



Gaming and Entertainment

The Greatest Leisure for All People

# Financial Presentation

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for the First Quarter of the Year Ending March 31, 2017

FIELDS CORPORATION

TSE 1st : 2767

August 1, 2016

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## Overall business performance

Q1 results roughly in line with full-year projections

1. Results: Net sales of **15.2** billions of yen (YoY 10.8% down),  
Ordinary loss of **3.2** billions of yen (versus ordinary loss of 0.8 billions of yen for the same period of the previous year)
2. Cost reductions: Continue to cut SG&A expenses to streamline operations (full effects from next fiscal year onward)
3. Enhanced group management efficiency: Dissolve and liquidate NEX ENTERTAINMENT CO., LTD.

## Cross-media development

As investment focuses on major IP groups, deployment of IP is accelerating not only within Japan, but also globally

### Comic

Focus on expansion of heroes IP and promote cross-media development in Japan and overseas

### Visual

Focus on film production with an eye toward expansion to the global market in cooperation with leading entertainment related companies and SVOD operators in the U.S. and China

### Live Entertainment

Drive plan for proactive development in Japan and overseas development focused on South East Asia

### Game

Start advertising to expand fan-base, improved game elements and profitability and license sales to overseas market

### License

Expand IP business field and focus on establishment of new license business

### Pachinko/ Pachislot

Focus on machines sales which is game and entertainment elements utilizing HERO'S IP and other companies' leading IP

# Overview

Summary of Results for the First Quarter of the  
Year Ending March 31, 2017 (Consolidated)

 Consolidated P/L

 Main pachinko/pachislot machines lineup

 Consolidated B/S

 Consolidated cash flow

## Consolidated P/L

Sales fell with the decrease in unit sales of pachinko/pachislot machines in comparison with the same period of the previous fiscal year; SG&A expenses decreased with cost cutting; an extraordinary loss was posted due to the dissolution and liquidation of NEX ENTERTAINMENT CO., LTD.



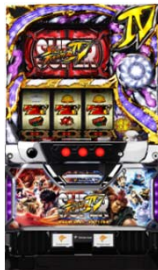





(Unit: Billions of yen)

	Year ended March 31, 2016		Year ending March 31, 2017			
	Q1	Full-Year	Q1	YoY Increase/Decrease (%)	Full-Year forecast	period-over-period Increase/Decrease (%)
<b>Net sales</b>	17.1 (100.0%)	94.4 (100.0%)	15.2 (100.0%)	-10.8%	115.0 (100.0%)	+ 21.7%
Gross profit	4.9 (28.9%)	25.4 (27.0%)	2.4 (16.3%)	-49.7%		
SG&A expenses	5.9 (34.8%)	24.0 (25.5%)	5.4 (35.9%)	-7.9%		
<b>Operating income</b>	(1.0) (-)	1.4 (1.5%)	(2.9) (-)	-	2.0 (1.7%)	+ 41.7%
<b>Ordinary income</b>	(0.8) (-)	1.3 (1.5%)	(3.2) (-)	-	2.0 (1.7%)	+ 44.9%
Extraordinary income	(0.01) (-)	(0.4) (-)	(0.3) (-)	-		
<b>Net income attributable to owners of parent</b>	(0.8) (-)	0.1 (0.1%)	(2.3) (-)	-	1.0 (0.9%)	+ 742.7%

\*Figures within parentheses are the ratio to sales.

# Main pachinko/pachislot machines lineup

2 pachinko titles and 3 pachislot titles were released in Q1, with the number of machines sold totaling 36,000 units

	Pachinko	Pachislot	Number of machine's sales
Q1	<p>CR The Amazing Spider-Man    CR MAJESTIC PRINCE</p>  	<p>Super Street Fighter IV Pachislot Edition    Pchislot GARGANTIA ON THE VERDUROUS PLANET    Pachislot ALIEN BALTAN</p>   	<p><b>36,000 units</b></p> <p>P: 24,000 units S: 12,000 units</p>
Q2	<p>CR TEKKEN 2 Toughin ver.</p> 	<p>DEVIL MAY CRY X    Pachislot LOAD of VERMILION</p>  	<p>—</p>
Q3			
Q4	<p>Time limit for removal and callback of pachinko/pachislot machines with possible performance variance from test machines</p>		<p>—</p>

\* The above number of machines posted to sales includes pachinko/pachislot machines other than the titles noted here.

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**Consolidated B/S**

Notes and accounts receivable—trade, and notes and accounts payable—trade decreased with pachinko and pachislot machines sales

(Unit: Billions of yen)

	March 31, 2016	June 30, 2016	Increase/Decrease	Main factors for increase/decrease
<b>Current assets</b>	52.9	<b>41.9</b>	<b>(10.9)</b>	Decrease in notes and accounts receivable—trade
<b>Tangible fixed assets</b>	11.4	<b>11.3</b>	<b>(0.1)</b>	
<b>Intangible fixed assets</b>	3.7	<b>3.3</b>	<b>(0.4)</b>	
<b>Investments and other assets</b>	24.3	<b>23.9</b>	<b>(0.4)</b>	
<b>Total assets</b>	92.4	<b>80.5</b>	<b>(11.9)</b>	
<b>Current liabilities</b>	29.8	<b>21.6</b>	<b>(8.1)</b>	Decrease in notes and accounts payable—trade
<b>Fixed liabilities</b>	4.3	<b>4.3</b>	<b>(0.0)</b>	
<b>Net assets</b>	58.2	<b>54.5</b>	<b>(3.7)</b>	Decrease in retained earnings
<b>Total liabilities and net assets</b>	92.4	<b>80.5</b>	<b>(11.9)</b>	

## Consolidated cash flow

Cash and cash equivalents decreased ¥8.6 billion as of June 30, 2016

(Unit: Billions of yen)

	Year ended March 31, 2016 Q1	Year ending March 31, 2017 Q1	Main factors for increase/decrease
<b>Operating cash flows</b>	(5.3)	<b>(4.8)</b>	Income before income taxes and minority interests (3.6) + 4.7 Decrease in notes and accounts receivable—trade (5.6) Decrease in notes and accounts payable—trade (0.7) Increase in inventories
<b>Investing cash flows</b>	0.07	<b>(0.2)</b>	Expenditure for loans (1.5) Proceeds from loans receivable + 2.1 Payments for investments in capital (0.4)
<b>Financial cash flows</b>	5.4	<b>(3.5)</b>	Decrease in short-time borrowings (2.4) Dividends paid (0.8)
<b>Net increase(decrease) in cash and cash equivalents</b>	0.1	<b>(8.6)</b>	
<b>Cash and cash equivalents at beginning of period</b>	15.8	<b>32.2</b>	
<b>Cash and cash equivalents at end of period</b>	16.0	<b>23.5</b>	



# Current Initiatives

 **Initiatives in the year ending March 31, 2017**

 **Total IP and the number of development media**

 **Progress on each business platform**

## Initiatives in the year ending March 31, 2017

### 1) Mid- and long-term strategies



#### Acquisition and creation of leading IP

With cross-media strategy as the pivot, we acquire and create IP and enhance the value of IP in cooperation with each media partners.



#### Expansion of IP platforms, maximization of value

We provide IP to diversifying platforms and increase profits with our partners.



#### Expansion of market (Global operations)

We develop IP with an eye toward expansion to the global market and promote overseas operations in cooperation with SVOD operators in the United States and China.

### 2) Initiatives in the year ending March 31, 2017



#### Comic/Visal/Live/Game/License

Concentrate investments in IP that is expected to become a major product

Accelerate the expansion of major IP on a global scale through cooperation with partners both in Japan and overseas.



#### Pachinko/Pachislot

Sell a series of product groups that use IP and have superior game and entertainment elements.

Transform to an operating structure in which planning and development, production and sales are carried out in an integrated manner based on IP.

Carry out measures to strengthen product appeal, improve services as a distributor and trading company and expand the fan base, and also aim to transform the earnings structure.

## Total IP and the number of development media

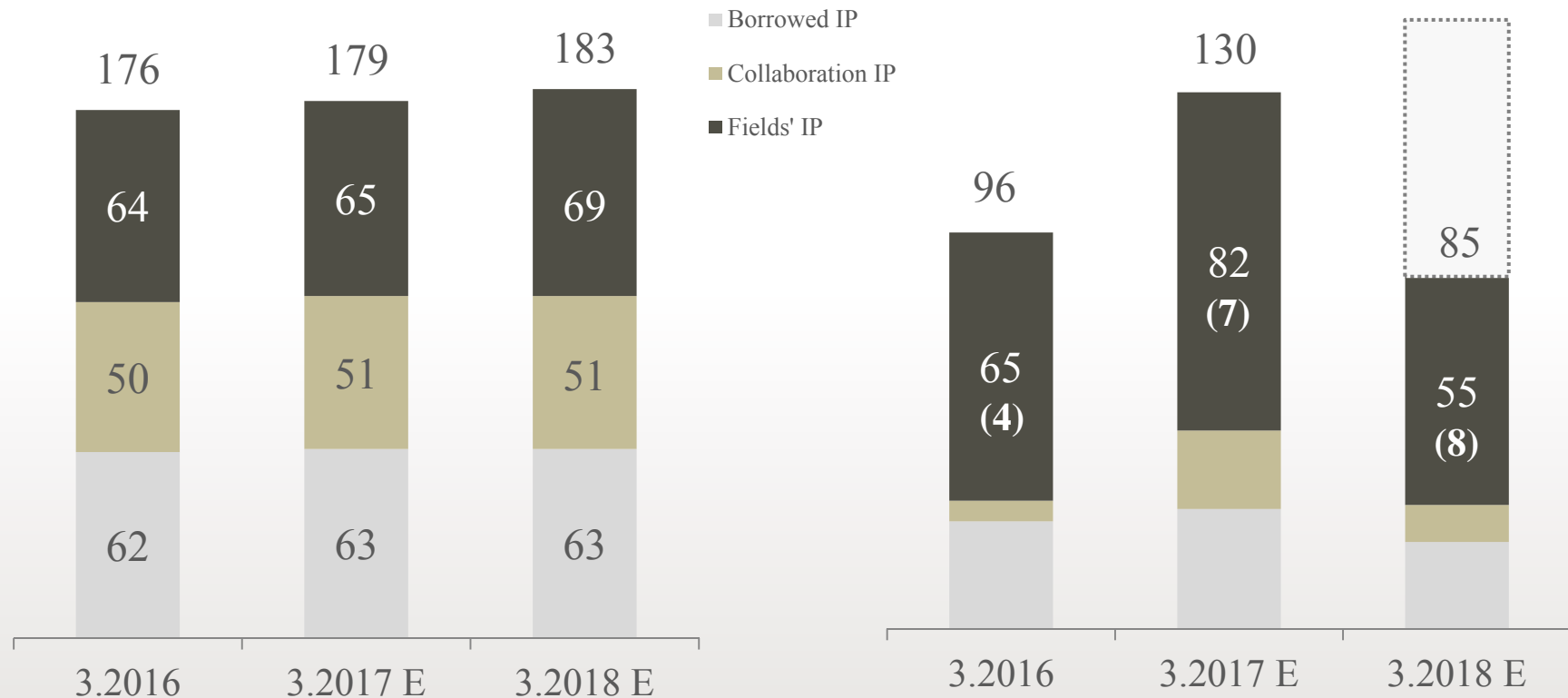
Total number of IP: 179 titles

Developed in 130 media in year ending March 31, 2017

### Total IP

### Number of media for IP development

(Number of media developments finalized as of June 30, 2016)



\*Figures in parentheses refer to number of films made using Fields' IP

\* The creation of our own IP refers primarily to the number of new works published in "HERO'S" Monthly. /Merchandising refers primarily to the total number of social games, PS and publications in book format.

## Progress on each platform

Cross-media development based on mid- and long-term strategies gained momentum

Comic	<p><b>Focus on expansion of HERO'S IP and promote cross-media development in Japan and overseas</b></p> <p>Visual development decided for two titles from "HERO'S Monthly" Expansion of distribution on e-book platform in Japan and China</p>
Visual	<p><b>Focus on film production with an eye toward expansion to the global market in cooperation with leading entertainment related companies, and SVOD operators in the U.S. and China</b></p> <p>TV broadcast of the latest "Ultraman series" and start of global distribution TV broadcast of "BERSERK" and start of global distribution 「GANTZ:O」 Cinema release confirmed, screenings planned at international film festivals</p>
Live Entertainment	<p><b>Drive proactive development in Japan and overseas focused on S.E. Asia</b></p> <p>Conduct on-going events using Ultraman and plan and implement live shows at 5 locations in Japan and overseas</p>
Games	<p><b>Improve profitability and game elements of SNG, strengthen advertisements to increase fans and start license sales to overseas markets</b></p> <p>SNG ad campaign started in July Licensing to overseas operators and establishment of a new partnership framework</p>
License	<p><b>Expand IP business field and focus on establishment of new license business</b></p> <p>Accelerated development of a conceptual brand "A MAN of ULTRA" Increased licensee companies and distributors</p>
Pachinko Pachislot	<p><b>Enhance product appeal, expand services as a distribution company and promote measures to increase fans</b></p> <p>Focus on sales of products with strong game and entertainment elements by utilizing HERO'S IP and other companies' leading IP. 5 titles were released and machines sold totaled 36,000 units</p>

# Main Initiatives on Each Platform

 **Initiatives in Comic field**

 **Initiatives in Visual field**

 **Initiatives in Tsuburaya Productions Co., Ltd.**

 **Initiatives in Game/ License field**

 **Initiatives in Pachinko/Pachislot field**

## Initiatives in Comic field

### Market environment

While the market for publications is contracting, the market for e-books utilizing devices such as smartphones or tablets is steadily expanding

### HERO'S

- Total 62 new titles of “HERO’S Monthly”
  - “ULTRAMAN” 8th volume released/Over 2.2 million copies sold
  - “Infini-T Force” (Tatsunoko Production) and “Atom: The Beginning” be animated



### Electronic Book

- Increased number of distributors of e-books
  - Distributed through 42 e-book stores in Japan
  - 13 titles distributed through China Mobile in China starting March 2016
  - 12 titles distributed at kidstone in China starting July 2016

#### <China Mobile>

TOKKO ZERO  
 Tengen Toppa Gurren Lagann  
 Afterschool Catastrophe  
 The Gift of Both Wings  
 ATOM THE BEGINNING  
 Aventurier  
 QUADRIGA -Tokugawa The Big 4-  
 Sidekick☆Fighting Rule  
 Dororon! OKUNI-chan  
 BUDDY SPIRITS  
 HERO COMPANY  
 BOOSKA +  
 BLUE NEST

#### <kidstone>

TOKKO ZERO  
 Tengen Toppa Gurren Lagann  
 Afterschool Catastrophe  
 The Gift of Both Wings  
 TOKKO  
 KILLING BITES  
 Sailor Zombie  
 SOUL ReVIVER  
 SOUL ReVIVER—SOUTH  
 BABEL  
 MAJESTIC PRINCE  
 SWORDGAI

## Initiatives in Visual field

### Market environment

With the creation of new platforms such as Subscription Video On Demand (SVOD), it is predicted that the market scale will expand dramatically within and outside of Japan

### B E R S E R K

- Broadcast on MBS and WOWWOW starting July 2016
  - Distributed through Crunchyroll etc. for overseas at the same time of TV broadcast in Japan
- “BERSERK MUSOU” to be released by Koei Tecmo Games in September 2016



### G A N T Z : O

- Movie to be shown in theaters starting October 2016
  - Be screened at Prthe Venice Film Festival
  - Currently planning cross-media development including pachinko machines



### O t h e r s

- April 2016: TV broadcast of “Ninja Slayer From Animation” begins on TOKYO MX, etc.
- July 2016: TV broadcast of “ACTIVERAID: Special Public Security Fifth Division Third Mobile Assault Eighth Unit 2nd” begins on TOKYO MX, etc.
- Fall 2016: Release of cinema version of “Majestic Prince” scheduled nationwide

## Initiatives in Tsuburaya Productions Co., Ltd.

### Ultraman ORB

- Broadcast on TV Tokyo's network starting Jul. 2016
  - Increased goods sales/Promotional items sold well, with sales of transformation items and soft vinyl dolls at 166% and 115%, respectively, year-over-year (comparison with Ultraman X)
  - Distributed globally (Crunchyroll) and China (iQIYI, LeTV, Tencent, Youku)
  - Amazon version released and movie version will be released after December



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### Other business activities

- Currently planning to visual Tsuburaya IP including Ultraman in cooperation with overseas SVOD operators
- The Ultraman Festival 2016 was held from July 22, with the number of visitors in the first week at 110% year-over-year
- Live entertainment show
  - Proactively promoting live entertainment shows in Japan and planning and developing of live entertainment shows to be performed overseas
- Increased license contracts in Japan and overseas
  - Currently collaborating with major native applications



Collaboration with MONSTER STRIKE (image)



## Initiatives in Game/ License field

### Game

**Market environment**

Game field centered SNG market is steady with expansion of the platform is driving the increase in the participation population

- “the Tower of Princess”
  - Over 1.5 million downloads
  - Advertisements from July
  - Implement installation of 15-20 times usual levels in the first week
- “the Soul of Sevens”
  - Over 0.5 million downloads
  - To be licensed out in India



SNG: Social Network Game

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©A MAN of ULTRA ©TSUBURAYA PROD.

### License

**Market environment**

License field is activation move toward new markets in Japan and overseas including newly utilizing the classic character and license deployment to the adult clothing etc.

- Increased to 55 licensee companies (brands)
- Opened 9 pop-up shops (As of June 2016)
- “Character & Brand of the Year 2016”  
Japan Brand License Award grand prize

**Pop-up shop operation  
(April 2016-)**

April	Ginza Mitsukoshi
May	Isetan Urawa Lucua Osaka Isetan Closet in 1100
June	Isetan Tachikawa Niigata Isetan JR Kyoto Isetan Iwataya flagship store Nihonbashi Mitsukoshi Sendai Mitsukoshi

### A MAN of ULTRA



## Initiatives in Pachinko/Pachislot field

### Market environment

#### Pachinko Market

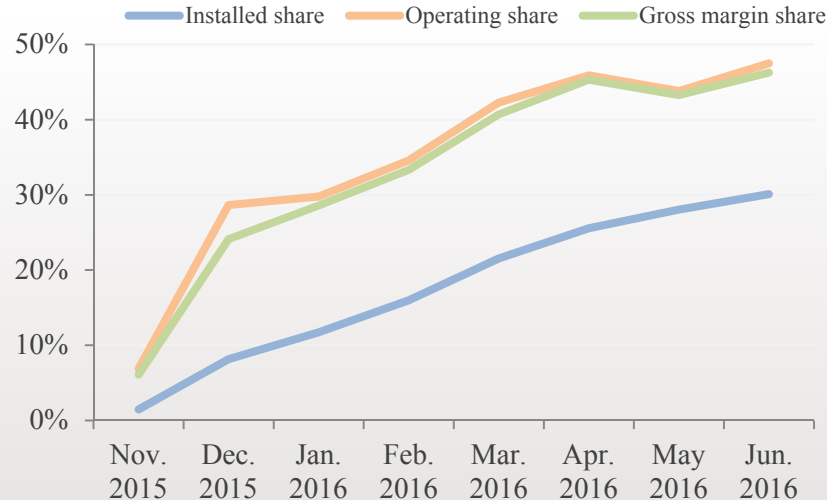
Regulations: Remove total 720,000 machines by December 2016

Sales: 690,000 machines (Jan.–Jun.), down 30% YOY  
(source: Fields)

New standard machines : Contributing to operations of pachinko halls and gross margins

Replacement of machines progressing steadily

**Shares of new standard pachinko machines installed/operating and gross margin**



Source: Fields

#### Pachislot Market

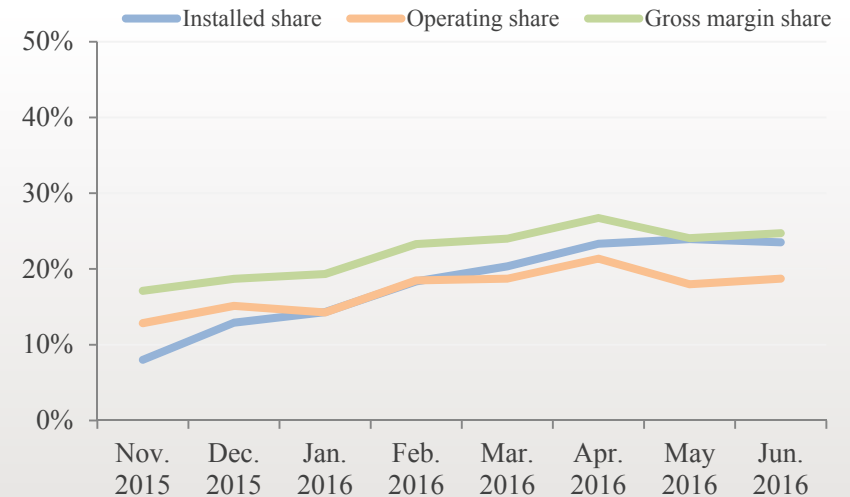
Regulations: Deadline for installation of new machines under current rules is September 2017

Sales: 390,000 machines (Jan.–Jun.), down 31% YoY  
(source: Fields)

New standard machines: The share of operation was lower than the share of machines installed

Replacement of machines was sluggish

**Shares of new standard pachislot machines installed/operating and gross margin**



## Initiatives in Pachinko/Pachislot field

### Future sales strategy

#### 1) Current sales status

One new title was released for both pachinko and pachislot machines in Q2. Sales exceeded our projection.

The release of a new title was announced in Q3.

CR TEKKEN 2 Toushin ver.  
(Delivery date: Aug. 2016)



DEVIL MAY CRY X  
(Delivery date: Jul. 2016)



Pachislot LOAD of VERMILION  
(Delivery date: Oct. 2016)



#### 2) Future sales outlook

We plan to sell series-related pachinko machines as we remove and callback some machines at the end of December 2016, aiming to expand our sales.

We plan to sell several new titles of pachislot machines in the Q2 of the year. We are currently developing new products utilizing various marketing data.

## Disclaimer/Contact Information

The plans, strategies and estimates of the Company indicated in these documents, other than actual results and established facts, include potential risks and uncertainties and cannot be guaranteed.

Potential risks and uncertainties include, but are not limited to, the economic environment of the pachinko/pachislot market in which the Company operates, market competition and the products handled by the Company.

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