ANNUAL REPORT

Year ended March 31 2006

GLORY LTD.

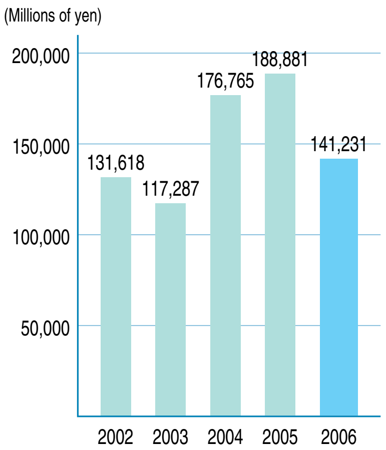
Financial Highlights

GLORY LTD. and its consolidated subsidiaries
Years ended March 31

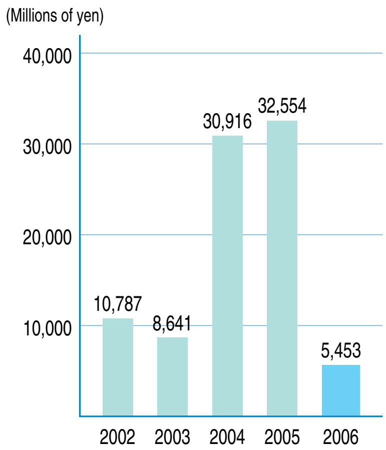
	Millions of yen					Thousands of U. S. dollars
	2002	2003	2004	2005	**2006**	**2006**
For the year:						
Net sales	¥131,618	¥117,287	¥176,765	¥188,881	**¥141,231**	**$1,202,170**
Operating profit	10,787	8,641	30,916	32,554	**5,453**	**46,416**
Income before income taxes and minority interests	7,212	10,702	29,169	31,280	**2,323**	**19,773**
Net income	3,669	5,902	17,527	19,306	**740**	**6,298**
Depreciation and amortization	5,341	4,864	5,129	5,438	**6,889**	**58,639**
At year end:						
Total assets	166,505	164,077	213,844	217,460	**206,361**	**1,756,562**
Total shareholders' equity	105,115	110,686	128,504	146,657	**146,134**	**1,243,905**
	Yen					U. S. dollars
Per share:						
Net income	¥ 100.44	¥ 157.42	¥ 233.19	¥ 257.00	**¥ 9.14**	**$ 0.077**
Cash dividends	16.00	16.00	22.00	30.00	**22.00**	**0.19**

(Note)1.The U.S.dollar amounts are translated, for convenience only, at the rate of ¥117.48=U.S.$1 the approximate exchange rate at March 31, 2006.
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.

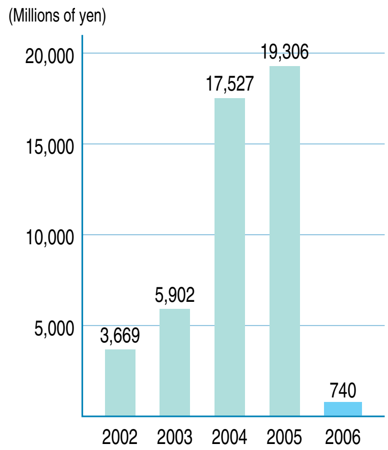
Net sales



Operating profit



Net income



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President's Message

Operational Results

Overview of Current Term

Despite a cause of concern such as a steep rise in crude oil price, during the current consolidated fiscal year, the Japanese economy was on a gradual recovery trend due to increased capital investment as a result of improved corporate profits and growth in consumer spending supported by improved employment and income situations.

Under this general business situation, as to the financial market, one of the principal markets for our group, demand drastically dropped as a reaction against the special procurements for two years for equipment related to newly-issued banknotes and the business was sluggish compared with the previous term. In the distribution market, although demand only for limited kinds of units expanded, demand generally dropped as the case of the financial market as a reaction against the special procurements and business was in low gear. In the vending machines market, the business in this market was steady due to demand to replace an old machine with new one. In the amusement game market, business was not good because of industry-wide restrained capital investment and decrease demand as a reaction against the special procurements.

Under these economic conditions, our group promoted research of new technologies and development of new products in order to meet the needs in each of our markets in a prompt and elaborative manner. We developed and sold a variety of new products such as banknote depositing and dispensing machines mainly in Europe and cash depositing units for ATMs for overseas market, highly-functional cash recyclers for cashiers of supermarkets and fast-food industry for distribution market, next-generation multi-functional lockers compatible with IC cards for vending machines market, and IC card system supporting high denomination banknotes for amusement game market. After acquiring Reis Eurosystems AG (now GLORY Europe GmbH) in 2004 as part of overseas business expansion, we also acquired NASCA Corporation, a card system company, during the current year, making it possible for us to perform

Hideto Nishino, President

direct sales of card-related units. Now that this enables us to provide the amusement game market with all products and services, except pachinko machines, within our group, this acquisition made a large contribution to business deployment and sales in this market. Additionally by having established an SCM (supply chain management) system that can consolidate all the flow from production, shipment, sales to inventory, we can now grasp the situation of end users and have a delivery system of our products in response to demand changes.

As a result, sales for this term came to ¥141,231 million (down 25.2% from the previous term). This consists of sales of goods and products ¥110,468 million (down 16.9% from the previous term) and maintenance sales ¥30,762 million (down 45.0% from the previous term). Overseas sales were ¥19,148 million (up 49.5% over the previous term). Ordinary profit dropped as the sales cost ratio worsened due to decreased sales and increased technical support expenses related to introduction of new products. Further more, net income of the current term drastically dropped as enormous extraordinary loss occurred due to the payment of $20 million

(¥2,359 million) that was made for settlement of a patent infringement suit against our banknote counting machines sold in the US after considering all the various factors such as possible risks in the US litigation system and influence on future business results, as well as an unrecoverable loan of ¥512 million to a distributor in the amusement game market. As a result, ordinary profit was ¥6,132 million (down 81.0% from the previous term) and net income of the current term was ¥740 million (down 96.2% from the previous term).

Dividend policy for current term

Our dividend policy puts importance on rewarding our shareholders by distributing profit to them as dividends. For this purpose, we share profit with our shareholders by distributing an annual dividend of ¥22 as a standard based on shareholders' equity and we have been trying to return profits to shareholders considering the tendency in consolidated business results etc.

According to this basic policy, the current term dividend was payable at ¥22 per share that consists of ¥11 interim dividend paid in December 2005 and ¥11 profit-sharing dividend.

Forecast of business performance for the next term

Although it is expected that business uptrend will continue due to favorable private capital investment and recovery in personal consumption, there are various negative factors such as rising interest rates as a result of cancellation of quantitative relaxation policy by Bank of Japan, increased cost of materials caused by soaring oil price.

Under this kind of economic condition, our group will take the following measures for individual markets.

• Financial market

Business opportunities are increasing in this market due to privatization of postal services, diversified bank branch styles and customer services. We will seize a chance by taking advantage of a lot of acquired know-how.

• Distribution market

As the environment in this market is significantly fluctuating, there have been changes in investment strategy to cope with tough competition and in measures for enhanced customer service. We will increase sales by understanding market needs and providing a variety of products that fit customer requirement.

• Amusement game market

It is expected that business chances will increase as the scale of pachinko parlors further expands and chain system prevails, increasing investment amount per a parlor. We will expand sales by taking advantage of our capability to procure all products and services within our group, except pachinko machines.

• Vending machine market

We will produce and sell, without any delay, new line of cigarette vending machines, to be introduced in 2008, that can support a newly required function to recognize if the customer is 20 years old or older, thus increasing our share of the market.

• Overseas market

We will expand sales as well as providing more models by preparing and enhancing direct sales and maintenance method instead of depending on distributors mainly in Europe where needs for measures against counterfeit money and demand for automated processing machines are prevailing.

Also, we will reform our group by promoting structural reforms of more than ten items including correction of the high cost structure that was started last year and by fulfilling a merger with GLORY Shoji Co.,Ltd. on October 1st 2006 for increasing operational efficiency, thus ensuring and increasing profits.

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 can be 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

We aims at enhancing corporate value based upon good relationships with all stakeholders and we operate our group to achieve the targeted operating profit ratio by trying to improve shareholder value while effectively utilizing shareholders' equity.

Basic policy on profit distribution

We puts importance on rewarding our shareholders by distributing profit to them as dividends. For this purpose, we share profit with our shareholders by distributing an annual dividend of ¥22 as a standard based on shareholders' equity and we have been trying to return profits to shareholders considering the tendency in consolidated business results etc.

We will establish a system as a group that can flexibly respond to changes and strengthen management base that is not influenced by changes in market environment. We are determined to do our best to meet shareholders' expectations by improving our business performance as well as boosting profitability and growth potential.

June 2006

Hideto Nishino

Hideto Nishino
President

Business Results

GLORYLTD. and its consolidated subsidiaries
Year ended March 31, 2006

Money Handling Machines and Cash Management Systems

Heavily affected by a decrease in sales in the financial market, which is the most important market for us, sales severely dropped to ¥63,567 million (down 27.0% from the previous term) while sales for the overseas market increased to ¥17,990 million (up 49.5% over the previous term).

Financial Market

Although the willingness to invest in equipment by financial institutions was on a track to recovery in the latter half thanks to favorable business results of financial institutions, sales of open teller systems, our core product for this market, and banknote/coin depositing and dispensing machines (our OEM products used by financial institutions at teller counters), and coin depositing and dispensing machines installed in ATMs also seriously decreased due to a drastic decline in demand in reaction to the special procurements of equipment related to newly-issued banknotes.

Open teller systems
<WAVE 730 series>

Distribution Market

Sales of cash recyclers for cashiers of supermarkets and retail shops greatly increased as various grades are provided ranging from a standard type to a high-performance type. But 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 dropped because of a decline in demand as a reaction against the special procurements caused by newly-issued banknotes.

Desktop banknote counter
<GFB-800>

Overseas Market

As to the European market, sales of banknote depositing and dispensing machines and cash depositing units for ATMs increased due to an increasing demand for automated processing machines to take a measure against increasing counterfeit banknotes incidents of Euro banknotes. Sales of banknote counters for Europe, Africa and Central and South America also increased.

Vending Machines and Automatic Service Equipment

Sales were ¥57,052 million (down 29.7% from the previous term).

Vending Machine Market

Although the market for cigarette vending machines was saturated, sales of cigarette vending machines were steady due to demand to replace an old machine with new one and focused sales campaign.

Amusement Game Market

As a result of demand creation by introducing a new IC card system supporting high denomination banknotes, sales of these units increased. But sales of token dispensing machines for banknotes and banknote exchange machines dropped due to the trend of this industry to postpone investment and a decline in demand as a reaction against the special procurements caused by newly-issued banknotes. Sales of premium dispensing machines that are well-reputed as units rationalizing the premium exchange operation also dropped due to a slump after the special procurements caused by newly-issued banknotes.

Financial and Distribution Markets

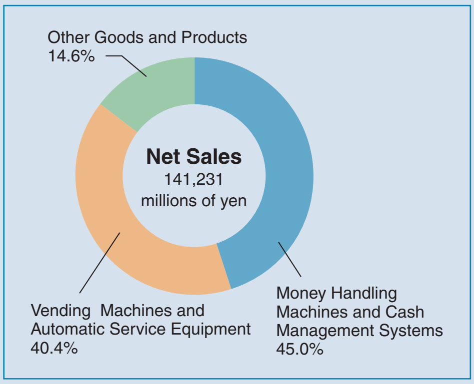
Although sales of automated contact machines increased due to replacement demand, sales of multifunctional banknote exchange machines dropped because of a drastic decline in demand as a reaction against the special procurements caused by newly-issued banknotes.

Pachinko card vending machines by debit card <JCH-20>

Other Goods and Products

Sales were ¥20,610 million (same as the previous term).

These are products, parts, accessories and the like purchased from companies other than our group. Due to steady demand, sales remained almost the same as the previous year.



Medium-term Management Plan

Our group started a medium-term management plan in April 2006.
This plan covers three years from April 2006 to March 2009 by emphasizing two strategies for "growth" and "efficiency".

Strategy for Growth

We will give priority to the following three fields.

[Overseas market]

We will strengthen our sales system in Europe by reviewing the current direct marketing network. As to Europe and the US, we will focus on sales expansion of system machines that we expect will become more popular. We also will attach importance to OEM business for overseas market and try to enter into unexplored fields such as distribution markets and BRICs market.

[Amusement game market]

By strengthening cooperation with NASCA Corporation that recently became one of consolidated subsidiaries, we will focus on sales expansion of card system units and increase the number of peripherals by introducing new products.

[Distribution market]

We will focus on sales expansion of cash recyclers for cashiers that can cater to various demands of customers. We will also promote sales of automatic deposit machines for security service companies and cash-delivery service companies, which have been expanding their CIT (cash-in-transit) operations.

By revitalization of the financial market and vending machine market, we will acquire more market share.

[Financial market]

We will provide self-service and system units that can accurately support a need of rationalization caused by privatization of postal business. We will actively expand this field by introducing new products to cope with a change in the branch layout of financial institutions.

[Vending machine market]

We will develop and manufacture cigarette vending machines, to be introduced in 2008, that can support a newly required function to recognize if the customer is 20 years old or older in a timely manner. We will also rework vending machines that were already installed.

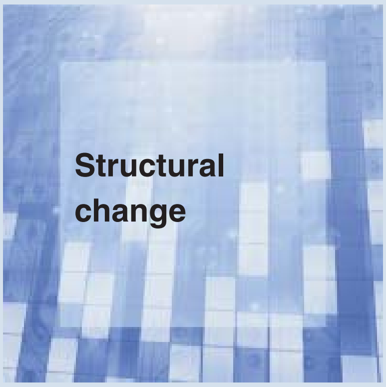
[Non-cash business field]

We will promote the card & network business (CAN business) and expand various settlement services that are provided by our information processing center (GCAN Center).

[New business field]

We will try to expand this field by proposing new biometrics recognition systems and products that utilize biometrics recognition technology developed by our company.

Strategy for Efficiency



We will positively tackle cost reduction by shifting production to overseas plants and increasing offshore procurement and try to cut finished goods inventory by making use of SCM (supply chain management). We also attempt to reduce logistics cost by reviewing our current logistics, to increase development efficiency and to reduce costs by using common parts and units.

By reorganization of our group like a merger with Glory Shoji Co., Ltd. in October 2006, we will utilize direct marketing function by integrated production and sales functions. Thus we will be able to rapidly make decisions related to customers and to speed up operations. We will clarify commercial profit of each business unit to assure total cost management as well as to review common functions and to effectively utilize human resources within our group, thus ensuring improved operational efficiency of the whole GLORY group.

GLORY Shoji Co., Ltd to merge with GLORY LTD.

GLORY Shoji Co., Ltd., one of consolidated subsidiaries of GLORY LTD. will be merged with GLORY LTD. on October 1st, 2006. It is expected that this merger will increase operational efficiency by streamlining the entire flow from planning, development and manufacturing to sales and maintenance that is currently divided between the two companies.

Purposes of this merger:

- To achieve direct marketing function by integrating manufacturing and sales functions.
- To speed up operations by rapidly making decisions to support customers.
- To clarify commercial profit of each business unit to assure total cost management.
- To promote efficiency by reviewing common functions within two companies and utilizing human resources in a more effective way.

Corporate Governance Policy /Brand Strategy

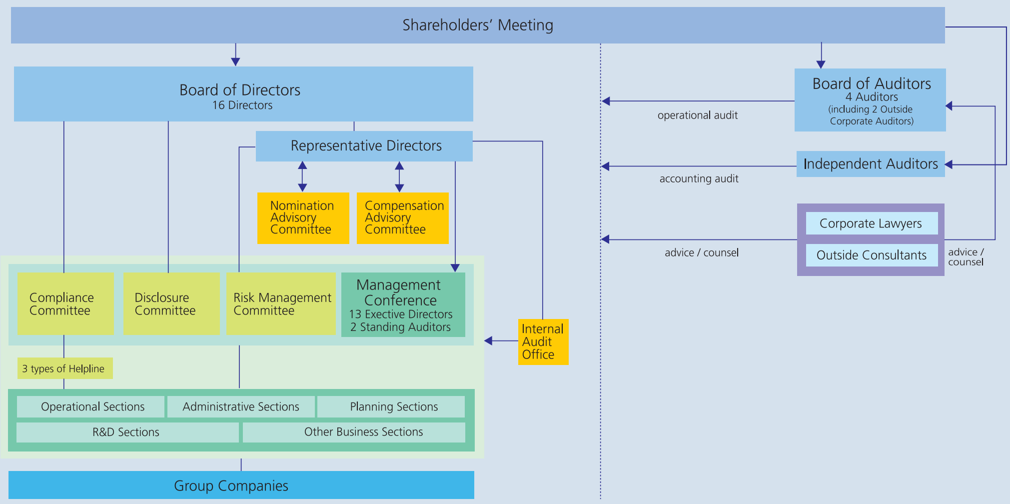
Corporate Governance Policy

Our company considers that it is essential for enhanced competitive strength to promote company management that is based on the viewpoint of all stakeholders including shareholders and to continually enhance the enterprise value. Therefore we think that corporate governance is one of the important things for management. We will further upgrade our corporate governance by enhancing compliance, efficiency and transparency in our management and by establishing management system that makes accurate managerial decision making, subsequent rapid execution and proper supervision and monitoring possible.

We currently have an nomination committee and an compensation committee to support deliberations by the board of directors and to realize checking function as third-party concerning various managerial problems such as selection of board members and decision of their salaries. In addition to this system, we have introduced a system for operating officers to further clarify the supervision function by the board of directors and to strengthen the executing function. Additionally as we think that disclosing company information timely and properly is an important responsibility that can contribute to transparent management, we have also prepared a disclosure committee. We will further strengthen our internal system for disclosing company information.

We will continuously try to improve the management system and structure to achieve transparent and high-quality management.

< Corporate Governance Structure of GLORY >



Brand Strategy

Our group intends to strengthen the power of our brand to enhance the value of our group in the market and to increase the appeal power of the group companies. As one of concrete measures, we have introduced our new brand logo and revamped our corporate logo. We give these logos the status of the symbol for corporate innovation by visually improving corporate image to further sharpen our competitive edge in the market. We have also selected three adjectives, namely “Reliable ”, “Intellectual ” and “Innovative ”, by which our company should be modified.

GLORY

Topics

Introduction of a next-generation keyless and cashless locker

We have developed a new series of multi-functional terminal lockers (LTH series) to be installed at places like station yards that can be used not only with cash but with a Suica* card. As the Suica can be used as a locker key as well as for paying a fee, this is a very convenient locker that can operate in a keyless and cashless way.

We take the opportunity afforded by the introduction of this model to grow and expand our business beyond the current business field by proposing new applications such as receiving a parcel sent by home delivery service and new usage of post-office boxes that cannot be achieved by conventional coin operated lockers.

Multi-functional terminal locker
<LTH series>

*The Suica is an IC card type ticket that was introduced by East Japan Railway Company in 2001 and has rapidly come into wide use these days. This card can work as a railway ticket when it is lightly touched to a ticket gate as the fare can be automatically adjusted. Additionally as it can be used as electronic money, it is expected that it will be used in a wide variety of fields in the near future.

“Suica” is a registered trademark of East Japan Railway Company.

Overseas strategy

Our group considers the overseas market one of business fields that should be further promoted in the medium-term management plan started from April 2006 and gives priority to this market.

We will expand our business by providing products needed by individual markets in a timely manner. In the European market we will establish direct selling channels and develop products that meet actual requirements of the market. In the US market we will increase our market share in its casino and retail industries. And in the Chinese market we will introduce banknote counters and banknote sorting machines.

Mainly in Western countries where demand for systematization in auto cashiers that are used for banknote depositing and dispensing at teller counters of financial institutions is increasing, we will expand sales of the RZ series and the RBU series banknote depositing and dispensing machines that were developed by using a lot of know-how and technologies we acquired during development of products for the domestic market. We will increase our sales in OEM business providing products to be integrated into ATMs by strengthening relations with OEM customers and promoting development of new products.

Banknote depositing and
dispensing machine
<RZ series>

CONSOLIDATED BALANCE SHEETS

GLORY LTD. and its subsidiaries
At March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2006**	2005	**2006**
Current assets:			
Cash and cash equivalents	**¥ 53,300**	¥ 65,728	**$ 453,694**
Time deposits	**244**	750	**2,076**
Notes, accounts and other receivable:			
Notes	**4,278**	8,360	**36,414**
Accounts	**25,216**	29,758	**214,640**
Other	**7,897**	379	**67,219**
Less: allowance for credit losses	**(253)**	(264)	**(2,153)**
	37,137	38,233	**316,113**
Inventories (Note 4)	**24,883**	21,872	**211,806**
Deferred tax assets (Note 14)	**2,847**	5,005	**24,233**
Other current assets	**614**	994	**5,226**
Total current assets	**119,028**	132,585	**1,013,176**
Property, plant and equipment:			
Land	**11,805**	11,848	**100,485**
Buildings and structures	**30,295**	30,454	**257,873**
Machinery and equipment	**46,712**	41,623	**397,616**
Construction in progress	**296**	27	**2,519**
	89,110	83,954	**758,512**
Less: accumulated depreciation	**(53,508)**	(48,562)	**(455,464)**
Property, plant and equipment, net	**35,602**	35,392	**303,047**
Investments and other assets:			
Investments in securities (Note 3)	**26,936**	24,448	**229,281**
Investments in and advances to unconsolidated subsidiaries and affiliates	**2,989**	2,867	**25,442**
Deferred tax assets (Note 14)	**4,301**	4,265	**36,610**
Software costs, net	**2,834**	3,069	**24,123**
Goodwill	**1,302**	1,015	**11,082**
Other	**13,984**	13,833	**119,033**
	52,349	49,500	**445,599**
Less: allowance for credit losses	**(618)**	(17)	**(5,260)**
Investments and other assets, net	**51,730**	49,483	**440,330**
	¥ 206,361	¥ 217,460	**$ 1,756,562**

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2006	2005	Thousands of U.S. dollars (Note 1) 2006
Current liabilities:			
Short-term debt (Note 5)	**¥ 17,138**	¥ 18,538	**$ 145,880**
Notes and accounts payable:			
Notes	**7,583**	9,563	**64,547**
Accounts	**8,134**	7,739	**69,237**
	15,717	17,302	**133,784**
Accrued income taxes (Note 14)	**145**	4,193	**1,234**
Accrued expenses	**4,911**	8,629	**41,802**
Other current liabilities	**8,176**	12,452	**69,594**
Total current liabilities	**46,089**	61,116	**392,313**
Long-term liabilities:			
Accrued severance indemnities (Note 6)	**11,032**	9,248	**93,905**
Other long-term liabilities (Note 5)	**2,443**	437	**20,795**
Total long-term liabilities	**13,476**	9,686	**114,708**
Contingencies (Note 7)			
Minority interests	**661**	–	**5,626**
Shareholders' equity (Note 10) :			
Common stock:			
Authorized - 128,664,000 shares			
Issued - 74,236,210 shares	**12,892**	12,892	**109,737**
Additional paid-in capital	**20,629**	20,629	**175,595**
Retained earnings	**109,740**	111,921	**934,116**
Net unrealized holding gains on securities (Note 11)	**3,051**	1,470	**25,970**
Foreign currency translation adjustments	**(70)**	(149)	**(595)**
Less: treasury stock, at cost	**(109)**	(108)	**(927)**
Shareholders' equity, net	**146,134**	146,657	**1,243,905**
	¥ 206,361	¥ 217,460	**$ 1,756,562**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME

GLORY LTD. and its subsidiaries
Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Operating income:			
Net sales	**¥ 141,231**	¥ 188,881	**$ 1,202,170**
Operating expenses:			
Cost of sales	**(94,209)**	(114,390)	**(801,915)**
Selling, general and administrative expenses (Note 12)	**(41,568)**	(41,937)	**(353,830)**
Total operating expenses	**(135,777)**	(156,327)	**(1,155,745)**
Operating profit	**5,453**	32,554	**46,416**
Other income (expenses):			
Interest and dividend income	**575**	199	**4,894**
Interest expense	**(313)**	(267)	**(2,664)**
Foreign currency exchange loss net	**247**	0	**2,102**
Gain on sales of investments in securities	**14**	0	**119**
Loss on disposal of inventories	**(372)**	(1,095)	**(3,166)**
Loss on sales or disposal of property, plant and equipment, net	**(325)**	(892)	**(2,766)**
Loss on payment for litigation settlement	**(2,359)**	–	**(20,080)**
Provision for allowance for credit losses	**(512)**	–	**(4,358)**
Loss on devaluation of inventories	**(403)**	–	**(3,430)**
Other, net	**321**	782	**2,732**
Other expenses, net	**(3,130)**	(1,274)	**(26,642)**
Income before income taxes and minority interests	**2,323**	31,280	**19,773**
Income taxes (Note 14) :			
Current	**(689)**	(11,429)	**(5,864)**
Deferred	**(1,042)**	(543)	**(8,869)**
	(1,732)	(11,973)	**(14,742)**
Income before minority interests	**591**	19,306	**5,030**
Minority interests	**149**	–	**1,268**
Net income	**¥ 740**	¥ 19,306	**$ 6,298**

	Yen		U.S. dollars (Note 1)
	2006	2005	**2006**
Net income per share	**¥ 9.14**	¥ 257.00	**$ 0.077**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

GLORY LTD. and its subsidiaries
Years ended March 31, 2006 and 2005

		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, 2004	74,236,210	¥ 12,892	¥ 20,629	¥ 94,260	¥ 1,030	¥ (203)	¥ (105)
Net income for the year	–	–	–	19,306	–	–	–
Net unrealized holding losses 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)
Net income for the year	–	–	–	740	–	–	–
Net unrealized holding gains on securities	–	–	–	–	1,580	–	–
Foreign currency translation adjustments	–	–	–	–	–	78	–
Cash dividends paid	–	–	–	(2,669)	–	–	–
Bonuses to directors and corporate auditors	–	–	–	(251)	–	–	–
Increase in treasury stock	–	–	–	–	–	–	(1)
Balance at March 31, 2006	74,236,210	¥ 12,892	¥ 20,629	¥ 109,740	¥ 3,051	¥ (70)	¥ (109)

	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, 2005	$ 109,737	$ 175,595	$ 952,681	$ 12,512	$ (1,268)	$ (919)
Net income for the year	–	–	6,298	–	–	–
Net unrealized holding gains on securities	–	–	–	13,449	–	–
Foreign currency translation adjustments	–	–	–	–	663	–
Increase due to inclusion of newly consolidated subsidiaries	–	–	(22,718)	–	–	–
Cash dividends paid	–	–	(2,136)	–	–	–
Bonuses to directors and corporate auditors	–	–	–	–	–	–
Increase in treasury stock	–	–	–	–	–	(8)
Balance at March 31, 2005	$ 109,737	$ 175,595	$ 934,116	$ 25,970	$ (595)	$ (927)

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

GLORY LTD. and its subsidiaries
Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Operating activities:			
Income before income taxes and minority interests	**¥ 2,323**	¥ 31,280	**$ 19,773**
Adjustments for:			
Depreciation and amortization	**6,889**	5,438	**58,639**
Provision for accrued severance indemnities	**1,750**	1,278	**14,896**
Interest and dividend income	**(575)**	(199)	**(4,894)**
Interest expense	**313**	267	**2,664**
Loss on sales or disposal of property, plant and equipment, net	**325**	892	**2,766**
Loss on payment for litigation settlement	**2,359**	–	**20,080**
Gain on sales of investments in securities	**(14)**	0	**(119)**
Decrease in notes, accounts and other receivable	**9,876**	18,818	**84,065**
Decrease (increase) in inventories	**(890)**	8,119	**(7,575)**
Decrease in notes and accounts payable	**(4,454)**	(8,351)	**(37,912)**
Increase (decrease) in accrued expenses	**(231)**	316	**(1,966)**
Other, net	**(7,313)**	(2,173)	**(62,248)**
Sub total	**10,359**	55,687	**88,176**
Interest and dividend income received	**567**	176	**4,826**
Interest expense paid	**(313)**	(265)	**(2,664)**
Loss on payment for litigation settlement	**(2,359)**	–	**(20,080)**
Income taxes paid	**(10,870)**	(20,525)	**(92,526)**
Net cash provided by (Used in) operating activities	**(2,617)**	35,073	**(22,276)**
Investing activities:			
Payments for purchase of property, plant and equipment	**(4,888)**	(5,944)	**(41,607)**
Proceeds from sales of property, plant and equipment	**160**	384	**1,361**
Payments for purchase of investments in securities	**(574)**	(17,290)	**(4,885)**
Proceeds from sales of investments in securities	**60**	0	**510**
Payments for purchase of software	**(1,098)**	(1,161)	**(9,346)**
Decrease (increase) in time deposits, net	**505**	(8,537)	**4,298**
Payments for purchase of newly consolidated companies, net of cash acquired	**–**	(1,678)	**–**
Proceeds from sales of investments in newly consolidated subsidiaries	**321**	–	**2,732**
Decrease (increase) in other investments, net	**781**	(24)	**6,647**
Net cash used in investing activities	**(4,732)**	(34,252)	**(40,279)**
Financing activities:			
Net increase (decrease) in short-term loans	**(2,102)**	306	**(17,892)**
Cash dividends paid	**(2,665)**	(1,408)	**(22,684)**
Other, net	**(441)**	(45)	**(3,753)**
Net cash used in financing activities	**(5,209)**	(1,147)	**(44,339)**
Effect of exchange rate changes on cash and cash equivalents	**131**	56	**1,115**
Net increase in cash and cash equivalents	**(12,427)**	(269)	**(105,779)**
Cash and cash equivalents at beginning of year	**65,728**	65,997	**559,482**
Cash and cash equivalents at end of year	**¥ 53,300**	¥ 65,728	**$ 453,694**

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 ¥117.48=U.S.$1, the rate of exchange prevailing at March 31, 2006 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 17 subsidiaries as of March 31, 2006 and 2005, 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, 2006 and 2005 are listed below.

2006		2005	
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
NASCA CORPORATION	March 31	Glory (U.S.A) Inc.	March 31
Glory (U.S.A) Inc.	March 31	Glory GmbH	March 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 Europe GmbH, Standardwerk Eugen Reis GmbH, Reis Service GmbH, and Glory GmbH were consolidated using the financial statements as of December 31, because the difference between the closing date of the subsidiaries and that of theCompany 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. NASCA CORPORATION aquired in April, 2005 was consolidated in 2006.

Goodwill caused by the purchase of the above mentioned subsidiaries is to be amortized over 5 ~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 translations of foreign currency financial statements of overseas consolidated subsidiaries and affiliates into Japanese yen are made by applying the exchange rates prevailing at the balance sheet dates for balance sheet items, except that the common stock and additional paid-in capital accounts are translated at the historical rates and the statements of income are translated at average exchange rates.

(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 Japanese 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.

(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 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.

(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 are 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 prior service costs are amortized on declining balance method, over 15 years.

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 differences between the carrying amount of assets and liabilities for financial reporting and income tax purpose.

The Company applies a consolidated income tax return system.

(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
	2006	2005	**2006**
Net income per share:			
Net income for the fiscal year	**¥ 740**	¥ 19,306	**$ 6,298**
Net income not available to common shareholders (Bonuses to directors and corporate auditors)	**(251)**	(251)	**(2,136)**
Net income for common stock	**¥ 489**	¥ 19,055	**$ 4,162**
Average number of shares outstanding during the current fiscal year (unit : shares)	**74,144,091**	74,145,023	

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, 2006 and 2005, "Other securities" were as follows:

	Millions of yen					
	2006			2005		
Market value available:	**Carrying Amounts**	**Acquisition Costs**	**Difference**	Carrying Amounts	Acquisition Costs	Difference
Securities with unrealized gain:Equity securities	**¥ 8,745**	**¥ 3,557**	**¥ 5,188**	¥ 5,740	¥ 3,215	¥ 2,525
Securities with unrealized loss:Equity securities	**788**	**841**	**(52)**	837	887	(49)
	9,534	**¥ 4,398**	**¥ 5,135**	6,578	¥ 4,102	¥ 2,476
Market value not available	**17,402**			17,870		
Total	**¥ 26,936**			¥ 24,448		

	Thousands of U.S. dollars		
	2006		
Market value available:	Carrying Amounts	Acquisition Costs	Difference
Securities with unrealized gain:Equity securities	$ 74,438	$ 30,277	$ 44,160
Securities with unrealized loss:Equity securities	6,707	7,158	(442)
	81,154	$ 37,436	$ 43,709
Market value not available	148,127		
Total	$ 229,281		

"Other securities" sold for the years ended March 31, 2006 and 2005 are summarized as follows:

	Millions of yen 2006	Millions of yen 2005	Thousands of U.S. dollars 2006
Proceeds from sales	¥ 60	¥ 0	$ 510
Gains on sales	14	0	119
Losses on sales	–	–	–

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, 2006 and 2005 comprised of the following:

	Millions of yen 2006	Millions of yen 2005	Thousands of U.S. dollars 2006
Finished goods and merchandise	¥ 14,050	¥ 11,543	$ 119,594
Work in process	5,857	5,522	49,855
Raw materials and supplies	4,975	4,806	42,347
	¥ 24,883	¥ 21,872	$ 211,806

5. Short-term debt and Long-term debt

Short-term debt as of March 31, 2006 and 2005 comprised of the following:

	Millions of yen 2006	Millions of yen 2005	Thousands of U.S. dollars 2006
Loans from banks and an insurance company	¥ 16,382	¥ 18,436	$ 139,445

The average interest rate applicable to short-term bank loans as of March 31, 2006 and 2005 was 1.1%.

Long-term debt (included in Other long-term liabilities on the accompanying consolidated balance sheets) as of March 31, 2006 and 2005 comprised of the following:

	Millions of yen 2006	Millions of yen 2005	Thousands of U.S. dollars 2006
Loans from banks and an insurance company, due from 2007 to 2011	¥ 2,699	¥ 278	$ 22,974
Less: portion due within one year	(755)	(102)	(6,426)
	¥ 1,944	¥ 175	$ 16,547

The average interest rate applicable to long-term loans as of March 31, 2006 and 2005 was 0.0%.

The aggregate annual maturities of long-term debt subsequent to March 31, 2006 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2007	¥ 755	$ 6,426
2008	709	6,035
2009	709	6,035
2010	498	4,239
2011	28	238
	¥ 2,699	$ 22,974

As of March 31, 2006 and 2005 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 2006	Millions of yen 2005	Thousands of U.S. dollars 2006
Assets pledged as collateral:			
Land	¥ 31	¥ 400	$ 263
Buildings and structures	251	90	2,136
	¥ 282	¥ 490	$ 2,400
Secured debt:			
Short-term debt	¥ 46	¥ –	$ 391
Long-term debt	–	10	–
	¥ 46	¥ 10	$ 391

6. Severance and Pension Plan

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.

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' retirement benefit. The Company's non-contributory pension plans cover approximately 70% of the indemnities under the Company's internal regulation for employees' retirement benefit.

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

Reconciliation of projected benefit obligation to accrued severance indemnities for employees recognized on the accompanying consolidated balance sheets as of March 31,2006 and 2005 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Projected benefit obligation	¥ **30,539**	¥ 28,661	$ **259,950**
Fair value of plan assets	**(18,758)**	(14,813)	**(159,669)**
Funded status	**11,781**	13,848	**100,280**
Unrecognized actuarial differences	**(2,085)**	(5,868)	**(17,747)**
Unrecognized prior service costs	**(28)**	–	**(238)**
Net liability recognized in balance sheet	**9,667**	7,980	**82,286**
Prepaid pension expense	¥ –	¥ –	$ –
Accrued severance indemnities for employees	**9,667**	7,980	**82,286**

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, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Service cost	¥ **1,837**	¥ 1,704	$ **15,636**
Interest cost	**570**	512	**4,851**
Amortization of actuarial differences	**833**	799	**7,090**
Amortization of prior service costs	**4**	–	**34**
Other	¥ –	¥ (114)	$ –
Net periodic benefit cost	**3,245**	2,901	**27,621**

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

Projected benefit obligation was determined using discount rate of 2.0%, and the expected rate of return on plan assets was 0.0% for the years ended March 31, 2006 and 2005.

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 ¥78 million ($663 thousand) and ¥64 million as of March 31, 2006 and 2005, respectively.

The Company's group provided guarantees for lease obligations owed by its customers. Such guarantees amounted to ¥3,326 million ($28,311 thousand) and ¥1,855 million as of March 31, 2006 and 2005, respectively.

The Company's group provided guarantees for lease obligations owed by its sales agency's customers. Such guarantees amounted to ¥51 million ($434 thousand) and ¥56 million as of March 31, 2006 and 2005, 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
	2006	2005	**2006**
Lease expense	¥ **4,018**	¥ 807	$ **34,201**
Reversal of impairment loss on leaseholds	**84**	–	**715**
Depreciation expense	**3,666**	789	**31,205**
Interest expense	**322**	62	**2,740**

Future lease payments were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Due within one year	¥ **2,841**	¥ 1,044	$ **24,182**
Due after one year	**4,971**	2,907	**42,313**
	¥ **7,812**	¥ 3,952	$ **66,496**
Outstanding of impairment loss on leaseholds	¥ **201**	–	$ **1,710**

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
Leased property:	**2006**	2005	**2006**
Machinery, equipment and software	**¥ 15,275**	¥ 5,648	**$ 130,022**
Accumulated depreciation	**(7,753)**	(1,684)	**(65,994)**
Accumulated impairment loss	**(286)**	–	**(2,434)**
	¥ 7,235	¥ 3,964	**$ 61,584**

Future lease payments under non-cancelable operating lease were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Due within one year	**¥ 54**	¥ 65	**$ 459**
Due after one year	**56**	79	**476**
Total	**¥ 111**	¥ 144	**$ 944**

(2) Lessor

Future lease receivable for sublease is as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Due within one year	**¥ 1,508**	¥ 904	**$ 12,836**
Due after one year	**3,770**	2,828	**32,090**
	¥ 5,279	¥ 3,732	**$ 44,935**

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 reserves 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
	2006	2005	**2006**
Market value in excess of cost	**¥ 5,135**	¥ 2,476	**$ 43,709**
Deferred tax liabilities	**(2,084)**	(1,005)	**(17,739)**
Unrealized holding gains on securities, net of tax	**¥ 3,051**	¥ 1,470	**$ 25,970**

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
	2006	2005	**2006**
Employees' salaries and bonuses	**¥ 12,269**	¥ 11,441	**$ 104,434**
Rent	**3,222**	3,195	**27,425**

13. Research and Development

Research and development expenditures charged to administrative expense and manufacturing cost for the years ended March 31, 2006 and 2005 were ¥9,474 million ($80,643 thousand) and ¥13,048 million, respectively.

14. 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% in the aggregate. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The effective tax rates for the years ended March 31, 2006 and 2005 differed from the statutory tax rates as follows:

	2006	2005
Statutory tax rate	**40.6 %**	40.6 %
Expenses not deductible for income tax purposes, such as entertainment expenses	**9.3**	0.9
Inhabitant tax levied per capital	–	0.1
Tax credit related to research expenses	–	(4.6)
Unrecognized deferred tax on unrealized intercompany profit	**23.4**	–
Current operating loss of the foreign subsidiaries	**10.3**	0.9
Change in valuation allowance for deferred tax assets	–	0.4
Corporation taxes for the prior fiscal year	**(6.0)**	–
Amortization of goodwill	**3.5**	–
Effect of applying a consolidated income tax return system	**(3.8)**	–
Other	**(2.7)**	(0.0)
Effective tax rate	**74.6 %**	38.3 %

The components of the Company and its subsidiaries' deferred tax assets and liabilities as of March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
Deferred tax assets:	**2006**	2005	**2006**
Accrued severance indemnities	¥ **4,486**	¥ 3,761	$ **38,185**
Loss on write-down of investments in securities	**709**	703	**6,035**
Accrued bonuses	**1,293**	2,716	**11,006**
Tax loss carryforwards	**1,187**	–	**10,103**
Enterprise tax	–	398	–
Unrealized profit eliminated	–	631	–
Depreciation and amortization	**326**	–	**2,774**
Impairment loss on deposits for golf club membership	**280**	361	**2,383**
Research and development expenditures	**773**	1,011	**6,579**
Other	**1,466**	944	**12,478**
	10,525	10,530	**89,589**
Valuation allowance	**(817)**	(116)	**(6,954)**
Total gross deferred tax assets	**9,707**	10,414	**82,626**
Deferred tax liabilities:			
Unrealized holding gains on securities	**(2,107)**	(1,025)	**(17,934)**
Reserve for special depreciation	**(80)**	(116)	**(680)**
Enterprise tax refundable	**(370)**	–	**(3,149)**
Total gross deferred tax liabilities	**(2,558)**	(1,142)	**(21,773)**
Net deferred tax assets	¥ **7,149**	¥ 9,271	$ **60,852**

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
Net sales:	**2006**	2005	**2006**
Money handling machines and cash system:			
Customers	¥ **63,567**	¥ 87,108	$ **541,087**
Inter segment	**–**	–	**–**
Total	**63,567**	87,108	**541,087**
Vending machines and automatic service equipment:			
Customers	**57,052**	81,153	**485,631**
Inter segment	**–**	–	**–**
Total	**57,052**	81,153	**485,631**
Others:			
Customers	**20,610**	20,619	**175,434**
Inter segment	**6,123**	5,514	**52,119**
Total	**26,734**	26,133	**227,562**
Elimination	**(6,123)**	(5,514)	**(52,119)**
Consolidated total	¥ **141,231**	¥ 188,881	$ **1,202,170**
Operating expenses:			
Money handling machines and cash system	¥ **62,438**	¥ 71,466	$ **531,477**
Vending machines and automatic service equipment	**54,052**	66,264	**460,095**
Others	**25,394**	24,131	**216,155**
Elimination or corporate	**(6,107)**	(5,535)	**(51,983)**
Consolidated total	¥ **135,777**	¥ 156,327	$ **1,155,745**
Operating profit:			
Money handling machines and cash system	¥ **1,129**	¥ 15,642	$ **9,610**
Vending machines and automatic service equipment	**3,000**	14,889	**25,536**
Others	**1,339**	2,001	**11,397**
Elimination or corporate	**(16)**	20	**(136)**
Consolidated total	¥ **5,453**	¥ 32,554	$ **46,416**
Assets:			
Money handling machines and cash system	¥ **56,917**	¥ 58,197	$ **484,482**
Vending machines and automatic service equipment	**49,336**	52,981	**419,952**
Others	**11,355**	13,234	**96,654**
Elimination	**(1,207)**	(3,863)	**(10,274)**
Corporate	**89,960**	96,911	**765,747**
Consolidated total	¥ **206,361**	¥ 217,460	$ **1,756,562**
Depreciation and amortization:			
Money handling machines and cash system	¥ **3,639**	¥ 3,318	$ **30,975**
Vending machines and automatic service equipment	**2,716**	1,750	**23,118**
Others	**533**	368	**4,536**
Consolidated total	¥ **6,889**	¥ 5,438	$ **58,639**
Capital expenditure for segment assets:			
Money handling machines and cash system	¥ **2,383**	¥ 4,801	$ **20,284**
Vending machines and automatic service equipment	**1,810**	2,156	**15,406**
Others	**599**	827	**5,098**
Consolidated total	¥ **4,793**	¥ 7,784	$ **40,798**

(2) Geographic Segments

	Millions of yen	Thousands of U.S. dollars
Net sales:	**2006**	**2006**
Japan:		
Customers	¥ **126,272**	$ **1,074,838**
Inter segment	**9,090**	**77,374**
Total	**135,363**	**1,152,221**
America:		
Customers	**7,043**	**59,950**
Inter segment	**17**	**144**
Total	**7,060**	**60,095**
Europe:		
Customers	**6,623**	**56,375**
Inter segment	**3**	**25**
Total	**6,627**	**56,409**
Asia/Oceania:		
Customers	**1,291**	**10,989**
Inter segment	**532**	**4,528**
Total	**1,823**	**15,517**
Elimination	**(9,643)**	**(82,082)**
Consolidated total	¥ **141,231**	$ **1,202,170**

	Millions of yen	Thousands of U.S. dollars
Operating expense:	**2006**	**2006**
Japan	¥ 129,887	$ 1,105,609
America	6,971	59,337
Europe	6,795	57,839
Asia/Oceania	1,765	15,023
Elimination or corporate	(9,643)	(82,082)
Consolidated total	¥ 135,777	$ 1,155,745
Operating profit:		
Japan	¥ 5,475	$ 46,603
America	88	749
Europe	(168)	(1,430)
Asia/Oceania	57	485
Elimination or corporate	–	–
Consolidated total	¥ 5,453	$ 46,416
.		
Assets:		
Japan	¥ 112,942	$ 961,372
America	3,041	25,885
Europe	3,550	30,217
Asia/Oceania	736	6,264
Elimination	(3,870)	(32,941)
Corporate	89,960	765,747
Consolidated total	¥ 206,361	$ 1,756,562

There was no major geographic area other than Japan, in which net sales and assets are material in 2005.

(3) Sales to foreign customers

	Millions of yen	Thousands of U.S. dollars
	2006	**2006**
America	¥ 7,993	$ 68,037
Europe	9,092	77,391
Asia/Oceania	2,062	17,551
Sales to foreign customers	¥ 19,148	$ 162,989

Ratio of sales to foreign customers for consolidated sales was immaterial in 2005

16. Subsequent Event

The following appropriation of the Company's retained earnings in respect of the year ended March 31, 2006 was proposed by the Board of Directors and approved by the shareholders at the annual general meeting held on June 29, 2006:

Appropriations	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥ 11 per share)	¥ 815	$ 6,937
Bonuses to directors and corporate auditors	23	195
Total appropriations	¥ 839	$ 7,141

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, 2006 and 2005, 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, 2006 and 2005, 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.

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

September 1, 2006

Corporate Data (as of May 31, 2006)

Company Name
GLORY LTD.

Founded
November 27, 1944

Paid-in Capital
¥12,892,947,600

Employees
Consolidated: 5,200
Non-consolidated: 1,783

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

Board of Directors and Corporate Auditors (as of June 29, 2006)

Chairman
*Hisao Onoe

President and Executive Officer
*Hideto Nishino

Director and Senior Executive Officer
Masatoshi Ushio

Director and Managing Executive Officers
Norishige Matsuoka
Yuichi Funabiki
Hirokazu Onoe
Hideaki Matsushita

Directors and Executive Officer
Osamu Tanaka
Tetsu Yoshioka

Directors
Yoshio Onoe
Koichi Matsuda
Masakazu Hamano
Masahiro Ichitani
Takenori Nishi
Shinya Tatsuta
Terumichi Saeki

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, 2006)

Common Stock

Number of Shares Authorized
128,664,000

Number of Shares Issued
74,236,210

Unit for Trading
100

Number of Shareholders
7,074

Stock Exchange Listings
Tokyo, Osaka

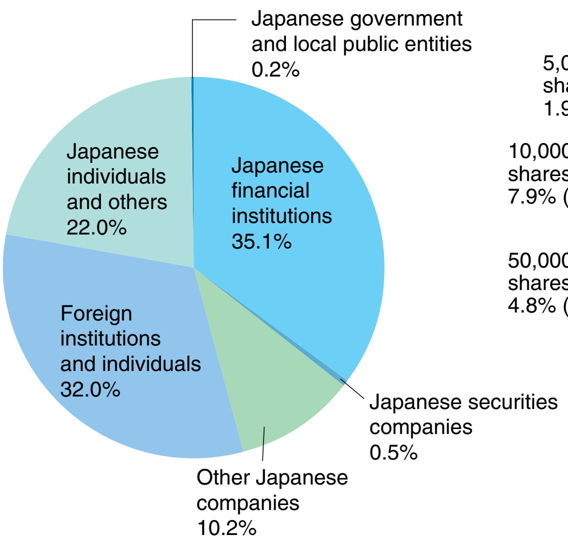
Ticker Symbol Number
6457

Major Shareholders

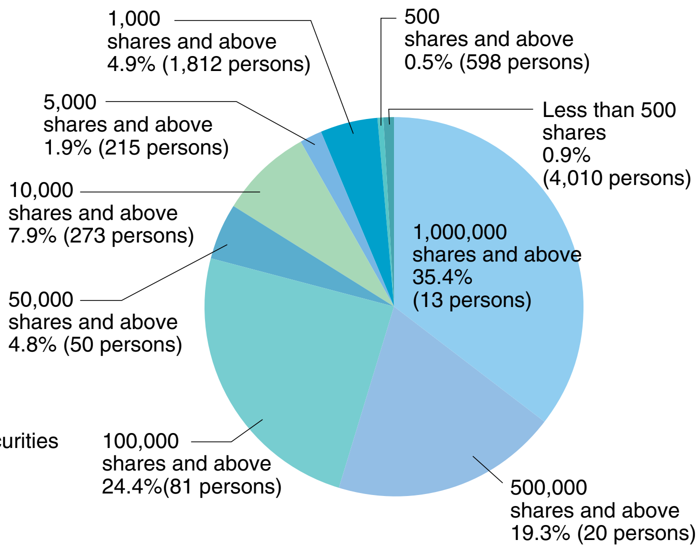
	Number of shares held (thousands)	Ratio of total shares issued
Nippon Life Insurance Company	4,058	5.5
Japan Trustee Service Bank Ltd. (Trusty Account)	3,326	4.5
Tatsuta Boseki Kaisha, Limited	2,939	4.0
Sumitomo Mitsui Banking Corporation	2,100	2.8
Onoe International Limited	2,018	2.7
Katsuhiko Onoe	1,927	2.6
The Master Trust Bank of Japan, Ltd. (Trusty Account)	1,891	2.5
National Mutual Insurance Federation of Agricultural Cooperatives	1,749	2.4
The Dai-ichi Mutual Life Insurance Company	1,715	2.3
Morgan Stanley and Company Inc.	1,198	1.6

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

Distribution by Ownership of Shares



Distribution by Number of Shares



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