Annual Report 2000

Year Ended March 31, 2000

GLORY

CONTENTS

FINANCIAL HIGHLIGHTS

GLORY LTD. and its consolidated subsidiaries
Years ended March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Net sales	**¥ 108,544**	¥ 106,284	**$ 1,022,552**
Operating profit	**8,776**	8,419	**82,675**
Net income	**1,756**	1,686	**16,542**
Total assets	**159,419**	156,389	**1,501,827**
Total shareholders' equity	**93,566**	82,293	**881,450**

	Yen		U.S. dollars
Per share:	**2000**	1999	**2000**
Net income	**¥ 50.19**	¥ 48.55	**$ 0.47**
Cash dividends	**16.00**	16.00	**0.15**

(Note)
The U.S. dollar amounts are translated, for convenience only, at the rate of ¥106.15=US$1, the approximate exchange rate at March 31, 2000.

COMPANY PROFILE

As of March 31, 2000

Company name : GLORY LTD.

Founded : November 27, 1944

Capital stock : ¥12,892,947,600

Employees : 1,751

Fiscal Year-end : March 31

Location :

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

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

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

PRESIDENT'S MESSAGE

Reported below is the general condition of our company's business results for its 54th term (from April 1, 1999 to March 31, 2000).

During this fiscal year for the present consolidated financial statement, the Japanese economy managed to get out of a prolonged slump as a result of the government's stimulating measures etc. It cannot be said that this condition is transition to real recovery, but business is reviving and we can see signs of improvement.

In such an economic environment, our company group (Glory Ltd., its consolidated subsidiaries, and affiliates accounted for by the equity method) has confidently strengthened research and development of new technologies and new products to meet various markets needs and made efforts to promote sales in all fields.

As a result, the net sales amounted to ¥108,544 million (up 2.1% from the previous term) partly because one company joined to our group as a consolidated subsidiary from the present consolidated fiscal year.

As for the incomes, as a result of cost reduction activities and a saving in general expenses, the operating profit amounted to ¥8,776 million (up 4.2% from the previous term). The net income for this term amounted to ¥1,756 million (up 4.1% from the previous term) for reasons such as reduction in tax rate and application of tax effect accounting despite ¥2,210 million accounted as other expense for the unrecognized prior service cost of the non-contributory defined benefit pension plan as well as for the deficiency of allowance for lump-sum severance payment amounts.

The cash dividend for this term is ¥8.0 per share, the same amount as for the previous term. This results in total dividends of ¥16.0 per share for the year as the ¥8.0 per share interim cash dividend was already paid.

As for the future prospect, even though the domestic economy has been recovering, an optimistic forecast is not allowed due to stagnant personal consumption and concern about continuous appreciation of the yen.

Under such an environment, the economic conditions in the financial industry that serves as our greatest marketplace are likely to be continuously harsh as it is expected that extensive integration and reorganization of financial institution branches will be frequently made. To cope with such a situation, in addition to enhancing further the competitive strength of the money handling system business which has been acting as the core activity, we would like to expand non-money related document processing business which is expected to grow in future.

Also, in the distribution industry, new movements such as seeking further practical use of debit cards begin to emerge in the market. We want to broaden our business by fusing information technology into our existing cash processing technology to accurately adapt ourselves to new trends.

For the vending machine market, the cigarette vending machine market has already matured, whereby price competition is likely to be increasingly harsh, but we are determined to expand our market share even more by adding new products taking advantage of our position as the first runner.

In the amusement game industry, investment in card application and customer management systems has been enhanced. Under such circumstances, we plan to propose systems that exactly meet market needs, and at the same time to assert our presence in the market by combining all group’s strength. Also, we will take all possible measures to satisfy our customers’ needs with regard to 2,000-yen bills and 500-yen coins to be newly issued.

Additionally, Glory Shoji Co., Ltd. has been fully owned as one of our subsidiaries to support these business activities. This is aimed at improved self-completeness within each business group and accelerating business expansion.

In this manner, we desire to meet all the stockholders’ expectations by adapting ourselves to fit environmental change more swiftly and properly, thus improving the group’s incomes.

I thank you for your continued support and cooperation.

June,2000

Hisao Onoe

Hisao Onoe, President

BUSINESS RESULTS

Shown below are Corporate Achievements by Business Groups.

Money Handling Machines & Cash Management Systems

For the domestic market, sales of coin wrapping machines with counterfeit detection measures, banknote recognition sorters, which are components of automated deposit and dispensing systems, and the like have been favorable because of brisk demand for streamlining. On the other hand sales of recycle-type banknote deposit and dispense units, which are used in window operation in financial institutions as peripheral equipment, and coin deposit and dispense units installed in ATMs (automatic teller machines) were bad owing to severe business environment in the financial industry.

Machines for the distribution industry has sold slackly in general, as sales of compact cash recognition sorters decreased as well as sales of auto-changers for cash register for supermarkets and retailers reduced because of tight investment.

As for export sales, while sales of banknote counters for Asia and Latin America declined, sales of coin wrapping machines and banknote deposit machines for the United States of America and Europe increased favorably, and banknote accepting systems for Europe and banknote dispensing units for the United States of America sold significantly due to the progress in automation and laborsaving.

As a result, sales amounted to ¥59,354 million (up 1.6% from the previous term). As for the income, the operating profit amounted to ¥6,121 million (up 1.2% form the previous term) because of an effort to cut down on general expenses.

Vending Machines & Automatic Service Equipment

Since demand has increased in the amusement game industry due to business recovery, sales of related devices such as card vending machines, card processing machines, and premium control terminals significantly increased, while cigarette vending machines sold sluggishly because the special procurements due to the cigarette manufacturers' business strategy came to an end, whereby their sales lowered to a great extent. As a result sales amounted to ¥31,367 million (down 0.5% from the previous term). As for the income, the operating profit amounted to ¥692 million (up 17.2% from the previous term) as a result of the maintained or improved sales-cost ratio by cost reduction activities and reduced general expenses.

Other Commodities and Products

This product group includes the goods, parts, fixtures, and accessories outsourced from companies other than our company's group, and their sales were favorable. As a result, sales and the operating profit amounted to ¥17,822 million (up 9.2% from the previous term) and ¥1,936 million (up 5.8% from the previous term) respectively.

The operating profit by business groups is the amount before ¥27 million including unrealized loss due to internal transfer of fixed assets is subtracted.

All the figures in this report do not include consumption tax etc.

FIVE-YEAR SUMMARY

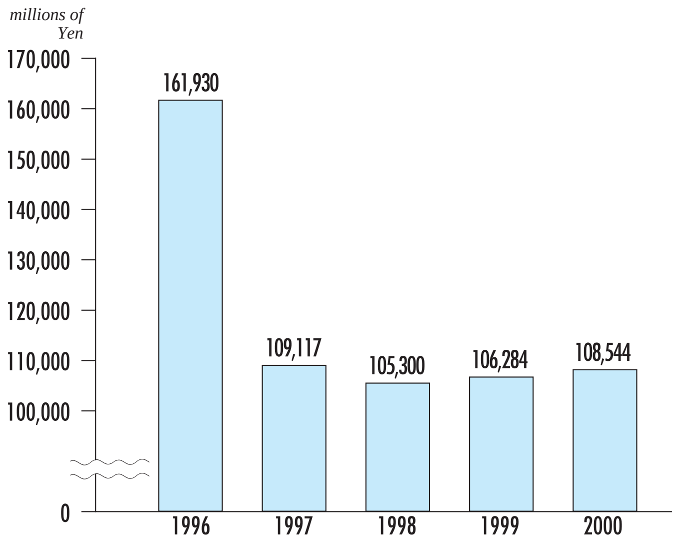
GLORY LTD. and its consolidated subsidiaries
Years ended March 31

Millions of yen except per share amounts

	2000	1999	1998	1997	1996
Net sales	108,544	106,284	105,300	109,117	161,930
Operating profit	8,776	8,419	7,132	6,783	13,515
Net income	1,756	1,686	1,900	2,640	4,976
Net income per share	¥ 50.19	¥ 48.55	¥ 54.73	¥ 76.04	¥ 143.39
Total assets	159,419	156,389	150,765	156,386	165,990
Total shareholders' equity	93,566	82,293	81,284	80,076	78,145

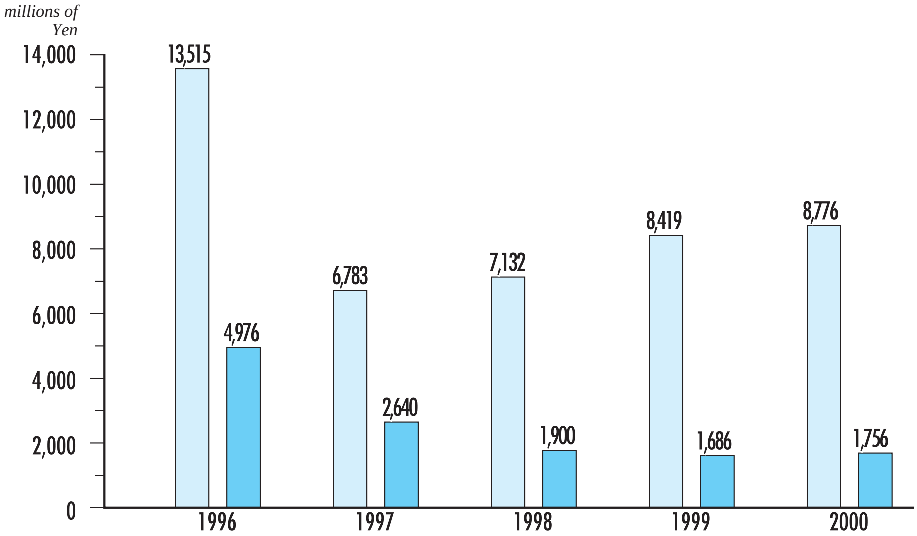
(Note)
Net income per share of common stock is calculated based upon the weighted average number of shares of common stock outstanding during each year.

Net Sales for the Term



Net sales	161,930	109,117	105,300	106,284	108,544

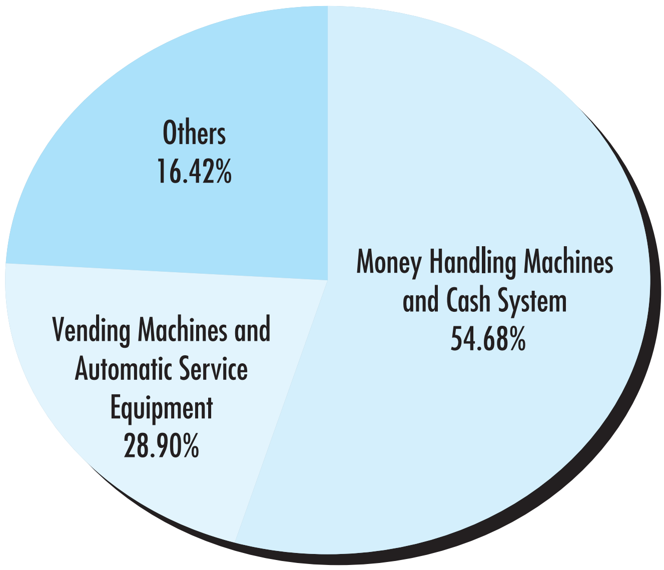
Operating Profit and Net Income for the Term



	1996	1997	1998	1999	2000
Operating profit	13,515	6,783	7,132	8,419	8,776
Net income	4,976	2,640	1,900	1,686	1,756

Net Sales by Business Segments

Year ended March 31,2000



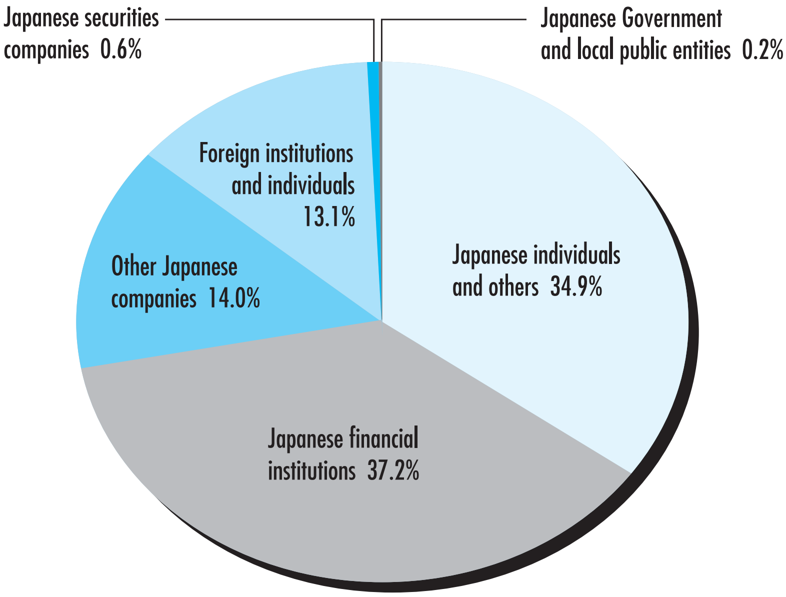
STOCK INFORMATION

As of March 31, 2000

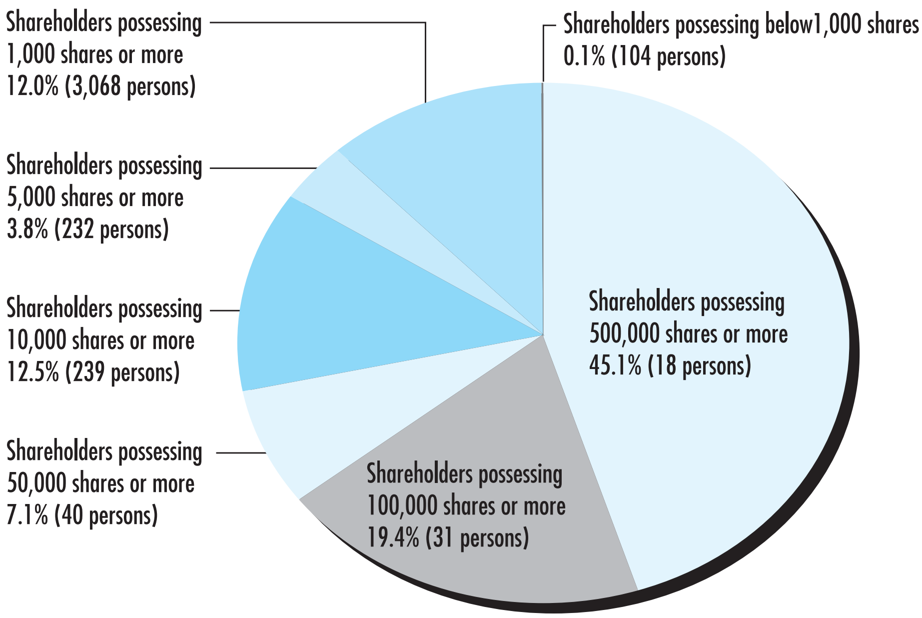
Common Stock

Number of shares authorized	: 130,000,000
Number of shares issued	: 37,820,205
Total number of shareholders	: 3,732

Distribution by Ownership of Shares



Distribution by Number of Shares



Major Shareholders

	Investment to the Company		Investment to the Company's major shareholders	
	Thousands of shares	Proportion	Thousands of shares	Proportion
Nippon Life Insurance Company	2,094	5.5%	–	–
Tatsuta Boseki Kaisha, Limited	1,969	5.2	–	–
The Sakura Bank, Limited	1,641	4.3	1,651	0.0
Onoe International Limited	1,100	2.9	–	–
Glory group employees' holdings gathering	1,044	2.8	–	–
Winning Limited	1,000	2.6	–	–
The Sumitomo Bank, Limited	904	2.4	416	0.0
The Sanwa Bank, Limited	904	2.4	508	0.0
The Dai-Ichi Mutual Life Insurance Company	858	2.3	–	–
The Bank of Tokyo-Mitsubishi, Ltd	807	2.1	317	0.0

(Number of shares less than thousands of shares are omitted.)

CONSOLIDATED BALANCE SHEETS

GLORY LTD. and its consolidated subsidiaries
At March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2000**	1999	**2000**
Current assets:			
Cash and cash equivalents	**¥ 52,581**	¥ 55,268	**$ 495,346**
Time deposits	**711**	373	**6,698**
Notes and accounts receivable			
Notes	**3,018**	3,051	**28,431**
Accounts	**23,887**	20,578	**225,030**
Other	**148**	224	**1,394**
Less: allowance for credit losses	**(186)**	(185)	**(1,752)**
	26,867	23,668	**253,103**
Short-term investments (Note 3)	**—**	51	**—**
Inventories (Note 4)	**21,963**	22,916	**206,905**
Deferred tax assets (Note 13)	**1,425**	—	**13,424**
Other current assets	**794**	1,241	**7,479**
Total current assets	**104,343**	103,518	**982,958**
Property, plant and equipment:			
Land (Note 5)	**12,819**	12,714	**120,763**
Building and structures (Note 5)	**26,887**	26,690	**253,292**
Machinery and equipment	**37,821**	36,897	**356,297**
Construction in progress	**40**	54	**376**
	77,567	76,355	**730,728**
Less: accumulated depreciation	**(43,016)**	(40,810)	**(405,237)**
Net property, plant and equipment	**34,552**	35,546	**325,492**
Investments and other assets:			
Investments in securities (Note 3)	**7,421**	7,040	**69,910**
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 3)	**1,082**	1,020	**10,193**
Deferred tax assets (Note 13)	**1,742**	—	**16,410**
Software costs, net	**3,162**	—	**29,788**
Other	**7,029**	9,158	**66,217**
	20,436	17,218	**192,518**
Less: allowance for credit losses	**(178)**	(18)	**(1,676)**
Total investments and other assets	**20,260**	17,201	**190,861**
Translation adjustments on foreign currency financial statements	**263**	123	**2,477**
Total assets	**159,419**	156,389	**1,501,827**

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2000	Millions of yen 1999	Thousands of U.S. dollars (Note 1) 2000
Current liabilities:			
Short-term debt (Note 5)	**¥ 31,704**	¥ 35,940	**$ 298,671**
Notes and accounts payable:			
Notes	**6,594**	6,547	**62,119**
Accounts	**7,899**	5,979	**74,413**
	14,493	12,526	**136,532**
Accrued income taxes (Note 13)	**1,947**	2,686	**18,341**
Accrued expenses	**3,875**	3,750	**36,504**
Other current liabilities	**7,374**	7,394	**69,467**
Total current liabilities	**59,395**	62,297	**559,538**
Long-term liabilities:			
Accrued severance indemnities	**4,334**	2,226	**40,829**
Other long-term liabilities (Note 5)	**542**	517	**5,105**
Total long-term liabilities	**4,877**	2,743	**45,944**
Minority interest	**1,580**	9,056	**14,884**
Contingencies (Note 7)			
Shareholders' equity: (Note 10)			
Common stock, ¥ 50 par value per share:			
Authorized - 130,000,000 shares			
Issued - 37,820,205 shares at March 31, 2000 and	**12,892**	—	**121,450**
34,730,969 shares at March 31, 1999	—	12,738	—
Additional paid-in capital	**19,119**	12,207	**180,113**
Retained earnings	**61,555**	57,347	**579,886**
Less: treasury stock, at cost	**(1)**	(0)	**(9)**
Total shareholders' equity	**93,566**	82,293	**881,450**
Total liabilities and shareholders' equity	**159,419**	156,389	**1,501,827**

CONSOLIDATED STATEMENTS OF INCOME

GLORY LTD. and its consolidated subsidiaries
Years ended March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	**2000**
Operating income:			
Net sales	**¥108,544**	¥106,284	**$1,022,552**
Operating expenses:			
Cost of sales	**(70,707)**	(68,401)	**(666,104)**
Selling, general and administrative expenses (Note 11)	**(29,060)**	(29,464)	**(273,763)**
Total operating expenses	**(99,767)**	(97,865)	**(939,868)**
Operating profit	**8,776**	8,419	**82,675**
Other income (expenses):			
Interest and dividend income on investments	**203**	378	**1,912**
Interest expense	**(711)**	(790)	**(6,698)**
Foreign exchange gain (loss), net	**(346)**	(146)	**(3,259)**
Loss on disposal or sale of inventories	**(680)**	(295)	**(6,406)**
Gain (loss) on valuation of short-term investments	**83**	(500)	**781**
Prior year adjustment of accrued severance indemnities	**(2,210)**	—	**(20,819)**
Other, net	**(770)**	(1,596)	**(7,253)**
Total other income (expenses), net	**(4,432)**	(2,949)	**(41,752)**
Income before income taxes and minority interests	**4,344**	5,470	**40,923**
Income taxes: (Note 13)			
Current	**(3,166)**	(3,635)	**(29,825)**
Deferred	**875**	—	**8,243**
	(2,291)	(3,635)	**(21,573)**
Income before minority interests	**2,054**	1,835	**19,349**
Minority interests	**(297)**	(148)	**(2,797)**
Net income	**1,756**	1,686	**16,542**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

GLORY LTD. and its consolidated subsidiaries
Year ended March 31, 2000

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2000	**2000**
Operating activities:		
Income before income taxes and minority interest	**¥ 4,344**	**$ 40,923**
Adjustments for:		
Depreciation and amortization	**5,031**	**47,395**
Provision for accrued severance indemnities	**2,043**	**19,246**
Interest and dividend income	**(203)**	**(1,912)**
Interest expenses	**711**	**6,698**
Net loss on sales or disposal of property and equipment	**149**	**1,403**
Increase in notes and accounts receivable	**(2,605)**	**(24,540)**
Decrease in inventories	**933**	**8,789**
Increase in notes and accounts payable	**1,278**	**12,039**
Other, net	**(33)**	**(310)**
Sub total	**11,650**	**109,750**
Interest and dividend income received	**206**	**1,940**
Interest expenses paid	**(716)**	**(6,745)**
Income taxes paid	**(3,902)**	**(36,759)**
Net cash provided by operating activities	**7,238**	**68,186**
Net cash used in investing activities		
Payments for purchase of property and equipment	**(3,371)**	**(31,756)**
Proceeds from sales of property and equipment	**208**	**1,959**
Payments for purchase of investments in securities	**(672)**	**(6,330)**
Proceeds from sales of investments in securities	**341**	**3,212**
Increase in time deposits	**(313)**	**(2,948)**
Increase in cash due to acquisition of a new consolidated subsidiary	**376**	**3,542**
Increase in other investments, net	**(813)**	**(7,658)**
Net cash used in investing activities	**(4,245)**	**(39,990)**
Financing activities:		
Redemption of the uncollateralized convertible yen bonds	**(5,000)**	**(47,103)**
Cash dividends paid	**(556)**	**(5,237)**
Other, net	**(59)**	**(555)**
Net cash used in financing activities	**(5,615)**	**(52,896)**
Effect of exchange rate changes on cash and cash equivalents	**(65)**	**(612)**
Net decrease in cash and cash equivalents	**(2,687)**	**(25,313)**
Cash and cash equivalents at beginning of the year	**55,268**	**520,659**
Cash and cash equivalents at end of the year	**52,581**	**495,346**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

GLORY LTD. and its consolidated subsidiaries
Years ended March 31, 2000 and 1999

		Millions of yen			
	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Treasury stock
Balance at March 31, 1998	34,730,969	¥ 12,738	¥ 12,207	¥ 56,341	¥ (2)
Net income for the year	—	—	—	1,686	—
Cash dividends paid	—	—	—	(555)	—
Bonuses to directors and corporate auditors	—	—	—	(124)	—
Decrease in treasury stock	—	—	—	—	2
Balance at March 31, 1999	34,730,969	12,738	12,207	57,347	(0)
Net income for the year	—	—	—	1,756	—
Cash dividends paid	—	—	—	(555)	—
Bonuses to directors and corporate auditors	—	—	—	(128)	—
Prior years' tax effect from initial application of accounting for income taxes	—	—	—	1,878	—
Increase in retained earnings due to acquisition of a new consolidated subsidiary	—	—	—	70	—
Increase in retained earnings due to acquisition of additional shares for a consolidated subsidiary	3,089,236	154	6,912	1,186	—
Increase in treasury stock	—	—	—	—	(1)
Balance at March 31, 2000	37,820,205	¥ 12,892	¥ 19,119	¥ 61,555	¥ (1)

	Thousands of U.S. dollars (Note 1)			
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock
Balance at March 31, 1999	$ 120,000	$ 114,997	$ 540,244	$ (0)
Net income for the year	—	—	16,542	—
Cash dividends paid	—	—	(5,228)	—
Bonuses to directors and corporate auditors	—	—	(1,205)	—
Prior years' tax effect from initial application of accounting for income taxes	—	—	17,691	—
Increase in retained earnings due to acquisition of a new consolidated subsidiary	—	—	659	—
Increase in retained earnings due to acquisition of additional shares for a consolidated subsidiary	1,450	65,115	11,172	—
Increase in treasury stock	—	—	—	(9)
Balance at March 31, 2000	$ 121,450	$ 180,113	$ 579,886	$ (9)

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDA TED FINANCIAL STATEMENTS

GLORY LTD. and its consolidated subsidiaries

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by GLORY LTD. (the "Company") and its consolidated subsidiaries in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Accounting Standards.

Certain items presented in the consolidated financial statements filed with the Ministry of Finance (the "MOF") in Japan have been reclassified and relevant-notes have been added, if appropriate, for the convenience for readers outside Japan. Certain prior-year amounts have been reclassified to conform with current year's presentation.

The consolidated statements of cash flows are required to be prepared from the fiscal year beginning on and after April 1, 1999 in accordance with the new Accounting Standards for Consolidated Statements of Cash Flows issued by the Business Accounting Deliberation Council and filed with the MOF. As there was no requirement to file them with the MOF, such consolidated statements of cash flows for prior years had not been prepared.

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

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥106.15=U.S.$1, the rate of exchange on March 31, 2000 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at the rate or any other rate.

2. Summary of Significant Accounting Policies

(a) Consolidated Principles

The accompanying consolidated financial statements include the accounts of the Company and its 11 subsidiaries for the year ended March 31, 2000 and its 10 subsidiaries for the year ended March 31, 1999.

All significant inter-company accounts and transactions are eliminated in consolidation.

The consolidated subsidiaries are listed below.

2000		1999	
Name	Year end	Name	Year end
GLORY SHOJI CO., LTD.	March 31	GLORY SHOJI CO., LTD.	March 31
GLORY KIKI CO.,LTD.	March 31	GLORY KIKI CO.,LTD.	March 31
HOKKAIDO GLORY CO.,LTD.	March 31	HOKKAIDO GLORY CO.,LTD.	March 31
GLORY SERVICE CO.,LTD.	March 31	GLORY SERVICE CO.,LTD.	March 31
GLORY·LINCS CO.,LTD.	March 31	GLORY·LINKS CO.,LTD.	March 31
G·A·M CO.,LTD.	March 31	KASAI GLORY LTD.	March 31
KASAI GLORY LTD.	March 31	SAYO GLORY LTD.	March 31
SAYO GLORY LTD.	March 31	GLORY TEC LTD.	March 31
GLORY TEC LTD.	March 31	Glory (U.S.A.) Inc.	March 31
Glory (U.S.A.) Inc.	March 31	Glory GmbH	March 31
Glory GmbH	March 31		

As a result of the Company's additional acquisition of its share, G·A·M CO.,LTD. became a majority-owned subsidiary of the Company and started to be consolidated from the fiscal year ended March 31, 2000.

Considering materiality for the consolidated financial statements, investments in three unconsolidated subsidiaries, A·Z INC., SYSTEM RESEARCH CO.,LTD., GLORY IST CO., LTD., are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and affiliates, which would have immaterial effect for the consolidated financial statements, are carried at cost.

(b) Translation of Foreign Currency

Revenue and expense items arising from transactions denominated in foreign currencies are in generally translated into Japanese yen at the rates effective at the respective transaction rates. Foreign currencies and short-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates prevailing at the respective balance sheet dates and the resulting translation gain or loss is included in determination of net income for the years. Long-term receivables and payables denominated in foreign currencies are translated at the historical rates prevailing at the transaction dates. Receivables and payables denominated in foreign currencies and hedged by forward foreign exchange contracts are translated at the contracted rate of exchange.

The foreign currency financial statements of overseas subsidiaries are translated into Japanese yen for consolidation purposes under the method prescribed by the Business Accounting Deliberation Council. Balance sheet accounts other than shareholders' equity, which is translated at the historical rates, are translated at current rates. Differences arising from translation are stated under the section entitled "Translation adjustments on foreign currency financial statements" which is cited in the accompanying consolidate balance sheets. Revenue and expense items are translated at the current rates.

(c) Cash and Cash Equivalents

Cash and cash equivalents compose of cash in hand, deposits held at call with bank and all highly liquid investments with original maturities of three months or less which present insignificant risk of change in value.

(d) Short-term Investments and Investments in Securities

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

Other securities are stated at cost, cost being determined by the moving average method.

(e) Inventories

The Company and its subsidiaries' inventories other than the subsidiaries' merchandise are stated at cost, mainly cost being determined by the periodic average method. The subsidiaries' merchandise is stated at cost, mainly cost being determined by the moving average method.

(f) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of the Company and its domestic subsidiaries' property and equipment other than buildings acquired on and after April 1, 1998 is computed using the declining balance method in compliance with the provisions of the Japanese Income Taxes Laws. The Company and its domestic subsidiaries' buildings acquired on and after April 1, 1998, are depreciated based on the straight-line method in accordance with the 1998 amendments of the Japanese Income Taxes Laws. The effect of this change in the depreciation method for the year ended March 31,1999 was immaterial.

Depreciation of overseas subsidiaries is mainly computed using the straight-line method.

The estimated useful lives of the Company and its domestic subsidiaries' buildings have been shorten in compliance with the 1998 amendments of the Japanese Income Taxes Laws from the year ended 31 March 1999. The effects of this change for the year ended 31 March 1999 were to increase depreciation expenses by ¥103 million and decrease operating income and income before income taxes and minority interests by ¥98 million, respectively. The range of the estimated useful lives is as follows:

	2000	1999
Buildings and structures	3 to 60 years	3 to 60 years
Machinery and equipment	2 to 20 years	2 to 20 years

Expenditures for maintenance, repairs and minor renewals are charged to income as incurred.

(g) Finance Leases

Where the finance leases do not transfer ownership of the leased property to the lessee during the lease terms or on their terminations, the leased property is not capitalized, and the relating lease expenses are charged to income in the period incurred in accordance with the Accounting Standard for Lease issued by the Business Accounting Deliberation Council.

(h) Capitalized Software Costs

Effective April 1,1999, the Company and its domestic subsidiaries capitalized the costs of software for internal-use and the costs are amortized based on the straight-line method over the estimated useful lives, 5 years. On the other hand, the capitalized costs of software for sales are amortized at the greater amount based on the ratio determined by the estimated sales quantity of each product or based on the straight-line method over the remaining estimated economic lives (not exceeding 3 years), in accordance with new Practical Guidance for Accounting for Research and Development Costs and Software Costs issued by the Japanese Institute of Certified Public Accountants. The effects of this change for the year ended March 31, 2000 were immaterial.

(i) Goodwill

Goodwill was written off and charged to income as incurred.

(j) Accrued Bonuses

Accrued employees' bonuses is recorded to provide for bonus payments to employees based on the actual estimated amounts.

(k) Accrued Severance Indemnities

Employees of the Company and its domestic subsidiaries with more than one year of service are entitled to receive lump-sum indemnities upon termination. The amount of the benefits is determined based upon current basic rate of pay, length of service and cause of retirement. The amount of severance indemnities to be paid by the Company and its domestic subsidiaries is reduced by the benefits payable under the non-contributory pension plan of the Company and its domestic subsidiary.

As of March 31, 1999 the accrued severance indemnities represented 40% of the liability that the Company and its domestic subsidiaries would be required to pay if all eligible employees voluntarily terminated employment at the balance sheet date, less the benefits payable under the non-contributory pension plan. Such liability is not funded.

For the year ended March 31, 2000, the Company and its domestic subsidiaries changed its accounting policy in respect of the accounting for the accrued severance indemnities, providing accrued severance indemnities in the total amount of 100% of the liability that the Company and its domestic subsidiaries would be required to pay if all eligible employees voluntarily terminated employment at balance sheet date, less the benefits payable under the non-contributory pension plan, and the past service cost for the pension plan estimated at the balance sheet date.

This accounting change is made to provide a more proper allocation of the cost of retirement benefits and further strengthen the financial position, preparing for future adoption of new retirement benefit accounting which results in the deficiency of the accrued severance indemnities balance against the benefit obligation to be provided being considerable. The effect of this change for the year ended March 31, 2000 is to increase operating income by ¥40 million ($376 thousand) and decrease income before income taxes and minority interests by ¥2,169 million ($20,433 thousand), respectively.

The pension contribution of the Company and its domestic subsidiaries is charged to income when paid.

The accrued severance indemnities includes lump-sum retirement benefit for the Company and its consolidated subsidiaries' directors and corporate auditors. The amount would be paid at the balance sheet date in accordance with the Company's internal regulations if all directors and corporate auditors retired at that date. Amounts payable to directors and corporate auditors on retirement are subject to the approval of the shareholders' meeting.

(l) Income Taxes

In the year ended March 31, 1999, the Company and its subsidiaries provided for income taxes based on the amounts currently payable upon the tax return filed with tax authorities for each fiscal year.

Effective for the year ended March 31, 2000, the Company and its subsidiaries have adopted the Financial Accounting Standard on Accounting for Deferred Income Taxes issued by the Business Accounting Deliberation Council, which requires that deferred income taxes be provided for temporary difference between the carrying amount of assets and liabilities for financial reporting and income tax purpose. The effect of initial adoption for the year ended March 31, 2000 is to increase the net income by ¥875 million ($8,243 thousand) and retained earnings by ¥2,754 million ($25,944 thousand), respectively.

(m) Research and Development

Effective April 1,1999, research and development expenditures for trial products, except for the expenditure recorded as inventories at March 31,1999, are charged to income as incurred in accordance with new Practical Guidance for Accounting for Research and Development Costs and Software Costs issued by the Japanese Institute of Certified Public Accountants. As permitted under the new Practice Guidance, the research and development expenditures recorded as inventories at March 31, 1999 are continued to be capitalized until the trail production completes, which was the accounting treatment adopted before or in the year ended March 31, 1999, and thereafter are charged as other expenses for the year ended March 31, 2000. The effects of the change for the year ended March 31, 2000 were to increase operating income by ¥60 million ($565 thousand) and decrease income before income taxes and minority interests by ¥526 million ($4,955 thousand).

(n) Acquisition of subsidiaries' share

Details of the acquisition cost of G·A·M CO., LTD's share and its reconciliation in the accompanying consolidated statement of cash flows for the year ended March 31, 2000, are as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 1,582	$ 14,903
Property, plant, and equipment and Investments and other assets	377	3,551
Current liabilities	(1,489)	(14,027)
Long-term liabilities	(388)	(3,655)
Minority interest	(30)	(282)
Difference resulting from elimination of the Company's investment and its equity of the subsidiary	(14)	(131)
Acquisition cost	37	348
Cash and cash equivalents	413	3,890
Increase in cash due to acquisition of a new consolidated subsidiary	376	3,542

(o) Net Income and Dividend Per Share

Basic net income per share is computed based on the weighted average number of shares of common stock outstanding during each year.

Diluted net income per share is not applicable due to no outstanding warrant or convertible bond.

Cash dividends per share represent interim dividend paid and annual dividends declared as applicable to the respective years.

(p) Appropriation of Retained Earnings

Under the Japanese Commercial Code and the Articles of Incorporation of the Company, a proposal by the Board of Directors for the appropriation of retained earnings (principally the payment of annual cash dividends) should be approved by a shareholders' meeting which must be held within three months after the end of each financial year. The appropriation of retained earnings reflected in the accompanying consolidated financial statements for each financial year represents the appropriation which was approved by the shareholders' meeting and disposed of during that year but which related to the immediately preceding financial year.

The payment of bonuses to directors and corporate auditors is made out of retained earnings instead of being charged to income for the year and constitutes a part of the appropriation referred to the above.

3. Short-term Investments, Investments in Securities and Investments in and advances to unconsolidated subsidiaries and affiliates

As of March 31, 2000, short-term investments, investments in securities and investments in and advances to associates were as follows:

	Millions of Yen		
	Carrying amounts	Market value	Unrealized gain(loss)
Short-term investments:			
Market value available			
Equity securities	¥ —	¥ —	¥ —
Market value not available	—		
Total	¥ —		
Investments in securities:			
Market value available			
Equity securities	¥ 6,205	¥ 7,483	¥ 1,277
Bonds and debentures	200	203	3
	6,405	¥ 7,686	¥ 1,280
Market value not available	1,016		
Total	¥ 7,421		
Investments in and advance to unconsolidated subsidiaries and affiliates:			
Market value available	¥ —	¥ —	¥ —
Market value not available	1,082		
Total	¥ 1,082		

	Thousands of U.S. dollars		
	Carrying amounts	Market value	Unrealized gain(loss)
Short-term investments:			
Market value available			
Equity securities	$ —	$ —	$ —
Market value not available	—		
Total	$ —		
Investments in securities:			
Market value available			
Equity securities	$ 58,455	$ 70,494	$ 12,030
Bonds and debentures	1,884	1,912	28
	60,339	$ 72,406	$ 12,058
Market value not available	9,571		
Total	$ 69,910		
Investments in and advance to unconsolidated subsidiaries and affiliates:			
Market value available	$ —	$ —	$ —
Market value not available	10,193		
Total	$ 10,193		

The fair value information in respect of short-term investments and investments in securities, whose market value is not available, is not required under Japanese regulation.

4. Inventories

Inventories as of March 31, 2000 and 1999 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Finished goods and merchandise	**¥ 12,415**	¥ 12,454	**$ 116,966**
Work in process	**6,392**	7,406	**60,216**
Raw materials and supplies	**3,156**	3,055	**29,731**
	¥ 21,963	¥ 22,916	**$ 206,905**

5. Short-term debt and Long-term debt

Short-term debt as of March 31, 2000 and 1999 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
5.6% Euro yen bonds due March 23, 2000	¥ —	¥ 5,000	$ —
Loans from banks and an insurance Company	**31,704**	30,940	**298,671**
	¥ 31,704	¥ 35,940	**$ 298,671**

The average interest rate applicable to short-term bank loans as of March 31, 2000 was 1.3%.

Long-term debt (including Other long-term liabilities) as of March 31, 2000 and 1999 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Loans from banks and an insurance Company, due from 2000 to 2006	**¥ 581**	¥ 661	**$ 5,473**
Less: portion due within one year	**(272)**	(230)	**(2,562)**
	¥ 308	¥ 431	**$ 2,901**

The average interest rate applicable to long-term loans as of March 31, 2000 was 2.5%.

The aggregate annual maturities of long-term debt subsequent to March 31, 2000 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2001	¥ 272	$ 2,562
2002	86	810
2003	86	810
2004	62	584
2005 and thereafter	72	678
	¥ 581	$ 5,473

As of March 31, 2000, assets pledged as collateral for long-term debt, including the current portion of long-term debt, were as follows:

	Millions of yen	Thousands of U.S. dollars
Land	¥ 474	$ 4,465
Building and structures	237	2,232

6. Pension Plan

The latest actual valuation of the past service costs for the pension plan of the Company and its consolidated subsidiaries and the periods over which the past service costs are amortized are as follows:

	The past service costs for the pension plan		The date of the latest actuarial valuation	The period of amortization
	Millions of yen	Thousands of U.S. dollars		
GLORY LTD.	¥ 1,122	$ 10,569	January 31, 2000	7 year 8 month
GLORY SHOJI CO., LTD. HOKKAIDO GLORY CO.,LTD. GLORY SERVICE CO.,LTD.	132	1,243	March 31, 2000	4 year
GLORY KIKI CO.,LTD.	87	819	July 31, 1999	14 year and 3 month
GLORY・LINCS CO.,LTD.	40	376	February 29, 2000	14 year and 11 month
G·A·M CO.,LTD.	34	320	March 31, 2000	14 year and 11 month

7. Contingencies

The Company provided guarantees for bank loans drawn by its employees. Such guarantees aggregated ¥147 million ($1,384 thousand) and ¥180 million as of March 31, 2000 and 1999, respectively.

On September 29, 1995, the Company entered into a debt assumption agreement with London Branch of The Sakura Bank, Ltd. "Sakura Bank" for redemption of face amount of ¥5,000 million, one half of the 5.6% ¥10,000 million bonds due 2000. In accordance with the agreement, the Company paid the amount required for the redemption to Sakura Bank, and simultaneously delegated its obligation for the bonds to Sakura Bank. The Company recognized the redemption of the bonds for financial reporting purpose, however, the Company's obligation to the bondholders existed until the maturity of the bond, March 23, 2000.

GLORY·LINCS CO.,LTD. provided guarantees for bank loans drawn by G·A·M CO.,LTD. Such guarantees amounted to nil and ¥631 million as of March 31, 2000 and 1999, respectively.

8. Lease

Where the financing leases do not transfer ownership of the leased property to the lessee during the lease terms or on their terminations, the leased property is not capitalized and the relating lease expenses are charged to income in the period incurred as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Lease expense	¥ **969**	¥ 998	$ **9,128**

Future lease payment, including interest:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Due within one year	¥ **58**	¥ 62	$ **546**
Due after one year	**162**	157	**1,526**
Total	¥ **220**	¥ 219	$ **2,072**

Additional information, assuming capitalization of the leased property, requested by the Business Accounting Deliberation Council, which are disclosed as not included in the profit and loss accounts or balance sheets, is as follows:

Notional acquisition cost, and accumulated depreciation:

	Millions of yen		Thousands of U.S. dollars
Leased property:	**2000**	1999	**2000**
Machinery and equipment	¥ **4,381**	¥ 4,949	$ **41,271**
Computer software costs	**8**	8	**75**
Less:			
Accumulated depreciation	**2,343**	2,535	**22,072**
	¥ **2,046**	¥ 2,422	$ **19,274**

Notional depreciation expenses for the year ended March 31, 2000 and 1999 were ¥969 million ($9,128 thousand) and ¥998 million, respectively.

Notional acquisition cost means the cost which is characterized as the total lease payment, including interest due to the immateriality of the leased property against tangible fixed assets capitalized on the accompanying consolidated balance sheets. Notional depreciation expenses are calculated by the straight-line method assuming that there is no scrap value over the term of the lease based on notional acquisition cost.

9. Financial Instruments

The Company and certain consolidated subsidiaries enter into forward foreign exchange contracts for the year ended March 31, 2000. These contracts are designed to hedge certain exposures to foreign exchange rate fluctuations on monetary assets and liabilities denominated in foreign currencies and manage stabilization of income. The Company and certain consolidated subsidiaries do not hold or issue any financial instruments for trading or speculative purpose.

The Company and its consolidated subsidiaries' management believe that there is no risk on foreign exchange fluctuation for forward foreign exchange contracts.

All forward foreign exchange contracts hedge receivable and payable denominated in foreign currencies, which are translated at the contracted rate of exchange, as of March 31, 2000.

10. Shareholders' Equity

The Japanese Commercial Code provides that at least 50% of the issue price of new shares, with a minimum of the par value thereof, designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital are credited to additional paid-in capital.

Under the Japanese Commercial Code, an amount equal to at least 10% of cash dividends and other appropriations of retained earnings paid out with respect to each financial period is set aside in a legal reserve until such reserve equals 25% of the amount of common stock. This reserve may be transferred to common stock by a resolution of the Board of Directors or used to reduce a deficit with the approval of a shareholders' meeting but is not available for dividend payments. The legal reserve of the Company and its consolidated subsidiaries are included in the retained earnings and are not shown separately in the accompanying consolidated Balance sheets.

11. Selling, General and Administrative Expenses

Selling, general and administrative expenses in the accompanying consolidated statements of income mainly consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Employees's salaries and bonuses	**¥ 8,985**	¥ 8,788	**$ 84,644**
Rent	**3,557**	3,495	**33,509**

12. Research and Development

Research and development expenditures charged to administrative expense and manufacturing cost were ¥9,458 million ($89,100 thousand) for the year ended March 31, 2000.

13. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income, which resulted in statutory tax rate of approximately 42.0% in the aggregate for the year ended March 31, 2000. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The effective tax rate for the year ended March 31, 2000 differed from the statutory tax rate for the following reasons:

Statutory tax rate	42.0 %
Expenses not deductible for income tax purposes, entertainment expense and others	9.9
Revenue not deductive for income tax purposes, Dividend received and others	(0.7)
Inhabitant tax levied per capital	0.8
Equity in net income of unconsolidated subsidiaries	0.9
Other	(0.2)
Effective tax rate	52.7 %

The components of the Company and its subsidiaries' deferred tax assets and liabilities as of March 31, 2000 were as follows:

	Millions of yen	Thousands of U.S. dollars
Deferred tax assets:		
Accrued severance indemnities	¥ 1,541	$ 14,517
Accrued Bonuses	441	4,154
Research and development expenditures	136	1,281
Unrealized profit among the Company and its consolidated subsidiaries, eliminated	551	5,190
Enterprise tax	153	1,441
Other	412	3,881
Total gross deferred tax assets	3,237	30,494
Deferred tax liabilities:		
Reserve for special depreciation	(69)	(650)
Total gross deferred tax liabilities	(69)	(650)
Net deferred tax assets	¥ 3,167	$ 29,835

14. Segment Information

The Company and its consolidated subsidiaries have divided its operations into three reportable business segments "Money handling machines and cash management system", "Vending machines and automatic service equipment", and "Others", based on similarities in function of finish goods and merchandise.

The reporting segments follow the same accounting policies used for the Company's consolidated financial statements and described in summary of significant accounting policies.

The effect of the changes in the accounting for the accrued severance indemnities and research and development expenditures for the year ended March 31, 2000, is to increase segment operating income of "Money handling machines and cash management system", "Vending machines and automatic service equipment", and "Others" by ¥74 million ($697 thousand), ¥21 million ($197 thousand) and ¥5 million ($47 thousand), respectively. The effect of these changes for the assets of each segment is immaterial.

All operating expenses are allocated to each business segment. Major components of the assets shown as "Corporate" are the Company and its consolidated subsidiaries' surplus funds included in cash and cash equivalent, long-term investment fund included in investment in securities, and assets in administrative department.

Capital expenditure and amortization of capitalized computer software costs was started to be included in the business segment information for the year ended March 31, 2000.

Business Segments

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Net sales			
Money handling machines and cash system			
Customers	**¥ 59,354**	¥ 58,438	**$ 559,152**
Inter segment	—	—	—
Total	**59,354**	58,438	**559,152**
Vending machines and automatic service equipment			
Customers	**31,367**	31,530	**295,496**
Inter segment	—	—	—
Total	**31,367**	31,530	**295,496**
Others			
Customers	**17,822**	16,316	**167,894**
Inter segment	**4,121**	4,655	**38,822**
Total	**21,943**	20,971	**206,716**
Elimination	**(4,121)**	(4,655)	**(38,822)**
Consolidated total	**¥ 108,544**	¥ 106,284	**$ 1,022,552**

Operating expenses

Money handling machines and cash system	**¥ 53,232**	¥ 52,392	**$ 501,479**
Vending machines and automatic service equipment	**30,675**	30,939	**288,977**
Others	**20,007**	19,141	**188,478**
Elimination	**(4,148)**	(4,608)	**(39,076)**
Consolidated total	**¥ 99,767**	¥ 97,865	**$ 939,868**

Operating profit

Money handling machines and cash system	**¥ 6,121**	¥ 6,045	**$ 57,663**
Vending machines and automatic service equipment	**692**	590	**6,519**
Others	**1,936**	1,829	**18,238**
Elimination and corporate	**27**	(47)	**254**
Consolidated total	**¥ 8,776**	¥ 8,419	**$ 82,675**

Assets

Money handling machines and cash system	**¥ 64,239**	¥ 62,983	**$ 605,171**
Vending machines and automatic service equipment	**33,157**	31,145	**312,359**
Others	**11,860**	12,451	**111,728**
Elimination	**(1,696)**	(1,578)	**(15,977)**
Corporate	**¥ 51,857**	¥ 51,387	**$ 488,525**
Consolidated total	**159,419**	156,389	**1,501,827**

Depreciation and amortization

Money handling machines and cash system	**¥ 3,238**	¥ 2,430	**$ 30,504**
Vending machines and automatic service equipment	**1,449**	1,384	**13,650**
Others	**343**	250	**3,231**
Corporate	—	—	—
Consolidated total	**¥ 5,031**	¥ 4,065	**$ 47,395**

Capital expenditure for segment assets

Money handling machines and cash system	**¥ 2,995**	¥ 3,141	**$ 28,214**
Vending machines and automatic service equipment	**1,120**	994	**10,551**
Others	**249**	395	**2,345**
Corporate	—	—	—
Consolidated total	**¥ 4,366**	¥ 4,537	**$ 41,130**

There is no major geographic area other than Japan, in which net sales and assets are material. Ratio of sales to foreign customers for consolidated sales is also not material.

15. Subsequent Event

The following appropriation of the Company's retained earnings in respect of the year ended March 31, 2000 was proposed by the Board of Directors and approved by the shareholders at the annual general meeting held on June 29, 2000:

Appropriations	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥ 8 per share)	¥ 302	$ 2,845
Bonuses to directors and corporate Auditors	69	650
Transfer to legal reserve	38	357
Transfer to reserve for special Depreciation	32	301
Transfer to general reserve	600	5,652
Total appropriations	¥ 1,043	$ 9,825

Report of Independent Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
GLORY LTD.

We have audited the accompanying consolidated balance sheets of GLORY LTD. and its consolidated subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of income and shareholders' equity for the years then ended, and cash flows for the year ended March 31, 2000, all expressed in Japanese Yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of GLORY LTD. and its consolidated subsidiaries as of March 31, 2000 and 1999, and the consolidated results of their operations for the years then ended and their cash flows for the year ended March 31, 2000 in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis, except for the change, with which we concur, in the method of accounting for accrued severance indemnities as described in Note 2 .

As described in Notes 1 and 2, effective April 1,1999, GLORY LTD. and its domestic consolidated subsidiaries have adopted new Japanese accounting standards for consolidated of cash flows, research and development costs and income taxes.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

Chuo Aoyama Audit Corporation

Chuo Aoyama Audit Corporation

Osaka, Japan
June 29, 2000

CONSOLIDATED SUBSIDIARIES

As of March 31, 2000

Japan		
GLORY SHOJI CO., LTD.	:	Osaka
GLORY KIKI CO., LTD.	:	Hyogo
HOKKAIDO GLORY CO., LTD.	:	Hokkaido
GLORY SERVICE CO., LTD.	:	Osaka
GLORY• LINCS CO., LTD.	:	Tokyo
G • A • M CO., LTD.	:	Tokyo
KASAI GLORY LTD.	:	Hyogo
SAYO GLORY LTD.	:	Hyogo
GLORY TEC LTD.	:	Hyogo
Overseas		
Glory (U.S.A.) Inc.	:	New Jersey, U.S.A.
Glory GmbH	:	Düsseldorf, F.R. Germany

Board of Directors

As of March 31, 2000

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

*(Note) 1. * indicates that the individual is a Representative Director.*
2. Hisakazu Ikeuchi and Kazuhiko Yasuhira, corporate auditors, are external corporate auditors as defined by Clause 1, Article 18 of the special Law of Commercial Code Concerning Audit, etc. of Stock Corporation.

GLORY LTD.

古紙配合率100%再生紙を使用

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