Summary

(Translation)

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

October 27, 2016
Listed on: TSE 1st

Company Name: FIELDS CORPORATION
(URL: http://www.fields.biz/)
Stock code: 2767
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Planned date for submission of the quarterly report: November 9, 2016
Planned date for start of dividend payment: December 1, 2016
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, 2017 (April 1, 2016 to September 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 half of the year ending March 31, 2017	26,659	(47.0)	(6,275)	—	(6,828)	—	(4,856)	—
First half of the year ended March 31, 2016	50,255	147.1	1,884	—	1,930	—	706	—

(Note) Comprehensive income First half of the year ending March 31, 2017: ¥(5,507) million (—%)
First half of the year ended March 31, 2016: ¥820 million (—%)

	Net income per share	Diluted net income per share
	Yen	Yen
First half of the year ending March 31, 2017	(146.34)	—
First half of the year ended March 31, 2016	21.28	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
First half of the year ending March 31, 2017	80,526	51,709	63.3
Year ended March 31, 2016	92,478	58,291	62.0

(Reference) Shareholders' equity First half of the year ending March 31, 2017: ¥51,011 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	—	25.00			
Year ending March 31, 2017 (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, 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 half 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 half 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 half of the year ending March 31, 2017	33,183,737 shares
First half 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 Friday, October 28, 2016. 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 quarterly financial results

(1) Analysis of operating results

[1] Overview of operations for the six months ended September 30, 2016 (April 1, 2016 to September 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 or that can be serialized, 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 operating results during the second quarter under review are as follows.

The Company posted net sales of ¥26,659 million (down 47.0% year-over-year), operating loss of ¥6,275 million (versus operating income of ¥1,884 million for the same period of the previous year), ordinary loss of ¥6,828 million (versus ordinary income of ¥1,930 million for the same period of the previous year), and net loss attributable to owners of parent for the period totaling ¥4,856 million (versus net income attributable to owners of parent of ¥706 million for the same period of the previous year).

The results during the second quarter under review are in line with the initial plan presented in the consolidated earnings forecasts, released on April 27, 2016, in the Summary of Financial Information and Business Results (Consolidated) for the Year Ended March 31, 2016. This is because the Group has concentrated the release of major titles in the pachinko/pachislot field in the New Year holiday shopping season, when demand is anticipated to grow.

The Group’s specific business activities are as follows.

In the comic field, the market for published materials is shrinking. On the other hand, the e-book market is expected to expand owing to the growth of all-you-can-read subscription services which make use of devices such as smartphones and tablet PCs.

The Group continued to focus on the creation of heroes IP, primarily through the comic “HERO’S Monthly.” In addition, with regard to the e-book platform, the Group has promoted an initiative to increase distribution in Japan while trying to establish new partnerships with distributors in East Asia other than China.

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 has been focusing on the production of films looking ahead to global expansion, including film adaptations of heroes’ works, with the cooperation of SVOD operators mainly in the United States and China. In the case of the movie “GANTZ:O,” which premiered nationwide in Japan in October 2016, the Group marketed pachinko/pachislot machines while producing the film as part of its efforts for closs-media development.

In the games field, importance of IP has been recognized again owing to worldwide hits of content that uses major IPs, although the overall growth of the social game market has been slowing.

The Group has carried out, among others, collaboration projects with IPs from other firms, while proactively carrying out promotional activities for titles in which the profitability and game elements had been improved. Furthermore, the Group implemented various measures targeting overseas deployment of the existing titles and domestic deployment of major overseas content, in addition to planning and developing new titles, aiming to start the services during the fiscal year under review.

In the live entertainment field, the market for musicals and dramas in particular is steadily expanding.

The Group focused on proactively promoting live entertainment shows in major cities in Japan and on planning and developing live entertainment shows to be performed on regular basis in Southeast Asia. In addition, the Group stepped up efforts to create a new genre of live entertainment by planning and producing live shows featuring AKB48 at theme parks in Japan.

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

The Group has strengthened cooperation with major companies in various business areas in order to expand areas for the IP business and to establish a new licensing business. In addition, the Group promoted activities to establish partnership mainly in East Asia, aiming to find market opportunities overseas.

In the pachinko/pachislot field, efforts have been made to accelerate the shift to new regulation machines ahead of the December 2016 cutoff for removal of pachinko machines with possible performance variance from test machines.

The Group has promoted a variety of measures to strengthen product appeal, improve services as a distributor and trading company, and expand the fan base, with the aim of invigorating the entire industry. The Group sold products capitalizing on major game IPs and others during the second quarter under review, recording sales of 73,000 machines in 7 titles. Various strategic measures have also been put in place toward the New Year holiday shopping season.

Please refer to "Quarterly Earnings Supplementary Explanatory Materials for the First Half of the Year Ending March 31, 2017" for initiatives for individual IPs.

(Note) 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 ¥42,945 million, down ¥9,988 million since 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 ¥10,969 million, down ¥478 million from the end of the previous fiscal year.

Intangible fixed assets amounted to ¥3,090 million, down ¥656 million since the end of the previous fiscal year. The principal factor behind this was a decrease in software.

Investments and other assets amounted to ¥23,521 million, down ¥827 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 ¥80,526 million, down ¥11,951 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities amounted to ¥20,393 million, down ¥9,416 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 ¥8,424 million, up ¥4,047 million since the end of the previous fiscal year. This was mainly attributable to an increase in long-term borrowings.

As a result of the above, total liabilities stood at ¥28,817 million, down ¥5,368 million from the end of the previous fiscal year.

(Net assets)

Net assets amounted to ¥51,709 million, down ¥6,582 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 ¥7,564 million from the end of the previous fiscal year, amounting to ¥24,636 million during the second quarter under review.

(Cash flows from operating activities)

Net cash used in operating activities amounted to ¥7,575 million (¥12,052 million of revenue for the same period of the previous fiscal year). This was mainly attributable to loss before income taxes and non-controlling interests totaling ¥7,090 million, a decrease in notes and accounts payable—trade totaling ¥8,271 million, a decrease in notes and accounts receivable—trade totaling ¥6,718 million.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥1,511 million (¥1,444 million of expenditure for the same period of the previous fiscal year). This was mainly attributable to expenditure for loans totaling ¥2,272 million, proceeds from repayments of loans totaling ¥2,016 million, and expenditure for equity investment totaling ¥823 million.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥1,522 million (¥1,415 million of revenue for the same period of the previous fiscal year). This was primarily attributable to proceeds from long-term borrowings totaling ¥4,500 million, expenditure for short-term borrowings totaling ¥1,873 million and dividends paid totaling ¥829 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, as mentioned in "(1) Analysis of operating results" above.

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 six months ended September 30, 2016, after accounting for the tax effects, and multiplies income before income taxes during the six months ended September 30, 2016 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 cumulative second 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)	Six months ended September 30, 2016 (as of September 30, 2016)
Assets		
Current assets		
Cash and cash equivalents	32,200	24,736
Notes and accounts receivable—trade	8,562	3,603
Electronically recorded monetary claims—operating	1,142	482
Merchandise and products	346	521
Work in process	2,596	3,244
Raw materials and supplies	78	86
Other current assets	8,027	10,298
Allowance for doubtful accounts	(20)	(27)
Total current assets	52,934	42,945
Fixed assets		
Tangible fixed assets		
Land	7,550	7,316
Other tangible fixed assets	3,897	3,652
Total tangible fixed assets	11,447	10,969
Intangible fixed assets		
Goodwill	1,298	1,170
Other intangible fixed assets	2,448	1,920
Total intangible fixed assets	3,746	3,090
Investments and other assets		
Investment securities	9,716	8,364
Long-term loans	9,729	8,358
Other assets	6,095	6,921
Allowance for doubtful accounts	(1,193)	(123)
Total investments and other assets	24,348	23,521
Total fixed assets	39,543	37,580
Total assets	92,478	80,526
Liabilities		
Current liabilities		
Notes and accounts payable—trade	12,749	4,407
Short-term borrowings	11,414	9,541
Current portion of long-term borrowings	8	301
Accrued income taxes	690	66
Accrued bonuses	375	328
Accrued bonuses to directors and auditors	214	134
Reserve for returned goods unsold	22	22
Provision for losses on contracts	77	86
Other current liabilities	4,256	5,505
Total current liabilities	29,809	20,393
Fixed liabilities		
Long-term borrowings	—	4,191
Net defined benefit liability	643	628
Other fixed liabilities	3,732	3,604
Total fixed liabilities	4,376	8,424
Total Liabilities	34,186	28,817

(Unit: Millions of yen)

	Fiscal year ended March 31, 2016 (as of March 31, 2016)	Six months ended September 30, 2016 (as of September 30, 2016)
Net assets		
Shareholders' equity		
Common stock	7,948	7,948
Capital surplus	7,994	7,994
Retained earnings	44,177	38,491
Treasury stock	(1,821)	(1,821)
Total shareholders' equity	58,298	52,612
Accumulated other comprehensive income		
Unrealized holding gain on available-for-sale securities	(862)	(1,490)
Foreign currency translation adjustment	(2)	0
Remeasurements of defined benefit plans	(130)	(111)
Total accumulated other comprehensive income	(994)	(1,600)
Non-controlling interest	987	697
Total net assets	58,291	51,709
Total liabilities and net assets	92,478	80,526

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

Quarterly consolidated statements of income

Cumulative second quarter of the year ending March 31, 2017

(Unit: Millions of yen)

	Six months ended September 30, 2015 (April 1, 2015–September 30, 2015)	Six months ended September 30, 2016 (April 1, 2016–September 30, 2016)
Net sales	50,255	26,659
Cost of sales	36,407	21,473
Gross profit	13,848	5,186
Selling, general and administrative expenses	11,964	11,461
Operating income (loss)	1,884	(6,275)
Non-operating income		
Interest income	26	43
Dividend income	77	74
Discounts on purchase	411	109
Others	197	164
Total non-operating income	713	392
Non-operating expenses		
Interest expense	13	14
Equity method investment loss	490	713
Amortization of equity investment	108	54
Others	54	163
Total non-operating expenses	666	945
Ordinary income (loss)	1,930	(6,828)
Extraordinary income		
Gain on sale of fixed assets	37	13
Gain on sales of investment securities	94	—
Total extraordinary income	132	13
Extraordinary losses		
Loss on disposal of fixed assets	38	47
Impairment loss	—	81
Loss on litigation charges	34	94
Others	4	51
Total extraordinary losses	78	275
Income (loss) before income taxes and minority interests	1,984	(7,090)
Current income taxes	1,047	(2,187)
Net income (loss)	936	(4,902)
Profit (loss) attributable to non-controlling interests	230	(46)
Profit (loss) attributable to owners of parent	706	(4,856)

Quarterly consolidated statements of comprehensive income

Cumulative second quarter of the year ending March 31, 2017

(Unit: Millions of yen)

	Six months ended September 30, 2015 (April 1, 2015–September 30, 2015)	Six months ended September 30, 2016 (April 1, 2016–September 30, 2016)
Net income (loss)	936	(4,902)
Other comprehensive income		
Unrealized holding gain on available-for-sale securities	(129)	(626)
Foreign currency translation adjustment	(1)	2
Remeasurements of defined benefit plans	15	19
Total other comprehensive income	(116)	(604)
Comprehensive income	820	(5,507)
(Breakdown)		
Comprehensive income attributable to owners of the parent	589	(5,462)
Comprehensive income attributable to non-controlling interests	231	(44)

(3) Quarterly consolidated statements of cash flows

(Unit: Millions of yen)

	Six months ended September 30, 2015 (April 1, 2015–September 30, 2015)	Six months ended September 30, 2016 (April 1, 2016–September 30, 2016)
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	1,984	(7,090)
Depreciation and amortization	1,049	945
Amortization of goodwill	165	160
Increase (decrease) in allowance for doubtful accounts	(8)	6
Increase (decrease) in accrued bonuses	(199)	(46)
Increase (decrease) in accrued bonuses to directors and auditors	(140)	(79)
Increase (decrease) in net defined benefit liability	(49)	11
Interest and dividend income	(103)	(118)
Equity method investment loss (gain)	490	713
Interest expense	13	14
Loss (gain) on sales of investment securities	(94)	—
Decrease (increase) in notes and accounts receivable—trade	35,431	6,718
Decrease (increase) in inventories	(1,318)	(747)
Decrease (increase) in merchandising rights advances	649	(568)
Increase (decrease) in notes and accounts payable—trade	(22,426)	(8,271)
Others	(1,200)	827
Subtotal	14,243	(7,525)
Interest and dividends received	118	121
Interest paid	(13)	(14)
Income taxes refunded (paid)	(2,296)	(158)
Net cash provided by (used in) operating activities	12,052	(7,575)
Cash flows from investing activities		
Purchases of tangible fixed assets	(617)	(309)
Purchases of intangible fixed assets	(546)	(234)
Proceeds from sales of investment securities	106	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	652	—
Expenditure for acquiring shares in affiliates	(100)	(5)
Expenditure for loans	(2,543)	(2,272)
Proceeds from repayment of loans	1,436	2,016
Others	167	(707)
Net cash provided by (used in) investing activities	(1,444)	(1,511)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,740	(1,873)
Proceeds from long-term borrowings	—	4,500
Repayment of long-term borrowings	(26)	(15)
Dividends paid	(1,160)	(829)
Payments from changes in ownership interests in subsidiaries that do not result in changes in scope of consolidation	(24)	—
Others	(112)	(258)
Net cash provided by (used in) financing activities	1,415	1,522
Effect of exchange rate changes on cash and cash equivalents	—	(0)
Increase (decrease) in cash and cash equivalents	12,023	(7,564)
Cash and cash equivalents at beginning of period	15,823	32,200
Cash and cash equivalents at end of period	27,846	24,636

(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)

Six months ended September 30, 2016 (April 1, 2016 to September 30, 2016)

No relevant items