

A large, white, semi-transparent globe graphic is centered on the page. It has a grid of latitude and longitude lines and is set against a background of a blue-toned collage. The collage includes images of hands using cash machines, stacks of US dollar bills, and a person's hands holding a card. The entire scene is framed by a light blue background with a white geometric network pattern of dots and lines.

JCM GLOBAL Integrated Report

(Fiscal year ended March 31, 2022)

JAPAN CASH MACHINE CO., LTD.

JCM's Management Principles

Company Philosophy

Seeking vibrations of the cosmos, let's create our own vibration harmonized with the right vibrations in our society and spread happy vibrations to the world

Guiding Principles

Thankfulness & Gratitude

Be thankful for the opportunity to live and contribute to society

Voluntary Creation

Offer innovative products and services to the world

Friendly Cooperation

Create a happy home and pleasant workplace

Self-Improvement

Constantly have ambition and be useful to others

Put into Practice

Do it here and now

Management Philosophy

The Results Are for Our Customers

The JCM Group manufactures and offers services truly from the same standpoint of our customers and users. We aim to be a truly global company that continues to create markets and value in the field of money circulation.

Editorial Policy

The International Integrated Reporting Framework recommended by the IFRS Foundation and the Guidance for Collaborative Value Creation of Japan's Ministry of Economy, Trade and Industry were used as references in editing the JCM GLOBAL Integrated Report.



Forward-Looking Statements

This report contains forward-looking statements regarding the JCM Group's future. These forward-looking statements are based on judgments made using information available at the time the report was prepared. Readers are advised that actual results might differ substantially from the projections presented herein.

INDEX

Introduction

- 1 [JCM's Management Principles/INDEX/Editorial Policy](#)
- 2 [JCM at a Glance](#)
- 3 [Our History](#)

Value Creation, Strategy, and Performance

- 4 [Full Fiscal Year Results](#)
(Net sales by segment/Net sales by area)
- 5 [Overview by segment](#)
(Global Gaming, Overseas Commercial)
- 6 [Overview by segment](#)
(Domestic Commercial, Equipment for the Amusement Industry)
- 7 [Value Creation Process](#)

Vision

- 8 [Message from the President](#)

Sustainability

Initiatives toward Material Issues

- 14 [Initiatives to Combat Climate Change](#)
(TCFD recommendation-based disclosures)
- 18 [Manufacturing/R&D](#)
- 21 [Quality Assurance](#)
- 22 [Supply Chain Management](#)
- 23 [Information Security Initiatives](#)
- 24 [Human Capital](#)
- [Corporate Governance](#)
- 26 [Corporate Governance System](#)
- 27 [Board Member and Audit & Supervisory Board Member Skills Matrix, Board of Directors, and Main Topics of the Nomination and Remuneration Advisory Committee](#)
- 28 [Directors, Audit & Supervisory Board Members](#)
- 29 [Evaluation of the Board of Directors' Effectiveness, Executive Officers](#)
- 30 [Remuneration System](#)
- 31 [Risk Management, Compliance](#)
- 32 [Interview with an External Board Director](#)

Data Section

- 33 [Major Financial Highlights](#)
- 34 [Major Non-Financial Highlights](#)
- 35 [List of Major Domestic and Overseas Affiliated Companies](#)
- 36 [Corporate Data/Stock Information](#)

JCM at a Glance

As a currency handling specialist, the JCM Group provides products and technologies to various markets around the world. Through its business activities, the Group contributes to the stability and maintenance of social order by ensuring that people can have confidence and feel secure about their currency.

Global Gaming

We aim to establish a position as a comprehensive component supplier that can provide one-stop services to casino floors, including not only bill validator units but also ticket printers and LED displays.



Thermal printer



Bill validator unit



LED display



Bill validators for table games

Domestic and Overseas Commercial

We are steadily developing new markets, while increasing convenience for our customers by launching products in Japan, Europe, the United States, and other Asian markets. Our products include bill recycler and coin recycler units, which are used in diverse commercial markets such as payment machines, parking payment machines, and automatic ticketing machines.



Bill recycler unit



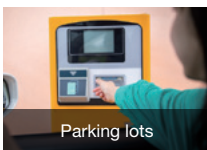
Coin recycler unit

Diverse commercial markets

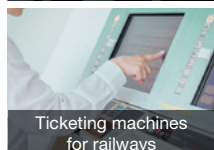
Transportation



Gas stations



Parking lots

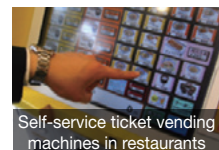


Ticketing machines for railways

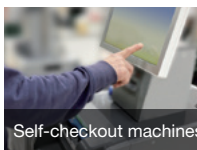


Payment machines for buses

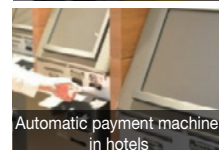
Retail/Other



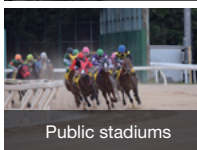
Self-service ticket vending machines in restaurants



Self-checkout machines



Automatic payment machine in hotels



Public stadiums

Equipment for the Amusement Industry

We are constantly providing products that accurately meet customer needs in the amusement industry market, where the identification and validation of bills and coins, as well as complex transportation technologies, are required. In addition to improving the efficiency of hall operations, we acquire higher ability to attract customers through the provision of products that contribute to the improvement of gaming environments.



Automatic medal supply and retrieval system



POS



Bill conveying system



Pachinko-balls/token Lender

JCM's strengths

Strengths **1** >> Acquiring gaming licenses while realizing strict compliance

Gaming licenses acquired (As of December 31, 2021)

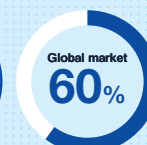
190 licenses

(39 states and one region in North America)

Strengths **2** >> Dominant bill validator share in the gaming market

Global

No. 1



■ The JCM Group

Note: Company estimate for the gaming market

Strengths **3** >> Continuing to earn the trust of global customers over an extended period through our high brand strength

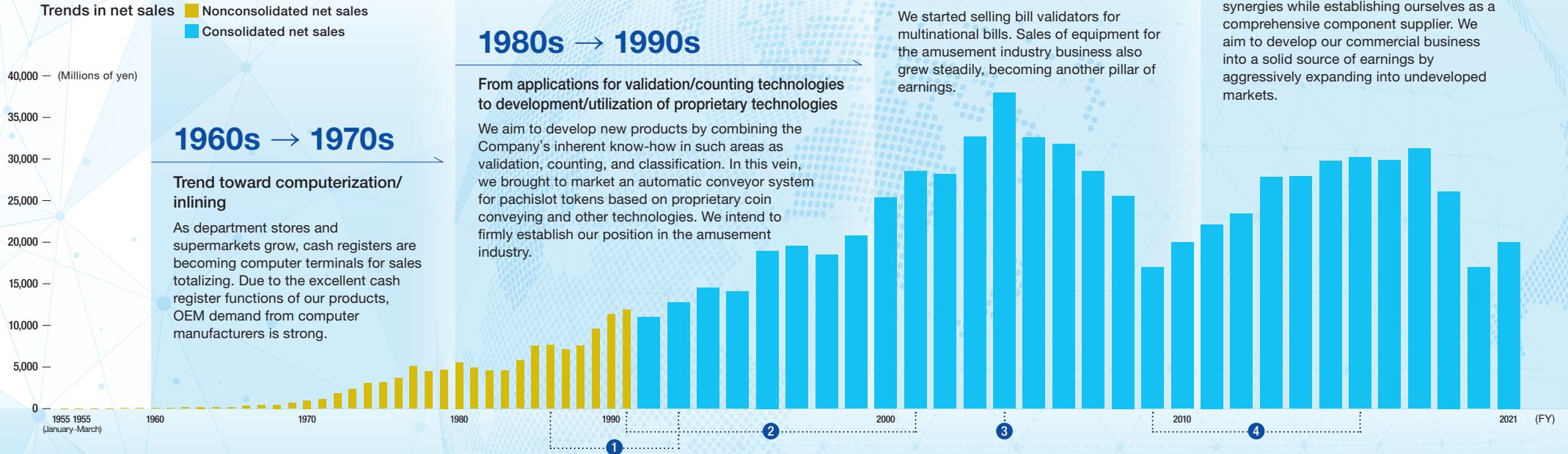
Supporting currencies in more than

140 countries and regions worldwide

Our History

Since its establishment in 1955, JCM has engaged in the highly specialized field of money handling machine manufacturing. We have endeavored to seamlessly connect “people to people” and “people to money.”

We will provide new value as a money circulation specialist on the global stage, and as a company with worldwide operations we will continue to meet the expectations and maintain the trust of people around the world.



1 Started manufacturing and selling validation machines for foreign currency bills

1986 | Started manufacturing and selling bill validators for U.S. dollars
1988 | Started manufacturing and selling bill validators for German marks
1990 | Installation of bill acceptor units authorized in Nevada
1991 | Started selling bill validator units for gaming use
1993 | Granted permission to install bill validator units outside the United States

2 Started selling equipment for the amusement industry

1991 | Started sales of an automatic token dispensing system, a proprietary belt conveying system that boasts high performance and high quality
1999 | Launched the industry's first polishing system with excellent token cleaning ability
2001 | Started sales of bill validators for lenders installed between machines

3 Reprint of new Japanese yen bills

November 2004 | Reprint demand for new bills (1,000, 5,000, and 10,000 yen)

4 Effects of business acquisitions/transfers

2009 | Included Sammy Systems Co., Ltd., in the Company's scope of consolidation as a subsidiary (Equipment for the Amusement Industry)
2014 | Included FutureLogic Group, LLC., in the Company's scope of consolidation as a subsidiary (Global Gaming)
2016 | Partial transfer of Silver Denken's business (Equipment for the Amusement Industry)

- 1955** | Company established
- 1959** | Started manufacturing cash registers
- 1981** | Started manufacturing bill validators
- 1987** | Established a subsidiary in Hong Kong
- 1988** | Established a subsidiary in the United States
- 1999** | Established a subsidiary in Europe
- 2010** | Started operations of the new office and the Head Office in Tokyo
- 2014** | Acquired and included a manufacturing and sales company of printer units for gaming markets as a subsidiary
- 2020** | Established a manufacturing subsidiary in the Philippines

Full Fiscal Year Results

Revenue increased year on year and a return to profitability

Despite the impact of the COVID-19 reemergence, revenue increased year on year because of our sales activities aimed at capturing demand following the recovery in economic activity and strong sales particularly in international markets.

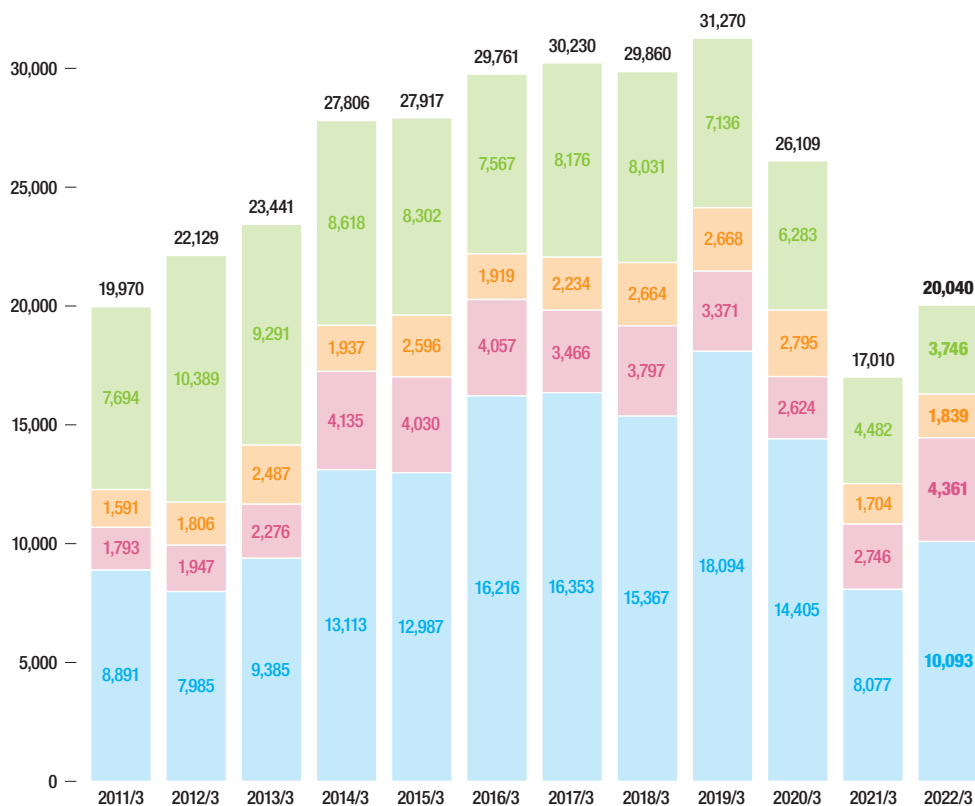
In terms of profits, in addition to the increase in revenue, there was a decrease in labor costs and depreciation and amortization due to the early retirement recruitment conducted in the previous fiscal year and the recording of an impairment loss on fixed assets, as well as a reduction in other expenses. As a result, profits were recorded for the first time in three years.

	2021/3	2022/3 (Millions of yen)
Net Sales	17,010	20,040 ↑ +17.8%
Operating Income (Loss)	(2,589)	568
Net Income (Loss) Attributable to Owners of Parent	(7,558)	605

Net sales by segment

Global Gaming Overseas Commercial Domestic Commercial Equipment for the Amusement Industry

35,000 – (Millions of yen)

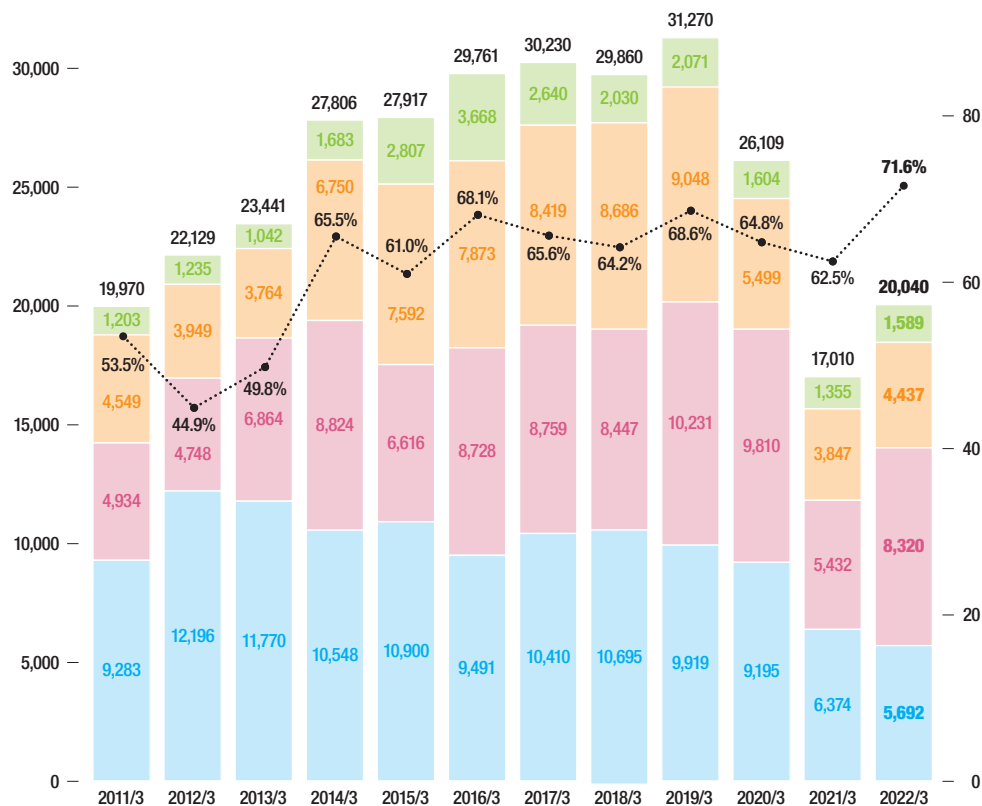


Net sales by area

Japan North America Europe Asia/Other Overseas sales ratio

35,000 – (Millions of yen)

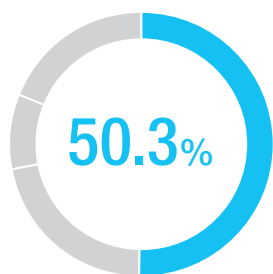
(%) – 100



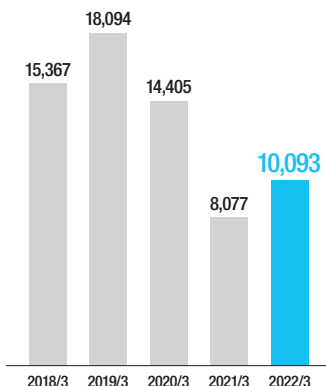
Overview by Segment

Global Gaming

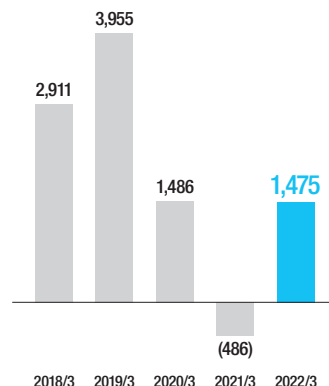
Net sales composition ratio



Net sales (Millions of yen)



Segment profit (Millions of yen)



Business conditions

Although some restrictions remain in Europe and Asia, the global gaming market is gradually regaining its pre-pandemic strength as the admission restriction for casino facilities is being eased in North America.

Particularly in North America, the commercial gaming market continued to perform well, with monthly profits of more than US\$4 billion from March to December in fiscal 2021, a record high.

At the same time, the Internet gaming market continues to grow, and competition among manufacturers is intensifying. As a result, we need to increase our presence in the market by developing products based on new technologies and proposing new business models.

(Billions of dollars)

Fiscal 2019	43.64
Fiscal 2020	29.98
Fiscal 2021	52.99

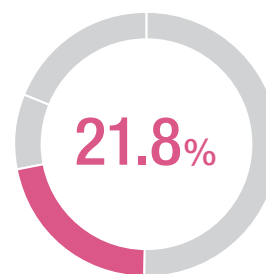
Net sales in the commercial gaming market in the United States (Source: AGA Commercial Gaming Revenue Tracker)

Overview of the fiscal year ended March 31, 2022

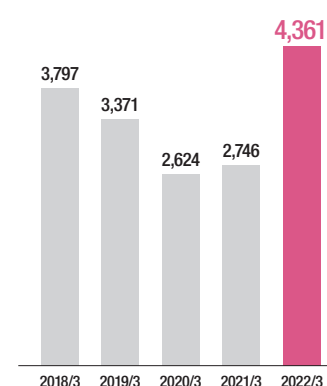
In Europe, sales were sluggish due to the impact of COVID-19 in some countries, including the spread of new variants. However, in the United States, progress in vaccinations and the relaxation of admission restrictions for casino facilities led to robust sales of bill validator units and printers, our core products, against a background of an active market that was not seen even before COVID-19. As a result, net sales in this segment significantly increased.

Overseas Commercial

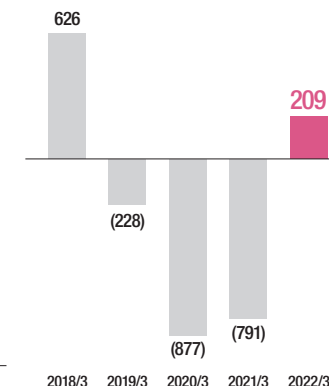
Net sales composition ratio



Net sales (Millions of yen)



Segment profit (Millions of yen)



Business conditions

Against the backdrop of preventing COVID-19 infections, demand for non-contact and self-service systems increased, particularly in the retail market. Under this situation, our bill validator unit has been adopted for self-checkout equipment of a leading global company that provides solutions for finance and retail in Europe, and sales are expected to increase.

Meanwhile, in China, our main customer base in Asia, the lockdown significantly hampered sales activities and installation work.

We established a sales subsidiary in Chicago, the United States, in January 2022 to develop a commercial market in North America and Latin America. We will continue to build a structure that will play a major role in this segment.

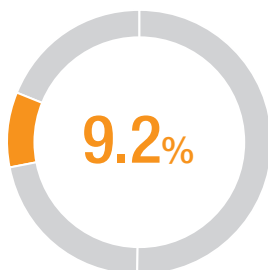
Overview of the fiscal year ended March 31, 2022

Against the backdrop of preventing COVID-19 infections, a non-contact and non-face-to-face payment style is taking root, and sales of bill recycler units for self-checkout payment machines were strong in Europe. The introduction of our bill recycler unit for Bitcoin ATMs in the United States also contributed to a significant increase in the segment's net sales.

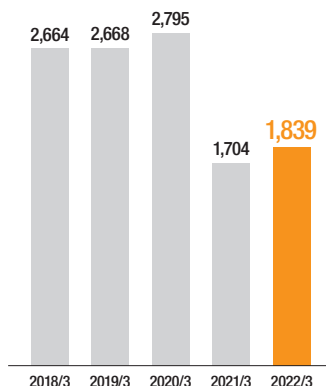
Overview by Segment

Domestic Commercial

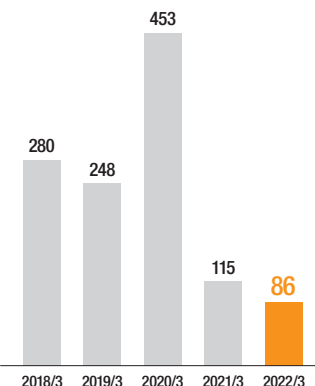
Net sales composition ratio



Net sales (Millions of yen)



Segment profit (Millions of yen)



Business conditions

The impact of the spread of COVID-19 continued to restrain capital expenditures overall. Demand decreased particularly in the transportation market, where the number of users is decreasing. However, demand increased in the retail market against the backdrop of increased use of non-contact and non-face-to-face payment due to concerns over COVID-19 infections. We will continue to work with machine casing manufacturers to seize business opportunities in the new normal.

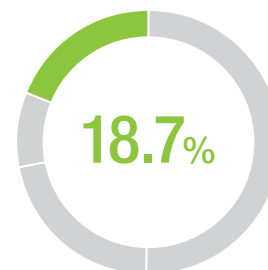
On the other hand, we had expectations for demand related to the distribution of the newly designed 500-yen coin, which started on November 1, 2021. However, as the number of users of equipment related to transportation and retail has decreased due to the COVID-19 pandemic, and large investments are required for equipment renovation, many business partners are considering responding to the new coin in line with the issuance of new bills scheduled for 2024. As a result, demand was not as strong as we had expected.

Overview of the fiscal year ended March 31, 2022

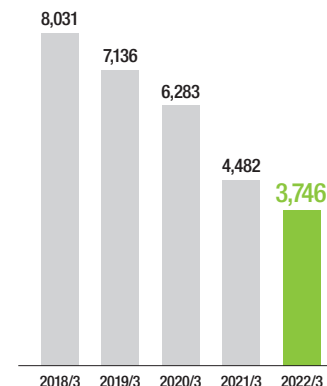
As in overseas commercial, demand was high for products related to the advance of non-contact and non-face-to-face payments. Sales of bill recycler units and coin recycler units for self-ordered restaurants' ticketing machines and self-service gas stations' payment machines were steady. As a result, net sales in this segment increased. On the other hand, segment profit decreased due to an increase in development costs for new products such as cashless payment machines.

Equipment for the Amusement Industry

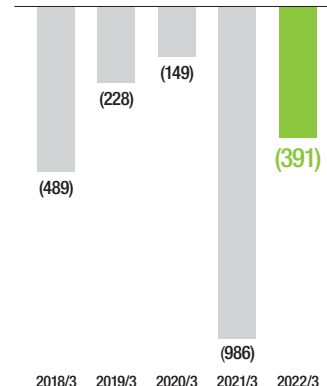
Net sales composition ratio



Net sales (Millions of yen)



Segment profit (Millions of yen)



Business conditions

The main demand opportunities for pachinko parlor peripheral equipment are the opening of new pachinko parlors, renewals, and replacements due to aging deterioration of facilities. However, as leisure activities have diversified, and the impact of COVID-19 has been prolonged, pachinko parlors are still cautious about capital investment, thus the performance in this market has been sluggish. In the amusement industry, the introduction of smart gaming machines (Smart-Pachinko and Smart-Pachislot), which are said to be next-generation gaming machines capable of playing without touching a ball or token, in the second half of 2022 is expected to revitalize the market.

	Market size (Trillions of yen)	Participating population (1,000 people)	New store opening (Stores)
Fiscal 2007	30.2	14,500	327
Fiscal 2017	21.4	9,000	123
Fiscal 2018	20.7	9,500	111
Fiscal 2019	20.0	8,900	81
Fiscal 2020	14.6	7,100	90
Fiscal 2021	14.6	7,200	37

Source: Japan Productivity Center "Leisure White Paper 2021"

Overview of the fiscal year ended March 2022

In Japan, we continued to take a cautious stance on investment in peripheral equipment, as it has been taking time for pachinko parlor operations to recover due to the impact of the COVID-19 pandemic, and new regulation machine replacement, which was due by the end of January 2022, was coming up. In addition, although demand was anticipated in line with the replacement to new regulation machines due to the amendment of the Entertainment Establishments Control Law, new regulation machine supply was delayed due to a supply shortage of semiconductors and other electronic components. As a result, net sales in this segment decreased.

Value Creation Process

Targeted Corporate Image

Toward realizing a rich and sustainable society through innovation based on the evolution of essential core technologies.

By means of its currency validation and identification as well as conveying technologies, the JCM Group contributes to seamless currency circulation and fraud prevention, which are indispensable to everyday life, while providing society with safety and security.

By evolving and combining its unique technologies, the Group will bring about increased automation and labor saving, help to solve social and environmental issues, and create new value.

Management Resources (as of March 31, 2022)

Human Capital

Number of employees (consolidated)
528,384 (male, 144 female)

Employees overseas **239**

Proprietary Technologies in the Currency Field

Currency validation/identification technologies
Robotics, mechatronics,
and conveying technologies cultivated through
our track record in money handling

Number of engineers

116 (Head Office)

Global Production System

Company-owned plants
2 plants
Japan **1** plant (Nagahama, Shiga Prefecture)
Overseas **1** plant (Philippines)

Consignee companies
19 companies
Japan **12** companies
Hong Kong **4** companies
the Philippines **3** companies

Global Brand

Gaming licenses (As of December 31, 2021)
U.S. **39** states, **1** region

190 licenses

Stable business track record with casino
operators, slot machine manufacturers, and
major manufacturers of finished products

Natural Capital

Energy consumption (at production bases in Japan)

6,954 GJ

Financial Capital

Cash equivalents Total assets Net assets

14.2 billion yen **33.1** billion yen **23.1** billion yen

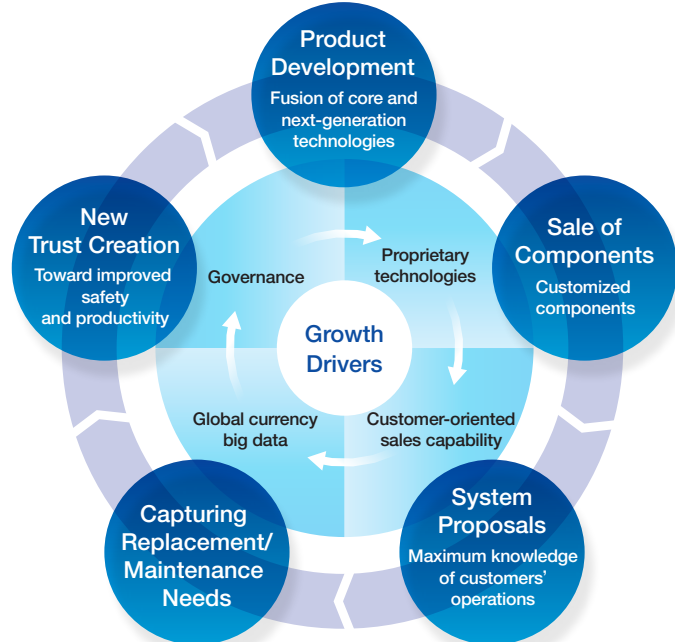
Main Markets and Customers

Overseas	Overseas/Domestic	Domestic
Gaming	Commercial	Equipment for the amusement industry
<ul style="list-style-type: none"> Casino operators Slot machine manufacturers 	<ul style="list-style-type: none"> Banking (ATMs, change machines) Transportation (ticketing and payment machines for railways, buses, etc.; payment machines for parking lots, gas stations, etc.) Retail (all types of checkout machines, payment machines, etc.) 	<ul style="list-style-type: none"> Pachinko parlors

Main Products and Services

Money handling machines	Cash machines/Machines compatible with a cashless society	System services	New products/services
-------------------------	---	-----------------	-----------------------

Creation of safety and trust through hybrid products and services for money handling machines and cashless payments



Value Co-Creation with Stakeholders

Customers
Safe and stable business operations

Shareholders
Highly transparent management and long-term improvement of corporate value

Employees
Improving motivation by having employees share in the management principles while acquiring skills and expertise

Business partners
Mutual growth through collaboration linked to social issues

Society/Environment
Contribution to a sustainable society by reducing greenhouse gases and providing safety and security

Financial Results

Net Sales **20.0** billion yen

Operating Income **0.5** billion yen

Operating Income Ratio **2.8%**

Fostering Diverse Values

Ratio of females (Consolidated) **27.3%**

Ratio of females among global employees **45.3%** (previous fiscal year 39.1%)

Ratio of females in managerial positions **11.1%** (previous fiscal year 9.4%)

Average length of service (non-consolidated) **15.3** years (previous fiscal year 16.5 years)

Innovation Creation

Patents held **470** (Japan 180, overseas 290)

Design rights held **110** (Japan 38, overseas 72)

Trademarks held **138** (Japan 61, overseas 77)

Raising Our Global Presence

Dominant share of overseas gaming market
Global market **60%** U.S. market **65%**

Awards received Eilers-Fantini G2E Vendor Survey 2022 "Most Innovative Technology"

Environmental Impact from Business Activities

Volume of CO₂ emissions (Total of Scope 1, 2, and 3) **56,755** t

Volume of waste generated (Scope 3, Category 5) **36** t

Message from the President

We will continue to embrace an open corporate culture and connect “people to people” and “people to money” in the global market in response to the rapidly changing times.

Yojiro Kamihigashi

Representative Director, President

Japan Cash Machine Co., Ltd. (JCM), has for many years contributed to the establishment of a money circulation system in the gaming market, which includes casinos, and the commercial market—the generic term for finance, logistics, transportation, and other markets used by JCM. Although business performance has been on a downtrend in recent years due to COVID-19, we saw signs of recovery in the fiscal year ended March 31, 2022, that we built on through the year.

Using this as a springboard, we sought to expand existing business and start new business by leveraging our brand strength accumulated in the gaming market and our core competence in manufacturing. In keeping with the times, where trends are more difficult to predict, such as the shift to cashless payments, we are creating new business pillars based on the philosophy that “the best defense is a good offense.”



Message from the President

JCM strengths and business model

Since our founding in 1955, we have worked to establish a money circulation system through the manufacture of highly specialized money handling equipment, seamlessly connecting “people to people” and “people to money” through payments within economic activities.

We have numerous strengths, beginning with our product lineup catering to 140 countries and regions. Another strength concerns our gaming licenses that allow us to sell directly to the U.S. casino market. This enables us to gain feedback from casino operators that we use to make improvements. Customers have trusted our products over a sustained period as a result and have worked with us to create this business model.

These efforts have led to a strong brand in the gaming market. A look at the history of our Company provides insight into how we crafted this brand strength. [Our History P.3](#)

Our business started with the manufacture and sale of cash registers for department and retail stores in 1955. In the early 1980s, we shifted our attention to bill validators—now our core business. We also sought to capture new demand, expanding sales primarily into Europe and the United States while developing products and proprietary

technologies by integrating identification and conveying technologies. During this time, we opened marketing bases in the United States and Europe to sell directly to customers, which helped us gain trust overseas and capture the dominant share of the global gaming market that we continue to enjoy. We have approximately 190 gaming licenses in North America, and this is a major source of brand value.

Other factors that resulted in our high market share include technologies in currency validation and identification, robotics, mechatronics, and conveying; a staff of more than 100 engineers



Automated banknote counting machine in the back room of a casino

supporting these technologies; and our accumulated experience and know-how in the money handling business. By combining the Group’s expertise in sophisticated counterfeit ticket identification with our system solutions, robotics, and other technologies, we are contributing to the prevention of fraud while saving labor in money handling and settlement processes worldwide.

Overview of the external environment and performance for the fiscal year ended March 31, 2022

JCM has worked to connect “people to people” and “people to money” worldwide in the fields of money handling and payments. Restrictions on people’s movements during COVID-19 have impacted our business performance, however, and we posted a loss in the fiscal year ended March 31, 2021. Although results in the fiscal year under review were also affected by the pandemic, Company-wide efforts to drive a recovery have started to bear fruit.

[Full fiscal year results P.4](#)

Of our four business segments, overseas sales from the Global Gaming segment, dealing with machines for casinos, and the Overseas Commercial segment, primarily handling currency validators, account for more than 70% of total

Message from the President

sales. That means global economic conditions significantly affect our operations.

More prudent awareness of COVID-19 overseas has led to a faster vaccine rollout than in Japan, particularly in the United States, where casinos began to reopen, with their entry restrictions relaxed, in March 2021. Casino hotels started investing in new equipment again following a pandemic-induced lull, prompting an upsurge in demand for bill validator units and printers, our core products, to levels not seen even pre-COVID. Also, contactless and non-face-to-face settlement and payment methods are being increasingly employed at retail stores and restaurants to combat the virus, while sales of bill recycler units for self-service ticket vending machines were strong in Europe.

Overview by segment P.5

Conversely, a global shortage in the supply of semiconductors and other electronic components due to COVID-19 supply chain disruptions hindered business expansion. Although we examined the viability of product design changes using alternative parts and new product development, such endeavors take time and thus did not yield results during the fiscal year. We therefore prioritized sales of high-demand products, transferring parts from other products and old machinery and obtaining products from the market rather than the manufacturer. Despite the uncertain availability of

these products and slightly higher prices, we were able to overcome the adversity with the support of our long-standing customers.

Although the impact of COVID-19 has lingered longer in Japan than in other countries, we are seeing a similar trend toward contactless and non-face-to-face payment methods, and demand in the field of money circulation has increased.

Progress and challenges under the Medium-Term Management Plan

We are revising the Medium-Term Management Plan, aiming for completion around the spring of 2023.

Although we intended to implement Rolling Plan IV under the New Medium-Term Management Plan, which was scheduled to run until this fiscal year, we pulled out due to COVID-19 and major changes in the business environment. In its place, we began formulating a new plan with a post-COVID perspective. Rather than relying solely on my generation, we will incorporate fresh ideas from younger personnel, next-generation executives, and managerial candidates, as well as reflect opinions from the field.

Although our businesses have captured a large share of certain niche markets based on a solid understanding of trends, the environment is



changing in the post-COVID era. What made sense before might no longer hold true, and the future is more difficult to predict. There are also numerous impediments to global economic recovery over the short to medium term, including a worldwide shortage of electronic components such as semiconductors, supply chain disruptions caused by soaring resource prices, the emergence of geopolitical risks including the conflict in Ukraine, and rapid yen depreciation.

Message from the President

The transition to a cashless society is expected to gain momentum over the medium to long term. While we anticipate a continued need for cash in such areas as public transportation, which should be beneficial to everyone, and services that need to consider the elderly, we also recognize the steady trend toward cashless payments. Therefore, the creation of a business structure befitting the new era of cashless payments will be one of the pillars of our medium-term plan.



Mobile-Wallet

New initiative (1): Expand the Overseas Commercial segment in North America and Central/South America

In North America, we have traditionally focused on the gaming market, which accounts for around 90% of all sales there. In recent years, however, the number of casino gaming machines in this market has peaked at roughly one million units. Due to market saturation, we are looking to create new business in this region by leveraging the strengths we have amassed in establishing a money circulation system.

Developments with prospects of immediate profitability include expansion of the commercial market in North America and Central/South America. Aiming to increase sales in this market, we established JCM COMMERCE MECHATRONICS, INC., as a wholly owned subsidiary in January 2022 in Chicago, the United States. Through this move, we seek to cultivate customers and increase market share, including for new products under development. The goal is to grow sales to a level on par with the Global Gaming segment.

While the Gaming segment involves large-scale transactions that might see delivery of thousands of units from a single negotiation, in the Commercial segment, several thousand units might be field tested for 6–12 months before adoption, with unit orders only in the hundreds per year. While the gaming

business appears more efficient, we believe it is worth entering the commercial market due to its size and the expectation of repeat orders, even for up to a decade, once a product has been adopted.

The financial and money circulation industries, which make up the commercial market, are well aware that JCM products are embedded in casino gaming machines. We also have a strong presence at exhibitions and other events, which has led to a strong brand overseas, especially in North America.

The Commercial segment is also growing in Europe, notably for self-checkout machines for the post-COVID era enabling contactless and non-face-to-face payment. Sales have already reached the level of the Gaming segment there, and we expect to enjoy similar success in North America and Central/South America.

To this end, it is necessary to establish a track record and enhance the value of the JCM brand in the commercial market there. We are currently approaching companies responsible for the secure operation of ATMs and for the secure transportation of valuables, which we hope will be reflected in business performance soon.

As business practices differ from Japan, we are confident that employing local staff will help us expand our sales channels. We will invest in human resources, increase the number of local personnel engaged in sales and services and strive to capture

Message from the President



the market through mergers and acquisitions with the aim of boosting sales to around ¥10 billion.

New initiative (2): Enter the AI-based cancer diagnosis software business

JCM is also planning to enter the medical, nursing care, and healthcare fields. To gain a foothold, we have started developing and selling payment machines to clinics that support both cash and cashless payments. Although selling a single machine to each clinic might appear inefficient from a short-

term perspective, it is a necessary step to gain a better understanding of the needs in the medical field, a new market for us.

In addition, in November 2022, we concluded a joint research-and-development agreement with Milk. Inc. to push the plan forward. This company is developing a tool to assist in pathological image diagnosis using artificial intelligence (AI) to help pathologists diagnose cancer through pathology testing and diagnosis*¹. We are working in tandem with Milk. to bring this product to market.

Although it might seem that we have little connection to pathological image diagnosis, there are several commonalities between the products of the two companies. Milk., which uses AI, algorithms, and software for image diagnosis, has the know-how to develop products that apply unique identification and analysis technology to images taken with a special hyperspectral camera*². Meanwhile, JCM, which works in the currency identification field, has the technology and manufacturing know-how to take these products and prepare them for specific markets, which includes utilizing our global sales and production systems. We expect to generate synergies by leveraging the strengths of both companies.

We anticipate various obstacles as we embark on new businesses, such as the different laws and regulations in the medical field, and are aware that we might not be able to apply our extensive experience

and knowledge across the board. Nonetheless, we are highly focused on addressing social issues and customer needs and do not fear failure. We believe in the importance of rising to the challenge and feel that such a philosophy is critical in this era of rapid change, underpinning our foundation.

*1. A pathology test examines the body's cells and tissues. A sample is prepared from cells or thinly sliced tissue from a lesion, stained, and then observed under a microscope. A diagnosis based on such a test is called a pathological diagnosis.

*2. A hyperspectral camera can capture the characteristics or state of an object by dividing the light into fine bands. It detects more than an RGB camera, and because it can distinguish subtle differences in color that are imperceptible to the human eye, it is useful in detailed data analysis.

Open corporate culture and education system

To foster this willingness to take on challenges, it is important to have a corporate culture that values employees who are motivated to push the boundaries.

Our guiding principles embody our founder's belief that first and foremost it is a company's human resources that drive success, and this DNA has been passed down to the present day. We have expanded business domains over the years through acquisitions and transfers, but a critical ingredient in our successful business growth lies in our flat organizational structure with no hierarchical levels based on years of service. We also respect the experience of mid-career hires and are happy to entrust them with projects. They

Message from the President

often comment how they instantly feel at home at JCM, which can be attributed to our corporate culture.

JCM has expanded into 140 countries and regions, and with a Group headcount of more than 500, it is difficult to allocate abundant resources to a single location. In such a global business, it is important that employees can identify issues and take steps to resolve them through trial and error, driving home the importance of a corporate culture that embraces employee independence.

We also foster integrity, particularly as we deal with equipment that handles money. Instead of simply toeing the line and keeping opinions to ourselves, we realize that standing firm to what we believe might yield better results. Our flat organizational structure is paramount to our business model in this regard.

Leaving things up to our employees is great in theory, but this also requires a robust education system, and we are always looking to improve ours. Over the past few years, we have focused on training for mid-career employees and executive candidates.

Human capital P.24

We are committed to developing our core human resources to ensure they consider matters from a higher perspective. Our executive officers and executives from overseas subsidiaries often attend Board of Directors' meetings as observers, actively engaging in discussions and providing opinions. Also,

department managers take part in and give their opinions at meetings of the Executive Committee, where full-time directors and executive officers examine, discuss, and make decisions on matters related to day-to-day business execution.

Message to stakeholders

The COVID-19 pandemic has significantly affected our mainstay Global Gaming segment, and we were unable to distribute dividends from the fiscal year ended March 31, 2021, up to the interim period of this fiscal year. I deeply apologize again to our shareholders for the inconvenience and concern this might have caused. The JCM Group's basic policy regarding the return of profits has not changed, and we are dedicated to further reforms to fulfill our commitment. **Stock Information P.36**

Before COVID-19, JCM maintained a high equity-to-asset ratio with no debt, except for a brief period. Since the onset of the pandemic and the advent of a cashless society, however, it appears increasingly difficult to manage operations solely with corporate capital based on a short-term market forecast. This has led to the need to enter new markets, and we are looking to collaborate with other companies and conduct mergers and acquisitions, such as with the Milk. alliance. As in the past, it is important to be open

to expanding globally beyond Japan, where consumption is tapering off due to changing demographics.

We are considering all available means to raise funds and invest in new businesses, leveraging the benefits of being a listed company. In doing so, we aim to maximize profits from the Group's business activities and fulfill our obligation as a listed company to return those profits to shareholders, in line with the Group's basic policy.

We intend to take a more aggressive and resolute approach to management that utilizes our strengths, and we look forward to meeting and exceeding expectations.



Initiatives toward Material Issues

Initiatives to Combat Climate Change (TCFD recommendation–based disclosures)

The Group will disclose climate-related information, as such becomes available, in line with the TCFD framework. The Group will also continue to expand the scope of disclosure.

1 Governance

The Group regards climate change risk as an important management risk and responds to climate change risk under the supervision and direction of the Board of Directors.

▶ Environment Committee

The Environment Committee, chaired by the Executive General Manager of the Corporate Planning Division, is responsible for the overall management of climate-related events within the Company. It regularly reports to the Executive Committee, drafts policies for responding to climate change–related opportunities, and submits them to the Executive Committee. The Environment Committee also reports to the Risk Management Committee on any environmental events that could pose a risk to its operations.

▶ Risk Management Committee

The Risk Management Committee, chaired by the Executive General Manager of the Corporate Planning Division, comprehensively identifies, assesses, and manages management risks, including climate change risks; regularly reports to the Executive Committee; drafts policies for responding to management risks; and submits them to the Executive Committee.

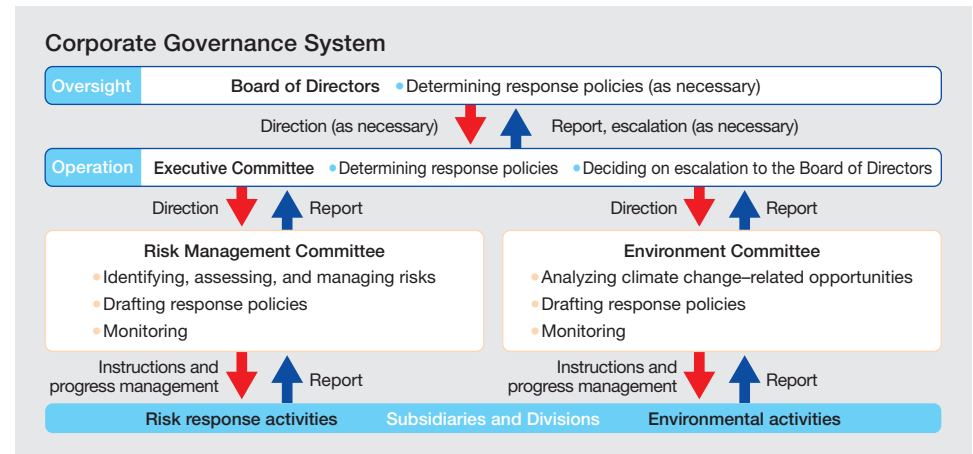
▶ Executive Committee

The Executive Committee, chaired by the Executive General Manager of the Corporate Planning Division, decides on policies to deal with management risks and opportunities related to climate change reported by the Environment Committee and the Risk Management Committee. Regarding particularly important management risks and opportunities related to climate change, the decision is escalated to the Board of Directors for its judgment.

The Executive Committee will also direct the subsidiaries and divisions through the Environment Committee and the Risk Management Committee on how to respond to climate change–related risks and opportunities.

▶ Board of Directors

The Board of Directors, chaired by the President and Representative Director, receives periodic reports from the Executive Committee, makes decisions on subjects presented before it, and directs the Executive Committee.



2 Strategy

▶ Impacts of climate-related risks and opportunities on the organization’s operations, strategy, and finances

We analyzed risks and opportunities in two climate change scenarios for all our businesses: a 4°C scenario (global mean temperature rises of 4°C or more) and a 1.5°C scenario (global mean temperature stays below 1.5°C).

Under the 4°C scenario, production activities would stagnate due to a severe natural disaster, whereas under the 1.5°C scenario, the introduction of a carbon tax and an increase in procurement costs would have a significant impact on our businesses. As for opportunities, we recognized that there are opportunities to develop products that meet the increasing demand for low-carbon products and services. The Group will strive to maximize opportunities through the development of products and services that contribute to the resolution of social issues, including responding to climate change, while addressing the risks.

Initiatives toward Material Issues

Initiatives to Combat Climate Change (TCFD recommendation–based disclosures)

Assumptions used in the analysis

Item	Assumptions
Scenario analysis target	Existing business activities
Reference scenario	(1.5°C scenario) IEA WEO NZE 2050, (4°C scenario) IPCC RCP8.5
Time axis	Short term (until fiscal 2025), medium term (fiscal 2026–fiscal 2030), long term (fiscal 2031–fiscal 2050)

Awareness of climate change–related risks and opportunities

Scenario	Risk classification
4°C scenario	As measures against global warming are not promoted and fossil fuel consumption is not restrained, the average temperature will rise. As a result, extreme weather events are expected to increase in various parts of the world, including Japan, and physical damage is expected to increase. Correspondingly, the most important thing will be responding to the physical risk caused by this at production bases.
1.5°C scenario	The world as a whole will transition to a low-carbon society and the average temperature will be kept below 1.5°C. It is important to cope with rising prices of raw materials and resources by controlling carbon emissions. At the same time, we might be able to capture new demand opportunities by developing products that meet the growing demand for low-carbon products of our business partners.

Impact evaluation results

Scenario	Risk classification	Event	Impact calculation target	Concept of calculation	Timing and profit/loss impact		
					Short term	Medium term	Long term
4°C scenario	Physical risk	Impact on production activities due to the intensification of natural disasters and spread of infectious diseases	Fragmentation of the supply chain and damage to manufacturing facilities	Calculation of loss of sales opportunities for production items due to the suspension of operations at an overseas production base (Philippines plant)	Large	Large	Large
1.5°C scenario	Transition risk	Rising raw material prices	Cost increases due to rising raw material prices	Increase in the purchase price of plastic products calculated from an increase in the crude oil price	—	Medium	Medium
		Changes in the market	Higher fuel and power costs	Fuel and power costs are calculated from price increase rates.	—	Small	Small
		Strengthening of laws and regulations	Cost increases due to the introduction of a carbon tax and EU carbon border adjustment	The carbon tax is calculated from the expected carbon price.	—	Small	Small

Note: Profit-and-loss impact evaluation criteria

Based on average operating income of ¥1,575 million over the five years before the COVID-19 pandemic (from the fiscal year ended March 31, 2014, to the fiscal year ended March 31, 2018), the event is rated as “large” if it is expected to have an impact of “10% or more,” “medium” if it is expected to have an impact of “5% or more and less than 10%,” “small” if it is expected to have an impact of “less than 5%,” and “—” if it is unlikely to occur or has a minor impact.

Initiatives toward Material Issues

Initiatives to Combat Climate Change (TCFD recommendation-based disclosures)

Response to risks in the 4°C scenario

Scenario	Risk classification	Event	Response to risk
4°C scenario	Physical risk	Impact on production activities due to the intensification of natural disasters and the spread of infectious diseases	As the loss of sales opportunities will have a significant impact, we will strive to maintain large inventories and multiple suppliers for important components. We will also work to build an optimal global production system over the medium to long term.

Response to risks and opportunities in the 1.5 °C scenario

Scenario	Risk classification	Event	Response to risk	Response to opportunities
1.5°C scenario	Transition risk	Rising raw material prices	As the impact of “cost increases due to rising raw material prices” is anticipated, the possibility of switching to recycled plastic as a substitute will be examined.	Incorporate the perspective of solving social issues, including climate change, into product development, and work to develop products and services with high social value that lead to increased sales opportunities and enhanced corporate brand value.
		Changes in the market	Although the impact of the “cost increases due to the introduction of a carbon tax, etc.,” and “higher fuel and power costs” is expected to be small, we will promote the introduction of renewable energy for raw materials and fuels and energy conservation toward fiscal 2025. We will also promote the steady reduction of GHG emissions over the medium to long term.	
		Strengthening of laws and regulations		
		Changes in customer needs	Development of products and services that respond to climate change	

3 Risk management

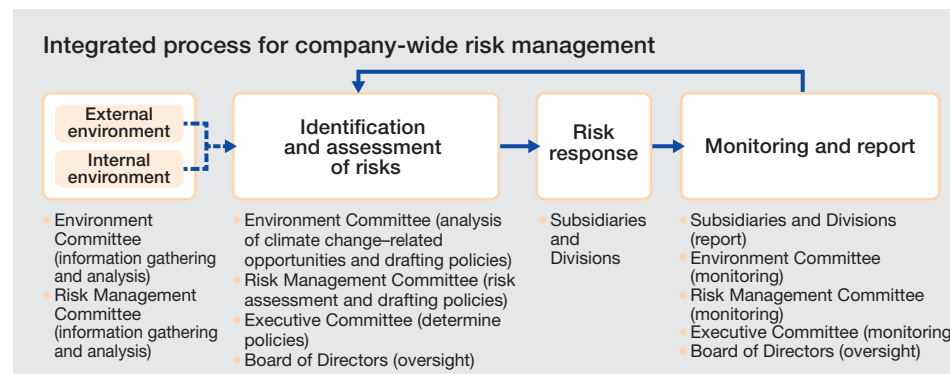
Based on the recognition of the importance of building a company-wide risk management system, the Group has established the Risk Management Committee to identify, assess, and manage management risks, including climate change-related risks, in an integrated manner.

▶ Risk identification and assessment process

The Risk Management Committee comprehensively identifies risks based on internal and external environment analyses and reports from subsidiaries and divisions. The business and financial impact of each risk is assessed from the perspective of “impact on profits and losses at the time of occurrence,” and important management risks are identified. Regarding climate change risks, we adopt multiple climate change scenarios, identify “transition risks” and “physical risks” for each scenario, evaluate them from the perspective of “expected timing of occurrence” and “impact on profits and losses at the time of occurrence,” and identify important management risks.

▶ Risk management process

Subsidiaries and divisions handle responding to risks, and the Risk Management Committee manages that. The Risk Management Committee monitors progress and results, receives reports from subsidiaries and divisions, and instructs them to review their response as necessary.



Initiatives toward Material Issues

Initiatives to Combat Climate Change (TCFD recommendation-based disclosures)

4 Indicators and targets

The Group has established indicators and targets to be used in managing climate-related risks and opportunities. These are positioned as non-financial indicators in the Medium-Term Management Plan, and we will promote progress management.

▶ The Group's understanding of GHG emissions

Several of the characteristics of the Group's GHG emissions include a high ratio of Scope 3 emissions among total emissions, a high ratio of GHG emissions stemming from electricity consumed during the use of sold products, and a high ratio of overseas emissions, which is due to the high ratio of net sales accounted for by overseas sales. The Group will advance appropriate initiatives in line with the Group's emission characteristics as listed above.

GHG emissions (FY2021)

(t-CO₂)

Item	Classification	Emissions	Breakdown
GHG emissions from business activities	Scope 1	167	0.3%
	Scope 2	652	1.1%
	Total	819	1.4%
GHG emissions from the supply chain	Purchased products and services	18,873	33.2%
	Use of sold products	33,952	59.8%
	Others	3,110	5.5%
	Scope 3 Total	55,935	98.6%
Total emissions		56,755	100%

Note: The subjects aggregated for each scope are as follows.

"Scope 1 and 2: Domestic locations and foreign production subsidiaries"

"Scope 3: Categories 1, 2, 3, 5, 6, 7, 9, 11, 12, consolidated"

▶ Indicators and targets for climate-related risks and opportunities

The Group aims to reduce GHG emissions by 30% (compared with fiscal 2018) by fiscal 2025 under Scope 1 and 2.

Indicators used in managing climate-related risks and opportunities

Classification	Indicators
Risk management	GHG emissions (Total of Scope 1 and Scope 2)

Results and targets of GHG emissions

(t-CO₂)

FY2018 results (base year)	Targets for FY2025	Compared with FY2018 results	Measures for reduction	FY2021 results (Reference)
847	580	(31.5%)	<ul style="list-style-type: none"> Introduction of carbon-neutral city gas Head office relocation to energy-efficient office buildings Installation of solar panels at the Nagahama Plant and the Philippine plant Introduction of renewable energy power 	819

Note: Fiscal 2018 was designated as the base year in setting the targets.

Regarding Scope 3, the major sources of Scope 3 emissions in the Group are Category 1 (purchased products and services) and Category 11 (use of sold products). Category 1 requires the cooperation of suppliers, whereas Category 11 requires product design review and capital investment. Therefore, we will work to set Scope 3 targets and reduce emissions as medium- to long-term issues.

▶ Initiatives to reduce GHG emissions

As for Scope 1 and 2, we will promote energy saving and conversion to renewable energy at our Group sites.

As for Scope 3, to reduce GHG emissions from the supply chain, we will review product designs and reduce product energy consumption, the number of parts, and product weight.

Initiatives toward Material Issues

Manufacturing

▶ Basic concept

We have been supplying OEM/ODM products in response to customer requests and specifications. We can provide society with products conceived through the world's most advanced and innovative technologies related to currency processing that we have developed over many years in our own R&D. Our in-house production technology ensures high efficiency and high quality while providing customers with optimal capabilities and added value.

▶ Establishing an optimal production system

The Group is striving to build a robust and optimal production system to respond appropriately to diversifying customer needs and fluctuations in demand. We are continuously working to increase production capacity through the construction of a new factory in the Philippines and to improve production efficiency through automation, labor saving, and layout improvements. At the same time, to shorten the lead time for transportation from our plant to the main destinations in the Americas and Europe, we will consider shortening delivery times by manufacturing closer to customers, which will also strengthen relationships with customers. Furthermore, we will work to build an optimal global production system to reduce risks from foreign exchange rates, natural disasters, geopolitical risks, and other factors.



Work at the Philippine Factory

▶ Procurement for stable supply

Amid the recent global component procurement crisis, particularly in semiconductors, we are working to secure more reliable materials and ensure stable procurement over the medium to long term by consolidating our negotiations with the purchasing department of the parent company and strengthening our partnership with business partners.

R&D

▶ R&D activities policy

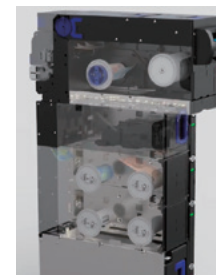
Having adopted “Voluntary creation: Let's offer innovative products and services to the world” as one of its guiding principles, the Group basic policy is to promptly commercialize products and services that are highly market-compatible and that meet diversifying social conditions and customer needs, while working to improve customer and user satisfaction.

▶ R&D activities

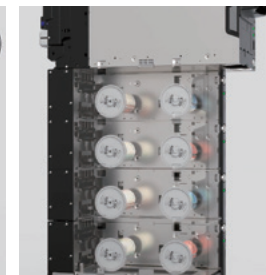
In addition to pursuing currency processing technologies, including identification, transportation, collection, and recycling, which are compatible with currency from all over the world, we are focusing on the development of system products that apply and develop these technologies and know-how. Through these efforts, we are working to draw out potential customer needs and actively develop new markets. At the same time, we will refine our total proposal capabilities and take on the challenge of technological innovation in new fields such as electronic money, cards, and coupons that replace paper money and coins, as well as in new media. We are also working to promote the acquisition and effective use of intellectual property rights in product development.

▶ Core technologies

Over a long period of more than half a century, the Group has maintained trust in the circulation of money and contributed to the development of the world economy through competitiveness in identification, differentiation, and transportation technologies and a customer-first policy. Our advantage lies in the limitless possibilities provided by the combination of the technologies to distinguish banknotes and the technology to transport them. We will continue to create new value in applications with advanced functions that skillfully handle incoming bill data and the realization of a reflux device that integrates identification and transportation technologies.



Transport mechanism



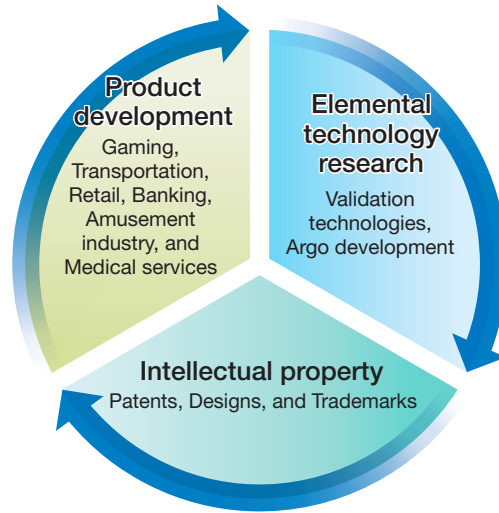
Module design

Initiatives toward Material Issues

R&D

▶ R&D system map

We are utilizing our core technologies such as identification technology, mechatronics technology, and intellectual property rights, which have been used for the currency of 140 countries and regions around the world. Also, we have established a development system to produce original products that satisfy our customers and products that balance the development of “defense and offense” through the pursuit of cutting-edge technologies and promoting them in the intellectual property strategy. By constantly developing and improving technologies that meet the needs of our partners, we will provide solutions that help them improve efficiency and reduce operational costs.

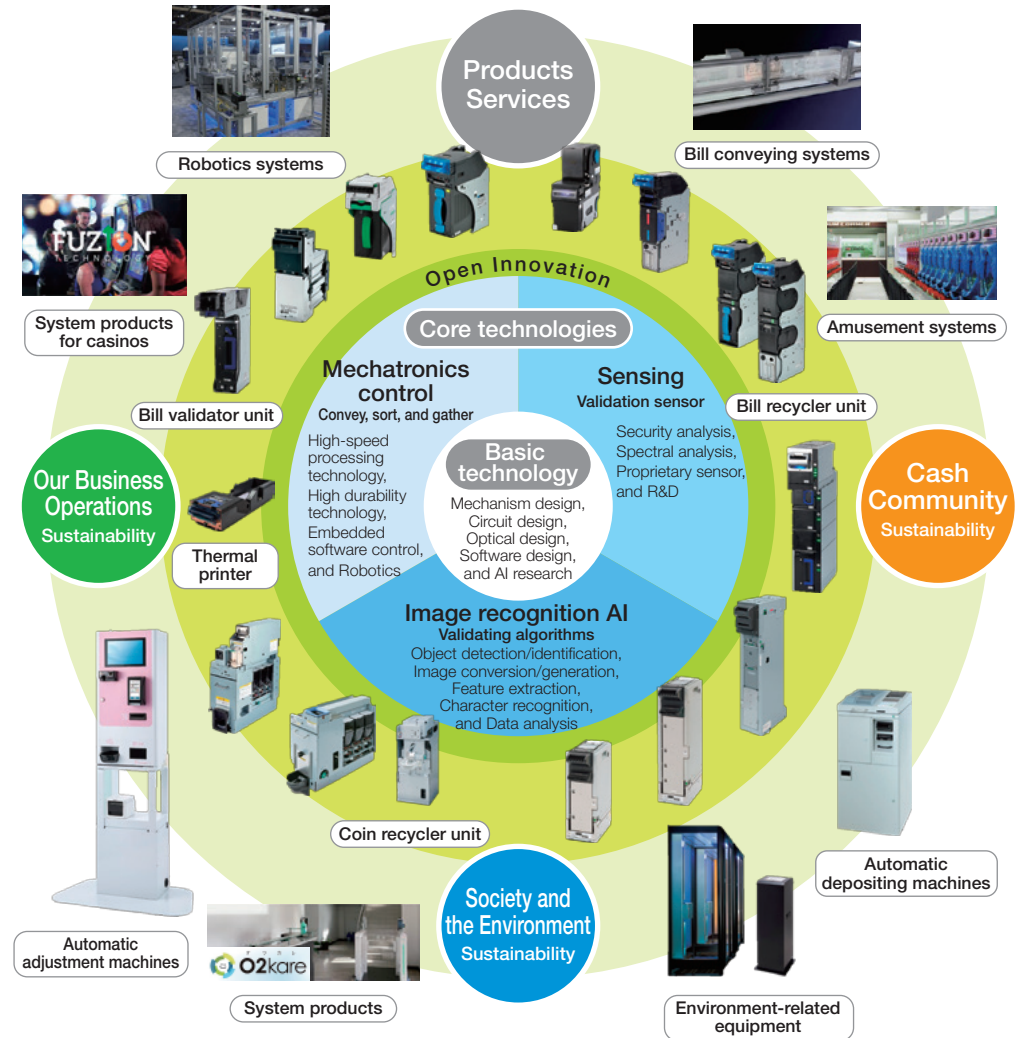


▶ Medium- to long-term R&D initiatives

By responding to customer needs, we have evolved our validation and identification technologies developed in the leading gaming market into image recognition technology. Through this, we have been able to win even stronger trust from customers. Mechatronic technologies, centered on component products, are being developed into system products. In response to the rapid spread of cashless payments due to the COVID-19 pandemic, we are working to expand sales in the commercial market as hybrid products that can be used with cash processing.

Our core technologies and know-how have many new possibilities, and we are advancing R&D with the aim of contributing broadly to society by developing our image recognition technology into the fields of medicine, nursing care, and healthcare.

▶ Technology platform diagram

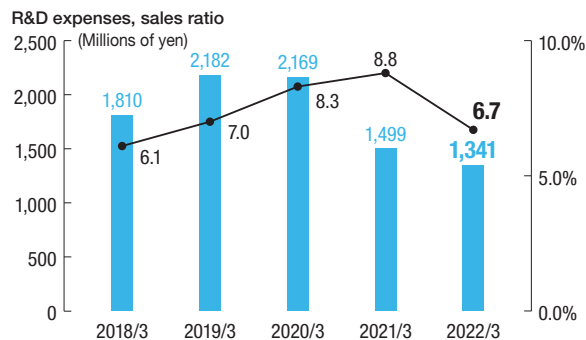


Initiatives toward Material Issues

R&D

► Changes in R&D costs

Following the loss in the fiscal year ended March 31, 2020, we recorded a loss for the second consecutive year in the fiscal year ended March 31, 2021. As a result, we reduced development expenses by concentrating investment in high-priority development projects.



► R&D results by segment

Global Gaming

Fiscal 2022 R&D Investment Ratio: **25%**

We have completed the development of bill recycler unit products for the AWP market (European gaming market). Compared to conventional models, this product has enhanced identification capability and improved quality. In addition, it is highly competitive due to its low cost.



Overseas Commercial

Fiscal 2022 R&D Investment Ratio: **35%**

We have completed the development of a high-performance identification module to be installed on bill recycler units for the transportation and distribution markets. This module has been certified by the European Central Bank for identification and sorting capabilities.* It can be combined with the identification module of the current model. As a medium-sized bill processing machine, it has the world's highest level of identification capability. It will also be developed to meet the growing needs of the market in respect to anti-money laundering measures.

*By installing contact image sensors (CISs) on both sides where bills are being conveyed, it is possible to scan the entire surface of the bills and identify them with a high degree of accuracy to meet the security standards of the central banks in each country.

Domestic Commercial

Fiscal 2022 R&D Investment Ratio: **18%**

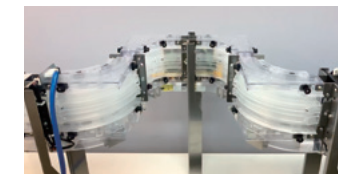
We have launched an automated payment machine system for clinic facilities and are gradually responding to customer needs. It is the smallest and lowest cost in the industry and has earned a good reputation as a multi-terminal device that can handle cash and cashless payments. This product is also expected to achieve high performance as it can be used in other industries through customization.



Equipment for the Amusement Industry

Fiscal 2022 R&D Investment Ratio: **22%**

We have developed an additional system for the new bill delivery system. By additionally connecting a curved transfer path to the conventional straight transfer path, a highly flexible transfer layout such as a U-shape or an S-shape is made possible. We have also added a monitoring system function and started a maintenance service that enables us to monitor errors and failure conditions via the Internet by connecting it to a bill carrier and automatic medal supply system.



► Response to bill reprinting

As the Japanese yen notes are reprinted, we are making steady progress in preparing technical support for our products. We are making every effort to ensure that products installed in various markets will operate without problems when new banknotes are issued.

► Intellectual property

We believe that IP is the source of our competitiveness and an important management resource that supports growth and earnings to maximize our corporate value. To protect the Group's products and technologies from the perspective of intellectual property and to secure profits, we are building a patent network with as many valid rights as possible. At the same time, we are striving to efficiently acquire rights by improving the quality of individual patents.

Note: For the number of patents acquired, please refer to the major non-financial highlights on page 34.

Initiatives toward Material Issues

Quality Assurance

▶ Activities

Quality assurance activities

The Quality Division focuses on activities and initiatives to provide customers with products of appropriate quality. We are strengthening cooperation throughout the Company to provide high-quality products that satisfy customers. We are developing an integrated system of activities based on information provision, sharing, and cooperation. We are working to improve design quality by incorporating quality into new products from the design and development stages and by focusing on improving product evaluation accuracy. We are also stabilizing mass-production quality by strengthening quality assurance systems for parts inspections and manufacturing processes and implementing initial flow control activities. After launch, we monitor the initial operating status and analyze and manage the repair status. As a result, we can firmly establish recurrence prevention and preventive activities and provide customers with safe and satisfying products. For existing products, we are working to prevent the release of defective products by strengthening monitoring activities for 4M changes* in cooperation with production divisions.

*4M change is a quality assurance method that prevents defects in production by appropriately managing changes in four factors: man, machine, method, and material.

Environment promotion activities

As a company that respects the environment and complies with laws, we are strengthening our compliance with environmental regulations, public standards, and safety standards. As part of these efforts, we hold seminars on legal standards for all divisions to promote in-house awareness activities.

▶ Quality policy

- 1 We will strive to earn the trust of our customers by creating products and providing services in pursuit of customer satisfaction and by thoroughly preventing the occurrence and recurrence of quality problems.
- 2 We aim to stabilize product quality and improve product reliability by focusing on building quality into products at the design and development stages.



▶ Environmental policy

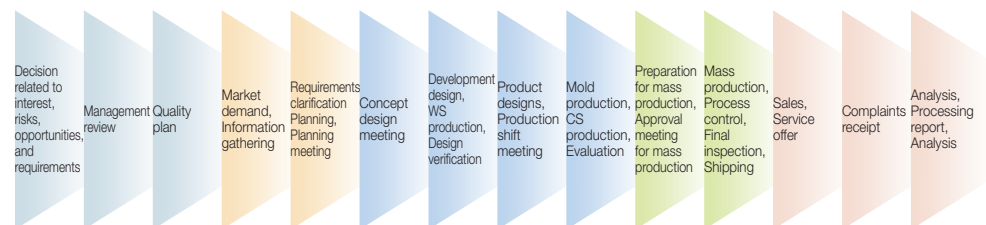
- 1 The Group shall make every effort to prevent environmental pollution and protect the global environment by complying with environmental laws and regulations and with the demands of related industries.
- 2 The Group shall strive to reduce environmental impact throughout the life cycle of products by practicing business activities that consider environmental, health, and safety issues.

▶ Activity results

In fiscal 2021, there was an increase of one quality problem over the previous year. We focused on launching new products for overseas markets. As a result, external loss expenses increased approximately 30% from the previous fiscal year. By clarifying design problems and production quality process inspection points, we aim to enhance and improve the three design qualities (target quality), production quality (finished quality), and market quality (service quality), with the aim of reducing external loss costs. There were no major quality problems caused by the 4M change, and we will continue monitoring activities and prevent the release of defective products in the next fiscal year.

▶ Quality Assurance System (Quality Management System Diagram)

We have established a quality assurance system for every process from planning and marketing to customer service in product development, including design, production, sales, and maintenance. At stage meetings for each process, strict design reviews are carried out in terms of compliance, legal regulations, quality assurance, and safety. At the same time, sales are conducted in accordance with a clear product development plan, and we are working to establish a system that ensures customer satisfaction in after-sales service.



Initiatives toward Material Issues

Supply Chain Management

▶ Basic concept

To gain the trust of not only business partners but also the international community as we develop our businesses globally, we believe that the Group and the overall supply chain must take initiatives to fulfill our social responsibilities (e.g., respect for human rights, reduce environment impact).

<Policy>

The Group will focus on the following four areas as part of our supply chain management policies.

- Conduct fair and transparent business transactions on an equal footing with globally competitive business partners that have superior product quality, prices, delivery times, stable supplies, and services.
- Build mutual understanding and trust with business partners by respecting and abiding by laws, regulations, and social norms from an international perspective.
- Accept diverse personalities and values, respect a society in which we work together, and procure materials from the supply chain while complying with laws and regulations, taking into consideration human rights, the labor environment, and health and safety.
- Preserve the earth's environment and realize a sustainable society together with business partners.

▶ Responsible procurement activities

For parts and sub-materials that comply with the RoHS Directive, and are procured from suppliers, samples are analyzed as appropriate to select the procured items.

If it is discovered that a procured item contains conflict minerals*, we will consult with the relevant suppliers and take appropriate measures, such as immediately discontinuing their use. To comply with laws and regulations in various countries, such as regulations on chemical substances contained in products, we are actively engaged in green procurement, which gives priority to the purchase of raw materials with low environment impact.

*Conflict minerals are four types of natural minerals—tin, tantalum, tungsten, and gold—mined in the Democratic Republic of the Congo and nine neighboring countries and identified as sources of funds for armed groups.

▶ Procurement policy for stable policy

Amid the recent global component procurement crisis centered on semiconductors, we are strengthening cooperation with each base and conducting intensive negotiations in the

purchasing department of the parent company. The R&D Division is also working to secure long-term stable procurement and to build a multiple purchasing system in preparation for unexpected situations.

▶ Building a sustainable supply chain

We recognize the importance of working together with our supply chain stakeholders to protect the environment and respect human rights in our global operations. The Group will continue to contribute to the realization of a sustainable society through efforts to solve social issues in the supply chain.

▶ Supply chain BCP initiatives

BCP (Business Continuity Plan) initiatives are becoming increasingly important in inter-company transactions to minimize the impact of business disruptions caused by natural disasters, which have frequently occurred in recent years. In the manufacturing industry, from the perspective of responsibility for supplying products, BCP not only in-house but also in the overall supply chain has become an issue. Aiming to become a resilient company capable of responding quickly to disasters and other crises, we will work on BCP measures in cooperation with our business sites and suppliers in Japan and overseas.

▶ Human rights considerations for the supply chain

Although there are currently no “Purchasing Policies” that are conscious of social responsibility, or “Procurement Guidelines” that include respect for human rights, such as compliance and the prohibition of child labor or forced labor, we will work to formulate these guidelines and seek the understanding of our suppliers that have direct business relationships with the Group. We also aim to promote procurement activities that consider compliance and human rights.

In addition, due to the impact of COVID-19, “supplier audits” and “business partner satisfaction surveys” have not been conducted.

Initiatives toward Material Issues

Information Security Initiatives

▶ Enhanced e-mail security

The Company has implemented transmission domain authentication technologies (SPF, DKIM, DMARC) for e-mail and has put in place a system capable of coping with security risks (damage due to identity theft) caused by e-mail, which have become increasingly sophisticated in recent years.

This technology not only protects our organization but also prevents e-mail fraud that impersonates our organization and targets business partners' companies and customers. As a result, it protects our broader supply chain.

▶ Network security enhancements

In addition to building a network environment that cannot be accessed from outside, we used to determine access permissions for each device, but we are considering switching to using certificates that are more difficult to tamper with and have a higher security level.

On a global scale, we plan to strengthen and improve our global network in fiscal 2023. After implementation, we will be able to centrally manage inter-site networks. We will also be able to manage traffic through network visualization and reduce the number of Internet gateways associated with concentrated access to cloud services, which are expected to increase in the future.



IT Global Meeting in Germany (October 2022)

▶ Enhanced password management

Strict global rules have been established and are in operation. In addition, we have a password change rule that requires passwords to be changed at regular intervals and a generation management system that prohibits the reuse of passwords that have been used in the past.

▶ Strengthening measures against information leakage

We have introduced cloud storage with strict security measures.

Dual encryption is used for each file to protect data and reduce the risk of information leakage. We have also adopted mechanisms that cannot be shared, so we are working to prevent information leaks due to misuse of sharing functions. The Company has introduced an authentication system for the use of cloud storage, and it cannot be used by users other than those authorized by the Company.

▶ Reinforcement of our backup system

Regarding our important data and servers, which are our assets, we take into consideration not only natural disasters such as earthquakes and tsunamis but also increasingly sophisticated cyberattacks. We have established systems to ensure business continuity by utilizing data centers and replicating data to remote locations (data replication functions).

▶ Promotion of web-based activities (e.g., remote work, meetings, training)

The Company, which has a high proportion of its sales outside Japan, has long held meetings with its bases outside Japan on the Internet. In addition to establishing a system for remote access and the use of virtual PCs, remote work became possible due to the establishment of operational rules. Since April 2020, due to the impact of COVID-19, more than 90% of employees in the head office and the Tokyo head office have worked remotely and carried out their work without major hindrance.

It is expected that the ways in which employees work will become more diverse in the future. We will continue to introduce the latest information and communications technology so that we can quickly respond to changes in the environment. This will enable us to respond to more convenient ways of working.

Initiatives toward Material Issues

Human Capital

▶ Basic concept

Our five guiding principles (see page 1) reflect our founder's desire "to have people at the beginning of our work." The Company's basic approach to human capital is to "continue to be a company that continuously creates value as a company" and "provide opportunities for people to continue to grow through their work" by having each employee respect each other and demonstrate their individuality. This will have a positive impact on the home and workplace. Through these efforts, the Company will continue to be a company that continuously creates value and provides opportunities for people to continue to grow through their work.

As our businesses continue to globalize, we will focus our HR strategy efforts on the following three items, which have become global standards for HR strategy.

D Expanding diversity

S Developing core human capital

W Realizing diverse work styles

▶ Hiring policy

D Increase in female employment rate

As the ratio of female employees at the Company's parent company has been around 10% for a long time, we prioritized increasing the number of female employees from 2017 to further enhance diversity throughout the Group. In our action plan, we have set a target of "ratio of female employees among new graduates 20%." However, this ratio increased only to 12.2% as of the end of March 2021, partly due to the recent performance trends in which the Company restrained new recruitment. As a result, in the fiscal year ended March 2022, we focused on raising the ratio of female employees as part of our overall recruitment policy, including new graduates and mid-career recruits. As a result, the ratio of female employees in recruitment activities was 30% and **the ratio of female employees was 14.7% (an increase of 2.5 percentage points)**. This reflected a significant improvement in the ratio of female employees.

We will continue to strive for the expansion of diversity and promote further activities with the aim of increasing the ratio of female employees to 20% by 2032.

▶ Human resources development policies

D New employee training

Our new employees travel to our three main bases in Japan (Osaka, Tokyo, and Shiga) for approximately three months after joining the Company and receive OJT in all divisions. After training, no matter which department they are assigned to, they can learn and understand the "JCM Spirit," which enables them to work while respecting each other, by understanding "where, what kind of people work, and what kind of feelings they have."

S Development of core human capital

The Company has implemented the following initiatives to develop the next generation and next-generation executive candidates into human capital capable of thinking and making decisions not only in specialized fields but also from a management perspective.

Participation in Board of Directors' Meetings

Executive officers and executives of foreign subsidiaries participate in Board of Directors' meetings as observers. They experience the viewpoints from which management issues are discussed and decisions are made or denied at meetings. They also participate in supplementary explanations and Q&A sessions as necessary to develop skills for thinking from the viewpoint of management.

Participation in the Executive Committee

General Managers participate in the Executive Committee, which mainly consists of internal board directors and executive officers. They make proposals for their own divisions, exchange opinions, and discuss the proposals with the board directors and executive officers. They learn what information is needed from a management perspective through practical learning. In addition, in executing business operations, management decisions are made while incorporating the exchange of opinions with next-generation executive candidates.

Initiatives toward Material Issues

Human Capital

▶ In-house environment development policies

W Reforming the way employees work

The Group is promoting the following initiatives as measures for the work-life balance of its employees based on the slogan “Let’s create a happy home and a pleasant workplace” in its guiding principles.

Workplace

The Company’s head office in Hirano Ward, Osaka-shi, has continued to operate as a major base of operations except for a short period in the early stages of its establishment. However, as the building is aging, the Company plans to move to Naniwa Ward, Osaka-shi, in late March 2023, not only from the viewpoint of BCP but also in consideration of a commuting location so that employees can easily access the building.

In addition, we are working to promote a work-life balance by allowing employees with long commutes, childcare, nursing care, or other restrictions to work at home if the Company determines that they can achieve a balance between work and family, taking into consideration their circumstances and duties.

Working hours

The Company promotes flexible working hours throughout the Company. Regarding paid leave, employees themselves plan and take half days of paid leave and five days of positive off leave to promote a balance between work and life.

Childcare leave

Over the past five years, the rate of eligible female employees taking childcare leave has reached 100%, and we are in a position where employees can take it without any systemic problems. In addition, 33% of eligible male employees took childcare leave in 2021, and the period was approximately one to two months. We will continue to promote support for the development of the next generation.

D Expanding diversity S Developing core human capital W Realizing diverse work styles

▶ Diversity and inclusion

D Promotion of active participation of women and promotion to management positions

To promote the advancement of women and the promotion of women to managerial positions, we regard addressing the small number of female employees as a priority issue for the entire Group in Japan. In 2017, we set the goal of “doubling the number of women in managerial positions (section managers and above) by 2022 from the current 1%” in the Action Plan for the Advancement of Women. As a result, the ratio of women in managerial positions in 2022 was 3.9%, which exceeded the target. Although the ratio of female employees in managerial positions is not sufficient at present, the ratio of female employees in section chief positions, which are candidates for the next generation of managerial positions, is 6.6%. We will continue to steadily promote the active participation of female employees in line with the recruitment of excellent human resources.

D Promotion of mid-career recruits to managerial positions

As of the end of March 2022, 55% of full-time employees (non-consolidated) were mid-career recruits. Regardless of whether they are new graduates or mid-career recruits, excellent human resources are actively promoted to managerial positions. At present, more than half of all managerial employees are mid-career recruits. By appointing many mid-career recruits from different backgrounds to management positions, we can reflect diverse opinions in management decisions.

D Recruitment and promotion of foreign nationals

One of our management philosophies is “Aiming to be a truly global company.” In hiring, we are not only increasing the ratio of female employees but also hiring and promoting excellent human resources regardless of nationality. As of the end of March 2022, there were 13 employees from various nationalities, including Vietnam, Bhutan, China, Hong Kong, Taiwan, and South Korea, working in development, production, sales, and other divisions. These employees have a positive impact in various ways on our product development and other processes.

We also actively appoint foreign nationals with outstanding performance to managerial positions to enable them to share diverse opinions across national borders.

Corporate Governance System

Basic Policy

We are aiming for sustainable growth and improvement of corporate value over the medium to long term by implementing management principles. In gaining the trust of its stakeholders, the JCM Group positions and will maintain corporate governance as the mechanism that ensures transparency and fairness in its management. Corporate governance also forms the basis of corporate management in swift decision-making and execution that enhances management vitality.

1 Board of Directors

Number of meetings held in fiscal 2021: 18

The Company's Board of Directors is composed of members with excellent knowledge and skills, abundant experience in divisions, and diverse expertise. In addition to persons with extensive experience and expertise in legal affairs, persons with management experience at other companies are also appointed as independent outside directors. On top of providing advice and recommendations on management activities aimed at enhancing corporate value, the Company strives to enhance transparency in decision-making and strengthen oversight functions.

2 Audit & Supervisory Board

Number of meetings held in fiscal 2021: 15

The Audit & Supervisory Board of the Company balances the information held by the full-time Audit & Supervisory Board member with the high level of expertise held by External Audit & Supervisory Board members to ensure that it can exercise its authority actively and proactively from an independent and objective standpoint and to act with appropriate judgment.

3 Nomination and Remuneration Advisory Committee

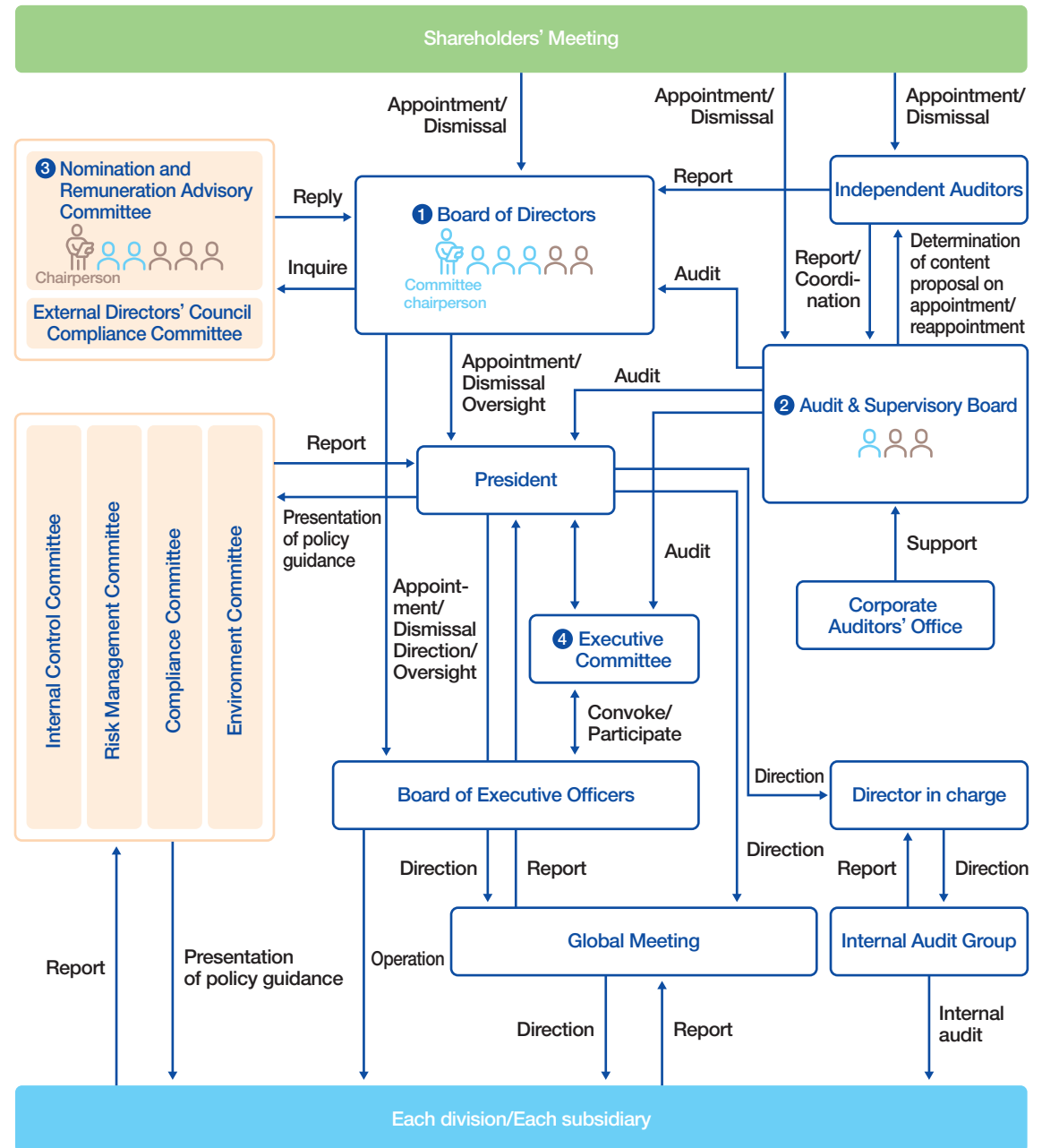
Number of meetings held in fiscal 2021: 4

With the aim of further enhancing the fairness, transparency, and objectivity of procedures related to the nomination of and payment of remuneration to board directors and Audit & Supervisory Board members, JCM established the Nomination and Remuneration Advisory Committee as a voluntary advisory body under the Board of Directors. A majority of committee members are external officers, who deliberate on matters related to the nomination and remuneration of board directors and Audit & Supervisory Board members, and report back to the Board of Directors.

4 Executive Committee

Number of meetings held in fiscal 2021: 24

By receiving resolutions or reports on the execution of important business operations from the perspective of expertise and agility, and by holding prior discussions on matters to be resolved by the Board of Directors and matters to be approved by the President, the Company strives to sort out points of discussion and grasp problems so that it can make more appropriate management decisions at the Board of Directors.



Board Member and Audit & Supervisory Board Member Skills Matrix, Board of Directors, and Main Topics of the Nomination and Remuneration Advisory Committee

Name	Number of years served as Director As of June 30, 2022	Attendance ratio at the Board of Directors meetings	Attendance ratio at the Audit & Supervisory Board meetings	Attendance ratio at the Nomination and Remuneration Advisory Committee meetings	Management experience/ Corporate strategy	Global experience	Production/ Manufacturing	Technology/ R&D	Sales/ Marketing	Finance/ Accounting/ M&A	Human resources/ Labor management/ Talent development	Legal/ Risk management
Yojiro Kamihigashi	29	100% 18 out of 18 meetings			●	●		●	●			
Tsuyoshi Takagaki	9	100% 18 out of 18 meetings		100% 4 out of 4 meetings	●					●	●	●
Yoshihiro Iuchi	4	100% 18 out of 18 meetings		100% 4 out of 4 meetings	●	●	●	●	●			
Norihito Nakatani	3	100% 18 out of 18 meetings			●	●	●	●				
Koji Yoshikawa	8	100% 18 out of 18 meetings		100% 4 out of 4 meetings								●
Tatsuhiko Saruwatari	2	94.4% 17 out of 18 meetings		100% 4 out of 4 meetings	●			●			●	
Michimasa Teraoka	3	100% 18 out of 18 meetings	100% 15 out of 15 meetings		●				●	●		
Hiroshi Morimoto	27	100% 18 out of 18 meetings	100% 15 out of 15 meetings	100% 4 out of 4 meetings	●							●
Yoko Sato	2	100% 18 out of 18 meetings	100% 15 out of 15 meetings	100% 4 out of 4 meetings	●					●		

▶ Main topics discussed by the Board of Directors (fiscal 2021)

Performance improvement	Component procurement/ Production system	Investment plan	Business monitoring	Report on the main topics of the Executive Committee
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▶ Main topics discussed at the Nomination and Remuneration Advisory Committee (fiscal 2021)

Board director candidate	Medium- to long-term composition of directors	Succession planning	Board director bonuses, individual compensation	Examination of promoted executive officers
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Audit by Corporate Auditors

The Audit & Supervisory Board consists of three members: one full-time Audit & Supervisory Board member and two External Audit & Supervisory Board members. The full-time Audit & Supervisory Board member, a member of the Company, collects internal information accurately and in a timely manner and conducts accurate audits based on this information. On the other hand, Independent Outside Audit & Supervisory Board members conduct audits utilizing their expertise (one is an attorney and one is a Certified Public Accountant) and diverse perspectives. To ensure sound management and improve the Company's corporate value, each Audit & Supervisory Board member attends the Board of Directors' meetings and other important meetings in accordance with auditing policies and plans established by the Audit & Supervisory Board, receives reports on the status of execution of duties from the board directors, executive officers, employees, etc., and requests explanations as necessary.

Board Directors' Succession Plan and Development

The Group regards the Succession Plan for board directors as one of its most important tasks. It is formulated based on the individual requirements of a board director and the constituent elements of the Board of Directors as a whole. The Board of Directors appropriately oversees the Succession Plan. In formulating the Succession Plan, we strive to enhance the plan and ensure transparency in the process by evaluating and developing human resources as needed, identifying new human resources, checking from a diverse perspective, and visualizing the overall human resource pool. With respect to external directors, we provide them with information on general conditions, including organization, business, and financial conditions. We also provide them with opportunities to deepen their understanding through visits to offices and other facilities.

Directors, Audit & Supervisory Board Members (As of June 28, 2022)



Yojiro Kamihigashi
President and Representative Director

Number of the Company's Shares Held: 1,458 thousand
Number of Years Served as Director: 29

Reasons for Appointment of Board Member and Audit & Supervisory Board Member

Utilizing his management experience at foreign subsidiaries, he is currently demonstrating leadership in the management of the globally expanding Group as the President and Representative Director, making decisive management decisions, and supervising business execution. The Company expects that he will continue to appropriately execute his duties. Therefore, the Company has determined that he is an essential human resource for the composition of the Company's Board of Directors.

- Oct. 1984 Joined Japan Cash Machine Co., Ltd.
- Jan. 1990 President and Representative Director of JCM Gold (H.K.) Ltd.
- June 1993 Board Director
- April 1995 Board Director of JCM American Corp.
- May 1995 Board Director, General Manager of Overseas Sales Department
- July 1996 Chairman and Representative Director of JCM Gold (H.K.) Ltd.
- April 2006 Executive General Manager of International Division
- June 2006 Executive Officer
- April 2007 President and Representative Board Director (present)
- April 2015 Global Commercial Division
- June 2015 Global Gaming Division
- July 2015 Representative Director of JCM Europe GmbH
- June 2020 President and Representative Director of JCM Systems Co., Ltd. (present)



Tsuyoshi Takagaki
Executive Board Director
Senior Executive Officer
Executive General Manager of Corporate Planning Division

Nomination and Remuneration Committee member

Number of the Company's Shares Held: 5 thousand
Number of Years Served as Director: 9

Reasons for Appointment of Board Member and Audit & Supervisory Board Member

Since joining the Company, he has a track record of supporting the development of the Group by engaging in operations related to general affairs, legal compliance, and human resources. Currently, as Executive Board Director, he is performing appropriate decision-making based on his operational experience and supervising the execution of business. The Company expects that he will continue to appropriately execute his duties. Therefore, the Company has determined that he is an essential human resource for the composition of the Company's Board of Directors.

- Aug. 1997 Joined Japan Cash Machine Co., Ltd.
- Dec. 2002 General Manager of Administration Division
- June 2007 Executive Officer, Deputy Executive General Manager of Administration Division
- Oct. 2011 Senior Executive Officer, Executive General Manager of Human Resources, General Affairs and Corporate Planning Division
- June 2013 Board Director, Senior Executive Officer
- Dec. 2013 Executive General Manager of Corporate Planning Division (present)
- June 2019 Executive Board Director, Senior Executive Officer (present)



Yoshihiro Iuchi
Board Director
Senior Executive Officer
Executive General Manager of Global Strategy Division and In Charge of Sales Division


Nomination and Remuneration Committee member

Number of the Company's Shares Held: 11 thousand
Number of Years Served as Director: 4

Reasons for Appointment of Board Member and Audit & Supervisory Board Member

Since joining the Company, he has a track record of supporting the development of the Group by engaging in operations related to general affairs, legal compliance, and human resources. Currently, as a board director, he is performing appropriate decision-making based on his operational experience and supervising the execution of business. The Company expects that he will continue to appropriately execute his duties. Therefore, the Company has determined that he is an essential human resource for the composition of the Company's Board of Directors.

- March 2004 Joined Japan Cash Machine Co., Ltd.
- May 2007 General Manager of International Division
- June 2007 Executive Officer, Deputy Executive General Manager of International Division
- Nov. 2010 Representative Director of JCM Gold (H.K.) Ltd.
- June 2016 Senior Executive Officer in Charge of Production
- June 2018 Board Director, Senior Executive Officer, Executive General Manager of Global Strategy Division (present)
- July 2019 In Charge of Sales Division (present)



Norihito Nakatani
Board Director
Senior Executive Officer
Executive General Manager of Production Division and In Charge of Production

Number of the Company's Shares Held: 9 thousand
Number of Years Served as Director: 3

Reasons for Appointment of Board Member and Audit & Supervisory Board Member

Since joining the Company, he has mainly engaged in production-related operations, and working as President of a subsidiary that oversees production outside Japan, he currently serves as the head of the production division as a board director. Based on this experience, he has fulfilled the functions of appropriate decision-making and oversight of business execution. The Company expects that he will continue to appropriately execute his duties. Therefore, the Company has determined that he is an essential human resource for the composition of the Company's Board of Directors.

- Oct. 1990 Joined Japan Cash Machine Co., Ltd.
- June 2007 Executive Officer, Deputy Executive General Manager of SCM Division
- May 2008 Deputy Executive General Manager of Engineering Division
- Nov. 2010 Representative Director of JCM China Co., Ltd.
- June 2015 in charge of Production of Creating and Manufacturing Division
- June 2016 Executive General Manager of Production Division
- June 2017 Executive General Manager of Second R&D Division
- June 2018 Senior Executive Officer, Executive Board Director of JCM Systems Co., Ltd.
- June 2019 Board Director, Senior Executive Officer (present)
- July 2019 General Manager of Quality Division, Executive General Manager of First R&D Division
- Oct. 2021 In Charge of Production (present)
- Jan. 2022 Executive General Manager of Production Division of the Company (present)



Koji Yoshikawa
External Board Director

Independent Officer


Nomination and Remuneration Committee member

Number of the Company's Shares Held: --
Number of Years Served as Director: 8

Reasons for Appointment of Board Member and Audit & Supervisory Board Member

Although he has not been directly involved in corporate management, the Company expects that he will provide objective and appropriate advice based on his wealth of experience and expertise as a legal professional to the Group, which is engaged in compliance-oriented management, including dealing with gaming licenses in the U.S. casino market. The Company believes that he is qualified to serve as an external board director of the Company aiming to strengthen the supervisory function over the execution of business by board directors and further improve the transparency of management.

- April 1978 Appointed Public Prosecutor, Osaka District Public Prosecutors Office
- April 2000 Deputy Manager, Special Investigation Department, Osaka District Public Prosecutors Office
- April 2004 Prosecutor, Supreme Public Prosecutors Office
- July 2005 Deputy Chief Public Prosecutor, Osaka District Public Prosecutors Office
- Jan. 2009 Chief Public Prosecutor, Kobe District Public Prosecutors Office
- Jan. 2010 Resigned as Prosecutor
- March 2010 Registered as Attorney
- June 2014 External Director of the Company (present)



Tatsuhiko Saruwatari
External Board Director

Independent Officer

Nomination and Remuneration Committee head

Number of the Company's Shares Held: --
Number of Years Served as Director: 2

Reasons for Appointment of Board Member and Audit & Supervisory Board Member

As he possesses abundant experience and broad insight as a corporate manager, the Company expects that he will provide advice and recommendations on management activities aimed at achieving sustainable enhancement of the Group's corporate value. The Company believes that he is qualified to serve as an external board director of the Company aiming to strengthen the supervisory function over the execution of business by board directors and further improve the transparency of management.

- April 1976 Joined Toto Kiki Ltd. (currently TOTO Ltd.)
- June 2001 Director, Executive Officer, Director of Equipment Business Group of the Same Company
- June 2002 Director, Managing Executive Officer, Director of Equipment Business Group, General Manager of Central Technology Center of the Same Company
- June 2006 Director, Senior Managing Executive Officer, In Charge of Research & Technology Group, Corporate Planning Department of the Same Company
- May 2013 External Audit & Supervisory Board member of Izutsuya Co., Ltd.
- June 2013 Representative Director, Executive Vice President of TOTO Ltd.
- June 2016 External Audit & Supervisory Board member of Noritake Co., Ltd. (present)
- June 2020 External Board Director of the Company (present)




Michimasa Teraoka
Full-Time Audit & Supervisory Board member

Number of the Company's Shares Held: 42 thousand
Number of Years Served as Director: 3

Reasons for Appointment of Board Member and Audit & Supervisory Board Member

He possesses the high level of expertise in financial accounting required for Audit & Supervisory Board members and a high level of insight in compliance, risk management, and internal auditing. He also possesses a wealth of knowledge about the Company's businesses, based on his experience in management of administrative divisions, including serving as Senior Executive Officer and Deputy Executive General Manager of Administration Division and Executive Director and Senior Executive Officer of domestic subsidiaries of the Company. The Company has judged that he is a human resource necessary for the composition and strengthening of the Company's Audit & Supervisory Board.

- June 1980 Joined Japan Cash Machine Co., Ltd.
- June 2006 Executive Officer, Deputy Executive General Manager of Administration Division
- June 2007 Senior Executive Officer
- June 2014 Executive Director, Senior Executive Officer of JCM Systems Co., Ltd.
- June 2017 Senior Executive Officer, General Manager of Corporate Planning Division Domestic Affairs Office
- June 2018 In Charge of Risk Management and Internal Audit Group
- June 2019 Audit & Supervisory Board member (present)



Hiroshi Morimoto
External Audit & Supervisory Board member

Independent Officer

Nomination and Remuneration Committee member

Number of the Company's Shares Held: --
Number of Years Served as Director: 27

Reasons for Appointment of Board Member and Audit & Supervisory Board Member

As an attorney-at-law, he is well versed in corporate legal affairs. He has deep insight and broad experience to ensure the soundness of corporate management and compliance. He also provides in-depth advice and suggestions on Group management that go beyond the surface. The Company has judged that he is a human resource necessary for the composition and strengthening of the Company's Audit & Supervisory Board.

- April 1987 Registered as Attorney, Joined Kitahama Partners (Kitahama Partners Osaka Office)
- June 1995 External Audit & Supervisory Board member (present)
- Jan. 2008 Representative Partner of Kitahama Partners (present)



Yoko Sato
External Audit & Supervisory Board member

Independent Officer

Nomination and Remuneration Committee member

Number of the Company's Shares Held: --
Number of Years Served as Director: 2

Reasons for Appointment of Board Member and Audit & Supervisory Board Member

As a Certified Public Accountant, she has provided advice and recommendations from an objective and professional viewpoint based on her extensive years of auditing experience and specialized knowledge of finance and accounting. The Company has judged that she is a human resource necessary for the composition and strengthening of the Company's Audit & Supervisory Board.

- Sep. 1986 Joined Ernst & Young ShinNihon LLC
- March 1990 Registered as a Certified Public Accountant
- May 2011 Senior Partner of Ernst & Young ShinNihon LLC
- June 2019 Departed Ernst & Young ShinNihon LLC
- Sep. 2019 Head of Sato Yoko Certified Accounting Office (present)
- June 2020 External Audit & Supervisory Board member (present)

Organizational Structure

Under the Companies Act, we have adopted a company with an Audit & Supervisory Board as our organizational structure. The Company has also introduced an executive officer system to clarify the responsibilities of business execution and to further speed up and improve efficiency.

Design of the Organization	Company with an Audit & Supervisory Board
Number of Board Directors	6 members (4 internal and 2 external)
Ratio of external (independent) Board Directors	33.3%
Term of office of Board Directors	1 year
Adoption of an executive officer system	Yes
Organization that assists the President in making decisions	Executive Committee
Board of Directors' advisory body	Nomination and Remuneration Advisory Committee

Evaluation of the Board of Directors' Effectiveness, Executive Officers

▶ Evaluation of the Board of Directors

Every year, we hold an evaluation of the Board of Directors' effectiveness to confirm the progress and results of our reforms and to recognize future issues. After compiling the responses of each director to the self-evaluation questionnaire prepared by the Board of Directors Secretariat, the effectiveness is analyzed and evaluated through reporting and consultation by the Board of Directors.

Effectiveness evaluation items	Further improving effectiveness
Scale/Composition of the Board of Directors	We will review the scale and composition of the Company's Board of Directors from the perspective of gender, expertise, and internationality as required by the Corporate Governance Code.
Management of the Board of Directors	We will work to speed up the distribution of materials and improve cooperation between the Internal Auditing Division and board directors/Audit & Supervisory Board members.
Roles/Functions of the Board of Directors	We will work to further enhance discussions on medium- to long-term issues and themes related to sustainability.
Composition and roles of the Nomination and Remuneration Advisory Committee	We will work to further enhance discussions on remuneration systems and succession planning.
Response to last year's issues	For business portfolios and important business strategies, we will continue to examine initiatives that will be fully considered.
Support system for External Directors	Board of Directors materials are distributed in advance to external directors and prior explanations are given by directors in charge of the Secretariat to enhance deliberations at Board of Directors meetings.

Changes in Governance Organizational Structure

	June 2013	June 2014	June 2015	June 2016	June 2017	June 2018	June 2019	June 2020	June 2021	June 2022
Number of Board Directors	8 people	10 people	10 people	8 people	8 people	8 people	8 people	8 people	6 people	6 people
Number of External Board Directors (Internal)	0 people	2 people	2 people	2 people	2 people	2 people	1 person	2 people	2 people	2 people
Ratio of External Directors	0%	20%	20%	25%	25%	25%	13%	25%	33%	33%

▶ Executive Officer System

In accordance with laws and regulations and the Company's Articles of Incorporation, the Board of Directors delegates operational decisions to the President and executive officers and oversees the execution of their duties. Executive officers are appointed by the Board of Directors and are assigned important positions, such as general managers of operating divisions, and specific authority.

▶ Executive Officers Note: not concurrently serving as board directors

Mitsuhiro Ueno

Senior Executive Officer
Representative Director of JCM EUROPE GMBH.

Takatomo Imai

Senior Executive Officer
Representative Director and Deputy Executive General Manager of Corporate Planning Division of JCM AMERICAN CORP.

Yasuyuki Fujiwara

Senior Executive Officer
Representative Director of J-CASH MACHINE (THAILAND) CO., LTD.
Executive General Manager of First R&D Division
In Charge of R&D Division

Makoto Hasegawa

Executive Officer
Representative Director of JCM COMMERCE MECHATRONICS INC.
Executive General Manager of Sales Division

Toshi Yamasaki

Executive Officer
Deputy General Manager of Sales Division
General Manager of US Commercial Business
Establishment Preparation Office

Noriyuki Kanno

Executive Officer
Deputy Executive General Manager of First R&D Division

Kazuo Nakatake

Executive Officer
Executive General Manager of Second R&D Division
Executive Board Director of JCM Systems Co., Ltd.

Masato Onomura

Executive Officer
General Manager of Quality Division and Quality Control

Reference ▶ Number of board directors and executive officers by age group (As of June 28, 2022)

Board Directors

50–59 years old

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Age 60 and older

6 people

Executive Officers

50–59 years old

4 people

Age 60 and older

4 people

Remuneration System

► Policy for determining the content of director remuneration, etc.

To ensure fair and reasonable system operation in accordance with our basic policy for the remuneration for directors, the decision on the remuneration for directors of the Company is deliberated by the Nomination and Remuneration Advisory Committee and then reported to the Board of Directors. Remuneration is determined within the scope of the remuneration limit resolved in advance at the General Meeting of Shareholders. Board director remuneration is determined at a Board of Directors' meeting, and Audit & Supervisory Board member remuneration is determined through discussions among the Audit & Supervisory Board members. The Nomination and Remuneration Advisory Committee mainly includes periodic discussions on the setting of compensation levels, the ratio of performance-linked compensation, and the performance-linked mechanism. In addition, meetings are held in response to changes in the environment, such as legislation concerning the remuneration for directors and then reported to the Board of Directors.

Basic Policy

- Clarifying commitment to the steady execution of the Company's growth strategy, the remuneration system functions not only in terms of short-term business performance but also as a sound incentive for medium- to long-term and sustainable improvement of corporate value. The remuneration system shall also incorporate a shareholder-focused perspective that shares an awareness of profit with shareholders.
- Compensation for the Company's directors consists of three elements: basic remuneration; bonuses, which are a short-term, performance-linked form of remuneration; and stock remuneration, which is medium- to long-term, performance-linked remuneration.
- A fixed form of remuneration paid monthly according to the recipient's position, the basic remuneration can reflect each officer's performance evaluation to some extent.
- In addition to the degree to which consolidated net income has been achieved for each fiscal year, the bonus takes into consideration qualitative factors such as the strengthening of the management base. This annual performance-linked remuneration is paid upon the expiration of the one-year term of office on the day following the date of the general meeting of shareholders.
- Stock compensation is to provide incentives for the sustainable improvement of both the Company's medium- to long-term corporate value and shareholder value. The Company's common stock with transfer restrictions for a certain period shall be issued to directors other than external board directors, depending on their position.

► Outline of remuneration composition, calculation methods, etc.

Types of remuneration etc.		Key performance indicator (KPI)	Calculation method etc.	Outline of the calculation method	
Monetary remuneration	Fixed	Basic remuneration	-	Amount of remuneration	Basic remuneration amount limit: The basic remuneration amount limit for directors shall be no more than ¥18 million per month (including short-term, performance-linked compensation) (Note 2). (Salary as an employee not included.)
				Method of calculating payment amount for each eligible director	Per person: Based on a monthly amount of ¥1.5 million, multiplied by the following coefficients to calculate the amount of individual remuneration, and the determined amount is paid every month. (1) Directors: Shall be within the range of 100%–130% of the basic remuneration standard amount in accordance with the recipient's evaluation. (2) Directors with special titles (president, managers): The range shall be 150%–250% of the basic remuneration standard amount, depending on the position, evaluation, and results.
	Variable	Short-term, performance-linked compensation (Note 1) (bonus)	Net income (loss) attributable to owners of the parent	Amount of remuneration	Amount of remuneration: The range shall be approximately 30%–40% of the fixed basic remuneration.
				Payment conditions	Paid when net income is generated for each business year; not paid in the event of a loss.
Non-monetary remuneration	Medium- to long-term, performance-linked compensation (Note 1) (share compensation with transfer restrictions)	-	Amount of remuneration	Remuneration limit: Annual amount of no more than ¥70 million (Note 3)	
			Method of calculating payment amount for each eligible director	Upper limit of total payment amount: Shall be an amount corresponding to approximately 10% of the fixed basic remuneration. With transfer restrictions for a certain period, the Company's common stock will be paid according to the position held.	

Notes:

1. Short-term, performance-linked compensation and medium- to long-term, performance-linked compensation are paid to directors, excluding external board directors.
2. Decided by resolution of the 68th Ordinary General Meeting of Shareholders held on June 24, 2021.
3. Decided by resolution of the 66th Ordinary General Meeting of Shareholders held on June 26, 2019.

Risk Management, Compliance

► Risk management

Concerning the regulations and other systems relating to loss and crisis management at the Company and its subsidiaries

- (a) Having formulated risk management regulations that systematically define risk management for the entire Group, we established a risk management department to be responsible for each risk category. A Risk Management Committee has also been established as an organization that oversees the risk management activities of the entire Group, and the director in charge of risk management serves as the committee's chairman.

(Operational status)

In accordance with the risk management regulations, the Risk Management Committee, chaired by the director in charge of risk management, meets at least once a year.

- (b) Regularly receiving reports on the status of risks from the department responsible for risk management, the Risk Management Committee examines, reports, and makes decisions on matters related to the Group's overall risk management. The director in charge of risk management reports risk management information to the Board of Directors and the Audit & Supervisory Board and makes recommendations as necessary.

(Operational status)

The Personnel and General Affairs Department, which is the department responsible for risk management, reports on the risk situation to the Risk Management Committee and shares information with the Risk Management Liaison Committee, which is composed mainly of executive officers. Led by the director in charge of risk management, the Risk Management Committee verifies the response status of each risk and confirms resolutions and recommendations regarding matters related to the Group's overall risk management. The director in charge of risk management reports risk management information to the Board of Directors and the Audit & Supervisory Board as appropriate. Having formulated risk management regulations that systematically define risk management for the entire Group, we established a risk management department to be responsible for each risk category. A Risk Management Committee has also been established as an organization that oversees the risk management activities of the entire Group, and the director in charge of risk management serves as the committee's chairman.

- (c) The director in charge of risk management formulates a risk management activity plan by fiscal period and reports on this and on the status of risk management activities in the previous fiscal period to the Audit & Supervisory Board.

(Operational status)

At Risk Management Committee meetings, the director in charge of risk management places on the agenda and obtains approval for the following fiscal period's risk management activity plan. In addition, that director will report on the status of risk management activities to the Audit & Supervisory Board.

- (d) In addition to verifying the functional status of the risk management system, the Risk Management Committee conducts reviews of the risk management system and other aspects in response to changes in conditions, such as when a new risk has been identified.

(Operational status)

The Risk Management Committee verifies the functional status of the risk management system and conducts reviews of the risk management system when a new risk has been identified.

► Compliance

Basic concept

Global Gaming segment sales to customers such as overseas casinos account for more than half of JCM's total sales. In the gaming industry such as casinos, strict laws and regulations cover the management of casinos and the manufacture and sales of gaming devices to ensure legitimate management by persons free of any criminal organizations and the use of genuine gaming machines. Due to these laws and regulations, the approval of authorities is required to sell and mount bill validators on game machines. In some states (or autonomous regions) of the United States, bill validators are considered part of the game console and require a sales permit, just like a game console. In obtaining these permits, JCM Group companies naturally undergo thorough investigation, not only the companies but also each individual officer. In the unlikely event that the Company, affiliated companies, or individual officers violate laws and regulations, such as criminal offenses, the permits would be revoked, and the inability to sell products might have a significant impact on the Group's business performance and financial position. To enable sales in a variety of situations, we have therefore established compliance rules and compliance programs, undertake supervision within the Group, and are working to strengthen global governance in the JCM Group. We hold regular meetings with our U.S. subsidiary, which is highly regulated based on gaming licenses, to check its compliance adherence status.

Establishment of a consultation/reporting desk

As a means for employees of the Company and its subsidiaries to directly provide information on acts that violate laws and regulations, fraudulent acts, and acts that are suspected of violating laws and regulations, we have set up an in-house counseling room and a complaint box inside the Company, as well as an external counseling room with external specialists as a point of contact. The compliance officer oversees the in-house counseling room, and the complaint box falls under the jurisdiction of a full-time Audit & Supervisory member. If a report is received, the report's content must be investigated and measures taken to prevent any recurrence.

Interview with an External Board Director



I want to contribute to building a sustainable organization with high product capabilities through a strong governance system.

External Board Director

Tatsuhiko Saruwatari

Q As an external board director, what is your impression of JCM?

JCM's Board of Directors has an open atmosphere in which even external directors can speak freely, and the President listens intently to various opinions. At the time of the decision to offer early retirement in February 2021, the number of directors and remuneration for directors was reduced under the consensus of the Board of Directors. I believe that the smooth execution of these tough decisions has led to the establishment of a strong governance structure at JCM.

Q From a medium- to long-term perspective, what are your thoughts on the issues that the Company should address?

Although the immediate task is to rebuild business, which has been damaged by poor sales due to the impact of the COVID-19 pandemic, from a longer-term perspective, our mission is to continue creating interfaces to ensure that we do not leave the weak behind in the transition to a cashless age. Based on this, JCM is deepening its discussions on what kind of products it will provide and

contribute to society for the future, incorporating ideas from the younger generation.

We must also deepen our discussions from the ESG and SDGs perspectives. For example, we need to reconsider the special grade of plastic materials used in some of our products to realize a recycling-oriented society focusing on both the quality we aim for and SDG 12, "Responsible consumption and production." The quality of a product is determined by its parts. We must strive to improve our purchasing power while maintaining effective global governance. We must also aim to improve the quality of JCM's products throughout the entire supply chain, including the possibility of in-house production of important parts that can affect quality.

Q In the face of such issues, what roles will you play as an external board director?

In addition to the supervisory functions required of external board directors to ensure objectivity and transparency in the decision-making process, I would like to apply my own experience and skills to the transformation of the Company. Before my appointment as an external board director, I had been providing

technical guidance and advice at our development meetings and quality assurance meetings as an outside lecturer. As a person who knows how many employees are committed to quality improvement, I would like to actively provide advice from an objective standpoint so that we can not only troubleshoot quality problems but also identify problems and develop rules to prevent recurrence.

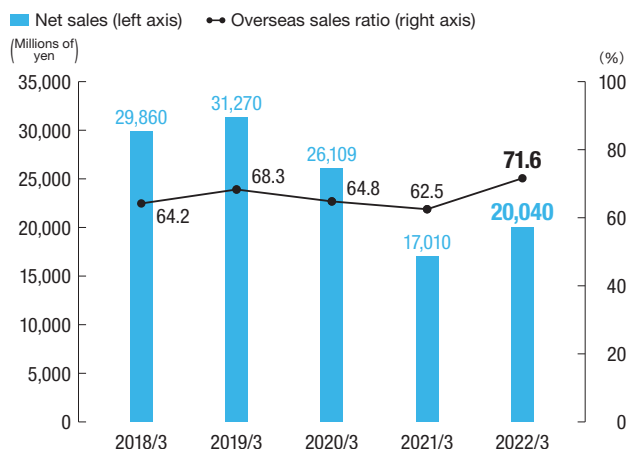
As the chairman of the Nomination and Remuneration Advisory Committee, I am making decisions on remuneration for directors and appointing next-generation leaders. In the future, I will develop human resources with the will of the Company and clarify the evaluation framework and selection method for next-generation successor human resources.

Q Finally, what is your message to stakeholders?

In the market economy, JCM is responsible for providing an interface between customers' assets and businesses and stores in their business transactions. This interface is going to go cashless over a long transition period. This process will lead to the emergence of multifunction devices that can handle both cash and cashless transactions. However, while steering the task force for the cashless era, we will continue to support cash-based transactions in niche fields where demand is certain, including stores and customers who cannot afford to install such expensive machines through to the end. As we have grown under the strong management of our owners, we are confident that we will grow into an even more attractive company, with the growth of wonderful human resources who support the future.

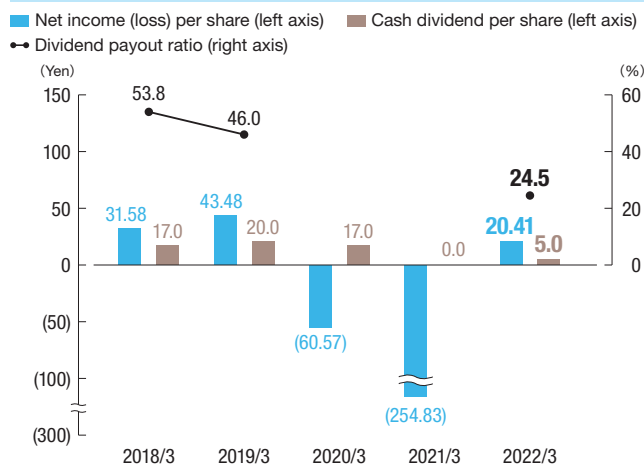
Major Financial Highlights

▶ Net Sales/Overseas Sales Ratio



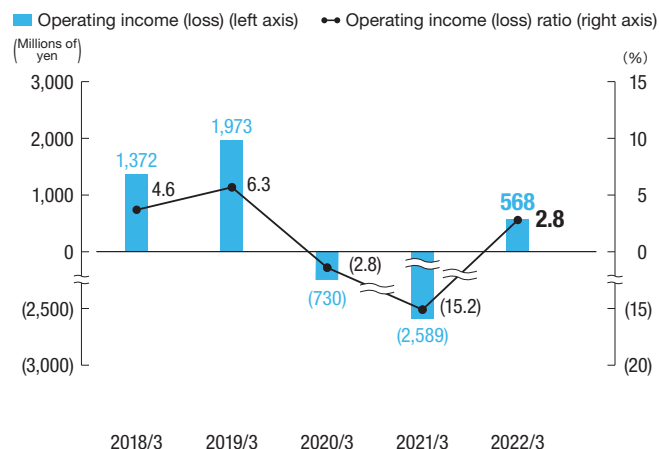
In the U.S. gaming market, which is our mainstay, activity continued to outpace pre-COVID levels due to progress in vaccinations and easing of admission restrictions for casino facilities. In addition, in the commercial market in Japan and overseas, demand related to the promotion of non-contact and non-face-to-face solutions as infection prevention measures for cash settlement remained strong.

▶ Net Income (Loss) per Share/Cash Dividend per Share/Dividend Payout Ratio



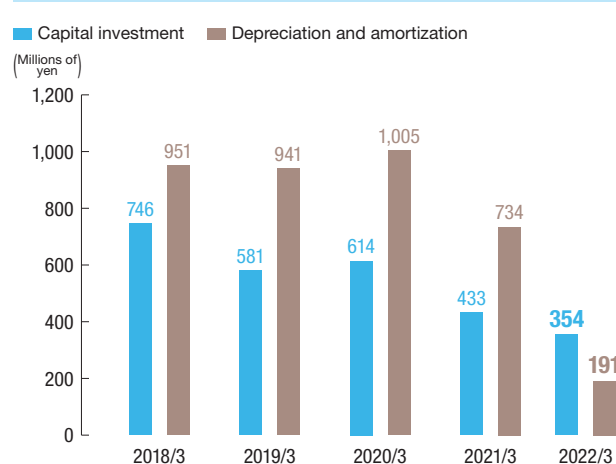
While net sales and profits at each level improved significantly, we also considered the sudden change in the exchange rate just before the end of the fiscal year and the operating environment from the next fiscal year onward. As a result, we decided to pay a dividend of 5 yen per share for the fiscal year under review.

▶ Operating Income (Loss)/Operating Income (Loss) Ratio



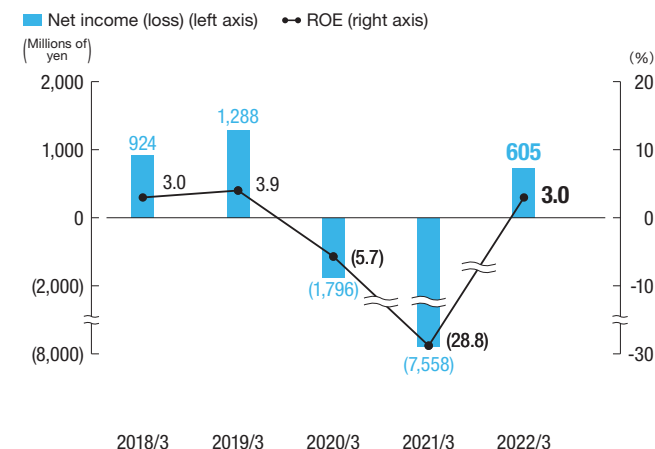
Operating income was recorded due to controlling development costs by concentrating investment in high-priority development projects, reducing labor costs by restructuring personnel, and reducing fixed costs by streamlining through office consolidations.

▶ Capital Investment/Depreciation and Amortization



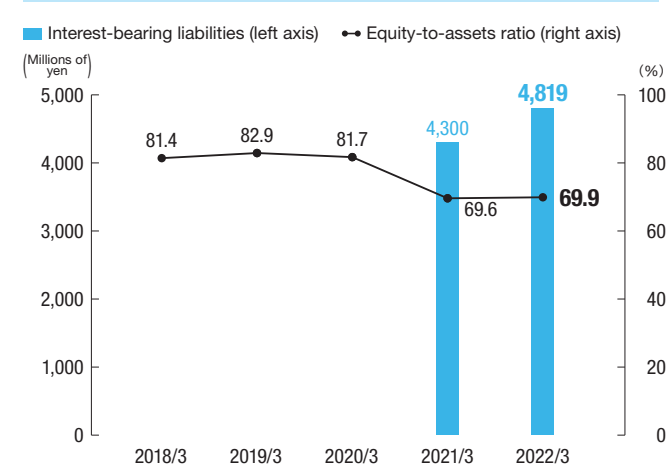
Against the backdrop of sluggish business performance, we continued to select capital investments based on the priority and necessity of the project. Depreciation and amortization saw a significant decline due to the write-down of fixed assets in the fiscal year ended March 31, 2021.

▶ Net Income (Loss) Attributable to Owners of the Parent/ROE



Net income was secured for the first time in three fiscal years. This was partly due to the securing of operating income as shown in the left column and the posting of foreign exchange gains accompanying the depreciation of the yen as non-operating income.

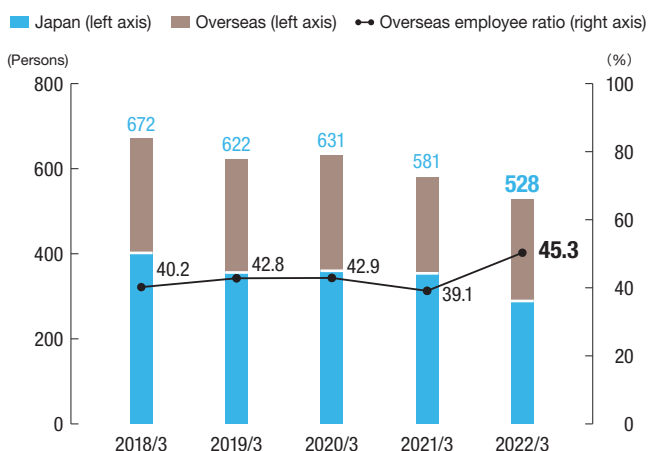
▶ Interest-Bearing Liabilities/Equity-to-Assets Ratio



Taking into consideration the impact of the pandemic, JCM took steps to secure liquid cash on hand and stabilize its operations by undertaking borrowings from financial institutions to prepare for unforeseen circumstances. As a result, the Company maintained a positive net cash balance for the fiscal years ended March 31, 2021, and March 31, 2022.

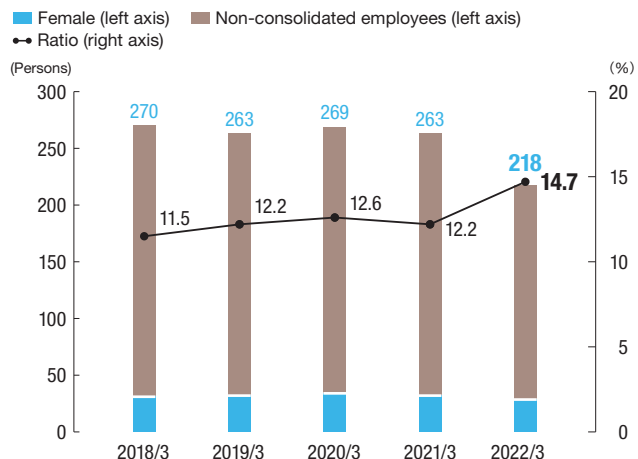
Major Non-Financial Highlights

▶ Overseas Employee Ratio



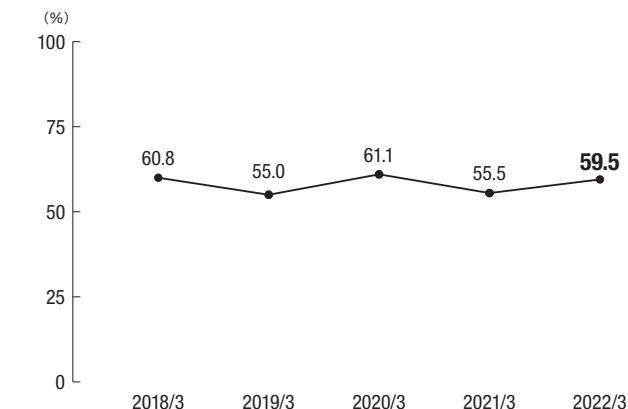
Owing to its high overseas sales ratio and overseas sites for sales, development, and production, the JCM Group's overseas employee ratio stands at around 40%. The Group will continue to properly allocate personnel in line with business activities.

▶ Female Employee Ratio (non-consolidated)



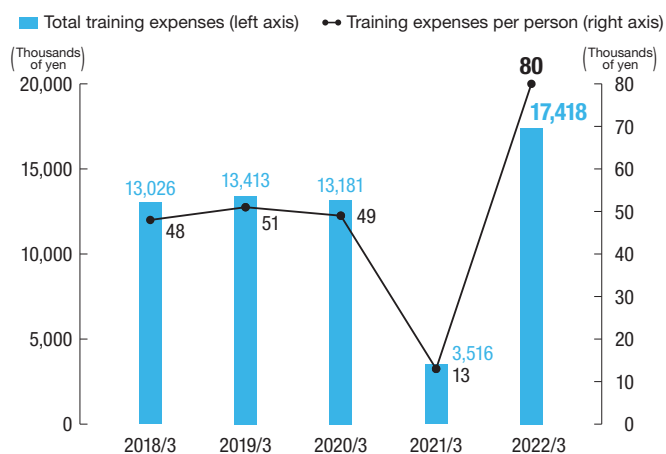
Although the female employee ratio is on the rise, we will continue to strive to create an environment where each employee can demonstrate their full potential by changing the mindset of all employees toward career development and supporting employees in balancing work and childcare.

▶ Paid Leave Utilization Rate (non-consolidated)



At the beginning of the year, we introduced a system in which employees voluntarily submit and manage applications for five days of paid leave and a half-day paid leave system. As a result, the paid leave utilization rate has remained at around 60%. We are working to further promote the use of paid leave.

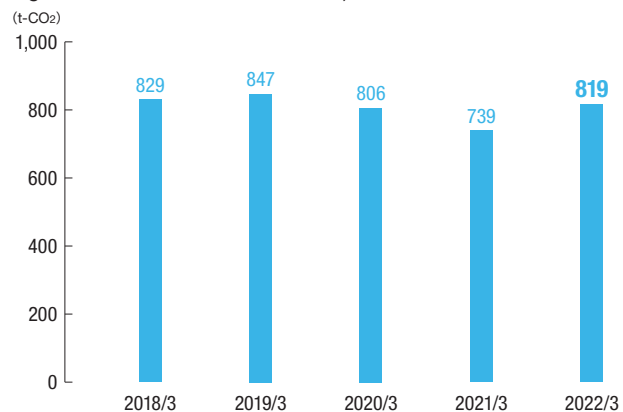
▶ Training Expenses per Person (non-consolidated)



In the fiscal year ended March 31, 2022, we resumed group training, which could not be held in the previous fiscal year when we had the general rule of working from home due to the COVID-19 crisis. As a result, training expenses per person increased.

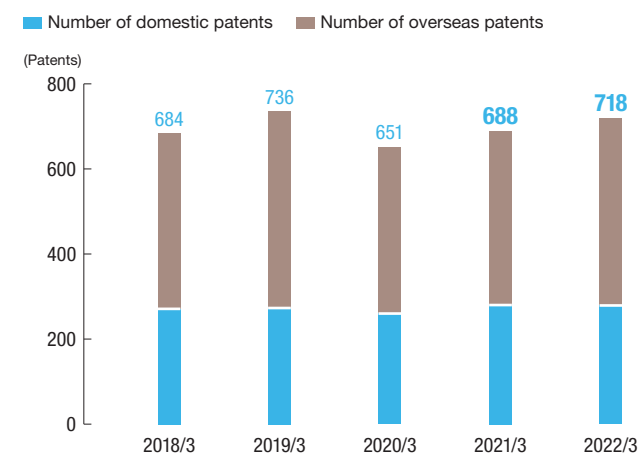
▶ Greenhouse Gas Emissions

(Figures up to 2021/3 are non-consolidated. Figures for 2022/3 are consolidated.)



In the fiscal year ended March 31, 2022, we resumed production activities in response to the market recovery amid the COVID-19 pandemic, but we were still in the process of recovery. Compared with the fiscal year ended March 31, 2021, there was little change in non-consolidated emissions (emission amount: 742 t-CO₂). However, starting from the fiscal year ended March 31, 2022, we calculated emissions on a consolidated basis, resulting in an increase in total emissions.

▶ Number of Patents Acquired (Total of patents, designs, and trademarks)



The Group primarily acquires patents to protect its products and to keep in check competitor patents. Moreover, the Group maintains a high ratio of overseas patents compared to domestic patents owing in part to its high overseas sales ratio.

List of Major Domestic and Overseas Affiliated Companies



JCM EUROPE GMBH.
[Dusseldorf, Germany]
Sales of money handling machines, etc.

EUROPE

JCM Systems Co., Ltd.
[Chuo-ku, Tokyo]
Sales, installation, and maintenance of amusement industry equipment, etc.

JCM Meiho Co., Ltd.
[Chuo-ku, Tokyo]
Sales of pachinko (pinball) and related machines, etc.



Tokyo head office building

JCM COMMERCE MECHATRONICS INC.
[Illinois, U.S.A.]
Sales of money handling machines, etc.



Office building to which we will be relocating

JCM CHINA CO., LTD.
[Guangdong, P.R. China]
Support for manufacturing and sales of money handling machines, etc.
Note: To be closed in 2023

JCM GOLD (H.K.) LTD.
[Hong Kong]
Manufacture of money handling machines, etc.

ASIA PACIFIC

J-CASH MACHINE (THAILAND) CO., LTD.
[Bangkok, Thailand]
Software development



J-CASH MACHINE GLOBAL MANUFACTURING (PHILIPPINES) INC.
[Laguna, Philippines]
Manufacture of money handling machines, etc.



JCM AMERICAN CORP.
[Nevada, U.S.A.]
Sales of money handling machines, etc.



NORTH AMERICA

Corporate Data/Stock Information (As of March 31, 2022)

▶ Company Outline

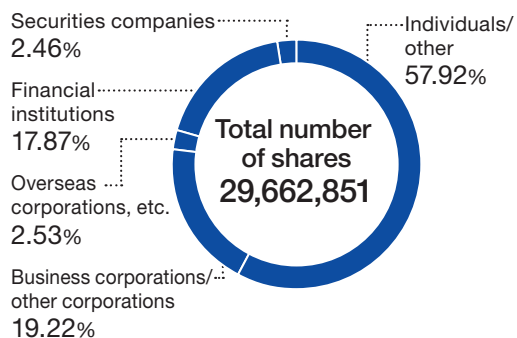
Name	Japan Cash Machine Co., Ltd.
Established	January 11, 1955
Capital	¥2,216 million
Number of Employees	[Non-consolidated] 218 [Consolidated] 528
Head Office*	2-3-15 Nishiwaki, Hirano-ku, Osaka 547-0035, Japan
Tel.	+81-6-6703-8400
Fiscal Year	From April 1 to March 31

*Scheduled to be relocated in late March 2023

▶ Share Overview

Total number of shares authorized to be issued	118,000,000
Total number of issued shares	29,662,851
Share unit	100
Number of shareholders	17,147

▶ Breakdown by Type of Shareholder



▶ Major Shareholders (Top 10)

Name	Investment in the Company	
	Number of shares held (shares)	Percentage of outstanding shares (%)
Johto Investment and Development, Inc.	4,661,713	15.72
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,642,900	8.91
Koichiro Kamihigashi	2,437,246	8.22
Yojiro Kamihigashi	1,458,283	4.92
Custody Bank of Japan, Ltd. (Trust Account)	670,700	2.26
Yoshiko Kamihigashi	638,600	2.15
Resona Bank, Limited	563,343	1.90
Sumitomo Mitsui Banking Corporation	503,724	1.70
Totor Engineering Co., Ltd.	432,474	1.46
Nippon Life Insurance Company	403,226	1.36

Note: The percentage of outstanding shares is calculated after deducting 2,704 treasury shares.

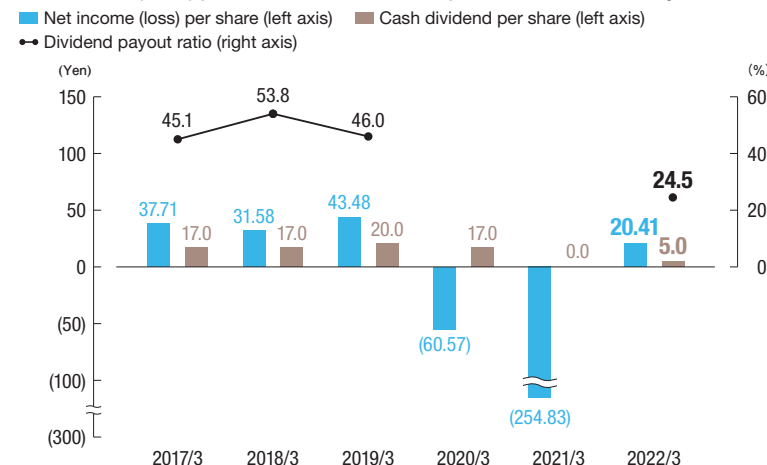
▶ Stock Information

Ordinary General Meeting of Shareholders	Held annually in June
Record date for year-end dividends	March 31
Interim dividend record date	September 30 In addition, if necessary, on a date to be fixed in advance by public notice
Share unit	100
Listed stock market	Tokyo Stock Exchange Prime Market
Securities code	6418
Administrator of shareholders' register	Sumitomo Mitsui Trust Bank, Limited

▶ Basic Policy on Shareholder Returns

The Company considers returns to shareholders to be one of the most important management issues in determining dividends from surplus. The Company comprehensively considers both the increase in dividends through expansion of profits from realizing its growth strategy and the stable distribution of dividends, which is the return of profits to shareholders. The Company decides dividends from surplus based on a consolidated dividend payout ratio of at least 30% and taking into consideration the ratio of dividends to net assets (DOE).

Net Income (Loss) per Share/Cash Dividend per Share/Dividend Payout Ratio



▶ Stock Price and Trading Volume

	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3
Year high (yen)	1,750	1,449	1,460	1,432	690	886
Year low (yen)	737	1,040	836	489	495	529
Year-end share price (yen)	1,428	1,163	1,183	541	611	675
Annual trading volume (thousands)	60,387	47,318	35,796	29,268	17,398	28,964
Total number of issued shares (thousands)	29,662	29,662	29,662	29,662	29,662	29,662
Market capitalization (million yen)	42,357	34,497	35,090	16,047	18,123	20,022
Foreign ownership ratio (%)	5.0	5.0	5.9	5.0	4.1	2.5
Price earnings ratio (PER) (times)	36.8	36.8	27.2	—	—	33.1
Price book-value ratio (PBR) (times)	1.29	1.05	1.07	0.53	0.82	0.86
Dividend on equity ratio (DOE) (times)	1.6	1.5	1.8	1.6	—	0.7