

(TRANSLATION FOR REFERENCE ONLY)

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

Consolidated Financial Results

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

August 5, 2022

Company Name: GLORY LTD. Stock exchange listing: Tokyo
 Code number: 6457 URL: <https://corporate.glory-global.com/>
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Scheduled filing date of Quarterly Securities Report: August 10, 2022
 Scheduled date of dividend payments: —
 Preparation of quarterly earnings supplementary explanatory material: Yes
 Holding of quarterly earnings presentation: Yes (for analysts and institutional investors)

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

1. Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2023 (from April 1, 2022 to June 30, 2022)

(1) Consolidated Operating Results (cumulative)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Three months ended June 30, 2022	52,980	9.9	(913)	—	(1,285)	—	(1,899)	—
Three months ended June 30, 2021	48,215	26.6	2,030	—	2,097	—	631	—

(Note) Comprehensive income

Three months ended June 30, 2022: ¥8,887 million [715.4%]
 Three months ended June 30, 2021: ¥1,089 million [— %]

	Net income per share	Fully diluted net income per share
	(Yen)	(Yen)
Three months ended June 30, 2022	(31.99)	—
Three months ended June 30, 2021	10.44	—

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

Three months ended June 30, 2022: ¥3,577 million [(40.1)%]
 Three months ended June 30, 2021: ¥5,972 million [159.3%]

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

Three months ended June 30, 2022: ¥(39) million [— %]
 Three months ended June 30, 2021: ¥1,847 million [— %]

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(2) Consolidated Financial Position

	Total assets	Equity	Ownership equity ratio	Equity per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of June 30, 2022	375,208	209,975	55.4	3,550.26
As of March 31, 2022	362,786	208,563	56.6	3,394.59

(Reference) Ownership equity

As of June 30, 2022: ¥207,850 million

As of March 31, 2022: ¥205,273 million

2. Dividends

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

(Note) Revisions to the latest dividend forecast: None

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

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
Six months ending September 30, 2022	108,000	4.7	(6,500)	—	(6,800)	—	(7,200)	—	(121.26)
Full year	245,000	8.1	6,000	(41.7)	5,500	(47.7)	2,000	(69.3)	33.68

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

(Reference) EBITDA

Six months ending September 30, 2022: ¥2,500 million

Year ending March 31, 2023 (full year): ¥24,200 million

Net income before amortization of goodwill

Six months ending September 30, 2022: ¥(4,000) million

Year ending March 31, 2023 (full year): ¥8,200 million

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Notes:

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

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

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

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

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

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

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

As of June 30, 2022: 63,638,210 shares

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

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

As of June 30, 2022: 4,870,292 shares

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

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

Three months ended June 30, 2022: 59,378,043 shares

Three months ended June 30, 2021: 60,461,695 shares

(Note) In addition to the number of treasury shares at the end of the period, there also existed Company shares owned by the “Board Incentive Plan (BIP) Trust Account” and “Employee Stock Ownership Plan (ESOP) Trust Account.” (As of June 30, 2022: 222,875 shares, As of March 31, 2022: 301,284 shares)

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

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

(Caution concerning forward-looking statements)

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

(2) Consolidated Financial Forecasts and Other Forward-looking Statements” on page 6 of the Attachment.

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Attachment

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1. Qualitative Information on the Financial Statements

(1) Operating Results

Although there were signs of recovery in the global economy in the three months ended June 30, 2022 due to the gradual easing of the COVID-19 situation, supply chain disruptions continued. These were primarily due to shortages of parts, such as semiconductors, soaring material prices and rising logistics costs. Furthermore, the outlook remained uncertain with the protracted conflict between Russia and Ukraine and the impact of lockdowns in China, etc. In the US and Europe, initiatives aimed at normalizing economic activity led to a continuous recovery in business conditions. There were also signs of recovery of business conditions in Asia, except for China, where economic activity has been constrained.

The Japanese economy saw a moderate recovery as the spread of COVID-19 infection slowed and downward pressure eased in the food service and hotel industries based on face-to-face services. Conversely, the economic outlook remained uncertain due to the impact on the supply chain from parts shortages, soaring material prices, and rapid depreciation of the yen.

Under such circumstances, demand for our products and services remained steady as the need for contact-free and self-service solutions continued and labor shortages persisted in both financial institutions and retail industry overseas. However, sales of our main products were postponed due to the impact on production caused by difficulty in parts procurement. On the other hand, sales remained steady for the Acrelec Group S.A.S. and its subsidiaries, which are engaged in self-service kiosks related business, and for Revolution Retail Systems, LLC, which we acquired in December 2021.

In the domestic market, sales of our main products were postponed due to the impact on production caused by difficulty in parts procurement in both the financial market and the retail and transportation market. Sales also decreased due to a slowdown in the system modifications required in connection with the issuance of the new 500-yen coin. Demand for our products and services, however, remained steady. In the retail and transportation market in particular, there was strong demand for self-service coin and bank note recyclers, as a response to labor shortages and the need for contact-free and self-service solutions, and sales remained at high levels and on a par with the corresponding period of the previous year.

As a result, net sales in this three-month period totaled ¥52,980 million (up 9.9% year on year). Of this, net sales of merchandise and finished goods were ¥28,848 million (down 0.3% year on year) and net sales from maintenance services were ¥24,132 million (up 25.2% year on year). Operating loss was ¥913 million (vs. operating income of ¥2,030 million in the corresponding period of the previous year) due to the postponement of sales that were impacted by production and the soaring prices for materials, ordinary loss was ¥1,285 million (vs. ordinary income of ¥2,097 million in the corresponding period of the previous year), and net loss attributable to owners of parent was ¥1,899 million (vs. net income attributable to owners of parent of ¥631 million in the corresponding period of the previous year).

Results of operations in each business segment are as follows.

Financial market

Sales of this segment's main products, namely open teller systems and coin and banknote recyclers for tellers, were sluggish because of the postponement of sales due to the impact on production caused by difficulties in procuring parts. In addition, sales from maintenance services decreased due to a slowdown in the system modifications required in connection with the issuance of the new 500-yen coin. Income fell due to decreased sales and the impact of soaring material prices, etc.

As a result, net sales in this segment were ¥6,463 million (down 21.7% year on year) and operating income was ¥1,210 million (down 18.3% year on year).

Retail and transportation market

Sales of this segment's main product, namely coin and banknote recyclers for cashiers, were maintained at high levels and on a par with the corresponding period of the previous year, despite the impact on production caused by difficulties in procuring parts. However, sales of sales proceeds deposit machines for cash-in-transit companies and multifunctional banknote changers were slow due to the postponement of sales caused by the impact on production. In addition, sales from maintenance services decreased due to a slowdown in the system modifications required in connection with the issuance of the new 500-yen coin. Income fell due mainly to decreased sales and the impact of soaring material prices.

As a result, net sales in this segment were ¥9,936 million (down 14.2% year on year) and operating loss was ¥206 million (vs. operating income of ¥844 million in the corresponding period of the previous year).

Amusement market

Sales of this segment's main products, such as card systems were slow, but sales of pachinko prize dispensing machines for pachinko parlors were favorable. Income increased as a result of improvements in the cost of sales ratio, etc.

As a result, net sales in this segment were ¥2,518 million (down 2.9% year on year), operating income was ¥64 million (vs. operating loss of ¥78 million in the corresponding period of the previous year).

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Overseas market

In the Americas and Europe, sales of this segment's main product, namely RBG-series coin and banknote recyclers for the financial institutions, were slow due to postponements on production caused by difficulties in procuring parts. On the other hand, sales of CI-series sales proceeds deposit machines for the retail industry were robust. In Asia, sales of UW-series banknote sorters were maintained at the level of the corresponding period to the previous year. Income fell due to the soaring material prices, rising logistics costs, and sales being postponed due to slower production.

Furthermore, net sales of Acrelec Group S.A.S. and its subsidiaries totaled ¥4,424 million (up 18.8% year on year), and net sales of Revolution Retail Systems, LLC in the U.S., which we acquired in December 2021, were ¥4,450 million.

As a result, net sales in this segment were ¥33,519 million (up 32.7% year on year) and operating loss was ¥1,626 million (vs. operating income of ¥135 million in the corresponding period of the previous year).

In the "Other" business segment, net sales were ¥543 million (up 1.9% year on year) and operating loss was ¥355 million (vs. operating loss of ¥351 million in the corresponding period of the previous year).

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

Financial forecasts for the six months ending September 30, 2022 are expected to exceed the forecast announced on May 12, 2022 because sales of our products and services for retail industry are expected to increase in overseas market. Accordingly, we have upwardly revised our net sales forecast by ¥8,000 million. In addition, we forecast an improvement of ¥1,000 million in each of operating loss and ordinary loss areas and an improvement of ¥600 million in net loss attributable to owners of parent.

Despite price revisions and production safeguards, the consolidated financial forecast for the full year remains unchanged due to the uncertain outlook caused by rising logistics costs, difficulties in parts procurement, and high material prices.

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2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	52,316	48,052
Notes and accounts receivable - trade, and contract assets	52,420	44,798
Electronically recorded monetary claims - operating	749	1,074
Securities	50	50
Merchandise and finished goods	38,511	41,467
Work in process	15,658	25,383
Raw materials and supplies	17,599	21,303
Other	13,688	11,946
Allowance for doubtful accounts	(1,240)	(1,494)
Total current assets	189,753	192,582
Non-current assets		
Property, plant and equipment	40,485	40,751
Intangible assets		
Customer relationships	21,335	22,924
Goodwill	64,157	70,968
Other	9,580	9,625
Total intangible assets	95,072	103,518
Investments and other assets		
Investment securities	14,871	15,177
Other	24,709	25,284
Allowance for doubtful accounts	(2,106)	(2,105)
Total investments and other assets	37,474	38,356
Total non-current assets	173,032	182,626
Total assets	362,786	375,208
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,656	17,382
Electronically recorded obligations - operating	6,975	8,232
Short-term borrowings	16,743	24,508
Current portion of long-term borrowings	2,585	1,473
Income taxes payable	1,075	1,125
Provision for bonuses	7,373	2,752
Provision for bonuses for directors (and other officers)	102	26
Provision for stock grant	209	51
Other	50,175	51,896
Total current liabilities	99,898	107,450
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	11,187	13,806
Provision for stock grant	247	214
Retirement benefit liability	2,327	2,299
Other	20,562	21,462
Total non-current liabilities	54,325	57,783
Total liabilities	154,223	165,233

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(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Equity		
Shareholders' equity		
Share capital	12,892	12,892
Capital surplus	12,286	12,286
Retained earnings	166,665	162,700
Treasury shares	(9,191)	(13,090)
Total shareholders' equity	182,653	174,789
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	666	701
Foreign currency translation adjustment	17,906	28,255
Remeasurements of defined benefit plans	4,047	4,104
Total accumulated other comprehensive income	22,620	33,060
Non-controlling interests	3,289	2,125
Total equity	208,563	209,975
Total liabilities and equity	362,786	375,208

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(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(Millions of yen)

	Three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)
Net sales	48,215	52,980
Cost of sales	27,889	32,430
Gross profit	20,326	20,550
Selling, general and administrative expenses	18,296	21,464
Operating income (loss)	2,030	(913)
Non-operating income		
Interest income	58	39
Dividend income	78	108
Foreign exchange gains	92	–
Other	73	147
Total non-operating income	303	295
Non-operating expenses		
Interest expenses	185	206
Share of loss of entities accounted for using equity method	34	299
Foreign exchange losses	–	103
Other	15	57
Total non-operating expenses	235	666
Ordinary income (loss)	2,097	(1,285)
Extraordinary income		
Gain on sale of non-current assets	5	0
Gain on sale of investment securities	0	–
Total extraordinary income	5	0
Extraordinary losses		
Loss on sale of non-current assets	–	2
Loss on retirement of non-current assets	12	3
Loss on valuation of investment securities	9	–
Provision of allowance for doubtful accounts	206	–
Total extraordinary losses	228	6
Income (loss) before income taxes	1,874	(1,291)
Income taxes	1,121	443
Net income (loss)	753	(1,735)
Net income attributable to non-controlling interests	122	163
Net income (loss) attributable to owners of parent	631	(1,899)

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Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)
Net income (loss)	753	(1,735)
Other comprehensive income		
Valuation difference on available-for-sale securities	(132)	35
Foreign currency translation adjustment	605	10,512
Remeasurements of defined benefit plans, net of tax	(135)	57
Share of other comprehensive income of entities accounted for using equity method	(1)	16
Total other comprehensive income	336	10,622
Comprehensive income	1,089	8,887
Comprehensive income attributable to		
Owners of parent	901	8,541
Non-controlling interests	188	346

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(3) Notes to Quarterly Consolidated Financial Statements

Notes Regarding Assumption of a Going Concern

Not applicable.

Notes for Significant Change in the Amount of Shareholders' Equity

(Acquisition of treasury shares)

The Company resolved at a meeting of the Board of Directors held on May 12, 2022 to acquire its treasury shares and, during the three months ended June 30, 2022, it acquired its treasury shares as follows.

- (1) Type of shares acquired Common shares of the Company
- (2) Total number of shares acquired 2,004,200 shares
- (3) Total amount of shares acquired ¥4,141,365,400
- (4) Period of share acquisition From May 13, 2022 to June 30, 2022
- (5) Method of share acquisition Open-market purchase on the Tokyo Stock Exchange (Includes purchase through the off-auction own share repurchase trading system (ToSTNeT-3).)

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

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

Changes in Accounting Policies

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

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

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

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

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

Consequently, compared to the figures calculated by the previous method, the operating loss, ordinary loss and loss before income taxes each decreased by ¥153 million in the three months ended June 30, 2022.

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Segment Information

(a) Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

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

(Millions of yen)

	Reportable segments					Other (Note: 1)	Total	Reconcilia- tion	Amounts reported on the quarterly consolidated statement of income (Note: 2)
	Financial market	Retail and transportation market	Amusement market	Overseas market	Total				
Net sales									
(1) Sales to customers	8,252	11,573	2,592	25,262	47,682	533	48,215	–	48,215
(2) Intersegment sales or transfers	–	–	–	–	–	–	–	–	–
Total	8,252	11,573	2,592	25,262	47,682	533	48,215	–	48,215
Segment profit (loss)	1,480	844	(78)	135	2,381	(351)	2,030	–	2,030

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

(b) Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

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

(Millions of yen)

	Reportable segments					Other (Note: 1)	Total	Reconcilia- tion	Amounts reported on the quarterly consolidated statement of income (Note: 2)
	Financial market	Retail and transportation market	Amusement market	Overseas market	Total				
Net sales									
(1) Sales to customers	6,463	9,936	2,518	33,519	52,437	543	52,980	–	52,980
(2) Intersegment sales or transfers	–	–	–	–	–	–	–	–	–
Total	6,463	9,936	2,518	33,519	52,437	543	52,980	–	52,980
Segment profit (loss)	1,210	(206)	64	(1,626)	(558)	(355)	(913)	–	(913)

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

2. Changes in reportable segments

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

As stated in the “Changes in Accounting Policy That Are Difficult to Make a Distinction from Changes in Accounting Estimates,” the Company and its consolidated subsidiaries in Japan changed the depreciation method for property, plant and equipment (excluding leased assets) from the beginning of the first quarter ended June 30, 2022. As a result of this change, segment profit (loss) for the three months ended June 30, 2022 changed from the figures calculated by the previous method to increase in income of ¥51 million for “Financial market” and ¥11 million for “Amusement market” and to decrease in losses of ¥50 million for “Retail and transportation market,” ¥35 million for “Overseas market” and ¥4 million for “Other.”