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Summary

(Translation)
August 5, 2021

FIELDS CORPORATION Consolidated Financial Results for the Three Months Ended June 30, 2021 (Under Japanese GAAP)

Company name: FIELDS CORPORATION
(URL: <https://www.fields.biz/ir/e/>)
Listing: Tokyo Stock Exchange 1st section
Securities code: 2767
URL: <https://www.fields.biz/ir/e/>
Representative: Hidetoshi Yamamoto, Chairman, President and Group CEO
Inquiries: Hideaki Hatanaka, Corporate Officer, Deputy General Manager, Group Business Management Department
Telephone: +81-3-5784-2111

Scheduled date to file quarterly securities report: August 6, 2021
Scheduled date to commence dividend payments: -
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results briefing: No

(Yen amounts are rounded down to millions)

1. Consolidated financial results for the three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

(1) Consolidated operating results (cumulative) (Percentages indicate YoY changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2021	22,930	879.3	378	—	559	—	338	—
June 30, 2020	2,341	(87.8)	(2,403)	—	(2,383)	—	(2,910)	—

Note: Comprehensive income For the three months ended June 30, 2021: ¥ 517 million [—%]
For the three months ended June 30, 2020: ¥ (2,979) million [—%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2021	10.47	10.45
June 30, 2020	(87.71)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of June 30, 2021	55,383	29,077	51.4
March 31, 2021	52,370	30,443	56.9

Reference: Equity As of June 30, 2021: ¥ 28,464 million
As of March 31, 2021: ¥ 29,803 million

2. Cash dividends

	Annual dividends				
	Q1-end	Q2-end	Q3-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	—	0.00	—	10.00	10.00
Fiscal year ending March 31, 2022	—				
Fiscal year ending March 31, 2022 (Forecast)		—	—	—	—

(Note) Revisions to the forecast of cash dividends most recently announced: None
We have yet to decide the dividend forecast for the year ending March 31, 2022.

3. Forecast of consolidated earnings for the fiscal year ending March 31, 2022 (April 1, 2021 to March 31, 2022)

As announced in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2021,” published on May 13, 2021, we will continue to gather rationale for calculation while reviewing the market environment, and disclose the forecast as soon as it becomes possible.

***Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of accounting methods specific to the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - (ii) Changes in accounting policies due to other reasons other than (3) (i): None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None+

(4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2021	34,700,000 shares
As of March 31, 2021	34,700,000 shares

- (ii) Number of treasury shares at the end of the period

As of June 30, 2021	2,368,300 shares
As of March 31, 2021	2,368,300 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2021	32,331,700 shares
Three months ended June 30, 2020	33,183,700 shares

* Quarterly financial results reports are exempt from quarterly review by certified public accountants or an audit corporation.

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1. Qualitative information on the quarterly financial results

(1) Analysis of operating results and consolidated earnings forecasts

i.) Overview of the first quarter of the current fiscal year (April to June 2021)

In the first quarter, in response to self-restraint requests from national and local governments due to multiple state of emergency declarations over the last year, the pachinko industry continued its sales efforts by taking all possible measures to mitigate the spread of infection. More than three years have passed since the regulatory amendment of PS machines in February 2018, and the market is seeing pachinko and pachislot (hereinafter, “PS”) machines that meet the expectations of fans, and an increase in demand for these by pachinko halls. As a result, the total number of units sold in the market was approximately 400,000, twice that of the same period in the previous fiscal year.

In the PS business, we released two pachinko machines, *PACHINKO GANTZ KIWAMI* and *PACHINKO ULTRAMAN TARO 2*, and one pachislot machine, *PACHISLOT Hyakkaryouran SAMURAI GIRLS*. Sales have begun and continue for two pachinko titles to be delivered in the second quarter, the *P BERSERK Musou* and the *P Uchū Senkan Yamato 2202 Ai no Senshi-tachi*. As a result, the number of units delivered in the first quarter totaled 50,000. In addition, we made steady progress in preparing for the sale of multiple large-scale titles scheduled for the fiscal year under review.

In Tsuburaya Productions Co., Ltd., merchandising in Japan and China progressed steadily.

Digital Frontier Inc. (hereinafter, “Digital Frontier”) was responsible for CG video production in director Mamoru Hosoda’s latest title *Belle (Ryu to Sobakasu no Hime)*, released to great acclaim in the first quarter. In addition, orders for CG video production, mainly by major domestic game companies, and VFX video production from Netflix contributed to an increase in overall business performance.

Other Group companies also made progress as planned.

As a result, consolidated net sales for the first quarter of the fiscal year under review amounted to ¥22,930 million (up 879.3% YoY), operating profit was ¥378 million (up ¥2,782 million YoY), ordinary profit was ¥559 million (up ¥2,942 million YoY), and profit attributable to owners of parent was ¥338 million (up ¥3,249 million YoY).

ii.) Explanation of consolidated earnings forecasts and other forward-looking statements

As mentioned above, the businesses of each Group company are performing steadily. In the PS business, major and other titles scheduled for delivery by the third quarter have already passed or applied for model certification test, and we are working diligently to plan sales measures that will contribute to maximizing the number of units delivered. By bringing these products to market at the optimal time, we aim to improve our business performance in the fiscal year under review.

Regarding the forecast for the consolidated results, as announced in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2021,” published on May 13, 2021, we will continue to collect rationale for calculations while reviewing the market environment, and disclose the forecast as soon as it becomes possible.

(Note 1) All figures in this report are based on our estimates.

(Note 2) Merchandise names in this report are trademarks or registered trademarks of each company.

(2) Overview of financial position

(Assets)

Current assets increased by ¥2,345 million from the end of the previous fiscal year to ¥41,492 million. This was mainly due to an increase in trade receivables.

Property, plant and equipment decreased by ¥10 million from the end of the previous fiscal year to ¥4,261 million. This was mainly due to a decrease in buildings and structures.

Intangible assets decreased by ¥51 million from the end of the previous fiscal year to ¥2,577 million. This was mainly due to a decrease in goodwill.

Investments and other assets increased by ¥728 million from the end of the previous fiscal year to ¥7,051 million. This was mainly due to an increase in investments in capital.

Consequently, assets increased by ¥3,012 million from the end of the previous fiscal year to ¥55,383 million.

(Liabilities)

Current liabilities increased by ¥5,234 million from the end of the previous fiscal year to ¥16,129 million. This was mainly due to an increase in liabilities related to payable transactions and trade payables.

Non-current liabilities decreased by ¥855 million from the end of the previous fiscal year to ¥10,176 million. This was mainly due to a decrease in long-term borrowings.

Consequently, liabilities increased by ¥4,378 million from the end of the previous fiscal year to ¥26,305 million.

(Net assets)

Net assets decreased by ¥1,365 million from the end of the previous fiscal year to ¥29,077 million. This was mainly due to a decrease in retained earnings.

(Analysis of cash flows)

Cash and cash equivalents (hereinafter referred to as “cash”) at the end of Q1 of the fiscal year under review decreased by ¥2,476 million from the end of the previous fiscal year to ¥22,033 million.

(Cash flows from operating activities)

Net cash used in operating activities was ¥443 million (¥256 million provided in the same period of the previous fiscal year). This was mainly attributable to profit before income taxes of ¥530 million, an increase in trade receivables of ¥979 million, an increase in trade payables of ¥718 million, and an increase in inventories of ¥711 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥679 million (¥404 million used in the same period of the previous fiscal year). This was mainly due to payments for investments in capital of ¥543 million and purchase of non-current assets of ¥134 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥1,368 million (¥1,654 million used in the same period of the previous fiscal year). This was mainly due to repayments of long-term borrowings of ¥1,024 million and cash dividends paid of ¥313 million.

2. Quarterly consolidated financial statements and important notes

(1) Quarterly consolidated balance sheets

	(Unit: Millions of yen)	
	Previous consolidated fiscal year (as of March 31, 2021)	Q1 of current consolidated fiscal year (as of June 30, 2021)
Assets		
Current assets		
Cash and deposits	24,610	22,133
Notes and accounts receivable - trade	5,325	-
Notes and accounts receivable - trade, and contract assets	-	5,896
Electronically recorded monetary claims - operating	67	1,637
Merchandise and finished goods	700	905
Work in process	3,589	3,942
Raw materials and supplies	1,901	1,826
Other	3,024	5,223
Allowance for doubtful accounts	(71)	(71)
Total current assets	39,147	41,492
Non-current assets		
Property, plant and equipment		
Land	1,645	1,645
Other	2,626	2,616
Total property, plant and equipment	4,272	4,261
Intangible assets		
Goodwill	1,875	1,812
Other	752	764
Total intangible assets	2,628	2,577
Investments and other assets		
Investment securities	1,803	1,936
Long-term loans receivable	457	245
Other	4,469	5,128
Allowance for doubtful accounts	(408)	(258)
Total investments and other assets	6,322	7,051
Total non-current assets	13,223	13,890
Total assets	52,370	55,383
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,610	4,752
Short-term borrowings	253	235
Current portion of long-term borrowings	3,863	3,724
Income taxes payable	100	30
Provision for bonuses	288	147
Provision for bonuses for directors (and other officers)	14	-
Other	2,764	7,238
Total current liabilities	10,895	16,129
Non-current liabilities		
Long-term borrowings	6,837	5,952
Retirement benefit liability	770	782
Asset retirement obligations	861	863
Other	2,561	2,577
Total non-current liabilities	11,031	10,176
Total liabilities	21,927	26,305

	(Unit: Millions of yen)	
	Previous consolidated fiscal year (as of March 31, 2021)	Q1 of current consolidated fiscal year (as of June 30, 2021)
Net assets		
Shareholders' equity		
Share capital	7,948	7,948
Capital surplus	7,579	7,579
Retained earnings	16,104	14,694
Treasury shares	(1,946)	(1,946)
Total shareholders' equity	29,686	28,276
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	116	188
Foreign currency translation adjustment	1	1
Remeasurements of defined benefit plans	(0)	(2)
Total accumulated other comprehensive income	117	187
Share acquisition rights	7	12
Non-controlling interests	632	600
Total net assets	30,443	29,077
Total liabilities and net assets	52,370	55,383

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

Quarterly consolidated statements of income

Q1 of the year ending March 31, 2022

	(Unit: Millions of yen)	
	Q1 of previous consolidated fiscal year (April 1, 2020 to June 30, 2020)	Q1 of current consolidated fiscal year (April 1, 2021 to June 30, 2021)
Net sales	2,341	22,930
Cost of sales	2,000	19,551
Gross profit	340	3,378
Selling, general and administrative expenses	2,744	3,000
Operating profit (loss)	(2,403)	378
Non-operating income		
Interest income	1	0
Dividend income	1	1
Purchase discounts	2	139
Share of profit of entities accounted for using equity method	22	29
Other	23	36
Total non-operating income	52	207
Non-operating expenses		
Interest expenses	26	22
Foreign exchange losses	0	2
Other	5	2
Total non-operating expenses	32	27
Ordinary profit (loss)	(2,383)	559
Extraordinary losses		
Loss on retirement of non-current assets	1	0
Loss on litigation	1	0
Losses from coronavirus disease (COVID-19)	562	27
Total extraordinary losses	566	28
Profit (loss) before income taxes	(2,950)	530
Income taxes	38	83
Profit (loss)	(2,988)	446
Profit (loss) attributable to non-controlling interests	(77)	108
Profit (loss) attributable to owners of parent	(2,910)	338

Quarterly consolidated statements of comprehensive income

Q1 of the year ending March 31, 2021

(Unit: Millions of yen)

	Q1 of previous consolidated fiscal year (April 1, 2020 to June 30, 2020)	Q1 of current consolidated fiscal year (April 1, 2021 to June 30, 2021)
Profit (loss)	(2,988)	446
Other comprehensive income		
Valuation difference on available-for-sale securities	8	72
Foreign currency translation adjustment	0	0
Remeasurements of defined benefit plans, net of tax	0	(2)
Total other comprehensive income	8	70
Comprehensive income	(2,979)	517
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,902)	409
Comprehensive income attributable to non-controlling interests	(76)	108

(3) Quarterly consolidated statements of cash flows

	(Unit: Millions of yen)	
	Q1 of previous consolidated fiscal year (April 1, 2020 to June 30, 2020)	Q1 of current consolidated fiscal year (April 1, 2021 to June 30, 2021)
Cash flows from operating activities		
Profit (loss) before income taxes	(2,950)	530
Depreciation	193	177
Amortization of goodwill	74	63
Increase (decrease) in allowance for doubtful accounts	(13)	(3)
Increase (decrease) in provision for bonuses	(122)	(141)
Increase (decrease) in provision for bonuses for directors (and other officers)	(14)	(14)
Increase (decrease) in retirement benefit liability	16	8
Interest and dividend income	(3)	(2)
Share of loss (profit) of entities accounted for using equity method	(22)	(29)
Interest expenses	26	22
Decrease (increase) in trade receivables	13,576	(979)
Decrease (increase) in inventories	(1,376)	(711)
Increase (decrease) in trade payables	(7,691)	718
Decrease/increase in consumption taxes receivable/payable	(901)	(225)
Other, net	(401)	329
Subtotal	388	(257)
Interest and dividends received	3	3
Interest paid	(26)	(22)
Income taxes refund (paid)	(108)	(166)
Net cash provided by (used in) operating activities	256	(443)
Cash flows from investing activities		
Purchase of property, plant and equipment	(60)	(90)
Proceeds from sale of property, plant and equipment	0	-
Purchase of intangible assets	(65)	(44)
Proceeds from sale of investment securities	4	18
Payments for investments in capital	(175)	(543)
Loan advances	(38)	-
Proceeds from collection of loans receivable	8	23
Other, net	(77)	(43)
Net cash provided by (used in) investing activities	(404)	(679)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	(20)
Repayments of long-term borrowings	(1,332)	(1,024)
Dividends paid	(320)	(313)
Other, net	(1)	(10)
Net cash provided by (used in) financing activities	(1,654)	(1,368)
Effect of exchange rate change on cash and cash equivalents	(0)	0
Net increase (decrease) in cash and cash equivalents	(1,802)	(2,491)
Cash and cash equivalents at beginning of year	24,725	24,510
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	14
Cash and cash equivalents at end of period	22,922	22,033

(4) Notes regarding the quarterly consolidated financial statements

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

Not applicable.

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

The Company adopts the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of Q1 of the current fiscal year. For details, please refer to the (4) *Notes regarding the quarterly consolidated financial statements, 2. Quarterly consolidated financial statements and important notes.*

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

Calculation of tax expenses

Tax expenses are calculated by multiplying profit before income taxes by a reasonably estimated effective tax rate after the application of tax effect accounting to profit before income taxes for the fiscal year, including the first quarter of the fiscal year under review.

(Changes in accounting policies)

The Company adopts the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter, the "Accounting Standard for Revenue Recognition") from the beginning of Q1 of the current fiscal year and recognizes revenue when control of promised goods or services is transferred to customers in an amount that is expected to be received in exchange for those goods or services.

Previously, revenue related to PS machine's agency sales was recognized as revenue in the amount of the agency commission received from manufacturers when the machines are delivered to pachinko halls and PS machine price is delivered to manufacturers.

As a result of adoption of the above accounting standard and determining our role (principal or agent) in the provision of goods or services to customers, for transactions for which we are the sole distributor, we have changed to a method of recognizing revenues as the price of PS machines sold to pachinko halls when PS machines are shipped, as in the case of agency sales.

With regard to the application of the Accounting Standard for Revenue Recognition, etc., in accordance with the transitional treatment stipulated in the provisions of paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retrospectively applying the new accounting policy prior to the beginning of Q1 of the fiscal year under review has been adjusted to retained earnings at the beginning of Q1 of the fiscal year under review, and the new accounting policy has been applied from the beginning of the fiscal year under review. In addition, the Company applies the methodology set forth in the explanatory note (1), paragraph 86 of the Accounting Standard for Revenue Recognition to account for contract modifications made prior to the beginning of Q1 under review in accordance with the terms of the contract after reflecting all contract modifications, and adjusts the cumulative effect to retained earnings at the beginning of Q1 under review. Consequently, net sales increased by ¥3,279 million, cost of sales increased by ¥2,964 million, and operating profit, ordinary profit, and profit before income taxes increased by ¥315 million each for Q1 of the current fiscal year. In addition, the balance of retained earnings at the beginning of the fiscal year decreased by ¥1,385 million. Due to the adoption of the Accounting Standard for Revenue Recognition, from Q1 of the fiscal year under review, "Notes and accounts receivable - trade," which had been presented in "Current assets" in the consolidated balance sheet for the previous fiscal year, has been included in "Notes and accounts receivable - trade, and contract assets." In accordance with the transitional treatment set forth in paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassifications have been made to the prior period under the new presentation method. Furthermore, in accordance with the transitional treatment stipulated in paragraph 28-15 of the "Accounting Standard for Quarterly Financial Statements" (ASBJ Statement No. 12, March 31, 2020), revenue from contracts with customers for Q1 of the previous fiscal year has not been broken down.

The Accounting Standard for Calculation of Fair Value (ASBJ Statement No. 30, July 4, 2019, hereinafter, the "Accounting Standard for Calculation of Fair Value") and other standards have been applied from the beginning of Q1 of the current fiscal year, and in accordance with the transitional treatment stipulated in Article 19 of the Accounting Standard for Calculation of Fair Value and Article 44-2 of the Accounting Standard for Financial Merchandise (ASBJ Statement No. 10, July 4, 2019), the new accounting policy stipulated by the Accounting Standard for Calculation of Fair Value will be applied in the future. There is no impact on the quarterly consolidated financial statements.