

JCM's Core Technologies

In addition to pursuing money-handling technologies—including identification and validation, transport, collection, and recycling—that are compatible with currency from all over the world, we also focus on the development of system products that apply and develop these technologies and know-how, as well as the promotion and effective utilization of intellectual property rights. To accurately understand our customers' latent needs, our domestic and international sales and development divisions are actively collaborating on new market development activities. As a Group, we will further refine our comprehensive proposal capabilities and take on the challenge of responding to technological innovation in new fields such as electronic money, cards, and coupons that replace paper money and coins, as well as in new media.

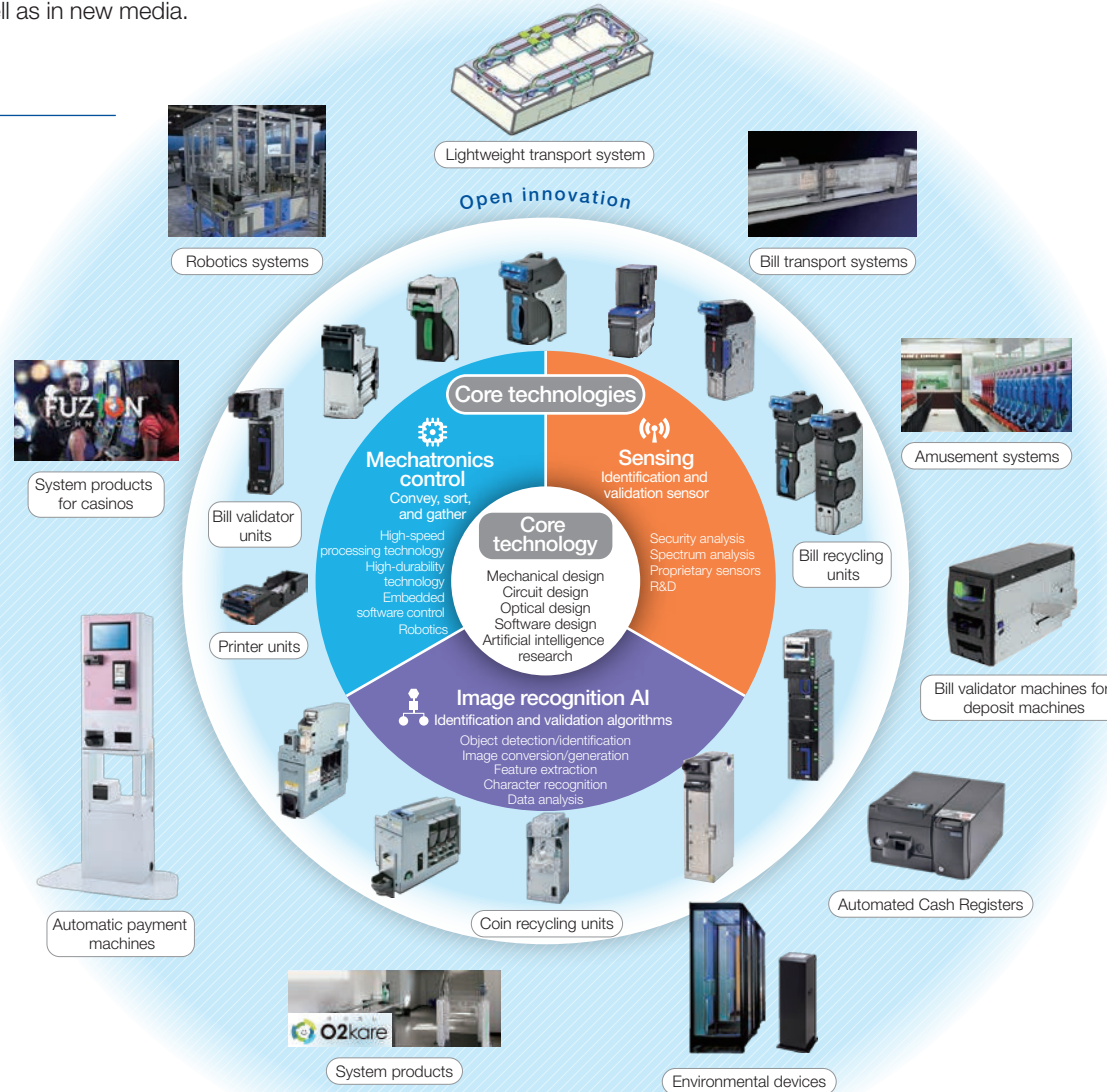
Technology platform diagram

Mechatronics technology

Our mechatronics technology enables precise transport, sorting, and aggregation of currencies of various sizes, materials, and conditions worldwide with only modifications to the identification and validation software. The advanced technology developed in money-handling has been applied across various fields, offering innovative business solutions.

Image recognition AI Currency identification and validation algorithms

A wide variety of currencies are in circulation around the world. Banknotes differ in features such as microprinting, watermarks, and materials (including plastic). In addition, usage environments and methods vary by country or region. JCM has developed identification and validation algorithms that accommodate currencies worldwide, based on information obtained through our proprietary network, which includes data on counterfeit and altered currencies.



Sensing technology

Sensors used in money-handling are highly sensitive. While sensors can function adequately for determining printed materials, they might not suffice for reading banknotes. JCM collaborates with sensor manufacturers to research and develop proprietary identification and validation sensors, ensuring uncompromised pursuit of new technologies. We also focus on improving cost-effectiveness in sensor-related technologies, such as image sensors, which tend to be high-cost.

PICK UP

We have applied the air and magnetic transport drive system technology adopted in the bill transport system (ALTASIA) to develop a technology for transporting lightweights weighing up to 30 kg in total while inheriting the advantages of the energy saving and high degree of freedom in transport path design that are the strengths of that system. We intend to leverage and deploy this technology, which enables labor-saving transportation of goods in a wide range of industries such as food service, retail, and logistics, in markets that are different from our existing markets.



Next-generation lightweight transport system
ALTASIA[∞] (ALTASIA Infinity)
[Click here for product information](#)

From Core Technologies to New Areas

The JCM Group is expanding into new areas by applying the core technologies it has developed through its money-handling technology. Entering new areas requires continuous efforts, as it is difficult to commercialize technology in a short period of time. Thus, we are positioning the period from fiscal 2023 to fiscal 2025 as a seed sowing period for new businesses, and are building the foundation for future commercialization.

In fiscal 2023, we have been promoting new initiatives in different areas. Going forward, we will continue to pursue sustainable growth by leveraging the technologies we have developed thus far and pursuing possibilities in new areas.

—Toward the Vision for 2032 —Roadmap for new businesses



TOPICS

Material issues

Seed sowing for new businesses

— Toward entering the medical field —

A wide variety of currencies are in circulation around the world, and the reprinting of Japanese banknotes in 2024 incorporated advanced measures to prevent easy counterfeiting, such as adopting new anti-counterfeiting technology and universal design. Similarly, various technologies are used in the banknotes of various countries, and a high level of identification capability is required to deal with these.

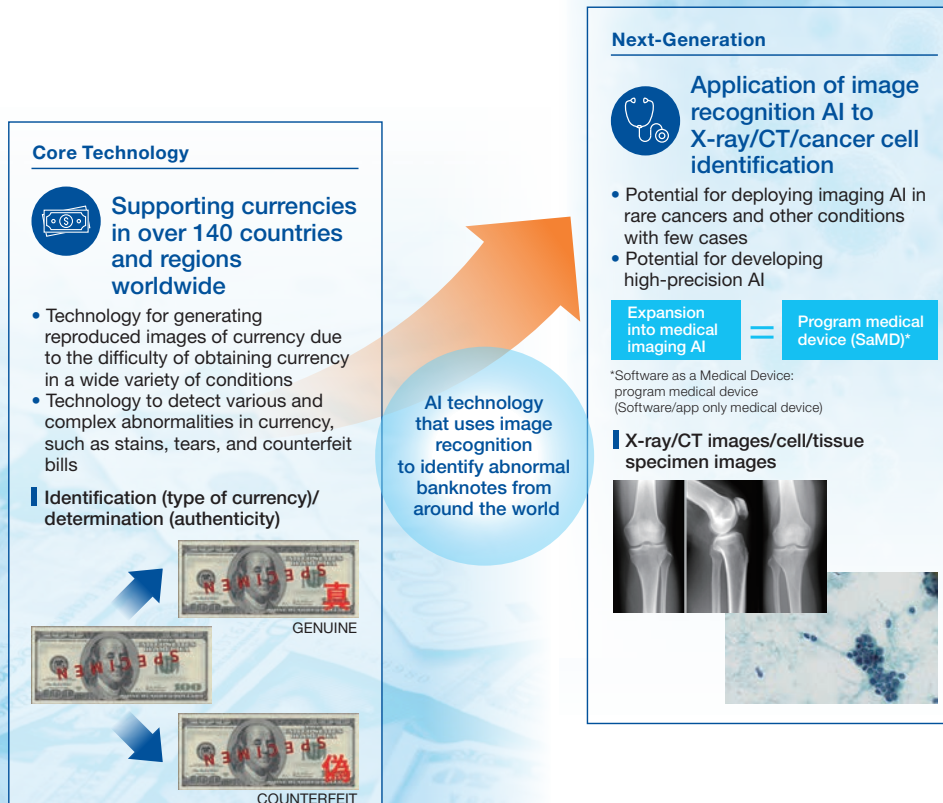
We have established unique image identification and judgment technologies with (1) the ability to handle a wide variety of banknote types and conditions, (2) technology to suppress the effects of noise, and (3) adaptability to rare samples.

We believe that these technologies can be applied beyond banknote identification to medical image AI. Based on these and other technologies in our mechatronics, sensing, and identification and validation (AI) technologies, we are striving to enter new business areas with the aim of solving social issues through digital transformation. In parallel with these efforts, we will continue to establish JCM's next-generation core technologies.

Activities examples in the medical field

Activity examples	Partnership	Details
Go-Tech Project: Joint research on "research and development of an AI decision support system for determining the extent of resection for small lung cancers detected early"	Osaka Prefectural Hospital Organization Osaka International Cancer Institute	Joint research
AI-assisted diagnosis of bone tumors from plain X-ray images	Akiyo Sakamoto, Program-Specific Associate Professor Division of Reconstruction for Musculoskeletal Disorders, Graduate School of Medicine, Kyoto University	Joint research Presentation at academic conferences
Generation of normal knee joint plain X-ray images using a unique algorithm	Same as above	Same as above

Application of JCM's core technologies



R&D

R&D Structure

The JCM Group manufactures and sells equipment compatible with currencies from more than 140 countries and regions worldwide. This is achieved not only through elemental technology research such as validation techniques and algorithm development but also under an intellectual property strategy that balances defense and offense (p. 23). We have a product development system to create original products that satisfy customers.

Under this system, we are promoting development that further advances our core technologies of identification technology and mechatronics technology.

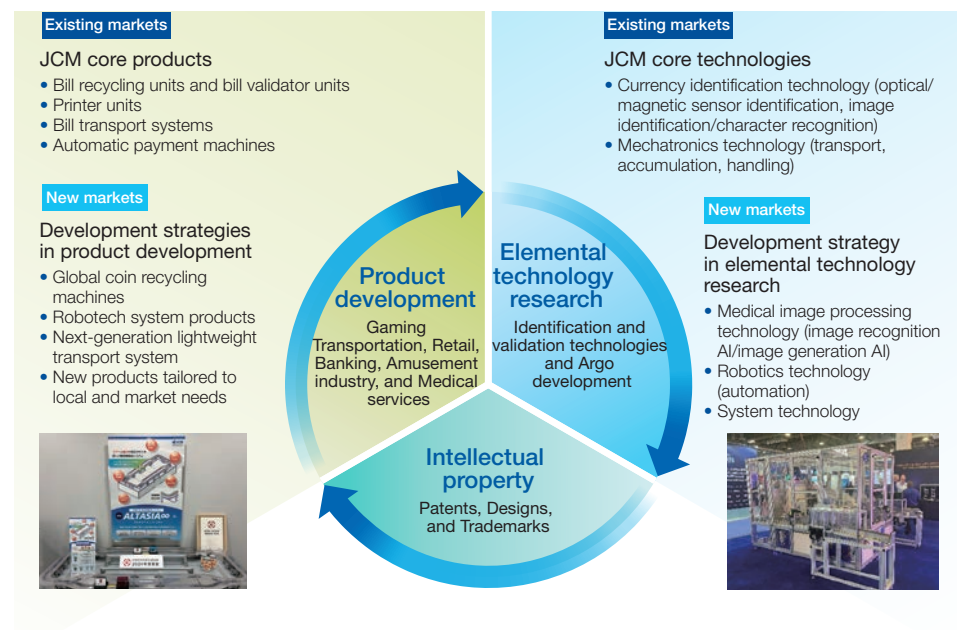
R&D Strategy for “JCM Global Vision 2032”

The JCM Group has envisioned its “Vision for 2032” in its Medium-Term Management Plan “JCM Global Vision 2032,” and in order to realize this vision, the Group has set forth six Key Measures for the three years through fiscal 2025 as the initial phase of the plan. Within these measures, the Group’s R&D is focused mainly on four priority issues.

Research and development is essential for the Company to leverage our core technologies and know-how and advance into new business fields. At the same time, in order to further expand the International Commercial Business, which is our second-largest one after our main Gaming Business, the commercial market requires product performance and quality from different perspectives (e.g., maintainability, durability, environment) than the global gaming market. So, we are working to further improve our technological capabilities in order to gain a competitive advantage in the commercial market.

Priority issues in Medium-Term Management Plan	Measures in R&D
Establish a foundation to build new business areas	<ul style="list-style-type: none"> Participate in and strengthen the development of medical-related themes Development structure of robotech systems
Aggressively expand existing technologies and products into other markets	<ul style="list-style-type: none"> Expand ALTASIA to other markets
Further expand international commercial markets	<ul style="list-style-type: none"> Develop North, Central, and South American and Asian regions and markets Value-added strategies that match the market Promote development of products and software that are easy for customers to adopt Strengthen development capabilities for commercial products Design that takes into consideration maintainability, lifetime product costs, and future commonality and standardization
Improve profitability in existing business areas	<ul style="list-style-type: none"> Ensure design and production quality Support for maintenance business (establishment of systems in various regions)

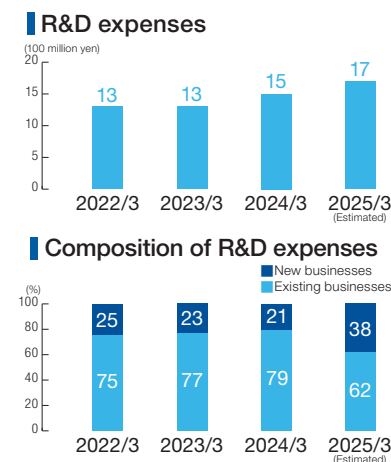
Product development structure and development strategies in various fields



Changes in R&D expenses

The JCM Group is working to strengthen research and development with a view to medium- to long-term growth. Over the past three years, the proportion of new businesses in total R&D expenses has remained at just under 20%. In 2024, the company is accelerating its focus on new businesses, with the proportion of new businesses expanding to just over 30%.

This increase in R&D expenses is intended to promote expansion into new fields utilizing our core technologies, and we are stepping up investment in growth areas, particularly in the medical field. We will continue to create new value through technological innovation.



Intellectual Property

Basic concept

The Group believes that intellectual property is the source of its competitiveness and an extremely important management resource that help us maximize corporate value and achieve growth.

When filing a new patent application, the IP Management Review Board reviews the necessity of the patent application in advance. The Review Board comprehensively considers factors such as the expected scope of rights and the business situation of the product to which the invention is applied, competitor trends, and the costs of filing an application as selection criteria for applications, and determines whether or not to apply for a patent, with the degree of contribution to our business as the main aspect.

Intellectual property strategy

Developing a framework for overseas markets where intellectual property litigation is likely to occur

In the U.S., the main market for our products, we place great importance on conducting research to check in advance whether similar patents of other companies exist, in light of the risk of litigation over intellectual property rights. In the event that we are involved in a lawsuit, we also have a robust intellectual property management system that focuses on both offense and defense strategies, including unearthing patents that could serve as a countermeasure and responding to discovery requests.

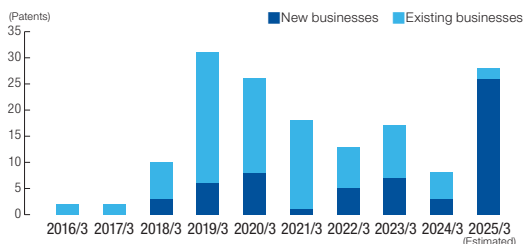
Cooperation with overseas patent firms and lawyers

In order to obtain more effective rights overseas, we hold information sessions for local agents (overseas patent offices and lawyers) about our products. This allows them to gain a deeper understanding of our products, and also allows us to discuss with local agents the key points and methods for obtaining patents while working to obtain rights.

Patent applications for new businesses linked to the Medium-Term Management Plan “JCM Global Vision 2032”

In the Medium-Term Management Plan, we are promoting research and development in the medical field to develop new business areas, in addition to developing new markets in international commercial markets and expanding existing technologies into other markets. Supporting this, in 2024, patent applications for new businesses accounted for the majority of our applications.

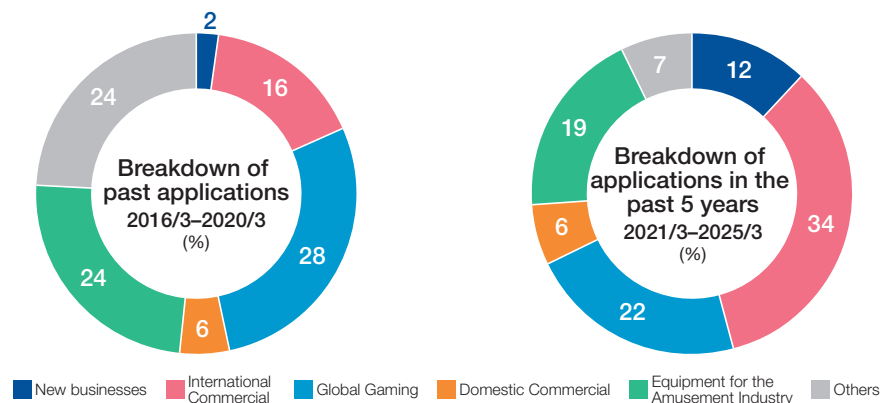
Trends in patent applications over the past 10 years



Application trends by business portfolio

In order to implement an intellectual property strategy linked to our management and business strategies, we are transforming our business portfolio while strategically filing patent applications to ensure a competitive advantage in existing businesses and to give ourselves an advantage in expanding our business domain, such as by creating new businesses. Going forward, the Group will continue to work to further strengthen its intellectual property in the businesses that it is prioritizing for expansion.

Breakdown of patent applications by business portfolio



TOPICS Sustainability-related intellectual property activities

Patent examples contributing to environmental conservation

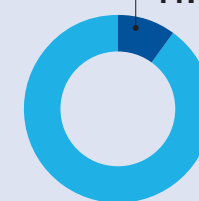
Bill transport systems

A patent for a design structure that significantly reduces power consumption by using a technological configuration that combines air and magnetic forces compared with conventional transport methods

Coin recycling machines

A patent for a design structure that does not use batteries in the main unit in order to reduce the environmental burden associated with battery manufacturing and disposal

Patents contributing to environmental conservation 11.4%



Procurement and Production

Basic concept

As the JCM Group expands its business globally, we believe it is necessary to make appropriate investments and pursue efficient procurement and production activities in order to maximize the efficiency of our procurement, production, and sales operations. To promote these efforts, the Group is focusing on the following items as the basic policy.

Basic Policy

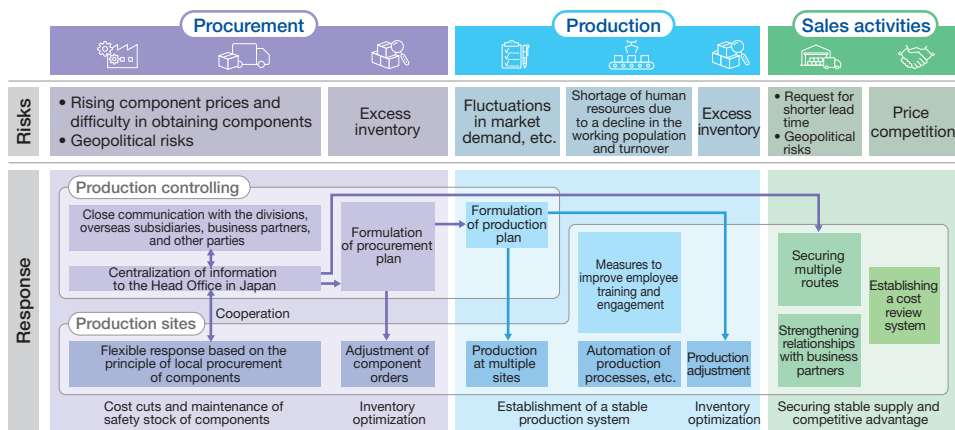
Production and sales personnel in both domestic and overseas locations share information, and the procurement and production plan is created and updated during regular strategic meetings, incorporating the latest market conditions.

Also, information from each sales company is integrated and managed appropriately to efficiently manage production sites worldwide.

Furthermore, by developing a global supply chain, we optimize the time and cost of all plans, bringing various financial benefits.

Relevant risk items and responses

In the manufacturing of our products, proper management of each process, including procurement, production and sales activities, is an important issue. In particular, accurately identifying risks in the procurement of components, etc. and production and manufacturing and responding quickly is essential for business continuity and sustainable growth. So, the Group has identified the risks as follows and is taking measures to address them.



Procurement for stable supply



The JCM Group centralizes information at its Head Office in Japan and works closely with the divisions, including the overseas subsidiaries, to ensure stable procurement.

As product life cycles extend, semiconductor production cessation timelines have accelerated. We will closely collaborate with the R&D and Technology divisions accordingly.

In principle, the production subsidiary in the Philippines procures components locally for cost saving. But, based on our policy of stable supply, we also take appropriate measures, such as importing some parts from China (mainland) and Hong Kong.

Going forward, the Group will continue to closely monitor legal reforms, political trends, and market conditions, and will regularly review its suppliers in order to ensure a stable supply.



Work at the factory

Toward establishing an optimal production system



The Group is striving to build a robust and optimal production system to respond appropriately to diversifying customer needs and fluctuations in demand.

To achieve this, we integrate highly accurate information at the Head Office in Japan and flexibly control production in response to fluctuations in market demand. We also work closely with our production base in Japan, the Nagahama Plant, and maintain close communication with suppliers, outsourced processing companies, and other parties to

secure a strong, stable production system.

The production subsidiary in the Philippines is continually working to expand production capacity and streamline production through automation and labor-saving measures, layout improvements, and the addition of more jigs and tools, as well as to build a stable production system.

We are also taking various measures to ensure stable production system in terms of human resources, such as employee training and securing a workforce by improving employee engagement.

Initiatives toward inventory optimization



Integrating management across domestic and international parts procurement to inventory depletion activities, the JCM Group aims to optimize and streamline inventory, enhance profitability, and stabilize cash flow. On top of that, the Group maintains optimal inventory levels and has a robust system for stable supply to ensure consistent profitability.

Furthermore, we are working to reduce costs that were incurred redundantly in some processes, prevent the generation of dead stock, and reduce inventory disposal.

Toward further customer satisfaction, including shorter lead times



The JCM Group utilizes multiple distribution routes that make the most of its overseas bases, and is working to strengthen relationships with business partners in order to shorten lead times for transportation to the major destinations, the U.S. and European markets.

The Group also has a system that allows it to quickly incorporate customer requests and closely examine costs to ensure a competitive advantage.

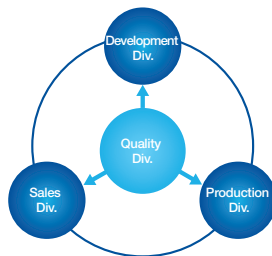
Quality Assurance

Basic concept

The JCM Group strives to provide customers with products of appropriate quality on a stable basis, maintain their trust, and thereby enhance its corporate value.

To this end, the Quality Division plays a central role in coordinating with related divisions, including the Production, Development, and Sales divisions, and has a consistent management system under the Quality and Environmental Policy.

[Quality and Environmental Policy](#)



Quality assurance system

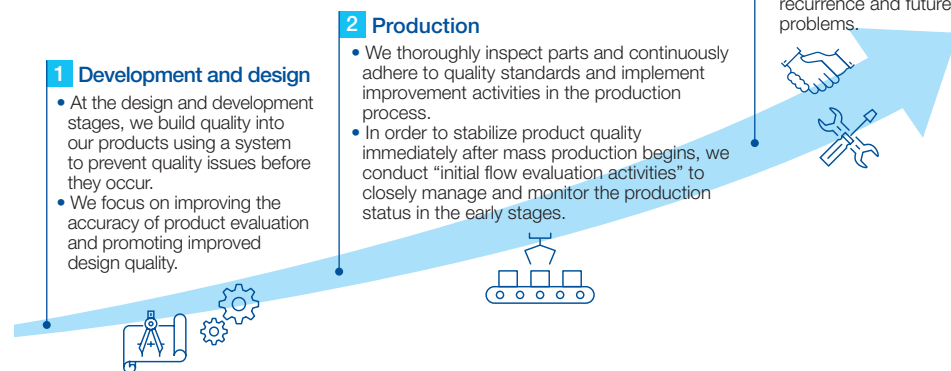
The JCM Group has and operates a quality assurance system that encompasses all processes.

We have a system to meet customer expectations, including rigorous design reviews for compliance, quality assurance, and safety at each process.

Quality assurance activities

For important quality issues, the Group accumulates past experience as organizational knowledge and works to stabilize quality through the standardization of quality control activities.

In order to provide high-quality products that pursue customer satisfaction, the Quality Division places emphasis on quality issues at the design stage, and works to improve product quality and performance by promoting quality improvements in the three stages of “development and design,” “production,” and “sales and maintenance.”



TOPICS Initiatives for Incoming Quality Control (IQC)

The Quality Division has a policy of not accepting non-conforming parts and not putting them on the production line, and performs incoming quality control (IQC) on a daily basis using non-contact 3D measuring devices and 2D measuring machines for all parts. Furthermore, we strive to strengthen quality by conducting focused IQC on parts that require caution, such as parts that have previously experienced non-conformance, parts to be used in new products, and parts received from new suppliers.

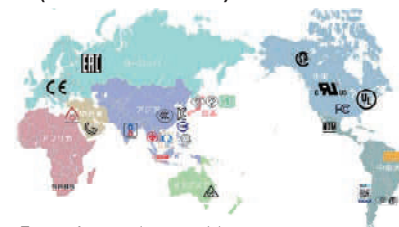


Measurement work at the Nagahama Plant

Training system

As a company committed to environmental and regulatory compliance, the JCM Group is intensifying its efforts to comply with environmental regulations, product safety regulations, and electromagnetic regulations. As part of these efforts, the Group’s Quality Division regularly holds various seminars for related divisions in response to official standards and legal amendments, and strives to improve employee knowledge and product quality through training.

Standards of various countries (certification marks)

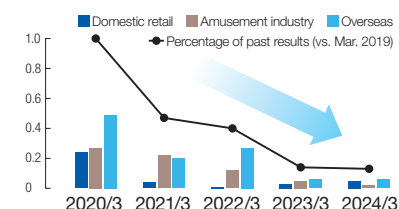


Excerpt from seminar materials (“Risk Management Seminar”)

Activity results

By building quality into the processes from the upstream stages, such as design and development, we have significantly reduced crucial quality issues compared with five years ago. Additionally, quality assurance costs were reduced to around 15% compared with fiscal 2019. The Group will continue this initiative and strive to strengthen the quality system.

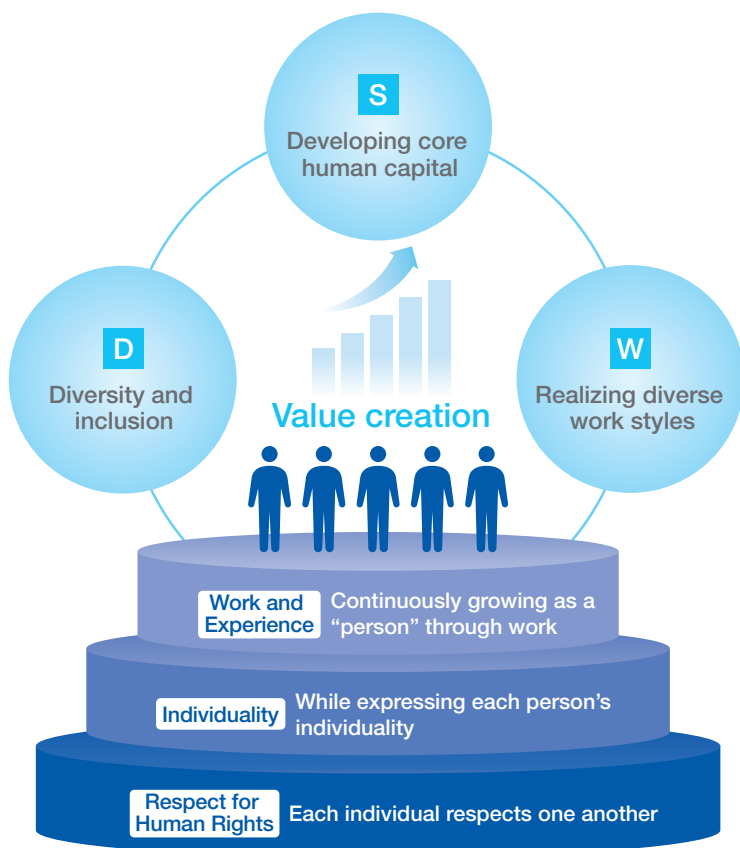
Changes in quality assurance costs



Human Capital Strategy

Basic concept

Our Medium-Term Management Plan, “JCM Global Vision 2032,” sets out a two-pronged management strategy of expanding our core technologies into untapped regions and markets, and taking on the challenge of new businesses. To achieve this two-pronged (offense and defense) management strategy, we are focusing on developing and recruiting the talent that will support our global expansion, and creating an environment that is conducive to the birth of new ideas and innovation, and are promoting a variety of measures along three axes: diversity and inclusion **D**, developing core talent **S**, and realizing diverse work styles **W**.



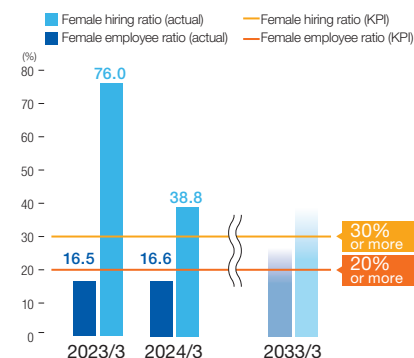
Hiring policy

D Increase in female hiring rate

KPIs (non-consolidated)	Period: April 1, 2022, to March 31, 2026
	1. Achieve a female hiring ratio of 30% or more 2. Increase the percentage of female employees to 20% or more by 2032

As part of our efforts to promote diversity, we have a goal of increasing the female hiring ratio to 30% or more between 2022 and 2026 as one of our important management indicators. In the fiscal year ended March 2024, the female hiring rate exceeded our plan at 38.8%, but due to factors such as the restructuring of domestic Group companies, the female employee ratio remained at 16.6% (up 0.1 points from last year). This is not yet sufficient, but we will continue our efforts to expand diversity and aim to achieve a female employee ratio of 20% or more by 2032, driving further initiatives to reach this goal.

Full-time employees (non-consolidated)



Development policies for human resources

D New employee training

Our new employees undergo on-the-job training (OJT) in all divisions at three major domestic locations over a period of one to three months after joining the Company. Regardless of the department they are assigned to after the training, this program is designed to help them understand “where, how, and with what mindset people are working.” This training holds a key role in helping employees learn and understand the JCM Spirit, which emphasizes working together with mutual respect.



Human Capital Strategy

S Developing core human capital

We are implementing the following initiatives to develop our next-generation and future executive candidates, not only in their areas of expertise but also to help them grow into leaders who can think and make decisions from a management perspective.

Participation in Board of Directors' meetings

Executive officers and executives of foreign subsidiaries participate in Board of Directors' meetings as observers. They gain insights into the perspectives from which management issues are discussed and decisions are made or rejected during these meetings. In addition, they participate in supplementary explanations and Q&A sessions as necessary to develop their skills in thinking from a management viewpoint.

Participation in the Executive Committee

General Managers participate in the Executive Committee, which primarily consists of internal board directors and executive officers. They present proposals for their respective divisions, engage in discussions, and exchange opinions with board directors and executive officers. Through this practical training, they learn what information is required from a management perspective.

Furthermore, in executing business operations, management decisions are made by incorporating feedback from next-generation executive candidates.

In-house environment development policies

W Employee work-style reform

We are promoting the following initiatives as measures for the work-life balance of our employees based on the slogan "Create a happy home and a pleasant workplace" in its guiding principles.

Working hours

We encourage flextime for all employees, and have changed our paid leave system from a half-day system to an hourly system to allow employees more flexibility in how they work. We have also increased the recommended number of days of "positive off leave," in which employees plan and take paid leave at the beginning of the fiscal year, to 10 days from 7, in addition to the mandatory 7 days. In addition, we offer a juror leave system as a form of special leave, providing employees with opportunities to contribute to society and create a comfortable working environment.

D Childcare leave

We have achieved a 100% utilization rate for female employees taking childcare leave, as reflected in past trends, and the system is well-established to support this.

As a result of efforts to improve the environment through collaboration between the divisions and the Human Resources Division, the percentage of male workers taking childcare leave increased to 60% (a 40% increase from last year). Moving forward, we will continue to promote higher utilization rates of childcare leave as part of our initiatives to support the development of the next generation.

Diversity and inclusion

D Human capital strategy supporting global expansion

As part of our human capital strategy for expanding our existing businesses into new markets and creating new businesses as outlined in our Medium-Term Management Plan, in the fiscal year ended March 31, 2024, we conducted recruitment activities with a focus on securing talented personnel from the following four perspectives: (1) Management personnel well versed in accounting, (2) personnel with strong language skills, (3) hiring of women for positions where there are few, and (4) science personnel who can be posted overseas.

As a result, we were able to secure six excellent employees. We will continue to promote recruitment activities to secure talented personnel.

D Raising awareness about unconscious bias

In a workshop on unconscious bias that was conducted across all divisions in the fiscal year ended March 2023, 108 phrases that stem from unconscious assumptions were extracted. We periodically posted these phrases in the form of a quiz on the company intranet, striving to provide an opportunity for employees to become aware of their unconscious assumptions. We believe that repeated, steady efforts like this will lead to changes in the awareness and behavior of each employee, and we will carefully implement each measure to promote diversity and inclusion.



Respect for Human Rights and Working Environment

Basic concept

The JCM Group promotes human rights initiatives in compliance with the International Bill of Human Rights (Universal Declaration of Human Rights and International Covenant on Human Rights), the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, the Ten Principles of the United Nations Global Compact, and the United Nations Guiding Principles on Business and Human Rights, a global standard.

System for promoting respect for human rights and working environment

The Group has established the "JCM Legal Compliance Code of Conduct" as a guideline for complying with laws, regulations, ethics, and social norms both in Japan and overseas, and has prepared the "Compliance Regulations" and a "Compliance Program" as a specific program to ensure compliance. The Compliance Manual and Detailed Regulations stipulate details about the protection of human rights, including the prohibition of discrimination and harassment on grounds such as nationality, creed, religion, sex, and physical disability, and they are available for viewing at any time on the company intranet.

In addition, we provide compliance training once a year for our executives and employees to foster awareness and thoroughly respect human rights and the working environment, including diversity in our workforce.

Compliance system for human rights and working environment

The Group has an internal consultation room and a suggestion box as a means for employees to directly report questionable actions related to human rights or the working environment, and an external consultation room with experts as a contact point. The internal consultation room is managed by the compliance officer, and the suggestion box is overseen by a Director who is a full-time Audit & Supervisory Committee Member. When a report is received, we investigate the matter and take measures to prevent recurrence.

The Compliance Committee, chaired by the Group's Director in charge of compliance, monitors whether the compliance program is being implemented appropriately and provides cross-sectional control over the Group's compliance efforts.

Human rights due diligence in the supply chain

The Group conducts human rights due diligence together with its business partners, including suppliers, with reference to the Ministry of Economy, Trade and Industry's "Guidelines for Respect for Human Rights in Responsible Supply Chains, etc." and "Practical Reference Material for Respecting Human Rights in Responsible Supply Chains, etc."

Overseas human rights due diligence

J-CASH MACHINE GLOBAL MANUFACTURING (PHILIPPINES) INC., the Group's overseas manufacturing subsidiary, obtained SA8000:2014 certification in November 2024. Social Accountability 8000, or SA8000, is an international standard management system for corporate social accountability based on the ILO Convention, the United Nations Convention on the Rights of the Child, and the International Bill of Human Rights (Universal Declaration of Human Rights and International Covenant on Human Rights). It is a set of standards and procedures for health and safety, child labor, forced labor, discrimination, disciplinary actions, compensation (remuneration) and working hours, as well as a certification standard for realizing these standards and procedures. As a company with bases and business partners both in Japan and overseas, the Group will continue to engage in human rights due diligence in the global supply chain.



SA8000 (2014) Certification

Connection with society

As a member of the local community, the JCM Group is engaged in a variety of community-based social contribution activities to ensure harmony between employees and the local community so that we can grow together.

Initiative examples at the Philippine manufacturing subsidiary



The subsidiary donates stationery to a nearby kindergarten



Mangrove planting activities

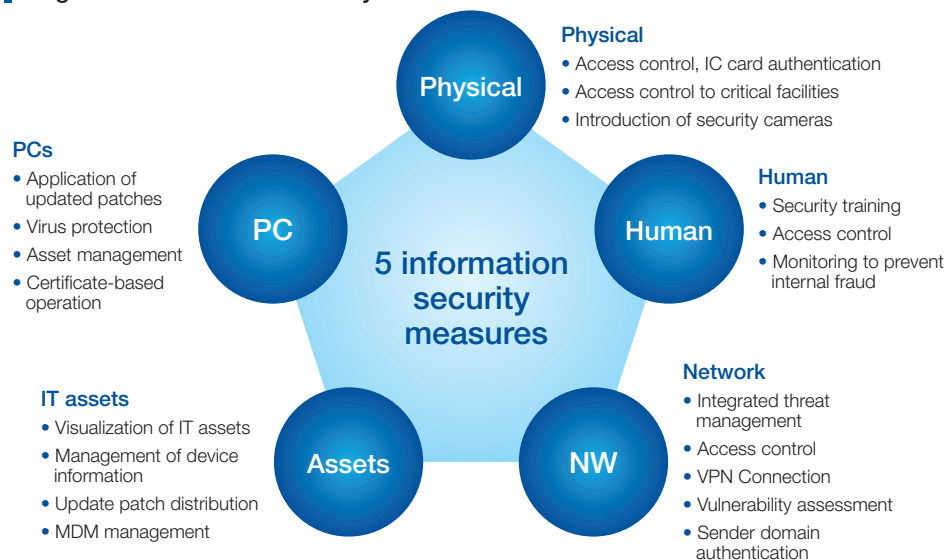


Marathon at Laguna Technopark, Inc

Information Security

The JCM Group regards information security as the foundation of its corporate activities, and considers it a priority to protect the trust of all customers, business partners, and employees. With the rapid digitization of today's world, the risks of information leaks and increasingly sophisticated cyber-attacks are increasing. The Group is taking various measures based on five information security measures.

Diagram of information security measures



Corresponding risks	Summary of actions
Unauthorized intrusion Theft of information assets Deterrence of internal fraud Emergency response	<ul style="list-style-type: none"> • Implementing access control systems at major locations • Restricting intrusion with IC card authentication • 24-hour surveillance system with introduction of security cameras • Cooperation with security companies
Phishing Internal fraud Human error	<ul style="list-style-type: none"> • Introducing security training tool, KnowBe4* • Raising security awareness among employees <p>*KnowBe4 is the world's largest SaaS-based security training platform, focusing on the "human element: overcoming human error" of security.</p>
Unauthorized access Malware infection DDoS attacks Data theft	<ul style="list-style-type: none"> • Introduction of comprehensive network protection (Unified Threat Management (UTM)) • Creating a secure network environment (introducing firewalls, intrusion detection systems (IDS), intrusion prevention systems (IPS), etc.)
Shadow IT Use of unauthorized software Vulnerability attack	<ul style="list-style-type: none"> • System management of IT assets • Security level management of all devices • Managing license information • Applying the latest updates
Malware infection Spoof email Information leak Data falsification	<ul style="list-style-type: none"> • Real-time execution of security software • Certificate-based network access control • Introducing domain authentication for email • Encrypting the database

TOPICS Security training

The JCM Group operates a secure remote work environment that can be used anywhere, with management of terminals, access permissions and device controls. To address the information security risks arising from the spread of remote work, we provide ongoing security training using security training tools (KnowBe4) both in Japan and overseas to ensure that all employees are security-conscious and can take appropriate actions.



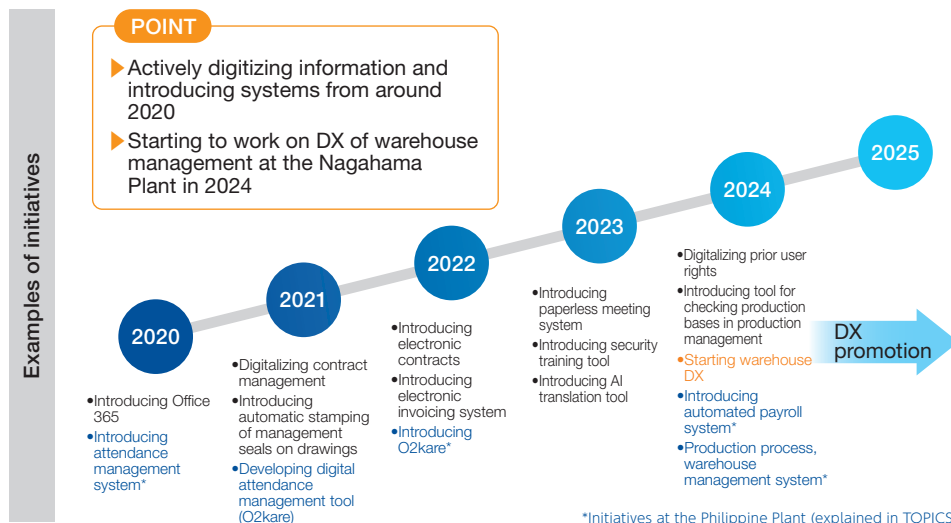
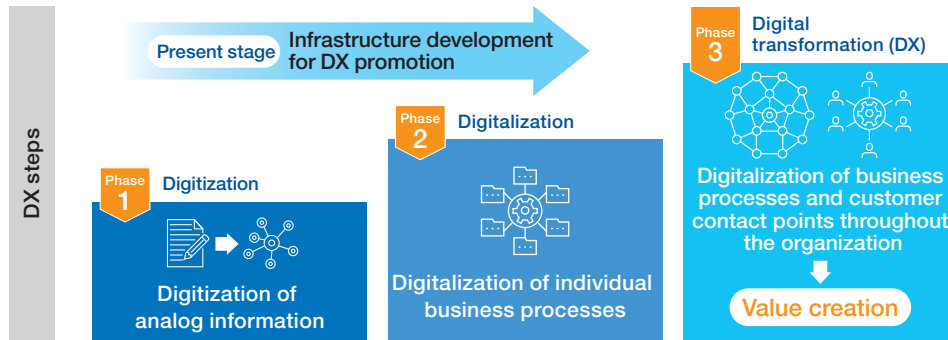
Key measures for the next fiscal year

The Group will further strengthen its information security system to respond to increasingly sophisticated cyber threats. In the coming fiscal year, we will work to further strengthen our network environment by strengthening our overall security infrastructure, including our overseas group companies. We also plan to switch our IT asset management system to a more secure system.

As a key measure for the entire Group, together with our major overseas bases, we are moving forward with plans to integrate our systems with high-security solutions to provide terminal defense, network protection and detection, and 24-hour monitoring.

Promotion of Digital Transformation (DX)

The JCM Group sees DX not simply as a means to improve business efficiency, but as an opportunity to create new value. Toward DX, we are working to develop infrastructure to improve business efficiency, utilize data, and create smart factories. In our efforts to date, our focus has been on improving productivity by optimizing individual business processes using digital technologies, as shown in Phase 1 and Phase 2 in the diagram below. Going forward, we will continue to promote Phase 2, while at the same time positioning Phase 3, which will utilize the digital infrastructure we have developed to transform our operations and evolve our business model, as our top priority, and work to further advance digital transformation.



*Initiatives at the Philippine Plant (explained in TOPICS)

TOPICS Initiatives at the Philippine Plant

JCM's overseas manufacturing subsidiary, the Philippine Plant, is streamlining its business processes through the use of digital technology. As one of the main initiatives, the Plant is introducing an external system of digital transformation tools for production sites with the aim of visualizing and automating production planning and inventory management, and is working to optimize production management and warehouse management. This enables the Plant to share data in real time, helping to improve the accuracy of operations and reduce workloads.

The Plant also introduced an attendance management system and automatic payroll calculation system that links JCM's product "O2kare" with products from other companies, creating an environment where employee attendance data can be managed in real time. By utilizing this system, the risk of manual attendance entry and calculation errors has been reduced, improving the accuracy of payroll calculations and streamlining operations. These initiatives are part of laying the foundation for digital transformation, and the Plant and the entire Group intend to continue to strive to further optimize production and management operations and improve productivity.



Key measures for the next fiscal year

By laying the foundation for promoting digital transformation, the Group has made progress in digitizing and automating business processes, and has striven to improve productivity and optimize resources. We recognize that a material issue going forward is to sort out the issues that have been identified through our efforts to date and to take concrete measures to resolve them.

We are also working to improve the efficiency of warehousing operations at the Nagahama Plant by utilizing the system we introduced in 2024 to further improve operational efficiency and optimize inventory management. We plan to work on improving operations using mobile devices as Step 1, improving the efficiency of inventory management operations as Step 2 from April 2025, and improving the efficiency of inventory operations as Step 3.

Warehouse DX flow



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

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

1 Governance

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

Environment Committee

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

Risk Management Committee

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

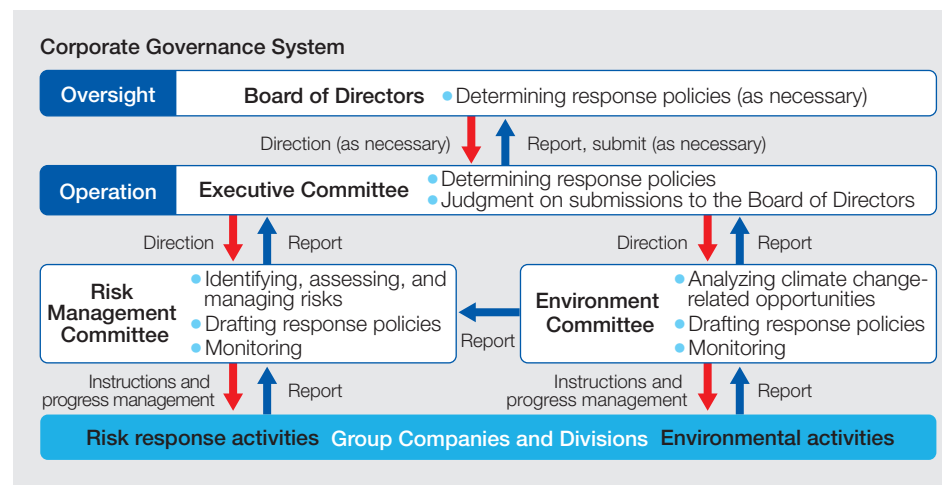
Executive Committee

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

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

Board of Directors

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



In-house seminars on climate change and other topics

The JCM Group conducts business globally and must comply with and respond to the laws and regulations of each country. The Group regularly invites external lecturers to hold seminars on recent climate change issues to improve the awareness and knowledge of Directors, Executive Officers, general managers and other personnel in charge of practical operations.

2 Strategy

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

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

Under the 4°C scenario, production activities would stagnate due to a severe natural disaster, whereas under the 1.5°C scenario, the introduction of a carbon tax and an increase in procurement costs would have a significant impact on our businesses. As for opportunities, we recognized that there are opportunities to develop products that meet the increasing demand for low-carbon products and services.

The Group will strive to maximize opportunities through the development of products and services that contribute to the resolution of social issues, including responding to climate change, while addressing the risks.

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

Assumptions used in the analysis

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

Awareness of climate change-related risks and opportunities

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

Impact evaluation results

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

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

Response to risks in the 4°C scenario

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

Response to risks and opportunities in the 1.5°C scenario

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

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

3 Risk management

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

Risk identification and assessment process

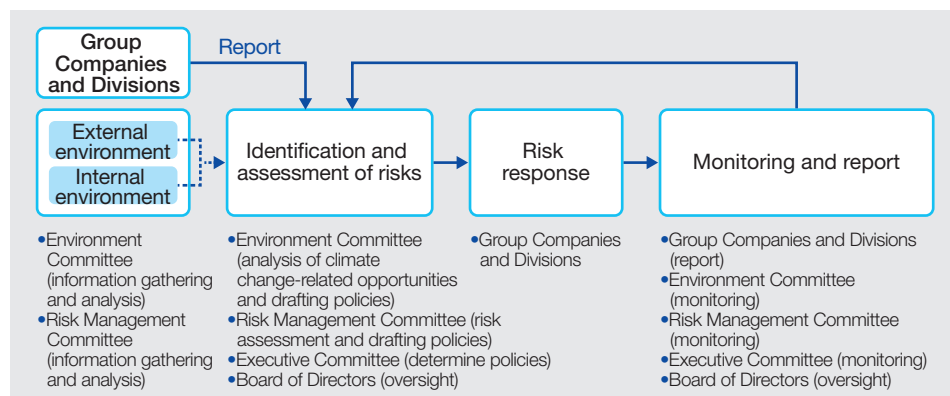
The Risk Management Committee comprehensively identifies risks based on internal and external environment analyses as well as reports from Group companies and divisions. The business and financial impact of each risk is assessed from the perspective of “impact on profits and losses at the time of occurrence,” and important management risks are identified.

For climate change risks, we adopt multiple climate change scenarios and identify “transition risks” and “physical risks” for each scenario. We evaluate these risks based on both “impact on profit and loss at the time of occurrence” and the “expected timing of occurrence” to identify significant management risks.

Risk management process

Risk response is handled by Group companies and divisions, with oversight managed by the Risk Management Committee. The Risk Management Committee monitors progress and results, receives reports from Group companies and divisions, and instructs them to review their response as necessary.

Integrated process for company-wide risk management



4 Indicators and targets

The JCM Group has established indicators and targets for managing climate-related risks and opportunities. These are positioned as non-financial indicators and management goals, and progress will be monitored accordingly.

The Group’s understanding of GHG emissions

JCM’s GHG emissions are characterized by a low proportion of direct emissions from fuel use in offices and factories (Scope 1) and indirect emissions from the use of electricity and other utilities (Scope 2). However, there is a high proportion of GHG emissions from the upstream and downstream value chain (Scope 3). In Scope 3, the greenhouse gas emissions from electricity consumption in the use of sold products and emission rate from purchased products and services continues to be high. In particular, the increase in emissions from the use of sold products is due to the high overseas sales ratio of our products, which is influenced by the increase in the emission rate overseas. We will continue to strengthen our efforts to reduce emissions throughout our entire value chain.

GHG emissions (fiscal 2023)

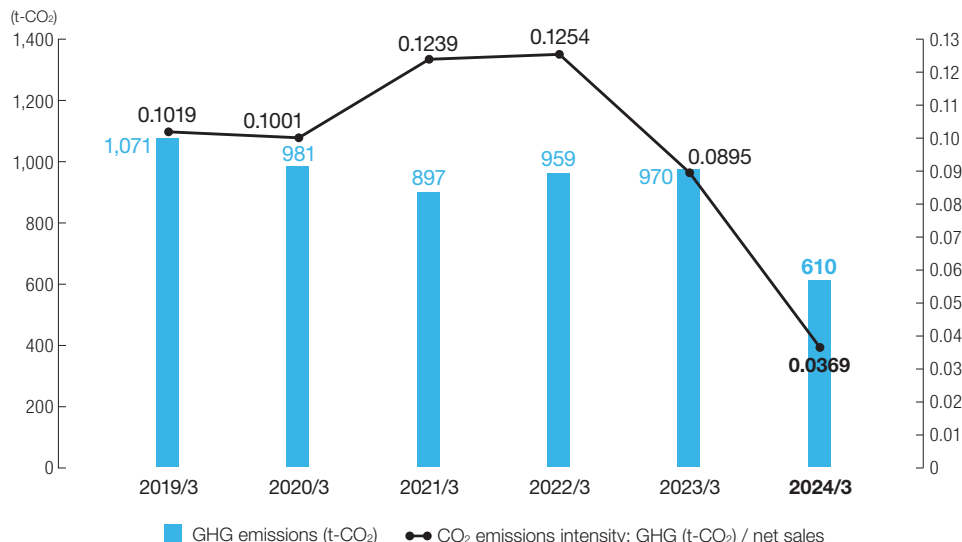
(Unit: t-CO₂)

Item	Classification	Japan	Overseas	Total emissions	Breakdown
GHG emissions from business activities	Scope1	229	—	229	0.2%
	Scope2	265	115	380	0.4%
	Total	495	115	610	0.6%
Supply chain GHG emissions	Category 1 (Purchased products and services)	36,509	—	36,509	37.1%
	Category 2 (Capital goods)	3,116	—	3,116	3.2%
	Category 11 (Use of sold products)	31,663	23,898	55,561	56.5%
	Others	1,050	1,551	2,601	2.6%
	Scope 3 Total	72,338	25,449	97,787	99.4%
Total emissions (t-CO₂)		72,833	25,564	98,397	100%

Note: Scope 2 = Market-based

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

Trends in GHG emissions (Scope 1 and 2)



Note: At present, Scope 1 and 2 emissions at the Company are calculated for Japan and some parts of overseas regions, so the net sales ratio to GHG emissions is also calculated based on net sales figures for Japan and some parts of overseas regions.

GHG emissions trended downward in proportion to sales in fiscal 2019 through fiscal 2020 due to the COVID-19 pandemic, but from fiscal 2021 onwards, as business performance recovered, GHG emissions have been on an upward trend. However, in fiscal 2023, proactive reduction measures were implemented at the domestic bases, resulting in a decrease in emissions and intensity. We will continue to work to reduce emissions by considering and implementing various reduction measures.

Indicators and targets for climate-related risks and opportunities

For Scope 1 and 2, the JCM Group worked to reduce GHG emissions by 30% (compared with fiscal 2018) by fiscal 2025, and as a result of implementing various reduction measures, achieved the target in fiscal 2023. In response to this, we have revised our target for fiscal 2025 to a 40% reduction in GHG emissions (compared with fiscal 2018 levels).

Indicators used in managing climate-related risks and opportunities

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

Results and targets of GHG emissions

(Unit: t-CO₂)

FY2018 results (base year)	Targets for FY2025	Compared with FY2018 results	Measures for reduction	FY2023 results
1,071	Before revision 750 ↓ After revision 640	Before revision (30.0%) ↓ After revision (40.0%)	<ul style="list-style-type: none"> Consideration of introducing carbon-neutral city gas Head office relocation to energy-efficient office buildings Exploration of renewable energy implementation at head office, Tokyo Head Office, and Nagahama Plant 	<div style="border: 1px solid black; padding: 5px; display: inline-block;"> Target for FY2025 already achieved 610 </div>

For Scope 3 emissions, the primary sources for the Group are “Category 1 (Purchased Goods and Services)” and “Category 11 (Use of Sold Products).” For Category 1, we continue to work with suppliers in the supply chain to reduce emissions. Category 11 involves redesigning products and making capital investments, so setting Scope 3 targets and reducing emissions will continue to be approached as a medium- to long-term challenge.

Initiatives to reduce GHG emissions

For Scope 1 and 2, although the JCM Group remains in a low-emission environment, we will further advance energy-saving initiatives and the transition to renewable energy at all Group locations.

For Scope 3, we will continue to review product designs with the aim of reducing GHG emissions throughout our supply chain, while also continuing to promote the development of new products that improve energy-saving performance and have a low environmental impact.