

(TRANSLATION FOR REFERENCE ONLY)

This is a translation of the original Japanese text of the “Consolidated Financial Results for the Third 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 Third Quarter of Fiscal Year Ending March 31, 2019 <Japanese GAAP>

February 6, 2019

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: February 13, 2019
 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 Third Quarter of Fiscal Year Ending March 31, 2019 (from April 1, 2018 to December 31, 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)	(%)
Nine months ended December 31, 2018	166,804	3.0	11,522	(1.5)	11,294	13.7	6,489	15.0
Nine months ended December 31, 2017	161,959	1.5	11,701	(13.3)	9,933	(8.6)	5,641	(15.9)

(Note) Comprehensive income

Nine months ended December 31, 2018: ¥8,567 million [(8.5) %]
 Nine months ended December 31, 2017: ¥9,366 million [— %]

	Net income per share	Fully diluted net income per share
	(Yen)	(Yen)
Nine months ended December 31, 2018	104.50	—
Nine months ended December 31, 2017	88.52	—

(2) Consolidated Financial Position

	Total assets	Net assets	Ownership equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of December 31, 2018	319,539	187,997	57.6	3,050.29
As of March 31, 2018	302,825	192,165	62.0	3,003.62

(Reference) Ownership equity

As of December 31, 2018: ¥184,208 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	—	31.00	—		
Year ending March 31, 2019 (forecast)				33.00	64.00

(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)
Full year	240,000	5.6	20,000	2.0	20,000	13.9	12,000	21.3	193.23

(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 shares)

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

As of December 31, 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 December 31, 2018: 7,865,887 shares

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

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

Nine months ended December 31, 2018: 62,101,417 shares

Nine months ended December 31, 2017: 63,732,064 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 December 31, 2018: 381,836 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 nine months ended December 31, 2018, the Japanese economy showed a continuing trend of gradual recovery driven by a pickup in personal consumption due to improvements in the environments of employment and personal incomes, and an increase in capital investment against a backdrop of improvement in corporate earnings. The global economy also maintained its trend of recovery, despite the outlook for the United States and Europe remained uncertain because of factors such as the trade issues between the United States and China and the U.K.'s decision to leave the EU. In Asia, the economy was firm overall despite an economic slowdown emerging in China.

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 nine-month period totaled ¥166,804 million (up 3.0% year on year). Of this, sales of merchandise and finished goods were ¥116,237 million (up 4.3% year on year) and sales from maintenance services were ¥50,566 million (up 0.2% year on year). Operating income was ¥11,522 million (down 1.5% year on year), ordinary income was ¥11,294 million (up 13.7% year on year) due to a large decrease in foreign exchange losses, and net income attributable to owners of parent was ¥6,489 million (up 15.0% 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 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 ¥40,749 million (up 9.2% year on year) and operating income was ¥4,843 million (up 96.8% 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 also robust.

As a result, net sales in this segment were ¥37,398 million (up 19.4% year on year) and operating income was ¥3,264 million (up 22.2% year on year).

Amusement market

Sales of this segment's main products such as “card systems” were steady due to our capturing of replacement demand and sales of “pachinko prize dispensing machines” for pachinko parlors were strong. On the other hand, sales of peripheral devices such as pachinko ball counters were sluggish.

As a result, net sales in this segment were ¥15,875 million (down 3.2% year on year) and operating income was ¥1,576 million (up 23.4% year on year).

Overseas market

Sales of “banknote recyclers” -RBG series- for financial institutions were favorable in Europe. However, in the United States, 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 slow in China. Meanwhile, sales of “banknote deposit modules” for ATMs, which are OEM products, were steady.

As a result, net sales in this segment were ¥70,460 million (down 6.1% year on year) and operating income was ¥2,835 million (down 50.0% year on year) due to deterioration in product mix and temporary production adjustments at an overseas manufacturing subsidiary, etc.

In the “Other” business segment, net sales were ¥2,321 million (up 21.1% year on year) and operating loss was ¥997 million (vs. operating loss of ¥375 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 December 31, 2018
Assets		
Current assets		
Cash and deposits	61,154	74,520
Notes and accounts receivable - trade	54,275	51,956
Securities	2,000	557
Merchandise and finished goods	31,719	35,453
Work in process	8,044	8,571
Raw materials and supplies	11,599	12,106
Other	6,524	6,081
Allowance for doubtful accounts	(570)	(796)
Total current assets	174,747	188,449
Non-current assets		
Property, plant and equipment	34,509	34,604
Intangible assets		
Customer relationships	19,683	19,469
Goodwill	45,113	45,369
Other	5,977	5,849
Total intangible assets	70,774	70,688
Investments and other assets		
Investment securities	10,480	12,077
Other	12,503	13,875
Allowance for doubtful accounts	(188)	(154)
Total investments and other assets	22,794	25,797
Total non-current assets	128,078	131,090
Total assets	302,825	319,539
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,587	10,124
Electronically recorded obligations - operating	8,519	8,084
Short-term loans payable	21,745	33,671
Current portion of long-term loans payable	9,006	6,262
Income taxes payable	2,143	1,796
Provision for bonuses	7,732	4,448
Provision for directors' bonuses	105	69
Provision for stock grant	71	60
Other	30,710	33,555
Total current liabilities	91,620	98,073
Non-current liabilities		
Bonds payable	–	20,000
Long-term loans payable	4,508	–
Provision for stock grant	191	215
Net defined benefit liability	2,620	2,191
Other	11,719	11,061
Total non-current liabilities	19,039	33,468
Total liabilities	110,660	131,541

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GLORY LTD. (6457)
Consolidated Financial Results
for the Third Quarter of Fiscal Year
Ending March 31, 2019

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Net assets		
Shareholders' equity		
Capital stock	12,892	12,892
Capital surplus	20,991	20,938
Retained earnings	165,380	166,452
Treasury shares	(18,022)	(23,886)
Total shareholders' equity	181,241	176,396
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	916	203
Foreign currency translation adjustment	5,793	7,741
Remeasurements of defined benefit plans	(170)	(132)
Total accumulated other comprehensive income	6,538	7,811
Non-controlling interests	4,385	3,789
Total net assets	192,165	187,997
Total liabilities and net assets	302,825	319,539

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(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(Millions of yen)

	Nine months ended December 31, 2017 (From April 1, 2017 to December 31, 2017)	Nine months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)
Net sales	161,959	166,804
Cost of sales	99,542	104,405
Gross profit	62,416	62,398
Selling, general and administrative expenses	50,715	50,876
Operating income	11,701	11,522
Non-operating income		
Interest income	124	106
Dividend income	127	137
Other	284	226
Total non-operating income	536	470
Non-operating expenses		
Interest expenses	396	429
Foreign exchange losses	1,810	41
Other	97	226
Total non-operating expenses	2,303	698
Ordinary income	9,933	11,294
Extraordinary income		
Gain on sales of non-current assets	15	4
Gain on sales of investment securities	8	61
Total extraordinary income	23	65
Extraordinary losses		
Loss on retirement of non-current assets	52	26
Other	11	0
Total extraordinary losses	63	27
Income before income taxes	9,893	11,332
Income taxes	3,338	3,918
Net income	6,555	7,414
Net income attributable to non-controlling interests	914	924
Net income attributable to owners of parent	5,641	6,489

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Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2017 (From April 1, 2017 to December 31, 2017)	Nine months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)
Net income	6,555	7,414
Other comprehensive income		
Valuation difference on available-for-sale securities	473	(712)
Foreign currency translation adjustment	2,188	1,827
Remeasurements of defined benefit plans, net of tax	148	37
Total other comprehensive income	2,811	1,152
Comprehensive income	9,366	8,567
Comprehensive income attributable to		
Owners of parent	8,204	7,796
Non-controlling interests	1,161	770

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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

Acquisition of treasury shares

The Company resolved at a meeting of the Board of Directors held on November 6, 2018 to acquire its treasury shares and, during the nine months ended December 31, 2018, it acquired its treasury shares as follows. The acquisition of treasury shares was completed as of December 7, 2018.

(1) Type of shares acquired	Common shares of the Company
(2) Total number of shares acquired	2,151,600 shares
(3) Total amount of shares acquired	¥5,999,933,200
(4) Period of share acquisition	From November 7, 2018 to December 7, 2018
(5) Method of share acquisition	Open-market purchase on the Tokyo Stock Exchange (Includes purchase through the off-auction own share repurchase trading system (ToSTNeT-3).)

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

Segment Information

(a) Nine months ended December 31, 2017 (from April 1, 2017 to December 31, 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	37,320	31,310	16,406	75,005	160,041	1,917	161,959	–	161,959
(2) Intersegment sales or transfers	–	–	–	–	–	–	–	–	–
Total	37,320	31,310	16,406	75,005	160,041	1,917	161,959	–	161,959
Segment profit (loss)	2,460	2,671	1,277	5,667	12,077	(375)	11,701	–	11,701

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) Nine months ended December 31, 2018 (from April 1, 2018 to December 31, 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	40,749	37,398	15,875	70,460	164,483	2,321	166,804	–	166,804
(2) Intersegment sales or transfers	–	–	–	–	–	–	–	–	–
Total	40,749	37,398	15,875	70,460	164,483	2,321	166,804	–	166,804
Segment profit (loss)	4,843	3,264	1,576	2,835	12,519	(997)	11,522	–	11,522

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.