GLORY LTD.
The 2017 Medium-Term Management Plan
(FY2015–FY2017)

Hirokazu Onoe, President

May 18, 2015
Review of
The 2014 Medium-Term Management Plan
(FY2012–FY2014)
Basic Policy

To achieve the Long-Range Vision 2018

• Implement a growth strategy and strengthen profitability

• Achieve an operating margin of 10% or higher (Fiscal 2014)

Management Target (FY2014)

- ROE: 6.0% or higher

Performance Targets (FY2014)

- Consolidated net sales: ¥210 billion
- Consolidated operating income: ¥21 billion
- Overseas sales ratio: 40% or higher

*Targets figures for FY2014 are as of November 9, 2012.
### Results of the 2014 Medium-Term Management Plan

#### Targets and results

<table>
<thead>
<tr>
<th></th>
<th>Target (¥bil.)</th>
<th>Result (¥bil.)</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>210.0</td>
<td>226.9</td>
<td>Achieved</td>
</tr>
<tr>
<td>Operating Income</td>
<td>21.0</td>
<td>19.1</td>
<td>Not-achieved</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>10% (or higher)</td>
<td>8.5%</td>
<td></td>
</tr>
<tr>
<td>Overseas Sales ratio</td>
<td>40% (or higher)</td>
<td>48.0%</td>
<td>Achieved</td>
</tr>
<tr>
<td>ROE</td>
<td>6.0% (or higher)</td>
<td>6.7%</td>
<td>Achieved</td>
</tr>
</tbody>
</table>

#### Basic strategies

**Business Strategy**  
(Overseas, Domestic, New business)
- **Overseas**
  - Achievements: Organization/site integration with overseas subsidiaries
  - Challenges: Reinforcement of region specific product planning and development structures
- **Domestic**
  - Achievements: Expansion of sales to new customers
  - Challenges: Creation of new pillar in the business for future growth
- **New business**
  - Achievements: Expansion of sales of facial recognition systems
  - Challenges: Reinforcement of marketing and sales structures

**Constitutional Strategy**  
(Product development, Production/procurement, Quality assurance)
- Achievements: Expansion of overseas production capacity
- Challenges: Reinforcement of global capabilities in each function

**Corporate Management Strategy**  
(Group structure, Human resources, Financial management)
- Achievements: Penetration of corporate philosophy across entire group
- Challenges: Implementation of global management

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Despite efforts to implement growth strategies and strengthen earning potential, profitability still needs to be improved.
Sales expanded substantially thanks to business integration and the improvement of sales structures after the Talaris acquisition, as well as the implementation of region specific strategies. The weak yen also contributed.

Despite securing of replacement demand and winning new orders through the development of new markets, overall sales were lower, in part because of the effects of the consumption tax increase.
 Vs FY2011 performance

**Operating margin**

- +0.8 pt.

**Growth rate**

- Domestic business
  - +5.8%
  - (Average annual +1.9%)
- Overseas business
  - +208.3%
  - (Average annual +45.5%)
China Sales increased due to capturing of demand, but growth slowed due to changes in market environment

OEM sales to ATM manufacturers declined, in part due to changing market environment

Sales increased due to capturing of demand, but growth slowed due to changes in market environment

Sales of banknote sorters and other products increased

Major deals were concluded

Sales in retail market expanded

Sales of key products increased

Sales of key products increased

Sales of key products increased, but trends affected by consumption tax increase

Sales of key products increased

Sales of key products increased
The 2017 Medium-Term Management Plan
(FY2015–FY2017)
Position of the 2017 Medium-Term Management Plan

The second and final step toward achieving the Long-Range Vision 2018

Long-Range Vision 2018

**Basic Policy**
- Create new value through “superb manufacturing technique” and pursue dreams for the future.
- Seek sustained corporate growth together with society through CSR activities.

**Performance Target**
- Net Sales: ¥260 bil.
- Operating Margin: 12%

![Graph showing domestic and overseas sales growth from FY2012 to FY2018](image-url)
## Business Environment

<table>
<thead>
<tr>
<th>Overseas</th>
<th>Domestic</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Developed countries</strong></td>
<td><strong>Financial institutions</strong></td>
</tr>
<tr>
<td>• Improving operating efficiency in bank branches and retail outlets</td>
<td>• Increasing efforts to strengthen management infrastructure</td>
</tr>
<tr>
<td><strong>Emerging economies</strong></td>
<td><strong>Retailing, food services</strong></td>
</tr>
<tr>
<td>• Increasing currency in circulation due to economic growth</td>
<td>• Diversification of settlement methods</td>
</tr>
<tr>
<td><strong>Overseas markets in general</strong></td>
<td><strong>Overall domestic market</strong></td>
</tr>
<tr>
<td>• Escalating price competition</td>
<td>• Consumption tax rise planned</td>
</tr>
</tbody>
</table>

### Amount of currencies in circulation

- Expanding in both advanced and emerging countries

#### Growth rate of currency in circulation (vs 2009, on local currency basis)

<table>
<thead>
<tr>
<th>Country</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>5%</td>
<td>8%</td>
<td>10%</td>
<td>12%</td>
<td>15%</td>
</tr>
<tr>
<td>Brazil</td>
<td>3%</td>
<td>6%</td>
<td>8%</td>
<td>10%</td>
<td>12%</td>
</tr>
<tr>
<td>India</td>
<td>1%</td>
<td>2%</td>
<td>4%</td>
<td>6%</td>
<td>8%</td>
</tr>
<tr>
<td>South Korea</td>
<td>0%</td>
<td>1%</td>
<td>3%</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>Russia</td>
<td>2%</td>
<td>4%</td>
<td>6%</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>U.K.</td>
<td>1%</td>
<td>2%</td>
<td>3%</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>U.S.A.</td>
<td>3%</td>
<td>6%</td>
<td>9%</td>
<td>12%</td>
<td>15%</td>
</tr>
<tr>
<td>Eurozone</td>
<td>5%</td>
<td>8%</td>
<td>10%</td>
<td>12%</td>
<td>15%</td>
</tr>
</tbody>
</table>

#### Number of money processing systems in use (excluding ATMs)

- Increasing trend

#### Compiled based on Statistics on payment, clearing and settlement systems in the CPMI countries - Figures for 2013 (Bank For International Settlements)

#### Compiled based on data prepared by the Japan Vending Machines Manufacturers Association, and Flow of Funds Statistics (Bank of Japan)
### 2017 Medium-Term Management Plan

**Performance Targets**
- Net Sales: ¥260bil.
- Operating Income: ¥28bil.
- Overseas Sales ratio: 50%
- ROE: 8%

**Basic Policy**
Realize business growth through “customer-oriented superb manufacturing” and enhance profitability to achieve the Long-Range Vision 2018

<table>
<thead>
<tr>
<th>Business Strategy</th>
<th>Constitutional Strategy</th>
<th>Corporate management Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhance profitability by expanding business size/area</td>
<td>Provide timely products and services meeting market needs</td>
<td>Reinforce group management infrastructure</td>
</tr>
</tbody>
</table>

**Focus**
- Overseas Business
- Domestic Business

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

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**Overseas Business Strategy**

**Basic Strategy**
Enhance profitability by expanding business size/area

- Execute region-specific strategies based on exhaustive market analysis
- Expand direct sales/maintenance network aiming for revenue growth
- Explore and promote new businesses leveraging technologies accumulated in the domestic market

### Strategies for Key Regions

**Americas**
- Increase sales of products for financial institution branches
- Expand business in retail market

**Europe**
- Reinforce direct sales and maintenance service structures

**Asia**
- Expand sales of new products

**OEM**

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2014 (result)</th>
<th>2017 (target)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>¥billions</td>
<td></td>
</tr>
<tr>
<td>Americas</td>
<td>108.8</td>
<td>130.0</td>
</tr>
<tr>
<td>Europe</td>
<td>8.4</td>
<td>15.0</td>
</tr>
<tr>
<td>Asia</td>
<td>22.3</td>
<td>25.0</td>
</tr>
<tr>
<td>OEM</td>
<td>41.3</td>
<td>50.0</td>
</tr>
<tr>
<td></td>
<td>36.6</td>
<td>40.0</td>
</tr>
</tbody>
</table>

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Domestic Business Strategy

Basic Strategy Enhance profitability by expanding business size/area

- Strengthen sales force
- Expand business by enhancing ability to meet market needs

Main Strategies by Segment

- **Financial**
  - Expand sales of key products and security-related products

- **Retail/Transportation**
  - Implement product planning and sales strategies to expand business in specific industries

- **Amusement**
  - Expand market shares of key products and create new products

- **Others**
  - Promptly commercialize biometric authentication technology

### FY2014 (result) vs FY2017 (target)

- **Financial**
  - FY2014: 118.1 billion, FY2017: 130.0 billion

- **Retail/Transportation**
  - FY2014: 29.8 billion, FY2017: 35.0 billion

- **Amusement**
  - FY2014: 14.6 billion, FY2017: 26.0 billion

- **Others**
  - FY2014: 48.1 billion, FY2017: 52.0 billion

- **Others**
  - FY2014: 17.0 billion, FY2017: 35.0 billion

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**Constitutional Strategy**

**Basic Strategy**  Provide timely products and services meeting market needs

**Product Development Strategy**
- Enhance development capabilities of core technologies
- Reinforce product development structure for overseas markets

**Production/Procurement Strategy**
- Establish global production system
- Promote global procurement

**Quality Assurance Strategy**
- Strengthen quality assurance function for overseas market
Corporate Management Strategy

Basic Strategy
- Reinforce group management infrastructure

Group Governance Strategy
- Promote management adhering to the corporate philosophy
- Enhance management capability on a global level

Human Resource Strategy
- Cultivate and utilize human resources for global business expansion
- Promote diversity of human resources

Capital/Financing Strategy
- Maintain stable dividend payouts
- Improve capital efficiency

Information System Strategy
- Establish information platform underpinning business activities
- Enhance information security system
To Improve Capital Efficiency

Aim to achieve ROE, a key management indicator, of 8% by FY2017.

- **Achieve performance targets**
- **Improve investment efficiency**
- **Enhance shareholder returns**

<table>
<thead>
<tr>
<th>Year</th>
<th>ROE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2009</td>
<td>6.7%</td>
</tr>
<tr>
<td>FY2010</td>
<td>6.7%</td>
</tr>
<tr>
<td>FY2011</td>
<td>6.7%</td>
</tr>
<tr>
<td>FY2012</td>
<td>6.7%</td>
</tr>
<tr>
<td>FY2013</td>
<td>6.7%</td>
</tr>
<tr>
<td>FY2014</td>
<td>6.7%</td>
</tr>
<tr>
<td>FY2015</td>
<td>8.0%</td>
</tr>
<tr>
<td>FY2016</td>
<td></td>
</tr>
<tr>
<td>FY2017</td>
<td></td>
</tr>
</tbody>
</table>
Investment Plans

R&D investment

Efficient R&D investment for business growth

- R&D investment ratio to net sales (3-year target): 5.6% or less
  - (Reference)
  - 2014 Medium-Term Management Plan result: ¥38.1 billion (3 years) (Ratio to net sales: 6.0%)

Capital investment

Investment targeted toward the improvement of competitive strength

- ¥28 billion (3-year target)
  - (excluding investment for M&A)
  - (Reference)
  - 2014 Medium-Term Management Plan result: ¥24.1 billion (3 years)
GLORY LTD. (the "Company") considers the return of profits to shareholders to be an important management task and retains a policy to continue stable dividends while striving to maintain and enhance sound financial standing in preparation for future business growth. The Company has been employing the target of attaining a dividend payout ratio of 25% or higher and a DOE (dividends on equity) ratio of at least 1.8%, both on a consolidated basis. Adhering to the above basic policy, the Company has revised the target indicator to focus on payout ratio and increased the target to 30% or higher on a consolidated basis.

Annual dividends (¥)

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividend (¥)</th>
<th>DOE (Dividend on equity)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>33</td>
<td>1.5%</td>
</tr>
<tr>
<td>2010</td>
<td>37</td>
<td>1.7%</td>
</tr>
<tr>
<td>2011</td>
<td>42</td>
<td>1.8%</td>
</tr>
<tr>
<td>2012</td>
<td>44</td>
<td>1.8%</td>
</tr>
<tr>
<td>2013</td>
<td>49</td>
<td>1.8%</td>
</tr>
<tr>
<td>2014 (Plan)</td>
<td>(54)</td>
<td>(1.8%)</td>
</tr>
</tbody>
</table>

Consolidated payout ratio: 30%

Dividend targets

- Minimum DOE: 1.5%
- Consolidated payout ratio: 25% or higher

Share repurchase

With regard to the future acquisition of treasury shares, the Company will consider an appropriate response after having taken into overall account future business development, investment plans, the level of retained earnings, and performance trends.
Target by Segment

Operating Margin

- Domestic Business: FY2014 (result) 8.5%, FY2017 (target) 10.8%
- Overseas Business: FY2014 (result) 10.8%, FY2017 (target) 13.0%

Net Sales (¥bil.)

- FY2014 (result): 226.9
- FY2017 (target): 260.0

Growth rate

- Domestic Business: +10.1% (Average annual +3.2%)
- Overseas Business: +19.4% (Average annual +6.1%)
Caution Concerning Forward-Looking Statements
Information about business performance and targets and other forward-looking statements contained in this document are based on information currently available to GLORY LTD. and specific assumptions that were deemed to be reasonable, and we do not offer any guarantee that actual outcomes will be as indicated in such information and statements. Readers should be aware that various factors could cause actual business results to differ significantly from these statements.