

Corporate Governance

Glory (the “Company”) continuously strives to increase its corporate value by promoting sound business management based on its corporate philosophy.

Corporate Governance

Basic Policy

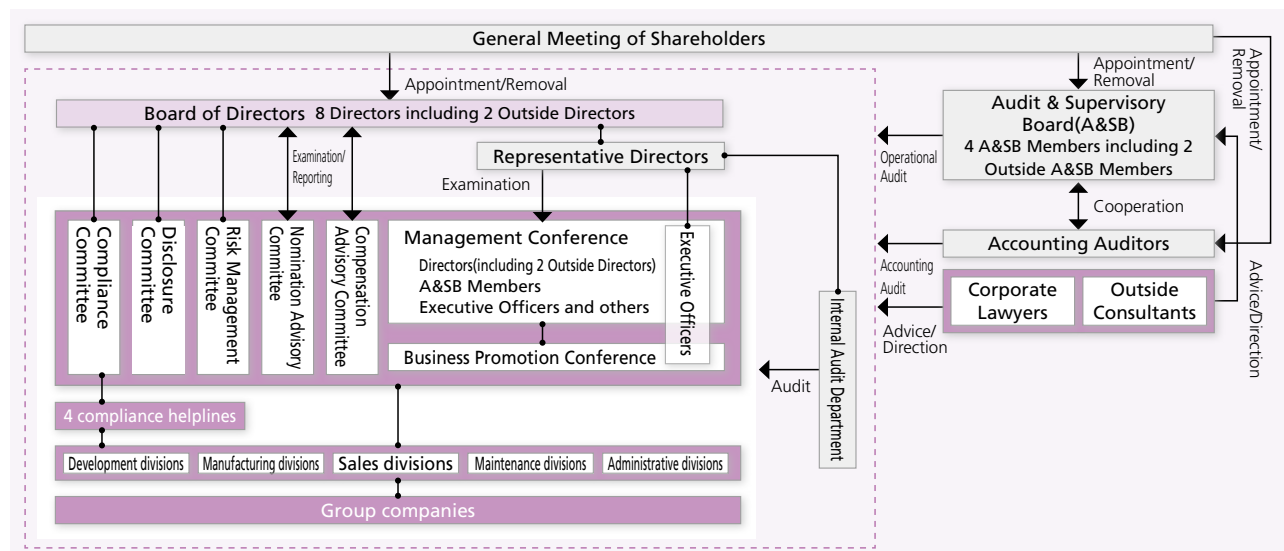
Glory’s corporate philosophy guides its efforts to continuously improve corporate value through sound and efficient business management so that the Company can exist in harmony with society and earn the trust and support of all stakeholders. None of this can be achieved without a firm commitment to the continuing improvement of corporate governance. Glory will continue its efforts to strengthen the supervisory and executive functions of management, accelerate decision-making, ensure transparency and objectivity, and enhance compliance management to further increase our corporate value.

Corporate Governance Framework

Glory adopts an Audit and Supervisory Board system. This means the Company’s Board of Directors, which includes more than one Outside Director, makes decisions on important matters and supervises business execution, while the Audit and Supervisory Board oversees the actions of the Board of Directors. Further, an executive officer system allows the Company to separate the management supervisory and business executive functions, thereby enabling speedy and efficient business administration. In addition, we have committees such as the Nomination Advisory Committee and Compensation Advisory Committee to boost transparency and objectivity of decision making on important matters of the management.

Glory’s basic policy on corporate governance is set out in the Corporate Governance Guidelines.

Corporate Governance Framework (as of June 21, 2019)



WEB

Corporate Governance Guidelines
<https://pdf.irpocket.com/C6457/LOUhzpL4/OE56.pdf>

Corporate Governance Report
<https://corporate.glory-global.com/groupinfo/governance/report/>

Outline of Main Organs

• Directors and Board of Directors

The Company’s Board of Directors comprises eight Directors including two Outside Directors and in principle meets at least once per month, with the attendance of four Audit & Supervisory Board Members (“A&SB Members”) including two Outside A&SB Members.

The Board of Directors, chaired by the president, decides the important business policies of the Company and the Group, supervises business execution, and receives reports on the status of business execution. Directors, including Outside Directors, actively discuss and exchange opinions, and A&SB Members express their positions as needed. Also, two Outside Directors play an important role in enhancing supervisory functions as well as in ensuring and improving transparency and fairness in the Company’s management by providing sound opinions and advice from an independent standpoint.

• Audit & Supervisory Board Members and Audit & Supervisory Board

The Company’s Audit & Supervisory Board, chaired by a full-time A&SB Member, is composed of two full-time A&SB Members and two Outside A&SB Members for a total of four members and in principle meets once per month. A&SB Members, including Outside A&SB Members, conduct audits based on an annual corporate



audit plan determined in accordance with the audit policy and the assignment of duties determined by the Audit & Supervisory Board. Based on these audits, A&SB Members issue reports on the audit status and exchange information and views at meetings of the Audit & Supervisory Board.

The two Outside A&SB Members play key roles in ensuring legitimacy and adequacy in the Company's management by leveraging their sophisticated expertise and extensive experience in conducting audits of the Company.

Board of Directors and Audit & Supervisory Board Meetings Held for the year ended March 2019

	Number of meetings held	Attendance rate (%)	
		Director (including Outside Director)	A&SB Member (including Outside A&SB Member)
Board of Directors	16	100	100
Audit & Supervisory Board	15	–	100

• Nomination Advisory Committee and Compensation Advisory Committee

In order to ensure transparency and objectivity in appointing Directors and A&SB Members, etc. and determining remuneration for them, the Company has established two advisory bodies of the Board of Directors, the Nomination Advisory Committee and Compensation Advisory Committee, each with at least half of the members and the chairperson being independent Outside Directors. The members of each committee are as follows.

【Nomination Advisory Committee (4 members)】

Chairperson: Joji Iki (Outside Director)
Member: Junji Uchida (Outside Director), Hirokazu Onoe (Chairman of the Board), Motozumi Miwa (President)

【Compensation Advisory Committee (4 members)】

Chairperson: Junji Uchida (Outside Director)
Member: Joji Iki (Outside Director), Hirokazu Onoe (Chairman of the Board), Motozumi Miwa (President)

Remuneration for Officers

• Basic Policy on Remuneration

Remuneration for Directors and A&SB Members is designed in such a manner that the value can be shared with the shareholders, the level is appropriate for their duties, and due consideration is given to incentives for continued improvement of corporate performance and securing talented human resources. In addition, remuneration for Outside Directors and A&SB Members consists only of fixed compensation.

• Procedures for Determining Remuneration

For determining remuneration, after discussing the individual remuneration levels for each Director and A&SB Member at the Compensation Advisory Committee, their decisions on the appropriateness of the levels and the total amount of remuneration are reported to the Board of Directors and A&SB Members, and we have determined for concrete procedures as follows.

- Total amount of remuneration for Directors is determined by resolution of the Board of Directors in line with a review by the Compensation Advisory Committee and within the ranges approved by the general meeting of shareholders. After the Compensation Advisory Committee confirms the reasonability of the remuneration for each Director, the Board of Directors leaves the determination of individual amounts up to the discretion of the president.
- Remuneration for A&SB Members is determined by consultation among A&SB Members in line with a review by the Compensation Advisory Committee and within the ranges approved by the general meeting of shareholders.

• Structure of Remuneration

- Remuneration consists of fixed compensation, short-term performance-based bonuses and medium-term performance-based stock compensation.
- Fixed compensation is determined in accordance with the position and responsibilities of the person concerned.
- The target indicators for Bonuses are consolidated net sales and operating income from among the performance targets in the 2020 Medium-Term Management Plan. The amounts to be paid will be determined according to the degree of achievement toward those predetermined targets.
- The target indicators for Stock Compensation are consolidated ROE and the operating margin from among the performance targets in the 2020 Medium-Term Management Plan. The number of shares to be allotted will be determined according to the degree of achievement toward those predetermined targets.

Evaluation on Effectiveness of the Board of Directors

The Company has conducted an analysis and evaluation of the effectiveness of its Board of Directors based on its Corporate Governance Guidelines since fiscal year 2015, thereby endeavors to strengthen the function of the Board of Directors as a whole.



Results of Evaluation on Effectiveness of the Board of Directors
<https://corporate.glory-global.com/groupinfo/governance/evaluation/>

Risk Management

Glory strives to prevent and avoid operational risks and mitigate losses in times of disasters, ensuring the safety of stakeholder positions.

Risk Management Framework

Glory has established the Risk Management Committee, chaired by the president, to maintain and strengthen risk management for the entire Glory Group. The Glory Group regularly conducts risk assessments and works mainly with predetermined divisions and individuals responsible for each risk item to implement precautionary measures against risks during normal times and to secure and improve a system that can respond promptly in times of crisis. The committee discusses measures based on the results of these assessments. A summary of the discussion is regularly reported to the Board of Directors.

In fiscal year 2018, Glory developed activities based on the annual policy and major items predetermined by the Risk Management Committee. We also strived to grasp the Group-wide status of risks by adopting the same risk assessment method used by Glory for each Group company.

Risk Management Framework



Risk Identification Process

The Glory Group annually revises its list of potential risks along with the associated management policy and countermeasures based on changes in the prevailing business environment and progress of our businesses.

In identifying risks, new risks are recognized through a review of the current assessment and internal and external environmental changes. Assessment and analysis are then conducted according to the level of influence and frequency of occurrence, and key items are identified in the Risk Management Committee for formulating countermeasures. These company-wide risks are also reflected as appropriate in the business risks, which are disclosed as such documents as Security Reports in connection with the consideration of financial impacts.

In recent years, we consider worldwide progress of the cashless system as a risk that should be taken account of within the Group.

Business Continuity Plan (BCP)

Glory developed its BCP in preparation for emergencies in order to continue key activities and ensure prompt recovery in times of crisis, including disasters. We have organized a strategy for promptly responding during emergencies to reliably and steadily provide products and services by strengthening the supply chain through diversifying the parts procurement risk and preparing regulations and a manual on disaster response.

Moreover, in preparation for contingencies, we have strengthened our response to potential damage to important network systems that have a major impact on business continuity, introduced a safety confirmation system, installed satellite phones at main business sites, stocked supplies of food and water, and regularly conduct disaster drills to ensure the effectiveness of our disaster countermeasures.



A disaster drill



Information Security Management System

Glory handles a large volume of confidential information concerning matters such as cash processing and settlement processing. Accordingly, we focus on the integrated strengthening of our information security throughout the Group based on the Information Security Basic Policy and Privacy Policy, which stipulate our basic stance and attitude as a Group.

Measures for Organizational Safety Management

Having established the Information Security Promotion Section as a subsidiary organization of the Compliance Committee, we created an information security management system under the supervision of the chief information security officer (CISO) to utilize PDCA cycles in order to promote continuous improvement. We also periodically conduct internal audits to confirm its conformity and validity.

Enhancing Information Security Measures

For the purpose of safely and appropriately handling the information assets of our customers, departments concerned with offering systems solutions and services, such as the GCAN Center (Glory Card and Network Center: information processing center), have acquired ISO 27001 certification, the international standard for information security.

Business sites and departments that have acquired ISO 27001 certification

GLORY LTD. 3 Departments	System Product Development Division, GCAN Center, Glory Monitoring Center
Domestic Group companies 1 company	GLORY System Create Ltd.

Technical Safety Management

We are enhancing information security measures, such as introducing ID management systems and systems to prevent unauthorized entry via the Internet or to limit the use of external storage by device control.

Physical Safety Management

We have introduced an entrance and exit management system with ID cards or facial recognition along with a key management system to strictly control access and automatically save records.

We also ensure the continuous operation of the IT infrastructure by installing equipment such as private

power generators and a UPS (uninterruptible power system).

Information Security Education

Personnel Safety Management

We respond to constantly changing technologies and social circumstances and conduct level-based employee training to prevent information security breaches.

Our training includes programs for new employees to provide them with a basic knowledge of information security and relevant laws and regulations and training on supervisor responsibilities for information security so management can acquire the knowledge they need. We also conduct training programs for management-level personnel to deepen understanding of social trends (external environment) and our status (internal environment) related to information security.

We also conduct an annual, companywide e-learning program in October during Corporate Ethics Month to strengthen the information security literacy of employees.

Response to Information Security Incidents

In preparation for information security incidents such as data leaks, malware infection, and unauthorized access, we have established a system for minimizing damage, promptly recovering and preventing reoccurrence. G-CSIRT (Glory Computer Security Incident Response Team), which plays a central role in this effort, joined Nippon CSIRT Association, an industry group, in 2014 and has been enhancing response capabilities to incidents through such initiatives as gathering and sharing information and acquiring related skills.

Compliance

Glory strives to foster awareness of compliance Group wide and conduct honest and fair business activities.

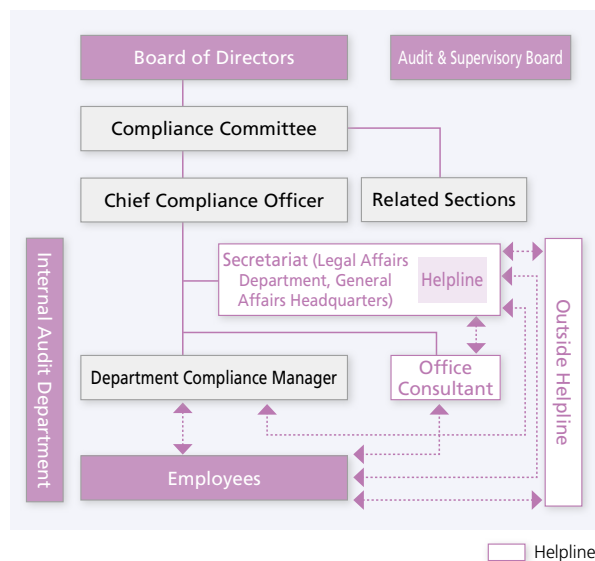
Compliance Framework

Glory views legal compliance as an important management issue for the Group, and so we strive to maintain or improve our compliance framework. One measure taken in that regard is the establishment of the Compliance Committee.

The committee is chaired by the president, includes two outside experts (attorneys at law), and deliberates key compliance-related issues concerning the Glory Group. Matters deliberated are reported to the Board of Directors.

Also, a chief compliance officer is appointed from among the officers in charge. The committee's secretariat takes charge of planning measures for thorough compliance as well as employee education and awareness activities.

Compliance Framework



Setting up a Consultation Service (Helplines)

Glory has set up four compliance helplines advised by (1) an immediate superior, (2) the Compliance Committee secretariat, (3) an office consultant, and (4) an external helpline (law firm) as a consultation service (helpline) for overall compliance issues of the Glory Group. The helplines were established to detect and correct issues at an early stage as well as to protect those seeking consultation under the Internal Regulations on Consultation.

Legal Code of Conduct

We established the Glory Legal Code of Conduct governing the laws and codes of ethics that must be adhered to by all Glory Group officers, employees, and business partners, including distributors, both domestic and overseas.

The code was developed from a global perspective to accommodate the rapid expansion of our overseas business. We strive to improve employee awareness of compliance through activities such as the distribution of the "Handbook" and training for every Group employee in order to continue to conduct honest and fair business worthy of the Glory brand and to maintain and ensure a high level of compliance and ethical standards.

Corruption Prevention

We have specified rules to prohibit bribery and prevent corruption in the Glory Legal Code of Conduct and endeavor to keep all domestic and overseas employees and business partners informed of them. We also conduct e-learning and other suitable means of education to prevent corrupt practices.

In fiscal year 2018, there were no occurrences of corrupt practices, including bribery.

Personal Information Protection

The Glory Group recognizes the importance of its responsibility to properly manage the personal information of stakeholders, including customers, business partners, and shareholders acquired through our business activities. We therefore ensure the proper management of personal information according to the Privacy Policy.

Furthermore, we have developed internal rules and conduct training to respond effectively to the EU General Data Protection Regulation (GDPR), which went into effect in May 2018.

WEB [Privacy Policy \(Japanese only\)](https://www.glory.co.jp/info/privacy/)
<https://www.glory.co.jp/info/privacy/>



Compliance Education

We conduct comprehensive training, including at Group companies, to ensure thorough compliance. New employee education includes learning about fundamental legal and ethical issues as well as internal rules. In addition, we conduct e-learning every year during Corporate Ethics Month in October for all domestic Group employees to refresh their understanding of basic issues and social trends.

In fiscal year 2018, programs were conducted under themes such as the gifts and entertainment rules stipulated in the Glory Legal Code of Conduct, the EU General Data Protection Regulation (GDPR), and prevention of harassment, with a combined total of 6,902 employees taking part in the various programs. Other programs include newly appointed manager education and special training to develop a more thorough and precise understanding of issues concerning laws and corporate ethics.

Intellectual Property Initiatives

Basic Concept

We encourage the creation of domestic and overseas inventions and acquire the relevant rights, make use of intellectual property rights, and take measures to avoid the risk of disputes by researching the rights of others, for the benefit of the Glory Group.

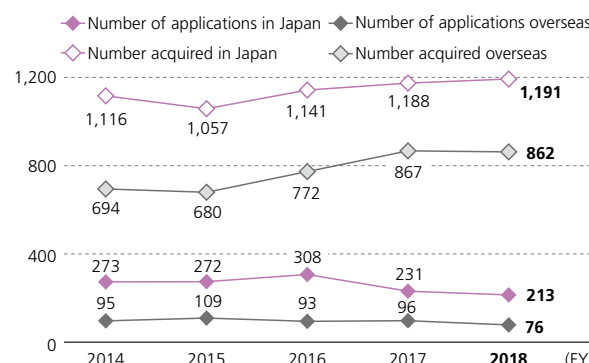
Ensuring Alignment with Business

We conduct activities for intellectual property in alignment with business activities. For example, divisions involved in intellectual property, such as the business and development divisions and the Intellectual Property Department, regularly convene meetings to discuss the utilization of intellectual property and application strategies to gain an advantage in business promotions.

We also engage in activities to extract ideas at each stage of planning and development to generate valid patents at an early stage. We identify ideas for specifications in the planning stage and for incorporating specifications in the development stage, enabling us to apply for patents promptly. Once patents are registered, business and development divisions gather feedback for sharing details about rights and discussing how best to utilize those rights.

As of the end of fiscal year 2018, the Glory Group held a total of 2,053 patents, utility models, and designs (1,191 domestic and 862 overseas).

Number of patents, utility models, and designs applied for and acquired



*1 Numbers are the total number of patents, utility models, and designs
*2 Numbers for both Japan and overseas are on a consolidated basis

Fostering Human Resources on Intellectual Property

Level-based training is provided to the planning and development divisions to raise general awareness of intellectual property while qualification- and position-based human resource development programs are offered to employees in the Intellectual Property Department. We established a strategy for raising the level of expertise through those programs, making it possible for the divisions involved as well as the Intellectual Property Department to foster human resources at appropriate levels.

Moreover, we have instituted an invention incentive system to provide compensation for outstanding inventions, especially those that have contributed to our business to boost the motivation of inventors.

Responsibility to Shareholders and Investors

Glory communicates with stakeholders and appropriately discloses information.



Governance

Policies Concerning Disclosure of Information and Constructive Dialogues

Glory is committed to “communicating with stakeholders and striving for appropriate information disclosure,” as declared in its Corporate Action Guidelines. With this stance, the company is dedicated to increasing the transparency of its management through quick, accurate, and fair provision of the latest corporate information and to gaining a better understanding of its management policies and business activities through constructive dialogues, thereby building long-term relationships of trust with shareholders and investors.

WEB Policies Concerning Disclosure of Information and Constructive Dialogues with Shareholders and Investors
<https://corporate.glory-global.com/ir/management/policy/>

General Meeting of Shareholders

Glory recognizes the vital importance of opportunities for dialogue with shareholders and endeavors to enliven the General Meeting of Shareholders.

We distribute convocation notices three weeks before the meetings to enable shareholders to have sufficient time to review proposals addressed at the General Meeting of Shareholders. Furthermore, convocation notices are posted on Tokyo Stock Exchange and Glory websites at least four weeks in advance. We have been exercising ingenuity every year in preparing clear and informative convocation notices with suitable photos and graphic charts. We also adopted electronic voting to facilitate shareholder participation in resolutions.

At the General Meeting of Shareholders, audio-visual presentations and narratives are used by the president to provide detailed reports on proposals to be acted upon along with key considerations for shareholders. During the Showroom Tour, conducted after the meeting, where our main products are displayed, executive officers including the president and staff members actively encourage communication with shareholders by explaining about Glory products and history.



General Meeting of Shareholders

WEB General Meeting of Shareholders
<https://corporate.glory-global.com/ir/meeting/>

Dialogue with Shareholders and Investors

Glory proactively arranges opportunities for dialogue with shareholders and investors to deepen their understanding of the company.

At meetings with institutional investors and analysts, we actively engage in dialogue on various topics, including shareholder returns and capital policies, as well as our management strategy, business models, and medium- to long-term management plan. In fiscal year 2018, we held meetings with approximately 350 companies.

In terms of information disclosure, we voluntarily hold financial results briefings and conference calls and include supplementary explanation to further clarify performance by segment and by area. We also extend invitations to IR events such as factory tours and exhibitions so participants can see our work themselves and gain a clearer understanding of our management strategy and business operations.

In addition, we co-host briefings with securities companies to provide individual shareholders and investors with a clear description of our business activities and communicate additional information through shareholder newsletters and our corporate website.



Financial results briefing



Tour of Saitama Factory for institutional investors

Information Disclosure on Website

A special section for shareholders and investors has been set up on the Glory corporate website to ensure timely and more convenient information disclosure. Documents disclosed include quarterly financial reports, shareholder newsletters, and annual reports. We want our website to be easy to understand and user-friendly with enhanced content.