

(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, 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 Third Quarter of Fiscal Year Ending March 31, 2020 <Japanese GAAP>

February 6, 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: February 13, 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 Third Quarter of Fiscal Year Ending March 31, 2020 (from April 1, 2019 to December 31, 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)	(%)
Nine months ended December 31, 2019	160,785	(3.6)	12,697	10.2	11,950	5.8	7,237	11.5
Nine months ended December 31, 2018	166,804	3.0	11,522	(1.5)	11,294	13.7	6,489	15.0

(Note) Comprehensive income

Nine months ended December 31, 2019: ¥6,344 million [(25.9) %]
 Nine months ended December 31, 2018: ¥8,567 million [(8.5) %]

	Net income per share	Fully diluted net income per share
	(Yen)	(Yen)
Nine months ended December 31, 2019	119.78	—
Nine months ended December 31, 2018	104.50	—

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

Nine months ended December 31, 2019: ¥23,013 million [9.9 %]
 Nine months ended December 31, 2018: ¥20,947 million [(4.9) %]

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

Nine months ended December 31, 2019: ¥10,097 million [9.6 %]
 Nine months ended December 31, 2018: ¥9,212 million [6.2 %]

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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 December 31, 2019	311,960	188,046	59.8	3,085.22
As of March 31, 2019	318,228	193,257	59.5	3,133.54

(Reference) Ownership equity

As of December 31, 2019: ¥186,439 million

As of March 31, 2019: ¥189,238 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, 2019	—	31.00	—	33.00	64.00
Year ending March 31, 2020	—	32.00	—		
Year ending March 31, 2020 (forecast)				34.00	66.00

(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)
Full year	230,000	(2.4)	17,000	(17.4)	16,500	(19.8)	10,000	(18.4)	165.51

(Reference) EBITDA

Year ending March 31, 2020: ¥30,517 million

Net income before amortization of goodwill

Year ending March 31, 2020: ¥13,815 million

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

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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):
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 December 31, 2019: | 63,638,210 shares |
| As of March 31, 2019: | 68,638,210 shares |
- (b) Number of treasury shares at the end of the period
- | | |
|--------------------------|------------------|
| As of December 31, 2019: | 2,865,997 shares |
| As of March 31, 2019: | 7,865,917 shares |
- (c) Average number of shares (cumulative from the beginning of the period)
- | | |
|--------------------------------------|-------------------|
| Nine months ended December 31, 2019: | 60,420,684 shares |
| Nine months ended December 31, 2018: | 62,101,417 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, 2019: 342,364 shares, As of March 31, 2019: 380,898 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 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, 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. Asian economy as a whole remained steady, although China continued to experience 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 nine-month period totaled ¥160,785 million (down 3.6% year on year). Of this, sales of merchandise and finished goods were ¥107,483 million (down 7.5% year on year) and sales from maintenance services were ¥53,302 million (up 5.4% year on year). Operating income was ¥12,697 million (up 10.2% year on year) due to an increase in sales from maintenance services and improvements in the product mix, etc., ordinary income was ¥11,950 million (up 5.8% year on year), and net income attributable to owners of parent was ¥7,237 million (up 11.5% 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 ¥30,654 million (down 24.8% year on year) and operating income was ¥2,519 million (down 48.0% year on year).

Retail and transportation market

Sales of this segment’s main product, “coin and banknote recyclers” for cashiers were slow due to the large-scale demand of the previous year having run its course. However, sales of “sales proceeds deposit machines” for the cash-in-transit market and “ticket vending machines” were robust.

As a result, net sales in this segment were ¥37,252 million (down 0.4% year on year) and operating income was ¥3,875 million (up 18.7% year on year) due to an increase in sales from maintenance services and improvements in the product mix, etc.

Amusement market

Sales of this segment’s main products such as “card systems” were sluggish, but sales of store facilities, such as the installation of smoking booths in pachinko parlors following the enforcement of the revised Health Promotion Act, were strong.

As a result, net sales in this segment were ¥15,956 million (up 0.5% year on year) and operating income was ¥1,873 million (up 18.9% year on year).

Overseas market

Sales of “banknote recyclers” -RBG series- for financial institutions were steady in the United States and 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 were favorable. Furthermore, in Asia, sales of “banknote sorters” -USF series- were favorable. Meanwhile, sales of “banknote deposit modules” for ATMs, which are OEM products, were slow.

As a result, net sales in this segment were ¥73,343 million (up 4.1% year on year) while, due to increases in net sales of software and sales from maintenance services following the reprints in Europe, operating income was ¥6,284 million (up 121.6% year on year).

In the “Other” business segment, net sales were ¥3,579 million (up 54.2% year on year) and operating loss was ¥1,854 million (vs. operating loss of ¥997 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.

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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, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	60,328	67,704
Notes and accounts receivable - trade	57,170	45,931
Electronically recorded monetary claims - operating	917	1,766
Securities	15,556	2,001
Merchandise and finished goods	28,606	37,743
Work in process	8,233	8,520
Raw materials and supplies	11,687	12,710
Other	6,218	6,279
Allowance for doubtful accounts	(574)	(797)
Total current assets	188,143	181,860
Non-current assets		
Property, plant and equipment	34,829	37,667
Intangible assets		
Customer relationships	19,108	18,463
Goodwill	44,245	41,843
Other	6,437	6,431
Total intangible assets	69,791	66,738
Investments and other assets		
Investment securities	12,302	10,758
Other	13,314	14,961
Allowance for doubtful accounts	(152)	(26)
Total investments and other assets	25,464	25,694
Total non-current assets	130,084	130,100
Total assets	318,228	311,960
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,014	11,207
Electronically recorded obligations - operating	7,461	7,718
Short-term borrowings	23,369	26,808
Current portion of long-term borrowings	4,476	—
Income taxes payable	3,006	1,930
Provision for bonuses	7,852	4,388
Provision for bonuses for directors (and other officers)	113	74
Provision for stock grant	86	59
Other	33,087	34,867
Total current liabilities	90,467	87,055
Non-current liabilities		
Bonds payable	20,000	20,000
Provision for stock grant	240	280
Retirement benefit liability	3,031	3,026
Other	11,231	13,552
Total non-current liabilities	34,503	36,859
Total liabilities	124,971	123,914

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

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Net assets		
Shareholders' equity		
Share capital	12,892	12,892
Capital surplus	20,938	15,961
Retained earnings	172,219	161,346
Treasury shares	(23,884)	(9,315)
Total shareholders' equity	182,166	180,885
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	219	249
Foreign currency translation adjustment	7,673	6,024
Remeasurements of defined benefit plans	(820)	(719)
Total accumulated other comprehensive income	7,072	5,553
Non-controlling interests	4,018	1,607
Total net assets	193,257	188,046
Total liabilities and net assets	318,228	311,960

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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, 2018 (From April 1, 2018 to December 31, 2018)	Nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)
Net sales	166,804	160,785
Cost of sales	104,405	96,382
Gross profit	62,398	64,403
Selling, general and administrative expenses	50,876	51,706
Operating income	11,522	12,697
Non-operating income		
Interest income	106	152
Dividend income	137	143
Gain on investments in investment partnerships	6	88
Other	219	217
Total non-operating income	470	602
Non-operating expenses		
Interest expenses	429	567
Foreign exchange losses	41	388
Share of loss of entities accounted for using equity method	-	202
Other	226	190
Total non-operating expenses	698	1,349
Ordinary income	11,294	11,950
Extraordinary income		
Gain on sales of non-current assets	4	0
Gain on sales of investment securities	61	6
Total extraordinary income	65	6
Extraordinary losses		
Loss on retirement of non-current assets	26	15
Loss on valuation of investment securities	-	120
Other	0	0
Total extraordinary losses	27	135
Income before income taxes	11,332	11,821
Income taxes	3,918	3,813
Net income	7,414	8,008
Net income attributable to non-controlling interests	924	771
Net income attributable to owners of parent	6,489	7,237

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Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)	Nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)
Net income	7,414	8,008
Other comprehensive income		
Valuation difference on available-for-sale securities	(712)	28
Foreign currency translation adjustment	1,827	(1,795)
Remeasurements of defined benefit plans, net of tax	37	101
Share of other comprehensive income of entities accounted for using equity method	–	1
Total other comprehensive income	1,152	(1,664)
Comprehensive income	8,567	6,344
Comprehensive income attributable to		
Owners of parent	7,796	5,718
Non-controlling interests	770	625

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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

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 nine months ended December 31, 2019.

The Company resolved at its Board of Directors meeting held on November 7, 2019, to cancel a part of treasury shares pursuant to Article 178 of the Company Law of Japan, and canceled 5,000,000 treasury shares on November 29, 2019. As a result, capital surplus, retained earnings and treasury shares decreased by ¥292 million, ¥14,160 million and ¥14,452 million, respectively, in the nine months ended December 31, 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 third 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) 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.

(b) Nine months ended December 31, 2019 (from April 1, 2019 to December 31, 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	30,654	37,252	15,956	73,343	157,206	3,579	160,785	–	160,785
(2) Intersegment sales or transfers	–	–	–	–	–	–	–	–	–
Total	30,654	37,252	15,956	73,343	157,206	3,579	160,785	–	160,785
Segment profit (loss)	2,519	3,875	1,873	6,284	14,551	(1,854)	12,697	–	12,697

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.