocated to the segments.
3. The reconciliation of ¥52,376 million is surplus funds (cash and deposits).
4. Depreciation and amortization includes amortization of long-term prepaid expenses.
5. Increase in property, plant and equipment and intangible assets includes increases in long-term prepaid expenses.
6. As of the end of fiscal 2022, the Company finalized the provisional accounting treatment for business combinations, and segment profit (loss) reflects the details of the finalization of the provisional accounting treatment.

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Fiscal 2022 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segments					Other (Note: 1)	Total	Reconcilia- tion	Amounts reported on the consolidated financial statements
	Financial market	Retail and transportation market	Amusement market	Overseas market	Total				
Net sales									
(1) Sales to customers	36,248	45,595	15,139	155,902	252,886	2,971	255,857	—	255,857
(2) Intersegment sales or transfers	—	—	—	—	—	—	—	—	—
Total	36,248	45,595	15,139	155,902	252,886	2,971	255,857	—	255,857
Segment profit (loss) (Note: 2)	152	(571)	1,624	436	1,641	(1,118)	522	—	522
Segment assets (Note: 3)	47,904	51,605	18,023	218,008	335,541	8,978	344,519	36,753	381,273
Others									
(1) Depreciation and amortization (Note: 4)	1,271	1,449	533	8,391	11,645	116	11,762	—	11,762
(2) Amortization of goodwill	—	—	—	6,703	6,703	—	6,703	—	6,703
(3) Investments in entities accounted for using equity method	—	—	—	0	0	5,352	5,352	—	5,352
(4) Increase in property, plant and equipment and intangible assets (Note: 5)	1,110	1,126	983	6,493	9,713	104	9,817	—	9,817

- Notes: 1. “Other” segment is merchandise and finished goods that is not included in the above reportable segments.
2. All operating expenses are either directly charged or allocated to the segments.
3. The reconciliation of ¥36,753 million is surplus funds (cash and deposits).
4. Depreciation and amortization includes amortization of long-term prepaid expenses.
5. Increase in property, plant and equipment and intangible assets includes increases in long-term prepaid expenses.

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Per Share Information

	Previous Fiscal Year (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
Equity per share	¥3,395.33	¥3,474.76
Net income (loss) per share	¥106.02	¥(167.02)

- Notes:
1. Diluted net income per share is not disclosed because dilutive shares are not issued.
 2. In the Equity section, due to the way that equity per share are calculated, Company shares remaining in the “Board Incentive Plan (BIP) Trust Account” and “Employee Stock Ownership Plan (ESOP) Trust Account” and recorded as treasury shares, are included in treasury shares subtracted from shares issued as of the end of the period (301,284 shares for the previous fiscal year, 473,645 shares for fiscal 2022).
Also, due to the way that net income (loss) per share is calculated, they are included in the treasury shares subtracted from average number of shares during the period (305,044 shares in the previous fiscal year, 372,969 shares in fiscal 2022).
 3. As of the end of fiscal 2022, the Company finalized the provisional accounting treatment for business combinations, and net income per share in the previous fiscal year reflects the details of the finalization of the provisional accounting treatment.
 4. The basis for calculation of the net income per share amount is shown below.

	Previous Fiscal Year (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
Net income (loss) attributable to owners of parent (Millions of yen)	6,410	(9,538)
Amount not attributable to common shareholders (Millions of yen)	—	—
Net income (loss) attributable to owners of parent pertaining to common stock (Millions of yen)	6,410	(9,538)
Average number of shares during the fiscal year (Shares)	60,467,088	57,108,564