

(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, 2019.” 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, 2019 <Japanese GAAP>

August 6, 2018

Company Name: GLORY LTD. Stock exchange listing: Tokyo (1st Section)
Code number: 6457 URL: <http://corporate.glory-global.com/>
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Scheduled filing date of Quarterly Securities Report: August 9, 2018
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, 2019 (from April 1, 2018 to June 30, 2018)

(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, 2018	48,232	2.2	1,725	(26.5)	1,760	47.4	684	103.8
Three months ended June 30, 2017	47,213	2.4	2,346	(12.5)	1,195	—	335	—

(Note) Comprehensive income

Three months ended June 30, 2018: ¥2,658 million [173.5 %]
Three months ended June 30, 2017: ¥972 million [— %]

	Net income per share	Fully diluted net income per share
	(Yen)	(Yen)
Three months ended June 30, 2018	10.95	—
Three months ended June 30, 2017	5.25	—

(2) Consolidated Financial Position

	Total assets	Net assets	Ownership equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of June 30, 2018	296,970	190,017	62.9	2,987.84
As of March 31, 2018	302,825	192,165	62.0	3,003.62

(Reference) Ownership equity

As of June 30, 2018: ¥186,864 million As of March 31, 2018: ¥187,780 million

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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, 2018	—	31.00	—	51.00	82.00
Year ending March 31, 2019	—				
Year ending March 31, 2019 (forecast)		31.00	—	31.00	62.00

(Note) Revisions to the latest dividend forecast: None

The year-end dividends for the fiscal year ended March 31, 2018: Ordinary dividends of ¥31.00, 100th anniversary commemorative dividends of ¥20.00

3. Consolidated Financial Forecast for the Year Ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

(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, 2018	113,000	8.3	7,000	13.3	7,000	47.1	4,000	96.0	63.97
Full year	240,000	5.6	20,000	2.0	20,000	13.9	12,000	21.3	191.92

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

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.: None

(b) Changes in accounting policies other than (a): None

(c) Changes in accounting estimates: None

(d) Restatements: None

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

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

As of June 30, 2018: 68,638,210 shares

As of March 31, 2018: 68,638,210 shares

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

As of June 30, 2018: 5,931,205 shares

As of March 31, 2018: 5,931,205 shares

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

Three months ended June 30, 2018: 62,525,680 shares

Three months ended June 30, 2017: 63,939,636 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, 2018: 165,386 shares, As of March 31, 2018: 189,164 shares)

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(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 three months ended June 30, 2018, the Japanese economy showed a continuing trend of gradual recovery driven by a pickup in personal consumption due to an improvement in employment environment, and an increase in capital investment against a backdrop of improvement in corporate earnings. The global economy also maintained its trend of gradual recovery, reflecting such positive developments as continuing trends toward recovery in the United States and Europe, and, in Asia, continuous recovery of China's economy.

Under these conditions, in the first year of its three-year 2020 Medium-Term Management Plan, which started in April 2018, the Glory Group carried out business development under its basic 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 three-month period totaled ¥48,232 million (up 2.2% year on year). Of this, sales of merchandise and finished goods were ¥31,413 million (up 2.0% year on year) and sales from maintenance services were ¥16,819 million (up 2.5% year on year). Operating income was ¥1,725 million (down 26.5% year on year), ordinary income was ¥1,760 million (up 47.4% year on year), and net income attributable to owners of parent was ¥684 million (up 103.8% year on year).

Results of operations in each business segment are as follows.

Financial market

Sales of this segment's main product, "open teller systems" were strong mainly for compact models for small- and medium-sized financial outlets, and sales of "coin and banknote recyclers" for tellers were also robust due to our capturing of replacement demand. As a result, net sales in this segment were ¥11,887 million (up 18.7% year on year) and operating income was ¥1,084 million (up 211.2% year on year).

Retail and transportation market

Sales of this segment's main product, "coin and banknote recyclers" for cashiers such as for convenience stores were strong, and sales of "sales proceeds deposit machines" for the cash-in-transit market were steady. As a result, net sales in this segment were ¥10,050 million (up 4.6% year on year) and operating income was ¥677 million (up 11.3% year on year).

Amusement market

Although sales of "pachinko prize dispensing machines" for pachinko parlors were strong, sales of this segment's main products such as "card systems" were sluggish. As a result, net sales in this segment were ¥4,133 million (down 22.3% year on year) and operating income was ¥238 million (down 38.4% year on year).

Overseas market

Sales of "sales proceeds deposit machines"-CI series- for the retail industry were favorable in Europe. However, in the United States, sales of "banknote recyclers"-RBG series- for financial institutions and sales of "sales proceeds deposit machines"-CI series- for the retail industry were sluggish, and similarly for Asia, sales of "banknote recyclers"-RBG series- for financial institutions were sluggish in China. In contrast, sales of "banknote deposit modules" for ATMs, which are OEM products, were favorable. As a result, net sales in this segment were ¥21,447 million (down 1.3% year on year) and operating income was ¥23 million (down 98.1% year on year) due to temporary production adjustments at an overseas manufacturing subsidiary and deterioration in product mix, etc.

In the "Other" business segment, net sales were ¥713 million (up 30.9% year on year) and operating loss was ¥298 million (vs. operating loss of ¥218 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, 2019 that were announced on May 10, 2018.

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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, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	61,154	52,666
Notes and accounts receivable - trade	54,275	47,206
Securities	2,000	4,000
Merchandise and finished goods	31,719	37,557
Work in process	8,044	8,078
Raw materials and supplies	11,599	12,272
Other	6,524	6,147
Allowance for doubtful accounts	(570)	(616)
Total current assets	174,747	167,313
Non-current assets		
Property, plant and equipment	34,509	34,423
Intangible assets		
Customer relationships	19,683	20,087
Goodwill	45,113	45,972
Other	5,977	5,897
Total intangible assets	70,774	71,956
Investments and other assets		
Investment securities	10,480	10,202
Other	12,503	13,222
Allowance for doubtful accounts	(188)	(149)
Total investments and other assets	22,794	23,276
Total non-current assets	128,078	129,656
Total assets	302,825	296,970
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,587	11,301
Electronically recorded obligations - operating	8,519	8,301
Short-term loans payable	21,745	22,615
Current portion of long-term loans payable	9,006	9,014
Income taxes payable	2,143	1,074
Provision for bonuses	7,732	3,456
Provision for directors' bonuses	105	26
Provision for stock grant	71	23
Other	30,710	36,171
Total current liabilities	91,620	91,984
Non-current liabilities		
Long-term loans payable	4,508	1,759
Provision for stock grant	191	203
Net defined benefit liability	2,620	2,457
Other	11,719	10,548
Total non-current liabilities	19,039	14,968
Total liabilities	110,660	106,952

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(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Net assets		
Shareholders' equity		
Capital stock	12,892	12,892
Capital surplus	20,991	20,991
Retained earnings	165,380	162,576
Treasury shares	(18,022)	(17,941)
Total shareholders' equity	181,241	178,519
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	916	851
Foreign currency translation adjustment	5,793	7,645
Remeasurements of defined benefit plans	(170)	(152)
Total accumulated other comprehensive income	6,538	8,344
Non-controlling interests	4,385	3,153
Total net assets	192,165	190,017
Total liabilities and net assets	302,825	296,970

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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, 2017 (From April 1, 2017 to June 30, 2017)	Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)
Net sales	47,213	48,232
Cost of sales	28,427	29,866
Gross profit	18,786	18,366
Selling, general and administrative expenses	16,439	16,641
Operating income	2,346	1,725
Non-operating income		
Interest income	37	37
Dividend income	74	82
Foreign exchange gains	-	23
Other	53	70
Total non-operating income	165	212
Non-operating expenses		
Interest expenses	137	135
Foreign exchange losses	1,148	-
Other	31	41
Total non-operating expenses	1,317	176
Ordinary income	1,195	1,760
Extraordinary income		
Gain on sales of non-current assets	4	5
Gain on sales of investment securities	8	-
Total extraordinary income	12	5
Extraordinary losses		
Loss on retirement of non-current assets	3	2
Other	0	0
Total extraordinary losses	3	3
Income before income taxes	1,203	1,762
Income taxes	591	744
Net income	612	1,018
Net income attributable to non-controlling interests	276	333
Net income attributable to owners of parent	335	684

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Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)	Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)
Net income	612	1,018
Other comprehensive income		
Valuation difference on available-for-sale securities	188	(64)
Foreign currency translation adjustment	134	1,686
Remeasurements of defined benefit plans, net of tax	36	18
Total other comprehensive income	359	1,640
Comprehensive income	972	2,658
Comprehensive income attributable to		
Owners of parent	792	2,524
Non-controlling interests	179	133

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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

Not applicable.

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.

Segment Information

(a) Three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)

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	10,015	9,607	5,319	21,725	46,668	545	47,213	–	47,213
(2) Intersegment sales or transfers	–	–	–	–	–	–	–	–	–
Total	10,015	9,607	5,319	21,725	46,668	545	47,213	–	47,213
Segment profit (loss)	348	608	386	1,221	2,565	(218)	2,346	–	2,346

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, 2018 (from April 1, 2018 to June 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	11,887	10,050	4,133	21,447	47,519	713	48,232	–	48,232
(2) Intersegment sales or transfers	–	–	–	–	–	–	–	–	–
Total	11,887	10,050	4,133	21,447	47,519	713	48,232	–	48,232
Segment profit (loss)	1,084	677	238	23	2,023	(298)	1,725	–	1,725

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.