Summary

(Translation)

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

November 9, 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: November 13, 2017
Planned date for start of dividend payment: December 1, 2017
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 half of the year ending March 31, 2018 (April 1, 2017 to September 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 half of the year ending March 31, 2018	35,213	32.1	(2,780)	—	(3,288)	—	(3,289)	—
First half of the year ended March 31, 2017	26,659	(47.0)	(6,275)	—	(6,828)	—	(4,856)	—

(Note) Comprehensive income First half of the year ending March 31, 2018: ¥ (2,960) million (— %)
First half of the year ended March 31, 2017: ¥ (5,507) million (— %)

	Net income per share	Diluted net income per share
	Yen	Yen
First half of the year ending March 31, 2018	(99.13)	—
First half of the year ended March 31, 2017	(146.34)	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
First half of the year ending March 31, 2018	73,702	38,426	51.5
Year ended March 31, 2017	80,397	43,227	52.5

(Reference) Shareholders' equity First half of the year ending March 31, 2018: ¥ 37,924 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	—	25.00			
Year ending March 31, 2018 (Forecast)			—	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—85,000	7.0—10.9	1,000—2,000	—	0—2,000	—	0—1,000	—	0.00—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 half 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 half 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 half of the year ending March 31, 2018	33,183,700 shares
First half of the year ended March 31, 2017	33,183,737 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 the 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 Friday, November 10, 2017. Materials distributed at that briefing will be posted on the Company's website after the briefing as soon as possible.

Table of contents of Attached Document

1. Qualitative information on the quarterly financial results

(1) Analysis of operating results

[Overview of operations for the 6 months ended September 30, 2017 (April 1 to September 30, 2017)]

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 (hereinafter, “PS”) machines.

The Group is promoting 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- to long-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 second quarter under review are as follows.

In the PS business, the deadline for selling so-called regulation 5.5 machines came on September 30, 2017. In this kind of environment, the Group focused on increasing sales of pachislot machines. As one strategy for this, of the Group launched measures such as new alliances with major manufacturers and sales support, and the Group released 15 machines. The Group also proceeded to restructure its selling and development strategies, including reviewing its lineup with affiliated manufacturers, in response to amendment of the Regulation for Enforcement of the Amusement Businesses Act,* which was promulgated on September 4, 2017.

In the cross-media business, as the entertainment market continues to expand globally, the Group developed visual for five IPs, including for the latest work in the “Ultraman Series.” In parallel with domestic and international distribution of visual, the Group also proceeded to expand licensing to games and goods. The Group also promoted a variety of measures for several visual works that are scheduled for release and broadcasting in the second half of this year or later. In addition, in the comic field, the Group made investments which will help to strengthen the e-books business.

In terms of developing and strengthening its management foundation, ongoing effort for improvements in management efficiency as well as the enhanced system of governance resulted in a decrease in SG&A expenses. The Group also sought to stabilize its financial footing by selling idle assets.

The activities described above are essentially in line with the Group’s initial plan.

*“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,” coming into effect on February 1, 2018

The consolidated operating results for the second quarter of the fiscal year under review are as follows.

(Unit: Millions of yen)

	6 months ended September 30, 2016	6 months ended September 30, 2017	YoY	
			Change	Change (%)
Net sales	26,659	35,213	+8,554	+32.1%
Operating income	(6,275)	(2,780)	+3,495	—
Ordinary income	(6,828)	(3,288)	+3,540	—
Net income attributable to owners of parent	(4,856)	(3,289)	+1,566	—

The Company posted a net sales of ¥35,213 million (up ¥8,554 million YoY). The main factor was that sales of PS machines totaled 99,000 machines (up 26,000 YoY). With no new titles being released, sales of pachinko machines were kept to 30,000 machines (down 14,000 YoY), whereas the release of 15 new pachislot machines resulted in 69,000 machines being recorded (up 40,000 YoY).

The Company posted an operating loss of ¥2,780 million, an improvement of ¥3,495 million from the same period of the previous year. Along with the sales of PS machines rising above the same period of the previous year as mentioned above, SG&A expenses decreased as a result of ongoing effort for improvements in management efficiency.

The Company posted an ordinary loss of ¥3,288 million, an improvement of ¥3,540 million from the same period of the previous year. Extraordinary income of ¥557 million was recorded due in part to the sale of idle assets, and extraordinary losses of ¥263 million were also recorded. As a result, the Company posted a net loss attributable to owners of parent of ¥3,289 million, an improvement of ¥1,566 million from the same period of the previous year.

(Note 1) Please refer to “Quarterly Earnings Supplementary Explanatory Materials for the First Half 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 ¥45,958 million, up ¥101 million from the end of the previous fiscal year.

Tangible fixed assets amounted to ¥5,600 million, down ¥4,766 million from the end of the previous fiscal year. The principal factor behind this was a decrease in idle assets (land).

Intangible fixed assets amounted to ¥2,056 million, down ¥413 million from the end of the previous fiscal year.

Investments and other assets amounted to ¥20,087 million, down ¥1,617 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 ¥73,702 million, down ¥6,695 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities amounted to ¥19,845 million, down ¥629 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 ¥15,429 million, down ¥1,264 million from the end of the previous fiscal year. The principal factor behind this was a decrease in long-term borrowings.

As a result of the above, total liabilities amounted to ¥35,275 million, down ¥1,894 million from the end of the previous fiscal year.

(Net assets)

Net assets amounted to ¥38,426 million, down ¥4,800 million from the end of the previous fiscal year. This primarily reflected a decrease in retained earnings.

(Analysis of cash flows)

During the first half of the fiscal year under review, cash and cash equivalents (hereinafter referred to as “cash”) increased by ¥3,573 million from the end of the previous fiscal year, amounting to ¥26,663 million.

(Cash flows from operating activities)

Net cash used in operating activities amounted to ¥912 million (¥7,575 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 ¥2,994 million, decrease in notes and accounts payable—trade of ¥3,102 million, a decrease in notes and accounts receivable—trade of ¥3,883 million and an increase in inventories of ¥1,407 million.

(Cash flows from investing activities)

Net cash provided by investing activities amounted to ¥4,905 million (¥1,511 million of expenditure for the same period of the previous fiscal year). This was mainly due to collection of loans receivable totaling ¥1,815 million, payments of loans receivable totaling ¥3,150 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 used in financing activities amounted to ¥419 million (¥1,522 million of revenue for the same period of the previous fiscal year). This was mainly attributable to increase in short-term loans payable totaling ¥2,729 million, repayments of long-term loans payable totaling ¥1,300 million, dividends paid totaling ¥828 million, and payments from changes in ownership interests in subsidiaries that do not result in changes in scope of consolidation totaling ¥955 million.

(3) Summary of forecasts for consolidated earnings and others

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 (see table below).

(Unit: Millions of yen)

	Results for the year ended March 31, 2017	Forecast for the year ending March 31, 2018	YoY	
			Change	Change (%)
Net sales	76,668	82,000–85,000	+5,332– 8,332	+7.0–10.9%
Operating income	(5,374)	1,000– 2,000	+6,374– 7,374	—
Ordinary income	(9,068)	0– 2,000	+9,068– 11,068	—
Net income attributable to owners of parent	(12,483)	0– 1,000	+12,483– 13,483	—

[Progress of the Medium-Term Management Plan]

The Group has formulated a three-year Medium-term Management Plan starting in the current business year, with performance targets in the fiscal year ending March 31, 2020 of ¥81,000–88,000 million in net sales and ¥5,000–7,000 million in ordinary income. Progress up until now toward achieving these medium-term performance targets is as below.

1. PS business platform

– Execution of agreement with Sammy Corporation for the sale of PS machines, and sale of RODEO Co., Ltd. shares aimed at improving management efficiency (June 2017)
– Sales cooperation for pachislot machine made by Daxel Inc. of the Daikoku Denki Group (July 2017)
– Development/sales cooperation for pachislot machine made by EXCITE Co., Ltd. of the NewGin Group (August 2017)
– Agreement for a mutual sales structure and sales of PS machines made by MIZUHO CORP. of the Universal Entertainment Group (September 2017)
– Preparations for establishment of new branch (showroom) designed to improve sales efficiency (April 2017)
– Development subsidiary made wholly-owned subsidiary (July 2017)

2. Cross-media business platform

(1) Visual field
– Development of visual for 6 IP
・ Apr.–Sep.: *BERSERK, ATOM THE BEGINNING, HURRICANE POLIMAR, Altair: A Record of Battles, ULTRAMAN GEED*
・ Oct.–Dec.: *Infini-T Force*
– Variety of measures promoted for 4 IP scheduled for broadcasting and/or release
– Licensing expansion to games of other companies, etc. (April 2017)
– Development of VR production using the *Ultraman Series* (October 2017)

(2) Publishing/comic field
– Acquisition of shares in No9 Inc. (September 2017)

(3) Games field
– Distribution of *THE TOWER OF PRINCESS* (overseas edition) commenced in Taiwan, Hong Kong and Macao (July 2017)
– *AKB48 StageFighter2 BattleFestival* service commenced (October 2017)
– *THE TOWER OF PRINCESS* (domestic edition) service concluded (tentative) (November 2017)

(4) New business platforms, etc.
– Provision of IP to trading card game announced (November 2017)

3. Development and strengthening of management foundation

(1) Strengthening of governance system
– Change in term of office for directors (June 2017)

(2) Improvements in management efficiency
– Establishment of IP Marketing Office designed to strengthen IP-focused management functions (April 2017)
– Sale of land and other idle assets (April 2017)
– Restructuring of internal systems, including through shift to cloud computing (July 2017)

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)	6 months ended September 30, 2017 (as of September 30, 2017)
Assets		
Current assets		
Cash and cash equivalents	23,190	26,763
Notes and accounts receivable—trade	12,727	10,396
Electronically recorded monetary claims—operating	2,108	1,271
Merchandise and products	650	1,224
Work in process	686	1,520
Raw materials and supplies	87	87
Other current assets	6,478	4,749
Allowance for doubtful accounts	(73)	(54)
Total current assets	45,856	45,958
Fixed assets		
Tangible fixed assets		
Land	7,206	2,257
Other tangible fixed assets	3,159	3,342
Total tangible fixed assets	10,366	5,600
Intangible fixed assets		
Goodwill	1,007	844
Other intangible fixed assets	1,461	1,211
Total intangible fixed assets	2,469	2,056
Investments and other assets		
Investment securities	8,223	6,419
Long-term loans receivable	8,156	8,743
Other assets	5,469	5,150
Allowance for doubtful accounts	(144)	(225)
Total investments and other assets	21,705	20,087
Total fixed assets	34,540	27,743
Total assets	80,397	73,702
Liabilities		
Current liabilities		
Notes and accounts payable—trade	12,792	9,429
Short-term loans receivable	281	3,010
Current portion of long-term loans receivable	2,600	2,600
Accrued income taxes	126	222
Accrued bonuses	357	333
Accrued bonuses to directors and auditors	—	53
Reserve for returned goods unsold	22	8
Other current liabilities	4,295	4,187
Total current liabilities	20,475	19,845
Fixed liabilities		
Long-term loans receivable	12,607	11,307
Net defined benefit liability	615	635
Other fixed liabilities	3,471	3,486
Total fixed liabilities	16,694	15,429
Total liabilities	37,170	35,275

(Unit: Millions of yen)

	Fiscal year ended March 31, 2017 (as of March 31, 2017)	6 months ended September 30, 2017 (as of September 30, 2017)
Net assets		
Shareholders' equity		
Common stock	7,948	7,948
Capital surplus	7,994	7,579
Retained earnings	30,035	25,916
Treasury stock	(1,821)	(1,821)
Total shareholders' equity	44,156	39,622
Accumulated other comprehensive income		
Unrealized holding gain on available-for-sale securities	(1,836)	(1,627)
Foreign currency translation adjustment	0	0
Remeasurements of defined benefit plans	(94)	(72)
Total accumulated other comprehensive income	(1,930)	(1,698)
Non-controlling interest	1,002	502
Total net assets	43,227	38,426
Total liabilities and net assets	80,397	73,702

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

Quarterly consolidated statements of income

First half of the year ending March 31, 2018

(Unit: Millions of yen)

	6 months ended September 30, 2016 (April 1, 2016–September 30, 2016)	6 months ended September 30, 2017 (April 1, 2017– September 30, 2017)
Net sales	26,659	35,213
Cost of sales	21,473	28,269
Gross profit	5,186	6,944
Selling, general and administrative expenses	11,461	9,724
Operating income (loss)	(6,275)	(2,780)
Non-operating income		
Interest income	43	58
Dividend income	74	82
Discounts on purchases	109	98
Distributions from investments	37	139
Others	127	64
Total non-operating income	392	443
Non-operating expenses		
Interest expenses	14	40
Equity method investment loss	713	701
Amortization of equity investment	54	138
Others	163	70
Total non-operating expenses	945	951
Ordinary income (loss)	(6,828)	(3,288)
Extraordinary income		
Gain on sale of fixed assets	13	555
Others	—	2
Total extraordinary income	13	557
Extraordinary losses		
Loss on disposal of fixed assets	47	65
Impairment loss	81	19
Loss on litigation charges	94	177
Others	51	0
Total extraordinary losses	275	263
Income (loss) before income taxes and non-controlling interests	(7,090)	(2,994)
Income taxes	(2,187)	199
Net income (loss)	(4,902)	(3,193)
Net income (loss) attributable to non-controlling interests	(46)	95
Net income (loss) attributable to owners of parent	(4,856)	(3,289)

Quarterly consolidated statements of comprehensive income

First half of the year ending March 31, 2018

(Unit: Millions of yen)

	6 months ended September 30, 2016 (April 1, 2016– September 30, 2016)	6 months ended September 30, 2017 (April 1, 2017– September 30, 2017)
Net income (loss)	(4,902)	(3,193)
Other comprehensive income		
Unrealized holding gain on available-for-sale securities	(626)	210
Foreign currency translation adjustment	2	0
Remeasurements of defined benefit plans, before tax	19	22
Total other comprehensive income	(604)	233
Comprehensive income	(5,507)	(2,960)
(Breakdown)		
Comprehensive income attributable to owners of parent	(5,462)	(3,057)
Comprehensive income attributable to non-controlling interests	(44)	96

(3) Quarterly consolidated statements of cash flows

(Unit: Millions of yen)

	6 months ended September 30, 2016 (April 1, 2016–September 30, 2016)	6 months ended September 30, 2017 (April 1, 2017–September 30, 2017)
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	(7,090)	(2,994)
Depreciation and amortization	945	659
Amortization of goodwill	160	163
Increase (decrease) in allowance for doubtful accounts	6	62
Increase (decrease) in accrued bonuses	(46)	(24)
Increase (decrease) in accrued bonuses to directors and auditors	(79)	53
Increase (decrease) in net defined benefit liability	11	42
Interest and dividend income	(118)	(140)
Equity method investment loss (gain)	713	701
Interest expense	14	40
Decrease (increase) in notes and accounts receivable—trade	6,718	3,883
Decrease (increase) in inventories	(747)	(1,407)
Decrease (increase) in merchandising right advances	(568)	358
Increase (decrease) in notes and accounts payable—trade	(8,271)	(3,102)
Others	827	964
Subtotal	(7,525)	(739)
Interest and dividends received	121	158
Interest paid	(14)	(40)
Income taxes (paid) refund	(158)	(290)
Net cash provided by (used in) operating activities	(7,575)	(912)
Cash flows from investing activities		
Purchases of tangible fixed assets	(309)	(601)
Proceeds from sale of tangible fixed assets	253	5,254
Purchases of intangible fixed assets	(234)	(145)
Expenditure for acquiring shares in affiliates	(5)	(193)
Proceeds from sales of shares in affiliates	—	2,201
Expenditure for loans	(2,272)	(3,150)
Collection of loans receivable	2,016	1,815
Others	(960)	(274)
Cash flows from investing activities	(1,511)	4,905
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,873)	2,729
Proceeds from long-term loans payable	4,500	—
Repayment of long-term loans payable	(15)	(1,300)
Dividends paid	(829)	(828)
Payments from changes in ownership interests in subsidiaries that do not result in changes in scope of consolidation	—	(955)
Others	(258)	(64)
Net cash provided by (used in) financing activities	1,522	(419)
Effect of exchange rate changes on cash and cash equivalents	(0)	(0)
Increase (decrease) in cash and cash equivalents	(7,564)	3,573
Cash and cash equivalents at beginning of the year	32,200	23,090
Cash and cash equivalents at end of period	24,636	26,663

(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 6 months ended September 30, 2017, and calculates tax expenses by multiplying income before income taxes during the 6 months ended September 30, 2017 by the estimated effective tax rate.