JAPAN CASHMACHINE CO., LTD.
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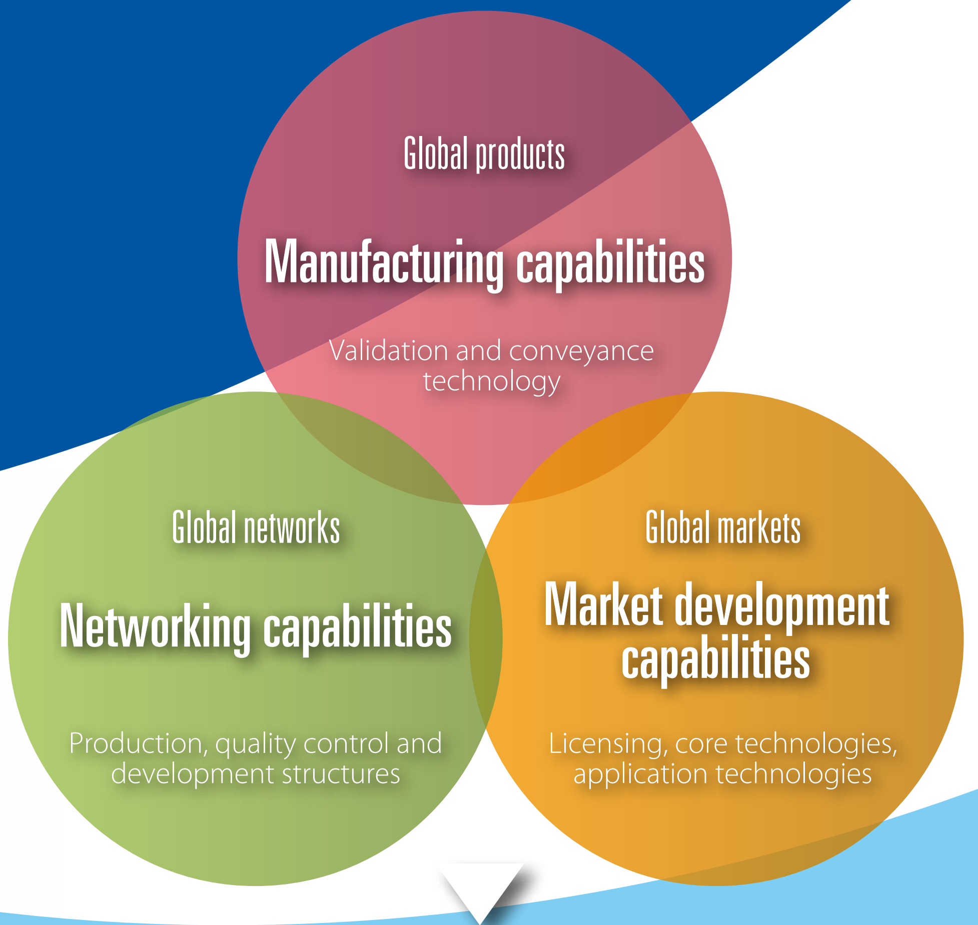
Annual Report 2017

Year ended March 31, 2017

JAPAN CASHMACHINE CO., LTD.

Dedicated to becoming a truly global company, continually creating markets and value in the circulation of cash



Net sales
¥30,231 million
Up 1.6% year on year

Operating income
¥1,752 million
Up 17.0% year on year

Net income attributable to owners of parent
¥1,012 million
Up 182.7% year on year

Company Profile

Established in 1955, Japan Cash Machine Co., Ltd. (JCM) is an integrated manufacturer of money-handling machines. Today JCM and its Group companies use advanced technology and expertise to supply a wide range of superior products to users across a broad spectrum of industries, including gaming, amusement, financial, retail and other service industries. The JCM Group has built an excellent reputation among casinos and financial institutions worldwide by developing high-performance units for use with the US dollar, the euro and more than 100 other currencies. In all business activities, JCM is determined to maximize the benefit to people by reducing the effort required for currency distribution and storage, including the identification, sorting, delivery and quantity management of currency, and by maintaining the high standards of accuracy required to ensure that people can have confidence in their currency.

The JCM Group is determined to enhance corporate value and maximize returns to shareholders through the appropriate and efficient management of business operations, while maintaining excellent relations with all stakeholders, including shareholders, investors, suppliers, local communities and employees.

Forward-Looking Statements

This report contains forward-looking statements regarding the JCM Group plans, forecasts, strategies, business results and other items. These forward-looking statements are based on judgments made using the information available at the time. Actual business results will be affected by various risk factors and uncertainties, and readers are advised that these may differ substantially from the projections presented here. Factors affecting future projections include, but are not limited to, the economic conditions under which the JCM Group operates, competitive pressures, laws and regulations, the status of product development programs, and fluctuations in exchange rates.

Contents

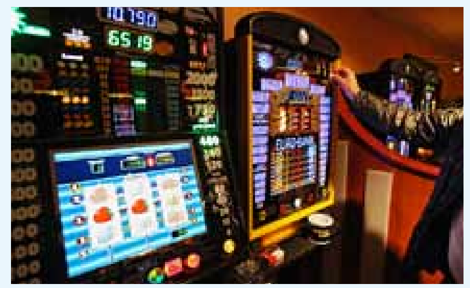
Main Businesses and Target Markets

JCM applies currency validation technologies needed in the world today to develop and manufacture currency processing equipment, financial-related equipment, and amusement and gaming equipment not only in Japan, but in the global market.

Casino and Gaming Markets

JCM stands as a pioneer in the casino industry

JCM first began manufacturing bill validators for Japanese yen banknotes in 1981. After that, it shifted attention to US dollars, the most widely circulated currency worldwide, and succeeded in developing bill validator units for US banknotes. Building on that momentum, JCM shifted focus from manufacturing cash registers and security safes to producing specialized products fitted with technologies for validating and sorting the currencies of countries around the world, in addition to the yen.



Banking, Retail and Transportation Markets

JCM's currency validation technology supports the flow of money around the world

Drawing on the trust and experience built up through global operations as an expert in currency handling, JCM has been expanding business in a wide range of markets, including the banking, retail and transportation markets, offering various products worldwide including ATMs, ticket dispensers, fare adjustment machines, vending machines, and payment terminals for kiosks and other retail outlets. Leveraging its own global network, JCM continuously offers new technologies and products with high added value in response to the needs of customers all over the world.

Japanese Amusement Equipment Market

Applying currency processing technology to make Japan's amusement industry more efficient

The technologies that JCM has accumulated through operations in the gaming market have also gained a foothold in Japan's amusement market, especially for *pachinko* (a Japanese-style gambling pinball machine) and slot machine parlors. These businesses require sophisticated technologies for validating and sorting banknotes and coins, and for supplying balls and tokens. In that context, JCM provides technologies and products in anticipation of the needs of operators, ranging from systems on the customer floor to back office equipment, as well as flawless services for improving their environments.

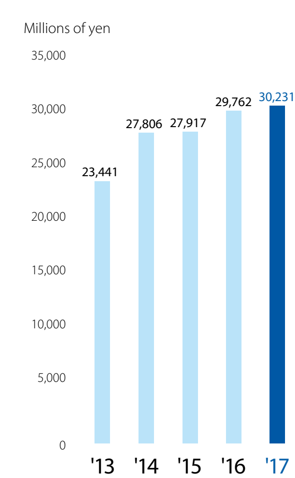
Consolidated Financial Highlights

Japan Cash Machine Co., Ltd. and Subsidiaries
Years ended March 31, 2017, 2016, 2015, 2014 and 2013

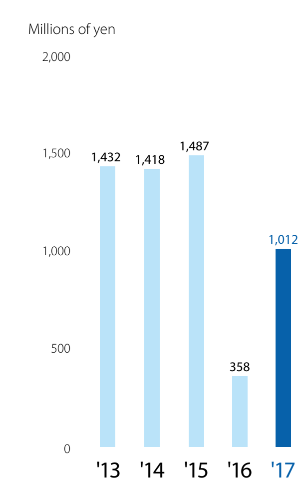
	Millions of Yen					Thousands of US Dollars (Note)
	2017	2016	2015	2014	2013	2017
For the year:						
Net sales:						
Domestic	¥ 10,411	¥ 9,491	¥ 10,899	¥ 10,549	¥ 11,771	$ 92,806
Overseas	19,820	20,271	17,018	17,257	11,670	176,681
Total	30,231	29,762	27,917	27,806	23,441	269,487
Gross profit	11,940	11,754	10,371	9,861	8,958	106,436
Operating income	1,752	1,498	1,285	1,762	1,330	15,618
Net income attributable to owners of parent	1,012	358	1,487	1,418	1,432	9,021
Net cash provided by operating activities	612	1,759	1,801	2,098	919	5,456
Net cash used in investing activities	(294)	(243)	(6,991)	(545)	(166)	(2,621)
Net cash used in financing activities	(1,688)	(1,414)	5,181	(626)	(538)	(15,047)
Cash and cash equivalents at end of year	7,147	8,795	8,814	8,489	6,983	63,710
At the year-end:						
Current assets	¥ 26,125	¥ 26,121	¥ 26,993	¥ 26,935	¥ 22,898	$ 232,885
Total assets	39,756	40,429	42,512	33,683	29,449	354,395
Current liabilities	10,117	10,441	12,465	5,957	4,509	90,185
Net assets	28,938	29,252	29,428	27,223	24,295	257,961
Return on equity (%)	3.5	1.2	5.2	5.5	6.1	
	Yen					US Dollars (Note)
Per share data:						
Net income–basic	¥ 37.71	¥ 13.27	¥ 55.11	¥ 52.58	¥ 53.08	$ 0.34
Net income–diluted	37.69	13.27	–	–	–	0.34
Net assets	1,080.96	1,084.29	1,090.80	1,009.07	900.46	9.64
Cash dividends	17.00	17.00	19.00	16.00	18.00	0.15
Number of employees	675	618	619	576	569	

Note: US dollar amounts in this report have been translated from the corresponding yen amounts, for convenience only, at ¥112.18 = US $1.00, the rate of exchange on March 31, 2017.

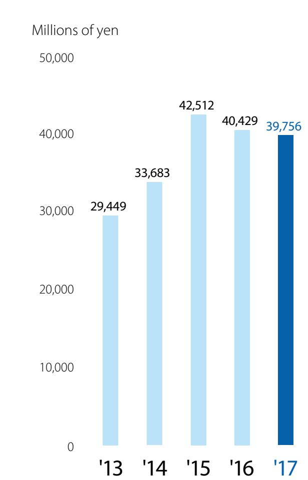
Net sales



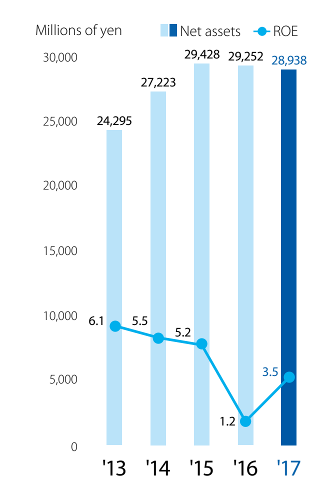
Net income



Total assets



Net assets and ROE



It is our great pleasure to present the JCM Annual Report 2017

(covering the period from April 1, 2016 to March 31, 2017)

I am pleased to have this opportunity to report on the financial results to shareholders. In the fiscal year ended March 31, 2017, Japan Cash Machine Co., Ltd. (hereafter, "JCM" or "the Company"), posted growth in net sales for the seventh consecutive year. That was largely due to the success of initiatives implemented across the JCM Group, including sales strategies optimally tailored to each market where we operate. Moreover, as a result of cost cutting and other measures for improving profitability, the Company posted substantial year-on-year increases in profits. Considering these excellent results, I would like to express my sincere appreciation to the Company's shareholders, business partners, and all other stakeholders for their enthusiastic support.

In the fiscal year ending March 31, 2018, we intend to continue making all-out efforts for increasing corporate value by implementing original and innovative measures for enhancing operations. As we pursue those endeavors, we ask the Company's shareholders for their continuing support and encouragement.

June 2017

Yojiro Kamihigashi
President

Aiming to maintain or boost market share in mature markets, while expanding business by cultivating new markets and releasing new products

Q Please summarize JCM's financial results for the fiscal year ended March 31, 2017.

A JCM achieved its seventh consecutive year of growth in net sales.

During the fiscal year under review, conditions were mixed in the markets in which the JCM Group operates, namely the gaming market, the amusement equipment market, as well as the banking, retail and transportation markets. Nevertheless, the Group successfully carried out growth strategies tailored to each of these markets, offering system-based solutions and expanding product lineups, among other initiatives. As a result of these efforts, JCM marked its seventh consecutive year of growth in consolidated net sales. Profits also increased compared with the previous fiscal year at every level of income, mainly owing to the growth in net sales and a reduction in selling, general and administrative expenses.

Q Please tell us about the initiatives you are taking in the fiscal year underway.

A Our main objectives are to maintain or boost market shares held by the JCM Group's businesses and to accelerate the growth of new businesses.

During the current fiscal year, we will work to enhance JCM's performance and overcome challenges facing each of our businesses, while pursuing our two main objectives of maintaining or raising market shares held by the Group's businesses and accelerating the growth of new businesses.

Both the gaming market and the amusement equipment market have reached a mature stage, so they have only limited potential for growth. Nevertheless, opportunities remain for market growth going forward in countries and regions around the world. In Japan, for example, plans are in place for the construction of new integrated resorts that include casinos. By promptly taking advantage of these opportunities, as well as offering new services while building trust with customers, we will work to expand or at least maintain the Group's share in each of these markets.

With a view to establishing a new business pillar, we are now focusing on the banking, retail and transportation markets. As economic activity continues to develop and grow rapidly in emerging countries, especially in Asia, we expect demand for the Group's products to continue increasing in these markets. In the current fiscal year, we will work aggressively to uncover latent demand by concentrating proactive investment aimed at releasing new products and cultivating new markets. We are also striving to quickly expand business in Japan by tapping tourism-driven demand in the run-up to the Tokyo Olympic Games in 2020.

Q Finally, could you discuss JCM's shareholder return policy?

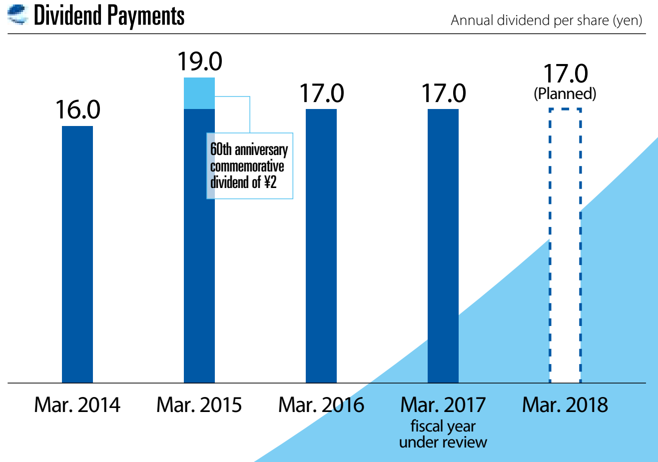
A The dividend amount is decided based on a dividend payout ratio of at least 30%, in consideration of the ratio of dividends to net assets.

Under our basic policy for shareholder returns, management considers the need to both ensure that dividends are paid on a stable basis as a way to return profits to shareholders and the need to boost the dividend payout amount by increasing profits, which we aim to achieve through growth strategies set out in our medium-term management plan. Management decides on the dividend amount based on a targeted dividend payout ratio of at least 30%, while taking into account the ratio of dividends to net assets.

In accordance with this basic policy, during the fiscal year under review, JCM paid an annual dividend of ¥17 per share, made up of interim and year-end dividends of ¥8.5 per share, as initially planned.

For the fiscal year ending March 31, 2018, management plans to pay an annual dividend of ¥17 per share, the same amount as the fiscal year under review.

Dividend Payments



Global Gaming

iVIZION GEN2 Universal

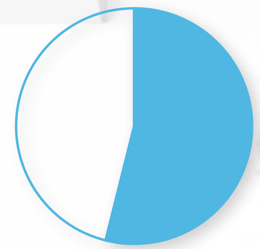
Net sales

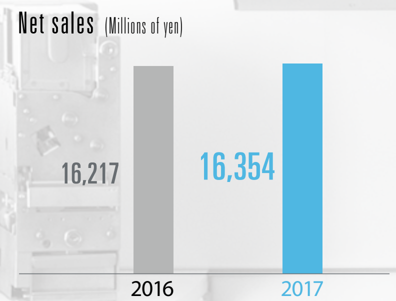
¥16,354 million

Up 0.8% YoY

Net sales composition

54.1%





Sales of bill validator units to original equipment manufacturers in North America continued to be strong. Sales of bill recycling units also remained solid in Europe. As a result of these and other factors, net sales in this segment increased year on year.

Domestic Commercial

CE-i6 CRU-06

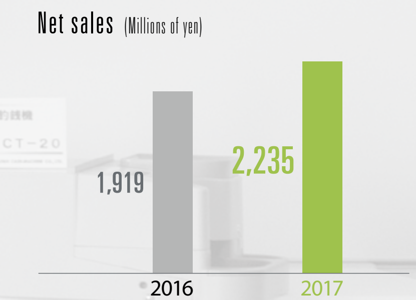
Net sales

¥2,235 million

Up 16.4% YoY

Net sales composition

7.4%



Sales of bill recycling units for financial markets declined. However, sales of automatic currency exchange machines and coin and bill recyclers for self-service gasoline stations increased. Owing to these and other factors, net sales in this segment rose year on year.

Overseas Commercial

TBV-FSH iPRO-RC

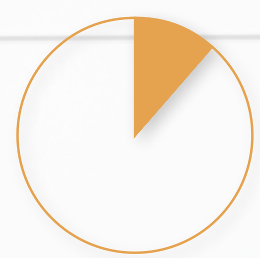
Net sales

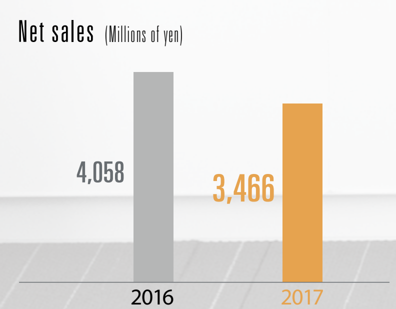
¥3,466 million

Down 14.6% YoY

Net sales composition

11.5%





Sales were brisk in Europe. However, sales of bill validator units to the North American financial market fell as replacement demand reached the end of its cycle. Consequently, net sales in this segment decreased compared with the previous fiscal year.

Equipment for Amusement Industry

ML-320H SR7000α

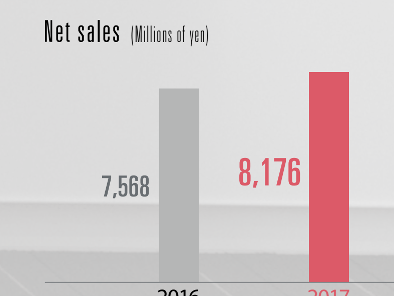
Net sales

¥8,176 million

Up 8.0% YoY

Net sales composition

27.0%



Sales of mainstay products decreased, including those for automatic token supply systems. Nonetheless, JCM expanded the customer base and the products it handles after acquiring another company's amusement equipment business. As a result of these and other factors, net sales in this segment were up year on year.

01 JCM Supports the Second Japan Gaming Congress as a Sponsor

The second Japan Gaming Congress was held in Tokyo for two days, on May 10 and 11, 2017. The event provided a venue for experts from around the world to share ideas on plans to build integrated resorts in Japan, which were legalized in December 2016. Representatives of national and municipal governments also attended. The JCM Group supported the event as a sponsor, as it had done for the first congress. During the event, Tom Nieman, the head of marketing at JCM's US-based subsidiary, JCM American Corporation, served as the chairperson for a panel discussion made up of representatives from companies in the gaming industry, and contributed to raising awareness of the gaming business and encouraging attendees to actively exchange opinions. The Group hosted a dinner party on the final day, allowing people from many countries to mingle. The party provided an ideal opportunity for members of the JCM Group to network and promote the Group's prominence in the gaming industry.

Tom Nieman, head of marketing at JCM American Corporation, chaired a panel discussion on the second day.


JCM President Yojiro Kamihigashi gave a speech at the dinner party.

02 Exhibiting at Trade Shows in Japan and around the World

The JCM Group has been participating in gaming industry trade shows for many years. In recent years, it has also been actively exhibiting at trade fairs in the banking and retail industries in an effort to tap latent demand in emerging countries, especially in Asia. The Group has established a solid presence at these trade shows as a means of promoting sales of currency processing equipment—the mainstay products—and cultivating new markets.


JCM's exhibit space at the Global Gaming Expo—the world's largest gaming trade show—held in Las Vegas from September 27 to 29, 2016

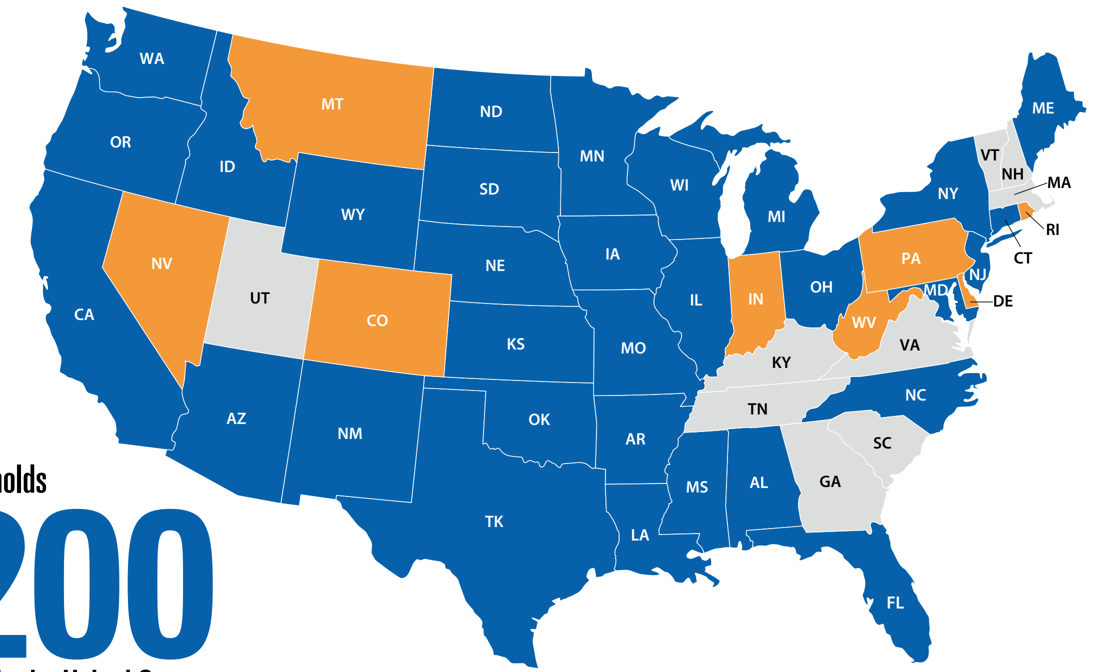

JCM exhibited railway equipment at InnoRail 2016, held in India from December 1 to 3, 2016.


JCM exhibited banking equipment at IBEX India 2017, held in India from January 19 to 21, 2017.


JCM's exhibit space at ICE Totally Gaming—Europe's largest gaming trade show—held in London from February 7 to 9, 2017


JCM exhibited products for the retail industry at Retailtech Japan, held in Tokyo from March 7 to 10, 2017.

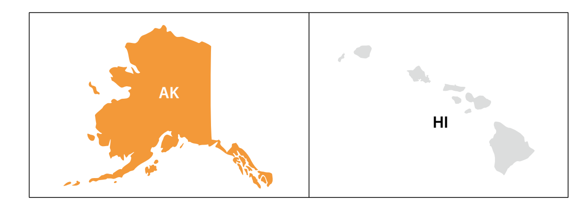
Acquisition of Gaming Licenses



The JCM Group holds

OVER 200

gaming licenses in the United States



- Jurisdictions where the JCM Group has a gaming license
- Gaming jurisdictions where the JCM Group does not do business directly or does business but does not require a license
- Jurisdictions where gaming is not authorized

US Gaming Regulations

In casinos and the gaming industry, strict legal regulations are imposed on casino management and the manufacture and sales of gaming machines to ensure that persons unconnected with criminal organizations operate honestly using bona fide gaming machines and components. These legal regulations not only require that authorization be obtained from the appropriate authority to sell bill validation units fitted to gaming machines, but in most US states and jurisdictions bill validation units are also regarded as a type of gaming machine, and their testing, approval and sale requires the same authorization as that for gaming machines themselves. For this reason, the JCM Group has not only swiftly obtained authorization for sales of bill validation units when this is required, but also responded in a timely fashion when the regulations governing slot machines and other gaming machines change, even if bill validation units are not themselves subject to regulation. The JCM Group has never been denied a license, nor has one ever been suspended or revoked.

When obtaining gaming licenses, not only the JCM Group itself but also individual directors undergo rigorous screening. At present, the JCM Group holds over 200 gaming licenses in the United States, as well as gaming licenses in Canada, Puerto Rico and Macau. In the future, the JCM Group will not only renew existing licenses but also obtain the new ones required for manufacturing and sales of products where market potential and revenue justify the costs of such new or renewal processes.

Corporate Governance

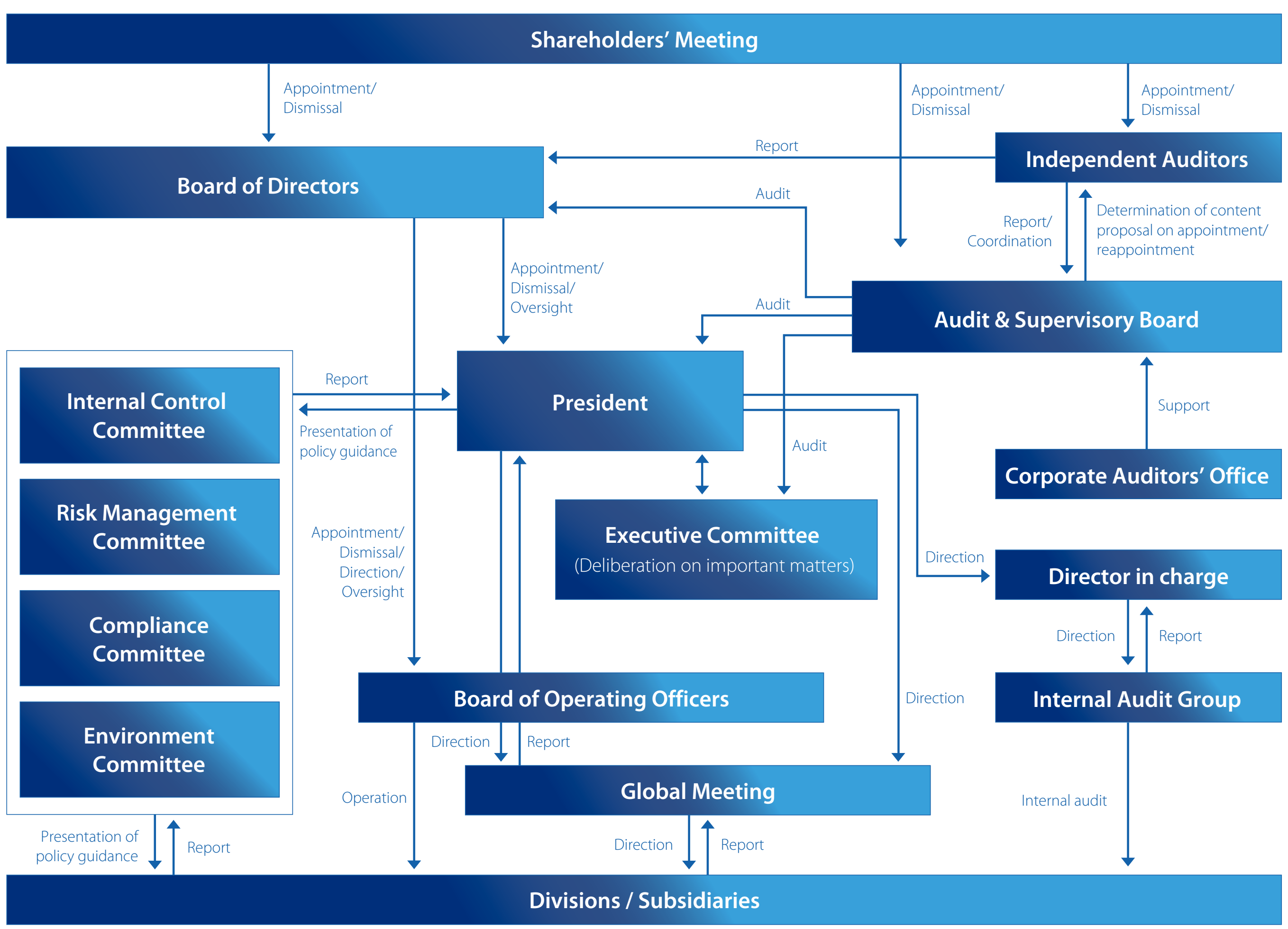
We regard the development of relationships of trust with all stakeholders as an important management priority and an essential foundation for sustainable corporate growth. We are continually working to strengthen our bonds of trust with stakeholders by enhancing our internal control systems, by ensuring that management decisions are transparent and in keeping with the public importance of our products, and by building structures to support a timely response to changes in the business environment.

By keeping the membership of our Board of Directors to the minimum number required, we ensure timely and appropriate decision-making by reducing the time required for members to reach appropriate decisions on matters put before the Board. We have also introduced an operating officer system to provide a clear demarcation between management and supervisory roles and business execution.

The Audit & Supervisory Board members make an extremely important contribution to the reinforcement of corporate governance. By holding regular meetings between the representative director and the Audit & Supervisory Board members, we have created a mechanism that fosters better mutual understanding.

The Internal Audit Group strengthens and enhances internal control structures by developing and maintaining systems to support detailed scrutiny of the administration of those structures. It also works to improve the transparency of financial reporting by restructuring operational processes and improving checking systems.

These measures to strengthen corporate governance are not limited to the parent company but are applied across the entire JCM Group, including overseas companies.



Directors, Audit & Supervisory Board Members

As of June 28, 2017

Directors

Chairperson	Koichiro Kamihigashi
President and Representative Director	Yojiro Kamihigashi
Executive Directors	Hisashi Maki
	Hikaru Izawa
Directors	Tsuyoshi Takagaki
	Yasuhiko Yoshimura
Outside Directors	Brian Andrew Smith
	Koji Yoshikawa

Audit & Supervisory Board Members

Audit & Supervisory Board Member (full-time)	Taizo Nakamura
Outside Audit & Supervisory Board Member (full-time)	Mitsuhiro Ueno
Outside Audit & Supervisory Board Members	Hideyuki Koizumi
	Hiroshi Morimoto

Operating Officers

Senior Operating Officers	Tsuyoshi Takagaki
	Shigeru Yamazawa
	Yoshihiro Iuchi
	Haruaki Nakao
Operating Officers	Norihito Nakatani
	Ichiro Iwai
	Makoto Hasegawa
	Takayuki Takeda
	Masaru Shikata
	Takatomo Imai

Consolidated Balance Sheet

Japan Cash Machine Co., Ltd. and Subsidiaries
March 31, 2017

	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars (Note 4) 2017
Assets			
Current assets:			
Cash and deposits (Notes 5, 8 and 18)	¥ 7,167	¥ 8,815	$ 63,888
Trade receivables (Note 18):			
Notes	1,632	1,421	14,548
Accounts	4,382	5,136	39,062
	6,014	6,557	53,610
Securities (Notes 6 and 18)	23	85	205
Inventories (Note 7)	11,386	9,780	101,498
Deferred income taxes (Note 14)	761	575	6,784
Prepaid expenses and other current assets	986	573	8,789
Less allowance for doubtful accounts	(212)	(264)	(1,889)
Total current assets	26,125	26,121	232,885
Property, plant and equipment, at cost (Note 20):			
Land	1,835	1,847	16,358
Buildings and structures	3,933	3,944	35,060
Machinery, equipment and vehicles	536	529	4,778
Leased assets	457	465	4,074
Other	5,996	5,797	53,449
	12,757	12,582	113,719
Less accumulated depreciation	(7,766)	(7,492)	(69,228)
Property, plant and equipment, net	4,991	5,090	44,491
Investments and other assets:			
Investments in securities (Notes 6 and 18)	972	617	8,665
Intangible assets	129	72	1,149
Goodwill (Note 20)	2,292	2,625	20,431
Technical-based assets	391	501	3,485
Customer-related assets	3,374	3,840	30,077
Trademark	451	517	4,020
Asset for retirement benefits (Note 10)	494	509	4,404
Deferred income taxes (Note 14)	5	–	45
Other assets	588	591	5,242
Less allowance for doubtful accounts	(56)	(54)	(499)
Total investments and other assets	8,640	9,218	77,019
Total assets (Note 20)	¥ 39,756	¥ 40,429	$ 354,395

	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars (Note 4) 2017
Liabilities and Net Assets			
Current liabilities:			
Trade payables (Notes 8 and 18):			
Notes	¥ 5	¥ 3	$ 45
Accounts	3,157	3,431	28,142
	3,162	3,434	28,187
Lease obligations (Note 9)	75	92	669
Short-term loans payable (Note 18)	3,703	4,620	33,009
Accrued income taxes (Note 14)	225	308	2,006
Accrued bonuses for employees	382	257	3,405
Accrued bonuses for directors and corporate auditors	21	9	187
Deferred income taxes (Note 14)	14	28	125
Other current liabilities	2,535	1,693	22,597
Total current liabilities	10,117	10,441	90,185
Long-term liabilities:			
Lease obligations (Note 9)	104	146	927
Provision for loss on dissolution of employee's pension fund	–	67	–
Deferred income taxes (Note 14)	324	237	2,888
Other long-term liabilities	273	286	2,434
Total long-term liabilities	701	736	6,249
Contingent liabilities (Note 11)			
Net assets:			
Shareholders' equity (Note 12):			
Common stock:			
Authorized – 118,000,000 shares			
Issued – 29,662,851 shares in 2017 and 2016	2,217	2,217	19,763
Capital surplus	2,069	2,069	18,443
Retained earnings (Note 23)	27,070	26,515	241,309
Less treasury stock, at cost:			
2,920,750 shares in 2017 and 2,684,803 shares in 2016	(2,630)	(2,330)	(23,444)
Total shareholders' equity	28,726	28,471	256,071
Accumulated other comprehensive income:			
Net unrealized holding gain on securities	204	69	1,819
Translation adjustments	(23)	708	(205)
Total accumulated other comprehensive income	181	777	1,614
Share subscription rights (Notes 12 and 23)	31	4	276
Total net assets	28,938	29,252	257,961
Total liabilities and net assets	¥ 39,756	¥ 40,429	$ 354,395

The accompanying notes are an integral part of these statements.

Consolidated Statement of Income

Japan Cash Machine Co., Ltd. and Subsidiaries
Year ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2017	2016	2017
Net sales (Note 20)	¥ 30,231	¥ 29,762	$ 269,487
Cost of sales (Notes 7 and 13)	18,348	18,020	163,559
Gross profit on sales	11,883	11,742	105,928
Realized gross profit on installment sales	58	77	517
Deferred gross profit on installment sales	(1)	(65)	(9)
Gross profit	11,940	11,754	106,436
Selling, general and administrative expenses (Note 13)	10,188	10,256	90,818
Operating income (Note 20)	1,752	1,498	15,618
Other income:			
Interest income	8	23	71
Dividend income	14	17	125
Equity in earnings of an affiliate	–	8	–
Gain on sales of investments in securities (Note 6)	–	8	–
Gain on reversal of provision for loss on dissolution of employee's pension fund	67	–	597
Gain on bargain purchase	314	–	2,799
Other	110	115	981
	513	171	4,573
Other expenses:			
Interest expense	41	38	365
Foreign exchange losses, net	327	399	2,915
Loss on sales or disposal of property and equipment, net	5	42	45
Loss on impairment of fixed assets (Note 22)	13	–	116
Loss on devaluation of golf club membership	1	–	9
Loss on cancellation of leases	–	45	–
Provision of allowance for doubtful accounts	1	–	9
Loss on devaluation of investments in securities (Note 6)	–	42	–
Other	23	42	205
	411	608	3,664
Income before income taxes	1,854	1,061	16,527
Income taxes (Note 14):			
Current	984	772	8,772
Deferred	(142)	(69)	(1,266)
	842	703	7,506
Net income	1,012	358	9,021
Net income attributable to:			
Owners of parent	¥ 1,012	¥ 358	$ 9,021

The accompanying notes are an integral part of these statements.

Consolidated Statement of Comprehensive Income

Japan Cash Machine Co., Ltd. and Subsidiaries
Year ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2017	2016	2017
Net income	¥ 1,012	¥ 358	$ 9,021
Other comprehensive income (Note 16):			
Net unrealized holding gain (loss) on securities	135	(47)	1,203
Translation adjustments	(731)	18	(6,517)
Share of other comprehensive income of an affiliate accounted for by the equity method	–	4	–
Total other comprehensive income	(596)	(25)	(5,314)
Comprehensive income	¥ 416	¥ 333	$ 3,707
Total comprehensive income attributable to:			
Owners of parent	¥ 416	¥ 333	$ 3,707

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Net Assets

Japan Cash Machine Co., Ltd. and Subsidiaries
Year ended March 31, 2017

		Millions of yen								
	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost (Note 12)	Total shareholders' equity	Net unrealized holding gain on securities	Translation adjustments	Share subscription rights (Note 12)	Total net assets
Balance at April 1, 2015	29,662,851	¥ 2,217	¥ 2,069	¥ 26,669	¥ (2,329)	¥ 28,626	¥ 116	¥ 686	¥ –	¥ 29,428
Net income attributable to owners of parent for the year	–	–	–	358	–	358	–	–	–	358
Cash dividends	–	–	–	(512)	–	(512)	–	–	–	(512)
Increase in treasury stock	–	–	–	–	(1)	(1)	–	–	–	(1)
Other changes	–	–	–	–	–	–	(47)	22	4	(21)
Balance at March 31, 2016	29,662,851	¥ 2,217	¥ 2,069	¥ 26,515	¥ (2,330)	¥ 28,471	¥ 69	¥ 708	¥ 4	¥ 29,252
Net income attributable to owners of parent for the year	–	–	–	1,012	–	1,012	–	–	–	1,012
Cash dividends	–	–	–	(457)	–	(457)	–	–	–	(457)
Increase in treasury stock	–	–	–	–	(300)	(300)	–	–	–	(300)
Other changes	–	–	–	–	–	–	135	(731)	27	(569)
Balance at March 31, 2017	29,662,851	¥ 2,217	¥ 2,069	¥ 27,070	¥ (2,630)	¥ 28,726	¥ 204	¥ (23)	¥ 31	¥ 28,938

	Thousands of U.S. dollars (Note 4)								
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost (Note 12)	Total shareholders' equity	Net unrealized holding gain on securities	Translation adjustments	Share subscription rights (Note 12)	Total net assets
Balance at April 1, 2016	$ 19,763	$ 18,443	$ 236,361	$ (20,770)	$ 253,797	$ 615	$ 6,312	$ 36	$ 260,760
Net income attributable to owners of parent for the year	–	–	9,022	–	9,022	–	–	–	9,022
Cash dividends	–	–	(4,074)	–	(4,074)	–	–	–	(4,074)
Increase in treasury stock	–	–	–	(2,674)	(2,674)	–	–	–	(2,674)
Other changes	–	–	–	–	–	1,203	(6,517)	240	(5,073)
Balance at March 31, 2017	$ 19,763	$ 18,443	$ 241,309	$ (23,444)	$ 256,071	$ 1,818	$ (205)	$ 276	$ 257,961

The accompanying notes are an integral part of these statements.

Consolidated Statement of Cash Flows

Japan Cash Machine Co., Ltd. and Subsidiaries
Year ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2017	2016	2017
Operating activities:			
Income before income taxes	¥ 1,854	¥ 1,061	$ 16,527
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	926	1,046	8,255
Amortization of goodwill	186	213	1,659
Gain on bargain purchase	(314)	–	(2,799)
Provision for allowances and accruals	44	(93)	392
Interest and dividend income	(22)	(40)	(196)
Interest expense	41	38	365
Foreign exchange gain, net	233	(39)	2,077
Gain on sales of investments in securities	–	(8)	–
Equity in earnings of an affiliate	–	(8)	–
Loss on devaluation of investments in securities	–	42	–
Loss on sales or disposal of property, plant and equipment, net	5	42	45
Changes in operating assets and liabilities:			
Loss on impairment of fixed assets	13	–	116
Loss on devaluation of golf membership	1	–	9
Other	(26)	–	(232)
Trade receivables	254	479	2,264
Inventories	(1,833)	272	(16,340)
Trade payables	(40)	(138)	(357)
Consumption taxes	98	(2)	873
Other operating assets and liabilities	330	(562)	2,942
Subtotal	1,750	2,303	15,600
Interest and dividends received	23	39	205
Interest paid	(41)	(38)	(365)
Income taxes paid	(1,120)	(545)	(9,984)
Net cash provided by operating activities	612	1,759	5,456
Investing activities:			
Purchases of property and equipment	¥ (432)	¥ (287)	$ (3,851)
Proceeds from sales of property and equipment	1	4	9
Net increase (decrease) in securities	0	(18)	2
Purchases of investments in securities	(114)	(101)	(1,017)
Proceeds from sales of investments in securities (Note 6)	–	102	–
Purchases of other assets	(83)	(18)	(740)
Proceeds from long-term loans receivable	–	82	–
Proceeds from transfer of business	306	–	2,727
Other	28	(7)	249
Net cash used in investing activities	(294)	(243)	(2,621)
Financing activities:			
Increase in short-term bank loans	1,000	–	8,914
Repayment of short-term loans payable	(1,855)	(795)	(16,536)
Proceeds from lease transactions	3	14	27
Repayment of lease obligations	(99)	(122)	(882)
Purchases of treasury stock	(300)	(1)	(2,674)
Proceeds from issuance of share subscription rights	21	–	187
Cash dividends paid	(458)	(510)	(4,083)
Net cash used in financing activities	(1,688)	(1,414)	(15,047)
Effect of exchange rate changes on cash and cash equivalents	(278)	(121)	(2,478)
Net (decrease) in cash and cash equivalents	(1,648)	(19)	(14,690)
Cash and cash equivalents at beginning of year	8,795	8,814	78,400
Cash and cash equivalents at end of year (Note 5)	¥ 7,147	¥ 8,795	$ 63,710

The accompanying notes are an integral part of these statements.

1. Basis of Preparation of Consolidated Financial Statements

The accompanying consolidated financial statements of Japan Cash Machine Co., Ltd. (the "Company") and its subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to present them in a form which is familiar to readers outside Japan. However, no adjustments have been made which would change the financial position or the results of operations as presented in the original consolidated financial statements.

Certain reclassifications of previously reported amounts have been made to conform the accompanying consolidated financial statements for the year ended March 31, 2016 to the 2017 presentation. Such reclassifications had no effect on consolidated net income or net assets.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany items have been eliminated in consolidation.

The overseas subsidiaries are consolidated on the basis of fiscal periods ending December 31, which differs from the balance sheet date of the Company. As a result, adjustments have been made for any significant transactions which took place during the period between the year end of these overseas subsidiaries and that of the Company.

(b) Foreign Currency Translation

Foreign currency transactions

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date. All other assets and liabilities denominated in foreign currencies are translated at their historical rates. Gain or loss on the transactions is credited or charged to income in the period in which such gain or loss is recognized for financial reporting purposes.

Financial statements of overseas subsidiaries

The financial statements of the overseas subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except that the revenue and expense accounts are translated at the average exchange rates in effect during the fiscal year and the components of net assets are translated at their historical rates. Differences resulting from translating the financial statements of the overseas subsidiaries are not included in the determination of net income, but are presented as translation adjustments in a component of accumulated other comprehensive income in the accompanying consolidated balance sheet.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and in banks which can be withdrawal at any time and short-term investments with maturities of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(d) Inventories

Inventories of the Company and its domestic subsidiaries are stated at the lower of cost or net selling value, cost being determined by the first-in, first-out method. Inventories of the overseas subsidiaries are stated at the lower of cost or market, the cost of inventories at JCM American Corporation being determined by the first-in, first-out method, and the cost of inventories at JCM Europe GmbH. and JCM Gold (HK) Ltd. being determined by the moving-average method.

(e) Securities

Securities are classified into two categories: held-to-maturity debt securities, and other securities. Held-to-maturity debt securities are stated at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving-average method.

(f) Derivatives and Hedging Activities

Derivatives are carried at fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability. Receivables and payables hedged by forward foreign exchange contracts which meet certain conditions are translated at the corresponding foreign exchange contract rates.

The Company evaluates effectiveness of its hedging activities by comparing cumulative changes in fair value of the hedged items with the corresponding changes in the hedging instruments.

(g) Property, Plant and Equipment (except for leased assets)

Property, plant and equipment is stated on the basis of cost. The Company and its domestic subsidiaries calculate depreciation by the declining-balance method based on the estimated useful lives of the respective assets and the respective residual value determined by the Company and its domestic subsidiaries, except for buildings (exclusive of any structures attached to the buildings) acquired on or after April 1, 1998 and structures attached to the buildings and other structures acquired on or after April 1, 2016 which are depreciated by the straight-line method. The overseas subsidiaries calculate depreciation principally by the straight-line method over the estimated useful lives of the respective assets.

The principal useful lives of property, plant and equipment are 3 to 50 years for buildings and structures and 4 to 12 years for machinery, equipment and vehicles.

(h) Intangible Assets (except for leased assets)

Intangible assets are amortized by the straight-line method over the estimated useful lives of the respective assets. Expenditures relating to computer software developed for internal use are charged to income when incurred, except if these are deemed to contribute to the generation of future income or cost savings. Such expenditures are capitalized as assets and amortized by the straight-line method over their respective estimated useful lives, a period of 5 years. Computer software to be sold is amortized by the straight-line method over its expected sellable period of 3 years.

(i) Research and Development Costs

Research and development costs are charged to income when incurred.

(j) Leased assets

Capitalized leased assets are depreciated by the straight-line method based over the lease term with no residual value.

(k) Allowance for Doubtful Accounts

The Company and its domestic subsidiaries provide allowances for doubtful receivables based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific doubtful accounts from customers experiencing financial difficulties.

The allowance for doubtful accounts of the overseas subsidiaries was principally provided at the estimated amount of their probable bad debts.

(l) Accrued Bonuses for Employees

The Company and its domestic subsidiaries provide accrued bonuses for employees at the estimated amount of bonuses to be paid to the employees in the following year. Its overseas subsidiaries do not provide accrued bonuses for employees.

(m) Accrued Bonuses for Directors and Corporate Auditors

The Company and its domestic subsidiaries provide accrued bonuses for directors and corporate auditors at the estimated amount of bonuses to be paid to the directors and corporate auditors in the following year. Its overseas subsidiaries do not provide accrued bonuses for directors and corporate auditors.

(n) Retirement Benefits

Retirement benefits are provided based on the amount of the retirement benefit obligation reduced by the plan assets at fair value as of the balance sheet date.

The retirement benefit obligation for employees is attributed to each period by the benefit formula method over the estimated years of service of the eligible employees.

Actuarial gain or loss and prior service cost are credited or charged to income as incurred.

(o) Goodwill

Goodwill is amortized by the straight-line method over the estimated period of benefit (14 years).

(p) Revenue Recognition of Installment Sales

The Company and certain subsidiaries recognize both sales and costs of sales in the period of the installment sales and defer the related gross profit to the periods in which they collect the related cash.

(q) Income Taxes

Deferred income taxes have been recognized with respect to the differences between financial reporting and the tax bases of the assets and liabilities. Deferred income taxes are measured at the rates which are expected to apply to the period when each asset or liability is realized, based on the tax rates which have been enacted as of the balance sheet date or are subsequently enacted.

(r) Distribution of Retained Earnings

Distribution of retained earnings with respect to a given financial period is made by resolution of the Board of Directors at a meeting held subsequent to the close of the financial period. The accounts for that period do not, therefore, reflect such distribution (please refer to Note 23).

3. Accounting Changes

The Company and its domestic consolidated subsidiaries adopted "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") Statement No. 32, issued on June 17, 2016) in accordance with the revision of the Corporation Tax Law of Japan, and changed their method of accounting for depreciation of the structures attached to buildings and other structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The effect on the consolidated financial statements for the year ended and as of March 31, 2017 was immaterial.

4. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at the rate of ¥112.18= U.S.$1.00, the approximate rate of exchange in effect on March 31, 2017. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

5. Cash and Deposits

A reconciliation between cash and deposits in the accompanying consolidated balance sheets as of March 31, 2017 and 2016 and cash and cash equivalents in the accompanying consolidated statements of cash flows for the years ended March 31, 2017 and 2016 is presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Cash and deposits	¥ 7,167	¥ 8,815	$ 63,888
Time deposits over a period of 3 months	(20)	(20)	(178)
Cash and cash equivalents	¥ 7,147	¥ 8,795	$ 63,710

The details of assets acquired and liabilities assumed due to a transfer of certain businesses from Silver Denken Co., Ltd. on September 1, 2016 as well as the acquisition cost and proceeds from transfer of business were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 1,173	$ 10,456
Current liabilities	(850)	(7,577)
Gain on bargain purchase	(314)	(2,799)
Total	9	80
Cash and cash equivalents included in the transferred assets	(315)	(2,807)
Proceeds from transfer of business	¥ 306	$ 2,727

6. Securities and Investments in Securities

Securities and investments in securities classified as held-to-maturity debt securities at March 31, 2017 and 2016 were as follows:

	Millions of yen		
	2017		
	Carrying value	Fair value	Unrealized gain (loss)
Held-to-maturity debt securities whose fair value does not exceed their carrying value:			
Corporate bonds	¥ 9	¥ 9	¥ –
Other	93	93	–
Total	¥ 102	¥ 102	¥ –

	Millions of yen		
	2016		
	Carrying value	Fair value	Unrealized gain (loss)
Held-to-maturity debt securities whose fair value does not exceed their carrying value:			
Corporate bonds	¥ 9	¥ 9	¥ –
Other	85	85	–
Total	¥ 94	¥ 94	¥ –

	Thousands of U.S. dollars		
	2017		
	Carrying value	Fair value	Unrealized gain (loss)
Held-to-maturity debt securities whose fair value does not exceed their carrying value:			
Corporate bonds	$ 80	$ 80	$ –
Other	829	829	–
Total	$ 909	$ 909	$ –

Securities and investments in securities classified as other securities at March 31, 2017 and 2016 were as follows:

	Millions of yen		
	2017		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Other securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥ 865	¥ 614	¥ 251
Other securities whose carrying value does not exceed their acquisition costs:			
Equity securities	–	–	–
Total	¥ 865	¥ 614	¥ 251

	Millions of yen		
	2016		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Other securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥ 527	¥ 457	¥ 70
Other securities whose carrying value does not exceed their acquisition costs:			
Equity securities	81	124	(43)
Total	¥ 608	¥ 581	¥ 27

	Thousands of U.S. dollars		
	2017		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Other securities whose carrying value exceeds their acquisition costs:			
Equity securities	$ 7,711	$ 5,473	$ 2,238
Other securities whose carrying value does not exceed their acquisition costs:			
Equity securities	–	–	–
Total	$ 7,711	$ 5,473	$ 2,238

The proceeds from sales of, and gross realized gain on, other securities for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Proceeds from sales:			
Equity securities	¥ –	¥ 102	$ –
Gross realized gain:			
Equity securities	¥ –	¥ 8	$ –

The Group recognized loss on devaluation of investments in securities classified as other securities of ¥42 million for the year ended March 31, 2016. For the year ended March 31, 2017, the Group did not recognize any such losses on devaluation.

7. Inventories

Inventories at March 31, 2017 and 2016 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Finished goods	¥ 8,040	¥ 6,090	$ 71,671
Work in process	639	711	5,696
Raw materials and supplies	2,707	2,979	24,131
	¥ 11,386	¥ 9,780	$ 101,498

Loss on devaluation of inventories included in cost of sales for the years ended March 31, 2017 and 2016 amounted to ¥261 million ($2,327 thousand) and ¥270 million, respectively.

8. Pledged Assets

The assets pledged as collateral of trade payables of ¥4 million ($36 thousand) as of March 31, 2017 and nil as of March 31, 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Cash and deposits	¥ 20	¥ 20	$ 178

9. Lease Obligations

Lease obligations at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Lease obligations due from 2017 through 2023	¥ 179	¥ 238	$ 1,596
Less current portion	(75)	(92)	(669)
	¥ 104	¥ 146	$ 927

The aggregate annual maturities of lease obligations subsequent to March 31, 2017 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2018	¥ 75	$ 669
2019	63	561
2020	27	241
2021	11	98
2022	3	27
	¥ 179	$ 1,596

10. Retirement Benefits

The Company and certain domestic subsidiaries have funded defined benefit plans and defined contribution plans for employees. Under these defined benefit plans, lump-sum or annuity payments are made, the amounts of which are determined by reference to lengths of service, qualifications and positions of the employees. Overseas subsidiaries have no retirement benefit plans.

In addition to the above defined benefit plans, the Company and its certain domestic subsidiaries participate in a multi-employer pension plan. However, above the multi-employer pension plan was dissolved on September 2, 2016 with the permission of the Minister of Health, Labour and Welfare of Japan. The Company and certain domestic subsidiaries accounted for this pension plan as defined contribution plan because the amount of plan assets corresponding to the contribution amounts paid by the Company and the domestic subsidiaries could not be reasonably determined.

Certain domestic subsidiaries have calculated their retirement benefit obligation and retirement benefit expenses based on the amount of the liability for the pension fund reserve required under the funding policy as of the most recent valuation date (the "Simplified Method").

Defined benefit plans

The changes in the retirement benefit obligation during the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Retirement benefit obligation at beginning of year	¥ 811	¥ 773	$ 7,229
Service cost	77	76	686
Interest cost	8	8	71
Actuarial gain (loss)	46	(13)	410
Retirement benefit paid	(40)	(33)	(356)
Retirement benefit obligation at end of year	¥ 902	¥ 811	$ 8,040

The changes in plan assets during the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Plan assets at beginning of year	¥ 1,321	¥ 1,281	$ 11,776
Expected return on plan assets	14	14	125
Actuarial loss	(3)	(38)	(27)
Contributions paid by the Company and domestic subsidiaries	104	96	927
Retirement benefit paid	(40)	(33)	(357)
Plan assets at end of year	¥ 1,396	¥ 1,320	$ 12,444

The following table sets forth funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2017 and 2016 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Funded retirement benefit obligation	¥ (902)	¥ (811)	$ (8,040)
Plan assets at fair value	1,396	1,320	12,444
Net asset for retirement benefits in the balance sheet	¥ 494	¥ 509	$ 4,404

The components of retirement benefit expenses for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Service cost	¥ 76	¥ 76	$ 677
Interest cost	8	8	71
Expected return on plan assets	(14)	(14)	(124)
Amortization of actuarial differences	49	25	437
Retirement benefit expenses	¥ 119	¥ 95	$ 1,061

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2016 and 2015 is as follows:

	2017	2016
Debt securities	50%	39%
Equity securities	24	18
General accounts at insurance companies	18	17
Other	8	26
Total	100%	100%

The expected rate of return on plan assets is determined considering the allocation of the plan assets expected currently and in the future and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

The assumptions used in accounting for the above plans were as follows:

	2017	2016
Discount rate	0.3%	1.0%
Expected rate of return on plan assets	1.0%	1.0%

Defined contribution pension plans

Contributions by the Company and certain domestic subsidiaries to the defined contribution pension plans for the years ended March 31, 2017 and 2016 amounted to ¥27 million ($241 thousand) and ¥25 million, respectively.

Multi-employer pension plan

Required contributions by the Company and certain domestic subsidiaries to the multi-employer pension plan for the years ended March 31, 2017 and 2016 were ¥32 million ($285 thousand) and ¥90 million, respectively. The following table sets forth the status of the multi-employer pension plan at March 31, 2017 and 2016, the most recent dates on which such data was available.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Plan assets at fair value	¥ –	¥ 37,661	$ –
Actuarial obligation used in pension financing calculation and minimum actuarial reserve	–	(46,861)	–
Difference	¥ –	¥ (9,200)	$ –

The percentages of the Company and its subsidiaries' contributions to the plan at March 31, 2017 and 2016 were nil and 6.27%, respectively.

The difference of ¥9,200 million at March 31, 2016 in the above table consisted of the balance of unrecognized prior service cost of ¥8,213 million calculated by pension financing, and deficiency carried-forward of ¥987 million, in the calculation of pension financing. The unrecognized prior service cost is amortized by the straight-line method over a period of 19 years.

In addition, the multi-employer pension plan resolved to adopt a policy to carry out a special dissolution at the representative assembly that took place on February 18, 2015.

11. Contingent Liabilities

At March 31, 2016, the Company and certain subsidiaries were contingently liable as guarantors of accounts payable and lease obligations of third parties in the amount of ¥284 million ($2,532 thousand).

12. Shareholders' Equity

The Company Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

The Company's capital reserve included in capital surplus at March 31, 2017 and 2016 amounted to ¥2,064 million ($18,399 thousand). In addition, the Company's legal reserve included in retained earnings at March 31, 2017 and 2016 amounted to ¥274 million ($2,443 thousand).

Under the Law, upon the issuance and sale of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the proceeds of the sale of new shares as additional paid-in capital.

Treasury stock

Movements in treasury stock for the years ended March 31, 2017 and 2016 are summarized as follows:

	Number of shares			
	2017			
	April 1, 2016	Increase	Decrease	March 31, 2017
Treasury stock	2,684,803	235,947(*1)	–	2,920,750

	Number of shares			
	2016			
	April 1, 2014	Increase	Decrease	March 31, 2015
Treasury stock	2,684,669	134(*2)	–	2,684,803

(*1) Increase due to purchase of treasury stock by resolution of the Board of Directors: 235,800 shares
Increase due to purchase of shares of less than one voting unit: 147 shares

(*2) Increase due to purchase of shares of less than one voting unit: 134 shares

Share subscription rights

Movements in share subscription rights for the years ended March 31, 2017 is summarized as follows:

Classification	Breakdown	Type	Number of shares subject to share subscription rights: April 1, 2016	Increase	Decrease	March 31, 2017
Parent company	Share subscription rights as stock options	Common stock	–	–	–	–
	The second Share subscription rights	Common stock	–	2,900,000	–	2,900,000
	Total		–	2,900,000	–	2,900,000

Classification	Breakdown	Type	2017 Millions of yen	2017 Thousands of U.S. dollars
Parent company	Share subscription rights as stock options	Common stock	¥ 9	$ 80
	The second Share subscription rights	Common stock	¥ 22	$ 196
	Total		¥ 31	$ 276

Stock Options

The Company has a stock option plan for its directors. Stock option expense included in selling, general and administrative expenses amounted to ¥5 million ($45 thousand) and ¥4 million for the years ended March 31, 2017 and 2016, respectively.

The stock option plan of the Company as of March 31, 2017 is summarized as follows:

	The 2016 plan
Individuals covered by the plan	5 Directors
Class of stock and number of options granted (*1)	Common stock: 14,700 shares
Grant date	September 4, 2015
Vesting conditions	(*2)
Eligible service period	From September 4, 2015 to the date of the 65th annual general meeting of shareholders
Exercise period	From September 5, 2015 to September 4, 2045

(*1) Number of options granted converted to number of shares.

The number of shares corresponding to the stock acquisition rights (hereinafter referred to as "authorized number of shares") shall be 100 shares per unit.

However, in the event that the Company carries out a share split (including gratis allotment of the Company's common stock) or share consolidation after the date of allotting stock acquisition rights (hereinafter referred to as "the allotment date"), the authorized number of shares for stock acquisition rights which have not yet been exercised as of the date of such share split or share consolidation shall be adjusted based on the following formula:

Authorized number of shares after adjustment = Authorized number of shares before adjustment x Ratio of split or consolidation

Furthermore, aside from the cases above, in the event that the authorized number of shares must be adjusted for any unavoidable reason, the Company may make adjustments to the authorized number of shares as deemed necessary with the approval of the Company's Board of Directors.

In addition, any fractions less than one share resulting from such adjustments above shall be rounded down.

(*2) Exercise conditions

(A) During the period specified above, the holders of the stock acquisition rights shall exercise in a lump sum only during the period from the day following the date when they have ceased to be a director until the following 10th day (if the 10th day is a non-business day, the next business day).

(B) The percentage of stock acquisition rights exercisable is conditional on achieving the target stipulated in the Company's mid-term management plan, which is to generate ¥6.3 billion in consolidated cumulative operating income for the three fiscal years from the 63rd (fiscal year ended March 31, 2016) to the 65th (fiscal year ending March 31, 2018) (hereinafter referred to as "cumulative consolidated operating income") as follows:

(a) Cumulative consolidated operating income of more than ¥6.3 billion
100% of the stock acquisition rights allotted to each holder of stock acquisition rights (hereinafter referred to as "stock acquisition rights allotted")

(b) Cumulative consolidated operating income of more than ¥6.0 billion
60% of the stock acquisition rights allotted

(c) Cumulative consolidated operating income of more than ¥5.7 billion
30% of the stock acquisition rights allotted

(d) Cumulative consolidated operating income of less than or equal to ¥5.7 billion
0% of the stock acquisition rights allotted

Any fraction of less than one stock acquisition right resulting from the calculation above shall be rounded down and unexercisable stock acquisition rights shall be forfeited.

(C) The amount of cumulative consolidated operating income shall be determined based on the consolidated statement of income in the Company's consolidated financial statements. In the event that material changes are made to the concept of consolidated operating income due to changes in the adopting accounting standards or any other reasons, the Board of Directors of the Company determines appropriate measurement indicators to be referred alternatively within a reasonable extent.

(D) In the event of the retirement of a director of the Company, the number of exercisable stock acquisition rights shall be determined in accordance with the criteria listed below:

(a) In the event of a director's retirement during the period from the date of allotment to the day before the 63rd Annual General Shareholders' Meeting:
Said director shall not be able to exercise the stock acquisition rights allotted.

(b) In the event of retirement during the period from the date of the 63rd Annual General Shareholders' Meeting to the day before the 64th Annual General Shareholders' Meeting, the number of exercisable options shall be determined in accordance with the criteria listed below:

i. Consolidated operating income for the 63rd fiscal year of more than ¥1.9 billion
100% of the stock acquisition rights allotted

ii. Consolidated operating income for the 63rd fiscal year of more than ¥1.8 billion
60% of the stock acquisition rights allotted

iii. Consolidated operating income for the 63rd fiscal year of more than ¥1.7 billion
30% of the stock acquisition rights allotted

iv. Consolidated operating income for the 63rd fiscal year of less than or equal to ¥1.7 billion
0% of the stock acquisition rights allotted

(c) In the event of the retirement of a director during the period from the date of the 64th Annual General Shareholders' Meeting to the day before the 65th Annual General Shareholders' Meeting, the number of exercisable stock acquisition rights shall be determined in accordance with the criteria listed below:

i. Total consolidated operating income for the 63rd and 64th fiscal year of more than ¥3.9 billion
100% of the stock acquisition rights allotted

ii. Total consolidated operating income for the 63rd and 64th fiscal year of more than ¥3.7 billion
60% of the stock acquisition rights allotted

iii. Total consolidated operating income for the 63rd and 64th fiscal year of more than ¥3.5 billion
30% of the stock acquisition rights allotted

iv. Total consolidated operating income for the 63rd and 64th fiscal year of less than or equal to ¥3.5 billion
0% of the stock acquisition rights allotted

(E) In the event of the death of the holders of the stock acquisition rights, their heirs may exercise the stock acquisition rights only in a lump sum.

(F) Other conditions shall be set forth in a stock acquisition rights allotment agreement to be entered into between the Company and the holders of the stock acquisition rights.

Movements in the number of non-vested and vested stock options for the 2016 plan of the Company during the year ended March 31, 2017 are as follows:

(Non-vested)	The 2016 plan (Number of stock options)
Outstanding at April 1, 2016	14,700
Granted	–
Forfeited	2,200
Vested	–
Outstanding at March 31, 2017	12,500

(Vested)	The 2016 plan (Number of stock options)
Outstanding at April 1, 2016	–
Vested	–
Exercised	–
Forfeited	–
Outstanding at March 31, 2017	–

The fair value of the non-vested stock options under the 2016 plan of the Company as of March 31, 2017 is as follows:

	The 2016 plan (Yen)	The 2016 plan (U.S dollars)
Exercise price	¥ 1	$ 0
Weighted average fair value per share at the exercise date	–	–
Fair value of stock options as of the grant date	¥ 122,700	$ 1,094

Because it is difficult to reasonably estimate the number of stock options that will be forfeited, the estimation reflects only the actual number of forfeited stock options.

13. Research and Development Costs

Research and development costs included in general and administrative expenses and manufacturing costs for the years ended March 31, 2017 and 2016 amounted to ¥1,624 million ($14,477 thousand) and ¥1,527 million, respectively.

14. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporation, enterprise and inhabitants' taxes which, in the aggregate, resulted in statutory tax rates of approximately 30.8% and 33.0% for the years ended March 31, 2017 and 2016, respectively.

Reconciliations of the statutory tax rates and the effective tax rates for the years ended March 31, 2017 and 2016 are as follows:

	2017	2016
Statutory tax rates	30.8%	33.0%
Differences of tax rates between the Company and overseas subsidiaries	1.5	(3.2)
Non-deductible entertainment expenses and others	2.2	3.6
Non-taxable dividends revenues and others	(2.5)	(13.7)
Consolidation adjustment of dividend income from its subsidiaries	4.4	14.3
Valuation allowance	8.8	22.4
Inhabitants' per capita taxes	1.1	1.9
Undistributed profit of overseas subsidiaries	0.5	3.2
Income tax credits	(0.7)	–
Effect of change in statutory tax rate	–	1.3
Other	(0.7)	3.5
Effective tax rates	45.4%	66.3%

Deferred income taxes reflect the net effect of the temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the corresponding amounts reported for income tax purposes. The components of deferred tax assets and liabilities at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Deferred tax assets:			
Unrealized profit	¥ 56	¥ 24	$ 499
Retirement benefits payable to directors and corporate auditors	47	47	419
Write-downs of inventories	396	303	3,530
Accrued bonuses for employees	138	93	1,230
Net operating loss carry forwards	83	85	740
Revaluation of investments in subsidiaries	778	778	6,935
Non-deductible selling and administrative expenses	203	140	1,810
Non-deductible software expenses	113	123	1,008
Foreign tax credit	337	276	3,004
Other	300	314	2,674
Gross deferred tax assets	2,451	2,183	21,849
Valuation allowance	(1,523)	(1,411)	(13,576)
Total deferred tax assets	¥ 928	¥ 772	$ 8,273
Deferred tax liabilities:			
Unrealized holding gain on securities	(61)	(15)	(543)
Undistributed profit of subsidiaries	(14)	(24)	(125)
Asset for retirement benefits	(151)	(156)	(1,346)
Intangible assets acquired in a business combination	(148)	(220)	(1,319)
Bargain purchase	(78)	–	(695)
Other	(48)	(47)	(428)
Total deferred tax liabilities	(500)	(462)	(4,456)
Net deferred tax assets	¥ 428	¥ 310	$ 3,817

15. Leases

Future minimum lease payments subsequent to March 31, 2017 for operating leases are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2018	¥ 33	$ 294
2019 and thereafter	39	348
Total	¥ 72	$ 642

16. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects on components of other comprehensive income for the years ended March 31, 2017 and 2016:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Net unrealized holding gain (loss) on securities:			
Amount arising during the year	¥ 181	¥ (113)	$ 1,613
Reclassification adjustments for gain realized in the consolidated statement of income	–	42	–
Before tax effect	181	(71)	1,613
Tax effect	(46)	24	(410)
Net unrealized holding gain (loss) on securities	135	(47)	1,203
Translation adjustments:			
Amount arising during the year	(731)	18	(6,517)
Share of other comprehensive income of an affiliate accounted for by the equity method :			
Amount arising during the year	–	0	–
Reclassification adjustments for gain realized in the consolidated statement of income	–	4	–
Share of other comprehensive income of an affiliate accounted for by the equity method	–	4	–
Total other comprehensive income	¥ (596)	¥ (25)	$ (5,314)

17. Amounts per Share

Basic net income per share has been computed based on the net income attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Diluted profit attributable to owners of parent per share is computed based on the profit attributable to owners of parent available for distribution to shareholders and the weighted-average number of shares of common stock outstanding during the year ended March 31, 2017 after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of stock options and share subscription rights.

Net assets per share have been computed based on the number of shares of common stock outstanding at the year end.

	Yen		U.S. dollars
	2017	2016	2017
Net income:			
Basic	¥ 37.71	¥ 13.27	$ 0.34
Diluted	37.69	13.27	0.34
Net assets	1,080.96	1,084.29	9.64

The financial data for the computation of basic and diluted net income per share for the years ended March 31, 2017 and 2016 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Net income	¥ 1,012	¥ 358	$ 9,021

	(Thousands of shares)	
	2017	2016
Weighted-average number of shares	26,840,413	26,978,117
Increase in common stock	9,643	1,379

There were no dilutive shares not included in the calculation of diluted net income per share for the years ended March 31, 2017 and 2016.

18. Financial Instruments

1. Overview

(1) Policy for financial instruments

The Group raises necessary funds based on the business plan through bank borrowings. The Group manages surplus funds mainly through high-liquidity and low-risk financial instruments.

The Group makes an effort to reduce credit risk arising from notes and accounts receivable in accordance with the credit exposure management rules of the Group. For securities and investments in securities, the Group holds held-to-maturity debt securities and equity securities. The fair values of listed equity securities are monitored every quarter and that of unlisted equity securities are calculated based on a rational valuation method.

In addition, the Group utilizes derivatives within the range of actual transactions in accordance with the internal control rules.

(2) Types of financial instruments and related risk

Trade receivables, notes receivable and accounts receivable, are exposed to credit risk. In addition, trade receivables denominated in foreign currencies and arising from the overseas business are exposed to foreign currency exchange risk. The Group monitors market trends and forward foreign exchange contracts are arranged to hedge the risk, if necessary.

Securities and investments in securities are principally composed of held-to-maturity debt securities and the equity securities of other companies with which the Company has business relationships. They are exposed to market risk. In addition, the Company has also long-term loans receivable from the companies with which the Company has business relationships.

Substantially all trade payables, notes payable and accounts payable, have payment due dates within five months. Some of them denominated in foreign currencies are exposed to foreign currency exchange risk. The Group monitors market trends and forward foreign exchange contracts are arranged to hedge the risk, if necessary.

Lease obligations arising from finance lease transactions are mainly for the purpose of financing investment for facilities, and the contract term is not longer than five years.

Short-term loans payable are funds raised for the acquisition and are exposed to foreign exchange rate and interest rate fluctuation risks. The Group monitors market trends and derivative contracts are arranged to hedge the risk, if necessary.

Regarding derivatives, the Group enters into forward foreign exchange contracts to reduce the foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies.

Information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities is found in Note 2(f).

(3) Risk management for financial instruments

a) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies of the Company for managing credit risk arising from trade and long-term loan receivables, the credit risk management division periodically monitors credit worthiness of their main customers, monitors due dates and outstanding balances by individual customer and makes effort to identify at an early point and mitigate risks of bad debts from customers who are having financial difficulties. In addition, its consolidated subsidiaries also monitor the condition of accounts receivable and loans receivable under a similar management policy.

For investments in held-to-maturity debt securities, in accordance with the internal policies for asset management, the Group invests in held-to-maturity debt securities with high credit ratings. Accordingly, the Group believes that the credit risk deriving from such debt securities is not material.

The Group also believes that the credit risk of derivatives is not material as it enters into derivative transactions only with financial institutions which have a sound credit profile.

b) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

For trade receivables and payables denominated in foreign currencies, the Group identifies the foreign currency exchange risk for each currency on a monthly basis and principally enters into forward foreign exchange contracts to hedge such risk.

For marketable securities and investment securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Group continuously evaluates whether securities other than those classified as held-to-maturity should be maintained taking into account their fair values and relationships with the issuers.

In conducting derivative transactions, the division in charge of each derivative transaction follows the internal policies, which set forth delegation of authority and maximum upper limit on positions.

c) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)

The Company manages short-term liquidity risk mainly by maintaining liquidity on hand. In addition, the Company manages liquidity risk by preparing and updating cash flow plans in a timely manner.

d) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value.

2. Estimated fair value of financial instruments

As of March 31, 2017 and 2016, carrying value, estimated fair value and unrealized loss on financial instruments were as follows:

	Millions of yen		
	2017		
	Carrying value	Estimated fair value	Difference
Assets:			
(1) Cash and deposits	¥ 7,167	¥ 7,167	¥ –
(2) Trade notes and accounts receivable	6,014	5,959	(55)
(3) Securities and investments in securities:			
Held-to-maturity debt securities	102	102	–
Other securities	865	865	–
Total assets	¥ 14,148	¥ 14,093	¥ (55)
Liabilities			
(4) Trade notes and accounts payable	¥ 3,162	¥ 3,162	¥ –
(5) Short-term loans payable	3,703	3,703	–
Total liabilities	¥ 6,865	¥ 6,865	¥ –

	Millions of yen		
	2016		
	Carrying value	Estimated fair value	Difference
Assets:			
(1) Cash and deposits	¥ 8,815	¥ 8,815	¥ –
(2) Trade notes and accounts receivable	6,557	6,459	(98)
(3) Securities and investments in securities:			
Held-to-maturity debt securities	94	94	–
Other securities	581	581	–
Total assets	¥ 16,047	¥ 15,949	¥ (98)
Liabilities			
(4) Trade notes and accounts payable	¥ 3,434	¥ 3,434	¥ –
(5) Short-term loans payable	4,620	4,620	–
Total liabilities	¥ 8,054	¥ 8,054	¥ –

	Thousands of U.S. dollars		
	2017		
	Carrying value	Estimated fair value	Difference
Assets:			
(1) Cash and deposits	$ 63,888	$ 63,888	$ –
(2) Trade notes and accounts receivable	53,610	53,120	(490)
(3) Securities and investments in securities:			
Held-to-maturity debt securities	909	909	–
Other securities	7,711	7,711	–
Total assets	$ 126,118	$ 125,628	$ (490)
Liabilities			
(4) Trade notes and accounts payable	$ 28,187	$ 28,187	$ –
(5) Short-term loans payable	33,009	33,009	–
Total liabilities	$ 61,196	$ 61,196	$ –

(Notes)

1. Method to determine the estimated fair value of financial instruments and other matters related to securities

(1) Cash and deposits

Since these items are settled in a short time period, their carrying value approximates fair value.

(2) Trade notes and accounts receivable

These fair values are the present value discounted at an interest rate determined considering their maturity dates and their credit risks by each receivable classified by aging status.

(3) Securities and investments in securities

The fair value of stocks and debt securities is based on quoted market prices.

(4) Trade notes and accounts payable

Since these items are settled in a short time period, fair value approximates their carrying value.

(5) Short-term loans payable

Since these items are settled in a short time period, fair value approximates their carrying value.

2. Financial instruments for which it is extremely difficult to determine the market value at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unlisted equity securities	¥ 28	¥ 27	$ 250

Because no quoted market price is available and future cash flow cannot be estimated, it is extremely difficult to determine the fair value; therefore, the above financial instruments are not included in the preceding table.

3. Redemption schedule of monetary claims and securities and investments in securities with maturities subsequent to March 31, 2017 and 2016 were as follows:

	Millions of yen			
	2017			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	¥ 7,167	¥ –	¥ –	¥ –
Trade notes and accounts receivable	5,688	325	–	–
Securities and investments in securities:				
Held-to-maturity debt securities:				
Government bonds	9	–	–	–
Other	23	70	–	–
Total	¥ 12,887	¥ 395	¥ –	¥ –

	Millions of yen			
	2016			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	¥ 8,815	¥ –	¥ –	¥ –
Trade notes and accounts receivable	6,074	483	–	–
Securities and investments in securities:				
Held-to-maturity debt securities:				
Government bonds	–	9	–	–
Other	85	–	–	–
Total	¥ 14,974	¥ 492	¥ –	¥ –

	Thousands of U.S. dollars			
	2017			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	$ 63,888	$ –	$ –	$ –
Trade notes and accounts receivable	50,704	2,897	–	–
Securities and investments in securities:				
Held-to-maturity debt securities:				
Government bonds	80	–	–	–
Other	205	624	–	–
Total	$ 114,877	$ 3,521	$ –	$ –

19. Derivative Transactions

There were no derivative contracts outstanding at March 31, 2016. For the year ended March 31, 2017, as the total amount of derivative transactions was immaterial, the corresponding disclosure was omitted.

20. Segment Information

Overview of Reportable Segments

The Company's reportable segments are its structural units, for which separate financial information is available, and which are subject to periodic review by the Board of Directors in order to assist decision-making on the allocation of managerial resources and assessment of business performance.

The Group forms comprehensive strategies about each products and services and conducts business activities for each segment.

Therefore, the Company consists of four segments based on business unit and the reportable segments are as follows: "Global gaming", "Overseas commercial", "Domestic commercial", and "Equipment for amusement industry".

Global gaming includes the sales of bill validators, recyclers and printers for casinos and OEM customers.

Overseas commercial includes the sales of bill validators and recycler units for overseas financial, distribution and transportation markets.

Domestic commercial includes the sales of bill recycler units coin dispensers and foreign currency exchange machines for domestic financial, distribution and transportation markets.

Equipment for amusement industry includes the sales of equipment including ball and medal lending machines for pachinko and pachislot (slot-machine pachinko) gaming halls.

Basis for Calculating Sales, Income or Loss, Assets, Liabilities, and Other Items by Reportable Segment

The accounting treatment for each reportable business segment is almost same as that outlined in "Summary of Significant Accounting Policies". Intersegment sales and transfers are recorded at the same prices used in actual market-based transactions.

Information on Sales, Income, Assets, Liabilities, and Other Items by Reportable Segments

	Millions of yen					
	2017					
	Global gaming	Overseas commercial	Domestic commercial	Equipment for amusement industry	Adjustments	Consolidated
Net sales:						
External customers	¥ 16,354	¥ 3,466	¥ 2,235	¥ 8,176	¥ –	¥ 30,231
Intersegment sales and transfers	–	–	–	–	–	–
Total	¥ 16,354	¥ 3,466	¥ 2,235	¥ 8,176	¥ –	¥ 30,231
Segment income	¥ 2,960	¥ 276	¥ 168	¥ 338	¥ (1,990)[*1]	¥ 1,752
Segment assets	¥ 18,979	¥ 2,781	¥ 2,316	¥ 7,336	¥ 8,344[*2]	¥ 39,756
Other items:						
Depreciation and amortization	¥ 507	¥ 65	¥ 73	¥ 139	¥ 142[*3]	¥ 926
Amortization of goodwill	¥ 186	¥ –	¥ –	¥ –	¥ –	¥ 186

	Millions of yen 2016					
	Global gaming	Overseas commercial	Domestic commercial	Equipment for amusement industry	Adjustments	Consolidated
Net sales:						
External customers	¥ 16,217	¥ 4,058	¥ 1,919	¥ 7,568	¥ –	¥ 29,762
Intersegment sales and transfers	–	–	–	–	–	–
Total	¥ 16,217	¥ 4,058	¥ 1,919	¥ 7,568	¥ –	¥ 29,762
Segment income (loss)	¥ 2,564	¥ 743	¥ (6)	¥ 7	¥ (1,810)(*1)	¥ 1,498
Segment assets	¥ 18,478	¥ 4,219	¥ 2,635	¥ 6,674	¥ 8,423(*2)	¥ 40,429
Other items:						
Depreciation and amortization	¥ 595	¥ 64	¥ 69	¥ 172	¥ 146(*3)	¥ 1,046
Amortization of goodwill	¥ 211	¥ –	¥ –	¥ –	¥ –	¥ 211

	Thousands of U.S. dollars 2017					
	Global gaming	Overseas commercial	Domestic commercial	Equipment for amusement industry	Adjustments	Consolidated
Net sales:						
External customers	$ 145,784	$ 30,897	$ 19,923	$ 72,883	$ –	$ 269,487
Intersegment sales and transfers	–	–	–	–	–	–
Total	$ 145,784	$ 30,897	$ 19,923	$ 72,883	$ –	$ 269,487
Segment income (loss)	$ 26,386	$ 2,460	$ 1,498	$ 3,013	$ (17,739)(*1)	$ 15,618
Segment assets	$ 169,183	$ 24,791	$ 20,645	$ 65,395	$ 74,381(*2)	$ 354,395
Other items:						
Depreciation and amortization	$ 4,520	$ 579	$ 651	$ 1,239	$ 1,266(*3)	$ 8,255
Amortization of goodwill	$ 1,658	$ –	$ –	$ –	$ –	$ 1,658

(*1) The adjustments of segment income or loss include corporate expenses, which are not allocated to specific segment of ¥1,990 million ($17,739 thousand) and ¥1,810 million for the years ended March 31, 2017 and 2016, respectively.

(*2) The adjustments of segment assets include corporate assets of the Company, which are not allocated to specific segment of ¥8,344 million ($74,381 thousand) and ¥8,423 million for the years ended March 31, 2017 and 2016, respectively.

(*3) The adjustments of depreciation are related to corporate assets of the Company, which are not allocated to specific segment of ¥142 million ($1,266 thousand) and ¥146 million for the years ended March 31, 2017 and 2016, respectively. In addition, such depreciation is included long-term prepaid expenses.

Related information

1. Information by products and services

As sales to external customers in one product or services segment represent of more than 90% of net sales in the consolidated statement of income, the disclosure of the information by products and services was omitted for the years ended March 31, 2017 and 2016.

2. Geographical information

	Millions of yen 2017				
	Japan	North America	Europe	Others	Total
Net sales	¥ 10,411	¥ 8,760	¥ 8,420	¥ 2,640	¥ 30,231
Property, plant and equipment	3,696	797	27	471	4,991

	Millions of yen 2016				
	Japan	North America	Europe	Others	Total
Net sales	¥ 9,491	¥ 8,728	¥ 7,874	¥ 3,669	¥ 29,762
Property, plant and equipment	3,648	828	35	579	5,090

	Thousands of U.S. dollars 2017				
	Japan	North America	Europe	Others	Total
Net sales	$ 92,806	$ 78,089	$ 75,058	$ 23,534	$ 269,487
Property, plant and equipment	32,947	7,104	241	4,199	44,491

3. Information by major customers

As there is no major customer who contributes 10% or more of net sales in the consolidated statement of income, information by major customers is omitted for the years ended March 31, 2017 and 2016.

Information on impairment losses of assets by reportable segment

	Millions of yen 2017					
	Global gaming	Overseas commercial	Domestic commercial	Equipment for amusement industry	Adjustments	Consolidated
Impairment losses of assets	¥ –	¥ –	¥ –	¥ –	¥ 13	¥ 13

	Thousands of U.S. dollars 2017					
	Global gaming	Overseas commercial	Domestic commercial	Equipment for amusement industry	Adjustments	Consolidated
Impairment losses of assets	$ –	$ –	$ –	$ –	$ 116	$ 116

The amount of "Adjustments" is impairment loss on corporate assets not attributable to specific segment.

Information on amortization of goodwill and balance by reportable segment

The following table presents amortization and the balance of goodwill as of and for the year ended March 31, 2017 and 2016.

	Millions of yen 2017				
	Global gaming	Overseas commercial	Domestic commercial	Equipment for amusement industry	Consolidated
Amortization of goodwill	¥ 186	¥ –	¥ –	¥ –	¥ 186
Balance as of March 31, 2017	2,292	–	–	–	2,292

	Millions of yen				
	2016				
	Global gaming	Overseas commercial	Domestic commercial	Equipment for amusement industry	Consolidated
Amortization of goodwill	¥ 211	¥ –	¥ –	¥ –	¥ 211
Balance as of March 31, 2016	2,625	–	–	–	2,625

	Thousands of U.S. dollars				
	2017				
	Global gaming	Overseas commercial	Domestic commercial	Equipment for amusement industry	Consolidated
Amortization of goodwill	$ 1,658	$ –	$ –	$ –	$ 1,658
Balance as of March 31, 2017	20,431	–	–	–	20,431

Information on bargain purchase by reportable segment

For the year ended March 31, 2017, gain on a bargain purchase of ¥314 million ($2,799 thousand) was recognized due to the transfer of certain businesses from Silver Denken Co., Ltd. in the Equipment for Amusement Industry segment.

21. Business Combination

Business combination through acquisition

1. Summary of the business combination

(1) Name of the company from which businesses were acquired and description of businesses

Name of counterparty: Silver Denken Co., Ltd.

Description of the acquired businesses: The business of development, manufacture, sales, and after-sales maintenance service operations of iClear system products and equipment and products for transporting monetary notes.

(2) Purpose of the business combination

As part of strengthening its business in the pachinko and pachislot markets, which have continued to shrink, the Company has decided to acquire businesses with the aim of boosting sales through expansion of product lineups and customer base related to equipment for domestic amusement industry business where JCM Systems Co., Ltd., a consolidated subsidiary of the Company, is engaged, and also enhancing technology development capability and improving profitability by promoting cost reductions and rationalization of its operations,

(3) Date of the business combination

September 1, 2016

(4) Legal form of the business combination

Business transfer for a cash consideration

(5) Name of the controlling entity after the business combination

Japan Cash Machine Co., Ltd.

(6) Main reason for determination of acquirer

The Company acquired the businesses for a cash consideration.

2. Period for which the operating results of the acquired businesses are included in the consolidated financial statements of the company

From September 1, 2016 to September 30, 2016

3. Breakdown of acquisition cost for the acquired businesses

Consideration paid for acquisition: Cash	¥ 9 million	($80 thousand)
Total acquisition cost	¥ 9 million	($80 thousand)

4. Amount of gain on bargain purchase and the reason for recognition

(1) Amount of gain on bargain purchase

¥ 314 million ($2,799 thousand)

(2) Reason for recognition

The fair value of net assets of the businesses exceeded the acquisition cost at the time of the business combination.

5. Amount and major components of assets acquired and liabilities assumed at the date of business combination

Current assets	¥ 1,173 million	($10,456 thousand)
Total assets	¥ 1,173 million	($10,456 thousand)
Current liabilities	¥ 850 million	($7,577 thousand)
Total assets	¥ 850 million	($7,577 thousand)

6. Approximate effect on the consolidated statement of income for the year ended March 31, 2017, assuming that the business combination had been concluded on April 1, 2016, and the method of calculation. The calculation was not conducted since the approximate amount was difficult to determine.

22. Loss on Impairment of Fixed Assets

The following table presents loss on impairment of fixed assets for the year ended March 31, 2017.

			Millions of yen	Thousands of U.S. dollars
Asset group	Location	Impaired assets	2017	
Company-owned housing	Abeno-ku, Osaka	Buildings and Land	¥ 13	$ 116

Background on recognition of impairment losses

Impairment losses were recognized on company-owned housing that will not be used in the future, and the book value of the assets was reduced to the recoverable amount.

Amount of impairment losses

The breakdown of impairment losses is ¥ 5 million ($76 thousand) for buildings and ¥ 8 million ($40 thousand) for land.

Method of grouping assets

Assets are grouped on the basis of the smallest asset units that generate cash flows independently of the cash flows from other assets or asset groups. As for idle assets, they are grouped individually.

Method for computing recoverable amounts

The recoverable amounts of assets was calculated using estimates of the net sales value based on the valuation that is considered to reflect the market price appropriately.

23. Subsequent Event

(a) Distribution of Retained Earnings

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2017, was approved at a Board of Directors' meeting held on May 25, 2017:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥8.5 = U.S.$0.08 per share)	¥ 227	$ 2,024

(b) Exercise of Share Subscription Rights

Regarding the second share subscription rights by a third-party allotment issued by the Company on March 28, 2017, they were exercised and treasury stock was disposed between April 3, 2017 and June 26, 2017 as follows:

(1) Number of share subscription rights exercised: 20,000

(2) Number of shares of treasury stock disposed: 2,000,000 shares

(3) Total exercise amount: ¥ 2,291 million ($20,423 thousand)

(4) Decrease in treasury stock: ¥ 1,801 million ($16,055 thousand)

(5) Increased in other capital surplus: ¥ 505 million ($4,502 thousand)

Independent Auditor's Report

The Board of Directors
Japan Cash Machine Co., Ltd.

We have audited the accompanying consolidated financial statements of Japan Cash Machine Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Japan Cash Machine Co., Ltd. and its consolidated subsidiaries as at March 31, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 4.

Ernst & Young Shinnihon LLC

June 28, 2017
Osaka, Japan

Corporate Data

As of March 31, 2017

Outline

Name: Japan Cash Machine Co., Ltd.

Established: January 11, 1955

Headquarters:
2-3-15, Nishiwaki, Hirano-ku, Osaka 547-0035, Japan
Tel: +81-6-6703-8400 Fax: +81-6-6707-0348

Tokyo Headquarters:
2-23-2, Higashi-Nihonbashi, Chuo-ku, Tokyo 103-0004, Japan
Tel: +81-3-5962-3730 Fax: +81-3-5962-3736

Plants: Nagahama, Hong Kong, Shenzhen

Laboratories: Osaka, Tokyo, Bangkok

Primary Business Activities:
Manufacture, sales and marketing of money-handling machines (bill acceptors, coin and bill counting and processing machines, OEM terminals for sports and track facilities, and other equipment for the financial industry), and equipment for the amusement industry

Capital (As of March 31, 2017): ¥2,217 million

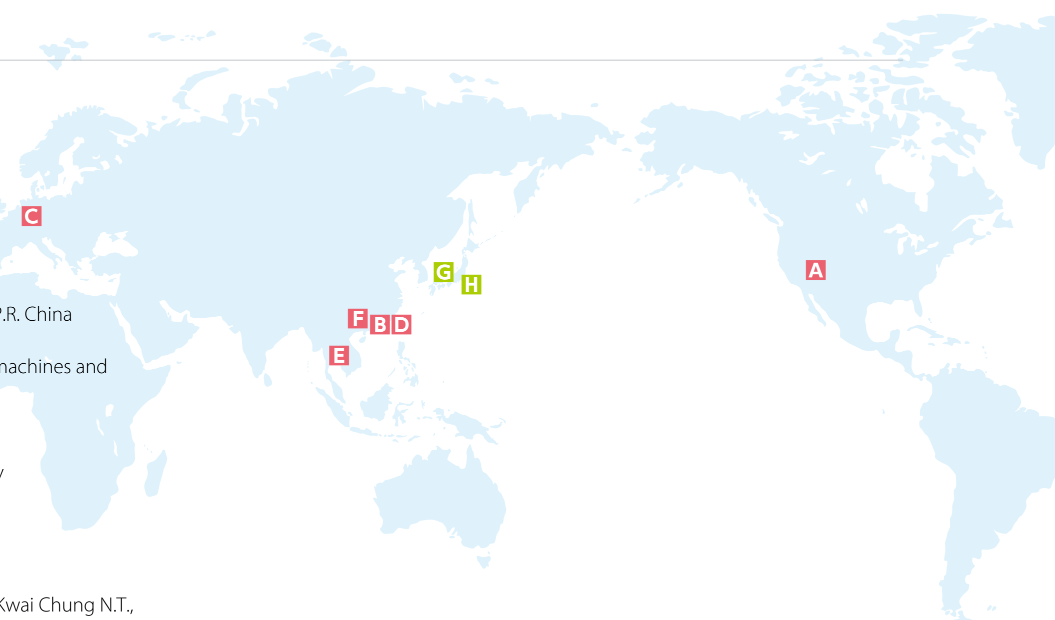
Principal Banks:
Resona Bank, Limited
Sumitomo Mitsui Banking Corporation
Sumitomo Mitsui Trust Bank, Limited

Fiscal Year-End: March 31

URL: http://www.jcm-hq.co.jp/english/

Investor Email Inquiries: ir@jcm-hq.co.jp

JCM Group Network



»Overseas

A JCM American Corporation
925 Pilot Road, Las Vegas, Nevada, 89119 USA
Tel: +1-702-651-0000
Business: Sales of money-handling machines

B JCM Gold (H.K.) Ltd.
Unit 1-7, 3F, Favor Industrial Centre,
2-6 Kin Hong St., Kwai Chung N.T., Hong Kong S.A.R., P.R. China
Tel: +852-2429-7187
Business: Manufacture and sales of money-handling machines and electronic cash registers

C JCM Europe GmbH
Mündelheimer Weg 60, D-40472 Düsseldorf, Germany
Tel: +49-211-530645-0
Business: Sales of money-handling machines

D Shafty Co., Ltd.
Unit 1-7, 3F, Favor Industrial Centre, 2-6 Kin Hong St., Kwai Chung N.T., Hong Kong S.A.R., P.R. China
Tel: +852-2429-7187
Business: Leasing of real estate to JCM Gold (H.K.) Ltd.

E J-Cash Machine (Thailand) Co., Ltd.
46/161 MU 12, Klongkoom, Bungkoom, Bangkok 10230, Thailand
Tel: +66-2363-7509
Business: Software development

F JCM China Co., Ltd.
806, East Tower, Coastal Building, Haide 3 Road, Nanshan District, Shenzhen, Guangdong, P.R. China
Tel: +86-755-2669-0271
Business: Support for manufacturing and sales of bill validators

»Japan

G JCM Systems Co., Ltd.
2-23-2, Higashi-Nihonbashi, Chuo-ku, Tokyo 103-0004, Japan
Tel: +81-3-5962-3750
Business: Sales, installation, maintenance, checking and repair of amusement equipment

H JCM Meiho Co., Ltd.
3F, Seika Bldg., 2-20-1, Higashi-Ueno, Taito-ku, Tokyo 110-0015, Japan
Tel: +81-3-3833-4891
Business: Sales of *pachinko* (pinball) and related machines

Stock Information

As of March 31, 2017

Share Overview

Total number of shares authorized to be issued	118,000,000
Total number of issued shares	29,662,851
Share unit	100
Number of shareholders	18,700

Major Shareholders

Name	Number of shares held (thousands)	Percentage of outstanding shares (%)
Johto Investment and Development, Inc.	4,661	17.43
Koichiro Kamihigashi	2,707	10.12
Yojiro Kamihigashi	1,458	5.45
Yoshiko Kamihigashi	638	2.39
Resona Bank, Limited	563	2.11
Sumitomo Mitsui Banking Corporation	503	1.88
Totor Engineering Co., Ltd.	416	1.56
Nippon Life Insurance Company	403	1.51
Mizuho Bank, Ltd.	389	1.45
Japan Trustee Services Bank, Ltd. (Trust Account 5)	338	1.27

Note: Apart from the above, the Company holds 2,920,750 shares as treasury stock. The amount of treasury stock is excluded in calculating the shareholding ratio.

Breakdown by Type of Shareholder