



News Release

(TRANSLATION FOR REFERENCE ONLY)

May 12, 2022

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Securities Code: 6457  
Stock Exchange: Tokyo (Prime)  
Accounting Term: March

**Notice of the Establishment of Preventive Measures  
regarding the Incident at Domestic Subsidiary**

Following the “Notice Regarding the Disclosure of the Results of the Investigations by the Internal Investigation Committee” released on March 14, 2022, GLORY LTD. (the “Company”) hereby announces the establishment of preventive measures to be taken by the Company. These preventive measures are based on the proposals made in the investigation results received from the internal investigation committee (the “Committee”), in regard to the matter of embezzlement (the “Incident”) by a former employee (“X”) of GLORY Service Co., Ltd. (“GS”), a domestic consolidated subsidiary of the Company.

We apologize once again to all our stakeholders for any inconvenience the Incident may have caused. We will ensure thorough implementation of these measures across the Glory Group (the “Group”) and work to enhance internal controls to rebuild trust with our stakeholders.

1. Cause analysis of the Incident

The Committee has confirmed that the Incident was an independent act by a single employee (X) of the subsidiary, and that its occurrence and its resultant damage are largely attributed to the personal responsibilities of X. However, the Committee has identified the following direct and underlying causes which allowed the Incident to occur and which prevented its early detection.

Direct causes

- a) Dependence and concentration of authorities on a particular employee over the long term for accounting tasks
- b) Inadequate workflows for cash collection and deposit
- c) Non-compliance with GS accounting rules by employees of GS regarding bank transfer and remittance
- d) Inadequate supervision and vigilance within the department to which X belonged
- e) Inadequacy of rules to implement appropriate internal controls in GS and of awareness by employees of GS towards existing rules

Other underlying causes

- a) Inadequate human resources for the tasks allocated to the department to which X belonged
- b) Inadequate attention by the Company to its subsidiary credit assessment
  - Inadequate analysis of cash flow statement and other relevant documents for approval for inter-company term loans
  - Inadequate attention by the Company in the use of overdraft facility in the Cash Management System (the “CMS”)
- c) Insufficient awareness of key issues in auditing by GS corporate auditors and the Company’s internal audit department

## 2. Preventive measures to be taken by the Group

The following preventive measures are formulated and based on the above-mentioned cause analysis.

### 2.1 To review workflows and establish internal rules for accounting operations

#### a) To apply strict cash management process and system

- The Group companies will ensure multiple people are involved in their handling of cash, e.g. cash collected from customers, and unused cheques and bills. The cash management regulations will be revised so that common compliance regulations are clearly indicated for the Group companies to follow.
- GS, in particular, will ensure a thorough reconciliation of the following three figures in the management ledger, which will then be confirmed and approved by designated supervisors.
  - i) Total amount of cash collected from customers and stored in the safe for the set period
  - ii) Total amount of cash in the safe, counted and confirmed by multiple employees before being collected by a Cash-In-Transit (CIT) company for deposit
  - iii) Amount of cash deposited in a GS bank account by the CIT company
- The Company will extend the use of its cash handling machines for the above-mentioned processes to ensure rigorous cash management.

#### b) To apply strict deposit management process and system

- All Group companies will ensure segregation of duties by system setting for the operations of internet bank transfer and remittance, in order to avoid the situation where a single person can conduct such operations. For strict deposit management of bank accounts, all Group companies will ensure thorough confirmation of monthly transaction details and reconciliation between original balance statements and book balance every half-year. In addition, the Company will revise its deposit management rules and regulations and operational standards to be implemented across the Group.
- The Company will monitor its subsidiaries' main bank accounts in a timely manner.

#### c) To apply strict accounting procedures

- For all the Group companies, the Company will ensure the segregation of duties by system setting for the issuance and approval of accounting slips. If such an arrangement is not possible due to, for example, the size of subsidiaries, additional process, e.g. an approval by another manager, should be included in the procedure.

### 2.2 To ensure the strict and effective use of CMS for credit approval processes to subsidiaries by the Company

#### a) To establish and apply strict credit approval process

- The Company will further clarify the rules regarding the use of its overdraft facility by subsidiaries. Subsidiaries will notify the Company's Finance Department of their use of overnight overdraft facility and the Company will initiate inspections immediately if there is a suspicion of misconduct. For the time being, GS is subject to the use of CMS.

#### b) To ensure strict examination and approval process for credit to the Company's subsidiaries

- The Company will review the credit approval process for subsidiaries. For each approval, the Company will carefully examine the intended use of funds and thoroughly analyze the subsidiary's financial standing and cash flow. This will be based on the documentary evidence prepared by the subsidiary, such as financial statements and repayment plans, as well as on the objective evidence such as bank statements and transaction details.

2.3 To enhance governance and promote compliance across the Group

- a) To reinforce accounting and finance functions and promote awareness of compliance within GS
- The Company will dispatch a manager who has accounting and finance expertise to GS to enhance GS's accounting and finance functions.
  - The Company will ensure necessary training is provided to GS's managers at the earliest date to raise awareness towards compliance and to support their understanding of the importance of having a division responsible for compliance. For other GS's employees, the Company will ensure regular and on-going training is provided to enhance their understanding and stress the importance of complying with laws and internal regulations, and by so doing, increase the level of awareness of compliance across the whole organization of GS.
- b) To ensure appropriate assignment of human resources for all the Group companies
- The Company will ensure planned job rotation for the roles with a high risk of misconduct to avoid dependence on particular employee(s), as well as the centralization of authority for certain job positions, so as to prevent and detect any misconduct at an early stage.
  - The Company will formulate a policy to facilitate the optimal selection of the Company's personnel to be assigned to certain tasks at subsidiaries.
- c) To provide necessary training for managers across the Group
- The Company will establish and conduct the training and education programs for those dispatched from the Company to subsidiaries as managers. Such programs will be provided to assist them with acquiring necessary knowledge of the subsidiaries' businesses, skills needed for their respective roles, and the maintaining of their management capabilities.
  - The Company will develop structured training programs to be implemented on a regular basis for the Group's executive officers to deepen their knowledge of general matters, legal affairs, business strategies, management accounting, governance, and compliance.
  - The Company will require all managers in the Group to participate in the management training programs for them to raise awareness of.
- d) To raise awareness of compliance across the Group
- Through use of questionnaires, the Company will examine the Group's internal rules and regulations and the level of its compliance. The Company will also seek to identify any misconduct similar to the Incident, or other perceived potential risks, and take necessary measures as required.
  - In addition to the e-learning course provided for all managers during its "Corporate Ethics Months", the Company will provide a group-wide compliance training program focused on the Incident for all employees to raise their awareness of compliance and to develop a corporate culture that prevents the occurrence of misconduct.
- e) To revise rules and regulations regarding the governance of subsidiaries
- The Company will review regulations for management of the Group companies to clarify the roles and responsibilities of the Company's divisions which govern the Group companies. In addition, the Company will establish a system which enables the divisions to provide necessary governance to subsidiaries, and to identify issues of concern at an early stage for subsidiaries' business operations and administrative functions such as accounting and finance, legal affairs, and HR.

2.4 To enhance the quality of audits

a) To secure and improve professional competence in the internal audit department

- The Company will assign audit specialists and skilled personnel to reinforce the capabilities of the internal audit department.

b) To ensure effective audits on subsidiaries

- The Company will formulate audit plans, decide key items to be audited according to subsidiaries' business characteristics and conduct audits with or without prior notice.
- The corporate auditors of each Group company will establish guidelines for conducting regular and comprehensive audits. Risk-based audits will be conducted in cooperation with the Company's Audit & Supervisory Committee or the internal audit department positioned under the direct control of the committee. The original documents shall be used when confirming documentary evidence, including bank statements and other financial documents.

3. To ensure continued monitoring of preventive measures

The Company will regularly monitor to ensure that the above-mentioned preventive measures are properly implemented and are taking effect. The outcome will be reported at the Board of Directors meetings and necessary measures will be actioned should any issues be identified.

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**About GLORY LTD.**

GLORY LTD., headquartered in Himeji, Japan, is a pioneer in the development and manufacture of money handling machines and systems. GLORY provides a variety of products such as money handling machines, cash management systems, vending machines, automatic service equipment, and cash management solutions that are built on its leading-edge recognition/identification and mechatronics technology. Committed to meet society's wide-ranging needs, GLORY serves the financial, retail, vending machine, amusement and gaming industries in over 100 countries around the world. GLORY has approximately 11,000 employees worldwide. For more information about GLORY, please visit GLORY Group website at

<https://corporate.glory-global.com/>

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