GLORY Group
2020 Medium-Term Management Plan
(FY2018 - FY2020)
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%
- ROE: 8%

**Management Target**

- Realize business growth through "customer-oriented superb manufacturing" and enhance profitability to achieve the Long-Range Vision 2018

## Basic Policy

- **Performance Targets**
- **Management Target**

## Basic Strategy

- **Business Strategy**
  - Enhance profitability by expanding business size/area
- **Constitutional Strategy**
  - Provide timely products and services meeting market needs
- **Corporate management Strategy**
  - Reinforce group management infrastructure

### Focus

- **Overseas Business**
- **Domestic Business**

### Exchange rate assumptions

- 1USD=¥120
- 1EUR=¥130
- 1GBP=¥175
Review of Medium-Term Management Plan

Performance and management targets

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

Basic strategies

<table>
<thead>
<tr>
<th>Business Strategy (Overseas, Domestic, New business)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas</td>
</tr>
<tr>
<td>• Achievements: Expansion of sales in retail market</td>
</tr>
<tr>
<td>• Challenges: Expansion of sales in emerging countries</td>
</tr>
<tr>
<td>Domestic</td>
</tr>
<tr>
<td>• Achievements: Expansion of sales of main products</td>
</tr>
<tr>
<td>• Challenges: Creation of new products and business models</td>
</tr>
<tr>
<td>New business</td>
</tr>
<tr>
<td>• Achievements: Expansion of business area of facial recognition systems</td>
</tr>
<tr>
<td>• Challenges: Reinforcement of marketing and sales structures</td>
</tr>
</tbody>
</table>

Constitutional Strategy (Product development, Production/procurement, Quality assurance)

• Achievements: Reinforcement of global capabilities in each function
• Challenges: Improvement of productivity in each function

Corporate Management Strategy (Group structure, Human resources, Financial management)

• 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.)

<table>
<thead>
<tr>
<th>FY2017</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OEM</th>
<th>China</th>
<th>Asia</th>
<th>Europe</th>
<th>Americas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of existing products declined while sales of new units for ATMs increased.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales of banknote sorters and other products were slow.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[China] Sales slowed down due to changes in market environment.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales in retail market expanded.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales of key products increased.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Exchange rate
- USD: ¥120
- EUR: ¥111
- GBP: ¥130
- ¥: ¥175

Plan FY2017 Results

<table>
<thead>
<tr>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Others</th>
<th>Amusement</th>
<th>Retail/Transportation</th>
<th>Financial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of main products decreased due to changes in market environment.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales of main products in the new business category increased.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales of main products increased.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2020 Medium-Term Management Plan
(FY2018 - FY2020)
External environment

(Overseas)

- 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.

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

(Domestic)

- 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.

Source: The Bank of Japan. “Chronological statistical data” January 1, 2018   * Balance as of the end of year
Point of 2020 Medium-Term Management Plan

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

FY2017

Med-Term Plan 2020

Preparation for realizing long-term vision

FY2017 Preparation for realizing long-term vision

FY2020

Expansion of business domains

International business

Domestic business

Existing business

FY2027

Long-Term Vision 2028

Currency circulation management

Various methods of payments

Personal identification and authentication

Automated society

New business

International business

Domestic business

Existing business

New business

Biometric & Image

Robot SI

Existing business

International business

Domestic business

FY2020 Preparation for realizing long-term vision

Expansion of business domains

Further strengthening of cash handing machine business

Promotion of new business

¥260.0 bil.

Existing business

International business

Domestic business

FY2020 Preparation for realizing long-term vision

Expansion of business domains

International business

Domestic business

Existing business

New business

Biometric & Image

Robot SI

Existing business

International business

Domestic business

FY2022

Long-Term Vision 2028

Currency circulation management

Various methods of payments

Personal identification and authentication

Automated society

New business

International business

Domestic business

Existing business

International business

Domestic business

FY2020 Preparation for realizing long-term vision

Expansion of business domains

Further strengthening of cash handing machine business

Promotion of new business

¥260.0 bil.

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Expansion of business domains

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Domestic business

Existing business

New business

Biometric & Image

Robot SI

Existing business

International business

Domestic business

FY2022

Long-Term Vision 2028

Currency circulation management

Various methods of payments

Personal identification and authentication

Automated society

New business

International business

Domestic business

Existing business

International business

Domestic business
## Outline of 2020 Medium-Term Management Plan

### Preparation for realizing long-term vision

<table>
<thead>
<tr>
<th>Performance Target</th>
<th>FY2017</th>
<th>2020 Mid-Term Plan</th>
<th>Growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>¥227.3 bil.</td>
<td>¥260.0 bil.</td>
<td>+14 %</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>19.6 bil.</td>
<td>25.0 bil.</td>
<td>+28 %</td>
</tr>
<tr>
<td><strong>Operating margin</strong></td>
<td>8.6 %</td>
<td>9.6 %</td>
<td>+1.0 Pt</td>
</tr>
<tr>
<td><strong>ROE</strong></td>
<td>5.3 %</td>
<td>8.0 %</td>
<td>+2.7 Pt</td>
</tr>
</tbody>
</table>

### Exchange rate

<table>
<thead>
<tr>
<th>US$</th>
<th>Euro</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥111 (results)</td>
<td>¥110 (plan)</td>
</tr>
<tr>
<td>¥130 (results)</td>
<td>¥120 (plan)</td>
</tr>
</tbody>
</table>

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US$ | Euro | ¥120 (plan) | ¥110 (plan) |
--- | --- | --- | --- |
- | - | - | - |
Outline of 2020 Medium-Term Management Plan

**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

Net sales (¥ billion)

- Domestic business
  - Others: 2.8
  - Amusement: 20.5
  - Retail and Transportation: 43.2
  - Financial: 53.9
  - Overseas: 106.7
  - Total: 227.3

- Overseas business
  - Others: 24
  - Amusement: 47
  - Retail and Transportation: 50
  - Financial: 132
  - Overseas: 132
  - Total: 260

Operating margin

- Domestic business: 8.6%
- Overseas business: 9.6%
- Change: +1.0 pt.

Growth rate

- Domestic business: +6.1% (Average annual +2.0%)
- Overseas business: +23.7% (Average annual +7.4%)
Overseas Business Strategy

Policy 1: Build foundations for realizing sustainable business management

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

Sales by geographical segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2017 (Results)</th>
<th>FY2020 (Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>Asia</td>
<td>EMEA</td>
</tr>
<tr>
<td>(¥ billion)</td>
<td>45.0</td>
<td>46</td>
</tr>
<tr>
<td>Retail</td>
<td>13.7</td>
<td>21</td>
</tr>
<tr>
<td>Overall</td>
<td>106.7</td>
<td>132</td>
</tr>
</tbody>
</table>

Key measures

[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
Domestic Business Strategy

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

<table>
<thead>
<tr>
<th></th>
<th>FY2017(Results)</th>
<th>FY2020(Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>[Common]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail/Transportation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amusement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key measures

[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
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

<table>
<thead>
<tr>
<th>New business domains</th>
<th>Business summary</th>
</tr>
</thead>
</table>
| 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
Strengthen management base

Policy 3 Realize higher productivity and robust corporate constitution that directly generate outcome

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
Investment Plan

Strategic investment quota for existing and new businesses (including M&A)
Investment Quota (max.) (3 years total) 60 billion yen

Capital expenditure
(¥ billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017 Mid-Term</td>
<td>25.6</td>
</tr>
<tr>
<td>2020 Mid-Term</td>
<td>30</td>
</tr>
</tbody>
</table>

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

R&D investment
(¥ billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>R&amp;D Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2017 Results</td>
<td>14.1</td>
</tr>
<tr>
<td>FY2020 Plan</td>
<td>14.3</td>
</tr>
</tbody>
</table>

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)
Shareholder Returns

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

Trend of annual dividend and payout ratio

- Dividend payout ratio (%)
- Annual dividend per share (Yen)

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