MANAGEMENT'S DISCUSSION AND ANALYSIS

GLORY LTD. and consolidated subsidiaries
Year ended March 31, 2018

ECONOMIC OVERVIEW

In the fiscal year ended March 31, 2018, the Japanese economy continued to show a gradual recovery, as personal consumption picked up, owing to a steady improvement in the employment situation, and capital investment increased against the backdrop of an improvement in corporate earnings. The global economy also kept improving slowly but surely, reflecting such positive developments as continuing recovery trends in the United States and Europe, and in Asia, a steadily improving Chinese economy.

BUSINESS OVERVIEW

Net Sales

Net sales for the fiscal year under review totaled ¥227,361 million, up by 2.1% from the previous fiscal year. Total net sales consisted of ¥159,683 million in net sales of finished products and merchandise, which edged up by 0.6% year on year, and ¥67,677 million in sales of maintenance services, which also increased by 5.9%. Overseas sales amounted to ¥106,758 million, up by 2.9% year on year. (Sales by reportable segment are described in the "Overview by Reportable Segment" section.)

Cost of Sales

Cost of sales increased by 3.1% from the previous fiscal year to ¥140,174 million, affected by the product mix change to the worse. Accordingly, the cost of sales ratio rose by 0.6 percentage points to 61.7%.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses increased by 1.9% from the previous fiscal year to ¥67,570 million. The ratio of SG&A expenses to net sales, on the other hand, improved by 0.1 percentage point to 29.7%.

Operating Income

Operating income results for the fiscal year under review were ¥19,615 million, down by 3.7% year on year. This decrease was mainly attributable to an unfavorable product mix and an increase in SG&A expenses in overseas operations affected by the foreign exchange fluctuations. The operating margin also dropped by 0.5 percentage points to 8.6%. (Operating income by reportable segment is described in the "Overview by Reportable Segment" section.)

Other Income (Expenses)

Net other income (expenses) results totaled net expenses of ¥2,077 million, down by 35.2% from the net expenses for the previous fiscal year. Major income factors included ¥345 million in interest and dividend income, and ¥151 million in gain on sales of non-current assets. They were exceeded by major expense/loss items such as net foreign currency exchange loss of ¥2,124 million, in addition to interest expense of ¥553 million.

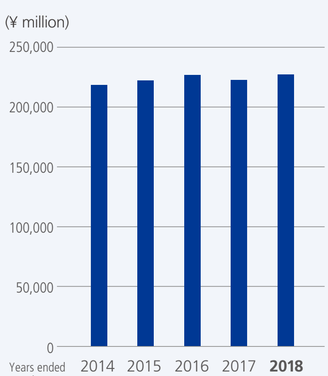
Income before Income Taxes

Income before income taxes amounted to ¥17,538 million, up by 2.2% from the previous fiscal year.

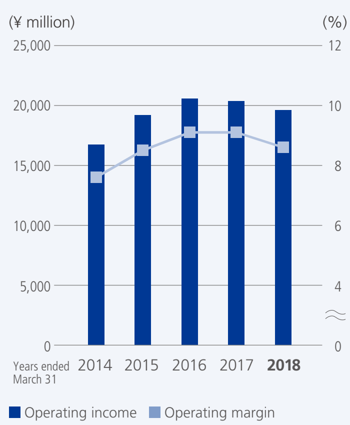
Income Taxes

Income taxes increased to ¥6,267 million from ¥5,736 million in the previous fiscal year. The actual effective tax rate after application of tax effect accounting rose

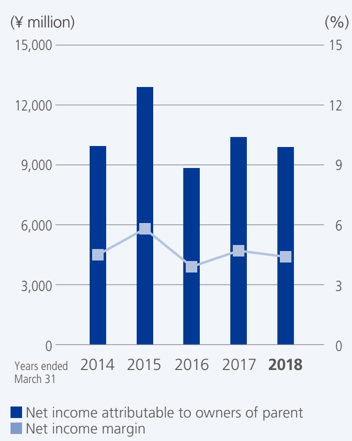
Net Sales



Operating Income/ Operating Margin



Net Income Attributable to Owners of Parent/Net Income Margin



from 33.4% to 35.7%.

Net Income Attributable to Owners of Parent

Reflecting the increase in the amount of income taxes, net income attributable to owners of parent declined by 4.7% from the previous fiscal year to ¥9,892 million.

Comprehensive Income

Net income for the fiscal year under review amounted to ¥11,271 million. Subtracting total other comprehensive loss of ¥765 million, which included negative ¥2,041 million in foreign currency translation adjustments and ¥1,182 million in defined retirement benefit plan remeasurements, comprehensive income for the fiscal year ended March 31, 2018 was ¥10,506 million.

OVERVIEW BY REPORTABLE SEGMENT

Financial Market

Net sales of this segment increased by 1.3% year on year to ¥53,970 million. Operating income, on the other hand, dropped by 37.9% to ¥4,043 million, mainly due to the deterioration in the product mix.

Sales of coin and banknote recyclers for tellers were strong as we successfully captured replacement demand. However, sales among small- and medium-sized financial outlets of this segment's mainstay products, open teller systems, were sluggish for the compact models, due to the high demand of the previous fiscal year having run its course.

Retail and Transportation Market

Net sales of this segment increased by 1.3% year on year to ¥43,216 million. Operating income, as well, edged up by 0.2% to ¥3,476 million.

Although sales of multifunctional banknote changers were robust, sales of sales proceeds deposit machines for the cash-in-transit market were slow. Sales of coin and banknote recyclers for cashiers, the mainstay products of this segment, were maintained at the level of the previous fiscal year.

Amusement Market

Net sales of this segment increased by 0.7% year on year to ¥20,570 million. Operating income soared by 80.5% to ¥1,331 million.

While sales of this segment's mainstay products, including card systems, were slow, sales of "Yudo," the playing trend analysis system launched in the fiscal year under review, were strong.

Overseas Market

Net sales of this segment grew by 2.9% year on year to ¥106,758 million. Operating income also rose by 12.8% to ¥11,167 million.

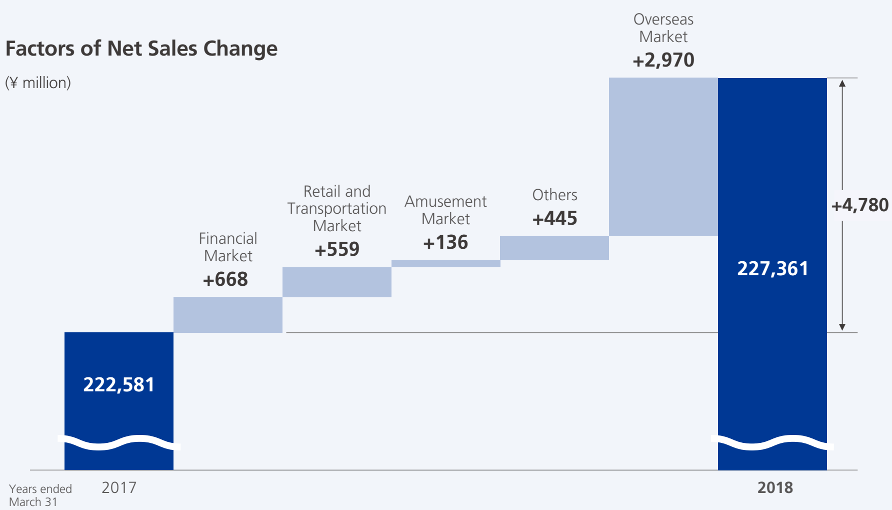
Sales of banknote recyclers <RBG series> for financial institutions were favorable in the United States, but sluggish in Europe. Instead, sales of sales proceeds deposit machines <CI series> for the retail industry in Europe were strong. Meanwhile in Asia, sales of banknote recyclers <RBG series> for financial institutions were slow.

"Others" Segment

Aggregate net sales of the "Others" segment, the businesses of which are not reported as independent reportable segments, were ¥2,845 million, up by 18.6% year on year. Operating loss of the segment was ¥403 million, increased from operating loss of ¥251

Factors of Net Sales Change

(¥ million)



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, 2018 stood at ¥302,953 million, a ¥9,867 million decrease from the previous fiscal year-end. This decrease was attributable mainly to the decrease in cash and cash equivalents, as well as the amortization of goodwill incurred from the acquisition of Talaris Topco Limited.

Liabilities

Total liabilities as of March 31, 2018 amounted to ¥110,787 million, down by ¥10,589 million year on year. The major factors of this decrease included the repayment of short-term borrowings and long-term debt.

Equity

Total equity as of March 31, 2018 amounted to ¥192,165 million, a ¥722 million increase from the previous fiscal year-end. This increase was mainly due to the increase in retained earnings, partially offset by the purchase of treasury stock.

CASH FLOWS

Cash and cash equivalents as of March 31, 2018 decreased by ¥14,675 million from the previous fiscal year-end to ¥62,375 million.

Cash Flows from Operating Activities

Net cash provided by operating activities for the fiscal year under review was ¥14,585 million, compared to ¥30,087 million cash provided in the previous fiscal year. The major cash-decreasing factors included a ¥6,643 million increase in trade notes and accounts receivable, and a ¥5,825 million increase in inventories. The major cash-increasing factors, on the other hand, included ¥17,538 million income before income taxes, ¥9,450 million depreciation and amortization, and ¥3,922 million amortization of goodwill.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥8,609 million, compared to ¥6,632 million cash used in the previous fiscal year. The major cash-flow items included a ¥5,504 million cash out-flow for purchases of property, plant and equipment. The purchases of property, plant and equipment consisted mainly of the molds, tools and other equipment used to manufacture products.

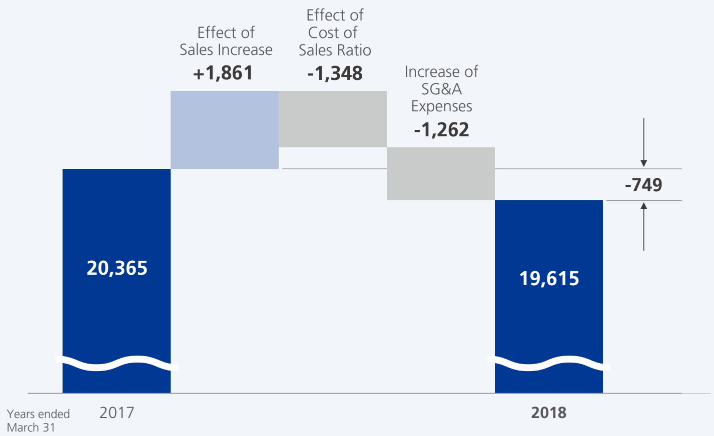
As a result of the above, free cash flows (the sum of cash flows from operating and investing activities) amounted to ¥5,976 million.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥23,574 million, compared to ¥10,964 million cash used in the previous fiscal year. The major cash out-flow items included ¥3,835 million net decrease in short-term borrowings, ¥9,005 million repayments of long-term debt, ¥6,000 million purchase of treasury stock, and ¥3,912 million dividends paid.

Factors of Operating Income Change

(¥ million)



RISK INFORMATION

The Glory Group ("the Group") is exposed to various risks that have the potential to affect its operating results and financial conditions, including variable factors and other matters considered to be material.

The forward-looking statements made below are based on judgements made by the Group as of March 31, 2018.

(1) Extraordinary Fluctuations in the Group's Operating Results and Financial Conditions Due to Special Factors Influencing the Market Environment

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.

(2) High Level of Reliance on a Specific Industry Sector

The composition of the Group's sales is highly dependent on the financial market. Should it become necessary for financial institutions to cut their capital investments due to major operational or financial problems, the performance of the Group may be adversely affected. In addition, should any unexpected circumstances occur to the particular suppliers of parts and materials, the performance of the Group may be adversely affected.

(3) Overseas Business Conditions

The Group's overseas business activities are wide-ranging, including sales and maintenance of products, and overseas production and procurement. Should a rapid change occur in the political and/or economic situation in countries or regions where the Group operates, or if foreign exchange markets were to fluctuate beyond the anticipated scope, the performance of the Group may be adversely affected.

(4) R&D Investment

The Group is an R&D-based enterprise and continues to invest in R&D aggressively. However, the development of new products always involves certain risks. 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.

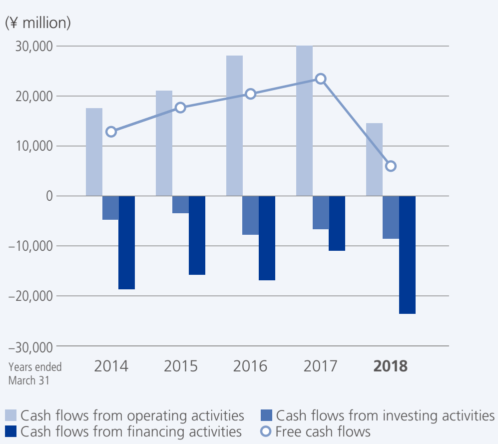
(5) Intellectual Property Rights

The Group is not aware of any infringements by its products on material intellectual property rights of third parties. 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.

(6) Rapid Development of Cashless Economy

While the Group deals in various products and merchandise for non-cash business sector, its mainstay business remains in the cash handling machine sector. Should the cashless economy develop drastically and globally in a short time, the performance of the Group may be adversely affected.

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.