

Summary

(Translation)

FIELDS CORPORATION Summary of Financial Information and Business Results (Consolidated) for the First Quarter of the Year Ending March 31, 2018 (Japan GAAP)

July 31, 2017
Listed on: TSE 1st

Company Name: FIELDS CORPORATION (URL: <http://www.fields.biz/>)
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Planned date for submission of the quarterly report: August 8, 2017
 Planned date for start of dividend payment: —
 Quarterly earnings supplementary explanatory materials: Yes
 Quarterly earnings presentation: Yes (For institutional investors and security analysts)

(Rounded down to the nearest million)

1. Consolidated business results for the first quarter of the year ending March 31, 2018 (April 1, 2017 to June 30, 2017)

(1) Operating results (cumulative total)

(Percentage figures denote YoY changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First quarter, year ending March 31, 2018	12,446	(18.6)	(2,902)	—	(3,055)	—	(2,752)	—
First quarter, year ended March 31, 2017	15,295	(10.8)	(2,997)	—	(3,241)	—	(2,340)	—

(Note) Comprehensive income First quarter of the year ending March 31, 2018: ¥(2,398) million (—%)
 First quarter of the year ended March 31, 2017: ¥(2,652) million (—%)

	Net income per share	Diluted net income per share
	Yen	Yen
First quarter, year ending March 31, 2018	(82.96)	—
First quarter, year ended March 31, 2017	(70.53)	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
First quarter, year ending March 31, 2018	70,037	39,999	55.7
Year ended March 31, 2017	80,397	43,227	52.5

(Reference) Shareholders' equity First quarter of the year ending March 31, 2018: ¥38,982 million
 Year ended March 31, 2017: ¥42,225 million

2. Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2017	—	25.00	—	25.00	50.00
Year ending March 31, 2018	—	—	—	—	—
Year ending March 31, 2018 (Forecast)	—	25.00	—	25.00	50.00

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

3. Forecast of consolidated earnings for the fiscal year ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(Percentage figures denote YoY changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full-year	82,000	7.0	1,000	—	0	—	0	—	0
	85,000	10.9	2,000	—	2,000	—	1,000	—	30.14

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

FIELDS CORPORATION discloses a full-year business forecast, as it manages its business performance on an annual basis.

***Notes**

(1) Transfer of important subsidiaries during the year under review (Transfer of specific subsidiaries that results in a change in the scope of consolidation): No

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

(3) Changes in accounting principles, accounting procedures, presentation method and other factors

1) Changes due to the revision to the accounting standards, etc.: No

2) Changes due to any reason other than those in 1) above: No

3) Changes in accounting estimates: No

4) Revisions/restatements: No

(4) Number of shares issued (common stock)

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

First quarter of the year ending March 31, 2018	34,700,000 shares
Year ended March 31, 2017	34,700,000 shares

2) Number of shares of treasury stock at end of year

First quarter of the year ending March 31, 2018	1,516,300 shares
Year ended March 31, 2017	1,516,300 shares

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

First quarter of the year ending March 31, 2018	33,183,700 shares
First quarter of the year ended March 31, 2017	33,183,744 shares

* This quarterly earnings report is not subject to review procedures based upon the Financial Instruments and Exchange Act.

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

The above forecast relies on judgments and assumptions based on information available as of the date of announcement of this material, and is subject to changes in risks, uncertainties, and economy, and other factors that could cause actual results to be materially different from expectations. Please refer to“(3) Summary of forecasts for consolidated earnings and others” under “1. Qualitative information on quarterly financial results” on page 4 of the attached documents for the assumptions on which the forecast relies.

The Company is planning to hold a results briefing for analysts and institutional investors on Tuesday, August 1, 2017. Materials distributed 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

[Overview of operations for the three months ended June 30, 2017 (April 1, 2017 to June 30, 2017)]

The FIELDS CORPORATION Group has set out a corporate philosophy, “The Greatest Leisure for All People.” To achieve this goal, the Group makes an effort to plan, develop, and provide products and services that will enrich the hearts of people of the world, aimed at realizing sustainable growth. Under its medium- to long-term growth strategy, the Group carries out a cyclical business in which it develops intellectual property (IP), such as characters and stories that are the bases of entertainment, across multimedia formats, including comics, visuals, games and pachinko/pachislot machines.

The Group has announced a three-year Medium-Term Management Plan starting in the current business year. During the current business year, the Group is concentrating on business activities focusing on improvement of earnings strength for the medium-term. The Group is also working on rebuilding its business value chain, including thoroughly strengthening the Company’s DNA, that is, its planning and production capabilities with an eye to the past and future of the market. In addition, the Group is also promoting efforts to evolve a business model aimed at maximizing its earnings from both an IP perspective and business platform perspective.

The Group’s main business activities during the first quarter under review are as follows.

In the pachinko/pachislot business, despite mounting feelings of uncertainty with respect to the market for pachinko/pachislot machines due to impacts of the recent succession of regulations, the announcement by the National Police Agency on July 11, 2017 for the “Draft Regulation Partially Amending the Ordinance for Enforcement of the Act on Control and Improvement of Amusement Business, etc. and the Regulations for the Verification of Licenses, Formats and Other Aspects of Pachinko and Pachislot Machines” has given cause for manufacturers to make a fresh start in the planning and development of pachinko/pachislot machines that are all about being easier to play.

Amid such circumstances, the Group views this regulatory amendment as a favorable opportunity, and in addition to putting effort into reviewing and expanding its lineup, the Group has further strengthened its planning and production for pachinko/pachislot machines in the next period and later. The Group also promoted various measures for strengthening its distribution infrastructure, including expanding partnerships with manufacturers.

In the visual field of the cross-media business, in addition to developing animation, such as TV broadcasts of 2 titles, including reboot works appearing in “HERO’s Monthly,” the Group also promoted the planning and production of several visual works, including the latest work in the “Ultraman Series.” Furthermore, in the license field, the Group sought to increase IP value and diversify revenue, by offering up works adapted for film to the social games and so on of other companies. The Group has also promoted measures designed for the commercialization of its IP holdings, such as promoting global licensing expansion of its original games and e-books.

In terms of developing and strengthening its management foundation, the Group proceeded with rebuilding an effective system of governance. This included changing the term of office for directors to one year. The Group also promoted a variety of measures aimed at further stabilizing its financial footing, such as utilization of idle assets and improvement of cost efficiencies.

The consolidated operating results for the first quarter under review are as follows.

The Company posted net sales of ¥12,446 million (down 18.6% YoY). The main factor was that sales of pachinko/pachislot machines were kept to a total of 27,000 machines (down 9,000 YoY), comprised of 14,000 pachinko machines (including additional orders for the highly-rated “Pachinko GANTZ,” which was released in the last fiscal year) and 12,000 pachislot machines (5 new machines were released).

The Company posted an operating loss of ¥2,902 million (compared to an operating loss of ¥2,997 million for the same period of the previous year). Despite total sales of pachinko/pachislot machines falling below the same period of the previous year as mentioned above, ongoing effort for improvements in management efficiency resulted in a decrease in SG&A expenses, which has led to the operating loss remaining on par with same period of the previous year.

The Company posted an ordinary loss of ¥3,055 million (compared to an ordinary loss of ¥3,241 million for the same period of the previous year).

The Company posted a net loss attributable to owners of parent for the period of ¥2,752 million (compared to a net loss attributable to owners of parent of ¥2,340 million for the same period of the previous year), in part due to recording gains on the sale of tangible fixed assets.

The results described above are in line with the initial plan, and the full-year earnings forecast remains unchanged.

(Note 1) Please refer to “Quarterly Earnings Supplementary Explanatory Materials for the First Quarter of the Year Ending March 31, 2018” for the initiatives for individual IPs.

(Note 2) The product names included in this report are the trademarks or registered trademarks of the respective companies.

(2) Analysis of financial position

(Assets)

Current assets amounted to ¥41,621 million, down ¥4,235 million from the end of the previous fiscal year. The principal factor behind this was a decrease in notes and accounts receivable—trade.

Tangible fixed assets amounted to ¥5,625 million, down ¥4,740 million from the end of the previous fiscal year. The principal factor behind this was a decrease in land.

Intangible fixed assets amounted to ¥2,231 million, down ¥238 million from the end of the previous fiscal year.

Investments and other assets amounted to ¥20,558 million, down ¥1,146 million from the end of the previous fiscal year. This was mainly due to a decrease in investment securities.

As a result of the above, total assets amounted to ¥70,037 million, down ¥10,360 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities amounted to ¥13,956 million, down ¥6,519 million from the end of the previous fiscal year. The principal factor behind this was a decrease in notes and accounts payable—trade.

Fixed liabilities amounted to ¥16,081 million, down ¥612 million from the end of the previous fiscal year.

As a result of the above, total liabilities amounted to ¥30,038 million, up ¥7,131 million from the end of the previous fiscal year.

(Net assets)

Net assets amounted to ¥39,999 million, down ¥3,228 million from the end of the previous fiscal year. This primarily reflected a decrease in retained earnings.

(Analysis of cash flows)

During the first quarter of the fiscal year under review, cash and cash equivalents (hereinafter referred to as “cash”) increased by ¥4,479 million from the end of the previous fiscal year, amounting to ¥27,570 million.

(Cash flows from operating activities)

Net cash used in operating activities amounted to ¥915 million (¥4,808 million of expenditure for the same period of the previous fiscal year). This was mainly due to a loss before income taxes and minority interests of ¥2,668 million, an decrease in notes and accounts payable—trade of ¥7,571 million, a decrease in notes and accounts receivable—trade of ¥8,942 million and an increase in inventories of ¥476 million.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥4,995 million (¥247 million of expenditure for the same period of the previous fiscal year). This was mainly due to proceeds from repayments of loans totaling ¥588 million, expenditure for loans totaling ¥2,350 million, proceeds from the sale of fixed assets totaling ¥5,254 million, and proceeds from the sale of shares in affiliates totaling ¥2,201 million.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥397 million (¥3,521 million of expenditure for the same period of the previous fiscal year). This was mainly attributable to proceeds from short-term borrowings totaling ¥1,856 million, repayment of long-term borrowings totaling ¥650 million, and dividends paid totaling ¥802 million.

(3) Summary of forecasts for consolidated earnings and others

(Unit: Millions of yen)

	Forecast for the year ending March 31, 2018	Results for the year ended March 31, 2017	YoY
Net sales	82,000–85,000	76,668	7.0%–10.9% increase
Operating income	1,000–2,000	(5,374)	—
Ordinary income	0–2,000	(9,068)	—
Net income attributable to owners of parent	0–1,000	(12,483)	—

The consolidated earnings forecasts for the year ending March 31, 2018 remain unchanged from those stated in the “Summary of Financial Information and Business Results (Consolidated) for the Year Ended March 31, 2017,” released on May 9, 2017, as mentioned in “(1) Analysis of operating results” above.

2. Quarterly consolidated balance sheets and important notes

(1) Quarterly consolidated balance sheets

	(Unit: Millions of yen)	
	Fiscal year ended March 31, 2017 (as of March 31, 2017)	Three months ended June 30, 2017 (as of June 30, 2017)
Assets		
Current assets		
Cash and cash equivalents	23,190	27,670
Notes and accounts receivable—trade	12,727	5,217
Electronically recorded monetary claims—operating	2,108	1,294
Merchandise and products	650	131
Work in process	686	1,480
Raw materials and supplies	87	88
Other current assets	6,478	5,810
Allowance for doubtful accounts	(73)	(71)
Total current assets	45,856	41,621
Fixed assets		
Tangible fixed assets		
Land	7,206	2,257
Other tangible fixed assets	3,159	3,368
Total tangible fixed assets	10,366	5,625
Intangible fixed assets		
Goodwill	1,007	926
Other intangible fixed assets	1,461	1,305
Total intangible fixed assets	2,469	2,231
Investments and other assets		
Investment securities	8,223	6,402
Long-term loans	8,156	9,538
Other assets	5,469	4,762
Allowance for doubtful accounts	(144)	(144)
Total investments and other assets	21,705	20,558
Total fixed assets	34,540	28,416
Total assets	80,397	70,037
Liabilities		
Current liabilities		
Notes and accounts payable—trade	12,792	4,875
Short-term borrowings	281	2,137
Current portion of long-term borrowings	2,600	2,600
Accrued income taxes	126	52
Accrued bonuses	357	167
Accrued bonuses to directors and auditors	—	25
Reserve for returned goods unsold	22	22
Other current liabilities	4,295	4,075
Total current liabilities	20,475	13,956
Fixed liabilities		
Long-term borrowings	12,607	11,957
Net defined benefit liability	615	628
Other fixed liabilities	3,471	3,495
Total fixed liabilities	16,694	16,081
Total liabilities	37,170	30,038

(Unit: Millions of yen)

	Fiscal year ended March 31, 2017 (as of March 31, 2017)	Three months ended June 30, 2017 (as of June 30, 2017)
Net assets		
Shareholders' equity		
Common stock	7,948	7,948
Capital surplus	7,994	7,994
Retained earnings	30,035	26,452
Treasury stock	(1,821)	(1,821)
Total shareholders' equity	44,156	40,573
Accumulated other comprehensive income		
Unrealized holding gain on available-for-sale securities	(1,836)	(1,508)
Foreign currency translation adjustment	0	0
Remeasurements of defined benefit plans	(94)	(83)
Total accumulated other comprehensive income	(1,930)	(1,590)
Non-controlling interest	1,002	1,016
Total net assets	43,227	39,999
Total liabilities and net assets	80,397	70,037

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

Quarterly consolidated statements of income

First quarter of the year ending March 31, 2018

(Unit: Millions of yen)

	Three months ended June 30, 2016 (April 1, 2016–June 30, 2016)	Three months ended June 30, 2017 (April 1, 2017–June 30, 2017)
Net sales	15,295	12,446
Cost of sales	12,807	10,484
Gross profit	2,487	1,961
Selling, general and administrative expenses	5,485	4,864
Operating income (loss)	(2,997)	(2,902)
Non-operating income		
Interest income	22	29
Dividend income	74	74
Discounts on purchases	95	67
Others	77	76
Total non-operating income	269	248
Non-operating expenses		
Interest expenses	8	20
Equity method investment loss	410	305
Amortization of equity investment	34	69
Others	60	6
Total non-operating expenses	513	400
Ordinary income (loss)	(3,241)	(3,055)
Extraordinary income		
Gain on sale of fixed assets	4	555
Others	—	0
Total extraordinary income	4	555
Extraordinary losses		
Provision for loss on liquidation of subsidiaries and associates	320	—
Loss on discontinuation of production	20	58
Loss on litigation charges	28	106
Others	17	3
Total extraordinary losses	385	168
Income (loss) before income taxes and non-controlling interests	(3,622)	(2,668)
Income taxes	(1,251)	70
Net income (loss)	(2,370)	(2,739)
Net income (loss) attributable to non-controlling interests	(30)	13
Net income (loss) attributable to owners of parent	(2,340)	(2,752)

Quarterly consolidated statements of comprehensive income

First quarter of the year ending March 31, 2018

	(Unit: Millions of yen)	
	Three months ended June 30, 2016 (April 1, 2016–June 30, 2016)	Three months ended June 30, 2017 (April 1, 2017–June 30, 2017)
Net income (loss)	(2,370)	(2,739)
Other comprehensive income		
Unrealized holding gain on available-for-sale securities	(292)	329
Foreign currency translation adjustment	1	0
Remeasurements of defined benefit plans, before tax	9	11
Total other comprehensive income	(281)	340
Comprehensive income	(2,652)	(2,398)
(Breakdown)		
Comprehensive income attributable to owners of parent	(2,622)	(2,413)
Comprehensive income attributable to non-controlling interests	(29)	14

(3) Quarterly consolidated statements of cash flows

(Unit: Millions of yen)

	Three months ended June 30, 2016 (April 1, 2016–June 30, 2016)	Three months ended June 30, 2017 (April 1, 2017–June 30, 2017)
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	(3,622)	(2,668)
Depreciation and amortization	507	324
Amortization of goodwill	80	81
Increase (decrease) in allowance for doubtful accounts	(1)	(2)
Increase (decrease) in accrued bonuses	(196)	(190)
Increase (decrease) in accrued bonuses to directors and auditors	(146)	25
Increase (decrease) in net defined benefit liability	35	24
Interest and dividend income	(96)	(103)
Equity method investment loss (gain)	410	305
Interest expense	8	20
Decrease (increase) in notes and accounts receivable—trade	4,786	8,942
Decrease (increase) in inventories	(797)	(476)
Decrease (increase) in merchandising right advances	(393)	68
Increase (decrease) in notes and accounts payable—trade	(5,672)	(7,571)
Others	921	812
Subtotal	(4,177)	(407)
Interest and dividends received	111	119
Interest paid	(8)	(20)
Income taxes (paid) refund	(733)	(607)
Net cash provided by (used in) operating activities	(4,808)	(915)
Cash flows from investing activities		
Purchases of tangible fixed assets	(149)	(428)
Proceeds from sale of tangible fixed assets	54	5,254
Purchases of intangible fixed assets	(29)	(117)
Expenditure for acquiring shares in affiliates	—	(10)
Proceeds from sales of shares of subsidiaries and associates	—	2,201
Expenditure for loans	(1,528)	(2,350)
Collection of loans receivable	2,117	588
Others	(714)	(142)
Cash flows from investing activities	(247)	4,995
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,459)	1,856
Repayment of long-term borrowings	(3)	(650)
Dividends paid	(805)	(802)
Others	(252)	(5)
Net cash provided by (used in) financing activities	(3,521)	397
Effect of exchange rate changes on cash and cash equivalents	(23)	1
Increase (decrease) in cash and cash equivalents	(8,601)	4,479
Cash and cash equivalents at beginning of the year	32,200	23,090
Cash and cash equivalents at end of period	23,598	27,570

(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)

Assessment of tax expenses

The Company makes a reasonable estimate of the effective tax rate after the application of tax effect accounting on income before income taxes for the year ending March 31, 2018, including the three months ended June 30, 2017, and calculates tax expenses by multiplying income before income taxes during the three months ended June 30, 2017 by the estimated effective tax rate.