

July 26, 2022



News Release

Company name: GLORY LTD.
Representative: Motozumi Miwa, President
Headquarters: 3-1, Shimoteno 1-chome, Himeji,
Hyogo, JAPAN
Securities Code: 6457
Stock Exchange: Tokyo (Prime)
Accounting Term: March

Notice regarding material weakness in internal control over financial reporting

GLORY LTD. (the “Company”) hereby notifies its inclusion of material weakness in internal controls over financial reporting in the FY2021 Internal Control Report (the “Report”). The Report was submitted on June 27, 2022 to the Kanto Local Finance Bureau, pursuant to the Article 24-4-4, paragraph (1) of the Financial Instruments and Exchange Act.

1. Details of material weakness

Based on the following, the Company has confirmed the material weakness in entity level controls, financial controls for the reporting process, and process level controls.

Following the discovery of embezzlement (the “Incident”) by a former employee (“X”) of Glory Service Co., Ltd. (“GS”), a domestic consolidated subsidiary, the Company established an internal investigation committee, chaired by the Company’s director (Chairman of its Audit & Supervisory Committee) (the “Committee”), on February 8, 2022 to investigate on the facts and causes with the assistance of external attorneys and CPAs.

The investigations have identified the facts of misconduct by X, including embezzlement and false journal entries to conceal the act of embezzlement. Accordingly, the Company revised the financial results for the previous fiscal years impacted, and submitted the amended Securities Reports for FY2019 (fiscal year ended March 2020) and FY2020 (fiscal year ended March 2021), as well as for the Quarterly Report from the Q1 FY2020 (the first quarter of the fiscal year ended March 2021) to Q2 FY2021 (the second quarter of the fiscal year ended March 2022).

The following are considered to be direct causes of the Incident:

- Dependence and concentration of authorities on a particular employee over the long term for accounting tasks in GS’s general affairs department
- Deficient workflow for cash collection and deposit, non-compliance with GS’s accounting rules for bank transfer and remittance
- Insufficient supervision and vigilance within the general affairs department
- Inadequacy of rules to implement appropriate internal control in GS and of awareness by the employees of GS

The following are considered to be additional underlying causes:

- Inadequate human resources for the tasks allocated to GS's general affairs department
- Inadequate attention by the Company to its credit assessment of its subsidiary
- Inadequate awareness of key issues in auditing by GS's corporate auditors and the Company's internal audit department

2. Reasons why the material weakness was not addressed by the end of FY2021

The Company had insufficient time to implement the preventive measures* between the date of receipt of the investigation report (March 14, 2022) from the Committee and the end of FY2021 (March 31, 2022).

*For details, refer to the "Notice of the Establishment of Preventive Measures regarding the Incident at Domestic Subsidiary" released on May 12, 2022 (the "Press Release").

3. Remedial actions to be taken for the material weaknesses

Recognizing the importance of internal control over financial reporting, the Company will implement the following measures* based on the Committee's investigation report:

- (1) Enhance internal controls through segregation of duties, planned job rotation, and supportive systems
- (2) Ensure compliance with accounting rules through necessary training
- (3) Enhance management structure by promoting awareness and establishing a system to ensure strict credit approval process for subsidiaries with risk potential
- (4) Enhance the quality of audits by the Audit & Supervisory Committee and the internal audit department, through the formulation of audit plans suited to subsidiaries' business characteristics

*For details, refer to the Press Release.

4. Impact on financial statements

Amendments have been made to the relevant consolidated and non-consolidated financial statements.

5. Accounting Auditor's opinion

Both the consolidated and non-consolidated financial statements are fairly presented.

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About GLORY LTD.

GLORY LTD., headquartered in Himeji, Japan, is a pioneer in the development and manufacture of money handling machines and systems. GLORY provides a variety of products such as money handling machines, cash management systems, vending machines, automatic service equipment, and cash management solutions that are built on its leading-edge recognition/identification and mechatronics technology. Committed to meet society's wide-ranging needs, GLORY serves the financial, retail, vending machine, amusement and gaming industries in over 100 countries around the world. GLORY has approximately 11,000 employees worldwide. For more information about GLORY, please visit GLORY Group website at

<https://corporate.glory-global.com/>

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