

Summary

(Translation)

FIELDS CORPORATION Summary of Financial Information and Business Results (Consolidated) for the First Quarter of the Year Ending March 31, 2017 (Japan GAAP)

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Company Name: FIELDS CORPORATION
(URL: <http://www.fields.biz/>)
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Planned date for submission of the quarterly report: August 8, 2016
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, 2017 (April 1, 2016 to June 30, 2016)

(1) Operating results (cumulative total) (Percentage figures denote year-over-year 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, 2017	15,295	(10.8)	(2,997)	—	(3,241)	—	(2,340)	—
First quarter, year ended March 31, 2016	17,140	129.8	(1,005)	—	(864)	—	(867)	—

(Note) Comprehensive income First quarter of the year ending March 31, 2017: ¥(2,652) million (—%)
First quarter of the year ended March 31, 2016: ¥(681) million (—%)

	Net income per share	Diluted net income per share
	Yen	Yen
First quarter, year ending March 31, 2017	(70.53)	—
First quarter, year ended March 31, 2016	(26.15)	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
First quarter, year ending March 31, 2017	80,542	54,564	66.9
Year ended March 31, 2016	92,478	58,291	62.0

(Reference) Shareholders' equity First quarter of the year ending March 31, 2017: ¥53,852 million
Year ended March 31, 2016: ¥57,304 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, 2016	—	25.00	—	25.00	50.00
Year ending March 31, 2017	—				
Year ending March 31, 2017 (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, 2017 (April 1, 2016 to March 31, 2017)

(Percentage figures denote year-over-year 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	115,000	21.7	2,000	41.7	2,000	44.9	1,000	742.7	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.: Yes
- 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, 2017	34,700,000 shares
Year ended March 31, 2016	34,700,000 shares

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

First quarter of the year ending March 31, 2017	1,516,300 shares
Year ended March 31, 2016	1,516,200 shares

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

First quarter of the year ending March 31, 2017	33,183,774 shares
First quarter of the year ended March 31, 2016	33,183,800 shares

* Indication of status of quarterly review procedure

This quarterly earnings report is not subject to review procedures based upon the Financial Instruments and Exchange Act. Thus, at the time of disclosure of the financial results, the quarterly financial statement review procedures based upon the Financial Instruments and Exchange Act have not been completed.

* 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) Review of consolidated earnings forecasts and other forecasts” 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 Monday, August 1, 2016. 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 quarterly financial results

(1) Analysis of operating results

[1] Overview of operations for the three months ended June 30, 2016 (April 1, 2016 to June 30, 2016)

The Fields 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, aiming 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.

In the fiscal year under review, in order to enhance the IP value and improve profitability, the Group has been concentrating investments in a series of IP that are expected to become major products, and been accelerating the expansion of IP on a domestic and global scale through cooperation with its partners both in Japan and overseas.

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

In the comic field, the e-book market leveraging devices such as smartphones and tablet PCs is expanding steadily, while the market size for published materials is shrinking.

While continuing to focus on the creation of heroes IP, primarily through the comic “HERO’S Monthly,” the Group worked on several visual projects on stories published in this comic. In addition, the Group has accelerated the distribution of comics in the e-book platform in China and has expanded such distribution in Japan as well.

In the visual field, with the introduction of new platforms including SVOD (Subscription Video On Demand), it is anticipated that the market will expand remarkably both in Japan and overseas.

The Group focused on the production of films looking ahead to global expansion, with the cooperation of SVOD operators in the U.S. and China, and carried out various measures targeting multimedia expansion. With regard to two titles for which TV broadcasting started in July 2016, multimedia development over the games and items is in progress in addition to global distribution.

The games field has performed steadily as the expansion of platforms centering on the social game market has driven growth in the number of players.

Since July 2016, the Group has proactively carried out promotional activities to expand the fan base for titles in which the profitability and game elements had been improved. In addition, the Group has made an effort to establish a new partnership framework through authorizing licenses to overseas operators.

In the live entertainment field, the market size is expanding mainly in musicals and dramas.

The Group focused on proactively promoting live entertainment shows in Japan and planning and developing of live entertainment shows to be performed overseas mainly Southeast Asia.

In the license field, the Group strengthened activities to find market opportunities both in Japan and overseas through implementing new usage of popular characters and licensing for clothing such characters in apparel for adults.

The Group has accelerated the development of a conceptual brand, “A MAN of ULTRA,” in order to expand areas for the IP business and to establish a new licensing business.

In the pachinko/pachislot field, although the market environment remains unstable, efforts have been made to accelerate a shift to new regulation machines that have reduced high-stakes gambling elements for the purpose of restoring the industry’s soundness.

The Group has carried out a number of measures to strengthen product appeal, improve services as a distributor and trading company, and expand the fan base. During the first quarter under the review, the Group concentrated on the sale of the products which have superior game and entertainment elements using HERO’S IP and major IP from other firms, and sold 36,000 machines in five titles (down 7,000 machines year-over-year).

As a result of the above, the Company posted net sales of ¥15,295 million (down 10.8% year-over-year), operating loss of ¥2,997 million (versus operating loss of ¥1,005 million for the same period of the previous year), ordinary loss of ¥3,241 million (versus ordinary loss of ¥864 million for the same period of the previous year), and net loss attributable to owners of parent for the period totaling ¥2,340 million (versus net loss attributable to owners of parent of ¥867 million for the same period of the previous year).

(Note 1) The product names included in this report are the trademarks or registered trademarks of the respective companies.

(Note 2) Please refer to “Quarterly Earnings Supplementary Explanatory Materials for the First Quarter of the Year Ending March 31, 2017” for main initiatives for IP.

(2) Analysis of financial position

(Assets)

Current assets amounted to ¥41,968 million, down ¥10,966 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 ¥11,313 million, down ¥134 million from the end of the previous fiscal year.

Intangible fixed assets amounted to ¥3,329 million, down ¥416 million from the end of the previous fiscal year. The principal factor behind this was a decrease in software.

Investments and other assets amounted to ¥23,930 million, down ¥417 million from the end of the previous fiscal year. The principal factor behind this was a decrease in long-term loans.

As a result of the above, total assets stood at ¥80,542 million, down ¥11,936 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities amounted to ¥21,646 million, down ¥8,163 million from the end of the previous fiscal year. The principal factors behind this were a decrease in notes and accounts payable—trade and a decrease in short-term borrowings.

Fixed liabilities amounted to ¥4,331 million, down ¥45 million from the end of the previous fiscal year.

As a result of the above, total liabilities stood at ¥25,977 million, down ¥8,208 million from the end of the previous fiscal year.

(Net assets)

Net assets amounted to ¥54,564 million, down ¥3,727 million from the end of the previous fiscal year. This primarily reflected a decrease in retained earnings.

(Analysis of cash flows)

Cash and cash equivalents (hereinafter referred to as “cash”) decreased by ¥8,601 million from the end of the previous fiscal year, amounting to ¥23,598 million during the first quarter under review.

(Cash flows from operating activities)

Net cash used in operating activities amounted to ¥4,808 million (¥5,334 million of expenditure for the same period of the previous year). This was mainly attributable to loss before income taxes and non-controlling interests totaling ¥3,622 million, a decrease in notes and accounts payable—trade totaling ¥5,672 million, a decrease in notes and accounts receivable—trade totaling ¥4,786 million and an increase in inventories totaling ¥797 million.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥247 million (¥75 million of revenue for the same period of the previous year). This was mainly attributable to proceeds from repayments of loans totaling ¥2,117 million, expenditure for loans totaling ¥1,528 million and expenditure for equity investment totaling ¥493 million.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥3,521 million (¥5,445 million of revenue for the same period of the previous fiscal year). This was primarily attributable to expenditure for short-term borrowings totaling ¥2,459 million and dividends paid totaling ¥805 million.

(3) Review of consolidated earnings forecasts and other forecasts

(Unit: Millions of yen)

	Forecast for the year ending March 31, 2017	Results for the year ended March 31, 2016	Year-over-year changes
Net sales	115,000	94,476	up 21.7%
Operating income	2,000	1,411	up 41.7%
Ordinary income	2,000	1,380	up 44.9%
Net income attributable to owners of parent	1,000	118	up 742.7%

The consolidated earnings forecasts for the year ending March 31, 2017 remain unchanged from those stated in the Summary of Financial Information and Business Results (Consolidated) for the Year Ended March 31, 2016, released on April 27, 2016.

2. Summary information (notes)

(1) Transfer of important subsidiaries during the quarterly consolidated period under review

None

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

Assessment of tax expenses

The Company applies the method that reasonably estimates an effective tax rate to be assessed on income before income taxes for the year ending March 31, 2017, including this three months ended June 30, 2016, after accounting for the tax effects, and multiplies income before income taxes during the three months ended June 30, 2015 by such estimated effective tax rate.

(3) Changes in accounting principles and accounting estimates, and revisions/restatements

(Changes in accounting policies)

Pursuant to an amendment to the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (Practical Issue Task Force No.32, June 17, 2016), effective from the first quarter of the consolidated fiscal year under review. As a result, the depreciation method for building fixtures and structures acquired on or after April 1, 2016 has been changed from the declining-balance method to the straight-line method. The application of this standard has no material impact on operating loss, ordinary loss, and loss before income taxes and non-controlling interests in the first quarter of the consolidated fiscal year under review.

3. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Unit: Millions of yen)

	Fiscal year ended March 31, 2016 (as of March 31, 2016)	Three months ended June 30, 2016 (as of June 30, 2016)
Assets		
Current assets		
Cash and cash equivalents	32,200	23,698
Notes and accounts receivable—trade	8,562	4,692
Electronically recorded monetary claims—operating	1,142	1,238
Merchandise and products	346	365
Work in process	2,596	3,372
Raw materials and supplies	78	80
Other current assets	8,027	8,537
Allowance for doubtful accounts	(20)	(18)
Total current assets	52,934	41,968
Fixed assets		
Tangible fixed assets		
Land	7,550	7,500
Other tangible fixed assets	3,897	3,812
Total tangible fixed assets	11,447	11,313
Intangible fixed assets		
Goodwill	1,298	1,218
Other intangible fixed assets	2,448	2,111
Total intangible fixed assets	3,746	3,329
Investments and other assets		
Investment securities	9,716	9,056
Long-term loans	9,729	8,801
Other assets	6,095	7,091
Allowance for doubtful accounts	(1,193)	(1,017)
Total investments and other assets	24,348	23,930
Total fixed assets	39,543	38,573
Total assets	92,478	80,542
Liabilities		
Current liabilities		
Notes and accounts payable—trade	12,749	6,975
Short-term borrowings	11,414	8,954
Current portion of long-term borrowings	8	4
Accrued income taxes	690	36
Accrued bonuses	375	178
Accrued bonuses to directors and auditors	214	67
Reserve for returned goods unsold	22	22
Provision for losses on contracts	77	77
Provision for loss on liquidation of affiliates	—	320
Other current liabilities	4,256	5,007
Total current liabilities	29,809	21,646
Fixed liabilities		
Net defined benefit liability	643	665
Other fixed liabilities	3,732	3,665
Total fixed liabilities	4,376	4,331
Total Liabilities	34,186	25,977

(Unit: Millions of yen)

	Fiscal year ended March 31, 2016 (as of March 31, 2016)	Three months ended June 30, 2016 (as of June 30, 2016)
Net assets		
Shareholders' equity		
Common stock	7,948	7,948
Capital surplus	7,994	7,994
Retained earnings	44,177	41,007
Treasury stock	(1,821)	(1,821)
Total shareholders' equity	58,298	55,128
Accumulated other comprehensive income		
Unrealized holding gain on available-for-sale securities	(862)	(1,155)
Foreign currency translation adjustment	(2)	(0)
Remeasurements of defined benefit plans	(130)	(120)
Total accumulated other comprehensive income	(994)	(1,276)
Non-controlling interest	987	712
Total net assets	58,291	54,564
Total liabilities and net assets	92,478	80,542

(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, 2017

(Unit: Millions of yen)

	Three months ended June 30, 2015 (April 1, 2015–June 30, 2015)	Three months ended June 30, 2016 (April 1, 2016–June 30, 2016)
Net sales	17,140	15,295
Cost of sales	12,190	12,807
Gross profit	4,950	2,487
Selling, general and administrative expenses	5,956	5,485
Operating income (loss)	(1,005)	(2,997)
Non-operating income		
Interest income	10	22
Dividend income	77	74
Discounts on purchase	323	95
Others	86	77
Total non-operating income	499	269
Non-operating expenses		
Interest expense	7	8
Equity method investment loss	264	410
Amortization of equity investment	61	34
Others	24	60
Total non-operating expenses	357	513
Ordinary income (loss)	(864)	(3,241)
Extraordinary income		
Gain on sale of fixed assets	22	4
Total extraordinary income	22	4
Extraordinary losses		
Provision for loss on liquidation of subsidiaries	—	320
Loss on disposal of fixed assets	24	20
Loss on litigation charges	5	28
Others	2	17
Total extraordinary losses	32	385
Income (loss) before income taxes and non-controlling interests	(874)	(3,622)
Current income taxes	(131)	(1,251)
Net income (loss)	(743)	(2,370)
Net income (loss) attributable to non-controlling interests	123	(30)
Net loss attributable to owners of parent	(867)	(2,340)

Quarterly consolidated statements of comprehensive income

First quarter of the year ending March 31, 2017

(Unit: Millions of yen)

	Three months ended June 30, 2015 (April 1, 2015–June 30, 2015)	Three months ended June 30, 2016 (April 1, 2016–June 30, 2016)
Net income (loss)	(743)	(2,370)
Other comprehensive income		
Unrealized holding gain on available-for-sale securities	55	(292)
Foreign currency translation adjustment	(1)	1
Remeasurements of defined benefit plans	7	9
Total other comprehensive income	62	(281)
Comprehensive income	(681)	(2,652)
(Breakdown)		
Comprehensive income attributable to owners of the parent	(805)	(2,622)
Comprehensive income attributable to non-controlling interests	123	(29)

(3) Quarterly consolidated statements of cash flows

(Unit: Millions of yen)

	Three months ended June 30, 2015 (April 1, 2015–June 30, 2015)	Three months ended June 30, 2016 (April 1, 2016–June 30, 2016)
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	(874)	(3,622)
Depreciation and amortization	517	507
Amortization of goodwill	85	80
Increase (decrease) in allowance for doubtful accounts	(3)	(1)
Increase (decrease) in accrued bonuses	(279)	(196)
Increase (decrease) in accrued bonuses to directors and auditors	(211)	(146)
Increase (decrease) in net defined benefit liability	27	35
Interest and dividend income	(88)	(96)
Equity method investment loss (gain)	264	410
Interest expense	7	8
Decrease (increase) in notes and accounts receivable—trade	24,506	4,786
Decrease (increase) in inventories	(672)	(797)
Decrease (increase) in merchandising rights advances	617	(393)
Increase (decrease) in notes and accounts payable—trade	(26,148)	(5,672)
Others	(884)	921
Subtotal	(3,136)	(4,177)
Interest and dividends received	105	111
Interest paid	(7)	(8)
Income taxes refunded (paid)	(2,296)	(733)
Net cash provided by (used in) operating activities	(5,334)	(4,808)
Cash flows from investing activities		
Purchases of tangible fixed assets	(296)	(149)
Purchases of intangible fixed assets	(376)	(29)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	652	—
Expenditure for acquiring shares in affiliates	(100)	—
Expenditure for loans	(1,393)	(1,528)
Proceeds from repayment of loans	1,427	2,117
Others	162	(659)
Net cash provided by (used in) investing activities	75	(247)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	6,670	(2,459)
Repayment of long-term borrowings	(13)	(3)
Dividends paid	(1,107)	(805)
Others	(103)	(252)
Net cash provided by (used in) financing activities	5,445	(3,521)
Effect of exchange rate changes on cash and cash equivalents	—	(23)
Increase (decrease) in cash and cash equivalents	185	(8,601)
Cash and cash equivalents at beginning of period	15,823	32,200
Cash and cash equivalents at end of period	16,009	23,598

(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)
Three months ended June 30, 2016 (April 1, 2016 to June 30, 2016)
No relevant items