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Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2023 (Under Japanese GAAP)

August 3, 2022

Company name: Japan Cash Machine Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 6418
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 Scheduled date to file quarterly securities report: August 5, 2022
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the First Quarter ended March 31, 2023 (from April 1, 2022 to June 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2022 1st quarter	6,010	46.7	467	804.1	1,145	—	935	—
FY2021 1st quarter	4,097	(19.6)	51	—	70	—	11	—

Note: Comprehensive income For FY2023 1st quarter: ¥1,260 million [124.0%] For FY2022 1st quarter: ¥562 million [—%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2023 1st quarter	31.53	—
FY2022 1st quarter	0.40	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
FY2023 1st quarter	34,542	24,281	70.3	818.66
FY2022	33,144	23,169	69.9	781.16

Reference: Equity For FY2023 1st quarter: ¥24,281 million For FY2022 : ¥23,169 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2022	—	—	—	5.00	5.00
FY2023	—	—	—	—	—
FY2023 (Forecast)	—	3.00	—	5.00	8.00

Note: Revisions to the forecast of cash dividends most recently announced: Yes

3. Consolidated Financial Forecast for the Fiscal Year 2023 (from April 1, 2022 to March 31, 2023)

(Percentages represent changes from the previous year for Full Fiscal year and from the same quarter of the previous year for the quarter.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
2nd quarter (cumulative)	12,400	37.6	600	118.5	1,300	300.3	1,000	474.3	33.71
FY2023	21,600	7.8	(650)	—	100	(92.8)	1,400	131.3	47.19

Note: Revisions to the forecast of earnings most recently announced: Yes

***Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

FY2023 1st quarter	29,662,851 shares
FY2022	29,662,851 shares

- (ii) Number of treasury shares at the end of the period

FY2023 1st quarter	2,704 shares
FY2022	2,704 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

FY2023 1st quarter	29,660,147 shares
FY2022 1st quarter	29,660,262 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including business forecasts, contained in this document are based on information currently available to the Company and on certain assumptions deemed reasonable by the Company, and are not intended to be a promise by the Company that it will achieve them. Actual results may differ significantly from these forecasts due to various factors. For more information on the above forecasts, please refer to page 3 of the attached materials.

As described in "Material Subsequent Events," the Company plans to issue new shares as Restricted Stock Remuneration on August 24, 2022, therefore calculated net income per share (forecast) based on the average number of shares during the period reflecting such issuance of new shares.

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1. Qualitative information on Quarterly Results

(1) Explanation of Operating Results

In the business environment surrounding the Company and its subsidiaries (hereinafter referred to as the "Group"), while the relaxation of various regulations to deter the spread of the COVID-19 has stimulated economic activities in various countries, the outlook remains uncertain due to the global shortage of electronic components, which has continued since the previous fiscal year, and new concerns such as soaring resource and raw material prices due to geopolitical risks such as the situation in the Ukraine.

In the gaming market, the Group's main market, capital investment demand from casino operators and other customers continued to increase in both North America and Europe as economic activity in those countries recovered and became more active. In the commercial market, demand for capital investment, mainly in the distribution market, remained strong.

Under these circumstances, in the gaming and commercial markets, where demand for our products has been recovering remarkably, we conducted marketing activities to further increase the market share of our products, in addition to multifaceted product proposal activities.

As a result of the above, consolidated net sales for the first quarter were increased significantly to 6,010 million yen (up 46.7% from the same period of the previous fiscal year). In terms of profit, the increase in sales led to an operating income of 467 million yen (up 804.1% from the same period of the previous fiscal year). Furthermore, due to foreign exchange gains of 641 million yen resulting from the yen's depreciation toward the end of the first quarter of the current fiscal year, ordinary income amounted to 1,145 million yen and net income attributable to owners of the parent amounted to 935 million yen (Percentages are omitted where the change is 1,000% or more compared with the same period of the previous fiscal year).

The average foreign exchange rates for this cumulative first quarter were 117.79 yen to the US dollar (107.15 yen in the same period previous year) and 131.63 yen to the euro (128.48 yen in the same period last year). The quarter-end foreign exchange rate applied to the mark-to-market valuation of assets and liabilities at the end of this first quarter was 136.69 yen to the US dollar (122.41 yen in the same period previous year).

Results by segment are as follows.

i. Global Gaming

Sales in this segment were 3,516 million yen (up 92.6% from the same period of the previous fiscal), and segment profit was 575 million yen (up 73.7% from the same period of the previous fiscal year), mainly due to a significant increase in sales of bill validators units and printer units in both the North American and European regions.

ii. Overseas Commercial

Due to significant increased sales of bill recycler units and bill validator units for circulation market in the European regions, net sales in this segment amounted to 1,044 million yen (up 6.7% from the same period of the previous fiscal year), with segment profit of 45 million yen (loss of 28 million yen from the same period of the previous fiscal year).

iii. Domestic Commercial

Sales of bill recycler units for IC card charging machines increased, but sales of bill recycler units and bill validator units for automatic payment machine for self-service gas stations decreased, therefore sales in this segment were 411 million yen (down 5.7% from the same period of the previous year) and segment income was 62 million yen (down 7.1% from the same period of the previous year).

iv. Equipment for the Amusement Industry

Sales of mainstay products such as automatic token dispensing system declined, but an increase in construction projects in connection with changes in equipment specifications at pachinko halls and other factors resulted in net sales of 1,038 million yen (up 21.3% from the same period of the previous year) and a segment loss of 61 million yen (loss of 122 million yen in the same period of the previous year).

(2) Explanation of Financial Position

i. Assets, Liabilities and Net Assets

Total assets at the end of the first quarter of the previous fiscal year increased by 1,398 million yen compared to the end of the previous fiscal year to 34,542 million yen.

Total current assets increased by 1,326 million yen compared to the end of the previous fiscal year to 29,403 million yen. "Cash and deposits" increased by 287 million yen, "Notes and accounts receivable, and contract assets" increased by 651 million yen, and "Inventories" increased by 461 million yen.

Total non-current assets increased by 74 million yen compared to the end of the previous fiscal year to 5,098 million yen mainly due to the acquisition of Property, plant and equipment.

Total deferred assets decreased by 1 million yen compared to the end of the previous fiscal year to 40 million yen due to amortization of bond issuance costs.

Total current liabilities increased by 558 million yen compared to the end of the previous fiscal year to 5,965 million yen. "Notes and accounts payable-trade" increased by 357 million yen, "Other" increased by 401 million yen mainly due to an increase in contract liabilities.

Total Non-current liabilities decreased by 272 million yen compared to the end of the previous fiscal year, to 4,295 million yen. "Long-term borrowings" decreased by 300 million yen due to debt repayment.

Total net assets increased by 1,112 million yen compared to the end of the previous fiscal year to 24,281 million yen. Due to the recording of net income attributable to parent company shareholders, "Retained earnings" increased by 786 million yen, "Foreign currency translation adjustment" due to mark-to-market valuation of foreign subsidiaries increased by 314 million yen.

ii. Cash Flows

Cash and cash equivalents (hereinafter referred to as "Net cash") at the end of the first quarter increased by 287 million yen compared to the end of the previous fiscal year to 14,529 million yen.

The status of each cash flow and their factors during the first quarters of the current fiscal year are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 458 million yen (Expenditure of 29 million yen in the same period of the previous fiscal year). This was mainly due to a decrease in Net cash resulting from a decrease in trade receivables of 480 million yen, while amount of profit before income taxes was 1,145 million yen.

(Cash flows from investing activities)

As a result of investing activities, Net cash used amounted to 65 million yen (Expenditure of 67 million yen in the same period of the previous fiscal year). This was mainly due to expenditures of 61 million yen for the purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash provided by financing activities was 541 million yen (Expenditure of 748 million yen in the same quarter of the previous fiscal year). This was mainly due to the repayment of Long-term borrowings of 300 million yen and dividends paid of 148 million yen.

In addition to these factors, there was a 436 million yen increase in Net cash due to translation differences related to cash and cash equivalents.

(3) Explanation for the forecast of consolidated financial results and other future information

Please refer to "Notice Concerning Earnings and Dividend Forecasts" separately disclosed for details of the consolidated earnings forecasts and other information.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(In thousands of yen)

	Prior Fiscal Year (As of March 31, 2022)	Current first Quarter (As of June 30, 2022)
Assets		
Current assets		
Cash and deposits	14,261,965	14,549,888
Notes and accounts receivable, and contract assets	3,792,187	4,443,247
Electronically recorded monetary claims	198,798	274,386
Merchandise and finished goods	4,389,470	4,427,208
Work in process	759,813	944,283
Raw materials and supplies	3,782,713	4,007,438
Other	1,087,231	944,283
Allowance for doubtful accounts	(185,710)	(193,184)
Total current assets	28,077,468	29,403,489
Non-current assets		
Property, plant and equipment	3,233,490	3,277,666
Intangible assets	95,740	92,962
Investments and other assets		
Other	1,759,381	1,792,472
Allowance for doubtful accounts	(64,114)	(64,114)
Total investments and other assets	1,695,267	1,728,357
Total non-current assets	5,024,498	5,098,986
Deferred assets	42,091	40,337
Total assets	33,144,058	34,542,813
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,133,138	2,491,077
Short-term borrowings	119,552	36,497
Current portion of long-term borrowings	600,000	600,000
Income taxes payable	202,602	258,950
Provision for bonuses	249,000	83,180
Provision for bonuses to directors and corporate auditors	6,000	–
Provision for business restructuring	253,436	251,320
Other	1,842,751	2,244,116
Total current liabilities	5,406,480	5,965,143
Non-current liabilities		
Bonds payable	2,000,000	2,000,000
Long-term borrowings	2,100,000	1,800,000
Other	468,266	495,989
Total non-current liabilities	4,568,266	4,295,989
Total liabilities	9,974,747	10,261,133
Net assets		
Shareholders' equity		
Share capital	2,216,945	2,216,945
Capital surplus	2,762,525	2,762,525
Retained earnings	18,790,970	19,577,909
Treasury shares	(2,379)	(2,379)
Total shareholders' equity	23,768,061	24,555,000
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	151,789	162,527
Foreign currency translation adjustment	(750,540)	(435,848)
Total accumulated other comprehensive income	(598,750)	(273,320)
Total net assets	23,169,310	24,281,680
Total liabilities and net assets	33,144,058	34,542,813

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income**(Quarterly Consolidated Statement of Income)****(Cumulative period for the consolidated third quarter)**

(In thousands of yen)

	Prior first Quarter (From April 1, 2021 To June 30, 2021)	Current first Quarter (From April 1, 2022 To June 30, 2022)
Net sales	4,097,053	6,010,957
Cost of sales	2,487,878	3,702,613
Gross profit	1,609,175	2,308,344
Selling, General and Administrative Expenses	1,557,497	1,841,146
Operating profit (loss)	51,677	467,198
Non-operating income		
Interest income	1,578	635
Dividend income	25,864	29,462
Foreign exchange gains	–	641,054
Other	4,736	17,571
Total non-operating income	32,179	688,724
Non-operating expenses		
Interest expenses	5,119	7,161
Foreign exchange losses	3,760	–
Other	4,786	2,805
Total non-operating income	13,666	9,967
Ordinary profit (loss)	70,190	1,145,954
Extraordinary loss		
Gain on sale of non-current assets	0	0
Total extraordinary income	0	0
Profit (loss) before income taxes	70,189	1,145,954
Corporation tax, Inhabitants Tax, and Enterprise Tax	58,777	214,686
Income taxes - deferred	(313)	(3,972)
Total income taxes	58,464	210,713
Quarterly Net Income	11,725	935,240
Profit (loss) attributable to owners of parent	11,725	935,240

(Quarterly Consolidated Statement of Comprehensive Income)
(Cumulative period for the consolidated first quarter)

(In thousands of yen)

	Prior first Quarter (From April 1, 2021 To June 30, 2021)	Current first Quarter (From April 1, 2022 To June 30, 2022)
Profit (loss)	11,725	935,240
Other comprehensive income		
Valuation difference on available-for-sale securities	(80,286)	10,738
Foreign currency translation adjustment	631,313	314,691
Total other comprehensive income	551,026	325,430
Comprehensive income	562,752	1,260,670
(Break down)		
Comprehensive income attributable to owners of parent	562,752	1,260,670
Comprehensive income attributable to non-controlling interests	–	–

(3) Quarterly Consolidated Statements of Cash Flows

(In thousands of yen)

	Prior first Quarter (From April 1, 2021 To June 30, 2021)	Current first Quarter (From April 1, 2022 To June 30, 2022)
Cash flows from operating activities		
Profit (loss) before income taxes	70,189	1,145,954
Depreciation	45,068	52,557
Increase (decrease) in provisions	(117,102)	(171,783)
Interest and dividend income	(27,443)	(30,098)
Interest expenses	5,119	7,161
Foreign exchange losses (gains)	4,988	(568,005)
Loss (gain) on sale and retirement of property, plant and equipment	0	0
Decrease (increase) in trade receivables	358,412	(480,935)
Decrease (increase) in inventories	273,584	(70,558)
Increase (decrease) in trade payables	33,965	
Decrease (increase) in consumption taxes refund receivable	56,798	188,742
Other	(249,707)	208,465
Subtotal	453,972	469,538
Interest and dividends received	27,271	29,926
Interest paid	(8,064)	(12,944)
Payments for Voluntary early retirement-related expenses	(468,306)	–
Income taxes paid	(34,760)	(28,042)
Net cash provided by (used in) operating activities	(29,987)	458,477
Cash flows from investing activities		
Repayment of short-term borrowings	2	–
Purchase of property, plant and equipment	(56,140)	(61,948)
Purchase of intangible assets	(10,986)	(2,829)
Purchase of investment securities	(301)	(302)
Net increase (decrease) in investment securities	–	7
Net cash provided by (used in) investing activities	(67,426)	(65,072)
Cash flows from financing activities		
Repayments of short-term borrowings	(4,300,000)	–
Increase (decrease) in short-term borrowings	115,102	(83,054)
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	(122)	(148,335)
Repayments of lease obligations	(17,408)	(10,233)
Purchase of treasury shares	(26)	–
Net cash provided by (used in) financing activities	748,439	(541,623)
Effect of exchange rate change on cash and cash equivalents	128,300	436,141
Net increase (decrease) in cash and cash equivalents	779,326	287,923
Cash and cash equivalents at beginning of period	12,413,846	14,241,965
Cash and cash equivalents at end of period	13,193,172	14,529,888

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on premise of a going concern)

Not applicable.

(Note in the event of a significant change in the amount of shareholders' equity)

Not applicable.

(Segment Information)

【Segment Information】

I. Prior first quarter (From April 1, 2021 to June 30, 2021)

Information on sales and income (loss) by reportable segments

(In thousands of yen)

	Reportable segments					Adjustment (Note)	Consolidated
	Global Gaming	International Commercial	Domestic Commercial	Equipment for the Amusement Industry	Total		
Net sales							
Sales to external customers	1,825,308	979,448	436,020	856,276	4,097,053	—	4,097,053
Intersegment sales and transfers	—	—	—	—	—	—	—
Total	1,825,308	979,448	436,020	856,276	4,097,053	—	4,097,053
Segment income (loss)	330,997	(28,008)	67,550	(122,291)	248,247	(196,570)	51,677

(Note) Adjustments to segment income (loss) represent corporate expenses that are not allocated to each segment.

II. Prior first quarter (From April 1, 2022 to June 30, 2022)

Information on sales and income (loss) by reportable segments

(In thousands of yen)

	Reportable segments					Adjustment (Note)	Consolidated
	Global Gaming	International Commercial	Domestic Commercial	Equipment for the Amusement Industry	Total		
Net sales							
Sales to external customers	3,516,204	1,044,621	411,370	1,038,762	6,010,957	—	6,010,957
Intersegment sales and transfers	—	—	—	—	—	—	—
Total	3,516,204	1,044,621	411,370	1,038,762	6,010,957	—	6,010,957
Segment income (loss)	575,043	45,819	62,759	(61,563)	622,058	(154,860)	467,198

(Note) Adjustments to segment income (loss) represent corporate expenses that are not allocated to each segment.

(Material subsequent events)

(Issuance of New Shares as Restricted Stock Remuneration)

At a meeting of the Board of Directors held on July 26, 2022, the Company resolved to issue new shares as restricted stock remuneration as follows.

1. Outline of the issuance

(1) Payment date	August 24, 2022
(2) Type and number of shares to be issued	9,800 shares of the Company common stock
(3) Issue price	688 yen per share
(4) Total value of issues	6,742,400 yen
(5) Amount of issue price to be included in capital	3,371,200 yen
(6) Scheduled Assignments	Board directors of the company (excluding the president and external board directors) 3 persons 6,000 shares Senior executive officers who do not serve concurrently as board director of the company (excluding those whose residence is overseas) and executive officers who do not serve concurrently as board director of the company 6 persons 3,800 shares

2. Purpose and reason for issuance

The Company resolved at a meeting of the board of directors held on May 14, 2019, to introduce a new remuneration system for the board directors of the company (excluding external board directors. Hereinafter referred to as "Eligible Directors"), the Restricted Stock Remuneration Plan (the "Plan"), as a mechanism to share the benefits and risks of share price fluctuations with shareholders, while providing incentives to increase the Company's willingness to contribute to share price increases and corporate value enhancement more than ever. In addition, at the 66th Ordinary General Meeting of Shareholders held on June 26, 2019, the Company received approval to provide the Eligible Directors with monetary remuneration claims of up to 70 million yen per year (However, the salary for employees of Directors who concurrently serve as employees is not included.) as monetary remuneration for investing in the acquisition of restricted shares under the Plan, and to designate a transfer restricted period for restricted shares for a period from 3 years to 30 years, as determined by the Board of Directors of the company.

In addition to the eligible directors, the Company has decided to apply this plan to senior executive officers and executive officers who do not concurrently serve as board directors of the Company (hereinafter referred to as "eligible executive officers") in order to share the same objectives as above.

(Transfer of important Non-current assets and relocation of head office)

The Company resolved to transfer the Non-current assets held by the Company and to relocate the head office (headquarters) of the Company and its consolidated subsidiaries at a meeting of the Board of Directors held on August 3, 2022.

Transfer of the Non-current assets

1. Reason for transfer of the Non-current assets

With the exception of a brief period in the early years of the company's existence, the current head office has been the company's primary business location, and efforts have been made to maintain its functionality by expanding its size and remodeling it as the company's business expanded.

Although it is possible to maintain the functionality of the building by expanding and renovating it at the site, there is limited room for expansion due to the progress of residential development in the surrounding area, etc. As a result, the Company has decided that the best course of action is to relocate the head office to a modern office building and sell the real estate of the current head office, after considering various aspects such as relocation of important functions, BCP response through dispersion to factories, etc., further securing employee safety, protecting corporate assets, and improving capital efficiency.

2. Details of transferred Non-current assets

Name of the asset	Location and details of the asset	Present condition
Osaka Head Office (Hirano-ku, Osaka) Land / buildings	2-3-15 Nishiwaki, Hirano-ku, Osaka, Japan Land area 3,494.22 m ² Total floor area of the building 8,703.48 m ²	Head office

3. Overview of the transferee

The transferee is a domestic corporation, but the Company will not disclose the information due to a non-disclosure agreement with the transferee. The company also confirmed that the transferee is not an anti-social force.

4. Schedule of the transfer

- | | |
|--|---------------------------|
| (1) Date of resolution by the Board of Directors | August 3, 2022 |
| (2) Contract date | August 3, 2022 |
| (3) Time limit for the delivery | Late March 2023 (planned) |

5. Impact on the Company's business performance

In connection with the transfer of such Non-current assets, the Company expects to record an extraordinary profit of approximately 1,509 million yen as "gain on sales of Non-current assets" in the fiscal year ending March 31, 2023.

Relocation of head office

1. Location of the new head office

2-11-18 Nanba-naka Naniwaku Osaka, Japan

2. Time of the relocation

Late March 2023 (planned)

3. Reason for the relocation

The head office location will be changed due to the sale of the Osaka head office, which is the head office location of the Company. JCM Systems Co., Ltd., a consolidated subsidiary whose head office location is the same as that of the Company, will change its head office location to the same as that of our company.

4. Impact on the Company's business performance

The impact of this matter on our company is currently under review.

5. Other

As the current head office and the new head office are located in the same city (Osaka City), there is no change to the Articles of Incorporation.