ANNUAL REPORT

Year ended March 31 2005

GLORY LTD.

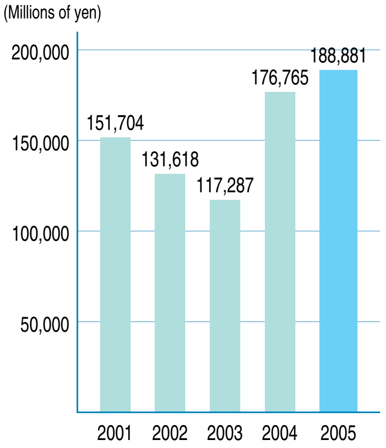
Financial Highlights

GLORY LTD. and its consolidated subsidiaries
Years ended March 31

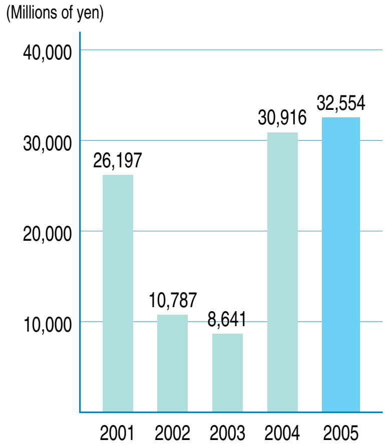
	Millions of yen					Thousands of U. S. dollars
	2001	2002	2003	2004	**2005**	**2005**
For the year:						
Net sales	¥151,704	¥131,618	¥117,287	¥176,765	**¥188,881**	**$1,759,979**
Operating profit	26,197	10,787	8,641	30,916	**32,554**	**303,335**
Income before income taxes and minority interests	19,182	7,212	10,702	29,169	**31,280**	**291,464**
Net income	11,191	3,669	5,902	17,527	**19,306**	**179,891**
Depreciation and amortization	5,105	5,341	4,864	5,129	**5,438**	**50,670**
At year end:						
Total assets	186,937	166,505	164,077	213,844	**217,460**	**2,026,276**
Total shareholders' equity	101,315	105,115	110,686	128,504	**146,657**	**1,366,539**
	Yen					U. S. dollars
Per share:						
Net income	¥ 297.62	¥ 100.44	¥ 157.42	¥ 233.19	**¥ 257.00**	**$ 2.394**
Cash dividends	24.00	16.00	16.00	22.00	**30.00**	**0.28**

(Note) 1.The U.S.dollar amounts are translated, for convenience only, at the rate of ¥107.32=U.S.$1 the approximate exchange rate at March 31, 2005.
2.Our company made stock split-ups at the ratio of two stocks to one common stock as of March 19, 2004.
Therefore the number of shares increased by 37,118,105 compared with the previous term.

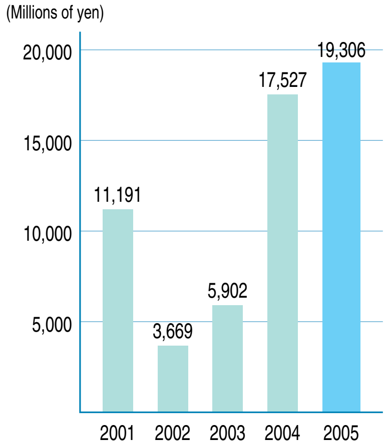
Net sales



Operating profit



Net income



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President’s Message

Operational Results

Overview of Current Term

During the current consolidated fiscal year, the Japanese economy tended to recover in the field such as export and capital investment. However, because of a steep rise in the prices like crude oil and raw materials and sluggish growth in consumer spending that seemed to improve due to recovering corporate performance, it seems that the economy is not recovering yet.

Under this general business situation, as to the financial market, one of the principal markets for our company group, the demand for machines that can handle newly-issued banknotes issued in November 2004 has almost ended. Although there is still demand for rationalization investment, business in this market was sluggish compared with the previous term. In the distribution market, the business for the retail industry was generally sluggish. However, the demand for machines that can handle newly-issued banknotes and willingness to invest in machines effective in labor-savings made business in this market favorable. In the vending machine market, although the market for cigarette vending machines was saturated, the business in this market was good due to a demand to replace an old machine with new one. The business of ticket vending machines was also good due to the drive for efficiency. In the amusement game market, business was good because the demand for machines that can handle newly-issued banknotes increased along with the issuance of new banknotes, and the demand for units placed around counters in pachinko parlors increased due to the industry-wide recovery of capital investment.

In these economic conditions, our group promoted research of new technologies and development of

Hideto Nishino, President

new products in order to meet the needs in each of our markets in a prompt and elaborative manner in order to enhance our sales. We also increased the production of machines that can handle newly-issued banknotes, and established proper sales and maintenance system. As a result, sales came to ¥188,881 million (up 6.9% over the previous term). This consists of sales of goods and products ¥132,948 million (up 2.9% over the previous term) and maintenance sales ¥55,933 million (up 17.6% over the previous term). Export sales were ¥12,808 million (up 10.3% over the previous term). The earnings increased as the sales cost ratio improved in spite of an increase in expenses related to new products, overhead sales costs due to increased sales, and advertising expenses to expand sales in related markets. As a result, ordinary profit was ¥32,267 million (up 8.0% over the previous term) and net income of the current term was ¥19,306 million (up 10.2% over the previous term).

Dividend Policy in Current Term and in Future

The basis of our dividend policy is to strengthen our management base and to reward our shareholders for their support by distributing a reasonable portion of the profit to them as dividends based on a long-term perspective, considering business environment, earnings performance and so on.

According to this basic policy, the current term dividend is payable at ¥25 per share as the term-end dividend (¥5 as ordinary dividend and ¥20 as special dividend), in addition to the ¥5 interim dividend paid in December last year. This results in the annual dividend of the current term ¥30, and the dividend payout ratio was 16.5%.

We have been trying to return profits to shareholders based upon the principle that basically a stable amount of dividends should be paid except special dividends in years of high profits. From now on, however, we will return profits by taking into account the change in the consolidated operational results and other factors, setting a ¥22 annual dividend per share as the standard on the basis of shareholders' equity.

Business Policy

Basic Corporate Policy

Based on the business philosophy described below, our group intends to chase profits as a private enterprise and contribute to society as a public institution so that each employee can demonstrate its individuality; customer expectations can be met; and the corporate value of the entire group is improved.

Business Philosophy

1. Company Development through Harmony of Individuals and Organization

In order to ensure the happiness of our employees (individuals) and the prosperity of our company (organization), complete harmony of superb activities of every individual and company activities is indispensable. It is important to make employees know their own potential and make most use of their individualities and abilities, while being a part of the larger organization. This is the key to create a driving force and to achieve outstanding results.

2. Friendly Personal Relations

We deepen common understandings through all aspects of operations and build relations of mutual trust by ensuring smooth relations among employees on the basis of goodwill and humanity.

3. Contributing to Social Progress

Recognizing that a corporation has to continue to exist and prosper, we will provide products that satisfy customers from all the aspects of quality, performance, price and service to contribute to the progress and growth of our society.

Management Index that should be achieved

Our group aims at enhancing corporate value based upon good relationships with all stakeholders and we operate our group to achieve the targeted ordinary profit to net sales and net return on equity (ROE) of the current term, by trying to improve shareholder value while effectively utilizing shareholders’ equity.

Medium-term Corporate Strategy

Our group intends to create new value by combining processing machines and terminal units supported by recognition/identification technology and mechatronics technology, which are our core technologies, with information technology or application technology.

In addition, we intend to focus on development of new technologies and products to be a leading company in our industry by realizing continuous operation from production, sales to maintenance provided by consolidated companies.

Strategies by Markets

(1) Financial Market

Opening up new markets with developing automated machines unique to our company.

(2) Distribution Market

Expanding business by introducing new products to cope with the trend of rationalization and stricter investigation during currency processing, and by strengthening our price competitiveness.

(3) Amusement Game Market

Promoting a system solution business supported by our group technologies.

(4) Overseas Market

Realizing business expansion through product and sales strategies that satisfy the needs of each country.

(5) Non-cash Settlement Field

Promoting the development of new businesses utilizing the know-how of settlement processing systems accumulated in the settlement-processing center managed by our company and in our group.

(6) New Business Areas

Starting up the security business to which biometrics recognition technology, one of our core technologies, can be applied.

June 2005

Hideto Nishino
President

Business Results

GLORY LTD. and its consolidated subsidiaries
Year ended March 31

Money Handling Machines and Cash Management Systems

Affected by a decrease in sales in the financial market, which is the most important market of us, sales were ¥87,108 million (down 17.1% from the previous term).

Financial Market

Sales of coin wrapping machines and banknote counters were favorable. However, since the demand for machines capable of handling newly-issued banknotes, the main subject for capital investment by financial institutions, has been settled for the time being, sales of open teller systems decreased. Sales of banknote, coin depositing and dispensing machines (our OEM products used by financial institutions at teller windows), and coin depositing and dispensing machines installed in ATMs also decreased.

Desktop banknote counter
<GFB-90>

Distribution Market

Sales of automatic deposit machines for security service companies, which have been expanding their CIT (cash-in-transit) service, and small-sized cash deposit machines for labor-saving used at cashiers of supermarkets and mass merchandisers increased partly thanks to the demand for units supporting newly-issued banknotes. Sales of cash recyclers that are favorably received at cashiers of supermarkets and retail shops due to their accuracy and convenience remained at a similar level to that of the previous term.

Automatic deposit machine
<DS-500>

Overseas Markets

Sales of automatic deposit machines and coin wrapping machines for the U.S. market and banknote counters for Asian market decreased. However, sales of banknote sorting machines for Europe and the Middle East, and banknote deposit machines for the U.S. and Europe, and banknote depositing and dispensing machines for Europe increased.

Vending Machines and Automatic Service Equipment

Sales were ¥81,153 million (up 51.0% over the previous term).

Vending Machine Market

Although the market for cigarette vending machines is saturated, sales of cigarette vending machines increased due to a demand to replace an old machine with new one and focused sales campaign. Sales of ticket vending machines increased due to a wide variety of lineup and added capability to handle newly-issued banknotes.

Cigarette vending machine
<TR-640V>

Amusement Game Market

Motivation to invest has been recovering as seen in the trend to building larger parlors and refurbishing interiors and sales of token dispensing machines for banknotes and banknote exchange machines that can handle newly-issued banknotes greatly increased. Premium dispensing machines enjoyed solid sales as they are well-reputed as units rationalizing the premium exchange operation.

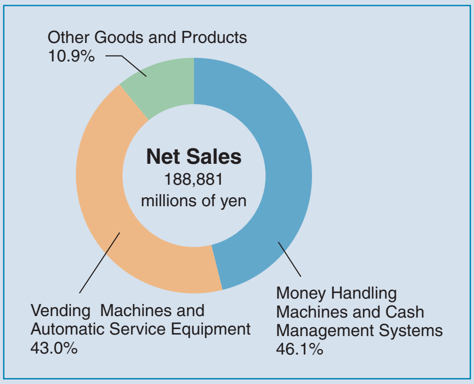
Financial and Distribution Markets

Sales of banknote exchange machines increased due to the move of shifting to charged money changing service and the demand for the capability to support newly-issued banknotes in the distribution market.

Other Goods and Products

Sales were ¥20,619 million (up 15.1% over the previous term).

These are products, parts, accessories and the like purchased from companies other than our group. Due to the increase in demand for goods and accessories purchased from other companies together with the issuance of newly-banknotes, sales increased.



Corporate Governance Policy

Our company considers that corporate governance is one of the important things to enhance efficiency, compliance, and transparency in our management and intends to continuously upgrade our corporate governance.

The current conditions of our company organization, internal control system, etc. are as follows:

(1) The board of directors of our company is composed of 16 directors. The board decides important managerial policies and supervises the execution of operations.

(2) Our company uses the auditor system. Our board of auditors is composed of four auditors. (Two full-time auditors and two outside auditors) The auditors' meeting is held once every two months in principle, and efforts are made to secure independence, reliability, and effectiveness of audits.

(3) For internal control, we have the audit office directly controlled by the president to ensure compliance with laws and procedures, and enhancement of management efficiency.

(4) For risk management, we established the Risk Management Committee, and clearly specified the responsible department and person for every selected risk item. We are taking precautionary measures against risks, and have built a system that can swiftly take necessary measures when a crisis occurs.

(5) For compliance, we have allocated a director in charge of group compliance, and make efforts to strengthen the education of officers and staff of each corporation in our group as well as to ensure compliance with regulations. At our company, we established our ethics policy and code of ethical practice in March 2005 and strengthened and defined our compliance system.

We set up the Compliance Committee as of April 1, 2005, allocated advisors at workplaces and set up sufficient opportunities for consultation. We also issued a compliance guide to make sure that our executives and regular employees understand the necessary information thoroughly.

We will have these measures implemented in our group corporations, and continuously reinforce and strengthen group compliance.

Business Strategy

Our group intends to continuously grow up and expand our business to meet the expectations of all stakeholders including our shareholders.

In the financial market, our main market, there are contrasting movements. While some financial institutions hasten to streamline their processes by decreasing the number of branches, an increasing number of others take an aggressive strategy that is different from traditional ones.

In the distribution market, there is distinct trend of rationalization and stricter investigation due to a change in the employment system. Because of the recent change in the money flow involving the cash-in-transit market, new services also are on the rise as a result of cooperation between financial institutions and distribution industry.

In the amusement game market, the environment surrounding the industry is rapidly changing like the reduction in the number of pachinko parlors and appearance of large-sized parlors and chain system. There is also a rapid movement to make the pachinko parlor management more efficient, bolstered by the amended law to regulate amusement machines.

Under these circumstances, our group recognizes that it is the most important for us to flexibly and properly react to market changes. Our principal strategies are as follows:

1. Medium-term Cultivation and Expansion of New Business

By further refining our recognition/identification and mechatronics technologies, which are our core technologies, we will develop products that meet market needs. We will extend our solutions to electronic money, documents, and more in addition to money, and will also propose security systems utilizing our unique biometric recognition technology. In this way, we are aiming to expand our business.

2. Promotion of Efficient Management

Although there are changes in the environment surrounding the market, the business performance of our group changed relatively favorably. Shareholders' equities increased steadily, and we could strengthen our management bases. We intend to expand our business by strategic and positive investment, to enhance profits by promoting further cost-cutting activities and structural reforms and to work on improvement of asset management at the same time.

3. Introduction of New Products into Growing Markets and Further Expansion

As we plan to strengthen our competitiveness in the medium term in the distribution, amusement game, and overseas markets, we intend to positively roll out new products to further expand our sales and business in these markets.

(1) Distribution market: We aim at business expansion by rolling out new products to cope with the trend of rationalization and stricter investigation during currency processing, and by strengthening our price competitiveness.

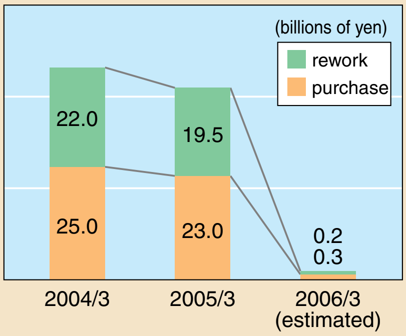
(2) Amusement game market: We aim at business expansion by utilizing our ability to propose a wide range of solutions and our existing sales and maintenance networks.

(3) Overseas market: We will strengthen our ability to handle counterfeit money, newly-issued currencies, and the trend for automation. In the U.S. market, we will further penetrate the casino and retail markets. In the European market, we will establish a direct sales system and develop products matching the market demands. And in the Chinese market, we will supply products that are really needed in the market such as recognition units and banknote sorting machines. In this way, we intend to expand our business.

Topics

Issuance of New Banknotes

Demand caused by new banknote issue



On November 1, 2004, new banknotes were issued in Japan for the first time in 20 years. Together with our entire group, we have been working on new machines handling these new banknotes. There have not been any major problems, and the business has progressed smoothly thus far. We have also been working hard in follow-up activities and we have almost completed this.

For fiscal 2005, we expect there will be little demand left for renewing and remodeling vending machines.

Starting Glory Europe GmbH

GLORY booth at “CeBIT”

The corporate name of “Reis Eurosystems AG” (Reis) whose management rights were acquired by us in July 2004 was changed to “Glory Europe GmbH” on November 17 of the same year. It has started anew as a member of our group.

In Europe, where the amount of circulating currency is rapidly swelling due to the expansion of the Eurozone and the economic growth in Russia and its neighboring countries and other factors, further expansion of the currency processing market is expected in the future. Under these circumstances, our group has integrated the sales channels of Glory GmbH, a sales subsidiary in Germany, and the Reis Group to prepare a new direct sales system.

In March 2005, we made a joint presentation with the Reis Group at CeBIT, the world’s largest information and communications technology exhibition held in Hannover, Germany, where we participate every year. From now on, together with the Reis Group, we will strongly promote the development of products matching market needs, further accelerating our business expansion throughout the entire Eurozone.

Acquisition of Shares of NASCA Corporation

GLORY SHOJI CO., LTD. one of the subsidiaries of our corporation, acquired all the shares (55.8% of the total shares) of NASCA Corporation (NASCA) owned by Marubeni Corporation and Itochu Corporation, both of which were major shareholders, to become the largest shareholder of NASCA.

NASCA is doing business relating to card systems for the amusement game market all over Japan. For approximately 40 years our group has been developing and selling machines related to the amusement game market such as pachinko-ball dispensing machines, token dispensing machines, and money exchange machines for pachinko parlors. But machines related to card systems has been sold through other companies like NASCA.

The importance of machines related to card systems has been significantly increasing these days. The system is indispensable for proprietors of pachinko parlors to increase business efficiency, and it also makes a great contribution to enhanced convenience and service for game players.

To cope with this change in the market, to establish a direct sales system of card systems and other products for pachinko parlors and to increase its share of this business field, our group obtained the NASCA shares. From now on, we will accumulate a lot of know-how jointly with NASCA, and will further endeavor to expand the business.

Card issuing machine of NASCA

Explanatory Meetings for Private Investors

We held company information sessions for private investors twice, one in Tokyo in October 2004 and the other in Osaka in January 2005 to have an opportunity for better communications with private investors.

At the explanatory meetings, our president explained our strong points, business plans, etc. In addition, at the product exhibition corner at the entrance of the venue, we demonstrated our machines such as the face recognition system and coin wrapping machines so that investors could understand our products and technologies. We could realize that investors were really interested in our company as they enthusiastically asked questions and made comments.

We will continuously disclose information on our website and hold company explanation meetings to provide sufficient information to enable more people to understand our company better.


Meeting in Osaka

CONSOLIDATED BALANCE SHEETS

GLORY LTD. and its subsidiaries
At March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2005**	2004	**2005**
Current assets:			
Cash and cash equivalents	**¥ 65,728**	¥ 65,997	**$ 612,448**
Time deposits	**750**	712	**6,988**
Notes, accounts and other receivable:			
Notes	**8,360**	5,570	**77,897**
Accounts	**29,758**	50,995	**277,282**
Other	**379**	246	**3,531**
Less: allowance for credit losses	**(264)**	(216)	**(2,459)**
	38,233	56,595	**356,252**
Inventories (Note 4)	**21,872**	29,205	**203,801**
Deferred tax assets (Note 15)	**5,005**	6,323	**46,636**
Other current assets	**994**	421	**9,262**
Total current assets	**132,585**	159,255	**1,235,417**
Property, plant and equipment:			
Land (Note 14)	**11,848**	12,301	**110,398**
Buildings and structures	**30,454**	29,520	**283,768**
Machinery and equipment	**41,623**	40,254	**387,840**
Construction in progress	**27**	121	**251**
	83,954	82,196	**782,277**
Less: accumulated depreciation	**(48,562)**	(47,934)	**(452,497)**
Net property, plant and equipment	**35,392**	34,263	**329,780**
Investments and other assets:			
Investments in securities (Note 3)	**24,448**	6,746	**227,804**
Investments in and advances to unconsolidated subsidiaries and affiliates	**2,867**	2,532	**26,714**
Deferred tax assets (Note 15)	**4,265**	3,787	**39,740**
Software costs, net	**3,069**	2,683	**28,596**
Goodwill	**1,015**	—	**9,457**
Other	**13,833**	4,584	**128,894**
	49,500	20,332	**461,237**
Less: allowance for credit losses	**(17)**	(8)	**(158)**
Total investments and other assets	**49,483**	20,325	**461,079**
	¥ 217,460	¥ 213,844	**$ 2,026,276**

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars (Note 1) 2005
Current liabilities:			
Short-term debt (Note 5)	**¥ 18,538**	¥ 18,128	**$ 172,735**
Notes and accounts payable:			
Notes	**9,563**	13,198	**89,107**
Accounts	**7,739**	12,336	**72,111**
	17,302	25,534	**161,218**
Accrued income taxes (Note 15)	**4,193**	12,743	**39,070**
Accrued expenses	**8,629**	9,809	**80,404**
Other current liabilities	**12,452**	11,062	**116,026**
Total current liabilities	**61,116**	77,277	**569,474**
Long-term liabilities:			
Accrued severance indemnities (Note 6)	**9,248**	7,970	**86,172**
Other long-term liabilities (Note 5)	**437**	92	**4,071**
Total long-term liabilities	**9,686**	8,062	**90,253**
Contingencies (Note 7)			
Shareholders' equity (Note 10) :			
Common stock:			
Authorized - 128,664,000 shares			
Issued - 74,236,210 shares	**12,892**	12,892	**120,126**
Additional paid-in capital	**20,629**	20,629	**192,219**
Retained earnings	**111,921**	94,260	**1,042,871**
Net unrealized holding gains on securities (Note 11)	**1,470**	1,030	**13,697**
Foreign currency translation adjustments	**(149)**	(203)	**(1,388)**
Less: treasury stock, at cost	**(108)**	(105)	**(1,006)**
Total shareholders' equity	**146,657**	128,504	**1,366,539**
	¥ 217,460	¥ 213,844	**$2,026,276**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME

GLORY LTD. and its subsidiaries
Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	**2005**
Operating income:			
Net sales	**¥ 188,881**	¥ 176,765	**$ 1,759,979**
Operating expenses:			
Cost of sales	**(114,390)**	(108,747)	**(1,065,877)**
Selling, general and administrative expenses (Note 12)	**(41,937)**	(37,101)	**(390,765)**
Total operating expenses	**(156,327)**	(145,848)	**(1,456,643)**
Operating profit	**32,554**	30,916	**303,335**
Other income (expenses):			
Interest and dividend income	**199**	124	**1,854**
Interest expense	**(267)**	(254)	**(2,487)**
Foreign currency exchange loss , net	**0**	(105)	**0**
Gain on sales of investments in securities	**0**	244	**0**
Loss on disposal of inventories	**(1,095)**	(1,134)	**(10,203)**
Loss on write-down of investments in securities	–	(126)	–
Net loss on sales or disposal of property, plant and equipment	**(892)**	(339)	**(8,311)**
Impairment loss on land (Note 14)	–	(422)	–
Other, net	**782**	265	**7,286**
Total other expenses, net	**(1,274)**	(1,747)	**(11,871)**
Income before income taxes and minority interests	**31,280**	29,169	**291,464**
Income taxes (Note 15) :			
Current	**(11,429)**	(14,944)	**(106,494)**
Deferred	**(543)**	3,322	**(5,059)**
	(11,973)	(11,622)	**(111,563)**
Income before minority interests	**19,306**	17,547	**179,891**
Minority interests	–	(19)	–
Net income	**¥ 19,306**	¥ 17,527	**$ 179,891**

	Yen		U.S. dollars (Note 1)
	2005	2004	**2005**
Net income per share	**¥ 257.00**	¥ 233.19	**$ 2.394**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

GLORY LTD. and its subsidiaries
Years ended March 31, 2005 and 2004

		Millions of yen					
	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding gains (losses) on securities	Foreign currency translation adjustment	Treasury stock
Balance at March 31, 2003	37,118,105	¥ 12,892	¥ 20,629	¥ 77,389	¥ 13	¥ (137)	¥ (102)
Net income for the year	–	–	–	17,527	–	–	–
Net unrealized holding losses on securities	–	–	–	–	1,016	–	–
Foreign currency translation adjustments	–	–	–	–	–	(65)	–
Increase due to inclusion of newly consolidated subsidiaries	–	–	–	–	–	–	–
Cash dividends paid	–	–	–	(593)	–	–	–
Bonuses to directors and corporate auditors	–	–	–	(64)	–	–	(3)
Increase in treasury stock	–	–	–	–	–	–	–
Stock split	37,118,105	–	–	–	–	–	–
Balance at March 31, 2004	74,260,210	12,892	20,629	94,260	1,030	(203)	(105)
Net income for the year	–	–	–	19,306	–	–	–
Net unrealized holding gains on securities	–	–	–	–	440	–	–
Foreign currency translation adjustments	–	–	–	–	–	54	–
Cash dividends paid	–	–	–	(1,408)	–	–	–
Bonuses to directors and corporate auditors	–	–	–	(237)	–	–	–
Increase in treasury stock	–	–	–	–	–	–	(2)
Balance at March 31, 2005	74,236,210	¥ 12,892	¥ 20,629	¥ 111,921	¥ 1,470	¥ (149)	¥ (108)

	Thousands of U.S. dollars (Note 1)					
	Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding gains (losses) on securities	Foreign currency translation adjustment	Treasury stock
Balance at March 31, 2004	$ 120,126	$ 192,219	$ 878,307	$ 9,597	$ (1,891)	$ (978)
Net income for the year	–	–	179,891	–	–	–
Net unrealized holding gains on securities	–	–	–	4,099	–	–
Foreign currency translation adjustments	–	–	–	–	503	–
Increase due to inclusion of newly consolidated subsidiaries	–	–	(13,119)	–	–	–
Cash dividends paid	–	–	(2,208)	–	–	–
Bonuses to directors and corporate auditors	–	–	–	–	–	–
Increase in treasury stock	–	–	–	–	–	(18)
Balance at March 31, 2005	$ 120,126	$ 192,219	$1,042,871	$ 13,697	$ (1,388)	$ (1,006)

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

GLORY LTD. and its subsidiaries
Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	**2005**
Operating activities:			
Income before income taxes and minority interests	**¥ 31,280**	¥ 29,169	**$ 291,464**
Adjustments for:	—		
Depreciation and amortization	**5,438**	5,129	**50,670**
Provision for accrued severance indemnities	**1,278**	1,181	**11,908**
Interest and dividend income	**(199)**	(124)	**(1,854)**
Interest expense	**267**	254	**2,487**
Net loss on sales or disposal of property, plant and equipment	**892**	339	**8,311**
Loss on write-down of investments in securities	—	126	—
Gain on sales of investments in securities	**0**	(244)	**0**
Impairment losses on land	—	422	—
Decrease (increase) in notes, accounts and other receivable	**18,818**	(27,104)	**175,344**
Decrease (increase) in inventories	**8,119**	(7,658)	**75,652**
Increase (decrease) in notes and accounts payable	**(8,351)**	12,365	**(77,814)**
Increase in accrued expenses	**316**	984	**2,944**
Other, net	**(2,173)**	8,045	**(20,247)**
Sub total	**55,687**	22,885	**518,887**
Interest and dividend income received	**176**	125	**1,639**
Interest expense paid	**(265)**	(254)	**(2,469)**
Income taxes paid	**(20,525)**	(5,097)	**(191,250)**
Net cash provided by operating activities	**35,073**	17,659	**326,807**
Investing activities:			
Payments for purchase of property, plant and equipment	**(5,944)**	(4,439)	**(55,385)**
Proceeds from sales of property, plant and equipment	**384**	44	**3,578**
Payments for purchase of investments in securities	**(17,290)**	(148)	**(161,106)**
Proceeds from sales of investments in securities	**0**	665	**0**
Payments for purchase of software	**(1,161)**	(709)	**(10,818)**
Increase in time deposits, net	**(8,537)**	(446)	**(79,547)**
Acquisition of shares of an unconsolidated subsidiary	—	(21)	—
Payments for purchase of newly consolidated companies, net of cash acquired	**(1,678)**	—	**(15,635)**
Payment for purchase of consolidated subsidiaries	—	(441)	—
Decrease in other investments, net	**(24)**	344	**(223)**
Net cash used in investing activities	**(34,252)**	(5,152)	**(319,157)**
Financing activities:			
Net increase (decrease) in short-term loans	**306**	(771)	**2,851**
Cash dividends paid	**(1,408)**	(593)	**(13,119)**
Other, net	**(45)**	(48)	**(419)**
Net cash used in financing activities	**(1,147)**	(1,412)	**(10,687)**
Effect of exchange rate changes on cash and cash equivalents	**56**	(20)	**521**
Net increase in cash and cash equivalents	**(269)**	11,073	**(2,506)**
Cash and cash equivalents at beginning of year	**65,997**	54,924	**614,955**
Cash and cash equivalents at end of year	**¥ 65,728**	¥ 65,997	**$ 612,448**

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

GLORY LTD. and its subsidiaries

1. Basis of Presenting Consolidated Financial Statements

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

Certain items presented in the consolidated financial statements filed with the Director of Kanto Finance Bureau in Japan have been reclassified and relevant-notes have been added, if appropriate, for the convenience for readers outside Japan.

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

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥107.32=U.S.$1, the rate of exchange prevailing at March 31, 2005 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at the rate or any other rate.

2. Summary of Significant Accounting Policies

(a) Consolidation Principles

The accompanying consolidated financial statements include the accounts of the Company and its 16 subsidiaries as of March 31, 2005 and 2004, respectively.

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

The difference between the cost of investments in subsidiaries and affiliates and the Company's equity in their net assets at their respective dates of acquisition is being amortized as incurred.

The consolidated subsidiaries as of March 31, 2005 and 2004 are listed below.

2005		2004	
Name	Year end	Name	Year end
GLORY SHOJI CO., LTD.	March 31	GLORY SHOJI CO., LTD.	March 31
GLORY KIKI CO.,LTD	March 31	GLORY KIKI CO.,LTD	March 31
HOKKAIDO GLORY CO.,LTD	March 31	HOKKAIDO GLORY CO.,LTD	March 31
GLORY SERVICE CO.,LTD	March 31	GLORY SERVICE CO.,LTD	March 31
GLORY･LINCS CO.,LTD	March 31	GLORY･LINCS CO.,LTD	March 31
KASAI GLORY LTD.	March 31	KASAI GLORY LTD.	March 31
SAYO GLORY LTD.	March 31	SAYO GLORY LTD.	March 31
GLORY TEC LTD.	March 31	GLORY TEC LTD.	March 31
Glory (U.S.A) Inc.	March 31	Glory (U.S.A) Inc.	March 31
Glory GmbH	March 31	Glory GmbH	March 31
GLORY IST CO., LTD.	March 31	GLORY IST CO., LTD.	March 31
GLORY TECHNO 24 CO., LTD.	March 31	GLORY TECHNO 24 CO., LTD.	March 31
GLORY MONEY HANDLING MACHINES PTE LTD.	March 31	GLORY MONEY HANDLING MACHINES PTE LTD.	March 31
Glory Europe GmbH	December 31		
Standardwerk Eugen Reis GmbH	December 31		
Reis Service GmbH	December 31		

Glory Europe GmbH, Standardwerk Eugen Reis GmbH, and Reis Service GmbH were consolidated on the balance sheet as of December 31, 2004, because the difference between the closing date of the subsidiaries and that of the Company did not exceed three months. Significant transactions occurring between December 31, 2004 and March 31, 2005 were adjusted on consolidation.

Goodwill caused by the purchase of the above mentioned subsidiaries is to be amortized over 10 years.

Considering materiality for the consolidated financial statements, investments in an unconsolidated subsidiary, GLORY AZ SYSTEM CO, LTD. is accounted for by the equity method.

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

(b) Translation of Foreign Currencies

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into Japanese yen at the rates effective at the respective transaction dates.

All monetary assets and liabilities denominated in foreign currencies, whether short-term or long-term, are translated into

Japanese yen at the current exchange rate prevailing at the balance sheet date.

The resulting translation gains or losses are included in determination of net income for the current year.

The foreign currency financial statements of overseas subsidiaries are translated into Japanese yen and for the balance sheet accounts other than shareholders' equity, which is translated at the historical rates, are translated at the current rate prevailing the respective balance sheet date.
Operating accounts are translated at the average rates of exchange for the respective year.

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

(d) Investments in Securities
All securities other than investments in subsidiaries and affiliates are classified as "Other securities" which represent securities other than trading securities and held-to-maturity securities. Marketable "Other securities" are stated at market value. Net unrealized gains or losses on "Other securities" are reported as a separated item in shareholders' equity, net of related tax effect. Such unrealized holding gains or losses on "Other securities" in shareholders' equity are not available for distribution as dividends and bonuses to directors and corporate auditors under the Commercial Code. Costs of these securities are determined by the moving average method. "Other securities" which are not marketable are stated at cost, the cost of these securities is determined by the moving average method.

(e) Inventories
The Company's and its subsidiaries' inventories other than the subsidiaries' merchandise are stated at cost, which are mainly determined by the periodic average method. The subsidiaries' merchandise is stated at cost, which is mainly determined by the moving average method.

(f) Property, Plant and Equipment
Property, plant and equipment are stated at cost. Depreciation of the Company and its domestic subsidiaries' property and equipment other than buildings acquired on or after April 1, 1998 is computed using the declining balance method. The Company and its domestic subsidiaries' buildings acquired on or after April 1, 1998 are depreciated based on the straight-line method.
Depreciation of overseas subsidiaries is mainly computed using the straight-line method.
The range of the estimated useful lives is as follows:

Buildings and structures	3 to 50 years
Machinery and equipment	4 to 12 years

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

The Company adopted accounting standard for Impairment of Fixed Assets ("Opinion concerning establishment of Accounting Standard for Impairment of Fixed Assets "issued by the Business Accounting Deliberation Council on August 9, 2002) and "Implementation Guideline of Standard for Impairment of fixed assets (Implementation Guideline of Standard of Enterprise accounting No.6 issued on October 31, 2003)". As a result of adoption of new accounting standard for the year ended March 31, 2004, income before income taxes and minority interests decreased by ¥422 million ($3,993 thousand) compared with what would have been recorded under the previous accounting standard.

(g) Finance Leases
Where the finance leases other than those that are deemed to transfer the ownership of the leased property to the lessee during the lease terms or on their terminations, the leased property is not capitalized, and the relating lease expenses are charged to income in the period incurred in accordance with the Accounting Standard for Lease issued by the Business Accounting Deliberation Council.

(h) Capitalized Software Costs
The Company and its domestic subsidiaries capitalized the costs of software for internal-use and the costs are amortized based on the straight-line method over the estimated useful lives of 5 years. On the other hand, the capitalized costs of software for sale are amortized at the greater amount based on the ratio determined by the estimated sale quantity of each product or on the straight-line method over the remaining estimated useful lives (not exceeding 3 years), in accordance with Practical Guidance for Accounting for Research and Development Costs and Software Costs issued by the Japanese Institute of Certified Public Accountants.

(i) Allowance for Credit Losses
Allowance for credit losses of the Company and its domestic subsidiaries is provided at the average percentage of bad debt loss on actual defaults suffered during certain past periods, together with an amount necessary to cover possible uncollectable amounts based on management's judgment. Allowance for credit losses of the Company's overseas subsidiaries is provided in an amount deemed uncollectable based on management's judgment.

(j) Accrued Bonuses
Accrued employees' bonuses is recorded to provide for bonus payments to employees based on the estimated amounts.

(k) Accrued Severance Indemnities
Accrued severance indemnities of employees are provided based on the estimated amount of projected benefit obligations in

excess of the plan assets at fair value. The actuarial differences are amortized from the next year using the declining balance method over 15 years which are within the average remaining service period.

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

(l) Income Taxes

Deferred income taxes are provided for temporary difference between the carrying amount of assets and liabilities for financial reporting and income tax purpose.
The Company filed a consolidated income tax return for the year ended March 31, 2005.

On March 31, 2003, law governing municipal tax revised to impose enterprise taxes through 'pro-forma standard taxation' from April 1, 2004. According to this tax reform acts, the part of enterprise tax on corporation is included in selling general and administrative expenses amounting to ¥317 million ($2,953 thousand) and the tax rate of enterprise tax is declining starting from the fiscal year beginning April 1, 2004.

(m) Net Income and Dividend Per Share

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

Diluted net income per share is not applicable due to no outstanding warrant nor convertible bonds.

Basis for calculating net income per share is as follows;

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Net income per share:			
Net income for the fiscal year	**¥ 19,306**	¥ 17,527	**$ 179,891**
Net income not available to common shareholders (Bonuses to directors and corporate auditors)	**(251)**	(237)	**(2,338)**
Net income for common stock	**¥ 19,055**	¥ 17,290	**$ 177,553**
Average number of shares outstanding during the current fiscal year (unit : shares)	**74,145,023**	74,146,755	

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

(n) Appropriation of Retained Earnings

Under the Japanese Commercial Code and the Articles of Incorporation of the Company, a proposal by the Board of Directors for the appropriation of retained earnings (principally the payment of annual cash dividends) should be approved by a shareholders' meeting which must be held within three months after the end of each financial year. The appropriation of retained earnings reflected in the accompanying consolidated financial statements for each financial year represents the appropriation which is approved by the shareholders' meeting and disposed of during that year, but related to the immediately preceding financial year. The payment of bonuses to directors and corporate auditors is made out of retained earnings instead of being charged to income for the year and constitutes a part of the appropriation referred to the above.

3. Investments in Securities

As of March 31, 2005 and 2004, "Other securities" were as follows:

	Millions of yen					
	2005			2004		
Market value available:	**Carrying Amounts**	**Acquisition Costs**	**Difference**	Carrying Amounts	Acquisition Costs	Difference
Securities with unrealized gain:Equity securities	**¥ 5,740**	**¥ 3,215**	**¥ 2,525**	¥ 4,223	¥ 2,424	¥ 1,799
Securities with unrealized loss:Equity securities	**837**	**887**	**(49)**	643	708	(65)
	6,578	**¥ 4,102**	**¥ 2,476**	4,866	¥ 3,132	¥ 1,733
Market value not available	**17,870**			1,879		
Total	**¥ 24,448**			¥ 6,746		

	Thousands of U.S. dollars		
	2005		
Market value available:	Carrying Amounts	Acquisition Costs	Difference
Securities with unrealized gain:Equity securities	$ 53,484	$ 29,957	$ 23,527
Securities with unrealized loss:Equity securities	7,799	8,265	(456)
	61,293	$ 38,222	$ 23,071
Market value not available	166,511		
Total	$ 227,804		

"Other securities" sold for the years ended March 31, 2005 and 2004 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Proceeds from sales	¥ **0**	¥ 665	$ **0**
Gains on sales	**0**	244	**0**
Losses on sales	–	0	–

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

4. Inventories

Inventories as of March 31, 2005 and 2004 comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Finished goods and merchandise	¥ **11,543**	¥ 13,458	$ **107,556**
Work in process	**5,522**	9,236	**51,453**
Raw materials and supplies	**4,806**	6,510	**44,781**
	¥ **21,872**	¥ 29,205	$ **203,801**

5. Short-term debt and Long-term debt

Short-term debt as of March 31, 2005 and 2004 comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Loans from banks and an insurance company	¥ **18,436**	¥ 18,085	$ **171,785**

The average interest rate applicable to short-term bank loans as of March 31, 2005 and 2004 was 1.4%.

Long-term debt (included in Other long-term liabilities on the accompanying consolidated balance sheets) as of March 31, 2005 and 2004 comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Loans from banks and an insurance company, due from 2006 to 2007	¥ **278**	¥ 53	$ **2,590**
Less: portion due within one year	**(102)**	(42)	**(950)**
	¥ **175**	¥ 10	$ **1,630**

The average interest rate applicable to long-term loans as of March 31, 2005 and 2004 was 3.7%.

The aggregate annual maturities of long-term debt subsequent to March 31, 2005 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2006	¥ 102	$ **950**
2007	175	**1,630**
	¥ 278	$ **2,590**

As of March 31, 2005 and 2004 assets pledged as collateral for long-tem debt, including the current portion of long-term debt and short-term debt, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Assets pledged as collateral:			
Land	¥ **400**	¥ 400	$ **3,727**
Buildings and structures	**90**	97	**838**
	¥ **490**	¥ 497	$ **4,565**
Secured debt:			
Short-term debt	¥ –	¥ 42	$ –
Long-term debt	**10**	10	**93**
	¥ **10**	¥ 53	$ **93**

6. Severance and Pension Plan

Employees of the Company and ten domestic consolidated subsidiaries with more than one year of service are entitled to receive lump-sum indemnities upon termination .The amount of the benefits is determined based upon current basic rate of pay, length of service and cause of retirement.

The Company and its domestic subsidiaries have four non-contributory pension plans, which are defined benefit plans, covering a portion of their indemnities under their internal regulations for employees. The Company's non-contributory pension plans cover approximately 70% of the indemnities under the Company's internal regulation for employees.

The extra indemnities upon termination that may be paid to employees are not included in accrued severance indemnities.

The following provided a reconciliation of projected benefit obligation to accrued severance indemnities for employees recognized on the accompanying consolidated balance sheets as of March 31, 2005 and 2004.

The Company and certain domestic consolidated subsidiaries obtained an approval of exemption from the past obligation related to the substitutional portion of the National Welfare Pension on June 1, 2004, which resulted in transfer of the related assets to the government on December 20, 2004. In connection with the exemption described above, the pension plan, although small portion of which was terminated, restarted as a new defined benefit plan, effective June 1, 2004.

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Projected benefit obligation	**¥ 28,661**	¥ 25,719	**$ 267,061**
Fair value of plan assets	**(14,813)**	(13,215)	**(138,026)**
Funded status	**13,848**	12,504	**129,034**
Unrecognized actuarial differences	**(5,868)**	(5,734)	**(54,677)**
Net liability recognized in balance sheet	**7,980**	6,769	**74,357**
Prepaid pension expense	–	–	–
Accrued severance indemnities for employees	**¥ 7,980**	¥ 6,769	**$ 74,357**

Projected benefit obligation of certain subsidiaries are calculated using the simplified method, which is permitted to be applied by small sized companies, in conformity with the Accounting Standard for Retirement Benefits.

Components of net periodic benefit cost for the years ended March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Service cost	**¥ 1,704**	¥ 1,380	**$ 15,877**
Interest cost	**512**	575	**4,770**
Amortization of actuarial differences	**799**	717	**7,445**
Other	**(114)**	–	**(1,062)**
Net periodic benefit cost	**¥ 2,901**	¥ 2,673	**$ 27,031**

Service cost does not include employees' contribution of contributory funded benefit pension plan.

Projected benefit obligation was determined using discount rates of 2.0%, and the expected rates of return on plan assets were 0.0% for the years ended March 31, 2005 and 2004.

Projected benefit obligation is attributed to periods based on years of service.

7. Contingencies

The Company provided guarantees for bank loans drawn by its employees. Such guarantees aggregated ¥64 million ($596 thousand) and ¥70 million as of March 31, 2005 and 2004, respectively.

The Company's group provided guarantees for lease obligations owed by its customers. Such guarantees amounted to ¥1,855 million ($17,284 thousand) and ¥1,487 million as of March 31, 2005 and 2004, respectively.

The Company's group provided guarantees for lease obligations owed by its sales agency's customers. Such guarantees amounted to ¥56 million ($521 thousand) and ¥145 million as of March 31, 2005 and 2004, respectively.

8. Lease

(1) Lessee

The lease expense, depreciation expense and interest expense were charged to income in the period incurred as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Lease expense	**¥ 807**	¥ 738	**$ 7,519**
Depreciation expense	**789**	738	**7,351**
Interest expense	**62**	–	**577**

Depreciation expense is computed by the straight-line method over the terms of the related leases. The interest expense is computed by interest method for the year ended March 31, 2005.

Future lease payments were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Due within one year	**¥ 1,044**	¥ 602	**$ 9,727**
Due after one year	**2,907**	703	**27,087**
	¥ 3,952	¥ 1,305	**$ 36,824**

Future lease payment is computed by deducting the estimated interest payment for the year ended March 31, 2005.

Additional information, assuming capitalization of the leased property, requested by the Business Accounting Deliberation Council, is disclosed, but not included in the statements of income or balance sheets, as follows:

Notional acquisition cost, and accumulated depreciation:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Leased property:			
Machinery, equipment and software	**¥ 5,648**	¥ 3,514	**$ 52,627**
Accumulated depreciation	**(1,684)**	(2,208)	**(15,691)**
	¥ 3,964	¥ 1,305	**$ 36,936**

Notional acquisition cost is computed by deducting the estimated interest payment for the year ended March 31, 2005.
Future lease payments under non-cancelable operating lease were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Due within one year	**¥ 65**	¥ 34	**$ 605**
Due after one year	**79**	78	**736**
Total	**¥ 144**	¥ 113	**$ 1,341**

(2) Lessor
Future lease receivable for sublease is as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Due within one year	**¥ 904**	¥ –	**$ 8,423**
Due after one year	**2,828**	–	**26,351**
	¥ 3,732	¥ –	**$ 34,774**

Sublease payable by lessee is almost the same amount as sublease receivable which is included in the future lease payment as lessee (See above (1)).

9. Financial Instruments

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

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

10. Shareholders' Equity

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

Under the Japanese Commercial Code, an amount equal to at least 10% of cash dividends and other appropriations of retained earnings paid out with respect to each financial period is set aside in a legal reserve until the total amount of additional paid in capital and earned reserve (collectively, "legal reserves") equals 25% of stated capital. Legal reserves may be transferred to stated capital by a resolution of the board of directors or used to reduce a deficit with the approval of a shareholders' meeting. In addition, legal reserves may be available for dividends to the extent that legal reserves do not fall below 25% of stated capital, and the Company is allowed to repurchase its own shares to the extent that the aggregate cost of treasury shares does not exceed the maximum amount available for dividends.

The legal reserve of the Company and its consolidated subsidiaries are included in the retained earnings and are not shown separately in the accompanying consolidated balance sheets.

11. Unrealized Holding Gains or Losses on Securities

Unrealized holding gains or losses on securities in shareholders' equity are analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Market value in excess of cost	**¥ 2,476**	¥ 1,733	**$ 23,071**
Deferred tax liabilities	**(1,005)**	(704)	**(9,364)**
Unrealized holding gains on securities, net of tax	**¥ 1,470**	¥ 1,030	**$ 13,697**

12. Selling, General and Administrative Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Employees' salaries and bonuses	**¥ 11,441**	¥ 10,692	**$ 106,606**
Rent	**3,195**	3,281	**29,770**

13. Research and Development

Research and development expenditures charged to administrative expense and manufacturing cost for the years ended March 31, 2005 and 2004 were ¥13,048 million ($121,580 thousand) and ¥11,862 million, respectively.

14. Impairment losses on land

For the year ended March 31, 2004, the Company and its subsidiaries early adopted the new accounting standard for impairment of fixed assets, as described in Note 2(f).

The detail of impairment losses on land charged to income for the year ended March 31, 2004 was as follows.

Description	Location	Millions of yen	Thousands of U.S. dollars
Land	Yumesaki-cho, Shikama-gun, Hyogo Pref	¥ 422	$ 3,993

15. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income, which result in statutory tax rates of approximately 40.6% and 42% in the aggregate for the years end March 31, 2005 and 2004. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The effective tax rates for the years ended March 31, 2005 and 2004 differed from the statutory tax rates as follows:

	2005	2004
Statutory tax rate	**40.6 %**	42.0 %
Expenses not deductible for income tax purposes, such as entertainment expenses	**0.9**	1.3
Revenue not additive for income tax purposes, such as dividend received	**0.0**	(0.1)
Inhabitant tax levied per capital	**0.1**	0.2
Tax credit related to research expenses	**(4.6)**	(4.1)
Decrease in deferred tax assets for change in tax rates	–	0.4
Current operating loss of the foreign subsidiaries	**0.9**	–
Change in valuation allowance for deferred tax assets	**0.4**	–
Other	**(0.0)**	0.1
Effective tax rate	**38.3 %**	39.8 %

The components of the Company and its subsidiaries' deferred tax assets and liabilities as of March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
Deferred tax assets:	**2005**	2004	**2005**
Accrued severance indemnities	**¥ 3,761**	¥ 3,165	**$ 35,044**
Loss on write-down of investments in securities	**703**	703	**6,550**
Accrued bonuses	**2,716**	3,315	**25,307**
Enterprise tax	**398**	1,208	**3,708**
Unrealized profit eliminated	**631**	778	**5,879**
Impairment loss on deposits for golf club membership	**361**	377	**3,363**
Research and development expenditures	**1,011**	652	**9,420**
Other	**944**	764	**8,796**
	10,530	10,966	**98,117**
Valuation allowance	**(116)**	–	**(1,080)**
Total gross deferred tax assets	**10,414**	10,966	**97,036**
Deferred tax liabilities:			
Unrealized holding gains on securities	**(1,025)**	(704)	**(9,550)**
Reserve for special depreciation	**(116)**	(152)	**(1,080)**
Total gross deferred tax liabilities	**(1,142)**	(856)	**(10,641)**
Net deferred tax assets	**¥ 9,271**	¥ 10,110	**$ 86,386**

16. Segment Information

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

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

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

Business Segments

	Millions of yen		Thousands of U.S. dollars
Net sales:	**2005**	2004	**2005**
Money handling machines and cash system:			
Customers	¥ **87,108**	¥ 105,094	$ **811,666**
Inter segment	–	–	–
Total	**87,108**	105,094	**811,666**
Vending machines and automatic service equipment:			
Customers	**81,153**	53,761	**756,177**
Inter segment	–	–	–
Total	**81,153**	53,761	**756,177**
Others:			
Customers	**20,619**	17,909	**192,126**
Inter segment	**5,514**	6,957	**51,379**
Total	**26,133**	24,867	**243,505**
Elimination	**(5,514)**	(6,957)	**(51,379)**
Consolidated total	¥ **188,881**	¥ 176,765	$ **1,759,979**
Operating expenses:			
Money handling machines and cash system	¥ **71,466**	¥ 83,119	$ **665,915**
Vending machines and automatic service equipment	**66,264**	47,855	**617,443**
Others	**24,131**	21,840	**224,850**
Elimination or corporate	**(5,535)**	(6,966)	**(51,574)**
Consolidated total	¥ **156,327**	¥ 145,848	$ **1,456,643**
Operating profit:			
Money handling machines and cash system	¥ **15,642**	¥ 21,975	$ **145,751**
Vending machines and automatic service equipment	**14,889**	5,905	**138,734**
Others	**2,001**	3,026	**18,645**
Elimination or corporate	**20**	9	**186**
Consolidated total	¥ **32,554**	¥ 30,916	$ **303,335**
Assets:			
Money handling machines and cash system	¥ **58,197**	¥ 82,025	$ **542,275**
Vending machines and automatic service equipment	**52,981**	44,513	**493,673**
Others	**13,234**	19,036	**123,313**
Elimination	**(3,863)**	(5,921)	**(35,995)**
Corporate	**96,911**	74,190	**903,009**
Consolidated total	¥ **217,460**	¥ 213,844	$ **2,026,276**
Depreciation and amortization:			
Money handling machines and cash system	¥ **3,318**	¥ 3,375	$ **30,916**
Vending machines and automatic service equipment	**1,750**	1,418	**16,306**
Others	**368**	335	**3,428**
Consolidated total	¥ **5,438**	¥ 5,129	$ **50,670**
Impairment losses on fixed assets:			
Corporate	¥ –	¥ 422	$ –
Consolidated total	¥ –	¥ 422	$ –
Capital expenditure for segment assets:			
Money handling machines and cash system	¥ **4,801**	¥ 3,715	$ **44,735**
Vending machines and automatic service equipment	**2,156**	1,567	**20,089**
Others	**827**	390	**7,705**
Consolidated total	¥ **7,784**	¥ 5,674	$ **72,530**

There is no major geographic area other than Japan, in which net sales and assets are material. Ratio of sales to foreign customers for consolidated sales is also immaterial.

17. Subsequent Event

The following appropriation of the Company's retained earnings in respect of the year ended March 31, 2005 was proposed by the Board of Directors and approved by the shareholders at the annual general meeting held on June 29, 2005:

Appropriations	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥ 25 per share)	¥ 1,853	$ 17,266
Bonuses to directors and corporate auditors	111	1,034
Transfer to general reserve	10,000	93,179
Total appropriations	¥ 11,964	$ 111,479

Report of Independent Auditors

To the Board of Directors and Shareholders of GLORY LTD.

We have audited the accompanying consolidated balance sheets of GLORY LTD. and its subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our 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 subsidiaries as of March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 2(f), for the year ended March 31, 2004, GLORY LTD. and its subsidiaries adopted the accounting standard for impairment of fixed assets.

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

ChuoAoyama PricewaterhouseCoopers

ChuoAoyama PricewaterhouseCoopers

Osaka, Japan

June 29, 2005

Corporate Data (as of May 31, 2005)

Company Name
GLORY LTD.

Founded
November 27, 1944

Paid-in Capital
¥12,892,947,600

Employees
Consolidated: 5,221
Non-consolidated: 1,775

URL
http://www.glory.co.jp

Board of Directors and Corporate Auditors (as of June 29, 2005)

***Chairman**
Hisao Onoe

***President**
Hideto Nishino

Excecutive Vice President and Director
Katsuhiko Onoe

Senior Executive Directors
Masatoshi Murakami
Masatoshi Ushio

Executive Directors
Kunihiro Ogami
Norishige Matsuoka
Yuichi Funabiki
Hirokazu Onoe

Directors
Hideaki Matsushita
Tomoaki Ishido
Koichi Ohta
Osamu Tanaka
Tetsu Yoshioka
Yoshio Onoe
Shinya Tatsuta

Standing Corporate Auditors
Toru Ariyoshi
Terumi Urakawa

Corporate Auditors
Kazuhiko Yasuhira
Yuichi Takeda

* indicates that the individual is a Representative Director.

Stock Information (as of May 31, 2005)

Common Stock

Number of Shares Authorized
128,664,000

Number of Shares Issued
74,236,210

Unit for Trading
100

Number of Shareholders
14,501

Stock Exchange Listings
Tokyo, Osaka

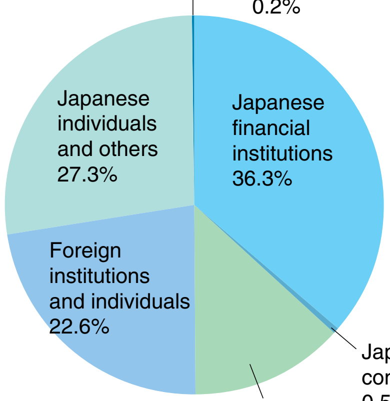
Ticker Symbol Number
6457

Major Shareholders

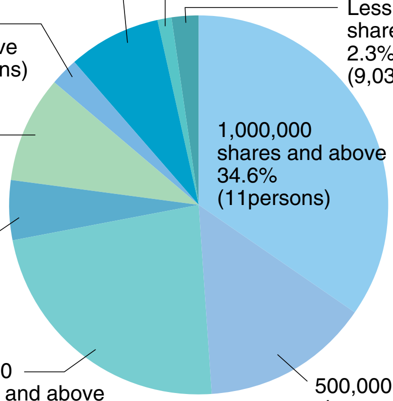
Major Shareholders	Number of shares held (thousands)	Ratio of total shares issued
Nippon Life Insurance Company	4,058	5.5
Japan Trustee Service Bank Ltd. (Trusty Account)	3,628	4.9
Tatsuta Boseki Kaisha, Limited	2,939	4.0
The Master Trust Bank of Japan, Ltd. (Trusty Account)	2,644	3.6
The Chase Manhattan Bank N.A. London	2,316	3.1
Sumitomo Mitsui Banking Corporation	2,100	2.8
Onoe International Limited	2,018	2.7
Winning Limited	1,818	2.5
The Dai-ichi Mutual Life Insurance Company	1,715	2.3
GLORY Group Employees' Stock Ownership Association	1,269	1.7

Note: Number of shares less than thousands of shares are omitted.

Distribution by Ownership of Shares



Distribution by Number of Shares



GLORY

http;// www.glory.co.jp

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