Summary

(Translation)

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

November 7, 2018
Listed on: TSE 1st

Company Name:	FIELDS CORPORATION (URL: https://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:	November 13, 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 half of the year ending March 31, 2019 (April 1, 2018 to September 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 half of the year ending March 31, 2019	18,041	(48.8)	(3,906)	—	(4,062)	—	(3,251)	—
First half of the year ended March 31, 2018	35,213	32.1	(2,780)	—	(3,288)	—	(3,289)	—

(Note) Comprehensive income First half of the year ending March 31, 2019: ¥ (2,849) million (—%)
First half of the year ended March 31, 2018: ¥ (2,960) million (—%)

	Profit per share	Diluted profit per share
	Yen	Yen
First half of the year ending March 31, 2019	(97.98)	—
First half of the year ended March 31, 2018	(99.13)	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
First half of the year ending March 31, 2019	61,346	32,493	52.1
Year ended March 31, 2018	72,336	35,509	48.4

(Reference) Shareholders' equity First half of the year ending March 31, 2019: ¥ 31,975 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	—	0.00			
Year ending March 31, 2019 (Forecast)			—	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 forecast: 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 half 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 half 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 half of the year ending March 31, 2019	33,183,700 shares
First half 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“ (1) Analysis of operating results and forecasts for consolidated earnings” under “1. Qualitative information on the quarterly financial results” on page 2 of the attached documents for the assumptions on which the forecast relies.

The Company is planning to hold a briefing for analysts and institutional investors on Thursday, November 8, 2018. Materials distributed at that briefing will be promptly posted on the Company website after the briefing.

Table of contents of attached document

1. Qualitative information on the quarterly financial results

(1) Analysis of operating results and consolidated earnings forecasts

i.) Overview of operations for the six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)

In the first half of the fiscal year under review, the Japanese economy was on a gradual recovery path, supported by sustained improvement in the employment and income environments as well as in consumer spending.

The pachinko and pachislot (hereinafter, PS) industry regained its original stability with the enforcement of *Amendment of the Regulation for Enforcement of the Amusement Businesses Law** (hereinafter, *Amusement Business Law*), which was revised for the first time in 14 years on February 1, 2018. Although the number of pachinko halls in operation fell due to consolidated of halls into larger halls and aggressive M&A activities, the number of PS machines installed per hall has continued to increase, and against such a backdrop, the halls have steadily worked to strengthen its business capabilities. PS machine manufacturers are proceeding to launch new regulation machines with novel gaming functions into the market. With the introduction of new regulation machines, consumers are expecting the birth of a new form of popular entertainment—pachinko games a variety of people can enjoy while limiting spending to an appropriate amount.

In the first half of the fiscal year under review, seven models of pachinko machines compliant with the new regulations were launched in the PS industry. Although the newly launched machines mainly comprised recycled models such as *Amadigi-type* (pachinko machines offering relatively higher jackpot probabilities), they got off to a strong start as more than 6,000 halls installed these machines in a single month (the Company estimate). Further, pachislot machines compliant with the new regulations (hereinafter, regulation 6.0 machines) released early in the second half of the fiscal year under review are performing well in terms of the units sales and operation, and they are scheduled to be steadily delivered to the market. As can be understood from such circumstances, purchase intention of halls has increased, presenting ample opportunities for market revitalization.

Under such market environment, the Company shifted to a new management structure in May 2018, under which four companies jointly manage business operations. Each of the four companies is currently formulating a new growth plan. Further, the four companies will together implement various cost reduction measures to achieve management with optimal cost effectiveness.

The PS distribution unit led by the Company has returned to its original position of a PS machine distributor, and in addition to selling new machines, the unit is working on developing new business that responds to customer needs.

The PS development unit centered on BOOOM Corporation, is engaged in contracted development for a variety of manufacturers as well as new product development in collaboration with the PS distribution unit.

Tsuburaya Productions Co., Ltd., which heads the IP&MD unit, has implemented a medium- to long-term growth plan with the goal of becoming a major player in the global market in addition to expanding its business in Japan.

Further, Digital Frontier Inc., which is at the core of the visual production unit, aims to collaborate with the PS development unit in developing quality videos for PS machines and expand its business as a crucial growth partner of Tsuburaya Productions Co., Ltd.

[Results for the first half of the fiscal year ending March 31, 2019]

For its mainstay PS business (PS distribution and development units), the Company mainly worked on revising PS machines so that they would be compliant with the new regulations in the first half of the fiscal year under review as the *Amusement Business Law* came into effect in February 2018. As a result, it has planned sales activities mainly in the second half of the fiscal year.

In the first half of the fiscal year ending March 31, 2019, the Company focused on the sale of new machines centered on those old regulation machines and those later remodeled machines, and sold a total of 43,000 units (down 56,000 units YoY), comprising 33,000 pachinko machines and 10,000 pachislot machines. As a result, the Company posted an operating loss of about ¥3.9 billion for the PS business, but the loss only had a minor impact on overall performance.

As a result, in the first half of the fiscal year ending March 31, 2019, the Company posted net sales of ¥18,041 million (-48.8% YoY), an operating loss of ¥3,906 million (an improvement of ¥1,126 million from the same period of the previous year), and an ordinary loss of ¥4,062 million (loss widened by ¥773 million from the same period of the previous year). Loss attributable to owners of parent improved ¥37 million from the same period of the previous fiscal year to ¥3,251 million, thanks to a gain on sales of shares of subsidiaries and associates of ¥1,400 million booked as extraordinary income.

ii.) Explanation of consolidated earnings forecasts

The Company made no revisions to the consolidated earnings forecasts for the fiscal year ending March 31, 2019 disclosed on May 11, 2018 when it announced results for the fiscal year ended March 31, 2018. Progress in the second half of the fiscal year under review is as follows.

[Progress in the second half of the fiscal year ending March 31, 2019]

In the PS business, the Company plans to proceed with remaking major titles it was not able to launch at the end of the previous fiscal year. It plans to launch the remade titles along with new regulation machines centered on machines in other series. Further, each of the four companies is implementing a new growth plan that includes the development of new businesses.

In the third quarter of the fiscal year under review, the Company expects five PS titles already on the market to produce sales according to plan and significantly contribute to reaching about ¥2.5 billion in quarterly operating profit and narrowing the cumulative operating loss by up to ¥1.4 billion.

In the fourth quarter of the fiscal year under review, the Company looks to sell seven pachinko titles (including three *Amadigi-type* titles) and three pachislot titles. Of these ten titles, it has already begun selling three PS titles. Regarding main titles it expects to sell in February to March 2019, several have already passed model certification test, and the rest have been submitted for model certification test; preparation for launch is proceeding apace.

Thanks to these initiatives, the Company expects quarterly consolidated operating profit to reach about ¥3.5 billion in the fourth quarter.

[Full-year earnings forecasts for the fiscal year ending March 31, 2019]

As stated above, the PS business is making steady progress to reaching full-year targets in the second half of the fiscal year under review. Hence, the Company expects about ¥1.5 billion in operating profit from the PS business and about ¥500 million in operating profit from Tsuburaya Productions Co., Ltd., for a total of about ¥2.0 billion in operating profit as forecast at the beginning of the fiscal year.

The Company will disclose its next medium-term management plan, including various initiatives to be implemented, at the earnings briefing session scheduled for institutional investors and analysts on November 8, 2018, and will promptly upload the plan to the Company website (https://www.fields.biz/ir/) after the briefing.

*: *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) Analysis of financial position

(Assets)

Current assets amounted to ¥33,148 million, down ¥9,027 million from the end of the previous fiscal year. The principal factor behind this was a decrease in cash and deposits, and notes and accounts receivable-trade.

Property, plant and equipment amounted to ¥4,817 million, down ¥462 million from the end of the previous fiscal year. The principal factor behind this was a decrease in buildings and structures.

Intangible assets amounted to ¥910 million, down ¥474 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 ¥22,470 million, down ¥1,025 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 ¥61,346 million, down ¥10,990 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities amounted to ¥15,916 million, down ¥6,564 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 ¥12,936 million, down ¥1,410 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 ¥28,852 million, down ¥7,975 million from the end of the previous fiscal year.

(Net assets)

Net assets amounted to ¥32,493 million, down ¥3,015 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”) decreased by ¥3,055 million from the end of the previous fiscal year, amounting to ¥21,318 million.

(Cash flows from operating activities)

Net cash used in operating activities amounted to ¥4,177 million (¥912 million of expenditure for the same period of the previous fiscal year). This was mainly due to a loss before income taxes of ¥3,135 million, a decrease in notes and accounts receivable–trade of ¥3,042 million, a decrease in notes and accounts payable-trade of ¥6,610 million, a decrease in inventories of ¥1,286 million, loss on sales of shares of subsidiaries and associates of ¥1,348 million.

(Cash flows from investing activities)

Net cash provided in investing activities amounted to ¥1,652 million (¥4,905 million of revenue for the same period of the previous fiscal year). This was mainly due to purchase of non-current assets of ¥212 million and proceeds from sales of shares of subsidiaries and associates of ¥1,800 million, proceeds from sales of investment securities totaling ¥528 million.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥531 million (¥419 million of expenditure for the same period of the previous fiscal year). This was mainly attributable to increase in short-term loans payable totaling ¥938 million, repayments of long-term loans payable totaling ¥1,290 million, and cash dividends paid totaling ¥168 million.

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)	Six months ended September 30, 2018 (as of September 30, 2018)
Assets		
Current assets		
Cash and deposits	24,473	21,418
Notes and accounts receivable-trade	7,019	4,239
Electronically recorded monetary claims-operating	1,097	742
Merchandise and finished goods	1,206	344
Work in process	2,804	2,439
Raw materials and supplies	83	79
Other	5,553	3,931
Allowance for doubtful accounts	(61)	(47)
Total current assets	42,175	33,148
Non-current assets		
Property, plant and equipment		
Land	1,873	1,773
Other	3,406	3,043
Total property, plant and equipment	5,279	4,817
Intangible assets		
Goodwill	662	506
Other	723	403
Total intangible assets	1,385	910
Investments and other assets		
Investment securities	6,773	6,127
Long-term loans receivable	11,781	11,503
Other	5,497	5,375
Allowance for doubtful accounts	(556)	(535)
Total investments and other assets	23,495	22,470
Total non-current assets	30,160	28,197
Total assets	72,336	61,346
Liabilities		
Current liabilities		
Notes and accounts payable-trade	11,358	4,239
Short-term loans payable	4,151	5,089
Current portion of long-term loans payable	2,580	2,540
Income taxes payable	171	171
Provision for bonuses	288	238
Provision for directors' bonuses	9	3
Provision for sales returns	6	6
Other	3,914	3,626
Total current liabilities	22,480	15,916
Non-current liabilities		
Long-term loans payable	9,427	8,177
Net defined benefit liability	660	634
Asset retirement obligation	879	912
Other	3,378	3,211
Total non-current liabilities	14,346	12,936
Total liabilities	36,827	28,852

(Unit: Millions of yen)

	Fiscal year ended March 31, 2018 (as of March 31, 2018)	Six months ended September 30, 2018 (as of September 30, 2018)
Net assets		
Shareholders' equity		
Capital stock	7,948	7,948
Capital surplus	7,579	7,579
Retained earnings	20,684	17,267
Treasury shares	(1,821)	(1,821)
Total shareholders' equity	34,391	30,973
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	669	1,032
Foreign currency translation adjustment	0	0
Remeasurements of defined benefit plans	(53)	(31)
Total accumulated other comprehensive income	617	1,001
Non-controlling interest	500	518
Total net assets	35,509	32,493
Total liabilities and net assets	72,336	61,346

(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, 2019

(Unit: Millions of yen)

	Six months ended September 30, 2017 (April 1, 2017–September 30, 2017)	Six months ended September 30, 2018 (April 1, 2018–September 30, 2018)
Net sales	35,213	18,041
Cost of sales	28,269	14,189
Gross profit	6,944	3,852
Selling, general and administrative expenses	9,724	7,759
Operating profit (loss)	(2,780)	(3,906)
Non-operating income		
Interest income	58	52
Dividend income	82	78
Purchase discounts	98	37
Distributions from investments	139	85
Other	64	68
Total non-operating income	443	323
Non-operating expenses		
Interest expenses	40	39
Share of loss of entities accounted for using equity method	701	421
Amortization of equity investment	138	1
Other	70	15
Total non-operating expenses	951	478
Ordinary profit (loss)	(3,288)	(4,062)
Extraordinary income		
Gain on sales of non-current assets	555	18
Gain on sales of investment securities	—	361
Gain on sales of shares of subsidiaries and associates	—	1,400
Other	2	9
Total extraordinary income	557	1,790
Extraordinary losses		
Loss on retirement of non-current assets	65	38
Impairment loss	19	315
Restructuring loss	—	386
Loss on litigation	177	63
Other	0	59
Total extraordinary losses	263	863
Profit (loss) before income taxes	(2,994)	(3,135)
Income taxes	199	100
Profit (loss)	(3,193)	(3,236)
Profit (loss) attributable to non-controlling interests	95	15
Profit (loss) attributable to owners of parent	(3,289)	(3,251)

Quarterly consolidated statements of comprehensive income

First quarter of the year ending March 31, 2019

(Unit: Millions of yen)

	Six months ended September 30, 2017 (April 1, 2017–September 30, 2017)	Six months ended September 30, 2018 (April 1, 2018–September 30, 2018)
Loss	(3,193)	(3,236)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	210	364
Foreign currency translation adjustment	0	0
Remeasurements of defined benefit plans, net of tax	22	21
Total other comprehensive income	233	386
Comprehensive income	(2,960)	(2,849)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,057)	(2,867)
Comprehensive income attributable to non-controlling interests	96	17

(3) Quarterly consolidated statements of cash flows

(Unit: Millions of yen)

	Six months ended September 30, 2017 (April 1, 2017–September 30, 2017)	Six months ended September 30, 2018 (April 1, 2018–September 30, 2018)
Cash flows from operating activities		
Loss before income taxes	(2,994)	(3,135)
Depreciation	659	527
Impairment loss	19	315
Amortization of goodwill	163	155
Increase (decrease) in allowance for doubtful accounts	62	(35)
Increase (decrease) in provision for bonuses	(24)	(50)
Increase (decrease) in provision for directors' bonuses	53	(5)
Increase (decrease) in net defined benefit liability	42	(4)
Interest and dividend income	(140)	(130)
Share of (profit) loss of entities accounted for using equity method	701	421
Interest expenses	40	39
Decrease (increase) in notes and accounts receivable -trade	3,883	3,042
Decrease (increase) in inventories	(1,407)	1,286
Decrease (increase) in merchandising right advances	358	(84)
Increase (decrease) in notes and accounts payable -trade	(3,102)	(6,610)
Loss (gain) on sales of shares of subsidiaries and associates	—	(1,348)
Other, net	945	966
Subtotal	(739)	(4,650)
Interest and dividend income received	158	132
Interest expenses paid	(40)	(39)
Income taxes (paid) refund	(290)	381
Net cash provided by (used in) operating activities	(912)	(4,177)
Cash flows from investing activities		
Purchase of property, plant and equipment	(601)	(145)
Proceeds from sales of property, plant and equipment	5,254	117
Purchase of intangible assets	(145)	(66)
Proceeds from sales of investment securities	—	528
Purchase of shares of subsidiaries and associates	(193)	—
Proceeds from sales of shares of subsidiaries and associates	2,201	1,800
Payments of loans receivable	(3,150)	(140)
Collection of loans receivable	1,815	24
Other, net	(274)	(465)
Net cash provided by (used in) investing activities	4,905	1,652
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,729	938
Repayments of long-term loans payable	(1,300)	(1,290)
Cash dividends paid	(828)	(168)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(955)	—
Other, net	(64)	(11)
Net cash provided by (used in) financing activities	(419)	(531)
Effect of exchange rate change on cash and cash equivalents	(0)	0
Net increase (decrease) in cash and cash equivalents	3,573	(3,055)
Cash and cash equivalents at beginning of period	23,090	24,373
Cash and cash equivalents at end of period	26,663	21,318

(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 six months ended September 30, 2018, and calculates tax expenses by multiplying profit before income taxes during the six months ended September 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)

(Equity-method affiliate's change to consolidated subsidiary)
At an extraordinary Board of Directors meeting held on October 9, 2018, the Company resolved that its consolidated subsidiary K.K. CROSSALPHA (hereinafter, CROSSALPHA) would acquire shares of its equity-method affiliate NANASHOW Corporation (hereinafter, NANASHOW). The acquisition took place on the same day. As a result, NANASHOW has become a consolidated subsidiary of FIELDS CORPORATION.

1. Purpose of acquisition of shares
FIELDS determined that the consolidation of functions in the PS machines development field as a part of the Company's recent efforts to increase management efficiency will contribute to cost cutting and adopted the resolution for the acquisition of NANASHOW shares by CROSSALPHA.

2. Overview of the share seller
Takeshi Terunuma

3. Overview of the newly acquired subsidiary

(1) Company name	NANASHOW Corporation
(2) Main business activities	Planning, development, manufacture, and sale of PS machines
(3) Capital stock	40 million yen

4. Date of share acquisition
October 9, 2018

5. Number of shares to be acquired, acquisition price, and number of shares owned before and after acquisition

(1) Number of shares owned before acquisition	210 shares (number of voting rights: 210; shareholding ratio: 38.89%)
(2) Number of shares to be acquired	150 shares (number of voting rights: 150)
(3) Acquisition price	300 million yen
(4) Number of shares owned after acquisition	360 shares (number of voting rights: 360; shareholding ratio: 66.67%)