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# Summary of Consolidated Financial Statements for the First-Half of the Fiscal Year Ending March 31, 2006

November 11th, 2005


Listed Company: **Japan Cash Machine Co.,Ltd.** Stock Exchanges: Tokyo, Osaka

Code Number: 6418 Location of Principal Office: Osaka

Representative: Position: President Name: Koichiro Kamihigashi

For Inquiries: Position: Director, Administration Head Quarter Name: Hisashi Maki Tel: (06) 6703-8400 (Japan) +81-6-6703-8400 (outside of Japan)


Date of Meeting of Board of Directors to Approve Financial Statements: November 11th, 2005
Application of U.S. Accounting Standards: No

1. Financial results for the First-Half ended September 30, 2005 (April 1, 2005 to September 30, 2005)

(1) Operating Results (Amounts less than 1 million yen have been rounded down.)

| | Net Sales | Year-on-year change | Operating Income | Year-on-year change | Ordinary Income | Year-on-year change |
|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % |
| First-Half ended September 30, 2005 | 15,453 | (15.9) | 2,475 | (46.1) | 2,550 | (47.0) |
| First-Half ended September 30, 2004 | 18,370 | 21.9 | 4,592 | 41.0 | 4,813 | 57.6 |
| Year ended March 31, 2005 | 37,947 | | 8,644 | | 8,882 | |

| | Net Income | Year-on-year change | Net Income Per share: Basic | Net Income Per share: Diluted |
|---|---|---|---|---|
| | Million yen | % | Yen | Yen |
| First-Half ended September 30, 2005 | 1,349 | (51.4) | 45.67 | 45.55 |
| First-Half ended September 30, 2004 | 2,778 | 59.8 | 141.00 | 140.59 |
| Year ended March 31, 2005 | 4,983 | | 166.42 | 165.31 |

(Note) (i) Equity in income of equity-method investment:
First-Half ended September 2005: - First-Half ended September 2004:- Year ended March 2005:-

(Note) (i) Average number of shares issued and outstanding (consolidated):
First-Half ended September 2005: 29,554,792 shares First-Half ended September 2004: 19,704,631 shares
Year ended March 2005: 29,554,736 shares

(ii)Changes in accounting method: None

(iii)Year-on-year changes for net sales, operating income, ordinary income, and net income represent the increase/decrease compared to the same period of the previous year.

(iv) The Company made a 1.5 for 1 stock split as of March 18, 2005. However, this calculation does not reflect in the net income per share and the diluted net income per share for the First-Half ended September 2004.
As to the amounts per share after retroactive adjustment (consolidated), please refer to Amounts per share after retroactive adjustment on page 3.

(2) Financial Condition (In thousand , rounded down)

| Fiscal year | Total Assets | Total Shareholders' Equity | Total Shareholders' Equity Ratio | Shareholders' Equity Per Share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| First-Half ended September 30, 2005 | 32,149 | 25,723 | 80.0 | 869.79 |
| First-Half ended September 30, 2004 | 32,598 | 23,161 | 71.1 | 1,175.57 |
| Year ended March 2005 | 32,875 | 25,019 | 76.1 | 844.43 |

(Note) (i) Number of outstanding shares (consolidated):
First-Half ended September 2005: 29,573,943 shares First-Half ended September 2004: 19,702,209 shares
Year ended March 2005: 29,551,791 shares
(ii) The Company made a 1.5 for 1 stock split as of March 18, 2005. However, this calculation does not reflect in the net income per share for the first half ended September 2004. As to the amounts per share after retroactive adjustment (consolidated), please refer to Amounts per share after retroactive adjustment on page 3.

(3) Cash Flows

| Fiscal Year | Net Cash provided by Operating Activities | Net Cash used in Investing Activities | Net Cash used in Financing Activities | Cash and Cash Equivalents at End of Year |
|---|---|---|---|---|
| | Million Yen | Million Yen | Million Yen | Million Yen |
| First-Half ended September 30,2005 | 1,113 | (1,394) | (903) | 10,507 |
| First-Half ended September 30,2004 | 1,925 | (378) | (458) | 12,415 |
| Year ended March 2005 | 3,169 | (1,975) | (899) | 11,621 |

(4) Items related to the Consolidation Criteria and Equity Method Application
Number of consolidated subsidiaries: 9 companies
Number of non-consolidated subsidiaries subject to equity method: None
Number of affiliated companies subject to equity method: None

(5) Changes in the Consolidation Criteria and Equity Method Application
Consolidated: (new) None (exception) None Equity method: (new) None (exception) None

2. Forecast of Consolidated Results for the Year Ending March 2006 (April 1, 2005 to March 31, 2006)

| | Sales | Ordinary Income | Net Income |
|---|---|---|---|
| Annual | Million Yen<br>35,400 | Million Yen<br>7,200 | Million Yen<br>4,300 |

(Reference) Expected net earnings per share (annual basis): 145.40
(Note) The foregoing estimates are made based on information available as of the date this data was released, and actual results may differ from estimates due to various factors arising in the future.

（Referred information－Amounts per share after retroactive adjustment）

The followings are the diluted amounts per share resulting from the stock split as of March 18, 2005, calculated based on the net income per share at the end of the First-Half ended September 2004.

| | First-Half ended September 2004 |
|---|---|
| | Yen |
| Net Income per share (basic) | 94.00 |
| Net income per share (diluted) | 93.82 |
| Shareholders' Equity per share | 783.71 |

**Outline of Business Results**

1) Overview of business operations (from April 1, 2005 to September 30, 2005)

During the period, the Japanese economy enjoyed an overall basic trend toward recovery, with improvement in corporate revenue, a rise in stock markets, and an improvement in personal income and the employment situation. Concurrently overseas, the Asian economy continued to post good growth against a background of rapid economic expansion in China. Although the U.S. economy grew steadily, due to the price increases of oil and raw materials and the enormous damage caused by Hurricane Katrina, the U.S. economy's future is uncertain.

In the domestic market environment, expansion of capital investment was seen mainly among large corporations on the background of improvement in corporate performance in the amusement, retail, and food service industries. In the overseas gaming market, gaming operations continue to expand across the world with deregulation for gaming. However, due to a decline in the cycle of demand in gaming products and less regulatory reforms than expected in the North American market, the growth in the North American market remained slow.

Adapting to these conditions, we made further effort in exploring customer needs and market developments, and engaged in energetic new initiatives aimed at the commercial market in addition to our existing gaming market activities.

As a result, our sales amounted to ¥15,453 million, down 15.9% compared to the same period of the previous year. Due to the decrease of sales in higher gross margin products and the increase of expenses for new markets, operating income decreased by 46.1% to ¥2,475 million, ordinary income decreased by 47.0% to ¥2,550 million, and net income decreased by 51.4% to ¥1,349 million compared to the same period of the previous year.

On the foreign exchange market, the average yen to US dollar exchange rate was ¥106.80/$1 compared to ¥108.38/$1 in the same period of the previous year, reflecting an appreciation of the yen, while the average against the euro was ¥136.42/ €1, marking a depreciation of the yen from the ¥132.42/ €1 of the same period of the previous year.

2) Information by business segment

Money-handling machines

In the domestic market, taking advantage of the issuance of new bills in November 2004, we explored the new market demand and made efforts to expand sales of the automatic cash-in machines that are central to cash collection and distribution systems in the food service and retail industry. However, on top of the slowdown of the significant demand of new bills, due to demand reduction in OEM terminals, our sales remained slow.

Meanwhile, in the overseas gaming sector which is our main market, sales remained slow due to the lower demand cycle in the replacement market for coin-less gaming machines in North America, less regulatory reforms than expected for gaming, and the price and market competition among major manufacturers. In Europe, sales remained flat, while sales for Russia grew favorably, due to the intensified price war among major manufacturers in the gaming machine industry. As a result, net sales for this segment decreased by 24.7% to ¥8,932 million compared to the same period of the previous year.

Electronic cash registers

In the domestic market, although sales strategies and product development focused tightly on target customer groups were pursued, sales remained sluggish with the downturn of new demand and replacement demand and intensified competition among other manufacturers. It resulted in the sales for this segment declining 21.0% to ¥249 million compared to the same period of the previous year.

Equipment for the amusement industry

Token lenders able to accept high-denomination bills (I-Rex) which were introduced during the previous year led to sales increases given the popularity in the efficiency in pachinko hall management. Overall, net sales of automatic token supply systems remained slow due to the decreased opening of new pachinko-parlors. It follows that net sales for the segment decreased by 0.3% to ¥5,665 million compared to the same period of the previous year.

Other products

The video-game arcade and fire-resistant safe markets were not subject to any major change factors, and sales remained at relatively the same level as in the previous year. In the area of environment and hygiene-related equipment, sales grew favorably with replacement demand. These movements resulted in net sales for the other products segment totaling to ¥605 million, an increase of 17.4% from the same period of the previous year.

3) Information by geographical segment

Japan

As a result of declining demand of the new bill issuance, a demand decrease in OEM terminals, and slow demand in North America, net sales decreased by 17.0% to ¥13,243 million from the same period of the previous year. Due to a sales decrease in high margin rate products, operating income fell by 57.7% to ¥1,262 million compared to the same period of the previous year.

North America

For the commercial market, bill recycling units were adapted to vending machines. In the gaming industry, which is our main market, due to the cycle of replacement demand for coin-less gaming machines, and intensified price and market competition with major manufacturers, net sales totaled to ¥4,742 million decreasing by 24.6%. With the price war and an increase in the development expenses of new products and expenses for market expansion, operating income decreased by 50.8% to ¥484 million.

Asia

As our coordinating base for overseas production, we produce the amusement industry equipment and money-handling machines, and the volume of production fell along with the demand decrease in Japan and other overseas. As a result, net sales decreased by 30.6% to ¥2,726 million. Operating income also decreased by 9.3% to ¥144 million.

Europe

Although sales in Russia were well on target, the intensified price competition among major manufacturers in pursuit of the market expansion led to a decrease in net sales in local currency. However, with depreciation of the yen on the foreign exchange rate, net sales increased by 2.4% to ¥3,008 million, and reflecting decline in sales price, operating income decreased by 4.4% to ¥ 694 million compared to the same period of the previous year.

4) Forecast for the Fiscal Year End (April 1, 2005 to March 31, 2006)

It is forecast for the domestic that demand in the amusement industry sector will continue to show healthy development with the token lenders as a major factor, while the money-handling machine sector will benefit from growth in sales of automatic cash-in machines for the distribution system and food service as cash transport method.

Looking overseas, while demand in Russia continues to develop favorably, overall, it is predicted that demand remains slow due to slowing replacement demand in the overseas gaming market and growing price competition among other manufacturers.

The result of these trends on business performance in the forthcoming period (ending March 2006) is expected to be reflected in a 6.7% decrease in net sales to ¥3,540 million, an 18.9% decrease in ordinary income to ¥720 million, and a 13.7% decrease in net income to ¥430 million. This is based on forecast exchange rates of ¥105/$1 and ¥130/€1.

The yearly forecast of the financial results ending March 31,2006 is same as the forecast presented on September 21, 2005.

(Note) The foregoing estimates are made based on information available as of the date this data was released, and actual results may significantly differ from estimates due to various factors arising in the future.

**Our Medium- and Long-Term Business Strategy**

We are approaching the medium-term business project, "JCM WORLD 21" which aims to achieve ¥60,000 million in net sales and ¥14,000 million in ordinary income by the fiscal year ending March 31, 2008. The current period, the fiscal year ending March 31, 2006, marks the third year since we launched the project, and we are examining to review the business environment as well as our project in keeping with various changes in the world. These changes are assumed to be caused by the following two main reasons. One is that the demand and supply in North American gaming market is back where we started due to the lower demand cycle in the coin-less gaming machines. The other reason is that the market penetration of our new products is delayed because of careful judgments by the customers in the commercial section.

Under these conditions, we continue to seek our goals in both overseas gaming market & commercial market and domestic market by concentrating our technology, the intellectual property, human capital, and business know-how that have been cultivated, and by striving for new products development to meet rapidly changing and diversifying customer needs.

**The Specific Management Issues**

The following are the specific management issues that we are facing in order to achieve the business strategy and return.

New market prospective in overseas gaming market

In the overseas gaming market, there are increasing trends worldwide toward expansion of legalized areas for gaming and deregulation, and it is notable that other competitors have come to enter the industry. Without accepting our position in the top share in North America and Europe, we continue to seek our position as a market leader in the worldwide gaming industry, by staying ahead of competitors and expanding the sales market in other regions including South East Asian region.

In order to achieve this goal, we bring new models of bill validators available to the world's various currencies. With further improvement of bill-validating systems, simplification of its maintenance, and user-friendliness, we apply our differentiation strategy in market expansion. Moreover, we are establishing a new office in Macao where the market grows remarkably, seeking to improve further customers' reliability.

Overseas Commercial Market

For this market, we have developed sales of bill validator units significantly improved for kiosks, vending machines, and variety of fare adjustment machines. Although we received the popularity in the bill validator units adapted to U.S. vending machines, due to a wide variety of customer demand, the introduction to other markets and market penetrations is behind the original schedule. In order to accelerate market penetration for our products, we expand our market with the introduction of our products to the finance, retail, and food service industries.

Domestic Market: Equipment for the amusement industry

With the favorable introduction of facility equipment, like automatic token supply systems, sales for this market are consistent with the medium-term business plan. We continue to offer products and services built up with our know-how for effective hall management and more convenient leisure spaces with further business expansion, such as business alliance with ABILIT CORPORATION (Tokyo Stock Exchange 1st Section), and an increased variety of products corresponding to a wide a variety of players' needs.

Our strength in the facility equipment is labor savings coming with the large-scale introduction, and they were introduced mainly to large franchised stores. However, we expand sales from medium to small scale pachinko halls by introducing labor saving equipment for small scale stores.

Domestic Market: Money-handling machine

In this market, we predicted the termination of demand from the issuance of new bills. Then, as substitute demand, we began sales of bill recycling units for automatic cash in machines that are central to cash collection and distribution systems in the retail stores, various types of fare adjustment machines, kiosks, vending machines, automatic cashiers, and mini automated teller machines for retail stores. However, such sales have not covered the demand decrease in new bills issuance. Therefore, we make further efforts in developing automatic cash-in machine through strong cooperation with the secured delivery companies and sales promotions in various fields in order to work toward the larger market share. In addition, we seek to expand the introduction by suggesting new usage with further improvement of function in the bill recycling unit.

Development of new technology in the long term

With more advanced and functionally developed technology of bill validator, handling, and sensor, we are working to enforce our technology in coin validation. By increasing both bill and coin validator units, we work to achieve our solid top position in the industry.

Enforcement and expansion of production system

We set forward the overseas production positively for the initial cost reduction by indicating the principle of raising the overseas production percentage up to 50% for the next three years, and to construct appropriate production systems corresponding to not only the market circumstances but also economic trends. The current overseas production was developed in China, and we work on establishing a second production area from the standpoint of political and foreign currency risk.

On the other hand, the Nagahama factory is the production basis for domestic products and products requiring highly sophisticated production technology. The construction for the expansion of the Nagahama factory is almost completed. We shall contribute to enlarge the production capacity and the efficiency in domestic production and distribution systems by unifying the distribution to the Nagahama factory. Furthermore, we advance the infrastructure of the total network system in our JCM group on the basis of SCM (Supply-Chain-Management), by that we fulfill the streamlining of products raw materials' inventory and short production lead-time. The introduction of this network system will be completed in August 2005 in HK and China office, and we shall accomplish the network system introduction to a whole group by July 2007.

Human Resource development

Today, we are facing the serious societal problems such as decreases in the number of children and retirement of baby-boom generation. Our money-handling machine is an important factor of our built up know-how, and it is essential to take over our technology in order for our continuing development. We systematically engage in training and recruiting activity under the acknowledgement of human resource as an important management achievement.

## Consolidated Balance Sheet (Summary)

(In thousand yen, rounded down)

| Period / Items | First-Half ended September 30, 2004 | | First-Half ended September 30, 2005 | | Amount Increased/ (Decreased) | Year ended March 31,2005 | |
|---|---|---|---|---|---|---|---|
| | Amount | Composition | Amount | Composition | Amount | Amount | Composition |
| **Assets** | | % | | % | | | % |
| I. Current Assets: | | | | | | | |
| Cash and bank equivalents | 12,455,187 | | 10,561,185 | | (1,894,001) | 11,675,391 | |
| Notes and account receivable trade | 6,247,580 | | 6,055,202 | | (192,378) | 6,726,615 | |
| Securities | — | | 1,012,772 | | 1,012,772 | 940,585 | |
| Inventories | 7,552,785 | | 5,682,369 | | (1,870,416) | 7,407,252 | |
| Deferred income taxes | 1,473,709 | | 1,436,358 | | (37,351) | 1,404,162 | |
| Prepaid expenses and Other current assets | 728,464 | | 461,328 | | (267,135) | 477,106 | |
| Less allowance for doubtful accounts | (205,007) | | (140,116) | | 64,890 | (187,453) | |
| Total Current Assets | 28,252,720 | 86.7 | 25,069,100 | 78.0 | (3,183,620) | 28,443,660 | 86.5 |
| II. Fixed Assets: | | | | | | | |
| Tangible fixed assets: | | | | | | | |
| Buildings and structures | 1,045,462 | | 990,309 | | (55,153) | 998,986 | |
| Machinery and equipment | 33,888 | | 110,099 | | 76,210 | 109,716 | |
| Land | 380,704 | | 607,939 | | 227,234 | 376.648 | |
| Construction in progress | 16,220 | | 556,570 | | 540,350 | 39,733 | |
| Other | 895,101 | | 817,919 | | (77,181) | 807,556 | |
| Total Tangible fixed assets | 2,371,377 | | 3,082,837 | | 711,460 | 2,332,642 | |
| Intangible fixed assets: | | | | | | | |
| Software | 123,819 | | 128,583 | | 4,764 | 142,164 | |
| Other | 28,543 | | 257,113 | | 228,570 | 124,190 | |
| Total Intangible fixed assets | 152,362 | | 385,696 | | 233,334 | 266,355 | |
| Investments and other assets: | | | | | | | |
| Investments in securities | 996,403 | | 1,351,375 | | 354,972 | 976,001 | |
| Long-term loans receivable | 507 | | 16,253 | | 15,745 | 783 | |
| Deferred income taxes | 197,260 | | 159,307 | | (37,952) | 223,635 | |
| Other | 698,395 | | 2,148,807 | | 1,450,412 | 699,831 | |
| Less allowance for doubtful accounts | (70,673) | | (63,403) | | 7,269 | (67,311) | |
| Total Investments and other assets | 1,821,892 | | 3,612,340 | | 1,790,448 | 1,832,940 | |
| Total Fixed Assets | 4,345,632 | 13.3 | 7,080,874 | 22.0 | 2,735,242 | 4,431,939 | 13.5 |
| III. Deferred assets | | | | | | | |
| Premium on bond | 44 | | — | | (44) | — | |
| Total deferred assets | 44 | 0.0 | — | — | (44) | — | — |
| Total Assets | 32,598,397 | 100.0 | 32,149,975 | 100.0 | (448,422) | 32,875,599 | 100.0 |

| Period / Items | First-Half ended September 30, 2004 | | First-Half ended September 30, 2005 | | Amount Increased/ (Decreased) | Year ended March 31,2005 | |
|---|---|---|---|---|---|---|---|
| | Amount | Composition | Amount | Composition | Amount | Amount | Compositio |
| **Liabilities** | | | | | | | |
| I. Current liabilities: | | | | | | | |
| Notes and account payables trade | 5,266,796 | | 3,500,517 | | (1,766,278) | 3,701,003 | |
| Short-term bank borrowings | 114,962 | | 128,376 | | 13,413 | 128,859 | |
| Redeemable bond within 1 year | 200,000 | | — | | (200,000) | - | |
| Accrued income taxes | 1,821,350 | | 1,076,447 | | (744,902) | 1,954,584 | |
| Accrued bonuses | 411,309 | | 447,564 | | 36,255 | 505,674 | |
| Other | 1,223,879 | | 988,649 | | (235,229) | 1,180,413 | |
| Total Current Liabilities | 9,038,298 | 27.7 | 6,141,556 | 19.1 | (2,896,742) | 7,470,535 | 22.7 |
| II. Long-term liabilities: | | | | | | | |
| Deferred income taxes | 27,826 | | 5,985 | | (21,841) | 24,823 | |
| Accrued retirement benefits for employees | 100,430 | | 8,291 | | (92,138) | 73,880 | |
| Retirement allowances for directors and Corporate auditors | 250,427 | | 246,177 | | (4,250) | 263,614 | |
| Other | 20,167 | | 24,724 | | 4,557 | 22,950 | |
| Total long-term liabilities | 398,851 | 1.2 | 285,724 | 0.9 | (113,672) | 385,269 | 1.2 |
| Total liabilities | 9,437,150 | 28.9 | 6,426,735 | 20.0 | (3,010,414) | 7,855,804 | 23.9 |
| Minority shareholders' equity | — | — | — | — | — | — | — |
| **Shareholders' equity** | | | | | | | |
| I. Common stock | 2,181,695 | 6.7 | 2,205,626 | 6.8 | 23,931 | 2,181,695 | 6.6 |
| II. Capital surplus | 2,028,695 | 6.2 | 2,057,671 | 6.4 | 28,975 | 2,029,136 | 6.2 |
| III. Retained earnings | 19,161,713 | 58.8 | 21,469,585 | 66.8 | 2,307,871 | 21,130,910 | 64.3 |
| IV. Net unrealized holding gain on securities | 288,779 | 0.9 | 331,949 | 1.0 | 43,170 | 276,675 | 0.8 |
| V. Translation adjustment | (409,912) | (1.2) | (236,355) | (0.7) | 173,556 | (503,988) | (1.5) |
| VI. Less treasury stock, at cost | (89,724) | (0.3) | (105,236) | (0.3) | (15,512) | (94,633) | (0.3) |
| Total shareholders' equity | 23,161,247 | 71.1 | 25,723,240 | 80.0 | 2,561,992 | 25,019,795 | 76.1 |
| Total liabilities and shareholders' equity | 32,598,397 | 100.0 | 32,149,975 | 100.0 | (448,422) | 32,875,599 | 100.0 |

## Consolidated Income Statement (Summary)

(In thousand yen, rounded down)

| Period / Items | First-Half ended September 30,2004 | | First-Half ended September 30, 2005 | | Amount Increased/ (Decreased) | Year ended March 31,2005 | |
|---|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | Amount | % |
| I. Net Sales | 18,370,930 | 100.0 | 15,453,271 | 100 | (2,917,658) | 37,947,200 | 100.0 |
| II. Cost of Sales | 9,179,214 | 50.0 | 8,179,066 | 52.9 | (1,000,147) | 19,535,015 | 51.5 |
| Gross profit | 9,191,716 | 50.0 | 7,274,205 | 47.1 | (1,917,511) | 18,412,185 | 48.5 |
| III. Selling, general and administrative expenses | 4,598,820 | 25.0 | 4,798,516 | 31.1 | 199,696 | 9,767,609 | 25.7 |
| Operating income | 4,592,896 | 25.0 | 2,475,688 | 16.0 | (2,117,207) | 8,644,576 | 22.8 |
| IV. Non-operating income | 240,339 | 1.3 | 105,019 | 0.7 | (135,319) | 263,205 | 0.7 |
| Interest income | 22,638 | | 39,636 | | | 44,642 | |
| Dividend income | 6,795 | | 16,884 | | | 9,318 | |
| Foreign exchange gain | 185,872 | | 33,879 | | | 140,663 | |
| Other | 25,032 | | 14,619 | | | 68,580 | |
| V. Non-operating expenses | 20,117 | 0.1 | 29,986 | 0.2 | 9,869 | 25,371 | 0.1 |
| Interest expense | 4,079 | | 998 | | | 7,480 | |
| Other | 16,037 | | 28,987 | | | 17,890 | |
| Ordinary income | 4,813,118 | 26.2 | 2,550,721 | 16.5 | (2,262,396) | 8,882,410 | 23.4 |
| VI. Extraordinary income | 64,149 | 0.4 | 57,291 | 0.3 | (6,858) | 76,712 | 0.2 |
| Gain on sales of fixed assets | — | | 1,192 | | | 12,545 | |
| Gain on sales of investment securities | 37,278 | | — | | | 37,278 | |
| Reversal of allowance for doubtful account | 26,870 | | 56,098 | | | 26,888 | |
| VII. Extraordinary expenses | 13,350 | 0.1 | 19,187 | 0.1 | 5,836 | 147,324 | 0.4 |
| Loss on disposal of property, plant, and equipment | 8,955 | | 11,603 | | | 77,306 | |
| Loss on sales of property, plant and equipment | 2,145 | | — | | | 5,256 | |
| Impairment loss | — | | 7,458 | | | — | |
| Loss on devaluation of golf club memberships | 2,250 | | — | | | 2,250 | |
| Loss on cancellation of leases | — | | — | | | 16,224 | |
| Loss on fire incidents | — | | — | | | 29,913 | |
| Other | — | | 126 | | | 16,374 | |
| Income before income taxes | 4,863,916 | 26.5 | 2,588,824 | 16.7 | (2,275,092) | 8,811,798 | 23.2 |
| Income taxes current | 2,219,963 | | 1,255,184 | | | 3,918,848 | |
| Income taxes-deferred | (134,423) | 11.4 | (16,192) | 8.0 | (846,548) | (91,049) | 10.1 |
| Net Income | 2,778,375 | 15.1 | 1,349,831 | 8.7 | (1,428,544) | 4,983,999 | 13.1 |

## Consolidated Cash Flow (Summary)

(In thousand yen, rounded down)

| Period / Items | First-Half ended September 30, 2004 | First-Half ended September 30, 2005 | Amount Increased/ (Decreased) | Year ended March 31, 2005 |
|---|---|---|---|---|
| | Amount | Amount | Amount | Amount |
| Ⅰ Cash flow from operating activities | | | | |
| Income before income taxes | 4,863,916 | 2,588,824 | (2,275,092) | 8,811,798 |
| Depreciation and amortization | 277,851 | 303,361 | 25,510 | 647,815 |
| Amortization of consolidation adjustment accounts | 1,130 | 1,130 | — | 2,260 |
| Increase (decrease) in reserve | (52,536) | (198,138) | (145,601) | 11,407 |
| Interest and dividend income | (29,433) | (56,520) | (27,086) | (53,961) |
| Interest expense | 4,079 | 998 | (3,080) | 7,480 |
| Exchange loss (gain), net | (15,535) | (7,640) | 7,894 | (8,740) |
| Impairment loss | — | 7,458 | 7,458 | — |
| Amortization of bond issue discount | 66 | — | (66) | 111 |
| Loss (gain) on sales of investment in securities | (37,278) | — | 37,278 | (37,278) |
| Loss on sales and disposal of tangible fixed assets | 11,100 | 10,410 | (690) | 70,017 |
| Loss on revaluation of golf club membership | 1,500 | — | (1,500) | 1,500 |
| Decrease (increase) in account receivable | 23,375 | 767,684 | 744,308 | (514,500) |
| Decrease (increase) in inventories | (1,506,009) | 1,811,686 | 3,317,696 | (1,362,706) |
| Increase (decrease) in notes and accounts payable | (38,211) | (297,736) | (259,524) | (1,571,334) |
| Decrease (increase) in consumption taxes receivable | 73,235 | 86,965 | 13,729 | 50,563 |
| Increase (decrease) in other assets and liabilities | (332,885) | (1,731,250) | (1,398,364) | 38,260 |
| Bonuses to directors and corporate auditors | (50,200) | (65,500) | (15,300) | (50,200) |
| Sub Total | 3,194,164 | 3,221,734 | 27,569 | 6,042,491 |
| Interest and dividends received | 29,433 | 46,189 | 16,755 | 53,961 |
| Interest Paid | (4,053) | (998) | 3,054 | (8,006) |
| Income taxes paid | (1,294,342) | (2,153,827) | (859,485) | (2,918,948) |
| Net cash provided by operating activities | 1,925,202 | 1,113,096 | (812,105) | 3,169,497 |

| Period / Items | First-Half ended September 30, 2004 | First-Half ended September 30, 2005 | Amount Increased/ (Decreased) | Year ended March 31, 2005 |
|---|---|---|---|---|
| | Amount | Amount | Amount | Amount |
| Ⅱ Cash flow from investing activities | | | | |
| Payments for purchase of tangible fixes assets | (384,214) | (991,965) | (607,750) | (869,214) |
| Proceeds from sales of tangible fixed assets | 19,000 | 7,892 | (11,107) | 39,174 |
| Payments for purchase of intangible fixed assets | (40,213) | (152,642) | (112,429) | (192,552) |
| Payments for purchase of marketable securities | — | (4,513) | (4,513) | (975,612) |
| Payments for purchase of investment in securities | (2,961) | (232,814) | (229,853) | (2,961) |
| Proceeds from sale of investment in securities | 47,278 | 1,980 | (45,298) | 47,278 |
| Payments for other investing activities | (17,358) | (22,406) | (5,047) | (21,958) |
| Net Cash used in investing activities | (378,469) | (1,394,471) | (1,016,002) | (1,975,846) |
| Ⅲ Cash flow from financing activities | | | | |
| Increase (decrease) of short-term borrowing | (25,924) | — | 25,924 | (25,924) |
| Payments for redemption of bond | — | — | — | (200,000) |
| Proceeds from issuing stock | — | 47,863 | 47,863 | — |
| Payments for purchase of treasury stock | (20,612) | (14,883) | 5,729 | (25,989) |
| Proceeds from sales of treasury stock | — | 8,882 | 8,882 | 908 |
| Cash dividends paid | (412,078) | (945,657) | (533,578) | (648,504) |
| Cash flow used financing activities | (458,615) | (903,794) | (445,178) | (899,510) |
| Ⅳ Effect of exchange rate changes on cash and cash equivalents | 52,132 | 71,445 | 19,313 | 52,417 |
| Ⅴ Increase in cash and cash equivalents | 1,140,249 | (1,113,723) | (2,253,973) | 346,557 |
| Ⅵ Cash and cash equivalents at beginning of year | 11,274,975 | 11,621,533 | 346,557 | 11,274,975 |
| Ⅶ Cash and cash equivalents at end of year | 12,415,225 | 10,507,809 | (1,907,415) | 11,621,533 |

## Segment Information

〔Segment Information by business category〕

The business of the Company and the consolidated subsidiaries are classified into two segments: cash machines and related equipment, and leisure and related businesses. As net sales and operating income and total assets of cash machines and related equipments constituted more than 90% of the consolidated sales, operating income and total assets, the disclosure of business segment information has been omitted.

〔Geographical segment information〕

First-Half ended September 30, 2004

(In thousand yen, rounded down)

| | Japan | North America | Asia | Europe | Total | Elimination/ Corporate | Consolidated |
|---|---|---|---|---|---|---|---|
| Net Sales | | | | | | | |
| (1) Outside Customers | 9,058,383 | 6,270,004 | 104,706 | 2,937,836 | 18,370,930 | — | 18,370,930 |
| (2) Intersegment Sales | 6,898,357 | 23,798 | 3,824,531 | 122 | 10,746,810 | (10,746,810) | — |
| Total Sales | 15,956,740 | 6,293,803 | 3,929,238 | 2,937,959 | 29,117,741 | (10,746,810) | 18,370,930 |
| Operating Expenses | 12,971,363 | 5,307,756 | 3,769,674 | 2,210,945 | 24,259,739 | (10,481,704) | 13,778,034 |
| Operating income | 2,985,376 | 986,047 | 159,563 | 727,013 | 4,858,001 | (265,105) | 4,592,896 |

First-Half ended September 30, 2005

(In thousand yen, rounded down)

| | Japan | North America | Asia | Europe | Total | Elimination/ Corporate | Consolidated |
|---|---|---|---|---|---|---|---|
| Net Sales | | | | | | | |
| (1) Outside Customers | 7,570,226 | 4,700,563 | 175,293 | 3,007,189 | 15,453,271 | — | 15,453,271 |
| (2) Intersegment Sales | 5,673,416 | 42,327 | 2,550,779 | 1,705 | 8,268,227 | (8,268,227) | — |
| Total Sales | 13,243,642 | 4,742,890 | 2,726,072 | 3,008,894 | 23,721,499 | (8,268,227) | 15,453,271 |
| Operating expenses | 11,981,184 | 4,258,170 | 2,581,234 | 2,314,115 | 21,134,705 | (8,157,121) | 12,977,583 |
| Operating income | 1,262,457 | 484,719 | 144,837 | 694,778 | 2,586,794 | (111,106) | 2,475,688 |

Year ended March 31, 2005

(In thousand yen, rounded down)

| | Japan | North America | Asia | Europe | Total | Elimination/ Corporate | Consolidated |
|---|---|---|---|---|---|---|---|
| Net Sales | | | | | | | |
| (1) Outside Customers | 20,054,099 | 12,021,606 | 255,504 | 5,615,990 | 37,947,200 | — | 37,947,200 |
| (2) Intersegment Sales | 11,730,092 | 70,007 | 9,517,821 | 26,704 | 21,344,625 | (21,344,625) | — |
| Total Sales | 31,784,191 | 12,091,614 | 9,773,326 | 5,642,694 | 59,291,826 | (21,344,625) | 37,947,200 |
| Operating expenses | 26,650,911 | 10,366,407 | 9,181,220 | 4,254,510 | 50,453,050 | (21,150,425) | 29,302,624 |
| Operating income | 5,133,279 | 1,725,206 | 592,105 | 1,388,184 | 8,838,776 | (194,199) | 8,644,576 |

（Note）1. The geographical areas are classified according to the geographical closeness.

2. Each global geographical division other than Japan consists of the following countries.

(1) North America …… U.S.A.

(2) Asia …… Hong Kong

(3) Europe …… Germany and England

〔Overseas Net Sales〕

First-Half ended September 2004

(In thousand yen, rounded down)

| | North America | Europe | Other Areas | Total |
|---|---|---|---|---|
| Ⅰ Overseas net sales | 5,985,509 | 2,968,028 | 508,593 | 9,462,132 |
| Ⅱ Consolidated net sales | | | | 18,370,930 |
| Ⅲ Overseas net sales as a percentage of consolidated net sales | 32.6% | 16.1% | 2.8% | 51.5% |

First-Half ended September 2005

(In thousand yen, rounded down)

| | North America | Europe | Other Areas | Total |
|---|---|---|---|---|
| Ⅰ Overseas net sales | 4,428,284 | 3,017,933 | 573,336 | 8,019,555 |
| Ⅱ Consolidated net sales | | | | 15,453,271 |
| Ⅲ Overseas net sales as a percentage of consolidated net sales | 28.7% | 19.5% | 3.7% | 51.9% |

Year ended March 31, 2005

(In thousand yen, rounded down)

| | North America | Europe | Other Areas | Total |
|---|---|---|---|---|
| Ⅰ Overseas net sales | 11,386,752 | 5,779,518 | 1,054,825 | 18,221,096 |
| Ⅱ Consolidated net sales | | | | 37,947,200 |
| Ⅲ Overseas net sales as a percentage of consolidated net sales | 30.0% | 15.2% | 2.8% | 48.0% |

（Note）1. The geographical areas are classified according to the geographical closeness.

2. Each global geographical division other than Japan consists of the following countries.

(1) North America …… U.S.A. and Canada

(2) Europe …… Italy, Germany, Spain, Russia, and England

(3) Other Areas …… Australia, Taiwan, and other countries

3. The overseas sales are the sales in countries or areas in where consolidated subsidiaries are located other than Japan.

〔Status of sales〕

The segment information by type of business is omitted.

Following is the segment information by operational divisions.

(In thousand yen, rounded down)

| | First-Half ended September 30, 2004 (April 1, 2004-September 30, 2004) | | First-Half ended September 30, 2005 (April 1, 2005-September 30, 2005) | | Amount Increase/(decrease) | | Year ended March 31, 2005 | |
|---|---|---|---|---|---|---|---|---|
| | Amount | Composition | Amount | Composition | Amount | Change | Amount | Change |
| | | % | | % | | % | | |
| Money-handling machines | 11,855,642 | 64.60 | 8,932,830 | 57.80 | (2,922,811) | (24.70) | 23,992,804 | 107.5 |
| Cash registers | 316,338 | 1.70 | 249,923 | 1.60 | (66,414) | (21.00) | 717,914 | 82.3 |
| Equipment for the amusement industry | 5,683,459 | 30.90 | 5,665,375 | 36.70 | (18,083) | (0.30) | 12,159,870 | 147.0 |
| Others | 515,491 | 2.80 | 605,142 | 3.90 | 89,651 | 17.40 | 1,076,611 | 91.8 |
| Total | 18,370,930 | 100.0 | 15,453,271 | 100.0 | (2,917,658) | (15.90) | 37,947,200 | 116.3 |

（Note）The amount is the sales price. (The consumption tax is not included.)