SEGMENT INFORMATION

AT A GLANCE

CONTRIBUTION TO TOTAL NET SALES
(Year ended March 31, 2017)

MAJOR CUSTOMERS
Financial institutions, cash-in-transit companies, retail stores, casinos and OEM clients.

MAIN PRODUCTS AND GOODS
Banknote recyclers for tellers, banknote sorters, banknote and check deposit modules for ATMs, banknote counters, coin and banknote recyclers for cashiers, sales proceeds deposit machines, coin wrappers.

OVERSEAS MARKET

FINANCIAL MARKET**1

NET SALES
(Year ended March 31)

OPERATING INCOME
(Year ended March 31)

CONTRIBUTION TO TOTAL NET SALES
(Year ended March 31, 2017)

46.6%

23.9%

NET SALES
(Year ended March 31)

OPERATING INCOME
(Year ended March 31)

MAJOR CUSTOMERS
Financial institutions and OEM clients in Japan.

MAIN PRODUCTS AND GOODS
Open teller systems, coin and banknote recyclers for tellers, coin recycling modules for ATMs, multi-functional banknote changers, cash monitoring cabinets, security storage systems, key management systems, banknote recycling modules for horse race ticket vending machines**1.

OVERSEAS MARKET

FINANCIAL MARKET**1

<table>
<thead>
<tr>
<th>Year ended March 31</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>NET SALES (¥ million)</td>
<td>120,000</td>
<td>90,000</td>
<td>60,000</td>
</tr>
<tr>
<td>OPERATING INCOME (¥ million)</td>
<td>10,000</td>
<td>7,500</td>
<td>5,000</td>
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<tr>
<td>CONTRIBUTION TO TOTAL NET SALES (%)</td>
<td>46.6</td>
<td>23.9</td>
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*1 Gross income from sales to OEM clients.

**1 Gross income from sales to financial institutions.
Card systems for pachinko parlors, banknote conveyor systems, pachinko prize dispensing machines, pachinko ball counters for individual pachinko machines, membership management systems for pachinko parlors, pachinko ball/token counters.

Supermarkets, department stores, cash-in-transit companies, railroad companies, tobacco companies, hospitals, local governments and general companies in Japan.

Coin and banknote recyclers for cashiers, sales proceeds deposit machines, multi-functional banknote changers, cash recyclers for gas stations, coin-operated lockers, ticket vending machines, cigarette vending machines*2, medical payment kiosks*2, RFID self-checkout systems for cafeterias*2, ballot sorters for handwritten ballots*2.

Amusement halls (pachinko parlors) in Japan.

From the year ended March 2017, the following products were reclassified as below:
*1 Banknote recycling modules for horse race ticket vending machines: from “Others” to “Financial market”
*2 Cigarette vending machines, medical payment kiosks, RFID self-checkout systems for cafeterias, ballot sorters for handwritten ballots: from “Others” to “Retail and transportation market”

The financial figures for the year ended March 2016 are based on the new segment classification.
Market Environment and Operating Results

In the Americas, the sustained recovery of the U.S. economy was accompanied by investment in equipment and facilities by North American financial institutions. We were able to capture replacement demand for banknote recyclers used by tellers in financial institutions, as well as new demand for the CASHINFINITY™ cash management systems for retailers. As a result, net sales were higher.

In Europe, we captured replacement demand for banknote recyclers for tellers, especially in Western European countries. We also increased our marketing efforts for the CASHINFINITY™ cash management systems for retailers. These efforts resulted in strong sales on a local currency basis.

In Asia, we continued to strengthen our marketing of banknote recyclers for tellers. As a result, we were able to develop new customers in Indonesia and capture replacement demand in Australia. However, China and India account for large shares of our sales in this region, and changing market conditions and other factors were manifested in slower sales of banknote sorters, which are key products in these markets, with the result that total net sales in Asia were lower.

OEM sales increased thanks to strong sales of our new banknote recycling modules for ATMs.

Overseas Market sales increased on a local currency basis in fiscal 2016. However, a stronger yen caused net sales to fall by 1.7% year on year to ¥103,788 million. However, an improved product mix, cost reductions, and other factors lifted operating income by 7.3% year on year to ¥9,901 million.

Strategies and Initiatives Going Forward

We will tailor our strategies based on analyses of market trends in each region. In Europe and North America, we aim to capture replacement demand for products designed for financial institutions, while also focusing on the expansion of the retail market. In Asia, we will target the development of new customers in both the financial and retail sectors. Our OEM strategy will center on expansion of sales of new products. We will move forward with strategies to accelerate the growth of the overseas market segment, including mergers and acquisitions.
Market Environment and Operating Results

Financial institutions in Japan continue to face difficult business conditions due to Japan’s negative interest rate policy. They are accelerating measures to strengthen their business structures, including the extension of branch opening hours, the diversification of branch types, and the expansion of business areas.

These conditions were reflected in strong sales of open teller systems and coin and banknote recyclers for tellers, comprising both major new orders and replacement demand. There was also growth in sales of products other than cash handling equipment, such as electronic data entry tablets, which provide a simple way for customers to create deposit slips and other forms.

These factors were reflected in our results for this segment. Net sales increased by 2.9% year on year increase to ¥53,302 million, while operating income was 3.9% lower at ¥6,510 million.

Strategies and Initiatives Going Forward

Because of this environment, we expect financial institutions to continue investing in measures to improve profitability and operating efficiency. Our strategy will be to capture replacement demand in our main product categories, including open teller systems and coin and banknote recyclers for tellers, while also developing new customers. We will also target increased sales of products other than cash handling equipment, such as electronic data entry tablets and security storage systems.
Supermarkets and cash-in-transit companies are among our main customers in this segment. Our main products include coin and banknote recyclers for cashiers, which reduce checkout waiting times in supermarkets and other retailers while ensuring accurate cash management, and sales proceeds deposit machines used to manage proceeds at department stores and shopping malls. GLORY also supplies railroad companies with cash recyclers, which count and deposit cash received and dispense change at ticket counters, and coin-operated lockers.

**Market Environment and Operating Results**

Rapid changes are affecting the retail sector, including the formation of mergers and partnerships with the aim of improving competitiveness, and the pursuit of improved profitability through the closure of unprofitable outlets. Retailers are also struggling with serious labor shortages. This is reflected in growing demand for mechanization solutions as a way of improving efficiency in retail outlets.

GLORY’s strategy in this environment focused on the capture of replacement demand and the development of new customers for coin and banknote recyclers for cashiers and sales proceeds deposit machines designed to improve cash handling efficiency and accuracy.

Sales of coin and banknote recyclers for cashiers were lower year on year due to a reactionary downturn after the emergence of replacement demand from major supermarkets in the previous year. However, we were able to develop new customers in the category of specialty retailers. Sales of sales proceeds deposit machines were also lower due to a downswing following major orders in the previous year, as well as delays in completing negotiations over replacement products. Net sales in this segment were 6.3% lower year on year at ¥42,657 million. Operating income declined by 7.9% to ¥3,469 million.

**Strategies and Initiatives Going Forward**

We aim to expand sales in this segment by developing products tailored to the type of business of our customers. Our strategy for coin and banknote recyclers for cashiers is to capture replacement demand, especially from supermarket operators, and to develop new customers in business areas where these products are not yet widely used, such as food service outlets and specialty retailers. In the area of sales proceeds deposit machines, we will focus on marketing of the new model RCM-500, which can be linked to a coin and banknote recycler for cashiers via a cassette interface, allowing cashiers to transport sales proceeds, prepare change and complete other tasks without the need to touch cash. We also aim to capture replacement demand by stepping up our marketing efforts in collaboration with cash-in-transit companies.
Market Environment and Operating Results
Trends impacting the amusement industry include the diversification of leisure activities and a decline in the user population. This is reflected in a continuing decline in the number of pachinko parlors, and in a trend toward bigger facilities with more pachinko and pachislot machines per facility. In the current year, pachinko parlor operators gave priority to the removal of “pachinko and pachislot machines that have a strong gambling element”*2 and “pachislot machines that may perform differently from tested machines”*3, and there was a continuing tendency to postpone expenditure on refurbishment, the opening of new outlets, or other investments. GLORY worked to expand sales of card systems, which are the main product category in this market. However, pachinko parlor operators remained cautious about investment in equipment and facilities for the reasons outlined above, with the result that sales were lower.

Amusement Market net sales were 5.0% lower year on year at ¥20,434 million. Operating income declined by 33.7% to ¥737 million.

Strategies and Initiatives Going Forward
Our priorities will be the expansion of our market shares for key products, and the creation of new products. We aim to expand sales of our main products by winning major orders and developing new customers through closer collaboration with a subsidiary and a partner manufacturer. We will also strengthen our new product planning and development capabilities.

*1 Pachinko parlors are casino-like recreation facilities unique to Japan. People go to pachinko parlors to amuse themselves by playing two types of game machines: “pachinko” and “pachislot”. Pachinko machines resemble vertical pinball machines and pachislot machines are like casino slot machines.
*2 As determined by Zennichiyuren, an association of pachinko parlor operators, and five associated companies in a list released on Sept. 30, 2015.
*3 As determined by Nikkoso, a pachinko machine manufacturers’ organization, in a list released on June 23, 2016.

OTHERS
This segment consists of products not included in GLORY’s four reportable segments. Key products include face recognition systems.

Market Environment and Operating Results
Installations of face recognition systems in financial institutions, department stores, medical institutions, and other facilities continued to expand. However, sales remained around the same level as in the previous year. Net sales for this segment amounted to ¥2,400 million, a year-on-year reduction of 3.9%. There was an operating loss of ¥252 million.

Strategies and Initiatives Going Forward
Inquiries about face recognition systems are tending to increase in step with growing concerns about security. We will expand our sales channels to capture large orders and develop new customers. In the current year, we moved into the area of robotic system integration. We will focus on the early establishment of a business base in this area, with the aim of achieving sales of around ¥1 billion in the year ending March 2021.