

(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, 2022.” 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, 2022 <Japanese GAAP>

March 14, 2022

Company Name: GLORY LTD. Stock exchange listing: Tokyo (1st Section)
 Code number: 6457 URL: <https://corporate.glory-global.com/>
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Scheduled filing date of Quarterly Securities Report: March 14, 2022
 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, 2022 (from April 1, 2021 to December 31, 2021)

(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, 2021	158,709	8.7	8,639	16.7	8,864	22.1	6,688	123.8
Nine months ended December 31, 2020	145,966	(9.2)	7,400	(41.7)	7,263	(39.2)	2,989	(58.7)

(Note) Comprehensive income

Nine months ended December 31, 2021: ¥9,740 million [188.6 %]
 Nine months ended December 31, 2020: ¥3,375 million [(46.8) %]

	Net income per share	Fully diluted net income per share
	(Yen)	(Yen)
Nine months ended December 31, 2021	110.61	—
Nine months ended December 31, 2020	49.45	—

(Note) As of the end of the previous fiscal year, the Company finalized the provisional accounting treatment for business combinations, and the figures for the nine months ended December 31, 2020 reflect the details of the finalization of the provisional accounting treatment.

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

Nine months ended December 31, 2021: ¥20,987 million [12.1 %]
 Nine months ended December 31, 2020: ¥18,719 million [(18.7) %]

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

Nine months ended December 31, 2021: ¥10,402 million [61.3 %]
 Nine months ended December 31, 2020: ¥6,451 million [(36.1) %]

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(2) Consolidated Financial Position

	Total assets	Net assets	Ownership equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of December 31, 2021	347,338	200,869	57.0	3,274.06
As of March 31, 2021	330,608	196,332	58.4	3,195.82

(Reference) Ownership equity

As of December 31, 2021: ¥197,980 million

As of March 31, 2021: ¥193,200 million

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, 2021	—	30.00	—	36.00	66.00
Year ending March 31, 2022	—	34.00	—		
Year ending March 31, 2022 (forecast)				34.00	68.00

(Note) Revisions to the latest dividend forecast: None

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)
Full year	225,000	3.5	10,000	(29.6)	10,000	(29.3)	7,000	22.7	115.77

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

(Reference) EBITDA

Year ending March 31, 2022: ¥26,600 million

Net income before amortization of goodwill

Year ending March 31, 2022: ¥12,300 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):
Yes

Newly included: 1 company (Company name: Revolution Retail Systems, LLC) Excluded: –

(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 Significant Subsidiaries During the Period” on page 11 of the Attachment.

(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): | None |
| (c) Changes in accounting estimates: | None |
| (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” 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, 2021:	63,638,210 shares
As of March 31, 2021:	63,638,210 shares

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

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

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

Nine months ended December 31, 2021:	60,466,015 shares
Nine months ended December 31, 2020:	60,447,366 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, 2021: 302,721 shares, As of March 31, 2021: 317,905 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, 2021, the global economy remained on a recovery trend with the progress of vaccinations in many countries. Economic recovery slowed down in some regions, however, due to the resurgence of COVID-19, shortages of parts such as semiconductors, and soaring parts prices. Specifically, the economy showed signs of recovery in the U.S. and Europe, owing to the initiatives to normalize economic activity. In Asia, challenging conditions persisted under the impact of the pandemic, such as delays in vaccinations. In China, personal consumption and industrial production fell and economic recovery slowed down due to strict restrictions on activities and other government regulations.

The Japanese economy saw a moderate recovery as capital investment and corporate earnings showed signs of improvement. As the spread of infection slowed following the latest resurgence of COVID-19, downward pressure eased in the food service and hotel industries, whose business foundations are face-to-face services.

Under such circumstances, sales to financial institutions and the retail industry were both strong in the overseas market. In particular, sales increased for sales proceeds deposit machines used for back-office operations and for self-service coin and banknote recyclers for cashiers used in the retail industry. This is largely attributable to a growing need for contact-free and self-service solutions to prevent COVID-19 infection, and a need for rigorous cash management. Sales also exceeded the pre-COVID level for the Acrelec Group S.A.S., which is engaged in self-service kiosks related business. Another remark was the acquisition of Revolution Retail Systems, LLC headquartered in the U.S. in December 2021. This was for the purpose of expanding sales of sales proceeds deposit machines for back-office operations in the U.S. retail industry.

In the domestic business, while the large-scale demand for the financial market in the previous year has run its course, sales increased in the retail and transportation market, supported by the sales of products such as self-service coin and banknote recyclers for cashiers, in response to labor shortages and the need for contact-free and self-service solutions.

As a result, net sales in this nine-month period totaled ¥158,709 million (up 8.7% year on year). Of this, sales of merchandise and finished goods were ¥98,863 million (up 11.6% year on year) and sales from maintenance services were ¥59,846 million (up 4.2% year on year). Operating income was ¥8,639 million (up 16.7% year on year), and ordinary income was ¥8,864 million (up 22.1% year on year). Net income attributable to owners of parent was ¥6,688 million (up 123.8% year on year) as a result of the addition of extraordinary income from the transfer of shares of viafintech GmbH, and the subtraction of extraordinary losses recorded due to an incident occurred at the Company's domestic consolidated subsidiary.

Both net sales and income increased year on year for the nine months ended December 31, 2021, however, global shortage of parts such as semiconductors is expected to continue and have an impact on our business. This includes delays in production and sales, and higher costs due to soaring parts prices.

Results of operations in each business segment are as follows.

Financial market

Sales of this segment's main product, open teller systems, were slow, and sales of coin and banknote recyclers for tellers were also sluggish due to the large-scale demand in the previous year having run its course. In addition, sales from maintenance services decreased due to a slowdown in the system modifications required in connection with the scheduled issuance of the new 500-yen coin.

As a result, net sales in this segment were ¥25,836 million (down 21.5% year on year) and operating income was ¥4,626 million (down 20.0% year on year).

Retail and transportation market

Sales of this segment's main product, coin and banknote recyclers for cashiers, were favorable, and sales of ticket vending machines and multifunctional banknote changers were both robust. In addition, sales from maintenance services increased owing to the system modifications required in connection with the scheduled issuance of the new 500-yen coin.

As a result, net sales in this segment were ¥35,964 million (up 8.5% year on year) and operating income was ¥2,723 million (up 77.2% year on year).

Amusement market

The full-scale recovery of demand was not seen in this segment. However, sales increased for the main products, such as card systems and pachinko prize dispensing machines used in pachinko parlors, compared with the corresponding period of the previous year, where there was downward pressure from temporary store closures and short operating hours.

As a result, net sales in this segment were ¥9,428 million (up 20.7% year on year) and operating loss was ¥114 million (vs. operating loss of ¥159 million in the corresponding period of the previous year).

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Overseas market

In the Americas and Europe, sales were robust for RBG-series banknote recyclers for financial institutions and CI-series sales proceeds deposit machines for the retail industry. In Asia, sales of UW-series banknote sorters were sluggish.

Furthermore, sales from Acrelec Group S.A.S. and its subsidiaries totaled ¥13,586 million.

As a result, net sales in this segment were ¥85,771 million (up 21.8% year on year) and operating income was ¥2,590 million (up 243.0% year on year).

In the “Other” business segment, net sales were ¥1,707 million (up 3.2% year on year) and operating loss was ¥1,186 million (vs. operating loss of ¥511 million in the corresponding period of the previous year).

Please refer to the “Notice Regarding the Disclosure of the Results of the Investigations by the Internal Investigation Committee” for the details of the previously mentioned incident by an employee, who was dismissed on disciplinary grounds as of March 11, 2022, of the Company’s domestic consolidated subsidiary (the “Incident”). For the impact of the Incident on the Company’s consolidated performance, 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)”. The Company sincerely apologizes to all our stakeholders for any inconvenience this may have caused.

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

Regarding the full-year financial forecasts for the fiscal year ending March 31, 2022, the demand for our products and services remains steady both in Japan and overseas. However, delays in sales resulting from the impact on production from difficulties in procuring parts, such as semiconductors, and higher costs due to soaring parts prices are expected to continue. Therefore, the forecast remains unchanged for net sales and operating income as disclosed on November 5, 2021. In addition, ordinary income has been revised upward by ¥500 million from the announced figures, while net income attributable to owners of parent has been revised downward by ¥500 million from the announced figures. This was due to the recording of extraordinary losses associated with the Incident.

The exchange rates used in the financial forecasts for the fiscal year ending March 31, 2022 have been changed to US\$1=¥110 (¥105 before change) and 1 euro=¥130 (¥125 before change) from the rates assumed in May 2021.

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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, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	66,188	53,001
Notes and accounts receivable - trade	55,660	–
Notes and accounts receivable - trade, and contract assets	–	47,428
Electronically recorded monetary claims - operating	684	793
Securities	50	50
Merchandise and finished goods	33,176	38,497
Work in process	6,943	13,342
Raw materials and supplies	12,397	17,066
Other	5,710	11,182
Allowance for doubtful accounts	(1,032)	(1,108)
Total current assets	179,778	180,252
Non-current assets		
Property, plant and equipment	39,183	38,436
Intangible assets		
Customer relationships	22,473	20,564
Goodwill	49,800	63,817
Other	8,369	8,908
Total intangible assets	80,642	93,290
Investments and other assets		
Investment securities	11,228	14,535
Other	20,726	22,944
Allowance for doubtful accounts	(951)	(2,121)
Total investments and other assets	31,003	35,359
Total non-current assets	150,829	167,085
Total assets	330,608	347,338
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,543	14,385
Electronically recorded obligations - operating	6,529	7,427
Short-term borrowings	15,656	27,581
Current portion of long-term borrowings	3,130	1,428
Income taxes payable	2,480	1,680
Provision for bonuses	7,553	4,311
Provision for bonuses for directors (and other officers)	91	81
Provision for stock grant	–	139
Other	41,811	46,805
Total current liabilities	87,796	103,842
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	3,939	–
Provision for stock grant	245	232
Retirement benefit liability	2,590	2,763
Other	19,703	19,629
Total non-current liabilities	46,478	42,626
Total liabilities	134,275	146,468

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(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Net assets		
Shareholders' equity		
Share capital	12,892	12,892
Capital surplus	12,294	12,294
Retained earnings	164,411	166,844
Treasury shares	(9,241)	(9,196)
Total shareholders' equity	180,357	182,835
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	680	488
Foreign currency translation adjustment	9,054	11,919
Remeasurements of defined benefit plans	3,109	2,737
Total accumulated other comprehensive income	12,843	15,144
Non-controlling interests	3,131	2,889
Total net assets	196,332	200,869
Total liabilities and net assets	330,608	347,338

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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, 2020 (From April 1, 2020 to December 31, 2020)	Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)
Net sales	145,966	158,709
Cost of sales	87,703	92,870
Gross profit	58,263	65,839
Selling, general and administrative expenses	50,862	57,199
Operating income	7,400	8,639
Non-operating income		
Interest income	163	163
Dividend income	143	140
Foreign exchange gains	–	103
Share of profit of entities accounted for using equity method	–	26
Other	810	397
Total non-operating income	1,117	830
Non-operating expenses		
Interest expenses	420	480
Foreign exchange losses	514	–
Share of loss of entities accounted for using equity method	203	–
Other	116	124
Total non-operating expenses	1,254	605
Ordinary income	7,263	8,864
Extraordinary income		
Gain on sale of non-current assets	4	15
Gain on sale of investment securities	19	1
Gain on sale of shares of subsidiaries and associates	–	4,582
Total extraordinary income	23	4,598
Extraordinary losses		
Loss on retirement of non-current assets	29	27
Loss on valuation of investment securities	54	28
Provision for allowance for doubtful accounts	235	1,180
Other	21	1
Total extraordinary losses	340	1,237
Income before income taxes	6,946	12,225
Income taxes	3,502	4,882
Net income	3,444	7,343
Net income attributable to non-controlling interests	455	654
Net income attributable to owners of parent	2,989	6,688

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Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)	Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)
Net income	3,444	7,343
Other comprehensive income		
Valuation difference on available-for-sale securities	572	(188)
Foreign currency translation adjustment	(902)	2,961
Remeasurements of defined benefit plans, net of tax	256	(372)
Share of other comprehensive income of entities accounted for using equity method	4	(3)
Total other comprehensive income	(68)	2,397
Comprehensive income	3,375	9,740
Comprehensive income attributable to		
Owners of parent	2,923	9,025
Non-controlling interests	452	715

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(3) Notes to Quarterly Consolidated Financial Statements

Notes Regarding Assumption of a Going Concern

Not applicable.

Changes in Significant Subsidiaries During the Period

From this third quarter, following the acquisition of full ownership of Revolution Retail Systems, LLC, three companies, including the subsidiaries of Revolution Retail Systems, LLC, are included in the scope of consolidation. Revolution Retail Systems, LLC qualifies as a specified subsidiary of the Company.

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 Revenue Recognition, etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter ended June 30, 2021, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter ended June 30, 2021, was added to or deducted from the opening balance of retained earnings of the first quarter ended June 30, 2021, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts for which nearly all the revenue amounts had been recognized according to the previous treatment in periods prior to the beginning of the first quarter ended June 30, 2021, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition. Furthermore, by applying the method set forth in item (1) of the supplementary provisions of paragraph 86 of the Accounting Standard for Revenue Recognition, modifications to contracts carried out prior to the beginning of the first quarter ended June 30, 2021 were accounted for based on the contractual terms after all contract modifications were reflected. Consequently, this cumulative effect was added to or deducted from the opening balance of retained earnings of the first quarter ended June 30, 2021.

The impact of these changes on the opening balance of retained earnings and profit and loss in the nine months ended December 31, 2021 is insignificant.

Due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, “Notes and accounts receivable - trade” under current assets of the consolidated balance sheet as of the end of the previous fiscal year has been included in “Notes and accounts receivable - trade, and contract assets” under current assets from the quarterly consolidated balance sheet as of June 30, 2021. In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

Furthermore, the information on disaggregation of revenue from contracts with customers during the nine months ended December 31, 2020 has not been disclosed as allowed by the transitional treatment provided for in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020).

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

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter ended June 30, 2021. Furthermore, in accordance with the transitional treatment prescribed in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company will prospectively apply the new accounting policy prescribed by the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations. The impact of this on the quarterly consolidated financial statements is insignificant.

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Segment Information

(a) Nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020)

Information on 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	32,907	33,142	7,811	70,449	144,311	1,655	145,966	–	145,966
(2) Intersegment sales or transfers	–	–	–	–	–	–	–	–	–
Total	32,907	33,142	7,811	70,449	144,311	1,655	145,966	–	145,966
Segment profit (loss)	5,779	1,537	(159)	755	7,912	(511)	7,400	–	7,400

- 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. As of the end of the previous fiscal year, 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, 2021 (from April 1, 2021 to December 31, 2021)

1. Information on 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)	2,590	9,826	(1,186)	8,639	–	8,639

- 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.

2. Changes in reportable segments

The Company reclassified its business segments in the first quarter of FY2021, and the following changes have been made for the businesses that were previously included in “Other” segment. These changes have been reflected in this report accordingly.

- Part of **Biometric/Image recognition business** and of businesses that contribute to **Electronic settlement-related business** now included in “**Retail and transportation market**”

- Part of “**New businesses**” now included in “**Overseas market**”

Due to these changes, the segment information for the nine months ended December 31, 2020 was prepared based on the classification of reportable segments after the changes.