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Summary

(Translation)
August 5, 2022

FIELDS CORPORATION Consolidated Financial Results for the Three Months Ended June 30, 2022 (Under Japanese GAAP)

Company name: FIELDS CORPORATION
(URL: <https://www.fields.biz/ir/e/>)
Listing: Tokyo Stock Exchange, Prime Market
Securities code: 2767
URL: <https://www.fields.biz/ir/e/>
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Scheduled date to file quarterly securities report: August 8, 2022
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, 2022 (from April 1, 2022 to June 30, 2022)

(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, 2022	8,243	(64.1)	186	(50.7)	291	(47.9)	(209)	—
June 30, 2021	22,930	879.3	378	—	559	—	338	—

(Note) Comprehensive income For the three months ended June 30, 2022: ¥ 274 million [(47.0)%]
For the three months ended June 30, 2021: ¥ 517 million [—%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2022	(6.47)	—
June 30, 2021	10.47	10.45

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of June 30, 2022	56,899	31,184	51.9
March 31, 2022	70,001	31,551	43.4

(Reference) Equity As of June 30, 2022: ¥ 29,521 million
As of March 31, 2022: ¥ 30,372 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, 2022	—	0.00	—	20.00	20.00
Fiscal year ending March 31, 2023	—				
Fiscal year ending March 31, 2023 (Forecast)		0.00	—	20.00	20.00

(Note) Revisions to the forecast of cash dividends most recently announced: None

3. Forecast of consolidated earnings for the fiscal year ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(Percentages indicate YoY changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full-year	98,000	3.3	4,000	16.1	4,000	10.1	3,000	21.4	92.79

(Note) Revision of the most recently released performance forecasts: None

***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, 2022	34,700,000 shares
As of March 31, 2022	34,700,000 shares

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

As of June 30, 2022	2,368,300 shares
As of March 31, 2022	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, 2022	32,331,700 shares
Three months ended June 30, 2021	32,331,700 shares

- * Quarterly financial results reports are exempt from quarterly review by certified public accountants or an audit corporation.
- * Proper use of earnings forecasts, and other special matters
The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual results, etc. may differ materially from the forecasts due to various factors.
Please refer to *1. Qualitative information on the quarterly financial results (1) Analysis of operating results* on page 2 and *(2) Consolidated earnings forecasts* on page 4.

(How to obtain supplementary materials on financial results)

We have decided to forgo holding financial results briefings (for analysts and institutional investors) in light of the expansion of coronavirus disease (COVID-19) infections and other factors. The financial presentation will be posted on our IR website after Friday, August 5, 2022.

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1. Qualitative information on the quarterly financial results

(1) Analysis of operating results

The energy crisis, the food crisis, soaring prices, and other unforeseen circumstances triggered by the situation in Ukraine, have created new social tensions. On the other hand, COVID-19 pandemic, now in its third year, has continued to expand quantitatively by replacing conventional Omicron variant. However, as society takes a “living with Covid” approach, the impact on the socio-economy has been minimized, and while there is no denying that the situation will fluctuate, the normalization of economic activities is proceeding steadily along with the restoration of inherent daily life.

Even in this challenging environment, people always need leisure time to enrich their own lives, and the pandemic has created a variety of new ways of leisure with creativity in response to the new phenomena that have emerged, such as “staycations.” We learned a lot from the courage of people who need leisure no matter what hardships or difficulties they face, and who are positive about their creation.

Under these circumstances, our corporate philosophy of “The Greatest Leisure for All People” has been steadily developing our business, centered on Tsuburaya Productions Co., Ltd. (hereinafter, “TPC”) and FIELDS CORPORATION.

Content and digital business: domestic market

The movie *SHIN ULTRAMAN*, released in May 2022 in Japan, has already been a big hit with more than ¥4.3 billion in box office revenues, and it has been a pleasure to blow out a temporary “movie recession” caused by the pandemic and other events. As a result, we were able to acquire new fans across a broad range of segments, which will be irreplaceable for our next development. We have reaffirmed that the existence of *Ultraman* is becoming more and more popular and loved not only by Japanese fans but also by many fans worldwide, and that it is increasingly raising the value of the brand. This is a strong intention for our group, which is dedicated to growing the *Ultraman*-related business in the future.

Content and digital business: overseas markets

In China, *Ultraman Area*, in a Chinese government-authorized entertainment facility, opened in Shanghai, has been hugely popular, and each event has attracted so many customers that the venue is packed beyond capacity. This momentum has expanded to include sales of card games, figures, and other related merchandise business revenues in the Chinese market which grew rapidly and dynamically from approximately ¥200 million in the same period of the previous fiscal year to approximately ¥740 million in excess of three times as high as in the same period of the previous fiscal year.

Going forward, we are implementing a variety of measures to ensure that *Ultraman* is becoming popular not only in China but also in other Asian countries.

Pachinko/pachislot (hereinafter, “PS”) business

In the pachinko market, with the removal of all old regulation machines from the market at the end of January 2022, we have entered a new stage of providing a stable and sustainable lineup of high-quality titles, both hardware and software, that can be enjoyed by users at a reasonable cost of consumption. Starting with the *Evangelion* series of pachinko machines launched last year, and driven by popular pachinko machine in the previous fiscal year, we were able to meet the expectations of fans. As a result, the operation of pachinko halls improved significantly, rising 6.1% YoY. On the other hand, in pachislot, *PACHISLOT INUYASHA*, which we began delivering in the Q1 of this fiscal year, was positively acknowledged as appropriate for the beginning of the new pachislot era. As a result, pachinko halls’ desire to invest in pachislot machines, which has been stagnant since the appearance of regulation 6.0 machines in 2018, has shifted to a positive orientation, and the trend has turned upward for the first time in about four years. We will continue to strive to provide merchandise services that meet the needs of pachinko halls and fans without missing this opportunity.

As a result of these business activities, the consolidated results for the Q1 of the fiscal year under review were net sales ¥8,243 million (down 64.1% YoY), operating profit ¥186 million (down 50.7%), ordinary profit ¥291 million (down 47.9%), and a loss attributable to owners of parent of ¥209 million (profit attributable to owners of parent of ¥338 million for the same

period of the previous fiscal year). Against the backdrop of robust sales forecasts for the contents and digital business, and the strategic PS business, the Company is making steady progress toward its initial forecasts.

Operating results by business segment for the Q1 of the fiscal year under review are as follows.

Content and digital business segment

As shown in Table 1 below, the business revenue of TPC, which forms the core of the content and digital segment, grew significantly YoY.

[Table 1: Trends in business revenues of TPC]

(Unit: Millions of yen)

	Apr-Jun 2021 (Previous Q1)	Apr-Jun 2022 (Current Q1)	YoY change
Domestic MD and license revenue	325	495	+52.3%
Overseas MD and license revenue	278	853	+206.3%
China	198	741	+274.4%
Total MD and license revenue	604	1,349	+123.4%
Imaging business revenue	219	525	+139.3%

Both domestic MD and license revenue and the imaging business performed well, reflecting the big hit of the movie *SHIN ULTRAMAN* released in Japan. Overseas, sales of figures, other toys and card games continued to grow against backdrop of expanding licensees in China.

Digital Frontier Inc. (hereinafter, “DF”) posted net sales of ¥1,074 million (up 24.1% YoY) and operating profit of ¥107 million (up 290.7% YoY), supported by continued firm sales of CG video production led by major domestic gaming companies and VFX video production with Netflix.

As a result of the above, the contents and digital segment’s Q1 results grew significantly, with net sales at ¥2,911 million (up 71.3% YoY) and operating profit at ¥1,038 million (up 331.0% YoY).

PS business segment

In Q1, we sold *PACHISLOT INUYASHA*, which was highly anticipated by halls and fans. The planned number of 15,000 units (approximately 6,000 units recorded in the Q1) was largely in line with the plan. In addition, planned unit sales of three titles for pachinko and one title for pachislot to be delivered in Q2 have also been completed.

In business domains other than new machine sales, operating revenues grew steadily to ¥541 million (up 72.5% YoY), reflecting the growing need for measures to attract customers, such as web-based advertising accompanying the improvement in hall operations.

As a result of the above, unit sales in PS business segment for the Q1 of the fiscal year under review were 11,000 units, which was generally in line with the plan. The results for the Q1 were net sales of ¥4,858 million (down 76.6% YoY) and an operating loss of ¥860 million (operating profit of ¥104 million for the same period of the previous fiscal year).

Quarterly sales of PS for the fiscal year ending March 31, 2023 are shown in Table 2 below.

[Table 2: PS quarterly sales titles for the year ending March 31, 2023]

	H1		H2 (planned)	
	Q1	Q2	Q3	Q4
Pachinko	—	Three titles	Two titles	Two titles
Pachislot	One title	One title	Two titles	Three titles

In PS business, we are planning to sell seven pachinko titles and seven pachislot titles in the fiscal year ending March 2023,

and we plan to deliver three pachinko titles and two pachislot titles in the H1 of the fiscal year.

[Other]

The performance of other group companies progressed steadily in general.

(2) Consolidated earnings forecasts

As described below, each of our group's business segments is making steady progress in accordance with the Company's initial plan, and the forecast for the fiscal year ending March 31, 2023 remains unchanged from the content announced on May 10, 2022.

Content and digital business segment

Full-year forecasts for TPC are as follows.

The domestic MD and license business is expected to continue contributing to merchandising and other activities through the ripple effect of the movie *SHIN ULTRAMAN* from the Q2 onward. The impact of this title, which has been seen by about three million people, is expected to extend to the entire *Ultraman* brand. We also expect steady progress in sales of merchandise related to the latest TV series *Ultraman Decker* aimed at acquiring a children and family fanbase, and in other conventional measures, such as various events.

In the Chinese market, we anticipate continued growth in the Q2 and beyond, based on the success of our long-standing efforts to increase the value and awareness of *Ultraman* brand. The *Ultraman Area* within government-certified facility, the *SHANGHAI HAICHANG OCEAN PARK*, which was pre-opened in July this year, is under consideration, and we will continue working to expand touch points to *Ultraman* brand. The impact of the worried lock-down in Shanghai is only temporary, and related merchandise business for China is expected to continue to grow further.

In the North American market, we will continue to conduct market research and prepare for the development of this business in light of the favorable response in Anime Expo 2022.

DF continues to make steady progress due to orders utilizing its CG and VFX video production technologies, and will actively promote initiatives for new business domains such as metaverse as well as the video field.

PS business segment

In PS business, all of the three pachinko titles and one pachislot title scheduled to be delivered in the Q2 have been sold out after receiving orders in excess of the planned number of units, and we are already working with allied manufacturers to respond to additional orders in the Q3.

In the H2 of the fiscal year, we are planning four titles for pachinko and five titles for pachislot. Sales of all of these products are steady, including the passing of inspections, procuring parts and materials, and preparing for manufacturing. In conjunction with the significant upward trend in customer attraction in pachinko hall, sales are expected to exceed forecasts for the planned number of units.

(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.

(Note 3) The results of contents and digital and PS business segments are calculated by considering the elimination of intra-group transactions from the simple sum of the figures within the respective businesses.

(3) Overview of financial position

(Assets)

Current assets decreased by ¥13,797 million from the end of the previous fiscal year to ¥42,900 million. This was mainly due to a decrease in cash and deposits and a decrease in trade receivables.

Property, plant and equipment decreased by ¥0 million from the end of the previous fiscal year to ¥4,538 million.

Intangible assets decreased by ¥65 million from the end of the previous fiscal year to ¥2,417 million. This was mainly due to a decrease in goodwill.

Investments and other assets increased by ¥762 million from the end of the previous fiscal year to ¥7,044 million. This was mainly due to an increase in investments in capital and investment securities.

Consequently, assets decreased by ¥13,101 million from the end of the previous fiscal year to ¥56,899 million.

(Liabilities)

Current liabilities decreased by ¥11,819 million from the end of the previous fiscal year to ¥16,044 million. This was mainly due to a decrease in trade payables.

Non-current liabilities decreased by ¥913 million from the end of the previous fiscal year to ¥9,671 million. This was mainly due to a decrease in long-term borrowings.

Consequently, liabilities decreased by ¥12,733 million from the end of the previous fiscal year to ¥25,715 million.

(Net assets)

Net assets decreased by ¥367 million from the end of the previous fiscal year to ¥31,184 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 ¥7,624 million from the end of the previous fiscal year to ¥24,679 million.

(Cash flows from operating activities)

Net cash used in operating activities was ¥4,759 million (¥443 million used in the same period of the previous fiscal year). This was mainly attributable to profit before income taxes of ¥285 million, a decrease in trade payables of ¥10,128 million, a decrease in trade receivables of ¥7,150 million, an increase in inventories of ¥1,334 million and income taxes payments of ¥544 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥974 million (¥679 million used in the same period of the previous fiscal year). This was mainly due to payments for investments in capital of ¥528 million and purchase of non-current assets of ¥223 million, and purchase of investment securities of ¥200 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥1,891 million (¥1,368 million used in the same period of the previous fiscal year). This was mainly due to repayments of long-term borrowings of ¥1,257 million and dividends paid of ¥622 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, 2022)	Q1 of current consolidated fiscal year (as of June 30, 2022)
Assets		
Current assets		
Cash and deposits	32,404	24,779
Notes and accounts receivable - trade, and contract assets	12,690	5,446
Electronically recorded monetary claims - operating	708	801
Merchandise and finished goods	388	1,149
Work in process	2,874	3,305
Raw materials and supplies	1,831	1,718
Merchandising rights	3,207	3,463
Other	2,615	2,262
Allowance for doubtful accounts	(23)	(27)
Total current assets	56,698	42,900
Non-current assets		
Property, plant and equipment		
Land	1,922	1,922
Other	2,615	2,615
Total property, plant and equipment	4,538	4,538
Intangible assets		
Goodwill	1,623	1,559
Other	859	857
Total intangible assets	2,482	2,417
Investments and other assets		
Investment securities	1,429	1,709
Long-term loans receivable	215	238
Other	4,965	5,423
Allowance for doubtful accounts	(328)	(327)
Total investments and other assets	6,282	7,044
Total non-current assets	13,303	13,999
Total assets	70,001	56,899
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,128	2,982
Short-term borrowings	1,202	1,202
Current portion of long-term borrowings	5,030	4,693
Income taxes payable	608	89
Provision for bonuses	291	152
Provision for bonuses for directors (and other officers)	46	-
Other	7,556	6,923
Total current liabilities	27,864	16,044
Non-current liabilities		
Long-term borrowings	6,530	5,609
Retirement benefit liability	809	829
Asset retirement obligations	800	801
Other	2,444	2,431
Total non-current liabilities	10,584	9,671
Total liabilities	38,449	25,715

	(Unit: Millions of yen)	
	Previous consolidated fiscal year (as of March 31, 2022)	Q1 of current consolidated fiscal year (as of June 30, 2022)
Net assets		
Shareholders' equity		
Share capital	7,948	7,948
Capital surplus	7,576	7,576
Retained earnings	16,771	15,915
Treasury shares	(1,946)	(1,946)
Total shareholders' equity	30,349	29,493
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	18	22
Foreign currency translation adjustment	1	2
Remeasurements of defined benefit plans	3	2
Total accumulated other comprehensive income	23	28
Share acquisition rights	28	33
Non-controlling interests	1,150	1,629
Total net assets	31,551	31,184
Total liabilities and net assets	70,001	56,899

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

Quarterly consolidated statements of income

Q1 of the year ending March 31, 2023

	(Unit: Millions of yen)	
	Q1 of previous consolidated fiscal year (April 1, 2021 to June 30, 2021)	Q1 of current consolidated fiscal year (April 1, 2022 to June 30, 2022)
Net sales	22,930	8,243
Cost of sales	19,551	4,966
Gross profit	3,378	3,277
Selling, general and administrative expenses	3,000	3,090
Operating profit (loss)	378	186
Non-operating income		
Interest income	0	0
Dividend income	1	2
Purchase discounts	139	17
Share of profit of entities accounted for using equity method	29	66
Other	36	55
Total non-operating income	207	141
Non-operating expenses		
Interest expenses	22	23
Foreign exchange losses	2	-
Other	2	12
Total non-operating expenses	27	36
Ordinary profit (loss)	559	291
Extraordinary income		
Gain on sale of non-current assets	-	0
Total Extraordinary income	-	0
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Loss on sale of membership	-	7
Loss on litigation	0	-
Losses from coronavirus disease (COVID-19)	27	-
Total extraordinary losses	28	7
Profit (loss) before income taxes	530	285
Income taxes	83	16
Profit (loss)	446	269
Profit (loss) attributable to non-controlling interests	108	478
Profit (loss) attributable to owners of parent	338	(209)

Quarterly consolidated statements of comprehensive income

Q1 of the year ending March 31, 2022

(Unit: Millions of yen)

	Q1 of previous consolidated fiscal year (April 1, 2021 to June 30, 2021)	Q1 of current consolidated fiscal year (April 1, 2022 to June 30, 2022)
Profit (loss)	446	269
Other comprehensive income		
Valuation difference on available-for-sale securities	72	4
Foreign currency translation adjustment	0	0
Remeasurements of defined benefit plans, net of tax	(2)	(0)
Total other comprehensive income	70	5
Comprehensive income	517	274
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	409	(204)
Comprehensive income attributable to non-controlling interests	108	478

(3) Quarterly consolidated statements of cash flows

	(Unit: Millions of yen)	
	Q1 of previous consolidated fiscal year (April 1, 2021 to June 30, 2021)	Q1 of current consolidated fiscal year (April 1, 2022 to June 30, 2022)
Cash flows from operating activities		
Profit (loss) before income taxes	530	285
Depreciation	177	175
Amortization of goodwill	63	63
Increase (decrease) in allowance for doubtful accounts	(3)	2
Increase (decrease) in provision for bonuses	(141)	(139)
Increase (decrease) in provision for bonuses for directors (and other officers)	(14)	(46)
Increase (decrease) in retirement benefit liability	8	19
Interest and dividend income	(2)	(2)
Share of loss (profit) of entities accounted for using equity method	(29)	(66)
Interest expenses	22	23
Decrease (increase) in trade receivables	(979)	7,150
Decrease (increase) in inventories	(640)	(1,334)
Increase (decrease) in trade payables	718	(10,128)
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(225)	(463)
Other, net	257	266
Subtotal	(257)	(4,193)
Interest and dividends received	3	2
Interest paid	(22)	(23)
Income taxes refund (paid)	(166)	(544)
Net cash provided by (used in) operating activities	(443)	(4,759)
Cash flows from investing activities		
Purchase of property, plant and equipment	(90)	(173)
Proceeds from sale of property, plant and equipment	-	0
Purchase of intangible assets	(44)	(50)
Purchase of investment securities	(15)	(200)
Proceeds from sale of investment securities	18	15
Payments for investments in capital	(543)	(528)
Loan advances	-	(33)
Proceeds from collection of loans receivable	23	1
Other, net	(27)	(7)
Net cash provided by (used in) investing activities	(679)	(974)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(20)	-
Repayments of long-term borrowings	(1,024)	(1,257)
Dividends paid	(313)	(622)
Other, net	(10)	(11)
Net cash provided by (used in) financing activities	(1,368)	(1,891)
Effect of exchange rate change on cash and cash equivalents	0	0
Net increase (decrease) in cash and cash equivalents	(2,491)	(7,624)
Cash and cash equivalents at beginning of year	24,510	32,304
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	14	-
Cash and cash equivalents at end of period	22,033	24,679

(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)

Not applicable.

(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 Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021) has been applied from the beginning of Q1 of the current fiscal year, and the new accounting policy stipulated by the Implementation Guidance on Accounting Standard for Fair Value Measurement will be applied in the future in accordance with the transitional treatment stipulated in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no impact on the quarterly consolidated financial statements.