

GLORY

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

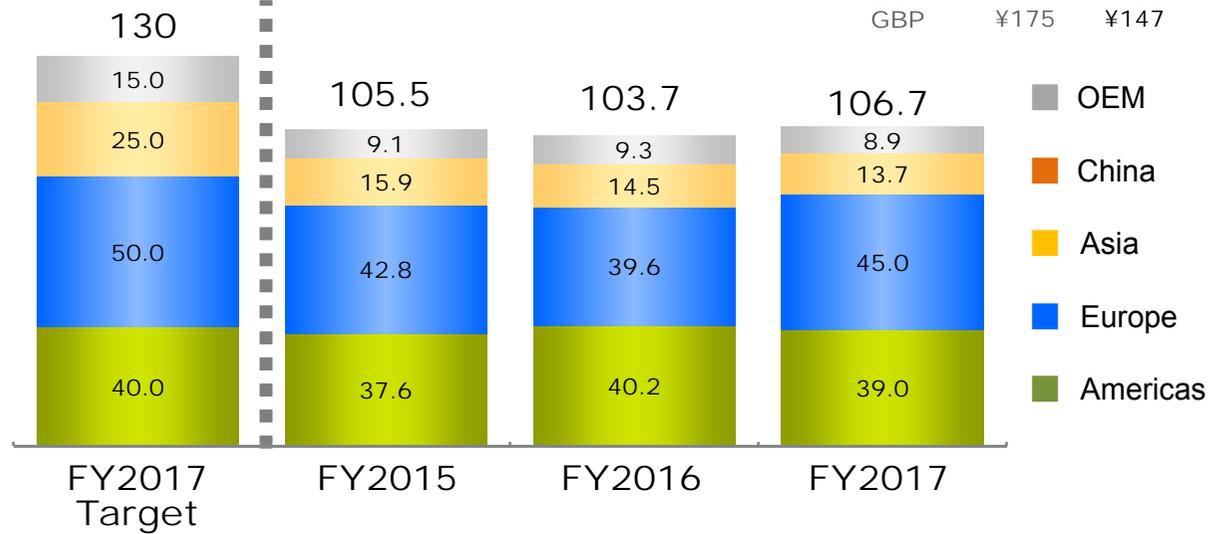


Despite efforts to implement growth strategies and strengthen earning potential, performance and management targets were not achieved.

# 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.

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- Asia
 

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

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- Europe
 

Sales in retail market expanded.

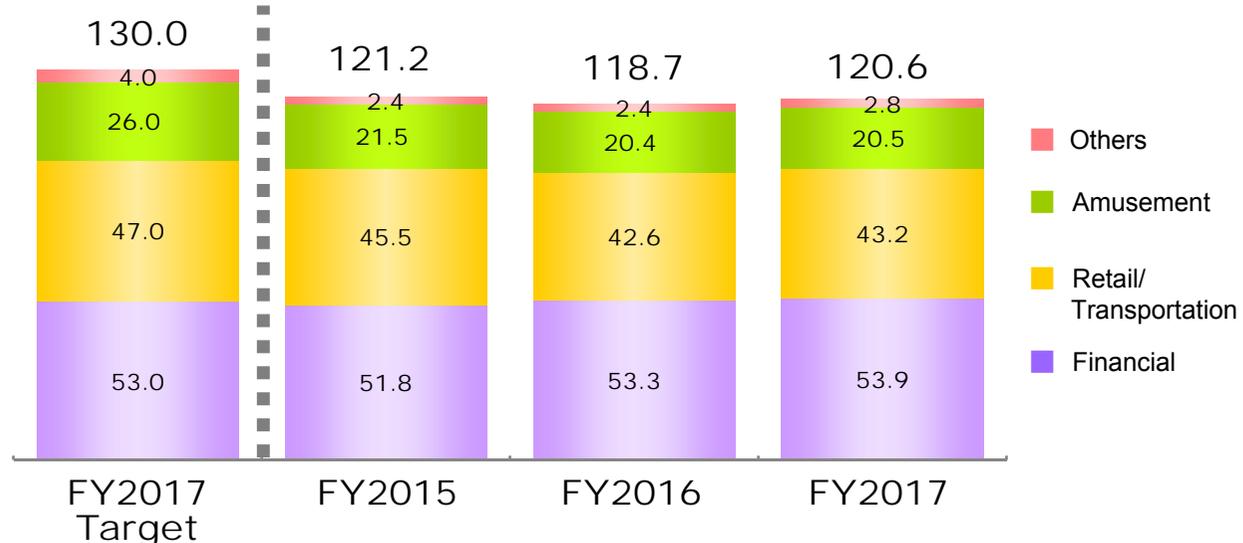
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- Americas
 

Sales of key products increased.

## Domestic

Net sales by segment (¥bil.)



- Amusement
 

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

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- Retail/Transportation
 

Sales of main products in the new business category increased.

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- Financial
 

Sales of main products increased.

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# **2020 Medium-Term Management Plan**

**(FY2018 - FY2020)**

## (Overseas)

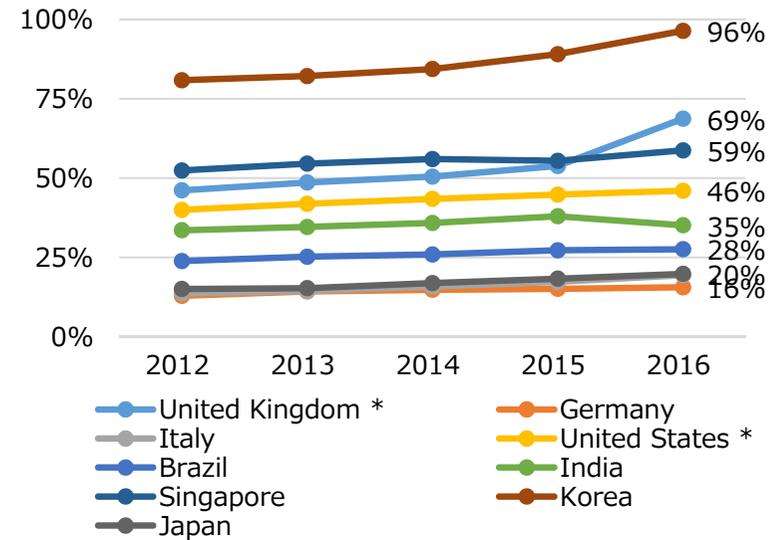
Macro

- 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

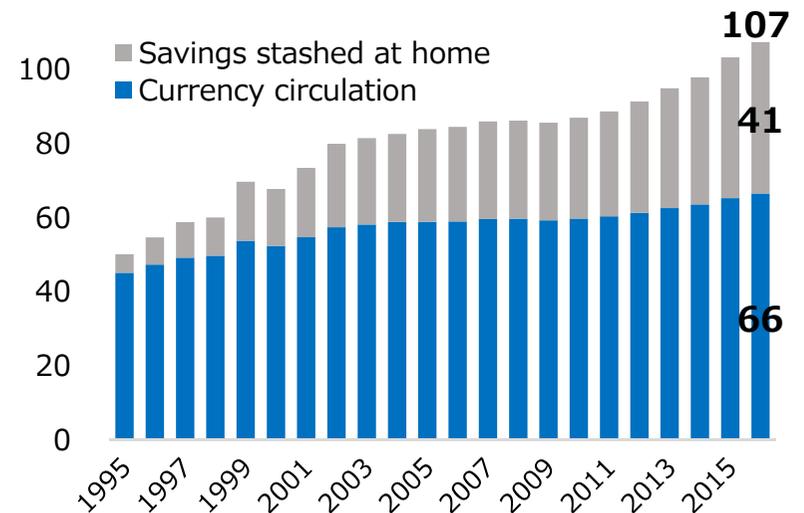
- Changes in settlement means due to expansion and deepening of Fintech.
- Mechanization toward productivity improvement by promotion of working-style reform.
- Increase of currency circulation.
- Labor shortage due to decrease of working population.

### (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

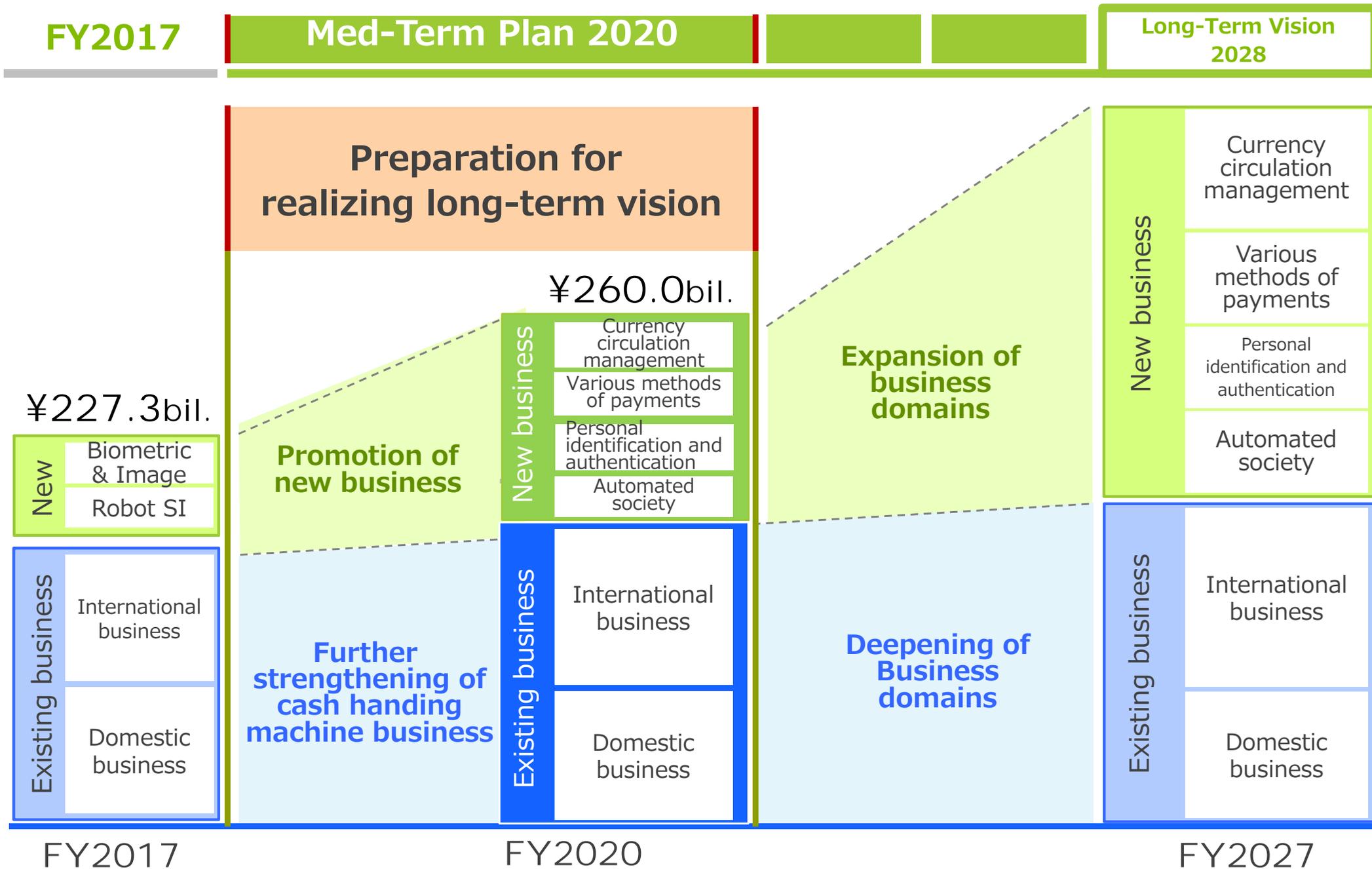
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Promote new business domains and create new businesses

3

Implement strategic investment for existing and new businesses

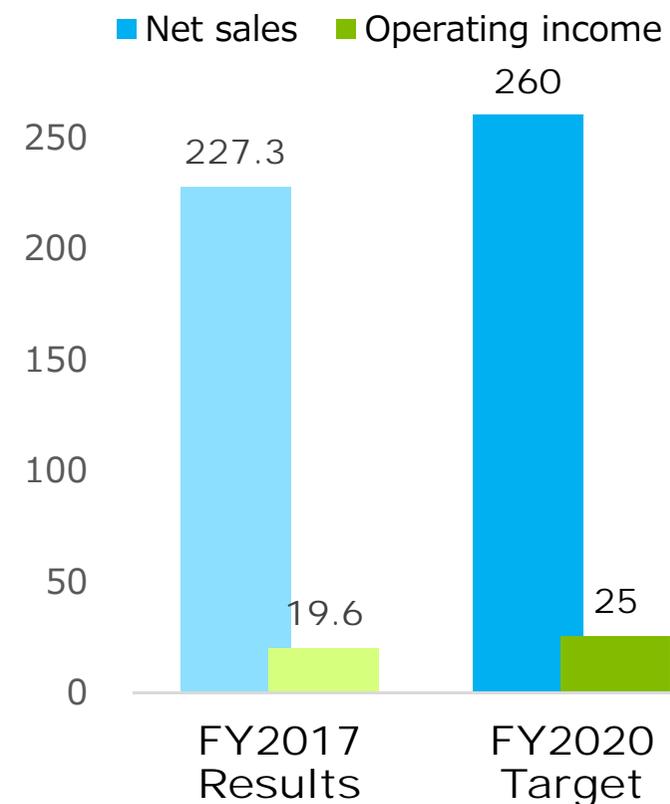
# Position of Medium-Term Management Plan 2020



## Position Preparation for realizing long-term vision

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

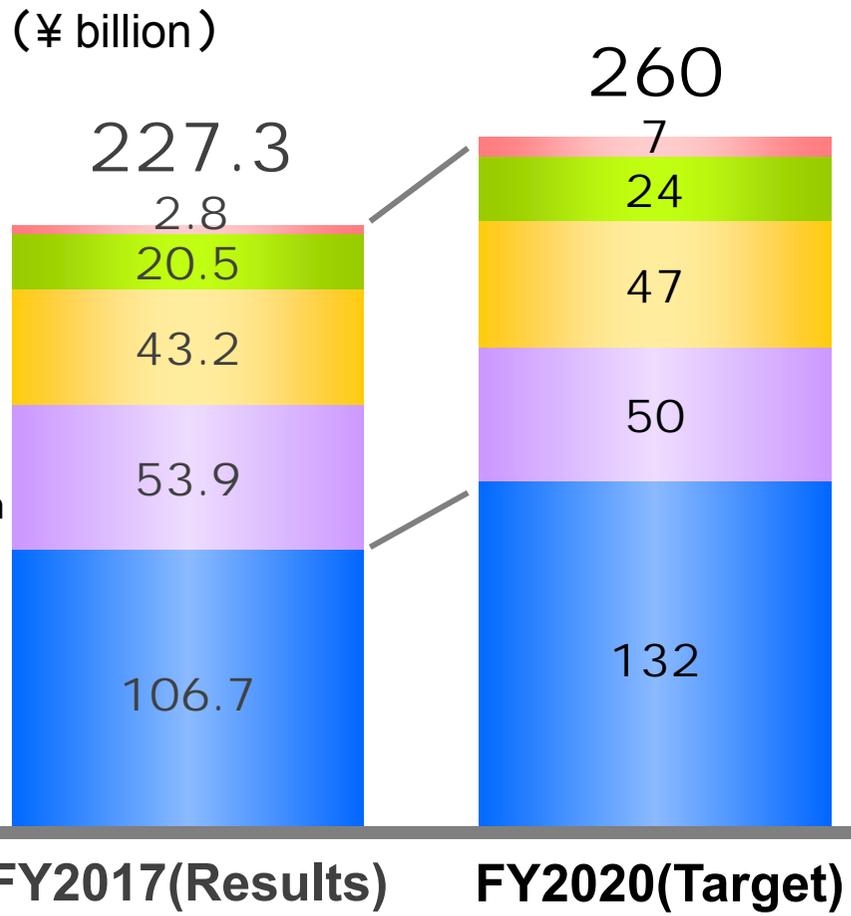
Operating margin



Operating margin

+1.0pt.

Net sales



Growth rate

Domestic business

+6.1%

(Average annual +2.0%)

Overseas business

+23.7%

(Average annual +7.4%)

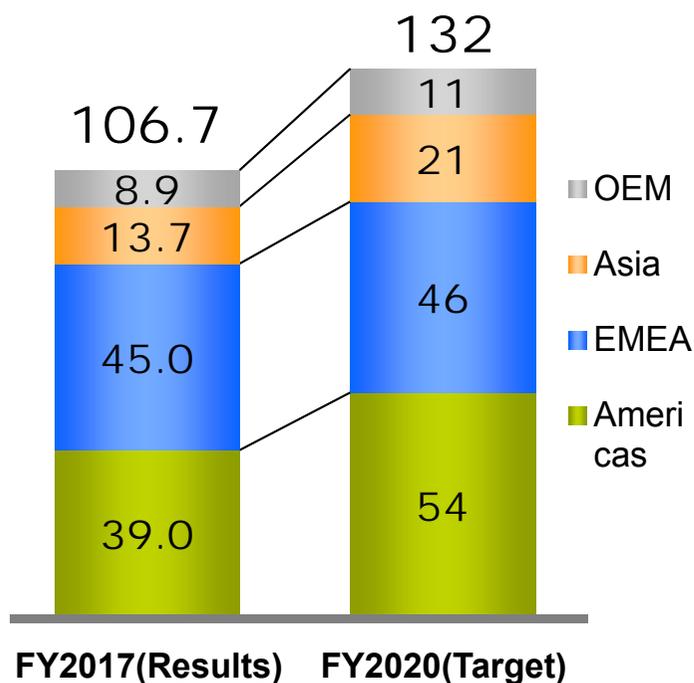
- Others
- Amusement
- Retail and Transportation
- Financial
- Overseas

## 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]

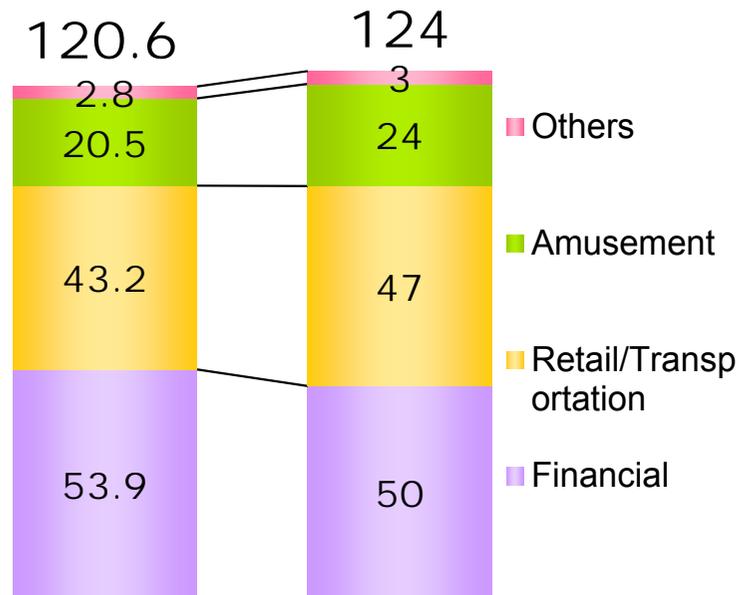
- Expand sales of products that realize next generation branch style
- Expand main financial product sales

[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**

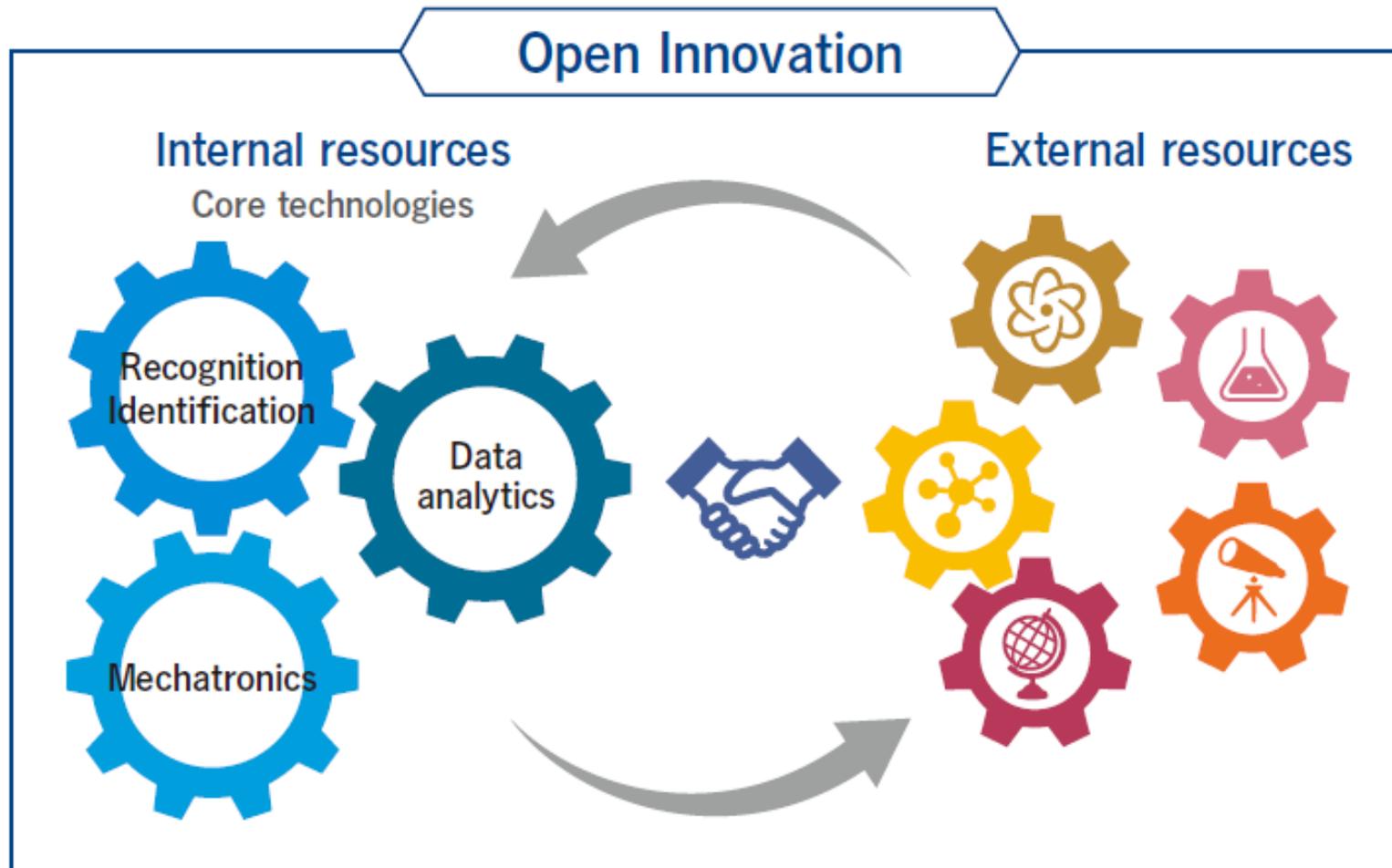


\* Connected Cash = Infrastructure to replace bank counter, ATM, cash out

# 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

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- 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

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- 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)

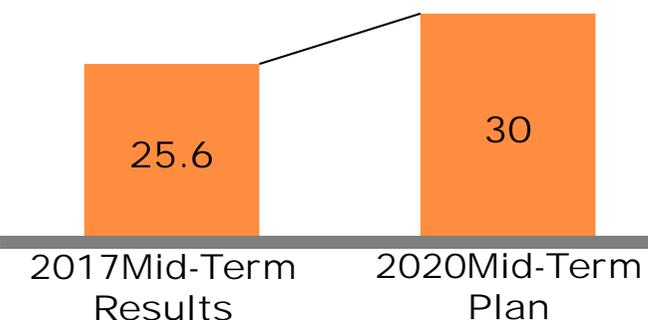
**60 billion yen**

## Capital expenditure

(¥ billion)

Capital expenditure  
(3 years total)

**30 billion yen**



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

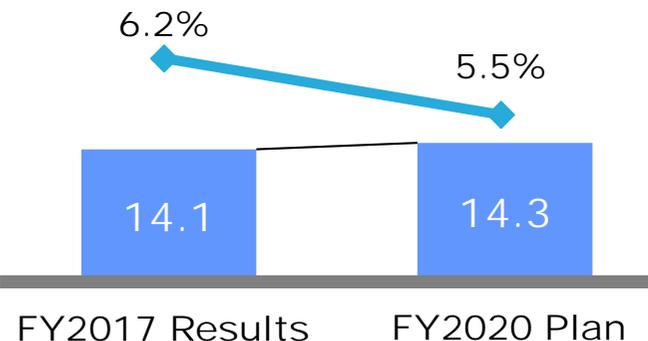
## R&D investment

(¥ billion)

FY2020

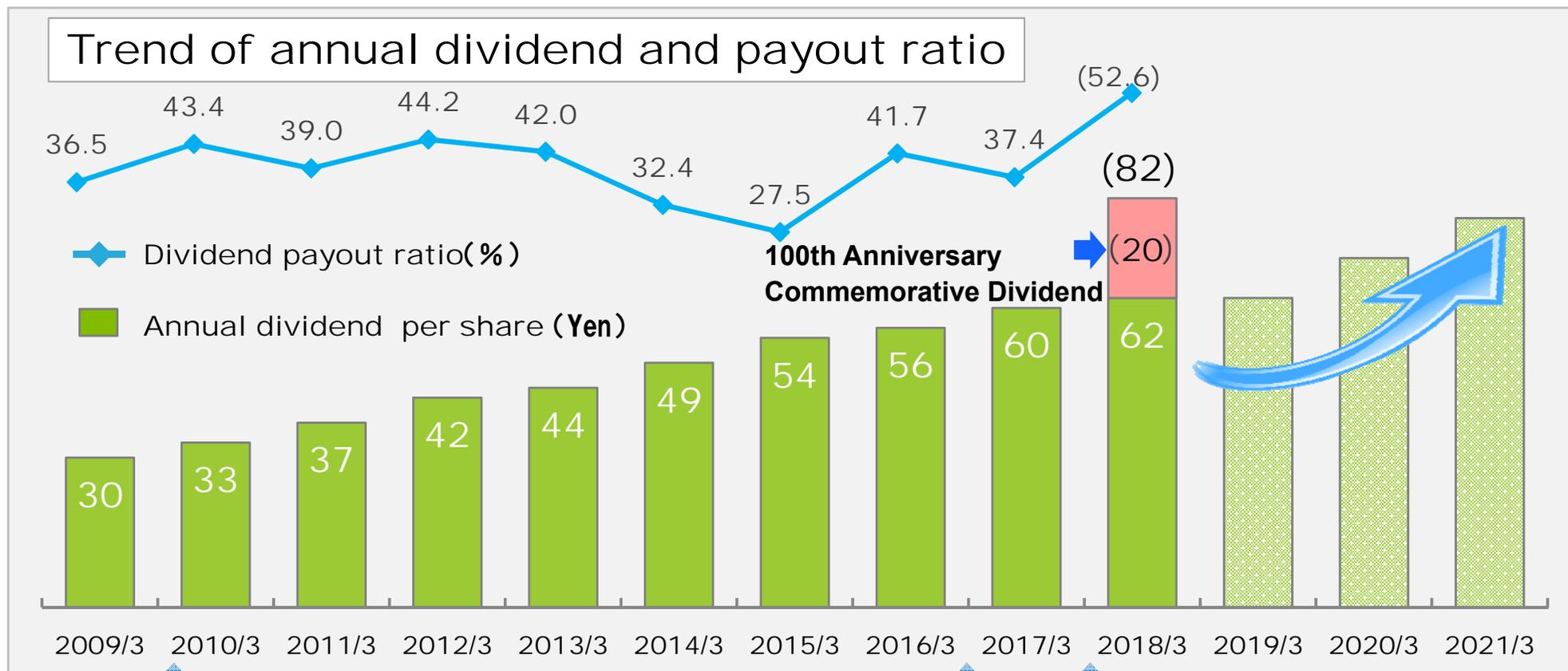
R&D Investment Ratio

**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**