

(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, 2017.” 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, 2017 <Japanese GAAP>

August 4, 2016

Company Name: GLORY LTD. Stock exchange listing: Tokyo (1st Section)
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Scheduled filing date of Quarterly Securities Report: August 10, 2016
 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, 2017 (from April 1, 2016 to June 30, 2016)

(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, 2016	46,090	2.9	2,683	190.3	(751)	—	(860)	—
Three months ended June 30, 2015	44,777	9.8	924	15.7	2,659	77.6	1,114	45.9

(Note) Comprehensive income

Three months ended June 30, 2016: ¥(11,594) million [— %]
 Three months ended June 30, 2015: ¥7,907 million [457.8 %]

	Net income per share	Fully diluted net income per share
	(Yen)	(Yen)
Three months ended June 30, 2016	(13.10)	—
Three months ended June 30, 2015	16.96	—

(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, 2016	316,277	184,522	57.5	2,765.91
As of March 31, 2016	321,672	198,287	60.6	2,966.22

(Reference) Ownership equity

As of June 30, 2016: ¥181,738 million As of March 31, 2016: ¥194,840 million

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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, 2016	—	27.00	—	29.00	56.00
Year ending March 31, 2017	—				
Year ending March 31, 2017 (forecast)		28.00	—	28.00	56.00

(Note) Revisions to the latest dividend forecast: None

3. Consolidated Financial Forecast for the Year Ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

(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, 2016	100,000	(4.0)	6,000	(10.8)	2,500	(62.6)	500	(83.4)	7.61
Full year	220,000	(3.1)	19,000	(7.6)	15,000	(14.7)	8,000	(9.4)	121.78

(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. Supplementary Information on the “Notes” (3) Changes in Accounting Policies and Estimates, and Restatements” on page 6 of the Attachment.

(4) Total number of shares issued (common stock)

(a) Total number of shares issued at the end of the period (including treasury shares)

As of June 30, 2016: 68,638,210 shares

As of March 31, 2016: 68,638,210 shares

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

As of June 30, 2016: 2,749,737 shares

As of March 31, 2016: 2,749,737 shares

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

Three months ended June 30, 2016: 65,693,136 shares

Three months ended June 30, 2015: 65,686,893 shares

(Note) In addition to the number of treasury shares as of June 30, 2016, there also existed 27,655 shares owned by the “Board Incentive Plan (BIP) Trust Account” as assets in trust for a stock compensation plan for directors, and 154,135 shares owned by the “Employee Stock Ownership Plan (ESOP) Trust Account” as assets in trust for an incentive plan for senior managers.

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(Note) Status of implementation of quarterly review procedures

These “Consolidated Financial Results” are exempt from the quarterly review procedures required under the Financial Instruments and Exchange Act. As of the date of the release of these Consolidated Financial Results, the quarterly review procedures required under the Financial Instruments and Exchange Act for quarterly consolidated financial statements have not been completed.

(Note) Explanation regarding the appropriate use of financial forecasts and other special items

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 three months ended June 30, 2016, the Japanese economy showed a trend of gradual recovery driven by improvements in corporate capital investments and the employment situation, while personal consumption came to a standstill. Looking at the global economy, on the other hand, although China's economy was in state of slowing down in Asia, the United States maintained a trend toward recovery and Europe continued to move toward recovery at a moderate pace. However, the outlook has been uncertain overall with continuing sharp yen appreciation due to the impact of the U.K.'s decision, at the end of June, to secede from the EU, etc.

Under these conditions, in this second year of its three-year 2017 Medium-Term Management Plan, which started in April 2015, the GLORY Group (the "Group") proactively implemented the three strategies—Business, Constitutional, and Corporate Management—under its basic policy to "Realize business growth through 'customer-oriented superb manufacturing' and enhance profitability to achieve the Long-Range Vision 2018."

As a result, net sales in this three-month period totaled ¥46,090 million (up 2.9% year on year). Of this, sales of merchandise and finished goods were ¥30,430 million (up 5.5% year on year) and sales from maintenance services were ¥15,660 million (down 1.7% year on year). Operating income increased significantly to ¥2,683 million (up 190.3% year on year), due to a decrease in selling, general and administrative expenses, etc. However, ordinary loss was ¥751 million (vs. ordinary income of ¥2,659 million in the corresponding period of the previous year), and net loss attributable to owners of parent was ¥860 million (vs. net income attributable to owners of parent of ¥1,114 million in the corresponding period of the previous year), due to the foreign exchange losses, etc. accompanying sudden changes in foreign exchange rates. Comprehensive income posted a loss of ¥11,594 million (vs. comprehensive income of ¥7,907 million in the corresponding period of the previous year), which mainly reflected a large decrease in the foreign currency translation adjustment due to yen appreciation.

Results of operations in each business segment are as follows.

Financial market

Sales of this segment's main product, "open teller systems," were strong for compact models for small- and medium-sized financial outlets and sales of "coin and banknote recyclers" for tellers were also robust due to capturing of replacement demand.

As a result, net sales in this segment were ¥11,376 million (up 31.2% year on year) and operating income was ¥1,345 million (up 134.4% year on year).

Retail and transportation market

Although sales of "coin and banknote recyclers" for cashiers, the main product in this segment, were on par with the corresponding period of the previous year, sales of "sales proceeds deposit machines" for the retail market were sluggish and large-scale demand for "cigarette vending machines" had run its course. Therefore, sales for the overall market were slow.

As a result, net sales in this segment were ¥9,680 million (down 6.9% year on year) and operating income was ¥862 million (down 18.8% year on year).

Amusement market

Sales of this segment's main products such as "card systems" were sluggish, mainly reflecting constraint toward investment in pachinko parlors.

As a result, net sales in this segment were ¥3,834 million (down 18.0% year on year) and operating income was ¥90 million (down 72.3% year on year).

Overseas market

Although sales of "banknote sorters" were slow in Asia, sales of this segment's main product, "banknote recyclers," were steady in Europe, the Americas and Asia. Moreover, sales of "sales proceeds deposit machines" for the retail market were strong in Europe. Sales for the overall market were robust on a local currency basis, however, net sales on a yen basis were on par with the previous fiscal year due to the impact of yen appreciation.

As a result, net sales in this segment were ¥20,705 million (up 1.5% year on year) and operating income was ¥482 million (operating loss of ¥936 million in the corresponding period of the previous year) due to improvements in product mix and cost reductions, etc.

In the other business segment, which contains the businesses that are not included in the reportable segments, net sales were ¥493 million (down 22.3% year on year) and operating loss was ¥97 million (operating loss of ¥100 million in the corresponding period of the previous year).

The Company reclassified its business segments and changed the classification of products that were previously included in "Others" segment as follows: banknote recycling modules for horse race ticket vending machines to "Financial market" segment; cigarette vending

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machines, medical payment kiosks, RFID self-checkout systems for cafeterias, and ballot sorters for handwritten ballots to “Retail and transportation market” segment. This change was effective from the three months ended June 30, 2016. Due to this change, the above-mentioned comparisons to the corresponding period of the previous year have been made using figures from the corresponding period of the previous year based on the revised segment classification.

All amounts in this section do not include consumption taxes.

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

Looking ahead, the economy in Japan is expected to continue on a trend of gradual recovery. Overseas, however, uncertainty regarding the overall economy’s future outlook is expected to increase with economic slowdown in Asia, mainly in China, and continuing yen appreciation due to the impact of the U.K.’s decision to secede from the EU, etc., despite the economies in Europe and the United States continuing on a trend toward recovery. In light of this business environment and the review of foreign exchange rates used for the financial forecasts, the financial forecast for six months ending September 30, 2016 and consolidated financial forecasts for the full year have been revised as stated in the “Announcement on Revision to Consolidated Financial Forecast for Six-month ending September 30, 2016 and Full Fiscal Year” released on July 28, 2016.

The exchange rate assumptions for the revised financial forecasts for the second quarter and after are as follows: US\$1=¥105 (¥110 before change), 1 euro=¥115 (¥125 before change), and 1 pound sterling=¥140 (¥160 before change).

(3) Basic Policy on Profit Distributions

The Company considers the return of profits to shareholders to be an important management task and retains a policy to continue stable dividends while striving to maintain and enhance a sound financial standing in preparation for future business growth. The Company has set a dividend payout ratio of 30% or higher on a consolidated basis.

With regard to the acquisition of treasury shares, the Company will consider an appropriate response after having taken into overall account future business development, investment plans, the level of retained earnings, and performance trends. The Company will leverage the acquired treasury shares for investment in future growth, such as M&As, and for flexible capital policy.

2. Supplementary Information on the “Notes”

(1) Changes in Significant Subsidiaries During the Period

Not applicable.

(2) 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.

(3) Changes in Accounting Policies and Estimates, and Restatements

Changes in Accounting Policies

(Application of practical solution on a change in depreciation method due to tax reform 2016)

Following the revision to the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (ASBJ PITF No. 32, June 17, 2016) from the first quarter ended June 30, 2016, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The impact from this change on operating income, ordinary loss and loss before income taxes for the three months ended June 30, 2016 is immaterial.

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3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	68,053	79,421
Notes and accounts receivable - trade	50,671	41,725
Securities	500	3,500
Merchandise and finished goods	25,380	29,429
Work in process	6,526	7,143
Raw materials and supplies	11,462	11,238
Other	9,891	10,815
Allowance for doubtful accounts	(675)	(626)
Total current assets	171,811	182,647
Non-current assets		
Property, plant and equipment	35,832	34,991
Intangible assets		
Customer relationships	27,344	23,028
Goodwill	63,796	53,919
Other	6,179	5,533
Total intangible assets	97,320	82,481
Investments and other assets		
Investment securities	8,765	8,338
Other	8,001	7,864
Allowance for doubtful accounts	(59)	(46)
Total investments and other assets	16,707	16,156
Total non-current assets	149,860	133,629
Total assets	321,672	316,277
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,971	18,047
Short-term loans payable	16,885	36,142
Current portion of long-term loans payable	9,424	8,518
Income taxes payable	2,230	1,289
Provision for bonuses	7,786	4,545
Provision for directors' bonuses	71	21
Provision for stock grant	67	17
Other	26,181	27,240
Total current liabilities	81,619	95,822
Non-current liabilities		
Long-term loans payable	22,629	18,796
Provision for stock grant	67	74
Net defined benefit liability	6,607	6,275
Other	12,461	10,786
Total non-current liabilities	41,766	35,932
Total liabilities	123,385	131,755

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GLORY LTD. (6457)
Consolidated Financial Results
for the First Quarter of Fiscal Year Ending
March 31, 2017

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
Net assets		
Shareholders' equity		
Capital stock	12,892	12,892
Capital surplus	20,952	20,952
Retained earnings	151,653	149,211
Treasury shares	(6,141)	(6,069)
Total shareholders' equity	179,357	176,987
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	235	2
Foreign currency translation adjustment	17,819	7,137
Remeasurements of defined benefit plans	(2,572)	(2,388)
Total accumulated other comprehensive income	15,483	4,751
Non-controlling interests	3,446	2,783
Total net assets	198,287	184,522
Total liabilities and net assets	321,672	316,277

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(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(Millions of yen)

	Three months ended June 30, 2015 (From April 1, 2015 to June 30, 2015)	Three months ended June 30, 2016 (From April 1, 2016 to June 30, 2016)
Net sales	44,777	46,090
Cost of sales	26,719	27,404
Gross profit	18,057	18,686
Selling, general and administrative expenses	17,133	16,003
Operating income	924	2,683
Non-operating income		
Interest income	41	42
Dividend income	248	291
Foreign exchange gains	1,496	–
Other	224	91
Total non-operating income	2,011	424
Non-operating expenses		
Interest expenses	199	139
Foreign exchange losses	–	3,681
Other	76	38
Total non-operating expenses	276	3,859
Ordinary income (loss)	2,659	(751)
Extraordinary income		
Gain on sales of non-current assets	0	1
Gain on sales of investment securities	–	4
Other	1	–
Total extraordinary income	2	5
Extraordinary losses		
Loss on sales of non-current assets	0	–
Loss on retirement of non-current assets	15	5
Other	0	–
Total extraordinary losses	15	5
Income (loss) before income taxes	2,646	(751)
Income taxes	1,238	(146)
Net income (loss)	1,407	(605)
Net income attributable to non-controlling interests	293	255
Net income (loss) attributable to owners of parent	1,114	(860)

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Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2015 (From April 1, 2015 to June 30, 2015)	Three months ended June 30, 2016 (From April 1, 2016 to June 30, 2016)
Net income (loss)	1,407	(605)
Other comprehensive income		
Valuation difference on available-for-sale securities	329	(233)
Foreign currency translation adjustment	6,558	(10,939)
Remeasurements of defined benefit plans, net of tax	(387)	183
Total other comprehensive income	6,500	(10,989)
Comprehensive income	7,907	(11,594)
Comprehensive income attributable to:		
Owners of parent	7,662	(11,722)
Non-controlling interests	245	127

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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

Not applicable.

Segment Information

(a) Three months ended June 30, 2015 (from April 1, 2015 to June 30, 2015)

Information on sales, profit (loss) by reportable segment

(Millions of yen)

	Reportable segments					Other (Note)	Total	Reconcilia- tion	Amounts reported on the consolidated statement of income
	Financial market	Retail and transportation market	Amusement market	Overseas market	Total				
Net sales									
(1) Sales to customers	8,670	10,393	4,677	20,402	44,142	634	44,777	-	44,777
(2) Intersegment sales or transfers	-	-	-	-	-	-	-	-	-
Total	8,670	10,393	4,677	20,402	44,142	634	44,777	-	44,777
Segment profit (loss)	574	1,061	325	(936)	1,024	(100)	924	-	924

Note: "Other" segment is merchandise and finished goods that is not included in the above reportable segments.

(b) Three months ended June 30, 2016 (from April 1, 2016 to June 30, 2016)

1. Information on sales, profit (loss) by reportable segment

(Millions of yen)

	Reportable segments					Other (Note)	Total	Reconcilia- tion	Amounts reported on the consolidated statement of income
	Financial market	Retail and transportation market	Amusement market	Overseas market	Total				
Net sales									
(1) Sales to customers	11,376	9,680	3,834	20,705	45,597	493	46,090	-	46,090
(2) Intersegment sales or transfers	-	-	-	-	-	-	-	-	-
Total	11,376	9,680	3,834	20,705	45,597	493	46,090	-	46,090
Segment profit (loss)	1,345	862	90	482	2,780	(97)	2,683	-	2,683

Note: "Other" segment is merchandise and finished goods that is not included in the above reportable segments.

2. Changes in reportable segments

The Company reclassified its business segments and changed the classification of products that were previously included in "Others" segment as follows: banknote recycling modules for horse race ticket vending machines to "Financial market" segment; cigarette vending machines, medical payment kiosks, RFID self-checkout systems for cafeterias, and ballot sorters for handwritten ballots to "Retail and transportation market" segment. This change was effective from the three months ended June 30, 2016. Segment information for the three months ended June 30, 2015, is prepared and disclosed based on the reportable segment classifications after the change.