

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

November 8, 2023

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Listing: Tokyo Stock Exchange
Securities code: 6418
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Scheduled date to file quarterly securities report: November 10, 2023
Scheduled date to commence dividend payments: December 4, 2023
Preparation of supplementary material on quarterly financial results: Yes (List on HP)
Holding of quarterly financial results briefing: Yes (For Institutional Investors)

(All amounts are rounded down to the nearest millions)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2024 (April 1, 2023 to September 30, 2023)

(1) Consolidated operating results (cumulative)

(% indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2023	13,321	8.4	919	53.2	1,756	6.0	1,371	6.2
September 30, 2022	12,284	36.3	600	118.6	1,658	410.6	1,292	642.1

Note: Comprehensive income For the six months ended September 30, 2023: ¥2,738 million [(0.7)%]
For the six months ended September 30, 2022: ¥2,759 million [290.0%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2023	46.73	—
September 30, 2022	43.56	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2023	41,441	29,711	71.7	1,012.07
March 31, 2023	38,816	27,163	70.0	925.68

Reference: Equity
As of September 30, 2023: ¥29,711 million
As of March 31, 2023: ¥27,163 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	—	3.00	—	7.00	10.00
Fiscal year ending March 31, 2024	—	7.00			
Fiscal year ending March 31, 2024 (Forecast)			—	7.00	14.00

Note: Revisions to the forecast of cash dividends most recently announced: Yes

3. Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2024

(April 1, 2023 to March 31, 2024)

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

Year ending March 31, 2024	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	30,200	19.6	2,000	221.2	2,700	113.0	2,000	(36.4)	68.13

Note: Revisions to the forecast of earnings most recently announced: Yes

*Notes

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

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

As of September 30, 2023	29,672,651 shares
As of March 31, 2023	29,672,651 shares

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

As of September 30, 2023	315,841 shares
As of March 31, 2023	328,364 shares

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

Six months ended September 30, 2023	29,348,434 shares
Six months ended September 30, 2022	29,663,391 shares

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

* Proper use of earnings forecasts, and other special matters

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

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1. Qualitative information on Quarterly Results

(1) Explanation of Operating Results

The global economy during the second quarter of the current consolidated cumulative period, the future remains uncertain due to such factors as soaring resource and raw material prices caused by the backdrop of geopolitical risks along with the prolonged conflict between Russia and Ukraine, and economic slowdown due to the continuation of inflation and monetary tightening in various countries.

Regarding the business environment surrounding the Company and its subsidiaries (hereinafter referred to as the "Group"), demand for capital investment in casino hotels in the North American and European gaming markets, remained high due to the growth of travel demand. In the domestic and overseas commercial markets, contactless and non-face-to-face payment methods, which are becoming the standard in various countries, gained popularity, gave a boost to strong demand. Furthermore, in Equipment for the domestic amusement industry, a full-scale introduction of smart gaming machines began, has led to increased demand for peripheral devices related to these machines, which had been stagnant for a long time in pachinko halls. On the other hand, although the shortage of components such as semiconductors and soaring material prices that have continued since the second half of the previous fiscal year are heading for a solution toward the second half of the current fiscal year, there was an impact on such as a shortage of supply of some products.

In order to meet the strong demand in the gaming market amid these circumstances, we made every effort to supply products to our customers and carried out multifaceted marketing activities including sales promotion of new products in said market. In addition, in the commercial market, we expanded local distributors including expanding sales channels for new products with a focus on new bases in North America and Central and South America, and carried out product proposal activities tailored to the market needs of each country. Furthermore, we conducted sales activities focused on products that are in high demand in equipment for the amusement industry.

For the second quarter of the current consolidated cumulative period, the various factors noted above resulted in net sales of 13,321 million yen (up 8.4% YoY). In terms of profit, operating profit of 919 million yen (up 53.2% YoY) due to the effect of improved profitability in equipment for the amusement segment, despite the partial impact of soaring material prices. Ordinary profit of 1,756 million yen (up 6.0% YoY), this was mainly because the Company recorded foreign exchange gains of 793 million yen resulting from the depreciation of yen. Net income attributable to owners of the parent of 1,371 million yen (up 6.2% YoY).

During the second quarter of the consolidated cumulative period under review, the average exchange rates were 136.54 yen to the U.S. dollar (124.52 yen in the previous second quarter) and 147.93 yen to the euro (135.22 yen in the previous second quarter). Furthermore, the exchange rate on the final day of the quarter applied to the market valuation at the end of this second quarter of fiscal year was 149.58 yen per U.S. dollar (133.54 yen at the end of the previous fiscal year)

Operating results by segment are as follows.

i. Global Gaming

Although demand for mainstay products such as bill validator units and printer units remained strong, an impact on such as a shortage of supply of some products has led to net sales in this segment of 6,531 million yen (down 7.7% YoY). At the same time, segment profit was 1,075 million yen (up 6.0% YoY) due to decrease in transportation cost of products, etc.

ii. International Commercial

Due to demand for bill recycler units and bill validator units for retail market in the European regions, remained high, net sales in this segment totaled 2,710 million yen (up 17.7% YoY). On the other hand, soaring material costs pushing segment loss of 137 million yen (the previous year saw a 54-million-yen gain).

iii. Domestic Commercial

Due to an increase in sales of bill validator units for self-service gas stations' payment machines and payment machines for buses, etc., this segment recorded net sales of 1,017 million yen (up 11.0% YoY). On the other hand, segment profit was 28 million yen (down 70.0% YoY) owing to soaring material costs.

iv. Equipment for the Amusement Industry

This segment recorded net sales of 3,061 million yen (up 53.9% YoY) and segment profit of 491 million yen (the previous year saw a 147-million-yen loss), owing to an increase in sales of peripheral devices related to smart gaming machines and installation, etc. associated with a release of smart gaming machines from gaming machines manufacturers.

(2) Explanation of Financial Position

i. Assets, Liabilities and Net Assets

Total assets at the end of the consolidated second quarter under review increased by 2,624 million yen from the end of the previous consolidated fiscal year to 41,441 million yen.

Total current assets increased by 1,731 million yen from the end of the previous consolidated fiscal year to 34,004 million yen. "Notes and accounts receivable - trade, and contract assets" increased by 285 million yen and "Inventories" increased by 4,368 million yen, despite "Cash and deposits" decreased by 2,398 million yen and "Securities" decreased by 369 million yen, respectively.

Total non-current assets increased by 897 million yen from the end of the previous consolidated fiscal year to 7,405 million yen mainly due to the acquisition of Property, plant and equipment.

Total deferred assets decreased by 3 million yen from the end of the previous consolidated fiscal year to 31 million yen due to amortization of bond issuance costs.

Total current liabilities increased by 249 million yen from the end of the previous consolidated fiscal year to 7,874 million yen. "Other" under current liabilities increased by 404 million yen mainly due to an increase in contract liability, despite "Notes and accounts payable - trade" decreased by 125 million yen and "Income taxes payable" decreased by 23 million yen, respectively.

Total Non-current liabilities decreased by 172 million yen from the end of the consolidated previous fiscal year to 3,855 million yen. "Long-term borrowings" decreased by 300 million yen due to debt repayment.

Total net assets increased by 2,547 million yen from the end of the previous consolidated fiscal year to 29,711 million yen. "Treasury shares" decreased by 15 million yen due to disposal of treasury shares as restricted share-based remuneration. In addition, "Retained earnings" increased by 1,166 million yen due to the recording of profit attributable to owners of parent and "Foreign currency translation adjustment" increased by 1,262 million yen due to the revaluation of overseas subsidiaries to fair value.

ii. Cash Flows

Cash and cash equivalents (hereinafter referred to as "Net cash") during the consolidated cumulative second quarter under review decreased by 2,473 million yen from the end of the previous consolidated fiscal year to 10,731 million yen.

The status of each cash flow and their factors during the consolidated cumulative second quarter under review are as follows.

(Cash flows from operating activities)

Net cash used in operating activities amounted to 2,681 million yen (net cash income of 456 million yen in the previous second quarter). This was mainly because funds increased due to profit before income taxes of 1,756 million yen, while funds decreased due to an increase in inventories of 3,582 million yen and trade payables of 601 million yen.

(Cash flows from investing activities)

Net cash provided by investing activities totaled 120 million yen (Expenditure of 97 million yen in the previous second quarter). This was mainly because funds increased due to a net decrease (increase) in short-term investment securities of 390 million yen, while funds decreased due to payments into time deposits of 73 million yen and purchase of property, plant and equipment of 407 million yen.

(Cash flows from financing activities)

Net cash used in financing activities totaled 561 million yen (Expenditure of 597 million yen in the previous second quarter). This was mainly because funds decreased due to repayment of Long-term borrowings of 300 million yen and dividends paid of 204 million yen.

In addition to these items, there was an increase in funds due to effect of exchange rate change on cash and cash equivalents of 889 million yen.

(3) Information on consolidated financial forecasts and other forward-looking statements

There are changes on the consolidated earnings forecasts for the fiscal year ending March 31, 2024 announced on May 10, 2023.

For details, please refer to "Notice Concerning Recording of Non-operating Income (Foreign Exchange Gains), Differences Between Consolidated Financial Results Forecasts and Actual Results for the second quarter of the consolidated cumulative period, Dividends of Surplus (Interim dividends/ Dividend Increase)" disclosed today.

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

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	13,224,447	10,825,990
Notes and accounts receivable - trade, and contract assets	4,516,570	4,802,041
Electronically recorded monetary claims - operating	488,474	425,577
Securities	487,201	117,621
Merchandise and finished goods	5,826,025	9,566,274
Work in process	1,083,263	1,083,211
Raw materials and supplies	4,701,398	5,330,014
Other	2,135,230	2,054,428
Allowance for doubtful accounts	(189,281)	(200,629)
Total current assets	32,273,329	34,004,533
Non-current assets		
Property, plant and equipment	3,338,558	3,918,826
Intangible assets	143,833	245,140
Investments and other assets		
Other	3,103,674	3,313,870
Allowance for doubtful accounts	(77,846)	(72,611)
Total investments and other assets	3,025,828	3,241,258
Total non-current assets	6,508,219	7,405,225
Deferred assets	35,076	31,568
Total assets	38,816,625	41,441,327
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,559,318	3,434,089
Current portion of long-term borrowings	600,000	600,000
Income taxes payable	356,207	332,220
Provision for bonuses	277,200	291,400
Provision for bonuses for directors (and other officers)	20,000	10,000
Provision for business restructuring	154,756	145,100
Other	2,657,839	3,062,166
Total current liabilities	7,625,321	7,874,976
Non-current liabilities		
Bonds payable	2,000,000	2,000,000
Long-term borrowings	1,500,000	1,200,000
Other	527,910	655,295
Total non-current liabilities	4,027,910	3,855,295
Total liabilities	11,653,232	11,730,271
Net assets		
Shareholders' equity		
Share capital	2,220,316	2,220,316
Capital surplus	2,765,896	2,764,833
Retained earnings	21,699,807	22,865,969
Treasury shares	(402,481)	(387,110)
Total shareholders' equity	26,283,539	27,464,009
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	215,273	319,570
Foreign currency translation adjustment	664,579	1,927,474
Total accumulated other comprehensive income	879,853	2,247,045
Total net assets	27,163,392	29,711,055
Total liabilities and net assets	38,816,625	41,441,327

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

(Quarterly Consolidated Statement of Income)

(Cumulative period for the consolidated second quarter)

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	12,284,297	13,321,786
Cost of sales	7,655,653	8,216,765
Gross profit	4,628,643	5,105,021
Selling, general and administrative expenses	4,028,347	4,185,486
Operating profit	600,295	919,535
Non-operating income		
Interest income	1,617	7,232
Dividend income	31,593	32,770
Foreign exchange gains	982,967	793,533
Other	63,263	42,549
Total non-operating income	1,079,442	876,085
Non-operating expenses		
Interest expenses	14,457	12,229
Share of loss of entities accounted for using equity method	—	23,163
Other	7,245	3,412
Total non-operating expenses	21,703	38,805
Ordinary profit	1,658,034	1,756,815
Extraordinary income		
Gain on sale of non-current assets	580	149
Total extraordinary income	580	149
Extraordinary losses		
Loss on retirement of non-current assets	12	878
Total extraordinary losses	12	878
Profit before income taxes	1,658,602	1,756,087
Income taxes - current	345,455	337,947
Income taxes - deferred	21,065	46,567
Total income taxes	366,521	384,515
Profit	1,292,081	1,371,571
Profit attributable to owners of parent	1,292,081	1,371,571

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

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	1,292,081	1,371,571
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,051)	104,297
Foreign currency translation adjustment	1,470,973	1,234,776
Share of other comprehensive income of entities accounted for using equity method	—	28,119
Total other comprehensive income	1,466,921	1,367,192
Comprehensive income	2,759,003	2,738,764
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,759,003	2,738,764
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	1,658,602	1,756,087
Depreciation	105,466	176,019
Increase (decrease) in provisions	(1,366)	(6,246)
Interest and dividend income	(33,211)	(40,003)
Interest expenses	14,457	12,229
Foreign exchange losses (gains)	(721,052)	(744,193)
Loss (gain) on sale and retirement of property, plant and equipment	(567)	(149)
Share of loss (profit) of entities accounted for using equity method	—	23,163
Decrease (increase) in trade receivables	9,447	286,342
Decrease (increase) in inventories	(574,479)	(3,582,364)
Increase (decrease) in trade payables	(567,584)	(601,888)
Decrease (increase) in consumption taxes refund receivable	84,929	21,349
Other, net	506,762	239,954
Subtotal	481,405	(2,459,699)
Interest and dividends received	32,866	39,658
Interest paid	(14,400)	(12,181)
Income taxes paid	(43,582)	(249,213)
Net cash provided by (used in) operating activities	456,288	(2,681,435)
Cash flows from investing activities		
Payments into time deposits	—	(73,105)
Net decrease (increase) in short-term investment securities	—	390,533
Purchase of property, plant and equipment	(97,593)	(407,737)
Proceeds from sale of property, plant and equipment	580	687
Proceeds from earnest related sales of property, plant and equipment	133,108	—
Purchase of intangible assets	(11,294)	(15,066)
Purchase of investment securities	(39,751)	(1,049)
Proceeds from sale of investment securities	—	21,240
Payments of guarantee deposits	(82,604)	—
Other, net	200	(35,912)
Net cash provided by (used in) investing activities	(97,354)	(120,409)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(119,552)	—
Repayments of long-term borrowings	(300,000)	(300,000)
Dividends paid	(148,661)	(204,502)
Repayments of lease liabilities	(28,966)	(56,436)
Purchase of treasury shares	(30)	(195)
Net cash provided by (used in) financing activities	(597,210)	(561,134)
Effect of exchange rate change on cash and cash equivalents	879,411	889,733
Net increase (decrease) in cash and cash equivalents	641,134	(2,473,246)
Cash and cash equivalents at beginning of period	14,241,965	13,204,447
Cash and cash equivalents at end of period	14,883,100	10,731,200

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on premise of a going concern)

Not applicable.

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

The Company disposed 12,700 treasury shares as restricted share-based remuneration on August 24, 2023 based on resolution of the shareholders' Meeting held on July 25, 2023. As a result, capital surplus decreased by 1,062 thousand yen and treasury shares decreased by 14,503 thousand yen during the second quarter of the current consolidated cumulative period. Capital surplus totaled 2,764,833 thousand yen and treasury shares totaled 387,110 thousand yen during the end of the second quarter of the current consolidated fiscal year.

(Segment Information)

【Segment Information】

I. For the consolidated cumulative second quarter of the year ended March 31, 2023

(April 1, 2022 to September 30, 2022)

Information on sales and income (loss) by reportable segments

(Thousands of yen)

	Reportable segments					Adjustment (Note)	Consolidated
	Global Gaming	International Commercial	Domestic Commercial	Equipment for the Amusement Industry	Total		
Net sales							
Sales to external customers	7,073,286	2,303,820	917,366	1,989,823	12,284,297	—	12,284,297
Intersegment sales and transfers	—	—	—	—	—	—	—
Total	7,073,286	2,303,820	917,366	1,989,823	12,284,297	—	12,284,297
Segment income (loss)	1,015,242	54,977	93,859	(147,162)	1,016,916	(416,620)	600,295

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

II. For the consolidated cumulative second quarter of the year ending March 31, 2024

(April 1, 2023 to September 30, 2023)

Information on sales and income (loss) by reportable segments

(Thousands of yen)

	Reportable segments					Adjustment (Note)	Consolidated
	Global Gaming	International Commercial	Domestic Commercial	Equipment for the Amusement Industry	Total		
Net sales							
Sales to external customers	6,531,761	2,710,674	1,017,899	3,061,450	13,321,786	—	13,321,786
Intersegment sales and transfers	—	—	—	—	—	—	—
Total	6,531,761	2,710,674	1,017,899	3,061,450	13,321,786	—	13,321,786
Segment income (loss)	1,075,976	(137,252)	28,138	491,291	1,458,154	(538,618)	919,535

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