

March 15, 2022



News Release

Company name: GLORY LTD.
Representative: Motozumi Miwa, President
Headquarters: 3-1, Shimoteno 1-chome,
Himeji,
Hyogo, JAPAN
Securities Code: 6457
Stock Exchange: Tokyo (1st Section)
Accounting Term: March

**Notice Regarding the Amendment of Consolidated Financial Results
for Fiscal Year Ended March 31, 2021 [Japanese GAAP]**

GLORY LTD. (the “Company”) hereby announces that the Company amended, on March 14, 2022 and March 15, 2022 respectively, its consolidated financial results for the fiscal year ended March 31, 2021 (disclosed on May 13, 2021) as attached. Please note that the amendments are underlined for clarity.

Please refer to the “Notice Regarding the Amendments of Past Financial Results and the Announcement of Financial Results (Third Quarter of Fiscal Year Ending March 31, 2022)” for the reasons for the amendment.

This is a translation of the original Japanese text of the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2021.”
Should there be any discrepancy between any part of this translation and the original Japanese text, the latter shall prevail.

Consolidated Financial Results

for the Fiscal Year Ended March 31, 2021 <Japanese GAAP>

May 13, 2021

Company Name: **GLORY LTD.** Stock exchange listing: Tokyo (1st Section)
 Code number: 6457 URL: <https://corporate.glory-global.com/>
 Representative: Motozumi Miwa President & Representative Director
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Scheduled date of Ordinary General Meeting of Shareholders: June 25, 2021
 Scheduled date of dividend payments: June 28, 2021
 Scheduled filing date of Annual Securities Report: June 28, 2021
 Preparation of earnings supplementary explanatory material: Yes
 Holding of earnings presentation: Yes (for analysts and institutional investors)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(1) Consolidated Operating Results

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Year ended March 31, 2021	217,423	(3.0)	14,201	(20.8)	<u>14,137</u>	<u>(8.9)</u>	<u>5,705</u>	<u>(32.8)</u>
Year ended March 31, 2020	224,170	(4.9)	17,927	(12.9)	<u>15,514</u>	<u>(24.6)</u>	<u>8,486</u>	<u>(30.8)</u>

(Note) Comprehensive income

Year ended March 31, 2021: ¥16,976 million [242.0 %]
 Year ended March 31, 2020: ¥4,963 million [(64.1) %]

	Net income per share	Fully diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	(Yen)	(Yen)	(%)	(%)	(%)
Year ended March 31, 2021	<u>94.38</u>	—	<u>3.0</u>	4.4	6.5
Year ended March 31, 2020	<u>140.45</u>	—	<u>4.5</u>	5.0	8.0

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

Year ended March 31, 2021: ¥(700) million [— %]
 Year ended March 31, 2020: ¥(1,217) million [— %]

EBITDA (Operating income + Depreciation + Amortization of goodwill)

Year ended March 31, 2021: ¥29,410 million [(7.7)%]
 Year ended March 31, 2020: ¥31,865 million [(3.9)%]

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

Year ended March 31, 2021: ¥10,208 million [(17.0)%]
 Year ended March 31, 2020: ¥12,292 million [(22.6)%]

(2) Consolidated Financial Position

	Total assets	Net assets	Ownership equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of March 31, 2021	<u>330,608</u>	<u>196,332</u>	<u>58.4</u>	<u>3,195.82</u>
As of March 31, 2020	<u>308,431</u>	<u>186,668</u>	<u>59.9</u>	<u>3,056.75</u>

(Reference) Ownership equity

As of March 31, 2021: ¥193,200 million As of March 31, 2020: ¥184,721 million

(3) Consolidated Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Year ended March 31, 2021	<u>28,443</u>	(21,666)	(12,131)	<u>66,057</u>
Year ended March 31, 2020	<u>24,555</u>	(13,032)	(15,339)	<u>70,415</u>

2. Dividends

(Record date)	Dividends per share					Total dividends (annual) (Millions of yen)	Dividend payout ratio (consolidated) (%)	Dividends to net assets ratio (consolidated) (%)
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Annual			
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Millions of yen)	(%)	(%)
Year ended March 31, 2020	—	32.00	—	34.00	66.00	4,010	<u>47.0</u>	2.1
Year ended March 31, 2021	—	30.00	—	36.00	66.00	4,010	<u>69.9</u>	2.1
Year ending March 31, 2022 (forecast)	—	34.00	—	34.00	68.00		91.3	

3. Consolidated Financial Forecast for the Year Ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
Six months ending September 30, 2021	106,000	19.6	3,000	88.7	2,500	<u>76.7</u>	1,000	—	16.54
Full year	225,000	3.5	10,000	(29.6)	9,500	<u>(32.8)</u>	4,500	<u>(21.1)</u>	74.44

(Reference) EBITDA

Six months ending September 30, 2021 ¥10,700 million

Year ending March 31, 2022 (full year) ¥25,400 million

Net income before amortization of goodwill

Six months ending September 30, 2021 ¥3,300 million

Year ending March 31, 2022 (full year) ¥9,200 million

Notes:

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries involving a change in the scope of consolidation):
Yes

Newly included: 1 company (Company name: Acrelec Group S.A.S.) Excluded: –

(Note) For more information, please refer to “3. Consolidated Financial Statements and Significant Notes Thereto (5) Notes to Consolidated Financial Statements, Changes in Significant Subsidiaries During the Fiscal Year” on page 20 of the Attachment.

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

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

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

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

As of March 31, 2021: 63,638,210 shares

As of March 31, 2020: 63,638,210 shares

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

As of March 31, 2021: 2,866,078 shares

As of March 31, 2020: 2,866,029 shares

(c) Average number of shares

Year ended March 31, 2021: 60,448,695 shares

Year ended March 31, 2020: 60,423,031 shares

(Note) In addition to the number of treasury shares at the end of the period, there also existed Company shares owned by the “Board Incentive Plan (BIP) Trust Account” and “Employee Stock Ownership Plan (ESOP) Trust Account.” (As of March 31, 2021: 317,905 shares, As of March 31, 2020: 341,500 shares)

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(1) Non-consolidated Operating Results

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

	Net sales		Operating income		Ordinary income		Net income	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Year ended March 31, 2021	129,292	(5.6)	7,399	(1.3)	12,333	21.2	9,792	59.0
Year ended March 31, 2020	136,939	(10.7)	7,496	(36.5)	10,180	(29.7)	6,159	(45.1)

	Net income per share	Fully diluted net income per share
	(Yen)	(Yen)
Year ended March 31, 2021	162.00	—
Year ended March 31, 2020	101.95	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Ownership equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of March 31, 2021	263,724	183,600	69.6	3,037.02
As of March 31, 2020	249,759	176,514	70.7	2,920.95

(Reference) Ownership equity

As of March 31, 2021: ¥183,600 million As of March 31, 2020: ¥176,514 million

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

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

(Caution concerning forward-looking statements)

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

Attachment

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1. Overview of Operating Results and Others

(1) Overview of Operating Results for the Fiscal Year

The global economy in the fiscal year ended March 31, 2021 has been greatly affected by the spread of the novel coronavirus disease (COVID-19). In the U.S. and Europe, economic activities gradually resumed, but restrictions had to be re-imposed due to the resurgence of COVID-19. In addition, in Asia, despite economic recovery shown in China, uncertainty surrounded the outlook of the economy overall. On the other hand, the outlook for the Japanese economy had also been unpredictable, but since the third quarter of the fiscal year, a moderate recovery trend has been evident in capital investment and corporate earnings of manufacturers, etc.

Under such circumstances, despite there being major constraints on business activities particularly overseas, the Glory group (the "Group") has focused efforts on the expansion of sales of self-service products in Japan and overseas, seizing on the sharp growth in needs for contact-free and self-service to prevent infection. Furthermore, in addition to thorough cost controls, there was also support from an increase in sales from maintenance services associated with the issuance of the new 500-yen coin, and in terms of the current fiscal year's performance, sales and income were both higher than the full year forecast at the time third quarter consolidated results were announced.

Looking at individual market, in terms of overseas business, in the U.S. and Europe, sales of self-service "coin and banknote recyclers" for cashiers increased in the retail market, but the financial market was sluggish due to the impact of the spread of COVID-19. In China, business activities have recovered to a near-normal level, with sales on par with the previous fiscal year. Additionally, the performance of the Acrelec Group S.A.S., which was acquired by the Company in April 2020 and is expanding the self-service kiosks related business globally, has gradually recovered since the third quarter of the fiscal year, despite business development in each country lagging initial plans.

The domestic business was robust as the financial market performed well with an increase in sales due to the acquisition of replacement demand and the system modifications required in connection with the expected issuance of the new 500-yen coin. In the retail and transportation market, sales of ticket vending machines for restaurants and leisure facilities and other products were sluggish compared to the previous year, but business negotiations for self-service "coin and banknote recyclers" for cashiers and self-service medical payment kiosks progressed at a faster pace than expected in response to labor shortages and change in lifestyles.

Meanwhile, for the purpose of expanding new business domains, the Company has formed capital and business alliances with AdInte Co., Ltd., which provides customer analysis and behavior analysis service of retail businesses using its in-house IoT terminal (AIBeacon) and with Showcase Gig Inc., which operates mobile ordering service business, etc. Through these alliances, the Group is focusing efforts on the provision of new solution services that solve social issues and management issues in the retail industry utilizing each other's respective technologies and know-how.

Furthermore, the Company has also focused efforts on commercialization of biometric/image recognition technologies with initiatives for business expansion into new markets such as medical care, nursing and schools. These included sales of "Facial-recognition-driven system" featuring EcoNaviSta Co., Ltd.'s "Health monitoring service" combined with the Company's facial recognition technology, as well as the start of demonstration tests of the biometric payment service "BioPay" at university campuses.

As a result, net sales in the current fiscal year totaled ¥217,423 million (down 3.0% year on year). Of this, sales of merchandise and finished goods were ¥138,748 million (down 9.4% year on year) and sales from maintenance services were ¥78,675 million (up 10.7% year on year). Operating income was ¥14,201 million (down 20.8% year on year), ordinary income was ¥14,137 million (down 8.9% year on year), and net income attributable to owners of parent was ¥5,705 million (down 32.8% year on year).

Results of operations in each business segment are as follows.

Financial market

Sales of this segment's main products, "open teller systems" and "coin and banknote recyclers" for tellers were strong. In addition, sales from maintenance services increased due to the system modifications required in connection with the expected issuance of the new 500-yen coin.

As a result, net sales in this segment were ¥49,877 million (up 18.0% year on year) and operating income was ¥9,861 million (up 197.5% year on year).

Retail and transportation market

Although sales from maintenance services increased due to the system modifications required in connection with the expected issuance of the new 500-yen coin, sales of the main product, "coin and banknote recyclers" for cashiers were sluggish as a rebound from large-lot demand of the previous year. Additionally, sales of "ticket vending machines" were also sluggish due to a decrease in demand at restaurants and leisure facilities.

As a result, net sales in this segment were ¥48,789 million (down 7.0% year on year) and operating income was ¥2,883 million (down 44.5% year on year).

Amusement market

Sales of this segment's main products such as "card systems" and "pachinko prize dispensing machines" were slow due to restrictions on capital investment for pachinko parlors.

As a result, net sales in this segment were ¥11,020 million (down 46.9% year on year) and operating loss was ¥290 million (vs. operating income of ¥1,998 million in the previous fiscal year).

Overseas market

In the Americas and Europe, sales of "banknote recyclers" -RBG series- for financial institutions were sluggish due to the impact of the spread COVID-19, but "sales proceeds deposit machines" -CI series- for the retail industry were favorable. Meanwhile, in Asia, sales of "banknote sorters" -UW series- were on par with the previous fiscal year.

As a result, net sales in this segment were ¥104,765 million (up 1.1% year on year) and operating income was ¥3,836 million (down 60.8% year on year).

Profit and loss from Acrelec Group S.A.S. and its subsidiaries are included in the scope of consolidation from the second quarter.

In the "Other" business segment, net sales were ¥2,969 million (down 41.1% year on year) and operating loss was ¥2,089 million (vs. operating loss of ¥2,364 million in the previous fiscal year).

All amounts in this section do not include consumption taxes.

(2) Overview of Financial Position for the Fiscal Year

The following is the financial position at the end of the current fiscal year:

Total assets at the end of the current fiscal year were ¥330,608 million, an increase of ¥22,177 million compared with the end of the previous fiscal year. This is mainly the result of increases of ¥6,772 million in retirement benefit asset, ¥6,553 million in goodwill, ¥6,056 million in notes and accounts receivable - trade, and ¥4,504 million in customer relationships.

Liabilities were ¥134,275 million, an increase of ¥12,512 million compared with the end of the previous fiscal year. This is mainly the result of increases of ¥3,893 million in long-term borrowings, ¥2,701 million in deferred tax liabilities, and ¥3,781 million in other under non-current liabilities. Note that other under non-current liabilities has increased mainly due to the recording of sold put option liabilities granted to non-controlling interests of overseas consolidated subsidiaries that apply IFRS.

Total net assets at the end of the current fiscal year were ¥196,332 million, an increase of ¥9,664 million compared with the end of the previous fiscal year. This is mainly the result of increases of ¥5,264 million in remeasurements of defined benefit plans and ¥3,859 million in foreign currency translation adjustment.

As a result, the ownership equity ratio became 58.4% compared with 59.9% at the end of the previous fiscal year.

(3) Overview of Cash Flows for the Fiscal Year

Cash and cash equivalents ("cash") at the end of the current fiscal year decreased ¥4,357 million from one year earlier to ¥66,057 million.

The following is a summary of cash flows:

Cash flows from operating activities

Net cash provided by operating activities was ¥28,443 million, compared to ¥24,555 million in the previous fiscal year. This resulted from cash increases including ¥12,590 million from income before income taxes, ¥10,706 million from depreciation and ¥4,502 million from amortization of goodwill, despite the capital outflow of ¥5,088 million due to the payment of income taxes.

Cash flows from investing activities

Net cash used in investing activities was ¥21,666 million, compared to ¥13,032 million in the previous fiscal year. This resulted primarily from payments of ¥4,876 million to obtain property, plant and equipment pertaining to casting and jig tools for product manufacturing and payments of ¥13,729 million to acquire the shares of Acrelec Group S.A.S.

As a result, the free cash flows or total cash flows from operating and investing activities were ¥6,777 million.

Cash flows from financing activities

Net cash used in financing activities was ¥12,131 million, compared to ¥15,339 million in the previous fiscal year. This resulted from a ¥14,144 million repayment of short-term borrowings, and payment of ¥4,631 million of dividends, despite proceeds from short-term and long-term borrowings of ¥8,268 million.

Cash flow indices

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Ownership equity ratio	60.1%	62.0%	59.5%	<u>59.9%</u>	<u>58.4%</u>
Ownership equity ratio based on market value	74.6%	78.3%	50.4%	52.8%	<u>47.1%</u>
Debt repayment ratio (years)	1.6	2.4	2.0	2.0	1.7
Interest coverage ratio	48.8	25.7	38.0	<u>32.9</u>	<u>51.4</u>

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

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

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

Interest coverage ratio: Operating cash flow / Interest payments

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

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

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

Interest payments consist of interest expenses paid as presented on the consolidated statement of cash flows.

(4) Future Outlook

In overseas business, the Company expects sales and income to increase in both the financial market and retail market, due to a recovery in demand for capital investment with the moves to bring COVID-19 under control in major overseas markets such as the U.S. and Europe. In domestic business, the Company expects sales and income to decline mainly due to a counter-reactionary decline in sales from maintenance services that had increased in association with the issuance of the new 500-yen coin. However, the Company forecasts continuation of the trend for contact free, self-service as a measure to prevent infection that increased due to the surge in COVID-19. Therefore, the sales of self-service "coin and banknote recyclers" for cashiers, medical payment kiosks, and ticket vending machines, etc. are expected to be steady. In addition, the Company will make strategic investments for the "Core and New businesses powering growth together" targeted under the newly started "2023 Medium-Term Management Plan."

According to these conditions, the Company forecasts full-year consolidated business results as follows; net sales of ¥225,000 million (up 3.5% year on year), operating income of ¥10,000 million (down 29.6% year on year), ordinary income of ¥9,500 million (down 32.7% year on year) and net income attributable to owners of parent of ¥4,500 million (down 25.6% year on year).

The forecast uses exchange rate assumptions of US\$1=¥105, 1 euro=¥125.

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

The Company considers the return of profits to shareholders to be an important management task and retains a policy to continue stable dividends while striving to maintain and enhance a sound financial standing in preparation for future business growth. The Company has set a dividend payout ratio of 30% or higher on a consolidated basis for the current fiscal year.

Based on the above basic policy, the Company plans to pay a dividend for the current fiscal year of ¥66 per share (interim dividend of ¥30 and year-end dividend of ¥36). This will result in a dividend payout ratio of 69.9% on a consolidated basis.

Note that in terms of the dividend for the three years from the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2024, the decision has been made to maintain the above basic policy while amending the target to aim for a three fiscal years average dividend payout ratio before goodwill amortization on a consolidated basis of 30% or more for such three-year period. Therefore, the forecast annual dividend for the fiscal year ending March 31, 2022 is ¥68 per share (interim dividend of ¥34 and year-end dividend of ¥34).

<Formula>

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

(6) The Company's Medium to Long-Term Management Strategy and Issues to be Addressed

Long-Term Vision and Medium-Term Management Plan

The Company celebrated the 100th anniversary of its founding in March 2018 and established the following “Long-Term Vision 2028” which depicts the Company’s ideal form in ten years to create the next generation.

Glory Group Long-Term Vision 2028

“We enable a confident world”

The Group has started the “2023 Medium-Term Management Plan” with a three-year planning cycle starting from April 2021 as a second step to realize the Long-Term Vision. Under the concept of “Core and New businesses powering growth together,” we are taking the following key initiatives as the three basic policies of (1) Accelerate business growth to develop “next generation,” (2) Maximize core business profits by innovation, and (3) Establish management base to support sustainable growth. Furthermore, we have set a “Sustainability Policy” and is engaged in activities that contribute to the sustainable growth of society.

Note that “Core and New businesses powering growth together” incorporates the Company’s intention to make existing core and new business domains grow together while fostering links between them.

Policy 1: Accelerate business growth to develop “next generation”

Under Policy 1, we will maximize the use of our customer base, proprietary technologies, and other strengths to expand sales of new business domain that has a high affinity with core business domain that we worked on during 2020 Medium-Term Management Plan, such as kiosk services, data management platform (DMP), and electronic settlement, thus developing new mainstay businesses.

For the biometric/image recognition business and robot business, we will utilize our sales expertise and channels in Japan to expand and monetize them.

Policy 2: Maximize core business profits by innovation

Under Policy 2, we will optimize our product lineup that caters to the market need for contact-free and self-services devices on the back of the ongoing trend toward labor-saving and operational efficiency, and the spread of COVID-19, while at the same time developing a new business model. With these measures, in overseas business, we aim to expand sales in the retail markets and emerging countries. In domestic business, we aim to broaden our reach to new customer bases, in addition to larger accounts, which have traditionally been our primary targets. Furthermore, we will continue to promote operational efficiency and reduce costs, thus reforming our business structure.

In domestic business, we will fulfill our corporate mission of supporting social infrastructure in preparation for the new banknotes issue, which is scheduled for 2024, and focus on capturing replacement demand.

Policy 3: Establish management base to support sustainable growth

Under Policy 3, we will enhance business management focusing on cash flow to support growth investment and shareholder returns. We will also bolster the business administration system by promoting digital transformation (DX) that supports prompt management decisions, business transformation, and productivity improvement. Further we will put our management resources to effective use through portfolio management. By working on the above-mentioned measures, we will strive to enhance our corporate value.

For the sake of the well-being of employees, our most important management resource, we will improve employee engagement in the belief that the employee satisfaction is the wellspring of business growth.

Sustainability Policy: Promotion of initiatives aimed at contributing to the sustainable growth of society and enhancing corporate values

Under Sustainability Policy, we will contribute to the sustainable growth of society and enhance our corporate values by engaging in the activities more oriented toward solving the social issues through our business. In particular, we will focus on the reduction of CO2 emissions in pursuit of a decarbonized society, respect for human rights and diversity, and strengthen corporate governance.

As in the above, the Group is adapting to changes in the management environment, providing solution services so that “We enable a confident world,” and promoting initiatives that contribute to sustainable growth of society.

2. Basic Approach to Selection of Accounting Standard

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

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

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	71,025	66,188
Notes and accounts receivable - trade	49,603	55,660
Electronically recorded monetary claims - operating	1,617	684
Investments in leases	1,339	1,074
Securities	2,051	50
Merchandise and finished goods	31,053	33,176
Work in process	7,989	6,943
Raw materials and supplies	12,639	12,397
Other	4,238	4,635
Allowance for doubtful accounts	(656)	(1,032)
Total current assets	180,901	179,778
Non-current assets		
Property, plant and equipment		
Buildings and structures	36,314	37,424
Accumulated depreciation	(22,449)	(23,190)
Buildings and structures, net	13,864	14,234
Machinery, equipment and vehicles	14,206	13,817
Accumulated depreciation	(11,785)	(11,529)
Machinery, equipment and vehicles, net	2,420	2,288
Tools, furniture and fixtures	53,382	53,582
Accumulated depreciation	(47,408)	(48,194)
Tools, furniture and fixtures, net	5,974	5,387
Land	11,816	11,843
Right-of-use assets	4,332	8,408
Accumulated depreciation	(1,111)	(3,344)
Right of use assets, net	3,220	5,063
Construction in progress	1,207	366
Total property, plant and equipment	38,503	39,183
Intangible assets		
Customer relationships	17,968	22,473
Software	5,793	7,178
Goodwill	43,246	49,800
Other	906	1,190
Total intangible assets	67,915	80,642
Investments and other assets		
Investment securities	8,352	11,228
Deferred tax assets	8,303	8,064
Retirement benefit asset	478	7,250
Other	4,507	5,411
Allowance for doubtful accounts	(532)	(951)
Total investments and other assets	21,110	31,003
Total non-current assets	127,529	150,829
Total assets	308,431	330,608

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,469	10,543
Electronically recorded obligations - operating	7,154	6,529
Short-term borrowings	24,931	15,656
Current portion of long-term borrowings	20	3,130
Income taxes payable	1,520	2,480
Provision for bonuses	7,088	7,553
Provision for bonuses for directors (and other officers)	109	91
Provision for stock grant	39	—
Other	33,431	41,811
Total current liabilities	85,766	87,796
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	46	3,939
Lease obligations	3,045	3,820
Deferred tax liabilities	5,193	7,895
Provision for stock grant	260	245
Retirement benefit liability	3,243	2,590
Other	4,206	7,987
Total non-current liabilities	35,996	46,478
Total liabilities	121,762	134,275
Net assets		
Shareholders' equity		
Share capital	12,892	12,892
Capital surplus	15,961	12,294
Retained earnings	162,595	164,411
Treasury shares	(9,312)	(9,241)
Total shareholders' equity	182,137	180,357
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(455)	680
Foreign currency translation adjustment	5,194	9,054
Remeasurements of defined benefit plans	(2,154)	3,109
Total accumulated other comprehensive income	2,584	12,843
Non-controlling interests	1,946	3,131
Total net assets	186,668	196,332
Total liabilities and net assets	308,431	330,608

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statement of Income**

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales	224,170	217,423
Cost of sales	137,109	131,962
Gross profit	87,061	85,460
Selling, general and administrative expenses	69,134	71,259
Operating income	17,927	14,201
Non-operating income		
Interest income	189	271
Dividend income	147	146
Subsidy income	77	488
Gain on investments in investment partnerships	149	357
Other	220	325
Total non-operating income	785	1,589
Non-operating expenses		
Interest expenses	734	559
Foreign exchange losses	863	238
Share of loss of entities accounted for using equity method	1,217	700
Other	381	153
Total non-operating expenses	3,197	1,652
Ordinary income	15,514	14,137
Extraordinary income		
Gain on sale of non-current assets	220	4
Gain on sale of investment securities	6	22
Total extraordinary income	226	27
Extraordinary losses		
Loss on sale of non-current assets	6	1
Loss on retirement of non-current assets	63	32
Loss on sale of investment securities	0	73
Loss on valuation of investment securities	321	421
Provision for allowance for doubtful accounts	507	397
Impairment losses	—	648
Total extraordinary losses	899	1,574
Income before income taxes	14,842	12,590
Income taxes - current	5,885	6,959
Income taxes - deferred	(559)	(885)
Total income taxes	5,326	6,073
Net income	9,515	6,516
Net income attributable to non-controlling interests	1,028	811
Net income attributable to owners of parent	8,486	5,705

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net income	<u>9,515</u>	<u>6,516</u>
Other comprehensive income		
Valuation difference on available-for-sale securities	(672)	1,128
Foreign currency translation adjustment	(2,542)	4,059
Remeasurements of defined benefit plans, net of tax	(1,333)	5,264
Share of other comprehensive income of entities accounted for using equity method	(2)	6
Total other comprehensive income	<u>(4,551)</u>	<u>10,459</u>
Comprehensive income	<u>4,963</u>	<u>16,976</u>
Comprehensive income attributable to		
Owners of parent	<u>3,998</u>	<u>16,000</u>
Non-controlling interests	964	975

(3) Consolidated Statement of Changes in Equity

Previous Fiscal Year (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	12,892	20,938	172,219	(23,884)	182,166
Changes during period					
Dividends of surplus			(3,950)		(3,950)
Net income attributable to owners of parent			8,486		8,486
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				119	119
Cancellation of treasury shares		(292)	(14,160)	14,452	–
Change in scope of consolidation					–
Purchase of shares of consolidated subsidiaries		(4,684)			(4,684)
Change in sold put option liabilities related to non-controlling interests, etc.					–
Net changes in items other than shareholders' equity					
Total changes during period	–	(4,976)	(9,623)	14,571	(29)
Balance at end of period	12,892	15,961	162,595	(9,312)	182,137

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	219	7,673	(820)	7,072	4,018	193,257
Changes during period						
Dividends of surplus				–	(1,154)	(5,104)
Net income attributable to owners of parent				–		8,486
Purchase of treasury shares				–		(0)
Disposal of treasury shares				–		119
Cancellation of treasury shares				–		–
Change in scope of consolidation				–		–
Purchase of shares of consolidated subsidiaries				–	(1,882)	(6,567)
Change in sold put option liabilities related to non-controlling interests, etc.				–		–
Net changes in items other than shareholders' equity	(674)	(2,478)	(1,333)	(4,487)	964	(3,522)
Total changes during period	(674)	(2,478)	(1,333)	(4,487)	(2,072)	(6,589)
Balance at end of period	(455)	5,194	(2,154)	2,584	1,946	186,668

Current Fiscal Year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	12,892	15,961	<u>162,595</u>	(9,312)	<u>182,137</u>
Changes during period					
Dividends of surplus			(3,889)		(3,889)
Net income attributable to owners of parent			<u>5,705</u>		<u>5,705</u>
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				71	71
Cancellation of treasury shares					-
Change in scope of consolidation					-
Purchase of shares of consolidated subsidiaries					-
Change in sold put option liabilities related to non-controlling interests, etc.		(3,667)			(3,667)
Net changes in items other than shareholders' equity					
Total changes during period	-	(3,667)	<u>1,815</u>	71	<u>(1,780)</u>
Balance at end of period	12,892	12,294	<u>164,411</u>	(9,241)	<u>180,357</u>

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	(455)	5,194	(2,154)	2,584	1,946	<u>186,668</u>
Changes during period						
Dividends of surplus				-	(741)	(4,631)
Net income attributable to owners of parent				-		<u>5,705</u>
Purchase of treasury shares				-		(0)
Disposal of treasury shares				-		71
Cancellation of treasury shares				-		-
Change in scope of consolidation				-	951	951
Purchase of shares of consolidated subsidiaries				-		-
Change in sold put option liabilities related to non-controlling interests, etc.				-		(3,667)
Net changes in items other than shareholders' equity	1,135	3,859	5,264	10,259	975	11,234
Total changes during period	1,135	3,859	5,264	10,259	1,185	<u>9,664</u>
Balance at end of period	680	9,054	3,109	12,843	3,131	<u>196,332</u>

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities		
Income before income taxes	14,842	12,590
Depreciation	10,133	10,706
Impairment losses	–	648
Amortization of goodwill	3,805	4,502
Increase (decrease) in allowance for doubtful accounts	320	704
Increase (decrease) in retirement benefit liability	7	(192)
Increase (decrease) in provision for bonuses	(735)	388
Increase (decrease) in provision for stock grant	(26)	(54)
Loss (gain) on sale of investment securities	(5)	51
Interest and dividend income	(336)	(417)
Subsidy income	(77)	(488)
Interest expenses	734	559
Loss on retirement of non-current assets	63	32
Decrease (increase) in trade receivables	5,920	(852)
Decrease (increase) in inventories	(3,341)	2,823
Increase (decrease) in trade payables	1,032	(3,920)
Increase (decrease) in lease obligations	(256)	212
Decrease (increase) in investments in leases	499	264
Increase (decrease) in accounts payable - other	(31)	853
Decrease/increase in consumption taxes receivable/payable	(885)	1,328
Other, net	221	3,436
Subtotal	31,883	33,177
Interest and dividends received	339	419
Subsidies received	77	488
Interest paid	(746)	(553)
Income taxes refund (paid)	(6,998)	(5,088)
Net cash provided by (used in) operating activities	24,555	28,443
Cash flows from investing activities		
Payments into time deposits	(560)	(80)
Proceeds from withdrawal of time deposits	127	560
Purchase of property, plant and equipment	(6,325)	(4,876)
Proceeds from sale of property, plant and equipment	626	30
Purchase of intangible assets	(1,795)	(3,588)
Purchase of investment securities	(1,216)	(2,726)
Proceeds from sale and redemption of investment securities	109	2,273
Proceeds from distributions from investment partnerships	367	464
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(4,289)	(13,729)
Other, net	(77)	6
Net cash provided by (used in) investing activities	(13,032)	(21,666)

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,984	(9,323)
Proceeds from long-term borrowings	–	3,447
Repayments of long-term borrowings	(4,493)	(10)
Repayments of lease obligations	(1,138)	(1,613)
Dividends paid	(3,951)	(3,889)
Dividends paid to non-controlling interests	(1,154)	(741)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(6,585)	–
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	(15,339)	(12,131)
Effect of exchange rate change on cash and cash equivalents	(918)	997
Net increase (decrease) in cash and cash equivalents	<u>(4,734)</u>	<u>(4,357)</u>
Cash and cash equivalents at beginning of period	<u>75,149</u>	<u>70,415</u>
Cash and cash equivalents at end of period	<u>70,415</u>	<u>66,057</u>

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

Not applicable.

Changes in Significant Subsidiaries During the Fiscal Year

For the fiscal year ended March 31, 2021, following the acquisition of 80% of the outstanding shares of Acrelec Group S.A.S., 31 companies, including the subsidiaries of Acrelec Group S.A.S., are included in the scope of consolidation and two companies are included in the scope of application of the equity method. Acrelec Group S.A.S. qualifies as a specified subsidiary of the Company.

Additional Information

(Accounting estimates associated with the spread of COVID-19)

Regarding the impact of COVID-19, the timing for COVID-19 to be brought under control worldwide, including Japan, remains uncertain, but we forecast a gradual recovery in the economy in the next fiscal year as the vaccine is rolled out, and do not consider it to be material. 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 continue until the end of next fiscal year.

Segment Information

1. Summary of reportable segments

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

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

A summary of each reportable segment is as follows:

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

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

Income by reportable segment is operating income.

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

Previous Fiscal Year (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Reportable segments					Other (Note: 1)	Total	Reconcilia- tion	Amounts reported on the consolidate d financial statements
	Financial market	Retail and transportation market	Amusement market	Overseas market	Total				
Net sales									
(1) Sales to customers	42,262	52,487	20,753	103,621	219,125	5,045	224,170	–	224,170
(2) Intersegment sales or transfers	–	–	–	–	–	–	–	–	–
Total	42,262	52,487	20,753	103,621	219,125	5,045	224,170	–	224,170
Segment profit (loss) (Note: 2)	3,314	5,198	1,998	9,780	20,291	(2,364)	17,927	–	17,927
Segment assets (Note: 3)	32,069	<u>42,241</u>	17,862	138,938	<u>231,112</u>	<u>6,292</u>	<u>237,405</u>	<u>71,025</u>	<u>308,431</u>
Others									
(1) Depreciation and amortization (Note: 4)	1,852	1,605	841	5,602	9,901	231	10,133	–	10,133
(2) Amortization of goodwill	–	–	–	3,805	3,805	–	3,805	–	3,805
(3) Investments in entities accounted for using equity method	–	–	–	–	–	1,705	1,705	–	1,705
(4) Increase in property, plant and equipment and intangible assets (Note: 5)	2,070	1,887	630	12,834	17,422	253	17,675	–	17,675

- Notes:
1. “Other” segment is merchandise and finished goods that is not included in the above reportable segments.
 2. All operating expenses are either directly charged or allocated to the segments.
 3. The reconciliation of ¥71,025 million is surplus funds (cash and deposits).
 4. Depreciation and amortization includes amortization of long-term prepaid expenses.
 5. Increase in property, plant and equipment and intangible assets includes increases in long-term prepaid expenses. Moreover, this also includes the amount of increase in right-of-use assets recognized in accordance with the application of IFRS 16 at the beginning of the fiscal year ended March 31, 2020.

Current Fiscal Year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segments					Other (Note: 1)	Total	Reconcilia- tion	Amounts reported on the consolidated financial statements
	Financial market	Retail and transportation market	Amusement market	Overseas market	Total				
Net sales									
(1) Sales to customers	49,877	48,789	11,020	104,765	214,453	2,969	217,423	–	217,423
(2) Intersegment sales or transfers	–	–	–	–	–	–	–	–	–
Total	49,877	48,789	11,020	104,765	214,453	2,969	217,423	–	217,423
Segment profit (loss) (Note: 2)	9,861	2,883	(290)	3,836	16,290	(2,089)	14,201	–	14,201
Segment assets (Note: 3)	37,757	41,164	15,147	161,803	255,872	8,547	264,419	66,188	330,608
Others									
(1) Depreciation and amortization (Note: 4)	1,758	1,546	674	6,530	10,510	195	10,706	–	10,706
(2) Amortization of goodwill	–	–	–	4,502	4,502	–	4,502	–	4,502
(3) Investments in entities accounted for using equity method	–	–	–	11	11	1,062	1,073	–	1,073
(4) Increase in property, plant and equipment and intangible assets (Note: 5)	2,024	1,912	491	19,131	23,559	218	23,777	–	23,777

- Notes:
1. “Other” segment is merchandise and finished goods that is not included in the above reportable segments.
 2. All operating expenses are either directly charged or allocated to the segments.
 3. The reconciliation of ¥66,188 million is surplus funds (cash and deposits).
 4. Depreciation and amortization includes amortization of long-term prepaid expenses.
 5. Increase in property, plant and equipment and intangible assets includes increases in long-term prepaid expenses.

Per Share Information

	Previous Fiscal Year (from April 1, 2019 to March 31, 2020)	Current Fiscal Year (from April 1, 2020 to March 31, 2021)
Net assets per share	<u>¥3,056.75</u>	<u>¥3,195.82</u>
Net income per share	<u>¥140.45</u>	<u>¥94.38</u>

- Notes:
- Diluted net income per share is not disclosed because dilutive shares are not issued.
 - In the Net assets section, due to the way that net assets per share are calculated, Company shares remaining in the “Board Incentive Plan (BIP) Trust Account” and “Employee Stock Ownership Plan (ESOP) Trust Account” and recorded as treasury shares, are included in treasury shares subtracted from shares issued as of the end of the period (341,500 shares for the previous fiscal year, 317,905 shares for the current fiscal year).
Also, due to the way that net income per share is calculated, they are included in the treasury shares subtracted from average number of shares during the period (349,210 shares in the previous fiscal year, 323,458 shares in the current fiscal year).
 - The basis for calculation of the net income per share amount is shown below.

	Previous Fiscal Year (from April 1, 2019 to March 31, 2020)	Current Fiscal Year (from April 1, 2020 to March 31, 2021)
Net income attributable to owners of parent (Millions of yen)	<u>8,486</u>	<u>5,705</u>
Amount not attributable to common shareholders (Millions of yen)	–	–
Net income attributable to owners of parent pertaining to common stock (Millions of yen)	<u>8,486</u>	<u>5,705</u>
Average number of shares during the fiscal year (Shares)	60,423,031	60,448,695

Significant Subsequent Events

Not applicable.