

(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, 2021.” 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, 2021 <Japanese GAAP>

August 7, 2020

Company Name: GLORY LTD. Stock exchange listing: Tokyo (1st Section)
 Code number: 6457 URL: <https://corporate.glory-global.com/>
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Scheduled filing date of Quarterly Securities Report: August 12, 2020
 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, 2021 (from April 1, 2020 to June 30, 2020)

(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, 2020	38,077	(22.4)	(972)	—	(919)	—	(1,555)	—
Three months ended June 30, 2019	49,076	1.7	3,171	83.8	2,738	55.5	1,545	125.7

(Note) Comprehensive income

Three months ended June 30, 2020: ¥(1,796) million [— %]
 Three months ended June 30, 2019: ¥(699) million [— %]

	Net income per share	Fully diluted net income per share
	(Yen)	(Yen)
Three months ended June 30, 2020	(25.73)	—
Three months ended June 30, 2019	25.59	—

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

Three months ended June 30, 2020: ¥2,303 million [(64.3)%]
 Three months ended June 30, 2019: ¥6,450 million [36.8 %]

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

Three months ended June 30, 2020: ¥(612) million [— %]
 Three months ended June 30, 2019: ¥2,508 million [59.2 %]

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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 June 30, 2020	308,104	177,797	57.2	2,914.10
As of March 31, 2020	308,763	187,143	60.0	3,064.61

(Reference) Ownership equity

As of June 30, 2020: ¥176,161 million

As of March 31, 2020: ¥185,196 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, 2020	—	32.00	—	34.00	66.00
Year ending March 31, 2021	—				
Year ending March 31, 2021 (forecast)		30.00	—	30.00	60.00

(Note) Revisions to the latest dividend forecast: Yes

For details on the revision to the dividend forecast, please refer to the news release titled “Announcement of Financial and Dividend Forecasts for FY2020” announced on the same day as this report (August 7, 2020).

3. Consolidated Financial Forecast for the Year Ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

(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, 2020	85,000	(21.7)	(2,000)	—	(2,000)	—	(3,000)	—	(49.64)
Full year	210,000	(6.3)	6,000	(66.5)	5,500	(64.9)	2,500	(72.1)	41.36

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

For details on the revision to the consolidated financial forecast, please refer to the news release titled “Announcement of Financial and Dividend Forecasts for FY2020” announced on the same day as this report (August 7, 2020).

(Reference) EBITDA

Six months ending September 30, 2020: ¥5,188 million

Year ending March 31, 2021 (full year): ¥20,613 million

Net income before amortization of goodwill

Six months ending September 30, 2020: ¥(878) million

Year ending March 31, 2021 (full year): ¥6,980 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):
 Yes

Newly included: 1 company (Company name: Acrelec Group S.A.S.) Excluded: –

(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 Significant Subsidiaries During the Period” on page 11 of the Attachment.

(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 shares)

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

As of June 30, 2020: 63,638,210 shares

As of March 31, 2020: 63,638,210 shares

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

As of June 30, 2020: 2,866,029 shares

As of March 31, 2020: 2,866,029 shares

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

Three months ended June 30, 2020: 60,438,865 shares

Three months ended June 30, 2019: 60,403,343 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, 2020: 320,701 shares, As of March 31, 2020: 341,500 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

Regarding the global economy in the three months ended June 30, 2020, although extremely challenging conditions continued due to the impact of the spread of the novel coronavirus disease (COVID-19), the economy appears to have bottomed out as economic activities gradually resumed in the U.S. and Europe in June and thereafter. In Asia, although the Chinese economy continued to recover, overall the challenging conditions remained. Also, the Japanese economy rapidly declined as personal consumption fell and business activities were severely restricted due to the impact of the declaration of a state of emergency and other factors.

Under these conditions, in the final fiscal year of its three-year 2020 Medium-Term Management Plan, which started in April 2018, the Glory Group has 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.”

In its overseas business, the Company was able to minimize the impact of the spread of COVID-19 on business activities in China, but business activities in the U.S. and Europe were subject to significant restrictions due to the impact of lockdowns in major cities.

In its domestic business, there were protracted business discussions and requests from customers to postpone deliveries in the financial market and retail and transportation market due to the impact of the declaration of a state of emergency and other factors. Furthermore, in the amusement market, the Company was forced to suspend operating activities due to the temporary closure of pachinko parlors.

As a result, net sales in this three-month period totaled ¥38,077 million (down 22.4% year on year). Of this, sales of merchandise and finished goods were ¥21,854 million (down 30.4% year on year) and sales from maintenance services were ¥16,223 million (down 8.1% year on year). Operating loss was ¥972 million (vs. operating income of ¥3,171 million in the corresponding period of the previous year) due to a decrease in net sales, ordinary loss was ¥919 million (vs. ordinary income of ¥2,738 million in the corresponding period of the previous year), and net loss attributable to owners of parent was ¥1,555 million (vs. net income attributable to owners of parent of ¥1,545 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, “open teller systems” and “coin and banknote recyclers” for tellers were sluggish.

As a result, net sales in this segment were ¥7,829 million (down 9.1% year on year) and operating income was ¥176 million (down 40.5% year on year).

Retail and transportation market

Sales of this segment’s main products, “coin and banknote recyclers” for cashiers and “ticket vending machines” were slow.

As a result, net sales in this segment were ¥9,542 million (down 23.8% year on year) and operating income was ¥268 million (down 82.5% year on year).

Amusement market

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

As a result, net sales in this segment were ¥2,262 million (down 56.7% year on year) and operating loss was ¥316 million (vs. operating income of ¥702 million in the corresponding period of the previous year).

Overseas market

In the United States and Europe, sales of “banknote recyclers” -RBG series- for financial institutions and “sales proceeds deposit machines” -CI series- for the retail industry were slow. In Asia, sales of “banknote sorters” -UW series- were strong. Meanwhile, sales of “banknote deposit modules” for ATMs, which are OEM products, were steady.

As a result, net sales in this segment were ¥17,866 million (down 17.1% year on year), operating loss was ¥402 million (vs. operating income of ¥1,246 million in the corresponding period of the previous year).

In the “Other” business segment, net sales were ¥576 million (down 50.4% year on year) and operating loss was ¥698 million (vs. operating loss of ¥608 million in the corresponding period of the previous year).

All amounts in this section do not include consumption taxes.

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

Although it is still uncertain how soon full-scale business activities will be resumed in Japan and overseas, especially in major European and American countries, the Company has made the consolidated financial forecast for the fiscal year ending March 31, 2021 based on the market's trends and sales forecasts available at this time.

For more information, please refer to the news release titled "Announcement of Financial and Dividend Forecasts for FY2020" announced on the same day as this report (August 7, 2020).

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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, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	71,532	49,630
Notes and accounts receivable - trade	49,603	40,839
Electronically recorded monetary claims - operating	1,617	1,425
Securities	2,051	2,050
Merchandise and finished goods	31,053	37,161
Work in process	7,989	8,590
Raw materials and supplies	12,639	14,684
Other	5,577	8,070
Allowance for doubtful accounts	(656)	(905)
Total current assets	181,408	161,546
Non-current assets		
Property, plant and equipment	38,503	39,310
Intangible assets		
Customer relationships	17,968	17,418
Goodwill	43,246	60,235
Other	6,699	7,213
Total intangible assets	67,915	84,867
Investments and other assets		
Investment securities	8,352	9,895
Other	12,608	12,525
Allowance for doubtful accounts	(25)	(41)
Total investments and other assets	20,935	22,380
Total non-current assets	127,354	146,557
Total assets	308,763	308,104
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,346	10,094
Electronically recorded obligations - operating	7,154	6,552
Short-term borrowings	24,931	21,161
Current portion of long-term borrowings	20	20
Income taxes payable	1,520	1,138
Provision for bonuses	7,088	3,428
Provision for bonuses for directors (and other officers)	109	28
Provision for stock grant	39	20
Other	33,412	37,537
Total current liabilities	85,623	79,981
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	46	4,408
Provision for stock grant	260	277
Retirement benefit liability	3,243	3,250
Other	12,445	22,388
Total non-current liabilities	35,996	50,325
Total liabilities	121,620	130,307

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(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Net assets		
Shareholders' equity		
Share capital	12,892	12,892
Capital surplus	15,961	10,880
Retained earnings	163,070	159,448
Treasury shares	(9,312)	(9,250)
Total shareholders' equity	182,611	173,972
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(455)	(60)
Foreign currency translation adjustment	5,194	4,317
Remeasurements of defined benefit plans	(2,154)	(2,066)
Total accumulated other comprehensive income	2,584	2,189
Non-controlling interests	1,946	1,635
Total net assets	187,143	177,797
Total liabilities and net assets	308,763	308,104

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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, 2019 (From April 1, 2019 to June 30, 2019)	Three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)
Net sales	49,076	38,077
Cost of sales	28,983	23,364
Gross profit	20,093	14,712
Selling, general and administrative expenses	16,921	15,685
Operating income (loss)	3,171	(972)
Non-operating income		
Interest income	51	56
Dividend income	82	86
Foreign exchange gains	–	27
Insurance claim income	–	62
Other	52	61
Total non-operating income	186	295
Non-operating expenses		
Interest expenses	202	122
Foreign exchange losses	272	–
Share of loss of entities accounted for using equity method	103	70
Other	41	48
Total non-operating expenses	619	242
Ordinary income (loss)	2,738	(919)
Extraordinary income		
Gain on sales of non-current assets	0	1
Gain on sales of investment securities	–	1
Total extraordinary income	0	2
Extraordinary losses		
Loss on retirement of non-current assets	11	4
Loss on valuation of investment securities	48	178
Total extraordinary losses	59	182
Income (loss) before income taxes	2,679	(1,099)
Income taxes	741	278
Net income (loss)	1,938	(1,378)
Net income attributable to non-controlling interests	393	176
Net income (loss) attributable to owners of parent	1,545	(1,555)

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Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)	Three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)
Net income (loss)	1,938	(1,378)
Other comprehensive income		
Valuation difference on available-for-sale securities	(248)	384
Foreign currency translation adjustment	(2,429)	(900)
Remeasurements of defined benefit plans, net of tax	34	87
Share of other comprehensive income of entities accounted for using equity method	4	9
Total other comprehensive income	(2,638)	(418)
Comprehensive income	(699)	(1,796)
Comprehensive income attributable to		
Owners of parent	(1,037)	(1,915)
Non-controlling interests	337	118

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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

The Company's consolidated subsidiary Glory Global Solutions (International) Ltd. granted put options written on shares of the subsidiary to the non-controlling shareholders of Acrelec Group S.A.S. The written put options were recognized in other under non-current liabilities, and capital surplus was reduced. As a result, capital surplus decreased by ¥5,080 million in the three months ended June 30, 2020.

Changes in Significant Subsidiaries During the Period

For the three months ended June 30, 2020, following the acquisition of 80% of the outstanding shares of Acrelec Group S.A.S., 31 companies, including the subsidiaries of Acrelec Group S.A.S., are included in the scope of consolidation and two companies are included in the scope of application of the equity method. Acrelec Group S.A.S. qualifies as a specified subsidiary of the Company.

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.

Additional Information

(Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system)

As for items regarding the transition to the group tax sharing system introduced in the "Act Partially Amending the Income Tax Act" (Act No. 8 of 2020) and items revised on non-consolidated taxation system in connection with the transition to the group tax sharing system, the Company and some consolidated subsidiaries in Japan have not applied the provisions of paragraph 44 of the "Guidance on Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Guidance No. 28, February 16, 2018) as allowed by the provisions of paragraph 3 of the "Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No. 39, March 31, 2020). Accordingly, amounts of deferred tax assets and deferred tax liabilities are determined in accordance with the provisions of the tax law before revision.

(Accounting estimates associated with the spread of the novel coronavirus disease (COVID-19))

The Glory Group has determined the accounting estimates for valuation of inventories, impairment of investments, impairment of goodwill, etc. based on the assumption that the spread of COVID-19 will be contained around the first half of the fiscal year. There are no significant changes to the contents of the Annual Securities Report for the fiscal year ended March 31, 2020.

Segment Information

(a) Three months ended June 30, 2019 (from April 1, 2019 to June 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	8,617	12,531	5,224	21,541	47,915	1,161	49,076	–	49,076
(2) Intersegment sales or transfers	–	–	–	–	–	–	–	–	–
Total	8,617	12,531	5,224	21,541	47,915	1,161	49,076	–	49,076
Segment profit (loss)	297	1,532	702	1,246	3,779	(608)	3,171	–	3,171

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 (loss) of quarterly consolidated statement of income.

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(b) Three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)
 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	7,829	9,542	2,262	17,866	37,501	576	38,077	–	38,077
(2) Intersegment sales or transfers	–	–	–	–	–	–	–	–	–
Total	7,829	9,542	2,262	17,866	37,501	576	38,077	–	38,077
Segment profit (loss)	176	268	(316)	(402)	(273)	(698)	(972)	–	(972)

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 (loss) of quarterly consolidated statement of income.