ANNUAL REPORT 2000

JAPAN CASHMACHINE CO., LTD.

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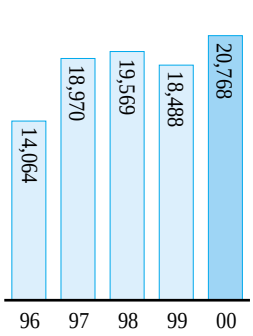
Financial Highlights

Years ended March 31

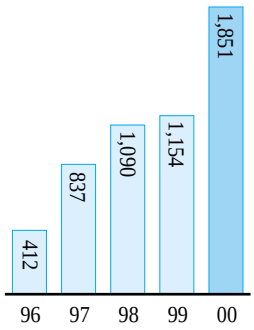
	2000	1999	2000
	(Thousands of yen)		(Thousands of U.S. dollars)
Annual results:			
Net sales:			
Domestic	¥ 8,125,131	¥ 8,396,864	$ 76,544
Overseas	12,642,438	10,091,431	119,100
Total	20,767,569	18,488,295	195,644
Operating income	3,320,260	2,302,338	31,279
Net income	1,850,994	1,153,887	17,438
Depreciation and amortization	479,454	515,738	4,517
Research and development costs	1,060,890	932,232	9,994
At the year end:			
Current assets	¥ 12,735,291	¥ 11,204,640	$ 119,974
Total assets	16,138,017	13,930,770	152,030
Current liabilities	4,960,552	4,675,973	46,732
Shareholders' equity	10,396,586	8,505,383	97,942
	(Yen)		(U.S. dollars)
Per share data:			
Net income	¥ 156.74	¥ 97.72	$ 1.48
Cash dividents	20.00	20.00	0.19
Number of employees (as of March 31)	395	—	395

Note: The U.S. dollar amounts in this report have been translated from the yen amounts, for convenience only, at ¥ 106.15=U.S.$ 1.00, the rate of exchange prevailing on March 31, 2000.

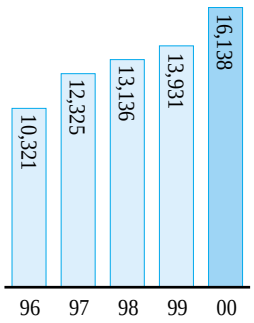
Net Sales
Millions of Yen



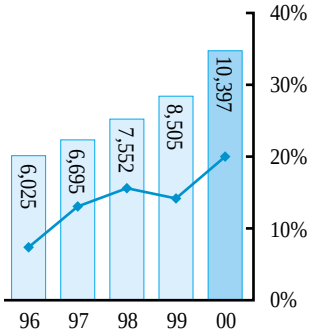
Net Income
Millions of Yen



Total Assets
Millions of Yen



Shareholder's Equity and ROE
Millions of Yen



To Our Shareholders

It is a great pleasure to announce that we have successfully completed our fiscal year ending March 2000, the last millennium year, with the best financial results in our corporate history. It is also a great pleasure that we attained our long-cherished dream of obtaining a listing on the Tokyo Stock Exchange on December 18th, 2000. Taking this opportunity, we would like to extend our heartfelt appreciation for all the support our shareholders have extended to us up to now.

JCM and all other subsidiaries have continuously made contributions to our society by developing machines and equipment to operate with less labor and considerable precision, capable of verifying, identifying, delivering and counting bills, coins and transferable securities in circulation. By quickly identifying our customers' needs and market trends, we have successfully introduced high-quality, price-competitive products through market-oriented business and quality-oriented product development. Based on this concept, our main products, including bill acceptors, OEM terminals and various products in entertainment centers have been developed and now they have become the solid base for our company's growth.

Koichiro Kamihigashi
President

Outlines of Business Results

Our sales for the fiscal year ending March 2000 reached 20.7 billion yen, up 12.3% over the previous year's sales of 18.4 billion yen. Ordinary profit for the fiscal year also increased to 3.2 billion yen, up 43.8% over the previous year's 2.2 billion yen. When we look at each corporate division's performance, sales in the money handling machine division were 14.7 billion yen, representing 71.0% of total sales, while ECR division sales were 1.5 billion yen. In addition, sales for the division of machines and equipment for entertainment centers were 4.1 billion yen, and the office equipment division posted sales of 0.4 billion yen. We, JCM and all other subsidiaries, have also been very active in overseas operations which reached 12.6 billion yen, or 60.9% of total sales. Specifically, the bill acceptor business in the US casino market has become JCM's most important branch of business, and we cannot present our company's profile without mentioning it. Our group is now widely acknowledged as a leader among bill acceptor manufacturers in the gaming machine market with 2 million machines in operation throughout the world.

In the early 90's, we succeeded in developing bill acceptors specially designed for casino gaming machines, since we had strong confidence that a large potential demand existed. Prior to this, slot machines accepted coin only. However, per-unit sales of gaming machines increased by more than 25% after bill acceptors were installed in slot machines, thus revolutionizing the casino industry. Our business gained further momentum with the deregulation of casinos in several other US states than Nevada (Las Vegas), and New Jersey (Atlantic City). The total number of units manufactured and sold during the past 10 years surpassed 1,000,000. Nowadays casinos have been legalized in more than 35 states in the United States and our bill acceptors installed in gaming machines have become the industry standard and are indispensable for casino operations.

We estimate that there are about 500,000 gaming machine units in operation in the North American market. As our bill acceptors are widely accepted by the gaming machine manufacturers throughout the world, we currently enjoy a high market share of more than 90% in North America. We believe that this is quite an outstanding accomplishment, although the business itself involves only component manufacturing. JCM has achieved this because of our success in the following areas; we:

1) identified market potential and latent demand;
2) developed products at the most opportune moment ahead of any other manufacturers based on our market analysis;
3) provided products with a stable reputation for high quality to our customers, and
4) established rapid response customer support service.

We firmly believe that, as we mentioned earlier, this is a typical example of our success as a result of developing market-oriented business strategies.

Outlook for Future

We are always seeking new business opportunities. As increasingly innovative products are expected to be introduced into the casino industry in the future, we are determined to develop the next generation of components by identifying our customers' future needs. In the casino industry, the introduction of new cash-out and cash-in method is now under consideration. Instead of using coins for jackpot payments in slot machines, the issuance of bar-coded coupons to replace bills and coins is now being seriously investigated. Since this would reduce the cash-out and cash-in time for players and also reduce the coin reserve requirements for the casino, this would result in many advantages to both the players and the casinos.

For this purpose, JCM has already developed ticket printers which will be fully introduced into the market in 2001. One of this strong points is their high level of security. By applying our bill verification technology, the ticket printer has a self-check function of detecting errors in printing coupons. Furthermore, our bill acceptors, which are currently on the market already support the reading of bar-coded coupons. We expect a large demand for these printers since they can facilitate cash-in/cash-out transactions when installed in the next generation of gaming machines. We plan to continue research and development while paying careful attention to the casino's operational problems in order to provide casino operators with the best possible means of resolving these issues.

Aside from the North American market, we are currently quite interested in the European market where the new Euro currency is being introduced. We have been building sales and support systems in Europe and for this purpose and established Japan Cash Machine Germany GMBH in September 1999. We believe that the European market has the potential for generating a large demand for our products and, therefore, provides the greatest opportunity for market expansion overseas, mainly with respect to the large number of gaming machines called AWP's which are specially designed in accordance with each country's culture in addition to the growing popularity of casinos.
We are also planning to take active measures to strengthen our business presence in Australia, which has the largest gaming machine market after the United States and Canada.
JCM also plans to strengthen its presence in South America and South Africa, where new markets will open next year.

While remaining very active in overseas operations, we are also working very positively in the domestic market, where each corporate division will introduce new products under new business strategies. Japan's economy still remains in a recession after the burst of the 'bubble' economy. However, we can see some signs of improvement in the area of private capital investment supported by various economic measures taken by the Japanese government and we believe that Japan's economy will gradually improve. Given these conditions, our policy is to strive to expand sales by concentrating on corporate resources in several vital areas. We are planning to introduce such strategic items for the next generation as

automatic cash and coin drawers, money-processing components for gaming and automatic vending machines for overseas marketing, pachisuro- related systems, and ECRs with POS systems. Automatic cash and coin drawers are interlocked with a POS system for coin and bill dispensing, and they can serve as fully automated ECRs, thus automating the entire cash handling process. As for pachisulo-related systems, our target is to strengthen our sales functions and to increase our volume of sales. Providing pachisuro operators with an extensive range of pachisulo-related equipment, makes it possible for us to accept the order for an entire system for the pachisuro area in a pachinko hall, all in one package.

As for the consolidated performance of JCM and all other subsidiaries for the fiscal year March 2001, we estimate that sales will reach 23.6 billion yen, with ordinary profit of 3.6 billion yen, and after tax profit of 2 billion yen for the fiscal year.

Mid-Range Corporate Managerial Strategies

We believe that the most important aspect of our mid-range vision is that our company continue to grow while making a contribution to our society. In accomplishing this, our presence will continue to be recognized by society and by ourselves. In order to fulfill this purpose, we will continue to concentrate our efforts specifically on research and development, strengthening studies on basic technologies, acquiring technical standardization skills and, as a result, developing new strategic products. We are also endeavoring to market globally, paying special attention to regional characteristics in relation to developing, manufacturing and sales activities. We are also striving to strengthen our competitive power, seeking to stabilize our company's performance through operations in the global organizations, thus enabling the full and effective utilization of all the company's resources. Additionally, we feel that the diversification of our business and the penetration into new businesses are essential to strengthen. In order to fulfill these objectives, we will search out possibilities for business acquisitions, tie-ups, and equity participation.

Introducing Subsidiaries

1. Completion of JCM American Corporation's Headquarters/Factory

In October 1999, JCM American Corporation completed construction of its new US headquarters/factory in Las Vegas, Nevada for the purpose of sales expansion and strengthening competitive power in the US market. The company was originally founded as a sales arm in the US gaming machine market, primarily to sell bill acceptors to US gaming machine manufacturers. Currently JCM's bill acceptors enjoy a high market share of more than 90% because of their basic functional advantage. The completion of our new US headquarters/factory shows our strong commitment to the US market and will surely contribute to increasing our sales by providing better services to our customers. We are also planning to install final product assembly lines so that we can reduce delivery time and cope rapidly with the different specifications required by our customers. We estimate that the company's sales for the fiscal year ending December 2000 will reach $96 million, earnings before income taxes will be $18 million, and net income will reach $10 million.

2. Establishing Japan Cash Machine Germany GMBH.

Sales operations in Europe have long been handled directly from Japan with the support of the office in Europe which conducts information-gathering activities. In June 1999, the representative office in Europe was reorganized into a wholly-owned subsidiary in anticipation of the increasing demand in the European market, where the unification of Euro currencies is scheduled for January 2002. Our operations in Europe have been rather slow since our money processing machines need to cope with the complicated situation in Europe, where each country has its own currency. However, on the occasion of currency unification in Europe, we anticipate that the introduction of money processing machines will be greatly enhanced, since standardization of the money processing machines in terms of their functions and performance will become possible. We expect a stronger demand for machines that can streamline currency circulation processes. Before the unification of the Euro currencies, JCM and all other subsidiaries decided to establish this company as our sales vehicle for the purpose of expanding our volume of sales and our market share in Europe. This will be accomplished by strengthening our sales operations, enabling better after-sale services and rendering better maintenance, in addition to our original information gathering activities handled by the European representative office. We expect that the company's sales for the fiscal year ending December 2000 will reach 15 million Euro, with ordinary profit of 2 million Euro and profit after tax of 1 million Euro.

3. Production transfer to JCM GOLD (H.K.) LTD.

JCM GOLD (H.K.) LTD was originally established in June 1987 as our manufacturing vehicle in Hong Kong to reduce production costs. Currently, the company not only handles manufacturing operations, but also serves as an agent for outsourcing our production in mainland China and Hong Kong. Soon after the founding of the company, the manufacturing operations of ECR were shifted to Hong Kong. We are preparing to transfer our manufacturing operations of bill acceptors to mainland China as the perfection of the manufacturing and outsourcing systems is in progress. More specifically, the manufacturing of one of our main products in our bill acceptor series (Production name: WBA) is currently in the process of being shifted. Completion of this transition is estimated to be complete by March 2003 and, at that time, our overseas share in production will reach approximately 30%.

JCM GOLD (H.K.) LTD also established JCM GOLD USA INC in July 1998 for the purpose of enhancing sales activities in the United States by securing its own sales channel there. JCM GOLD (H.K.) has been trying not only to work as a manufacturing vehicle, but also to make an enormous effort to expand the volume of sales of JCM and all its subsidiaries as a whole. We estimate that the company's sales for the fiscal year ending December 2000 will reach HK$ 140 million, with ordinary profit of HK$ 9 million and profit after tax of HK$ 8 million.

Japan Cash Machine Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2000 and 1999

	2000	1999	2000
	(Thousands of yen)		(Thousands of U.S. dollars) (Note 3)
Assets			
Current assets:			
Cash and cash equivalents	¥ 3,489,582	¥ 3,861,567	$ 32,874
Trade receivables:			
Notes	1,105,883	1,527,614	10,418
Accounts	2,726,784	1,969,529	25,688
	3,832,667	3,497,143	36,106
Inventories (Note 5)	4,406,593	3,493,911	41,513
Deferred income taxes (Note 7)	428,676	—	4,038
Prepaid expenses and other current assets	646,095	389,279	6,086
Less allowance for doubtful accounts	(68,322)	(42,361)	(643)
Total current assets	12,735,291	11,204,640	119,974
Property, plant and equipment, at cost (Note 6):			
Land	374,945	387,608	3,532
Buildings and structures	1,597,460	1,161,685	15,049
Machinery and equipment	3,311,137	3,145,368	31,193
Construction in progress	16,403	23,574	155
	5,299,945	4,718,235	49,929
Less accumulated depreciation	(3,317,083)	(3,028,074)	(31,249)
Property, plant and equipment, net	1,982,862	1,690,161	18,680
Investments and other assets:			
Investments in securities (Note 4)	235,996	191,177	2,223
Investments in unconsolidated subsidiaries and affiliates	48,571	48,571	458
Deferred income taxes (Note 7)	75,139	—	708
Long-term loans	2,162	2,295	20
Deferred charges	3,521	6,391	33
Other	770,390	697,945	7,258
Total investments and other assets	1,135,779	946,379	10,700
Translation adjustments	284,085	89,590	2,676
Total assets	¥ 16,138,017	¥ 13,930,770	$ 152,030

	2000	1999	2000
	(Thousands of yen)		(Thousands of U.S. dollars) (Note 3)
Liabilities Shareholders' Equity			
Current liabilities:			
Short-term bank loans (Note 6)	¥ 104,303	¥ —	$ 983
Trade payables:			
Notes	1,998,859	1,998,172	18,831
Accounts	1,216,171	1,259,343	11,457
	3,215,030	3,257,515	30,288
Accrued income taxes (Note 7)	649,313	544,768	6,117
Accrued bonuses	322,296	272,273	3,036
Other current liabilities	669,610	601,417	6,308
Total current liabilities	4,960,552	4,675,973	46,732
Long-term liabilities:			
Long-term debt (Note 6)	600,000	600,000	5,652
Retirement allowances for directors and statutory auditors	150,983	130,883	1,422
Deferred income taxes (Note 7)	15,431	—	145
Other	14,465	18,531	137
Total long-term liabilities	780,879	749,414	7,356
Shareholders' equity:			
Common stock ¥50 par value:			
Authorized - 29,664,000 shares			
Issued - 11,809,430 shares in 2000	1,863,195	—	17,552
11,809,430 shares in 1999	—	1,863,195	—
Additional paid-in capital	1,710,155	1,710,155	16,111
Retained earnings (Notes 8 and 12)	6,824,003	4,934,015	64,286
Less treasury stock, at cost:			
419 shares in 2000 and 1,302 shares in 1999	(767)	(1,982)	(7)
Total shareholders' equity	10,396,586	8,505,383	97,942
Total liabilities and shareholders' equity	¥ 16,138,017	¥ 13,930,770	$152,030

The accompanying notes are an integral part of these statements.

Japan Cash Machine Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income

Years ended March 31, 2000 and 1999

	2000	1999	2000
	(Thousands of yen)		(Thousands of U.S. dollars) (Note 3)
Net sales (Note 11)	¥20,767,569	¥18,488,295	$195,644
Cost of sales	12,224,728	11,484,400	115,165
Gross profit	8,542,841	7,003,895	80,479
Selling, general and administrative expenses	5,222,581	4,701,557	49,200
Operating income (Note 11)	3,320,260	2,302,338	31,279
Other income:			
Interest and dividend income	51,365	26,659	484
Reversal of allowance for doubtful accounts	3,423	78,134	32
Reversal of loss on valuation of securities	15,686	—	148
Other	72,339	48,190	681
	142,813	152,983	1,345
Other expenses:			
Interest expense	28,455	32,858	268
Loss on disposal of property, plant and equipment	42,828	—	404
Loss on valuation of marketable securities	—	20,997	—
Loss on sales of investments in securities	—	18,733	—
Exchange loss, net	208,300	56,578	1,962
Other	8,637	30,842	81
	288,220	160,008	2,715
Income before income taxes	3,174,853	2,295,313	29,909
Income taxes (Note 7):			
Current	1,474,349	1,141,426	13,889
Deferred	(150,490)	—	(1,418)
Net income	¥ 1,850,994	¥ 1,153,887	$ 17,438
	Yen		U.S. dollars (Note 3)
Net income per share	¥156.74	¥97.72	$1.48

The accompanying notes are an integral part of statements.

Japan Cash Machine Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Shareholders' Equity

Years ended March 31, 2000 and 1999

	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Treasury stock
		(Thousands of yen)			
Balance, March 31, 1998	11,809,430	¥ 1,863,195	¥ 1,710,155	¥ 3,981,186	¥ (2,178)
Net income for the year ended March 31, 1999	—	—	—	1,153,887	—
Cash dividends				(169,058)	—
Bonuses to directors and statutory auditors				(32,000)	—
Decrease in treasury stock					196
Balance, March 31, 1999	11,809,430	1,863,195	1,710,155	4,934,015	(1,982)
Net income for the year ended March 31, 2000	—	—	—	1,850,994	—
Prior year's adjustment for deferred income taxes				308,161	—
Cash dividends				(236,167)	—
Bonuses to directors and statutory auditors				(33,000)	—
Decrease in treasury stock					1,214
Balance, March 31, 2000	11,809,430	¥ 1,863,195	¥ 1,710,155	¥ 6,824,003	¥ (767)

	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Treasury stock
		(Thousands U.S. dollars) (Note 3)			
Balance, March 31, 1998	11,809,430	$ 17,552	$ 16,111	$ 37,505	$ (21)
Net income for the year ended March 31, 1999	—	—	—	10,870	—
Cash dividends				(1,593)	—
Bonuses to directors and statutory auditors				(301)	—
Increase in treasury stock					2
Balance, March 31, 1999	11,809,430	17,552	16,111	46,481	(19)
Net income for the year ended March 31, 2000	—	—	—	17,438	—
Prior year's adjustment for deferred income taxes				2,903	—
Cash dividends				(2,225)	—
Bonuses to directors and statutory auditors				(311)	—
Decrease in treasury stock					12
Balance, March 31, 2000	11,809,430	$ 17,552	$ 16,111	$ 64,286	$ (7)

The accompanying notes are an integral part of these statements.

Japan Cash Machine Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Year ended March 31, 2000

	2000 (Thousands of yen)	2000 (Thousands of U.S. dollars) (Note 3)
Cash flows from operating activities:		
Income before income taxes	¥ 3,174,853	$ 29,909
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation and amortization	518,696	4,886
Allowance for doubtful accounts	31,718	299
Provision for bonuses	50,022	471
Provision for retirement allowances	20,100	189
Interest and dividend income	(17,073)	(161)
Interest expense	27,485	259
Exchange loss, net	50,958	480
Loss on disposal of property, plant and equipment	42,828	404
Gain on sales of marketable securities	(1,019)	(10)
Reversal of loss on valuation of securities	(16,686)	(147)
Bonuses paid to directors and statutory auditors	(33,000)	(311)
Changes in operating assets and liabilities:		
Trade receivables	(406,222)	(3,827)
Inventories	(1,003,141)	(9,450)
Trade payables	103,745	977
Consumption tax receivables	(117,038)	(1,102)
Other current assets and liabilities	(221,783)	(2,089)
Subtotal	2,205,443	20,777
Interest and dividend income received	17,879	168
Interest paid	(27,470)	(259)
Income taxes paid	(1,371,763)	(12,923)
Net cash provided by operating activities	824,089	7,763
Investment activities:		
Purchases of marketable securities	(11,204)	(105)
Proceeds from sales of marketable securities	11,394	107
Purchases of property, plant and equipment	(952,922)	(8,977)
Proceeds from sales of property, plant and equipment	11,887	112
Increase in investments in securities	(30,000)	(283)
Other, net	(11,274)	(106)
Net cash used in investment activities	(982,119)	(9,252)
Financing activities:		
Increase in short-term bank loans, net	104,302	983
Proceeds from sales of treasury stock	84,095	792
Purchases of treasury stock	(81,572)	(768)
Cash dividends paid	(236,167)	(2,225)
Net cash used in financing activities	(129,342)	(1,218)
Effect of exchange rate changes on cash and cash equivalents	(84,613)	(797)
Decrease in cash and cash equivalents	(371,985)	(3,504)
Cash and cash equivalents at beginning of year	3,861,567	36,378
Cash and cash equivalents at end of year	¥ 3,489,582	$ 32,874

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

March 31, 2000 and 1999

1. Basis of Presentation of Consolidated Financial Statements

Japan Cash Machine Co., Ltd. (the "Company") maintains its accounts and records in accordance with accounting principles and practices generally accepted and applied in Japan. Its foreign subsidiaries maintain their accounts in conformity with the requirements of their countries of domicile. The accompanying financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation and Accounting for Investments in Unconsolidated Subsidiaries

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

The overseas consolidated 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 intercompany transactions which took place during the period between the year ends of these foreign consolidated subsidiaries and the year end of the Company.

Under a revised accounting standard for consolidated financial statements, which become effective April 1, 1999, the Company is principally required to consolidate all entities which are effectively controlled by the Company unless such control is considered temporary. The effect of the application of this new accounting standard for consolidated financial statements was immaterial.

Investments in unconsolidated subsidiaries are carried at cost.

(b) Foreign Currency Translation

The financial statements of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date except that the components of shareholders' equity are translated at their historical exchange rates. Translation differences resulting from translating the financial statements of the foreign consolidated subsidiaries are not included in the determination of net income, but are presented as translation adjustments in the consolidated balance sheets.

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into Japanese yen at the rates in effect at the respective transaction dates.

Current monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet date, or at the applicable exchange rates under forward foreign exchange contracts.

Long-term assets and liabilities denominated in foreign currencies, including investments in

securities, are translated at their historical rates.

Gains and losses on foreign exchange are credited or charged to income in the period in which such gains and losses are recognized for financial reporting purposes.

(c) Consolidated Statements of Cash Flows

The Company has initially adopted " Accounting Standards for Consolidated Statements of Cash Flows" issued by the Business Accounting Deliberation Council of Japan which requires the preparation and disclosure of a consolidated statement of cash flows as part of the basic consolidated financial statements effective the year ended March 31, 2000.

For the purposes of the consolidated statement of cash flows for the year ended March 31, 2000, cash and cash equivalents include cash on hand and in banks and other highly liquid investments with maturities of three months or less when purchased.

(d) Inventories

Inventories of the Company are stated at cost, cost being determined by the first-in, first-out method. Inventories of the consolidated subsidiaries are stated at the lower of cost or market, cost of JCM AMERICAN CORP. and JCM GOLD USA, INC. being determined by the first-in, first-out method, cost of JAPAN CASH MACHINE GERMANY GMBH and JCM GOLD (H.K.) LTD. being determined by the moving average method.

(e) Marketable Securities and Investments in Securities

Marketable securities are stated at the lower of cost or market, cost being determined by the average method. Investments in securities other than marketable securities are stated at cost determined by the average method.

(f) Property, Plant and Equipment

Property, plant and equipment is stated on the basis of cost. The Company calculates depreciation principally by the declining-balance method over the useful lives of the respective assets stipulated in the Corporation Tax Law of Japan, except for buildings (exclusive of any structures attached to the buildings) acquired on or after April 1, 1998 which are depreciated by the straight-line method over their respective useful lives. The consolidated subsidiaries calculate depreciation principally by the straight-line method over the estimated useful lives of the respective assets.

Costs for maintenance, repairs and minor renewals are charged to income as incurred, Major renewals and betterments are capitalized.

(g) Research and Development Costs and Computer Software

Research and development costs are charged to income when incurred. Expenditures relating to

computer software developed for internal use are charged to income as 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 useful lives, generally a period of 5 years. "Accounting Standards for Research and Development Costs, Etc." issued by the Business Accounting Deliberation Council of Japan has been adopted effective April 1, 1999.

(h) Allowance for Doubtful Accounts

The allowance for doubtful accounts of the Company is provided at the maximum amount permitted by the Corporation Tax law of Japan, plus the amount required for known uncollectable receivables. The allowance for doubtful accounts of JCM AMERICAN CORP. and JAPAN CASH MACHINE GERMANY GMBH is provided at an estimated amount of probable bad debts.

(i) Leases

Non-cancelable leases of the Company are accounted for as operating leases (whether such leases are classified as operating or finance leases) except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases. However, leases of the overseas consolidated subsidiaries are generally classified and accounted for either as finance or operating leases in conformity with accounting principles and practices generally accepted in the countries in which they are incorporated.

(j) Retirement Allowances and Pension Plan

Employees of the Company are generally covered by the Company's funded non-contributory pension plan. Benefits under this plan are based on an employee's current basic rate of salary, length of service and the conditions under which the termination occurs. The assets of the pension plan at January 31, 2000, the most recent valuation date, amounted to ¥536,758 thousand ($5,057 thousand).

Directors and statutory auditors of the Company are not covered by this pension plan. The liability for retirement allowances represents the estimated amounts payable to them if they retired at the balance sheet date. Amounts payable to directors and statutory auditors upon retirement are subject to the approval of the shareholders under the Commercial Code of Japan.

(k) Income Taxes

Income taxes are calculated on taxable income and charged to income on an accrual basis. Certain temporary differences exist between taxable income and income reported for financial statement purposes which enter into the determination of taxable income in a different period. Effective April 1, 1999, the Company adopted the "Financial Accounting Standards on Accounting for Effects on Income Taxes" which was issued by the Business Accounting Deliberation Council of Japan and recognized the tax effect of temporary differences in its consolidated financial statements. The cumulative effect of this

adoption of tax-effect accounting through the beginning of the current year has been reported as prior year's adjustment for deferred income taxes in the consolidated statements of shareholders' equity.

As a result of this change in method of accounting, retained earnings at March 31, 2000 increased by ¥419,436 thousand ($3,951 thousand) and net income for the year ended March 31, 2000 increased by ¥111,275 thousand ($1,048 thousand) from the respective amounts which would have been recorded under the method applied in the previous year.

(l) Net Income per Share

Net income per share is based on the weighted average number of shares of common stock outstanding during the respective years.

(m) Appropriation of Retained Earnings

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriations (see Note 12).

3. 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 ¥106,15 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2000. The 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.

4. Investments in Securities

Information with respect to the carrying amount and market value of the marketable equity securities included in investments in securities at March 31, 2000 is summarized as follows:

	2000		2000	
	Carrying amount	Market value	Carrying amount	Market value
	(Thousands of yen)		(Thousands of U.S. dollars)	
Investments in securities	¥ 185,215	¥ 348,092	$ 1,745	$ 3,279

5. Inventories

Inventories at March 31, 2000 and 1999 are summarized as follows:

	2000	1999	2000
	(Thousands of yen)		(Thousands of U.S. dollars)
Finished goods	¥ 1,998,329	¥ 1,339,230	$ 18,825
Work in process	486,334	167,000	4,582
Raw materials and supplies	1,921,930	1,987,681	18,106
	¥ 4,406,593	¥ 3,493,911	$ 41,513

6. Short-Term Bank Loans and Long-Term Debt

The average annual interest rate on short-term bank loans was 4.0% in fiscal 2000. Long-term debt as of March 31, 2000 and 1999 consisted of the following:

	2000	1999	2000
	(Thousands of yen)		(Thousands of U.S. dollars)
2.4% yen bonds due 2005	¥ 200,000	¥ 200,000	$ 1,884
2.13% yen bonds due 2003	200,000	200,000	1,884
2.4% yen bonds due 2004	100,000	100,000	942
2.2% yen bonds due 2004	100,000	100,000	942
Less amounts due within one year	–	–	–
	¥ 600,000	¥ 600,000	$ 5,625

The aggregate annual maturities of long-term debt as of March 31, 2000 are summarized as follows:

Year ending March 31,	Thousands of yen	Thousands of U.S. dollars
2001	¥ –	$ –
2002	–	–
2003	200,000	1,884
2004	200,000	1,884
2005 and thereafter	200,000	1,884
	¥ 600,000	$ 5,652

At March 31, 2000 and 1999, the following assets were pledged as collateral to secure the above long-term debt:

	2000	1999	2000
	(Thousands of yen)		(Thousands of U.S. dollars)
Land	¥ 60,512	¥ 60,512	$ 570
Buildings and structures	124,270	132,413	1,171
Machinery and equipment	869	1,053	8
	¥ 185,651	¥ 193,978	$ 1,749

7. Income Taxes

The aggregate statutory effective tax rate on income before income taxes was approximately 42%. There was no significant difference between the effective income tax rate for the year ended March 31, 2000 and the statutory tax rate.

Deferred income taxes reflect the net effects of the temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts reported for income tax purposes.

The components of deferred tax assets and liabilities at March 31, 2000 were as follows:

	2000	2000
	Thousands of yen	Thousands of U.S. dollars
Deferred tax assets:		
Unrealized profit	¥ 275,596	$ 2,596
Retirement allowances for directors and statutory auditors	63,413	597
Write-down of inventories	60,334	568
Provision for bonuses to employees	52,252	492
Other	103,839	979
Total deferred tax assets	555,434	5,232
Deferred tax liabilities:		
Undistributed profits of subsidiaries	51,620	486
Other	15,431	145
Total deferred tax liabilities	67,051	631
Net deferred tax assets	¥ 488,383	$ 4,601

8. Retained Earnings

The Commercial Code of Japan provides that an amount which is at least 10% of cash dividends and bonuses paid to directors and corporate auditors and exactly 10% of interim cash dividends paid be appropriated to the legal reserve until such reserve equals 25% of the stated capital. The Code also provides that neither additional paid-in capital nor the legal reserve is available for dividends but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to stated capital by resolution of the Board of Directors. Retained earnings include the legal reserve provided in accordance with the provisions of the Commercial Code. The legal reserve of the Company included in retained earnings at March 31, 2000 and 1999 amounted to ¥217,576 thousand ($2,050 thousand) and ¥189,719 thousand, respectively.

9. Research and Development Costs

Research and development costs for the years ended March 31, 2000 and 1999 were as follows:

2000	1999	2000
(Thousands of yen)		(Thousands of U.S. dollars)
¥ 1,060,890	¥ 932,232	$ 9,994

10. Derivatives

(1) Status of Derivatives

(a) Type and Objectives

To avoid the effects of currency exchange rate fluctuations on the value of foreign currency assets, the Company utilizes forward foreign exchange contracts to hedge certain foreign currency assets (mainly those associated with the Company's export transactions).

(b) Policy

The Company utilizes derivatives to hedge the risk of fluctuations in foreign currency exchange rates. In employing derivatives in managing currency risk, the Company limits its derivatives to those required by its actual volume of transactions. Under the Company's policy, derivatives are not entered into for speculative purposes.

(c) Types of Risk Inherent in Derivatives Transactions
Forward foreign exchange contracts involve the risk of fluctuations in foreign currency exchange rates. However, the Company utilizes derivatives effectively as a hedging strategy in order to reduce the risk inherent with respect to its assets. Such transactions are not likely to have a major impact on the Company's performance. In addition, when conducting derivatives transactions, the Company selects only financial institutions with high credit ratings; accordingly, the risk of counterparties failing to perform their obligations is minimal.

(d) Risk Management System
Under the provisions of the Company's risk management policy, the Accounting Division makes the arrangements for the Company's derivatives contracts relating to the Company's ordinary export transactions. Other derivatives transactions would require the approval of the Board of Directors; however, the Company, in general, does not enter into such derivatives transactions.

In addition, the consolidated subsidiaries do not conduct derivatives transactions.

(2) Market Value of Derivatives Transactions
Information with respect to forward foreign exchange contracts at March 31, 2000 is summarized as follows:

	2000		2000	
	Contract value	Market value	Contract value	Market value
	(Thousands of yen)		(Thousands of U.S. dollars)	
Forward foreign exchange contract:				
To sell U.S. dollars	¥ 744,095	¥ 716,911	$ 7,010	$ 6,754
To sell Euro	120,872	111,791	1,139	1,053
	¥ 864,967	¥ 828,702	$ 8,149	$ 7,807

11. Segment Information

The Company and its subsidiaries are primarily engaged in the manufacture and sales of products. The operations of the Company and its subsidiaries are classified into two segments: cash machines and related equipment, and leisure business and related business. As net sales and total assets of the leisure business and related business constituted less than 10% of the consolidated totals for the years ended March 31, 2000 and 1999, the disclosure of business segment information has been omitted.

The geographical segment information of the Company and consolidated subsidiaries for the years ended March 31, 2000 and 1999 is as follows:

Geographic segments

	2000					
	Japan	North America	Asia	Europe	Eliminations/ corporate	Consolidated
	(Thousands of yen)					
Sales and operating income:						
Net sales						
Outside customers	¥ 11,863,962	¥ 7,822,221	¥ 275,671	¥ 805,715	¥ –	¥ 20,767,569
Intersegment	8,230,019	36,987	983,006	–	(9,250,012)	–
Total sales	20,093,981	7,859,208	1,258,677	805,715	(9,250,012)	20,767,569
Operating expenses	18,200,036	6,414,196	1,097,241	717,136	(8,981,300)	17,447,309
Operating income	1,893,945	1,445,012	161,436	88,579	(268,711)	3,320,260
Identifiable assets	¥ 12,898,812	¥ 3,786,123	¥ 817,440	¥ 773,874	¥ (2,138,232)	¥ 16,138,017

	1999				
	Japan	North America	Asia	Eliminations/ corporate	Consolidated
	(Thousands of yen)				
Sales and operating income:					
Net sales					
Outside customers	¥ 13,720,120	¥ 4,399,202	¥ 368,973	¥ –	¥ 18,488,295
Intersegment	3,854,382	23,837	992,844	(4,871,063)	–
Total sales	17,574,502	4,423,039	1,361,817	(4,871,063)	18,488,295
Operating expenses	16,021,823	3,657,025	1,176,808	(4,669,699)	16,185,957
Operating income	1,552,679	766,014	185,009	(201,364)	2,302,338
Identifiable assets	¥ 11,931,269	¥ 2,012,943	¥ 653,267	¥ (666,709)	¥ 13,930,770

	2000					
	Japan	North America	Asia	Europe	Eliminations/ corporate	Consolidated
	(Thousands of U.S. dollars)					
Sales and operating income:						
Net sales						
Outside customers	$ 111,766	$ 73,690	$ 2,597	$ 7,591	$ –	$ 195,644
Intersegment	77,532	349	9,260	–	(87,141)	–
Total sales	189,298	74,039	11,857	7,591	(87,141)	195,644
Operating expenses	171,456	60,426	10,337	6,756	(84,610)	164,365
Operating income	17,842	13,613	1,520	835	(2,531)	31,279
Identifiable assets	$ 121,515	$ 35,668	$ 7,701	$ 7,290	$ (20,144)	$ 152,030

Unallocatable operating expenses consisting primarily of the Company's expenses relating to general affairs totaled ¥1,068,844 thousand ($10,069 thousand) for the year ended March 31, 2000 and ¥966,899 thousand ($9,109 thousand) for the year ended March 31, 1999 and have been included in Eliminations/corporate.

Corporate assets primarily include the Company's cash and time deposits, marketable securities, investments in securities and foreign currency translation adjustments.

Overseas net sales

Overseas net sales, which include export sales of the Company and the domestic consolidated subsidiaries and sales (other than exports to Japan) of the foreign consolidated subsidiaries, for the years ended March 31, 2000 and 1999 are summarized as follows:

	2000			
	North America	Europe	Other	Total
	(Thousands of yen)			
Overseas sales, net	¥ 9,904,172	¥ 2,072,564	¥ 665,702	¥ 12,642,438
Overseas net sales as a percentage of consolidated net sales	47.7%	10.0%	3.2%	60.9%

	1999			
	North America	Europe	Other	Total
	(Thousands of yen)			
Overseas sales, net	¥ 5,952,597	¥ 2,898,479	¥ 1,240,355	¥ 10,091,431
Overseas net sales as a percentage of consolidated net sales	32.2%	15.7%	6.7%	54.6%

	2000			
	North America	Europe	Other	Total
	(Thousands of U.S. dollars)			
Overseas sales, net	$ 93,304	$ 19,525	$ 6,271	$ 119,100
Overseas net sales as a percentage of consolidated net sales	47.7%	10.0%	3.2%	60.9%

12. Subsequent Event

The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2000, were approved at a shareholders' meeting held on June 29, 2000:

	Thousands of yen	Thousands of U.S. dollars
Cash dividends (¥20.00 = $0.188 per share)	¥ 147,612	$ 1,391
Bonuses to directors and statutory auditors	¥ 35,000	$ 330

Independent Auditors' Report on Consolidated Financial Statements

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

We have audited the consolidated balance sheets of Japan Cash Machine Co., Ltd. and consolidated subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of income and shareholders' equity for the years then ended, and the consolidated statement of cash flows for the year ended March 31, 2000, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of Japan Cash Machine Co., Ltd. and consolidated subsidiaries at March 31, 2000 and 1999, and the consolidated results of their operations for the years then ended, and their cash flows for the year ended March 31, 2000 in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 2, Japan Cash Machine Co., Ltd. and consolidated subsidiaries have adopted new accounting standards for consolidation, research and development costs and tax-effect accounting in the preparation of their consolidated financial statements for the year ended March 31, 2000.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2000 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

Century Ota Showa & Co.

Century Ota Showa & Co.

June 29, 2000

See Note 1 which explains the basis of preparation of the consolidated financial statements of Japan Cash Machine Co., Ltd. under Japanese accounting principles and practices.

Corporate Data

Board of Directors

President
Koichiro Kamihigashi
Managing Director
Norikiyo Suzuki
Directors
Yoshio Kawahara
Kazuo Toda
Kaoru Doi
Yojiro Kamihigashi
Toshizumi Kitamori
Tatsuya Urata
Auditors
Kinzo Onoe (Resident)
Hideyuki Koizumi (Non-Resident)
Hiroshi Morimoto (Non-Resident)

Date of Establishment

January 11, 1955

Capital Stock

¥2,181 million (Increase of capital on December 18, 2000)

Number of Employees

395

Head Office/Factory

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As of March 31, 2000

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