Summary

(Translation)

FIELDS CORPORATION
Summary of Financial Information and Consolidated Business Results for the First Quarter of the Year Ending March 31, 2019 (Japan GAAP)

August 9, 2018
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Company Name:	FIELDS CORPORATION (URL: http://www.fields.biz/)
Stock code:	2767
Representative Director:	Hidetoshi Yamamoto Chairman, President and Group CEO
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Planned date for submission of the quarterly report:	August 10, 2018
Planned date for start of dividend payment:	—
Quarterly earnings supplementary explanatory materials:	No
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, 2019 (April 1, 2018 to June 30, 2018)

(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	%
First quarter, year ending March 31, 2019	8,930	(28.2)	(2,733)	—	(2,755)	—	(2,957)	—
First quarter, year ended March 31, 2018	12,446	(18.6)	(2,902)	—	(3,055)	—	(2,752)	—

(Note) Comprehensive income First quarter of the year ending March 31, 2019: ¥ (2,663) million (—%)
First quarter of the year ended March 31, 2018: ¥ (2,398) million (—%)

	Profit per share	Diluted profit per share
	Yen	Yen
First quarter, year ending March 31, 2019	(89.11)	—
First quarter, year ended March 31, 2018	(82.96)	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
First quarter, year ending March 31, 2019	67,102	32,679	48.0
Year ended March 31, 2018	72,336	35,509	48.4

(Reference) Shareholders' equity First quarter of the year ending March 31, 2019: ¥ 32,193 million
Year ended March 31, 2018: ¥ 35,008 million

(Note) The Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and other standards from the beginning of the first quarter of the fiscal year ending March 31, 2019. Regarding the figures of FY 3/2018, the Company has applied the accounting standard and modified the figures retroactively.

2. Dividends

	Annual dividends				
	Q1-end	Q2-end	Q3-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2018	—	25.00	—	5.00	30.00
Year ending March 31, 2019	—				
Year ending March 31, 2019 (Forecast)		0.00	—	10.00	10.00

(Note) Revision of the most recently released dividend forecasts: No

3. Forecast of consolidated earnings for the fiscal year ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(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	95,000	55.6	2,000	—	2,500	—	1,500	—	45.20

(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 shares)

1) Number of shares issued at end of year (including treasury shares)

First quarter of the year ending March 31, 2019	34,700,000 shares
Year ended March 31, 2018	34,700,000 shares

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

First quarter of the year ending March 31, 2019	1,516,300 shares
Year ended March 31, 2018	1,516,300 shares

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

First quarter of the year ending March 31, 2019	33,183,700 shares
First quarter of the year ended March 31, 2018	33,183,700 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, August 10, 2018. 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 the quarterly financial results

(1) Analysis of operating results

[Overview of operations for the three months ended June 30, 2018 (April 1, 2018 to June 30, 2018)]

In the first three months of the fiscal year under review, the Japanese economy as a whole remained on gradual recovery path, supported by sustained improvement in the employment and income environments.

Following a succession of tightening regulations since 2014, the pachinko and pachislot (hereafter, PS) industry regained some stability with the *Amendment of the Regulation for Enforcement of the Amusement Businesses Law**1, which enforced February 1, 2018. PS machines manufacturers are actively developing machines as they seek to rapidly launch new regulation machines with novel gaming functions into the market. These machines are expected to be successively rolled out into the market from the second quarter (pachinko) or the second half (pachislot) of the current fiscal year. While the new regulation machines will mitigate excessive gambling appeal, they are also expected to increase the entertainment factor, and pachinko halls hope for an expansion of player. Because the first three months of the fiscal year under review coincided with a transition period in which customers were awaiting the introduction of new regulation-compliant machines, supply-demand conditions for PS machines were sluggish. As a result, the Company estimates total sales of PS machines in the industry amounted to 447,000 units (down 124,000 units YoY; 342,000 pachinko machines [down 47,000 units YoY] and 105,000 pachislot machines [down 76,000 units YoY]).

In this market environment, the Company reverted to its position as a distribution company between pachinko halls and PS machines manufacturers, and focused on further strengthening functions of distribution foundations. In the first three months of the fiscal year under review, the Company sold 23,000 new PS machines (down 3,000 units YoY), comprising one pachinko title and two pachislot titles. At the same time, it moved forward with a range of marketing measures to support sales of new regulation machines and other products scheduled for the second half of the year onward. In addition, it worked on the development and sales of various solutions that target the total PS market*2.

In the US, Tsuburaya Productions Co., Ltd. received a favorable ruling in its copyright-related lawsuit in April 2018. Accordingly, it intends to pursue global development of creative works and merchandise based on *Ultraman* character.

To improve management efficiency, the Company has continued to implement various measures to reduce costs. It also started a review of its medium-term management business plan for realizing a stable management structure by enhancing profitability for operations other than new PS machines sales.

As a result of the above, in the first three months of the fiscal year under review, the Company posted net sales of ¥8,930 million (-28.2% YoY), an operating loss of ¥2,733 million (an improvement of ¥169 million from the same period of the previous year), and an ordinary loss of ¥2,755 million (an improvement of ¥300 million from the same period of the previous year). It also posted a loss attributable to owners of parent of ¥2,957 million (a loss increase of ¥204 million from the same period of the previous year) that reflected an extraordinary income of ¥380 million on gains on sales of investment securities and other factors, and an extraordinary loss of ¥561 million on a restructuring loss and other factors.

These results reflected progress in line with initial forecasts, and the Company has therefore made no changes to its full-year forecasts for the fiscal year ending March 31, 2019 announced on May 11, 2018.

*1: *Regulation Partially Amending the Ordinance for Enforcement of the Act on Control and Improvement of Amusement Business*. and the *Regulations for the Verification of Licenses, Formats and Other Aspects of Pachinko and Pachislot Machines*, which enforced on February 1, 2018.

*2: The total PS market covering expenses required for managing pachinko halls such as costs to purchase PS machines and advertisement and promotion costs.

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 ¥37,606 million, down ¥4,569 million from the end of the previous fiscal year. The principal factor behind this was a decrease in cash and deposits.

Property, plant and equipment amounted to ¥5,012 million, down ¥266 million from the end of the previous fiscal year. The principal factor behind this was a decrease in land.

Intangible assets amounted to ¥1,083 million, down ¥301 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 ¥23,399 million, down ¥96 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 ¥67,102 million, down ¥5,234 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities amounted to ¥20,861 million, down ¥1,618 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 ¥13,560 million, down ¥785 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 ¥34,422 million, down ¥2,404 million from the end of the previous fiscal year.

(Net assets)

Net assets amounted to ¥32,679 million, down ¥2,829 million from the end of the previous fiscal year. This primarily reflected a decrease in retained earnings.

(Analysis of cash flows)

During the first quarter of the fiscal year under review, cash and cash equivalents (hereinafter referred to as “cash”) decreased by ¥3,339 million from the end of the previous fiscal year, amounting to ¥21,034 million.

(Cash flows from operating activities)

Net cash used in operating activities amounted to ¥2,742 million (¥915 million of expenditure for the same period of the previous fiscal year). This was mainly due to a loss before income taxes of ¥2,936 million, a decrease in notes and accounts receivable-trade of ¥1,818 million, a decrease in notes and accounts payable-trade of ¥2,352 million.

(Cash flows from investing activities)

Net cash provided in investing activities amounted to ¥124 million (¥4,995 million of revenue for the same period of the previous fiscal year). This was mainly due to purchase of non-current assets of ¥158 million and proceeds from sales of investment securities totaling ¥528 million.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥721 million (¥397 million of revenue for the same period of the previous fiscal year). This was mainly attributable to proceeds from short-term loans payable totaling ¥90 million, repayment of long-term loans payable totaling ¥645 million, and dividends paid totaling ¥161 million.

(3) Summary of forecasts for consolidated earnings and others

As stated in (1) Analysis of operating results, the Company made no revisions to its full-year earnings forecasts included in the financial results for the fiscal year ended March 31, 2018, which was announced on May 11, 2018.

However, the event outlined in "Significant subsequent events" below may have an impact on profit attributable to owners of parent.

(Significant subsequent events)

The Company and Universal Entertainment Corporation concluded a shareholders' agreement with the purpose of managing a PS machines-related joint venture through MIZUHO CORP. However, following negotiations, the two companies agreed to terminate the agreement amicably.

As a result of selling all its shares in MIZUHO CORP. and liquidating the joint venture following the termination, the Company will record an extraordinary income of ¥1,348 million in the second quarter of the fiscal year under review. The Company is currently reviewing possible impacts of this event on full-year earnings forecasts, and will announce as soon as it reaches a conclusion.

2. Quarterly consolidated balance sheets and important notes

(1) Quarterly consolidated balance sheets

(Unit: Millions of yen)

	Fiscal year ended March 31, 2018 (as of March 31, 2018)	Three months ended June 30, 2018 (as of June 30, 2018)
Assets		
Current assets		
Cash and deposits	24,473	21,134
Notes and accounts receivable-trade	7,019	6,197
Electronically recorded monetary claims-operating	1,097	856
Merchandise and finished goods	1,206	1,499
Work in process	2,804	2,674
Raw materials and supplies	83	79
Other	5,553	5,214
Allowance for doubtful accounts	(61)	(51)
Total current assets	42,175	37,606
Non-current assets		
Property, plant and equipment		
Land	1,873	1,773
Other	3,406	3,239
Total property, plant and equipment	5,279	5,012
Intangible assets		
Goodwill	662	584
Other	723	499
Total intangible assets	1,385	1,083
Investments and other assets		
Investment securities	6,773	6,573
Long-term loans receivable	11,781	11,819
Other	5,497	5,563
Allowance for doubtful accounts	(556)	(557)
Total investments and other assets	23,495	23,399
Total non-current assets	30,160	29,495
Total assets	72,336	67,102
Liabilities		
Current liabilities		
Notes and accounts payable-trade	11,358	8,983
Short-term loans payable	4,151	4,241
Current portion of long-term loans payable	2,580	2,560
Income taxes payable	171	74
Provision for bonuses	288	127
Provision for directors' bonuses	9	—
Provision for sales returns	6	6
Other	3,914	4,867
Total current liabilities	22,480	20,861
Non-current liabilities		
Long-term loans payable	9,427	8,802
Net defined benefit liability	660	655
Asset retirement obligation	879	855
Other	3,378	3,246
Total non-current liabilities	14,346	13,560
Total liabilities	36,827	34,422

(Unit: Millions of yen)

	Fiscal year ended March 31, 2018 (as of March 31, 2018)	Three months ended June 30, 2018 (as of June 30, 2018)
Net assets		
Shareholders' equity		
Capital stock	7,948	7,948
Capital surplus	7,579	7,579
Retained earnings	20,684	17,561
Treasury shares	(1,821)	(1,821)
Total shareholders' equity	34,391	31,268
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	669	966
Foreign currency translation adjustment	0	0
Remeasurements of defined benefit plans	(53)	(42)
Total accumulated other comprehensive income	617	924
Non-controlling interest	500	486
Total net assets	35,509	32,679
Total liabilities and net assets	72,336	67,102

(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, 2019

(Unit: Millions of yen)

	Three months ended June 30, 2017 (April 1, 2017–June 30, 2017)	Three months ended June 30, 2018 (April 1, 2018–June 30, 2018)
Net sales	12,446	8,930
Cost of sales	10,484	7,509
Gross profit	1,961	1,421
Selling, general and administrative expenses	4,864	4,155
Operating profit (loss)	(2,902)	(2,733)
Non-operating income		
Interest income	29	27
Dividend income	74	74
Purchase discounts	67	5
Other	76	47
Total non-operating income	248	155
Non-operating expenses		
Interest expenses	20	19
Share of loss of entities accounted for using equity method	305	145
Amortization of equity investment	69	0
Other	6	11
Total non-operating expenses	400	177
Ordinary profit (loss)	(3,055)	(2,755)
Extraordinary income		
Gain on sales of non-current assets	555	18
Gain on sales of investment securities	—	361
Other	0	—
Total extraordinary income	555	380
Extraordinary losses		
Loss on retirement of non-current assets	58	15
Impairment loss	—	147
Restructuring loss	—	365
Loss on litigation	106	29
Other	3	3
Total extraordinary losses	168	561
Profit (loss) before income taxes	(2,668)	(2,936)
Income taxes	70	37
Profit (loss)	(2,739)	(2,974)
Profit (loss) attributable to non-controlling interests	13	(17)
Profit (loss) attributable to owners of parent	(2,752)	(2,957)

Quarterly consolidated statements of comprehensive income

First quarter of the year ending March 31, 2019

(Unit: Millions of yen)

	Three months ended June 30, 2017 (April 1, 2017–June 30, 2017)	Three months ended June 30, 2018 (April 1, 2018–June 30, 2018)
Loss	(2,739)	(2,974)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	329	299
Foreign currency translation adjustment	0	(0)
Remeasurements of defined benefit plans, net of tax	11	10
Total other comprehensive income	340	310
Comprehensive income	(2,398)	(2,663)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,413)	(2,649)
Comprehensive income attributable to non-controlling interests	14	(14)

(3) Quarterly consolidated statements of cash flows

(Unit: Millions of yen)

	Three months ended June 30, 2017 (April 1, 2017–June 30, 2017)	Three months ended June 30, 2018 (April 1, 2018–June 30, 2018)
Cash flows from operating activities		
Loss before income taxes	(2,668)	(2,936)
Depreciation	324	287
Impairment loss	—	147
Amortization of goodwill	81	77
Increase (decrease) in allowance for doubtful accounts	(2)	(9)
Increase (decrease) in provision for bonuses	(190)	(161)
Increase (decrease) in provision for directors' bonuses	25	(9)
Increase (decrease) in net defined benefit liability	24	5
Interest and dividend income	(103)	(102)
Share of (profit) loss of entities accounted for using equity method	305	145
Interest expenses	20	19
Decrease (increase) in notes and accounts receivable -trade	8,942	1,818
Decrease (increase) in inventories	(476)	(115)
Decrease (increase) in merchandising right advances	68	19
Increase (decrease) in notes and accounts payable -trade	(7,571)	(2,352)
Other, net	812	464
Subtotal	(407)	(2,701)
Interest and dividend income received	119	102
Interest expenses paid	(20)	(19)
Income taxes (paid) refund	(607)	(124)
Net cash provided by (used in) operating activities	(915)	(2,742)
Cash flows from investing activities		
Purchase of property, plant and equipment	(428)	(124)
Proceeds from sales of property, plant and equipment	5,254	119
Purchase of intangible assets	(117)	(34)
Proceeds from sales of investment securities	—	528
Purchase of shares of subsidiaries and associates	(10)	—
Proceeds from sales of shares of subsidiaries and associates	2,201	—
Payments of loans receivable	(2,350)	(50)
Collection of loans receivable	588	17
Other, net	(142)	(330)
Net cash provided by (used in) investing activities	4,995	124
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,856	90
Repayments of long-term loans payable	(650)	(645)
Cash dividends paid	(802)	(161)
Other, net	(5)	(5)
Net cash provided by (used in) financing activities	397	(721)
Effect of exchange rate change on cash and cash equivalents	1	0
Net increase (decrease) in cash and cash equivalents	4,479	(3,339)
Cash and cash equivalents at beginning of period	23,090	24,373
Cash and cash equivalents at end of period	27,570	21,034

(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, 2019, including the three months ended June 30, 2018, and calculates tax expenses by multiplying profit before income taxes during the three months ended June 30, 2018 by the estimated effective tax rate.

(Additional information)

Effective from the beginning of the first quarter of the fiscal year ending March 31, 2019, the Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting." (ASBJ Statement No. 28, February 16, 2018) and other standards. Accordingly deferred tax assets are presented under investments and other assets, deferred tax liabilities are presented under non-current liabilities.

(Significant subsequent events)

(Termination of significant agreement)
On July 13, 2018, the Company and Universal Entertainment Corporation agreed to terminate a shareholders' agreement related to the management of joint venture MIZUHO CORP. and exercise of corresponding rights.

1. Reason for termination of agreement
   Following deliberation on the future management policy for MIZUHO CORP., the two parties agreed to terminate the shareholders' agreement originally entered into to set up a joint venture related to PS machines supplied by MIZUHO CORP.

2. Name of agreement counterparty
   Universal Entertainment Corporation

3. Agreement termination date
   July 13, 2018

4. Contents of agreement
   Shareholders' agreement on the management of joint venture MIZUHO CORP. and exercise of corresponding rights

5. Impact of termination of agreement
   In connection with the termination of the agreement, the Company will record a ¥1,348 million extraordinary income in the second quarter of the fiscal year under review, reflecting the transfer of all shares held by the Company in MIZUHO CORP. and Japan Amusement Broadcasting Corp. As a result of the share transfer, MIZUHO CORP. and Japan Amusement Broadcasting Corp. will no longer be equity-method affiliates of the Company.