

Summary

(Translation)

FIELDS CORPORATION Summary of Financial Information and Consolidated Business Results for the Nine Months Ended December 31, 2020 (Year Ending March 31, 2021) (Japan GAAP)

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Listed on: TSE 1st

Company Name: FIELDS CORPORATION
(URL: <https://www.fields.biz/ir/e/>)
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Planned date for submission of the quarterly report: February 12, 2021
Planned date for start of dividend payment: —
Quarterly earnings supplementary explanatory materials: Yes
Quarterly financial briefing: No

(Rounded down to the nearest million)

1. Consolidated business results for the nine months ended December 31, 2020 (April 1, 2020 to December 31, 2020)

(1) Consolidated operating results (cumulative total)

(Percentage figures denote 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	%
Nine months ended December 31, 2020	29,182	(21.5)	(1,865)	—	(1,690)	—	(2,677)	—
Nine months ended December 31, 2019	37,165	(1.2)	(4,113)	—	(3,970)	—	(4,287)	—

(Note) Comprehensive income
Nine months ended December 31, 2020: ¥ (2,564) million (—%)
Nine months ended December 31, 2019: ¥ (4,762) million (—%)

	Profit per share	Diluted profit per share
	Yen	Yen
Nine months ended December 31, 2020	(81.77)	—
Nine months ended December 31, 2019	(129.22)	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
Nine months ended December 31, 2020	56,483	31,088	54.0
Year ended March 31, 2020	64,317	34,279	52.6

(Reference) Shareholders' equity
Nine months ended December 31, 2020: ¥ 30,514 million
Year ended March 31, 2020: ¥ 33,801 million

2. Dividends

	Annual dividends				
	Q1-end	Q2-end	Q3-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2020	—	0.00	—	10.00	10.00
Year ending March 31, 2021	—	0.00	—		
Year ending March 31, 2021 (Forecast)				10.00	10.00

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

3. Forecast of consolidated earnings for the fiscal year ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(Percentage figures denote YoY changes)

	Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full-year	(2,200)	—	(2,000)	—	(3,300)	—	(101.09)

(Note) Revision of the most recently released performance forecasts: Yes

A full-year forecast of net sales is not disclosed considering the current pachinko/pachislot market environment.

***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 policies, accounting estimates, and revisions/restatements

- 1) Changes in account policies due to the revision to the accounting standards, etc.: No
- 2) Changes in accounting policies 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 shares)

1) Number of shares issued at end of year (including treasury shares)

Nine months ended December 31, 2020	34,700,000 shares
Year ended March 31, 2020	34,700,000 shares

2) Number of treasury shares at end of year

Nine months ended December 31, 2020	2,368,300 shares
Year ended March 31, 2020	1,516,300 shares

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

Nine months ended December 31, 2020	32,744,994 shares
Nine months ended December 31, 2019	33,183,700 shares

* Summary of Financial Information and Consolidated Business Results are not subject to audit.

* Explanation of the appropriate usage of forecast earnings and other specific matters

This document contains projections of performance and other projections that were made based on information currently available and certain assumptions judged to be reasonable. The actual results may differ significantly from forecast figures due to the various factors. Please refer to (1) *Analysis of operating results and consolidated earnings forecasts* under 1. *Qualitative information on the quarterly financial results* on page two of the attached documents for details of assumptions for financial forecasts and other related matters.

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1. Qualitative information on the quarterly financial results

(1) Analysis of operating results and consolidated earnings forecasts

During the nine months ended December 31, 2020, pachinko and pachislot machine (hereinafter, “PS”) industry was affected by the stagnant trend in the market. In response to the spread of coronavirus disease (COVID-19), the government launched declaration of emergency situation in April 2020, pachinko halls refrained operating, procuring semiconductor and other manufacturing materials were delayed in manufacturers, and the deadline for removal of the old regulation machines was partly extended. As a result, we complied with declaration of emergency situation in April and May and refrained from sales activities. We resumed sales activities after declaration of emergency situation was lifted, and unit sales in the H1 ended at 16,000 units.

In the Q3 (October to December), the operation of pachinko hall rapidly recovered as the government worked to simultaneously socioeconomic activities and infection suppressing, mainly in response to the decline in the number of patients of COVID-19. In addition, new machines which is equipped with a new game function due to the revision of the internal regulation of pachinko and other, has been highly regarded in the market. As a result, the total number of units sold in the market increased compared to the H1 of the fiscal year. Under these circumstances, we planned to sell a total of 120,000 units of five titles pachinko and six titles pachislot in the H2 of the fiscal year. Of this total, we sold two pachinko titles and three pachislot titles in the Q3, resulting in a total of 52,000 units.

Tsuburaya Productions Co., Ltd. (hereinafter, “Tsuburaya Productions”) is expanding the number of *Ultraman* fans by offering video titles such as live-action and anime that are suitable for the fan base domestically and overseas through movies, TVs, and distribution. At the same time, Tsuburaya Productions is promoting a medium-term business strategy that will generate profits in both the imaging products business and merchandising. In the imaging products business, Tsuburaya Productions is making steady progress in preparing for the release of the movie *SHIN ULTRAMAN*, including the establishment of an official Twitter account and the release of special newsletters. Merchandising is also robust both domestically and overseas.

Digital Frontier Inc. (hereinafter, “DF”) continued to respond to demand for CG video production centered on domestic game companies and VFX video production from both domestic and overseas. *Alice in Borderland*, an original NETFLIX video product for which DF was involved in VFX, was launched worldwide in December last year, and has been well received, and the production of season 2 has been decided.

In other business, we have overcome the impact of the spread of coronavirus disease (COVID-19) in the H1 of the fiscal year and are making steady progress.

Consequently, consolidated operating profit for the Q3 (October to December) was ¥1.46 billion, and the consolidated results for the Q3 of the fiscal year under review were as follows: net sales of ¥29,182 million (down 21% YoY), operating loss of ¥1,865 million (¥4,113 million in the same period of the previous fiscal year), ordinary loss of ¥1,690 million (¥3,970 million in the same period of the previous fiscal year), and loss attributable to owners of parent of ¥2,677 million (¥4,287 million in the same period of the previous fiscal year).

In Q4, we planned to sell a total of 70,000 units of pachinko three titles and pachislot three titles (excluding later-remodeled machines). Based on this, we announced our full-year consolidated earnings forecasts on November 13, 2020, which are operating profit of ¥1.2 billion, ordinary profit of ¥1.2 billion and profit attributable to owners of parent of ¥350 million.

Subsequently, in the Q4, declaration of emergency situation was relaunched on January 7, and strong requests from the government and local governments to reduce the chances of going out and other contacts continued to hinder sales activities of visiting pachinko halls. In addition, the extension of declaration of emergency situation to March 7 is expected to continue the tendency for pachinko halls to refrain from purchasing new machines for the foreseeable future.

In light of these factors, we have decided to postpone the delivery of three titles in the six titles that we had planned to sell in the Q4 to the Q1 of the next fiscal year, when the spread of infections is expected to end. In the Q4 of the fiscal year under review, unit sales are expected to be 25,000 units (currently on sale) and consolidation of operating loss are expected to reach

¥340 million. As shown in Table (1), we revised the forecast for the full-year consolidated results to operating loss ¥2.2 billion, ordinary loss ¥2.0 billion, and loss attributable to owners of parent ¥3.3 billion.

The breakdown of the three titles scheduled for delivery in the Q4 and delayed to the Q1 of the next fiscal year is as follows.

Three titles which is to be delivered in Q4

Pachinko: *P CODE GEASS Lelouch of the Rebellion* (currently on sale)

Pachislot: *ZETTAI SHOGAKI III*, etc., two titles in total

Three titles postponed to the next Q1

Pachinko: *PACHINKO ULTRAMAN TARO2*, etc., two titles in total

Pachislot: one title

In the Q1 of the next fiscal year, we will sell three titles (planned total of 50,000 units) for which sales have been postponed, as well as 2-3 titles (currently under consideration) scheduled from the beginning. As a result, consolidated operating profit for the Q1 of the next fiscal year is expected to be ¥2.0 billion or more (¥(2.4) billion for the Q1 of the fiscal year under review).

Trends in sales title /unit sales and quarterly operating profit

	H1		H2				Next Q1		
	Q1	Q2	Q3	Q4			Titles postponed from the previous fiscal year	Initial sales forecast titles	Total
				Plan	Amendment	Variance			
Sales titles									
Pachinko	—	—	2	3	1	(2)	2	2-3	5-6
Pachislot	—	3	3	3	2	(1)	1		
Units sales	16,000 units		52,000 units	70,000 units	25,000 units	(50,000) units	50,000 units		
Quarterly operating profit (unit: billions of yen)	(2.40)	(0.92)	1.46	3.06	(0.34)	(3.40)	—		2.0 or more
Cumulative total operating profit (unit: billions of yen)		(3.32)	(1.86)	1.20	(2.20)	(3.40)			

Table (1) Revisions to consolidated earnings forecasts (unit: millions of yen)

	Year ended March 31, 2020	Year ending March 31, 2021		Increase (decrease)
	Results	Previous Forecast	Revised forecast	
Operating profit	713	1,200	(2,200)	(3,400)
Ordinary profit	939	1,200	(2,000)	(3,200)
Profit attributable to owners of parent	490	350	(3,300)	(3,650)

(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) Analysis of financial position

(Assets)

Current assets decreased by ¥7,564 million from the end of the previous fiscal year to ¥43,016 million. This was mainly due to a decrease in trade receivables.

Property, plant and equipment decreased by ¥266 million from the end of the previous fiscal year to ¥4,468 million. This was mainly due to a decrease in buildings and structures.

Intangible assets decreased by ¥235 million from the end of the previous fiscal year to ¥2,757 million. This was mainly due to a decrease in goodwill.

Investments and other assets increased by ¥231 million from the end of the previous fiscal year to ¥6,240 million. This was mainly due to an increase in investment securities.

Consequently, assets decreased by ¥7,834 million from the end of the previous fiscal year to ¥56,483 million.

(Liabilities)

Current liabilities decreased by ¥2,831 million from the end of the previous fiscal year to ¥15,165 million. This was mainly due to a decrease in trade payables.

Non-current liabilities decreased by ¥1,811 million from the end of the previous fiscal year to ¥10,228 million. This was mainly due to a decrease in long-term borrowings.

Consequently, liabilities decreased by ¥4,643 million from the end of the previous fiscal year to ¥25,394 million.

(Net assets)

Net assets decreased by ¥3,191 million from the end of the previous fiscal year to ¥31,088 million. This was mainly due to a decrease in retained earnings.

(Analysis of cash flows)

Cash and cash equivalents (hereinafter referred to as “cash”) for the Q3 of the current fiscal year increased by ¥198 million from the end of the previous fiscal year to ¥24,924 million.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥4,865 million (¥1,877 billion used in the same period of the previous fiscal year). This was mainly due to a loss before income taxes of ¥2,324 million, a decrease in trade receivables of ¥8,487 million, a decrease in trade payables of ¥1,693 million, a decrease in inventories of ¥733 million, and a decrease/increase in consumption taxes receivable/payable of ¥716 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥917 million (¥1,220 million provided in the same period of the previous fiscal year). This was mainly due to purchase of non-current assets of ¥447 million and payments for investments in capital of ¥260 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥3,749 million (¥5,597 million used in the same period of the previous fiscal year). This was mainly due to repayments of long-term borrowings of ¥3,990 million, purchase of treasury shares of ¥365 million and cash dividends of ¥331 million.

2. Quarterly consolidated balance sheets and important notes

(1) Quarterly consolidated balance sheets

(Unit: Millions of yen)

	Previous fiscal year (as of March 31, 2020)	End of Q3 of current fiscal year (as of December 31, 2020)
Assets		
Current assets		
Cash and deposits	24,825	25,024
Notes and accounts receivable-trade	14,171	6,955
Electronically recorded monetary claims-operating	1,087	932
Merchandise and finished goods	446	879
Work in process	4,852	4,190
Raw materials and supplies	2,574	2,068
Other	2,652	2,983
Allowance for doubtful accounts	(29)	(16)
Total current assets	50,580	43,016
Non-current assets		
Property, plant and equipment		
Land	1,644	1,645
Other	3,090	2,822
Total property, plant and equipment	4,734	4,468
Intangible assets		
Goodwill	2,156	1,938
Other	836	818
Total intangible assets	2,992	2,757
Investments and other assets		
Investment securities	1,325	1,653
Long-term loans receivable	373	369
Other	4,682	4,619
Allowance for doubtful accounts	(373)	(402)
Total investments and other assets	6,008	6,240
Total non-current assets	13,736	13,466
Total assets	64,317	56,483
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,336	7,672
Short-term borrowings	200	280
Current portion of long-term loans borrowings	5,329	3,712
Income taxes payable	127	28
Provision for bonuses	251	164
Provision for bonuses for directors (and other officers)	14	9
Other	2,736	3,297
Total current liabilities	17,996	15,165
Non-current liabilities		
Long-term borrowings	7,691	6,028
Retirement benefit liability	674	731
Asset retirement obligations	889	908
Other	2,784	2,560
Total non-current liabilities	12,040	10,228
Total liabilities	30,037	25,394

(Unit: Millions of yen)

	Previous fiscal year (as of March 31, 2020)	End of Q3 of current fiscal year (as of December 31, 2020)
Net assets		
Shareholders' equity		
Share capital	7,948	7,948
Capital surplus	7,579	7,579
Retained earnings	20,060	16,879
Treasury shares	(1,821)	(1,946)
Total shareholders' equity	33,767	30,461
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10	28
Foreign currency translation adjustment	0	0
Remeasurements of defined benefit plans	22	23
Total accumulated other comprehensive income	34	53
Share acquisition rights	—	1
Non-controlling interests	477	572
Total net assets	34,279	31,088
Total liabilities and net assets	64,317	56,483

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

Quarterly consolidated statements of income

Nine months ended December 31, 2020

(Unit: Millions of yen)

	Nine months ended December 31, 2019 (April 1, 2019–December 31, 2019)	Nine months ended December 31, 2020 (April 1, 2020–December 31, 2020)
Net sales	37,165	29,182
Cost of sales	30,829	22,027
Gross profit	6,336	7,154
Selling, general and administrative expenses	10,449	9,019
Operating profit (loss)	(4,113)	(1,865)
Non-operating income		
Interest income	16	4
Dividend income	79	2
Purchase discounts	138	14
Share of profit of entities accounted for using equity method	—	182
Distributions from investments	17	12
Other	76	93
Total non-operating income	328	309
Non-operating expenses		
Interest expenses	46	71
Share of loss of entities accounted for using equity method	61	—
Provision of allowance for doubtful accounts	19	28
Other	57	34
Total non-operating expenses	185	133
Ordinary profit (loss)	(3,970)	(1,690)
Extraordinary income		
Gain on sales of non-current assets	16	0
Gain on liquidation of subsidiaries and associates	17	—
Total extraordinary income	34	0
Extraordinary losses		
Loss on retirement of non-current assets	3	10
Loss on sales of investment securities	212	—
Loss on litigation	58	10
Losses from coronavirus disease (COVID-19)	—	609
Other	1	3
Total extraordinary losses	275	634
Profit (loss) before income taxes	(4,212)	(2,324)
Income taxes	76	267
Profit (loss)	(4,288)	(2,592)
Profit (loss) attributable to non-controlling interests	(0)	85
Profit (loss) attributable to owners of parent	(4,287)	(2,677)

Quarterly consolidated statement of comprehensive income

Nine months ended December 31, 2020

(Unit: Millions of yen)

	Nine months ended December 31, 2019 (April 1, 2019–December 31, 2019)	Nine months ended December 31, 2020 (April 1, 2020–December 31, 2020)
Profit (loss)	(4,288)	(2,592)
Other comprehensive income		
Valuation difference on available-for-sale securities	(476)	26
Foreign currency translation adjustment	0	0
Remeasurements of defined benefit plans, net of tax	1	0
Total other comprehensive income	(474)	27
Comprehensive income	(4,762)	(2,564)
Comprehensive income attributable to		
Owners of parent	(4,765)	(2,658)
Non-controlling interests	3	94

(3) Quarterly consolidated statements of cash flows

	(Unit: Millions of yen)	
	Nine months ended December 31, 2019 (April 1, 2019–December 31, 2019)	Nine months ended December 31, 2020 (April 1, 2020–December 31, 2020)
Cash flows from operating activities		
Profit (loss) before income taxes	(4,212)	(2,324)
Depreciation	1,052	611
Amortization of goodwill	419	217
Increase (decrease) in allowance for doubtful accounts	2	16
Increase (decrease) in provision for bonuses	(119)	(87)
Increase (decrease) in provision for bonuses for directors (and other officers)	(0)	(4)
Increase (decrease) in retirement benefit liability	30	57
Interest and dividend income	(96)	(6)
Share of loss (profit) of entities accounted for using equity method	61	(182)
Interest expenses	46	71
Decrease (increase) in trade receivables	3,525	8,487
Decrease (increase) in inventories	(40)	733
Decrease (increase) in merchandising rights advances	(132)	4
Increase (decrease) in trade payables	(4,337)	(1,693)
Decrease/increase in consumption taxes receivable/payable	212	(716)
Investments in capital depreciation	603	246
Other, net	1,167	(311)
Subtotal	(1,815)	5,117
Interest and dividends received	96	5
Interest paid	(46)	(71)
Income taxes (paid) refund	(112)	(186)
Net cash provided by (used in) operating activities	(1,877)	4,865
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,575)	(252)
Proceeds from sales of property, plant and equipment	48	4
Purchase of intangible assets	(385)	(194)
Proceeds from redemption of investment securities	200	—
Purchase of investment securities	(215)	(44)
Proceeds from sales of investment securities	3,593	43
Purchase of shares of subsidiaries and associates	(10)	(99)
Proceeds from sales of shares of subsidiaries and associates	1	—
Payments for investments in capital	(336)	(260)
Loan advances	—	(47)
Collection of loans receivable	46	32
Other, net	(145)	(100)
Net cash provided by (used in) investing activities	1,220	(917)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,496)	80
Proceeds from long-term borrowings	250	710
Repayments of long-term borrowings	(3,983)	(3,990)
Purchase of treasury shares	—	(365)
Dividends paid	(331)	(331)
Other, net	(35)	147
Net cash provided by (used in) financing activities	(5,597)	(3,749)
Effect of exchange rate change on cash and cash equivalents	(0)	0
Net increase (decrease) in cash and cash equivalents	(6,255)	198
Cash and cash equivalents at beginning of year	28,807	24,725
Cash and cash equivalents at end of period	22,552	24,924

- (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)
No relevant items

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

Tax expenses are calculated by reasonably estimating the effective tax rate after the application of tax effect accounting to income before income taxes for the consolidated fiscal year including the Q3 under review, and multiplying income before income taxes by this estimated effective tax rate.