Summary

(Translation)

FIELDS CORPORATION
Summary of Financial Information and Consolidated Business Results for the Nine Months Ended December 31, 2018 (Year Ending March 31, 2019) [Japan GAAP]

February 7, 2019
Listed on: TSE 1st

Company Name:	FIELDS CORPORATION (URL: https://www.fields.biz/ir/e/)
Stock code:	2767
Representative Director:	Hidetoshi Yamamoto Chairman, President and Group CEO
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Planned date for submission of the quarterly report:	February 13, 2019
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 nine months ended December 31, 2018 (April 1, 2018 to December 31, 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	%
Nine months ended December 31, 2018	37,615	(16.9)	(1,261)	–	(1,314)	–	(14)	–
Nine months ended December 31, 2017	45,266	6.2	(3,612)	–	(3,858)	–	(4,133)	–

(Note) Comprehensive income Nine months ended December 31, 2018: ¥ (90) million (—%)
Nine months ended December 31, 2017: ¥ (3,814) million (—%)

	Profit per share	Diluted profit per share
	Yen	Yen
Nine months ended December 31, 2018	(0.42)	–
Nine months ended December 31, 2017	(124.55)	–

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
Nine months ended December 31, 2018	66,376	35,253	52.4
Year ended March 31, 2018	72,336	35,509	48.4

(Reference) Shareholders' equity Nine months ended December 31, 2018: ¥ 34,751 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 FY3/2019. 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 forecast: 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): Yes

New consolidation: one company (Company name) NANASHOW Corporation

(2) Application of the accounting method specific to quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, accounting esimates, and revisions/restatements

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)

Nine months ended December 31, 2018	34,700,000 shares
Year ended March 31, 2018	34,700,000 shares

2) Number of treasury shares at end of year

Nine months ended December 31, 2018	1,516,300 shares
Year ended March 31, 2018	1,516,300 shares

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

Nine months ended December 31, 2018	33,183,700 shares
Nine months ended December 31, 2017	33,183,700 shares

* This quarterly earnings report is not the subject of quarterly review by certified public accountants or audit corporations.

* Explanation of the appropriate usage of forecast earnings and other specific matters

The above forecast relies on judgements 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 Friday, February 8, 2019. Materials distributed at that briefing will be posted on the Company website after the briefing.

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1. Qualitative information on the quarterly financial results

(1) Analysis of operating results and consolidated earnings forecasts

i.) Overview of operations for the nine months ended December 31, 2018 (April 1, 2018 to December 31, 2018)

In the pachinko and pachislot (hereinafter, “PS”) industry, the *Amendment of the Regulation for Enforcement of the Amusement Businesses Law** (hereinafter, *Amusement Business Law*) was enforced on February 1, 2018. Manufacturers are working proactively to develop PS machines based on the new regulations (hereinafter, “new-regulation machines”). In pachinko halls and among PS fans, consumers are anticipating the advent of a new form of popular entertainment—pachinko games that feature a variety of game functions thanks to the introduction of new-regulation machines and that can be enjoyed with peace of mind while limiting spending to an appropriate amount.

Against this backdrop, new-regulation pachinko machines were launched in August 2018, followed by pachislot machines in October. These new-regulation machines have earned a certain level of approval, but partly because the market is currently in a transition period, the number of machines passing the model certification test has been low. Consequently, the number of machines that have been launched has fallen short of market expectations, and market penetration will take time.

During the fiscal year under review, the FIELDS CORPORATION Group is taking the initiative in promoting large-scale management reforms. We are transitioning to a management structure under which businesses are managed by four companies (each company represents one business unit). Under the new structure, we aim to leverage the individual strengths of each business unit and foster synergies among them, achieving steady profitability increases. Under the new structure, distribution of PS machines will be concentrated on the Company, acting as the PS distribution unit. This move is aimed at improving the earnings structure. At the same time, we are stepping up a host of cost-reduction measures in our effort to optimize operating expenditures.

Given the market situation, we positioned the first half of the fiscal year (April to September) as a time for the PS distribution unit, which spearheads the FIELDS CORPORATION Group, to focus mainly on remodeling PS machines to be compliant with the new regulations. The Company also focused on the sale of old-regulation and later-remodeled machines, selling a total of 43,000 units. These efforts were the main reason for the consolidated operating loss of about ¥3.9 billion in the first half of the fiscal year.

In the third quarter (October to December), sales totaled 47,000 units, as we concentrated on sales of new main-title machines, including remodeled new-regulation machines. As a result of these business activities, consolidated operating profit during the third quarter (October to December) was about ¥2.6 billion. In a return to profitability, consolidated ordinary profit amounted to about ¥2.7 billion.

Consolidated operating performance for the first nine months included net sales of ¥37,615 million (-16.9% YoY), an operating loss of ¥1,261 million (a YoY improvement of ¥2,350 million), and an ordinary loss of ¥1,314 million (a YoY improvement of ¥2,543 million). Loss attributable to owners of parent came to ¥14 million (a YoY improvement of ¥4,119 million) due to the booking of extraordinary income of ¥748 million in gain on step acquisitions in the third quarter (October to December) accompanying the consolidation of NANASHOW Corporation as a subsidiary.

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 “Summary of Financial Information and Business Results for the Year Ended March 31, 2018 (Consolidated).” Expected progress in the fourth quarter of the fiscal year under review (January to March 2019) is as follows.

The PS distribution unit currently sells two pachinko and two pachislot titles. We expect to begin selling one additional pachinko title and one pachislot title. Although the number of units sold will vary according to PS market trends, at present we maintain our consolidated forecasts for the full fiscal year.

*: *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 were enforced on February 1, 2018.

(2) Analysis of financial position

(Assets)

Current assets amounted to ¥47,039 million, up ¥4,863 million from the end of the previous fiscal year. The principal factor behind this was an increase in cash and deposits, raw materials and supplies, and work in process.

Property, plant and equipment amounted to ¥5,106 million, down ¥173 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 ¥3,284 million, up ¥1,899 million from the end of the previous fiscal year. The principal factor behind this was an increase in goodwill.

Investments and other assets amounted to ¥10,946 million, down ¥12,548 million from the end of the previous fiscal year. The principal factor behind this was a decrease in long-term loans receivable.

As a result of the above, total assets amounted to ¥66,376 million, down ¥5,959 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities amounted to ¥19,014 million, down ¥3,466 million from the end of the previous fiscal year. The principal factor behind this was a decrease in notes and accounts payable-trade, and short-term loans payable.

Non-current liabilities amounted to ¥12,109 million, down ¥2,237 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 ¥31,123 million, down ¥5,703 million from the end of the previous fiscal year.

(Net assets)

Net assets amounted to ¥35,253 million, down ¥256 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 of the fiscal year under review, cash and cash equivalents (hereinafter referred to as “cash”) increased by ¥2,661 million from the end of the previous fiscal year, amounting to ¥27,034 million.

(Cash flows from operating activities)

Net cash used in operating activities amounted to ¥380 million (¥2,534 million of expenditure for the same period of the previous fiscal year). This was mainly due to a profit before income taxes of ¥161 million, a decrease in notes and accounts payable-trade of ¥4,416 million, a loss on sales of shares of subsidiaries and associates of ¥1,348 million, a decrease in notes and accounts receivable-trade of ¥1,346 million, a depreciation of ¥841 million, a decrease in accounts receivable-other of ¥746 million, an amortization of equity investment of ¥694 million and an increase in accrued consumption taxes of ¥539 million.

(Cash flows from investing activities)

Net cash provided in investing activities amounted to ¥3,855 million (¥3,349 million of revenue for the same period of the previous fiscal year). This was mainly due to proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥2,818 million and proceeds from sales of shares of subsidiaries and associates of ¥1,800 million and purchase of non-current assets of ¥764 million.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥814 million (¥1,004 million of expenditure for the same period of the previous fiscal year). This was mainly attributable to repayments of long-term loans payable totaling ¥1,935 million, an increase in short-term loans payable totaling ¥1,305 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)	Nine months ended December 31, 2018 (as of December 31, 2018)
Assets		
Current assets		
Cash and deposits	24,473	27,134
Notes and accounts receivable-trade	7,019	7,643
Electronically recorded monetary claims-operating	1,097	1,575
Merchandise and finished goods	1,206	546
Work in process	2,804	4,944
Raw materials and supplies	83	1,955
Other	5,553	3,295
Allowance for doubtful accounts	(61)	(57)
Total current assets	42,175	47,039
Non-current assets		
Property, plant and equipment		
Land	1,873	1,773
Other	3,406	3,332
Total property, plant and equipment	5,279	5,106
Intangible assets		
Goodwill	662	2,855
Other	723	428
Total intangible assets	1,385	3,284
Investments and other assets		
Investment securities	6,773	5,764
Long-term loans receivable	11,781	1,744
Other	5,497	5,269
Allowance for doubtful accounts	(556)	(1,831)
Total investments and other assets	23,495	10,946
Total non-current assets	30,160	19,337
Total assets	72,336	66,376
Liabilities		
Current liabilities		
Notes and accounts payable-trade	11,358	6,870
Short-term loans payable	4,151	5,456
Current portion of long-term loans payable	2,580	2,580
Income taxes payable	171	57
Provision for bonuses	288	129
Provision for directors' bonuses	9	6
Provision for sales returns	6	—
Other	3,914	3,913
Total current liabilities	22,480	19,014
Non-current liabilities		
Long-term loans payable	9,427	7,492
Net defined benefit liability	660	646
Asset retirement obligation	879	951
Other	3,378	3,018
Total non-current liabilities	14,346	12,109
Total liabilities	36,827	31,123

(Unit: Millions of yen)

	Fiscal year ended March 31, 2018 (as of March 31, 2018)	Nine months ended December 31, 2018 (as of December 31, 2018)
Net assets		
Shareholders’ equity		
Capital stock	7,948	7,948
Capital surplus	7,579	7,579
Retained earnings	20,684	20,504
Treasury shares	(1,821)	(1,821)
Total shareholders’ equity	34,391	34,211
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	669	560
Foreign currency translation adjustment	0	0
Remeasurements of defined benefit plans	(53)	(20)
Total accumulated other comprehensive income	617	539
Non-controlling interest	500	502
Total net assets	35,509	35,253
Total liabilities and net assets	72,336	66,376

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

Quarterly consolidated statements of income

Nine months ended December 31, 2018

(Unit: Millions of yen)

	Nine months ended December 31, 2017 (April 1, 2017–December 31, 2017)	Nine months ended December 31, 2018 (April 1, 2018–December 31, 2018)
Net sales	45,266	37,615
Cost of sales	34,546	27,439
Gross profit	10,719	10,175
Selling, general and administrative expenses	14,332	11,437
Operating profit (loss)	(3,612)	(1,261)
Non-operating income		
Interest income	86	91
Dividend income	155	152
Purchase discounts	122	52
Distributions from investments	165	92
Other	80	93
Total non-operating income	611	482
Non-operating expenses		
Interest expenses	61	58
Share of loss of entities accounted for using equity method	527	440
Amortization of equity investment	190	10
Other	77	25
Total non-operating expenses	857	535
Ordinary profit (loss)	(3,858)	(1,314)
Extraordinary income		
Gain on sales of non-current assets	555	19
Gain on sales of investment securities	—	361
Gain on sales of shares of subsidiaries and associates	—	1,400
Gain on step acquisitions	—	748
Other	2	9
Total extraordinary income	557	2,538
Extraordinary losses		
Loss on retirement of non-current assets	70	41
Impairment loss	50	325
Restructuring loss	—	394
Loss on litigation	364	111
Other	44	188
Total extraordinary losses	529	1,062
Profit (loss) before income taxes	(3,830)	161
Income taxes	274	178
Profit (loss)	(4,105)	(16)
Profit (loss) attributable to non-controlling interests	27	(2)
Profit (loss) attributable to owners of parent	(4,133)	(14)

Quarterly consolidated statements of comprehensive income

Nine months ended December 31, 2018

(Unit: Millions of yen)

	Nine months ended December 31, 2017 (April 1, 2017–December 31, 2017)	Nine months ended December 31, 2018 (April 1, 2018–December 31, 2018)
Loss	(4,105)	(16)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	256	(106)
Foreign currency translation adjustment	0	(0)
Remeasurements of defined benefit plans, net of tax	33	32
Total other comprehensive income	290	(73)
Comprehensive income	(3,814)	(90)
(Breakdown)		
Comprehensive income attributable to owners of parent	(3,843)	(91)
Comprehensive income attributable to non-controlling interests	28	1

(3) Quarterly consolidated statements of cash flows

(Unit: Millions of yen)

	Nine months ended December 31, 2017 (April 1, 2017–December 31, 2017)	Nine months ended December 31, 2018 (April 1, 2018–December 31, 2018)
Cash flows from operating activities		
Profit (loss) before income taxes	(3,830)	161
Depreciation	1,025	841
Impairment loss	50	325
Amortization of goodwill	242	295
Increase (decrease) in allowance for doubtful accounts	58	73
Increase (decrease) in provision for bonuses	(172)	(183)
Increase (decrease) in provision for directors' bonuses	82	(2)
Increase (decrease) in net defined benefit liability	59	9
Interest and dividend income	(242)	(244)
Share of (profit) loss of entities accounted for using equity method	527	440
Interest expenses	61	58
Decrease (increase) in notes and accounts receivable -trade	8,443	1,346
Decrease (increase) in inventories	(1,414)	383
Decrease (increase) in merchandising right advances	334	(253)
Increase (decrease) in notes and accounts payable -trade	(8,935)	(4,416)
Loss (gain) on sales of shares of subsidiaries and associates	—	(1,348)
Amortization of equity investment	552	694
Loss (gain) on step acquisitions	—	(748)
Other, net	1,029	1,642
Subtotal	(2,125)	(924)
Interest and dividend income received	258	252
Interest expenses paid	(61)	(58)
Income taxes (paid) refund	(605)	349
Net cash provided by (used in) operating activities	(2,534)	(380)
Cash flows from investing activities		
Purchase of property, plant and equipment	(661)	(671)
Proceeds from sales of property, plant and equipment	5,254	121
Purchase of intangible assets	(245)	(92)
Proceeds from sales of investment securities	13	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	(4,400)	(140)
Collection of loans receivable	1,840	61
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	2,818
Other, net	(459)	(570)
Net cash provided by (used in) investing activities	3,349	3,855
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,625	1,305
Repayments of long-term loans payable	(1,950)	(1,935)
Cash dividends paid	(1,654)	(168)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(955)	—
Other, net	(70)	(16)
Net cash provided by (used in) financing activities	(1,004)	(814)
Effect of exchange rate change on cash and cash equivalents	0	0
Net increase (decrease) in cash and cash equivalents	(189)	2,661
Cash and cash equivalents at beginning of period	23,090	24,373
Cash and cash equivalents at end of period	22,901	27,034

(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 nine months ended December 31, 2018, and calculates tax expenses by multiplying profit before income taxes during the nine months ended December 31, 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.