

# Consolidated Financial Results for the Six Months ended September 30, 2016

## 1 Consolidated Financial Results

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**1**

# **Consolidated Financial Results for the Six Months ended September 30, 2016**

## Net Sales

Overall sales were lower than one year earlier due to lower sales in all segments except the Financial Market.

## Income

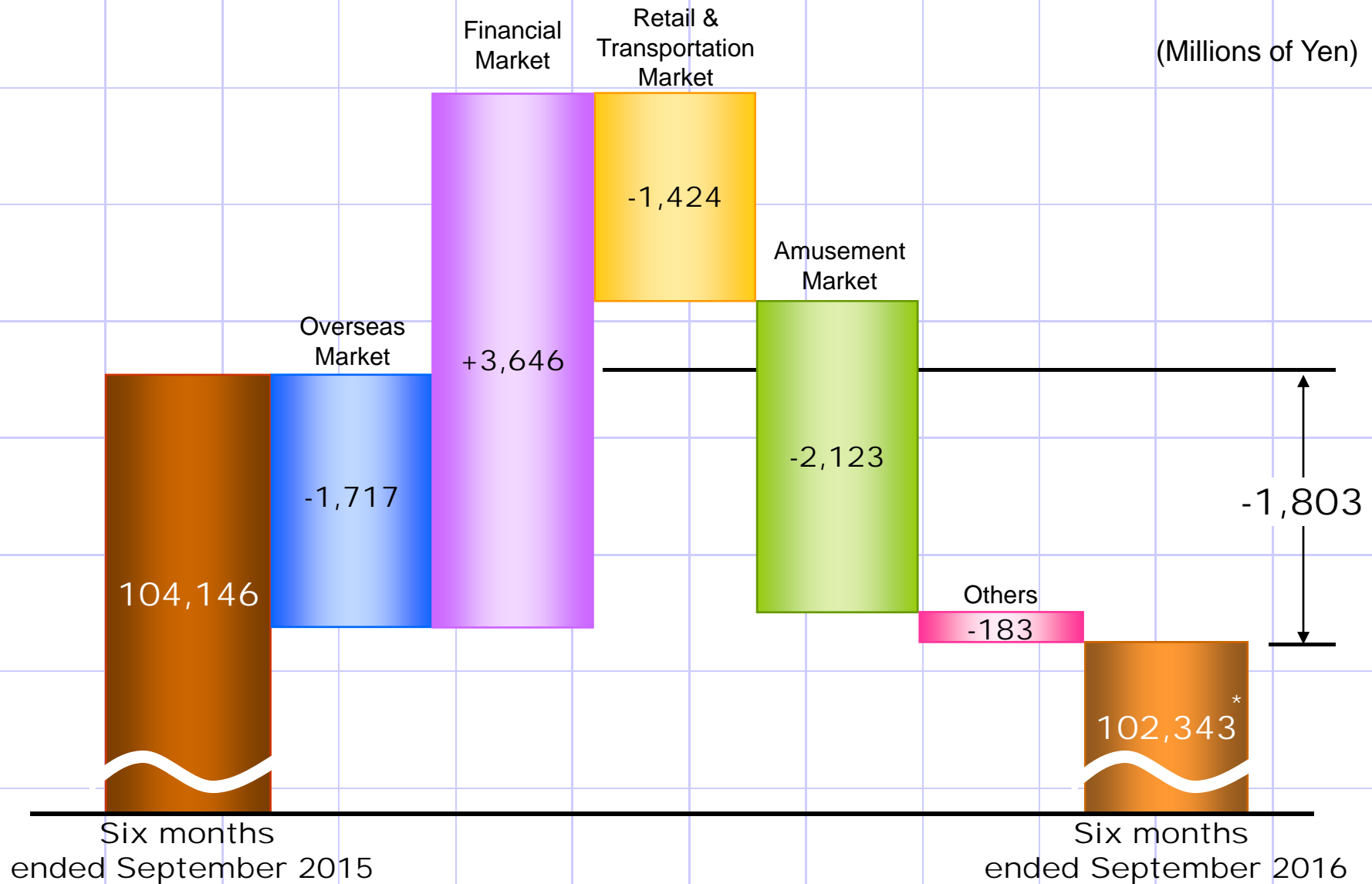
Operating income increased mainly due to effects of cost reduction measures and improvement of product mix in Overseas Market and sales increase in Financial Market.

(Millions of yen)	FY2015		FY2016		Y-on-Y
	Six months ended September 30, 2015	Ratio	Six months ended September 30, 2016	Ratio	
Net Sales	104,146	100.0%	102,343	100.0%	-1.7% *
Maintenance Services	32,169	30.9%	31,219	30.5%	-3.0%
Operating Income	6,725	6.5%	8,356	8.2%	+24.3% *
Ordinary Income	6,691	6.4%	3,878	3.8%	-42.0%
Net Income Attributable to Owners of Parent	3,016	2.9%	2,136	2.1%	-29.2%
EBITDA	14,283	13.7%	15,210	14.9%	+6.5%

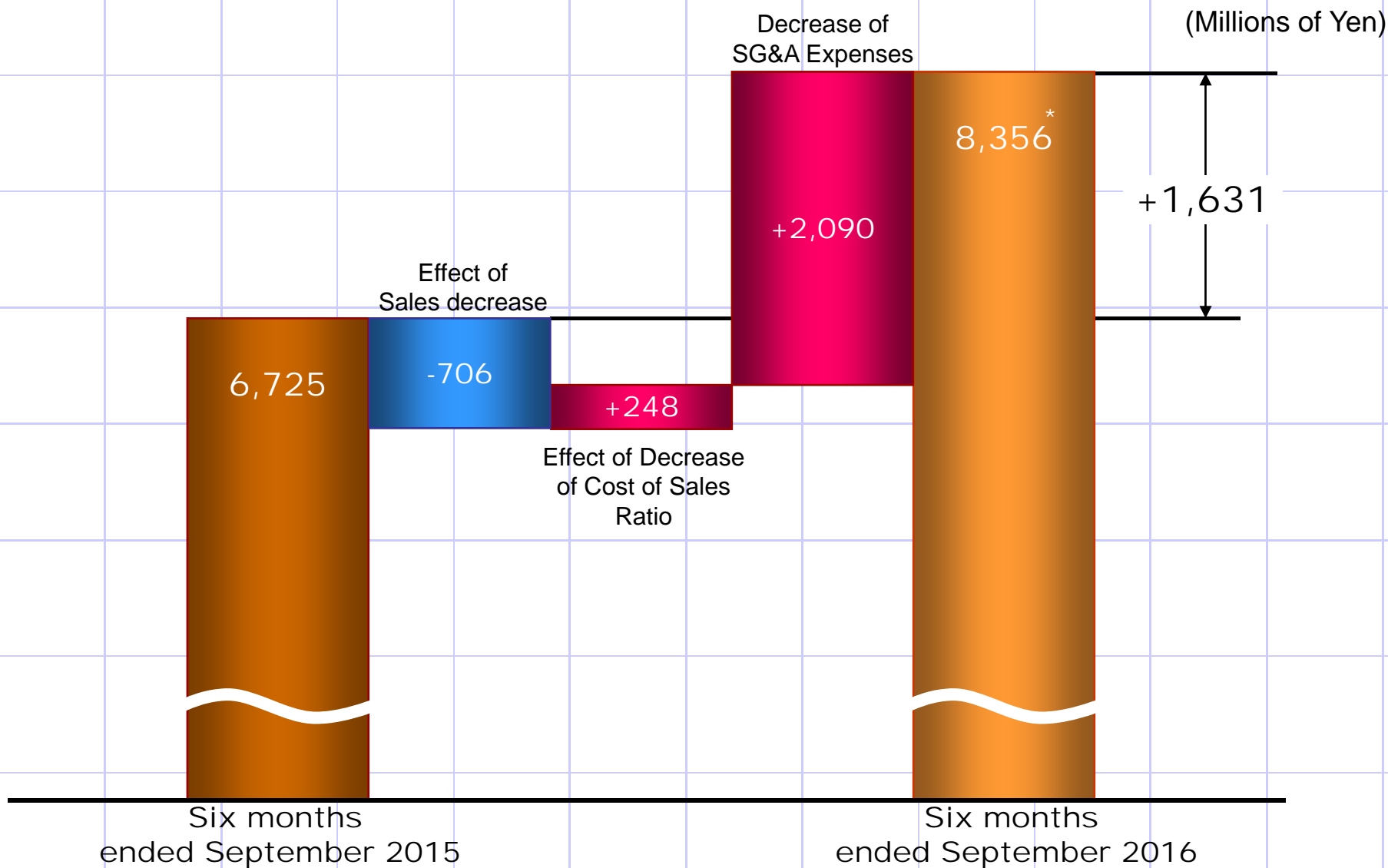
Exchange rate	US\$	¥ 122	¥ 105
	Euro	¥ 134	¥ 125
	GBP	¥ 188	¥ 145

\*Net sales will increase by about ¥3.0 billion (+2.9%), and operating income by about ¥2.4 billion (+35.9%), year-on-year if effects of exchange rate fluctuations are excluded.

# Factors of Net Sales Change








\*Net sales will increase by about ¥3.0 billion (+2.9%) year-on-year if effects of exchange rate fluctuations (about -¥4.8 billion) are excluded.



\*Operating income will increase by about ¥2.4 billion (+35.9%) year-on-year if effects of exchange rate fluctuations (about -¥7.8 billion) are excluded.

**2**

# **Details of Performance for the Six Months ended September 30, 2016**

(Millions of yen)	Sales			Operating Income		
	Six months ended Sep. 30,2015	Six months ended Sep. 30,2016	Y-on-Y	Six months ended Sep. 30,2015	Six months ended Sep. 30,2016	Y-on-Y
 Overseas Market	46,184	44,467	-1,717 -3.7 %	891	2,429	+1,538 +172.6 %
 Financial Market	23,717	27,363	+3,646 +15.4 %	2,919	3,893	+974 +33.4 %
 Retail & Transportation Market	22,286	20,862	-1,424 -6.4 %	2,238	2,109	-129 -5.8 %
 Amusement Market	10,746	8,623	-2,123 -19.8 %	847	151	-696 -82.2 %
 Others	1,210	1,027	-183 -15.1 %	-172	-227	-55 - %
<b>Total</b>	<b>104,146</b>	<b>102,343</b>	<b>-1,803</b> <b>-1.7 %</b>	<b>6,725</b>	<b>8,356</b>	<b>+1,631</b> <b>+24.3 %</b>

## Favorable sales on a local currency basis (Millions of Yen)

Although sales of “banknote sorters” were slow in Asia, sales of this segment’s main product, “banknote recyclers,” as well as “sales proceeds deposit machines” for the retail market, were strong in Europe. In addition, sales of “coin sorters” were robust in the Americas. In the overseas market as a whole, net sales were robust on a local currency basis, however, on a yen basis, net sales were on par with the corresponding period of the previous year due to the impact of yen appreciation.

### Outline of the Segment

Sales and maintenance services to financial institutions, cash-in-transit companies, retail stores, casinos, OEM clients and others in overseas.

### Main Products



Banknote recyclers for tellers <RBG series>



Banknote sorters <UW series>



Sales proceeds deposit machines <CI-100 series>

	Six months ended Sep. 30, 2015	Six months ended Sep. 30, 2016	Y-on Y
Sales	46,184	44,467	-1,717 -3.7 %
Ratio to total net sales	44.3%	43.4%	-0.9 pt
Operating income	891	2,429	+1,538 +172.6 %
Ratio to total operating income	13.2%	29.1%	+15.9 pt
Operating margin	1.9%	5.5%	+3.6 pt



(Millions of yen)	Six months ended Sep. 30, 2015	Six months ended Sep. 30, 2016	Y-on-Y	Local currency basis
Americas	16,986	15,719	-1,267 -7.5 %	+7.0%
Europe	19,338	19,082	-256 -1.3 %	+6.2%
Asia	5,964	5,133	-831 -13.9 %	-
China	2,541	1,661	-880 -34.6 %	-19.8%
OEM	3,895	4,531	+636 +16.3 %	+16.3%
Total overseas sales	46,184	44,467	-1,717 -3.7 %	-

## Favorable sales of main products

(Millions of Yen)

Sales of this segment's main product, "open teller systems," were strong for compact models for small- and medium-sized financial outlets and sales of "coin and banknote recyclers" for tellers were also robust due to capturing of replacement demand.

### Outline of the Segment

Sales and maintenance services to financial institutions, OEM clients and others in Japan.

### Main Products



Open teller systems  
<WAVE series>



Coin and banknote  
recyclers for tellers  
<RB series>



Multi-functional  
banknote changers  
<EN series>

	Six months ended Sep. 30, 2015	Six months ended Sep. 30, 2016	Y-on Y
Sales	23,717	27,363	+3,646 +15.4 %
Ratio to total net sales	22.8%	26.7%	+3.9 pt
Operating income	2,919	3,893	+974 +33.4 %
Ratio to total operating income	43.4%	46.4%	+3.0 pt
Operating margin	12.3%	14.2%	+1.9 pt

## Weak sales of main products

(Millions of Yen)

Sales of this segment's main product, "coin and banknote recyclers" for cashiers, were sluggish due to the large-scale demand of the previous year having run its course, while sales of "sales proceeds deposit machines" for the retail market were also slow.

### Outline of the Segment

Sales and maintenance services to supermarkets, department stores, cash-in-transit companies, railroad companies and others in Japan.

### Main Products



Coin and banknote recyclers for cashiers <RT / RAD series>



Sales proceeds deposit machines <DS / DSS series>



Sales proceeds deposit machines <DS series>

	Six months ended Sep. 30, 2015	Six months ended Sep. 30, 2016	Y-on Y
Sales	22,286	20,862	-1,424 -6.4 %
Ratio to total net sales	21.4%	20.4%	-1.0 pt
Operating income	2,238	2,109	-129 -5.8 %
Ratio to total operating income	33.3%	25.2%	-8.1 pt
Operating margin	10.0%	10.1%	+0.1 pt

## Lower sales of card systems

(Millions of Yen)

Sales of this segment's main products such as "card systems" were sluggish, mainly reflecting constraint toward investment in pachinko parlors.

### Outline of the Segment






Sales and maintenance services to amusement halls (pachinko parlors and others) in Japan.

### Main Products

#### Card systems



	Six months ended Sep. 30, 2015	Six months ended Sep. 30, 2016	Y-on Y
Sales	10,746	8,623	-2,123 -19.8 %
Ratio to total net sales	10.3%	8.4%	-1.9 pt
Operating income	847	151	-696 -82.2 %
Ratio to total operating income	12.6%	1.8%	-10.8 pt
Operating margin	7.9%	1.8%	-6.1 pt

(Millions of yen)	Sales			Operating Income		
	Six months ended Sep. 30,2016		Increase/ Decrease	Six months ended Sep. 30,2016		Increase/ Decrease
	forecast	result		forecast	result	
 Overseas Market	42,000	44,467	+2,467 +5.9 %	900	2,429	+1,529 +169.9 %
 Financial Market	28,000	27,363	-637 -2.3 %	3,200	3,893	+693 +21.7 %
 Retail & Transportation Market	21,000	20,862	-138 -0.7 %	1,700	2,109	+409 +24.1 %
 Amusement Market	8,000	8,623	+623 +7.8 %	300	151	-149 -49.7 %
 Others	1,000	1,027	+27 +2.7 %	-100	-227	-127 - %
<b>Total</b>	<b>100,000</b>	<b>102,343</b>	<b>+2,343</b> <b>+2.3 %</b>	<b>6,000</b>	<b>8,356</b>	<b>+2,356</b> <b>+39.3 %</b>

# Capital Expenditures etc.

(Millions of yen)	Six months ended Sep. 30, 2015	Six months ended Sep. 30, 2016	Y-on-Y	Quarterly trend																
Capital expenditures	4,853	3,680	-1,173 -24.2 %	<table border="1"> <tr> <td>FY14 (Q3)</td> <td>FY14 (Q4)</td> <td>FY15 (Q1)</td> <td>FY15 (Q2)</td> <td>FY15 (Q3)</td> <td>FY15 (Q4)</td> <td>FY16 (Q1)</td> <td>FY16 (Q2)</td> </tr> <tr> <td>2,160</td> <td>2,560</td> <td>1,537</td> <td>3,316</td> <td>1,300</td> <td>2,728</td> <td>1,366</td> <td>2,314</td> </tr> </table>	FY14 (Q3)	FY14 (Q4)	FY15 (Q1)	FY15 (Q2)	FY15 (Q3)	FY15 (Q4)	FY16 (Q1)	FY16 (Q2)	2,160	2,560	1,537	3,316	1,300	2,728	1,366	2,314
FY14 (Q3)	FY14 (Q4)	FY15 (Q1)	FY15 (Q2)	FY15 (Q3)	FY15 (Q4)	FY16 (Q1)	FY16 (Q2)													
2,160	2,560	1,537	3,316	1,300	2,728	1,366	2,314													
Depreciation and amortization	4,961	4,765	-196 -4.0 %	<table border="1"> <tr> <td>FY14 (Q3)</td> <td>FY14 (Q4)</td> <td>FY15 (Q1)</td> <td>FY15 (Q2)</td> <td>FY15 (Q3)</td> <td>FY15 (Q4)</td> <td>FY16 (Q1)</td> <td>FY16 (Q2)</td> </tr> <tr> <td>2,645</td> <td>2,670</td> <td>2,395</td> <td>2,566</td> <td>2,803</td> <td>2,563</td> <td>2,177</td> <td>2,588</td> </tr> </table>	FY14 (Q3)	FY14 (Q4)	FY15 (Q1)	FY15 (Q2)	FY15 (Q3)	FY15 (Q4)	FY16 (Q1)	FY16 (Q2)	2,645	2,670	2,395	2,566	2,803	2,563	2,177	2,588
FY14 (Q3)	FY14 (Q4)	FY15 (Q1)	FY15 (Q2)	FY15 (Q3)	FY15 (Q4)	FY16 (Q1)	FY16 (Q2)													
2,645	2,670	2,395	2,566	2,803	2,563	2,177	2,588													
R&D investment	6,852	6,759	-93 -1.4 %	<table border="1"> <tr> <td>FY14 (Q3)</td> <td>FY14 (Q4)</td> <td>FY15 (Q1)</td> <td>FY15 (Q2)</td> <td>FY15 (Q3)</td> <td>FY15 (Q4)</td> <td>FY16 (Q1)</td> <td>FY16 (Q2)</td> </tr> <tr> <td>2,962</td> <td>2,670</td> <td>3,003</td> <td>3,849</td> <td>2,566</td> <td>3,172</td> <td>3,175</td> <td>3,584</td> </tr> </table>	FY14 (Q3)	FY14 (Q4)	FY15 (Q1)	FY15 (Q2)	FY15 (Q3)	FY15 (Q4)	FY16 (Q1)	FY16 (Q2)	2,962	2,670	3,003	3,849	2,566	3,172	3,175	3,584
FY14 (Q3)	FY14 (Q4)	FY15 (Q1)	FY15 (Q2)	FY15 (Q3)	FY15 (Q4)	FY16 (Q1)	FY16 (Q2)													
2,962	2,670	3,003	3,849	2,566	3,172	3,175	3,584													

# Consolidated Statements of Income / Statement of Comprehensive Income



(Million of yen)	Six months ended September 30, 2015		Six months ended September 30, 2016		Y-on-Y
		Ratio		Ratio	
<b>Net sales</b>	<b>104,146</b>	<b>100.0%</b>	<b>102,343</b>	<b>100.0%</b>	<b>-1,803</b>
Cost of sales	63,378	60.9%	62,033	60.6%	-1,345
Selling, general and administrative expenses	34,042	32.7%	31,952	31.2%	-2,090
<b>Operating income</b>	<b>6,725</b>	<b>6.5%</b>	<b>8,356</b>	<b>8.2%</b>	<b>+1,631</b>
Non-operating income	753	0.7%	572	0.6%	-181
Non-operating expenses	786	0.8%	5,050	4.9%	+4,264
<b>Ordinary income</b>	<b>6,691</b>	<b>6.4%</b>	<b>3,878</b>	<b>3.8%</b>	<b>-2,813</b>
Extraordinary income	3	0.0%	11	0.0%	+8
Extraordinary loss	28	0.0%	69	0.1%	+41
Income before income taxes and minority interests	<b>6,667</b>	<b>6.4%</b>	<b>3,820</b>	<b>3.7%</b>	<b>-2,847</b>
Income taxes	3,082	3.0%	1,169	1.1%	-1,913
Net Income	3,584	3.4%	2,651	2.6%	-933
Net income attributable to owners of parent	<b>3,016</b>	<b>2.9%</b>	<b>2,136</b>	<b>2.1%</b>	<b>-880</b>

Includes Foreign exchange Losses 4,623 (FY2015 Q2: Foreign exchange losses 252)

Net Income	3,584	3.4%	2,651	2.6%	-933
Valuation difference on available-for-sale securities	-172		17		+189
Foreign currency translation adjustment	1,450		-14,902		-16,352
Remeasurements of defined benefit plans	-429		314		+743
Total other comprehensive income	848	0.8%	-14,571	-14.2%	-15,419
<b>Comprehensive income</b>	<b>4,433</b>	<b>4.3%</b>	<b>-11,919</b>	<b>-11.6%</b>	<b>-16,352</b>

Foreign currency translation adjustment -14,902

	As of March 31, 2016	As of Sep. 30, 2016	Increase/ Decrease		As of March 31, 2016	As of Sep. 30, 2016	Increase/ Decrease
Cash, deposits and Securities	68,553	76,936	+8,383	Notes and accounts payable-trade	18,971	16,934	-2,037
Notes and accounts receivable-trade	50,671	41,750	-8,921	Short-term loans payable	26,309	42,084	② +15,775
Inventories	43,368	46,740	+3,372	Other	36,339	31,666	-4,673
Other	9,219	11,549	+2,330	Total current liabilities	81,619	90,684	+9,065
<b>Current assets</b>	<b>171,811</b>	<b>176,975</b>	<b>+5,164</b>	Long-term loans payable	22,629	16,904	② -5,725
Property, plant and equipment	35,832	35,047	-785	Other	19,137	16,347	-2,790
Customer relationships	27,344	21,441	① -5,903	Noncurrent liabilities	41,766	33,251	-8,515
Goodwill	63,796	50,150	-13,646	Total liabilities	123,385	123,936	+551
Other	6,180	5,446	-734	Capital stock	12,892	12,892	0
Intangible assets	97,320	77,037	-20,283	Retained earnings	151,653	152,211	+558
Other	16,707	16,446	-261	Other	33,742	16,467	-17,275
Total noncurrent assets	149,860	128,532	-21,328	Total net assets	198,287	181,570	-16,717
Total assets	321,672	305,507	-16,165	Total liabilities and net assets	321,672	305,507	-16,165

(1) Customer relationships and Goodwill decreased due to yen appreciation






(2) Loans increased due to increase of foreign currency deposit



**3**

# **Financial Forecast for FY2016**

## Overseas market

-  Americas    •••Capital investment is strong in the financial and retail markets.
-  Europe    •••In Eurozone, demand for retail market products is increasing.
-  Asia    •••Aggregate demand is largely flat.
-  China    •••Price competition with local manufacturers is continuing.
-  OEM    •••In the ATM market, price competition in China and India is fierce.

## Financial market

Major financial institutions' capital investment for improving operational efficiency is steady.

## Retail and transportation market

Demand for "coin and banknote recycler" from specialty stores is strong.






## Amusement market

Operating environment of pachinko parlor remains challenging.

## Others

Demand continues to increase for "face recognition systems".

## Overseas market

-  Americas •••Capture new demand for products for financial institutions.
-  Europe •••Increase sales of retail market products.
-  Asia •••Promote new customer development.
-  China •••Expand the lineup of products for financial institutions.
-  OEM •••Expand sales of new products.

## Financial market

Increase market shares of main products.

## Retail and transportation market

Increase sales of new products.

## Amusement market

Increase sales of main products through alliances.

## Others

Expand business of “face recognition systems” through alliances.

## Net Sales






Lower sales due to anticipated impact of exchange rate fluctuation and estimated sales decrease in Amusement Market.

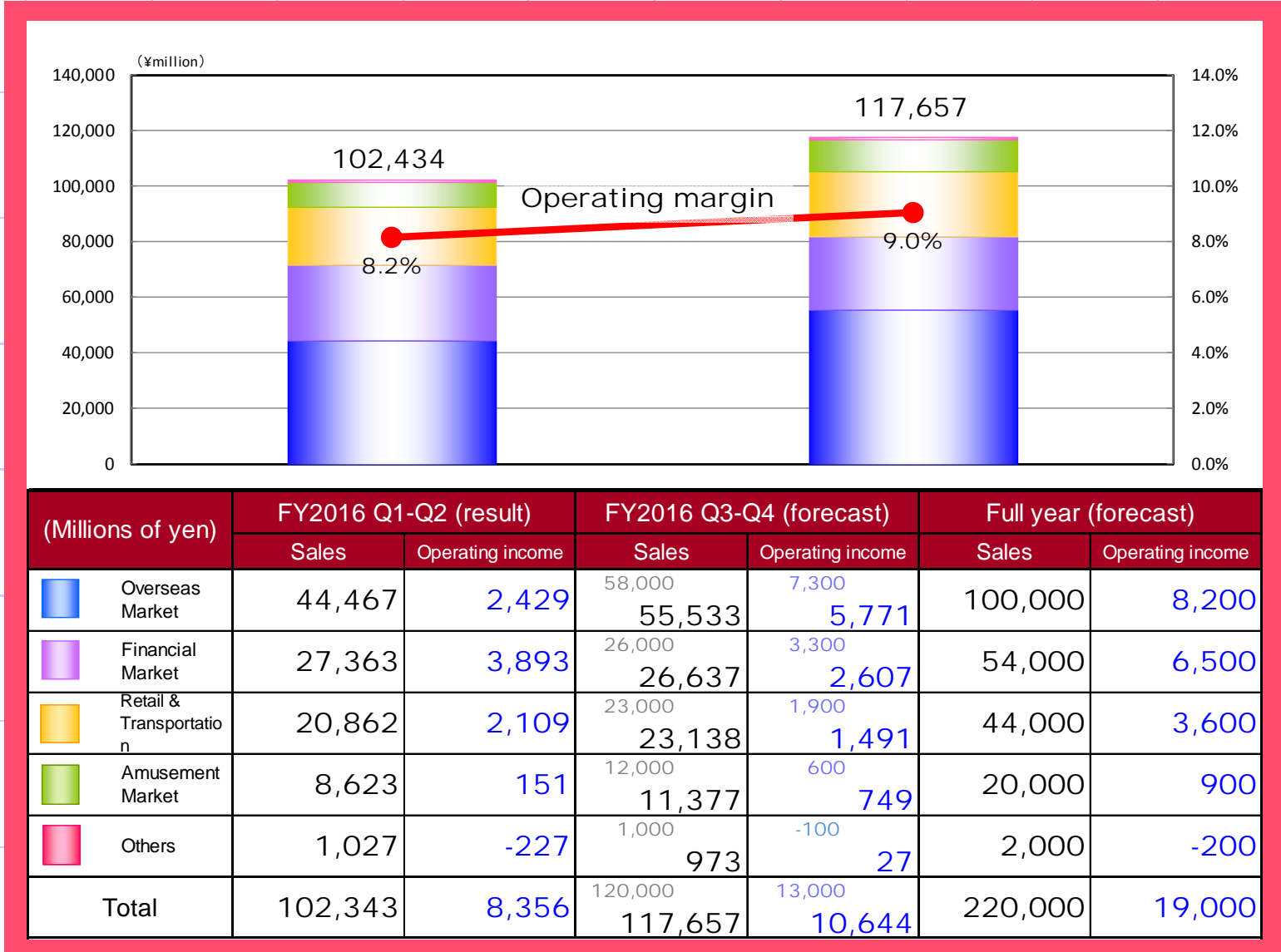
## Income

Lower income due to anticipated impact of exchange rate fluctuation and sales decrease, despite continuing cost reduction measures.

(Millions of yen)	FY2015		FY2016		Y-on-Y
	Full year	Ratio	Full year (forecast)	Ratio	
Net Sales	226,952	100.0%	220,000	100.0%	-3.1%*
Maintenance Services	65,613	28.9%	62,000	28.2%	-5.5%
Operating Income	20,552	9.1%	19,000	8.6%	-7.6%*
Ordinary Income	17,583	7.7%	15,000	6.8%	-14.7%
Net Income Attributable to Owners of Parent	8,829	3.9%	8,000	3.6%	-9.4%
Exchange rate	US\$	¥ 120	¥ 105		
	Euro	¥ 134	¥ 115		
	GBP	¥ 181	¥ 140		

\*Net sales is expected to increase by about ¥8.0 billion (+3.5%), and operating income by about ¥0.4 billion (+2.2%), year-on-year excluding effects of exchange rate fluctuations.

(Millions of yen)	Sales			Operating Income		
	FY2015 Full year	FY2016 Full year (forecast)	Y-on-Y	FY2015 Full year	FY2016 Full year (forecast)	Y-on-Y
 Overseas Market	105,595	100,000	-5,595 -5.3 %	9,224	8,200	-1,024 -11.1 %
 Financial Market	51,819	54,000	+2,181 +4.2 %	6,773	6,500	-273 -4.0 %
 Retail & Transportation Market	45,531	44,000	-1,531 -3.4 %	3,764	3,600	-164 -4.4 %
 Amusement Market	21,506	20,000	-1,506 -7.0 %	1,112	900	-212 -19.1 %
 Others	2,498	2,000	-498 -19.9 %	-322	-200	+122 - %
<b>Total</b>	<b>226,952</b>	<b>220,000</b>	<b>-6,952</b> <b>-3.1 %</b>	<b>20,552</b>	<b>19,000</b>	<b>-1,552</b> <b>-7.6 %</b>



(Millions of yen)	FY2016 Q1-Q2 (result)		FY2016 Q3-Q4 (forecast)		Full year (forecast)	
	Sales	Operating income	Sales	Operating income	Sales	Operating income
Overseas Market	44,467	2,429	58,000 55,533	7,300 5,771	100,000	8,200
Financial Market	27,363	3,893	26,000 26,637	3,300 2,607	54,000	6,500
Retail & Transportation	20,862	2,109	23,000 23,138	1,900 1,491	44,000	3,600
Amusement Market	8,623	151	12,000 11,377	600 749	20,000	900
Others	1,027	-227	1,000 973	-100 27	2,000	-200
<b>Total</b>	<b>102,343</b>	<b>8,356</b>	120,000 <b>117,657</b>	13,000 <b>10,644</b>	<b>220,000</b>	<b>19,000</b>

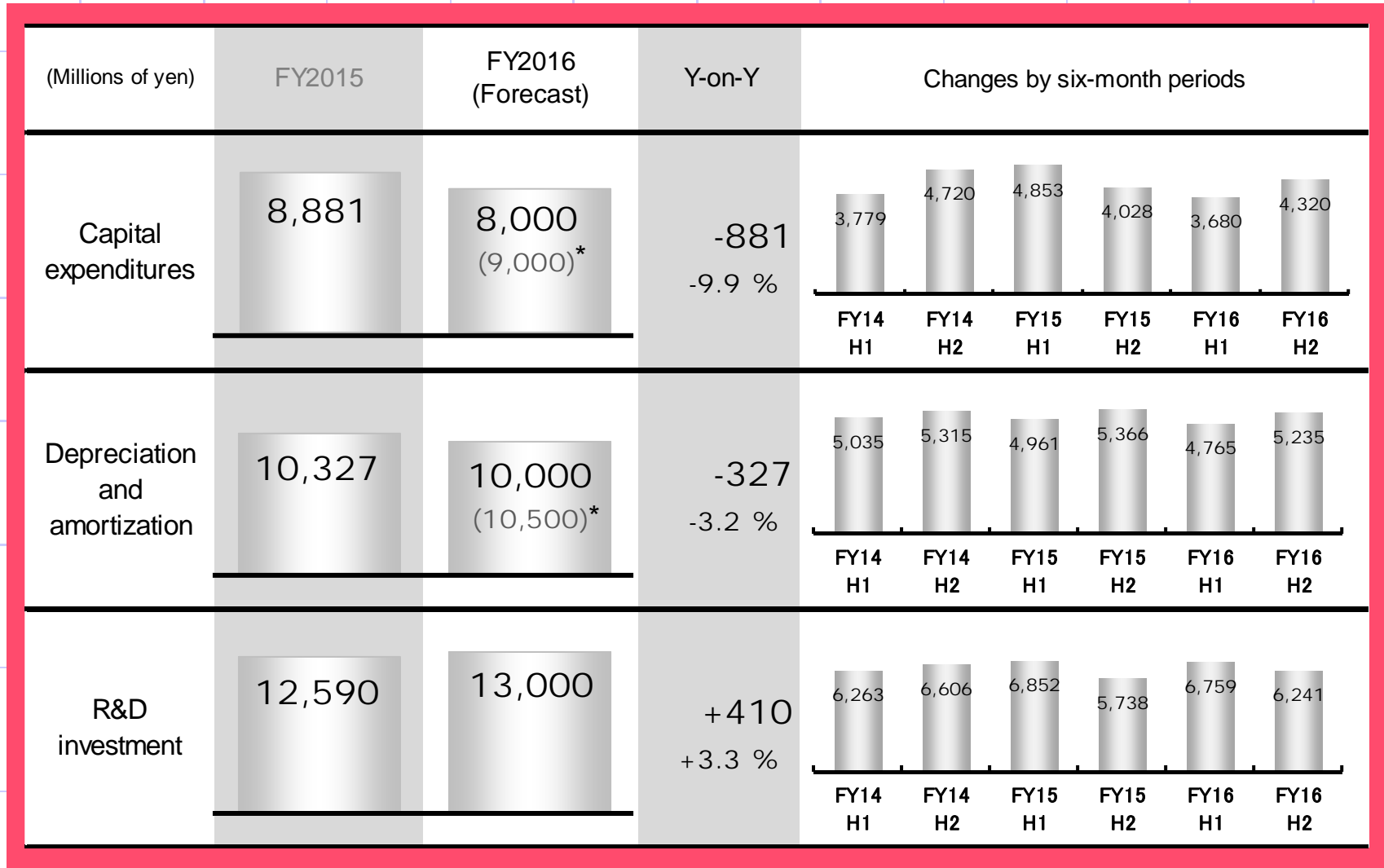
\*FY2016 forecast;  
 Upper row : announced on August 4, 2016  
 Under row : announced on November 7, 2016

(Millions of yen)	FY2016 Q1-Q2 (result)		FY2016 Q3-Q4 (forecast)		Full year (forecast)		
	Sales	Y-on-Y	Sales	Y-on-Y	Sales	Y-on-Y	Local currency basis
Americas	15,719	-1,267 -7.5 %	21,000 21,281	+575 +2.8 %	36,500 37,000	-692 -1.8 %	+12.3%
Europe	19,082	-256 -1.3 %	22,500 20,918	-2,601 -11.1 %	40,000 40,000	-2,857 -6.7 %	+9.0%
Asia	5,133	-831 -13.9 %	9,500 8,867	-1,079 -10.8 %	15,000 14,000	-1,910 -12.0 %	-
China	1,661	-880 -34.6 %	5,000 4,339	-844 -16.3 %	7,000 6,000	-1,724 -22.3 %	-0.5%
OEM	4,531	+636 +16.3 %	5,000 4,469	-771 -14.7 %	8,500 9,000	-135 -1.5 %	-1.5%
Total overseas sales	44,467	-1,717 -3.7 %	58,000 55,533	-3,878 -6.5 %	100,000 100,000	-5,595 -5.3 %	-

\*FY2016 forecast;

Upper row : announced on August 4, 2016

Under row : announced on November 7, 2016



\*Announced on May 12, 2016

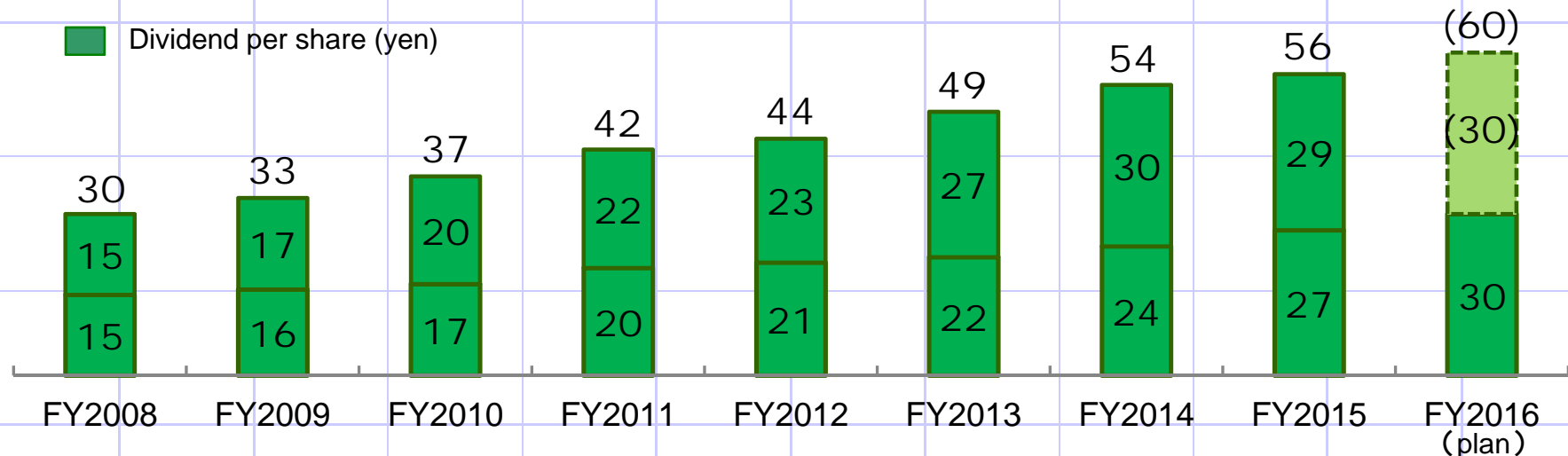


## Basic policy on profit distribution

GLORY retains a policy to continue stable dividends while striving to maintain and enhance sound financial standing in preparation for future business growth. Under such policy, GLORY has set a target of attaining dividend payout ratio of **30%** or higher on a consolidated basis.

	Interim	Year-end(plan)	Annual(plan)
Dividend per share	¥30	¥30	¥60 (Dividend payout ratio 49.4%)

## History of dividend payment



## <Notes>

1. The forward-looking statements such as operational forecasts contained in this document 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.

The factors includes changes in the economic conditions in the company's principal markets, changes in demand for the company's products, fluctuations of exchange rates, and impacts of changes in various regulations, accounting principles and practices.

Please also take note that forecasts in this document may change without prior notice unless required by laws.

2. Revenue and expense accounts of consolidated foreign subsidiaries were previously translated into Japanese yen at the "current exchange rate". From the first quarter of FY2015, the translation method has been changed to the one using the "average exchange rate" which change has been applied retrospectively. In this material, the financial figures for FY2014 are based on the "average exchange rate".

3. Amounts are rounded down to the nearest million yen for calculating percentages of year-on-year changes and composition ratios.