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On November 13, 2020, Fields Corporation announced earnings results for 1H FY03/21.

Cumulative (JPYmn)	FY03/20				FY03/21				FY03/21	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of Est.	FY Est.
Sales	19,164	27,772	37,165	66,587	2,341	10,591				
YoY	114.6%	53.9%	-1.2%	31.2%	-87.8%	-61.9%				
Gross profit	2,798	4,151	6,336	14,809	340	2,568				
YoY	96.9%	7.8%	-37.7%	11.3%	-87.8%	-38.1%				
GPM	14.6%	14.9%	17.0%	22.2%	14.5%	24.2%				
SG&A expenses	3,397	6,902	10,449	14,095	2,744	5,896				
YoY	-18.2%	-11.0%	-8.6%	-6.9%	-19.2%	-14.6%				
SG&A ratio	17.7%	24.9%	28.1%	21.2%	117.2%	55.7%				
Operating profit	-599	-2,750	-4,113	713	-2,403	-3,327			-	1,200
YoY	-	-	-	-	-	-				68.3%
OPM	-	-	-	1.1%	-	-				-
Recurring profit	-546	-2,534	-3,970	939	-2,383	-3,247			-	1,200
YoY	-	-	-	-	-	-				27.8%
RPM	-	-	-	1.4%	-	-				-
Net income	-607	-2,756	-4,287	490	-2,910	-3,923			-	350
YoY	-	-	-	-	-	-				-28.6%
Net margin	-	-	-	0.7%	-	-				-

Quarterly (JPYmn)	FY03/20				FY03/21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	19,164	8,608	9,393	29,422	2,341	8,250		
YoY	114.6%	-5.5%	-52.0%	123.9%	-87.8%	-4.2%		
Gross profit	2,798	1,353	2,185	8,473	340	2,228		
YoY	96.9%	-44.3%	-65.4%	171.1%	-87.8%	64.7%		
GPM	14.6%	15.7%	23.3%	28.8%	14.5%	27.0%		
SG&A expenses	3,397	3,505	3,547	3,646	2,744	3,152		
YoY	-18.2%	-2.7%	-3.6%	-1.3%	-19.2%	-10.1%		
SG&A ratio	17.7%	40.7%	37.8%	12.4%	117.2%	38.2%		
Operating profit	-599	-2,151	-1,363	4,826	-2,403	-924		
YoY	-	-	-	-	-	-		
OPM	-	-	-	16.4%	-	-		
Recurring profit	-546	-1,988	-1,436	4,909	-2,383	-864		
YoY	-	-	-	-	-	-		
RPM	-	-	-	16.7%	-	-		
Net income	-607	-2,149	-1,531	4,777	-2,910	-1,013		
YoY	-	-	-	-	-	-		
Net margin	-	-	-	16.2%	-	-		

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.

SG&A expenses

Cumulative (JPYmn)	FY03/20				FY03/21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SG&A expenses	3,397	6,902	10,449	14,095	2,744			
YoY	-18.2%	-11.0%	-8.6%	-6.9%	-19.2%			
Advertising expenses	138	483	871	1,233	132			
Salaries	1,133	2,249	3,358	4,486	1,140			
Outsourcing expenses	286	556	850	1,162	258			
Depreciation	140	282	427	595	131			
Rents	326	652	988	1,318	315			
Goodwill amortization	139	279	419	559	74			
Other	1,235	2,401	3,536	4,742	694			

Quarterly (JPYmn)	FY03/20				FY03/21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SG&A expenses	3,397	3,505	3,547	3,646	2,744			
YoY	-18.2%	-2.7%	-3.6%	-1.3%	-19.2%			
Advertising expenses	138	345	388	362	132			
Salaries	1,133	1,116	1,109	1,128	1,140			
Outsourcing expenses	286	270	294	312	258			
Depreciation	140	142	145	168	131			
Rents	326	326	336	330	315			
Goodwill amortization	139	140	140	140	74			
Other	1,235	1,166	1,135	1,206	694			

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)		FY03/20				FY03/21			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Pachinko and pachislot machines		41,928	64,561	98,973	191,335	3,342	16,500		
YoY		80.4%	50.1%	9.9%	38.6%	-92.0%	-74.4%		
Total pachinko machines		37,464	55,906	72,964	136,452	2,858			
YoY		88.3%	70.3%	4.5%	31.5%	-92.4%			
Total pachislot machines		4,464	8,655	26,009	54,883	484			
YoY		33.6%	-15.2%	28.8%	60.3%	-89.2%			

Pachinko and pachislot machine sales (Quarterly; units)		FY03/20				FY03/21			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Pachinko and pachislot machines		41,928	22,633	34,412	92,362	3,342	13,158		
YoY		80.4%	14.4%	-26.8%	92.5%	-92.0%	-41.9%		
Total pachinko machines		37,464	18,442	17,058	63,488	2,858			
YoY		88.3%	42.7%	-53.9%	87.1%	-92.4%			
Total pachislot machines		4,464	4,191	17,354	28,874	484			
YoY		33.6%	-38.9%	73.8%	105.4%	-89.2%			

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		FY03/20				FY03/21			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Models inspected		242	228	258	198	165			
Pass		119	113	109	68	51			
Success rate		49.2%	49.6%	42.2%	34.3%	30.9%			

Kaido (Pachislot)		FY03/20				FY03/21			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Models inspected		221	211	253	212	166			
Pass		46	49	57	53	37			
Success rate		20.8%	23.2%	22.5%	25.0%	22.3%			

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

Consolidated results for 1H FY03/21 (April–September 2020)

Results overview

- ▷ Sales: JPY10.6bn (-61.9% YoY)
- ▷ Gross profit: JPY2.6bn (-38.1% YoY)
- ▷ Operating loss: JPY3.3bn (versus loss of JPY2.8bn in 1H FY03/20)
- ▷ Recurring loss: JPY3.2bn (versus loss of JPY2.5bn)
- ▷ Net loss*: JPY3.9bn (versus loss of JPY2.8bn)

*Net loss attributable to owners of the parent

Before the advent of the novel coronavirus pandemic, the company had been expecting total market demand for pachinko and pachislot machines of roughly 2.5mn units during FY03/21, an increase of roughly 40% YoY. This huge jump in overall demand was expected to be driven by the replacement of roughly 2.3mn older machines that do not meet the new regulations.

However, pachinko and pachislot machine sales in 1H FY03/21 did not go as expected, as in the wake of the pandemic pachinko hall operators were forced to restrict operations and this, coupled with supply chain disruptions on the manufacturing side and extensions of deadlines for the removal of some older machines, led to far fewer new pachinko and pachislot machines being sold, with the market total for new units sold during 1H coming in at just over 400,000.

Pachinko and pachislot machine distribution business

At its Pachinko and pachislot machine distribution business, the company suffered a downturn in sales during 1H as pachinko hall operators were effectively forced by the government's state of emergency declaration to severely restrict operations, pushing out sales of new pachinko and pachislot machine models that had previously been expected to close during 1H. More specifically, the company reported 1H sales of pachinko/pachislot machines of just over 16,500 units, down 74.4% YoY. These sales were

derived primarily from three new pachislot titles: *BLACK LAGOON4*, *CHAR AZNABLE: RED COMET's Counterattack* (in its *GUNDAM* series of pachislot machines), and *Ring-ni-kakero1: World champion carnival version*.

Tsuburaya Productions

Subsidiary Tsuburaya Productions was likewise hit by the pandemic, the stay-at-home advisory and event guidelines issued along with the government's declaration of a state of emergency forced Tsuburaya Productions to either cancel or downsize events and live shows and, on the video production side, delays on the production front led to release dates being pushed out. On the plus side, after moving into Q2 (July–September 2020) Tsuburaya Productions saw a faster-than-expected recovery of merchandise sales not only in Japan but also in China.

Digital Frontier

Subsidiary Digital Frontier reported an influx of orders for computer graphics (CG) video production work from domestic videogame makers as demand for videogames surged as large numbers of people stayed home in the wake of the pandemic. Digital Frontier responded to this surge in demand by quickly creating a new internal work system that allowed more than half of its engineers to work from home while maintaining the CG video quality. Going forward, these new work-from-home arrangements are also expected to help Digital Frontier reduce overhead costs because they will allow it to shrink its office footprint.

Full-year company forecast for FY03/21

Company forecast for FY03/21

FY03/21 forecasts (JPYmn)	FY03/20			FY03/21		
	1H Act.	2H Act.	FY Act.	1H Act.	2H Est.	FY Est.
Sales	27,664	38,923	66,587	10,591		
YoY	53.3%	15.8%	28.9%	-61.7%		
Cost of sales	23,671	28,106	51,777	8,022		
Gross profit	3,993	10,816	14,809	2,568		
YoY	3.7%	9.1%	7.6%	-35.7%		
GPM	14.4%	27.8%	22.2%	24.2%		
SG&A expenses	6,902	7,193	14,095	5,896		
SG&A ratio	24.9%	18.5%	21.2%	55.7%		
Operating profit	-2,908	3,621	713	-3,327	4,527	1,200
YoY	-25.6%	42.4%	-	-	25.0%	68.3%
OPM	-	9.3%	1.1%	-	-	-
Recurring profit	-2,692	3,631	939	-3,247	4,447	1,200
YoY	-33.7%	36.2%	-	-	22.5%	27.8%
RPM	-	9.3%	1.4%	-	-	-
Net income	-2,888	3,378	490	-3,923	4,273	350
YoY	-11.2%	14.4%	-	-	26.5%	-28.6%

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.

Company forecast for full-year FY03/21

The company initially refrained from providing a forecast for full-year earnings, saying the uncertainty in the wake of the novel coronavirus pandemic made it impossible to make estimates with a reasonable degree of accuracy. However, along with the release of 1H results on November 13, 2020, the company issued a forecast for full-year consolidated earnings, projecting full-year operating profit of JPY1.2bn (+68.3% YoY), recurring profit of JPY1.2bn (+27.8% YoY), and net income of JPY350mn (-28.6% YoY). The company has not provided an estimate for sales, as sales of new pachinko and pachislot machines cannot be accurately projected owing to differences in the revenue recognition methods used for different machines.

Reasoning behind current earnings forecast

The company had previously refrained from providing any forecast for full-year earnings, explaining that the uncertainty in the wake of the pandemic had made it impossible to make estimates with a reasonable degree of accuracy. The full-year earnings estimates made by the company at this time reflect results thus far along with other data and projections for its various businesses that it had put together as of November 2020.

With regard to the pachinko/pachislot market, the company said pachinko hall operators were seeing a rapid recovery at their businesses and that this, together with (1) the high marks new pachinko/pachislot models have gotten from the market for their enhanced gameplay following the implementation of new industry regulations and (2) plans by pachinko hall operators to retire some 900,000 older machines during 2H (October 2020–March 2021), has it expecting market demand for new machines of more than one million units during 2H FY03/21.

With regard to its own sales initiatives for pachinko/pachislot machines, the company said that it had anticipated this level of demand and already had combined orders in hand for more than 50,000 units of the new pachinko and pachislot titles it would be rolling out during 2H. On the pachinko side, the new titles include *NEON GENESIS EVANGELION: Decisive Battle-Crimson* and *ULTRASEVEN Cho Rambu*; on the pachislot side, the new titles include *MONSTER HUNTER: WORLD, PACHISLOT TETSUYA: Destiny and Real Ability*, and *AKAME GA KILL!*. With respect to the new machines scheduled for delivery in Q4, the company said the delivery would be timed so as to best fill the gaps at pachinko halls left by the retirement of old machines.

With respect to subsidiary Tsuburaya Productions, the company noted that it recently announced an early summer 2021 release date for *Shin Ultraman*, a new Ultraman movie produced by Hideaki Anno and Shinji Higuchi, the same pair who produced the hit movie *Shin Godzilla*. The new Ultraman movie release is part of an overall push by Tsuburaya Productions to grow the Ultraman fan base by offering more video products (including live-action and anime suitable for domestic and overseas viewing via movies, television, and streaming) and also part of its medium-term strategy aimed at generating profits from both video distribution and merchandising. In this relation, the company noted that it was already starting to see results in the form of more licensing deals in the Japanese market and growing sales of licensed merchandise outside of Japan, especially in China and the rest of Asia.

With respect to subsidiary Digital Frontier, the company said it expected to see demand for computer graphics (CG) video production from domestic videogame makers continue through 2H, and noted that Digital Frontier was also seeing a growing stream of both domestic and overseas orders for visual effects (VFX) production work.

With respect to its other group companies, the company said plans call for continuing its effort aimed at improving margins, cutting costs, and otherwise improving operational efficiency.

Dividend payment plans

The company previously offered no forecast with respect to its dividend for FY03/21 but, after taking into consideration its projections for FY03/21 earnings and its basic policies on returns to shareholders, it now expects to pay a fiscal year-end dividend of JPY10.0 per share, unchanged versus FY03/20, for an annual dividend of JPY10.0 per share (unchanged YoY).

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

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