

This is a translation of the original Japanese text of the “Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2024.” 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 Second Quarter of Fiscal Year Ending March 31, 2024 <Japanese GAAP>

November 7, 2023

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

Scheduled filing date of Quarterly Securities Report: November 10, 2023
Scheduled date of dividend payments: December 5, 2023
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 Second Quarter of Fiscal Year Ending March 31, 2024 (from April 1, 2023 to September 30, 2023)

(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)	(%)
Six months ended September 30, 2023	157,839	40.7	16,783	—	15,404	—	8,308	—
Six months ended September 30, 2022	112,142	8.7	(4,711)	—	(5,359)	—	(6,195)	—

(Note) Comprehensive income

Six months ended September 30, 2023: ¥21,430 million [113.0%]
Six months ended September 30, 2022: ¥10,062 million [162.2%]

	Net income per share	Fully diluted net income per share
	(Yen)	(Yen)
Six months ended September 30, 2023	149.42	—
Six months ended September 30, 2022	(105.99)	—

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

Six months ended September 30, 2023: ¥26,609 million [494.3%]
Six months ended September 30, 2022: ¥4,477 million [(67.5)%]

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

Six months ended September 30, 2023: ¥11,788 million [— %]
Six months ended September 30, 2022: ¥(2,878) million [— %]

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(2) Consolidated Financial Position

	Total assets	Equity	Ownership equity ratio	Equity per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of September 30, 2023	414,010	200,351	48.3	3,593.30
As of March 31, 2023	381,273	195,984	50.7	3,474.76

(Reference) Ownership equity

As of September 30, 2023: ¥199,834 million

As of March 31, 2023: ¥193,166 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, 2023	—	34.00	—	34.00	68.00
Year ending March 31, 2024	—	40.00			
Year ending March 31, 2024 (forecast)			—	40.00	80.00

(Note) Revisions to the latest dividend forecast: Yes

For details on the revision to the dividend forecast, please refer to the news release titled “FY2023 Distribution of Interim Dividend and Revision of Year-End Dividend Forecast” announced on the same day as this report (November 7, 2023).

3. Consolidated Financial Forecast for the Year Ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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	350,000	36.8	43,000	—	41,000	—	24,500	—	440.60

(Note) Revisions to the latest consolidated financial forecast: Yes

(Reference) EBITDA

Year ending March 31, 2024 (full year): ¥61,500 million

Net income before amortization of goodwill

Year ending March 31, 2024 (full year): ¥31,200 million

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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.: | 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 September 30, 2023: | 58,938,210 shares |
| As of March 31, 2023: | 58,938,210 shares |
- (b) Number of treasury shares at the end of the period
- | | |
|---------------------------|------------------|
| As of September 30, 2023: | 2,873,306 shares |
| As of March 31, 2023: | 2,873,306 shares |
- (c) Average number of shares (cumulative from the beginning of the period)
- | | |
|--------------------------------------|-------------------|
| Six months ended September 30, 2023: | 55,606,005 shares |
| Six months ended September 30, 2022: | 58,458,234 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 September 30, 2023: 451,664 shares, As of March 31, 2023: 473,645 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.

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Attachment

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1. Qualitative Information on the Financial Statements

(1) Operating Results

In the six months ended September 30, 2023, the global economy continued to recover, supported by steady capital investment and personal consumption in the US while recovery was slow in Europe and China.

In Japan, the economy continued to recover as social and economic activities normalized and demand from inbound tourists picked up. Conversely, the outlook remained uncertain due to such factors as the depreciation of the yen and continued inflation, along with the deepening turmoil in the Russia-Ukraine situation.

Under these circumstances, the overseas market of the Group's businesses experienced steady demand for our products and services, with both financial institutions and the retail industry continuing to need self-service solutions to address soaring labor costs and workforce shortages. In addition, sales of our main products increased with the recovery from prolonged production and shipping delays caused by parts shortages and soaring material prices. Acrelec group sales were strong, while sales at the Revolution group were flat year on year.

In Japan, demand for our products and services was steady across all markets. The financial market and the retail and transportation market saw an increase in sales of products and maintenance services, supported by the machine replacement and system modifications associated with the new banknote issuance in July 2024 progressing ahead of schedule. In the amusement market, sales were robust for card systems for smart amusement machines.

As a result, net sales in this six-month period totaled ¥157,839 million (up 40.7% year on year). Of this, net sales of merchandise and finished goods were ¥94,509 million (up 49.2% year on year) and net sales from maintenance services were ¥63,330 million (up 29.8% year on year). Operating income was ¥16,783 million (vs. operating loss of ¥4,711 million in the corresponding period of the previous year), ordinary income was ¥15,404 million (vs. ordinary loss of ¥5,359 million in the corresponding period of the previous year), and net income attributable to owners of parent was ¥8,308 million (vs. net loss attributable to owners of parent of ¥6,195 million in the corresponding period of the previous year).

Results of operations in each business segment are as follows.

Financial market

Sales of this segment's main products, open teller systems, coin and banknote recyclers for tellers, and banknote changers, were strong. In addition, sales from maintenance services increased owing to the progression of system modifications associated with the issuance of new banknotes.

As a result, net sales in this segment were ¥30,056 million (up 95.6% year on year) and operating income was ¥8,341 million (vs. operating loss of ¥1,215 million in the corresponding period of the previous year).

Retail and transportation market

Sales of this segment's main products, coin and banknote recyclers for cashiers and sales proceeds deposit machines for cash-in-transit companies, were strong. In addition, sales from maintenance services increased owing to the progression of system modifications associated with the issuance of new banknotes.

As a result, net sales in this segment were ¥31,437 million (up 51.4% year on year) and operating income was ¥3,594 million (vs. operating loss of ¥584 million in the corresponding period of the previous year).

Amusement market

Sales of this segment's main products, card systems, were strong, especially the ones used for smart amusement machines.

As a result, net sales in this segment were ¥13,674 million (up 161.5% year on year) and operating income was ¥4,606 million (up 4,132.2% year on year).

Overseas market

In the Americas, sales of the main products, RBG/GLR-series teller cash recyclers for financial institutions, were strong, as were sales of CI/CI-X-series cash management solutions in the retail industry. Net sales totaled ¥37,951 million (up 28.7% year on year).

In Europe, sales of the main products, RBG/GLR-series teller cash recyclers for financial institutions, were sluggish, and sales of CI/CI-X-series cash management solutions for the retail industry were favorable. Net sales totaled ¥34,622 million (up 6.3% year on year).

In Asia, net sales were ¥7,413 million (down 0.6% year on year), despite robust sales of CI/CI-X-series cash management solutions in the retail industry.

Net sales of the Acrelec group totaled ¥12,687 million (up 28.9% year on year), while net sales of the Revolution group were ¥8,782 million (up 2.4% year on year).

Although high material prices have eased and business performance is now on a path to recovery, some impact remained in the six months ended September 30, 2023 due to longer lead times required for overseas shipping.

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As a result, net sales in this segment were ¥79,987 million (up 15.1% year on year) and operating income was ¥535 million (vs. operating loss of ¥2,431 million in the corresponding period of the previous year).

Outside the above business segments, net sales were ¥2,682 million (up 110.6% year on year) and operating loss was ¥295 million (vs. operating loss of ¥589 million in the corresponding period of the previous year).

(2) Consolidated Financial Forecasts and Other Forward-looking Statements

With regard to the future outlook, we expect a steady growth in the sales of products and services both in Japan and overseas, and an increase in system modifications associated with the new Japanese banknote issuance.

Accordingly, we have revised upward the consolidated financial forecast for the fiscal year ending March 31, 2024 to net sales of ¥350.0 billion, operating income of ¥43.0 billion, ordinary income of ¥41.0 billion, and net income attributable to owners of parent of ¥24.5 billion.

The exchange rate assumptions for the revised financial forecasts are US\$1 = ¥135 (¥130 before the revision) and 1 euro = ¥145 (¥135 before the revision).

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GLORY LTD. (6457)
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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, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	36,753	27,995
Notes and accounts receivable - trade, and contract assets	59,787	75,555
Electronically recorded monetary claims - operating	1,821	2,775
Securities	833	957
Merchandise and finished goods	53,175	67,277
Work in process	14,951	17,736
Raw materials and supplies	26,872	31,106
Other	10,719	8,744
Allowance for doubtful accounts	(1,437)	(1,662)
Total current assets	203,477	230,486
Non-current assets		
Property, plant and equipment	42,517	44,019
Intangible assets		
Customer relationships	26,428	27,933
Goodwill	55,528	58,176
Other	9,768	8,413
Total intangible assets	91,725	94,524
Investments and other assets		
Investment securities	14,553	14,060
Other	31,104	33,026
Allowance for doubtful accounts	(2,106)	(2,106)
Total investments and other assets	43,552	44,980
Total non-current assets	177,795	183,523
Total assets	381,273	414,010
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,197	19,280
Electronically recorded obligations - operating	7,276	9,706
Short-term borrowings	45,623	58,461
Current portion of long-term borrowings	1,481	3,110
Current portion of bonds payable	10,000	10,000
Income taxes payable	428	5,810
Provision for bonuses	7,110	11,461
Provision for bonuses for directors (and other officers)	54	80
Provision for stock grant	48	210
Other	49,281	49,821
Total current liabilities	139,501	167,942
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	12,055	11,218
Provision for stock grant	194	253
Retirement benefit liability	2,166	2,207
Other	21,372	22,038
Total non-current liabilities	45,787	45,717
Total liabilities	185,288	213,659

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(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Equity		
Shareholders' equity		
Share capital	12,892	12,892
Capital surplus	12,286	—
Retained earnings	141,522	147,983
Treasury shares	(8,161)	(8,104)
Total shareholders' equity	158,540	152,772
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,367	2,051
Foreign currency translation adjustment	26,672	38,883
Remeasurements of defined benefit plans	6,584	6,127
Total accumulated other comprehensive income	34,625	47,062
Non-controlling interests	2,818	516
Total equity	195,984	200,351
Total liabilities and equity	381,273	414,010

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(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(Millions of yen)

	Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)	Six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)
Net sales	112,142	157,839
Cost of sales	73,078	88,713
Gross profit	39,063	69,126
Selling, general and administrative expenses	43,775	52,343
Operating income (loss)	(4,711)	16,783
Non-operating income		
Interest income	73	104
Dividend income	113	119
Foreign exchange gains	—	250
Other	268	251
Total non-operating income	455	726
Non-operating expenses		
Interest expenses	480	849
Share of loss of entities accounted for using equity method	434	480
Foreign exchange losses	23	—
Expenses on system incident	—	722
Other	165	53
Total non-operating expenses	1,102	2,105
Ordinary income (loss)	(5,359)	15,404
Extraordinary income		
Gain on sale of non-current assets	3	14
Gain on sale of investment securities	—	107
Gain on sale of shares of subsidiaries and associates	—	103
Total extraordinary income	3	225
Extraordinary losses		
Loss on sale of non-current assets	13	—
Loss on retirement of non-current assets	5	6
Loss on sale of investment securities	—	3
Loss on valuation of investment securities	30	0
Impairment losses	—	1,478
Other	0	—
Total extraordinary losses	50	1,489
Income (loss) before income taxes	(5,405)	14,140
Income taxes	492	5,534
Net income (loss)	(5,898)	8,605
Net income attributable to non-controlling interests	297	297
Net income (loss) attributable to owners of parent	(6,195)	8,308

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Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)	Six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)
Net income (loss)	(5,898)	8,605
Other comprehensive income		
Valuation difference on available-for-sale securities	204	675
Foreign currency translation adjustment	15,503	12,597
Remeasurements of defined benefit plans, net of tax	225	(457)
Share of other comprehensive income of entities accounted for using equity method	28	8
Total other comprehensive income	15,961	12,824
Comprehensive income	10,062	21,430
Comprehensive income attributable to		
Owners of parent	9,512	20,745
Non-controlling interests	550	684

(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 purchased additional shares of Sitrade Italia S.p.A., a consolidated subsidiary, as of July 12, 2023. As a result, in this six-month period, capital surplus decreased by ¥12,286 million, and retained earnings decreased by ¥704 million.

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

Segment Information

(a) Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

Information on net 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	15,362	20,764	5,228	69,511	110,868	1,274	112,142	—	112,142
(2) Intersegment sales or transfers	—	—	—	—	—	—	—	—	—
Total	15,362	20,764	5,228	69,511	110,868	1,274	112,142	—	112,142
Segment profit (loss)	(1,215)	(584)	108	(2,431)	(4,122)	(589)	(4,711)	—	(4,711)

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 loss of quarterly consolidated statement of income.

(b) Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

Information on net 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	30,056	31,437	13,674	79,987	155,157	2,682	157,839	—	157,839
(2) Intersegment sales or transfers	—	—	—	—	—	—	—	—	—
Total	30,056	31,437	13,674	79,987	155,157	2,682	157,839	—	157,839
Segment profit (loss)	8,341	3,594	4,606	535	17,078	(295)	16,783	—	16,783

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.