ANNUAL REPORT 2006

Year ended March 31, 2006

JAPAN CASHMACHINE CO., LTD.

Company Profile

Taking "Results arise from following the customer's lead" as its corporate motto since its establishment in 1955, the Japan Cash Machine (JCM) Group has implemented a customer-first policy, working to quickly and precisely ascertain the customer's needs and market trends while maintaining close contact and interaction with the market as it engages in the manufacture and sale of money-handling machines, cash registers and other machines that contribute to the security of the money economy.

Today, using its advanced technological capability and expertise as a general manufacturer of cash machines, JCM delivers high-performance products to a wide range of sectors including retail, leisure, food service, and other service industry sectors and manufactures units that handle the banknotes of over 80 countries around the world, including the U.S. dollar and the euro. Our products have also gained a high reputation among the world's casinos and financial institutions.

Having received ISO 14001 certification in July 2004, JCM engages in activities so as to develop into a company that is friendly to both people and the global environment by observing regulations for environmental protection, striving to prevent pollution, and establishing systems for continuous improvement. Moreover, on the distribution and storage front, JCM makes every effort to conserve energy and resources in its operations, which include currency validation, identification, handling, and counting, and through which it strives to realize high levels of accuracy that ensure confidence in interactions involving people and money.

With the listing of its shares on the first sections of the Tokyo Stock Exchange and the Osaka Securities Exchange on September 1, 2004, and the 50th anniversary of the Company's establishment celebrated on January 11, 2005, JCM extends its gratitude to its supporters and furthermore seeks to conduct its business operations in an appropriate and effective manner, so as to increase corporate value and improve shareholder returns while maintaining good relations with a broad range of stakeholders, including shareholders, investors, business partners, local communities and employees.

Contents

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, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
For the year:			
Net sales:			
Domestic	**¥ 16,116**	¥ 19,726	**$ 137,201**
Overseas	**16,479**	18,221	**140,297**
Total	**32,595**	37,947	**277,498**
Operating income	**4,824**	8,644	**41,071**
Net income	**2,969**	4,984	**25,276**
Depreciation of property, plant and equipment	**(636)**	(562)	**(5,421)**
Research and development costs	**1,615**	1,655	**13,751**
At the year-end:			
Current assets	**¥ 26,965**	¥ 28,443	**$ 229,572**
Total assets	**34,947**	32,876	**297,524**
Current liabilities	**7,140**	7,470	**60,789**
Shareholders' equity	**27,487**	25,020	**234,008**
	Yen		U.S. dollars
Per share data:			
Net income - Basic	**¥ 98.42**	¥ 166.42	**$ 0.84**
Net income - Diluted	**98.21**	165.31	**0.84**
Net assets	**927.11**	844.43	**7.89**
Cash dividends	**40.00**	44.00	**0.34**
Number of employees	**606**	582	**—**

Note: The U.S. dollar amounts in this report have been translated from the corresponding yen amounts, for convenience only, at ¥117.46 = U.S.$1.00, the rate of exchange prevailing on March 31, 2006.

To Our Shareholders

Reaching for a new stage of growth

In the period under review, the Japanese economy enjoyed a trend toward recovery marked by increased corporate revenue. This was steadily driven by expansion of domestic demand, associated with increased capital investment and improvements in individual income and the employment situation, and by external demand expansion reflected in exports.

Overseas, the Asian economy has continued to grow steadily against a background of rapid expansion in China, while the U.S. economy, despite skyrocketing energy prices, has also continued to develop steadily on the strength mainly of individual consumption and capital investment.

Nevertheless, uncertainty for the future lingers with the advent of developments in the latter half of the period, such as soaring prices for oil and other raw materials and rising interest rates accompanying the lifting of quantitative monetary easing in Japan.

Supported by favorable fiscal performance, the business environment of the JCM Group showed an increased willingness, primarily at large companies, to expand capital investment. Nevertheless, domestic demand for money-handling machines experienced a downturn due to the exhaustion of the replacement demand which had been triggered by the issuance of new bills in the previous year, the short-term saturation of demand for gaming machine products in the North American gaming market, and the stalled progress of regulatory reform.

In response to these market changes, the JCM Group worked to launch new products and reach new markets and customers. However, progress did not match initial plans. This was due in part to a number of matters arising simultaneously, including the switch to a new validator unit for the overseas market, response measures to environmental issues, and the launch of new products on the domestic market. This caused delay in certain areas of product development and made extra time necessary to secure the market reliability of new products.

As a result, net sales decreased by 14.1% to ¥32,595 million compared to the previous year. Profits were impacted by a decrease in sales of our highly profitable money-handling machines and by increased expenditures for market expansion, as a consequence of which operating income decreased by 44.2% to ¥4,824 million and net income for the year finished down 40.4% from the previous year at ¥2,969 million.

Domestic sales during the period decreased by 18.3% to ¥16,115 million from the previous year, while overseas net sales dropped by 9.6% to ¥16,479 million, so that the greater decrease in domestic sales caused the overseas sales ratio for the period to reach 50.6%, an increase of 2.6 percentage points compared to the previous year.

In the foreign currency exchange markets, the average yen to U.S. dollar exchange rate was ¥110.94/$1 compared to ¥108.07/$1 in the previous year, while the average against the euro was ¥137.31/€1 compared to ¥134.41/€1, reflecting the depreciation of the yen against both currencies.

Turning now to JCM World 21, three years have passed since the establishment of the mid-term business plan by which the JCM Group is presently moving ahead. Conditions in the various markets, however, have changed greatly in that time, with a particularly evident difference in the commercial market. It is our intention to review this mid-term business plan in the future, once we have reached the stage where business performance in the coming fiscal year and trends in the commercial market can be ascertained.

Fundamentally, the stance we intend to take through our mid-term business plan is one of reaching for a new stage of growth with the object of surpassing our performance to date.

Continuing to target the overseas gaming and commercial markets and the various domestic markets, we will concentrate the technical expertise and sales know-how we have built-up thus far and work to develop new products matched to rapidly changing and diversifying customer needs, enrich existing product lineups and diversify sales methods, so as to enhance corporate value in a continuous and stable manner.

Moreover, we will seek to provide a return of profits to shareholders according to our basic policy of "encouraging long-term holding of shares" and endeavor to enhance the shared profits of our shareholders, while also building solid relationships with all stakeholders. Concurrently, we will introduce preventative anti-takeover measures so as to take a strong position against entities or individuals making hostile purchases that would damage shareholders' common interests.

Furthermore, for the purpose of further clarifying management responsibilities, we have shortened the term of our board of directors to one year and introduced an executive officer system.

As always, JCM will apply all energies to addressing issues requiring resolution, and you can expect great things from our activities as we reach for a new stage of growth.

Operating results for fiscal 2006

Unit: millions of yen

	2006	2005	Change	Rate of change
Net sales	32,595	37,947	–5,352	–14.1%
Operating income	4,824	8,644	–3,820	–44.2%
Net income	2,969	4,984	–2,015	–40.4%

Policy on Shareholder Returns

With the aim of encouraging our shareholders to hold on to our shares for the long term, JCM makes results-based payment linked to business performance the basis for return of profit to shareholders so as to assure continued stable profit sharing. More specifically, JCM intends to distribute profits by setting a minimum dividend payout ratio of 25% on non-consolidated net income. Under such a policy, JCM actively seeks to provide a return of profits to shareholders that is made in line with business performance trends and business environments, as well as in consideration of stock dividend yields. Committed to utilizing retained earnings effectively, JCM applies these funds to research and development, capital investment, business partnerships, and merger and acquisition activity, with the objective of fortifying existing business and nurturing new business ventures. In this way, JCM aims to achieve further improvement of shareholder value. Additionally, JCM grants stock options to directors on the board and to management-level employees in the JCM group as an incentive to improve shareholder returns.

As to the financial results ended March 31, 2006, regrettably both net sales and net income decreased compared to the previous year. However, in consideration of the availability of retained earnings, the outlook for the next fiscal year, dividend yields and its basic policy on profit sharing for "encouraging long-term holding of shares," JCM has increased dividends per share by ¥4 to ¥22 from ¥18, the previously forecasted dividend per share, giving a total annual dividend of ¥40.

Outlook for Fiscal 2007

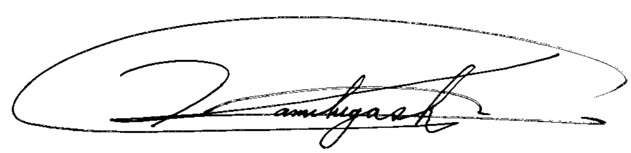
Overseas, the ongoing competition in the North American and European gaming markets is expected to continue. In such a market environment, we will target casinos and promote equipment for laborsaving cash control. Moreover, we will seek steady business growth in Asian markets, such as Macau, where market growth is expected, using the appeal of product reliability and enhanced customer support to maintain our current market share, as well as prepare for future market growth to steadily scale up business performance. In the commercial market, we will make efforts to expand sales to the vending machine industry and in the security-related sector, as well as to focus on entry into kiosk and financial institution markets.

Domestically, there is concern over changes in the market environment, such as an adverse effect on sales of equipment for the amusement industry resulting from an amendment to regulations on investment in facility equipment. In response to such circumstances, we will further expand our product lines by means such as a tie-up with Abilit Corporation, and engage in the sale of more functional and cost-effective products that target established business operators who are looking to open *pachinko* hall chains. In the money-handling machine sector, we will continue to expand sales of cash-in machines for the retail and food service industry. In addition, we will concentrate on expanding sales routes to *pachinko* halls with cash control needs by promoting the importance of laborsaving in cash handling, and focus on developing sales of component devices, as one of our core markets, for various types of fare adjustment machines.

Operating results forecast for fiscal 2007

Unit: millions of yen

	2007	2006	Change	Rate of change
Net sales	38,800	32,595	+6,205	+19.0%
Operating income	6,700	4,824	+1,876	+38.9%
Net income	4,200	2,969	+1,231	+41.5%



Koichiro Kamihigashi
President
June 28, 2006

Action towards enhanced corporate value

JCM has established a basic policy of reaching for a new stage of growth as it further entrenches the position of the JCM brand and the business platform it has built up thus far with a focus on the overseas market.

According to this basic policy, JCM will target the overseas gaming and commercial markets, as well as the various domestic markets, and efficiently consolidate management resources such as its operational platform, intellectual property and capacity for original research and development, so as to endeavor in the development of new products matched to customer needs of growing diversity and sophistication.

Furthermore, while accurately ascertaining environmental changes, we will enrich existing product lineups, diversify sales methods and actively open up new business sectors, and thus begin to reach for a new stage of growth in the present term.

The tasks listed below are those through which the JCM Group will realize its management strategy. We will devote our utmost efforts to meet the challenges of the tasks before us.

Task 1

Overseas gaming market

Although the market is expanding worldwide due to deregulation, market entry by competitors has also increased. We aim to become a world market leader by maintaining our share in the North American and European markets, outperforming competitors, and expanding sales through moving aggressively forward in response to the rapid growth of casinos in the areas of Macau and Southeast Asia.

As well as improving actual product capability, for instance by increasing validation accuracy and adding cash control functions, we need to make continued efforts to meet customer-oriented lead-times by enhancing customer support systems and responding swiftly to counterfeit bill circulation and the issuance of new bills. We will also be focusing on broadening the range and applications of our products and establishing a total service system as a component supplier.

Task 2

Overseas commercial market

We are focusing on developing our market in kiosks, vending machines, and various types of fare adjustment machine by offering a bill validator with greatly improved bill-handling functions. This product has already been deployed in the North American market and is gradually yielding results. For the future, as well as widening our markets to include kiosks, the security sector, and financial institutions, we will pursue further market penetration and higher recognition of the JCM brand by meeting customer needs through improvements in processing accuracy and product reliability, as well as through cost reduction and enhanced maintenance.

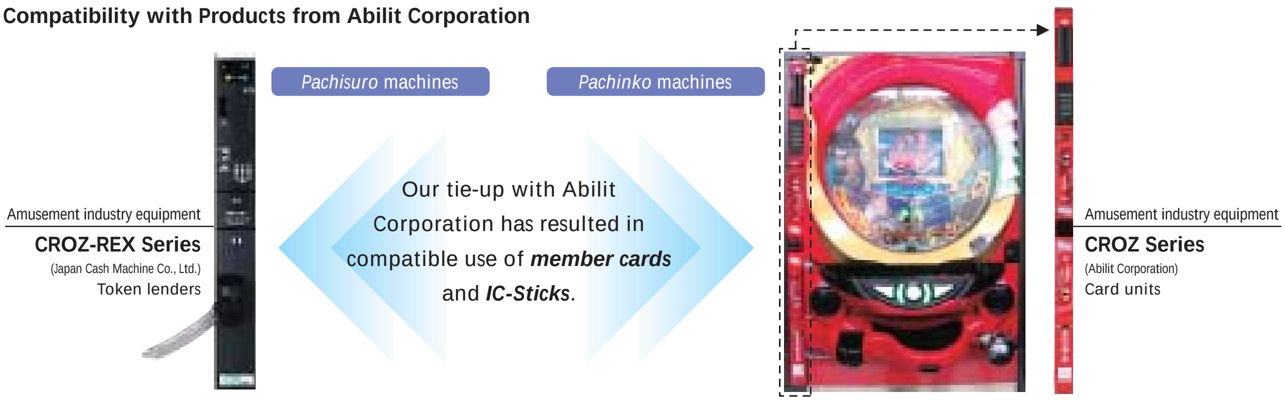
Task 3

Domestic market for equipment for the amusement industry

In this market, the introduction of facility equipment such as automatic token supply systems is proceeding smoothly. At the same time, market competition among *pachinko* halls has intensified with the nationwide expansion of the major *pachinko* chains, which has in turn heightened competition among facility equipment manufacturers.

In response to these circumstances, we are seeking to provide services that contribute to improved net revenue for *pachinko* halls and working to generate synergistic effect in our business alliance with Abilit Corporation.

Compatibility with Products from Abilit Corporation



Task 4

Domestic market for money-handling machines

Our focus is on sales of the automatic cash-in machines that are central to retail-store cash collection and distribution systems. At the same time, we started full-capacity sales of bill-recycling units designated for use in various types of fare adjustment machine, in kiosks, vending machines, and automatic cashiers, and in mini automated teller machines for retail stores. Due to various factors, sales did not however progress as scheduled. For the future, as well as improving product functions and reliability, we will concentrate on expanding sales routes to include not only the food and retail industry but also *pachinko* halls, where cash handling is an important concern.

Task 5

Development of new technology in the long term

At the same time as targeting more functionally advanced and accurate technology in bill validation, sensing, and handling, we will be working to strengthen our technology in coin validation as an area crucial to commercial market expansion. By enhancing our selection of both bill and coin validator units, we will seek to further strengthen our leading position in the industry.

Task 6

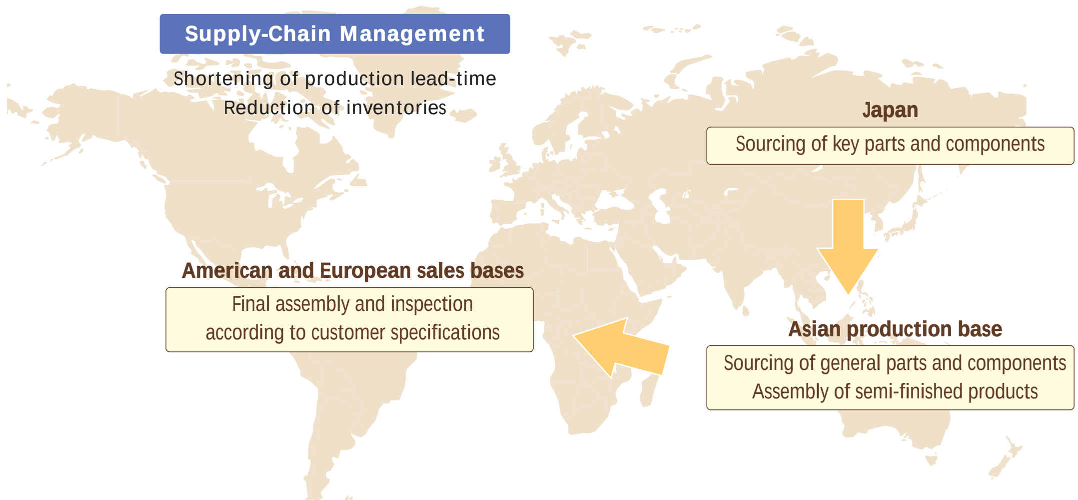
Reinforcement and expansion of production system

Extension work on our main domestic plant, the Nagahama Plant (Nagahama city, Shiga prefecture), which will now function as our core production and logistics base, was completed in November 2005. This will allow us to realize more efficient product supply and further cost reduction.

China is currently our main overseas production base, but, in the interest of risk diversification and improved efficiency, we will continue to look for a second overseas production base. We will also continue to focus on laying the infrastructure for a total network system designed to manage operational information at a global level.

In the future, as a way of further improving operational efficiency by shortening production lead-time and reducing inventories, we aim to introduce a production system of differentiated steps, whereby key parts for instance will be sourced in Japan, sourcing of general parts and assembly of semi-finished products will take place in China or a second overseas production base, and final assembly and inspection according to individual customer specifications will be carried out in the relevant country of sale.

Reform of product supply system: global network system



Task 7

Human resource development

Today, the declining birthrate and the retirement of the baby-boomer generation is a growing problem for corporations in passing on the expertise they have accumulated over long years to the next generation.

The money-handling machines, cash registers and other equipment manufactured and sold by JCM rely to an important extent on expertise accumulated over long years, and the passing on of this technology is essential to our continued development. Accordingly, the JCM Group sees the recruitment and training of high-quality human resources as an important management issue and will be engaging in systematic and energetic recruiting activity and training and education programs aimed at all ranks from experienced employees to new recruits.

Strengthening managerial transparency and accountability

JCM ensures managerial transparency and accountability by strengthening its in-house management system for further developing the relationship of trust with stakeholders and works to build a management system to respond swiftly to changes in the business environment. JCM's administrative system as it relates to managerial decision-making and operational implementation and supervision is as follows.

1. Board of Directors

The Board of Directors arrives at consensus-based decisions which are made in an effective manner on the basis of a now smaller number of directors. Moreover, as of this year, the term of directors on the board will be shortened to one year and their managerial responsibilities will be clarified.

2. Executive Committee

With the president, directors and corporate auditors as key members, the Executive Committee convenes for advance deliberations prior to the Board of Directors, thereby sorting out points under discussion and obtaining a better grasp of issues, so as to enable pertinent managerial judgments by the Board of Directors.

3. Board of Auditors

JCM's Board of Auditors consists of four corporate auditors, two of who are from outside the company. These corporate auditors sit at the table of the Board of Directors and other important meetings to obtain a grasp of important decision-making processes and operating conditions involving the directors, as well as acting in accordance with operational delegations established by the Board of Auditors and conducting visiting audits at various company facilities and subsidiaries, including those overseas.
Moreover, with the two outside corporate auditors being a certified public accountant and an attorney at law, the board is able to leverage that expertise and conduct objective checks of management from a broader perspective.

4. Executive Officers

A system of executive officers was introduced this year to clarify executive responsibility, thus expediting operational decision-making and improving efficiency. Executive officers will bear responsibility for operational implementation in accordance with managerial policy determined by the Board of Directors. Appointment and dismissal of executive officers will be made by resolution of the Board of Directors, based on a term of one year.

5. Internal Auditors Office

As an entity directly responsible to the representative director, this office conducts effective and pertinent audits, while maintaining close contact and exchanging information with the corporate auditor and accounting auditor, in addition to providing advice on operational rationalization and streamlining as well as operational supervision, including that of domestic and overseas affiliates.

6. Status of Financial Auditing

JCM's financial auditing is handled by way of an audit engagement with Ernst & Young ShinNihon, based upon which JCM also receives timely advice on issues of accounting. No conflict of interest exists between JCM and Ernst & Young ShinNihon or the certified public accountants that have conducted JCM's financial audit.

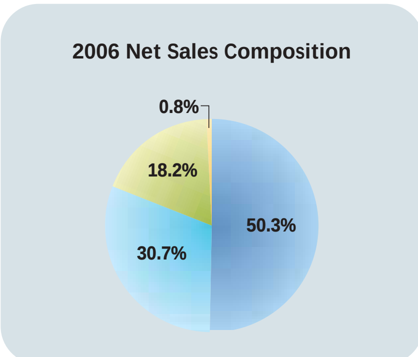
7. Risk Management Committee

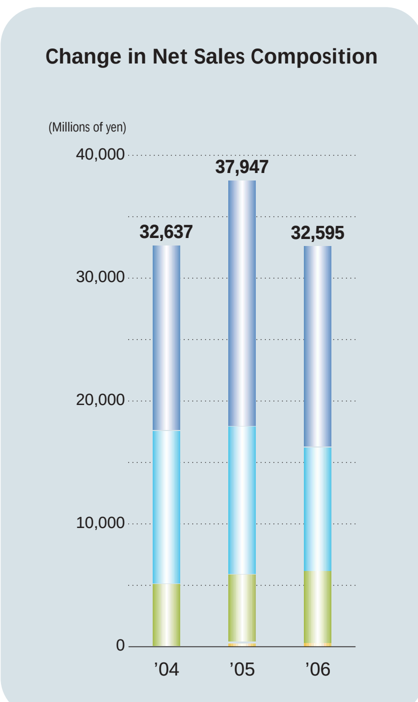
The Risk Management Committee periodically receives status reports from departments in charge of risk management, and issues studies, reports and resolutions on matters relating to JCM's risk management in general. The director tasked with risk management provides information and reports to other directors and the Board of Auditors, and makes recommendations as necessary.

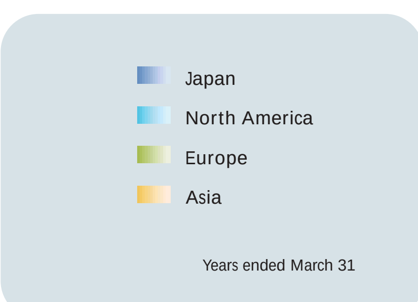
8. Compliance Committee

The Compliance Committee supervises cross-cutting activities for compliance by JCM and its affiliates, establishes the content of JCM's compliance manual, and implements executive and employee training and education on a continuing basis. The committee has also set up counseling centers on and off company premises as a direct means by which JCM employees can provide information relating to acts which constitute dishonesty or violations of the law, or which raise questions of illegality.

Business development in America, Europe and Asia







Japan

In Japan, we actively developed sales of our automatic token supply systems and token lenders able to accept high-denomination bills as equipment for the amusement industry sector. However, revenues and profits decreased overall, due to the replacement demand from the issuance of new bills being exhausted in the money-handling machine sector.

North America

In the commercial market, we saw a growing realization of results with the adoption of bill-recycling units and other products for vending machines. In the gaming market, however, there was stiff competition from other manufacturers and even with energies fully focused on new product sales, sales weakened due to the spread of coinless gaming machines and short-term saturation of replacement demand.

Profits, moreover, fell in part due to decreased revenues, but were also pulled down by expenditures such as expansion of our customer support system and priority investment in new business.

Europe

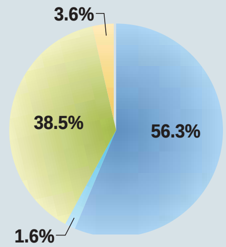
In the countries of Eastern Europe, and primarily Russia, the gaming market in recent years has been expanding rapidly. Nevertheless, competition is intensifying in those areas of Eastern Europe where entry barriers are relatively low.

Under these conditions, revenues were increased by enhancements to the quality of customer support, such as installment support, maintenance and software updates, but profits were brought down by price competition from other manufacturers.

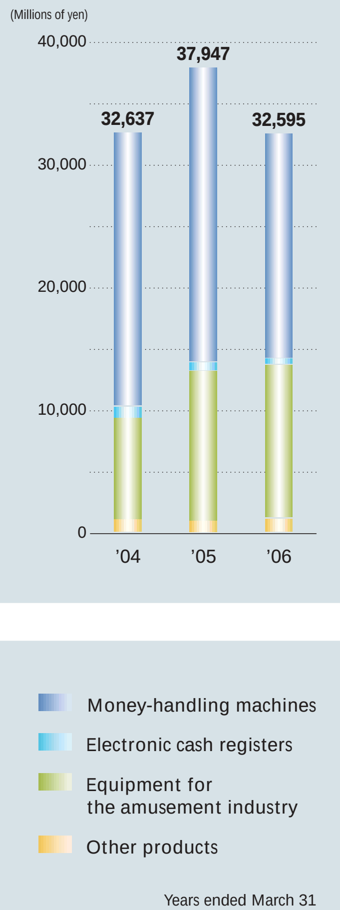
Asia

As the JCM Group's main base for production overseas, Asia is the main region where equipment for the amusement industry products and money-handling machine products are produced. Here, decreased internal transactions accompanying the decrease in sales both domestically and overseas resulted in decreased revenues and profits.

2006 Net Sales Composition



Change in Net Sales Composition



Money-Handling Machines

On the domestic market, net sales decreased compared to the previous year due to the exhaustion of the replacement demand from the issuance of new bills in the previous year and to decreased orders for OEM terminals. To make up for the loss of the demand based on new bill issuance, we focused on sales of the automatic cash-in machines that are central to cash collection in the retail and food service industry and on sales of component devices to new customer segments. However, due to delays in certain areas of product development, results did not meet targets.

Overseas, in the gaming market which is our most important sector, the short-term saturation of demand in North America was compounded by a slowdown in market expansion and intensified competition with other manufacturers, resulting in low sales growth. In Europe, meanwhile, the market continues to expand in Russia and some other areas, but overall market competition has intensified.

In response to these factors, net sales for this segment decreased by 23.6% to ¥18,341 million compared to the previous year.

Electronic Cash Registers

Demand in the electronic cash register market decreased within and outside Japan and we came under severe pressure from other manufacturers on product price. In response, we focused investment on the development of high value added systems and on cultivating narrower customer segments. However, these efforts were not reflected in financial results for the period since the relevant new product was brought to market toward the end of the fiscal year.

As a result, net sales for this segment decreased by 26.8% to ¥526 million compared to the previous year.

Equipment for the Amusement Industry

In the target market of equipment for the amusement industry, major *pachinko* chains are expanding while small-scale businesses are disappearing, causing a decrease in the total number of *pachinko* halls so that total net sales in the industry remain almost flat. In addition, with the new market entry of many manufacturers, competition intensified in the facility equipment sector which is one of our specialist areas.

Against this background, sales of token lenders able to accept high-denomination bills performed well thanks to the favorable rating of their functionality. On the other hand, the demand which had been caused by the issuance of new bills in the previous period was exhausted while the amendment of equipment regulations had a slowing effect on investment in facility equipment.

The upshot of these influences was that net sales for this segment increased by 3.1% to ¥12,540 million from the previous year.

Other Products

While the video-game arcade and fire-resistant safe markets were not subject to any major change factors, sales in the environment- and hygiene-related equipment markets increased due to growing health and safety needs in the foods and retail industry and elsewhere.

As a consequence, net sales for this segment increased by 10.4% from the previous year to ¥1,188 million.

Products that epitomize JCM's technical expertise around the globe

SR7000 NEW

The SR7000 is a new automatic token supply system for *pachisuro* machines enabling automation and laborsaving. It supplies tokens at twice the speed of that previously and a new polishing device allows it to clean tokens quickly and completely. Moreover, it realizes cost savings and affords flexible installation for a variety of *pachinko* parlor layouts. In terms of performance and cost, this system offers attractive solutions for customers opening new *pachinko* parlors.

PUB-7 NEW

This is the product that will be the ace up our sleeve in the low-priced validator market, mainly in areas of Europe where competitors have had the upper hand. It is also fully secure thanks to a new rotary validating mechanism. Planning is in the works for installation in AWP machines, game-arcade machines, vending machines and others.

UBA

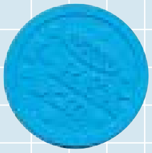
Sales of this model were initiated from 2005 as a new product for the gaming market. The bill-validation accuracy of the UBA has been enhanced by a centering function and its security functions have also been strengthened. Software can be switched for compatibility with the paper currencies of over 40 countries worldwide. As an option, intelligent functions can handle cash management with a high degree of accurancy.

DBV300/RC-10

This model is a bill validator installed primarily in vending machines. Its most outstanding feature is a recycling function, whereby bills are not only accepted but also used for giving change and other cash dispensing functions. It serves to put an end to missed sales opportunities due to vending machines running out of change.

AD Series

These models are bill-recycling units installed in kiosks, mini automated teller machines and other equipment. In the past, two separate units were required for accepting and dispensing of bills, but these products integrate the two functions to lower costs while also realizing space savings. By recycling bills, they also contribute to improved cash flows.



I-REX

The *pachisuro* machines installed in *pachinko* parlors are played not by direct insertion of cash but using tokens issued against payment. Conventional token lenders were only able to accept ¥1,000 bills, but the I-REX accepts all bills and coins up to the ¥10,000 bill. The amount of money inserted is recorded as electronic data on an IC coin and any remaining value on the IC coin can be collected via a cash-back system.

Macau Branch established

The bill validators that we manufacture and sell are utilized in slot machines installed in casinos around the world. With the increased number of tourists and the opening of large-scale casino hotels in recent years, the casino market has been booming in Macau. A number of large companies are still planning to build large hotels within the next few years, and we anticipate more expansion of casino business in Macau.

Through the establishment of this local office, the JCM Group will engage in business expansion and build its reputation in Macau, and thus seek to win the trust of customers as well as orders for work in the future by building a locally based system of customer support.

Business alliance agreement concluded with Abilit Corporation

JCM has concluded with Abilit Corporation (Osaka city) to enter into an inclusive business alliance in the areas of marketing, development and manufacturing of products for the amusement industry. Abilit Corporation is a major manufacturer of *pachisuro* machine, *pachinko* game machine, and pre-paid card system equipment for the amusement industry, where it holds the number three position for results in the production and sale of *pachisuro* machines.

Conditions in the *pachinko* market are becoming increasingly severe due to competition between manufacturers, changes in the tastes of *pachinko* parlor patrons, legal reforms and restructuring of *pachinko* parlors.

Under these circumstances, JCM anticipates a number of positive effects, which include expansion of the sales, economy of scale and further cost reduction through the expansion of overseas production, as a result of the business alliance of our companies' operations in the money-handling machines and equipment for the amusement industry sector.

Extension work at Nagahama Plant completed

Extension work on the Nagahama Plant, our primary production facility, has been completed (an investment of ¥800 million) in consideration of future business development with the aim of producing products for the domestic market and others requiring sophisticated production technologies.

The plant has the capacity to produce an amount around twice that of before, which is equivalent to sales on the scale of ¥10 billion. Moreover, by bringing multiple logistical bases together at the site of the Nagahama Plant, we will build a distribution system closely linked with our base for production. This will enable us to respond to customer expectations with a speedy and efficient distribution system.

Litigation developments

A court action to obtain an injunction for infringement of patent right was brought against JCM and its overseas subsidiary JCM AMERICAN CORP. (Nevada, U.S.A.) by MARS, INCORPORATED (Virginia, U.S.A.) on June 17, 2005. A similar court action was brought against JCM and its overseas subsidiary JCM GERMANY GMBH on January 17, 2006, in a district court in Düsseldorf, Germany.

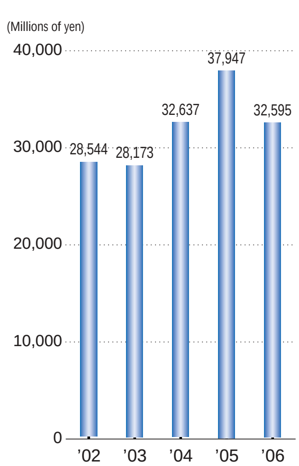
As regards this series of court actions, JCM is confident of the legitimacy of its position and, having implemented a thorough investigation prior to research and development so as not infringe on the intellectual property rights of third parties, maintains that no infringement of rights has taken place. Nevertheless, depending on the future course of events, injunctions to prevent the sale of products and/or orders to pay damages could be issued to JCM and its subsidiaries.

Consolidated Five-Year Summary

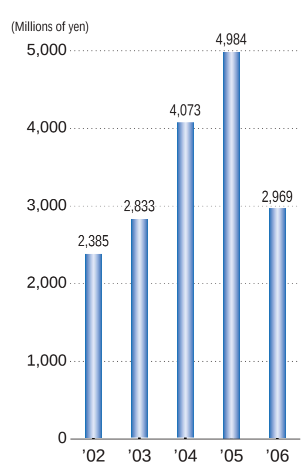
Japan Cash Machine Co., Ltd. and Consolidated Subsidiaries

	Millions of yen					Thousands of U.S. dollars
	2006	2005	2004	2003	2002	**2006**
For the year:						
Net sales	**¥ 32,595**	¥ 37,947	¥ 32,637	¥ 28,173	¥ 28,544	**$ 277,498**
Money-handling machines	**18,341**	23,993	22,318	19,736	18,954	**156,147**
Cash registers division	**526**	718	872	1,161	1,844	**4,476**
Equipment for the amusement industry	**12,540**	12,160	8,274	5,986	6,802	**106,758**
Other	**1,188**	1,076	1,173	1,290	944	**10,117**
Gross profit	**15,184**	18,412	16,170	12,309	11,001	**129,269**
Operating income	**4,824**	8,644	7,281	4,765	4,016	**41,071**
Net income	**2,969**	4,984	4,073	2,833	2,385	**25,276**
Cash flows from operating activities	**2,370**	3,169	4,850	4,849	1,162	**20,171**
Cash flows from investing activities	**(2,617)**	(1,976)	(728)	(634)	(510)	**(22,277)**
Cash flows from financing activities	**(1,417)**	(899)	(784)	(746)	(705)	**(12,063)**
Cash and cash equivalents at end of year	**10,242**	11,621	11,275	8,393	5,103	**87,199**
At the year-end:						
Total assets	**¥ 34,947**	¥ 32,876	¥ 29,350	¥ 26,470	¥ 22,352	**$ 297,524**
Shareholders' equity	**27,487**	25,020	20,809	17,642	15,833	**234,008**
Return on equity (%)	**11.3**	21.8	21.2	16.9	16.3	**—**
Number of employees	**606**	582	549	504	458	**—**

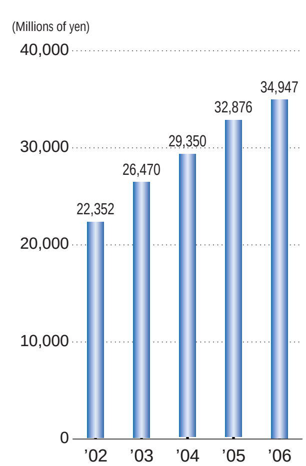
Net Sales



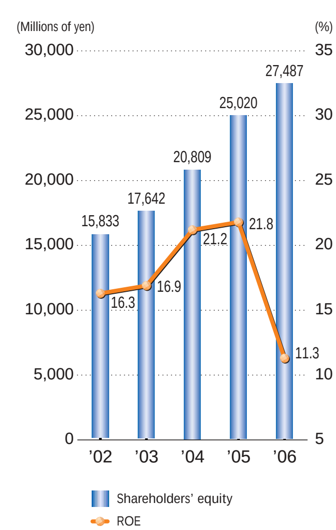
Net Income



Total Assets



Shareholders' Equity and ROE



Consolidated Balance Sheets

Japan Cash Machine Co., Ltd. and Consolidated Subsidiaries
March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (*Note 4*)
	2006	2005	**2006**
Assets			
Current assets:			
Cash and deposits (*Note 14*)	**¥ 10,288**	¥ 11,675	**$ 87,586**
Trade receivables:			
Notes	**2,397**	2,997	**20,407**
Accounts	**4,610**	3,730	**39,245**
	7,007	6,727	**59,652**
Securities (*Note 6*)	**1,094**	940	**9,314**
Inventories (*Note 5*)	**6,547**	7,407	**55,742**
Deferred income taxes (*Note 9*)	**1,454**	1,404	**12,380**
Prepaid expenses and other current assets	**733**	477	**6,241**
Less allowance for doubtful accounts	**(158)**	(187)	**(1,343)**
Total current assets	**26,965**	28,443	**229,572**
Property, plant and equipment, at cost:			
Land	**631**	377	**5,369**
Buildings and structures	**2,730**	1,946	**23,243**
Machinery and equipment	**4,503**	3,962	**38,337**
Construction in progress	**85**	40	**726**
	7,949	6,325	**67,675**
Less accumulated depreciation	**(4,503)**	(3,992)	**(38,341)**
Property, plant and equipment, net	**3,446**	2,333	**29,334**
Investments and other assets:			
Investments in securities (*Note 6*)	**1,851**	960	**15,758**
Investments in unconsolidated subsidiaries	**16**	16	**138**
Deferred income taxes (*Note 9*)	**37**	224	**315**
Long-term loans	**14**	1	**123**
Other	**2,678**	966	**22,797**
Less allowance for doubtful accounts	**(60)**	(67)	**(513)**
Total investments and other assets	**4,536**	2,100	**38,618**
Total assets	**¥ 34,947**	¥ 32,876	**$ 297,524**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (*Note 4*)
	2006	2005	**2006**
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade payables:			
Notes	**¥ 1,477**	¥ 2,354	**$ 12,571**
Accounts	**3,272**	1,347	**27,860**
	4,749	3,701	**40,431**
Short-term bank loans	**120**	129	**1,025**
Accrued income taxes (*Note 9)*	**301**	1,954	**2,563**
Accrued bonuses	**427**	506	**3,635**
Other current liabilities	**1,543**	1,180	**13,135**
Total current liabilities	**7,140**	7,470	**60,789**
Long-term liabilities:			
Accrued retirement benefits for employees (*Note 8*)	**9**	74	**75**
Retirement allowances for directors and corporate auditors	**258**	264	**2,197**
Deferred income taxes (*Note 9*)	**31**	25	**267**
Other	**22**	23	**188**
Total long-term liabilities	**320**	386	**2,727**
Shareholders' equity (*Note 10*):			
Common stock:			
Authorized – 79,000,000 shares			
Issued – 29,662,851 shares in 2006			
29,626,881 shares in 2005	**2,217**	2,182	**18,874**
Capital surplus (*Note 10*)	**2,069**	2,029	**17,617**
Retained earnings (*Note 17*)	**22,557**	21,131	**192,035**
Net unrealized holding gain on securities	**464**	277	**3,949**
Translation adjustments	**289**	(504)	**2,461**
Less treasury stock, at cost:			
78,869 shares in 2006 and 75,090 shares in 2005	**(109)**	(95)	**(928)**
Total shareholders' equity	**27,487**	25,020	**234,008**
Total liabilities and shareholders' equity	**¥ 34,947**	¥ 32,876	**$ 297,524**

Consolidated Statements of Income

Japan Cash Machine Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (*Note 4*)
	2006	2005	**2006**
Net sales (*Note 16*)	**¥ 32,595**	¥ 37,947	**$ 277,498**
Cost of sales (*Note 12*)	**17,411**	19,535	**148,229**
Gross profit	**15,184**	18,412	**129,269**
Selling, general and administrative expenses (*Note 12*)	**10,360**	9,768	**88,198**
Operating income (*Note 16*)	**4,824**	8,644	**41,071**
Other income:			
Interest and dividend income	**124**	54	**1,051**
Reversal of allowance for doubtful accounts	**70**	27	**592**
Foreign exchange gain	**59**	141	**504**
Other	**81**	118	**692**
	334	340	**2,839**
Other expenses:			
Interest expense	**3**	7	**22**
Loss on disposal of property, plant and equipment	**27**	77	**226**
Loss on devaluation of golf memberships	**—**	2	**—**
Impairment loss	**7**	—	**63**
Other	**68**	86	**579**
	105	172	**890**
Income before income taxes	**5,053**	8,812	**43,020**
Income taxes (*Note 9*):			
Current	**2,050**	3,919	**17,451**
Deferred	**34**	(91)	**293**
Net income	**¥ 2,969**	¥ 4,984	**$ 25,276**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

Japan Cash Machine Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2006 and 2005

	Number of shares of common stock	Millions of yen					
		Common stock	Capital surplus	Retained earnings	Net unrealized holding gain on securities	Translation adjustments	Treasury stock
Balance at March 31, 2004	17,955,686	¥ 2,182	¥ 2,029	¥ 16,846	¥ 276	¥ (455)	¥ (69)
Net income for the year ended March 31, 2005	—	—	—	4,984	—	—	—
Stock split	11,671,195	—	—	—	—	—	—
Cash dividends	—	—	—	(649)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(50)	—	—	—
Gain on sales of treasury stock	—	—	0	—	—	—	—
Net unrealized holding gain on securities	—	—	—	—	1	—	—
Translation adjustments	—	—	—	—	—	(49)	—
Increase in treasury stock	—	—	—	—	—	—	(26)
Balance at March 31, 2005	29,626,881	¥ 2,182	¥ 2,029	¥ 21,131	¥ 277	¥ (504)	¥ (95)
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**	**¥ 464**	**¥ 289**	**¥ (109)**

	Number of shares of common stock	Thousands of U.S. dollars (*Note 4*)					
		Common stock	Capital surplus	Retained earnings	Net unrealized holding gain on securities	Translation adjustments	Treasury stock
Balance at March 31, 2005	29,626,881	$ 18,574	$ 17,275	$ 179,900	$ 2,356	$ (4,291)	$ (805)
Net income for the year ended March 31, 2006	—	—	—	25,276	—	—	—
Issuance of common stock	35,970	300	300	—	—	—	—
Cash dividends	—	—	—	(12,583)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(558)	—	—	—
Gain on sales of treasury stock	—	—	42	—	—	—	—
Net unrealized holding gain on securities	—	—	—	—	1,593	—	—
Translation adjustments	—	—	—	—	—	6,752	—
Increase in treasury stock	—	—	—	—	—	—	(123)
Balance at March 31, 2006	**29,662,851**	**$ 18,874**	**$ 17,617**	**$ 192,035**	**$ 3,949**	**$ 2,461**	**$ (928)**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Japan Cash Machine Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (*Note 4*)
	2006	2005	**2006**
Operating activities:			
Income before income taxes	**¥ 5,053**	¥ 8,812	**$ 43,020**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	**734**	650	**6,247**
Impairment loss	**7**	—	**63**
Provision for allowances and accruals	**(201)**	11	**(1,712)**
Interest and dividend income	**(124)**	(54)	**(1,051)**
Interest expense	**3**	7	**22**
Exchange (gain) loss, net	**(18)**	(9)	**(157)**
Gain on sales of investments in securities	**(11)**	(37)	**(98)**
Loss on devaluation of golf club memberships	**—**	2	**—**
Other	**(43)**	20	**(357)**
Changes in operating assets and liabilities:			
Trade receivables	**11**	(515)	**90**
Inventories	**1,221**	(1,363)	**10,394**
Trade payables	**706**	(1,571)	**6,011**
Consumption taxes receivable	**(34)**	51	**(291)**
Other operating assets and liabilities	**(1,341)**	38	**(11,418)**
Subtotal	**5,963**	6,042	**50,763**
Interest and dividends received	**103**	54	**878**
Interest paid	**(2)**	(8)	**(22)**
Income taxes paid	**(3,694)**	(2,919)	**(31,448)**
Net cash provided by operating activities	**2,370**	3,169	**20,171**
Investing activities:			
Purchases of property, plant and equipment	**(1,787)**	(869)	**(15,216)**
Proceeds from sales of property, plant and equipment	**50**	39	**426**
Purchases of securities	**(14)**	(976)	**(122)**
Purchases of investments in securities	**(882)**	(3)	**(7,511)**
Proceeds from sales of investments in securities	**318**	47	**2,710**
Purchases of other assets	**(276)**	(192)	**(2,344)**
Other	**(26)**	(22)	**(220)**
Net cash used in investing activities	**(2,617)**	(1,976)	**(22,277)**
Financing activities:			
Decrease in short-term bank loans, net	**—**	(26)	**—**
Decrease in long-term debt	**—**	(200)	**—**
Proceeds from issuance of common stock	**70**	—	**600**
Purchases of treasury stock	**(19)**	(26)	**(164)**
Proceeds from sales of treasury stock	**10**	1	**84**
Cash dividends paid	**(1,478)**	(648)	**(12,583)**
Net cash used in financing activities	**(1,417)**	(899)	**(12,063)**
Effect of exchange rate changes on cash and cash equivalents	**285**	52	**2,428**
(Decreace) increase in cash and cash equivalents	**(1,379)**	346	**(11,741)**
Cash and cash equivalents at beginning of year	**11,621**	11,275	**98,940**
Cash and cash equivalents at end of year (*Note 14*)	**¥ 10,242**	¥ 11,621	**$ 87,199**

The accompanying notes are an integral part of these statements.

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 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, 2005 to the 2006 presentation. Such reclassifications had no effect on consolidated net income or shareholders' equity.

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 ends 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 rate 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 shareholders' equity 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 domestic subsidiaries are stated at cost determined by the first-in, first-out method. Inventories of the 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 shareholders' equity. 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 risks 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 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 Commercial Code of Japan.

The overseas consolidated subsidiaries have no retirement benefit plans.

(l) 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.

(m) Appropriation of Retained Earnings

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general 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) Partial Revision of Accounting Standards

The Company and consolidated subsidiaries have adopted "Partial Revision of Accounting Standard for Retirement Benefits (Corporate Accounting Standard No. 3)" and "Implementation Guidance for Partial Revision of Accounting Standard for Retirement Benefits (Implementation Guidance No. 7 for applying Corporate Accounting Standards)," both issued by the Accounting Standards Board of Japan on March 16, 2005, to the consolidated financial statements for the year ended March 31, 2006.

As a result of this adoption, operating income and income before income taxes increased by ¥124 million ($1,055 thousand). The impact on the consolidated segment information is outlined herein in the notes to the consolidated financial statements (see Note 16).

(b) Impairment of Fixed Assets

The Company and consolidated subsidiaries have adopted a new "Accounting Standard for the Impairment of Fixed Assets" (Opinion Concerning Establishment of Accounting Standard for the Impairment of Fixed Assets (Business Accounting Deliberation Council, August 9, 2002)) and "Guidelines on Implementation of Accounting Standard for the Impairment of Fixed Assets" (the Accounting Standards Board of Japan Guideline No. 6, October 31, 2003) to the consolidated financial statements for the year ended March 31, 2006.

As a result of this adoption, income before income taxes decreased by ¥7 million ($63 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 ¥117.46 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2006. 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 at March 31, 2006 and 2005 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Finished goods	**¥ 3,766**	¥ 4,118	**$ 32,059**
Work in process	**480**	899	**4,091**
Raw materials and supplies	**2,301**	2,390	**19,592**
	¥ 6,547	¥ 7,407	**$ 55,742**

6. Securities and Investments in Securities

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

	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		
	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	7,257	7,230	(27)
Government bonds	—	—	—
Other	—	—	—
Subtotal	7,257	7,230	(27)
Total	$ 7,257	$ 7,230	$ (27)

Securities and investments in securities classified as other securities at March 31, 2006 and 2005 were as follows:

	Millions of yen		
	2006		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose fair value exceeds their acquisition costs:			
Equity securities	¥ 860	¥ 1,651	¥ 791
Other	2	4	2
Subtotal	862	1,655	793
Securities whose fair 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

	Millions of yen		
	2005		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose fair value exceeds their acquisition costs:			
Equity securities	¥ 128	¥ 593	¥ 465
Other	2	3	1
Subtotal	130	596	466
Securities whose fair value does not exceed their acquisition costs:			
Equity securities	—	—	—
Government bonds	940	940	(0)
Other	—	—	—
Subtotal	940	940	(0)
Total	¥ 1,070	¥ 1,536	¥ 466

	Thousands of U.S. dollars		
	2006		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose fair value exceeds their acquisition costs:			
Equity securities	**$ 7,325**	**$ 14,056**	**$ 6,731**
Other	**17**	**39**	**22**
Subtotal	**7,342**	**14,095**	**6,753**
Securities whose fair value does not exceed their acquisition costs:			
Equity securities	**844**	**761**	**(83)**
Government bonds	**2,062**	**2,057**	**(5)**
Other	**425**	**406**	**(19)**
Subtotal	**3,331**	**3,224**	**(107)**
Total	**$ 10,673**	**$ 17,319**	**$ 6,646**

The carrying value of other securities whose fair value was not determinable at March 31, 2006 and 2005 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Equity securities	**¥ 58**	¥ 364	**$ 497**

The redemption schedule at March 31, 2006 and 2005 for government bonds classified as other securities and held-to-maturity debt securities is as follows:

	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**	**¥ —**	**¥ —**	**¥ —**

	Millions of yen			
	2005			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Government bonds	¥ 940	¥ —	¥ —	¥ —
Total	¥ 940	¥ —	¥ —	¥ —

	Thousands of U.S. dollars			
	2006			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Government bonds	**$ 9,314**	**$ —**	**$ —**	**$ —**
Total	**$ 9,314**	**$ —**	**$ —**	**$ —**

The proceeds from sales of, and gross realized gain on, other securities for the years ended March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Proceeds from sales	**¥ 318**	¥ 47	**$ 2,710**
Gross realized gain	**11**	37	**98**

7. Derivative Transactions

The Company has entered into forward foreign exchange contracts to reduce its exposure to adverse fluctuations in foreign exchange rates relating to receivables denominated in foreign currencies. The contract amounts and the related market values of those contracts without firm commitments related to receivables at March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Forward foreign exchange contract to sell U.S dollars:			
Contract amounts	**¥ 1**	¥ —	**$ 11**
Market value	**1**	—	**11**
Net gain (loss)	**¥ 0**	¥ —	**$ 0**

The contract amounts of the forward foreign exchange contracts and the related market value presented above exclude those entered into to hedge receivable and payables denominated in foreign currencies which have been translated and are reflected at their corresponding contracted rates in the accounting 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 contracts.

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, 2006 and 2005 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Retirement benefit obligation	**¥ (1,279)**	¥ (1,175)	**$ (10,887)**
Plan assets at fair value	**1,417**	1,101	**12,064**
Net retirement benefit obligation	**138**	(74)	**1,177**
Prepaid pension cost	**(147)**	—	**(1,252)**
Accrued retirement benefits	**¥ (9)**	¥ (74)	**$ (75)**

The components of retirement benefit expenses for the years ended March 31, 2006 and 2005 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Service cost	**¥ 52**	¥ 84	**$ 444**
Interest cost	**21**	19	**177**
Expected return on plan assets	**(19)**	(17)	**(166)**
Amortization of actuarial gain	**(125)**	(7)	**(1,060)**
Retirement benefit expenses	**¥ (71)**	¥ 79	**$ (605)**

The assumptions used in accounting for the defined benefit plans for the years ended March 31, 2006 and 2005 were as follows:

	2006	2005
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, 2006 and 2005 amounted to ¥177 million ($1,505 thousand) and ¥142 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, 2006 and 2005.

A reconciliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2005 as a percentage of income before income taxes is as follows:

	2005
Statutory tax rate	40.6%
Unrealized profit	0.1
Nontaxable entertainment expenses	0.5
Nondeductible dividend income	(0.4)
Inhabitants' per capita taxes	0.2
Transfer pricing taxation	2.4
Other	0.0
Effective tax rates	43.4%

No reconciliation for the year ended March 31, 2006 has been presented, as the statutory tax rate did not differ significantly from the effective tax rate.

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, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Deferred tax assets:			
Unrealized profit	**¥ 716**	¥ 658	**$ 6,098**
Retirement allowances for directors and statutory auditors	**105**	107	**892**
Write-downs of inventories	**287**	272	**2,444**
Provision for employees' bonuses	**189**	204	**1,608**
Other	**610**	664	**5,192**
Total deferred tax assets	**1,907**	1,905	**16,234**
Deferred tax liabilities:			
Unrealized holding gain on securities	**318**	190	**2,703**
Undistributed profit of subsidiaries	**40**	87	**343**
Other	**89**	25	**760**
Total deferred tax liabilities	**447**	302	**3,806**
Net deferred tax assets	**¥ 1,460**	¥ 1,603	**$ 12,428**

10. Shareholders' Equity

The Commercial Code of Japan (the "Code") provides that an amount equal to at least 10% of the amounts to be disbursed as distributions of earnings be appropriated to the legal reserve until the sum of the legal reserve and additional paid-in capital equals 25% of the common stock account. The Code also stipulates that, to the extent that the sum of the additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, any such excess is available for appropriation by resolution of the shareholders.

Retained earnings include the legal reserve provided in accordance with the provisions of the Code. The legal reserve of the Company included in retained earnings at March 31, 2006 and 2005 amounted to ¥274 million ($2,335 thousand) and ¥274 million, respectively.

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan, went into effect on May 1, 2006. The Law stipulates similar requirements on distribution of earnings to those of the Code. Under the Law, however, such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

11. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as at March 31, 2006 and 2005, 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		
	2006		
	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	**¥ 58**	**¥ 37**	**¥ 21**

	Millions of yen		
	2005		
	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	¥ 233	¥ 182	¥ 51

	Thousands of U.S. dollars		
	2006		
	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	**$ 496**	**$ 313**	**$ 183**

Lease payments relating to finance leases accounted for as operating leases for the years ended March 31, 2006 and 2005 amounted to ¥36 million ($309 thousand) and ¥82 million, respectively. Depreciation of the leased assets computed by the straight-line method over the respective lease terms for the years ended March 31, 2006 and 2005 amounted to ¥36 million ($309 thousand) and ¥82 million, respectively.

Future minimum lease payments subsequent to March 31, 2006 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2007	**¥ 15**	**$ 128**
2008 and thereafter	**6**	**55**
Total	**¥ 21**	**$ 183**

Future minimum lease payments subsequent to March 31, 2006 for operating leases are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2007	**¥ 2**	**$ 12**
2008 and thereafter	**3**	**28**
Total	**¥ 5**	**$ 40**

12. Research and Development Costs

Research and development costs included in general and administrative expenses and manufacturing costs for the years ended March 31, 2006 and 2005 amounted to ¥1,615 million ($13,751 thousand) and ¥1,655 million, respectively.

13. Contingent Liabilities

At March 31, 2006, one consolidated subsidiary was contingently liable as guarantor of accounts payable of third parties in the amount of ¥610 million ($5,197 thousand).

14. Supplemental Information to Consolidated Statements of Cash Flows

A reconciliation between cash and deposits in the consolidated balance sheets at March 31, 2006 and 2005 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
	2006	2005	**2006**
Cash and deposits in consolidated balance sheets	**¥ 10,288**	¥ 11,675	**$ 87,586**
Overdraft	**(46)**	(54)	**(387)**
Cash and cash equivalents in consolidated statements of cash flows	**¥ 10,242**	¥ 11,621	**$ 87,199**

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 has been computed based on the amount of net income attributable to the shareholders of common stock outstanding during each 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
	2006	2005	**2006**
Net income - Basic	**¥ 98.42**	¥ 166.42	**$ 0.84**
Net income - Diluted	**98.21**	165.31	**0.84**
Net assets	**927.11**	844.43	**7.89**

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, 2006 and 2005 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Net income	**¥ 2,969**	¥ 4,984	**$ 25,276**
Deductions from net income:			
Bonuses to directors and corporate auditors	**59**	66	**502**
Adjusted net income attributable to shareholders of common stock	**¥ 2,910**	¥ 4,918	**$ 24,774**
Weighted-average number of shares	**29,567,465**	29,554,736	**—**
Effect of dilutive securities	**63,581**	198,521	**—**
Weighted-average number of shares used in computing diluted net income per share	**29,631,046**	29,753,257	**—**

16. Segment Information

The Company and its subsidiaries are primarily engaged in the manufacture and sales of cash machines. The operations of the Company and the 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, 2006 and 2005, the disclosure of business segment information has been omitted.

The geographical segment information of the Company and consolidated subsidiaries for the years ended March 31, 2006 and 2005 is summarized as follows:

	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

	Millions of yen					
	2005					
	Japan	North America	Asia	Europe	Eliminations/ corporate	Consolidated
Net sales:						
Outside customers	¥ 20,054	¥ 12,022	¥ 255	¥ 5,616	¥ —	¥ 37,947
Inter-segment	11,730	70	9,518	27	(21,345)	—
Total	31,784	12,092	9,773	5,643	(21,345)	37,947
Operating expenses	26,651	10,367	9,181	4,255	(21,151)	29,303
Operating income	5,133	1,725	592	1,388	(194)	8,644
Total assets	¥ 25,954	¥ 4,710	¥ 3,021	¥ 3,270	¥ (4,079)	¥ 32,876

	Thousands of U.S dollars					
	2006					
	Japan	North America	Asia	Europe	Eliminations/ corporate	Consolidated
Net sales:						
Outside customers	$ 139,673	$ 85,100	$ 2,345	$ 50,380	$ —	$ 277,498
Inter-segment	99,378	1,365	49,028	554	(150,325)	—
Total	239,051	86,465	51,373	50,934	(150,325)	277,498
Operating expenses	215,969	79,681	49,271	40,918	(149,412)	236,427
Operating income	23,082	6,784	2,102	10,016	(913)	41,071
Total assets	$ 232,287	$ 51,437	$ 29,184	$ 32,814	$ (48,198)	$ 297,524

Unallocated assets included in eliminations/corporate for the year ended March 31, 2006 totaled ¥2,973 million ($25,314 thousand). These assets consisted primarily of surplus funds and long-term investments.

As mentioned in Note 3(a), the Company adopted a partial revision of the accounting standard for retirement benefits for the year ended March 31, 2006. As a result, operating expenses in the Japan segment decreased by ¥124 million ($1,055 thousand) and operating income and total assets increased by the same amount.

As mentioned in Note 3(b), the Company adopted a new accounting standard for the impairment of fixed assets for the year ended March 31, 2006. As a result, income before income taxes in the Japan segment decreased by ¥7 million ($63 thousand).

Overseas net sales

Overseas net sales, which include export sales of the Company and domestic consolidated subsidiaries and sales (other than exports to Japan) of the overseas consolidated subsidiaries, for the years ended March 31, 2006 and 2005 are summarized as follows:

	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%**

	Millions of yen			
	2005			
	North America	Europe	Other	Total
Overseas sales, net	¥ 11,387	¥ 5,779	¥ 1,055	¥ 18,221
Overseas net sales as a percentage of consolidated net sales	30.0%	15.2%	2.8%	48.0%

	Thousands of U.S. dollars			
	2006			
	North America	Europe	Other	Total
Overseas sales, net	**$ 81,607**	**$ 49,683**	**$ 9,007**	**$ 140,297**
Overseas net sales as a percentage of consolidated net sales	**29.4%**	**17.9%**	**3.3%**	**50.6%**

17. Subsequent Event

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, 2006, were approved at a shareholders' meeting held on June 28, 2006:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥22.0 = U.S.$0.187 per share)	**¥ 651**	**$ 5,541**
Bonuses to directors and corporate auditors	**¥ 43**	**$ 364**

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 consolidated 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 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 consolidated subsidiaries at 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.

Supplemental Information

As described in Note 3(a), effective the year ended March 31, 2006, Japan Cash Machine Co., Ltd. and consolidated subsidiaries have adopted a partial revision of the accounting standard for retirement benefits.

As described in Note 3(b), effective the year ended March 31, 2006, Japan Cash Machine Co., Ltd and consolidated subsidiaries have adopted a new accounting standard for the impairment of fixed assets.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2006 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.

Ernst & Young ShinNihon

Osaka, Japan
June 28, 2006

As of June 28, 2006

Board of Directors

President
Koichiro Kamihigashi*

Senior Managing Director
Norikiyo Suzuki

Directors
Kaoru Doi
Yojiro Kamihigashi
Toshizumi Kitamori
Hisashi Maki
Tatsuya Urata

Standing Statutory Auditors
Masaru Mori
Taizo Nakamura

Statutory Auditors
Hideyuki Koizumi
Hiroshi Morimoto

*Representative Director

Company Outline

Name
Japan Cash Machine Co., Ltd.

Date of Establishment
January 11, 1955

Head Office/Factory
2-3-15, Nishiwaki, Hirano-ku
Osaka 547-0035, Japan
Tel: +81-6-6703-8400
Fax: +81-6-6707-0348

Primary Business Activities
Manufacture, sales and marketing of money-handling machines (bill acceptors, coin and bill counting and processing machines, OEM terminals for sports and track facilities, and other equipment for the financial industry), POS terminal, equipment for the amusement industry, and fire-resistant safes, environment and hygiene related equipments

Capital
¥2,217 million

Number of Shareholders
16,005†

Principal Banks
Resona Bank, Ltd.
Sumitomo Mitsui Banking Corporation
Mizuho Bank, Ltd.

Fiscal Year-End
March 31

Internet Site
http://www.jcm-hq.co.jp/

Investor E-mail Address
Investors may send e-mail queries to: ir@jcm-hq.co.jp

†As of March 31, 2006

Directory

As of June 28, 2006

Head Office:	2-3-15, Nishiwaki, Hirano-ku, Osaka 547-0035, Japan Tel: +81-6-6703-8400 Fax: +81-6-6707-0348
Tokyo Branch Office:	7F, Landic Shinbashi Bldg., 3-8-3, Nishishinbashi, Minato-ku, Tokyo 105-0003, Japan Tel: +81-3-5408-3831 Fax: +81-3-5408-0685
Domestic Sales Offices:	Tohoku, Shizuoka, Nagoya, Osaka, Fujiidera, Hiroshima, Shikoku, Fukuoka, Kumamoto
Plant:	Nagahama
Laboratories:	Sagamihara, Kofu

Main Consolidated Subsidiaries

Domestic

JCM Techno Support Co., Ltd.

Maintenance of money-handling machines, establishment of construction work, repair contracts of money-handling machines

2-4-21, Hirano-Baba, Hirano-ku, Osaka 547-0048, Japan
Tel: +81-6-6760-2300 Fax: +81-6-6702-1940

JCM Meiho Co., Ltd.

Sales of equipment for the amusement industry

2F, Zengyogyo Bldg., 3-12-11, Higashi-Ueno, Taito-ku
Tokyo 110-0015, Japan
Tel: +81-3-3833-4891 Fax: +81-3-3833-4895

Gold System Co., Ltd.

Manufacuture and sales of ozone generators for sterilizing and deodorizing, and machines to maintain the freshness of foods

1-6-1, Uriwari, Hirano-ku, Osaka 547-0024, Japan
Tel: +81-6-6705-1651 Fax: +81-6-6703-6819

Overseas

North America

JCM American Corporation

Sales of money-handling machines

925 Pilot Rd., Las Vegas, NV 89119, USA
Tel: +1-702-651-0000 1-800-683-7248 (Toll free)
Fax: +1-702-651-0003

Europe

Japan Cash Machine Germany GmbH

Sales of money-handling machines

Mündelheimer Weg 60, D-40472 Düsseldorf, Germany
Tel: +49-211-530645-0 Fax: +49-211-530645-65

JCM United Kingdom Ltd.

Sales of money-handling machines

Unit B, Third Avenue, Denbigh West Business Park
Bletchley, Milton Keynes, Buckinghamshire, MK1 1EJ, U.K.
Tel: +44-870-770-2863 Fax: +44-1908-377834

Asia

JCM Gold (HK) Ltd.

Manufacture and sales of money-handling machines, equipment for the amusement industry and electronic cash registers

Unit 1-7, 3F, Favor Industrial Centre
2-6 Kin Hong St., Kwai Chung, N.T., Hong Kong
Tel: +852-2429-7187 Fax: +852-2420-8864

Macau Branch

Unit N, 6/F, Dynasty Plaza 393-437 Alameda Dr. Carlos D'Assumpcao, Macau
Tel: +853-722-684 Fax: +853-722-823

JAPAN CASH MACHINE CO., LTD.

2-3-15, Nishiwaki, Hirano-ku, Osaka 547-0035, Japan
Tel: +81-6-6703-8400   Fax: +81-6-6707-0348
URL: http://www.jcm-hq.co.jp

Printed in Japan. E.P. 07.1T