

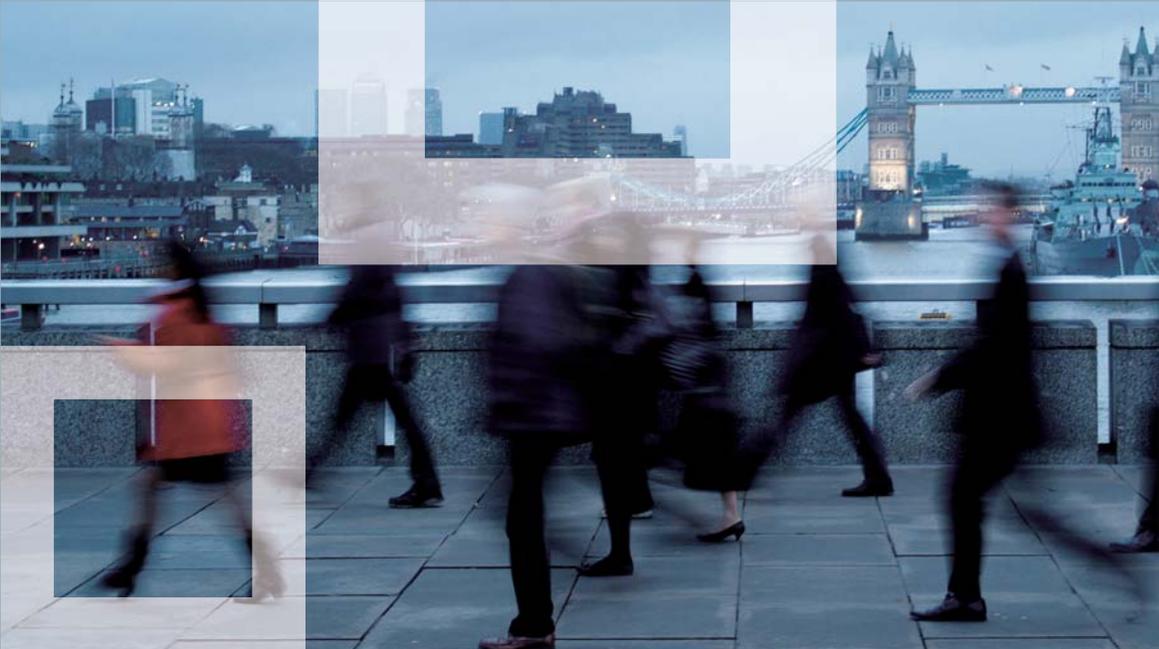


GLORY LTD.



# WE'RE READY

ANNUAL REPORT 2015 | For the Year Ended March 31, 2015



# ACQUIRING THE QUALITIES TO LEAD **MARKETS**

## Four common attributes of global companies

Since we introduced Japan's first coin counter in 1950, GLORY has developed and delivered many innovations in money handling automation. Those innovations are the result of R&D that has continually advanced our core recognition/identification and mechatronics technologies. We have a network in more than 100 countries around the world that delivers technological innovation for an expanding range of comprehensive customer solutions to financial institutions, retailers and more. Following a successful chapter of strategic global merger and expansion, GLORY associates have united into a single international team possessing competitive **talent** backed by **original technologies**.

With these strengths and our **world-class (and worldwide) manufacturing, sales and service network** we are focusing on **close and productive ties to customers** as we build a **commanding market presence** in each geographic region.

No longer just a leader in Japan, GLORY has all the attributes to be a competitive leader around the world.



# TALENT



# NETWORK



# TECHNOLOGY

# TIES



### Forward-Looking Statements

Statements in this annual report, other than historical facts, are forward-looking statements based on management's assumptions and beliefs in light of the information currently available, and thus involve a certain element of risk and uncertainty. Actual events and results may differ materially from those anticipated in these statements.

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# SOLUTIONS FOR UNDER-MET NEEDS

As a pioneer in the money handling equipment industry, GLORY was the first Japanese manufacturer of numerous innovative products. The keys to GLORY's evolution and growth as an R&D-driven manufacturer are the "striving spirit" that defines our corporate DNA, and our two core technologies of recognition/identification and mechatronics. These technologies are the result of relentless effort by R&D associates who exemplify this corporate DNA. GLORY's greatest strength is its technologies, including systems that can count currency rapidly and accurately while detecting counterfeits more reliably than the human eye. We have used these technologies to develop products that help our customers improve efficiency and achieve greater rigor in their business operations.

OVER  
**20**  
ORIGINAL  
PRODUCTS IN JAPAN

## TECHNOLOGY AREAS



# 01

## EXCLUSIVE AND ORIGINAL TECHNOLOGY

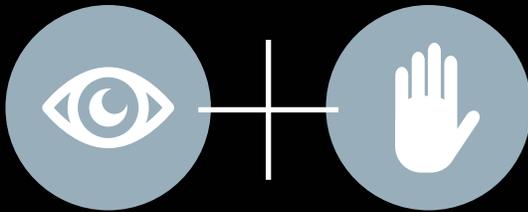
- Banknote Counting
- Banknote Sorting
- Banknote Strapping
- Banknote & Check Deposit
- Banknote Changing
- Banknote Serial Number Recording
- Coin Counting
- Coin Sorting
- Coin Wrapping
- Coin Deposits
- Counterfeit Detecting
- Fitness Sorting



## MECHATRONICS TECHNOLOGY

Our technologies can rapidly sort and bundle currency with the same dexterity as the human hand. Even currencies with different thicknesses and sizes can be sorted instantly.

### GLORY'S CORE TECHNOLOGIES

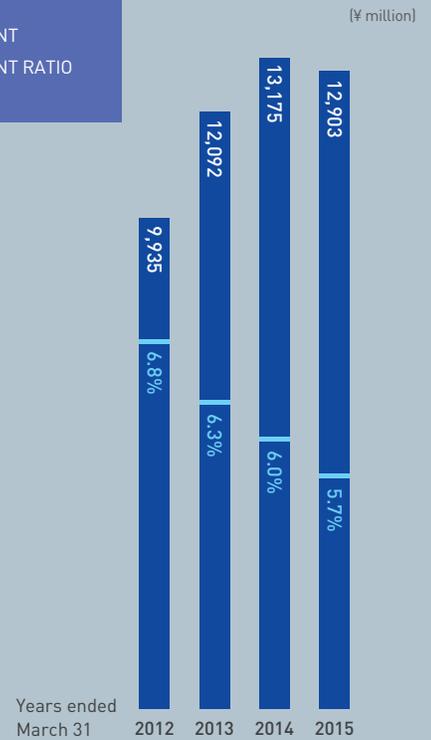


## RECOGNITION/ IDENTIFICATION TECHNOLOGY

Like the human eye, our technology visually sorts cash according to denomination and fitness while also checking for counterfeits. Various methods, including the scanning of designs on currency for comparison with data, are used to identify each piece of currency more rapidly and more accurately than the human eye.

## CONTINUOUS R&D ACTIVITY

■ R&D INVESTMENT  
 — R&D INVESTMENT RATIO TO NET SALES





# BOTTOM-TO-TOP ENTHUSIASM AND ENERGY



GROUP EMPLOYEES  
APPROXIMATELY

**9,000**  
WORLDWIDE





GROUP  
COMPANIES

51

As of July 31, 2015



# 02

## TALENTED EMPLOYEES



What customers notice most often is not the level of talent evidenced by GLORY associates, but the qualities of their talent, which involve listening, co-operation, and self-initiative to deliver the best solution for the customer's goals. We actively encourage the development of these talents. In hiring, training and daily operations, we emphasize respect for the individual and teamwork.

As associates, we share and appreciate the importance of GLORY's philosophy and vision, codified as "striving spirit," meaning that we will strive to meet the needs of customers and society with unyielding dedication and make the impossible possible.

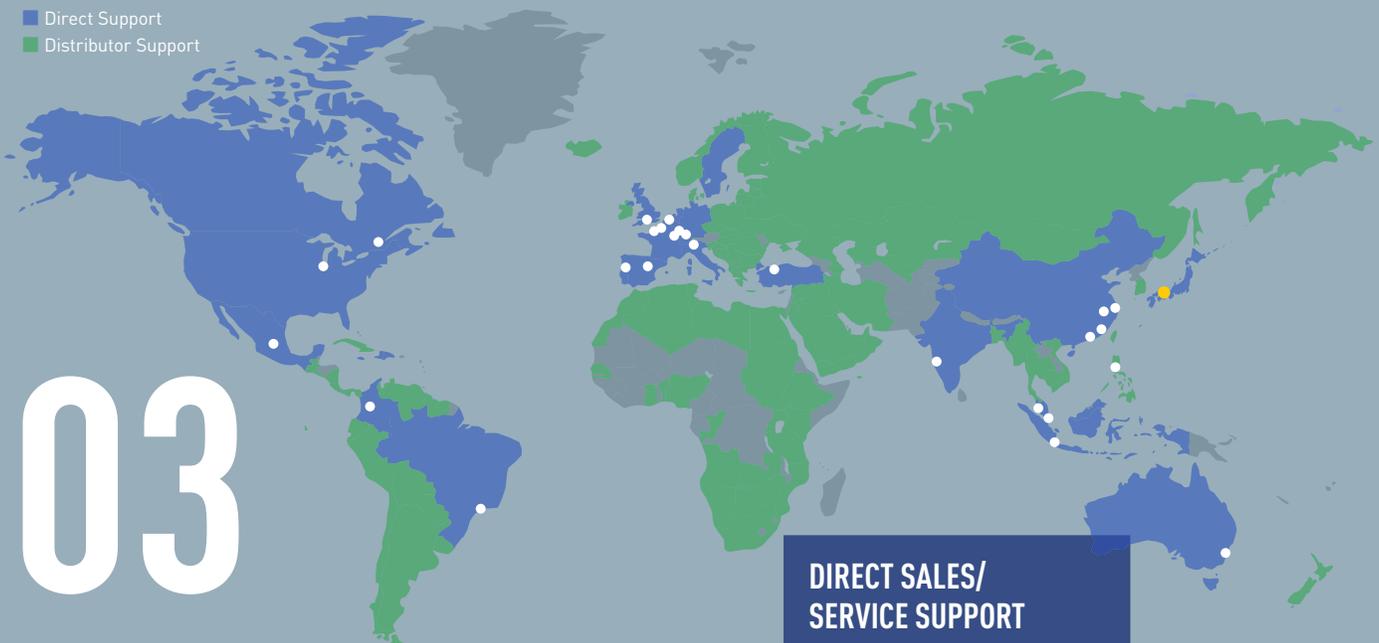
We are fortunate in that our corporate history and mission are closely intertwined and clear. They have been, and remain, to contribute to the development of a more secure society through a striving spirit and the applied "power of everyone."

GLORY has achieved market success as a leading manufacturer of money handling equipment by building a superior business model based on a comprehensive group structure. We identify customer needs in each country and region through our extensive networks, and we use our advanced technologies to develop innovative products and services to meet needs. We supply and support those products and services directly in over 20 countries through our own sales and maintenance networks, and in over 100 countries in collaboration with distributors. This ability to integrate all stages from product planning to maintenance within our group is one of GLORY's key strengths and has helped us to earn the confidence of customers worldwide.

# A COMMANDING MARKET PRESENCE



- Head Office
- Subsidiaries
- Direct Support
- Distributor Support



# 03

## WORLD-CLASS SALES AND SERVICE NETWORK

DIRECT SALES/  
SERVICE SUPPORT  
OVER **20**  
COUNTRIES



# 04

## CLOSE TIES TO CUSTOMERS

### GLORY'S COMPREHENSIVE GROUP STRUCTURE



DISTRIBUTOR-SUPPLEMENTED SUPPORT

OVER **100** COUNTRIES



## KEY FIGURES AT A GLANCE

# 2015 PERFORMANCE TRENDS

### NET SALES

**3.8%  
UP**

Sales rose for the fifth straight year, driven by Financial Market and Overseas Market sales.

### OPERATING INCOME

**14.7%  
UP**

Gain attributable to higher sales and reduced SG&A expenses.

### NET INCOME

**31.6%  
UP**

The absence of previous loss on liquidation of business contributed to this sizable increase.

### ROE

**1.1 POINTS  
UP**

The increase reflects the solid gain in net income.

### OVERSEAS SALES RATIO

**48%**

Currently on par with sales in Japan.

### CASH DIVIDENDS PER SHARE

**¥54**

Five yen higher than last year.

# CONSOLIDATED FINANCIAL HIGHLIGHTS

GLORY LTD. and consolidated subsidiaries, years ended March 31

For the year:	Millions of yen				Thousands of U.S. dollars*1	
	2011	2012	2013	2014	2015	2015
Net sales	¥ 138,965	¥ 146,938	¥ 190,939*3	¥ 218,632	¥ 226,975	\$ 1,889,097
Operating income	10,509*2	11,275	14,458*3	16,719	19,180	159,634
Net income	6,229	6,247	6,873	9,939	13,082	108,880
Capital expenditure	6,414	6,709	8,218	7,235	8,677	72,218
R&D expenses	8,999	9,935	12,092	13,175	12,903	107,391
Depreciation and amortization	6,717	6,842	8,897	9,281	10,435	86,850
<b>At year-end:</b>						
Total assets	¥ 198,020	¥ 205,245	¥ 319,078*3	¥ 340,943	¥ 346,614	\$ 2,884,844
Total equity	149,782	153,334	168,465	190,805	204,545	1,702,414
Interest-bearing debt	13,309	13,530	86,298*3	75,688	64,983	540,845
<b>Per share data:</b>						
Net income	¥ 94.83	¥ 95.09	¥ 104.64	¥ 151.31	¥ 199.16	\$ 1.66
Dividend (annual)	37.00	42.00	44.00	49.00	54.00	0.45

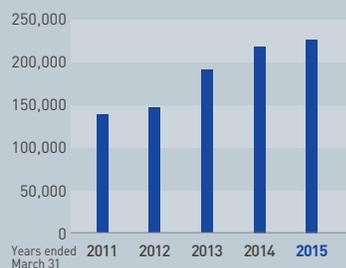
\*1 The U.S. dollar amounts are converted, for convenience only, at the rate of ¥120.15=US\$1, the approximate exchange rate at March 31, 2015.

\*2 For easy comparison, operating income for the year ended March 31, 2011 has been adjusted to reflect changes in accounting standards applicable to fiscal year ended March 31, 2012.

\*3 Major portion of increase compared to fiscal year ended March 31, 2012 is due to acquisition of Talaris Topco Limited in 2012.

## Net Sales

(¥ million)



## Operating Income/Operating Margin

(¥ million)

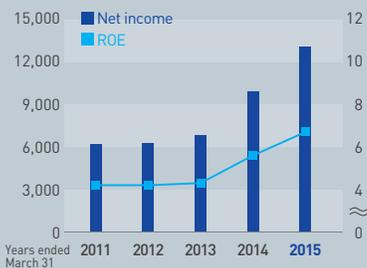
(%)



## Net Income/ROE

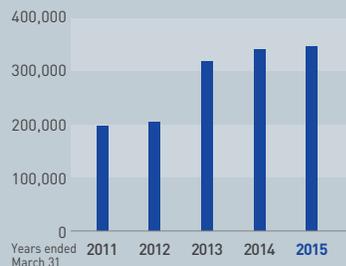
(¥ million)

(%)



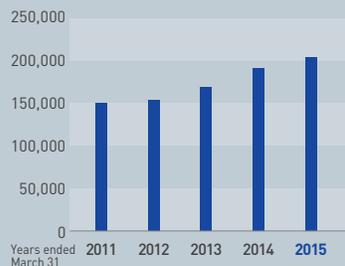
## Total Assets

(¥ million)



## Total Equity

(¥ million)



## Cash Dividends/Payout Ratio

(¥)

(%)





President  
**Hirokazu Onoe**

# WITH THE SETUP COMPLETE, GET READY FOR SOME REAL GROWTH

GLORY is on the threshold of a new phase of growth—and success. Since the acquisition of Talaris, our overseas business has grown to match the scale of our domestic business. Yet, we see the major growth is still ahead, especially overseas. In the final stage of our Long-Range Vision 2018, we will develop finer nuance in our regional business approaches, appeal to new industries in Japan and originate future flagship products to better compete in the market.

## BUSINESS OVERVIEW AND FINANCIAL RESULTS

For the year ended March 31, 2015, GLORY grew sales and income for the fifth straight year, driven by the Financial Market segment sales in Japan and by the Overseas Market segment sales, especially in the Americas.

In Japan, there was lingering impact of the consumption tax increase and weakening consumer spending, but the economy remained on a gradual recovery trend thanks to improvements in business earnings and employment. Overseas, despite a continuing recovery in the U.S. and a gradual recovery in Europe, the world economic situation remained generally uncertain, mainly because of economic slowdowns affecting emerging countries, including China.

The year ended March 2015 was the final year of the GLORY Group's 2014 Medium-Term Management Plan, and, in the current business environment, we dynamically implemented a range of measures to ensure the achievement of our targets under that plan. After a slow first half, business in the Financial Market segment recovered in the second half. Aided in part by the effects of a weaker yen, business remained generally positive throughout the Overseas Market segment, as well. As a result, we were able to record our fifth straight year of sales and income growth.

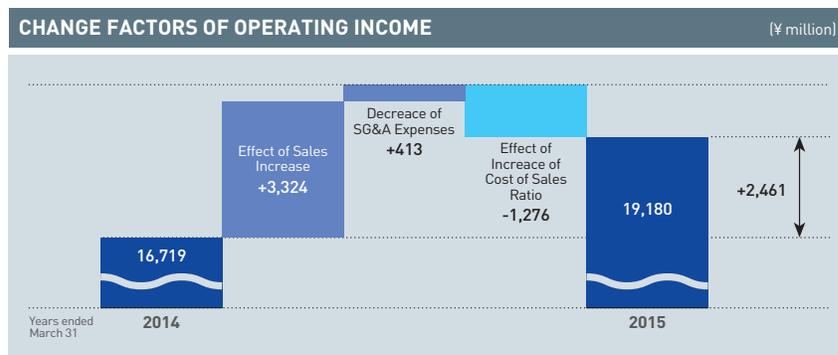
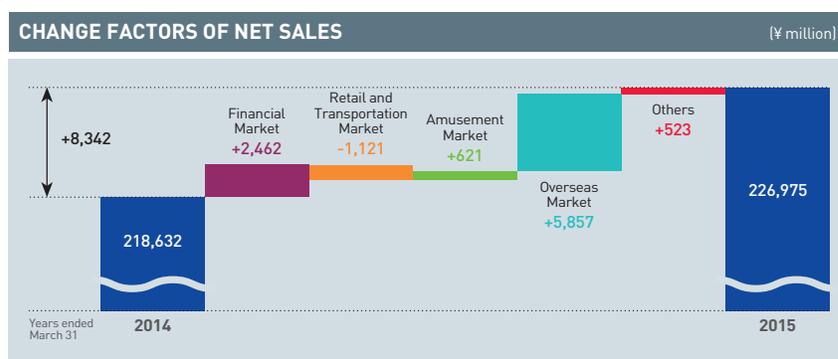
Looking at our results in finer detail, the Financial Market segment showed a healthy trend in sales of open teller systems, which are our flagship product. In particular, we made a successful start with the new standard

type product "WAVE Pro" (see Page 18), which was launched in November 2014. We also saw large demand for compact open teller systems for use in small- and medium-sized branches.

The Retail and Transportation Market segment was impacted by the consumption tax increase and other factors that motivated supermarkets and other retailers to postpone capital investment. This led to slower sales of coin and banknote recyclers for cashiers, which is a key product category.

The Amusement Market segment continued to experience challenging conditions, including a decline in the number of pachinko parlors (amusement halls) and intensifying market competition. However, GLORY was able to capture replacement demand in existing venues, and sales of key products, such as card systems, were strong.

In the Overseas Market segment, our sales in North America benefited from strong sales of banknote recyclers for tellers as financial institutions responded to the sustained economic recovery by moving ahead with capital investment. In Asia, particularly in India, there was significant growth in sales of banknote sorters, which are used to detect counterfeits and sort banknotes for fitness.



## TOP MESSAGE

### RETROSPECTIVE ANALYSIS OF THE 2014 MEDIUM-TERM MANAGEMENT PLAN

**Overseas business activities have expanded dramatically, but we still have work to do in terms of profitability.**



The 2014 Plan covered a three-year period from the year ended March 31, 2013. We implemented a range of measures based on our basic strategies—the Business Strategy, the Constitutional Strategy, and the Corporate Management Strategy—as the first step towards achieving our Long-Range Vision 2018.

From the perspective of our Business Strategy, the Japanese market remains our main earning foundation. To fulfill this role, we aggressively marketed our products to customer sectors in Japan where they had previously not been introduced. The Financial Market segment expanded sales of compact open teller systems for small- and medium-sized branches, while the Retail and Transportation Market segment increased sales of coin and banknote recyclers for cashiers to restaurant chains, specialty stores and other retail outlets. We also worked to deepen our penetration of existing markets. For example, we promoted

sales of products for non-cash operations in financial institutions, such as new electronic data entry tablets that allows financial slips to be created via a touch panel. The Amusement Market segment worked to capture new demand by launching the EXSIM Pachinko Parlor Total System, which uses cloud computing technology.

On the other hand, the Business Strategy designates our overseas business as a key growth driver. One of our top priorities under the 2014 Plan was the early creation and maximization of synergies arising from the acquisition of Talaris in 2012. We worked to achieve this goal by integrating the activities of Talaris and GLORY. By fully utilizing the sales and service network of Talaris, one of its greatest strengths, and by implementing regional strategies, we were able to capture large orders and achieve other significant benefits, including sales expansion in regions where we had not previously been involved. Due to the positive ef-

fects of this integration, net sales of the Overseas Market segment increased from a pre-acquisition ¥35 billion to ¥108 billion post acquisition, and from 24% of total net sales to 48%—thereby raising the scale of our overseas business to a level on par with our domestic business.

Initiatives based on our Constitutional Strategy focused on the improvement of our competitiveness in the global market. To reinforce product development, we worked to strengthen our core technologies and improve development efficiency by developing platform technologies. We also integrated our development themes with those of Talaris and completed the restructuring of our development organization. In the area of production, we began to realize cost synergies deriving from the initiation of joint procurement of parts with Talaris.

Under our Corporate Management Strategy, we implemented measures targeted toward the establishment of robust management infrastructure to support our Business Strategy and Constitutional Strategy. One measure was the revision of our corporate philosophy structure from a CSR perspective to more clearly express our core commitment to CSR activities. For GLORY, CSR activities represent the realization of our corporate philosophy, and we believe that we can fulfill our responsibilities to society by putting our corporate philosophy into practice in our business activities. Through this review of our corporate philosophy structure, we ensured that our corporate philosophy could

be shared across the entire GLORY Group, so that individual employees would be guided by CSR awareness in their work activities.

We also believe that human resource diversity is vital to sustainable corporate growth. One of our initiatives to promote diversity was the establishment of the GLORY Women's College, which provides in-house courses for female employees. GLORY still has only a limited number of female executives,

and, under the 2014 Plan, we worked to foster future candidates for executive positions by raising awareness among female employees and encouraging them to continue working actively with a strong sense of motivation toward their tasks.

Performance indicators show that we were unable to achieve our target operating margin of 10% due to factors that included intensifying market competition in Japan and overseas,

and cost increases caused by the rapid depreciation of the yen. However, we did achieve our goal of net sales of ¥210 billion, and we have realized the expansion of our business scale, and the reinforcement of our corporate fundamentals, having made steady progress towards the realization of the Long-Range Vision.

## 2017 MEDIUM-TERM MANAGEMENT PLAN

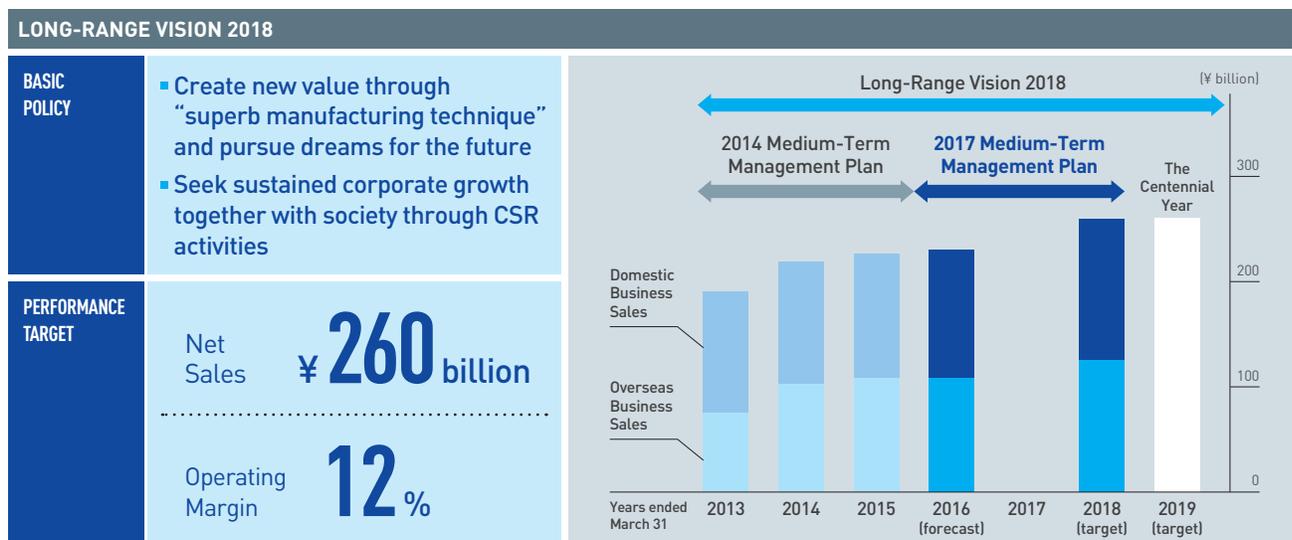
### We aim to realize our Long-Range Vision 2018 through business growth and improvement of profitability.

In April 2015 we launched the 2017 Medium-Term Management Plan as our final three-year step toward the realization of the Long-Range Vision 2018. Based on our achievements under the 2014 Plan, and by taking up the challenges identified under that plan,

we will move forward to "realization of business growth through 'customer-oriented superb manufacturing' and enhancement of profitability to achieve the Long-Range Vision 2018."

Under our Business Strategy, we will target sales expansion in our

domestic business by strengthening the front-line marketing capabilities of every branch and sales office. We will also develop business models that reflect market needs and focus on the creation of future flagship products. In our overseas business activities, we will strongly promote region-specific strategies based on exhaustive market analyses, and we will utilize technologies accumulated through our domes-



Note: Performance targets (consolidated basis) are for the final year of the Vision assumed exchange rate of 1GBP=¥125.

## TOP MESSAGE

tic business activities. We will also strive to expand our overseas business activities into new areas, such as retail markets, and to deepen our penetration of the financial market.

Our Constitutional Strategy calls for improvement of our cost competitiveness to allow timely supply of products and services that match market needs. To that end, we aim to further strengthen our development organiza-

tion and optimize global production and procurement.

Under our Corporate Management Strategy, we will continually strengthen our group governance structures. Another priority will be improving capital efficiency, as stated below. Further, we will focus on training and deployment of human resources capable of supporting our efforts to achieve global business expansion.



2017 MEDIUM-TERM MANAGEMENT PLAN				
<b>PERFORMANCE TARGET</b>	Net Sales <b>¥ 260 billion</b>	Operating Income <b>¥ 28 billion</b>	Overseas Sales Ratio <b>50 %</b>	<b>MANAGEMENT TARGET</b> ROE <b>8 %</b>
<b>BASIC POLICY</b>	Realize business growth through “customer-oriented superb manufacturing” and enhance profitability to achieve the Long-Range Vision 2018			
<b>BASIC STRATEGY</b>	<b>BUSINESS STRATEGY</b> Enhance profitability by expanding business size/area	<b>CONSTITUTIONAL STRATEGY</b> Provide timely products and services meeting market needs	<b>CORPORATE MANAGEMENT STRATEGY</b> Reinforce group management infrastructure	
<b>FOCUS</b>	<ul style="list-style-type: none"> <li>Domestic Business</li> <li>Overseas Business</li> </ul>	<ul style="list-style-type: none"> <li>Product Development</li> <li>Production/Procurement</li> <li>Quality Assurance</li> </ul>	<ul style="list-style-type: none"> <li>Group Governance</li> <li>Human Resource</li> <li>Capital/Financing</li> <li>Information System</li> </ul>	

Note: Performance targets are for the final year of the 2017 Plan, assuming exchange rates of 1USD=¥120, 1EUR=¥130 and 1GBP=¥175.

## IMPROVING CAPITAL EFFICIENCY

We aim to enhance our corporate value, which has been built on a foundation of good relationships with all stakeholders. One of our specific goals is the improvement of ROE. Under the 2017 Plan, we will work toward

an ROE of 8% as part of our efforts to achieve further improvement in our capital efficiency. Specifically, we will target growth in net income through the achievement of our performance targets under the 2017 Plan. We also

aim to improve the total asset turnover ratio through efficient investment in business growth, and to enhance shareholder returns.

## OUTLOOK FOR THE YEAR ENDING MARCH 31, 2016

### We will target profitability improvement by focusing on further enhancement of our corporate fundamentals.

In the year ending March 2016, we expect the Japanese economy to remain on a basic recovery trend, reflecting improvements in employment, incomes, and other areas. There are some areas of concern in overseas markets, including the tapering of monetary easing in the United States, political and economic instability in Europe, and slower economic growth in China and other emerging countries. However, we expect the world economy as a whole to follow a gradual recovery trend.

In this environment, throughout the first year of the 2017 Plan,

we will work steadily under the aforementioned strategies toward the Plan's goals. We will also further strengthen our corporate structure to improve profitability and seek to capture replacement demand in all

of our markets. Our consolidated financial forecasts for the year ending March 31, 2016 are net sales of ¥230 billion, operating income of ¥20 billion, and net income attributable to owners of parent\* of ¥11.5 billion.

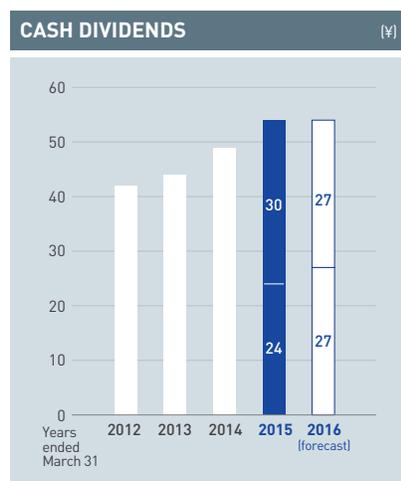
\* As a result of changes to the "Accounting Standard for Business Combinations" and other standards, the item that was referred to as "net income" in the year ended March 31 2015 will be referred from the year ending March 31, 2016 onwards as "net income attributable to owners of parent."

NET SALES BY BUSINESS SEGMENT			
(¥ million)			
Years ended March 31	2015	2016 (forecast)	Year on Year (%)
Overseas Market	108,859	109,000	+0.1
Financial Market	48,117	51,500	+7.0
Retail and Transportation Market	29,886	34,500	+15.4
Amusement Market	25,433	22,000	-13.5
Others	14,680	13,000	-11.4
<b>Total</b>	<b>226,975</b>	<b>230,000</b>	<b>+1.3</b>

\*Forecast for the year ending March 31, 2016, as of August 5, 2015.

## DIVIDENDS

We consider shareholder returns to be an important management priority and have a basic policy of continuously pro-



viding stable dividends while maintaining and enhancing our financial position in preparation for future growth. We aim to maintain a minimum dividend of 1.8% of our consolidated equity capital and a consolidated payout ratio of 25% or higher. In line with this policy, we paid a year-end dividend of ¥30 per share, ¥5 higher than the original forecast. Together with the ¥24 interim dividend, this brought the total dividend to ¥54 per share, which is ¥5 higher than the previous year's figure.

For the fiscal year ending March 31, 2016, adhering to the above basic policy, we have revised the target indicator to focus on the dividend payout ratio and lifted the target to 30% or

higher on a consolidated basis. The purpose of these changes is to enhance shareholder returns by strengthening the linkage to financial performance. On this basis, we plan to pay a dividend of ¥54 per share, consisting of interim and year-end dividends of ¥27 each, in the year ending March 31, 2016.

We look forward to the continuing support of our shareholders and investors.

August 2015

President

*Hirokazu Onoe*

OVERSEAS MARKET

# COMPETING WITH REGION-SPECIFIC STRATEGIES

The approximately 1.46 million branches of financial institutions around the world vary widely in both size and type, but most have not installed money handling machines to the same extent as in Japan. In fact, Japan is probably one of the most advanced countries in the world in terms of bank mechanization, with machines and systems now able to manage most cash handling processes at branches, from cash deposits and withdrawal at counters, to overall branch cash inventory management.

Having led the money handling machine industry in Japan for many years, GLORY is now looking to overseas markets as a promising new opportunity to apply its accumulated technologies and expertise and capture new demand. Despite the increasing use of noncash settlement methods, such as credit cards and electronic money, indications point to an expansionary trend for cash in circulation worldwide. This means that the demand for money handling machines can also be expected to continuously increase.

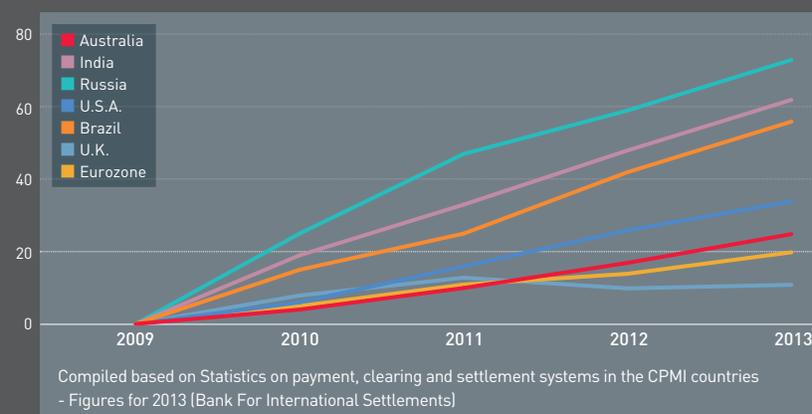
GLORY's first advantage from the viewpoint of overseas business expansion is its technology. Our technology enables us to supply markets with high-quality products; recognition/identification technology that detects counterfeit currency, and mechatronics technology to accurately count banknotes and coins. Another important advantage for GLORY is our large product lineup, from single-function to high-spec products,

which allows us to meet a wide range of customer needs. Our competitiveness has been further enhanced by our ability to offer customers tailored solutions and maintenance services through our direct sales and service networks.

The types of money handling machines needed vary by country and region, and according to the type and size of financial institution. To respond, we are implementing a region-specific strategy based on exhaustive market analysis. In emerging countries with high-denomination/low value banknotes where paper currency use is high, we will market workflow-improving products, such as banknote recyclers. On the other hand, in developed countries, we will propose innovative, custom system solutions.



GROWTH RATE OF CURRENCY IN CIRCULATION (v.s. 2009, local currency basis) [%]





## Region-Specific Strategy: In Europe and the Americas, Expanding Sales of Products for Financial Institutions

Despite the growth of online banking in Europe and the Americas in recent years, branches still play an important role in the efforts of financial institutions to build customer relationships. Financial institutions increasingly need to provide comfortable and relaxing spaces in which they can foster closer communications with their customers. However, traditional-style teller counters in Europe and the Americas tend to be unsuitable for relaxed communication with customers because of the sense of

distance created by features designed to protect counter staff from robberies, such as security glass and high counters.

GLORY is helping to solve this problem by proposing new branch designs based on the introduction of banknote recyclers. With lower sections of the machines structured as safes, GLORY banknote recyclers provide their own security. This means that financial institutions can make their branch layouts more accessible, including the removal of physical barriers at the teller counter. Moreover, because counter tasks, such as the counting, storing, and dispensing of banknotes, are handled by the machines, staff are able to focus on customer engagement, including the proposal of services and products. GLORY responds to the specific needs of different financial institutions by proposing more open branch designs that combine security and efficiency with customer-oriented layouts.

GLORY also provides reliable maintenance services through its extensive maintenance networks in Europe and the Americas. Because money handling machines for financial institutions, such as banknote recyclers, are commonly installed in multiple branches, purchasers base their product selections not only on quality but also on the manufacturer's service network. Many financial institutions have acknowledged the effectiveness of GLORY's maintenance systems in ensuring the continued reliability of equipment after installation. This reputation has led to numerous additional sales opportunities.

We will continue our efforts to expand sales in Europe and the Americas even further by taking full advantage of our strengths, including our ability to propose solutions, our extensive networks, and our expanding range of banknote recyclers and other products.

**BEFORE**

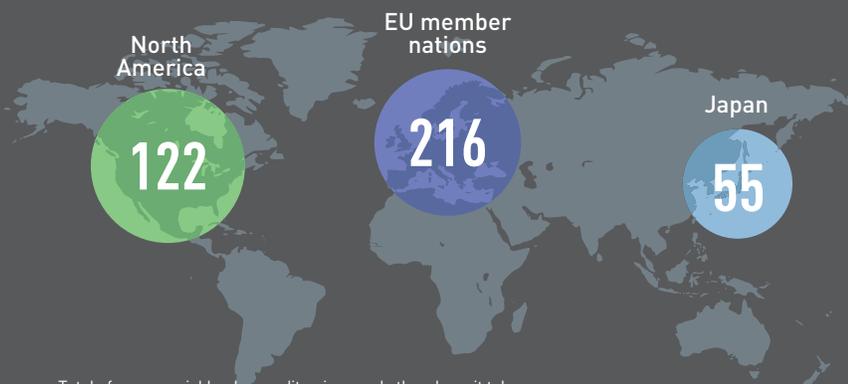


GLORY secure banknote recyclers enable accessible and more attractive branch designs.

**AFTER**

NUMBER OF FINANCIAL INSTITUTIONS  
(Japan vs. other regions)

(Thousand)

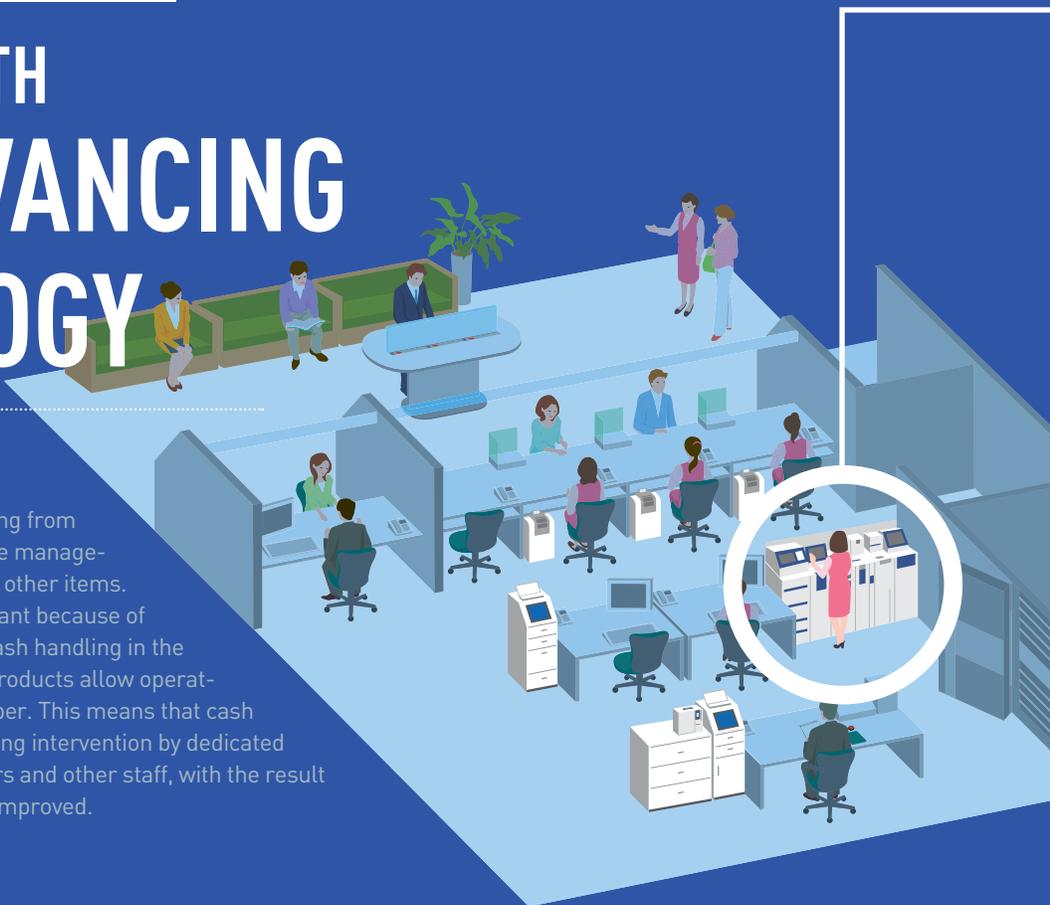


Total of commercial banks, credit unions and other deposit takers  
(Source: IMF Financial Access Survey)

“WAVE” SERIES OF OPEN TELLER SYSTEMS

# COMPETING WITH EVER-ADVANCING TECHNOLOGY

Japanese financial institutions are among the most automated in the world. In many branches, machines carry out tasks ranging from cash management at teller counters to the management of passbooks, certificates, keys, and other items. Open teller systems are especially important because of their central role in the management of cash handling in the branches of financial institutions. These products allow operating authority to be set for each staff member. This means that cash deposits or withdrawals previously requiring intervention by dedicated personnel can now be carried out by tellers and other staff, with the result that efficiency and greater rigor are both improved.



→ **Open Teller Systems**  
—The Market Environment and GLORY’s Strategy

GLORY led the industry in developing Japan’s first open teller system in 1986. We have maintained our market leadership ever since by continually launching enhanced models with new technologies and functions. The market share for the WAVE series is currently over 70%. However, it is estimated that less than one-half of the approximately 55,000 financial institution branches in Japan have installed open teller systems, which means that there is ample scope for further market development by GLORY. Particularly, few open teller systems have been installed by institutions with mainly small- and medium-sized branches. Recognizing the strong potential of this customer category, GLORY launched

a compact open teller system in 2009. While providing the same functions as a standard type, this compact system is ideal for smaller branches because it requires only one-half as much space. We are now actively marketing these systems with the aim of finding new customers that we have not previously

developed. As to those customer categories where open teller systems are already common, such as major banks, our marketing goal is to capture replacement demand effectively through strategies that include the launch of new products.

OPEN TELLER SYSTEM ADOPTION RATE (%)



# WAVE Pro

## NEW OPEN TELLER SYSTEM LAUNCHED

In November 2014, we launched our fifth-generation open teller system, the "WAVE Pro."

The improvement of operating efficiency is an increasingly important priority for financial institutions in Japan. GLORY has responded to this need by developing its own unique technologies, including systems to manage cash inventories of unfit banknotes and unfit coins, as well as technology for the automatic

verification of new clean banknotes, which was previously believed to be technically impossible. GLORY has also focused on the improvement of usability, even for first-time users, including the adoption of a large touch panel display to guide recovery instructions if an error occurs. We aim to effectively capture replacement demand and develop new customers by strongly promoting the WAVE Pro.

### Features of the WAVE Pro

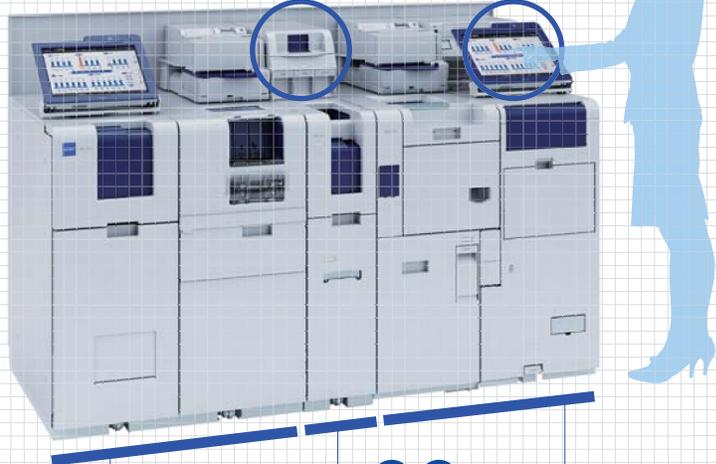
Unfit coin and commemorative coin handling unit

01

Commemorative coin deposit



Operating terminal



Banknote handling unit



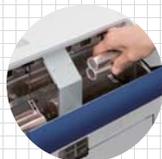
Strapped banknote dispensing

New clean banknote, unfit banknote and bill/check handling unit



Check and bill deposit

Coin handling unit



Wrapped coin dispensing

01

Use of an optical image processing capability to manage unfit banknotes and unfit coins

Digitized image data allows automated cash inventory management of unfit banknotes and unfit coins, as well as old currency and commemorative coins.



An optically processed image of an unfit banknote

02

Automatic verification of new clean banknotes

The automatic verification recalculates the amount of cash in the machine and checks it against the data. Conventional models also had this capability, but bank staff had to verify new clean banknotes\* by hand because of the possibility that the banknotes would be soiled by dirt on the rollers when the currency was transported through the machine.

The WAVE Pro is an industry-first system of its type with the ability to verify automatically new clean banknotes, thanks to a newly designed banknote transport technology in which there is no contact between the rollers.

\*In Japan, new clean banknotes are preferred when people give monetary gifts such as for weddings and birthdays.



Newly designed banknote transport technology

## SEGMENT INFORMATION

# AT A GLANCE



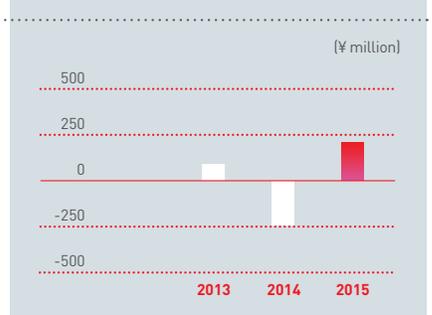
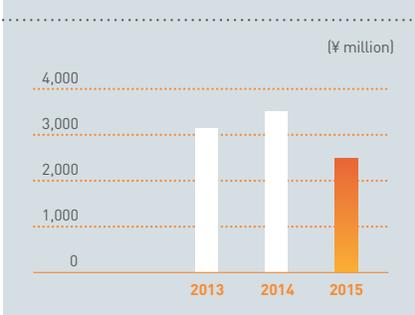
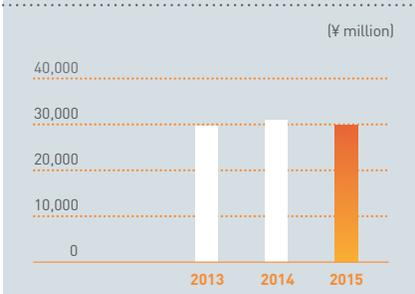
	OVERSEAS MARKET	FINANCIAL MARKET																
<b>CONTRIBUTION TO TOTAL NET SALES</b> (Year ended March 31, 2015)	48.0%	21.2%																
<b>NET SALES</b> (Years ended March 31)	(¥ million) <table border="1"> <tr><th>Year</th><th>Net Sales (¥ million)</th></tr> <tr><td>2013</td><td>65,000</td></tr> <tr><td>2014</td><td>95,000</td></tr> <tr><td>2015</td><td>105,000</td></tr> </table>	Year	Net Sales (¥ million)	2013	65,000	2014	95,000	2015	105,000	(¥ million) <table border="1"> <tr><th>Year</th><th>Net Sales (¥ million)</th></tr> <tr><td>2013</td><td>40,000</td></tr> <tr><td>2014</td><td>40,000</td></tr> <tr><td>2015</td><td>45,000</td></tr> </table>	Year	Net Sales (¥ million)	2013	40,000	2014	40,000	2015	45,000
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<b>MAJOR CUSTOMERS</b>	Financial institutions, cash-in-transit companies, retail stores, casinos and OEM clients.	Financial institutions and OEM clients in Japan.																
<b>MAIN PRODUCTS AND GOODS</b>	Banknote recyclers for tellers, banknote sorters, banknote and check deposit modules for ATMs, banknote counters, coin and banknote recyclers, coin wrappers.	Open teller systems, coin and banknote recyclers for tellers, coin recycling modules for ATMs, multi-functional banknote changers, cash monitoring cabinets, security storage systems.																



**RETAIL AND TRANSPORTATION MARKET**

**AMUSEMENT MARKET**

**OTHERS**



Supermarkets, department stores, cash-in-transit companies and railroad companies in Japan.

Amusement halls (pachinko parlors) in Japan.

Tobacco shops, 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.

Card systems for pachinko parlors, banknote conveyor systems, pachinko prize dispensing machines, pachinko ball counters for each pachinko machines, membership management systems for pachinko parlors, pachinko ball/token counters.

Cigarette vending machines, ticket vending machines, banknote recycling modules for horse race ticket vending machines, medical payment kiosks, RFID self-checkout systems for cafeterias, ballot sorters for handwritten ballots.

# OVERSEAS MARKET



The main customers in this business segment are primarily financial institutions, cash-in-transit companies, and casinos. The major products are banknote recyclers for tellers at financial institutions, banknote sorters for use at financial institutions and cash-in-transit companies, and banknote deposit modules for ATMs, which are sold as OEM products. In recent years, there has been an increase in sales of cash recycling systems in the retail market.

## Market Environment and Operating Results

In the United States, a sustained economic recovery trend prompted North American financial institutions to invest in new equipment and facilities. By leveraging the assets that it has built over many years, including its ability to provide solutions and its comprehensive product range, GLORY sought to deeply penetrate the market and win large orders. The result was increased sales, especially of banknote recyclers for tellers.

In Europe, we expanded sales of banknote recyclers for tellers in financial institutions and cash recycling systems for the retail market. This growth was the result of marketing initiatives targeting specific products and individual countries, especially eurozone countries that are achieving gradual economic recoveries.

In Asia, we saw economic slowdowns in China and other emerging countries. However, in India, sales of banknote sorters remained strong, thanks to an increased need for products to identify unfit banknotes amid the growth of currency in circulation. On the other hand, sales in China slowed because of escalating market competition.

In the OEM product area, we recorded slower sales of banknote deposit modules for ATMs, which are among our main products. This resulted in part from increased demand for banknote recycling modules for ATMs.

These factors, together with the effect of a weaker yen, were reflected in net sales of ¥108,859 million in the Overseas Market segment, a year-on-year increase of 5.7%. Operating income was 14.5% higher at ¥8,543 million.

## Strategies and Initiatives Going Forward

We will implement regional strategies based on analyses of market trends in each region. In Europe and the Americas, we are targeting further growth in sales of products for use in branches of financial institutions, while also working to increase sales of products for the retail market. In Asia, we aim to expand our earnings by strengthening our direct sales and maintenance networks. Our focus in the OEM category will be on the expansion of new product sales.





# FINANCIAL MARKET

In the Japanese market, financial institutions are our main customers. Key products include open teller systems, coin and banknote recyclers for tellers and money changers for bank lobbies. In addition to these main products, other GLORY products include security storage systems designed for the storage and management of business forms, documents and other important materials, and image scanners used to digitize business documents. Some GLORY products are also provided as OEM products to large system makers. The Financial Market segment is GLORY's largest business segment in Japan, where our main products have captured a market share exceeding 70%.

## Market Environment and Operating Results

Financial institutions in Japan are increasingly strengthening their business structures. In particular, they are extending business hours at their branches, establishing new types of branches, and expanding their business infrastructure. GLORY responded to an increasing need for efficiency improvements in branches of financial institutions by targeting increased sales of products for the cash, non-cash and document processing (DP) sectors.

In the cash sector, we effectively captured replacement demand and developed new customers for our open teller systems. This was reflected in steady sales of the entire product series, including a standard type launched in November 2014, as well as a compact type for use in small- and medium-sized branches.

In the non-cash sector, sales of security storage systems used to support efficient management of passbooks, keys and other important items were lower than hoped. However, we recorded increased sales of the electronic data entry tablet launched in 2013, that allows customers to create forms using a touch panel. The product was developed in response to a need for improved customer service and

operational efficiency in the branches of major banks and regional banks.

In the DP sector, sales of image scanners used to digitize documents in branches of financial institutions remained slow, despite marketing efforts.

Net sales in the Financial Market segment increased by 5.4% year on year to ¥48,117 million. Operating income was 36.5% higher at ¥5,502 million.

## Strategies and Initiatives Going Forward

We will work to expand markets for open teller systems, our flagship products, and coin and banknote recyclers for tellers, through continuing efforts to capture replacement demand and develop new customers. As for the non-cash sector products, we will work to expand sales of security storage systems by offering them as part of total systems that include money handling machines.

Open teller system  
<WAVE Pro>



Security storage system  
<BK-200>



Electronic data entry tablet





## RETAIL AND TRANSPORTATION MARKET

GLORY's main customers in this business segment are supermarkets and cash-in-transit companies. The key products include coin and banknote recyclers for cashiers at supermarkets, drugstores and specialty stores, and sales proceeds deposit machines used to manage sales proceeds at department store and shopping mall cashier counters. We also offer sales proceeds deposit machines adapted for use by cash-in-transit companies. GLORY also supplies public transportation companies with cash recyclers, which count and deposit money received and dispense change at ticket counters, and coin-operated lockers.

### Market Environment and Operating Results

Rapid changes are occurring in the Japanese retail market as companies work on strengthening their competitiveness through business mergers and partnerships, and improving earnings by closing unprofitable outlets to improve earnings. Conditions remained harsh, as evidenced by the weakness of consumer spending due to the lingering impact of the April 2014 consumption tax hike. In this environment, GLORY sought to capture replacement demand and develop new customers for coin and banknote recyclers for cashiers and sales proceeds deposit machines as tools for improving the efficiency and rigor of currency handling.

Despite our efforts to win replacement demand from major supermarket chains and other retailers, sales of coin and banknote recyclers for cashiers remained slow as the retail industry tended to postpone capital investment mainly due to the impact of the consumption tax hike. However, we succeeded in developing new customers, including restaurants and specialty stores, through marketing activities targeting industries in which these

systems have not yet been introduced.

We also worked to capture replacement demand for sales proceeds deposit machines. As with coin and banknote recyclers for cashiers, however, sales remained slow because of the consumption tax hike and other factors.

These factors were reflected in the financial results: Net sales declined by 3.6% year on year to ¥29,886 million, and operating income fell by 29.9% to ¥2,464 million.

### Strategies and Initiatives Going Forward

We aim to expand sales by implementing industry-specific product development and marketing strategies. With regard to coin and banknote recyclers for cashiers, our focus will be the capture of replacement demand from existing customers, especially supermarkets, as well as the development of new customer segments where these products have not yet been introduced. As for the sales proceeds deposit machines, we will focus our efforts on capturing of replacement demand by strengthening the promotion of new products and by working closely with cash-in-transit companies.

Coin and banknote recycler for cashiers  
<RT-300/RAD-300>



Banknote, coin and gift-certificate depositing machine  
<DS-N770>



# AMUSEMENT MARKET



Our main customers in this business segment are amusement halls (pachinko parlors). Core products in this market are peripherals of game machines such as pachinko and pachislot; specifically, pachinko ball and token dispensers and counters, pachinko prize dispensing machines and prepaid card systems for in-store sales management.

## Market Environment and Operating Results

The amusement market has been affected by the diversification of leisure activities and the slow recovery of consumer spending after the consumption tax hike in April 2014. Conditions remain harsh, including a continuing decline in the number of pachinko parlor customers. Although the number of pachinko parlors is also shrinking, the number of game machines installed has remained level, and there has been an increase in the number of large-scale pachinko parlors having over 500 machines.

One of GLORY's key product in this market is card systems. Due to the consumption tax hike, pachinko ball dispensers, a component of the card systems, needed to be redesigned to change the number of balls dispensed, resulting in the increase of replacement demand from pachinko parlors for the dispensers, in the year ended March 2015. To respond to such demand, we strengthened our sales activities by expanding the range of pachinko ball dispensers that are adaptable to such tax change. As a result, we were able to capture replacement demand from

existing customers, and sales of pachinko ball dispensers were strong. However, sales of membership management systems and pachinko prize dispensing machines were slow, in part because of a decline in the number of new pachinko parlors opened, and overall sales were around the same as in the previous year.

As a result, net sales increased by 2.5% year on year to ¥25,433 million, and operating income rose by 26.3% to ¥2,461 million.

## Strategies and Initiatives Going Forward

We aim to expand sales of our main products by capturing large orders and developing new customers through closer collaboration among GLORY Group companies. At the same time, we will strengthen our organizational structure pertaining to new product planning and development.

Pachinko ball counter  
<JCP-200>



Pachinko prize dispensing machine  
<JK-300>



# OTHERS



“Others” consists of the products not covered by GLORY’s four reportable segments. Some examples are cigarette vending machines, medical payment kiosks for hospitals, ticket vending machines, and election-related products for government offices, such as ballot sorters for handwritten ballots. New businesses, such as facial recognition, are also included in this category.

## Market Environment and Operating Results

While the number of cigarette vending machines in use is tending to decline, expanded marketing activities for new products allowed us to capture replacement demand, resulting in strong sales.

In the area of card-related products, both the number of e-money cards issued and the number of transactions settled using those cards are expanding. A major advantage GLORY has in this market is our ability to provide total support, from the sale of terminals to support services for settlement processing, using our own information processing center. By leveraging this advantage in our marketing activities, we were able to expand our sales of IC card reader/writers for e-money to restaurant chains and department stores.

Sales of medical payment kiosks for hospitals election ballot sorters for use in government offices were lower year on year because of an adverse effect from large orders received in the previous year.

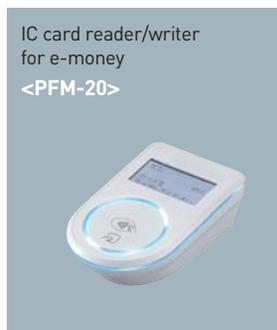
In the new area of face recognition systems, we were able to increase the number of units installed as access control systems for condominium

buildings and hotels by strengthening collaboration between our product development and marketing activities.

As a result, net sales increased by 3.7% year on year to ¥14,680 million, while operating income improved to ¥210 million, compared with a ¥241 million operating loss in the previous year.

## Strategies and Initiatives Going Forward

We will capture replacement demand for cigarette vending machines by stepping up our marketing to cigarette manufacturers. Also, in anticipation of a law change in April 2016 that will require a wider range of hospitals to issue itemized treatment statements, we plan to expand our range of medical payment kiosks and intensify our marketing activities with the aim of developing new customers. In the area of card-related products, we will target increased sales of by making joint proposals with e-money issuers and POS system makers. As for the facial recognition system, our new business, we aim to strengthen development-marketing collaboration toward the early commercialization of the business.



# SERVING BETTER TO GROW BETTER



One of the key policies in our Long-Range Vision 2018 states that we should seek sustained corporate growth together with society through CSR activities. In keeping with this policy, GLORY actively pursues CSR initiatives through its business activities.

# CSR AT GLORY

At GLORY, we define corporate social responsibility as the realization of our corporate philosophy to contribute to the development of a more secure society through a striving spirit and cooperative efforts. GLORY develops, manufactures, sells, and maintains money handling machines, a business of high social importance. We will fulfill our responsibility to society by providing products and services that meet customer needs for greater efficiency and rigor in business operations.

## Corporate Philosophy

**We will contribute to the development of a more secure society through a striving spirit and co-operative efforts**

Our corporate philosophy represents GLORY’s corporate goal and raison d’être. “Striving spirit” includes our desire that “we will strive to meet the needs of customers and society with an unyielding spirit and make the impossible possible.” It reflects the original essence of GLORY all through the ages—that we can do a great job only when we combine the “power of everyone” who shares the “striving spirit.” Keeping our origin in mind, GLORY will contribute to the creation of a safe and secure society forevermore.

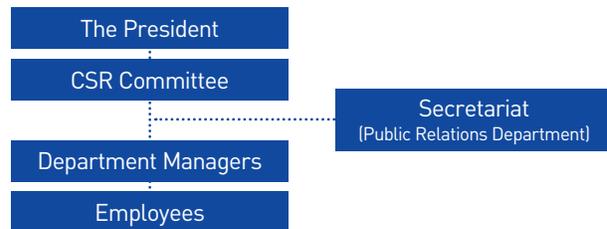


Corporate Philosophy Structure

## CSR Promotion Framework

The CSR Committee comprises company executives and is chaired by the president. This committee meets twice a year to deliberate basic directions and plans for CSR management, as well as to set the course on CSR efforts to be focused annually.

### CSR Promotion Framework



## Participation in the United Nations Global Compact

The GLORY Group operates in more than 100 countries. We contribute to every region in which we operate by matching technologies and services to the issues faced by customers and society, and as a good corporate citizen, we conduct our work with awareness of the issues of the international community. To further clarify our stance on social contribution, GLORY signed the United Nations Global Compact, an international framework for sustainable development, in March 2014.



Network Japan

The four areas addressed by the United Nations Global Compact



## RESPONSIBILITY TO THE ENVIRONMENT

The GLORY Group formulated its Environmental Vision based on three concepts: products, business and awareness, to contribute to the creation of a sustainable society. To realize the Vision, GLORY established the 2014 Medium-Term Environmental Targets and promoted policies aimed at achieving these goals. In particular, we addressed matters having a significant impact on the environment. For example, we have focused our efforts on developing environment-friendly products aimed at preventing global warming. Newly developed products that met certain criteria, including a reduction of at least 15% in power consumption compared with conventional products,

were certified as "G-eco products." These efforts resulted in the development of 53 certified products during the three-year period beginning in the fiscal year ended March 2013. In the next fiscal year, we began including logo marks in catalogs so that customers could easily identify environment-friendly products.

From the fiscal year ending March 2016, we will implement various policies to achieve the 2017 Medium-Term Environmental Targets identified in the new three-year plan.



Banknote, coin and gift-certificate depositing machine  
<DS-N770>



Equipped with an eco-mode that automatically switches the power off after sitting unused for a specified period of time and employing power-efficient parts, the DS-N770 consumes nearly 46% less power when used than conventional models.

## RESPONSIBILITY TO SOCIETY

### Contribute to the Sound Development of Children

The GLORY Foundation for Elementary School Students, which was founded in 1995 as part of our 50th anniversary, celebrated its 20th year of operation in 2015. The foundation maintains activities aimed at meeting contemporary and regional needs. For the past 20 years, employee volunteers have become lecturers in the Hands-on Science Class, which presents science education through fun activities. The foundation also conducted a Hands-on Class for Parents and Children so that families would have opportunities to share a sense of wonder, and offered a Children's theater, tennis classes, English conversation, and kendo lessons. Over the past two decades, a total of 89,000 people have participated in these activities.

As part of the foundation's 20th anniversary events, we presented a science show, inviting a total of 1,000 elementary students and their parents from our neighboring schools.



An experiment using lots of balloons at 20th anniversary event

### Donating to NGO Supporting Children

In the fiscal year ended March 2015, Glory Global Solutions Ltd., a subsidiary in the UK, donated to "SOS CHILDREN'S VILLAGES INTERNATIONAL," an NGO that protects children's human rights and supports children and their families across the globe. Funds were donated to the town of Chipata, the capital of the Eastern Province of the Republic of Zambia, where they will be used to support infants, people infected with AIDS, and medical care for pregnant women.



GLORY promotes various other CSR activities. For further information, please visit our website.

<http://www.glory-global.com/csr/>



## CORPORATE GOVERNANCE

# WORKING TOGETHER AS “ONE GLORY” FOR TRANSPARENT AND SOUND CORPORATE PERFORMANCE



**Masakazu  
Nagashima**

Corporate  
Auditor

**Satoshi  
Hamada**

Outside  
Corporate  
Auditor

**Akira  
Niijima**

Outside  
Director

**Akihiro  
Harada**

Director &  
Senior Executive  
Officer

**Motozumi  
Miwa**

Director &  
Senior Managing  
Executive Officer

**Shigetoshi  
Mabuchi**

Director &  
Managing  
Executive Officer



**Hirokazu  
Onoe**

President &  
Representative  
Director

**Hideo  
Onoe**

Director &  
Managing  
Executive Officer

**Tetsu  
Yoshioka**

Director &  
Senior Managing  
Executive Officer

**Kaname  
Kotani**

Director &  
Managing  
Executive Officer

**Hiroki  
Sasaki**

Outside  
Director

**Mikio  
Nakajo**

Outside  
Corporate  
Auditor

**Toshihiko  
Otani**

Corporate  
Auditor

See Page 36 for complete listing

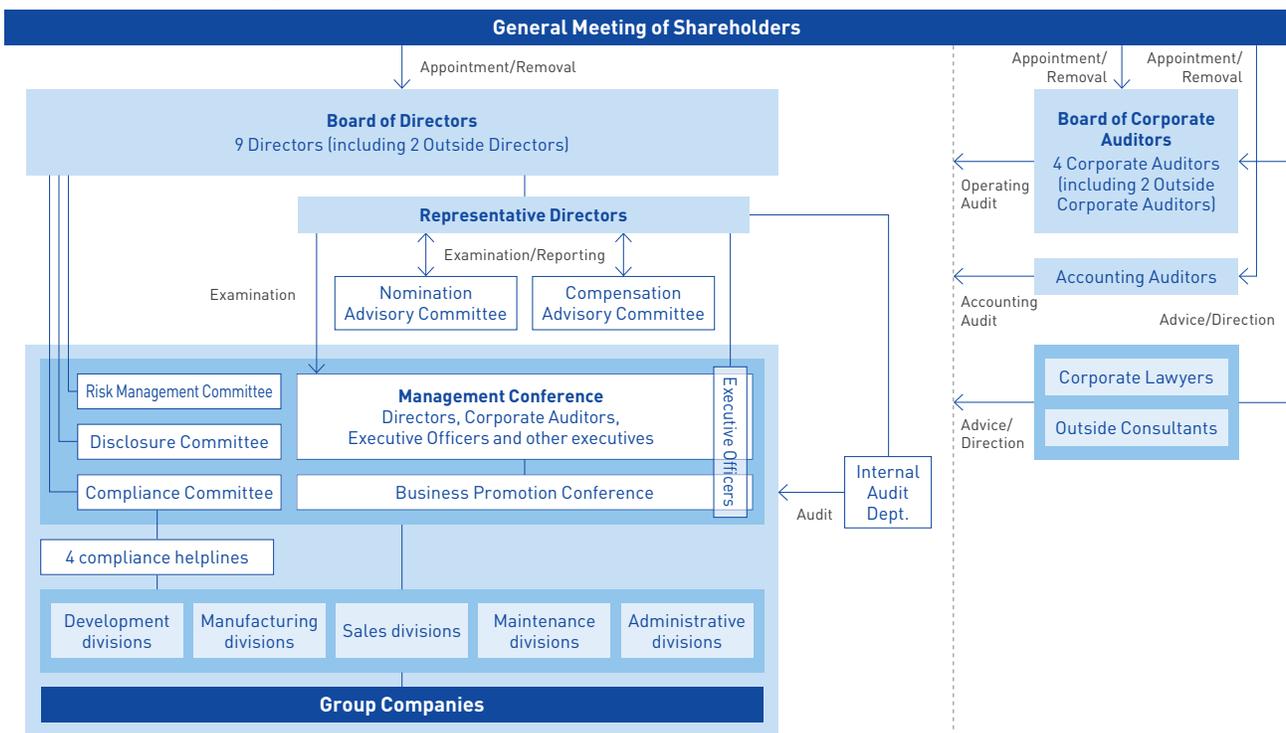
## BASIC POLICY ON CORPORATE GOVERNANCE

GLORY’s corporate philosophy, which represents our corporate goal and raison d’être, is: “We will contribute to the development of a more secure society through a striving spirit and cooperative efforts.” These words express our determination to achieve growth as a sustainable enterprise by contributing to a prosperous society through our uncompromising approach to product development.

This philosophy guides our efforts to continuously improve our corporate value through sound and efficient business management, so that we can exist in harmony with society and earn the trust and support of all stakeholders.

These goals cannot be achieved without a firm commitment to the continuing improvement of corporate governance. We will continue our efforts to strengthen the supervisory and executive functions of management, accelerate decision-making, ensure transparency and objectivity, and enhance compliance management, thereby improving corporate value.

### Corporate Governance System



## CORPORATE GOVERNANCE STRUCTURE

GLORY has adopted a “Company with Corporate Auditors” system under the Companies Act because the Company believes that a system in which the Board of Directors, which includes two outside directors, decides important management issues and supervises the execution of business, and in which the Board of Corporate Auditors oversees the Board of Directors, is effective for management of the Company. In addition, the Company has introduced an Executive Officer System and segregated the management

supervisory function and the business execution function to increase the speed and efficiency of business management. The Company has also established the Nomination Advisory Committee and Compensation Advisory Committee, the voluntary committees, to increase transparency and objectivity in key management issues. The following is an overview of the organizations that support the Company’s corporate governance system.

## Directors and Board of Directors

GLORY's Board of Directors comprises nine directors (including two outside directors). In principle, the Board of Directors meets at least once per month, with attendance of four corporate auditors (including two outside corporate auditors). The Board of Directors decides the important business policies of the company and its group companies, supervises business execution, and receives reports on the status of business execution. The directors, including the highly independent outside directors, engage in active discussion and exchange opinions among themselves, and the corporate auditors express opinions as needed.

## Corporate Auditors and Board of Corporate Auditors

GLORY's Board of Corporate Auditors is composed of two full-time corporate auditors and two outside corporate auditors for a total of four members. In principle, they meet once per month. The corporate auditors, including the outside corporate auditors, conducts audits based on an annual corporate audit plan determined in accordance with audit policy and the assignment of duties determined by the Board of Corporate Auditors. Based on such audits, corporate auditors issue reports on the audit status and exchange information and views at the Board of Corporate Auditors meeting.

### HELPING OUTSIDE OFFICERS TO FULFILL THEIR MANAGEMENT SUPERVISION AND MONITORING ROLES

GLORY appoints two outside directors and two outside corporate auditors. The Company provides these outside officers with opportunities to view the actual workplace of core functions that support the business activities of the GLORY Group, including production and development, so that they can participate in management with a deeper understanding of the business situation, strategies and technologies of the Group. The outside officers have so far viewed various facilities, including main factories in Himeji and Saitama, development operations, and the call centers that support service operations. These on-site inspections provide outside officers with opportunities to gain a better understanding of our operations. Through such opportunities, our employees also learn much by talking with our highly experienced outside officers.



Manufacturing subsidiary visit by outside corporate auditors

### THE INDEPENDENCE OF OUTSIDE OFFICERS

Concerning personal, capital and business relationships and other interests between GLORY and its outside directors and outside corporate auditors, we believe that these outside officers must not merely fulfill the criteria stipulated in the Companies Act, but must also be independent from the Company. Judgment of independence of the outside officers is made by the Board of Directors, taking into account business, personal and other relationships with the Group, as well as inquiries to the Nomination Advisory Committee and responses from that committee.

As for the current outside officers, there are no special interests between the Company and outside directors, Mr. Hiroki Sasaki and Mr. Akira Nijima, or between the Company and outside corporate auditors, Mr. Mikio Nakajo and Mr. Satoshi Hamada. Furthermore, there are no special interests based on personal, capital or business relationships between the Company and other companies, etc., in which the current outside officers are or were officers or employees.

These four outside officers have no conflicts of interest with ordinary shareholders, and the Company has designated and registered them as "independent officers," whom the Tokyo Stock Exchange requires listed companies to appoint.

## CORPORATE GOVERNANCE

### Executive Officer System

GLORY employs an Executive Officer System in order to make business execution speedier and more efficient. The executive officers, under direct command of the representative director, are charged with the execution of their appointed operations based on decisions made by the Board of Directors.

### Management Conference

GLORY holds a Management Conference once a month to discuss the business policy and management plans in accordance with basic policy determined by the Board of Directors, and execution of major operations. The Management Conference comprises the company directors, including outside directors; the full-time corporate auditors; executive officers and other executives, and deliberates on issues and matters for company operations.

### COMPENSATION FOR DIRECTORS AND CORPORATE AUDITORS

GLORY has established a Compensation Advisory Committee to ensure the transparency and objectivity of decisions relating to compensation for directors, corporate auditors and other executives. Before making decisions about compensation for such executives and related matters, the Board of Directors always seeks the advice of the Compensation Advisory Committee and submits proposals to the General Meeting of Shareholders, the Board of Directors, or Corporate Auditors. Our stance on compensation for directors and corporate auditors is as stated below.

- Compensation for directors in charge of business execution consists of the “fixed compensation,” and the performance-related “bonus” and “stock compensation.”
- Compensation for outside directors and corporate auditors consists of fixed compensation only.
- The amount of fixed compensation for directors is determined in accordance with the responsibilities of each director and paid within the predetermined maximum amount pursuant to a resolution of the Board of Directors (Note 3).
- The amount of fixed compensation for corporate auditors is determined through discussions by the corporate auditors and paid within the predetermined maximum amount (Note 4).
- Funds for bonuses to directors are a fixed percentage of consolidated net income, an indicator linked to business performance.
- Retirement benefits for directors and corporate auditors are not provided.
- The stock compensation is used to provide incentives for directors to achieve the company’s medium-term financial performance targets. Under the plan, distribution of the Company’s shares will be linked to the extent to which the Company achieves its targets for the three-year period from the year ending March 2016.

### Compensation for Directors and Corporate Auditors for the fiscal year ended March 31, 2015

Recipient	Total amount of compensation	Basic compensation		Bonuses	
		No. of persons	Amount	No. of persons	Amount
Directors (Except for Outside Directors)	¥113 million	9	¥65 million	7	¥48 million
Corporate Auditors (Except for Outside Corporate Auditors)	¥29 million	2	¥29 million	—	—
Outside Officers	¥28 million	4	¥28 million	—	—
(Outside Directors)	(¥16 million)	(2)	(¥16 million)	(—)	(—)
(Outside Corporate Auditors)	(¥12 million)	(2)	(¥12 million)	(—)	(—)

(Notes)

1. Basic compensation for the fiscal year under review includes the amount paid to two directors who retired at the conclusion of the 68th General Meeting of Shareholders held on June 27, 2014.
2. Amounts paid to directors do not include employee salary portions for directors who have concurrent responsibilities as employees.
3. A maximum amount of compensation for directors of ¥150 million per annum (including a maximum of ¥20 million for outside directors) was approved at the 61st Ordinary General Meeting of Shareholders held on June 28, 2007. This amount does not include employee salary portions for directors who have concurrent responsibilities as employees.
4. A maximum amount of compensation for corporate auditors of ¥50 million per annum was approved at the 61st Ordinary General Meeting of Shareholders held on June 28, 2007.
5. Bonuses pertaining to this fiscal year under review were approved by resolution of the 69th Ordinary General Meeting of Shareholders held on June 26, 2015.

### Business Promotion Conference

To promote prompt and appropriate execution of business operations, GLORY holds a Business Promotion Conference for each of the domestic and overseas operations. Each Conference is chaired by the head of each-operation, consisting of general managers of sales, development, quality assurance, manufacture, service and other related divisions. The Conference formulates and promotes business strategies, monitors progress in the implementation of business plans and reinforces coordination among various functions.

### Nomination Advisory Committee and Compensation Advisory Committee

GLORY has established a Nomination Advisory Committee and a Compensation Advisory Committee to ensure transparency and objectivity concerning key management issues such as the appointment of directors and executive officers and decisions on their compensation. These committees consist of the representative director and two outside directors.

### Other Management Committees

GLORY has also established a Compliance Committee to ensure that compliance is applied strictly and consistently group-wide, a Risk Management Committee to study measures for proper handling of risks and to take steps to

prevent risks from occurring, and a Disclosure Committee to ensure timely and appropriate information disclosure. These committees report to the Board of Directors as appropriate.

### Internal Audit Department

In order to ensure compliance with legal and corporate requirements, as well as continuous business efficiency improvement, GLORY has established a 12-member group that reports directly to the representative director and acts as the Company's internal audit department. This department conducts audits in accordance with an annual internal audit plan that identifies areas where compliance risks are high, and suggests improvements based on audit results. Also, to ensure a high level of trust in the Company's financial statements, the Internal Audit Department evaluates the effectiveness of internal controls pertaining to financial reporting.

### Accounting Auditors

GLORY has employed Deloitte Touche Tohmatsu ("Tohmatsu") as its accounting auditors since June 2007. There are no material conflicts of interest between the Company and the Tohmatsu and its staff that engage in GLORY audits. A policy is in place at Tohmatsu to limit the audit staff members' involvement in GLORY audits to a fixed period of time.

## COMPLIANCE SYSTEM

GLORY considers group-wide legal compliance an important management priority, and the Board of Directors appoints one of its members to be the Chief Compliance Officer to implement a variety of measures to maintain and improve the compliance system. An example of such measures is the establishment of the Compliance Committee and compliance helplines. The Compliance Committee, which is chaired by the president and includes two outside experts who are both lawyers, discusses important issues relating to compliance and reports to the Board of Directors whenever appropriate. The Company operates four compliance helplines, including an outside helpline for employees of the group companies to report compliance problems and strives for

the early detection and correction of the problems, and the protection of reporters' interests.

In addition, to cope with accelerated expansion of our overseas business in recent years, the Company has established the GLORY Legal Code of Conduct with a global point of view, that applies to domestic and overseas group companies alike. To ensure the group continues to conduct business with the honesty and fairness synonymous with our brand and that the Company maintains high level of legal compliance and ethics, the Company promotes awareness of compliance by distributing a handbook and conducting compliance training seminars for the group employees.

# BOARD OF DIRECTORS, BOARD OF CORPORATE AUDITORS AND EXECUTIVE OFFICERS

[As of June 27, 2015]

## BOARD OF DIRECTORS



President\*  
**Hirokazu Onoe**



Director  
**Motozumi Miwa**



Director  
**Tetsu Yoshioka**



Director  
**Hideo Onoe**



Director  
**Shigetoshi Mabuchi**



Director  
**Kaname Kotani**



Director  
**Akihiro Harada**



Outside Director  
**Hiroki Sasaki**



Outside Director  
**Akira Nijjima**

## BOARD OF CORPORATE AUDITORS



Corporate Auditor  
**Toshihiko Otani**



Corporate Auditor  
**Masakazu Nagashima**



Outside Corporate Auditor  
**Mikio Nakajo**



Outside Corporate Auditor  
**Satoshi Hamada**

## EXECUTIVE OFFICERS

Senior Managing Executive Officer

**Hideaki Matsushita**

Managing Executive Officer

**Hideo Onoe**

Managing Executive Officer

**Kaname Kotani**

Senior Executive Officer

**Akihiro Harada**

Executive Officer

**Manabu Shibutani**

Executive Officer

**Hideto Tanaka**

Executive Officer

**Toshihiko Kayama**

Executive Officer

**Masashi Michishita**

Senior Managing Executive Officer

**Tetsu Yoshioka**

Managing Executive Officer

**Shigetoshi Mabuchi**

Senior Executive Officer

**Takashi Mitsui**

Senior Executive Officer

**Hirokazu Sekino**

Executive Officer

**Hirofumi Kameyama**

Executive Officer

**Makoto Ueda**

Executive Officer

**Taneyoshi Ebashi**

Executive Officer

**Yoshihiro Takada**

Senior Managing Executive Officer

**Motozumi Miwa**

Managing Executive Officer

**Norio Murakami**

Senior Executive Officer

**Tokuya Shimizu**

Senior Executive Officer

**Satoshi Baba**

Executive Officer

**Tsutomu Iwata**

Executive Officer

**Katsunori Yamamoto**

Executive Officer

**Masato Ishida**

Executive Officer

**Hiroshi Uemura**

\* Indicates that the individual is a Representative Director.



# FINANCIAL SECTION

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## ELEVEN-YEAR CONSOLIDATED FINANCIAL SUMMARY

GLORY LTD. and consolidated subsidiaries  
Years ended March 31

		Millions of Yen		
		2005	2006	2007
<b>Summary of income (for the year):</b>	Net sales	¥ 188,881	¥ 141,231	¥ 164,540
	Cost of sales	114,390	94,209	108,628
	Selling, general and administrative expenses	41,937	41,568	42,952
	Operating income	32,554	5,453	12,961
	Net income	19,306	740	6,461
	Capital expenditure *1	7,991	4,793	6,035
	R&D expenses	13,048	9,474	9,329
	Depreciation and amortization	5,438	6,889	6,337
<b>Financial position (at year-end):</b>	Total assets	217,460	206,361	216,988
	Total shareholders' equity	146,657	146,134	—
	Total equity *2	—	—	150,842
	Interest-bearing debt *3	18,714	19,083	13,190
<b>Per share data (yen):</b>	Net income *4	¥ 257.00	¥ 9.14	¥ 87.15
	Equity	1,974.60	1,970.11	2,025.39
	Dividend (annual)	30.00	22.00	30.00
<b>Financial indicators (%):</b>	Return on equity (ROE)	14.0	0.5	4.4
	Equity ratio	67.4	70.8	69.2
<b>Others:</b>	Number of shares outstanding (thousands)	74,236	74,236	74,236
	Number of employees *5	5,211	5,200	5,290

\*1 Since the fiscal year ended March 31, 2005, capital expenditures have been calculated as the total of property, plant, and equipment, and investment and other assets.

\*2 The data previously presented as "Total shareholders' equity" are shown as "Total equity" based on the new accounting standard implemented from fiscal year ended March 31, 2007.

\*3 Under new accounting standard for lease transactions effective from the fiscal year ended March 31, 2009, interest-bearing debt includes finance lease obligations.

Millions of Yen

2008	2009	2010	2011	2012	2013	2014	2015
¥ 185,181	¥ 145,979	¥ 135,105	¥ 138,965	¥ 146,938	¥ 190,939 *8	¥ 218,632	<b>¥ 226,975</b>
118,946 *6	94,115	87,074	86,758	92,673	117,267	131,512	<b>137,806</b>
45,288	42,437	40,346	41,698 *7	42,990	59,214	70,401	<b>69,989</b>
20,947 *6	9,427	7,685	10,509 *7	11,275	14,458 *8	16,719	<b>19,180</b>
11,711	5,782	5,109	6,229	6,247	6,873	9,939	<b>13,082</b>
7,279	10,638	6,714	6,414	6,709	8,218	7,235	<b>8,677</b>
9,616	9,204	8,776	8,999	9,935	12,092	13,175	<b>12,903</b>
6,570	7,621	8,145	6,717	6,842	8,897	9,281	<b>10,435</b>
209,237	196,798	194,983	198,020	205,245	319,078 *8	340,943	<b>346,614</b>
—	—	—	—	—	—	—	—
151,735	147,176	145,345	149,782	153,334	168,465	190,805	<b>204,545</b>
12,914	14,110	14,038	13,309	13,530	86,298 *8	75,688	<b>64,983</b>
¥ 160.70	¥ 82.15	¥ 76.00	¥ 94.83	¥ 95.09	¥ 104.64	¥ 151.31	<b>¥ 199.16</b>
2,110.69	2,155.17	2,212.63	2,260.47	2,312.33	2,537.23	2,865.09	<b>3,066.53</b>
40.00	30.00	33.00	37.00	42.00	44.00	49.00	<b>54.00</b>
7.8	3.9	3.5	4.2	4.2	4.3	5.6	<b>6.7</b>
72.3	74.8	74.5	75.0	74.0	52.2	55.2	<b>58.1</b>
72,838	69,838	69,838	68,638	68,638	68,638	68,638	<b>68,638</b>
5,346	5,510	5,848	6,046	6,149	7,903	7,833	<b>7,802</b>

\*4 Net income per share of common stock is based on the weighted average number of shares outstanding in each year.

\*5 The number of employees is shown on a consolidated basis.

\*6 For easy comparison, the figure for 2008 has been adjusted to reflect a change in the accounting standard for measurement of inventories, effective from April 1, 2008.

\*7 For easy comparison, operating income and selling, general and administrative expenses for the fiscal year ended March 31, 2011 has been adjusted to reflect changes in accounting standards applicable to fiscal year ended March 31, 2012.

\*8 Major portion of increase compared to fiscal year ended March 31, 2012 is due to acquisition of Talaris Topco Limited in 2012.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

GLORY LTD. and consolidated subsidiaries  
Year ended March 31, 2015

## ECONOMIC OVERVIEW

During the fiscal year ended March 31, 2015, the Japanese economy showed a trend of gradual recovery driven by improvements in both corporate earnings and the employment situation, despite the weak personal consumption resulting from the prolonged impact of the increased consumption tax rate. Looking at the global economy, on the other hand, although the United States maintained a trend toward recovery and Europe also showed signs of gradual but steady rallying, the growth rate among emerging countries such as China continued to slow down, contributing to an uncertain outlook overall.

## BUSINESS OVERVIEW

### Net Sales

Net sales for the fiscal year under review totaled ¥226,975 million, up by 3.8% from the previous fiscal year. Total net sales consisted of ¥162,405 million in net sales of finished products and merchandise, which increased by 4.6% year on year, and ¥64,569 million in sales of maintenance services, which rose by 1.9%. (Sales by reportable segment is described in the "Overview by Reportable Segment" section.)

### Cost of Sales

Cost of sales increased by 4.8% to ¥137,806 million, reflecting the increase in net sales. The cost of sales ratio edged up by 0.5 percentage points to 60.7% mainly due to weakening of the yen, despite the efforts to improve development efficiency and productivity.

### Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses decreased by 0.6% from the previous fiscal year to

¥69,989 million, attributed to expense reduction initiatives. The ratio of SG&A expenses to net sales dropped by 1.4 percentage points to 30.8%.

### Operating Income

Operating income for the fiscal year under review resulted in ¥19,180 million, up by 14.7% from the previous fiscal year. The operating margin rose by 0.9 percentage points to 8.5%. (Operating income by reportable segment is described in the "Overview by Reportable Segment" section.)

### Other Income (Expenses)

Net other income (expenses) resulted in net income of ¥3,379 million, up by 162.8% from the previous fiscal year. The absence of loss on liquidation of business, which was ¥1,521 million recorded in the previous fiscal year, contributed to this sizable increase.

### Income before Income Taxes and Minority Interests

Income before income taxes and minority interests amounted to ¥22,559 million, up by 25.3% year on year.

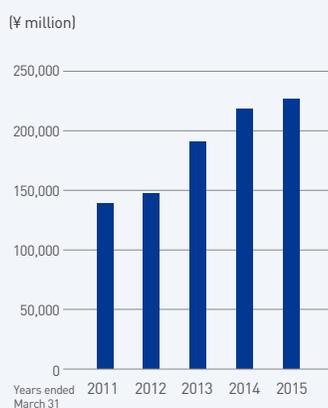
### Income Taxes

Income taxes increased from ¥7,308 million in the previous fiscal year to ¥8,487 million. The actual effective tax rate after application of tax effect accounting declined from 40.6% to 37.6%.

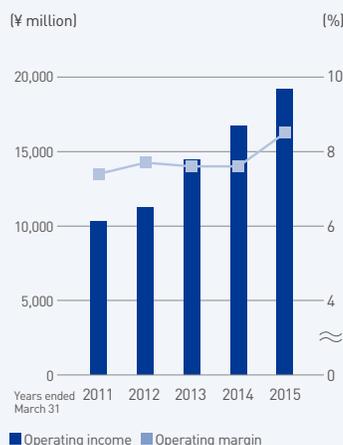
### Net Income

As a result of the above, net income for the fiscal year ended March 31, 2015 amounted to ¥13,082 million, up significantly by 31.6% from the previous fiscal year.

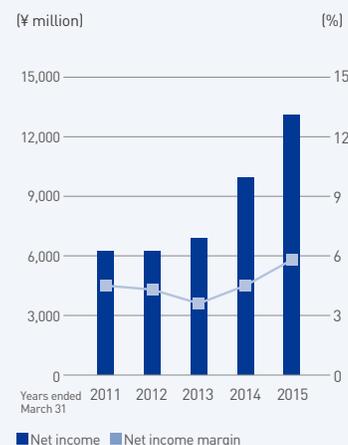
## Net Sales



## Operating Income/ Operating Margin



## Net Income/ Net Income Margin



### Comprehensive Income

Comprehensive income stood at ¥18,753 million, as a result of adding ¥4,681 million total other comprehensive income to net income before minority interests.

### OVERVIEW BY REPORTABLE SEGMENT

#### Financial Market

Net sales of the segment increased by 5.4% from the previous fiscal year to ¥48,117 million. Operating income as well increased by 36.5% to ¥5,502 million.

Sales of open teller systems, the mainstay products in this segment, were favorable for the category overall, such as the standard models, including a new model released in November 2014, and the compact models for small- and medium-sized financial outlets. Furthermore, sales of multi-functional banknote changers were strong due to success in meeting demand for replacements.

#### Retail and Transportation Market

Net sales of the segment declined by 3.6% year on year to ¥29,886 million. Operating income also decreased by 29.9% to ¥2,464 million.

Sales of sales proceeds deposit machines in the cash-in-transit market were strong, but sales of coin and banknote recyclers for cashiers, this segment's mainstay products, were sluggish. As a result, overall sales of the segment stayed at a similar level to the previous year.

#### Amusement Market

Net sales of the segment rose by 2.5% from the previous fiscal year to ¥25,433 million, and operating income as well increased by 26.3% to ¥2,461 million.

Although sales of membership management systems and pachinko prize dispensing machines were slow, primarily due to a decline in new pachinko parlor openings, sales of this segment's mainstay products, such as card systems, were robust. As a result, sales were largely unchanged year on year for the overall market.

#### Overseas Market

Net sales of the segment increased by 5.7% year on year to ¥108,859 million. Operating income also increased by 14.5% to ¥8,543 million.

While sales of banknote deposit modules for ATMs were sluggish, sales of banknote recyclers, the mainstay products of this segment, were robust in the United States and Asia. As a result, sales for the overall market were steady, with the added effect of the yen's depreciation.

#### "Others" Segment

Aggregate net sales of the "Others" segment, the businesses of which are not reported as independent reportable segments, were ¥14,680 million, up by 3.7% year on year. Operating income of the segment was ¥210 million, reversing operating loss of ¥241 million recorded in the previous year.

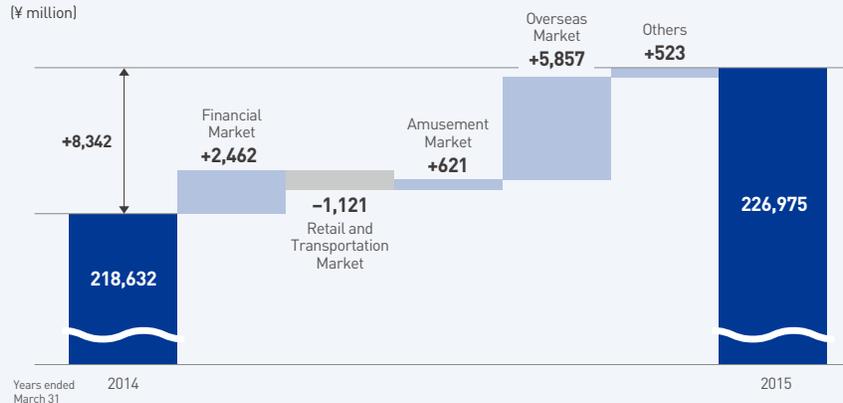
### FINANCIAL POSITION

#### Assets

Total assets as of March 31, 2015 amounted to ¥346,614 million, a ¥5,670 million increase from the previous fiscal year-end. This increase is mainly attributable to total ¥7,407 million increases in trade notes and accounts receivables, partially offset by ¥2,990 million decrease in goodwill which reflected

### Change Factors of Net Sales

(¥ million)



the amortization of goodwill incurred from the acquisition of Talaris Topco Limited (“Talaris”) (now Glory Global Solutions (Topco) Ltd.)

### Liabilities

Total liabilities as of March 31, 2015 decreased by ¥8,070 million from the previous fiscal year-end to ¥142,069 million. This decline reflects ¥8,743 million decrease in short-term bank loans and ¥3,407 million decrease in long-term debt, both resulting mainly from the repayment of bank loans for the acquisition of Talaris.

### Equity

Total equity as of March 31, 2015 stood at ¥204,545 million, up by ¥13,740 million from the previous fiscal year-end, mainly due to the increase in retained earnings.

### CASH FLOWS

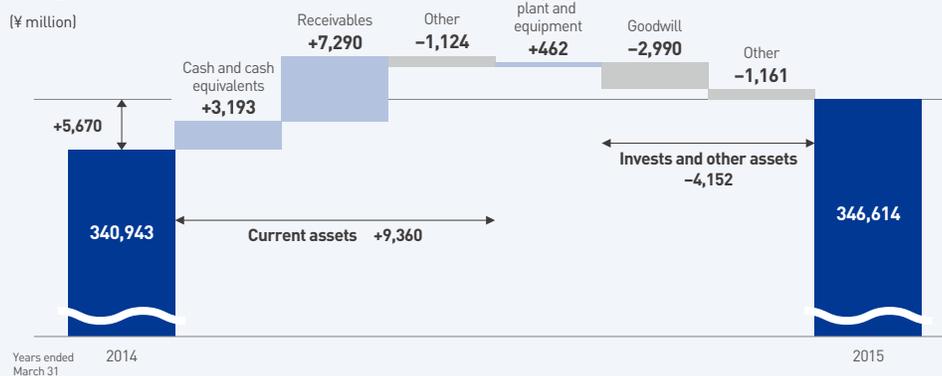
Cash and cash equivalents as of March 31, 2015 rose by ¥3,193 million from the previous fiscal year-end to ¥64,223 million.

Net cash provided by operating activities for the fiscal year under review increased by ¥3,548 million to ¥21,172 million. Major cash-increasing factors include ¥22,559 million income before income taxes and minority interests, ¥10,435 million in depreciation and amortization, and ¥4,988 million in amortization of goodwill. On the other hand, major cash-decreasing factors to partially offset the said cash-increasing effect, were ¥5,517 million increase in trade notes and accounts receivable, and ¥8,224 million income taxes—paid.

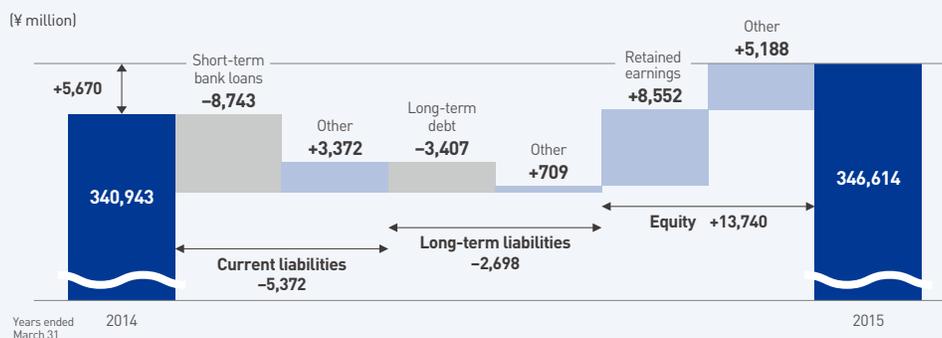
Net cash used in investing activities was ¥3,486 million, a decrease of ¥1,285 million year on year. This decrease reflects ¥7,372 million purchases of property, plant and equipment, which were partly offset by ¥4,213 million proceeds from sales and redemption of investment securities. The purchases of property, plant and equipment were mainly of molds, tools and other equipment used to manufacture products.

Net cash used in financing activities decreased by ¥2,960 million from the previous fiscal year to ¥15,749 million. This decrease was mainly due to ¥9,304 million net decrease in short-term bank loans, ¥8,636

### Change Factors of Assets



### Change Factors of Liabilities and Equity



million repayments of long-term debt, ¥3,352 million dividends paid, and ¥483 million dividends paid for minority shareholders; which were partially offset by ¥6,026 million proceeds from long-term debt.

As a result of the above, free cash flows (the sum of cash flows from operating and investing activities) amounted to ¥17,685 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

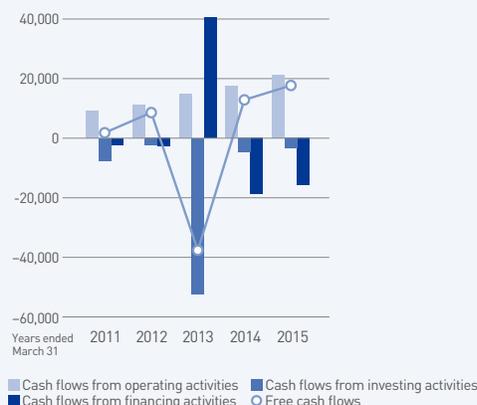
The Group is not aware of any infringements by its products on material intellectual property rights of third parties. However, it is difficult for an R&D-based corporate group like the Group to completely avoid the occurrence of intellectual property infringement issues. If such circumstances were to 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)



\*Free cash flows: Total of net cash flows provided by (used in) operating activities, and net cash flows provided by (used in) investing activities.

## CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED BALANCE SHEET

GLORY LTD. and  
Consolidated  
Subsidiaries  
March 31, 2015

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents (Note 12)	¥ 64,223	¥ 61,029	\$ 534,524
Short-term investments (Notes 3 and 12)	2,555	3,586	21,265
Receivables (Note 12):			
Trade notes	5,370	3,859	44,694
Trade accounts	49,327	44,209	410,545
Unconsolidated subsidiaries and associated company	2,062	1,360	17,162
Other	366	408	3,045
Investments in leases (Notes 11 and 12)	2,719	2,998	22,630
Inventories (Note 4)	41,631	40,833	346,492
Deferred tax assets (Note 8)	5,006	5,375	41,665
Other current assets	1,959	2,230	16,305
Allowance for doubtful accounts	(563)	(592)	(4,686)
<b>Total current assets</b>	<b>174,655</b>	<b>165,295</b>	<b>1,453,641</b>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>			
Land	11,917	12,150	99,184
Buildings and structures	31,328	32,220	260,741
Machinery and equipment	11,576	11,548	96,346
Furniture and fixtures	57,914	57,389	482,014
Construction in progress	1,614	76	13,434
<b>Total</b>	<b>114,349</b>	<b>113,383</b>	<b>951,719</b>
Accumulated depreciation	(78,840)	(78,337)	(656,180)
<b>Net property, plant and equipment</b>	<b>35,509</b>	<b>35,046</b>	<b>295,539</b>
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities (Notes 3 and 12)	9,776	12,389	81,365
Investments in unconsolidated subsidiaries and associated company (Note 12)	1,276	1,070	10,620
Software	3,535	3,686	29,422
Goodwill	74,790	77,781	622,472
Customer relationships	31,935	32,498	265,793
Deferred tax assets (Note 8)	4,054	3,394	33,741
Prepaid retirement benefits (Note 6)	3,899	2,876	32,451
Other investments and other assets	7,215	6,928	60,050
Allowance for doubtful accounts	(30)	(20)	(250)
<b>Total investments and other assets</b>	<b>136,450</b>	<b>140,602</b>	<b>1,135,664</b>
<b>TOTAL</b>	<b>¥346,614</b>	<b>¥340,943</b>	<b>\$2,884,844</b>

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
<b>CURRENT LIABILITIES:</b>			
Short-term bank loans (Notes 5 and 12)	¥ 19,528	¥ 28,271	\$ 162,530
Current portion of long-term debt (Notes 5 and 12)	9,918	8,552	82,547
Current portion of long-term lease obligations (Notes 5, 11 and 12)	930	871	7,740
Payables (Note 12):			
Trade notes	2,066	3,084	17,195
Trade accounts	18,281	17,880	152,151
Unconsolidated subsidiaries and associated company	1,800	1,750	14,981
Other	6,389	5,311	53,175
Income taxes payable (Note 12)	3,797	4,293	31,602
Accrued expenses	15,654	15,119	130,288
Deferred income	9,511	8,055	79,159
Other current liabilities	3,500	3,559	29,131
<b>Total current liabilities</b>	<b>91,374</b>	<b>96,745</b>	<b>760,499</b>
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt (Notes 5 and 12)	32,835	36,242	273,283
Liability for retirement benefits (Note 6)	3,323	4,020	27,657
Long-term lease obligations (Notes 5 and 12)	1,771	1,752	14,740
Deferred tax liabilities (Note 8)	10,496	8,550	87,357
Other long-term liabilities	2,270	2,829	18,894
<b>Total long-term liabilities</b>	<b>50,695</b>	<b>53,393</b>	<b>421,931</b>
<b>CONTINGENT LIABILITIES (Note 14)</b>			
<b>EQUITY (Notes 7 and 16):</b>			
Common stock,			
Authorized: 150,000,000 shares;	12,893	12,893	107,308
Issued: 68,638,210 shares in 2015 and 2014			
Capital surplus	20,630	20,630	171,702
Retained earnings	145,591	137,039	1,211,744
Treasury stock—at cost	(5,818)	(5,817)	(48,424)
2,951,231 shares in 2015 and 2,951,091 shares in 2014			
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	1,064	398	8,856
Foreign currency translation adjustments	24,538	23,157	204,228
Defined retirement benefit plans	2,533	(100)	21,082
<b>Total</b>	<b>201,431</b>	<b>188,200</b>	<b>1,676,496</b>
Minority interests	3,114	2,605	25,918
<b>Total equity</b>	<b>204,545</b>	<b>190,805</b>	<b>1,702,414</b>
<b>TOTAL</b>	<b>¥346,614</b>	<b>¥340,943</b>	<b>\$2,884,844</b>



**CONSOLIDATED  
STATEMENT OF  
COMPREHENSIVE  
INCOME**

GLORY LTD. and  
consolidated  
subsidiaries  
Year ended  
March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
<b>NET INCOME BEFORE MINORITY INTERESTS</b>	<b>¥14,072</b>	¥10,696	<b>\$117,120</b>
<b>OTHER COMPREHENSIVE INCOME (Note 15):</b>			
Net unrealized gain on available-for-sale securities	666	212	5,543
Foreign currency translation adjustments	1,382	14,873	11,502
Defined retirement benefit plan(s)	2,633		21,914
<b>Total other comprehensive income</b>	<b>4,681</b>	15,085	<b>38,959</b>
<b>COMPREHENSIVE INCOME</b>	<b>¥18,753</b>	¥25,781	<b>\$156,079</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Owners of the parent	¥17,762	¥24,591	\$147,831
Minority interests	991	1,190	8,248

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

GLORY LTD. and consolidated subsidiaries  
Year ended March 31, 2015

	Thousands of Shares						Millions of Yen					
	Common Stock	Treasury Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total	Minority Interests	Total Equity
							Net Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
<b>BALANCE, APRIL 1, 2013</b>	68,638	(2,951)	¥12,893	¥20,630	¥130,056	¥(5,817)	¥ 186	¥ 8,716		¥166,664	¥1,801	¥168,465
Net income					9,939					9,939		9,939
Cash dividends, ¥45 per share					(2,956)					(2,956)	(366)	(3,322)
Purchase of treasury stock		0				0				0		0
Net change in the year							212	14,441	¥ (100)	14,553	1,170	15,723
<b>BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)</b>	68,638	(2,951)	12,893	20,630	137,039	(5,817)	398	23,157	(100)	188,200	2,605	190,805
Cumulative effect of accounting change (Note 2.L.(c))					(1,180)			(298)		(1,478)		(1,478)
<b>BALANCE, APRIL 1, 2014 (as restated)</b>	68,638	(2,951)	12,893	20,630	135,859	(5,817)	398	22,859	(100)	186,722	2,605	189,327
Net income					13,082					13,082		13,082
Cash dividends, ¥51 per share					(3,350)					(3,350)	(482)	(3,832)
Purchase of treasury stock		0				(1)				(1)		(1)
Net change in the year							666	1,679	2,633	4,978	991	5,969
<b>BALANCE, MARCH 31, 2015</b>	<b>68,638</b>	<b>(2,951)</b>	<b>¥12,893</b>	<b>¥20,630</b>	<b>¥145,591</b>	<b>¥(5,818)</b>	<b>¥1,064</b>	<b>¥24,538</b>	<b>¥2,533</b>	<b>¥201,431</b>	<b>¥3,114</b>	<b>¥204,545</b>

	Thousands of U.S. Dollars (Note 1)											
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total	Minority Interests	Total Equity		
					Net Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans					
<b>BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)</b>		\$107,308	\$171,702	\$1,140,566	\$(48,415)	\$3,313	\$192,734	\$ (832)	\$1,566,376	\$21,681	\$1,588,057	
Cumulative effect of accounting change (Note 2.L.(c))				(9,820)			(2,480)		(12,300)		(12,300)	
<b>BALANCE, APRIL 1, 2014 (as restated)</b>		107,308	171,702	1,130,746	(48,415)	3,313	190,254	(832)	1,554,076	21,681	1,575,757	
Net income					108,880				108,880		108,880	
Cash dividends, \$0.42 per share					(27,882)				(27,882)	(4,012)	(31,894)	
Purchase of treasury stock						(9)			(9)		(9)	
Net change in the year							5,543	13,974	21,914	41,431	8,249	49,680
<b>BALANCE, MARCH 31, 2015</b>		<b>\$107,308</b>	<b>\$171,702</b>	<b>\$1,211,744</b>	<b>\$(48,424)</b>	<b>\$8,856</b>	<b>\$204,228</b>	<b>\$21,082</b>	<b>\$1,676,496</b>	<b>\$25,918</b>	<b>\$1,702,414</b>	

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

GLORY LTD. and  
consolidated  
subsidiaries  
Year ended  
March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes and minority interests	¥ 22,559	¥ 18,004	\$ 187,757
Adjustments for:			
Income taxes—paid	(8,224)	(5,290)	(68,448)
Depreciation and amortization	10,435	9,281	86,850
Amortization of goodwill	4,988	5,137	41,515
Loss on impairment of long-lived assets	75	2	624
Provision for doubtful receivables	(46)	92	(383)
Net (gain) loss on sales of investment securities	(0)	147	(0)
Changes in assets and liabilities:			
(Increase) decrease in trade notes and accounts receivable	(5,517)	355	(45,918)
Decrease (increase) in inventories	643	(6,598)	5,352
Increase in interest and dividend receivable	(1)	(5)	(8)
Decrease in notes, accounts and other payable	(2,899)	(2,049)	(24,128)
(Decrease) increase in interest payable	(23)	172	(191)
(Decrease) increase in liability for retirement benefits	(751)	356	(6,251)
Increase (decrease) in lease obligations	45	(126)	375
Decrease (increase) in lease investment assets	279	(458)	2,322
Increase in accrued consumption taxes	1,196	263	9,954
Decrease (increase) in accrued expenses	(140)	1,421	(1,165)
Other—net	(1,447)	(3,081)	(12,043)
<b>Total adjustments</b>	<b>(1,387)</b>	<b>(381)</b>	<b>(11,543)</b>
<b>Net cash provided by operating activities</b>	<b>21,172</b>	<b>17,623</b>	<b>176,214</b>
<b>INVESTING ACTIVITIES:</b>			
Proceeds from sales of property, plant and equipment	623	172	5,185
Purchases of property, plant and equipment	(7,372)	(5,393)	(61,357)
Purchases of intangible assets	(1,014)	(1,049)	(8,439)
Proceeds from sales and redemption of investment securities	4,213	1,452	35,065
Purchases of investment securities	(662)	(363)	(5,510)
Decrease in time deposits—net	759	527	6,317
Acquisition of investments in subsidiaries	(217)	(195)	(1,806)
Decrease in other—net	184	79	1,531
<b>Net cash used in investing activities</b>	<b>(3,486)</b>	<b>(4,770)</b>	<b>(29,014)</b>
<b>FINANCING ACTIVITIES:</b>			
Decrease in short-term bank loans—net	(9,304)	(9,110)	(77,437)
Proceeds from long-term debt	6,026		50,154
Repayments of long-term debt	(8,636)	(6,277)	(71,877)
Dividends paid	(3,352)	(2,955)	(27,898)
Dividends paid for minority shareholders	(483)	(366)	(4,020)
Other, net	(0)	(1)	(0)
<b>Net cash used in financing activities</b>	<b>(15,749)</b>	<b>(18,709)</b>	<b>(131,078)</b>
<b>FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>	<b>1,257</b>	<b>3,571</b>	<b>10,462</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,194</b>	<b>(2,285)</b>	<b>26,584</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>61,029</b>	<b>63,314</b>	<b>507,940</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>¥ 64,223</b>	<b>¥ 61,029</b>	<b>\$ 534,524</b>

See notes to consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GLORY LTD. and consolidated subsidiaries  
Year ended March 31, 2015

## 01. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2014 consolidated financial statements to conform to the classifications used in 2015.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which GLORY LTD. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.15 to \$1, the approximate rate of exchange at March 31, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## 02. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**a. Consolidation** – The consolidated financial statements as of March 31, 2015, include the accounts of the Company and its 38 significant (39 in 2014) subsidiaries (together, the "Group"). Consolidation of the remaining subsidiaries would not have a material effect on the accompanying consolidated financial statements.

### Consolidated Subsidiaries

March 31, 2015		March 31, 2014	
Name	Year-End	Name	Year-End
Hokkaido GLORY Co., Ltd.	March 31	Hokkaido GLORY Co., Ltd.	March 31
GLORY NASCA Ltd.	March 31	GLORY NASCA Ltd.	March 31
GLORY Products Ltd.	March 31	GLORY Products Ltd.	March 31
Glory Global Solutions Inc.	March 31	Glory Global Solutions Inc.	March 31
Glory Global Solutions (Singapore) Pte. Ltd.	March 31	Glory Global Solutions (Singapore) Pte. Ltd.	March 31
Sitrade Italia S.p.A.	December 31	Sitrade Italia S.p.A.	December 31
GLORY Denshi Kogyo (Suzhou) Ltd.	December 31	GLORY Denshi Kogyo (Suzhou) Ltd.	December 31
Glory Global Solutions (Shanghai) Co., Ltd.	December 31	Glory Global Solutions (Shanghai) Co., Ltd.	December 31
Glory Global Solutions Ltd.	March 31	Glory Global Solutions Ltd.	March 31
Glory Global Solutions (International) Ltd.	March 31	Glory Global Solutions (International) Ltd.	March 31
Glory Global Solutions (France) S.A.S.	March 31	Glory Global Solutions (France) S.A.S.	March 31
27 other companies		28 other companies	

GLORY Denshi Kogyo (Suzhou) Ltd.; Glory Global Solutions (Shanghai) Co., Ltd.; Sitrade Italia S.p.A.; Glory Global Solutions (Brasil) Máquinas e Equipamentos Ltda. and three other companies were consolidated using the financial statements as of December 31 because the difference between the closing date of the subsidiaries and that of the Company did not exceed three months. Significant transactions have been adjusted on consolidation.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in all unconsolidated subsidiaries and associated company are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition, which is presented as goodwill in the consolidated balance sheet, is being amortized over a reasonable estimated period.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

**b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements** – In

May 2006, the Accounting Standards Board of Japan (the “ASBJ”) issued ASBJ Practical Issues Task Force (PITF) No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements.” PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements; however, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; and (e) exclusion of minority interests from net income, if contained in net income.

**c. Business Combinations** – In September 2013, the ASBJ issued revised ASBJ Statement No. 21, “Accounting Standard for Business Combinations,” revised ASBJ Guidance No. 10, “Guidance on Accounting Standards for Business Combinations and Business Divestitures,” and revised ASBJ Statement No. 22, “Accounting Standard for Consolidated Financial Statements.” Major accounting changes are as follows:

- (a) Transactions with noncontrolling interest – A parent’s ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent’s ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.
- (b) Presentation of the consolidated balance sheet – In the consolidated balance sheet, “minority interest” under the current accounting standard will be changed to “noncontrolling interest” under the revised accounting standard.
- (c) Presentation of the consolidated statement of income – In the consolidated statement of income, “income before minority interest” under the current accounting standard will be changed to “net income” under the revised accounting standard, and “net income” under the current accounting standard will be changed to “net income attributable to owners of the parent” under the revised accounting standard.
- (d) Provisional accounting treatments for a business combination – If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.
- (e) Acquisition-related costs – Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e)

acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company early applied the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs above, effective April 1, 2014, and (d) provisional accounting treatments for a business combination which occurred on or after April 1, 2014. In addition, the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs were applied retrospectively. The effects of the application of the revised accounting standards and guidance for 2015 were as follows: (1) Consolidated balance sheet as of April 1, 2014—"goodwill" and "retained earnings" decreased by ¥987 million (\$8,217 thousand) and ¥689 million (\$5,735 thousand), respectively, and "foreign currency translation adjustments" decreased by ¥298 million (\$2,482 thousand). (2) Consolidated statement of income for the year ended March 31, 2015—"operating income" and "income before income taxes and minority interests" increased by ¥61 million (\$514 thousand). (3) The effects of these changes on per share of common stock for the year ended March 31, 2015 were not material. (4) Consolidated statement of changes in equity as of April 1, 2014—"retained earnings" decreased by ¥689 million (\$5,735 thousand) and "foreign currency translation adjustments" decreased by ¥298 million (\$2,482 thousand).

- d. Cash Equivalents** – Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificates of deposit, all of which mature or become due within three months of the date of acquisition.
- e. Inventories** – Inventories are stated at the lower of cost, determined by the periodic average method for finished products and work in process, and by the moving average method for merchandise and raw materials and supplies, or net selling value.
- f. Short-Term Investments and Investment Securities** – Short-term investments and investment securities are classified and accounted for, depending on management's intent, as follows: i) held-to-maturity debt securities, for which there is positive intent and ability to hold to maturity are reported at amortized cost and ii) available-for-sale securities, which are not classified as held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.
- Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.
- g. Property, Plant and Equipment** – Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries other than buildings acquired on or after April 1, 1998, is computed by the declining-balance method, while depreciation of its consolidated

foreign subsidiaries is mainly computed by the straight-line method at rates based on estimated useful lives of the assets. Buildings of the Company and its consolidated domestic subsidiaries acquired on or after April 1, 1998, are depreciated by the straight-line method. The useful lives for lease assets are the terms of the respective leases.

- h. Long-Lived Assets** – The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
- i. Software Costs** – Software development costs, incurred through the completion of a beta version of specific software for sale to the market, are charged to income when incurred. Such costs incurred subsequent to the completion of the beta version are deferred and amortized at the higher of either the amount to be amortized in proportion to the actual sales volume of the software during the current year to the estimated total sales volume over the estimated salable years of the software or the amount to be amortized by the straight-line method over three years. The costs of software for internal use are amortized by the straight-line method over the estimated useful lives of five years.
- j. Other Assets** – Customer relationships are carried at cost less accumulated amortization, which is calculated by the straight-line method over 20 years.
- k. Allowance for Doubtful Accounts** – The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the accounts outstanding.
- l. Retirement and Pension Plans** – The liabilities (assets) for retirement benefits of employees are accounted for based on projected benefit obligations and plan assets at the consolidated balance sheet date. The actuarial differences are mainly amortized from the next year using the declining-balance method over 15 years which is within the average remaining service period. The prior service costs are mainly amortized by the declining-balance method over 15 years, which is within the average remaining service period.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

  - (a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (prepaid retirement benefits).
  - (b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments (see Note 15).
  - (c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning

on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, liability for retirement benefits as of April 1, 2014, decreased by ¥1,655 million (\$13,774 thousand), and prepaid retirement benefits as of April 1, 2014, decreased by ¥2,461 million (\$20,482 thousand), and retained earnings as of April 1, 2014, decreased by ¥491 million (\$4,087 thousand), respectively, and operating income and income before income taxes and minority interests for the year ended March 31, 2015, decreased by ¥117 million (\$974 thousand).

The effects of these changes on per share of common stock for the year ended March 31, 2015 were not material.

**m. Asset Retirement Obligations** – In March 2008, the ASBJ issued ASBJ Statement No. 18, “Accounting Standard for Asset Retirement Obligations” and ASBJ Guidance No. 21, “Guidance on Accounting Standard for Asset Retirement Obligations.” Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such a tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

**n. Research and Development Costs** – Research and development costs are charged to income as incurred.

**o. Leases (Lessee)** – In March 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” which revised the previous accounting standard for lease transactions issued in June 1993.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain “as if capitalized” information was disclosed in the note to the lessee’s financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions with certain “as if capitalized” information disclosed in the notes to the lessee’s financial statements.

The Company and certain domestic subsidiaries applied the revised accounting standard effective April 1, 2008. In addition, the Company and certain domestic subsidiaries accounted for leases, which existed at the transition date and do not transfer ownership of the leased property, to the lessee as operating lease transactions.

**Leases (Lessor)** – In March 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” which revised the previous accounting standard for lease transactions issued in June 1993.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee be recognized as lease receivables, and that all finance leases that are not deemed to transfer ownership of the leased property to the lessee be recognized as investments in lease.

**p. Bonuses to Directors** – Bonuses to directors are accrued at the year-end to which such bonuses are attributable.

**q. Income Taxes** – The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

The Company and domestic subsidiaries file a tax return under the consolidated corporate tax system, which allows companies to base tax payments on the combined profits or losses of the Company and its wholly owned domestic subsidiaries.

**r. Foreign Currency Transactions** – Both short-term and long-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates as of each balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts and currency swaps.

However, receivables denominated in a foreign currency that are covered by forward exchange contracts are translated at the contract rate. Long-term debt denominated in a foreign currency that is covered by a currency swap is translated at the contract rate. The difference resulting from receivables and long-term debt translated at the historical rate and the contract rate is credited (charged) to income as an interest adjustment.

**s. Foreign Currency Financial Statements** – The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate, as of the balance sheet date, except for equity, which is translated at the historical rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the current exchange rate.

**t. Derivatives and Hedging Activities** – The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign currency forward contracts, currency swaps, and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income; and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts are utilized to hedge foreign currency exposures for export sales. Trade receivables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Long-term debt denominated in foreign currencies for which currency swaps are used to hedge the foreign currency fluctuations are translated at the contracted rate if the currency swaps qualify for hedge accounting.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not

remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

**u. Per Share Information** – Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share is not disclosed because there are no potentially dilutive securities outstanding.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

**v. Accounting Changes and Error Corrections** – In December 2009, the ASBJ issued ASBJ Statement No. 24, “Accounting Standard for Accounting Changes and Error Corrections” and ASBJ Guidance No. 24, “Guidance on Accounting Standard for Accounting Changes and Error Corrections.” Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies - When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation - When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates - A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors - When an error in prior-period financial statements is discovered, those statements are restated.

### 03. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Short-term investments:			
Time deposits other than cash equivalents	¥ 150	¥ 1,089	\$ 1,248
Government, corporate, and other bonds	2,405	2,497	20,017
<b>Total</b>	<b>¥2,555</b>	<b>¥ 3,586</b>	<b>\$21,265</b>
Investment securities:			
Marketable equity securities	¥4,905	¥ 4,017	\$40,824
Nonmarketable equity securities	683	691	5,685
Government, corporate, and other bonds	3,800	7,320	31,627
Other	388	361	3,229
<b>Total</b>	<b>¥9,776</b>	<b>¥12,389</b>	<b>\$81,365</b>

The costs and aggregate fair values of marketable and investment securities at March 31, 2015 and 2014, were as follows:

March 31, 2015	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥3,426	¥1,510	¥(31)	¥4,905
Government bonds	333			333
Corporate bonds	36			36
Other	296	92		388
Held-to-maturity:				
Government bonds	1,000	60		1,060
Corporate bonds	4,836	62	(20)	4,878

March 31, 2014	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥3,424	¥738	¥(145)	¥4,017
Other	336	25		361
Held-to-maturity:				
Government bonds	1,329	58		1,387
Corporate bonds	7,988	84	(42)	8,030
Other	500		(2)	498

March 31, 2015	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$28,514	\$12,568	\$(258)	\$40,824
Government bonds	2,772			2,772
Corporate bonds	300			300
Other	2,472	757		3,229
Held-to-maturity:				
Government bonds	8,323	499		8,822
Corporate bonds	40,249	508	(166)	40,591

Available-for-sale securities sold during the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Proceeds from sales	¥13	¥352	\$108
Gain on sales	0	1	0
Loss on sales	0	148	0

## 04. INVENTORIES

Inventories as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Finished products and merchandise	¥25,683	¥24,069	\$213,758
Work in process	6,047	6,772	50,329
Raw materials and supplies	9,901	9,992	82,405
<b>Total</b>	<b>¥41,631</b>	<b>¥40,833</b>	<b>\$346,492</b>

## 05. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

(a) Short-term bank loans as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Loans from banks	¥19,528	¥28,271	\$162,530

The annual average interest rate applicable to short-term bank loans at March 31, 2015 and 2014, was 0.8%.

## 06. RETIREMENT AND PENSION PLANS

(b) Long-term debt and lease obligations as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Loans from banks and other	¥42,753	¥44,794	\$355,830
Obligations under finance leases	2,701	2,623	22,480
<b>Total</b>	<b>45,454</b>	<b>47,417</b>	<b>378,310</b>
Less current portion	(10,848)	(9,423)	(90,287)
<b>Long-term debt and lease obligations, less current portion</b>	<b>¥34,606</b>	<b>¥37,994</b>	<b>\$288,023</b>

The annual average interest rate applicable to long-term debt at March 31, 2015 and 2014, was 1.2%.

(c) Annual maturities of long-term debt as of March 31, 2015, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥10,848	\$ 90,287
2017	10,466	87,107
2018	9,877	82,206
2019	9,489	78,976
2020 and thereafter	4,774	39,734
<b>Total</b>	<b>¥45,454</b>	<b>\$378,310</b>

Employees of the Company and its domestic consolidated subsidiaries are covered by non-contributory and contributory funded defined benefit pension plans, and severance lump-sum payment plans. Certain foreign consolidated subsidiaries have contribution plans and defined benefit plans.

(1) The changes in defined benefit obligation for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
<b>BALANCE AT BEGINNING OF YEAR (as previously reported)</b>	<b>¥47,403</b>	<b>¥44,943</b>	<b>\$394,532</b>
Cumulative effect of accounting change	806		6,708
<b>BALANCE AT BEGINNING OF YEAR (as restated)</b>	<b>48,209</b>	<b>44,943</b>	<b>401,240</b>
Current service cost	2,268	2,094	18,876
Interest cost	635	629	5,285
Actuarial (gains) losses	575	(262)	4,786
Benefits paid	(1,722)	(1,536)	(14,332)
Past service cost	(305)	453	(2,538)
Others	1,067	1,082	8,880
<b>Balance at end of year</b>	<b>¥50,727</b>	<b>¥47,403</b>	<b>\$422,197</b>

(2) The changes in plan assets for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥46,258	¥41,308	\$385,002
Expected return on plan assets	611	571	5,085
Actuarial gains	4,124	1,901	34,324
Contributions from the employer	1,668	3,063	13,883
Benefits paid	(1,652)	(1,505)	(13,749)
Others	294	920	2,446
<b>Balance at end of year</b>	<b>¥51,303</b>	<b>¥46,258</b>	<b>\$426,991</b>

- (3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Funded defined benefit obligation	¥ 50,113	¥ 46,791	\$ 417,087
Plan assets	(51,303)	(46,258)	(426,991)
	(1,190)	533	(9,904)
Unfunded defined benefit obligation	614	611	5,110
<b>Net liability (asset) for defined benefit obligation</b>	<b>¥ (576)</b>	<b>¥ 1,144</b>	<b>\$ (4,794)</b>

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Liability for retirement benefits	¥ 3,323	¥ 4,020	\$ 27,657
Prepaid retirement benefits	(3,899)	(2,876)	(32,451)
<b>Net liability (asset) for defined benefit obligation</b>	<b>¥ (576)</b>	<b>¥ 1,144</b>	<b>\$ (4,794)</b>

- (4) The components of net periodic benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Service cost	¥2,268	¥2,094	\$18,876
Interest cost	635	629	5,285
Expected return on plan assets	(611)	(571)	(5,085)
Recognized actuarial (gains) losses	90	483	749
Amortization of prior service cost	(89)	(165)	(741)
<b>Net periodic benefit costs</b>	<b>¥2,293</b>	<b>¥2,470</b>	<b>\$19,084</b>

- (5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Prior service cost	¥ 216	¥—	\$ 1,798
Actuarial gains	3,639		30,287
<b>Total</b>	<b>¥3,855</b>	<b>¥—</b>	<b>\$32,085</b>

- (6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrecognized prior service cost	¥ 538	¥ 322	\$ 4,478
Unrecognized actuarial (gains) losses	3,150	(489)	26,217
<b>Total</b>	<b>¥3,688</b>	<b>¥(167)</b>	<b>\$30,695</b>

(7) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2015 and 2014, consisted of the following:

	2015	2014
Debt investments	47%	44%
Equity investments	27	25
Cash and cash equivalents	5	10
General account assets of life insurance	12	12
Others	9	9
<b>Total</b>	<b>100%</b>	<b>100%</b>

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2015 and 2014, are set forth as follows:

	2015	2014
Discount rate	Mainly 0.9 – 1.5%	Mainly 1.3%
Expected rate of return on plan assets	Mainly 0.9 – 1.5%	Mainly 1.3%

(9) Defined contribution pension plan

Contributions to the defined contribution pension plan of the Company and its consolidated subsidiaries for the years ended March 31, 2015 and 2014, were ¥540 million (\$4,494 thousand) and ¥95 million, respectively.

## 07. EQUITY

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. For companies that meet certain criteria, such as (1) having a board of directors, (2) having independent auditors, (3) having a board of corporate auditors, and (4) the term of service of the directors being prescribed as one year rather than the normal two year term by its articles of incorporation, the board of directors may declare dividends (except for dividends in-kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the board of directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account that was charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

## 08. INCOME TAXES

### (c) Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the board of directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

The Company and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 35.6% and 38% for the years ended March 31, 2015 and 2014, respectively. Foreign consolidated subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences and loss carryforwards, which resulted in deferred tax assets and liabilities as of March 31, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Deferred tax assets due to:			
Liability for retirement benefits	¥ 1,778	¥ 1,997	\$ 14,798
Unrealized profit eliminated	1,614	1,894	13,433
Accrued bonuses	1,835	1,980	15,273
Research and development expenditures	1,312	1,133	10,920
Depreciation and amortization	350	468	2,913
Inventories	478	444	3,978
Loss on valuation of investment securities	169	186	1,407
Allowance for doubtful accounts	36	59	300
Amounts recognized in accumulated other comprehensive income in respect of defined retirement benefit plans		67	
Other	2,910	2,132	24,220
<b>Gross deferred tax assets</b>	<b>10,482</b>	<b>10,360</b>	<b>87,242</b>
Less valuation allowance	(898)	(979)	(7,474)
<b>Total gross deferred tax assets</b>	<b>¥ 9,584</b>	<b>¥ 9,381</b>	<b>\$ 79,768</b>
Deferred tax liabilities due to:			
Intangibles assets	¥ (8,115)	¥ (8,434)	\$(67,541)
Net unrealized gain on securities	(518)	(273)	(4,311)
Amounts recognized in accumulated other comprehensive income in respect of defined retirement benefit plans	(1,290)		(10,737)
Other	(1,097)	(455)	(9,130)
<b>Total gross deferred tax liabilities</b>	<b>(11,020)</b>	<b>(9,162)</b>	<b>(91,719)</b>
<b>Net deferred tax (liabilities) assets</b>	<b>¥ (1,436)</b>	<b>¥ 219</b>	<b>\$(11,951)</b>

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2015 and 2014, is as follows:

	2015	2014
Normal effective statutory tax rate	35.6%	38.0%
Expenses not deductible for income tax purposes, such as entertainment expenses	1.7	4.4
Income not taxable for income tax purposes	(0.4)	(3.2)
Tax credit related to research expenses	(5.9)	(7.7)
Amortization of goodwill	8.1	10.8
Tax rate differences with consolidated subsidiaries	(2.4)	(2.7)
Valuation allowance	(0.1)	(2.8)
Effect of tax rate reduction	2.1	1.4
Equalization tax	0.6	0.8
Other—net	(1.7)	1.6
<b>Actual effective tax rate</b>	<b>37.6%</b>	<b>40.6%</b>

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015. The effect of these changes was to decrease deferred tax assets, net of deferred tax liabilities, by ¥416 million (\$3,462 thousand) and increase accumulated other comprehensive income for unrealized gain on available-for-sale securities by ¥53 million (\$441 thousand), in the consolidated balance sheet as of March 31, 2015, and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥469 million (\$3,903 thousand).

## 09. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general, and administrative expenses in the accompanying consolidated statements of income for the years ended March 31, 2015 and 2014, mainly consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Employees' salaries and bonuses	¥25,320	¥25,602	\$210,737
Provision for employees' bonuses	3,357	3,083	27,940
Retirement benefit expenses	1,574	1,545	13,100
Amortization of goodwill	4,988	5,137	41,515
Depreciation expense	5,056	5,148	42,081
Rent expense	4,493	4,660	37,395

## 10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to administrative expense and manufacturing cost for the years ended March 31, 2015 and 2014, were ¥12,903 million (\$107,391 thousand) and ¥13,175 million, respectively.

## 11. LEASES

### (a) Lessee

As discussed in Note 2.o, the Company and certain domestic subsidiaries account for leases, which existed at the transition date and which do not transfer ownership of the leased property to the lessee, as operating lease transactions. Pro forma information of such leases existing at the transition date, such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense, and other information, on an "as-if capitalized" basis for the years ended March 31, 2015 and 2014, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Acquisition cost	¥ 22	¥ 29	\$ 183
Accumulated depreciation	(22)	(24)	(183)
<b>Net leased property</b>	<b>¥ 0</b>	<b>¥ 5</b>	<b>\$ 0</b>

Obligations under finance leases as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Due within one year	¥1	¥4	\$8
Due after one year		2	
<b>Total</b>	<b>¥1</b>	<b>¥6</b>	<b>\$8</b>

Depreciation expense, interest expense and other information under finance leases as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Depreciation expense	¥3	¥5	\$25
Interest expense	0	0	0
<b>Total</b>	<b>¥3</b>	<b>¥5</b>	<b>\$25</b>
Lease payments	¥4	¥6	\$33

Depreciation expense and interest expense are not reflected in the consolidated statement of income. Depreciation expense is computed by the straight-line method over the terms of the related leases. Interest expense is computed by the interest method.

The minimum rental commitments under noncancelable operating leases as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Due within one year	¥ 95	¥ 57	\$ 791
Due after one year	815	701	6,783
<b>Total</b>	<b>¥910</b>	<b>¥758</b>	<b>\$7,574</b>

### (b) Lessor

The net investments in lease as of March 31, 2015 and 2014, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Gross lease receivables	¥3,481	¥3,817	\$28,972
Unearned interest income	762	819	6,342
<b>Investments in leases</b>	<b>¥2,719</b>	<b>¥2,998</b>	<b>\$22,630</b>

Maturities of investment in lease for finance leases that are deemed not to transfer ownership of the leased property to the lessee as of March 31, 2015, are as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥1,030	\$ 8,572
2017	895	7,449
2018	652	5,426
2019	398	3,313
2020	204	1,698
2021 and thereafter	302	2,514
<b>Total</b>	<b>¥3,481</b>	<b>\$28,972</b>

As discussed in Note 2.o, the Company and certain domestic subsidiaries account for leases, which existed at the transition date and which do not transfer ownership of the leased property to the lessee, as operating lease transactions. Aggregate future lease receivables for sublease as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Due within one year	¥1	¥3	\$8
Due after one year		1	
<b>Total</b>	<b>¥1</b>	<b>¥4</b>	<b>\$8</b>

Sublease payables by lessee are almost the same amount as sublease receivables, which are included in the future lease payments as a lessee (see (a) above).

## 12. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

- (1) Group policy for financial instruments  
The Group invests cash surpluses in low-risk financial assets and uses financial instruments, such as short-term bank loans. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.
- (2) Nature and extent of risks arising from financial instruments and risk management for financial instruments  
Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. The Group manages its credit risk from receivables on the basis of internal policies, which include monitoring of payment terms and balances of each counterparty. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, they are hedged partially by using foreign currency forward contracts on the basis of internal policies.  
Short-term investments and investment securities, mainly held-to-maturity securities and equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations. Such instruments are managed by monitoring market values and the financial position of issuers on a regular basis.  
Payment terms of payables, such as trade notes and trade accounts, are less than one year. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currency as noted above.  
Bank loans are utilized for financing of business transactions and capital investments. Although a part of such bank loans are exposed to foreign exchange rate fluctuations and interest rate fluctuations, those risks are mitigated by using derivatives. As this method of hedging meets the requirements of the special treatment of interest rate swaps, we have not assessed the effectiveness of the method.  
Derivatives include foreign currency forward contracts, interest rate swap agreements and currency swap agreements. Please see Note 13 for more details about derivatives.

(3) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Please see Note 13 for the details of fair value for derivatives.

(a) Fair value of financial instruments

The carrying amounts, fair values, and unrealized gain/loss of financial instruments as of March 31, 2015 and 2014, were as follows. Note that financial instruments whose fair value cannot be reliably determined are not included (see (b)).

March 31, 2015	Millions of Yen		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	¥ 64,223	¥ 64,223	¥ —
Receivables:			
Trade notes	5,370		
Trade accounts	49,327		
Unconsolidated subsidiaries and associated company	951		
Subtotal	55,648		
Allowance for doubtful accounts*	(556)		
Receivables—net	55,092	55,085	(7)
Investments in leases	2,719		
Allowance for doubtful accounts*	(7)		
Investments in leases—net	2,712	2,681	(31)
Short-term investments and investment securities	11,648	11,749	101
<b>Total</b>	<b>¥133,675</b>	<b>¥133,738</b>	<b>¥ 63</b>
Payables:			
Trade notes	¥ 2,066	¥ 2,066	¥ —
Trade accounts	18,281	18,281	
Unconsolidated subsidiaries and associated company	1,019	1,019	
Short-term bank loans	19,528	19,528	
Long-term debt	42,753	42,748	(5)
Income taxes payable	3,797	3,797	
Long-term lease obligations	1,771	1,724	(47)
<b>Total</b>	<b>¥ 89,215</b>	<b>¥ 89,163</b>	<b>¥ (52)</b>

Note: \*Allowances for doubtful accounts taken for receivables and investments in leases are subtracted.

March 31, 2014	Millions of Yen		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	¥ 61,029	¥ 61,029	¥ —
Receivables:			
Trade notes	3,859		
Trade accounts	44,209		
Unconsolidated subsidiaries and associated company	173		
Subtotal	48,241		
Allowance for doubtful accounts*	(585)		
Receivables—net	47,656	47,647	(9)
Investments in leases	2,998		
Allowance for doubtful accounts*	(7)		
Investments in leases—net	2,991	2,939	(52)
Short-term investments and investment securities	15,284	15,382	98
<b>Total</b>	<b>¥126,960</b>	<b>¥126,997</b>	<b>¥ 37</b>

Payables:			
Trade notes	¥ 3,084	¥ 3,084	¥ —
Trade accounts	17,880	17,880	
Unconsolidated subsidiaries and associated company	1,280	1,280	
Short-term bank loans	28,271	28,271	
Long-term debt	44,794	44,600	(194)
Income taxes payable	4,293	4,293	
Long-term lease obligations	1,752	1,695	(57)
<b>Total</b>	<b>¥101,354</b>	<b>¥101,103</b>	<b>¥(251)</b>

March 31, 2015	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	\$ 534,524	\$ 534,524	\$ —
Receivables:			
Trade notes	44,694		
Trade accounts	410,545		
Unconsolidated subsidiaries and associated company	7,915		
Subtotal	463,154		
Allowance for doubtful accounts*	(4,628)		
Receivables—net	458,526	458,468	(58)
Investments in leases	22,630		
Allowance for doubtful accounts*	(58)		
Investments in leases—net	22,572	22,314	(258)
Short-term investments and investment securities	96,945	97,786	841
<b>Total</b>	<b>\$1,112,567</b>	<b>\$1,113,092</b>	<b>\$ 525</b>

Payables:			
Trade notes	\$ 17,195	\$ 17,195	\$ —
Trade accounts	152,151	152,151	
Unconsolidated subsidiaries and associated company	8,481	8,481	
Short-term bank loans	162,530	162,530	
Long-term debt	355,830	355,789	(41)
Income taxes payable	31,602	31,602	
Long-term lease obligations	14,740	14,349	(391)
<b>Total</b>	<b>\$ 742,529</b>	<b>\$ 742,097</b>	<b>\$(432)</b>

Note: \*Allowances for doubtful accounts taken for receivables and investments in leases are subtracted.

#### Cash and Cash Equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

#### Receivables

The carrying values are used for short-term receivables as they approximate fair value. The fair values of long-term receivables, such as installment receivables, are measured at present values discounted by the swap interest rate.

#### Investments in Leases

The fair values of investments in leases are measured at present values discounted by the swap interest rate.

#### Short-Term Investments and Investment Securities

The fair values of short-term investments and investment securities are measured at the quoted market price of the stock exchange for the equity instruments and at the quoted price obtained from the financial institution for certain debt instruments. Debt securities for which the quoted price cannot be obtained are measured at present values discounted by the swap interest rate. Information on the fair value of marketable and investment securities by classification is included in Note 3.

#### Payables, Short-Term Bank Loans, and Income Taxes Payable

The carrying values of payables, short-term and current portion of long-term bank loans, and income taxes payable approximate fair value because of their short maturities.

#### Long-Term Debt and Long-Term Lease Obligations

The fair values of long-term debt and long-term lease obligations are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate. The specific matching criteria of interest rate and currency swaps are applicable to some long-term debts. The fair values of these items are determined by discounting the combined total of interest and principal, with which the interest rate and currency swaps have been accounted for, at the Group's assumed corporate borrowing rate. The carrying values of floating-rate long-term debt approximate fair value because the floating rates reflect the short-term market rate.

#### Derivatives

Fair value information for derivatives is included in Note 13.

- (b) Financial instruments whose fair value cannot be reliably determined as of March 31, 2015 and 2014, were as follows:

	Carrying Amount		Thousands of U.S. Dollars
	Millions of Yen	2014	
	2015		2015
Investments in equity instruments that do not have a quoted market price in an active market	<b>¥1,959</b>	¥1,739	<b>\$16,305</b>

The above financial instruments are not included in short-term investments and investment securities described in table (a) because they do not have market values, and it is difficult to estimate future cash flows.

The carrying amounts of investments in unconsolidated subsidiaries and an associated company included in the above table for the years ended March 31, 2015 and 2014, were ¥1,276 million (\$10,620 thousand) and ¥1,048 million, respectively.

- (c) Maturity analysis for financial assets and securities with contractual maturities:

March 31, 2015	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	<b>¥ 64,223</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥—</b>
Receivables	<b>54,146</b>	<b>1,502</b>		
Investments in leases	<b>826</b>	<b>1,699</b>	<b>194</b>	
Short-term investments and investment securities	<b>2,889</b>	<b>1,100</b>	<b>2,329</b>	<b>4</b>
<b>Total</b>	<b>¥122,084</b>	<b>¥4,301</b>	<b>¥2,523</b>	<b>¥ 4</b>

## 13. DERIVATIVES

March 31, 2014	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 61,029	¥ —	¥ —	¥—
Receivables	46,736	1,505		
Investments in leases	862	1,932	204	
Short-term investments and investment securities	3,588	3,239	4,028	4
<b>Total</b>	<b>¥112,215</b>	<b>¥6,676</b>	<b>¥4,232</b>	<b>¥4</b>

March 31, 2015	Thousands of U.S. Dollars			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	\$ 534,524	\$ —	\$ —	\$ —
Receivables	450,653	12,501		
Investments in leases	6,875	14,141	1,615	
Short-term investments and investment securities	24,045	9,155	19,384	33
<b>Total</b>	<b>\$1,016,097</b>	<b>\$35,797</b>	<b>\$20,999</b>	<b>\$33</b>

Please see Note 5 for annual maturities of long-term debt and long-term lease obligations.

The Group enters into foreign currency forward contracts, interest rate swap agreements and currency swap agreements. The foreign currency forward contracts and currency swap agreements are designed to hedge certain exposures to foreign exchange rate fluctuations on monetary assets and liabilities denominated in foreign currencies and to manage stabilization of income. The interest rate swap agreements are designed to hedge certain exposures to interest rate fluctuations on long-term debt. The Group does not hold or issue any financial instruments for trading or speculative purposes. Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk. Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization.

Derivative transactions to which hedge accounting is not applied

There were no derivative transactions to which hedge accounting is not applied for the years ended March 31, 2015 and 2014.

Derivative transactions to which hedge accounting is applied

At March 31, 2015	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed-rate payment, floating-rate receipt)	<b>Long-term debt</b>	<b>¥26,404</b>	<b>¥20,618</b>	<b>*</b>
Interest rate and currency swaps (fixed-rate and Japanese yen payment, floating-rate and U.S.\$ receipt)	<b>Long-term debt</b>	<b>6,878</b>	<b>5,349</b>	<b>*</b>
Interest rate and currency swaps (fixed-rate and Euro payment, floating-rate and U.S.\$ receipt)	<b>Long-term debt</b>	<b>4,573</b>	<b>3,557</b>	<b>*</b>

Millions of Yen				
At March 31, 2014	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed-rate payment, floating-rate receipt)	Long-term debt	¥23,830	¥19,497	*
Interest rate and currency swaps (fixed-rate and Japanese yen payment, floating-rate and U.S.\$ receipt)	Long-term debt	8,406	6,878	*
Interest rate and currency swaps (fixed-rate and Euro payment, floating-rate and U.S.\$ receipt)	Long-term debt	6,073	4,969	*
Thousands of U.S. Dollars				
At March 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed-rate payment, floating-rate receipt)	<b>Long-term debt</b>	<b>\$219,759</b>	<b>\$171,602</b>	*
Interest rate and currency swaps (fixed-rate and Japanese yen payment, floating-rate and U.S.\$ receipt)	<b>Long-term debt</b>	<b>57,245</b>	<b>44,519</b>	*
Interest rate and currency swaps (fixed-rate and Euro payment, floating-rate and U.S.\$ receipt)	<b>Long-term debt</b>	<b>38,061</b>	<b>29,605</b>	*

Note: \*Fair value of interest rate swaps and interest rate and currency swaps, for which special treatment is applied, is included in fair value of the corresponding long-term debt for which hedge accounting is applied disclosed in Note 12.

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The contract or notional amounts of derivatives, which are shown in the above table, do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

## 14. CONTINGENT LIABILITIES

At March 31, 2015 and 2014, the Group had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Guarantees for bank loans drawn by its employees	¥ 39	¥ 45	\$ 325
Guarantees for lease obligations owed by its customers	852	1,088	7,091

## 15. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 953	¥ 248	\$ 7,932
Reclassification adjustments to profit or loss		85	
Amount before income tax effect	953	333	7,932
Income tax effect	(287)	(121)	(2,389)
<b>Total</b>	<b>¥ 666</b>	<b>¥ 212</b>	<b>\$ 5,543</b>
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 1,421	¥14,528	\$ 11,827
Reclassification adjustments to profit or loss		345	
Amount before income tax effect	1,421	14,873	11,827
Income tax effect	(39)		(325)
<b>Total</b>	<b>¥ 1,382</b>	<b>¥14,873</b>	<b>\$ 11,502</b>
Defined retirement benefit plan(s):			
Adjustments arising during the year	¥ 3,855	¥ —	\$ 32,085
Reclassification adjustments to profit or loss	1		8
Amount before income tax effect	3,856		32,093
Income tax effect	(1,223)		(10,179)
<b>Total</b>	<b>¥ 2,633</b>	<b>¥ —</b>	<b>\$ 21,914</b>
<b>Total other comprehensive income</b>	<b>¥ 4,681</b>	<b>¥15,085</b>	<b>\$ 38,959</b>

## 16. SUBSEQUENT EVENTS

### (a) Appropriation of Retained Earnings

The following appropriation of retained earnings as of March 31, 2015, was approved at the Company's shareholders' meeting held on June 26, 2015:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30 (\$0.25) per share	¥1,971	\$16,404

## 17. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available, and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

### 1. Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group consists of the following segments: Financial market, Retail and Transportation market, Amusement market and Overseas market. Financial market consists of sales and maintenance services to domestic financial institutions, OEM clients, and others. Retail and Transportation market consists of sales and maintenance services to domestic supermarkets, department stores, cash-in-transit companies, railroad companies, and others. Amusement market consists of sales and maintenance services to domestic amusement halls. Overseas market consists of sales and maintenance services to overseas financial institutions, cash-in-transit companies, retail stores, casinos, OEM clients, and others.

2. Methods of measurement for the amounts of sales, profit (loss), assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies." Income by reportable segment is operating income.

3. Information about sales, profit (loss), assets, and other items is as follows.

Millions of Yen									
2015									
Reportable Segment									
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥48,117	¥29,886	¥25,433	¥108,859	¥212,295	¥14,680	¥226,975	¥ —	¥226,975
Intersegment sales or transfers									
Total	48,117	29,886	25,433	108,859	212,295	14,680	226,975		226,975
Segment profit	5,502	2,464	2,461	8,543	18,970	210	19,180		19,180
Segment assets*	38,635	26,203	22,677	183,078	270,593	13,998	284,591	62,023	346,614
Other:									
Depreciation	1,928	1,251	1,583	4,875	9,637	798	10,435		10,435
Amortization of goodwill				4,988	4,988		4,988		4,988
Increase in property, plant and equipment and intangible assets	¥ 2,230	¥ 1,503	¥ 1,502	¥ 2,356	¥ 7,591	¥ 1,086	¥ 8,677	¥ —	¥ 8,677

Millions of Yen									
2014									
Reportable Segment									
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥45,655	¥31,007	¥24,811	¥103,002	¥204,475	¥14,157	¥218,632	¥ —	¥218,632
Intersegment sales or transfers									
Total	45,655	31,007	24,811	103,002	204,475	14,157	218,632		218,632
Segment profit	4,031	3,517	1,948	7,464	16,960	(241)	16,719		16,719
Segment assets*	35,051	25,700	24,075	182,019	266,845	14,330	281,175	59,768	340,943
Other:									
Depreciation	1,666	1,068	1,810	4,043	8,587	694	9,281		9,281
Amortization of goodwill			214	4,923	5,137		5,137		5,137
Increase in property, plant and equipment and intangible assets	¥ 1,750	¥ 1,115	¥ 1,309	¥ 2,314	¥ 6,488	¥ 747	¥ 7,235	¥ —	¥ 7,235

Thousands of U.S. Dollars									
2015									
Reportable Segment									
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	\$400,474	\$248,739	\$211,677	\$ 906,026	\$1,766,916	\$122,181	\$1,889,097	\$ —	\$1,889,097
Intersegment sales or transfers									
Total	400,474	248,739	211,677	906,026	1,766,916	122,181	1,889,097		1,889,097
Segment profit	45,793	20,508	20,482	71,103	157,886	1,748	159,634		159,634
Segment assets*	321,556	218,086	188,739	1,523,746	2,252,127	116,504	2,368,631	516,213	2,884,844
Other:									
Depreciation	16,047	10,412	13,175	40,574	80,208	6,642	86,850		86,850
Amortization of goodwill				41,515	41,515		41,515		41,515
Increase in property, plant and equipment and intangible assets	\$ 18,560	\$ 12,509	\$ 12,501	\$ 19,609	\$ 63,179	\$ 9,039	\$ 72,218	\$ —	\$ 72,218

Note: \*Reconciliations of segment assets are corporate assets of ¥62,023 million (\$516,213 thousand) and ¥59,768 million for the years ended March 31, 2015 and 2014, respectively, consisting principally of surplus funds of the Group.

#### 4. Information about products and services

Millions of Yen				
2015				
	Money Handling Machines and Cash Management Systems	Vending Machines and Automatic Service Equipment	Other Goods and Products	Total
Sales to external customers	¥169,351	¥39,955	¥17,669	¥226,975

Millions of Yen				
2014				
	Money Handling Machines and Cash Management Systems	Vending Machines and Automatic Service Equipment	Other Goods and Products	Total
Sales to external customers	¥163,995	¥36,972	¥17,665	¥218,632

Thousands of U.S. Dollars				
2015				
	Money Handling Machines and Cash Management Systems	Vending Machines and Automatic Service Equipment	Other Goods and Products	Total
Sales to external customers	\$1,409,496	\$332,543	\$147,058	\$1,889,097

#### 5. Information about geographical areas

##### (a) Sales

Millions of Yen						
2015						
	Japan	Asia/Oceania	United States of America	Americas Excluding United States of America	Europe	Total
Sales	¥118,115	¥25,647	¥33,329	¥5,332	¥44,552	¥226,975

Millions of Yen					
2014					
Japan	Asia/Oceania	United States of America	Americas Excluding United States of America	Europe	Total
¥115,630	¥25,009	¥27,224	¥5,217	¥45,552	¥218,632

Thousands of U.S. Dollars					
2015					
Japan	Asia/Oceania	United States of America	Americas Excluding United States of America	Europe	Total
\$983,063	\$213,458	\$277,395	\$44,378	\$370,803	\$1,889,097

Note: Sales are classified by country or region based on the location of customers.

(b) Property, plant and equipment

Millions of Yen				
2015				
Japan	Asia/Oceania	Americas	Europe	Total
¥31,258	¥1,469	¥1,377	¥1,405	¥35,509

Millions of Yen				
2014				
Japan	Asia/Oceania	Americas	Europe	Total
¥30,997	¥1,511	¥882	¥1,656	¥35,046

Thousands of U.S. Dollars				
2015				
Japan	Asia/Oceania	Americas	Europe	Total
\$260,158	\$12,226	\$11,461	\$11,694	\$295,539

6. Information about major customers

Information about major customers is not shown since outside sales for major customers accounted for less than 10% of operating revenue on the consolidated statements of income.

7. Information about impairment losses of assets by reportable segment

Millions of Yen									
2015									
Reportable Segment	Reportable Segment				Total	Other	Total	Reconciliations	Consolidated
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market					
Impairment losses of assets	¥26	¥23	¥15	¥64	¥11	¥75		¥75	

Millions of Yen									
2014									
Reportable Segment	Reportable Segment				Total	Other	Total	Reconciliations	Consolidated
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market					
Impairment losses of assets								¥2	¥2

Thousands of U.S. Dollars								
2015								
Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total Reconciliations	Consolidated
Impairment losses of assets	\$217	\$193	\$122		\$532	\$92	\$624	\$624

Note: The impairment loss relates to idle assets and the portion not allocated to any reportable segment for the year ended March 31, 2014 was ¥2 million.

#### 8. Information about amortization of goodwill and unamortized balance by reportable segment

Millions of Yen								
2015								
Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total Reconciliations	Consolidated
Amortization of goodwill				¥ 4,988	¥ 4,988		¥ 4,988	¥ 4,988
Goodwill at March 31, 2015				74,790	74,790		74,790	74,790

Millions of Yen								
2014								
Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total Reconciliations	Consolidated
Amortization of goodwill			¥215	¥ 4,922	¥ 5,137		¥ 5,137	¥ 5,137
Goodwill at March 31, 2014				77,781	77,781		77,781	77,781

Thousands of U.S. Dollars								
2015								
Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total Reconciliations	Consolidated
Amortization of goodwill				\$ 41,515	\$ 41,515		\$ 41,515	\$ 41,515
Goodwill at March 31, 2015				622,472	622,472		622,472	622,472

# Deloitte.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of GLORY LTD.:

We have audited the accompanying consolidated balance sheet of GLORY LTD. and its consolidated subsidiaries as of March 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of GLORY LTD. and its consolidated subsidiaries as of March 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

*Deloitte Touche Tohmatsu LLC*

June 26, 2015

Member of  
Deloitte Touche Tohmatsu Limited

## CORPORATE INFORMATION

(As of July 31, 2015)

### Corporate Information

Name: GLORY LTD.  
 Established: November 27, 1944  
 Capital: ¥12,892,947,600  
 URL: <http://www.glory-global.com>  
 Number of employees: 3,262 (Consolidated basis: 7,802)  
 (As of March 31, 2015)

### Offices

Head Office/Factory	1-3-1, Shimoteno, Himeji City, Hyogo 670-8567, Japan +81-79-297-3131
Tokyo Office	Akihabara UDX 4-14-1, Sotokanda, Chiyoda-ku, Tokyo 101-8977, Japan +81-3-5207-3100
Shinagawa Business Place	5-4-6, Osaki, Shinagawa-ku, Tokyo 141-8581, Japan +81-3-3495-6301
Saitama Factory	2-4-1, Furukawa, Kazo City, Saitama 347-0004, Japan +81-480-68-4661
Regional offices and other business sites	9 regional offices 39 local offices 32 local service offices 3 service centers 2 other business sites

### Group Companies

#### Domestic manufacturing subsidiaries (5 in total)

- GLORY Products Ltd.
- GLORY AZ System Co., Ltd.  
GLORY System Create Ltd.  
GLORY Friendly Co., Ltd.  
GLORY Mechatronics Ltd.

#### Domestic sales and maintenance subsidiaries (8 in total)

- GLORY Service Co., Ltd.
- Hokkaido GLORY Co., Ltd.
- GLORY IST Co., Ltd.
- GLORY NASCA Ltd.
- GLORY Techno 24 Co., Ltd.  
GLORY Engineering Ltd.  
Japan Settlement Information Center Ltd.  
and one other company

#### Overseas manufacturing subsidiaries (5 in total)

- GLORY Denshi Kogyo (Suzhou) Ltd.
- GLORY (PHILIPPINES), INC.  
GLORY IPO Asia Ltd.  
GLORY IPO China Ltd. and one other company

#### Overseas sales and maintenance subsidiaries (33 in total)

- Sitrade Italia S.p.A.
- Glory Global Solutions Ltd.
- Glory Global Solutions (France) S.A.S.
- Glory Global Solutions (Belgium) N.V./S.A.
- Glory Global Solutions (Germany) GmbH
- Glory Global Solutions (Netherlands) BV
- Glory Global Solutions (Spain) S.A.
- Glory Global Solutions (Switzerland) A.G.
- Glory Global Solutions (Portugal) S.A.
- Glory Global Solutions Nakit Otomasyon Teknolojileri Ltd. Şti.
- Glory Global Solutions Inc.
- Glory Global Solutions (Canada) Inc.
- Glory Global Solutions (Brasil) Máquinas e Equipamentos Ltda.
- Glory Global Solutions (Colombia) S.A.
- Glory Global Solutions (Mexico) S.A.P.I DE C.V.
- Glory Global Solutions (Singapore) Pte. Ltd.
- Glory Global Solutions (Australia) Pty. Ltd.
- Glory Global Solutions (Malaysia) Sdn. Bhd.
- Glory Global Solutions (Shanghai) Co., Ltd.  
Glory Currency Automation India Private Limited  
PT. Glory Global Solutions Indonesia  
Glory Global Solutions (Hong Kong) Ltd.

and 11 other companies

● Consolidated subsidiaries

## SHARE INFORMATION

### Share Information [As of March 31, 2015]

Number of shares authorized	150,000,000
Number of shares issued	68,638,210 (Including 2,951,231 shares of treasury stock)
Trading unit	100 shares
Number of shareholders	7,250 shareholders (down 388 year on year)
Listing exchange	First Section of the Tokyo Stock Exchange
Securities code	6457
Administrator of shareholder registry	Mitsubishi UFJ Trust and Banking Corporation

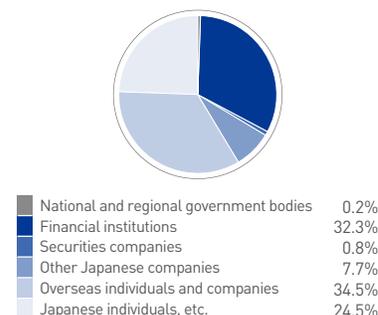
#### Major shareholders

Shareholder	Number of shares held (Thousands of shares)	Holding ratio [%]
STATE STREET BANK AND TRUST COMPANY 505223	4,033	5.9
Nippon Life Insurance Company	3,427	5.0
The Master Trust Bank of Japan, Ltd. (Trust account)	2,296	3.3
Sumitomo Mitsui Banking Corporation	2,100	3.1
GLORY Group Employees' Stock Ownership Association	1,977	2.9
JP MORGAN CHASE BANK 385174	1,953	2.8
Japan Trustee Services Bank, Ltd. (Trust account)	1,839	2.7
Tatsubo Fashion Co. Ltd.	1,500	2.2
NORTHERN TRUST CO. (AVFC) RE 15PCT TREATY ACCOUNT	1,270	1.9
CBNY-GOVERNMENT OF NORWAY	1,013	1.5

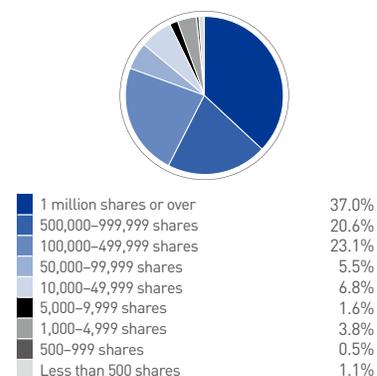
In addition to the above, the Company holds 2,951,231 shares of treasury stock.

#### Shareholder distribution

##### Distribution by ownership of shares



##### Distribution by number of shares



### Trends in Share Price and Trading Volume (Years ended March 31)



\* The graph, share price and total trading volume from the table above are from Osaka Securities Exchange before July 15, 2013, and from Tokyo Stock Exchange after July 16, 2013. (The cash equity market of the Osaka Securities Exchange was integrated into the Tokyo Stock Exchange on July 16, 2013.)

## CONCERNING DISCLOSURE OF INFORMATION TO SHAREHOLDERS AND INVESTORS

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### 1. Basic policy on information disclosure

GLORY LTD. (“the Company”) considers the proactive disclosure of information to increase management transparency an important responsibility to our shareholders and investors. We will at all times conscientiously implement measures to fairly and impartially provide timely, accurate information.

We will strive to enhance corporate value by feeding back into business management evaluations and opinions received from shareholders and investors through information disclosure.

### 2. Information disclosure standards

The Company conducts timely disclosure in accordance with the Timely Disclosure Regulations of the stock exchanges where the Company’s stock are listed. The Company also endeavors to voluntarily disclose information considered useful for investment decisions even if such information is not subject to the Timely-Disclosure Regulations, taking into consideration timeliness and fairness.

### 3. Methods of disclosure

The Company provides the information required under the Timely-Disclosure Regulations by using the TDnet network, a timely-disclosure system provided by the Tokyo Stock Exchange. After this information is disclosed on TDnet, the Company also publishes it on its website. When publishing information not required under the Timely-Disclosure Regulations, the Company endeavors to disclose the information according to the spirit of timely disclosure and as fairly and accurately as possible.

### 4. Forecasts of business results

All forecasts included in the information that the Company discloses are based on certain assumptions and the information currently available to the Company. Please be aware that actual performance may differ greatly from these forecasts due to various present and future factors.

### 5. Quiet period

The Company imposes a quiet period in order to prevent leaks of financial information and to ensure fairness. In principle, the quiet period is from the day after the end of the financial period until the release of financial statements. During this time, the Company refrains from commenting on or responding to inquiries regarding its accounts. However, the Company may disclose information through press releases as appropriate during this period in the case of events that may seriously affect previously disclosed forecast of financial results.

## OUR IR ORGANIZATION

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Besides the President, four staff members are engaged in IR activities for shareholders and investors, both within Japan and overseas. For financial information and other IR materials, please see contact details below.

### MANAGEMENT PLANNING DEPT.

Phone: +81-79-297-8077 (Head Office)  
+81-3-5207-3112 (Tokyo Office)



Printed in Japan



We Secure the Future

## GLORY LTD.

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