

(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, 2020.” 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, 2020 <Japanese GAAP>

August 6, 2019

Company Name: GLORY LTD. Stock exchange listing: Tokyo (1st Section)
 Code number: 6457 URL: <https://corporate.glory-global.com/>
 Representative: Motozumi Miwa President & Representative Director
 Contact person: Yukihiro Fujikawa Executive Officer; Executive General Manager, Finance Headquarters
 TEL +81-79-297-3131

Scheduled filing date of Quarterly Securities Report: August 9, 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 First Quarter of Fiscal Year Ending March 31, 2020 (from April 1, 2019 to June 30, 2019)

(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, 2019	49,076	1.7	3,171	83.8	2,738	55.5	1,545	125.7
Three months ended June 30, 2018	48,232	2.2	1,725	(26.5)	1,760	47.4	684	103.8

(Note) Comprehensive income

Three months ended June 30, 2019: ¥(699) million [— %]
 Three months ended June 30, 2018: ¥2,658 million [173.5 %]

	Net income per share	Fully diluted net income per share
	(Yen)	(Yen)
Three months ended June 30, 2019	25.59	—
Three months ended June 30, 2018	10.95	—

(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, 2019	306,881	182,884	59.2	3,005.60
As of March 31, 2019	318,228	193,257	59.5	3,133.54

(Reference) Ownership equity

As of June 30, 2019: ¥181,621 million As of March 31, 2019: ¥189,238 million

(TRANSLATION FOR REFERENCE ONLY)

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, 2019	—	31.00	—	33.00	64.00
Year ending March 31, 2020	—				
Year ending March 31, 2020 (forecast)		32.00	—	32.00	64.00

(Note) Revisions to the latest dividend forecast: None

3. Consolidated Financial Forecast for the Year Ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

(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, 2019	109,000	(0.5)	5,500	(21.6)	5,300	(23.3)	2,500	(34.6)	41.39
Full year	230,000	(2.4)	17,000	(17.4)	16,500	(19.8)	10,000	(18.4)	165.55

(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.: Yes
 - (b) Changes in accounting policies other than (a): None
 - (c) Changes in accounting estimates: None
 - (d) Restatements: None

(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 Accounting Policies” on page 10 of the Attachment.

(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, 2019: 68,638,210 shares

As of March 31, 2019: 68,638,210 shares

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

As of June 30, 2019: 7,865,917 shares

As of March 31, 2019: 7,865,917 shares

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

Three months ended June 30, 2019: 60,403,343 shares

Three months ended June 30, 2018: 62,525,680 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, 2019: 344,655 shares, As of March 31, 2019: 380,898 shares)

(TRANSLATION FOR REFERENCE ONLY)

(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.

(TRANSLATION FOR REFERENCE ONLY)

Attachment

Contents

1. Qualitative Information on the Financial Statements	5
(1) Operating Results	5
(2) Consolidated Financial Forecasts and Other Forward-looking Statements.....	5
2. Quarterly Consolidated Financial Statements and Significant Notes Thereto	6
(1) Quarterly Consolidated Balance Sheet	6
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	8
Quarterly Consolidated Statement of Income	8
Quarterly Consolidated Statement of Comprehensive Income	9
(3) Notes to Quarterly Consolidated Financial Statements.....	10
Notes Regarding Assumption of a Going Concern.....	10
Notes for Significant Change in the Amount of Shareholders' Equity	10
Application of Accounting Methods Specific to Preparation of the Quarterly Consolidated Financial Statements	10
Changes in Accounting Policies	10
Segment Information	10

(TRANSLATION FOR REFERENCE ONLY)

1. Qualitative Information on the Financial Statements

(1) Operating Results

In the three months ended June 30, 2019, the Japanese economy continued a trend of gradual recovery as personal consumption recovered and capital investment picked up owing to improvements in the employment and income situations as well as in corporate earnings. As for the global economy, the recovery continued in the U.S. amid concerns over future negotiations between the U.S. and China, and the European economy also maintained its trend of gradual recovery despite the uncertainty surrounding Brexit and other issues. The Asian economy as a whole remained steady, although China experienced a moderate slowdown in the economy.

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

As a result, net sales in this three-month period totaled ¥49,076 million (up 1.7% year on year). Of this, sales of merchandise and finished goods were ¥31,416 million (up 0.0% year on year) and sales from maintenance services were ¥17,660 million (up 5.0% year on year). Operating income was ¥3,171 million (up 83.8% year on year) due to an increase in sales from maintenance services and improvements in the product mix, etc., ordinary income was ¥2,738 million (up 55.5% year on year), and net income attributable to owners of parent was ¥1,545 million (up 125.7% year on 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 due to the large-scale demand of the previous year having run its course.

As a result, net sales in this segment were ¥8,617 million (down 27.5% year on year) and operating income was ¥297 million (down 72.6% year on year).

Retail and transportation market

Sales of this segment’s main product, “coin and banknote recyclers” were strong and sales of “ticket vending machines” were also favorable.

As a result, net sales in this segment were ¥12,531 million (up 24.7% year on year) and operating income was ¥1,532 million (up 126.2% year on year).

Amusement market

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

As a result, net sales in this segment were ¥5,224 million (up 26.4% year on year) and operating income was ¥702 million (up 195.1% year on year).

Overseas market

Sales of “banknote recyclers” -RBG series- for financial institutions were sluggish in the United States. However, sales of “sales proceeds deposit machines” -CI series- for the retail industry were strong. Sales of “banknote recyclers” -RBG series- for financial institutions were sluggish in Europe. However, sales of “sales proceeds deposit machines” -CI series- for the retail industry remained steady. Furthermore, in Asia, sales of “banknote sorters” -USF series- were steady. Meanwhile, sales of “banknote deposit modules” for ATMs, which are OEM products, were slow.

As a result, net sales in this segment were ¥21,541 million (up 0.4% year on year) and operating income was ¥1,246 million (up 5,252.9% year on year).

In the “Other” business segment, net sales were ¥1,161 million (up 62.8% year on year) and operating loss was ¥608 million (vs. operating loss of ¥298 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, 2020 that were announced on May 10, 2019.

(TRANSLATION FOR REFERENCE ONLY)

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	60,328	66,390
Notes and accounts receivable - trade	57,170	47,445
Electronically recorded monetary claims - operating	917	746
Securities	15,556	538
Merchandise and finished goods	28,606	33,942
Work in process	8,233	8,584
Raw materials and supplies	11,687	11,959
Other	6,218	6,122
Allowance for doubtful accounts	(574)	(594)
Total current assets	188,143	175,137
Non-current assets		
Property, plant and equipment	34,829	37,641
Intangible assets		
Customer relationships	19,108	18,198
Goodwill	44,245	43,311
Other	6,437	6,330
Total intangible assets	69,791	67,841
Investments and other assets		
Investment securities	12,302	11,950
Other	13,314	14,463
Allowance for doubtful accounts	(152)	(151)
Total investments and other assets	25,464	26,261
Total non-current assets	130,084	131,744
Total assets	318,228	306,881
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,014	9,632
Electronically recorded obligations - operating	7,461	7,729
Short-term borrowings	23,369	27,538
Current portion of long-term borrowings	4,476	1,759
Income taxes payable	3,006	1,286
Provision for bonuses	7,852	3,481
Provision for bonuses for directors (and other officers)	113	24
Provision for stock grant	86	19
Other	33,087	36,042
Total current liabilities	90,467	87,513
Non-current liabilities		
Bonds payable	20,000	20,000
Provision for stock grant	240	243
Retirement benefit liability	3,031	3,027
Other	11,231	13,213
Total non-current liabilities	34,503	36,484
Total liabilities	124,971	123,997

(TRANSLATION FOR REFERENCE ONLY)

GLORY LTD. (6457)
Consolidated Financial Results
for the First Quarter of Fiscal Year Ending
March 31, 2020

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Net assets		
Shareholders' equity		
Share capital	12,892	12,892
Capital surplus	20,938	16,253
Retained earnings	172,219	171,758
Treasury shares	(23,884)	(23,774)
Total shareholders' equity	182,166	177,131
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	219	(23)
Foreign currency translation adjustment	7,673	5,299
Remeasurements of defined benefit plans	(820)	(786)
Total accumulated other comprehensive income	7,072	4,489
Non-controlling interests	4,018	1,263
Total net assets	193,257	182,884
Total liabilities and net assets	318,228	306,881

(TRANSLATION FOR REFERENCE ONLY)

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(Millions of yen)

	Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)	Three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)
Net sales	48,232	49,076
Cost of sales	29,866	28,983
Gross profit	18,366	20,093
Selling, general and administrative expenses	16,641	16,921
Operating income	1,725	3,171
Non-operating income		
Interest income	37	51
Dividend income	82	82
Foreign exchange gains	23	-
Other	70	52
Total non-operating income	212	186
Non-operating expenses		
Interest expenses	135	202
Foreign exchange losses	-	272
Share of loss of entities accounted for using equity method	-	103
Other	41	41
Total non-operating expenses	176	619
Ordinary income	1,760	2,738
Extraordinary income		
Gain on sales of non-current assets	5	0
Total extraordinary income	5	0
Extraordinary losses		
Loss on retirement of non-current assets	2	11
Loss on valuation of investment securities	-	48
Other	0	-
Total extraordinary losses	3	59
Income before income taxes	1,762	2,679
Income taxes	744	741
Net income	1,018	1,938
Net income attributable to non-controlling interests	333	393
Net income attributable to owners of parent	684	1,545

(TRANSLATION FOR REFERENCE ONLY)

Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)	Three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)
Net income	1,018	1,938
Other comprehensive income		
Valuation difference on available-for-sale securities	(64)	(248)
Foreign currency translation adjustment	1,686	(2,429)
Remeasurements of defined benefit plans, net of tax	18	34
Share of other comprehensive income of entities accounted for using equity method	-	4
Total other comprehensive income	1,640	(2,638)
Comprehensive income	2,658	(699)
Comprehensive income attributable to		
Owners of parent	2,524	(1,037)
Non-controlling interests	133	337

(TRANSLATION FOR REFERENCE ONLY)

(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

On June 24, 2019, the Company acquired additional shares of its consolidated subsidiary, Sitrade Italia S.p.A. As a result, capital surplus decreased by ¥4,684 million in the three months ended June 30, 2019.

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.

Changes in Accounting Policies

The overseas consolidated subsidiaries of the Company have applied IFRS 16 "Leases" from the first quarter of the fiscal year ending March 31, 2020. In the application of IFRS 16, the Glory Group has adopted the method where the cumulative effect of applying this accounting standard is recognized at the date of initial application, which is allowed as the transition approach.

The impact of the application of IFRS 16 on the consolidated financial statements is insignificant.

Segment Information

(a) 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.

(b) 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 of quarterly consolidated statement of income.