MANAGEMENT'S DISCUSSION AND ANALYSIS

GLORY LTD. and consolidated subsidiaries
Year ended March 31, 2014

ECONOMIC OVERVIEW

During the fiscal year ended March 31, 2014, the Japanese economy was widely perceived to be on track for a moderate recovery, based on signs of improvement in corporate earnings and personal consumption on the back of further yen depreciation and stock price rises resulting from the government's economic policies. Looking at the global economy, the United States maintained an upturn trend and Europe also started to move toward recovery with a slow but steady pace. On the other hand, the growth in China and other emerging economies was on a downward trend, contributing to an uncertain outlook overall.

BUSINESS OVERVIEW

Net Sales

Net sales for the fiscal year under review totaled ¥218,632 million, up by 14.5% from the previous fiscal year. Total net sales consisted of ¥155,244 million in net sales of finished products and merchandise, which increased by 10.8% year on year, and ¥63,388 million in sales from maintenance services, which rose by 24.9%. Overseas sales also grew by 36.1% to ¥103,002 million.

Cost of Sales

Cost of sales increased by 12.1% from the previous fiscal year to ¥131,512 million, reflecting the increase in net sales. The cost of sales ratio declined by 1.2 percentage points to 60.2%, contributed by the improvement in the product development efficiency, as well as by the advancement in overseas production and procurement.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses rose by 18.9% to ¥70,401 million. This increase was mainly attributable to the full-year consolidation of Talaris Topco Limited ("Talaris") (now Glory Global Solutions (Topco) Ltd.), acquired in the previous fiscal year, and the increase in amortization of goodwill due to the weaker yen. The ratio of SG&A expenses to net sales also increased by 1.2 percentage points to 32.2%.

Operating Income

Operating income for the fiscal year under review stood at ¥16,719 million, up by 15.6% from the previous fiscal year. The operating margin remained steady at 7.6%, the same level as the previous fiscal year.

Other Income (Expenses)

Net other income (expenses) resulted in net income of ¥1,285 million, reversing the ¥1,720 million net expenses recorded in the previous fiscal year. Major income-increasing factors were ¥2,866 million net foreign currency exchange gain recorded, which reversed a ¥578 million net loss in the previous fiscal year; and a ¥455 million decrease in commissions for bridge loans. Major income-decreasing factors, on the other hand, included a ¥1,285 million increase in loss on liquidation of business.

Income before Income Taxes and Minority Interests

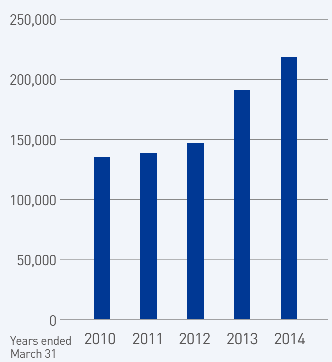
Income before income taxes and minority interests amounted to ¥18,004 million, up by 41.3% year on year.

Income Taxes

Income taxes grew from ¥5,374 million in the previous fiscal year to ¥7,308 million. The actual effective tax rate after application of tax effect accounting declined from 42.2% to 40.6%.

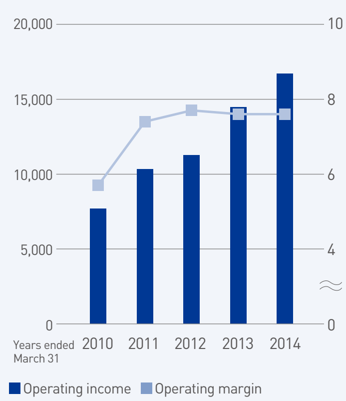
Net Sales

(¥ million)



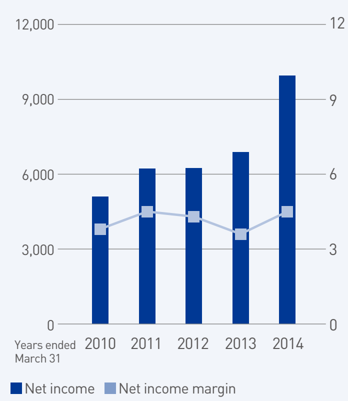
Operating Income / Operating Margin

(¥ million) (%)



Net Income / Net Income Margin

(¥ million) (%)



Net Income

As a result of the above, net income for the fiscal year ended March 31, 2014 amounted to ¥9,939 million, marking a significant increase by 44.6% from the previous fiscal year.

Comprehensive Income

Comprehensive income stood at ¥25,782 million, as a result of adding ¥15,086 million total other comprehensive income to net income before minority interests.

OVERVIEW BY REPORTABLE SEGMENT

Financial Market

Net sales of the segment increased by 2.2% from the previous fiscal year to ¥45,655 million, while operating income dropped by 8.7% to ¥4,031 million.

Sales of open teller systems, the mainstay products in this segment, were favorable for compact models for small- and medium-sized financial outlets, but sluggish for conventional models. Sales of coin and banknote recyclers for tellers were also strong, as we captured replacement demand. Overall, sales of the segment maintained the same level with the previous fiscal year.

Retail and Transportation Market

Net sales of the segment rose by 4.5% to ¥31,007 million, and operating income, as well, increased by 12.1% to ¥3,517 million.

Sales of coin and banknote recyclers for cashiers, the mainstay products in this segment, were weak. Meanwhile, sales of banknote changers for the retail market and sales proceeds deposit machines for the cash-in-transit market were robust. As a result, the segment recorded steady sales over the market.

Amusement Market

Net sales of the segment decreased by 4.0% year on year to ¥24,811 million, while operating income increased by 12.7% to ¥1,948 million.

Sales of the mainstay products such as card systems were sluggish, largely due to intensified competition in the market. However, the segment's operating income increased, contributed mainly by the decrease in amortization of goodwill.

Overseas Market

Net sales of this segment rose by 36.1% to ¥103,002 million, and operating income soared by 46.8% to ¥7,464 million.

Sales of banknote recyclers were sluggish in Europe but strong in the Americas. Meanwhile, sales of banknote sorters were solid in emerging economies, particularly in China, but banknote deposit modules for ATMs were weak. Further, due to the consolidation of Talaris Group sales over a full-year basis and the effect of the weaker yen, overall sales of the segment increased significantly year on year.

"Others" Segment

Aggregate net sales of the "Others" segment were ¥14,157 million, down by 6.0% year on year. This segment recorded an operating loss of ¥241 million, reversing operating income of ¥91 million in the previous year.

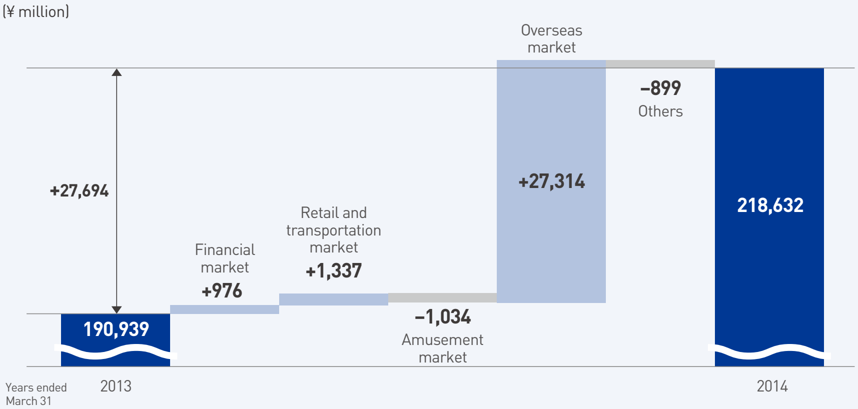
FINANCIAL POSITION

Assets

Total assets as of March 31, 2014 amounted to ¥340,943 million, a ¥21,866 million increase from the previous fiscal year-end. A total ¥8,336 million

Change Factors of Net Sales

(¥ million)



increase in investments and other assets, which includes an increase in goodwill recorded upon the acquisition of Talaris due to the depreciation of the yen, contributed to the total increase in assets.

Liabilities

Total liabilities as of March 31, 2014 decreased by ¥474 million from the previous fiscal year-end to ¥150,139 million. As a result of repayment of debt incurred for the acquisition of Talaris, short-term borrowings (including the current portion of long-term debt) decreased by ¥5,160 million, and long-term debt fell by ¥5,761 million.

Equity

Total equity as of March 31, 2014 stood at ¥190,805 million, up by ¥22,340 from the previous fiscal year-end. This increase was mainly due to a ¥14,440 million increase in foreign currency translation adjustments caused by the depreciation of the yen.

CASH FLOWS

Cash and cash equivalents as of March 31, 2014 declined by ¥2,285 million from the previous fiscal year-end to ¥61,029 million.

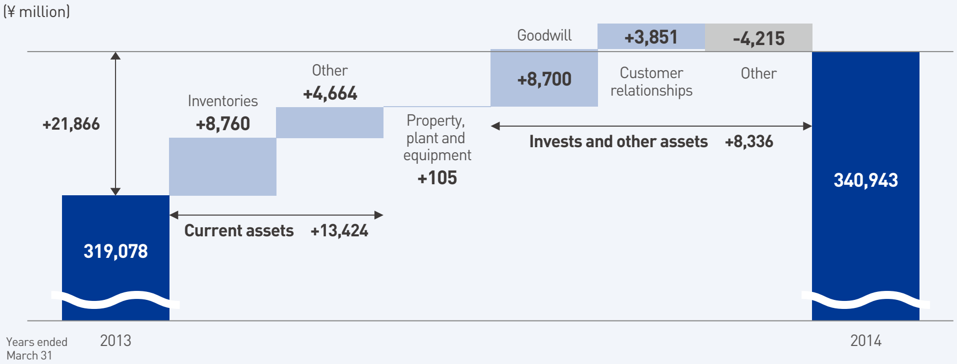
Net cash provided by operating activities for the fiscal year under review increased by ¥2,918 million to ¥17,623 million. Major cash-increasing factors were income before income taxes and minority interests of ¥18,004 million, ¥9,281 million in depreciation and amortization, and ¥5,137 million in amortization of goodwill. On the other hand, major cash-decreasing factors included ¥6,598 million in increase in inventories, and ¥5,290 million income taxes paid.

Net cash used in investing activities was ¥4,770 million, a sizable decrease of ¥47,567 million from the previous fiscal year in which a ¥55,688 million payment for the acquisition of shares of Talaris was recorded. Major cash-decreasing factors included ¥5,393 million in purchases of property, plant and equipment consisting mainly of molds, tools and other equipment used to manufacture products.

Net cash used in financing activities declined also, by ¥59,314 million to ¥18,709 million from the previous fiscal year which recorded ¥46,377 million in proceeds from debts for the acquisition of Talaris. Major

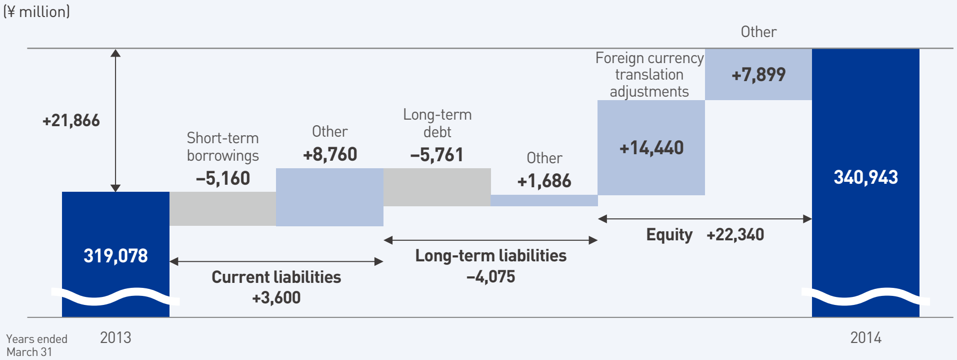
Change Factors of Assets

(¥ million)



Change Factors of Liabilities and Equity

(¥ million)



cash-outflow factors were a ¥9,110 million net decrease in short-term borrowings, ¥6,277 million in repayments of long-term debt, ¥2,955 million in dividends paid, and ¥366 million in cash dividends paid for minority shareholders.

As a result of the above, free cash flows (the sum of cash flows from operating and investing activities) amounted to ¥12,853 million.

RISK INFORMATION

The GLORY Group ("the Group") is exposed to various risks that have the potential to affect its operating results and financial condition, including variable factors and other matters considered to be material. These risks and additional factors are presented below.

The forward-looking statements made below are based on judgments made by the Group as of March 31, 2014.

(1) Extraordinary Fluctuations in the Group's Operating Results and Financial Condition 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.

(3) 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.

(4) 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.

(5) 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. In addition, the acquisition of Talaris in July 2012 still retains the possibility that the Company would not achieve the results and effects expected from this acquisition, and that it would take more time than expected to achieve them. Such factors may adversely affect the Group's business and performance.

Cash Flows

(¥ million)