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

November 8, 2022

Company name: Japan Cash Machine Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 6418
 URL: <https://www.jcm-hq.co.jp/>
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 Scheduled date to file quarterly securities report: November 9, 2022
 Scheduled date to commence dividend payments: December 5, 2022
 Preparation of supplementary material on quarterly financial results: Yes (List on HP)
 Holding of quarterly financial results briefing: None

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

1. Consolidated financial results for the Second Quarter ended March 31, 2023 (from April 1, 2022 to September 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	%
FY2023 2nd quarter	12,284	36.3	600	118.6	1,658	410.6	1,292	642.1
FY2022 2nd quarter	9,009	11.2	274	—	324	—	174	—

Note: Comprehensive income For FY2023 2nd quarter: ¥2,759 million [290.0%] For FY2022 2nd quarter: ¥ 707 million [—%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2023 2nd quarter	43.56	—
FY2022 2nd quarter	5.87	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
FY2023 2nd quarter	36,302	25,786	71.0	869.12
FY2022	33,144	23,169	69.9	781.16

Reference: Equity For FY2023 2nd quarter: ¥25,786 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	—	0.00	—	5.00	5.00
FY2023	—	3.00	—	—	—
FY2023 (Forecast)	—	—	—	5.00	8.00

Note: Revisions to the forecast of cash dividends most recently announced: None

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
FY2023	24,400	21.8	100	(82.4)	1,250	(9.7)	2,300	279.9	77.52

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 2nd quarter	29,672,651 shares
FY2022	29,662,851 shares

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

FY2023 2nd quarter	2,749 shares
FY2022	2,704 shares

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

FY2023 2nd quarter	29,663,391 shares
FY2022 2nd quarter	29,660,237 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.

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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 impact of the COVID-19 infection has subsided and economic activities have become more active, the outlook remains uncertain due to soaring resource and raw material prices and supply chain disruptions caused by geopolitical risks such as the situation in Russia and Ukraine, as well as the rapid depreciation of the yen.

Under these circumstances, gaming markets in the U.S. and Europe are recovering to their before COVID-19 disaster levels of activity, and the capital investment appetite of casino hotels, etc., which are our customers, remained high. In the domestic and overseas commercial markets as well, customer demand remained strong in general, with the exception of some cases where sales were dampened by the tightening of regulations under the measures against COVID-19 in China. On the other hand, in the market for domestic equipment for the amusement industry, customers were cautious about their investments in equipment as smart amusement machines will be introduced sequentially starting in November of this year.

As described above, demand for our products generally showed a recovery trend in all regions except for the equipment for amusement industry segment. However, while the supply shortages of electronic materials, especially semiconductors, triggered by the supply chain disruptions, had a prolonged impact, especially in the second quarter of the current fiscal year, in particular, there was a noticeable slowdown in the growth of business performance, especially in terms of profits, due to delays in production and delivery of some products and cost increases caused by the rising prices of materials.

Under these circumstances, Group made our utmost efforts to supply our products by securing market-distributed products for key components that were difficult to obtain, or by redesigning our products to use alternative materials. Furthermore, Group strived to capture new markets and increase our market share by aggressively conducting marketing activities not only in North and Central America but also in South America, mainly through a new company established to expand our share in the North and Central American Commercial market.

As a result of the above, consolidated net sales for the second quarter were increased to 12,284 million yen (up 36.3% from the same period of the previous fiscal year). In terms of profit, operating income increased to 600 million yen (up to 118.6% from the same period of the previous fiscal year) due to the increase in sales, and ordinary income increased to 1,658 million yen (up to 410.6% from the same period of the previous fiscal year) due to foreign exchange gains of 982 million yen resulting from the rapid depreciation of the yen. Net income attributable to owners of the parent amounted to 1,292 million yen (up 642.1% from the same period of the previous fiscal year).

The average foreign exchange rates for this cumulative second quarter were 124.52 yen to the US dollar (108.46 yen in the same period previous year) and 135.22 yen to the euro (130.48 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 second quarter was 144.81 yen to the U.S. dollar (122.41 yen in the same period previous year).

Results by segment are as follows.

i. Global Gaming

With the increase in the number of casino visitors in the North America and other gaming markets, there was a remarkable recovery and expansion of demand for our products, and we also gave top priority to the delivery of our products amid concerns about delivery delays due to a shortage of parts and materials. As a result, net sales in this segment amounted to 7,073 million yen (up 71.4% from the same period of the previous fiscal year), and segment income amounted to 1,015 million yen (up 34.1% from the same period of the previous fiscal year).

ii. Overseas Commercial

Sales of bill validators units and bill recycler unit for self-checkout machines in the European region remained strong, as in the previous year, while sales to the Asian region declined in part. As a result, net sales in this segment were 2,303 million yen (up 4.7% from the same period of the previous fiscal year) and segment income was 54 million yen (down 4.2% from the same period of the previous fiscal year).

iii. Domestic Commercial

Sales in this segment were 917 million yen (up 12.7% from the same period of previous fiscal year) and segment income was 93 million yen (up 177.9% from the same period of previous fiscal year), mainly due to an increase in sales of bill recycler units for restaurant ticket vending machines and hotel check-in and checkout machines for contactless and non-face-to-face payment applications as measures to prevent the spread of COVID-19 during the pandemic.

iv. Equipment for the Amusement Industry

With the decision to introduce Smart pachinko and pachislot to the market in and after November of this year, pachinko hall operators tended to be cautious about capital investment until then. As a result, net sales in this segment were 1,989 million yen (up 6.5% from the same period of previous fiscal year) and segment loss was 147 million yen (178 million yen loss in the same period of the previous fiscal year).

(2) Explanation of Financial Position

i. Assets, Liabilities and Net Assets

Total assets at the end of the second quarter of the previous fiscal year increased by 3,158 million yen compared to the end of the previous fiscal year to 36,302 million yen.

Total current assets increased by 2,850 million yen compared to the end of the previous fiscal year to 30,927 million yen. "Cash and deposits" increased by 641 million yen, "Notes and accounts receivable, and contract assets" increased by 533 million yen, and "Inventories" increased by 1,704 million yen.

Total non-current assets increased by 311 million yen compared to the end of the previous fiscal year to 5,335 million yen mainly due to the acquisition of Property, plant and equipment.

Total deferred assets decreased by 3 million yen compared to the end of the previous fiscal year to 38 million yen due to the issuance of corporate bonds.

Total current liabilities increased by 801 million yen compared to the end of the previous fiscal year to 6,208 million yen. "Income taxes payable" increased by 209 million yen and "Other" increased by 821 million yen mainly due to an increase in contract liabilities, however, "Notes and accounts payable-trade" decreased by 105 million yen, in addition, "Short-term borrowings" decreased by 119 million yen, respectively, due to repayment of loans payable.

Total Non-current liabilities decreased by 260 million yen compared to the end of the previous fiscal year, to 4,307 million yen. "Long-term borrowings" decreased by 300 million yen due to debt repayment.

Total net assets increased by 2,617 million yen compared to the end of the previous fiscal year to 25,786 million yen. "Share capital" and "Capital surplus" increased by 3 million yen respectively, due to the issuance of new shares as Restricted Stock Compensation Remuneration, and "Retained earnings" increased by 1,143 million yen due to the recognition of net income attributable to owners of the parent company, etc. and "Foreign currency translation adjustments" increased by 1,470 million yen due to the revaluation of foreign subsidiaries to fair value, respectively.

ii. Cash Flows

Cash and cash equivalents (hereinafter referred to as "Net cash") at the end of the second quarter increased by 641 million yen compared to the end of the previous fiscal year to 14,883 million yen.

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

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 456 million yen (450 million yen provided in the same period of the previous fiscal year). This was mainly due to a increase in Net Cash resulting from income before income taxes of 1,658 million yen, while Net Cash decreased due to an increase in inventories of 574 million yen and a decrease in trade payable of 567 million yen.

(Cash flows from investing activities)

As a result of investing activities, Net cash used amounted to 97 million yen (144 million yen used in the same period of the previous fiscal year). This was mainly due to an increase in Net Cash resulting from proceeds from sales of property, plant and equipment of 133 million yen, while there was a decrease in Net Cash resulting from purchase of property, plant and equipment of 97 million yen and payments for guarantee deposits of 82 million yen.

(Cash flows from financing activities)

As a result of financing activities, Net cash used amounted to 597 million yen (951 million yen provided in the same quarter of the previous fiscal year). This was mainly due to a decrease in Net Cash resulting from 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 net increase in Net Cash of 879 million yen due to Effect of exchange rate change on cash and cash equivalents.

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

The Company has revised its consolidated earnings forecast for the fiscal year ending March 31, 2023, which was announced on August 3, 2022. For details, please refer to the "Notice on Recording of Non-operating Income (Foreign Exchange Gains) and Revision of Earnings Forecasts" separately disclosed November 8, 2022.

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 second Quarter (As of September 30, 2022)
Assets		
Current assets		
Cash and deposits	14,261,965	14,903,100
Notes and accounts receivable, and contract assets	3,792,187	4,325,671
Electronically recorded monetary claims	198,798	325,913
Merchandise and finished goods	4,389,470	5,249,598
Work in process	759,813	941,425
Raw materials and supplies	3,782,713	4,436,349
Other	1,087,231	933,278
Allowance for doubtful accounts	(185,710)	(187,416)
Total current assets	28,077,468	30,927,921
Non-current assets		
Property, plant and equipment	3,233,490	3,386,432
Intangible assets	95,740	106,996
Investments and other assets		
Other	1,759,381	1,922,973
Allowance for doubtful accounts	(64,114)	(80,500)
Total investments and other assets	1,695,267	1,842,472
Total non-current assets	5,024,498	5,335,901
Deferred assets	42,091	38,583
Total assets	33,144,058	36,302,406
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,133,138	2,027,770
Short-term borrowings	119,552	-
Current portion of long-term borrowings	600,000	600,000
Income taxes payable	202,602	412,288
Provision for bonuses	249,000	252,800
Provision for bonuses to directors and corporate auditors	6,000	-
Provision for business restructuring	253,436	250,665
Other	1,842,751	2,664,677
Total current liabilities	5,406,480	6,208,202
Non-current liabilities		
Bonds payable	2,000,000	2,000,000
Long-term borrowings	2,100,000	1,800,000
Other	468,266	507,478
Total non-current liabilities	4,568,266	4,307,478
Total liabilities	9,974,747	10,515,681
Net assets		
Shareholders' equity		
Share capital	2,216,945	2,220,316
Capital surplus	2,762,525	2,765,896
Retained earnings	18,790,970	19,934,750
Treasury shares	(2,379)	(2,410)
Total shareholders' equity	23,768,061	24,918,553
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	151,789	147,737
Foreign currency translation adjustment	(750,540)	720,433
Total accumulated other comprehensive income	(598,750)	868,171
Total net assets	23,169,310	25,786,725
Total liabilities and net assets	33,144,058	36,302,406

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

(In thousands of yen)

	Prior second Quarter (From April 1, 2021 To September 30, 2021)	Current second Quarter (From April 1, 2022 To September 30, 2022)
Net sales	9,009,600	12,284,297
Cost of sales	5,485,934	7,655,653
Gross profit	3,523,665	4,628,643
Selling, General and Administrative Expenses	3,249,004	4,028,347
Operating profit (loss)	274,660	600,295
Non-operating income		
Interest income	3,130	1,617
Dividend income	25,864	31,593
Foreign exchange gains	33,410	982,967
Other	18,073	63,283
Total non-operating income	80,478	1,079,442
Non-operating expenses		
Interest expenses	14,604	14,457
Other	15,791	7,245
Total non-operating income	30,396	21,703
Ordinary profit (loss)	324,742	1,658,034
Extraordinary profit		
Gain on sale of current assets	–	580
Total extraordinary income	–	580
Extraordinary loss		
Gain on sale of non-current assets	152	12
Total extraordinary income	152	12
Profit (loss) before income taxes	324,589	1,658,602
Corporation tax, Inhabitants Tax, and Enterprise Tax	127,933	345,455
Income taxes - deferred	22,538	21,065
Total income taxes	150,472	366,521
Quarterly Net Income	174,117	1,292,081
Profit (loss) attributable to owners of parent	174,117	1,292,081

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

(In thousands of yen)

	Prior second Quarter (From April 1, 2021 To September 30, 2021)	Current second Quarter (From April 1, 2022 To September 30, 2022)
Profit (loss)	174,117	1,292,081
Other comprehensive income		
Valuation difference on available-for-sale securities	(87,630)	(4,051)
Foreign currency translation adjustment	620,973	1,470,973
Total other comprehensive income	533,342	1,466,921
Comprehensive income	707,460	2,759,003
(Break down)		
Comprehensive income attributable to owners of parent	707,460	2,759,003
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statements of Cash Flows

(In thousands of yen)

	Prior second Quarter (From April 1, 2021 To September 30, 2021)	Current second Quarter (From April 1, 2022 To September 30, 2022)
Cash flows from operating activities		
Profit (loss) before income taxes	324,589	1,658,602
Depreciation	91,450	105,466
Increase (decrease) in provisions	(24,346)	(1,366)
Interest and dividend income	(28,994)	(33,211)
Interest expenses	14,604	14,457
Foreign exchange losses (gains)	(142,499)	(721,052)
Loss (gain) on sale and retirement of property, plant and equipment	152	(567)
Decrease (increase) in trade receivables	(507,579)	9,447
Decrease (increase) in inventories	775,464	(574,479)
Increase (decrease) in trade payables	673,853	(567,584)
Decrease (increase) in consumption taxes refund receivable	61,568	84,929
Other	(249,708)	506,762
Subtotal	988,556	481,405
Interest and dividends received	28,650	32,866
Interest paid	(10,833)	(14,400)
Payments for Voluntary early retirement-related expenses	(468,306)	–
Income taxes paid	(87,829)	(43,582)
Net cash provided by (used in) operating activities	450,237	456,288
Cash flows from investing activities		
Repayment of short-term borrowings	(9)	–
Purchase of property, plant and equipment	(120,455)	(97,593)
Sales of property, plant and equipment	–	580
Deposit from sales of property, plant and equipment	–	133,108
Purchase of intangible assets	(22,803)	(11,294)
Purchase of investment securities	(916)	(39,751)
Deposit of guarantee money	–	(82,604)
Other	–	200
Net cash provided by (used in) investing activities	(144,184)	(97,354)
Cash flows from financing activities		
Repayments of short-term borrowings	(4,300,000)	–
Increase (decrease) in short-term borrowings	336,354	(119,552)
Proceeds from long-term borrowings	3,000,000	–
Repayments of long-term borrowings	–	(300,000)
Proceeds from issuance of bonds	1,950,893	–
Dividends paid	(234)	(148,661)
Repayments of lease obligations	(35,927)	(28,966)
Purchase of treasury shares	(43)	(30)
Net cash provided by (used in) financing activities	951,043	(597,210)
Effect of exchange rate change on cash and cash equivalents	266,509	879,411
Net increase (decrease) in cash and cash equivalents	1,523,605	641,134
Cash and cash equivalents at beginning of period	12,413,846	14,241,965
Cash and cash equivalents at end of period	13,937,451	14,883,100

(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)

The Company issued new shares as restricted stock compensation on August 24, 2022 based on the resolution of the Board of Directors meeting held on July 26, 2022. As a result, share capital and capital surplus increased by 3,371 thousand yen each in the first half of the current fiscal year, resulting in share capital of 2,220,316 thousand yen and capital surplus of 2,765,896 thousand yen at the end of the second quarter of the current fiscal year.

(Additional information)

At a meeting of the Board of Directors held on August 3, 2022, the Company resolved to transfer fixed assets held by the Company.

I. Reason for transfer of fixed 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, 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 limited room for expansion due to the progress of residential development in the surrounding area, etc., relocation of important functions, BCP response through dispersion to factories, etc., further securing employee safety, protecting corporate assets, and improving capital efficiency.

II. Details of Assets to be Sold

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

III. Overview of the transferee

The transferee is a domestic corporation, but due to a confidentiality agreement with the transferee, we will refrain from disclosing this information.

There are no capital, personal, or business relationships between the transferee and the Company, and the transferee is not a related party of the Company. We have also confirmed that the transferee is not an antisocial force.

IV. Schedule of 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) |

V. 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 sale of current assets" in the fiscal year ending March 31, 2023.

(Segment Information)

【Segment Information】

I. Prior first quarter (From April 1, 2021 to September 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	4,127,224	2,200,849	813,762	1,867,763	9,009,600	—	9,009,600
Intersegment sales and transfers	—	—	—	—	—	—	—
Total	4,127,224	2,200,849	813,762	1,867,763	9,009,600	—	9,009,600
Segment income (loss)	757,079	57,390	33,770	(178,477)	669,763	(395,102)	274,660

(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 September 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	7,073,286	2,303,820	917,366	1,989,823	12,284,297	—	12,284,297
Intersegment sales and transfers	—	—	—	—	—	—	—
Total	7,073,286	2,303,820	917,366	1,989,823	12,284,297	—	12,284,297
Segment income (loss)	1,015,242	54,977	93,859	(147,162)	1,016,916	(416,620)	600,295

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