MANAGEMENT'S DISCUSSION AND ANALYSIS

GLORY LTD. and consolidated subsidiaries
Year ended March 31, 2020

ECONOMIC OVERVIEW

In the fiscal year ended March 31, 2020, the economic recovery continued in the U.S. amid concerns over the U.S.-China trade issues, and the European economy also maintained its trend of gradual recovery despite the uncertainty surrounding Brexit and other issues. Asia overall remained steady despite the apparent slowdown in the Chinese economy. In addition, the Japanese economy continued to gradually recover as personal consumption regained and capital investment increased due to improvements in the employment and income environment as well as corporate earnings. However, both domestic and overseas business activities were subject to significant restrictions from the latter half of the fourth quarter, due to the global spread of novel coronavirus disease ("COVID-19").

BUSINESS OVERVIEW

Net Sales

Net sales for the fiscal year under review amounted to ¥224,170 million, down by 4.9% from the previous fiscal year. Total net sales consisted of ¥153,071 million in net sales of finished products and merchandise, which decreased by 8.6% year on year, and ¥71,099 million in sales of maintenance services, which rose by 4.3%. Overseas sales were ¥103,621 million, up by 0.3% year on year. (Sales tabulated on a segment basis are described in the "Overview by Reportable Segment" section.)

Cost of Sales

Cost of sales decreased by 6.9% from the previous fiscal year to ¥137,109 million. The cost of sales ratio dropped by 1.3 percentage points to 61.2%, mainly due to the improvement of the product mix.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses increased by 18.0% from the previous fiscal year to ¥69,134 million. Accordingly, the ratio of SG&A expenses to net sales rose by 2.0 percentage points to 30.8%.

Operating Income

Operating income results for the fiscal year under review were in ¥17,927 million, down by 12.9% year on year. This decline was mainly attributable to the decrease in net sales in the Financial Market. The operating margin also dropped by 0.7 percentage point to 8.0%. (Operating income by reportable segment is described in the "Overview by Reportable Segment" section.)

Other Income (Expenses)

In net other income (expenses), the total was net expenses of ¥2,435 million, soaring from ¥14 million recorded in the previous fiscal year. This significant rise was mainly due to the increase in the share of loss of entities accounted for using the equity method from ¥56 million to ¥1,217 million, as well as the increase in net foreign currency exchange loss from ¥17 million to ¥863 million. The other major expense/loss item was interest expense of ¥734 million, while major income factors included interest and dividend income of ¥336 million.

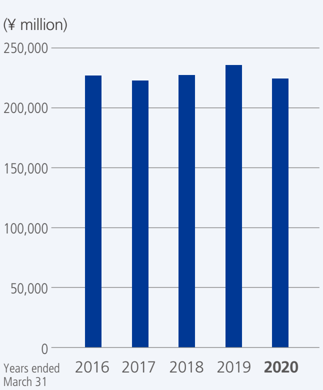
Income before Income Taxes

Income before income taxes amounted to ¥15,491 million, down by 24.7% from the previous fiscal year.

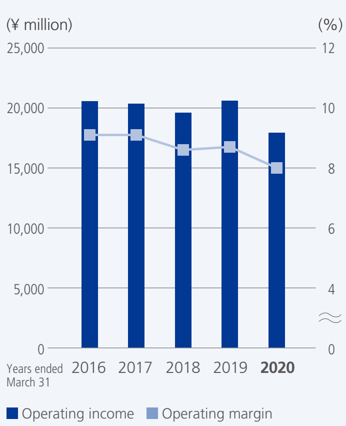
Income Taxes

Income taxes decreased to ¥5,501 million from ¥7,007 million in the previous fiscal year. On the other hand, the actual effective tax rate after application of tax effect accounting rose to 35.5% from 34.1%.

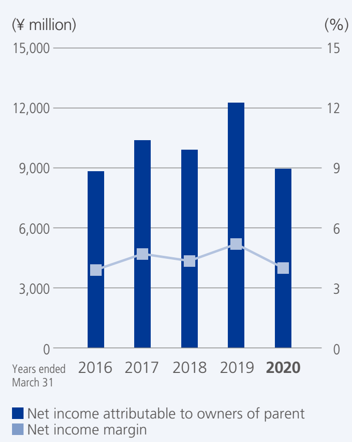
Net Sales



Operating Income/ Operating Margin



Net Income Attributable to Owners of Parent/Net Income Margin



Net Income Attributable to Owners of Parent
Net income attributable to owners of parent declined by 26.9% from the previous fiscal year to ¥8,961 million.

Comprehensive Income
Net income for the fiscal year under review resulted in ¥9,990 million. Deducting total other comprehensive loss of ¥4,551 million, which included ¥2,542 million in foreign currency translation adjustments and ¥1,333 million in defined retirement benefit plan remeasurements, comprehensive income for the fiscal year ended March 31, 2020 was ¥5,438 million.

OVERVIEW BY REPORTABLE SEGMENT

Financial Market
Net sales of this segment decreased by 25.4% year on year to ¥42,262 million. Operating income, as well, declined by 51.0% to ¥3,314 million.

Sales of open teller systems and coin and banknote recyclers for tellers, this segment's mainstay products, were sluggish due to the large-scale demand of the previous year having run its course.

Retail and Transportation Market
Net sales of this segment increased by 1.0% year on year to ¥52,487 million. Operating income also grew by 12.7% to ¥5,198 million.

Sales of this segment's mainstay product, coin and banknote recyclers for cashiers were slow in response to the large-scale demand of the previous year. However, robust sales were recorded for sales proceeds deposit machines for the cash-in-transit market and ticket vending machines.

Amusement Market
Net sales of this segment increased by 1.2% year on year to ¥20,753 million. Operating income, as well, rose by 2.0% to ¥1,998 million.

Sales of this segment's mainstay products including card systems were sluggish, but strong sales were posted for store facilities, such as the installation of smoking booths in pachinko parlors following the enforcement of the revised Health Promotion Act.

Overseas Market
Net sales of this segment edged up by 0.3% year on year to ¥103,621 million. Operating income also increased by 11.6% to ¥9,780 million, with contributions mainly from increases in net sales of software and sales of maintenance services following the issuance of new banknote designs in Europe.

In the United States, sales of banknote recyclers <RBG series> for financial institutions were slow, but sales of sales proceeds deposit machines <CI series> for the retail industry were strong. Sales of banknote recyclers <RBG series> for financial institutions were sluggish also in Europe, in contrast to sales of sales proceeds deposit machines <CI series> for the retail industry which were favorable. In Asia, sales of banknote sorters <USF series> were steady. Meanwhile, sales of banknote deposit modules for ATMs, which are OEM products, were slow.

"Others" Segment
Aggregate net sales of the "Others" segment, the businesses that are not reported as independent reportable segments, were ¥5,045 million, up by 51.0% year on year. Operating loss of the segment was ¥2,364 million, increased from operating loss of ¥1,521 million reported in the previous fiscal year.

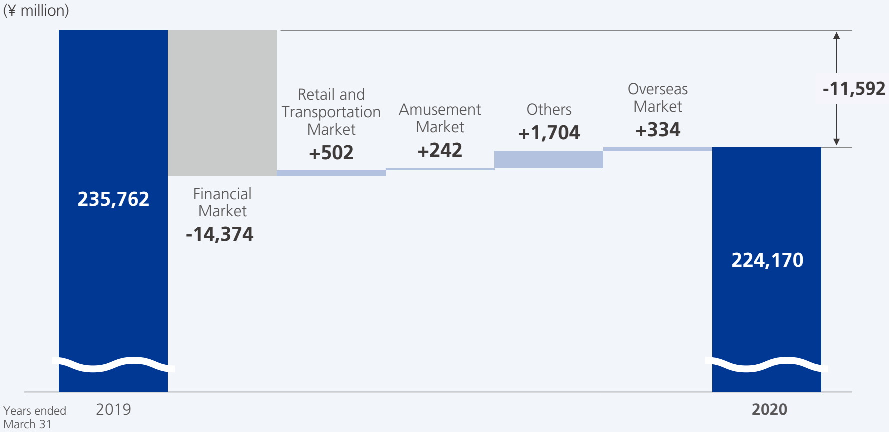
All amounts in this section do not include consumption taxes.

FINANCAL POSITION

Assets
Total assets as of March 31, 2020 stood at ¥308,763 million, a

Factors of Net Sales Change

(¥ million)



decrease of ¥9,465 million from the previous fiscal year-end. This decrease was mainly due to the decreases in cash and cash equivalents, trade accounts receivables, and investment securities, which were partially offset by the increases in trade notes receivables, inventories, and net property, plant and equipment.

Liabilities

Total liabilities as of March 31, 2020 amounted to ¥121,620 million, a decrease of ¥3,351 million year on year. This is mainly due to the decrease in current portion of long-term debt, while short-term borrowings increased.

Equity

Total equity as of March 31, 2020 amounted to ¥187,143 million, a decrease of ¥6,114 million from the previous fiscal year-end. Major decreasing factors were declines in retained earnings, capital surplus, foreign currency translation adjustments, and non-controlling interests; the aggregate of which was partially offset by the decrease in treasury shares due to cancellation.

CASH FLOWS

Cash and cash equivalents as of March 31, 2020 decreased by ¥4,227 million from the previous fiscal year-end to ¥70,922 million.

Cash Flows from Operating Activities

Net cash provided by operating activities for the fiscal year under review was ¥25,062 million, compared to ¥24,300 million cash provided in the previous fiscal year. Despite cash-decreasing factors such as ¥6,998 million income taxes paid, they were surpassed by the cash created by securing stable income, as well as the decrease in working capital of ¥3,488 million in aggregate.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥13,032 million, compared to ¥11,388 million cash used in the previous fiscal year. The major cash out-flow items included ¥6,325 million in purchases of property, plant and equipment, and ¥4,289 million for acquisition of investments in subsidiaries such as Cash Payment Solutions GmbH and Grupo Sortek, S.A. de C.V. The purchases of property, plant and equipment consisted mainly of the molds, tools and other equipment used to manufacture products.

As a result of the above, free cash flows (the sum of cash flows from operating and investing activities) amounted to ¥12,030 million.

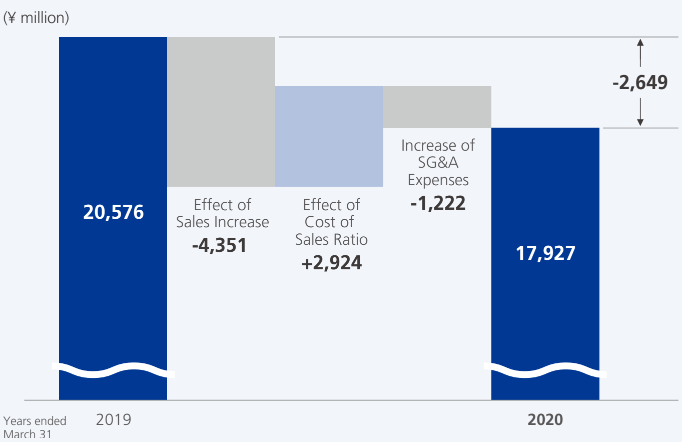
Cash Flows from Financing Activities

Net cash used in financing activities was ¥15,339 million, compared to ¥361 million cash used in the previous fiscal year. The major cash out-flow items were ¥5,105 million in dividends paid including those for noncontrolling interests, and ¥6,585 million for additional acquisition of shares in Sitrade Italia S.p.A. The major cash in-flow items, on the other hand, included a ¥1,984 million net increase in short-term borrowings.

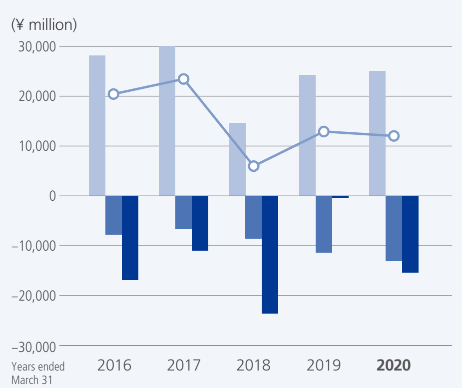
RISK INFORMATION

Since the year ended March 31, 2019, the Glory Group ("the Group") has had a group-wide risk management system in place, with the Risk Management Committee playing a central role in setting up priority areas and strengthening countermeasures, as well as a system for reporting related information to the Board of Directors. The forward-looking statements made below are based on judgments made by the Group as of the date of the Annual Securities Report submission, and business-related and other risks are not limited to those described in the table to the right.

Factors of Operating Income Change



Cash Flows



*Free cash flows: Total of net cash flows provided by (used in) operating activities, and net cash flows provided by (used in) investing activities.

Business Environment

Impact of COVID-19 and other infectious diseases

Since many of the products and services handled by the Group are provided to financial institutions, retail stores, railway companies, and other businesses that are required to continue operating even during an emergency, the impact of the spread of infectious diseases is considered to be limited in the event that the situation returns to normal within a short period of time.

However, since the fourth quarter of the fiscal year under review, the spread of COVID-19 infection has continued on a global scale, and has had an impact on the Group's business activities.

In terms of sales activities, restrictions on negotiations with customers have become a major impediment to active sales activities. While the containment of COVID-19 spread is not yet predicted, this lack of clarity in future has led customers to be less motivated to invest and the decline in demand, resulting in the uncertainty in the future business development of the Group.

In production activities, overseas plants that were forced to temporarily suspend their operations have now resumed their near-normal operations. However, the risk persists mainly in Asia regarding delays in deliveries of raw materials, parts, and other supplies from suppliers.

Thus, should the spread of the infection continue for a prolonged period of time, resulting in plant shutdowns, restrictions on the procurement of certain raw materials and parts, prolonged restraints on sales activities, or unexpectedly significant changes in customers' interest in investment, the business operation of the Group may be adversely affected, which could have impact on the Group's stable revenue and financial position.

Under these circumstances, the Company has established the COVID-19 Response Task Force in January 2020 which is chaired by the President & Representative Director. The Company is working to share information and assess the impact of the spread of COVID-19 mainly through the task force. In addition, effective countermeasures are discussed and planned at the Management Committee, the Board of Directors and other key management meetings to minimize the impact of the outbreak.

Rapid development of cashless economy

While its mainstay business remains in the cash handling machine sector, in order to mitigate the risks inherent in this core business, the Group is also aggressively investing in the non-cash business sector. Should the cashless economy develop drastically and globally in a short time before the Group’s non-cash businesses matures, the performance of the Group may be adversely affected.

Overseas business conditions

The Group’s overseas business activities are wide-ranging, including sales and maintenance of products, and overseas production and procurement. Should the political and/or economic situation rapidly change or the protectionist trade policies expand in countries or regions where the Group operates, or if foreign exchange markets were to fluctuate beyond the anticipated scope, major issues may arise in sales and other activities and the performance of the Group may be adversely affected.

Laws and regulations of countries and regions where the Group operates

The Group is subject to business authorizations, import and export regulations, as well as various laws and regulations in the countries and regions where the Group operates. Should these laws and regulations be revised or repealed, or if new public regulations were to be established, or if any other special factors influencing the market environment were to arise, the performance of the Group may be adversely affected.

High level of reliance on the financial industry sector

The composition of the Group’s sales is highly dependent on the domestic and overseas financial institutions. While the Group is endeavoring to develop new products in response to the global shift to next-generation store styles in order to provide products that meet the customers’ needs, should it become necessary for the financial institutions to cut their capital investments due to their major operational or financial problems, the performance of the Group may be adversely affected.

Intensified competition

Should the competition intensify in the business areas in which the Group operates, leading to the competitors’ launch of new competitive products and services, aggressive sales activities such as significant price reductions, and/or the shift of demand to lower-priced products, the performance of the Group may be adversely affected.

Strategic investments

The Group is proactively allocating its management resources so as to expand its existing businesses and create new businesses, with the aim of continuously improving its corporate value over the medium to long term. As a result, the amounts of goodwill and customer relationships as of March 31, 2020 stood at ¥43,246 million and ¥17,968 million, respectively, accounting for 14.0% and 5.8% of total consolidated assets, respectively. These intangible assets are subject to impairment assessment when their expected results are not achieved due to changes in the business environment, related impairment loss be recorded. Should such circumstances occur, the performance of the Group may be adversely affected.

Procurement of parts and materials

While the Group strives for stable procurement of parts and materials by purchasing from multiple suppliers and diversifying procurement locations, certain parts and materials may be procured from a single supplier on a temporary basis due to their specialty. In addition, there may be difficulties in procurement due to natural disasters or accidents that cause suppliers to suspend or interrupt their production activities. Should such unforeseen events occur impacting the production of the Group, the performance of the Group may be adversely affected.

Recruitment and development of human resources

As the Group operates its businesses globally, it has employees with a wide variety of nationalities, values, and expertise. The Group's medium- to long-term growth is highly dependent on these human resources, and securing and training talented employees at the right time is indispensable for the sustainable growth of the Group. Thus, if the Group were unable to recruit and train personnel who are well suited to the characteristics and growth stage of each Group company or who are capable of working in development, production, sales, maintenance, management, and other areas as planned over the medium to long term, the performance of the Group may be adversely affected.

Business Operation

R&D investment

The Group is an R&D-based enterprise and continues to invest in R&D aggressively. However, depending on the R&D themes, the development period could be longer, and the costs higher, than initially planned. If such circumstances were to occur, the performance of the Group may be adversely affected.

Intellectual property rights

The Group constantly conducts research on the products of other companies, in order to prevent infringements by the Group’s products on material intellectual property rights of third parties, as well as those by third parties’ products on the Group’s intellectual property rights. However, it is difficult for an R&D-based corporate group like the Group to completely avoid the occurrence of intellectual property infringement issues. If such circumstances were to occur, the performance of the Group may be adversely affected.

Environment

Climate change

The Group recognizes climate change as a key issue for the Group, which operates globally, and is endeavoring to develop environmentally friendly products, taking into account the policies and legal requirements for climate change and the demands of the market. Thus, should these requirements become more stringent than anticipated, leading to increased costs, lost sales opportunities, or a decline in corporate value due to damage to corporate brands, the performance of the Group may be adversely affected. In addition, if extreme weather events such as typhoons and torrential rains, which have been on the rise in recent years due to climate change, or large-scale natural disasters such as earthquakes were to occur, the Group's business activities may be limited and the performance of the Group may be adversely affected.