

(TRANSLATION FOR REFERENCE ONLY)

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

Consolidated Financial Results

for the Third Quarter of Fiscal Year Ending March 31, 2023 <Japanese GAAP>

February 7, 2023

Company Name: GLORY LTD. Stock exchange listing: Tokyo
Code number: 6457 URL: <https://corporate.glory-global.com/>
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Scheduled filing date of Quarterly Securities Report: February 10, 2023
Scheduled date of dividend payments: —
Preparation of quarterly earnings supplementary explanatory material: Yes
Holding of quarterly earnings presentation: Yes (for analysts and institutional investors)

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

1. Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2023 (from April 1, 2022 to December 31, 2022)

(1) Consolidated Operating Results (cumulative)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Nine months ended December 31, 2022	178,503	12.5	(1,621)	—	(1,490)	—	(4,689)	—
Nine months ended December 31, 2021	158,709	8.7	8,633	16.7	8,858	22.0	6,681	123.5

(Note) Comprehensive income

Nine months ended December 31, 2022: ¥3,688 million [(62.1) %]
Nine months ended December 31, 2021: ¥9,737 million [188.5 %]

	Net income per share	Fully diluted net income per share
	(Yen)	(Yen)
Nine months ended December 31, 2022	(81.41)	—
Nine months ended December 31, 2021	110.50	—

(Note) During the second quarter of the fiscal year ending March 31, 2023, the Company finalized the provisional accounting treatment for business combinations, and the figures for the nine months ended December 31, 2021 reflect the details of the finalization of the provisional accounting treatment.

(Reference) EBITDA (Operating income + Depreciation + Amortization of goodwill)

Nine months ended December 31, 2022: ¥12,369 million [(41.1) %]
Nine months ended December 31, 2021: ¥20,987 million [12.1 %]

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

Nine months ended December 31, 2022: ¥385 million [(96.3) %]
Nine months ended December 31, 2021: ¥10,377 million [60.9 %]

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(2) Consolidated Financial Position

	Total assets	Equity	Ownership equity ratio	Equity per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of December 31, 2022	369,836	196,323	52.4	3,486.96
As of March 31, 2022	363,269	208,607	56.5	3,395.33

(Reference) Ownership equity

As of December 31, 2022: ¥193,844 million As of March 31, 2022: ¥205,318 million

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

2. Dividends

(Record date)	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Annual
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Year ended March 31, 2022	—	34.00	—	34.00	68.00
Year ending March 31, 2023	—	34.00	—		
Year ending March 31, 2023 (forecast)				34.00	68.00

(Note) Revisions to the latest dividend forecast: None

3. Consolidated Financial Forecast for the Year Ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
Full year	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
	255,000	12.6	(500)	—	(1,000)	—	(4,500)	—	(78.12)

(Note) Revisions to the latest consolidated financial forecast: Yes

For details on the revision to the consolidated financial forecast, please refer to the news release titled “Notice regarding Revision to FY2022 Consolidated Financial Forecast” announced on the same day as this report (February 7, 2023).

(Reference) EBITDA

Year ending March 31, 2023: ¥18,000 million
Net income before amortization of goodwill
Year ending March 31, 2023: ¥2,300 million

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Notes:

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

(2) Application of accounting methods specific to preparation of the quarterly consolidated financial statements: Yes

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

(a) Changes in accounting policies associated with revisions of accounting standards, etc.: Yes

(b) Changes in accounting policies other than (a): Yes

(c) Changes in accounting estimates: Yes

(d) Restatements: None

(Note) For more information, please refer to “2. Quarterly Consolidated Financial Statements and Significant Notes Thereto, (3) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies and Changes in Accounting Policy That Are Difficult to Make a Distinction from Changes in Accounting Estimates” on page 11 of the Attachment.

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

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

As of December 31, 2022: 63,638,210 shares

As of March 31, 2022: 63,638,210 shares

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

As of December 31, 2022: 7,573,173 shares

As of March 31, 2022: 2,866,078 shares

(c) Average number of shares (cumulative from the beginning of the period)

Nine months ended December 31, 2022: 57,605,140 shares

Nine months ended December 31, 2021: 60,466,015 shares

(Note) In addition to the number of treasury shares at the end of the period, there also existed Company shares owned by the “Board Incentive Plan (BIP) Trust Account” and “Employee Stock Ownership Plan (ESOP) Trust Account.” (As of December 31, 2022: 473,785 shares, As of March 31, 2022: 301,284 shares)

(Note) Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

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

(Caution concerning forward-looking statements)

The forward-looking statements such as operational forecasts contained in this report are based on the information currently available to the Company and certain assumptions which the Company regards as legitimate, and are not promises regarding the achievement of forecasts. Actual performance may differ greatly from these forecasts due to various present and future factors. For the assumptions and other related matters concerning the financial forecasts, please refer to “1. Qualitative Information on the Financial Statements, (2) Consolidated Financial Forecasts and Other Forward-looking Statements” on page 6 of the Attachment.

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Attachment

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1. Qualitative Information on the Financial Statements

(1) Operating Results

In the nine months ended December 31, 2022, the global economy saw normalization of economic activity, leading to a gradual recovery despite the continued impact of COVID-19. However, the outlook remained uncertain due to supply chain disruptions resulting from soaring material prices and energy prices, the ongoing conflict between Russia and Ukraine, and concerns over rising COVID-19 case numbers due to China's changes to its "zero-COVID" policy.

In Japan, the economy has continued its moderate recovery, but there has been a growing sense of uncertainty regarding business conditions due to rising prices, increased downside risk in overseas economies as a result of global monetary tightening, and significant fluctuations in exchange rates.

Under such circumstances, our overseas market sales increased despite production delays caused by procurement problems for semiconductors, etc. Sales to financial institutions were sluggish, however, sales to the retail industry (self-service coin and banknote recyclers for cashiers and maintenance services) were strong, supported by the ongoing need for contact-free and self-service solutions. Sales remained steady for the Acrelec Group S.A.S. and its subsidiaries engaged in self-service kiosks business, as well as for Revolution Retail Systems, LLC, with depreciation of the yen also contributing to the increase.

In the domestic market, despite the strong demand for our products and services, sales decreased in both the financial market and the retail and transportation market. This was caused by the postponement of sales of our main products due to parts shortage impacting on production and the completion of system modifications associated with required in relation to the issuance of the new 500-yen coin.

As a result, net sales in this nine-month period totaled ¥178,503 million (up 12.5% year on year). Of this, net sales of merchandise and finished goods were ¥103,503 million (up 4.7% year on year) and net sales from maintenance services were ¥74,999 million (up 25.3% year on year). In terms of profit, we were unable to absorb the loss caused by postponements of sales and higher material prices, despite our efforts, which included design modifications to allow the use of substitutes for difficult-to-obtain parts, supply chain changes, and price revisions. As a result, we recorded an operating loss of ¥1,621 million (vs. operating income of ¥8,633 million for the corresponding period of the previous year), along with an ordinary loss of ¥1,490 million (vs. ordinary income of ¥8,858 million for the corresponding period of the previous year). Net loss attributable to owners of parent of ¥4,689 million (vs. net income attributable to owners of parent of ¥6,681 million for the corresponding period of the previous year) was recorded due to extraordinary losses associated with the impairment of goodwill of Acrelec Group S.A.S.

Results of operations in each business segment are as follows.

Financial market

Sales of this segment's main products, namely open teller systems, were sluggish due to the postponement of sales caused by the impact of parts shortage on production. In addition, sales from maintenance services decreased with the completion of system modifications associated with the issuance of the new 500-yen coin.

As a result, net sales in this segment were ¥23,736 million (down 8.1% year on year). Operating loss was ¥798 million (vs. operating income of ¥4,626 million in the corresponding period of the previous year) due mainly to decreased sales and the impact of higher material prices.

Retail and transportation market

Sales of this segment's main products, namely coin and banknote recyclers for cashiers, sales proceeds deposit machines for cash-in-transit companies, and self-service medical payment kiosks, were slow due to production delays caused by parts procurement difficulties. In addition, sales from maintenance services decreased with the completion of system modifications associated with the issuance of the new 500-yen coin.

As a result, net sales in this segment were ¥31,767 million (down 11.7% year on year). Operating loss was ¥595 million (vs. operating income of ¥2,723 million in the corresponding period of the previous year) due mainly to decreased sales and the impact of higher material prices.

Amusement market

Sales of card systems, one of this segment's main products, were strong thanks to the sales of units for newly introduced amusement machines, despite the impact of production problems.

As a result, net sales in this segment were ¥10,731 million (up 13.8% year on year) and operating income was ¥1,206 million (vs. operating loss of ¥114 million in the corresponding period of the previous year).

Overseas market

In the Americas, sales of this segment's main products, namely RBG-series coin and banknote recyclers for financial institutions, were slow due to the impact of parts shortage on production. However, sales of CI-series sales proceeds deposit machines for the retail industry

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were robust. In addition, net sales totaled ¥47,998 million (up 78.3% year on year) with growth in maintenance sales, yen depreciation, and the effect of the acquisition of Revolution Retail Systems, LLC in December 2021.

In Europe, sales of the main products, namely RBG-series coin and banknote recyclers for financial institutions and CI-series sales proceeds deposit machines for the retail industry, were sluggish due to production delays caused by parts shortage. However, net sales totaled ¥50,948 million yen (up 4.9% year on year), thanks to growth in maintenance sales, yen depreciation, and higher sales from Acrelec Group S.A.S. and its subsidiaries.

In Asia, net sales were ¥11,293 million (up 9.7% year on year) as a result of yen depreciation, although sales of UW-series banknote sorters were sluggish.

Furthermore, net sales of Acrelec Group S.A.S. and its subsidiaries totaled ¥15,460 million (up 13.8% year on year), while net sales of Revolution Retail Systems, LLC, which was added to the scope of consolidation in the third quarter of the fiscal year ended March 31, 2022, were ¥13,656 million.

As a result, net sales in this segment were ¥110,239 million (up 28.5% year on year). Operating loss was ¥511 million (vs. operating income of ¥2,584 million in the corresponding period the previous year), due to the higher material prices and logistics costs.

In the “Other” business segment, net sales were ¥2,028 million (up 18.8% year on year) and operating loss was ¥923 million (vs. operating loss of ¥1,186 million in the corresponding period of the previous year).

(2) Consolidated Financial Forecasts and Other Forward-looking Statements

We have revised our consolidated financial forecast for the fiscal year ending March 31, 2023 upward by ¥5,000 million, as we expect net sales to exceed the forecast announced on November 8, 2022. As the procurement situation eases for most parts, except for certain semiconductors, we see a recovery in our production and sales both in Japan and overseas, with a particular increase expected in the sales to the overseas retail industry.

In addition, we forecast an improvement of ¥6,500 million in each of operating loss and ordinary loss areas and an improvement of ¥4,000 million in net loss attributable to owners of parent as a result of higher sales, reduced expenses, and an improved product mix.

We will continue to minimize production delays by shifting to designs which use alternatives for difficult-to-obtain parts and optimizing the supply chain, while further promoting efforts toward price revisions.

For more information, please refer to the “Notice regarding Revision to FY2022 Consolidated Financial Forecast” released on February 7, 2023.

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2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	52,376	32,632
Notes and accounts receivable - trade, and contract assets	52,420	50,157
Electronically recorded monetary claims - operating	749	1,762
Securities	50	–
Merchandise and finished goods	36,657	50,797
Work in process	15,658	18,452
Raw materials and supplies	17,599	27,606
Other	13,688	12,073
Allowance for doubtful accounts	(1,240)	(1,392)
Total current assets	187,960	192,090
Non-current assets		
Property, plant and equipment	40,485	41,857
Intangible assets		
Customer relationships	26,790	26,798
Goodwill	58,399	56,575
Other	11,717	11,633
Total intangible assets	96,907	95,007
Investments and other assets		
Investment securities	15,313	16,840
Other	24,709	26,146
Allowance for doubtful accounts	(2,106)	(2,105)
Total investments and other assets	37,916	40,881
Total non-current assets	175,309	177,745
Total assets	363,269	369,836
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,656	16,476
Electronically recorded obligations - operating	6,975	6,645
Short-term borrowings	16,743	41,719
Current portion of long-term borrowings	2,585	1,397
Current portion of bonds payable	–	10,000
Income taxes payable	1,075	1,342
Provision for bonuses	7,373	3,728
Provision for bonuses for directors (and other officers)	102	28
Provision for stock grant	209	50
Other	50,175	46,031
Total current liabilities	99,898	127,422
Non-current liabilities		
Bonds payable	20,000	10,000
Long-term borrowings	11,187	12,713
Provision for stock grant	247	194
Retirement benefit liability	2,327	1,939
Other	21,001	21,243
Total non-current liabilities	54,763	46,091
Total liabilities	154,661	173,513

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GLORY LTD. (6457)
Consolidated Financial Results
for the Third Quarter of Fiscal Year
Ending March 31, 2023

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Equity		
Shareholders' equity		
Share capital	12,892	12,892
Capital surplus	12,286	12,286
Retained earnings	166,566	157,731
Treasury shares	(9,191)	(19,508)
Total shareholders' equity	182,554	163,402
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	666	1,167
Foreign currency translation adjustment	18,050	25,299
Remeasurements of defined benefit plans	4,047	3,976
Total accumulated other comprehensive income	22,764	30,442
Non-controlling interests	3,289	2,478
Total equity	208,607	196,323
Total liabilities and equity	363,269	369,836

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(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(Millions of yen)

	Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)	Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)
Net sales	158,709	178,503
Cost of sales	92,870	113,926
Gross profit	65,839	64,576
Selling, general and administrative expenses	57,205	66,198
Operating income (loss)	8,633	(1,621)
Non-operating income		
Interest income	163	112
Dividend income	140	180
Foreign exchange gains	103	–
Share of profit of entities accounted for using equity method	26	–
Gain on valuation of derivatives	–	1,455
Other	397	447
Total non-operating income	830	2,195
Non-operating expenses		
Interest expenses	480	756
Foreign exchange losses	–	365
Share of loss of entities accounted for using equity method	–	736
Other	124	206
Total non-operating expenses	605	2,064
Ordinary income (loss)	8,858	(1,490)
Extraordinary income		
Gain on sale of non-current assets	15	6
Gain on sale of investment securities	1	–
Gain on sale of shares of subsidiaries and associates	4,582	–
Total extraordinary income	4,598	6
Extraordinary losses		
Loss on retirement of non-current assets	27	7
Loss on valuation of investment securities	28	165
Provision of allowance for doubtful accounts	1,180	–
Impairment losses	–	1,469
Other	1	12
Total extraordinary losses	1,237	1,654
Income (loss) before income taxes	12,219	(3,138)
Income taxes	4,882	1,100
Net income (loss)	7,336	(4,238)
Net income attributable to non-controlling interests	654	451
Net income (loss) attributable to owners of parent	6,681	(4,689)

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Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)	Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)
Net income (loss)	7,336	(4,238)
Other comprehensive income		
Valuation difference on available-for-sale securities	(188)	503
Foreign currency translation adjustment	2,964	7,487
Remeasurements of defined benefit plans, net of tax	(372)	(71)
Share of other comprehensive income of entities accounted for using equity method	(3)	7
Total other comprehensive income	2,400	7,926
Comprehensive income	9,737	3,688
Comprehensive income attributable to		
Owners of parent	9,022	2,988
Non-controlling interests	715	699

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(3) Notes to Quarterly Consolidated Financial Statements

Notes Regarding Assumption of a Going Concern

Not applicable.

Notes for Significant Change in the Amount of Shareholders' Equity

(Acquisition of treasury shares)

The Company resolved at a meeting of the Board of Directors held on May 12, 2022 and November 8, 2022 to acquire its treasury shares and, during the nine months ended December 31, 2022, it acquired its treasury shares as follows. The acquisition of treasury shares ended on December 1, 2022.

- (1) Type of shares acquired Common shares of the Company
- (2) Total number of shares acquired 4,707,000 shares
- (3) Total amount of shares acquired ¥9,999,801,900
- (4) Period of share acquisition From May 13, 2022 to December 1, 2022
- (5) Method of share acquisition Open-market purchase on the Tokyo Stock Exchange (Includes purchase through the off-auction own share repurchase trading system (ToSTNeT-3).)

Application of Accounting Methods Specific to Preparation of the Quarterly Consolidated Financial Statements

Tax expense is calculated by rationally estimating the effective tax rate after application of tax-effect accounting to income before income taxes for the fiscal year including this third quarter, and then multiplying the income before income taxes for the period by the estimated effective tax rate.

Changes in Accounting Policies

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

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the first quarter ended June 30, 2022. Furthermore, in accordance with the transitional treatment prescribed in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the Company will prospectively apply the new accounting policy prescribed by the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no impact on the quarterly consolidated financial statements as a result of this change.

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

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

The Company and its consolidated subsidiaries in Japan had primarily adopted the declining balance method for the depreciation method on property, plant and equipment (excluding leased assets) in the past (However, the straight-line method has been used for buildings (excluding attached structures) acquired since April 1, 1998 and for attached structures and structures acquired since April 1, 2016), but changed this to the straight-line method from the beginning of the first quarter ended June 30, 2022.

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

Consequently, compared to the figures calculated by the previous method, the operating loss, ordinary loss and loss before income taxes each decreased by ¥566 million in the nine months ended December 31, 2022.

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Segment Information

(a) Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

Information on net sales, profit (loss) by reportable segment

(Millions of yen)

	Reportable segments					Other (Note: 1)	Total	Reconcilia- tion	Amounts reported on the quarterly consolidated statement of income (Note: 2)
	Financial market	Retail and transportation market	Amusement market	Overseas market	Total				
Net sales									
(1) Sales to customers	25,836	35,964	9,428	85,771	157,001	1,707	158,709	–	158,709
(2) Intersegment sales or transfers	–	–	–	–	–	–	–	–	–
Total	25,836	35,964	9,428	85,771	157,001	1,707	158,709	–	158,709
Segment profit (loss)	4,626	2,723	(114)	2,584	9,819	(1,186)	8,633	–	8,633

Notes: 1. “Other” segment is merchandise and finished goods that is not included in the above reportable segments.
2. Segment profit (loss) corresponds to operating income of quarterly consolidated statement of income.
3. During the second quarter ended September 30, 2022, the Company finalized the provisional accounting treatment for business combinations, and segment profit (loss) reflects the details of the finalization of the provisional accounting treatment.

(b) Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

1. Information on net sales, profit (loss) by reportable segment

(Millions of yen)

	Reportable segments					Other (Note: 1)	Total	Reconcilia- tion	Amounts reported on the quarterly consolidated statement of income (Note: 2)
	Financial market	Retail and transportation market	Amusement market	Overseas market	Total				
Net sales									
(1) Sales to customers	23,736	31,767	10,731	110,239	176,475	2,028	178,503	–	178,503
(2) Intersegment sales or transfers	–	–	–	–	–	–	–	–	–
Total	23,736	31,767	10,731	110,239	176,475	2,028	178,503	–	178,503
Segment profit (loss)	(798)	(595)	1,206	(511)	(698)	(923)	(1,621)	–	(1,621)

Notes: 1. “Other” segment is merchandise and finished goods that is not included in the above reportable segments.
2. Segment profit (loss) corresponds to operating loss of quarterly consolidated statement of income.

2. Changes in reportable segments

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

As stated in the “Changes in Accounting Policy That Are Difficult to Make a Distinction from Changes in Accounting Estimates,” the Company and its consolidated subsidiaries in Japan changed the depreciation method for property, plant and equipment (excluding leased assets) from the beginning of the first quarter ended June 30, 2022. As a result of this change, segment profit (loss) for the nine months ended December 31, 2022 changed from the figures calculated by the previous method to increase in income of ¥41 million for “Amusement market” and to decrease in losses of ¥191 million for “Financial market,” ¥184 million for “Retail and transportation market,” ¥131 million for “Overseas market” and ¥16 million for “Other.”

Significant Subsequent Events

(Cancellation of treasury shares)

The Company resolved at its Board of Directors meeting held on February 7, 2023 to cancel a part of treasury shares pursuant to Article 178 of the Companies Act of Japan.

- | | |
|---|---|
| 1. Type of shares to be cancelled | Common shares of the Company |
| 2. Total number of shares to be cancelled | 4,700,000 shares (7.4% of total number of shares outstanding before the cancellation) |
| 3. Planned date of cancellation | February 28, 2023 |