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Summary of Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2018 <Japanese GAAP>

November 2, 2017

Company name	Japan Cash Machine Co., Ltd.	Stock exchange listing:	Tokyo(1 st Section)
Code number	6418	URL	http://www.jcm-hq.co.jp/
Representative	Position: President	Name:	Yojiro Kamihigashi
Contact person	Position: Director, Senior Executive Officer, Executive General Manager of Corporate Planning Division	TEL	+81-6-6703-8400
		Name:	Tsuyoshi Takagaki

Scheduled date of filing quarterly securities report: November 9, 2017

Scheduled date of dividend payments: December 5, 2017

The additional materials of the financial results for the second quarter: Yes (Put on a website)

The briefing session of the financial results for the second quarter: Yes (For institutional investors)

(Amount less than one million yen are rounded down)

1. Consolidated Results for the Second Quarter ended September 30, 2017 (April 1, 2017 through September 30, 2017)

(1) Consolidated financial results

(Percentage figures show year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2018 2 nd quarter	14,995	(2.0)	963	(16.1)	1,064	88.0	453	12.4
FY2017 2 nd quarter	15,298	5.5	1,147	85.6	566	(19.7)	403	(13.1)

(Note) Comprehensive income: 218 million yen for FY2018 2nd quarter, - %
(1,645) million yen for FY2017 2nd quarter, - %

	Net income per share: basic	Net income per share: Diluted
	yen	yen
FY2018 2 nd quarter	15.70	15.70
FY2017 2 nd quarter	14.99	14.99

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
FY2018 2 nd quarter	39,878	32,210	80.7	1,086.27
FY2017	39,755	28,937	72.7	1,080.96

(Reference) Shareholders' equity: As of September 30, 2018: 32,199 million yen
As of March 31, 2017: 28,907 million yen

2. Dividends

	Annual cash dividends per share				
	1 st quarter end	2 nd quarter end	3 rd quarter end	Year-end	Total
	yen	yen	yen	yen	yen
FY2017	-	8.50	-	8.50	17.00
FY2018	-	8.50			
FY2018 (forecast)			-	8.50	17.00

(Note) Changes in dividends forecast for FY2018 from the latest disclosure: None

3. Forecasts of consolidated financial results for FY2018 (April 1, 2017 through March 31, 2018)

(Percentage figures show year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
FY2018	31,800	5.2	1,550	(11.5)	1,550	1.1	1,050	3.8	35.42

(Note) Changes in forecasts of consolidated operating results for FY2018 from the latest disclosure: None

(1) Changes in significant subsidiaries during the quarter (changes in specified subsidiaries resulting in the change in consolidation scope): None

(2) Adoption of specific accounting policies for Quarterly Consolidated Financial Statements: None

(3) Changes in accounting principles, changes in accounting estimates and restatements

1) Changes in accounting policies due to revisions of accounting standards, etc.: None

2) Changes in accounting policies other than 1) : None

3) Changes in accounting estimates : None

4) Restatements : None

(4) Number of shares outstanding (common stock)

Number of shares outstanding at term end (including treasury shares)	FY2018 2 st quarter	29,662,851 shares	FY2017	29,662,851 shares
Number of treasury shares at term end	FY2018 2 st quarter	20,918 shares	FY2017	2,920,750 shares
The average number of outstanding shares (cumulative)	FY2018 2 st quarter	28,892,025 shares	FY2017 2 st quarter	26,938,704 shares

* This summary of consolidated financial results is exempt from quarterly review.

* Explanation regarding the appropriate use of financial forecasts and other special items

Earnings forecasts and other forward-looking statements in this release are based on data currently available to management and certain assumptions that management believes to be reasonable. The achievement of said forecasts cannot be promised. Actual results may therefore differ materially from these statements for various reasons. For further details, please refer to “1. Qualitative Information/Financial Statements (2) Future estimates, including consolidated financial forecast” on Page 4.

1. Qualitative information/financial statements

(1) Consolidated financial results

The global economy during the second quarter of the consolidated fiscal year under review, continued to be on the track of recovery, mainly supported by personal consumption, against the backdrop of improvement in the employment environment of the U.S. and Europe. Moreover, the Japanese economy continued recovering gradually due to a pickup in the corporate earnings, employment and income situations, despite concerns about rising geopolitical risks.

Regarding the business environment surrounding the JCM Group (the “Group”), demand remained soft in the gaming market, since there were concerns about shrinkage of the market due to tighter regulations on gaming in Germany as well as decrease in the opening of new casinos in the North American region. However, demand was strong in the commercial market (banking, retail, transportation, etc.), particularly in Europe and Japan. On the other hand, in the business environment of the amusement equipment market in Japan, operators of pachinko parlors continued reducing investment, because of uncertainty about the market’s future caused by factors such as revision of game machine regulations.

Under such circumstances, the Group endeavored to secure replacement demand amid fierce price competition in the global gaming market, while it promoted sales of high-value-added products, both in Japan and overseas, in the commercial market. Furthermore, the Group tried to maintain and expand its market share in the amusement equipment market by strengthening product lineups through business transfers in the previous year.

However, in the second quarter of the consolidated fiscal year, net sales remained sluggish at 14,995 million yen (down 2.0% year-on-year) due to a decline in sales in the mainstay gaming market. As a result, the operating income totaled 963 million yen (down 16.1% year-on-year). Meanwhile, ordinary income amounted to 1,064 million yen (up 88.0% year-on-year) due to the posting of foreign currency translation adjustment profit on foreign-currency denominated assets, and net income attributable to owners of parent was 453 million yen (up 12.4% year-on-year).

The average foreign exchange rates for this second quarter were 112.13 yen to the US dollar (111.79 yen in the same period last year) and 122.25 yen to the euro (124.24 yen in the same period last year). The quarter-end foreign exchange rate applied to the mark-to-market valuation of assets and liabilities at the end of this second quarter was 112.74 yen to the US dollar (112.18 yen at the end of the previous consolidated fiscal year).

Results by segment are as follows.

i. Global Gaming

The segment recorded net sales of 7,760 million yen (down 9.1% year-on-year) and an income of 1,477 million yen (down 18.8% year-on-year). These declines were mainly the result of decreases in the demand for bill validator units in the North American region and in the replacement demand caused by revision of regulations on gaming in Germany in the European region.

ii. International Commercial

The segment posted net sales of 2,074 million yen (up 10.1% year-on-year) and an income of 310 million yen (up 113.9% year-on-year), mainly due to robust sales of bill validator units in the European region, despite a decline in sales of bill validator units in the North American financial market.

iii. Domestic Commercial

The segment logged net sales of 1,129 million yen (up 15.4% year-on-year) and an income of 114 million yen (up 160.4% year-on-year) mainly due to the steady sales of money handling machine units for OEM customers.

iv. Equipment for the Amusement Industry

The segment recorded net sales of 4,031 million yen (up 3.5% year-on-year), mainly due to the expansion of product lines and customer bases through the acquisition of a business in the previous year, despite a decline in the sales of mainline products such as automatic token supply/collection systems. However, income decreased to 19 million yen (an income of 95 million yen in the previous year), because the sales are more sluggish than initially anticipated

(2) Future estimates, including consolidated financial forecast

There is no change of the full year forecasts for the fiscal year ending March 31, 2018 announced on May 11, 2017. However, while keeping a watch on the demand situation in the future, we will make a swift announcement, should there be a need for timely disclosure.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(In thousands of yen)

	Prior Fiscal Year (As of March 31, 2017)	Current Second Quarter (As of September 30, 2017)
Assets		
Current assets		
Cash and deposits	7,166,931	7,638,623
Notes and accounts receivable - trade	6,013,379	5,947,597
Securities	23,309	78,456
Merchandise and finished goods	8,039,619	7,324,925
Work in process	639,501	952,538
Raw materials and supplies	2,706,568	2,960,836
Other	1,747,447	1,567,274
Allowance for doubtful accounts	(212,194)	(196,422)
Total current assets	26,124,563	26,273,830
Non-current assets		
Property, plant and equipment	4,991,188	5,142,331
Intangible assets		
Goodwill	2,291,518	2,120,269
Technical assets	391,124	337,670
Assets related to customers	3,374,108	3,115,476
Trademark right	451,267	417,502
Other	128,633	131,731
Total intangible assets	6,636,651	6,122,651
Investments and other assets		
Other	2,059,157	2,394,686
Allowance for doubtful accounts	(56,025)	(55,196)
Total investments and other assets	2,003,132	2,339,490
Total non-current assets	13,630,971	13,604,473
Total assets	39,755,535	39,878,303
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,161,879	2,804,165
Short-term loans payable	3,703,538	913,194
Income taxes payable	224,871	213,965
Provision for bonuses	381,654	400,544
Provision for directors' bonuses	21,000	9,000
Other	2,624,066	2,540,530
Total current liabilities	10,117,009	6,881,399
Non-current liabilities		
Other	701,097	786,453
Total non-current liabilities	701,097	786,453
Total liabilities	10,818,107	7,667,852
Net assets		
Shareholders' equity		
Capital stock	2,216,945	2,216,945
Capital surplus	2,068,964	2,759,048
Retained earnings	27,070,148	27,296,537
Treasury shares	(2,629,621)	(18,849)
Total shareholders' equity	28,726,436	32,253,682
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	204,098	474,660
Foreign currency translation adjustment	(23,427)	(529,170)
Total accumulated other comprehensive income	180,670	(54,509)
Subscription rights to shares	30,320	11,277
Total net assets	28,937,428	32,210,450
Total liabilities and net assets	39,755,535	39,878,303

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

(In thousands of yen)

	Prior Second Quarter (From April 1, 2016 To September 30, 2016)	Current Second Quarter (From April 1, 2017 To September 30, 2017)
Net sales	15,298,011	14,995,819
Cost of sales	9,368,895	9,104,589
Gross profit	5,929,115	5,891,230
Reversal of unrealized income on installment sales	30,772	25,206
Provision of unrealized income on installment sales	—	11,420
Gross profit - net	5,959,887	5,905,015
Selling, general and administrative expenses	4,812,015	4,941,512
Operating profit	1,147,872	963,503
Non-operating income		
Interest income	4,595	1,624
Dividend income	11,151	14,085
Foreign exchange gains	—	96,108
Reversal of provision for loss on dissolution of the employees' pension fund	67,000	—
Other	25,897	13,356
Total non-operating income	108,643	125,175
Non-operating expenses		
Interest expenses	17,791	22,220
Foreign exchange losses	663,817	—
Other	8,733	2,053
Total non-operating expenses	690,341	24,274
Ordinary profit	566,174	1,064,404
Extraordinary income		
Gain on sales of non-current assets	341	343
Gain on sales of investment securities	—	3,786
Gain on bargain purchase	314,000	—
Total extraordinary income	314,341	4,130
Extraordinary losses		
Loss on sales of non-current assets	54	—
Loss on retirement of non-current assets	3,012	198
Litigation expenses	—	227,893
Total extraordinary losses	3,067	228,092
Profit before income taxes	877,449	840,443
Income taxes - current	520,481	352,879
Income taxes - deferred	(46,780)	33,865
Total income taxes	473,700	386,745
Profit	403,749	453,697
Net income attributable to owners of parent	403,749	453,697

Quarterly Consolidated Statement of Comprehensive Income

	(In thousands of yen)	
	Prior Second Quarter (From April 1, 2016 To September 30, 2016)	Current Second Quarter (From April 1, 2017 To September 30, 2017)
Profit	403,749	453,697
Other comprehensive income		
Valuation difference on available-for-sale securities	(15,584)	270,562
Foreign currency translation adjustment	(2,033,583)	(505,743)
Total other comprehensive income	(2,049,167)	(235,180)
Comprehensive income	(1,645,418)	218,517
(Breakdown of Comprehensive Income)		
Comprehensive income attributable to owners of parent	(1,645,418)	218,517
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statements of Cash Flows

(In thousands of yen)

	Prior Second Quarter (From April 1, 2016 To September 30, 2016)	Current Second Quarter (From April 1, 2017 To September 30, 2017)
Cash flows from operating activities		
Profit before income taxes	877,449	840,443
Depreciation	469,506	480,121
Amortization of goodwill	99,499	94,753
Gain on bargain purchase	(314,000)	—
Increase (decrease) in provision	(18,570)	(16,471)
Loss (gain) on sales of investment securities	—	(3,786)
Interest and dividend income	(15,746)	(15,710)
Interest expenses	17,791	22,220
Foreign exchange losses (gains)	517,500	(89,072)
Loss (gain) on sales and retirement of property, plant and equipment	2,725	(145)
Litigation expenses	—	227,893
Decrease (increase) in notes and accounts receivable - trade	(937,973)	(56,735)
Decrease (increase) in inventories	(218,532)	33,079
Increase (decrease) in notes and accounts payable - trade	418,572	(282,758)
Decrease (increase) in consumption taxes refund receivable	162,117	59,040
Other, net	186,426	(205,939)
Subtotal	1,246,766	1,086,932
Interest and dividend income received	16,089	15,365
Interest expenses paid	(17,791)	(22,220)
Litigation expenses paid	—	(137,293)
Income taxes paid	(369,988)	(300,981)
Net cash provided by (used in) operating activities	875,076	641,802
Cash flows from investing activities		
Net decrease (increase) in short-term investment securities	94	65
Purchase of property, plant and equipment	(129,693)	(389,709)
Proceeds from sales of property, plant and equipment	1,237	352
Purchase of intangible assets	(8,990)	(20,082)
Purchase of investment securities	(12,251)	(1,131)
Proceeds from sales of investment securities	—	4,834
Proceeds for transfer of business	306,000	—
Other, net	200	—
Net cash provided by (used in) investing activities	156,597	(405,671)
Cash flows from financing activities		
Decrease in short-term loans payable	(515,550)	(2,766,720)
Cash dividends paid	(229,968)	(226,795)
Proceeds from lease obligations	2,926	1,605
Repayments of lease obligations	(55,075)	(39,684)
Purchase of treasury shares	(300,050)	(193)
Proceeds from disposal of treasury shares from exercise of subscription rights to shares	—	3,279,300
Net cash provided by (used in) financing activities	(1,097,717)	247,512
Effect of exchange rate change on cash and cash equivalents	(682,507)	(11,951)
Net increase (decrease) in cash and cash equivalents	(748,552)	471,691
Cash and cash equivalents at beginning of period	8,794,795	7,146,931
Cash and cash equivalents at end of period	8,046,243	7,618,623

(4) Notes to Consolidated Financial Statements

(Going Concern Assumption)

None

(Significant Changes in Shareholders' Equity)

In the second quarter of the consolidated fiscal year ending March 31, 2018, capital surplus increased by 690,084,000 yen and treasury shares decreased by 2,610,965,000 yen due to the disposal of treasury shares caused by the exercise of subscription rights to shares. Consequently, at the end of the second quarter of the consolidated fiscal year ending March 31, 2018, capital surplus and treasury shares amounted to 2,759,048 thousand yen and 18,849 thousand yen, respectively.

(Segment Information)

I. Prior second quarter (From April 1, 2016 to September 30, 2016)

1. Information on sales and income (loss) by reportable segments

(In thousands of yen)

	Reportable segments					Adjustment (Note)	Consolidated
	Global Gaming	International Commercial	Domestic Commercial	Equipment for the Amusement Industry	Total		
Net sales							
Sales to customers	8,539,972	1,884,508	978,293	3,895,237	15,298,011	—	15,298,011
Intersegment sales and transfers	—	—	—	—	—	—	—
Total	8,539,972	1,884,508	978,293	3,895,237	15,298,011	—	15,298,011
Segment income (loss)	1,819,581	144,963	43,962	95,554	2,104,061	(956,189)	1,147,872

(Note) The adjustment on segment income includes certain expenses that are not allocated to each reportable segment.

2. Information on loss on non-current assets and goodwill by each reportable segments

(Material profit from negative goodwill)

The Group posted a gain on negative goodwill of 314,000 thousand yen via the business acquisition from Silver Denken Co., Ltd in the Equipment for Amusement Industry segment in this quarter.

II. Current second quarter (From April 1, 2017 to September 30, 2017)

1. Information on sales and income (loss) by reportable segments

(In thousands of yen)

	Reportable segments					Adjustment (Note)	Consolidated
	Global Gaming	International Commercial	Domestic Commercial	Equipment for the Amusement Industry	Total		
Net sales							
Sales to customers	7,760,977	2,074,430	1,129,101	4,031,309	14,995,819	—	14,995,819
Intersegment sales and transfers	—	—	—	—	—	—	—
Total	7,760,977	2,074,430	1,129,101	4,031,309	14,995,819	—	14,995,819
Segment income (loss)	1,477,229	310,057	114,478	(19,555)	1,882,210	(918,707)	963,503

(Note) The adjustment on segment income includes certain expenses that are not allocated to each reportable segment.

2. Information on loss on non-current assets and goodwill by each reportable segments

None