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GLORY Group 2020 Medium-Term Management Plan (FY2018 - FY2020)



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Review of Medium-Term Management Plan (FY2015 – FY2017)

2017 Medium-Term Management Plan

Performance Targets

Net Sales : ¥260 billion
 Operating Income: ¥28 billion
 Overseas Sales ratio: 50%

Management Target

ROE : 8%

[Exchange rate assumptions]
 1USD=¥120, 1EUR=¥130, 1GBP=¥175

Basic Policy	Realize business growth through “customer-oriented superb manufacturing” and enhance profitability to achieve the Long-Range Vision 2018		
	Business Strategy	Constitutional Strategy	Corporate management Strategy
Basic Strategy	Enhance profitability by expanding business size/area	Provide timely products and services meeting market needs	Reinforce group management infrastructure
Focus	<ul style="list-style-type: none"> Overseas Business Domestic Business 	<ul style="list-style-type: none"> Product Development Production/Procurement Quality Assurance 	<ul style="list-style-type: none"> Group Governance Human Resources Capital/Financing Information System

Review of Medium-Term Management Plan

Performance and management targets

	Targets	Results	Ratio
Net Sales (¥bil.)	260.0	227.3	87%
Operating Income (¥bil.)	28.0	19.6	70%
Operating Margin	10.8%	8.6%	-2.2pt
Overseas Sales ratio	50% or higher	47.0%	-3.0pt
ROE	8.0%	5.3%	-2.7pt
Exchange Rate	1USD=¥120 1EUR=¥130 1GBP=¥175	1USD=¥111 1EUR=¥130 1GBP=¥147	

Basic strategies

Business Strategy (Overseas, Domestic, New business)	
Overseas	<ul style="list-style-type: none"> • Achievements: Expansion of sales in retail market • Challenges: Expansion of sales in emerging countries
Domestic	<ul style="list-style-type: none"> • Achievements: Expansion of sales of main products • Challenges: Creation of new products and business models
New business	<ul style="list-style-type: none"> • Achievements: Expansion of business area of facial recognition systems • Challenges: Reinforcement of marketing and sales structures
Constitutional Strategy (Product development, Production/procurement, Quality assurance)	
<ul style="list-style-type: none"> • Achievements: Reinforcement of global capabilities in each function • Challenges: Improvement of productivity in each function 	
Corporate Management Strategy (Group structure, Human resources, Financial management)	
<ul style="list-style-type: none"> • Achievements: Enhancement of risk management on a group-wide basis • Challenges: Recruiting and fostering of human resources to promote businesses 	

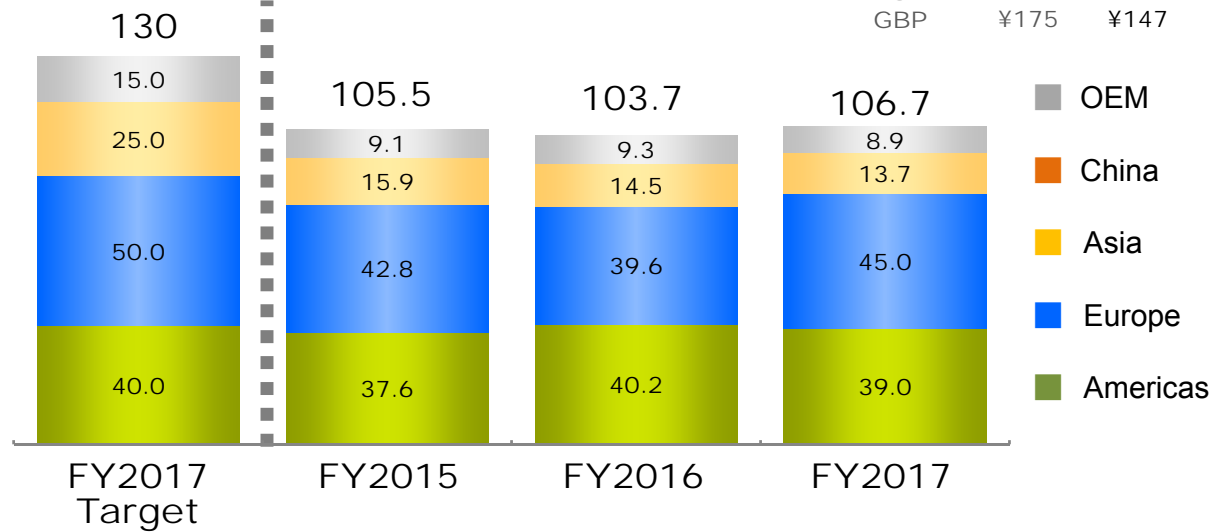


Despite efforts to implement growth strategies and strengthen earning potential, performance and management targets were not achieved.

Review by Segment (vs. Target)

Overseas

Net sales by geographical segment (¥bil.)



Exchange rate	Plan	FY2017 Results
USD	¥120	¥111
EUR	¥130	¥130
GBP	¥175	¥147

- OEM

Sales of existing products declined while sales of new units for ATMs increased.

- Asia

Sales of banknote sorters and other products were slow.
[China] Sales slowed down due to changes in market environment.

- Europe

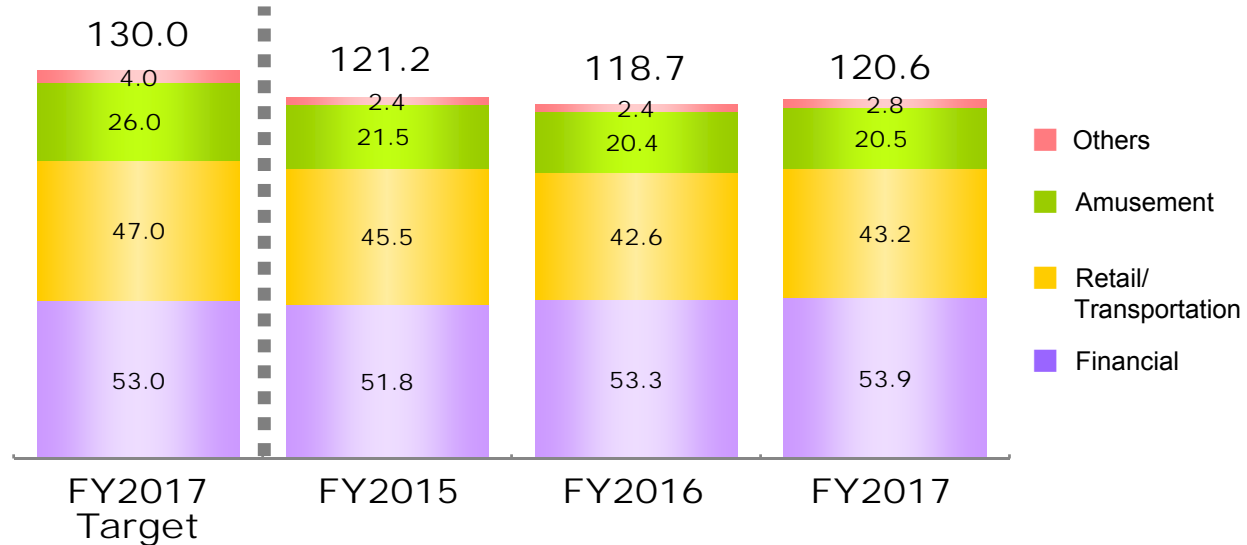
Sales in retail market expanded.

- Americas

Sales of key products increased.

Domestic

Net sales by segment (¥bil.)



- Amusement

Sales of main products decreased due to changes in market environment.

- Retail/Transportation

Sales of main products in the new business category increased.

- Financial

Sales of main products increased.

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2020 Medium-Term Management Plan

(FY2018 - FY2020)

(Overseas)

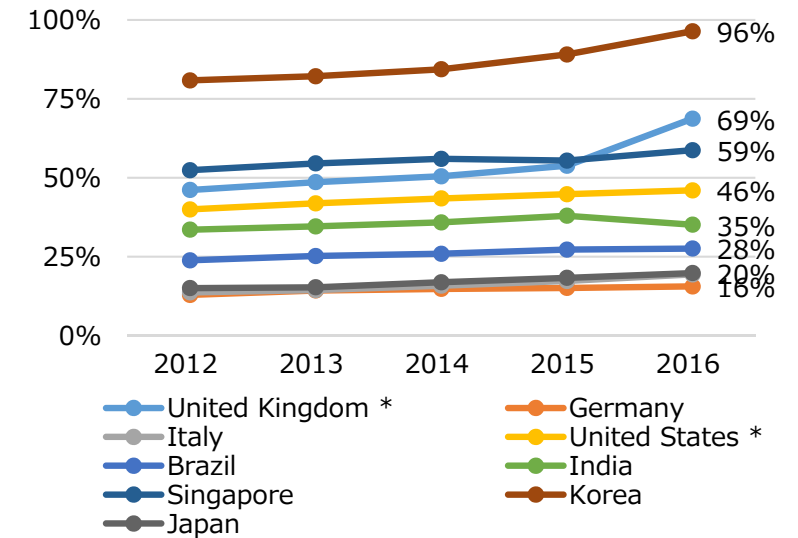
Macro

- Money circulation of major countries such as Dollar and Euro is on the increase.
- Compared to Japan, introduction ratio of cash handling machine is still at low level.
- Business opportunities in emerging countries are increasing due to the increase of currency circulation and new stores.

(About Cashless Society)

- The progress toward the cashless society is slow except for some countries.
- In developed countries, settlement using a credit card is well under way.

Non-cash settlement ratio in private consumption expenditure of each country



Source: Bank for International Settlements United Nations statistics (* There is no data on electronic money)

(Domestic)

Macro

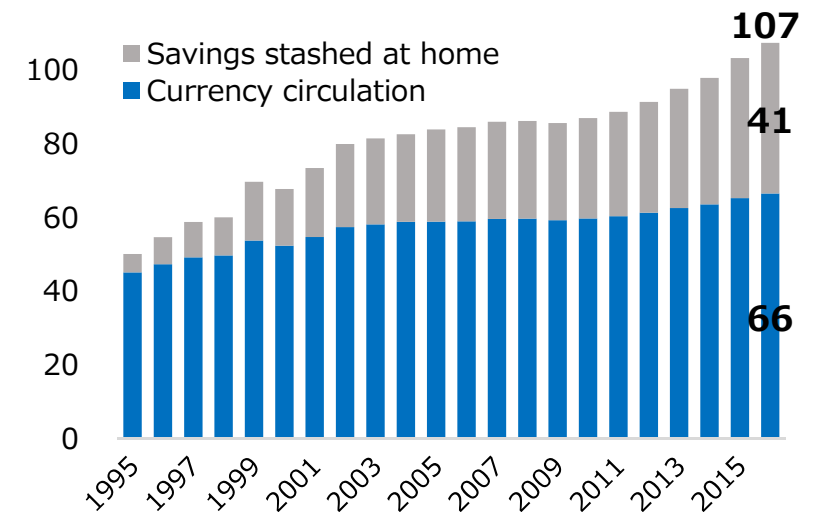
- Changes in settlement means due to expansion and deepening of Fintech.
- Mechanization toward productivity improvement by promotion of working-style reform.
- Increase of currency circulation.
- Labor shortage due to decrease of working population.

(About Cashless Society)

- Raise the cashless settlement ratio to 40% by 2025
- Electronic money settlement has increased mainly for small amount payment at public transportation and retail stores.

(¥ trillion)

Changes of currency circulation balance



Source: The Bank of Japan. "Chronological statistical data" January 1, 2018 * Balance as of the end of year

1

Increase sales by further strengthening of the cash handling machine business

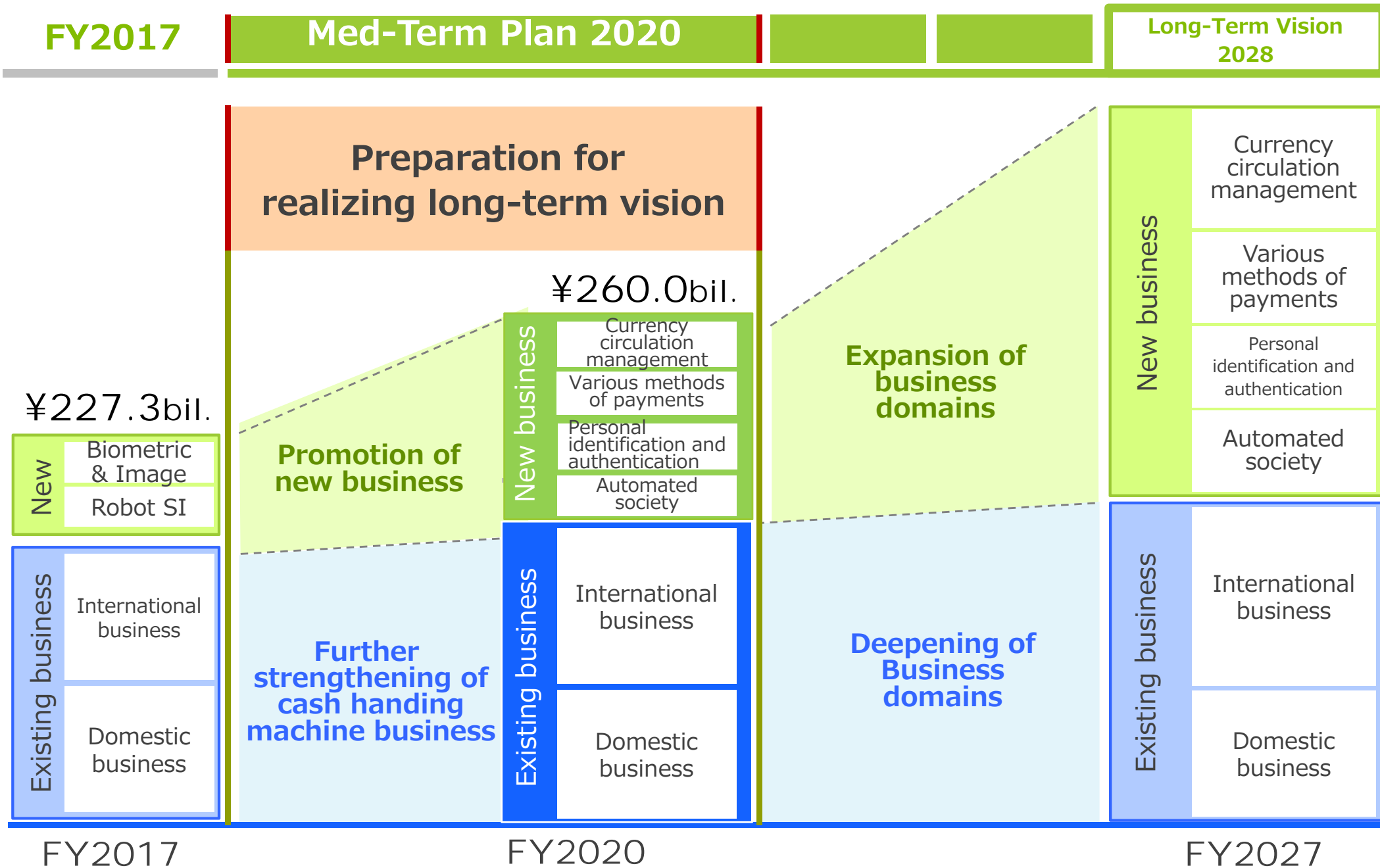
2

Promote new business domains and create new businesses

3

Implement strategic investment for existing and new businesses

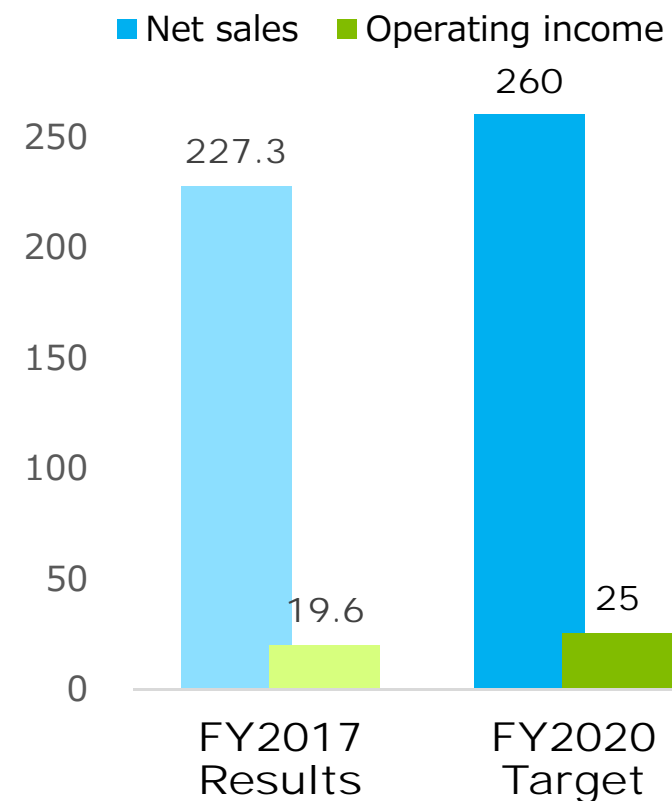
Position of Medium-Term Management Plan 2020



Position Preparation for realizing long-term vision

Performance Target	FY2017	2020 Mid-Term Plan	Growth rate
Net sales	¥227.3 bil.	¥260.0 bil.	+14 %
Operating income	19.6 bil.	25.0 bil.	+28 %
Operating margin	8.6 %	9.6 %	+1.0 Pt
R O E	5.3 %	8.0 %	+2.7 Pt
Exchange rate US\$	¥111 (results)	¥110 (plan)	-
rate Euro	¥130 (results)	¥120 (plan)	-

(¥ billion)



Basic Policy

Policy 1 Existing Business

Build foundations for realizing sustainable business management

- Overseas business
Further growth of financial market and acceleration of retail business
- Domestic business
Promote solution proposals

Policy 2 New Business

Strengthen collaboration with various partners to solve social issues

- Promote new business domains
- Acquire new core technology
- Proactive allocation of management resources for new business

Policy 3 Management Base

Realize higher productivity and robust corporate constitution that directly generate outcome

- Work-style and operational reform to improve productivity
- Organizational climate reform to realize open innovation

Organization to Achieve the Plan

● Overseas Business

Realize quick decision making → Shift to company system

● Domestic Business

Strengthen regional strategy → Review regional office management

● New Business

Promote new business domain → Establish Business Innovation Center

Performance Target by Business Segment

Operating margin



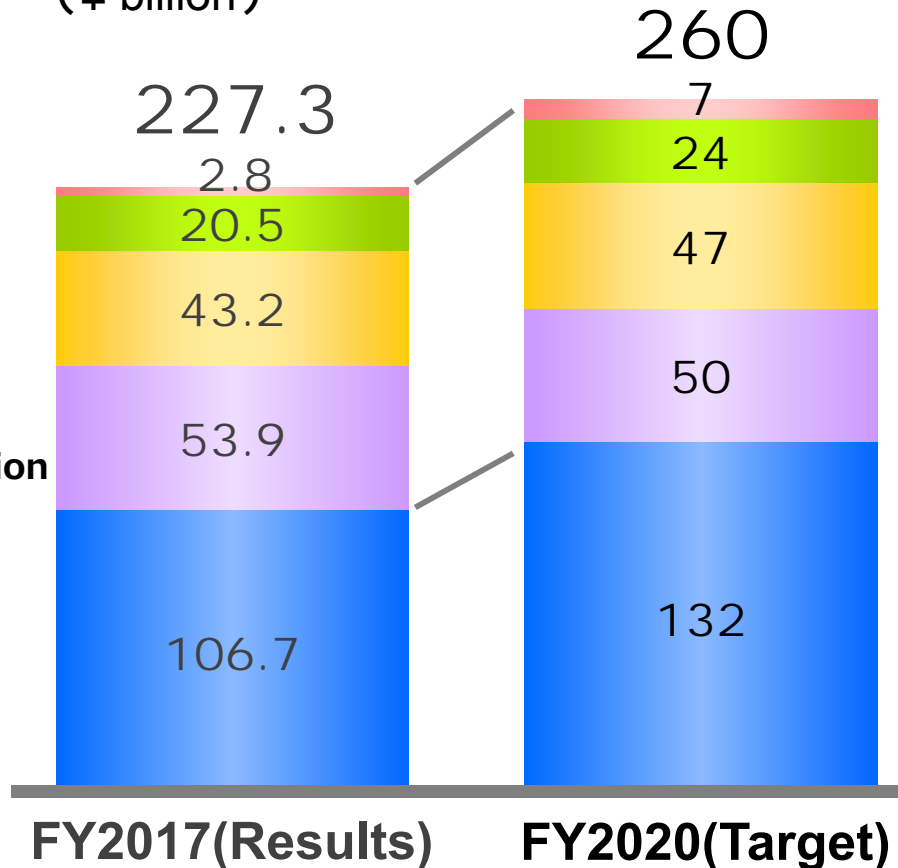
Operating margin

+1.0pt.

Net sales

(¥ billion)

- Others
- Amusement
- Retail and Transportation
- Financial
- Overseas



Growth rate

Domestic business

+6.1%
(Average annual +2.0%)

Overseas business

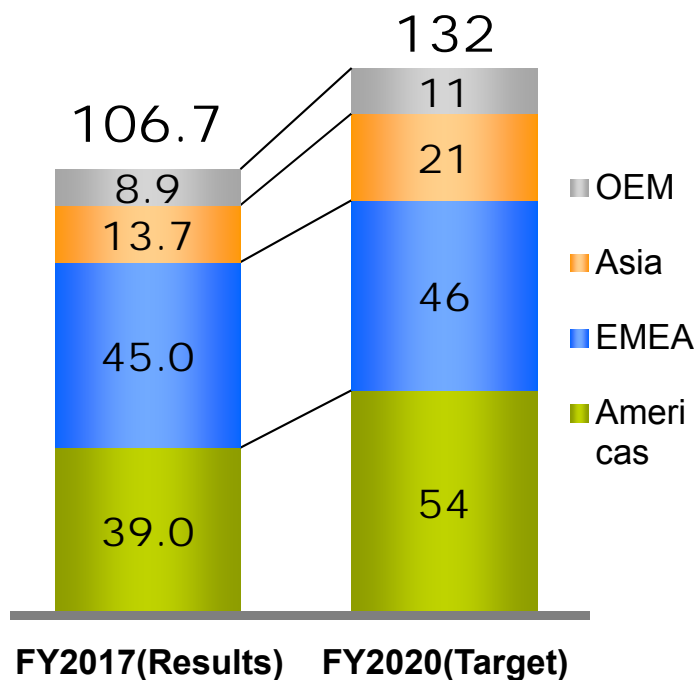
+23.7%
(Average annual +7.4%)

Further growth of financial market by expanding business of self-operation machines and acceleration of retail business

Sales by geographical segment

Key measures

(¥ billion)



[Common]

- Expand sales by establishing strategic partnership
- Strengthen cost competitiveness
- Prompt response to template
- Bolster direct sales & direct service system in key areas

[Europe& Americas]

(Financial) Wider use of banknote recycler for tellers and cultivation of "Self" market

(Retail) Reinforce sales to back-office market and entry to front market

[Asia]

(Financial) Expand sales of banknote recycler for tellers in main countries

(Retail) Investment in potentially high-growth countries

[OEM]

Expand sales of ATM unit by reinforcing sales channel

Respond to the market changes flexibly and promote solution proposals - Realization of next generation branch style, expansion of “non-cash” business sector -

Sales by business segment

Key measures

(¥ billion)

[Common]

Formulate and execute strategy for customer needs

[Financial]

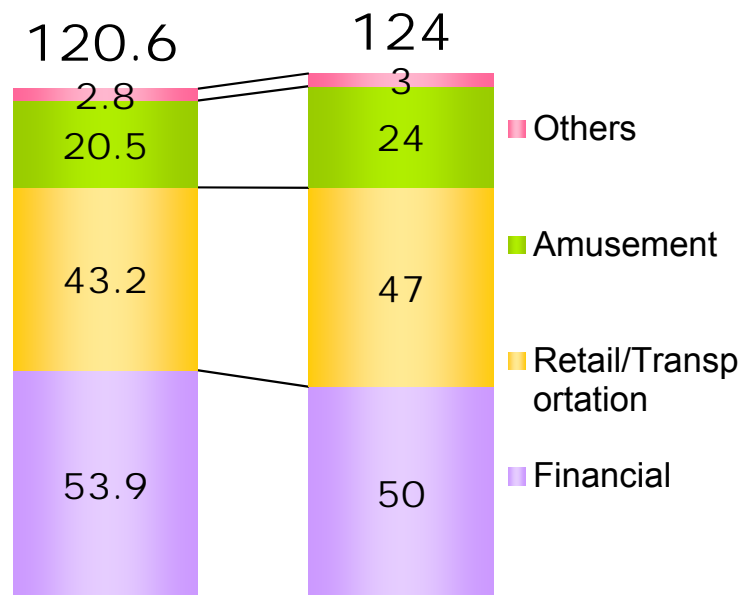
- Expand sales of products that realize next generation branch style
- Expand main financial product sales

[Retail / Transportation]

- Increase share of coin and banknote recycler for cashiers
- Expand “non-cash” business sector
→ electronic settlement, voucher processing, biometric authentication

[Amusement]

- Increase profitability by strengthen solution proposal



FY2017(Results) FY2020(Target)

Strengthen functions to respond to changes in the market environment and customer needs, and review profit structure



[Development]

- Enhance core technologies
- Improve system response capabilities

[Quality assurance]

Strengthen function of international quality assurance

[Production]

Pursue profit by improved productivity by automation, etc.

[Procurement]

Promote group-wide purchasing & inspection functions

Promote new business domains

Policy 2 Strengthen collaboration with various partners to solve social issues

New business domains

Business summary

Currency circulation management

**Realization of Connected Cash*
(new cash access and cycle)**



Various methods of payments

Reinforce service infrastructure for realization of various methods of payments



Personal identification and authentication

Provide secure solution using personal identification and authentication by promoting open innovation



Automated society

Realize the collaborative environment between robot and human through the provision of robot SI service

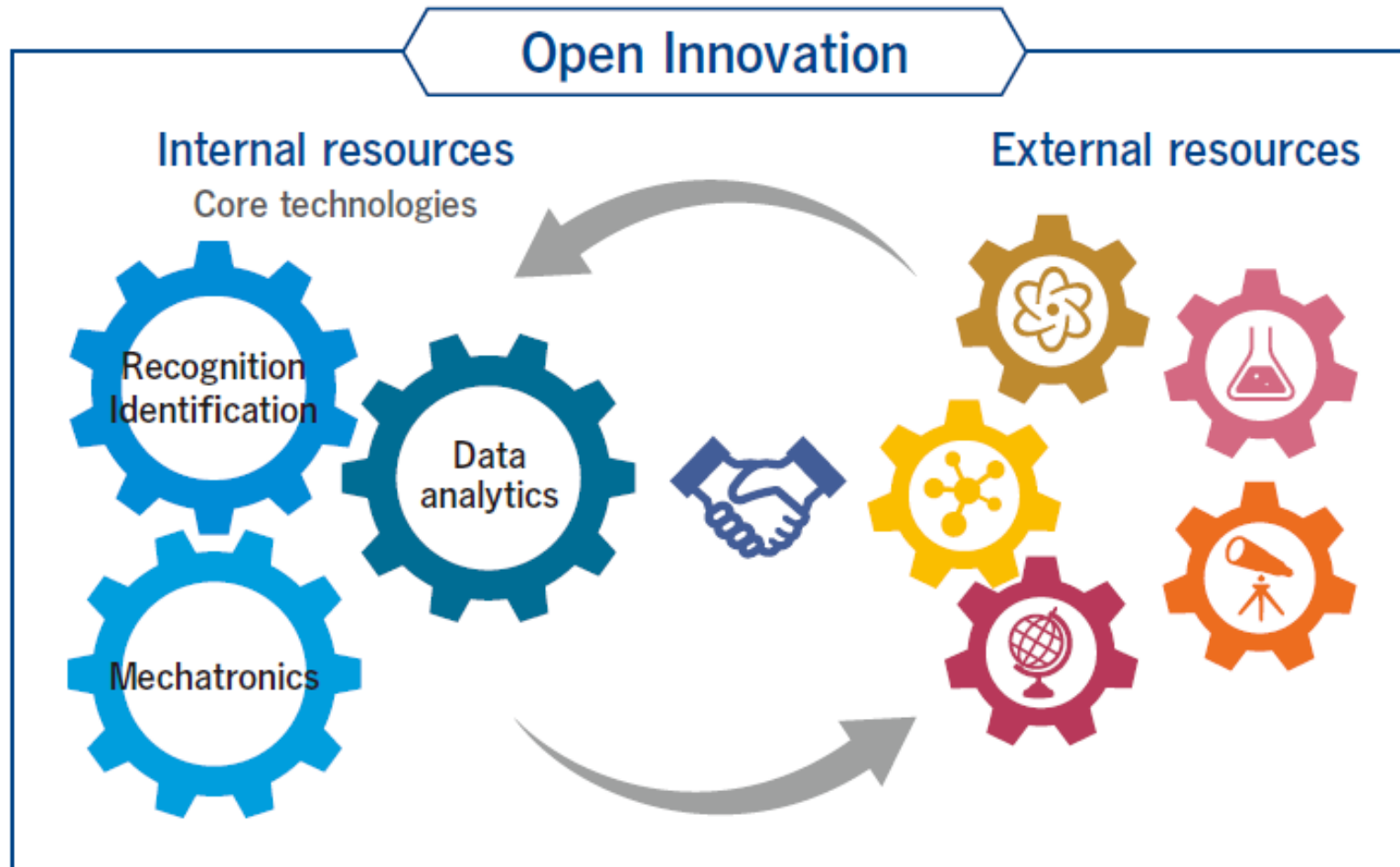


* Connected Cash = Infrastructure to replace bank counter, ATM, cash out

Acquire new core technology

Policy 2 Strengthen collaboration with various partners to solve social issues

- Extend software capabilities (data analytics) through internal growth, acquisitions, and strategic partnership
- Develop core competency in total system engineering to deliver unique customer value through combining Glory and 3rd party technologies



Workstyle reform and operational reform to improve productivity

- Realization of a diversified way of working
- Building of group-common core system (ERP)
- Working-style reform and establishment of ICT environment to improve work efficiency

Organizational climate reform to realize open innovation

- Launch of a specialized team to create new business
- Recruiting and fostering of highly specialized personnel to support the growth of business
- Promotion of diversity

Strategic investment quota for existing and new businesses (including M&A)

Investment Quota (max.)
(3 years total)

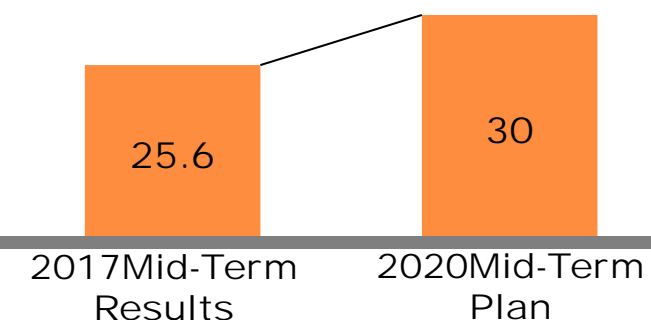
60 billion yen

Capital expenditure

(¥ billion)

Capital expenditure
(3 years total)

30 billion yen



2017 Mid-Term Plan 3 years total : 25.6 billion yen

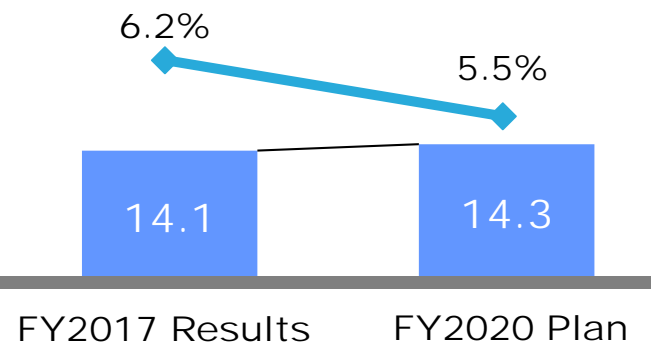
R&D investment

(¥ billion)

FY2020

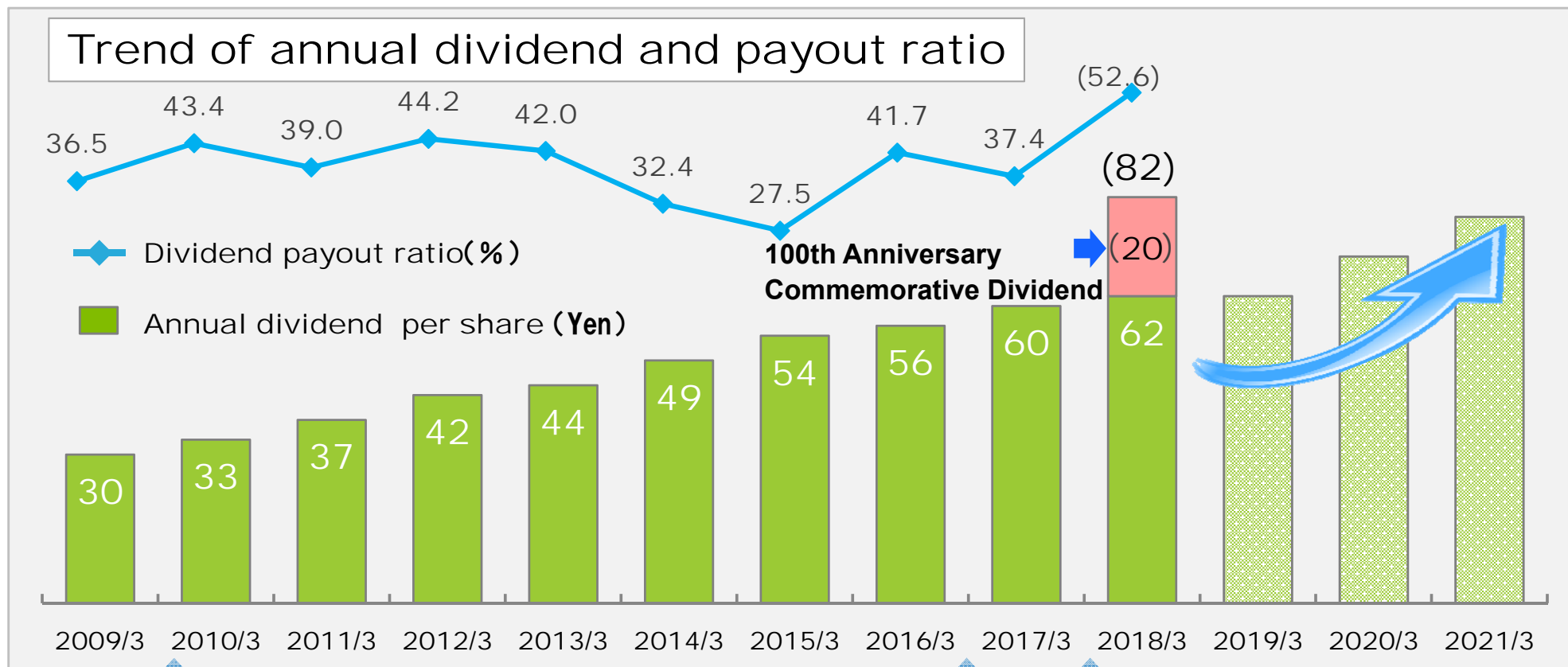
R&D Investment Ratio

5.5%



2017 Mid-Term Plan 3 years total : 40.6 billion yen (Results)
2020 Mid-Term Plan 3 years total : 43.0 billion yen (Plan)

Dividend payout ratio of 30% or higher on a consolidated basis



Results of acquisition of own shares

2009/11/16

- 2.6 million shares
- 5.2 billion yen

2016/8/5~11/24

- 1.7 million shares
- 5.9 billion yen

2017/11/8~12/22

- 1.4 million shares
- 5.9 billion yen

The logo consists of a solid blue square with the word "GLORY" centered inside in a white, bold, sans-serif font.

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Confidence Enabled