

Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 6418
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 Scheduled date of annual general meeting of shareholders: June 28, 2022
 Scheduled date to commence dividend payments: June 7, 2022
 Scheduled date to file annual securities report: June 28, 2022
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: None

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

1. Consolidated Financial Results for FY 2022 (April 1, 2021 through March 31, 2022)

(1) Consolidated operating results

(Percentage figures show year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2022	20,040	17.8	568	-	1,384	-	605	-
FY2021	17,010	(34.8)	(2,589)	-	(2,902)	-	(7,558)	-

(Note) Comprehensive income: 1,044 million yen for FY2022 [- %]
 (7,937) million yen for FY2021 [- %]

	Net income per share: Basic	Net income per share: Diluted	Return on equity	Ordinary income to total assets	Ordinary income to net sales
	yen	yen	%	%	%
FY2022	20.41	-	2.7	4.3	2.8
FY2021	(254.83)	-	(28.8)	(8.4)	(15.2)

(Reference) Equity in net income of affiliate company: - million yen for FY2022
 - million yen for FY2021

(Note) The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. since the beginning of the fiscal year, and the figures for the fiscal year ended March 2022 are the figures after the application of the said accounting standard, etc.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
FY2022	33,144	23,169	69.9	781.16
FY2021	31,772	22,113	69.6	745.55

(Reference) Shareholders' equity: As of March 31, 2022: 23,169 million yen
 As of March 31, 2021: 22,113 million yen

(Note) The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. since the beginning of the fiscal year, and the figures for the fiscal year ended March 2022 are the figures after the application of the said accounting standard, etc.

(3) Consolidated cash flows

	Cash flows from Operating Activities	Cash flows from Investing Activities	Cash flows from Financing Activities	Cash and cash equivalents at the end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2022	1,333	(255)	397	14,241
FY2021	(843)	(34)	3,987	12,413

2. Dividends

	Annual cash dividends per share					Total cash dividends (Annual)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1 st quarter end	2 nd quarter end	3 rd quarter end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
FY2021	-	0.00	-	0.00	0.00	-	-	-
FY2022	-	0.00	-	5.00	5.00	148	24.5	0.7
FY2023 (forecast)	-	Undecided	-	Undecided	Undecided		Undecided	

(Note) The dividend forecast for the fiscal year ending March 31, 2023 is undecided due to the difficulty of forecasting earnings at this time.

3. Forecasts of consolidated operating results for FY2023 (April 1, 2022 through March 31, 2023)

At this time, it is difficult to determine the impact that concerns about shortages in the supply of semiconductors and other electronic components will have on the Group's business activities and performance, and therefore, it is difficult to calculate projected profits. Therefore, the consolidated earnings forecast for the fiscal year ending March 31, 2023 is undetermined.

We will promptly disclose such information when appropriate and reasonable calculations become possible.

* Note

- (1) Changes in significant subsidiaries during FY2022 (changes in specified subsidiaries resulting in the change in consolidation scope): None
- (2) Changes in accounting policies / Changes in accounting estimates / Restatements
- 1) Changes in accounting policies due to revisions of accounting standards, etc.: Yes
- 2) Changes in accounting policies other than 1) : None
- 3) Changes in accounting estimates : None
- 4) Restatements : None

(Note)For details, please refer to "(5) Notes to Consolidated Financial Statements (Changes in Accounting Policy)" on page 14 of the Financial Results (Attachments).

(3) Number of shares outstanding (common stock)

Number of shares outstanding at term end (including treasury shares)	FY2022	29,662,851 shares	FY2021	29,662,851 shares
Number of treasury shares at term end	FY2022	2,704 shares	FY2021	2,573 shares
The average number of outstanding shares	FY2022	29,660,197 shares	FY2021	29,660,342 shares

(Reference) Summary of non-consolidated financial results

1. Non-consolidated financial results for FY2022(April 1, 2021 through March 31, 2022)

(1) Non-consolidated financial results

(Percentage figures show year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2022	5,482	(9.0)	(587)	-	(45)	-	(126)	-
FY2021	5,028	(38.3)	(1,349)	-	(714)	-	(2,584)	-

	Net income per share		Net income per share	
	Basic		Diluted	
	Yen		Yen	
FY2022	(4.26)		-	
FY2021	(87.13)		-	

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2022	22,241	15,617	70.2	526.55
FY2021	22,364	15,935	71.3	537.27

(Reference) Shareholders' equity; 15,617 million yen for FY2022 15,935 million yen for FY2021

* Consolidated Financial Results report for FY2022 is not audited by a certified public accountant or auditing firm.

* Explanation for the appropriate use of financial forecasts, and other special notes
(Notes regarding forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and certain assumptions that the Company deems reasonable.

Please refer to "4. Outlook for the Next Fiscal Year" on page 6 of the attached materials for assumptions underlying the forecasts and precautions regarding their use.

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1. Summary of Business Results

(1) Overview of Business Results for the Current Fiscal Year

During the consolidated fiscal year under review, although the impact of the spread of COVID-19 continued, the global economy showed signs of a gradual recovery, albeit in varying shades of gray, as vaccination progressed worldwide. In the U.S. and Europe in particular, there were signs of a rapid resumption of economic activity, with a major shift toward a system of coexistence with the COVID-19. On the other hand, in addition to the global shortage of semiconductors and other electronic components due to the rapid recovery of demand, there are many causes for concern, such as soaring resource prices due to geopolitical risks and the global outbreak of COVID-19 variants, and the economic outlook remains uncertain.

In this market environment, the U.S. gaming market, the JCM Group's (the "Group") main market, continued to be more active than before COVID-19 era due in part to progress in vaccinations and easing of restrictions on admission to casino facilities, etc., and the willingness of customers such as casino operators to invest in equipment also recovered significantly. In the domestic and overseas commercial market (banking/retail/transportation, etc.), demand for products related to the expansion and promotion of contactless and non-contact cash settlement as a measure to prevent infections remained strong against the backdrop of the shift to a coexist with COVID-19 system. On the other hand, in the market of equipment for the amusement industry, demand for peripheral equipment associated with the replacement of old regulation machines remained sluggish against the backdrop of a shortage of supply of new regulation machines, in addition to the fact that it has taken time for pachinko halls to recover their operation.

Under these circumstances, in order to capture demand accompanying the recovery of economic activities in the U.S. and Europe, the Group conducted aggressive sales activities for system products that take into account trends such as cashless systems, the use of which is expected to increase further in the coexist with COVID-19 era, and products related to the expansion and promotion of contactless and non-face-to-face operations such as self-checkout. In response to concerns about the supply of products to meet customer demand due to the shortage of semiconductors and other electronic components, the Group focused all its efforts on improving the supply system for customers, placing top priority on sales of high-demand products and taking every possible measure to procure parts, including the allocation of parts from other products. Furthermore, in terms of expenses, we continued to implement cost-cutting measures from the previous consolidated fiscal year, such as reductions and restraints based on efficient management of personnel expenses and R&D expenses, including reductions in compensation for directors.

Consequently, the Group posted net sales of 20,040 million yen (up 17.8% from the previous fiscal year) for the consolidated fiscal year ending March 31, 2022. In terms of profit, operating income was 568 million yen (loss of 2,589 million yen in the previous consolidated fiscal year) due to curbing development costs by concentrating investments on high-priority development projects, and reducing personnel costs by restructuring the personnel structure and fixed costs by improving efficiency through office consolidation at group companies, among others. Ordinary income was 1,384 million yen (2,902 million yen loss in the previous consolidated fiscal year), due in part to the recording of 874 million yen in non-operating income, including foreign exchange gains resulting from the depreciation of the yen, but also due to the recording of 983 million yen in income taxes-deferred resulting from the reversal of deferred tax assets, etc. Net income attributable to owners of the parent was 605 million yen (7,558 million yen loss in the previous consolidated fiscal year).

The average exchange rates for the consolidated fiscal year were 110.37 yen per U.S. dollar (106.44 yen in the previous consolidated fiscal year) and 130.37 yen per euro (121.95 yen in the previous consolidated fiscal year).

Besides, the year-end exchange rates applied fair market valuation as of the fiscal year end were 122.41 yen per U.S. dollar (110.72 yen in the previous consolidated fiscal year).

Net sales by segment and segment income are as described below.

(Unit: millions of yen)

		FY2021	FY2022	Increase or decrease	
				Amount	Change (%)
Global Gaming	Net sales	8,077	10,093	2,015	25.0
	Segment income	(486)	1,475	1,961	-
Overseas Commercial	Net sales	2,746	4,361	1,614	58.8
	Segment income	(791)	209	1,001	-
Domestic Commercial	Net sales	1,704	1,839	135	7.9
	Segment income	115	86	(28)	(24.8)
Equipment for the Amusement Industry	Net sales	4,482	3,746	(736)	(16.4)
	Segment income	(986)	(391)	595	-
Adjustment	Net sales	-	-	-	-
	Segment income	(439)	(811)	(371)	-
Total	Net sales	17,010	20,040	3,029	17.8
	Ordinary income	(2,589)	568	3,157	-

(Note) The amounts in “Adjustment” include the eliminations of intersegment transactions, expenses that cannot be apportioned to reportable segments.

<Global Gaming>

In the European region, sales remained sluggish due to the fact that some countries are still affected by COVID-19 infection, such as the spread of COVID-19 variant, but in the U.S., vaccination has progressed and admission restrictions to casino facilities, etc., have been eased, resulting in a boom that was not seen even in before COVID-19 era. Against this backdrop, sales of bill validator units and printers, the Group’s mainstay products, were strong, the segment recorded net sales of 10,093 million yen (up 25.0% year-on-year). Segment income was 1,475 million yen (486 million yen loss in the previous fiscal year), a significant increase over the previous fiscal year, due to factors such as increased revenue, and decreased personnel expenses and depreciation expenses resulting from the restructuring of the personnel structure and the recording of impairment losses on fixed assets implemented in the previous fiscal year.

<Overseas Commercial>

Against the backdrop of the prevention of the spread of COVID-19 infection, the contactless and non-face-to-face payment style is taking root, and sales of bill recycler units for self-checkout machines were strong in the European region. In the U.S., the introduction of bill recycler units for bitcoin ATMs also contributed to a significant increase in sales in this segment from the previous fiscal year to 4,361 million yen (up 58.8% from the previous fiscal year). Segment income was 209 million yen (791 million yen loss in the previous consolidated fiscal year), its profit was secured for the first time since the fiscal year ended March 2018, due to factors such as a decrease in R&D expenses resulting from the completion of development projects, in addition to increased sales.

<Domestic Commercial>

Sales in this segment were 1,839 million yen (up 7.9% from the previous fiscal year) due to high demand for products related to the increasing shift to contactless and non-face-to-face payment at the time of settlement, as with overseas commercials, and sales of bill and coin recycler units for self-service ticket vending machines at restaurants and for self-gas stations remained strong. However, segment income was 86 million yen (down 24.8% from the previous fiscal year), due to increased development costs for new products such as payment machine compatible with cashless.

<Equipment for the Amusement Industry>

In Japan, pachinko halls continued to take a cautious stance toward investment in peripheral equipment, as it is still taking time for pachinko halls to recover their operations due to COVID-19 disaster and the upcoming replacement with new regulation machines due at the end of January of this year. In addition, although we had assumed demand in line with the replacement of equipment with new regulations, the supply of equipment with new regulations was delayed due to a shortage in the supply of electronic components such as semiconductors. As a result, net sales in this segment were 3,746 million yen (down 16.4% from the previous fiscal year). However, the segment loss was 391 million yen (986 million yen loss in the previous consolidated fiscal year) due to cost reduction efforts, including restructuring of the personnel structure and consolidation and elimination of sales offices, as well as the in-house installation work cases and thorough management of profitability.

(2) Overview of Financial Position for the Fiscal Year

Total assets at the end of the consolidated fiscal year were 33,144 million yen, an increase of 1,371 million yen from the end of the previous consolidated fiscal year.

Total current assets increased by 2,262 million yen from the end of the previous fiscal year to 28,077 million yen.

While "cash and deposits" and "notes and accounts receivable-trade, and contract assets" increased 1,828 million yen and 760 million yen, respectively, due to increased sales, inventories decreased 529 million yen.

Total non-current assets decreased 933 million yen from the end of the previous fiscal year to 5,024 million yen, mainly due to the reversal of "deferred tax assets".

Total deferred assets increased 42 million yen from the end of the previous consolidated fiscal year due to the recognition of deferred expenses for the issuance of corporate bonds.

Total liabilities increased 315 million yen from the end of the previous fiscal year to 9,974 million yen. While "short-term borrowings" decreased by 4,180 million yen due to refinancing to "long-term borrowings," "current portion of long-term borrowings" increased by 600 million yen, "long-term borrowings" increased by 2,100 million yen, and "bonds payable" increased by 2,000 million yen due to issuance of bonds.

Total net assets increased 1,056 million yen from the end of the previous fiscal year to 23,169 million yen. While "Valuation difference on available-for-sale securities" decreased by 191 million yen due to a decline in stock prices, "Retained earnings" increased by 616 million yen due to the recording of profit attributable to owners of the parent and "Foreign currency translation adjustment" increased by 631 million yen due to the revaluation of overseas subsidiaries to fair value.

(3) Overview of Cash Flows for the Fiscal Year

Cash and cash equivalents at the end of the fiscal year increased 1,828 million yen from the end of the previous fiscal year to 14,241 million yen.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 1,333 million yen (Expenditure of 843 million yen in the previous fiscal year). This was mainly due to an increase in net cash from profit before income taxes of 1,384 million yen, a decrease in inventories of 1,153 million yen, and an increase in trade payables of 667 million yen, while an increase in trade receivables of 374 million yen, payment of voluntary early retirement-related expenses of 468 million yen, and income taxes paid of 285 million yen, etc. were recorded as net cash decrease.

(Cash flows from investing activities)

Net cash expended in investing activities totaled 255 million yen (Expenditure of 34 million yen in the previous fiscal year). This was mainly due to expenditures of 207 million yen for the purchase of property, plant and equipment and 46 million yen for the purchase of intangible assets.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to 397 million yen (Income of 3,987 million yen in the previous fiscal year). This was mainly due to a 3,000 million yen proceeds from long-term borrowings and 1,950 million yen proceeds from the issuance of bonds, which were refinanced from 4,300 million yen in short-term borrowings, resulting in an increase in net cash.

Trends in the Group's cash flow indicators are shown below.

	FY2018	FY2019	FY2020	FY2021	FY2022
Shareholders' equity ratio (%)	81.4	82.9	81.7	69.6	69.9
Shareholders' equity ratio based on market value (%)	85.0	88.4	43.3	57.0	60.4
Cash flow to interest-bearing debt ratio (year)	0.0	0.0	-	-	3.8
Interest coverage ratio (times)	115.9	783.1	-	-	47.2

*Shareholders' Equity ratio: Shareholders' equity/total assets

Shareholders' Equity ratio based on market value: Market capitalization/Total assets

Cash flow to interest-bearing debt ratio: interest-bearing debt/cash flow from operating activities

Interest coverage ratio: Cash flow from operating activities /Interest expense

1. All figures are calculated based on consolidated financial figures.
2. Market capitalization is calculated based on the number of shares issued excluding treasury shares.
3. Cash flow is based on cash flow from operating activities.
4. Interest-bearing debt includes all liabilities on the consolidated balance sheets for which interest is paid.

(4) Future Outlook

As for the business environment surrounding the Group in the next fiscal year (ending March 31, 2023), while the economies of the United States and Europe are recovering with the acceleration of vaccination against COVID-19, there are areas, including China, where the infection is re-spreading due to COVID-19 variants, and the adverse effects of the COVID-19 disaster are expected to continue for the time being. Furthermore, the unpredictable situation is expected to continue, due to factors that may hinder the global economic recovery in the short to medium term, such as the global shortage of semiconductors and other electronic components, supply chain disruptions caused by soaring resource prices, the emergence of geopolitical risks such as the situation in Ukraine, and the rapid depreciation of the yen.

Under such an environment, in terms of selling, we established JCM COMMERCE MECHATRONICS INC. in January of this year as a further foothold for our commercial business (banking/retail/transportation, etc.), which we expect to follow our mainstay gaming business. This new company, we aim to develop customers in the commercial market (banking/retail/transportation, etc.) in North America and Central and South America, expand the market share of our products, including new products currently under development, and grow the commercial business into a business on a par with the gaming business. Meanwhile, in the market of equipment for the amusement industry, which is shrinking the market, we will continue to focus on sales of our core products, such as automatic token supply/collection system and bill transport system, in which we can demonstrate our strengths, and we will further strive to improve the efficiency and profitability of our sales activities by utilizing our distributors and collaborating with other companies in the same industry.

In the area of development, we will accelerate the speed of launching a number of new products that are under development in anticipation of future demand growth, thereby boosting sales activities and enabling the Group to grow with the changing times. In terms of production, the transfer of production from China to our Philippine factory, which started operation last year, is expected to be completed by the end of this year despite some delays due to the COVID-19 disaster, and we aim to improve profitability through further efforts to stabilize product quality and cost reduction.

Regarding the outlook for the next fiscal year, although demand for our products is strong due to the global shift to a system of coexistence with the COVID-19, there are concerns about lost sales opportunities due to shortages in the supply of electronic components such as semiconductors. The group is focusing on securing electronic components by every means possible and taking measures to avoid delays through product design changes. However, at the present time, there are many unknowns regarding the resolution of the shortage, and it is difficult to grasp the impact on the group's business activities and operating results and calculate earnings forecasts. Therefore, the Company has decided not to make this consolidated earnings forecast.

The company will promptly disclose the forecast when an appropriate and reasonable calculation becomes possible.

(5) Basic policy for profit allocation and dividends for the current period and next period

The Group determines its basic policy for the return of profits, based on a consolidated dividend payout ratio of at least 30%, considering the ratio of dividends to net assets while taking into accounts two factors: an increase in dividend amounts through the expansion of income by realizing our growth strategy and the stable implementation of dividend payments.

While net sales and profits at all levels improved significantly during the fiscal year, the Company decided to pay a dividend of 5 yen per share for the fiscal year, excluding the impact of very short-term profit fluctuation factors, taking into consideration the sudden change in the foreign exchange market just before the end of the fiscal year and the business environment for the next fiscal year and beyond.

The dividend for the next fiscal year is undecided at this time, considering that the forecast of consolidated financial results for the fiscal year ending March 31, 2023 has not yet been determined.

2. Fundamental policy on choosing corporate accounting standards

The Group has a policy, for the time being, of preparing consolidated financial statements based on Japanese standards in view of comparability between consolidated financial statements for different fiscal years, as well as comparability with those of other corporations.

The Group will respond to apply to International Accounting Standards appropriately considering various situations in Japan and overseas.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

	(in thousands of yen)	
	FY2021 (March 31, 2021)	FY2022 (March 31, 2022)
Assets		
Current assets		
Cash and deposits	12,433,846	14,261,965
Notes and accounts receivable - trade	3,031,401	—
Notes and accounts receivable - trade, and contract assets	—	3,792,187
Electronically recorded monetary claims - operating	339,197	198,798
Securities	51,771	—
Merchandise and finished goods	5,621,086	4,380,470
Work in process	368,689	759,813
Raw materials and supplies	3,462,913	3,782,713
Other	656,373	1,087,231
Allowance for doubtful accounts	(150,790)	(185,710)
Total current assets	25,814,488	28,077,468
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,055,617	1,078,208
Machinery, equipment and vehicles, net	132,187	95,199
Land	1,766,069	1,801,169
Leased assets, net	0	0
Other, net	118,590	258,913
Total property, plant and equipment	3,072,464	3,233,490
Intangible assets		
Software	19,090	17,718
Other	8,217	78,021
Total intangible assets	27,308	95,740
Investments and other assets		
Investment securities	1,093,062	876,107
Retirement benefit asset	576,855	613,753
Deferred tax assets	943,053	8,359
Other	304,741	261,160
Allowance for doubtful accounts	(58,989)	(64,114)
Total investments and other assets	2,858,723	1,695,267
Total non-current assets	5,958,497	5,024,498
Deferred assets		
Bond issuance costs	—	42,091
Total deferred assets	—	42,091
Total assets	31,772,986	33,144,058

	(in thousands of yen)	
	FY2021 (March 31, 2021)	FY2022 (March 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,302,264	2,133,138
Short-term borrowings	4,300,000	119,552
Current portion of long-term borrowings	—	600,000
Lease liabilities	52,134	65,684
Income taxes payable	619,492	202,602
Provision for bonuses	188,300	249,000
Provision for bonuses for directors (and other officers)	—	6,000
Provision for business restructuring	284,217	253,436
Other	2,292,449	1,777,067
Total current liabilities	9,038,859	5,406,480
Non-current liabilities		
Bonds payable	—	2,000,000
Long-term borrowings	—	2,100,000
Lease liabilities	155,812	169,905
Deferred tax liabilities	336,641	253,524
Other	128,407	44,837
Total non-current liabilities	620,861	4,568,266
Total liabilities	9,659,720	9,974,747
Net assets		
Shareholders' equity		
Share capital	2,216,945	2,216,945
Capital surplus	2,762,525	2,762,525
Retained earnings	18,174,396	18,790,970
Treasury shares	(2,294)	(2,379)
Total shareholders' equity	23,151,572	23,768,061
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	343,572	151,789
Foreign currency translation adjustment	(1,381,879)	(750,540)
Total accumulated other comprehensive income	(1,038,307)	(598,750)
Total net assets	22,113,265	23,169,310
Total liabilities and net assets	31,772,986	33,144,058

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
Consolidated Statement of Income

	(in thousands of yen)	
	FY2021 (From April 1, 2020 To March 31, 2021)	FY2022 (From April 1, 2021 To March 31, 2022)
Net sales	17,010,972	20,040,100
Cost of sales	*1,*3 11,735,660	*1,*3 12,443,984
Gross profit	5,275,312	7,596,116
Reversal of unrealized income on installment sales	13,834	—
Gross profit - net	5,289,146	7,596,116
Selling, general and administrative expenses	*2,*3 7,878,484	*2,*3 7,027,479
Operating profit (loss)	(2,589,337)	568,637
Non-operating income		
Interest income	5,664	5,908
Dividend income	28,710	31,568
Foreign exchange gains	127,178	490,135
Gain on forgiveness of debts	—	214,833
Other	37,933	132,461
Total non-operating income	199,487	874,907
Non-operating expenses		
Interest expenses	12,854	31,963
Voluntary early retirement-Related expenses	469,960	—
Amortization of bond issuance costs	—	7,015
Other	30,165	19,767
Total non-operating expenses	512,979	58,745
Ordinary profit (loss)	(2,902,829)	1,384,799
Extraordinary income		
Gain on sale of non-current assets	*4 323,465	—
Total extraordinary income	323,465	—
Extraordinary losses		
Loss on sale of non-current assets	*5 53	—
Loss on retirement of non-current assets	*6 3,152	*6 247
Impairment losses	*7 5,658,661	—
Total extraordinary losses	5,661,867	247
Profit (loss) before income taxes	(8,241,232)	1,384,551
Income taxes - current	1,133	(204,589)
Income taxes - deferred	(684,031)	983,765
Total income taxes	(682,898)	779,175
Profit (loss)	(7,558,333)	605,375
Profit (loss) attributable to owners of parent	(7,558,333)	605,375

Consolidated Statement of Comprehensive Income

	(in thousands of yen)	
	FY2021 (From April 1, 2020 To March 31, 2021)	FY2022 (From April 1, 2021 To March 31, 2022)
Profit (loss)	(7,558,333)	605,375
Other comprehensive income		
Valuation difference on available-for-sale securities	209,010	(191,782)
Foreign currency translation adjustment	(588,598)	631,339
Total other comprehensive income	(379,587)	439,557
Comprehensive income	(7,937,921)	1,044,932
(Break down)		
Comprehensive income attributable to owners of parent	(7,937,921)	1,044,932
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Changes in Net Assets

Fiscal Year 2021 (From April 1, 2020 to March 31, 2021)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,216,945	2,762,525	25,984,844	(2,217)	30,962,097
Cumulative effects of changes in accounting policies					—
Restated balance	2,216,945	2,762,525	25,984,844	(2,217)	30,962,097
Changes during period					
Dividends of surplus			(252,114)		(252,114)
Profit (loss) attributable to owners of parent			(7,558,333)		(7,558,333)
Purchase of treasury shares				(76)	(76)
Net changes in items other than shareholders' equity					—
Total changes during period	—	—	(7,810,447)	(76)	(7,810,524)
Balance at end of period	2,216,945	2,762,525	18,174,396	(2,294)	23,151,572

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	134,561	(793,281)	(658,720)	30,303,377
Cumulative effects of changes in accounting policies				—
Restated balance	134,561	(793,281)	(658,720)	30,303,377
Changes during period				
Dividends of surplus				(252,114)
Profit (loss) attributable to owners of parent				(7,558,333)
Purchase of treasury shares				(76)
Net changes in items other than shareholders' equity	209,010	(588,598)	(379,587)	(379,587)
Total changes during period	209,010	(588,598)	(379,587)	(8,190,112)
Balance at end of period	343,572	(1,381,879)	(1,038,307)	22,113,265

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,216,945	2,762,525	18,174,396	(2,294)	23,151,572
Cumulative effects of changes in accounting policies			11,198		11,198
Restated balance	2,216,945	2,762,525	18,185,594	(2,294)	23,162,770
Changes during period					
Profit (loss) attributable to owners of parent			605,375		605,375
Purchase of treasury shares				(85)	(85)
Net changes in items other than shareholders' equity					—
Total changes during period	—	—	605,375	(85)	605,290
Balance at end of period	2,216,945	2,762,525	18,790,970	(2,379)	23,768,061

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	343,572	(1,381,879)	(1,038,307)	22,113,265
Cumulative effects of changes in accounting policies				11,198
Restated balance	343,572	(1,381,879)	(1,038,307)	22,124,463
Changes during period				
Profit (loss) attributable to owners of parent				605,375
Purchase of treasury shares				(85)
Net changes in items other than shareholders' equity	(191,782)	631,339	439,557	439,557
Total changes during period	(191,782)	631,339	439,557	1,044,847
Balance at end of period	151,789	(750,540)	(598,750)	23,169,310

(4) Consolidated Statements of Cash Flows

(in thousands of yen)

	FY2021 (From April 1, 2020 To March 31, 2021)	FY2022 (From April 1, 2021 To March 31, 2022)
Cash flows from operating activities		
Profit (loss) before income taxes	(8,241,232)	1,384,551
Depreciation	734,560	191,644
Amortization of goodwill	135,142	—
Increase (decrease) in provisions	(259,921)	33,646
Interest and dividend income	(34,375)	(37,476)
Interest expenses	12,854	31,963
Amortization of bond issuance costs	—	7,015
Foreign exchange losses (gains)	(145,307)	(463,669)
Gain on forgiveness of debt	—	(214,833)
Loss (gain) on sale and retirement of property, plant and equipment	(320,259)	247
Impairment losses	5,658,661	—
Voluntary early retirement-Related expenses	469,960	—
Decrease (increase) in trade receivables	1,908,381	(374,549)
Decrease (increase) in inventories	728,750	1,153,272
Increase (decrease) in trade payables	(1,709,951)	667,253
Decrease (increase) in consumption taxes refund receivable	125,264	(17,945)
Increase/decrease in other assets/liabilities	141,462	(282,672)
Subtotal	<u>(796,007)</u>	<u>2,078,448</u>
Interest and dividends received	33,689	36,789
Interest paid	(12,292)	(28,255)
Payments for Voluntary early retirement-Related expenses	—	(468,306)
Payments for loss on litigation	(56,528)	—
Income taxes paid	(12,397)	(285,620)
Net cash provided by (used in) operating activities	<u>(843,536)</u>	<u>1,333,055</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(379,366)	(207,610)
Proceeds from sale of property, plant and equipment	345,675	—
Purchase of intangible assets	(48,676)	(46,309)
Net decrease (increase) in short-term investment securities	33,705	55,202
Purchase of investment securities	(2,055)	(57,079)
Other, net	16,173	—
Net cash provided by (used in) investing activities	<u>(34,544)</u>	<u>(255,797)</u>
Cash flows from financing activities		
Proceeds from short-term borrowings	4,300,000	—
Repayments of short-term borrowings	—	(4,300,000)
Net increase (decrease) in short-term borrowings	—	119,552
Proceeds from long-term borrowings	—	3,000,000
Repayments of long-term borrowings	—	(300,000)
Proceeds from issuance of bonds	—	1,950,893
Dividends paid	(252,619)	(396)
Repayments of lease liabilities	(60,066)	(72,020)
Purchase of treasury shares	(76)	(85)
Net cash provided by (used in) financing activities	<u>3,987,237</u>	<u>397,943</u>
Effect of exchange rate change on cash and cash equivalents	705	352,917
Net increase (decrease) in cash and cash equivalents	<u>3,109,862</u>	<u>1,828,119</u>
Cash and cash equivalents at beginning of period	<u>9,303,984</u>	<u>12,413,846</u>
Cash and cash equivalents at end of period	<u>12,413,846</u>	<u>14,241,965</u>

(5) Notes to Consolidated Financial Statements

(Notes on premise of a going concern)

Not applicable

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as the "Accounting Standard for Revenue Recognition"), etc. from the beginning of the consolidated fiscal year and will recognize revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer.

As a result, the gain or loss on installment sales corresponding to the amount to be received in the next and subsequent periods under the installment sales standard was deferred processing as "unrealized income on installment sales" but the Company has changed to a method where the transaction price based on the contract with the customer for installment sales is differentiated into financial elements and other elements, and the interest portion, which is a financial element, is recognized as revenue based on the contract period with the customer, while the other transaction prices are recognized as revenue in a lump sum at the time of acceptance inspection. For some transactions, the Company previously recognized revenue based on the total amount of consideration received from the customer. However, for transactions in which the Company's role in providing goods or services to the customer is that of a distributor, the Company now recognizes revenue based on the net amount received from the customer less the amount paid to the supplier. In addition, transactions of supply for fee, the Company recognizes inventory as a financial transaction and recognizes a financial liability for the ending inventory of the charged supply materials remaining with the payer.

With regard to the application of the Accounting Standard for Revenue Recognition, etc., the Company has followed the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, and the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the consolidated fiscal year is added to or deducted from retained earnings at the beginning of the consolidated fiscal year, and the new accounting policy is applied from the relevant beginning balance.

As a result, the balance of "retained earnings" at the beginning of the consolidated fiscal year increased by 11,198 thousand yen. In addition, "net sales" decreased by 357,941 thousand yen, "cost of sales" decreased by 288,174 thousand yen, "gross profit" decreased by 85,321 thousand yen, "selling, general and administrative expense" decreased by 69,767 thousand yen, "operating profit" decreased by 15,554 thousand yen, and "ordinary profit" and "profit before income taxes" decreased by 12,420 thousand yen, respectively.

The impact on information per-share is minimal.

As a result of the application of the Accounting Standard for Revenue Recognition, "Notes and accounts receivable-trade," which was presented in "Current assets" for the previous fiscal year, is now included in "Notes and accounts receivable-trade and contract assets".

In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made for the previous fiscal year using the new presentation method.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the "Accounting Standard for Fair Value Measurement") has been applied from the beginning of the fiscal year. In accordance with the transitional treatment prescribed in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company will apply the new accounting policies set forth by the Accounting Standard for Fair Value Measurement and others in the future.

This change has no impact on the consolidated financial statements for the fiscal year.

*1 The ending inventory is the amount after devaluation of the book value due to the decline in profitability, and the following loss on valuation of inventories is included in the cost of sales.

	FY2021 (From April 1, 2020 To March 31, 2021)	FY2022 (From April 1, 2021 To March 31, 2022)
	402,486 thousand yen	(338,688) thousand yen

*2 Major items and amounts of Selling, general and administrative expenses are as follows

In the previous consolidated fiscal year, the Company received subsidies, etc. from the government and various local governments due to the spread of COVID-19 infection, and 46,112 thousand yen was directly deducted from Selling, general and administrative expenses.

	FY2021 (From April 1, 2020 To March 31, 2021)	FY2022 (From April 1, 2021 To March 31, 2022)
Salaries and bonuses	2,590,610 thousand yen	2,451,928 thousand yen
Allowance for doubtful accounts	(1,870)	22,171
Provision for bonuses	108,417	130,116
Provision for bonuses for directors (and other officers)	-	6,000
Retirement benefit expenses	10,956	41,408
Amortization of goodwill	135,142	-
Commission fee	780,388	705,257

*3 Total R&D expenses included in General and administrative expenses and manufacturing costs

	FY2021 (From April 1, 2020 To March 31, 2021)	FY2022 (From April 1, 2021 To March 31, 2022)
	1,499,849 thousand yen	1,341,563 thousand yen

*4 The main contents of gain on sales of Non-current assets are as follows

	FY2021 (From April 1, 2020 To March 31, 2021)	FY2022 (From April 1, 2021 To March 31, 2022)
Property, plant and equipment	321,621 thousand yen	- thousand yen
Other	1,843	-

*5 The main contents of loss on sales of Non-current assets are as follows.

	FY2021 (From April 1, 2020 To March 31, 2021)	FY2022 (From April 1, 2021 To March 31, 2022)
Property, plant and equipment	53 thousand yen	- thousand yen

*6 The main contents of loss on retirement of Non-current assets are as follows.

	FY2021 (From April 1, 2020 To March 31, 2021)	FY2022 (From April 1, 2021 To March 31, 2022)
Property, plant and equipment	600 thousand yen	- thousand yen
Machinery, equipment and vehicles	393	-
Software	30	0
Other	2,128	247

*7 Impairment losses

FY2021 (From April 1, 2020 to March 31,2021)

(1) Summary of assets for which impairment losses were recognized

Use	Location	category
Business asset	Japan	Buildings and structures, Tools, Furniture and fixtures, Other property, plant and equipment, Software, Other intangible assets, Other investments, etc.
-	The U.S., The UK	Goodwill
Business asset	The U.S., The UK	Technology assets, Customer-related assets
Business asset	Germany, The UK	Other intangible assets,
Business asset	Hong Kong	Tools, furniture and fixtures, Other intangible assets,

(2) Background leading to recognition of Impairment loss

Regarding goodwill, technology assets, and customer-related assets in the U.S. and the U.K. (former Future Logic, Inc.), the Company no longer expects to generate the originally anticipated earnings and has recognized an Impairment loss for the entire unamortized balance.

Impairment losses were recognized for business assets in Japan, Germany, the U. K., and Hong Kong due to their declining profitability.

(3) Amount of Impairment loss

Impairment loss on the above assets amounted to 5,658,661 thousand yen. The main breakdown is as follows: Buildings and structures, 560,720 thousand yen; tools, furniture and fixtures, 1,162,226 thousand yen; Other property, plant and equipment, 26,245 thousand yen; Goodwill, 1,426,501 thousand yen; Technology assets, 70,472 thousand yen; Customer-related assets, 2,097,119 thousand yen; Software, 34,294 thousand yen; Other intangible assets, 275,280 thousand yen; other investments, etc., 5,800 thousand yen.

(4) Method of asset grouping

In calculating Impairment losses, the Group groups assets according to the smallest unit that generates cash flows that are generally independent of other assets or asset groups. Idle assets are grouped by individual projects.

(5) Method of calculating recoverable amount

The recoverable amount of the Group is measured by the higher of the net selling value or the value in use. Net selling value is calculated based on real estate appraisal value etc., while value in use is calculated by discounting future cash flows at a rate of 12.5%. In addition, as factors for estimating future cash flows, the Company takes into account the expected volume of orders and sales from customers, the expected reduction of fixed costs, and the timing and market trends after the end of the COVID-19 pandemic.

FY2022 (From April 1, 2021 to March 31,2022)

Not applicable

(Segment Information, etc.)

【Segment Information】

1. Overview of Reportable Segments

The company's reportable segments are its constituent units for which separate financial information is available and which are regularly reviewed by the Board of Directors to determine the allocation of management resources and to evaluate performance.

The Group formulates comprehensive strategies for its products and services on a business-by-business basis and conducts its business activities accordingly.

Therefore, the Company is composed of segments based on business units and has four reportable segments: "Global Gaming," "Overseas Commercial," "Domestic Commercial," and "Equipment for the Amusement Industry".

Global Gaming" is engaged in the sale of bill validator/recycler units, gaming printers and other products to casino halls and OEM customers. Overseas Commercial" is engaged in the sale of bill validator/recycler units and other products for the overseas banking, retail and transportation markets. Domestic Commercial" sells bill validator/recycler units for the domestic banking, retail and transportation markets. Equipment for amusement industry sells peripheral equipment, including automatic token supply/collection system and bill transport system, for pachinko halls.

2. Calculation of net sales, profit or loss, assets and other items by reportable segment

The accounting method for reported business segments is generally the same as that described in "Basis of Presenting Consolidated Financial Statements.

Internal revenue and transfers between segments are based on prevailing market prices.

As described in "Change in Accounting Policy" the Company has adopted the Accounting Standard for Revenue Recognition and other related accounting standards from the beginning of the fiscal year, and has changed its accounting method for revenue recognition, and has therefore changed its method for calculating Net sales and Profit or Loss for reportable segments in the same manner.

As a result of this change, sales to outside customers in the " Equipment for amusement industry" segment decreased 357,941 thousand yen and segment loss increased 15,554 thousand yen in the consolidated fiscal year under review compared with the previous method.

3. Information on net sales, income or loss, assets, liabilities and other items by reportable segment

Fiscal year 2021 (From April 1, 2020 to March 31, 2021)

(In thousands of yen)

	Reportable segments					Adjustment (Note)	Consolidated
	Global Gaming	International Commercial	Domestic Commercial	Equipment for the Amusement Industry	Total		
Net sales							
Sales to customers	8,077,342	2,746,463	1,704,602	4,482,564	17,010,972	—	17,010,972
Intersegment sales and transfers	—	—	—	—	—	—	—
Total	8,077,342	2,746,463	1,704,602	4,482,564	17,010,972	—	17,010,972
Segment income (loss)	(486,472)	(791,543)	115,012	(986,977)	(2,149,981)	(439,355)	(2,589,337)
Segment assets	9,946,385	3,543,898	1,601,729	3,271,396	18,363,409	13,409,576	31,772,986
Other items							
Depreciation	450,775	69,549	18,817	63,166	602,308	132,251	734,560
Amortization of goodwill	135,142	—	—	—	135,142	—	135,142

Notes: Adjustment is as follows:

- (1) The adjustment of segment income negative 439,355 thousand yen is Company expenses not allocated to each reportable segment.
- (2) The adjustment of segment asset, 13,409,576 thousand yen, is Company assets not allocated to each reportable segment.
- (3) The adjustment of depreciation, 132,251 thousand yen, is depreciation related to Company assets not allocated to each reportable segment. In addition, depreciation includes the amortization of long-term prepaid expenses.

Fiscal year 2022 (From April 1, 2021 to March 31, 2022)

(In thousands of yen)

	Reportable segments					Adjustment (Note)	Consolidated
	Global Gaming	International Commercial	Domestic Commercial	Equipment for the Amusement Industry	Total		
Net sales							
Sales to customers	10,093,060	4,361,192	1,839,704	3,746,143	20,040,100	—	20,040,100
Intersegment sales and transfers	—	—	—	—	—	—	—
Total	10,093,060	4,361,192	1,839,704	3,746,143	20,040,100	—	20,040,100
Segment income (loss)	1,475,030	209,864	86,535	(391,619)	1,379,811	(811,174)	568,637
Segment assets	10,893,711	5,017,769	1,579,923	2,814,558	20,305,962	12,838,095	33,144,058
Other items							
Depreciation	114,616	29,036	2,245	7,760	153,659	37,984	191,644

Notes: Adjustments are as follows:

- (1) The adjustment of segment income negative 811,174 thousand yen is Company expenses not allocated to each reportable segment.
- (2) The adjustment of segment asset, 12,838,095 thousand yen, is Company assets not allocated to each reportable segment.
- (3) The adjustment of depreciation, 37,984 thousand yen, is depreciation related to Company assets not allocated to each reportable segment.

【Related information】

Fiscal year 2021 (From April 1, 2020 to March 31, 2021)

1. Information by products and services

Sales to external customers in a single product/service category exceed 90% of sales in the consolidated statement of income and therefore are omitted.

2. Regional information

(1) Net sales

(In thousands of yen)

Japan	North America	Europe	Others	Total
6,374,741	5,432,723	3,847,886	1,355,621	17,010,972

(Note) Sales are classified into countries or regions based on customer locations.

(2) Property, plant and equipment

(In thousands of yen)

Japan	North America	Europe	Others	Total
2,308,120	633,654	75,162	55,527	3,072,464

3. Information for each key customer

None of the sales to specific customer accounts for more than 10% of the sales in the consolidated statement of income, so this information is omitted.

Fiscal year 2022 (From April 1, 2021 to March 31, 2022)

1. Information by products and services

Sales to external customers in a single product/service category exceed 90% of sales in the consolidated statement of income and therefore are omitted.

2. Regional information

(1) Net sales

(In thousands of yen)

Japan	North America	Europe	Others	Total
5,692,841	8,320,560	4,437,171	1,589,527	20,040,100

(Note) Sales are classified into countries or regions based on customer locations.

(2) Property, plant and equipment

Japan	North America	Europe	Others	Total
2,384,699	644,775	64,899	139,116	3,233,490

3. Information for each key customer

None of the sales to specific customer accounts for more than 10% of the sales in the consolidated statement of income, so this information is omitted.

【Information on loss on impairment of Non-current assets by reportable segment】

Fiscal year 2021 (From April 1, 2020 to March 31, 2021)

(In thousands of yen)

	Global gaming	Overseas commercial	Domestic commercial	Equipment for amusement industry	Adjustments	Consolidated
Loss on impairment	3,995,349	673,910	161,557	394,740	433,103	5,658,661

Fiscal year 2022 (From April 1, 2021 to March 31, 2022)

Not applicable.

【Information on amortization of goodwill and unamortized balance by reportable segment】

Fiscal year 2021 (From April 1, 2020 to March 31, 2021)

(In thousands of yen)

	Global gaming	Overseas commercial	Domestic commercial	Equipment for amusement industry	Adjustments	Consolidated
Amortization for the fiscal year	135,142	-	-	-	-	135,142
Balance at the End of the Period	-	-	-	-	-	-

(Note) The Global Gaming segment recorded an impairment loss of goodwill of 1,426,501 thousand yen.

Fiscal year 2022 (From April 1, 2021 to March 31, 2022)

Not applicable.

【Information on gain on negative goodwill by reportable segment】

Fiscal year 2021 (From April 1, 2020 to March 31, 2021)

Not applicable.

Fiscal year 2022 (From April 1, 2021 to March 31, 2022)

Not applicable.

(Information per share)

	FY2021 (From April 1, 2020 To March 31, 2021)	FY2022 (From April 1, 2021 To March 31, 2022)
Net assets per share	745.55 yen	781.16 yen
Net income (loss) per share	(254.83) yen	20.41 yen

(Note) 1. Diluted net income per share for the previous consolidated fiscal year is not shown since the Company posted a net loss per share and there were no residual shares.

2. Diluted net income per share for the consolidated fiscal year is not shown since there were no residual shares.

3. The basis for calculating net income per share or net loss per share is as follows.

	FY2021 (From April 1, 2020 To March 31, 2021)	FY2022 (From April 1, 2021 To March 31, 2022)
Net income (loss) attributable to owners of the parent (Unit : thousands of yen)	(7,558,333)	605,375
Amount not attributable to common shareholders (Unit : thousands of yen)	-	-
Net income (loss) attributable to the parent company in respect of common shares (Unit : thousands of yen)	(7,558,333)	(605,375)
Average number of outstanding common shares during period (Unit : thousands of yen)	29,660,342	29,660,197

(Significant subsequent events have occurred)

Not applicable.