

## Top Message



Hirokazu Onoe  
President

# Building Momentum the Glory Way—

**By developing new technologies and  
creating new business fields**

Momentum is defined as the product of mass and velocity. For the last 100 years, Glory has been meeting market needs with new products at an ever-growing pace. We are driven by a striving spirit that propels us forward to overcome the uncertainties of the future again, and again, and again. That spirit urges us to look far down the road and constantly research new technology based on what we see ahead. In other words, we maintain our momentum by creating products for tomorrow as much as for today—with our own style of innovation, teamwork, and service.



Since our founding in 1918, and under ever-changing market environments, we have been producing a number of innovative products through continually improving our technology. This process is in our company DNA and has been passed down through the generations since our founding. An innovative spirit is also incorporated into our corporate philosophy: “We will contribute to the development of a more secure society through a striving spirit and cooperative efforts.” Our products have become widely used in more than a hundred countries around the world, and are contributing to improving efficiency and accuracy in various business environments.

In March 2018, we celebrated the 100th anniversary of our foundation and unveiled the Long-Term Vision 2028, which will guide our journey through the first decade of the next 100 years. But, first, I would like to review the business plan that just closed and share the lessons we have learned from it.

## Results from the 2017 Medium-Term Management Plan

During the three-year 2017 Medium-Term Management Plan, which started in April 2015, the Glory Group proactively implemented strategies in three distinct areas: Business, Constitutional, and Corporate Management, aimed at realizing business growth and enhancing profitability.

Through the hard work of Glory employees around the world we saw a realization of close global teamwork between regional marketing and sales and direct engineering support from Japan, with everyone working to create ideal solutions for our customers. With this trans-global teamwork, we were able to implement regional strategies matched to the

characteristics of local markets. For example, in the United States, we steadily captured the replacement demand for banknote recyclers for tellers at financial institutions, and in Europe, we successfully grew sales of sales proceeds deposit machines and other products for the retail industry in various countries. We also expanded our sales and service network through strategic acquisitions.

In the Japan market, we targeted sales growth by working to win replacement demand at financial institutions for the main products such as open teller systems and coin and banknote recyclers for tellers, and by introducing to convenience stores coin and

### Performance Targets and Results of the 2017 Midium-Term Management Plan

	Targets	Results	Ratio
Net Sales (¥ billion)	260.0	227.3	87%
Operating Income (¥ billion)	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	

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banknote recyclers for cashiers.

The Company matured its emerging technology theme of facial recognition and entered the robotic system integration business. With the latter, we are supporting the creation of systems for automated lines using collaborative robots by exploiting the production technology and know-how we have cultivated in-house. (For more details, see page 29.) And, we also protected our bottom line by improving production and development efficiency by promoting automating of production and platform development for technologies.

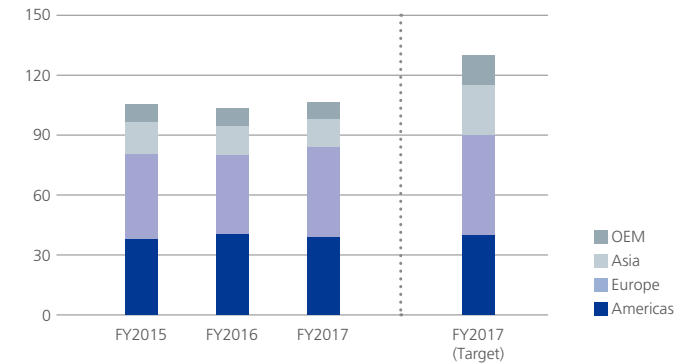
We are very proud of these qualitative advancements and the One Glory teammates around the world who contributed to them. We are concretely positioned to realize our future goals. On the other hand, we recognize that we did not fully achieve our quantitative objectives within the 2017 Medium-Term Management Plan. Net sales amounted to ¥227,361 million, consisting of ¥159,683 million for merchandise and finished goods, and ¥67,677 million for maintenance services. This

total is equivalent to 87% of our ¥260,000 million target. Operating income reached ¥19,615 million, which was 70% of the ¥28,000 million target.

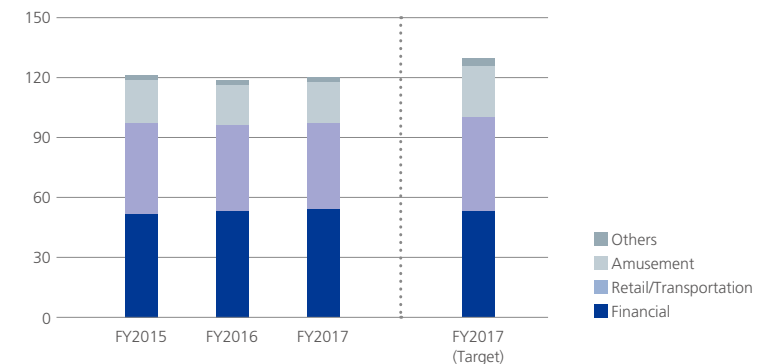
A key reason why our results fell short of our targets was the fact that our forecasts were predicated on sales expansion driven by economic growth in emerging countries, especially the BRICs. Unfortunately, economic growth failed to reach the anticipated level, and we were unable to adapt flexibly enough to this change by adjusting our product mixes and marketing strategies. Another factor was changes in the domestic Amusement Market, including the tightening of regulations governing amusement machines.

Achieving flexibility in the face of rapid and unexpected change is a key feature of the new plan.

## Overseas

Net Sales by  
Geographical  
Segment  
(¥ billion)

## Domestic

Net Sales by  
Business Segment  
(¥ billion)

## Anticipated global trends over the next 10 years

We predict that the economies of emerging markets, such as India and China, will achieve levels of development comparable to Western economies. This means the amount of currency in circulation, especially in these emerging markets, will continue to increase. We are therefore predicting expanded business opportunities for cash handling machines

centered on these same markets. At the same time, we are projecting that the development of diversified payment methods, such as electronic money and virtual currencies, will lead to demand for payment systems that are more secure and seamless. Another area in which demand is likely to expand is advanced identity verification and authentication

technology. This reflects the threat of data leaks and identity theft, and growing public awareness of the need for stronger security.

Demographic aging and population decline are meanwhile expected to become increasingly serious issues in Japan. As one of the first countries in the world to deal with such an aged population, Japan will lead other

countries in responding to these problems. Glory technologies, including our security and authentication systems and robotic system integration utilizing humanoid robots, incorporate elements that make them ideal for resolving these societal issues.

## A look at the 2020 Medium-Term Management Plan incorporating lessons and our Long-Term Vision 2028

The 2020 Medium-Term Management Plan for the three-year period from April 2018 through the year ending March 31, 2021 (FY2020) is positioned as a preparation for realization of the Long-Term Vision 2028.

The Long-Term Vision foresees transforming Glory into a company that enables a confident world. At the operational level, in response to overarching megatrends, we plan to extend our cash technology leadership into solutions that incorporate new, non-cash payment methods, as well as extend capabilities to track and manage cash through its complete lifecycle. Further, we will expand into new business domains centered on robotics that can work in harmony with humans and superior solutions for personal identification and authentication. In order to achieve this, we will both pursue advances based on Glory's core technologies of recognition/identification and mechatronics, which are unmatched by corporate peers, and put effort into the acquisition of data analytics technology for the analysis and utilization of many and varied forms of data. In addition, we will actively collaborate with other companies and pursue open innovation.

As the first stage of these achievements, the 2020 Medium-Term Management Plan is formed around three basic policies. For existing business, we will fundamentally reinforce our capacity to sustain this business at a robust level, underscored by strengthening our abilities to respond to changes in the market environment and customer needs, and review profit structures.

For new business, we recently established

### Business Domains



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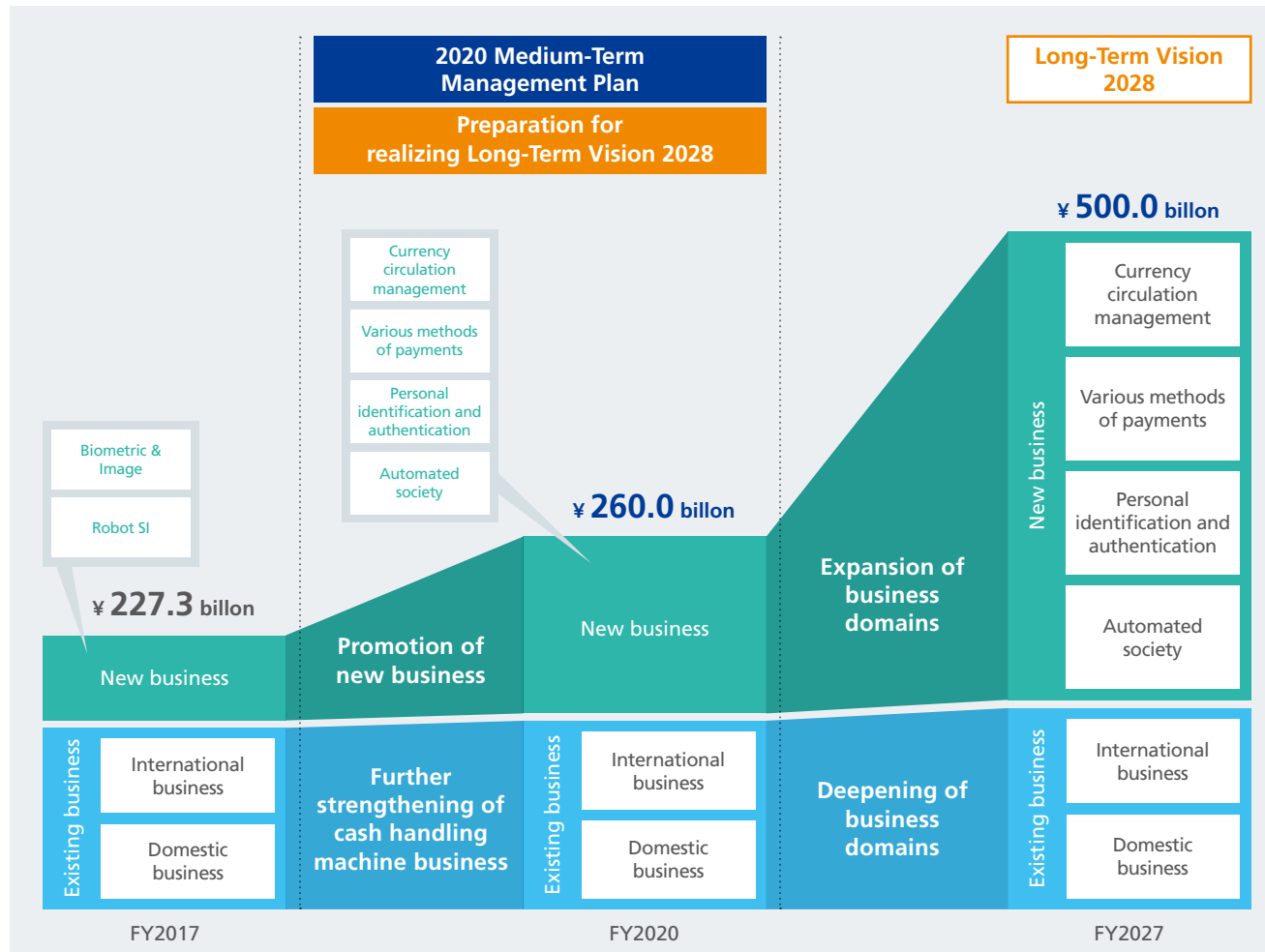
the Business Innovation Center, which will both pursue business in new domains and work to create new business opportunities. We will also strengthen collaboration with various partners to develop new solutions for social issues.

And, as for the management base, we will seek to realize higher productivity and a robust corporate constitution that directly generates income. This area will include establishment of an ICT environment to improve work efficiency,

expanding workplace and work-style diversity, accelerated speedy decision-making through proper transfer of authority, and recruiting and fostering of highly specialized personnel to support the growth of business.

To reach these three policy targets, we plan to set aside ¥60 billion for strategic investment, including M&A, ¥30 billion in capital expenditure, and target an R&D investment to net sales ratio of 5.5%.

Position of the 2020 Medium-Term Management Plan



Outline of the 2020 Medium-Term Management Plan

Net sales :	¥ 260 billion
Operating income :	¥ 25 billion
Operating margin :	9.6%
ROE :	8.0%
Strategic investment quota (max.) :	¥ 60 billion (3 years total)

\*Exchange rate assumptions 1USD=¥110, 1EUR=¥120

Basic Policy	
<b>Policy 1</b> Existing Business	<b>Build foundations for realizing sustainable business management</b> <ul style="list-style-type: none"> <li>Overseas business: Further growth of financial market and acceleration of retail business</li> <li>Domestic business: Promote solution proposals</li> </ul>
<b>Policy 2</b> New Business	<b>Strengthen collaboration with various partners to solve social issues</b> <ul style="list-style-type: none"> <li>Promote new business domains</li> <li>Acquire new core technology</li> <li>Proactive allocation of management resources for new business</li> </ul>
<b>Policy 3</b> Management Base	<b>Realize higher productivity and robust corporate constitution that directly generate outcome</b> <ul style="list-style-type: none"> <li>Work-style and operational reform to improve productivity</li> <li>Organizational climate reform to realize open innovation</li> </ul>

## Forecast for the year ending March 31, 2019

For the first year of the 2020 Medium-Term Management Plan, the year ending March 2019, the Group forecasts consolidated business results as follows: In view of a further expansion of sales to retail industry in the overseas business and the promotion of solution proposals in response to the market changes in the domestic business, the Group

anticipates net sales of ¥240,000 million (up 5.6% year on year), operating income of ¥20,000 million (limited to 2.0% up because of strategic investment) and net income attributable to owners of parent of ¥12,000 million (up 21.3% year on year). The forecast uses exchange rate assumptions of 1USD=¥110, 1EURO=¥130.

### Net Sales and Operating Income by Business Segment

(¥ million)

Years ended March 31	Sales		Operating Income	
	2018	2019 (forecast)	2018	2019 (forecast)
Overseas Market	106,758	113,000	11,167	11,000
Financial Market	53,970	57,000	4,043	6,500
Retail & Transportation Market	43,216	50,000	3,476	4,000
Amusement Market	20,570	17,500	1,331	500
Others	2,845	2,500	-403	-2,000
<b>Total</b>	<b>227,361</b>	<b>240,000</b>	<b>19,615</b>	<b>20,000</b>

## Commitment to stable returns to shareholders

We regard the return of profits to shareholders to be an important management task. Our basic policy in regard to distribution of profits is to continue stable dividends while striving to maintain and enhance sound financial standing in preparation for future business growth. We have set the target of attaining a dividend payout ratio of 30% or higher on a consolidated basis.

With regard to the acquisition of treasury shares, we will consider an appropriate response after having taken into overall account future business development, investment plans, the level of retained earnings, and performance trends. We will leverage the acquired treasury shares for investment in future growth, such as M&As, and for flexible capital policy.

In line with this policy, we have increased the dividend for the year ended March 2018 by ¥22 to ¥82 per share, comprising an ordinary dividend increase of ¥2 and a special 100th

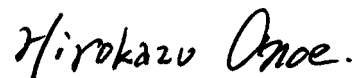
anniversary commemorative dividend of ¥20. For the next financial year, we plan to set the annual dividend at ¥62 per share.

Between November 8, 2017 and December 22, 2017, we bought back 1,434,800 shares valued at a total of about ¥6 billion. We will continue to maximize shareholder returns by improving our capital efficiency and implementing a flexible capital policy.

We look forward to the continuing support and cooperation of our stakeholders as we embark on our next 100 years. For Glory, momentum does not mean relying on the same products and services year after year. Instead, our striving spirit drives our momentum. It is in our DNA, and it will carry us forward into a second century working for a more secure society.

August 2018

President



### Trend of Annual Dividend and Payout Ratio

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

