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On **November 7, 2019**, Fields Corporation announced earnings results for 1H FY03/20.

Cumulative (JPYmn)	FY03/19				FY03/20				FY03/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	8,930	18,041	37,615	51,639	19,098	27,664				
YoY	-28.3%	-48.8%	-16.9%	-15.4%	113.9%	53.3%				
Gross profit	1,421	3,852	10,175	13,769	2,714	3,993				
YoY	-27.5%	-44.5%	-5.1%	2.8%	91.0%	3.7%				
GPM	15.9%	21.4%	27.1%	26.7%	14.2%	14.4%				
SG&A expenses	4,155	7,759	11,437	15,132	3,397	6,902				
YoY	-14.6%	-20.2%	-20.2%	-20.9%	-18.2%	-11.0%				
SG&A ratio	46.5%	43.0%	30.4%	29.3%	17.8%	24.9%				
Operating profit	-2,733	-3,906	-1,261	-1,363	-683	-2,908			-	1,500
YoY	-	-	-	-	-	-			-	-
OPM	-	-	-	-	-	-			-	-
Recurring profit	-2,755	-4,062	-1,314	-1,396	-630	-2,692			-	1,500
YoY	-	-	-	-	-	-			-	-
RPM	-	-	-	-	-	-			-	-
Net income	-2,957	-3,251	-14	-298	-677	-2,888			-	1,000
YoY	-	-	-	-	-	-			-	-
Net margin	-	-	-	-	-	-			-	-
Quarterly (JPYmn)	FY03/19				FY03/20					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Sales	8,930	9,111	19,574	14,024	19,098	8,566				
YoY	-28.3%	-60.0%	94.7%	-11.2%	113.9%	-6.0%				
Gross profit	1,421	2,431	6,323	3,594	2,714	1,279				
YoY	-27.5%	-51.2%	67.5%	34.1%	91.0%	-47.4%				
GPM	15.9%	26.7%	32.3%	25.6%	14.2%	14.9%				
SG&A expenses	4,155	3,604	3,678	3,695	3,397	3,505				
YoY	-14.6%	-25.8%	-20.2%	-23.1%	-18.2%	-2.7%				
SG&A ratio	46.5%	39.6%	18.8%	26.3%	17.8%	40.9%				
Operating profit	-2,733	-1,173	2,645	-102	-683	-2,225				
YoY	-	-	-	-	-	-				
OPM	-	-	13.5%	-	-	-				
Recurring profit	-2,755	-1,307	2,748	-82	-630	-2,062				
YoY	-	-	-	-	-	-				
RPM	-	-	14.0%	-	-	-				
Net income	-2,957	-294	3,237	-284	-677	-2,211				
YoY	-	-	-	-	-	-				
Net margin	-	-	16.5%	-	-	-				

Source: Shared Research based on company data

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

Note: Net Income refers to the net income attributable to owners of the parent.

SG&A expenses

Cumulative (JPYmn)	FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SG&A expenses	4,155	7,759	11,437	15,132	3,397			
YoY	-14.6%	-20.2%	-20.2%	-20.9%	-18.2%			
Advertising expenses	238	425	731	1,034	138			
Salaries	1,392	2,621	3,781	4,900	1,133			
Outsourcing expenses	343	612	853	1,108	286			
Depreciation	221	407	576	761	140			
Rents	413	802	1,164	1,494	326			
Goodwill amortization	77	155	295	435	139			
Other	1,471	2,737	4,037	5,400	1,235			
Quarterly (JPYmn)	FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SG&A expenses	4,155	3,604	3,678	3,695	3,397			
YoY	-14.6%	-25.8%	-20.2%	-23.1%	-18.2%			
Advertising expenses	238	187	306	303	138			
Salaries	1,392	1,229	1,160	1,119	1,133			
Outsourcing expenses	343	269	241	255	286			
Depreciation	221	186	169	185	140			
Rents	413	389	362	330	326			
Goodwill amortization	77	78	140	140	139			
Other	1,471	1,266	1,300	1,363	1,235			

Source: Shared Research based on company data

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

Pachinko and pachislot machine unit sales

Pachinko and pachislot machine sales		FY03/19				FY03/20			
(Cumulative; units)		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Pachinko and pachislot machines		23,236	43,026	90,035	138,023	41,928			
YoY		-14.3%	-56.8%	-38.6%	-27.9%	80.4%			
Total pachinko machines		19,895	32,822	69,848	103,779	37,464			
YoY		36.9%	8.5%	0.6%	8.4%	88.3%			
Bisty		7,639	11,911	15,094	37,146	6,448			
OK!!		216	216	15,211	24,038	28,085			
Mizuho		-	5,331	5,367	5,367	-			
Daiichi		8,914	9,590	9,656	10,278	-			
NANASHOW		-	-	16,567	16,567	1,375			
Others		3,126	5,774	7,953	10,383	1,556			
Total pachislot machines		3,341	10,204	20,187	34,244	4,464			
YoY		-73.4%	-85.3%	-73.9%	-64.2%	33.6%			
Rodeo		-	-	-	-	-			
Bisty		17	17	17	13,186	1,326			
OK!!		-	-	-	-	-			
NANASHOW		-	-	7,961	7,985	2,631			
Spiky		1,865	3,246	6,656	6,660	-			
Enterrise		1,088	4,376	4,376	4,854	25			
D-light		-	-	-	-	-			
Mizuho		-	-	-	-	-			
Others		371	700	1,177	1,559	482			
Titles		3	7	12	17	2			
Pachinko		1	2	4	6	1			
Pachislot		2	5	8	11	1			

Pachinko and pachislot machine sales		FY03/19				FY03/20			
(Quarterly; units)		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Pachinko and pachislot machines		23,236	19,790	47,009	47,988	41,928			
YoY		-14.3%	-72.7%	-0.5%	7.3%	80.4%			
Total pachinko machines		19,895	12,927	37,026	33,931	37,464			
YoY		36.9%	-17.8%	-5.5%	28.8%	88.3%			
Bisty		7,639	4,272	3,183	22,052	6,448			
OK!!		216	-	14,995	8,827	28,085			
Mizuho		-	5,331	36	-	-			
Daiichi		8,914	676	66	622	-			
NANASHOW		-	-	16,567	-	1,375			
Others		3,126	2,648	2,179	2,430	1,556			
Total pachislot machines		3,341	6,863	9,983	14,057	4,464			
YoY		-73.4%	-87.9%	24.0%	-23.5%	33.6%			
Rodeo		-	-	-	-	-			
Bisty		17	-	-	13,169	1,326			
OK!!		-	-	-	-	-			
NANASHOW		-	-	7,961	24	2,631			
Spiky		1,865	3,246	1,545	4	-			
Enterrise		1,088	3,288	-	478	25			
D-light		-	-	-	-	-			
Mizuho		-	-	-	-	-			
Others		371	329	477	382	482			
Titles		3	4	5	5	2			
Pachinko		1	1	2	2	1			
Pachislot		2	3	3	3	1			

Source: Shared Research based on company data
 Note: Figures may differ from company materials due to differences in rounding methods.

Model certification testing (for reference)

Pachinko	FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Models inspected	141	173	190	261	242			
Pass	72	75	100	89	119			
Success rate	51.1%	43.4%	52.6%	34.1%	49.2%			

Kaido (Pachislot)	FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Models inspected	132	117	237	227	221			
Pass	59	19	53	39	46			
Success rate	44.7%	16.2%	22.4%	17.2%	20.8%			

Source: Shared Research based on statistical material from the Security Communication Association's "Situation of Model Certification Testing"

1H FY03/20 (April–September 2019) results

Summary of earnings

- ▷ Sales: JPY27.7bn (+53.3% YoY)
- ▷ Operating loss: JPY2.9bn (versus a loss of JPY3.9bn in 1H FY03/19)
- ▷ Recurring loss: JPY2.7mn (versus a loss of JPY4.1bn in 1H FY03/19)
- ▷ Net loss*: JPY2.9mn (versus a loss of JPY3.3bn in 1H FY03/19)

*Net loss attributable to owners of the parent

Sales were up primarily on an increase in the number of pachinko and pachislot machines sold.

- ▷ In 1H, the company sold some 64,500 machines (+50.1% YoY). This includes 41,900 sold in Q1 (April–June 2019) and 22,600 sold in Q2 (July–September 2019).
- ▷ The amusement machine installation and component inspection business generated sales of JPY144mn (about 2.4x the 1H FY03/19 figure) and the online advertising business generated sales of JPY400mn (about 3.2x the 1H FY03/19 figure). In the pachinko and pachislot machine development business, the company steadily won orders for development projects for FY03/21 onward.
- ▷ In regard to subsidiaries, Tsuburaya Productions proceeded with various measures to improve the profitability and expand licensing revenue of films including the major motion picture *Shin Ultraman*. Digital Frontier, which is involved in the video production business, maintained solid performance by winning video production orders related to animation, games, and pachinko and pachislot machines.

Losses shrank from the operating profit/loss line on down as gross profit increased on higher sales and lower SG&A expenses of JPY6.9bn (-11.0% YoY).

Fields says that both 1H and more recent performance make it likely it will be able to achieve its full-year FY03/20 forecast. The company has therefore made no changes to the forecast as announced in May 2019.

Progress so far in 2H FY03/20

- ▷ In the pachinko and pachislot machine distribution business, in addition to *NEON GENESIS EVANGELION Rebirth of Angels*, which has already become a key title, Fields launched several pachinko and pachislot machines, including *Pachislot Salaryman Kintaro -MAX-*, *CARD BATTLE PACHI-SLOT MOBILE SUIT GUNDAM X-OVER*, and *ayumi hamasaki -LIVE in CASINO-*. Preparation of additional models set for launch in Q4 (January–March 2020) has been steady.
- ▷ Tsuburaya Productions is working to expand both domestic and overseas operations. In FY03/20, distribution of 3DCG animated series *Ultraman* through companies including Netflix, production of the second season of the series, and the merchandising and licensing businesses have all been proceeding essentially according to plan. Fields says performance at other subsidiaries has also been solid, with all businesses proceeding according to plan.

Full-year company forecast for FY03/20

FY03/20 forecasts (JPYmn)	FY03/19			FY03/20		
	1H Act.	2H Act.	FY Act.	1H Act.	2H Est.	FY Est.
Sales	18,041	33,598	51,639	27,664	-	-
YoY	-70.5%	30.0%	-15.4%	53.3%		
Cost of sales	14,189	23,680	37,869	23,671		
Gross profit	3,852	9,917	13,769	3,993		
YoY	-44.5%	53.6%	2.8%	3.7%		
GPM	21.4%	29.5%	26.7%	14.4%		
SG&A expenses	7,759	7,373	15,132	6,902		
SG&A ratio	43.0%	21.9%	29.3%	24.9%		
Operating profit	-3,906	2,543	-1,363	-2,908	4,408	1,500
YoY	-	-	-	-	73.3%	-
OPM	-	-	-	-	-	-
Recurring profit	-4,062	2,666	-1,396	-2,692	4,192	1,500
YoY	-	-	-	-	57.2%	-
RPM	-	-	-	-	-	-
Net income	-3,251	2,953	-298	-2,888	3,888	1,000
YoY	-	-	-	-	31.7%	-

Source: Shared Research based on company data

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

Note: Net income refers to net income attributable to owners of the parent.

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