

This is a translation of the original Japanese text of the “Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2021.” 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, 2021 <Japanese GAAP>

February 4, 2021

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 10, 2021
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, 2021 (from April 1, 2020 to December 31, 2020)

(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, 2020	145,966	(9.2)	7,403	(41.7)	7,244	(39.4)	3,156	(56.4)
Nine months ended December 31, 2019	160,785	(3.6)	12,697	10.2	11,950	5.8	7,237	11.5

(Note) Comprehensive income

Nine months ended December 31, 2020: ¥3,542 million [(44.2) %]
Nine months ended December 31, 2019: ¥6,344 million [(25.9) %]

	Net income per share	Fully diluted net income per share
	(Yen)	(Yen)
Nine months ended December 31, 2020	52.22	—
Nine months ended December 31, 2019	119.78	—

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

Nine months ended December 31, 2020: ¥18,719 million [(18.7) %]
Nine months ended December 31, 2019: ¥23,013 million [9.9 %]

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

Nine months ended December 31, 2020: ¥6,615 million [(34.5) %]
Nine months ended December 31, 2019: ¥10,097 million [9.6 %]

(TRANSLATION FOR REFERENCE ONLY)

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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, 2020	310,109	181,939	58.0	2,976.87
As of March 31, 2020	308,763	187,143	60.0	3,064.61

(Reference) Ownership equity

As of December 31, 2020: ¥179,956 million

As of March 31, 2020: ¥185,196 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, 2020	—	32.00	—	34.00	66.00
Year ending March 31, 2021	—	30.00	—		
Year ending March 31, 2021 (forecast)				36.00	66.00

(Note) Revisions to the latest dividend forecast: Yes

For details on the revision to the dividend forecast, please refer to the news release titled “Notice of Revision of Consolidated Financial Forecast and Year-End Dividend Forecast for FY2020” announced on the same day as this report (February 4, 2021).

3. Consolidated Financial Forecast for the Year Ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

(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	213,000	(5.0)	11,000	(38.6)	10,000	(36.1)	4,500	(49.8)
								74.44

(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 “Notice of Revision of Consolidated Financial Forecast and Year-End Dividend Forecast for FY2020” announced on the same day as this report (February 4, 2021).

(Reference) EBITDA

Year ending March 31, 2021: ¥25,900 million

Net income before amortization of goodwill

Year ending March 31, 2021: ¥9,200 million

(TRANSLATION FOR REFERENCE ONLY)

Notes:

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries involving a change in the scope of consolidation):

Yes

Newly included: 1 company (Company name: Acrelec Group S.A.S.) Excluded: –

(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 Significant Subsidiaries During the Period” on page 11 of the Attachment.

(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, 2020: 63,638,210 shares

As of March 31, 2020: 63,638,210 shares

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

As of December 31, 2020: 2,866,078 shares

As of March 31, 2020: 2,866,029 shares

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

Nine months ended December 31, 2020: 60,447,366 shares

Nine months ended December 31, 2019: 60,420,684 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, 2020: 320,440 shares, As of March 31, 2020: 341,500 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.

(TRANSLATION FOR REFERENCE ONLY)

Attachment

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(TRANSLATION FOR REFERENCE ONLY)

1. Qualitative Information on the Financial Statements

(1) Operating Results

The global economy in the nine months ended December 31, 2020 saw a slowdown in its pace of recovery due to the re-emergence of the novel coronavirus disease (COVID-19), despite signs of a recovery. In the U.S. and Europe, economic activities gradually resumed, but have been curbed again since the third quarter of the fiscal year. On the other hand, there was progress in efforts to bring COVID-19 under control, such as the start of vaccinations. In Asia, despite the economy continuing to recover in China, uncertainty surrounded the outlook of the economy overall. Furthermore, the outlook of the Japanese economy is unpredictable due to the continued cautious stance regarding capital investment by businesses, despite personal consumption showing signs of recovery.

Under such circumstances, in overseas business, business activities in China have recovered to a near-normal level, and net sales increased year on year. In the U.S. and Europe, sales in the financial market were sluggish due to the impact of the re-emergence of COVID-19, but in the retail market, sales of self-service “coin and banknote recyclers” for cashiers increased due to demand for contact-free and touch-free machines. Additionally, the performance of the Acrelec Group S.A.S., France, which sells self-service kiosks, etc., which the Company acquired in April 2020, is gradually recovering.

In domestic business, both net sales and income decreased year on year. However, in addition to an increase in sales from maintenance services due to the system modifications required in connection with the expected issuance of the new 500-yen coin, business negotiations for self-service “coin and banknote recyclers” for cashiers and self-service medical payment kiosks progressed at a faster pace than expected due to a growing need for labor-saving and contact-free machines against the backdrop of labor shortages and measures to prevent infection with COVID-19.

As a result, net sales in this nine-month period totaled ¥145,966 million (down 9.2% year on year). Of this, sales of merchandise and finished goods were ¥88,547 million (down 17.6% year on year) and sales from maintenance services were ¥57,418 million (up 7.7% year on year). Operating income was ¥7,403 million (down 41.7% year on year) due to a decrease in net sales, ordinary income was ¥7,244 million (down 39.4% year on year), and net income attributable to owners of parent was ¥3,156 million (down 56.4% year on year).

Additionally, as both net sales and income are expected to exceed the previous initial forecasts, we have made an upward revision to the full-year consolidated financial forecast for the year ending March 31, 2021, which was announced on November 6, 2020.

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 maintained at the level of the corresponding period of the previous year. In addition, sales from maintenance services increased due to the system modifications required in connection with the expected issuance of the new 500-yen coin.

As a result, net sales in this segment were ¥32,907 million (up 7.4% year on year) and operating income was ¥5,779 million (up 129.4% year on year).

Retail and transportation market

Although sales from maintenance services increased due to the system modifications required in connection with the expected issuance of the new 500-yen coin, sales of the main product, “coin and banknote recyclers” for cashiers were sluggish as a rebound from large-lot demand in the previous fiscal year. Additionally, sales of “ticket vending machines” were also sluggish due to a decrease in demand at restaurants and leisure facilities.

As a result, net sales in this segment were ¥32,948 million (down 11.6% year on year) and operating income was ¥2,455 million (down 36.6% year on year).

Amusement market

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

As a result, net sales in this segment were ¥7,811 million (down 51.0% year on year) and operating loss was ¥159 million (vs. operating income of ¥1,873 million in the corresponding period of the previous year).

Overseas market

In the United States and Europe, sales of “banknote recyclers” -RBG series- for financial institutions were slow, as the business activities were subject to restrictions due to the spread of COVID-19. Sales of “sales proceeds deposit machines” -CI series- for the retail industry were on par with the previous fiscal year. Meanwhile, in Asia, sales of “banknote sorters” -UW series- were favorable. Furthermore, sales of “banknote deposit modules” for ATMs, which are OEM products, were slow.

As a result, net sales in this segment were ¥70,449 million (down 3.9% year on year) and operating income was ¥1,073 million (down 82.9% year on year).

(TRANSLATION FOR REFERENCE ONLY)

Profit and loss from Acrelec Group S.A.S. and its subsidiaries are included in the scope of consolidation from the second quarter.

In the “Other” business segment, net sales were ¥1,849 million (down 48.3% year on year) and operating loss was ¥1,744 million (vs. operating loss of ¥1,854 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

Full-year financial forecasts for the fiscal year ending March 31, 2021 have been revised upward from the amounts announced on November 6, 2020 in consideration of financial results in the nine months ended December 31, 2020 and future forecasts.

For more information, please refer to the news release titled “Notice of Revision of Consolidated Financial Forecast and Year-End Dividend Forecast for FY2020” announced on February 4, 2021.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto**(1) Quarterly Consolidated Balance Sheet**

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	71,532	53,571
Notes and accounts receivable - trade	49,603	45,291
Electronically recorded monetary claims - operating	1,617	769
Securities	2,051	50
Merchandise and finished goods	31,053	40,297
Work in process	7,989	8,469
Raw materials and supplies	12,639	13,102
Other	5,577	7,716
Allowance for doubtful accounts	(656)	(1,009)
Total current assets	181,408	168,258
Non-current assets		
Property, plant and equipment	38,503	38,417
Intangible assets		
Customer relationships	17,968	17,201
Goodwill	43,246	54,573
Other	6,699	7,771
Total intangible assets	67,915	79,547
Investments and other assets		
Investment securities	8,352	10,049
Other	12,608	13,888
Allowance for doubtful accounts	(25)	(50)
Total investments and other assets	20,935	23,887
Total non-current assets	127,354	141,851
Total assets	308,763	310,109
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,346	9,231
Electronically recorded obligations - operating	7,154	5,983
Short-term borrowings	24,931	18,775
Current portion of long-term borrowings	20	21
Income taxes payable	1,520	1,149
Provision for bonuses	7,088	4,679
Provision for bonuses for directors (and other officers)	109	64
Provision for stock grant	39	—
Other	33,412	37,399
Total current liabilities	85,623	77,305
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	46	7,107
Provision for stock grant	260	247
Retirement benefit liability	3,243	3,338
Other	12,445	20,170
Total non-current liabilities	35,996	50,864
Total liabilities	121,620	128,170

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(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Net assets		
Shareholders' equity		
Share capital	12,892	12,892
Capital surplus	15,961	11,493
Retained earnings	163,070	162,337
Treasury shares	(9,312)	(9,249)
Total shareholders' equity	182,611	177,474
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(455)	122
Foreign currency translation adjustment	5,194	4,258
Remeasurements of defined benefit plans	(2,154)	(1,898)
Total accumulated other comprehensive income	2,584	2,482
Non-controlling interests	1,946	1,982
Total net assets	187,143	181,939
Total liabilities and net assets	308,763	310,109

(TRANSLATION FOR REFERENCE ONLY)

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(Millions of yen)

	Nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)	Nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)
Net sales	160,785	145,966
Cost of sales	96,382	87,703
Gross profit	64,403	58,263
Selling, general and administrative expenses	51,706	50,859
Operating income	12,697	7,403
Non-operating income		
Interest income	152	163
Dividend income	143	143
Subsidy income	39	413
Gain on investments in investment partnerships	88	138
Other	177	235
Total non-operating income	602	1,095
Non-operating expenses		
Interest expenses	567	420
Foreign exchange losses	388	514
Share of loss of entities accounted for using equity method	202	203
Other	190	116
Total non-operating expenses	1,349	1,254
Ordinary income	11,950	7,244
Extraordinary income		
Gain on sales of non-current assets	0	4
Gain on sales of investment securities	6	19
Total extraordinary income	6	23
Extraordinary losses		
Loss on retirement of non-current assets	15	29
Loss on valuation of investment securities	120	54
Other	0	21
Total extraordinary losses	135	104
Income before income taxes	11,821	7,163
Income taxes	3,813	3,552
Net income	8,008	3,611
Net income attributable to non-controlling interests	771	455
Net income attributable to owners of parent	7,237	3,156

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Quarterly Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)	Nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)
Net income	8,008	3,611
Other comprehensive income		
Valuation difference on available-for-sale securities	28	572
Foreign currency translation adjustment	(1,795)	(902)
Remeasurements of defined benefit plans, net of tax	101	256
Share of other comprehensive income of entities accounted for using equity method	1	4
Total other comprehensive income	(1,664)	(68)
Comprehensive income	6,344	3,542
Comprehensive income attributable to		
Owners of parent	5,718	3,090
Non-controlling interests	625	452

(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

The Company's consolidated subsidiary Glory Global Solutions (International) Ltd. granted put options written on shares of the subsidiary to the non-controlling shareholders of Acrelec Group S.A.S. The written put options were recognized in other under non-current liabilities, and capital surplus was reduced. As a result, capital surplus decreased by ¥4,468 million in the nine months ended December 31, 2020.

Changes in Significant Subsidiaries During the Period

For the first quarter ended June 30, 2020, following the acquisition of 80% of the outstanding shares of Acrelec Group S.A.S., 31 companies, including the subsidiaries of Acrelec Group S.A.S., are included in the scope of consolidation and two companies are included in the scope of application of the equity method. Acrelec Group S.A.S. qualifies as a specified subsidiary of the Company.

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.

Additional Information

(Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system)

As for items regarding the transition to the group tax sharing system introduced in the "Act Partially Amending the Income Tax Act" (Act No. 8 of 2020) and items revised on non-consolidated taxation system in connection with the transition to the group tax sharing system, the Company and some consolidated subsidiaries in Japan have not applied the provisions of paragraph 44 of the "Guidance on Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Guidance No. 28, February 16, 2018) as allowed by the provisions of paragraph 3 of the "Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No. 39, March 31, 2020). Accordingly, amounts of deferred tax assets and deferred tax liabilities are determined in accordance with the provisions of the tax law before revision.

(Accounting estimates associated with the spread of COVID-19)

As it is still unclear as to when COVID-19 will be brought under control throughout the world, including in Japan, the Glory Group has determined the accounting estimates for valuation of inventories, impairment of investments, impairment of goodwill, etc. based on the assumption that the impact of COVID-19 will continue until the end of the current fiscal year.

Segment Information

(a) 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.

(TRANSLATION FOR REFERENCE ONLY)

(b) Nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020)
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	32,907	32,948	7,811	70,449	144,117	1,849	145,966	—	145,966
(2) Intersegment sales or transfers	—	—	—	—	—	—	—	—	—
Total	32,907	32,948	7,811	70,449	144,117	1,849	145,966	—	145,966
Segment profit (loss)	5,779	2,455	(159)	1,073	9,148	(1,744)	7,403	—	7,403

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.