
MARYLAND LOTTERY and GAMING CONTROL COMMISSION

1800 Washington Blvd., Suite 330, Baltimore, Maryland 21230

COMMISSION REPORT



JCM AMERICAN CORPORATION

MANUFACTURER LICENSE RENEWAL APPLICANT

Report Date: May 12, 2022

"Commission Presentation"

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We are conducting a hearing on the manufacturer renewal license application submitted by JCM America Corporation. The Maryland Lottery and Gaming Control Agency is required by “The Gaming Law” to conduct an investigation to determine if JCM America Corporation is qualified to be awarded a manufacturer license.

You (the Commissioners) have been provided with the complete investigative report on JCM American Corporation. You have also received a copy of the public report that was in your packets and made available to everyone on the agency website. I will summarize the reports that have been given to you.

JCM American Corporation has maintained its manufacturer license in good standing and has not been subject to any disciplinary sanctions by the Commission.

BACKGROUND

JCM American Corporation (the "Company") was incorporated in Nevada in June 1998, and has its principal office is located in Las Vegas,

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Nevada. JCM American Corporation does business under the name JCM Global and its operations consist of importing and selling bill validators, thermal printers, and other cash-handling equipment. The Company is currently licensed by 27 state regulatory gaming authorities, 123 tribal gaming commissions and agencies, and gaming authorities in Canada, Macau, and Australia.

Ownership of JCM American Corporation and its Affiliates

JCM American Corporation is a wholly owned subsidiary of Japan Cash Machine Co., Ltd., which was formed in Japan in January 1955. Japan Cash Machine is publicly traded on the Tokyo Stock Exchange and as of March 31, 2021, it had 29,662,851 shares of its common stock issued and outstanding, and the following held 5% or more of its outstanding shares:

- Johto Investment and Development, Inc. - 4,661,713 shares (15.72%)
- Koichiro Kamihigashi - 2,707,246 shares (9.13%)

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IMPACT OF THE COVID-19 PANDEMIC AND THE COMPANY'S RESPONSE

The COVID-19 pandemic had a significant adverse impact on JCM American Corporation's sales and other operating activities during calendar years 2020 and 2021 due to extensive shutdowns in the gaming industry. To address the matter, the Company implemented certain cost-cutting measures including reducing a large portion of its workforce and monitoring discretionary spending closely.

Additionally, the Company obtained a loan from US Bank in an aggregate principal amount of \$2,083,410 pursuant to the Paycheck Protection Program available under the Coronavirus Aid, Relief and Economic Security Act. JCM American Corporation has received forgiveness of \$1.9 million of the loan and repaid the balance.

Review of Financial Operating Results

To help evaluate JCM American Corporation's financial performance and suitability, we performed a review of the Company's operating results and related trend analyses for the period from January 1,

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2016 to December 31, 2021. Additionally, we performed a comparative analysis of relevant financial data applicable to the Company against industry benchmarks. Based on these analyses, we offer the following:

- 1) JCM American Corporation was found to have financial stability, integrity and responsibility;
- 2) There were no material issues involving the known financial backers;
- 3) JCM American Corporation possesses the requisite good character, honesty and integrity;
- 4) JCM American Corporation has sufficient business ability and experience;
- 5) There were no potential disqualifying factors.

Conclusion

JCM American Corporation's operating performance has generally been positive in spite of the recent downturn caused by the adverse impacts of the COVID-19 pandemic. Specifically, the Company recognized net profits annually from 2016 to 2019 before

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incurring a loss in 2020. JCM was proactive in minimizing the impact of the pandemic as it took measures to control costs in response to declining revenue. The Company's operating performance improved quickly in 2021 and JCM returned to profitability and improved its financial strength. Additionally, the Company has generated significant amounts of cash flows from operating activities over time and has used this cash to pay down its long-term debt drastically, pay dividends to its parent company and meet its capital demands. There is no indication that JCM American Corporation is experiencing any financial distress, the Company's auditors have not expressed any concerns with the Company's financial operations or condition and its financial ratios and margins are generally better than the industry averages. There are no areas of concern with JCM American Corporation's financial suitability for re-licensure or with the suitability of Johto Investment and Development, Inc. or Japan Cash Machine Co., Ltd. as Principal Entities

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CONCLUSION AND OPINION

The MLGCA conducted a complete and thorough background investigation as authorized under the Gaming Law by analyzing corporate records and documents, scrutinizing the business operations, practices, and transactions JCM American Corporation for the five-year period since the renewal of its manufacturer license by the Commission, and focusing on required qualification criteria involving integrity and financial stability. MLGCA adhered to well-defined and approved investigative protocols in assembling the factual information incorporated in this report.

MLGCA's investigation has confirmed that the Applicant (JCM American Corporation) has sufficient financial resources and found no derogatory information regarding the Applicant's qualifications. Based on the criteria in SG §§ 9-1A-07(c)(7) and 9-1A-08(d), we conclude that the Applicant has established by clear and convincing evidence the qualifications required for the renewal of its manufacturer license.