Financial Information as of March 31, 2022

(The English translation of the
"Yukashoken-Houkokusho" for
the year ended March 31, 2022)

Japan Cash Machine Co., Ltd.

[Cover]

[Documents to be submitted]	Annual Securities Report
[Applicable law]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
[Submission address]	Director-General of the Kinki Finance Bureau
[Submission date]	June 28, 2022
[Fiscal year]	69th fiscal year (April 1, 2021 to March 31, 2022)
[Company name]	Japan Cash Machine Co., Ltd.
[Company Name in English]	JAPAN CASH MACHINE CO., LTD.
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[Venue for public inspection]	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku Tokyo)

Part One: Company Information

I. Company Overview

1. Changes in Key Management Indicators, Etc.

(1) Consolidated Management Indicators

Term		65th fiscal year	66th fiscal year	67th fiscal year	68th fiscal year	69th fiscal year
Fiscal year end		March 2018	March 2019	March 2020	March 2021	March 2022
Net sales	(Thousands of yen)	29,860,720	31,270,263	26,109,042	17,010,972	20,040,100
Ordinary profit (loss)	(Thousands of yen)	1,152,023	2,265,550	(861,856)	(2,902,829)	1,384,799
Profit (loss) attributable to owners of parent	(Thousands of yen)	924,373	1,288,766	(1,796,265)	(7,558,333)	605,375
Comprehensive income	(Thousands of yen)	1,131,589	537,270	(2,091,376)	(7,937,921)	1,044,932
Net assets	(Thousands of yen)	32,874,111	32,893,369	30,303,377	22,113,265	23,169,310
Total assets	(Thousands of yen)	40,377,125	39,668,340	37,090,637	31,772,986	33,144,058
Net assets per share	(Yen)	1,108.57	1,109.70	1,021.68	745.55	781.16
Basic earnings (loss) per share	(Yen)	31.58	43.48	(60.57)	(254.83)	20.41
Diluted earnings per share	(Yen)	31.57	–	–	–	–
Equity-to-asset ratio	(%)	81.4	82.9	81.7	69.6	69.9
Rate of return on equity	(%)	3.0	3.9	–	–	2.7
Price-earnings ratio	(Times)	36.8	27.2	–	–	33.1
Net cash provided by (used in) operating activities	(Thousands of yen)	3,461,112	3,601,672	(658,985)	(843,536)	1,333,055
Net cash provided by (used in) investing activities	(Thousands of yen)	(694,353)	(556,548)	(610,013)	(34,544)	(255,797)
Net cash provided by (used in) financing activities	(Thousands of yen)	(940,411)	(535,272)	(630,498)	3,987,237	397,943
Cash and cash equivalents	(Thousands of yen)	8,888,786	11,348,448	9,303,984	12,413,846	14,241,965
Number of employees [Average number of temporary employees]	(Persons)	672 [153]	622 [143]	631 [155]	581 [105]	528 [93]

(Notes) 1. Diluted earnings per share for the 66th, 67th, 68th, and 69th terms are not shown in the above table, as there were no potential shares.

2. Return on equity and price-earnings ratios for the 67th and 68th terms are not shown as a net loss was recorded for those terms.

3. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations for the current fiscal year, and the key management indices for the current fiscal year, are those after applying the accounting standard and relevant ASBJ regulations.

(2) Management Indicators, etc. of Submitting Company

Term		65th fiscal year	66th fiscal year	67th fiscal year	68th fiscal year	69th fiscal year
Fiscal year end		March 2018	March 2019	March 2020	March 2021	March 2022
Net sales	(Thousands of yen)	9,958,338	9,378,252	8,149,269	5,028,226	5,482,462
Ordinary profit (loss)	(Thousands of yen)	928,968	1,711,915	(731,909)	(714,313)	(45,635)
Profit (loss)	(Thousands of yen)	1,071,531	1,530,412	(1,116,763)	(2,584,250)	(126,350)
Share capital	(Thousands of yen)	2,216,945	2,216,945	2,216,945	2,216,945	2,216,945
Total number of issued shares	(Shares)	29,662,851	29,662,851	29,662,851	29,662,851	29,662,851
Net assets	(Thousands of yen)	19,535,103	20,367,529	18,563,074	15,935,549	15,617,413
Total assets	(Thousands of yen)	22,906,359	23,092,945	21,053,167	22,364,900	22,241,945
Net assets per share	(Yen)	658.57	687.12	625.85	537.27	526.55
Dividend paid per share Interim dividend paid per share	(Yen)	17.00 (8.50)	20.00 (8.50)	17.00 (8.50)	– (–)	5.00 (–)
Basic earnings (loss) per share	(Yen)	36.61	51.63	(37.66)	(87.13)	(4.26)
Diluted earnings per share	(Yen)	36.60	–	–	–	–
Equity-to-asset ratio	(%)	85.2	88.2	88.2	71.3	70.2
Rate of return on equity	(%)	6.1	7.7	–	–	–
Price-earnings ratio	(Times)	31.8	22.9	–	–	–
Payout ratio	(%)	46.4	38.7	–	–	–
Number of employees [Average number of temporary employees]	(Persons)	270 [54]	263 [64]	269 [78]	263 [58]	218 [48]
Total shareholder return Total return on share price index	(%) (%)	82.6 (113.5)	85.4 (112.1)	41.7 (100.0)	46.6 (154.3)	51.4 (147.1)
Highest stock price	(Yen)	1,449	1,460	1,432	690	886
Lowest stock price	(Yen)	1,040	836	489	495	529

(Notes)
1. The dividend per share for the 66th term includes an additional memorial dividend of three yen per share.
2. Diluted earnings per share for the 66th, 67th, 68th, and 69th terms are not shown in the above table, as there were no potential shares.
3. Return on equity and price-earnings ratios for the 67th, 68th, and 69th terms are not shown as a net loss was recorded for those terms.
4. Payout ratios for the 67th, 68th, and 69th terms are not shown as a net loss was recorded for those terms.
5. The highest and lowest stock prices are those on the Tokyo Stock Exchange (First Section).
6. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations for the current fiscal year, and the key management indices for the current fiscal year, are those after applying the accounting standard and relevant ASBJ regulations.

2. Company History

Date	Entry
January 1955	JCM was established in Nihombashi, Minami-ku (now Chuo-ku), Osaka City, with the main goal of selling and repairing domestically made cash registers.
February 1957	Newly opened the Sumiyoshi Plant (Nishi-Imagawa-cho, Higashi Sumiyoshi-ku, Osaka City), became a manufacturer, and began production and sales of cash registers.
February 1959	In order to upscale manufacturing of cash registers, a new plant was built in Hirano Baba-cho, Higashi Sumiyoshi-ku, Osaka City (the location of the current head office).
October 1969	Started manufacturing and selling money-handling machines.
June 1987	Established JCM GOLD (H.K.) LTD. and SHAFTY CO., LTD., both subsidiaries in Hong Kong, for the overseas production of cash registers.
July 1988	Established subsidiary JCM AMERICAN CORPORATION as a marketing base for our products in the United States.
September 1988	Started manufacturing and selling equipment for amusement industry.
February 1991	Opened a new plant at Nagahama factory (Nagahama, Shiga) to boost our production system.
September 1993	Listed on the 2nd Section of the Osaka Stock Exchange as a special designated stock.
September 1995	Listed on the 2nd Section of the Osaka Stock Exchange.
June 1999	Established JAPAN CASH MACHINE GERMANY GMBH. (now JCM EUROPE GMBH.) as a European marketing base.
December 2000	Listed on the 2nd Section of the Tokyo Stock Exchange.
April 2001	Acquired all shares of Meiho Shoji Co., Ltd. (now JCM MEIHO CO., LTD.) and made it into our subsidiary.
September 2004	Listed on the 1st Section of the Tokyo and Osaka Stock Exchanges.
November 2005	Expanded Nagahama factory to increase domestic production capacity, consolidate distribution functions, and improve efficiency.
September 2006	Established J-CASH MACHINE (THAILAND) CO., LTD. to develop software.
May 2009	Acquired all shares of Sammy Systems Co., Ltd (now JCM SYSTEMS CO., LTD.) and made it into our subsidiary.
July 2009	Split off our amusement center equipment business and transferred it to JCM SYSTEMS CO., LTD.
September 2009	Changed the trade name of JAPAN CASH MACHINE GERMANY GMBH. to JCM EUROPE GMBH.
February 2010	In preparation for business expansion in the Kanto region, acquired and relocated to a new business base in Higashi-Nihombashi, Chuo-ku, Tokyo, and the Tokyo Head Office of JCM and Head Office of JCM SYSTEMS CO., LTD. began operations there.
Nov. 2010	Established JCM CHINA CO., LTD in Guangdong, China to support manufacture and sales of our products.
April 2013	Split domestic sales department of JCM into JCM SYSTEMS CO., LTD. and made JCM MEIHO CO., LTD. a wholly-owned subsidiary of JCM SYSTEMS CO., LTD, by which the integration of domestic sales business was completed.
August 2014	Acquired a membership interest of 100% of FutureLogic Group, LLC., a manufacturer and distributor of printer units for the gaming market, and put it and its subsidiaries into our group.
September 2016	Acquired a portion of Silver Denken Co., Ltd., a consolidated subsidiary of Citizen Watch Co., Ltd., to strengthen the technological development capability and profitability of our amusement center equipment business.
April 2017	Transferred the sales business of money-handling equipment and other products for domestic financial, logistical, and transportation markets of JCM SYSTEMS CO., LTD. to the Company through an absorption-type demerger.
January 2020	Established J-CASH MACHINE GLOBAL MANUFACTURING (PHILIPPINES) INC. in Laguna, the Philippines to produce our products.
January 2022	Established JCM COMMERCE MECHATRONICS INC. as a sales base for our products in North, Central, and South America.
April 2022	Due to the revision of the market classification of the Tokyo Stock Exchange, the company moves from the First Section of the Tokyo Stock Exchange to the Prime Market.

3. Business Details

The Group (the Company and its subsidiaries and associates) consists of Japan Cash Machine Co., Ltd. (the Company) and 16 consolidated subsidiaries. The Group's main business is the manufacture and sale of money-related equipment.

The business activities of the Group and the positioning of the Company and its subsidiaries and affiliates in relation to these businesses are as follows.

Each of the following product groups is categorized into the segments listed in "5. Status of Accounting, 1. Consolidated Financial Statements, etc., (1) Notes - Consolidated Financial Statements."

(1) Money-handling machines and products

Major products, their specifications and applications are as follows. The relevant segments are Global Gaming, International Commercial, Domestic Commercial, and Equipment for the Amusement Industry.

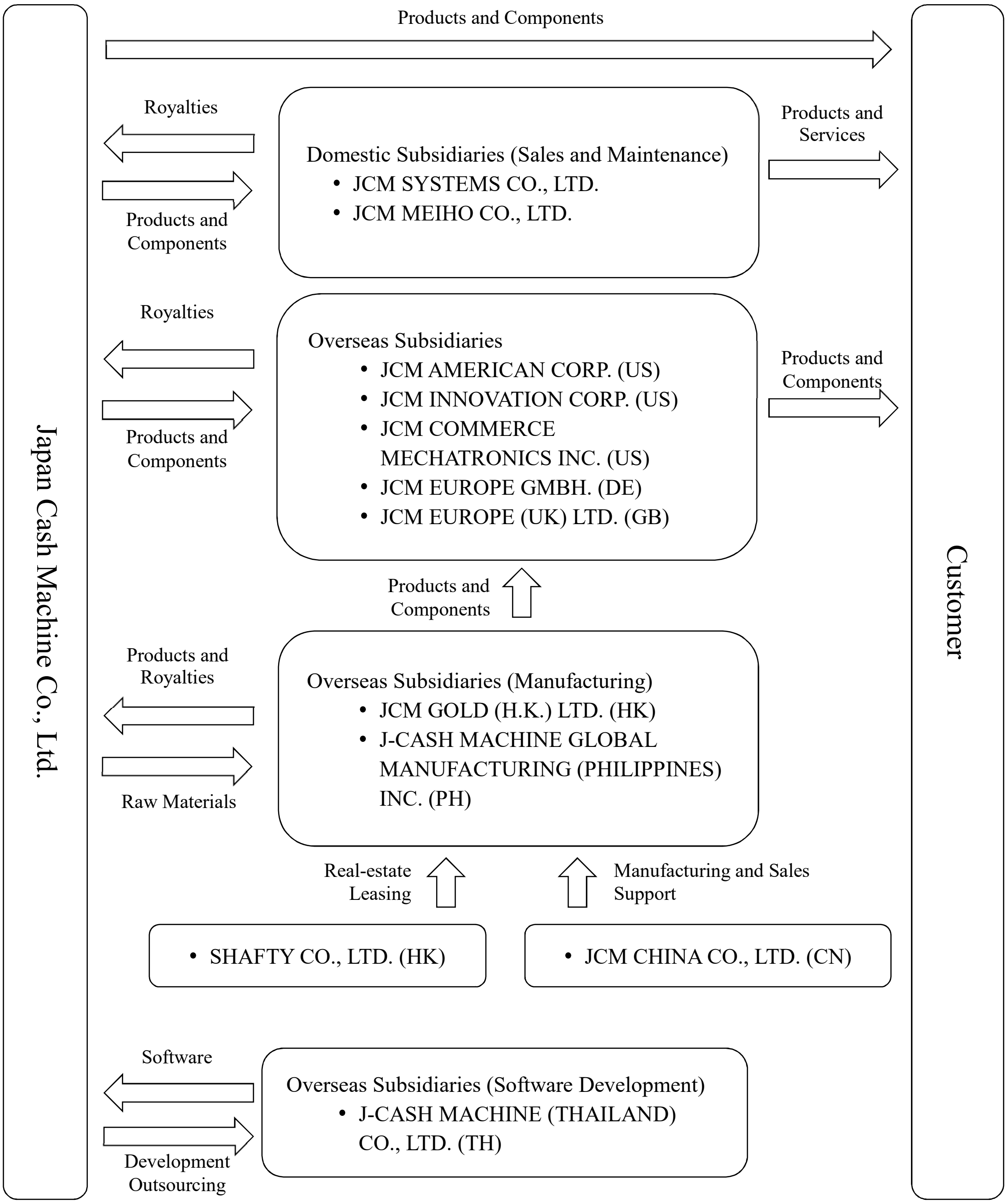
Major products	Product specifications	Purpose of use
Money-handling machines	Bill validator units	These are used as bill intakes on arcade machines, vending machines, etc.
	Bill recycling units	These are devices for receiving and paying out bills, temporarily storing bills that are received and paying them out as change (recycling), and are used in ATM terminals, etc.
	Printer units	These are mainly used as printers installed on casino slot machines.
	Automatic deposit machines	These are devices that sort different types of bills by type, tally the number of bills and store them, and are used in locations such as taxi service centers.
	Deposit and withdrawal machines, change machines	These are used in locations such as supermarkets where cash is frequently exchanged with customers and accurate and efficient cash management is required.
	Bill validation machines	These are used as a means of identifying valid and counterfeit bills in locations such as foreign exchange tellers of financial institutions.
	OEM terminals	These are products provided to other companies as an OEM.

(2) Equipment for the Amusement Industry

Major products, their specifications and applications are as follows. The relevant segment is Equipment for the Amusement Industry

Major products	Product specifications	Purpose of use
Equipment for the Amusement Industry	Automatic token supply system	These are devices for replenishing tokens in slot machines, etc. in pachinko stores, and automatically collecting and cleaning overflowing tokens.
	Bill transport systems	This system transfers bills inserted by players into ball and token rental machines at pachinko stores to a vault installed at the end of the pachinko machine row.
	i clear system	An Electronic Authentication System Association system that conducts comprehensive management of the lending of balls and tokens in pachinko stores, and realizes sound ball and token lending with a high level of transparency through a third-party organization.
	Prize POS system	A system installed on the counter of a pachinko store for the exchange of prizes for balls and tokens obtained by players, and the management of prize inventory.
	Slot machines and pachinko machines	These are used as gaming machines in pachinko stores.
	Payout machines	These are used for the purpose of paying the relevant amount of currency at prize exchange sites.
	Environmental devices	These are used for air purification and separation of smoking areas in pachinko stores, etc.

The entries above are shown in the following business chart.



※ ・indicates a consolidated subsidiary.

4. Status of Subsidiaries and Associates

Consolidated subsidiaries

Name	Address	Share capital	Principal businesses	Voting rights ownership ratio (%)	Details of relationship
JCM SYSTEMS CO., LTD. (Note 1) (Note 3)	Chuo-ku, Tokyo	100,000 thousand yen	Sales, installation and maintenance of amusement industry equipment, etc.	100	They purchase and sell products from the Company. The Company receives royalties as compensation for services rendered. Concurrent positions of officers
JCM MEIHO CO., LTD. (Note 2)	Chuo-ku, Tokyo	50,000 thousand yen	Sales of amusement machines	100 (100)	They purchase and sell our products from JCM SYSTEMS CO., LTD. Concurrent positions of officers
JCM AMERICAN CORP. (Consolidated) (Note 1) (Note 4)	Nevada, U.S.A.	7,200 thousand USD	Sales of money-handling machines, etc.	100	They purchase and sell products and parts from the Company. The Company receives royalties as compensation for services rendered. Concurrent positions of officers Lending of funds
JCM INNOVATION CORP. (Note 2)	Nevada, U.S.A.	1 thousand USD	Management of the manufacturing and sale business of printer units	100 (100)	In acquiring FUTURELOGIC GROUP, the Company borrowed funds from JCM AMERICAN CORP. Concurrent positions of officers
JCM COMMERCE MECHATRONICS INC. (Note 6)	Delaware, U.S.A.	500 thousand USD	Sales of money-handling machines, etc.	100	They purchase and sell products and parts from the Company. The Company receives royalties as compensation for services rendered. Concurrent positions of officers
JCM EUROPE GMBH. (Note 1) (Note 5)	Germany Dusseldorf	1,650 thousand EUR	Sales of money-handling machines, etc.	100	They purchase and sell products and parts from the Company. The Company receives royalties as compensation for services rendered. Concurrent positions of officers
JCM EUROPE (UK) LTD. (Note 2)	U.K. Milton Keynes	127 thousand GBP	Sales of money-handling machines, etc., sales and repair of printer units	100 (100)	They purchase and sell products and parts from the Company. The Company receives royalties as compensation for services rendered. Concurrent positions of officers

Name	Address	Share capital	Principal businesses	Voting rights ownership ratio (%)	Details of relationship
JCM GOLD (H.K.) LTD. (Note 1)	Hong Kong	17,500 thousand HKD	Manufacture of money-handling machines, etc.	100	They purchase raw materials from the Company, manufactures products, and sells the products to the Company. The Company receives royalties as compensation for services rendered. Concurrent positions of officers Lending of funds
SHAFTY CO., LTD.	Hong Kong	7,500 thousand HKD	Leasing of real estate to affiliates	100	They lease real estate to our affiliates. Concurrent positions of officers
JCM CHINA CO., LTD. (Note 2)	Guangdong, China	500 thousand CNY	Support for manufacture and sales of money-handling machines, etc.	100 (100)	Provides manufacturing and sales support for the Company's products to JCM GOLD (H.K.) LTD. Concurrent positions of officers
J-CASH MACHINE (THAILAND) CO., LTD.	Thailand Bangkok	5,000 thousand THB	Software development	100	In charge of developing software for the Company. Concurrent positions of officers
J-CASH MACHINE GLOBAL MANUFACTURING (PHILIPPINES) INC. (Note 1)	Laguna, Philippines	10,400 thousand PHP	Manufacture of money-handling machines, etc.	100	They manufacture the Company's products. Concurrent positions of officers Lending of funds
4 other companies					

(Notes) 1. Falls under specified subsidiary.
2. Figures in parentheses in the "Voting rights ownership ratio" column indicate the percentage of indirect holdings and are included in the total.
3. For JCM SYSTEMS CO., LTD., the ratio of their net sales (excluding inter-company sales among consolidated companies) over the consolidated net sales exceeds 10%.

Major profits and losses and other items (Thousands of yen)

(1) Net sales	3,265,344
(2) Ordinary loss	205,648
(3) Net loss	200,432
(4) Net assets	663,284
(5) Total assets	1,786,416

4. For JCM AMERICAN CORP. (consolidated), the ratio of consolidated net sales exceeds 10% of net sales (excluding inter-company sales among consolidated companies).

Major profits and losses and other items (Thousands of yen)

(1) Net sales	9,601,292
(2) Ordinary profit	1,578,580
(3) Profit	856,534
(4) Net assets	4,864,988
(5) Total assets	7,338,896

5. For JCM EUROPE GMBH., the ratio of consolidated net sales exceeds 10% of net sales (excluding inter-company sales among consolidated companies).

Major profits and losses and other items (Thousands of yen)

(1) Net sales	3,957,483
(2) Ordinary profit	321,839
(3) Profit	310,605
(4) Net assets	3,102,999
(5) Total assets	4,330,959

6. JCM COMMERCE MECHATRONICS INC. was established in January 2022.

5. Status of Employees

(1) Status of Consolidated Companies

As of March 31, 2022

Number of employees	528 (93)

(Notes) 1. The number of employees is the number of full-time employees, and the number of temporary employees (including contract employees, part-timers and temporary staff) is the average number of these employees per year, shown in parentheses, and not included in the number of employees

2. Employees are not classified by business segment due to the difficulty in grouping them.
3. The number of employees decreased by 53 from the end of the previous fiscal year due to the solicitation of voluntary retirement.

(2) Status of the Submitting Company

As of March 31, 2022

Number of employees	Average age	Average years of service	Average annual salary
218 (48)	42.4 years old	15.3 years	6,021 thousand yen

(Notes) 1. The number of employees is the number of full-time employees (excluding those seconded from the Company to outside parties and including those seconded from outside parties to the Company), and the number of temporary employees (including contract employees, part-timers and temporary staff) is the average number of employees per year, shown in parentheses, and not included in the number of employees.

2. Average annual salary includes non-standard wages and bonuses.
3. The number of employees decreased by 45 from the end of the previous fiscal year due to the solicitation of voluntary retirement.

(3) Status of Labor Union(s)

No labor union has been formed, but labor-management relations are smooth.

II. Business Status

1. Management Policy, Management Environment, Issues to be Addressed, Etc.

Forward-looking statements in this document are based on the Group's views as of the end of the fiscal year under review.

(1) Management Policy

It is the management policy of Japan Cash Machine Co., Ltd. and its Group companies to provide manufacturing and services that truly take the perspective of customers and users into account.

Through its money-related business, the Group will contribute to the maintenance of public order in society by supporting the legal, orderly use of currency in Japan and around the world. At the same time, by pioneering a new future for customers, users, and society, we will continue to pursue customer satisfaction and trust, committing long-term reliability and good faith with customers and users, as a truly global company that continues to create markets and value in money circulation.

(2) Management Strategy, etc.

In May 2019, the Group formulated the New Medium-Term Management Plan Rolling Plan (IV) covering FY2021 (fiscal year ended March 31, 2022) as described below, and worked to achieve each goal. However, the Group could not do so even in the fiscal year under review, and is currently reviewing said plan.

Basic Policy

Improve the earnings structure and management culture to enhance our corporate value

1) Strengthen the Group's global governance system

2) Enhance profitability and rebuild the earnings structure

3) Strengthen competitiveness by enhancing the ability and speed of our business promotion and execution

4) Renew the sales structure (foundation)

Priority Measures

1) Expand new areas of business

(Expand sales channels)

Accelerate the expansion of markets, regions, and customer base by strengthening the third business segment, Global Commercial.

(Create new markets through development of new products)

Accelerate the early launch of development themes that are still under development and hasten the contribution of new products to sales.

2) Improve profitability of existing business areas

Consistently work to improve the profit structure and constitution of sales, development, production, quality, and maintenance/repair businesses.

3) Reform businesses in light of new payment systems

Our long-term vision is to create a new fourth business field to strengthen our technological innovation and development capabilities to respond to new markets, in preparation for the popularization of new payment systems and resulting changes in market structure and marketing activities.

4) Stabilize supply and reduce cost through reform of production system

With respect to the overseas production system currently centered in China, the Company will further accelerate its efforts to transfer production to the Philippines, as originally planned, in order to avoid rising labor costs and the effects of the U.S.-China trade friction, among other risks.

5) The Company will focus on enhancing the mobility of each business segment and will devote optimal management resources — strategic investments such as M&A, as well as financial and human resource strategies — to achieve the goals of our Medium-term Management Plan.

(3) Objective Indicators for Judging the Achievement of Management Goals, Etc.

The New Medium-Term Management Plan Rolling Plan (IV) covering FY2021 (fiscal year ended March 31, 2022), suffered significant deviations, including the assumed business environment, due to COVID-19. For this reason, we are currently in the process of reviewing this plan.

As of the date of submission of this report, we have not yet determined the earnings forecast for the proceeding fiscal year, as we are still carefully scrutinizing the effects of the new coronavirus infection as well as the effects on our group's business environment caused by the supply shortage of electronic components, such as semiconductors.

New indicators and plans, including forecasts for the proceeding fiscal year, will be announced promptly upon completion of the scrutiny.

(4) Management Environment

Regarding the business environment surrounding the Group in the next fiscal year (fiscal year ending March 31, 2023), while the economies of the US and Europe are recovering with the acceleration of vaccination against COVID-19, the effects of the coronavirus are expected to continue for the time being in China and other areas where the infection is spreading again due to mutant strains.

Furthermore, there are a number of factors that could hinder the global economic recovery in the short to medium term, such as the situation in Ukraine and other manifestations of geopolitical risks, the rapid depreciation of the yen, as well as disruptions in supply chains due to the worldwide supply shortage of semiconductors and other electronic components, and soaring resource prices. Accordingly, the unpredictable situation is expected to continue.

(5) Business and Financial Issues to be Prioritized

The Group will prioritize measures to agilely enhance its business performance to keep pace with the economic recovery as the COVID-19 pandemic subsides.

On the sales front, JCM COMMERCE MECHATRONICS INC., which was established in January of this year as a foothold for the commercial business, aims to develop customers in the North, Central, and South American commercial markets and to expand the market share of our products, including new products currently under development, with the aim of growing the commercial business into a business comparable to our gaming business.

Meanwhile, in the amusement industry equipment market, which is trending downward, we will continue to focus on sales of mainstay products in which we can demonstrate our strengths, such as automatic token supply systems and bill transport systems, while making further efforts to improve efficiency and profitability of sales activities by utilizing distributors and collaborating with other companies in the same industry.

In the area of development, we will accelerate the speed of launching a number of new products that are under development in anticipation of future demand growth, thereby boosting sales activities and realizing the Group’s growth in step with the changing times.

In terms of production, the transfer of production from China to the Philippine plant, which started operation last year, is expected to be completed by the end of this year, despite some delays due to the coronavirus pandemic, and we will aim to improve profitability through further efforts to stabilize product quality and cost reduction.

2. Business Risks

The following are the major risks that management recognizes as having the potential to materially affect our consolidated companies' financial positions, operating results, and cash flows, among other matters related to the business and accounting conditions described in the Annual Securities Report.

In addition, forward-looking statements in this document are based on the Group's views as of the ending date of the fiscal year under review.

(1) Economic Conditions

Demand for bill validator units for the gaming market, which accounts for a significant portion of overall sales in the Group, is affected by economic conditions in the countries and regions where they are sold. The gaming industry, as represented by casinos, is made of amusement facilities, and the business climate of the gaming market itself may be affected by the economic situation in each country, as well as world affairs such as military conflicts and terrorism, large-scale earthquakes, windstorms, floods, epidemics, accidents, and other events that reduce consumer confidence in individuals, which may affect our Group's performance and financial positions.

(2) Exchange Rate Fluctuations

The Group's sales destinations are worldwide, and overseas sales account for a high percentage of total sales. The Company strives to optimize overseas commercial distribution within the Group to minimize the impact of exchange rates and to avoid the risk of future exchange rate fluctuations by using forward exchange contracts to the extent necessary. Nevertheless, the Group's results are affected by exchange rate fluctuations, including the year-end difference in foreign currency denominated assets due to exchange rate fluctuations, which is recorded in non-operating income/loss.

(3) Dependence on Specific Products and Goods

The bill validator unit is a flagship product that accounts for a large portion of the Group's total sales, as well as a large percentage of the Group's total sales to the gaming market. The Group has secured a large share of the gaming market in various countries, particularly in North America, but the scale of this market share fluctuates due to competition with other companies in the industry. If competition in technological development and in pricing intensifies, there is no guarantee that we will be able to maintain our current market share in the future, and it may become difficult to maintain reasonable sales prices. In addition, the recent rapid global shift to cashless transactions (electronic transactions) may affect the Group's performance and financial positions in that demand for our products may fluctuate significantly.

(4) Regulations Based on Laws Pertaining to Gaming

In the gaming industry, such as in casinos, strict laws and regulations are in place regarding the operation of casinos and the manufacture and sale of gaming machines to ensure that genuine game machines are operated without deception by persons who are not affiliated with criminal organizations. These laws and regulations require that the sale of bill validator units installed in game machines be approved by the authorities. In some states (or territories) in the U.S., bill validator units are considered part of the game machine and, like game machines, require a permit when sold. Therefore, changes in laws and regulations governing slot machines and other game machines may affect the Group's performance and financial positions, even if there are no existing restrictions on bill validator units or sales thereof in certain countries and states around the world.

Furthermore, in obtaining these permits and licenses, the Group undergoes rigorous screening not only of the Company, but also of individual officers. In the unlikely event of a criminal offense or other legal violation by the Company, an affiliated company, or an individual officer, the Group's performance and financial positions could be affected by the revocation of the license or permit and the inability to sell products.

(5) Regulations Based on the Amusement Business Act

Pachinko halls, which are the primary sales destination of the Group's amusement center equipment products, are subject to the Act on Control and Improvement of Amusement Business (hereafter, "Amusement Business Act"). In recent years, as a result of the introduction of standard machines mandated by new laws with the aim of curbing the gambling spirit of players, the industry as a whole has seen its sales shrink, and the Group's sales to this market have also declined significantly. Future changes in the standards for amusement machines and other related revisions to the Amusement Business Act may also affect the Group's performance and financial position.

(6) Risks Related to R&D Investments

The Group continues to invest aggressively in R&D to adapt to the diversifying needs of the changing times. Research and development of new products involves risks, and depending on the development theme, development costs may be high due to prolonged development periods, which may affect our Group's business performance and financial position.

(7) Risks Related to Overseas Business Development

The Group's overseas business development is affected by country risks such as political situations, trade issues, revision or abolition of laws and regulations such as business licenses and import/export restrictions, and revaluation of national currencies. If the impact of country risk in many countries suddenly becomes severe, it could cause major problems in production, sales activities, and other areas, which could affect the Group's performance and financial position.

(8) Risks Related to Procurement of Parts

The Group's products consist primarily of assembled electronic components, resin molded parts, and metal fabricated parts. With regard to electronic components, the demand for such components varies greatly depending on trends in the semiconductor market and is characterized by the rapid pace of such changes. To cope with this, we have secured multiple channels for procuring parts; however, market trends in semiconductors may affect the procurement of raw materials.

In addition, the cost of parts purchased by the Group may rise due to soaring prices of crude oil and raw materials. Furthermore, our Group has a high ratio of overseas production, and the cost of goods may increase due to the rise in labor costs associated with economic development in each country.

(9) Risks Related to Inventories

The Group maintains a certain amount of inventories in order to supply products that meet market needs in a timely manner. Although we are working to forecast the supply-demand balance in the market and maintain the minimum necessary amount of inventory, in the event of an unexpected increase in the volume of orders, sales opportunities may be lost due to a shortage. In the event of a decrease in the volume of orders, the Group's business performance and financial position may be affected by a loss on valuation or disposal of inventory due to excess inventory.

(10) Risks Related to Procurement of Funds

The Group procures funds by borrowing from financial institutions and issuing bonds, but changes in the financial market environment may affect the Group's fundraising.

In addition, a rise in financing costs due to deterioration in the Group's business performance or other factors could affect the Group's ability to raise funds.

(11) Risks Related to Information Security

From its business activities, the Group is in possession of confidential information, including business partners' and its own sales and personal information. If confidential information is leaked or lost from PCs, servers, or other equipment due to cyber attacks or unauthorized access from outside, business activities may be suspended and the Group's performance and financial position may be affected due to loss of public trust and other factors.

(12) Bad Debt Risks on Trade Receivables

In the amusement center (pachinko) industry, the collection period for trade receivables tends to be longer than in other industries due to past business practices and other factors. The Group has thorough credit management for trade receivables in accordance with its internal rules and regulations, and has set aside an allowance for doubtful accounts based on certain rules to ensure that losses from bad debts do not cause significant fluctuations in its business results.

However, our customers who operate pachinko halls continue to see a decline in the number of players and a corresponding decrease in the number of halls. Given these circumstances, the Group closely monitors the business conditions of its customers after sales to prevent any problems with debt collection; however, future trends in the industry may increase the risk of bad debts.

(13) Risks Related to International Taxes

With respect to transfer pricing taxation, we are working to avoid tax risks such as double taxation by applying for APAs (advance pricing agreements), in which the tax authorities of the relevant countries give prior approval for transaction prices occurring within the Group. However, changes in taxation systems in various countries and the conclusion of tax treaties between countries may increase the risks associated with international taxation.

(14) Risks Related to Intellectual Property Rights

The Group is actively working to protect its intellectual property rights. In addition, we develop products after conducting sufficient research to ensure that we do not infringe on the intellectual property rights of third parties. However, due to differences in the legal systems of different countries, the Group may be subject to patent infringement lawsuits seeking payment of damages or an injunction against the sale of products, or third parties may illegally use the Group's intellectual property rights, resulting in lost sales opportunities and liability for compensation payments, which may affect the Group's performance and financial position.

(15) Risks Related to Environmental Laws and Regulations

We are committed to making products that comply with the environmental laws and regulations of each country and region. The Group continues to make efforts to further enhance environmental considerations, but laws and regulations, including environmental regulations, vary from country to country and region to region, and the scope of such regulations, such as the issue of conflict minerals, tends to expand. In addition, the economic burden associated with environmental measures and laws and regulations is increasing, and if the Group's products fail to comply with various laws and regulations, the Group may be unable to sell its products in some regions, which may affect the Group's performance and financial position.

(16) Risks Related to the Validity of Banknotes of Various Countries

The Group's bill validator units are compatible with the currency of more than 135 countries around the world. Bills of some countries are reprinted more frequently than Japanese bills and are characterized by high levels of counterfeiting. There is also fraud by tampering with bill validators. The Group readily revises its software and provides support for its products after delivery. In recent years, however, counterfeit banknotes and fraudulent devices have become more sophisticated and speedy. Therefore, increased costs to deal with these issues and compensation costs to customers may affect the Group's performance and financial position.

(17) Risks Related to the Rapid Development of Cashless Payments

Since our group's main business is money-handling machines, the rapid shift to cashless payment systems may affect our Group's business performance and financial position in the event of rapid progress in diversified payment methods in countries around the world.

(18) Risks Related to Retirement Benefit Obligations

The Group's retirement benefit obligations are calculated based on assumptions such as the discount rate for actuarially determined retirement benefit obligations and the expected return on plan assets. However, if actual results differ from the assumptions, the Group's performance and financial position may be affected in the future.

(19) Risks Related to M&A and Business & Capital Alliances

The Group positions M&A and business & capital alliances as one of its growth strategies and is actively examining and implementing them. In implementing these measures, we conduct due diligence on the financial position and business activities of the target company to understand its business potential and risks before making decisions. However, if the performance of the target company deteriorates after implementation of the measures due to changes in the business environment or unexpected contingent liabilities, and the initially expected results are not achieved, an impairment loss on stock valuation or goodwill may occur, which may affect our group's performance and financial position.

(20) Risks Related to COVID-19 and Other Infectious Diseases

In the event of the spread of infection of COVID-19, influenza, norovirus, or other viruses among our Group's officers and employees, we would have to temporarily suspend our business activities, which could affect our Group's performance and financial position.

There are various other risks besides those mentioned above, and those listed here do not represent all the risks of our Group.

3. Management's Analysis of Financial Position, Operating Results, and Cash Flows

(1) Summary of Performance

The following is a summary of the Group's financial position, operating results and cash flows for the current fiscal year.

1) Financial position and operating results

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

In this market environment, the U.S. gaming market, the Group's main market, continued to be more active than it was before the COVID-19 pandemic, due in part to progress in vaccinations and easing of restrictions on admission to casino facilities, and the appetite for capital investment among casino operators and other customers also recovered significantly. In the domestic and international commercial markets, demand for products related to the expansion and promotion of contactless and non-face-to-face contact in cash payments as a measure to prevent infection, backed by the shift to systems that can coexist with COVID-19, also remained strong. On the other hand, in the amusement industry equipment market, in addition to pachinko parlors taking time to recover utilization, demand for peripheral equipment associated with the replacement of old regulation machines remained sluggish against a backdrop of a supply shortage of new regulation machines.

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

As a result, the financial position and operating results for the current fiscal year were as follows.

a. Financial position

Total assets at the end of the current fiscal year increased 1,371 million yen from the end of the previous fiscal year to 33,144 million yen.

Total liabilities at the end of the current fiscal year increased 315 million yen from the end of the previous fiscal year to 9,974 million yen.

Total net assets at the end of the current fiscal year increased 1,056 million yen from the end of the previous fiscal year to 23,169 million yen.

b. Operating results

Net sales for the fiscal year under review totaled 20,040 million yen (up 17.8% YoY). In terms of profit, operating profit was 568 million yen (compared with a loss of 2,589 million yen in the previous fiscal year), due to such factors as curbing development expenses by concentrating investments on high-priority development projects, and reducing personnel expenses by restructuring the personnel structure, and fixed cost by improving efficiency through office consolidation and other measures at Group companies. In addition, the Company recorded 874 million yen in non-operating income, including foreign exchange gains resulting from the depreciation of the yen, resulting in ordinary profit of 1,384 million yen (compared to a loss of 2,902 million yen in the previous fiscal year). Profit attributable to owners of parent was 605 million yen (compared with a loss of 7,558 million yen in the previous fiscal year), mainly due to the recording of 983 million yen in income taxes - deferred resulting from the reversal of deferred tax assets.

During the fiscal year under review, the average exchange rates were 110.37 yen to the U.S. dollar (106.44 yen in the previous fiscal year) and 130.37 yen to the euro (121.95 yen in the previous fiscal year). Furthermore, the exchange rate on the final day of the fiscal year applied to market valuation at the end of the fiscal year was 122.41 yen per U.S. dollar (110.72 yen at the end of the previous fiscal year).

Operating results by segment are as follows.

Global Gaming

In the European region, sales remained sluggish due to the fact that some countries are still affected by the impact of COVID-19, including the spread of new mutant strains. In the U.S., however, sales of bill validator units and printers, main products in this segment, were strong against a backdrop of brisk sales not seen in society even before COVID-19 as a result of progress in vaccinations and the relaxation of admission restrictions and other measures for casino facilities. As a result, net sales in this segment totaled 10,093 million yen (up 25.0% YoY). Segment profit was 1,475 million yen (the previous fiscal year saw a 486 million yen loss), a significant increase, due to factors such as increased revenue and decreased personnel expenses and depreciation expenses resulting from the restructuring of the personnel structure and the recording of impairment losses on non-current assets, both implemented in the previous fiscal year.

International Commercial

Against the backdrop of prevention of the spread of COVID-19, contactless and non-face-to-face payment styles are becoming more established and sales of bill recycling units for self-checkout machines were strong in the European region. In addition, bill recycling units for bitcoin ATMs were introduced in the U.S. As a result, net sales in this segment totaled 4,361 million yen (up 58.8% YoY), a significant increase. Segment profit totaled 209 million yen (the previous fiscal year saw a 791-million-yen loss), the first segment profit in four fiscal years, thanks to factors such as increased revenue and decreased R&D expenses resulting from the completion of development projects.

Domestic Commercial

Net sales in this segment increased due to high demand for products related to the progress of contactless and non-face-to-face payment at the time of settlement in the same manner as the international commercial market, and strong sales of bill recycling units and coin recycling units for self-service ticket vending machines at restaurants and self-service gas stations. As a result, net sales in this segment totaled 1,839 million yen (up 7.9% YoY). However, segment profit decreased to 86 million yen (down 24.8% YoY) due to increased development costs for new products such as cashless payment machines.

Equipment for the Amusement Industry

In Japan, pachinko parlor operators remained cautious about investing in peripheral equipment, as it has taken time for pachinko parlor operations to recover from the effects of the coronavirus pandemic, and they refrained from replacing machines with new regulation machines before the deadline of the end of January this year. Furthermore, although demand was expected to coincide with the replacement of old machines, there were delays in the supply of new regulation machines due to a shortage of semiconductors and other electronic components, resulting in net sales in this segment of 3,746 million yen (down 16.4% YoY). However, segment loss was 391 million yen (the previous year saw a 986-million-yen loss) due to cost reduction efforts, including restructuring of the personnel structure and consolidation and closing of sales offices, as well as insourcing of construction projects and thorough management of profitability.

2) Cash flows

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

(Cash flows from operating activities)

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

(Cash flows from investing activities)

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

(Cash flows from financing activities)

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

3) Production, orders, and sales

a. Production performance

The table below shows production performance by segment in the current fiscal year.

Segment name	Current fiscal year (April 1, 2021 to March 31, 2022)	
	Amount (Thousands of yen)	YoY change (%)
Global Gaming	3,244,318	126.6
International Commercial	2,295,833	119.3
Domestic Commercial	1,490,137	101.1
Equipment for the Amusement Industry	972,896	78.7
Total	8,003,185	111.2

(Note) Inter-segment transactions are offset and eliminated.

b. Product purchases

The table below shows product purchases by segment in the current fiscal year.

Segment name	Current fiscal year (April 1, 2021 to March 31, 2022)	
	Amount (Thousands of yen)	YoY change (%)
Global Gaming	949,495	60.7
International Commercial	169,854	190.2
Domestic Commercial	43,666	136.1
Equipment for the Amusement Industry	327,789	65.2
Total	1,490,804	68.1

(Note) Inter-segment transactions are offset and eliminated.

c. Orders received

This information is omitted because the Group’s production is mainly based on a make-to-stock concept.

d. Sales performance

The table below shows sales performance by segment in the current fiscal year.

Segment name	Current fiscal year (April 1, 2021 to March 31, 2022)	
	Amount (Thousands of yen)	YoY change (%)
Global Gaming	10,093,060	125.0
International Commercial	4,361,192	158.8
Domestic Commercial	1,839,704	107.9
Equipment for the Amusement Industry	3,746,143	83.6
Total	20,040,100	117.8

(Note) Inter-segment transactions are offset and eliminated.

(2) Management's Analysis of Operating Results, Etc.

The following is a summary of the recognition, analysis and discussion of the Group's operating results from the perspective of management.

In addition, forward-looking statements in this document are based on our views as of the date of submission.

1) Significant accounting policies and estimates

The consolidated financial statements of the Group are prepared in accordance with accounting principles generally accepted in Japan. Significant accounting estimates and assumptions used in the preparation of the consolidated financial statements are described in "Part Five: Accounting, 1. Consolidated Financial Statements, etc. (1) Notes to Consolidated Financial Statements (Significant Accounting Estimates)."

2) Recognition, analysis, and discussion of operating results for the current fiscal year

a. Financial position

Total assets at the end of the current fiscal year increased 1,371 million yen from the end of the previous fiscal year to 33,144 million yen.

Total current assets increased 2,262 million yen from the end of the previous fiscal year to 28,077 million yen. While cash and deposits, lifted by increased sales, increased by 1,828 million yen and notes, accounts receivable and contract assets increased by 760 million yen, inventories decreased by 529 million yen.

Total noncurrent assets decreased by 933 million yen from the end of the previous fiscal year to 5,024 million yen, mainly due to the reversal of deferred tax assets.

Total deferred assets increased by 42 million yen compared to the end of the previous fiscal year due to the recognition of deferred costs related to the issuance of bonds.

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

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

b. Operating results

Net sales totaled 20,040 million yen (up 17.8% YoY). In the U.S. gaming market, the willingness of casino operators and other customers to make capital investments recovered significantly due in part to progress in vaccinations and the relaxation of restrictions on admission to casino facilities. In the domestic and overseas commercial markets, sales increased due to strong demand for products related to the expansion and promotion of contactless and non-face-to-face cash settlement as a measure to prevent infection.

Cost of sales totaled 12,443 million yen (up 6.1% YoY), and the cost of sales ratio decreased 6.9 percentage points YoY to 62.1%. The cost to sales ratio decreased due to lower depreciation expenses resulting from the impairment of non-current assets in the previous fiscal year and lower labor costs resulting from the restructuring of the personnel structure.

Gross profit totaled 7,596 million yen (up 43.6% YoY).

Selling, general and administrative expenses was 7,027 million yen (down 10.8% YoY). Selling, general and administrative expenses decreased due to such factors as curbing development expenses by concentrating investments on high-priority development projects, and reducing personnel expenses by restructuring the personnel structure, and fixed cost by improving efficiency through office consolidation and other measures at Group companies.

Operating profit was 568 million yen (a loss of 2,589 million yen in the previous fiscal year).

Non-operating income was 874 million yen, mainly due to foreign exchange gains resulting from the yen's depreciation.

Ordinary profit came to 1,384 million yen (2,902-million-yen loss in the previous fiscal year), and profit before income taxes was 1,384 million yen. (a loss of 8,241 million yen in the previous fiscal year).

Income taxes were 779 million yen. The Company recorded income taxes-deferred of 983 million yen due to the reversal of deferred tax assets.

As a result of the above, profit attributable to owners of parent was 605 million yen (a loss of 7,558 million yen in the previous fiscal year).

c. Cash flows and liquidity of funds

The status of cash flows for the current fiscal year is described in (1) Summary of Performance, 2) Cash Flows. Factors that may have a significant impact on the Group's operating results are described in 2. Business Risks.

d. Capital resources and liquidity of funds

The Group's main uses of funds are as working capital required for business activities with the primary focus on the stable supply of our products to customers, as well as capital investment for the enhancement of production molds and manufacturing functions. The Company secures principally funds for this purpose by using its own funds and borrowings from financial institutions. For investments such as corporate acquisitions, the Company secures funds from its own resources, borrowings from financial institutions, as well as capital procurement.

e. Objective indicators for judging the achievement of management policy, strategy, and goals, etc.

The Group has formulated the New Medium-Term Management Plan Rolling Plan (IV) (described in 1. Management Policy, Management Environment, Issues to be Addressed, etc.), which ends in FY2021 (fiscal year ended March 31, 2022), and the main management indicators for achieving the plan's targets were defined as operating margin of 6% and ROE of 4%. However, due to various factors, including the recent impact of COVID-19, the assumed business environment has deviated significantly from expectations, and we are currently in the process of revising the said plan. We will promptly announce the new indicators and relevant targets as soon as the revision is complete.

4. Important Management Contracts, Etc.

Not applicable.

5. R&D Activities

(1) Policy for R&D Activities

One of our action guidelines is "Independent Creation: Provide creative products and services to people around the world." Our basic policy is to promptly commercialize market-compatible products and services that meet diversifying social conditions and customer needs, and to improve customer and user satisfaction, in the hope that our products will contribute to the development of interpersonal trust.

(2) R&D Activities

In addition to pursuing money-handling technologies centered on identification, transport, accumulation, and return of currency from around the world, we are also focusing on the development of system products that apply and develop these technologies and know-how, and are actively engaged in activities aimed at drawing out potential customer needs and developing new markets. In addition, we also focus on the promotion and effective utilization of intellectual property rights in the course of product development. Research and development expenses for the Group as a whole for the current fiscal year totaled 1,341 million yen.

1) Global Gaming

In the current fiscal year, we completed product development of a bill recycling unit for the AWP market (European gaming market). As the successor to the low-cost bill-recycling validators that have swept the European market, the new model offers high identification performance and improved quality, and is highly competitive due to its low cost.

2) International Commercial

In the current fiscal year, the Company completed the development of a high-performance authentication module for use in bill recycling units for the transportation and distribution markets, and received certification by the European Central Bank for its literacy and capability to sort bills by major and minor damage. It can be recombined with the authentication module of the current model, and is equipped with the world's highest level of authentication performance for a mid-size banknote processing machine. We will develop to meet the growing needs of the market in terms of anti-money laundering measures.

3) Domestic Commercial

In the current fiscal year, automatic teller machines for clinics were put on the market and are being implemented for our customers one by one as ordered. With the smallest size in the industry and low cost, it has been well received as a multi-terminal that supports cash and cashless payment in a single unit. This product is also expected to perform well in other industries through customization.

4) Equipment for the Amusement Industry

In the current fiscal year, the Company developed additional support for a new bill transport system. By connecting and adding a curved conveyor route to the conventional straight conveyor route, a highly flexible conveyor layout such as a U-shape or S-shape is possible.

In addition, we have added functionality to the monitoring system and have begun utilizing a maintenance service that monitors errors and malfunction status via the internet by connecting it to the bill transport and automatic token supplier.

We have also begun development of an automatic token supply system equipped with a hot-water-wash type token washer, and will continue this work in the next fiscal year. We plan to expand into the market by differentiating token quality through superior cleaning capabilities.

III. Equipment

1. Capital Investment, Etc.

The Group focuses on product and R&D areas where long-term growth is expected, and also invests in equipment for asset rationalization and improvement of product reliability.

The total amount of capital investment in this fiscal year was 354 million yen.

This was mainly comprised of 163 million yen for production molds (for all segments).

There were no disposals or sales of significant equipment in the current fiscal year.

2. Status of Major Equipment

The following is a list of major equipment in our Group.

(1) Submitting company

As of March 31, 2022

Office name (location)	Segment name	Equipment description	Land		Buildings and structures (Thousands of yen)	Machinery, equipment and vehicles (Thousands of yen)	Leased assets (Thousands of yen)	Other (Thousands of yen)	Total (Thousands of yen)	Number of employees
			Area (m^2)	Amount (Thousands of yen)						
Head Office (Hirano-ku, Osaka City)	All segments	Functions of Head Office	3,494	60,511	9,415	0	–	16,304	86,231	115 (5)
Nagahama factory (Nagahama City, Shiga)	All segments	Production and logistics equipment	23,929	296,691	0	0	0	7,130	303,821	31 (20)
Tokyo Office (Chuo-ku, Tokyo)	All segments	Sales and research equipment	684	1,091,018	805,047	0	–	8,409	1,904,474	70 (23)

(2) Domestic subsidiaries

As of March 31, 2022

Company name	Office name (location)	Segment name	Equipment description	Land		Buildings and structures (Thousands of yen)	Machinery, equipment and vehicles (Thousands of yen)	Leased assets (Thousands of yen)	Other (Thousands of yen)	Total (Thousands of yen)	Number of employees
				Area (m^2)	Amount (Thousands of yen)						
JCM SYSTEMS CO., LTD.	Head Office (Chuo-ku, Tokyo)	Equipment for the Amusement Industry	Sales and service mainte-nance equipment	–	–	0	–	–	0	0	16 (1)
JCM MEIHO CO., LTD.	Head Office (Chuo-ku, Tokyo)	Equipment for the Amusement Industry	Sales equipment	–	–	35	–	–	1,466	1,502	12 (–)

(3) Overseas subsidiaries

As of March 31, 2022

Company name	Office name (Location)	Segment name	Equipment description	Land		Buildings and structures (Thousands of yen)	Machinery, equipment and vehicles (Thousands of yen)	Leased assets (Thousands of yen)	Other (Thousands of yen)	Total (Thousands of yen)	Number of employees
				Area (m^2)	Amount (Thousands of yen)						
JCM AMERICAN CORP. (consolidated)	Head Office (Nevada, U.S.A.)	Global Gaming and International Commercial	Production, sales, and service maintenance equipment	22,756	351,300	214,696	66,291	–	12,486	644,775	89 (39)
JCM EUROPE GMBH.	Head Office (Dusseldorf, Germany)	Global Gaming and International Commercial	Sales equipment	–	–	406	23,772	–	48,790	72,970	61 (5)
JCM EUROPE (UK) LTD.	Head Office (Milton Keynes, U.K.)	Global Gaming and International Commercial	Sales equipment	–	–	–	465	–	594	1,060	3 (–)
JCM GOLD (H.K.) LTD.	Head Office (Hong Kong)	All segments	Production and sales facilities	–	–	–	–	–	422	422	11 (–)
SHAFTY CO., LTD.	Head Office (Hong Kong)	All segments	Rental Real Estate	–	–	17,963	–	–	–	17,963	– (–)
JCM CHINA CO., LTD.	Guangdong, China	All segments	Service equipment	–	–	–	–	–	2,811	2,811	21 (–)
J-CASH MACHINE (THAILAND) CO., LTD.	Head Office (Bangkok, Thailand)	All segments	Research equipment	–	–	–	0	–	7,003	7,003	12 (–)
J-CASH MACHINE GLOBAL MANUFACTURIN G (PHILIPPINES) INC.	Head Office (Laguna, Philippines)	All segments	Production equipment	–	–	30,642	4,670	–	66,751	102,064	42 (–)

(Notes) 1. "Other" in the carrying amounts consists of furniture and fixtures, tools, construction in progress and right-of-use assets.

2. In addition to the above, the Company rents sales offices and other facilities, of which annual rent totals 129,637 thousand yen.

3. The number of employees is the number of full-time employees, and the number of temporary employees (including contract employees, part-timers and temporary staff) is the average number of employees per year, shown in parentheses, and not included in the number of employees.

3. Plans for New Installation, Retirement, Etc., of Equipment

(1) New installation of major equipment

As of the end of the current fiscal year, there are no plans to install any new major equipment.

(2) Retirement of major equipment

As of the end of the current fiscal year, there are no plans to retire or dispose of any major equipment.

IV. Status of the Submitting Company

1. Status of Shares

(1) Total Number of Shares, Etc.

1) Total number of shares

Attribute	Authorized shares
Common shares	118,000,000
Total	118,000,000

2) Issued shares

Attribute	Number of shares issued as of the end of the fiscal year (March 31, 2022)	Number of Shares issued as of the submission date (June 28, 2022)	Name of listed financial instruments exchange or registered and licensed financial instruments association	Description
Common shares	29,662,851	29,662,851	Tokyo Stock Exchange First Section (as of the end of the fiscal year) Prime Market (as of submission date)	The shares are the Company's standard shares with no restrictions on rights. The number of shares constituting one unit is 100.
Total	29,662,851	29,662,851	–	–

(2) Status of Share Acquisition Rights, Etc.

1) Share option scheme

Not applicable.

2) Shareholder rights plan

Not applicable.

3) Status of other share acquisition rights, etc.

Not applicable.

(3) Exercise of Bonds with Stock Acquisition Rights with Price Adjustment Clauses, Etc.

Not applicable.

(4) Total Number of Issued Shares, Changes in Share Capital, Etc.

Date	Increase/decrease in total number of shares issued	Balance of shares issued	Increase/decrease in share capital (thousand yen)	Balance of share capital (thousand yen)	Increase/decrease in legal capital surplus (thousand yen)	Balance of legal capital surplus (thousand yen)
April 1, 2005 to March 31, 2006 (Note)	35,970	29,662,851	35,250	2,216,945	35,250	2,063,905

(Note) Increase due to exercise of stock acquisition rights.

(5) Status by Owner

As of March 31, 2022

Category	Status of shares (100 shares per unit)								Status of odd lot shares (shares)
	National and local governments	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations, etc.		Individuals and other	Total	
					Non-individual	Individual			
Number of shareholders	–	18	33	104	56	40	15,866	16,117	–
Number of share units held	–	53,014	7,280	57,004	7,197	288	171,275	296,058	57,051
Percentage of shares held (%)	–	17.91	2.46	19.25	2.43	0.10	57.85	100	–

(Notes) 1. 2,704 treasury shares are included in 27 units in "Individuals and other" and 4 shares in "Status of odd lot shares."

2. Columns "Other corporations" and "Status of odd lot shares" include 15 units and 25 shares in the name of the Japan Securities Depository Center, Incorporated.

(6) Major Shareholders

As of March 31, 2022

Name or designation	Address	Shares held (thousands of shares)	Ratio of shares held to total number of shares issued (excluding treasury shares) (%)
Johto Investment and Development Inc.	2-27-15 Mukonoso Amagasaki City, Hyogo	4,661	15.72
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsu-cho Minato-ku, Tokyo	2,642	8.91
Koichiro Kamihigashi	Amagasaki, Hyogo	2,437	8.22
Yojiro Kamihigashi	Abeno-ku, Osaka City	1,458	4.92
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi Chuo-ku, Tokyo	670	2.26
Yoshiko Kamihigashi	Abeno-ku, Osaka City	638	2.15
Resona Bank, Limited	2-2-1 Bingomachi Chuo-ku, Osaka City	563	1.90
Sumitomo Mitsui Banking Corporation	1-1-2 Marunouchi Chiyoda-ku, Tokyo	503	1.70
Totor Engineering Co., Ltd.	2-22-17 Shiba Minato-ku, Tokyo	432	1.46
Nippon Life Insurance Company	1-6-6 Marunouchi Chiyoda-ku, Tokyo	403	1.36
Total	–	14,412	48.59

(7) Voting Rights

1) Issued shares

As of March 31, 2022

Category	Number of shares	Number of voting rights	Description
Non-voting shares	–	–	–
Shares with restricted voting rights (treasury shares, etc.)	–	–	–
Shares with restricted voting rights (other)	–	–	–
Shares with full voting rights (treasury shares, etc.)	Common shares 2,700	–	Standard shares of the Company with no restrictions on rights
Shares with full voting rights (other)	Common shares 29,603,100	296,031	Same as above
Odd lot shares	Common shares 57,051	–	–
Total number of issued shares	29,662,851	–	–
Voting rights of all shareholders	–	296,031	–

(Note) The number of shares in the column "Shares with full voting rights (other)" includes 1,500 shares in the name of the Japan Securities Depository Center, Incorporated. Thus, the "Number of voting rights" column includes 15 voting rights pertaining to such shares in the name of Japan Securities Depository Center, Incorporated.

2) Treasury shares, etc.

As of March 31, 2022

Name or designation of owner	Address of owner	Number of shares held in own name	Number of shares held under the name of a third party	Total number of held shares	Ratio of shares held to total number of shares issued (%)
Japan Cash Machine Co., Ltd.	Nishiwaki Hirano-ku, Osaka City 2-3-15	2,700	–	2,700	0.01
Total	–	2,700	–	2,700	0.01

2. Status of Acquisition of Treasury Shares, Etc.

Class of shares, etc.

Acquisition of common shares falling under Article 155, item 7 of the Companies Act.

(1) Acquisition by Resolution of the Shareholders' Meeting

Not applicable.

(2) Acquisition by Resolution of the Board of Directors

Not applicable.

(3) Items Not Based on Resolutions of the Shareholders' Meeting or the Board of Directors

Category	Number of shares	Total value (yen)
Treasury shares acquired in the current fiscal year	131	85,334
Treasury shares acquired in the current term	–	–

(Note) The number of treasury shares acquired during the current term does not include those acquired through the purchase of odd lot shares from June 1, 2022 to the date of submission of this Annual Securities Report.

(4) Status of Disposal or Holding of Treasury Shares

Category	Current fiscal year		Current term	
	Number of shares	Total amount of disposal value (thousand yen)	Number of shares	Total amount of disposal value (thousand yen)
Treasury shares offered to subscribers	–	–	–	–
Cancellation of treasury shares	–	–	–	–
Treasury shares transferred due to a merger, share allotment, or corporate split	–	–	–	–
Other (-)	–	–	–	–
Number of treasury shares held	2,704	–	2,704	–

(Notes) 1. The number of treasury shares disposed during the current term does not include those disposed through the sale of odd lot shares from June 1, 2022 to the date of submission of this Annual Securities Report.
2. The number of treasury shares held during the current term does not include those affected by the purchase or sale of odd lot shares from June 1, 2022 to the date of submission of this Annual Securities Report.

3. Dividend Policy

The Group's basic policy on returning profits is to strike a balance between two aspects; to increase dividend payment amount as a result of a profit increase through the realization of growth strategies and to return a profit to shareholders through the payment of stable dividends. The Company has decided a consolidated dividend payout ratio of 30% or more by taking into account the ratio of dividends to consolidated net assets.

The Group's basic policy is to pay dividends of surplus twice a year, an interim dividend and a year-end dividend.

Although both net sales and profit at all levels improved significantly during the current fiscal year, we have decided to exclude the impact of very short-term profit fluctuation factors from the determination of the year-end dividend for the current fiscal year and set the dividend at 5 yen per share (no interim dividend was paid), taking into account the sudden change in the exchange rate just before the end of the fiscal year and the business environment for the next fiscal year and beyond.

We will make effective use of retained earnings as strategic investments for the purpose of responding to various future changes in the business environment, as human resources and R&D investments in connection with the development of new markets, as well as for promptly responding to unforeseen circumstances.

The Company's Articles of Incorporation stipulate that the Company may pay dividends of surplus, etc., by a resolution of the Board of Directors pursuant to Article 459, paragraph (1) of the Companies Act.

Dividends of surplus for the fiscal year under review are as follows.

Date of Resolution	Total amount of dividends (thousands of yen)	Dividend per share (yen)
Resolution of the Board of Directors on May 24, 2022	148,300	5.0

4. Status of Corporate Governance, Etc.

(1) Corporate Governance

1) Basic stance on corporate governance

We recognize that forming a relationship of trust with stakeholders is one of the most important management issues for the continuous development of the Company. To further deepen the relationship of trust with our stakeholders, we are striving to strengthen our internal management system, ensuring transparency and fairness, and building a system that can respond readily to changes in the business environment.

To address the above issues, the Company has appointed two External Board Directors as of the date of submission of this report, to supervise the directors' execution of their duties and to ensure transparency in management. In addition, we have already introduced an executive officer system to clarify the functions of management and supervision and business execution.

The role required of Audit & Supervisory Board Members is also important to strengthen corporate governance. We have established a system whereby the President and the Audit & Supervisory Board can deepen mutual understanding through regular meetings.

To strengthen and expand internal controls, we are working to further improve the transparency of financial reports by establishing and building a system for the Internal Audit Group to scrutinize the operation of internal controls, as well as restructuring business processes and enhancing the check system.

The implementation of the above measures to strengthen corporate governance is not limited to the Company alone, but is being undertaken by the entire Group, including overseas subsidiaries.

Furthermore, the most important factor for the continuous development of a company is its human resources. In order to overcome many challenges, including the need to strengthen corporate governance, and to achieve further growth, we recognize that it is essential to revitalize our people, organization, and corporate culture. We will strive to secure and develop excellent human resources, from young employees to veterans, and to create an organization that can maximize individual abilities.

2) Outline of the corporate governance system and reasons for adopting such a system

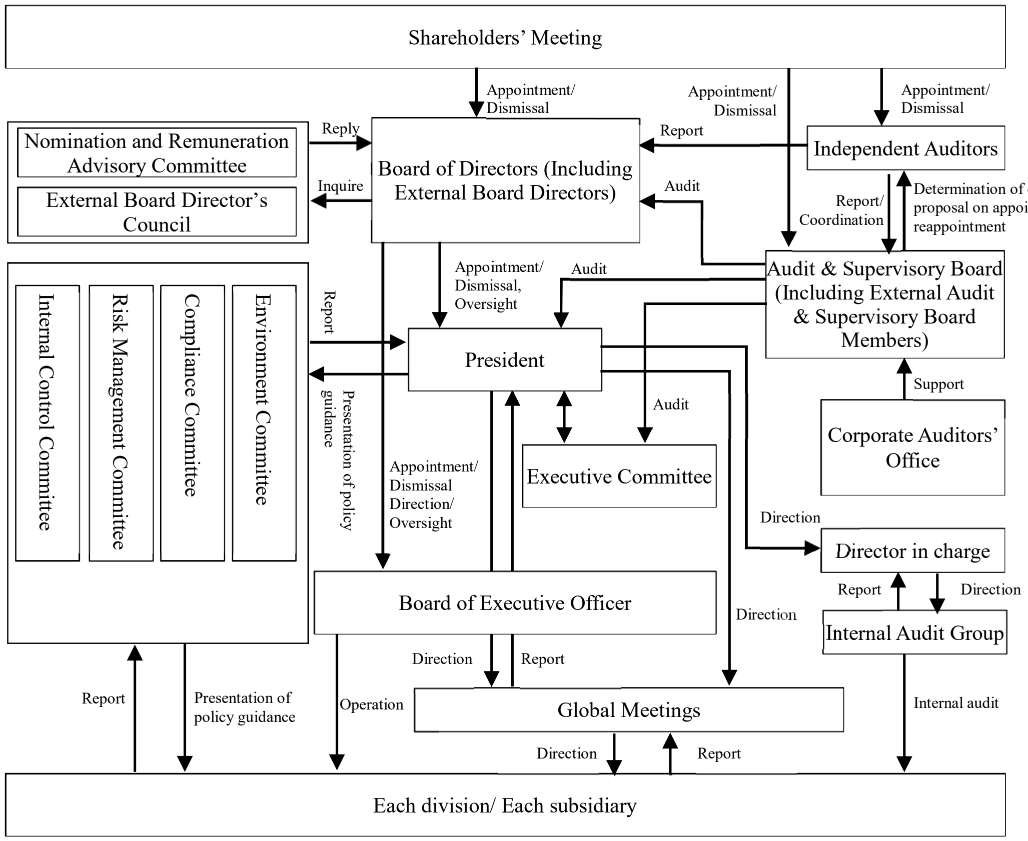
Outline of corporate governance structure

The Company has adopted a Company with an Audit & Supervisory Board system in which business execution by directors elected at the Shareholders' Meeting is supervised by Audit & Supervisory Board Members, including two External Audit & Supervisory Board Members also elected at the Shareholders' Meeting. We have also introduced an External Board Director system. As of the date of submission of this report, there are six directors (including two External Board Directors) and three Audit & Supervisory Board Members (including two External Audit & Supervisory Board Members). In addition, one staff member of the internal audit department closely communicates and exchanges information with Audit & Supervisory Board Members and financial auditors in order to conduct efficient audits.

Reasons for adopting this system of corporate governance

The Company has adopted a Company with an Audit & Supervisory Board system. The reason for selecting this system is that we believe that the three Audit & Supervisory Board Members, including two External Audit & Supervisory Board Members, who monitor management from a neutral and objective standpoint, audit the Directors' performance of their duties and, together with the supervision of the Directors' execution of their duties by the External Board Directors, function effectively in terms of governance, thereby sufficiently securing the confidence of shareholders, investors, and other stakeholders.

The following is an overview of the company's management organization concerning decision-making, business execution, and supervision as well as other corporate governance systems.



a. Board of Directors

The Board of Directors consists of six Directors (including two External Board Directors) and meets regularly once a month in principle, and extraordinary meetings are held as necessary.

In addition, the term of office of Directors is set at one year to clarify their management responsibilities and to build a management structure capable of responding readily to changes in the business environment.

Names, etc., of members of the Board of Directors

Chairman: Yojiro Kamihigashi, President and Representative Director

Members: Tsuyoshi Takagaki, Executive Board Director; Yoshihiro Iuchi, Director; Norihito Nakatani, Director; Koji Yoshikawa, External Board Director; Tatsuhiko Saruwatari, External Board Director

b. Executive Committee

Based on the basic policy decided by the Board of Directors, the Executive Committee, consisting mainly of Senior Directors, Directors (excluding External Board Directors), Executive Officers, and Full-time Audit & Supervisory Board Members, meets to make resolutions or receive reports on important business operations from the viewpoint of expertise and mobility, or to hold preliminary discussions on matters to be resolved by the Board of Directors or to be approved by the President, in order to organize issues and grasp problems so that more appropriate management decisions can be made at Board of Directors meetings.

The Corporate Planning Division attends Board of Directors meetings and Executive Committee meetings as the secretariat and records the proceedings, discussions, and comments to clarify not only the results of agenda items and matters under consideration, but also the process leading up to the decision-making of each meeting's attendees.

c. Audit & Supervisory Board

The Audit & Supervisory Board consists of three Audit & Supervisory Board Members (including two External Audit & Supervisory Board Members) and meets once a month in principle to report, discuss, and make resolutions on the results of routine audits and other important matters. In addition, Audit & Supervisory Board Members and financial auditors meet regularly to exchange information on accounting issues and other matters of note in the audit as appropriate.

Names, etc., of members of the Audit & Supervisory Board

Chairman: Michimasa Teraoka, Audit & Supervisory Board Member

Members: Hiroshi Morimoto, External Audit & Supervisory Board Member; Yoko Sato, External Audit & Supervisory

Board Member

d. Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee was established as a voluntary advisory body under the Board of Directors to further enhance the fairness, transparency, and objectivity of procedures related to the nomination and remuneration of Directors and Audit & Supervisory Board Members, etc., and to strengthen the corporate governance system. With a majority of members being External Officers, the Committee deliberates matters regarding the nomination of and remuneration for Directors and Audit & Supervisory Board Members, and submits a report to the Board of Directors.

e. External Board Director’s Council

The External Board Director’s Council was established under the Board of Directors for the purpose of ensuring that External Officers provide appropriate involvement and advice to the Board of Directors and its constituent Directors in the effective functioning of the Board and the fulfillment of its responsibilities, and is committed to strengthening the corporate governance system by receiving advice, etc., from an objective perspective of External Officers.

f. Board of Executive Officer

The Company has introduced an executive officer system to clarify the executive responsibilities and to further speed up and improve efficiency.

Executive Officers are responsible for the execution of their duties in accordance with the management policies determined by the Board of Directors. The appointment and dismissal of Executive Officers are made by a resolution of the Board of Directors, and their terms of office are generally one year.

g. Global Meetings

In order to formulate important management policies and basic strategies for the Group, global meetings are held by function by all Group companies, including those overseas, for sales, production, etc., to ensure thorough sharing of decisions made at these meetings.

Status of Internal Control System

a. Systems regarding the retention and management of information on the execution of duties by Directors

The Company records and retains documents (documents, printed materials and all other records (including those using electromagnetic records)) pertaining to the execution of duties of Directors and other information in accordance with the Document Management Rules. The Company stores documents on the execution of duties of Directors using a method enabling viewing at head office within two days of receiving a request in the event a request for viewing is received from a Director or an Audit & Supervisory Board Member.

Status of operation

The Company has established the Document Management Rules, and appropriately records, retains and manages information on the execution of duties of Directors, such as minutes of meetings of the Board of Directors and approval documents, in documents. Furthermore, the Company maintains a viewing system that enables rapid responses to requests from Directors and Audit & Supervisory Board Members.

b. Rules and other systems regarding the management of the risk of losses for the Company and the Company’s subsidiaries

(a) The Company has established Risk Management Rules systematically specifying the risk management of the entire Group, specifying departments responsible for risk management for each risk category, and also establishing a Risk Management Committee as an organization for overseeing the risk management activities of the entire Group, with the Director in charge of Risk Management chairing the committee.

Status of operation

The Company holds meetings of the Risk Management Committee chaired by the Director in charge of Risk Management once or more per year in accordance with the Risk Management Rules.

(b) The Risk Management Committee periodically receives reports from the departments responsible for risk management, and performs examinations, reports and determinations, etc. of matters related to the Group’s risk management in general. The Director in charge of Risk Management reports information on risk management to the Board of Directors and the Audit & Supervisory Board, and makes suggestions as needed.

Status of operation

The Human Resources and General Affairs Department, which is the department responsible for risk management, reports the status of risks to the Risk Management Committee, and also shares information in the Risk Management Liaison Meeting primarily made up of Executive Officers. Concerning matters related to the Group’s risk management in general, the Risk Management Committee centered on the Director in charge of Risk Management examines the status of responses to each risk and confirms that such a risk is resolved or mitigated. Furthermore, the Director in charge of Risk Management reports information on risk management to the Board of Directors and the Audit & Supervisory Board as appropriate.

(c) The Director in charge of Risk Management formulates Risk Management Activity Plans for each fiscal year and reports these along with the status of the risk management activities in the preceding paragraph to the Audit & Supervisory Board.

Status of operation

The Director in charge of Risk Management submits the Risk Management Activity Plan for the next fiscal year to the Risk Management Committee, obtains its approval and reports the status of risk management activities to the Audit & Supervisory Board.

(d) The Risk Management Committee examines the status of the risk management system's functions, and reviews the risk management system, etc., according to changes in conditions, such as a case where new risks are identified.

Status of operation

The Risk Management Committee examines the status of the functions of the risk management system, and reviews the risk management system in the event new risks are identified.

c. Systems for ensuring the efficient execution of duties of Directors, etc. of the Company and the Company's subsidiaries

(a) Operational Rules, Approval Authority Rules and other rules clarify the roles of the Board of Directors and the Executive Committee for the entire Group, the positions, division of duties, and duties and authority of employees, and the approval authority of officers and employees, and enhance the efficiency of operations.

Status of operation

The Company seeks to realize the swift and efficient execution of duties by clarifying the division of operations and approval authority in accordance with the Operational Rules, Approval Authority Rules and other rules.

(b) The Company has introduced an External Board Director system to strengthen the monitoring functions of the Board of Directors and seeks to further enhance the speed and fairness of management decisions by delegating authority to Executive Officers and streamlining the organization.

Status of operation

When determining the policy on the specific development of the Company's business, the monitoring functions of the Board of Directors are adequately demonstrated through the expression of objective and impartial opinions by External Board Directors. Furthermore, the authority has been delegated to Executive Officers based on the Approval Authority Rules to speed up management decisions.

(c) The Company has formulated a Medium-term Management Plan for the Group spanning three fiscal years, specifying priority management targets and budget allocation, etc., for the entire Group for each fiscal year to specifically implement the Medium-term Management Plan.

Status of operation

The Company specifies priority management targets and budget allocation for the entire Group each business year to specifically implement the Medium-term Management Plan. In May 2019, the Company formulated Rolling Plan (IV) as the new Medium-term Management Plan covering three fiscal years (FY2019-2021), but this was not achieved, including the results for the fiscal year under review. Furthermore, in addition to the spread of COVID-19, shortages of semiconductors and other electronic components have had a significant impact on the Group, and the Company has begun reviewing the Medium-term Management Plan such that a new plan will be published at a later date.

d. Systems for ensuring the execution of duties of the Directors, etc. and employees of the Company and the Company's subsidiaries conform with laws, regulations and the Articles of Incorporation

(a) The Company has established a Code of Conduct to ensure that the Group's officers and employees act in compliance with laws, regulations and various ordinances.

Status of operation

A Code of Conduct in Compliance has been established and is in a state that can be viewed at any time on the Company's intranet.

(b) The Company has established rules on the compliance system (Compliance Rules) and has specified compliance programs for the Company and its subsidiaries as specific programs for the realization of compliance. Furthermore, the Company has established a Compliance Committee for monitoring that compliance programs are implemented appropriately, perform cross-sectional oversight of the compliance initiatives of the Company and its subsidiaries, and the Compliance Committee is chaired by the Company's Director in charge of Compliance.

Status of operation

The Company has established Compliance Rules and compliance programs, and performs oversight within the Group. In particular, it regularly holds meetings with subsidiaries in the United States, where regulations based on gaming licenses are stringent, and confirms the status of compliance.

(c) The Company has established an Internal Consultation Office and a complaint box within the Company and has also established an External Consultation Office with an external expert as the contact point as means for employees of the Company and its subsidiaries to directly provide information on legal violations, and acts that are suspected to be misconduct or legal violations. The Compliance Supervisor shall be in charge of the Internal Consultation Office, and the complaint box shall be the responsibility of the Full-time Audit & Supervisory Board Member. If a report is received, the content of the report shall be investigated, and steps shall be taken to prevent recurrence.

Status of operation

The Company has established a whistleblowing system, and seeks to protect whistleblowers while also seeking to quickly discover and correct misconduct, etc.

(d) The Company has enhanced compliance education for the Group's officers and employees, and has also specified a Compliance Manual and detailed rules thereof as manuals for the implementation of compliance by the Group's officers and employees.

Status of operation

The Company has established a Compliance Manual and detailed rules thereof, and made them available for viewing at any time on the Company's intranet. Furthermore, the Company implements compliance workshops for officers and senior personnel, compliance training sessions for all employees, and questionnaires on harassment.

(e) The Company has clarified in the Code of Conduct in Compliance that it will handle antisocial forces that threaten the order and safety of civil society with a resolute stance and never compromise with the antisocial forces. The Company also endeavors to foster awareness of legal compliance by conducting compliance education for the officers and employees of the Company and its subsidiaries.

Furthermore, the Company has appointed a supervisor in charge of preventing undue claims within the Corporate Planning Division, and has created a system enabling swift and appropriate responses to undue claims by antisocial forces, by adequately coordinating with external specialized organizations such as the law-enforcement authorities and attorneys.

Status of operation

The Company conducts lessons and training on compliance for officers and all employees, and endeavors to foster awareness of compliance. Furthermore, the Company has appointed a supervisor in charge of preventing undue claims, coordinates with external specialized organizations such as the law-enforcement authorities and attorneys, and has created a system enabling appropriate responses to undue claims by antisocial forces.

e. Systems related to reporting matters pertaining to the execution of duties of Directors of the Company's subsidiaries to the Company and other systems for ensuring appropriate operations in the business group made up of the Company and the Company's subsidiaries

(a) The Company has established Group Company Management Rules and performs appropriate management of subsidiaries. The Corporate Planning Division shall be the department responsible for management of subsidiaries in the Company.

Status of operation

The Corporate Planning Division takes responsibility and performs appropriate management of subsidiaries based on the Group Company Management Rules.

(b) The Company has established a compliance program for the Company and the Company's subsidiaries, and has created a system in which discussion, information sharing, instructions and reporting, etc., on internal control are performed efficiently between the Company and its subsidiaries by establishing a Compliance Committee made up of the Company's President, the Director in charge of Compliance, and the Compliance Supervisors of the Company and the Company's subsidiaries in order to monitor that the compliance program is being appropriately implemented.

Status of operation

The Company has established a compliance program, and as stated above, regularly holds meetings of the Compliance Committee particularly with subsidiaries in the United States, where regulations related to gaming licenses are stringent. Furthermore, the Company has created other systems enabling coordination with legal personnel, and discussion, information sharing, instructions and reporting, etc. as appropriate for other subsidiaries.

(c) The Company requires monthly reporting to the Company on the operating results, financial condition, and other material information on the Company's subsidiaries as part of the reporting of the status of execution of operations of Directors.

Status of operation

Operating results and other material information are sequentially reported in the Company's monthly meetings.

f. Matters concerning employees who are requested by Audit & Supervisory Board Members to assist them in their duties

The Company has established a Corporate Auditor's Office, which works to assist Audit & Supervisory Board Members. Furthermore, the Company may command employees belonging to the Internal Audit Group, Corporate Planning Division to perform matters required for audit operations as needed.

Status of operation

The Company has appointed one employee as the Manager of the Corporate Auditor's Office who assists the duties of Audit & Supervisory Board Members and commands employees of the internal audit department, Corporate Planning Division to perform matters required for audit operations as needed.

g. Matters related to the independence of the employees under the preceding item from Directors, and ensuring the effectiveness of instructions to said employees

Employees who have received a command required for audit operations from an Audit & Supervisory Board Member shall not receive any directions or commands from Directors concerning that command, and the opinion of the Audit & Supervisory Board shall be respected with regard to personnel transfers, personnel evaluations, and disciplinary action for said employees.

Status of operation

Employees who have received a command required for audit operations from an Audit & Supervisory Board Member do not receive any directions or commands from Directors concerning that command. Furthermore, independence from Directors is ensured by respecting the opinions of the Audit & Supervisory Board regarding personnel evaluations for said employees. Although there were personnel transfers related to these employees during the period under review, no disciplinary actions were taken against them.

h. Systems for reporting to Audit & Supervisory Board Member by Directors and employees of the Company, Directors, Audit & Supervisory Board Members and employees of the Company's subsidiaries, and persons who have received a report from these persons, and other systems regarding reporting to the Company's Audit & Supervisory Board Members

The Directors of the Company and the Directors and Audit & Supervisory Board Members of the Company's subsidiaries shall report to the Company's Audit & Supervisory Board Members on i. matters resolved in the Executive Committee, ii. matters that may cause significant damage to the Company, iii. matters material as monthly management conditions, iv. material matters related to the condition of internal audits and risk management, v. serious violations of laws, regulations and the Articles of Incorporation, vi. the status and content of reports related to the whistleblowing system, and vii. other material compliance matters, in accordance with the Rules on Reporting to Audit & Supervisory Board Members. Employees of the Company and its subsidiaries may report matters in ii, v. and vii. above to the Company's Audit & Supervisory Board Members in accordance with the Rules on Reporting to Audit & Supervisory Board Members.

Status of operation

Reports on i. through vii. above are appropriately made to the Company's Audit & Supervisory Board Members by the Directors of the Company and the Directors and Audit & Supervisory Board Members of the Company's subsidiaries. Furthermore, employees of the Company and its subsidiaries are able to report the matters in ii, v. and vii. above to the Company's Audit & Supervisory Board Members.

i. Systems for ensuring that persons making the reports in the preceding item are not treated unfairly on the grounds of making the reports

The Company prohibits the unfair treatment of Directors of the Company, Directors and Audit & Supervisory Board Members of the Company's subsidiaries, and employees of the Company and its subsidiaries on the grounds of filing a report under the preceding item to Audit & Supervisory Board Members.

Status of operation

Dismissal and other unfair treatment (including de facto unfair treatment) of persons who filed a report on the matters under the preceding item as specified in the Rules on Reporting to Audit & Supervisory Board Members are prohibited pursuant to the Whistleblowing Rules with the aim of protecting them.

j. Procedures for the advance payment or reimbursement of expenses incurred in the execution of duties of Audit & Supervisory Board Members and other matters concerning policies on the processing of expenses and obligations incurred in the execution of duties of Audit & Supervisory Board Members

The Company earmarks a fixed budget every year for the payment of expenses, etc., incurred in the execution of duties of

Audit & Supervisory Board Members.

Status of operation

The Company earmarked a fixed budget this fiscal year for the payment of expenses, etc. incurred in the execution of duties of Audit & Supervisory Board Members.

k. Other systems for ensuring that audits are performed effectively by Audit & Supervisory Board Members

(a) Audit & Supervisory Board Members always seek to communicate with Directors and employees.

Status of operation

Audit & Supervisory Board Members seek to communicate with Directors and employees, and always obtain information useful for the effectiveness of audits.

(b) Audit & Supervisory Board Members and the President seeks to communicate with each other and periodically hold meetings to exchange opinions on issues that should be addressed by the Company, the risks surrounding the Company, the status of establishment of an environment for audits by Audit & Supervisory Board Members, and important issues in auditing, etc.

Status of operation

Audit & Supervisory Board Members and the President periodically hold meetings and exchange opinions on issues and other matters that should be addressed by the Company.

Status of Risk Management System

Based on the Risk Management Rules, which comprehensively stipulate risks that may be expected to occur in the Company and its group companies, the Company holds regular Risk Management Liaison Meetings and Risk Management Committee meetings to establish a system to recognize and understand risks in a timely and appropriate manner.

Summary of limited liability agreements

Pursuant to the provision of Article 427, paragraph (1) of the Companies Act, the Company and External Board Directors and External Audit & Supervisory Board Members have entered into an agreement limiting liability for damages specified in Article 423, paragraph (1) of the same Act. The limit on liability for damages pursuant to the agreement is the higher amount of either 10 million yen or the amount specified in the law. Such limitation of liability is limited to cases where the External Board Director or External Audit & Supervisory Board Member has performed his/her duties in good faith and without gross negligence in the performance of his/her duties that caused the liability.

Summary of contents of Directors' and Officers' liability insurance policies insuring Directors and Officers, etc.

The Company has entered into a directors and officers liability insurance policy provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The scope of the insured under the insurance policy includes the Company's officers (Directors and Audit & Supervisory Board Members) and domestic subsidiaries' officers (Directors and Audit & Supervisory Board Members, etc.), and the insured do not bear the cost of insurance premiums. The insurance policy will cover damages incurred by the insured (compensation for damages and litigation expenses (attorneys' fees, etc.) incurred as an individual.)

3) Number of Directors
The Company's Articles of Incorporation stipulate that the Company shall have no more than 10 Directors.

4) Requirements for resolutions of appointment and dismissal of Directors
The Company's Articles of Incorporation stipulate that resolutions for the appointment of Directors shall be adopted by a majority of the votes of shareholders present at a meeting where shareholders holding one-third or more of the voting rights of shareholders who are entitled to exercise their voting rights are present. The Articles of Incorporation do not stipulate any specific requirements for the resolution of dismissal.

5) Organization for the decision-making body of dividends of surplus
The Company stipulates in its Articles of Incorporation that matters stipulated in each item of Article 459, paragraph (1) of the Companies Act, such as dividends of surplus, shall be determined by a resolution of the Board of Directors, not by a resolution of the Shareholders' Meeting, except as otherwise provided by law. The purpose of this is to provide shareholders with a flexible capital policy by authorizing the Board of Directors to make dividend payments, etc., from surplus.

6) Acquisition of treasury shares
The Company's Articles of Incorporation stipulate that the Company may determine matters stipulated in each item of Article 459, paragraph (1) of the Companies Act, such as acquisition of treasury stock, by resolution of the Board of Directors, except as otherwise provided by law, in order to enable the execution of flexible capital policies.

7) Discharge of responsibilities, etc., of Directors and Audit & Supervisory Board Members
Pursuant to Article 426, paragraph (1) of the Companies Act, the Company stipulates in its Articles of Incorporation that Directors and Audit & Supervisory Board Members (including former Directors and Audit & Supervisory Board Members) may be exempted from liability for damages to the extent permitted by law in relation to acts stipulated in Article 423, paragraph (1) of the said Act by a resolution of the Board of Directors. This is intended to create an environment in which Directors and Audit & Supervisory Board Members can fully demonstrate their abilities and fulfill their expected roles in the execution of their duties.

8) Requirements for a special resolution of Shareholders' Meeting
The Company's Articles of Incorporation stipulate that requirements for special resolution of Shareholders' Meeting as stipulated in Article 309, paragraph (2) of the Companies Act shall be adopted by a majority of two-thirds of the votes of shareholders present at a meeting where shareholders holding one-third or more of the voting rights of shareholders who are entitled to exercise their voting rights are present. This is intended to facilitate the smooth operation of the Shareholders' Meeting by relaxing the quorum for special resolutions at the Shareholders' Meeting.

Basic policy on control of the Company
1) Summary of the content of the basic policy
The Company understands the people controlling the determination of the policies on the Company's finance and business must understand the source of the Company's corporate value, and should be able to enhance the Company's corporate value so as to enable to continuously and sustainably ensure and enhance shareholders' common interests.
The Company does not deny a large purchase of shares if such a purchase would enhance the Company's corporate value and thus contribute to shareholders' common interests. Furthermore, a decision on whether or not to respond to such a proposal of purchasing a large volume of shares that accompanies a transfer of the control of the Company should ultimately be made with the general consensus of shareholders.
However, many purchases of a large quantity of shares do not benefit targeted companies in enhancing corporate value and thus the common interests of shareholders, and such purchases often include those that clearly bring about harm to the companies to enhance their corporate value and thus the common interests of shareholders because the purposes of the purchase are to acquire only a specific area of business, assets, technologies, or knowhow, those that may effectively coerce the sale of shares by shareholders, those that do not set aside an adequate time or information for the board of directors of the target company to make an alternative proposal when the board of directors or general shareholders of the target company deliberate on the large purchase of shares, and those requiring the target company to negotiate with the purchaser to agree on more favorable conditions than those presented by the purchaser.
The source of the Group's corporate value lies in promoting the development, manufacture, and sale of equipment capable of reducing the labor required for processing money for every market worldwide on a broader scale. Such a promotion is possible through the practical implementation of core research and technological development with an eye set on the future, against the backdrop of a stable financial foundation and technological capability of money processing centered on the validation and transportation of bills that the Company has developed over many years.

A person who conducts a purchase of a large quantity of shares without understanding the source of the Company's corporate value, and does not contribute to the enhancement of corporate value and thus the common interests of shareholders, is inappropriate as a person to have control over the determination of policies on the Company's finance and business, and the Company believes it is necessary to put in place necessary and appropriate measures against such a purchase in order to enhance the Company's corporate value and thus secure the common interests of shareholders.

2) Summary of special initiatives contributing to the realization of the basic policy
The Company has been developing unique businesses as a group that entails the development, manufacture, and sale of equipment capable of reducing the labor required for processing money for every market worldwide on a broader scale, against the backdrop of a stable financial foundation and technological capability of money processing centered on the validation and transportation of bills that the Company has developed since its establishment.
With the unique nature of the businesses, the Company aims to contribute to the development of the economy and society, as well as the creation of a social environment and security system that meet the needs of the time and will ensure the broader recognition and penetration of the Company's products, which boast high quality and high performance, in the markets and various fields.
Furthermore, the Company has a policy of determining returns to shareholders with consideration of the ratio of dividends to net assets based on a consolidated dividend payout ratio of 30% or more, and these will continue to be implemented in accordance with the policy.

3) Summary of initiatives to prevent the Company's policy on finance and business being controlled by an inappropriate person in light of the basic policy
The Company received shareholders' approval of the current measures on large purchases of the Company's shares (hereinafter referred to as "the Plan") at the 67th Ordinary General Meeting of Shareholders held on June 25, 2020. The specific details are as follows.

a. The Company shall request a purchaser, etc. purchasing a holding of 20% or more of the Company's shares to submit a letter of intent prior to the implementation of the purchase, and to provide the information required for shareholders to make a decision and the Company's Board of Directors to form an opinion no later than ten days of receipt of the letter of intent.
b. The Company's Board of Directors shall establish an evaluation period of 60 days or 90 days as needed as a grace period for evaluating and examining the information provided, negotiating with the purchaser, etc., forming opinions on the purchase and alternative proposals.
c. The Company's Board of Directors shall evaluate and examine the content of the purchase, conduct consultations and negotiations with the purchaser, etc., and present an alternative proposal to shareholders during the above evaluation period. If a decision on whether or not to carry out the Plan is not made during the evaluation period, the evaluation period may be extended by up to 30 days (excluding the first day).
d. The Company's Board of Directors shall establish a special committee to ensure the objectivity and rationality of its decision, and make a final decision with maximum respect for its recommendations. If the special committee recommends the convocation of a Shareholders' Meeting on the execution of the Plan, a Shareholders' Meeting will be convened in the shortest period possible, and a proposal on the execution of the Plan shall be submitted.
e. If the Plan is carried out, the Company shall adopt the method of allotment of share acquisition rights without contribution, and allot the share acquisition rights to shareholders recorded in the final shareholder registry on the record date specified by the Company's Board of Directors at a ratio of at least one right per share held.
f. After the allotment of share acquisition rights, the Company shall acquire all unexercised share acquisition rights held by persons other than unqualified persons such as those designated as large shareholders, and shall grant one of the Company's common shares per share acquisition right in exchange.

4) Judgment of the Company's Board of Directors on the above initiative and reasons therefor
The Plan was formulated as a specific measure to enhance the Company's corporate value, thereby achieving the continuous and sustained enhancement of the common interests of shareholders, and if a purchase of a large quantity of the Company's shares is conducted, the Plan will allow the Company to have negotiations, etc., with the purchaser, etc., in order to ensure the enhancement of the Company's corporate value and thus the common interests of shareholders and contribute to the realization of the basic policy on control of the company.
Furthermore, the Plan does not harm the common interests of the Company's shareholders and is not for the purpose of maintaining the status of the Company's officers owing to the following reasons: i. the Plan completely satisfies the requirements of the Guidelines on Takeover Defense Measures; ii. the Plan prioritizes the will of shareholders (although the effective period is until the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2023, the Guidelines on Takeover Defense Measures may be abolished based on the intentions of shareholders prior to the expiration of the effective

period); iii. The Plan stipulates reasonable and objective execution reasons; iv. The Plan stipulates the establishment of a special committee; and v. The takeover defense measures are not a dead-hand and slow-hand takeover defense measure.

(2) Status of Officers

1) Profiles of officers

Male: 8, Female: 1, (Percentage of female officers: 11.1%)

Positions	Name	Date of birth	Brief career summary		Term of office	Shares held (thousands of shares)
President and Representative Director	Yojiro Kamihigashi	June 5, 1959	Oct. 1984 Jan. 1990 June 1993 Apr. 1995 May 1995 July 1996 Apr. 2006 June 2006 Apr. 2007 Apr. 2015 June 2015 July 2015 June 2020 June 2022	Joined Japan Cash Machine Co., Ltd. Appointed as President and Representative Director of JCM GOLD (H.K.) LTD. Appointed as Board Director Appointed as Director of JCM AMERICAN CORP. Board Director and General Manager of Overseas Sales Department Appointed as Chairman of the Board and Representative Director of JCM GOLD (H.K.) LTD. Executive General Manager of Overseas Sales Department Executive Officer Appointed as President and Representative Director (current position) Overall control of Global Commercial Overall control of Global Gaming Appointed as Representative Director of JCM EUROPE GMBH. Appointed as President and Representative Director of JCM SYSTEMS CO., LTD. (current position) Appointed as President and Representative Director of Johto Investment and Development Inc. (current position)	Note 3	1,458
Executive Board Director Senior Executive Officer Executive General Manager of Corporate Planning Division	Tsuyoshi Takagaki	September 13, 1961	Apr. 1985 Aug. 1997 Dec. 2002 June 2007 Oct. 2011 June 2013 Dec. 2013 June 2019	Joined TSUTSUNAKA PLASTIC INDUSTRY Co., Ltd. (now Sumitomo Bakelite Co., Ltd.) Joined Japan Cash Machine Co., Ltd. General Manager, General Affairs Division, Administration Division Executive Officer and Deputy Executive General Manager of Administration Division Senior Executive Officer (current position) Executive General Manager of Human Resources, General Affairs and Corporate Planning Division Appointed as Board Director Executive General Manager of Corporate Planning Division (current position) Appointed as Executive Board Director (current position), in charge of First R&D Division and Quality Division	Note 3	5

Positions	Name	Date of birth	Brief career summary	Term of office	Shares held (thousands of shares)
Board Director Senior Executive Officer Executive General Manager of Global Strategy Division, and in charge of Sales	Yoshihiro Iuchi	May 21, 1960	Aug. 1985 Joined Denyo Co., Ltd. Mar. 2004 Joined Japan Cash Machine Co., Ltd. May 2007 General Manager of International Division June 2007 Executive Officer and Deputy Executive General Manager of International Division Nov. 2010 Appointed as Representative Director of JCM GOLD (H.K.) LTD. June 2016 Senior Executive Officer (current position) in charge of Production Division June 2018 Appointed as Board Director (current position) Executive General Manager of Global Strategy Division (current position) June 2019 In charge of Sales (current position) in charge of Production Division	Note 3	11
Board Director Senior Executive Officer Executive General Manager of Production Division, and in charge of Production	Norihito Nakatani	February 20, 1960	June 1980 Joined ELNA CO., LTD. Oct. 1990 Joined Japan Cash Machine Co., Ltd. June 2007 Executive Officer and Deputy Executive General Manager of SCM Division May 2008 Deputy Executive General Manager of Engineering Division Nov. 2010 Appointed as Representative Director of JCM CHINA CO., LTD. June 2015 In charge of Production of Creating and Manufacturing Division June 2016 Executive General Manager of Production Division June 2017 Executive General Manager of Second R&D Division June 2018 Senior Executive Officer (current position) June 2019 Appointed as Board Director (current position) Executive General Manager of First R&D Division (current position) Executive General Manager of Quality Division (current position) Oct. 2021 In charge of Production (current position) Jan. 2022 Executive General Manager of Production Division (current position)	Note 3	9
External Board Director	Koji Yoshikawa	February 8, 1950	Apr. 1978 Appointed Public Prosecutor of Osaka District Public Prosecutors Office Apr. 2000 Deputy Manager of Special Investigation Department, Osaka District Public Prosecutors Office Apr. 2004 Prosecutor of Supreme Public Prosecutors Office July 2005 Deputy Chief Public Prosecutor of Osaka District Public Prosecutors Office Jan. 2009 Chief Public Prosecutor of Kobe District Public Prosecutors Office Jan. 2010 Resigned from Prosecutor Mar. 2010 Registered as Attorney June 2014 Appointed as External Board Director (current position)	Note 3	–

Positions	Name	Date of birth	Brief career summary		Term of office	Shares held (thousands of shares)
External Board Director	Tatsuhiko Saruwatari	March 1, 1953	Apr. 1976	Joined Toto Kiki Ltd. (now TOTO LTD.)	Note 3	–
			June 2001	Director, Executive Officer, and Director of Equipment Business Group of the same company		
			June 2002	Director, Managing Executive Officer Director of Equipment Business Group, and General Manager of Central Technology Center		
			June 2006	Director, Senior Managing Executive Officer, in charge of Research & Technology Group and Corporate Planning Department		
			May 2013	Appointed as External Audit & Supervisory Board Member of Izutsuya Co., Ltd.		
			June 2013	Appointed as Representative Director, Executive Vice President of TOTO LTD.		
			June 2016	Appointed as External Audit & Supervisory Board Member of NORITAKE CO., LIMITED (current position)		
			June 2020	Appointed as External Board Director (current position)		
Audit & Supervisory Board Member (Full-time)	Michimasa Teraoka	May 17, 1960	June 1980	Joined Japan Cash Machine Co., Ltd.	Note 4	42
			June 2006	Executive Officer and Deputy Executive General Manager of Administration Division		
			June 2007	Senior Executive Officer and Executive General Manager of Administration Division		
			June 2014	Appointed as Executive Board Director of JCM SYSTEMS CO., LTD.		
			June 2017	Senior Executive Officer General Manager of Domestic Business Strategy Department, Corporate Planning Division		
			June 2018	In charge of Risk Management and Internal Audit		
			June 2019	Appointed as Audit & Supervisory Board Member (current position)		
Audit & Supervisory Board Member	Hiroshi Morimoto	July 13, 1960	Apr. 1987	Registered as Attorney Joined Kitahama Partners	Note 4	–
			June 1995	Appointed as External Audit & Supervisory Board Member (current position)		
			Jan. 2008	Appointed as Representative of Kitahama Partners (current position)		

Positions	Name	Date of birth	Brief career summary		Term of office	Shares held (thousands of shares)
Audit & Supervisory Board Member	Yoko Sato	July 23, 1960	Sep. 1986	Joined Showa Ota & Co. (now Ernst & Young ShinNihon LLC)	Note 4	–
			Mar. 1990	Registered as Certified Public Accountant		
			May 2011	Appointed as Senior Partner of Ernst & Young ShinNihon LLC		
			June 2019	Left Ernst & Young ShinNihon LLC		
			Sep. 2019	Representative of Yoko Sato Certified Public Accountant Office (current position)		
			June 2020	Appointed as External Audit & Supervisory Board Member (current position)		
Total						1,527

(Notes) 1. Directors Koji Yoshikawa and Tatsuhiko Saruwatari are External Board Directors.
2. Audit & Supervisory Board Members Hiroshi Morimoto and Yoko Sato are External Audit & Supervisory Board Members.
3. One year from the conclusion of the Ordinary General Meeting of Shareholders to be held on June 28, 2022.
4. Four years from the conclusion of the Ordinary General Meeting of Shareholders held on June 25, 2020.
5. The Company has introduced an executive officer system to rejuvenate the Board of Directors by separating decision making and supervision from execution. The Executive Officers consist of the following 11 members.

Positions	Name
Executive Board Director and Senior Executive Officer, Executive General Manager of Corporate Planning Division	Tsuyoshi Takagaki
Director and Senior Executive Officer, Executive General Manager of Global Strategy Division, and in charge of Sales	Yoshihiro Iuchi
Director and Senior Executive Officer, Executive General Manager of Production Division, and in charge of Production	Norihito Nakatani

Positions	Name
Senior Executive Officer and Representative Director of JCM EUROPE GMBH.	Mitsuhiro Ueno
Senior Executive Officer, Representative Director of JCM AMERICAN CORP., Deputy Executive General Manager of Corporate Planning Division	Takatomo Imai
Senior Executive Officer and Representative Director of J-CASH MACHINE (THAILAND) CO., LTD. Executive General Manager of First R&D Division, and in charge of Development	Yasuyuki Fujiwara
Executive Officer, President of JCM COMMERCE MECHATRONICS INC. and Executive General Manager of Sales Division	Makoto Hasegawa
Executive Officer, Deputy Executive General Manager of Sales Division, Commercial Business Development Team	Toshi Yamasaki
Executive Officer, Deputy Executive General Manager of First R&D Division	Noriyuki Kanno
Executive Officer, Executive General Manager of Second R&D Division	Kazuo Nakatake
Executive Officer, Executive General Manager of Quality Division, and in charge of Quality Division	Masato Onomura

2) External officers

The Company has two External Board Directors and two External Audit & Supervisory Board Members. The Company has adopted a system under which Audit & Supervisory Board Members, including two External Audit & Supervisory Board Members, supervise the Directors in their execution of duties.

External Board Director Koji Yoshikawa is an attorney at law (Baba Law Firm). He provides objective and appropriate advice based on his extensive experience and expertise as a legal practitioner to the Group, which is committed to compliance-oriented management, including dealing with gaming licensees in U.S. casinos.

External Board Director Tatsuhiko Saruwatari has extensive experience and wide ranging insight as a corporate executive, including serving as Representative Director and Executive Vice President of TOTO LTD. He provides advice and recommendations on management activities, especially product development and quality improvement, to achieve sustainable corporate value enhancement for the Group.

There are no special interests between the two External Board Directors and the Company that would cause a conflict of interest with general shareholders.

External Audit & Supervisory Board Member Hiroshi Morimoto, as an attorney at law (Representative of Kitahama Partners and CEO of Kitahama Group), is well versed in corporate legal affairs and has a high degree of insight and broad experience in ensuring sound corporate management and compliance. Due to his length of service, he provides in-depth advice and recommendations for the management of the Group that go beyond the surface.

External Audit & Supervisory Board Member Yoko Sato is a Certified Public Accountant (Representative of Yoko Sato Certified Public Accountant Office). She provides advice and recommendations from an objective and professional perspective based on her extensive auditing experience and expert knowledge of finance and accounting over many years.

The Company has an advisory agreement with Kitahama Partners, a law firm represented by External Audit & Supervisory Board Member Hiroshi Morimoto. However, the advisory fee paid to the firm is less than the standard amount stipulated in the Company's "Standards for Determining Independence of External Officers" described below, and the law firm does not have a relationship of economic dependency with the Group. Therefore, the Company believes that he has no special interest that would create a conflict of interest with general shareholders.

External Audit & Supervisory Board Member Yoko Sato was a member of the audit firm (Ernst & Young ShinNihon LLC) that performed the Group's statutory audits until 2019. However, since she has not been in charge of auditing the Group since it was listed on the stock market in 1993, and since she is not economically dependent on the Group, we believe that she has no special interest that would create a conflict of interest with the general shareholders.

We believe that the management monitoring function of External Board Directors and External Audit & Supervisory Board Members is expected to be exercised to protect general shareholders in situations where there is a conflict of interest between them and management by ensuring a neutral and objective viewpoint without undue pressure from management. As stated

above, the Company has appointed two External Board Directors and two External Audit & Supervisory Board Members, which we believe is an appropriate number for supervising and auditing the Directors' execution of duties.
In addition, as mentioned above, the Company has established its own criteria for Independent Officers with reference to the criteria stipulated by the Tokyo Stock Exchange, as follows.

Standards for Determining Independence of External Officers

The Company has established the following standards on independence of External Board Directors and External Audit & Supervisory Board Members (hereinafter collectively referred to as "External Officers"), and if it is found that none of the following items apply to an External Officer as a result of investigations conducted to the extent reasonably possible in the Company, the External Officer is deemed to have adequate independence from the Company.

1. An executive (meaning Executive Directors, Executive Officers and employees (excluding Audit & Supervisory Board Members); the same applies below) of the Company and the Company's consolidated subsidiaries (hereinafter collectively referred to as "Group"), or a person who has been an executive of the Group in the past ten years
2. A person who is a major seller to the Group (a trading group (meaning a corporate group made up of direct business partners, their parent company and subsidiaries, and the subsidiaries of said parent company) providing products or services to the Group, where the transaction amount in the most recent fiscal year exceeds 2% of the consolidated net sales of said group) or an executive thereof
3. A major purchaser of the Group (a purchaser group to which the Group provides products or services, where the transaction amount in the most recent fiscal year exceeds 2% of the consolidated net sales of the Group) or an executive thereof
4. A legal expert, accounting expert, consultant, or advisor (if the party obtaining an economic benefit is an organization such as a corporation or association, a person belonging to the organization) who receives a large sum of money or other economic benefit (meaning money or other economic benefit exceeding 5 million yen per year in the case of an individual or 12 million yen per year in the case of a group, excluding officer remuneration, in the most recent fiscal year) separate from officer remuneration from the Group
5. A person who belongs to an audit firm conducting statutory audits of the Group
6. A person who receives donations or subsidies exceeding a certain amount (10 million yen per year on average over the past three fiscal years) from the Company (if the party receiving the donations or subsidies is an organization such as a corporation or an association, an executive of the organization)
7. An executive of a major financial institution from which the Group conducts borrowing (a financial institution from which the amount of borrowing at the end of the most recent fiscal year exceeds 2% of the consolidated total assets of the Company) or the parent company or a subsidiary thereof
8. A major shareholder (a person who directly or indirectly holds a percentage of voting rights that is 10% or more of the total voting rights in the most recent fiscal year) of the Group, or if the major shareholder is a corporation, an executive of the corporation
9. An executive of another company with mutual appointment of External Officers (a relationship in which an executive of the Group is an external officer of another company, and an executive of another company is an External Officer of the Company)
10. A person who has fallen under 2 through 9 above during the past five years
11. The spouse or a relative within the second degree of kinship of a person falling under 1 through 10 above (limited to persons in important positions (limited to Directors (excluding External Board Directors), Executive Officers, employees in senior managerial positions of general manager or higher, attorneys who belong to a law firm, certified public accountants who belong to an audit firm or accounting office, officers such as councilors, directors and auditors who belong to an incorporated foundation, an incorporated association, an incorporated educational institution or other corporation, or a person objectively and reasonably deemed to have equivalent importance))
12. Beyond what is provided for in the preceding items, a person who has special grounds for being unable to fulfill his/her duties as an independent External Officer such as the potential for the occurrence of a conflict of interests with the Company

Even if a person falls under any of 2 through 11 above, if the person satisfies the requirements for an external officer under the Companies Act and is deemed by the Company to be suitable as an independent External Officer, the person may be exceptionally nominated as a candidate for independent External Officer by indicating the reason for the decision.

3) Relationship between supervision or auditing by External Board Directors and External Audit & Supervisory Members and internal audits, mutual cooperation with audits by Audit & Supervisory Board Members and accounting audits, and the internal control division

The Company has established the following standards regarding the mutual cooperation practiced by External Board Directors or External Audit & Supervisory Board Members in supervision or auditing and internal auditing, auditing by Audit & Supervisory Board Members, and financial auditing, and the relationship with the internal control division. External Board Directors and External Audit & Supervisory Board Members attend meetings of the Board of Directors and Audit & Supervisory Board, which are held, as a general rule, on a monthly basis, and receive reports directly or indirectly from internal audits, audits by the Audit & Supervisory Board, and accounting audits, and work together through exchanges of opinions.

(3) Status of Audits

1) Audits by the Audit & Supervisory Board

The Company's Audit & Supervisory Board consists of one Full-time Audit & Supervisory Board Member and two External Audit & Supervisory Board Members. Moreover, one staff member from the Corporate Auditor's Office assists in this regard. In accordance with the division of duties determined by the Audit & Supervisory Board, the Audit & Supervisory Board Members attend meetings of the Board of Directors and other important meetings such as the monthly Financial Results Meeting to audit the important decision-making process and execution of duties by the Directors, and investigate the status of operations and assets of each business office and subsidiaries, including those overseas, and request reports as necessary. In addition, the Company conducts onsite inspections of subsidiaries once every one to two years based on a plan determined by the Audit & Supervisory Board.

Furthermore, External Audit & Supervisory Board Member Yoko Sato is qualified as a certified public accountant, and has considerable knowledge of finance and accounting.

During the fiscal year under review, the Company held a meeting of the Audit & Supervisory Board at least once a month, and the attendance of individual Audit & Supervisory Board Members is as follows.

Name	Number of meetings held	Number of meetings attended
Michimasa Teraoka	15	15
Hiroshi Morimoto	15	15
Yoko Sato	15	15

The Audit & Supervisory Board mainly deliberated on the formulation of audit policy and audit plan, preparation of the Audit Report, selection of Full-time Audit & Supervisory Board Members, consent to the appointment, dismissal, or non-reappointment of financial auditors, and the compensation of financial auditors, and audits of the contents of proposals to be submitted to the Ordinary General Meeting of Shareholders.

In addition, as activities of the Full-time Audit & Supervisory Board Member, in accordance with the policy and the division of duties determined by the Audit & Supervisory Board, he communicated with Directors, the internal audit department and other employees, made efforts to collect information and improve the audit environment, attended meetings of the Board of Directors and other important meetings, received reports from Directors and employees regarding the performance of their duties, requested explanations as necessary, examined important documents for approval, and investigated the state of operations and financial position. With respect to subsidiaries, the Full-time Audit & Supervisory Board Member attends meetings of the Board of Directors and other important meetings, and conduct on-site inspections based on the audit plan.

The External Audit & Supervisory Board Members also receive reports on the results of routine audits from the Full-time Audit & Supervisory Board Member as needed, and use their expertise (one of the External Audit & Supervisory Board Members is an attorney and one is a certified public accountant) to objectively check the management of the company from a broad perspective.

2) Status of internal audits

The Company has established an Internal Audit Group for the purpose of auditing the execution of business operations, including those of domestic and overseas subsidiaries, and providing advice on how to improve operational efficiency and appropriateness. It is currently staffed by one person who closely communicates and exchanges information with the Audit & Supervisory Board and the financial auditor to ensure effective and efficient audits.

3) Status of financial audit

a. Name of audit firm

Ernst & Young ShinNihon LLC

b. Continuous audit period

31 years

c. Certified public accountants who performed services

Naotaka Sasayama

Daiki Takai

d. Composition of assistants for audit services

The Company's assistants for financial audit services are three certified public accountants and 11 others.

e. Audit firm selection policy and rationale

The Audit & Supervisory Board has determined that this firm is qualified to act as financial auditor of the Company, taking into consideration the following factors: the firm possesses the expertise, independence, and quality control system generally required of a financial auditor of a listed company, and has a system that is sufficient to perform financial audits necessary to address the Company's global business characteristics and the possibility of transition to international accounting standards.

Furthermore, the Audit & Supervisory Board will determine the details of a proposal on the dismissal or non-reappointment of the financial auditor submitted to the Shareholders' Meeting as deemed necessary by the Audit & Supervisory Board when the execution of the duties of the financial auditor is disrupted.

Moreover, the Audit & Supervisory Board will dismiss the financial auditor given the consent of all Audit & Supervisory Board Members if the financial auditor falls under any of the items of Article 340, paragraph (1) of the Companies Act. In such a case, an Audit & Supervisory Board Member selected by the Audit & Supervisory Board will report that the financial auditor has been dismissed and the reason for the dismissal at the first Shareholders' Meeting convened after such a dismissal.

f. Evaluation of the audit firm by the Audit & Supervisory Board and Members

The Audit & Supervisory Board received the audit plan from the financial auditor, monitored the implementation status of the audit, shared audit information, and confirmed the appropriateness of the financial auditor's auditing methods. (The Audit & Supervisory Board routinely exchanges information with the internal audit department and the finance and accounting department to ensure that the audit firm is performing its duties appropriately.) We also received reports and opinions on the audit results in a timely manner and judged that the results of the financial audit were appropriate.

In addition, we received a separate explanation from the financial auditor regarding the quality control system for audit work and affirmed the quality control system. Furthermore, we were briefed on the results of the quality control review by The Japanese Institute of Certified Public Accountants and the results of the inspection by the Certified Public Accountants and Auditing Oversight Board, and confirmed that there were no problems.

The Audit & Supervisory Board has comprehensively evaluated these circumstances and determined that there is no reason to dismiss or not to reappoint the financial auditor and that it is appropriate to continue to retain Ernst & Young ShinNihon LLC as the Company's financial auditor.

4) Details of audit fees, etc.

a. Remuneration to certified public accountants, etc.

(Thousands of yen)

Category	Previous fiscal year		Current fiscal year	
	Remuneration for audit & attestation services	Remuneration for non-audit services	Remuneration for audit & attestation services	Remuneration for non-audit services
Submitting company	46,200	–	46,200	–
Consolidated subsidiary(ies)	–	–	–	–
Total	46,200	–	46,200	–

b. Compensation to the same network (ERNST & YOUNG) as the certified public accountants, etc. (excluding a.)

(Thousands of yen)

Category	Previous fiscal year		Current fiscal year	
	Remuneration for audit & attestation services	Remuneration for non-audit services	Remuneration for audit & attestation services	Remuneration for non-audit services
Submitting company	–	6,323	–	10,867
Consolidated subsidiary(ies)	44,494	3,354	49,499	14,453
Total	44,494	9,677	49,499	25,321

(Previous fiscal year)
Non-audit services for the Company and its consolidated subsidiaries include advisory services related to transfer pricing taxation.

(Current fiscal year)
Non-audit services for the Company and its consolidated subsidiaries include advisory services related to transfer pricing taxation.

c. Details of remuneration based on other significant audit attestation services

Not applicable.

d. Policy for determining audit fees

The Company has no special policy for determining audit remuneration for certified public accountants, etc. However, the Company and the audit firm discuss the audit plan and estimated audit compensation presented by them, examine the appropriateness of the specific details (audit schedule, audit items, compensation amount, etc.) in consideration of factors such as the Company's business size and characteristics of operations, and determine the amount after obtaining consent from the Audit & Supervisory Board and following the prescribed procedures.

e. Reasons for the Audit & Supervisory Board's consent to the remuneration, etc., of the financial auditor

The Audit & Supervisory Board has confirmed and examined the analysis and evaluation of audit results for the previous fiscal year, as well as the audit time and staff assignment plans in the audit plan, in addition to the execution of duties of the financial auditor, and the appropriateness of remuneration estimates based on the "Guidelines for Coordination with Accounting Auditors" published by the Japan Audit & Supervisory Board Members Association. Based on such examination, the Company's Audit & Supervisory Board gave consent to the remuneration of the financial auditor as stipulated in Article 399, paragraph (1) of the Companies Act.

(4) Remuneration, Etc., of Officers

1) Matters pertaining to the policy for determining or method of calculating the amount of remuneration, etc., for Officers

The Company resolved the policy on determination of the content of remuneration, etc. for individual Directors in the meeting of the Board of Directors, as follows. To pass the resolution, the Board of Directors consulted the Nomination and Remuneration Advisory Committee about the content in advance, and received its recommendations.
Furthermore, with regard to the remuneration, etc. for individual Directors for the current fiscal year, the Board of Directors confirmed that the method of determining the content of remuneration, etc. and the consistency of the content of the determined remuneration, etc., with the basic policy concerning a decision resolved by the Board of Directors. In addition, the Board of Directors confirmed that the recommendations of the Nomination and Remuneration Advisory Committee are respected to the maximum extent, and they are aligned with said policy.
With respect to the remuneration of Audit & Supervisory Board Members (including External Audit & Supervisory Board Members) and External Board Directors, only fixed remuneration is paid to them in order to clarify their roles and responsibilities.

a. Basic policy

The remuneration system shall clarify the commitment to the steady execution of growth strategy, while functioning as sound incentives aimed at improving short-term business performance, as well as medium- to long-term and sustainable corporate value. Also, the remuneration system shall incorporate perspectives of valuing shareholders with whom the

Company shall share profit awareness.
The remuneration for the Company's Directors shall be made up of basic remuneration, bonuses that are short-term performance-linked remuneration, and share-based remuneration that is medium- to long-term performance-linked remuneration.
The basic remuneration shall be a fixed remuneration paid monthly according to the position, reflecting the performance evaluation of each Director within a certain range.
The bonuses shall be performance-linked remuneration paid annually based on the level of achievement of the consolidated profit target set out each fiscal year in addition to qualitative elements, such as strengthening a management foundation. The bonuses shall be paid on the day immediately following the date the Ordinary General Meeting of Shareholders is held, which coincides with the yearly expiry of the term of office.
The share-based remuneration shall be the issuance of the Company's common stocks with a specified transfer restriction period to the Directors, excluding External Board Directors, depending on their positions, to provide an incentive to achieve sustainable enhancement of the Company's and shareholder values over medium- to long-term.

b. Summary, etc. of composition and method of calculation of remuneration

Fixed remuneration
- Basic remuneration
Basic remuneration limit: The limit on basic remuneration for Directors shall be 180 million yen per year (including short-term performance-linked remuneration). (Does not include salaries for employees.)
Method of calculation of amount paid to eligible Directors:
Monthly individual remuneration payment amount shall be calculated using an amount of 1,500,000 yen per month per person as a base, multiplied by the following coefficient.
Directors: Within the range of 100-130% of the base amount of basic remuneration according to evaluation.
Senior Directors (Chairman, President, Executive Director): Within the range of 150-250% of the base amount of basic remuneration according to position, evaluation and results.

Variable remuneration
- Short-term performance-linked remuneration (bonuses)
Key Performance Indicator (KPI): Profit attributable to owners of parent
Remuneration amount: Within the general range of 30-40% of the amount of fixed basic remuneration.
Terms of payment: Paid when a profit is recorded each fiscal year, and not paid when a loss is recorded.
Method of calculation of amount paid to eligible Directors:
The maximum total amount to be paid is within the range of 1-2% of profit attributable to owners of parent.
Individual distribution is based on the individual's percentage of the total amount of fixed basic remuneration according to the evaluation of the level of contribution to earnings performance, and calculated within the range of ±30%.
- Medium- to long-term performance-linked remuneration (restricted share-based remuneration)
Remuneration limit: Within 70 million yen per year
Method of calculation of amount paid to eligible Directors:
The maximum total amount paid shall be roughly equivalent to 10% of the fixed basic remuneration, and the Company's common shares with restrictions on transfer for a fixed period are provided according to position.
Directors excluding External Board Directors are eligible for short-term performance-linked remuneration and medium- to long-term performance-linked remuneration.

c. Details of resolutions, etc., of the Shareholders' Meeting concerning remuneration, etc., of officers of the Company

Details of the resolution of the Shareholders' Meeting

- Fixed remuneration of Directors (excluding portion of employee salaries of Directors who concurrently serve as employees) and short-term performance-linked remuneration (bonuses)
  Annual amount: within 180 million yen (up to ten Directors)
  Resolution date: June 24, 2021
- Fixed remuneration of Audit & Supervisory Board Members
  Annual amount: within 45 million yen (up to four Audit & Supervisory Board Members)
  Resolution date: June 24, 2021
- Medium- to long-term performance-linked remuneration (restricted share-based remuneration)
  Annual amount: within 70 million yen
  Resolution date: June 26, 2019

Persons with authority to determine remuneration, etc.

- Remuneration of Directors
  Persons with decision-making authority: Board of Directors (resolutions based on the above basic policy, etc., within the scope of the contents of resolutions of the Shareholders' Meeting)
- Audit & Supervisory Board Member's remuneration
  Persons with decision-making authority: Audit & Supervisory Board Members (resolutions based on payment results, etc., within the scope of the contents of resolutions of the Shareholders' Meeting)

d. Activities of the Board of Directors and the Nomination and Remuneration Advisory Committee in the process of determining the remuneration, etc., of the Company's Officers for the current fiscal year, etc.

	Date	Activities
Board of Directors	June 24, 2021	・ Resolution on the amount of remuneration for each individual Director
	May 24, 2022	・ Resolution on candidates for Directors to be submitted to the 69th Ordinary General Meeting of Shareholders ・ Resolution on Directors' bonuses (including individual distributions)
	June 28, 2022	・ Resolution on the amount of remuneration for each individual Director
Nomination and Remuneration Advisory Committee	Aug. 25, 2021	・ Interview and screening of candidates for promotion and new appointments of Executive Officers
	Nov. 24, 2021	・ Discussion on succession planning ・ Discussion of nominations of candidates for Directors to be submitted to the 69th Ordinary General Meeting of Shareholders
	Jan. 27, 2022	・ Appointment of Chairman of the Nomination and Remuneration Advisory Committee (Independent External Officer) ・ Resolution on nominations of candidates for Directors to be submitted to the 69th Ordinary General Meeting of Shareholders
	Apr. 26, 2022	・ Discussion on mid- to long-term Board composition and succession planning ・ Discussion of Director bonuses (including individual distributions) and individual remuneration amounts

2) Total amount of remuneration, etc., by executive category, total amount of remuneration by type, and total number of recipients

Executive category	Total amount of remuneration, etc. (thousands of yen)	Total amount of remuneration, etc. by type (thousands of yen)			Number of eligible officers
		Monetary remuneration		Non-monetary remuneration	
		Fixed remuneration (basic remuneration)	Short-term performance-linked remuneration (bonuses)	Medium- to long-term performance-linked remuneration (restricted share-based remuneration)	
Directors excluding External Board Directors	78,156	72,156	6,000	–	6
Audit & Supervisory Board Members excluding External Audit & Supervisory Board Members	13,095	13,095	–	–	2
External Officers	20,772	20,772	–	–	4

(5) Shareholdings

1) Criteria and approach to categorization of investment shares

The Company categorizes investment shares held for purposes other than pure investment as those held for the purpose of enhancing the Company's corporate value, except in cases where the transaction benefits have diminished, in order to maintain and strengthen long-term, stable business relationships, and all other shares are held for pure investment purposes.

2) Investment shares held for purposes other than pure investment

a. Methods for verifying holding policies and rationality of holdings, and details of verification by the Board of Directors, etc., regarding the appropriateness of holding individual issues

The Company holds shares of counterparties that it judges will contribute to medium- to long-term improvements in corporate value through the maintenance and strengthening of business relationships with such counterparties, with a view to reducing the number of shares held if the significance of continuing to hold such shares diminishes.

In addition, the Company is regularly scrutinized each year with respect to specific investment shares held for purposes other than individual pure investment, and a report is made to the Board of Directors on the appropriateness of such holdings.

b. Number of issues and non-consolidated balance sheet amounts

	Number of issues	Total amount on non-consolidated balance sheet (thousands of yen)
Unlisted shares	2	3,700
Shares other than unlisted shares	9	793,251

(Issues whose number of shares increased in the current fiscal year)

	Number of issues	Total acquisition amount related to increase in number of shares (thousands of yen)	Reason for increase in number of shares
Unlisted shares	–	–	–
Shares other than unlisted shares	1	1,874	Building good and stable relationships

(Issues whose number of shares decreased in the current fiscal year)

	Number of issues	Total sales amount related to the decrease in the number of shares (thousands of yen)
Unlisted shares	–	–
Shares other than unlisted shares	–	–

c. Information on number of shares, non-consolidated balance sheet amount, etc., of specified investment shares by issue

Specified investment shares

Issues	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding and reasons for increase in number of shares	Shareholding in the Company
	Number of shares	Number of shares		
	Non-consolidated balance sheet amount (thousands of yen)	Non-consolidated balance sheet amount (thousands of yen)		
Joshin Denki Co., Ltd.	225,000	225,000	Held for the purpose of maintaining and strengthening business relationships, etc. As it is difficult to measure the effect of holding quantitatively, the Board of Directors is reviewing the significance of continuing to hold the shares.	Yes
	432,450	711,000		
NCS&A CO., LTD.	381,000	381,000	Held for the purpose of maintaining and strengthening business relationships, etc. As it is difficult to measure the effect of holding quantitatively, the Board of Directors is reviewing the significance of continuing to hold the shares.	Yes
	186,309	187,071		
Sumitomo Mitsui Trust Holdings, Inc.	16,390	16,390	Held for the purpose of maintaining and strengthening business relationships, etc. As it is difficult to measure the effect of holding quantitatively, the Board of Directors is reviewing the significance of continuing to hold the shares.	Yes
	65,576	63,249		
NIRAKU GC HOLDINGS, INC.	5,328,000	5,328,000	Held for the purpose of maintaining and strengthening business relationships, etc. As it is difficult to measure the effect of holding quantitatively, the Board of Directors is reviewing the significance of continuing to hold the shares.	Yes
	23,332	22,381		
MUSASHI CO., LTD.	17,000	17,000	Held for the purpose of maintaining and strengthening business relationships, etc. As it is difficult to measure the effect of holding quantitatively, the Board of Directors is reviewing the significance of continuing to hold the shares.	Yes
	29,563	34,221		
Shinko Shoji Co., Ltd.	20,000	20,000	Held for the purpose of maintaining and strengthening business relationships, etc. As it is difficult to measure the effect of holding quantitatively, the Board of Directors is reviewing the significance of continuing to hold the shares.	Yes
	18,220	16,000		
DYNAM JAPAN HOLDINGS Co., Ltd.	189,587	172,085	Held for the purpose of maintaining and strengthening business relationships, etc. As it is difficult to measure the effect of holding quantitatively, the Board of Directors is reviewing the significance of continuing to hold the shares. The increase in the number of shares is due to purchases by the company’s business partners’ shareholding association.	No
	21,645	18,158		

Issues	Current fiscal year Number of shares Non-consolidated balance sheet amount (thousands of yen)	Previous fiscal year Number of shares Non-consolidated balance sheet amount (thousands of yen)	Purpose of holding, quantitative effect of holding and reasons for increase in number of shares	Shareholding in the Company
Sumitomo Mitsui Financial Group, Inc.	2,200 8,595	2,200 8,815	Held for the purpose of maintaining and strengthening business relationships, etc. As it is difficult to measure the effect of holding quantitatively, the Board of Directors is reviewing the significance of continuing to hold the shares.	Yes
Resona Holdings, Inc.	14,425 7,560	14,425 6,704	Held for the purpose of maintaining and strengthening business relationships, etc. As it is difficult to measure the effect of holding quantitatively, the Board of Directors is reviewing the significance of continuing to hold the shares.	Yes

V. Financial Information

1. Basis of presentation of consolidated financial statements and non-consolidated financial statements

(1) The Company prepares consolidated financial statements in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976).

(2) The Company prepares non-consolidated financial statements in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963. Hereinafter referred to as the "Regulation on Financial Statements, etc.").

In addition, the Company qualifies as a company allowed to file specified financial statements and prepares its non-consolidated financial statements in accordance with Article 127 of the Regulation on Financial Statements, etc.

2. Audit certification of financial statements

Pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company's consolidated financial statements and non-consolidated financial statements for the fiscal year from April 1, 2021 to March 31, 2022 have been audited by Ernst & Young ShinNihon LLC.

3. Particular efforts to ensure the appropriateness of consolidated financial statements, etc.

The Company makes particular efforts to ensure the appropriateness of its consolidated financial statements, etc. Specifically, in order to appropriately ascertain the contents of accounting standards and establish a system that allows a proper preparation of financial statements, the Company is a member of the Financial Accounting Standards Foundation, participates in training organized by auditing firms and others, and subscribes to specialized accounting publications.

1. Consolidated Financial Statements, Etc.

(1) Consolidated Financial Statements

1) Consolidated balance sheet

(Thousands of yen)

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

(Thousands of yen)

		As of March 31, 2021		As of March 31, 2022
Liabilities				
Current liabilities				
Notes and accounts payable - trade	*3	1,302,264	*3	2,133,138
Short-term borrowings		4,300,000		119,552
Current portion of long-term borrowings		–		600,000
Lease liabilities		52,134		65,684
Income taxes payable		619,492		202,602
Provision for bonuses		188,300		249,000
Provision for bonuses for directors (and other officers)		–		6,000
Provision for business restructuring		284,217		253,436
Other		2,292,449	*6	1,777,067
Total current liabilities		9,038,859		5,406,480
Non-current liabilities				
Bonds payable		–		2,000,000
Long-term borrowings		–		2,100,000
Lease liabilities		155,812		169,905
Deferred tax liabilities		336,641		253,524
Other		128,407		44,837
Total non-current liabilities		620,861		4,568,266
Total liabilities		9,659,720		9,974,747
Net assets				
Shareholders’ equity				
Share capital		2,216,945		2,216,945
Capital surplus		2,762,525		2,762,525
Retained earnings		18,174,396		18,790,970
Treasury shares		(2,294)		(2,379)
Total shareholders’ equity		23,151,572		23,768,061
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		343,572		151,789
Foreign currency translation adjustment		(1,381,879)		(750,540)
Total accumulated other comprehensive income		(1,038,307)		(598,750)
Total net assets		22,113,265		23,169,310
Total liabilities and net assets		31,772,986		33,144,058

2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Thousands of yen)

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

Consolidated statement of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit (loss)	(7,558,333)	605,375
Other comprehensive income		
Valuation difference on available-for-sale securities	209,010	(191,782)
Foreign currency translation adjustment	(588,598)	631,339
Total other comprehensive income	* (379,587)	* 439,557
Comprehensive income	(7,937,921)	1,044,932
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(7,937,921)	1,044,932
Comprehensive income attributable to non-controlling interests	–	–

3) Consolidated statements of changes in net assets

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

(Thousands of yen)

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

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

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

(Thousands of yen)

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

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

4) Consolidated statements of cash flows

(Thousands of yen)

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

Notes to Consolidated Financial Statements

Significant matters that serve as the basis for preparing Consolidated Financial Statements

1. Scope of consolidation

Number of consolidated subsidiaries: 16

Names of major consolidated subsidiaries

JCM SYSTEMS CO., LTD.
JCM MEIHO CO., LTD.
JCM AMERICAN CORP.
JCM INNOVATION CORP.
JCM COMMERCE MECHATRONICS, INC.
FUTURELOGIC GROUP, LLC.
JCM EUROPE GMBH.
JCM EUROPE (UK) LTD.
JCM GOLD (H.K.) LTD.
SHAFTY CO., LTD.
JCM CHINA CO., LTD.
J-CASH MACHINE (THAILAND) CO., LTD.
J-CASH MACHINE GLOBAL MANUFACTURING (PHILIPPINES) INC.

Of the above, JCM COMMERCE MECHATRONICS, INC. was included in the scope of consolidation from the current fiscal year due to its new establishment.

2. Application of equity method

Not applicable.

3. Fiscal years, etc. of consolidated subsidiaries

Of the consolidated subsidiaries, the consolidated subsidiaries located overseas have a closing date of December 31. The financial statements as of that closing date are used for the preparation of the Consolidated Financial Statements, and the adjustments required for consolidation are performed for significant transactions arising during the period from January 1 to March 31. Furthermore, the closing date of domestic consolidated subsidiaries is the same as the consolidated closing date.

4. Accounting policies

(1) Standards and methods for measurement of significant assets

1) Securities

Held-to-maturity bonds

Amortized cost method (straight-line method)

Available-for-sale securities

Securities other than shares, etc. without fair market values

Fair value method (with the entire amount of valuation differences recorded directly into net assets, and the cost of sales calculated using the moving average method)

Shares, etc. without fair market values

Moving average cost method

2) Derivatives

Market value method

3) Inventories

The Company and domestic consolidated subsidiaries

First-in first-out cost method (the balance sheet amount is stated at the written down amount based on a decline in profitability)

Overseas consolidated subsidiaries

JCM AMERICAN CORP., J-CASH MACHINE GLOBAL MANUFACTURING (PHILIPPINES) INC.

First-in first-out lower-of-cost-or-market method

JCM EUROPE GMBH., JCM GOLD (H.K.) LTD.

Moving average lower-of-cost-or-market method

(2) Methods of depreciation and amortization for significant assets

1) Property, plant and equipment (excluding leased assets and right-of-use assets)

The Company and domestic consolidated subsidiaries

Declining balance method

However, the straight-line method is applied for buildings (excluding attached facilities), etc. acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016.

Overseas consolidated subsidiaries

Mainly straight-line method

Note that the major useful lives are as follows.

Buildings and structures	3 to 50 years
Machinery, equipment and vehicles	4 to 12 years

2) Intangible assets (excluding leased assets and right-of-use assets)

Straight-line method

The useful life of software for internal use is based on the usable period within the company (5 years). The useful life for software intended for sale in the market is based on the expected marketable period (3 years).

3) Leased assets

The straight-line method is applied using the lease term as useful life and a residual value of zero.

4) Right-of-use assets

The straight-line method is applied using the lease term as useful life and a residual value of zero.

(3) Treatment method for deferred assets

Bond issuance costs

Amortized using the straight-line method over the period until bond redemption.

(4) Accounting standards for significant provisions

1) Allowance for doubtful accounts

To provide for losses arising from doubtful accounts, the Company and consolidated domestic subsidiaries record allowance for doubtful accounts using the historical default rate for general receivables, and for doubtful account receivables, record the allowance at an irrecoverable amount calculated based on the recoverability of each doubtful account. Overseas consolidated subsidiaries primarily provide for allowance at the irrecoverable amount calculated on an individual doubtful account basis.

2) Provision for bonuses

To provide for bonus payments to employees, the Company and consolidated domestic subsidiaries record allowance for bonuses calculated based on the projected payment amount. Overseas consolidated subsidiaries do not record provision for bonuses.

3) Provision for bonuses for directors (and other officers)

To provide for bonus payments to directors (and other officers), the Company and consolidated domestic subsidiaries record allowance for bonuses calculated based on the projected payment amount for the current fiscal year. Overseas consolidated subsidiaries do not record provision for bonuses for directors (and other officers).

4) Provision for business restructuring

For business restructuring, provision for business restructuring is recorded at a reasonable cost amount estimated to be incurred in the future.

(5) Accounting treatment for retirement benefits

1) Method for attributing expected benefit payments for the period

For the calculation of retirement benefit obligation, the benefit formula standard is used as the basis for attributing projected retirement benefits for the period up to the end of the fiscal year under review.

2) Method of recording expenses for actuarial gains and losses and past service costs

Actuarial gains and losses and past service costs are accounted for as expenses at their lump sum amount when incurred.

(6) Accounting standards for revenue and expenses

The Group is mainly engaged in the manufacture and sale of money-related equipment.

For the sale of such merchandise and finished goods, revenue is recognized at a point in time when the merchandise and finished goods are delivered to the customer, meaning when the control over the merchandise and finished goods is transferred to the customer, and the performance obligation is fulfilled. For domestic sales, revenue is recognized at the time of shipment if the period from the time of shipment to the time when control of the merchandise and finished goods in question is transferred to the customer is a normal period of time.

Revenue is measured at the amount of the consideration promised in the contract with the customer, minus discounts, rebates, and sales returns, and is adjusted for the effect of significant financial factors for transactions, the consideration of which is expected to be received more than one year after the performance obligation is fulfilled. For transactions in which the Group is an agent in the sale of merchandise, revenue is recognized as the net amount of the amount received from the customer and the amount paid to the supplier.

(7) Standard for translation of significant foreign-currency-denominated assets or liabilities into Japanese yen

Foreign currency-denominated monetary claims and obligations are converted into Japanese yen using the spot exchange rate as of the consolidated closing date, and translation adjustments are recorded as foreign exchange losses (gains). The spot exchange rate as of the closing period is used for assets and liabilities of overseas consolidated subsidiaries and the average rate for the period is used for revenue and expenses to convert these into Japanese yen, and translation adjustments are included in the foreign currency translation adjustment under net assets.

(8) Methods of significant hedge accounting

1) Methods of hedge accounting

Deferred hedging accounting is applied.

Note that designated hedge accounting (*furiate-shori*) is used for forward exchange contract transactions in cases where the criteria for designated hedge accounting are satisfied.

2) Hedging instruments and hedged items

Hedging instruments: Forward exchange contract transactions, etc.

Hedged items: Foreign currency-denominated monetary claims and obligations, and foreign currency-denominated forecasted transactions

3) Hedging policy

Based on internal management rules, if the foreign exchange fluctuation risk is attributable to the Company or a consolidated subsidiary, forward exchange contract transactions are used to hedge such risk based on the principle of actual demand for the risk hedge.

4) Methods for evaluating hedge effectiveness

The effectiveness of hedging is judged based on the fluctuation amounts, etc., of a hedged item and a hedging instrument by comparing their cumulative market fluctuations during the period from the start of the hedging until the time of judging the effectiveness.

(9) Scope of cash in consolidated statements of cash flows

Cash consists of cash on hand, deposits drawable at any time, and short-term investments with maturities of three months or less from the acquisition date that are readily convertible into cash and are exposed to negligible risk of change in value.

Significant accounting estimates

Previous fiscal year (April 1, 2020 to March 31, 2021)

Valuation of inventories

1. Amounts recorded on the Consolidated Financial Statements for the fiscal year ended March 31, 2021

   Merchandise and finished goods 5,621,086 thousand yen

   Work in process 368,689 thousand yen

   Raw materials and supplies 3,462,913 thousand yen

2. Other information contributing to the understanding of users of the Consolidated Financial Statements

   (1) Calculation methods

   Inventories on the consolidated balance sheet are stated at the historical cost, and if the net sales value has fallen below the historical cost at the end of the period, the inventories are stated at the net sales value. Furthermore, the Company and some of its consolidated subsidiaries state inventory on the consolidated balance sheet at the carrying amount, which is periodically written off when inventories' turnover period exceeds a certain period, for the purpose of reflecting a decline in the profitability in the consolidated financial statements.

   (2) Major assumptions

   The major assumptions in the valuation of inventories are the business environment such as domestic and overseas demand, and the turnover period based on the product life cycle. COVID-19 is expected to have a significant impact on the business environment related to the Group.

   (3) Impact on the Consolidated Financial Statements for the next fiscal year

   By taking into account the lingering impact of COVID-19, the Company made accounting estimates with the assumption that the COVID-19 impact on the Group's business will continue for some time in the next fiscal year and thereafter. However, a change in major assumptions, which are the basis of the accounting estimates, may cause losses on inventories.

Current fiscal year (April 1, 2021 to March 31, 2022)

Valuation of inventories in the Equipment for the Amusement Industry business

1. Amounts recorded on the Consolidated Financial Statements for the fiscal year ended March 31, 2022

   Merchandise and finished goods 139,024 thousand yen

   Work in process 39,723 thousand yen

   Raw materials and supplies 878,592 thousand yen

2. Other information contributing to the understanding of users of the Consolidated Financial Statements

   (1) Calculation methods

   Inventories on the consolidated balance sheet are stated at the historical cost, and if the net sales value has fallen below the historical cost at the end of the period, the inventories are stated at the net sales value. Furthermore, the Company and some of its consolidated subsidiaries state inventory on the consolidated balance sheet at the carrying amount, which is periodically written off when inventories' turnover period exceeds a certain period, for the purpose of reflecting a decline in the profitability in the consolidated financial statements. In addition, the carrying amount of inventories to be disposed of is written off to the estimated disposal value.

   (2) Major assumptions

   The major assumptions used in valuation of inventories are management's forecasts of future demand. In addition, in order to reflect a decline in profitability, the write-down rate is based on past sales and disposals, as well as management's forecasts of future demand.

   (3) Impact on the Consolidated Financial Statements for the next fiscal year

   The Group's products consist mainly of assembled electronic components, resin molded parts, and metal processed parts, and we retain these products for a long period from procurement of parts to production, sales, disposal, and the likes. Although the Group secures a certain amount of inventories to ensure a timely supply of products that meet market needs, changes in market needs or a contraction in the size of the market in which the Group is involved may result in excess inventories, which could lead to slow-moving inventory. The amusement industry equipment market in particular is experiencing a downward trend, and there is growing uncertainty about the estimates for demand forecasts.

   If the major assumptions that form the basis for accounting estimates change, an inventory loss could be incurred.

Changes in accounting policies

Application of accounting standard for revenue recognition, etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon the exchange of said goods or services.

As a result, while installment sales gains or losses corresponding to the amount that should be recognized as income in the next period or later under the installment sales standard were previously deferred as "unrealized gains on installment sales," the Company has changed its method of recognizing revenue by classifying transaction prices based on contracts with customers for installment sales into a financial component and others, whereby the interest portion, which is a financial component, is recognized as revenue based on the contract period with the customer, and the other transaction prices are recognized as a lump sum at the time of acceptance. In addition, for some transactions, the full amount of the consideration received from customers was previously recognized as revenue. However, for transactions in which the Group acts as an agent for the provision of goods or services to customers, revenue is recognized at the net amount calculated by deducting the amount paid to the supplier from the amount received from the customer. Moreover, for subcontract processing with charged materials, the Company recognizes inventories as financial transactions as well as recognizing the year-end inventory of supplied materials at the subcontractor as financial liabilities.

The Accounting Standard for Revenue Recognition, etc. has been applied in accordance with the transitional treatment set forth in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition, and the cumulative effect of applying the new accounting policy retrospectively prior to the beginning of the current fiscal year was added to or subtracted from the beginning balance of retained earnings of the current fiscal year, and the new accounting policy was applied from the beginning balance of the current fiscal year.

As a result, the beginning balance of retained earnings at the beginning of the current fiscal year increased 11,198 thousand yen. In addition, in the current fiscal year, there were decreases of 357,941 thousand yen in net sales, 288,174 thousand yen in cost of sales, 85,321 thousand yen in gross profit, 69,767 thousand yen in selling, general and administrative expenses, 15,554 thousand yen in operating profit, and 12,420 thousand yen in ordinary profit and profit before income taxes.

The impact on per share information is immaterial.

Due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, "Notes and accounts receivable - trade" under current assets as of the end of the previous fiscal year have been included in "Notes and accounts receivable - trade, and contract assets" under current assets.

However, in accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

Moreover, in accordance with the transitional treatment provided for in paragraph 89-3 of the Accounting Standard for Revenue Recognition, notes to revenue recognition for the previous fiscal year have not been presented.

Application of accounting standards for fair value measurement, etc.

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the current fiscal year, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). As a result, there is no impact on the Consolidated Financial Statements for the current fiscal year.

In addition, in "Notes on financial instruments," the Company provides notes to matters, etc., related to the breakdown, etc., of the fair value of financial instruments by input level. However, in accordance with the transitional treatment provided for in paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), notes are not presented for the previous fiscal year.

Consolidated balance sheet

* 1. Accumulated depreciation of property, plant and equipment

(Thousands of yen)

	Previous fiscal year (as of March 31, 2021)	Current fiscal year (as of March 31, 2022)
	7,390,496	7,427,847

2. Guarantee obligations

The Company guarantees obligations of companies other than consolidated companies.

Guarantee of obligation

(Thousands of yen)

	Previous fiscal year (as of March 31, 2021)	Current fiscal year (as of March 31, 2022)
Trade payables	228,796	100,075

* 3. Pledged assets and secured liabilities

Assets pledged as collateral are shown below.

(Thousands of yen)

	Previous fiscal year (as of March 31, 2021)	Current fiscal year (as of March 31, 2022)
Cash and deposits	20,000	20,000

The corresponding obligations are shown below.

(Thousands of yen)

	Previous fiscal year (as of March 31, 2021)	Current fiscal year (as of March 31, 2022)
Notes and accounts payable - trade	4,436	1,560

4. Commitment line agreements

The Company concluded a commitment line agreement with its main financing bank to conduct efficient procurement of working capital, but the agreement was terminated in the current fiscal year.

(Thousands of yen)

	Previous fiscal year (as of March 31, 2021)	Current fiscal year (as of March 31, 2022)
Commitment line total	5,000,000	–
Balance of borrowings	4,300,000	–
Difference	700,000	–

* 5. Receivables arising from contracts with customers in notes and accounts receivable - trade, and contract assets are shown below.

(Thousands of yen)

	Current fiscal year (as of March 31, 2022)
Notes receivable	467,589
Accounts receivable - trade	3,324,597

* 6. The amount of contract liabilities in other is shown below.

(Thousands of yen)

	Current fiscal year (as of March 31, 2022)
Contract liabilities	262,681

Consolidated statement of income

*1. Revenue from contracts with customers

Net sales do not present revenue from contracts with customers and other revenue separately. The amount of revenue from contracts with customers is as presented in "1. Information disaggregating revenue from contracts with customers" under "Notes to Consolidated Financial Statements (Revenue recognition)."

*2. The amount of inventories at the end of the period is the amount after writing down the carrying value due to the decline in profitability. The following are the losses on the valuation of inventories included in cost of sales.

(Thousands of yen)

	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)
	402,486	(338,688)

*3. Major items and amounts of selling, general and administrative expenses are shown below.

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

(Thousands of yen)

	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)
Salaries and bonuses	2,590,610	2,451,928
Provision of allowance for doubtful accounts	(1,870)	22,171
Provision for bonuses	108,417	130,116
Provision for bonuses for directors (and other officers)	–	6,000
Retirement benefit expenses	10,956	41,408
Amortization of goodwill	135,142	–
Commission fee	780,388	705,257

*4. Total research and development expenses included in general and administrative expenses and manufacturing costs for period

(Thousands of yen)

	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)
	1,499,849	1,341,563

*5. The main details of gain on sale of non-current assets are shown below.

(Thousands of yen)

	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)
Buildings and structures	321,621	–
Other	1,843	–

*6. The main details of loss on sale of non-current assets are shown below.

(Thousands of yen)

	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)
Buildings and structures	53	–

*7. The main details of loss on retirement of non-current assets are shown below.

(Thousands of yen)

	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)
Buildings and structures	600	0
Machinery, equipment and vehicles	393	–
Software	30	0
Other	2,128	247

*8. Impairment losses

Previous fiscal year (April 1, 2020 to March 31, 2021)

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

Purpose of use	Location	Type of assets
Business assets	Japan	Buildings and structures, tools, furniture and fixtures, other property, plant and equipment, software, other intangible assets, other investments, etc.
–	U.S. and U.K.	Goodwill
Business assets	U.S. and U.K.	Technology assets and customer-related assets
Business assets	Germany and U.K.	Other intangible assets
Business assets	Hong Kong	Tools, furniture and fixtures and other intangible assets

(2) Background to recognition of impairment losses

With regard to goodwill, technology assets, and customer-related assets in the U.S. and the U.K. (the former Future Logic, Inc.), impairment losses were recognized for the entire unamortized balance as the initially expected earnings were no longer anticipated With regard to business assets in Japan, Germany, the U.K., and Hong Kong, impairment losses were recognized due to a decline in profitability.

(3) Amount of impairment losses

Impairment losses related to the aforementioned assets are 5,658,661 thousand yen. The breakdown is 560,720 thousand yen for buildings and structures, 1,162,226 thousand yen for tools, furniture and fixtures, 26,245 thousand yen for other property, plant and equipment, 1,426,501 thousand yen for goodwill, 70,472 thousand yen for technology assets, 2,097,119 thousand yen for customer-related assets, 34,294 thousand yen for software, 275,280 thousand yen for other intangible assets, and 5,800 thousand yen for other investments, etc.

(4) Method of grouping assets

In calculating impairment losses, the Group groups assets based on the smallest units that generate cash flows largely independent from other assets or asset groups. Idle assets are grouped according to each individual project.

(5) Method for calculating recoverable value

The Group's recoverable value is measured by whichever is the higher amount of net realizable value or value in use. Net realizable value is calculated based on the real estate appraisal value and other factors, and value in use is calculated based on future cash flows discounted by 12.5%. In addition, customer order and sales volume forecasts, fixed cost reduction forecasts, and the timing of the end of the COVID-19 pandemic and post-pandemic market trends are factored in the future cash flow estimates.

Current fiscal year (April 1, 2021 to March 31, 2022)

Not applicable.

Consolidated statement of comprehensive income

* Reclassification adjustments and tax effects relating to other comprehensive income

(Thousands of yen)

	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)
Valuation difference on available-for-sale securities:		
Amount arising during the year	297,508	(276,351)
Reclassification adjustments	–	–
Before tax effect adjustment	297,508	(276,351)
Tax effect amount	(88,498)	84,568
Valuation difference on available-for-sale securities	209,010	(191,782)
Foreign currency translation adjustment:		
Amount arising during the year	(588,598)	631,339
Total other comprehensive income	(379,587)	439,557

Consolidated statement of changes in equity

Previous fiscal year (April 1, 2020 to March 31, 2021)

1. Class and number of issued shares and treasury shares

(Thousands of shares)

	Number of shares as of April 1, 2020	Increase in number of shares during the year	Decrease in number of shares during the year	Number of shares as of March 31, 2021
Issued shares				
Common shares	29,662	–	–	29,662
Total	29,662	–	–	29,662
Treasury shares				
Common shares (Note)	2	0	–	2
Total	2	0	–	2

(Note) The increase of 0 thousand treasury shares (common shares) was due to the purchase of shares less than one share unit.

2. Dividends

(1) Dividends paid

(Resolution)	Class of shares	Total dividends (Thousands of yen)	Dividend per share (yen)	Record date	Effective date
Meeting of the Board of Directors held on May 26, 2020	Common shares	252,113	8.5	March 31, 2020	June 11, 2020

(2) Dividends whose record date falls in the current fiscal year and whose effective date falls in the next fiscal year

Not applicable.

Current fiscal year (April 1, 2021 to March 31, 2022)

1. Class and number of issued shares and treasury shares

(Thousands of shares)

	Number of shares as of April 1, 2021	Increase in number of shares during the year	Decrease in number of shares during the year	Number of shares as of March 31, 2022
Issued shares				
Common shares	29,662	–	–	29,662
Total	29,662	–	–	29,662
Treasury shares				
Common shares (Note)	2	0	–	2
Total	2	0	–	2

(Note) The increase of 0 thousand treasury shares (common shares) was due to the purchase of shares less than one share unit.

2. Dividends

(1) Dividends paid

Not applicable.

(2) Dividends whose record date falls in the current fiscal year and whose effective date falls in the next fiscal year

(Resolution)	Class of shares	Total dividends (Thousands of yen)	Dividend per share (yen)	Record date	Effective date
Meeting of the Board of Directors held on May 24, 2022	Common shares	148,300	5.0	March 31, 2022	June 7, 2022

Consolidated statements of cash flows

* Reconciliation of cash and cash equivalents at the end of the period and items on the consolidated balance sheet

(Thousands of yen)

	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)
Cash and deposits account	12,433,846	14,261,965
Time deposits with maturities of more than three months	(20,000)	(20,000)
Cash and cash equivalents	12,413,846	14,241,965

Lease transactions

Lessee

1. Finance leases

Finance leases not involving transfer of ownership

1) Lease asset details

(a) Property, plant and equipment

Inspection equipment (Other)

(b) Intangible assets

Not applicable.

2) Method of depreciation of leased assets

As stated in section “(2) Methods of depreciation and amortization for significant assets” in “4. Accounting policies” under “Significant matters that serve as the basis for preparing Consolidated Financial Statements.”

2. Operating leases

Future minimum lease payments

(Thousands of yen)

	Previous fiscal year (as of March 31, 2021)	Current fiscal year (as of March 31, 2022)
Due within 1 year	13,881	14,377
Due after 1 year	23,463	16,662
Total	37,345	31,040

Financial instruments

1. Conditions of financial instruments

(1) Policy for handling financial instruments

The Group procures necessary funds in light of its business plans. Surplus funds are invested only in highly secure financial instruments primarily with high liquidity.

Customer credit risk pertaining to notes receivable, accounts receivable - trade, contract assets, and electronically recorded monetary claims - operating is mitigated in accordance with the credit management regulations. Investment securities include securities held to maturity and shares. Of these, the fair value of listed shares is measured each quarter, and the fair value of shares other than the listed shares is measured at reasonably calculated values.

Derivatives are carried out within the range of actual demand, in accordance with the internal management rules.

Borrowings and bonds payable are mainly used to procure funding for capital expenditures and working capital, including funding for inventory. The maturity date (the date due for full repayment under the contractual repayments) comes, at maximum, six years after the closing date.

(2) Details and risk of financial instruments

Notes receivable, accounts receivable - trade, contract assets, and electronically recorded monetary claims - operating, which are trade receivables, are exposed to customer credit risk. In addition, trade receivables that arise when conducting business overseas are exposed to the risk of exchange rate fluctuations, and the Company monitors market trends and hedges such risk using forward exchange contracts as necessary.

Investment securities mainly consist of held-to-maturity securities and shares of companies with which the Company has business relationships, and are exposed to the risk of market price fluctuations.

Notes and accounts payable - trade, which are trade payables, are mostly due within five months. Some foreign-currency-denominated trade payables are exposed to the risk of exchange rate fluctuations, and the Company monitors market trends and hedges such risk using forward exchange contracts as necessary.

Borrowings and bonds payable are mainly used to procure funding for capital expenditures and working capital including funding for inventory, and the redemption date (the date for full repayment under the contractual repayments) are up to six years after the closing date. Although trade payables and other debt, borrowings, bonds payable, and other financial liabilities are exposed to liquidity risk, the Group manages liquidity risk by preparing and updating financing plans in a timely manner.

Derivative transactions are forward exchange contracts to hedge exchange rate fluctuation risk related to foreign currency-denominated trade receivables and payables. For information on hedging instruments and hedged items, hedging policy, and methods for evaluating the effectiveness of hedging concerning hedge accounting, please refer to section “4. Accounting policies” in “(8) Methods of significant hedge accounting” under “Significant matters that serve as the basis for preparing Consolidated Financial Statements.”

(3) Risk management systems for financial instruments

1) Management of credit risk (risks related to nonperformance of contract, etc. by counterparties)

In accordance with the Company's internal rules, the department in charge of credit management periodically monitors the status of major business partners with respect to trade receivables and long-term loans receivable to manage due dates and outstanding balances by customers and to identify and mitigate doubtful accounts in terms of its collection due to the deterioration of financial conditions and other factors at an early stage. Similar management is conducted by consolidated subsidiaries in accordance with the Company's internal rules.

Held-to-maturity securities have minimal credit risk because, in accordance with the Group's policy, the Group only invests in securities with high credit ratings.

Credit risk for derivative transactions is recognized as largely immaterial because these transactions are only conducted with financial institutions that have high credit ratings.

2) Management of market risk (risk of fluctuations in exchange rates and interest rates, etc.)

The Company hedges foreign-currency-denominated trade receivables and payables against the risk of exchange rate fluctuations identified monthly by currency, using forward exchange contracts as necessary.

With regard to investment securities, the Company periodically monitors the fair value and financial conditions of the issuer (counterparty company), and for those other than held-to-maturity securities, the Company continuously reviews its holdings in consideration of market conditions and the relationship with the counterparty company.

Derivative transactions are executed and managed by the department in charge with the approval of the person with responsibility in accordance with internal rules that stipulate transaction authority and transaction limits.

3) Management of liquidity risk related to financing (risk of inability to make payments on the due date)

The Company manages liquidity risk through the preparation and updating of a cash management plan in a timely manner by the department in charge based on reports from each department and maintaining liquidity on hand.

(4) Supplementary explanation of matters regarding the fair values of financial instruments

The calculation of the fair value of financial instruments reflects variable factors and is therefore subject to change due to the use of different assumptions and other factors.

2. Matters regarding the fair values of financial instruments

The consolidated balance sheet amount, fair values and their differences are as follows.

Previous fiscal year (as of March 31, 2021)

(Thousands of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Notes and accounts receivable - trade	3,031,401	3,026,914	(4,486)
(2) Investment securities*2			
1) Held-to-maturity securities	51,771	51,771	–
2) Available-for-sale securities	1,068,361	1,068,361	–
Total assets	4,151,534	4,147,047	(4,486)

*1. Notes are omitted for cash, and for deposits, notes payable - trade, accounts payable - trade and short-term borrowings, as their fair values approximate the carrying amount as they are settled or repaid in a short period of time.

*2. The following financial instruments are not included in "(2) Investment securities" because they do not have market prices and it is extremely difficult to determine their fair value. The carrying amounts of such financial instruments in the consolidated balance sheets are as follows.

(Thousands of yen)

Category	Previous fiscal year (March 31, 2021)
Unlisted shares	24,700

Current fiscal year (as of March 31, 2022)

(Thousands of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Notes and accounts receivable - trade, and contract assets	3,792,187	3,791,145	(1,041)
(2) Investment securities*2			
1) Held-to-maturity securities	57,520	57,520	–
2) Available-for-sale securities	793,885	793,885	–
Total assets	4,643,593	4,642,552	(1,041)
(3) Bonds payable	2,000,000	1,999,486	(513)
(4) Long-term borrowings (includes the current portion of long-term borrowings)	2,700,000	2,699,730	(269)
Total liabilities	4,700,000	4,699,216	(783)

*1. Notes are omitted for cash, and for deposits, notes payable - trade, accounts payable - trade and short-term borrowings, as their fair values approximate the carrying amount as they are settled or repaid in a short period of time.

*2. Shares and other securities without market prices are not included in "(2) Investment securities." The carrying amounts of such financial instruments in the consolidated balance sheets are as follows.

(Thousands of yen)

Category	Previous fiscal year (March 31, 2022)
Unlisted shares	24,700

(Notes) 1. Redemption schedule for monetary claims and securities with maturity after the consolidated closing date

Previous fiscal year (as of March 31, 2021)

(Thousands of yen)

	1 year or less	1 - 5 years	5 - 10 years	Over 10 years
Cash and deposits	12,433,846	–	–	–
Notes and accounts receivable - trade	2,990,996	40,404	–	–
Electronically recorded monetary claims - operating	339,197	–	–	–
Investment securities				
Held-to-maturity securities				
Bonds payable	–	–	–	–
Other	51,771	–	–	–
Total	15,815,811	40,404	–	–

Current fiscal year (as of March 31, 2022)

(Thousands of yen)

	1 year or less	1 - 5 years	5 - 10 years	Over 10 years
Cash and deposits	14,261,965	–	–	–
Notes and accounts receivable - trade, and contract assets	3,770,947	21,239	–	–
Electronically recorded monetary claims - operating	198,798	–	–	–
Investment securities				
Held-to-maturity securities				
Bonds payable	–	–	–	–
Other	57,520	–	–	–
Total	18,289,232	21,239	–	–

2. Repayment schedule for bonds payable, long-term borrowings and other interest-bearing liabilities after the consolidated accounts' closing date

Previous fiscal year (as of March 31, 2021)

(Thousands of yen)

	1 year or less	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years
Short-term borrowings	4,300,000	–	–	–	–	–
Lease liabilities	52,134	33,342	30,890	30,643	29,998	30,937
Total	4,352,134	33,342	30,890	30,643	29,998	30,937

Current fiscal year (as of March 31, 2022)

(Thousands of yen)

	1 year or less	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years
Short-term borrowings	119,552	–	–	–	–	–
Bonds payable	–	–	–	–	–	2,000,000
Long-term borrowings (includes the current portion of long-term borrowings)	600,000	600,000	600,000	600,000	300,000	–
Lease liabilities	65,684	48,687	44,918	44,600	31,247	451
Total	785,236	648,687	644,918	644,600	331,247	2,000,451

3. Breakdown of the fair value of financial instruments by input level

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

Level 1 fair value: Fair value calculated based on (unadjusted) quoted prices in active markets for identical assets or liabilities

Level 2 fair value: Fair value calculated using directly or indirectly observable inputs other than Level 1 inputs

Level 3 fair value: Fair value calculated using significant unobservable inputs

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified to the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

(1) Financial instruments recorded on the consolidated balance sheet at fair value

Current fiscal year (as of March 31, 2022)

(Thousands of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other	793,885	–	–	793,885
Total assets	793,885	–	–	793,885

(2) Financial instruments other than those recorded on the consolidated balance sheet at fair value

Current fiscal year (as of March 31, 2022)

(Thousands of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable - trade, and contract assets	–	3,791,145	–	3,791,145
Investment securities				
Held-to-maturity securities	–	57,520	–	57,520
Total assets	–	3,848,666	–	3,848,666
Bonds payable	–	1,999,486	–	1,999,486
Long-term borrowings (includes the current portion of long-term borrowings)	–	2,699,730	–	2,699,730
Total liabilities	–	4,699,216	–	4,699,216

(Notes) Explanation of valuation methods used in the calculation of fair value and inputs related to the calculation of fair value

(1) Investment securities
Listed shares are measured using quoted market prices. Since listed shares are traded in the active markets, their fair value is classified as Level 1 fair value. On the other hand, the Company's held-to-maturity securities are classified as Level 2 fair value because they are not frequently traded in the market, and their fair value is not recognized as the quoted prices in the active market.

(2) Notes and accounts receivable - trade, and contract assets
The fair value of notes and accounts receivable - trade, and contract assets is calculated based on the present value of the receivable amount and calculated by discounting the receivable amount by a rate, which factors in maturity period and credit risk for each receivable categorized by a certain period, and is classified as Level 2 fair value.

(3) Bonds payable
The fair value of corporate bonds, which is classified as Level 2 fair value, is measured at the present value of their future cash flows, which are comprised of the total amount of principal and interests, classified by a certain period of time and discounted by the interest rate obtained from the appropriate index such as the yields of government bonds plus a credit spread.

(4) Long-term borrowings (includes the current portion of long-term borrowings)
The fair value of long-term borrowings, which is classified as Level 2 fair value, is measured at the present value of the total principal and interests discounted by an assumed interest rate that would be applicable to similar new borrowings.

Securities

1. Held-to-maturity securities

Previous fiscal year (as of March 31, 2021)

(Thousands of yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount	(1) Government and municipal bonds	–	–	–
	(2) Bonds payable	–	–	–
	(3) Other	–	–	–
	Subtotal	–	–	–
Fair value at or below consolidated balance sheet amount	(1) Government and municipal bonds	–	–	–
	(2) Bonds payable	–	–	–
	(3) Other	51,771	51,771	–
	Subtotal	51,771	51,771	–
Total		51,771	51,771	–

Current fiscal year (as of March 31, 2022)

(Thousands of yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Fair value above consolidated balance sheet amount	(1) Government and municipal bonds	–	–	–
	(2) Bonds payable	–	–	–
	(3) Other	–	–	–
	Subtotal	–	–	–
Fair value at or below consolidated balance sheet amount	(1) Government and municipal bonds	–	–	–
	(2) Bonds payable	–	–	–
	(3) Other	57,520	57,520	–
	Subtotal	57,520	57,520	–
Total		57,520	57,520	–

2. Available-for-sale securities

Previous fiscal year (as of March 31, 2021)

(Thousands of yen)

	Type	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount above acquisition cost	(1) Equity	1,050,203	558,243	491,960
	(2) Bonds			
	1) Government and municipal bonds	–	–	–
	2) Bonds payable	–	–	–
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	1,050,203	558,243	491,960
Consolidated balance sheet amount at or below acquisition cost	(1) Equity	18,158	24,074	(5,916)
	(2) Bonds			
	1) Government and municipal bonds	–	–	–
	2) Bonds payable	–	–	–
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	18,158	24,074	(5,916)
Total		1,068,361	582,318	486,043

(Note) Unlisted securities (24,700 thousand yen on the consolidated balance sheet) are not included in “Available-for-sale securities” in the above table, because it is extremely difficult to measure their fair value as the market value is not available and future cash flows cannot be estimated.

Current fiscal year (as of March 31, 2022)

(Thousands of yen)

	Type	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount above acquisition cost	(1) Shares	772,240	558,243	213,996
	(2) Bonds			
	1) Government and municipal bonds	–	–	–
	2) Bonds payable	–	–	–
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	772,240	558,243	213,996
Consolidated balance sheet amount at or below acquisition cost	(1) Shares	21,645	25,949	(4,304)
	(2) Bonds			
	1) Government and municipal bonds	–	–	–
	2) Bonds payable	–	–	–
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	21,645	25,949	(4,304)
Total		793,885	584,193	209,692

(Note) Unlisted securities (24,700 thousand yen recorded on the consolidated balance sheet are not included in “Available-for-sale securities” in the above table, because the market value is not available.

3. Available-for-sale securities sold during each fiscal year

Previous fiscal year (April 1, 2020 to March 31, 2021)

Not applicable.

Current fiscal year (April 1, 2021 to March 31, 2022)

Not applicable.

4. Securities for which impairment losses were recognized

Previous fiscal year (April 1, 2020 to March 31, 2021)

Not applicable.

Current fiscal year (April 1, 2021 to March 31, 2022)

Not applicable.

Derivatives transactions

Previous fiscal year (April 1, 2020 to March 31, 2021)

Not applicable.

Current fiscal year (April 1, 2021 to March 31, 2022)

Not applicable.

Employee retirement benefits

1. Outline of adopted employee retirement benefit plan

The Company and some of its domestic consolidated subsidiaries have adopted funded defined benefit plans and defined contribution plans to cover retirement benefits for employees. Defined benefit corporate pension plans provide lump-sum retirement benefits or pensions based on years of service, qualifications, and position. There are no employee retirement benefit plans at overseas consolidated subsidiaries.

The defined benefit corporate pension plans of some domestic consolidated subsidiaries calculate liabilities and expenses for retirement benefits using the simplified method.

2. Defined benefit plan

(1) Reconciliation of balance of retirement benefit obligation at beginning and end of the year

(Thousands of yen)

	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)
Retirement benefit obligation at beginning of year	964,711	967,571
Service costs	87,314	79,709
Interest costs	1,615	2,279
Actuarial differences	(12,884)	(27,397)
Retirement benefits paid	(73,185)	(242,749)
Retirement benefit obligation at end of year	967,571	779,412

(Note) Certain consolidated subsidiaries use the simplified method to calculate retirement benefit obligation.

(2) Reconciliation of balance of pension assets at beginning and end of the year

(Thousands of yen)

	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)
Pension assets at beginning of year	1,446,710	1,544,427
Expected return on plan assets	17,180	13,949
Actuarial differences	83,075	16,505
Amount of employer contribution	70,646	61,034
Retirement benefits paid	(73,185)	(242,749)
Pension assets at end of year	1,544,427	1,393,166

(3) Reconciliation of balance of retirement benefit obligation and pension assets at end of year and retirement benefit liability and assets recorded on the consolidated balance sheet

(Thousands of yen)

	Previous fiscal year (as of March 31, 2021)	Current fiscal year (as of March 31, 2022)
Retirement benefit obligation for funded plans	967,571	779,412
Pension assets	(1,544,427)	(1,393,166)
	(576,855)	(613,753)
Retirement benefit obligation for unfunded plans	–	–
Net liability and assets recorded on consolidated balance sheet	(576,855)	(613,753)
Retirement benefit assets	(576,855)	(613,753)
Net liability and assets recorded on consolidated balance sheet	(576,855)	(613,753)

(4) Retirement benefit expenses and breakdown

(Thousands of yen)

	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)
Service costs	87,314	79,709
Interest costs	1,615	2,279
Expected return on plan assets	(17,180)	(13,949)
Amortization of actuarial differences	(95,959)	(43,903)
Retirement benefit expenses related to defined benefit plans	(24,210)	24,136

(Note) The retirement benefit expenses of consolidated subsidiaries that use the simplified method are recorded in service costs.

(5) Matters related to pension assets

1) Breakdown of principal pension assets

The main categories by percentage of total pension assets are shown below.

	Previous fiscal year (as of March 31, 2021)	Current fiscal year (as of March 31, 2022)
Bonds	38%	29%
Shares	26	23
Cash and deposits	17	17
Other	19	31
Total	100	100

2) Method for setting long-term expected rate of return

In order to determine the long-term expected rate of return on pension assets, the Company considers the current and projected allocation of pension assets and current and future long-term rates of return for the diverse assets that comprise its pension assets.

(6) Matters concerning basis for calculating actuarial differences

Basis for calculating principal actuarial differences (expressed as weighted average)

	Previous fiscal year (as of March 31, 2021)	Current fiscal year (as of March 31, 2022)
Discount rate	0.2%	0.4%
Long-term expected rate of return on plan assets	1.0%	1.0%

3. Defined contribution plan

The required defined contribution of the Company and its consolidated subsidiaries to the defined contribution plan was 26,026 thousand yen for the previous fiscal year (April 1, 2020 to March 31, 2021) and 21,377 thousand yen for the current fiscal year (April 1, 2021 to March 31, 2022).

Stock options

1. Stock option expenses and items
   Not applicable.

2. Amount recorded as profit owing to the non-exercise of rights resulting in forfeiture
   Not applicable.

3. Stock option details, scale, and changes
   Not applicable.

4. Method for estimating the number of stock options vested
   Not applicable.

5. Details of restricted share-based remuneration

Category and number of grantees	The Company's Directors (excluding External Board Director and Chairman Koichiro Kamihigashi and President and Representative Director Yojiro Kamihigashi): 5
Class and number of shares granted	Common shares: 19,100
Grant date	August 22, 2019
Transfer restriction period	From August 22, 2019 to August 21, 2049
Conditions for lifting transfer restriction	The restriction on transfer of all of the shares granted (allotted shares) will be lifted at the expiration of the transfer restriction period on the condition that the qualified director (target director) has continuously served as a director, corporate executive officer, executive officer not concurrently serving as a director, corporate auditor, employee, advisor or counselor or in any other similar position at the Company or its subsidiaries throughout the restriction period. However, if, during the transfer restriction period, the Target Director retires or resigns due to the expiration of his or her term of office, mandatory retirement age or any other justifiable reason (except in the case of retirement or resignation due to death), the restriction on transfer shall be lifted immediately following such retirement or resignation. In the event of retirement or resignation due to death, the restriction on transfer shall be lifted at a time separately determined by the Board of Directors after the death of the Target Director. The number of shares subject to lifting of the transfer restriction shall be the number of shares obtained by multiplying the number of the Allotted Shares held by the Target Director immediately following his or her retirement or resignation (in the case of death, as of the time of death) by the number obtained by dividing the period of service (in months) of the Target Director during the transfer restriction period by 12 (if such number exceeds 1, the number shall be 1). (However, if the calculation results in a fraction of a share unit, such fraction shall be rounded down.) The Company will acquire by rights the Allotted Shares without contribution if the restriction on transfer is not lifted.
Fair value at grant date	1,087 yen

6. Number of shares in restricted share-based remuneration plan

End of previous fiscal year (March 31, 2021)	19,100
Granted	–
Acquired without contribution	–
Transfer restriction lifted	4,100
Balance of shares in restricted share-based remuneration plan	15,000

Tax effect accounting

1. Principal components of deferred tax assets and deferred tax liabilities by cause

(Thousands of yen)

	Previous fiscal year (as of March 31, 2021)	Current fiscal year (as of March 31, 2022)
Deferred tax assets		
Unrealized income	19,612	32,267
Retirement benefits for directors (and other officers) payable	35,355	13,087
Loss on valuation of inventories	478,526	543,967
Provision for bonuses	64,956	90,375
Loss on valuation of golf club membership	14,793	14,793
Amount exceeding the threshold amount for inclusion of lump-sum depreciable assets in tax deductibles	2,974	2,091
Amount exceeding the threshold amount for inclusion of allowance for doubtful accounts in tax deductibles	75,346	64,539
Amount of selling, general and administrative expenses rejected from inclusion in tax deductibles	136,849	118,867
Amount of intangible assets rejected from inclusion in tax deductibles	229,384	298,934
Loss on valuation of investment securities	6,872	6,872
Tax loss carried forward (Note)	1,512,001	1,794,582
Provision for business restructuring	63,678	55,220
Impairment losses on non-current assets	533,735	399,560
Intangible assets identified in business combination	744,250	512,389
Voluntary early retirement-related expenses	149,749	–
Other	154,979	129,957
Deferred tax assets subtotal	4,223,067	4,077,506
Valuation allowance pertaining to tax loss carried forward (Note)	(1,512,001)	(1,794,582)
Valuation allowance pertaining to total deductible temporary differences	(1,768,012)	(2,090,543)
Valuation allowance	(3,280,013)	(3,885,125)
Total deferred tax assets	943,053	192,381
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(142,222)	(57,653)
Retained earnings of subsidiaries	–	(172,409)
Retirement benefit assets	(173,409)	(184,021)
Other	(21,009)	(23,460)
Total deferred tax liabilities	(336,641)	(437,545)
Net deferred tax assets (liabilities)	606,411	(245,164)

(Note) Amount of tax loss carried forward and related deferred tax assets by carryforward period

Previous fiscal year (as of March 31, 2021)

(Thousands of yen)

	1 year or less	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years	Total
Tax loss carried forward*	11,630	–	–	2,874	22	1,497,474	1,512,001

Valuation allowance	(11,630)	–	–	(2,874)	(22)	(1,497,474)	(1,512,001)
Deferred tax assets	–	–	–	–	–	–	–

*Tax loss carried forward figures are the amounts multiplied by the effective statutory tax rate.

Current fiscal year (as of March 31, 2022)

(Thousands of yen)

	1 year or less	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years	Total
Tax loss carried forward*	–	–	2,874	22	165,999	1,625,686	1,794,582
Valuation allowance	–	–	(2,874)	(22)	(165,999)	(1,625,686)	(1,794,582)
Deferred tax assets	–	–	–	–	–	–	–

*Tax loss carried forward figures are the amounts multiplied by the effective statutory tax rate.

2. Major components of significant differences arising between the effective statutory tax rate and effective tax rate after application of tax effect accounting

	Previous fiscal year (as of March 31, 2021)	Current fiscal year (as of March 31, 2022)
Effective statutory tax rate	–%	30.6%
(Adjustment)		
Difference in tax rates with overseas consolidated subsidiaries	–	(8.2)
Permanently non-deductible entertainment expenses and other items	–	2.1
Permanently non-taxable dividends received and other items	–	(0.1)
Valuation allowance	–	40.3
Per capita rate of residence tax	–	1.4
Retained earnings of overseas subsidiaries	–	12.5
Tax credits	–	(0.4)
Adjustments to reduce year-end deferred tax assets due to changes in tax rates	–	(0.1)
ASC740 (former FIN48) impact	–	(20.0)
Other	–	(1.8)
Effective tax rate after application of tax effect accounting	–	56.3

(Note) Since net loss before income taxes was recorded in the previous fiscal year, the itemized breakdown of difference factors is omitted.

Revenue recognition

1. Information disaggregating revenue from contracts with customers

Current fiscal year (April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Reportable segments				Total
	Global Gaming	International Commercial	Domestic Commercial	Equipment for the Amusement Industry	
Japan	–	106,993	1,839,704	3,746,143	5,692,841
North America	7,513,619	806,940	–	–	8,320,560
Europe	1,710,272	2,726,899	–	–	4,437,171
Other regions	869,168	720,358	–	–	1,589,527
Revenue from contracts with customers	10,093,060	4,361,192	1,839,704	3,746,143	20,040,100
Other revenue	–	–	–	–	–

Sales to external customers	10,093,060	4,361,192	1,839,704	3,746,143	20,040,100

2. Information that serves as the basis for understanding revenue from contracts with customers

The information that serves as the basis for understanding revenue from contracts with customers is as described in section "4. Accounting policies" in "(5) Accounting standards for revenue and expenses" under "Material matters that serve as the basis for preparing Consolidated Financial Statements."

3. Information about the relationship between the fulfillment of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers that existed at the end of the current fiscal year and are expected to be recognized in the following fiscal years

(1) Balance of contract assets and contract liabilities

(Thousands of yen)

	Current fiscal year (as of March 31, 2022)
Receivables from contracts with customers (at beginning of year)	3,370,598
Receivables from contracts with customers (at end of year)	3,990,985
Contract liabilities (at beginning of year)	53,323
Contract liabilities (at end of year)	262,681

(Note) Contract liabilities primarily represent consideration received from customers prior to delivery of products. Contract liabilities are reversed upon revenue recognition. The amount of revenue recognized in the current fiscal year that was included in the contract liability balance at the beginning of the period was 53,323 thousand yen.

(2) Transaction price allocated to remaining performance obligations

The Group has applied the practical expedient method and omitted the transaction price allocated to remaining performance obligations, since there are no significant contracts with an initially expected contract amount exceeding 1 year. In addition, there are no material amounts of consideration from contracts with customers that are not included in the transaction price.

Segment and other information

Segment information

1. Overview of reportable segments

The Company's reportable segments are components of the Company for which separate financial information is available and are subject to periodic review by the Board of Directors for the purpose of determining the allocation of management resources and evaluating performance.

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

Consequently, the Company is composed of segments based on business units and has four reportable segments, which are "Global Gaming," "International Commercial," "Domestic Commercial," and "Equipment for the Amusement Industry."

The Global Gaming segment sells bill identifiers and validators, bill recycling units, and gaming printer products to casinos and OEM customers. The International Commercial segment sells bill identifiers and validators, bill recycling units, and other products to the overseas financial, logistics, and transportation markets. The Domestic Commercial segment sells bill identifiers and validators, bill recycling units, and other products to the Japanese financial, logistics, and transportation markets. The Equipment for the Amusement Industry segment sells peripheral equipment including automatic token supply systems and bill transport systems for pachinko parlors.

2. Method of calculating amounts of net sales, profit and loss, assets and other items for each reportable segment

The accounting method for reportable business segments is generally the same as that described in "Material matters that serve as the basis for preparing Consolidated Financial Statements."

Intersegment revenues and transfers are based on prevailing market prices.

In addition, as described in "Changes in accounting policies," the Company has applied the Accounting Standard for Revenue Recognition, etc. from the beginning of the current fiscal year, and changed the accounting treatment for revenue recognition. Accordingly, the Company has changed the method of calculating net sales and profit or loss of reportable segments.

As a result of the change, compared with the previous method, net sales to external customers in the Equipment for the Amusement Industry decreased 357,941 thousand yen and segment loss increased 15,554 thousand yen in the current fiscal year.

3. Information on amounts of net sales, profit and loss, assets and other items for each reportable segment

Previous fiscal year (April 1, 2020 to March 31, 2021)

(Thousands of yen)

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

(Note) The details of “Adjustments” are as follows.

(1) Adjustment on segment profit (loss) amounting to (439,355) thousand yen reflects corporate-wide expenses not allocated to each reportable segment.

(2) Adjustment on segment assets amounting to 13,409,576 thousand yen reflects corporate-wide assets not allocated to each reportable segment.

(3) Adjustment on depreciation amounting to 132,251 thousand yen reflects depreciation associated with corporate-wide assets not allocated to each reportable segment. Depreciation includes amortization of long-term prepaid expenses.

Current fiscal year (April 1, 2021 to March 31, 2022)

(Thousands of yen)

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

(Note) The details of “Adjustments” are as follows.

(1) Adjustment on segment profit (loss) amounting to (811,174) thousand yen reflects corporate-wide expenses not allocated to each reportable segment.

(2) Adjustment on segment assets amounting to 12,838,095 thousand yen reflects corporate-wide assets not allocated to each reportable segment.

(3) Adjustment on depreciation amounting to 37,984 thousand yen reflects depreciation associated with corporate-wide assets not allocated to each reportable segment.

Related information

Previous fiscal year (April 1, 2020 to March 31, 2021)

1. Information by product and service

This information has been omitted because sales to external customers in a single product/service category exceed 90% of net sales on the consolidated statement of income.

2. Information by region

(1) Net sales

(Thousands of yen)

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

(Note) Net sales are based on the location of customers and are classified by country or region.

(2) Property, plant and equipment

(Thousands of yen)

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

3. Information by major customer

This information has been omitted because there were no sales to a specific customer accounting for 10% or more of net sales on the consolidated statement of income.

Current fiscal year (April 1, 2021 to March 31, 2022)

1. Information by product and service

This information has been omitted because sales to external customers in a single product/service category exceed 90% of net sales on the consolidated statement of income

2. Information by region

(1) Net sales

(Thousands of yen)

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

(Note) Net sales are based on the location of customers and are classified by country or region.

(2) Property, plant and equipment

(Thousands of yen)

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

3. Information by major customer

This information has been omitted because there were no sales to a specific customer accounting for 10% or more of net sales on the consolidated statement of income.

Information regarding impairment loss on non-current assets by reportable segment

Previous fiscal year (April 1, 2020 to March 31, 2021)

(Thousands of yen)

	Global Gaming	International Commercial	Domestic Commercial	Equipment for the Amusement Industry	Corporate-wide amounts and elimination	Total
Impairment losses	3,995,349	673,910	161,557	394,740	433,103	5,658,661

Current fiscal year (April 1, 2021 to March 31, 2022)

Not applicable.

Information regarding amortization of goodwill and unamortized balance by reportable segment

Previous fiscal year (April 1, 2020 to March 31, 2021)

(Thousands of yen)

	Global Gaming	International Commercial	Domestic Commercial	Equipment for the Amusement Industry	Unallocated amounts and elimination	Total
Amortization for the fiscal year ended March 31, 2021	135,142	–	–	–	–	135,142
Unamortized balance for the fiscal year ended March 31, 2021	–	–	–	–	–	–

(Note) Impairment losses of 1,426,501 thousand yen were recorded in the Global Gaming segment.

Current fiscal year (April 1, 2021 to March 31, 2022)

Not applicable.

Information regarding gains on negative goodwill by reportable segment

Previous fiscal year (April 1, 2020 to March 31, 2021)

Not applicable.

Current fiscal year (April 1, 2021 to March 31, 2022)

Not applicable.

Related parties

Previous fiscal year (April 1, 2020 to March 31, 2021)

Not applicable.

Current fiscal year (April 1, 2021 to March 31, 2022)

Not applicable.

Per share information

	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)
Net assets per share	745.55 yen	781.16 yen
Basic earnings (loss) per share	(254.83) yen	20.41 yen

(Notes) 1. Diluted earnings per share for the previous fiscal year is not shown in the above table since the Company posted a loss per share and there were no residual shares.
2. Diluted earnings per share for the current fiscal year is not shown in the above table, as there were no potential shares.
3. As stated in "Changes in accounting policies," the Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the current fiscal year, and follows the transitional treatment set forth in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition. As a result, the impact of this change on per share information for the current fiscal year is immaterial.
4. The basis for calculation of earnings (loss) per share is shown below.

	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)
Profit (loss) attributable to owners of parent (thousands of yen)	(7,558,333)	605,375
Amount not attributable to common shareholders (thousands of yen)	–	–
Profit (loss) attributable to owners of parent with respect to common shares (thousands of yen)	(7,558,333)	605,375
Average number of common shares during the fiscal year (shares)	29,660,342	29,660,197

Significant subsequent events

Not applicable.

5) Consolidated supplementary financial schedules

Schedule of corporate bonds

Company	Issue	Issue date	Balance at beginning of fiscal year (Thousands of yen)	Balance at end of fiscal year (Thousands of yen)	Interest rate (%)	Secured/unsecured	Maturity
Japan Cash Machine Co., Ltd.	First series unsecured bonds	April 12, 2021	–	2,000,000	0.42	None	April 12, 2028

(Note) Scheduled redemption amounts within five years after the consolidated balance sheet date are as shown below.

(Thousands of yen)

1 year or less	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years
–	–	–	–	–

Schedule of borrowings, etc.

Category	Balance at beginning of fiscal year (Thousands of yen)	Balance at end of fiscal year (Thousands of yen)	Average interest rate (%)	Repayment term
Short-term borrowings	4,300,000	119,552	1.5	–
Current portion of long-term borrowings	–	600,000	0.6	–
Current portion of lease liabilities	52,134	65,684	2.4	–
Long-term borrowings (excluding current portion)	–	2,100,000	0.6	2023 - 2026
Lease liabilities (excluding current portion)	155,812	169,905	1.8	2023 - 2027
Total	4,507,947	3,055,142	–	–

(Notes) 1. The average interest rate is the weighted average interest rate applicable to the balance of borrowings and lease liabilities at the end of the fiscal year.

2. The scheduled repayment amounts of long-term borrowings and lease liabilities (excluding current portions) within five years of the consolidated closing date are as follows.

(Thousands of yen)

	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years
Long-term borrowings	600,000	600,000	600,000	300,000
Lease liabilities	48,687	44,918	44,600	31,247

Schedule of asset retirement obligations

The amount of asset retirement obligations at the beginning and end of the current fiscal year are below 1% of the total liabilities and net assets at the beginning and end of the current fiscal year. The information is therefore omitted in accordance with the provision of Paragraph 92-2 of the Regulation on Consolidated Financial Statements.

(2) Other

1) Quarterly information for the current fiscal year

(Cumulative period)	First quarter	Second quarter	Third quarter	Current fiscal year
Net sales (Thousands of yen)	4,097,053	9,009,600	14,578,520	20,040,100
Profit before income taxes (Thousands of yen)	70,189	324,589	1,313,673	1,384,551
Profit attributable to owners of parent (Thousands of yen)	11,725	174,117	1,012,928	605,375
Basic earnings per share (yen)	0.40	5.87	34.15	20.41

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (yen)	0.40	5.48	28.28	(13.74)

2) Status after the closing date

No special notes.

2. Non-consolidated Financial Statements, Etc.

(1) Non-consolidated Financial Statements

1) Non-consolidated balance sheet

(Thousands of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	9,644,882	9,017,004
Notes receivable - trade	113,647	81,940
Electronically recorded monetary claims - operating	58,644	78,656
Accounts receivable - trade	*1 1,177,360	*1 1,289,638
Merchandise and finished goods	598,335	427,996
Work in process	368,233	759,269
Raw materials and supplies	763,501	701,318
Advance payments to suppliers	–	11,145
Prepaid expenses	100,703	73,723
Accounts receivable - other	*1 146,943	*1 148,499
Consumption taxes refund receivable	104,521	159,759
Short-term loans receivable from subsidiaries and associates	2,628,313	3,109,214
Current portion of long-term loans receivable from subsidiaries and associates	–	734,460
Other	54,821	54,182
Allowance for doubtful accounts	(133,441)	(60,482)
Total current assets	15,626,466	16,586,327
Non-current assets		
Property, plant and equipment		
Buildings, net	828,529	814,462
Structures, net	0	0
Machinery and equipment, net	0	0
Vehicles, net	0	0
Tools, furniture and fixtures, net	29,750	196,332
Leased assets, net	0	0
Land	1,449,868	1,449,868
Total property, plant and equipment	2,308,148	2,460,663
Intangible assets		
Software	0	6,425
Other	0	0
Total intangible assets	0	6,425
Investments and other assets		
Investment securities	1,071,302	796,952
Shares of subsidiaries and associates	1,039,026	1,113,730
Investments in capital	4,930	4,910
Investments in capital of subsidiaries and associates	606,224	606,224
Long-term loans receivable from subsidiaries and associates	1,107,200	–
Prepaid pension costs	566,697	601,377
Guarantee deposits	3,088	2,687
Membership	52,310	52,310
Other	31,776	20,515
Allowance for doubtful accounts	(52,270)	(52,270)
Total investments and other assets	4,430,285	3,146,438
Total non-current assets	6,738,433	5,613,527
Deferred assets		
Bond issuance costs	–	42,091
Total deferred assets	–	42,091
Total assets	22,364,900	22,241,945

(Thousands of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes payable - trade	–	537
Accounts payable - trade	*1 386,189	*1 806,837
Short-term borrowings	4,300,000	–
Current portion of long-term borrowings	–	600,000
Lease liabilities	2,147	2,147
Accounts payable - other	*1 842,598	*1 501,223
Accrued expenses	54,233	62,811
Advances received	4,313	8,510
Income taxes payable	16,521	29,898
Provision for bonuses	143,599	194,850
Provision for bonuses for directors (and other officers)	–	6,000
Provision for business restructuring	208,098	180,460
Other	*1 29,194	21,654
Total current liabilities	5,986,896	2,414,929
Non-current liabilities		
Bonds payable	–	2,000,000
Long-term borrowings	–	2,100,000
Deferred tax liabilities	315,533	57,599
Lease liabilities	9,063	6,915
Other	*1 117,857	*1 45,086
Total non-current liabilities	442,454	4,209,601
Total liabilities	6,429,350	6,624,531
Net assets		
Shareholders’ equity		
Share capital	2,216,945	2,216,945
Capital surplus		
Legal capital surplus	2,063,905	2,063,905
Other capital surplus	698,619	698,619
Total capital surplus	2,762,525	2,762,525
Retained earnings		
Legal retained earnings	274,318	274,318
Other retained earnings		
General reserve	12,914,761	12,914,761
Retained earnings brought forward	(2,574,342)	(2,700,693)
Total retained earnings	10,614,737	10,488,386
Treasury shares	(2,294)	(2,379)
Total shareholders’ equity	15,591,913	15,465,477
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	343,635	151,936
Total valuation and translation adjustments	343,635	151,936
Total net assets	15,935,549	15,617,413
Total liabilities and net assets	22,364,900	22,241,945

2) Non-consolidated statement of income

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales		
Net sales of merchandise and finished goods	3,405,519	3,622,645
Service revenue	1,622,706	1,859,817
Total net sales	*1 5,028,226	*1 5,482,462
Cost of sales		
Beginning finished goods inventory	615,577	598,335
Cost of products manufactured	*1 3,205,110	*1 3,039,098
Purchase of finished goods	*1 233,114	*1 133,175
Total	4,053,801	3,770,609
Transfer to other account	*2 2,721	*2 1,902
Ending finished goods inventory	598,335	427,996
Cost of finished goods sold	3,452,744	3,340,710
Gross profit	1,575,482	2,141,752
Selling, general and administrative expenses	*1, *3 2,924,605	*1, *3 2,729,473
Operating loss	(1,349,122)	(587,721)
Non-operating income		
Interest income	*1 51,396	*1 31,152
Dividend income	*1 810,032	28,032
Foreign exchange gains	149,868	513,352
Outsourcing service income	*1 207,004	*1 214,521
Rental income	*1 37,634	*1 37,634
Miscellaneous income	16,885	17,230
Total non-operating income	1,272,821	841,923
Non-operating expenses		
Interest expenses	5,291	15,193
Interest on bonds	–	8,112
Cost of fiduciary obligation	191,825	226,223
Rental costs	37,634	37,634
Voluntary early retirement-related expenses	321,410	–
Provision of allowance for doubtful accounts for subsidiaries and associates	73,647	–
Miscellaneous losses	8,203	12,674
Total non-operating expenses	638,012	299,837
Ordinary loss	(714,313)	(45,635)
Extraordinary income		
Gain on sale of non-current assets	*4 573	–
Total extraordinary income	573	–
Extraordinary losses		
Loss on retirement of non-current assets	*5 1,971	*5 247
Loss on valuation of shares of subsidiaries and associates	–	*6 241,579
Impairment losses	*7 1,846,880	–
Total extraordinary losses	1,848,851	241,826
Loss before income taxes	(2,562,591)	(287,462)
Income taxes - current	12,291	12,297
Income taxes - deferred	9,367	(173,409)
Total income taxes	21,658	(161,111)
Loss	(2,584,250)	(126,350)

3) Non-consolidated statement of changes in equity

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

(Thousands of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of period	2,216,945	2,063,905	698,619	2,762,525	274,318	14,034,761	(857,978)	13,451,101
Changes during period								
Dividends of surplus							(252,114)	(252,114)
Reversal of general reserve						(1,120,000)	1,120,000	–
Loss							(2,584,250)	(2,584,250)
Purchase of treasury shares								
Net changes in items other than shareholders’ equity								
Total changes during period	–	–	–	–	–	(1,120,000)	(1,716,364)	(2,836,364)
Balance at end of period	2,216,945	2,063,905	698,619	2,762,525	274,318	12,914,761	(2,574,342)	10,614,737

	Shareholders’ equity		Valuation and translation adjustments		
	Treasury shares	Total shareholders’ equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	Total net assets
Balance at beginning of period	(2,217)	18,428,354	134,720	134,720	18,563,074
Changes during period					
Dividends of surplus		(252,114)			(252,114)
Reversal of general reserve		–			–
Loss		(2,584,250)			(2,584,250)
Purchase of treasury shares	(76)	(76)			(76)
Net changes in items other than shareholders’ equity		–	208,915	208,915	208,915
Total changes during period	(76)	(2,836,441)	208,915	208,915	(2,627,525)
Balance at end of period	(2,294)	15,591,913	343,635	343,635	15,935,549

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

(Thousands of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at beginning of period	2,216,945	2,063,905	698,619	2,762,525	274,318	12,914,761	(2,574,342)	10,614,737
Changes during period								
Dividends of surplus								
Reversal of general reserve								
Loss							(126,350)	(126,350)
Purchase of treasury shares								
Net changes in items other than shareholders' equity								
Total changes during period	–	–	–	–	–	–	(126,350)	(126,350)
Balance at end of period	2,216,945	2,063,905	698,619	2,762,525	274,318	12,914,761	(2,700,693)	10,488,386

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(2,294)	15,591,913	343,635	343,635	15,935,549
Changes during period					
Dividends of surplus		–			–
Reversal of general reserve		–			–
Loss		(126,350)			(126,350)
Purchase of treasury shares	(85)	(85)			(85)
Net changes in items other than shareholders' equity		–	(191,699)	(191,699)	(191,699)
Total changes during period	(85)	(126,436)	(191,699)	(191,699)	(318,135)
Balance at end of period	(2,379)	15,465,477	151,936	151,936	15,617,413

Notes to Non-consolidated Financial Statements

Significant accounting policies

1. Standards and methods for measurement of securities

(1) Shares of subsidiaries and associates

Stated at cost using the moving average method.

(2) Available-for-sale securities

Securities other than shares, etc. without fair market values

Stated at market value (with the entire amount of valuation differences recorded directly into net assets, and the cost of sales calculated using the moving average method)

Shares, etc. without fair market values

Stated at cost using the moving average method.

2. Standards and method for measurement of derivatives, etc.

Derivatives

Market value method

3. Standards and method for measurement of inventories

The first-in first-out cost method is applied. (The balance sheet amount is stated at the written down amount based on a decline in profitability).

4. Method of depreciation of non-current assets

(1) Property, plant and equipment (excluding leased assets)

Declining balance method

However, the straight-line method is applied for buildings (excluding attached facilities), etc. acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016.

Note that the major useful lives are as follows.

Buildings	3 to 50 years
Tools, furniture and fixtures	2 to 20 years

(2) Intangible assets (excluding leased assets)

Straight-line method

The useful life of software for internal use is based on the usable period within the company (5 years). The useful life for software intended for sale in the market is based on the expected marketable period (3 years).

(3) Leased assets

The straight-line method is applied using the lease term as useful life and a residual value of zero.

5. Standard for translation of foreign-currency-denominated assets or liabilities into Japanese yen

Foreign currency-denominated monetary claims and obligations are converted into Japanese yen using the spot exchange rate as of the closing date, and translation adjustments are recorded as foreign exchange losses (gains).

6. Recognition criteria for provisions

(1) Allowance for doubtful accounts

To provide for losses arising from doubtful accounts, the Company records allowance for doubtful accounts using the historical default rate for general receivables, and for doubtful account receivables, records the allowance at an irrecoverable amount calculated considering the recoverability of each doubtful account.

(2) Provision for bonuses

To provide for bonus payments to employees, the Company records allowance for bonuses calculated based on the projected payment amount.

(3) Provision for bonuses for directors (and other officers)

To provide for bonus payments to directors (and other officers), the Company records allowance for bonuses calculated based on the projected payment amount in the current fiscal year.

(4) Provision for retirement benefits

To provide for the payment of retirement benefits to employees, provision for retirement benefits is recorded based on the amount of projected retirement benefit obligations and pension assets as of the end of the fiscal year under review. However, if pension assets exceed retirement benefit obligations, such an excess amount is recorded as prepaid pension costs under investments and other assets.

Actuarial gains and losses are accounted for at the lump sum when incurred.

(5) Provision for business restructuring

For business restructuring, provision for business restructuring is recorded at a reasonable cost amount estimated to be incurred in the future.

7. Accounting standards for revenue and expenses

The Company is mainly engaged in the manufacture and sale of money-related equipment.

For the sale of such merchandise and finished goods, control over the merchandise and finished goods is transferred to the customer when the merchandise and finished goods are delivered to the customer, and the performance obligation is fulfilled; therefore, revenue is recognized at that point in time. For domestic sales, revenue is recognized at the time of shipment if the period from the time of shipment to the time when control of the merchandise and finished goods in question is transferred to the customer is a normal period of time.

8. Methods of hedge accounting

(1) Methods of hedge accounting

Deferred hedging accounting is applied. Note that designated hedge accounting (*furiate-shori*) is used for forward exchange contract transactions in cases where the criteria for designated hedge accounting are satisfied.

(2) Hedging instruments and hedged items

Hedging instruments: Forward exchange contract transactions, etc.

Hedged items: Foreign currency-denominated monetary claims and obligations, and foreign currency-denominated forecasted transactions

(3) Hedging policy

Based on internal management rules, if the foreign exchange fluctuation risk is attributable to the Company, the Company uses forward exchange contract transactions to hedge such risk based on the principle of actual demand for the risk hedge.

(4) Methods for evaluating the effectiveness of hedging

The effectiveness of hedging is judged based on the fluctuation amounts, etc., of a hedged item and a hedging instrument by comparing their cumulative market fluctuations during the period from the start of the hedging until the time of judging the effectiveness.

9. Treatment method for deferred assets

Bond issuance costs

Amortized using the straight-line method over the period until redemption of bonds.

Significant accounting estimates

Previous fiscal year (April 1, 2020 to March 31, 2021)

Valuation of inventories

1. Amounts recorded on non-consolidated financial statements for the fiscal year ended March 31, 2021
   Merchandise and finished goods 598,335 thousand yen   Work in process 368,233 thousand yen
   Raw materials and supplies 763,501 thousand yen

2. Other information contributing to the understanding of users of the Non-consolidated Financial Statements
   This information is the same as that described in “Valuation of inventories” in “Significant accounting estimates” under Notes to Consolidated Financial Statements.

Current fiscal year (April 1, 2021 to March 31, 2022)

Valuation of inventories in the Equipment for the Amusement Industry business

1. Amounts recorded on non-consolidated financial statements for the fiscal year ended March 31, 2022
   Merchandise and finished goods 51 thousand yen   Work in process 39,723 thousand yen
   Raw materials and supplies 403,454 thousand yen

2. Other information contributing to the understanding of users of the Non-consolidated Financial Statements
   This information is the same as that described in (Valuation of inventories in the Equipment for the Amusement Industry business) in (Significant accounting estimates) under Notes to Consolidated Financial Statements.

Changes in accounting policies

Application of accounting standard for revenue recognition, etc.

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. As a result, there is no impact on the non-consolidated financial statements for the current fiscal year. Moreover, in accordance with the transitional treatment provided for in paragraph 89-3 of the Accounting Standard for Revenue Recognition, notes to revenue recognition for the previous fiscal year have not been presented.

Application of accounting standard for fair value measurement, etc.
The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the current fiscal year, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). As a result, there is no impact on the non-consolidated financial statements for the current fiscal year.

Non-consolidated balance sheet

* 1. Subsidiaries and associates

Assets and liabilities relating to subsidiaries and associates include the following in addition to those listed separately.

(Thousands of yen)

	Previous fiscal year (as of March 31, 2021)	Current fiscal year (as of March 31, 2022)
Short-term monetary claims	876,708	993,124
Short-term monetary obligations	35,995	40,773
Long-term monetary obligations	2,316	2,316

2. Commitment line agreements

The Company concluded a commitment line agreement with its main financing bank to conduct efficient procurement of working capital, but the agreement was terminated in the current fiscal year.

Unexecuted borrowings based on these agreements are as follows.

(Thousands of yen)

	Previous fiscal year (as of March 31, 2021)	Current fiscal year (as of March 31, 2022)
Commitment line total	5,000,000	–
Balance of borrowings	4,300,000	–
Difference	700,000	–

Non-consolidated statement of income

* 1. Amount of transactions with subsidiaries and associates

(Thousands of yen)

	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)
Amount of transactions with subsidiaries and associates		
Net sales	3,071,958	3,460,343
Purchase of goods	458,526	438,444
Other operating transactions	151,359	172,600
Transaction amount of transactions other than operating transactions	1,078,544	281,468

* 2. Details of transfer to other accounts are as follows.

(Thousands of yen)

	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)
Transfer to selling, general and administrative expenses	2,411	1,479
Other	310	423
Total	2,721	1,902

*3. The approximate percentage of expenses attributed to selling expenses was 18.2% in the previous fiscal year and 23.1% in the current fiscal year, and the approximate percentage of expenses attributed to general and administrative expenses was 81.8% in the previous fiscal year and 76.9% in the current fiscal year.

Major items and amounts of selling, general and administrative expenses are shown below.

(Thousands of yen)

	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)
Salaries and bonuses	443,768	335,163
Provision for bonuses	63,716	75,966
Provision for bonuses for directors (and other officers)	–	6,000
Retirement benefit expenses	(12,057)	23,229
Experimentation and research expenses	968,589	889,603
Depreciation	94,889	38,116
Provision of allowance for doubtful accounts	685	687
Commission fee	551,199	593,159

(Note) Experimentation and research expenses include 81,396 thousand yen (52,211 thousand yen in the previous fiscal year) in provision for bonuses.

* 4. The main details of gain on sale of non-current assets are shown below.

(Thousands of yen)

	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)
Other	573	–

* 5. The main details of loss on retirement of non-current assets are shown below.

(Thousands of yen)

	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)
Buildings and structures	600	–
Tools, furniture and fixtures	1,036	247
Software	–	0
Other	335	–

* 6. Loss on valuation of shares of subsidiaries and associates

Previous fiscal year (April 1, 2020 to March 31, 2021)

Not applicable.

Current fiscal year (April 1, 2021 to March 31, 2022)

Due to a significant decline in net assets at the end of the period compared with the book value recorded by the Company, there was a write down of shares of consolidated subsidiary J-CASH MACHINE GLOBAL MANUFACTURING (PHILIPPINES) INC. As a result, a 241,579-thousand-yen loss on valuation of shares of subsidiaries and affiliates was recorded as an extraordinary loss.

* 7. Impairment losses

Previous fiscal year (April 1, 2020 to March 31, 2021)

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

Purpose of use	Location	Type of assets
Business assets	Japan	Buildings, structures, machinery and equipment, tools, furniture and fixtures, leased assets, software, software in progress, other intangible assets

(2) Background to recognition of impairment losses

With regard to business assets, impairment losses were recognized due to a decline in profitability.

(3) Amount of impairment losses

Impairment losses related to the aforementioned assets are 1,846,880 thousand yen. The breakdown is 546,609 thousand yen for buildings, 12,950 thousand yen for structures, 15,368 thousand yen for machinery and equipment, 1,147,451 thousand yen for tools, furniture and fixtures, 10,877 thousand yen for leased assets, 34,294 thousand yen for software, 72,722 thousand yen for software in progress, and 6,605 thousand yen for other intangible assets.

(4) Asset grouping method

In calculating impairment losses, the Company groups assets based on the smallest units that generate cash flow largely independent from other assets or asset groups. Idle assets are grouped according to each individual project.

(5) Method for calculating recoverable value

The Company’s recoverable value is measured by whichever is the higher amount of net selling price or value in use. The net selling price is calculated based on a real estate appraisal and other factors. In addition, the value in use is evaluated as zero because the valuation amount based on future cash flow taking into consideration customer order and sales volume forecasts, fixed cost reduction forecasts, and the timing of the end of the COVID-19 pandemic and post-pandemic market trends is negative.

Current fiscal year (April 1, 2021 to March 31, 2022)

Not applicable.

Securities

Shares of subsidiaries and associates and investments in capital of subsidiaries and associates

Previous fiscal year (as of March 31, 2021)

Amounts recorded on non-consolidated balance sheet of shares of subsidiaries and associates and investments in capital of subsidiaries and associates, which are deemed extremely difficult to determine their fair value

(Thousands of yen)

Category	Previous fiscal year
Shares of subsidiaries and associates	1,039,026
Investments in capital of subsidiaries and associates	606,224

Current fiscal year (as of March 31, 2022)

Amounts recorded on non-consolidated balance sheet of securities without market values

(Thousands of yen)

Category	Current fiscal year
Shares of subsidiaries and associates	1,113,730
Investments in capital of subsidiaries and associates	606,224

Tax effect accounting

1. Principal components of deferred tax assets and deferred tax liabilities by cause

(Thousands of yen)

	Previous fiscal year (as of March 31, 2021)	Current fiscal year (as of March 31, 2022)
Deferred tax assets		
Provision for bonuses	43,941	59,624
Retirement benefits for directors (and other officers) payable	35,355	13,087
Amount exceeding the threshold amount for inclusion of lump-sum depreciable assets in tax deductibles	2,949	2,291
Loss on valuation of investment securities	6,816	6,816
Loss on valuation of golf club membership	14,793	14,793
Amount exceeding the threshold amount for inclusion of allowance for doubtful accounts in tax deductibles	56,827	34,502
Loss on valuation of inventories	193,372	216,346
Amount of selling, general and administrative expenses rejected from inclusion in tax deductibles	102,556	73,370
Amount of intangible assets rejected from inclusion in tax deductibles	229,384	298,934
Tax loss carried forward	796,903	1,005,380
Shares of subsidiaries and associates	622,243	718,702
Provision for business restructuring	63,678	55,220
Impairment losses on non-current assets	530,344	397,904
Voluntary early retirement-related expenses	98,351	–
Other	25,390	25,948
Deferred tax assets subtotal	2,822,907	2,922,924
Valuation allowance pertaining to tax loss carried forward	(796,903)	(1,005,380)

Valuation allowance pertaining to total deductible temporary differences	(2,026,003)	(1,733,522)
Valuation allowance subtotal	(2,822,907)	(2,738,902)
Total deferred tax assets	–	184,021
Deferred tax liabilities		
Prepaid pension costs	(173,409)	(184,021)
Valuation difference on available-for-sale securities	(142,123)	(57,599)
Total deferred tax liabilities	(315,533)	(241,620)
Net deferred tax assets (liabilities)	(315,533)	(57,599)

2. Major components of significant differences arising between the effective statutory tax rate and effective tax rate after application of tax effect accounting

Previous fiscal year (as of March 31, 2021)	Current fiscal year (as of March 31, 2022)
This information is omitted as the Company recorded loss before income taxes.	This information is omitted as the Company recorded loss before income taxes.

Revenue recognition

As the information that serves as the basis for understanding revenue from contracts with customers is the same as that described in “Notes to Consolidated Financial Statements (Revenue recognition),” notes are omitted.

Significant subsequent events

Not applicable.

4) Supplementary financial schedules

Schedule of property, plant and equipment

(Thousands of yen)

Type of assets	Balance at beginning of fiscal year	Increase during fiscal year	Decrease during fiscal year	Depreciation during fiscal year	Balance at end of fiscal year	Accumulated depreciation
Property, plant and equipment						
Buildings	828,529	9,600	–	23,666	814,462	1,672,852
Structures	0	–	–	–	0	94,114
Machinery and equipment	0	–	–	–	0	29,191
Vehicles	0	–	–	–	0	2,631
Tools, furniture and fixtures	29,750	190,331	682	23,065	196,332	3,973,776
Leased assets	0	–	–	–	0	3,061
Land	1,449,868	–	–	–	1,449,868	–
Total property, plant and equipment	2,308,148	199,931	682	46,732	2,460,663	5,775,627
Intangible assets						
Software	0	8,510	0	2,084	6,425	–
Other intangible assets	0	–	–	–	0	–
Total intangible assets	0	8,510	0	2,084	6,425	–

(Note) The increase in tools, furniture and fixtures mainly reflects purchase of molds.

Schedule of provisions

(Thousands of yen)

Category	Balance at beginning of fiscal year	Increase during fiscal year	Decrease during fiscal year	Balance at end of fiscal year
Allowance for doubtful accounts	185,711	687	73,647	112,752
Provision for bonuses	143,599	194,850	143,599	194,850
Provision for bonuses for directors (and other officers)	–	6,000	–	6,000
Provision for business restructuring	208,098	9,758	37,396	180,460

(2) Major Assets and Liabilities

Notes are omitted as consolidated financial statements were prepared.

(3) Other

Not applicable.

VI. Overview of Stock Administration for the Submitting Company

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	June
Record date	March 31
Record dates for dividends of surplus	September 30 March 31
Number of shares constituting one unit	100 shares
Purchase and sale of odd lot shares	
Handling office	(Special account) 4-5-33 Kitahama, Chuo-ku, Osaka City Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Limited
Transfer agent	(Special account) 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Forward office	–
Purchasing and selling fee	None
Method of public notice	Public notice of the Company is made by electronic means. However, in the event that accidents or other unavoidable reasons prevent public notice by electronic means, the notice will be made by publication in *The Nihon Keizai Shimbun*. URL for public notice: https://www.jcm-hq.co.jp/
Special benefits for shareholders	Not applicable.

(Note) In accordance with the provisions of the Company's Articles of Incorporation, shareholders of odd lot shares do not have any rights other than the rights listed in each item of Paragraph 2, Article 189 of the Companies Act, the right to receive allotment of shares for subscription and share acquisition rights for subscription in proportion to the number of shares owned by the shareholder, and the right to demand sale of odd lot shares.

VII. Reference Information on the Submitting Company

1. Information on the Parent Company, Etc. of the Submitting Company

The Company has no parent company, etc. as defined in Paragraph 1, Article 24-7 of the Financial Instruments and Exchange Act.

2. Other Reference Information

The Company filed the following documents between the beginning of the current fiscal year and the submission of the Annual Securities Report.

(1) Annual Securities Report and documents attached thereto, and Confirmation Letter thereof

For the 68th fiscal year (from April 1, 2020 to March 31, 2021) Submitted to the Director-General of the Kinki Local Finance Bureau on June 24, 2021

(2) Internal Control Report and documents attached thereto

Submitted to the Director-General of the Kinki Local Finance Bureau on June 24, 2021

(3) Quarterly Securities Report and Confirmation Letter thereof

For the first quarter of the 69th fiscal year (from April 1, 2021 to June 30, 2021) Submitted to the Director-General of the Kinki Local Finance Bureau on August 5, 2021

For the second quarter of the 69th fiscal year (from July 1, 2021 to September 30, 2021) Submitted to the Director-General of the Kinki Local Finance Bureau on November 8, 2021

For the third quarter of the 69th fiscal year (from October 1, 2021 to December 31, 2021) Submitted to the Director-General of the Kinki Local Finance Bureau on February 10, 2022

(4) Extraordinary Report

Submitted to the Director-General of the Kinki Local Finance Bureau on June 25, 2021

Extraordinary Report pursuant to Item 9-2, Paragraph 2, Article 19 of the Cabinet Office Order on Disclosure of Corporate Affairs (result of exercise of voting rights at a Shareholders' Meeting)

Part Two: Information on Guarantors, Etc. for the Submitting Company

Not applicable.

(For Translation Purposes Only)

Independent Auditors' Report and Internal Control Audit Report

June 28, 2022

To the Board of Directors
Japan Cash Machine Co., Ltd.

Ernst & Young ShinNihon LLC
Osaka Office

Naotaka Sasayama

Designated and Engagement Partner

Certified Public Accountant

Daiki Takai

Designated and Engagement Partner

Certified Public Accountant

Audit of Financial Statements

Audit Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Japan Cash Machine Co., Ltd. (the "Company") included in the "Financial Information" section of the annual securities report for the fiscal year from April 1, 2021 to March 31, 2022, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, material matters that serve as the basis for preparation of the consolidated financial statements, other notes, and consolidated supplementary financial schedules.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022, and the consolidated results of operations and their cash flows for the fiscal year then ended, in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters which in the auditors' professional judgement are of most significance in the audit of the consolidated financial statements for the current fiscal year. Key audit matters are matters addressed in the process of auditing the consolidated financial statements as a whole and forming an audit opinion, and we do not express an opinion on such matters individually.

Valuation of inventories in the Equipment for the Amusement Industry business	
Description of Key Audit Matter	Auditor's Response
The Company recorded 8,922,996 thousand yen of inventories (total of merchandise and finished goods, work in process, raw materials and supplies) in the consolidated balance sheet, of which 1,057,340 thousand yen is the amount of inventories in the Equipment for the Amusement Industry business. As described in the note "Significant accounting estimates," inventories on the consolidated balance sheet is stated at the historical cost, and if the net sales value has fallen below the historical cost at the end of the period, the inventories are stated at the net sales value. Furthermore, the Company and some of its consolidated subsidiaries state inventory on the consolidated balance sheet at the carrying amount, which is periodically written off when inventories' turnover period exceeds a certain period, for the purpose of reflecting a decline in the profitability in the consolidated financial statements. In addition, the carrying amount of inventories to be disposed of is written off to the estimated disposal value. In order to reflect a decline in profitability, the write-down rate is based on past sales and disposals, as well as management's forecasts of future demand, which is the major assumption. The amusement industry equipment market in particular is experiencing a downward trend, and future estimates for demand forecasts by management are subject to uncertainty. As the valuation of inventories in the Equipment for the Amusement Industry business involves assumptions and judgements made by management, we determined it to be a key audit matter.	We performed the following auditing procedures with respect to reviewing the valuation of inventories in the Equipment for the Amusement Industry business. ・ In order to understand forecasts of future demand in the amusement industry equipment market, we asked management questions and examined whether the answers were consistent with the available external data. ・ As for inventories whose carrying amounts were devalued in prior years, we examined the accuracy of management's estimates by comparing the subsequent sales and disposal results and examining the causes of the differences. ・ We obtained the Company's study materials concerning write-downs and recalculated the book value to see if it had been devalued in accordance with the write-down rate.

Other Information

Other information is information included in the Annual Securities Report other than the consolidated and non-consolidated financial statements, and the Audit Report thereof. Management is responsible for the preparation and disclosure of the other information. In addition, Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing Directors' execution of duties relating to the design and operation of the reporting process for the other information.

The scope of our audit opinion on the consolidated financial statements does not include the content of the other information, and we do not express an opinion regarding the other information.

Our responsibility in auditing the consolidated financial statements is to read through the other information and, in doing so, examine whether the other information is materially inconsistent with the consolidated financial statements or the knowledge we have gained in the auditing process, and we also pay attention as to whether there are any indications in the other information of material misstatement other than such material inconsistency.

If, based on the work we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact.

We have nothing to report regarding the other information.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan. This includes the development and operation of internal control determined by management to be necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of the Group's ability to continue as a going concern, and disclosing matters

related to going concern as applicable in accordance with accounting principles generally accepted in Japan.
Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In addition, audit procedures shall be designed and implemented to address the risks of material misstatement. The procedures selected to be applied depend on the auditor's judgment. In addition, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, in making those risk assessments, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if such notes are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and the notes thereto are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements represent the underlying transactions and accounting events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.
We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.
We also decide which of the matters discussed with the Audit & Supervisory Board Members and the Audit & Supervisory Board are key audit matters which are of particular significance in the audit of the consolidated financial statements for the current fiscal year and include them in the Audit Report. However, we shall not include such matters in the Audit Report if the disclosure is prohibited by law or if, although such cases are extremely limited, we determine that such matters should not be reported because we reasonably expect that the disadvantages of reporting them in the Audit Report outweigh the public interest.

Internal Control Audit

Audit Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the Internal Control Report of the Company as of March 31, 2022 for the purpose of providing audit certification.

In our opinion, the Internal Control Report referred to above, which represents that the internal control over financial reporting as of March 31, 2022 of the Company is effective, presents fairly, in all material aspects, the results of the assessment of internal control over financial reporting in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit of internal control in accordance with standards for auditing internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Internal Control section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting, and for the preparation and fair presentation of the Internal Control Report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing and verifying the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial reporting misstatements.

Auditor's Responsibilities for the Audit of Internal Control

Our responsibilities are to obtain reasonable assurance about whether the Internal Control Report is free from material misstatement, and to issue the Internal Control Audit Report that includes our opinion on the Internal Control Report based on our audit from an independent point of view.

In accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the Internal Control Report. The procedures for the internal control audit are selected and performed, depending on the auditor's judgement based on significance of effect on the reliability of financial reporting.
- Examine the overall presentation of the Internal Control Report in terms of evaluation scope and procedures, and conclusions of the evaluation of internal control over financial reporting, including the statements by management.
- Obtain sufficient and appropriate audit evidence related to the results of the assessments of internal control over financial reporting in the Internal Control Report. We are responsible for the direction, supervision and performance of the audit of the Internal Control Report. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the internal control audit, significant audit findings, including any significant deficiencies in internal control which should be disclosed that we identify during our internal control audit, the results of their rectification, and other matters required by internal control auditing standards.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and the designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

End of document

(Notes) 1. The original copy of the above Audit Report is kept in the custody of the Company (the company submitting the Annual Securities Report).

2. XBRL data is excluded from the scope of the audit.

(For Translation Purposes Only)

Independent Auditor's Report

June 28, 2022

To the Board of Directors
Japan Cash Machine Co., Ltd.

Ernst & Young ShinNihon LLC
Osaka Office

Naotaka Sasayama

Designated and Engagement Partner

Certified Public Accountant

Daiki Takai

Designated and Engagement Partner

Certified Public Accountant

Audit Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the non-consolidated financial statements of Japan Cash Machine Co., Ltd. (the "Company") included in the "Financial Information" section of the annual securities report for the 69th fiscal year from April 1, 2021 to March 31, 2022, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, significant accounting policies, other notes, and supplementary financial schedules.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of the Company as of March 31, 2022, and the non-consolidated results of operations for the fiscal year then ended, in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements, etc. in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters which in the auditors' professional judgement are of most significance in the audit of the non-consolidated financial statements for the current fiscal year. Key audit matters are matters addressed in the process of auditing the non-consolidated financial statements as a whole and forming an audit opinion, and we do not express an opinion on such matters individually.

Valuation of inventories in the Equipment for the Amusement Industry business

As described in the note "Significant accounting estimates," the Company recorded inventories of 443,229 thousand yen (total of merchandise and finished goods, work in process, and raw materials and supplies) in the Equipment for the Amusement Industry business in the non-consolidated balance sheet.

Descriptions of key audit matters, reasons for their decisions and audit responses are omitted because they are identical to the key audit matters "Valuation of inventories in the Equipment for the Amusement Industry business" included in the Audit Report on the consolidated financial statements.

Other Information

Other information is information included in the Annual Securities Report other than the consolidated and non-consolidated financial statements, and the Audit Report thereof. Management is responsible for the preparation and disclosure of the other information. In addition, Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing Directors' execution of duties relating to the design and operation of the reporting process for the other information.

The scope of our audit opinion on the non-consolidated financial statements does not include the content of the other information, and we do not express an opinion regarding the other information.
Our responsibility in auditing the non-consolidated financial statements is to read through the other information and, in doing so, examine whether the other information is materially inconsistent with the non-consolidated financial statements or the knowledge we have gained in the auditing process, and we also pay attention as to whether there are any indications in the other information of material misstatement other than such material inconsistency.
If, based on the work we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact.
We have nothing to report regarding the other information.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Non-Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles generally accepted in Japan. This includes the development and operation of internal control determined by management to be necessary to enable the preparation and fair presentation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the non-consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements with the assumption of the Company's ability to continue as a going concern, and disclosing matters related to going concern as applicable in accordance with accounting principles generally accepted in Japan.
Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of their duties including the design, implementation and maintenance of the Company's financial reporting process.

Auditor’s Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion on the non-consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. In addition, audit procedures shall be designed and implemented to address the risks of material misstatement. The procedures selected to be applied depend on the auditor’s judgment. In addition, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, in making those risk assessments, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit of the non-consolidated financial statements is not to express an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of management’s use of the going concern basis for preparing the non-consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related notes to the non-consolidated financial statements or, if such notes are inadequate, to express a qualified opinion with exceptions on the non-consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation of the non-consolidated financial statements and the notes thereto are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the non-consolidated financial statements, including the related notes thereto, and whether the non-consolidated financial statements represent the underlying transactions and accounting events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

We also decide which of the matters discussed with the Audit & Supervisory Board Members and the Audit & Supervisory Board are key audit matters which are of particular significance in the audit of the non-consolidated financial statements for the current fiscal year and include them in the Audit Report. However, we shall not include such matters in the Audit Report if the disclosure is prohibited by law or if, although such cases are extremely limited, we determine that such matters should not be reported because we reasonably expect that the disadvantages of reporting them in the Audit Report outweigh the public interest.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and the designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

End of document

(Notes) 1. The original copy of the above Audit Report is kept in the custody of the Company (the company submitting the Annual Securities Report).

2. XBRL data is excluded from the scope of the audit.