GLORY LTD. and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2018

ASSETS	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 1) 2018
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	¥ 62,375	¥ 77,050	$ 587,058
Short-term investments (Notes 4 and 14)	779	242	7,331
Receivables (Note 14):			
Trade notes	4,124	4,064	38,814
Trade accounts	49,740	42,876	468,141
Unconsolidated subsidiaries and associated company	428	307	4,028
Other	1,632	680	15,360
Investments in leases (Notes 13 and 14)	2,276	2,823	21,421
Inventories (Note 5)	51,363	46,126	483,416
Deferred tax assets (Note 10)	5,290	4,905	49,788
Other current assets	2,597	2,022	24,442
Allowance for doubtful accounts	(570)	(502)	(5,364)
Total current assets	180,037	180,597	1,694,465
PROPERTY, PLANT AND EQUIPMENT:			
Land	11,420	11,919	107,482
Buildings and structures	34,905	34,905	328,517
Machinery and equipment	13,565	13,504	127,670
Furniture and fixtures	56,503	57,406	531,792
Construction in progress	499	156	4,696
Total	116,895	117,893	1,100,188
Accumulated depreciation	(82,386)	(82,235)	(775,397)
Net property, plant and equipment	34,509	35,657	324,790
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 14)	10,244	9,106	96,414
Investments in unconsolidated subsidiaries and associated company (Note 14)	235	904	2,211
Software	4,598	3,931	43,275
Goodwill	45,113	51,573	424,592
Customer relationships	19,683	22,221	185,251
Deferred tax assets (Note 10)	2,837	3,322	26,701
Other investments and other assets	5,881	5,700	55,350
Allowance for doubtful accounts	(188)	(194)	(1,769)
Total investments and other assets	88,406	96,565	832,056
TOTAL	¥ 302,953	¥ 312,821	$ 2,851,322

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 1) 2018
CURRENT LIABILITIES:			
Short-term borrowings (Notes 6 and 14)	¥ 21,745	¥ 25,602	$ 204,658
Current portion of long-term debt (Notes 6 and 14)	9,006	8,843	84,762
Current portion of long-term lease obligations (Notes 6, 13 and 14)	652	949	6,136
Payables (Note 14):			
Trade notes	1,202	1,054	11,312
Electronically recorded obligations-operating	8,519	6,699	80,178
Trade accounts	10,384	10,547	97,731
Unconsolidated subsidiaries and associated company	25	928	235
Other	5,425	4,407	51,058
Income taxes payable (Note 14)	2,143	2,903	20,169
Accrued expenses	17,186	16,195	161,750
Deferred income	10,506	10,872	98,880
Provision for stock grant to directors and executive officers (Note 8)	71	61	668
Other current liabilities	4,750	3,378	44,705
Total current liabilities	91,620	92,443	862,305
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6 and 14)	4,508	13,271	42,428
Liability for retirement benefits (Note 7)	2,620	4,419	24,658
Long-term lease obligations (Notes 6, 13 and 14)	1,276	1,745	12,009
Deferred tax liabilities (Note 10)	6,378	6,457	60,028
Provision for stock grant to directors and executive officers (Note 8)	191	116	1,797
Other long-term liabilities	4,191	2,923	39,444
Total long-term liabilities	19,167	28,933	180,395
CONTINGENT LIABILITIES (Note 16)			
EQUITY (Notes 9 and 18):			
Common stock, Authorized: 150,000,000 shares in 2018 and 2017; Issued: 68,638,210 shares in 2018 and 2017	12,892	12,892	121,336
Capital surplus	20,991	20,974	197,562
Retained earnings	165,380	158,504	1,556,517
Treasury stock - at cost (Note 8) 5,931,205 shares in 2018 and 4,496,099 shares in 2017	(18,022)	(12,090)	(169,618)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	916	822	8,621
Foreign currency translation adjustments	5,793	8,181	54,522
Defined retirement benefit plans	(170)	(1,336)	(1,600)
Total	187,780	187,949	1,767,341
Noncontrolling interests	4,385	3,494	41,270
Total equity	192,165	191,443	1,808,611
TOTAL	¥ 302,953	¥ 312,821	$ 2,851,322

GLORY LTD. and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
NET SALES	¥ 227,361	¥ 222,581	$ 2,139,868
COST OF SALES (Note 12)	140,174	135,907	1,319,284
Gross profit	87,186	86,673	820,574
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 11 and 12)	67,570	66,307	635,952
Operating income	19,615	20,365	184,611
OTHER INCOME (EXPENSES):			
Interest and dividend income	345	541	3,247
Interest expense	(553)	(585)	(5,204)
Foreign currency exchange gain (loss) – net	(2,124)	(3,458)	(19,990)
Other – net	254	298	2,390
Other expenses net	(2,077)	(3,204)	(19,548)
INCOME BEFORE INCOME TAXES	17,538	17,161	165,063
INCOME TAXES (Note 10):			
Current	(6,358)	(6,869)	(59,840)
Deferred	91	1,133	856
Total income taxes	(6,267)	(5,736)	(58,983)
NET INCOME	11,271	11,424	106,080
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(1,378)	(1,041)	(12,969)
NET INCOME ATTRIBUTABLE TO OWNERS OF PARENT	¥ 9,892	¥ 10,382	$ 93,101

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.u):			
Basic net income	¥155.96	¥160.35	$1.47
Cash dividends applicable to the year	82.00	60.00	0.77

See notes to consolidated financial statements.

GLORY LTD. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
NET INCOME	¥ 11,271	¥ 11,424	$ 106,080
OTHER COMPREHENSIVE INCOME (LOSS) (Note 17):			
Unrealized gain (loss) on available-for-sale securities	93	586	875
Foreign currency translation adjustments	(2,041)	(9,970)	(19,209)
Defined retirement benefit plan	1,182	1,235	11,124
Total other comprehensive income (loss)	(765)	(8,148)	(7,200)
COMPREHENSIVE INCOME (LOSS)	¥ 10,506	¥ 3,275	$ 98,880
TOTAL COMPREHENSIVE INCOME (LOSS)ATTRIBUTABLE TO:			
Owners of parent	¥8,804	¥2,437	$82,861
Noncontrolling interests	1,701	838	16,009

See notes to consolidated financial statements.

GLORY LTD. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2018

	Thousands of Shares		Millions of Yen			
	Common Stock	Treasury Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
BALANCE, APRIL 1, 2016	68,638	(2,749)	¥ 12,892	¥ 20,952	¥ 151,653	¥ (6,141)
Net income attributable to owners of parent					10,382	
Cash dividends, ¥59 per share					(3,863)	
Purchase of treasury stock		(1,774)				(6,082)
Disposal of treasury stock		27		22		133
Change in scope of consolidation (Note 2.a)					371	
Adjustments due to change in accounting period of consolidated subsidiaries					(39)	
Net change in the year						
BALANCE, MARCH 31, 2017	68,638	(4,496)	12,892	20,974	158,504	(12,090)
Net income attributable to owners of parent					9,892	
Cash dividends, ¥61 per share					(3,912)	
Purchase of treasury stock		(1,435)				(6,000)
Disposal of treasury stock						68
Change in scope of consolidation (Note 2.a)				16	896	
Net change in the year						
BALANCE, MARCH 31, 2018	68,638	(5,931)	¥ 12,892	¥ 20,991	¥ 165,380	¥ (18,022)

	Thousands of U.S. Dollars (Note 1)			
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
BALANCE, APRIL 1, 2017	$ 121,336	$ 197,402	$ 1,491,802	$ (113,788)
Net income attributable to owners of parent			93,101	
Cash dividends, $0.57 per share			(36,818)	
Purchase of treasury stock				(56,470)
Disposal of treasury stock				640
Change in scope of consolidation (Note 2.a)		150	8,432	
Net change in the year				
BALANCE, MARCH 31, 2018	$ 121,336	$ 197,562	$ 1,556,517	$ (169,618)

See notes to consolidated financial statements.

Millions of Yen					
Accumulated Other Comprehensive Income					
Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
¥ 235	¥ 17,819	¥ (2,572)	¥ 194,840	¥ 3,446	¥ 198,287
			10,382		10,382
			(3,863)	(790)	(4,654)
			(6,082)		(6,082)
			155		155
	129		501		501
			(39)		(39)
586	(9,768)	1,235	(7,945)	838	(7,107)
822	8,181	(1,336)	187,949	3,494	191,443
			9,892		9,892
			(3,912)	(820)	(4,733)
			(6,000)		(6,000)
			68		68
	(24)		888	10	898
93	(2,364)	1,165	(1,104)	1,701	596
¥ 916	¥ 5,793	¥ (170)	¥ 187,780	¥ 4,385	¥ 192,165

Thousands of U.S. Dollars (Note 1)					
Accumulated Other Comprehensive Income					
Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
$ 7,736	$ 76,997	$ (12,574)	$ 1,768,931	$ 32,884	$ 1,801,816
			93,101		93,101
			(36,818)	(7,717)	(44,545)
			(56,470)		(56,470)
			640		640
	(225)		8,357	94	8,451
875	(22,249)	10,964	(10,390)	16,009	5,609
$ 8,621	$ 54,522	$ (1,600)	$ 1,767,341	$ 41,270	$ 1,808,611

GLORY LTD. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
OPERATING ACTIVITIES:			
Income before income taxes	¥ 17,538	¥ 17,161	$ 165,063
Adjustments for:			
Income taxes – paid	(6,330)	(5,871)	(59,576)
Depreciation and amortization	9,450	9,469	88,941
Amortization of goodwill	3,922	4,072	36,912
Provision for doubtful receivables	59	19	555
Net gain on sales of investment securities	(7)	(19)	(65)
Changes in assets and liabilities, net of affects from newly consolidated subsidiaries:			
(Increase) decrease in trade notes and accounts receivable	(6,643)	840	(62,522)
Increase in inventories	(5,825)	(4,288)	(54,823)
Increase in notes, accounts and other payable	1,554	2,791	14,625
Decrease in interest payable	(14)	(31)	(131)
Decrease in liability for retirement benefits	(1,052)	(747)	(9,901)
Increase in provision for stock grant to directors and executive officers	75	42	705
(Decrease) increase in lease obligations	(745)	80	(7,011)
Decrease in leased investment assets	547	93	5,148
Increase in accrued consumption taxes	245	689	2,305
Increase in accrued expenses	707	1,148	6,654
Other – net	1,103	4,636	10,381
Total adjustments	(2,952)	12,926	(27,783)
Net cash provided by operating activities	14,585	30,087	137,270
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	723	53	6,804
Purchases of property, plant and equipment	(5,504)	(5,220)	(51,802)
Purchases of intangible assets	(2,312)	(1,556)	(21,760)
Proceeds from sales and redemption of investment securities	66	755	621
Purchases of investment securities	(1,008)	(871)	(9,487)
(Increase) decrease in time deposits – net	(490)	786	(4,611)
Acquisition of investments in subsidiaries with changes in scope of consolidation		(315)	
Other – net	(83)	(264)	(781)
Net cash used in investing activities	(8,609)	(6,632)	(81,025)
FORWARD	¥ 5,976	¥ 23,454	$ 56,244

(Continued)

GLORY LTD. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
FORWARD	¥ 5,976	¥ 23,454	$ 56,244
FINANCING ACTIVITIES:			
(Decrease) increase in short-term borrowings – net	(3,835)	8,819	(36,094)
Repayments of long-term debt	(9,005)	(9,128)	(84,752)
Purchase of treasury stock	(6,000)	(6,082)	(56,470)
Disposal of treasury stock		81	
Dividends paid	(3,912)	(3,864)	(36,818)
Dividends paid for noncontrolling interests	(820)	(790)	(7,717)
Net cash used in financing activities	(23,574)	(10,964)	(221,872)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(234)	(2,055)	(2,202)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(17,832)	10,435	(167,830)
CASH AND CASH EQUIVALENTS OF NEWLY-CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	3,156	711	29,703
DECREASE IN CASH AND CASH EQUIVALENTS DUE TO CHANGE IN ACCOUNTING PERIOD OF CONSOLIDATED SUBSIDIARIES		(1,229)	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	77,050	67,133	725,176
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 62,375	¥ 77,050	$ 587,058

See notes to consolidated financial statements.

(Concluded)

GLORY LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements
Year Ended March 31, 2018

1. 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 the 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 2017 consolidated financial statements to conform to the classifications used in 2018.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which GLORY LTD. (the "Company") is incorporated and operates. Japanese yen figures less than one million yen are rounded down to the nearest million yen and U.S. dollar figures less than one thousand dollars are rounded down to the nearest thousand dollars, except for per share data. 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 ¥106.25 to $1, the approximate rate of exchange at March 31, 2018. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation -*** The consolidated financial statements as of March 31, 2018, include the accounts of the Company and its 49 significant (44 in 2017) subsidiaries (together, the "Group"). Consolidation of the remaining subsidiaries would not have a material effect on the accompanying consolidated financial statements.

<u>Consolidated Subsidiaries</u>

March 31, 2018		March 31, 2017	
Name	Year-End	Name	Year-End
GLORY Products Ltd.	March 31	GLORY Products Ltd.	March 31
GLORY NASCA Ltd.	March 31	GLORY NASCA Ltd.	March 31
Hokkaido GLORY Co., Ltd.	March 31	Hokkaido GLORY Co., Ltd.	March 31
GLORY Denshi Kogyo (Suzhou) Ltd.	March 31	GLORY Denshi Kogyo (Suzhou) Ltd.	March 31
GLORY (PHILIPPINES), INC.	March 31	GLORY (PHILIPPINES), INC.	March 31
Sitrade Italia S.p.A.	December 31	Sitrade Italia S.p.A.	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
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
Glory Global Solutions (Shanghai) Co., Ltd.	March 31	Glory Global Solutions (Shanghai) Co., Ltd.	March 31
37 other companies	March 31	32 other companies	March 31

To increase the accuracy of consolidated financial information, a provisional settlement of accounts has been made on March 31 for 8 subsidiaries whose fiscal closing date is December 31, including GLORY Denshi Kogyo (Suzhou) Ltd., Glory Global Solutions (Shanghai) Co., Ltd., GLORY Denshi Kogyo (Shenzhen) Ltd. and other 5 companies. The balance sheet date of Sitrade Italia S.p.A. is December 31. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from January 1 through March 31 have been adjusted as necessary.

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 an 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*** - Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," 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 generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification—"FASB ASC") 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 recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

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

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

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

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

f. ***Property, Plant and Equipment -*** Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries other than buildings acquired on or after April 1, 1998, is computed by the declining-balance method, while depreciation of property, plant and equipment of its consolidated foreign subsidiaries is mainly computed by the straight-line method at rates based on estimated useful lives of the assets. Buildings of the Company and its consolidated domestic subsidiaries acquired on or after April 1, 1998, and building improvements and structures of the Company and its consolidated domestic subsidiaries acquired on or after April 1, 2016 are depreciated by the straight-line method.

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

h. ***Software Costs -*** The cost of software for sale is 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 life of five years.

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

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

k. ***Retirement and Pension Plans -*** The liability (asset) for retirement benefits of employees is accounted for based on projected benefit obligations and plan assets at the consolidated balance sheet date. The actuarial differences are mainly amortized from the next year using the declining-balance method over a certain period within the average remaining service period (15 years for agreement-type defined benefit plans and 14 years for fund-type defined benefit plans). The prior service costs are mainly amortized by the declining-balance method over a certain period within the average remaining service period (15 years for agreement-type defined benefit plans and 14 years for fund-type defined benefit plans). 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 for retirement benefits).

l. ***Asset Retirement Obligations -*** An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

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

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

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

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

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

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

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

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

s. ***Foreign Currency Financial Statements -*** The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" and "Non-controlling interests" in equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

t. ***Derivatives and Hedging Activities -*** The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign currency exchange rates and interest rates. Foreign exchange forward contracts, interest rate and currency swaps and interest rate swaps are utilized by the Group to reduce foreign currency exchange rate 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. Deposits and 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 interest rate and currency swaps are used to hedge the foreign currency fluctuations are translated at the contracted rate if the interest rate and currency swaps qualify for hedge accounting.

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

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

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

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

The Company's own stock in "Board Incentive Plan (BIP) Trust Account" and "Employee Stock Ownership Plan (ESOP) Trust Account" (See Note 8) recorded as treasury stock within equity includes treasury stock deducted from the average number of shares during the period used for calculating net income per share and treasury stock deducted from the number of shares outstanding at the end of the fiscal year used for calculating net assets per share.

v. ***Accounting Changes and Error Corrections*** - Under 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 are required 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.

w. ***New Accounting Pronouncements* -** On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition."

The International Accounting Standards Board ("IASB") and the Financial Accounting Standards Board ("FASB") of the U.S. have jointly developed a comprehensive accounting standard on revenue recognition. In May 2014, the IASB and FASB each issued "Revenue from Contracts with Customers" (IFRS No. 15 in the IASB and Topic 606 in the FASB). Considering that IFRS No. 15 was applicable from the fiscal year beginning on or after January 1, 2018 and Topic 606 was applicable from the fiscal year beginning after December 15, 2017, the ASBJ has developed a comprehensive accounting standard for revenue recognition, which was issued together with its implementation guidance.

As a basic policy in developing the accounting standard on revenue recognition, the ASBJ has incorporated the basic principles of IFRS No. 15 from the viewpoint of comparability between financial statements, which is one of the benefits of ensuring consistency with IFRS 15. In addition, in case there are any business practices in Japan that needs to be taken into account, alternative provisions shall be added to the accounting standard to the extent that it does not impair the comparability.

The above standard and guidance are scheduled to be applied from April 1, 2021. In addition, the Company is currently in the process of measuring the effects of applying these standards on the consolidated financial statements.

3. BUSINESS COMBINATION

Transactions between Entities under Common Control

Effective April 1, 2017, the Company made contribution in-kind of shares of Glory Global Solutions Inc. and other 2 companies to Glory Global Solutions (International) Ltd. and was issued shares in Glory Global Solutions Ltd., the parent company of Glory Global Solutions (International) Ltd. Effective on the same date, Glory Global Solutions (Holdings) Ltd. made contribution in-kind of shares of Glory Global Solutions (France) S.A.S. and other 8 companies to Glory Global Solutions (International) Ltd. and was issued shares in Glory Global Solutions (International) Ltd. As a result, Glory Global Solutions Inc. and other 2 companies and Glory Global Solutions (France) S.A.S. and other 8 companies became directly owned subsidiaries of Glory Global Solutions (International) Ltd.

1. Outline of business combination

(1) Name of combining entities and details of business

Name of combining entities	Details of business
Glory Global Solutions Ltd.	Formulation of strategies and management of overseas business
Glory Global Solutions (International) Ltd.	Overseas business management and sales and maintenance of the Company's products in the U.K.
Glory Global Solutions Inc.	Sales and maintenance of the Company's products in the U.S.
Glory Global Solutions (France) S.A.S.	Sales and maintenance of the Company's products in France
Other 10 entities	Sales and maintenance of the Company's products in each location

(2) Date of business combination
April 1, 2017

(3) Legal form of business combination
Contribution in-kind of shares of Glory Global Solutions Inc. and other 2 companies owned by the Company and shares of Glory Global Solutions (France) S.A.S. and other 8 companies owned by Glory Global Solutions (Holdings) Ltd. to Glory Global Solutions (International) Ltd.

(4) Name of entity after combination
No change in the name of entity.

(5) Other information
The aim of these transactions is to clarify the authority of each Group company and to realize flexible business management by changing the capital structure to a one that better reflects the actual business status.

2. Overview of accounting treatment
This transaction was treated as a transaction between entities under common control in accordance with "Accounting for Business Combinations" (ASBJ Statement No. 21, updated on September 13, 2013), and "Guidance for Accounting Standard for Business Combinations and Business Separations" (ASBJ Guidance No. 10, updated on September 13, 2013).

4. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Short-term investments:			
Time deposits other than cash equivalents	¥ 779	¥ 242	$ 7,331
Investment securities:			
Marketable equity securities	¥ 5,366	¥ 4,703	$ 50,503
Nonmarketable equity securities	558	478	5,251
Government, corporate, and other bonds	2,569	2,603	24,178
Other	1,750	1,320	16,470
Total	¥10,244	¥ 9,106	$ 96,414

The costs and aggregate fair values of marketable and investment securities at March 31, 2018 and 2017, were as follows:

	Millions of Yen			
March 31, 2018	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥4,079	¥1,368	¥(82)	¥5,366
Government bonds	3			3
Corporate bonds	25			25
Other	1,717	32		1,750
Held-to-maturity:				
Government bonds	1,000	36		1,036
Corporate bonds	1,541	30	(9)	1,562

	Millions of Yen			
March 31, 2017	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥3,579	¥1,180	¥(56)	¥4,703
Government bonds	2			2
Corporate bonds	22			22
Other	1,260	59		1,320
Held-to-maturity:				
Government bonds	1,000	50		1,050
Corporate bonds	1,577	41	(9)	1,609

	Thousands of U.S. Dollars			
March 31, 2018	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$38,390	$12,875	$(771)	$50,503
Government bonds	28			28
Corporate bonds	235			235
Other	16,160	301		16,470
Held-to-maturity:				
Government bonds	9,411	338		9,750
Corporate bonds	14,503	282	(84)	14,701

Available-for-sale securities sold during the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Proceeds from sales	¥10	¥62	$94
Gain on sales	8	19	75
Loss on sales	0	0	0

The Group recognized ¥9 million in loss on valuation of investment securities for the year ended March 31, 2017.

5. INVENTORIES

Inventories as of March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Finished products and merchandise	¥ 31,719	¥ 26,098	$ 298,531
Work in process	8,044	8,491	75,708
Raw materials and supplies	11,599	11,536	109,167
Total	¥ 51,363	¥ 46,126	$ 483,416

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

(a) Short-term borrowings as of March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Loans from banks and an insurance company	¥21,745	¥25,602	$204,658

The annual average interest rate applicable to short-term borrowings at March 31, 2018 and 2017, was 1.5% and 0.8%, respectively.

(b) Long-term debt and lease obligations as of March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Loans from banks	¥ 13,514	¥ 22,115	$ 127,190
Obligations under finance leases	1,929	2,694	18,155
Total	15,443	24,809	145,345
Less current portion	(9,658)	(9,793)	(90,898)
Long-term debt and lease obligations, less current portion	¥ 5,784	¥ 15,016	$ 54,437

The annual average interest rate applicable to long-term debt at March 31, 2018 and 2017, was 1.2% and 1.2%, respectively.

(c) Annual maturities of long-term debt and lease obligations as of March 31, 2018, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2019	¥ 9,658	$ 90,898
2020	4,999	47,049
2021	352	3,312
2022	227	2,136
2023 and thereafter	205	1,929
Total	¥ 15,443	$ 145,345

7. 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, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance at beginning of year	¥ 58,508	¥ 57,337	$ 550,663
Current service cost	2,600	2,518	24,470
Interest cost	439	411	4,131
Actuarial losses (gains)	450	(412)	4,235
Benefits paid	(1,808)	(1,416)	(17,016)
Past service cost		(107)	
Change in scope of consolidation	1,685		15,858
Others	385	177	3,623
Balance at end of year	¥ 62,261	¥ 58,508	$ 585,985

(2) The changes in plan assets for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance at beginning of year	¥ 54,089	¥ 50,729	$ 509,072
Expected return on plan assets	404	362	3,802
Actuarial gains	1,761	726	16,574
Contributions from the employer	3,678	3,420	34,616
Benefits paid	(1,667)	(1,335)	(15,689)
Change in scope of consolidation	1,581		14,880
Others	344	184	3,237
Balance at end of year	¥ 60,192	¥ 54,089	$ 566,512

(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
	2018	2017	2018
Funded defined benefit obligation	¥ 61,404	¥ 57,758	$ 577,920
Plan assets	(60,192)	(54,089)	(566,512)
Total	1,211	3,669	11,397
Unfunded defined benefit obligation	857	750	8,065
Net liability for defined benefit obligation	¥ 2,068	¥ 4,419	$ 19,463

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Liability for retirement benefits	¥ 2,620	¥ 4,419	$ 24,658
Prepaid retirement benefits	(551)		(5,185)
Net liability for defined benefit obligation	¥ 2,068	¥ 4,419	$ 19,463

(4) The components of net periodic benefit costs for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Service cost	¥ 2,600	¥ 2,518	$ 24,470
Interest cost	439	411	4,131
Expected return on plan assets	(404)	(362)	(3,802)
Recognized actuarial losses	361	596	3,397
Amortization of prior service cost	(49)	(159)	(461)
Net periodic benefit costs	¥ 2,947	¥ 3,003	$ 27,736

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2018 and 2017:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Prior service cost	¥ (49)	¥ (52)	$ (461)
Actuarial gains	1,672	1,735	15,736
Total	¥ 1,623	¥ 1,683	$ 15,275

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2018 and 2017:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Unrecognized prior service cost	¥ 272	¥ 319	$ 2,560
Unrecognized actuarial losses	(529)	(2,191)	(4,978)
Total	¥ (256)	¥ (1,871)	$ (2,409)

(7) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2018 and 2017, consisted of the following:

	2018	2017
Debt investments	41%	43%
Equity investments	26	25
General account assets of life insurance	14	18
Others	19	14
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, 2018 and 2017, are set forth as follows:

	2018	2017
Discount rate	Mainly 0.6 - 1.0%	Mainly 0.6 - 1.0%
Expected rate of return on plan assets	Mainly 0.6 - 1.0%	Mainly 0.6 - 1.0%

(9) Defined contribution pension plan

Contributions to the defined contribution pension plan of the Company and its consolidated subsidiaries for the years ended March 31, 2018 and 2017, were ¥715 million ($6,729 thousand) and ¥526 million, respectively.

8. STOCK INCENTIVE PLAN FOR DIRECTORS AND EXECUTIVE OFFICERS

Stock Incentive Plan for Members of the Board of Directors

With the aim of improving medium-and-long term corporate achievement and to improve corporate value by encouraging Board members to enhance stock value, the Company has introduced a performance based stock incentive plan (the “Board Incentive Plan (BIP)”) for Board members (excluding external directors and part-time directors) and Presidents of domestic subsidiaries (Board members).

Overview of the Stock Plan

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

Matters Relating to the Company Shares Held by the Trust

The shares held by the BIP Trust are recorded as treasury stock within equity at the stock's carrying value. The carrying amount of shares and the number of shares held by the BIP Trust was ¥155 million ($1,458 thousand) and 48,029 shares as of March 31, 2018, and ¥179 million and 55,365 shares as of March 31, 2017 respectively.

Stock Incentive Plan for Executive Officers

With the aim of improving medium-and-long term corporate achievement and to improve corporate value by encouraging management to enhance stock value, the Company has introduced a stock incentive plan (the "Employee Stock Ownership Plan (ESOP)") for certain executive officers.

Overview of the Incentive Plan

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

Matters Relating to the Company Shares Held by the Trust

The shares held by the ESOP Trust are recorded as treasury stock within equity at the stock's carrying value. The carrying amount of shares and the number of shares held by the ESOP Trust was ¥503 million ($4,734 thousand) and 141,135 shares as of March 31, 2018, and ¥547 million and 153,585 shares as of March 31, 2017, respectively.

Per Share Information

As noted in Note 2.u, the Company applied PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts." Due to the method by which net assets per share is calculated, the Company's own stock in "Board Incentive Plan (BIP) Trust Account" and "Employee Stock Ownership Plan (ESOP) Trust Account" recorded as treasury stock within equity are included in treasury stock deducted from shares issued as of the end of the period (189,164 shares for the current fiscal year and 208,950 shares for the previous fiscal year, respectively). Also, due to the method by which net income per share is calculated, shares of the above trusts are included in the treasury stock deducted from the average number of shares during the period (192,579 shares in the current fiscal year and 203,195 shares in the previous fiscal year respectively).

9. EQUITY

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

(a) Dividends

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

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

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

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

(c) Treasury Stock and Treasury Stock Acquisition Rights

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

10. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.8% and 30.8% for the years ended March 31, 2018 and 2017, respectively. Foreign consolidated subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities as of March 31, 2018 and 2017, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Deferred tax assets due to:			
Liability for retirement benefits	¥ 442	¥ 1,215	$ 4,160
Unrealized profit eliminated	1,742	1,197	16,395
Accrued bonuses	1,941	2,200	18,268
Research and development expenditures	1,520	1,367	14,305
Depreciation and amortization	583	346	5,487
Inventories	555	609	5,223
Loss on valuation of investment securities	48	155	451
Allowance for doubtful accounts	118	90	1,110
Other	2,129	2,182	20,037
Gross deferred tax assets	9,081	9,365	85,468
Less valuation allowance	(645)	(786)	(6,070)
Total gross deferred tax assets	¥ 8,436	¥ 8,579	$ 79,397
Deferred tax liabilities due to:			
Intangibles assets	¥ (5,167)	¥ (5,179)	$ (48,630)
Net unrealized gain on securities	(429)	(379)	(4,037)
Other	(1,090)	(1,248)	(10,258)
Total gross deferred tax liabilities	(6,687)	(6,808)	(62,936)
Net deferred tax assets	¥ 1,748	¥ 1,770	$ 16,451

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, 2018 and 2017, is as follows:

	2018	2017
Normal effective statutory tax rate	30.8%	30.8%
Expenses not deductible for income tax purposes, such as entertainment expenses	2.6	2.6
Income not taxable for income tax purposes	(1.0)	(2.4)
Tax credit related to research expenses	(4.0)	(4.5)
Amortization of goodwill	7.1	7.3
Tax rate differences with foreign consolidated subsidiaries	(3.4)	(1.5)
Valuation allowance	(0.3)	1.5
Effect of tax rate reduction	0.2	
Equalization tax	0.9	0.9
Other – net	2.8	(1.3)
Actual effective tax rate	35.7%	33.4%

In line with the enactment of the U.S. Tax Cuts and Jobs Act on December 22, 2017, the corporate income tax rate in the U.S. was changed from January 1, 2018. Accordingly, deferred tax assets and deferred tax liabilities for the year ended March 31, 2018 are calculated using the revised tax rates to be applied to the fiscal years in which the temporary differences are expected to be settled.

As a result of this change in the tax rate, deferred tax assets (less deferred tax liabilities) for the year ended March 31, 2018 decreased by ¥124 million ($1,167 thousand) and deferred income taxes for the year ended March 31, 2018 increased by the same amount.

11. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general, and administrative expenses in the accompanying consolidated statements of income for the years ended March 31, 2018 and 2017, mainly consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Employees' salaries and bonuses	¥25,688	¥23,816	$241,769
Provision for employees' bonuses	3,663	4,010	34,475
Provision for stock grant to directors and executive officers	142	123	1,336
Retirement benefit expenses	1,957	1,860	18,418
Amortization of goodwill	3,922	4,072	36,912
Depreciation expense	4,460	4,347	41,976
Rent expense	4,759	4,604	44,790

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to administrative expenses and manufacturing costs for the years ended March 31, 2018 and 2017, were ¥14,119 million ($132,884 thousand) and ¥13,965 million, respectively.

13. LEASES

(a) Lessee

The minimum rental commitments under noncancelable operating leases as of March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Due within one year	¥ 126	¥ 71	$ 1,185
Due after one year	637	367	5,995
Total	¥ 764	¥ 439	$ 7,190

(b) Lessor

The net investments in leases as of March 31, 2018 and 2017, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Gross lease receivables	¥ 3,049	¥ 3,654	$ 28,696
Unearned interest income	773	831	7,275
Investments in leases	¥ 2,276	¥ 2,823	$ 21,421

Maturities of investment in leases for finance leases that are deemed not to transfer ownership of the leased property to the lessee as of March 31, 2018, are as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2019	¥ 873	$ 8,216
2020	675	6,352
2021	560	5,270
2022	444	4,178
2023	258	2,428
2024 and thereafter	236	2,221
Total	¥ 3,049	$ 28,696

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for financial instruments

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

(2) Nature and extent of risks arising from financial instruments and risk management for financial instruments

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

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

Payment terms of payables, such as trade notes, trade accounts and electronically recorded obligations-operating, 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.

Short-term borrowings are mainly used to fund the Group's ongoing operations. Long-term debt is utilized for financing of business transactions and capital investments. Although a part of such bank loans are exposed to foreign currency exchange rate and interest rate fluctuations, those risks are mitigated by using derivatives. As this method of hedging meets the requirements of the special treatment of interest rate swaps, we have not assessed the effectiveness of the method.

Derivatives include foreign currency forward contracts, interest rate swap agreements and currency swap agreements. Please see Note 15 for more details about derivatives.

(3) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead. Please see Note 15 for the details of fair value for derivatives.

(a) Fair values of financial instruments

The carrying amounts, fair values and unrealized gain/loss of financial instruments as of March 31, 2018 and 2017, were as follows. Note that financial instruments whose fair value cannot be reliably determined are not included (see (b)).

	Millions of Yen		
March 31, 2018	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 62,375	¥ 62,375	¥
Receivables:			
Trade notes	4,124		
Trade accounts	49,740		
Unconsolidated subsidiaries and associated company	411		
Subtotal	54,275		
Allowance for doubtful accounts *1	(563)		
Receivables – net	53,712	53,709	(2)
Investments in leases	2,276		
Allowance for doubtful accounts *1	(7)		
Investments in leases – net	2,268	2,736	467
Short-term investments and investment securities	10,465	10,522	57
Total	¥ 128,821	¥ 129,343	¥ 521
Payables:			
Trade notes	¥ 1,202	¥ 1,202	¥
Electronically recorded obligations-operating	8,519	8,519	
Trade accounts	10,384	10,384	
Short-term borrowings	21,745	21,745	
Long-term debt	13,514	13,547	32
Income taxes payable	2,143	2,143	
Long-term lease obligations	1,929	1,840	(88)
Total	¥ 59,439	¥ 59,383	¥ (55)

March 31, 2017	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 77,050	¥ 77,050	¥
Receivables:			
Trade notes	4,064		
Trade accounts	42,876		
Unconsolidated subsidiaries and associated company	196		
Subtotal	47,137		
Allowance for doubtful accounts *1	(492)		
Receivables – net	46,644	46,643	(1)
Investments in leases	2,823		
Allowance for doubtful accounts *1	(9)		
Investments in leases – net	2,813	3,239	426
Short-term investments and investment securities	8,869	8,952	82
Total	¥ 135,378	¥ 135,886	¥ 507
Payables:			
Trade notes	¥ 1,054	¥ 1,054	¥
Electronically recorded obligations-operating	6,699	6,699	
Trade accounts	10,547	10,547	
Unconsolidated subsidiaries and associated company	183	183	
Short-term borrowings	25,602	25,602	
Long-term debt	22,115	22,365	249
Income taxes payable	2,903	2,903	
Long-term lease obligations	2,694	2,685	(8)
Total	¥ 71,800	¥ 72,041	¥ 241

March 31, 2018	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 587,058	$ 587,058	$
Receivables:			
Trade notes	38,814		
Trade accounts	468,141		
Unconsolidated subsidiaries and associated company	3,868		
Subtotal	510,823		
Allowance for doubtful accounts *1	(5,298)		
Receivables – net	505,524	505,496	(18)
Investments in leases	21,421		
Allowance for doubtful accounts *1	(65)		
Investments in leases – net	21,345	25,750	4,395
Short-term investments and investment securities	98,494	99,030	536
Total	$ 1,212,432	$ 1,217,345	$ 4,903

March 31, 2018	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Payables:			
Trade notes	$ 11,312	$ 11,312	$
Electronically recorded obligations-operating	80,178	80,178	
Trade accounts	97,731	97,731	
Short-term borrowings	204,658	204,658	
Long-term debt	127,190	127,501	301
Income taxes payable	20,169	20,169	
Long-term lease obligations	18,155	17,317	(828)
Total	$ 559,425	$ 558,898	$ (517)

Note: *1 Allowances for doubtful accounts taken for receivables and investments in leases are subtracted.

Cash and Cash Equivalents

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

Receivables

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

Investments in Leases

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

Short-Term Investments and Investment Securities

The fair values of short-term investments and investment securities are measured at the quoted market price of the stock exchange for the equity instruments and at the quoted price obtained from the financial institution for certain debt instruments. Information on the fair value of marketable and investment securities by classification is included in Note 4.

Payables, Electronically recorded obligations-operating, Short-Term Borrowings and Income Taxes Payable

The carrying values of payables, short-term borrowings 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 15.

(b) Financial instruments whose fair value cannot be reliably determined as of March 31, 2018 and 2017, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Investments in equity instruments that do not have a quoted market price in an active market	¥793	¥1,383	$7,463

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, 2018 and 2017, were ¥235 million ($2,211 thousand) and ¥904 million, respectively.

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

	Millions of Yen			
March 31, 2018	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	¥ 62,375			
Receivables	52,477	¥ 1,798		
Investments in leases	638	1,436	¥ 200	
Short-term investments and investment securities	779	2,566		¥ 3
Total	¥ 116,270	¥ 5,801	¥ 200	¥ 3

	Millions of Yen			
March 31, 2017	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	¥ 77,050			
Receivables	46,256	¥ 881		
Investments in leases	804	1,750	¥ 268	
Short-term investments and investment securities	242	2,601		¥ 3
Total	¥ 124,353	¥ 5,233	¥ 268	¥ 3

March 31, 2018	Thousands of U.S. Dollars Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$ 587,058			
Receivables	493,901	$ 16,922		
Investments in leases	6,004	13,515	$ 1,882	
Short-term investments and investment securities	7,331	24,150		$ 28
Total	$ 1,094,305	$ 54,597	$ 1,882	$ 28

Please see Note 6 for annual maturities of long-term debt and long-term lease obligations.

15. DERIVATIVES

The Group enters into foreign currency forward contracts, interest rate swap agreements and currency swap agreements. The foreign currency forward contracts and currency swap agreements are designed to hedge certain exposures to foreign currency 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. The Group does not anticipate any losses arising from credit risk because the counterparties to these derivatives are limited to major international financial institutions. 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, 2018 and 2017.

Derivative Transactions to Which Hedge Accounting Is Applied

March 31, 2018	Millions of Yen Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Deposits,	¥ 981		*1
Selling Euro	Receivables	3,506		
Interest rate swaps (fixed-rate payment, floating-rate receipt)	Long-term debt	8,431	¥2,810	*2
Interest rate and currency swaps (fixed-rate and Japanese yen payment, floating-rate and U.S.$ receipt)	Long-term debt	2,292	764	*2
Interest rate and currency swaps (fixed-rate and Euro payment, floating-rate and U.S.$ receipt)	Long-term debt	1,530	510	*2

March 31, 2017	Hedged Item	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts: Selling Euro	Deposits, Receivables	¥ 1,985		*1
Interest rate swaps (fixed-rate payment, floating-rate receipt)	Long-term debt	13,858	¥8,315	*2
Interest rate and currency swaps (fixed-rate and Japanese yen payment, floating-rate and U.S.$ receipt)	Long-term debt	3,820	2,292	*2
Interest rate and currency swaps (fixed-rate and Euro payment, floating-rate and U.S.$ receipt)	Long-term debt	2,337	1,402	*2

March 31, 2018	Hedged Item	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Deposits, Receivables	$ 9,232		*1
Selling Euro		32,997		
Interest rate swaps (fixed-rate payment, floating-rate receipt)	Long-term debt	79,350	$26,447	*2
Interest rate and currency swaps (fixed-rate and Japanese yen payment, floating-rate and U.S.$ receipt)	Long-term debt	21,571	7,190	*2
Interest rate and currency swaps (fixed-rate and Euro payment, floating-rate and U.S.$ receipt)	Long-term debt	14,400	4,800	*2

Note: *1 Fair value of the foreign currency forward contract assigned for receivables is included in the fair value of receivables disclosed in Note 14.

Note: *2 Fair value of interest rate swaps and interest rate and currency swaps, for which special treatment is applied, is included in fair value of the corresponding long-term debt for which hedge accounting is applied disclosed in Note 14.

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

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

16. CONTINGENT LIABILITIES

At March 31, 2018 and 2017, the Group had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Guarantees for bank loans drawn by its employees	¥ 22	¥ 27	$ 207
Guarantees for lease obligations owed by its customers	154	331	1,449

17. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Unrealized gain (loss) on available-for-sale securities:			
Gains arising during the year	¥ 142	¥ 855	$ 1,336
Reclassification adjustments to profit or loss	(7)	(10)	(65)
Amount before income tax effect	134	845	1,261
Income tax effect	(41)	(258)	(385)
Total	¥ 93	¥ 586	$ 875
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (2,144)	¥ (9,962)	$ (20,178)
Reclassification adjustments to profit or loss	94		884
Amount before income tax effect	(2,050)	(9,962)	(19,294)
Income tax effect	8	(8)	75
Total	¥ (2,041)	¥ (9,970)	$ (19,209)
Defined retirement benefit plan(s):			
Adjustments arising during the year	¥ 1,311	¥ 1,139	$ 12,338
Reclassification adjustments to profit or loss	311	544	2,927
Amount before income tax effect	1,623	1,683	15,275
Income tax effect	(440)	(447)	(4,141)
Total	¥ 1,182	¥ 1,235	$ 11,124
Total other comprehensive loss	¥ (765)	¥ (8,148)	$ (7,200)

18. SUBSEQUENT EVENTS

(a) Appropriation of Retained Earnings

The following appropriation of retained earnings as of March 31, 2018, was approved at the Company's shareholders' meeting held on June 27, 2018:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥51 ($0.48) per share	¥3,198	$30,098

19. SEGMENT INFORMATION

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

1. Description of reportable segments

   The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. As such, the Group consists of the following segments: the Financial market, Retail and Transportation market, Amusement market and Overseas market. The Financial market consists of sales and maintenance services to domestic financial institutions, OEM clients, and others. The Retail and Transportation market consists of sales and maintenance services to domestic supermarkets, department stores, cash-in-transit companies, railroad companies, tobacco companies, hospitals, local governments, general companies, and others in Japan. The Amusement market consists of sales and maintenance services to domestic amusement halls. The 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				
	2018				
	Reportable Segment				
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total
Sales:					
Sales to external customers	¥ 53,970	¥ 43,216	¥ 20,570	¥ 106,758	¥ 224,515
Intersegment sales or transfers					
Total	53,970	43,216	20,570	106,758	224,515
Segment profit (loss)	4,043	3,476	1,331	11,167	20,018
Segment assets *1	43,057	35,465	19,310	142,179	240,012
Other:					
Depreciation	2,062	1,728	1,163	4,355	9,309
Amortization of goodwill				3,922	3,922
Increase in property, plant and equipment and intangible assets	¥ 2,010	¥ 1,739	¥ 831	¥ 4,097	¥ 8,678

	Millions of Yen				
	2017				
	Reportable Segment				
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total
Sales:					
Sales to external customers	¥ 53,301	¥ 42,657	¥ 20,434	¥ 103,787	¥ 220,180
Intersegment sales or transfers					
Total	53,301	42,657	20,434	103,787	220,180
Segment profit (loss)	6,510	3,468	737	9,900	20,617
Segment assets *1	40,245	33,583	20,973	141,965	236,768
Other:					
Depreciation	1,862	1,472	1,402	4,620	9,359
Amortization of goodwill				4,072	4,072
Increase in property, plant and equipment and intangible assets	¥ 1,918	¥ 1,465	¥ 1,010	¥ 3,561	¥ 7,955

	Thousands of U.S. Dollars				
	2018				
	Reportable Segment				
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total
Sales:					
Sales to external customers	$ 507,952	$ 406,738	$ 193,600	$ 1,004,781	$ 2,113,082
Intersegment sales or transfers					
Total	507,952	406,738	193,600	1,004,781	2,113,082
Segment profit (loss)	38,051	32,715	12,527	105,101	188,404
Segment assets *1	405,242	333,788	181,741	1,338,155	2,258,936
Other:					
Depreciation	19,407	16,263	10,945	40,988	87,614
Amortization of goodwill				36,912	36,912
Increase in property, plant and equipment and intangible assets	$ 18,917	$ 16,367	$ 7,821	$ 38,560	$ 81,675

Millions of Yen			
2018			
Other	Total	Reconciliations	Consolidated
¥ 2,845	¥ 227,361	¥	¥ 227,361
2,845	227,361		227,361
(403)	19,615		19,615
1,785	241,798	61,154	302,953
140	9,450		9,450
	3,922		3,922
¥ 142	¥ 8,820	¥	¥ 8,820

Millions of Yen			
2017			
Other	Total	Reconciliations	Consolidated
¥ 2,400	¥ 222,581	¥	¥ 222,581
2,400	222,581		222,581
(251)	20,365		20,365
1,759	238,528	74,292	312,821
110	9,469		9,469
	4,072		4,072
¥ 111	¥ 8,067	¥	¥ 8,067

Thousands of U.S. Dollars			
2018			
Other	Total	Reconciliations	Consolidated
$ 26,776	$ 2,139,868	$	$ 2,139,868
26,776	2,139,868		2,139,868
(3,792)	184,611		184,611
16,800	2,275,745	575,567	2,851,322
1,317	88,941		88,941
	36,912		36,912
$ 1,336	$ 83,011	$	$ 83,011

Note: *1 Reconciliations of segment assets are corporate assets of ¥61,154 million ($575,567 thousand) and ¥74,292 million for the years ended March 31, 2018 and 2017, respectively, consisting of surplus funds of the Group.

4. Information about products and services

	Millions of Yen			
	2018			
	Money Handling Machines and Cash Management Systems	Vending Machines and Automatic Service Equipment	Other Merchandises and Products	Total
Sales to external customers	¥177,431	¥32,944	¥16,985	¥227,361

	Millions of Yen			
	2017			
	Money Handling Machines and Cash Management Systems	Vending Machines and Automatic Service Equipment	Other Merchandises and Products	Total
Sales to external customers	¥170,236	¥32,974	¥19,370	¥222,581

	Thousands of U.S. Dollars			
	2018			
	Money Handling Machines and Cash Management Systems	Vending Machines and Automatic Service Equipment	Other Merchandises and Products	Total
Sales to external customers	$1,669,938	$310,061	$159,858	$2,139,868

5. Information about geographical areas

(a) Sales

Millions of Yen					
2018					
Japan	Asia/ Oceania	United States of America	Americas Excluding United States of America	Europe	Total
¥120,603	¥16,088	¥33,469	¥7,447	¥49,752	¥227,361

Millions of Yen					
2017					
Japan	Asia/ Oceania	United States of America	Americas Excluding United States of America	Europe	Total
¥118,793	¥18,401	¥36,361	¥6,384	¥42,640	¥222,581

Thousands of U.S. Dollars					
2018					
Japan	Asia/ Oceania	United States of America	Americas Excluding United States of America	Europe	Total
$1,135,087	$151,416	$315,002	$70,089	$468,254	$2,139,868

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

(b) Property, plant and equipment

Millions of Yen				
2018				
Japan	Asia/ Oceania	Americas	Europe	Total
¥29,595	¥1,817	¥1,982	¥1,114	¥34,509

Millions of Yen				
2017				
Japan	Asia/ Oceania	Americas	Europe	Total
¥31,066	¥1,686	¥1,693	¥1,211	¥35,657

Thousands of U.S. Dollars				
2018				
Japan	Asia/ Oceania	Americas	Europe	Total
$278,541	$17,101	$18,654	$10,484	$324,790

6. Information about major customers

Information about major customers is not provided since sales for major customers accounted for less than 10% of total consolidated net sales.

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

	Millions of Yen				
	2018				
	Reportable Segment				
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total
Amortization of goodwill				¥ 3,922	¥ 3,922
Goodwill at March 31, 2018				45,113	45,113

	Millions of Yen				
	2017				
	Reportable Segment				
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total
Amortization of goodwill				¥ 4,072	¥ 4,072
Goodwill at March 31, 2017				51,573	51,573

	Thousands of U.S. Dollars				
	2018				
	Reportable Segment				
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total
Amortization of goodwill				$ 36,912	$ 36,912
Goodwill at March 31, 2018				424,592	424,592

* * * * * *

Millions of Yen			
2018			
Other	Total	Reconciliations	Consolidated
	¥ 3,922		¥ 3,922
	45,113		45,113

Millions of Yen			
2017			
Other	Total	Reconciliations	Consolidated
	¥ 4,072		¥ 4,072
	51,573		51,573

Thousands of U.S. Dollars			
2018			
Other	Total	Reconciliations	Consolidated
	$ 36,912		$ 36,912
	424,592		424,592

INDEPENDENT AUDITOR'S REPORT

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/en

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, 2018, 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, 2018, 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 27, 2018

Member of
Deloitte Touche Tohmatsu Limited