ECONOMIC OVERVIEW
Looking at the global economy during the fiscal year ended March 31, 2017, the United States and Europe continued to move toward recovery, and China’s economy showed signs of rally in Asia. However, the overall outlook remained uncertain through this period, with substantial fluctuations in the foreign exchange and stock markets due to factors such as the impact of the U.K.’s decision to leave the EU and the result of the U.S. presidential election. The Japanese economy, on the other hand, showed a trend of gradual recovery marked by improvements in personal consumption and the employment situation, while corporate capital investments have leveled off.

BUSINESS OVERVIEW
Net Sales
Net sales for the fiscal year under review totaled ¥222,581 million, down by 1.9% from the previous fiscal year. Total net sales consisted of ¥158,660 million in net sales of finished products and merchandise, which decreased by 1.7% year on year, and ¥63,922 million in sales of maintenance services, which decreased by 2.6%. Overseas sales amounted to ¥103,788 million, down by 1.7% year on year. (Sales by reportable segment is described in the “Overview by Reportable Segment” section.)

Cost of Sales
Cost of sales decreased by 1.1% from the previous fiscal year to ¥135,908 million, reflecting the decrease in net sales. The cost of sales ratio, on the other hand, rose by 0.6 percentage points to 61.1%.

Selling, General and Administrative Expenses
Selling, general and administrative ("SG&A") expenses decreased by 4.0% from the previous fiscal year to ¥66,308 million. The ratio of SG&A expenses to net sales was 29.8%, down by 0.6 percentage points.

Operating Income
Operating income for the fiscal year under review resulted in ¥20,365 million, down by 0.9% on year. The operating margin was 9.1%, maintaining the same level from the previous fiscal year. (Operating income by reportable segment is described in the “Overview by Reportable Segment” section.)

Other Income (Expenses)
Net other income (expenses) resulted in net expenses of ¥3,204 million, up by 15.0% from the previous fiscal year. Major income factors included ¥542 million in interest and dividend income and ¥146 million in subsidy income. They were offset by major expense/loss items such as net foreign currency exchange loss of ¥3,459 million was recorded due to the yen appreciation observed during the fiscal year under review, in addition to interest expense of ¥585 million.

Income before Income Taxes
Income before income taxes amounted to ¥17,161 million, down by 3.4% from the previous fiscal year.

Income Taxes
Income taxes declined to ¥5,737 million from ¥7,670 million in the previous fiscal year. The actual effective
tax rate after application of tax effect accounting dropped from 43.2% to 33.4%.

**Net Income Attributable to Owners of the Parent**
Reflecting the decrease in the amount of income taxes, net income attributable to owners of the parent rose by 17.6% from the previous fiscal year to ¥10,383 million.

**Comprehensive Income**
Net income for the fiscal year under review amounted to ¥11,424 million. Subtracting total other comprehensive loss of ¥8,149 million which included ¥1,236 million in defined retirement benefit plan(s) and negative ¥9,971 million in foreign currency translation adjustments, comprehensive income for the fiscal year ended March 31, 2017 stood at ¥3,275 million.

**OVERVIEW BY REPORTABLE SEGMENT**

**Financial Market**
Net sales of this segment increased by 2.9% year on year to ¥53,302 million. Operating income, on the other hand, decreased by 3.9% to ¥6,510 million.

Sales of “open teller systems,” the mainstay products in this segment, were strong for compact models for small- and medium-sized financial outlets. Sales of “coin and banknote recyclers” for tellers were also robust, driven by replacement demand.

**Retail and Transportation Market**
Net sales of this segment declined by 6.3% year on year to ¥42,657 million. Operating income as well decreased by 7.9% to ¥3,469 million.

Sales of this segment’s mainstay products “coin and banknote recyclers” for cashiers were sluggish due to the large-scale demand of the previous year having run its course. Sales of “sales proceeds deposit machines” for the retail market were also slow.

**Amusement Market**
Net sales of this segment declined by 5.0% year on year to ¥20,434 million. Operating income dropped by 33.7% to ¥737 million.

Sales of this segment’s mainstay products such as “card systems” were sluggish, mainly reflecting the constraint toward capital expenditures in pachinko parlors (amusement halls).

**Overseas Market**
Net sales of this segment decreased by 1.7% year on year to ¥103,788 million. Operating income, on the other hand, rose by 7.3% to ¥9,901 million mainly due to improvements in product mix, as well as in cost reduction.

Sales of this segment’s mainstay products “banknote recyclers,” as well as “sales proceeds deposit machines” for the retail market, were strong in Europe and the United States. In addition, sales of “coin sorters” were robust in the United States. Also, “banknote deposit modules” for ATMs, a new product aimed at OEM customers, registered strong sales. In the overseas market as a whole, net sales were robust on a local currency basis, but on a yen basis, those were on par with the previous fiscal year due to the impact of yen appreciation.

**Change Factors of Net Sales**

(Y million)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Change Factor (¥ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Market</td>
<td>+1,482</td>
</tr>
<tr>
<td>Retail &amp; Transportation</td>
<td>-2,874</td>
</tr>
<tr>
<td>Amusement Market</td>
<td>-1,072</td>
</tr>
<tr>
<td>Others</td>
<td>-98</td>
</tr>
<tr>
<td>Overseas Market</td>
<td>-1,808</td>
</tr>
</tbody>
</table>

*Years ended March 31*
“Others” Segment
Aggregate net sales of the “Others” segment, the businesses of which are not reported as independent reportable segments, were ¥2,400 million, down by 3.9% year on year. Operating loss of the segment was ¥252 million, improved from operating loss of ¥322 million reported in the previous fiscal year.

FINANCIAL POSITION

Assets
Total assets as of March 31, 2017 stood at ¥312,821 million, a ¥8,852 million decrease from the previous fiscal year-end. This decrease was attributable mainly to the amortization of goodwill incurred from the acquisition of Talaris Topco Limited, and the devaluation of assets denominated in foreign currencies due to the yen appreciation.

Liabilities
Total liabilities as of March 31, 2017 amounted to ¥121,377 million, down by ¥2,008 million year on year. The major factors of this decrease included a ¥2,189 million decrease in liability for retirement benefits.

Equity
Total equity as of March 31, 2017 amounted to ¥191,443 million, a ¥6,843 million decline from the previous fiscal year-end. This decline was attributable mainly to the decrease in foreign currency translation adjustments and an increase in treasury stock, which offset the increase in retained earnings.

CASH FLOWS

Cash and cash equivalents as of March 31, 2017 increased by ¥9,917 million from the previous fiscal year-end to ¥77,051 million.

Cash Flows from Operating Activities
Net cash provided by operating activities for the fiscal year under review was ¥30,088 million, compared to ¥28,142 million cash provided in the previous fiscal year. The major cash-decreasing factors included a ¥4,288 million increase in inventories. The major cash-increasing factors, on the other hand, included ¥17,161 million income before income taxes, ¥9,469 million depreciation and amortization, ¥4,073 million amortization of goodwill, and a ¥2,791 million increase in notes, accounts and other payable.

Cash Flows from Investing Activities
Net cash used in investing activities was ¥6,633 million, compared to ¥7,715 million cash used in the previous fiscal year. The major cash-flow items included a ¥5,221 million cash out-flow for purchases of property, plant and equipment. The purchase of property, plant and equipment consisted mainly of the molds, tools and other equipment used to manufacture products.

Cash Flows from Financing Activities
Net cash used in financing activities was ¥10,964 million, compared to ¥16,845 million cash used in the previous fiscal year. The major cash in-flow items included an ¥8,819 million net increase in short-term borrowings. The major cash out-flow items, on the other hand, included ¥9,128 million repayments of
long-term debt, ¥6,082 million purchase of treasury stock, ¥3,864 million dividends paid, and ¥791 million dividends paid for non-controlling interests.

As a result of the above, free cash flows (the sum of cash flows from operating and investing activities) amounted to ¥23,455 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, 2017.

(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.

(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.