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On **May 10, 2018**, Gamecard-Joyco Holdings, Inc. announced earnings results for full-year FY03/18.

Cumulative performance (JPYmn)	FY03/17				FY03/18				FY03/18	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	4,747	9,745	15,661	20,405	4,451	8,557	13,117	16,928	102.0%	16,600
YoY	-23.9%	-22.7%	-16.6%	-14.6%	-6.2%	-12.2%	-16.2%	-17.0%		-18.6%
Gross profit	2,182	4,340	6,616	8,250	2,082	4,112	6,159	7,871		
YoY	-3.9%	-1.6%	0.3%	-1.9%	-4.6%	-5.3%	-6.9%	-4.6%		
GPM	46.0%	44.5%	42.2%	40.4%	46.8%	48.1%	47.0%	46.5%		
SG&A expenses	1,501	3,075	5,005	6,331	1,131	2,181	3,228	4,274		
YoY	-18.8%	-22.6%	-30.9%	-35.8%	-24.7%	-29.1%	-35.5%	-32.5%		
SG&A ratio	31.6%	31.6%	32.0%	31.0%	25.4%	25.5%	24.6%	25.2%		
Operating profit	680	1,264	1,611	1,919	950	1,931	2,931	3,596	105.8%	3,400
YoY	61.5%	186.8%	-	-	39.7%	52.8%	81.9%	87.4%		77.2%
OPM	14.3%	13.0%	10.3%	9.4%	21.3%	22.6%	22.3%	21.2%		20.5%
Recurring profit	695	1,277	1,632	1,945	958	1,927	2,927	3,594	108.9%	3,300
YoY	59.8%	172.0%	-	-	37.8%	50.9%	79.4%	84.8%		69.7%
RPM	14.6%	13.1%	10.4%	9.5%	21.5%	22.5%	22.3%	21.2%		19.9%
Net income	383	791	1,032	27	694	1,399	1,990	2,318	105.4%	2,200
YoY	52.0%	237.9%	-	-	81.2%	76.9%	92.8%	-		-
Net margin	8.1%	8.1%	6.6%	0.1%	15.6%	16.3%	15.2%	13.7%		13.3%

Quarterly performance (JPYmn)	FY03/17				FY03/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	4,747	4,998	5,916	4,744	4,451	4,106	4,560	3,811
YoY	-23.9%	-21.6%	-4.3%	-6.9%	-6.2%	-17.8%	-22.9%	-19.7%
Gross profit	2,182	2,158	2,276	1,634	2,082	2,030	2,047	1,712
YoY	-3.9%	0.7%	4.1%	-10.0%	-4.6%	-5.9%	-10.1%	4.8%
GPM	46.0%	43.2%	38.5%	34.4%	46.8%	49.4%	44.9%	44.9%
SG&A expenses	1,501	1,574	1,930	1,326	1,131	1,050	1,047	1,046
YoY	-18.8%	-25.8%	-41.0%	-49.2%	-24.7%	-33.3%	-45.8%	-21.1%
SG&A ratio	31.6%	31.5%	32.6%	28.0%	25.4%	25.6%	23.0%	27.4%
Operating profit	680	584	347	308	950	981	1,000	665
YoY	61.5%	2820.0%	-	-	39.7%	68.0%	188.2%	115.9%
OPM	14.3%	11.7%	5.9%	6.5%	21.3%	23.9%	21.9%	17.4%
Recurring profit	695	582	355	313	958	969	1,000	667
YoY	59.8%	1611.8%	-	-	37.8%	66.5%	181.7%	113.1%
RPM	14.6%	11.6%	6.0%	6.6%	21.5%	23.6%	21.9%	17.5%
Net income	383	408	241	-1,005	694	705	591	328
YoY	52.0%	-	-	-	81.2%	72.8%	145.2%	-
Net margin	8.1%	8.2%	4.1%	-	15.6%	17.2%	13.0%	8.6%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: Company forecasts are the most recent figures.

Performance by segment (cumulative)

Cumulative (JPYmn)	FY03/17				FY03/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	4,747	9,745	15,661	20,405	4,451	8,557	13,117	
YoY	-23.9%	-22.7%	-16.6%	-14.6%	-6.2%	-12.2%	-16.2%	
Equipment sales	1,627	3,560	6,379	8,167	1,564	2,862	4,634	
YoY	-42.8%	-39.4%	-26.8%	-23.3%	-3.9%	-19.6%	-27.4%	
Card sales	923	1,825	2,752	3,609	820	1,609	2,403	
YoY	-7.8%	-9.0%	-9.2%	-8.8%	-11.2%	-11.8%	-12.7%	
System-usage fees	2,081	4,131	6,155	8,148	1,951	3,867	5,745	
YoY	-8.1%	-8.0%	-7.7%	-7.5%	-6.2%	-6.4%	-6.7%	
Others	114	227	375	479	115	218	333	
YoY	-6.6%	-4.9%	-0.5%	3.0%	0.9%	-4.0%	-11.2%	
Gross profit	2,182	4,340	6,616	8,250	2,082	4,112	6,159	
YoY	-3.9%	-1.6%	0.3%	-1.9%	-4.6%	-5.3%	-6.9%	
GPM	46.0%	44.5%	42.2%	40.4%	46.8%	48.1%	47.0%	
Equipment sales	248	480	853	673	239	457	725	
YoY	-2.0%	20.6%	39.4%	21.5%	-3.6%	-4.8%	-15.0%	
GPM	15.2%	13.5%	13.4%	8.2%	15.3%	16.0%	15.6%	
Card sales	604	1,206	1,750	2,261	523	1,042	1,533	
YoY	-5.6%	-5.9%	-7.2%	-8.4%	-13.4%	-13.6%	-12.4%	
GPM	65.4%	66.1%	63.6%	62.6%	63.8%	64.8%	63.8%	
System-usage fees	1,297	2,588	3,891	5,169	1,289	2,560	3,815	
YoY	-4.0%	-4.1%	-3.6%	-3.2%	-0.6%	-1.1%	-2.0%	
GPM	62.3%	62.6%	63.2%	63.4%	66.1%	66.2%	66.4%	
Others	32	64	121	145	31	52	84	
SG&A expenses	1,501	3,075	5,005	6,331	1,131	2,181	3,228	
YoY	-18.8%	-22.6%	-30.9%	-35.8%	-24.7%	-29.1%	-35.5%	
SG&A ratio	31.6%	31.6%	32.0%	31.0%	25.4%	25.5%	24.6%	
Personnel expenses	551	1,135	1,681	2,139	416	852	1,230	
R&D expenses	189	433	776	906	82	155	273	
Operating profit	680	1,264	1,611	1,919	950	1,931	2,931	
YoY	61.5%	186.6%	-	-	39.7%	52.8%	81.9%	
OPM	14.3%	13.0%	10.3%	9.4%	21.3%	22.6%	22.3%	
Quarterly (JPYmn)	FY03/17				FY03/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	4,747	4,998	5,916	4,744	4,451	4,106	4,560	
YoY	-23.9%	-21.6%	-4.3%	-6.9%	-6.2%	-17.8%	-22.9%	
Equipment sales	1,627	1,933	2,819	1,788	1,564	1,298	1,772	
YoY	-42.8%	-36.1%	-0.7%	-8.1%	-3.9%	-32.9%	-37.1%	
Card sales	923	902	927	857	820	789	794	
YoY	-7.8%	-10.2%	-9.6%	-7.6%	-11.2%	-12.5%	-14.3%	
System-usage fees	2,081	2,050	2,024	1,993	1,951	1,916	1,878	
YoY	-8.1%	-7.9%	-7.1%	-6.7%	-6.2%	-6.5%	-7.2%	
Others	114	113	148	104	115	103	115	
Gross profit	2,182	2,158	2,276	1,634	2,082	2,030	2,047	
YoY	-3.9%	0.7%	4.1%	-10.0%	-4.6%	-5.9%	-10.1%	
GPM	46.0%	43.2%	38.5%	34.4%	46.8%	49.4%	44.9%	
Equipment sales	248	232	373	-180	239	218	268	
YoY	-2.0%	60.0%	74.3%	210.3%	-3.6%	-6.0%	-28.2%	
GPM	15.2%	12.0%	13.2%	-10.1%	15.3%	16.8%	15.1%	
Card sales	604	602	544	511	523	519	491	
YoY	-5.6%	-6.2%	-9.9%	-12.2%	-13.4%	-13.8%	-9.7%	
GPM	65.4%	66.7%	58.7%	59.6%	63.8%	65.8%	61.8%	
System-Usage Fees	1,297	1,291	1,303	1,278	1,289	1,271	1,255	
YoY	-4.0%	-4.3%	-2.5%	-1.9%	-0.6%	-1.5%	-3.7%	
GPM	62.3%	63.0%	64.4%	64.1%	66.1%	66.3%	66.8%	
Others	32	32	57	24	31	21	32	
SG&A expenses	1,501	1,574	1,930	1,326	1,131	1,050	1,047	
YoY	-18.8%	-25.8%	-41.0%	-49.2%	-24.7%	-33.3%	-45.8%	
SG&A ratio	31.6%	31.5%	32.6%	28.0%	25.4%	25.6%	23.0%	
Personnel	551	584	546	458	416	436	378	
R&D expenses	189	244	343	130	82	73	118	
Operating profit	680	584	347	308	950	981	1,000	
YoY	61.5%	2820.0%	-132.0%	-138.7%	39.7%	68.0%	188.2%	
OPM	14.3%	11.7%	5.9%	6.5%	21.3%	23.9%	21.9%	

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Earnings-related metrics (cumulative)

Cumulative	FY03/17				FY03/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
No. of equipment shipped ('000)	12.7	29.4	54.4	70.7	12.0	20.8	33.6	
YoY	-56.2%	-51.7%	-39.5%	-36.0%	-5.3%	-29.2%	-38.3%	
No. of member stores	4,108	4,066	4,020	3,957	3,889	3,826	3,778	
YoY	-6.3%	-5.8%	-5.9%	-5.4%	-5.3%	-5.9%	-6.0%	
Units installed ('000)	1,758	1,746	1,737	1,715	1,696	1,677	1,665	
YoY	-3.1%	-3.8%	-4.2%	-3.9%	-3.5%	-4.0%	-4.1%	
Quarterly	FY03/17				FY03/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
No. of equipment shipped ('000)	12.7	16.7	25.0	16.3	12.0	8.8	12.8	
YoY	-56.2%	-47.7%	-14.0%	-20.7%	-5.3%	-47.3%	-49.0%	

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Full-year FY03/18 results

- ▷ Sales: JPY16.9bn (-17.0% YoY)
- ▷ Operating profit: JPY3.6bn (+87.4%)
- ▷ Recurring profit: JPY3.6bn (+84.8%)
- ▷ Net income*: JPY2.3bn (Net income for FY03/17 was JPY27mn)

*Net income refers to net income attributable to parent company shareholders.

Among the pachinko hall operators that comprise the company's primary customer base, there are still some medium-sized and large chain operators that are looking to maintain or even improve their competitive position by opening up more pachinko halls in and around Japan's major cities, especially in the Kanto and Kinki regions. For the most part, however, the number of pachinko halls continues to decline as operators remain under pressure from 1) tighter regulations on machines offering high potential payouts; 2) a loss of players to other forms of entertainment following the spread of smartphones mobile gaming; and 3) a drop in average spend stemming from an increase in the number of hall operators offering low-priced balls.

To cope with the increasing harsh operating environment, the Gamecard-Joyco Group has completed major structural reforms and is now looking to maximize the benefits of those reforms with the help of 1) a streamlined business structure with more selective and concentrated product and service lines; 2) a stronger financial position with real-time management of inventory and accounts receivable; and 3) streamlined operations with a focus on efficiency and speed. As a result, all profit items under operating profit exceeded the previous year's results.

Full-year company forecasts

(JPYmn)	FY03/18			FY03/19
	1H Act.	2H Act.	FY Act.	FY Est.
Sales	8,557	8,371	16,928	14,200
YoY	-12.2%	-21.5%	-17.0%	-16.1%
Cost of sales	4,444	4,613	9,057	
Gross profit	4,112	3,759	7,871	
YoY	-5.3%	-3.9%	-4.6%	
GPM	48.1%	44.9%	46.5%	
SG&A expenses	2,181	2,093	4,274	
SG&A ratio	25.5%	25.0%	25.2%	
Operating profit	1,931	1,665	3,596	1,200
YoY	52.8%	154.2%	87.4%	-66.6%
OPM	22.6%	19.9%	21.2%	8.5%
Recurring profit	1,927	1,667	3,594	1,200
YoY	50.9%	149.6%	84.8%	-66.6%
RPM	22.5%	19.9%	21.2%	8.5%
Net income	1,399	919	2,318	800
YoY	76.9%	-	-	-65.5%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: "-" indicates that the year-on-year ratio exceeds 1000%

FY03/19 forecasts

The FY03/19 forecast calls for sales of JPY14.2bn (-16.1% YoY), operating profit of JPY1.2bn (-66.6%), recurring profit of JPY1.2bn (-66.6%), and net income attributable to parent company shareholders of JPY800mn (-65.5% YoY).

The market environment for pachinko halls, which make up the company's principal customer base, is likely to remain subdued and under pressure from social trends. As a result, pachinko hall's operators' willingness to invest in peripheral equipment will stay constrained due to a decline in the number of pachinko halls, a decrease in average spend, and tighter regulations. The company expects these factors weigh on its sales in FY03/19. As the company thinks it is the period to invest in R&D activities aimed at assessing the social climate and responding to the industry's need for measures to curb gambling addiction as well as revitalizing the industry, it expects sales and operating profit to decline in FY03/19.

This note is the most recent addition to the [full report](#).

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