



Annual Report 2007

Year ended March, 2007

Company Profile

Since its establishment in 1955, the JCM Group has continued to develop, manufacture, and market cash-handling products under the motto "Results arise from following the customer's lead." The JCM Group has always been engaged in business activities that maintain the relationship of trust between people and money, by means such as reducing the labor involved in transport and storage in the worldwide money-handling business, and contributing to the maintenance of public safety with respect to money.

The JCM Group, based on its origin as a comprehensive maker of cash-handling machines, has developed a system that focuses on customer needs and market trends. In practical terms, we are engaged in continuous improvement of our systems, constitution, and structures. In addition to pressing ahead with accelerating and globalizing our management, our goal is even further improvement of our technological prowess, quality, and service, through the efficient and effective use of the human, material, and financial resources that are so important to the company.

To fulfill its corporate social responsibility as a listed company, the JCM Group has obtained ISO 14001 certification for its environmental management system, manufactures its products in strict compliance with national and local environmental regulations in each country, obtains and maintains gaming licenses where required (mainly in the USA), and is engaged in uniform compliance group-wide.

Our primary responsibility is to blaze a trail into the future for our customers, users, and society by means of these initiatives. As we continue to pursue customer satisfaction and trust, to enable us to meet our long-term commitment to trust and sincerity toward our customers and users, we will strive to ensure the happiness of all our stakeholders in the form of customers, shareholders, staff, employees, local communities, and others.



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Forward-looking statements

The present report contains forward-looking statements regarding JCM Group plans, forecasts, strategies, business results and other items. These forward-looking statements are based on judgments made using the information available at the time. Actual business results will be affected by various risk factors and uncertainties, and readers are advised that they may therefore differ substantially from the projections presented herein. Factors affecting future projections include, but are not limited to, the economic conditions under which the JCM Group operates, competitive pressures, relevant laws and regulations, the status of product development programs, and fluctuations in exchange rates.

Financial Highlights

Japan Cash Machine Co., Ltd. and Consolidated Subsidiaries
March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
For the year:			
Net sales:			
Domestic	¥ 12,689	¥ 16,116	\$ 107,455
Overseas	19,096	16,479	161,706
Total	31,785	32,595	269,161
Operating income	3,432	4,824	29,060
Net income	1,759	2,969	14,895
Depreciation of property, plant and equipment	(607)	(636)	(5,148)
Research and development costs	1,659	1,615	14,046
At the year end:			
Current assets	¥ 26,397	¥ 26,965	\$ 223,532
Total assets	35,295	34,947	298,883
Current liabilities	6,216	7,140	52,640
Net assets	28,510	27,487	241,427
Per share data:			
Net income - Basic	¥ 59.46	¥ 98.42	\$ 0.50
Net income - Diluted	—	98.21	—
Net assets	963.74	927.11	8.16
Cash dividends	20.00	40.00	0.17
Number of employees	653	606	—

Note: The U.S. dollar amounts in this report have been translated from the corresponding yen amounts, for convenience only, at ¥118.09 = U.S.\$1.00, the rate of exchange prevailing on March 31, 2007.



Network linking main centers worldwide to be com JCM Group achieves a new level of globalization.

Our task is to maximize the use of the assets passed on by our predecessors in line with current conditions to advance even further.

In April this year I accepted the position of president.

As we embark simultaneously on both a new financial year and a new system, let me say something about my hopes for the present financial year and future prospects as I reflect on my own career and the history of JCM.

Revenue continued to fall during the last financial year (year ended March 2007), and as a director during this period I would like to express my profound apologies for the lack of improvement in our results. I take this fact extremely seriously, and believe that accurately analyzing and dealing with its causes is the essence of restoring trust on the part of our shareholders and the market.

During the past 13 years, as director with responsibility for international affairs I have been intimately involved with both JCM and the entire world. When I joined the company in 1984 it was undergoing a period of transformation and globalization started to accelerate in a number of different ways. The Company began making inroads into the field of bill validation machines employing cash-register technology as well as establishing an overseas presence in the form of our Hong Kong manufacturing plant and US

sales office. I still hear stories today about the young staff members of that time sleeping in a single car in Las Vegas, where they knew absolutely no one, going from door to door to cultivate a new market. I firmly believe that this pioneer spirit of JCM has borne fruit in the establishment of our US office, and acquisition of a dominant share of the North American gaming market and advancement to the global base in the world.

However, our competition and our customers have evolved globally more rapidly than our company. Our basic system has not been able to change swiftly enough to keep up with the speed of growth and transformation ... I regard this as one reason for the temporary slump in our results.

Six Basic Policies for pressing ahead with management reform.

In the midst of this structural change, I personally have made every effort to respond to globalization. After joining the company, following a stint in software development I traveled the world in international sales, working to promote the company's brand penetration. I was constantly wrestling with so many different cultures that it might be quicker to list the countries I haven't visited. The eight years from 1987 that I spent in Hong Kong saw my dedicated involvement in the establishment and development of our overseas manufacturing plant,

Brief Personal History of the New President

Name	Yojiro Kamihigashi
Year of Birth	1959
Birth Place	Osaka, Japan
Work Record	October 1984 Joined Japan Cash Machine Co., Ltd. June 1993 Director at Japan Cash Machine Co., Ltd. April 1997 Deputy General Manager of Sales Division at Japan Cash Machine Co., Ltd. April 2002 General Manager of Overseas Sales Division at Japan Cash Machine Co., Ltd. April 2006 General Manager of International Marketing & Operations Division at Japan Cash Machine Co., Ltd. June 2006 Operating Officer at Japan Cash Machine Co., Ltd.

plete by year's end.

during which I was engaged in design and manufacturing on a global scale.

My varied experience in a range of situations, which has made me aware of both the company's strengths and weaknesses, as well as the many things I have learned about the global market, are vital to me as I assume the office of president. They have been the foundation of the Six Basic Policies devised as the main points of our current management reform.

The first point is to rebuild our systems, constitution, and structures. Existing systems that were formerly effective during the period when globalization was developing from Japan to overseas, may now have outlived their usefulness. In the future we can no longer think in polarized terms about "domestic" and "international," but must rebuild both our "hard" technological and "soft" service aspects on the basis of a new value system that sees Japan as one part of the international market.

Second, we have to press ahead with accelerate and globalize our management. That means restructuring our organization, from geographically based management to management according to markets and functions. Creating an organization that straddles the world horizontally will enable us to respond swiftly to changes wherever they occur worldwide on the basis of a unified strategy.

Third, we are aiming to improve management efficiency through



A handwritten signature in black ink, reading "Yojiro Kamihigashi". The signature is fluid and cursive.

Yojiro Kamihigashi
President
June 27, 2007



the selection and concentration of human, material, and financial resources. Information from each group will be concentrated in our management division. Based on an accurate understanding of contemporary trends and environmental changes, we will review the business structure of the entire group in a flexible way and carry out investments in a timely and effective manner.

Putting these measures into practice as the foundation of our mission will enable us to implement the fourth point, restoring customer trust while defeating our competition. The subsequent improvement in business results will lead to the fifth point, winning back trust on the stock market. We will endeavor to raise our corporate value still further, providing our shareholders with an even higher return.

Finally, an indispensable factor in the perpetual development of this virtuous circle is the sixth and last point, strengthening corporate

governance. We will diligently build the necessary foundation for the above reforms to continue to function soundly, including setting out clear guidelines to enable our entire staff to implement our corporate philosophy, ensuring visibility, soundness, and compliance, and engaging in information disclosure.

Creating an "offensive" platform for a new era.

In fact, JCM is already pressing forward with concrete measures for putting these Six Basic Policies into practice.

One example is the construction of our SCM system(Supply Chain Management System). We have been actively going ahead with the introduction of this system, which enables real-time management of stock, manufacturing, and distribution worldwide, and so far have completed the network system for our main centers in the USA, Germany, the UK, and Hong Kong. By the end of this year, all our centers will be connected. This information capability will be supplemented in an evolutionary fashion by means of our "su-udon plan." Su-udon is Japanese for "ungarnished noodles," and this plan involves producing and stocking common parts in advance, then customizing immediately as an order is received. This will enable us to continue our insistence on placing the customer first and to respond with the speed required by contemporary society. In addition, as the optimal means for deploying these systems and structures in human terms, we are taking the decisive step of shifting from geographically based management to management according to market and function. Groups dealing with the same markets will be managed horizontally across all our centers, and centralizing factors such as information and requirements will enable us to propose and develop strategies on a global basis.

Profit-returning policy

JCM regards returning profits as an important measure to help ensure that the Group's shareholders will continue to hold on to their shares over the long term.

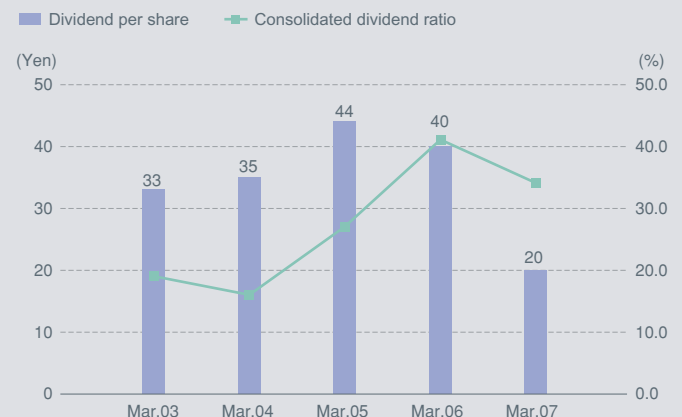
To enable JCM to continue to return profits in a stable and continuous manner in future, it will change the index used to a consolidated basis from the year in progress, setting the consolidated dividend ratio at 30% or above.

Dividend ratio 25%
(Unconsolidated results basis)



Dividend ratio 30%
(Consolidated results basis)

Transition of Return of Profits



Many of these measures make use of my personal first-hand experience. In fact, I have painful memories that bring home to me the importance of sharing information in the globalization process, which stem from my overseas experience. We had received an order for a particular bill validation machine, but were compelled to turn it down. Our bill validation machines, which can sort with a high degree of precision, use a particular type of sensor that is so sophisticated it must be ordered two years in advance, and we were out of stock. There was no way we could ask the customer to wait two years ... but the day after we had turned down the order, it was discovered that our German center had some in stock. This was doubly frustrating. But my memories and regrets from that time are now finding a use in building our current global network.

We have developed platforms to make the best possible use of JCM's technological capabilities and services. Soon JCM will begin its new "offensive." As one aspect of this, in January this year we established software development centers in Thailand and Bulgaria.

These centers will be responsible for the task of customization for the Asian and European markets respectively, enabling the Japanese R&D division to concentrate solely on medium to long-term R&D activities.

➤ Toward "global-scale management."

As I discussed in relation to the Six Basic Policies described above, if



we are to respond to the coming era of simultaneous, global-scale transformation, the simplistic bipolar concept of "Japan and overseas" is insufficient. The booming gaming market, for example, is shifting at a dizzying rate from the USA to Australia, Western Europe, Eastern Europe, and Macao. We need to grasp such swift global changes in a comprehensive way, as if looking at a globe, and my job is to implant a broad perspective that will enable every staff member

to look at upcoming trends from a birds-eye view. Adding this broad perspective, alternative viewpoints, and a playful spirit to the existing serious company atmosphere will result in our developing even more original ideas and opinions to advance and improve our globalization. I will work even harder to create a corporate atmosphere with plenty of leeway for each person's opinions to be expressed and considered.

With the backdrop of our powerful financial muscle, we are also looking at a range of possibilities for business expansion and mergers and acquisitions. Our initiatives continue to encompass both "soft" service and "hard" technological aspects, including technological collaboration with a major manufacturer to exploit the trend toward a cashless economy.

The new JCM has only just begun, but I am confident of being able to inform shareholders of its achievements as they occur. I am grateful for your support, and look forward to our continuing fruitful relationship in the future.

➤ Global Network



Strengthening managerial transparency and accountability

At JCM, we are conscious that forming relationships of trust with stakeholders is a vital management issue for the company's continuing development. To cement such relationships of trust with stakeholders even more solidly, JCM is striving not only to strengthen internal corporate management systems and ensure visibility of operations and fairness but also to build management systems capable of responding swiftly to changes in the business environment.

By keeping the number of directors who make up the Board of Directors to the minimum necessary, JCM has ensured that board members have been able to make accurate judgments concerning the items before them, carry out decision-making swiftly by consensus, and arrive at appropriate business decisions. As the company's size has expanded, however, it is making further efforts to strengthen corporate governance by introducing a system of operating officers to clarify the functions of management and supervision on the one hand, and execution of duties on the other.

The role demanded of corporate auditors is also vital in order to strengthen corporate governance, and we are incorporating measures such as regular joint meetings of the Board of Corporate Auditors and representative directors to ensure that the opinions of

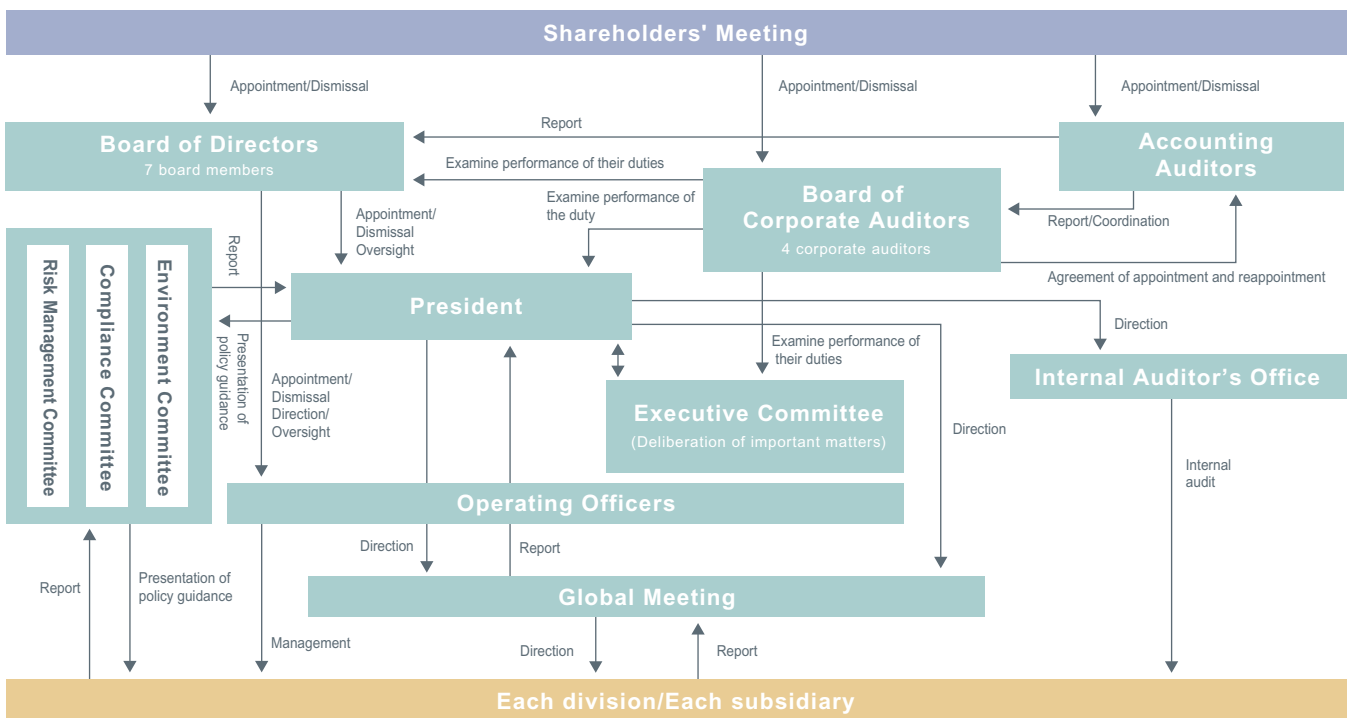
corporate auditors and the Board of Corporate Auditors can always be taken into account.

JCM has already been proactively engaged in internal control, mainly by means of the Internal Auditor's Office, but this is now being strengthened and extended by the Internal Control Department launched last year. In addition to developing and constructing a system for the detailed investigation of the operational status of internal control, this department is also working to reconstruct business processes and improve checking frameworks in the endeavor to improve the transparency of financial reports.

Board of Directors

The basic principle of the composition of the Board of Directors is to keep the number of members to the minimum necessary, to enable them to have an accurate understanding of the matters before them and to make swift management decisions. In addition to the regular monthly meetings, extraordinary board meetings are held as necessary.

Since last year the term of office of directors has been reduced from two years to one with the goal of both clarifying their



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managerial accountability and creating a management structure capable of responding swiftly to changes in the business environment.

❖ Executive Committee

Before an important matter is brought up at meetings of the Board of Directors a meeting is held of the Executive Committee, membership of which consists mainly of the president, the director(s) responsible, and the corporate auditors. Its role in considering such matters in advance of the board meeting is to endeavor to clarify the concise items for discussion and obtain a thorough understanding of the problems involved, striving to enable the board to make more appropriate and informed management decisions.

Staff members of the Corporate Planning Department attend meetings of the Board of Directors and the Executive Committee to act as their secretariat. By expediting the proceedings and taking minutes of debates and statements, they clearly set out not only the motions and outcomes of the items deliberated, but also the processes that led to the decisions made by those attending each meeting.

❖ Board of Corporate Auditors

JCM's Board of Corporate Auditors consists of four corporate auditors (two of whom are external auditors). Meetings are held once a month for reports, debate, and decisions regarding the outcomes of daily audits and other important matters. The corporate auditors and accounting auditors regularly hold joint meetings, at which they exchange appropriate information concerning accounting problems and other auditing matters of concern.

❖ Operating Officers

In addition to keeping the number of directors who make up the Board of Directors to the minimum necessary, to ensure that board members are able to make accurate judgments concerning the items before them, carry out decision-making swiftly by consensus, and arrive at appropriate business decisions, the company is introducing a system of operating officers, with the aim of clarifying executive responsibilities for the execution of operations as well as making them even swifter and more efficient.

Operating officers bear responsibility for and execute the duties assigned to them in accordance with the management policies decided by the Board of Directors. Appointment and dismissal of

operating officers shall be carried out at the decision of the Board of Directors, and the term of office of an operating officer shall be one year.

❖ Status of internal audits and auditing by auditors

JCM has established an Internal Auditor's Office under the direct jurisdiction of the representative directors, for the purpose of auditing the execution of operations, including those of related companies both within Japan and overseas, and to offer advice on streamlining and rationalizing operations. It currently has two staff members, who ensure a close liaison and information exchange between the corporate auditors and accounting auditors and carry out effective, efficient auditing.

As far as auditing by auditors is concerned, the two full-time corporate auditors are responsible for daily audits. They attend meetings of the Board of Directors and Executive Committee, monthly accounts meetings, and other important meetings, and in addition to striving to understand the process whereby directors make important decisions and the status of execution of operations they also carry out visiting audits of all business premises and subsidiaries, including those overseas, in accordance with the division of duties set out by the Board of Corporate Auditors. The external auditors not only receive reports as needed of the outcome of daily audits from the full-time auditors, but also attend meetings of the Board of Directors, monthly accounts meetings, and other important meetings. As well as auditing the directors' performance of their duties, they utilize their specialist knowledge (one external auditor is a certified public accountant and the other is a lawyer) to check the company's management objectively from a broad perspective.

With regard to subsidiary companies, in addition to attending meetings of the Board of Directors and other important meetings, the full-time auditors carry out visiting audits once every 1-2 years according to predetermined assignments, which include those of overseas subsidiaries.

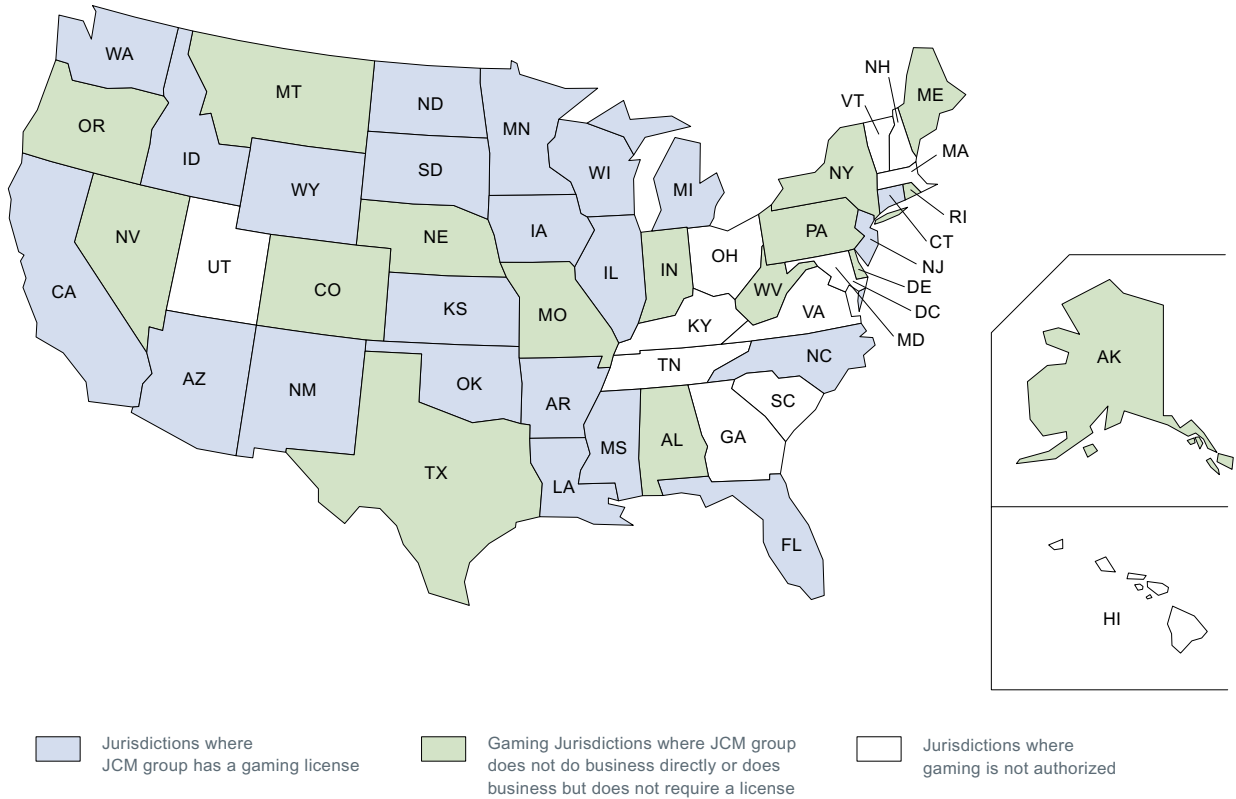
❖ Global Meetings

Global meetings of all group companies, including those outside Japan, are held regularly to set out important management policies and basic strategies for the JCM Group, and JCM is working to ensure that matters decided at these meetings are understood in the same way throughout all Group companies.

❖ Introduction of Defenses against Acquisitions

If purchasers of shares in JCM do not understand the source of the Group's corporate value and are not committed to maintaining and improving this over the medium to long term, this will harm both the corporate value of JCM and the common interests of its shareholders. JCM regards the introduction of measures that are both necessary and appropriate to prevent such a hostile takeover as required if the Group is to safeguard its corporate value and its shareholders' common interests.

Acquisition of Gaming Licenses



North American Gaming Regulation

In casinos and the gaming industry strict legal regulations are imposed on casino management and the manufacture and sales of gaming machines to ensure that persons unconnected with criminal organizations operate honestly using bona fide gaming machines and components. These legal regulations not only require that authorization be obtained from the appropriate authority to sell bill validation units fitted to gaming machines, but in most US states and jurisdictions bill validation units are also regarded as a type of gaming machine, and their testing, approval, and sale requires the same authorization as that for gaming machines themselves. For this reason, the JCM group has not only swiftly obtained authorization for sales of bill validation units when this is required, but also responded in a timely fashion when the regulations governing slot machines and other gaming machines have changed even if bill validation units are not themselves subject to regulation. The company has never been denied a license, nor has one ever been suspended or revoked.

When obtaining gaming licenses, not only the JCM group itself but also its individual directors undergo rigorous screening procedures. At present the JCM group holds over 120 gaming licenses in North America. In the future the company will not only renew its existing licenses but also obtain the new ones required for manufacturing and sales of its products where market potential and revenue justify the costs of such new or renewal process.

Speedy, global strengthening of core development

As one aspect of "business selection and concentration," JCM is promoting globalism. Not only is the company developing its centers in different countries, it is also introducing systems to enable efficient, dynamic global management as well as such proactive initiatives as improving brand strength by exhibiting at trade fairs.

Production

Construction of a global network system to enable appropriate stock management and reduced lead time

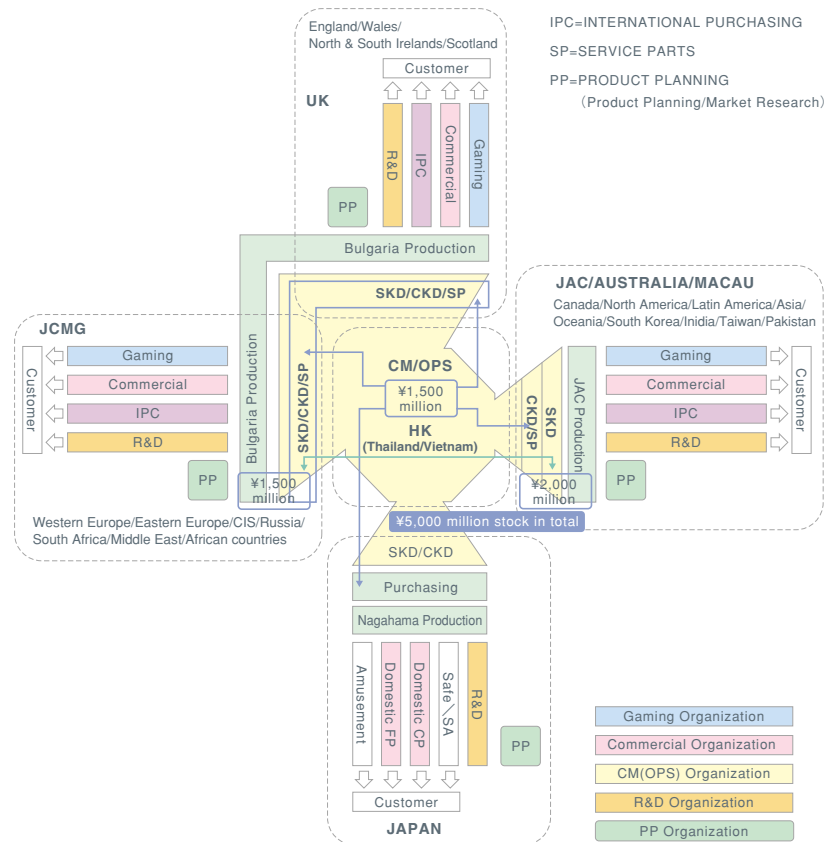
- Stock reductions (appropriate stock operation) through effective stock adjustment across the JCM group
- Shortening of customer lead time and adherence to delivery period
- Early management decisions through visualization of management information in the JCM group's consolidated base

JCM is engaged in the construction of a global network system to achieve these objectives. It has already been installed in centers overseas, and work on its installation in Japan and mutual connections between subsidiaries is in its final stages and approaching completion.

The JCM global network system can be broadly divided into two parts. The first is the Supply Chain Management System. This is a system for comprehensive control of demand and supply for products and parts throughout the JCM group. Use of this system will not only enable the formulation of optimal advance plans for manufacturing, but will also result in shortened customer lead time and effective stock operation.

The other part of the system is the Global Management Information System. Monitoring and analyzing the management situation of all JCM group companies in an integrated manner means that the situation in each company can be grasped in a timely fashion and appropriate management decisions made.

Introducing these structures will permit operating processes to be standardized, and has also created an environment in which the current status can be confirmed by every company in the group. JCM will utilize the functions of this system to their fullest extent, making greater efforts than ever before to achieve its objectives.





J-CASH MACHINE(THAILAND)CO.,LTD.



JCM BULGARIA LTD.



ATEI/ICE 2007



IMA 2007



Retail Solutions
World Asia 2007

Investment

In response to diversifying needs, JCM is restructuring its business and forging ahead with merger and acquisition strategies

To respond to the increasingly rapid pace of change in the market environment in recent years, JCM is both pressing ahead with globalization and working to strengthen its corporate governance to previously unattained levels. The company is once again reviewing its business structure, restructuring its organization both in Japan and overseas in a direction away from geographically based management toward management according to market and function, with the goal of speeding up decision-making.

We will promote the selection and concentration of businesses for which this restructuring will provide the greatest payoff, and focus investment on our most serviceable assets. In practical terms, we will emphasize both the diversification of our sales networks, customers, and the products we handle, and also merger and acquisition strategies as a means of obtaining new technology. We will promote alliances with and acquisition of other companies in the fields of bill technology and related peripheral technologies.

Development

Speeding up business: Establishment of group companies to act as overseas development centers

One solution to the twin problems of management globalization and speeding up our business is to establish group companies and subsidiaries overseas. In FY2006, JCM established two companies to enable the "soft" aspects of customization and development to be carried out more swiftly overseas. JCM Bulgaria Ltd. was established in January 2007, and J-Cash Machine (Thailand) Co., Ltd. was also founded in that year. Their establishment will enable JCM to respond swiftly to market needs.

Sales

Active participation in international trade shows and exhibitions as part of our branding strategy

JCM exhibited at ATEI/ICE 2007, Europe's largest amusement and gaming machine exhibition, held on January 23-25 in the UK, and also at IMA 2007, the international trade fair for amusement and vending machines, held on January 16-18 in Germany.

The company also exhibited at Retail Solutions World Asia 2007, held on April 25-27 in Singapore, where two large casinos are due to open by around 2009, and attracted a favorable response.

Business development in America, Europe and Asia

Japan

A significant drop in revenue from the amusement market has resulted in a decrease in external revenue. Increased revenue from sales mainly to the overseas gaming market, however, means that overall revenue has dropped only slightly. Profits have dropped in the amusement machine division, and the costs of securing market trust in our products and litigation costs have also both increased, leading to an overall loss.

North America

In addition to our endeavors to expand our product range by releasing new products and to improve our support system, there are signs of increasing demand for upgrades to gaming machines, which had been sluggish in the previous financial year, and which has resulted in increased revenue overall. Price wars with competing companies have cut into our margins, however, and the impact of the cost of improving customer support has meant that the company suffered a loss.

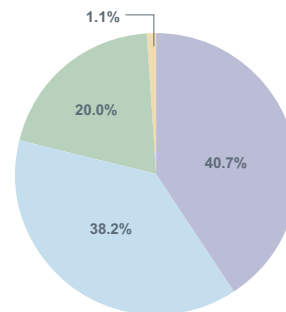
Europe

Demand fell in the Russian gaming market owing to the implementation of legal revisions to strengthen its regulation. Eastern European markets other than Russia, however, have seen a gradual increase in demand, and the depreciation of the yen's exchange rate has resulted in increased revenue. Price wars with competing companies have cut into our margins, however, and the cost of measures to improve our organization such as increasing the number of staff have reduced operating profit.

Asia

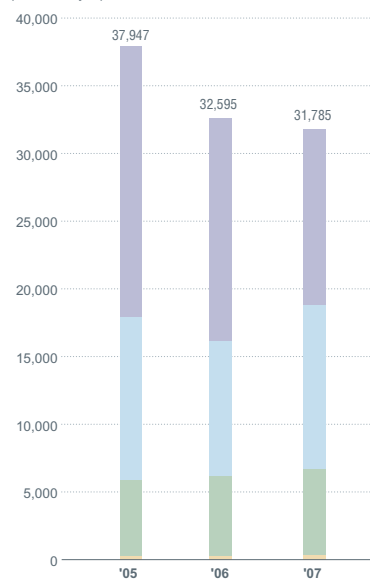
As the JCM group's international manufacturing base, the Asian region produces money handling and amusement machines. A rise in sales, mainly overseas, has resulted in increases in both revenue and operating profit.

2007 Net Sales Composition



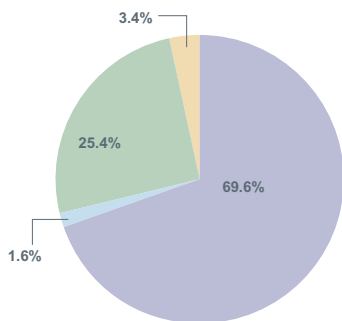
Change in Net Sales Composition

(Millions of yen)

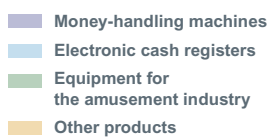
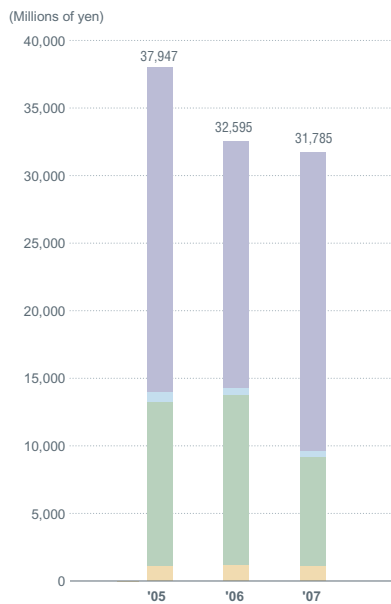


Years ended March 31

2007 Net Sales Composition



Change in Net Sales Composition



Years ended March 31

Money-Handling Machines

International gaming market

In the North American market, in addition to our endeavors to expand our product range by releasing new products and to improve our support system, there are signs of recovering demand for upgrades to gaming machines, which had been sluggish in the previous financial year. In the European market, with the exception of Russia, there are signs of firm market expansion in Eastern European nations, and revenue has risen. The Asian market has not seen any major changes, but in preparation for the scheduled construction of large casinos we are working to improve our proactive sales activities and support systems.

International commercial market

Revenue has risen as a result of our development of proactive sales activities in the North American and European markets, focused mainly on applications to vending machines and other products.

Japanese market

In addition to increases in applications in self-service gasoline stations and small ATMs, revenue has also increased from cash management machines in distribution outlets and the backyards of amusement centers.

As a result of the factors described above, this division had revenue of 22.112 billion yen (a 20.6% increase compared with the previous year).

Electronic Cash Registers

Sales of a low-cost POS system were launched within Japan with a view to stimulating new demand, but this did not result in significantly increased revenue. Internationally, revenue decreased owing to the impact of overseas low-cost products.

As a result of the factors described above, this division had revenue of 510 million yen (a 3% decrease compared with the previous year).

Equipment for the Amusement Industry

In the amusement market, the concentration of investment in installing and replacing amusement machines in amusement halls in line with the revision of regulations governing such machines, as well as the impact of a drop in the number of people using amusement centers and the closing of some halls also as a result of regulatory revisions, has led to the tendency to restrict investment in amusement hall equipment. As a result, revenue from this division's main product, peripheral equipment for pachinko and slot machine centers, has dropped significantly.

As a result of the factors described above, this division had revenue of 8.074 billion yen (a 35.6% decrease compared with the previous year).

Other Products

Game center management has been maintained with no major changes, but revenue from fireproof safes and environmental and hygiene equipment has dropped.

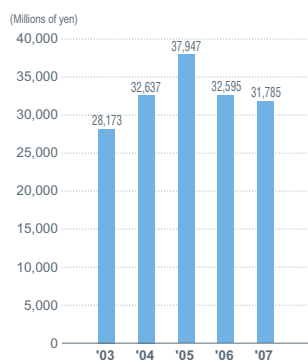
As a result of the factors described above, this division had revenue of 1.087 billion yen (an 8.4% decrease compared with the previous year).

Consolidated Five-Year Summary

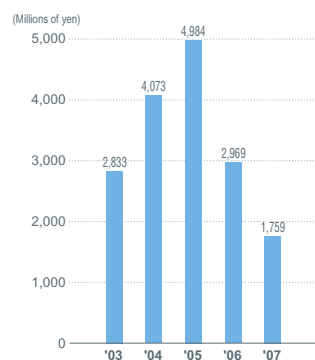
Japan Cash Machine Co., Ltd. and Consolidated Subsidiaries

	Millions of yen					Thousands of U.S. dollars
	2007	2006	2005	2004	2003	2007
For the year:						
Net sales	¥ 31,785	¥ 32,595	¥ 37,947	¥ 32,637	¥ 28,173	\$ 269,161
Money-handling machines	22,112	18,341	23,993	22,318	19,736	187,248
Electronic cash registers	510	526	718	872	1,161	4,321
Equipment for the amusement industry	8,075	12,540	12,160	8,274	5,986	68,379
Other	1,088	1,188	1,076	1,173	1,290	9,213
Gross profit	14,796	15,184	18,412	16,170	12,309	125,292
Operating income	3,432	4,824	8,644	7,281	4,765	29,060
Net income	1,759	2,969	4,984	4,073	2,833	14,895
Cash flows from operating activities	1,780	2,370	3,169	4,850	4,849	15,072
Cash flows from investing activities	(1,760)	(2,617)	(1,976)	(728)	(634)	(14,902)
Cash flows from financing activities	(947)	(1,417)	(899)	(784)	(746)	(8,023)
Cash and cash equivalents at end of year	9,526	10,242	11,621	11,275	8,393	80,668
At the year-end:						
Total assets	¥35,295	¥ 34,947	¥ 32,876	¥ 29,350	¥ 26,470	\$ 298,883
Net Assets	28,510	27,487	25,020	20,809	17,642	241,427
Return on equity (%)	6.3	11.3	21.8	21.2	16.9	—
Number of employees	653	606	582	549	504	—

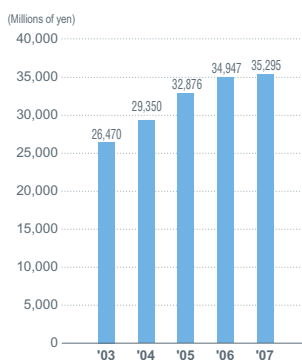
Net Sales



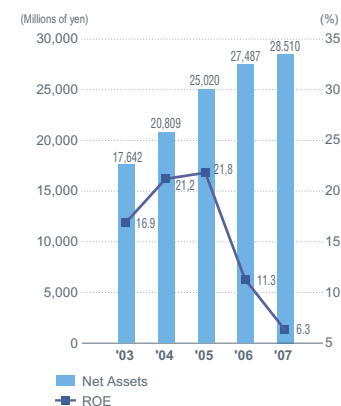
Net Income



Total Assets



Net Assets and ROE



Consolidated Balance Sheets

Japan Cash Machine Co., Ltd. and Consolidated Subsidiaries
March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2007	2006	2007
Assets			
Current assets:			
Cash and deposits (Note 14)	¥ 9,582	¥ 10,288	\$ 81,139
Trade receivables:			
Notes	969	2,397	8,202
Accounts	4,740	4,610	40,143
	5,709	7,007	48,345
Securities (Note 6)	1,341	1,094	11,354
Inventories (Note 5)	7,474	6,547	63,295
Deferred income taxes (Note 9)	1,730	1,454	14,647
Prepaid expenses and other current assets	755	733	6,394
Less allowance for doubtful accounts	(194)	(158)	(1,642)
Total current assets	26,397	26,965	223,532
Property, plant and equipment, at cost:			
Land	751	631	6,361
Buildings and structures	2,770	2,730	23,458
Machinery and equipment	4,731	4,503	40,062
Construction in progress	13	85	106
	8,265	7,949	69,987
Less accumulated depreciation	(5,005)	(4,503)	(42,385)
Property, plant and equipment, net	3,260	3,446	27,602
Investments and other assets:			
Investments in securities (Note 6)	1,519	1,851	12,860
Investments in unconsolidated subsidiaries	16	16	137
Deferred income taxes (Note 9)	71	37	605
Long-term loans	2	14	20
Other	4,142	2,678	35,079
Less allowance for doubtful accounts	(112)	(60)	(952)
Total investments and other assets	5,638	4,536	47,749
Total assets	¥ 35,295	¥ 34,947	\$ 298,883

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2007	2006	2007
Liabilities and Net Assets			
Current liabilities:			
Trade payables:			
Notes	¥ 282	¥ 1,477	\$ 2,384
Accounts	3,313	3,272	28,055
	3,595	4,749	30,439
Short-term bank loans	130	120	1,106
Accrued income taxes (Note 9)	445	301	3,772
Accrued bonuses for employees	370	427	3,132
Accrued bonuses for directors	39	—	327
Other current liabilities	1,637	1,543	13,864
Total current liabilities	6,216	7,140	52,640
Long-term liabilities:			
Accrued retirement benefits for employees (Note 8)	20	9	165
Retirement allowances for directors and corporate auditors	295	258	2,501
Deferred income taxes (Note 9)	40	31	338
Other	214	22	1,812
Total long-term liabilities	569	320	4,816
Net assets			
Shareholders' equity (Note 10):			
Common stock:			
Authorized – 79,000,000 shares			
Issued – 29,662,851 shares in 2007 and 2006	2,217	2,217	18,773
Capital surplus	2,069	2,069	17,525
Retained earnings (Note 17)	23,310	22,557	197,389
Less treasury stock, at cost:			
79,928 shares in 2007 and 78,869 shares in 2006	(111)	(109)	(939)
Total shareholders' equity	27,485	26,734	232,748
Valuation, translation adjustments and others:			
Net unrealized holding gain on securities	349	464	2,954
Translation adjustments	676	289	5,725
Total valuation, translation adjustments and others	1,025	753	8,679
Total net assets	28,510	27,487	241,427
Total liabilities and net assets	¥ 35,295	¥ 34,947	\$ 298,883

Consolidated Statements of Income

Japan Cash Machine Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2007	2006	2007
Net sales (Note 16)	¥ 31,785	¥ 32,595	\$ 269,161
Cost of sales (Note 12)	16,989	17,411	143,869
Gross profit on sales	14,796	15,184	125,292
Less deferred gross profit on installment sales	194	—	1,640
Gross profit	14,602	15,184	123,652
Selling, general and administrative expenses (Note 12)	11,170	10,360	94,592
Operating income (Note 16)	3,432	4,824	29,060
Other income:			
Interest and dividend income	165	124	1,402
Reversal of allowance for doubtful accounts	1	70	8
Foreign exchange gain	39	59	331
Other	82	81	692
	287	334	2,433
Other expenses:			
Interest expense	1	3	10
Loss on disposal of property, plant and equipment	16	27	137
Loss on devaluation of investments in securities	638	—	5,402
Impairment loss	3	7	28
Other	85	68	715
	743	105	6,292
Income before income taxes	2,976	5,053	25,201
Income taxes (Note 9):			
Current	1,436	2,050	12,157
Deferred	(219)	34	(1,851)
Net income	¥ 1,759	¥ 2,969	\$ 14,895

Consolidated Statements of Changes in Net Assets

Japan Cash Machine Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of yen						
	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gain on securities	Translation adjustments
Balance at March 31, 2005	29,626,881	¥ 2,182	¥ 2,029	¥ 21,131	¥ (95)	¥ 277	¥ (504)
Net income for the year ended March 31, 2006	—	—	—	2,969	—	—	—
Issuance of common stock	35,970	35	35	—	—	—	—
Cash dividends	—	—	—	(1,478)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(65)	—	—	—
Gain on sales of treasury stock	—	—	5	—	—	—	—
Net unrealized holding gain on securities	—	—	—	—	—	187	—
Translation adjustments	—	—	—	—	—	—	793
Increase in treasury stock	—	—	—	—	(14)	—	—
Balance at March 31, 2006	29,662,851	¥ 2,217	¥ 2,069	¥ 22,557	¥ (109)	¥ 464	¥ 289
Net income for the year ended March 31, 2007	—	—	—	1,759	—	—	—
Cash dividends	—	—	—	(947)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(59)	—	—	—
Gain on sales of treasury stock	—	—	0	—	1	—	—
Net unrealized holding loss on securities	—	—	—	—	—	(115)	—
Translation adjustments	—	—	—	—	—	—	387
Increase in treasury stock	—	—	—	—	(3)	—	—
Balance at March 31, 2007	29,662,851	¥ 2,217	¥ 2,069	¥ 23,310	¥ (111)	¥ 349	¥ 676

	Thousands of U.S. dollars (Note 4)						
	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gain on securities	Translation adjustments
Balance at March 31, 2006	29,662,851	\$ 18,773	\$ 17,523	\$ 191,011	\$ (923)	\$ 3,928	\$ 2,448
Net income for the year ended March 31, 2007	—	—	—	14,895	—	—	—
Cash dividends	—	—	—	(8,017)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(500)	—	—	—
Gain on sales of treasury stock	—	—	2	—	7	—	—
Net unrealized holding loss on securities	—	—	—	—	—	(974)	—
Translation adjustments	—	—	—	—	—	—	3,277
Increase in treasury stock	—	—	—	—	(23)	—	—
Balance at March 31, 2007	29,662,851	\$ 18,773	\$ 17,525	\$ 197,389	\$ (939)	\$ 2,954	\$ 5,725

Notes to Consolidated Financial Statements

Japan Cash Machine Co., Ltd. and Consolidated Subsidiaries

1. Basis of Preparation of Consolidated Financial Statements

Japan Cash Machine Co., Ltd. (the "Company") and its domestic subsidiaries maintain their accounts and records in accordance with accounting principles generally accepted in Japan. Its overseas subsidiaries maintain their accounts in conformity with the requirements of their countries of domicile.

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to present them in a form which is familiar to readers outside Japan. However, no adjustments have been made which would change the financial position or the results of operations

as presented in the original consolidated financial statements.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2006 to the 2007 presentation. Such reclassifications had no effect on consolidated net income or net assets.

Effective the year ended March 31, 2007, the Company has adopted a new accounting standard for the presentation of net assets in the balance sheet and the related implementation guidance. In addition, effective the year ended March 31, 2007, the Company is required to prepare consolidated statements of changes in net assets. In this connection, the previously reported consolidated balance sheet as of March 31, 2006 and consolidated statement of shareholders' equity for the year then ended have been restated to conform to the presentation and disclosure of the consolidated financial statements for the year ended March 31, 2007.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation and Accounting for Investments in Unconsolidated Subsidiaries

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany items have been eliminated in consolidation.

The overseas consolidated subsidiaries are consolidated on the basis of fiscal periods ending December 31, which differs from the balance sheet date of the Company. As a result, adjustments have been made for any significant intercompany transactions which took place during the period between the year end of these overseas consolidated subsidiaries and the year end of the Company.

Any difference between the cost of an investment in a subsidiary and the amount of underlying equity in the net assets of the subsidiary is treated as an asset or a liability as the case may be, and is amortized over a period of five years on a straight-line basis.

Investments in unconsolidated subsidiaries are carried at cost.

(b) Foreign Currency Translation

Foreign currency transactions

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except that receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding contract rates. All other assets and liabilities denominated in foreign currencies are translated at their historical rates. Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into yen at the exchange rates in effect at the respective transaction dates. Gain or loss on the

transactions is credited or charged to income in the period in which such gain or loss is recognized for financial reporting purposes.

Financial statements of overseas consolidated subsidiaries

The financial statements of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date except that the revenue and expense accounts are translated at the average exchange rates in effect during the fiscal year and the components of shareholders' equity are translated at their historical rates. Differences resulting from translating the financial statements of the overseas consolidated subsidiaries are not included in the determination of net income, but are presented as translation adjustments in a component of net assets in the consolidated balance sheets.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks and other highly liquid investments with maturities of three months or less when purchased.

(d) Inventories

Inventories of the Company and its domestic subsidiaries are stated at cost determined by the first-in, first-out method. Inventories of the overseas consolidated subsidiaries are stated at the lower of cost or market, the cost of JCM American Corporation and JCM Gold USA, Inc. being determined by the first-in, first-out method, and the cost of Japan Cash Machine Germany GmbH, JCM Gold (HK) Ltd. and JCM United Kingdom Ltd. being determined by the moving-average method.

(e) Investments in Securities

Securities are classified into three categories: trading securities, held-to-maturity debt securities, and other securities. Trading securities are stated at fair value. Gain and loss, both realized and unrealized, are charged to income. Held-to-maturity debt securities are stated at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving-average method.

(f) Derivatives and Hedging Activities

Derivative financial instruments are utilized by the Company principally in order to manage certain risks arising from adverse fluctuation in foreign currency exchange rates. The Company has established a control environment which includes policies and procedures for risk assessment, and for the approval, reporting and monitoring of transactions involving derivatives. The Company does not hold or issue derivatives for speculative trading purposes.

The Company is exposed to certain market risk arising from its forward foreign exchange contracts. The Company is also exposed to the risk of credit loss in the event of non-performance by the counterparties to these contracts; however, the Company does not anticipate non-performance by any of these counterparties, all of whom are financial institutions with high credit ratings.

Derivatives are carried at fair value with any changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability.

(g) Property, Plant and Equipment

Property, plant and equipment is stated on the basis of cost. The Company calculates depreciation principally by the declining-balance method based on the estimated useful lives of the assets and the residual value determined by the Company and its domestic subsidiaries, except for buildings (exclusive of any structures attached to the buildings) acquired on or after April 1, 1998 which are depreciated by the straight-line method. The consolidated subsidiaries calculate depreciation principally by the straight-line method over the estimated useful lives of the respective assets.

The useful lives of property, plant and equipment are 3 to 50 years for buildings and structures and 4 to 12 years for machinery and equipment.

Costs for maintenance, repairs and minor renewals are charged to income when incurred. Major renewals and betterments are capitalized.

(h) Research and Development Costs and Computer Software

Research and development costs are charged to income

when incurred. Expenditures relating to computer software developed for internal use are charged to income when incurred, except if these are deemed to contribute to the generation of future income or cost savings. Such expenditures are capitalized as assets and amortized by the straight-line method over their useful lives, generally a period of five years. Computer software developed for sales purposes is amortized by the straight-line method over its economic life, generally three years or less.

(i) Allowance for Doubtful Accounts

The Company and its domestic subsidiaries provide allowances for doubtful receivables based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific doubtful accounts from customers experiencing financial difficulties.

The allowance for doubtful accounts of the overseas subsidiaries has been provided at an estimated amount of their probable bad debts.

(j) Leases

Non-cancelable leases of the Company are accounted for as operating leases (whether such leases are classified as operating or finance leases) except that leases which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases. However, leases of the overseas subsidiaries are generally classified and accounted for either as finance or operating leases in conformity with the accounting principles and practices generally accepted in the countries in which they are incorporated.

(k) Retirement Benefits

Employees of the Company and its domestic subsidiaries are, in general, covered by the Company's funded non-contributory pension plans.

Accrued retirement benefits are provided based on the amount of the projected benefit obligation reduced by the pension plan assets at fair value as of the balance sheet date.

Actuarial gain or loss is credited or charged to income in the year in which such gain or loss is recognized for financial reporting purposes.

The directors and corporate auditors of the Company and its domestic subsidiaries are not covered by pension plans. The liability for their retirement allowances represents the estimated amount which would be payable if they were to retire at the balance sheet date. Amounts payable to the directors and corporate auditors upon retirement are subject to the approval of the shareholders under the corporation law of Japan.

The overseas consolidated subsidiaries have no retirement benefit plans.

(l) Revenue recognition of installment sales

The Company and certain subsidiaries recognize both sales and costs of sales in the period of installment sales and defers the related gross profit to those periods in which they collect the cash.

(m) Income Taxes

Income taxes are calculated on taxable income and charged to income on an accrual basis. Certain temporary differences exist between taxable income and income reported for financial statement purposes which enter into the determination of taxable income in a different period. The Company and its consolidated subsidiaries recognize the tax effect of such temporary differences in their consolidated financial statements.

(n) Appropriation of Retained Earnings

Appropriation of retained earnings with respect to a given financial period is made by resolution of directors' meeting held subsequent to the close of the financial period. The accounts for that period do not, therefore, reflect such appropriations (see Note 17).

3. Changes in Accounting Policy

(a) Presentation of Net Assets in the Balance Sheet

Effective the year ended March 31, 2007 the Company adopted "Accounting Standard for Presentation of Net Assets in the Balance Sheet" in accordance with Accounting Standard Board of Japan ("ASBJ") Statement No.5 issued on December 9, 2005 and "Implementation Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet", ASBJ Guidance No.8 issued on December 9, 2005.

(b) Bonuses to Directors

Effective the year ended March 31, 2007, the Company and consolidated subsidiaries have adopted "Accounting Standard for Directors' Bonuses" (ASBJ Statement No. 4 issued on November 29, 2005).

As a result of the adoption of this accounting standard, income before income taxes decreased by ¥39 million (\$327 thousand) for the year ended March 31, 2007 from the amount which would have been recorded under the method applied in the previous year.

(c) Sales of Mold

Until March 31, 2006, the Company consolidated subsidiaries charged sales transaction of mold to other income or other expenses due to immateriality. Effective the year ended March 31, 2007, the Company changed its method of accounting for sales of mold and began charging the amounts of sales of mold to sales and the amounts of its related production costs to costs of sales. This change was made to present the operating results of the Company more accurately in consideration of a change in trading situations and increase in sales volume.

As a result of this change, sales and cost of sales increased by ¥202 million (\$1,709 thousand) and ¥189 million (\$1,598 thousand), respectively. Gross profit and operating income increased by ¥13 million (\$111 thousand). The impact on the consolidated segment information is outlined herein in the notes to the consolidated financial statements (see Note 16).

4. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at the rate of ¥118.09 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2007. This

translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

5. Inventories

Inventories on March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Finished goods	¥ 4,850	¥ 3,766	\$ 41,077
Work in process	430	480	3,638
Raw materials and supplies	2,194	2,301	18,580
	¥ 7,474	¥ 6,547	\$ 63,295

6. Securities and Investments in Securities

Securities and investments in securities classified as held-to-maturity debt securities at March 31, 2007 and 2006 were as follows:

	Millions of yen		
	2007		
	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Equity securities	¥ —	¥ —	¥ —
Government bonds	—	—	—
Other	—	—	—
Subtotal	—	—	—
Securities whose fair value does not exceed their carrying value:			
Equity securities	—	—	—
Government bonds	1,341	1,337	(4)
Other	—	—	—
Subtotal	1,341	1,337	(4)
Total	¥ 1,341	¥ 1,337	¥ (4)

	Millions of yen		
	2006		
	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Equity securities	¥ —	¥ —	¥ —
Government bonds	—	—	—
Other	—	—	—
Subtotal	—	—	—
Securities whose fair value does not exceed their carrying value:			
Equity securities	852	849	(3)
Government bonds	—	—	—
Other	—	—	—
Subtotal	852	849	(3)
Total	¥ 852	¥ 849	¥ (3)

	Thousands of U.S. dollars		
	2007		
	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Equity securities	\$ —	\$ —	\$ —
Government bonds	—	—	—
Other	—	—	—
Subtotal	—	—	—
Securities whose fair value does not exceed their carrying value:			
Equity securities	—	—	—
Government bonds	11,354	11,324	(30)
Other	—	—	—
Subtotal	11,354	11,324	(30)
Total	\$ 11,354	\$ 11,324	\$ (30)

Securities and investments in securities classified as other securities at March 31, 2007 and 2006 were as follows:

Millions of yen			
2007			
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥ 356	¥ 942	¥ 586
Other	2	4	2
Subtotal	358	946	588
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	465	465	—
Government bonds	—	—	—
Other	50	49	(1)
Subtotal	515	514	(1)
Total	¥ 873	¥ 1,460	¥ 587

Millions of yen			
2006			
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥ 860	¥ 1,651	¥ 791
Other	2	4	2
Subtotal	862	1,655	793
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	99	89	(10)
Government bonds	242	242	(0)
Other	50	48	(2)
Subtotal	391	379	(12)
Total	¥ 1,253	¥ 2,034	¥ 781

Thousands of U.S. dollars			
2007			
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	\$ 3,017	\$ 7,977	\$ 4,960
Other	17	37	20
Subtotal	3,034	8,014	4,980
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	3,940	3,940	—
Other	424	411	(13)
Subtotal	4,364	4,351	(13)
Total	\$ 7,398	\$ 12,365	\$ 4,967

The proceeds from sales of, and gross realized gain on, other securities for the years ended March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Proceeds from sales	¥ 1	¥ 318	\$ 6
Gross realized gain	1	11	4

The carrying value of other securities whose fair value was not determinable at March 31, 2007 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Equity securities	¥ 58	¥ 58	\$ 495

The redemption schedule at March 31, 2007 and 2006 for government bonds classified as other securities and held-to-maturity debt securities is as follows:

	Millions of yen			
	2007			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Government bonds	¥ 1,341	¥ —	¥ —	¥ —
Total	¥ 1,341	¥ —	¥ —	¥ —

	Millions of yen			
	2006			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Government bonds	¥ 1,094	¥ —	¥ —	¥ —
Total	¥ 1,094	¥ —	¥ —	¥ —

	Thousands of U.S. dollars			
	2007			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Government bonds	\$ 11,354	\$ —	\$ —	\$ —
Total	\$ 11,354	\$ —	\$ —	\$ —

7. Derivative Transactions

The Company has entered into forward foreign exchange contracts to reduce its exposure to adverse fluctuation in foreign exchange rates relating to receivables denominated in foreign currencies. The contract amounts and the related market values of those contracts except for firm commitments related to receivables at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Forward foreign exchange contracts to sell U.S. dollars:			
Contract amount	¥ 1,047	¥ 1	\$ 8,867
Market value	1,051	1	8,902
Net loss	¥ (4)	¥ 0	\$ (35)

The contract amounts of the forward foreign exchange contracts and the related market value presented above exclude those entered into to hedge receivable denominated in foreign currencies which have been translated and are reflected at their corresponding contracted rates in the consolidated balance sheets and to hedge forecasted transactions in foreign currencies which are accounted for in the consolidated financial statements in conjunction with the computation of foreign exchange gain and loss by the deferral of gain and loss. The contract amount and the related market value disclosed above do not directly indicate the level of

market risk or credit risk incurred, as these amounts do not reflect the potential risk inherent in the forward foreign exchange contract.

8. Retirement Benefits

The following table sets forth the funded and accrued status of the pension plans, and the amounts recognized in the consolidated balance sheets at March 31, 2007 and 2006 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Retirement benefit obligation	¥ (1,450)	¥ (1,279)	\$ (12,277)
Plan assets at fair value	1,672	1,417	14,158
Net retirement benefit obligation	222	138	1,881
Prepaid pension cost	(242)	(147)	(2,046)
Accrued retirement benefits	¥ (20)	¥ (9)	\$ (165)

The components of retirement benefit expenses for the years ended March 31, 2007 and 2006 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Service cost	¥ 113	¥ 52	\$ 961
Interest cost	23	21	191
Expected return on plan assets	(25)	(19)	(212)
Amortization of actuarial differences	39	(125)	328
Retirement benefit expenses	¥ 150	¥ (71)	\$ 1,268

The assumptions used in accounting for the defined benefit plans for the years ended March 31, 2007 and 2006 were as follows:

	2007	2006
Discount rate	2.0%	2.0%
Expected rate of return on pension plan assets	2.0%	2.0%

In addition to the above pension plans, the Company participates in a multi-employer pension plan. Pension expense under this plan for the years ended March 31, 2007 and 2006 amounted to ¥180 million (\$1,520 thousand) and ¥177 million, respectively.

9. Income Taxes

The aggregate statutory tax rate on income before income taxes was approximately 40.6% for the years ended March 31, 2007 and 2006.

A reconciliation of statutory tax rates and the effective tax rates for the year ended March 31, 2007 and 2006 has not been presented, as the statutory tax rate did not differ significantly from the effective tax rates.

Deferred income taxes reflect the net effect of the temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the corresponding amounts reported for income tax purposes. The components of deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Deferred tax assets:			
Unrealized profit	¥ 945	¥ 716	\$ 8,004
Retirement allowances for directors and statutory auditors	120	105	1,017
Write-downs of inventories	309	287	2,618
Provision for employees' bonuses	184	189	1,557
Other	620	610	5,245
Total deferred tax assets	2,178	1,907	18,441
Deferred tax liabilities:			
Unrealized holding gain on securities	228	318	1,933
Undistributed profit of subsidiaries	62	40	528
Other	126	89	1,066
Total deferred tax liabilities	417	447	3,527
Net deferred tax assets	¥ 1,761	¥ 1,460	\$ 14,914

10. Shareholders' Equity

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan (the "Code"), went into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

The Company's legal reserve included in retained earnings at March 31, 2007 and 2006 amounted to ¥274 million (\$2,323 thousand).

Under the Law, upon the issuance and sale of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the proceeds of the sale of new shares as additional paid-in capital.

Treasury stock

Movements in treasury stock for the year ended March 31, 2007 are summarized as follows:

	Number of shares			
	March 31, 2006	Increase	Decrease	March 31, 2007
Treasury stock	78,869	1,610	(551)	79,928

In accordance with the Code, the following stock option plan for certain directors and certain employees of the Company and certain consolidated subsidiaries were approved at the annual general meeting of the shareholders. The stock option plan is summarized as follows:

Date of approval	Number of stock options outstanding at March 31, 2007	Exercise price at March 31, 2007 (Yen)	The period of exercisable
June 26, 2003	355,080	¥1,960	From July 1, 2005 up to and including June 30, 2008

The exercise price above is subject to adjustment in the case of certain events including stock splits.

11. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets on at March 31, 2007 and 2006, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen		
	2007		
	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	¥ 30	¥ 11	¥ 19

	Millions of yen		
	2006		
	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	¥ 58	¥ 37	¥ 21

	Thousands of U.S. dollars		
	2007		
	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	\$ 261	\$ 96	\$ 165

Lease payments relating to finance leases accounted for as operating leases for the years ended March 31, 2007 and 2006 amounted to ¥ 10 million (\$ 85 thousand) and ¥ 36 million, respectively. Depreciation of the leased assets computed by the straight-line method over the respective lease terms for the years ended March 31, 2007 and 2006 amounted to ¥ 10 million (\$ 85 thousand) and ¥ 36 million, respectively.

Future minimum lease payments subsequent to March 31, 2007 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2008	¥ 6	\$ 53
2009 and thereafter	13	112
Total	¥ 19	\$ 165

Future minimum lease payments subsequent to March 31, 2007 for operating leases are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2008	¥ 1	\$ 12
2009 and thereafter	2	15
Total	¥ 3	\$ 27

12. Research and Development Costs

Research and development costs included in general and administrative expenses and manufacturing costs for the years ended March 31, 2007 and 2006 amounted to ¥1,659 million (\$14,046 thousand) and ¥1,615 million, respectively.

13. Contingent Liabilities

At March 31, 2007, the Company and one consolidated subsidiary were contingently liable as guarantor of accounts payable of third parties in the amount of ¥655 million (\$5,544 thousand).

14. Supplemental Information to Consolidated Statements of Cash Flows

A reconciliation between cash and deposits in the consolidated balance sheets at March 31, 2007 and 2006 and cash and cash equivalents in the consolidated statements of cash flows for the years then ended is presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Cash and deposits in consolidated balance sheets	¥ 9,582	¥ 10,288	\$ 81,139
Overdraft	(56)	(46)	(471)
Cash and cash equivalents in consolidated statements of cash flows	¥ 9,526	¥ 10,242	\$ 80,668

15. Amounts per Share

Basic net income per share has been computed based on the net income attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Diluted net income per share for the year ended March 31, 2007 has not been computed because the potential shares of common stock with the dilutive effect does not exist. Diluted net income per share for the year ended March 31, 2006 has been computed based on the amount of net income attributable to the shareholders of common stock outstanding during a year after giving effect to the dilutive potential of the shares of common stock to be issued upon the exercise of stock options.

The amount per share of net assets has been computed based on the net assets available for distribution to shareholders of common stock and the number of shares of common stock outstanding at the year end.

	Yen		U.S. dollars
	2007	2006	2007
Net income - Basic	¥ 59.46	¥ 98.42	\$ 0.50
Net income - Diluted	—	98.21	—
Net assets	963.74	927.11	8.16

The financial data for the computation of basic net income per share and diluted net income per share based on the above standard for the years ended March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Net income	¥ 1,759	¥ 2,969	\$ 14,895
Deductions from net income:			
Bonuses to directors and corporate auditors	—	59	—
Adjusted net income attributable to shareholders of common stock	¥ 1,759	¥ 2,910	\$ 14,895
Weighted-average number of shares	29,583,447	29,567,465	—
Effect of dilutive securities	—	63,581	—
Weighted-average number of shares used in computing diluted net income per share	29,583,447	29,631,046	—

16. Segment Information

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sales of cash machines. The operations of the Company and its consolidated subsidiaries are classified into two segments: cash machines (bill validators, cash registers) and related equipment, and leisure and related businesses. As net sales and total assets of the leisure and related businesses constituted less than 10% of the consolidated sales for the years ended March 31, 2007 and 2006, the disclosure of business segment information has been omitted.

The geographical segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2007 and 2006 is summarized as follows:

Millions of yen						
2007						
	Japan	North America	Asia	Europe	Eliminations/ corporate	Consolidated
Net sales:						
Outside customers	¥ 12,930	¥ 12,132	¥ 339	¥ 6,384	¥ —	¥ 31,785
Inter-segment	14,880	143	9,927	26	(24,976)	—
Total	27,810	12,275	10,266	6,410	(24,976)	31,785
Operating expenses	25,719	11,640	9,782	5,718	(24,506)	28,353
Operating income	2,091	635	484	692	(470)	3,432
Total assets	¥ 25,535	¥ 6,477	¥ 3,428	¥ 4,923	¥ (5,068)	¥ 35,295

Millions of yen						
2006						
	Japan	North America	Asia	Europe	Eliminations/ corporate	Consolidated
Net sales:						
Outside customers	¥ 16,406	¥ 9,996	¥ 275	¥ 5,918	¥ —	¥ 32,595
Inter-segment	11,673	160	5,759	65	(17,657)	—
Total	28,079	10,156	6,034	5,983	(17,657)	32,595
Operating expenses	25,368	9,359	5,787	4,807	(17,550)	27,771
Operating income	2,711	797	247	1,176	(107)	4,824
Total assets	¥ 27,284	¥ 6,042	¥ 3,428	¥ 3,854	¥ (5,661)	¥ 34,947

Thousands of U.S. dollars						
2007						
	Japan	North America	Asia	Europe	Eliminations/ corporate	Consolidated
Net sales:						
Outside customers	\$ 109,489	\$ 102,740	\$ 2,869	\$ 54,063	\$ —	\$ 269,161
Inter-segment	126,007	1,212	84,063	218	(211,500)	—
Total	235,496	103,952	86,932	54,281	(211,500)	269,161
Operating expenses	217,790	98,578	82,835	48,420	(207,522)	240,101
Operating income	17,706	5,374	4,097	5,861	(3,978)	29,060
Total assets	\$ 216,233	\$ 54,845	\$ 29,032	\$ 41,688	\$ (42,915)	\$ 298,883

Unallocated assets included in eliminations/corporate for the years ended March 31, 2007 and 2006 totaled ¥2,889 million (\$24,466 thousand) and ¥2,973 million, respectively. These assets consisted primarily of surplus funds and long-term investments.

As mentioned in Note 3(b), the Company and consolidated subsidiaries have adopted "Accounting Standard for Directors' Bonuses" (ABSJ Statement No.4 issued on November 29, 2005). As a result, operating expenses in the Japan segment increased by ¥39 million (\$327 thousand) and operating income decreased by same amount over the amounts which would have been recorded under the method applied in the previous year.

As mentioned in Note 3(c), the Company and consolidated subsidiaries changed its method of accounting for sales of mold. As a result, sales and cost of sales in the Japan segment increased by ¥202 million (\$1,709 thousand) and ¥189 million (\$1,598 thousand) respectively and operating income in the Japan segment increased by ¥13 million (\$111 thousand) over the amounts which would have been recorded under the method applied in the previous year.

Operating expenses in the Japan segment includes "deferred gross profit on installment sales" in addition to cost of sales and selling, general and administrative expenses.

Overseas net sales

Overseas net sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the overseas consolidated subsidiaries, for the years ended March 31, 2007 and 2006 are summarized as follows:

Millions of yen				
2007				
	North America	Europe	Other	Total
Overseas sales, net	¥ 11,336	¥ 6,130	¥ 1,630	¥ 19,096
Overseas net sales as a percentage of consolidated net sales	35.7%	19.3%	5.1%	60.1%

Millions of yen				
2006				
	North America	Europe	Other	Total
Overseas sales, net	¥ 9,585	¥ 5,836	¥ 1,058	¥ 16,479
Overseas net sales as a percentage of consolidated net sales	29.4%	17.9%	3.3%	50.6%

Thousands of U.S. dollars				
2007				
	North America	Europe	Other	Total
Overseas sales, net	\$ 95,990	\$ 51,911	\$ 13,805	\$ 161,706
Overseas net sales as a percentage of consolidated net sales	35.7%	19.3%	5.1%	60.1%

17. Subsequent Events

(a) Appropriation of Retained Earnings

The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2007, were approved at a directors' meeting held on June 4, 2007:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥10.0 = U.S.\$0.085 per share)	¥ 296	\$ 2,505

(b) Doubtful receivables

The repayment of a portion of a long-term note receivable issued by a customer of the Company and a consolidated subsidiary was not settled on June 1, 2007. This was the first time the customer has not settled the repayment of a portion of this note receivable of the Company and consolidated subsidiary. Aggregate receivables of the Company and the consolidated subsidiary to be paid by the customer, including its group companies, amounted to ¥1,136 million (\$9,618 thousand), including receivables of ¥83 million (\$704 thousand) paid by the consolidated subsidiary on behalf of the customer. The Company and the consolidated subsidiary are currently engaged in discussions with the parties involved to protect their receivables. At this time, the anticipated amounts of uncollectible receivables have not yet been determined.

Report of Independent Auditors

Japan Cash Machine Co., Ltd. and Consolidated Subsidiaries

The Board of Directors
Japan Cash Machine Co., Ltd.

We have audited the accompanying consolidated balance sheets of Japan Cash Machine Co., Ltd. and its consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Japan Cash Machine Co., Ltd. and its consolidated subsidiaries at March 31, 2007 and 2006, 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.

Supplemental Information

As described in Note 3(c), effective the year ended March 31, 2007, Japan Cash Machine Co., Ltd. and its consolidated subsidiaries have changed its method of accounting for sales of mold.

As described in Note 17(b), the Company and a consolidated subsidiary have been exposed to difficulties concerning collectibility and payment delays of a receivable from one customer.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 4.



Osaka, Japan
June 27, 2007

Corporate Data

As of June 27, 2007

Share Overview [†]

Number of shares authorized for issue by company

118,000,000

Number of shares outstanding

29,662,851

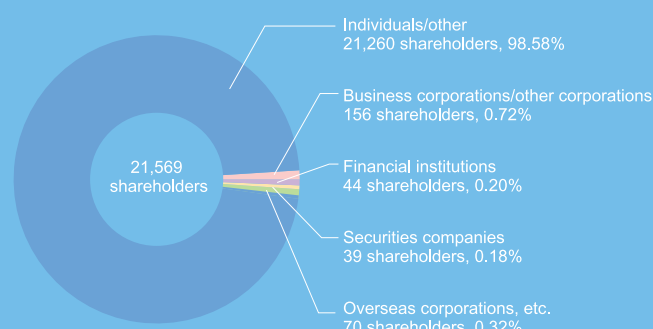
Number of shares per unit

100

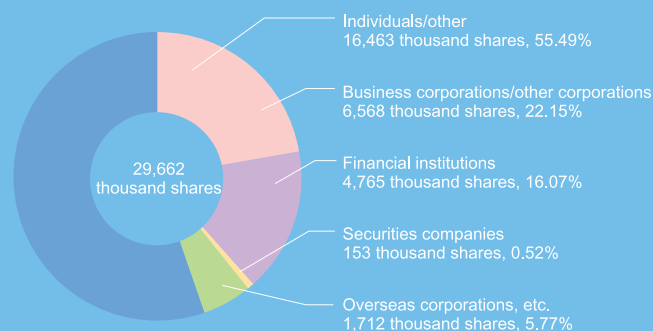
Number of shareholders

21,569

Breakdown of shareholders by type [†]



Breakdown of shareholders by number of shares [†]



Directors

Chairman	Koichiro Kamihigashi
Representative Director President	Yojiro Kamihigashi
Executive Director Senior Operating Officer	Kaoru Doi
Executive Director Senior Operating Officer	Toshizumi Kitamori
Executive Director Senior Operating Officer	Hisashi Maki
Director Senior Operating Officer	Kazuhiro Kawase
Director Senior Operating Officer	Akiyoshi Isoi
Full-time Corporate Auditor	Norikiyo Suzuki
Full-time Corporate Auditor	Taizo Nakamura
Outside Corporate Auditor	Hideyuki Koizumi
Outside Corporate Auditor	Hiroshi Morimoto
Senior Operating Officer	Michimasa Teraoka
Senior Operating Officer	Hikaru Izawa
Senior Operating Officer	Shigeru Yamazawa
Operating Officer	Eiji Naruo
Operating Officer	Susumu Fukuchi
Operating Officer	Hiroshi Sato
Operating Officer	Norihito Nakatani
Operating Officer	Tsuyoshi Takagaki
Operating Officer	Yoshihiro Iuchi

Major shareholders [†]

Name	Number of shares held (thousands)	Percentage of outstanding shares (%)
Johto Investment and Development, Inc.	4,661	15.72
Koichiro Kamihigashi	2,707	9.13
Yojiro Kamihigashi	1,458	4.92
Trust & Custody Services Bank, Ltd. (Pensions Trust Account)	909	3.07
Tamotsu Kamihigashi	877	2.96
Resona Bank, Ltd.	629	2.12
Morgan Stanley and Company, Inc. (standing proxy: Morgan Stanley Japan Securities Co., Ltd.)	546	1.84
Sumitomo Mitsui Banking Corporation	503	1.70
Abilit Corporation	461	1.56
Nippon Life Insurance Company	424	1.43



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