FINANCIAL SECTION

CONTENTS

ELEVEN-YEAR CONSOLIDATED FINANCIAL SUMMARY

GLORY LTD. and consolidated subsidiaries
Years ended March 31

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

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

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

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

Millions of Yen

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

ECONOMIC OVERVIEW

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

BUSINESS OVERVIEW

Net Sales

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

Cost of Sales

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

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses decreased by 0.6% from the previous fiscal year to ¥69,989 million, attributed to expense reduction initiatives. The ratio of SG&A expenses to net sales dropped by 1.4 percentage points to 30.8%.

Operating Income

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

Other Income (Expenses)

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

Income before Income Taxes and Minority Interests

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

Income Taxes

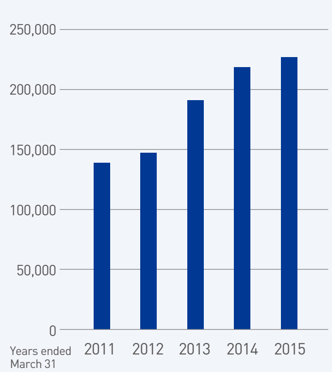
Income taxes increased from ¥7,308 million in the previous fiscal year to ¥8,487 million. The actual effective tax rate after application of tax effect accounting declined from 40.6% to 37.6%.

Net Income

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

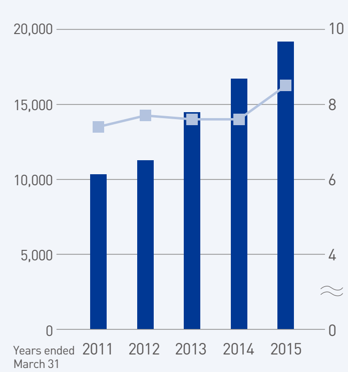
Net Sales

(¥ million)



Operating Income/ Operating Margin

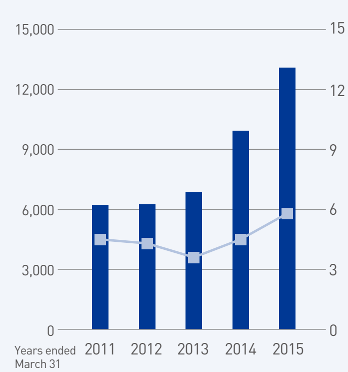
(¥ million) (%)



■ Operating income ■ Operating margin

Net Income/ Net Income Margin

(¥ million) (%)



■ Net income ■ Net income margin

Comprehensive Income

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

OVERVIEW BY REPORTABLE SEGMENT

Financial Market

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

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

Retail and Transportation Market

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

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

Amusement Market

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

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

Overseas Market

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

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

"Others" Segment

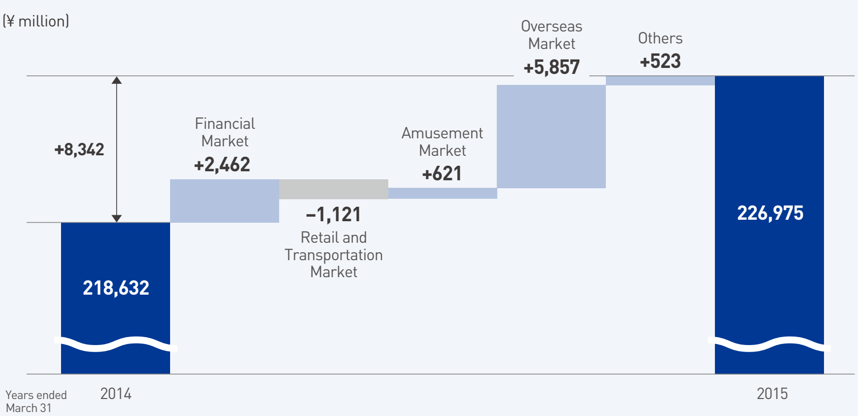
Aggregate net sales of the "Others" segment, the businesses of which are not reported as independent reportable segments, were ¥14,680 million, up by 3.7% year on year. Operating income of the segment was ¥210 million, reversing operating loss of ¥241 million recorded in the previous year.

FINANCIAL POSITION

Assets

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

Change Factors of Net Sales



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

Liabilities

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

Equity

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

CASH FLOWS

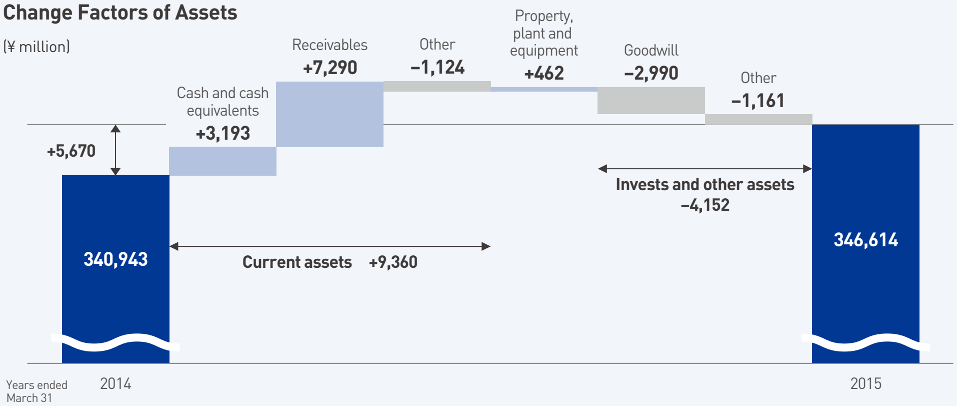
Cash and cash equivalents as of March 31, 2015 rose by ¥3,193 million from the previous fiscal year-end to ¥64,223 million.

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

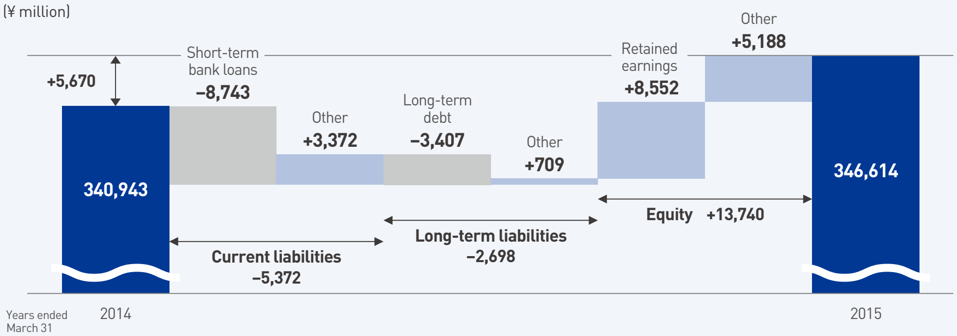
Net cash used in investing activities was ¥3,486 million, a decrease of ¥1,285 million year on year. This decrease reflects ¥7,372 million purchases of property, plant and equipment, which were partly offset by ¥4,213 million proceeds from sales and redemption of investment securities. The purchases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

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

Change Factors of Assets



Change Factors of Liabilities and Equity



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

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

RISK INFORMATION

The GLORY Group ("the Group") is exposed to various risks that have the potential to affect its operating results and financial condition, including variable factors and other matters considered to be material. These risks and additional factors are presented below.

The forward-looking statements made below are based on judgments made by the Group as of March 31, 2014.

(1) Extraordinary Fluctuations in the Group's Operating Results and Financial Condition Due to Special Factors Influencing the Market Environment

The Group is subject to business authorizations, import and export regulations as well as various laws and regulations in the countries and regions where the Group operates. Should these laws and regulations be revised or repealed, or if new public regulations were to be established, or if any other special factors influencing the market environment were to arise, the performance of the Group may be adversely affected.

(2) High Level of Reliance on a Specific Industry Sector

The composition of the Group's sales is highly dependent on the financial market. Should it become necessary for financial institutions to cut their capital investments due to major operational or financial problems, the performance of the Group may be adversely affected.

(3) R&D Investment

The Group is an R&D-based enterprise and continues to invest in R&D aggressively. However, the development of new products always involves certain risks. Depending on the R&D themes, the development period could be longer, and the costs higher, than initially planned. If such circumstances were to occur, the performance of the Group may be adversely affected.

(4) Intellectual Property Rights

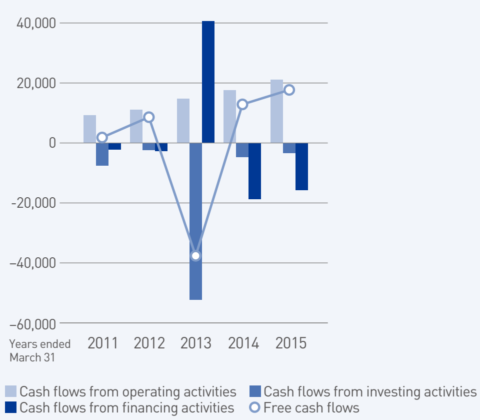
The Group is not aware of any infringements by its products on material intellectual property rights of third parties. However, it is difficult for an R&D-based corporate group like the Group to completely avoid the occurrence of intellectual property infringement issues. If such circumstances were to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

(5) Overseas Business Conditions

The Group's overseas business activities are wide-ranging, including sales and maintenance of products, and overseas production and procurement. Should a rapid change occur in the political and/or economic situation in countries or regions where the Group operates, or if foreign exchange markets were to fluctuate beyond the anticipated scope, the performance of the Group may be adversely affected. In addition, the acquisition of Talaris in July 2012 still retains the possibility that the Company would not achieve the results and effects expected from this acquisition, and that it would take more time than expected to achieve them. Such factors may adversely affect the Group's business and performance.

Cash Flows

(¥ million)



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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

GLORY LTD. and Consolidated Subsidiaries
March 31, 2015

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

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF INCOME

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET SALES	¥226,975	¥218,632	$1,889,097
COST OF SALES (Note 10)	137,806	131,512	1,146,950
Gross profit	89,169	87,120	742,147
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 9 and 10)	69,989	70,401	582,513
Operating income	19,180	16,719	159,634
OTHER INCOME (EXPENSES):			
Interest and dividend income	761	705	6,334
Interest expense	(837)	(881)	(6,966)
Foreign currency exchange gain—net	2,717	2,866	22,613
Loss on impairment of long-lived assets	(75)	(2)	(624)
Loss on liquidation of business		(1,521)	
Other—net	813	118	6,766
Other income—net	3,379	1,285	28,123
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	22,559	18,004	187,757
INCOME TAXES (Note 8):			
Current	(8,123)	(7,369)	(67,607)
Deferred	(364)	61	(3,030)
Total income taxes	(8,487)	(7,308)	(70,637)
NET INCOME BEFORE MINORITY INTERESTS	14,072	10,696	117,120
MINORITY INTERESTS IN NET INCOME	(990)	(757)	(8,240)
NET INCOME	¥ 13,082	¥ 9,939	$ 108,880

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.u):			
Basic net income	¥199.16	¥151.31	$1.66
Cash dividends applicable to the year	54.00	49.00	0.45

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

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

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

See notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

01. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

02. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Consolidated Subsidiaries

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

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

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

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

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

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

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

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

(a) Transactions with noncontrolling interest – A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) Presentation of the consolidated balance sheet – In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

(c) Presentation of the consolidated statement of income – In the consolidated statement of income, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

(d) Provisional accounting treatments for a business combination – If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) Acquisition-related costs – Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

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

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

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

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

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

d. Cash Equivalents – Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificates of deposit, all of which mature or become due within three months of the date of acquisition.

e. Inventories – Inventories are stated at the lower of cost, determined by the periodic average method for finished products and work in process, and by the moving average method for merchandise and raw materials and supplies, or net selling value.

f. Short-Term Investments and Investment Securities – Short-term investments and investment securities are classified and accounted for, depending on management's intent, as follows: i) held-to-maturity debt securities, for which there is positive intent and ability to hold to maturity are reported at amortized cost and ii) available-for-sale securities, which are not classified as held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

g. Property, Plant and Equipment – Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries other than buildings acquired on or after April 1, 1998, is computed by the declining-balance method, while depreciation of its consolidated foreign subsidiaries is mainly computed by the straight-line method at rates based on estimated useful lives of the assets. Buildings of the Company and its consolidated domestic subsidiaries acquired on or after April 1, 1998, are depreciated by the straight-line method. The useful lives for lease assets are the terms of the respective leases.

h. Long-Lived Assets – The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i. Software Costs – Software development costs, incurred through the completion of a beta version of specific software for sale to the market, are charged to income when incurred. Such costs incurred subsequent to the completion of the beta version are deferred and amortized at the higher of either the amount to be amortized in proportion to the actual sales volume of the software during the current year to the estimated total sales volume over the estimated salable years of the software or the amount to be amortized by the straight-line method over three years. The costs of software for internal use are amortized by the straight-line method over the estimated useful lives of five years.

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

k. Allowance for Doubtful Accounts – The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the accounts outstanding.

l. Retirement and Pension Plans – The liabilities (assets) for retirement benefits of employees are accounted for based on projected benefit obligations and plan assets at the consolidated balance sheet date. The actuarial differences are mainly amortized from the next year using the declining-balance method over 15 years which is within the average remaining service period. The prior service costs are mainly amortized by the declining-balance method over 15 years, which is within the average remaining service period.

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

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (prepaid retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments (see Note 15).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

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

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

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

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

03. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

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

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

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

	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

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

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

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

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

04. INVENTORIES

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

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

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

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

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

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

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

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

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

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

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

06. 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, 2015 and 2014, were as follows:

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

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

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

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

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

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

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

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

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

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

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

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

(7) Plan assets

a. Components of plan assets

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

	2015	2014
Debt investments	47%	44%
Equity investments	27	25
Cash and cash equivalents	5	10
General account assets of life insurance	12	12
Others	9	9
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, 2015 and 2014, are set forth as follows:

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

(9) Defined contribution pension plan

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

07. EQUITY

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

(a) Dividends

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

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

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

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

(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.

08. 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 35.6% and 38% for the years ended March 31, 2015 and 2014, respectively. Foreign consolidated subsidiaries are subject to income taxes of the countries in which they operate.

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

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

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

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

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

09. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

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

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

10. RESEARCH AND DEVELOPMENT COSTS

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

11. LEASES

(a) Lessee

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

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

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

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

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

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

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

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

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

(b) Lessor

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

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

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

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

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

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

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

12. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for financial instruments
The Group invests cash surpluses in low-risk financial assets and uses financial instruments, such as short-term bank loans. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and extent of risks arising from financial instruments and risk management for financial instruments
Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. The Group manages its credit risk from receivables on the basis of internal policies, which include monitoring of payment terms and balances of each counterparty. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, they are hedged partially by using foreign currency forward contracts on the basis of internal policies.

Short-term investments and investment securities, mainly held-to-maturity securities and equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations. Such instruments are managed by monitoring market values and the financial position of issuers on a regular basis.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currency as noted above.

Bank loans are utilized for financing of business transactions and capital investments. Although a part of such bank loans are exposed to foreign exchange rate fluctuations and interest rate fluctuations, those risks are mitigated by using derivatives. As this method of hedging meets the requirements of the special treatment of interest rate swaps, we have not assessed the effectiveness of the method.

Derivatives include foreign currency forward contracts, interest rate swap agreements and currency swap agreements. Please see Note 13 for more details about derivatives.

(3) Fair values of financial instruments

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

(a) Fair value of financial instruments

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

	Millions of Yen		
March 31, 2015	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 bank loans	19,528	19,528	
Long-term debt	42,753	42,748	(5)
Income taxes payable	3,797	3,797	
Long-term lease obligations	1,771	1,724	(47)
Total	¥ 89,215	¥ 89,163	¥ (52)

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

March 31, 2014	Millions of Yen Carrying Amount	Fair Value	Difference
Cash and cash equivalents	¥ 61,029	¥ 61,029	¥ —
Receivables:			
Trade notes	3,859		
Trade accounts	44,209		
Unconsolidated subsidiaries and associated company	173		
Subtotal	48,241		
Allowance for doubtful accounts*	(585)		
Receivables—net	47,656	47,647	(9)
Investments in leases	2,998		
Allowance for doubtful accounts*	(7)		
Investments in leases—net	2,991	2,939	(52)
Short-term investments and investment securities	15,284	15,382	98
Total	¥126,960	¥126,997	¥ 37
Payables:			
Trade notes	¥ 3,084	¥ 3,084	¥ —
Trade accounts	17,880	17,880	
Unconsolidated subsidiaries and associated company	1,280	1,280	
Short-term bank loans	28,271	28,271	
Long-term debt	44,794	44,600	(194)
Income taxes payable	4,293	4,293	
Long-term lease obligations	1,752	1,695	(57)
Total	¥101,354	¥101,103	¥(251)

March 31, 2015	Thousands of U.S. Dollars Carrying Amount	Fair Value	Difference
Cash and cash equivalents	$ 534,524	$ 534,524	$ —
Receivables:			
Trade notes	44,694		
Trade accounts	410,545		
Unconsolidated subsidiaries and associated company	7,915		
Subtotal	463,154		
Allowance for doubtful accounts*	(4,628)		
Receivables—net	458,526	458,468	(58)
Investments in leases	22,630		
Allowance for doubtful accounts*	(58)		
Investments in leases—net	22,572	22,314	(258)
Short-term investments and investment securities	96,945	97,786	841
Total	$1,112,567	$1,113,092	$ 525
Payables:			
Trade notes	$ 17,195	$ 17,195	$ —
Trade accounts	152,151	152,151	
Unconsolidated subsidiaries and associated company	8,481	8,481	
Short-term bank loans	162,530	162,530	
Long-term debt	355,830	355,789	(41)
Income taxes payable	31,602	31,602	
Long-term lease obligations	14,740	14,349	(391)
Total	$ 742,529	$ 742,097	$(432)

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

Cash and Cash Equivalents

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

Receivables

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

Investments in Leases

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

Short-Term Investments and Investment Securities

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

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

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

Long-Term Debt and Long-Term Lease Obligations

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

Derivatives

Fair value information for derivatives is included in Note 13.

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

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

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

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

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

	Millions of Yen			
March 31, 2015	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, 2014	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
	Millions of Yen			
Cash and cash equivalents	¥ 61,029	¥ —	¥ —	¥—
Receivables	46,736	1,505		
Investments in leases	862	1,932	204	
Short-term investments and investment securities	3,588	3,239	4,028	4
Total	¥112,215	¥6,676	¥4,232	¥ 4

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

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

13. 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, 2015 and 2014.

Derivative transactions to which hedge accounting is applied

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

At March 31, 2014	Hedged Item	Contract Amount (Millions of Yen)	Contract Amount Due after One Year (Millions of Yen)	Fair Value (Millions of Yen)
Interest rate swaps (fixed-rate payment, floating-rate receipt)	Long-term debt	¥23,830	¥19,497	*
Interest rate and currency swaps (fixed-rate and Japanese yen payment, floating-rate and U.S.$ receipt)	Long-term debt	8,406	6,878	*
Interest rate and currency swaps (fixed-rate and Euro payment, floating-rate and U.S.$ receipt)	Long-term debt	6,073	4,969	*

At March 31, 2015	Hedged Item	Contract Amount (Thousands of U.S. Dollars)	Contract Amount Due after One Year (Thousands of U.S. Dollars)	Fair Value (Thousands of U.S. Dollars)
Interest rate swaps (fixed-rate payment, floating-rate receipt)	Long-term debt	$219,759	$171,602	*
Interest rate and currency swaps (fixed-rate and Japanese yen payment, floating-rate and U.S.$ receipt)	Long-term debt	57,245	44,519	*
Interest rate and currency swaps (fixed-rate and Euro payment, floating-rate and U.S.$ receipt)	Long-term debt	38,061	29,605	*

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

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

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

14. CONTINGENT LIABILITIES

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

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

15. COMPREHENSIVE INCOME

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

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

16. SUBSEQUENT EVENTS

(a) Appropriation of Retained Earnings

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

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

17. SEGMENT INFORMATION

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

1. Description of reportable segments

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

2. Methods of measurement for the amounts of sales, profit (loss), assets and other items for each reportable segment
The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies." Income by reportable segment is operating income.

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

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

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

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

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

4. Information about products and services

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

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

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

5. Information about geographical areas

(a) Sales

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

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

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

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

(b) Property, plant and equipment

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

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

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

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

7. Information about impairment losses of assets by reportable segment

	Millions of Yen								
	2015								
	Reportable Segment								
	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

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

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

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

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

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

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

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

Deloitte.

Deloitte Touche Tohmatsu LLC
Meijiyasudaseimei Kobe Building
8-3-5, Isogami-dori, Chuo-ku
Kobe 651-0086
Japan

Tel: +81 (78) 221 8161
Fax: +81 (78) 221 8225
www.deloitte.com/jp

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of GLORY LTD.:

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 26, 2015

Member of
Deloitte Touche Tohmatsu Limited