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Summary of Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2018 <Japanese GAAP>

August 3, 2017

Company name:	Japan Cash Machine Co., Ltd.	Stock exchange listing:	Tokyo(1 st Section)
Code number:	6418	URL:	http://www.jcm-hq.co.jp/
Representative:	Position: President	Name:	Yojiro Kamihigashi
Contact person:	Position: Director, Senior Operating Officer, Executive General Manager of Corporate Planning Division	Name:	Tsuyoshi Takagaki
		TEL:	+81-6-6703-8400

Scheduled date of filing quarterly securities report: August 9, 2017

Scheduled date of dividend payments: —

The additional materials of the financial results for the first quarter: None

The briefing session of the financial results for the first quarter: None

(Amount less than one million yen are rounded down.)

1. Consolidated Financial Results for the First Quarter ended June 30, 2017 (April 1, 2017 through June 30, 2017)

(1) Consolidated operating results

(Percent indications show percentage of changes from corresponding figures for the previous period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2018 1 st quarter	7,140	(3.5)	344	(8.2)	355	-	226	-
FY2017 1 st quarter	7,398	3.5	374	43.6	(134)	-	(305)	-

(Note) Comprehensive income: FY2018 1st quarter: (202) million yen (- %) FY2017 1st quarter: (834) million yen (- %)

	Net income per share: basic	Net income per share: Diluted
	yen	yen
FY2018 1 st quarter	8.05	8.03
FY2017 1 st quarter	(11.32)	-

(Note) “Diluted net income per share” for the first quarter of FY 2017 is not stated above since net income per share was negative although there were dilutive shares.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
FY2018 1 st quarter	41,645	30,799	73.9	1,071.01
FY2017	39,755	28,937	72.7	1,080.96

(Reference) Shareholders' equity: As of June 30, 2017: 30,783 million yen As of March 31, 2017: 28,907 million yen

2. Dividends

	Annual cash dividends per share				
	1 st quarter end	2 nd quarter end	3 rd quarter end	Year-end	Total
	yen	yen	yen	yen	yen
FY2017	-	8.50	-	8.50	17.00
FY2018	-	-	-	-	-
FY2018 (forecast)	-	8.50	-	8.50	17.00

(Note) Changes in dividends forecast for FY2018 from the latest disclosure: None

3. Forecasts of consolidated operating results for FY2018 (April 1, 2017 through March 31, 2018)

(Percent indications show percentage of changes from corresponding figures for the previous period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
FY2018 2 nd quarter	15,700	2.6	550	(52.0)	550	(2.8)	290	(28.0)	9.78
FY2018	31,800	5.2	1,550	(11.5)	1,550	1.1	1,050	3.8	35.42

(Note) Changes in forecasts of consolidated operating results for FY2018 from the latest disclosure: None

(1) Changes in significant subsidiaries during the quarter (changes in specified subsidiaries resulting in the change in consolidation scope): None

(2) Adoption of specific accounting policies for quarterly consolidated financial statements: None

(3) Changes in accounting principles, changes in accounting estimates, and restatements

1) Changes in accounting policies due to revisions of accounting standards, etc.: None

2) Changes in accounting policies other than 1) : None

3) Changes in accounting estimates : None

4) Restatements : None

(4) Number of shares outstanding (common stock)

Number of shares outstanding at end of period (including treasury stocks)	FY2018 1 st quarter	29,662,851 shares	FY2017	29,662,851 shares
Number of shares of treasury stocks at end of period	FY2018 1 st quarter	920,847 shares	FY2017	2,920,750 shares
The average number of outstanding shares during the period	FY2018 1 st quarter	28,142,069 shares	FY2017 1 st quarter	26,978,031 shares

* This summary of consolidated financial results is exempt from quarterly review.

* Explanation regarding the appropriate use of financial forecasts and other special items

Earnings forecasts and other forward-looking statements in this release are based on data currently available to management and certain assumptions that management believes to be reasonable. The achievement of said forecasts cannot be promised. Actual results may therefore differ materially from these statements for various reasons. For further details, please refer to “1. Qualitative Information/Financial Statements (2) Future estimates, including consolidated financial forecast” on Page 4.

1. Qualitative information/financial statements

(1) Consolidated operating results

The global economy during the first quarter of the consolidated fiscal year, saw continuous moderate growth for the U.S. and Europe. This growth was supported by robust personal consumption. Meanwhile, the Japanese economy continued to be on the recovery track against the backdrop of a pickup in the corporate earnings, capital expenditures, and employment environment.

Regarding the business environment surrounding the JCM Group (the “Group”), the gaming market has been experiencing difficult conditions since the decrease in the opening of new casinos. In the commercial market (banking/retail/transportation, etc.), demand was generally strong despite the difference in business conditions depending on regions and fields. On the other hand, the business environment of the amusement equipment market in Japan continued having customers who remained cautious in making investment decisions. This was due to the tightening of game machine regulations, which curbed a speculative spirit.

Under such circumstances, the Group endeavored to expand sales and secure profits by not only promoting the sales of high value-added product to fulfill customers’ needs, but also by further reducing manufacturing costs.

However, in the first quarter of the consolidated fiscal year, net sales remained sluggish at 7,140 million yen (down 3.5% year-on-year) due to a reaction to a rise in demand for some products in the previous year.

The operating income totaled 344 million yen (down 8.2% year-on-year) because of an increase in selling, general, and administrative expenses caused by the acquisition of a business. Ordinary income amounted to 355 million yen (the ordinary loss was 134 million in the previous year due to a huge foreign currency translation adjustment loss incurred on foreign-currency denominated assets) and the profit attributable to owners of parent was 226 million (the loss attributable to owners of parent was 305 million yen in the previous year).

The average foreign exchange rates for this first quarter were 112.85 yen to the US dollar (115.73 yen in the same period last year) and 120.21 yen to the euro (127.78 yen in the same period last year). The quarter-end foreign exchange rate applied to the mark-to-market valuation of assets and liabilities at the end of this first quarter was 112.00 yen to the US dollar (112.18 yen at the end of the previous consolidated fiscal year).

Results by segment are as follows.

i. Global Gaming

The segment recorded net sales of 3,722 million yen (down 9.7% year-on-year) and an income of 599 million yen (down 18.2% year-on-year). These declines were mainly due to a decline in demand for bill validator units in the North American region and a reaction to the strong replacement demand in the previous year in the European region.

ii. International Commercial

The segment posted net sales of 928 million yen (up 5.8% year-on-year) and an income of 74 million yen (as against 5 million yen in the previous year), mainly due to robust sales of bill validator units in the European region and China, despite a decline in sales of bill validator units in the North American financial market.

iii. Domestic Commercial

The segment logged net sales of 485 million yen (down 5.0% year-on-year) mainly due to the stagnant sales of currency exchange machines, despite the steady sales of money handling machine units for OEM customers. However, income increased to 16 million yen (up 223.3% year-on-year), because of increased sales of products with high profit margins.

iv. Equipment for Amusement Industry

The segment recorded net sales of 2,004 million yen (up 6.3% year-on-year), mainly due to the expansion of product lines and customer bases through the acquisition of a business in the previous year, despite a decline in

the sales of mainline products such as automatic token supply/collection systems. However, income decreased to 23 million yen (down 69.5% year-on-year), because of the rise in the expenses associated with the business acquisition.

(2) Future estimates, including consolidated financial forecast

For the cumulative second quarter and the full year of the consolidated fiscal year ending March 31, 2018, there are no changes from the ones presented in the financial highlights dated May 11, 2017. However, we will make a swift announcement, should there be a need for timely disclosure, by keeping a watch on the demand situation in the future.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(In thousands of yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	7,166,931	9,412,709
Notes and accounts receivable - trade	6,013,379	5,481,016
Securities	23,309	78,535
Merchandise and finished goods	8,039,619	7,812,921
Work in process	639,501	865,004
Raw materials and supplies	2,706,568	2,911,165
Other	1,747,447	1,705,316
Allowance for doubtful accounts	(212,194)	(211,091)
Total current assets	26,124,563	28,055,577
Non-current assets		
Property, plant and equipment	4,991,188	5,093,758
Intangible assets		
Goodwill	2,291,518	2,161,510
Technical assets	391,124	356,716
Assets related to customers	3,374,108	3,181,045
Trademark right	451,267	425,654
Other	128,633	130,537
Total intangible assets	6,636,651	6,255,465
Investments and other assets		
Other	2,059,157	2,295,980
Allowance for doubtful accounts	(56,025)	(55,196)
Total investments and other assets	2,003,132	2,240,784
Total non-current assets	13,630,971	13,590,008
Total assets	39,755,535	41,645,586
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,161,879	3,333,281
Short-term loans payable	3,703,538	3,699,200
Income taxes payable	224,871	132,817
Provision for bonuses	381,654	200,460
Provision for directors' bonuses	21,000	—
Other	2,624,066	2,708,213
Total current liabilities	10,117,009	10,073,972
Non-current liabilities		
Other	701,097	771,846
Total non-current liabilities	701,097	771,846
Total liabilities	10,818,107	10,845,818
Net assets		
Shareholders' equity		
Capital stock	2,216,945	2,216,945
Capital surplus	2,068,964	2,574,312
Retained earnings	27,070,148	27,069,327
Treasury shares	(2,629,621)	(829,083)
Total shareholders' equity	28,726,436	31,031,501
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	204,098	408,676
Foreign currency translation adjustment	(23,427)	(657,084)
Total accumulated other comprehensive income	180,670	(248,408)
Subscription rights to shares	30,320	16,674
Total net assets	28,937,428	30,799,767
Total liabilities and net assets	39,755,535	41,645,586

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(Consolidated Cumulative First Quarter)

(In thousands of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Net sales	7,398,370	7,140,115
Cost of sales	4,681,650	4,300,465
Gross profit	2,716,719	2,839,650
Reversal of unrealized income on installment sales	16,070	12,702
Provision of unrealized income on installment sales	—	11,420
Gross profit - net	2,732,790	2,840,932
Selling, general and administrative expenses	2,357,923	2,496,906
Operating profit	374,866	344,026
Non-operating income		
Interest income	2,016	325
Dividend income	10,509	13,893
Foreign exchange gains	—	7,312
Other	14,901	5,972
Total non-operating income	27,428	27,503
Non-operating expenses		
Interest expenses	9,406	10,776
Foreign exchange losses	522,834	—
Other	4,462	5,324
Total non-operating expenses	536,704	16,100
Ordinary profit (loss)	(134,409)	355,429
Extraordinary income		
Gain on sales of non-current assets	206	343
Gain on sales of investment securities	—	3,786
Total extraordinary income	206	4,130
Extraordinary losses		
Loss on retirement of non-current assets	2,521	0
Loss on sales of non-current assets	54	—
Total extraordinary losses	2,576	0
Profit (loss) before income taxes	(136,780)	359,560
Income taxes - current	181,035	143,043
Income taxes - deferred	(12,522)	(9,970)
Total income taxes	168,512	133,073
Profit (loss)	(305,292)	226,486
Profit (loss) attributable to owners of parent	(305,292)	226,486

(Quarterly Consolidated Statement of Comprehensive Income)
(Consolidated Cumulative First Quarter)

(In thousands of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Profit (loss)	(305,292)	226,486
Other comprehensive income		
Valuation difference on available-for-sale securities	(12,657)	204,577
Foreign currency translation adjustment	(516,657)	(633,657)
Total other comprehensive income	(529,314)	(429,079)
Comprehensive income	(834,607)	(202,592)
(Breakdown of Comprehensive Income)		
Comprehensive income attributable to owners of parent	(834,607)	(202,592)
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statements of Cash Flows

(In thousands of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Cash flows from operating activities		
Profit (loss) before income taxes	(136,780)	359,560
Depreciation	238,501	237,809
Amortization of goodwill	48,721	47,612
Increase (decrease) in provision	(114,629)	(205,359)
Interest and dividend income	(12,526)	(14,218)
Interest expenses	9,406	10,776
Foreign exchange losses (gains)	403,735	(18,011)
Loss (gain) on sales of investment securities	—	(3,786)
Loss (gain) on sales and retirement of property, plant and equipment	2,370	(343)
Decrease (increase) in notes and accounts receivable - trade	102,693	350,396
Decrease (increase) in inventories	56,838	(464,104)
Increase (decrease) in notes and accounts payable - trade	72,758	334,020
Decrease (increase) in consumption taxes refund receivable	124,631	65,580
Other, net	12,738	(68,530)
Subtotal	808,461	631,401
Interest and dividend income received	12,354	14,390
Interest expenses paid	(9,406)	(10,776)
Income taxes paid	(341,050)	(122,002)
Net cash provided by (used in) operating activities	470,358	513,012
Cash flows from investing activities		
Net decrease (increase) in short-term investment securities	23,431	(51)
Purchase of property, plant and equipment	(81,846)	(221,239)
Proceeds from sales of property, plant and equipment	466	352
Purchase of intangible assets	(2,885)	(12,099)
Purchase of investment securities	(401)	(389)
Proceeds from sales of investment securities	—	5,047
Net cash provided by (used in) investing activities	(61,235)	(228,380)
Cash flows from financing activities		
Cash dividends paid	(231,544)	(227,308)
Proceeds from lease obligations	297	—
Repayments of lease obligations	(29,007)	(20,729)
Purchase of treasury shares	(41)	(113)
Proceeds from disposal of treasury shares from exercise of subscription rights to shares	—	2,291,000
Net cash provided by (used in) financing activities	(260,296)	2,042,848
Effect of exchange rate change on cash and cash equivalents	(257,887)	(81,702)
Net increase (decrease) in cash and cash equivalents	(109,061)	2,245,777
Cash and cash equivalents at beginning of period	8,794,795	7,146,931
Cash and cash equivalents at end of period	8,685,734	9,392,709

(4) Notes to Consolidated Financial Statements

(Going Concern Assumption)

None

(Significant Changes in Shareholders' Equity)

In the first quarter of the consolidated fiscal year ending March 31, 2018, capital surplus increased by 505,348,000 yen and treasury shares decreased by 1,800,652,000 yen due to the disposal of treasury shares caused by the exercise of subscription rights to shares. Consequently, at the end of the first quarter of the consolidated fiscal year ending March 31, 2018, capital surplus and treasury shares amounted to 2,574,312,000 yen and 829,083,000 yen, respectively.

(Segment Information)

I. Three months ended June 30, 2016

1. Information on sales and income (loss) by reportable segments

(In thousands of yen)

	Reportable segments					Adjustment (Note)	Consolidated
	Global Gaming	International Commercial	Domestic Commercial	Equipment for Amusement Industry	Total		
Net sales							
Sales to customers	4,124,253	876,999	511,153	1,885,964	7,398,370	—	7,398,370
Intersegment sales and transfers	—	—	—	—	—	—	—
Total	4,124,253	876,999	511,153	1,885,964	7,398,370	—	7,398,370
Segment income	732,422	5,425	5,210	76,811	819,868	(445,002)	374,866

(Note) The adjustment on segment income includes certain expenses that are not allocated to each reportable segment.

2. Loss on noncurrent assets by each reportable segments and information on goodwill

None

II. Three months ended June 30, 2017

1. Information on sales and income (loss) by reportable segments

(In thousands of yen)

	Reportable segments					Adjustment (Note)	Consolidated
	Global Gaming	International Commercial	Domestic Commercial	Equipment for Amusement Industry	Total		
Net sales							
Sales to customers	3,722,196	928,061	485,656	2,004,200	7,140,115	—	7,140,115
Intersegment sales and transfers	—	—	—	—	—	—	—
Total	3,722,196	928,061	485,656	2,004,200	7,140,115	—	7,140,115
Segment income	599,188	74,089	16,846	23,401	713,525	(369,499)	344,026

(Note) The adjustment on segment income includes certain expenses that are not allocated to each reportable segment.

2. Loss on noncurrent assets by each reportable segments and information on goodwill

None

(Significant Subsequent Events)

(Exercise of stock acquisition rights)

Second subscription rights to shares that the Company issued through a third-party allotment on March 28, 2017 were exercised from July 1, 2017 to July 18, 2017, and treasury shares were disposed as follows.

- (i) Number of subscription rights to shares exercised: 9,000 units
- (ii) Number of treasury shares disposed: 900,000 shares
- (iii) Total value of subscription rights to shares exercised: 988,300,000 yen
- (iv) Decrease in treasury share value: 810,313,000 yen
- (v) Increase in other capital surplus: 184,736,000 yen