



# ANNUAL REPORT

---

Year ended March 2007

GLORY LTD.

# Profile

Established in 1918, GLORY became a manufacturer of money handling machines in the 1950s. The first accomplishment in this field was development of Japan's first coin counting machine for the Japan Mint. GLORY was subsequently first in Japan to develop many other products that handle money, including coin wrapping machines and cigarette vending machines.

Through these activities, GLORY gained considerable expertise in two core technologies: recognition/identification, and mechatronics. By leveraging these skills, GLORY has expanded beyond coin and currency processing applications. The product lineup includes machines to process checks and business forms, card systems/ service equipment. To further refine its recognition and identification technology, GLORY is studying applications for sophisticated techniques such as biometric authentication.

In Japan, GLORY has two factories and about 100 business and service locations. GLORY began establishing overseas subsidiaries in 1982 and now has 12 subsidiaries. Overseas activities include manufacturing, sales and customer support. GLORY serves many market segments outside Japan, including financial services, distribution, public transport, vending, amusement and others. In Europe, Asia and North America, GLORY is well known as a supplier of money handling solutions backed by a diverse line of equipment designed for reliability and efficiency.

## Contents

Profile	1
Financial Highlights	2
Top Interview	3
Segment Information	7
Corporate Governance and Compliance	9
Topics	11
Consolidated Balance Sheets	13
Consolidated Statements of Income	15
Consolidated Statements of Changes in Net Assets	16
Consolidated Statements of Cash Flows	17
Notes to Consolidated Financial Statements	18
Report of Independent Auditors	33
Investor Information	34

---

### Note on Forward-looking Statements

Statements in this annual report, other than historical facts, are forward-looking statements based on management's assumptions and beliefs in the light of the information currently available to it, and thus involve a certain element of risk and uncertainty. Actual events and results may differ materially from those anticipated in these statements.

# Financial Highlights

GLORY LTD. and its consolidated subsidiaries  
Fiscal years (from April to March)

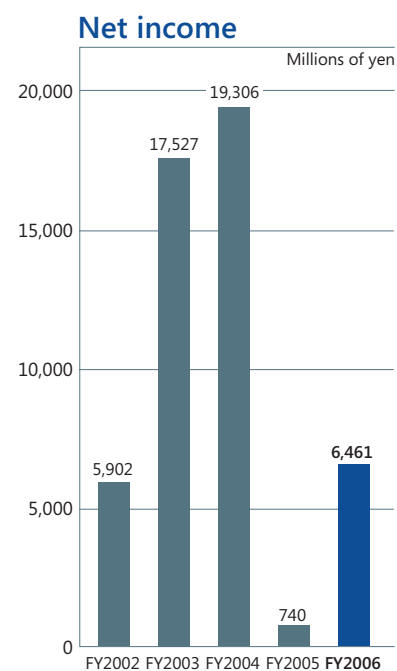
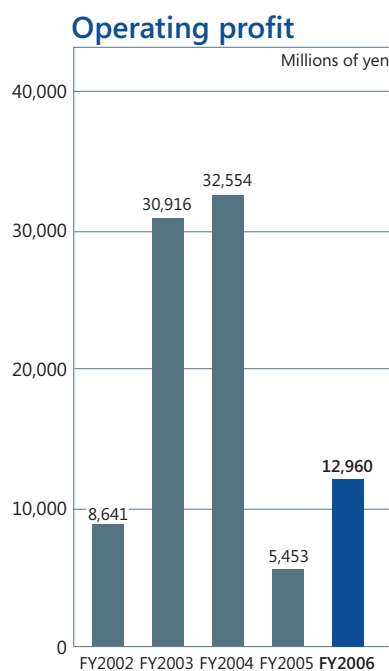
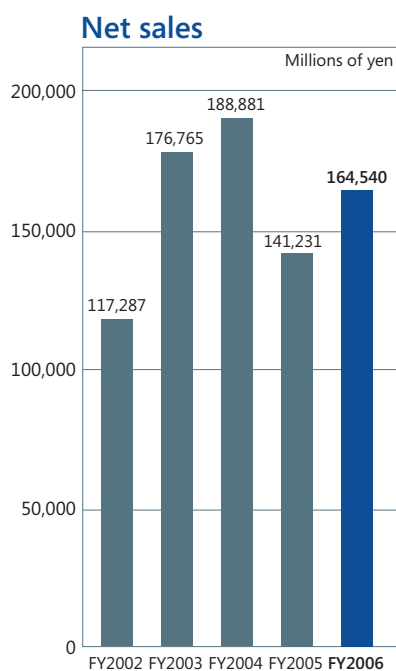
	Millions of yen					Thousand of U.S. dollars
	FY2002	FY2003	FY2004	FY2005	FY2006	FY2006
<b>For the year :</b>						
Net sales	¥ 117,287	¥ 176,765	¥ 188,881	¥ 141,231	¥ 164,540	\$ 1,393,341
Operating profit	8,641	30,916	32,554	5,453	12,960	109,747
Income before income taxes and minority interests	10,702	29,169	31,280	2,323	9,600	81,291
Net income	5,902	17,527	19,306	740	6,461	54,715
Depreciation and amortization	4,864	5,129	5,438	6,889	6,337	53,666
<b>At Year End:</b>						
Total assets	164,077	213,844	217,460	206,361	216,989	1,837,486
Total net assets	110,686	128,504	146,657	146,134	150,842	1,277,343
	Yen					U.S. dollars
<b>Per share ( Yen and US dollars):</b>						
Net income	¥ 157.42	¥ 233.19	¥ 257.00	¥ 9.14	¥ 87.15	\$ 0.74
Cash dividends	16.00	22.00	30.00	22.00	30.00	0.25

Notes) 1. The US dollar amounts are translated, for convenience only, at the rate of ¥118.09=US \$1 the approximate exchange rate at March 31, 2007.

2. GLORY LTD. 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.

3. The data previously presented as "Total shareholders' equity" are shown as "Total net assets" based on new accounting standard implemented from fiscal year 2006.  
See Note 2 to the consolidated financial statements.



## Top Interview

---

President  
Hideto Nishino



---

**I am pleased to report that fiscal 2006, ended March 2007, was a banner year for GLORY. Although the year opened with concerns about a possible slowdown in the financial market as demand stimulated by the issue of new banknotes ran its course, sales surged, earnings rose sharply and the Company increased its dividend payments.**

## Operating Results

Consolidated net income rose 772% from the previous fiscal year to ¥ 6,461 million, while ordinary profit was up 119% on a sales growth of 16.5% to ¥ 164,540 million. Reflecting this strong performance, we paid cash dividends of ¥ 30 per share, ¥ 8 more than in the previous fiscal year.

The major driver of growth was the money handling machines and cash management systems segment, our core business segment. We saw strong demand for new equipment and equipment upgrades from financial institutions, including megabanks and regional financial institutions. Sales in Japan increased, supported by strong sales to Japan Post in preparation for its October 2007 privatization. Sales to foreign financial institutions surged on rising demand for equipment to detect counterfeit currency and to automate various processes. An expanded overseas sales network was another reason.

Conversely, the vending machines and automatic service equipment segment saw sales decline. Sales to vending machine operators increased moderately as demand started to emerge, supported by the requirement that cigarette vending machines equipped with an adult identification function. However, full-scale introduction of these machines has yet to start. On the other hand, the amusement market was sluggish due to an industry-wide decline in capital investment.

Regarding profit, sales improved in the money handling machines and cash management systems segment, reflecting

growing sales to domestic and overseas financial institutions. However, profits remained under severe pressure in other segments.

## Outlook for fiscal 2007

More growth is foreseen for the Japanese economy in fiscal 2007 ending March 31, 2008 as corporate profit remains healthy.

In the money handling machines and cash management systems segment, the GLORY Group expects higher sales. In the financial institution market, the primary reason is growth in the breadth of demand for the segment's products. In particular, large orders are foreseen in association with privatization of Japan Post and higher demand is anticipated from stricter standards for business processes. In the distribution market, rapid changes are occurring as distribution companies aggressively invest to overcome intense competition and take actions aimed at improving their customer services. The Group plans to increase sales by maintaining a product lineup that accurately targets customers' needs. In overseas markets, there is an increasing demand for equipment to detect counterfeit currency and to automate various processes. The Group expects that greater emphasis on direct sales and maintenance



services, chiefly in Europe, will lead to higher sales.

In the vending machines and automatic service equipment segment, the Group expects sales growth from prompt manufacturing, sales and remodeling activities for cigarette vending machines that equipped with an adult identification function. These machines will be used in Japan starting in 2008. In the amusement market, an industry-wide decline in capital investment is impacting on demand. But the Group aims to maintain steady sales by leveraging its strengths as an integrated provider of required products and services other than the amusement machines themselves.

To improve operating efficiency, the Group will quickly take many actions aimed at achieving improvements. Initiatives include reforming the business portfolio such as the cost structure, streamlining business processes, and using human resources productively.

Based on this outlook, the Group forecasts sales of ¥ 170,000 million, ordinary profit of ¥ 12,000 million and net income of ¥ 8,000 million in fiscal 2007 ending March 31 2008.

## Medium-term Business Plan

The fiscal 2006 ended March 31, 2007 was significant as the first year of our Medium-Term Management Plan, which covers a three-year period. During the year, we reformed our business structure and strengthened our operating framework, establishing a base for future growth. In fiscal 2007, which ends March 31, 2008, we will continue to focus on our growth and efficiency strategies in order to build a stronger operating framework. In addition, we will take actions to execute our corporate governance strategy, which we added to the Medium-Term Management Plan in October 2006. Our primary goals are to quickly generate benefits from the merger of GLORY Shoji Co., Ltd., make our businesses even more competitive, and make compliance an integral element of our management.

Our growth strategy is aimed at strengthening our company units by better responding to changes in market conditions and managing operations with greater speed. Each company unit is working on enlarging business domains and raising its

market share. Our actions also target non-cash transactions. We plan to use our GCAN Center, a data processing center, to increase our line of settlement services. Our plans also include developing new businesses like our print verification system. Furthermore, we will continue working on the commercialization of new technologies. Two examples are our exclusive biometrics technology, which uses fingerprints and facial features to confirm an individual's identity, and conversation privacy protection technology.

We intend to use our efficiency strategy to make the businesses of the GLORY Group stronger and more efficient. The central goals are becoming more cost competitive, eliminating overlapping operations, and using our workforce in the most productive manner. To cut costs, we will manufacture more products overseas and buy more parts outside Japan. Raising the efficiency of product and technology development programs and lowering inventories will also cut costs. The merger of GLORY Shoji Co., Ltd. has eliminated a number of overlapping operations. Integrating IT systems is further improving our efficiency.

In addition to these two strategies, we established a corporate governance strategy in October 2006. We believe this third strategy is vital to achieving further growth in our corporate value. By making steady progress toward achieving the goals of our growth, efficiency and corporate governance strategies, we are determined to make the businesses of the GLORY Group even more competitive.

## To Our Shareholders

All management policies at GLORY are guided by a commitment to earning the trust and understanding of shareholders, customers, the local community, society and other stakeholders by giving priority to corporate social responsibility.

GLORY places the utmost importance on contributing to society through business activities, and so fulfilling our responsibilities as corporate citizen. We will continue to do this by supplying money handling machines and other products that play an essential role in economic activity. Furthermore, we also seek to make a positive contribution to the community,



and toward this we established the GLORY Foundation for Children. The Foundation holds hands-on science classes, and arranges children's theater and other events that add to the sound, healthy growth and development of children.

GLORY considers the return of profits to shareholders to be one of management's important company policies. Our fundamental policy for distributing profits is to maintain the amount of annual dividends of ¥ 28 per share based on shareholders' equity after taking into consideration a variety of factors including consolidated financial standing of GLORY.

In accordance with the above policies, GLORY paid a year-end dividend of ¥ 19 (including an ordinary dividend of ¥ 17 and extraordinary dividend of ¥ 2) per share keeping in mind great support given by our shareholders and in response to shareholders' expectations. As GLORY previously paid out ¥ 11 per share as an interim-period dividend, the total dividend for the fiscal year was ¥ 30 per share.

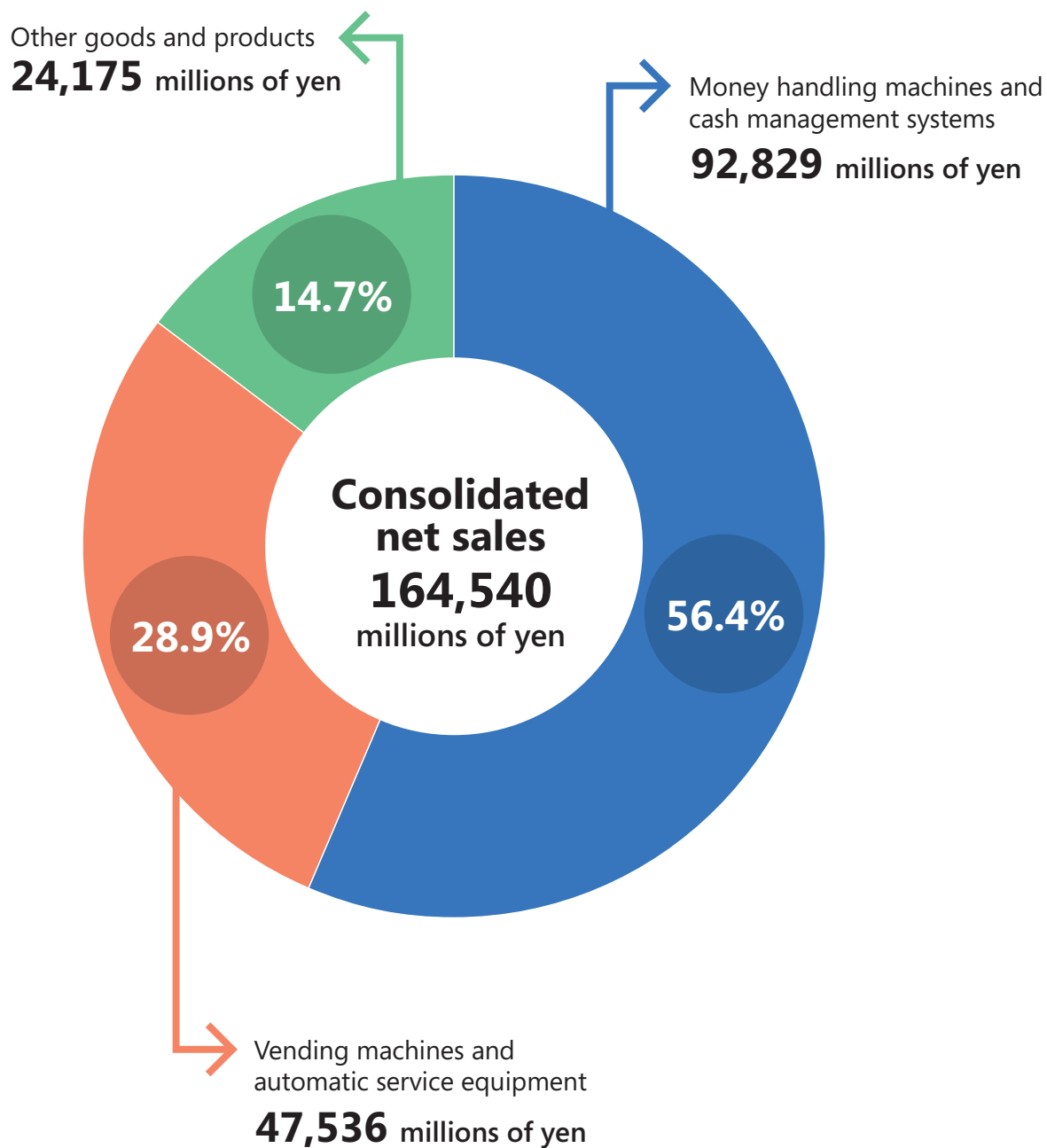
For fiscal 2007 ending March 31, 2008, GLORY plans to pay interim and year-end dividends of ¥ 14 per share, resulting in a fiscal year dividend of ¥ 28.

GLORY is dedicated to meeting the expectations of customers and all other stakeholders by achieving sustained growth and constantly aiming for higher goals. I ask for your continuing support and understanding in all our endeavors.

July 2007

Hideto Nishino  
President

## Segment Information





## Money handling machines and cash management systems

Sales increased 46.0% to ¥ 92,829 million.

### Financial market

In this market, there was growth in sales of open teller systems, our main product in this market sector. Sales of banknote depositing and dispensing components, an OEM product for Japan Post which is going to be privatized, increased.

### Distribution market

In this market, there was a decline in sales of automatic deposit machines, a labor saving product designed for large retail stores. But there was a big increase in sales of cash recycler for cashiers. This was mainly attributable to an expanded lineup, including additional models that handle banknotes. Cash recyclers for cashiers are widely used by retail stores due to their compact size, accuracy and ease of use.

### Overseas market

There was a big increase in sales of banknote depositing units for ATMs and banknote depositing and dispensing machines to customers in Europe. Sales also benefited from solid demand for desktop banknote counters in Europe and Africa and banknote sorting machines in Asia.



Open teller systems  
<WAVE 730 series>



Cash recycler for cashiers  
<RT-50/RAD-50>

## Vending machines and automatic service equipment

Sales decreased 16.7% to ¥ 47,536 million.

### Vending machine market

Although demand was generally weak, aggressive sales activities produced favorable sales of cigarette vending machines equipped with an adult identification function

As a result, sales were about the same as in the previous year.

### Amusement market

There was a decline in sales of token dispensing machines for banknotes and banknote exchange machines.

### Financial and distribution markets

Sales of multi-functional banknote exchange machines were strong, but sales of automatic contract machines were lower.



Cigarette vending machine  
<TNR-E40>

## Other goods and products

Sales increased 17.3% to ¥ 24,175 million.

These are products, parts, accessories and other items purchased from companies other than GLORY Group, Sales increased 17.3% to ¥24,174 million because of growth in sales of products and accessories.

## Building an Even Better Corporate Governance Framework

### Corporate Governance Reforms

The GLORY Group is dedicated to the constant growth in corporate value by coexisting with society, earning the trust and support of all stakeholders, and managing operations in a sound and efficient manner. Strengthening corporate governance is vital to accomplishing this goal. This is why we have enacted a number of corporate governance reforms with a priority on three themes. First is strengthening the management supervision and business execution functions. Second is speeding up decision-making. And third is enhancing the transparency and objectivity of management decisions.

To accomplish these three themes, first we introduced

the Executive Officer System in June 2006 and made other changes. In June 2007 we reduced the maximum number of directors from 17 to 10 in order to allow the Board of Directors to function more effectively. Furthermore, we added an Outside Director to ensure transparency and objectivity, as well as to strengthen the management supervisory function. The Executive Officers arrive at decisions quickly and efficiently under the direct oversight of the representative directors based on decisions made by the Board of Directors. GLORY is firmly committed to using these governance systems in order to make its businesses even more competitive.

### Compliance

GLORY fosters a strong spirit of compliance with the law, company rules and regulations and social norms in all corporate activities among executives and employees. The objective is to live up to GLORY's mission of being a company that is respected and trusted by society.

#### Measures to Upgrade Compliance Activities

The GLORY Group is aware that continuously upgrading compliance activities is essential to reinforcing corporate governance. Senior management takes the lead in making all employees aware of the importance of corporate ethics, in line with GLORY's corporate and management philosophy. We are strengthening internal compliance programs and taking actions to firmly establish these programs throughout the Group.

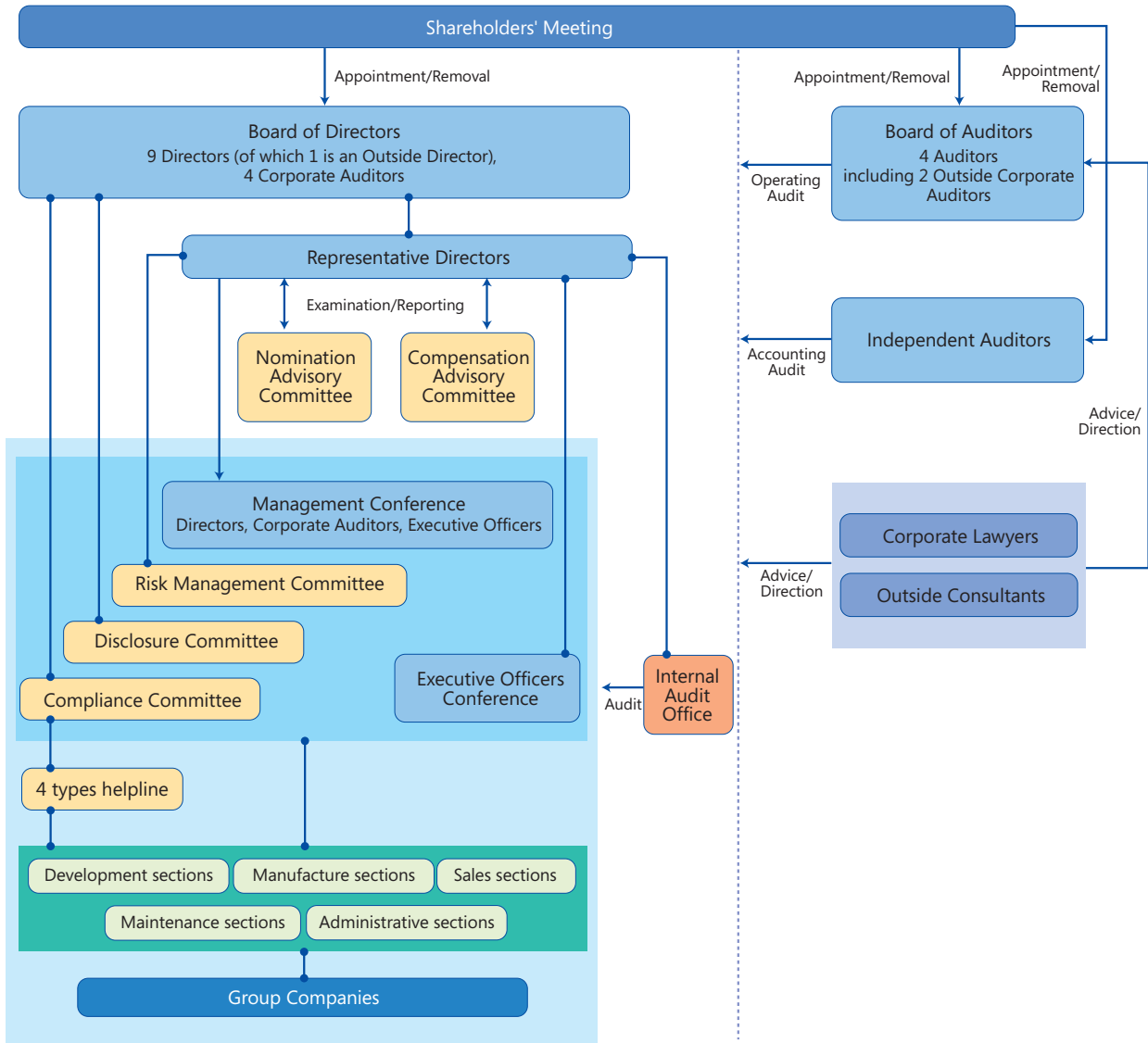
The Board of Directors names a compliance officer who is responsible for the planning and execution of compliance

activities, as well as compliance-related supervision and training. A Compliance Committee, which includes prominent individuals from outside The GLORY Group, examines significant problems involving the group's compliance program and advises to the Board of Directors. Improving the management of compliance activities by reinforcing the directors' oversight function is the primary objective.

GLORY provides employees with four types of compliance help lines, including outside professionals, so that problems can be quickly discovered and resolved. This system also protects individuals who file complaints from negative consequences.

We will continue to take actions to reinforce compliance activities and to put The GLORY Group's management on an even sounder and more efficient footing.

## Corporate Governance Structure



## New Businesses and Technologies for GLORY's Future Growth

### New business domain

As the world has become more dependent on information, there has been rapid growth in demand for security systems in industries of all types. Many companies target this demand by developing an increasingly diverse range of security technologies. GLORY plans to further expand business domain in this market by using our core recognition and identification technologies, as our core technology, we have developed new technologies.

### The world's first facial recognition system with reliability even outdoors

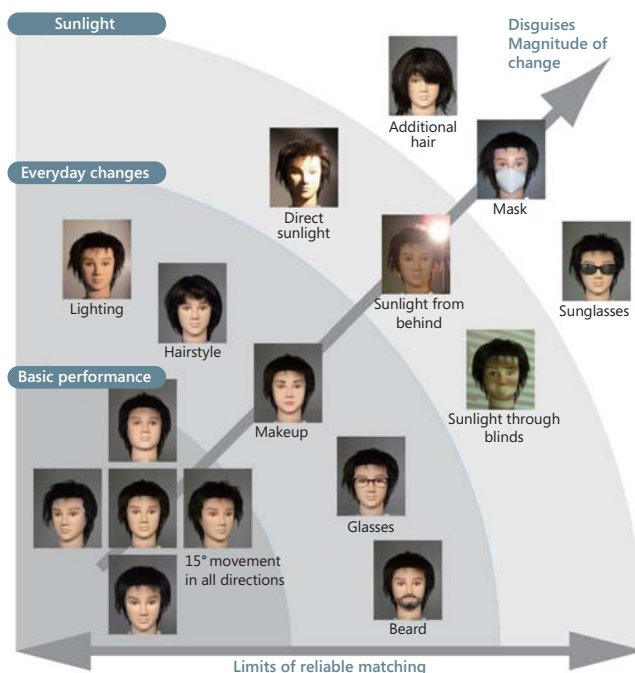
#### Face Recognition System

In recent years, biometrics technology has been attracting growing attention as the ultimate personal identity authentication technology. This technique can use facial features, fingerprints, irises, voices, blood vessels and other items. However, systems using facial features must compensate for hairstyles, makeups, age and other variables. And sunlight presents a challenge for outdoor facial recognition. Due to these problems, facial recognition has not as widely been used as other types of biometric

authentication.

GLORY is using its expertise gained from recognition and identification technologies for processing currency to develop an exclusive technique for comparing faces with an "average face." In 2003, we created a method that can even adapt to facial changes. Through further research, we succeeded in developing a system in 2006 that can accurately verify faces under sunlight. We are now preparing to commercialize this technology.

#### Performance Map for Face Recognition Technology



## Development of new door mechanism

### The Security Door System

GLORY's Security Door System uses a "W swing door" that has no visible hinges or keyhole. With this structure, the door cannot be pried open and the lock is immune from picking. In addition, the door heightens security in the vicinity of the entranceway.

The door is unlocked by using a prism key that recognizes a fingerprint. Images other than fingerprints can be used, and the door also accepts a QR code® as the lock. Each user has a unique "key." Even if the key is lost, no one else can use it. Furthermore, GLORY uses its face recognition technology to incorporate a face recognition automatic response system in the Security Door System. This feature permits verification of

pre-registered visitors and automated voice responses for intruders.

\*QR code is a registered trademark of Denso Wave Inc.



Using the prism key



The W Swing Door

## Protecting the confidentiality of conversations

### Speech Privacy Protection Technology

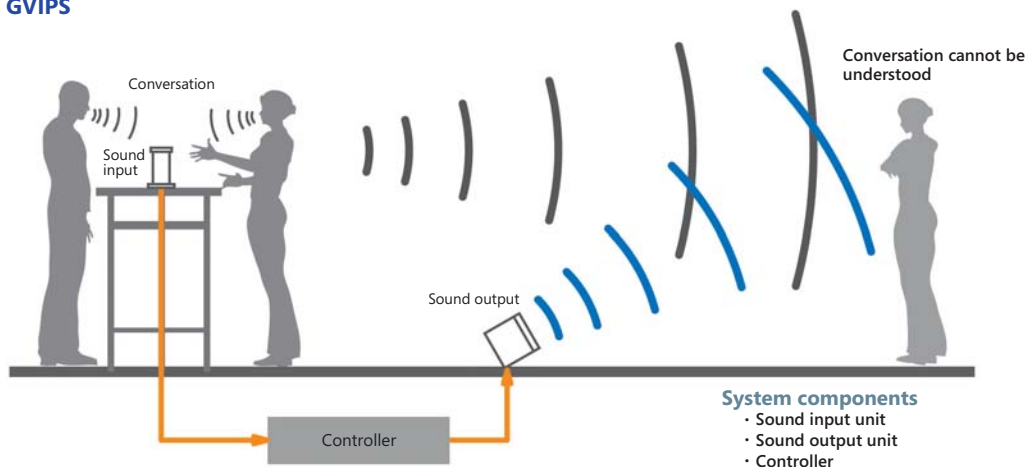
GLORY has developed a technique that shields the contents of conversations from third parties. Called the GVIPS (GLORY Voice Intelligent Protection System) Speech Privacy Protection Technology, this technique was created through a joint research project with Professor Masato Akagi of the Japan Advanced Institute of Science and Technology.

Until now, speech security typically required soundproof walls, a sound masking system that produces noises similar to those of a ventilation system, and other equipment.

Installation expenses and accuracy were problems in all cases.

GLORY's solution is a speech privacy protection technology that analyzes voices on a real-time basis. This allows generating a special sound that is output as the conversation takes place, preventing the contents from being overheard. No major equipment is needed. Another advantage is the absence of noise when no one talks because the system functions only when a conversation is taking place.

### Mechanism of GVIPS



# Consolidated Balance Sheets

GLORY LTD. and its subsidiaries  
At March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
<b>Current assets:</b>			
Cash and cash equivalents	¥ 59,435	¥ 53,300	\$ 503,303
Time deposits	1,339	244	11,336
Notes, accounts and other receivable:			
Notes	5,599	4,278	47,415
Accounts	33,622	25,216	284,714
Other	618	7,897	5,236
Less: allowance for credit losses	(141)	(253)	(1,196)
	<u>39,698</u>	<u>37,137</u>	<u>336,169</u>
Inventories (Note 4)	28,745	24,883	243,412
Short-term investments (Note 3)	2,530	—	21,424
Deferred tax assets (Note 14)	5,162	2,847	43,715
Other current assets	734	614	6,219
<b>Total current assets</b>	<u>137,643</u>	<u>119,028</u>	<u>1,165,578</u>
<b>Property, plant and equipment:</b>			
Land	12,125	11,805	102,679
Buildings and structures	31,674	30,295	268,223
Machinery and equipment	48,358	46,712	409,504
Construction in progress	61	296	503
	<u>92,218</u>	<u>89,110</u>	<u>780,909</u>
Less: accumulated depreciation	(56,334)	(53,508)	(477,040)
<b>Property, plant and equipment, net</b>	<u>35,884</u>	<u>35,602</u>	<u>303,869</u>
<b>Investments and other assets:</b>			
Investments in securities (Note 3)	22,907	26,936	193,979
Investments in and advances to unconsolidated subsidiaries and affiliates	1,591	2,989	13,474
Software costs, net	2,343	2,834	19,842
Goodwill	1,083	1,302	9,172
Deferred tax assets (Note 14)	3,999	4,301	33,868
Other investments and other assets	12,103	13,984	102,491
Less: allowance for credit losses	(564)	(618)	(4,787)
Total investments and other assets	<u>43,462</u>	<u>51,730</u>	<u>368,039</u>
<b>Total assets</b>	<u>¥ 216,989</u>	<u>¥ 206,361</u>	<u>\$ 1,837,486</u>

The accompanying notes are an integral part of these statements.



	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
<b>Current liabilities:</b>			
Short-term debt (Note 5)	¥ 11,954	¥ 17,138	\$ 101,232
Notes and accounts payable:			
Notes	10,274	7,583	87,003
Accounts	10,456	8,134	88,545
	20,730	15,717	175,548
Accrued income taxes (Note 14)	3,952	145	33,463
Accrued expenses	6,892	4,911	58,358
Accruals for debt guarantees	304	—	2,578
Accruals for loss cancellation of lease obligation	2,275	—	19,267
Other current liabilities	9,004	8,176	76,241
<b>Total current liabilities</b>	<b>55,111</b>	<b>46,089</b>	<b>466,687</b>
<b>Long-term liabilities:</b>			
Accrued severance indemnities (Note 6)	8,762	11,032	74,196
Other long-term liabilities	2,274	2,443	19,260
<b>Total long-term liabilities</b>	<b>11,036</b>	<b>13,476</b>	<b>93,456</b>
<b>Contingencies (Note 7)</b>			
<b>Minority interests</b>	—	661	—
<b>Shareholders' equity</b>			
Common stock:			
Authorized - 128,664,000 shares			
Issued-74,236,210 shares at March 31, 2006	—	12,893	—
Capital surplus	—	20,630	—
Retained earnings	—	109,740	—
Net unrealized gain on securities	—	3,051	—
Foreign currency translation adjustments	—	(71)	—
Less: treasury stock			
— 92,486 shares at March 31, 2006	—	(109)	—
<b>Total shareholders' equity</b>	<b>—</b>	<b>146,134</b>	<b>—</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>¥ —</b>	<b>¥ 206,361</b>	<b>\$ —</b>
<b>Net assets: (Note 10)</b>			
Common stock:			
Authorized - 128,664,000 shares			
Issued-74,236,210 shares at March 31, 2007	¥ 12,893	¥ —	\$ 109,179
Capital surplus	20,630	—	174,697
Retained earnings	114,505	—	969,639
Less: Treasury stock			
— 92,973 shares at March 31, 2007	(111)	—	(937)
<b>Total shareholders' equity</b>	<b>147,917</b>	<b>—</b>	<b>1,252,578</b>
Net unrealized gain on securities (Note 11)	2,146	—	18,170
Foreign currency translation adjustments	106	—	900
<b>Total accumulated gain from revaluation and translation adjustments</b>	<b>2,252</b>	<b>—</b>	<b>19,070</b>
Minority interests	673	—	5,695
<b>Total net assets</b>	<b>150,842</b>	<b>—</b>	<b>1,277,343</b>
<b>Total liabilities and net assets</b>	<b>¥ 216,989</b>	<b>¥ —</b>	<b>\$ 1,837,486</b>

The accompanying notes are an integral part of these statements.



# Consolidated Statements of Changes in Net Assets

GLORY LTD. and its subsidiaries

Years ended March 31, 2007 and 2006

Millions of yen

	Number of shares of common stock	Shareholders' equity				Total shareholders' equity	Revaluation and translation adjustments				Total net assets
		Common stock	Capital surplus	Retained earnings	Treasury stock		Net unrealized gain on securities	Foreign currency translation adjustments	Total revaluation and translation adjustments	Minority interest	
<b>Balance at March 31, 2006</b>	<b>74,236,210</b>	<b>¥ 12,893</b>	<b>¥ 20,630</b>	<b>¥ 109,740</b>	<b>¥ (109)</b>	<b>¥ 143,154</b>	<b>¥ 3,051</b>	<b>¥ (71)</b>	<b>¥ 2,980</b>	<b>¥ —</b>	<b>¥ 146,134</b>
Net income	—	—	—	6,461	—	6,461	—	—	—	—	6,461
Cash dividends paid	—	—	—	(1,631)	—	(1,631)	—	—	—	—	(1,631)
Bonuses to directors and corporate auditors	—	—	—	(65)	—	(65)	—	—	—	—	(65)
Increase in treasury stock	—	—	—	—	(2)	(2)	—	—	—	—	(2)
Minority interests, reclassified as of March 31, 2006	—	—	—	—	—	—	—	—	—	661	661
Changes of items other than shareholders' equity	—	—	—	—	—	—	(905)	177	(728)	12	(716)
<b>Balance at March 31, 2007</b>	<b>74,236,210</b>	<b>¥ 12,893</b>	<b>¥ 20,630</b>	<b>¥ 114,505</b>	<b>¥ (111)</b>	<b>¥ 147,917</b>	<b>¥ 2,146</b>	<b>¥ 106</b>	<b>¥ 2,252</b>	<b>¥ 673</b>	<b>¥ 150,842</b>

Thousands of U.S. Dollars (Note 1)

	Shareholders' equity				Total shareholders' equity	Revaluation and translation adjustments				Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock		Net unrealized gain on securities	Foreign currency translation adjustments	Total revaluation and translation adjustments	Minority interest	
<b>Balance at March 31, 2006</b>	<b>\$ 109,179</b>	<b>\$ 174,697</b>	<b>\$ 929,298</b>	<b>\$ (928)</b>	<b>\$ 1,212,246</b>	<b>\$ 25,837</b>	<b>\$ (601)</b>	<b>\$ 25,236</b>	<b>\$ —</b>	<b>\$ 1,237,482</b>
Net income	—	—	54,715	—	54,715	—	—	—	—	54,715
Cash dividends paid	—	—	(13,813)	—	(13,813)	—	—	—	—	(13,813)
Bonuses to directors and corporate auditors	—	—	(561)	—	(561)	—	—	—	—	(561)
Increase in treasury stock	—	—	—	(9)	(9)	—	—	—	—	(9)
Minority interests, reclassified as of March 31, 2006	—	—	—	—	—	—	—	—	5,599	5,599
Changes of items other than shareholders' equity	—	—	—	—	—	(7,667)	1,501	(6,166)	96	(6,070)
<b>Balance at March 31, 2007</b>	<b>\$ 109,179</b>	<b>\$ 174,697</b>	<b>\$ 969,639</b>	<b>\$ (937)</b>	<b>\$ 1,252,578</b>	<b>\$ 18,170</b>	<b>\$ 900</b>	<b>\$ 19,070</b>	<b>\$ 5,695</b>	<b>\$ 1,277,343</b>

Millions of yen

	Number of shares of common stock	Common stock		Retained earnings	Net unrealized gain on securities	Foreign currency translation adjustments		Treasury stock
		Common stock	Capital surplus			Net unrealized gain on securities	Foreign currency translation adjustments	
<b>Balance at March 31, 2005</b>	74,236,210	¥ 12,893	¥ 20,630	¥ 111,920	¥ 1,471	¥ (149)	¥ (108)	
Net income	—	—	—	740	—	—	—	
Cash dividends paid	—	—	—	(2,669)	—	—	—	
Bonuses to directors and corporate auditors	—	—	—	(251)	—	—	—	
Increase due to valuation of securities, net of tax	—	—	—	—	1,580	—	—	
Adjustments on foreign currency financial statement translation	—	—	—	—	—	78	—	
Increase in treasury stock	—	—	—	—	—	—	(1)	
<b>Balance at March 31, 2006</b>	<b>74,236,210</b>	<b>¥ 12,893</b>	<b>¥ 20,630</b>	<b>¥ 109,740</b>	<b>¥ 3,051</b>	<b>¥ (71)</b>	<b>¥ (109)</b>	

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Cash Flows

GLORY LTD. and its subsidiaries  
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
<b>Operating activities:</b>			
Income before income taxes and minority interests	¥ 9,600	¥ 2,323	¥ 81,291
Adjustments for:			
Depreciation and amortization	6,337	6,889	53,666
Interest and dividend income	(503)	(575)	(4,262)
Interest expense	244	313	2,067
Net loss on sales or disposal of property, plant and equipment	485	325	4,107
Loss on payment for litigation settlement	723	2,359	6,125
Net gain on sales of investments in securities	—	(14)	—
Increase (decrease) in accrued severance indemnities	(2,356)	1,750	(19,951)
Increase in accruals for debt guarantees	304	—	2,578
Increase in allowance for loss cancellation of lease obligations	2,275	—	19,267
Decrease (increase) in notes, accounts and other receivable	(9,439)	9,876	(79,933)
Increase in inventories	(3,149)	(890)	(26,663)
Increase (decrease) in notes and accounts payable	4,900	(4,454)	41,495
Increase (decrease) in accrued expenses	673	(231)	5,696
Other, net	4,826	(7,313)	40,859
(Sub total)	14,920	10,359	126,342
Interest and dividend income received	493	567	4,175
Interest expense paid	(239)	(313)	(2,022)
Loss on payment for litigation settlement	(723)	(2,359)	(6,125)
Income taxes paid	4,256	(10,870)	36,045
<b>Net cash provided by (used in) operating activities</b>	<b>18,707</b>	<b>(2,617)</b>	<b>158,415</b>
<b>Investing activities:</b>			
Payments for purchase of property, plant and equipment	(4,553)	(4,888)	(38,554)
Proceeds from sales of property, plant and equipment	150	160	1,274
Payments for purchase of investments in securities	(340)	(574)	(2,879)
Proceeds from sales of investments in securities	128	60	1,084
Payments for purchase of software	(643)	(1,098)	
Decrease (increase) in time deposits, net	(94)	505	(794)
Proceeds from sales of investments in newly consolidated subsidiaries	—	321	(5,445)
Decrease (increase) in other investments, net	(66)	781	(565)
<b>Net cash used in investing activities</b>	<b>(5,418)</b>	<b>(4,732)</b>	<b>(45,879)</b>
<b>Financing activities:</b>			
Net decrease in short-term loans	(5,208)	(2,102)	(44,098)
Cash dividends paid	(1,632)	(2,665)	(13,824)
Other, net	(762)	(441)	(6,453)
<b>Net cash used in financing activities</b>	<b>(7,602)</b>	<b>(5,209)</b>	<b>(64,375)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>179</b>	<b>131</b>	<b>1,519</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>5,866</b>	<b>(12,427)</b>	<b>49,680</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>53,300</b>	<b>65,728</b>	<b>451,353</b>
<b>Effect of the increase in scope of consolidated subsidiaries</b>	<b>269</b>	<b>—</b>	<b>2,270</b>
<b>Cash and cash equivalents at end of the year</b>	<b>¥ 59,435</b>	<b>¥ 53,300</b>	<b>¥ 503,303</b>

The accompanying notes are an integral part of these statements.

# Notes to Consolidated Financial Statements

GLORY LTD. and its subsidiaries

## 1. BASIS OF PRESENTING THE 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 Corporation Law of Japan (the "Corporation Law") 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.

The accounts of overseas subsidiaries consolidated with the Company are based on the financial statements prepared in conformity with generally accepted accounting principles ("GAAP") prevailing in the countries where the subsidiaries have been incorporated. Financial statements have not been materially affected by the differences between the GAAP prevailing in these countries and Japanese GAAP. Therefore, no adjustments have been reflected in the accompanying consolidated financial statements to present the accounts of the subsidiaries in compliance with Japanese accounting principles.

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (1) Consolidation Principles

The Company had 31 subsidiaries and 2 affiliates as of March 31, 2007 and 34 subsidiaries and 1 affiliate as of March 31, 2006. The accompanying consolidated financial statements include the accounts of the Company and its 19 and 17 subsidiaries (together, the "Companies") as of March 31, 2007 and 2006, which are listed below:

2007		2006	
Name	Year-end	Name	Year-end
GLORY KIKI CO., LTD	March 31	GLORY SHOJI CO., LTD *1	March 31
HOKKAIDO GLORY CO., LTD	March 31	GLORY KIKI CO., LTD	March 31
GLORY SERVICE CO., LTD	March 31	HOKKAIDO GLORY CO., LTD	March 31
GLORY LINCS CO., LTD	March 31	GLORY SERVICE CO., LTD	March 31
KASAI GLORY LTD.	March 31	GLORY LINCS CO., LTD	March 31
SAYO GLORY LTD.	March 31	KASAI GLORY LTD.	March 31
GLORY TEC LTD.	March 31	SAYO GLORY LTD.	March 31
NASCA CORPORATION	March 31	GLORY TEC LTD.	March 31
GLORY AZ SYSTEM CO., LTD *2	March 31	NASCA CORPORATION	March 31
MARUESU GT CO., LTD. *2	March 31	Glory (U.S.A) Inc.	March 31
Glory (U.S.A) Inc.	March 31	Glory GmbH	December 31
Glory GmbH	December 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
Glory Europe GmbH	December 31	Standardwerk Eugen Reis GmbH	December 31
Standardwerk Eugen Reis GmbH	December 31	Reis Service GmbH	December 31
Reis Service GmbH	December 31		
Glory Austria GmbH *2	December 31		

Notes:

\*1 GLORY SHOJI CO., LTD. was merged on October 1, 2006 with GLORY LTD. which is the surviving company.

\*2 Due to the increased materiality of its business operations, GLORY AZ SYSTEM CO., LTD., MARUESU GT CO., LTD. and Glory Austria GmbH have been included in consolidation from the year ended March 31, 2007.

---

The remaining 12 unconsolidated subsidiaries at March 31, 2007 were not consolidated because their aggregate amount of sales, assets, net income/loss and retained earnings (for net income/ loss and retained earnings, amounts corresponding to ownership) were not material to the consolidated results of operations, total assets, net income/ loss and retained earnings, respectively.

For the purpose of preparing the accompanying consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits among the Companies have been eliminated.

Glory Europe GmbH, Standardwerk Eugen Reis GmbH, Reis Service GmbH, Glory GmbH and Reis Austria GmbH were consolidated using the financial statements as of December 31, because the difference between the closing date of the subsidiaries and that of the Company did not exceed three months. Significant transactions between December 31 and March 31 were adjusted on consolidation. Glory GmbH changed its closing date from March 31 to December 31 in 2005, therefore the results of its operations and cash flows for the nine-month period ended December 31, 2005 were included in the 2006 consolidated financial statements.

On the acquisition of a subsidiary, all of the subsidiaries' assets and liabilities that exist at the date of acquisition are recorded at their fair value.

Any material difference between the cost of investment in a subsidiary and the equity in its net assets at the date of acquisition, which is presented as "Goodwill" on the consolidated balance sheets is amortized over 5~10 years.

Investments in remaining unconsolidated subsidiaries and affiliates are carried at cost and are not adjusted for equity in earnings (losses) of such subsidiaries and affiliates for each period because the effect of applying the equity method is not material.

## **(2) Translation of Foreign Currency Financial Statements**

The accounts of the overseas consolidated subsidiaries are translated into Japanese yen by the methods prescribed under the statements issued by the Business Accounting Deliberation Council of Japan. Under this method, balance sheet accounts are translated at current rates, shareholders' equity is translated at the historical rate and revenues and expenses are translated at the average rate for the respective periods.

Differences arising from the translations are recorded "Foreign currency translation adjustments" in net assets.

## **(3) Cash Equivalents**

Cash equivalents include all highly liquid investments, generally with an original maturity date of three months or less, those are readily convertible to known amounts of cash and have so near maturity that they present an insignificant risk of change in value due to interest rates.

## **(4) Valuation of Securities**

The Company and its domestic subsidiaries have adopted the Financial Accounting Standard on "Accounting for Financial Instruments" issued by the Business Accounting Deliberation Council. Following the standard, all securities other than investments in subsidiaries and affiliates are classified as "Held-to-maturity securities" and "Other securities" which represent securities other than trading securities. "Held-to-maturity securities" are stated at amortized cost.

Marketable "Other securities" are stated at market value. Net unrealized gain or loss on "Other securities" is reported as a separated item in net assets, net of related tax effect. Such unrealized gain or loss on "Other securities" in net assets is not available for distribution as dividends and bonuses to directors and corporate auditors under the Corporation Law. Costs of these their sales 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.

## **(5) Derivatives**

Following the Financial Accounting Standard on "Accounting for Financial Instruments", derivative financial instruments are recognized in the financial statements and measured at fair value.

In addition, forward foreign exchange contracts that meet the criteria are accounted for under the allocation method. The allocation method requires recognized foreign currency receivables or payables to be translated using the corresponding forward foreign exchange contract rates.

## **(6) Valuation of 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.



---

#### **(7) Property, plant and Equipment**

Property, plant and equipment (other than buildings acquired on or after April 1, 1998, to which the straight-line method is applied) are depreciated by the declining-balance method over the estimated useful lives of the assets. Depreciation of overseas subsidiaries is mainly computed using the straight-line method. The range of the estimated useful lives is principally from 3 to 50 years for buildings and structures, and from 4 to 12 years for machinery and equipment.

#### **(8) 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.

#### **(9) Capitalized Software Costs**

The Company and its domestic subsidiaries capitalize 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.

#### **(10) 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 uncollectible amounts based on management's judgment. Allowance for credit losses of the Company's overseas subsidiaries is provided in an amount deemed uncollectible based on management's judgment.

#### **(11) 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 prior service costs are amortized on declining balance method, over 15 years.

#### **(12) Accruals for Loss Cancellation of Lease Obligations**

From the year ended March 31, 2007, accruals for loss cancellation of lease obligations before maturity is provided at the average percentage of the loss on actual defaults suffered during certain past periods, together with an amount necessary to cover possible loss based on management's judgment, due to increase of the probability of the losses.

The effect of the initial application is to decrease operating profit by ¥ 160 million (\$1,352 thousand) and decrease income before income taxes by ¥ 2,275 million (\$19,267 thousand).

#### **(13) Accruals for Debt Guarantees**

From the year ended March 31, 2007, accruals for debt guarantees is provided at the average percentage of performance of guarantees on actual defaults suffered during certain past periods, together with an amount necessary to cover possible loss based on management's judgment, due to increase of the probability of the losses.

The effect of the initial application is to decrease operating profit by ¥ 106 million (\$904 thousand) and decrease income before income taxes by ¥ 304 million (\$2,578 thousand).

#### **(14) Foreign Currency Translation**

The Company and its domestic subsidiaries have adopted the Financial Accounting Standard on "Accounting for Foreign Currency Transactions".

---

Following the standard, receivables and payables denominated in foreign currencies are translated into Japanese yen at the relevant exchange rates prevailing at the respective balance sheet dates.

The resulting transaction gains or losses are included in the determination of "Other operating income" for the respective periods.

#### **(15) Appropriation of Retained Earnings**

Before May 1, 2006, under the Commercial Code and the articles of incorporation of the Company, proposals 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 fiscal year. The appropriation of retained earnings reflected in the accompanying consolidated financial statements for each fiscal year represents the appropriations which were approved by the shareholders' meeting and disposed of during that year but were related to the immediately preceding fiscal year.

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

On May 1, 2006, the new Corporation Law took effect. Under the Corporation Law, if approved at the shareholders' meeting, a company can pay dividends at any time during the year. In addition to that, if a company satisfies certain conditions and stipulates in the articles of incorporation, company can pay dividends several times in a year.

Effective from the year ended March 31, 2007, the Company applied "Accounting standard for directors' bonus" (Accounting Standards Board of Japan Statement No.4 issued on November 29, 2005). The accrual for bonuses to directors and corporate auditors is provided based on the expected payment of bonuses to directors and corporate auditors, though its payment requires approval of shareholders' meeting.

As a result of the application of this standard, operating profit, and income before income taxes and minority interests for the year ended March 31, 2007 decreased by ¥ 153 million (\$1,295 thousand), respectively.

#### **(16) Income Taxes**

Deferred income taxes are provided for temporary differences between the carrying amount of assets and liabilities for financial reporting and income tax purpose.

The Company applied a consolidated income tax return system.

#### **(17) Net Income and Dividends per Share**

Basic net income per share is based upon the weighted average number of shares of common stock outstanding during each period.

Diluted net income per share is based upon the weighted average number of shares of common stock outstanding after consideration of the dilutive effect during each year.

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

#### **(18) Accounting Standard for Presentation of Net Assets in the Balance Sheet**

Effective from the year ended March 31, 2007, the Company has applied "Accounting standards for presentation of net assets in the balance sheet" (Accounting Standards Board of Japan Statement No.5), and "Implementation guidance for Accounting standards for presentation of net assets in the balance sheet" (Accounting Standards Board of Japan Guidance No.8) both issued on December 9, 2005.

"Net assets" in the balance sheets for this year is presented according to the revision of "Regulations Concerning the Terminology, Form and Presentation Methods of Consolidated Financial Statements" dated on April 25, 2006. Furthermore, the Company presented its net assets in the balance sheets using the new presentation as of March 31, 2006.

The amounts corresponding to the conventional "Shareholders' equity" in the balance sheet is ¥ 150,169 million (\$1,271,648 thousand) and ¥ 206,361 million as of March 31, 2007 and 2006, respectively.

#### **(19) Reclassifications**

Certain prior-year amounts have been reclassified to conform to the current year's presentation.

### 3. SHORT-TERM INVESTMENTS AND INVESTMENTS IN SECURITIES

Short-term investments and investments in securities held by the Companies as of March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Short-term investments:			
Government and corporate bonds	¥ 30	¥ —	\$ 254
Other securities	2,500	—	21,170
	¥ 2,530	¥ —	\$ 21,424
Investments in securities:			
Equity securities	¥ 8,905	¥ 10,420	\$ 75,406
Government and corporate bonds	499	516	4,228
Other	13,503	16,000	114,345
	¥ 22,907	¥ 26,936	\$ 193,979

Book value and fair value information on "Held-to-maturity securities" as of March 31, 2007 and 2006 are summarized as follows:

	Millions of yen					
	2007			2006		
	Book value per balance sheet	Fair value	Difference	Book value per balance sheet	Fair value	Difference
Securities whose fair values exceed their book value:						
Other	¥ 1,000	¥ 1,000	¥ 0	¥ 1,000	¥ 1,000	¥ 0
Securities whose fair values do not exceed their book value:						
Other	15,000	14,348	(652)	15,000	13,745	(1,255)
	16,000	15,348	(652)	16,000	14,745	(1,255)
Market value not available	42			—		
	¥ 16,042			¥ 16,000		

	Thousands of U.S. Dollars		
	2007		
	Acquisition costs	Book value per balance sheet	Difference
Securities whose fair values exceed their book value:			
Other	\$ 8,468	\$ 8,473	\$ 5
Securities whose fair values do not exceed their book value:			
Other	127,022	121,498	(5,524)
	135,490	129,971	(5,519)
	356		
	\$ 135,846		

Book value and acquisition cost information on "Other securities" as of March 31, 2007 and 2006 are summarized as follows:

	Millions of yen					
	2007			2006		
	Acquisition costs	Book value per balance sheet	Difference	Acquisition costs	Book value per balance sheet	Difference
Securities whose book values exceed their acquisition costs:						
Equity securities	¥ 3,239	¥ 7,048	¥ 3,809	¥ 3,557	¥ 8,745	¥ 5,188
Securities whose book values do not exceed their acquisition costs:						
Equity securities	764	585	(179)	341	314	(26)
Corporate bonds	500	487	(13)	500	473	(26)
Other	3	3	(0)	—	—	—
	¥ 4,506	¥ 8,123	¥ 3,617	¥ 4,398	¥ 9,534	¥ 5,135
		2,157			1,402	
		¥ 10,280			¥ 10,936	

	Thousands of U.S. Dollars		
	2007		
	Acquisition costs	Book value per balance sheet	Difference
Securities whose fair values exceed their book value:			
Other	\$ 27,430	\$ 59,682	\$ 32,252
Securities whose fair values do not exceed their book value:			
Equity securities	6,467	4,951	(1,516)
Corporate bonds	4,234	4,127	(107)
Other	26	25	(1)
	\$ 38,157	\$ 68,785	\$ 30,628
		18,265	
		\$ 87,050	

"Other securities" sold during the year ended March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
	¥	¥	\$
Proceeds from sales	128	60	1,084
Gain on sales	13	14	114
Loss on sales	—	—	—

As for "Other securities", if their fair market value has declined more than 50 % of their book value, such securities are measured at their fair market value, and any decreases in the carrying amounts are charged to income as the loss on valuation of short-term investments or investments in securities.

As for "Other securities" which are not marketable, if real price of the securities declined remarkably due to aggravation of financial condition of issuing companies, such securities are impaired accordingly.

The Companies recognized ¥ 36 million (\$306 thousand) in loss on valuation of investments in securities for the years ended March 31, 2007, respectively.

## 4. INVENTORIES

Inventories as of March 31, 2007 and 2006 comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Finished goods and merchandise	¥ 14,442	¥ 14,050	\$ 122,298
Work in process	7,513	5,857	63,619
Raw materials and supplies	6,790	4,975	57,495
	¥ 28,745	¥ 24,883	\$ 243,412

## 5. SHORT-TERM DEBT AND LONG-TERM DEBT

(1) Information on the amount of short-term debt outstanding as of March 31, 2007 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Loans from banks and an insurance company	¥ 11,245	¥ 16,382	\$ 95,228

The average interest rate applicable to short-term bank loans as of March 31, 2007 and 2006 was 1.8%, respectively.

(2) Long-term debt (including in other long-term liabilities on the accompanying consolidated balance sheets) as of March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Loans from banks and an insurance company, due from 2008 to 2011	¥ 1,945	¥ 2,699	\$ 95,228
Less: portion due within one year	(709)	(755)	(6,004)
	¥ 1,236	¥ 1,944	\$ 89,224

The average interest rate applicable to long-term loans as of March 31, 2007 and 2006 was 1.6%, respectively.

(3) The aggregate annual maturities of long-term debt subsequent to March 31, 2007 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2008	¥ 709	\$ 6,004
2009	709	6,004
2010	499	4,221
2011	28	237
2012 and thereafter	—	—
	¥ 1,945	\$ 16,466

(4) The Companies' assets pledged as collateral for long-term debt (including the current portion of long-term debt) and short-term debt as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Assets pledged as collateral:			
Land	¥ 35	¥ 31	\$ 295
Buildings and structures	257	251	2,175
	292	282	2,470
Secured debt:			
Short-term debt (Current portion of long-term debt)	¥ 52	¥ 46	\$ 441

## 6. SEVERANCE AND PENSION PLANS

(1) Employees of the Company and eleven 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.

Employees of the Company and its domestic consolidated subsidiaries are covered by contributory funded defined benefit enterprise pension plans, cash balance pension fund plans, non-contributory tax-qualified pension plans and lump-sum payment plans. The extra indemnities upon termination that may be paid to employees are not included in accrued severance indemnities.

GLORY SHOJI CO., LTD. was merged on October 1, 2006 with the Company. With respect to this merger, its subsidiary has adopted "Accounting for Transfers Among Retirement Benefits Plans" ("Financial Accounting Standard Implementation Guidance No.1"). The effect of this application was to increase income before income taxes by ¥ 110 million (\$930 thousand) and was recorded as "Gain on termination of partial retirement benefit plan" in the consolidated statements of income for the year ended March 31, 2007.

In addition, the Company transferred a non-contributory tax-qualified pension plan to a cash balance pension fund plan in October 1, 2006.

(2) The following is a reconciliation of projected benefit obligation to net liability recognized in the accompanying consolidated balance sheets as of March 31, 2007 and 2006.

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Projected benefit obligation	¥ 28,601	¥ 30,539	\$ 242,194
Fair value of plan assets	(21,265)	(18,758)	(180,078)
Funded status	7,335	11,781	62,116
Unrecognized actuarial difference	(1,784)	(2,085)	(15,106)
Unrecognized prior service costs	3,211	(28)	27,186
Net liability recognized in balance sheets	8,762	9,667	74,196
Prepaid pension expenses	—	—	—
Accrued severance indemnities	¥ 8,762	¥ 9,667	\$ 74,196

Projected benefit obligation was determined using discount rate of 2.0%, and the expected rate of return on plan assets was 0.0% and 2.0% for the years ended March 31, 2007 and 2006, respectively.

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.

(3) Components of net periodic benefit cost for the years ended March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Service cost	¥ 1,793	¥ 1,837	\$ 15,182
Interest cost	605	570	5,125
Expected return on plan assets	(375)	—	(3,177)
Amortization of actuarial difference	352	833	2,985
Amortization of prior service costs	(157)	4	(1,332)
Other	(110)	—	(930)
Net periodic benefit cost	¥ 2,108	¥ 3,245	\$ 17,853

Service cost is attributed based on years of service and does not include employees' contributions to the contributory funded benefit pension plan.



## 7. CONTINGENCIES

The Company provided guarantees for bank loans drawn by its employees. Such guarantees aggregated ¥ 80 million (\$680 thousand) and ¥ 78 million as of March 31, 2007 and 2006, respectively.

The Company's group provided guarantees for lease obligations owed by its customers. Such guarantees amounted to ¥ 3,161 million (\$26,768 thousand) and ¥ 3,326 million as of March 31, 2007 and 2006, respectively.

The Company's group provided guarantees for lease obligations owed by its sales agency's customers. Such guarantees amounted to ¥ 13 million (\$114 thousand) and ¥ 51 million as of March 31, 2007 and 2006, respectively.

## 8. LEASE COMMITMENTS

### (1) Lessee

Lease expense, reversal of impairment loss on leaseholds, depreciation expense, interest expense and impairment loss relating to financing leases which do not transfer ownership of the leased properties to the lessee during the terms of the leases as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Lease expense	¥ 3,061	¥ 4,018	\$ 25,922
Reversal of impairment loss on leaseholds	93	84	788
Depreciation expense	2,596	3,666	21,984
Interest expense	279	322	2,365
Impairment loss	—	—	—

Depreciation expense is computed by the straight-line method over the terms of the related leases. The interest expense is computed by the interest method.

The aggregate future lease payments as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Due within one year	¥ 2,518	¥ 2,841	\$ 21,319
Due after one year	4,312	4,971	36,514
	¥ 6,830	¥ 7,812	\$ 57,833
Outstanding of impairment loss on leaseholds	¥ 108	¥ 201	\$ 916

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

A summary of the leased properties under the above leases as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Machinery, equipment and software	¥ 13,750	¥ 15,275	\$ 116,438
Less: Accumulated depreciation	(6,595)	(7,753)	(55,846)
Less: Accumulated impairment loss	(281)	(286)	(2,383)
	¥ 6,874	¥ 7,235	\$ 58,209

Aggregate future lease payments under non-cancelable operating lease as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Due within one year	¥ 85	¥ 54	\$ 722
Due after one year	86	56	723
	¥ 171	¥ 111	\$ 1,445

## 2) Lessor

Aggregate future lease receivables for sublease as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Due within one year	¥ 1,917	¥ 1,508	\$ 16,231
Due after one year	3,930	3,770	33,280
	¥ 5,847	¥ 5,279	\$ 49,511

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. DERIVATIVE 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.

	Millions of yen		Thousands of U.S. dollars	
	Contract value	Fair value	Contract value	Fair value
Forward foreign exchange contracts	¥ 513	¥ 584	\$ 4,341	\$ 4,946

## 10. NET ASSETS

The new Corporation Law which superseded most of the provisions of the Commercial Code took effect on May 1, 2006. The Corporation law provide that the Company can pay dividends at any time by resolution of shareholders meeting or by the Board of Directors, if certain conditions are met. The Corporation Law provides that an amount equal to 10% of cash dividends is required to set aside until the total amount of additional paid-in capital (part of "Capital surplus") and legal reserve (part of "Retained earnings") equals to 25% of the common stock account. The Corporation Law also provides that by the resolution of shareholders' meeting, additional paid-in capital or legal reserve can be transferred to retained earnings without limitation, whereas under the Commercial Code, the transfer amount was limited to so as not to below 25% of the total amount of additional paid-in capital and legal reserve.

## 11. UNREALIZED GAIN OR LOSS ON SECURITIES

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

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Market value in excess of cost	¥ 5,284	¥ 5,135	\$ 44,744
Deferred tax liabilities	(3,138)	(2,084)	(26,575)
Unrealized gain on securities, net of tax	¥ 2,146	¥ 3,051	\$ 18,179

## 12. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses in the accompanying consolidated statements of income for the years ended March 31, 2007 and 2006 mainly consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Employees' salaries and bonuses	¥ 13,342	¥ 12,269	\$ 112,97
Rent expenses	3,626	3,222	30,705

## 13. RESEARCH AND DEVELOPMENT

Research and development expenditures charged to administrative expense and manufacturing cost for the years ended March 31, 2007 and 2006 were ¥ 9,329 million (\$78,996 thousand) and ¥ 9,474 million, respectively.

## 14. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to a number of different taxes based on income, which in the aggregate indicate a normal effective statutory income tax rate of approximately 40.6 % for each of the years ended March 31, 2007 and 2006. Overseas consolidated subsidiaries are subject to income taxes of the countries in which they operate.

Reconciliation of the statutory tax rate to the effective tax rate for the year ended March 31, 2007 and 2006 were as follows:

	2007	2006
Statutory tax rate	40.6 %	40.6 %
Expenses not deductible for income tax purposes, such as entertainment expenses	3.5	9.3
Tax credit related to research expenses	(9.3)	—
Unrecognized deferred tax on unrealized intercompany profit	—	23.4
Recognized deferred tax on unrealized intercompany profit for the prior fiscal year	(5.7)	—
Current operating loss of the foreign subsidiaries	—	10.3
Corporation taxes for the prior fiscal year	1.4	(6.0)
Amortization of goodwill	0.8	3.5
Effect of applying a consolidated income tax return system	—	(3.8)
Other	1.3	(2.7)
Effective tax rate	32.6 %	74.6 %

The major components of deferred tax assets and liabilities as of March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Deferred tax assets due to:			
Accrued severance indemnities	¥ 3,580	¥ 4,486	\$ 30,314
Loss on write-down of investments in securities	737	709	6,241
Accrued bonuses	1,807	1,293	15,306
Tax loss carry forward	971	1,187	8,222
Allowance for loss on cancellation of lease obligations	958	—	8,112
Unrealized profit eliminated	635	—	5,379
Depreciation and amortization	534	326	4,519
Impairment loss on deposits for golf club membership	251	280	2,126
Research and development expenditures	622	773	5,270
Other	2,399	1,466	20,311
Gross deferred tax assets	12,494	10,525	105,800
Less :valuation allowance	(1,561)	(817)	(13,214)
Total gross deferred tax assets	¥ 10,933	¥ 9,707	\$ 92,586
Deferred tax liabilities due to:			
Net unrealized gain on securities	¥ (1,529)	¥ (2,107)	\$ (12,946)
Reserve for special depreciation	(45)	(80)	(384)
Enterprise tax refundable	—	(370)	—
Other	(198)	—	(1,673)
Total gross deferred tax liabilities	(1,772)	(2,558)	(15,003)
Net deferred tax assets	¥ 9,161	¥ 7,149	\$ 77,583

Net deferred tax assets as of March 31, 2007 and 2006 were included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Current assets:			
Deferred tax assets	¥ 5,162	¥ 2,847	\$ 43,715
Investments and other assets:			
Deferred tax assets	3,999	4,301	33,868
	¥ 9,161	¥ 7,149	\$ 77,583

## 15. 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.

## (1) Business Segments

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
<b>Net sales:</b>			
Money handling machines and cash system:			
Customers	¥ 92,829	¥ 63,567	\$ 786,088
Inter segment	—	—	—
Total	92,829	63,567	786,088
Vending machines and automatic service equipment:			
Customers	47,536	57,052	402,539
Inter segment	—	—	—
Total	47,536	57,052	402,539
Others:			
Customers	24,175	20,610	204,714
Inter segment	7,012	6,123	59,378
Total	31,187	26,734	264,092
Elimination	(7,012)	(6,123)	(59,378)
Consolidated total	¥ 164,540	¥ 141,231	\$ 1,393,341
<b>Operating expenses:</b>			
Money handling machines and cash system			
Customers	¥ 83,929	¥ 62,438	\$ 710,722
Vending machines and automatic service equipment	45,542	54,052	385,650
Others	29,126	25,394	246,643
Elimination or corporate	(7,017)	(6,107)	(59,421)
Consolidated total	¥ 151,580	¥ 135,777	\$ 1,283,594
<b>Operating profit:</b>			
Money handling machines and cash system			
Customers	¥ 8,900	¥ 1,129	\$ 75,366
Vending machines and automatic service equipment	1,994	3,000	16,889
Others	2,061	1,339	17,449
Elimination or corporate	5	(16)	(43)
Consolidated total	¥ 12,960	¥ 5,453	\$ 109,747
<b>Assets:</b>			
Money handling machines and cash system			
Customers	¥ 66,961	¥ 56,917	\$ 567,036
Vending machines and automatic service equipment	47,320	49,336	400,709
Others	12,344	11,355	104,527
Elimination or corporate	90,364	88,752	765,214
Consolidated total	¥ 216,989	¥ 206,361	\$ 1,837,486
<b>Depreciation and amortization:</b>			
Money handling machines and cash system			
Customers	¥ 3,471	¥ 3,639	\$ 29,392
Vending machines and automatic service equipment	2,354	2,716	19,939
Others	512	533	4,335
Consolidated total	¥ 6,337	¥ 6,889	\$ 53,666
<b>Capital expenditure for segment assets:</b>			
Money handling machines and cash system			
Customers	¥ 3,675	¥ 2,383	\$ 31,117
Vending machines and automatic service equipment	1,955	1,810	16,560
Others	405	599	3,429
Consolidated total	¥ 6,035	¥ 4,793	\$ 51,106

## (2) Geographic Segments

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
<b>Net sales:</b>			
Japan:			
Customers	¥ 143,278	¥ 135,363	\$ 1,213,291
Inter segment	12,330	9,090	104,416
Total	155,608	135,363	1,317,707
America:			
Customers	7,379	7,043	62,490
Inter segment	1	17	6
Total	7,380	7,060	62,496
Europe:			
Customers	12,349	6,623	104,571
Inter segment	8	3	73
Total	12,357	6,627	104,644
Asia/Oceania:			
Customers	1,534	1,291	12,990
Inter segment	597	532	5,053
Total	2,131	1,823	18,043
Elimination	(12,936)	(9,643)	(109,549)
Consolidated total	¥ 164,540	¥ 141,231	\$ 1,393,341
<b>Operating expenses:</b>			
Japan	¥ 142,834	¥ 129,887	\$ 1,209,531
America	7,205	6,971	61,016
Europe	12,421	6,795	105,185
Asia/Oceania	2,056	1,765	17,411
Elimination or corporate	(12,936)	(9,643)	(109,549)
Consolidated total	¥ 151,580	¥ 135,777	\$ 1,283,594
<b>Operating profit:</b>			
Japan	¥ 12,775	¥ 5,475	\$ 108,176
America	175	88	1,481
Europe	(64)	(168)	(541)
Asia/Oceania	74	57	631
Elimination or corporate	—	—	—
Consolidated total	¥ 12,960	¥ 5,453	\$ 109,747
<b>Assets:</b>			
Japan	¥ 122,271	¥ 112,942	\$ 1,035,405
America	3,184	3,041	26,963
Europe	5,408	3,550	45,798
Asia/Oceania	600	736	5,076
Elimination or corporate	85,526	86,090	724,244
Consolidated total	¥ 216,989	¥ 206,361	\$ 1,837,486



### (3) Sales to foreign customers

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
America	¥ 9,540	¥ 7,993	\$ 80,787
Europe	16,830	9,092	142,520
Asia/Oceania	2,106	2,062	17,833
Sales to foreign customers	¥ 28,476	¥ 19,148	\$ 241,140

## 16. AMOUNT PER SHARE

The amounts of basic and diluted net income per share for the years ended March 31, 2007 and 2006 were as follows:

	Yen		U.S. Dollars
	2007	2006	2007
Net income per share			
— Basic	¥ 87.15	¥ 9.14	\$ 0.74
— Diluted	—	—	—

The figure of diluted net income per share is not disclosed because there was no potential share that had a dilutive effect for the year ended March 31, 2007 and 2006.

The amounts and numbers used for the basic net income per share computation were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Net income	¥ 6,461	¥ 740	\$ 54,715
Less: the amount not applicable to shareholders of common stock			
Bonuses to directors and corporate auditors	—	(63)	—
Net income (loss) applicable to shareholders of common stock	¥ 6,461	¥ 677	\$ 54,715

	Shares	
	2007	2006
Weighted average number of shares of common stock	74,143,493	74,144,091

## 17. SUBSEQUENT EVENT

### (1) Appropriation of retained earnings

At the general shareholders' meeting of the Company held on June 28, 2007, the following appropriation of the Company's retained earnings in respect of the year ended March 31, 2007 was proposed by the Board of Directors and approved by the shareholders:

	Millions of yen	Thousands of U.S. dollars
	2007	2007
Cash dividends (¥ 11 per share)	¥ 1,409	\$ 11,929
Bonuses to directors and corporate auditors	126	1,072
Total appropriations	¥ 1,535	\$ 13,001

### (2) Purchase of treasury stock

The Company received the approval for purchase of its own common shares by the resolution at the Board of Directors held on May 17, 2007. The Company plan to purchase its own shares up to the maximum quantity 1,600,000 shares with the maximum amount ¥ 4,000 million (\$33,872 thousand) at May 18, 2007 through September 30, 2007.

# Report of Independent Auditors

---

## Report of Independent Auditors

To the Board of Directors and Shareholders of  
GLORY LTD.

We have audited the accompanying consolidated balance sheet of GLORY LTD. and its consolidated subsidiaries as of March 31, 2007, and the related consolidated statements of income, changes in net assets 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. Those 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 consolidated subsidiaries as of March 31, 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

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.

*Misuzu Audit Corporation*

Misuzu Audit Corporation  
Osaka, Japan  
June 28, 2007

# Investor Information

## Corporate Data (as of May 31, 2007)

Company Name	GLORY LTD.
Founded	November 27, 1944
Paid-in Capital	¥ 12,892,947,600
Head Office	1-3-1, Shimoteno, Himeji City, Hyogo 670-8567, Japan Tel.+81-79-297-3131
Employees	Consolidated basis : 5,290 Non-consolidated basis : 3,317
URL	www.glory.co.jp/

## Board of Directors, Corporate Auditors and Executive Officers (as of June 28, 2007)

Chairman of the Board *	Hisao Onoe
President *	Hideto Nishino
Director & Executive Vice President	Yoshio Onoe
Director & Senior Managing Executive Officer	Masatoshi Ushio
Director & Senior Managing Executive Officer	Masakazu Hamano
Director & Managing Executive Officer	Norishige Matsuoka
Director	Shinya Tatsuta
Director	Terumichi Saeki
Outside Director	Yuji Hirano
Corporate Auditor	Yoshiyuki Nakatsuka
Corporate Auditor	Saizo Onami
Outside Corporate Auditor	Kazuhiko Yasuhira
Outside Corporate Auditor	Yuichi Takeda
Managing Executive Officer	Yuichi Funabiki
Managing Executive Officer	Hirokazu Onoe
Managing Executive Officer	Hideaki Matsushita
Managing Executive Officer	Koichi Matsuda
Managing Executive Officer	Masahiro Ichitani
Senior Executive Officer	Osamu Tanaka
Senior Executive Officer	Tetsu Yoshioka
Senior Executive Officer	Takenori Nishi
Senior Executive Officer	Tomoaki Ishido
Senior Executive Officer	Koichi Ohta
Senior Executive Officer	Keietsu Fukuba
Senior Executive Officer	Kiyoshi Kigasawa
Senior Executive Officer	Yoshiyuki Yamaguchi
Executive Officer	Fumio Miyanaga
Executive Officer	Masaaki Kanamoto
Executive Officer	Izumi Hirota
Executive Officer	Seiji Nitta
Executive Officer	Hideo Onoe
Executive Officer	Kaoru Ohara

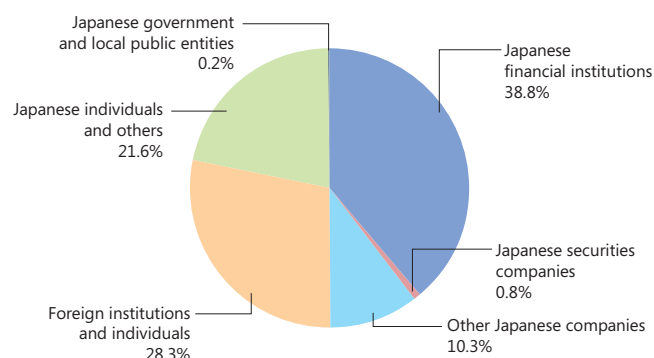
(Note) \* indicates that the individual is a Representative Director

## Stock Information (as of May 31, 2007)

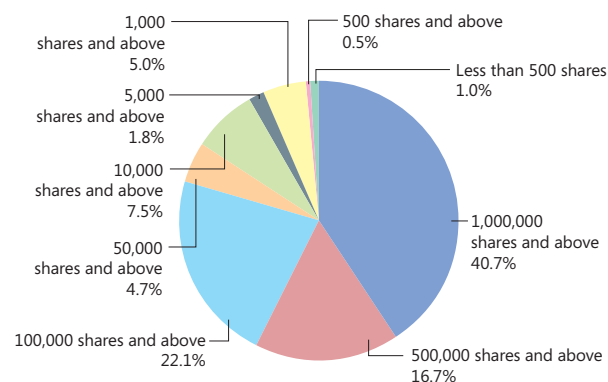
Number of Shares Authorized	128,664,000
Number of Shares Issued	74,236,210
Unit for Trading	100
Number of Shareholders	7,437
Stock Exchange Listings	Tokyo, Osaka
Ticker Symbol Number	6457
Transfer Agent	Daiko Clearing Service Corporation

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)	3,983	5.4
National Mutual Insurance Federation of Agricultural Cooperatives	3,082	4.2
Tatsuta Boseki Kaisha, Limited	2,939	4.0
Morgan Stanley and Company Inc.	2,205	3.0
Sumitomo Mitsui Banking Corporation	2,100	2.8
Onoe International Limited	2,018	2.7
Japan Trustee Service Bank Ltd. (Trusty Account 4)	1,974	2.7
Katsuhiko Onoe	1,927	2.6
The Master Trust Bank of Japan, Ltd. (Trusty Account)	1,874	2.5

## Distribution by Ownership of Shares



## Distribution by Number of Shares





[www.glory.co.jp](http://www.glory.co.jp)

GLORY LTD.

Head Office/ 1-3-1, Shimoteno, Himeji City, Hyogo 670-8567, Japan  
Tel. +81-79-297-3131



This annual report is printed on 100% recycle paper with soy ink.

Printed in Japan