

Summary

(Translation)

Fields Corporation Summary of Financial Information and Business Results (Consolidated) for the First Quarter of the Year Ending March 31, 2015 (Japan GAAP)

July 31, 2014

Listed on: TSE [JASDAQ]

Company Name: Fields Corporation
(URL: <http://www.fields.biz/>)
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Planned date for submission of the quarterly report: August 8, 2014
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 first quarter of the year ending March 31, 2015 (April 1, 2014 to June 30, 2014)

(1) Operating results (cumulative total)

(Percentage figures denote year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First quarter, year ending March 31, 2015	7,459	29.8	(2,509)	—	(2,254)	—	(1,502)	—
First quarter, year ended March 31, 2014	5,748	(72.8)	(3,829)	—	(3,759)	—	(2,290)	—

(Note) Comprehensive income First quarter of the year ending March 31, 2015: ¥(1,744) million (—%)
First quarter of the year ended March 31, 2014: ¥(1,961) million (—%)

	Net income per share	Diluted net income per share
	Yen	Yen
First quarter, year ending March 31, 2015	(45.29)	—
First quarter, year ended March 31, 2014	(69.02)	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
First quarter, year ending March 31, 2015	73,481	56,297	76.0
Year ended March 31, 2014	104,869	58,753	55.6

(Reference) Shareholders' equity First quarter of the year ending March 31, 2015: ¥55,846 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	—				
Year ending March 31, 2015 (Forecast)		25.00	—	25.00	50.00

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

3. Forecast of consolidated earnings for fiscal the 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
	Million yen	%	Million yen	%	Million yen	%	Million 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)

First quarter of the year ending March 31, 2015	34,700,000 shares
Year ended March 31, 2014	34,700,000 shares

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

First quarter of the year ending March 31, 2015	1,516,200 shares
Year ended March 31, 2014	1,516,200 shares

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

First quarter of the year ending March 31, 2015	33,183,800 shares
First quarter of the year ended March 31, 2014	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 3 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 Friday, August 1, 2014. 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

[1] Overview of operations for the 3 months ended June 30, 2014 (April 1, 2014 to June 30, 2014)

The Company posted net sales of ¥7,459 million (up 29.8% year-over-year), operating loss of ¥2,509 million (versus operating loss of ¥3,829 million for the same period of the previous fiscal year), ordinary loss of ¥2,254 million (versus ordinary loss of ¥3,759 million for the same period of the previous fiscal year), and net loss for the period totaling ¥1,502 million (versus net loss of ¥2,290 million for the same period of the previous fiscal year).

The main factors behind the earnings fluctuation were as follows.

The total number of pachinko/pachislot machines sold increased over the same period of the previous fiscal year, with the number of pachinko machines sold increasing to approximately 38,000 (up about 26,000 year-over-year) and the number of pachislot machines sold totaling about 5,000 (the same as in the same period of the previous year). Only one pachinko title, “Pachinko Onimusha: Dawn of Dreams”, was posted in the first quarter under review, as in the first quarter of the previous fiscal year, but sales of this title were solid. Earnings trends were generally in line with forecasts, including other businesses.

The main initiatives for cultivating and commercialization of Intellectual Property (IP) in the first quarter under review were as follows.

As its medium-to-long-term growth strategy, the Group is aiming at sustainable growth by emphasizing IP such as characters and maximizing the value of the IP that we acquired, owned and created. Fields utilizes to the full its wide-ranging knowledge, expertise and creativity in IP development, as well as its networks with business partners, and cultivates and commercializes IP based on partnerships.

We focus on comics in creating the characters and stories that represent the starting point for the Group’s IP cross-media expansion. In the first quarter under review, “HERO’S Monthly” ran 5 new works, including “Sailor Zombie”, and published 9 comic books.

In cross-media development of the IP we have created, projects focused on bringing IP to the screen are given a particular priority. Plans for animation and movie versions of 5 of the works produced from “HERO’S Monthly,” including “ULTRAMAN”, are currently underway, and we are picking up the pace of these endeavors. Script development is underway for “SOUL ReVIVER”, an original work by Tohru Fujisawa, acclaimed for comic book “GTO,” and original picture by Manabu Akishige jointly with Hollywood in the US movie production company Bedford Falls Company, with a view to overseas expansion.

At the same time, we are steadily expanding with TV shows, movies and other footage as our starting point. We are developing the “Ultraman” series in cross-media formats, in conjunction with various kinds of IP held by Tsuburaya Productions Co., Ltd. The new TV series launched in the previous fiscal year continues to be aired, and broadcasting of “Ultraman Ginga S” started in July 2014.

Currently, in the merchandising field, which aims to generate revenue from IP, we tightened the number of social games titles released in this fiscal year to improve revenue. “AKB48MusicGame” released in May 2014, is off to a good start, with 1 million downloads in 2 months. We aim to quickly generate revenue from goods development, and acquired merchandising rights for the character “Uglydoll”, which is particularly popular in the US, and are working to develop a varied product line-up in collaboration with top-tier companies. Regarding pachinko/pachislot machines sales, we launched “Pachislot Sengoku BASARA 3,” in July 2014 which is performing well. We plan to continue releasing IP-centered products.

(Note) The product names included in this report are the trademarks or registered trademarks of the respective companies.

(2) Analysis of financial position

(Assets)

Current assets amounted to ¥35,920 million, down ¥31,000 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 ¥12,376 million, up ¥271 million since the end of the previous fiscal year. This was mainly due to purchase of land for building new branch offices.

Intangible fixed assets amounted to ¥4,368 million, up ¥2 million since the end of the previous fiscal year.

Investments and other assets amounted to ¥20,815 million, down ¥661 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 ¥73,481 million, down ¥31,387 million since the end of the previous fiscal year.

(Liabilities)

Current liabilities amounted to ¥13,022 million, down ¥28,707 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 ¥4,161 million, down ¥224 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 ¥17,184 million, down ¥28,931 million since the end of the previous fiscal year.

(Net assets)

Net assets amounted to ¥56,297 million, down ¥2,455 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 ¥10,650 million since the end of the previous fiscal year, amounting to ¥18,933 million during the first quarter under review.

(Cash flows from operating activities)

Net cash used in financing activities amounted to ¥8,932 million (¥9,351 million of expenditure for the same period of the previous year). This was mainly due to loss before income taxes and minority interests of ¥2,264 million, a decrease of ¥25,925 million in notes and accounts payable—trade, a decrease of ¥23,511 million in notes and accounts receivable—trade, income taxes paid of ¥1,922 million, etc.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥544 million (¥1,093 million of expenditure for the same period of the previous fiscal year). This was mainly attributable to expenditure for purchases of intangible fixed assets totaling ¥462 million, expenditure for purchases of tangible fixed assets totaling ¥253 million, proceeds from repayment of loans totaling ¥557 million, etc.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥1,172 million (¥1,245 million of expenditure for the same period of the previous fiscal year). This was primarily attributable to dividends paid totaling ¥798 million and repayment of short-term borrowings totaling ¥329 million, etc.

(3) Review of consolidated earnings forecasts and other forecasts

(Unit: Million 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 this 3 months ended June 30, 2014, after accounting for the tax effects, and multiplies income before income taxes during the 3 months ended June 30, 2014 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 first quarter of the consolidated fiscal year under review.

As a result, net defined benefit liability decreased 220 million yen and retained earnings increased 142 million yen at the beginning of the first quarter of the consolidated fiscal year under review. Operating income, ordinary income and income before income taxes and minority interests each increased 3 million yen in the first quarter of the consolidated fiscal year under review.

3. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Unit: Million yen)

	Fiscal year ended March 31, 2014 (March 31, 2014)	3 months ended June 30, 2014 (June 30, 2014)
Assets		
Current assets		
Cash and cash equivalents	29,583	18,933
Notes and accounts receivable—trade	29,155	6,228
Merchandise and products	742	703
Work in process	2,351	2,803
Raw materials and supplies	40	82
Other current assets	5,081	7,200
Allowance for doubtful accounts	(34)	(31)
Total current assets	66,921	35,920
Fixed assets		
Tangible fixed assets		
Land	7,875	8,007
Other tangible fixed assets	4,229	4,369
Total tangible fixed assets	12,104	12,376
Intangible fixed assets		
Goodwill	1,905	1,827
Other intangible fixed assets	2,460	2,540
Total intangible fixed assets	4,365	4,368
Investments and other assets		
Investment securities	15,607	15,097
Other assets	6,943	6,790
Allowance for doubtful accounts	(1,074)	(1,072)
Total investments and other assets	21,477	20,815
Total fixed assets	37,948	37,561
Total assets	104,869	73,481
Liabilities		
Current liabilities		
Notes and accounts payable—trade	33,105	7,058
Short-term borrowings	634	304
Current portion of long-term borrowings	58	53
Accrued income taxes	1,959	33
Accrued bonuses	350	59
Accrued bonuses to directors and auditors	230	70
Reserve for returned goods unsold	23	23
Other current liabilities	5,367	5,419
Total current liabilities	41,730	13,022
Fixed liabilities		
Long-term borrowings	50	37
Net defined benefit liability	675	466
Other fixed liabilities	3,659	3,658
Total fixed liabilities	4,386	4,161
Total Liabilities	46,116	17,184

(Unit: Million yen)

	Fiscal year ended March 31, 2014 (March 31, 2014)	3 months ended June 30, 2014 (June 30, 2014)
Net assets		
Shareholders' equity		
Common stock	7,948	7,948
Capital surplus	7,994	7,994
Retained earnings	44,548	42,357
Treasury stock	(1,821)	(1,821)
Total shareholders' equity	58,670	56,479
Accumulated other comprehensive income		
Unrealized holding gain on available-for-sale securities	(262)	(511)
Foreign currency translation adjustment	(1)	(1)
Remeasurements of defined benefit plans	(126)	(119)
Total accumulated other comprehensive income	(390)	(633)
Minority interest	473	450
Total net assets	58,753	56,297
Total liabilities and net assets	104,869	73,481

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

Quarterly consolidated statements of income

First quarter of the year ending March 31, 2015

(Unit: Million yen)

	3 months ended June 30, 2013 (April 1, 2013–June 30, 2013)	3 months ended June 30, 2014 (April 1, 2014–June 30, 2014)
Net sales	5,748	7,459
Cost of sales	3,721	4,668
Gross profit	2,027	2,790
Selling, general and administrative expenses	5,856	5,300
Operating income (loss)	(3,829)	(2,509)
Non-operating income		
Interest income	6	9
Dividend income	85	85
Discounts on purchase	84	222
Others	58	156
Total non-operating income	234	474
Non-operating expenses		
Interest expense	3	2
Equity method investment loss	72	142
Loss on management of investment securities	-	12
Amortization of equity investment	81	42
Others	8	20
Total non-operating expenses	165	220
Ordinary income (loss)	(3,759)	(2,254)
Extraordinary losses		
Loss on disposal of fixed assets	0	6
Loss on litigation charges	2	2
Others	-	1
Total extraordinary losses	2	9
Income (loss) before income taxes and minority interests	(3,762)	(2,264)
Current income taxes	(1,428)	(763)
Income (loss) before minority interests	(2,334)	(1,501)
Minority interests (loss)	(43)	1
Net income (loss)	(2,290)	(1,502)

Quarterly consolidated statements of comprehensive income
 First quarter of the year ending March 31, 2015

(Unit: Million yen)

	3 months ended June 30, 2013 (April 1, 2013–June 30, 2013)	3 months ended June 30, 2014 (April 1, 2014–June 30, 2014)
Income (loss) before minority interests	(2,334)	(1,501)
Other comprehensive income		
Unrealized holding gain on available-for-sale securities	373	(249)
Foreign currency translation adjustment	(0)	(0)
Remeasurements of defined benefit plans	-	7
Total other comprehensive income	372	(243)
Comprehensive income	(1,961)	(1,744)
(Breakdown)		
Comprehensive income attributable to owners of the parent	(1,917)	(1,745)
Comprehensive income attributable to minority interests	(44)	1

(3) Quarterly consolidated statements of cash flows

(Unit: Million yen)

	3 months ended June 30, 2013 (April 1, 2013–June 30, 2013)	3 months ended June 30, 2014 (April 1, 2014–June 30, 2014)
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	(3,762)	(2,264)
Depreciation and amortization	439	447
Amortization of goodwill	80	87
Increase (decrease) in allowance for doubtful accounts	(7)	(5)
Increase (decrease) in accrued bonuses	(212)	(291)
Increase (decrease) in accrued bonuses to directors and auditors	(170)	(159)
Increase (decrease) in retirement benefit provisions	21	-
Increase (decrease) in net defined benefit liability	-	22
Interest and dividend income	(92)	(95)
Equity method investment loss (gain)	72	142
Interest expense	3	2
Decrease (increase) in notes and accounts receivable—trade	30,710	23,511
Decrease (increase) in inventories	(1,280)	(454)
Decrease (increase) in merchandising rights advances	95	(529)
Increase (decrease) in notes and accounts payable—trade	(31,349)	(25,925)
Other	(128)	(1,599)
Subtotal	(5,580)	(7,110)
Interest and dividends received	108	101
Interest paid	(3)	(2)
Income taxes paid	(3,875)	(1,922)
Net cash provided by (used in) operating activities	(9,351)	(8,932)
Cash flows from investing activities		
Purchases of tangible fixed assets	(729)	(253)
Purchases of intangible fixed assets	(346)	(462)
Expenditure for loans	(130)	(0)
Proceeds from repayment of loans	2	557
Expenditure for acquiring shares in affiliates	(6)	(10)
Others	117	(375)
Net cash provided by (used in) investing activities	(1,093)	(544)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(76)	(329)
Repayment of long-term borrowings	(34)	(18)
Redemption of corporate bonds	(300)	-
Dividends paid	(779)	(798)
Others	(53)	(26)
Net cash provided by (used in) financing activities	(1,245)	(1,172)
Effect of exchange rate changes on cash and cash equivalents	(0)	-
Increase (decrease) in cash and cash equivalents	(11,690)	(10,650)
Cash and cash equivalents at beginning of period	23,309	29,583
Cash and cash equivalents at end of period	11,618	18,933

(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)

3 months ended June 30, 2014 (April 1, 2014 to June 30, 2014)

No relevant items