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Summary

(Translation)
November 11, 2021

FIELDS CORPORATION
Consolidated Financial Results for the Six Months Ended September 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
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Scheduled date to file quarterly securities report: November 12, 2021
Scheduled date to commence dividend payments: -
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results briefing: Yes (for analysts and institutional investors)

(Yen amounts are rounded down to millions)

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

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2021	37,348	252.6	358	－	597	－	315	－
September 30, 2020	10,591	(61.9)	(3,327)	－	(3,247)	－	(3,923)	－

Note: Comprehensive income For the six months ended September 30, 2021: ￥529 million [－%]
For the six months ended September 30, 2020: ￥(3,907) million [－%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2021	9.77	9.75
September 30, 2020	(119.06)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2021	55,124	29,032	51.2
March 31, 2021	52,370	30,443	56.9

Reference: Equity As of September 30, 2021: ￥28,231 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	－	0.00			
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 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 September 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 September 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)

Six months ended September 30, 2021	32,331,700 shares
Six months ended September 30, 2020	32,952,771 shares

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

The Company is planning to hold a financial briefing (online) for analysts and institutional investors on Friday, November 12, 2021. Materials used 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 the quarterly financial results

(1) Analysis of operating results and consolidated earnings forecasts

i.) Overview of first half of the current fiscal year (April to September 2021)

In FY2018, we revamped our management structure and have continued to implement various management reforms aimed at achieving sustainable growth. Specifically, we have been implementing the following three measures.

I. Group management focus on selection and specializing

Since FY2018, group management has focused on selection and concentration, as part of the management reforms. We have selected the distribution field of the pachinko business to specialize in, and are concentrating the IP business, a driver of future growth, in Tsuburaya Productions Co., Ltd. (hereinafter, “TPD”) and Digital Frontier Inc. (hereinafter, “DF”)

TPD is currently actively developing its digital service platform *TSUBURAYA IMAGINATION* in collaboration with NTT DOCOMO, INC., as well as its e-commerce website *TSUBURAYA STORE ONLINE* and live distribution. In addition, *SHIN ULTRAMAN*, devised and written by Hideaki Anno, is ready to be released. Globally, we are seeing growth in merchandising in Asian markets, particularly China. This includes initiatives with Netflix, Marvel, and others.

DF owns Japan’s top-class CG video and VFX technologies, and is responsible for our growth in the video field, which is indispensable for the IP business. DF continues to experience steady growth with CG video production centered on major domestic gaming companies and VFX video production with Netflix.

The performance of other group companies also showed steady performance in the COVID-19 pandemic, thanks to the implementation of various reforms.

II. Strengthen product and technological capabilities at group companies

As part of the group management strategy focused on selection and concentration, we are strengthening the products, services, and technological capabilities of each group company to develop highly profitable businesses that meet the expectations of future markets and customer preferences. At the same time, we are strengthening collaboration across human resources and organizations among the group companies.

In particular, with regard to enhancing product appeal in the pachinko business, in response to the enforcement of new regulations in February 2018, we have prioritized strengthening our product planning and development capabilities, and drastically reformed process to build an organization that integrates sales and development. This enables us to provide a stable supply of what we define as “quality products”: products that are both profitable for pachinko halls and meet the expectations of PS fans while satisfying the needs of leisure in a mature society such as Japan (i.e. moderate time and monetary consumption). As shown in Table 1 below, these efforts have resulted in an improvement in unit sales.

Table 1) Trends in our unit sales

	FY2018	FY2019	FY2020	FY2021
H1 results	43,026 units	64,561 units	16,501 units	77,918 units
Full-year results	138,023 units	191,335 units	95,911 units	

III. Implementing continuous cost reduction measures

Our group has long reviewed and reduced the costs of all businesses and operations with the aim of creating a strong management structure capable of achieving sustainable growth even in the event of a significant change in the market environment surrounding each business field. The effects of these measures have led to a sustained improvement in SG&A expenses as shown in Table 2 below, and we will continue to implement cost reduction measures in the future.

Table 2) Consolidated SG&A expenses (percentages indicate YoY changes)

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
H1 results	11,964	11,461	9,724	7,759	6,902	5,896	5,770
	8.8%	(4.2) %	(15.2) %	(20.2) %	(11.0) %	(14.6) %	(2.2) %
Full-year results	24,069	23,015	19,138	15,132	14,095	12,169	
	1.5%	(4.4) %	(16.8) %	(20.9) %	(6.9) %	(13.7) %	

As described above, the Group's management foundation has been built to generate continuous revenues. In terms of business results for the first half of the current fiscal year, net sales were ¥37,348 million (up 252.6% YoY), operating profit was ¥358 million (up ¥3,686 million YoY), ordinary profit was ¥597 million (up 3,844 million YoY), and profit attributable to owners of parent was ¥315 million (up ¥4,239 million YoY).

ii.) Explanation of consolidated earnings forecasts

Q3 (Oct.-Dec.)

In the PS business, we are selling two pachislot machines, the *PACHISLOT GANTZ KIWAMI THE SURVIVAL GAME* and the *Pachislot MONSTER HUNTER: WORLDTM GOLD HUNTING*, and we have largely achieved our sales targets.

In addition, the pachinko machine *NEON GENESIS EVANGELION -Roar for tomorrow-*, aimed for release during the year-end shopping season, has high expectations from the market.

We are continuing further sales activities centered on these machines, and we expect to deliver more than 65,000 units in the third quarter.

TPD has received favorable reviews for *Ultraman Trigger: New Generation Tiga*, which started TV broadcasting in July. In addition distribution of *Ultraman Tiga*, a popular title celebrating its 25th anniversary, has begun on the company's platform. TPD is expanding its fan base to include people in their 20s and 30s who watched *Ultraman Tiga* in their early childhood. In the third quarter (Oct.-Dec.), domestic and overseas merchandising is expected to remain stable.

DF and other group companies are also making steady progress.

Q4 (Jan.-Mar.) and full-year outlook

In the PS business, planned titles have been largely in compliance with model certification tests, and we are already implementing various measures to prepare for sales. On the other hand, it is unclear whether we will be able to respond to orders as the worldwide shortage of semiconductors has affected the procurement of parts and materials by pachinko and pachislot machine manufacturers.

In addition, market conditions are expected to remain unpredictable, as many medical professionals and infectious disease specialists predict the arrival of the sixth wave of the COVID-19 this winter.

As a result, the Company has not determined the forecast for the fiscal year ending March 31, 2022. We will continue to gather rationale for calculation while reviewing the market environment, and disclose the forecast as soon as we can predict the impact on the Company's performance.

(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 ¥2,549 million from the end of the previous fiscal year to ¥41,696 million. This was mainly due to an increase in trade receivables.

Property, plant and equipment increased by ¥77 million from the end of the previous fiscal year to ¥4,349 million. This was mainly due to an increase in tools, furniture and fixtures.

Intangible assets decreased by ¥72 million from the end of the previous fiscal year to ¥2,555 million. This was mainly due to a decrease in goodwill.

Investments and other assets increased by ¥200 million from the end of the previous fiscal year to ¥6,522 million. This was mainly due to an increase in investments in capital.

Consequently, assets increased by ¥2,753 million from the end of the previous fiscal year to ¥55,124 million.

(Liabilities)

Current liabilities increased by ¥5,897 million from the end of the previous fiscal year to ¥16,792 million. This was mainly due to an increase in liabilities related to payable transactions and trade payables.

Non-current liabilities decreased by ¥1,732 million from the end of the previous fiscal year to ¥9,299 million. This was mainly due to a decrease in long-term borrowings.

Consequently, liabilities increased by ¥4,164 million from the end of the previous fiscal year to ¥26,091 million.

(Net assets)

Net assets decreased by ¥1,410 million from the end of the previous fiscal year to ¥29,032 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 H1 of the fiscal year under review decreased by ¥1,687 million from the end of the previous fiscal year to ¥22,822 million.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥1,006 million (¥1,037 million provided in the same period of the previous fiscal year). This was mainly attributable to profit before income taxes of ¥788 million, an increase in trade payables of ¥1,643 million, an increase in inventories of ¥1,003 million, an increase in trade receivables of ¥749 million and depreciation of ¥346 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥493 million (¥666 million used in the same period of the previous fiscal year). This was mainly due to payments for investments in capital of ¥558 million, proceeds from sales of investment securities of ¥463 million and purchase of non-current assets of ¥418 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥2,214 million (¥3,055 million used in the same period of the previous fiscal year). This was mainly due to repayments of long-term borrowings of ¥2,041 million, cash dividends paid of ¥322 million and proceeds from long-term borrowings of ¥200 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)	Q2 of current consolidated fiscal year (as of September 30, 2021)
Assets		
Current assets		
Cash and deposits	24,610	22,922
Notes and accounts receivable - trade	5,325	-
Notes and accounts receivable - trade, and contract assets	-	6,792
Electronically recorded monetary claims - operating	67	44
Merchandise and finished goods	700	738
Work in process	3,589	4,160
Raw materials and supplies	1,901	2,066
Other	3,024	5,042
Allowance for doubtful accounts	(71)	(70)
Total current assets	39,147	41,696
Non-current assets		
Property, plant and equipment		
Land	1,645	1,645
Other	2,626	2,704
Total property, plant and equipment	4,272	4,349
Intangible assets		
Goodwill	1,875	1,749
Other	752	806
Total intangible assets	2,628	2,555
Investments and other assets		
Investment securities	1,803	1,473
Long-term loans receivable	457	243
Other	4,469	5,079
Allowance for doubtful accounts	(408)	(274)
Total investments and other assets	6,322	6,522
Total non-current assets	13,223	13,428
Total assets	52,370	55,124
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,610	5,857
Short-term borrowings	253	215
Current portion of long-term borrowings	3,863	3,652
Income taxes payable	100	187
Provision for bonuses	288	276
Provision for bonuses for directors (and other officers)	14	4
Other	2,764	6,598
Total current liabilities	10,895	16,792
Non-current liabilities		
Long-term borrowings	6,837	5,207
Retirement benefit liability	770	791
Asset retirement obligations	861	783
Other	2,561	2,516
Total non-current liabilities	11,031	9,299
Total liabilities	21,927	26,091

(Unit: Millions of yen)

	Previous consolidated fiscal year (as of March 31, 2021)	Q2 of current consolidated fiscal year (as of September 30, 2021)
Net assets		
Shareholders' equity		
Share capital	7,948	7,948
Capital surplus	7,579	7,579
Retained earnings	16,104	14,616
Treasury shares	(1,946)	(1,946)
Total shareholders' equity	29,686	28,197
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	116	36
Foreign currency translation adjustment	1	1
Adjustments related to retirement benefits	(0)	(4)
Total accumulated other comprehensive income	117	33
Share acquisition rights	7	17
Non-controlling interests	632	783
Total net assets	30,443	29,032
Total liabilities and net assets	52,370	55,124

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

Quarterly consolidated statements of income

H1 of the year ending March 31, 2022

(Unit: Millions of yen)

	H1 of previous consolidated fiscal year (April 1, 2020 to September 30, 2020)	H1 of current consolidated fiscal year (April 1, 2021 to September 30, 2021)
Net sales	10,591	37,348
Cost of sales	8,022	31,219
Gross profit	2,568	6,128
Selling, general and administrative expenses	5,896	5,770
Operating profit (loss)	(3,327)	358
Non-operating income		
Interest income	2	1
Dividend income	2	1
Purchase discounts	2	141
Share of profit of entities accounted for using equity method	90	78
Distributions from investments	9	13
Other	73	69
Total non-operating income	181	306
Non-operating expenses		
Interest expense	50	42
Provision for allowance for doubtful accounts	28	17
Financing expense	1	-
Other	21	7
Total non-operating expenses	100	67
Ordinary profit (loss)	(3,247)	597
Extraordinary income		
Gain on sales of fixed assets	0	-
Gain on sales of investment securities	-	231
Other	-	2
Total extraordinary income	0	234
Extraordinary losses		
Loss on retirement of non-current assets	2	13
Loss on litigation	8	11
Losses from coronavirus disease (COVID-19)	607	19
Other	0	-
Total extraordinary losses	619	43
Profit (loss) before income taxes	(3,866)	788
Income taxes	56	176
Profit (loss)	(3,923)	612
Profit (loss) attributable to non-controlling interests	0	296
Profit (loss) attributable to owners of parent	(3,923)	315

Quarterly consolidated statements of comprehensive income

H1 of the year ending March 31, 2022

(Unit: Millions of yen)

	H1 of previous consolidated fiscal year (April 1, 2020 to September 30, 2020)	H1 of current consolidated fiscal year (April 1, 2021 to September 30, 2021)
Profit (loss)	(3,923)	612
Other comprehensive income		
Valuation difference on available-for-sale securities	14	(79)
Foreign currency translation adjustment	0	0
Adjustments related to retirement benefits, net of tax	0	(4)
Total other comprehensive income	15	(82)
Comprehensive income	(3,907)	529
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,914)	232
Comprehensive income attributable to non-controlling interests	6	296

(3) Quarterly consolidated statements of cash flows

(Unit: Millions of yen)

	H1 of previous consolidated fiscal year (April 1, 2020 to September 30, 2020)	H1 of current consolidated fiscal year (April 1, 2021 to September 30, 2021)
Cash flows from operating activities		
Profit (loss) before income taxes	(3,866)	788
Depreciation	396	346
Amortization of goodwill	145	126
Increase (decrease) in allowance for doubtful accounts	19	11
Increase (decrease) in provision for bonuses	54	(11)
Increase (decrease) in provision for bonuses for directors (and other officers)	(9)	(9)
Increase (decrease) in retirement benefit liability	37	16
Interest and dividend income	(4)	(3)
Share of loss (profit) of entities accounted for using equity method	(90)	(78)
Interest expenses	50	42
Decrease (increase) in trade receivables	12,926	(749)
Decrease (increase) in inventories	(797)	(1,003)
Increase (decrease) in trade payables	(6,328)	1,643
Decrease/increase in consumption taxes receivable/payable	(968)	89
Other, net	(369)	(124)
Subtotal	1,193	1,083
Interest and dividends received	4	3
Interest paid	(50)	(42)
Income taxes refund (paid)	(110)	(38)
Net cash provided by (used in) operating activities	1,037	1,006
Cash flows from investing activities		
Purchase of property, plant and equipment	(142)	(303)
Proceeds from sale of property, plant and equipment	4	-
Purchase of intangible assets	(147)	(114)
Proceeds from redemption of investment securities	-	109
Proceeds from sales of investment securities	29	463
Purchase of shares of subsidiaries and associates	(36)	-
Proceeds from sales of shares of subsidiaries and associates	-	17
Payments for investments in capital	(260)	(558)
Loan advances	(38)	(0)
Proceeds from collection of loans receivable	20	25
Other, net	(96)	(131)
Net cash used in investing activities	(666)	(493)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	308	(40)
Proceeds from long-term borrowings	-	200
Repayments of long-term borrowings	(2,664)	(2,041)
Purchase of treasury shares	(365)	-
Dividends paid	(331)	(322)
Other, net	(1)	(10)
Net cash provided by (used in) financing activities	(3,055)	(2,214)
Effect of exchange rate change on cash and cash equivalents	(0)	(0)
Net increase (decrease) in cash and cash equivalents	(2,683)	(1,701)
Cash and cash equivalents at beginning of period	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	22,042	22,822

(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 Q2 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 distributer, 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 ¥10,692 million, cost of sales increased by ¥10,182 million, and operating profit, ordinary profit, and profit before income taxes increased by ¥509 million each for H1 of the current fiscal year. In addition, the balance of retained earnings at the beginning of the fiscal year decreased by ¥1,441 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 H1 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.