

(TRANSLATION FOR REFERENCE ONLY)

Business Report
For Fiscal Year 2022
(from April 1, 2022 to March 31, 2023)

GLORY LTD.

(6457)

FY2022 Business Report

(April 1, 2022 to March 31, 2023)

1. Overview**(1) Operating Results**

The outlook of global economy remained uncertain in FY2022, with the prolonged Russian military invasion of Ukraine, high material prices worldwide, and monetary tightening in the US and Europe.

The Japanese economy also remained uncertain. Social and economic activities have normalized as COVID regulations lifted, however, we have seen ongoing procurement difficulties and price hikes for parts and materials, in addition to general rise in prices and the significant depreciation of the yen.

Under these circumstances, the Company and its group companies (the “Group”) has moved forward with its business based on the concept of “Core and New businesses powering growth together” set forth in the 2023 Medium-Term Management Plan.

In the core business, sales to financial institutions were weak in the overseas market, impacted by production delays caused by parts shortage such as semiconductors. However, sales of products and maintenance services for the retail industry were strong, addressing the issues of labor shortages, high labor costs, and the need for contact-free and self-service solutions. Revolution Retail Systems, LLC (“Revolution”), acquired in the previous fiscal year, has also contributed to the increase in sales. In Japan, sales to the financial market remained steady supported by the demand to improve operational efficiency and reduce labor, however, sales to the retail and transportation market were weak due to production delays caused by parts shortage.

In the new business domain, we have reinforced the business structure and expanded our business areas through capital and/or business alliances and acquisitions. In the overseas market, we have expanded our shared service businesses for the financial industry through investments in OneBanx in the UK and ClipMoney in Canada. In Japan, we have focused on the development and sales of new solutions designed for the food and beverage industry. This included the launch of self-order kiosks (the FGK-series) developed with Acrelec group and enhanced collaboration with AdInte Co., Ltd. and Showcase Gig Inc. As an initiative to contribute to the development of safe and secure society, we have launched “mirAI-EYE” fall detection system developed with EcoNaviSta Co., Ltd., which monitors residential rooms in nursing care facilities.

As a result of the above, net sales in FY2022 totaled JPY 255,857 million. Operating income totaled JPY 522 million, despite our initiatives to raise our selling prices to cover the loss caused by high material prices. An ordinary loss amounted to JPY 2,720 million, due mainly to the loss on valuation of shares. Net loss attributable to owners of parent amounted to JPY 9,538 million, due mainly to the impairment of goodwill of the Acrelec Group and the impairment loss associated with the termination of the development of the internal system.

	The 76th Term (4/2021-3/2022) JPY million	The 77th Term (4/2022-3/2023) JPY million	Increase/Decrease (%)
Net sales	226,562	255,857	12.9%
- Sales of merchandise and finished goods	142,667	155,064	8.7%
- Maintenance service	83,894	100,793	20.1%
Operating profit/loss	10,195	522	- 94.9%
Ordinary income/loss	10,404	-2,720	-
Net income/loss attributable to owners of parent	6,410	-9,538	-

Results of Operations in Business Segments

Operation Results by Business Segments

Financial Market

Net sales were ¥36,248 million (up 0.5% year on year) and operating income was ¥152 million (down 96.7% year on year) due mainly to high material prices.

Sales of this segment's main products, open teller systems and teller cash recyclers, increased despite production delays caused by parts shortage. Sales from maintenance services decreased with the completion of system modifications associated with the issuance of the new 500-yen coin.

Retail and Transportation Market

Net sales were ¥45,595 million (down 4.7% year on year) and operating loss was ¥2571 million (vs. operating income of 2,543 million in the previous fiscal year) due mainly to decreased in sales and high material prices.

Sales of this segment's main product, coin and banknote recyclers for cashiers increased year on year, despite production delays caused by parts shortage. Sales of sales proceeds deposit machines for cash-in-transit companies and medical payment kiosks decreased, and sales from maintenance service also decreased with the completion of system modifications associated with the issuance of the new 500-yen coin.

Amusement Market

Net sales were ¥15,139 million (up 24.8% year on year) and operating income was ¥1,624 million (vs. operating loss of ¥366 million in the previous fiscal year).

Sales of this segment's main product, card systems significantly increased year on year, supported by the launch of new units for smart amusement machines, although there were some production delays caused by parts shortage.

Overseas Market

Net sales were ¥155,902 million (up 22.0% year on year) as a result of consolidation of Revolution's sales and the depreciation of the yen and operating income was ¥436 million (down 90.9% year on year) due mainly to high material prices and a rise in logistics costs.

Sales of RBG-series coin and banknote recyclers for financial institutions increased in the Americas and Europe, as a result of the depreciation of the yen. Sales of CI-series sales proceeds deposit machines for the retail industry increased in the Americas, however, decreased in Europe due to production delays. On the other hand, sales of UW-series banknote sorters increased in Asia. Sales from maintenance service increased overall across the market.

Others

Net sales: ¥2,971 million (up 10.5% year on year)

Operating loss: ¥1,118 million (vs. operating loss of 1,408 million in the previous fiscal year)

(2) Capital Investment

The Group has made capital investment totaling ¥11,064 million. Major investment includes:

- a) Completed investments
ERP system and Molds for manufacturing new products for the Company
- b) Ongoing investments
ERP system for the Company and its subsidiaries

(3) Financing Activities

The Company obtained short-term loans from financial institutions to meet its funding needs mainly for procuring parts, such as semiconductors.

(4) Forward Mission

Long-Term Vision and Medium-Term Management Plan

The Company established the Glory Group Long-Term Vision “GLORY 2028” in March 2018, following the celebration of the 100th anniversary of its founding. The vision depicts the Company’s ideal profile over the next ten years as it moves towards developing its next generation of business.



We enable a confident world

Safe and secure transactions are critical to your business, and your customers.

We deliver secure, efficient payment systems and instant, highly accurate identity verification and authentication solutions that enable confidence in transactions and other interactions between businesses and people.

Our innovative technologies, our experienced professionals and our commitment to the success of our customers, partners and communities create a safe, confident path forward.

We are Glory – we enable a confident world for a better tomorrow.

The Group has launched the 2023 Medium-Term Management Plan as the second step towards GLORY 2028. The plan sets out the following policies under the concept of “Core and New businesses powering growth together”

Business Strategy

➤ Accelerate business growth to develop the next generation.

We aim to develop solution businesses that support our customers’ revenue growth and turn them into the pillar of new business that have a high affinity with our core business by leveraging our strong customer base and proprietary technologies.

Centered around the Acrelec Group, our kiosk business will focus on further expanding the sales in the overseas market, in response to the DX (Digital Transformation) trend seen in fast-food restaurants. We will also focus on the sales of self-order kiosks (FGK-series), our joint development with Acrelec, to retailers in Japan using our domestic sales force and channels.

We aim to enhance the collaboration with AdInte, Co., Ltd., to establish our DMP*¹, retail media*², and next-generation solution businesses for food and beverage markets*³ as new sources of revenue.

Our biometric/image recognition business aims to expand the range of products and services for medical and nursing care fields, following the “mirAI-EYE” a fall detection system developed with EcoNaviSta Co., Ltd.

*¹ DMP (Data Management Platform)

Manage and analyze data collected on- and off-line (e.g., records of customers' store visits) for effective marketing and sales promotions.

*² Retail media

Distributes digital ads to promote customers' store visits.

*³ Next-generation solutions for food and beverage markets

Supports DX in stores using order platforms to centrally manage the orders, payment, pick-ups and data.

➤ **Maximize core business profits by innovation.**

Under this policy, we seek to increase revenue in our core businesses around our products such as cash recyclers.

In the overseas market, we aim to expand sales to retail industry and emerging countries by promoting the package of our new CI-X series of CASHINFINITY™, that supports more than 60 currencies, and UBIQULAR™, a remote management solution with cloud computing, designed to achieve efficient store operations. In addition, we aim to increase revenue in the sales to North American retail market, leveraging the customer bases of Glory and Revolution group and further improving our operational efficiency.

In the domestic market, we will address our customers' need for replacement and modification of the machines installed, in association with the issuance of the new Japanese banknotes in 2024. We thus aim to fulfill our responsibilities in supporting social infrastructure, while maximizing our earnings base through improved operational efficiency and cost reduction.

In addition, we strive to enhance our risk management to minimize the impact of external changes, such as shortage of semiconductors, and high material prices and maintain stable supply chain management.

Management Base

➤ **Establish management base to support sustainable growth**

Under this policy, we seek to facilitate sound cash flow management that supports strategic investment for our business growth and shareholder returns.

We will enhance our business management structure through DX to enable swift decision making, business transformation, and productivity improvement. In addition, we will work to increase our corporate value through effective use of management resources under our business portfolio management policy.

We also aim to improve employee engagement and ensure job satisfaction of our employees, which are our most important management resource and the driving force behind our growth.

Sustainability

➤ **Contribute to the sustainable growth of society and promote measures to improve corporate value**

Under this policy, we work towards achieving the SDGs through our business activities that address social issues. The Sustainability Committee, established to facilitate sound ESG management, takes the lead in promoting initiatives for zero-carbon society, human rights, and diversity for us to contribute to sustainable society and strengthen our corporate value.

(5) Financial Position and Profit and Loss Status

(JPY million)

	The 74th Term FY2019 (4/2019-3/2020)	The 75th Term FY2020 (4/2020-3/2021)	The 76th Term FY2021 (4/2021-3/2022)	The 77th Term FY2022 (4/2022-3/2023)
Net sales	224,170	217,423	226,562	255,857
Operating income	17,927	14,201	10,195	522
Ordinary income/loss	15,514	14,137	10,404	-2,720
Net income/loss attributable to owners of parent	8,486	5,705	6,410	-9,538
Net income/loss per share	140.45 JPY	94.38 JPY	106.2 JPY	-167.2 JPY
Total assets	308,431	330,608	363,269	381,273
Net assets	186,668	196,332	208,607	195,984
Net assets per share	3,056.75 JPY	3,195.82 JPY	3,395.33 JPY	3,474.76 JPY

Notes

- Net income per share is calculated based on the average total number of shares issued during the respective financial period. Net assets per shares is calculated based on the total number of shares issued as of the end of the respective financial period. In addition, the average total number of shares issued during the respective financial period and the total number of shares issued as of the end of the respective financial period are calculated by deducting the number of the treasury shares.
- The Company's shares remaining in the Board Incentive Plan (BIP) Trust Account and the Employee Stock Ownership Plan (ESOP) Trust Account are recorded as treasury shares and included in the treasury shares subtracted from shares issued as of the end of the period for the calculation of net assets. Net income per shares is included in the treasury shares subtracted from average number of shares during the period.
- Since the start of the 75th fiscal year, the Company has applied the "Accounting Standard for Revenue Recognition." (Accounting Standards Board of Japan (ASBJ) Statement No.29, March 31, 2020).
- The figures for the 74th and 75th fiscal terms have been amended.
- In the 77th fiscal year, the Company finalized the provisional accounting treatment for the business combination, and the key management indices for the 76th fiscal year are based on the amounts after reflecting the significant revision of the initial allocation of acquisition costs due to the finalization of the provisional accounting treatment

(6) Major Subsidiaries of the Company

Company Name	Capital	Parent Ownership *Includes indirect ownership	Principal Business	Head Office
GLORY Products Ltd.	80 million (JPY)	100.0	Manufacture of money handling machines	Hyogo, Japan
GLORY NASCA Ltd.	100 million (JPY)	100.0	Sales and maintenance of money handling equipment used in pachinko parlors	Tokyo, Japan
Hokkaido GLORY Co., Ltd.	50 million (JPY)	100.0	Sales and maintenance of money handling machines in Hokkaido region	Hokkaido, Japan
GLORY Denshi Kogyo (Suzhou) Ltd.	5 million (USD)	100.0	Manufacture and sales of money handling machines	China
GLORY (PHILIPPINES), INC.	1 million (USD)	100.0	Manufacture of money handling machines	Philippines
Sitrade Italia S.p.A.	0.6 million (EUR)	75.5	Sales and maintenance of money handling machines etc. in Italy	Italy
Glory Global Solutions Ltd.	1,009 million (USD)	100.0	Strategic planning and management of overseas business	UK
Glory Global Solutions (International) Ltd.	478 million (USD)	100.0*	Supervision of overseas sales and maintenance business of money handling machines	UK
Glory Global Solutions (France) S. A. S.	14 million (EUR)	100.0*	Sales and maintenance of money handling machines in France	France
Glory Global Solutions Inc.	5 million (USD)	100.0*	Sales and maintenance of money handling machines in USA	USA
Glory Global Solutions (Singapore) Pte. Ltd.	4 million (SDG)	100.0*	Sales and maintenance of money handling machines in APAC	Singapore
Glory Global Solutions (Shanghai) Co., Ltd.	1 million (USD)	100.0	Sales and maintenance of money handling machines in China	China

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Acrelec Group S.A.S.	84 million (EUR)	80.0*	Manufacture, sales, and maintenance of self-service kiosks	France
Revolution Retail Systems, LLC	N/A	100.0*	Manufacture, sales, and service of cash handling recyclers for retail markets in North America	USA

Notes

- No capital is stated above for Revolution as it is a Limited Liability Company under the U.S. law.
- The Company also owns the following three companies that fall under the category of “specified subsidiary” stipulated in the Financial Instruments and Exchange Act:
 - Glory Global Solutions (Topco) Ltd.
 - Glory Global Solutions (Midco) Ltd.
 - Glory Global Solutions (Holdings) Ltd.
- No subsidiary falls under the category of “specified wholly owned subsidiary” stipulated in the said Act.

(7) Major Business Sites**a) The Company**

Head Office	1-3-1, Shimoteno, Himeji, Hyogo 670-8567, Japan
Tokyo Office	Akihabara UDX 4-14-1, Sotokanda, Chiyoda-ku, Tokyo 101-8977, Japan
Main Factories and Offices	Himeji Factory (Hyogo), Saitama Factory (Saitama), Shinagawa Business Site (Tokyo)
Regional Offices	Tohoku, Kanto, Joshinetsu, Tokyo, Tokai, Kinki, Chugoku, Shikoku, Kyushu

b) Subsidiaries

There are no significant matters to be noted.

(8) Employees**a) The Group**

Number of Employees	Increase/Decrease from end of FY2021
10,792(919)*	+115 (+85)*

b) The Company

Number of Employees	Increase/Decrease from end of FY2021	Average Age (years)	Average Years of Service
3,498 (341)*	-8 (-4)*	44.5	20.6

*Number of on-going employees with annual average number of temporary employees shown in brackets.

(9) Major Lenders

Lenders	Amount of loans (JPY million)
Sumitomo Mitsui Banking Corporation	14,024
MUFG Bank, Ltd.	8,837
Japan Bank for International Cooperation	7,211
Mizuho Bank, Ltd.	3,369
Nippon Life Insurance Company	2,737

2. Status of Shares

- (1) Total number of authorized shares **150,000,000**
- (2) Total number of issued shares **58,938,210** (including 2,873,306 treasury shares)
Decreased by 4,700,000 due to cancellation of own shares
as of February 28, 2023
- (3) Total number of shareholders **10,734**
Decreased by 1,080 since March 31, 2022

(4) Major Shareholders

Name of Shareholders	Shares (in thousands)	Shareholdings
The Master Trust Bank of Japan, Ltd. (Trust account)	7,982	14.2%
Nippon Life Insurance Company	3,427	6.1%
GLORY Group Employees' Stock Ownership Association	2,794	5.0%
Custody Bank of Japan, Ltd. (Trust account)	2,741	4.9%
Sumitomo Mitsui Banking Corporation	1,600	2.9%
Tatsubo Fashion Co. Ltd.	1,500	2.7%
THE BANK OF NEW YORK MELLON 140044	1,186	2.1%
GLORY Business Partners' Stock Ownership Association	1,135	2.0%
MUFG Bank, Ltd.	879	1.6%
Tatsuta Bouseki Co., Ltd.	726	1.3%

Notes

1. The Company (2,873,306 treasury shares) is not included in the above list.
2. Percentage of total shares issued is calculated by excluding the Company's treasury shares.

(5) Shares granted during FY2022 to Directors as Stock Compensation

The Company has implemented a performance-based stock compensation plan (the “Plan”) for its executive Directors (excluding Outside Directors and Audit and Supervisory Committee Members) with the aim of raising their incentives to improve the Company’s business performance and increase its corporate value over the medium to long term. The shares granted during FY2022 are as follows.

Directors eligible	Number of shares	Number of directors
Directors (excluding Outside Directors and Audit and Supervisory Committee Members)	2,960	Six (6)

Notes

1. The above shares were granted according to the Group’s performance in the previous fiscal year (FY2021).
2. In addition to the above, 1,324 shares entitled to be granted to each executive Director have been converted to cash equivalent thereto within the trust established under the Plan and distributed to the Directors in accordance with the Shares Distribution Rules.

(6) Others

The Company has acquired its own shares as below, according to the resolutions made at the Board of Directors meeting on May 12, 2022 and November 8, 2022:

Total number of shares acquired	4,707,000 shares of common stock
Total amount of shares acquired	¥9,999,801,900
Period of share acquisition	From May 13 ,2022 to December 1, 2022
Method of share purchase	Market purchase on the Tokyo Stock Exchange

3. Matters regarding Officers**(1) Directors**

Name	Position	Significant Concurrent Position(s) & Responsibilities
Hirokazu Onoe	Chairman of the Board & Representative Director	- Director (Outside) of Noritz Corporation
Motozumi Miwa	President & Representative Director	
Hideo Onoe	Director	- Senior Managing Executive Officer - Company President of Domestic Business Company
Kaname Kotani	Director	- Senior Managing Executive Officer - Executive General Manager of Development Headquarters - Chief Information Security Officer - Responsible for digital solution technology - Responsible for Intellectual Property Department
Akihiro Harada	Director	- Company President of International Business Company - Chairman of the Board & Chief Executive Officer of Glory Global Solutions Ltd. - Chairman of the Board of Sitrade Italia S.p.A.
Tomoko Fujita	Director	- Responsible for the corporate governance of non-Japanese subsidiaries - Director (Member of the Board) of Glory Global Solutions Ltd.
Joji Iki	Outside Director	- Chairman of the Nomination Advisory Committee
Junji Uchida	Outside Director	- Chairman of the Compensation Advisory Committee
Ian Jordan	Outside Director	- Outside Director (Member of the Board) of Glory Global Solutions Ltd.
Toru Fujita	Outside Director (Full-Time Audit & Supervisory Committee Member)	- Chairman of the Audit & Supervisory Committee - Corporate Auditor, GLORY NASCA Ltd. - Corporate Auditor, Hokkaido GLORY Co., Ltd.
Satoshi Hamada	Outside Director (Audit & Supervisory Committee Member)	- President of Satoshi Hamada Accounting Office - Representative of Hamada Certified Tax Accountant Office - Outside Director Serving as Audit & Supervisory Committee Member, NISHIMATSUYA CHAIN Co., Ltd. - External Director (Audit and Supervisory Committee Member), WDB Holdings Co., Ltd.
Keiichi Kato	Outside Director (Audit & Supervisory Committee Member)	- Partner, Harima Law Office - Outside Corporate Auditor, Sanyo Color Works Ltd.

Notes

1. With Joji Iki, Junji Uchida, Ian Jordan, Satoshi Hamada, and Keiichi Kato, the Company has notified the Tokyo Stock Exchange (“TSE”) of their appointments as “Independent Directors”.
2. Toru Fujita and Satoshi Hamada, Directors who are Audit & Supervisory Committee (A&SC) Members, have extensive knowledge and experience in finance and accounting, with Mr. Fujita having served as General Manager in the accounting divisions of the Company, and Mr. Hamada being a certified public accountant.
3. Toru Fujita has been appointed as a full-time A&SC Member to oversee the execution of duties of the A&SC. Mr. Fujita promotes communications with Directors who are not A&SC Members and gathers required information through his attendance in the internal management meetings. Additionally, Mr. Fujita works to facilitate discussions and updates with the Internal Audit Department and other divisions.
4. Changes in Directors’ positions during FY2022 are as follows:
 - (a) Appointment
Ian Jordan was elected as a new Director who is not an A&SC Member and assumed his office at the 76th Ordinary General Meeting of Shareholders held on June 24, 2022.
 - (b) Retirement
Shigetoshi Mabuchi retired from the position of Director who is not an A&SC Member at the close of the 76th Ordinary General Meeting of Shareholders held on June 24, 2022
 - (c) Change of significant positions
Hirokazu Onoe, the Representative Director and Chairman of the Board, retired from the position of President of Japan Vending System Manufactures Association as of June 15, 2022.
5. Glory Global Solutions Ltd., of which Ian Jordan serves as an Outside Director (Member of the Board), is a subsidiary of the Company. There is no special interest between the Company and the companies in which Satoshi Hamada, and Keiichi Kato hold concurrent positions.

(2) Agreements for limitation of liability

For Directors (excluding executive Directors) to fully perform their expected roles, the Articles of Incorporation of the Company provide that the Company may enter into agreements with such Directors to the effect that the liability of Directors be limited. With this stipulation, the Company has concluded an agreement with each of the Company’s five Outside Directors; Joji Iki, Junji Uchida, Ian Jordan, Satoshi Hamada, and Keiichi Kato to the effect that their liabilities may be limited in accordance with Paragraph 1, Article 427 of the Companies Act.

The details of the agreement are as follows:

- Director shall be liable for damages up to the minimum amount of liability as stipulated in Paragraph 1, Article 425 of the Companies Act, should he or she become liable for damages caused to the Company as a result of negligence in the performance of his or her duties.
- The liability limitation described above shall be applicable in cases where a Director performed his/her duties that became the cause of liability in good faith and without gross negligence.

(3) Directors and Officers Liability Insurance Policy

The Company has concluded a directors and officers liability insurance policy with an insurance company, under which all directors, audit & supervisory board members, executive officers, management-level employees, etc. of the Company and its subsidiaries are the insured. The insurance covers damages and legal fees etc. in the event that claims for damages are made against the insured arising from any action(s) taken by the insured to perform their duties. However, there are certain exclusions, such as the case of damages arising from criminal act or intentional breach of laws and regulations, to prevent the insured from impairing appropriate execution of their duties. The premium for the insurance is fully borne by the Company and its subsidiaries.

(4) Remuneration of Directors

4-1. Policy and Procedures for Determining Remuneration of Individual Directors

The Company has in place a set of policies for determining remuneration of individual Directors (excluding Directors who are Audit & Supervisory Committee Members) as resolved at the Board of Directors meeting on May 13, 2021. This followed careful deliberations of the Compensation Advisory Committee, of which the chairman and the majority of members are independent Outside Directors.

The Compensation Advisory Committee has confirmed the fairness of FY2022 remuneration for individual Directors and its consistency with the policy, which the Board respects the and judges that the contents of remuneration are consistent with the policy.

a) Basic policy

Remuneration for Directors of the Company is designed in such a manner that values can be shared with shareholders and the level is appropriate for their duties. Due consideration is given to incentives for continued improvement of corporate performance and securing of talented human resources.

b) Policy on remuneration structure

- Remuneration for executive Directors consists of fixed compensation (“Fixed Compensation”), short-term performance-based bonuses (“Bonuses”) and mid- to long-term performance-based stock compensation (“Stock Compensation”). Bonuses or Stock Compensation may not be paid to Directors who serve as executive directors of the Company’s subsidiaries, considering the remuneration paid by such subsidiaries and the levels of their duties in the Company.
- Remuneration for Outside Directors consists of monthly Fixed Compensation, considering their supervisory roles and independency.
- No retirement benefits are paid to any Director.

c) Policy on determining the contents and calculation of amount and numbers of remuneration

- The amounts of remuneration for Directors are based on broad consideration of factors including the Company’s performance of and the compensation standard of other companies.
- Fixed Compensation is determined according to the position and responsibilities of each Director.
- Bonuses are cash compensation based on short-term business performance and are aimed at improving the Group’s business performance for each fiscal year covered in the medium-term management plan. The target performance indicators for Bonuses are consolidated net sales and operating income as set out in the 2023 Medium-Term Management Plan. Bonuses are paid at a certain time every fiscal year of the amount determined according to the level of achievement of those targets, within the range of zero times (achievement rate less than 60%) to two times (achievement rate 140% or more) the predetermined amount. Bonuses will not be paid if net income before goodwill amortization is less than the total amount of dividends (excluding extraordinary dividends) for the previous fiscal year.
- Stock Compensation is non-cash compensation based on mid- to long-term business performance and is aimed at improving the Group’s business performance for the three fiscal years covered in the medium-term management plan. The performance indicators for Stock Compensation are consolidated ROE and operating income (both before goodwill amortization) and net sales in new business domains as set out in the 2023 Medium-Term Management Plan. According to the level of achievement of the targets of those indicators for the three fiscal years, the number of shares allotted is determined by the number of “points” given at a certain time during the trust period and upon retirement as stipulated in the Share Distribution Regulations. No shares will be distributed if the level of achievement against the target for each fiscal year is less than 70%.

d) Policy on determining compensation ratio by type

- The ratio between the base amount of cash compensation (Fixed Compensation and Bonuses) and that of Stock Compensation is set approximately at 80% and 20% respectively.
- For the President, the ratio between the base amount of Fixed Compensation and that of performance-based compensation (Bonuses and Stock Compensation) is set approximately at 50% and 50% respectively. The ratios applied for Directors other than the President are determined by the ratio applied for the President, considering their responsibilities and general compensation standard.

e) Matters on determining remuneration of individual Directors

The Company believes that the following process is necessary to ensure transparency and objectivity. Total amount of monthly Fixed Compensation and Bonuses to be paid to Directors who are not Audit & Supervisory Committee Members, is deliberated upon by the Compensation Advisory Committee before being determined by a resolution of the Board of Directors within the ranges approved at a general meeting of shareholders. To enable timely decision-making, the authority is delegated to the President, who will then determine the amount to be paid to each Director upon confirmation of its fairness by the Compensation Advisory Committee.

As for Stock Compensation, the Company grants the Company's shares equivalent to the points calculated based on the Share Distribution Regulations as resolved by the Board of Directors, upon confirmation by the Compensation Advisory Committee.

Remuneration for Directors who are Audit & Supervisory Committee Members consists of monthly Fixed Compensation only, as they serve mainly with audits and supervision of corporate management. The amount for each Director who is an Audit & Supervisory Committee Member is determined by deliberations of the Audit & Supervisory Committee Members within the ranges approved at a general meeting of shareholders.

4.2. Performance-based/Non-monetary remuneration

The following table shows the performance-based compensation (Bonuses and Stock Compensation) for FY2022 and performance indicators as the basis of its calculation. See 4.1. (c) above for details of performance indicators.

Type of compensation	Consolidated Performance indicators	Compensation weighing	Target	Result	Distribution rate*
Bonus	Net sales	40%	¥245 billion	¥225.8 billion	-
	Operating income	60%	¥6 billion	¥0.5 billion	-
Stock Compensation	ROE	40%	5.0%	-0.14%	-
	Operating income	30%	¥15 billion	¥7.2 billion	-
	Net sales of new business domains	30%	¥27.8 billion	¥25.3 billion	7.4%

* Calculated in accordance with the policy and procedures described in 4-1 above. No bonuses were paid, as the net income before goodwill amortization of FY2022 (loss of ¥2,834 million) did not meet the following condition for distribution.

-Condition : Net income before goodwill amortization for this fiscal year shall be more than the total amount of dividend paid in 2022 (¥4,132 million).

4.3. Remuneration of Directors and Audit & Supervisory Committee Members for FY2022

	Total (million yen)	Total Amount for each compensation (million yen)			Number of Directors eligible
		Fixed Compensation	Performance- based Bonuses	Performance- based Stock Compensation	
Directors	139	134	-	5	10
(including Outside Directors)	(32)	(32)	(-)	(-)	(3)
Directors (A&SC* Members)	35	35	-	-	3
(including Outside Directors)	(16)	(16)	-	-	(2)

*Audit & Supervisory Committee

[Notes

1. The compensation for Directors who are not Audit & Supervisory Committee Members includes the amount paid to one (1) Director who retired at the close of the 76th Ordinary General Meeting of Shareholders.
2. The amount paid to Directors who are not Audit & Supervisory Committee Members, does not include employee salaries paid to Directors who have concurrent responsibilities as employees.
3. The maximum total amount of cash compensation for Directors who are not Audit & Supervisory Committee Members is ¥450 million per annum (including maximum of ¥50 million for Outside Directors and excluding employee salary portions for Directors who have concurrent responsibilities as employees) as resolved at the 74th Ordinary General Meeting of Shareholders. In addition, under the Company's Stock Compensation plan, the maximum of ¥300 million is contributed by the Company to the trust set up by the Company and the maximum of 147,000 shares is distributed per fiscal year from FY2018 (fiscal year ended March 2019) to FY2020 (fiscal year ended March 2021) and for each of the three fiscal years thereafter if the trust continues, as resolved at the 74th Ordinary General Meeting of Shareholders.
4. The maximum total amount of cash compensation for Directors who are Audit & Supervisory Committee Members is set at ¥80 million per annum as resolved at the 74th Ordinary General Meeting of Shareholders.
5. Performance-based Bonuses and Stock Compensation are paid to the five executive Directors who are not Audit & Supervisory Committee Members (excluding Outside Directors). The amount of grant allowance for the current fiscal year is stated for Performance-based Stock Compensation.
6. In addition to the above, the Company's subsidiary paid GBP 0.02 million as compensation to the Company's Outside Director who served as a director of the subsidiary.

4.4. Delegation of Authority for Determining an Individual Director's Remuneration

To ensure transparency and objectivity in deciding the amount of monthly Fixed Compensation for individual Directors (excluding Audit & Supervisory Committee Members) for FY2022, an individual amount has been deliberated upon by the Compensation Advisory Committee for its fairness to report the total amount to the Board. The total amount of monthly Fixed Compensation was then determined by resolution of the Board of Directors in line with a review by the Compensation Advisory Committee and are within the ranges approved at a general meeting of shareholders. To enable timely decision-making, the authority was delegated to the President, Motozumi Miwa, who then determined the amount of monthly Fixed Compensation paid to each Director for FY2022. To ensure such authority is properly exercised, the Board delegates the authority unless the President makes decisions as what the Compensation Advisory Committee confirms as fair and appropriate.

(5) Outside Directors

Name	Positions	Major Activities during FY2022
Joji Iki	<ul style="list-style-type: none"> - Outside Director - Chairman of the Nomination Advisory Committee 	<p>Attendance at Board Meeting: 16/16</p> <p>Mr. Iki plays an important role in strengthening the supervision of the Company's management and ensuring its transparency and fairness, providing advice and opinions based on his extensive knowledge and global insight to corporate management. Mr. Iki has attended other principal meetings held by the Compensation Advisory Committee and the Nomination Advisory Committee, in which he provided helpful advice and opinions from an outsider's perspective.</p>
Junji Uchida	<ul style="list-style-type: none"> - Outside Director - Chairman of the Compensation Advisory Committee 	<p>Attendance at Board Meeting: 16/16</p> <p>Mr. Uchida plays an important role in strengthening the supervision of the Company's management and ensuring its transparency and fairness, providing advice and opinions based on his extensive knowledge and global insight to corporate management. Mr. Uchida has attended other principal meetings held by the Compensation Advisory Committee and the Nomination Advisory Committee, in which he provided helpful advice and opinions from an outsider's perspective.</p>
Ian Jordan	<ul style="list-style-type: none"> - Outside Director 	<p>Attendance at Board Meeting: 13/13*</p> <p>(*Since assumption of office)</p> <p>Mr. Jordan plays an important role in strengthening the supervision of the Company's management and ensuring its transparency and fairness, providing advice and opinions based on his extensive knowledge and global insight. Mr. Jordan's advice and opinions, based on his experience at a multinational consulting firm, are particularly valuable for the Group's business transformation for its growth and strategy planning in promoting its globalization and development of new business domains.</p>
Satoshi Hamada	<ul style="list-style-type: none"> - Outside Director (Audit & Supervisory Committee Member) 	<p>Attendance at Board Meeting: 15/16</p> <p>Audit Supervisory Committee Meetings: 14/14</p> <p>Mr. Hamada plays an important role in ensuring legitimacy and validity of the Company's business management, providing advice and opinions based on his professional knowledge and experience as an CPA.</p>
Keiichi Kato	<ul style="list-style-type: none"> - Outside Director (Audit & Supervisory Committee Member) 	<p>Attendance at Board Meeting: 16/16</p> <p>Audit Supervisory Committee Meetings: 14/14</p> <p>Mr. Kato plays an important role in ensuring legitimacy and validity of the Company's business management, providing advice and opinions based on his professional knowledge and experience as an attorney of law.</p>

4. Accounting Auditor of the Company

(1) Name: Deloitte Touche Tohmatsu LLC

(2) Amount of remuneration paid:

Remuneration for FY2022	Amount
a) Amount of remuneration paid to accounting auditor	¥ 92 million
b) Total of cash and other financial profits payable by the Company and its subsidiaries to the accounting auditor	¥ 102 million

Notes

1. The Audit agreement between the Company and the Accounting Auditor does not distinguish the remunerations for the audit under the Companies Act and the audit under the Financial Instruments and Exchange Act. Therefore, the amounts described above are sums of these two remunerations.
2. The Company's overseas subsidiaries have been audited by accounting auditors other than the Company's Accounting Auditor under foreign laws and regulations equivalent to the Companies Act and the Financial Instruments and Exchange Act.
3. The Audit & Supervisory Committee has agreed to the amount of compensation of the accounting auditor as per Article 399, Paragraph 1 of the Corporate Law, based on its examination of the audit plans and the accounting auditor's execution of duties of in the previous fiscal year, and in line with the calculation of remuneration etc. through reporting and materials prepared by the internal departments and the accounting auditor.

(3) Remuneration for non-audit services by accounting auditor

The Company pays remuneration to the accounting auditor for the non-audit services other than those stipulated in Article 2, Paragraph 1, of the Certified Public Accountants Law, including advice and guidance on the enhancement of internal control systems.

(4) Policy on dismissal and non-reappointment of accounting auditor

The Audit & Supervisory Committee ("A&SC") will dismiss the accounting auditor based on the unanimous consent of all A&SC Members if the accounting auditor is deemed to fall under any of the items of Article 340, Paragraph 1 of the Companies Act. The A&SC Member selected by the A&SC will report such dismissal and the reasons thereof to the nearest general meeting of shareholders.

If dismissal or non-reappointment is considered necessary in any case other than the above, the A&SC will discuss and decide on the content of proposal of such dismissal or non-reappointment to be submitted to a general meeting of shareholders.

5. Systems and Policies of the Company

This sector outlines the systems and policies to ensure execution of duties by Directors is in accordance with laws and regulations, the Articles of Incorporation, and systems to ensure the appropriateness of the operations of the Company and its subsidiaries (the “Group”).

The Company has established the “Basic Policy on the Internal Control System” based on the resolution of the Board of Directors and is as follows:

- (1) Framework to ensure appropriate execution of duties of the directors and employees of the Group in compliance with applicable laws and regulations and the Articles of Incorporation
 - a. The Group’s corporate philosophy “*We will contribute to the development of a more secure society through a striving spirit and co-operative efforts.*” expresses our mission to contribute to the development of society and grow as a sustainable and socially-conscious enterprise through our strong commitment to product development.

Under this philosophy, the President and all Directors themselves practice business management in compliance with relevant laws and regulations and social ethics and regularly communicate to employees that it is a prerequisite for corporate activities for the Group to co-exist in harmony with society and to build relationships of trust with all its stakeholders. Further, the Corporate Governance Guidelines sets out the basic views and policies related to the Group’s corporate governance.
 - b. The Company’s Board of Directors makes decisions on important matters and supervises Directors’ execution of their duties in accordance with applicable laws and regulations, the Articles of Incorporation, and Rules of the Board of Directors.
 - c. The Company has established the Nomination Advisory Committee and the Compensation Advisory Committee, which support and supervise from an independent standpoint the Board’s deliberations, thereby ensuring transparency and objectivity of nomination of Directors and Executive Officers and of decision-making process of their remuneration.
 - d. The Audit & Supervisory Committee audits and supervises from an independent standpoint the execution of duties by Directors, including the development and implementation of internal control system.
 - e. The Company has established the Compliance Committee chaired by the President, in which its members, including outside experts, deliberate on compliance issues occurred in the Group and report the results to the Board of Directors.

In addition, the Board appoints a Chief Compliance Officer from among the Officers, who, with the Compliance Committee Office, assumes responsibilities to establish and implement measures concerning compliance, supervises compliance management and provides compliance training for employees where necessary.
 - f. The Company has in place the following whistleblowing hotlines for any compliance matters occurred in the Group: (1) direct supervisor of the whistleblower; (2) the Compliance Committee Office; (3) workplace counselling staff and (4) external consultation services. Such helplines are intended to promote early detection and mitigation of potential problems, while protecting whistleblowers in accordance with the “Glory Group Whistleblowing Code of Practice”
 - g. The Company’s Legal Code of Conduct stipulates as its basic policy that the Company blocks any and all relationships with antisocial forces, affords no benefits whatsoever thereto under any name, and works closely with relevant authorities against such threats. Further, the Company’s general affairs division as the supervisory body, designates managers to work with the Company’s branch offices. The general affairs division proactively participates in seminars held by the authorities to collect necessary information, implement training for Directors and employees as needed, and respond to emergencies in liaison with engaged counsel and the authorities.

- (2) System for preservation and management of information related to Directors' execution of duties
 - a. With regard to the preservation and management of information related to performance of Directors' duties, types of documents, period of preservation and a person in charge of document management are designated pursuant to the Document Management Rules to properly preserve and manage the relevant information.
 - b. Directors may at any time access information necessary for the execution of their duties, such as the minutes of the Board of Directors meetings.
 - c. The Rules on Information Security are stipulated and enforced to ensure appropriate preservation and management of the said information.

- (3) Regulations and other frameworks to manage the risk of loss to the Company and its subsidiaries
 - a. The Company has established the Risk Management Manual and the Crisis Management Manual pursuant to the Risk Management Rules, to obviate any risks within the Group, minimize losses, and enable prompt recovery in the event of a crisis.
 - b. The Company has established the Risk Management Committee as an organ to supervise risk management within the Group, and which designates the division and the person responsible for each risk to implement preventive measures. In addition, the Company has crisis management systems in place for prompt response in times of crisis.

- (4) Structure to ensure effective execution of duties by directors, officers and employees of the Group
 - a. The Company's Board of Directors holds a regular meeting every month and extraordinary meetings as necessary, in order to make decisions regarding the Company's basic policies and other important management matters, and to supervise the execution of duties of Directors.
 - b. The Company has included a provision in the Articles of Incorporation that enables delegations of authorities to Directors for part of decisions of execution of important operations as necessary. In addition, the Company has employed the Executive Officer System to delegate certain authorities regarding business execution to relevant Directors or Executive Officers to ensure their effective execution of duties.
 - c. The Company has established the 2023 Medium-Term Management Plan as a set of company-wide guidelines to be followed by the Company's Directors and employees to ensure appropriate and efficient business operations pursuant to the strategies therein.
 - d. The Company's "Rules on Approval Authority" defines the responsibilities and authorities of each organization and its hierarchy within the Company and each of its subsidiaries and delegates authority thereunder to enable prompt and appropriate decision-making processes.

- (5) Structure to ensure appropriate business operations in the Group
 - a. The Company designates an Officer responsible for the Group's compliance matters to promote awareness among officers and employees of the subsidiaries and to ensure compliance with the GLORY Legal Code of Conduct and other internal rules of each subsidiary.
 - b. The Audit & Supervisory Committee meets with the corporate auditors of the Company's subsidiaries regularly and as needed and works closely with the Internal Audit Department positioned under the direct control of the committee and the accounting auditors to ensure effective and proper supervision and auditing of the Group's business operations in compliance with the Group's consolidated management.
 - c. The Company ensures that subsidiaries obtain the approval of the Board on important matters related to their business strategies, basic management policies, and earnings plans, and to submit quarterly reports on their performance besides other essential matters to enable appropriate business operations of subsidiaries.

- d. The Company assigns its officers (e.g. Directors and executive officers) to its subsidiaries as directors or corporate auditors as necessary, and work together to enhance the corporate values and internal control system of the subsidiaries pursuant to the Rules on Management of Group Companies and other rules.
 - e. The Internal Audit Department positioned under the direct control of the Audit & Supervisory Committee conducts internal audits of the Company and its subsidiaries to evaluate validity and adequacy of the internal control system across the Group. Results of the audits are directly and promptly reported to the Audit & Supervisory Committee and to the President.
 - f. The Management Planning Department designates the Company's relevant divisions that supervise each subsidiary. The Management Planning Department also determines decision-making authorities and duties of the Company and its subsidiaries and provide guidance on the management of subsidiaries in liaison with the Company's HR, Legal, General Affairs, Information Security, Accounting, and Finance Departments(the "Corporate Affairs Divisions") to ensure the effective management and internal controls in each subsidiaries. The said supervisory divisions are responsible for the corporate management of the responsible subsidiaries, in liaison with the Management Planning Department and Corporate Affairs Divisions..
 - g. The Company implements effective internal controls using various measures including Information Technology, to ensure no false statements, errors or similar incorrect entries are included during preparation of its financial reports.
 - h. In order to ensure that its financial statements are properly prepared as required by the Financial Instruments and Exchange Act, the Company has established the Internal Control Evaluation Committee to maintain the effectiveness of its internal control system by promoting cooperation among relevant departments. Further, the Audit & Supervisory Committee shall be reported by Directors and employees on a regular basis, regarding the internal control system for financial reporting.
- (6) Matters concerning employees assigned to assist the duties of Audit & Supervisory Committee and the independence of such employees from Directors who are not Audit & Supervisory Committee Members
- a. The Board of Directors assigns, through consultation with Audit & Supervisory Committee, employees who have sufficient knowledge required by Audit & Supervisory Committee as the Committee Office (the "Office"), to assist in the performance of Audit & Supervisory Committee's duties.
 - b. The Office performs its duties in accordance with the guidance of the Audit & Supervisory Committee and are permitted to assume the office of audit & supervisory board members at relevant subsidiaries.
 - c. The right to direct the Office belongs to Audit & Supervisory Committee during the period designated by relevant Audit & Supervisory Committee to ensure its independence, and it will not receive instructions or orders from any Directors who are not Audit & Supervisory Committee Members.
 - d. Any decisions on appointments, transfers, or personnel affairs regarding the Office are subject to prior consent of the Audit & Supervisory Committee.

- (7) System for directors and employees of the Group to report to Audit & Supervisory Committee
- a. The Company's Directors who are not Audit & Supervisory Committee Members or employees or its subsidiaries' directors, corporate auditors or employees, or any person who have received a report from any of the foregoing persons (hereinafter the "Directors and Employees, Etc." in this section) provide a report to Audit & Supervisory Committee promptly of any matters that may cause material damage to the Group, or the fact that fraudulent conduct or material violation of laws, regulations, or the Articles of Incorporation has occurred or is likely to occur.
 - b. Within the Group, it is prohibited to give disadvantageous treatment to Directors and Employees, Etc. on the grounds that a report under (7) a. has been made thereby.
 - c. The Audit & Supervisory Committee may receive reports and information from Directors and Employees, Etc. and inspect the materials and records of meetings as necessary, to which Directors and Employees, Etc. must immediately and appropriately respond.
- (8) Other practices to ensure effective implementation of audits by the Audit & Supervisory Committee
- a. Directors who are Audit & Supervisory Committee Members are entitled to be present at meetings which deliberate on execution of material duties of Directors who are not Audit & Supervisory Committee Members.
 - b. In order to ensure effective and appropriate supervision and auditing of the Group, the Internal Audit Department is positioned under the direct control of the Audit & Supervisory Committee, thereby building an organization structure of direct reporting to the committee. To this end, the Audit & Supervisory Committee cooperates with accounting auditors to improve effectiveness of audits.
 - c. Representative Directors regularly meet with the Audit & Supervisory Committee to discuss issues and risks that need addressing, as well as the system for audits conducted by the Audit & Supervisory Committee and material issues pertaining to thereof.
 - d. The Audit & Supervisory Committee may retain certified public accountants, attorneys-at-law, consultants, and other outside advisers as necessary in its execution of duties.
 - e. The Company will bear any expenses or debts claimed by the Audit & Supervisory Committee in execution of their duties, unless the Board of Directors judges this unnecessary.

Outline of system/framework implemented to ensure appropriate business operations

The "Basic Policy on the Internal Control System" implemented in this fiscal year is outlined as follows.

- (1) Framework to ensure compliance with laws and regulations, and the Articles of Incorporation
- In accordance with the relevant laws and regulations, the Articles of Incorporation, the Rules on the Board of Directors, and other relevant rules, the Company's Board of Directors has made decisions on important management matters for the Group, received reports on the status of its business execution, and supervised the appropriateness and efficiency of the execution of duties and operations by its officers and employees.
 - To promote the Company's corporate philosophy and corporate management in accordance with applicable rules and regulations, and corporate ethics, the Compliance Committee has deliberated compliance issues and promoted awareness amongst the officers and employees of the Group through training.

- (2) Risk Management Framework
 - The Company organized a series activities based on the priority measures determined by the Risk Management Committee for FY2022, including Business Continuity Plan (BCP) drills conducted at the Company’s manufacturing subsidiaries to verify the effectiveness of the current emergency rules and manuals.
 - Audits and training sessions were conducted across the Group under the “Rules on Information Security”, to prevent information system failure or information leaks caused by cyberattack, computer virus infection, or similar. Audits in the outsourcing companies were also conducted to confirm the appropriateness of their information management.
- (3) Framework to ensure efficient execution of duties
 - The Company has employed the Executive Officer System for prompt and efficient business execution and increased profitability through the implementation of business strategies set out in the second year of the 2023 Medium-Term Management Plan.
 - The Company strengthened its business structure through acquisitions and capital and business alliances, and has taken proactive measures to expand new business domains and increase synergies with the Acrelec and Revolution, while promoting joint projects with AdInte, Showcase Gig, and EcoNavista.
 - The Company has prompted timely and efficient management decision making and improved supervisory function the Board.
- (4) Framework of the Group Management
 - The Company has approved its subsidiary’s business executions in accordance with the “Rules on Approval of Authority” and the “Rules on Management of the Group Companies” and has reported on significant management matters as necessary.
 - The Group’s annual conference was held to afford executives of the Group the opportunity to communicate the Group’s medium- to long-term policies, strategies, single-year goals, and report on other important management issues.
- (5) Framework of audit by the Audit & Supervisory Committee
 - The committee members attended major meetings such as the Company’s Board of Directors, Management Conference, Risk Management Committee, and Compliance Committee to conduct audits on the Directors’ execution of duties and the Company’s internal controls.
 - The committee regularly communicated and exchanged information with Directors, executive officers, etc. to confirm the adequacy of the implementation of the internal control system.
 - The committee ensured effectiveness and enhance quality of the audits of the Group in liaison with the corporate auditors , accounting auditors, internal audit division of the Group.

6. Policy on determining dividends

In order to ensure flexible implementation of capital policy and dividends policies, the Company stipulates in its Articles of Incorporation, except as otherwise provided by applicable laws and ordinances, that dividends of surplus and other matters set forth in each item of paragraph 1 of Article 459 of the Companies Act shall be determined by resolution of a general meeting of shareholders or the Board of Directors meeting. In addition, the Company distributes dividends from retained earnings at the periods of interim and year-end.

Considering the return of profits to shareholders to be an important management priority, the Company's basic policy is to continue stable dividends while maintaining financial strength for future business growth. The Company has set a target of attaining a dividend payout ratio before goodwill amortization of 30% or higher on consolidated basis (three years average during the 2023 Medium-Term Management Plan period).

In accordance with the above basic policy, the Company is proposing a year-end dividend of ¥34 per share (Proposal 1: Distribution of Dividends of Surplus) at the 77th ordinary general meeting of shareholders scheduled on 23 June, 2023. As the Company previously paid out ¥34 per share as an interim-period dividend as resolved at the Board meeting on November 8, 2022, the total dividend for the 77th term will be ¥68 per share.

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Audit Reports

Copy of independent accounting auditor's report on consolidated financial statements

Independent Auditor's Report

May 10, 2023

To the Board of Directors of GLORY LTD.

Deloitte Touche Tohmatsu LLC
Kobe office

Designated Engagement Partner,
Certified Public Accountant: Keiko Hishimoto

Designated Engagement Partner,
Certified Public Accountant: Yasunori Yamagishi

Opinion

We have audited the consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity, and the related notes to the consolidated financial statements of GLORY LTD. (the "Company") and its consolidated subsidiaries (collectively with the Company, the "Group"), as at March 31, 2023 and for the year from April 1, 2022 to March 31, 2023 in accordance with Article 444-4 of the Companies Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and the results of operations of the Group for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial

statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. The Audit & Supervisory Committee is responsible for overseeing the Directors' performance of their duties with regard to the design, implementation, and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Committee is responsible for overseeing the Directors' performance of their duties with regard to the design, implementation, and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered

material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader on Independent Auditor's Report

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act for the conveniences of the reader.

Copy of independent accounting auditor's report on non-consolidated financial statements

Independent Auditor's Report

May 10, 2023

To the Board of Directors of GLORY LTD.

Deloitte Touche Tohmatsu LLC

Kobe office

Designated Engagement Partner,

Certified Public Accountant: Keiko Hishimoto

Designated Engagement Partner,

Certified Public Accountant: Yasunori Yamagishi

Opinion

We have audited the non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, and the related notes to the non-consolidated financial statements, and the accompanying supplementary schedules (the "financial statements and the accompanying supplementary schedules") of GLORY LTD. (the "Company") as at March 31, 2023 and for the 77th business year from April 1, 2022 to March 31, 2023 in accordance with Item (i), Paragraph 2, Article 436 of the Companies Act. In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements and the accompanying supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the *Financial Statements and the Accompanying Supplementary Schedules* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements and the accompanying supplementary schedules in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. The Audit & Supervisory Committee is responsible for overseeing the Directors' performance of their duties with regard to the design, implementation, and maintenance of the reporting process for the other information.

Our opinion on the financial statements and the accompanying supplementary schedules does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements and the accompanying supplementary schedules, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the accompanying supplementary schedules or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Committee for the Financial Statements and the Accompanying Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Committee is responsible for overseeing the Directors' performance of their duties with regard to the design, implementation, and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements and the Accompanying Supplementary Schedules

Our objectives are to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the accompanying supplementary schedules.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the accompanying supplementary schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the accompanying supplementary schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements and the accompanying supplementary schedules are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure, and content of the financial statements and the accompanying supplementary schedules, including the disclosures, and whether the financial statements and the accompanying supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader on Independent Auditor's Report

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act for the conveniences of the reader.

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Copy of Report of the Audit & Supervisory Committee

Audit Report

The Audit & Supervisory Committee has audited the Directors' performance of their duties for the 77th business year from April 1, 2022 to March 31, 2023 and reports as follows in regard to the method and results of those audits.

1. Method and Contents of Audits

In regard to the content of resolutions of the Board of Directors regarding the matters stated in Items (i)(b) and (i)(c) of Paragraph 1 of Article 399-13 of the Companies Act, as well as the systems developed pursuant to those resolutions (i.e., internal control systems), the Audit & Supervisory Committee periodically received reports from Directors and employees, etc. regarding the status of the establishment and operation of those systems and as necessary requested explanations and expressed opinions in regard thereto, in addition to which the Audit & Supervisory Committee conducted audits using the following methods.

- (i) In compliance with the Audit & Supervisory Committee auditing and supervising standards and in accordance with the audit policies and division of duties, etc. determined by the Audit & Supervisory Committee, and in cooperation with the internal control department of the Company, the Audit & Supervisory Committee attended important meetings, received reports from Directors and employees, etc. regarding matters related to the performance of their duties, requested explanations as necessary, viewed important decision-making documents, etc., and inspected the status of operations and assets at the head office and main business locations. Additionally, in regard to subsidiaries, the Audit & Supervisory Committee communicated and exchanged information with the directors and the audit & supervisory board members, etc. of subsidiaries and received reports on business from subsidiaries as necessary.
- (ii) The Audit & Supervisory Committee oversaw and verified whether the accounting auditor maintained an independent position and conducted an appropriate audit, received reports from the accounting auditor on the status of the performance of its duties, and requested explanations as necessary. Additionally, the Audit & Supervisory Committee received notification from the accounting auditor that, in accordance with the "Quality Control Standard for Audits" (Business Accounting Council, November 16, 2021), etc., it had developed systems in order to ensure that its duties are appropriately performed (i.e., notification of the matters stated in the items of Article 131 of the Regulations on Corporate Accounting) and requested explanations as necessary.

Using the methods above, the Audit & Supervisory Committee examined the business report, the supplementary schedules thereto, the accounting documents (i.e., the balance sheet, statement of income, statement of changes in equity, and notes to accounting documents), the supplementary schedules to the accounting documents, and the consolidated accounting documents (i.e., the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity, and notes to consolidated accounting documents) for the business year.

2. Audit Results

(1) Results of audit of business report, etc.

- (i) We find that the business report and the supplementary schedules thereto accurately present the status of the Company in accordance with laws, regulations, and the Articles of Incorporation.

- (ii) We do not find any misconduct nor any material fact constituting a violation of any law, regulation, or the Articles of Incorporation in relation to the Directors' performance of their duties.
- (iii) We find the content of the resolutions of the Board of Directors regarding internal control systems to be reasonable. Additionally, we do not find any matters that should be commented upon in regard to the statements in the business report or the Directors' performance of their duties relating to the internal control systems.

(2) Results of audit of accounting documents and supplementary schedules thereto
We find the methods and results of the audit by the accounting auditor, Deloitte Touche Tohmatsu LLC, to be reasonable.

(3) Results of audit of consolidated accounting documents
We find the methods and results of the audit by the accounting auditor, Deloitte Touche Tohmatsu LLC, to be reasonable.

May 11, 2023

Audit & Supervisory Committee of GLORY LTD.

Full time Audit & Supervisory Committee Member	Toru Fujita
Audit & Supervisory Committee Member	Satoshi Hamada
Audit & Supervisory Committee Member	Keiichi Kato

(Note) Audit & Supervisory Committee Members Satoshi Hamada and Keiichi Kato are Outside Directors provided for in Item (xv) of Article 2 and Paragraph 6 of Article 331 of the Companies Act.

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