

Annual Securities Report

(Report pursuant to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act)

Fiscal Year	From: April 1, 2023
(The 71 st term)	To: March 31, 2024

Japan Cash Machine Co., Ltd.
(E01698)

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

[Cover]

[Documents to be submitted]	Annual Securities Report
[Applicable law]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
[Submission address]	Director-General of the Kinki Finance Bureau
[Submission date]	June 25, 2024
[Fiscal year]	71st fiscal year (April 1, 2023 to March 31, 2024)
[Company name]	Nihon Kinsen Kikai Kabushiki Kaisha
[Company Name in English]	JAPAN CASH MACHINE CO., LTD.
[Title and name of representative]	Yojiro Kamihigashi, President and Representative Director
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[Telephone]	06-6643-8400 (representative)
[Contact person]	Tsuyoshi Takagaki, Executive Director and Senior Executive Officer, Executive General Manager of Corporate Planning Division
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[Telephone]	06-6643-8400 (representative)
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[Venue for public inspection]	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku Tokyo)

Part One: Company Information

I. Company Overview

1. Changes in Key Management Indicators, Etc.

(1) Consolidated Management Indicators

Fiscal year		67th fiscal year	68th fiscal year	69th fiscal year	70th fiscal year	71st fiscal year
Fiscal year ended		March 2020	March 2021	March 2022	March 2023	March 2024
Net sales	(Thousands of yen)	26,109,042	17,010,972	20,040,100	25,258,580	31,610,569
Ordinary profit (loss)	(Thousands of yen)	(861,856)	(2,902,829)	1,384,799	1,267,567	3,568,035
Profit (loss) attributable to owners of parent	(Thousands of yen)	(1,796,265)	(7,558,333)	605,375	3,146,147	3,281,928
Comprehensive income	(Thousands of yen)	(2,091,376)	(7,937,921)	1,044,932	4,624,751	3,855,404
Net assets	(Thousands of yen)	30,303,377	22,113,265	23,169,310	27,163,392	28,655,470
Total assets	(Thousands of yen)	37,090,637	31,772,986	33,144,058	38,816,625	47,698,207
Net assets per share	(Yen)	1,021.68	745.55	781.16	925.68	1,018.44
Basic earnings (loss) per share	(Yen)	(60.57)	(254.83)	20.41	106.24	112.59
Diluted earnings per share	(Yen)	—	—	—	—	—
Equity ratio	(%)	81.7	69.6	69.9	70.0	60.1
Return on equity	(%)	—	—	2.7	12.5	11.8
Price-earnings ratio	(Times)	—	—	33.1	11.3	11.7
Net cash provided by (used in) operating activities	(Thousands of yen)	(658,985)	(843,536)	1,333,055	(799,703)	(4,925,216)
Net cash provided by (used in) investing activities	(Thousands of yen)	(610,013)	(34,544)	(255,797)	522,051	(402,683)
Net cash provided by (used in) financing activities	(Thousands of yen)	(630,498)	3,987,237	397,943	(1,422,876)	4,116,842
Cash and cash equivalents at end of period	(Thousands of yen)	9,303,984	12,413,846	14,241,965	13,204,447	12,522,582
Number of employees	(Number of persons)	631	581	528	526	564
[Average number of temporary employees]		[155]	[105]	[93]	[110]	[137]

- (Notes)
1. Diluted earnings per share is not shown in the above table, as there were no potential shares.
 2. Return on equity and price-earnings ratios for the 67th and 68th terms are not shown as a net loss attributable to owners of parent was recorded for those terms.
 3. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the 69th term, and the key management indices for the 69th term onward are those after applying the accounting standard and relevant ASBJ regulations.

(2) Management Indicators, Etc. of Submitting Company

Fiscal year	67th fiscal year	68th fiscal year	69th fiscal year	70th fiscal year	71st fiscal year
Fiscal year ended	March 2020	March 2021	March 2022	March 2023	March 2024
Net sales (Thousands of yen)	8,149,269	5,028,226	5,482,462	6,334,239	11,248,987
Ordinary profit (loss) (Thousands of yen)	(731,909)	(714,313)	(45,635)	510,931	2,289,375
Profit (loss) (Thousands of yen)	(1,116,763)	(2,584,250)	(126,350)	1,818,325	3,157,682
Share capital (Thousands of yen)	2,216,945	2,216,945	2,216,945	2,220,316	2,220,316
Total number of issued shares (Shares)	29,662,851	29,662,851	29,662,851	29,672,651	29,672,651
Net assets (Thousands of yen)	18,563,074	15,935,549	15,617,413	16,868,279	17,734,613
Total assets (Thousands of yen)	21,053,167	22,364,900	22,241,945	23,736,281	31,798,133
Net assets per share (Yen)	625.85	537.27	526.55	574.84	630.30
Dividends per share (Yen)	17.00	—	5.00	10.00	26.00
[Interim dividends per share included in the above]	[8.50]	[—]	[—]	[3.00]	[7.00]
Basic earnings (loss) per share (Yen)	(37.66)	(87.13)	(4.26)	61.40	108.33
Diluted earnings per share (Yen)	—	—	—	—	—
Equity ratio (%)	88.2	71.3	70.2	71.1	55.8
Return on equity (%)	—	—	—	11.2	18.3
Price-earnings ratio (Times)	—	—	—	19.5	12.1
Payout ratio (%)	—	—	—	16.3	24.0
Number of employees (Number of persons)	269	263	218	218	253
[Average number of temporary employees]	[78]	[58]	[48]	[53]	[88]
Total shareholder return (%)	47.2	53.1	58.9	104.1	115.8
[Comparison index: Nikkei 225 (the Nikkei Stock Average)] (%)	[89.2]	[137.6]	[131.2]	[132.2]	[190.4]
Highest stock price (Yen)	1,432	690	886	1,344	1,726
Lowest stock price (Yen)	489	495	529	620	922

- (Notes)
1. Diluted earnings per share is not shown in the above table, as there were no potential shares.
 2. Return on equity and price-earnings ratios for the 67th, 68th, and 69th terms are not shown as a net loss was recorded for those terms.
 3. Payout ratios for the 67th, 68th, and 69th terms are not shown as a net loss was recorded for those terms.
 4. The highest and lowest stock prices are those on the Prime Market of the Tokyo Stock Exchange from April 4, 2022, and those on the First Section of the Tokyo Stock Exchange before that date.
 5. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the 69th term, and the key management indices for the 69th term onward are those after applying the accounting standard and relevant ASBJ regulations.

2. Company History

Date	Entry
January 1955	JCM was established in Nihombashi, Minami-ku (now Chuo-ku), Osaka City, with the main goal of selling and repairing domestically made cash registers.
February 1957	Newly opened the Higashi Sumiyoshi Plant (Nishi-Imagawa-cho, Higashi Sumiyoshi-ku, Osaka City), became a manufacturer, and began production and sales of cash registers.
February 1959	In order to upscale manufacturing of cash registers, a new plant was built in Hirano Baba-cho, Higashi Sumiyoshi-ku, Osaka City.
October 1969	Started manufacturing and selling money-handling machines.
June 1987	Established JCM GOLD (H.K.) LTD. and SHAFTY CO., LTD., both subsidiaries in Hong Kong, for the overseas production of cash registers.
July 1988	Established subsidiary JCM AMERICAN CORP. as a marketing base for our products in the United States.
September 1988	Started manufacturing and selling equipment for the amusement industry.
February 1991	Opened Nagahama Plant (Nagahama, Shiga) to boost our production system.
September 1993	Listed on the 2nd Section of the Osaka Stock Exchange as a special designated stock.
September 1995	Listed on the 2nd Section of the Osaka Stock Exchange.
June 1999	Established JAPAN CASH MACHINE GERMANY GMBH. (now JCM EUROPE GMBH.) as a European marketing base.
December 2000	Listed on the 2nd Section of the Tokyo Stock Exchange.
April 2001	Acquired all shares of Meiho Shoji Co., Ltd. (now JCM MEIHO Co., Ltd.) and made it into our subsidiary.
September 2004	Listed on the 1st Section of the Tokyo and Osaka Stock Exchanges.
November 2005	Expanded Nagahama Plant to increase domestic production capacity, consolidate distribution functions, and improve efficiency.
September 2006	Established J-CASH MACHINE (THAILAND) CO., LTD. to develop software.
May 2009	Acquired all shares of Sammy Systems Co., Ltd. (now JCM SYSTEMS Co., LTD.) and made it into our subsidiary.
July 2009	Split off our equipment for the amusement industry business and transferred it to JCM SYSTEMS Co., LTD.
September 2009	Changed the trade name of JAPAN CASH MACHINE GERMANY GMBH. to JCM EUROPE GMBH.
February 2010	In preparation for business expansion in the Kanto region, acquired and relocated to a new business base in Higashi-Nihombashi, Chuo-ku, Tokyo, and the Tokyo Head Office of the Company and Head Office of JCM SYSTEMS Co., LTD. began operations there.
November 2010	Established JCM CHINA CO., LTD. in Guangdong, China to support manufacture and sales of our products.
April 2013	Split domestic sales department of JCM into JCM SYSTEMS Co., LTD. and made JCM MEIHO CO., LTD. a wholly-owned subsidiary of JCM SYSTEMS CO., LTD., by which the integration of domestic sales business was completed.
August 2014	Acquired a membership interest of 100% of FUTURELOGIC GROUP, LLC., a manufacturer and distributor of printer units for the gaming market, and put it and its subsidiaries into our Group.
September 2016	Acquired a portion of Silver Denken Co., Ltd., a consolidated subsidiary of Citizen Watch Co., Ltd., to strengthen the technological development capability and profitability of our equipment for the amusement industry business.
April 2017	Transferred the sales business of money-handling equipment and other products for domestic financial, retail, and transportation markets of JCM SYSTEMS Co., LTD. to the Company through an absorption-type demerger.
January 2020	Established J-CASH MACHINE GLOBAL MANUFACTURING (PHILIPPINES) INC. in Laguna, the Philippines to produce our products.
January 2022	Established JCM COMMERCE MECHATRONICS, INC. as a sales base for our products in North, Central, and South America.
April 2022	Due to the revision of the market classification of the Tokyo Stock Exchange, the Company moves from the 1st Section of the Tokyo Stock Exchange to the Prime Market.
November 2022	Established JCM COMERCIO MECATRONICA BRASIL LTDA to strengthen sales of our products in Central and South America.
March 2023	Relocated head office to Nambanaka, Naniwa-ku, Osaka City.
October 2023	Succeeded to the amusement industry equipment sales business of JCM SYSTEMS CO., LTD through an absorption-type company split.

3. Business Details

The Group (the Company and its subsidiaries and associates) consists of Japan Cash Machine Co., Ltd. (the Company), 17 consolidated subsidiaries, and one affiliate company. The Group's main business is the manufacture and sale of money-related equipment.

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

Each of the following product groups is categorized into the segments listed in "V. Financial Information, 1. Consolidated Financial Statements, Etc., (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements."

1) Money-handling machines and products

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

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

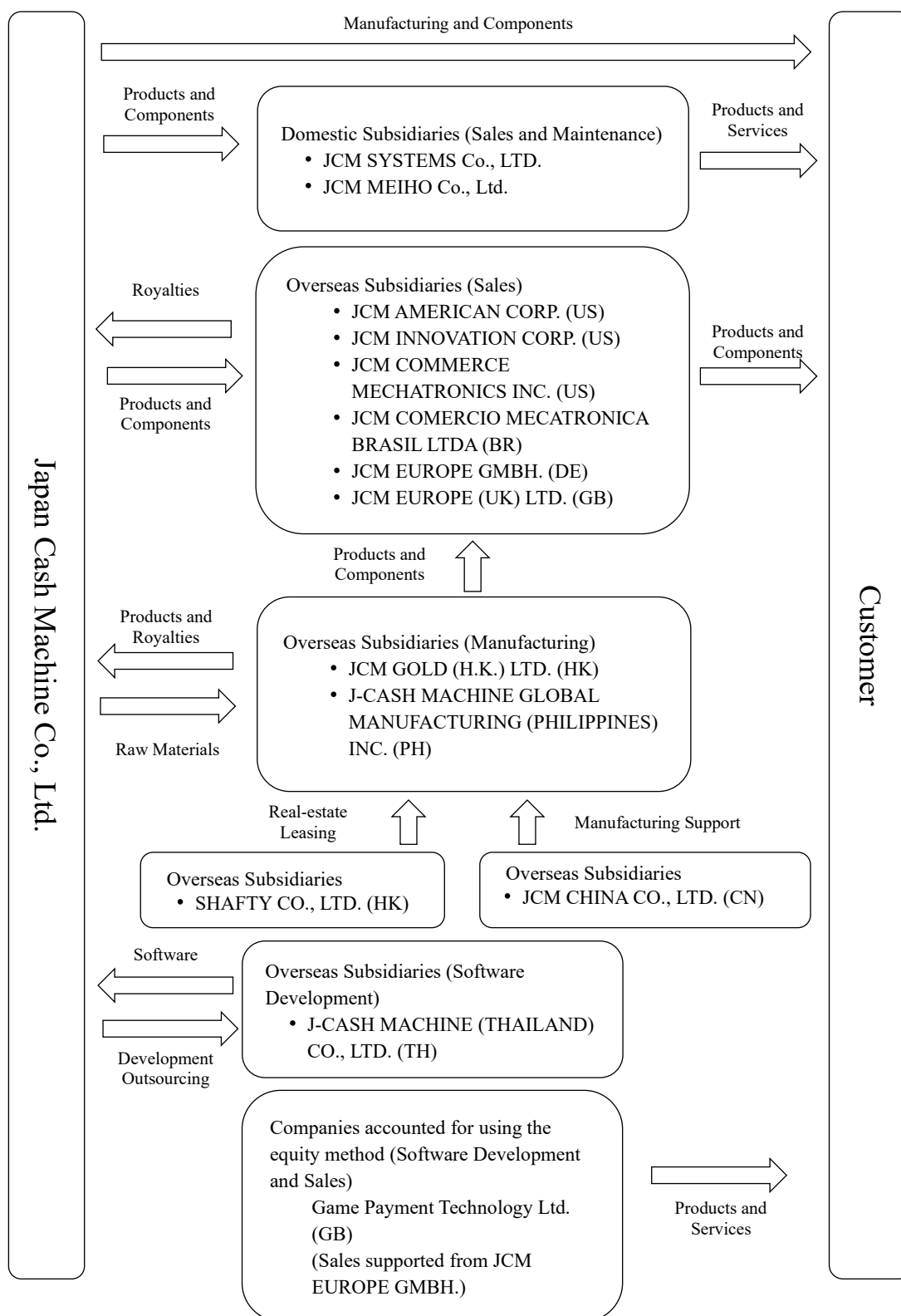
2) Equipment for the amusement industry products

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

Major products	Details of product	Purpose of use
Equipment for the Amusement Industry	Automatic token supply system	These are devices for replenishing tokens in slot machines, etc. in pachinko parlors, and automatically collecting and cleaning overflowing tokens.
	Bill transport system	This system transfers bills inserted by players into ball and token rental machines at pachinko parlors to a vault installed at the end of the pachinko machine row.
	Ball rental machines and token rental machines	These are devices that manage the lending of balls and tokens to gaming customers when they play on pachinko and slot machines at pachinko parlors.
	Dedicated smart gaming machine units	This device manages the lending of balls and electronic medals when players play on smart pachislot machines and smart pachinko machines at pachinko parlors.
	Prize POS system	A system installed on the counter of a pachinko parlors for the exchange of prizes for balls and tokens obtained by players, and the management of prize inventory.
	Slot machines and pachinko machines	These are used as gaming machines in pachinko parlors.
	Payout machines	These are used for the purpose of paying the relevant amount of currency at prize exchange sites.

	Environmental devices	These are used for air purification in pachinko parlors, etc.
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The entries above are shown in the following business chart.



※ • indicates a consolidated subsidiary.

4. Status of Subsidiaries and Associates

Consolidated subsidiaries

Name	Address	Share capital	Principal businesses	Voting rights ownership ratio (%)	Details of relationship
JCM SYSTEMS Co., LTD. (Note 3)	Hirano-ku, Osaka City	100,000 thousand yen	Installation and maintenance of amusement industry equipment, etc.	100	They provide maintenance of products sold by the Company for the domestic market. Concurrent positions of officers, etc. ... Yes
JCM MEIHO Co., Ltd.	Chuo-ku, Tokyo	50,000 thousand yen	Sales of amusement machines	100	They purchase and sell products from the Company. Concurrent positions of officers, etc. ... Yes
JCM AMERICAN CORP. (Consolidated) (Note 1) (Note 4)	Nevada, U.S.A.	7,200 thousand USD	Sales of money-handling machines, etc.	100	They purchase and sell products and parts from the Company. The Company receives royalties as compensation for services rendered. Concurrent positions of officers, etc. ... Yes
JCM INNOVATION CORP. (Note 2)	Nevada, U.S.A.	1 thousand USD	Management of the manufacturing and sale business of printer units	100 (100)	They manage the manufacturing and sale business of printer units. Concurrent positions of officers, etc. ... Yes
JCM COMMERCE MECHATRONICS INC. (Note 6)	Illinois, U.S.A.	500 thousand USD	Sales of money-handling machines, etc.	100	They purchase and sell products and parts from the Company. The Company receives royalties as compensation for services rendered. Concurrent positions of officers, etc. ... Yes Lending of funds ... Yes
JCM COMERCIO MECATRONICA BRASIL LTDA (Note 1)	Sao Paulo, Brazil	8,400 thousand BRL	Sales of money-handling machines, etc.	100	Provides sales support for the Company's products to the Company. Concurrent positions of officers, etc. ... Yes
JCM EUROPE GMBH. (Note 1) (Note 5)	Dusseldorf, Germany	1,650 thousand EUR	Sales of money-handling machines, etc.	100	They purchase and sell products and parts from the Company. The Company receives royalties as compensation for services rendered. Concurrent positions of officers, etc. ... Yes Lending of funds ... Yes

Name	Address	Share capital	Principal businesses	Voting rights ownership ratio (%)	Details of relationship
JCM EUROPE (UK)LTD. (Note 2)	Milton Keynes, U.K.	127 thousand GBP	Sales of money- handling equipment, etc., sales and repair of printer units	100 (100)	They purchase and sell products and parts from the Company. The Company receives royalties as compensation for services rendered. Concurrent positions of officers, etc. ... Yes
JCM GOLD (H.K.) LTD. (Note 1)	Hong Kong	17,500 thousand HKD	Manufacture of money-handling machines, etc.	100	They purchase raw materials from the Company, manufactures products, and sells the products to the Company. The Company receives royalties as compensation for services rendered. Concurrent positions of officers, etc. ... Yes Lending of funds ... Yes
SHAFTY CO., LTD.	Hong Kong	7,500 thousand HKD	Leasing of real estate to affiliates	100	They lease real estate to our affiliates. Concurrent positions of officers, etc. ... Yes
JCM CHINA CO., LTD. (Note 2)	Guangdong, China	500 thousand CNY	Support for manufacture of money-handling machines, etc.	100 (100)	Provides manufacturing support for the Company's products to JCM GOLD (H.K.) LTD. Concurrent positions of officers, etc. ... Yes
J-CASH MACHINE (THAILAND)CO., LTD.	Bangkok, Thailand	5,000 thousand THB	Software development	100	In charge of developing software for the Company. Concurrent positions of officers, etc. ... Yes
J-CASH MACHINE GLOBAL MANUFACTURING (PHILIPPINES)INC. (Note 1) (Note 7)	Laguna, Philippines	154,400 thousand PHP	Manufacture of money-handling machines, etc.	100	They manufacture the Company's products. The Company receives royalties as compensation for services rendered. Concurrent positions of officers, etc. ... Yes Lending of funds ... Yes
4 other companies					

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

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

(1) Net sales 3,517,292

(2) Ordinary profit 749,903

(3) Profit	721,051
(4) Net assets	819,290
(5) Total assets	1,238,180

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

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

(1) Net sales	14,935,565
(2) Ordinary profit	2,061,715
(3) Profit	1,623,922
(4) Net assets	9,297,962
(5) Total assets	12,653,483

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

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

(1) Net sales	8,724,685
(2) Ordinary profit	101,740
(3) Profit	74,388
(4) Net assets	3,692,066
(5) Total assets	7,367,693

6. The amount of liabilities exceeding assets in the insolvent company is 344,659 thousand yen as of December 31, 2023.
7. The amount of liabilities exceeding assets in the insolvent company is 395,769 thousand yen as of December 31, 2023.

Companies accounted for using the equity method

Name	Address	Share capital	Principal businesses	Voting rights ownership ratio (%)	Details of relationship
Game Payment Technology Ltd.	Milton Keynes, U.K.	303 thousand GBP	Development, sales and maintenance of software	50 (50)	JCM EUROPE GMBH. provides sales support. Concurrent positions of officers, etc. ... Yes

5. Status of Employees

(1) Status of Consolidated Companies

As of March 31, 2024

Number of employees	564 (137)
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- (Notes) 1. The number of employees is the number of full-time employees, and the number of temporary employees (including contract employees, part-timers and temporary staff) is the average number of these employees per year, shown in parentheses, and not included in the number of employees.
2. Employees are not classified by business segment due to the difficulty in grouping them.

(2) Status of the Submitting Company

As of March 31, 2024

Number of employees	Average age	Average years of service	Average annual salary
253 (88)	42.7 years old	15.5 years	7,056 thousand yen

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

(3) Status of Labor Union(s)

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

(4) Percentage of Female Workers in Management Positions, Percentage of Male Workers Taking Childcare Leave, and Differences in Wages Between Male and Female Workers

Submitting company

As of March 31, 2024

Submitting company					As of March 31, 202
Current fiscal year					Supplementary explanation
Percentage of female workers in management positions (%) (Note 1)	Percentage of male workers taking childcare leave (%) (Note 2)	Differences in wages between male and female workers (%) (Note 1)			
		All workers	Fulltime employees	Part-time and fixed-term employees	
3.0	60.0	55.9	64.5	93.5	(Note 3)

- (Notes) 1. Calculated in accordance with the provisions of the “Act on the Promotion of Women’s Active Engagement in Professional Life” (Act No. 64, 2015).
2. Based on the provisions of the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76, 1991), the percentage of childcare leave, etc. taken is calculated in accordance with Article 71-4-1 of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labor No. 25, 1991).
3. Regarding “Differences in wages between male and female workers,” there are no differences by gender in the wage system and structure. The difference in wages between male and female workers is mainly due to the difference in the ratio of management positions and employment status between male and female workers. Efforts to improve promotion of female advancement are described in “II. Business Status, 2. Sustainability Approach and Initiatives, (2) Human Capital-related Initiatives.”

Consolidated companies

This information is omitted because the Company is not subject to the obligation to disclose information as stipulated by the “Act on the Promotion of Women’s Active Engagement in Professional Life” (Act No. 64, 2015).

II. Business Status

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

The management policy, management environment, and issues to be addressed, etc. by the Group are as follows.

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

(1) Management Policy

The Group (JCM) has so far positioned its reason for existence as supporting the legal, orderly use of currency in Japan and around the world (contributing to the maintenance of public order) through its money-related business, aiming to be a truly global company that continues to create markets and value in money circulation by providing manufacturing and services that truly take the perspective of customers and users into account. With the formulation of the JCM Global Vision 2032, we have reexamined and discussed JCM's reason for existence amidst the drastically changing and increasingly complex external and internal environment.

As a result, we redefined our founder's desire of "to have people at the beginning of our work," structuring it as the corporate culture and philosophy inherent to JCM as the "JCM Spirit," the role and reason for our existence in society as the "Purpose," the mission to realize our Purpose as the "Mission," and the envisioned society and our desired state after achieving the Mission as the "Vision," and this led to the formulation of the JCM Global Vision 2032.

JCM, "spreading happiness worldwide," aims to be a company that contributes to the realization of a rich and sustainable society on a global level through its manufacturing and services.

JCM Spirit

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

Purpose

"Spreading happiness worldwide"

Mission

"Responding to the changing needs of the world and continuing to contribute to society"

"Innovating core technologies and continuing to create new value"

Vision

JCM Global Vision 2032 (Contributing to the realization of a rich and sustainable society)

(2) Management Strategy, Etc.

In May 2023, the Group formulated the Medium-Term Management Plan JCM Global Vision 2032, which ends in fiscal 2025 (the fiscal year ending March 2026), as follows.

Basic Policies

- 1) Continuing to be a company that earns customer trust in the diversified field of money transactions (payment settlement).
⇒Our strength to date has been capturing a high market share in the niche market of money-handling machines.
- 2) Aiming to establish a name for ourselves in new business domains.
⇒We are pursuing the acquisition of new niche markets looking ahead to a cashless era, which is the major trend of today.

Priority Measures

- 1) Establish a foundation (forward-looking investment) to build new business domains
- 2) Actively roll out existing technologies and products into other markets
- 3) Further expand the International Commercial market
- 4) Address diversifying money transactions
- 5) Improve the profitability of the existing business domains
- 6) Optimally concentrate management resources

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

Since the consolidated earnings forecast for the next fiscal year (ending March 31, 2025) announced in May of this year has already exceeded the numerical targets for the final year (ending March 31, 2026) of the ongoing medium-term management plan “JCM Global Vision 2032,” we are currently reviewing this medium-term management plan or considering a rolling update, and will announce new target figures as soon as they are formulated.

(4) Management Environment

With regard to the business environment surrounding the Group in the next fiscal year (ending March 31, 2025), while there are growing expectations for economic recovery in various regions around the world, including improvement in employment and income conditions, the outlook is expected to remain uncertain due to the prolonged Russia-Ukraine war, worsening conditions in the Middle East, persistently high resource and raw material prices, and the continued depreciation of the yen. In the industries related to the Group, however, the difficulty in procuring materials, especially semiconductors, that had continued until the beginning of the previous fiscal year has largely been resolved, and business confidence among customers in each market is generally favorable, with a continued strong appetite for capital investment, so we expect steady progress in our business activities.

(5) Business and Financial Issues to be Prioritized

The Group's business environment continues to contain many uncertainties, such as soaring resource and energy costs as a result of geopolitical risks and the ongoing devaluation of the yen. In this environment, the Group will implement measures for rapidly restoring its business in line with economic recoveries around the world driven by improvements in employment levels and wages.

On the sales front, in the gaming market, we will strive to expand the scale of our sales and our market share by diversifying our product lineup to include system products that contribute to labor savings and operation automation in casino halls. We are also expecting further growth in the commercial market. To promote sales in the commercial market and put it on par with our core gaming market, we will conduct swift and efficient business activities in regions where the Group has previously taken time for market development through sales subsidiaries established in Europe, and newly established to serve sales areas in the North American and the Central and South American regions. Through these activities, the Group will quickly expand its business in these markets. In Equipment for the Amusement Industry, we expect the spread of smart gaming machines to continue in the next fiscal year, and we will make efforts to boost sales of units dedicated to smart gaming machines.

In addition, we will further expand the market share of our products through development of new products and marketing activities in line with future changes in the business environment in each of our businesses, including the gaming business, the mainstay of the Group. In addition, we will make up-front investments to expand into new business areas in preparation for the future arrival of a cashless society, with the aim of achieving further growth of the Group.

We are working to improve cash flow while improving operational efficiency by closely examining future product demand and enhancing the precision of our management of production, sales, and inventory processes from a global perspective, taking geopolitical risks into consideration.

2. Sustainability Approach and Initiatives

Sustainability initiatives taken by the Group are as follows.

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

The Group is addressing sustainability-related issues based on its management policy, which aims to realize a rich and sustainable society through the JCM Global Vision 2032. In order to realize a rich and sustainable society, we recognize “reduction of environmental impact” and “creation of a comfortable work environment for a diverse workforce,” etc. as materiality (material issues).

(1) Climate-related Initiatives

We will disclose our initiatives based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which is widely used for domestic and international sustainability disclosures.

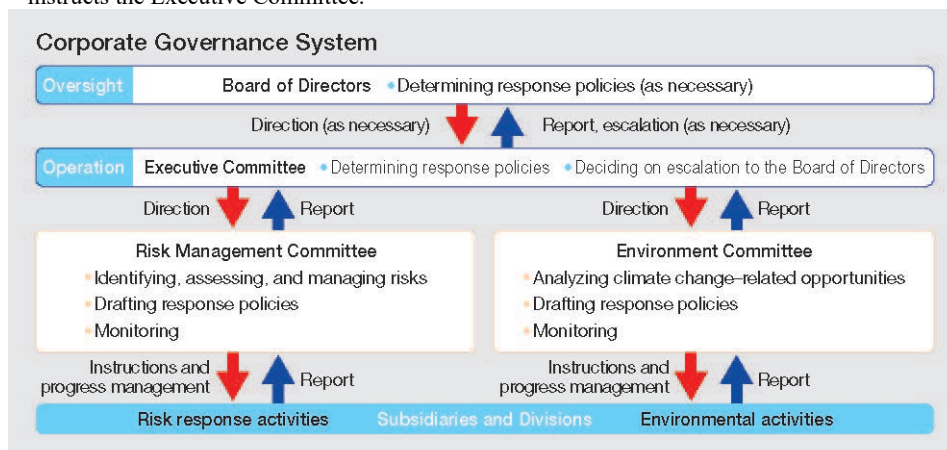
1) Governance

The Group has established the Risk Management Committee and the Environment Committee under the Executive Committee as committees to oversee and promote sustainability-related activities from a company-wide perspective, and the Executive Committee is responsible for proactively addressing issues related to sustainability.

The Executive Committee decides on policies to address management risks and opportunities reported by the Risk Management Committee and the Environmental Committee, and submits particularly important management risks and opportunities to the Board of Directors for its decision.

In addition, the Executive Committee, through the Risk Management Committee and the Environmental Committee, instructs each Group company department to address climate change-related and other risks.

The Board of Directors receives regular reports from the Executive Committee, makes decisions on issues raised, and instructs the Executive Committee.



2) Strategy

The Group analyzed the risks and opportunities of two climate change scenarios for the possible environmental impacts of its corporate activities in all its businesses: a 4°C scenario (global mean temperature rises of 4°C or more) and a 1.5°C scenario (rise of the global mean temperature stays below 1.5°C).

Under the 4°C scenario, daily lifestyle 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.

Evaluation results

Scenario	Risk classification	Event	Impact calculation target	Concept of calculation	Timing and profit/loss impact		
					Short term	Medium term	Long term
4°C scenario	Physical risk	Impact on production activities due to the intensification of natural disasters and the 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	Cost increases due to the introduction of a carbon tax and EU carbon border adjustment	The carbon tax is calculated from the expected carbon price	—	Small	Small

(Note) Time axis: Short term (until fiscal 2025), medium term (fiscal 2026–fiscal 2030), long term (fiscal 2031–fiscal 2050)

Profit-and-loss impact evaluation criteria: Based on average operating income of 1,575 million yen 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

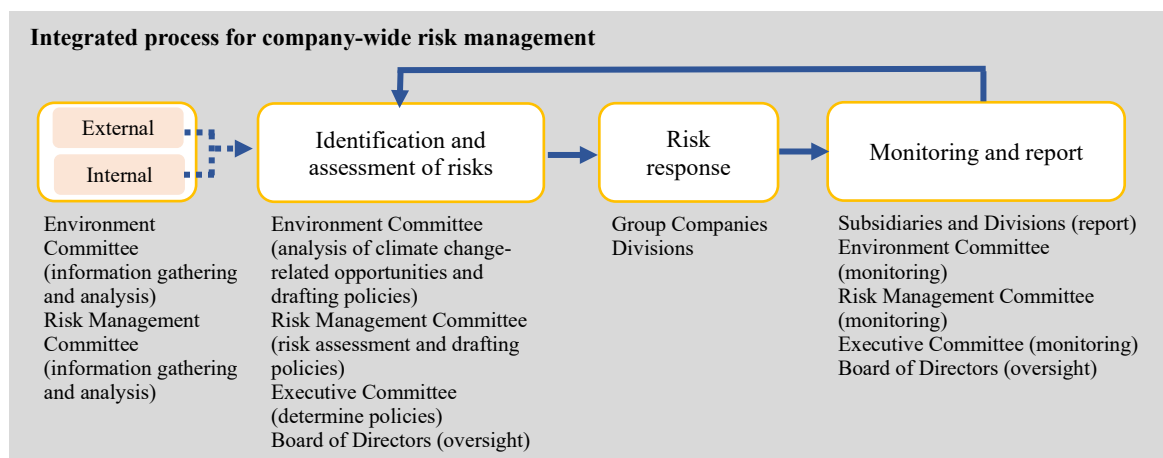
		Changes in the market	Although the impact of the “cost increases due to the introduction of a carbon tax, etc.,” and “higher fuel and power costs” is expected to be small, we will promote the introduction of renewable energy for raw materials and fuels and energy conservation toward fiscal 2025. We will also promote the steady reduction of GHG emissions over the medium to long term.	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.
		Strengthening of laws and regulations		
		Changes in customer needs	Development of products and services that respond to climate change	

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.

The Risk Management Committee comprehensively identifies risks based on internal and external environment analyses and reports from subsidiaries and divisions. The business and financial impact is assessed from the perspective of “impact on profits and losses at the time of occurrence,” and important management risks are identified. Regarding climate change risks, we adopt multiple climate change scenarios, identify “transition risks” and “physical risks” for each scenario, evaluate them from the perspective of “expected timing of occurrence” in addition to “impact on profits and losses at the time of occurrence,” and identify important management risks.

Subsidiaries and divisions handle responding to risks, and the Risk Management Committee monitors progress and results, and instructs them to review their response as necessary.



4) Indicators and targets

The Group has established indicators and targets to be used in managing climate-related risks and opportunities. These are positioned as non-financial indicators in the Medium-Term Management Plan, and we will promote progress management. Our understanding of GHG emissions is that a high ratio of Scope 3 emissions among total emissions, a high ratio of GHG emissions stemming from electricity consumed during the use of sold products, and a high ratio of overseas emissions, which is due to the high ratio of sales accounted for by overseas sales. The Group will advance appropriate initiatives in line with emission characteristics as listed above.

GHG emissions (Fiscal 2022)

Item	Classification	Emissions	Breakdown
GHG emissions from business	Scope 1	328	0.6%

(t-CO₂)

activities	Scope 2	642	1.1%
	Total	970	1.7%
GHG emissions from the supply chain	Purchased products and services	19,091	32.7%
	Use of sold products	34,273	58.7%
	Others	3,339	5.7%
	Scope 3 Total	57,465	98.3%
Total emissions		58,435	100.0%

(Note) The subjects aggregated for each scope are as follows.

“Scope 1 and 2: Domestic locations and foreign production subsidiaries”

“Scope 3: Categories 1, 2, 3, 5, 6, 7, 9, 11, 12, consolidated”

For the Group’s indicators and targets for climate-related risks and opportunities, we aim 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

Fiscal 2018 results (base year)	Targets for Fiscal 2025	Compared with Fiscal 2018 results	Measures for reduction	(t-CO ₂)
				Fiscal 2021 results (Reference)
1,071	750	(30.0%)	<ul style="list-style-type: none"> • Deliberation regarding introduction of carbon-neutral city gas • Head office relocation to energy-efficient office buildings • Deliberation regarding introduction of power from renewable energy sources at the Head office, Tokyo office and the Nagahama Plant • Deliberation regarding installation of solar panels at the Nagahama Plant and the Philippines plant 	970

(Note) Fiscal 2018 was designated as the base year in setting the targets. Figures from the preceding report have been changed in conjunction with the revisions to the Scope 1, 2, and 3 calculation categories.

Regarding Scope 3, the major sources of emissions in the Group are Category 1 (purchased products and services) and Category 11 (use of sold products). Category 1 requires the cooperation of suppliers, whereas Category 11 requires product design review and capital investment. Therefore, we will work to set Scope 3 targets and reduce emissions as medium- to long-term issues.

Efforts to reduce GHG emissions

With regard to Scopes 1 and 2, although our business environment is one with a low share of emissions, each of our Group sites will further work to promote energy savings and the transition to renewable energy sources.

To reduce Scope 3 GHG emissions from our supply chain as a whole, we will revise the designs of our existing products to improve their energy efficiency and develop new products that have minimal environmental impacts.

(2) Human Capital-related Initiatives

1) Matters related to human capital

The Group's fundamental policy with respect to human capital is for employees respect each other and demonstrate their individuality as they grow through their work and for the Group to provide opportunities for people to continue to grow

through their work. We believe that these will have a positive impact on the home and workplace, and that they will come together, enabling our Group to be one that continually creates value.

As our businesses continue to globalize further, we will focus our human resource strategy efforts on “expanding diversity,” “developing core human resources,” and “realizing diverse work styles,” which have become global standards for human resource strategy.

2) Human resources development policies

Our new employees travel to our three main bases in Japan for approximately three months after joining the Group and receive OJT in all divisions. Through the training, they can learn and understand the “JCM Spirit,” which enables them to work while respecting each other.

In addition, as part of the development of core human capital, the Group aims to develop the next and subsequent generations of executive candidates into human capital capable of thinking and making decisions not only in specialized fields but also from a management perspective. In order to achieve this, General Managers participate in the Executive Committee, which mainly consists of internal Board Directors and Executive Officers. They make proposals for their own divisions, exchange opinions, and discuss the proposals with the Board Directors and Executive Officers. They learn what information is needed from a management perspective through practical learning.

3) In-house environment development policies

The Group believes that the foundation for realizing its management principles and continuing to pursue its growth is the physical and mental health of its employees and their families, and aims to create an environment in which employees can engage in their work with peace of mind.

i Promotion of diversity

The Group is working to promote the advancement of women in order to build a corporate culture of mutual trust and respect among employees by accepting the diversity of its human resources and fostering a sense of unity (inclusion), and to become a corporate group where employees can feel pride and responsibility in being a member.

ii Work-life balance initiatives

To enable employees to fully demonstrate their abilities and enhance their performance at work while fulfilling family responsibilities such as housework, childcare, and nursing care, the Group is promoting various initiatives, including enhancement of systems such as childcare leave, working from home, and flexible working hours to enable diverse work styles.

4) Indicators and targets

In its promotion of sustainability, the Group places great importance on human capital, as explained earlier. In implementing the above policies, the Group uses the following indicators. The targets it has set based on these indicators, and the results it has achieved in working toward them, are as indicated below.

Indicators	Scope	Target	Results (fiscal year ended March 31, 2024)
Percentage of new hires that are women	Non-consolidated	30% or higher	38.8%
Percentage of full-time employees that are women	Non-consolidated	20% by 2032	16.6%

Please refer to “I. Company Overview, 5. Status of Employees” for information regarding the “percentage of female workers in management positions,” “percentage of male workers taking childcare leave,” and “differences in wages between male and female workers.”

Consolidated companies

This information is omitted because the Company is not subject to the obligation to disclose information as stipulated by the “Act on the Promotion of Women’s Active Engagement in Professional Life” (Act No. 64, 2015).

3. Business Risks

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

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

1) Economic Conditions

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

2) Exchange Rate Fluctuations

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

3) Dependence on Specific Products and Goods

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

4) Regulations Based on Laws Pertaining to Gaming

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

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

5) Regulations Based on the Amusement Business Act

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

6) Risks Related to R&D Investments

The Group continues to invest aggressively in R&D to adapt to the diversifying needs of the changing times. Research and development of new products involves risks, and depending on the development theme, development costs may be high due to

prolonged development periods, which may affect our Group's business performance and financial position.

7) Risks Related to Overseas Business Development

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

8) Risks Related to Procurement of Parts

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

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

9) Risks Related to Inventories

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

10) Risks Related to Procurement of Funds

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

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

11) Risks Related to Information Security

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

12) Bad Debt Risks on Trade Receivables

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

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

13) Risks Related to International Taxes

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

14) Risks Related to Intellectual Property Rights

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

in lost sales opportunities and liability for compensation payments, which may affect the Group's performance and financial position.

15) Risks Related to Environmental Laws and Regulations

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

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

The Group's bill validator units are compatible with the currency of more than 140 countries around the world. Bills of some countries are reprinted more frequently than Japanese bills and are characterized by high levels of counterfeiting. There is also fraud by tampering with bill validator units. The Group readily revises its software and provides support for its products after delivery. In recent years, however, counterfeit banknotes and fraudulent devices have become more sophisticated and speedy. Therefore, increased costs to deal with these issues and compensation costs to customers may affect the Group's performance and financial position.

17) Risks Related to the Rapid Development of Cashless Payments

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

18) Risks Related to Retirement Benefit Obligations

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

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

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

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

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

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

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

(1) Summary of Performance

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

1) Financial position and operating results

During the current fiscal year, the global economy showed a more pronounced normalization of socioeconomic activities due to the recovery from the COVID-19 pandemic. On the other hand, we need to keep a constant watch on the economic outlook, including the protracted Russian-Ukrainian conflict, the situation in the Middle East, prolonged global inflation and tight monetary policies of various countries.

In the gaming market, the Group's main market, demand for capital investment in casino hotels and other facilities was brisk against a backdrop of expanding worldwide travel demand, and in the domestic and overseas commercial markets, demand for various products for contactless and non-face-to-face payment settlement, which became mainstream after the COVID-19 pandemic, was further stimulated.

Under these circumstances, we strove to provide a stable supply of products to meet the increasing demand for our products in the gaming market, and conducted multifaceted marketing activities, including various product proposals, such as system products that meet customer needs, and sales promotion activities for new products. In the overseas commercial market, we focused on sales activities that contribute to business growth through the enhancement of local distributors, including the expansion of sales channels for new products, and product proposal activities that meet the diverse needs of each country and market, centered on new bases in North, Central and South America. In the domestic commercial market, the Company also focused on aggressive sales activities of its mainstay products, such as bill recycling units to customers in the retail and transportation markets, against the backdrop of an increase in the number of tourists visiting Japan, and on the development of new products to expand its market share in the future, as well as on stimulating demand associated with the banknote re-issuance scheduled for July of this year.

Furthermore, in the amusement industry equipment market, as pachinko parlors made aggressive capital investments in line with the growing popularity of smart gaming machines (especially smart slot machines), the Company focused on sales of products that are in particularly high demand, such as equipment related to smart gaming machines.

In addition to the above, the effects of shortages in the supply of semiconductors and other materials, which had been ongoing since the second half of the previous fiscal year, have largely been resolved in the second half of the current fiscal year.

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

a. Financial position

Total assets at the end of the current fiscal year increased 8,881 million yen from the end of the previous fiscal year to 47,698 million yen.

Total liabilities at the end of the current fiscal year increased 7,389 million yen from the end of the previous fiscal year to 19,042 million yen.

Total net assets at the end of the current fiscal year increased 1,492 million yen from the end of the previous fiscal year to 28,655 million yen.

b. Operating results

As a result, net sales for the fiscal year under review totaled 31,610 million yen (up 25.1% YoY). In terms of profit, operating profit was 2,839 million yen (up 356.0% YoY) due to increased net sales and lower material prices and distribution costs as a result of the resolution of parts and materials shortages. In addition, the Company recorded foreign exchange gains resulting from the depreciation of the yen. As a result, the Company recorded ordinary profit of 3,568 million yen (up 181.5% YoY) and an income tax adjustment amount of -466 million yen (minus indicating a gain) resulting from recognition of deferred tax assets. This brought profit attributable to owners of parent to 3,281 million yen (up 4.3% YoY).

During the fiscal year under review, the average exchange rates were 141.20 yen to the U.S. dollar (132.08 yen in the previous fiscal year) and 153.20 yen to the euro (138.58 yen in the previous fiscal year). Furthermore, the exchange rate on the final day of the fiscal year applied to market valuation at the end of the fiscal year was 151.42 yen per U.S. dollar (133.54 yen at the end of the previous fiscal year).

Operating results by segment are as follows.

Global Gaming

Against the backdrop of booming casino hotel business thanks to the global recovery and expansion of travel demand, capital investment demand at these hotels expanded, and the difficulty in procuring parts and materials that had continued until the first half of the current fiscal year was largely resolved in the second half; sales of bill validator units and printer units for use in

casino gaming machines, our mainstay products, increased. As a result, segment sales totaled 17,279 million yen (up 18.5% YoY). In terms of profit, segment profit amounted to 2,794 million yen (up 69.8% YoY) thanks to the penetration of product price revisions resulting from higher component and raw material prices.

International Commercial

Segment sales amounted to 5,915 million yen (up 32.3% YoY) mainly due to higher sales of bill recycling units installed in self-checkout machines for contactless and non-face-to-face payments, which became standard in the post-COVID-19 era. On the other hand, in terms of profit, segment loss amounted to 175 million yen (profit of 37 million yen in the previous fiscal year) due to soaring component prices and, unlike the Global Gaming segment above, the penetration of higher component prices into product prices did not proceed smoothly.

Domestic Commercial

Activities for the domestic commercial market are focused on specific applications, and segment sales totaled 2,692 million yen (up 44.9% YoY) and segment profit amounted to 523 million yen (up 412.8% YoY) due to strong sales of bill recycling units for fuel dispensers for self-service gas station and restaurant ticket vending machines, and bill validator units for bus fare boxes, as well as increased demand for renewal of our products, such as bill validator units, due to the re-issuance of banknotes, from the second half of the current fiscal year.

Equipment for the Amusement Industry

With the full-scale introduction of smart gaming machines in pachinko parlors, segment sales amounted to 5,723 million yen (up 31.7% YoY) due to a significant increase in sales and installation work of peripheral equipment, mainly dedicated units required for this purpose. Unlike conventional ball and medal rental machines, dedicated smart gaming machine units were rarely sold at low prices, resulting in segment profit of 1,001 million yen (loss of 125 million yen in the previous fiscal year), a significant increase in segment profit as well.

2) Cash flows

Cash and cash equivalents (hereinafter referred to as “funds”) at the end of the current fiscal year decreased by 681 million yen from the end of the previous fiscal year to 12,522 million yen.

(Cash flows from operating activities)

Net cash used in operating activities amounted to 4,925 million yen (expenditure of 799 million yen in the previous fiscal year). This was because funds increased due to profit before income taxes of 3,634 million yen and an increase in trade payables of 665 million yen, while funds decreased due to an increase in trade receivables of 1,641 million yen, an increase in inventories of 7,416 million yen, income taxes paid of 587 million yen, etc.

(Cash flows from investing activities)

Net cash used in investing activities totaled 402 million yen (revenue of 522 million yen in the previous fiscal year). This was mainly because funds decreased due to purchase of property, plant and equipment of 885 million yen, while funds increased due to a net decrease in short-term investment securities of 482 million yen and other factors.

(Cash flows from financing activities)

Net cash provided by financing activities totaled 4,116 million yen (expenditure of 1,422 million yen in the previous fiscal year). This is attributable to an increase in funds due to proceeds from long-term borrowings of 3,300 million yen and proceeds from issuance of bonds of 3,903 million yen, and a decrease in funds due to repayments of long-term borrowings of 600 million yen, purchase of treasury shares of 1,966 million yen, and dividends paid of 409 million yen.

In addition to these items, there was an increase in funds due to effect of exchange rate change on cash and cash equivalents of 529 million yen.

3) Production, orders, and sales

a. Production performance

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

Segment name	Current fiscal year (April 1, 2023 to March 31, 2024)	
	Amount (Thousands of yen)	YoY change (%)
Global Gaming	8,380,051	164.5
International Commercial	6,742,141	238.4
Domestic Commercial	2,536,961	156.8
Equipment for the Amusement Industry	2,819,775	168.2
Total	20,478,930	182.6

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

b. Product purchases

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

Segment name	Current fiscal year (From April 1, 2023 to March 31, 2024)	
	Amount (Thousands of yen)	YoY change (%)
Global Gaming	4,873,042	233.3
International Commercial	485,774	170.3
Domestic Commercial	58,089	136.1
Equipment for the Amusement Industry	199,724	97.0
Total	5,616,631	214.2

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

c. Orders received

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

d. Sales performance

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

Segment name	Current fiscal year (From April 1, 2023 to March 31, 2024)	
	Amount (Thousands of yen)	YoY change (%)
Global Gaming	17,279,315	118.5
International Commercial	5,915,955	132.3
Domestic Commercial	2,692,078	144.9
Equipment for the Amusement Industry	5,723,219	131.7
Total	31,610,569	125.1

(Notes) 1. Inter-segment transactions are offset and eliminated.

2. Sales by major counterparty and ratio of such sales to total sales

Counterparty	Previous fiscal year		Current fiscal year	
	Amount (Thousands of yen)	Percentage to total sales (%)	Amount (Thousands of yen)	Percentage to total sales (%)
Aristocrat Technologies Inc.	2,584,290	10.2	3,460,657	11.0

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

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

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

1) Significant accounting policies and estimates

The consolidated financial statements of the Group are prepared in accordance with accounting principles generally accepted in Japan. Significant accounting estimates and assumptions used in the preparation of the consolidated financial statements are described in “V. Financial Information, 1. Consolidated Financial Statements, Etc., (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements (Significant accounting estimates).”

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

a. Financial position

Total assets at the end of the current fiscal year increased by 8,881 million yen from the end of the previous fiscal year to 47,698 million yen.

Total current assets increased by 7,870 million yen from the end of the previous fiscal year to 40,143 million yen. Notes and accounts receivable - trade, and contract assets and inventories increased by 2,058 million yen and 7,953 million yen respectively, while cash and deposits and securities decreased by 701 million yen and 428 million yen respectively. Other current assets also decreased by 999 million yen mainly due to a decrease in advance payments to suppliers.

Total non-current assets increased by 923 million yen from the end of the previous fiscal year to 7,431 million yen. Property, plant and equipment increased by 611 million yen due to the acquisition of production molds, etc. and total investments and other assets increased by 235 million yen due to the recording of deferred tax assets.

Total deferred assets increased by 88 million yen from the end of the previous fiscal year to 123 million yen due to the deferred recording of expenses related to the issuance of bonds.

Total current liabilities increased by 1,635 million yen from the end of the previous fiscal year to 9,260 million yen. Notes and accounts payable - trade increased by 1,024 million yen and current portion of long-term borrowings increased by 660 million yen.

Total non-current liabilities increased by 5,754 million yen from the end of the previous fiscal year to 9,782 million yen. Bonds payable increased by 4,000 million yen due to the issuance of bonds and long-term borrowings increased by 2,040 million yen.

Total net assets increased by 1,492 million yen from the end of the previous fiscal year to 28,655 million yen. Treasury shares increased by 1,951 million yen due to the purchase of treasury shares, etc., Retained earnings increased by 2,871 million yen due to the recording of profit attributable to owners of parent and foreign currency translation adjustment increased by 501 million yen due to the revaluation of overseas subsidiaries to fair value.

b. Operating results

Net sales totaled 31,610 million yen (up 25.1% YoY). In the U.S. gaming market, demand for capital investment in casino hotels and other facilities was brisk against a backdrop of expanding worldwide travel demand, and in the domestic and overseas commercial markets, demand for various products for contactless and non-face-to-face payment settlement, which became mainstream after the COVID-19 pandemic, was further stimulated. Furthermore, in the amusement industry equipment market, as pachinko parlors made aggressive capital investments in line with the growing popularity of smart gaming machines, resulting in an increase in sales.

Cost of sales totaled 19,422 million yen (up 19.4% YoY), and the cost of sales ratio decreased 3.0 percentage points YoY to 61.4%. In addition to the above, the effects of shortages in the supply of semiconductors and other materials, which had been ongoing since the second half of the previous fiscal year, have largely been resolved, which improved the cost of sales ratio.

Gross profit totaled 12,188 million yen (up 35.6% YoY).

Selling, general and administrative expenses was 9,349 million yen (up 11.7% YoY).

Operating profit was 2,839 million yen (up 356.0% YoY).

Non-operating income was 1,053 million yen, mainly due to foreign exchange gains resulting from the yen's depreciation.

Non-operating expenses was 324 million yen due to the recording of equity method investment loss.

Ordinary profit was 3,568 million yen (up 181.5% YoY).

Profit before income tax totaled 3,634 million yen (up 27.8% YoY).

Total income taxes were 352 million yen. The Company recorded income taxes-deferred of -466 million yen due to the recording of deferred tax assets.

As a result of the above, profit attributable to owners of parent was 3,281 million yen (up 4.3% YoY).

c. Cash flows

The status of cash flows for the current fiscal year is described in (1) Summary of Performance, 2) Cash flows. Factors that may have a significant impact on the Group's operating results are described in 3. Business Risks.

d. Capital resources and liquidity of funds

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

The balance of interest-bearing debt, including lease liabilities, at the end of the current fiscal year was 11,094 million yen, an increase of 6,741 million yen from the end of the previous fiscal year. This is primarily due to the borrowings of funds from a bank to cover the increase in funding for working capital required for business activities and the issuing of bank-guaranteed private placement bonds.

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

Since the consolidated earnings forecast for the next fiscal year (ending March 31, 2025) announced in May of this year has already exceeded the numerical targets for the final year (ending March 31, 2026) of the ongoing medium-term management plan "JCM Global Vision 2032," we are currently reviewing this medium-term management plan or considering a rolling update, and will announce new target figures as soon as they are formulated.

5. Important Management Contracts, Etc.

Not applicable.

6. R&D Activities

(1) Policy for R&D Activities

One of our action guidelines that form the JCM Spirit is “Independent Creation: Provide creative products and services to people around the world,” and the Mission is “responding to the changing needs of the world and continuing to contribute to society” and “innovating core technologies and continuing to create new value.” Based on these, the Group is committed to its mission related to manufacturing and services. By promptly commercializing market-compatible products and services that meet diversifying social conditions and customer needs, and by innovating core technologies to continuously create new value that meets potential needs, we aim to realize the Purpose of “spreading happiness worldwide,” in the hope that our activities themselves will contribute to the development of interpersonal trust.

(2) R&D Activities

In addition to pursuing money-handling technologies centered on identification, transport, accumulation, and recycling of currency from around the world, we are also focusing on the development of system products that apply and develop these technologies and know-how, and are actively engaged in activities aimed at drawing out potential customer needs and developing new markets. In addition, we also focus on the promotion and effective utilization of intellectual property rights in the course of product development. Research and development expenses for the Group as a whole for the current fiscal year totaled 1,526 million yen.

1) Global Gaming

In the current fiscal year, we continued product development of automation equipment for casino backyards. This equipment was very well received, praised for its security and efficiency, and was selected as the most revolutionary new technology at the largest gaming show in the U.S. We are focusing on further quality improvement and making efforts toward early commercialization of the product.

2) International Commercial

In the current fiscal year, we are continuing to develop products for the global distribution market. By offering a rich lineup of products and providing options that match market needs, we will expand our business not only into existing markets but also into untapped markets.

3) Domestic Commercial

In the current fiscal year, we completed development of double-sided bill handling units for gas stations and bill recycling units as successors for our long-selling products in the retail and transportation markets. The functionality of existing models has also been improved by refining their authentication capabilities and increasing their processing speeds, and they are expected to achieve high levels of performance in every market.

We are also focusing our efforts on supporting new banknotes and are taking all possible measures to promote their smooth introduction into market machines.

4) Equipment for the Amusement Industry

In the current fiscal year, we completed development of deposit checkout machines used in ball and medal loan systems for gaming machines, as well as POS adapters. They can be used for both card reader and smart gaming machines, and offer improved operability and functionality than existing machines.

We are also taking all possible measures to promote compatibility with new banknotes in all of our other products.

III. Equipment

1. Capital Investment, Etc.

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

The total amount of capital investment in this fiscal year was 1,035 million yen.

This was mainly comprised of 414 million yen for production molds (for all segments).

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

2. Status of Major Equipment

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

(1) Submitting company

As of March 31, 2024

Office name (location)	Segment name	Equipment description	Land		Buildings and structures (Thousands of yen)	Machinery, equipment and vehicles (Thousands of yen)	Leased assets (Thousands of yen)	Other (Thousands of yen)	Total (Thousands of yen)	Number of employees
			Area (m ²)	Amount (Thousands of yen)						
Head Office (Naniwa-ku, Osaka City)	All segments	Functions of Head Office	—	—	77,092	189	2,660	48,959	128,901	126 (11)
Nagahama Plant (Nagahama City, Shiga)	All segments	Production and logistics equipment	23,929	296,691	122,832	0	4,212	3,194	426,930	34 (72)
Tokyo Office (Chuo-ku, Tokyo)	All segments	Sales and research equipment	684	1,091,018	758,161	0	—	18,404	1,867,583	78 (5)

(2) Domestic subsidiaries

As of March 31, 2024

Company name	Office name (location)	Segment name	Equipment description	Land		Buildings and structures (Thousands of yen)	Machinery, equipment and vehicles (Thousands of yen)	Leased assets (Thousands of yen)	Other (Thousands of yen)	Total (Thousands of yen)	Number of employees
				Area (m ²)	Amount (Thousands of yen)						
JCM SYSTEMS Co., LTD.	Head Office (Hirano- ku, Osaka City)	Equipment for the Amusement Industry	Service maintena- nce equipment	—	—	28,419	—	—	36,004	64,424	3 (3)
JCM MEIHO Co., Ltd.	Head Office (Chuo-ku, Tokyo)	Equipment for the Amusement Industry	Sales equipment	—	—	11	—	—	528	539	11 (1)

(3) Overseas subsidiaries

As of March 31, 2024

Company name	Office name (Location)	Segment name	Equipment description	Land		Buildings and structures (Thousands of yen)	Machinery, equipment and vehicles (Thousands of yen)	Leased assets (Thousands of yen)	Other (Thousands of yen)	Total (Thousands of yen)	Number of employees
				Area (m ²)	Amount (Thousands of yen)						
JCM AMERICAN CORP. (consolidated)	Head Office (Nevada, U.S.A.)	Global Gaming	Production, sales, and service maintenance equipment	13,651	135,040	230,222	55,413	—	40,825	461,503	94 (40)
JCM EUROPE GMBH.	Head Office (Dusseldorf, Germany)	Global Gaming and International Commercial	Sales equipment	—	—	1	22,002	—	43,295	65,299	67 (5)
JCM EUROPE (UK) LTD.	Head Office (Milton Keynes, U.K.)	Global Gaming and International Commercial	Sales equipment	—	—	—	0	—	9,273	9,273	4 (—)
JCM COMMERCE MECHATRONICS, INC.	Head Office (Illinois, U.S.A.)	International Commercial	Sales equipment	—	—	—	6,512	—	—	6,512	5 (—)
JCM COMERCIO MECATRONICA BRASIL LTDA	Head Office (Sao Paulo, Brazil)	International Commercial	Sales equipment	—	—	—	—	—	8,014	8,014	8 (—)
JCM GOLD (H.K.) LTD.	Head Office (Hong Kong)	All segments	Production and sales facilities	—	—	—	—	—	90	90	12 (—)
SHAFTY CO., LTD.	Head Office (Hong Kong)	All segments	Rental Real Estate	—	—	18,203	—	—	—	18,203	— (—)
J-CASH MACHINE (THAILAND) CO., LTD.	Head Office (Bangkok, Thailand)	All segments	Research equipment	—	—	—	0	—	7,111	7,111	12 (—)
J-CASH MACHINE GLOBAL MANUFACTURING (PHILIPPINES) INC.	Head Office (Laguna, Philippines)	All segments	Production equipment	—	—	72,302	28,129	—	130,930	231,361	65 (—)

- (Notes) 1. “Other” in the carrying amounts consists of tools, furniture and fixtures, construction in progress and right-of-use assets.
2. In addition to the above, the Company rents its head office and other facilities, of which annual rent totals 313,934 thousand yen.
3. The number of employees is the number of full-time employees, and the number of temporary employees (including contract employees, part-timers and temporary staff) is the average number of employees per year, shown in parentheses, and not included in the number of employees.

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

(1) New installation of major equipment

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

(2) Retirement of major equipment

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

IV. Status of the Submitting Company

1. Status of Shares

(1) Total Number of Shares, Etc.

1) Total number of shares

Type	Total number of authorized shares
Common shares	118,000,000
Total	118,000,000

2) Issued shares

Type	Number of shares issued as of the end of the fiscal year (As of March 31, 2024)	Number of Shares issued as of the submission date (June 25, 2024)	Name of listed financial instruments exchange or registered and licensed financial instruments association	Description
Common shares	29,672,651	29,672,651	Tokyo Stock Exchange Prime Market	The shares are the Company's standard shares with no restrictions on rights. The number of shares constituting one unit is 100.
Total	29,672,651	29,672,651	—	—

(2) Status of Share Acquisition Rights, Etc.

1) Share option plans

Not applicable.

2) Shareholder rights plan

Not applicable.

3) Status of other share acquisition rights, etc.

Not applicable.

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

Not applicable.

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

Date	Increase/decrease in total number of shares issued	Balance of shares issued	Increase/decrease in share capital (thousand yen)	Balance of share capital (thousand yen)	Increase/ decrease in legal capital surplus (thousand yen)	Balance of legal capital surplus (thousand yen)
August 24, 2022 (Note)	9,800	29,672,651	3,371	2,220,316	3,371	2,067,276

(Note) The Company issued new shares as restricted share-based remuneration on August 24, 2022.

Issue price: 688 yen

Capitalization amount: 344 yen

Allottees: 3 Directors of the Company (excluding the President and Outside Directors): 6,000 shares

6 Senior Executive Officers not concurrently serving as Directors of the Company (excluding those who reside overseas) and Executive Officers not concurrently serving as Directors of the Company: 3,800 shares

(5) Status by Owner

As of March 31, 2024

As of March 31, 2021

Category	Status of shares (100 shares per unit)								Status of odd lot shares (shares)
	National and local governments	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations, etc.		Individuals and other	Total	
					Non-individual	Individual			
Number of shareholders	—	17	35	103	49	52	16,411	16,667	—
Number of share units held	—	45,074	8,371	60,147	6,809	334	175,410	296,145	58,151
Percentage of shares held (%)	—	15.22	2.83	20.31	2.30	0.11	59.23	100.00	—

- (Notes) 1. 1,535,927 treasury shares are included in 15,359 units in “Individuals and other” and 27 shares in “Status of odd lot shares.”
2. Columns “Other corporations” and “Status of odd lot shares” include 15 units and 25 shares in the name of the Japan Securities Depository Center, Incorporated.

(6) Major Shareholders

As of March 31, 2024

Name or designation	Address	Shares held (thousands of shares)	Ratio of shares held to total number of shares issued (excluding treasury shares) (%)
Johto Investment and Development Inc.	2-11-18 Nambanaka, Naniwa-ku, Osaka City	4,661	16.57
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsu-cho Minato-ku, Tokyo	2,200	7.82
Yojiro Kamihigashi	Abeno-ku, Osaka	1,458	5.18
Koichiro Kamihigashi	Ashiya City, Hyogo	1,217	4.33
Yoshiko Kamihigashi	Abeno-ku, Osaka	638	2.27
Resona Bank, Limited	2-2-1 Bingomachi Chuo-ku, Osaka	563	2.00
Sumitomo Mitsui Banking Corporation	1-1-2 Marunouchi Chiyoda-ku, Tokyo	503	1.79
Totor Engineering Co., Ltd.	2-22-17 Shiba Minato-ku, Tokyo	432	1.54
Nippon Life Insurance Company	1-6-6 Marunouchi Chiyoda-ku, Tokyo	403	1.43
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi Chuo-ku, Tokyo	329	1.17
Total	—	12,407	44.10

- (Notes) 1. Although the Company holds 1,535 thousand treasury shares, it is excluded from the list of major shareholders above.
2. The ownership of shares has been calculated by deducting treasury shares.

(7) Voting Rights

1) Issued shares

As of March 31, 2024

Category	Number of shares	Number of voting rights	Description
Non-voting shares	—	—	—
Shares with restricted voting rights (treasury shares, etc.)	—	—	—
Shares with restricted voting rights (other)	—	—	—
Shares with full voting rights (treasury shares, etc.)	Common shares 1,535,900	—	Standard shares of the Company with no restrictions on rights
Shares with full voting rights (other)	Common shares 28,078,600	280,786	Same as above
Odd lot shares	Common shares 58,151	—	—
Total number of issued shares	29,672,651	—	—
Voting rights of all shareholders	—	280,786	—

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

2) Treasury shares, etc.

As of March 31, 2024

Name or designation of owner	Address of owner	Number of shares held in own name	Number of shares held under the name of a third party	Total number of held shares	Ratio of shares held to total number of shares issued (%)
Japan Cash Machine Co., Ltd.	2-11-18 Nambanaka, Naniwa-ku, Osaka City	1,535,900	—	1,535,900	5.18
Total	—	1,535,900	—	1,535,900	5.18

2. Status of Acquisition of Treasury Shares, Etc.

Class of shares, etc.: Acquisition of common shares falling under Article 155, item 3 of the Companies Act and acquisition of common shares falling under Article 155, item 7 of the Companies Act.

(1) Acquisition by Resolution of the Shareholders’ Meeting
Not applicable.

(2) Acquisition by Resolution of the Board of Directors

Category	Number of shares	Total value (yen)
State of resolution at the Board of Directors meeting (February 8, 2024) (Acquisition period: February 9, 2024 to February 29, 2024)	1,220,000	2,000,000,000
Treasury shares acquired prior to the current fiscal year	–	–
Treasury shares acquired in the current fiscal year	1,220,000	1,966,640,000
Total number and value of remaining shares subject to resolution	–	–
Unexercised ratio as of the end of the current fiscal year (%)	–	1.67
Treasury shares acquired in the current term	–	–
Unexercised ratio as of the date of submission (%)	–	1.67

Category	Number of shares	Total value (yen)
State of resolution at the Board of Directors meeting (May 9, 2024) (Acquisition period: May 10, 2024 to May 10, 2024)	1,220,000	1,579,900,000
Treasury shares acquired prior to the current fiscal year	–	–
Treasury shares acquired in the current fiscal year	–	–
Total number and value of remaining shares subject to resolution	–	–
Unexercised ratio as of the end of the current fiscal year (%)	–	–
Treasury shares acquired in the current term	1,217,100	1,576,144,500
Unexercised ratio as of the date of submission (%)	0.24	0.24

- (Notes) 1. The acquisition was made through Off-Auction Own Share Repurchase Trading System (ToSTNet-3) on the Tokyo Stock Exchange.
2. With the acquisition during the above acquisition periods, the Company has completed the acquisition of treasury shares based on resolutions of the Board of Directors held on February 8, 2024, and May 9, 2024.
3. The number of treasury shares acquired during the current term does not include those acquired through the purchase of treasury shares from June 1, 2024 to the date of submission of this Annual Securities Report.

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

Category	Number of shares	Total value (yen)
Treasury shares acquired in the current fiscal year	282	310,991
Treasury shares acquired in the current term	–	–

(Note) The number of treasury shares acquired during the current term does not include those acquired through the purchase of odd lot shares from June 1, 2024 to the date of submission of this Annual Securities Report.

(4) Status of Disposal or Holding of Treasury Shares

Category	Current fiscal year		Current term	
	Number of shares	Total amount of disposal value (yen)	Number of shares	Total amount of disposal value (yen)
Treasury shares offered to subscribers	–	–	–	–
Cancellation of treasury shares	–	–	–	–
Treasury shares transferred due to a merger, share allotment, or corporate split	–	–	–	–
Other (disposal of treasury shares as restricted share-based remuneration)	12,700	14,503,400	–	–

Other (sale of odd lot shares upon request for additional purchase)	19	28,633	–	–
Number of treasury shares held	1,535,927	–	2,753,027	–

- (Notes)
1. The number of treasury shares disposed during the current term does not include those disposed through the sale of odd lot shares from June 1, 2024 to the date of submission of this Annual Securities Report.
 2. The number of treasury shares held during the current term does not include those affected by the purchase or sale of odd lot shares from June 1, 2024 to the date of submission of this Annual Securities Report.

3. Dividend Policy

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

Regarding the return of profits for the fiscal year under review, besides the profit distribution based on the above policy, the Company repurchased treasury shares totaling 1,966 million yen in order to implement a flexible capital policy in response to changes in the business environment.

In determining the amount of profit dividends, the Company has decided to exclude one-time profit fluctuation factors, such as foreign exchange gains and losses, and to comprehensively consider other shareholder return measures, such as purchase of treasury shares.

As a result, the year-end dividend for the current fiscal year is 19 yen per share, as previously forecasted, for a total annual dividend of 26 yen per share, including the interim dividend.

For the next fiscal year, based on the basic policy on profit distribution, the Company also plans to pay a dividend of 28 yen per share (a consolidated dividend payout ratio of 30.3%).

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

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

Moreover, dividends of surplus for the current fiscal year are as follows.

Date of Resolution	Total dividends (Thousands of yen)	Dividend per share (yen)
November 8, 2023 Board resolution	205,497	7.0
May 21, 2024 Board resolution	534,597	19.0

4. Status of Corporate Governance, etc.

(1) Corporate Governance

1) Basic stance on corporate governance

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

To address the above issues, the Company has appointed two Outside Directors (excluding Directors who are Audit & Supervisory Committee Members) and two Outside Directors who are Audit & Supervisory Committee Members as of the date of submission of this report, to supervise the directors' execution of their duties and to ensure transparency in management. In addition, we have already introduced an executive officer system to clarify the functions of management and supervision and business execution.

The role required of Directors who are Audit & Supervisory Committee Members is also important to strengthen corporate governance. We have established a system whereby the Representative Director and the Audit & Supervisory Committee can deepen mutual understanding through regular meetings.

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

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

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

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

Outline of corporate governance structure

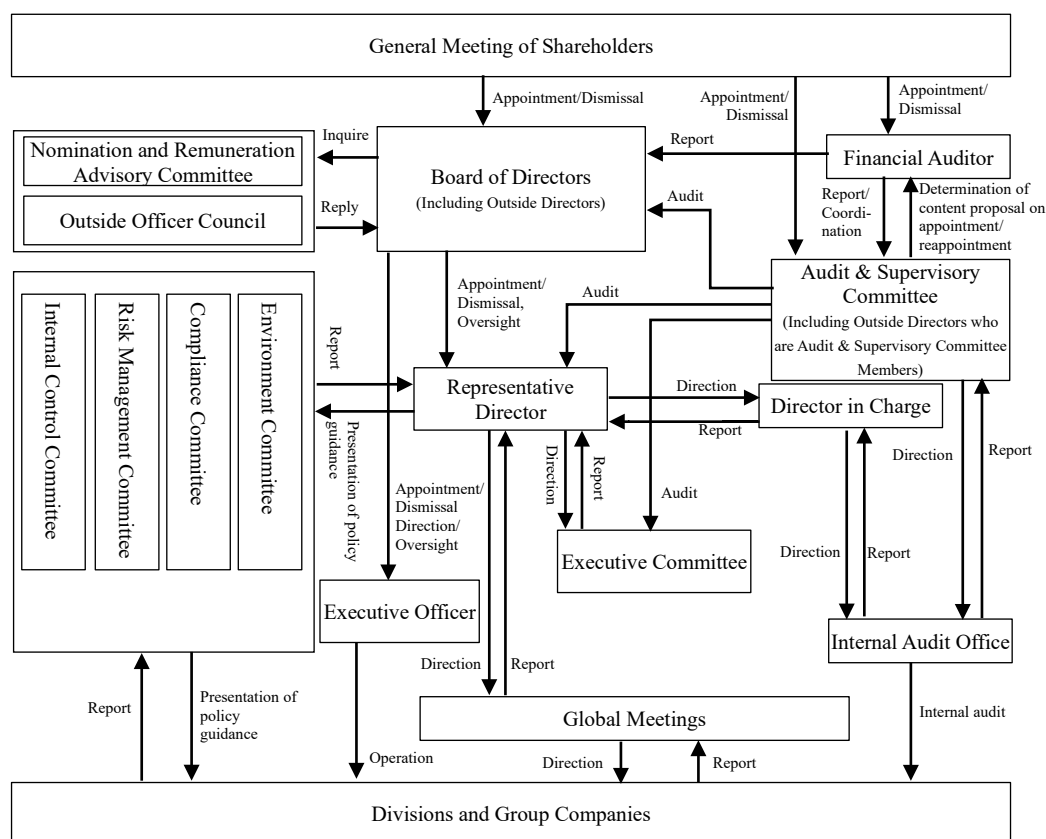
The Company has transitioned to a Company with an Audit & Supervisory Committee from a Company with an Audit & Supervisory Board by a resolution of the 71st Ordinary General Meeting of Shareholders held on June 25, 2024. Through this transition, by appointing Directors who are Audit & Supervisory Committee Members responsible for auditing the execution of duties by Directors, as members of the Board of Directors, the Company aims to strengthen the audit and supervisory functions of the Board of Directors and further enhance corporate governance through a stronger monitoring system.

The Company has adopted a Company with an Audit & Supervisory Committee system in which business execution by Directors (excluding Directors who are Audit & Supervisory Committee Members) elected at the General Meeting of Shareholders is supervised by Directors who are Audit & Supervisory Committee Members, including two Outside Directors who are Audit & Supervisory Committee Members also elected at the General Meeting of Shareholders. We have also introduced an Outside Director system. As of the date of submission of this report, there are seven Directors (excluding Directors who are Audit & Supervisory Committee Members) (including two Outside Directors) and three Directors who are Audit & Supervisory Committee Members (including two Outside Directors). In addition, staff members of the Internal Audit Office closely communicate and exchange information with the Audit & Supervisory Committee and financial auditors in order to conduct efficient audits.

Reasons for adopting this system of corporate governance

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

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



a. Board of Directors

The Board of Directors consists of seven Directors (excluding Directors who are Audit & Supervisory Committee Members) (including two Outside Directors) and three Directors who are Audit & Supervisory Committee Members (including two Outside Directors) and meets regularly once a month in principle, and extraordinary meetings are held as necessary. In addition, the term of office of Directors (excluding Directors who are Audit & Supervisory Committee Members) is set at one year, and the term of office of Directors who are Audit & Supervisory Committee Members is set at two years to clarify their management responsibilities and to build a management structure capable of responding readily to changes in the business environment.

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

Chairman: Yojiro Kamihigashi, President and Representative Director

Members: Tsuyoshi Takagaki, Executive Director; Yoshihiro Iuchi, Director; Norihito Nakatani, Director; Takatomo Imai, Director;

Koji Yoshikawa, Outside Director; Tatsuhiko Saruwatari, Outside Director; Michimasa Teraoka, Director who is a Full-time Audit & Supervisory Committee Member;

Yoko Sato, Outside Director who is an Audit & Supervisory Committee Member; Hiroki Yonekura, Outside Director who is an Audit & Supervisory Committee Member

During the current fiscal year, the attendance of individual Officers is as follows.

Positions	Name	Attendance at meetings
President and Representative Director	Yojiro Kamihigashi	18/18 (100%)
Executive Director	Tsuyoshi Takagaki	18/18 (100%)
Director	Yoshihiro Iuchi	18/18 (100%)
Director	Norihito Nakatani	18/18 (100%)
Director	Takatomo Imai	14/14 (100%) (Note 1)
Outside Director	Koji Yoshikawa	18/18 (100%)
Outside Director	Tatsuhiko Saruwatari	18/18 (100%)

Positions	Name	Attendance at meetings
Full-time Audit & Supervisory Board Member	Michimasa Teraoka	18/18 (100%)
Outside Audit & Supervisory Board Member	Hiroshi Morimoto	18/18 (100%)
Outside Audit & Supervisory Board Member	Yoko Sato	18/18 (100%)

- (Notes)
1. This is the number of attendances since his appointment on June 27, 2023.
 2. Outside Audit & Supervisory Board Member Hiroshi Morimoto retired from the position of Audit & Supervisory Board Member at the conclusion of the 71st Ordinary General Meeting of Shareholders due to the expiration of his term of office, while Full-time Audit & Supervisory Board Member Michimasa Teraoka assumed the position of Director who is a Full-time Audit & Supervisory Committee Member, and Outside Audit & Supervisory Board Member Yoko Sato assumed the position of Outside Director who is an Audit and Supervisory Committee Member.

Main matters resolved and reported at Board of Directors meetings

	Number of cases	Details of main proposals
Matters resolved	62	Approval of budget and financial statements, revision of earnings forecasts and dividend forecasts, company split, sale of assets, decision to invest in production and development facilities, etc., decision to transition to a Company with an Audit & Supervisory Committee, etc.
Matters reported	74	Individual Director activity reports (monthly), overview of financial statements, reports on earnings forecasts, audit reports of the Audit & Supervisory Board and financial auditors, etc.

b. Executive Committee

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

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

c. Audit & Supervisory Committee

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

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

Chairman: Michimasa Teraoka, Director who is a Full-time Audit & Supervisory Committee Member

Members: Yoko Sato, Outside Director who is an Audit & Supervisory Committee Member; Hiroki Yonekura, Outside Director who is an Audit & Supervisory Committee Member

d. Nomination and Remuneration Advisory Committee

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

Names, etc. of members of the Nomination and Remuneration Advisory Committee

Chairman: Tatsuhiko Saruwatari, Outside Director

Members: Tsuyoshi Takagaki, Executive Director; Yoshihiro Iuchi, Director; Koji Yoshikawa, Outside Director; Michimasa Teraoka, Director who is a Full-time Audit & Supervisory Committee Member; Yoko Sato, Outside Director who is an Audit & Supervisory Committee Member; Hiroki Yonekura, Outside Director who is an Audit & Supervisory Committee Member

During the current fiscal year, the attendance of individual Officers is as follows.

Positions	Name	Attendance at meetings
Chairman (Outside Director)	Tatsuhiko Saruwatari	4/4 (100%)
Committee member (Executive Director)	Tsuyoshi Takagaki	4/4 (100%)
Committee member (Director)	Yoshihiro Iuchi	4/4 (100%)
Committee member (Outside Director)	Koji Yoshikawa	4/4 (100%)
Committee member (Full-time Audit & Supervisory Board Member)	Michimasa Teraoka	4/4 (100%)
Committee member (Outside Audit & Supervisory Board Member)	Hiroshi Morimoto	4/4 (100%)
Committee member (Outside Audit & Supervisory Board Member)	Yoko Sato	4/4 (100%)

(Note) Outside Audit & Supervisory Board Member Hiroshi Morimoto retired from the position of Audit & Supervisory Board Member and committee member at the same time at the conclusion of the 71st Ordinary General Meeting of Shareholders.

Main matters to be discussed at the Nomination and Remuneration Advisory Committee meetings

	Details of main proposals
Matters to be discussed	Nominations of candidates for Directors to be submitted to the Ordinary General Meeting of Shareholders Remuneration proposal to be submitted to the Ordinary General Meeting of Shareholders Director bonuses (including individual distributions) and individual remuneration amounts Basic policy on nomination and annual schedule for remuneration Succession planning, etc.

e. Outside Officer Council

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

f. Executive Officer

The Company has introduced an executive officer system to clarify the executive responsibilities and to further speed up and improve efficiency. Executive Officers are responsible for the execution of their duties in accordance with the management policies determined by the Board of Directors. The appointment and dismissal of Executive Officers are made by a resolution of the Board of Directors, and their terms of office are generally one year.

g. Global Meetings

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

Status of Internal Control System

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

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

Status of operation

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

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

- (a) The Company has established Risk Management Rules that systematically specify the risk management of the entire Group and specified the departments responsible for risk management for each risk category. In addition, the Company has established a Risk Management Committee as an organization for overseeing the risk and appointed the Director in charge of Risk Management as the committee chairperson.

Status of operation

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

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

Status of operation

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

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

Status of operation

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

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

Status of operation

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

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

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

Status of operation

The Company seeks to realize the swift and efficient execution of duties by clarifying the division of operations and

approval authority in accordance with the Operational Rules, Approval Authority Rules and other rules.

- (b) The Company has adopted a Company with an Audit & Supervisory Committee to strengthen the monitoring functions of the Board of Directors and seeks to further enhance the speed and fairness of management decisions by delegating authority to Executive Officers and streamlining the organization.

Status of operation

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

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

Status of operation

The Company specifies priority management targets and budget allocation for the entire Group each business year to specifically implement the Medium-term Management Plan. The Company has been revising the previous Medium-term Management Plan, as the impact of the spread of COVID-19 and the shortage of electronic components such as semiconductors caused a large discrepancy between the plan including the business environment assumptions and actual conditions. However, as the recovery of business performance from the COVID-19 pandemic is on track, in May 2023, we formulated a new Medium-term Management Plan, JCM Global Vision 2032, which takes into account the post COVID-19 business environment.

Since the consolidated earnings forecast for the next fiscal year (ending March 31, 2025) has already exceeded the numerical targets for the final year (ending March 31, 2026) of the ongoing medium-term management plan "JCM Global Vision 2032," we are currently reviewing this medium-term management plan or considering a rolling update, and will announce new target figures as soon as they are formulated.

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

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

Status of operation

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

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

Status of operation

The Company has established Compliance Rules and compliance programs, and performs oversight within the Group.

In particular, it regularly holds meetings with subsidiaries in the United States, where regulations based on gaming licenses are stringent, and confirms the status of compliance.

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

Status of operation

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

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

Status of operation

The Company has established a Compliance Manual and detailed rules thereof, and made them available for viewing at any time on the Company's intranet. Furthermore, the Company implements compliance workshops for officers and

senior personnel, compliance training sessions for all employees, and questionnaires on harassment.

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

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

Status of operation

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

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

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

Status of operation

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

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

Status of operation

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

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

Status of operation

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

- f. Matters concerning employees to assist the Audit & Supervisory Committee in its duties

Employees belonging to the corporate planning department works to assist the Audit & Supervisory Committee in its duties. Furthermore, the Company may command employees belonging to the internal audit department to perform matters required for audit operations as needed.

Status of operation

The Company has appointed employees who assists the duties of the Audit & Supervisory Committee and commands employees of the internal audit department, Corporate Planning Division to perform matters required for audit operations as needed.

- g. Matters related to the independence of the employees under the preceding item from Directors (excluding Directors who are Audit & Supervisory Committee Members), and ensuring the effectiveness of instructions to said employees

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

Status of operation

Employees who have received a command required for audit operations from the Audit & Supervisory Committee do not receive any directions or commands from Directors (excluding Directors who are Audit & Supervisory Committee Members) concerning that command. Furthermore, independence from Directors (excluding Directors who are Audit

& Supervisory Committee Members) is ensured by respecting the opinions of the Audit & Supervisory Committee regarding personnel evaluations for said employees. Although there were personnel transfers related to these employees during the period under review, no disciplinary actions were taken against them.

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

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

Status of operation

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

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

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

Status of operation

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

- j. Procedures for the advance payment or reimbursement of expenses incurred in the execution of duties of Directors who are Audit & Supervisory Committee Members (limited to matters related to the execution of duties of the Audit & Supervisory Committee) and other matters concerning policies on the processing of expenses and obligations incurred in the execution of duties of Directors who are Audit & Supervisory Committee Members

The Company earmarks a fixed budget every year for the payment of expenses, etc., incurred in the execution of duties of Directors who are Audit & Supervisory Committee Members.

Status of operation

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

- k. Other systems for ensuring that audits are performed effectively by the Audit & Supervisory Committee

- (a) The Audit & Supervisory Committee always seeks to communicate with Directors (excluding Directors who are Audit & Supervisory Committee Members) and employees.

Status of operation

The Audit & Supervisory Committee seeks to communicate with Directors (excluding Directors who are Audit & Supervisory Committee Members) and employees, and always obtains information useful for the effectiveness of audits.

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

Status of operation

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

Status of Risk Management System

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

Summary of limited liability agreements

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

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

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

3) Number of Directors

The Company's Articles of Incorporation stipulate that the Company shall have no more than 10 Directors (excluding Directors who are Audit & Supervisory Committee Members) and no more than 5 Directors who are Audit & Supervisory Committee Members.

4) Requirements for resolutions of appointment and dismissal of Directors

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

5) Organization for the decision-making body of dividends of surplus

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

6) Acquisition of treasury shares

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

7) Discharge of responsibilities, etc., of Directors including Directors who are Audit & Supervisory Committee Members

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

8) Requirements for a special resolution of General Meeting of Shareholders

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

Basic policy on control of the Company

1) Summary of the content of the basic policy

The Company understands the people controlling the determination of the policies on the Company's finance and business must understand the source of the Company's corporate value, and should be able to enhance the Company's corporate value so as to enable to continuously and sustainably ensure and enhance shareholders' common interests.

The Company does not deny a large purchase of shares if such a purchase would enhance the Company's value and thus contribute to shareholders' common interests. Furthermore, a decision on whether or not to respond to such a proposal of purchasing a large volume of shares that accompanies a transfer of the control of the Company should be made with the general consensus of shareholders.

However, many purchases of a large quantity of shares do not benefit targeted companies in enhancing corporate value and thus the common interests of shareholders, and such purchases often include those that clearly bring about harm to the companies to enhance their corporate value and thus the common interests of shareholders because the purposes of the purchase are to acquire only a specific area of business, assets, technologies, or knowhow, those that may effectively coerce the sale of shares by shareholders, those that do not set aside an adequate time or information for the board of directors of the target company to make an alternative proposal when the board of directors or general shareholders of the target company deliberate on the large purchase of shares, and those requiring the target company to negotiate with the purchaser to agree on more favorable conditions than those presented by the purchaser.

The source of the Group's corporate value lies in promoting the development, manufacture, and sale of equipment capable of reducing the labor required for processing money for every market worldwide on a broader scale. Such a promotion is possible through the practical implementation of core research and technological development with an eye set on the future, against the backdrop of a stable financial foundation and technological capability of money processing centered on the validation and transportation of bills that the Company has developed over many years.

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

2) Summary of special initiatives contributing to the realization of the basic policy

The Company has been developing unique businesses as a group that entails the development, manufacture, and sale of equipment capable of reducing the labor required for processing money for every market worldwide on a broader scale, against the backdrop of a stable financial foundation and technological capability of money processing centered on the validation and transportation of bills that the Company has developed since its establishment.

With the unique nature of the businesses, the Company aims to contribute to the development of the economy and society, as well as the creation of a social environment and security system that meet the needs of the time and will ensure the broader recognition and penetration of the Company's products, which boast high quality and high performance, in the markets and various fields.

Furthermore, the Company has a policy of determining returns to shareholders with consideration of the dividends on net assets based on a consolidated dividend payout ratio of 30% or more, and these will continue to be implemented in accordance with the policy.

3) Summary of initiatives to prevent the Company's policy on finance and business being controlled by an inappropriate person in light of the basic policy

The Company received shareholders' approval of the current measures on large-scale purchases of the Company's shares (hereinafter referred to as "the Plan") at the 70th Ordinary General Meeting of Shareholders held on June 27, 2023. The specific details are as follows.

- a. The Company shall request a purchaser, etc. purchasing a holding of 20% or more of the Company's shares to submit a letter of intent prior to the implementation of the purchase, and to provide the information required for shareholders to make a decision and the Company's Board of Directors to form an opinion no later than ten days of receipt of the letter of intent.
- b. The Company's Board of Directors shall establish an evaluation period of 60 days or 90 days as needed as a grace period

for evaluating and examining the information provided, negotiating with the purchaser, etc., forming opinions on the purchase and alternative proposals.

- c. The Company's Board of Directors shall evaluate and examine the content of the purchase, conduct consultations and negotiations with the purchaser, etc., and present an alternative proposal to shareholders during the above evaluation period. If a decision on whether or not to carry out the Plan is not made during the evaluation period, the evaluation period may be extended by up to 30 days (the first day is not included).
- d. The Company's Board of Directors shall establish a special committee to ensure the objectivity and rationality of its decision, and make a final decision with maximum respect for its recommendations. If the special committee recommends the convocation of a General Meeting of Shareholders on the execution of the Plan, a General Meeting of Shareholders will be convened in the shortest period possible, and a proposal on the execution of the Plan shall be submitted.
- e. If the Plan is carried out, the Company shall adopt the method of allotment of share acquisition rights without contribution, and allot the share acquisition rights to shareholders recorded in the final shareholder registry on the record date specified by the Company's Board of Directors at a ratio of at least one right per share held.
- f. After the allotment of share acquisition rights, the Company shall acquire all unexercised share acquisition rights held by persons other than non-qualified persons such as those designated as large shareholders, and shall grant one of the Company's common shares per share acquisition right in exchange.

4) Judgment of the Company's Board of Directors on the above initiative and reasons therefor

The Plan was formulated as a specific measure to enhance the Company's corporate value, thereby achieving the continuous and sustained enhancement of the common interests of shareholders, and if a purchase of a large quantity of the Company's shares is conducted, the Plan will allow the Company to have negotiations, etc., with the purchaser, etc., in order to ensure the enhancement of the Company's corporate value and thus the common interests of shareholders and contribute to the realization of the basic policy on control of the company.

Furthermore, this Plan does not harm the common interests of the Company's shareholders and is not for the purpose of maintaining the status of the Company's officers owing to the following reasons: i. this Plan completely satisfies the requirements of the Guidelines on Takeover Defense Measures; ii. this Plan prioritizes the will of shareholders (although the Effective Period is until the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2026, the Guidelines on Takeover Defense Measures may be abolished based on the intentions of shareholders prior to the expiration of the Effective Period); iii. this Plan stipulates reasonable and objective Trigger Events; iv. This Plan stipulates the establishment of a Special Committee; and v. The takeover defense measures are not a dead-hand and slow-hand takeover defense measure.

(2) Status of Officers

1) Profiles of officers

Male: 9, Female: 1, (Percentage of female officers: 10.0%)

Positions	Name	Date of birth	Brief career summary		Term of office	Shares held (thousands of shares)
President and Representative Director	Yojiro Kamihigashi	June 5, 1959	Oct. 1984 Jan. 1990	Joined Japan Cash Machine Co., Ltd. Appointed as President and Representative Director of JCM GOLD (H.K.) LTD.	Note 3	1,458
			June 1993 Apr. 1995	Appointed as Director Appointed as Director of JCM AMERICAN CORP.		
			May 1995 July 1996	Director and General Manager of Overseas Sales Department Appointed as Chairman and Representative Director of JCM GOLD (H.K.) LTD.		
			Apr. 2006	Executive General Manager of International Division		
			June 2006 Apr. 2007	Executive Officer Appointed as President and Representative Director (current position)		
			Apr. 2015 June 2015 July 2015	Overall control of Global Commercial Overall control of Global Gaming Appointed as Representative Director of JCM EUROPE GMBH.		
			June 2020	Appointed as President and Representative Director of JCM SYSTEMS CO., LTD.		
			June 2022	Appointed as President and Representative Director of Johto Investment and Development Inc. (current position)		
Executive Director Senior Executive Officer, Executive General Manager of Corporate Planning Division	Tsuyoshi Takagaki	September 13, 1961	Apr. 1985 Aug. 1997 Dec. 2002	Joined TSUTSUNAKA PLASTIC INDUSTRY Co., Ltd. (now Sumitomo Bakelite Co., Ltd.) Joined Japan Cash Machine Co., Ltd. General Manager of General Affairs Department, Administration Division	Note 3	8
			June 2007	Executive Officer and Deputy Executive General Manager of Administration Division		
			Oct. 2011	Senior Executive Officer (current position)		
			June 2013 Dec. 2013	Executive General Manager of Human Resources, General Affairs and Corporate Planning Division Appointed as Director Executive General Manager of Corporate Planning Division (current position)		
			June 2019	Appointed as Executive Director (current position), in charge of First R&D Division and Quality Division		
Director Senior Executive Officer Executive General Manager of Global Strategy Division, and in charge of Sales	Yoshihiro Iuchi	May 21, 1960	Aug. 1985 Mar. 2004 May 2007	Joined Denyo Co., Ltd. Joined Japan Cash Machine Co., Ltd. General Manager of International Division	Note 3	14
			June 2007	Executive Officer and Deputy Executive General Manager of International Division		
			Nov. 2010	Appointed as Representative Director of JCM GOLD (H.K.) LTD.		

Positions	Name	Date of birth	Brief career summary		Term of office	Shares held (thousands of shares)
			June 2016	Senior Executive Officer (current position) in charge of Production Division		
			June 2018	Appointed as Director (current position) Executive General Manager of Global Strategy Division (current position)		
			June 2019	In charge of Sales (current position) in charge of Production Division		
Director Senior Executive Officer Executive General Manager of Production Division, and in charge of Production	Norihito Nakatani	February 20, 1960	June 1980	Joined ELNA CO., LTD.	Note 3	12
			Oct. 1990	Joined Japan Cash Machine Co., Ltd.		
			June 2007	Executive Officer and Deputy Executive General Manager of SCM Division		
			May 2008	Deputy Executive General Manager of Engineering Division		
			Nov. 2010	Appointed as Representative Director of JCM CHINA CO., LTD		
			June 2015	In charge of Production of Creating and Manufacturing Division		
			June 2016	Executive General Manager of Production Division		
			June 2017	Executive General Manager of Second R&D Division		
			June 2018	Senior Executive Officer (current position)		
			June 2019	Appointed as Director (current position) Executive General Manager of First R&D Division Executive General Manager of Quality Division		
			Oct. 2021	In charge of Production (current position)		
			Jan. 2022	Executive General Manager of Production Division (current position)		
Director Senior Executive Officer Representative Director of JCM AMERICAN CORP., Deputy Executive General Manager of Global Strategy Division, Deputy Executive General Manager of Corporate Planning Division, and in charge of Global Finance	Takatomo Imai	February 28, 1961	Sep. 1993	Joined Sumitomo Coal Mining Co., Ltd.	Note 3	8
			Sep. 2001	Joined Japan Cash Machine Co., Ltd.		
			Oct. 2011	Deputy General Manager of Finance and Accounting Division		
			July 2016	Executive Officer and 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	Appointed as Director (current position) Deputy Executive General Manager of Global Strategy Division (current position) in charge of Global Finance (current position)		
Director	Koji Yoshikawa	February 8, 1950	Apr. 1978	Appointed Public Prosecutor of Osaka District Public Prosecutors Office	Note 3	—
			Apr. 2000	Deputy Manager of Special Investigation Department, Osaka District Public Prosecutors Office		
			Apr. 2004	Prosecutor of Supreme Public		

Positions	Name	Date of birth	Brief career summary		Term of office	Shares held (thousands of shares)
			July 2005	Prosecutors Office Deputy Chief Public Prosecutor of Osaka District Public Prosecutors Office		
			Jan. 2009	Chief Public Prosecutor of Kobe District Public Prosecutors Office		
			Jan. 2010	Resigned from Prosecutor		
			Mar. 2010	Registered as Attorney		
			June 2014	Appointed as Outside Director (current position)		
Director	Tatsuhiko Saruwatari	March 1, 1953	Apr. 1976	Joined Toto Kiki Ltd. (now TOTO LTD.)	Note 3	—
			June 2001	Director, Executive Officer, and Director of Equipment Business Group of the same company		
			June 2002	Director, Managing Executive Officer Director of Equipment Business Group, and General Manager of Central Technology Center of the same company		
			June 2006	Director, Senior Managing Executive Officer, in charge of Research & Technology Group and Corporate Planning Department of the same company		
			May 2013	Appointed as Outside Audit & Supervisory Board Member of Izutsuya Co., Ltd.		
			June 2013	Appointed as Representative Director, Executive Vice President of TOTO LTD.		
			June 2016	Appointed as Outside Audit & Supervisory Board Member of NORITAKE CO., LIMITED		
			June 2020	Appointed as Outside Director (current position)		
			June 2023	Appointed as Outside Director of NORITAKE CO., LIMITED (Audit & Supervisory Committee member) (current position)		
Director (Full-time Audit & Supervisory Committee Member)	Michimasa Teraoka	May 17, 1960	June 1980	Joined Japan Cash Machine Co., Ltd.	Note 4	42
			June 2006	Executive Officer and Deputy Executive General Manager of Administration Division		
			June 2007	Senior Executive Officer and Executive General Manager of Administration Division		
			June 2014	Appointed as Executive Board Director of JCM SYSTEMS CO., LTD.		
			June 2017	Senior Executive Officer General Manager of Domestic Business Strategy Department, Corporate Planning Division		
			June 2018	In charge of Risk Management and Internal Audit		
			June 2019	Appointed as Full-time Audit & Supervisory Board Member		
			June 2024	Appointed as Director (Full-time Audit & Supervisory Committee Member) (current position)		
Director (Audit & Supervisory Committee)	Yoko Sato	July 23, 1960	Sep. 1986	Joined Showa Ota & Co. (now Ernst & Young ShinNihon LLC)	Note 4	—

Positions	Name	Date of birth	Brief career summary		Term of office	Shares held (thousands of shares)
Member)			Mar. 1990	Registered as Certified Public Accountant		
			May 2011	Appointed as Senior Partner of Ernst & Young ShinNihon LLC		
			June 2019	Left Ernst & Young ShinNihon LLC		
			Sep. 2019	Representative of Yoko Sato Certified Public Accountant Office (current position)		
			June 2020	Appointed as Outside Audit & Supervisory Board Member		
			June 2024	Appointed as Outside Director (Audit & Supervisory Committee Member) (current position)		
Director (Audit & Supervisory Committee Member)	Hiroki Yonekura	July 2, 1969	Apr. 1999	Registered as Attorney in Japan	Note 4	–
			Aug. 2006	Joined Kitahama Partners		
			Jan. 2007	Registered as Attorney in the State of New York		
			Jan. 2009	Partner of Kitahama Partners (current position)		
			May 2010	Registered as Certified Tax Accountant		
			Apr. 2023	Governor of Japan Federation of Bar Associations Executive Director of Kinki Federation of Bar Associations		
			Apr. 2024	Director of Kinki Federation of Bar Associations (current position)		
			June 2024	Appointed as Outside Director (Audit & Supervisory Committee Member) (current position)		
Total						1,544

- (Notes) 1. As a result of the resolution to amend the Articles of Incorporation at the Ordinary General Meeting of Shareholders held on June 25, 2024, the Company transitioned to a Company with an Audit & Supervisory Committee as of the same date.
2. Directors Koji Yoshikawa and Tatsuhiko Saruwatari as well as Directors who are Audit & Supervisory Committee Members Yoko Sato and Hiroki Yonekura are Outside Directors.
3. One year from the conclusion of the Ordinary General Meeting of Shareholders to be held on June 25, 2024.
4. Two years from the conclusion of the Ordinary General Meeting of Shareholders to be held on June 25, 2024.
5. The Company has introduced an executive officer system to rejuvenate the Board of Directors by separating decision making and supervision from execution. The Executive Officers consist of the following 12 members.

Positions	Name
Executive Director and Senior Executive Officer, Executive General Manager of Corporate Planning Division	Tsuyoshi Takagaki
Director and Senior Executive Officer, Executive General Manager of Global Strategy Division, and in charge of Sales	Yoshihiro Iuchi
Director and Senior Executive Officer, Executive General Manager of Production Division, and in charge of Production	Norihito Nakatani
Director, Senior Executive Officer, Representative Director of JCM AMERICAN CORP., Deputy Executive General Manager of Global Strategy Division and Deputy Executive General Manager of Corporate Planning Division In charge of Global Finance	Takatomo Imai
Senior Executive Officer, Representative Director of JCM EUROPE GMBH.	Mitsuhiro Ueno
Senior Executive Officer and Representative Director of J-CASH MACHINE (THAILAND) CO., LTD. Executive General Manager of R&D Division, and in charge of	Yasuyuki Fujiwara

Positions	Name
Development	
Executive Officer, Representative Director of JCM COMMERCE MECHATRONICS, INC.	Makoto Hasegawa
Executive Officer, Director of JCM COMMERCE MECHATRONICS, INC.	Toshi Yamasaki
Executive Officer, Deputy Executive General Manager of R&D Division	Noriyuki Kanno
Executive Officer, Executive General Manager of Quality Division, and in charge of Quality Division	Masato Onomura
Executive Officer, Representative Director of J-CASH MACHINE GLOBAL MANUFACTURING (PHILIPPINES) INC.	Yuji Kanzaki
Executive Officer, Deputy Executive General Manager of Global Strategy Division	Osamu Hishinuma

2) Status of Outside Directors

The Company has four Outside Directors, two of whom are Outside Directors who are Audit & Supervisory Committee Members. The Company has adopted a system under which Audit & Supervisory Committee Members, including two Outside Directors who are Audit & Supervisory Committee Members, supervise the Directors in their execution of duties.

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

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

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

Outside Director who is an Audit & Supervisory Committee Member Yoko Sato has abundant auditing experience as a certified public accountant and professional knowledge of finance and accounting. As an Outside Audit & Supervisory Board Member of the Company, she also has experience in auditing the business execution of Directors and providing appropriate advice and recommendations from an objective and professional perspective. Therefore, the Company has appointed her, expecting that she will continue to utilize her knowledge and experience to audit and supervise the execution of duties by Directors.

Outside Director who is an Audit & Supervisory Committee Member Hiroki Yonekura possesses legal expertise, as well as overseas experience, as an attorney. As the Company aims to further expand its overseas operations in the future, it has appointed him, expecting that he will utilize his knowledge and experience to ensure sound corporate management, build a strong compliance system, and strengthen the auditing and supervisory functions of the execution of duties by Directors.

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

The Company has an advisory agreement with Kitahama Partners, a law firm to which Director who is an Audit & Supervisory Committee Member Hiroki Yonekura belongs. However, the advisory fee paid to the firm is less than the standard amount stipulated in the Company's "Standards for Determining Independence of Outside Directors" described below, and the law firm does not have a relationship of economic dependency with the Group. Therefore, the Company believes that he has no special interest that would create a conflict of interest with general shareholders.

We believe that the management monitoring function of Outside Directors is expected to be exercised to protect general shareholders in situations where there is a conflict of interest between them and management by ensuring a neutral and objective viewpoint without undue pressure from management. As stated above, the Company has appointed four Outside Directors (including two Outside Directors who are Audit & Supervisory Committee Members), which we believe is an appropriate number for supervising and auditing the Directors' execution of duties.

In addition, as mentioned above, the Company has established its own criteria for Independent Officers with reference to the criteria stipulated by the Tokyo Stock Exchange, as follows.

Standards for Determining Independence of Outside Directors

The Company has established the following standards on independence of Outside Directors, and if it is found that none of the following items apply to an Outside Director as a result of investigations conducted to the extent reasonably possible in the Company, the Outside Director is deemed to have adequate independence from the Company.

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

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

- 3) Relationship between supervision or auditing by Outside Directors including Outside Directors who are Audit & Supervisory Committee Members and internal audits, mutual cooperation with audits by the Audit & Supervisory Committee and accounting audits, and the internal control division

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

(3) Status of Audits

As a result of the resolution to amend the Articles of Incorporation at the 71st Ordinary General Meeting of Shareholders held on June 25, 2024, the Company transitioned to a Company with an Audit & Supervisory Committee as of the same date. With regard to the activities during the current fiscal year (“1) Audits by the Audit & Supervisory Committee and Audit & Supervisory Board Members, b. Activities of Audit & Supervisory Board Members and the Audit & Supervisory Board,” 3) Status of financial audit, and 4) Details of audit fees, etc.), the information is provided on the details of Audit & Supervisory Board Members and the Audit & Supervisory Board before the transition to a Company with an Audit & Supervisory Committee.

1) Audits by the Audit & Supervisory Committee and Audit & Supervisory Board Members

a. Organization, personnel, and procedures of the audits by the Audit & Supervisory Committee

The Company’s Audit & Supervisory Committee consists of one Director who is a Full-time Audit & Supervisory Committee Member and two Outside Directors who are Audit & Supervisory Committee Members. Moreover, employees belonging to the Corporate Planning Division assist in this regard. In accordance with the division of duties determined by the Audit & Supervisory Committee, Directors who are Audit & Supervisory Committee Members attend meetings of the Board of Directors and other important meetings to audit the important decision-making process and execution of duties by the Directors.

In accordance with the policy and the division of duties determined by the Audit & Supervisory Committee, activities of the Director who is a Full-time Audit & Supervisory Committee Member include attending meetings of the Executive Committee and other important meetings, communicating with Directors, taking part in monthly information sharing meetings with the internal audit department and the finance and accounting department, and conducting face-to-face meetings with key persons in individual departments. Through these efforts, the Director who is a Full-time Audit & Supervisory Committee Member seeks to collect information and maintain the audit environment. He also receives reports from Directors and employees regarding the performance of their duties, requests explanations as necessary, examines important documents for approval, and investigates the state of operations and financial position of the Company. With respect to subsidiaries, the Director who is a Full-time Audit & Supervisory Committee Member attends meetings of the Board of Directors and other important meetings, and conducts on-site inspections based on the audit plan.

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

Each year, opinion exchange meetings are held with the Representative Director twice a year and with Directors once a year, which is attended by all Directors who are Audit & Supervisory Committee Members. Participants discuss the issues that should be addressed by the Company, the risks surrounding the Company, the status of establishment of the Company’s environment for audits conducted by the Audit & Supervisory Committee, important issues related to auditing, etc.

Efforts are also made to share information, establish a common understanding, and foster greater trust with Outside Directors through measures such as holding monthly information sharing meetings.

b. Activities of Audit & Supervisory Board Members and the Audit & Supervisory Board

During the fiscal year under review, the Company held meetings of the Audit & Supervisory Board at least once a month, and the attendance of individual Audit & Supervisory Board Members and the matters shared and deliberated in these meetings are as follows.

Meeting attendance by Audit & Supervisory Board Members

Positions	Name	Attendance at meetings
Full-time Audit & Supervisory Board Member	Michimasa Teraoka	15/15 (100%)
Outside Audit & Supervisory Board Member	Hiroshi Morimoto	15/15 (100%)
Outside Audit & Supervisory Board Member	Yoko Sato	15/15 (100%)

(Note) Outside Audit & Supervisory Board Member Hiroshi Morimoto retired from the position of Audit & Supervisory Board Member at the conclusion of the 71st Ordinary General Meeting of Shareholders due to the expiration of his

term of office, while Full-Time Audit & Supervisory Board Member Michimasa Teraoka assumed the position of Director who is a Full-time Audit & Supervisory Committee Member, and Outside Audit & Supervisory Board Member Yoko Sato assumed the position of Outside Director who is an Audit and Supervisory Committee Member.

Main matters shared and deliberated at Audit & Supervisory Board meetings

	Number of cases	Details of main proposals
Matters resolved	8	Audit policy, audit plan, division of responsibilities, reappointment of financial auditor, election of Audit & Supervisory Board Chairperson, election of Full-time Audit & Supervisory Board Member, agreement regarding remuneration to the financial auditor, establishment and revision or abolition of audit-related rules, etc.
Matters discussed	17	Audit policy and audit plan (draft), division of responsibilities, evaluation of the financial auditor, audit reports of the Audit & Supervisory Board, Audit & Supervisory Board Members' remuneration, etc.
Matters reported	38	Full-time Audit & Supervisory Board Member activity reports (monthly), findings of audit result reviews, contents of Annual Securities Report, report on the execution of the financial auditor's duties, confirmation results of the execution of duties by Directors, audit reports of Audit & Supervisory Board Member, etc.

(Main coordination with financial auditor)

(Main coordination with financial auditor)															
Content of coordination	2023									2024					
	April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June
Mutual explanation of audit plan					○										
Report on status of audit of quarterly and year-end financial results		○			○			○			○			○	
KAM status		○			○			○			○		○	○	
Results of audits performed in accordance with the Companies Act and the Financial Instruments and Exchange Act		○	○											○	○
Results of internal control audit			○												○
Subsidiary audit (Visiting audit and interview)						○	○	○			○	○			

2) Status of internal audits

The Company has established an Internal Audit Office for the purpose of auditing the execution of business operations, including those of domestic and overseas subsidiaries, and providing advice on how to improve operational efficiency and appropriateness. The Internal Audit Office audits the status of the preparation and operation of internal controls for departments that execute business, including those in subsidiaries, and the effectiveness of this execution of business. It then reports the results of its audits to the Director in charge and the Audit & Supervisory Committee. Although there is no mechanism in place to report the above results directly to the President and the Board of Directors, the Director in charge who received reports from the Internal Audit Office reports the above results to the President and the Board of Directors as necessary to ensure the effectiveness of internal audits.

The Internal Audit Office seeks mutual communication and closely communicates and exchanges information with the financial auditor to ensure effective and efficient audits.

3) Status of financial audit

a. Name of audit firm

Ernst & Young ShinNihon LLC

b. Continuous audit period

33 years

c. Certified public accountants who performed services

Naotaka Sasayama

Daiki Takai

d. Composition of assistants for audit services

The Company's assistants for financial audit services are five certified public accountants and 15 others.

e. Audit firm selection policy and rationale

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

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

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

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

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

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

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

4) Details of audit fees, etc.

a. Remuneration to certified public accountants, etc.

(Thousands of yen)

Category	Previous fiscal year		Current fiscal year	
	Remuneration for audit & attestation services	Remuneration for non-audit services	Remuneration for audit & attestation services	Remuneration for non-audit services
Submitting company	46,200	—	49,910	—
Consolidated subsidiaries	—	—	—	—
Total	46,200	—	49,910	—

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

(Thousands of yen)

Category	Previous fiscal year		Current fiscal year	
	Remuneration for audit & attestation services	Remuneration for non-audit services	Remuneration for audit & attestation services	Remuneration for non-audit services
Submitting company	—	7,463	—	9,832
Consolidated subsidiaries	69,863	9,785	79,392	16,476
Total	69,863	17,248	79,392	26,308

(Previous fiscal year)

Non-audit services for the Company and its consolidated subsidiaries include advisory services related to transfer pricing taxation.

(Current fiscal year)

Non-audit services for the Company and its consolidated subsidiaries include advisory services related to transfer pricing taxation.

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

Not applicable.

d. Policy for determining audit fees

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

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

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

(4) Remuneration, Etc., of Officers

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

As a result of the resolution to amend the Articles of Incorporation at the 71st Ordinary General Meeting of Shareholders held on June 25, 2024, the Company transitioned to a Company with an Audit & Supervisory Committee as of the same date. In addition, at the meeting of the Board of Directors held on the same day, the Company resolved and established the policy on determination of the content of remuneration, etc. for individual Directors (excluding Directors who are Audit & Supervisory Committee Members).

With regard to the remuneration, etc. for individual Directors for the current fiscal year, the Board of Directors confirmed that the method of determining the content of remuneration, etc. and the consistency of the content of the determined remuneration, etc., with the basic policy concerning a decision resolved by the Board of Directors. In addition, the Board of Directors confirmed that the recommendations of the Nomination and Remuneration Advisory Committee are respected to the maximum extent, and they are aligned with said policy.

With respect to the remuneration of Outside Directors and Directors who are Audit & Supervisory Committee Members, only fixed remuneration is paid to them in order to clarify their roles and responsibilities.

a. Basic policy

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

The remuneration for the Company's Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members) shall be made up of basic remuneration, bonuses that are short-term performance-linked remuneration, and share-based remuneration that is medium- to long-term performance-linked remuneration.

The basic remuneration shall be a fixed remuneration paid monthly according to the position, reflecting the performance evaluation of each officer within a certain range.

The bonuses shall be performance-linked remuneration paid annually based on the level of achievement of the consolidated profit target set out each fiscal year in addition to qualitative elements, such as strengthening a management foundation.

The bonuses shall be paid on the day immediately following the date the General Meeting of Shareholders is held, which coincides with the yearly expiry of the term of office.

The share-based remuneration shall be the issuance of the Company's common stocks with a specified transfer restriction period to the Directors, excluding Outside Directors, depending on their positions, to provide an incentive to achieve sustainable enhancement of the Company's and shareholder values over medium- to long-term.

The remuneration for Outside Directors and Directors who are Audit & Supervisory Committee Members shall be basic

remuneration only and determined through discussions by the Audit & Supervisory Committee within the range approved by the General Meeting of Shareholders.

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

Fixed remuneration

- Basic remuneration

Basic remuneration limit: The limit on basic remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members) shall be 270 million yen per year (including short-term performance-linked remuneration) (not including employee wages), and the limit on basic remuneration for Directors who are Audit & Supervisory Committee Members shall be within 60 million yen per year.

Method of calculation of amount paid to eligible Directors:

Monthly individual remuneration payment amount shall be calculated using an amount of 1,500,000 yen per month per person as a base, multiplied by the following coefficient.

Directors: Within the range of 100-130% of the base amount of basic remuneration according to evaluation.

Senior Directors (Chairman, President, Executive Director): Within the range of 150-250% of the base amount of basic remuneration according to position, evaluation and results.

Variable remuneration

- Short-term performance-linked remuneration (bonuses)

Key Performance Indicator (KPI): Profit attributable to owners of parent

Remuneration amount: Within the general range of 30-40% of the amount of fixed basic remuneration.

Terms of payment: Paid when a profit is recorded each fiscal year, and not paid when a loss is recorded.

Method of calculation of amount paid to eligible Directors:

The maximum total amount to be paid is within the range of 1-2% of profit attributable to owners of parent.

Individual distribution is based on the individual's percentage of the total amount of fixed basic remuneration according to the evaluation of the level of contribution to earnings performance, and calculated within the range of $\pm 30\%$.

- Medium- to long-term performance-linked remuneration (restricted share-based remuneration)

Remuneration limit: Within 70 million yen per year

Method of calculation of amount paid to eligible Directors:

The maximum total amount paid shall be roughly equivalent to 10% of the fixed basic remuneration, and the Company's common shares with restrictions on transfer for a fixed period are provided according to position.

Directors excluding Outside Directors and Directors who are Audit & Supervisory Committee Members are eligible for short-term performance-linked remuneration and medium- to long-term performance-linked remuneration.

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

Details of the resolution of the General Meeting of Shareholders

- Fixed remuneration of Directors (excluding Directors who are Audit & Supervisory Committee Members) (excluding portion of employee salaries of Directors who concurrently serve as employees) and short-term performance-linked remuneration (bonuses)

Annual amount: within 270 million yen (up to ten Directors (excluding Directors who are Audit & Supervisory Committee Members))

Resolution date: June 25, 2024

- Fixed remuneration of Directors who are Audit & Supervisory Committee Members

Annual amount: within 60 million yen (up to five Directors who are Audit & Supervisory Committee Members)

Resolution date: June 25, 2024

- Medium- to long-term performance-linked remuneration (restricted share-based remuneration)

Annual amount: within 70 million yen

Resolution date: June 25, 2024

Persons with authority to determine remuneration, etc.

- Remuneration of Directors (excluding Directors who are Audit & Supervisory Committee Members)

Persons with decision-making authority: Board of Directors (resolutions based on the above basic policy, etc., within the scope of the contents of resolutions of the General Meeting of Shareholders.)

- Remuneration of Directors who are Audit & Supervisory Committee Members

Persons with decision-making authority: The Audit & Supervisory Committee (resolutions based on payment results, etc., within the scope of the contents of resolutions of the General Meeting of Shareholders.)

d. Activities of the Board of Directors and the Nomination and Remuneration Advisory Committee in the process of

determining the remuneration, etc., of the Company's Officers for the current fiscal year, etc.

	Date	Activities
Board of Directors	June 27, 2023	• Resolution on the amount of remuneration for each individual Director
	April 23, 2024	• Resolution on candidates for Directors to be submitted to the 71st Ordinary General Meeting of Shareholders
	May 21, 2024	• Resolution on total amount of Directors' bonuses
	June 18, 2024	• Resolution on the amount of Directors' bonuses distributed to each individual Director
	June 25, 2024	• Resolution on the amount of remuneration for each individual Director
Nomination and Remuneration Advisory Committee	April 25, 2023	• Resolution on nominations of candidates for Directors to be submitted to the 70th Ordinary General Meeting of Shareholders • Discussion of Director bonuses (including individual distributions) and individual remuneration amounts
	August 24, 2023	• Discussion of basic policy on nomination • Confirmation of annual schedule for remuneration
	October 25, 2023	• Discussion on succession planning
	November 26, 2023	• Recommendation and compilation of succession planning
	March 27, 2024	• Resolution on nominations of candidates for Directors to be submitted to the 71st Ordinary General Meeting of Shareholders • Discussion of Director bonuses (including individual distributions) and individual remuneration amounts

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

Executive category	Total amount of remuneration (thousands of yen)	Total amount of remuneration by type (thousands of yen)			Number of eligible officers
		Monetary remuneration		Non-monetary remuneration	
		Fixed remuneration (basic remuneration)	Short-term performance-linked remuneration (bonuses)	Medium- to long-term performance-linked remuneration (restricted share-based remuneration)	
Directors (excluding outside directors)	146,101	106,500	36,000	3,601	5
Corporate auditors (excluding outside corporate auditors)	15,300	15,300	—	—	1
Outside officers	33,600	33,600	—	—	4

(5) Shareholdings

1) Criteria and approach to categorization of investment shares

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

2) Investment shares held for purposes other than pure investment

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

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

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

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

	Number of issues	Total amount on non-consolidated balance sheet (thousands of yen)
Unlisted shares	4	24,700
Shares other than unlisted shares	8	955,058

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

	Number of issues	Total acquisition amount related to increase in number of shares (thousands of yen)	Reason for increase in number of shares
Unlisted shares	—	—	—
Shares other than unlisted shares	1	2,109	Building good and stable relationships

(Note) The number of issues does not include issues increased due to corporate splits.

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

	Number of issues	Total sales amount related to the decrease in the number of shares (thousands of yen)
Unlisted shares	—	—
Shares other than unlisted shares	1	100,607

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

Specified investment shares

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, outline of business collaboration, quantitative effect of holding and reasons for increase in number of shares	Shareholding in the Company
	Number of shares	Number of shares		
	Non-consolidated balance sheet amount (thousands of yen)	Non-consolidated balance sheet amount (thousands of yen)		
Joshin Denki Co., Ltd.	225,000	225,000	Transactions exist with the company mainly in the Equipment for the Amusement Industry business. Held for the purpose of maintaining and strengthening business relationships, etc. As it is difficult to measure the effect of holding quantitatively, the Board of Directors is reviewing the significance of continuing to hold the shares.	Yes
	523,800	439,650		
NCS&A CO., LTD.	381,000	381,000	Transactions exist with the company maintenance and management of information systems. Held for the purpose of maintaining and strengthening business relationships, etc. As it is difficult to measure the effect of holding quantitatively, the Board of Directors is reviewing the significance of continuing to hold the shares.	Yes
	297,942	249,174		
MUSASHI CO., LTD.	17,000	17,000	Transactions exist with the company mainly in the Domestic Commercial business. Held for the purpose of maintaining and strengthening business relationships, etc. As it is difficult to measure the effect of holding quantitatively, the Board of Directors is reviewing the significance of continuing to hold the shares.	No
	31,042	27,115		
NIRAKU GC HOLDINGS, INC.	5,328,000	5,328,000	Transactions exist with the company mainly in the Equipment for the Amusement Industry business. Held for the purpose of maintaining and strengthening business relationships, etc. As it is difficult to measure the effect of holding quantitatively, the Board of Directors is reviewing the significance of continuing to hold the shares.	Yes
	25,258	22,657		
Shinko Shoji Co., Ltd.	20,000	20,000	Transactions exist with the company mainly for the purchase of parts and materials used in the Company's products. Held for the purpose of maintaining and strengthening business relationships, etc. As it is difficult to measure the effect of holding quantitatively, the Board of Directors is reviewing the significance of continuing to hold the shares.	Yes
	23,940	24,480		

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, outline of business collaboration, quantitative effect of holding and reasons for increase in number of shares	Shareholding in the Company
	Number of shares	Number of shares		
	Non-consolidated balance sheet amount (thousands of yen)	Non-consolidated balance sheet amount (thousands of yen)		
DYNAM JAPAN HOLDINGS Co., Ltd.	232,177	208,087	<p>Transactions exist with the company mainly in the Equipment for the Amusement Industry business. Held for the purpose of maintaining and strengthening business relationships, etc.</p> <p>As it is difficult to measure the effect of holding quantitatively, the Board of Directors is reviewing the significance of continuing to hold the shares.</p> <p>The increase in the number of shares is due to purchases by the company's business partners' shareholding association.</p>	No
	19,767	18,405		
Sumitomo Mitsui Financial Group, Inc.	2,200	2,200	<p>Financial transactions exist with Sumitomo Mitsui Banking Corporation, a subsidiary of the issuer, which is its main financial institution. Held for the purpose of facilitating financing.</p> <p>As it is difficult to measure the effect of holding quantitatively, the Board of Directors is reviewing the significance of continuing to hold the shares.</p>	Yes
	19,599	11,655		
Resona Holdings, Inc.	14,425	14,425	<p>Financial transactions exist with Resona Bank, Limited, a subsidiary of the issuer, which is its main financial institution. Held for the purpose of facilitating financing.</p> <p>As it is difficult to measure the effect of holding quantitatively, the Board of Directors is reviewing the significance of continuing to hold the shares.</p>	Yes
	13,708	9,224		
Sumitomo Mitsui Trust Holdings Inc.	—	16,390	<p>Financial transactions exist with Sumitomo Mitsui Trust Bank, Limited, a subsidiary of the issuer, which is its main financial institution. Held for the purpose of facilitating financing. However, all shares held were sold during the current fiscal year.</p>	Yes
	—	74,426		

V. Financial Information

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

- (1) The Company prepares consolidated financial statements in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976).
- (2) The Company prepares non-consolidated financial statements in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963. Hereinafter referred to as the “Regulation on Financial Statements, etc.”).

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

2. Audit certification of financial statements

Pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company’s consolidated financial statements and non-consolidated financial statements for the fiscal year from April 1, 2023 to March 31, 2024 have been audited by Ernst & Young ShinNihon LLC.

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

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

1. Consolidated Financial Statements, Etc.

(1) Consolidated Financial Statements

1) Consolidated balance sheet

(Thousands of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	※4 13,224,447	12,522,582
Notes and accounts receivable - trade, and contract assets	※5 4,516,570	※5,※6 6,575,455
Electronically recorded monetary claims - operating	488,474	※6 481,028
Securities	487,201	58,404
Merchandise and finished goods	5,826,025	12,209,054
Work in process	1,083,263	1,195,138
Raw materials and supplies	4,701,398	6,159,975
Other	2,135,230	1,135,852
Allowance for doubtful accounts	(189,281)	(193,922)
Total current assets	32,273,329	40,143,568
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,171,662	1,307,940
Machinery, equipment and vehicles, net	58,338	112,247
Land	1,515,704	1,524,397
Leased assets, net	0	6,872
Other, net	592,852	998,917
Total property, plant and equipment	※2 3,338,558	※2 3,950,375
Intangible assets		
Software	29,838	48,075
Software in progress	—	3,266
Other	113,994	168,429
Total intangible assets	143,833	219,772
Investments and other assets		
Investment securities	※1 1,168,845	※1 1,010,160
Retirement benefit asset	604,335	745,251
Deferred tax assets	896,193	1,078,961
Other	434,298	499,629
Allowance for doubtful accounts	(77,846)	(72,611)
Total investments and other assets	3,025,828	3,261,392
Total non-current assets	6,508,219	7,431,539
Deferred assets		
Bond issuance costs	35,076	123,098
Total deferred assets	35,076	123,098
Total assets	38,816,625	47,698,207

(Thousands of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	※4 3,559,318	4,583,516
Current portion of long-term borrowings	600,000	1,260,000
Lease liabilities	80,242	105,242
Income taxes payable	356,207	392,121
Provision for bonuses	277,200	366,624
Provision for bonuses for directors (and other officers)	20,000	36,000
Provision for business restructuring	154,756	—
Other	※7 2,577,597	※7 2,517,213
Total current liabilities	7,625,321	9,260,718
Non-current liabilities		
Bonds payable	2,000,000	6,000,000
Long-term borrowings	1,500,000	3,540,000
Lease liabilities	173,125	189,215
Deferred tax liabilities	302,163	—
Other	52,621	52,802
Total non-current liabilities	4,027,910	9,782,017
Total liabilities	11,653,232	19,042,736
Net assets		
Shareholders' equity		
Share capital	2,220,316	2,220,316
Capital surplus	2,765,896	2,764,839
Retained earnings	21,699,807	24,570,828
Treasury shares	(402,481)	(2,353,842)
Total shareholders' equity	26,283,539	27,202,141
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	215,273	287,152
Foreign currency translation adjustment	664,579	1,166,175
Total accumulated other comprehensive income	879,853	1,453,328
Total net assets	27,163,392	28,655,470
Total liabilities and net assets	38,816,625	47,698,207

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

Consolidated statement of income

(Thousands of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net sales	※1 25,258,580	※1 31,610,569
Cost of sales	※2,※4 16,268,572	※2,※4 19,422,282
Gross profit	8,990,008	12,188,287
Selling, general and administrative expenses	※3,※4 8,367,374	※3,※4 9,349,092
Operating profit	622,633	2,839,195
Non-operating income		
Interest income	5,121	19,254
Dividend income	35,991	40,056
Foreign exchange gains	521,229	810,146
Other	127,181	183,658
Total non-operating income	689,524	1,053,115
Non-operating expenses		
Interest expenses	27,382	30,240
Amortization of bond issuance costs	7,015	8,160
Equity method investment loss	—	275,708
Other	10,192	10,165
Total non-operating expenses	44,590	324,275
Ordinary profit	1,267,567	3,568,035
Extraordinary income		
Gain on sale of non-current assets	※5 1,587,839	※5 2,984
Gain on sale of investment securities	—	65,563
Total extraordinary income	1,587,839	68,548
Extraordinary losses		
Loss on retirement of non-current assets	※6 1,492	※6 2,133
Loss on valuation of investment securities	9,568	—
Total extraordinary losses	11,060	2,133
Profit before income taxes	2,844,346	3,634,449
Income taxes - current	564,902	819,494
Income taxes - deferred	(866,703)	(466,973)
Total income taxes	(301,801)	352,521
Profit	3,146,147	3,281,928
Profit attributable to owners of parent	3,146,147	3,281,928

Consolidated statement of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit	3,146,147	3,281,928
Other comprehensive income		
Valuation difference on available-for-sale securities	63,484	71,879
Foreign currency translation adjustment	1,415,119	482,445
Shares of other comprehensive income of entities accounted for using equity method	—	19,151
Total other comprehensive income	※ 1,478,603	※ 573,475
Comprehensive income	4,624,751	3,855,404
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,624,751	3,855,404
Comprehensive income attributable to non-controlling interests	—	—

3) Consolidated statement of changes in equity

Fiscal Year 2023 (From April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,216,945	2,762,525	18,790,970	(2,379)	23,768,061
Changes during period					
Dividends of surplus			(237,310)		(237,310)
Profit (loss) attributable to owners of parent			3,146,147		3,146,147
Purchase of treasury shares				(400,101)	(400,101)
Disposal of treasury shares					—
Issuance of new shares	3,371	3,371			6,742
Net changes in items other than shareholders' equity					—
Total changes during period	3,371	3,371	2,908,837	(400,101)	2,515,478
Balance at end of period	2,220,316	2,765,896	21,699,807	(402,481)	26,283,539

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	151,789	(750,540)	(598,750)	23,169,310
Changes during period				
Dividends of surplus				(237,310)
Profit (loss) attributable to owners of parent				3,146,147
Purchase of treasury shares				(400,101)
Disposal of treasury shares				—
Issuance of new shares				6,742
Net changes in items other than shareholders' equity	63,484	1,415,119	1,478,603	1,478,603
Total changes during period	63,484	1,415,119	1,478,603	3,994,082
Balance at end of period	215,273	664,579	879,853	27,163,392

Fiscal Year 2024 (From April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,220,316	2,765,896	21,699,807	(402,481)	26,283,539
Changes during period					
Dividends of surplus			(410,907)		(410,907)
Profit (loss) attributable to owners of parent			3,281,928		3,281,928
Purchase of treasury shares				(1,966,950)	(1,966,950)
Disposal of treasury shares		(1,057)		15,589	14,532
Issuance of new shares					—
Net changes in items other than shareholders' equity					—
Total changes during period		(1,057)	2,871,020	(1,951,361)	918,602
Balance at end of period	2,220,316	2,764,839	24,570,828	(2,353,842)	27,202,141

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	215,273	664,579	879,853	27,163,392
Changes during period				
Dividends of surplus				(410,907)
Profit (loss) attributable to owners of parent				3,281,928
Purchase of treasury shares				(1,966,950)
Disposal of treasury shares				14,532
Issuance of new shares				—
Net changes in items other than shareholders' equity	71,879	501,596	573,475	573,475
Total changes during period	71,879	501,596	573,475	1,492,077
Balance at end of period	287,152	1,166,175	1,453,328	28,655,470

4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	2,844,346	3,634,449
Depreciation	244,859	388,167
Increase (decrease) in provisions	(38,680)	(195,728)
Interest and dividend income	(41,113)	(59,310)
Interest expenses	27,382	30,240
Amortization of bond issuance costs	7,015	8,160
Foreign exchange losses (gains)	(349,575)	(897,152)
Loss (gain) on sale and retirement of property, plant and equipment	(1,586,347)	(850)
Loss (gain) on sale of investment securities	—	(65,563)
Loss (gain) on valuation of investment securities	9,568	—
Share of loss (profit) of entities accounted for using equity method	—	275,708
Decrease (increase) in trade receivables	(499,831)	(1,641,072)
Decrease (increase) in inventories	(1,745,950)	(7,416,281)
Increase (decrease) in trade payables	1,070,634	665,199
Decrease (increase) in consumption taxes refund receivable	(105,045)	(336,800)
Increase/decrease in other assets/liabilities	(268,929)	1,259,166
Subtotal	(431,667)	(4,351,668)
Interest and dividends received	40,425	58,621
Interest paid	(28,367)	(44,625)
Income taxes paid	(380,094)	(587,543)
Net cash provided by (used in) operating activities	(799,703)	(4,925,216)
Cash flows from investing activities		
Payments into time deposits	—	(73,105)
Proceeds from withdrawal of time deposits	—	95,370
Purchase of property, plant and equipment	(557,256)	(885,967)
Proceeds from sale of property, plant and equipment	1,936,809	5,505
Purchase of intangible assets	(21,124)	(36,599)
Net decrease (increase) in short-term investment securities	(484,925)	482,479
Purchase of investment securities	(2,074)	(2,359)
Purchase of shares of subsidiaries and associates	(240,556)	—
Proceeds from sale of investment securities	45,567	100,886
Payments of guarantee deposits	(154,588)	—
Long-term loan advances	—	(54,062)
Other, net	200	(34,831)
Net cash provided by (used in) investing activities	522,051	(402,683)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(119,552)	—
Proceeds from long-term borrowings	—	3,300,000
Repayments of long-term borrowings	(600,000)	(600,000)
Proceeds from issuance of bonds	—	3,903,817
Dividends paid	(236,504)	(409,666)
Repayments of lease liabilities	(66,719)	(110,357)
Purchase of treasury shares	(400,101)	(1,966,950)
Net cash provided by (used in) financing activities	(1,422,876)	4,116,842
Effect of exchange rate change on cash and cash equivalents	663,010	529,192
Net increase (decrease) in cash and cash equivalents	(1,037,518)	(681,864)
Cash and cash equivalents at beginning of period	14,241,965	13,204,447
Cash and cash equivalents at end of period	※ 13,204,447	※ 12,522,582

Notes to Consolidated Financial Statements

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

1. Scope of consolidation

Number of consolidated subsidiaries: 17

Names of major consolidated subsidiaries

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

2. Application of equity method

- (1) Number of associates accounted for using the equity method and name of major companies

Number of associates accounted for using the equity method: 1

Name of principal companies: Game Payment Technology Ltd.

- (2) Since the closing date of companies accounted for using the equity method differs from the consolidated closing date, the financial statements based on the fiscal years of these companies are used.

3. Fiscal years, etc. of consolidated subsidiaries

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

4. Accounting policies

- (1) Standards and methods for measurement of significant assets

1) Securities

Held-to-maturity securities

Amortized cost method (straight-line method)

Available-for-sale securities

Securities other than shares, etc. without fair market values

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

Shares, etc. without fair market values

Moving average cost method

2) Derivatives

Market value method

3) Inventories

The Company and domestic consolidated subsidiaries

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

Overseas consolidated subsidiaries

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

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

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

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

- (2) Methods of depreciation and amortization for significant assets
- 1) Property, plant and equipment (excluding lease assets and right-of-use assets)
- The Company and domestic consolidated subsidiaries
- Declining balance method
- However, the straight-line method is applied for buildings (excluding attached facilities), etc. acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016.
- Overseas consolidated subsidiaries
- Mainly straight-line method
- Note that the major useful lives are as follows.
- | | |
|-----------------------------------|---------------|
| Buildings and structures | 3 to 50 years |
| Machinery, equipment and vehicles | 4 to 12 years |
- 2) Intangible assets (excluding leased assets and right-of-use assets)
- Straight-line method
- The useful life of software for internal use is based on the usable period within the company (5 years). The useful life for software intended for sale in the market is based on the expected marketable period (3 years).
- 3) Leased assets
- The straight-line method is applied using the lease term as useful life and a residual value of zero.
- 4) Right-of-use assets
- The straight-line method is applied using the lease term as useful life and a residual value of zero.
- (3) Treatment method for deferred assets
- Bond issuance costs
- Amortized using the straight-line method over the period until bond redemption.
- (4) Accounting standards for significant provisions
- 1) Allowance for doubtful accounts
- To provide for losses arising from doubtful accounts, the Company and consolidated domestic subsidiaries record allowance for doubtful accounts using the historical default rate for general receivables, and for doubtful account receivables, record the allowance at an irrecoverable amount calculated based on the recoverability of each doubtful account. Overseas consolidated subsidiaries primarily provide for allowance at the irrecoverable amount calculated on an individual doubtful account basis.
- 2) Provision for bonuses
- To provide for bonus payments to employees, the Company and consolidated domestic subsidiaries record allowance for bonuses calculated based on the projected payment amount. Overseas consolidated subsidiaries do not record provision for bonuses.
- 3) Provision for bonuses for directors (and other officers)
- To provide for bonus payments to directors (and other officers), the Company and consolidated domestic subsidiaries record allowance for bonuses calculated based on the projected payment amount for the current fiscal year. Overseas consolidated subsidiaries do not record provision for bonuses for directors (and other officers).
- 4) Provision for business restructuring
- For business restructuring, provision for business restructuring is recorded at a reasonable cost amount estimated to be incurred in the future.
- (5) Accounting treatment for retirement benefits
- 1) Method for attributing expected benefit payments for the period
- For the calculation of retirement benefit obligation, the benefit formula standard is used as the basis for attributing projected retirement benefits for the period up to the end of the fiscal year under review.
- 2) Method of recording expenses for actuarial gains and losses and past service costs
- Actuarial gains and losses and past service costs are accounted for as expenses at their lump sum amount when incurred.
- (6) Accounting standards for revenue and expenses
- The Group is mainly engaged in the manufacture and sale of money-related equipment.
- For the sale of such merchandise and finished goods, revenue is recognized at a point in time when the merchandise and finished goods are delivered to the customer, meaning when the control over the merchandise and finished goods is transferred to the customer, and the performance obligation is fulfilled. For domestic sales, revenue is recognized at the time of shipment if the

period from the time of shipment to the time when control of the merchandise and finished goods in question is transferred to the customer is a normal period of time.

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

- (7) Standard for translation of significant foreign-currency-denominated assets or liabilities into Japanese yen
Foreign currency-denominated monetary claims and obligations are converted into Japanese yen using the spot exchange rate as of the consolidated closing date, and translation adjustments are recorded as foreign exchange losses (gains). The spot exchange rate as of the closing period is used for assets and liabilities of overseas consolidated subsidiaries and the average rate for the period is used for revenue and expenses to convert these into Japanese yen, and translation adjustments are included in the foreign currency translation adjustment under net assets.
- (8) Methods of significant hedge accounting
- 1) Methods of hedge accounting
Deferred hedging accounting is applied.
Note that designated hedge accounting (*furiate-shori*) is used for forward exchange contract transactions in cases where the criteria for designated hedge accounting are satisfied.
 - 2) Hedging instruments and hedged items
Hedging instruments: Forward exchange contract transactions, etc.
Hedged items: Foreign currency-denominated monetary claims and obligations, and foreign currency-denominated forecasted transactions
 - 3) Hedging policy
Based on internal management rules, if the foreign exchange fluctuation risk is attributable to the Company or a consolidated subsidiary, forward exchange contract transactions are used to hedge such risk based on the principle of actual demand for the risk hedge.
 - 4) Methods for evaluating hedge effectiveness
The effectiveness of hedging is judged based on the fluctuation amounts, etc., of a hedged item and a hedging instrument by comparing their cumulative market fluctuations during the period from the start of the hedging until the time of judging the effectiveness.
- (9) Scope of cash in consolidated statement of cash flows
Cash consists of cash on hand, deposits drawable at any time, and short-term investments with maturities of three months or less from the acquisition date that are readily convertible into cash and are exposed to negligible risk of change in value.

Significant accounting estimates

Previous fiscal year (April 1, 2022 to March 31, 2023)

Valuation of inventories in the Equipment for the Amusement Industry business

1. Amounts recorded on the Consolidated Financial Statements for the fiscal year ended March 31, 2023

Merchandise and finished goods 142,290 thousand yen

Work in process 188,901 thousand yen

Raw materials and supplies 933,243 thousand yen

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

(1) Calculation methods

Inventories on the consolidated balance sheet are stated at the historical cost, and if the net realizable value has fallen below the historical cost at the end of the period, the inventories are stated at the net realizable value.

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

(2) Major assumptions

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

management's forecasts of future demand.

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

The Group's products consist mainly of assembled electronic components, resin molded parts, and metal processed parts, and we retain these products for a long period from procurement of parts to production, sales, disposal, and the likes. Although the Group secures a certain amount of inventories to ensure a timely supply of products that meet market needs, changes in market needs or a contraction in the size of the market in which the Group is involved may result in excess inventories, which could lead to slow-moving inventory. In the amusement industry equipment market in particular, the gradual introduction of smart gaming machines in the market from November 2022 has led to increased demand for related peripheral equipment, and although there are signs of change in the stagnant market environment, uncertainty still remains about the estimates for demand forecasts. If the major assumptions that form the basis for accounting estimates change, an inventory loss could be incurred.

Current fiscal year (April 1, 2023 to March 31, 2024)

Recoverability of deferred tax assets

1. Amounts recorded on the Consolidated Financial Statements for the fiscal year ended March 31, 2024

284,820 thousand yen (the amount of deferred tax assets recorded by the Company)

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

(1) Calculation methods

The Company assesses the possibility of recovering deferred tax assets in accordance with the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26).

As a Category 4 company, the Company records deferred tax assets based on the estimated taxable income before adjusting for temporary differences in the next fiscal year, considering the scheduling of such differences and recognizing deferred tax assets for future deductible temporary differences that can be recovered.

Consolidated subsidiaries also record deferred tax assets based on accounting standards they adopted according to their respective judgment.

(2) Major assumptions

The estimated taxable income for the next fiscal year, which serves as the basis for determining the recoverability of deferred tax assets, is based on business plans approved by the Company's Board of Directors. The primary assumption in the business plan that serves as the basis for estimating taxable income for the next fiscal year is the management's forecast for demand in the next fiscal year.

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

The recoverability of deferred tax assets relies on the estimated taxable income for the next fiscal year, and any changes in the primary assumptions underlying these estimates could result in uncollected deferred tax assets and increased tax expenses.

New accounting standards not yet applied

- “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022, Accounting Standards Board of Japan (ASBJ))
- “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, October 28, 2022, ASBJ)
- “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022, ASBJ)

(1) Overview

On February 2018, “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28), etc. was announced, and the management of practical guidelines for tax effect accounting was transferred from the Japanese Institute of Certified Public Accountants (JICPA) to ASBJ. In the process of deliberation, two topics, which were supposed to be discussed after the announcement of ASBJ Statement No. 28, etc., were deliberated and publicized.

- Accounting for tax expenses (taxation on other comprehensive income)
- Tax effects of the sales of the shares, etc., of subsidiaries when the group taxation regime is applied (shares of subsidiaries or associates)

(2) Date to be applied

These accounting standards will be applied effective from the beginning of the fiscal year ending March 31, 2025.

(3) Effects of application of the accounting standards, etc.

The effects of applying the “Accounting Standard for Current Income Taxes” and relevant ASBJ regulations on the consolidated financial statements are currently under evaluation.

Consolidated balance sheet

* 1. The amounts for non-consolidated subsidiaries and associates are shown below.

(Thousands of yen)

	Previous fiscal year (as of March 31, 2023)	Current fiscal year (as of March 31, 2024)
Investment securities (shares)	245,660	29,622

* 2. Accumulated depreciation of property, plant and equipment

(Thousands of yen)

	Previous fiscal year (as of March 31, 2023)	Current fiscal year (as of March 31, 2024)
	6,395,741	6,475,017

3. Guarantee obligations

The Company guarantees obligations of companies other than consolidated companies.

Guarantee of obligation

(Thousands of yen)

	Previous fiscal year (as of March 31, 2023)	Current fiscal year (as of March 31, 2024)
Trade payables	265,009	193,134

* 4. Pledged assets and secured liabilities

Assets pledged as collateral are shown below.

(Thousands of yen)

	Previous fiscal year (as of March 31, 2023)	Current fiscal year (as of March 31, 2024)
Cash and deposits	20,000	—

The corresponding obligations are shown below.

(Thousands of yen)

	Previous fiscal year (as of March 31, 2023)	Current fiscal year (as of March 31, 2024)
Notes and accounts payable - trade	22,623	—

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

(Thousands of yen)

	Previous fiscal year (as of March 31, 2023)	Current fiscal year (as of March 31, 2024)
Notes receivable - trade	237,245	531,079
Accounts receivable - trade	4,279,324	6,044,375

* 6. Notes and electronically recorded monetary claims - operating maturing at the end of the fiscal year

Notes and electronically recorded monetary claims - operating maturing at the end of the fiscal year are treated as if they were settled on the maturity date. As the last day of the fiscal year under review fell on a holiday for financial institutions, notes and electronically recorded monetary claims - operating maturing at the end of the following fiscal year were treated as if they were settled on the maturity date.

(Thousands of yen)

	Previous fiscal year (as of March 31, 2023)	Current fiscal year (as of March 31, 2024)
Notes receivable - trade	—	38,410
Electronically recorded monetary claims - operating	—	20,487

* 7. The amount of contract liabilities in other is as follows.

(Thousands of yen)

	Previous fiscal year (as of March 31, 2023)	Current fiscal year (as of March 31, 2024)
Contract liabilities	586,555	516,094

Consolidated statement of income

* 1. Revenue from contracts with customers

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

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

(Thousands of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
	205,447	354,165

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

(Thousands of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Salaries and bonuses	2,892,208	3,333,818
Provision of allowance for doubtful accounts	11,648	(4,902)
Provision for bonuses	146,570	190,325
Provision for bonuses for directors (and other officers)	20,000	36,000
Retirement benefit expenses	79,949	(44,729)
Commission fee	712,216	871,326

- * 4. Total research and development expenses included in general and administrative expenses and manufacturing costs for the current fiscal year

(Thousands of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
	1,396,188	1,526,012

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

(Thousands of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Buildings and structures	—	149
Land	1,584,502	—
Machinery, equipment and vehicles	2,509	2,834
Other	827	—

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

(Thousands of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Buildings and structures	0	828
Other	1,491	1,305

Consolidated statement of comprehensive income

* Reclassification adjustments and tax effects relating to other comprehensive income

(Thousands of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Valuation difference on available-for-sale securities:		
Amount arising during the year	81,931	176,771
Reclassification adjustments	9,568	(65,563)
Before tax effect adjustment	91,499	111,208
Tax effect amount	(28,015)	(39,329)
Valuation difference on available-for-sale securities	63,484	71,879
Foreign currency translation adjustment:		
Amount arising during the year	1,415,119	482,445
Shares of other comprehensive income of entities accounted for using equity method:		
Amount arising during the year	—	19,151
Total other comprehensive income	1,478,603	573,475

Consolidated statement of changes in equity

Previous fiscal year (From April 1, 2022 to March 31, 2023)

1. Class and number of issued shares and treasury shares

(Thousands of shares)

	Number of shares as of April 1, 2022	Increase in number of shares during the year	Decrease in number of shares during the year	Number of shares as of March 31, 2023
Issued shares				
Common shares (Note)	29,662	9	—	29,672
Total	29,662	9	—	29,672
Treasury shares				
Common shares (Note)	2	325	0	328
Total	2	325	0	328

(Note) The increase of 9 thousand issued shares (common shares) was due to the issuance of new shares as restricted share-based remuneration by resolution of the Board of Directors held on July 26, 2022. In addition, the increase of 325 thousand treasury shares (common shares) was 325 thousand shares due to the purchase of treasury shares by resolution of the Board of Directors held on February 8, 2023 and 0 thousand shares due to the purchase of shares less than one share unit.

2. Dividends

(1) Dividends paid

(Resolution)	Class of shares	Total dividends (Thousands of yen)	Dividend per share (yen)	Record date	Effective date
Meeting of the Board of Directors held on May 24, 2022	Common shares	148,300	5.0	March 31, 2022	June 7, 2022
Meeting of the Board of Directors held on November 8, 2022	Common shares	89,009	3.0	September 30, 2022	December 5, 2022

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

(Resolution)	Class of shares	Total dividends (Thousands of yen)	Dividend resource	Dividend per share (yen)	Record date	Effective date
Meeting of the Board of Directors	Common shares	205,410	Retained earnings	7.0	March 31, 2023	June 6, 2023

held on May 23, 2023						
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Current fiscal year (April 1, 2023 to March 31, 2024)

1. Class and number of issued shares and treasury shares

(Thousands of shares)

	Number of shares as of April 1, 2023	Increase in number of shares during the year	Decrease in number of shares during the year	Number of shares as of March 31, 2024
Issued shares				
Common shares (Note)	29,672	–	–	29,672
Total	29,672	–	–	29,672
Treasury shares				
Common shares (Note)	328	1,220	12	1,535
Total	328	1,220	12	1,535

(Note) The increase of 1,220 thousand treasury shares (common shares) was 1,220 thousand shares due to the purchase of treasury shares by resolution of the Board of Directors held on February 8, 2024 and 0 thousand shares due to the purchase of shares less than one share unit. In addition, the decrease of 12 thousand treasury shares (common shares) was 12 thousand shares due to the disposal of shares as restricted share-based remuneration by resolution of the Board of Directors held on July 25, 2023 and 0 thousand shares due to the sale of shares less than one share unit.

2. Dividends

(1) Dividends paid

(Resolution)	Class of shares	Total dividends (Thousands of yen)	Dividend per share (yen)	Record date	Effective date
Meeting of the Board of Directors held on May 23, 2023	Common shares	205,410	7.0	March 31, 2023	June 6, 2023
Meeting of the Board of Directors held on November 8, 2023	Common shares	205,497	7.0	September 30, 2023	December 4, 2023

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

(Resolution)	Class of shares	Total dividends (Thousands of yen)	Dividend resource	Dividend per share (yen)	Record date	Effective date
Meeting of the Board of Directors held on May 21, 2024	Common shares	534,597	Retained earnings	19.0	March 31, 2024	June 4, 2024

Consolidated statement of cash flows

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

(Thousands of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Cash and deposits account	13,224,447	12,522,582
Time deposits with maturities of more than three months	(20,000)	—
Cash and cash equivalents	13,204,447	12,522,582

Lease transactions

Lessee

1. Finance leases

Finance leases not involving transfer of ownership

1) Lease asset details

(a) Property, plant and equipment

Inspection equipment (Other)

(b) Intangible assets

Not applicable.

2) Method of depreciation of leased assets

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

2. Operating leases

Future minimum lease payments

(Thousands of yen)

	Previous fiscal year (as of March 31, 2023)	Current fiscal year (as of March 31, 2024)
Due within 1 year	41,565	76,093
Due after 1 year	15,334	57,708
Total	56,899	133,801

Financial instruments

1. Conditions of financial instruments

(1) Policy for handling financial instruments

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

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

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

Borrowings and bonds payable are mainly used to procure funding for capital expenditures and working capital, including funding for inventory, and the redemption date (the date due for full repayment under the contractual repayments) are up to seven years after the closing date.

(2) Details and risk of financial instruments

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

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

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

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

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

(3) Risk management systems for financial instruments

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

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

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

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

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

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

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

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

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

The Company manages liquidity risk through the preparation and updating of a cash management plan in a timely manner by the

department in charge based on reports from each department and maintaining liquidity on hand.

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

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

2. Matters regarding the fair values of financial instruments

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

Previous fiscal year (as of March 31, 2023)

(Thousands of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Securities and investment securities (*2)			
1) Held-to-maturity securities	507,844	507,844	–
2) Available-for-sale securities	877,841	877,841	–
Total assets	1,385,686	1,385,686	–
(2) Bonds payable	2,000,000	1,996,527	(3,472)
(3) Long-term borrowings (includes the current portion of long-term borrowings)	2,100,000	2,099,626	(373)
Total liabilities	4,100,000	4,096,153	(3,846)

Current fiscal year (as of March 31, 2024)

(Thousands of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Securities and investment securities (*2)			
1) Held-to-maturity securities	58,404	58,404	–
2) Available-for-sale securities	955,836	955,836	–
Total assets	1,014,241	1,014,241	–
(2) Bonds payable	6,000,000	5,981,367	(18,632)
(3) Long-term borrowings (includes the current portion of long-term borrowings)	4,800,000	4,798,201	(1,798)
Total liabilities	10,800,000	10,779,568	(20,431)

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

*2. Shares and other securities without market prices are not included in “(1) Securities and Investment securities.” The carrying amounts of such financial instruments in the consolidated balance sheets are as follows.

(Thousands of yen)

Category	Previous fiscal year (as of March 31, 2023)	Current fiscal year (as of March 31, 2024)
Unlisted shares	24,700	24,700
Shares of subsidiaries and associates	245,660	29,622

(Notes) 1. Redemption schedule for monetary claims and securities with maturity after the consolidated closing date
Previous fiscal year (as of March 31, 2023)

(Thousands of yen)

	1 year or less	1 - 5 years	5 - 10 years	Over 10 years
Cash and deposits	13,224,447	—	—	—
Notes and accounts receivable - trade, and contract assets	4,516,570	—	—	—
Electronically recorded monetary claims - operating	488,474	—	—	—
Securities and investment securities				
Held-to-maturity securities				
Bonds payable	—	—	—	—
Other	507,844	—	—	—
Total	18,737,336	—	—	—

Current fiscal year (as of March 31, 2024)

(Thousands of yen)

	1 year or less	1 - 5 years	5 - 10 years	Over 10 years
Cash and deposits	12,522,582	—	—	—
Notes and accounts receivable - trade, and contract assets	6,575,455	—	—	—
Electronically recorded monetary claims - operating	481,028	—	—	—
Securities and investment securities				
Held-to-maturity securities				
Bonds payable	—	—	—	—
Other	58,404	—	—	—
Total	19,637,470	—	—	—

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

Previous fiscal year (as of March 31, 2023)

(Thousands of yen)

	1 year or less	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years
Bonds payable	—	—	—	—	—	2,000,000
Long-term borrowings (Current portion of long-term borrowings)	600,000	600,000	600,000	300,000	—	—
Lease liabilities	80,242	76,127	62,662	33,884	451	—
Total	680,242	676,127	662,662	333,884	451	2,000,000

Current fiscal year (as of March 31, 2024)

(Thousands of yen)

	1 year or less	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years
Bonds payable	—	—	—	—	2,000,000	4,000,000
Long-term borrowings (Current portion of long-term borrowings)	1,260,000	1,260,000	960,000	660,000	660,000	—
Lease liabilities	105,242	98,274	62,329	27,207	702	702
Total	1,365,242	1,358,274	1,022,329	687,207	2,660,702	4,000,702

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

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

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

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

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

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

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

Previous fiscal year (as of March 31, 2023)

(Thousands of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other	877,841	—	—	877,841
Total assets	877,841	—	—	877,841

Current fiscal year (as of March 31, 2024)

(Thousands of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other	955,836	—	—	955,836
Total assets	955,836	—	—	955,836

(2) Financial instruments other than those recorded on the consolidated balance sheet at fair value
Previous fiscal year (as of March 31, 2023)

(Thousands of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Held-to-maturity securities	—	507,844	—	507,844
Total assets	—	507,844	—	507,844
Bonds payable	—	1,996,527	—	1,996,527
Long-term borrowings (includes the current portion of long-term borrowings)	—	2,099,626	—	2,099,626
Total liabilities	—	4,096,153	—	4,096,153

Current fiscal year (as of March 31, 2024)

(Thousands of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Held-to-maturity securities	—	58,404	—	58,404
Total assets	—	58,404	—	58,404
Bonds payable	—	5,981,367	—	5,981,367
Long-term borrowings (includes the current portion of long-term borrowings)	—	4,798,201	—	4,798,201
Total liabilities	—	10,779,568	—	10,779,568

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

(1) Securities and investment securities

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

(2) Bonds payable

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

(3) Long-term borrowings (includes the current portion of long-term borrowings)

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

Securities

1. Held-to-maturity securities

Previous fiscal year (as of March 31, 2023)

(Thousands of yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Fair value above consolidated balance sheet amount	(1) Government and municipal bonds	—	—	—
	(2) Bonds payable	—	—	—
	(3) Other	—	—	—
	Subtotal	—	—	—
Fair value at or below consolidated balance sheet amount	(1) Government and municipal bonds	—	—	—
	(2) Bonds payable	—	—	—
	(3) Other	507,844	507,844	—
	Subtotal	507,844	507,844	—
Total		507,844	507,844	—

Current fiscal year (as of March 31, 2024)

(Thousands of yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Fair value above consolidated balance sheet amount	(1) Government and municipal bonds	—	—	—
	(2) Bonds payable	—	—	—
	(3) Other	—	—	—
	Subtotal	—	—	—
Fair value at or below consolidated balance sheet amount	(1) Government and municipal bonds	—	—	—
	(2) Bonds payable	—	—	—
	(3) Other	58,404	58,404	—
	Subtotal	58,404	58,404	—
Total		58,404	58,404	—

2. Available-for-sale securities

Previous fiscal year (as of March 31, 2023)

(Thousands of yen)

	Type	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount above acquisition cost	(1) Shares	877,841	586,217	291,624
	(2) Bonds			
	1) Government and municipal bonds	—	—	—
	2) Bonds payable	—	—	—
	3) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	877,841	586,217	291,624
Consolidated balance sheet amount at or below acquisition cost	(1) Shares	—	—	—
	(2) Bonds			
	1) Government and municipal bonds	—	—	—
	2) Bonds payable	—	—	—
	3) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	—	—	—
Total		877,841	586,217	291,624

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

Current fiscal year (as of March 31, 2024)

(Thousands of yen)

	Type	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount above acquisition cost	(1) Shares	936,069	522,920	413,148
	(2) Bonds			
	1) Government and municipal bonds	—	—	—
	2) Bonds payable	—	—	—
	3) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	936,069	522,920	413,148
Consolidated balance sheet amount at or below acquisition cost	(1) Shares	19,767	20,515	(747)
	(2) Bonds			
	1) Government and municipal bonds	—	—	—
	2) Bonds payable	—	—	—
	3) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	19,767	20,515	(747)
Total		955,836	543,436	412,400

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

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

Previous fiscal year (April 1, 2022 to March 31, 2023)

Not applicable.

Current fiscal year (April 1, 2023 to March 31, 2024)

(Thousands of yen)

Type	Amount sold	Total gain on sale	Total loss on sale
(1) Shares	100,886	65,563	—
(2) Bonds			
1) Government and municipal bonds	—	—	—
2) Bonds payable	—	—	—
3) Other	—	—	—
(3) Other	—	—	—
Total	100,886	65,563	—

4. Securities for which impairment losses were recognized

Previous fiscal year (April 1, 2022 to March 31, 2023)

The Group recognized impairment losses of investment securities (shares of available-for-sale securities) of 9,568 thousand yen for the current fiscal year.

Current fiscal year (April 1, 2023 to March 31, 2024)

Not applicable.

Derivatives transactions

Previous fiscal year (April 1, 2022 to March 31, 2023)

Not applicable.

Current fiscal year (April 1, 2023 to March 31, 2024)

Not applicable.

Employee retirement benefits

1. Outline of adopted employee retirement benefit plan

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

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

2. Defined benefit plan

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

	(Thousands of yen)	
	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Retirement benefit obligation at beginning of year	779,412	796,719
Service costs	65,477	70,905
Interest costs	2,824	4,438
Actuarial differences	(4,674)	(23,453)
Retirement benefits paid	(46,321)	(28,084)
Retirement benefit obligation at end of year	796,719	820,525

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

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

	(Thousands of yen)	
	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Pension assets at beginning of year	1,393,166	1,401,055
Expected return on plan assets	14,787	18,030
Actuarial differences	(22,161)	113,131
Amount of employer contribution	61,584	61,644
Retirement benefits paid	(46,321)	(28,084)
Pension assets at end of year	1,401,055	1,565,776

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

	(Thousands of yen)	
	Previous fiscal year (as of March 31, 2023)	Current fiscal year (as of March 31, 2024)
Retirement benefit obligation for funded plans	796,719	820,525
Pension assets	(1,401,055)	(1,565,776)
	(604,335)	(745,251)
Retirement benefit obligation for unfunded plans	—	—
Net liability and assets recorded on consolidated balance sheet	(604,335)	(745,251)
Retirement benefit asset	(604,335)	(745,251)
Net liability and assets recorded on consolidated balance sheet	(604,335)	(745,251)

(4) Retirement benefit expenses and breakdown

(Thousands of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Service costs	65,477	70,905
Interest costs	2,824	4,438
Expected return on plan assets	(14,787)	(18,030)
Amortization of actuarial differences	17,487	(136,585)
Retirement benefit expenses related to defined benefit plans	71,001	(79,271)

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

(5) Matters related to pension assets

1) Breakdown of principal pension assets

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

	Previous fiscal year (as of March 31, 2023)	Current fiscal year (as of March 31, 2024)
Bonds	25%	40%
Shares	30	34
Cash and deposits	23	16
Other	22	10
Total	100	100

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

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

(6) Matters concerning basis for calculating actuarial differences

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

	Previous fiscal year (as of March 31, 2023)	Current fiscal year (as of March 31, 2024)
Discount rate	0.6%	0.9%
Long-term expected rate of return on plan assets	1.0%	1.0%

3. Defined contribution plan

The required defined contribution of the Company and its consolidated subsidiaries to the defined contribution plan was 22,021 thousand yen for the previous fiscal year (April 1, 2022 to March 31, 2023) and 22,459 thousand yen for the current fiscal year (April 1, 2023 to March 31, 2024).

Tax effect accounting

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

	(Thousands of yen)	
	Previous fiscal year (as of March 31, 2023)	Current fiscal year (as of March 31, 2024)
Deferred tax assets		
Unrealized income	87,408	141,103
Retirement benefits for directors (and other officers) payable	13,087	13,087
Loss on valuation of inventories	477,746	515,703
Provision for bonuses	101,899	143,289
Loss on valuation of golf club membership	14,793	14,793
Amount exceeding the threshold amount for inclusion of lump-sum depreciable assets in tax deductibles	4,270	6,042
Amount exceeding the threshold amount for inclusion of allowance for doubtful accounts in tax deductibles	67,272	49,057
Amount of selling, general and administrative expenses rejected from inclusion in tax deductibles	152,589	129,075
Amount of intangible assets rejected from inclusion in tax deductibles	264,492	198,633
Loss on valuation of investment securities	9,800	4,494
Tax loss carried forward (Note)	1,656,337	1,358,815
Provision for business restructuring	46,689	—
Impairment losses on non-current assets	232,069	148,621
Intangible assets identified in business combination	504,942	447,001
Other	252,571	464,860
Deferred tax assets subtotal	3,885,970	3,634,581
Valuation allowance pertaining to tax loss carried forward (Note)	(1,656,337)	(1,298,091)
Valuation allowance pertaining to total deductible temporary differences	(1,152,599)	(670,583)
Valuation allowance	(2,808,937)	(1,968,674)
Total deferred tax assets	1,077,033	1,665,906
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(85,669)	(124,998)
Retained earnings of subsidiaries	(193,897)	(220,167)
Retirement benefit asset	(180,839)	(222,806)
Other	(22,595)	(18,972)
Total deferred tax liabilities	(483,003)	(586,945)
Net deferred tax assets (liabilities)	594,030	1,078,961

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

Previous fiscal year (as of March 31, 2023)

	(Thousands of yen)						
	1 year or less	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years	Total
Tax loss carried forward *	—	—	—	156,216	—	1,500,121	1,656,337

Valuation allowance	—	—	—	(156,216)	—	(1,500,121)	(1,656,337)
Deferred tax assets	—	—	—	—	—	—	—

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

Current fiscal year (as of March 31, 2024)

(Thousands of yen)

	1 year or less	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years	Total
Tax loss carried forward (*)	—	—	75,813	—	32,473	1,250,528	1,358,815
Valuation allowance	—	—	(15,089)	—	(32,473)	(1,250,528)	(1,298,091)
Deferred tax assets	—	—	60,724	—	—	—	60,724

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

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

	Previous fiscal year (as of March 31, 2023)	Current fiscal year (as of March 31, 2024)
Effective statutory tax rate (Adjustment)	30.6%	30.6%
Difference in tax rates with overseas consolidated subsidiaries	(1.5)	(1.3)
Permanently non-deductible entertainment expenses and other items	3.9	4.2
Permanently non-taxable dividends received and other items	(2.7)	(5.1)
Elimination of dividends received from subsidiaries	—	5.1
Valuation allowance	(44.6)	(23.1)
Per capita rate of residence tax	0.7	0.4
Retained earnings of overseas subsidiaries	6.8	0.7
Tax credits	(2.2)	(2.6)
Elimination of unrealized income	(1.6)	2.6
Other	(0.0)	(1.8)
Effective tax rate after application of tax effect accounting	(10.6)	9.7

(Business combinations, etc.)

Transactions under common control, etc.

Based on a resolution by the Board of Directors on July 25, 2023, the Company conducted an absorption-type company split (simplified absorption-type split) on October 1, 2023, through which the Company's consolidated subsidiary JCM Systems Co., Ltd. transferred its business of selling amusement industry equipment, etc., and the management business of its wholly-owned subsidiary JCM Meiho Co., Ltd. to the Company.

1. Outline of the transaction

(1) Name of the target business and the nature of its business

Name of the business The business of selling amusement industry equipment, etc. of the consolidated subsidiary, JCM Systems Co., Ltd., and the business of managing the activities of JCM Meiho Co., Ltd., a wholly-owned subsidiary of JCM Systems Co., Ltd., through its ownership

Description of the business Sales, installation and maintenance of amusement industry equipment, etc., and management of JCM Meiho Co., Ltd.

(2) Date of business combination

October 1, 2023

(3) Legal form of business combination

A simplified absorption-type split with JCM Systems Co., Ltd. as the split company and the Company as the successor company

(4) Name of the company after combination

There is no change.

(5) Other matters related to outline of transactions

Although the Group operates its business based on a three-region system consisting of the Americas, Europe, and Asia (including Japan), only the business of selling amusement industry equipment, etc. in Japan has been operated independently by JCM Systems Co., Ltd. due in part to the business integration with other companies in the past.

Recently, as the business environment for the Amusement Industry business has become increasingly challenging, the Company decided to succeed this business through a company split to further expand and develop the business by integrating operations with the Asian region under the three-region system in order to coordinate with the operational structure of each business, and strengthening the management system from a global perspective. At the same time, by making JCM Meiho Co., Ltd., which is involved in the business of selling amusement industry equipment, etc. in Japan, a subsidiary of the Company, we aim to strengthen the relationship with the Company's business of selling amusement industry equipment, etc. in the future.

2. Summary of accounting treatment performed

This absorption-type split has been accounted for as a transaction under common control based on the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

Revenue recognition

1. Information disaggregating revenue from contracts with customers

Previous fiscal year (April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Reportable segments				Total
	Global Gaming	International Commercial	Domestic Commercial	Equipment for the Amusement Industry	
Japan	—	1,064	1,857,867	4,345,690	6,204,621
North America	10,938,808	388,527	—	—	11,327,336
Europe	2,831,666	3,433,136	—	—	6,264,803
Other regions	813,513	648,306	—	—	1,461,819
Revenue from contracts with customers	14,583,988	4,471,034	1,857,867	4,345,690	25,258,580
Other revenue	—	—	—	—	—
Sales to external customers	14,583,988	4,471,034	1,857,867	4,345,690	25,258,580

Current fiscal year (April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Reportable segments				Total
	Global Gaming	International Commercial	Domestic Commercial	Equipment for the Amusement Industry	
Japan	—	5,481	2,692,078	5,723,219	8,420,780
North America	11,941,638	280,392	—	—	12,222,030
Europe	3,755,902	4,811,259	—	—	8,567,162
Other regions	1,581,774	818,822	—	—	2,400,596
Revenue from contracts with customers	17,279,315	5,915,955	2,692,078	5,723,219	31,610,569
Other revenue	—	—	—	—	—
Sales to external customers	17,279,315	5,915,955	2,692,078	5,723,219	31,610,569

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

The information that serves as the basis for understanding revenue from contracts with customers is as described in section “4. Accounting policies” in “(6) Accounting standards for revenue and expenses” under “Material matters that serve as the basis for preparing Consolidated Financial Statements.”

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

(1) Balance of contract assets and contract liabilities

(Thousands of yen)

	Previous fiscal year (as of March 31, 2023)	Current fiscal year (as of March 31, 2024)
Receivables from contracts with customers (at beginning of year)	3,990,985	5,005,044
Receivables from contracts with customers (at end of year)	5,005,044	7,056,483
Contract liabilities (at beginning of year)	262,681	586,555
Contract liabilities (at end of year)	586,555	516,094

(Note) Contract liabilities are recorded in “Other” on the consolidated balance sheet and primarily represent consideration received from customers prior to delivery of products. Contract liabilities are reversed upon revenue recognition. The amount of revenue recognized in the previous fiscal year that was included in the contract liabilities balance at the beginning of year was 262,681 thousand yen. The amount of revenue recognized in the current fiscal year that was included in the contract liabilities balance at the beginning of year was 586,555 thousand yen.

(2) Transaction price allocated to remaining performance obligations

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

Segment and other information

Segment information

1. Overview of reportable segments

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

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

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

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

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

The accounting method for reportable business segments is in accordance with the accounting policies adopted to prepare the consolidated financial statements.

Intersegment revenues and transfers are based on prevailing market prices.

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

Previous fiscal year (April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Reportable segments					Adjustments (Note)	Amount recorded on consolidated financial statements
	Global gaming	Overseas commercial	Domestic commercial	Equipment for amusement industry	Total		
Net sales							
Sales to external customers	14,583,988	4,471,034	1,857,867	4,345,690	25,258,580	—	25,258,580
Inter-segment sales and transfers	—	—	—	—	—	—	—
Total	14,583,988	4,471,034	1,857,867	4,345,690	25,258,580	—	25,258,580
Segment profit (loss)	1,646,303	37,751	102,132	(125,024)	1,661,161	(1,038,528)	622,633
Segment assets	14,822,018	6,321,863	1,749,436	3,663,845	26,557,164	12,259,460	38,816,625
Other items							
Depreciation	151,883	29,279	3,465	21,740	206,368	38,490	244,859
Investments in companies accounted for using the equity method	107,353	138,307	—	—	245,660	—	245,660
Increase in property, plant and equipment and intangible assets	179,820	60,696	15,925	160,514	416,957	181,306	598,263

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

- (1) Adjustment on segment profit (loss) amounting to (1,038,528) thousand yen reflects corporate-wide expenses not allocated to each reportable segment.
- (2) Adjustment on segment assets amounting to 12,259,460 thousand yen reflects corporate-wide assets not allocated to each reportable segment.
- (3) Adjustment on depreciation amounting to 38,490 thousand yen reflects depreciation associated with corporate-wide assets not allocated to each reportable segment.
- (4) Adjustment on increase in property, plant and equipment and intangible assets amounting to 181,306 thousand yen reflects capital investment associated with corporate-wide assets not allocated to each reportable segment.

Current fiscal year (April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Reportable segments					Adjustments (Note)	Amount recorded on consolidated financial statements
	Global gaming	Overseas commercial	Domestic commercial	Equipment for amusement industry	Total		
Net sales							
Sales to external customers	17,279,315	5,915,955	2,692,078	5,723,219	31,610,569	—	31,610,569
Inter-segment sales and transfers	—	—	—	—	—	—	—
Total	17,279,315	5,915,955	2,692,078	5,723,219	31,610,569	—	31,610,569
Segment profit (loss)	2,794,890	(175,881)	523,716	1,001,985	4,144,710	(1,305,515)	2,839,195
Segment assets	19,290,610	8,862,548	3,031,959	3,586,493	34,771,611	12,926,595	47,698,207
Other items							
Depreciation	225,610	48,251	9,550	33,155	316,568	71,598	388,167
Investments in companies accounting for using the equity method	12,523	17,099	—	—	29,622	—	29,622
Increase in property, plant and equipment and intangible assets	567,532	100,941	33,990	125,938	828,403	206,812	1,035,215

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

- (1) Adjustment on segment profit (loss) amounting to (1,305,515) thousand yen reflects corporate-wide expenses not allocated to each reportable segment.
- (2) Adjustment on segment assets amounting to 12,926,595 thousand yen reflects corporate-wide assets not allocated to each reportable segment.
- (3) Adjustment on depreciation amounting to 71,598 thousand yen reflects depreciation associated with corporate-wide assets not allocated to each reportable segment.
- (4) Adjustment on increase in property, plant and equipment and intangible assets amounting to 206,812 thousand yen reflects capital investment associated with corporate-wide assets not allocated to each reportable segment.

Related information

Previous fiscal year (April 1, 2022 to March 31, 2023)

1. Information by product and service

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

2. Information by region

(1) Net sales

(Thousands of yen)

Japan	North America	Europe	Other regions	Total
6,204,621	11,327,336	6,264,803	1,461,819	25,258,580

(Notes) 1. Net sales are based on the location of customers and are classified by country or region.

2. Of North America, the United States accounts for 11,247,965 thousand yen.

(2) Property, plant and equipment

(Thousands of yen)

Japan	North America	Europe	Other regions	Total
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2,515,032	384,697	58,973	379,853	3,338,558
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(Note) Of North America, the United States accounts for 384,697 thousand yen.

3. Information by major customer

(Thousands of yen)

Name or designation of customers	Net sales	Related segment names
Aristocrat Technologies Inc.	2,584,290	Global Gaming

Current fiscal year (April 1, 2023 to March 31, 2024)

1. Information by product and service

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

2. Information by region

(1) Net sales

(Thousands of yen)

Japan	North America	Europe	Other regions	Total
8,420,780	12,222,030	8,567,162	2,400,596	31,610,569

(Notes) 1. Net sales are based on the location of customers and are classified by country or region.

2. Of North America, the United States accounts for 11,952,137 thousand yen. Of Europe, Germany accounts for 3,655,584 thousand yen

(2) Property, plant and equipment

(Thousands of yen)

Japan	North America	Europe	Other regions	Total
2,830,397	437,968	59,164	622,845	3,950,375

(Note) Of North America, the United States accounts for 437,968 thousand yen. Of other regions, the Philippines accounts for 439,373 thousand yen.

3. Information by major customer

(Thousands of yen)

Name or designation of customers	Net sales	Related segment names
Aristocrat Technologies Inc.	3,460,657	Global Gaming

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

Previous fiscal year (April 1, 2022 to March 31, 2023)

Not applicable.

Current fiscal year (April 1, 2023 to March 31, 2024)

Not applicable.

Information regarding amortization of goodwill and unamortized balance by reportable segment

Previous fiscal year (April 1, 2022 to March 31, 2023)

Not applicable.

Current fiscal year (April 1, 2023 to March 31, 2024)

Not applicable.

Information regarding gains on negative goodwill by reportable segment

Previous fiscal year (April 1, 2022 to March 31, 2023)

Not applicable.

Current fiscal year (April 1, 2023 to March 31, 2024)

Not applicable.

Related parties

Previous fiscal year (April 1, 2022 to March 31, 2023)

Not applicable.

Current fiscal year (April 1, 2023 to March 31, 2024)

Not applicable.

Per share information

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Net assets per share (yen)	925.68	1,018.44
Basic earnings per share (yen)	106.24	112.59

(Notes) 1. Diluted earnings per share is not shown in the above table, as there were no potential shares.

2. The basis for calculation of basic earnings per share is shown below.

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Profit attributable to owners of parent (thousands of yen)	3,146,147	3,281,928
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to owners of parent with respect to common shares (thousands of yen)	3,146,147	3,281,928
Average number of common shares during the fiscal year (shares)	29,612,372	29,149,252

Significant subsequent events

Purchase of treasury shares

At the meeting of the Board of Directors held on May 9, 2024, the Company resolved to purchase its treasury shares and the specific method of purchase, pursuant to Article 459, paragraph (1) of the Companies Act and Article 41 of the Company's Articles of Incorporation, and on May 10, 2024, the Company implemented the purchase of treasury shares as follows.

1. Reason for the purchase of treasury shares

To implement a flexible capital policy in response to changes in the business environment.

2. Details of matters relating to purchase

- | | |
|---|---|
| (1) Class of shares to be purchased: | Common stock of the Company |
| (2) Total number of shares to be purchased: | 1,217,100 shares |
| (3) Total amount for share purchase: | 1,576,144,500 yen |
| (4) Date of purchase: | May 10, 2024 |
| (5) Method of purchase: | Purchases through Off-Auction Own Share Repurchase Trading System (ToSTNeT-3) on the Tokyo Stock Exchange |

5) Consolidated supplementary financial schedules

Schedule of corporate bonds

Company	Issue	Issue date	Balance at beginning of fiscal year (Thousands of yen)	Balance at end of fiscal year (Thousands of yen)	Interest rate (%)	Secured/unsecured	Maturity
Japan Cash Machine Co., Ltd.	First series unsecured bonds	April 12, 2021	2,000,000	2,000,000	0.42	None	April 12, 2028
Japan Cash Machine Co., Ltd.	Second series unsecured bonds	March 11, 2024	—	4,000,000	1.06	None	March 11, 2031

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

(Thousands of yen)

1 year or less	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years
—	—	—	—	2,000,000

Schedule of borrowings, etc.

Category	Balance at beginning of fiscal year (Thousands of yen)	Balance at end of fiscal year (Thousands of yen)	Average interest rate (%)	Repayment term
Current portion of long-term borrowings	600,000	1,260,000	0.7	—
Current portion of lease liabilities	80,242	105,242	2.4	—
Long-term borrowings (excluding current portion)	1,500,000	3,540,000	0.7	2025 - 2029
Lease liabilities (excluding current portion)	173,125	189,215	2.6	2025 - 2030
Total	2,353,368	5,094,457	—	—

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

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

(Thousands of yen)

	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years
Long-term borrowings	1,260,000	960,000	660,000	660,000
Lease liabilities	98,274	62,329	27,207	702

Schedule of asset retirement obligations

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

(2) Other

1) Quarterly information for the current fiscal year

(Cumulative period)	First quarter	Second quarter	Third quarter	Current fiscal year
Net sales (Thousands of yen)	6,386,657	13,321,786	22,282,549	31,610,569
Profit before income taxes (Thousands of yen)	877,534	1,756,087	2,361,484	3,634,449
Profit attributable to owners of parent (Thousands of yen)	750,404	1,371,571	1,685,868	3,281,928
Basic earnings per share (yen)	25.57	46.73	57.44	112.59

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (yen)	25.57	21.16	10.71	55.92

2) Status after the closing date

No special notes to report.

2. Non-consolidated Financial Statements, Etc.

(1) Non-consolidated Financial Statements

1) Non-consolidated balance sheet

(Thousands of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	7,785,457	7,390,902
Notes receivable - trade	49,950	※3 469,443
Electronically recorded monetary claims - operating	167,559	※3 386,614
Accounts receivable - trade	※1 1,612,228	※1 2,534,364
Merchandise and finished goods	544,342	1,607,519
Work in process	1,030,709	1,171,166
Raw materials and supplies	1,001,609	4,738,478
Advance payments to suppliers	14,666	—
Prepaid expenses	94,108	115,293
Accounts receivable - other	※1 314,126	※1 205,701
Consumption taxes refund receivable	261,386	471,017
Short-term loans receivable from subsidiaries and associates	4,072,970	3,936,920
Other	222,723	50,543
Allowance for doubtful accounts	(61,169)	(120,468)
Total current assets	17,110,670	22,957,497
Non-current assets		
Property, plant and equipment		
Buildings, net	866,091	958,778
Structures, net	0	0
Machinery and equipment, net	0	189
Vehicles, net	0	0
Tools, furniture and fixtures, net	467,271	855,610
Leased assets, net	0	6,872
Land	1,389,356	1,389,356
Construction in progress	46,843	35,185
Total property, plant and equipment	2,769,562	3,245,993
Intangible assets		
Software	10,554	19,472
Software in progress	—	3,266
Other	200	200
Total intangible assets	10,754	22,939
Investments and other assets		
Investment securities	880,490	979,759
Shares of subsidiaries and associates	1,301,871	1,711,347
Investments in capital	4,910	14,920
Investments in capital of subsidiaries and associates	606,224	606,224
Long-term loans receivable from subsidiaries and associates	267,080	1,397,058
Prepaid pension costs	590,980	728,126
Guarantee deposits	135,811	152,712
Membership	52,310	52,310
Deferred tax assets	—	284,820
Other	22,810	25,502
Allowance for doubtful accounts	(52,270)	(504,176)
Total investments and other assets	3,810,218	5,448,604
Total non-current assets	6,590,535	8,717,537
Deferred assets		
Bond issuance costs	35,076	123,098
Total deferred assets	35,076	123,098
Total assets	23,736,281	31,798,133

(Thousands of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes payable - trade	2,824	14,150
Accounts payable - trade	※1 1,365,503	※1 2,046,688
Current portion of long-term borrowings	600,000	1,260,000
Lease liabilities	2,147	3,551
Accounts payable - other	※1 567,018	※1 528,927
Accrued expenses	96,600	117,447
Advances received	7,174	40,500
Income taxes payable	165,931	81,545
Provision for bonuses	220,600	318,504
Provision for bonuses for directors (and other officers)	20,000	36,000
Provision for business restructuring	152,580	—
Other	34,612	23,196
Total current liabilities	3,234,992	4,470,511
Non-current liabilities		
Bonds payable	2,000,000	6,000,000
Long-term borrowings	1,500,000	3,540,000
Deferred tax liabilities	85,470	—
Lease liabilities	4,768	8,237
Other	42,770	44,770
Total non-current liabilities	3,633,009	9,593,008
Total liabilities	6,868,001	14,063,520
Net assets		
Shareholders' equity		
Share capital	2,220,316	2,220,316
Capital surplus		
Legal capital surplus	2,067,276	2,067,276
Other capital surplus	698,619	697,562
Total capital surplus	2,765,896	2,764,839
Retained earnings		
Legal retained earnings	274,318	274,318
Other retained earnings		
General reserve	10,064,761	11,234,761
Retained earnings brought forward	1,730,321	3,307,095
Total retained earnings	12,069,401	14,816,175
Treasury shares	(402,481)	(2,353,842)
Total shareholders' equity	16,653,133	17,447,488
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	215,146	287,124
Total valuation and translation adjustments	215,146	287,124
Total net assets	16,868,279	17,734,613
Total liabilities and net assets	23,736,281	31,798,133

2) Non-consolidated statement of income

(Thousands of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net sales		
Net sales of merchandise and finished goods	4,062,051	8,317,561
Service revenue	2,272,188	2,931,426
Total net sales	※1 6,334,239	※1 11,248,987
Cost of sales		
Beginning finished goods inventory	427,996	544,342
Cost of products manufactured	※1 3,717,806	※1 7,263,336
Purchase of finished goods	53,286	622,479
Receipt of products due to business succession from subsidiaries and associates	—	163,510
Total	4,199,089	8,593,669
Transfer to other account	※2 3,288	※2 3,830
Ending finished goods inventory	544,342	1,607,519
Cost of finished goods sold	3,651,458	6,982,318
Gross profit	2,682,781	4,266,668
Selling, general and administrative expenses	※3 2,985,049	※3 3,442,136
Operating profit (loss)	(302,267)	824,532
Non-operating income		
Interest income	※1 144,080	※1 353,414
Dividend income	※1 174,271	※1 581,815
Foreign exchange gains	516,066	900,294
Outsourcing service income	※1 234,580	※1 193,837
Rental income	※1 36,948	※1 22,200
Miscellaneous income	22,234	112,108
Total non-operating income	1,128,182	2,163,669
Non-operating expenses		
Interest expenses	14,330	11,555
Interest expenses on bonds	8,400	10,829
Cost of fiduciary obligation	243,668	187,967
Rental costs	36,948	22,200
Provision of allowance for doubtful accounts of subsidiaries and associates	—	451,906
Miscellaneous losses	11,636	6,207
Other	—	8,160
Total non-operating expenses	314,983	698,826
Ordinary profit (loss)	510,931	2,289,375
Extraordinary income		
Gain on sale of non-current assets	※4 1,509,074	—
Gain on extinguishment of tie-in shares	—	※5 647,789
Gain on sales of investment securities	—	65,407
Total extraordinary income	1,509,074	713,196
Extraordinary losses		
Loss on retirement of non-current assets	※6 1,487	※6 2,133
Loss on valuation of investment securities	9,568	—
Loss on valuation of shares of subsidiaries and associates	—	57,770
Loss on adjustment of gain on sales of products	—	※7 7,248
Total extraordinary losses	11,055	67,152
Profit (loss) before income taxes	2,008,949	2,935,420
Income taxes - current	190,624	187,410
Income taxes - deferred	—	(409,672)
Total income taxes	190,624	(222,262)
Profit (loss)	1,818,325	3,157,682

3) Non-consolidated statement of changes in equity

Fiscal Year 2023 (From April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at beginning of period	2,216,945	2,063,905	698,619	2,762,525	274,318	12,914,761	(2,700,693)	10,488,386
Changes during period								
Dividends of surplus							(237,310)	(237,310)
Provision of general reserve								
Reversal of general reserve						(2,850,000)	2,850,000	—
Profit (loss)							1,818,325	1,818,325
Purchase of treasury shares								
Disposal of treasury shares								
Issuance of new shares	3,371	3,371		3,371				
Net changes in items other than shareholders' equity								
Total changes during period	3,371	3,371	—	3,371	—	(2,850,000)	4,431,014	1,581,014
Balance at end of period	2,220,316	2,067,276	698,619	2,765,896	274,318	10,064,761	1,730,321	12,069,401

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(2,379)	15,465,477	151,936	151,936	15,617,413
Changes during period					
Dividends of surplus		(237,310)			(237,310)
Provision of general reserve		—			—
Reversal of general reserve		—			—
Profit (loss)		1,818,325			1,818,325
Purchase of treasury shares	(400,101)	(400,101)			(400,101)
Disposal of treasury shares		—			—
Issuance of new shares		6,742			6,742
Net changes in items other than shareholders' equity		—	63,210	63,210	63,210
Total changes during period	(400,101)	1,187,655	63,210	63,210	1,250,866
Balance at end of period	(402,481)	16,653,133	215,146	215,146	16,868,279

Fiscal Year 2024 (From April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Legal retained earnings	Retained earnings		Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		General reserve	Retained earnings brought forward	
Balance at beginning of period	2,220,316	2,067,276	698,619	2,765,896	274,318	10,064,761	1,730,321	12,069,401
Changes during period								
Dividends of surplus							(410,907)	(410,907)
Provision of general reserve						1,170,000	(1,170,000)	–
Reversal of general reserve								
Profit (loss)							3,157,682	3,157,682
Purchase of treasury shares								
Disposal of treasury shares			(1,057)	(1,057)				
Issuance of new shares								
Net changes in items other than shareholders' equity								
Total changes during period	–	–	(1,057)	(1,057)	–	1,170,000	1,576,774	2,746,774
Balance at end of period	2,220,316	2,067,276	697,562	2,764,839	274,318	11,234,761	3,307,095	14,816,175

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(402,481)	16,653,133	215,146	215,146	16,868,279
Changes during period					
Dividends of surplus		(410,907)			(410,907)
Provision of general reserve		–			–
Reversal of general reserve		–			–
Profit (loss)		3,157,682			3,157,682
Purchase of treasury shares	(1,966,950)	(1,966,950)			(1,966,950)
Disposal of treasury shares	15,589	14,532			14,532
Issuance of new shares		–			–
Net changes in items other than shareholders' equity		–	71,977	71,977	71,977
Total changes during period	(1,951,361)	794,355	71,977	71,977	866,333
Balance at end of period	(2,353,842)	17,447,488	287,124	287,124	17,734,613

Notes to Non-consolidated Financial Statements

Significant accounting policies

1. Standards and methods for measurement of securities

(1) Shares of subsidiaries and associates

Stated at cost using the moving average method.

(2) Available-for-sale securities

Securities other than shares, etc. without fair market values

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

Shares, etc. without fair market values

Stated at cost using the moving average method.

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

Derivatives

Market value method

3. Standards and method for measurement of inventories

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

4. Method of depreciation of non-current assets

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

Declining balance method

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

Note that the major useful lives are as follows.

Buildings 3 to 50 years

Tools, furniture and fixtures 2 to 20 years

(2) Intangible assets (excluding leased assets)

Straight-line method

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

(3) Leased assets

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

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

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

6. Recognition criteria for provisions

(1) Allowance for doubtful accounts

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

(2) Provision for bonuses

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

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

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

(4) Provision for retirement benefits

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

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

(5) Provision for business restructuring

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

in the future.

7. Accounting standards for revenue and expenses

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

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

8. Methods of hedge accounting

(1) Methods of hedge accounting

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

(2) Hedging instruments and hedged items

Hedging instruments: Forward exchange contract transactions, etc.

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

(3) Hedging policy

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

(4) Methods for evaluating the effectiveness of hedging

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

9. Treatment method for deferred assets

Bond issuance costs

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

Significant accounting estimates

Previous fiscal year (From April 1, 2022 to March 31, 2023)

Valuation of inventories in the Equipment for the Amusement Industry business

1. Amounts recorded on non-consolidated financial statements for the fiscal year ended March 31, 2023

Merchandise and finished goods 6,766 thousand yen

Work in process 188,901 thousand yen

Raw materials and supplies 338,204 thousand yen

2. Other information contributing to the understanding of users of the Non-consolidated Financial Statements

This information is the same as that described in “Valuation of inventories in the Equipment for the Amusement Industry business” in “Significant accounting estimates” under Notes to Consolidated Financial Statements.

Current fiscal year (From April 1, 2023 to March 31, 2024)

Recoverability of deferred tax assets

1. Amounts recorded on non-consolidated financial statements for the fiscal year ended March 31, 2024

284,820 thousand yen

2. Other information contributing to the understanding of users of the Non-consolidated Financial Statements

This information is the same as that described in “Recoverability of deferred tax assets” in “Significant accounting estimates” under Notes to Consolidated Financial Statements.

Non-consolidated balance sheet

* 1. Subsidiaries and associates

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

(Thousands of yen)

	Previous fiscal year (as of March 31, 2023)	Current fiscal year (as of March 31, 2024)
Short-term monetary claims	1,506,625	1,242,987
Short-term monetary obligations	59,428	277,238

2. Guarantee obligations

The Company provides a joint and several guarantee for trade payables of its subsidiary JCM Meiho Co., Ltd.

(Thousands of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Trade payables of JCM Meiho Co., Ltd.	—	169,051

* 3. Notes and electronically recorded monetary claims - operating maturing at the end of the fiscal year

Although the last day of the fiscal year under review fell on a holiday for financial institutions, notes and electronically recorded monetary claims - operating maturing at the end of the fiscal year were treated as if they were settled on the maturity date. The amounts of notes and electronically recorded monetary claims - operating maturing at the end of the fiscal year are as follows:

(Thousands of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Notes receivable - trade	—	28,490
Electronically recorded monetary claims - operating	—	1,039

Non-consolidated statement of income

* 1. Amount of transactions with subsidiaries and associates

	(Thousands of yen)	
	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Amount of transactions with subsidiaries and associates		
Net sales	4,510,082	6,291,866
Purchase of goods	863,279	886,336
Other operating transactions	96,435	195,238
Transaction amount of transactions other than operating transactions	553,102	1,109,977

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

	(Thousands of yen)	
	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Transfer to selling, general and administrative expenses	3,288	3,576
Other	—	254
Total	3,288	3,830

* 3. The approximate percentage of expenses attributed to selling expenses was 20.4% in the previous fiscal year and 30.6% in the current fiscal year, and the approximate percentage of expenses attributed to general and administrative expenses was 79.6% in the previous fiscal year and 69.4% in the current fiscal year.

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

	(Thousands of yen)	
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Salaries and bonuses	375,622	483,087
Provision for bonuses	89,970	142,205
Provision for bonuses for directors (and other officers)	20,000	36,000
Retirement benefit expenses	61,503	(56,320)
Experimentation and research expenses	853,304	882,820
Depreciation	3,202	53,916
Provision of allowance for doubtful accounts	687	10,474
Commission expenses	558,897	694,529

(Note) Experimentation and research expenses include 124,700 thousand yen (88,343 thousand yen in the previous fiscal year) in provision for bonuses.

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

	(Thousands of yen)	
	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Land	1,508,246	—
Other	827	—

* 5. Gain on extinguishment of tie-in shares

Current fiscal year (From April 1, 2023 to March 31, 2024)

This is a gain resulting from a company split (absorption-type split) with the Company's consolidated subsidiary, JCM Systems Co., Ltd., as the split company and the Company as the successor company.

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

	(Thousands of yen)	
	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Buildings and structures	0	828
Tools, furniture and fixtures	276	1,305
Other	1,211	0

* 7. Loss on adjustment of gain on sales of products

Current fiscal year (April 1, 2023 to March 31, 2024)

Due to the company split (absorption-type split) with Company's consolidated subsidiary, JCM Systems Co., Ltd., as the split company and the Company as the successor company, the Company recorded extraordinary losses for the unrealized income portion of the sales gain from products the Company previously sold to JCM Systems Co., Ltd.

Securities

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

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

(Thousands of yen)

Category	Previous fiscal year	Current fiscal year
Shares of subsidiaries and associates	1,301,871	1,711,347
Investments in capital of subsidiaries and associates	606,224	606,224

Tax effect accounting

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

	Previous fiscal year (as of March 31, 2023)	(Thousands of yen) Current fiscal year (as of March 31, 2024)
Deferred tax assets		
Provision for bonuses	67,503	97,462
Retirement benefits for directors (and other officers) payable	13,087	13,087
Amount exceeding the threshold amount for inclusion of lump-sum depreciable assets in tax deductibles	3,864	5,207
Loss on valuation of investment securities	9,744	4,439
Loss on valuation of golf club membership	14,793	14,793
Amount exceeding the threshold amount for inclusion of allowance for doubtful accounts in tax deductibles	34,712	176,201
Loss on valuation of inventories	211,761	333,432
Amount of selling, general and administrative expenses rejected from inclusion in tax deductibles	93,249	103,954
Amount of intangible assets rejected from inclusion in tax deductibles	264,492	198,633
Tax loss carried forward	803,131	497,494
Shares of subsidiaries and associates	718,702	95,470
Provision for business restructuring	46,689	—
Impairment losses on non-current assets	232,069	148,621
Other	69,754	48,040
Deferred tax assets subtotal	2,583,555	1,736,839
Valuation allowance pertaining to tax loss carried forward	(803,131)	(497,494)
Valuation allowance pertaining to total deductible temporary differences	(1,599,584)	(606,865)
Valuation allowance subtotal	(2,402,716)	(1,104,360)
Total deferred tax assets	180,839	632,479
Deferred tax liabilities		
Prepaid pension costs	(180,839)	(222,806)
Valuation difference on available-for-sale securities	(85,470)	(124,851)
Total deferred tax liabilities	(266,310)	(347,658)
Net deferred tax assets (liabilities)	(85,470)	284,820

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

	Previous fiscal year (as of March 31, 2023)	(%) Current fiscal year (as of March 31, 2024)
Effective statutory tax rate	30.6%	30.6%
(Adjustment)		
Permanently non-deductible entertainment expenses and other items	0.4	0.5
Permanently non-taxable dividends received and other items	(2.1)	(5.6)
Per capita rate of residence tax	0.6	0.4
Increase/decrease in valuation allowance	(17.3)	(29.1)
Tax credits	(3.2)	(3.1)

Other	0.5	(1.3)
Effective tax rate after application of tax effect accounting	9.5	(7.6)

(Business combinations, etc.)

Transactions under common control, etc.

As the information is the same as that described in “Business combinations, etc.,” notes are omitted.

Revenue recognition

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

Significant subsequent events

Purchase of treasury shares

As the information is the same as that described in “Significant subsequent events,” notes are omitted.

4) Supplementary financial schedules

Schedule of property, plant and equipment

(Thousands of yen)

Type of assets	Balance at beginning of fiscal year	Increase during fiscal year	Decrease during fiscal year	Depreciation during fiscal year	Balance at end of fiscal year	Accumulated depreciation
Property, plant and equipment						
Buildings	866,091	130,321	0	37,634	958,778	982,986
Structures	0	—	—	—	0	83,173
Machinery and equipment	0	203	—	13	189	26,380
Vehicles	0	—	0	—	0	1,661
Tools, furniture and fixtures	467,271	541,970	1,305	152,325	855,610	3,468,241
Leased assets	0	7,404	—	532	6,872	3,593
Land	1,389,356	—	—	—	1,389,356	—
Construction in progress	46,843	23,443	35,100	—	35,185	—
Total property, plant and equipment	2,769,562	703,342	36,405	190,505	3,245,993	4,566,037
Intangible assets						
Software	10,554	15,321	—	6,403	19,472	—
Software in progress	—	3,266	—	—	3,266	—
Other intangible assets	200	—	—	—	200	—
Total intangible assets	10,754	18,588	—	6,403	22,939	—

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

Schedule of provisions

(Thousands of yen)

Category	Balance at beginning of fiscal year	Increase during fiscal year	Decrease during fiscal year	Balance at end of fiscal year
Allowance for doubtful accounts	113,439	511,504	300	624,644
Provision for bonuses	220,600	318,504	220,600	318,504
Provision for bonuses for directors (and other officers)	20,000	36,000	20,000	36,000
Provision for business restructuring	152,580	—	152,580	—

(2) Major assets and liabilities

Notes are omitted as consolidated financial statements were prepared.

(3) Other

Not applicable.

VI. Overview of Stock Administration for the Submitting Company

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

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

VII. Reference Information on the Submitting Company

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

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

2. Other Reference Information

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

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

For the 70th fiscal year (from April 1, 2022 to March 31, 2023) Submitted to the Director-General of the Kinki Local Finance Bureau on June 27, 2023

(2) Internal Control Report and documents attached thereto

Submitted to the Director-General of the Kinki Local Finance Bureau on June 27, 2023

(3) Quarterly Securities Report and Confirmation Letter thereof

For the first quarter of the 71st fiscal year (from April 1, 2023 to June 30, 2023) Submitted to the Director-General of the Kinki Local Finance Bureau on August 7, 2023

For the second quarter of the 71st fiscal year (from July 1, 2023 to September 30, 2023) Submitted to the Director-General of the Kinki Local Finance Bureau on November 10, 2023

For the third quarter of the 71st fiscal year (from October 1, 2023 to December 31, 2023) Submitted to the Director-General of the Kinki Local Finance Bureau on February 9, 2024

(4) Extraordinary Report

Submitted to the Director-General of the Kinki Local Finance Bureau on June 28, 2023

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

Submitted to the Director-General of the Kinki Local Finance Bureau on July 25, 2023

Extraordinary Report pursuant to Paragraph 4, Article 24-5 of the Financial Instruments and Exchange Act and Item 7, Paragraph 2, Article 19 of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs.

(5) Share Buyback Report

Reporting period (from June 1, 2023 to June 30, 2023) Submitted to the Director-General of the Kinki Local Finance Bureau on July 11, 2023

Reporting period (from July 1, 2023 to July 31, 2023) Submitted to the Director-General of the Kinki Local Finance Bureau on August 7, 2023

Reporting period (from February 1, 2024 to February 29, 2024) Submitted to the Director-General of the Kinki Local Finance Bureau on March 13, 2024

Reporting period (from May 1, 2024 to May 31, 2024) Submitted to the Director-General of the Kinki Local Finance Bureau on June 12, 2024

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

Not applicable.

(Translation)

Independent Auditors' Report and Internal Control Audit Report

June 25, 2024

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

Ernst & Young ShinNihon LLC
Osaka Office

Naotaka Sasayama
Certified Public Accountant
Designated Limited Liability Partner
Engagement Partner

Daiki Takai
Certified Public Accountant
Designated Limited Liability Partner
Engagement Partner

Audit of Consolidated Financial Statements

Audit Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Japan Cash Machine Co., Ltd. (the "Company") included in the "Financial Information" section of the annual securities report for the fiscal year from April 1, 2023 to March 31, 2024, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, material matters that serve as the basis for preparation of the consolidated financial statements, other notes, and consolidated supplementary financial schedules.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024, and the consolidated results of operations and their cash flows for the fiscal year then ended, in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

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

Key Audit Matters

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

Recoverability of deferred tax assets of Japan Cash Machine Co., Ltd.	
Description of key audit matters and reason for decision	Audit response
<p>The Company recorded 1,078,961 thousand yen of deferred tax assets in the consolidated balance sheet for the current fiscal year. Of this amount, as described in the note “Significant Accounting Estimates,” Japan Cash Machine Co., Ltd., a company filing consolidated financial statements, recorded 284,820 thousand yen of deferred tax assets.</p> <p>Japan Cash Machine Co., Ltd. deliberated the recoverability of these deferred tax assets in accordance with the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26). The Company recognizes itself as a Category 4 company, and recorded deferred tax assets based on estimated taxable income before adjusting for temporary differences in the next fiscal year, recognizing deferred tax assets for future deductible temporary differences that can be recovered.</p> <p>The taxable future income used for determining the recoverability of deferred tax assets is based on the business plans created by management for the next fiscal year. These estimates include demand forecasts by management for the next fiscal year, and uncertainty remains about the estimates for demand forecasts by management.</p> <p>As the decision regarding the recoverability of the deferred tax assets recorded by Japan Cash Machine Co., Ltd. involve assumptions and judgments by the management, we determined it to be a key audit matter.</p>	<p>We performed the following auditing procedures with respect to reviewing the recoverability of deferred tax assets recorded by Japan Cash Machine Co., Ltd.</p> <ul style="list-style-type: none"> • In order to evaluate the estimated taxable income for the next fiscal year, we examined the degree of consistency between the business plan for the next fiscal year, which serves as the basis of this estimate, and the business plans approved by the Board of Directors. • In order to evaluate the effectiveness of the estimate processes used by the management, we compared business plans and actual results from prior years. • In order to gain a better understanding of demand forecasts for the next fiscal year, we asked management questions and examined whether the answers were consistent with available external data.

Other Information

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

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

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

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

We have nothing to report regarding the other information.

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

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

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of the Group’s ability to continue as a going concern, and disclosing matters related to going concern as applicable in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors’ performance of

their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

The independent auditor shall report to Audit & Supervisory Board Members and the Audit & Supervisory Board on our compliance with the rules of professional ethics in Japan regarding independence and matters that could reasonably be considered to affect the auditor's independence, as well as any measures taken to remove impediments or safeguards applied to reduce impediments to an acceptable level, if any.

We also decide which of the matters discussed with the Audit & Supervisory Board Members and the Audit & Supervisory Board are key audit matters which are of particular significance in the audit of the consolidated financial statements for the current fiscal year and include them in the Audit Report. However, we shall not include such matters in the Audit Report if the disclosure is prohibited by law or if, although such cases are extremely limited, we determine that such matters should not be reported because we reasonably expect that the disadvantages of reporting them in the Audit Report outweigh the public interest.

Internal Control Audit

Audit Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the Internal Control Report of Japan Cash Machine Co., Ltd. as of March 31, 2024 for the purpose of providing audit certification.

In our opinion, the Internal Control Report referred to above, which represents that the internal control over financial reporting as of March 31, 2024 of the Company is effective, presents fairly, in all material aspects, the results of the assessment of internal control over financial reporting in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

Basis for Audit Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of Internal Control

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

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

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

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

The independent auditor shall report to Audit & Supervisory Board Members and the Audit & Supervisory Board on our compliance with the rules of professional ethics in Japan regarding independence and matters that could reasonably be considered to affect the auditor's independence, as well as any measures taken to remove impediments or safeguards applied to reduce impediments to an acceptable level, if any.

Remuneration-related information

The amounts of remuneration for audit certification services and non-audit services for the Company and its subsidiaries paid to us and the members of our network are further described in "Status of Corporate Governance, etc., (3) Status of Audits" in "Status of the Submitting Company."

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

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

End of document

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- (Notes)
1. The original copy of the above Audit Report is kept in the custody of the Company (the company submitting the Annual Securities Report).
 2. XBRL data is excluded from the scope of the audit.

(Translation)

Independent Auditor's Report

June 25, 2024

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

Ernst & Young ShinNihon LLC
Osaka Office

Naotaka Sasayama
Certified Public Accountant
Designated Limited Liability Partner
Engagement Partner

Daiki Takai
Certified Public Accountant
Designated Limited Liability Partner
Engagement Partner

Audit of Financial Statements

Audit Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the non-consolidated financial statements of Japan Cash Machine Co., Ltd. (the "Company") included in the "Financial Information" section of the annual securities report for the 71st fiscal year from April 1, 2023 to March 31, 2024, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, significant accounting policies, other notes, and supplementary financial schedules.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of the Company as of March 31, 2024, and the non-consolidated results of operations for the fiscal year then ended on the same date, in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

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

Key Audit Matters

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

Recoverability of Deferred Tax Assets

Descriptions of key audit matters are omitted because they are identical to the key audit matters in "Recoverability of deferred tax assets of Japan Cash Machine Co., Ltd." included in the Audit Report on the consolidated financial statements.

Other Information

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

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

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

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

We have nothing to report regarding the other information.

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

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

In preparing the non-consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements with the assumption of the Company's ability to continue as a going concern, and disclosing matters related to going concern as applicable in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of their duties relating to the design and operation of the Group's financial reporting process.

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

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

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

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

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our

audit, and other matters required by auditing standards.

The independent auditor shall report to Audit & Supervisory Board Members and the Audit & Supervisory Board on our compliance with the rules of professional ethics in Japan regarding independence and matters that could reasonably be considered to affect the auditor's independence, as well as any measures taken to remove impediments or safeguards applied to reduce impediments to an acceptable level, if any.

We also discuss with the Audit & Supervisory Board Members and the Audit & Supervisory Board, decide matters judged as particularly significant in the audit of the non-consolidated financial statements for the current fiscal year as key audit matters and include them in the Audit Report. However, we shall not include such matters in the Audit Report if the disclosure is prohibited by law or if, although such cases are extremely limited, we determine that such matters should not be reported because we reasonably expect that the disadvantages of reporting them in the Audit Report outweigh the public interest.

Remuneration-related information

Remuneration-related information is presented in the Audit Report on the consolidated financial statements.

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

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

End of document

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- (Notes)
1. The original copy of the above Audit Report is kept in the custody of the Company (the company submitting the Annual Securities Report).
 2. XBRL data is excluded from the scope of the audit.

[Cover]

[Documents to be submitted]	Confirmation Letter
[Applicable law]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act
[Submission address]	Director-General of the Kinki Finance Bureau
[Submission date]	June 25, 2024
[Company name]	Nihon Kinsen Kikai Kabushiki Kaisha
[Company Name in English]	JAPAN CASH MACHINE CO., LTD.
[Title and name of representative]	Yojiro Kamihigashi, President and Representative Director
[Title and name of chief financial officer]	Not applicable.
[Head office address]	2-11-18 Nambanaka, Naniwa-ku, Osaka City
[Venue for public inspection]	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku Tokyo)

1. Matters concerning the appropriateness of the information in the Annual Securities Report

President and Representative Director Yojiro Kamihigashi has confirmed that the content of the Annual Securities Report for the 71st fiscal year (from April 1, 2023, to March 31, 2024) is appropriately stated in accordance with the Financial Instruments and Exchange Act.

2. Special notes

No special notes to report.

[Cover]

[Documents to be submitted]	Internal Control Report
[Applicable law]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act
[Submission address]	Director-General of the Kinki Finance Bureau
[Submission date]	June 25, 2024
[Company name]	Nihon Kinsen Kikai Kabushiki Kaisha
[Company Name in English]	JAPAN CASH MACHINE CO., LTD.
[Title and name of representative]	Yojiro Kamihigashi, President and Representative Director
[Title and name of chief financial officer]	Not applicable.
[Head office address]	2-11-18 Nambanaka, Naniwa-ku, Osaka City
[Venue for public inspection]	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku Tokyo)

1. Matters concerning the basic framework for internal control over financial reporting

President and Representative Director Yojiro Kamihigashi is responsible for the design and operation of internal controls over financial reporting for the Company and its consolidated subsidiaries (the “Group”), and designs and operates internal controls over financial reporting in accordance with the basic framework of internal controls presented in the “On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting” (Council Opinions) released by the Business Accounting Council.

Internal control is intended to achieve its objectives to a reasonable extent through the organic integration and unified functioning of each basic element of internal control. For this reason, it is possible that internal control over financial reporting may not completely prevent or detect misstatements in financial reports.

2. Matters related to the scope of assessment, record date, and assessment procedures

The assessment of internal control over financial reporting was conducted as of March 31, 2024, the end of the current fiscal year as the record date, based on generally accepted standards for assessing internal control over financial reporting.

In this assessment, we assess internal controls that have a significant impact on financial reporting overall on a consolidated basis (company-wide internal controls), and then select business processes to be assessed based on the results of the assessment. In assessing the business processes, after analyzing the selected business processes, we identified control points important for the reliability of financial reporting, and assessed the design and operation of these control points to assess the effectiveness of internal control.

The scope of the assessment of internal control over financial reporting was determined for the Company, its consolidated subsidiaries, and companies accounted for using the equity method based on the importance of the impact on the reliability of financial reporting. The importance of the impact on the reliability of financial reporting was determined considering the importance of monetary and qualitative impacts, and the scope of assessment for internal control related to business processes was reasonably determined based on the results of the assessment of company-wide internal control conducted for the Company and seven consolidated subsidiaries. Ten consolidated subsidiaries and a company accounted for using the equity method are not included in the scope of assessment of company-wide internal control because they were deemed to be insignificant in terms of monetary and qualitative importance.

In terms of the scope of assessment of internal control related to business processes, four business locations where net sales in the previous fiscal year (after elimination of inter-company transactions) were high were designated as “important business locations,” where approximately two-thirds of consolidated net sales for the previous fiscal year were recorded. In the important business locations selected, the business processes leading to net sales, accounts receivable - trade, and inventories were assessed as accounts that have a significant bearing on the company’s business objectives. Furthermore, regardless of the important business locations selected, for a scope that includes other business locations as well, business processes related to significant accounts involving estimates and forecasts with a high likelihood of significant misstatements or business processes related to businesses or operations that conduct high-risk transactions, were added as important business processes for assessment considering the impact on financial reporting.

3. Matters related to assessment results

As a result of the above assessment, it was deemed that the internal control over financial reporting of our company is effective as of March 31, 2024.

4. Appendix

Not applicable.

5. Special notes

Not applicable.