

Summary

(Translation)

FIELDS CORPORATION Summary of Financial Information and Business Results (Consolidated) for the First Half of the Year Ending March 31, 2015 (Japan GAAP)

October 31, 2014
Listed on: TSE [JASDAQ]

Company Name: Fields Corporation
(URL: <http://www.fields.biz/>)
Stock code: 2767
Representative Director: Takashi Oya
President & COO
Inquiries: Hideaki Hatanaka
Executive Officer and General Manager, Corporate Communications Office
Tel: +81-3-5784-2111

Planned date for submission of the quarterly report: November 11, 2014
Planned date for start of dividend payment: December 2, 2014
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 half of the year ending March 31, 2015 (April 1, 2014 to September 30, 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	%
First half of the year ending March 31, 2015	20,341	(44.1)	(4,077)	—	(4,072)	—	(2,509)	—
First half of the year ended March 31, 2014	36,385	25.0	2,176	—	2,144	—	1,434	—

(Note) Comprehensive income First half of the year ending March 31, 2015: ¥(3,027) million (—%)
First half of the year ended March 31, 2014: ¥1,988 million (—%)

	Net income per share	Diluted net income per share
	Yen	Yen
First half of the year ending March 31, 2015	(75.63)	—
First half of the year ended March 31, 2014	43.22	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
First half of the year ending March 31, 2015	70,408	55,014	77.4
Year ended March 31, 2014	104,869	58,753	55.6

(Reference) Shareholders' equity First half of the year ending March 31, 2015: ¥54,504 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
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2014	—	25.00	—	25.00	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)

First half 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 half 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 half of the year ending March 31, 2015	33,183,800 shares
First half 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 Tuesday, November 4, 2014. Materials distributed at that briefing will be posted on the Company’s website after the briefing as soon as possible.

○ Table of Contents of Attached Document

1.	1. Qualitative information on quarterly financial results.....	2
	(1) Analysis of operating results	2
	(2) Analysis of financial position	3
	(3) Review of consolidated earnings forecasts and other forecasts	4
2.	Summary information (notes).....	4
	(1) Transfer of important subsidiaries during the quarterly consolidated period under review	4
	(2) Application of the accounting method specific to quarterly consolidated financial statements	4
	(3) Changes in accounting principles and accounting estimates, and revisions/restatements.....	4
3.	Quarterly consolidated financial statements.....	5
	(1) Quarterly consolidated balance sheets	5
	(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income	7
	(3) Quarterly consolidated statements of cash flows	9
	(4) Note regarding the quarterly consolidated financial statements.....	10
	(Note regarding the operation of the company as a going concern).....	10
	(Note regarding occurrence of significant change in amount of shareholders' equity)	10

1. Qualitative information on quarterly financial results

(1) Analysis of operating results

Overview of operations for the 6 months ended September 30, 2014 (April to September 2014; hereinafter referred to as “the current first half”)

The Company posted net sales of ¥20,341 million (down 44.1% year-over-year), operating loss of ¥4,077 million (versus operating income of ¥2,176 million for the same period of the previous fiscal year), ordinary loss of ¥4,072 million (versus ordinary income of ¥2,144 million for the same period of the previous fiscal year), and net loss for the period totaling ¥2,509 million (versus net income of ¥1,434 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 current first half were primarily attributable to pachinko/pachislot machine sales.

The total number of pachinko/pachislot machines sold decreased over the same period of the previous fiscal year, with the number of pachinko machines sold totaling about 73,000 (down about 36,000 year-over-year) and the number of pachislot machines sold totaling about 28,000 (down about 33,000 year-over-year). This is primarily due to a decrease in the number of machine models posted as sales in the current first half compared to the same period of the previous fiscal year. The 3 pachinko titles were posted in the same period of the previous fiscal year, including “CR EVANGELION 8,” but only 1 title was posted in the current first half. The 2 pachislot titles were posted in the same period of the previous fiscal year, but we changed 1 title to the lineup for the second half rather than releasing it in the current first half as originally planned. Accordingly, only 1 title was released in the current first half.

The main initiatives for cultivating and commercialization of IP in the current first half were as follows.

The Group carries out a cross-media expansion of its IP in collaboration with partner companies and talented creators and producers well versed in these types of media.

We focus on “HERO’S Monthly” in creating IP such as characters and stories. Currently, the Group has begun animating 5 of the works emerging from “HERO’S Monthly” with a view to theater release and TV broadcasts from the next fiscal year. In the current first half, the Group began developing a script for a live-action film to be produced in Hollywood, California of “SOUL ReVIVER” in July 2014, and in September 2014, the Group also began developing content for an anime based on “SWORDGAI.”

In addition to “HERO’S Monthly” works, the Group used animations and novels as a springboard in developing IP and expanding into cross-media formats. Following on the release in North America of “APPLESEED ALPHA,” a joint production with a US partner company, the film premiered at the Tokyo International Film Festival in October 2014. The film is scheduled for release within Japan in January 2015.

In the merchandising field, which aims to generate revenue from IP, we continued with the new “Ultraman” TV series started in the previous fiscal year, and began broadcasting “Ultraman Ginga S” in July 2014. We also pursued several measures to raise recognition of the many IP held by Tsuburaya Productions Co., Ltd. and reinvigorate them.

In social games, in September 2014 the Group released the application “KOTOKOTO -The World of Words-,” which utilizes original IP. This application was downloaded more than 500,000 times in the 3 weeks following its release, exceeding forecasts.

In pachinko/pachislot machine sales, we launched “Pachislot Sengoku BASARA 3” in July 2014, followed by “CR ayumi hamasaki 2” in October 2014.

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 ¥33,752 million, down ¥33,168 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 ¥12,314 million, up ¥209 million since the end of the previous fiscal year.

Intangible fixed assets amounted to ¥4,390 million, up ¥24 million since the end of the previous fiscal year.

Investments and other assets amounted to ¥19,951 million, down ¥1,526 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 ¥70,408 million, down ¥34,460 million since the end of the previous fiscal year.

(Liabilities)

Current liabilities amounted to ¥11,242 million, down ¥30,487 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 ¥4,151 million, down ¥234 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 ¥15,394 million, down ¥30,721 million since the end of the previous fiscal year.

(Net assets)

Net assets amounted to ¥55,014 million, down ¥3,738 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 ¥13,404 million since the end of the previous fiscal year, amounting to ¥16,178 million during the current first half.

(Cash flows from operating activities)

Net cash used in financing activities amounted to ¥11,111 million (¥4,554 million of expenditure for the same period of the previous year). This was mainly due to loss before income taxes and minority interests of ¥3,641 million, a decrease of ¥27,255 million in notes and accounts payable—trade, a decrease of ¥24,190 million in notes and accounts receivable—trade, income taxes paid of ¥1,805 million, etc.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥1,092 million (¥1,650 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 ¥908 million, expenditure for purchases of tangible fixed assets totaling ¥828 million, proceeds from sale of investment securities totaling ¥827 million, etc.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥1,200 million (¥1,387 million of expenditure for the same period of the previous fiscal year). This was primarily attributable to dividends paid totaling ¥828 million and repayment of short-term borrowings totaling ¥310 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.

In August 2014, the National Police Agency notified unions of pachinko/pachislot manufacturers of changes to the model certification tests method used by the Security Communications Association*, affecting products for which applications are submitted from September 16, 2014. The Group will work with allied manufacturers to promptly adapt to these changes.

In business development, we plan to release a pachislot machine whose launch date was deferred until the second half, and will also aggressively carry out marketing activities for pachinko machines planned for subsequent release, including “CR EVANGELION 9,” which was launched in October 2014 and has proved to be very popular. We will also carry out measures capitalizing on our strengths in pachinko/pachislot distribution, such as diversifying our product lineup.

*The Security Communications Association is the National Public Safety Commission’s designated testing organization and is commissioned by the prefectural public safety commission to carry out model certification tests on pachinko/pachislot machines.

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 current first half, after accounting for the tax effects, and multiplies income before income taxes during the current first half 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 half of the consolidated fiscal year under review.

As a result, net defined benefit liability decreased ¥220 million and retained earnings increased ¥142 million at the beginning of the first half of the consolidated fiscal year under review. Operating income, ordinary income and income before income taxes and minority interests each increased ¥6 million in the first half of the consolidated fiscal year 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)	6 months ended September 30, 2014 (September 30, 2014)
Assets		
Current assets		
Cash and cash equivalents	29,583	16,178
Notes and accounts receivable—trade	29,155	5,618
Merchandise and products	742	768
Work in process	2,351	3,300
Raw materials and supplies	40	78
Other current assets	5,081	7,836
Allowance for doubtful accounts	(34)	(28)
Total current assets	66,921	33,752
Fixed assets		
Tangible fixed assets		
Land	7,875	7,737
Other tangible fixed assets	4,229	4,576
Total tangible fixed assets	12,104	12,314
Intangible fixed assets		
Goodwill	1,905	1,749
Other intangible fixed assets	2,460	2,641
Total intangible fixed assets	4,365	4,390
Investments and other assets		
Investment securities	15,607	14,096
Other assets	6,943	6,903
Allowance for doubtful accounts	(1,074)	(1,048)
Total investments and other assets	21,477	19,951
Total fixed assets	37,948	36,656
Total assets	104,869	70,408
Liabilities		
Current liabilities		
Notes and accounts payable—trade	33,105	5,586
Short-term borrowings	634	324
Current portion of long-term borrowings	58	53
Accrued income taxes	1,959	139
Accrued bonuses	350	96
Accrued bonuses to directors and auditors	230	141
Reserve for returned goods unsold	23	22
Other current liabilities	5,367	4,878
Total current liabilities	41,730	11,242
Fixed liabilities		
Long-term borrowings	50	23
Net defined benefit liability	675	481
Other fixed liabilities	3,659	3,646
Total fixed liabilities	4,386	4,151
Total Liabilities	46,116	15,394

(Unit: Millions of yen)

	Fiscal year ended March 31, 2014 (March 31, 2014)	6 months ended September 30, 2014 (September 30, 2014)
Net assets		
Shareholders' equity		
Common stock	7,948	7,948
Capital surplus	7,994	7,994
Retained earnings	44,548	41,351
Treasury stock	(1,821)	(1,821)
Total shareholders' equity	58,670	55,473
Accumulated other comprehensive income		
Unrealized holding gain on available-for-sale securities	(262)	(853)
Foreign currency translation adjustment	(1)	(2)
Remeasurements of defined benefit plans	(126)	(112)
Total accumulated other comprehensive income	(390)	(968)
Minority interest	473	509
Total net assets	58,753	55,014
Total liabilities and net assets	104,869	70,408

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive incomeQuarterly consolidated statements of income
First half of the year ending March 31, 2015

(Unit: Millions of yen)

	6 months ended September 30, 2013 (April 1, 2013– September 30, 2013)	6 months ended September 30, 2014 (April 1, 2014– September 30, 2014)
Net sales	36,385	20,341
Cost of sales	22,737	13,420
Gross profit	13,648	6,920
Selling, general and administrative expenses	11,471	10,998
Operating income (loss)	2,176	(4,077)
Non-operating income		
Interest income	18	18
Dividend income	86	87
Discounts on purchase	84	222
Others	142	280
Total non-operating income	331	608
Non-operating expenses		
Interest expense	4	3
Equity method investment loss	169	348
Amortization of equity investment	156	83
Others	32	167
Total non-operating expenses	364	603
Ordinary income (loss)	2,144	(4,072)
Gain on the sale of investment securities	-	467
Others	-	11
Total extraordinary income	-	478
Extraordinary losses		
Loss on disposal of fixed assets	11	31
Loss on litigation charges	9	11
Others	1	4
Total extraordinary losses	22	47
Income (loss) before income taxes and minority interests	2,121	(3,641)
Current income taxes	770	(1,191)
Income (loss) before minority interests	1,351	(2,450)
Minority interests (loss)	(82)	59
Net income (loss)	1,434	(2,509)

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

(Unit: Millions of yen)

	6 months ended September 30, 2013 (April 1, 2013– September 30, 2013)	6 months ended September 30, 2014 (April 1, 2014– September 30, 2014)
Income (loss) before minority interests	1,351	(2,450)
Other comprehensive income		
Unrealized holding gain on available-for-sale securities	635	(590)
Foreign currency translation adjustment	1	(1)
Remeasurements of defined benefit plans	-	14
Total other comprehensive income	637	(576)
Comprehensive income	1,988	(3,027)
(Breakdown)		
Comprehensive income attributable to owners of the parent	2,071	(3,087)
Comprehensive income attributable to minority interests	(82)	60

(3) Quarterly consolidated statements of cash flows

(Unit: Millions of yen)

	6 months ended September 30, 2013 (April 1, 2013– September 30, 2013)	6 months ended September 30, 2014 (April 1, 2014– September 30, 2014)
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	2,121	(3,641)
Depreciation and amortization	977	940
Amortization of goodwill	158	165
Increase (decrease) in allowance for doubtful accounts	(7)	(31)
Increase (decrease) in accrued bonuses	(213)	(254)
Increase (decrease) in accrued bonuses to directors and auditors	(110)	(89)
Increase (decrease) in retirement benefit provisions	42	-
Increase (decrease) in net defined benefit liability	-	48
Interest and dividend income	(105)	(105)
Equity method investment loss (gain)	169	348
Interest expense	4	3
Loss (gain) on sales of investment securities	-	(467)
Decrease (increase) in notes and accounts receivable—trade	20,429	24,190
Decrease (increase) in inventories	(1,719)	(1,013)
Decrease (increase) in merchandising rights advances	(341)	(364)
Increase (decrease) in notes and accounts payable—trade	(22,451)	(27,255)
Other	220	(1,890)
Subtotal	(823)	(9,415)
Interest and dividends received	120	112
Interest paid	(6)	(3)
Income taxes paid	(3,844)	(1,805)
Net cash provided by (used in) operating activities	(4,554)	(11,111)
Cash flows from investing activities		
Purchases of tangible fixed assets	(913)	(828)
Purchases of intangible fixed assets	(657)	(908)
Proceeds from sales of investment securities	-	827
Expenditure for acquiring shares in affiliates	(152)	(48)
Expenditure for loans	(230)	(650)
Proceeds from repayment of loans	4	597
Others	298	(80)
Net cash provided by (used in) investing activities	(1,650)	(1,092)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(130)	(310)
Repayment of long-term borrowings	(71)	(31)
Redemption of corporate bonds	(300)	-
Dividends paid	(828)	(828)
Others	(56)	(29)
Net cash provided by (used in) financing activities	(1,387)	(1,200)
Effect of exchange rate changes on cash and cash equivalents	1	-
Increase (decrease) in cash and cash equivalents	(7,590)	(13,404)
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	15,708	16,178

(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)

6 months ended September 30, 2014 (April 1, 2014 to September 30, 2014)

No relevant items