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On **February 7, 2019**, Fields Corporation announced earnings results for Q3 FY03/19.

Cumulative (JPYmn)	FY03/18				FY03/19				FY03/19	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	12,446	35,213	45,266	61,055	8,930	18,041	37,615		39.6%	95,000
YoY	-18.6%	32.1%	6.2%	-20.4%	-28.3%	-48.8%	-16.9%			55.6%
Gross profit	1,961	6,944	10,719	13,400	1,421	3,852	10,175		59.9%	17,000
YoY	-21.1%	33.9%	6.8%	-24.0%	-27.5%	-44.5%	-5.1%			26.9%
GPM	15.8%	19.7%	23.7%	21.9%	15.9%	21.4%	27.1%			
SG&A expenses	4,864	9,724	14,332	19,138	4,155	7,759	11,437			
YoY	-11.3%	-15.2%	-17.8%	-16.8%	-14.6%	-20.2%	-20.2%			
SG&A ratio	39.1%	27.6%	31.7%	31.3%	46.5%	43.0%	30.4%			
Operating profit	-2,902	-2,780	-3,612	-5,738	-2,733	-3,906	-1,261		-	2,000
YoY	-	-	-	-	-	-	-			-
OPM	-	-	-	-	-	-	-			2.1%
Recurring profit	-3,055	-3,288	-3,858	-5,204	-2,755	-4,062	-1,314		-	2,500
YoY	-	-	-	-	-	-	-			-
RPM	-	-	-	-	-	-	-			2.6%
Net income	-2,752	-3,289	-4,133	-7,691	-2,957	-3,251	-14		-	1,500
YoY	-	-	-	-	-	-	-			-
Net margin	-	-	-	-	-	-	-			1.6%

Quarterly (JPYmn)	FY03/18				FY03/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	12,446	22,767	10,053	15,789	8,930	9,111	19,574	
YoY	-18.6%	100.3%	-37.0%	-53.6%	-28.3%	-60.0%	94.7%	
Gross profit	1,961	4,983	3,775	2,681	1,421	2,431	6,323	
YoY	-21.1%	84.6%	-22.2%	-64.7%	-27.5%	-51.2%	67.5%	
GPM	15.8%	21.9%	37.6%	17.0%	15.9%	26.7%	32.3%	
SG&A expenses	4,864	4,860	4,608	4,806	4,155	3,604	3,678	
YoY	-11.3%	-18.7%	-22.8%	-13.9%	-14.6%	-25.8%	-20.2%	
SG&A ratio	39.1%	21.3%	45.8%	30.4%	46.5%	39.6%	18.8%	
Operating profit	-2,902	122	-832	-2,126	-2,733	-1,173	2,645	
YoY	-	-	-	-	-	-	-	
OPM	-	0.5%	-	-	-	-	13.5%	
Recurring profit	-3,055	-233	-570	-1,346	-2,755	-1,307	2,748	
YoY	-	-	-	-	-	-	-	
RPM	-	-	-	-	-	-	14.0%	
Net income	-2,752	-537	-844	-3,558	-2,957	-294	3,237	
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 parent company shareholders.

SG&A expenses

Cumulative (JPYmn)	FY03/18				FY03/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SG&A expenses	4,864	9,724	14,332	19,138	4,155	7,759		
YoY	-11.3%	-15.2%	-17.8%	-16.8%	-14.6%	-20.2%		
Advertising expenses	426	1,143	1,554	2,059	238	425		
Salaries	1,468	2,882	4,266	5,639	1,392	2,621		
Outsourcing expenses	520	996	1,441	1,851	343	612		
Depreciation	255	518	790	1,060	221	407		
Rents	462	893	1,329	1,793	413	802		
Goodwill amortization	81	163	242	322	77	155		
Other	1,652	3,129	4,710	6,414	1,471	2,737		

Quarterly (JPYmn)	FY03/18				FY03/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SG&A expenses	4,864	4,860	4,608	4,806	4,155	3,604		
YoY	-11.3%	-18.7%	-22.8%	-13.9%	-14.6%	-25.8%		
Advertising expenses	426	717	411	505	238	187		
Salaries	1,468	1,414	1,384	1,373	1,392	1,229		
Outsourcing expenses	520	476	445	410	343	269		
Depreciation	255	263	272	270	221	186		
Rents	462	431	436	464	413	389		
Goodwill amortization	81	82	79	80	77	78		
Other	1,652	1,477	1,581	1,704	1,471	1,266		

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)	FY03/18				FY03/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Pachinko and pachislot machines	27,102	99,493	146,717	191,457	23,236	43,026		
YoY	-26.3%	36.2%	12.3%	-21.4%	-14.3%	-56.8%		
Total pachinko machines	14,531	30,254	69,425	95,778	19,895	32,822		
YoY	-41.1%	-32.3%	-11.0%	-38.5%	36.9%	8.5%		
Total pachislot machines	12,571	69,239	77,292	95,679	3,341	10,204		
YoY	3.8%	144.3%	46.7%	8.8%	-73.4%	-85.3%		

Pachinko and pachislot machine sales (Quarterly; units)	FY03/18				FY03/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Pachinko and pachislot machines	27,102	72,391	47,224	44,740	23,236	19,790		
YoY	-26.3%	99.6%	-18.1%	-60.4%	-14.3%	-72.7%		
Total pachinko machines	14,531	15,723	39,171	26,353	19,895	12,927		
YoY	-41.1%	-21.5%	17.7%	-66.0%	36.9%	-17.8%		
Total pachislot machines	12,571	56,668	8,053	18,387	3,341	6,863		
YoY	3.8%	249.0%	-66.9%	-47.9%	-73.4%	-87.9%		

Source: Shared Research based on company data

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

Q3 FY03/19 results
Summary of earnings

Cumulative Q3 FY03/19 (April–December 2018) results

- ▷ Sales: JPY37.6bn (-16.9% YoY)
- ▷ Operating loss JPY1.3bn (operating loss of JPY3.6bn in cumulative Q3 FY03/18)
- ▷ Recurring loss JPY1.3bn (recurring loss of JPY3.9bn in cumulative Q3 FY03/18)
- ▷ Net loss* JPY14mn (net loss of JPY4.1bn in cumulative Q3 FY03/18)

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

- ▷ Sales fell due to a decrease in the number of amusement machine units sold. The company sold 90,000 new amusement machines (versus 147,000 amusement machine units sold in cumulative Q3 FY12/18)
- ▷ Gross profit was down on lower sales, although GPM rose 3.4pp YoY to 27.1%
- ▷ Operating and recurring losses narrowed due to a decline in SG&A expenses to JPY11.4bn (-20.2% YoY) on improved management efficiency
- ▷ Net loss attributable to parent company shareholders contracted YoY as, in addition to the smaller recurring loss, extraordinary gain grew more than extraordinary losses. Extraordinary gain was JPY2.6bn (versus JPY557mn in cumulative Q3 FY03/18), mainly from the booking of JPY1.4bn in gain on sales of shares of subsidiaries and JPY748mn in gain on step acquisition with NANASHOW Corp. becoming a consolidated subsidiary. Extraordinary losses were JPY1.1bn (versus JPY529mn in cumulative Q3 FY03/18) on a restructuring loss and other factors

Q3 FY02/19 (October–December 2018) results

- ▷ Sales JPY19.6bn (+94.7% YoY, +114.8% QoQ)
- ▷ Operating profit JPY2.6bn (versus operating loss of JPY832mn in Q3 FY02/18, and operating loss of JPY1.2bn in Q2 FY02/19)
- ▷ Sales rose thanks to the sale of 47,000 new amusement machine units (versus 47,000 new machine units sold in Q3 FY02/18, and 20,000 new machine units sold in Q2 FY02/19). Fields positioned Q2 FY02/19 primarily as a period for remodeling amusement game machines in compliance with new regulations, and focused on sales of old-regulation amusement game machines and of later-remodeled machines. In Q3 (October–December 2018), the number of units sold increased as the company focused on sales of new main-title machines, including remodeled new-regulation machines

- ▷ The company moved back into the black. Gross profit came to JPY6.3bn (+67.5% YoY, +160.1% QoQ) and SG&A expenses was JPY3.7bn (-20.2% YoY, +2.1% QoQ)

Market environment

Following several rounds of tightening regulations since 2014, the pachinko and pachislot industry regained some stability with the Amendment of the Regulation for Enforcement of the Amusement Businesses Law, which came into effect in February 2018. Amusement machine manufacturers are working proactively to develop amusement machines based on the new regulations (“new-regulation machines”). There are high expectations among pachinko halls and pachinko and pachislot fans for the advent of a new form of popular entertainment—pachinko games that feature a variety of gaming functions thanks to the introduction of new-regulation machines and that can be enjoyed with peace of mind while limiting spending to a moderate amount.

Under these circumstances, new-regulation pachinko machines were launched in August 2018, followed by pachislot machines in October. These new-regulation machines have earned a certain level of approval. However, partly because the market is currently in a transition period, the number of machines passing the model certification test has been low. Consequently, the number of machines that have been launched has fallen short of market expectations, and time is required for market penetration.

Initiatives

Fields shifted to a four company structure in May 2018. The company aims to leverage the individual strengths of each business unit and foster synergies among them, achieving steady profitability increases. Under the new structure, distribution of PS machines will be concentrated on Fields, acting as the PS distribution unit. This move is aimed at improving the earnings structure. At the same time, the company is stepping up a number of cost-reduction measures in its effort to optimize operating expenditures.

Progress toward company forecasts

The company has made no revisions to its full-year forecasts as announced in May 2018. In Q4 (January–March 2019), as of February 2019 the core PS distribution unit is selling two pachinko and two pachislot titles. The company also plans to sell one additional pachinko title and one pachislot title.

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

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