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On **August 9, 2018**, Gamecard-Joyco Holdings, Inc. announced earnings results for Q1 FY03/19.

Cumulative performance (JPYmn)	FY03/18				FY03/19				FY03/19	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	4,451	8,557	13,117	16,928	4,121				29.0%	14,200
YoY	-6.2%	-12.2%	-16.2%	-17.0%	-7.4%					-16.1%
Gross profit	2,082	4,112	6,159	7,871	1,949					
YoY	-4.6%	-5.3%	-6.9%	-4.6%	-6.4%					
GPM	46.8%	48.1%	47.0%	46.5%	47.3%					
SG&A expenses	1,131	2,181	3,228	4,274	988					
YoY	-24.7%	-29.1%	-35.5%	-32.5%	-12.6%					
SG&A ratio	25.4%	25.5%	24.6%	25.2%	24.0%					
Operating profit	950	1,931	2,931	3,596	960				80.0%	1,200
YoY	39.7%	52.8%	81.9%	87.4%	1.1%					-66.6%
OPM	21.3%	22.6%	22.3%	21.2%	23.3%					8.5%
Recurring profit	958	1,927	2,927	3,594	963				80.3%	1,200
YoY	37.8%	50.9%	79.4%	84.8%	0.5%					-66.6%
RPM	21.5%	22.5%	22.3%	21.2%	23.4%					8.5%
Net income	694	1,399	1,990	2,318	693				86.6%	800
YoY	81.2%	76.9%	92.8%	-	-0.1%					-65.5%
Net margin	15.6%	16.3%	15.2%	13.7%	16.8%					5.6%

Quarterly performance (JPYmn)	FY03/18				FY03/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	4,451	4,106	4,560	3,811	4,121			
YoY	-6.2%	-17.8%	-22.9%	-19.7%	-7.4%			
Gross profit	2,082	2,030	2,047	1,712	1,949			
YoY	-4.6%	-5.9%	-10.1%	4.8%	-6.4%			
GPM	46.8%	49.4%	44.9%	44.9%	47.3%			
SG&A expenses	1,131	1,050	1,047	1,046	988			
YoY	-24.7%	-33.3%	-45.8%	-21.1%	-12.6%			
SG&A ratio	25.4%	25.6%	23.0%	27.4%	24.0%			
Operating profit	950	981	1,000	665	960			
YoY	39.7%	68.0%	188.2%	115.9%	1.1%			
OPM	21.3%	23.9%	21.9%	17.4%	23.3%			
Recurring profit	958	969	1,000	667	963			
YoY	37.8%	66.5%	181.7%	113.1%	0.5%			
RPM	21.5%	23.6%	21.9%	17.5%	23.4%			
Net income	694	705	591	328	693			
YoY	81.2%	72.8%	145.2%	-	-0.1%			
Net margin	15.6%	17.2%	13.0%	8.6%	16.8%			

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 product type (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	16,928
YoY	-23.9%	-22.7%	-16.6%	-14.6%	-6.2%	-12.2%	-16.2%	-17.0%
Equipment sales	1,627	3,560	6,379	8,167	1,564	2,862	4,634	5,732
YoY	-42.8%	-39.4%	-26.8%	-23.3%	-3.9%	-19.6%	-27.4%	-29.8%
Card sales	923	1,825	2,752	3,609	820	1,609	2,403	3,170
YoY	-7.8%	-9.0%	-9.2%	-8.8%	-11.2%	-11.8%	-12.7%	-12.2%
System-usage fees	2,081	4,131	6,155	8,148	1,951	3,867	5,745	7,584
YoY	-8.1%	-8.0%	-7.7%	-7.5%	-6.2%	-6.4%	-6.7%	-6.9%
Others	114	227	375	479	115	218	333	440
YoY	-6.6%	-4.9%	-0.5%	3.0%	0.9%	-4.0%	-11.2%	-8.1%
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%
Equipment sales	248	480	853	673	239	457	725	703
YoY	-2.0%	20.6%	39.4%	21.5%	-3.6%	-4.8%	-15.0%	4.5%
GPM	15.2%	13.5%	13.4%	8.2%	15.3%	16.0%	15.6%	12.3%
Card sales	604	1,206	1,750	2,261	523	1,042	1,533	2,029
YoY	-5.6%	-5.9%	-7.2%	-8.4%	-13.4%	-13.6%	-12.4%	-10.3%
GPM	65.4%	66.1%	63.6%	62.6%	63.8%	64.8%	63.8%	64.0%
System-usage fees	1,297	2,588	3,891	5,169	1,289	2,560	3,815	5,022
YoY	-4.0%	-4.1%	-3.6%	-3.2%	-0.6%	-1.1%	-2.0%	-2.8%
GPM	62.3%	62.6%	63.2%	63.4%	66.1%	66.2%	66.4%	66.2%
Others	32	64	121	145	31	52	84	116
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%
Personnel expenses	551	1,135	1,681	2,139	416	852	1,230	1,611
R&D expenses	189	433	776	906	82	155	273	393
Operating profit	680	1,264	1,611	1,919	950	1,931	2,931	3,596
YoY	61.5%	186.6%	-	-	39.7%	52.8%	81.9%	87.4%
OPM	14.3%	13.0%	10.3%	9.4%	21.3%	22.6%	22.3%	21.2%
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	3,811
YoY	-23.9%	-21.6%	-4.3%	-6.9%	-6.2%	-17.8%	-22.9%	-19.7%
Equipment sales	1,627	1,933	2,819	1,788	1,564	1,298	1,772	1,098
YoY	-42.8%	-36.1%	-0.7%	-8.1%	-3.9%	-32.9%	-37.1%	-38.6%
Card sales	923	902	927	857	820	789	794	767
YoY	-7.8%	-10.2%	-9.6%	-7.6%	-11.2%	-12.5%	-14.3%	-10.5%
System-usage fees	2,081	2,050	2,024	1,993	1,951	1,916	1,878	1,839
YoY	-8.1%	-7.9%	-7.1%	-6.7%	-6.2%	-6.5%	-7.2%	-7.7%
Others	114	113	148	104	115	103	115	107
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%
Equipment sales	248	232	373	-180	239	218	268	-22
YoY	-2.0%	60.0%	74.3%	-	-3.6%	-6.0%	-28.2%	-
GPM	15.2%	12.0%	13.2%	-	15.3%	16.8%	15.1%	-
Card sales	604	602	544	511	523	519	491	496
YoY	-5.6%	-6.2%	-9.9%	-12.2%	-13.4%	-13.8%	-9.7%	-2.9%
GPM	65.4%	66.7%	58.7%	59.6%	63.8%	65.8%	61.8%	64.7%
System-Usage Fees	1,297	1,291	1,303	1,278	1,289	1,271	1,255	1,207
YoY	-4.0%	-4.3%	-2.5%	-1.9%	-0.6%	-1.5%	-3.7%	-5.6%
GPM	62.3%	63.0%	64.4%	64.1%	66.1%	66.3%	66.8%	65.6%
Others	32	32	57	24	31	21	32	32
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%
Personnel	551	584	546	458	416	436	378	381
R&D expenses	189	244	343	130	82	73	118	120
Operating profit	680	584	347	308	950	981	1,000	665
YoY	61.5%	2820.0%	-132.0%	-138.7%	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%

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	43.6
YoY	-56.2%	-51.7%	-39.5%	-36.0%	-5.3%	-29.2%	-38.3%	-38.3%
No. of member stores	4,108	4,066	4,020	3,957	3,889	3,826	3,778	3,674
YoY change	-275	-249	-252	-227	-219	-240	-242	-283
YoY	-6.3%	-5.8%	-5.9%	-5.4%	-5.3%	-5.9%	-6.0%	-7.2%
QoQ change	-76	-42	-46	-63	-68	-63	-48	-104
QoQ	-1.8%	-1.0%	-1.1%	-1.6%	-1.7%	-1.6%	-1.3%	-2.8%
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	10.0
YoY	-56.2%	-47.7%	-14.0%	-20.7%	-5.3%	-47.3%	-49.0%	-38.6%

Source: Shared Research based on company data

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Q1 FY03/19 results

- ▷ Sales: JPY4.1bn (-7.4% YoY)
- ▷ Operating profit: JPY960mn (+1.1% YoY)
- ▷ Recurring profit: JPY963mn (+0.5% YoY)
- ▷ Net income*: JPY693mn (-0.1% YoY)

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

For pachinko hall operators that comprise the company's primary customer base, the operating environment remained difficult. Fewer people are playing pachinko since the sources of entertainment are diversifying and operations with low-priced balls are becoming the norm. Additionally, there is uncertainty over the impact of the revised regulations (Regulations Partially Amending the Ordinance for Enforcement of the Act on Control and Improvement of Amusement Business, etc.) enforced in February 2018 and development of the Basic Bill on Gambling Addiction Countermeasures.

Gamecard-Joyco group continued to provide ideas useful to revitalize the industry and to operate pachinko halls, swiftly and precisely understanding the social needs as well as the needs of pachinko hall operators and pachinko fans. The company continuously strove to streamline its operation with the theme of "completion of structural reform and maximization of its effects" as a core policy. As a result, sales declined but all profit items under operating profit remained at about the same levels as the previous year's results.

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