

Summary

(Translation)

FIELDS CORPORATION Summary of Financial Information and Business Results (Consolidated) for the Nine Months Ended December 31, 2014 (Japan GAAP) (Year Ending March 31, 2015)

February 3, 2015
Listed on: TSE [JASDAQ]

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(URL: <http://www.fields.biz/>)
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Planned date for submission of the quarterly report: February 6, 2015
Planned date for start of dividend payment: —
Quarterly earnings supplementary explanatory materials: Yes
Quarterly earnings presentation: Yes (For institutional investors and security analysts)

(Rounded down to the nearest million)

1. Consolidated business results for the nine months ended December 31, 2014 (April 1, 2014 to December 31, 2014)

(1) Operating results (cumulative total)

(Percentage figures denote year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2014	29,317	(45.9)	(6,599)	—	(5,633)	—	(3,215)	—
Nine months ended December 31, 2013	54,204	13.5	2,036	—	2,066	—	1,227	—

(Note) Comprehensive income
Nine months ended December 31, 2014: ¥(3,476) million (—%)
Nine months ended December 31, 2013: ¥1,996 million (—%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2014	(96.90)	—
Nine months ended December 31, 2013	36.98	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
Nine months ended December 31, 2014	70,762	53,735	75.1
Year ended March 31, 2014	104,869	58,753	55.6

(Reference) Shareholders' equity
Nine months ended December 31, 2014: ¥53,166 million
Year ended March 31, 2014: ¥58,279 million

2. Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Annual
Year ended March 31, 2014	Yen —	Yen 25.00	Yen —	Yen 25.00	Yen 50.00
Year ending March 31, 2015	—	25.00	—		
Year ending March 31, 2015 (Forecast)				25.00	50.00

(Note) Revision of the most recently released dividend forecasts: No

3. Forecast of consolidated earnings for the fiscal year ending March 31, 2015 (April 1, 2014 to March 31, 2015)

(Percentage figures denote year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full-year	100,000	(13.0)	5,000	(48.9)	5,000	(48.8)	2,500	(53.4)	75.34

(Note) Revision of the most recently released performance forecasts: No

Fields Corporation discloses a full-year business forecast, as it manages its business performance on an annual basis.

*Notes

(1) Transfer of important subsidiaries during the year under review (Transfer of specific subsidiaries that results in a change in the scope of consolidation): No

(2) Application of the accounting method specific to quarterly consolidated financial statements: Yes

(3) Changes in accounting principles, accounting procedures, presentation method and other factors

1) Changes due to the revision to the accounting standards, etc.: Yes

2) Changes due to any reason other than those in 1) above: No

3) Changes in accounting estimates: No

4) Revisions/restatements: No

(4) Number of shares issued (common stock)

1) Number of shares issued at end of year (including treasury stock)

Nine months ended December 31, 2014	34,700,000 shares
Year ended March 31, 2014	34,700,000 shares

2) Number of shares of treasury stock at end of year

Nine months ended December 31, 2014	1,516,200 shares
Year ended March 31, 2014	1,516,200 shares

3) Average number of shares outstanding (quarterly consolidated cumulative period)

Nine months ended December 31, 2014	33,183,800 shares
Nine months ended December 31, 2013	33,183,800 shares

* Indication of status of quarterly review procedure

This quarterly earnings report is not subject to review procedures based upon the Financial Instruments and Exchange Act. Thus, at the time of disclosure of the financial results, the quarterly financial statement review procedures based upon the Financial Instruments and Exchange Act have not been completed.

* Explanation of the appropriate usage of forecast earnings and other specific matters

The above forecast relies on judgments and assumptions based on information available as of the date of announcement of this material, and is subject to changes in risks, uncertainties, and economy, and other factors that could cause actual results to be materially different from expectations. Please refer to“(3) Review of consolidated earnings forecasts and other forecasts” under “1. Qualitative information on quarterly financial results” on page 4 of the attached documents for the assumptions on which the forecast relies.

The Company is planning to hold a results briefing for analysts and institutional investors on Wednesday, February 4, 2015. Materials distributed at that briefing will be posted on the Company’s website after the briefing as soon as possible.

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1. Qualitative information on quarterly financial results

(1) Analysis of operating results

[Overview of operations for the nine months ended December 31, 2014 (April to December 2014); hereinafter referred to as “the third quarter under review”]

The Company posted net sales of ¥29,317 million (down 45.9% year-over-year), operating loss of ¥6,599 million (versus operating income of ¥2,036 million for the same period of the previous fiscal year), ordinary loss of ¥5,633 million (versus ordinary income of ¥2,066 million for the same period of the previous fiscal year), and net loss for the period totaling ¥3,215 million (versus net income of ¥1,227 million for the same period of the previous fiscal year).

The main factors behind the earnings fluctuations were as follows.

The Group cultivates and commercializes intellectual property (IP) based on a cyclical business model focused on IP. However, earnings fluctuations in the third quarter under review were primarily attributable to pachinko/pachislot machine sales.

In pachinko/pachislot machine sales, as a result of review of the sales schedule, the only title posted in the third quarter (Oct.-Dec.) was “CR ayumi hamasaki 2” (compared to 1 pachinko title and 1 pachislot title posted in the same period of the previous fiscal year).

This brought titles posted in the period under review to 2 pachinko titles and 1 pachislot title (compared to 4 and 3 respective titles in the same period of the previous fiscal year). Machines sold in the third quarter under review came to 118,000 pachinko machines and 35,000 pachislot machines (a decrease of 20,000 and 57,000 respective machines compared to the same period one year earlier). Accordingly, total machines sold amounted to 153,000 (down 78,000 over the previous year), leading to the aforementioned business results.

In the fourth quarter (Jan.-Mar.), we plan to post sales for 3 pachinko titles and 2 pachislot titles.

In pachinko machines, in addition to “CR Evangelion 9”, which was launched in December 2014 and has sold more than 100,000 machines, we plan to launch “CR BATMAN” and “Pachinko Ultra Battle Retsuden.”

In pachislot machines, we plan to release “Pachislot BERSERK” along with “Salaryman Kintaro”, which was launched in January 2015.

For the full financial year, this will bring the number of titles sold to 5 pachinko titles and 3 pachislot titles. Significantly fewer pachislot titles are expected to be sold than originally planned (4 pachinko titles and 8 pachislot titles). At the same time, thanks in part to aggressive sales and marketing activities, the sales performance of individual titles mostly exceeded initial plans. The titles to be sold in the future are also forecast to sell more than planned. As a result, despite fluctuations in the sales schedule and number of titles released, the full-year earnings forecast remains as originally planned.

The main initiatives for the creation and commercialization of IP in the third quarter under review were as follows.

We carry out a cross-media expansion of our IP in collaboration with partner companies, and outside creators and producers as well as with our Group companies.

Three years has passed since we first launched “HERO’S Monthly” to create new IP, and we have published 49 works in it thus far. We have set out to animate 7 of these creations, and cross-media expansion including games, movies, and pachinko/pachislot machines are underway.

In initiatives aimed at cultivating and generating revenue from IP, Tsuburaya Productions Co., Ltd. is working to strengthen touch points with a wide range of consumers in Japan and overseas to cultivate new fans for the “Ultraman” series. In Japan, the TV series will continue to be broadcast to attract families, and we also plan to release a film version in March 2015. Performances of “ULTRA HEROES THE LIVE ACRO BATTLE CHRONICLE” will begin in March 2015, and we are also planning an overseas tour as well.

In social games, we worked to rejuvenate titles utilizing “AKB48” with measures such as adding new content and live events. We launched 1 game title in the third quarter (Oct.-Dec.) utilizing anime content.

Notes

- The product names included in this report are the trademarks or registered trademarks of the respective companies.
- Sales of pachinko/pachislot machines in the third quarter under review are rounded off to the nearest thousand.

(2) Analysis of financial position

(Assets)

Current assets amounted to ¥33,228 million, down ¥33,692 million since the end of the previous fiscal year. The principal factor behind this was mainly attributable to a decrease in notes and accounts receivable–trade.

Tangible fixed assets amounted to ¥12,399 million, up ¥294 million since the end of the previous fiscal year.

Intangible fixed assets amounted to ¥4,501 million, up ¥135 million since the end of the previous fiscal year.

Investments and other assets amounted to ¥20,633 million, down ¥844 million since the end of the previous fiscal year. The principal factor behind this was mainly attributable to a decrease in investment securities.

As a result of the above, total assets amounted to ¥70,762 million, down ¥34,106 million since the end of the previous fiscal year.

(Liabilities)

Current liabilities amounted to ¥12,801 million, down ¥28,928 million since the end of the previous fiscal year. The principal factor behind this was a decrease in notes and accounts payable–trade and a decrease in accrued income taxes.

Fixed liabilities amounted to ¥4,225 million, down ¥160 million since the end of the previous fiscal year. This was mainly due to a decrease in net defined benefit liability.

As a result of the above, total liabilities amounted to ¥17,027 million, down ¥29,088 million since the end of the previous fiscal year.

(Net assets)

Net assets amounted to ¥53,735 million, down ¥5,017 million since the end of the previous fiscal year. This primarily reflected a decrease in retained earnings.

(Analysis of cash flows)

Cash and cash equivalents (hereinafter referred to as “cash”) decreased by ¥16,292 million since the end of the previous fiscal year, amounting to ¥13,290 million during the third quarter under review.

(Cash flows from operating activities)

Net cash used in operating activities amounted to ¥12,232 million (¥398 million of income for the same period of the previous fiscal year). This was mainly due to loss before income taxes and minority interests of ¥5,266 million, a decrease of ¥28,428 million in notes and accounts payable–trade, a decrease of ¥23,725 million in notes and accounts receivable–trade, income taxes paid of ¥1,951 million, etc.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥4,838 million (¥2,460 million of expenditure for the same period of the previous fiscal year). This was primarily attributable to expenditure for loans totaling ¥3,220 million, proceeds from sale of investment securities totaling ¥828 million, expenditure for purchases of tangible fixed assets totaling ¥1,438 million, expenditure for purchases of intangible fixed assets totaling ¥1,196 million, etc.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥778 million (¥2,043 million of expenditure for the same period of the previous fiscal year). This was mainly due to an increase in short-term loans payable totaling ¥2,510 million, dividends paid totaling ¥1,652 million, etc.

(3) Review of consolidated earnings forecasts and other forecasts

(Unit: Millions of yen)

	Forecast for the year ending March 31, 2015	Results for the year ended March 31, 2014	Year-over-year
Net sales	100,000	114,904	-13.0%
Operating income	5,000	9,791	-48.9%
Ordinary income	5,000	9,765	-48.8%
Net income	2,500	5,370	-53.4%

The consolidated earnings forecasts for the year ending March 31, 2015 remain unchanged from those stated in the “Notification of Forecast of Earnings” announced on May 7, 2014.

2. Summary information (notes)

(1) Transfer of important subsidiaries during the quarterly consolidated period under review

None

(2) Application of the accounting method specific to quarterly consolidated financial statements

Assessment of tax expenses

The Company applies the method that reasonably estimates an effective tax rate to be assessed on income before income taxes for the year ending March 31, 2015, including the third quarter under review, after accounting for the tax effects, and multiplies income before income taxes during the third quarter under review by such estimated effective tax rate.

(3) Changes in accounting principles and accounting estimates, and revisions/restatements

(Changes in accounting policies)

The Company adopted the stipulations in Article 35 of the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan [ASBJ] Statement No. 26 of May 17, 2012; hereafter, “Accounting Standard for Retirement Benefits”) and Article 67 of Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 of May 17, 2012; hereafter, “Guidance”) as of the first quarter of the consolidated fiscal year under review. Accordingly, the Company revised its method for calculating retirement benefit obligations and service costs, and changed its method of attributing expected retirement benefits to periods from the straight-line basis to a benefit formula basis. The method for determining the discounting rate has been changed to a method using a single weighted average discount rate reflecting the estimated payment period and the amount for each estimated payment period of the retirement benefit.

With respect to the adoption of the Accounting Standard for Retirement Benefits and other, in accordance with the transitional accounting as stipulated in Article 37 of the Accounting Standard, the impact of the changes in calculation methods for retirement benefit obligations and service costs has been reflected in retained earnings at the beginning of the third quarter under review.

As a result, net defined benefit liability decreased ¥220 million and retained earnings increased ¥142 million at the beginning of the third quarter under review. Operating income, ordinary income and income before income taxes and minority interests each increased ¥10 million in the third quarter under review.

3. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Unit: Millions of yen)

	Fiscal year ended March 31, 2014 (March 31, 2014)	Nine months ended December 31, 2014 (December 31, 2014)
Assets		
Current assets		
Cash and cash equivalents	29,583	13,290
Notes and accounts receivable—trade	29,155	5,499
Merchandise and products	742	711
Work in process	2,351	1,950
Raw materials and supplies	40	88
Other current assets	5,081	11,712
Allowance for doubtful accounts	(34)	(24)
Total current assets	66,921	33,228
Fixed assets		
Tangible fixed assets		
Land	7,875	7,737
Other tangible fixed assets	4,229	4,661
Total tangible fixed assets	12,104	12,399
Intangible fixed assets		
Goodwill	1,905	1,698
Other intangible fixed assets	2,460	2,802
Total intangible fixed assets	4,365	4,501
Investments and other assets		
Investment securities	15,607	14,859
Other assets	6,943	6,795
Allowance for doubtful accounts	(1,074)	(1,022)
Total investments and other assets	21,477	20,633
Total fixed assets	37,948	37,534
Total assets	104,869	70,762
Liabilities		
Current liabilities		
Notes and accounts payable—trade	33,105	3,621
Short-term borrowings	634	3,144
Current portion of long-term borrowings	58	52
Accrued income taxes	1,959	154
Accrued bonuses	350	48
Accrued bonuses to directors and auditors	230	211
Reserve for returned goods unsold	23	22
Other current liabilities	5,367	5,545
Total current liabilities	41,730	12,801
Fixed liabilities		
Long-term borrowings	50	11
Net defined benefit liability	675	496
Other fixed liabilities	3,659	3,717
Total fixed liabilities	4,386	4,225
Total Liabilities	46,116	17,027

(Unit: Millions of yen)

	Fiscal year ended March 31, 2014 (March 31, 2014)	Nine months ended December 31, 2014 (December 31, 2014)
Net assets		
Shareholders' equity		
Common stock	7,948	7,948
Capital surplus	7,994	7,994
Retained earnings	44,548	39,815
Treasury stock	(1,821)	(1,821)
Total shareholders' equity	58,670	53,937
Accumulated other comprehensive income		
Unrealized holding gain on available-for-sale securities	(262)	(668)
Foreign currency translation adjustment	(1)	3
Remeasurements of defined benefit plans	(126)	(105)
Total accumulated other comprehensive income	(390)	(770)
Minority interest	473	569
Total net assets	58,753	53,735
Total liabilities and net assets	104,869	70,762

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income

Quarterly consolidated statements of income
Nine months ended December 31, 2014

(Unit: Millions of yen)

	Nine months ended December 31, 2013 (April 1, 2013– December 31, 2013)	Nine months ended December 31, 2014 (April 1, 2014– December 31, 2014)
Net sales	54,204	29,317
Cost of sales	34,847	18,803
Gross profit	19,357	10,513
Selling, general and administrative expenses	17,320	17,113
Operating income (loss)	2,036	(6,599)
Non-operating income		
Interest income	26	56
Dividend income	186	194
Discounts on purchase	119	222
Gain on management of investment securities	169	28
Equity method investment gain	-	455
Others	182	382
Total non-operating income	685	1,340
Non-operating expenses		
Interest expense	8	6
Equity method investment loss	344	-
Amortization of equity investment	228	163
Financing expenses	-	120
Others	73	84
Total non-operating expenses	655	374
Ordinary income (loss)	2,066	(5,633)
Extraordinary income		
Gain on the sale of investment securities	28	467
Others	1	11
Total extraordinary income	29	478
Extraordinary losses		
Loss on disposal of fixed assets	16	69
Impairment loss	17	1
Loss on litigation charges	15	38
Others	5	2
Total extraordinary losses	55	111
Income (loss) before income taxes and minority interests	2,040	(5,266)
Current income taxes	797	(2,170)
Income (loss) before minority interests	1,243	(3,096)
Minority interests	16	118
Net income (loss)	1,227	(3,215)

Quarterly consolidated statements of comprehensive income
 Nine months ended December 31, 2014

(Unit: Millions of yen)

	Nine months ended December 31, 2013 (April 1, 2013– December 31, 2013)	Nine months ended December 31, 2014 (April 1, 2014– December 31, 2014)
Income (loss) before minority interests	1,243	(3,096)
Other comprehensive income		
Unrealized holding gain on available-for-sale securities	747	(406)
Foreign currency translation adjustment	5	4
Remeasurements of defined benefit plans	-	21
Total other comprehensive income	752	(379)
Comprehensive income	1,996	(3,476)
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,976	(3,596)
Comprehensive income attributable to minority interests	19	119

(3) Quarterly consolidated statements of cash flows

(Unit: Millions of yen)

	Nine months ended December 31, 2013 (April 1, 2013– December 31, 2013)	Nine months ended December 31, 2014 (April 1, 2014– December 31, 2014)
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	2,040	(5,266)
Depreciation and amortization	1,581	1,502
Impairment loss	17	1
Amortization of goodwill	236	245
Increase (decrease) in allowance for doubtful accounts	(4)	(62)
Increase (decrease) in accrued bonuses	(257)	(301)
Increase (decrease) in accrued bonuses to directors and auditors	(50)	(18)
Increase (decrease) in retirement benefit provisions	63	-
Increase (decrease) in net defined benefit liability	-	115
Interest and dividend income	(213)	(250)
Equity method investment loss (gain)	344	(455)
Interest expense	8	6
Loss (gain) on sales of investment securities	(28)	(467)
Loss on disposal of fixed assets	16	69
Decrease (increase) in notes and accounts receivable—trade	31,887	23,725
Decrease (increase) in inventories	(1,628)	(394)
Decrease (increase) in merchandising rights advances	(120)	(419)
Increase (decrease) in notes and accounts payable—trade	(27,728)	(28,428)
Other	(60)	(98)
Subtotal	6,105	(10,498)
Interest and dividends received	232	222
Interest paid	(9)	(5)
Income taxes paid	(5,929)	(1,951)
Net cash provided by (used in) operating activities	398	(12,232)
Cash flows from investing activities		
Purchases of tangible fixed assets	(1,236)	(1,438)
Proceeds from sale of tangible fixed assets	4	380
Purchases of intangible fixed assets	(1,061)	(1,196)
Proceeds from sales of investment securities	-	828
Expenditure for acquiring shares in affiliates	(151)	(48)
Expenditure for loans	(430)	(3,220)
Proceeds from repayment of loans	6	643
Others	408	(787)
Net cash provided by (used in) investing activities	(2,460)	(4,838)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	43	2,510
Repayment of long-term borrowings	(84)	(45)
Redemption of corporate bonds	(300)	-
Dividends paid	(1,651)	(1,652)
Others	(50)	(33)
Net cash provided by (used in) financing activities	(2,043)	778
Effect of exchange rate changes on cash and cash equivalents	4	-
Increase (decrease) in cash and cash equivalents	(4,100)	(16,292)
Cash and cash equivalents at beginning of period	23,309	29,583
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(10)	-
Cash and cash equivalents at end of period	19,197	13,290

(4) Note regarding the quarterly consolidated financial statements

(Note regarding the operation of the company as a going concern)

No relevant items

(Note regarding occurrence of significant change in amount of shareholders' equity)

Nine months ended December 31, 2014 (April 1, 2014 to December 31, 2014)

No relevant items