GLORY LTD. and Consolidated Subsidiaries

Consolidated Financial Statements for the Year Ended March 31, 2022 and Independent Auditor's Report

GLORY LTD. and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2022	2021 As Restated (Note 2.y)	2022
CURRENT ASSETS:			
Cash and cash equivalents (Note 19)	¥ 52,256	¥ 66,057	$ 426,893
Short-term investments (Notes 6 and 19)	110	180	898
Receivables (Note 19):			
Trade notes	2,067	2,573	16,885
Electronically recorded monetary claims - operating	749	684	6,118
Trade accounts	48,971	53,086	399,991
Contract assets	1,381	—	11,281
Unconsolidated subsidiaries and associated companies	14	16	114
Other	3,993	1,313	32,693
Investments in leases (Notes 18 and 19)	775	1,074	6,331
Inventories (Note 7)	71,769	52,517	586,300
Other current assets	8,904	3,305	72,739
Allowance for doubtful accounts	(1,240)	(1,032)	(10,129)
Total current assets	189,753	179,778	1,550,142
PROPERTY, PLANT AND EQUIPMENT:			
Land	11,877	11,843	97,026
Buildings and structures	39,176	37,424	320,039
Machinery, equipment and vehicles	15,434	13,817	126,084
Tools, furniture and fixtures	53,427	53,582	436,459
Right-of-use assets	10,845	8,408	88,595
Construction in progress	201	366	1,642
Total	130,964	125,443	1,069,879
Accumulated depreciation	(90,478)	(86,260)	(739,138)
Total property, plant and equipment	40,485	39,183	330,732
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 6 and 19)	9,782	10,134	79,911
Investments in unconsolidated subsidiaries and associated companies (Note 19)	5,089	1,093	41,573
Software	8,709	7,178	71,146
Goodwill (Notes 4 and 16)	64,157	49,800	524,115
Customer relationships	21,335	22,473	174,291
Deferred tax assets (Note 13)	8,266	8,064	67,527
Retirement benefit asset (Note 10)	9,660	7,250	78,915
Other investments and other assets (Note 8)	7,652	6,601	62,511
Allowance for doubtful accounts (Note 8)	(2,106)	(951)	(17,204)
Total investments and other assets	132,547	111,646	1,082,811
TOTAL ASSETS	¥ 362,786	¥ 330,608	$ 2,963,695

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2022	Millions of Yen 2021 As Restated (Note 2.y)	Thousands of U.S. Dollars (Note 1) 2022
CURRENT LIABILITIES:			
Short-term borrowings (Notes 9 and 19)	¥ 16,743	¥ 15,656	$ 136,778
Current portion of long-term borrowings (Notes 9 and 19)	2,585	3,130	21,117
Current portion of long-term lease liabilities (Notes 9, 18 and 19)	1,863	1,749	15,219
Payables (Note 19):			
Trade notes	444	464	3,627
Electronically recorded obligations-operating	6,975	6,529	56,980
Trade accounts	14,212	10,079	116,101
Unconsolidated subsidiaries and associated companies	31	57	253
Other	7,701	8,002	62,911
Income taxes payable (Note 19)	1,075	2,480	8,781
Accrued expenses	16,612	17,064	135,707
Contract liabilities	22,502		183,824
Deferred income		13,787	
Provision for stock grant (Note 11)	209		1,707
Other	8,939	8,794	73,025
Total current liabilities	99,898	87,796	816,093
NON-CURRENT LIABILITIES:			
Bonds payable (Notes 9 and 19)	20,000	20,000	163,385
Long-term borrowings (Notes 9 and 19)	11,187	3,939	91,389
Retirement benefit liability (Note 10)	2,327	2,590	19,009
Lease liabilities (Notes 9, 18 and 19)	4,409	3,820	36,018
Deferred tax liabilities (Note 13)	8,370	7,895	68,376
Provision for stock grant (Note 11)	247	245	2,017
Other	7,782	7,987	63,573
Total non-current liabilities	54,325	46,478	443,795
CONTINGENT LIABILITIES (Note 21)			
EQUITY (Notes 12 and 23):			
Share capital,			
Authorized: 150,000,000 shares in 2022 and 2021;			
Issued: 63,638,210 shares in 2022 and 2021	12,892	12,892	105,318
Capital surplus	12,286	12,294	100,367
Retained earnings	166,665	164,411	1,361,530
Treasury shares - at cost (Note 11) 2,866,078 shares in 2022 and 2021	(9,191)	(9,241)	(75,083)
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	666	680	5,440
Foreign currency translation adjustment	17,906	9,054	146,278
Remeasurements of defined benefit plans	4,047	3,109	33,061
Total	205,273	193,200	1,676,929
Non-controlling interests	3,289	3,131	26,868
Total equity	208,563	196,332	1,703,806
TOTAL LIABILITIES AND EQUITY	¥ 362,786	¥ 330,608	$ 2,963,695

GLORY LTD. and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021 As Restated (Note 2.y)	2022
NET SALES	¥ 226,562	¥ 217,423	$ 1,850,845
COST OF SALES (Note 15)	136,800	131,962	1,117,555
Gross profit	89,762	85,460	733,289
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 14 and 15)	79,464	71,259	649,162
Operating income	10,297	14,201	84,118
OTHER INCOME (EXPENSES):			
Interest and dividend income	372	417	3,038
Interest expense	(638)	(559)	(5,211)
Foreign exchange gains (losses), net	480	(238)	3,921
Share of loss of entities accounted for using equity method	(58)	(700)	(473)
Gain on sale of shares of subsidiaries and associates	4,739	—	38,714
Provision of allowance for doubtful accounts	(1,171)	(397)	(9,566)
Impairment losses (Note 16)	(121)	(648)	(988)
Special investigation expenses (Note 17)	(100)	—	(816)
Other, net	(15)	517	(122)
Other income (expenses), net	3,485	(1,610)	28,469
INCOME BEFORE INCOME TAXES	13,783	12,590	112,597
INCOME TAXES (Note 13):			
Current	(6,333)	(6,959)	(51,735)
Deferred	93	885	759
Total income taxes	(6,239)	(6,073)	(50,968)
NET INCOME	7,544	6,516	61,628
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(1,034)	(811)	(8,447)
NET INCOME ATTRIBUTABLE TO OWNERS OF PARENT	¥ 6,509	¥ 5,705	$ 53,173

	Yen		U.S. Dollars
PER COMMON SHARE (Note 2.v):			
Basic net income	¥107.65	¥94.38	$0.87
Dividends of surplus applicable to the year	68.00	66.00	0.55

See notes to consolidated financial statements.

GLORY LTD. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021 As Restated (Note 2.y)	2022
NET INCOME	¥ 7,544	¥ 6,516	$ 61,628
OTHER COMPREHENSIVE INCOME (Note 22):			
Valuation difference on available-for-sale securities	(9)	1,128	(73)
Foreign currency translation adjustments	8,984	4,059	73,392
Remeasurements of defined benefit plans, net of tax	937	5,264	7,654
Share of other comprehensive income of entities accounted for using equity method	7	6	57
Total other comprehensive income	9,920	10,459	81,039
COMPREHENSIVE INCOME	¥ 17,465	¥ 16,976	$ 142,676
			0
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			0
Owners of parent	¥ 16,322	¥ 16,000	$ 133,338
Non-controlling interests	1,142	975	9,329

See notes to consolidated financial statements.

GLORY LTD. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2022

	Thousands of Shares		Millions of Yen									
							Accumulated Other Comprehensive Income					
	Common Shares	Treasury Shares	Share Capital	Capital Surplus	Retained Earnings	Treasury Shares	Valuation Difference on Available-for-Sale Securities	Foreign Currency Translation Adjustment	Remeasurements of Defined Benefit Plans	Total	Non-controlling Interests	Total Equity
BALANCE, APRIL 1, 2020 As Restated (Note 2.y)	63,638	(2,866)	¥ 12,892	¥ 15,961	¥ 162,595	¥ (9,312)	¥ (455)	¥ 5,194	¥ (2,154)	¥ 184,721	¥ 1,946	¥ 186,668
Net income attributable to owners of parent					5,705					5,705		5,705
Dividends of surplus, ¥64 per share					(3,889)					(3,889)	(741)	(4,631)
Purchase of treasury shares		(0)				(0)				(0)		(0)
Disposal of treasury shares						71				71		71
Change in scope of consolidation (Note 2.a)											951	951
Change in put option liabilities written over non-controlling interests				(3,667)						(3,667)		(3,667)
Net changes in items other than shareholders' equity							1,135	3,859	5,264	10,259	975	11,234
BALANCE, MARCH 31, 2021	63,638	(2,866)	12,892	12,294	164,411	(9,241)	680	9,054	3,109	193,200	3,131	196,332
Cumulative effects of changes in accounting policies					(1)					(1)		(1)
Restated balance			12,892	12,294	164,410	(9,241)	680	9,054	3,109	193,199	3,131	196,331
Net income attributable to owners of parent					6,509					6,509		6,509
Dividends of surplus, ¥66 per share					(4,254)					(4,254)	(972)	(5,226)
Purchase of treasury shares												
Disposal of treasury shares						49				49		49
Change in scope of consolidation (Note 2.a)												
Purchase of shares of consolidated subsidiaries				(7)						(7)		(7)
Change in put option liabilities written over non-controlling interests												
Net changes in items other than shareholders' equity							(13)	8,851	937	9,776	1,130	10,906
BALANCE, MARCH 31, 2022	63,638	(2,866)	¥ 12,892	¥ 12,286	¥ 166,665	¥ (9,191)	¥ 666	¥ 17,906	¥ 4,047	¥ 205,273	¥ 3,289	¥ 208,563

	Thousands of U.S. Dollars (Note 1)									
					Accumulated Other Comprehensive Income					
	Share Capital	Capital Surplus	Retained Earnings	Treasury Shares	Valuation Difference on Available-for-Sale Securities	Foreign Currency Translation Adjustment	Remeasurements of Defined Benefit Plans	Total	Non-controlling Interests	Total Equity
BALANCE, APRIL 1, 2021	$ 105,318	$ 100,432	$ 1,343,117	$ (75,492)	$ 5,555	$ 73,964	$ 25,398	$ 1,578,302	$ 25,577	$ 1,603,888
Cumulative effects of changes in accounting policies			(8)					(8)		(8)
Restated balance	105,318	100,432	1,343,109	(75,492)	5,555	73,964	25,398	1,578,294	25,577	1,603,880
Net income attributable to owners of parent			53,173					53,173		53,173
Dividends of surplus, $0.53 per share			(34,752)					(34,752)	(7,940)	(42,692)
Purchase of treasury shares										
Disposal of treasury shares				400				400		400
Change in scope of consolidation (Note 2.a)										
Purchase of shares of consolidated subsidiaries										
Change in put option liabilities written over non-controlling interests		(57)						(57)		(57)
Net changes in items other than shareholders' equity					(106)	72,306	7,654	79,862	9,231	89,094
BALANCE, MARCH 31, 2022	$ 105,318	$ 100,367	$ 1,361,530	$ (75,083)	$ 5,440	$ 146,278	$ 33,061	$ 1,676,929	$ 26,868	$ 1,703,806

See notes to consolidated financial statements.

GLORY LTD. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021 As Restated (Note 2.y)	2022
OPERATING ACTIVITIES:			
Income before income taxes	¥ 13,783	¥ 12,590	$ 112,597
Adjustments for:			
Income taxes – paid	(7,225)	(5,088)	(59,022)
Depreciation and amortization	11,952	10,706	97,639
Impairment losses	121	648	988
Amortization of goodwill	5,254	4,502	42,921
Increase in allowance for doubtful accounts	1,198	704	9,786
(Gain) loss on sale of investment securities	(1)	51	(8)
Gain on sale of shares of subsidiaries and associates	(4,739)	—	(38,714)
Changes in assets and liabilities, net of affects from newly consolidated subsidiaries:			
Decrease (increase) in trade receivables	9,374	(852)	76,578
(Increase) decrease in inventories	(10,927)	2,823	(89,265)
Increase (decrease) in trade payables	1,306	(3,066)	10,669
Increase in interest payable	13	6	106
Decrease in retirement benefit liability	(419)	(192)	(3,422)
Increase (decrease) in provision for stock grant	210	(54)	1,715
(Decrease) increase in lease liabilities	(287)	212	(2,344)
Decrease in investments in leases	299	264	2,442
Increase in accounts receivable - other	(2,600)	(73)	(21,240)
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(834)	1,328	(6,813)
(Decrease) increase in accrued expenses	(1,449)	1,484	(11,837)
Other, net	(4,716)	2,447	(38,526)
Total adjustments	(3,468)	15,852	(28,331)
Net cash provided by operating activities	10,315	28,443	84,265
INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment	20	30	163
Purchase of property, plant and equipment	(4,809)	(4,876)	(39,286)
Purchase of intangible assets	(3,424)	(3,588)	(27,971)
Proceeds from sale and redemption of investment securities	29	2,273	236
Purchase of investment securities	(3,938)	(2,726)	(32,170)
Decrease in time deposits – net	69	479	563
Proceeds from distributions from investment partnerships	390	464	3,186
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 5)	(20,484)	(13,729)	(167,339)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	6,201	—	50,657
Proceeds from sale of shares of subsidiaries and associates	156	—	1,274
Other, net	(11)	6	(89)
Net cash used in investing activities	(25,799)	(21,666)	(210,758)
FORWARD	¥ (15,484)	¥ 6,776	$ (126,492)

(Continued)

GLORY LTD. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021 As Restated (Note 2.y)	2022
FORWARD	¥ (15,484)	¥ 6,776	$ (126,492)
FINANCING ACTIVITIES:			
Net increase (decrease) in short-term borrowings	148	(9,323)	1,209
Proceeds from long-term borrowings	11,531	3,447	94,199
Repayments of long-term borrowings	(5,637)	(10)	(46,050)
Repayments of lease liabilities	(1,738)	(1,613)	(14,198)
Purchase of treasury shares	—	(0)	—
Dividends paid	(4,253)	(3,889)	(34,743)
Dividends paid to non-controlling interests	(972)	(741)	(7,940)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(20)	—	(163)
Net cash used in financing activities	(942)	(12,131)	(7,695)
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	2,625	997	21,444
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,801)	(4,357)	(112,744)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	66,057	70,415	539,637
CASH AND CASH EQUIVALENTS AT END OF PERIOD	¥ 52,256	¥ 66,057	$ 426,893

See notes to consolidated financial statements.

(Concluded)

Notes to Consolidated Financial Statements
Year Ended March 31, 2022

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2021 consolidated financial statements to conform to the classifications used in 2022.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which GLORY LTD. (the “Company,” together with its consolidated subsidiaries, the “Group”) is incorporated and operates. Japanese yen figures less than one million yen are rounded down to the nearest million yen and U.S. dollar figures less than one thousand dollars are rounded down to the nearest thousand dollars, except for per share data. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥122.41 to $1, the rate of exchange at March 31, 2022. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation*** - The consolidated financial statements as of March 31, 2022, include the accounts of the Company and its 86 significant (84 in 2021) subsidiaries (together, the “Group”). Consolidation of the remaining subsidiaries would not have a material effect on the accompanying consolidated financial statements.

Consolidated Subsidiaries

March 31, 2022		March 31, 2021	
Name	Year-End	Name	Year-End
GLORY Products Ltd.	March 31	GLORY Products Ltd.	March 31
GLORY NASCA Ltd.	March 31	GLORY NASCA Ltd.	March 31
Hokkaido GLORY Co., Ltd.	March 31	Hokkaido GLORY Co., Ltd.	March 31
GLORY Denshi Kogyo (Suzhou) Ltd.	March 31	GLORY Denshi Kogyo (Suzhou) Ltd.	March 31
GLORY (PHILIPPINES), INC.	March 31	GLORY (PHILIPPINES), INC.	March 31
Sitrade Italia S.p.A.	December 31	Sitrade Italia S.p.A.	December 31
Glory Global Solutions Ltd.	March 31	Glory Global Solutions Ltd.	March 31
Glory Global Solutions (International) Ltd.	March 31	Glory Global Solutions (International) Ltd.	March 31
Glory Global Solutions (France) S.A.S.	March 31	Glory Global Solutions (France) S.A.S.	March 31
Glory Global Solutions Inc.	March 31	Glory Global Solutions Inc.	March 31
Glory Global Solutions (Singapore) Pte. Ltd.	March 31	Glory Global Solutions (Singapore) Pte. Ltd.	March 31
Glory Global Solutions (Shanghai) Co., Ltd.	March 31	Glory Global Solutions (Shanghai) Co., Ltd.	March 31
Acrelec Group S.A.S.	December 31	Acrelec Group S.A.S.	December 31
Revolution Retail Systems, LLC	September 30		
72 other companies	March 31	71 other companies	March 31

From the fiscal year ended March 31, 2022, the Company newly established Glory Global Solutions (Poland) Sp. Z.o.o. and included it in the scope of consolidation. In addition, the Company acquired all equity interest in Revolution Retail Systems, LLC effective December 20, 2021, and accordingly, 3 companies including its subsidiaries are included in the scope of consolidation.

Former consolidated subsidiary viafintech GmbH has been excluded from the scope of consolidation as the Company sold all the shares held in the company. In preparing the consolidated financial statements, its operating results up to October 1, 2021, which is the deemed date of sales of the shares in viafintech GmbH, are consolidated in the accompanying consolidated statement of income. Furthermore, Acrelease S.A.S. has been excluded from the scope of consolidation as it was liquidated in the fiscal year ended March 31, 2022.

To increase the accuracy of consolidated financial information, a provisional settlement of accounts has been made on March 31 for GLORY Denshi Kogyo (Suzhou) Ltd., Glory Global Solutions (Shanghai) Co., Ltd., GLORY IPO China Ltd. and 5 other companies, while for Sitrade Italia S.p.A., Acrelec Group S.A.S. and 29 other companies, their financial statements as of December 31 have been consolidated as the difference is no more than three months, and any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from January 1 through March 31 have been adjusted as necessary.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The investment in FueTrek Co., Ltd. and 5 other companies are accounted for by the equity method. The Company acquired shares issued by Unified Financial Limited (which operates business as OneBanks), AdInte co., ltd. and one other company, and accordingly, they are accounted for by the equity method from the fiscal year ended March 31, 2022.

Investments in an unconsolidated subsidiary and a remaining associated company are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of acquisition over the fair value of the equity of an acquired subsidiary at the date of acquisition, which is presented as goodwill in the consolidated balance sheet, is being amortized over a reasonable estimated period.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements*** - Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification—"FASB ASC") tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. ***Cash Equivalents* -** Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash equivalents include time deposits and certificates of deposit, all of which mature or become due within three months of the date of acquisition.

d. ***Inventories* -** Inventories are stated at the lower of cost, determined by the periodic average method for finished products and work in process and by the moving average method for merchandise, raw materials and supplies, or net selling value.

e. ***Short-Term Investments and Investment Securities* -** Short-term investments and investment securities are classified and accounted for, depending on management's intent, as follows: i) held-to-maturity debt securities, for which there is positive intent and ability to hold to maturity, are reported at amortized cost and ii) available-for-sale securities, which are not classified as held-to-maturity debt securities, and are other than shares that do not have a market price, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

   Shares that do not have a market price are stated at cost, determined by the moving average method. For-other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

f. ***Property, Plant and Equipment* -** Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries other than buildings acquired on or after April 1, 1998, is computed by the declining-balance method, while depreciation of property, plant and equipment of its consolidated foreign subsidiaries is mainly computed by the straight-line method at rates based on estimated useful lives of the assets. Buildings of the Company and its consolidated domestic subsidiaries acquired on or after April 1, 1998, and building improvements and structures of the Company and its consolidated domestic subsidiaries acquired on or after April 1, 2016 are depreciated by the straight-line method.

g. ***Long-Lived Assets* -** The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. ***Software Costs* -** The cost of software for sale is amortized at the higher of either the amount to be amortized in proportion to the actual sales volume of the software during the current year to the estimated total sales volume over the estimated salable years of the software or the amount to be amortized by the straight-line method over three years. The costs of software for internal use are amortized by the straight-line method over the estimated useful life of five years.

i. ***Customer Relationships* -** Customer relationships are carried at cost less accumulated amortization, which is calculated by the straight-line method over 9 years through 20 years.

j. ***Allowance for Doubtful Accounts* -** The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the accounts outstanding.

k. ***Retirement and Pension Plans* -** The liability (asset) for retirement benefits of employees is accounted for based on projected benefit obligations and plan assets at the consolidated balance sheet date. The actuarial differences are mainly amortized from the next year using the declining-balance method over a certain period within the average remaining service period (14 years for agreement-type defined benefit plans and 12 years for fund-type defined benefit plans). The past service costs are mainly amortized by the declining-balance method over a certain period within the average remaining service period (14 years for agreement-type defined benefit plans and 12 years for fund-type defined benefit plans). Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (retirement benefit liability) or asset (retirement benefit asset).

l. ***Asset Retirement Obligations -*** An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

m. ***Employee and Management Stock Ownership Plan -*** In accordance with PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts," upon transfer of treasury shares to the employee stock-ownership trust (the "Trust") by the entity, any difference between the book value and fair value of the treasury shares is recorded in capital surplus. At year-end, the Company shall record (1) the Company shares held by the Trust as treasury shares in equity, (2) all other assets and liabilities of the Trust on a line-by-line basis, and (3) a liability/asset for the net of (i) any gain or loss on delivery of the shares by the Trust, (ii) dividends received from the entity for the shares held by the Trust, and (iii) any expenses relating to the Trust. (See Note 11).

n. ***Significant Revenue and Expenses –***The details of the main performance obligations in the major businesses related to revenue from contracts with the Company's customers and the timing at which the Company typically recognizes revenue are as follows:
(1) Sales of products
The Group's businesses consist of the Financial, Retail and Transportation, Amusement, Overseas and Other segments. In each market, the Group manufactures and sells products, such as money handling machines, information processing machines and automatic service equipment. As control of these products typically transfer to customers when they are installed at and accepted by the customer, performance obligations of the Company are satisfied at that time. Accordingly, revenue is recognized when these products are delivered to the customers.

(2) Provision of maintenance service
The Group provides maintenance services in the Financial, Retail and Transportation, Amusement and Overseas markets. For maintenance service contracts whose performance obligation is to offer full access to customers at any time, performance obligations are satisfied over time, and therefore, revenue is recognized in the amount of consideration promised in the contract with the customer over the contract term on a straight-line basis.

o. ***Research and Development Costs -*** Research and development costs are charged to income as incurred.

p. ***Leases (Lessee) -*** Finance lease assets that do not transfer ownership of the property to the lessee are depreciated using the straight-line method over the lease term with no residual value.

q. ***Bonuses to Directors -*** Bonuses to directors are accrued at the year-end to which such bonuses are attributable.

r. ***Income Taxes -*** The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax rates to the temporary differences.

The Group files a tax return under the consolidated corporate tax system, which allows companies to base tax payments on the combined profits or losses of the Company and its wholly-owned domestic subsidiaries.

Adoption of Tax Effect Accounting for Transition from the Consolidated Taxation System to the Group Tax Sharing System

The Company and some of its domestic consolidated subsidiaries will transition from the consolidated taxation system to the group tax sharing system from the fiscal year ending March 31, 2023. However, for items that transitioned to the group tax sharing system established under the "Act for Partial Amendment to the Income Tax Act, etc." (Act No. 8, 2020) and items for which the non-consolidated taxation system was revised following the transition to the group tax sharing system, the Company and some of its domestic consolidated subsidiaries do not apply the provision of Paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, updated on February 16, 2018) pursuant to Paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020), and reports the amounts of deferred tax assets and deferred tax liabilities based on the provisions of tax laws before the amendment.

The Group plans to apply the "Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System" (PITF No. 42, August 12, 2021) from the beginning of the fiscal year ending March 31, 2023, which provides the accounting treatments and disclosure of income taxes and local income taxes and tax effect accounting in applying the group tax sharing system.

s. Foreign Currency Transactions - Both short-term and long-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates as of each balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts or currency swaps.

However, receivables denominated in a foreign currency that is covered by forward exchange contracts are translated at the contract rate. Long-term borrowings and short-term borrowings denominated in foreign currencies that are covered by currency swaps are translated at the contract rate. The difference resulting from receivables and long-term borrowings translated at the historical rate and the contract rate is credited (charged) to income as an interest adjustment.

t. Foreign Currency Financial Statements - The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" and "Non-controlling interests" in equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

u. Derivatives and Hedging Activities - The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign currency exchange rates and interest rates. Foreign exchange forward contracts, interest rate and currency swaps are utilized by the Group to reduce foreign currency exchange rate and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income; and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts are utilized to hedge foreign currency exposures for export sales. Deposits and trade receivables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Long-term borrowings and short-term borrowings denominated in foreign currencies for which interest rate and currency swaps are used to hedge the foreign currency fluctuations are translated at the contracted rate if the interest rate and currency swaps qualify for hedge accounting.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

v. Per Share Information - Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share is not disclosed because there are no potentially dilutive securities outstanding.

Dividends of surplus per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

The Company's own shares in "Board Incentive Plan (BIP) Trust Account" and "Employee Stock Ownership Plan (ESOP) Trust Account" (See Note 11) recorded as treasury shares within equity is included in the treasury shares deducted from the average number of shares during the period used for calculating net income per share.

w. Additional Information

Accounting estimates associated with the spread of COVID-19

Regarding the impact of COVID-19, while it is difficult to accurately predict the timing of when COVID-19 will be brought under control, there are signs of recovery in the world economy as economic activities gradually resume. The Group has determined the accounting estimates for valuation of inventories, valuation of equities, etc., impairment of goodwill, etc. based on the assumption that the impact of COVID-19 will be limited for the fiscal year ending March 31, 2023.

x. Changes in Accounting Policies

Accounting Standard for Revenue Recognition

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Standard") and the relevant implementation guidance from the beginning of the fiscal year ended March 31, 2022. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.
The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the fiscal year ended March 31, 2022, with the new accounting policies applied from the beginning balance. However, the Company applies the method provided for in Paragraph 86 of the Revenue Recognition Standard and does not apply the new accounting policies retrospectively to contracts for which substantially all revenue amounts had been recognized prior to the beginning of the fiscal year ended March 31, 2022 in accordance with the previous treatment. In addition, applying the method stipulated in proviso (1) to Paragraph 86 of the Revenue Recognition Standard, contract modifications that occurred prior to the beginning of the fiscal year ended March 31, 2022 were accounted for based on the terms of the contract after reflecting all contract modifications, with the cumulative impact adjusted to retained earnings at the beginning of the fiscal year ended March 31, 2022. However, in accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Standard, figures for the fiscal year ended March 31, 2021 have not been reclassified based on the new presentation method. The impact of these changes on the consolidated financial statements for the fiscal year ended March 31, 2022 is immaterial.
In accordance with the transitional treatment set forth in Paragraph 89-3 of the Revenue Recognition Standard, notes pertaining to the fiscal year ended March 31, 2021 are not presented.

Accounting Standard for Fair Value Measurement

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter the "Fair Value Measurement Standard") and the relevant implementation guidance from the beginning of the fiscal year ended March 31, 2022, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). The impact of these changes on the consolidated financial statements for the fiscal year ended March 31, 2022 is immaterial.
In addition, the Company will include notes on fair value information by level within the fair value hierarchy in Note 19 "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES." However, in accordance with the transitional treatment provided in Paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), notes pertaining to the fiscal year ended March 31, 2021 are not presented.

y. Restatement for the Year Ended March 31, 2021

The Company discovered an incident of embezzlement by a former employee of a consolidated subsidiary of the Company during the fiscal year ended March 31, 2022.

As a result, the Company has restated its previously issued consolidated financial statements disclosed in the Annual Securities Report, and revised figures are presented on its consolidated financial statements for the fiscal year ended March 31, 2021.

The following is a summary of the corrections applied on the consolidated financial statements for the fiscal year ended March 31, 2021:

	Millions of yen		
	As previously reported	Adjustments	As Restated
Consolidated balance sheet:			
Current assets:			
Cash and cash equivalents	¥ 66,875	¥ (817)	¥ 66,057
Investments and other assets:			
Deferred tax assets	7,853	210	8,064
Other current assets	4,506	904	5,411
Allowance for doubtful accounts	(47)	(904)	(951)
Total assets	¥ 331,214	¥ (606)	¥ 330,608
Current liabilities:			
Payables - Trade accounts	¥ 10,041	¥ 37	¥ 10,079
Other current liabilities	8,623	170	8,794
Equity:			
Retained earnings	165,225	(814)	164,411
Total liabilities and equity	¥331,214	¥ (606)	¥330,608
Consolidated statement of income:			
Other income (expenses):			
Provision of allowance for doubtful accounts	¥ —	¥ (397)	¥ (397)
Other, net	495	22	517
Income before income taxes	12,966	(376)	12,590
Income taxes - deferred	849	35	885
Net income	¥ 6,856	¥ (339)	¥ 6,516
Consolidated statement of comprehensive income:			
Comprehensive income	¥ 17,315	¥ (339)	¥16,976
Consolidated statement of changes in equity:			
Retained earnings at March 31, 2021	¥ 165,225	¥ (814)	¥ 164,411
Consolidated statement of cash flows:			
Operating activities:			
Income before income taxes	¥ 12,966	¥ (375)	¥ 12,590
Increase in allowance for doubtful accounts	¥ 306	¥ 397	¥ 704
Decrease in trade payables	(2,980)	(85)	(3,066)
Other, net	2,693	(246)	2,447
Net cash provided by operating activities	28,753	(310)	28,443
Net decrease in cash and cash equivalents	(4,047)	(310)	(4,357)
Cash and cash equivalents, beginning of period	70,922	(507)	70,415
Cash and cash equivalents, end of period	¥ 66,875	¥ (817)	¥ 66,057

3. SIGNIFICANT ACCOUNTING ESTIMATES

Valuation of Inventories

(1) Amount recorded in the accompanying consolidated financial statements for the fiscal years ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Merchandise and finished goods	¥38,511	¥33,176	$314,606
Work in process	15,658	6,943	127,914
Raw materials and supplies	17,599	12,397	143,770
Loss on valuation on inventories	1,411	1,653	11,526

(2) Information about the details of significant accounting estimates on the identified item

The carrying amount of inventories is stated at the acquisition cost. However, if the net selling value as of the fiscal year end falls below the acquisition cost, the carrying amount is stated at the net selling value and the difference between the acquisition cost and the net selling value is recorded under cost of sales as a loss on valuation.

Net selling value is measured at the selling value in the normal operating cycle less the sum of the estimated additional production cost and the estimated direct selling expenses.

In addition, for slow-moving inventories that fall out of the normal operating cycle, a loss on valuation computed based on an internally established rule is recorded according to their age after the last delivery.

Valuation of Equity Securities without a Market Price

(1) Amount recorded in the accompanying consolidated financial statements for the fiscal years ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Investment securities	¥ 2,795	¥ 2,953	$22,833
Loss on valuation of investment securities	28	268	228

(2) Information about the details of significant accounting estimates on the identified item

The carrying amount of nonmarketable equity securities, etc. is stated at the acquisition cost. However, if the substantial value of the equity securities of the issuer falls by 50% or more below the acquisition cost, the carrying amount is stated at the substantial value in the consolidated balance sheet and the difference between the acquisition cost and the substantial value is recorded as a loss on valuation, unless the recoverability of the substantial value is supported by sufficient evidence.

The substantial value of nonmarketable equity securities reflects excess earning power in an amount based on equity per share of the issuer. Any declines in the excess earning power are confirmed by monitoring the issuer’s performance and analyzing it in comparison with its business plan.

Impairment of Significant Goodwill

Goodwill arising from the acquisition of Talaris Topco Limited (currently, Glory Global Solutions (Topco) Ltd.) by Glory Global Solutions Ltd.

(1) Amount recorded in the accompanying consolidated financial statements for the fiscal years ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Goodwill	¥35,848	¥35,933	292,851

(2) Information about the details of significant accounting estimates on the identified item

The Company performs impairment testing on the goodwill annually, or in the event of phenomena or changes in circumstances indicating that the carrying amount may not be recoverable. When the recoverable amount falls below the carrying amount, the difference between the carrying amount and the recoverable amount is recognized as an impairment loss.

When testing for impairment, the Company measures the recoverable amounts of the cash generating units to which the goodwill is allocated based on its value in use. The value in use is calculated using the present value of the future cash flows. The future cash flows are based on the medium-term management plan for the corresponding three-year period considering expected future sales volume and expected sales unit prices. For the periods beyond the period of the medium-term management plan, the Company uses positive growth rates in the assumption that the Company will continue to grow. The growth rate used for the assumption that the Company will continue to grow is determined considering the long-term average growth rate of the countries where the cash generating unit belongs, which is 2.66% (2.44% in 2021) for the fiscal year ended March 31, 2022. In addition, the discount rate used for computing value in use is determined based on the weighted average capital cost of the cash generating unit, which is 6.14% (6.45% in 2021) for the fiscal year ended March 31, 2022. As the recoverable amount of the goodwill sufficiently exceeds the carrying amount, the Company expects that the recoverable amount is not likely to fall below the carrying amount even if the main assumptions are changed within a reasonable range.

The goodwill is accounted for in accordance with PITF No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" issued on June 28, 2019 by reasonably estimating the period it has impact on profit and amortizing it by the straight-line method over that period.

Goodwill arising from the acquisition of Acrelec Group S.A.S. by Glory Global Solutions (International) Ltd.

(1) Amount recorded in the accompanying consolidated financial statements for the fiscal years ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Goodwill	¥10,537	¥10,737	$86,079
Impairment losses	—	648	—

(2) Information about the details of significant accounting estimates on the identified item

The Company performs impairment testing on the goodwill annually, or in the event of phenomena or changes in circumstances indicating that the carrying amount may not be recoverable. When the recoverable amount falls below the carrying amount, the difference between the carrying amount and the recoverable amount is recognized as an impairment loss.

When testing for impairment, the Company measures the recoverable amounts of the cash generating units to which the goodwill is allocated based on its value in use. The value in use is calculated using the present value of the future cash flows. The future cash flows are based on the medium-term management plan for the corresponding three-year period. For the periods beyond the period of the medium-term management plan, the Company uses positive growth rates in the assumption that the Company will continue to grow. The growth rate used for the assumption that the Company will continue to grow is determined considering the long-term average growth rate of the countries where the cash generating unit belongs and the status of business, which is 1.50% (1.50% in 2021) for the fiscal year ended March 31, 2022. In addition, the discount rate used for computing value in use is determined based on the weighted average capital cost of the cash generating unit, which is 8.09% (8.22% in 2021) for the fiscal year ended March 31, 2022. As the recoverable amount of the goodwill sufficiently exceeds the carrying amount, the Company expects that the recoverable amount is not likely to fall below the carrying amount even if the main assumptions are changed within a reasonable range.

The goodwill is accounted for in accordance with PITF No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" issued on June 28, 2019 by reasonably estimating the period it has impact on profit and amortizing it by the straight-line method over that period.

Goodwill arising from the acquisition of Revolution Retail Systems, LLC by Glory Global Solutions Inc.

(1) Amount recorded in the accompanying consolidated financial statements for the fiscal years ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Goodwill	¥16,814	¥ —	$137,358

(2) Information about the details of significant accounting estimates on the identified item

The Company performs impairment testing on the goodwill annually, or in the event of phenomena or changes in circumstances indicating that the carrying amount may not be recoverable. When the recoverable amount falls below the carrying amount, the difference between the carrying amount and the recoverable amount is recognized as a loss on impairment.

When testing for impairment, the Company measures the recoverable amounts of the cash generating units to which the goodwill is allocated based on its value in use. The value in use is calculated using the present value of the future cash flows. The future cash flows are based on the medium-term management plan for the corresponding three-year period considering expected future sales volume and expected sales unit prices. For the periods beyond the period of the medium-term management plan, the Company uses positive growth rates in the assumption that the Company will continue to grow. The growth rate used for the assumption that the Company will continue to grow is determined considering the long-term average growth rate of the countries where the cash generating unit belongs, which is 2.66% for the fiscal year ended March 31, 2022. In addition, the discount rate used for computing value in use is determined based on the weighted average capital cost of the cash generating unit, which is 6.14% for the fiscal year ended March 31, 2022. As the recoverable amount of the goodwill sufficiently exceeds the carrying amount, the Company expects that the recoverable amount is not likely to fall below the carrying amount even if the main assumptions are changed within a reasonable range.

The goodwill is accounted for in accordance with PITF No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" issued on June 28, 2019 by reasonably estimating the period it has impact on profit and amortizing it by the straight-line method over that period.

4. BUSINESS COMBINATIONS

Business combination through acquisition

(Acquisition of equity interests in Revolution Retail Systems, LLC)

1. Outline of the business combination

(1) Name of acquired entity and details of business

Name of the acquired entity:	Revolution Retail Systems, LLC
Details of business:	Manufacture, sales, and maintenance service of money handling machines for retail back office operations.

(2) Principal reason for the business combination

The Glory Group is currently promoting the "2023 Medium-Term Management Plan" as efforts toward "We enable a confident world" under the "Long-Term Vision 2028." The Group decided to acquire equity interest in Revolution Retail Systems, LLC in line with cash automation, which is a policy under this Plan, to further expand the core business and achieve a stronger growth potential in North America.

(3) Date of business combination

December 20, 2021

(4) Legal form of the business combination

Acquisition of equity interests by a triangle merger method in consideration for cash

(5) Name of entity after combination

Revolution Retail Systems, LLC

(6) Share of equity acquired

100.0%

(7) Main grounds for determining the acquiring entity

Glory Global Solutions Inc., which is the Company's consolidated subsidiary, acquired a stake in exchange for cash.

2. Operating period of the acquired company included in the consolidated financial statements
December 20, 2021 through March 31, 2022

3. Acquisition costs of the acquired entity and the breakdown by class

The acquisition, accounted for at a cost of $182 million, was made solely in exchange for cash.

4. Details and amounts of the primary acquisition related expenses

Advisory remuneration, fees, and other expenses of $2 million

5. Amount, cause, and amortization method and period of goodwill incurred

(1) Amount of the goodwill incurred

$140 million

The amount of goodwill is provisional as assets and liabilities identifiable at the date of the business combination and their fair value is yet to be determined as of the fiscal year-end and the cost of acquisition has yet to be allocated.

(2) Cause of the goodwill

Goodwill primarily arises from future excess earning power expected from ongoing business development.

(3) Amortization method and period

Straight-line method over 10 years

6. Amounts of assets acquired and liabilities assumed on the business combination date and the principal breakdown

	Millions of Yen	Thousands of U.S. Dollars
Current assets ($75 million)	¥ 8,570	$ 70,010
Non-current assets ($4 million)	517	4,223
Total assets ($79 million)	9,088	74,242
Current liabilities ($38 million)	4,413	36,050
Non-current liabilities ($0 million)	2	16
Total liabilities ($38 million)	4,415	36,067

7. Pro forma information (unaudited)

Statement on the impact of the business combination on the consolidated statement of income for the fiscal year ended March 31, 2022 assuming it was completed on April 1, 2021 and its measurement method are not presented as it is difficult to reasonably measure the impact.

Business Divestiture

(Transfer of shares of a subsidiary)

1. Outline of the business divestiture

(1) Name of the counterparty of the divestiture

paysafecard.com Wertkarton GmbH

(2) Name of divested subsidiary and details of business

Name of the subsidiary: viafintech GmbH
Details of business: Development and provision of online cash settlement platform

(3) Principal reason for the business divestiture

The Company has been working to expand the payment market and establish it as its new business domain. To further accelerate the business, the Company has decided to transfer all shares held in viafintech to paysafecard, a global leader in the payment market, and sign a partnership agreement with paysafecard.

The Company believes that the collaboration with paysafecard, which operates the payment business on a global scale amid the surge of the payment market worldwide, will be conducive to early realizing the business concept that the Company had aimed to achieve with viatfintech.

(4) Date of business divestiture

November 1, 2021 (deemed date of sale: October 1, 2021)

(5) Legal form and other matters concerning the outline of the transaction

Share transfer in consideration solely for cash

2. Outline of accounting treatments

(1) Amount of gain on transfer

Gain on sale of shares of subsidiaries and associates: ¥4,582 million ($37,431 thousand)

(2) Appropriate carrying amounts of assets and liabilities related to the transferred business and the principal breakdown

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 196	$ 1,601
Non-current assets	61	498
Total assets	257	2,099
Current liabilities	251	2,050
Non-current liabilities	506	4,133
Total liabilities	758	6,192

(3) Accounting treatment

The surplus of proceeds from the sale, net of the carrying amount of the transferred shares on a consolidated basis, has been recorded as "Gain on sale of shares of subsidiaries and associates" under "Other Income (Expenses)."

(4) Name of the reportable segment which had included the divested business

Overseas market

(5) Approximate amount of profit or loss related to the divested business recorded in the consolidated statement of income for the fiscal year ended March 31, 2022

Net sales: ¥748 million ($6,110 thousand)

Operating loss: ¥255 million ($2,083 thousand)

5. CASH FLOWS

Major components of assets and liabilities of companies newly consolidated due to acquisition of shares

Year ended March 31, 2022

Major components of assets and liabilities at the beginning of consolidation of Revolution Retail Systems, LLC and its subsidiaries totaling three companies (hereafter the “newly consolidated subsidiaries”) due to acquisition of the equity interests and a reconciliation between the acquisition value of shares of the newly consolidated subsidiaries and net payments for acquisition of the newly consolidated subsidiaries are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 8,570	$ 70,010
Non-current assets	517	4,223
Goodwill	16,010	130,789
Current liabilities	(4,413)	(36,050)
Non-current liabilities	(3)	(24)
Acquisition value of shares of newly consolidated subsidiaries	20,682	168,956
Cash and cash equivalents of newly consolidated subsidiaries	(198)	(1,617)
Less: Payments for acquisition of newly consolidated subsidiaries	¥ 20,484	$ 167,339

Year ended March 31, 2021

Major components of assets and liabilities at the beginning of consolidation of Acrelec Group S.A.S. and its subsidiaries totaling 31 companies (hereafter the “newly consolidated subsidiaries”) due to acquisition of the shares and a reconciliation between the acquisition value of shares of the newly consolidated subsidiaries and net payments for acquisition of the newly consolidated subsidiaries are as follows:

	Millions of Yen
Current assets	¥ 9,140
Non-current assets	3,213
Goodwill	12,648
Current liabilities	(4,586)
Non-current liabilities	(5,445)
Non-controlling interests	(301)
Acquisition value of shares of newly consolidated subsidiaries	14,669
Cash and cash equivalents of newly consolidated subsidiaries	(939)
Less: Payments for acquisition of newly consolidated subsidiaries	¥ 13,729

Major components of assets and liabilities of a company no longer consolidated due to sales of shares

Year ended March 31, 2022

The components of assets and liabilities at the sale of viafintech GmbH when it ceased to be a consolidated subsidiary due to sales of shares and the sales amount of the shares of viafintech GmbH and sales proceeds are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 196	$ 1,601
Non-current assets	61	498
Current liabilities	(251)	(2,050)
Non-current liabilities	(506)	(4,133)
Goodwill, etc.	2,433	19,875
Foreign currency translation adjustments	(233)	(1,903)
Gain on sales of shares	4,582	37,431
Sales amount of shares	6,281	51,311
Cash and cash equivalents	(80)	(653)
Less: Sales proceeds	¥ 6,201	$ 50,657

6. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Short-term investments:			
Time deposits other than cash equivalents	¥ 60	¥ 130	$ 490
Government, corporate and other bonds	50	50	408
Total	¥ 110	¥ 180	$898
Investment securities:			
Marketable equity securities	¥ 4,356	¥ 4,537	$ 35,585
Nonmarketable equity securities	2,795	3,232	22,833
Government, corporate, and other bonds	—	1,458	—
Investments in partnerships	2,630	—	21,485
Other	—	905	—
Total	¥ 9,782	¥10,134	$79,911

The costs and aggregate fair values of short-term investments and investment securities at March 31, 2022 and 2021, were as follows:

	Millions of Yen			
March 31, 2022	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥3,638	¥983	¥ (266)	¥4,356
Bonds	—	—	—	—
Held-to-maturity:				
Bonds	¥ 50	¥ —	¥ —	¥ 50

	Millions of Yen			
March 31, 2021	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥3,658	¥1,011	¥ (133)	¥4,537
Bonds	1,335	123	—	1,458
Other	938	—	(32)	905
Held-to-maturity:				
Bonds	¥ —	¥ —	¥ —	¥ —

March 31, 2022	Thousands of U.S. Dollars Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$29,719	$8,030	$(2,173)	$35,585
Bonds	—	—	—	—
Other	—	—	—	—
Held-to-maturity:				
Bonds	$ 408	$ —	$ —	$ 408

Available-for-sale securities sold during the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen 2022	2021	Thousands of U.S. Dollars 2022
Proceeds from sales	¥30	¥273	$245
Gain on sales	1	22	8
Loss on sales	—	73	—

The Group recognized a loss on valuation of investment securities of ¥49 million ($400 thousand) and ¥421 million for the years ended March 31, 2022 and 2021, respectively.

7. INVENTORIES

Inventories as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen 2022	2021	Thousands of U.S. Dollars 2022
Merchandise and finished goods	¥ 38,511	¥ 33,176	$ 314,606
Work in process	15,658	6,943	127,914
Raw materials and supplies	17,599	12,397	143,770
Total	¥ 71,769	¥ 52,517	$ 586,300

8. CLAIMS ARISING FROM EMBEZZLEMENT BY FORMER EMPLOYEE

Claims arising from an incident of embezzlement by a former employee of a consolidated subsidiary of the Company were included in the consolidated balance sheet as of March 31, 2022 and 2021.

	Millions of Yen 2022	2021	Thousands of U.S. Dollars 2022
Other assets (non-current)	¥ 2,076	¥ 904	$ 16,959
Allowance for doubtful accounts	(2,076)	(904)	(16,959)

9. SHORT-TERM BORROWINGS AND LONG-TERM BORROWINGS

(a) Short-term borrowings as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Short-term borrowings from banks and other	¥16,743	¥15,656	$136,778

The annual average interest rates applicable to short-term borrowings at March 31, 2022 and 2021, were 1.1% and 0.7%, respectively.

(b) Long-term borrowings and lease liabilities as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Borrowings from banks and other	¥ 13,772	¥ 7,069	$ 112,507
Liabilities under finance leases	6,273	5,570	51,245
Unsecured 0.15% yen straight bonds, due 2023	10,000	10,000	81,692
Unsecured 0.425% yen straight bonds, due 2028	10,000	10,000	81,692
Total	40,046	32,640	327,146
Less current portion	(4,448)	(4,880)	(36,336)
Long-term borrowings and lease liabilities, less current portion	¥ 35,597	¥ 27,759	$ 290,801

The annual average interest rate applicable to long-term borrowings at March 31, 2022 and 2021 was 0.9% and 0.7%, respectively.

(c) Annual maturities of bonds payable, long-term borrowings and lease liabilities as of March 31, 2022, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2023	¥ 4,448	$ 36,336
2024	12,773	104,346
2025	2,223	18,160
2026	1,841	15,039
2027 and thereafter	18,759	153,247
Total	¥ 40,046	$ 327,146

10. RETIREMENT AND PENSION PLANS

Employees of the Company and its domestic consolidated subsidiaries are covered by non-contributory and contributory funded defined benefit pension plans, and severance lump-sum payment plans. The Company and certain foreign consolidated subsidiaries have contribution plans and defined benefit plans.

(1) The changes in defined benefit obligation for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of period	¥ 67,769	¥ 65,928	$ 553,623
Current service cost	2,596	2,620	21,207
Interest cost	476	469	3,888
Actuarial (gains) losses	(316)	65	(2,581)
Benefits paid	(2,717)	(2,137)	(22,195)
Past service cost	—	101	—
Others	949	721	7,752
Balance at end of period	¥ 68,758	¥ 67,769	$ 561,702

(2) The changes in plan assets for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of period	¥ 72,429	¥ 63,162	$ 591,691
Expected return on plan assets	509	450	4,158
Actuarial gains	1,709	7,045	13,961
Contributions from the employer	3,225	3,344	26,345
Benefits paid	(2,575)	(2,043)	(21,035)
Others	792	469	6,470
Balance at end of period	¥ 76,091	¥ 72,429	$ 621,607

(3) Reconciliation between the asset and liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Funded defined benefit obligation	¥ 67,498	¥ 66,486	$ 551,409
Plan assets	(76,091)	(72,429)	(621,607)
Total	(8,593)	(5,943)	(70,198)
Unfunded defined benefit obligation	1,260	1,282	10,293
Net asset for defined benefit obligation	¥ (7,333)	¥ (4,660)	$ (59,905)

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Retirement benefit liability	¥ 2,327	¥ 2,590	$ 19,009
Retirement benefit asset	(9,660)	(7,250)	(78,915)
Net asset for defined benefit obligation	¥(7,333)	¥(4,660)	$ (59,905)

(4) The components of net periodic benefit costs for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Service cost	¥ 2,596	¥ 2,620	$ 21,207
Interest cost	476	469	3,888
Expected return on plan assets	(509)	(450)	(4,158)
Recognized actuarial (gains) losses	(727)	543	(5,939)
Amortization of past service cost	(28)	66	(228)
Net periodic benefit costs	¥ 1,807	¥ 3,249	$ 14,761

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of remeasurements of defined benefit plans for the years ended March 31, 2022 and 2021:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Past service cost	¥ (28)	¥ (34)	$ (228)
Actuarial gains	1,297	7,524	10,595
Total	¥ 1,269	¥ 7,489	$ 10,366

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of remeasurements of defined benefit plans as of March 31, 2022 and 2021:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrecognized past service cost	¥ 127	¥ 155	$ 1,037
Unrecognized actuarial gains	5,529	4,232	45,167
Total	¥ 5,657	¥ 4,388	$ 46,213

(7) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2022 and 2021, consisted of the following:

	2022	2021
Debt investments	35%	38%
Equity investments	29	29
General account assets of life insurance	14	14
Others	22	19
Total	100%	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2022 and 2021, are set forth as follows:

	2022	2021
Discount rate	Mainly 0.6 - 1.0%	Mainly 0.6 - 1.0%
Expected rate of return on plan assets	Mainly 0.6 - 1.0%	Mainly 0.6 - 1.0%

(9) Defined contribution pension plan

Contributions to the defined contribution pension plan of the Group for the years ended March 31, 2022 and 2021, were ¥846 million ($6,911 thousand) and ¥645 million, respectively.

11. STOCK INCENTIVE PLAN FOR DIRECTORS AND EXECUTIVE OFFICERS

Stock Incentive Plan for Members of the Board of Directors

With the aim of improving medium-and-long term corporate achievement and to improve corporate value by encouraging Board members to enhance share value, the Company has introduced a performance-based stock incentive plan (the "Board Incentive Plan (BIP)") for Board members (excluding external directors, part-time directors and directors serving as Audit and Supervisory Committee members) and Presidents of domestic subsidiaries (Board members).

Overview of the Stock Plan

The Plan specifies Board members who meet certain requirements as beneficiaries. The Company has established a trust (the "BIP Trust") into which the Company contributes the funds required to purchase the number of Company's shares expected to be delivered to its Board members according to established granting policies. A third-party administrator purchases the Company's shares using the funds in the BIP trust. According to the rules for granting shares, the BIP Trust delivers the Company's shares to the eligible Board members on an annual basis or at the time of retirement based on the Board Member's position and achievements.

Matters Relating to the Company Shares Held by the Trust

The shares held by the BIP Trust are recorded as treasury shares within equity at the shares' carrying value. The carrying amount of shares and the number of shares held by the BIP Trust was ¥314 million ($2,565 thousand) and 111,759 shares as of March 31, 2022, and ¥333 million and 118,543 shares as of March 31, 2021 respectively.

Stock Incentive Plan for Executive Officers

With the aim of improving medium-and-long term corporate achievement and to improve corporate value by encouraging management to enhance share value, the Company has introduced a stock incentive plan (the "Employee Stock Ownership Plan (ESOP)") for certain executive officers.

Overview of the Incentive Plan

The Plan specifies certain executive officers who meet certain requirements as beneficiaries. The Company established a trust (the "ESOP Trust") into which the Company contributes the funds required to purchase the number of Company's shares expected to be delivered to certain executive officers according to established granting policies. A third-party administrator purchases the Company's shares using the funds in the ESOP trust. According to the rules for granting shares, the ESOP Trust delivers the Company's shares to the eligible executive officers on an annual basis or at the time of retirement based on the executive officers' position and achievements.

Matters Relating to the Company Shares Held by the Trust

The shares held by the ESOP Trust are recorded as treasury shares within equity at the shares' carrying value. The carrying amount of shares and the number of shares held by the ESOP Trust was ¥593 million ($4,844 thousand) and 189,525 shares as of March 31, 2022, and ¥624 million and 199,362 shares as of March 31, 2021, respectively.

Per Share Information

As noted in Note 2.u, the Company applied PITF No. 30, “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts.” Due to the method by which net income per share is calculated, the Company’s own shares in “Board Incentive Plan (BIP) Trust Account” and “Employee Stock Ownership Plan (ESOP) Trust Account” recorded as treasury shares within equity is included in the treasury shares deducted from the average number of shares during the period (305,044 shares in the current fiscal year and 323,458 shares in the previous fiscal year respectively).

12. EQUITY

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. Additionally, for companies that meet certain criteria, such as (1) having the Board of Directors, (2) having independent auditors, (3) having an Audit and Supervisory Committee, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the board of directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury shares. The limitation is defined as the amount available for distribution to the shareholders, but the amount of equity after dividends must be maintained at no less than ¥3 million.

(b) Increases/Decreases and Transfer of Common Shares, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account that was charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of common shares. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common shares, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(c) Treasury Shares and Treasury Share Acquisition Rights

The Companies Act also provides for companies to purchase treasury shares and dispose of such treasury shares by resolution of the board of directors. The amount of treasury shares purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, share acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury shares acquisition rights and treasury shares. Such treasury share acquisition rights are presented as a separate component of equity or deducted directly from share acquisition rights. (Except for treasury shares held by Board Incentive Plan (BIP) Trust and Employee Stock Ownership Plan (ESOP) Trust.)

13. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% for the years ended March 31, 2022 and 2021. Foreign consolidated subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities as of March 31, 2022 and 2021, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Deferred tax assets due to:			
Retirement benefit liability	¥ 499	¥ 554	$ 4,076
Unrealized profit eliminated	1,366	1,265	11,159
Accrued bonuses	1,669	1,722	13,634
Research and development expenditures	2,366	2,226	19,328
Depreciation and amortization	355	459	2,900
Inventories	854	815	6,976
Loss on valuation of investment securities	441	444	3,602
Allowance for doubtful accounts	798	404	6,519
Other	3,561	3,082	29,090
Gross deferred tax assets	11,913	10,976	97,320
Less valuation allowance	(1,236)	(1,093)	(10,097)
Total gross deferred tax assets	¥ 10,677	¥ 9,883	$ 87,223
Deferred tax liabilities due to:			
Intangible assets	¥ (6,582)	¥ (6,313)	$ (53,770)
Valuation difference on available-for-sale securities	(388)	(352)	(3,169)
Retirement benefit asset	(2,859)	(2,089)	(23,355)
Other	(951)	(958)	(7,768)
Total gross deferred tax liabilities	(10,781)	(9,713)	(88,072)
Net deferred tax (liabilities) assets	¥ (104)	¥ 169	$ (849)

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2022 and 2021, is as follows:

	2022	2021
Normal effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes, such as entertainment expenses	2.9	6.1
Income not taxable for income tax purposes	(1.3)	(0.4)
Tax credit related to research expenses	(3.4)	(6.1)
Amortization of goodwill	11.3	8.3
Impairment loss on goodwill	0.3	3.3
Tax rate differences with foreign consolidated subsidiaries	(3.5)	(1.6)
Valuation allowance	1.8	1.7
Withholding taxes on dividends from foreign subsidiaries	4.0	2.3
Per capita inhabitant tax	1.1	1.2
Reduction of deferred income taxes at fiscal year-end due to a tax rate change	2.7	0.4
Gain on sale of shares of subsidiaries and associates	(2.6)	—
Other, net	1.4	2.4
Actual effective tax rate	45.3%	48.2%

(Changes in presentation)
"Reduction of deferred income taxes at fiscal year-end due to a tax rate change" which was included in "Other, net" has been separately presented from the fiscal year ended March 31, 2022 as the amount became material. In order to reflect this change in presentation, above table for the fiscal year ended March 31, 2021 has been restated.
As a result, 2.8% of "Other, net" for the fiscal year ended March 31, 2021 has been restated as 0.4% of "Reduction of deferred income taxes at fiscal year-end due to a tax rate change" and 2.4% of "Other, net."

14. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general, and administrative expenses in the accompanying consolidated statements of income for the years ended March 31, 2022 and 2021, mainly consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Employees' salaries and bonuses	¥35,200	¥29,076	$ 287,558
Provision for employees' bonuses	3,700	3,726	30,226
Provision for stock grant	271	9	2,213
Retirement benefit expenses	1,377	1,797	11,249
Amortization of goodwill	5,254	4,502	42,921
Depreciation expense	6,899	6,563	56,359
Rent expense	4,183	4,168	34,172

15. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to administrative expenses and manufacturing costs for the years ended March 31, 2022 and 2021, were ¥14,743 million ($120,439 thousand) and ¥14,730 million, respectively.

16. IMPAIRMENT LOSSES

Year ended March 31, 2022

The Group recognized impairment losses of ¥121 million ($988 thousand) on goodwill relating to the asset group comprising Glory Global Solutions México, S.A. de C.V. in Mexico in the fiscal year ended March 31, 2022. The Group reviewed the business plan in light of the spread of COVID-19. This led to a delay in the initial business development plan and a delay is likewise expected in generating revenue as well. Therefore, the Company reduced the carrying amount of the goodwill to the recoverable amount and recorded the difference as impairment losses under "Other expenses."

Year ended March 31, 2021

The Group recognized impairment losses of ¥648 million on goodwill arising from a business combination with Acrelec Group S.A.S. (headquartered in Saint-Thibault-des Vignes, France) conducted in the fiscal year ended March 31, 2021.

As a result of reviewing the business plan by reflecting the spread of COVID-19, a delay became imminent in business development initially expected, accordingly pushing back the time when profit will be gained. Therefore, the carrying amount was reduced to the recoverable amount and the reduction was recorded as impairment losses under "Other Expenses."

Assets are principally grouped into units consisting of a single business site or subsidiary.

The recoverable amount is measured at value in use and computed by discounting future cash flows by 12.5% (8.22% in 2021).

17. SPECIAL INVESTIGATION EXPENSES

The Company recorded special investigation expenses under “Other income (expenses)” to account for expenses incurred by the Investigation Committee to investigate an embezzlement incident involving a former employee of a consolidated subsidiary and audit fees, etc. for correcting the account closing of past fiscal years.

18. LEASES

(a) Lessee

The minimum rental commitments under noncancelable operating leases as of March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Due within one year	¥ 27	¥ 26	$ 220
Due after one year	48	50	392
Total	¥ 76	¥ 76	$ 620

(b) Lessor

The net investments in leases as of March 31, 2022 and 2021, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Gross lease receivables	¥ 1,127	¥ 1,609	$ 9,206
Unearned interest income	351	534	2,867
Net investments in leases	¥ 775	¥ 1,074	$ 6,331

Maturities of investment in leases for finance leases that are deemed not to transfer ownership of the leased property to the lessee as of March 31, 2022, are as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2023	¥ 400	$ 3,267
2024	280	2,287
2025	219	1,789
2026	135	1,102
2027	64	522
2028 and thereafter	27	220
Total	¥ 1,127	$ 9,206

19. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

1. Financial instruments

(1) Group policy for financial instruments

The Group invests cash surpluses in low-risk financial assets and uses financial instruments, such as short-term bank loans and issuance of bonds. Cash surplus, if any, are invested in low risk financial assets. Derivatives are not used for speculative purposes but to manage exposure to financial risks as described in (2) below.

(2) Nature and extent of risks arising from financial instruments and risk management for financial instruments

Receivables, such as trade notes, trade accounts and electronically recorded monetary claims - operating, are exposed to customer credit risk. The Group manages its credit risk from receivables on the basis of internal policies, which include monitoring of payment terms and balances of each counterparty. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, they are hedged partially by using foreign currency forward contracts on the basis of internal policies.

Short-term investments and investment securities, mainly equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations. Such instruments are managed by monitoring market values and the financial position of issuers on a regular basis.

Payment terms of payables, such as trade notes, trade accounts and electronically recorded obligations-operating, are less than one year. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currency as noted above.

Short-term borrowings are mainly used to fund the Group’s ongoing operations and for hedging foreign exchange risk. Long-term borrowings are primarily utilized for hedging foreign exchange risk and funding working capital as well as investments and loans such as acquisition of shares by M&A. Bonds payable are mainly used to fund investments and loans such as acquisition of shares by M&A.

Derivatives include foreign currency forward contracts, interest rate swap agreements and currency swap agreements. Please see Note 20 for more details about derivatives.

(3) Supplementary explanation about fair values of financial instruments

Fair values of financial instruments are measured by incorporating variable factors, and therefore the amount may fluctuate if different prerequisites are used. Contractual amounts relating to derivatives stated in Note 20 do not represent the market risk associated with the derivatives.

2. Fair values of financial instruments

The carrying amounts, fair values and unrealized gain/loss of financial instruments as of March 31, 2022 and 2021, were as follows.

	Millions of Yen		
March 31, 2022	Carrying Amount	Fair Value	Unrealized Gain/Loss
Receivables:			
Trade notes	¥ 2,067		
Allowance for doubtful accounts *2	(21)		
	2,045	¥ 2,045	¥ (0)
Investments in leases	775		
Allowance for doubtful accounts *2	(0)		
	774	1,099	324
Short-term investments and investment securities *3	5,564	5,610	46
Total assets	¥ 8,384	¥ 8,755	¥ 370
Bonds payable	¥ 20,000	¥ 19,874	¥(126)
Long-term borrowings	13,772	13,884	111
Long-term lease liabilities	6,273	6,173	(100)
Total liabilities	¥ 40,046	¥ 39,932	¥(114)

	Millions of Yen		
March 31, 2021	Carrying Amount	Fair Value	Unrealized Gain/Loss
Receivables:			
Trade notes	¥ 2,573		
Allowance for doubtful accounts *2	(45)		
	2,527	¥ 2,528	¥ 0
Investments in leases	1,074		
Allowance for doubtful accounts *2	(1)		
	1,073	1,539	465
Short-term investments and investment securities *3	8,094	8,201	107
Total assets	¥ 11,696	¥ 12,269	¥ 573
Bonds payable	¥ 20,000	¥ 19,333	¥ (67)
Long-term borrowings	7,069	7,294	224
Long-term lease liabilities	5,570	5,733	163
Total liabilities	¥ 32,639	¥32,961	¥ 321

March 31, 2022	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Receivables:			
Trade notes	$ 16,885		
Allowance for doubtful accounts *2	(171)		
	16,706	$ 16,706	$ (0)
Investments in leases	6,331		
Allowance for doubtful accounts *2	(0)		
	6,323	8,978	2,646
Short-term investments and investment securities *3	45,453	45,829	375
Total assets	$ 68,491	$71,521	$ 3,022
Bonds payable	163,385	162,356	(1,029)
Long-term borrowings	112,507	113,422	906
Long-term lease liabilities	51,245	50,428	(816)
Total liabilities	$327,146	$326,215	$ (931)

Note: *1 “Cash and cash equivalents,” “Receivables-Trade accounts,” “Electronically recorded monetary claims - operating,” “Payables-Trade Notes and Trade Accounts,” “Electronically recorded obligations - operating,” “Short-term borrowings” and “Income taxes payable” are omitted as they either comprise cash or are settled in a short period, and their carrying amount approximates their fair value.

*2 Allowance for doubtful accounts recorded for specific purposes is deducted.

*3 Investment securities include listed shares of associates accounted for using equity method. In addition, shares which do not have a market price, bonds with share acquisition rights and investments in partnerships as of March 31, 2022 (financial instruments whose fair values are deemed extremely difficult to determine as of March 31, 2021) are not included in “Short-term investments and investment securities” stated below. The carrying amounts of such financial instruments on the consolidated balance sheet are as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unlisted equity securities	¥6,786	¥3,264	$ 55,436
Bonds with share acquisition rights	—	50	—
Investments in partnerships	2,630	—	21,485

The carrying amounts of investments in unconsolidated subsidiaries and associated companies included in the above table as of March 31, 2022 and 2021, were ¥3,991 million ($32,603 thousand) and ¥31 million, respectively.

(Note) 1. Maturity analysis for financial assets and securities with contractual maturities:

March 31, 2022	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
	Millions of Yen			
Cash and cash equivalents	¥ 52,256	—	—	—
Receivables-Trade notes	1,643	¥ 423	—	—
Receivables-Trade accounts	50,353	—	—	—
Electronically recorded monetary claims - operating	749	—	—	—
Short-term investments and investment securities				
Held-to-maturity securities				
Bonds payable	50	—	—	—
Available-for-sale securities with maturity				
Bonds payable	—	—	—	—
Other	60	—	—	—
Investments in leases	254	517	¥ 3	—
Total	¥ 105,366	¥ 941	¥ 3	—

March 31, 2021	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
	Millions of Yen			
Cash and cash equivalents	¥ 66,057	—	—	—
Receivables-Trade notes	1,560	¥ 1,013	—	—
Receivables-Trade accounts	53,087	—	—	—
Electronically recorded monetary claims - operating	684	—	—	—
Short-term investments and investment securities				
Held-to-maturity securities				
Bonds payable	—	—	—	—
Available-for-sale securities with maturity				
Bonds payable	23	—	—	—
Other	130	—	—	—
Investments in leases	303	702	¥ 69	—
Total	¥ 121,847	¥ 1,715	¥ 69	—

March 31, 2022	Thousands of U.S. Dollars Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$ 426,893	—	—	—
Receivables-Trade notes	13,422	$ 3,455	—	—
Receivables-Trade accounts	411,347	—	—	—
Electronically recorded monetary claims - operating	6,118	—	—	—
Short-term investments and investment securities				
Held-to-maturity securities				
Bonds payable	408	—	—	—
Available-for-sale securities with maturity				
Bonds payable	—	—	—	—
Other	490	—	—	—
Investments in leases	2,074	4,223	$ 24	—
Total	$ 860,763	$ 7,687	$ 24	—

(Note) 2. Annual maturities of bonds payable, long-term borrowings (including current portion) and long-term lease liabilities.

Please see Note 9 for annual maturities of bonds payable, long-term borrowings and long-term lease liabilities.

(Note) 3. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.
Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.
Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments measured at fair value

	Millions of Yen			
	Fair value			
March 31, 2022	Level 1	Level 2	Level 3	Total
Short-term investments and investment securities				
Held-to-maturity securities				
Bonds payable	—	¥ 50	—	¥ 50
Available-for-sale securities:				
Equity securities	¥ 4,356	—	—	¥ 4,356
Total assets	¥ 4,356	¥ 50	—	¥ 4,406

	Thousands of U.S. Dollars			
	Fair value			
March 31, 2022	Level 1	Level 2	Level 3	Total
Short-term investments and investment securities				
Held-to-maturity securities				
Bonds payable	—	$ 408	—	$ 408
Available-for-sale securities:				
Equity securities	$ 35,585	—	—	35,585
Total assets	$ 35,585	$ 408	—	$ 35,993

(2) Financial instruments other than those measured at fair value

	Millions of Yen			
	Fair value			
March 31, 2022	Level 1	Level 2	Level 3	Total
Trade notes	¥ —	¥ 2,045	¥ —	¥ 2,045
Investments in leases	—	1,099	—	1,099
Short-term investments and investment securities				
Available-for-sale securities:				
Equity securities	1,141	—	—	1,141
Total assets	¥ 1,141	¥ 3,144	¥ —	¥ 4,286
Bonds payable	¥ —	¥ 19,874	—	¥ 19,874
Long-term borrowings	—	13,884	—	13,884
Lease liabilities	—	4,309	—	4,309
Total liabilities	¥ —	¥ 38,068	¥ —	¥ 38,068

	Thousands of U.S. Dollars			
	Fair value			
March 31, 2022	Level 1	Level 2	Level 3	Total
Trade notes receivable	$ —	$ 16,706	$ —	$ 16,706
Investments in leases	—	8,978	—	8,978
Short-term investments and investment securities				
Available-for-sale securities:	—			
Equity securities	9,321	—	—	9,321
Total assets	$ 9,321	$ 25,684	$ —	$ 35,013
Bonds payable	$ —	$ 162,356	$ —	$162,356
Long-term borrowings	—	113,422	—	113,422
Lease liabilities	—	35,201	—	35,201
Total liabilities	$ —	$ 310,987	$ —	$310,987

(Note) 1. A description of the valuation technique(s) and inputs used in the fair value measurements

Short-term investments and investment securities
The fair value of listed shares is classified as Level 1 as they are traded in active markets.
The fair value of bonds with subscription of rights to shares is measured by discounting the sum of principal and interest at an interest rate reflecting the remaining life of the bonds and classified as Level 2.

Trade notes receivable
The fair value of installment notes receivable or notes receivable maturing in over 1 year is based on the present value discounted using the TONA rate less allowance for doubtful accounts and classified as Level 2.

Investments in leases
The fair value of investment in leases is based on the present value discounted using the TONA rate less allowance for doubtful accounts and classified as Level 2.

Bonds payable
The fair value of bonds payable is measured using quoted prices. The fair value of these bonds payable is classified as Level 2 because they are not traded frequently in the market and not considered to have quoted prices in active markets.

Long-term borrowings (including current portion)
The fair value of long-term borrowings is measured by discounting the sum of principal and interest using the remaining life of the borrowings and interest rate reflecting interest rate fluctuation risk and classified as Level 2.

Lease liabilities (non-current liabilities)
The fair value of lease liabilities is measured by discounting the sum of principal and interest using the remaining life of the borrowings and interest rate reflecting interest rate fluctuation risk and classified as Level 2.

20. DERIVATIVES

The Group enters into foreign currency forward contracts, interest rate swap agreements and currency swap agreements. The foreign currency forward contracts and currency swap agreements are designed to hedge certain exposures to foreign currency exchange rate fluctuations on monetary assets and liabilities denominated in foreign currencies and to manage stabilization of income. The interest rate swap agreements are designed to hedge certain exposures to interest rate fluctuations on long-term borrowings. The Group does not hold or issue any financial instruments for trading or speculative purposes. The Group does not anticipate any losses arising from credit risk because the counterparties to these derivatives are limited to major international financial institutions. Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization.

Derivative Transactions to Which Hedge Accounting Is Not Applied

	Millions of Yen			
March 31, 2022	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying U.S.$	¥ 465	—	¥ (0)	¥ (0)
Selling U.S.$	432	—	(1)	(1)
Selling AU.$	165	—	(0)	(0)
Put options				
Selling U.S.$	—	—	(33)	(33)

	Millions of Yen			
March 31, 2021	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling U.S.$	¥ 4,633	—	¥ (31)	¥ (31)
Put options				
Selling U.S.$	—	—	—	—

	Thousands of U.S. Dollars			
March 31, 2022	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying U.S.$	$ 3,798	—	$ (0)	$ (0)
Selling U.S.$	$ 3,529	—	$ (8)	$ (8)
Selling AU.$	$ 1,347	—	$ (0)	$ (0)
Put options				
Selling U.S.$	—	—	$(269)	$(269)

Put options selling refer to those written on non-controlling interests of overseas consolidated subsidiaries which apply IFRS.

Derivative Transactions to Which Hedge Accounting Is Applied

March 31, 2022	Hedged Item	Millions of Yen Contract Amount	 Contract Amount Due after One Year	 Fair Value
Foreign currency forward contracts: Selling Euro	Receivables	¥ 2,487	—	*1
Interest swaps (fixed-rate payment, floating-rate receipt)	Long-term borrowings	1,224	1,101	*2
Interest rate and currency swaps (fixed-rate and Euro payment, floating-rate and Japanese yen receipt)	Long-term borrowings	1,224	1,101	*2

March 31, 2021	Hedged Item	Millions of Yen Contract Amount	 Contract Amount Due after One Year	 Fair Value
Foreign currency forward contracts: Selling Euro	Receivables	¥ 4,070	—	*1
Interest rate and currency swaps (fixed-rate and Euro payment, floating-rate and Japanese yen receipt)	Short-term borrowings	1,542	—	*2

March 31, 2022	Hedged Item	Thousands of U.S. Dollars Contract Amount	 Contract Amount Due after One Year	 Fair Value
Foreign currency forward contracts: Selling Euro	Receivables	$ 20,316	—	*1
Interest swaps (fixed rate payment, floating rate receipt)	Long-term borrowings	$9,999	$8,994	*2
Interest rate and currency swaps (fixed-rate and Euro payment, floating-rate and Japanese yen receipt)	Long-term borrowings	$9,999	$8,994	*2

Notes: *1 Fair value of the foreign currency forward contract assigned for receivables is included in the fair value of receivables disclosed in Note 18.

*2 Fair value of interest rate swaps and interest rate and currency swaps, for which special treatment is applied, is included in fair value of the corresponding short-term borrowings or long-term borrowings for which hedge accounting is applied disclosed in Note 18.

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The contract or notional amounts of derivatives, which are shown in the above table, do not represent the amounts exchanged by the parties and do not measure the Group’s exposure to credit or market risk.

21. CONTINGENT LIABILITIES

At March 31, 2022 and 2021, the Group had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Guarantees for bank loans drawn by its employees	¥ 7	¥ 13	$ 57
Guarantees for lease liabilities owed by its customers	—	0	—

22. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Valuation difference on available-for-sale securities:			
(Losses) gains arising during the year	¥ (30)	¥ 1,473	$ (245)
Reclassification adjustments to profit or loss	19	147	155
Amount before income tax effect	(10)	1,620	(81)
Income tax effect	1	(492)	8
Total	¥ (9)	¥ 1,128	(73)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 9,218	¥ 4,059	75,304
Reclassification adjustments to profit or loss	(233)	—	(1,903)
Amount before income tax effect	8,984	4,059	73,392
Income tax effect	—	—	—
Total	¥ 8,984	¥ 4,059	73,392
Remeasurements of defined benefit plans:			
Adjustments arising during the year	¥ 2,025	¥ 6,980	16,542
Reclassification adjustments to profit or loss	(756)	508	(6,175)
Amount before income tax effect	1,269	7,489	10,366
Income tax effect	(331)	(2,225)	(2,704)
Total	¥ 937	¥ 5,264	$ 7,654
Share of other comprehensive income of entities accounted for using equity method			
Gains arising during the year	¥ 14	¥ 6	$ 114
Reclassification adjustments to profit or loss	(7)	—	(57)
Total	¥ 7	¥ 6	$ 57
Total other comprehensive income	¥ 9,920	¥ 10,459	$ 81,039

23. SUBSEQUENT EVENTS

Acquisition of own shares

At the Board of Directors' meeting held on May 12, 2022, the Company resolved the acquisition of its own shares in accordance with Article 156 of the Companies Act as applied *mutatis mutandis* pursuant to the provisions of Paragraph 3, Article 165 of the said Act.

(1) Reason for acquiring own shares

The Company will acquire its own shares as part of its shareholder return initiative as well as to improve asset efficiency and enable a flexible capital policy.

(2) Details of the resolution of the Board of Directors' meeting regarding the acquisition of own shares

a. Class of shares to be acquired:	The Company's common shares
b. Total number of shares to be acquired:	5,000,000 shares (maximum) (8.2% of total shares issued, excluding treasury shares)
c. Total amount of shares to be acquired:	¥10,000 million ($81,692 thousand) (maximum)
d. Period for share acquisition:	From May 13, 2022 to November 30, 2022
e. Method of share purchase:	Market purchase on Tokyo Stock Exchange (including purchase through Off-Auction Own Share Repurchase Trading System (ToSTNeT-3))

Appropriation of Retained Earnings

The following appropriation of retained earnings as of March 31, 2022, was approved at the Company's shareholders' meeting held on June 24, 2022:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥34 ($0.27) per share	¥2,066	$16,877

24. REVENUE RECOGNITION

1. Disaggregation of revenue from contracts with customers

The Company does not disaggregate net sales into revenue from contracts with customers and from other sources. As stated in Note 25. "SEGMENT INFORMATION," the Group consists of four reportable segments, namely, the Financial market, Retail and Transportation market, Amusement market and Overseas market.

In addition, revenue is disaggregated by region or by type of goods and services as follows:

Revenue by region is based on the location of customers. The relation between the disaggregation of revenue and net sales of each reportable segment is as follows:

	Millions of Yen						
	Reportable segment						
Year ended March 31, 2022	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other (Note) 1	Total
Revenue by region							
Japan	¥ 36,079	¥47,486	¥ 12,124	¥ ―	¥95,690	¥ 2,688	¥ 98,379
Americas	―	―	―	44,625	44,625	―	44,625
Europe	―	―	―	68,808	68,808	―	68,808
Asia	―	―	―	14,008	14,008	―	14,008
Revenue arising from contracts with customers	36,079	47,486	12,124	127,442	223,133	2,688	225,822
Revenue by type of goods or services							
Finished goods and merchandise	19,761	33,035	10,319	76,506	139,622	2,305	141,927
Maintenance	16,318	14,451	1,805	50,936	83,511	383	83,894
Revenue arising from contracts with customers (Note) 2	36,079	47,486	12,124	127,442	223,133	2,688	225,822
Other revenue	―	372	7	360	740	―	740
Sales to external customers	36,079	47,859	12,131	127,803	223,873	2,688	226,562

	Thousands of U.S. Dollars						
	Reportable segment						
Year ended March 31, 2022	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other (Note) 1	Total
Revenue by region							
Japan	$ 294,738	$ 387,925	$ 99,044	$ ―	$ 781,717	$ 21,958	$ 803,684
Americas	―	―	―	364,553	364,553	―	364,553
Europe	―	―	―	562,110	562,110	―	562,110
Asia	―	―	―	114,435	114,435	―	114,435
Revenue arising from contracts with customers	294,738	387,925	99,044	1,041,107	1,822,833	21,958	1,844,800
Revenue by type of goods or services							
Finished goods and merchandise	161,432	269,871	84,298	624,997	1,140,609	18,830	1,159,439
Maintenance	133,306	118,054	14,745	416,109	682,223	3,128	685,352
Revenue arising from contracts with customers (Note) 2	294,738	387,925	99,044	1,041,107	1,822,833	21,958	1,844,800
Other revenue	―	3,038	57	2,940	6,045	―	6,045
Sales to external customers	294,738	390,972	99,101	1,044,056	1,828,878	21,958	1,850,845

(Note) 1. "Other" includes finished goods and merchandise which do not belong to any reportable segment.
2."Other revenue" includes revenue from lease transactions.

2. Basic information for understanding revenue from contracts with customers

The Group's businesses consist of the Financial, Retail and Transportation, Amusement, Overseas and Other segments. In each market, the Group manufactures and sells products and provides maintenance services.

As control of these products typically transfer to customers when they are installed at and accepted by the customer, performance obligations of the Company are satisfied at that time. Accordingly, revenue is recognized when these products are delivered to the customers.

Revenue is measured in an amount of consideration promised in the contracts with customers less discount, etc. and the consideration for sales of products is received within approximately 90 days after a performance obligation is satisfied.

For maintenance service contracts whose performance obligation is to offer full access to customers at any time, performance obligations are satisfied over time, and therefore, revenue is recognized in the amount of consideration promised in the contract with the customer over the contract term on a straight-line basis.

Consideration of transactions does not include significant variable consideration and there are no contracts including significant financing components.

Products and maintenance services in each market are usually sold separately and there are no significant contracts for which the transaction price is calculated by allocating the selling price to each product based on their relative stand-alone selling prices.

When the consideration for sales of such products is received as advances, or when the consideration for the transaction associated with such maintenance contracts is received in a lump sum in advance, contract liabilities are recognized until the performance obligation is satisfied.

3. Balance of contract assets and contract liabilities and the transaction price allocated to the remaining performance obligations

(1) Balance of contract assets and contract liabilities

	Millions of Yen	Thousands of U.S. Dollars
Receivables from contracts with customers (beginning balance)	¥ 54,229	$ 443,011
Receivables from contracts with customers (ending balance)	50,723	414,369
Contract assets (beginning balance)	1,070	8,741
Contract assets (ending balance)	1,381	11,281
Contract liabilities (beginning balance)	19,136	156,327
Contract liabilities (ending balance)	23,858	194,902

Contract assets are primarily related to the rights of the Group concerning considerations for product sales contracts and maintenance service contracts for which products or services have been transferred to the customer as of the fiscal year-end, but the Group has yet to establish legal rights to claims. Once the Group has an unconditional right to consideration, it reclassifies contract assets to receivables from contracts with customers.

The Group invoices consideration for the sale of these products upon acceptance by the customer subject to individual terms and conditions of the contract and receives payment generally within 90 days based on individual payment terms according to the contract.

Contract liabilities are primarily related to advances received from customers in maintenance and other services. Contract liabilities are reversed as revenue is recognized. In the consolidated balance sheet, contract liabilities are included in "Contract liabilities" under current liabilities and "Other" under non-current liabilities.

Revenue recognized in the fiscal year ended March 31, 2022 that was included in the contract liability balance at the beginning of the period was ¥14,783 million ($120,766 thousand).

In addition, the main reason for the increase in contract liabilities by ¥4,722 million ($38,575 thousand) was due to the acquisition of Revolution Retail Systems, LLC.

The amount of revenue recognized in the fiscal year ended March 31, 2022 from performance obligations that were satisfied in previous periods is immaterial.

(2) Transaction price allocated to the remaining performance obligations

The Group has applied the practical expedient to the notes on transaction prices allocated to the remaining performance obligations and does not disclose contracts with an original expected duration of one year or less. The performance obligation mainly relates to revenue from maintenance services, and the total transaction price allocated to the remaining performance obligations and the period revenue is expected to be recognized is as follows:

	Millions of Yen	Thousands of U.S. Dollars
Within one year	¥ 10,118	$ 82,656
After 1 year through 2 years	4,047	33,061
After 2 years through 3 years	2,200	17,972
After 3 years	2,973	24,287
Total	¥ 19,340	$ 157,993

25. SEGMENT INFORMATION

Under ASBJ Statement No. 17, “Accounting Standard for Segment Information Disclosures” and ASBJ Guidance No. 20, “Guidance on Accounting Standard for Segment Information Disclosures,” an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available, and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of reportable segments

The Group’s reportable segments are those for which separate financial information is available and regular evaluation by the Company’s management is being performed in order to decide how resources are allocated among the Group. As such, the Group consists of the following segments: the Financial market, Retail and Transportation market, Amusement market and Overseas market. The Financial market consists of sales and maintenance services to domestic financial institutions, OEM clients, and others. The Retail and Transportation market consists of sales and maintenance services to domestic supermarkets, department stores, cash-in-transit companies, railroad companies, tobacco companies, hospitals, local governments, general companies, and others in Japan. The Amusement market consists of sales and maintenance services to domestic amusement halls. The Overseas market consists of sales and maintenance services to overseas financial institutions, cash-in-transit companies, retail stores, casinos, OEM clients, and others.

(Changes in reportable segments)
The Company reclassified its business segments in the fiscal year ended March 31, 2022. Changes have been made for the businesses that were previously included in “Other” segment. Part of Biometric/Image recognition business and of businesses that contribute to Electronic settlement-related business is now included in “Retail and transportation market,” and part of “New businesses” is now included in “Overseas market.” Due to these changes, the segment information for the fiscal year ended March 31, 2021 was prepared based on the classification of reportable segments after the changes.

2. Methods of measurement for the amounts of sales, profit (loss), assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, “Summary of Significant Accounting Policies.” Income by reportable segment is operating income.

3. Information about sales, profit (loss), assets, and other items is as follows.

	Millions of Yen								
	2022								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥ 36,079	¥ 47,859	¥ 12,131	¥ 127,803	¥ 223,873	¥ 2,688	¥ 226,562	¥ —	¥ 226,562
Intersegment sales or transfers	—	—	—	—	—	—	—	—	—
Total	36,079	47,859	12,131	127,803	223,873	2,688	226,562	—	226,562
Segment profit (loss)	4,644	2,543	(366)	4,884	11,706	(1,408)	10,297	—	10,297
Segment assets *1	37,639	44,633	15,146	202,951	300,370	10,099	310,470	52,316	362,786
Other:									
Depreciation	1,764	1,840	649	7,547	11,801	151	11,952	—	11,952
Amortization of goodwill	—	—	—	5,254	5,254	—	5,254	—	5,254
Investments in an entity accounted for using equity method	—	—	—	433	433	4,610	5,044	—	5,044
Increase in property, plant and equipment and intangible assets	¥ 2,108	¥ 2,032	¥ 850	¥ 23,938	¥ 28,929	¥ 171	¥ 29,101	¥ —	¥ 29,101

	Millions of Yen								
	2021								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥ 49,877	¥ 49,078	¥ 11,020	¥ 104,765	¥ 214,743	¥ 2,680	¥ 217,423	¥ —	¥ 217,423
Intersegment sales or transfers	—	—	—	—	—	—	—	—	—
Total	49,877	98,078	11,020	104,765	214,743	2,680	217,423	—	217,423
Segment profit (loss)	9,861	1,670	(290)	3,417	14,658	(456)	14,201	—	14,201
Segment assets *1	37,757	41,164	15,147	161,803	255,872	8,547	264,419	66,188	330,608
Other:									
Depreciation	1,758	1,546	674	6,530	10,510	195	10,706	—	10,706
Amortization of goodwill	—	—	—	4,502	4,502	—	4,502	—	4,502
Investments in an entity accounted for using equity method	—	—	—	11	11	1,062	1,073	—	1,073
Increase in property, plant and equipment and intangible assets	¥ 2,024	¥ 1,912	¥ 491	¥ 19,131	¥ 23,559	¥ 218	¥ 23,777	¥ —	¥ 23,777

	Thousands of U.S. Dollars								
	2022								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	$ 294,738	$ 390,972	$ 99,101	$ 1,044,056	$ 1,828,878	$ 21,958	$ 1,850,845	$ —	$ 1,850,845
Intersegment sales or transfers	—	—	—	—	—	—	—	—	—
Total	294,738	390,972	99,101	1,044,056	1,828,878	21,958	1,850,845	—	1,850,845
Segment profit (loss)	37,938	20,774	(2,989)	39,898	95,629	(11,502)	84,118	—	84,118
Segment assets *1	307,483	364,618	123,731	1,657,960	2,453,802	82,501	2,536,312	427,383	2,963,695
Other:									
Depreciation	14,410	15,031	5,301	61,653	96,405	1,233	97,639	—	97,639
Amortization of goodwill	—	—	—	42,921	42,921	—	42,921	—	42,921
Investments in an entity accounted for using equity method	—	—	—	3,537	3,537	37,660	41,205	—	41,205
Increase in property, plant and equipment and intangible assets	$ 17,220	$ 16,599	$ 6,943	$ 195,555	$ 236,328	$ 1,396	$ 237,733	$ —	$ 237,733

Note: *1 Reconciliations of segment assets are corporate assets of ¥52,316 million ($427,383 thousand) and ¥66,188 million for the years ended March 31, 2022 and 2021, respectively, consisting of surplus funds of the Group.

4. Information about products and services

	Millions of Yen			
	2022			
	Money Handling Machines and Cash Management Systems	Vending Machines and Automatic Service Equipment	Other Merchandises and Products	Total
Sales to external customers	¥184,999	¥21,551	¥20,011	¥226,562

	Millions of Yen			
	2021			
	Money Handling Machines and Cash Management Systems	Vending Machines and Automatic Service Equipment	Other Merchandises and Products	Total
Sales to external customers	¥175,592	¥21,409	¥20,420	¥217,423

	Thousands of U.S. Dollars			
	2022			
	Money Handling Machines and Cash Management Systems	Vending Machines and Automatic Service Equipment	Other Merchandises and Products	Total
Sales to external customers	$1,511,306	$176,055	$163,475	$1,850,845

5. Information about geographical areas

(a) Sales

Millions of Yen					
2022					
Japan	Asia	United States of America	Americas Excluding United States of America	Europe	Total
¥98,759	¥14,151	¥36,692	¥7,991	¥68,967	¥226,562

Millions of Yen					
2021					
Japan	Asia	United States of America	Americas Excluding United States of America	Europe	Total
¥112,658	¥16,259	¥28,531	¥6,993	¥52,981	¥217,423

Thousands of U.S. Dollars					
2022					
Japan	Asia	United States of America	Americas Excluding United States of America	Europe	Total
$806,788	$115,603	$299,746	$65,280	$563,409	$1,850,845

Note: Sales are classified by country or region based on the location of customers.

(b) Property, plant and equipment

Millions of Yen				
2022				
Japan	Asia	Americas	Europe	Total
¥27,587	¥4,081	¥2,948	¥5,868	¥40,485

Millions of Yen				
2021				
Japan	Asia	Americas	Europe	Total
¥28,111	¥3,933	¥2,742	¥4,396	¥39,183

Thousands of U.S. Dollars				
2022				
Japan	Asia	Americas	Europe	Total
$225,365	$33,338	$24,082	$47,937	$330,732

6. Information about major customers

Information about major customers is not provided since sales for major customers accounted for less than 10% of total consolidated net sales.

7. Information about impairment losses on fixed assets by reportable segment

In the fiscal years ended March 31, 2022 and 2021, impairment losses on goodwill of ¥121 million ($988 thousand) and ¥648 million was recorded in the Overseas market, respectively.

8. Information about amortization of goodwill and unamortized balance by reportable segment

	Millions of Yen								
	2022								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Amortization of goodwill	−	−	−	¥ 5,254	¥ 5,254	−	¥ 5,254	−	¥ 5,254
Goodwill at March 31, 2022	−	−	−	64,157	64,157	−	64,157	−	64,157

	Millions of Yen								
	2021								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Amortization of goodwill	−	−	−	¥ 4,502	¥ 4,502	−	¥ 4,502	−	¥ 4,502
Goodwill at March 31, 2021	−	−	−	49,800	49,800	−	49,800	−	49,800

	Thousands of U.S. Dollars								
	2022								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Amortization of goodwill	−	−	−	$ 42,921	$ 42,921	−	$ 42,921	−	$ 42,921
Goodwill at March 31, 2022	−	−	−	524,115	524,115	−	524,115	−	524,115

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Deloitte Touche Tohmatsu LLC
Meijiyasudaseimei Kobe Building
8-3-5 Isogami-dori, Chuo-ku
Kobe 651-0086
Japan

Tel: +81 (78) 221 8161
Fax: +81 (78) 221 8225
www.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of GLORY LTD.:

Opinion

We have audited the consolidated financial statements of GLORY LTD. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As discussed in Note 2.y to the consolidated financial statements, the accompanying consolidated financial statements have been restated. Our opinion is not modified in respect of this matter.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

[Valuation of Goodwill]

In the consolidated balance sheet as of March 31, 2022, GLORY LTD. (the "Company") recognized goodwill ¥64,157 million, or 17.7% of total consolidated assets. Of the total goodwill amount, the Company performs annual testing for impairment on the goodwill of ¥35,848 million, or 9.9% of the total consolidated assets, arising from the acquisition of Talaris Topco Limited (currently, Glory Global Solutions (Topco) Ltd.) by Glory Global Solutions Ltd. in July 2012.

When testing for impairment, the Company measures the recoverable amounts of the cash generating units to which the goodwill is allocated based on its value in use. The value in use is calculated using the present value of the future cash flows.

The future cash flows are based on the medium-term management plan for the corresponding three-year period, and for the periods beyond the period of the medium-term management plan, the Company uses positive growth rates assuming that the Company will continue to grow. The calculation of the future cash flows also uses assumptions, such as expected future sales volume, expected sales prices, and expected growth rates. These assumptions involve uncertainties mainly from the changes in investment demands of financial institutions and retailers in Europe and in the United States of America, and depend significantly on management's judgment. In addition, the discount rate used for the calculation of the present value requires highly specialized knowledge of finance theory, and therefore is complex.

As the estimates of the future cash flows involve uncertainties and the discount rate is calculated through a complex process, we determined the valuation of goodwill to be a key audit matter.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures to assess the Company's testing for impairment of goodwill included the following, among others:

(1) Internal control testing

We obtained an understanding and evaluated the design and operating effectiveness of controls related to the review and the approval over the Company's medium-term management plan and the calculation of the present value of the future cash flows.

(2) Evaluating the reasonableness of the present value of the future cash flows

- We evaluated the key assumptions, such as expected future sales volume and sales prices, that were included in the Company's medium-term management plan by discussing with management, comparing with available market forecasts and other data, and performing trend analyses using actual results. We also compared the prior year's medium-term management plan with the actual financial results to evaluate the accuracy of the management's estimation.

- We evaluated management's assessments of the uncertainties over the assumptions used in the Company's medium-term management plan by performing sensitivity analyses to measure the impact on the value in use.

- With the assistance of our valuation specialists, we evaluated the reasonableness of the assumptions used by management by comparing the growth rates calculated by us using publicly available data with the growth rates used by the Company.

- With assistance of our valuation specialists, we tested whether there were significant differences in the discount rate and the present value of future cash flows that were independently calculated by us to the discount rate and present value of future cash flows calculated by the Company.

Other Information

Other information comprises the information included in the Group's disclosure documents accompanying the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

July 29, 2022