Summary

(Translation)

FIELDS CORPORATION
Summary of Financial Information and Business Results (Consolidated)
for the Nine Months Ended December 31, 2017 (Year Ending March 31, 2018)
[Japan GAAP]

February 7, 2018
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:	February 13, 2018
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 nine months ended December 31, 2017 (April 1, 2017 to December 31, 2017)

(1) Operating results (cumulative total) (Percentage figures denote YoY changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2017	45,266	6.2	(3,612)	—	(3,858)	—	(4,133)	—
Nine months ended December 31, 2016	42,626	(40.5)	(7,394)	—	(7,945)	—	(9,072)	—

(Note) Comprehensive income Nine months ended December 31, 2017: ¥(3,814) million (—%)
Nine months ended December 31, 2016: ¥(9,937) million (—%)

	Profit per share	Diluted profit per share
	Yen	Yen
Nine months ended December 31, 2017	(124.55)	—
Nine months ended December 31, 2016	(273.42)	—

(2) Financial position

	Total assets	Net assets	Shareholders’ equity ratio
	Millions of yen	Millions of yen	%
Nine months ended December 31, 2017	67,627	36,742	53.7
Year ended March 31, 2017	80,397	43,227	52.5

(Reference) Shareholders’ equity Nine months ended December 31, 2017: ¥36,308 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 profit		Ordinary profit		Profit attributable to owners of parent		Profit 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 shares)

Nine months ended December 31, 2017	34,700,000 shares
Year ended March 31, 2017	34,700,000 shares

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

Nine months ended December 31, 2017	1,516,300 shares
Year ended March 31, 2017	1,516,300 shares

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

Nine months ended December 31, 2017	33,183,700 shares
Nine months ended December 31, 2016	33,183,724 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 Thursday, February 8, 2018. 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 nine months ended December 31, 2017 (April 1 to December 31, 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 cross-media 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 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 nine months ended December 31, 2017 are as follows.

In the PS market, a decline in appetite for investment in hall facilities and PS machines, has been noted, affected mainly by the recent successive tightening of regulations, revisions to rules, and the decrease in player population. Under such circumstances, total sales volume of PS machines during the nine months ended December 31, 2017 amounted to 1,120,000 million pachinko machines (down 170,000 YoY) and 560,000 pachislot machines (down 110,000 YoY), according to our own research. In addition, the *Revision of Ordinance for Enforcement of the Act on Control and Improvement of Amusement Business, etc.**1 has been established and promulgated effective from September 4, 2017, which has had a large impact on the development, manufacturing and sale of PS machines in the second half (from October to March) and the subsequent periods. As the deadline for application of model certification test of PS machines developed in accordance with the former standards was determined to be January 31, 2018, day-to-day applications from manufacturers rushed, exceeding the upper limit on applications set by the Security Communications Association.*2 As a result, there is an impact on securing sufficient PS machines, for such reasons that the test itself cannot be accepted due to a failure to win an application lottery or that, even if the test is accepted, it takes a longer time than before to receive the test result.

On the other hand, as a result of the revision of rules, suppressed gambling aspect of PS machines and diversifying game characteristics are expected to make PS more healthy and accessible entertainment, thereby contributing to expanding the player base and increasing the player population going forward.

The Group's PS business focused on pachislot sales in the first half in response to the market environment. During the second half, the Group focused on securing PS machines that can be sold in the fourth quarter (from January to March) and subsequent periods, in collaboration with allied manufacturers. The Group also implemented various measures including a review of the product lineup with the aim of maximizing sales volume. Furthermore, to expand the business areas in the future, the Group promoted the development of service business around PS machines and started offering new solutions.

The expansion of the entertainment market continues worldwide, due to the booming of new technology areas using VR (virtual reality) and AR (augmented reality) as well as good performance of non-portable type game machines.

The Group's cross-media business developed visual for 6 IPs, including for the latest work in the *Ultraman Series*, by December. In January, the Group also implemented various measures for visual for 4 IPs scheduled to be released in February to March, along with starting broadcast of 3 visual works. In addition, in parallel with domestic and international distribution of visual, the Group expanded licensing to games and goods etc. In the live entertainment field, the Group promoted the new use of IPs and expansion of new business partners with the aim of strengthening the stage management service.

In terms of developing and strengthening its management foundation, as a foundation for rebuilding the business value chain, the Group promoted the development of data bank of IP information and establishment of business bases. In addition, the Group worked to enhance its governance system while continuing to promote efforts for improvements in management efficiency. 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.

*1. *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

*2. The Security Communications Association has been designated by the National Public Safety Commission as a testing institution that conducts model tests of PS machines

The consolidated operating results for the nine months ended December 31, 2017 are as follows.

(Unit: Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017	YoY	
			Change	Change (%)
Net sales	42,626	45,266	+2,639	+6.19%
Operating profit	(7,394)	(3,612)	+3,782	—
Ordinary profit	(7,945)	(3,858)	+4,087	—
Profit attributable to owners of parent	(9,072)	(4,133)	+4,939	—

The Company posted net sales of ¥45,266 million (up ¥2,639 million YoY). The main factor was increase in sales of PS machines, with the sales volume of such machines totaling 146,000 machines (up 16,000 YoY). This is broken down into 69,000 machines in pachinko machine (down 8,000 YoY), and 77,000 machines in pachislot machine (up 24,000 YoY).

The Company posted an operating loss of ¥3,612 million, an improvement of ¥3,782 million from the same period of the previous year. Along with the sales volume of PS machines rising above the same period of the previous year as mentioned above, SG&A expenses decreased by ¥3,100 million as a result of ongoing efforts to improve management efficiency.

The Company posted an ordinary loss of ¥3,858 million, an improvement of ¥4,087 million from the same period of the previous year, due to restraint of non-operating expenses including a decrease in share of loss of entities accounted for using equity method etc.

Extraordinary income of ¥557 million was recorded due in part to the sale of idle assets, and extraordinary losses of ¥529 million were also recorded. As a result, the Company posted a loss attributable to owners of parent of ¥4,133 million, an improvement of ¥4,939 million from the same period of the previous year.

(Note 1) Please refer to *Quarterly Earnings Supplementary Explanatory Materials for the nine months ended December 31, 2017* 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 ¥38,905 million, down ¥6,951 million from the end of the previous fiscal year. The principal factor behind this was a decrease in notes and accounts receivable - trade.

Property, plant and equipment amounted to ¥5,451 million, down ¥4,914 million from the end of the previous fiscal year. The principal factor behind this was a decrease in idle assets (land).

Intangible assets amounted to ¥1,689 million, down ¥780 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 ¥21,581 million, down ¥123 million from the end of the previous fiscal year.

As a result of the above, total assets amounted to ¥67,627 million, down ¥12,770 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities amounted to ¥16,096 million, down ¥4,378 million from the end of the previous fiscal year. The principal factor behind this was a decrease in notes and accounts payable - trade.

Non-current liabilities amounted to ¥14,787 million, down ¥1,906 million from the end of the previous fiscal year. The principal factor behind this was a decrease in long-term loans payable.

As a result of the above, total liabilities amounted to ¥30,884 million, down ¥6,285 million from the end of the previous fiscal year.

(Net assets)

Net assets amounted to ¥36,742 million, down ¥6,484 million from the end of the previous fiscal year. This primarily reflected a decrease in retained earnings.

(Analysis of cash flows)

During the nine months ended December 31, 2017, cash and cash equivalents (hereinafter referred to as *cash*) decreased by ¥189 million from the end of the previous fiscal year, amounting to ¥22,901 million.

(Cash flows from operating activities)

Net cash used in operating activities amounted to ¥2,534 million (¥13,046 million of expenditure for the same period of the previous fiscal year). This was mainly due to a loss before income taxes of ¥3,830 million, decrease in notes and accounts payable - trade of ¥8,935 million, a decrease in notes and accounts receivable - trade of ¥8,443 million and an increase in inventories of ¥1,414 million.

(Cash flows from investing activities)

Net cash provided by investing activities amounted to ¥3,349 million (¥3,674 million of expenditure for the same period of the previous fiscal year). This was mainly due to collection of loans receivable totaling ¥1,840 million, payments of loans receivable totaling ¥4,400 million, proceeds from the sale of property, plant and equipment totaling ¥5,254 million, and proceeds from the sale of subsidiaries and associates totaling ¥2,201 million.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥1,004 million (¥3,228 million of revenue for the same period of the previous fiscal year). This was mainly attributable to proceeds from short-term loans payable totaling ¥3,625 million, repayments of long-term loans payable totaling ¥1,950 million, cash dividends paid totaling ¥1,654 million, and payments from changes in ownership interests in subsidiaries that do not result in change 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 profit	(5,374)	1,000 – 2,000	＋6,374 – 7,374	－
Ordinary profit	(9,068)	0 – 2,000	＋9,068 – 11,068	－
Profit attributable to owners of parent	(12,483)	0 – 1,000	＋12,483 – 13,483	－

Results for the nine months ended December 31, 2017 have progressed largely in line with the Group's plans.

In terms of future outlook, the Group is currently selling 4 titles in earnest in the PS business, but some titles, including major titles scheduled to be sold in the current fiscal year, are still undergoing model certification tests by the Security Communications Association, and the Group is awaiting the results.

Consequently, the future sales plan may change depending on the circumstances of the model certification test of Security Communications Association, and if the need arises to revise the forecast, the Group will announce it promptly.

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)	Nine months ended December 31, 2017 (as of December 31, 2017)
Assets		
Current assets		
Cash and deposits	23,190	23,001
Notes and accounts receivable - trade	12,727	6,188
Electronically recorded monetary claims - operating	2,108	731
Merchandise and finished goods	650	1,510
Work in process	686	1,238
Raw materials and supplies	87	90
Other	6,478	6,194
Allowance for doubtful accounts	(73)	(50)
Total current assets	45,856	38,905
Non-current assets		
Property, plant and equipment		
Land	7,206	2,257
Other	3,159	3,193
Total property, plant and equipment	10,366	5,451
Intangible assets		
Goodwill	1,007	765
Other	1,461	924
Total intangible assets	2,469	1,689
Investments and other assets		
Investment securities	8,223	6,465
Long-term loans receivable	8,156	10,139
Other	5,469	5,202
Allowance for doubtful accounts	(144)	(226)
Total investments and other assets	21,705	21,581
Total non-current assets	34,540	28,721
Total assets	80,397	67,627
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,792	4,647
Short-term loans payable	281	3,906
Current portion of long-term loans payable	2,600	2,600
Income taxes payable	126	174
Provision for bonuses	357	185
Provision for directors' bonuses	—	82
Provision for sales returns	22	8
Other	4,295	4,490
Total current liabilities	20,475	16,096
Non-current liabilities		
Long-term loans payable	12,607	10,657
Net defined benefit liability	615	641
Other	3,471	3,488
Total non-current liabilities	16,694	14,787
Total liabilities	37,170	30,884

(Unit: Millions of yen)

	Fiscal year ended March 31, 2017 (as of March 31, 2017)	Nine months ended December 31, 2017 (as of December 31, 2017)
Net assets		
Shareholders' equity		
Capital stock	7,948	7,948
Capital surplus	7,994	7,579
Retained earnings	30,035	24,242
Treasury shares	(1,821)	(1,821)
Total shareholders' equity	44,156	37,949
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,836)	(1,580)
Foreign currency translation adjustment	0	0
Remeasurements of defined benefit plans	(94)	(60)
Total accumulated other comprehensive income	(1,930)	(1,640)
Non-controlling interests	1,002	434
Total net assets	43,227	36,742
Total liabilities and net assets	80,397	67,627

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

Quarterly consolidated statements of income

Nine months ended December 31, 2017

(Unit: Millions of yen)

	Nine months ended December 31, 2016 (April 1, 2016–December 31, 2016)	Nine months ended December 31, 2017 (April 1, 2017–December 31, 2017)
Net sales	42,626	45,266
Cost of sales	32,588	34,546
Gross profit	10,038	10,719
Selling, general and administrative expenses	17,433	14,332
Operating loss	(7,394)	(3,612)
Non-operating income		
Interest income	64	86
Dividend income	173	155
Purchase discounts	110	122
Distributions from investments	51	165
Other	198	80
Total non-operating income	598	611
Non-operating expenses		
Interest expenses	27	61
Share of loss of entities accounted for using equity method	883	527
Amortization of equity investment	74	190
Financing expenses	70	4
Other	93	73
Total non-operating expenses	1,149	857
Ordinary loss	(7,945)	(3,858)
Extraordinary income		
Gain on sales of non-current assets	13	555
Gain on sales of shares of subsidiaries and associates	20	—
Gain on liquidation of subsidiaries and associates	18	—
Other	—	2
Total extraordinary income	52	557
Extraordinary losses		
Loss on retirement of non-current assets	51	70
Impairment loss	124	50
Loss on litigation	239	364
Other	51	44
Total extraordinary losses	467	529
Loss before income taxes	(8,360)	(3,830)
Income taxes	662	274
Loss	(9,022)	(4,105)
Profit attributable to non-controlling interests	50	27
Loss attributable to owners of parent	(9,072)	(4,133)

Quarterly consolidated statements of comprehensive income

Nine months ended December 31, 2017

(Unit: Millions of yen)

	9 months ended December 31, 2016 (April 1, 2016–December 31, 2016)	9 months ended December 31, 2017 (April 1, 2017–December 31, 2017)
Loss	(9,022)	(4,105)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(902)	256
Foreign currency translation adjustment	3	0
Remeasurements of defined benefit plans, net of tax	(16)	33
Total other comprehensive income	(914)	290
Comprehensive income	(9,937)	(3,814)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(9,989)	(3,843)
Comprehensive income attributable to non-controlling interests	52	28

(3) Quarterly consolidated statements of cash flows

(Unit: Millions of yen)

	9 months ended December 31, 2016 (April 1, 2016–December 31, 2016)	9 months ended December 31, 2017 (April 1, 2016–December 31, 2017)
Cash flows from operating activities		
Loss before income taxes	(8,360)	(3,830)
Depreciation	1,356	1,025
Amortization of goodwill	240	242
Increase (decrease) in allowance for doubtful accounts	3	58
Increase (decrease) in provision for bonuses	(188)	(172)
Increase (decrease) in provision for directors' bonuses	(12)	82
Increase (decrease) in net defined benefit liability	42	59
Interest and dividend income	(237)	(242)
Share of (profit) loss of entities accounted for using equity method	883	527
Interest expenses	27	61
Decrease (increase) in notes and accounts receivable - trade	(889)	8,443
Decrease (increase) in inventories	(778)	(1,414)
Decrease (increase) in merchandising right advances	(517)	334
Increase (decrease) in notes and accounts payable - trade	(4,608)	(8,935)
Amortization of equity investment	399	552
Decrease (increase) in advances paid	(265)	480
Other, net	334	599
Subtotal	(12,570)	(2,125)
Interest and dividend income received	239	258
Interest expenses paid	(27)	(61)
Income taxes (paid) refund	(688)	(605)
Net cash provided by (used in) operating activities	(13,046)	(2,534)
Cash flows from investing activities		
Purchase of property, plant and equipment	(279)	(661)
Proceeds from sales of property, plant and equipment	253	5,254
Purchase of intangible assets	(298)	(245)
Purchase of shares of subsidiaries and associates	(7)	(193)
Proceeds from sales of shares of subsidiaries and associates	—	2,201
Payments of loans receivable	(4,420)	(4,400)
Collection of loans receivable	2,024	1,840
Other, net	(946)	(445)
Net cash provided by (used in) investing activities	(3,674)	3,349
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(203)	3,625
Proceeds from long-term loans payable	5,500	—
Repayments of long-term loans payable	(150)	(1,950)
Cash dividends paid	(1,655)	(1,654)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(955)
Other, net	(262)	(70)
Net cash provided by (used in) financing activities	3,228	(1,004)
Effect of exchange rate change on cash and cash equivalents	13	0
Net increase (decrease) in cash and cash equivalents	(13,480)	(189)
Cash and cash equivalents at beginning of period	32,200	23,090
Cash and cash equivalents at end of period	18,720	22,901

(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 profit before income taxes for the year ending March 31, 2018, including the nine months ended December 31, 2017, and calculates tax expenses by multiplying profit before income taxes during the nine months ended December 31, 2017 by the estimated effective tax rate.