1999
ANNUAL REPORT

For The Year Ended 31st March, 1999

GLORY®

CONTENTS

FINANCIAL HIGHLIGHTS

Years ended 31st March, 1998 and 1999

	Millions of Yen		Thousands of U.S. dollars
	1998	1999	1999
Net sales	\ 67,184	\ 66,745	$ 551,612
Net income	1,374	1,705	14,091
Total assets	93,377	95,285	787,479
Shareholders 'equity	66,907	67,988	561,884

	Yen		U.S. dollars
Per share:	1998	1999	1999
Net income	\ 39.57	\ 49.08	$ 0.41
Cash dividends	16.00	16.00	0.13

(Note) All dollar figures are translated from yen, for convenience only, at the rate of \121=US$1.

COMPANY PROFILE

(As of 31st March, 1999)

Company name : GLORY LTD.

Founded : 27th November, 1944

Capital stock : \12,738,485,800

Employees : 1,761 (Male 1,431, Female 330)

Location :

Head Office/Factory : 3-1 Shimoteno 1-chome, Himeji, Hyogo, Japan, 670-8567
Tel: (0792)97-3131
Fax: (0792)94-6233

Tokyo Office : 4-6 Osaki 5-chome, Shinagawa-ku, Tokyo, Japan, 141-8581
Tel: (03)3495-6301

Saitama Factory : 4-1 Furukawa 2-chome, Kazo, Saitama, Japan, 347-0004
Tel: (0480)68-4661

PRESIDENT S MESSAGE

I am pleased to present our Company s Annual Report for the year ended 31st March, 1999.

During this year, the Japanese economy began to show signs of stabilisation after a prolonged period of economic contraction. This was due to the positive effects created by the establishment of a coordinated and fixed framework of comprehensive economic measures to be taken by the government and a plan for the disposal of bad debts by financial institutions. Nevertheless, and in spite of these positive developments, individual consumption and private capital investment were generally sluggish throughout the year.

In consideration of the current business environment, the Company has performed an organisation restructuring in order to facilitate research into new technologies and the development of new products. At the same time, the Company has made efforts to streamline and improve the efficiency of development, design, and production capabilities in order to satisfy diversified needs in each market. As a result, net sales for fiscal 1999 amounted to \66,745 million (down 0.7% from fiscal 1998). Domestic and export sales amounted to \62,039 million (down 1.0% from fiscal 1998) and \4,705 million (up 4.6% from fiscal 1998), respectively.

The strenuous efforts made by the Company to improve the efficiency of operations (i.e. cost-reduction activities, the reduction of general expenses, etc.) generated an increase in net income to \1,705 million (up 24.1% from fiscal 1998), even as operating income fell to \4,191 million (down 2.8% from fiscal 1998). This decrease in operating income was due to a decline in net sales.

In addition to the \8.0 per share interim cash dividend paid in December 1998, a year-end cash dividend of \8.0 per share will also be paid and will result in a total dividend payout of \16.0 per share for the year.

As mentioned earlier, the Japanese economy is showing signs of stabilisation after a prolonged period of economic contraction. However, private capital investment remains stagnant and there is no sign of recovery in individual consumption. Therefore, the prospects for a recovery of business in the near future remain uncertain. The financial industry is our largest market and has the potential to generate strong demand for investments in streamlining operations. The Company will seek to stimulate demand in this industry by supplying the products that meet the customers need. We will also maintain sales growth in the distribution and transportation industries by stimulating demand for laboursaving and streamlining investments, although the business environment continues to be severe in these industries. As for the vending machine market, the demand for amusement game related machines remains unpredictable due to the uncertainty of business condition that prevails in the amusement game industry. The demand for cigarette vending machines is expected to stabilise. Even under these conditions, the Company will maintain sales growth by putting new products into the market.

With current conditions as they are, the Company will proceed with the reform of its operations with a focus on encouraging and establishing a revolution of consciousness within the Company and will strive to expand its scope of business by promoting document processing business based upon recognition technology. Along with the aforementioned project, the Company and its group companies will seek to improve consolidated operating results and conduct business with an increased focus on profit.

I thank you for your continued support and cooperation.

June 1999

Hisao Onoe
President

BUSINESS RESULTS

The business environment was not robust in the financial industry, although the demand for certain investments in streamlining was stable due to current efforts to reform internal structures and increase management support. The distribution industry was in a severe business environment due to marginal revenue increase in supermarkets and retail stores resulting from the stagnant individual consumption which, in turn, created a disincentive for capital investment. The demand for related machines in the vending machine and automatic service equipment markets was stagnant due to the sluggish business conditions prevailing in the amusement game industry. The cigarette vending machine market was favourable, due to increased demand stimulated by the marketing strategies of cigarette manufacturing companies even in the maturing market.

A breakdown of sales by product group is summarised below.

Money Handling Machines

On the domestic side, sales of cash depositing machines for security companies increased due to certain special needs of the security companies while sales of compact cash depositing machines for supermarkets in the distribution industry decreased due to constraints on capital investment. Among the equipment for financial institutions, sales of automated deposit and dispensing systems steadily increased due to firmly-rooted demands for streamlining while sales of coin counting and wrapping machines and coin sorters decreased due to a deferment of capital investment. Sales of cash handling systems, a type of system equipment for business service companies, decreased due to constraints in capital investment.

On the export side, sales of bank note counters and bank note recognition sorters declined in Asia. On the other hand, sales of coin counting and wrapping machines and cash depositing machines increased in the United States, even in a maturing market.

As a result, sales within this product group amounted to \21,457 million (down 2.3% from fiscal 1998).

Cash Management Systems

Within this product group, sales of recycle-type bank note deposit and dispense units (used in bank window operations), data terminal peripheral units, cash settlement terminals, and bank note deposit and dispense units (components of automated deposit and dispensing systems) were favourable. Sales of coin deposit and dispense units with ATM machines (automatic cash deposit and dispense machine) decreased. Sales of register change machines for supermarkets and retail stores decreased drastically due to constraints on capital investment and sales of compact bank note depositing machines for gas stands also decreased. In regards to export sales, European sales of bank note depositing units increased while sales of bank note dispensing units decreased.

As a result, sales within this product group amounted to \18,155 million (down 5.2% from fiscal 1998).

Vending Machines

Within this product group, sales of card vending machines, pachinko vending machines, and token vending machines decreased due to poor business conditions in the amusement game industry. Sales of ticket vending machines to the general market also decreased due to intense competition. On the other hand, sales of cigarette vending machines increased drastically due to the strong demand generated by cigarette manufacturing companies and the quick actions taken to satisfy new demands for cigarette vending machines as an advertising medium.

As a result, sales within this product group amounted to \13,586 million (up 12.2% from fiscal 1998).

Money Changers

Within this product group, sales of data processing machines (i.e. premium control terminals, card processing machines, etc.), which are equipment relating to the amusement game industry, increased. However, sales of bank note changers decreased due to constraints on capital investment resulting from sluggish industry business conditions. Sales of multi-function bank note changers for financial institutions and the distribution industry decreased due to mature nature of the market.

As a result, sales within this product group amounted to \5,440 million (down 19.0% from fiscal 1998).

Other

Revenue from repair service and parts (the main products of this group) were favourable. As a result, revenue of this group amounted to \8,105 million (up 12.3% from fiscal 1998).

CAPITAL INVESTMENT AND FINANCIAL ACTIVITY

Capital Investment

During this fiscal year, capital investment amounted to \2,404 million and was primarily for investments in moulds and tools necessary for the production of new products.

Financial Activity

All capital expenditures during fiscal 1998 were financed internally.

COMPANY GROWTH

Development of Business Outcome and Assets

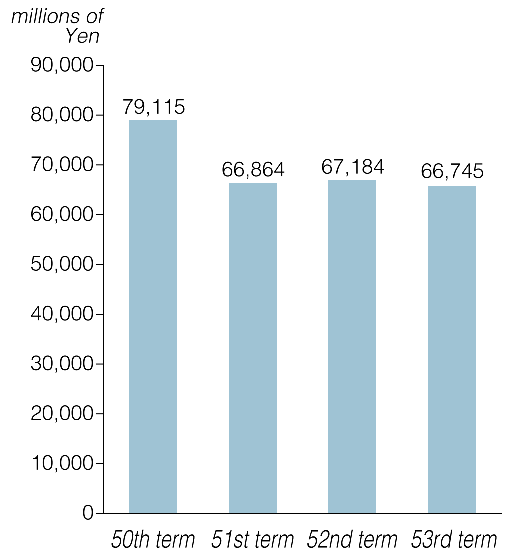
Millions of Yen
(except per share data)

Item	50th term (April 1995-March 1996)	51st term (April 1996-March 1997)	52nd term (April 1997-March 1998)	53rd term (April 1998-March 1999)
Net sales	79,115	66,864	67,184	66,745
Operating income	7,425	3,354	4,313	4,191
Net income	3,043	1,328	1,374	1,705
Net income per share	\ 87.61	\ 38.22	\ 39.57	\ 49.08
Total assets	96,747	93,099	93,377	95,285
Net assets	65,462	66,156	66,907	67,988

(Notes)

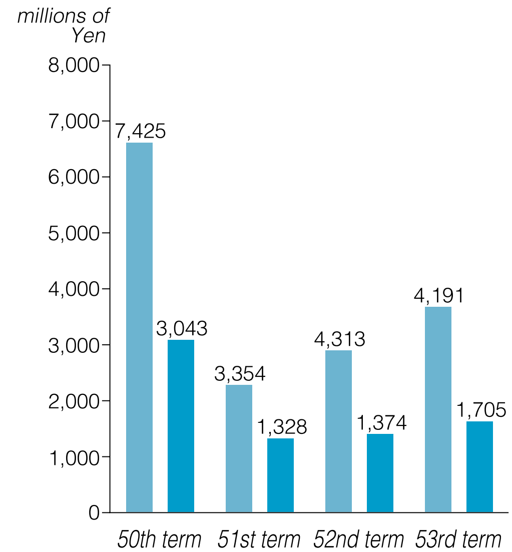
Net income per share of common stock is calculated based upon the weighted average number of shares of common stock outstanding during each year.

Net Sales for the Term



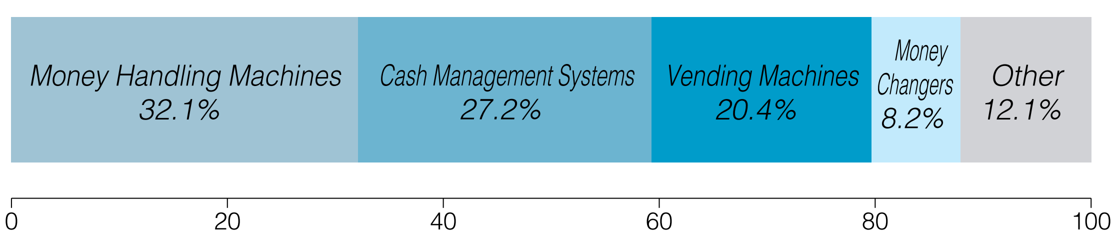
Net sales	79,115	66,864	67,184	66,745

Operating Income and Net Income for the Term



Operating income	7,425	3,354	4,313	4,191
Net income	3,043	1,328	1,374	1,705

Breakdown of Net Sales by Product Group

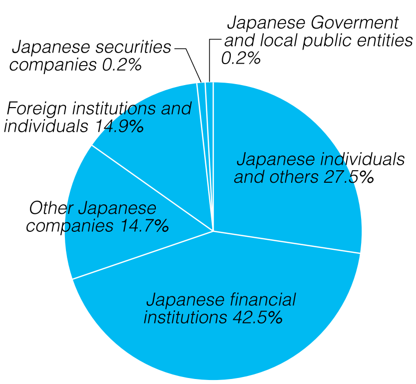


DISTRIBUTION OF SHARES

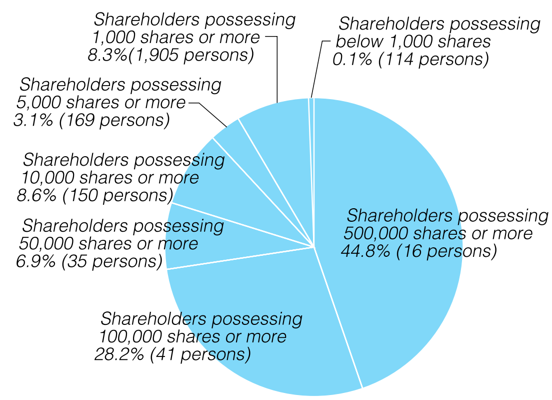
(As of 31st March,1999)

Total number of shares authorised : 120,000,000
Total number of shares issued : 34,730,969
Total number of shareholders : 2,430 (Increase of 164 shareholders from the preceding term end)

Distribution by Ownership of Shares



Distribution by Number of Shares



Major Shareholders

Name	Number of shares of the Company held by major shareholders		Number of shares of major shareholders held by the Company	
	Number of shares (1,000 shares)	Ratio of shares held (%)	Number of shares (1,000 shares)	Ratio of shares held (%)
Nippon Life Insurance Company	2,094	6.0	—	—
Tatsuta Boseki Kaisha, Limited	1,969	5.7	—	—
The Sakura Bank, Limited	1,641	4.7	1,651	0.0
Onoe International Limited	1,100	3.2	—	—
Winning Limited	1,000	2.9	—	—
The Sumitomo Bank, Limited	904	2.6	416	0.0
The Sanwa Bank, Limited	904	2.6	508	0.0
The Dai-Ichi Mutual Life Insurance Company	858	2.5	—	—
The Bank of Tokyo-Mitsubishi, Ltd.	807	2.3	317	0.0
The Dai-Ichi Kangyo Bank, Limited	738	2.1	563	0.0

(Number of shares less than 1,000 shares are omitted.)

STATUS OF YEAR 2000 READINESS

Status of Readiness

Policies

The Company recognises the Year 2000 ("Y2K") issue as being important for maintaining both business continuity and customers relationships. The Company is proceeding with the Y2K readiness project in each of three categories: internal information systems, production systems (including CAD, CAM, etc.), and products delivered to customers.

Organisation

As for the key internal information system, the Company has recognised its importance for Y2K readiness and the information system division has been primarily involved in undertaking the readiness project since January 1996. The production systems have been investigated for Y2K readiness by each division since fiscal 1998.

Products have been investigated for Y2K readiness since October 1996. Such investigation has been managed and controlled by the "Y2K Issue Readiness Committee" which was established in January 1999 to coordinate the investigation on the Company-wide basis.

Status of the progress in readiness

The Company plans to complete Y2K compliance/remediation efforts for internal information systems, production systems and products by the end of September 1999. As for products sold to customers, Glory Shoji Co., Ltd., which engages in sales and maintenance, is undertaking Y2K compliance/remediation efforts and will complete such efforts by the end of September 1999.

It has been verified by survey that approximately half of the Company's suppliers were Y2K compliant. The Company will further monitor the progress of the Y2K readiness of suppliers to prevent any adverse effects on the Company's production.

Costs for Y2K Readiness and etc.

It is difficult to identify specific costs related to Y2K readiness efforts because many Y2K issues were automatically resolved through the process of reconstructing internal information systems and renewing production facilities.

The Company expects that no further significant expenditures will be needed and that any expenditure will have no significant impact on financial performance.

Contingency Plan, etc.

The Company believes that all of the above readiness efforts will be completed and that the Company will be Y2K compliant. However, the Y2K Issue Readiness Committee is developing contingency plans to prepare for unexpected events.

NON-CONSOLIDATED BALANCE SHEETS

(As of 31st March,1998 and 1999)

	Millions of Yen		Thousands of U.S. dollars (Note 3)
	1998	1999	1999
ASSETS			
Current assets:			
Cash	\ 2,426	\ 2,349	$ 19,413
Time deposits	18,030	24,451	202,074
Short-term investments (Note 5)	1,174	657	5,430
Notes and accounts receivable-trade:			
Glory Shoji Co., Ltd.	17,655	15,805	130,620
Other	4,805	4,650	38,430
Allowance for doubtful accounts	(181)	(133)	(1,099)
	22,279	20,322	167,951
Inventories (Note 4)	15,356	14,009	115,777
Other current assets	883	1,153	9,529
Total current assets	60,148	62,941	520,174
Investments:			
Investments in securities (Notes 5)	5,708	5,299	43,793
Investments in subsidiaries and an affiliate	1,633	1,695	14,008
	7,341	6,994	57,801
Property, plant and equipment:			
Buildings and structures	18,385	18,428	152,297
Machinery and equipment	24,541	25,382	209,769
	42,926	43,810	362,066
Accumulated depreciation	(28,283)	(29,602)	(244,645)
	14,643	14,208	117,421
Land	8,186	8,186	67,653
Construction in progress	21	14	116
	22,850	22,408	185,190
Other assets:			
Long-term loans to subsidiaries	193	152	1,256
Other long-term loans	22	19	157
Allowance for doubtful accounts	(1)	(1)	(8)
Other	2,824	2,772	22,909
	3,038	2,942	24,314
	\ 93,377	\ 95,285	$ 787,479

The accompanying notes are an integral

	Millions of Yen		Thousands of U.S.dollars (Note 3)
	1998	1999	1999
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans (Note 6)......................	\ 5,460	\ 6,010	$ 49,669
Current portion of long-term debt (Note 6).....	290	5,230	43,223
Notes and accounts payable:			
Trade..	9,130	8,224	67,967
Subsidiaries and an affiliate.......................	1,583	1,391	11,496
Other..	369	1,123	9,281
	11,082	10,738	88,744
Accrued income taxes (Note 8).....................	1,020	1,890	15,620
Accrued bonuses..	1,288	1,358	11,223
Deferred income..	7	7	58
Other current liabilities..................................	420	478	3,950
Total current liabilities................................	19,567	25,711	212,487
Long-term debt (Note 6).................................	5,460	230	1,901
Accrued severance indemnities (Note 7)........	1,436	1,356	11,207
Long-term deferred income............................	7	—	—
Total liabilities...	26,470	27,297	225,595
Contingent liabilities (Note 9)			
Shareholders' equity (Notes 11):			
Common stock, \50 ($0.41) par value			
Authorised, 120,000 thousand shares			
Issued and outstanding, 34,730 thousand shares...	12,738	12,738	105,273
Additional paid-in capital...............................	12,207	12,207	100,884
Legal reserve..	3,185	3,185	26,322
Voluntary reserves...	36,600	37,200	307,438
Retained earnings..	2,177	2,658	21,967
Total shareholders' equity.........................	66,907	67,988	561,884
	\ 93,377	\ 95,285	$ 787,479

part of these financial statements.

NON-CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(For the years ended 31st March, 1998 and 1999)

	Millions of Yen		Thousands of U.S.dollars (Note 3)
	1998	1999	1999
Net sales (Note 13)	\ 67,184	\ 66,745	$ 551,612
Cost of sales (Note 13)	55,935	55,583	459,364
Gross profit	11,249	11,162	92,248
Selling, general and administrative expenses	6,936	6,971	57,612
Operating income	4,313	4,191	34,636
Other income (expenses):			
Interest and dividend income	297	311	2,570
Interest expense	(378)	(369)	(3,050)
Gains and losses on sales of short-term investments and investments in securities	(210)	(0)	(0)
Loss on devaluation of securities	(1,179)	(420)	(3,471)
Loss on disposal or sales of property, plant and equipment	(189)	(157)	(1,297)
Other, net	250	49	405
	(1,409)	(586)	(4,843)
Income before income taxes	2,904	3,605	29,793
Income taxes (Note 8)	1,530	1,900	15,702
Net income	1,374	1,705	14,091
Retained earnings:			
Balance at beginning of the year	2,402	2,177	17,992
Transfer from voluntary reserves	43	—	—
Transfer to legal reserve	(18)	(—)	(—)
Cash dividends	(556)	(556)	(4,595)
Bonuses to directors and corporate auditors	(68)	(68)	(562)
Transfer to voluntary reserves	(1,000)	(600)	(4,959)
Balance at end of the year	\ 2,177	\ 2,658	$ 21,967

	Yen		U.S. dollars (Note 3)
	1998	1999	1999
Per share:			
Net income	\ 39.57	\ 49.08	$ 0.41
Cash dividends	16.00	16.00	0.13
Weighted average number of shares outstanding (thousands)	34,730	34,730	34,730

The accompanying notes are an integral part of these financial statements.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presenting Non-Consolidated Financial Statements

The accompanying non-consolidated financial statements have been prepared from accounts and records maintained by Glory Ltd. (the “Company”) in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards.

Relevant notes have been added, and certain reclassifications of account balances as disclosed in the non-consolidated financial statements in Japan, have been made so as to present them in a form which is more familiar to readers outside Japan. Since the presentation of a statement of cash flows is not required under generally accepted accounting principles and practices in Japan, such statements are not presented herein.

The non-consolidated financial statements are not intended to present the non-consolidated financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Certain prior-year amounts have been reclassified to conform with the current year's presentation.

2. Summary of Significant Accounting Policies

(1) Inventories

Inventories are stated at cost, cost being determined by the average method.

(2) Short-term Investments and Investments in Securities

Securities listed on stock exchanges are valued at the lower of cost or market, cost being determined by the moving average method.

In applying the lower of cost or market method, the Company has adopted the reversal method beginning with the year ended 31st March, 1999 under which the valued amount at the fiscal year-end is reversed to the original acquisition cost at the beginning of the following fiscal year, in accordance with the 1998 amendments of the Japanese Income Taxes Laws. The Company had previously applied the separation method under which the valued amount at the fiscal year-end is used as carrying value at the beginning of the following fiscal year. The change in the method in applying the lower of cost or market method had no effects on the Company's financial position and operating results.

Securities which are not listed on stock exchanges are valued at cost, cost being determined by the moving average method.

(3) Investments in Subsidiaries and an Affiliate

Investments in subsidiaries and an affiliate are valued at cost. The equity method of accounting for investments in subsidiaries and an affiliate has not been applied by the Company in the accompanying non-consolidated financial statements.

(4) Property, Plant and Equipment and Depreciation

Property, plant and equipment, including significant renewals and additions, are carried at cost.

The cost of property, plant and equipment retired or otherwise disposed of and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is reflected in income.

Depreciation of property, plant and equipment other than buildings acquired on or after April 1, 1998 is computed using the declining balance method, at rates based on the estimated useful lives of assets as prescribed by the Japanese Income Taxes Laws.

Buildings acquired on or after April 1, 1998 are depreciated based on the straight line method in accordance with the 1998 amendments of the Japanese Income Taxes Laws. The effects of this change in the depreciation method was immaterial.

The estimated useful lives of buildings have been shortened in compliance with the 1998 amendments of the Japanese Income Taxes Laws from the year ended 31st March, 1999. The effects of this change were to increase depreciation expenses by ¥71 million ($587 thousand), and to decrease Operating income and Income before income taxes by ¥52 million ($430 thousand) and by ¥67 million ($554 thousand), respectively.

The range of the estimated useful lives is as follows:

	1998	1999
Buildings and structures..	3 to 65 years	3 to 50 years
Machinery and equipment...	4 to 11 years	4 to 11 years

Normal repairs and maintenance, including minor renewals and improvements, are charged to expense as incurred.

(5) Finance Leases

Where the finance leases do not transfer ownership of the leased property to the lessee during the lease terms, the leased property is not capitalised and the relating lease expenses are charged to income in the period incurred.

(6) Accrued bonuses

Accrued bonuses at 31st March, 1998 were provided based on the bonus payment period determined based on the Company's internal regulations at the amount equivalent to the maximum limit allowed by the Japanese Income Taxes Laws. Following the 1998 amendments of the Japanese Income Taxes Laws where the allowance for employees' bonus was to be eliminated, the Company changed its bonus accrual method to provide the accrued bonuses based on the amount estimated to be paid.

The effect of this change was not material.

(7) Accrued Severance Indemnities and Pension Plans

Employees of the Company with more than one year of service are entitled to receive lump-sum indemnities upon termination. The amount of the benefits is determined based upon current basic rate of pay, length of service provided to the Company and conditions under which the termination occurs. The amount of severance indemnities to be paid by the Company is reduced by the benefits payable under the Company's non-contributory pension plan.

The accrued severance indemnities in the accompanying non-consolidated balance sheet represent 40% of the liability that the Company would be required to pay (reduced by the benefits payable under the non-contributory pension plan) if all eligible employees voluntarily terminated employment at the balance sheet date. Such liability is not funded.

The Company also has a non-contributory pension plan which entitles an employee to receive indemnities in a lump-sum or annuity in addition to the aforementioned benefits.

The Company accrues directors' and corporate auditors' lump-sum severance indemnities based on current rate of pay, length of service, and the relative rank of the person in question. The liability for the severance plan is not funded.

The accrued severance indemnities for directors and corporate auditors, which are included in the accrued severance indemnities in the accompanying balance sheet, are the amount estimated by the Company that would be paid at the balance sheet date if all directors and corporate auditors retired at that date. Amounts payable to directors and corporate auditors upon retirement are subject to the approval of shareholders.

(8) Income Taxes

The Company provides for corporate income tax, inhabitant tax and enterprise tax based upon amounts currently payable for each fiscal year. No tax effect is recorded for temporary differences between tax and financial reporting.

(9) Net Income and Dividends per Share

Net income per share of common stock is based upon the weighted average number of shares of common stock outstanding during each year. Cash dividends per share shown for each year in the non-consolidated statements of income and retained earnings represent dividends declared as applicable to the earnings for the respective years.

3. United States Dollar Amounts

The Company maintains its accounting records in Japanese Yen. The U.S. dollar amounts included in the accompanying non-consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on the basis of \121 = U.S.$1. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that the Japanese yen amounts have been or could be readily converted, realised or settled in dollars at \121 = U.S.$1 or at any other rate.

4. Inventories

Inventories as of 31st March, 1998 and 1999 consisted of the following:—

	Millions of Yen		Thousands of U.S. dollars
	1998	1999	1999
Finished products	\ 7,689	\ 5,399	$ 44,620
Work in process	5,948	6,833	56,471
Raw materials	11	7	58
Parts	1,701	1,763	14,570
Supplies	7	7	58
	\ 15,356	\ 14,009	$ 115,777

5. Short-term Investments and Investments in Securities

Short-term investments (current assets) and investments in securities (investments) as of 31st March, 1998 and 1999, consisted of the following:—

	Millions of Yen		Thousands of U.S. dollars
	1998	1999	1999
Short-term investments:			
Marketable securities	\ 520	\ —	$ —
Trust-funds	654	657	5,430
	\ 1,174	\ 657	$ 5,430
Investments in securities:			
Marketable equity securities	\ 4,920	\ 4,601	$ 38,025
Other	788	698	5,768
	\ 5,708	\ 5,299	$ 43,793

The market values of the current and non-current portfolios of marketable securities as of 31st March, 1998 and 1999 were as follows:—

	Millions of Yen		Thousands of U.S. dollars
	1998	1999	1999
Current portfolio	\ 525	\ —	$ —
Non-current portfolio	5,258	5,089	42,058

Gross unrealised gains and losses of marketable securities as of 31st March, 1998 and 1999 are summarised as follows:—

	Millions of Yen				Thousands of U.S. dollars	
	1998		1999		1999	
	Gains	Losses	Gains	Losses	Gains	Losses
Current portfolio	\ 5	—	\ —	—	$ —	—
Non-current portfolio	338	—	488	—	4,033	—

6. Short-term Bank Loans and Long-term Debt

Short-term bank loans are represented by bank overdrafts, bearing interest at an annual rate of primarily 1.625% and 0.74% as of 31st March, 1998 and 1999, respectively.

Information with respect to short-term bank loans outstanding for the years ended 31st March, 1998 and 1999 is as follows:—

	Millions of Yen		Thousands of U.S. dollars
	1998	1999	1999
Maximum month-end balance	\ 6,133	\ 6,010	$ 49,669
Average month-end balance	6,011	5,791	47,860
Weighted average interest rate	1.44%	1.08%	—

Long-term debt as of 31st March, 1998 and 1999, consisted of the following:—

	Millions of Yen		Thousands of U.S. dollars
	1998	1999	1999
Loans, from banks and an insurance company, due from 1999 to 2001 (a)			
Secured	\ —	\ —	$ —
Unsecured	750	460	3,802
	750	460	3,802
5.6% Euro yen bonds due 2000 (b)	5,000	5,000	41,322
	5,750	5,460	45,124
Less:portion due within one year	(290)	(5,230)	(43,223)
	\ 5,460	\ 230	$ 1,901

(a) Interest rates ranged from 2.55% to 4.3% as of 31st March, 1998 and 1999.

(b) The 5.6% \5,000 million bonds due 2000, which were originally issued at \10,000 million on 22nd December, 1992, were sold outside Japan at 101% of their face value. The issue expense was charged to income in the period the transaction occurred. The difference between the face value and the issue price was deferred and is being amortised over the life of the bonds. On 29th September, 1995, the Company redeemed one half of the bonds to reduce interest expense. The face amount of redeemed bonds totalled \5,000 million, and the Company recognised a redemption loss of \738 million. The remaining bonds will mature at their face value on 23rd March, 2000.

The aggregate annual maturities of long-term debt outstanding as of 31st March, 1999 are as follows:—

Years ending 31st March,	Millions of Yen	Thousands of U.S. dollars
2000	5,230	43,223
2001	230	1,901
	\ 5,460	$ 45,124

7. Accrued Severance Indemnities and Pension Plan

The accumulated balance of fund assets of the non-contributory pension plan aggregated ¥1,258 million ($10,397 thousand) as of 31st January, 1999

The past service cost for the pension plan aggregated ¥201 million ($1,661 thousand) as of 31st January, 1999 and will be amortised over a 7 year and 8 month period.

The balances of the reserve for directors' and corporate auditors' retirement benefits included in the accrued severance indemnities, amounted to ¥814 million and ¥715 million ($5,909 thousand) as of 31st March, 1998 and 1999, respectively.

8. Income Taxes

The Company is subject to a number of different taxes based on income which in the aggregate indicate statutory tax rates of approximately 52.0% and 47.9% for the years ended 31st March, 1998 and 1999, respectively.

However, income tax expense as shown in the accompanying non-consolidated statements of income and retained earnings differ from the amounts computed by applying the above-mentioned statutory tax rates to "Income before income taxes". The principal reason for this difference arises because no tax effects have been recognised on certain temporary differences between financial accounting and tax reporting. The main element of such temporary differences are accrued enterprise tax not being deductible until paid. Accrued bonuses have been the element of the temporary differences from the year ended 31st March, 1999 due to the 1998 amendments of the Japanese Income Taxes Laws.

9. Contingent Liabilities

The Company provided guarantees for bank loans drawn by its employees.

Such guarantees aggregated ¥180 million ($1,488 thousand) as of 31st March, 1999.

On 29th September 1995, the Company entered into a debt assumption agreement with London Branch of The Sakura Bank, Ltd. ("Sakura Bank") for redemption of one half of the 5.6% ¥10,000 million bonds due 2,000 (face amount ¥5,000 million). In accordance with the agreement, the Company paid the amount required for the redemption to Sakura Bank, and simultaneously delegated its obligation for the bonds to Sakura Bank. The Company has recognised the redemption of the bonds for financial reporting purposes, however, the Company's obligation to the bondholders will exist until the maturity of the bonds.

10. Leases

Where the finance leases do not transfer ownership of the leased property to the lessee during the lease terms, the leased property is not capitalised and the relating lease expenses are charged to income in the period incurred, in accordance with the statements issued by the Business Accounting Deliberation Council of Japan ("BADC").

Lease expense:

	Millions of Yen		Thousands of U.S. dollars
	1998	1999	1999
Lease expense	¥ 354	¥ 392	$ 3,240

Future lease payments, including interest:

	Millions of Yen		Thousands of U.S. dollars
	1998	1999	1999
Due within one year	¥ 314	¥ 327	$ 2,703
Due after one year	402	303	2,504
	¥ 716	¥ 630	$ 5,207

Additional information, requested by BADC, to be disclosed but not included in the statements of income and retained earnings or balance sheets, is as follows:—

Notional acquisition cost and accumulated depreciation:

	Millions of Yen		Thousands of U.S. dollars
	1998	1999	1999
Leased property:			
Machinery and equipment	¥ 1,543	¥ 1,565	$ 12,934
Less: Accumulated depreciation	(827)	(935)	(7,727)
	¥ 716	¥ 630	$ 5,207

Notional depreciation expense:

	Millions of Yen		Thousands of U.S. dollars
	1998	1999	1999
Notional depreciation expense....................................	\ 354	\ 392	$ 3,240

Notional acquisition cost is defined as the total lease payment including interest. Notional depreciation expense is calculated using the straight-line method over the terms of the lease based on notional acquisition cost.

11. Shareholders' Equity

The Japanese Commercial Code requires the appropriation of retained earnings as a legal reserve in an amount equivalent to at least 10% of cash payments for appropriation of retained earnings with respect to each financial year until the reserve equals 25% of its stated capital. The reserve may be transferred to common stock by a resolution of the Board of Directors or used to reduce a deficit by a resolution of the shareholders' meeting.

Under the Japanese Commercial Code the appropriation of retained earnings (including year end dividend payments) proposed by the Board of Directors should be approved by the shareholders' meeting which must be held within three months after the end of each fiscal year. The appropriation of retained earnings reflected in the accompanying non-consolidated financial statements represents the results of such appropriations which are applicable to the immediately preceding fiscal year but were approved at the shareholders' meeting and disposed of during the current year.

As is customary practice in Japan, the payment of bonuses to directors and corporate auditors is made out of retained earnings instead of being charged to income of the year and constitutes a part of the appropriations cited above.

The Company's Board of Directors, with the subsequent approval of the shareholders, has made annual appropriations of retained earnings for various purposes, the accumulated balance of which is presented as "Voluntary reserves" in the accompanying financial statements. Any disposition of such appropriations is at the discretion of the Board of Directors subject to the subsequent approval of the shareholders.

12. Research and Development Expenses

Research and development expenses charged to income for the years ended 31st March, 1998 and 1999 were as follows:—

Millions of Yen		Thousands of U.S. dollars
1998	1999	1999
\ 9,003	\ 8,964	$ 74,083

13. Related Party Transactions

As of 31st March, 1999 the Company owned 62.9% and 73.5% of the outstanding common stock of Glory Shoji Co., Ltd. and Glory Kiki Co., Ltd. respectively.

The accompanying non-consolidated financial statements include transactions made in the normal course of business with Glory Shoji Co., Ltd. and Glory Kiki Co., Ltd. as follows:—

	Millions of Yen		Thousands of U.S. dollars
	1998	1999	1999
Sales to Glory Shoji Co., Ltd.	\ 56,946	\ 55,825	$ 461,364
Purchases from Glory Kiki Co., Ltd.	9,309	10,524	86,975

14. Subsequent Event

On 29th June, 1999 the shareholders' meeting approved the appropriation of retained earnings as follows:—

	Millions of Yen	Thousands of U.S. dollars
Cash dividends (\8.0 per share)...	\ 278	$ 2,298
Bonuses to directors and corporate auditors..	72	595
Transfer to voluntary reserves..	600	4,959

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Chuo Audit Corporation

certified public accountants, Japan

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
Glory Ltd.

We have audited the accompanying non-consolidated balance sheets of Glory Ltd. as of 31st March, 1999 and 1998, and the related non-consolidated statements of income and retained earnings for the years then ended, all expressed in Japanese Yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the non-consolidated financial statements referred to above present fairly the non-consolidated financial position of Glory Ltd. as of 31st March, 1999 and 1998, and the non-consolidated results of its operations for the years then ended in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis.

The amounts expressed in U.S. dollars, provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying non-consolidated financial statements.

Chuo Audit Corporation
CHUO AUDIT CORPORATION

Osaka, Japan
29th June, 1999.

DIRECTORS AND CORPORATE AUDITORS

(As of 31st March,1999)

Title		*Name*
Chairman	:	*Kanji Matsushita
President	:	*Hisao Onoe
Executive Vice President and Director	:	Shunsuke Kawauchi
Senior Executive Director	:	Manando Ishida
Senior Executive Director	:	Hideto Nishino
Executive Director	:	Katsuhiko Onoe
Executive Director	:	Masatoshi Murakami
Executive Director	:	Kunihiro Ogami
Director	:	Toru Ariyoshi
Director	:	Masatoshi Ushio
Director	:	Terumi Urakawa
Director	:	Norishige Matsuoka
Director	:	Hideaki Matsushita
Director	:	Koichi Hashimoto
Director	:	Shinya Tatsuta
Standing Corporate Auditor	:	Naohiro Yahata
Standing Corporate Auditor	:	Akio Ueba
Corporate Auditor	:	Hisakazu Ikeuchi
Corporate Auditor	:	Kazuhiko Yasuhira

*(Notes) 1. * indicates that the individual is a Representative Director.*
2. Changes in directors and corporate auditors during fiscal 1999 were as follows:
(1) Jusaku Onoe and Jitsuta Saito were retired as director and senior counsellor, and director, respectively, at the end of the 52nd periodical shareholders' meeting held on 26th June, 1998.
(2) Hideaki Matsushita was newly elected and inaugurated as director at the 52nd periodical shareholders' meeting held on 26th June, 1998.
3. Hisakazu Ikeuchi and Kazuhiko Yasuhira, corporate auditors, are external corporate auditors as defined by Clause 1, Article 18 of the special Law of the Commercial Code Concerning Audit, etc. of Stock Corporation.

GLORY®

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