GLORY LTD. and Consolidated Subsidiaries

Consolidated Financial Statements for the Year Ended March 31, 2023 and Independent Auditor's Report

GLORY LTD. and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2023

ASSETS	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars (Note 1) 2023
CURRENT ASSETS:			
Cash and cash equivalents (Note 20)	¥ 36,693	¥ 52,316	$ 274,771
Short-term investments (Notes 6 and 20)	894	110	6,694
Receivables (Notes 20 and 25):			
Trade notes	553	2,067	4,141
Electronically recorded monetary claims – operating	1,821	749	13,636
Trade accounts	57,926	48,971	433,772
Contract assets	1,308	1,381	9,794
Unconsolidated subsidiaries and associated companies	15	14	112
Other	2,977	3,993	22,292
Investments in leases (Notes 19 and 20)	547	775	4,096
Inventories (Note 7)	94,999	69,915	711,389
Other current assets	7,178	8,904	53,751
Allowance for doubtful accounts	(1,437)	(1,240)	(10,760)
Total current assets	203,477	187,960	1,523,715
PROPERTY, PLANT AND EQUIPMENT:			
Land	11,892	11,877	89,051
Buildings and structures	39,905	39,176	298,824
Machinery, equipment and vehicles	15,734	15,434	117,822
Tools, furniture and fixtures	54,895	53,427	411,075
Right-of-use assets	13,744	10,845	102,920
Construction in progress	192	201	1,437
Total	136,364	130,964	1,021,147
Accumulated depreciation	(93,847)	(90,478)	(702,763)
Total property, plant and equipment	42,517	40,485	318,384
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 6 and 20)	9,128	9,782	68,354
Investments in unconsolidated subsidiaries and associated companies (Note 20)	5,425	5,531	40,624
Software	7,452	8,709	55,803
Goodwill (Notes 4 and 17)	55,528	58,399	415,815
Customer relationships	26,428	26,790	197,903
Deferred tax assets (Note 13)	9,981	8,266	74,741
Retirement benefit asset (Note 10)	14,772	9,660	110,618
Other investments and other assets (Note 8)	8,667	9,790	64,901
Allowance for doubtful accounts (Note 8)	(2,106)	(2,106)	(15,770)
Total investments and other assets	135,278	134,824	1,013,014
TOTAL ASSETS	¥ 381,273	¥ 363,269	$ 2,855,122

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars (Note 1) 2023
CURRENT LIABILITIES:			
Short-term borrowings (Notes 9 and 20)	¥ 45,623	¥ 16,743	$ 341,642
Current portion of long-term borrowings (Notes 9 and 20)	1,481	2,585	11,090
Current portion of bonds payable (Notes 9 and 20)	10,000	—	74,883
Current portion of long-term lease liabilities (Notes 9, 19 and 20)	2,086	1,863	15,620
Payables (Note 20):			
Trade notes	429	444	3,212
Electronically recorded obligations-operating	7,276	6,975	54,485
Trade accounts	17,767	14,212	133,046
Unconsolidated subsidiaries and associated companies	30	31	224
Other	7,850	7,701	58,783
Income taxes payable (Note 20)	428	1,075	3,205
Accrued expenses	16,901	16,612	126,561
Contract liabilities (Note 25)	22,037	22,502	165,021
Provision for stock grant (Note 11)	48	209	359
Other	7,538	8,939	56,447
Total current liabilities	139,501	99,898	1,044,638
NON-CURRENT LIABILITIES:			
Bonds payable (Notes 9 and 20)	10,000	20,000	74,883
Long-term borrowings (Notes 9 and 20)	12,055	11,187	90,272
Retirement benefit liability (Note 10)	2,166	2,327	16,219
Lease liabilities (Notes 9, 19 and 20)	5,412	4,409	40,527
Deferred tax liabilities (Note 13)	9,721	8,809	72,794
Provision for stock grant (Note 11)	194	247	1,452
Other	6,238	7,782	46,712
Total non-current liabilities	45,787	54,763	342,871
CONTINGENT LIABILITIES (Note 22)			
EQUITY (Notes 12 and 24):			
Share capital, Authorized: 150,000,000 shares in 2023 and 2022; Issued: 58,938,210 shares in 2023 and 63,638,210 shares in 2022	12,892	12,892	96,540
Capital surplus	12,286	12,286	92,002
Retained earnings	141,522	166,566	1,059,772
Treasury shares - at cost (Note 11) 2,873,306 shares in 2023 and 2,866,078 shares in 2022	(8,161)	(9,191)	(61,112)
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	1,367	666	10,236
Foreign currency translation adjustment	26,672	18,050	199,730
Remeasurements of defined benefit plans	6,584	4,047	49,303
Total	193,166	205,318	1,446,502
Non-controlling interests	2,818	3,289	21,102
Total equity	195,984	208,607	1,467,605
TOTAL LIABILITIES AND EQUITY	¥ 381,273	¥ 363,269	$ 2,855,122

GLORY LTD. and Consolidated Subsidiaries

Consolidated Statement of Operations
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
NET SALES (Notes 25 and 26)	¥ 255,857	¥ 226,562	$ 1,915,957
COST OF SALES (Note 15)	164,630	136,800	1,232,814
Gross profit	91,226	89,762	683,136
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 14 and 15)	90,704	79,566	679,227
Operating income (Note 26)	522	10,195	3,908
OTHER (EXPENSES) INCOME:			
Interest and dividend income	339	372	2,538
Interest expense	(1,138)	(638)	(8,521)
Foreign exchange (losses) gains, net	(724)	480	(5,421)
Share of loss of entities accounted for using equity method (Note 16)	(2,978)	(58)	(22,300)
Gain on sale of shares of subsidiaries and associates	―	4,739	―
Provision of allowance for doubtful accounts	―	(1,171)	―
Impairment losses (Note 17)	(3,810)	(121)	(28,530)
Gain on valuation of derivatives	1,443	―	10,805
Special investigation expenses (Note 18)	―	(100)	―
Other, net	(314)	(15)	(2,351)
Other (expenses) income, net	(7,184)	3,485	(53,796)
(LOSS) INCOME BEFORE INCOME TAXES	(6,661)	13,680	(49,880)
INCOME TAXES (Note 13):			
Current	(4,621)	(6,333)	(34,603)
Deferred	2,533	97	18,968
Total income taxes	(2,087)	(6,235)	(15,628)
NET (LOSS) INCOME	(8,748)	7,444	(65,508)
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(789)	(1,034)	(5,908)
NET (LOSS) INCOME ATTRIBUTABLE TO OWNERS OF PARENT	¥ (9,538)	¥ 6,410	$ (71,424)

	Yen		U.S. Dollars
PER COMMON SHARE (Note 2.v):			
Basic net (loss) income	¥(167.02)	¥106.02	$(1.25)
Dividends of surplus applicable to the year	68.00	68.00	0.50

See notes to consolidated financial statements.

GLORY LTD. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
NET (LOSS) INCOME	¥ (8,748)	¥ 7,444	$ (65,508)
OTHER COMPREHENSIVE INCOME (Note 23):			
Valuation difference on available-for-sale securities	706	(9)	5,286
Foreign currency translation adjustments	8,885	9,128	66,534
Remeasurements of defined benefit plans, net of tax	2,537	937	18,998
Share of other comprehensive (loss) income of entities accounted for using equity method	(16)	7	(119)
Total other comprehensive income	12,111	10,064	90,691
COMPREHENSIVE INCOME	¥ 3,362	¥ 17,509	$ 25,175
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of parent	¥ 2,323	¥ 16,366	$ 17,395
Non-controlling interests	1,039	1,142	7,780

See notes to consolidated financial statements.

GLORY LTD. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2023

	Thousands of Shares		Millions of Yen									
							Accumulated Other Comprehensive Income					
	Common Shares	Treasury Shares	Share Capital	Capital Surplus	Retained Earnings	Treasury Shares	Valuation Difference on Available-for-Sale Securities	Foreign Currency Translation Adjustment	Remeasurements of Defined Benefit Plans	Total	Non-controlling Interests	Total Equity
BALANCE, MARCH 31, 2021	63,638	(2,866)	12,892	12,294	164,411	(9,241)	680	9,054	3,109	193,200	3,131	196,332
Cumulative effects of changes in accounting policies					(1)					(1)		(1)
Adjusted balance			12,892	12,294	164,410	(9,241)	680	9,054	3,109	193,199	3,131	196,331
Net income attributable to owners of parent					6,410					6,410		6,410
Dividends of surplus, ¥68 per share					(4,254)					(4,254)	(972)	(5,226)
Purchase of treasury shares												
Disposal of treasury shares						49				49		49
Treasury shares distributed to directors and officers by the Trusts												
Purchase of shares of consolidated subsidiaries				(7)						(7)		(7)
Net changes in items other than shareholders' equity							(13)	8,995	937	9,920	1,130	11,050
BALANCE, MARCH 31, 2022	63,638	(2,866)	¥ 12,892	¥ 12,286	¥ 166,566	¥ (9,191)	¥ 666	¥ 18,050	¥ 4,047	¥ 205,318	¥ 3,289	¥ 208,607
Net income attributable to owners of parent					(9,538)					(9,538)		(9,538)
Dividends of surplus, ¥68 per share					(4,016)					(4,016)	(1,510)	(5,526)
Purchase of treasury shares		(4,707)				(10,570)				(10,570)		(10,570)
Disposal of treasury shares		0			(0)	253				253		253
Cancellation of treasury shares	(4,700)	4,700			(11,347)	11,347						
Change in scope of the equity method					(142)					(142)		(142)
Net changes in items other than shareholders' equity							701	8,622	2,537	11,861	1,039	12,900
BALANCE, MARCH 31, 2023	58,938	(2,873)	¥ 12,892	¥ 12,286	¥ 141,522	¥ (8,161)	¥ 1,367	¥ 26,672	¥ 6,584	¥ 193,166	¥ 2,818	¥ 195,984

	Thousands of U.S. Dollars (Note 1)									
					Accumulated Other Comprehensive Income					
	Share Capital	Capital Surplus	Retained Earnings	Treasury Shares	Valuation Difference on Available-for-Sale Securities	Foreign Currency Translation Adjustment	Remeasurements of Defined Benefit Plans	Total	Non-controlling Interests	Total Equity
BALANCE, APRIL 1, 2022	$ 96,540	$ 92,002	$ 1,247,311	$ (68,825)	$ 4,987	$ 135,165	$ 30,305	$ 1,537,501	$ 24,629	$ 1,562,131
Net income attributable to owners of parent			(71,424)					(71,424)		(71,424)
Dividends of surplus, $0.50 per share			(30,073)					(30,073)	(11,307)	(41,380)
Purchase of treasury shares				(79,152)				(79,152)		(79,152)
Disposal of treasury shares			(0)	1,894				1,894		1,894
Cancellation of treasury shares			(84,970)	84,970						
Change in scope of the equity method			(1,063)					(1,063)		(1,063)
Net changes in items other than shareholders' equity					5,249	64,564	18,998	88,819	7,780	96,600
BALANCE, MARCH 31, 2023	$ 96,540	$ 92,002	$ 1,059,772	$ (61,112)	$10,236	$ 199,730	$ 49,303	$ 1,446,502	$ 21,102	$ 1,467,605

See notes to consolidated financial statements.

GLORY LTD. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
OPERATING ACTIVITIES:			
Income before income taxes	¥ (6,661)	¥ 13,680	$ (49,880)
Adjustments for:			
Income taxes – paid	(6,540)	(7,225)	(48,974)
Depreciation and amortization	11,762	12,191	88,078
Impairment losses	3,810	121	28,530
Amortization of goodwill	6,703	5,119	50,194
Increase in allowance for doubtful accounts	98	1,198	733
Gain on sale of investment securities	(56)	(1)	(419)
Gain on sale of shares of subsidiaries and associates	—	(4,739)	—
Share of loss of entities accounted for using equity method	2,978	58	22,300
Changes in assets and liabilities, net of affects from newly consolidated subsidiaries:			
(Increase) decrease in trade receivables	(5,631)	9,374	(42,167)
Increase in inventories	(21,902)	(9,073)	(164,010)
Increase in trade payables	1,873	1,306	14,025
(Decrease) increase in interest payable	(18)	13	(134)
Decrease in retirement benefit liability	(246)	(419)	(1,842)
(Decrease) increase in provision for stock grant	(213)	210	(1,595)
Increase (decrease) in lease liabilities	200	(287)	1,497
Decrease in investments in leases	228	299	1,707
Decrease (increase) in accounts receivable - other	1,085	(2,600)	8,124
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(243)	(834)	(1,819)
Decrease in accrued expenses	(509)	(1,449)	(3,811)
Other, net	(3,205)	(6,628)	(24,000)
Total adjustments	(9,825)	(3,365)	(73,573)
Net cash (used in) provided by operating activities	(16,486)	10,315	(123,453)
INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment	13	20	97
Purchase of property, plant and equipment	(5,015)	(4,809)	(37,554)
Purchase of intangible assets	(1,918)	(3,424)	(14,362)
Proceeds from sale and redemption of investment securities	180	29	1,347
Purchase of securities	(813)	—	(6,088)
Purchase of investment securities	(2,076)	(3,938)	(15,545)
Decrease in time deposits – net	0	69	0
Proceeds from distributions from investment partnerships	487	390	3,646
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 5)	(227)	(20,423)	(1,699)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	6,201	—
Proceeds from sale of shares of subsidiaries and associates	—	156	—
Other, net	5	(11)	37
Net cash used in investing activities	(9,364)	(25,739)	(70,121)
FORWARD	¥ (25,851)	¥ (15,424)	$ (193,582)

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GLORY LTD. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
FORWARD	¥ (25,851)	¥ (15,424)	$ (193,582)
FINANCING ACTIVITIES:			
Net increase in short-term borrowings	28,159	148	210,865
Proceeds from long-term borrowings	1,185	11,531	8,873
Repayments of long-term borrowings	(2,681)	(5,637)	(20,076)
Repayments of lease liabilities	(2,041)	(1,738)	(15,283)
Purchase of treasury shares	(10,570)	—	(79,152)
Proceeds from sales of treasury shares	0	—	0
Dividends paid	(4,014)	(4,253)	(30,058)
Dividends paid to non-controlling interests	(1,510)	(972)	(11,307)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(20)	—
Net cash provided by (used in) financing activities	8,526	(942)	63,846
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	1,702	2,625	12,745
NET DECREASE IN CASH AND CASH EQUIVALENTS	(15,622)	(13,741)	(116,983)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	52,316	66,057	391,762
CASH AND CASH EQUIVALENTS AT END OF PERIOD	¥ 36,693	¥ 52,316	$ 274,771

See notes to consolidated financial statements.

(Concluded)

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2022 consolidated financial statements to conform to the classifications used in 2023.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which GLORY LTD. (the “Company,” together with its consolidated subsidiaries, the “Group”) is incorporated and operates. Japanese yen figures less than one million yen are rounded down to the nearest million yen and U.S. dollar figures less than one thousand dollars are rounded down to the nearest thousand dollars, except for per share data. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133.54 to $1, the rate of exchange at March 31, 2023. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation -*** The consolidated financial statements as of March 31, 2023, include the accounts of the Company and its 87 significant (86 in 2022) subsidiaries. Consolidation of the remaining subsidiaries would not have a material effect on the accompanying consolidated financial statements.

Consolidated Subsidiaries

March 31, 2023		March 31, 2022	
Name	Year-End	Name	Year-End
GLORY Products Ltd.	March 31	GLORY Products Ltd.	March 31
GLORY NASCA Ltd.	March 31	GLORY NASCA Ltd.	March 31
Hokkaido GLORY Co., Ltd.	March 31	Hokkaido GLORY Co., Ltd.	March 31
GLORY Denshi Kogyo (Suzhou) Ltd.	December 31	GLORY Denshi Kogyo (Suzhou) Ltd.	December 31
GLORY (PHILIPPINES), INC.	March 31	GLORY (PHILIPPINES), INC.	March 31
Sitrade Italia S.p.A.	December 31	Sitrade Italia S.p.A.	December 31
Glory Global Solutions Ltd.	March 31	Glory Global Solutions Ltd.	March 31
Glory Global Solutions (International) Ltd.	March 31	Glory Global Solutions (International) Ltd.	March 31
Glory Global Solutions (France) S.A.S.	March 31	Glory Global Solutions (France) S.A.S.	March 31
Glory Global Solutions Inc.	March 31	Glory Global Solutions Inc.	March 31
Glory Global Solutions (Singapore) Pte. Ltd.	March 31	Glory Global Solutions (Singapore) Pte. Ltd.	March 31
Glory Global Solutions (Shanghai) Co., Ltd.	December 31	Glory Global Solutions (Shanghai) Co., Ltd.	December 31
Acrelec Group S.A.S.	December 31	Acrelec Group S.A.S.	December 31
Revolution Retail Systems, LLC	September 30	Revolution Retail Systems, LLC	September 30
73 other companies	March 31	72 other companies	March 31

From the fiscal year ended March 31, 2023, the Company acquired all shares in Odema Limited and included it in the scope of consolidation. In addition, the Company newly established Glory Software Vietnam Co., Ltd. and included it in the scope of consolidation.
In the fiscal year ended March 31, 2023, MDIS International S.A.S., which was a consolidated subsidiary, was excluded from the scope of consolidation since it ceased to exist due to the absorption-type merger under which Aksor S.A.S. became a surviving company.

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

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

The investment in FueTrek Co., Ltd. and 6 other companies are accounted for by the equity method. The Company acquired additional shares issued by Showcase Gig Inc. and accordingly, it is accounted for by the equity method from the fiscal year ended March 31, 2023.

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

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

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

b. ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements*** - Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" (September 14, 2018), the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

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

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

e. ***Short-Term Investments and Investment Securities -*** Short-term investments and investment securities are classified and accounted for, depending on management's intent, as follows: i) trading securities are reported at fair value, and their sales costs are calculated using the moving average method. Related unrealized or realized gains and losses are included in income in the consolidated statement of operations. ii) held-to-maturity debt securities, for which there is positive intent and ability to hold to maturity, are reported at amortized cost and iii) available-for-sale securities, which are not classified as held-to-maturity debt securities, and are other than shares that do not have a market price, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.
Shares that do not have a market price are stated at cost, determined by the moving average method. For-other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

f. ***Property, Plant and Equipment -*** Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment, excluding leased assets, of the Group is computed by the straight-line method at rates based on estimated useful lives of the assets.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of the end of the fiscal year ended March 31, 2023, the Company finalized the provisional accounting treatment for business combinations, and net income per share in the previous fiscal year was adjusted to reflect the impact of the finalization of the provisional accounting treatment.

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

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

w. ***Changes in Accounting Policies***
Implementation Guidance on Accounting Standard for Fair Value Measurement
The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Fair Value Measurement Guidance") from the beginning of the fiscal year ended March 31, 2023, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. There is no impact on the consolidated financial statements as a result of this change.

x. ***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 domestic consolidated subsidiaries had primarily adopted the declining-balance method for the depreciation method on property, plant and equipment (excluding leased assets) in the past, with the exception of buildings (excluding attached structures) acquired since April 1, 1998 and attached structures and structures acquired since April 1, 2016 that use the straight-line method, but changed this to the straight-line method from the beginning of the fiscal year ended March 31, 2023.
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 domestic consolidated subsidiaries were considered to be reasons for this change. This reflects the 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 domestic consolidated subsidiaries, the Company decided to adopt the straight-line method as the depreciation method for property, plant and equipment from the perspective of stating the profit and loss for the term and reflecting the Group's management conditions appropriately.
Due to the above changes, operating income for the fiscal year ended March 31, 2023 increased by ¥850 million ($6,365 thousand), and the ordinary loss and loss before income taxes each decreased by ¥850 million ($6,365 thousand) compared to the previous method.

y. New Accounting Pronouncements
On October 28, 2022, the ASBJ issued ASBJ Statement No. 27, "Accounting Standard for Current Income Taxes, etc.," ASBJ Statement No. 25, "Accounting Standard for Presentation of Comprehensive Income," and ASBJ Guidance No. 28, "Implementation Guidance on Accounting Standard for Tax Effect Accounting."

In February 2018, ASBJ Statement No. 28 "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc."; hereinafter the "ASBJ Statement No. 28, etc." was published and the practical guidance on tax effect accounting at the Japanese Institute of Certified Public Accountants was completely transferred to the ASBJ. In the course of deliberation, the following two issues were determined to be studied again after publishment of ASBJ Statement No. 28, etc.

・Accounting classifications for tax expenses when other comprehensive income is subject to income taxes
・Tax effect accounting for sale of shares of subsidiaries and affiliates when the group taxation system is applied.

The above standard and guidance are scheduled to be applied from April 1, 2024. In addition, the Company is currently in the process of measuring the effects of applying these standards on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES

Valuation of Inventories

(1) Amount recorded in the accompanying consolidated financial statements for the fiscal years ended March 31, 2023 and 2022

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Merchandise and finished goods	¥53,175	¥36,657	$398,195
Work in process	14,951	15,658	111,958
Raw materials and supplies	26,872	17,599	201,228
Loss on valuation on inventories	1,499	1,411	11,225

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

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

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

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

Valuation of Equity Securities without a Market Price

(1) Amount recorded in the accompanying consolidated financial statements for the fiscal years ended March 31, 2023 and 2022

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Investment securities	¥ 1,395	¥ 2,795	$10,446
Loss on valuation of investment securities	—	28	—

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

The carrying amount of equity securities without a market price is stated at the acquisition cost. However, if the substantial value of the equity securities of the issuer falls by 50% or more below the acquisition cost, the carrying amount is stated at the substantial value in the consolidated balance sheet and the difference between the acquisition cost and the substantial value is recorded as a loss on valuation, unless the recoverability of the substantial value is supported by sufficient evidence.

The substantial value of equity securities without a market price reflects excess earning power in an amount based on equity per share of the issuer. Any declines in the excess earning power are confirmed by monitoring the issuer’s performance and analyzing it in comparison with its business plan.

Impairment of Significant Goodwill

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

(1) Amount recorded in the accompanying consolidated financial statements for the fiscal years ended March 31, 2023 and 2022

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Goodwill	¥34,884	¥35,848	$261,225

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

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

When testing for impairment, the Company measures the recoverable amounts of the cash generating units to which the goodwill is allocated based on its value in use. The value in use is calculated using the present value of the future cash flows. The future cash flows are based on the single fiscal year profit plan considering expected future sales volume and expected sales unit prices. For the periods beyond the profit plan, the Company uses positive growth rates in the assumption that the Company will continue to grow. The growth rate used for the assumption that the Company will continue to grow is determined considering the long-term average growth rate of the countries where the cash generating unit belongs, which is 2.95% (2.66% in 2022) for the fiscal year ended March 31, 2023. In addition, the discount rate used for computing value in use is determined based on the weighted average capital cost of the cash generating unit, which is 7.68% (6.14% in 2022) for the fiscal year ended March 31, 2023. As the recoverable amount of the goodwill sufficiently exceeds the carrying amount, the Company expects that the recoverable amount is not likely to fall below the carrying amount even if the main assumptions are changed within a reasonable range.

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

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

(1) Amount recorded in the accompanying consolidated financial statements for the fiscal years ended March 31, 2023 and 2022

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Goodwill	¥8,936	¥10,537	$66,916
Impairment losses	1,458	—	10,918

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

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

When testing for impairment, the Company measures the recoverable amounts of the cash generating units to which the goodwill is allocated based on its value in use. The value in use is calculated using the present value of the future cash flows. The future cash flows are based on the single fiscal year profit plan. For the periods beyond the period of the profit plan, the Company uses positive growth rates in the assumption that the Company will continue to grow. The growth rate used for the assumption that the Company will continue to grow is determined considering the long-term average growth rate of the countries where the cash generating unit belongs and the status of business, which is 1.50% (1.50% in 2022) for the fiscal year ended March 31, 2023. In addition, the discount rate used for computing value in use is determined based on the weighted average capital cost of the cash generating unit, which is 9.40% (8.09% in 2022) for the fiscal year ended March 31, 2023. The sensitivity analysis of a loss on impairment recognized in addition to the recognized amount for the fiscal year ended March 31, 2023 when the main assumptions were changed assuming all other variables are constant would be as follows:

Loss on impairment to be additionally recognized	Millions of Yen	Thousands of U.S. Dollars
If the discount rate increases by 0.1%	¥ 259	$ 1,939
If the growth rate decreases by 0.1%	158	1,183

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

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

(1) Amount recorded in the accompanying consolidated financial statements for the fiscal years ended March 31, 2023 and 2022

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Goodwill	¥10,824	¥16,814	$81,054

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

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

When testing for impairment, the Company measures the recoverable amounts of the cash generating units to which the goodwill is allocated based on its value in use. The value in use is calculated using the present value of the future cash flows. The future cash flows are based on the single fiscal year profit plan considering expected future sales volume and expected sales unit prices. For the periods beyond the profit plan, the Company uses positive growth rates in the assumption that the Company will continue to grow. The growth rate used for the assumption that the Company will continue to grow is determined considering the long-term average growth rate of the countries where the cash generating unit belongs, which is 2.95% (2.66% in 2022) for the fiscal year ended March 31, 2023. In addition, the discount rate used for computing value in use is determined based on the weighted average capital cost of the cash generating unit, which is 7.68% (6.14% in 2022) for the fiscal year ended March 31, 2023. As the recoverable amount of the goodwill sufficiently exceeds the carrying amount, the Company expects that the recoverable amount is not likely to fall below the carrying amount even if the main assumptions are changed within a reasonable range.

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

4. BUSINESS COMBINATIONS

Finalization of provisional accounting treatment for business combinations

In the fiscal year ended March 31, 2022, the Company implemented provisional accounting treatment for a business combination with Revolution Retail Systems, LLC carried out on December 20, 2021, but it was finalized in the fiscal year ended March 31, 2023. Following the finalization of this provisional accounting treatment, significant adjustments are reflected in the initial allocation amount of acquisition costs in the comparative information included in the consolidated financial statements for the year ended March 31, 2023.

As a result, the goodwill provisionally computed in an amount of $140 million decreased by $48 million to $92 million after finalization of accounting treatment. In addition, goodwill, and merchandise and finished goods decreased by $47 million and $16 million, respectively, and customer relationships and other intangible assets increased by $44 million and $17 million, respectively.

5. CASH FLOWS

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

Year ended March 31, 2022

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

		Millions of Yen
Current assets	¥	6,717
Non-current assets		2,611
Goodwill		10,528
Customer relationships		5,181
Current liabilities		(4,413)
Non-current liabilities		(3)
Acquisition value of shares of newly consolidated subsidiaries		20,621
Cash and cash equivalents of newly consolidated subsidiaries		(198)
Less: Payments for acquisition of newly consolidated subsidiaries	¥	20,423

Year ended March 31, 2022

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

		Millions of Yen
Current assets	¥	196
Non-current assets		61
Current liabilities		(251)
Non-current liabilities		(506)
Goodwill, etc.		2,433
Foreign currency translation adjustments		(233)
Gain on sales of shares		4,582
Sales amount of shares		6,281
Cash and cash equivalents		(80)
Less: Sales proceeds	¥	6,201

6. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

The amount of unrealized losses on trading securities which was included in income for the year ended March 31, 2023 was ¥14 million ($104 thousand).

Short-term investments and investment securities as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Short-term investments:			
Time deposits other than cash equivalents	¥ 60	¥ 60	$ 449
Government, corporate and other bonds	833	50	6,237
Total	¥ 894	¥ 110	$6,694
Investment securities:			
Marketable equity securities	¥ 5,045	¥ 4,356	$ 37,778
Equity Securities without a Market Price	1,395	2,795	10,446
Investments in partnerships	2,687	2,630	20,121
Total	¥ 9,128	¥ 9,782	$68,354

The costs and aggregate fair values of short-term investments and investment securities at March 31, 2023 and 2022, were as follows:

	Millions of Yen			
March 31, 2023	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading:				
Bonds				¥833
Available-for-sale:				
Equity securities	¥3,624	¥1,613	¥ (193)	¥5,045
Held-to-maturity:				
Bonds	—	—	—	—

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

March 31, 2023	Thousands of U.S. Dollars Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading:				
Bonds				$6,237
Available-for-sale:				
Equity securities	$27,137	$12,078	$(1,445)	$37,778
Held-to-maturity:				
Bonds	—	—	—	—

Available-for-sale securities sold during the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Proceeds from sales	¥180	¥30	$1,347
Gain on sales	56	1	419
Loss on sales	0	—	0

Reclassified securities whose holding purpose was changed:
The classification of Showcase Gig Inc., which was previously classified as "Available-for-sale" securities, was changed to "Shares of associated companies," whose carrying amount is ¥1,010 million ($7,563 thousand), since the Company acquired additional shares of the company in the fiscal year ended March 31, 2023, which became an associated company accounted for using the equity method.

The Group recognized a loss on valuation of investment securities of ¥1,950 million ($14,602 thousand), consisting of ¥1,779 million ($13,321 thousand) on shares of associated companies and ¥171 million ($1,280 thousand) on available-for-sale equity securities, and ¥49 million on available-for-sale equity securities for the years ended March 31, 2023 and 2022, respectively.

With respect to equity securities with a market price, the Company recognizes impairment losses on full amounts if the fair value declined 50% or more of the acquisition cost as of the fiscal year-end, and if the fair value declined 30% -50% of the acquisition cost, the Company recognizes impairment losses on the necessary amounts considering recoverability.

With respect to equity securities without a market price, the Company recognizes impairment losses considering recoverability if the substantial value significantly declined due to worsened financial status, etc.

7. INVENTORIES

Inventories as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Merchandise and finished goods	¥ 53,175	¥ 36,657	$ 398,195
Work in process	14,951	15,658	111,958
Raw materials and supplies	26,872	17,599	201,228
Total	¥ 94,999	¥ 69,915	$ 711,389

8. CLAIMS ARISING FROM EMBEZZLEMENT BY FORMER EMPLOYEE

Claims arising from an incident of embezzlement by a former employee of a consolidated subsidiary of the Company were included in the consolidated balance sheet as of March 31, 2023 and 2022.

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Other assets (non-current)	¥ 2,076	¥ 2,076	$ 15,545
Allowance for doubtful accounts	(2,076)	(2,076)	(15,545)

9. SHORT-TERM BORROWINGS AND LONG-TERM BORROWINGS

(a) Short-term borrowings as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Short-term borrowings from banks and other	¥45,623	¥16,743	$341,642

The annual average interest rates applicable to short-term borrowings at March 31, 2023 and 2022, were 1.3% and 1.1%, respectively.

(b) Long-term borrowings and lease liabilities as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Borrowings from banks and other	¥ 13,536	¥ 13,772	$ 101,362
Liabilities under finance leases	7,499	6,273	56,155
Unsecured 0.15% yen straight bonds, due 2023	10,000	10,000	74,883
Unsecured 0.425% yen straight bonds, due 2028	10,000	10,000	74,883
Total	41,035	40,046	307,286
Less current portion	(13,568)	(4,448)	(101,602)
Long-term borrowings and lease liabilities, less current portion	¥ 27,467	¥ 35,597	$ 205,683

The annual average interest rates applicable to long-term borrowings at March 31, 2023 and 2022 were 1.7% and 0.9%, respectively.

(c) Annual maturities of bonds payable, long-term borrowings and lease liabilities as of March 31, 2023, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2024	¥ 13,568	$ 101,602
2025	4,390	32,874
2026	2,539	19,013
2027	2,091	15,658
2028 and thereafter	18,445	138,123
Total	¥ 41,035	$ 307,286

10. RETIREMENT AND PENSION PLANS

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

(1) The changes in defined benefit obligation for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of period	¥ 68,758	¥ 67,769	$ 514,886
Current service cost	2,663	2,596	19,941
Interest cost	515	476	3,856
Actuarial gains	(5,995)	(316)	(44,892)
Benefits paid	(3,023)	(2,717)	(22,637)
Others	926	949	6,934
Balance at end of period	¥ 63,846	¥ 68,758	$ 478,103

(2) The changes in plan assets for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of period	¥ 76,091	¥ 72,429	$ 569,799
Expected return on plan assets	561	509	4,200
Actuarial gains (losses)	(1,426)	1,709	(10,678)
Contributions from the employer	3,298	3,225	24,696
Benefits paid	(2,856)	(2,575)	(21,386)
Others	783	792	5,863
Balance at end of period	¥ 76,452	¥ 76,091	$ 572,502

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Funded defined benefit obligation	¥ 62,501	¥ 67,498	$ 468,032
Plan assets	(76,452)	(76,091)	(572,502)
Total	(13,950)	(8,593)	(104,463)
Unfunded defined benefit obligation	1,344	1,260	10,064
Net asset for defined benefit obligation	¥ (12,606)	¥ (7,333)	$ (94,398)

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Retirement benefit liability	¥ 2,166	¥ 2,327	$ 16,219
Retirement benefit asset	(14,772)	(9,660)	(110,618)
Net asset for defined benefit obligation	¥(12,606)	¥(7,333)	$ (94,398)

(4) The components of net periodic benefit costs for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Service cost	¥ 2,663	¥ 2,596	$ 19,941
Interest cost	515	476	3,856
Expected return on plan assets	(561)	(509)	(4,200)
Recognized actuarial gains	(985)	(727)	(7,376)
Amortization of past service cost	(22)	(28)	(164)
Net periodic benefit costs	¥ 1,608	¥ 1,807	$ 12,041

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of remeasurements of defined benefit plans for the years ended March 31, 2023 and 2022:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Past service cost	¥ (22)	¥ (28)	$ (164)
Actuarial gains	3,582	1,297	26,823
Total	¥ 3,559	¥ 1,269	$ 26,651

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of remeasurements of defined benefit plans as of March 31, 2023 and 2022:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrecognized past service cost	¥ 104	¥ 127	$ 778
Unrecognized actuarial gains	9,112	5,529	68,234
Total	¥ 9,216	¥ 5,657	$ 69,013

(7) Plan assets

a. *Components of plan assets*

Plan assets as of March 31, 2023 and 2022, consisted of the following:

	2023	2022
Debt investments	35%	35%
Equity investments	31	29
General account assets of life insurance	14	14
Others	20	22
Total	100%	100%

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

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

(8) Assumptions used for the years ended March 31, 2023 and 2022, are set forth as follows:

	2023	2022
Discount rate	Mainly 0.7 - 1.3%	Mainly 0.6 - 1.0%
Expected rate of return on plan assets	Mainly 0.6 - 1.0%	Mainly 0.6 - 1.0%

(Note) The discount rate which was applied in calculation at the beginning of the fiscal year ended March 31, 2023 was mainly 0.6-1.0%. However, after reviewing the discount rate at the end of the fiscal year ended March 31, 2023, we realized that changing the discount rate will have a significant impact on the amount of the defined benefit obligation and changed the discount rate to mainly 0.7-1.3%.

(9) Defined contribution pension plan

Contributions to the defined contribution pension plan of the Group for the years ended March 31, 2023 and 2022, were ¥995 million ($7,450 thousand) and ¥846 million, respectively.

11. STOCK INCENTIVE PLAN FOR DIRECTORS AND EXECUTIVE OFFICERS

Stock Incentive Plan for Members of the Board of Directors

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

Overview of the Stock Plan

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

Matters Relating to the Company Shares Held by the Trust

The shares held by the BIP Trust are recorded as treasury shares within equity at the shares' carrying value. The carrying amount of shares and the number of shares held by the BIP Trust were ¥288 million ($2,156 thousand) and 102,680 shares as of March 31, 2023, and ¥314 million and 111,759 shares as of March 31, 2022, respectively.

Stock Incentive Plan for Executive Officers

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

Overview of the Incentive Plan

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

Matters Relating to the Company Shares Held by the Trust

The shares held by the ESOP Trust are recorded as treasury shares within equity at the shares' carrying value. The carrying amount of shares and the number of shares held by the ESOP Trust were ¥935 million ($7,001 thousand) and 370,965 shares as of March 31, 2023, and ¥593 million and 189,525 shares as of March 31, 2022, respectively.

Per Share Information

As noted in Note 2.v, the Company applied PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts." Due to the method by which net income per share is calculated, the Company's own shares in "Board Incentive Plan (BIP) Trust Account" and "Employee Stock Ownership Plan (ESOP) Trust Account" recorded as treasury shares within equity is included in the treasury shares deducted from the average number of shares during the period (372,969 shares in the current fiscal year and 305,044 shares in the previous fiscal year respectively).

12. EQUITY

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

(a) Dividends

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

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

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

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

(c) Treasury Shares and Treasury Share Acquisition Rights

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

13. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% for the years ended March 31, 2023 and 2022. Foreign consolidated subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities as of March 31, 2023 and 2022, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Deferred tax assets due to:			
Retirement benefit liability	¥ 475	¥ 499	$ 3,556
Unrealized profit eliminated	1,815	1,366	13,591
Accrued bonuses	1,695	1,669	12,692
Research and development expenditures	2,460	2,366	18,421
Depreciation and amortization	344	355	2,576
Inventories	1,685	854	12,617
Loss on valuation of investment securities	1,195	441	8,948
Allowance for doubtful accounts	805	798	6,028
Impairment loss on the core system, currently not deductible	650	—	4,867
Other	3,928	3,561	29,414
Gross deferred tax assets	15,058	11,913	112,760
Less valuation allowance	(1,965)	(1,236)	(14,714)
Total gross deferred tax assets	¥ 13,092	¥ 10,677	$ 98,038
Deferred tax liabilities due to:			
Intangible assets	¥ (6,275)	¥ (6,582)	$ (46,989)
Valuation difference on available-for-sale securities	(683)	(388)	(5,114)
Retirement benefit asset	(4,435)	(2,859)	(33,211)
Other	(1,437)	(1,389)	(10,760)
Total gross deferred tax liabilities	(12,832)	(11,220)	(96,091)
Net deferred tax assets (liabilities)	¥ 260	¥ (543)	$ 1,946

(Note) The Company finalized the provisional accounting treatment for business combinations in the fiscal year ended March 31, 2023 and accordingly, the figures as of March 31, 2022 reflect the final contents of the provisional accounting treatment.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of operations for the year ended March 31, 2023 is omitted since the Company recorded loss before income taxes.

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

	2022
Normal effective statutory tax rate	30.6%
Expenses not deductible for income tax purposes, such as entertainment expenses	2.9
Income not taxable for income tax purposes	(1.3)
Tax credit related to research expenses	(3.4)
Amortization of goodwill	11.3
Impairment loss on goodwill	0.3
Tax rate differences with foreign consolidated subsidiaries	(3.5)
Valuation allowance	1.8
Withholding taxes on dividends from foreign subsidiaries	4.0
Per capita inhabitant tax	1.1
Reduction of deferred income taxes at fiscal year-end due to a tax rate change	2.7
Gain on sale of shares of subsidiaries and associates	(2.6)
Other, net	1.3
Actual effective tax rate	45.2%

Accounting treatment for income taxes and their related tax effect accounting treatment
The Company and some of its domestic consolidated subsidiaries have adopted the group tax sharing system from the fiscal year ended March 31, 2023 and conducts accounting treatment of income taxes and local income taxes, and related tax effect accounting, and disclosures in accordance with PITF No. 42, the "Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System" (PITF, August 12, 2021).

14. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general, and administrative expenses in the accompanying consolidated statement of operations for the years ended March 31, 2023 and 2022, mainly consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Employees' salaries and bonuses	¥42,233	¥35,200	$ 316,257
Provision for employees' bonuses	3,674	3,700	27,512
Provision for stock grant	34	271	254
Retirement benefit expenses	1,388	1,377	10,393
Amortization of goodwill	6,703	5,119	50,194
Depreciation expense	8,310	7,137	62,228
Rent expense	4,410	4,183	33,023

15. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to administrative expenses and manufacturing costs for the years ended March 31, 2023 and 2022, were ¥14,466 million ($108,327 thousand) and ¥14,743 million, respectively.

16. SHARE OF LOSS OF ENTITIES ACCOUNTED FOR USING EQUITY METHOD

Impairment loss of ¥1,779 million ($13,321 thousand) recognized on goodwill incurred when the two associated companies accounted for using the equity method were acquired is included in "Share of loss of entities accounted for using equity method" for the year ended March 31, 2023.

17. IMPAIRMENT LOSSES

Year ended March 31, 2023

The Group recognized impairment losses of ¥3,810 million ($28,530 thousand) on the following asset group:

Location	Use	Type	Millions of Yen	Thousands of U.S. Dollars
Acrelec Group S.A.S. (France)	-	Goodwill	¥1,458	$10,918
Glory Ltd. (Himeji, Hyogo)	Business assets	Software in progress, etc.	2,126	15,920
Glory Ltd. (Himeji, Hyogo)	Dormitory	Land, etc.	225	1,684

The Group recognized impairment losses on goodwill relating to acquisition of Acrelec Group S.A.S. The Group reviewed the business plan in light of the changes in business environments. This revealed that it is not expected to generate revenue as initially planned in the business development plan. Therefore, the Company reduced the carrying amount of the goodwill to the recoverable amount and recorded the difference as impairment losses.

In addition, regarding software in progress, development costs of the core system were previously recorded under software in progress, but it is not expected to generate revenue as initially planned in the business plan since it was decided to suspend part of the development and, as a result, the Company recognized a loss on impairment. Furthermore, the dormitory has become subject to disposal in the sales agreement. Therefore, the Company reduced the carrying amount of the asset to the sales agreement price and recorded the difference as impairment losses.

Goodwill is grouped into units consisting of a single business site or a subsidiary. In addition, business assets are grouped into a minimum unit generating cash flows independent from cash flows of other assets or asset groups.

The recoverable amount of goodwill is measured at value in use and computed by discounting future cash flows by 9.40%. Software in progress is measured at value in use, but the recoverable amount is deemed to be zero since the future cash flows are not expected.

Year ended March 31, 2022

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

18. SPECIAL INVESTIGATION EXPENSES

For the year ended March 31, 2022, the Company recorded special investigation expenses under "Other income (expenses)" to account for expenses incurred by the Investigation Committee to investigate an embezzlement incident involving a former employee of a consolidated subsidiary and audit fees, etc. for correcting the account closing of past fiscal years.

19. LEASES

(a) Lessee

The minimum rental commitments under noncancelable operating leases as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Due within one year	¥ 30	¥ 27	$ 224
Due after one year	58	48	434
Total	¥ 88	¥ 76	$ 658

(b) Lessor

The net investments in leases as of March 31, 2023 and 2022, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Gross lease receivables	¥ 788	¥ 1,127	$ 5,900
Unearned interest income	240	351	1,797
Net investments in leases	¥ 547	¥ 775	$ 4,096

Maturities of investment in leases for finance leases that are deemed not to transfer ownership of the leased property to the lessee as of March 31, 2023, are as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2024	¥ 289	$ 2,164
2025	228	1,707
2026	144	1,078
2027	73	546
2028	32	239
2029 and thereafter	19	142
Total	¥ 788	$ 5,900

20. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

1. Financial instruments

(1) Group policy for financial instruments

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

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

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

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

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

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

Derivatives include foreign currency forward contracts, interest rate swap agreements and currency swap agreements. Please see Note 21 for more details about derivatives.

(3) Supplementary explanation about fair values of financial instruments

Fair values of financial instruments are measured by incorporating variable factors, and therefore the amount may fluctuate if different prerequisites are used. Contractual amounts relating to derivatives stated in Note 21 do not represent the market risk associated with the derivatives.

2. Fair values of financial instruments

The carrying amounts, fair values and unrealized gain/loss of financial instruments as of March 31, 2023 and 2022, were as follows.

	Millions of Yen		
March 31, 2023	Carrying Amount	Fair Value	Unrealized Gain/Loss
Receivables:			
Trade notes	¥ 553		
Allowance for doubtful accounts *2	(11)		
	541	¥ 541	¥ 0
Electronically recorded monetary claims－operating	1,821		
Allowance for doubtful accounts *2	(2)		
	1,819	1,819	0
Investments in leases	547		
Allowance for doubtful accounts *2	(0)		
	546	763	216
Short-term investments and investment securities *3	6,747	6,929	181
Total assets	¥ 9,655	¥ 10,053	¥ 397
Bonds payable	¥ 20,000	¥ 19,840	¥ (160)
Long-term borrowings	13,536	13,684	148
Long-term lease liabilities	7,499	7,084	(414)
Total liabilities	¥ 41,035	¥ 40,609	¥ (426)

	Millions of Yen		
March 31, 2022	Carrying Amount	Fair Value	Unrealized Gain/Loss
Receivables:			
Trade notes	¥ 2,067		
Allowance for doubtful accounts *2	(21)		
	2,045	¥ 2,045	¥ (0)
Electronically recorded monetary claims – operating	749		
Allowance for doubtful accounts *2	(1)		
	747	747	－
Investments in leases	775		
Allowance for doubtful accounts *2	(0)		
	774	1,099	324
Short-term investments and investment securities *3	5,503	5,549	46
Total assets	¥ 9,072	¥ 9,442	¥ 370
Bonds payable	¥ 20,000	¥ 19,874	¥ (126)
Long-term borrowings	13,772	13,884	111
Long-term lease liabilities	6,273	6,173	(100)
Total liabilities	¥ 40,046	¥ 39,932	¥ (114)

March 31, 2023	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Receivables:			
Trade notes	$ 4,141		
Allowance for doubtful accounts *2	(82)		
	4,051	$ 4,051	$ 0
Electronically recorded monetary claims – operating	13,636		
Allowance for doubtful accounts *2	(14)		
	13,621	13,621	0
Investments in leases	4,096		
Allowance for doubtful accounts *2	(0)		
	4,088	5,713	1,617
Short-term investments and investment securities *3	50,524	51,887	1,355
Total assets	$ 72,300	$ 75,280	$ 2,972
Bonds payable	$ 149,767	$ 148,569	$ (1,198)
Long-term borrowings	101,362	102,471	1,108
Long-term lease liabilities	56,155	53,047	(3,100)
Total liabilities	$ 307,286	$ 304,096	$ (3,190)

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

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

*3 Investment securities include listed shares of associates accounted for using equity method. In addition, shares which do not have a market price and investments in partnerships as of March 31, 2023 and 2022 are not included in “Short-term investments and investment securities” stated below. The carrying amounts of such financial instruments on the consolidated balance sheet are as follows:

	Carrying Amount Millions of Yen 2023	2022	Thousands of U.S. Dollars 2023
Unlisted equity securities	¥6,012	¥7,229	$ 45,020
Investments in partnerships	2,687	2,630	20,121

The carrying amounts of investments in unconsolidated subsidiaries and associated companies included in the above table as of March 31, 2023 and 2022, were ¥4,616 million ($34,566 thousand) and ¥4,433 million, respectively.

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

March 31, 2023	Millions of Yen Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 36,693	—	—	—
Receivables-Trade notes	486	¥ 66	—	—
Receivables-Trade accounts	59,234	—	—	—
Electronically recorded monetary claims – operating	1,815	5	—	—
Short-term investments and investment securities				
Held-to-maturity securities				
Government, corporate and other bonds	—	—	—	—
Other	60	—	—	—
Investments in leases	195	342	¥ 9	—
Total	¥ 98,486	¥ 414	¥ 9	—

March 31, 2022	Millions of Yen Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 52,316	—	—	—
Receivables-Trade notes	1,643	¥ 423	—	—
Receivables-Trade accounts	50,353	—	—	—
Electronically recorded monetary claims - operating	749	—	—	—
Short-term investments and investment securities				
Held-to-maturity securities				
Government, corporate and other bonds	50	—	—	—
Other	60	—	—	—
Investments in leases	254	517	¥ 3	—
Total	¥ 105,427	¥ 941	¥ 3	—

March 31, 2023	Thousands of U.S. Dollars			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$ 274,771	—	—	—
Receivables-Trade notes	3,639	$ 494	—	—
Receivables-Trade accounts	443,567	—	—	—
Electronically recorded monetary claims - operating	13,591	37	—	—
Short-term investments and investment securities				
Held-to-maturity securities				
Government, corporate and other bonds	—	—	—	—
Other	449	—	—	—
Investments in leases	1,460	2,561	$ 67	—
Total	$ 737,501	$ 3,100	$ 67	—

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

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

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

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

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

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

(1) Financial instruments measured at fair value

	Millions of Yen			
	Fair value			
March 31, 2023	Level 1	Level 2	Level 3	Total
Short-term investments and investment securities				
Trading securities				
Government, corporate and other bonds	—	¥ 833	—	¥ 833
Available-for-sale securities:				
Equity securities	¥ 5,045	—	—	5,045
Total assets	¥ 5,045	¥ 833	—	¥ 5,878

	Millions of Yen			
	Fair value			
March 31, 2022	Level 1	Level 2	Level 3	Total
Short-term investments and investment securities				
Trading securities				
Government, corporate and other bonds	—	—	—	—
Available-for-sale securities:				
Equity securities	¥ 4,356	—	—	¥ 4,356
Total assets	¥ 4,356	—	—	¥ 4,356

	Thousands of U.S. Dollars			
	Fair value			
March 31, 2023	Level 1	Level 2	Level 3	Total
Short-term investments and investment securities				
Trading securities				
Government, corporate and other bonds	—	$ 6,237	—	$ 6,237
Available-for-sale securities:				
Equity securities	$ 37,778	—	—	37,778
Total assets	$ 37,778	$ 6,237	—	$ 44,015

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

	Millions of Yen			
	Fair value			
March 31, 2023	Level 1	Level 2	Level 3	Total
Trade notes	¥ —	¥ 541	¥ —	¥ 541
Electronically recorded monetary claims - operating	—	1,819	—	1,819
Investments in leases	—	763	—	763
Short-term investments and investment securities				
Held-to-maturity securities:				
Government, corporate and other bonds	—	—	—	—
Equity securities in associates	990	—	—	990
Total assets	¥ 990	¥ 3,124	¥ —	¥ 4,114
Bonds payable	¥ —	¥ 19,840	—	¥ 19,840
Long-term borrowings	—	13,684	—	13,684
Lease liabilities	—	7,084	—	7,084
Total liabilities	¥ —	¥ 40,609	¥ —	¥ 40,609

	Millions of Yen			
	Fair value			
March 31, 2022	Level 1	Level 2	Level 3	Total
Trade notes	¥ —	¥ 2,045	¥ —	¥ 2,045
Electronically recorded monetary claims – operating		747		747
Investments in leases	—	1,099	—	1,099
Short-term investments and investment securities				
Held-to-maturity securities:				
Government, corporate and other bonds	—	50	—	50
Equity securities in associates	1,141	—	—	1,141
Total assets	¥ 1,141	¥ 3,942	¥ —	¥ 5,084
Bonds payable	¥ —	¥ 19,874	—	¥ 19,874
Long-term borrowings	—	13,884	—	13,884
Lease liabilities	—	6,173	—	6,173
Total liabilities	¥ —	¥ 39,932	¥ —	¥ 39,932

	Thousands of U.S. Dollars			
	Fair value			
March 31, 2023	Level 1	Level 2	Level 3	Total
Trade notes receivable	$ —	$ 4,051	$ —	$ 4,051
Electronically recorded monetary claims – operating		13,621		13,621
Investments in leases	—	5,713	—	5,713
Short-term investments and investment securities				
Held-to-maturity securities:				
Government, corporate and other bonds	—	—	—	—
Equity securities in associates	7,413	—	—	7,413
Total assets	$ 7,413	$ 23,393	$ —	$ 30,807
Bonds payable	$ —	$ 148,569	$ —	$148,569
Long-term borrowings	—	102,471	—	102,471
Lease liabilities	—	53,047	—	53,047
Total liabilities	$ —	$ 304,096	$ —	$ 304,096

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

Short-term investments and investment securities
The fair value of listed shares, equity securities in associates and bond payable is measured using the quoted price. The fair value of listed shares and equity securities in associates is classified as Level 1 as they are traded in active markets.
The fair value of bonds payable held by the Company is classified as Level 2 since the trading frequency is low and cannot be considered to be traded in active markets.

Trade notes receivable and electronically recorded monetary claims - operating
The fair value of these instruments is based on the present value discounted using the TONA rate less allowance for doubtful accounts and classified as Level 2.

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

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

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

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

21. DERIVATIVES

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

Derivative Transactions to Which Hedge Accounting Is Not Applied

	Millions of Yen			
March 31, 2023	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying JPY	¥ 204	—	¥ 2	¥ 2
CNY	39	—	0	0
GBP	413	—	0	0
CHF	73	—	0	0
SEK	12	—	0	0
Selling USD	6,620	—	0	0
AUD	93	—	0	0
SGD	100	—	0	0
EUR	1,249	—	1	1

	Millions of Yen			
March 31, 2022	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying USD	¥ 465	—	¥ (0)	¥ (0)
Selling USD	432	—	(1)	(1)
AUD	165	—	(0)	(0)

	Thousands of U.S. Dollars			
March 31, 2023	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying JPY	$ 1,527	—	$ 14	$ 14
CNY	292	—	0	0
GBP	3,092	—	0	0
CHF	546	—	0	0
SEK	89	—	0	0
Selling USD	49,573	—	0	0
AUD	696	—	0	0
SGD	748	—	0	0
EUR	9,353	—	7	7

Put options selling in an amount of ¥3,095 million ($23,176 thousand) and ¥4,273 million as of March 31, 2023 and 2022, respectively, granted to non-controlling interests of overseas consolidated subsidiaries which apply IFRS are measured at the present value of the exercise price and they are included in other liabilities in the consolidated balance sheet. Such financial liabilities are not included in the above table.

Derivative Transactions to Which Hedge Accounting Is Applied

	Millions of Yen			
March 31, 2023	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts: Selling EUR	Receivables	¥ 5,040	—	*1
Interest swaps (fixed-rate payment, floating-rate receipt)	Long-term borrowings	1,201	1,068	*2
Interest rate and currency swaps (fixed-rate and Euro payment, floating-rate and Japanese yen receipt)	Long-term borrowings	1,201	1,068	*2

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

	Thousands of U.S. Dollars			
March 31, 2023	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts: Selling Euro	Receivables	$ 37,741	—	*1
Interest swaps (fixed rate payment, floating rate receipt)	Long-term borrowings	$8,993	$7,997	*2
Interest rate and currency swaps (fixed-rate and Euro payment, floating-rate and Japanese yen receipt)	Long-term borrowings	$8,993	$7,997	*2

Notes: *1 Fair value of the foreign currency forward contract assigned for receivables is included in the fair value of receivables disclosed in Note 20.

*2 Fair value of interest rate swaps and interest rate and currency swaps, for which special treatment is applied, is included in the fair value of the corresponding short-term borrowings or long-term borrowings for which hedge accounting is applied disclosed in Note 20.

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

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

22. CONTINGENT LIABILITIES

At March 31, 2023 and 2022, the Group had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Guarantees for bank loans drawn by its employees	¥ 6	¥ 7	$ 44

23. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Valuation difference on available-for-sale securities:			
Gains (losses) arising during the year	¥ 910	¥ (30)	$ 6,814
Reclassification adjustments to profit or loss	114	19	853
Amount before income tax effect	1,025	(10)	7,675
Income tax effect	(319)	1	(2,388)
Total	¥ 706	¥ (9)	$ 5,286
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 8,885	¥ 9,362	$ 66,534
Reclassification adjustments to profit or loss	—	(233)	—
Amount before income tax effect	8,885	9,128	66,534
Income tax effect	—	—	—
Total	¥ 8,885	¥ 9,128	$ 66,534
Remeasurements of defined benefit plans:			
Adjustments arising during the year	¥ 4,568	¥ 2,025	$ 34,206
Reclassification adjustments to profit or loss	(1,008)	(756)	(7,548)
Amount before income tax effect	3,559	1,269	26,651
Income tax effect	(1,022)	(331)	(7,653)
Total	¥ 2,537	¥ 937	$ 18,998
Share of other comprehensive (loss) income of entities accounted for using equity method			
(Losses) gains arising during the year	¥ (16)	¥ 14	$ (119)
Reclassification adjustments to profit or loss	—	(7)	—
Total	¥ (16)	¥ 7	$ (119)
Total other comprehensive income	¥ 12,111	¥ 10,064	$ 90,691

24. SUBSEQUENT EVENTS

Additional acquisition of shares of a subsidiary

At a Board of Directors' meeting held on June 23, 2023, the Company resolved the additional purchase of shares of Sitrade Italia S.p.A., a consolidated subsidiary, and purchased the shares as of July 12, 2023.

1. Outline of the transaction

    (1) Name of combining entity and details of business

    Name of the combining entity: Sitrade Italia S.p.A.
    Details of business: Sales and maintenance service of money handling machines

    (2) Date of business combination:

    July 1, 2023 (deemed date of purchase)

    (3) Legal form of the business combination:

    Share acquisition from non-controlling shareholders

    (4) Name of entity after combination:

    No change

    (5) Other matters concerning outline of the transaction:

    The percentage of voting rights of the additionally purchased shares is 19.5%, and the transaction has brought the Company's percentage of voting rights in Sitrade Italia S.p.A. to 95.0%. The purpose of this additional purchase is to further expand the Company's business in the Italian market and strengthen its business foundation throughout the European region.

2. Outline of accounting treatments to be implemented

    In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), this business combination will be treated as a transaction with non-controlling interests among transactions under common control.

3. Matters concerning additional purchase of shares of a subsidiary

    Purchase costs of shares of the combining entity and the breakdown by class
    The purchase, accounted for at a cost of ¥14,637 million ($109,607 thousand), was made in exchange for cash and deposits.

4. Matters concerning change in equity of the Company due to transactions with non-controlling interests

    (1) Main factors for changes in capital surplus

    Additional acquisition of shares of a subsidiary

    (2) Amount of capital surplus reduced by transactions with non-controlling shareholders

    The amount has not been finalized at this time.

Unauthorized Access to the Glory Group's Servers

The Company confirmed an unauthorized access by a third party to the servers of the Group on July 5, 2023 and is currently still investigating the incident.
The impact of this incident on the financial position and operating results of the next quarter and onward is currently under close examination. The Company will announce the details of investigation results as necessary.

Issuance of bonds

At a Board of Directors' meeting held on July 27, 2023, the Company resolved the issuance of domestic unsecured straight bonds as follows.

Domestic unsecured straight bonds

(1)	Total amount to be issued:	¥30.0 billion ($22,465 thousand) or less
(2)	Issue price:	¥100 ($0.74) per ¥100 ($0.74) face value
(3)	Interest rate:	The yield of government bonds corresponding to the period for redemption of corporate bonds + a spread of 1.5% or less, or 3.0% or less per year
(4)	Issue period:	From October 1, 2023 to March 31, 2024
(5)	Redemption period:	Within 10 years
(6)	Redemption method:	Lump-sum redemption at maturity
(7)	Use of funds:	Capital investment, repayments of borrowings, redemption of bonds, investment and financing and working capital

Appropriation of Retained Earnings

The following appropriation of retained earnings as of March 31, 2023, was approved at the Company's shareholders' meeting held on June 23, 2023:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥34 ($0.25) per share	¥1,906	$14,272

25. REVENUE RECOGNITION

1. Disaggregation of revenue from contracts with customers

The Company does not disaggregate net sales into revenue from contracts with customers and from other sources. As stated in Note 26. "SEGMENT INFORMATION," the Group consists of four reportable segments, namely, the Financial market, Retail and Transportation market, Amusement market and Overseas market.

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

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

	Millions of Yen						
	Reportable segment						
Year ended March 31, 2023	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other (Note) 1	Total
Revenue by region							
Japan	¥ 36,248	¥45,237	¥ 15,138	¥ —	¥96,624	¥ 2,971	¥ 99,596
Americas	—	—	—	69,328	69,328	—	69,328
Europe	—	—	—	70,710	70,710	—	70,710
Asia	—	—	—	15,734	15,734	—	15,734
Revenue arising from contracts with customers	36,248	45,237	15,138	155,773	252,398	2,971	255,369
Revenue by type of goods or services							
Finished goods and merchandise	20,443	31,694	13,163	86,719	152,020	2,555	154,576
Maintenance	15,805	13,543	1,975	69,053	100,377	415	100,793
Revenue arising from contracts with customers	36,248	45,237	15,138	155,773	252,398	2,971	255,369
Other revenue (Note) 2	—	358	1	128	488	—	488
Sales to external customers	36,248	45,595	15,139	155,902	252,886	2,971	255,857

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

Year ended March 31, 2023	Thousands of U.S. Dollars						
	Reportable segment					Other (Note) 1	Total
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total		
Revenue by region							
Japan	$ 271,439	$ 338,752	$ 113,359	$ −	$ 723,558	$ 22,248	$ 745,813
Americas	—	—	—	519,155	519,155	—	519,155
Europe	—	—	—	529,504	529,504	—	529,504
Asia	—	—	—	117,822	117,822	—	117,822
Revenue arising from contracts with customers	271,439	338,752	113,359	1,166,489	1,890,055	22,248	1,912,303
Revenue by type of goods or services							
Finished goods and merchandise	153,085	237,337	98,569	649,385	1,138,385	19,132	1,157,525
Maintenance	118,354	101,415	14,789	517,096	751,662	3,107	754,777
Revenue arising from contracts with customers	271,439	338,752	113,359	1,166,489	1,890,055	22,248	1,912,303
Other revenue (Note) 2		2,680	7	958	3,654		3,654
Sales to external customers	271,439	341,433	113,366	1,167,455	1,893,709	22,248	1,915,957

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

2. Basic information for understanding revenue from contracts with customers

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

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

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

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

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

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

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

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

(1) Balance of contract assets and contract liabilities

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Receivables from contracts with customers (beginning balance)	¥ 50,723	¥ 54,229	$ 379,833
Receivables from contracts with customers (ending balance)	58,451	50,723	437,704
Contract assets (beginning balance)	1,381	1,070	10,341
Contract assets (ending balance)	1,308	1,381	9,794
Contract liabilities (beginning balance)	23,858	19,136	178,658
Contract liabilities (ending balance)	23,054	23,858	172,637

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

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

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

Revenue recognized in the fiscal year ended March 31, 2023 that was included in the contract liability balance at the beginning of the period was ¥5,429 million ($40,654 thousand).

The amount of revenue recognized in the fiscal year ended March 31, 2023 from performance obligations that were satisfied in previous periods is immaterial.

(2) Transaction price allocated to the remaining performance obligations

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Within one year	¥ 8,849	¥ 10,118	$ 66,264
After 1 year through 2 years	2,205	4,047	16,511
After 2 years through 3 years	1,047	2,200	7,840
After 3 years	2,383	2,973	17,844
Total	¥ 14,485	¥ 19,340	$108,469

26. SEGMENT INFORMATION

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

1. Description of reportable segments

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

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

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

(Change in the depreciation method for property, plant and equipment)
As described in Note 2 x. “*Changes in Accounting Policy That Are Difficult to Make a Distinction from Changes in Accounting Estimates,”* the Company and its domestic consolidated subsidiaries changed the depreciation method of property, plant and equipment (excluding lease assets) of the Company and its domestic consolidated subsidiaries. As a result of this change, compared with the amounts under the previous method, segment profit of “Financial Market,” “Amusement Market” and “Overseas Market” increased by ¥291 million ($2,179 thousand), ¥57 million ($426 thousand) and ¥204 million ($1,527

thousand), respectively, and segment loss of “Retail and Transportation Market” and “Other” decreased by ¥272 million ($2,036 thousand) and ¥24 million ($179 thousand), respectively.

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

	Millions of Yen								
	2023								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥ 36,248	¥ 45,595	¥ 15,139	¥ 155,902	¥ 252,886	¥ 2,971	¥ 255,857	—	¥ 255,857
Intersegment sales or transfers	—	—	—	—	—	—	—	—	—
Total	36,248	45,595	15,139	155,902	252,886	2,971	255,857	—	255,857
Segment profit (loss)	152	(571)	1,624	436	1,641	(1,118)	522	—	522
Segment assets *1	47,904	51,605	18,023	218,008	335,541	8,978	344,519	¥ 36,753	381,273
Other:									
Depreciation	1,271	1,449	533	8,391	11,645	116	11,762	—	11,762
Amortization of goodwill	—	—	—	6,703	6,703	—	6,703	—	6,703
Investments in an entity accounted for using equity method	—	—	—	0	0	5,352	5,352	—	5,352
Increase in property, plant and equipment and intangible assets	¥ 1,680	¥ 1,690	¥ 1,070	¥ 6,894	¥ 11,336	¥ 146	¥ 11,482	—	¥ 11,482

	Millions of Yen								
	2022								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥ 36,079	¥ 47,859	¥ 12,131	¥ 127,803	¥ 223,873	¥ 2,688	¥ 226,562	—	¥ 226,562
Intersegment sales or transfers	—	—	—	—	—	—	—	—	—
Total	36,079	47,859	12,131	127,803	223,873	2,688	226,562	—	226,562
Segment profit (loss)	4,644	2,543	(366)	4,781	11,603	(1,408)	10,195	—	10,195
Segment assets *1	37,639	44,633	15,146	202,932	300,351	10,541	310,893	¥ 52,376	363,269
Other:									
Depreciation	1,764	1,840	649	7,785	12,040	151	12,191	—	12,191
Amortization of goodwill	—	—	—	5,119	5,119	—	5,119	—	5,119
Investments in an entity accounted for using equity method	—	—	—	433	433	5,052	5,486	—	5,486
Increase in property, plant and equipment and intangible assets	¥ 2,108	¥ 2,032	¥ 850	¥ 23,938	¥ 28,929	¥ 171	¥ 29,101	¥ —	¥ 29,101

(Note) The Company finalized the provisional accounting treatment for business combinations in the fiscal year ended March 31, 2023 and accordingly, segment information for the year ended March 31, 2022 reflect the final contents of the provisional accounting treatment.

	Thousands of U.S. Dollars								
	2023								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	$ 271,439	$ 341,433	$ 113,366	$ 1,167,455	$ 1,893,709	$ 22,248	$1,915,957	$ —	$1,915,957
Intersegment sales or transfers	—	—	—	—	—	—	—	—	—
Total	271,439	341,433	113,366	1,167,455	1,893,709	22,248	1,915,957	—	1,915,957
Segment profit (loss)	1,138	(4,275)	12,161	3,264	12,288	(8,372)	3,908	—	3,908
Segment assets *1	358,723	386,438	134,963	1,632,529	2,512,662	67,230	2,579,893	275,220	2,855,122
Other:									
Depreciation	9,517	10,850	3,991	62,835	87,202	868	88,078	—	88,078
Amortization of goodwill	—	—	—	50,194	50,194	—	50,194	—	50,194
Investments in an entity accounted for using equity method	—	—	—	0	0	40,077	40,077	—	40,077
Increase in property, plant and equipment and intangible assets	$12,580	$ 12,655	$ 8,012	$ 51,624	$ 84,888	$ 1,093	$ 85,981	$ —	$ 85,981

Note: *1 Reconciliations of segment assets are corporate assets of ¥36,753 million ($275,220 thousand) and ¥52,376 million for the years ended March 31, 2023 and 2022, respectively, consisting of surplus funds of the Group.

4. Information about products and services

	Millions of Yen			
	2023			
	Money Handling Machines and Cash Management Systems	Vending Machines and Automatic Service Equipment	Other Merchandises and Products	Total
Sales to external customers	¥212,461	¥24,338	¥19,058	¥255,857

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

	Thousands of U.S. Dollars			
	2023			
	Money Handling Machines and Cash Management Systems	Vending Machines and Automatic Service Equipment	Other Merchandises and Products	Total
Sales to external customers	$1,590,991	$182,252	$142,713	$1,915,957

5. Information about geographical areas

(a) Sales

Millions of Yen					
2023					
Japan	Asia	United States of America	Americas Excluding United States of America	Europe	Total
¥99,955	¥15,806	¥60,050	¥9,285	¥70,758	¥255,857

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

Thousands of U.S. Dollars					
2023					
Japan	Asia	United States of America	Americas Excluding United States of America	Europe	Total
$748,502	$118,361	$449,677	$69,529	$529,863	$1,915,957

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

(b) Property, plant and equipment

Millions of Yen				
2023				
Japan	Asia	Americas	Europe	Total
¥28,390	¥4,123	¥4,264	¥5,739	¥42,517

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

Thousands of U.S. Dollars				
2023				
Japan	Asia	Americas	Europe	Total
$212,595	$30,874	$31,930	$42,975	$318,384

6. Information about major customers

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

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

	Millions of Yen								
	2023								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Impairment losses	¥ 739	¥ 925	¥ 262	¥ 1,883	¥ 3,810	—	¥ 3,810	—	¥ 3,810

	Millions of Yen								
	2022								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Impairment losses	—	—	—	¥ 121	¥ 121	—	¥ 121	—	¥ 121

	Thousands of U.S. dollars								
	2023								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Impairment losses	$ 5,535	$ 6,927	$ 1,967	$ 14,100	$ 28,530	—	$ 28,530	—	$ 28,530

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

	Millions of Yen								
	2023								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Amortization of goodwill	—	—	—	¥ 6,703	¥ 6,703	—	¥ 6,703	—	¥ 6,703
Goodwill at March 31, 2023	—	—	—	55,528	55,528	—	55,528	—	55,528

	Millions of Yen								
	2022								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Amortization of goodwill	—	—	—	¥ 5,119	¥ 5,119	—	¥ 5,119	—	¥ 5,119
Goodwill at March 31, 2022	—	—	—	58,399	58,399	—	58,399	—	58,399

(Note) The Company finalized the provisional accounting treatment for business combinations in the fiscal year ended March 31, 2023 and accordingly, segment information for the year ended March 31, 2022 reflect the final contents of the provisional accounting treatment.

	Thousands of U.S. Dollars								
	2023								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Amortization of goodwill	—	—	—	$ 50,194	$ 50,194	—	$ 50,194	—	$ 50,194
Goodwill at March 31, 2023	—	—	—	415,815	415,815	—	415,815	—	415,815

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of GLORY LTD.:

Opinion

We have audited the consolidated financial statements of GLORY LTD. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2023, and the consolidated statement of operations, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Basis for Opinion

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

Key Audit Matter

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

[Valuation of Goodwill]

In the consolidated balance sheet as of March 31, 2023, GLORY LTD. (the "Company") recognized goodwill ¥55,528 million, or 14.6% of total consolidated assets. Of the total goodwill amount, the Company performs annual testing for impairment on the goodwill of ¥34,884 million, or 9.1% of the total consolidated assets, arising from the acquisition of Talaris Topco Limited (currently, Glory Global Solutions (Topco) Ltd.) by Glory Global Solutions Ltd. in July 2012.

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

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

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

How the Key Audit Matter Was Addressed in the Audit

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

(1) Internal control testing

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

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

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

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

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

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu LLC

August 10, 2023