

# Top Message

## Message from the President

The market environment is **diversifying**. We will continue to make **proactive investments** and **develop new businesses** to build a new foundation for **growth**.

**Yojiro Kamihigashi**

Representative Director, President



In the fiscal year ended March 31, 2024, the Company's performance reached its highest level in the past five years, thanks to a recovery in demand after the pandemic was contained and efficiency gains achieved through a review of the business structure. Based on these results, we expect further net sales and operating income growth in the fiscal year ending March 31, 2025, and are focusing on aggressive investment in new businesses and the development of growth markets. Aiming to create social value, we will continue to steadily promote efforts to realize our Medium-Term Management Plan, "JCM Global Vision 2032."

### Business Overview

#### **We continue to take on new challenges based on our expertise and reliability**

Since our founding, we, JCM, have contributed to the development of the money circulation system by playing a role in smoothly connecting "people to people" and "people to money" in the highly specialized field of money-handling machines.

Currently, the core of our business is money-handling machines for casinos and other gaming markets, which account for more than half of our total net sales. In North America, casinos have long been an established social gathering place, and strict laws and regulations are in

place to ensure the integrity of their operations and the manufacture and sale of machines. In this regulatory environment, where obtaining permits and approvals (gaming licenses) for operators is mandatory, the Group has built trust and a solid track record by obtaining and renewing gaming licenses every year, mainly in North America.

While we are proud of the steady growth we have achieved since the 1990s, particularly in machines for the gaming market, we are also aggressively developing new markets by further developing and applying our core technologies to respond to the rapidly changing external environment.

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### Review of Performance in Fiscal Year Ended March 31, 2024

**People's mindset and human flow have been revitalized, and net sales and operating income are at our highest in the past five years**

At the beginning of the new coronavirus pandemic in 2020–2021, we had to overcome many challenges, such as planning the relocation of our production sites and supply chain disruptions. The plan had to be temporarily suspended due to the pandemic, especially after the Company made the important decision to move its production base from China to the Philippines. Our business is mainly in the field of equipment and devices installed in “spaces where people enjoy their leisure time,” such as markets for gaming and equipment for the amusement industry, but these markets are highly dependent on the mindset of individuals who enjoy their leisure time as well as the flow of people themselves. For example, international travel and international flows of people are essential to the casino market, and the travel restrictions caused by the COVID-19 pandemic severely affected these markets.

However, as the pandemic subsides, people are moving again and business performance is recovering. During the same period, we also experienced delays and disruptions in product supply due to semiconductor shortages, but these challenges eased in the second half of the fiscal year ended March 2024. In addition, in the past, the Company responded to the printing of new Japanese yen bills mainly by replacing the hardware. Currently, as technology evolves with the times, we are shifting to a

more efficient business model that allows us to respond only by updating software, which has contributed significantly to improving profitability.

As a result, for the fiscal year ended March 31, 2024, the Company's results exceed those of the fiscal year ended March 31, 2019, with net sales of 31.6 billion yen and operating income of 2,839 million yen. In light of this situation, we expect further growth in the fiscal year ending March 31, 2025, and target net sales of 38 billion yen and operating income of 5.1 billion yen. This performance target is higher than the previous record achieved in the fiscal year ended March 2005.



### Results by Segment

#### Diversifying geographies and segments to overcome intense market conditions

Our consolidated results for the fiscal year ended March 31, 2024, were favorable, but the situation is not uniform when we look at results by segment. → P.16–P.19

The Global Gaming Business recorded solid net sales of 17,279 million yen and operating income of 2,794 million yen, driven especially by the North American market, where the economy is on the road to recovery. On the other hand, Europe is affected by multiple uncertainties, including the Russia-Ukraine conflict, the situation in the

Middle East, as well as the sluggish European economy. Especially in Europe, the adjustment of excess orders from customers due to the shortage of semiconductors has yet to be resolved, and a gap between demand and supply has become apparent. The overall gaming market is also experiencing sluggish demand there, which is expected to remain challenging through late 2024 and into 2025.

On the other hand, unlike the global gaming sector, the market environment in the commercial sector is highly competitive with many rival companies both in Japan and overseas, and it takes time to establish a customer base. Since it is taking longer than originally expected to develop the product and finalize specifications, we need more time before we can see tangible results, but the process of communication with customers, product delivery, and test operation is progressing steadily.

Among other things, the International Commercial Segment is currently in a forward investment phase, and earnings have turned negative, but this is due to the strategic focus of this segment. We are making steady progress in these efforts, focusing on the development of bases, staffing, and the development and improvement of new products for the North American and Central and South American markets.

In the Equipment for the Amusement Industry



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Segment, earnings were negative in the fiscal year ended March 31, 2023, but performance has improved since then, with operating income of 1 billion yen in the fiscal year ended March 31, 2024, and both net sales and operating income are expected to exceed those of the previous year in the fiscal year ending March 31, 2025. It is noteworthy that this performance recovery was not due to a favorable market environment or major external improvements, but the results achieved despite the continuing difficult conditions.

In particular, market conditions in the pachinko hall industry remain challenging, with the number of halls declining at an accelerating rate. Approximately 300 halls closed in 2024, and the number of halls nationwide is expected to decline to below 6,000. This means that the market has shrunk to about one-third the size it was at its peak. One factor that accelerated this decline in the number of halls in 2024 was the introduction of new banknotes.

In order to continue to operate pachinko halls, it was necessary to invest in equipment to accommodate the new banknotes, and it appears that one after another, economically difficult halls have decided to close their doors on the occasion of introduction of the new banknotes.

In this market environment, a major factor behind our improved performance in this segment was the strengthening of our corporate structure through structural reforms implemented after the pandemic. Another factor, albeit a temporary one, was the increased demand for smart units as a result of the growing popularity of smart gaming machines, which also

contributed to the improved performance.

In the face of these ongoing changes in market structure, we are striving to maintain and expand our performance by diversifying our geographic regions and business portfolio.

### Structural Reforms

#### **Operating with a sense of unity, which is achieved through a single source of information and responsibility**

Let me explain a little more about our structural reforms. We aim to further expand our existing businesses and develop new businesses. Specifically, over the three fiscal years ended March 2022 to March 2024, we implemented structural reforms with the aim of improving organizational efficiency and strengthening business operations. As part of this initiative, we reviewed our sales, development, and maintenance functions and reorganized them appropriately. In particular, with regard to our sales functions, we integrated the sales divisions that were previously dispersed among subsidiaries across Japan into JCM, thereby centralizing management. At the same time, we changed our maintenance division to operate as an independent subsidiary.

These structural reforms were not just organizational restructuring; they involved a scrap-and-build process that also included a review of necessary human resources. As we respond to the unprecedented situation that is the COVID-19 pandemic, in order to expand our business on a global scale in the future, it will be important for

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us to create a system that allows the knowledge and information that our Group has cultivated in countries around the world to be shared across borders among all Group companies. To achieve this, it has become more important than ever to secure personnel who can take an international approach and to put in place a system that can enable them to function properly. As a result, we have replaced some of our staff, welcoming new personnel with excellent language skills and those who can take on specialized management functions. Following this restructuring, we are now in the process of establishing an optimal structure for future business expansion.

The integration of the sales functions also eliminated the traditional vertical structure. By consolidating the information and responsibilities that were previously held by multiple divisions, the gap in understanding between divisions has been eliminated, making it possible to operate with a more unified sense of purpose. This integration has also proven effective in terms of development, such as software development and hardware design, greatly improving overall operational efficiency.

Furthermore, the reason for separating the maintenance division is to ensure a stable supply of service parts. With this restructuring, the maintenance division can now focus on providing services based on its own management policies, and going forward, it plans to provide fast and reliable support not only domestically but also overseas.

### Medium-Term Management Plan

#### Revising our Medium-Term Management Plan to reflect our performance and promote our growth strategy

The Medium-Term Management Plan, “JCM Global Vision 2032,” announced in May 2023, covers the period up to the fiscal year ending March 2026. However, we have already achieved some of our initial targets, and in particular, our net income for the current fiscal year is already exceeding the final fiscal year target. So, we are reviewing the current plan and developing a revised version that reflects actual results.

We exceeded the targets of our current Medium-Term Management Plan because the recovery from the COVID-19 pandemic was faster than expected. Behind the early achievement were also a temporary surge in demand due to active orders from customers who had previously been cautious, and the elimination of the semiconductor shortage, which has enabled a stable supply of products. However, we have seen some customers recently requesting adjustments to delivery dates and canceling some orders, and the market will possibly reach a plateau in the fiscal year ending March 31, 2026. In light of these factors, we believe it is necessary to revise our Medium-Term Management Plan to more accurately reflect the current situation.

In the new Medium-Term Management Plan, we are considering incorporating short-term adjustments while maintaining our goal of achieving “net sales of 55 billion yen and operating income of 5.5 billion yen” by 2032.

Given that details have emerged about the status of expansion into commercial markets in North, Central and South America, which were not included in the original plan, as well as concrete progress in efforts to develop new businesses, the plan is expected to be realigned to include active investment in areas where growth is expected. On the other hand, we intend to consider downward revisions, if necessary, for areas that require more time for business development.

In setting targets, we consider the balance between achievable figures and aggressive content, while taking into account investors’ perspectives. Rather than simply setting targets, we will present specific growth strategies, including profit return measures, and place emphasis on formulating credible and persuasive plans.

### New Businesses

#### Taking on new business challenges and building a foundation to support long-term growth

In our Medium-Term Management Plan, “JCM Global Vision 2032,” we have positioned the period from the fiscal year ended March 2024 to the fiscal year ending March 2026 as a period of “seed sowing” for new businesses, and are focusing on business development. It may be difficult to produce results in the short term with some of the new businesses, but we believe they are important for long-term growth and plan to maintain this policy even after revising our Medium-Term Management Plan.

One of the ongoing initiatives is the use of AI in the

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medical field, including R&D of a system to help determine the extent of resection for lung cancer in collaboration with the Osaka International Cancer Institute.

This technology is expected to help maintain patients' quality of life after surgery while assisting in determining the extent of lung cancer resection, taking into account the balance between treatment effectiveness and preservation of function. The project is also receiving government subsidies. But it will take time before this technology can be put into practical use, so continued efforts are necessary.

We are also working on developing a universal terminal that will allow easy connection of our components, such as bill validator units and printers. This will shorten customers' development time and strengthen our competitiveness by providing the system in an easy-to-implement format, and will evolve from the conventional provision of standalone hardware to provision of value for the entire system.

In addition to the initiatives I have mentioned, there are currently several other projects moving forward behind the scenes, but when developing new business, we place importance not only on whether it is interesting but also on whether it can make profits. We plan to conduct thorough market research and competitive analysis and focus our resources on areas where we expect to achieve commercial success. The new business team consists of talented people selected from various departments as well as mid-career hires, with the aim of bringing together diverse abilities, values, and perspectives to produce innovative results. Recently, we have been proactively hiring younger generations and female employees, and by

incorporating new ideas and flexibility into our team, we are laying the foundation for creating the next generation of growth engines.

### Human Capital Strategy

#### Human resource strategy to support the global expansion of our business, including the International Commercial Business

In addition to developing new businesses as I just mentioned, we are positioning our human resource strategy as an important pillar in strengthening our competitiveness in the global market. In particular, when expanding into emerging and untapped markets, I believe that the key to success is to hire and train personnel who are familiar with the local areas.

When entering the Latin American market, we put in place a system to gain customer trust by hiring personnel who were familiar with local culture and business practices. This has strengthened our maintenance system, which has previously been lacking, and enabled us to provide community-based services.

Utilizing local human resources improves operational efficiency and also plays an important role in developing the local market. Our personnel stay in the local area for a long period of time, have a thorough understanding of the language and culture, and are able to work in a way that is rooted in the local area. This makes it easier for our products and services to be accepted by local customers. This approach is designed to achieve sustainable market expansion rather than just short-term market entry, and

we are also looking to expand our commercial presence in India and other emerging markets.

### Formulation of Purpose

#### All employees worked together to re-establish the purpose, missions, and vision

We always approach management, including our human capital strategy, with a medium- to long-term perspective. As part of this, when formulating our Medium-Term Management Plan "JCM Global Vision 2032," we reviewed our purpose, missions and vision to clarify our new direction. This initiative was realized by adopting a bottom-up rather than top-down approach, with repeated discussions primarily at the Executive Officer and General Manager levels. Looking ahead to the next 10 years, we thought carefully about what we wanted to be as an organization, and as a result, we formulated the purpose of "Spreading Happiness Worldwide" and the missions of "responding to the changing needs of the world and continuing to contribute to society" and "innovating core technologies and continuing to create new value."

During the discussion, while respecting the Company's Guiding and Founding Principles, we seriously considered the challenges our organization currently faces and the role it should play over the next 10 years. Our commitment is to take on new challenges while upholding the values that we hold true, and this attitude is reflected in our purpose, missions, and vision. These involved Executive Officers and personnel selected from all divisions to incorporate diverse perspectives, thereby deepening

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common understanding throughout the organization and making the content effective.

The process took a lot of time and effort, but as a result, all employees shared a vision for the future and felt a sense of responsibility to support the Company. I believe that this initiative will contribute to building the Company's atmosphere and culture and will serve as an important foundation for sustainable growth in the future.

### Risk Management

#### A flexible and effective risk management system

We place emphasis on risk management from both short-term and medium- to long-term perspectives, and strive to build an effective system. We intend to prevent fundamental risks through rules and processes, while being flexible in responding to risks that arise from human behavior and decision-making. Our top priority is creating an environment where employees can share information smoothly, and we aim to create a culture where executives and superiors can easily receive information on a daily basis.

Specifically, we seek to provide opportunities for people to speak up on-site and to understand the issues. Additionally, at our overseas bases, we have appointed Japanese managers to ensure the appropriate management of local information, and have established a system to ensure direct communication with local employees, business partners, and other parties. We are also strengthening operations at local bases by recruiting and assigning personnel with financial strength. Even

well-known large companies are sometimes unable to prevent internal fraud or serious incidents, but we at JCM are particularly focused on ensuring transparency within our organization and cultivating a culture where employees can openly share their concerns and issues, allowing us to detect potential risks early on. The core of risk management lies in people. Since people's awareness and actions determine whether or not risks exist and how large or small they are, we continue our efforts to encourage employees to have a greater sense of autonomy and responsibility. We also have a flexible and effective system that incorporates the opinions of outside experts when necessary.

### Message to Stakeholders

#### A Sustainable Future Together with Stakeholders

We are currently focusing on building a foundation with an eye on the global market in order to achieve sustainable growth. We are in the "seed sowing" stage, aiming to expand our business on a global scale, particularly by expanding into the Latin American market.

We are steadily expanding our revenue base in existing businesses, and based on the results, we are promoting investment in developing new businesses and growth strategies. In this way, we aim to create even more social value and contribute to a wide range of stakeholders, including local communities, business partners, and partner companies.

As mentioned above, in new businesses, we are taking



on a wide range of challenges, such as utilizing AI in the medical field and expanding into emerging markets. We are working on some of our businesses with a medium- to long-term perspective, and we are now at the stage where we can demonstrate concrete results in areas where we expect growth.

Going forward, the entire Group will keep working hard to achieve sustainable growth and remain a company that creates value together with all stakeholders. We would like to ask for your continued support.