



Integrated Report

Fiscal year ended March 31, 2023

JAPAN CASH/MACHINE CO., LTD.



JCM's Management Principles

Company Philosophy

Seeking vibrations of the cosmos, let's create our own vibration harmonized with the right vibrations in our society and spread happy vibrations to the world

Guiding Principles

Thankfulness & Gratitude

Be thankful for the opportunity to live and contribute to society

Independent Creation

Provide creative products and services to people around the world

Friendly Cooperation

Create a happy home and pleasant workplace

Self-Improvement

Constantly have ambition and be useful to others

Put into Practice

Do it here and now

Management Philosophy

The Results Are for Our Customers

The JCM Group aims to be a truly global company that responds to the evolving needs of the world by providing manufacturing and service offerings, innovating core technologies, and continuously creating new value.

CONTENTS

Editorial Policy

The International Integrated Reporting Framework recommended by the IFRS Foundation and the Guidance for Collaborative Value Creation of Japan's Ministry of Economy, Trade and Industry were used as references in editing the JCM GLOBAL Integrated Report.



Forward-Looking Statements

This report contains forward-looking statements regarding the JCM Group's future. These forward-looking statements are based on judgments made using information available at the time the report was prepared. Readers are advised that actual results might differ substantially from the projections presented herein.

Introduction

- 01 Contents, JCM's Management Principles, and Editorial Policy
- 02 JCM in Society and Business Segments
- 03 JCM's Strengths
- 04 Our History

Vision

- 05 Message from the President

Value Creation, Strategy, and Performance

- 11 Value Creation Process
- 12 Review of Performance
- 13 Medium- to Long-Term Risks and Opportunities
- 14 Medium-Term Management Plan "JCM Global Vision 2032"
- 15 JCM's Long-Term Vision and Road Map to Realization
- 16 Full Fiscal Year Results

- 17 Overview by Segment (Global Gaming, International Commercial)
- 18 Overview by Segment (Domestic Commercial, Equipment for the Amusement Industry)

Sustainability (Initiatives toward Material Issues)

- 19 JCM's Core Technologies
- 20 Case Study: JCM Technology
- 21 R&D
- 22 Manufacturing
- 23 Quality Assurance
- 24 Human Capital
- 26 Information Security and DX Initiatives
- 27 Supply Chain Management
- 28 Initiatives to Combat Climate Change (TCFD recommendation-based disclosures)

Corporate Governance

- 32 Interview with an Outside Audit & Supervisory Board Member
- 34 Corporate Governance System
- 35 Board Member and Audit & Supervisory Board Member Skills Matrix, Main Topics of the Board of Directors and the Nomination and Remuneration Advisory Committee
- 36 Directors, Audit & Supervisory Board Members
- 37 Evaluation of the Board of Directors' Effectiveness, Executive Officers
- 38 Remuneration System
- 39 Risk Management, Compliance

Data Section

- 40 Major Financial Highlights
- 41 Major Non-Financial Highlights
- 42 Corporate Data/Stock Information

JCM in Society and Business Segments

As a money-handling specialist, the JCM Group provides products and technologies to various markets around the world. Through its business activities, the Group contributes to the stability and maintenance of social order by ensuring that people can have confidence and feel secure about their currency.

Global Gaming

We aim to establish a position as a comprehensive component supplier capable of providing one-stop services to casino floors with not only bill validator units but also printer units, digital signage, and more.



Printer unit



Bill validator unit



Digital signage



Bill recycling unit for table games

Transportation

Retail
Other

International Commercial and Domestic Commercial

We are steadily developing new markets, while increasing convenience for our customers by launching products in Europe, the United States, Japan, and other Asian markets. Our products include bill recycling and coin recycling units, which are used in diverse commercial markets such as deposit machines, parking payment machines, and ticket vending machines.



Bill recycling unit



Coin recycling unit

Self-service gasoline station
payment settlement terminals

Parking payment
machines

Ticket vending
machines for railways

Bus fare payment
machines

Restaurant ticket
vending machines

Self-checkout
machines

Automatic payment
machines in hotels

Automatic payment
machines in clinics

Equipment for the Amusement Industry

In the amusement industry market, which demands advanced identification and validation of bills and coins as well as complex transportation technologies, we consistently provide products that meet our customers' needs. In addition to improving the efficiency of hall operations, we attract customers through the provision of products that contribute to the improvement of gaming environments.

Automatic token
dispensing system

Prize POS system



Bill transport system

Pachinko-balls/token
Lender

JCM's Strengths

The JCM Group leverages its accumulated technology to develop and provide high-value-added new technologies and products across various global markets.



Acquiring gaming licenses while realizing strict compliance

Gaming licenses acquired

190 (39 states and one region in North America)
licenses



Intellectual property rights (patents, design rights, trademarks) for JCM products in use around the world

787



Continuing to earn the trust of global customers over an extended period through our high brand strength

Supporting currencies in more than
140 countries and regions worldwide

JCM Group Companies

EUROPE

JCM EUROPE GMBH.

[Dusseldorf, Germany]

Sales of money-handling machines, etc.



Japan Cash Machine Co., Ltd.

[Osaka City, Osaka]

Development, manufacture, and sales of money-handling machines and equipment for the amusement industry

JCM Systems Co., Ltd.

[Osaka City, Osaka]

Installation and maintenance of amusement industry equipment, etc.



ASIA PACIFIC

J-CASH MACHINE (THAILAND) CO., LTD.

[Bangkok, Thailand]

Software development



JCM GOLD (H.K.) LTD.

[Hong Kong]

Manufacture of money-handling machines, etc.

J-CASH MACHINE GLOBAL MANUFACTURING (PHILIPPINES) INC.

[Laguna, Philippines]

Manufacture of money-handling machines



JCM Meiho Co., Ltd.

[Chuo-ku, Tokyo]

Sales of pachinko (pinball) and related machines, etc.

NORTH AMERICA

JCM COMMERCE MECHATRONICS, INC.

[Illinois, U.S.A.]

Sales of money-handling machines, etc.



JCM AMERICAN CORP.

[Nevada, U.S.A.]

Sales of money-handling machines, etc.

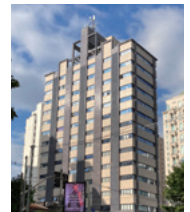


SOUTH AMERICA

JCM COMERCIO MECATRONICA BRASIL LTDA.

[Sao Paulo, Brazil]

Sales of money-handling machines



Introduction

Our History

Since its establishment in 1955, JCM has endeavored to seamlessly connect “people to people” and “people to money” as a manufacturer in the highly specialized field of money-handling machine manufacturing.

We will provide new value based on technology accumulated as a money circulation specialist on the global stage, and as a company with worldwide operations we will continue to meet the expectations and maintain the trust of people around the world.

Trends in net sales

■ Non-consolidated net sales
■ Consolidated net sales

1960s–1970s

Trend toward computerization/inlining

As department stores and supermarkets grew, cash registers were replaced by computer terminals for sales totalizing. Due to the excellent cash register functions of our products, OEM demand from computer manufacturers was strong.

1980s–1990s

From applications for validation/counting technologies to development/utilization of proprietary technologies

We aimed to develop new products by combining the Company's inherent know-how in such areas as validation, counting, and classification. In this vein, we brought to market an automatic conveyor system for pachislot tokens based on proprietary coin conveying and other technologies. Our goal was to firmly establish our position in the amusement industry.

2000s

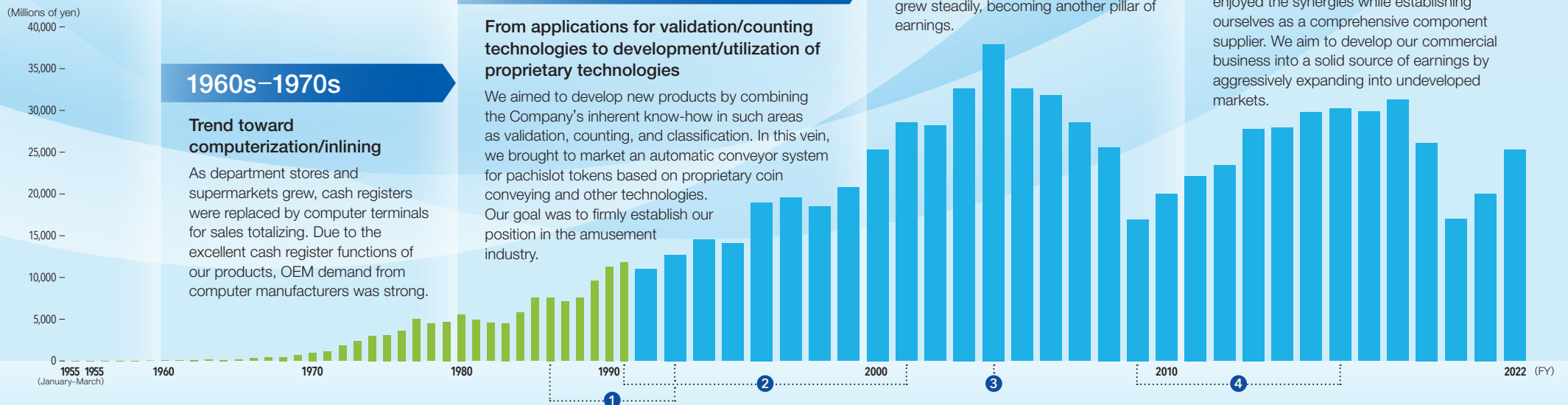
Development of the money-handling machines business in Western markets/Response to the need for amusement industry-related equipment

We started selling bill validators for multinational bills. Sales of equipment for the amusement industry business also grew steadily, becoming another pillar of earnings.

2010 onward

Pursuing core validation and transportation technologies to lead advanced technological innovation

In our Global Gaming and Equipment for the Amusement Industry Businesses, we have leveraged the products, markets, customers, and assets acquired through business acquisitions and transfers and enjoyed the synergies while establishing ourselves as a comprehensive component supplier. We aim to develop our commercial business into a solid source of earnings by aggressively expanding into undeveloped markets.



① Started manufacturing and selling validation machines for foreign currency bills

1986 | Started manufacturing and selling bill validators for U.S. dollars
1988 | Started manufacturing and selling bill validators for German marks
1990 | Installation of bill validator units permitted in Nevada
1991 | Started sales of bill validator units for the gaming industry
1993 | Installation of bill validator units permitted outside the United States

② Started selling equipment for the amusement industry

1991 | Started sales of an automatic token supply system, a proprietary belt conveying system that boasts high performance and high quality
1999 | Launched the industry's first polishing system with excellent token cleaning ability
2001 | Started sales of bill validators for lenders installed between machines

③ Issuance of new Japanese yen bills

2004 | Renewal demand in response to the issuance of new bills (1,000, 5,000, and 10,000 yen)

④ Effects of business acquisitions/transfers

2009 | Included Sammy Systems Co., Ltd., in the Company's scope of consolidation as a subsidiary (Equipment for the Amusement Industry)
2014 | Included FutureLogic Group, LLC., in the Company's scope of consolidation as a subsidiary (Global Gaming)
2016 | Partial transfer of Silver Denken's business (Equipment for the Amusement Industry)

1955 1959 1981 1987 1988 1999 2010 2014 2020 2022



Company established



Started manufacturing cash registers



Started manufacturing bill validators



Established a subsidiary in Hong Kong



Established a subsidiary in the United States



Established a subsidiary in Europe



Started operations at the newly established Tokyo office



Acquired and included a manufacturing and sales company of printer units for gaming markets as a subsidiary



Established a manufacturing subsidiary in the Philippines



Established subsidiaries in the United States and Brazil

Message from the President

Looking ahead to the diversification of money transactions, we will focus on exploring untapped regions and markets as well as nurturing new business ventures.

Yojiro Kamihigashi

Representative Director, President

During the fiscal year ended March 31, 2023, both net sales and operating profit showed a recovery trend in response to the economic rebound in related industries due to the resolution of the COVID-19 pandemic. In line with this recovery, Japan Cash Machine Co., Ltd. (JCM) formulated our medium-term management plan, “JCM Global Vision 2032,” in May 2023. We aim to achieve further growth by steadily implementing this plan.



Establishing a dominant market share centered on high-specialization core technologies

Since our founding, JCM has grown by contributing to the establishment of a money circulation system as a manufacturer in the highly specialized field of money-handling machines, seamlessly connecting “people to people” and “people to money.”

Money-handling machines for the gaming market, including casinos, accounts for more than half of our sales revenue. Casinos have long been a social hub in North America. In the gaming industry, which encompasses casinos, there are strict regulations to ensure healthy operations free from criminal organizations. Not only must visitors be authorized, but the manufacturing and sales of gaming machines also require licenses (gaming licenses), which only certified operators can obtain. The JCM Group currently holds more than 190 gaming licenses, primarily in North America, securing a dominant market share and strong customer trust.

The foundation of this trust lies in our core technologies: software and mechatronics. Around the world, there are currencies of various sizes, materials, and conditions, each with different usage environments and methods. Our brand value and business growth are supported by the software technology developed by our engineers to identify and authenticate currencies, including counterfeit and altered ones, and the mechatronics technology that enables the precise transport, separation, and accumulation of currencies. There is a growing demand for labor-saving and high-security money-

handling worldwide, including in emerging markets. By further developing and applying these core technologies that we have cultivated over the years, we aim to sustainably expand our corporate value in the field of currency circulation.



Aiming to enhance convenience in the commercial sector by incorporating cashless technology into our core technological foundation

At the same time, with growing interest in fintech, the trend toward “cashless” transactions is indeed progressing. In fact, cashless payments have been spreading in Scandinavian countries like Finland and Sweden, as well as in China, driven by national policies. In light of this trend, I have personally heard concerns from investors and other stakeholders

about the future of our company, which has continued to grow based on money-handling technologies.

In the medium to long term, we must accept the trend toward cashless transactions as a sign of the times, so studying and analyzing the circumstances in countries advancing toward a cashless society is essential. However, at present, we will not remove cash from our business or investment portfolios. The main reasons for this include the continued need for cash in public transportation, which requires public utility, and in services catering to the elderly. In addition, considering the recent frequent large-scale disasters, conflicts, unrest, and cyber terrorism, relying solely on cashless systems poses significant risks. Moreover, in emerging and developing countries, cash handled by people remains the predominant method of payment, and there is a need to improve its efficiency.

At JCM, we consider cashless transactions to be one of many payment methods. By integrating cashless technologies from various domestic and international sources with our own advanced money-handling technologies, we strive to improve convenience in the commercial sector through a range of solutions, including deposit machines, self-checkout systems, and ticket vending machines. We are committed to continually refining and advancing the cash control technologies we have built over the years, as they remain a key asset for the company.



Recovery from COVID-19 in the fiscal year ended March 31, 2023: Setting the stage for future growth

In the fiscal year ended March 31, 2023, as restrictions due to the spread of COVID-19 were eased globally, the JCM Group's core market, the gaming industry—particularly in North American casino hotels—saw a recovery to pre-pandemic levels of activity. In addition, demand for capital investment remained high. In both domestic and international commercial markets, the adoption of contactless and non-face-to-face payment methods has expanded, leading to strong demand for our bill validator units. Moreover, in the amusement industry, the gradual introduction of smart gaming machines since November 2022 has increased demand for related peripheral equipment.

Against the backdrop of strong demand, net sales for the fiscal year ended March 31, 2023, increased 26.0% year on year to ¥25.2 billion. Operating profit, impacted by rising material and logistics costs, rose 9.5% to ¥600 million. However, ordinary profit decreased 8.5% to ¥1.2 billion. Profit attributable to owners of the parent amounted to ¥3.1 billion, thanks to extraordinary income, including a gain on sale of non-current assets from the former head office real estate.

During this period, despite ongoing surges in resource and raw material prices and continued disruptions in the supply chain, we focused on the development of next-generation products in response to strong demand in the gaming market. Also, while sales growth in the commercial market was primarily driven by Europe during this period, we aimed to expand our business in North America and Latin America by promoting product distribution

and tailoring our product proposals to the needs of each market.

Formulated our medium-term management plan, “JCM Global Vision 2032”: Talent responsible for next-generation management envisions the desired image of JCM 10 years in the future

Against this backdrop, in May 2023, we introduced and announced our new medium-term management plan, “JCM Global Vision 2032.” In 2019, we announced the medium-term management plan, Rolling Plan IV, which was set to conclude in the fiscal year ending March 31, 2022. This plan aimed to enhance the overall corporate value of the Group through improvements in profitability and management structure. However, the spread of the COVID-19 pandemic significantly disrupted the assumed business environment during the first phase of this plan, forcing us to make necessary adjustments. As a result, we deferred the publication of new medium- to long-term plans.

As we entered the fiscal year ending March 31, 2023, we made significant progress in recovering our performance from the impact of the COVID-19 pandemic. In addition, we are now better positioned to outline our future direction, particularly in the field of money-handling machines. Notably, we have observed a clear shift toward contactless and non-face-to-face payment solutions, as well as a transition to cashless payments, which will influence

Vision

our strategic direction moving forward. We have therefore developed the medium-term management plan, “JCM Global Vision 2032,” which outlines our long-term vision for the next decade. This plan was established with the next-generation management talent at its core, defining our desired future state and detailing what we can and want to achieve. We are confident that this approach, involving a comprehensive planning process, will significantly enhance our motivation to achieve our goals.

In this medium-term management plan, we have set two key goals for 2032. First, we aim to continue being a company that instills trust in customers within the increasingly diverse field of money transactions. This includes maintaining a strong presence in the gaming market, where we have traditionally held a significant market share. Second, we will strive to establish ourselves as a leading brand in new business areas, addressing the emerging cashless era by entering new markets.

To achieve these long-term objectives, we view the three years leading up to the fiscal year ending March 31, 2026, as a period of “seed planting.” During this time, we will prioritize expanding our existing businesses, which are showing significant recovery from the pandemic, while further strengthening our revenue structure and investing in new business areas. By the fiscal year ending March 31, 2033, we aim to achieve net sales of ¥55 billion and operating profit of ¥5.5 billion. Although this medium-term management plan differs in both the formulation process and direction from previous plans led by the Corporate Planning Department, it sets higher numerical targets than initially anticipated.

To achieve these targets, a critical element will be the expansion of our commercial business, which

is one of our core operations. While our gaming business, a cornerstone of the Company, will continue to advance robustly based on its strong market share and customer trust, we do not anticipate significant global expansion in the gaming market due to regulatory constraints.

On the other hand, our commercial business in Europe has experienced remarkable growth, with its sales now approaching the level of our gaming business. In North America and Latin America, where our commercial business had previously been uncharted, we established sales subsidiaries in Chicago, USA, and São Paulo, Brazil, in the fiscal year ended March 31, 2023. We are actively pursuing the expansion of our sales network and the acquisition of new customers.

In Latin America, although ATM machines are widespread in urban areas, there is a noticeable lack of cash processing equipment in local regions, which has become a social issue. We view this as a business opportunity. In South America, there is a growing demand for small ATMs, similar to those found in Japanese convenience stores, across the



banking industry and beyond. We are focusing on developing products tailored to market needs, aiming to further expand our product reach.

In Brazil, we will collaborate with local companies to customize products for market demands, working closely with ATM manufacturers, financial institutions, and cash-in-transit companies. This approach will help us solidify our market presence. Expanding into new markets and enhancing our product lineup in the commercial business are considered crucial strategies for achieving our 2032 targets, and we will vigorously advance these initiatives.

Challenging the creation and growth of new businesses beyond existing boundaries

To achieve our numerical targets for 2032, we are focusing not only on our existing businesses—gaming, commercial, and amusement equipment—but also on the development of new businesses as a key pillar. Since establishing the New Business Development Department in October 2018, we have boldly pursued various new business opportunities without being constrained by existing frameworks. Currently, our primary focus is on the medical field. We have initiated collaborative research with a range of medical institutions, and through these collaborations and exchanges of ideas, we are generating valuable new business insights and opportunities.

In addition, we view AI as a crucial element for developing new businesses, extending beyond the

Vision

realms of medical care, nursing, and healthcare. For instance, we have processed thousands of banknotes and gathered valuable data through AI. Utilizing this database, we are also developing innovative software. Leveraging the expertise of our AI-specialized team, we aim to broaden our external collaborations and create new business opportunities by applying this knowledge and technology to areas beyond our traditional business sectors.

The young generation that will shape the future is responsible for envisioning business opportunities for the next 10 or 20 years. By leveraging the diverse perspectives and ideas of each individual, we aim to nurture the development of new business pillars. Some of these ideas have already progressed to patent applications, underscoring the many new possibilities inherent in our core technologies and know-how.

Aiming to leverage workforce diversity in management

JCM's guiding principles reflect the founder's belief that first and foremost it is a company's human resources that drive success. We believe that mutual respect among employees, coupled with the ability to express individuality and continuous personal growth through work, leads to the sustainable creation of value for the Company.

As we continue to advance our global business, it is essential to reframe these guiding principles from a more global perspective. I have consistently communicated to the directors and executive

officers that the foundation of global talent management lies in hiring and retaining top talent who are well-versed in the industry and business practices of each country or region, and entrusting them with specific roles and responsibilities. This is something I personally place great importance on as well. JCM operates with just above 200 employees at the parent company level and around 600 across the entire Group.

To successfully expand our business globally with this team size, I believe it is essential for headquarters to maintain effective governance while respecting local decision-making. Looking at the global picture, there is much to learn from our overseas subsidiaries in terms of talent strategy and other areas. For instance, the diversity and inclusion initiatives in our subsidiaries in Europe and the United States, which address aspects such as gender, nationality, race, and religion, are clearly more advanced than those in Japan. By actively integrating these superior management practices from our Group companies, we aim to align the entire Group with global standards.

A pressing issue in Japan is gender diversity. Reflecting on the past, where the ratio of female employees was around 10%, we have prioritized increasing the number of female employees as a critical task since 2017. Our goal is to raise the proportion of female employees in Japan to 20% by 2032. We are committed to this objective by not only focusing on recruitment but also revising wage and evaluation systems and promoting women to management positions. We will continue to put effort into this area, learning from advanced practices implemented in our overseas subsidiaries.

Leveraging strengths and protecting our intellectual property strategy

In addition to human resources, another crucial intangible asset is intellectual property. Intellectual property is a key source of competitive advantage for a company. To protect the Group's products and technologies and secure profits, it is vital to hold as many effective intellectual property rights as possible and build a comprehensive patent portfolio.

As a company with a high percentage of overseas sales, we hold a substantial number of patents (including design and trademark rights) abroad in addition to Japan. However, intellectual property disputes are more likely to arise overseas. Demonstrating our proactive approach to securing patents, particularly for new mechatronics technologies, is crucial for protecting our intellectual property and enhancing our competitive edge.

At the same time, we have technologies that we deliberately choose not to patent, thereby protecting them as proprietary knowledge held by a limited number of individuals within the Company. In particular, with the advent of open AI technologies that enable software to create other software, we intentionally refrain from licensing our software in the field of advanced validation and identification technologies, which offers the highest added value. This approach helps us safeguard our proprietary technology and expertise.

The decision of which new technologies to patent and which to deliberately withhold from patenting is often guided by the intuition of experienced personnel in technology and intellectual property. To

Vision

cultivate this expertise among younger generations, we focus on knowledge transfer and renewal. We will continue to advance our intellectual property strategy as a key component of our business strategy.

To our stakeholders: We are confident in our ability to realize our vision

In the gaming market, where we have established an overwhelming share, we began selling products in the 1990s. After more than 30 years, we now hold more than 190 gaming licenses in North America. At international exhibitions in the casino and gaming industry, our products, branded under JCM, have successfully attracted many customers.

Reflecting on our journey in North America, I am particularly struck by the praise we received from a casino manager regarding our problem-solving approach. Unlike the typical response from American companies, which often involves sending lawyers first, JCM distinguished itself by deploying a significant team of Japanese experts to address the issue, which he referred to as a “ship of Japanese.” This approach underscores the deep trust and strong relationships we have built with our customers over the years.

The strong trust in JCM is particularly noticeable in Latin America, where we are actively advancing our commercial business. In Europe, we have also reached a point where we can demonstrate the quantitative growth of our commercial operations. Although it has taken significant time to achieve this progress, our steadfast commitment to our vision from a decade ago is now yielding tangible results.



The same principle applies to the new business ventures we are currently pursuing. With the imminent arrival of a cashless era, we recognized that a portfolio focused solely on cash-based operations would struggle to sustain growth. In response, we have diligently been planting the seeds for new business opportunities. While securing a stable revenue base through our dominant position in the gaming business, where cash will continue to play a critical role over the next 10 to 20 years, we will also explore and develop new ventures. The seeds we have sown are steadily expanding our range of opportunities, and we are committed to leveraging these new prospects.

Moreover, we have accumulated a wealth of technical expertise through our previous product developments. This accumulation of technology and know-how has significantly accelerated our ability to bring new business ideas to fruition. We are

confident that the same sense of urgency and capability will ensure that our next ventures are also developed into successful outcomes.

We kindly ask our stakeholders to continue supporting us and to look forward to our future developments.

Profile

Yojiro Kamihigashi, with a wealth of management experience gained from overseeing overseas subsidiaries, currently leads the global operations of the Group as the Representative Director and President.

October 1984	Joined Japan Cash Machine Co., Ltd.
January 1990	Appointed as President and Representative Director of JCM GOLD (H.K.) LTD.
June 1993	Appointed as Board Director of the Company
April 1995	Appointed as Director of JCM AMERICAN CORP.
July 1996	Appointed as Chairman of the Board and Representative Director of JCM GOLD (H.K.) LTD.
June 2006	Appointed as Executive Officer and Executive General Manager of Overseas Sales Department of the Company
April 2007	Appointed as President and Representative Director (current position)

Value Creation Process

Targeted Corporate Image

Toward realizing a rich and sustainable society through the advancement of core technologies

By means of its currency validation and identification technologies, as well as its conveying technologies, the JCM Group contributes to the seamless circulation and fraud prevention of currency, which are indispensable to everyday life, while providing safety and security to society. By evolving and integrating its unique technologies, the Group aims to achieve greater automation and labor savings, address social and environmental issues, and create new value.

Management Resources (as of March 31, 2023)

Human Capital

- Number of employees (consolidated)
526 (395 male, 131 female)
- Employees overseas
241

Proprietary Technologies in the Currency Field

- Bill validation and identification technologies
Robotics, mechatronics, and conveying technologies cultivated through our track record in money handling
- Number of engineers
116 (non-consolidated)

Global Production System

- Company-owned plants
2 plants Japan 1 plant (Nagahama, Shiga)
Philippines 1 plant

- Consignee companies
15 companies Japan 12 companies
Philippines 3 companies

Global Brand

- Gaming licenses
U.S. 39 states, 1 region
190 licenses

- Stable business track record with casino operators, slot machine manufacturers, and major manufacturers of finished products

Natural Capital

- Energy consumption (at production bases in Japan)
7,093 GJ

Financial Capital

- Cash equivalents Total assets Net assets
13.2 billion yen **38.8** billion yen **27.1** billion yen

Existing Key Markets and Customers

Overseas	International/Domestic	Domestic
Gaming	Commercial	Equipment for the amusement industry
<ul style="list-style-type: none"> Casino operators Slot machine manufacturers 	<ul style="list-style-type: none"> Banking (ATMs, change machines) Transportation (ticketing and payment machines for railways, buses, etc.; payment machines for parking lots, gas stations, etc.) Retail (all types of checkout machines, deposit machines, etc.) 	<ul style="list-style-type: none"> Pachinko parlors

New Business

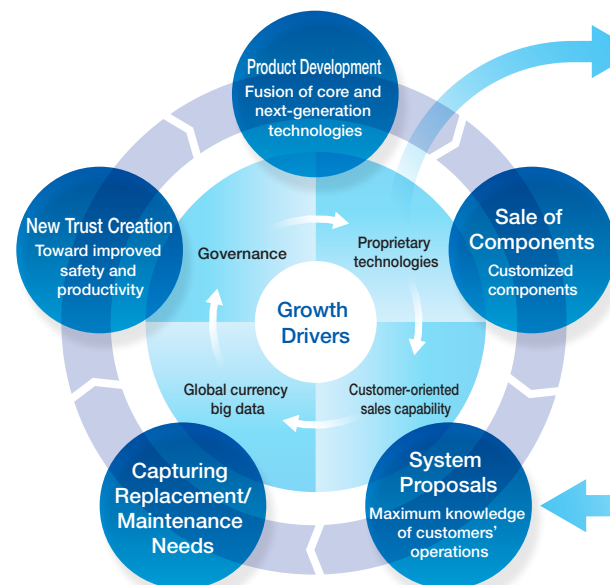


Future Value Creation

Main Products and Services

Money-handling machines Multi-payment checkout machines System services New products/services

Creation of safety and trust through hybrid products and services combining money-handling machines and cashless payment solutions



New Business

- Promotion of automation through robot technology
- Global coin changers, etc.

New Business Areas

- Expansion into the commercial markets of North, Central, and South America
- Entry into untapped commercial markets in Asia
- Global deployment of system products
- Alliances (collaborations), M&As, etc.
- Strengthening the system development framework

Value Co-Creation with Stakeholders



Customers
Safe and stable business operations



Shareholders
Highly transparent management and long-term improvement of corporate value



Employees
Improving motivation by having employees share in the management principles while acquiring skills and expertise



Business partners
Mutual growth through collaboration linked to social issues



Society/Environment
Contribution to a sustainable society by reducing greenhouse gases and providing safety and security

Financial Results

- Net sales **25.2** billion yen
- Operating income **0.6** billion yen
- Operating income ratio **2.5%**

Fostering Diverse Values

- Ratio of females (Consolidated) **24.9%**
- Ratio of females among global employees **45.8%** (previous fiscal year 45.3%)
- Ratio of females in managerial positions **14.7%** (previous fiscal year 11.1%)
- Average length of service (non-consolidated) **15.4** years (previous fiscal year 15.3 years)

Innovation Creation

- Patents held **531** (Japan 201, overseas 330)
- Design rights held **112** (Japan 41, overseas 71)
- Trademarks held **144** (Japan 67, overseas 77)

Raising Our Global Presence

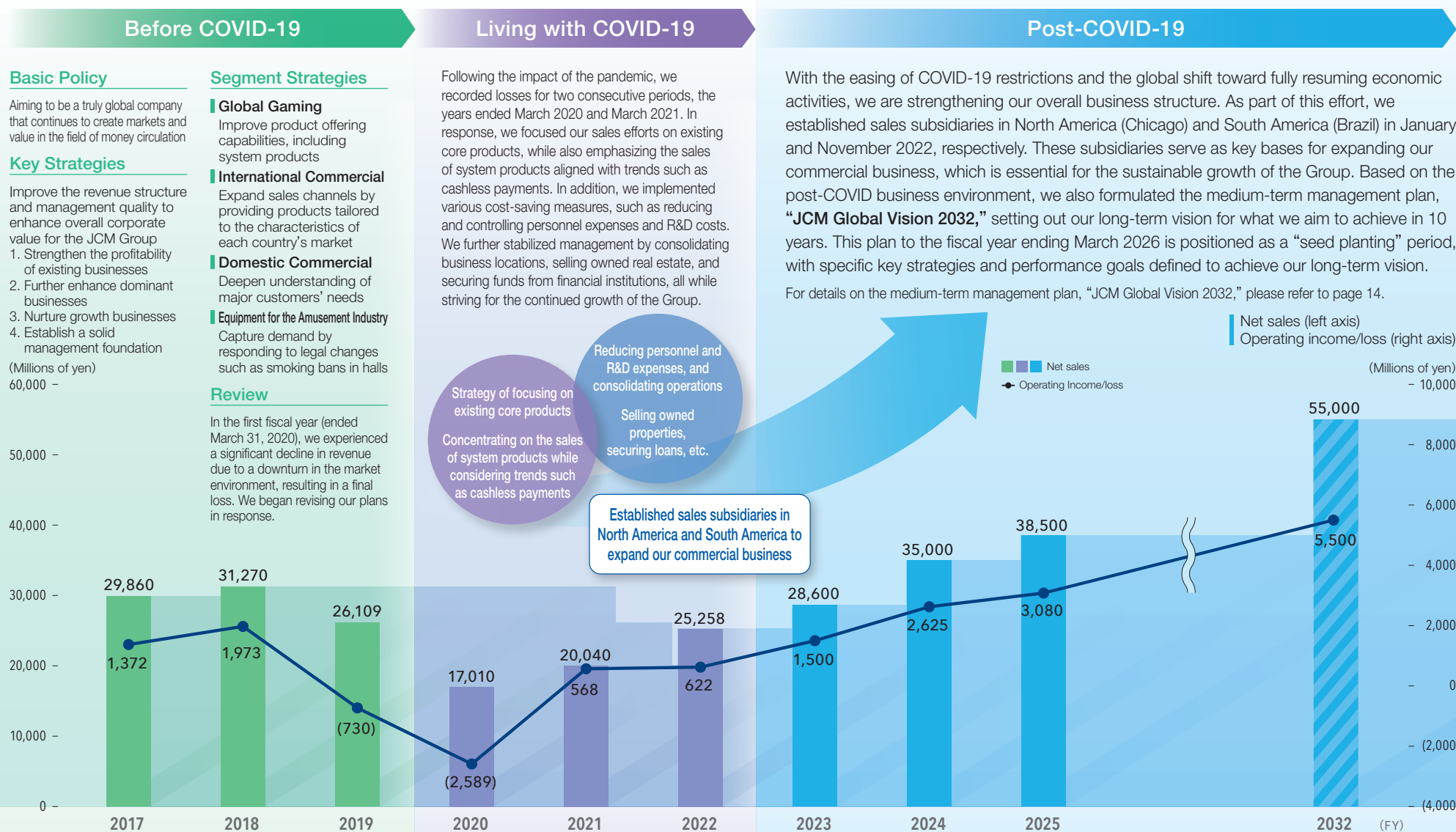
- Dominant share of overseas gaming market Global market **60%** U.S. market **65%**
- Awards received Eilers-Fantini G2E Vendor Survey 2023 "Most Innovative Technology" for two consecutive years

Environmental Impact from Business Activities

- Volume of CO₂ emissions (Total of Scope 1, 2, and 3) **58,000 t**
- Volume of waste generated (Scope 3, Category 5) **40 t**

Review of Performance

JCM's business environment has undergone significant changes due to the COVID-19 pandemic. The medium-term management plan, "Rolling Plan IV," which was established before the pandemic (May 2019), had to be adjusted in response to the outbreak. Nevertheless, through various measures, we have successfully adapted to the era of living with COVID-19. In May 2023, looking ahead to further business growth, we formulated our new medium-term management plan "JCM Global Vision 2032," which outlines our vision for the next 10 years and the key initiatives to achieve that vision, marking the post-pandemic period.



Medium- to Long-Term Risks and Opportunities

The business environment is continuously evolving due to the rapid adoption of cashless transactions and changes in global political and economic conditions. We monitor and analyze these changes, recognizing our management resources, competitive advantages, and the social issues that need addressing. We view the risks we must prepare for as opportunities for further growth and focus on controlling these risks while striving to create revenue opportunities.

	Risks	Control/Opportunities
Cashless transformation	As the JCM Group primarily engages in the money-handling machine business, there is a risk that rapid global advancement in cashless transactions could significantly impact our performance and financial condition.	Even in a society where cashless transactions are advancing globally, we believe that the need for cash payments will persist, particularly in public transportation, which serves the public interest, and in service-related products that require consideration for the elderly and others. In addition, from the perspective of cyber threats, relying solely on cashless transactions presents significant risks. Moreover, there are many regions, such as North America and Latin America, where a cash culture is still prevalent, indicating that the demand for cash payment methods will continue. The Group will accurately address this demand and effectively manage the associated risks while focusing on the manufacturing and sales of existing products. Furthermore, the Group views the arrival of the cashless era as a new growth opportunity. We will leverage the technologies developed through our money-handling machine business to advance the development of new products related to cashless transactions.
Global conditions and risks	In addition to the economic conditions in various countries, global issues such as conflicts, terrorism, and disasters, as well as factors that could dampen consumer sentiment, there is a risk that geopolitical risks could lead to shortages of components such as semiconductors, which could adversely impact our business performance and financial condition.	The Group will continue to explore risk diversification methods by establishing multiple production and sales bases, as well as securing multiple sources for components such as semiconductors. We are also expanding into new markets and businesses and developing new products to avoid excessive dependence on our core markets and products. We view these risks as opportunities for growth. Through these measures, we will continue our efforts to consistently provide high-quality products and services to our customers.
Social and environmental changes	Social changes such as the decline in the working population due to an aging population and dwindling birth rates, along with environmental changes such as abnormal weather patterns and associated regulatory pressures, are expected to significantly impact the Group's operations. These factors present risks that could substantially affect the Group's performance and financial condition.	The Group will proactively invest in human capital, considering factors such as gender diversity, to build a framework for securing labor and technological capabilities. We will continue to manage these risks appropriately. At the same time, we recognize that these social and environmental challenges not only create new demand from customers but also generate new business opportunities for the Group. We aim to continue growing alongside our customers and society by accurately understanding the demand arising from these challenges and constantly developing and supplying products that contribute to solving these issues.
Technological issues	In the near future, as technologies such as AI advance, it is anticipated that development competition will intensify. At the same time, intellectual property disputes and risks such as cyber terrorism are also expected to increase, posing significant risks that could greatly impact the Group's performance and financial condition.	The Group will protect intellectual property and make proactive investments in human capital while strengthening security measures. By properly maintaining and developing the technological expertise gained from years in the money-handling machine business, we aim to manage these risks effectively. In addition, we view the evolution of technologies such as AI as a significant opportunity for acquiring new core technologies, developing new products, and entering new markets and businesses. Seizing these opportunities, the Group will continuously focus on evolving technologies and strive to develop and deliver standout products amid intensifying competition in technology development.

Medium-Term Management Plan “JCM Global Vision 2032”

In our medium-term management plan, “JCM Global Vision 2032,” we have clearly defined our desired state for 2032 as a “long-term vision.” Based on changes in the business environment and other factors, we will sequentially implement various measures to achieve this vision.

Desired State for 2032 (10 years from now)

1

A Group that consistently provides customers with trust in the diversifying money transaction* field

Capture a high market share in the niche market of money-handling machines

* Payment settlement

2

Establishing a position as a brand company in new business areas

Take on the challenge of capturing new niche markets for the cashless era

Long-Term Vision: Key Issues

- 1 **Expand existing business**
 - a. Venture into untapped areas and markets
 - b. Engage in diversified money transactions
- 2 **Further improve our competitive advantage**
 - a. Increase customer satisfaction by addressing their latent needs
 - b. Develop new products and services to meet global needs
- 3 **Build new businesses**
 - a. Create businesses that take advantage of the knowledge and technology we possess, as well as the areas and markets in which we operate
 - b. Establish social and corporate value by acquiring new skills and know-how

Medium-Term Management Plan: Priority Measures (Three Years to 2025)

- 1 **Establish a foundation to build new business areas**
 - a. Accelerate new business development
 - b. Establish a revenue base for new products
- 2 **Aggressively expand existing technologies and products into other markets**
 - a. Cultivate potential needs through a global network
- 3 **Further expand international commercial markets**
 - a. Develop North, Central, and South American and Asian regions and markets
 - b. Develop new products and services to meet global needs
- 4 **Strengthen technology to handle diversified money transactions**
 - a. Strengthen the system development structure and consider alliances (collaborations)
- 5 **Improve profitability in existing business areas**
 - a. Bolster the profit structure and fundamentals of sales, development, production, quality, and the maintenance and repair business, etc.
 - Enhance quality and cost by standardizing core modules and units and promoting product unification
 - Strengthen the product end-of-life strategy
 - Accumulate data for decision-making and establish an analysis system
 - Bolster marketing at the planning stage
- 6 **Ensure the optimal allocation of management resources**
 - Introduce a new system capable of global collaboration in real time
 - Establish a global funds unified global funds management system and tax strategy
 - Improve employee engagement
 - Transition to a profitable structure at the head office on a stand-alone basis

Performance targets

Net sales	¥38,500 million
Operating income	¥3,080 million
Net income	¥2,500 million
Operating income margin	8%
ROE	8%

Strengthen risk management and Group governance

Invest in human resources for growth

Growth strategy to capture revenue opportunities

Achieve sustainable growth

Improve competitive advantage

Enhance value creation capabilities

Enhanced management foundation supporting growth

JCM's Long-Term Vision and Road Map to Realization

Vision for 2032

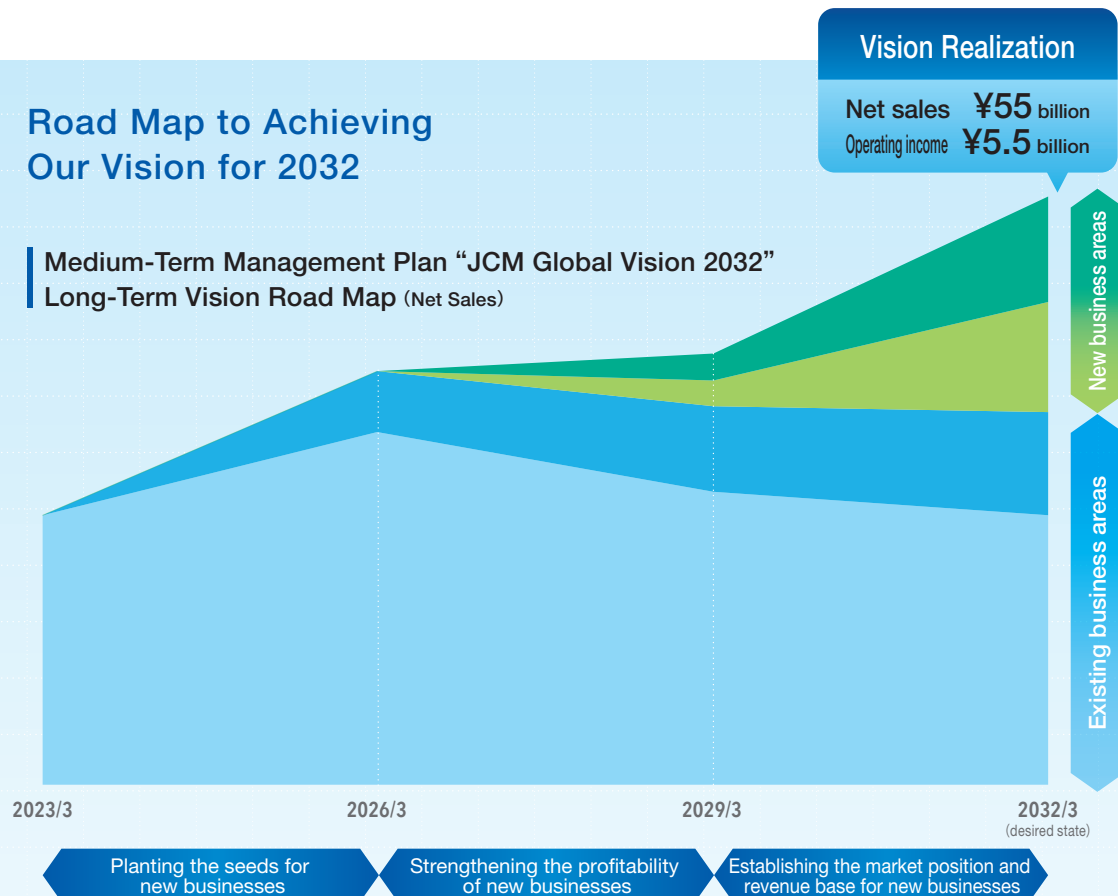
In the current medium-term management plan, “JCM Global Vision 2032,” we have outlined the Group’s desired state for 2032 as a “long-term vision,” and we consider the first three years as a period of “seed planting.”

As priority measures, we believe that the expansion of existing businesses and further enhancement of competitive advantage, particularly the development of our core commercial business, will be crucial. With this in mind, the Group established sales subsidiaries in North America (Chicago, USA) and Latin America (São Paulo, Brazil) in the fiscal year ended March 31, 2023. We will actively expand our sales network and develop new customers in these regions.

Furthermore, acquiring new business areas requires the New Business Development Department to take on new business challenges without being constrained by existing frameworks. For example, we are currently considering expanding into the medical field, but not limited to this area. Moving forward, we aim to create business opportunities with AI as one of the key themes for new business development. By expanding our core mechatronics technology beyond existing business areas, we will further develop new businesses that will become new revenue pillars, thereby solidifying our “desired state.”

Road Map to Achieving Our Vision for 2032

Medium-Term Management Plan “JCM Global Vision 2032” Long-Term Vision Road Map (Net Sales)



Existing businesses + New businesses	Vision realization	<ul style="list-style-type: none"> Expansion into medical fields, etc. Alliances (collaborations), M&A, etc. Business development leveraging AI technology Solutions realized through system technology
	Business areas	<ul style="list-style-type: none"> Promoting automation through robot technology (new fields) Business development utilizing AI technology (new fields) Business development through bill conveying technology (new fields)
New businesses	Technology, products, and services	<ul style="list-style-type: none"> Promoting automation through robot technology Enhancing added value through system technology
	Business areas	<ul style="list-style-type: none"> Venture into the commercial markets of North, Central, and South America Entry into untapped commercial markets in Asia Global expansion of system products Alliances (collaborations), M&A, etc. Strengthening the system development framework
Expand existing businesses	Technology, products, and services	<ul style="list-style-type: none"> Promoting automation through robot technology Global coin changers, etc.
	Enhancing satisfaction by addressing potential customer needs	<ul style="list-style-type: none"> Global Gaming International/Domestic Commercial Equipment for the Amusement Industry
Existing businesses		

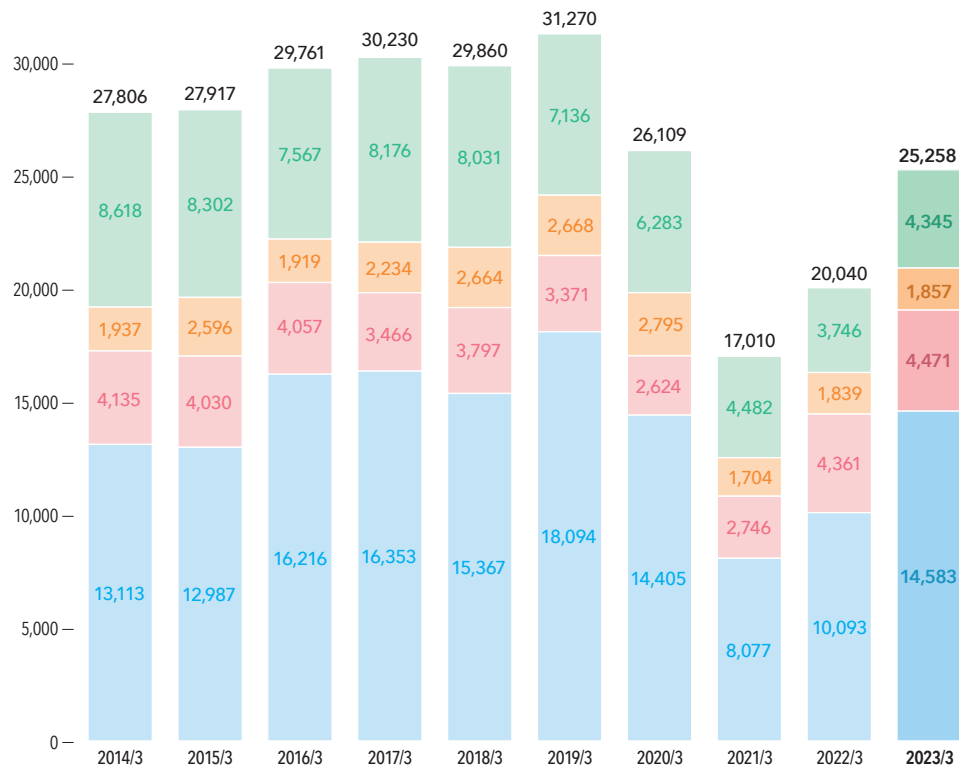
Full Fiscal Year Results

In response to the market environment recovering its pre-pandemic vitality and the growing adoption of contactless and non-face-to-face payments, our product sales increased, leading to year-on-year revenue growth.

In terms of profitability, the increase in operating income was less pronounced than the growth in sales, due to the use of irregularly sourced, more expensive electronic components, such as scarce semiconductors. However, the sale of the former head office real estate and idle land generated extraordinary gains, resulting in significant net income attributable to owners of the parent for the period.

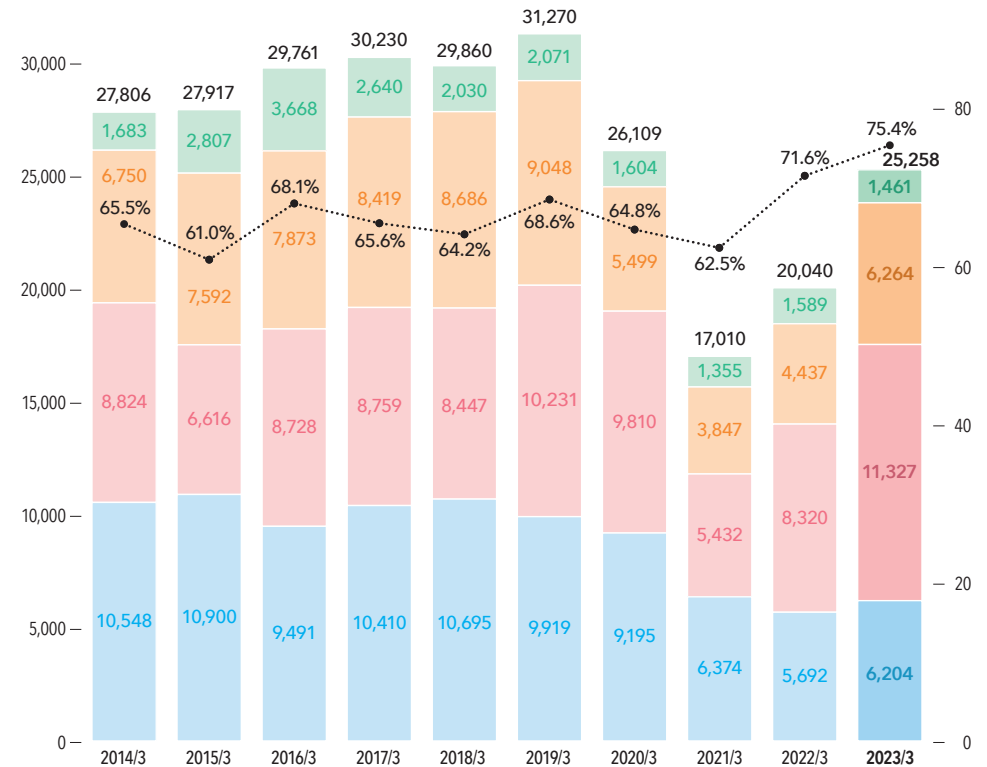
Net sales by segment

Global Gaming International Commercial Domestic Commercial Equipment for the Amusement Industry
35,000 – (Millions of yen)



Net sales by area

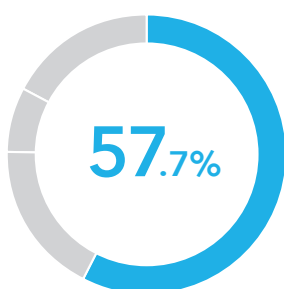
Japan North America Europe Asia/Other Overseas sales ratio
35,000 – (Millions of yen) (%) – 100



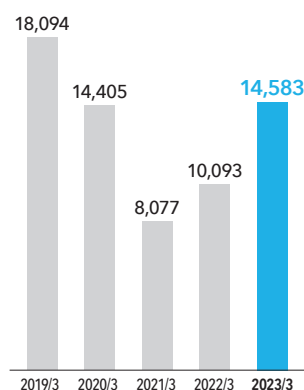
Overview by Segment

Global Gaming

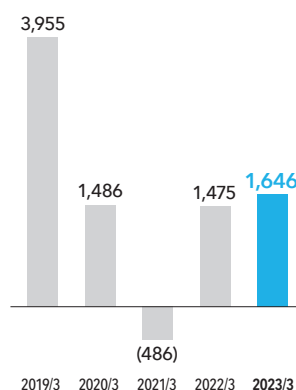
Net sales composition ratio



Net sales (Millions of yen)



Segment profit (Millions of yen)



Business conditions

While the impact of COVID-19 continues in some areas of Europe and Asia, most casino hotels in the United States are rebounding to pre-pandemic activity levels due to a rise in visitors. Consequently, capital investment in casino hotels is increasing.

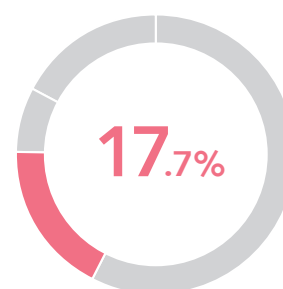
In anticipation of the market recovery, we will diligently prepare for the expansion of sales for our new products, which are currently in active development.

Overview of the fiscal year ended March 31, 2023

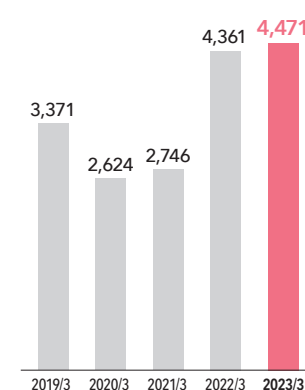
Due to increased investment capital demand driven by booming casino halls and similar venues in North America and Europe, sales of bill validation units and printer units, the Group's mainstay products, rose significantly. As a result, both segment sales and segment profit increased.

International Commercial

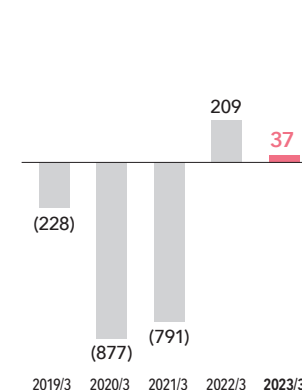
Net sales composition ratio



Net sales (Millions of yen)



Segment profit (Millions of yen)



Business conditions

JCM recognizes the trend toward contactless and non-face-to-face payments as the standard in many countries in response to COVID-19 as a business opportunity. Alongside our existing operations in Europe and Asia, we have recently established sales subsidiaries focused on the commercial market in North America and Latin America. These new subsidiaries aim to develop and expand the commercial market, and we are building a robust sales infrastructure to support further growth.

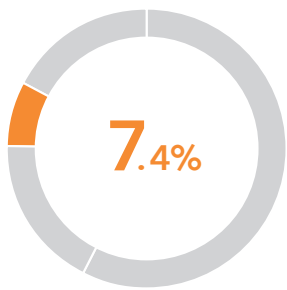
Overview of the fiscal year ended March 31, 2023

Sales in this segment increased on the back of the trend toward contactless and non-face-to-face payments as standard around the world, which led to growth in sales of bill recycling units for self-checkout machines, particularly in Europe. However, the significant rise in product parts and logistics costs had a considerable impact, and negotiating to pass these costs on to product prices proved challenging, especially for long-term contracts with customers, resulting in a decline in segment profit.

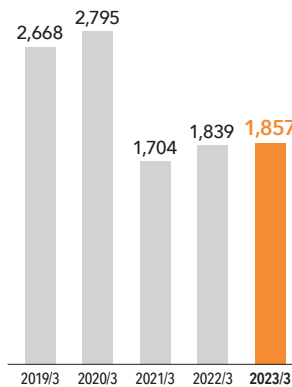
Overview by Segment

Domestic Commercial

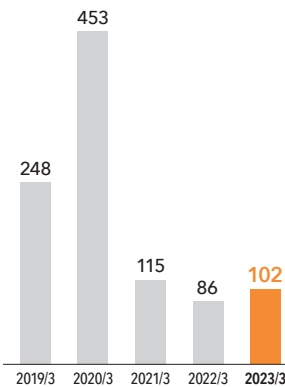
Net sales composition ratio



Net sales (Millions of yen)



Segment profit (Millions of yen)



Business conditions

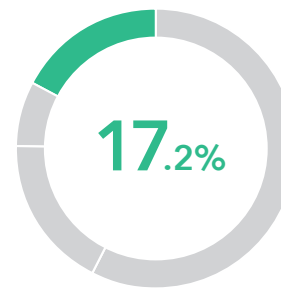
The market, which had been sluggish due to the impact of COVID-19, is now showing signs of recovery, with a gradual increase in demand for products in the retail market that promote contactless and non-face-to-face payment sectors, as well as in the transportation market. We will continue to actively pursue sales initiatives to capitalize on business opportunities in the evolving lifestyle environment. In addition, the anticipated issuance of new banknotes in July 2024 is expected to further stimulate the market.

Overview of the fiscal year ended March 31, 2023

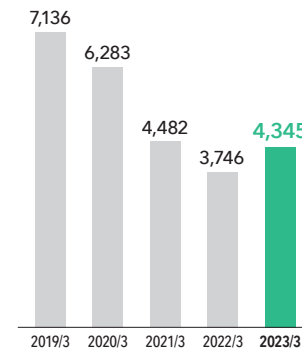
Segment sales and segment profit both increased mainly due to strong sales of bill recycling units for ticketing machines at restaurants and hotel check-in machines, in line with growing demand for products that promote contactless and non-face-to-face payments.

Equipment for the Amusement Industry

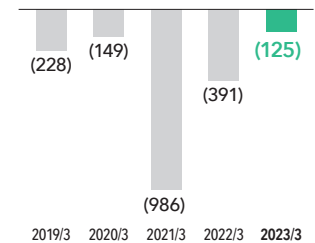
Net sales composition ratio



Net sales (Millions of yen)



Segment profit (Millions of yen)



Business conditions

The amusement industry, facing challenges from the diversification of leisure activities and a decrease in players due to an aging and shrinking population, has been undergoing restructuring through M&A activities. Since November 2022, the industry has started adopting smart gaming machines. These machines, which allow play without direct contact with balls or coins, are anticipated to improve infection control and alleviate the burden on pachinko parlors, among other benefits. As these new machines are introduced, updates to related equipment will also be implemented. We will therefore concentrate on sales efforts for new installations and renovation projects.

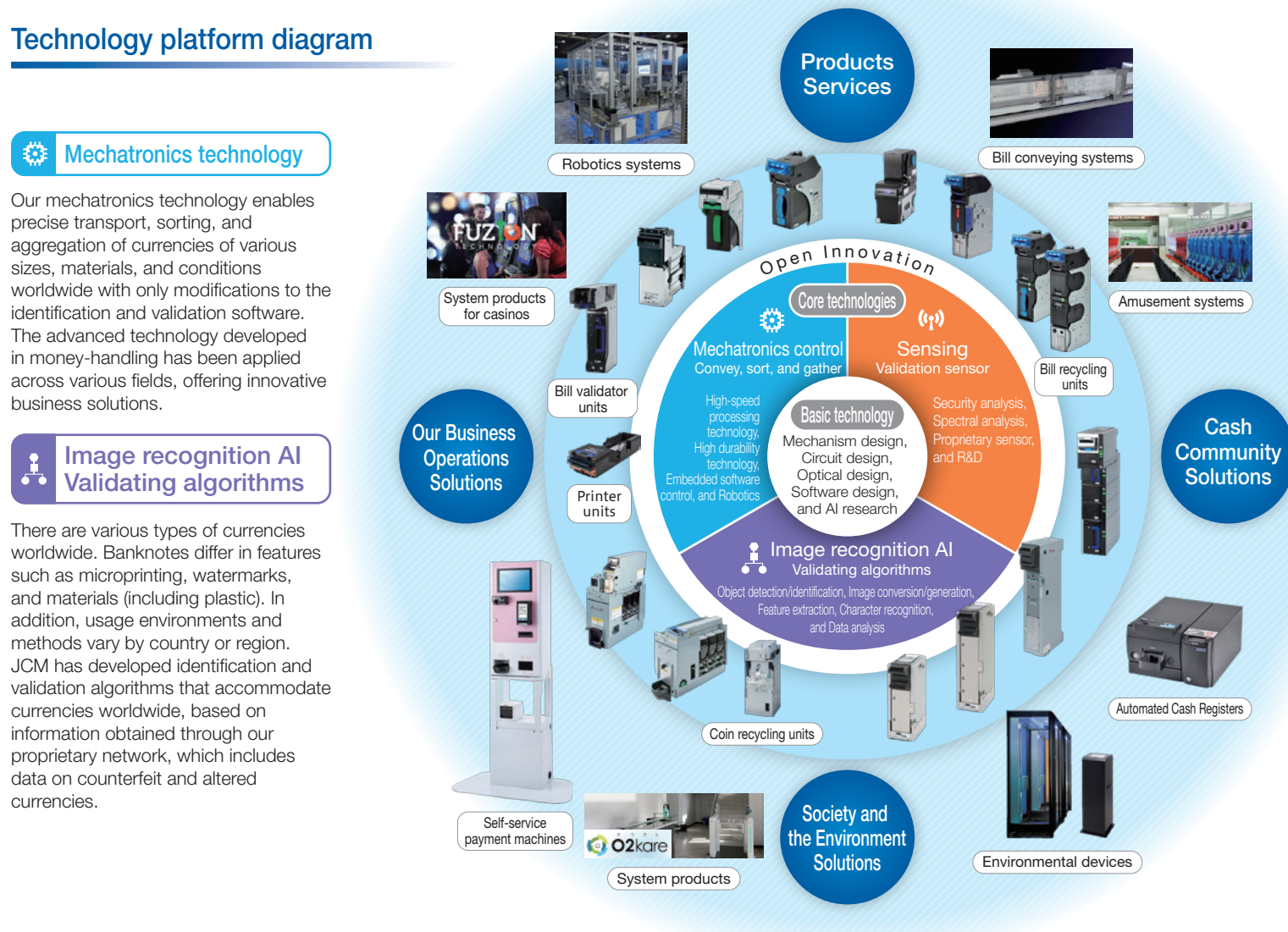
Overview of the fiscal year ended March 31, 2023

Sales in this segment increased primarily due to growing sales of dedicated smart gaming units following the market introduction of smart gaming machines in pachinko parlors nationwide since November 2022.

JCM's Core Technologies

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

Technology platform diagram



Mechatronics technology

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

Image recognition AI Validating algorithms

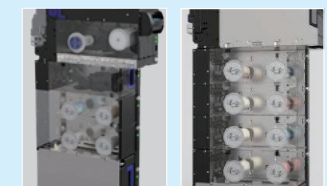
There are various types of currencies worldwide. Banknotes differ in features such as microprinting, watermarks, and materials (including plastic). In addition, usage environments and methods vary by country or region. JCM has developed identification and validation algorithms that accommodate currencies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

Sensing technology

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

Pick Up

Our advantage lies in the limitless possibilities provided by the combination of the technologies to distinguish banknotes and the technology to transport them. We will continue to create new value in applications with advanced functions that skillfully handle bill data and the realization of a recycling device that integrates identification and transportation technologies.



Transport mechanism

Module design

Case Study: JCM Technology

One of our missions at JCM is to provide a secure and safe interface for transactions between customers and businesses or stores in the market economy. To achieve this, we combine our technologies in a comprehensive manner to meet the needs of society.



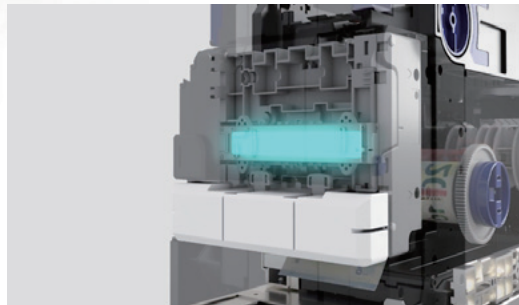
**Bill recycling unit,
MRX-CIS**

The bill recycling unit “MRX-CIS” integrates JCM’s core technologies such as mechatronics, bill identification and validation algorithms, and sensing technology. It is employed in ticket vending machines for railways, payment machines, cash registers for retail stores and restaurants, and more, supporting people’s daily lives.

Providing peace-of-mind with high-precision validation

“MRX-CIS” incorporates a contact image sensor (CIS) into the bill transport path, enabling high-precision validation through scanning both sides of banknotes. It is equipped with advanced security features designed to meet the standards set by central banks worldwide.

CIS validation technology



 Sensing technology

 Image recognition AI validating algorithms

Ensuring secure transactions through multiple validation

The bills stored in the bill recycling module are designed to be validated multiple times within the unit.

Dispense mode

Revalidates dispensed banknotes to select suitable ones for customer dispensing.

Confirmation mode

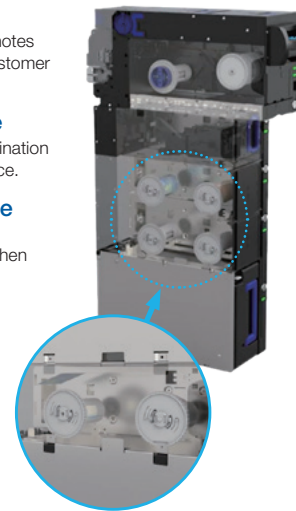
Allows for rechecking denomination and quantity after maintenance.

Full collection mode

Enables reconfirmation of denomination and quantity when storing bills in the cash box.

Bill recycling module

Equipped with a drum capable of recycling and storing up to 60 bills. It can stack up to four tiers, allowing for a maximum recycling and storage capacity of 480 banknotes.



 Sensing technology

 Image recognition AI validating algorithms

 Mechatronics technology

Combining mechatronics technology to enhance convenience

Achieves stable banknote validation and conveyance by aligning banknotes in the center of the conveyance path.

Capable of inserting approximately 30 bills at once. Accepts two bills per second.



Allows bulk holding of bills with the escrow mechanism. Banknotes are returned intact if the transaction is canceled.

Shutters prevent the entry of debris and paper jams.

Designed for bulk dispensing during withdrawal. Forgotten banknotes are stored in a primary storage unit without impeding subsequent transactions.

 Mechatronics technology

Point

Module design allows for customization

Being designed with modules allows for various customization options.



Easy and safe maintenance design

Each module is removable, allowing for easy maintenance and security with the option for locking*.

* The cash box itself can also be locked.



Designed with consideration for bill replenishment and collection

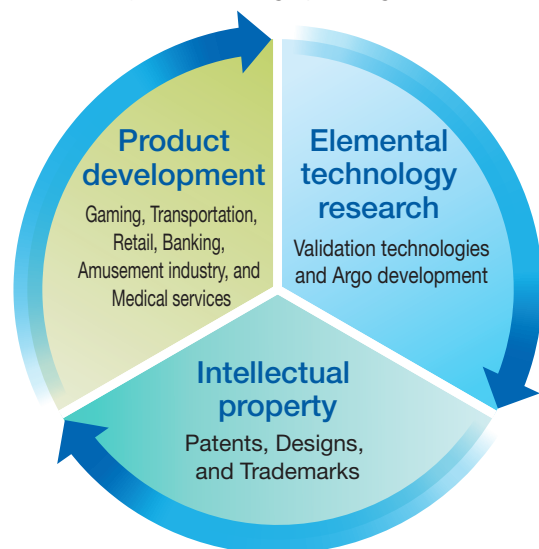
Designed to allow bulk replenishment of bills. The cash box has a large capacity, minimizing the frequency of collection.



R&D

R&D structure

JCM manufactures and sells equipment compatible with currencies from more than 140 countries and regions worldwide. This is achieved not only through **elemental technology research** such as validation techniques and algorithm development but also under **an intellectual property strategy** that balances defense and offense. Furthermore, we have established **a product development framework** aimed at creating innovative products that satisfy our customers. In this way, we provide solutions that support our customers in enhancing operational efficiency and reducing operating costs.



Medium- to long-term R&D initiatives

Our validation and identification technologies, originally cultivated in the gaming sector, have progressed from magnetic to advanced image recognition, enhancing customer confidence. Mechatronic technologies, initially focused on components, have broadened into system products. Addressing the surge in cashless transactions during the COVID-19 pandemic, we are advancing hybrid products for commercial markets, supporting both cashless and cash payments. Our core technologies and expertise hold untapped potential. Our image recognition technology is expanding into medical care, nursing care, and healthcare, aiming to contribute broadly to society through ongoing research and development efforts.

Response to bill reprinting

As the Japanese yen notes are reprinted, we are making steady progress in preparing technical support for our products. We are making every effort to ensure that products installed in various markets will operate without problems when new banknotes are issued.

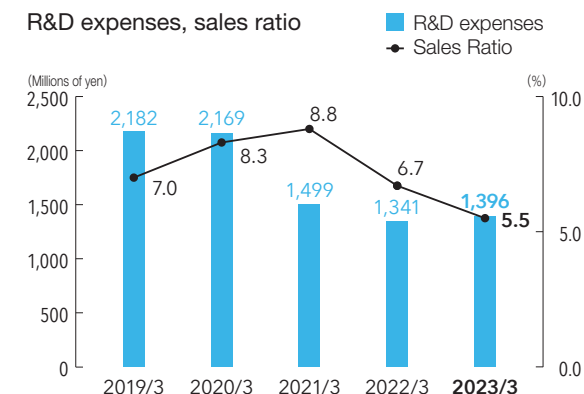
Intellectual property (IP)

We believe that IP is the source of our competitiveness and an important management resource that supports growth and earnings to maximize our corporate value. To protect the Group's products and technologies from the perspective of IP and to secure profits, we are building a patent network with as many valid rights as possible. At the same time, we are striving to efficiently acquire rights by improving the quality of individual patents.

Note: For the number of patents acquired, please refer to the Major Non-Financial Highlights on page 41.

Changes in R&D costs

With a focus on advancing elemental technology research aimed at proactive expansion into untapped international commercial markets, R&D costs showed an increasing trend until the fiscal year ended March 31, 2019. However, by incorporating the research outcomes from that growth period into our products from 2021 onward, we achieved an expansion in revenue through increased sales volume driven by improved product performance. Furthermore, by thoroughly examining the demand in each market, establishing priorities for new product development, and implementing focused selection and concentration in our development projects, we have successfully normalized R&D costs as a ratio to revenue.



R&D

R&D results by segment

Global Gaming

2023/3 R&D Investment Ratio: **24%**

We continue to develop automated systems for casino back rooms, and following last year's exhibition, we were honored for the second consecutive year as the supplier with the "Most Innovative New Technology" at the largest gaming show in the United States. Our products have received high praise during field tests, and we are collaborating with Group companies to further enhance their quality daily.



International Commercial

2023/3 R&D Investment Ratio: **35%**

We have focused on improving the performance and quality of existing products and have completed products specialized for retail and financial sectors by incorporating new features. We are now actively expanding into previously untapped markets.



Domestic Commercial

2023/3 R&D Investment Ratio: **21%**

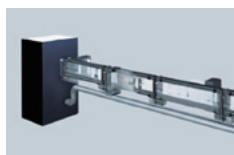
We have completed the development of a successor model to a long-standing bestseller, positioned as a mid-range domestic bill recycling unit with specifications and pricing unmatched by competitors. This new product incorporates specifications highly requested by customers and is expected to deliver high performance, making it deployable across all markets.



Equipment for the Amusement Industry

2023/3 R&D Investment Ratio: **20%**

We are advancing elemental development for expansion into other markets by employing an air and magnetic-driven conveying system used in the amusement industry. Retaining its advantages such as energy-efficient operation and flexible conveying paths, this system aims to streamline the supply and retrieval of goods across diverse industrial sectors, including handling heavy items, thereby reducing labor in logistics.



Manufacturing

Basic concept

JCM has been providing OEM/ODM products tailored to customer needs and specifications. By leveraging innovative technologies developed through years of R&D in money-handling, we achieve high efficiency and quality, delivering optimal functionality and added value to our customers.

Establishing an optimal production system

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

Based on this policy, our manufacturing subsidiary established in the Philippines in January 2020 has been continuously working on enhancing production efficiency through capacity expansion, automation, labor reduction, and layout optimization in the construction of its new factory. Simultaneously, efforts are under way to reduce lead times for transportation to major destinations in the Americas and Europe, our key markets. This includes shortening delivery times and strengthening relationships with our business partners. In addition, we are exploring measures to mitigate risks such as exchange rate fluctuations, natural disasters, and geopolitical factors, aiming to establish an optimal global production system.



Work at the Philippine Factory

Procurement for stable supply

Amid the current global challenges in semiconductor and other component procurement, instead of each Group company handling procurement independently, we are consolidating procurement activities within our purchasing department. This approach allows us to negotiate collectively with suppliers, strengthening partnerships and ensuring more reliable component sourcing for long-term stability.

Quality Assurance

JCM has established the Quality and Environmental Policy aimed at pursuing customer satisfaction and providing high-quality products and services, and conducts quality assurance activities based on this policy.

Quality and Environmental Policy

- 1 The Group shall strive to enhance customer trust and satisfaction through providing products and services that meet customer needs, and by thoroughly preventing the occurrence and recurrence of quality issues.
- 2 The Group shall aim to stabilize product quality and enhance product reliability by emphasizing quality during upstream processes such as product planning and design.
- 3 The Group shall strive to reduce environmental impact throughout the life cycle of products by practicing business activities that consider environmental, health, and safety issues.
- 4 The Group shall make every effort to prevent environmental pollution and protect the global environment by complying with environmental laws and regulations and with the demands of related industries.
- 5 The Group shall work to maintain the effectiveness of management systems and continuously improve them.

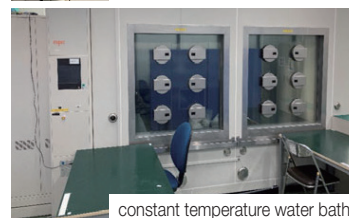
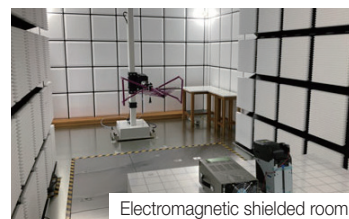
Activities

Quality assurance activities

In the Quality Division, our daily focus is on activities aimed at delivering high-quality products that guarantee customer satisfaction. We implement mechanisms to prevent quality issues in new products by integrating quality into the design and development stages, and we strive to enhance the accuracy of product evaluations. In addition, we have implemented various testing facilities to uphold product safety and improve design quality.

We have strengthened our quality assurance system for parts inspection and production processes to ensure high production quality. Our objective is to maintain a stable supply of high-quality parts by building trust through regular quality meetings and improvement initiatives with suppliers and partner factories. In addition, we monitor the quality status at each production facility, identify issues and opportunities for improvement, and foster cohesive efforts through efficient information sharing and collaboration mechanisms.

Examples of testing equipment



Environment promotion activities

As a company committed to environmental and regulatory compliance, we are intensifying our efforts to comply with environmental regulations, product safety regulations, and electromagnetic regulations. This includes conducting public standard seminars for all departments to promote our Quality and Environmental Policy.

Quality Management System

To improve customer satisfaction and ensure consistent delivery of products and services, we have obtained ISO 9001 certification for our production facilities including our newly established factory in the Philippines. We are dedicated to continuous improvement and enhancing quality through the PDCA cycle.

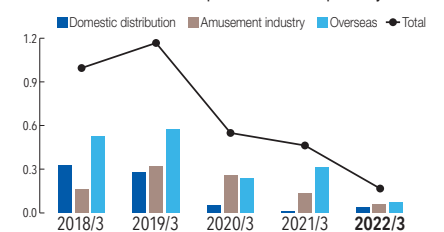


Activity results

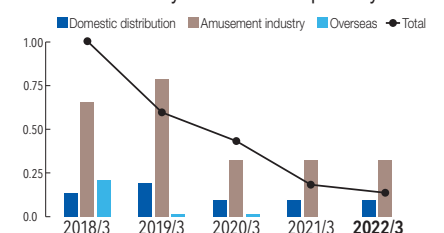
In fiscal 2022, as we expanded into the gaming and international commercial markets, we made progress in adapting to installation environments and usage requirements in each sales country. During this period, we encountered quality challenges, including unexpected specification differences. These experiences will guide our future efforts to prevent recurrence and proactively address issues as we continue expanding into new and untapped regions and markets.

We reduced the number of significant quality issues by two year on year. By focusing on building quality into upstream processes such as design and development, the results of our quality improvement efforts are evident. External loss expenses and warranty costs (related to free repair services) have decreased to below approximately 20% and 15%, respectively, compared to five years ago.

Trends in external loss expenses over the past 5 years



Trends in warranty costs over the past 5 years



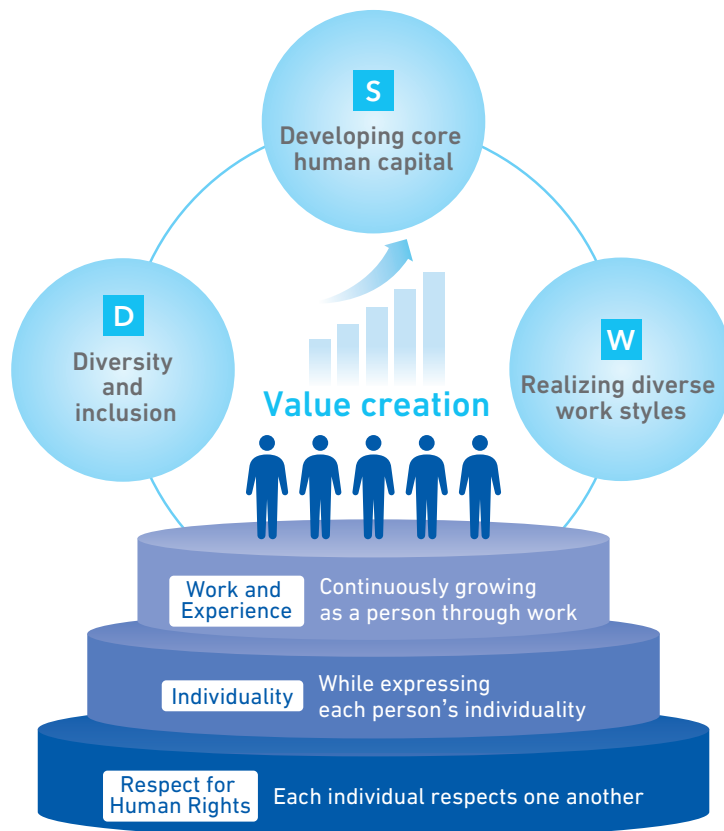
Future activities

To tackle significant quality issues, we will utilize past experiences as organizational knowledge, standardizing them within our quality assurance activities to ensure greater stability in quality. In addition, focusing on quality issues in design, we aim to enhance, strengthen, and improve quality across the design, production, and service domains. These initiatives are aimed at enhancing overall product quality and performance.

Human Capital

Basic concept

In the newly formulated medium-term management plan, in addition to expanding our core technologies into untapped regions and markets, we have adopted an offensive strategy by taking on new business challenges, rather than solely focusing on defensive measures. To achieve both offensive and defensive management strategies, we place the creation of an environment conducive to fostering new ideas and innovation at the center of our HR strategy. We are promoting various initiatives along three key axes: **D** Diversity and inclusion, **S** Developing core human capital, and **W** Realizing diverse work styles.



Hiring policy

D Increase in female employment rate

KPI

Period: April 1, 2022, to March 31, 2026

- (1) Achieve a female recruitment ratio of 30% or more
- (2) Increase the percentage of female employees to 20% or more by 2032

As a key management indicator for promoting diversity, we have set a target of achieving a female recruitment ratio of 30% or more between 2022 and 2026. As of March 31, 2023, the female recruitment ratio reached 76.0%, exceeding our initial plan. Currently, the female employee ratio stands at 16.5%, an increase of 1.9 percentage points from the previous year. While this is not yet sufficient, we will continue our efforts to expand diversity and aim to achieve a female employee ratio of 20% or more by 2032, driving further initiatives to reach this goal.

Human resources development policies

D New employee training

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



Human Capital

S Developing core human capital

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

• Participation in Board of Directors' meetings

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

• Participation in the Executive Committee

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

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

In-house environment development policies

W Employee work-style reform

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

• Working hours

The Company actively promotes flexible working arrangements. Regarding paid leave, we encourage employees to plan and utilize half-day paid leave and a seven-day refresh leave, striving to enhance work-life balance.

• Childcare leave

We have achieved a 100% utilization rate for female employees taking childcare leave, as reflected in past trends, and the system is well-established to support this. While the utilization rate for male employees was 20% as of the fiscal year ended March 2023, which remains low, we have seen employees taking a full year of childcare leave, indicating progress in creating a supportive environment. Moving forward, we will continue to promote higher utilization rates of childcare leave as part of our initiatives to support the development of the next generation.

Diversity and inclusion

D Seminars and workshops

In the fiscal year ended March 31, 2023, we held a seminar on diversity and inclusion for executives, as well as a workshop on unconscious bias aimed at department managers. Furthermore, management staff who attended the workshop conducted similar sessions within their own departments, deepening awareness and understanding of unconscious bias throughout the Company. We believe that by continuing these diligent efforts, we can foster changes in awareness and behavior among employees. Moving forward, we will carefully implement each initiative to promote diversity and inclusion.



Information Security and DX Initiatives

Strengthening information security

We protect our information assets from unauthorized access, viruses, and other attacks by operating, maintaining, and managing network monitoring services. We also ensure that all computers and servers are equipped with up-to-date security programs, and we operate software and tools on the latest versions to defend against cyberattacks that could exploit security vulnerabilities. Furthermore, we conduct security education and training for employees using security tools to enhance their security awareness.

Information security measures when utilizing generative AI technology

In recent years, generative AI technology has seen rapid development. When leveraging this technology, it is crucial for users to remain vigilant about associated risks. One critical area of concern is the handling of confidential information. To prevent the leakage of important confidential information held by the Company when utilizing generative AI technology, we have established and communicated guidelines for its use. These measures aim to correctly utilize generative AI technology while mitigating security risks.

The importance of paperless initiatives

The move toward paperless operations not only enhances work practices and environmental conservation but also aligns with the Sustainable Development Goals (SDGs) and keeps pace with the ongoing trend of digital transformation (DX). JCM is gradually implementing initiatives toward paperless operations. For instance, while the utilization of faxes has decreased due to advancements in IT, it cannot be entirely eliminated at this time. Consequently, we have shifted to receiving all faxes electronically and eliminated paper output. Furthermore, we have transitioned from mailing documents in paper form to electronic formats by implementing a cloud system. We will continue to steadily implement each of these initiatives.

Considering measures to enhance employee communication in response to the increasing number of overseas Group companies

To expand our international commercial market, we established sales bases in Chicago and Brazil in 2022. This has led to an increased time difference between our Group companies, making it challenging for staff to communicate in real time. To address this issue, we are considering implementing shared storage solutions and groupware that enables information sharing, including with our overseas locations, to facilitate smooth information collaboration.

Considering the introduction of a new system for real-time global collaboration

As the Group's overseas bases increase, we are reviewing our internal systems to enable smoother integration with the systems of our overseas Group companies, aiming to create a new system that allows timely access to necessary information. In addition, we are considering the introduction of a system for real-time monitoring of products produced overseas, along with a new system that allows for collaboration across our entire Group.

Supply Chain Management

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

Basic Policy

- Production and sales personnel in both domestic and overseas locations share information, and the overall supply chain plan is created and updated during regular strategic meetings, incorporating the latest market conditions.
- Information from each sales company is integrated and managed appropriately to efficiently manage production sites worldwide.
- By developing a global supply chain, we optimize the time and cost of all plans, bringing various financial benefits.

Enhancement of customer satisfaction

- In global supply chain management, we aim to achieve flexible control over market demand fluctuations by sharing highly accurate information.
- Utilizing multiple distribution channels through overseas facilities, we reduce lead times from order placement to delivery.
- Through local production and sales, we aim to ensure the stable supply of products and parts to customers, thereby reducing lead times and enhancing customer satisfaction.

Initiatives toward inventory optimization

- We maintain optimal inventory levels and establish a robust system for stable supply to ensure consistent profitability.
- Integrating management across domestic and international parts procurement to inventory depletion activities, we aim to optimize inventory efficiency, enhance profitability, and stabilize cash flow.
- We comprehensively optimize material procurement, production, and inventory management at each location, aiming to streamline costs that are redundantly incurred in individual processes, prevent defective inventory, and minimize waste.

Procurement policy for stable supply

- In response to global semiconductor supply challenges during the fiscal year ended March 2021, we centralized purchasing at our Japan head office with the aim of ensuring stable procurement going forward. As product life cycles extend, semiconductor production cessation timelines have accelerated. We will strengthen collaboration with the R&D Division accordingly.
- We have also transferred production bases from China to the Philippines. However, in line with our policy for stable supply, some components are still imported from China.

Responsible procurement activities

We have established green procurement guidelines for mineral origin and distribution processes within our supply chain. We conduct thorough investigations and have set a policy against sourcing conflict minerals. In addition, in response to the Ukraine conflict, we are taking steps to refrain from purchasing materials such as steel produced using Russian-origin raw materials.

Human rights considerations for the supply chain

We have established our own factory in the Philippines and employ local staff. We strictly prohibit child labor and the employment of illegal immigrants (with thorough identification checks). We also verify with our suppliers to ensure similar practices are upheld.

Environmental development in the supply chain

- We strive to achieve a robust supply chain by balancing improved production efficiency with flexible production and supply aligned with market demand fluctuations.
- We optimize inventory management, diversify procurement sources, and enhance stability and responsiveness across the entire supply chain through diversified production and supply systems.

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

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

1 Governance

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

Environment Committee

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

Risk Management Committee

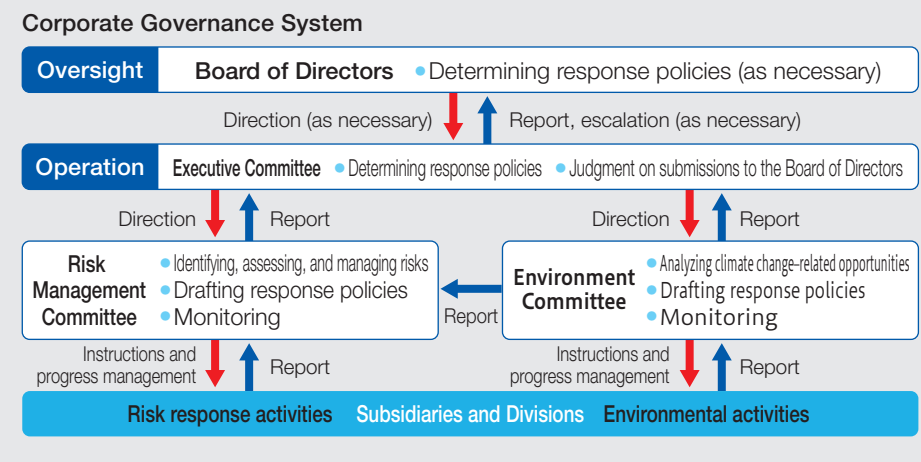
The Risk Management Committee, chaired by the Executive General Manager of the Corporate Planning Division, comprehensively identifies, assesses, and manages management risks, including climate change risks; regularly reports to the Executive Committee; drafts policies for responding to management risks;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

Executive Committee

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

Board of Directors

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



Internal workshop on climate change

In January 2024, we conducted a seminar for executives, executive officers, department heads, and practical staff on the theme, “How should JCM address climate change?” The goal was to deepen understanding among executives and employees about climate change and create new business opportunities.

2 Strategy

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

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

Under the 4°C scenario, production activities would stagnate due to a severe natural disaster, whereas under the 1.5°C scenario, the introduction of a carbon tax and an increase in procurement costs would have a significant impact on our businesses. As for opportunities, we recognized that there are opportunities to develop products that meet the increasing demand for low-carbon products and services. The Group will strive to maximize opportunities through the development of products and services that contribute to the resolution of social issues, including responding to climate change, while addressing the risks.

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

Assumptions used in the analysis

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

Awareness of climate change-related risks and opportunities

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

Impact evaluation results

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

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

Response to risks in the 4°C scenario

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

Response to risks and opportunities in the 1.5 °C scenario

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

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

3 Risk management

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

Risk identification and assessment process

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

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

Risk management process

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

Integrated process for company-wide risk management



4 Indicators and targets

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

The Group's understanding of GHG emissions

JCM's GHG emissions are characterized by a low proportion of direct emissions from fuel use in offices and factories (Scope 1) and indirect emissions from the use of electricity and other utilities (Scope 2). However, there is a high proportion of GHG emissions from the upstream and downstream value chain (Scope 3). Within Scope 3, emissions from electricity consumption during the use of sold products and emissions from purchased products and services are particularly high. Notably, emissions from the use of sold products are high due to the significant proportion of our products sold overseas, leading to a higher share of emissions abroad.

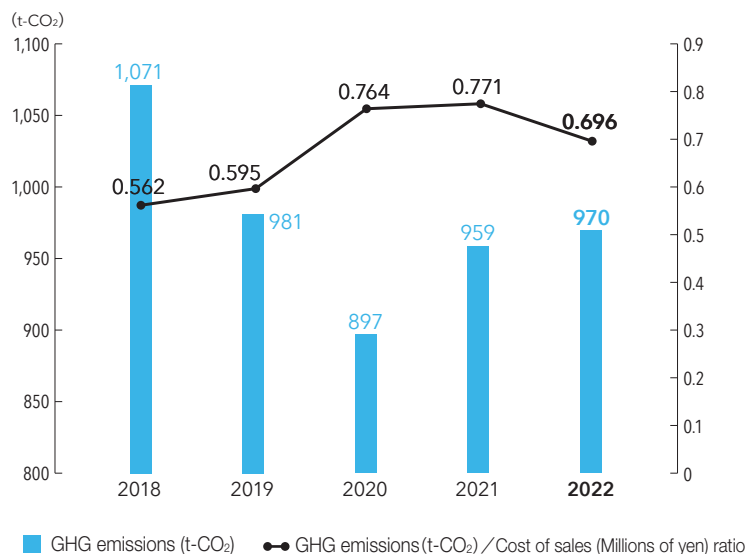
GHG emissions (FY2022)

(t-CO ₂)					
Item	Classification	Japan	Overseas	Total emissions	Breakdown
GHG emissions from business activities	Scope 1	328	—	328	0.6%
	Scope 2	564	78	642	1.1%
	Total	892	78	970	1.7%
Supply chain GHG emissions	Category 1 (Purchased products and services)	18,873	—	19,091	32.7%
	Category 11 (Use of sold products)	15,555	18,718	34,273	58.7%
	Others	1,946	1,393	3,339	5.7%
	Scope 3 Total	36,374	20,111	57,465	98.3%
Total emissions(t-CO ₂)		37,266	20,189	58,435	100%

Note: Scope 2 = Market-based

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

GHG emissions (Scope 1 and 2)



GHG emissions declined in fiscal 2019 and 2020 due to the COVID-19 pandemic but have been increasing since fiscal 2021 due to the recovery of business activities. However, thanks to improvements in production efficiency, the emission intensity has been on a downward trend. We will continue to reduce emission intensity through measures that enhance production efficiency.

Indicators and targets for climate-related risks and opportunities

The Group aims to reduce GHG emissions by 30% (compared with fiscal 2018) by fiscal 2025 under Scope 1 and 2.

Indicators used in managing climate-related risks and opportunities

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

Results and targets of GHG emissions

FY2018 results (base year)	Targets for FY2025	Compared with FY2018 results	Measures for reduction	FY2022 results
1,071	750	(30.0%)	<ul style="list-style-type: none"> Consideration of introducing carbon-neutral city gas Head office relocation to energy-efficient office buildings Exploration of renewable energy implementation at head office, Tokyo Head Office, and Nagahama Plant Evaluation of installing solar panels at the Philippine plant 	970

Note: In setting the targets, fiscal 2018 has been used as the base year. Due to a revision in the classification of Scope 1, 2, and 3 calculations, the figures have changed from those reported in the previous report.

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

Initiatives to reduce GHG emissions

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

For Scope 3, we will focus on reducing GHG emissions across the entire supply chain by revising product designs to enhance energy efficiency and developing new, environmentally friendly products.

Interview with an Outside Audit & Supervisory Board Member

Supporting management decisions from a risk perspective toward achieving the long-term vision



Yoko Sato
Outside Audit &
Supervisory
Board Member

Challenges in inventory optimization and global governance

When I assumed the role of Outside Audit & Supervisory Board Member in June 2020, the COVID-19 pandemic was rapidly intensifying. Despite the constraints on audit activities, I have diligently fulfilled my responsibilities as an auditor by collaborating with our full-time auditor, auditing firms, and the internal audit office, engaging in information sharing, and conducting interviews with the executive side.

One of the challenges I recognized in this context is the normalization of inventory levels, which had been intentionally increased as a risk hedge due to the global supply chain disruptions, particularly in semiconductors, caused by the COVID-19 pandemic. In addition, the transfer of production bases from Hong Kong to the Philippines, which began in September 2019, is nearing completion. We will continue to closely monitor the process to ensure a smooth transition in terms of delivery schedules, orders, and inventory management.

JCM operates subsidiaries worldwide, and the vast distances between locations pose an audit risk in terms of information sharing,

communication, and transparency. Securing talented management personnel is crucial for obtaining timely and accurate information from overseas subsidiaries. While our current team functions effectively, the increasing number of M&A projects, particularly in our Commercial Business overseas, necessitates further strengthening of our structure in the future.

With the reclassification of COVID-19 to Category 5, onsite audits of overseas subsidiaries, led by full-time auditors, have resumed. Information obtained directly from onsite audits often differs significantly from that gathered indirectly. Onsite audits often uncover new questions through direct interaction, underscoring their critical importance. JCM fosters an open communication culture where all inquiries are encouraged, and feedback and suggestions are valued. Drawing on my experience as a Certified Public Accountant, I am eager to contribute actively to JCM's auditing practices.

Gender diversity in Japan: An urgent priority

JCM formulated a vision in May 2023 with a focus on the medium to long term. While auditors do

Interview with an Outside Audit & Supervisory Board Member

not have a direct role in executing decisions, I am particularly hopeful about this medium-term management plan because it was developed with the core involvement of the future leadership talent responsible for the next generation of management. I believe that talent is crucial for a company's continued growth. As mentioned earlier, with the anticipated increase in M&A activities focused on overseas expansion, it is essential to strengthen the management team. At the same time, I consider expanding gender diversity in Japan to be an urgent issue. JCM's overseas subsidiaries have made significant strides in diversity. However, in Japan, the representation of women in both the Board of Directors and managerial positions remains low. In homogeneous organizations dominated by men, there is a risk of creating an atmosphere where it is difficult to express diverse opinions or speak up about things that seem wrong.

Based on my experience as a Certified Public Accountant, I have often observed that organizations where fraudulent activities occur tend to have homogeneous cultures where it is difficult to voice concerns or point out things that seem wrong. Cultivating a culture where one can straightforwardly identify and address issues without hesitation becomes a strength for the organization, free from undue influence. Currently, JCM has seen an increase in the proportion of female hires, and female employees are actively engaged in their roles with enthusiasm and a sense of fulfillment, rather than being relegated

to supportive roles. There is an environment conducive to women's success, and I encourage their promotion with confidence.

A transitional phase of bending low to leap forward

JCM has continued to grow steadily since going public but encountered challenges due to the impact of the COVID-19 pandemic when it hit a temporary plateau. JCM is in a phase where performance, which declined during the COVID-19 pandemic, is now in a recovery stage. Progress is under way with the transfer of production bases and the resumption of M&A activities, positioning the company to leap forward after navigating through this challenging period. I view the current period as a crucial transition phase. As an Audit & Supervisory Board member, I will diligently make observations and recommendations to ensure that management does not veer off course. By participating in Board meetings, I will also focus on overseeing proper decision-making processes and contribute to strengthening JCM's governance framework. In addition, I aim to support the company's growth by carefully assessing investments while considering risks and monitoring the integrity of decision-making processes in order to leap forward.



Profile

Yoko Sato is a Certified Public Accountant who provides objective and specialized advice and recommendations, drawing on extensive auditing experience spanning many years and a deep understanding of finance and accounting.

September 1986	Joined Showa Ota & Co. (now Ernst & Young ShinNihon LLC)
March 1990	Registered as a Certified Public Accountant
May 2011	Appointed as Senior Partner of Ernst & Young ShinNihon LLC
June 2019	Departed Ernst & Young ShinNihon LLC
September 2019	Head of Sato Yoko Certified Accounting Office (current position)
June 2020	Outside Audit & Supervisory Board member (current position)

Corporate Governance System

Basic Policy

We are aiming for sustainable growth and improvement of corporate value over the medium to long term by implementing management principles. To strengthen our relationships of trust with stakeholders, we are working to enhance our internal management systems, ensure transparency and fairness in management, and establish a management framework that can swiftly respond to changes in the business environment.

1 Board of Directors

Number of meetings held in fiscal 2022: 18

The Company's Board of Directors is composed of members with excellent knowledge and skills, abundant experience in divisions, and diverse expertise. In addition to persons with extensive experience and expertise in legal affairs, persons with management experience at other companies are appointed as independent outside directors. On top of providing advice and recommendations on management activities aimed at enhancing corporate value, the Company strives to enhance transparency in decision-making and strengthen oversight functions.

2 Audit & Supervisory Board

Number of meetings held in fiscal 2022: 15

The Audit & Supervisory Board of the Company balances the information held by the full-time Audit & Supervisory Board member with the high level of expertise held by Outside Audit & Supervisory Board members to ensure that it can exercise its authority actively and proactively from an independent and objective standpoint and to act with appropriate judgment.

3 Nomination and Remuneration Advisory Committee

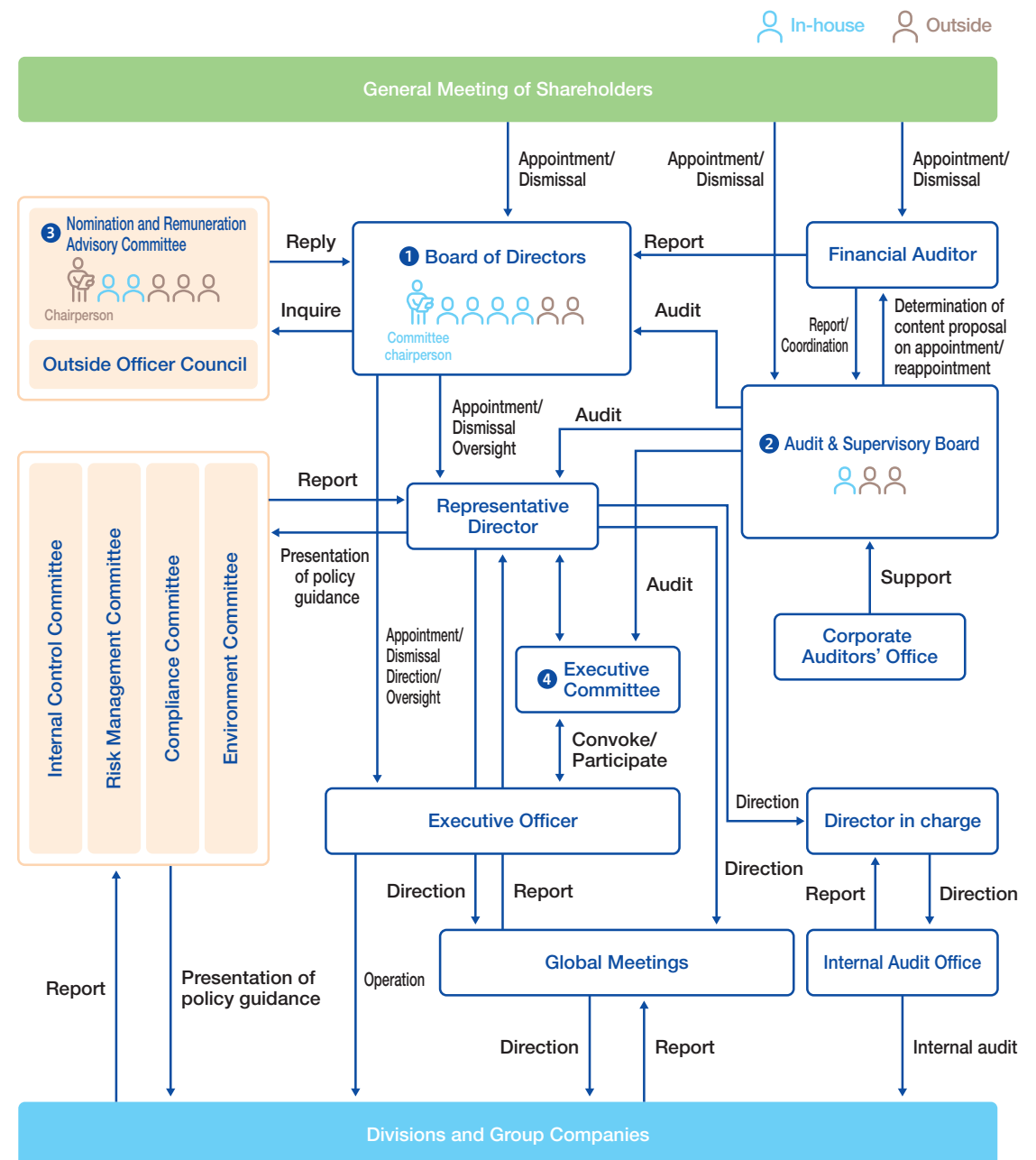
Number of meetings held in fiscal 2022: 4

With the aim of further enhancing the fairness, transparency, and objectivity of procedures related to the nomination of and payment of remuneration to board directors and Audit & Supervisory Board members, JCM established the Nomination and Remuneration Advisory Committee as a voluntary advisory body under the Board of Directors. A majority of committee members are outside officers. The committee deliberates on matters related to the nomination and remuneration of board directors and Audit & Supervisory Board members, and report back to the Board of Directors.

4 Executive Committee

Number of meetings held in fiscal 2022: 24

By receiving resolutions or reports on the execution of important business operations from the perspective of expertise and agility, and by holding prior discussions on matters to be resolved by the Board of Directors and matters to be approved by the President, the Company strives to sort out points of discussion and grasp problems so that it can make more appropriate management decisions at the Board of Directors.



Board Member and Audit & Supervisory Board Member Skills Matrix, Main Topics of the Board of Directors and the Nomination and Remuneration Advisory Committee

Name	Number of years served as Director As of June 30, 2023	Attendance ratio at the Board of Directors meetings	Attendance ratio at the Audit & Supervisory Board meetings	Attendance ratio at the Nomination and Remuneration Advisory Committee meetings	Management experience/ Corporate strategy	Global experience	Production/ Manufacturing	Technology/ R&D	Sales/ Marketing	Finance/ Accounting/ M&A	Human resources/Labor management/ Talent development	Legal/Risk management
Yojiro Kamihigashi	30	100% 18 out of 18 meetings			●	●		●	●			
Tsuyoshi Takagaki	10	100% 18 out of 18 meetings		100% 4 out of 4 meetings	●					●	●	●
Yoshihiro Iuchi	5	100% 18 out of 18 meetings		100% 4 out of 4 meetings	●	●	●	●	●			
Norihito Nakatani	4	100% 18 out of 18 meetings			●	●	●	●				
Takatomo Imai	Newly appointed director	- % Not applicable			●	●			●	●		
Koji Yoshikawa	9	100% 18 out of 18 meetings		100% 4 out of 4 meetings								●
Tatsuhiko Saruwatari	3	88.9% 16 out of 18 meetings		100% 4 out of 4 meetings	●			●			●	
Michimasa Teraoka	4	100% 18 out of 18 meetings	100% 15 out of 15 meetings		●				●	●		
Hiroshi Morimoto	28	100% 18 out of 18 meetings	100% 15 out of 15 meetings	100% 4 out of 4 meetings	●							●
Yoko Sato	3	100% 18 out of 18 meetings	100% 15 out of 15 meetings	100% 4 out of 4 meetings	●					●		

Main topics discussed by the Board of Directors (fiscal 2022)

Performance improvement	Component procurement/ Production system	Investment plan	Business monitoring	Report on the main topics of the Executive Committee
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Main topics discussed at the Nomination and Remuneration Advisory Committee (fiscal 2022)

Board director candidate	Medium- to long-term composition of directors	Succession planning	Board director bonuses, individual compensation	Examination of promoted executive officers
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Audit by Corporate Auditors

The Audit & Supervisory Board consists of three members: one full-time Audit & Supervisory Board member and two Outside Audit & Supervisory Board members. The full-time Audit & Supervisory Board member, a member of the Company, collects internal information accurately and in a timely manner and conducts accurate audits based on this information. On the other hand, Independent Outside Audit & Supervisory Board members conduct audits utilizing their expertise (one is an attorney and one is a Certified Public Accountant) and diverse perspectives. To ensure sound management and improve the Company's corporate value, each Audit & Supervisory Board member attends the Board of Directors' meetings and other important meetings in accordance with auditing policies and plans established by the Audit & Supervisory Board, receives reports on the status of execution of duties from the board directors, executive officers, employees, etc., and requests explanations as necessary.

Board Directors' Succession Plan and Development

The Group regards the Succession Plan for board directors as one of its most important tasks. It is formulated based on the individual requirements of a board director and the constituent elements of the Board of Directors as a whole. The Board of Directors appropriately oversees the Succession Plan. In formulating the Succession Plan, we strive to enhance the plan and ensure transparency in the process by evaluating and developing human resources as needed, identifying new human resources, checking from a diverse perspective, and visualizing the overall human resource pool. With respect to outside directors, we provide them with information on general conditions, including organization, business, and financial conditions. We also provide them with opportunities to deepen their understanding through visits to offices and other facilities.

Corporate Governance

Directors, Audit & Supervisory Board Members (as of June 28, 2023)

**Yojiro Kamihigashi**

President and
Representative Director

Number of the Company's Shares
Owned: 1,458 thousand
Number of years served as Director: 30

Reasons for Appointment of Board Member

Yojiro Kamihigashi has management experience at overseas subsidiaries. Capitalizing on this experience, as President and Representative Director, he currently exerts effective leadership in the management of the Group's global business development. He plays an important role in decision making, while overseeing the execution of business. Since it is expected that he will continue to perform his duties appropriately, he is regarded as an indispensable member of the Board of Directors.

Oct. 1984 Joined Japan Cash Machine Co., Ltd.
June 1993 Director
May 1995 Director, General Manager of Overseas Sales Department
June 2006 Executive Officer
April 2007 President, Representative Director (current position)
June 2020 Representative Director of JCM Systems Co., LTD. (current position)

**Koji Yoshikawa**

Outside Director

Independent Officer

Nomination and Remuneration Committee member

Number of the Company's Shares Owned: -
Number of years served as Director: 9

Reasons for Appointment of Board Member

Although Koji Yoshikawa has not been directly involved in the management of a company, he has extensive knowledge and expertise as a judicial officer. He has been giving appropriate advice to the Group, which operates compliance-oriented management, such as maintaining casino gaming licenses in the U.S. The Company considers him an appropriate candidate for the position of Outside Director of the Company, who aims to strengthen the function of supervising the execution of duties of other Directors and further improve the transparency of management.

April 1978 Appointed Public Prosecutor, Osaka District Public Prosecutors Office
April 2000 Deputy Manager, Special Investigation Department, Osaka District Public Prosecutors Office
April 2004 Prosecutor, Supreme Public Prosecutors Office
July 2005 Deputy Chief Public Prosecutor, Osaka District Public Prosecutors Office
Jan. 2009 Chief Public Prosecutor, Kobe District Public Prosecutors Office
Jan. 2010 Resigned as Prosecutor
March 2010 Registered as Attorney
June 2014 Outside Director of the Company (current position)

**Tsuyoshi Takagaki**

Executive Director
Senior Executive Officer
Executive General Manager of Corporate Planning Division

Nomination and Remuneration Committee member

Number of the Company's Shares Owned: 7 thousand
Number of years served as Director: 10

Reasons for Appointment of Board Member

Since joining the Company, Tsuyoshi Takagaki has worked for the development of the Group, taking charge of general affairs, legal, compliance, and human resources. He currently makes effective business decisions based on his experiences accumulated through his career, while also currently supervises execution of effective business activities as Executive Director. Since it is expected that he will continue to perform his duties appropriately, he is regarded as an indispensable member of the Board of Directors.

Aug. 1997 Joined Japan Cash Machine Co., Ltd.
June 2007 Executive Officer, Deputy Executive General Manager of Administration Division
Oct. 2011 Senior Executive Officer, Executive General Manager of Human Resources, General Affairs and Corporate Planning Division
June 2013 Director, Senior Executive Officer
Dec. 2013 Executive General Manager of Corporate Planning Division (current position)
June 2019 Executive Director, Senior Executive Officer (current position)

**Tatsuhiko Saruwatari**

Outside Director

Independent Officer

Nomination and Remuneration Committee member

Number of the Company's Shares Owned: -
Number of years served as Director: 3

Reasons for Appointment of Board Member

Tatsuhiko Saruwatari has a wealth of experience and broad knowledge as a manager and is expected to provide advice and suggestions in management activities aimed at realizing the sustainable enhancement of the corporate value of the Group. The Company considers him an appropriate candidate for the position of Outside Director of the Company, who aims to strengthen the function of supervising the execution of duties of other Directors and further improve the transparency of management.

April 1976 Joined Toto Kiki Ltd. (currently TOTO Ltd.)
June 2001 Director, Executive Officer, Director of Equipment Business Group of the Same Company
June 2002 Director, Managing Executive Officer, Director of Equipment Business Group, General Manager of Central Technology Center of the Same Company
June 2006 Director, Senior Managing Executive Officer, in charge of Research & Technology Group, Corporate Planning Department of the Same Company
May 2013 Outside Audit & Supervisory Board member of Iizutsumi Co., Ltd.
June 2013 Representative Director, Executive Vice President of TOTO Ltd.
June 2016 Outside Audit & Supervisory Board member of NORITAKE CO., LIMITED. (current position)
June 2020 Outside Director of the Company (current position)

Organizational Structure

Under the Companies Act, we have adopted a company with an Audit & Supervisory Board as our organizational structure. The Company has also introduced an executive officer system to clarify the responsibilities of business execution and to further speed up and improve efficiency.

**Yoshihiro Iuchi**

Director, Senior Executive Officer
Executive General Manager of Global Strategy Division and In charge of Sales

Nomination and Remuneration Committee member

Number of the Company's Shares Owned: 13 thousand
Number of years served as Director: 5

Reasons for Appointment of Board Member

Since joining the Company, Yoshihiro Iuchi has engaged mainly in overseas sales activities, and then worked as the Representative Director of a subsidiary company that controls overseas production. Currently, he serves as Director playing a useful role overseeing appropriate decision making and business execution from a global perspective. Since it is expected that he will continue to perform his duties appropriately, he is regarded as an indispensable member of the Board of Directors.

March 2004 Joined Japan Cash Machine Co., Ltd.
June 2007 Executive Officer, Deputy Executive General Manager of International Division
Nov. 2010 Representative Director of JCM GOLD (H.K.) LTD.
June 2016 Senior Executive Officer in charge of Production
June 2018 Director, Senior Executive Officer, Executive General Manager of Global Strategy Division (current position)
July 2019 In charge of Sales (current position)

**Michimasa Teraoka**

Full-time Audit &
Supervisory Board member

Number of the Company's Shares Owned: 42 thousand
Number of years served as Audit & Supervisor Board member: 4

Reasons for Appointment of Audit & Supervisory Board Member

Michimasa Teraoka possesses advanced expertise in financial accounting, essential for Audit & Supervisory Board members, along with significant insight into compliance, risk management, and internal auditing. Additionally, he has extensive knowledge of the Company's businesses, gained through his experience in managing administrative divisions, including roles as Senior Executive Officer, Deputy Executive General Manager of the Administration Division, and Executive Director and Senior Executive Officer at the Company's domestic subsidiaries. The Company has determined that he is a vital asset for enhancing the composition and functions of the Audit & Supervisory Board.

June 1980 Joined Japan Cash Machine Co., Ltd.
June 2006 Executive Officer, Deputy Executive General Manager of Administration Division
June 2007 Senior Executive Officer
June 2014 Executive Director, Senior Executive Officer of JCM SYSTEMS CO., LTD.
June 2017 Senior Executive Officer, General Manager of Corporate Planning Division Domestic Affairs Office
June 2018 In charge of Risk Management and Internal Audit of the Company
June 2019 Full-time Audit & Supervisory Board member (current position)

**Norihito Nakatani**

Director
Senior Executive Officer
Executive General Manager of Production Division and In charge of Production

Number of the Company's Shares Owned: 11 thousand
Number of years served as Director: 4

Reasons for Appointment of Board Member

Since joining the Company, Norihito Nakatani has engaged mainly in production-related operations, and then worked as the Representative Director of a subsidiary company that controls overseas production. Currently, he serves as Director, responsible for the Production Division overseeing appropriate decision making and business execution based on relevant work experience. Since it is expected that he will continue to perform his duties appropriately, he is regarded as an indispensable member of the Board of Directors.

Oct. 1990 Joined Japan Cash Machine Co., Ltd.
June 2007 Executive Officer, Deputy Executive General Manager of SCM Division
May 2008 Deputy Executive General Manager of Engineering Division
Nov. 2010 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, Executive Director of JCM SYSTEMS CO., LTD.
June 2019 Director, Senior Executive Officer (current position)
Oct. 2021 In charge of Production (current position)
Jan. 2022 Executive General Manager of Production Division (current position)

**Hiroshi Morimoto**

Outside Audit & Supervisory Board member

Independent Officer

Nomination and Remuneration Committee member

Number of the Company's Shares Owned: -
Number of years served as Audit & Supervisor Board member: 28

Reasons for Appointment of Audit & Supervisory Board Member

As an attorney-at-law, he has extensive expertise in corporate legal affairs. With deep insight and broad experience, he ensures the soundness of corporate management and compliance. He also offers thorough advice and recommendations on Group management that extend beyond surface-level considerations. The company has determined that he is an essential resource for enhancing the composition and functions of the Audit & Supervisory Board.

April 1987 Registered as Attorney, Joined Kitahama Partners (Kitahama Partners Osaka Office)
June 1995 Outside Audit & Supervisory Board member (current position)
Jan. 2008 Representative Partner of Kitahama Partners (current position)

**Takatomo Imai**

Director
Senior Executive Officer
Deputy Executive General Manager of Corporate Planning Division, Deputy Executive General Manager of Global Strategy Division, and In charge of Global Finance

Number of the Company's Shares Owned: 5.9 thousand
Number of years served as Director: -

Reasons for Appointment of Board Member

Since joining the Company, Takatomo Imai has been involved mainly in accounting and finance, and in the management of an overseas subsidiary. Moreover, he has a track record and experience contributing to the Group, including serving as Representative Director of an overseas sales subsidiary. He is considered essential for driving the Group's further overseas expansion and is deemed highly suitable to serve as Director of the Company, contributing to the sustained enhancement of the Group's corporate value.

Sep. 2001 Joined Japan Cash Machine Co., Ltd.
Oct. 2011 Deputy General Manager of Finance and Accounting Division
July 2016 Executive Officer, Deputy Executive General Manager of Corporate Planning Division (current position)
July 2018 Senior Executive Officer (current position), Representative Director of JCM AMERICAN CORP. (current position)
June 2023 Director, Senior Executive Officer (current position)
Deputy Executive General Manager of Global Strategy Division (current position)
In charge of Global Finance (current position)

**Yoko Sato**

Outside Audit & Supervisory Board member

Independent Officer

Nomination and Remuneration Committee member

Number of the Company's Shares Owned: -
Number of years served as Audit & Supervisor Board member: 3

Reasons for Appointment of Audit & Supervisory Board Member

As a Certified Public Accountant, Yoko Sato has offered objective advice and recommendations grounded in her extensive auditing experience and specialized expertise in finance and accounting. The company has determined that she is an essential asset for enhancing the composition and functions of the Audit & Supervisory Board.

Sep. 1986 Joined Showa Ota & Co. (current Ernst & Young ShinNihon LLC)
March 1990 Registered as a Certified Public Accountant
May 2011 Senior Partner of Ernst & Young ShinNihon LLC
June 2019 Departed Ernst & Young ShinNihon LLC
Sep. 2019 Representative of Yoko Sato Certified Public Accountant Office (current position)
June 2020 Outside Audit & Supervisory Board member (current position)

Evaluation of the Board of Directors' Effectiveness, Executive Officers

Evaluation of the Board of Directors

To ensure that the Board of Directors fulfills its expected functions appropriately and to strive for improvement, the Company conducts an annual evaluation of the Board's effectiveness. After compiling the responses of each director to the self-evaluation questionnaire prepared by the Board of Directors Secretariat, the effectiveness is analyzed and evaluated through reporting and consultation by the Board of Directors.

Effectiveness evaluation items	Results of the effectiveness evaluation
Scale/Composition of the Board of Directors	<p>To achieve sustainable growth for the Company, the Board of Directors has established a framework for making important management decisions and supervising business execution. This framework ensures that the Board fulfills its expected roles and functions appropriately, including operational status.</p> <p>To enhance the effectiveness of the Board of Directors and achieve sustainable growth and increased corporate value, we will consider discussions on the following items.</p> <p>(1) Medium- and long-term management strategies (2) Addressing company-specific issues such as cashless transactions, inventory optimization, and system implementation (3) Efforts toward sustainability challenges, including human capital and a decarbonized society</p>
Management of the Board of Directors	
Roles/Functions of the Board of Directors	
Composition and roles of the Nomination and Remuneration Advisory Committee	
Response to last year's issues	

Changes in Governance Organizational Structure

	June 2014	June 2015	June 2016	June 2017	June 2018	June 2019	June 2020	June 2021	June 2022	June 2023
Number of Board Directors	10	10	8	8	8	8	8	6	6	7
Number of Outside Board Directors (Internal)	2	2	2	2	2	1	2	2	2	2
Ratio of Outside Directors	20%	20%	25%	25%	25%	13%	25%	33%	33%	29%

Executive Officer System

In accordance with laws and regulations and the Company's Articles of Incorporation, the Board of Directors delegates operational decisions to the President and executive officers and oversees the execution of their duties.

Executive officers are appointed by the Board of Directors and are assigned important positions, such as general managers of operating divisions, and specific authority.

Executive Officers Note: Not concurrently serving as board directors

Mitsuhiro Ueno

Senior Executive Officer
Representative Director of JCM EUROPE GMBH.

Makoto Hasegawa

Executive Officer
Representative Director of JCM COMMERCE MECHATRONICS INC.

Noriyuki Kanno

Executive Officer
Deputy Executive General Manager of R&D Division

Masato Onomura

Executive Officer
General Manager of Quality Division, responsible for quality oversight

Osamu Hishinuma

Executive Officer
Deputy Executive General Manager of Global Strategy Division

Yasuyuki Fujiwara

Senior Executive Officer
Representative Director of J-CASH MACHINE (THAILAND) CO., LTD.
Executive General Manager of R&D Division and in Charge of Development Division

Toshi Yamasaki

Executive Officer
Director of JCM COMMERCE MECHATRONICS INC.

Kazuo Nakatake

Executive Officer
Executive Board Director of JCM Systems Co., Ltd.

Yuji Kanzaki

Executive Officer
Representative Director of J-CASH MACHINE GLOBAL MANUFACTURING (PHILIPPINES) INC.

Reference Number of board directors and executive officers by age group (as of June 27, 2023)

Board Directors		Executive Officers	
50–59 years old	Age 60 and older	50–59 years old	Age 60 and older
—	7 people	6 people	3 people

Remuneration System

Policy for determining the content of director remuneration, etc.

To ensure fair and reasonable system operation in accordance with our basic policy for the remuneration for directors, the decision on the remuneration for directors of the Company is deliberated by the Nomination and Remuneration Advisory Committee and then reported to the Board of Directors. Remuneration is determined within the scope of the remuneration limit resolved in advance at the General Meeting of Shareholders.

Board director remuneration is determined at a Board of Directors' meeting, and Audit & Supervisory Board member remuneration is determined through discussions among the Audit & Supervisory Board members.

The Nomination and Remuneration Advisory Committee mainly includes periodic discussions on the setting of compensation levels, the ratio of performance-linked compensation, and the performance-linked mechanism. In addition, meetings are held in response to changes in the environment, such as legislation concerning the remuneration for directors and then reported to the Board of Directors.

Basic Policy

Clarifying commitment to the steady execution of the Company's growth strategy, the remuneration system functions not only in terms of short-term business performance but also as a sound incentive for medium- to long-term and sustainable improvement of corporate value. The remuneration system shall also incorporate a shareholder-focused perspective that shares an awareness of profit with shareholders.

Compensation for the Company's directors consists of three elements: basic remuneration; bonuses, which are a short-term, performance-linked form of remuneration; and stock remuneration, which is medium- to long-term, performance-linked remuneration.

A fixed form of remuneration paid monthly according to the recipient's position, the basic remuneration can reflect each officer's performance evaluation to some extent.

In addition to the degree to which consolidated net income has been achieved for each fiscal year, the bonus takes into consideration qualitative factors such as the strengthening of the management base. This annual performance-linked remuneration is paid upon the expiration of the one-year term of office on the day following the date of the general meeting of shareholders.

Stock compensation is to provide incentives for the sustainable improvement of both the Company's medium- to long-term corporate value and shareholder value. The Company's common stock with transfer restrictions for a certain period shall be issued to directors other than outside board directors, depending on their position.

Outline of remuneration composition, calculation methods, etc.

Types of remuneration, etc.		Key performance indicator (KPI)	Calculation method, etc.	Outline of the calculation method
Monetary remuneration	Fixed	Basic remuneration	–	Net income (loss) attributable to owners of the parent
				Basic remuneration amount limit: The basic remuneration amount limit for directors shall be no more than ¥18 million per month (including short-term, performance-linked compensation) (Note 2). (Salary as an employee not included.)
Monetary remuneration	Variable	Short-term, performance-linked compensation (Note 1) (bonus)	Net income (loss) attributable to owners of the parent	Method of calculating payment amount for each eligible director
				Per person: Based on a monthly amount of ¥1.5 million, multiplied by the following coefficients to calculate the amount of individual remuneration, and the determined amount is paid every month. (1) Directors: Shall be within the range of 100%–130% of the basic remuneration standard amount in accordance with the recipient's evaluation. (2) Directors with special titles (president, managers): The range shall be 150%–250% of the basic remuneration standard amount, depending on the position, evaluation, and results.
				Amount of remuneration: The range shall be approximately 30%–40% of the fixed basic remuneration.
Non-monetary remuneration	Variable	Medium- to long-term, performance-linked compensation (Note 1) (share compensation with transfer restrictions)	–	Payment conditions
				Paid when net income is generated for each business year; not paid in the event of a loss.
Non-monetary remuneration	Variable	Medium- to long-term, performance-linked compensation (Note 1) (share compensation with transfer restrictions)	–	Method of calculating payment amount for each eligible director
				Upper limit of total payment amount: Shall be kept within the range of 1%–2% of consolidated net income. Distribution by individual: Calculated within the range of ±30% based on the individual ratio of the total fixed basic remuneration and in accordance with the evaluation of the recipient's contribution to business performance.
Non-monetary remuneration	Variable	Medium- to long-term, performance-linked compensation (Note 1) (share compensation with transfer restrictions)	–	Net income (loss) attributable to owners of the parent
				Remuneration limit: Annual amount of no more than ¥70 million (Note 3)
Non-monetary remuneration	Variable	Medium- to long-term, performance-linked compensation (Note 1) (share compensation with transfer restrictions)	–	Method of calculating payment amount for each eligible director
				Upper limit of total payment amount: Shall be an amount corresponding to approximately 10% of the fixed basic remuneration. With transfer restrictions for a certain period, the Company's common stock will be paid according to the position held.

Notes: 1. Short-term, performance-linked compensation and medium- to long-term, performance-linked compensation are paid to directors, excluding outside board directors.

2. Decided by resolution of the 68th Ordinary General Meeting of Shareholders held on June 24, 2021.

3. Decided by resolution of the 66th Ordinary General Meeting of Shareholders held on June 26, 2019.

Risk Management, Compliance

Risk management

Concerning the regulations and other systems relating to loss and crisis management at the Company and its subsidiaries

- (a) Having formulated risk management regulations that systematically define risk management for the entire Group, we established a risk management department to be responsible for each risk category. A Risk Management Committee has also been established as an organization that oversees the risk management activities of the entire Group, and the director in charge of risk management serves as the committee's chairperson.

(Operational status)

In accordance with the risk management regulations, the Risk Management Committee, chaired by the director in charge of risk management, meets at least once a year.

- (b) Regularly receiving reports on the status of risks from the department responsible for risk management, the Risk Management Committee examines, reports, and makes decisions on matters related to the Group's overall risk management. The director in charge of risk management reports risk management information to the Board of Directors and Audit & Supervisory Board and receives recommendations as necessary.

(Operational status)

The Personnel and General Affairs Department, which is the department responsible for risk management, reports on the risk situation to the Risk Management Committee and shares information with the Risk Management Liaison Committee, which is composed mainly of executive officers. Led by the director in charge of risk management, the Risk Management Committee verifies the response status of each risk and confirms resolutions and recommendations regarding matters related to the Group's overall risk management. The director in charge of risk management reports risk management information to the Board of Directors and the Audit & Supervisory Board as appropriate. Having formulated risk management regulations that systematically define risk management for the entire Group, we established a risk management department to be responsible for each risk category. The Risk Management Committee has also been established as an organization that oversees the risk management activities of the entire Group, and the director in charge of risk management serves as the committee's chairman.

- (c) The director in charge of risk management formulates a risk management activity plan by fiscal period and reports on this and on the status of risk management activities in the previous fiscal period to the Audit & Supervisory Board.

(Operational status)

At Risk Management Committee meetings, the director in charge of risk management places on the agenda and obtains approval for the following fiscal period's risk

management activity plan. In addition, that director will report on the status of risk management activities to the Audit & Supervisory Board.

- (d) In addition to verifying the functional status of the risk management system, the Risk Management Committee conducts reviews of the risk management system and other aspects in response to changes in conditions, such as when a new risk has been identified.

(Operational status)

The Risk Management Committee verifies the functional status of the risk management system and conducts reviews of the risk management system when a new risk has been identified.

Compliance

Basic concept

Global Gaming segment sales to customers such as overseas casinos account for more than half of JCM's total sales. In the gaming industry such as casinos, strict laws and regulations cover the management of casinos and the manufacture and sales of gaming devices to ensure legitimate management by persons free of any criminal organizations and the use of genuine gaming machines. Under these laws and regulations, obtaining permission from authorities is necessary to incorporate a bill validator unit into gaming machines for sale. The Group undergoes rigorous scrutiny not only for the respective company but also for individual officers when seeking these approvals and permits. In the unlikely event that the Company, affiliated companies, or individual officers violate laws and regulations, such as criminal offenses, the permits would be revoked, and the inability to sell products might have a significant impact on the Group's business performance and financial position. To enable sales in a variety of situations, we have therefore established compliance rules and compliance programs, undertake supervision within the Group, and are working to strengthen global governance in the JCM Group. We hold regular meetings with our U.S. subsidiary, which is highly regulated based on gaming licenses, to check its compliance adherence status.

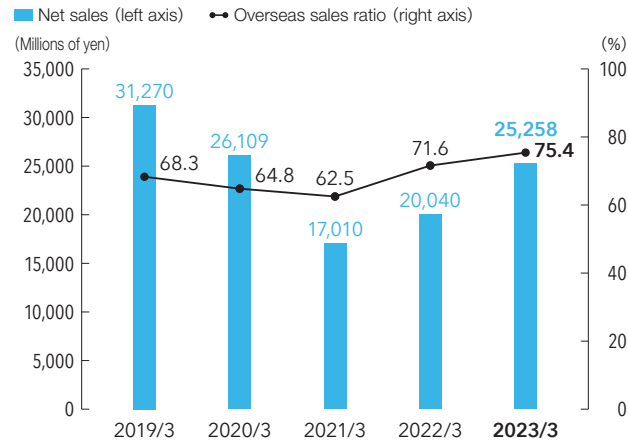
Establishment of a consultation/reporting desk

As a means for employees of the Company and its subsidiaries to directly provide information on acts that violate laws and regulations, fraudulent acts, and acts that are suspected of violating laws and regulations, we have set up an in-house counseling room and a complaint box inside the Company, as well as an external counseling room with external specialists as a point of contact. The compliance officer oversees the in-house counseling room, and the complaint box falls under the jurisdiction of a full-time Audit & Supervisory Board member. If a report is received, the report's content must be investigated and measures taken to prevent any recurrence.

Data Section

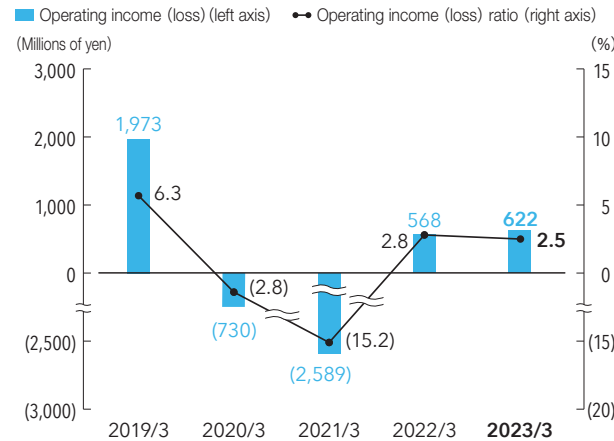
Major Financial Highlights

Net sales/Overseas sales ratio



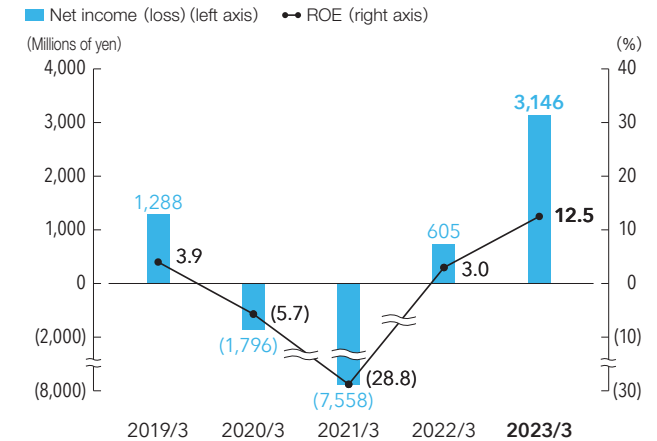
In the global gaming market, 2023/3 net sales maintained a high level, having recovered to pre-COVID-19 activity levels. In addition, in the domestic and international commercial markets, demand has been robust due to the widespread adoption of contactless and non-face-to-face payment methods. In equipment for the amusement industry, the introduction of smart gaming machines has begun gradually, increasing demand for peripheral devices.

Operating income (loss)/Operating income (loss) ratio



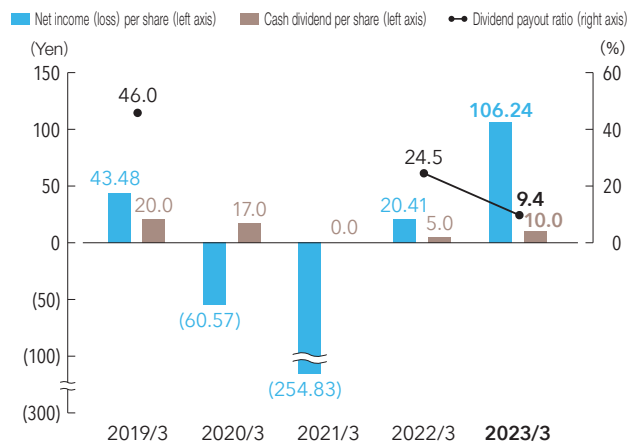
For electronic components such as semiconductors, which have been difficult to procure, we resorted to using higher-priced market-available items. As a result, 2023/3 operating income remained roughly on par with the previous fiscal year.

Net income (loss) attributable to owners of the parent/ROE



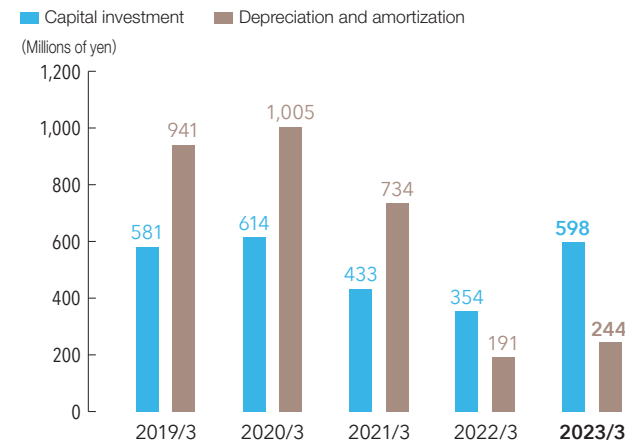
JCM secured 2023/3 operating income and recorded foreign exchange gains as non-operating income due to the depreciation of the yen. The Company also recorded net income for the period by recognizing extraordinary income from the sale of fixed assets, including the old headquarters property and idle land.

Net income (loss) per share/Cash dividend per share/Dividend payout ratio



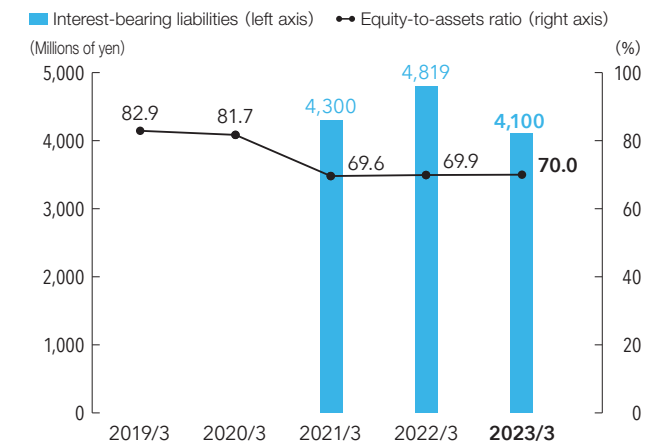
Although 2023/3 net sales, operating income, and net income attributable to owners of the parent increased, given the still uncertain business environment, the implementation of strategic investments, and spending on shareholder return measures such as share buybacks, JCM maintained the previous forecast of a year-end dividend of ¥7 per share (¥10 annually, including the interim dividend).

Capital investment/Depreciation and amortization



In 2023/3, we continued to select capital investments based on the priority and necessity of the project.

Interest-bearing liabilities/Equity-to-assets ratio

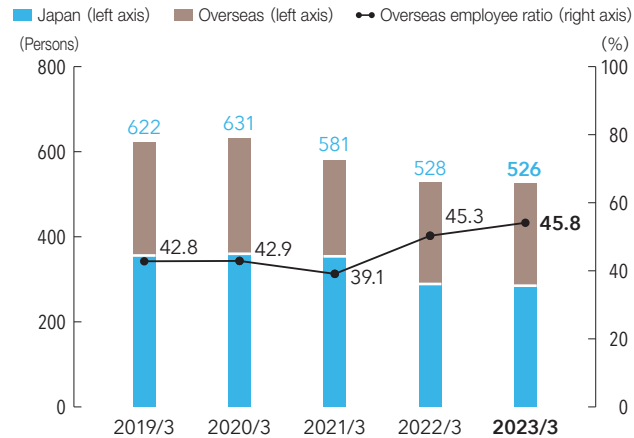


In response to the performance downturn caused by the COVID-19 pandemic, in 2023/3 JCM took steps to secure liquid cash on hand and stabilize operations by borrowing from financial institutions to prepare for unforeseen circumstances.

Data Section

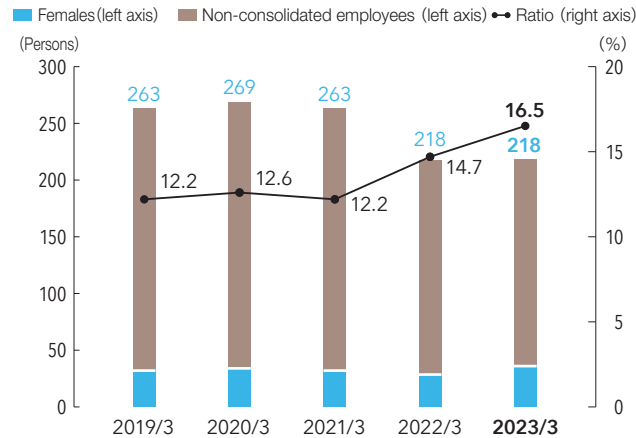
Major Non-Financial Highlights

Overseas employee ratio



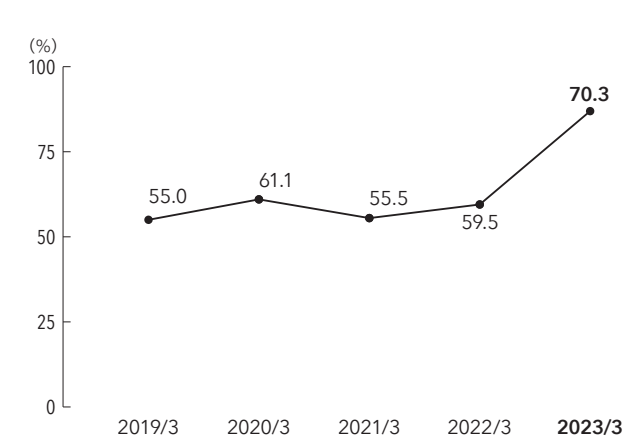
Owing to its high overseas sales ratio and the number of overseas sites for sales, development, and production, the JCM Group's overseas employee ratio stands at around 40%. The Group will continue to properly allocate personnel in line with business activities.

Female employee ratio (non-consolidated)



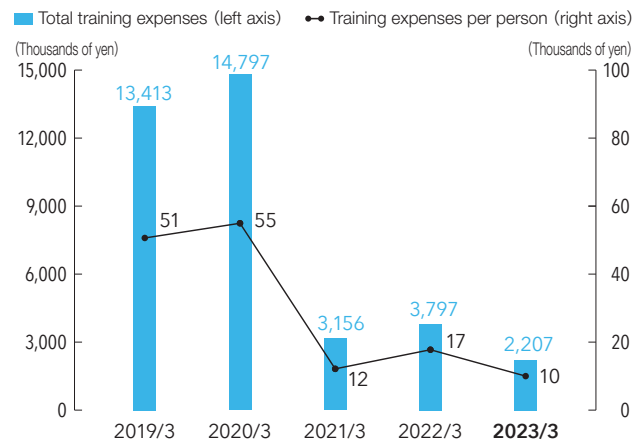
One of our goals for promoting women's participation in the workplace is to achieve a female recruitment ratio of at least 30%. For 2023/3, the female recruitment ratio for mid-career hires reached 76%, demonstrating a steady increase in the number of female employees.

Paid leave utilization rate (non-consolidated)



As part of our efforts to reform work styles, we have updated our policy on voluntary paid leave, which allows employees to apply for and take five days of leave. For 2023/3, we mandated the use of seven days and recommended 10 days, resulting in an increased paid leave utilization rate.

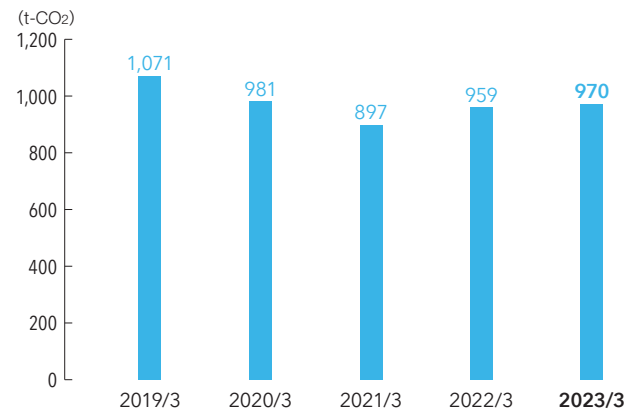
Training expenses per person (non-consolidated)



By continuing the online training programs established during the COVID-19 pandemic, training expenses per person have remained around ¥10,000.

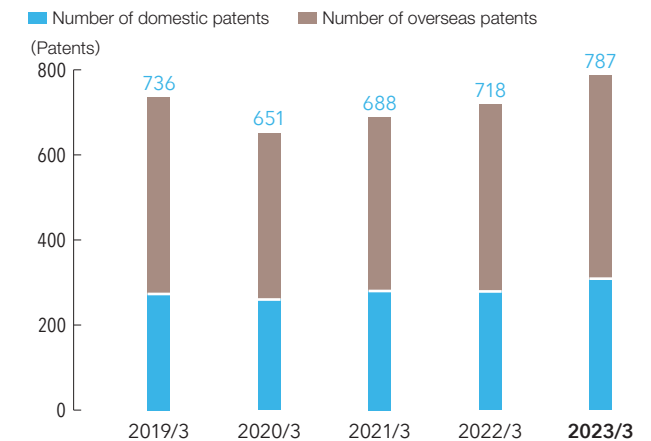
Greenhouse gas emissions

(Figures up to FY2020 are non-consolidated. Figures after FY2021 are consolidated.)



In 2023/3, production activities increased due to market recovery from the pandemic, leading to a rise in emissions.

Number of patents acquired (total of patents, designs, and trademarks)



The Group primarily acquires patents to protect its products and to keep in check competitor patents. Moreover, the Group maintains a high ratio of overseas patents compared to domestic patents owing in part to its high overseas sales ratio.

Data Section

Corporate Data/Stock Information (as of March 31, 2023)

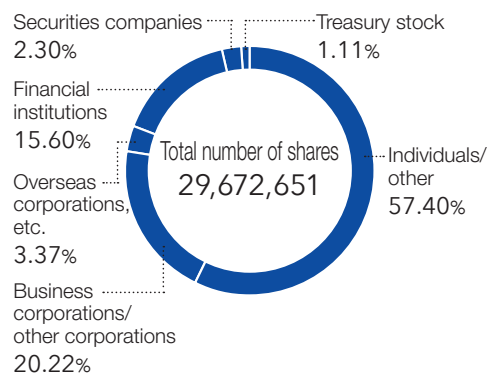
Company outline

Name	Japan Cash Machine Co., Ltd.
Established	January 11, 1955
Capital	¥2,220 million
Number of employees	【Non-consolidated】 218 【Consolidated】 526
Head Office	2-11-18 Nambanaka, Naniwa-ku, Osaka 556-0011, Japan
Tel.	+81-6-6643-8400
Fiscal year	From April 1 to March 31

Share overview

Total number of shares authorized to be issued	118,000,000
Total number of issued shares	29,672,651
Share unit	100
Number of shareholders	15,812

Breakdown by type of shareholder



Major shareholders (Top 10)

Name	Investment in the Company	
	Number of shares held (shares)	Percentage of outstanding shares (%)
Johto Investment and Development, Inc.	4,661,713	15.89
Koichiro Kamihigashi	2,437,246	8.31
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,288,000	7.80
Yojiro Kamihigashi	1,458,283	4.97
Yoshiko Kamihigashi	638,600	2.18
Resona Bank, Limited	563,343	1.92
Sumitomo Mitsui Banking Corporation	503,724	1.72
Totor Engineering Co., Ltd.	432,474	1.47
Custody Bank of Japan, Ltd. (Trust Account)	431,700	1.47
Nippon Life Insurance Company	403,226	1.37

Note: The percentage of outstanding shares is calculated after deducting 328,364 treasury shares.

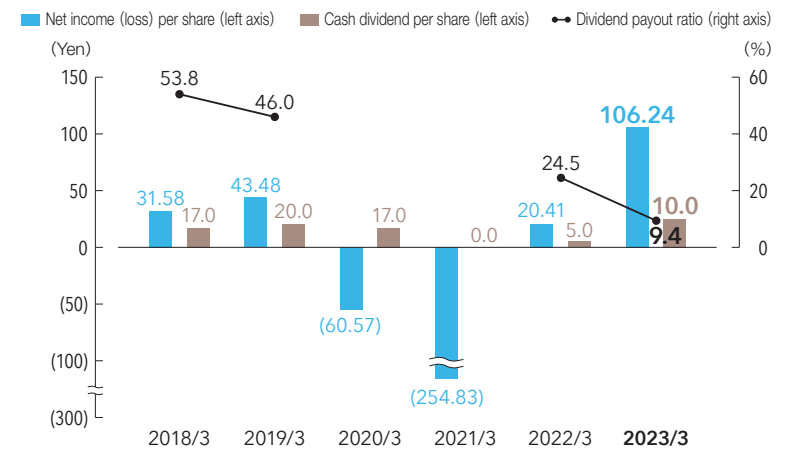
Stock information

Ordinary General Meeting of Shareholders	Held annually in June
Record date for year-end dividends	Held annually on March 31
Interim dividend record date	Held annually on September 30 In addition, if necessary, on a date to be fixed in advance by public notice
Share unit	100
Listed stock market	Tokyo Stock Exchange Prime Market
Securities code	6418
Administrator of shareholders' register	Sumitomo Mitsui Trust Bank, Limited

Basic policy on shareholder returns

The Company considers returns to shareholders to be one of the most important management issues in determining dividends from surplus. The Company comprehensively considers both the increase in dividends through expansion of profits from realizing its growth strategy and the stable distribution of dividends, which is the return of profits to shareholders. The Company decides dividends from surplus based on a consolidated dividend payout ratio of at least 30% and taking into consideration the ratio of dividends to net assets (DOE).

Net income (loss) per share/Cash dividend per share/Dividend payout ratio



Stock price and trading volume

	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3
Year high (yen)	1,449	1,460	1,432	690	886	1,344
Year low (yen)	1,040	836	489	495	529	620
Year-end share price (yen)	1,163	1,183	541	611	675	1,200
Annual trading volume (thousands)	47,318	35,796	29,268	17,398	28,964	38,387
Total number of issued shares (thousands)	29,662	29,662	29,662	29,662	29,662	29,672
Market capitalization (million yen)	34,497	35,090	16,047	18,123	20,022	35,606
Foreign ownership ratio (%)	5.0	5.9	5.0	4.1	2.5	3.4
Price earnings ratio (PER) (times)	36.8	27.2	-	-	33.1	11.3
Price book-value ratio (PBR) (times)	1.05	1.07	0.53	0.82	0.86	1.30
Dividend on equity ratio (DOE) (times)	1.5	1.8	1.6	-	0.7	1.2