

(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, 2015.” 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, 2015 <Japanese GAAP>

August 5, 2014

Company Name: GLORY LTD. Stock exchange listing: Tokyo (1st Section)
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Scheduled filing date of Quarterly Securities Report: August 12, 2014
 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, 2015 (from April 1, 2014 to June 30, 2014)

(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	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Three months ended June 30, 2014	40,738	(6.3)	784	(8.2)	1,487	(11.7)	752	—
Three months ended June 30, 2013	43,498	38.4	854	(39.5)	1,684	1.6	67	(92.7)

(Note) Comprehensive income

Three months ended June 30, 2014: ¥1,417 million [(63.4) %]
 Three months ended June 30, 2013: ¥3,870 million [490.6 %]

	Net income per share	Fully diluted net income per share
	(Yen)	(Yen)
Three months ended June 30, 2014	11.46	—
Three months ended June 30, 2013	1.03	—

(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, 2014	325,493	189,268	57.3	2,839.57
As of March 31, 2014	340,943	190,804	55.2	2,865.09

(Reference) Ownership equity

As of June 30, 2014: ¥186,523 million As of March 31, 2014: ¥188,199 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, 2014	—	22.00	—	27.00	49.00
Year ending March 31, 2015	—				
Year ending March 31, 2015 (forecast)		24.00	—	25.00	49.00

(Note) Revisions to the latest dividend forecast: None

3. Consolidated Financial Forecast for the Year Ending March 31, 2015 (from April 1, 2014 to March 31, 2015)

(The percentages show the changes from the corresponding period of the previous year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
Six months ending September 30, 2014	100,000	3.8	6,000	11.3	6,000	(14.5)	2,500	(1.5)	38.06
Full year	225,000	2.9	22,500	34.6	22,000	11.3	12,000	20.7	182.68

(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): Yes
(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, 2014: 68,638,210 shares

As of March 31, 2014: 68,638,210 shares

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

As of June 30, 2014: 2,951,165 shares

As of March 31, 2014: 2,951,091 shares

(c) Average number of shares

Three months ended June 30, 2014: 65,687,095 shares

Three months ended June 30, 2013: 65,687,461 shares

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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 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 three months ended June 30, 2014, the Japanese economy showed a trend of gradual recovery driven by improvements in both corporate earnings and the employment situation, despite concerns of an after-effect of the rush demand just before the rise in consumption tax. Looking at the global economy, on the other hand, although the United States maintained a trend toward recovery and Europe also continued to move toward recovery albeit at a moderate pace, growth in China and other emerging economies was on a downward trend, contributing to an uncertain outlook overall.

Under these conditions, in this last year of its three-year 2014 Medium-Term Management Plan, which started in April 2012, the GLORY Group (the “Group”) proactively implemented the three strategies—Business, Constitutional, and Corporate Management—under its basic policy to “implement a growth strategy and strengthen profitability to achieve the Long-Range Vision 2018.”

In its overseas business, the Group implemented region-specific strategies aimed at maximizing the synergies made available by the acquisition of Talaris, while in the domestic market, the Group made efforts to expand sales to untapped markets. Despite these efforts, however, sales in each segment ended slightly lower on a year-on-year basis. As a result, net sales in this three-month period totaled ¥40,738 million (down 6.3% year on year). Sales of merchandise and finished goods were ¥25,269 million (down 12.2% year on year) and sales from maintenance services were ¥15,468 million (up 5.1% year on year). Operating income was ¥784 million (down 8.2% year on year), ordinary income was ¥1,487 million (down 11.7% year on year). Net income was ¥752 million, which was a significant increase from the ¥67 million reported in the corresponding period of the previous year which included the reporting of an extraordinary loss associated with the restructuring of the overseas subsidiaries. Comprehensive income was ¥1,417 million (down 63.4% year on year).

Results of operations in each business segment were as follows.

Financial market

Sales of the “multi-functional banknote changers” were strong due to our capturing of replacement demand. However, sales of this segment’s main product “open teller systems” and “coin and banknote recyclers” for tellers were sluggish.

As a result, net sales in this segment were ¥7,719 million (down 1.8% year on year) and operating income was ¥38 million (operating loss of ¥76 million in the corresponding period of the previous year).

Retail and transportation market

Sales of “sales proceeds deposit machines” to the cash-in-transit market were strong but sales of “sales proceeds deposit machines” to the retail market and this segment’s main product “coin and banknote recyclers” for cashiers were sluggish.

As a result, net sales in this segment were ¥5,730 million (down 20.4% year on year) and operating income was ¥343 million (down 64.0% year on year).

Amusement market

Sales of this segment’s main products such as “card systems” were steady but sales of “membership management systems” and “pachinko prize dispensing machines” were sluggish mainly due to a decline in new pachinko parlor openings.

As a result, net sales in this segment were ¥5,042 million (down 6.0% year on year), while operating income was ¥470 million (up 6.0% year on year).

Overseas market

Sales of this segment’s main product “banknote recyclers” were strong in the United States but sales of “banknote deposit modules” for ATMs were sluggish.

As a result, net sales in this segment were ¥19,651 million (down 0.3% year on year) and operating income was ¥147 million (operating loss of ¥170 million in the corresponding period of the previous year).

In the “other” business segment, which is excluded from the reportable segments, net sales were ¥2,594 million (down 23.2% year on year) and operating loss was ¥215 million (operating loss of ¥293 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, 2015 that were announced on May 12, 2014.

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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 accounting standard for retirement benefits, etc.)

For the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012), the Company has additionally applied the provisions set forth in the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits from this first quarter, and reviewed the calculation method for retirement benefit obligations and service costs. Accordingly, the Company changed the periodic allocation method of projected retirement benefit amount from the straight-line method to the benefit formula method. Concerning the determination method of discount rate, the Company has changed the bond maturity period that forms the basis for the determination of discount rate from one that is based on a period approximate to the average remaining working lives of employees to one that uses a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

Application of the Accounting Standard for Retirement Benefits, etc. is in line with the transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits. In accordance with such measures, the effect of the change in the determination of retirement benefit obligations and service costs has been added to or deducted from retained earnings as of the beginning of this first quarter.

As a result of this change, as of the beginning of this first quarter, net defined benefit liability increased by ¥806 million, and retained earnings decreased by ¥491 million. In addition, operating income, ordinary income, and income before income taxes and minority interests for the three months ended June 30, 2014 have each decreased by ¥31 million.

(Early application of accounting standard for business combinations, etc.)

As it became possible to apply the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. from the start of the fiscal year beginning on or after April 1, 2014, the Company has applied these accounting standards, etc. from this first quarter (except for the provisions set forth in Paragraph 39 of the Accounting Standard for Consolidated Financial Statements) and changed the method of recording acquisition-related costs to one in which they are recognized as expenses for the fiscal year in which they occurred.

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided in Paragraph 58-2 (3) of the Accounting Standard for Business Combinations, Paragraph 44-5 (3) of the Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (3) of the Accounting Standard for Business Divestitures. Accordingly, the cumulative amount of impact as of the beginning of this first quarter, in the case of retrospective application of the new accounting policies to all prior periods has been added to or deducted from retained earnings.

As a result of this change, as of the beginning of this first quarter, goodwill decreased by ¥987 million, and retained earnings decreased by ¥689 million. In addition, operating income, ordinary income and income before income taxes and minority interests for the three months ended June 30, 2014 have each increased by ¥14 million.

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3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
Assets		
Current assets		
Cash and deposits	59,767	48,916
Notes and accounts receivable - trade	48,240	38,225
Securities	4,847	4,498
Merchandise and finished goods	24,069	30,765
Work in process	6,771	6,880
Raw materials and supplies	9,992	10,056
Other	12,197	12,603
Allowance for doubtful accounts	(591)	(572)
Total current assets	165,295	151,374
Non-current assets		
Property, plant and equipment	35,046	34,562
Intangible assets		
Customer relationships	32,497	32,316
Goodwill	77,780	76,153
Other	7,122	6,701
Total intangible assets	117,400	115,171
Investments and other assets		
Investment securities	13,437	13,474
Other	9,784	10,934
Allowance for doubtful accounts	(20)	(23)
Total investments and other assets	23,201	24,384
Total non-current assets	175,648	174,118
Total assets	340,943	325,493
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,244	16,452
Short-term loans payable	28,270	28,448
Current portion of long-term loans payable	8,552	8,469
Income taxes payable	4,293	1,148
Provision for bonuses	6,180	3,803
Other provision	86	17
Other	27,118	26,638
Total current liabilities	96,745	84,977
Non-current liabilities		
Long-term loans payable	36,241	33,388
Net defined benefit liability	4,020	4,463
Other	13,130	13,395
Total non-current liabilities	53,392	51,247
Total liabilities	150,138	136,225

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(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
Net assets		
Shareholders' equity		
Capital stock	12,892	12,892
Capital surplus	20,629	20,629
Retained earnings	137,038	134,837
Treasury shares	(5,817)	(5,817)
Total shareholders' equity	164,744	162,543
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	398	522
Foreign currency translation adjustment	23,156	23,270
Remeasurements of defined benefit plans	(99)	186
Total accumulated other comprehensive income	23,454	23,979
Minority interests	2,605	2,745
Total net assets	190,804	189,268
Total liabilities and net assets	340,943	325,493

(TRANSLATION FOR REFERENCE ONLY)

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(Millions of yen)

	Three months ended June 30, 2013 (From April 1, 2013 to June 30, 2013)	Three months ended June 30, 2014 (From April 1, 2014 to June 30, 2014)
Net sales	43,498	40,738
Cost of sales	25,872	23,230
Gross profit	17,625	17,507
Selling, general and administrative expenses	16,770	16,722
Operating income	854	784
Non-operating income		
Interest income	69	68
Dividend income	374	486
Foreign exchange gains	604	305
Other	113	87
Total non-operating income	1,161	948
Non-operating expenses		
Interest expenses	255	214
Other	76	31
Total non-operating expenses	331	246
Ordinary income	1,684	1,487
Extraordinary income		
Gain on sales of non-current assets	0	3
Other	4	0
Total extraordinary income	5	4
Extraordinary losses		
Loss on sales of non-current assets	0	8
Loss on retirement of non-current assets	14	9
Loss on liquidation of business	697	-
Other	0	2
Total extraordinary losses	714	20
Income before income taxes and minority interests	975	1,471
Income taxes	774	516
Income before minority interests	201	954
Minority interests in income	133	202
Net income	67	752

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Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2013 (From April 1, 2013 to June 30, 2013)	Three months ended June 30, 2014 (From April 1, 2014 to June 30, 2014)
Income before minority interests	201	954
Other comprehensive income		
Valuation difference on available-for-sale securities	5	124
Foreign currency translation adjustment	3,664	52
Remeasurements of defined benefit plans, net of tax	-	286
Total other comprehensive income	3,669	462
Comprehensive income	3,870	1,417
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,629	1,277
Comprehensive income attributable to minority interests	241	139

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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, 2013 (from April 1, 2013 to June 30, 2013)

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	7,858	7,197	5,364	19,700	40,121	3,376	43,498	–	43,498
(2) Intersegment sales or transfers	–	–	–	–	–	–	–	–	–
Total	7,858	7,197	5,364	19,700	40,121	3,376	43,498	–	43,498
Segment profit (loss)	(76)	951	444	(170)	1,148	(293)	854	–	854

Note: "Other" category is a business segment that is not included in reportable segments and includes businesses such as sales and maintenance services to domestic tobacco shops, tobacco companies, hospitals, local governments, general companies, etc.

(b) Three months ended June 30, 2014 (from April 1, 2014 to June 30, 2014)

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	7,719	5,730	5,042	19,651	38,143	2,594	40,738	–	40,738
(2) Intersegment sales or transfers	–	–	–	–	–	–	–	–	–
Total	7,719	5,730	5,042	19,651	38,143	2,594	40,738	–	40,738
Segment profit (loss)	38	343	470	147	1,000	(215)	784	–	784

Note: "Other" category is a business segment that is not included in reportable segments and includes businesses such as sales and maintenance services to domestic tobacco shops, tobacco companies, hospitals, local governments, general companies, etc.

2. Changes in reportable segments

(Application of accounting standard for retirement benefits, etc.)

For the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012), the Company has additionally applied the provisions set forth in the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits from this first quarter, and reviewed the calculation method for retirement benefit obligations and service costs. Accordingly, the Company changed the periodic allocation method of projected retirement benefit amount from the straight-line method to the benefit formula method. Concerning the determination method of discount rate, the Company has changed the bond maturity period that forms the basis for the determination of discount rate from one that is based on a period approximate to the average remaining working lives of employees to one that uses a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

In line with this change, segment profit in the three months ended June 30, 2014 decreased by ¥11 million in the financial market, ¥6 million in the retail and transportation market, ¥6 million in the amusement market, and ¥3 million in the overseas market respectively, compared with the case if the previous method was applied.

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(Early application of accounting standard for business combinations, etc.)

As it became possible to apply the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. from the start of the fiscal year beginning on or after April 1, 2014, the Company has applied these accounting standards, etc. from this first quarter (except for the provisions set forth in Paragraph 39 of the Accounting Standard for Consolidated Financial Statements) and changed the method of recording acquisition-related costs to one in which they are recognized as expenses for the fiscal year in which they occurred.

In line with this change, segment profit in the three months ended June 30, 2014 increased by ¥14 million in the overseas market, compared with the case if the previous method was applied.