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On **February 14, 2020**, Fields Corporation announced earnings results for Q3 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	37,004			
YoY	-28.3%	-48.8%	-16.9%	-15.4%	113.9%	53.3%	-1.6%			
Gross profit	1,421	3,852	10,175	13,769	2,714	3,993	6,108			
YoY	-27.5%	-44.5%	-5.1%	2.8%	91.0%	3.7%	-40.0%			
GPM	15.9%	21.4%	27.1%	26.7%	14.2%	14.4%	16.5%			
SG&A expenses	4,155	7,759	11,437	15,132	3,397	6,902	10,449			
YoY	-14.6%	-20.2%	-20.2%	-20.9%	-18.2%	-11.0%	-8.6%			
SG&A ratio	46.5%	43.0%	30.4%	29.3%	17.8%	24.9%	28.2%			
Operating profit	-2,733	-3,906	-1,261	-1,363	-683	-2,908	-4,340		-	100
YoY	-	-	-	-	-	-	-		-	-
OPM	-	-	-	-	-	-	-		-	-
Recurring profit	-2,755	-4,062	-1,314	-1,396	-630	-2,692	-4,197		-	300
YoY	-	-	-	-	-	-	-		-	-
RPM	-	-	-	-	-	-	-		-	-
Net income	-2,957	-3,251	-14	-298	-677	-2,888	-4,474		-	-100
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	9,340	
YoY	-28.3%	-60.0%	94.7%	-11.2%	113.9%	-6.0%	-52.3%	
Gross profit	1,421	2,431	6,323	3,594	2,714	1,279	2,115	
YoY	-27.5%	-51.2%	67.5%	34.1%	91.0%	-47.4%	-66.6%	
GPM	15.9%	26.7%	32.3%	25.6%	14.2%	14.9%	22.6%	
SG&A expenses	4,155	3,604	3,678	3,695	3,397	3,505	3,547	
YoY	-14.6%	-25.8%	-20.2%	-23.1%	-18.2%	-2.7%	-3.6%	
SG&A ratio	46.5%	39.6%	18.8%	26.3%	17.8%	40.9%	38.0%	
Operating profit	-2,733	-1,173	2,645	-102	-683	-2,225	-1,432	
YoY	-	-	-	-	-	-	-	
OPM	-	-	13.5%	-	-	-	-	
Recurring profit	-2,755	-1,307	2,748	-82	-630	-2,062	-1,505	
YoY	-	-	-	-	-	-	-	
RPM	-	-	14.0%	-	-	-	-	
Net income	-2,957	-294	3,237	-284	-677	-2,211	-1,586	
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	6,902		
YoY	-14.6%	-20.2%	-20.2%	-20.9%	-18.2%	-11.0%		
Advertising expenses	238	425	731	1,034	138	483		
Salaries	1,392	2,621	3,781	4,900	1,133	2,249		
Outsourcing expenses	343	612	853	1,108	286	556		
Depreciation	221	407	576	761	140	282		
Rents	413	802	1,164	1,494	326	652		
Goodwill amortization	77	155	295	435	139	279		
Other	1,471	2,737	4,037	5,400	1,235	2,401		

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	3,505		
YoY	-14.6%	-25.8%	-20.2%	-23.1%	-18.2%	-2.7%		
Advertising expenses	238	187	306	303	138	345		
Salaries	1,392	1,229	1,160	1,119	1,133	1,116		
Outsourcing expenses	343	269	241	255	286	270		
Depreciation	221	186	169	185	140	142		
Rents	413	389	362	330	326	326		
Goodwill amortization	77	78	140	140	139	140		
Other	1,471	1,266	1,300	1,363	1,235	1,166		

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 (Cumulative; units)		FY03/19				FY03/20			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Pachinko and pachislot machines		23,236	43,026	90,035	138,023	41,928	64,561		
YoY		-14.3%	-56.8%	-38.6%	-27.9%	80.4%	50.1%		
Total pachinko machines		19,895	32,822	69,848	103,779	37,464	55,906		
YoY		36.9%	8.5%	0.6%	8.4%	88.3%	70.3%		
Bisty		7,639	11,911	15,094	37,146	6,448	12,058		
OK!!		216	216	15,211	24,038	28,085	38,129		
Mizuho		-	5,331	5,367	5,367	-	-		
Daiichi		8,914	9,590	9,656	10,278	-	-		
NANASHOW		-	-	16,567	16,567	1,375	1,605		
Others		3,126	5,774	7,953	10,383	1,556	4,114		
Total pachislot machines		3,341	10,204	20,187	34,244	4,464	8,655		
YoY		-73.4%	-85.3%	-73.9%	-64.2%	33.6%	-15.2%		
Rodeo		-	-	-	-	-	-		
Bisty		17	17	17	13,186	1,326	1,821		
OK!!		-	-	-	-	-	-		
NANASHOW		-	-	7,961	7,985	2,631	5,178		
Spiky		1,865	5,111	6,656	6,660	-	-		
Enterrise		1,088	4,376	4,376	4,854	25	25		
D-light		-	-	-	-	-	-		
Mizuho		-	-	-	-	-	-		
Others		371	700	1,177	1,559	482	1,631		
Titles		3	7	12	17	2	5		
Pachinko		1	2	4	6	1	3		
Pachislot		2	5	8	11	1	2		

Pachinko and pachislot machine sales (Quarterly; units)		FY03/19				FY03/20			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Pachinko and pachislot machines		23,236	19,790	47,009	47,988	41,928	22,633		
YoY		-14.3%	-72.7%	-0.5%	7.3%	80.4%	14.4%		
Total pachinko machines		19,895	12,927	37,026	33,931	37,464	18,442		
YoY		36.9%	-17.8%	-5.5%	28.8%	88.3%	42.7%		
Bisty		7,639	4,272	3,183	22,052	6,448	5,610		
OK!!		216	-	14,995	8,827	28,085	10,044		
Mizuho		-	5,331	36	-	-	-		
Daiichi		8,914	676	66	622	-	-		
NANASHOW		-	-	16,567	-	1,375	230		
Others		3,126	2,648	2,179	2,430	1,556	2,558		
Total pachislot machines		3,341	6,863	9,983	14,057	4,464	4,191		
YoY		-73.4%	-87.9%	24.0%	-23.5%	33.6%	-38.9%		
Rodeo		-	-	-	-	-	-		
Bisty		17	-	-	13,169	1,326	495		
OK!!		-	-	-	-	-	-		
NANASHOW		-	-	7,961	24	2,631	2,547		
Spiky		1,865	3,246	1,545	4	-	-		
Enterrise		1,088	3,288	-	478	25	-		
D-light		-	-	-	-	-	-		
Mizuho		-	-	-	-	-	-		
Others		371	329	477	382	482	1,149		
Titles		3	4	5	5	2	3		
Pachinko		1	1	2	2	1	2		
Pachislot		2	3	3	3	1	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	228		
Pass	72	75	100	89	119	113		
Success rate	51.1%	43.4%	52.6%	34.1%	49.2%	49.6%		

Kaido (Pachislot)	FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Models inspected	132	117	237	227	221	211		
Pass	59	19	53	39	46	49		
Success rate	44.7%	16.2%	22.4%	17.2%	20.8%	23.2%		

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

Cumulative Q3 FY03/20 (April–December 2019) results

Summary of earnings

- ▷ Sales: JPY37.0bn (-1.6% YoY)
- ▷ Operating loss: JPY4.3bn (versus a loss of JPY1.3bn in cumulative Q3 FY03/19)
- ▷ Recurring loss: JPY4.2bn (versus a loss of JPY1.3bn in cumulative Q3 FY03/19)
- ▷ Net loss*: JPY4.5bn (versus a loss of JPY14mn in cumulative Q3 FY03/19)

*Net loss attributable to owners of the parent

- ▷ For the nine-month period ended December 31, 2019, the company sold a combined total of 98,900 pachinko and pachislot machines (+9.8% YoY). The amusement machine installation and component inspection business reported sales of JPY130mn (about 1.8x the cumulative Q3 FY03/19 figure) and the online advertising business reported sales of JPY568mn (about 1.8x the cumulative Q3 FY03/19 figure). In Q3 (October–December 2019), the new model pachinko machine *NEON GENESIS EVANGELION: Rebirth of Angels* became a hit with sales of more than 35,000 units. The new models *PACHINKO 6 ULTRAMAN BROTHERS* and *PACHI SLOT Onimusha: Dawn of Dreams* also met their sales targets. Most of the machines sold or orders booked during Q3 will be booked to sales in Q4 (January–March 2020).
- ▷ Subsidiary Tsuburaya Productions Co., Ltd. saw solid overall growth as it continued working to monetize its film and television content library and build its overseas business in China and the rest of Asia, seeing especially good results from licensing deals for toys and other products in China. Of particular note is trading card games that first went on sale in December 2018. They are selling well and Tsuburaya Productions expects them to continue selling well in the future. Tsuburaya Productions is also making plans to expand sales of products and content it has developed for China to the rest of East Asia.
- ▷ Subsidiary Digital Frontier Inc., which is involved in motion picture production, produced the 3D computer graphics animated film *Fate/Grand Order: Absolute Demonic Front: Babylonia* that is currently showing on Netflix and other streaming services. Digital Front has also been contracted to do the computer graphic work by a leading Chinese game producer.
- ▷ Subsidiary FutureScope Corp., which provides various online services, is looking to expand its sales channels based on the strength of its proprietary technical expertise in trade area analysis for pachinko halls and strong reputation for online marketing tools (including online ad distribution service).
- ▷ Subsidiary Total Workout Premium Management Inc., which operates fitness clubs in Tokyo's Shibuya and Roppongi districts and the city of Fukuoka, is planning to open three new fitness clubs in the Tokyo metropolitan area. It is also preparing to provide various services based on the subscription model and expand its service offering beyond the fitness business in an effort to build closer, long-term ties with its fitness club members.
- ▷ SPO Entertainment Inc., an equity-method affiliate, is involved in domestic sales and distribution of Asian television dramas. It also operates entertainment businesses including promotion of Asian movies in Tokyo's Shinjuku and Osaka's Shinsaibashi districts. Earnings are growing in line with plan thanks to favorable performance of DVD sales and video-on-demand services, aided by the popularity of Asian television dramas in Japan.

Company outlook for Q4 and full-year FY03/20 results

With overall market sales of pachinko machines in FY03/20 looking to come in around 1,160,000 units and pachislot machine sales around 510,000 units, Fields sees its own pachislot machines sales finishing short of its initial projections. Explaining the situation, the company noted that demand on the part pachinko hall owners appears to have been dampened by the November 2019 extension of Zen-Nichi Yu-Ren (the industry association)'s self-imposed limits on the proportion of machines with strong gambling characteristics. The extension was due to lower-than-expected supply of amusement machines. As a result, the company now projects full-year unit sales of roughly 140,000 units for pachinko machines and 60,000 units for pachislot

machines, with the shortfall in sales of pachislot machines being the reason for the downward revision to its earnings forecast for the full year.

Sales status of major titles in 2H FY03/20

Machine type	Title	Manufacturer	Sale/order month	Delivery month	Total unit sales	Q3 unit sales	Q4 unit sales (estimate)
Pachinko	<i>ayumi hamasaki -LIVE in CASINO-</i>	D-light	July	October	4,400	4,400	—
Pachislot	<i>CARD BATTLE PACHI-SLOT MOBILE SUIT GUNDAM X-OVER</i>	Bisty	July	October	8,400	7,900	500 booked in Q2
Pachislot	<i>Pachislot Salaryman Kintaro -MAX</i>	Excite	August	November	12,600	9,000	3,600
Pachinko	<i>NEON GENESIS EVANGELION: Rebirth of Angels</i>	Bisty	October	December	35,000	4,100	30,900
Pachinko	<i>PACHINKO 6 ULTRAMAN BROTHERS</i>	OK	November	January 2020	20,400	100	20,300
Pachislot	<i>PACHI SLOT Onimusha: Dawn of Dreams</i>	Enterrise	December	March 2020	20,000	—	20,000
Pachislot	<i>EVANGELION FESTIVAL</i>	Bisty	January 2020	March 2020	5,000	—	5,000
Pachinko	Other pachinko machine sales	—	—	October–March	17,400	8,500	8,900
Pachislot	Other pachislot machine sales	—	—	October–March	2,300	400	1,900
Total unit sales estimate for 2H FY03/20 (number of machines booked to sales)						125,000	

Source: Shared Research based on company data

To reach the performance targets set out by its business plan, the company had been making preparations for the rollout of pachinko and pachislot machines (including those from its own manufacturing subsidiaries) that are compliant with the new regulatory standards. However, after taking into consideration other factors, including the available purchasing power of pachinko hall owners, as well as the expected level of replacement demand in FY03/21 following the removal of machines conforming to previous standards (roughly 1,470,000 pachinko machines and 1,080,000 pachislot machines), the company set the date for starting sales in early May 2020 (around Golden Week).

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	3,008	100
YoY	-	-	-	-	18.3%	-
OPM	-	-	-	-	-	-
Recurring profit	-4,062	2,666	-1,396	-2,692	2,992	300
YoY	-	-	-	-	12.2%	-
RPM	-	-	-	-	-	-
Net income	-3,251	2,953	-298	-2,888	2,788	-100
YoY	-	-	-	-	-5.6%	-

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.

Full-year company forecast for FY03/20

- ▷ Operating profit: JPY100mn (versus a loss of JPY1.4bn in FY03/19)
- ▷ Recurring profit: JPY300mn (versus a loss of JPY1.4bn in FY03/19)
- ▷ Net loss*: JPY100mn (versus a loss of JPY298mn in FY03/19)

*Net loss attributable to owners of the parent

The company has not disclosed its forecast for sales, explaining that accurately projecting sales revenue from new pachinko and pachislot models is difficult because sales are recorded differently depending on the type of equipment.

The full-year forecast above reflects the downward revision announced by the company in February 2020. Compared with the company's previous forecast, the revised estimates represent a downward revision of JPY1.4bn at the operating profit level, JPY1.2bn at the recurring profit level, and JPY1.1bn at the net income/loss level.

Reasons for revision

With overall market sales of pachinko machines in FY03/20 looking to come in around 1,160,000 units and pachislot machine sales around 510,000 units, Fields sees its own pachislot machines sales finishing short of its initial projections. Explaining the situation, the company noted that demand on the part pachinko hall owners appears to have been dampened by the November 2019 extension of Zen-Nichi Yu-Ren (the industry association)'s self-imposed limits on the proportion of machines with strong gambling characteristics. The extension was due to lower-than-expected supply of amusement machines. As a result, the company now projects full-year unit sales of roughly 140,000 units for pachinko machines and 60,000 units for pachislot machines, with the shortfall in sales of pachislot machines being the reason for the downward revision to its earnings forecast for the full year.

To reach the performance targets set out by its business plan, the company had been making preparations for the rollout of pachinko and pachislot machines (including those from its own manufacturing subsidiaries) that are compliant with the new regulatory standards. However, after taking into consideration other factors, including the available purchasing power of pachinko hall owners, as well as the expected level of replacement demand in FY03/21 following the removal of machines conforming to previous standards (roughly 1,470,000 pachinko machines and 1,080,000 pachislot machines), the company set the date for starting sales in early May 2020 (around Golden Week). The company has made no changes to its initial forecast for a dividend to be paid at the end of FY03/20.

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

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