
Business Report
For Fiscal Year 2021
(from April 1, 2021 to March 31, 2022)

GLORY LTD.
(6457)

FY2021 Business Report

(April 1, 2021 to March 31, 2022)

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

The global economy faced an uncertain outlook in FY2021, with a COVID pandemic resurgence causing shortages of parts, such as semiconductor, shipping delays, and disruptions in supply chains, in addition to the worsening of the Russia/Ukraine conflict. Meanwhile in Europe and the U.S. there were signs of economic turnaround with the progress of vaccinations, in contrast to severe conditions in Asia caused by delays in vaccinations. In China, economic recovery was slow under its prolonged Zero-COVID policy.

The Japanese economy showed signs of moderate recovery with improved capital investment and corporate earnings, while the pandemic impacted greatly on the industry with business based on face-to-face services, such as restaurants and hotels.

Under these circumstances, the Company and its group companies (the “Group”) launched the 2023 Medium-Term Management Plan at the start of FY2021, with the concept of “Core and New businesses powering growth together”.

In the core business, sales were strong in overseas market. In particular, sales to retail industry increased for sales proceeds deposit machines and self-service coin and banknote recyclers, capturing a growing need for contact-free and self-service solutions. To further expand our sales, we acquired Revolution Retail Systems, LLC (“Revolution”), a U.S. company which runs a business of cash handling recyclers for retail markets in North America, and also established a local subsidiary in Poland. In domestic market, financial market experienced a backlash due to the rounding of large-scale demand. However, sales to the retail industry increased, with self-service coin and banknote recyclers catering for the need for contact-free and self-service solutions. In addition, we have launched a subscription-based business for our coin and banknote recycler product.

In the new business domain, we recorded strong sales in overseas market for the self-service kiosk business developed by the Acrelec group. We have made an investment in OneBanks, which runs shared-service business for financial institutions in the UK. In the domestic market, the Company launched “BUYZO”, a customer data analysis service for retailers and restaurants for effective marketing and sales promotions, leveraging our collaboration with AdInte Co., Ltd. In our biometric and image recognition business, we have developed a fall-detection system using our skeletal recognition technology and 3D cameras, for which PoC (Proof-of-Concept) studies have started for use in hospitals and nursing care facilities.

In summary, despite our aggressive business activities in Japan and overseas, the Company's consolidated business results were primarily affected by global shortage of parts and a cost increase due to higher parts prices and shipping delays.

	The 75th Term (4/2020-3/2021) JPY million	The 76th Term (4/2021-3/2022) JPY million	Increase/Decrease (%)
Net sales	217,423	226,562	4.2%
- Sales of merchandise and finished goods	138,748	142,667	2.8%
- Maintenance service	78,675	83,894	6.6%
Operating profit	14,201	10,297	-27.5%
Ordinary income	14,137	10,507	-25.7%
Net income attributable to owners of parent	5,705	6,509	14.1%

Please note that the figures in this report are based on the consolidated financial results for the 74th and 75th fiscal terms. This is due to the discovery of an incident of embezzlement by a former employee of a consolidated subsidiary of the Company in February 2022. The Company immediately established an internal investigation committee chaired by a Director (Chairman of the Audit & Supervisory Committee) of the Company to identify the facts and causes of the incident, with the assistance of external attorneys and CPAs. The Company has been working to implement the preventive measures based on the proposals made in the committee's investigation report.

Results of Operations in Business Segments

Financial Market

Net sales were ¥36,079 million (down 27.7% year on year) and operating income was ¥4,644 million (down 52.9% year on year).

Sales of this segment's main product, open teller systems, were slow and sales of coin and banknote recycler for tellers were sluggish due to the large-scale demand in the previous year having run its course. In addition, sales from maintenance services decreased with the completion of system modifications that were required in connection with the issuance of the new 500-yen coin.

Retail and Transportation Market

Net sales were ¥47,859 million (down 2.5% year on year) and operating income was ¥2,543 million (up 52.3% year on year).

While sales were steady for this segment's main products, coin and banknote recyclers for cashiers and ticket vending machines, overall sales in this segment decreased with sales being sluggish for sales proceeds deposit machines designed for the cash-in-transit market. Profits increased with the need for system modification required in connection with the issuance of the new 500-yen coin, and as a result of improvements in our product mix.

Amusement Market

Net sales were ¥12,131 million (up 10.1% year on year) and operating loss was ¥366 million (vs. operating loss of ¥290 million in the previous fiscal year).

Full-scale recovery of demand was not seen in this segment, although sales increased for the main products, such as card system and pachinko prize dispensing machines used in pachinko parlors, with the returning to longer operating hours.

Overseas Market

Net sales were ¥127,803 million (up 22.0% year on year) and operating income was ¥4,884 million (up 42.9% year on year).

In the Americas and Europe, sales of CI-series sales proceeds deposit machines for the retail industry were robust and sales of RBG-series coin and banknote recyclers for financial institutions were steady. In Asia, sales for UW-series banknote sorters were sluggish. Sales from Acrelec group totaled ¥19,809 million, which exceeded the pre-COVID level.

(2) Capital Investment

The Group has made capital investment totaling ¥114,23 million. Major investment includes:

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

(3) Financing Activities

The Company borrowed a total of US\$100 million from Japan Bank for International Cooperation, Nippon Life Insurance Company, Sumitomo Mitsui Banking Corporation, MUFJ, Bank Ltd., and Mizuho Bank, Ltd. to finance the acquisition of Revolution.

(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.

Following the 2020 Medium-Term Management Plan, the Group 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 establish new business pillars that have a high affinity with our core business, maximizing our strength such as our existing customer base and proprietary technologies.

The Acrelec Group’s kiosk business will focus on expanding the sales of kiosk terminals in response to the growing trend of drive-through sales at overseas fast food restaurants. In addition, we will expand the sales to retailers in Japan using our existing network.

We aim to further develop our DMP*¹ and retail media businesses*² in collaboration with AdInte, Co., Ltd., as well as our biometric/image recognition business and robot business for which we aim to start generating profits leveraging our domestic sales force and sales channels.

*¹ DMP (Data Management Platform) business

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 business

Distributes digital ads to promote customers' store visits.

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

Under this policy, we seek to increase revenue in our core businesses by establishing a new business model and optimizing our product lineup. This is to meet the need for contact-free and self-service solutions as a result of the pandemic, and for labor-saving solutions to address labor shortages.

In the overseas market, we will expand sales to retail industry and emerging countries. In the domestic market, we strive to expand our new customer base and build a strong earnings base through operational efficiency and cost reduction. Toward the issuance of new Japanese banknotes in 2024, we will address customers' demands to replace our machines in use, thus aiming to fulfill our responsibility in supporting social infrastructure.

We will make group-wide efforts to minimize the impact of external changes, such as shortage of semiconductors and other electronic components, and higher parts prices.

Management Base

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

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

The Company considers its employees to be its most important management resource and the driving force behind its corporate growth. To this end, we strive to improve employee engagement and ensure job satisfaction for all of our employees.

Sustainability

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

Under this policy, we work towards the SDGs through our business activities designed to address social issues. The Sustainability Committee, established to facilitate ESG management, plays a central role in promoting initiatives for zero-carbon society, human rights, and diversity, enabling us to contribute to sustainable society and strengthen our corporate value.

With regard to the incident which occurred in February 2022, the Company has formulated preventive measures based on the recommendations made by the internal investigation committee, with its details disclosed on the websites of the Tokyo Stock Exchange and the Company. The Company is now working to implement the measures across the Group to enhance internal controls and rebuild trust with all our stakeholders.

(5) Financial Position and Profit and Loss Status

(JPY million)

	The 73rd Term FY2018 (4/2018-3/2019)	The 74th Term FY2019 (4/2019-3/2020)	The 75th Term FY2020 (4/2020-3/2021)	The 76th Term FY2021 (4/2021-3/2022)
Net sales	235,762	224,170	217,423	226,562
Operating income	20,576	17,927	14,201	10,297
Ordinary income	20,575	15,514	14,137	10,507
Net income attributable to owners of parent	12,256	8,486	5,705	6,509
Net income per share	198.71 JPY	140.45 JPY	94.38 JPY	107.65 JPY
Total assets	318,228	308,431	330,608	362,786
Net assets	193,257	186,668	196,332	208,563
Net assets per share	3,133.54 JPY	3,056.75 JPY	3,195.82 JPY	3,394.59 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 current 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 response to the incident that was discovered in February 2022.

(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

(TRANSLATION OF AN EXCERPT FOR REFERENCE ONLY)

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

- Revolution became a subsidiary of the Company on December 20, 2021 (December 21, 2021, Japan Time), with Glory Global Solutions Inc. acquiring 100% of ownership of Revolution. No capital is stated above for Revolution as it is a Limited Liability Company under the U.S. law.
- Glory Global Solutions Ltd. increased its capital by 80 million USD on December 15, 2021, bringing the total to 1,009 million USD.
- Glory Global Solutions (International) Ltd. increased its capital by 80 million USD on December 15, 2021, bringing the total to 478 million USD.
- 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

Refer to (6) Major Subsidiaries of the Company.

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

Number of Employees	Increase/Decrease from end of FY2020
10,677 (834)*	+157 (+2)*

b) The Company

Number of Employees	Increase/Decrease from end of FY2020	Average Age (yrs)	Average Years of Service
3,506 (345)*	+3 (-21)*	44.3	20.5

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

(9) Major Lenders

Lenders	Amount of loans (JPY million)
Japan Bank for International Cooperation	7,344
Sumitomo Mitsui Banking Corporation	6,561
MUFG Bank, Ltd.	3,060
Nippon Life Insurance Company	2,648
Mizuho Bank, Ltd.	2,448

2. Status of Shares

- (1) Total number of authorized shares **150,000,000**
- (2) Total number of issued shares **63,638,210**
(including 2,866,078 treasury shares)
- (3) Total number of shareholders **11,814**
- (4) Major Shareholders

Name of Shareholders	Shares (in thousands)	Shareholdings (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	8,627	14.2
Nippon Life Insurance Company	3,427	5.6
GLORY Group Employees' Stock Ownership Association	2,735	4.5
Custody Bank of Japan, Ltd. (Trust account)	2,370	3.9
Sumitomo Mitsui Banking Corporation	2,100	3.5
Tatsubo Fashion Co. Ltd.	1,500	2.5
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY – PB	1,463	2.4
GLORY Business Partners' Stock Ownership Association	1,171	1.9
NOMURA CUSTODY NOMINEES LIMITED OMNIBUS- FULLY PAID (CASHPB)	960	1.6
MUFG Bank, Ltd.	879	1.4

Notes

1. The Company (2,866,078 treasury shares) is excluded from the above list.
2. Percentage of total shares issued is calculated by excluding the Company's treasury shares.

(5) Shares Granted during FY2021 to Directors as Stock Compensation

The Company has implemented a performance-based stock compensation plan (the "Plan") for 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. Under this plan, shares are granted according to the performance in the previous fiscal year, and no shares have been distributed during FY2021 as the achievement rate for the previous fiscal year (FY2020) against the performance target was below the standard set by the Company.

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 - President of Japan Vending System Manufactures Association
Motozumi Miwa	President & Representative Director	
Hideo Onoe	Director	- Senior Managing Executive Officer - Company President of Domestic Business Company
Shigetoshi Mabuchi	Director	- Senior Managing Executive Officer - Responsible for service operations
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
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.
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Notes

1. Joji Iki, Junji Uchida, 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 fields, 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 enhance the execution of duties of the A&SC. Mr. Fujita works to facilitate communications with Directors who are not A&SC Members and to gather required information through his participation in the internal management meetings. Additionally, he works to facilitate discussions and updates with the Internal Audit Department and other divisions.
4. Changes in Directors’ positions during FY2021 are as follows:
 - (a) Ms. Tomoko Fujita was elected as a new Director who is not an A&SC Member and assumed her office at the 75th Ordinary General Meeting of Shareholders held on June 25, 2021.
 - (b) Change in significant concurrent position

Name	Before	After	Date of Change
Satoshi Hamada	Outside Director, NISHIMATSUYA CHAIN Co., Ltd.	Outside Director Serving as Audit & Supervisory Committee Member, NISHIMATSUYA CHAIN Co., Ltd.	May 18, 2021

5. There is no special interest between the Company and the companies in which Mr. Satoshi Hamada and Mr. 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 liability of Directors be limited. With this stipulation, the Company has concluded an agreement with each of the four Outside Directors; Joji Iki, Junji Uchida, 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 liability insurance policy for directors and officers 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 claims for damages are made against the insured arising from any action(s) taken by the insured to perform their duties. However, by

providing certain exclusions such as damages arising from criminal act or intentional breach of laws and regulations, measures have been taken to prevent the appropriateness of the insureds' execution of duties from being impaired. 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 on 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 the careful deliberations of the Compensation Advisory Committee, of which the chairman and the majority of members are independent Outside Directors.

For FY2021, the contents of individual remuneration were confirmed by the Compensation Advisory Committee, taking into consideration its fairness and alignment with the policy. The Board respects the results of the confirmation and judges that the contents of remuneration are aligned 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”).
- Remuneration for Outside Directors consists only of monthly Fixed Compensation, considering the supervisory functions and independency of such roles.
- No retirement benefits are paid to any Director.

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

- The amount of remuneration for Directors are based on a broad consideration of factors such as performance of the Company and the compensation standard of other companies.
- Fixed Compensation are determined according to the position and responsibilities of the person concerned.
- Bonuses are cash compensation based on short-term business performance and is aimed at improving the Group’s business performance for each fiscal year outlined in the medium-term management plan. The target performance indicators for Bonuses are consolidated net sales and operating income set out in the 2023 Medium-Term Management Plan. Bonuses are paid at a certain time every fiscal year in 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 outlined in the medium-term management plan. The target performance indicators for Stock Compensation are

consolidated ROE and operating income (both before goodwill amortization) and net sales in new business domains set in the 2023 Medium-Term Management Plan. Based on the degree of achievement of those targets 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 degree 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 for other Directors are determined based on that of the President, taking into consideration their responsibilities and general standard of compensation.

e) Matters on determining remuneration of individual Directors

To ensure transparency and objectivity, total amount of monthly Fixed Compensation and Bonuses paid to individual 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 for each Director upon confirmation of its fairness by the Committee .

As for Stock Compensation, the number of the Company's shares allotted to Directors is determined by the points given according to the Share Distribution Regulations. These regulations are resolved by the Board of Directors after being confirmed by the Compensation Advisory Committee.

Remuneration for Directors who are Audit & Supervisory Committee Members consists only of monthly Fixed Compensation, 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

Following shows the performance-based compensation (Bonuses and Stock Compensation) for FY2021 and performance indicators as the basis of its calculation. See 4.1. (c) above for details of performance indicators.

Type of compensation	Performance indicators (consolidated)	Target	Result	Achievement rate
Bonus	Net sales	¥228.3 billion	¥226.5 billion	99.2%
	Operating income	¥9.4 billion	¥10.2 billion	109.5%
Stock Compensation	ROE	4.6%	5.9%	128.2%
	Operating income	¥14.0 billion	¥15.5 billion	111.0%
	Net sales of new business domains	¥23.4 billion	¥23.5 billion	100.6%

4.3. Remuneration of Directors and Audit & Supervisory Committee Members for FY2021

	Total (million yen)	Total Amount for each compensation (million yen)			Eligible number of Directors
		Fixed Compensation	Performance- based Bonuses	Performance- based Stock Compensation	
Directors	224	141	63	20	9
(including Outside Directors)	(24)	(24)	(-)	(-)	(2)
Directors (A&SC* Members)	37	37	-	-	3
(including Outside Directors)	(16)	(16)	-	-	(2)

*Audit & Supervisory Committee

Notes

1. The amount paid to Directors who are not Audit & Supervisory Committee Members, does not include employee salaries payed to Directors who have concurrent responsibilities as employees.
2. Under the Company's stock compensation plan, 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), and 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 in each of the three fiscal years from the fiscal year ended March 2019 to the 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.
3. 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.
4. Performance-based Bonuses and Stock Compensation are paid to six executive Directors who are not Audit & Supervisory Committee Members (excluding Outside Directors). The amount of grant allowance for the current fiscal year is stated.

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 and Bonuses for individual Directors (excluding Audit & Supervisory Committee Members) for FY2021, an individual amount has been deliberated upon by the Compensation Advisory Committee for its fairness to report the results to the Board. The total amount of monthly Fixed Compensation and Bonuses 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, Mr. Motozumi Miwa, who then determined the amount for each Director's remuneration for FY2021. The Board requires the President to make these decisions upon the confirmation on its fairness by the Compensation Advisory Committee to ensure such authority is properly exercised.

(5) Outside Directors

Name	Positions	Major Activities during FY2021
Joji Iki	<ul style="list-style-type: none"> - Outside Director - Chairman of the Nomination Advisory Committee 	<p>Attendance at Board Meeting: 17/17</p> <p>Mr. Iki plays an important role in enhancing the supervisory function of the Company's management, 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, providing helpful advice and opinions from an outsider's perspective.</p> <p>In FY2021, the Company discovered the incident of the embezzlement by a former employee of its consolidated subsidiary of the Company during. Although Mr. Iki was unaware of the incident before it was discovered, he has been making enquiries and proposals from the perspective of legal compliance based on his experience in corporate management at meetings of the Board of Directors and other meetings. In this manner, he has fulfilled his responsibilities by making proposals at Board of Directors meetings regarding the importance of legal compliance in corporate management, as well as the cause of the incident, and measures to prevent its recurrence.</p>
Junji Uchida	<ul style="list-style-type: none"> - Outside Director - Chairman of the Compensation Advisory Committee 	<p>Attendance at Board Meeting: 17/17</p> <p>Mr. Uchida plays an important role in enhancing the supervisory function of the Company's management, 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> <p>In FY2021, the Company discovered the incident of the embezzlement by a former employee of its consolidated subsidiary of the Company. Although Mr. Uchida was unaware of the incident before it was discovered, he has been making enquiries and proposals from the perspective of legal compliance based on his experience in corporate management at meetings of the Board of Directors and other meetings. In this manner, he has fulfilled his responsibilities by making proposals at Board of Directors meetings regarding the importance of legal compliance in corporate management, the cause of the incident, as well as measures to prevent its recurrence.</p>

Satoshi Hamada	- Outside Director (Audit & Supervisory Committee Member)	Attendance at Board Meeting: 16/17 Audit Supervisory Committee Meetings: 14/14 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. In FY2021, the Company discovered the incident of the embezzlement by a former employee of its consolidated subsidiary of the Company. Although Mr. Hamada was unaware of the incident before it was discovered, he has been making enquiries. In this manner, he has fulfilled his responsibilities by making proposals at Board of Directors meetings regarding the importance of legal compliance, the cause of the incident, as well as measures to prevent its recurrence.
Keiichi Kato	- Outside Director (Audit & Supervisory Committee Member)	Attendance at Board Meeting: 17/17 Audit Supervisory Committee Meetings: 14/14 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. In FY2021, the Company discovered the incident of the embezzlement by a former employee of its consolidated subsidiary of the Company. Although Mr.Kato was unaware of the incident before it was discovered, he has been making enquiries and proposals from the perspective of legal compliance at meetings of the Board of Directors and other meetings. In this manner, he has fulfilled his responsibilities by making proposals at Board of Directors meetings regarding the importance of legal compliance, the cause of the incident, as well as measures to prevent its recurrence.

4. Accounting Auditor of the Company

(1) Name of the accounting auditor of the Company
Deloitte Touche Tohmatsu LLC

(2) Amount of compensation paid to the accounting auditor

Compensation	Amount
a) Remuneration for audit services	¥ 112 million
b) Total of cash and other financial profits payable by the Company and its subsidiaries to the accounting auditor	¥ 123 million

Notes

1. In its agreement with the Accounting Auditor, the Company makes no distinction between the remunerations that it pays for auditing services governed by the Companies Act and the Financial Instruments and Exchange Act. Therefore, the amounts described above are sums of these two amounts.
2. the Company's overseas subsidiaries had audits including foreign laws and regulations equivalent to the Companies Act. and the Financial Instruments and Exchange Act., by accounting auditors other than the Company's Accounting Auditor.
3. The Audit & Supervisory Committee examines the contents of the audit plan of the accounting auditor, the status of execution of duties of the accounting auditor in the previous fiscal year, the basis for calculating the compensation estimate, etc. by obtaining and reporting the necessary materials from the internal related departments and the accounting auditor. As a result of the above, we have agreed to Article 399, Paragraph 1 of the Corporate Law regarding the compensation of the accounting auditor.

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

The company pays compensation to the accounting auditor for non-audit services. Other than those stipulated in Article 2, Paragraph 1, of the Certified Public Accountants Law, these include advice and guidance on accounting standards, and information disclosure.

(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 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 the 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

Systems to ensure that the execution of duties by Directors complies with laws and regulations and the Articles of Incorporation, and other systems to ensure the appropriateness of the Company's operations and the operations of the corporate group consisting of the Company and its subsidiaries

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

- (1) Framework to secure performance of duties of the directors and employees of the Company and its subsidiaries in compliance with relevant laws and regulations and the Articles of Incorporation
 - a. In the Group’s corporate philosophy “*We will contribute to the development of a more secure society through a striving spirit and co-operative efforts.*”, we express our determination to grow as a sustainable enterprise. We aim to achieve this by contributing to a prosperous society through our uncompromising commitment to product development.
Based upon this philosophy and in order for the Group to co-exist in harmony with society and to build relationships of trust with all its stakeholders, the President and all Directors voluntarily endeavor to implement “compliance management,” while at the same time regularly communicate this to employees to ensure that compliance with relevant laws and regulations and social ethics is a prerequisite for corporate activities. Further, the basic views and policies related to corporate governance within the Group are set forth in the “Corporate Governance Guidelines.”
 - b. The Company’s Board of Directors makes decisions on important matters and supervises Directors’ performance of their duties in accordance with relevant laws and regulations, the Articles of Incorporation and Regulations of the Board of Directors.
 - c. The Company has established the Nomination Advisory Committee and the Compensation Advisory Committee, which support and monitor, from an independent standpoint, the performance of deliberation function of the Board, thereby ensuring transparency and objectivity of nomination of Directors and executive officers and of decision-making process of the amounts of their remuneration.
 - d. Audit & Supervisory Committee audits and supervises from an independent standpoint the performance of Directors’ duties, including the development and operation of internal control system.
 - e. The Company has established the Compliance Committee chaired by President, in which its members, including outside experts, deliberate on important compliance-related issues concerning 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 secretariat of the Compliance Committee, assumes responsibilities to establish and implement measures concerning compliance, then, monitors compliance management and provide compliance training for employees where necessary.
 - f. For the consultation concerning overall compliance matters of the Group, the Company has established four compliance helplines: (1) immediate supervisor of the consultor; (2) secretariat of the Compliance Committee; (3) workplace counselling staff and (4) external consultation services. Such helplines are intended to promote early detection and rectification of potential problems, thereby protecting those seeking consultation, in accordance with the “Internal Rules on Consultation.”

- (2) System for storage and management of information related to performance of Directors' duties
 - a. With regard to the storage and management of information related to performance of Directors' duties, type of documents to be stored, the period of storage and a person in charge of document management are designated pursuant to the "Document Management Rules" to properly store and manage the relevant information.
 - b. Directors may at any time inspect information such as the minutes of the Board of Directors meetings in regards to the execution of duties of Directors.
 - c. The "Information Security Rules" are stipulated and enforced in order to maintain appropriateness of information storage and management.

- (3) Regulations and other frameworks to control the risk of loss of the Company and its subsidiaries
 - a. The Company has set the "Risk Management Manual" and the "Crisis Management Manual" pursuant to the "Risk Management Rules", in order to implement appropriate measures to obviate any risks within the Group, and to minimize losses and prompt early recovery in the event of a crisis.
 - b. The Company has established, as an organ to supervise risk management within the Group, the Risk Management Committee, which designates the responsible department and the person in charge for each of the risk items to implement preventive measures against such risks. In addition, the Company has systems in place that enables prompt responses in times of crisis.

- (4) Structure to ensure the effective execution of duties by directors, etc. of the Company and its subsidiaries
 - a. The Company's Board of Directors holds a regular meeting once every month and extraordinary meetings as necessary, in order to make appropriate decisions regarding basic policies and other important matters relating to management, as well as to supervise the performance of Directors' duties.
 - b. The Company has included a provision in the Articles of Incorporation that enables certain types of decisions on important business execution to be delegated to the Directors. In addition, the Company has employed an Executive Officer System to delegate certain authorities regarding business execution to relevant Directors or Executive Officers to ensure that Directors' duties are performed efficiently.
 - c. The Company has established the "2023 Medium-Term Management Plan" as a company-wide target to be shared by Directors and employees, with the aim of promoting appropriate and efficient business operations pursuant to relevant strategies.
 - d. The Company has established a framework to enable prompt and appropriate decision-making, by clearly defining in the "Regulations on Approval Authority" the responsibilities and authorities assumed by each organization and its hierarchy in the Company and each of its subsidiaries and by appropriately delegating authority thereunder.

- (5) Structure to ensure appropriate business operations as a corporate group comprising the Company and its subsidiaries
 - a. The Company selects an Officer to be in charge of Group compliance to implement educational activities for the officers and employees of the subsidiaries and to ensure thorough compliance with the "GLORY Legal Code of Conduct" and the internal rules of each subsidiary.
 - b. Audit & Supervisory Committee meets with the audit & supervisory board members of the subsidiaries regularly and as needed, and collaborate closely with the Internal Audit Department positioned under the direct control of the committee and the accounting auditors to ensure that supervision and audit of the entire Group is effectively and properly conducted in compliance with the Group's consolidated management.

- c. The Company promotes appropriate business operations of its subsidiaries by having them obtain the approval of the Board of Directors on important matters related to their business strategies, as well as their basic management policies and earnings plans, and by having them submit quarterly reports to the Board on their performance and financial results besides other essential matters.
 - d. The Company assigns certain Directors, executive officers and other officers of the Company to the office of Directors or the audit & supervisory board members of its subsidiaries as necessary, and also requires its subsidiaries to report on important managerial matters pursuant to the “Rules on Management of Affiliated Companies,” etc. e. The Internal Audit Department is positioned under the direct control of the Audit & Supervisory Committee and it conducts internal audits of the Company and its subsidiaries in order to evaluate validity and adequacy of the internal control system of the Group. Results of the audits are directly and promptly reported to the Audit & Supervisory Committee and to President.
 - f. The Company’s management planning department is assigned to designate appropriate governance departments to supervise the subsidiaries. It is also assigned to designate decision-making authorities as well as the duties of the Company and its subsidiaries to control them thereunder through appropriate administration and guidance. Such governance departments manage the subsidiaries in collaboration with the management planning department.
 - g. Effective internal controls are implemented using various measures such as Information Technology, in order to ensure that no false statements, errors or similar incorrect entries are included during the course of preparation of 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 promote cooperation among the departments concerned to optimize its internal control system effective by. Further, Audit & Supervisory Committee obtains reports from 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, certain employees who have sufficient knowledge required by Audit & Supervisory Committee, dedicated to assist in the performance of Audit & Supervisory Committee’s duties.
 - b. Such assistant employees perform their duties in accordance with the instructions of the Audit & Supervisory Committee and are permitted to assume the office of audit & supervisory board members at relevant subsidiaries.
 - c. To secure independence of the assistant employees, the right to direct them belongs to Audit & Supervisory Committee during the period designated by relevant Audit & Supervisory Committee, and they will not receive instructions or orders from any of the Directors who are not Audit & Supervisory Committee Members.
 - d. Any decisions on appointments, transfers or personnel affairs regarding the assistant employees are subject to prior consent of Audit & Supervisory Committee.
- (7) System for directors and employees of the Company and its subsidiaries to report to Audit & Supervisory Committee
- a. Directors who are not Audit & Supervisory Committee Members or employees of the Company or its subsidiaries’ directors, audit & supervisory board members 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 the preceding item has been made thereby.
 - c. 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 Audit & Supervisory Committee
- a. Directors who are Audit & Supervisory Committee Members are entitled to be present at meetings, at which execution of material duties of Directors who are not Audit & Supervisory Committee Members is deliberated.
 - b. In order to ensure effective and appropriate monitoring and auditing of the entire group for consolidated management, 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. Also, the Audit & Supervisory Committee cooperates with accounting auditors to improve effectiveness of audits.
 - c. Representative Directors regularly have meetings with Audit & Supervisory Committee to exchange views concerning issues to be addressed by, and risks surrounding, the Company as well as the situation of the environment for audits conducted by Audit & Supervisory Committee and material issues thereof.
 - d. Audit & Supervisory Committee may utilize services of certified public accountants, attorneys-at-law, consultants and other outside advisers as necessary in order to perform its duties.
 - e. When Audit & Supervisory Committee makes claims for payment of any expenses or debts incurred for execution of their duties, the Company will promptly bear such expenses or debts unless the Board of Directors determine that it is unnecessary.

Summary of Operation of system/framework to Ensure Appropriate Business Operations

The operation of the “Basic Policy on the Internal Control System” in this business year is summarized as follows.

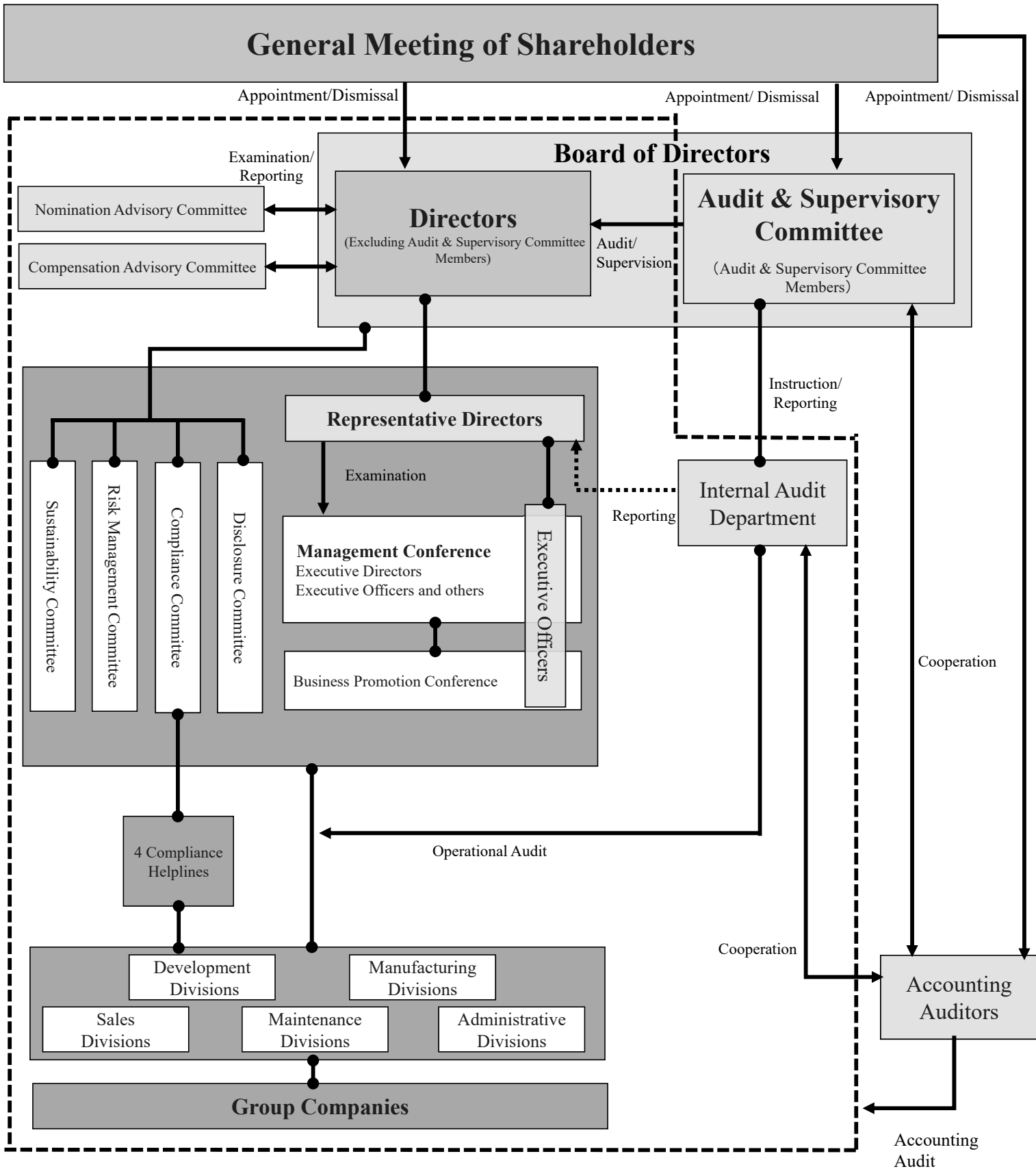
- (1) Framework to Ensure Compliance with Laws and Regulations, and the Articles of Incorporation
 - In accordance with the relevant laws and regulations, the Articles of Incorporation, the “Regulations of the Board of Directors,” and other relevant rules, the Company’s Board of Directors made decisions on important matters for the Company and its group companies, received reports on the status of business execution, and supervised the appropriateness and efficiency of the performance of duties and operations by officers and employees.
 - To ensure penetration of our corporate philosophy and implementation of “compliance management”, deliberation were made by the Compliance Committee on important compliance-related matters and educational activities and training were provided for the officers and employees of the Group.
- (2) Risk Management Framework
 - Activities were conducted based on the annual policy and major action items for the year predetermined by the Risk Management Committee. In preparation for extraordinary accident, BCP (business continuity plan) drill was conducted at manufacturing subsidiaries to verify the effectiveness of the current rules and manuals.

- In order to prevent any information system failure or data breach in the cases of cyberattack, computer virus infection, or the like, various training sessions under the “Information Security Rules” were provided across the Group. Internal audits were also conducted to confirm the appropriateness of information management in the outsourcing companies.
 - Information security was further enhanced in response to the work style reform and the increasing trend of teleworking associated with the Covid-19 infection control measures.
- (3) Framework to Ensure Efficient Execution of Duties
- Prompt and efficient business management was ensured with the Executive Officer System applied to enable efficient business execution, and efforts were made to increase profitability by implementing the business strategies set out in the first year of the 2023 Medium-Term Management Plan.
 - Proactive measures were taken to efficiently expand new business domains, including efforts to generate synergy of the acquisition of France’s Acrelec Group S.A.S., which conducts a self-service kiosk business, and to strengthen cooperation with AdInte co., ltd, which provides digital marketing services for retailers, and Showcase Gig Inc., which offers mobile order services.
 - Certain items of decisions on important business execution were delegated to Directors in an effort to improve supervisory functions of the Company’s Board of Directors, enable timely and efficient decision-making on management issues, and facilitate efficient execution of duties.
- (4) Management Framework of the Group
- Major business executions by each group company have been approved by the Company in accordance with the “Regulations on approval of authority” and the “Regulations on management of the Group companies,” and major management matters regarding the group companies has been reported to the Company.
 - Group wide conference were conducted with attendance of management members of the Company and the group companies for the purpose of sharing the Group’s medium- to long-term policy, strategies, single-year goals, and other important issues.
- (5) Framework of Audit by Audit & Supervisory Committee
- The committee members attended important meetings such as the Company’s Board of Directors, Management Conference, Risk Management Committee, and Compliance Committee to conduct audit on the Directors’ execution of duties and internal control.
 - The committee periodically conducted communication and exchange of information with Directors, executive officers, etc. to verify the adequacy of the operation of the internal control system.
 - The committee made efforts to ensure the effectiveness of the audit of the whole Group by cooperating with the audit and supervisory board members, accounting auditors, internal audit division of each group company.

In regard to the incident of embezzlement by a former employee of a domestic consolidated subsidiary, the Company is working to implement the preventive measures based on the proposals made by the internal investigation committee. The Company strives to enhance its corporate governance and internal control system across the Group.

(For reference)

< Corporate Governance Framework >



6. Policy on determining dividends

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

Considering the return of profits to shareholders to be an important management task, the Company's policy in regard to the distribution of profits is to continue stable dividends while striving to maintain and enhance sound financial standing 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 policy, the Company is proposing a year-end dividend of ¥34 per share (Proposal 1: Distribution of Dividends of Surplus) at the 76th ordinary general meeting of shareholders scheduled on 24 June, 2022. As the Company previously paid out ¥34 per share as an interim-period dividend, the total dividend before goodwill amortization for the 76th term will be ¥68 per share, which brings the payout ratio to 35.0%.

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Audit Reports

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

Independent Auditor's Report

May 10, 2022

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, 2022 and for the year from April 1, 2021 to March 31, 2022 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, 2022

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, 2022 and for the 76th business year from April 1, 2021 to March 31, 2022 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.

Copy of Report of the Audit & Supervisory Committee

Audit Report

The Audit & Supervisory Committee has audited the Directors' performance of their duties for the 76th business year from April 1, 2021 to March 31, 2022 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, October 28, 2005), 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.

We will continue to monitor and verify the progress of the recurrence prevention measures for strict compliance and further reinforcement of internal control systems in response to the occurrence of an incident of embezzlement by an ex-employee of a domestic consolidated subsidiary.

(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 12, 2022

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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