

This is a translation of the original Japanese text of the “Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2024.” 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, 2024 <Japanese GAAP>

August 4, 2023

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 14, 2023
 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, 2024 (from April 1, 2023 to June 30, 2023)

(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, 2023	69,680	31.5	4,150	—	4,318	—	2,005	—
Three months ended June 30, 2022	52,980	9.9	(986)	—	(1,358)	—	(1,972)	—

(Note) Comprehensive income

Three months ended June 30, 2023: ¥12,229 million [40.2%]
 Three months ended June 30, 2022: ¥8,724 million [700.4%]

	Net income per share	Fully diluted net income per share
	(Yen)	(Yen)
Three months ended June 30, 2023	36.07	—
Three months ended June 30, 2022	(33.21)	—

(Note) During the second quarter of the fiscal year ended March 31, 2023, the Company finalized the provisional accounting treatment for business combinations, and the figures for the three months ended June 30, 2022 reflect the details of the finalization of the provisional accounting treatment.

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

Three months ended June 30, 2023: ¥8,922 million [149.4%]
 Three months ended June 30, 2022: ¥3,577 million [(40.1)%]

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

Three months ended June 30, 2023: ¥3,699 million [— %]
 Three months ended June 30, 2022: ¥(314) million [— %]

(2) Consolidated Financial Position

	Total assets	Equity	Ownership equity ratio	Equity per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of June 30, 2023	399,899	205,718	50.9	3,663.11
As of March 31, 2023	381,273	195,984	50.7	3,474.76

(Reference) Ownership equity

As of June 30, 2023: ¥203,717 million

As of March 31, 2023: ¥193,166 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, 2023	—	34.00	—	34.00	68.00
Year ending March 31, 2024	—				
Year ending March 31, 2024 (forecast)		36.00	—	36.00	72.00

(Note) Revisions to the latest dividend forecast: None

3. Consolidated Financial Forecast for the Year Ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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, 2023	155,000	38.2	13,500	—	13,000	—	6,500	—	116.91
Full year	345,000	34.8	40,000	—	38,500	—	23,000	—	413.68

(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 “Revision of the Consolidated Financial Forecast for the First Half and the Full Year of FY2023” announced on the same day as this report (August 4, 2023).

(Reference) EBITDA

Six months ending September 30, 2023: ¥22,700 million

Year ending March 31, 2024 (full year): ¥58,500 million

Net income before amortization of goodwill

Six months ending September 30, 2023: ¥9,800 million

Year ending March 31, 2024 (full year): ¥29,700 million

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 shares)

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

As of June 30, 2023: 58,938,210 shares

As of March 31, 2023: 58,938,210 shares

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

As of June 30, 2023: 2,873,306 shares

As of March 31, 2023: 2,873,306 shares

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

Three months ended June 30, 2023: 55,598,690 shares

Three months ended June 30, 2022: 59,378,043 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, 2023: 451,714 shares, As of March 31, 2023: 473,645 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.

Attachment

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1. Qualitative Information on the Financial Statements

(1) Operating Results

Although there were signs of a moderate recovery in the global economy in three months ended June 30, 2023, there were lingering concerns about instability in the international situation, including the impact of the progression of inflation globally, monetary tightening primarily in Europe and the US, and prolonged conflict between Russia and Ukraine.

In Japan, social and economic activities have further normalized with the downgrading of COVID-19 to Class 5 (same as seasonal flu), and the economy is now on a path to recovery. Conversely, the outlook remained uncertain due to such factors as the depreciation of the yen and continued increases in prices.

Under these circumstances, the overseas market experienced steady demand for our products and services, with both financial institutions and the retail industry continuing to need self-service solutions to address soaring labor costs and workforce shortages. In addition, sales of our main products increased with the recovery from prolonged production and shipping delays caused by parts shortages and soaring material prices. Acrelec group sales were strong, while sales at the Revolution group were flat year on year.

In Japan, demand for our products and services was steady across all markets. The financial market and the retail and transportation market saw the beginning of machine replacement and system modifications associated with the scheduled issuance of new banknotes in July 2024, which led to an increase in sales of products and maintenance services. In the amusement market, sales were robust for card systems for smart amusement machines, which was first introduced in November 2022.

As a result, net sales in this three-month period totaled ¥69,680 million (up 31.5% year on year). Of this, net sales of merchandise and finished goods were ¥41,122 million (up 42.5% year on year) and net sales from maintenance services were ¥28,558 million (up 18.3% year on year). Operating income was ¥4,150 million (vs. operating loss of ¥986 million in the corresponding period of the previous year), ordinary income was ¥4,318 million (vs. ordinary loss of ¥1,358 million in the corresponding period of the previous year), and net income attributable to owners of parent was ¥2,005 million (vs. net loss attributable to owners of parent of ¥1,972 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, coin and banknote recyclers for tellers and banknote changers were strong. In addition, sales from maintenance services increased owing to the start of system modifications associated with the issuance of new banknotes.

As a result, net sales in this segment were ¥9,487 million (up 46.8% year on year) and operating income was ¥1,243 million (up 2.8% year on year).

Retail and transportation market

Sales of this segment's main products, coin and banknote recyclers for cashiers and sales proceeds deposit machines for cash-in-transit companies, were strong. In addition, sales from maintenance services increased owing to the start of system modifications associated with the issuance of new banknotes.

As a result, net sales in this segment were ¥13,414 million (up 35.0% year on year), operating income was ¥765 million (vs. operating loss of ¥206 million in the corresponding period of the previous year).

Amusement market

Sales of this segment's main products, card systems, were strong, especially the ones used for smart amusement machines.

As a result, net sales in this segment were ¥6,759 million (up 168.4% year on year) and operating income was ¥2,078 million (up 3,130.4% year on year).

Overseas market

In the Americas, sales of the main products of RBG-series and GLR-series teller cash recyclers for financial institutions were strong, as were sales of CI-series and CI-X-series cash management solutions in the retail industry. Net sales totaled ¥18,385 million (up 30.1% year on year).

In Europe, sales of the main products of RBG-series and GLR-series teller cash recyclers for financial institutions were flat year on year. On the other hand, sales of CI-series and CI-X-series cash management solutions for the retail industry were robust. Net sales totaled ¥17,715 million (up 9.9% year on year).

In Asia, net sales were ¥2,873 million (down 12.1% year on year) for the region as a whole despite steady sales of UW-series banknote sorters.

Net sales of the Acrelec group totaled ¥5,256 million (up 18.8% year on year), while net sales of the Revolution group were ¥4,446 million (down 0.1% year on year).

As a result, net sales in this segment were ¥38,974 million (up 16.3% year on year), operating income was ¥240 million (vs. operating loss of ¥1,699 million in the corresponding period of the previous year).

Outside the above business segments, net sales were ¥1,045 million (up 92.5% year on year) and operating loss was ¥178 million (vs. operating loss of ¥355 million in the corresponding period of the previous year).

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

With regard to the future outlook, we expect a steady growth in the sales of products and services supported by the recovery from prolonged production and shipping delays caused by parts shortages and soaring material prices.

We expect greater demand than originally forecasted for the machine replacement and system modifications associated with the new Japanese banknote issuance scheduled for FY2024. Demand for card systems for smart amusement machines is also expected to continue in the domestic amusement market. Therefore, we have revised upward the consolidated financial forecast for the six months ending September 30, 2023 and the fiscal year ending March 31, 2024.

For details, please refer to the news release titled “Revision of the Consolidated Financial Forecast for the First Half and the Full Year of FY2023” announced on August 4, 2023.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	36,753	35,345
Notes and accounts receivable - trade, and contract assets	59,787	61,949
Electronically recorded monetary claims - operating	1,821	1,741
Securities	833	944
Merchandise and finished goods	53,175	61,965
Work in process	14,951	17,063
Raw materials and supplies	26,872	29,586
Other	10,719	8,580
Allowance for doubtful accounts	(1,437)	(1,556)
Total current assets	203,477	215,620
Non-current assets		
Property, plant and equipment	42,517	43,782
Intangible assets		
Customer relationships	26,428	27,965
Goodwill	55,528	58,434
Other	9,768	9,945
Total intangible assets	91,725	96,345
Investments and other assets		
Investment securities	14,553	14,094
Other	31,104	32,162
Allowance for doubtful accounts	(2,106)	(2,106)
Total investments and other assets	43,552	44,151
Total non-current assets	177,795	184,278
Total assets	381,273	399,899
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,197	17,288
Electronically recorded obligations - operating	7,276	8,502
Short-term borrowings	45,623	43,437
Current portion of long-term borrowings	1,481	3,057
Current portion of bonds payable	10,000	10,000
Income taxes payable	428	1,668
Provision for bonuses	7,110	5,807
Provision for bonuses for directors (and other officers)	54	38
Provision for stock grant	48	97
Other	49,281	58,308
Total current liabilities	139,501	148,206
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	12,055	11,599
Provision for stock grant	194	217
Retirement benefit liability	2,166	2,238
Other	21,372	21,918
Total non-current liabilities	45,787	45,973
Total liabilities	185,288	194,180

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Equity		
Shareholders' equity		
Share capital	12,892	12,892
Capital surplus	12,286	12,286
Retained earnings	141,522	142,384
Treasury shares	(8,161)	(8,104)
Total shareholders' equity	158,540	159,459
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,367	1,723
Foreign currency translation adjustment	26,672	36,148
Remeasurements of defined benefit plans	6,584	6,385
Total accumulated other comprehensive income	34,625	44,257
Non-controlling interests	2,818	2,001
Total equity	195,984	205,718
Total liabilities and equity	381,273	399,899

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income**

(Millions of yen)

	Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)	Three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)
Net sales	52,980	69,680
Cost of sales	32,430	39,999
Gross profit	20,550	29,681
Selling, general and administrative expenses	21,537	25,530
Operating income (loss)	(986)	4,150
Non-operating income		
Interest income	39	54
Dividend income	108	114
Foreign exchange gains	–	514
Other	147	146
Total non-operating income	295	829
Non-operating expenses		
Interest expenses	206	384
Share of loss of entities accounted for using equity method	299	237
Foreign exchange losses	103	–
Other	57	39
Total non-operating expenses	666	661
Ordinary income (loss)	(1,358)	4,318
Extraordinary income		
Gain on sale of non-current assets	0	6
Gain on sale of shares of subsidiaries and associates	–	103
Total extraordinary income	0	109
Extraordinary losses		
Loss on sale of non-current assets	2	–
Loss on retirement of non-current assets	3	4
Loss on sale of investment securities	–	3
Total extraordinary losses	6	8
Income (loss) before income taxes	(1,364)	4,420
Income taxes	443	2,205
Net income (loss)	(1,808)	2,214
Net income attributable to non-controlling interests	163	209
Net income (loss) attributable to owners of parent	(1,972)	2,005

Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)	Three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)
Net income (loss)	(1,808)	2,214
Other comprehensive income		
Valuation difference on available-for-sale securities	35	347
Foreign currency translation adjustment	10,422	9,857
Remeasurements of defined benefit plans, net of tax	57	(198)
Share of other comprehensive income of entities accounted for using equity method	16	8
Total other comprehensive income	10,532	10,014
Comprehensive income	8,724	12,229
Comprehensive income attributable to		
Owners of parent	8,378	11,637
Non-controlling interests	346	591

(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, 2022 (from April 1, 2022 to June 30, 2022)

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	(1,699)	(630)	(355)	(986)	–	(986)

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.
3. During the second quarter ended September 30, 2022, the Company finalized the provisional accounting treatment for business combinations, and segment information reflects the details of the finalization of the provisional accounting treatment.

(b) Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

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	9,487	13,414	6,759	38,974	68,635	1,045	69,680	–	69,680
(2) Intersegment sales or transfers	–	–	–	–	–	–	–	–	–
Total	9,487	13,414	6,759	38,974	68,635	1,045	69,680	–	69,680
Segment profit (loss)	1,243	765	2,078	240	4,328	(178)	4,150	–	4,150

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.

Subsequent Events

(Additional acquisition of shares of a subsidiary)

At a Board of Directors' meeting held on June 23, 2023, the Company resolved the additional purchase of shares of Sitrade Italia S.p.A., a consolidated subsidiary, and purchased the shares as of July 12, 2023.

1. Outline of the transaction
 - (1) Name of combining entity and details of business
Name of the combining entity: Sitrade Italia S.p.A.
Details of business: Sales and maintenance service of cash handling machines
 - (2) Date of business combination:
July 1, 2023 (deemed date of purchase)
 - (3) Legal form of the business combination:
Share acquisition from non-controlling shareholders
 - (4) Name of entity after combination:
No change
 - (5) Other matters concerning outline of the transaction:
The percentage of voting rights of the additionally purchased shares is 19.5%, and the transaction has brought the Company's percentage of voting rights in Sitrade Italia S.p.A. to 95.0%. The purpose of this additional purchase is to further expand the Company's business in the Italian market and strengthen its business foundation throughout the European region.
2. Outline of accounting treatments to be implemented
In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), this business combination will be treated as a transaction with non-controlling interests among transactions under common control.
3. Matters concerning additional purchase of shares of a subsidiary
Purchase costs of shares of the combining entity and the breakdown by class
The purchase, accounted for at a cost of ¥14,637 million, was made in exchange for cash and deposits.
4. Matters concerning change in equity of the Company due to transactions with non-controlling interests
 - (1) Main factors for changes in capital surplus
Additional acquisition of shares of a subsidiary
 - (2) Amount of capital surplus reduced by transactions with non-controlling shareholders
The amount has not been finalized at this time.

(Unauthorized access to the Glory Group's servers)

The Company confirmed an unauthorized access by a third party to the servers of the Group on July 5, 2023 and is currently still investigating the incident.

The impact of this incident on the financial position and operating results of the next quarter and onward is currently under close examination. The Company will announce the details of investigation results as necessary.

(Issuance of bonds)

At a Board of Directors' meeting held on July 27, 2023, the Company resolved the issuance of domestic unsecured straight bonds as follows.

Domestic unsecured straight bonds

- (1) Total amount to be issued: ¥30.0 billion or less
- (2) Issue price: ¥100 per ¥100 face value
- (3) Interest rate: The yield of government bonds corresponding to the period for redemption of corporate bonds + a spread of 1.5% or less, or 3.0% or less per year
- (4) Issue period: From October 1, 2023 to March 31, 2024
- (5) Redemption period: Within 10 years
- (6) Redemption method: Lump-sum redemption at maturity
- (7) Use of funds: Capital investment, repayments of borrowings, redemption of bonds, investment and financing and working capital