

(TRANSLATION FOR REFERENCE ONLY)

This is a translation of the original Japanese text of the “Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2020.” 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 Second Quarter of Fiscal Year Ending March 31, 2020 <Japanese GAAP>

November 7, 2019

Company Name: GLORY LTD. Stock exchange listing: Tokyo (1st Section)
 Code number: 6457 URL: <https://corporate.glory-global.com/>
 Representative: Motozumi Miwa President & Representative Director
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Scheduled filing date of Quarterly Securities Report: November 13, 2019
 Scheduled date of dividend payments: December 5, 2019
 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 Second Quarter of Fiscal Year Ending March 31, 2020 (from April 1, 2019 to September 30, 2019)

(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)	(%)
Six months ended September 30, 2019	108,505	(1.0)	9,018	28.6	8,316	20.3	4,859	27.1
Six months ended September 30, 2018	109,587	5.0	7,011	13.5	6,913	45.3	3,822	87.2

(Note) Comprehensive income

Six months ended September 30, 2019: ¥2,419 million [(69.5) %]
 Six months ended September 30, 2018: ¥7,925 million [76.4 %]

	Net income per share	Fully diluted net income per share
	(Yen)	(Yen)
Six months ended September 30, 2019	80.43	—
Six months ended September 30, 2018	61.12	—

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

Six months ended September 30, 2019: ¥15,772 million [19.6 %]
 Six months ended September 30, 2018: ¥13,189 million [2.8 %]

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

Six months ended September 30, 2019: ¥6,762 million [20.3 %]
 Six months ended September 30, 2018: ¥5,623 million [38.9 %]

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(2) Consolidated Financial Position

	Total assets	Net assets	Ownership equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of September 30, 2019	308,157	186,063	59.9	3,054.03
As of March 31, 2019	318,228	193,257	59.5	3,133.54

(Reference) Ownership equity

As of September 30, 2019: ¥184,551 million

As of March 31, 2019: ¥189,238 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, 2019	—	31.00	—	33.00	64.00
Year ending March 31, 2020	—	32.00			
Year ending March 31, 2020 (forecast)			—	34.00	66.00

(Note) Revisions to the latest dividend forecast: Yes

For details on the revision to the dividend forecast, please refer to the news release titled “Notice of Revision of Year-End Dividend Forecast for Fiscal Year Ending March 31, 2020 and Cancellation of Treasury Shares” announced on the same day as this report (November 7, 2019).

3. Consolidated Financial Forecast for the Year Ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
Full year	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
	230,000	(2.4)	17,000	(17.4)	16,500	(19.8)	10,000	(18.4)	165.52

(Reference) EBITDA

Year ending March 31, 2020: ¥30,515 million

Net income before amortization of goodwill

Year ending March 31, 2020: ¥13,813 million

(Note) Revisions to the latest consolidated financial forecast: None

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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): | None |
| (c) Changes in accounting estimates: | None |
| (d) Restatements: | None |

(Note) For more information, please refer to “2. Quarterly Consolidated Financial Statements and Significant Notes Thereto (3) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies” on page 10 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 September 30, 2019: | 68,638,210 shares |
| As of March 31, 2019: | 68,638,210 shares |
- (b) Number of treasury shares at the end of the period
- | | |
|---------------------------|------------------|
| As of September 30, 2019: | 7,865,997 shares |
| As of March 31, 2019: | 7,865,917 shares |
- (c) Average number of shares (cumulative from the beginning of the period)
- | | |
|--------------------------------------|-------------------|
| Six months ended September 30, 2019: | 60,416,077 shares |
| Six months ended September 30, 2018: | 62,533,954 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 September 30, 2019: 343,304 shares, As of March 31, 2019: 380,898 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 5 of the Attachment.

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Attachment

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1. Qualitative Information on the Financial Statements

(1) Operating Results

In the six months ended September 30, 2019, the Japanese economy continued a trend of gradual recovery as personal consumption recovered and capital investment picked up owing to improvements in the employment and income situations as well as in corporate earnings. As for the global economy, the recovery continued in the U.S. amid concerns over future negotiations between the U.S. and China, and the European economy also maintained its trend of gradual recovery despite the uncertainty surrounding Brexit and other issues. The Asian economy as a whole remained steady, although China experienced a moderate slowdown in the economy.

Under these conditions, in the second year of its three-year 2020 Medium-Term Management Plan, which started in April 2018, the Glory Group has proactively carried out business development under its three policies of “building foundations for realizing sustainable business management,” “strengthening collaboration with various partners to solve social issues,” and “realizing higher productivity and robust corporate constitution that directly generate outcome.”

As a result, net sales in this six-month period totaled ¥108,505 million (down 1.0% year on year). Of this, sales of merchandise and finished goods were ¥73,015 million (down 3.6% year on year) and sales from maintenance services were ¥35,489 million (up 4.9% year on year). Operating income was ¥9,018 million (up 28.6% year on year) due to an increase in sales from maintenance services and improvements in the product mix, etc., ordinary income was ¥8,316 million (up 20.3% year on year), and net income attributable to owners of parent was ¥4,859 million (up 27.1% year on year).

Results of operations in each business segment are as follows.

Financial market

Sales of this segment’s main products, “open teller systems” and “coin and banknote recyclers” for tellers were sluggish due to the large-scale demand of the previous year having run its course.

As a result, net sales in this segment were ¥22,335 million (down 21.5% year on year) and operating income was ¥2,068 million (down 41.5% year on year).

Retail and transportation market

Sales of this segment’s main product, “coin and banknote recyclers” for cashiers were steady and sales of “ticket vending machines” were robust.

As a result, net sales in this segment were ¥25,483 million (up 5.5% year on year) and operating income was ¥2,919 million (up 41.1% year on year).

Amusement market

Sales of this segment’s main products such as “card systems” were steady and sales of “pachinko prize dispensing machines” for pachinko parlors were also steady.

As a result, net sales in this segment were ¥10,543 million (up 10.0% year on year) and operating income was ¥1,293 million (up 70.1% year on year).

Overseas market

Sales of “banknote recyclers” -RBG series- for financial institutions were favorable in the United States and sales of “sales proceeds deposit machines” -CI series- for the retail industry were also strong. Sales of “banknote recyclers” -RBG series- for financial institutions were sluggish in Europe. However, sales of “sales proceeds deposit machines” -CI series- for the retail industry were favorable.

Furthermore, in Asia, sales of “banknote sorters” -USF series- were favorable. Meanwhile, sales of “banknote deposit modules” for ATMs, which are OEM products, were slow.

As a result, net sales in this segment were ¥47,564 million (up 3.8% year on year) while, due to an increase in net sales of software following the reprints in Europe, operating income was ¥4,047 million (up 240.9% year on year).

In the “Other” business segment, net sales were ¥2,578 million (up 66.2% year on year) and operating loss was ¥1,309 million (vs. operating loss of ¥542 million in the corresponding period of the previous year).

All amounts in this section do not include consumption taxes.

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

No changes have been made to the consolidated financial forecasts for the year ending March 31, 2020 that were announced on May 10, 2019.

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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, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	60,328	67,601
Notes and accounts receivable - trade	57,170	46,899
Electronically recorded monetary claims - operating	917	1,574
Securities	15,556	500
Merchandise and finished goods	28,606	34,631
Work in process	8,233	8,169
Raw materials and supplies	11,687	12,281
Other	6,218	5,742
Allowance for doubtful accounts	(574)	(747)
Total current assets	188,143	176,654
Non-current assets		
Property, plant and equipment	34,829	37,716
Intangible assets		
Customer relationships	19,108	18,561
Goodwill	44,245	42,170
Other	6,437	6,463
Total intangible assets	69,791	67,195
Investments and other assets		
Investment securities	12,302	12,101
Other	13,314	14,518
Allowance for doubtful accounts	(152)	(28)
Total investments and other assets	25,464	26,591
Total non-current assets	130,084	131,503
Total assets	318,228	308,157
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,014	10,843
Electronically recorded obligations - operating	7,461	7,646
Short-term borrowings	23,369	27,313
Current portion of long-term borrowings	4,476	—
Income taxes payable	3,006	2,876
Provision for bonuses	7,852	6,599
Provision for bonuses for directors (and other officers)	113	50
Provision for stock grant	86	39
Other	33,087	30,073
Total current liabilities	90,467	85,442
Non-current liabilities		
Bonds payable	20,000	20,000
Provision for stock grant	240	261
Retirement benefit liability	3,031	2,954
Other	11,231	13,435
Total non-current liabilities	34,503	36,651
Total liabilities	124,971	122,093

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GLORY LTD. (6457)
Consolidated Financial Results
for the Second Quarter of Fiscal Year
Ending March 31, 2020

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Net assets		
Shareholders' equity		
Share capital	12,892	12,892
Capital surplus	20,938	16,253
Retained earnings	172,219	175,072
Treasury shares	(23,884)	(23,770)
Total shareholders' equity	182,166	180,449
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	219	28
Foreign currency translation adjustment	7,673	4,827
Remeasurements of defined benefit plans	(820)	(752)
Total accumulated other comprehensive income	7,072	4,102
Non-controlling interests	4,018	1,511
Total net assets	193,257	186,063
Total liabilities and net assets	318,228	308,157

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(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(Millions of yen)

	Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
Net sales	109,587	108,505
Cost of sales	69,003	65,054
Gross profit	40,584	43,450
Selling, general and administrative expenses	33,573	34,432
Operating income	7,011	9,018
Non-operating income		
Interest income	79	97
Dividend income	84	87
Gain on investments in investment partnerships	6	88
Other	130	136
Total non-operating income	301	409
Non-operating expenses		
Interest expenses	279	395
Foreign exchange losses	27	388
Share of loss of entities accounted for using equity method	–	156
Other	91	171
Total non-operating expenses	398	1,110
Ordinary income	6,913	8,316
Extraordinary income		
Gain on sales of non-current assets	3	0
Gain on sales of investment securities	59	–
Total extraordinary income	62	0
Extraordinary losses		
Loss on retirement of non-current assets	19	14
Loss on valuation of investment securities	–	116
Other	0	0
Total extraordinary losses	19	131
Income before income taxes	6,956	8,186
Income taxes	2,465	2,715
Net income	4,491	5,470
Net income attributable to non-controlling interests	669	610
Net income attributable to owners of parent	3,822	4,859

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Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
Net income	4,491	5,470
Other comprehensive income		
Valuation difference on available-for-sale securities	(28)	(191)
Foreign currency translation adjustment	3,435	(2,927)
Remeasurements of defined benefit plans, net of tax	26	68
Share of other comprehensive income of entities accounted for using equity method	–	0
Total other comprehensive income	3,433	(3,050)
Comprehensive income	7,925	2,419
Comprehensive income attributable to		
Owners of parent	7,532	1,889
Non-controlling interests	392	529

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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

On June 24, 2019, the Company acquired additional shares of its consolidated subsidiary, Sitrade Italia S.p.A. As a result, capital surplus decreased by ¥4,684 million in the six months ended September 30, 2019.

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 second quarter, and then multiplying the income before income taxes for the period by the estimated effective tax rate.

Changes in Accounting Policies

The overseas consolidated subsidiaries of the Company have applied IFRS 16 "Leases" from the first quarter of the fiscal year ending March 31, 2020. In the application of IFRS 16, the Glory Group has adopted the method where the cumulative effect of applying this accounting standard is recognized at the date of initial application, which is allowed as the transition approach.

The impact of the application of IFRS 16 on the consolidated financial statements is insignificant.

Segment Information

(a) Six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018)

Information on sales, profit (loss) by reportable segment

(Millions of yen)

	Reportable segments					Other (Note: 1)	Total	Reconcilia- tion	Amounts reported on the quarterly consolidated statement of income (Note: 2)
	Financial market	Retail and transportation market	Amusement market	Overseas market	Total				
Net sales									
(1) Sales to customers	28,461	24,149	9,586	45,839	108,036	1,551	109,587	–	109,587
(2) Intersegment sales or transfers	–	–	–	–	–	–	–	–	–
Total	28,461	24,149	9,586	45,839	108,036	1,551	109,587	–	109,587
Segment profit (loss)	3,537	2,069	760	1,187	7,553	(542)	7,011	–	7,011

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) Six months ended September 30, 2019 (from April 1, 2019 to September 30, 2019)

Information on sales, profit (loss) by reportable segment

(Millions of yen)

	Reportable segments					Other (Note: 1)	Total	Reconcilia- tion	Amounts reported on the quarterly consolidated statement of income (Note: 2)
	Financial market	Retail and transportation market	Amusement market	Overseas market	Total				
Net sales									
(1) Sales to customers	22,335	25,483	10,543	47,564	105,927	2,578	108,505	–	108,505
(2) Intersegment sales or transfers	–	–	–	–	–	–	–	–	–
Total	22,335	25,483	10,543	47,564	105,927	2,578	108,505	–	108,505
Segment profit (loss)	2,068	2,919	1,293	4,047	10,327	(1,309)	9,018	–	9,018

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.

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Significant Subsequent Events

Cancellation of Treasury Shares

The Company resolved at its Board of Directors meeting held on November 7, 2019 to cancel a part of treasury shares pursuant to Article 178 of the Company Law of Japan.

1. Reason for cancellation

The Company will cancel its treasury shares with the aim of improving capital efficiency and increasing shareholders returns.

2. Details of cancellation

(1) Type of shares to be cancelled	Common shares of the Company
(2) Total number of shares to be cancelled	5,000,000 shares (7.28% of total number of shares outstanding before the cancellation)
(3) Planned date of cancellation	November 29, 2019

(Reference)

-Total number of shares outstanding after the cancellation	63,638,210 shares
-Number of treasury shares after the cancellation	2,865,997 shares (*)
(*) Calculated based on the number of treasury shares as of October 31, 2019.	