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Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2024 (Under Japanese GAAP)

August 3, 2023

Company name: Japan Cash Machine Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 6418
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 Scheduled date to file quarterly securities report: August 7, 2023
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: Yes (List on HP)
 Holding of quarterly financial results briefing: None

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

1. Consolidated financial results for the First Quarter ended March 31, 2024 (from April 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2024 1st quarter	6,386	6.3	275	(41.0)	878	(23.3)	750	(19.8)
FY2023 1st quarter	6,010	46.7	467	804.1	1,145	—	935	—

Note: Comprehensive income For FY2024 1st quarter: ¥ 487 million [(61.3%)] For FY2023 1st quarter: ¥ 1,260 million [124.0%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2024 1st quarter	25.57	—
FY2023 1st quarter	31.53	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
FY2024 1st quarter	38,520	27,445	71.2	935.31
FY2023	38,816	27,163	70.0	925.68

Reference: Equity: For FY2024 1st quarter: ¥27,445 million For FY2023 : ¥27,163 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2023	—	3.00	—	7.00	10.00
FY2024	—	—	—	—	—
FY2024 (Forecast)	—	5.00	—	7.00	12.00

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

3. Consolidated Financial Forecast for the Fiscal Year 2024 (from April 1, 2023 to March 31, 2024)

(Percentages represent changes from the previous year for Full Fiscal year and from the same quarter of the previous year for the quarter.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
2nd quarter (cumulative)	13,400	9.0	600	0.0	600	(63.8)	400	(69.0)	13.50
FY2023	28,600	13.2	1,500	140.9	1,500	18.3	1,100	(65.0)	37.14

Note: Revisions to the forecast of earnings most recently announced: None

***Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

FY2024 1st quarter	29,672,651 shares
FY2023	29,672,651 shares

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

FY2024 1st quarter	328,395 shares
FY2023	328,364 shares

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

FY2024 1st quarter	29,344,256 shares
FY2023 1st quarter	29,660,147 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including business forecasts, contained in this document are based on information currently available to the Company and on certain assumptions deemed reasonable by the Company, and are not intended to be a promise by the Company that it will achieve them. Actual results may differ significantly from these forecasts due to various factors. For more information on the above forecasts, please refer to page 3 of the attached materials.

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1. Qualitative information on Quarterly Results

(1) Explanation of Operating Results

During the quarter under review, the global economy showed signs of a recovery as COVID-19 restrictions were gradually eased and it led to further normalization of social and economic activities. At the same time, the outlook remains uncertain both in Japan and overseas due to such factors as the soaring resource and raw material prices caused by the backdrop of geopolitical risks along with the prolonged conflict between Russia and Ukraine, and the continuation of inflation and monetary tightening in various countries.

Regarding the business environment surrounding the Company and its subsidiaries (hereinafter referred to as the "Group"), in the North American and European gaming markets, the booming casino halls and other facilities in various part of tourist destination by recovering the tourism industry led to increased demand for capital investment. In the domestic and overseas commercial markets, demand for capital investment for retail and transportation markets remained strong as contactless and non-face-to-face payment methods, which are becoming the standard after the COVID-19 pandemic, gained popularity.

Under these circumstances, in the gaming markets, we conducted multifaced marketing activities including sales promotion of new products for such markets in order to meet the continuing strong demand. In the commercial markets, we actively proposed our products mainly to new sales base in the North American and the Central and South American regions. Furthermore, in equipment for the amusement markets, we developed sales activities of equipment related to smart gaming machines associated with a full-scale introduction of these machines.

As a result of the above, consolidated net sales for the first quarter were increased to 6,386 million yen (up 6.3% YoY). In terms of profit, the soaring cost along with the shortage of electronic components and increase in transportation costs arising from a flexible response to customers led to an operating income of 275 million yen (down 41.0% YoY), due to foreign exchange gains of 538 million yen resulting from the depreciation of the yen, ordinary income amounted to 878 million yen (down 23.3% YoY) and net income attributable to owners of the parent amounted to 750 million yen (down 19.8% YoY).

The average foreign exchange rates for this cumulative first quarter were 133.45 yen to the US dollar (117.79 yen in the previous first quarter) and 143.79 yen to the euro (131.63 yen in the previous first quarter). The quarter-end foreign exchange rate applied to the mark-to-market valuation of assets and liabilities at the end of this first quarter was 144.99 yen to the US dollar (133.54 yen at the end of the previous fiscal year).

Operating results by segment are as follows.

i. Global Gaming

Demand for mainstay products such as bill validator units and printers remained high but since the supply was running short of demand temporally as the impact of the shortage of electronic components such as semiconductors, net sales in this segment were 2,663 million yen (down 24.2% YoY), and segment profit was 291 million yen (down 49.3% YoY).

ii. International Commercial

Due to significant increased sales of bill recycler units and bill validator units for retail market in the European regions, net sales in this segment amounted to 1,487 million yen (up 42.4% YoY). On the other hand, soaring cost of materials pushing segment loss of 115 million yen (the previous year saw a 45 million-yen gain).

iii. Domestic Commercial

Net sales in this segment were 612 million yen (up 48.9% YoY) and segment profit was 43 million yen (the previous year saw a 45 million-yen gain) owing to an increase in sales of bill recycler units and bill validator unites for restaurant ticket vending machines and self-service gas stations' payment machines.

iv. Equipment for the Amusement Industry

Net sales in this segment were 1,622 million yen (up 56.2% YoY) and segment profit was 287 million yen (down 31.1% YoY), owing to an increase in sales of dedicated units for smart gaming machines associated with a full-scale introduction of smart gaming machines.

(2) Explanation of Financial Position

i. Assets, Liabilities and Net Assets

Total assets at the end of the first quarter of the previous fiscal year decreased by 296 million yen compared to the end of the previous fiscal year to 38,520 million yen.

Total current assets decreased by 768 million yen compared to the end of the previous fiscal year to 31,504 million yen. "Inventories" increased by 1,368 million yen, while "Cash and deposits" decreased by 1,631 million yen and "Securities" decreased by 399 million yen, respectively.

Total non-current assets increased by 474 million yen compared to the end of the previous fiscal year to 6,982 million yen mainly due to the acquisition of Property, plant and equipment.

Total deferred assets decreased by 1 million yen compared to the end of the previous fiscal year to 33 million yen due to amortization of bond issuance costs.

Total current liabilities decreased by 361 million yen compared to the end of the previous fiscal year to 7,263 million yen. "Income taxes payable" decreased by 166 million yen, "Provision for bonuses" decreased by 151 million yen, respectively.

Total Non-current liabilities decreased by 217 million yen compared to the end of the previous fiscal year to 3,810 million yen. "Long-term borrowings" decreased by 300 million yen due to debt repayment.

Total net assets increased by 282 million yen compared to the end of the previous fiscal year to 27,445 million yen. Due to the recording of net income attributable to parent company shareholders, "Retained earnings" increased by 544 million yen, while "Foreign currency translation adjustment" due to mark-to-market valuation of foreign subsidiaries decreased by 285 million yen.

ii. Cash Flows

Cash and cash equivalents (hereinafter referred to as "Net cash") at the end of the first quarter decreased by 1,631 million yen compared to the end of the previous fiscal year to 11,572 million yen.

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

(Cash flows from operating activities)

Net cash used in operating activities amounted to 1,326 million yen (net cash income of 458 million yen in the previous first quarter). This was because funds increased due to profit before income taxes of 877 million yen, while funds decreased due to an increase in inventories of 1,419 million yen and income taxes paid of 208 million yen.

(Cash flows from investing activities)

Net cash provided by investing activities totaled 129 million yen (Expenditure of 65 million yen in the previous first quarter). This was mainly because funds decreased due to purchase of property, plant and equipment of 264 million yen and other factors, while funds increased due to a net increase in short-term investment securities of 402 million yen.

(Cash flows from financing activities)

Net cash used in financing activities totaled 533 million yen (Expenditure of 541 million yen in the previous first quarter). This was mainly due to repayment of Long-term borrowings of 300 million yen and dividends paid of 205 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 98 million yen.

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

Regarding the consolidated earnings forecasts, there are no revisions on the consolidated earning forecasts for second quarter period and full fiscal year as announced in "Consolidated Financial Results for the Fiscal Year Ended March 31, 2023" as of May 10, 2023.

2. Quarterly Consolidated Financial Statements and Major Notes
(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	13,224,447	11,592,527
Notes and accounts receivable - trade, and contract assets	4,516,570	4,592,807
Electronically recorded monetary claims - operating	488,474	509,044
Securities	487,201	87,650
Merchandise and finished goods	5,826,025	6,803,305
Work in process	1,083,263	1,222,702
Raw materials and supplies	4,701,398	4,953,456
Other	2,135,230	1,940,246
Allowance for doubtful accounts	△189,281	△196,821
Total current assets	32,273,329	31,504,920
Non-current assets		
Property, plant and equipment	3,338,558	3,698,284
Intangible assets	143,833	244,076
Investments and other assets		
Other	3,103,674	3,117,792
Allowance for doubtful accounts	△77,846	△77,846
Total investments and other assets	3,025,828	3,039,946
Total non-current assets	6,508,219	6,982,307
Deferred assets	35,076	33,322
Total assets	38,816,625	38,520,550
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,559,318	3,513,438
Current portion of long-term borrowings	600,000	600,000
Income taxes payable	356,207	189,278
Provision for bonuses	277,200	125,918
Provision for bonuses for directors (and other officers)	20,000	-
Provision for business restructuring	154,756	148,599
Other	2,657,839	2,686,609
Total current liabilities	7,625,321	7,263,843
Non-current liabilities		
Bonds payable	2,000,000	2,000,000
Long-term borrowings	1,500,000	1,200,000
Other	527,910	610,839
Total non-current liabilities	4,027,910	3,810,839
Total liabilities	11,653,232	11,074,682
Net assets		
Shareholders' equity		
Share capital	2,220,316	2,220,316
Capital surplus	2,765,896	2,765,896
Retained earnings	21,699,807	22,244,801
Treasury shares	△402,481	△402,517
Total shareholders' equity	26,283,539	26,828,497
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	215,273	238,160
Foreign currency translation adjustment	664,579	379,209
Total accumulated other comprehensive income	879,853	617,370
Total net assets	27,163,392	27,445,867
Total liabilities and net assets	38,816,625	38,520,550

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

(Quarterly Consolidated Statement of Income)

(Cumulative period for the consolidated first quarter)

(Thousands of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	6,010,957	6,386,657
Cost of sales	3,702,613	4,032,340
Gross profit	2,308,344	2,354,316
Selling, general and administrative expenses	1,841,146	2,078,437
Operating profit	467,198	275,878
Non-operating income		
Interest income	635	4,962
Dividend income	29,462	32,184
Foreign exchange gains	641,054	538,859
Other	17,571	38,749
Total non-operating income	688,724	614,757
Non-operating expenses		
Interest expenses	7,161	6,761
Other	2,805	5,461
Total non-operating expenses	9,967	12,223
Ordinary profit	1,145,954	878,413
Extraordinary losses		
Loss on retirement of non-current assets	0	878
Total extraordinary losses	0	878
Profit before income taxes	1,145,954	877,534
Income taxes - current	214,686	95,776
Income taxes - deferred	△3,972	31,354
Total income taxes	210,713	127,130
Profit	935,240	750,404
Profit attributable to owners of parent	935,240	750,404

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

(Thousands of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	935,240	750,404
Other comprehensive income		
Valuation difference on available-for-sale securities	10,738	22,886
Foreign currency translation adjustment	314,691	△285,369
Total other comprehensive income	325,430	△262,483
Comprehensive income	1,260,670	487,921
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,260,670	487,921
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Cash flows from operating activities		
Profit before income taxes	1,145,954	877,534
Depreciation	52,557	81,419
Increase (decrease) in provisions	△171,783	△169,984
Interest and dividend income	△30,098	△37,147
Interest expenses	7,161	6,761
Foreign exchange losses (gains)	△568,005	△472,579
Loss (gain) on sale and retirement of property, plant and equipment	0	878
Decrease (increase) in trade receivables	△480,935	△35,552
Decrease (increase) in inventories	△70,558	△1,419,395
Increase (decrease) in trade payables	188,036	△94,728
Decrease (increase) in consumption taxes refund receivable	188,742	123,615
Other, net	208,465	△6,888
Subtotal	469,538	△1,146,067
Interest and dividends received	29,926	36,976
Interest paid	△12,944	△8,468
Income taxes paid	△28,042	△208,489
Net cash provided by (used in) operating activities	458,477	△1,326,049
Cash flows from investing activities		
Net decrease (increase) in short-term investment securities	—	402,363
Purchase of property, plant and equipment	△61,948	△264,442
Proceeds from sale of property, plant and equipment	—	534
Purchase of intangible assets	△2,829	△8,370
Purchase of investment securities	△302	△516
Net decrease (increase) in investment securities	7	—
Net cash provided by (used in) investing activities	△65,072	129,569
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	△83,054	—
Repayments of long-term borrowings	△300,000	△300,000
Dividends paid	△148,335	△205,565
Repayments of lease liabilities	△10,233	△28,132
Purchase of treasury shares	—	△36
Net cash provided by (used in) financing activities	△541,623	△533,734
Effect of exchange rate change on cash and cash equivalents	436,141	98,294
Net increase (decrease) in cash and cash equivalents	287,923	△1,631,919
Cash and cash equivalents at beginning of period	14,241,965	13,204,447
Cash and cash equivalents at end of period	14,529,888	11,572,527

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on premise of a going concern)

Not applicable.

(Note in the event of a significant change in the amount of shareholders' equity)

Not applicable.

(Segment Information)

【Segment Information】

I. For the consolidated first quarter of the year ended March 31, 2023 (From April 1, 2022 to June 30, 2022)

Information on sales and income (loss) by reportable segments

(Thousands of yen)

	Reportable segments					Adjustment (Note)	Consolidated
	Global Gaming	International Commercial	Domestic Commercial	Equipment for the Amusement Industry	Total		
Net sales							
Sales to external customers	3,516,204	1,044,621	411,370	1,038,762	6,010,957	—	6,010,957
Intersegment sales and transfers	—	—	—	—	—	—	—
Total	3,516,204	1,044,621	411,370	1,038,762	6,010,957	—	6,010,957
Segment income (loss)	575,043	45,819	62,759	(61,563)	622,058	(154,860)	467,198

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

II. For the consolidated first quarter of the year ending March 31, 2024 (From April 1, 2023 to June 30, 2023)

Information on sales and income (loss) by reportable segments

(Thousands of yen)

	Reportable segments					Adjustment (Note)	Consolidated
	Global Gaming	International Commercial	Domestic Commercial	Equipment for the Amusement Industry	Total		
Net sales							
Sales to external customers	2,663,538	1,487,967	612,536	1,622,614	6,386,657	—	6,386,657
Intersegment sales and transfers	—	—	—	—	—	—	—
Total	2,663,538	1,487,967	612,536	1,622,614	6,386,657	—	6,386,657
Segment income (loss)	291,634	(115,504)	43,252	287,411	506,793	(230,914)	275,878

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

(Material subsequent events)

(Disposal of Treasury Shares as Restricted share-based Remuneration)

At the meeting of the Board of Directors held on July 25, 2023, the Company resolved to dispose of its treasury shares as restricted share-based remuneration as follows.

1. Summary of Disposal

(1) Disposal date	August 24, 2023
(2) Class and number of shares to be disposed	12,700 shares of common stock of the Company
(3) Disposal price	1,142 yen per share
(4) Total value of share disposal	14,503,400 yen
(5) Grantees of shares and numbers thereof; number of shares to be allotted	Directors of the Company (excluding Directors who reside overseas, the President and External Board Directors): 3 Directors, 3,000 shares Senior Executive Officers not concurrently serving as Directors of the Company and Executive Officers not concurrently serving as Directors of the Company (excluding those who reside overseas): 5 Senior Executive officers and Executive offices, 3,200 shares General Managers of the Company (excluding those who reside overseas): 13 General Managers, 6,500 shares
(6) Other	Regarding the Disposal of Treasury shares, the securities registration statement in accordance with the Financial Instruments and Exchange Act has been filed.

2. Purpose and reason for disposal

At the meeting of the Board of Directors held on May 14, 2019, the Company resolved to introduce a Restricted share-based Remuneration Plan (the "Plan") as a new remuneration plan targeting the Company's Directors (excluding External Board Directors, hereinafter the "Eligible Directors") in order to provide an incentive to increase their willingness to contribute to the rise in the share price and the enhancement of corporate value more than before, as well as to share the benefits and risks of share price fluctuations with our shareholders.

In addition, at the 66th Ordinary General Meeting of Shareholders held on June 26, 2019, the Company has acquired approval on providing monetary compensation claims to the Eligible Directors based on the Plan within 70 million yen per year (excluding the portion of employee salaries of Directors who concurrently serve as employees) as monetary compensation for assets to be contributed for the acquisition of restricted shares , and the transfer restriction period for restricted shares shall be the period specified by the Board of Directors of the Company within a period ranging from 3 to 30 years.

Furthermore, the Eligible Directors, Senior Executive Officers and Executive Officers not concurrently serving as Directors of the Company (hereinafter the "Eligible Executive Officers") who were previously applied to the Plan, the Company will also apply the Plan to the General Managers (hereinafter the "Eligible General Managers) of the Company to share the same objectives as described above.