GLORY LTD.

AMPLIFIED VALUE

ANNUAL REPORT 2016 | For the Year Ended March 31, 2016

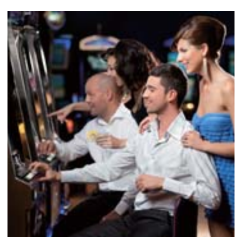
As members of an international team dedicated to customer service in the field of money handling innovation, GLORY associates apply their competitive talents with the backing of industry-leading **original technologies**. Since we introduced Japan's first coin counter in 1950, GLORY has developed and delivered many innovations in money-handling automation in Japan. 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.

With these strengths and our **world-class (and worldwide) manufacturing, sales and service network** we are focusing on **close and productive ties to stakeholders** throughout each geographic region we are privileged to serve.

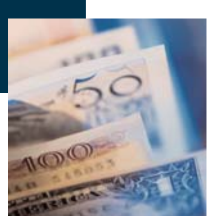
SIMPLIFYING AND SPEEDING UP MEDICAL PAYMENT PROCESSING

GLORY VALUE RADIATES FAR BEYOND

ASSURING PRIVACY OF SENSITIVE CONVERSATION



ENABLING SPREAD OF SMALLER, LOCALIZED BANK BRANCHES



LOWERING RETAILING COSTS AND IMPROVING CUSTOMER SERVICE

HELPING EMERGING ECONOMIES KEEP PACE WITH THE GROWTH OF CASH

DISCOURAGING COUNTERFEITING

OUR PRODUCTS

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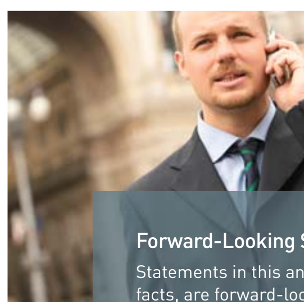
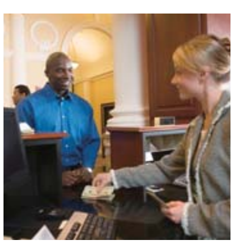




Forward-Looking Statements

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.

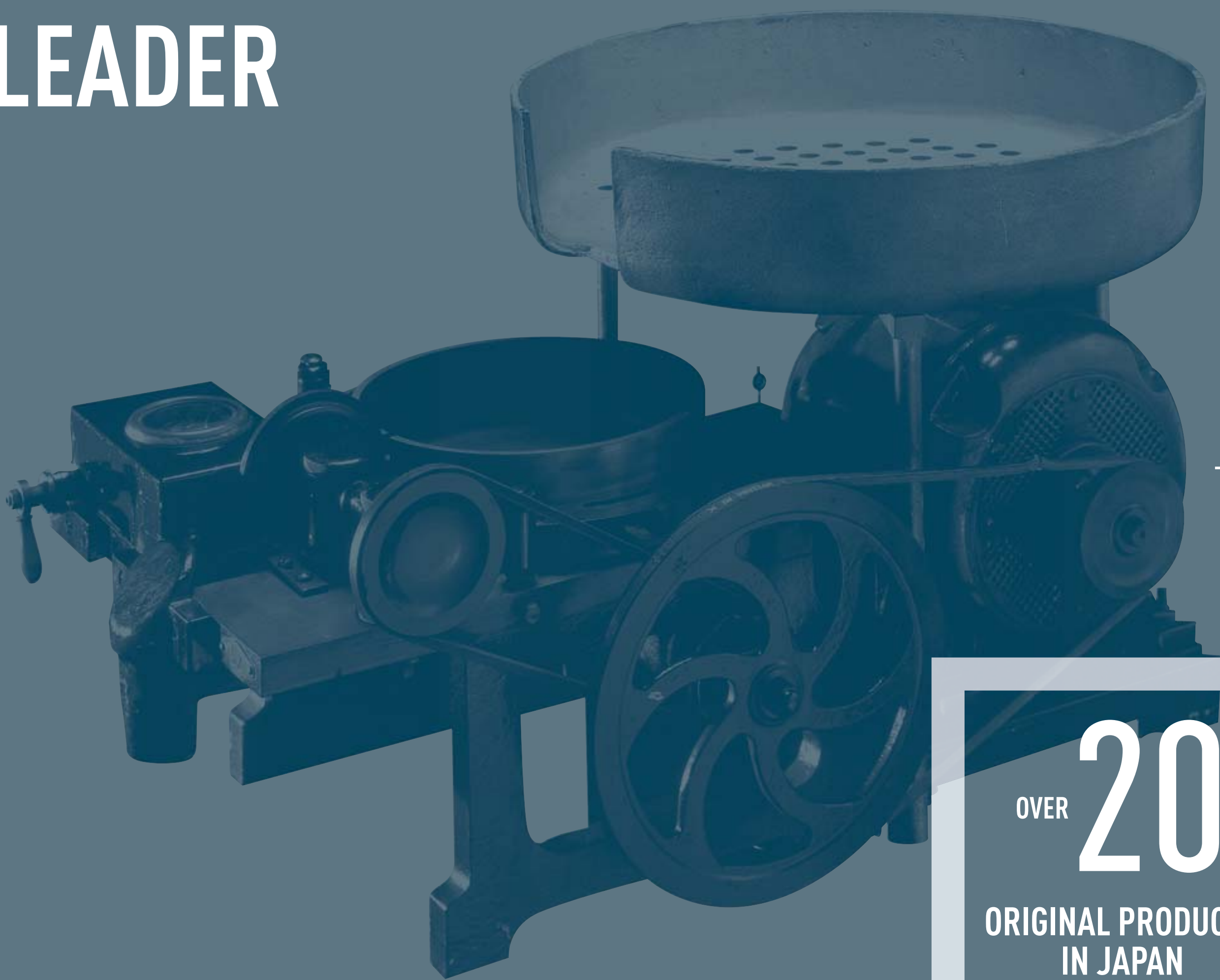
Account Changing

Prior to April 1, 2015, the revenue and expenses of foreign subsidiaries are translated into Japanese yen using the current exchange rate on the date of closing of the relevant foreign subsidiary.

Effective April 1, 2015, the Company changed its method to a method of translating the foreign subsidiaries revenue and expenses into Japanese yen to the method of using the average foreign exchange rate for the fiscal year.

This accounting policy change was applied retrospectively and the financial figures for the year ended March 2015, were restated.

BEING FIRST DOES NOT MAKE YOU A LEADER



OVER 20

ORIGINAL PRODUCTS IN JAPAN

But we are.

A company may be first, but only consistently superior value over the long run can guarantee leadership in the market. With over 20 original product debuts, GLORY has managed to do both, installing more cash recyclers than all other companies combined to become a worldwide leader in this field. We got there by listening to customers, anticipating future trends, staying ever ready with new solutions, and providing responsive close-by support.

1950 JAPAN'S FIRST COIN COUNTER

In August 2015, GLORY's coin counter, the first in Japan and a forerunner of subsequent GLORY cash handling machines, was honored as a 2015 Mechanical Engineering Heritage by the Japan Society of Mechanical Engineers.

In Japan around 1949, small-denomination banknotes were giving way to coins. The Japan Mint was using imported coin counters. They were expensive, so the Mint asked Kokuei Machinery Manufacturing (now GLORY LTD.) to develop a low-cost and high-quality machine. They did, and Japan's first coin counter was installed in Japan Mint in February 1950. This machine triggered GLORY's move into cash handling machines. The first coin counter used superior technology—centrifugal force to extract each individual coin from the hopper. Then as now, leading technology is at the core of GLORY value.

GLORY SHARES IN JAPAN

BOTH OVER 70%

OPEN TELLER SYSTEMS

This system provided a new style of teller operation that did not require specialist staff. Today this system has become one of GLORY's main products, and financial institutions regard it as essential to achievement of efficient and rigorous operations.

COIN AND BANKNOTE RECYCLERS FOR TELLERS

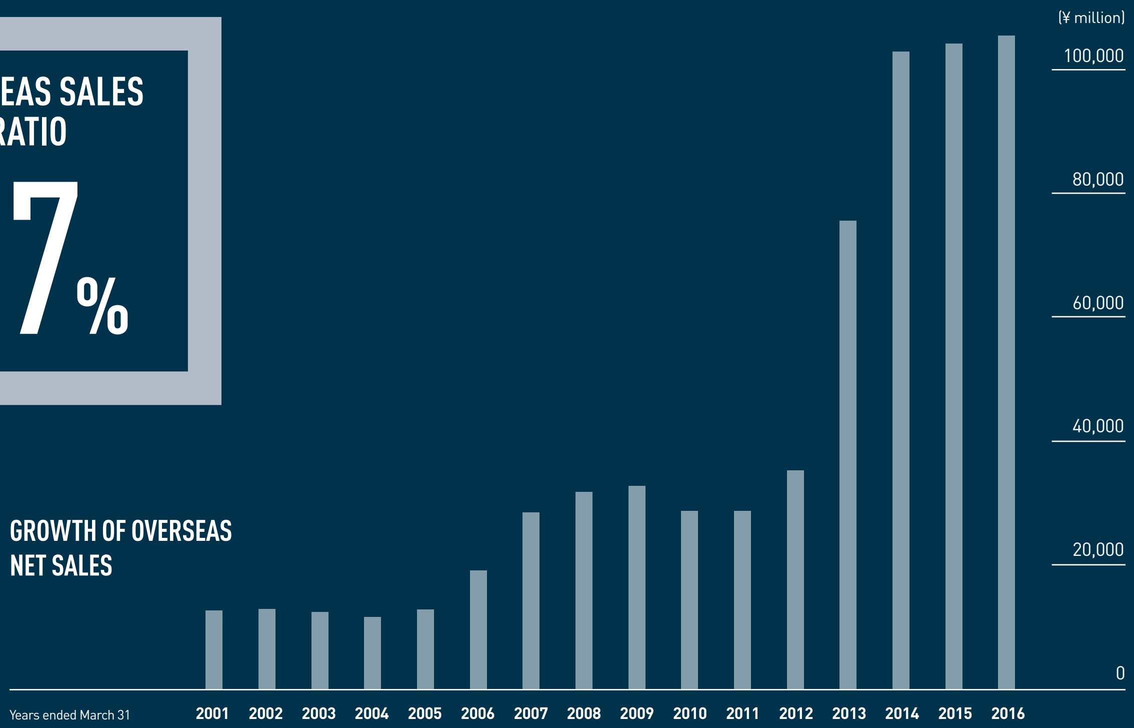
Banknote recyclers for tellers at financial institutions improve counter services and enhance the efficiency and rigor of operations that require staff to handle cash. GLORY earns an excellent reputation in the market by offering solutions optimized for each customer.

IF YOU SUCCEED AT HOME, IT'S EASY TO BELIEVE YOU CAN SUCCEED OVERSEAS

OVERSEAS SALES RATIO

47%

GROWTH OF OVERSEAS NET SALES

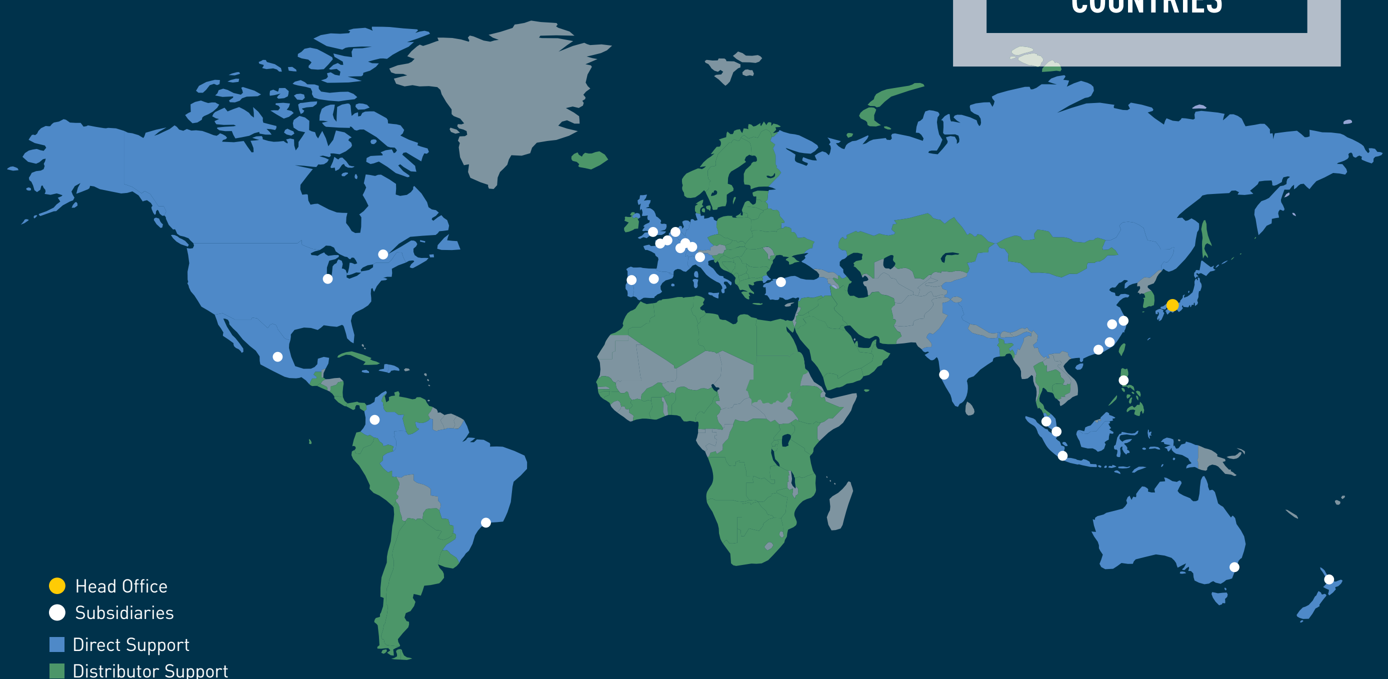


And we did.

Unfortunately, believing is not achieving. Companies are quick to learn that their best homegrown strategies may not be what it takes to thrive in new markets. Fortunately for GLORY, what works at home does work overseas. Because our first principle is "talk to the customer," customer challenges drive our R&D and motivate our staff to seek quality solutions—and that works everywhere. We are a worldwide team, One GLORY, independent dealers and regional companies all backed by class-leading GLORY technology and research.

CUSTOMERS IN
OVER 100
COUNTRIES

DIRECT PRESENCE
OVER 20
COUNTRIES



WHAT IS THE VALUE OF OUR SUCCESS?

THREE STRENGTHS THAT ADD TOGETHER

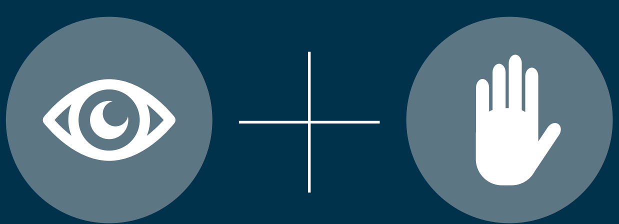
01

INTELLECTUAL VALUE

Exclusive and original technologies

GLORY's greatest strength is its proven R&D capabilities, including recognition/identification technology—which can count currency rapidly and accurately while detecting counterfeits more reliably than the human eye—and mechatronics technology—which handles money accurately and with great speed. 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.

CORE TECHNOLOGIES



RECOGNITION/ IDENTIFICATION

Reads currency denominations and distinguishes counterfeit from genuine. Uses go far beyond money handling, including image and biometric authentication.

MECHATRONICS

Harnesses mechanical and electronic technologies to enable our systems to count, sort and bundle money more rapidly, but with the same dexterity as the human hand.

Ask Our Stakeholders

We provide the value. Our stakeholders create the growth. GLORY value is predicated on three core strengths: R&D capability, a group-wide system of operations, and a direct sales and service network.

02

HUMAN VALUE

Talented employees

Our corporate history and mission are intertwined and clear: to contribute to the development of a more secure society through a "striving spirit" and the applied "power of everyone." This clarity of purpose becomes a strength when it unites our associates worldwide under a single, closely knit organization comprising product planning, development, manufacturing, sales and service. In hiring, training and daily operations, we emphasize respect for the individual and teamwork. GLORY associates take pride in listening, co-operation, and self-initiative to deliver the best solution for the customer's goals.

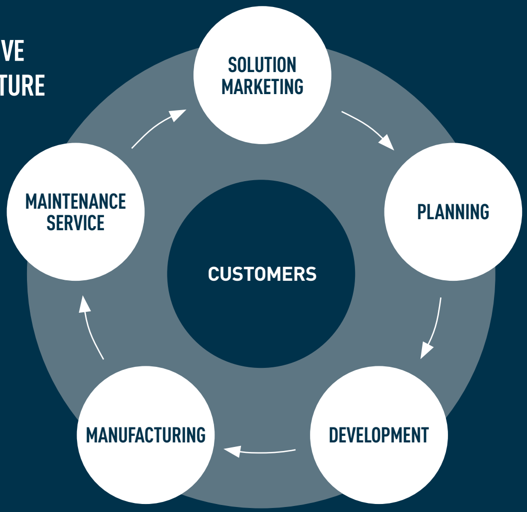
03

STRUCTURAL VALUE

Integrated operation

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 sell and support our products in over 100 countries in collaboration with distributors, and in over 20 countries directly. GLORY's ability to place sales and service representatives on the ground in the same markets where their customers operate is one of GLORY's key strengths and has helped us to earn the confidence of customers worldwide.

GLORY'S COMPREHENSIVE GROUP STRUCTURE



2016 PERFORMANCE TRENDS

NET SALES

2.1% UP

Sales rose for the sixth straight year, driven by Financial Market, Retail & Transportation Market and Overseas Market.

OPERATING INCOME

9.9% UP

The sixth-straight year-to-year increase is due to improvements in product mix and cost reductions.

NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT

31.5% DOWN

Steady gains in net sales and operating income were negated by foreign currency exchange losses.

ROE

4.5%

The Group aims to steadily increase ROE through achieving performance targets and improving investment efficiency.

OVERSEAS SALES RATIO

46.5%

Approaching the targeted 50% ratio.

CASH DIVIDENDS PER SHARE

¥56

Dividend payout ratio stands at 41.7%

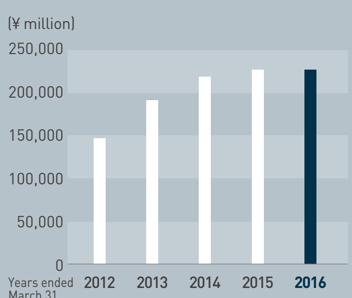
CONSOLIDATED FINANCIAL HIGHLIGHTS

GLORY LTD. and consolidated subsidiaries, years ended March 31

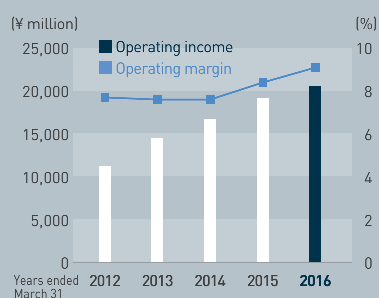
					Millions of yen	Thousands of U.S. dollars*1
For the year:	2012	2013	2014	2015	**2016**	**2016**
Net sales	¥ 146,938	¥ 190,939*2	¥ 218,632	¥ 222,356	¥ 226,952	$ 2,015,202
Operating income	11,275	14,458*2	16,719	18,693	20,552	182,490
Net income attributable to owners of the parent	6,247	6,873	9,939	12,887	8,829	78,396
Capital expenditure	6,709	8,218	7,235	8,500	8,882	78,865
R&D expenses	9,935	12,092	13,175	12,869	12,591	111,801
Depreciation and amortization	6,842	8,897	9,281	10,350	10,328	91,707
At year-end:						
Total assets	¥ 205,245	¥ 319,078*2	¥ 340,943	¥ 346,614	¥ 321,673	$ 2,856,269
Total equity	153,334	168,465	190,805	204,545	198,287	1,760,673
Interest-bearing debt	13,530	86,298*2	75,688	64,983	51,556	457,789
Per share data:					Yen	U.S. dollars
Net income	¥ 95.09	¥ 104.64	¥ 151.31	¥ 196.19	¥ 134.38	$ 1.19
Dividend (annual)	42.00	44.00	49.00	54.00	56.00	0.50

*1 The U.S. dollar amounts are converted, for convenience only, at the rate of ¥112.62=US$1, the approximate exchange rate at March 31, 2016.
*2 Major portion of increase compared to the year ended March 2012 is due to acquisition of Talaris Topco Limited in 2012.

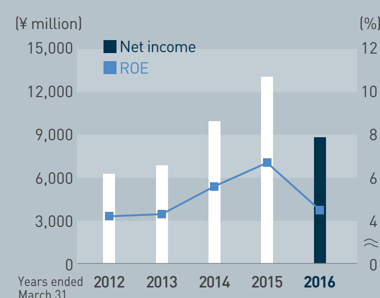
Net Sales



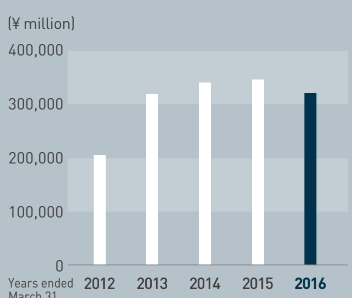
Operating Income/ Operating Margin



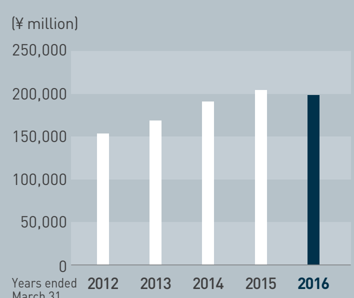
Net Income Attributable to Owners of the Parent/ROE



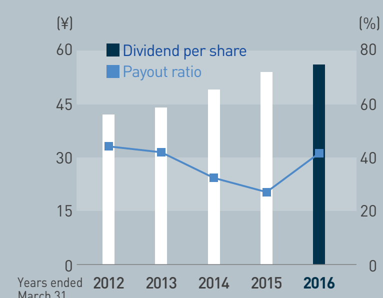
Total Assets



Total Equity



Cash Dividends/ Payout Ratio



OUR BUSINESS IS VALUE

GLORY has embarked on a new phase of growth sustained by delivery of clear and unique value. Following the acquisition of Talaris, our overseas business is on the same scale as our domestic business—with high potential for substantial new growth. In the final stage of our Long-Range Vision, we are developing strong new markets and relationships around the world, broadening our customer base in Japan, originating future flagship products, and honoring employee diversity and cooperation.

President
Hirokazu Onoe

BUSINESS OVERVIEW AND FINANCIAL RESULTS FOR THE YEAR ENDED MARCH 2016

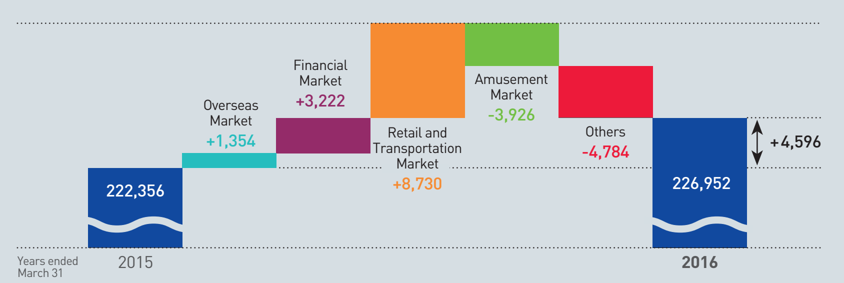
Our business performance was driven by sales in the Financial Market segment and the Retail and Transportation Market segment in Japan and by sales in the Overseas Market segment, especially North America and Europe.

The year ended March 2016 was the first year of the GLORY Group's 2017 Medium-Term Management Plan, which covers a three-year period starting in April 2015. Under the plan, we actively implemented a range of measures based on the basic policy of realizing business growth through "customer-oriented superb manufacturing" and enhance profitability to achieve the Long-Range Vision 2018. As a result of these efforts, both net sales and operating income increased year on year in the year ended March 2016, marking our sixth straight year of sales and income growth.

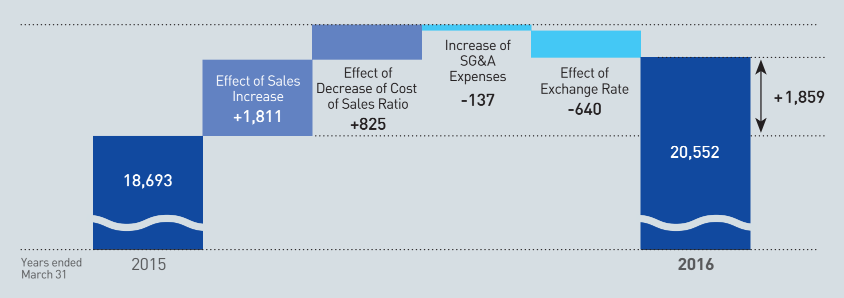
Segment results in Japan show that the Financial Market segment and Retail and Transportation Market segment were the biggest drivers of our business performance. In the Financial Market segment, new orders for compact-type open teller systems used in small and medium-sized branches helped to expand overall sales of the systems. In the Retail and Transportation Market segment, there was significant growth in sales of coin and banknote recyclers for cashiers resulting from the capturing of large orders. This contrasted with slower sales of card systems in the Amusement Market segment due to the effects of constrained capital expenditure in pachinko parlors (amusement halls).

In our Overseas Market segment, despite a sales slowdown in China and other emerging countries, expanding sales in Europe and North America lifted the overall performance. Aggressive capital investment by financial institutions in Europe and North America resulted in higher sales of banknote recyclers for tellers. In Europe, there was a dramatic increase in sales of the CASHINFINITY™ cash management system for retailers. However, increased market competition in China resulted in slower sales of banknote sorters for the market in Asia.

CHANGE FACTORS OF NET SALES (¥ million)



CHANGE FACTORS OF OPERATING INCOME (¥ million)



PRIORITY POLICIES FOR THE YEAR ENDING MARCH 2017

We are pursuing three strategies
for business growth and improved profitability.

The year ending March 2017 is the second year of the 2017 Medium-Term Management Plan. We will continue to target business growth and improved profitability under our Business Strategy, Constitutional Strategy and Corporate Management Strategy.

Under our Business Strategy, we will strengthen our marketing capabilities in Japan at the front-line level, including our branches and sales offices. We will also work steadily to develop replacement demand and new customers for our flagship products, including open teller systems and coin and banknote recyclers for cashiers. We will also create new business models and next-generation flagship products, including products based on our original biometric identification technology, and electronic payment services.

Overseas, we will actively build markets in Europe and North America, which offer greater growth potential. Specifically, we will build on initiatives started in the last year to successfully close sales of banknote recyclers for tellers, and will drive the expansion of our business domain by actively marketing our CASHINFINITY™ cash management systems for retailers. In Asia, we will continue to expand our direct sales and service networks, while building relationships with new customers. We also aim to accelerate our growth in overseas markets under a strategy based on continuing mergers and acquisitions, similar to the acquisitions of the New Zealand-based distributor Advanced Transaction Systems in November 2015, and the U.S. company REV Ventures LLC, a developer of cash handling software, in April 2016.

LONG-RANGE VISION 2018

BASIC POLICY

- Create new value through "superb manufacturing technique" and pursue dreams for the future
- Seek sustained corporate growth together with society through CSR activities

2017 MEDIUM-TERM MANAGEMENT PLAN

BASIC POLICY

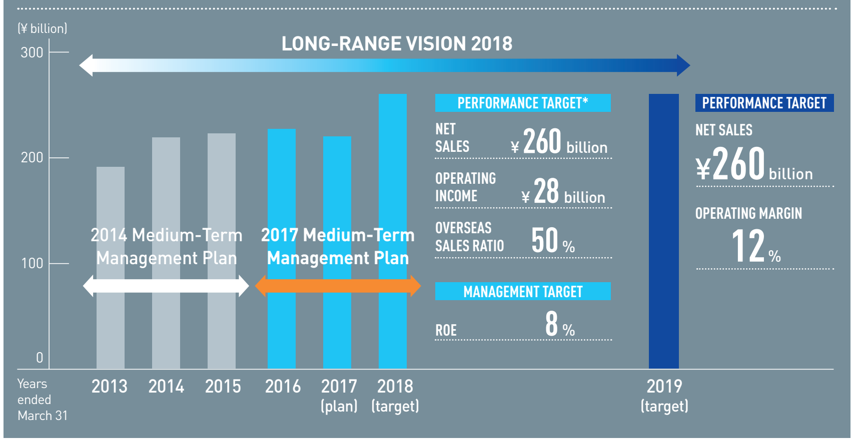
Realize business growth through "customer-oriented superb manufacturing" and enhance profitability to achieve the Long-Range Vision 2018

GLORY 2017 MEDIUM-TERM MANAGEMENT PLAN

BASIC STRATEGY

BUSINESS STRATEGY	CONSTITUTIONAL STRATEGY	CORPORATE MANAGEMENT STRATEGY
Enhance profitability by expanding business size/area	Provide timely products and services meeting market needs	Reinforce group management infrastructure
• Domestic Business • Overseas Business	• Product Development • Production/Procurement • Quality Assurance	• Group Governance • Human Resource • Capital/Financing • Information System

PERFORMANCE TARGET



*Performance targets (consolidated basis) are for the final year of the Plan assumed exchange rate of 1USD=¥120, 1EUR=¥130 and 1GBP=¥175.

Our goal under the Constitutional Strategy is to build a high level of our competitiveness in global markets. We will achieve this by strengthening our group-level development organization to support the timely introduction of products and services that match market needs, and by establishing a global production structure.

Under the Corporate Management Strategy, amid the continuing business expansion of the GLORY Group, we will work to improve our corporate value through enhancement of group governance, strengthening of our human resources by promoting diversity, and upgrading of our information infrastructure.

We will continue to implement the strategies described above in the year ending March 2017, the second year under the 2017 Medium-Term Management Plan. Our consolidated financial targets are net sales of ¥220 billion, operating income of ¥19.0 billion, and net income attributable to owners of the parent of ¥8.0 billion.

NET SALES BY BUSINESS SEGMENT (¥ million)

Years ended March 31	Sales		Operating Income	
	2016	2017 (forecast)	2016	2017 (forecast)
Overseas Market	105,596	100,000	9,225	8,200
Financial Market	51,820	54,000	6,773	6,500
Retail and Transportation Market	45,531	44,000	3,764	3,600
Amusement Market	21,506	20,000	1,112	900
Others	2,499	2,000	-322	-200
Total	226,952	220,000	20,552	19,000

Note: The Company has changed the classifications for main products in the reportable segments beginning in the year ending March 2017. Above figures are based on the segment classifications after the change. (For detail on the product segment changes, please see "AT A GLANCE" (Page 19) in the Segment Information section.)

DIVIDEND INCREASE OF ¥2 TO ¥56 PER SHARE

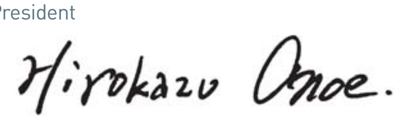
We consider the return of profits to shareholders to be an important management task and maintain a policy to continue stable dividends while striving to uphold and enhance a sound financial standing in preparation for future business growth. Under that policy, we aim to maintain a consolidated dividend payout ratio of 30% or higher. With regard to the future acquisition of treasury shares, the Company will consider an appropriate response after having taken into overall account future business development, investment plans, the level of retained earnings, and performance trends. We will use shares acquired for investment in future growth, including M&A, and to achieve flexibility in our capital policy.

In line with this policy, we paid a dividend of ¥56 per share for the year ended March 2016, a year-on-year increase of ¥2. In the next fiscal year, we plan to pay a dividend of ¥60 yen. Also, between August 5, 2016 and January 31, 2017, we plan to acquire our own shares up to a limit of 2 million shares or ¥6 billion, both as a way of improving capital efficiency and maintaining a flexible capital policy, and also as part of our returns to shareholders.

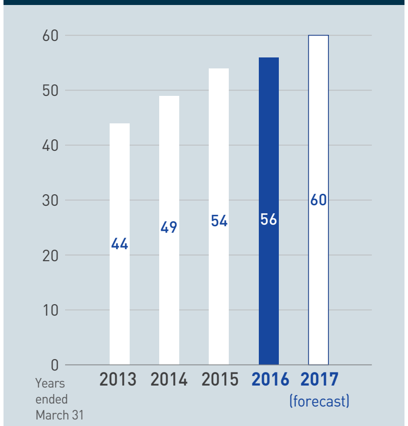
We look forward to the continuing support of our stakeholders.

August 2016

President



CASH DIVIDENDS (¥)



SPECIAL FEATURE

STREAMLINING THE RETAIL INDUSTRY — JAPAN

Coin and banknote recyclers for cashiers ("recyclers") are machines interfaced to cash registers that count cash received from customers and dispense exact change. Since developing the industry's first such machines in 1992, GLORY has supplied recyclers to supermarkets and other retailers. Cumulative sales have reached approximately 273,000 units*, and GLORY is the market share leader for these products in Japan.

*Cumulative unit sales of RT series coin recyclers as of March 31, 2016

TAKING COIN AND BANKNOTE RECYCLERS FOR CASHIERS TO THE NEXT

REVOLUTIONIZING CASH REGISTER WORK

Demand for recyclers spread nationwide in step with the spread of electronic cash registers in Japan, and these machines have completely transformed the nature of cash register work at supermarkets. In particular, recyclers revolutionized cumbersome cash register operation through the automation of cash counting, which had previously been done manually, and the attendant increase in operating speed.

Since launching the first recyclers, GLORY has made continuous modifications and improvements. Reflecting user needs in product development and pursuing greater efficiency in cash register operation has resulted in steadily increasing unit sales, and sales of recyclers in the year ended March 2016 exceeded ¥10 billion for the first time.

GLORY recyclers have features that make operation simple even for persons with no previous cash register experience. For instance, they are equipped with the industry's first color liquid crystal display, on which cash in drawer can be confirmed. And, if a problem occurs, the operator can refer to on-screen error reset guidance and quickly restore normal operation. This reduces stress and enables operators to focus on customer engagement.

Retailers in Japan are having trouble attracting workers due to a labor shortage. GLORY recyclers benefit retailers by enabling newly hired cash register operators to make an immediate contribution and promoting worker retention.

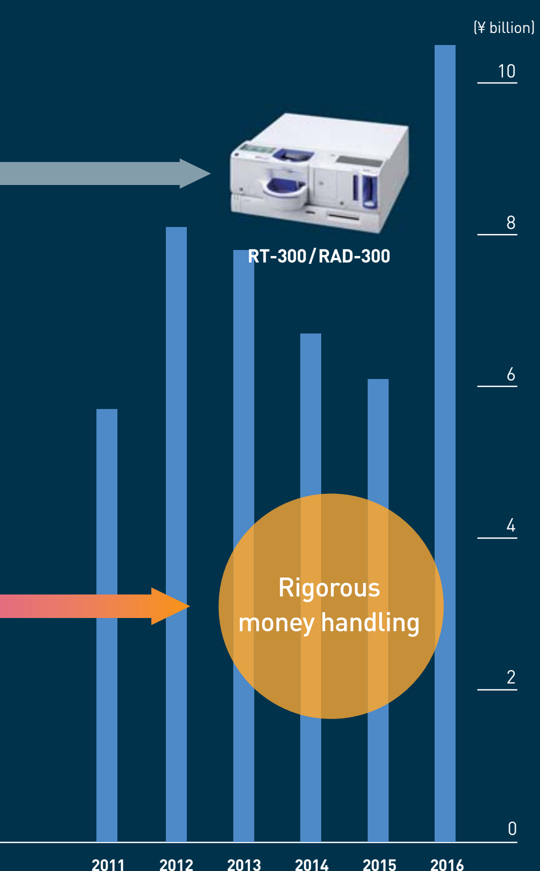
SALES OF COIN AND BANKNOTE RECYCLERS FOR CASHIERS

STAGE

GREATER NEED FOR RIGOR IN MONEY HANDLING

In addition to improving efficiency, recyclers contribute greatly to rigor in cash register operation. The use of recyclers in cash register work eliminates erroneous money handling caused by operator mistakes. In addition, only the persons who hold keys to the register can access the cash inside the machine. The RT/RAD-300 series, the fifth generation of GLORY recyclers, records a complete operation log that includes transaction histories and opening and closing of the cash storage unit, and log information can be viewed on the display.

GLORY is increasing sales to restaurants and specialty stores by taking advantage of this contribution to greater rigor in cash register operation, a key advantage of GLORY recyclers. To date, GLORY recyclers have been introduced at major coffee shop chains, restaurant chains, and other food service outlets, drugstores, and clothing and other specialty stores. Future plans call for developing new customers, mainly convenience stores and other business categories where the introduction rate is low, in addition to restaurants and specialty stores.



Denny's

Denny's is a family restaurant chain that operates around 390 restaurants*, mainly in Tokyo and its suburbs. The restaurants, which operate 24 hours a day, 365 days a year, use GLORY recyclers.

*As of February 1, 2016

Nishimatsuya

Nishimatsuya is an infant and babies and children store chain that operates approximately 890 stores* nationwide. To offer affordable prices, the company rigorously pursues store operating efficiency. It has introduced GLORY recyclers as an efficiency improvement measure.

*As of February 20, 2016

SPECIAL FEATURE

STREAMLINING THE RETAIL INDUSTRY — OVERSEAS

MODERN COMPETITIVE EFFICIENCIES FOR OVERSEAS RETAILERS

In the 2017 Medium-Term Management Plan, GLORY has made business expansion in the retail market an overseas business strategy. The key product in overseas retail markets is the CASHINFINITY™ cash management system.

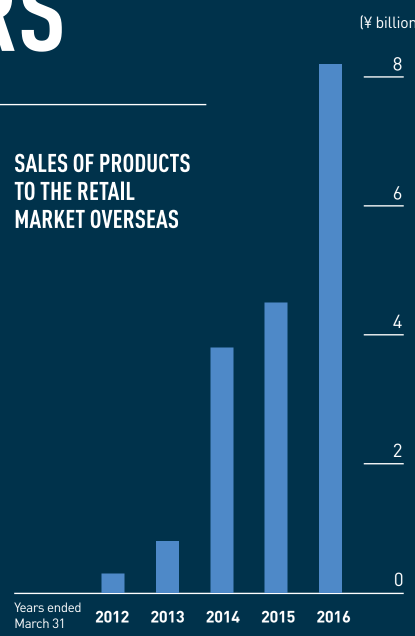
At many retail outlets in our overseas markets, cash management is done manually, even today. For this reason, there is an increasing need for greater efficiency and enhanced security in cash management at retail outlets ranging from supermarkets and hypermarkets to specialty stores and restaurants.

To meet that need GLORY developed the CASHINFINITY system in 2011, which takes advantage of the technologies we have long cultivated and applied to products for the retail market in Japan and products for overseas financial institutions.

The CASHINFINITY system enables retailers to perform all cash management operations in the stores without employees directly handling cash. This dramatically improves efficiency in manual tasks such as calculation of sales proceeds and change for customers and offers tremendous benefits in increasing rigor and security in cash management. The CASHINFINITY system also offers excellent versatility and is capable of supporting every type of sales checkout method, including self-checkout. Furthermore, the system can ascertain in real time the amount of cash in the store and optimize cash flow. With black as the keynote color, the stylishly designed system blends in naturally with any store interior. Recently, GLORY has expanded the distribution territory for the CASHINFINITY from primarily retail markets in Europe to those in the other areas of the world.

To learn more about CASHINFINITY, visit http://www.cashinfinity.net/

SALES OF PRODUCTS TO THE RETAIL MARKET OVERSEAS



CASHINFINITY™
GLORY Retail Solution

CASHINFINITY is a registered trademark of GLORY LTD. (in Japan, Europe, the USA and other countries)

DELIVERING A WIN-WIN FOR EUROPE'S RETAILERS AND CUSTOMERS

Head of Retail Europe
Glory Global Solutions
Hagen Hoehl

Cash management in retail is a new topic in the Europe, at the bottom of its adoption curve. GLORY CASHINFINITY™ solutions ("CI solutions") reduce labor costs and give employees more time for the customers, and, in combination with partner solutions for self-checkout, they are helping to create an attractive new shopping experience. Finally, they can reduce or eliminate security risks and protect employees, customers, and property. For retailers such as bakeries and pharmacies, cash management offers greater hygiene.

WAYS TO EXPAND SALES OF CASHINFINITY

In the last two years, we have moved to a direct sales approach with specialized sales people who build relationships with major and medium-size retailers based on GLORY's lead as a cash management solution and service provider. With key POS software/hardware vendors we are opening doors to the huge small retail market (bakeries, pharmacies, butchers, smaller stores). And, we educate the service engineers to support the CI solutions and service all direct and indirectly sold solutions.

We developed marketing tools like brochures, videos, etc. and a return-on-investment calculator. This tool is our samurai sword—a real killer application: With the retail store's data, we can show the process optimization and return on investment when using CI solutions, which leads to pilot installations and deals.

GLORY is already piloting and selling to more than half of the top 20 European retail companies. GLORY is now known as a direct solution and service provider, and we have a great reputation among our existing customers. We are also setting up a strong partner sales structure, to bring GLORY CI solutions to smaller customers.

No other competitor has such a flexible, combinable, stable and price-worthy set of solutions for retail cash management—no one. But, the competition is not sleeping, either. We are working with the Japanese solution team to improve the great products. With excellent teamwork, an expanding solution portfolio, and new innovations, we plan to keep GLORY cash management solutions No. 1 in Europe.

SEGMENT INFORMATION

AT A GLANCE

	OVERSEAS MARKET	FINANCIAL MARKET
CONTRIBUTION TO TOTAL NET SALES (Year ended March 31, 2016)	46.5%	22.6%
MAJOR CUSTOMERS	Financial institutions, cash-in-transit companies, retail stores, casinos and OEM clients.	Financial institutions and OEM clients in Japan.
MAIN PRODUCTS AND GOODS	Banknote recyclers for tellers, banknote sorters, banknote and check deposit modules for ATMs, banknote counters, coin and banknote recyclers, sales proceeds deposit machines, coin wrappers.	Open teller systems, coin and banknote recyclers for tellers, coin recycling modules for ATMs, multifunctional banknote changers, cash monitoring cabinets, security storage systems, key management systems.

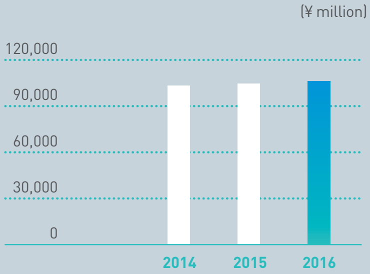
CONTRIBUTION TO TOTAL NET SALES
(Year ended March 31, 2016)

OVERSEAS MARKET: 46.5%

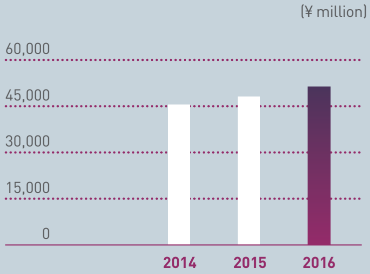
FINANCIAL MARKET: 22.6%

NET SALES
(Years ended March 31)

OVERSEAS MARKET

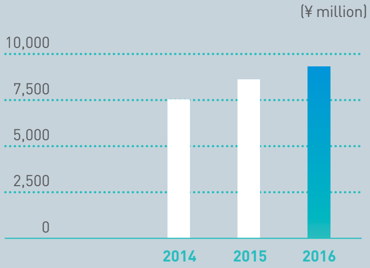


FINANCIAL MARKET

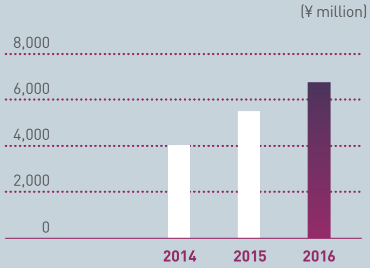


OPERATING INCOME
(Years ended March 31)

OVERSEAS MARKET

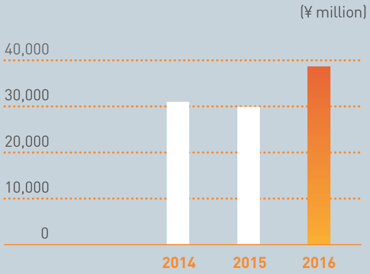


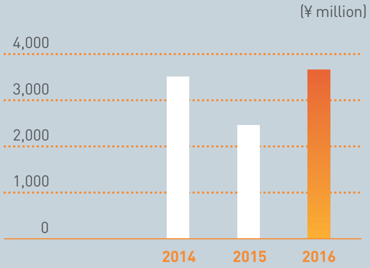
FINANCIAL MARKET



RETAIL AND TRANSPORTATION MARKET

17.0%



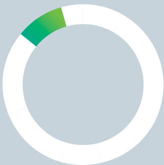


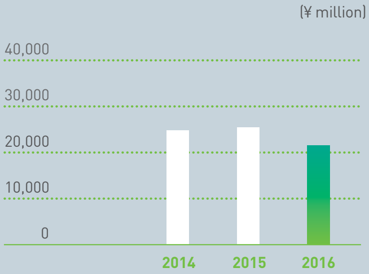
Supermarkets, department stores, cash-in-transit companies and railroad companies in Japan.

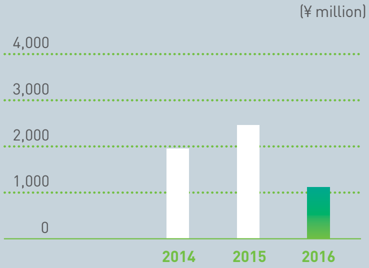
Coin and banknote recyclers for cashiers, sales proceeds deposit machines, multifunctional banknote changers, cash recyclers for gas stations, coin-operated lockers, ticket vending machines.

AMUSEMENT MARKET

9.5%





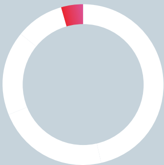


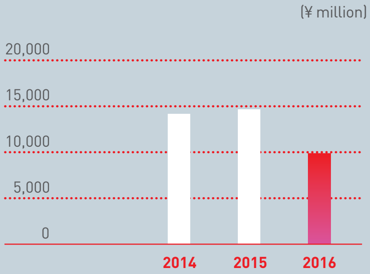
Amusement halls (pachinko parlors) in Japan.

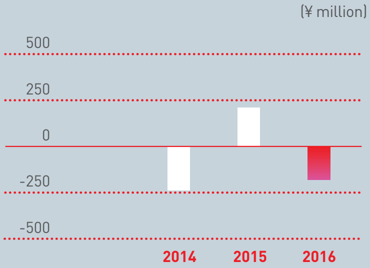
Card systems for pachinko parlors, banknote conveyor systems, pachinko prize dispensing machines, pachinko ball counters for individual pachinko machines, membership management systems for pachinko parlors, pachinko ball/token counters.

OTHERS

4.4%







Tobacco shops, tobacco companies, hospitals, local governments and general companies in Japan.

Cigarette vending machines*2, banknote recycling modules for horse race ticket vending machines*1, medical payment kiosks*2, RFID self-checkout systems for cafeterias*2, ballot sorters for handwritten ballots*2.

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

OVERSEAS MARKET

The main customers in this business segment are primarily financial institutions, retail stores, 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 Americas, a steady recovery in the U.S. economy provided impetus for continuing investment in equipment and facilities at North American financial institutions. GLORY increased sales to financial institutions by winning large orders for banknote recyclers for tellers and by securing maintenance agreements.

In Europe, mainly in eurozone countries experiencing gradual economic recovery, we increased sales by capturing replacement orders for banknote recyclers for tellers at financial institutions, and by strengthening the sales structure to win large orders for CASHINFINITY™ cash management systems for retailers.

In Asia, we developed new customers in Singapore and Indonesia thanks to strengthening of sales channels, and captured replacement demand for banknote recyclers for tellers in financial institutions in Australia. However, changes in the market environment in China and India, which account for a high proportion of sales in the region, led to weak sales of banknote sorters, our main product in these markets. Consequently, overall sales in Asia declined.

Sales of OEM products increased as higher demand in the U.S. for ATMs that accept deposits of both banknotes and checks led to an increase in sales of banknote and check deposit modules for ATMs.

As a result of these factors, net sales in the Overseas Market segment increased 1.3% year on year to ¥105,596 million. Operating income was ¥9,225 million, rising 14.5% thanks to product mix improvement and cost reduction activities.

Strategies and Initiatives Going Forward

We will implement strategies to suit each region's circumstances based on analysis of market trends. In Europe and the Americas, we will pursue further sales expansion by upgrading and expanding the line of products for financial institutions and also focus on business expansion in the retail market. In Asia, we aim to increase earnings by expanding our direct sales and service networks. Our focus in the OEM category will be on increasing sales of new products. We will also strengthen the M&A strategy to further accelerate growth in our overseas business.

Banknote recycler for tellers
<RBG-100>

Banknote sorter
<UW-500>

FINANCIAL MARKET

In Japan, financial institutions are our main customers. Key products include open teller systems, coin and banknote recyclers for tellers and money changers for bank lobbies. Besides these main products, there are security storage systems designed to store and manage business forms and other important non-cash items, as well as 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 approaching 70%.

Market Environment and Operating Results

Financial institutions in Japan are stepping up efforts to strengthen their operating structures, such as extending branch business hours, opening various types of branches, and expanding their business areas. Under this situation, GLORY focused on winning orders to meet replacement demand for key products, developing new customers, and promoting the non-cash sector products.

Sales of compact open teller systems for use in small and medium-sized branches increased substantially, and sales of standard-size open teller systems developed favorably as well.

Sales of the electronic data entry tablet that enables customers to create forms using a touch panel, a non-cash sector product, increased at mega-banks and other institutions implementing customer service and operational efficiency improvements at their branches.

Net sales in the Financial Market segment increased by 6.7% year on year to ¥51,339 million. Operating income was 22.5% higher at ¥6,741 million.

Strategies and Initiatives Going Forward

Although it is unclear what impact the introduction of negative interest rates will have on equipment and facilities investment at financial institutions, a proactive attitude about investment to increase earnings is expected to continue. GLORY will further efforts to capture replacement demand for our flagship products, develop new customers and to increase sales of products in the non-cash sector.

Compact open teller system
<WAVE C30>

Open teller system
<WAVE Pro>

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, restaurants, and specialty stores, and sales proceeds deposit machines used to manage sales proceeds at department stores and shopping malls. GLORY also supplies railroad 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 industry, as chains pursue mergers and partnerships to boost competitiveness and close unprofitable outlets to improve earnings. At a time of increasing worker shortages, retailers are implementing efficiency improvements in store operations, and demand for automation is increasing.

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. Sales of coin and banknote recyclers for cashiers increased substantially as a result of success in capturing replacement demand from major supermarkets and progress in developing new customers, including restaurants and specialty stores. Efforts to capture replacement demand for sales proceeds deposit machines by promoting new products also led to capturing of replacement demand at supermarkets and new customer development.

As a result, net sales in the Retail and Transportation Market segment increased by 29.2% year on year to ¥38,616 million, and operating income rose by 48.4% to ¥3,657 million.

Strategies and Initiatives Going Forward

Aimed at sales expansion, we will implement product development and marketing strategies tailored to the type of business of our customers. Our focus with regard to coin and banknote recyclers for cashiers will be to capture replacement demand from existing customers, especially supermarkets, and develop new customers in sectors where these products have yet to be widely introduced. The strategy for sales proceeds deposit machines will focus on selling new products and working to capture replacement demand by strengthening sales activities in collaboration with cash-in-transit companies.

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

Sales proceeds deposit machine
<DSS-500>

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, card systems comprising pachinko ball/token dispensers and counters for individual machines and computers for in-store sales management, as well as pachinko prize dispensing machines and membership management systems.

Market Environment and Operating Results

The amusement industry is experiencing a downtrend in the number of customers due to factors including diversification of leisure activities and lack of interest in pachinko among young people. Although the number of pachinko parlors continues to decrease, the number of game machines per establishment is increasing, and so is the size of pachinko parlors.

Replacement demand for peripheral equipment plummeted during the second half of the year ended March 2016 as many pachinko parlor operators postponed renovations involving replacement of game machines and new pachinko parlor openings, in part because of game machine regulations.

Although GLORY sought to increase sales of card systems, a key product in this market, in this difficult environment, pachinko parlor operators remained cautious about equipment and facilities investment, and sales were weak.

As a result, net sales decreased by 15.4% year on year to ¥21,506 million, and operating income fell by 54.8% to ¥1,112 million.

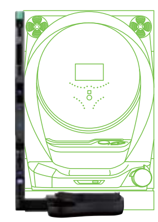
* Pachinko parlors are casino-like recreation facilities unique to Japan. People go to pachinko parlors to amuse themselves by playing two types of game machines: pachinko and pachislot machines. Pachinko machines resemble vertical pinball machines and pachislot machines are like casino slot machines. Pachinko and pachislot are Japan's most famous popular pastimes, and the player population is approximately 12 million.

Strategies and Initiatives Going Forward

We will implement initiatives to increase market share for our main products and create new products. We will seek to increase sales of key products by winning large orders and developing new customers through closer collaboration among GLORY Group companies. At the same time, we will strengthen the new product planning and development structure.

Pachinko ball dispenser and counter

<JCP-210>



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, self-checkout systems for cafeterias and election-related products such as ballot sorters for handwritten ballots. New businesses, such as facial recognition, are also included in this category.

Market Environment and Operating Results

Sales of medical payment kiosks for hospitals increased due to rising replacement demand as a result of factors including mandatory issuance of itemized treatment statements in case of adoption of automated payment systems.

Sales of card-related products remained at the prior-year level despite efforts to capture replacement demand for employee cafeteria self-checkout systems that accept e-money and to increase sales of electronic money settlement terminals for retail outlets.

Sales of cigarette vending machines fell sharply in a reaction to high replacement demand by cigarette manufacturers in the previous year.

Sales of ballot sorters to government offices decreased year on year because of an adverse effect from the large number of orders received in the previous year.

In the new area of face recognition systems, we continued to develop new customers, such as supermarkets, financial institutions, and healthcare facilities, and sales increased as a result of efforts to further boost sales of key products in this area.

As a result of these developments, net sales decreased by 32.6% year on year to ¥9,895 million, and operating loss was ¥183 million.

Strategies and Initiatives Going Forward

Heightened awareness of security has fueled an uptrend in sales of face recognition systems. We will undertake rapid expansion of this business by winning large orders and developing new customers.

Note:
The Company has changed the classifications for main products in the reportable segments beginning in the year ending March 2017. Future strategies and initiatives described above reflect the revised classifications.
For details on the product segment changes, please see "AT A GLANCE" [Page19].

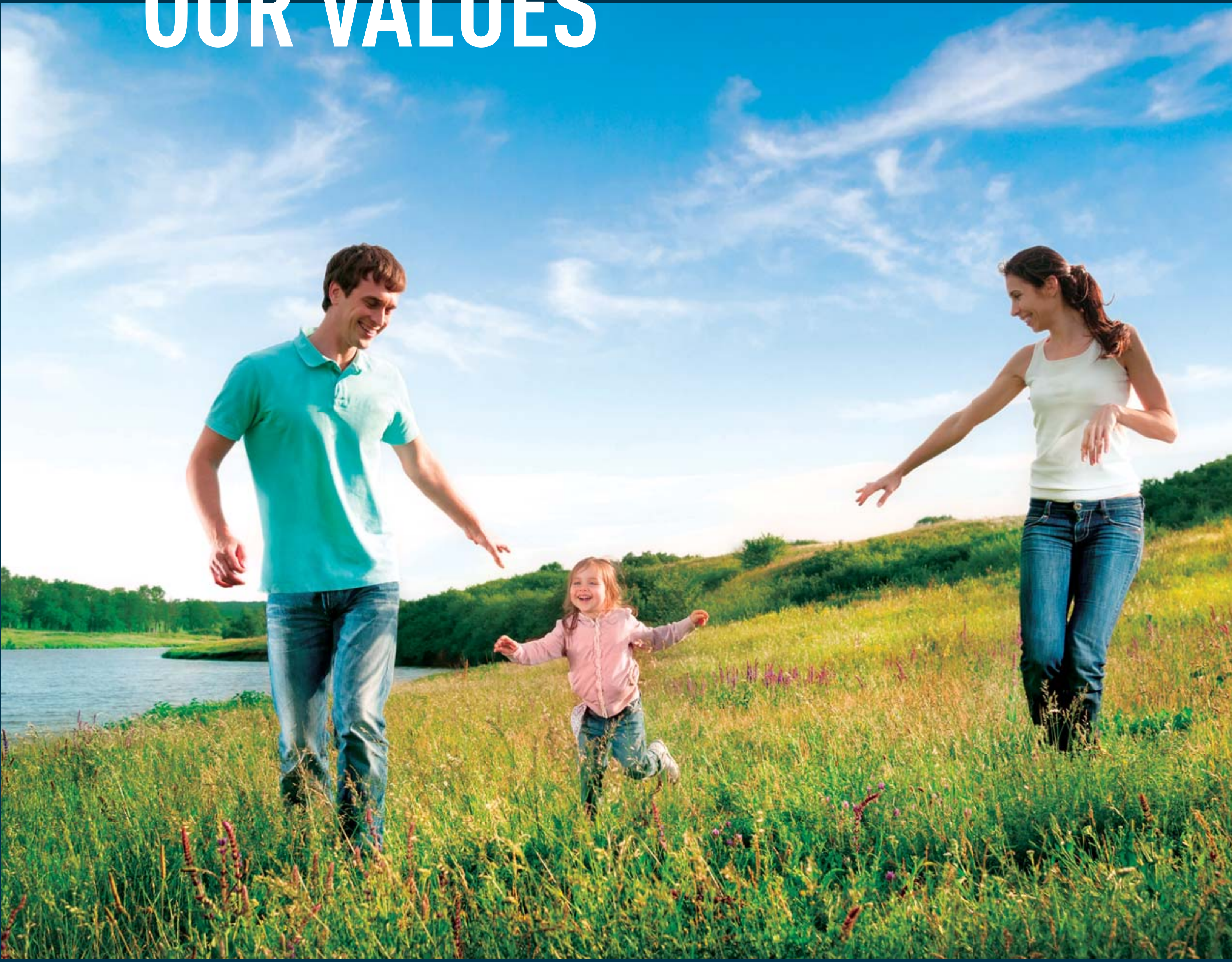
Self-checkout system for cafeterias
<PSA-110>

Ballot sorter for handwritten ballots
<GTS-1000>

Cigarette vending machine
<TNR-K54>

SOCIAL VALUES ARE OUR VALUES

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. For GLORY, CSR activities are a natural realization of our corporate philosophy to contribute to the development of a more secure society through a striving spirit and cooperative efforts in the everyday execution of our business undertakings.



CSR Promotion Framework

CSR efforts in the GLORY Group are led by the CSR Committee, which is chaired by the president and made up of management-level employees. The committee convenes twice a year, at which time it deliberates on basic direction and plans for CSR management, and establishes policies for major annual CSR initiatives.

CSR PROMOTION FRAMEWORK

Representative Director

CSR Committee

Secretariat
(Corporate Communications Department)

Department Managers

Employees

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.

UN GLOBAL COMPACT
Network Japan
WE SUPPORT

ENVIRONMENTAL INITIATIVES

The entire Group works to protect the environment under the GLORY Environmental Vision.

To create a sustainable society, the GLORY Group has formulated the Environmental Vision with three areas of focus: products, business and awareness. The Vision's priorities are the prevention of global warming, the management and reduction of chemical substances, the effective use of resources, and the preservation of biodiversity.

Based on the Vision, GLORY has formulated the 2017 Medium-Term Environmental Plan, a three-year plan begun in April 2015, as a group-wide environmental effort.

2017 MEDIUM-TERM ENVIRONMENTAL TARGETS AND RESULTS FOR THE YEAR ENDED MARCH 2016

Activities Areas	2017 Medium-Term Environmental Targets	Results for the Year Ended March 2016
PRODUCTS Development of environmentally friendly products	Reduce CO_2 emissions compared with previous models by at least 15% (average across all new products)	Reduced by average of 27% (target achieved for 5 of 7 models)
	Make all new products RoHS compliant	RoHS Directive: Confirmed compliance of new parts for EU-bound products, etc.
	Reduce CO_2 emissions during parts manufacturing by at least 10%	Reduced by average of 3.4% (5 of 7 models achieved emissions same as or lower than previous models)
BUSINESS Reduction of environmental impact from business activities	• Have environmentally friendly products account for at least 55% of sales • Reduce annual per-unit energy consumption by 1% (base year: fiscal 2010)	• Accounted for 51.1% of sales • Reduced annual average by 2.6%
	Strictly manage chemical substances on a global scale	• Conference held with overseas group companies • Confirmed details of method for managing chemical substances
	Reduce annual volume of waste generated by 1% (base year: fiscal 2010)	Reduced annual volume of waste generated by average of 1.7%
AWARENESS Raising environmental awareness	Increase the contribution that the GLORY Yumesaki Forest makes to biodiversity preservation (continue botanical surveys and improve management criteria)	• Carried out forest conservation and maintenance activities (20 trees planted, 1 ha of forest thinned) • Held nature experience events for employee families, etc.
	Cooperate with stakeholders to preserve biodiversity	Conducted forest conservation activities; made building blocks from sustainable wood, etc.
	Develop environment-related action programs on a global scale	• Conducted a questionnaire survey of overseas group companies • Overseas group companies conducted forest conservation activities and community cleanups

ENVIRONMENTALLY FRIENDLY MAINTENANCE PRODUCTS

GLORY's Recycle Jet compressed air duster is used to remove dust and other contamination from electronics and precision machinery in an environmentally friendly manner. Rather than using chlorofluorocarbon (CFC) alternatives, the Recycle Jet is filled with CO_2 injection gas recovered as an industrial by-product. This gives it a global warming potential just 1/1,430th that of existing products—in other words, it has a minimal global warming effect. In addition, its reusable cylinder contributes to minimizing waste materials.

GLORY also has a recycling scheme that makes use of a nationwide network of more than 100 service locations. Technical staff members collect used cylinders during routine maintenance work, which are then sent to affiliated facilities to be refilled with injection gas.

Cleaning equipment with a Recycle Jet

CONTRIBUTION TO SOCIETY

GLORY will harmonize and advance the interests of the company and society, and actively participate in social action programs as a "good corporate citizen."

PARTICIPATING IN THE TABLE FOR TWO PROGRAM

Since 2011, GLORY has featured a special menu in its headquarters cafeteria in support of the Table for Two (TFT) program run by NPO Table for Two International. It is said that about one billion people worldwide suffer from hunger and malnutrition, while another one billion suffer from obesity. The TFT program aims to address this imbalance by offering cafeteria patrons healthy meals that prevent lifestyle diseases, while at the same time donating part of the price of each meal to provide school meals in developing countries (Uganda, Rwanda, Malawi, and Ethiopia). This program is popular among employees, since it provides an easy way to make a difference in the world.

In the year ended March 2016, 18,570 school lunches were provided as a result of GLORY's TFT program, bringing the total since 2011 to 57,566 school lunches.

Tasty TFT lunches in the cafeteria

TABLE FOR TWO

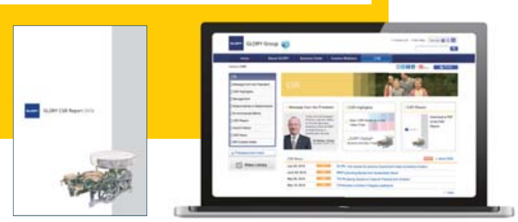
GLORY FOUNDATION FOR ELEMENTARY SCHOOL STUDENTS

In March 1995, GLORY established the GLORY Foundation for Elementary School Students with the goal of supporting the sound development of young people. Through the foundation, the company conducts sports, arts, and cultural activities that have included hands-on science classes, hands-on classes for parents and children, and children's theater. A cumulative total of 92,000 people have taken part in these activities since the foundation was launched. The foundation also provides financial assistance to organizations that work towards the sound development of elementary school students through activities in sports, science, and culture.

A hands-on science class

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

▶ http://www.glory-global.com/csr/



CORPORATE GOVERNANCE

"TEAM ONE" OF "ONE GLORY," GUIDING VALUE CREATION ACROSS ALL CORPORATE SECTORS

Masakazu Nagashima
Corporate Auditor

Satoshi Hamada
Outside Corporate Auditor

Akira Niijima
Outside Director

Akihiro Harada
Director & Senior Executive Officer;
Executive General Manager, International Business Headquarters

Motozumi Miwa
Representative Director & Senior Managing Executive Officer;
Executive General Manager, Business Management Headquarters, Responsible for Corporate Communications Dept.

Shigetoshi Mabuchi
Director & Managing Executive Officer;
Executive General Manager, Service Headquarters

Hirokazu Onoe
President & Representative Director

Hideo Onoe
Director & Managing Executive Officer;
Executive General Manager, Domestic Business Headquarters

Kaname Kotani
Director & Managing Executive Officer;
Executive General Manager, Development Headquarters, Responsible for Intellectual Property Dept., Responsible for information security

Hiroki Sasaki
Outside Director

Mikio Nakajo
Outside Corporate Auditor

Toshihiko Otani
Corporate Auditor

See Page 34 for complete listing

SEEKING FAIRNESS AND TRANSPARENCY FOR ALL

Basic Policy on Corporate Governance

GLORY's corporate philosophy guides its efforts to continuously improve corporate value through sound and efficient business management, so that the company can exist in harmony with society and earn the trust and support of all stakeholders. None of this can be achieved without a firm commitment to the continuing improvement of corporate governance. GLORY will continue its efforts to strengthen the supervisory and executive functions of management, accelerate decision-making, ensure transparency and objectivity, and enhance compliance management.

Institution of Corporate Governance Guidelines

To ensure sustainable growth of the GLORY Group and to boost corporate value over the medium and long terms, GLORY formulated the Corporate Governance Guidelines in February 2016. The company is pushing forward with business management in line with these guidelines and is striving to further strengthen its governance system.
The Corporate Governance Guidelines have been posted on GLORY's corporate website at the link below:

URL http://www.glory-global.com/groupinfo/pdf/governance_guidelines.pdf

GLORY CORPORATE GOVERNANCE CHRONOLOGY

- President
- Philosophy
- Enhancement of supervision functions
- Appointment of outside directors
- Committees
- Guidelines

2004
- Establishment of the Nomination Advisory Committee and Compensation Advisory Committee

2005
- Establishment of the Compliance Committee

2006
- Review of the corporate philosophy to institute the Corporate Philosophy Structure
- Introduction of the Executive Officer System

2007
- Reduction in the number of directors (from a maximum of 17 to a maximum of 10)
- Appointment of an outside director

2008
- Shortening of the term of office of directors (from 2 years to 1 year)
- Increase in the number of outside directors (from 1 to 2)

2010

2011
- Change of the president (from Hideto Nishino to Hirokazu Onoe)

2015
- Introduction of the Performance-Based Stock Compensation Plan for Directors
- Introduction of the Incentive Plan for Senior Managers (ESOP trust)

2016
- Institution of the Corporate Governance Guidelines
- Launch of analysis and evaluation of Board of Directors' effectiveness
- Expansion of the Performance-Based Stock Compensation Plan with the addition of domestic subsidiary presidents

AN OPEN ORGANIZATIONAL STRUCTURE THAT FOSTERS TRANSPARENCY

Outside Director
Hiroki Sasaki

Outside Director
Akira Niijima

The Aims of the Corporate Governance Guidelines

In the past, corporate governance focused primarily on defensive aspects, such as the prevention of fraudulent activities. Going forward, we need to achieve a more balanced approach that also encompasses positive aspects, including the continuous improvement of corporate value, and the achievement of growth as global company while fulfilling our social responsibilities. To clearly express this approach, GLORY adopted the Corporate Governance Guidelines in February 2016.

GLORY's growth as a company has been paralleled by the expansion of its areas of activity, and by the global expansion of its markets. Competition has also intensified. In this environment, it is no longer practical for all decisions to be taken by one person at the top. To improve corporate value, we need to take up new challenges dauntlessly, while also working to minimize risks through structures that include the Board of Directors and the Management Conference. These aims are encapsulated in the Corporate Governance Guidelines.

All members of the Board need to share common values based on an understanding and awareness of these guidelines. Having achieved that, we can then begin first to enhance the effectiveness of the policies and measures that guide business operations, and, second, to consider ways to assess and supervise specific measures. We define our role as outside directors in terms of these two processes.

How we tackle the challenges in the medium-term management plans is the key to continuous improvement in corporate value. We firmly believe that these plans represent commitments to stakeholders, and that we must make every possible effort to ensure their realization. We also need to monitor progress and take appropriate actions when required. We must account for our results transparently within and beyond the company and strive to gain the understanding of stakeholders, and we must reflect those results in future plans. The point that we want to emphasize is this: A company that can continuously maintain these processes is also a company that can achieve sustainable growth and improvement in its corporate value.

A Corporate Culture that Fosters Communication

This is our eighth year as outside directors of GLORY. In addition to our attendance at Board meetings, we also have opportunities to share views and information with the President. We are also members of the Nomination Advisory Committee and Compensation Advisory Committee. Through these roles, we gain insights into the personal qualities and performance of GLORY's management executives.

We believe that we are able to share information with this high level of transparency because GLORY has an extremely open organizational culture. The use of this organizational culture to deepen communication between management and front-line units will also play an increasingly important role in corporate governance.

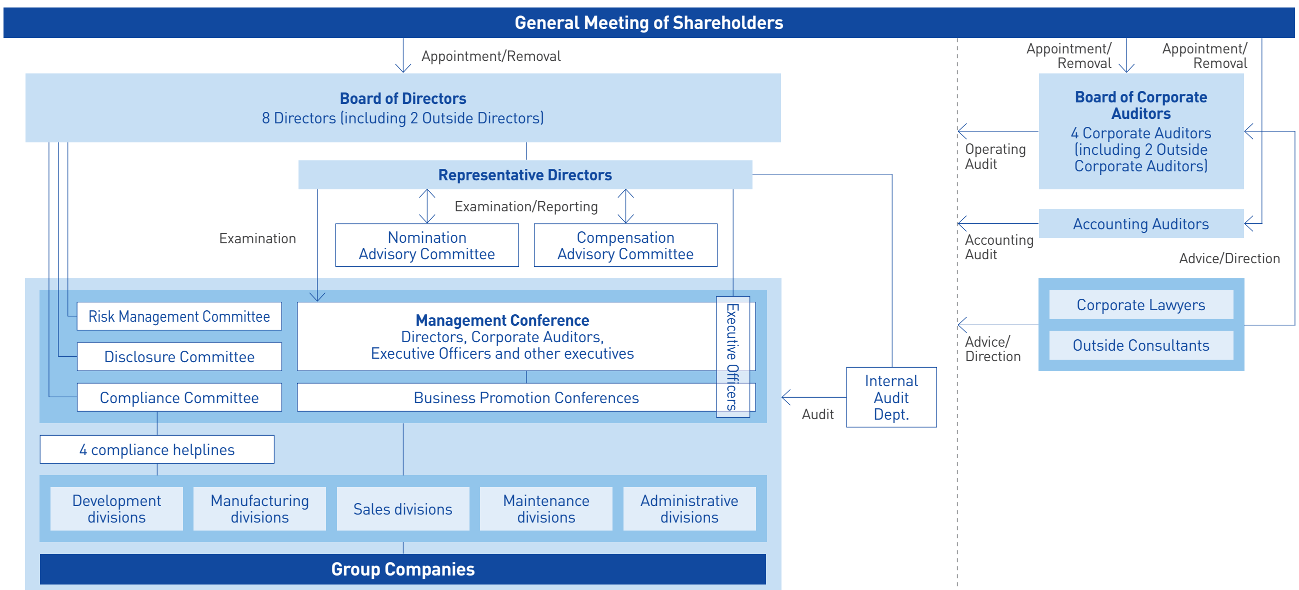
A company must consider not only its own interests but also its relationships with various stakeholders, as it works to improve its corporate value through the development of its business activities. As outside directors, we communicate with GLORY's management team from our perspective as a shareholder. However, individual employees are also stakeholders. The management team maintains a high standard of transparency and openness in its day-to-day information sharing and discussions with us as outside directors. By applying the same approach to their interactions with employees and fostering a culture based on good communication, the management team can ensure that policies adopted by top management will be quickly and accurately assimilated by front-line employees.

Communication on a more global level became a vital priority following the acquisition of Talaris Topco Limited of the UK in 2012. We hope that GLORY will continue to foster a culture based on global communication so that it can enhance the speed of decision-making and improve its competitiveness as a global company.

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.

CORPORATE GOVERNANCE SYSTEM (As of June 24, 2016)



Board of Directors

Decides important management policies of the Company and the Group, oversees business execution, and reports on the status of business execution.

Board of Corporate Auditors

The corporate auditors, including the outside corporate auditors, conduct 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.

Management Conference

Deliberates important management-related matters and issues for the purpose of discussing business execution policies, plans, and the execution of important operations in accordance with the basic policies decided by the Board of Directors.

Business Promotion Conferences

GLORY holds Business Promotion Conferences for each domestic and overseas operation. The conferences, chaired by the heads of operations, formulate and implement business strategies, confirm progress of business plans, and reinforce various functions.

Nomination Advisory Committee and Compensation Advisory Committee

GLORY has established these committees to ensure transparency and objectivity concerning the appointment of directors and executive officers and decisions on their compensation. These committees consist of the representative directors and two outside directors.

Other Management Committees

The Compliance Committee ensures rigorous legal compliance within the Group; The Risk Management Committee considers response measures to risk events and implements risk prevention measures; and the Disclosure Committee proactively discloses corporate information in a timely and appropriate manner.

ANALYSIS AND EVALUATION ON EFFECTIVENESS OF THE BOARD OF DIRECTORS

As provided in the Corporate Governance Guidelines, the Company analyzed and evaluated the effectiveness of the Board of Directors in the year ended March 2016 for the purpose of strengthening the functions of the Board of Directors as a whole. The analysis and assessment results confirmed that the effectiveness of the Company's Board of Directors has been adequately ensured and that the Board of Directors is consistent with the Corporate Governance Guidelines. The Company has disclosed details of the evaluation results in a news release published on June 24, 2016 and posted on the corporate website at the link below:

URL http://www.glory-global.com/groupinfo/pdf/k_160624e.pdf

In light of the analysis and evaluation results, the Company's Board of Directors will actively strive to improve the corporate governance system.

INCENTIVES FOR CORPORATE OFFICERS

(1) Basic Policy on Compensation

The compensation of directors, corporate auditors, and executive officers of the Company will be designed in such a manner that the value can be shared with the shareholders, the level is appropriate for their duties, and due consideration is given to incentives for continued improvement of corporate performance and securing of talented human recourses.

(2) Procedure for Determining Compensation

In order to secure transparency and objectivity, the compensation of directors and corporate auditors will be determined by resolution of the Board of Directors or by consultation among the corporate auditors, respectively, in line with a review by the Compensation Advisory Committee and within the ranges approved by the General Meeting of Shareholders. The compensation of executive officers will be determined by resolution of the Board of Directors based on a review by the Compensation Advisory Committee.

(3) Compensation Structure

The compensation of directors will consist of "monthly fixed compensation" as well as performance-based "bonuses" and "stock compensation" as follows:

- The amount of fixed monthly compensation is determined in accordance with the respective position and responsibilities;
- The total amount of bonuses for directors is determined as a fixed percentage of consolidated net income, an indicator linked to business performance;
- As the stock compensation designed to provide incentives to achieve the medium- term financial performance targets, shares of the Company and the cash conversion equivalent thereof (collectively "Company Shares") will be paid for the three-year period starting from the year ended March 2016. The number of Company Shares to be awarded will be calculated by multiplying his or her position-based basic points for each fiscal year under review by the performance-based indicator which is determined according to the achievement level of the Company's consolidated performance targets (consolidated net sales and operating income) within the range between 0 (if less than 90% achievement rate) to 1.2 (if 130% or more achievement rate); and
- Retirement benefits for directors will not be paid.

Compensation of outside directors and corporate auditors who mainly fulfill management supervision functions or auditing functions consists of "monthly fixed compensation" only.

Introduction of Performance-Based Stock Compensation Plan for Directors

In the year ended March 2016, the Company introduced the Performance-Based Stock Compensation Plan for Directors as a highly transparent and objective executive compensation plan that is closely linked to the Company's business performance for the purpose of further increasing motivation to contribute to improvement of medium- and long-term business performance and enhancement of corporate value. In the year ending March 2017, the Company added the presidents of domestic subsidiaries as beneficiaries of the Plan with the view of further enhancing motivation to improve the corporate value of GLORY Group companies as a whole.

BOARD OF DIRECTORS, CORPORATE AUDITORS AND EXECUTIVE OFFICERS

(As of June 24, 2016)

BOARD OF DIRECTORS

President*
Hirokazu Onoe

Director*
Motozumi Miwa

Director
Hideo Onoe

Director
Shigetoshi Mabuchi

Director
Kaname Kotani

Director
Akihiro Harada

Outside Director
Hiroki Sasaki

Outside Director
Akira Niijima

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
Motozumi Miwa

Managing Executive Officer
Hideo Onoe

Managing Executive Officer
Shigetoshi Mabuchi

Managing Executive Officer
Norio Murakami

Managing Executive Officer
Kaname Kotani

Senior Executive Officer
Tokuya Shimizu

Senior Executive Officer
Akihiro Harada

Senior Executive Officer
Hirokazu Sekino

Senior Executive Officer
Satoshi Baba

Senior Executive Officer
Hirofumi Kameyama

Executive Officer
Tsutomu Iwata

Executive Officer
Hideto Tanaka

Executive Officer
Makoto Ueda

Executive Officer
Katsunori Yamamoto

Executive Officer
Toshihiko Kayama

Executive Officer
Taneyoshi Ebashi

Executive Officer
Masato Ishida

Executive Officer
Masashi Michishita

Executive Officer
Yoshihiro Takada

Executive Officer
Hiroshi Uemura

Executive Officer
Tetsuya Bohgaki

Executive Officer
Chris T. Reagan

Executive Officer
Vincent Nakache

* Indicates that the individual is a Representative Director.

FINANCIAL SECTION

CONTENTS

ELEVEN-YEAR CONSOLIDATED FINANCIAL SUMMARY

GLORY LTD. and consolidated subsidiaries
Years ended March 31

		Millions of Yen		
		2006	2007	2008
Summary of income (for the year):	Net sales	¥ 141,231	¥ 164,540	¥ 185,181
	Cost of sales	94,209	108,628	118,946 *5
	Selling, general and administrative expenses	41,568	42,952	45,288
	Operating income	5,453	12,961	20,947 *5
	Net income attributable to owners of the parent	740	6,461	11,711
	Capital expenditure	4,793	6,035	7,279
	R&D expenses	9,474	9,329	9,616
	Depreciation and amortization	6,889	6,337	6,570
Financial position (at year-end):	Total assets	206,361	216,988	209,237
	Total shareholders' equity	146,134	—	—
	Total equity *1	—	150,842	151,735
	Interest-bearing debt *2	19,083	13,190	12,914
Per share data (yen):	Net income *3	¥ 9.14	¥ 87.15	¥ 160.70
	Equity	1,970.11	2,025.39	2,110.69
	Dividend (annual)	22.00	30.00	40.00
Financial indicators (%):	Return on equity (ROE)	0.5	4.4	7.8
	Equity ratio	70.8	69.2	72.3
Others:	Number of shares outstanding (thousands)	74,236	74,236	72,838
	Number of employees *4	5,200	5,290	5,346

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

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

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

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

*5 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.

	Millions of Yen							
	2009	2010	2011	2012	2013	2014	2015 *8	2016
	¥ 145,979	¥ 135,105	¥ 138,965	¥ 146,938	¥ 190,939 *7	¥ 218,632	¥ 222,356	**¥ 226,952**
	94,115	87,074	86,758	92,673	117,267	131,512	134,758	**137,357**
	42,437	40,346	41,698 *6	42,990	59,214	70,401	68,905	**69,043**
	9,427	7,685	10,509 *6	11,275	14,458 *7	16,719	18,693	**20,552**
	5,782	5,109	6,229	6,247	6,873	9,939	12,887	**8,829**
	10,638	6,714	6,414	6,709	8,218	7,235	8,500	**8,882**
	9,204	8,776	8,999	9,935	12,092	13,175	12,869	**12,591**
	7,621	8,145	6,717	6,842	8,897	9,281	10,350	**10,328**
	196,798	194,983	198,020	205,245	319,078 *7	340,943	346,614	**321,673**
	—	—	—	—	—	—	—	**—**
	147,176	145,345	149,782	153,334	168,465	190,805	204,545	**198,287**
	14,110	14,038	13,309	13,530	86,298 *7	75,688	64,983	**51,556**
	¥ 82.15	¥ 76.00	¥ 94.83	¥ 95.09	¥ 104.64	¥ 151.31	¥ 196.19	**¥ 134.38**
	2,155.17	2,212.63	2,260.47	2,312.33	2,537.23	2,865.09	3,066.53	**2,966.22**
	30.00	33.00	37.00	42.00	44.00	49.00	54.00	**56.00**
	3.9	3.5	4.2	4.2	4.3	5.6	6.6	**4.5**
	74.8	74.5	75.0	74.0	52.2	55.2	58.1	**60.6**
	69,838	69,838	68,638	68,638	68,638	68,638	68,638	**68,638**
	5,510	5,848	6,046	6,149	7,903	7,833	7,802	**8,177**

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

*7 Major portion of increase compared to the year ended March 2012 is due to acquisition of Talaris Topco Limited in 2012.

*8 Prior to April 1, 2015, the revenue and expenses of foreign subsidiaries are translated into Japanese yen using the current exchange rate on the date of closing of the relevant foreign subsidiary.

Effective April 1, 2015, the Company changed its method to a method of translating the foreign subsidiaries revenue and expenses into Japanese yen to the method of using the average foreign exchange rate for the fiscal year.

This accounting policy change was applied retrospectively and the financial figures for the year ended March 2015, were restated.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GLORY LTD. and consolidated subsidiaries
Year ended March 31, 2016

ECONOMIC OVERVIEW

During the fiscal year ended March 31, 2016, the Japanese economy maintained its gradual recovery with momentum driven by firm personal consumption as well as improvements in corporate earnings and the employment situation. The outlook of the global economy, on the other hand, was uncertain overall; while the United States maintained a growth trend and Europe continued to move toward recovery at a moderate but steady pace, in Asia, China's economy remained slowing down and the sharp yen appreciation continued from the beginning of 2016.

BUSINESS OVERVIEW

Net Sales

Net sales for the fiscal year under review totaled ¥226,952 million, up by 2.1% from the previous fiscal year. Total net sales consisted of ¥161,339 million in net sales of finished products and merchandise, which increased by 1.4% year on year, and ¥65,614 million in sales of maintenance services, which rose by 3.8%. (Sales by reportable segment is described in the "Overview by Reportable Segment" section.)

Cost of Sales

Cost of sales increased by 1.9% to ¥137,357 million, reflecting the increase in net sales. The cost of sales ratio dropped slightly to 60.5%, down by 0.1 percentage point.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses increased by 0.2% from the previous fiscal year to ¥69,043 million. On the other hand, the ratio of SG&A expenses to net sales declined by 0.6 percentage points to 30.4%.

Operating Income

Operating income for the fiscal year under review amounted to ¥20,552 million, up by 9.9% year on year. The operating margin also rose by 0.7 percentage points to 9.1%. (Operating income by reportable segment is described in the "Overview by Reportable Segment" section.)

Other Income (Expenses)

Net other income (expenses) resulted in net expenses of ¥2,786 million, reversing previous fiscal year's net income of ¥3,483 million. Although there were certain income items recorded, such as a ¥283 million gain on sales of investment securities and ¥319 million in subsidy income, loss items outweighed the positive effects. These items included ¥3,395 million net foreign currency exchange loss, which reversed the ¥2,710 million net foreign currency exchange gain recorded in the previous fiscal year.

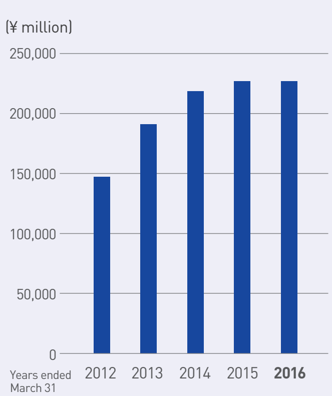
Income before Income Taxes

Income before income taxes amounted to ¥17,766 million, down by 19.9% from the previous fiscal year.

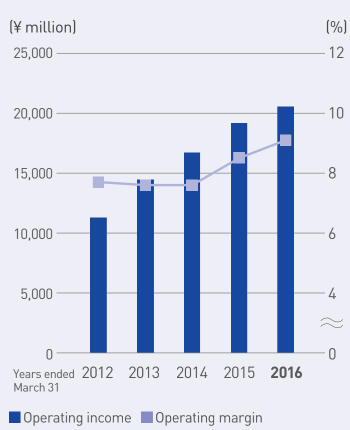
Income Taxes

Income taxes declined from ¥8,341 million in the previous fiscal year to ¥7,670 million. The actual effective tax rate after application of tax effect accounting rose contrarily from 37.6% to 43.2%.

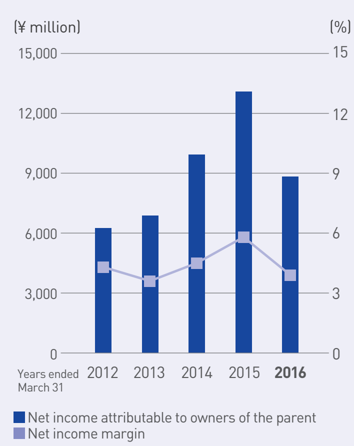
Net Sales



Operating Income/ Operating Margin



Net Income Attributable to Owners of The Parent/Net Income Margin



strong. Moreover, capturing replacement demand, sales of "sales proceeds deposit machines" for the retail market and the cash-in-transit market were robust.

Net Income Attributable to Owners Of The Parent

Although the amount of income taxes decreased, net income attributable to owners of the parent declined by 31.5% from the previous fiscal year to ¥8,829 million.

Comprehensive Income

Net income for the fiscal year under review stood at ¥10,096 million. However, total other comprehensive income amounted to negative ¥13,608 million, mainly due to a foreign currency translation adjustment of negative ¥7,678 million and defined benefit plans of negative ¥5,102 million. As a result, comprehensive income for the fiscal year ended March 31, 2016 was negative ¥3,512 million.

OVERVIEW BY REPORTABLE SEGMENT

Financial Market

Net sales of this segment rose by 6.7% year on year to ¥51,339 million. Operating income also increase by 22.5% to ¥6,741 million.

Sales of "open teller systems", the mainstay products in this segment, were strong for compact models for small- and medium-sized financial outlets. Sales of "key management systems" were also robust, driven by replacement demand.

Retail and Transportation Market

Net sales of this segment increased by 29.2% year on year to ¥38,616 million. Operating income rose by 48.4% to ¥3,657 million.

Sales of "coin and banknote recyclers" for cashiers, the mainstay products in this segment, were strong. Moreover, capturing replacement demand, sales of "sales proceeds deposit machines" for the retail market and the cash-in-transit market were robust.

Amusement Market

Net sales of this segment declined by 15.4% year on year to ¥21,506 million. Operating income dropped by 54.8% to ¥1,112 million.

Sales of this segment's main products such as "card systems" were sluggish, mainly reflecting the constraint toward capital expenditure in pachinko parlors (amusement halls).

Overseas Market

Net sales in this segment increased by 1.3% year on year to ¥105,596 million. Operating income rose by 14.5% to ¥9,225 million, due to improvements in the product mix, as well as cost reduction efforts.

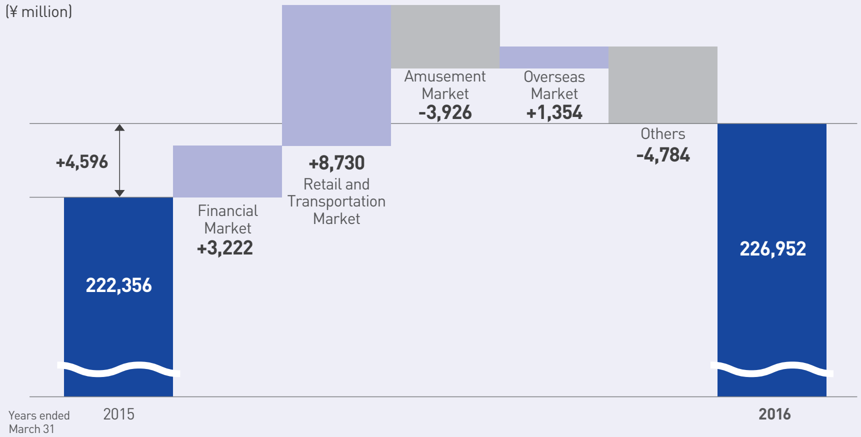
Although sales of "banknote sorters" were slow in Europe and Asia, sales of this segment's main product, "banknote recyclers", were strong in the Americas and Europe. In Europe, demand for "sales proceeds deposit machines" for the retail market was also robust. Sales for the overseas market as a whole were maintained at the level of the previous fiscal year.

"Others" Segment

Aggregate net sales of the "Others" segment, the businesses of which are not reported as independent reportable segments, were ¥9,895 million, down 32.6% year on year. Operating loss of the segment was ¥183 million, compared to operating income of ¥210 million

Change Factors of Net Sales

(¥ million)



recorded in the previous fiscal year.

FINANCIAL POSITION

Assets

Total assets as of March 31, 2016 stood at ¥321,673 million, a ¥24,942 million decrease from the previous fiscal year-end. This decrease is mainly due to a ¥10,994 million decline in goodwill, reflecting the amortization of goodwill incurred from the acquisition of Talaris Topco Limited ("Talaris").

Liabilities

Total liabilities as of March 31, 2016 decreased by ¥18,684 million from the previous fiscal year-end to ¥123,386 million. This decreased reflected ¥2,642 million and ¥10,207 million decreases in short-term borrowings and long-term debt, respectively, both resulting mainly from the repayment of bank loans for the acquisition of Talaris.

Equity

Total equity as of March 31, 2016 amounted to ¥198,288 million, a ¥6,258 million decline from the previous fiscal year-end. This decline is attributable mainly to the decrease in foreign currency translation adjustments, which offset the increase in retained earnings.

CASH FLOWS

Cash and cash equivalents as of March 31, 2016 increased by ¥2,911 million from the previous fiscal year-end to ¥67,133 million.

Net cash provided by operating activities for the fiscal year under review was ¥28,142 million, compared to the ¥21,107 million cash provided in the previous fiscal year. The major cash-decreasing factors were a ¥2,429 million increase in inventories, and ¥7,819 million income taxes paid. The cash-increasing factors, on the other hand, included ¥17,767 million income before income taxes, ¥10,328 million depreciation and amortization, ¥5,054 million amortization of goodwill, ¥3,523 million increase in liability for retirement benefits, and ¥3,511 million decrease in trade notes and accounts receivable.

Net cash used in investing activities was ¥7,715 million, compared to ¥3,425 million cash used in the previous fiscal year. The major cash-flow items included ¥3,408 million proceeds from sales and redemption of investment securities, which was offset by ¥8,410 million purchases of property, plant and equipment. The purchases of property, plant and equipment consisted mainly of the reconstruction of the Company's factories, and molds tools and other equipment used to manufacture products.

Net cash used in financing activities was ¥16,845 million, compared to ¥15,749 million cash used in the previous fiscal year. The cash-outflow items were a ¥2,500 million net decrease in short-term borrowings, ¥9,987 million repayments of long-term debt, ¥3,750 million dividends paid, ¥606 million dividends paid for non-controlling interests.

As a result of the above, free cash flows (the sum of cash flows from operating and investing activities) amounted to ¥20,428 million.

RISK INFORMATION

The GLORY Group ("the Group") is exposed to various

Change Factors of Operating Income

(¥ million)

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

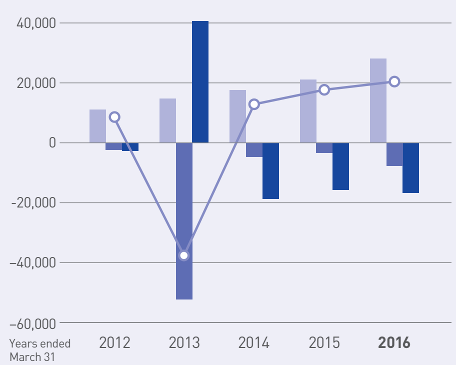
The Group is not aware of any infringements by its products on material intellectual property rights of third parties. However, it is difficult for an R&D-based corporate group like the Group to completely avoid the occurrence of intellectual property infringement issues. If such circumstances were to 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, 2016

ASSETS	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2016
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	¥ 67,133	¥ 64,223	$ 596,102
Short-term investments (Notes 4 and 14)	1,420	2,555	12,609
Receivables (Note 14):			
Trade notes	3,683	5,370	32,703
Trade accounts	46,212	49,327	410,336
Unconsolidated subsidiaries and associated company	876	2,062	7,778
Other	439	366	3,897
Investments in leases (Notes 13 and 14)	2,917	2,719	25,901
Inventories (Note 5)	43,371	41,631	385,109
Deferred tax assets (Note 10)	4,529	5,006	40,215
Other current assets	1,907	1,959	16,934
Allowance for doubtful accounts	(675)	(563)	(5,994)
Total current assets	171,812	174,655	1,525,590
PROPERTY, PLANT AND EQUIPMENT:			
Land	11,955	11,917	106,153
Buildings and structures	34,199	31,328	303,667
Machinery and equipment	12,396	11,576	110,069
Furniture and fixtures	58,053	57,914	515,477
Construction in progress	59	1,614	525
Total	116,662	114,349	1,035,891
Accumulated depreciation	(80,829)	(78,840)	(717,714)
Net property, plant and equipment	35,833	35,509	318,177
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 14)	7,654	9,776	67,963
Investments in unconsolidated subsidiaries and associated company (Note 14)	1,112	1,276	9,874
Software	3,938	3,535	34,967
Goodwill	63,797	74,790	566,480
Customer relationships	27,344	31,935	242,799
Deferred tax assets (Note 10)	4,335	4,054	38,501
Prepaid retirement benefits (Note 7)		3,899	
Other investments and other assets	5,907	7,215	52,442
Allowance for doubtful accounts	(59)	(30)	(524)
Total investments and other assets	114,028	136,450	1,012,502
TOTAL	¥321,673	¥346,614	$2,856,269

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2016
CURRENT LIABILITIES:			
Short-term borrowings (Notes 6 and 14)	¥ 16,886	¥ 19,528	$ 149,938
Current portion of long-term debt (Notes 6 and 14)	9,424	9,918	83,680
Current portion of long-term lease obligations (Notes 6, 13 and 14)	950	930	8,435
Payables (Note 14):			
Trade notes	1,169	2,066	10,380
Trade accounts	17,346	18,281	154,022
Unconsolidated subsidiaries and associated company	1,148	1,800	10,194
Other	3,428	6,389	30,439
Income taxes payable (Note 14)	2,230	3,797	19,801
Accrued expenses	16,090	15,654	142,870
Deferred income	9,917	9,511	88,057
Provision for stock grant to directors and executive officers (Note 8)	68		604
Other current liabilities	2,964	3,500	26,318
Total current liabilities	81,620	91,374	724,738
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6 and 14)	22,629	32,835	200,932
Liability for retirement benefits (Note 7)	6,608	3,323	58,675
Long-term lease obligations (Notes 6 and 14)	1,667	1,771	14,802
Deferred tax liabilities (Note 10)	8,444	10,496	74,978
Provision for stock grant to directors and executive officers (Note 8)	68		604
Other long-term liabilities	2,350	2,270	20,867
Total long-term liabilities	41,766	50,695	370,858
CONTINGENT LIABILITIES (Note 16)			
EQUITY (Notes 9 and 18):			
Common stock, Authorized: 150,000,000 shares; Issued: 68,638,210 shares in 2016 and 2015	12,893	12,893	114,482
Capital surplus	20,952	20,630	186,042
Retained earnings	151,654	145,166	1,346,599
Treasury stock—at cost (Note 8) 2,749,737 shares in 2016 and 2,951,231 shares in 2015	(6,142)	(5,818)	(54,537)
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	236	1,064	2,096
Foreign currency translation adjustments	17,820	24,963	158,231
Defined retirement benefit plans	(2,572)	2,533	(22,838)
Total	194,841	201,431	1,730,075
Noncontrolling interests	3,446	3,114	30,598
Total equity	198,287	204,545	1,760,673
TOTAL	¥321,673	¥346,614	$2,856,269

CONSOLIDATED STATEMENT OF INCOME

GLORY LTD. and consolidated subsidiaries
Year ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
NET SALES	¥226,952	¥222,356	$2,015,202
COST OF SALES (Note 12)	137,357	134,758	1,219,651
Gross profit	89,595	87,598	795,551
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 11 and 12)	69,043	68,905	613,061
Operating income	20,552	18,693	182,490
OTHER INCOME (EXPENSES):			
Interest and dividend income	456	757	4,049
Interest expense	(661)	(835)	(5,869)
Foreign currency exchange (loss) gain—net	(3,395)	2,710	(30,146)
Loss on impairment of long-lived assets		(75)	
Other—net	814	926	7,228
Other income (expenses)—net	(2,786)	3,483	(24,738)
INCOME BEFORE INCOME TAXES	17,766	22,176	157,752
INCOME TAXES (Note 10):			
Current	(6,439)	(7,945)	(57,174)
Deferred	(1,231)	(396)	(10,931)
Total income taxes	(7,670)	(8,341)	(68,105)
NET INCOME	10,096	13,835	89,647
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(1,267)	(948)	(11,251)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 8,829	¥ 12,887	$ 78,396

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.u):			
Basic net income	¥ 134.38	¥ 196.19	$ 1.19
Cash dividends applicable to the year	56.00	54.00	0.50

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

GLORY LTD. and consolidated subsidiaries
Year ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
NET INCOME	¥ 10,096	¥13,835	$ 89,647
OTHER COMPREHENSIVE (LOSS) INCOME (Note 17):			
Unrealized (loss) gain on available-for-sale securities	(828)	666	(7,352)
Foreign currency translation adjustments	(7,678)	1,619	(68,176)
Defined retirement benefit plan(s)	(5,102)	2,633	(45,303)
Total other comprehensive (loss) income	(13,608)	4,918	(120,831)
COMPREHENSIVE (LOSS) INCOME	¥ (3,512)	¥18,753	$ (31,184)
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ (4,451)	¥17,762	$ (39,522)
Noncontrolling interests	939	991	8,338

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

GLORY LTD. and consolidated subsidiaries
Year ended March 31, 2016

	Thousands of Shares		Millions of Yen									
							Accumulated Other Comprehensive Income					
	Common Stock	Treasury Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncon-trolling Interests	Total Equity
BALANCE, APRIL 1, 2014 (as previously reported)	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 3)					(1,410)			(68)		(1,478)		(1,478)
BALANCE, APRIL 1, 2014 (as restated)	68,638	(2,951)	12,893	20,630	135,629	(5,817)	398	23,089	(100)	186,722	2,605	189,327
Net income attributable to owners of the parent					12,887					12,887		12,887
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	1,874	2,633	5,173	991	6,164
BALANCE, MARCH 31, 2015	68,638	(2,951)	12,893	20,630	145,166	(5,818)	1,064	24,963	2,533	201,431	3,114	204,545
Net income attributable to owners of the parent					8,829					8,829		8,829
Cash dividends, ¥57 per share					(3,750)					(3,750)	(605)	(4,355)
Purchase of treasury stock		(0)				(722)				(722)		(722)
Disposal of treasury stock		202		322		398				720		720
Change of scope of consolidation (Note 2.a)					1,409			206	(3)	1,612		1,612
Net change in the year							(828)	(7,349)	(5,102)	(13,279)	937	(12,342)
BALANCE, MARCH 31, 2016	68,638	(2,749)	¥12,893	¥20,952	¥151,654	¥(6,142)	¥ 236	¥17,820	¥(2,572)	¥194,841	¥3,446	¥198,287

	Thousands of U.S. Dollars (Note 1)									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncon-trolling Interests	Total Equity
BALANCE, APRIL 1, 2015	$114,482	$183,182	$1,288,990	$ (51,660)	$9,448	$221,657	$ 22,492	$1,788,591	$27,650	$1,816,241
Net income attributable to owners of the parent			78,396					78,396		78,396
Cash dividends, $0.51 per share			(33,298)					(33,298)	(5,372)	(38,670)
Purchase of treasury stock				(6,411)				(6,411)		(6,411)
Disposal of treasury stock		2,860		3,534				6,394		6,394
Change of scope of consolidation (Note 2.a)			12,511			1,829	(27)	14,313		14,313
Net change in the year					(7,352)	(65,255)	(45,303)	(117,910)	8,320	(109,590)
BALANCE, MARCH 31, 2016	$114,482	$186,042	$1,346,599	$ (54,537)	$2,096	$158,231	$(22,838)	$1,730,075	$30,598	$1,760,673

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

GLORY LTD. and consolidated subsidiaries
Year ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
OPERATING ACTIVITIES:			
Income before income taxes	¥ 17,767	¥ 22,177	$157,761
Adjustments for:			
Income taxes—paid	(7,819)	(7,997)	(69,428)
Depreciation and amortization	10,328	10,350	91,707
Amortization of goodwill	5,054	4,938	44,877
Loss on impairment of long-lived assets		75	
Provision for doubtful receivables	159	(51)	1,412
Net gain on sales of investment securities	(283)	(0)	(2,513)
Changes in assets and liabilities, net of affects from newly consolidated subsidiaries:			
Decrease (increase) in trade notes and accounts receivable	3,511	(5,308)	31,176
(Increase) decrease in inventories	(2,429)	541	(21,568)
Decrease (increase) in interest and dividend receivable	7	(1)	62
Decrease in notes, accounts and other payable	(2,828)	(2,840)	(25,111)
Decrease in interest payable	(15)	(23)	(133)
Increase (decrease) in liability for retirement benefits	3,523	(754)	31,282
Increase in provision for stock grant to directors and executive officers	136		1,208
(Decrease) increase in lease obligations	(60)	38	(533)
(Increase) decrease in lease investment assets	(198)	279	(1,758)
(Decrease) increase in accrued consumption taxes	(1,624)	1,199	(14,420)
Increase (decrease) in accrued expenses	1,039	(264)	9,226
Other—net	1,874	(1,252)	16,638
Total adjustments	10,375	(1,070)	92,124
Net cash provided by operating activities	28,142	21,107	249,885
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	66	644	586
Purchases of property, plant and equipment	(8,410)	(7,311)	(74,676)
Purchases of intangible assets	(1,607)	(1,013)	(14,269)
Proceeds from sales and redemption of investment securities	3,408	4,213	30,261
Purchases of investment securities	(476)	(662)	(4,227)
(Increase) decrease in time deposits—net	(220)	737	(1,953)
Acquisition of investments in subsidiaries resulting in change in scope of consolidation	(450)		(3,996)
Acquisition of investments in subsidiaries		(217)	
Increase (decrease) in other—net	(26)	184	(231)
Net cash used in investing activities	¥ (7,715)	¥ (3,425)	$ (68,505)
FINANCING ACTIVITIES:			
Decrease in short-term borrowings—net	¥ (2,500)	¥ (9,304)	$ (22,199)
Proceeds from long-term debt		6,026	
Repayments of long-term debt	(9,987)	(8,636)	(88,679)
Repurchase of treasury stock	(722)		(6,411)
Disposal of treasury stock	721		6,402
Dividends paid	(3,750)	(3,352)	(33,298)
Dividends paid for noncontrolling interests	(606)	(483)	(5,381)
Other—net	(1)	(0)	(8)
Net cash used in financing activities	(16,845)	(15,749)	(149,574)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(1,645)	1,261	(14,607)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,937	3,194	17,199
CASH AND CASH EQUIVALENTS OF NEWLY-CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	973		8,640
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	64,223	61,029	570,263
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 67,133	¥ 64,223	$596,102

See notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GLORY LTD. and consolidated subsidiaries
Year ended March 31, 2016

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 2015 consolidated financial statements to conform to the classifications used in 2016.

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 ¥112.62 to $1, the approximate rate of exchange at March 31, 2016. 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, 2016, include the accounts of the Company and its 39 significant (38 in 2015) 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, 2016

Name	Year-End
Hokkaido GLORY Co., Ltd.	March 31
GLORY NASCA Ltd.	March 31
GLORY Products Ltd.	March 31
Glory Global Solutions Inc.	March 31
Glory Global Solutions (Singapore) Pte. Ltd.	March 31
Sitrade Italia S.p.A.	December 31
GLORY Denshi Kogyo (Suzhou) Ltd.	December 31
GLORY (PHILIPPINES), INC.*	March 31
Glory Global Solutions (Shanghai) Co., Ltd.	December 31
Glory Global Solutions Ltd.	March 31
Glory Global Solutions (International) Ltd.	March 31
Glory Global Solutions (France) S.A.S.	March 31

27 other companies

March 31, 2015

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

27 other companies

Note: *GLORY (PHILIPPINES), INC. has been newly included in the scope of consolidation from this fiscal year due to its increase in materiality. This was not applied retrospectively, the effects on the retained earnings are recognized as "change of scope consolidated" in the consolidated statement of change in equity.

GLORY Denshi Kogyo (Suzhou) Ltd.; Glory Global Solutions (Shanghai) Co., Ltd.; Sitrade Italia S.p.A.; Glory Global Solutions (Brasil) Maquinas 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.

c. **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.

d. **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 raw materials, or net selling value.

e. **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.

f. **Property, Plant and Equipment (Except for Leases)** – 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 property, plant and equipment 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.

g. **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.

h. **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.

i. **Customer Relationships** – Customer relationships are carried at cost less accumulated amortization, which is calculated by the straight-line method over 20 years.

j. **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.

k. **Retirement and Pension Plans** – The liability (asset) for retirement benefits of employees is 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. 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).

l. **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.

m. **Employee and Management Stock Ownership Plan** – In accordance with PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts," upon transfer of treasury stock to the employee stock ownership trust (the "Trust") by the entity, any difference between the book value and fair value of the treasury stock shall be recorded in capital surplus. At year-end, the entity shall record (1) the entity stock held by the Trust as treasury stock in equity, (2) all other assets and liabilities of the Trust on a line-by-line basis, and (3) a liability/asset for the net of i) any gain or loss on delivery of the stock by the Trust to the employee shareholding association, ii) dividends received from the entity for the stock held by the Trust, and iii) any expenses relating to the Trust. (See Note 8)

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

o. **Leases (Lessee)** – Finance lease assets that do not transfer ownership of the property to the lessee are depreciated using the straight-line method over the lease term with no residual value.

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 rates to the temporary differences.

The Group files 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" and "Non-controlling interests" in equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average 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 attributable 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.

The Company's own stock in "Board Incentive Plan (BIP) Trust Account" and "Employee Stock Ownership

Plan (ESOP) Trust Account" recorded as treasury shares within equity includes treasury stock excluded from the average number of shares during the period used for calculating net income per share and treasury shares excluded from the number of shares outstanding at the end of the fiscal year used for calculating net asset per share.

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. ACCOUNTING CHANGE

(Change in the method of translating revenue and expense of foreign subsidiaries)
Prior to April 1, 2015, the revenue and expenses of foreign subsidiaries are translated into Japanese yen using the current exchange rate on the date of closing of the relevant foreign subsidiary.

Effective April 1, 2015, the Company changed its method of translating the foreign subsidiaries revenue and expenses into Japanese yen to the method of using the average foreign exchange rate for the fiscal year because the foreign subsidiaries are increasing in importance and exchange rates have fluctuated considerably in recent years and the use of the average rate reflects the performance of foreign subsidiaries more properly.

This accounting policy change was applied retrospectively and the consolidated financial statements for the year ended March 31, 2015, were restated.

The effects of this accounting policy change for 2015 were as follows: (1) Consolidated balance sheet as of March 31, 2015—"retained earnings" decreased by ¥425 million, while the "foreign currency translation adjustments" balance increased by the same amount. (2) Consolidated statement of income for the year ended March 31, 2015—"net sales" decreased by ¥4,618 million, "operating income" decreased by ¥485 million, "income before income taxes" decreased by ¥381 million and "Net income attributable to owners of the parent" decreased by ¥194 million, respectively. (3) Per share of common stock for the year ended March 31, 2015—"basic net income" decreased by ¥2.97, and (4) Consolidated statement of changes in equity as of April 1, 2014, "retained earnings" decreased by ¥230 million, while the "foreign currency translation adjustments" balance increased by the same amount.

04. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Short-term investments:			
Time deposits other than cash equivalents	¥ 920	¥ 150	$ 8,169
Government, corporate, and other bonds	500	2,405	4,440
Total	¥1,420	¥2,555	$12,609
Investment securities:			
Marketable equity securities	¥3,839	¥4,905	$34,088
Nonmarketable equity securities	463	683	4,111
Government, corporate, and other bonds	2,717	3,800	24,125
Other	635	388	5,639
Total	¥7,654	¥9,776	$67,963

The costs and aggregate fair values of marketable and investment securities at March 31, 2016 and 2015, were as follows:

	Millions of Yen			
March 31, 2016	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥3,525	¥687	¥(373)	¥3,839
Government bonds	3			3
Corporate bonds	29			29
Other	609	26		635
Held-to-maturity:				
Government bonds	1,000	66		1,066
Corporate bonds	2,185	52	(8)	2,229

	Millions of Yen			
March 31, 2015	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

	Thousands of U.S. Dollars			
March 31, 2016	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$31,300	$6,100	$(3,312)	$34,088
Government bonds	27			27
Corporate bonds	258			258
Other	5,407	231		5,639
Held-to-maturity:				
Government bonds	8,880	586		9,466
Corporate bonds	19,401	462	(71)	19,792

Available-for-sale securities sold during the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Proceeds from sales	¥808	¥13	$7,175
Gain on sales	283	0	2,513
Loss on sales		0	

Gain and loss on sales of securities is included in "Other—net" among the other income (expenses) section of the consolidated statements of income.

05. INVENTORIES

Inventories as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Finished products and merchandise	¥25,381	¥25,683	$225,368
Work in process	6,527	6,047	57,956
Raw materials and supplies	11,463	9,901	101,785
Total	¥43,371	¥41,631	$385,109

06. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

(a) Short-term borrowings as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Loans from banks and an insurance company	¥16,886	¥19,528	$149,938

The annual average interest rate applicable to short-term borrowings at March 31, 2016 and 2015, was 0.8%.

(b) Long-term debt and lease obligations as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Loans from banks and other	¥ 32,053	¥ 42,753	$284,612
Obligations under finance leases	2,617	2,701	23,237
Total	34,670	45,454	307,849
Less current portion	(10,374)	(10,848)	(92,115)
Long-term debt and lease obligations, less current portion	¥ 24,296	¥ 34,606	$215,734

The annual average interest rate applicable to long-term debt at March 31, 2016 and 2015, was 1.2%.

(c) Annual maturities of long-term debt as of March 31, 2016, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥10,374	$92,115
2018	9,777	86,814
2019	9,481	84,186
2020	4,796	42,586
2021 and thereafter	242	2,148
Total	¥34,670	$307,849

07. RETIREMENT AND PENSION PLANS

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, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year (as previously reported)	¥50,727	¥47,403	$450,426
Cumulative effect of accounting change		806	
Balance at beginning of year (as restated)	50,727	48,209	450,426
Current service cost	2,376	2,267	21,097
Interest cost	620	634	5,505
Actuarial losses	5,236	575	46,493
Benefits paid	(1,505)	(1,722)	(13,364)
Past service cost	9	(305)	80
Others	(125)	1,069	(1,109)
Balance at end of year	¥57,338	¥50,727	$509,128

(2) The changes in plan assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥51,303	¥46,258	$455,541
Expected return on plan assets	645	611	5,727
Actuarial (gains) losses	(1,476)	4,124	(13,106)
Contributions from the employer	1,516	1,668	13,461
Benefits paid	(1,404)	(1,652)	(12,467)
Others	146	294	1,297
Balance at end of year	¥50,730	¥51,303	$450,453

(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
	2016	2015	2016
Funded defined benefit obligation	¥ 56,580	¥ 50,113	$ 502,398
Plan assets	(50,730)	(51,303)	(450,453)
Total	5,850	(1,190)	51,945
Unfunded defined benefit obligation	758	614	6,730
Net liability (asset) for defined benefit obligation	¥ 6,608	¥ (576)	$ 58,675

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Liability for retirement benefits	¥6,608	¥ 3,323	$58,675
Prepaid retirement benefits		(3,899)	
Net liability (asset) for defined benefit obligation	¥6,608	¥ (576)	$58,675

(4) The components of net periodic benefit costs for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Service cost	¥2,376	¥2,267	$21,097
Interest cost	620	634	5,505
Expected return on plan assets	(645)	(611)	(5,727)
Recognized actuarial (gains) losses	(365)	90	(3,241)
Amortization of prior service cost	(157)	(89)	(1,394)
Net periodic benefit costs	¥1,829	¥2,291	$16,240

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Prior service cost	¥ (166)	¥ 216	$ (1,474)
Actuarial (gains) losses	(7,077)	3,639	(62,840)
Total	¥(7,243)	¥3,855	$ (64,314)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrecognized prior service cost	¥ 372	¥ 538	$ 3,303
Unrecognized actuarial (gains) losses	(3,927)	3,150	(34,869)
Total	¥(3,555)	¥3,688	$ (31,566)

(7) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2016 and 2015, consisted of the following:

	2016	2015
Debt investments	46%	47%
Equity investments	25	27
Cash and cash equivalents	1	5
General account assets of life insurance	14	12
Others	14	9
Total	100%	100%

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, 2016 and 2015, are set forth as follows:

	2016	2015
Discount rate	Mainly 0.6 – 1.0 %	Mainly 0.9 – 1.5%
Expected rate of return on plan assets	Mainly 0.9 – 1.5 %	Mainly 0.9 – 1.5%

The Company applied a discount rate of mainly 0.9 - 1.5% as of April 1, 2015. The Company reassessed the discount rate as of March 31, 2016, and determined that change in the discount rate has an effect on the amount of projected benefit obligation. Accordingly, the discount rate has been changed to mainly 0.6 - 1.0%.

(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, 2016 and 2015, were ¥617 million ($5,479 thousand) and ¥518 million, respectively.

08.
STOCK INCENTIVE PLAN FOR DIRECTORS AND EXECUTIVE OFFICERS

Stock Incentive Plan for Board of Directors
During the current fiscal year, with the aim of improving medium-and-long term corporate achievements and to improve corporate value by promoting Board of Director members that aims to enhance stock value, the Company introduced a performance based stock incentive plan (the "Board Incentive Plan (BIP)") for Board of Director members (excluding external directors and part-time directors).

Overview of the Stock Plan
The Plan specifies Board of Director members who meet certain requirements as beneficiaries. The Company establishes a trust (the "BIP Trust") into which the Company contributes the funds required to purchase the number of Company's shares expected to be delivered to our Board of Directors according to established granting policies. A third party administrator purchases the Company's shares using the funds in the BIP trust. According to the rules for granting shares, the BIP Trust delivers the Company's shares to the eligible Board of director members on an annual basis or at the time of retirement, based on the Board of Director member's position and target achievements.

Matters Relating to the Company Shares Held by the Trust
The shares held by the BIP Trust are recorded as treasury stock within equity at the stock's carrying value. The carrying amount of shares and the number of shares held by the BIP Trust was ¥107 million ($950 thousand) and 30,000 shares as of March 31, 2016, respectively.

Stock Incentive Plan for Executive Officers
During the current fiscal year, with the aim of improving medium-and-long term corporate achievements and to improve corporate value by promoting management that aims to enhance stock value, the Company introduced a stock incentive plan (the "Employee Stock Ownership Plan (ESOP)") for certain executive officers.

Overview of the Incentive Plan
The Plan specifies certain executive officers who meet certain requirements as beneficiaries. The Company establishes a trust (the "ESOP Trust") into which the Company contributes the funds required to purchase the number of Company's shares expected to be delivered to certain executive officers according to established granting policies. A third party administrator purchases the Company's shares using the funds in the ESOP trust. According to the rules for granting shares, the ESOP Trust delivers the Company's shares to the eligible executive officers on an annual basis or at the time of retirement, based on the certain executive officers' position and target achievements.

Matters Relating to the Company Shares Held by the Trust
The shares held by the ESOP Trust are recorded as treasury stock within equity at the stock's carrying value. The carrying amount of shares and the number of shares held by the ESOP Trust was ¥614 million ($5,452 thousand) and 172,000 shares as of March 31, 2016, respectively.

Per Share Information
As noted in Note 2.m, the Company applied PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts". Due to the way that net assets per share are calculated, the Company shares remaining in the "Board Incentive Plan (BIP) Trust Account" and "Employee Stock Ownership Plan (ESOP) Trust Account" and recorded as treasury shares, are included in treasury shares subtracted from shares issued as of the end of the period (202,000 shares for the current fiscal year). Also, due to the way that net income per share is calculated, they are included in the treasury shares subtracted from average number of shares during the period (117,557 shares in the current fiscal year).

09. 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. Additionally 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.

(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. (Except for treasury stock held by Board Incentive Plan (BIP) Trust and Employee Stock Ownership Plan (ESOP) Trust.)

10. INCOME TAXES

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 33.1% and 35.6% for the years ended March 31, 2016 and 2015, 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, 2016 and 2015, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Deferred tax assets due to:			
Liability for retirement benefits	¥ 1,822	¥ 1,778	$ 16,178
Unrealized profit eliminated	1,260	1,614	11,188
Accrued bonuses	1,944	1,835	17,262
Research and development expenditures	1,342	1,312	11,916
Depreciation and amortization	347	350	3,081
Inventories	540	478	4,795
Loss on valuation of investment securities	150	169	1,332
Allowance for doubtful accounts	71	36	630
Other	2,444	2,910	21,702
Gross deferred tax assets	9,920	10,482	88,084
Less valuation allowance	(847)	(898)	(7,521)
Total gross deferred tax assets	**¥ 9,073**	**¥ 9,584**	**$ 80,563**
Deferred tax liabilities due to:			
Intangibles assets	¥(7,038)	¥ (8,115)	$(62,493)
Net unrealized gain on securities	(219)	(518)	(1,945)
Amounts recognized in accumulated other comprehensive income in respect of defined retirement benefit plans	(2)	(1,290)	(18)
Other	(1,394)	(1,097)	(12,378)
Total gross deferred tax liabilities	(8,653)	(11,020)	(76,834)
Net deferred tax (liabilities) assets	¥ 420	¥ (1,436)	$ 3,729

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, 2016 and 2015, is as follows:

	2016	2015
Normal effective statutory tax rate	33.1%	35.6%
Expenses not deductible for income tax purposes, such as entertainment expenses	1.9	1.7
Income not taxable for income tax purposes	(1.1)	(0.4)
Tax credit related to research expenses	(5.1)	(5.9)
Amortization of goodwill	9.4	8.1
Tax rate differences with consolidated subsidiaries	(2.3)	(2.4)
Valuation allowance	0.1	(0.1)
Effect of tax rate reduction	3.3	2.1
Equalization tax	0.8	0.6
Other—net	3.1	(1.7)
Actual effective tax rate	43.2%	37.6%

New tax reform laws enacted in 2016 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2016. The effect of these changes was to decrease deferred tax assets, net of deferred tax liabilities, by ¥256 million ($2,273 thousand) and increase accumulated other comprehensive income for unrealized gain on available-for-sale securities by ¥6 million ($53 thousand), and decrease defined retirement benefit plan by ¥24 million ($213 thousand), in the consolidated balance sheet as of March 31, 2016, and to increase income taxes - deferred in the consolidated statement of income for the year then ended by ¥237 million ($2,104 thousand).

11. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general, and administrative expenses in the accompanying consolidated statements of income for the years ended March 31, 2016 and 2015, mainly consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Employees' salaries and bonuses	¥24,825	¥24,889	$220,432
Provision for employees' bonuses	3,903	3,299	34,656
Provision for stock grant to directors and executive officers	136		1,208
Retirement benefit expenses	1,445	1,550	12,831
Amortization of goodwill	5,054	4,938	44,877
Depreciation expense	5,054	4,981	44,877
Rent expense	4,651	4,450	41,298

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to administrative expense and manufacturing cost for the years ended March 31, 2016 and 2015, were ¥12,591 million ($111,801 thousand) and ¥12,869 million, respectively.

13. LEASES

(a) Lessee

The minimum rental commitments under noncancelable operating leases as of March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Due within one year	¥ 70	¥ 95	$ 622
Due after one year	429	815	3,809
Total	**¥499**	¥910	**$4,431**

(b) Lessor

The net investments in lease as of March 31, 2016 and 2015, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Gross lease receivables	¥3,737	¥3,481	$33,182
Unearned interest income	820	762	7,281
Investments in leases	**¥2,917**	¥2,719	**$25,901**

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, 2016, are as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥1,112	$9,874
2018	881	7,823
2019	656	5,825
2020	460	4,085
2021	292	2,592
2022 and thereafter	336	2,983
Total	**¥3,737**	**$33,182**

14. 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 15 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 15 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, 2016 and 2015, were as follows. Note that financial instruments whose fair value cannot be reliably determined are not included (see (b)).

	Millions of Yen		
March 31, 2016	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	¥ 67,133	¥ 67,133	¥ —
Receivables:			
Trade notes	3,683		
Trade accounts	46,212		
Unconsolidated subsidiaries and associated company	777		
Subtotal	50,672		
Allowance for doubtful accounts*	(580)		
Receivables—net	50,092	50,094	2
Investments in leases	2,917		
Allowance for doubtful accounts*	(95)		
Investments in leases—net	2,822	2,825	3
Short-term investments and investment securities	8,611	8,721	110
Total	**¥128,658**	**¥128,773**	**¥115**
Payables:			
Trade notes	¥ 1,169	¥ 1,169	¥ —
Trade accounts	17,346	17,346	
Unconsolidated subsidiaries and associated company	1,148	1,148	
Short-term borrowings	16,886	16,886	
Long-term debt	32,053	32,537	484
Income taxes payable	2,230	2,230	
Long-term lease obligations	1,667	1,621	(46)
Total	**¥ 72,499**	**¥ 72,937**	**¥438**

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
Total	¥133,675	¥133,738	¥ 63
Payables:			
Trade notes	¥ 2,066	¥ 2,066	¥ —
Trade accounts	18,281	18,281	
Unconsolidated subsidiaries and associated company	1,019	1,019	
Short-term borrowings	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)
Total	¥ 89,215	¥ 89,163	¥ (52)

March 31, 2016	Thousands of U.S. Dollars Carrying Amount	Fair Value	Difference
Cash and cash equivalents	$ 596,102	$ 596,102	$ —
Receivables:			
Trade notes	32,703		
Trade accounts	410,336		
Unconsolidated subsidiaries and associated company	6,899		
Subtotal	449,938		
Allowance for doubtful accounts*	(5,150)		
Receivables—net	444,788	444,806	18
Investments in leases	25,901		
Allowance for doubtful accounts*	(844)		
Investments in leases—net	25,057	25,084	27
Short-term investments and investment securities	76,461	77,437	976
Total	$1,142,408	$1,143,429	$1,021
Payables:			
Trade notes	$ 10,380	$ 10,380	$ —
Trade accounts	154,022	154,022	
Unconsolidated subsidiaries and associated company	10,194	10,194	
Short-term borrowings	149,938	149,938	
Long-term debt	284,612	288,910	4,298
Income taxes payable	19,801	19,801	
Long-term lease obligations	14,802	14,394	(408)
Total	$ 643,749	$ 647,639	$3,890

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 their 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 their 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 their 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, 2016 and 2015, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Investments in equity instruments that do not have a quoted market price in an active market	¥1,575	¥1,959	$13,985

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, 2016 and 2015, were ¥1,112 million ($9,874 thousand) and ¥1,276 million, respectively.

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

	Millions of Yen			
March 31, 2016	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	¥ 67,133	¥ —	¥ —	¥—
Receivables	49,728	944		
Investments in leases	877	1,774	266	
Short-term investments and investment securities	1,424	2,563	126	3
Total	¥1,119,162	¥5,281	¥392	¥ 3

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	¥ 64,223	¥ —	¥ —	¥—
Receivables	54,146	1,502		
Investments in leases	826	1,699	194	
Short-term investments and investment securities	2,889	1,100	2,329	4
Total	¥122,084	¥4,301	¥2,523	¥ 4

March 31, 2016	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	$ 596,102	$ —	$ —	$—
Receivables	441,556	8,382		
Investments in leases	7,787	15,752	2,362	
Short-term investments and investment securities	12,644	22,758	1,119	27
Total	$1,058,089	$46,892	$3,481	$27

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

15. DERIVATIVES

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, 2016 and 2015.

Derivative transactions to which hedge accounting is applied

At March 31, 2016	Millions of Yen Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts: Selling Euro	Receivables	¥2,265		*1
Interest rate swaps (fixed-rate payment, floating-rate receipt)	Long-term debt	19,913	¥14,224	*2
Interest rate and currency swaps (fixed-rate and Japanese yen payment, floating-rate and U.S.$ receipt)	Long-term debt	5,349	3,821	*2
Interest rate and currency swaps (fixed-rate and Euro payment, floating-rate and U.S.$ receipt)	Long-term debt	3,480	2,486	*2

At March 31, 2015	Hedged Item	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts: Selling Euro	Receivables	¥ —		
Interest rate swaps (fixed-rate payment, floating-rate receipt)	Long-term debt	26,404	¥20,618	*2
Interest rate and currency swaps (fixed-rate and Japanese yen payment, floating-rate and U.S.$ receipt)	Long-term debt	6,878	5,349	*2
Interest rate and currency swaps (fixed-rate and Euro payment, floating-rate and U.S.$ receipt)	Long-term debt	4,573	3,557	*2

At March 31, 2016	Hedged Item	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts: Selling Euro	Receivables	$ 20,112		*1
Interest rate swaps (fixed-rate payment, floating-rate receipt)	Long-term debt	176,816	$126,301	*2
Interest rate and currency swaps (fixed-rate and Japanese yen payment, floating-rate and U.S.$ receipt)	Long-term debt	47,496	33,928	*2
Interest rate and currency swaps (fixed-rate and Euro payment, floating-rate and U.S.$ receipt)	Long-term debt	30,900	22,074	*2

Notes: *1 Fair value of the Foreign currency forward contract assigned for receivables is included in the fair value of receivables disclosed in Note 12.
*2 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.

16. CONTINGENT LIABILITIES

At March 31, 2016 and 2015, the Group had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Guarantees for bank loans drawn by its employees	¥ 33	¥ 39	$ 293
Guarantees for lease obligations owed by its customers	566	852	5,026

17. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrealized (loss) gain on available-for-sale securities:			
Gains arising during the year	¥ (1,516)	¥ 953	$ (13,461)
Reclassification adjustments to profit or loss	284	0	2,522
Amount before income tax effect	(1,232)	953	(10,939)
Income tax effect	404	(287)	3,587
Total	¥ (828)	¥ 666	$ (7,352)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (7,658)	¥ 1,645	$ (67,998)
Reclassification adjustments to profit or loss			
Amount before income tax effect	(7,658)	1,645	(67,998)
Income tax effect	(20)	(26)	(178)
Total	¥ (7,678)	¥ 1,619	$ (68,176)
Defined retirement benefit plan(s):			
Adjustments arising during the year	¥ (6,816)	¥ 3,855	$ (60,522)
Reclassification adjustments to profit or loss	(427)	1	(3,792)
Amount before income tax effect	(7,243)	3,856	(64,314)
Income tax effect	2,141	(1,223)	19,011
Total	¥ (5,102)	¥ 2,633	$ (45,303)
Total other comprehensive income	¥(13,608)	¥ 4,918	$(120,831)

18. SUBSEQUENT EVENTS

(a) Appropriation of Retained Earnings

The following appropriation of retained earnings as of March 31, 2016, was approved at the Company's shareholders' meeting held on June 24, 2016:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥29 ($0.26) per share	¥1,911	$16,969

19. 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. Change in the method of translating revenue and expense accounts of foreign subsidiaries

As stated in the "ACCOUNTING CHANGE," prior to April 1, 2015, the revenue and expenses of foreign subsidiaries are translated into Japanese yen using the current exchange rate on the date of closing of the relevant foreign subsidiary. Effective April 1, 2015, however, the Company changed the above method to a method of translation into yen using the average foreign exchange rate for the fiscal year. This accounting policy change was applied retrospectively and the consolidated financial statements for the year ended March 31, 2015, were restated. The effects of this accounting policy change for 2015 were as follows: Segment information for the year ended March 31, 2015—"Sales" decreased by ¥4,618 million and "Segment profit" decreased by ¥485 million in the Overseas Market.

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

	Millions of Yen								
	2016								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥51,339	¥38,616	¥21,506	¥105,596	¥217,057	¥ 9,895	¥226,952	¥ —	¥226,952
Intersegment sales or transfers									
Total	51,339	38,616	21,506	105,596	217,057	9,895	226,952		226,952
Segment profit	6,741	3,657	1,112	9,225	20,735	(183)	20,552		20,552
Segment assets*	36,291	27,535	20,975	158,426	243,227	10,392	253,619	68,054	321,673
Other:									
Depreciation	1,820	1,317	1,566	5,097	9,800	528	10,328		10,328
Amortization of goodwill				5,054	5,054		5,054		5,054
Increase in property, plant and equipment and intangible assets	¥ 2,007	¥ 1,424	¥ 1,433	¥ 4,034	¥ 8,898	¥ 679	¥ 9,577	¥ —	¥ 9,577

	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	¥25,432	¥104,241	¥207,676	¥14,680	¥222,356	¥ —	¥222,356
Intersegment sales or transfers									
Total	48,117	29,886	25,432	104,241	207,676	14,680	222,356		222,356
Segment profit	5,502	2,464	2,461	8,057	18,484	210	18,694		18,694
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	4,790	9,552	798	10,350		10,350
Amortization of goodwill				4,938	4,938		4,938		4,938
Increase in property, plant and equipment and intangible assets	¥ 2,230	¥ 1,503	¥ 1,502	¥ 2,179	¥ 7,414	¥ 1,086	¥ 8,500	¥ —	¥ 8,500

	Thousands of U.S. Dollars								
	2016								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	$455,860	$342,888	$190,961	$937,631	$1,927,340	$87,862	$2,015,202	$ —	$2,015,202
Intersegment sales or transfers									
Total	455,860	342,888	190,961	937,631	1,927,340	87,862	2,015,202		2,015,202
Segment profit	59,856	32,472	9,874	81,913	184,115	(1,625)	182,490		182,490
Segment assets*	322,243	244,494	186,246	1,406,731	2,159,714	92,275	2,251,989	604,280	2,856,269
Other:									
Depreciation	16,161	11,694	13,905	45,258	87,018	4,689	91,707		91,707
Amortization of goodwill				44,877	44,877		44,877		44,877
Increase in property, plant and equipment and intangible assets	$ 17,821	$ 12,644	$ 12,724	$ 35,820	$ 79,009	$ 6,029	$ 85,038	$ —	$ 85,038

Note: *Reconciliations of segment assets are corporate assets of ¥68,054 million ($604,280 thousand) and ¥62,023 million for the years ended March 31, 2016 and 2015, respectively, consisting principally of surplus funds of the Group.

5. Information about products and services

	Millions of Yen			
	2016			
	Money Handling Machines and Cash Management Systems	Vending Machines and Automatic Service Equipment	Other Goods and Products	Total
Sales to external customers	¥172,607	¥36,321	¥18,024	¥226,952

	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	¥164,733	¥39,955	¥17,668	¥222,356

	Thousands of U.S. Dollars			
	2016			
	Money Handling Machines and Cash Management Systems	Vending Machines and Automatic Service Equipment	Other Goods and Products	Total
Sales to external customers	$1,532,650	$322,509	$160,043	$2,015,202

6. Information about geographical areas

(a) Sales

Millions of Yen					
2016					
Japan	Asia/Oceania	United States of America	Americas Excluding United States of America	Europe	Total
¥121,356	¥19,494	¥34,054	¥6,218	¥45,830	¥226,952

Millions of Yen					
2015					
Japan	Asia/Oceania	United States of America	Americas Excluding United States of America	Europe	Total
¥118,115	¥24,160	¥30,783	¥5,292	¥44,006	¥222,356

Thousands of U.S. Dollars					
2016					
Japan	Asia/Oceania	United States of America	Americas Excluding United States of America	Europe	Total
$1,077,571	$173,095	$302,380	$55,212	$406,944	$2,015,202

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

(b) Property, plant and equipment

Millions of Yen				
2016				
Japan	Asia/Oceania	Americas	Europe	Total
¥31,256	¥1,980	¥1,144	¥1,453	¥35,833

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

Thousands of U.S. Dollars				
2016				
Japan	Asia/Oceania	Americas	Europe	Total
$277,535	$17,581	$10,158	$12,903	$318,177

7. 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.

8. Information about impairment losses of assets by reportable segment

In this fiscal year ended March 31, 2016, there is no impairment losses of assets. Information about impairment losses of assets by reportable segment for the fiscal year ended March 31, 2015 was as follows:

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

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

	Millions of Yen								
	2016								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Amortization of goodwill				¥ 5,054	¥ 5,054		¥ 5,054		¥ 5,054
Goodwill at March 31, 2016				63,797	63,797		63,797		63,797

	Millions of Yen								
	2015								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Amortization of goodwill				¥ 4,938	¥ 4,938		¥ 4,938		¥ 4,938
Goodwill at March 31, 2015				74,790	74,790		74,790		74,790

	Thousands of U.S. Dollars								
	2016								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Amortization of goodwill				$ 44,877	$ 44,877		$ 44,877		$ 44,877
Goodwill at March 31, 2016				566,480	566,480		566,480		566,480

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, 2016, 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, 2016, 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 24, 2016

Member of
Deloitte Touche Tohmatsu Limited

CORPORATE INFORMATION

(As of July 31, 2016)

Corporate Information

Name: GLORY LTD.

Established: November 27, 1944

Capital: ¥12,892,947,600

URL: http://www.glory-global.com

Number of employees: 3,244 (Consolidated basis: 8,177)
(As of March 31, 2016)

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 33 local service offices 3 service centers 1 other business site

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.*1
● GLORY IPO Asia Ltd.*2
● GLORY IPO China Ltd.*2
and one other company

Overseas sales and maintenance subsidiaries (36 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 (New Zealand) Ltd.*3
● Glory Global Solutions (South Asia) Pvt. Ltd.
● Glory Global Solutions (Malaysia) Sdn. Bhd.
● Glory Global Solutions (Shanghai) Co., Ltd.
● Glory Global Solutions (Hong Kong) Ltd.*2
Glory Currency Automation India Private Limited
PT. Glory Global Solutions Indonesia
and 12 other companies

● Consolidated subsidiaries

*1. GLORY (PHILIPPINES), INC. became a consolidated subsidiary in the year ended March 2016.
*2. GLORY IPO Asia Ltd., GLORY IPO China Ltd. and Glory Global Solutions (Hong Kong) Ltd. became consolidated subsidiaries in the year ending March 2017.
*3. Glory Global Solution (New Zealand) Ltd. was newly established on November 2, 2015.

SHARE INFORMATION

Share Information (As of March 31, 2016)

Number of shares authorized	150,000,000
Number of shares issued	68,638,210 (Including 2,749,737 shares of treasury stock)
Trading unit	100 shares
Number of shareholders	6,046 shareholders (down 1,204 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

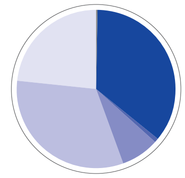
Major shareholders

Shareholder	Number of shares held (Thousands of shares)	Holding ratio (%)
Nippon Life Insurance Company	3,427	5.0
Japan Trustee Services Bank, Ltd. (Trust account)	2,869	4.2
STATE STREET BANK AND TRUST COMPANY 505223	2,642	3.9
The Master Trust Bank of Japan, Ltd. (Trust account)	2,597	3.8
Sumitomo Mitsui Banking Corporation	2,100	3.1
GLORY Group Employees' Stock Ownership Association	1,983	2.9
JP MORGAN CHASE BANK 385174	1,791	2.6
Tatsubo Fashion Co. Ltd.	1,500	2.2
Japan Trustee Services Bank, Ltd. (Trust account 9)	1,357	2.0
NORTHERN TRUST CO. (AVFC) RE IDEU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	1,017	1.5

In addition to the above, the Company holds 2,749,737 shares of treasury stock.

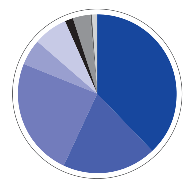
Shareholder distribution

Distribution by ownership of shares



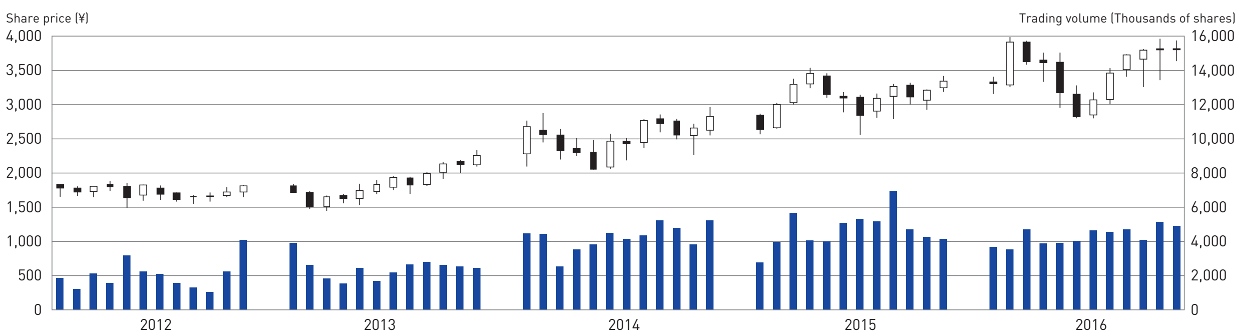
National and regional government bodies	0.2%
Financial institutions	35.9%
Securities companies	0.7%
Other Japanese companies	7.7%
Overseas individuals and companies	32.4%
Japanese individuals, etc.	23.1%

Distribution by number of shares



1 million shares or over	38.0%
500,000–999,999 shares	19.0%
100,000–499,999 shares	24.2%
50,000–99,999 shares	5.3%
10,000–49,999 shares	7.1%
5,000–9,999 shares	1.6%
1,000–4,999 shares	3.5%
500–999 shares	0.4%
Less than 500 shares	0.9%

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



	2012	2013	2014	2015	2016
FY-end share price (Yen)	1,811	2,259	2,829	3,350	3,825
High (Yen)	1,880	2,334	2,960	3,545	4,000
Low (Yen)	1,500	1,454	2,058	2,562	2,796
Total trading volume (Shares)	24,490,000	29,198,900	50,860,700	56,093,800	51,754,300

* 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.)

POLICIES CONCERNING DISCLOSURE OF INFORMATION AND CONSTRUCTIVE DIALOGUES WITH SHAREHOLDERS AND INVESTORS

Basic Policy

GLORY (the "Company") commits to "communicating with stakeholders and striving for appropriate information disclosure" in its Corporate Action Guidelines. Based on this stance, the Company is dedicated to increasing the transparency in its management through quick, accurate and fair means of providing the latest corporate information. The Company strives to achieve a better understanding of its management policies and business activities through constructive dialogues, thereby building long-term relationships of trust with shareholders and investors.

1. Disclosure Policy

(1) Information disclosure

a. Information disclosure standards

The Company discloses its corporate information in accordance with the Companies Act, Financial Instruments and Exchange Act and other laws and regulations, as well as with the timely disclosure rules of the Tokyo Stock Exchange (the "timely disclosure rules"), where the Company's stock is listed. Also, the Company endeavors to voluntarily disclose the information that is not covered by the timely disclosure rules, including non-financial information, taking into consideration the timeliness and fairness of information disclosure, to the extent that the Company believes such disclosure is useful for shareholders and investors to reach investment decisions.

b. Methods of disclosure

In disclosing the corporate information covered by the timely disclosure rules, the Company utilizes the Timely Disclosure Network (TDnet) service provided by the Tokyo Stock Exchange. Also, all corporate information disclosed through TDnet is posted on the Company's website immediately after TDnet disclosure. Furthermore, with respect to the information not covered by the timely disclosure rules, the Company endeavors to ensure that such information is disseminated with accuracy and fairness through suitable method.

c. Procedures for disclosure

The company has established a Disclosure Committee to facilitate timely and appropriate disclosure of corporate information. The Committee is chaired by the Chief Information Officer and comprises the managers of several departments to enable cross-sectoral discussions.

The internal procedures for disclosures are as follows: upon occurrence of any "corporate decision," "facts" or "earnings results" (as defined in the timely disclosure rules) concerning the Company or its subsidiaries that could affect investment judgments by shareholders and investors, the Disclosure Committee deliberates on whether to disclose the information and about the timeliness and appropriateness of such disclosure, after which the Company will make disclosure following a resolution of the Board of Directors. Any information that would require urgent disclosure may be disclosed with an approval of the Company president, provided that, upon disclosure, the president will notify the Board of Directors of the contents and the background of the disclosure.

d. Management of insider information

The Company enforces strict control over confidential information based on its internal rules concerning insider information to prevent external leaks of such information and insider trading.

(2) Handling of information on earnings forecast and future outlook

Whenever the Company announces earnings forecasts, future prospects and other forward-looking information, such announcement will be made with cautionary statements to the effect that such information is based on the facts currently available to the company and certain assumptions which the Company regards as legitimate; it includes known or unknown risks and uncertainties; and a number of factors could cause actual results to differ materially from those described in such forward-looking statements.

(3) Quiet period

For the purpose of preventing leaks of information on financial results, the Company observes a quiet period from the day following the end of each fiscal quarter until the announcement of financial results for such quarter. During the quiet period, the Company refrains from answering any questions or having interviews involving financial results in the applicable financial period. However, if there was an event covered by the timely disclosure rules during the quiet period, disclosure will be made as to such event in accordance with the rules.

2. Constructive Dialogues

The Company endeavors to streamline and consolidate its framework, and implements activities, for constructive dialogues with shareholders and investors with the aim of ensuring continued growth of the Company and enhancing its corporate value on a medium and long-term basis, as follows;

(1) The officer in charge of investor relations (the "IR officer") supervises all activities involving the dialogues. Also, a specialized department ("IR department") is established to take charge of conducting dialogues and coordinating with various sections assisting the dialogues, such as corporate planning, accounting and finance, and legal affairs.
(2) All requests from shareholders and investors for meetings are complied with by the IR officer or other executives, or the head of the IR department or IR staff, depending on the purposes of requested meetings.
(3) To increase opportunities for constructive dialogues, the Company proactively plans various events, such as, holding investor information meetings, in which the company president and the IR officer will make presentations, arranging meetings with Japanese and foreign investors, and hosting showroom and factory tours after shareholders meetings.
(4) The IR officer shares opinions and requests received from shareholders and investors with other executives at the Board of Directors meetings and at other appropriate opportunities.

OUR IR ORGANIZATION

Besides the President, five 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.

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We Secure the Future

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