Gaming and Entertainment

FIELDS CORPORATION

Shaping the FUTURE

ANNUAL REPORT 2013

April 1, 2012 – March 31, 2013

The Greatest Leisure for All People

MESSAGE FROM THE CHAIRMAN & CEO

On June 10, 2013, Fields celebrated the 25th anniversary of its foundation. I would like to thank all our investors, shareholders, and other stakeholders for their support and cooperation in helping us reach this landmark.

For 25 years, we have been providing entertainment that makes people happy as we seek to realize our corporate philosophy of "The Greatest Leisure for All People." This is based on the belief that as Japanese society matures, there is a natural tendency toward a rise in demand for personal fulfillment when economic and material needs have been satisfied.

We have gained a broad picture of entertainment within society and conducted extensive surveys and research into how people spend their leisure time to achieve satisfaction. Believing that Intellectual Property (IP), such as characters and stories, brings people fun and happiness, we have acquired a great deal of IP. At the same time, we have worked in collaboration with outstanding creative production companies and personnel as well as partners who have cutting-edge technology to continually meet new challenges as we develop IP into many entertainment areas, particularly pachinko and pachislot machines.

After the Great East Japan Earthquake, we established the Ultraman Foundation, which continuously supports children as they carve out a new future. Seeing how *Ultraman* could bring a smile back to children's faces, making them happy again, I was struck by the potential that IP holds. For Fields to deliver wonderful entertainment and make people smile now and in the future, I saw clearly the importance of stable and ongoing enhancement and development of our IP business. Accordingly, we made a strategic transformation from a pachinko and pachislot-based business model to a collective of core IP business models, and in May 2012 announced this as the "Developing Business Model" strategy.

We are now following unique IP-centered business models, unprecedented in the entertainment industry. By creating IP and circulating it through comics, animations, and movies/TV, as well as a wide range of merchandising fields from pachinko/pachislot to video games, we are providing products and services with new kinds of excitement and surprises.

I would like to sincerely thank you again for your support of our corporate philosophy and the great assistance you have provided until now. We will work together as a Group to push forward further and meet your expectations, and hope for even greater support and encouragement in the future.

September 2013

Hidetoshi Yamamoto
Chairman & CEO

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Forward-Looking Statements
This annual report includes forward-looking statements about Fields Corporation and its Group companies (the "Fields Group"). Forward-looking statements, including the plans and forecasts of operations in this report, are based on information currently available to the Fields Group and involve unknown risks and uncertainties. Please be advised that any change in risks, uncertainties, and other factors upon which such forward-looking statements are based may cause the Fields Group's actual results, performance, achievements, or financial position to be materially different from future results, performance, achievements, or financial position expressed or implied by these forward-looking statements.

Names of products and services in this report are brand names or registered trademarks of the companies that supply them.

Learning from the Past and Looking Ahead to the Future So We Can Provide "The Greatest Leisure for All People" at All Times

The leisure market is now undergoing major structural changes. Fields has always quickly grasped the implications of these kinds of changes, not missing out on opportunities for growth. The Group is centering its business on IP, particularly characters, continuing its growth towards coverage of a wide range of entertainment fields, including the long-standing pachinko/pachislot field as well as comics, animations, movies / TV, and social games.

We are targeting ongoing expansion based on our "Developing Business Model" strategy as we strive to maximize IP value.

1983: Toyo Shoji founded

1988: Toyo Shoji Co., Ltd. established

2001: Company name changed from Toyo Shoji Co., Ltd. to Fields Corporation

2003: Shares listed on the JASDAQ market

2004: Entered the video game field

2004: *CR Neon Genesis Evangelion* pachinko machine launched

2005:
Entered the movie field

2006:
Entered the online services field

2007:
Entered the animation field

2008:
Entered the pachinko/pachislot video development field

2010:
Entered the comics and movie production field

2010:
Tsuburaya Productions Co., Ltd. made a subsidiary

2011:
Publishing of *HERO'S Monthly* began

2012:
"Developing Business Model" strategy announced

2012:
Planned and produced feature-length animation trilogy *BERSERK: Golden Age Arc*

2013:
GINGA KIKOTAI: Majestic Prince broadcast on TV

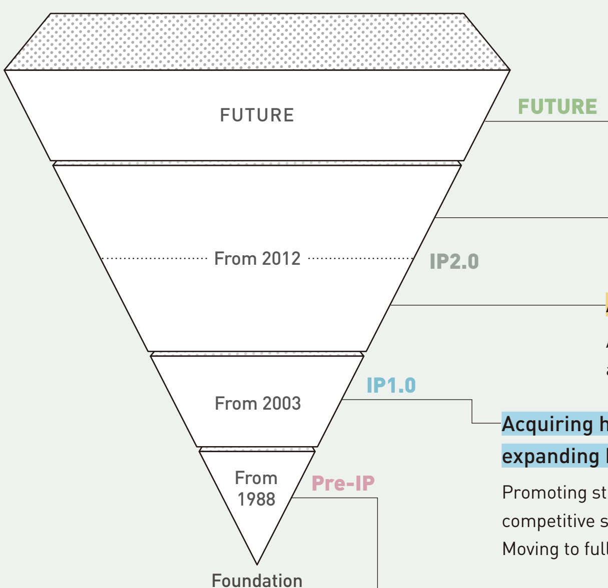
Ultraman Ginga broadcast on TV

Why focus on IP business?

Fields' growth strategies as it shifts towards IP business

Characters and stories are created in many different media, such as novels, comics, animations, and video games. However, they are not limited to the medium in which they were created. Content can be provided and adapted to a range of media. IP itself comes to generate large profits as its value rises through the leveraging of various media and as the number of fans increases.

By acquiring, creating, and cultivating IP in the form of characters and stories that resonate with people and have long-term appeal, and by leveraging various media, we at Fields make possible the creation of new media and believe that we can contribute to the ultimate realization of our corporate philosophy of providing "The Greatest Leisure for All People."



Fields' challenges will continue, taking entertainment to the next stage

Cultivating acquired, owned, and created IP, and targeting continued growth

Releasing many kinds of IP in content adapted to a range of media
Promoting growth of IP fan base and increase in IP value

Announced a circulation business model that maximizes IP value

Announced "Developing Business Model" strategy for maximizing value of acquired, owned, and created IP

Acquiring high-quality IP, promoting multifaceted development, and expanding business domains across a variety of entertainment fields

Promoting strategies centered on multifaceted development of IP as a base for competitive superiority
Moving to full-scale acquisition of high-quality IP and expanding business domains

Seeing leisure markets as a business opportunity

Working to rejuvenate and energize the pachinko/pachislot industry as an independent distributor
Foreseeing that pachinko/pachislot would become a part of media, and focusing on the importance of IP in increasing machines' entertainment value

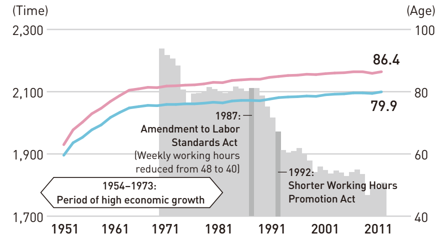
Seeking to Create New Entertainment that Enriches People's Lives

Technological and medical advances and development have brought us increased leisure time. As people have begun to desire personal fulfillment from leisure, many different kinds of entertainment have been created.

In the 1980s, predicting the increase in leisure time, Fields saw this as a business opportunity and began creating entertainment to enrich people's lives. First, we rejuvenated and energized the pachinko/pachislot industry, stimulating growth so more people could enjoy this familiar form of entertainment.

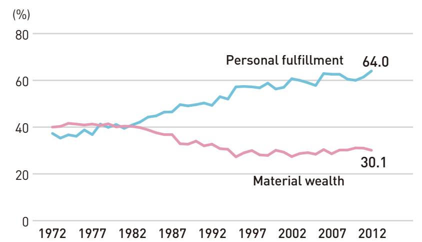
Fields opened branches all over Japan to discover fans' needs and to respond to them, providing advanced information services, planning and selling attractive pachinko/pachislot machines, and becoming the largest independent distributor in the industry.

The average lifespan has lengthened and working hours have become shorter due to technological and medical advances and development. As a result, leisure time has increased.



Source: Statistics from the Ministry of Health, Labour and Welfare

Increase in number of people valuing personal fulfillment over material wealth



Source: *Public Opinion Survey Concerning People's Lifestyles*, Cabinet Office, 2012

Pre-IP

From 1988

Seeing leisure markets as a business opportunity

Technological Advances Bring New Value to Entertainment

In the second half of the 1980s, pachinko/pachislot machines mounted with liquid crystal display (LCD) screens were launched. The dramatic advances that followed in LCD and semiconductor technology made possible rich movements of characters within machines and the realization of a strong story line.

Against this background, Fields foresaw that pachinko/pachislot would become a medium much like movies and TV in the near future. At the time, pachinko/pachislot machines using characters created by machine manufacturers dominated the market, but targeting an increase in fans we began acquiring IP, such as characters from movies and TV, to launch in the market.

We then worked together with major manufacturers to create pachinko/pachislot machines leveraging new IP. These machines gained the support of many fans and an unprecedented level of entertainment for pachinko/pachislot.

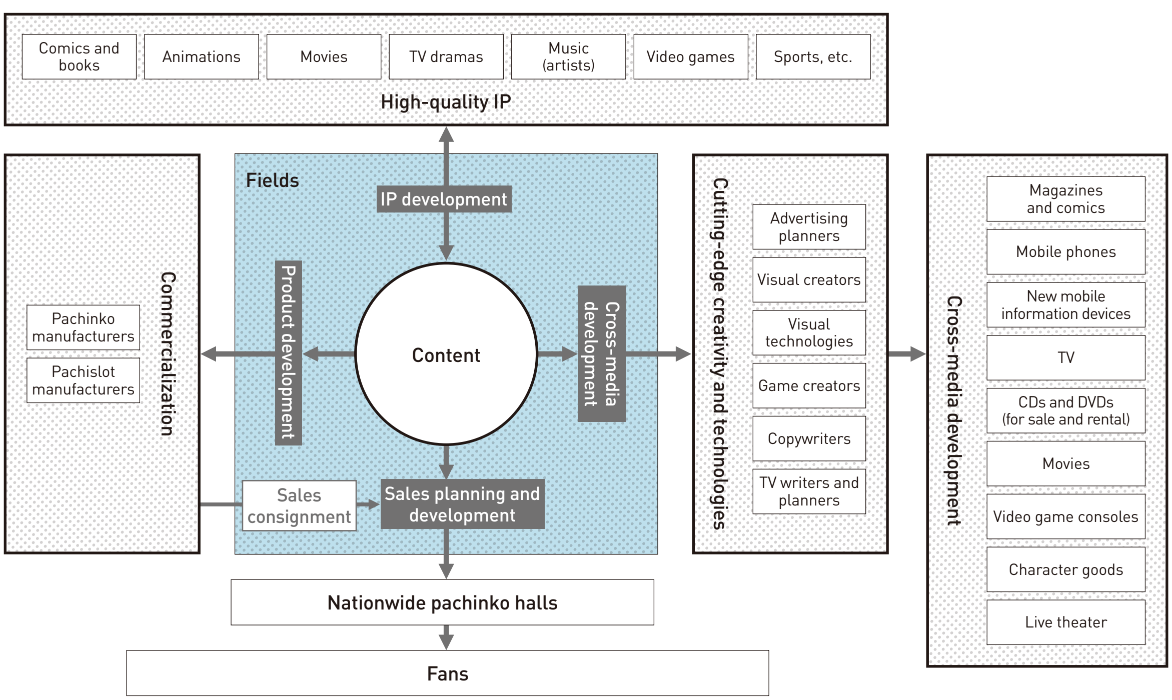
IP1.0 From 2003

Acquiring high-quality IP, promoting multifaceted development, and expanding business domains across a variety of entertainment fields

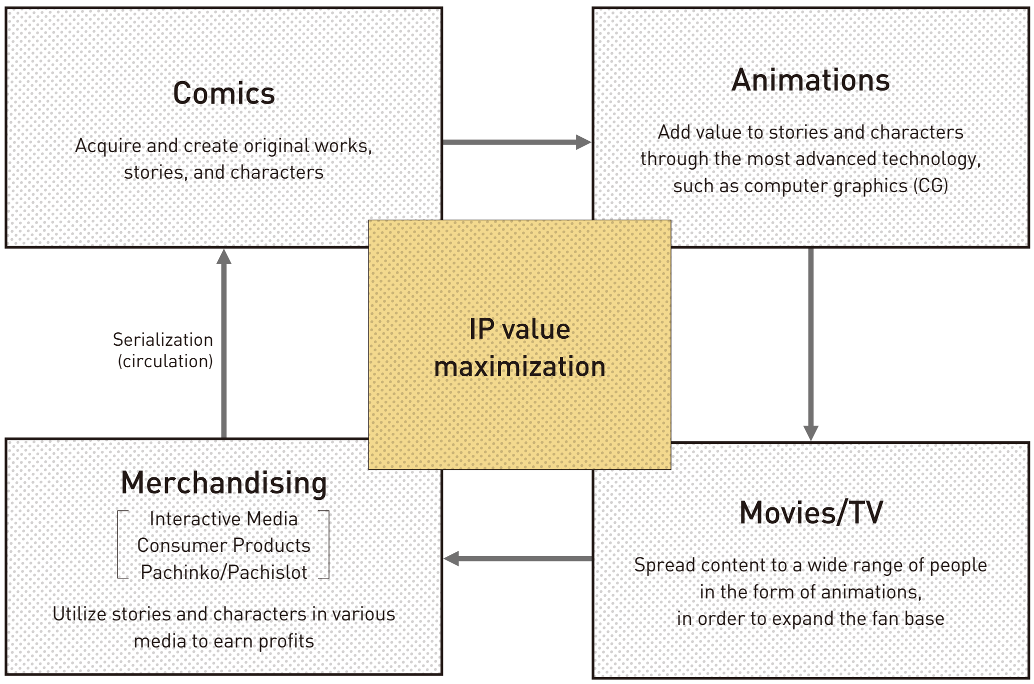
In 2003, Fields went public. Media and personal taste were diversifying, and seeing new potential in the leveraging of IP we gained merchandising rights for a variety of high-quality IP in a concentrated period. We also deepened collaboration with outstanding creative production companies and personnel as well as partners who have cutting-edge technology, to expand use to a variety of other media of IP cultivated or revived in the pachinko/pachislot market.

We have brought several major corporations into our Group, expanding our business domains to an array of entertainment fields. Our network includes corporations specializing in video and corporations specializing in information services, such as mobile content, as well as Tsuburaya Productions Co., Ltd., which owns the IP for *Ultraman*, a national hero.

Business Models We Have Developed Since Listing



Developing Business Model



IP2.0

From 2012

Announced a circulation business model that maximizes IP value

Creation and enhancement of a communications environment, advances in IT, and the popularization of new devices, such as smartphones and tablets, have had a great impact on how people use their leisure time. For example, they have made possible the transfer of large amounts of data, and unprecedented ways of spending leisure time via networks have emerged, including social games.

Within this context, to meet this diversified use of leisure time, Fields positioned IP as something that can continue to create universal value, not dependent on particular platforms, and worked to acquire, own, and create IP. Also, foreseeing that video content would become one of the cores of entertainment, we brought Tsuburaya Productions Co., Ltd., which owns the *Ultraman* series, and corporations with advanced video technology capabilities into the Group and focused efforts on movie production.

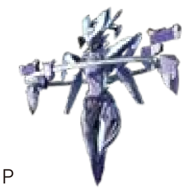
We refined and formulated these initiatives into a strategy targeting future continued growth and announced this strategy in May 2012 as the "Developing Business Model." Rather than relying on particular media, by providing IP-based content adapted to each media and increasing the number of IP fans, we aim to maximize the value of IP itself and boost the Group's corporate value.

A network of 6 divisions create, cultivate, and circulate IP in an IP value maximization cycle

Six divisions, responsible for different domains, come together to promote strategies for realizing IP value maximization. In each domain, we work with outside creators and experts to circulate IP and increase its value. In the future, we will grow this business model together with IP through such initiatives as creating new media and platforms that cross domain boundaries.

Comics

We are acquiring and creating original works, stories, and characters. For example, we are creating and cultivating characters, particularly superheroes, for inclusion in comics, using publication as a starting point for various kinds of IP creation.



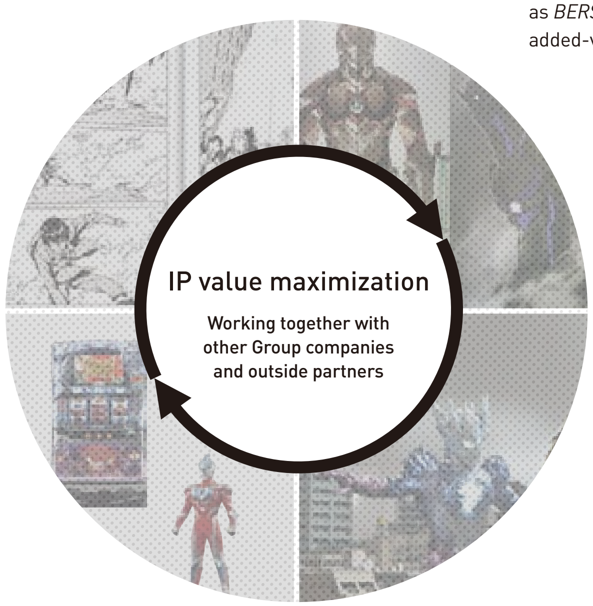
Animations

We are creating and cultivating IP using the most advanced technologies. The videos we produce are also used in video games and pachinko/pachislot machines. We are pushing forward animation of major comic works such as *BERSERK* and increasing the added-value of IP.

Pachinko/Pachislot

By providing machines with rich gaming/entertainment value, we are targeting increases in IP value and expanded fan bases.

This is an important business field as stable income from the pachinko/pachislot business is a source of investment for creating and cultivating IP, and the business is also a source of income while IP is being cultivated.



Movies and Live Media

We are promoting live-action adaptations and live shows, aiming to increase the name recognition and value of products.

We are targeting an increased fan base for *Ultraman* and other content through effective popularization activities, including theatrical releases using the latest technologies, such as 3D film, and live shows.

Consumer Products

We are aiming to ensure awareness of IP and make it profitable through character goods, toys, and other products. We manage cafes and shops that make use of major IP and are gaining expertise in store openings.

Interactive Media

We are aiming to ensure awareness of IP and make it profitable through such interactive media as video games, mobile content, and social networking services (SNS). We are also acquiring IP suited to interactive media and working to increase its value.

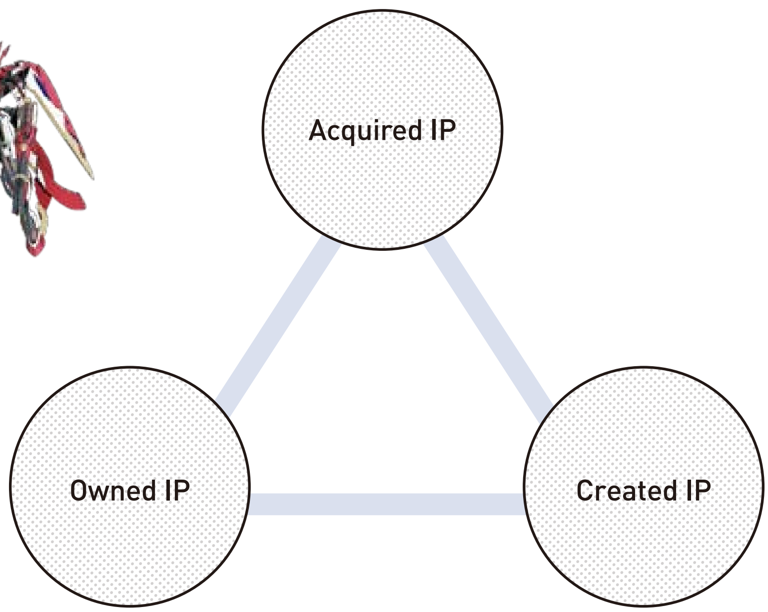
IP2.0

From 2013

Cultivating acquired, owned, and created IP, and targeting continued growth

We are circulating acquired, owned, and newly created IP through various media and focusing efforts on maximizing IP value.

By balancing the acquisition of IP adapted to media with the creation of our own IP as a source of future income, we are ensuring stable short-term income while targeting continued growth.



OPINION

Personnel—The Driving Force Behind Business Models

For the "Developing Business Model" strategy to achieve its true value it is not enough only to acquire and create appealing IP. The key to success is circulating IP as planned among the Company's 6 divisions. However, it is meaningless just to circulate IP and essential that it should increase in value while it is being circulated. It is also important to continually ask whether quality is being maintained to achieve a positive rather than a negative cycle.
We believe that employees who can maximize IP value over multiple business domains, which is to say cross-media producers or some similar position, will be necessary in the future.
If the Company trains receptive and talented personnel as producers, We are certain this business model will succeed.

In order to do so, we are implementing internal communication incorporating new personnel training methods.

Example of Value Maximization of Owned IP

The *Ultraman* Series

What is the *Ultraman* series?

The *Ultraman* series began as a TV series produced by Tsuburaya Productions Co., Ltd., in 1966, 2 years after the Tokyo Summer Olympics. In a story depicting humans fighting against monsters and aliens, which also included themes drawn from the social background of the time, such as environmental problems, the children's hero became a national hero. As the *Ultraman* series grew, the fan base grew with it and over 30 Ultra Heroes were born.

In addition, the series' quality special effects had a great impact on global filmmakers. For example, the director of the *Evangelion* series, Hideaki Anno, commented, "*Ultraman* was probably the first thing which chenged my life. The part that changed my life most was how exciting the special effects sequences were."

In 2010, Fields acquired stock from the then parent company, TYO Inc., and made Tsuburaya Productions its subsidiary. We then worked to revive and give new life to the *Ultraman* series, said to be the pride of Japan.

		Ultraman Series (Principally TV)	Other Major Products from Tsurubaya Productions
1960s	1966	January: *Ultra Q*	
		July: *Ultraman*	November: *Kaiju Booska*
	1967	October: *Ultra S*	
	1968		April: *Mighty Jack*
			September: *Operation: Mystery!*
1970s	1970		March: *Chibira-kun*
	1971	April: *The Return of Ultraman*	December: *Mirrorman*
	1972	April: *Ultraman Ace*	January: *Fireman* *Horror Theater Unbalance* *Jumborg Ace*
	1973	April: *Ultraman Taro*	
	1974	April: *Ultraman Leo*	October: *Army of Monkeys*
			October: *Dinosaur Exploration Party Born Free*
	1976		
	1977		October: *Dinosaur War Izenborg*
	1978		July: *Dinosaur Corps Koseidon*
	1979	April: *The ★ Ultraman*	
1980s	1980	April: *Ultraman 80*	
1990s	1993		April: *Denkou Choujin Gridman*
	1996	September: *Ultraman Tiga*	
	1997	September: *Ultraman Dyna*	
	1998	September: *Ultraman Gaia*	
2000s	2001	July: *Ultraman Cosmos*	
	2004	October: *Ultraman Nexus*	
	2005	July: *Ultraman Max*	
	2006	April: *Ultraman Mebius*	April: *Bio Planet WoO*
	2007	December: *Ultra Galaxy Mega Monster Battle*	April: *Operation: Mystery–Second File*
2010s	2011	July: *Ultraman Retsudeen*	
	2013	July: *Ultraman Ginga (New Ultraman Retsuden)*	April: *Operation: Mystery–Mystery File*

NEWS

2013 Recorded Guinness World Records!

Ultraman was recognized as having the world record for the most TV spin-off series by Guinness World Records.

A Further Revival of *Ultraman*

To revive the *Ultraman* series, we released the movies *Ultraman Zero: The Revenge of Belial* in December 2010 and *Ultraman Saga* in March 2012. Particularly with *Ultraman Saga*, new efforts, including assembling a newsworthy cast and powerful 3D filming, meant we were able to attract an audience comprising a broad range of groups. These 2 movies were also shown in China as representative of Japanese movie. Also, *Ultraman Ginga*, featuring a new Ultra Hero, the first TV series in 7 years, began airing in July 2013.

More over, through collaboration with various media corporations and holding live Ultra Hero shows, we are actively publicizing the heroes and characters who appear in the show and working to further increase the value of the *Ultraman* series.

The Birth of a New Hero, *ULTRAMAN*

Fields is also focusing efforts on creating new Tsuburaya Productions characters. While passing down the traditions of the *Ultraman* world, we are creating new characters as modern human heroes. The starting point for this is *ULTRAMAN*, which appears in our current comic magazine *HERO'S Monthly* and has also been published in book form.

ULTRAMAN features the adventures not of a hero who can transform into a giant like previous versions of *Ultraman*, but a human-sized hero, the son of the first *Ultraman*, Deputy Captain Hayata. The book, consisting of the first 3 volumes of the story, has sold over 800,000 copies in a healthy start, and we plan to release it worldwide in the future.

Increasing the Value of Tsuburaya Productions

Tsuburaya Productions has created various characters other than *Ultraman* including *Kaiju Booska*, the TV series which was broadcast shortly after the company was first established. It also owns *Mighty Jack*, *Operation: Mystery!*, and other series for adult audiences focused on special effects, based on its foundation as a video production company with a high level of special effects technology. We are also planning to increase name recognition of these characters and shows through their broadcast on a number of channels, with the goal of increasing the value of the "TSUBURAYA UNIVERSE".

Example of Value Maximization of Other IP

The *Evangelion* Series

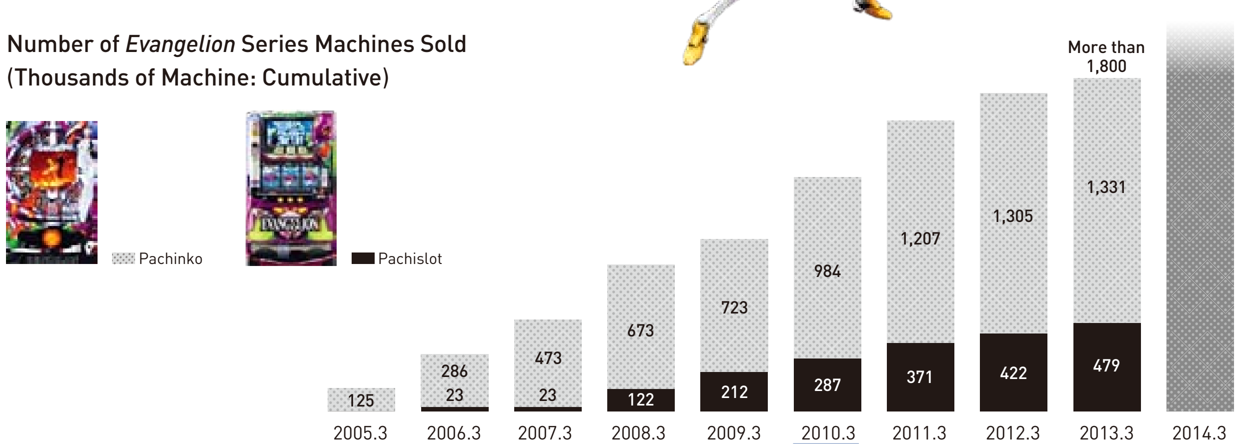
By expanding acquired IP to a variety of platforms, particularly pachinko/pachislot machines, we have increased the value of the IP itself. An example of this is the *Evangelion* series.

Neon Genesis Evangelion was an animated TV series broadcast from 1995 to 1996 that captivated animation fans and had a great influence on creators both in Japan and overseas. The series inspired a number of other animations and is considered a major work in the history of animations.

Through pachinko/pachislot, we worked to further increase the value potential of *Evangelion*. The first stage was the *CR Neon Genesis Evangelion* machine, launched in December 2004. The machine faithfully recreated the world of the original work, while integrating the rich gaming value of pachinko machines. This led to a synergistic effect whereby we attracted new fans to pachinko at the same time as creating new fans of the animation series.

For example, we have sold a total of more than 1,800,000 machines in the *Evangelion* series, and since 2007 the *Rebuild of Evangelion* movie series is enjoying increasing box-office revenues from audiences including young people and women. From this start in pachinko/pachislot, the *Evangelion* series is growing as an IP through collaborations with a wide range of corporations.

Number of *Evangelion* Series Machines Sold (Thousands of Machine: Cumulative)



1997, 1998
Theatrical release of *The End of Evangelion* box-office revenues break ¥4.5 billion

September 2007
Theatrical release of *Evangelion: 1.0 You Are (Not) Alone* box-office revenues break ¥2.0 billion

June 2009
Theatrical release of *Evangelion: 2.0 You Can (Not) Advance* box-office revenues break ¥4.0 billion

November 2012
Theatrical release of *Evangelion: 3.0 You Can (Not) Redo* box-office revenues break ¥5.3 billion

Box office revenues are taken partly from the Motion Picture Producers Association of Japan, Inc., and partly from Fields' own estimates.

HERO'S Monthly

As Japanese content has a high reputation and value around the world, we are increasing the number of fans by exporting many works overseas. Most of these works are based on comics. The comic magazine *HERO'S Monthly*, launched in 2011, comprises characters and stories centered on heroes, targeting mainly readers from their late 20s to their early 40s. Most of the series are produced through the new method of combining specialists in different fields, such as storyboards, scripts, and character design.

We will take comics created in *HERO'S Monthly* that have attracted new fans and expand them to animations and video games. We will increase the fan base and cultivate content that can be adapted to every kind of media in the future, both in Japan and overseas.

GINGA KIKOTAI: Majestic Prince

GINGA KIKOTAI: Majestic Prince is a work created with cross-media expansion in mind in collaboration with such major corporations as Sotsu Co., Ltd. and Toho Co., Ltd. The original work began airing on TV in April 2013 as an original robot animation about teenagers' battles to protect the Earth.

Also, as well as a different story in the same universe being published in *HERO'S Monthly* since before the show was broadcast, the comic adaptation of *GINGA KIKOTAI: Majestic Prince* was published in the animation magazine *Newtype Ace* (transferred to *Kadokawa Nico Nico Ace* in July 2013 after *Newtype Ace* suspended publication).

With events and other activities, we are steadily growing the fan base, and to realize further increase in value in the future we are pushing forward with expansion into merchandising fields.

BERSERK: Golden Age Arc

BERSERK is a dark fantasy work based around a hero in a sword and sorcery world, modeled on medieval Europe, and has been published continuously since 1989. Fields adapted this work with high worldwide name recognition, planning and producing a trilogy of movies, *BERSERK: Golden Age Arc*, which were released from 2012 until 2013. We succeeded in taking this IP, which was said to be difficult to film despite its high name recognition, and creating new value by leveraging advanced technologies. The movies were also well-received overseas, with the third movie, *The Advent*, winning the Satoshi Kon award for Achievement in Animation at the Fantasia International Film Festival in Canada.

Currently, we are moving forward with expansion to merchandising fields including pachinko machine launches and social game releases.

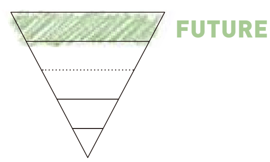
OPINION

Fields is Seeking IP for Which the Fan Base Will Still Be Growing 20 Years from Now

Whether IP becomes a hit or not is affected by the trends of the day, entry of competitors into the same market, and changes in consumer demand. However, if it is truly excellent IP, no matter what influences are present it will certainly grow into "big IP". Fields is thoroughly analyzing data and conducting research, targeting the creation not of content that only appeals to people of a particular era, but rather content that remains fresh 10 years later and 20 years later. For this reason, Fields has chosen to focus on heroes and heroines, who continue to live on forever in our hearts. Though the heroes' appearance may change with the times, the excitement and emotion they provide remains the same. In Hollywood too, there are many hit movies about superheroes. In any generation, stories about heroes give us a sense of fulfillment and guide us in the right way to live. We are certain that this kind of hero content is IP that can create a positive cycle through our "Developing Business Model."

In general, newly created IP does not have a great chance of becoming a hit and it takes time to become profitable, but in that time the stable cash supply from our pachinko/pachislot business and early move to profitabilitiy from our acquired IP will support us, so strategic cultivation is possible. This also controls investment risks and is one of our extremely important strengths.

FUTURE



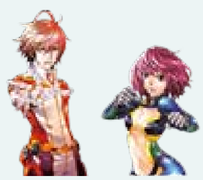
Fields' challenges will continue, taking entertainment to the next stage

"Shaping the Future"

Fields will continue to take on the challenge of creating a future of entertainment that exceeds the imagination.

Review of Fields' Business Activities

Group Profile: Creating a Group Structure for Increasing IP Value



Fields Group

Comics	Animations	Movies/TV	Merchandising		
			Interactive Media	Consumer Products	Pachinko/Pachislot

Major Group Companies Supporting "Developing Business Model"

	Company Name	Main Business Activities	Date of Joining Group
Comics	HERO'S Properties Corporation	Planning, development, and sale of character goods and other copyrighted material	August 2011
	HERO'S INC.	Planning, management, and production of comics and character content	April 2010
Animation	Lucent Pictures Entertainment, Inc.	Planning, creation, and production of animations	October 2007
	Digital Frontier Inc.	Planning and creation of computer graphics	April 2010
Movies/TV	SPO Entertainment Inc.	Planning, creation, and distribution of movies	March 2008
	Tsuburaya Productions Co., Ltd.	Planning, creation, and sale of movies and TV shows Character licensing business, music business, and event business	April 2010
Merchandising			
Interactive Media	IP Bros. Inc.	Digitization of IP, construction and management of specialist websites about pachinko/pachislot machines	December 2010
	FutureScope Corp.	Mobile content services and mail order	October 2006
Consumer Products	Total Workout premium management Inc.	Management of sports gyms	May 2011
	EXPRESS Inc.*	Management of sports gyms	December 2007
Pachinko/Pachislot	Fields Jr. Corp.	Maintenance of pachinko/pachislot machines	March 2002
	Shinnichi Technology Co., Ltd.	Development of pachinko/pachislot machines	January 2008
	MICROCABIN CORP.	Planning and development of software for commercial equipment	January 2011
	NEX ENTERTAINMENT CO., LTD.	Planning, creation, development, and sale of software	November 2011
	BOOOM Corporation	Planning and development of pachinko/pachislot machines	May 2009
	RODEO Co., Ltd.	Development and manufacturing of pachinko/pachislot machines	March 2002
	G&E Corporation	Management of business schools specializing in general entertainment	May 2005

* Fields will take over and absorb EXPRESS Inc. in a merger that will come into effect on October 1, 2013.

Fields' History in Pursuit of "The Greatest Leisure"

■ Pachinko/Pachislot Business ■ IP Business

From 1988
Seeking to Create New Entertainment that Enriches People's Lives

1988 **Toyo Shoji Co., Ltd. established in Nagoya with the aim of conducting pachinko/pachislot machines sales business**

1992 ■ Leisure Nippon News Company acquired; formulation of a vision for the pachinko industry began

■ Cutting-edge information services launched

- **1992:** *Hall TV* launched
- **1994:** *Pachinko Information Station* satellite broadcast service launched

■ Regional and branch offices throughout Japan were expanded to establish our foundation as a distributor

From 1998
Focusing on Developing Machines that Provide Greater Entertainment Value

1999 ■ ISO 9002 certification (sales division) obtained to provide superior operational quality to customers

2001 **Company name changed from Toyo Shoji Co., Ltd. to Fields Corporation**

■ Alliance with leading manufacturers formed to develop pachinko/pachislot machines utilizing IP

- **2001:** Alliance with Sammy Corporation formed; exclusive sales of RODEO brand machines began
- **2003:** Alliance with SANKYO CO., LTD. formed; exclusive sales of Bisty brand machines began
- **2008:** Alliance with KYORAKU SANGYO formed
  - 2012: Exclusive sales of OK!! brand machines began
- **2010:** Exclusive sales of CAPCOM Group Enterrise brand machines began
- **2011:** Alliance with Universal Entertainment Corporation formed

■ Sports entertainment field entered to acquire IP rights

From 2003
Toward the Multifaceted Development of IP

2003 **Shares listed on the JASDAQ market; new IP-driven business model announced**

2004 ■ Entered video game field as part of multifaceted IP development

2005 ■ Entered movies field to acquire IP and promote multifaceted IP development

2006 ■ Entered online services field, including mobile content, to acquire and create IP and promote multifaceted development of IP

2007 ■ Entered animations field to acquire and cultivate IP

From 2008
Maximizing IP Value

2008 ■ Entered video development field to enhance the entertainment offered by pachinko/pachislot

■ Entered digital comics field as part of multifaceted IP development

2010 ■ Entered comics field to create IP

■ Entered movie production field to acquire and cultivate IP

2012 **Made IP, particularly characters, into business drivers, and announced "Developing Business Model" strategy that targets IP maximization**

2004
Launched *CR Neon Genesis Evangelion* pachinko machine

2010
Made Tsuburaya Productions Co., Ltd. a subsidiary

2011
Launched *HERO'S Monthly*

2012
Planned and produced feature-length animation trilogy *BERSERK: Golden Age Arc*

Our Challenge — Fields' Urgent Challenge is to Create New IP

The Ministry of Economy, Trade and Industry has positioned the content industry as a major industry that will support Japan in the next generation. The Ministry's *Report by the Study Group on the Content Industry's Growth Strategy*, published in May 2010, discusses economic growth as a result of globalization of content, particularly comics, animations, and movies, with the content industry providing great hope not only in people's lives but also through its development as a business.

To respond to these hopes and enrich people's lives into the future, a major management issue for the Fields Group is to stably and continuously grow its character and other IP business. However, in recent years, due to such factors as the diversification of the media and personal taste, it has become difficult to create appealing new characters and there is concern about the exhaustion of high-quality IP. Under these circumstances, the Fields Group recognizes the creation of new characters and IP as an urgent challenge.

Net Sales
¥108.1 billion
(+17.3%)

Operating Income
¥10.3 billion
(+21.0%)

Net Income
¥4.7 billion
(–21.2%)

Performance Overview: In the Fiscal Year Ended March 31, 2013, New Business Model Led to Increased Net Sales and Increased Income

Millions of Yen

Consolidated Performance Highlights	Year Ended March 31, 2011	Year Ended March 31, 2012	Year Ended March 31, 2013	Year Ending March 31, 2014 (Forecast)
Net sales	103,593	92,195	1 108,141	120,000
Year on year (%)	156.2	89.0	117.3	111.0
Ratio to net sales (%)	100.0	100.0	100.0	100.0
Gross profit	35,129	31,330	2 33,279	—
Year on year (%)	130.6	89.2	106.2	—
Ratio to net sales (%)	33.9	34.0	30.8	—
Selling, general and administrative expenses	21,993	22,803	22,964	—
Year on year (%)	117.2	103.7	100.7	—
Ratio to net sales (%)	21.2	24.7	21.2	—
Operating income	13,136	8,527	10,314	12,500
Year on year (%)	161.7	64.9	121.0	121.2
Ratio to net sales (%)	12.7	9.3	9.5	10.4
Ordinary income*1	13,684	8,661	10,268	12,500
Year on year (%)	176.3	63.3	118.6	121.7
Ratio to net sales (%)	13.2	9.4	9.5	10.4
Net income	7,520	5,991	4,720	6,300
Year on year (%)	228.6	79.7	78.8	133.4
Ratio to net sales (%)	7.3	6.5	4.4	5.3
Shareholders' equity ratio (%)	59.2	54.6	51.2	—
Return on equity (ROE) (%)	17.1	12.2	8.9	—
Return on assets (ROA) (%)	17.1	10.0	10.3	—
Dividends per share (Yen)*2	50	50	3 50	50
Payout ratio (%)	22.1	27.7	35.1	26.3

*1 Ordinary income is used as one of the important performance indicators in Japanese GAAP. This classification consists of the addition of the balance of financial income, such as interest income (expense), foreign exchange gain (loss) etc., to operating income.
*2 On October 1, 2012, the Company conducted a 1:100 stock split. The amounts shown here have been retroactively adjusted to reflect the stock split.

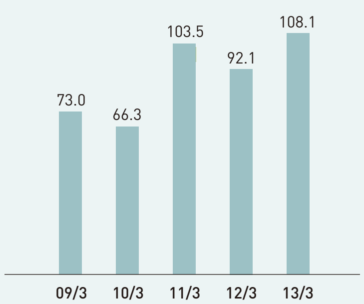
Consolidated sales in the fiscal year ended March 31, 2013, amounted to ¥108,141 million, up 17.3% year on year. Operating income was ¥10,314 million, up 21.0%, with ordinary income up 18.6%, to ¥10,268 million. Net income decreased 21.2% year on year, to ¥4,720 million.

A key factor affecting performance was the year on year increase in pachislot machines sold, due to the launch of major new machines into the market. However, extraordinary losses were recorded at some subsidiaries.

In the fiscal year ending March 31, 2014, the Company projects net sales of ¥120,000 million, a year on year increase of 11.0%, operating income of ¥12,500 million, up 21.2%, and ordinary income of ¥12,500 million, up 21.7%. Net income is projected to rise 33.4%, to ¥6,300 million.

Net Sales

(Billions of yen)



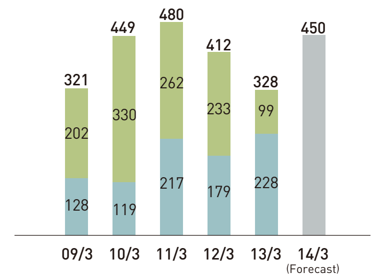
1 Expansion in the Pachinko/Pachislot Business, Our Current Mainstay

To expand our pachinko/pachislot business, which provides most of our income, we are implementing various policies to gain more fan support and create new fans.

In the fiscal year ended March 31, 2013, we began selling pachinko machines as the distributor for a major manufacturer's new OK!! brand. We also received a high level of support from fans for our *Resident Evil 5* pachislot machines. We sold a total of around 100,000 pachinko machines, a decrease of approximately 133,000 year on year, and a total of around 228,000 pachislot machines, an increase of approximately 49,000. While we sold a record number of pachislot machines, sales for pachinko machines fell, due in part to the changeover period between major series.

Number of Machines Sold

(Thousands of machines)



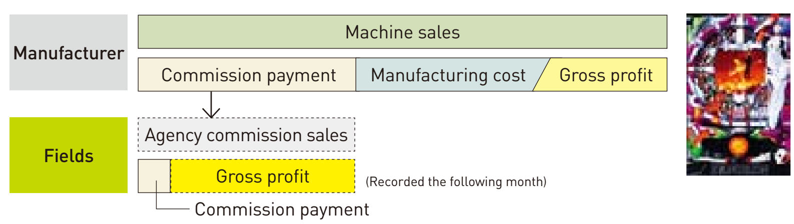
* Rounded down to the nearest thousands machines

2 Differences in Recording for Pachinko/Pachislot Machines

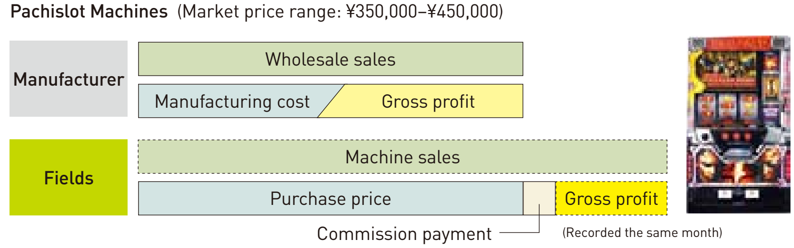
The sales structure is different for pachinko/pachislot machines. Pachinko machines are based on commission sales and the Company receives a commission from the manufacturer for every machine sold to pachinko halls. These commissions are recorded as sales. By contrast, pachislot machines are based on direct sales with the price of the machine sold to pachinko halls recorded as sales and that amount minus our purchase price recorded as gross profit.

In other words, growth in sales of pachislot machines contributes to higher sales, while growth in unit sales of pachinko machines contributes to a higher profit margin.

Pachinko Machines (Market price range: ¥250,000–¥400,000)



Pachislot Machines (Market price range: ¥350,000–¥450,000)



3 Shareholder Return

Fields considers increasing corporate value to be a crucial management issue and follows a basic policy of paying appropriate dividends commensurate with profits realized. Dividend amounts are determined in consideration of factors such as the Company's cash flow situation, but in general our standard is a consolidated payout ratio of 20% or higher. With regard to internal reserves, our policy is to use them effectively in investments intended to strengthen the Company's financial position and management base and ensure continued business expansion and competitiveness.

In view of the above, the dividends paid out for the fiscal year ended March 31, 2013 consisted of interim dividends of ¥2,500* per share and year-end dividends of ¥25. The consolidated payout ratio was 35.1%.

In the fiscal year ending March 31, 2014, we project interim dividends of ¥25 and year-end dividends of ¥25, adding up to total dividends for the year of ¥50.

* On October 1, 2012, Fields conducted a 1:100 stock split, so taking this into consideration would mean the interim dividends for the fiscal year ended March 31, 2013 were ¥25 per share.

Total Current Assets

¥72.7 billion

(+ ¥9.8 billion)

Total Assets

¥106.6 billion

(+ ¥13.0 billion)

Total Net Assets

¥55.0 billion

Shareholders' Equity Ratio 51.2%

Free Cash Flow

¥7.3 billion

(+ ¥2.1 billion)

Financial Position: Recorded Shareholders' Equity Ratio of 51.2% and Maintained Stable Financial Base

Millions of Yen

Consolidated Financial Highlights	As of March 31, 2012	As of March 31, 2013	Change	
Total current assets	62,811	72,709	9,898	1
Property and equipment, net	10,980	11,151	171	
Total intangible fixed assets	4,372	4,540	168	
Total investments and other assets	15,437	18,226	2,788	2
Total fixed assets	30,790	33,918	3,128	
Total assets	93,601	106,628	13,026	
Total current liabilities	37,925	47,365	9,440	3
Total long-term liabilities	4,121	4,164	42	
Total liabilities	42,046	51,529	9,483	
Total shareholders' equity	51,895	54,957	3,061	
Minority interests	483	539	55	
Total net assets	51,555	55,098	3,543	4
Total liabilities and net assets	93,601	106,628	13,026	

Cash Flows: Achieved Stable Cash Flow Management

Millions of Yen

Consolidated Cash Flows	Year Ended March 31, 2012	Year Ended March 31, 2013
Net cash provided by operating activities	10,015	13,570
Net cash used in investing activities	(4,798)	(6,263)
Net cash used in financing activities	(2,565)	(2,277)
Foreign currency translation adjustments on cash and cash equivalents	0	(3)
Net increase in cash and cash equivalents	2,652	5,025
Cash and cash equivalents at beginning of the year	15,632	18,284
Cash and cash equivalents at end of the year	18,284	23,309

Financial Analysis

Total current assets at March 31, 2013 amounted to ¥72,709 million, up ¥9,898 million from March 31, 2012. This was mainly attributable to an increase in notes and accounts receivable–trade associated with the sale of pachislot machines, such as *EVANGELION* and *Pachislot Shin-Onimusha Sairin,* which were launched at the end of the fiscal year (1). Property and equipment, net amounted to ¥11,151 million, an increase of ¥171 million, due to such factors as acquisition of fixed assets associated with relocating our head office. Intangible assets were ¥4,540 million, a rise of ¥168 million. Total investments and other assets amounted to ¥18,226 million, up ¥2,788 million from March 31, 2012. Growth was mainly attributable to an increase in investment securities and an increase in long-term loans receivable (2).

As a result of the above, total assets at March 31, 2013 amounted to ¥106,628 million, up ¥13,026 million year on year.

Total current liabilities increased ¥9,440 million year on year, to ¥47,365 million. This primarily reflected an increase in notes and accounts payable–trade associated with sales of pachislot machines and an increase in income taxes payable (3). Total long-term liabilities remained steady at ¥4,164 million, as a result of the redemption of corporate bonds and an increase in guarantee deposits received.

As a result of the above, total liabilities at March 31, 2013 amounted to ¥51,529 million, up ¥9,483 million from March 31, 2012.

Total net assets amounted to ¥55,098 million, up ¥3,543 million from March 31, 2012. This primarily reflected an increase in retained earnings (4). Shareholders' equity ratio fell 3.4 percentage points, to 51.2%, and return on equity (ROE) fell 3.3 percentage points, to 8.9%.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥13,570 million, compared with ¥10,015 million in the previous fiscal year. The principal factors were ¥9,002 million in income before income taxes and minority interests, notes and accounts receivable–trade of ¥9,013 million, accounts payable–trade of ¥8,488 million, and ¥2,207 million in depreciation and amortization.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥6,263 million, compared with ¥4,798 million in the previous fiscal year. The principal factors were increase in loans receivable totaling ¥1,891 million, purchases of intangible fixed assets totaling ¥1,741 million, and purchases of property and equipment of ¥1,571 million.

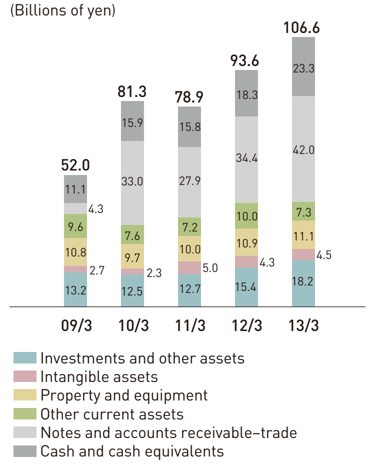
Free cash flow, the sum of cash flows from operating activities and cash flows from investing activities, amounted to ¥7,307 million, compared with ¥5,217 million in the previous fiscal year.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥2,277 million, compared with ¥2,565 million in the previous fiscal year. The principal factors were cash dividends paid totaling ¥1,658 million, redemption of corporate bonds totaling ¥618 million, and repayment of long-term borrowings totaling ¥162 million.

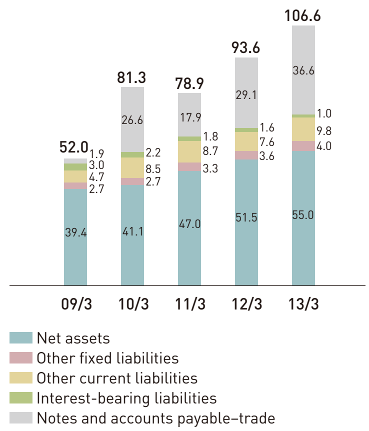
Assets

(Billions of yen)



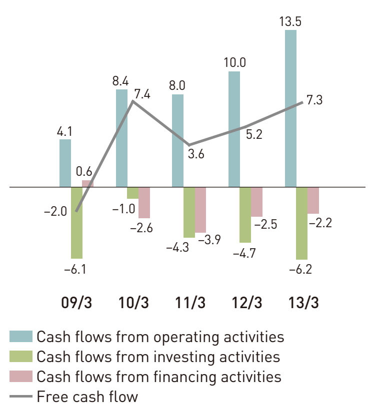
Liabilities and Net Assets

(Billions of yen)



Free Cash Flow

(Billions of yen)



FAQ from Shareholders and Investors During the Last Fiscal Year

Q1 Which management indicators do you place emphasis on?

An emphasis on return on equity (ROE), operating income, and cash flows from operating activities

Our mainstay, the pachinko/pachislot business, has different sales structures for pachinko machines and pachislot machines as described in "Differences in Recording for Pachinko/Pachislot Machines" on page 19. As the ratio for the total numbers of each kind of machine sold varies, based on such factors as sales strategies considering the market environment, net sales and gross profit margin also vary. With these structures in mind, Fields places emphasis on the management indicators ROE, operating income, and cash flows from operating activities.

Q2 What is your thinking regarding investment?

Appropriate investment in IP as a growth driver

For Fields to achieve continuous growth, we believe it is absolutely vital to establish and cultivate core IP. We are making appropriate investment to acquire IP from outside sources, retain IP within the Group, and create our own new IP.

We are investing in management resources for creating characters and stories that wil remain within people's hearts.

Q3 What are your plans regarding overseas business expansion?

Global expansion targeting creation and cultivation of IP

We are expanding globally in line with progress in the creation and cultivation of IP. We have already established overseas bases in Taiwan and Malaysia for a Group company that works in video production.

We have also released movies leveraging the *Ultraman* IP in China for 2 consecutive years—2011 and 2012—and plan to expand this IP to other Asian markets.

Furthermore, we are considering future overseas releases in movie format of the new story from the *HERO'S Monthly* magazine, *ULTRAMAN*, featuring a human-sized hero.

Q4 What is your stance regarding the legalization of casinos in Japan?

Continual investigation of and research into various possibilities

If casinos are legalized in Japan, and integrated resorts including casinos open for business, we believe there will be many business opportunities in the entertainment sector as a whole.

With this in mind, we have long been investigating and researching various possibilities including the effect on the pachinko industry, ways of approaching special zones for casinos, relationships with the entertainment sector, and the use of IP.

Overview by Field

Acquiring, creating, and cultivating IP | Comics, Animations, and Movies/TV

In the comics field, we have invested in a range of content centered on heroes, such as by launching a comics magazine in November 2011. As part of that activity, the comic, which depicts new adventures for the well-known hero within Japan, has had its first 3 volumes released in book format which has sold a total of more than 800,000 copies.

In the animations and movies/TV fields, we are converting comics from the comic magazine into these formats. As an example, we began transmission of *GINGA KIKOTAI: Majestic Prince* in April 2013, and are pushing forward with planning and development of services using this IP.

We are currently increasing name recognition of various IP through book, animation, and live-action releases, and are actively advancing plans to expand these into the merchandising fields.

Furthermore, for the *Ultraman* series, at the same time that we began broadcasting of the new TV series *Ultraman Ginga* in July 2013, we entered into agreements with partner corporations and began selling character goods featuring this IP.

We will continue to invest in the creation and cultivation of characters and stories as well as considering their profitability and maximizing IP value.

Making IP Profitable | Merchandising

The merchandising field powerfully promotes the provision of products and services optimized to various media and platforms, which leverage characters and stories created and cultivated in the comics, animations, and movies/TV fields, as well as acquired IP. By doing so, we aim to increase the value of IP and furthermore, while circulating that IP as series in the comics and animation fields, we aim to secure and expand income.

Interactive Media Business and Consumer Products Business

In our interactive media business, we investigate and research expanding communication platforms centered on SNS, considering necessary consumer services and games from a variety of angles and deliberating investment in fields where growth is expected. Within that business, in the social games field we have focused efforts on planning and development of such aspects as providing a superior gaming experience compared with other titles, taking into account whether the IP is suitable for social games and the saturation of the market with competing titles.

Regarding the consumer products business, we have been strengthening the product lineups for IP we own and expanding distribution channels while investigating and researching IP-related product gimmicks (new ways of playing) and planning new ways of distributing products to customers.

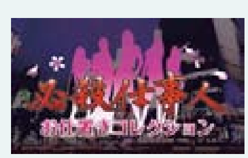
Going forward, we will target cross-media business expansion connecting our interactive media business and consumer products business with other media as well as development of IP in each of our business fields, seeking to achieve close collaboration.

Major Social Games Released to Date

AKB48 Stage Fighter

KIDATSU! Dungeons Lord

BERSERK



HISSATSUSHIGOTONIN

Kstars Wonderland

Pachinko/Pachislot Business

Number of Pachinko/Pachislot Machines Sold

Number of Machines

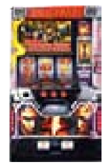
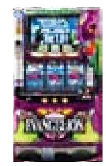
		Year Ended March 31, 2010	Year Ended March 31, 2011	Year Ended March 31, 2012	**Year Ended March 31, 2013**	Change
Machines sold		449,880	480,273	412,390	**328,110**	(84,280)
Pachinko	Machines sold	330,734	262,614	233,223	**99,993**	(133,230)
	Sales ratio (%)	73.5	54.7	56.6	30.5	
Pachislot	Machines sold	119,146	217,659	179,167	**228,117**	48,950
	Sales ratio (%)	26.5	45.3	43.4	69.5	

Sales Performance

Pachinko

	1Q	2Q	3Q		4Q
99,993 machines (Year on year decrease of 133,000 machines)	*EVA Light III* 	*CR Sengoku BASARA 3—The Battle of Sekigahara* 	*New-century Pachinko GHOST IN THE SHELL: STAND ALONE COMPLEX* 	*CR Evangelion 7* 	*New-century Pachinko GHOST IN THE SHELL: STAND ALONE COMPLEX GHOST VERSION* 
Brand	Bisty Co., Ltd.	Bisty Co., Ltd.	OK Co., Ltd.	Bisty Co., Ltd.	OK Co., Ltd.
Sales	May 2012	July 2012	October 2012	December 2012	February 2013
Cumulative number of machines sold	16,000	16,000	26,000	12,000	—

Pachislot

	1Q	2Q	3Q	4Q		
228,117 machines (Year on year increase of 49,000 machines)	*GTO Limit Break* 	*Yaoh* 	*Resident Evil 5* 	*SAKIGAKE OTOKOJUKU—TENCHO-GORIN THE FINAL* 	*EVANGELION* 	*Pachislot Shin-Onimusha Sairin* 
Brand	Bisty Co., Ltd.	Bisty Co., Ltd.	Enterrise Co., Ltd.	RODEO Co., Ltd.	Bisty Co., Ltd.	RODEO Co., Ltd.
Sales	June 2012	August 2012	December 2012	February 2013	February 2013	March 2013
Cumulative number of machines sold	—	—	48,000	24,000	57,000	41,000

* Sales figures are not given for machines which had sales of less than 10,000 units.

The Market in 2012

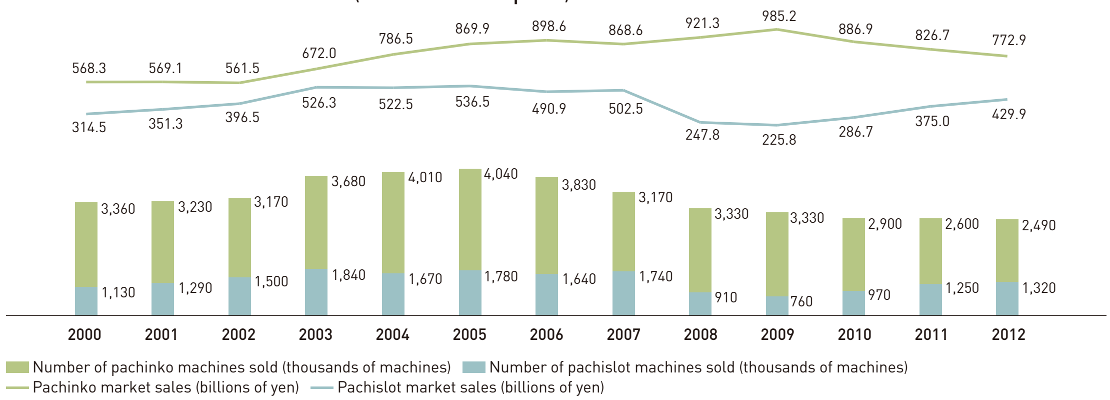
Within the pachinko/pachislot market, against a background of expansion in the pachislot market, there were a total of 4,591,000 machines (up 0.2% year on year) in Japan's 12,149 pachinko halls*1. The estimated size of the market based on the total cost of pachinko balls available for lending was ¥19.0 trillion (up 1.0%).*2

Regarding pachinko/pachislot machines sales, expanded installation of pachislot machines meant that the market as a whole enjoyed good sales, but demand for pachinko machines was concentrated on a limited number of major machines. The total number of machines sold was 3,820,000 (down 1.1%).*3

While consumer tastes diversified, the trend toward a declining number of fans in the pachinko/pachislot market continued. Gaining more support from existing fans and creating new fans will be a challenge for the industry as a whole.

*1 Number of pachinko halls and total number of machines: National Police Agency statistics
*2 Market size: Japan Productivity Center, *Leisure White Paper 2013*
*3 Total machine sales: Yano Research Institute Ltd., *2013 Trends and Market Share of Pachinko Related Manufacturers*

Scale of the Machine Sales Market (based on sales price)



Source: Yano Research Institute Ltd., *2013 Trends and Market Share of Pachinko Related Manufacturers*

The Particular Nature of Fields' Business

Fields' Pachinko/Pachislot Division handles major manufacturers' products, distributing appropriate machines to pachinko halls. Additionally, it works together with several major machine manufacturers to plan, develop, and sell around 10 kinds of machines a year based on the Company's acquired, owned, and created IP.

For sales activities, Fields has 26 regional and branch offices throughout Japan, and sells around 300,000 to 500,000 products every year. We plan to build new offices in 11 regions to further reinforce our sales base.

By circulating through the activities of acquiring, retaining, and creating IP; planning, developing, and selling products; and gathering and providing information, Fields is gaining more support from existing fans and creating new fans while contributing to the development and invigoration of the whole market.

Sales Performance for the Fiscal Year Ended March 31, 2013

In the fiscal year ended March 31, 2013, we began selling pachinko machines as a distributor for a major machine manufacturer's new OK!! brand. We also received a high level of support from fans for our *Resident Evil 5* pachislot machines.

As a result, we sold a total of around 100,000 pachinko machines, a decrease of approximately 133,000 year on year, and a total of around 228,000 pachislot machines, an increase of approximately 49,000.

FAQ

Interactive Media Business and Consumer Products Business

Q1 What role do merchandising fields play in Fields' business?

In the comics, animations, and movies/TV fields, Fields acquires, retains, and creates IP, but presently these fields are largely in an investment phase. Because of this, merchandising fields play an important role in securing income, and naturally in increasing IP value.

It is common now for digital and analog products and services to be provided to customers in stores and via the Internet. The situation is the same in the entertainment industry. As a result, in merchandising fields we provide products and services that people feel are necessary in a range of variations through interactive media, consumer products, and pachinko/pachislot.

Q2 What are your future policies for interactive media and consumer products?

We are investigating and researching communication platforms for interactive media, but it is difficult to respond to all customer needs on one platform. In the future, as platforms become segmentalized, we will perform broad analysis on personal tastes, seeking platforms to meet these tastes, and plan, develop, and provide products and services adapted to those platforms.

In consumer products, we will of course leverage acquired, owned, and created IP from comics, animations, and movies/TV, as well as IP acquired within the field, and will work to increase sales of goods. We also plan to increase added value in the eyes of customers for existing products and services. At the same time, as another approach, we will first devise exciting ways of playing and then create suitable IP.

Pachinko/Pachislot Business

Q1 What role does pachinko/pachislot play in Fields' business?

Pachinko/pachislot is positioned as a merchandising field in the same way that interactive media and consumer products are, and we consider the field to be a mainstay for developing IP and providing income.

Fields sees pachinko/pachislot machines mounted with LCD screens to be a media like movies or TV, and since 2000 it has launched many machines leveraging IP. Of these, the *Evangelion* series for pachinko/pachislot is highly rated by the market and has acquired many fans.

We will proactively leverage acquired, created, and cultivated IP in the merchandising field of pachinko/pachislot, devising products that invigorate the market and implementing various policies to increase the value of IP itself.

Q2 Why do pachinko/pachislot machine manufacturers work together with Fields?

As a distributor, Fields has 26 regional and branch offices throughout Japan, which not only make sales but also gather and analyze information for invigorating the market. Based on this, we plan and develop contents and products necessary to the market, proactively making proposals to machine manufacturers. The foundation for these proposals is the aim to create new fans and gain greater support from existing fans through products with high entertainment value, and we have increased the number of manufacturers we work with through their agreement with this way of thinking.

Now, by combining our accumulated abilities to handle information, plan and develop content, and make sales with the planning and development abilities of the manufacturers we work with, including Sammy Corporation, SANKYO CO., LTD., KYORAKU SANGYO, and Enterrise Co., Ltd., we are targeting the creation of products with high gaming function and entertainment value.

Q3 How reliant is Fields on the *Evangelion* pachinko/pachislot series?

Fields launched its first entry in the *Evangelion* series in 2004, and by July 2013 had sold a cumulative total of more than 1.80 million machines in this series. Until now, our reliance on the series has been relatively high depending on the market conditions and sales strategy for a given fiscal year, and has accounted at times for more than half of annual sales volume. For Fields, there is no question that *Evangelion* is one of our most important IP.

However, pachinko/pachislot machines outside of the *Evangelion* series have also been successful. In the coming years, we hope to create a number of series that are as popular as *Evangelion* through the utilization of IP created and cultivated under our "Developing Business Model," and through partnerships with manufacturers.

Q4 Why have you decided to expand your sales network now?

By acquiring, creating, and cultivating IP, we believe our appealing IP will increase in the coming years. In addition, we will reinforce partnerships with manufacturers and work aggressively to bring IP-centered machines with high entertainment value to the product stage.

At the same time, we have announced an increase in our number of regional and branch offices from 26 to 37, and a corresponding increase in sales staff from 300 to 400.

By expanding our sales network, it will take less time to reach customers and the number of customers each sales staff member has responsibility for will decrease, so it will be possible to explain the appeal of products in sufficient detail and complete sales activities that provide a high level of customer satisfaction. Also, regional and branch offices throughout Japan will also be able to act as IP showrooms and information distribution centers.

Risks Related to Our Business and Management Status

Of the factors related to our business and management status, various risks that may substantially affect decisions by potential investors are as follows.

Forward-looking statements are based on the judgment of Group management as of the end of the fiscal year ended March 31, 2013.

Content Business

The Company is focusing on obtaining copyrights (merchandising rights) and developing content with high value. However, the distinctive nature of the content business makes it difficult to accurately evaluate its potential for contributing to profits. Specifically, the Company may not achieve its projected business growth due to such risks as significant funds directed into the content business might result in increased fixed costs and overall financial risk for the Company; investment in copyrights or other rights may not lead to the development of content with high value; the Company may not be able to acquire attractive content on favorable terms due to fierce competition in the market; in implementing its content strategy and related activities, the Company may unknowingly infringe upon the IP rights of other companies or become party to other claims associated with these IP rights; and that the Company, in turn, may not be able to effectively protect its own content-related IP rights.

Through education and training, the Company is reducing risk by raising awareness regarding IP. It is also increasing the possibility of IP contributing to profitability by establishing business schemes within the Group which lead to higher value content being owned and created.

High Level of Products Supplied by a Specific Supplier

The Group's sales primarily consist of product sales (distribution sales), in which the Group purchases machines and sells them to customers, and sales commissions (agency sales), in which the Company receives commissions from the brokerage of machine sales.

Of the total consolidated net sales of the Company, product sales and sales commissions represented 68.8% and 11.9%, respectively, for the fiscal year ended March 31, 2012, and 80.0% and 3.8%, respectively, for the fiscal year ended March 31, 2013.

The major portion of products sold was supplied by RODEO Co., Ltd. and Bisty Co., Ltd., an allied manufacturer. In the fiscal year ended March 31, 2013, products supplied by RODEO and Bisty accounted for 37.7% and 21.6%, respectively, of the total products we purchased on a consolidated basis.

Given the heavy reliance of the Company in its pachinko/pachislot business on these 2 companies for product supply, should products from these companies become less popular or the launch of new products be delayed due to product development falling behind schedule or other reasons, the results of operations of the Company or the Group could be affected.

Our Basic Exclusive Distributorship Agreement is renewable on an annual basis with RODEO and a triennial basis with Bisty. Therefore, should the agreements not be renewed, Group results could be affected.

The Company maintains alliances with RODEO, a member of the Sammy Group, and Bisty, a member of the SANKYO Group. It has also begun alliances with OK Co., Ltd., a member of the KYORAKU SANGYO Group; Enterrise Co., Ltd., a member of the CAPCOM Group; and Mizuho Corp., a member of the Universal Entertainment Group. These alliances are part of the Company's efforts to reduce its dependence on a specific supplier and diversify risk, as well as to strengthen its product lineup and bring products to market more quickly.

Legal and Voluntary Regulations Governing the Pachinko/Pachislot Machine Industry

The pachinko/pachislot machine sales business in which the Company is primarily engaged is not directly subject to laws and regulations. However, business activities by pachinko/pachislot machine manufacturers are regulated by rules prescribed by the National Public Safety Commission—the Rules on Approval of Pachinko/Pachislot Machines and Certification of Models—in accordance with the Entertainment Business Law. For example, the Company cannot sell or install any machines that have not obtained the approval of the Public Safety Commission of the related prefecture. The business activities of pachinko hall operators—the final users of our machines—are also regulated under the Entertainment Business Law and related ordinances in each prefecture.

Apart from these regulations, the pachinko/pachislot industry may, as necessary, voluntarily regulate the operations of pachinko/pachislot machine manufacturers, pachinko hall operators, and sales companies to restrain the excessive gambling aspect of the games.

Any amendments to laws and regulations or the introduction of new voluntary regulations may delay the delivery of pachinko/pachislot machines to pachinko halls due to the need to comply with such new requirements, and any change in demand for specific machines by pachinko hall operators could affect the results of Group operations.

The Company continues to contribute to the soundness of the pachinko/pachislot market based on its corporate philosophy of providing "The Greatest Leisure for All People", and is working to plan and develop new machines with high gaming and entertainment value that do not rely on the gambling aspect. Furthermore, it is expanding its business into a wide range of entertainment domains and creating new opportunities for profit through circulation of a range of IP, with a view to establishing new sources of income.

Risk Associated with Investment

The Company conducts its business in broad areas, including those that are not directly related to the pachinko/pachislot machine sales business. In developing business for the Group, the Group strives to expand existing ventures, enhance functions, and enter new business areas by strengthening and creating alliances with Group companies and other partners. To that end, we conduct such investment activities as establishing new ventures in partnership with other companies and investing in existing companies. We will continue investment activities going forward.

However, a decline in the investment value of companies or in the market value of shares in which the Company has invested may result in losing all or part of the investment value or require the provision of additional funding to these companies. The results of operations of the Company or the Group may be affected by either of these eventualities.

The Company reduces risk by periodically checking whether to make investments or extend finance, or exit investments, in accordance with the Group's management policy. In fact, in the fiscal year ended March 31, 2009 the Company realigned businesses in line with this policy. It also established a department responsible for internal control systems for the Group. This department is working to strengthen internal control systems for each Group company.

Corporate Social Responsibility (CSR)

Fields CSR

Based on its corporate philosophy of "The Greatest Leisure for All People," since its foundation Fields has continually strived to research what wonderful entertainment is and to create it so as to enrich the leisure time of more people and put a smile on more people's faces.

In the maturing society of the 21st century, the trend of increasing leisure time will continue. We believe that we can provide products and services to fill this increased leisure time, making people's lives richer by enhancing their free time. Furthermore, we are confident that continuous implementation of these activities supports the happiness of society as a whole.

In other words, activities based on our corporate philosophy fulfill CSR in themselves, with the Group's products and services fulfilling responsibility to not only the customers who enjoy them and investors who hold shares but all of Fields' stakeholders including society and the global environment.

CSR Promotion Structure

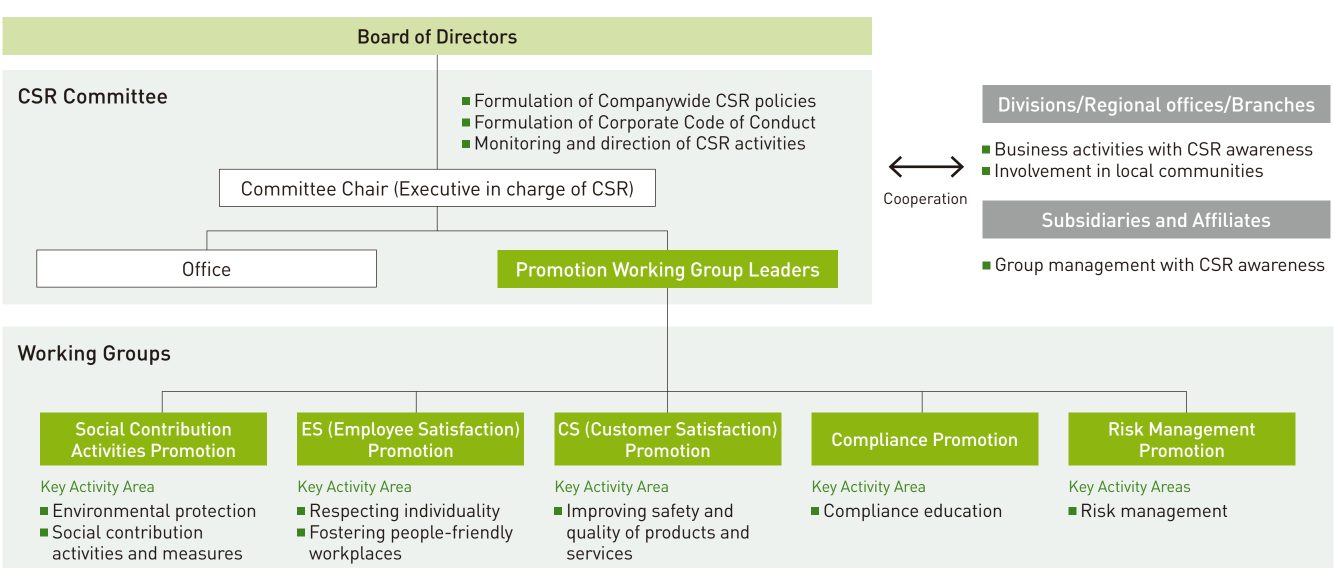
To realize its corporate philosophy, fulfill its social responsibility, and help bring about a richer society, Fields does not only fulfill its responsibility through its business activities. We have contributed to society through global environmental protection, cultural, and sporting activities and in May 2008 we formed a CSR Committee to enable more expeditious and systematic CSR activities.

The CSR Committee is divided into 5 major areas, Social Contribution Activities Promotion, ES (Employee Satisfaction) Promotion, CS (Customer Satisfaction) Promotion, Compliance Promotion, and Risk Management Promotion, and we are proactively implementing CSR activities through the various working groups.

CSR Committee

Chaired by the executive in charge of CSR, the CSR Committee is made up of the leaders of the CSR promotion working groups and administration staff. The CSR Committee formulates policies relating to CSR management, approves the Corporate Code of Conduct, and monitors the CSR promotion activities run by each promotion working group.

CSR Structure



Role of Working Groups

The CSR promotion working groups autonomously plan and execute concrete measures based on their respective activity policies. They make timely progress reports about their activities to the Office, and report quarterly to the CSR Committee.

Working Group Activity Policies

Social Contribution Activities Promotion	Fields implements policies to protect the environment and contribute to society. By doing so the Company targets harmony with the global environment and excellent relationships with all of its stakeholders.
ES (Employee Satisfaction) Promotion	To make customers and business partners happy, Fields believes that it is vital to foster a corporate culture, working environment, and values that allow employees to feel happy. To this end we insist on respect for the individuality of employees and take steps to create a workplace where employees can feel secure and at ease as they work.
CS (Customer Satisfaction) Promotion	Fields aims to please customers and business partners and to earn their trust and faith. We will achieve this through measures to improve the safety and quality of the products and services we provide.
Compliance Promotion	Compliance is an important aspect of earning the trust and faith of all stakeholders. We must ensure that all our business activities are carried out appropriately and legally. We will carry out measures to foster not only adherence to laws and regulations among our employees but also a strong sense of ethics and morals.
Risk Management Promotion	Fields prioritizes safety in its business activities. To ensure the safety of employees and other persons connected with Fields, we have developed preventative measures and countermeasures against the occurrence of not only accidents and disasters, but all risks relating to our business in general. We have also built a framework for avoiding and reducing risks and minimizing the impact if they should materialize.

OPINION

The Essence of CSR is a Focus on Core Business and the Cultivation of Human Resources Who Support that Business

For Fields to fulfill its CSR, it should focus on contributing to society through its core business, which is to provide products and services that enrich people's lives. We work together with many business partners boasting cutting-edge technologies and superior creativity to deliver products and services that make people happy, and by doing so we aim to bring about our corporate philosophy, "The Greatest Leisure for All People." Our core activities are the maximization of IP value and creating and cultivating content. We are confident that providing appealing entertainment to society brings a smile to many people's faces while the profit from these activities allows the Company to grow so we can share the happiness of growth with shareholders. Gaining the support of our customers also brings us excellent relationships with all of our many stakeholders as well as the trust of society. We have to maintain this cycle to achieve continued growth. As employees support the cycle and play a major role in CSR activities, Fields has set the creation of a structure that cultivates human resources over the medium-to-long term as a major theme in allowing employees to make the most of their abilities and do their jobs with pride.

For example, we are putting infrastructure in place that enables management and employees to communicate equally without barriers of time, distance, department, or generation. This allows for the exchange of concepts and ideas for new projects while communication between people with different viewpoints sparks many new discoveries. We believe this kind of lively, creative communication effectively brings forth the strengths of each employee, increases motivation, and leads to the creation of new entertainment and greater market competitiveness.

Specific Initiatives (April 2012–August 2013)

Social Contribution Activities Promotion

Saving Electricity (Cool Biz Activities)

From 2011, we have been conducting energy-saving programs in summer (May–October) and winter (November–March). In 2013, the summer period has been set as May 7–October 31, in which we have implemented air conditioning- and facilities-related, office automation, and "Cool Biz" (summer dress code) initiatives, as well as numerous others.

As in summer 2011 and 2012, we have provided employees with Fields official shirts for the "Cool Biz" season. By making this shirt the standard dress in summer, as the suit is for the rest of the year, and instituting "Super Cool Biz" measures, we are not only going one step further in supporting energy-saving but also raising employee awareness of the need to do so.

Monthly Clean-up at Nampeidai-cho in Shibuya, Tokyo

From March 2013, as part of CSR Social Contribution Activities, we have been implementing monthly cleaning activities at Nampeidai-cho in Shibuya, Tokyo, where the Company is headquartered.

Over 20 Company volunteers take part each month, mainly cleaning around our head office as well as other parts of Nampeidai-cho.

We will continue to implement a range of activities for contributing to local communities and protecting the environment.

Clean-up at Yoyogi Park Together with ARTNATURE, INC.

In cooperation with ARTNATURE INC., we held cleaning activities in Yoyogi Park in Shibuya.

Employees from both companies and their families, 55 people in total, took part in the activities, deepening ties while cleaning mostly around the central field in Yoyogi Park.

Fields will cooperate with other companies in future activities for contributing to local communities and protecting the environment.

External Assessment: Fields IR Site Selected for the Following IR Site Assessment Rankings

1: Selected for the Gomez IR Site Ranking 2013 (April 2013)

The Fields IR site placed first in the emerging markets ranking of the Gomez IR Site Ranking 2013 announced by Morningstar Japan K.K. This ranking covers markets such as JASDAQ and Mothers, and it is the second consecutive year Fields came in first place. Fields was also selected as an excellent company and given a Bronze Award for the second consecutive year in the Gomez IR Site overall rankings which cover all publicly listed companies.

2: Selected as Nikko Investor Relations Co., Ltd. Best Corporate Website in Fiscal 2012 (November 2012)

The Fields IR site was selected as Best Corporate Website by Nikko Investor Relations Co., Ltd. in the Fiscal 2012 All Listed Companies Website Depth Ranking. It was selected for the overall ranking for the fifth consecutive year, came first in the emerging markets ranking for the third consecutive year, and also came first in the ranking by industry for the second consecutive year.

3: Selected for Daiwa Investor Relations Co., Ltd. 2012 Internet IR Excellence Award (November 2012)

Daiwa Investor Relations Co., Ltd. presented Best Company Awards for Internet IR in 2012 to 4 companies, Excellence Awards to 17 companies, and Quality Awards to 118 companies. The Fields IR site was chosen for an Excellence Award.

With a sense of pride in these awards, we will continue to improve our IR activities and endeavor to provide more useful information to shareholders and investors as well as a strong communications presence.

Risk Management Promotion

Bolstering Management of Information Assets

In August 2007, Fields acquired internationally recognized ISO/IEC 27001:2005 certification and JIS Q 27001:2006 certification for its information security management system. Following subsequent screenings to maintain this status, both certifications were renewed in July 2013.

In light of growing concern regarding the management of information assets accompanying the rapid advance of information technology (IT) in recent years, the Company pursued these certifications as a means to continuously strengthen its information security measures, viewing this task as a social responsibility. Certification by an objective third party and continuous renewal are strong acknowledgments that the security measures promoted by the Company are of an internationally recognized level.

To ensure the continuing trust of society and our customers, all employees will maintain a high awareness of information security matters and we will target further improvement in our information security management system.

Compliance Promotion

Reinforcing Groupwide Compliance

Fields is utilizing group training and intranet-based e-learning modules to promote activities designed to foster a strong sense of ethics and morals.

Until now, compliance training at Group companies was based largely on group training, but from July 2013 we have instituted an e-learning system and are working to improve the learning environment.

We will continue to encourage awareness of compliance Groupwide, ensuring that business activities are completed appropriately, in line with laws and regulations, and expanding and enhancing compliance activities.

ES (Employee Satisfaction) Promotion

CSR Round-table Discussions

As part of in-Company CSR awareness activities, in June 2012 we issued the *CSR Report Vol.0 Concept Book*. Additionally, based on a questionnaire completed at the time the book was issued, in October 2012 we held round-table discussions between Hideo Ito, Director; the CSR Committee Chair and young employees who will support Fields' future.

At the discussions, participants discussed what CSR means for Fields and how to spread awareness of CSR throughout the Company.

We shared the goal of becoming a company with more value both as a corporation and a social institution so that we can bring about our corporate philosophy of "The Greatest Leisure for All People."

Other Initiatives

Social Contribution Activities Promotion	■ Co-sponsored charity golf tournament ■ Cooperated with Shibuya Police Station in a crime prevention campaign in which the characters *Ultraman* and *Kanegon* appeared ■ Promoted summer and winter energy-saving programs ■ Took part in "Odaiba Park Torinoshima Rediscovery Tour" cleaning activities ■ Took part in 13th Omukai Neighborhood Association Emergency Drill in Shibuya ■ Took part in Cleanup Campaign at Kugenuma beach sponsored by the Japan Environmental Action Network (JEAN) ■ Implemented installation of AED (Automatic External Defibrillator) units and training for their use at head office, branches, and regional offices in Japan
ES (Employee Satisfaction) Promotion	■ Continued to conduct training sessions on safe driving for sales staff throughout Japan
CS (Customer Satisfaction) Promotion	■ Renewed ISO 9001:2008 certification for quality management system

See the website below for details on other initiatives

www.fields.biz/ir/e/csr/activities/

TOPICS

The Ultraman Foundation for Supporting Children Now and into the Future

Establishment: March 2011
Managing Administrative Office: Tsuburaya Productions Co., Ltd.

Visit the Ultraman Foundation official website for more details on activities.
www.ultraman-kikin.jp/en/

The Fields Group's hopes of providing support for recovery in the areas affected by the Great East Japan Earthquake are embodied in the Ultraman Foundation, established in March 2011 by participating Group companies, particularly Tsuburaya Productions Co., Ltd. We will continue to implement activities that support the children in these areas both materially and emotionally.

The foundation not only supports the people of these areas, and especially the children who will carve out a new future, with relief supplies but it also endeavors to put a smile on children's faces through personal interaction, such as through Ultra Heroes Shows.

The foundation has continued to provide money and microbuses to Fukushima, Miyagi, and Iwate prefectures from 2011 to March 2013. It also offers support through the "HERO CARAVAN – 78 Places in Tohoku" tour, in which Tsuburaya Productions' heroes visit children and support their dreams in 78 disaster-affected locations.

Activity Introduction

Continuing to Donate Money and Microbuses to Fukushima, Miyagi, and Iwate Prefectures

Two years have passed since the Great East Japan Earthquake, but support for the children of affected areas remains necessary, so in March 2013 we arranged Ultra Heroes visit and donated money and microbuses decorated with Ultra Heroes.

The donated microbuses will be used to take children to and from kindergarten, elementary school, and junior high school, and also for outside trips and sports clubs. We hope that the sight of children smiling on the microbuses will make the disaster-affected areas a little brighter.

Major Activities (2013)

March 11, 2013	■ Donated microbus to Tomioka in Fukushima Prefecture
March 12, 2013	■ Donated ¥25 million to Great East Japan Earthquake Fukushima Children's Fund ■ Donated ¥25 million to Great East Japan Earthquake Miyagi Children's Fund ■ Donated microbus to Higashimatsushima in Miyagi Prefecture
March 18, 2013	■ Donated microbus to Miyako in Iwate Prefecture ■ Donated ¥25 million to Iwate Learning Hope Fund

"HERO CARAVAN – 78 Places in Tohoku"

HERO CARAVAN
For the light of children
78 Places in Tohoku

In March 2013, the Ultraman Foundation began the "HERO CARAVAN–78 Places in Tohoku" tour, in which Tsuburaya Productions' heroes visit 78 places in the disaster-affected areas and support the dreams of the children there. As of September 30, 2013, the caravan had visited 39 nurseries, kindergartens, and volunteer centers, allowing for interaction with more than 3,500 children. We hope to give children a chance to naturally talk about their future hopes and dreams while interacting with Tsuburaya Productions' heroes and enjoying themselves.

We will continue to proactively provide activities to help the children smile naturally again.

Corporate Governance

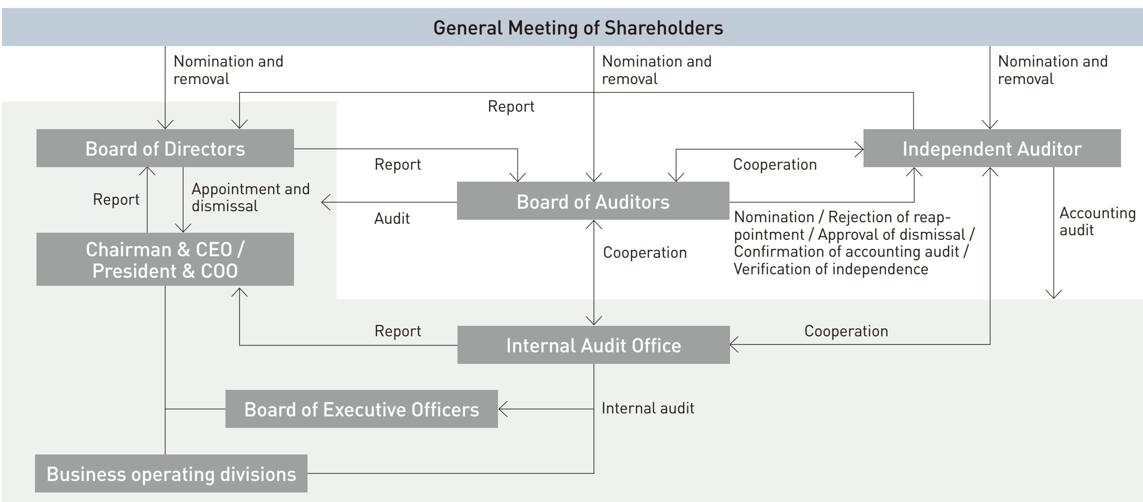
Basic Approach to Corporate Governance

Fields' corporate philosophy and mission is to provide "The Greatest Leisure for All People," with the sustainable increase in corporate value as the basic principle guiding Company management.

We believe one of the most important management issues in realizing this is ensuring that corporate governance functions effectively. To this end, we will enhance our corporate governance system by advancing reforms in our management structures and institutions within a framework centered on the Board of Directors, the Board of Auditors, and the Independent Auditor.

The Fields Group, comprising the Company and its consolidated subsidiaries, conducts corporate management in line with mutually agreed-upon management plans, following careful deliberation of policies and initiatives based on the Group's management philosophy. In parallel, we strive to improve the corporate value of the entire Group through rigorous adherence to standards for extending or terminating investment and finance to our Group companies.

Corporate Governance System



Details of Corporate Functions and Internal Control System

Governance format	Company with Board of Auditors System
Chairman of the Board of Directors	President
Number of directors (outside directors)	10 (1)
Board of Directors' meetings in the fiscal year ended March 31, 2013	19
Number of auditors (outside auditors)	4 (4)
Board of Auditors' meetings in the fiscal year ended March 31, 2013	19
Board of Directors' meetings attended by outside auditors in the fiscal year ended March 31, 2013	Kenichi Ikezawa: 15 (15 meetings held since his June 2012 appointment); Tadao Koike: 18; Yoshika Furuta: 18; Koichiro Nakamoto: 18
Attendance at Board of Auditors' meetings in the fiscal year ended March 31, 2013	Kenichi Ikezawa: 15 (15 meetings held since his June 2012 appointment); Tadao Koike: 18; Yoshika Furuta: 19; Koichiro Nakamoto: 18
Independent auditor	BDO Sanyu & Co.
Internal audit division	Internal Audit Office

Oversight and Execution of Management

The Board of Directors comprises 10 directors (including one outside director) and makes decisions on execution of business for the Company. It also has authority to monitor directors' execution of their duties. The Board of Directors meets once a month and holds ad hoc meetings as necessary to make decisions on important management matters, and to report on and monitor the status of business execution. This system allows for quick management decisions to be made. In addition, Fields has a comprehensive set of regulations covering all business operations throughout the Company. These clearly documented rules underpin a system for business execution in which the authority and responsibility of each position in the Company is clearly laid out.

Auditors, Board of Auditors, and Internal Audits

Fields has a Board of Auditors comprising 4 auditors, all of whom are outside auditors. The auditors attend important meetings in the Company, including Board of Directors' meetings, and offer their opinions. They also interview each division and examine decision making-related documents to conduct audits. This allows them to monitor the directors' execution of duties.

Fields has also established an internal audit organization in the form of the Internal Audit Office, which reports directly to the President & COO. The office has 5 members. These 5 members follow an internal audit plan decided at the start of the fiscal year to conduct regular evaluations of internal controls and internal audits governing general business activities at the Company and its subsidiaries. The office offers advice and recommendations for improving business execution based on the results of these evaluations and audits.

The Internal Audit Office also attends the monthly meetings of the Board of Auditors, and the Company makes opportunities for auditors to talk with directors and key personnel on an individual basis. In addition, the Board of Auditors and the Internal Audit Office have a quarterly meeting with the Independent Auditor to exchange opinions. During the interim and end-of-year audits by the Independent Auditor of the Company, its branch offices, and affiliated companies, the Board of Auditors and the Internal Audit Office attend as needed and keep in contact in other ways to further bolster the auditing functions.

Fields operates a rigorous and appropriate system of checks through internal audits, and audits of the auditors and Independent Auditor. In this way, the Company works to strengthen supervisory functions and achieve more transparent business management.

Reasons for Appointing Outside Director and Outside Auditors

Fields has appointed the following outside director and outside auditors.

Outside director

Name	Reason for being appointed as an outside director (including reason for being designated as an independent member of the Board, if applicable)
Shigesato Itoi	Shigesato Itoi was appointed as the outside director to proactively participate in the business strategies of the Company because of his work as a copywriter and an essayist, his deep insight into the Company's content business, and his abundant experience and original ideas.

Outside auditors

Name	Reason for being appointed as an outside auditor (including reason for being designated as an independent member of the Board, if applicable)
Kenichi Ikezawa	Standing auditor Kenichi Ikezawa has worked in accounting and finance for many years. He also has considerable experience in the Group's internal control leveraging the knowledge and insight he has developed throughout his career. We have appointed Mr. Ikezawa for the purpose of reflecting his broad range of expertise in management. Furthermore, he satisfies the criterion of independence, and was designated as an independent member of the Board after it was judged he would pose no conflict of interest to the general shareholders of the Company.
Tadao Koike	Part-time auditor Tadao Koike has extensive insight into management and was appointed with the aim of reflecting this within the Company. He satisfies the criterion of independence, and was designated as an independent member of the Board after it was judged he would pose no conflict of interest to the general shareholders of the Company.
Yoshika Furuta	Part-time auditor Yoshika Furuta is a veteran certified tax accountant who was an official with the National Tax Agency. He was appointed with the aim of reflecting his specialist tax viewpoint in the Company's management. He satisfies the criterion of independence, and was designated as an independent member of the Board after it was judged he would pose no conflict of interest to the general shareholders of the Company.
Koichiro Nakamoto	Part-time auditor Koichiro Nakamoto is a veteran in legal affairs who possesses a deep legal knowledge based on his long career as an attorney at law. He was appointed with the aim of reflecting his specialist legal viewpoint in the Company's management.

Independent Members of the Board

Three of the outside auditors, Kenichi Ikezawa, Tadao Koike, and Yoshika Furuta, have been designated as independent officers. They satisfy the criterion of independence, and were selected as independent officers after it was judged they would pose no conflict of interest to the general shareholders of the Company.

Policy on Setting Compensation

In accordance with the 19th Annual General Meeting of Shareholders resolution of June 27, 2007, the annual compensation amount for directors was set at within ¥800 million (including an amount within ¥50 million for compensation of outside directors). At the 17th Annual General Meeting of Shareholders held on June 29, 2005, the annual compensation amount for auditors was set at within ¥50 million.

The amount of compensation paid to directors in the fiscal year ended March 31, 2013 was ¥711 million (of which, ¥14 million was paid to the outside director), while the total amount of compensation paid to auditors was ¥18 million. The numbers of persons receiving payment were 10 directors and 5 auditors.

Disclosure of the Results of Voting at the Annual General Meeting of Shareholders

At the 25th Annual General Meeting of Shareholders held on June 19, 2013, shareholders voted on and approved resolutions as proposed for the disposition of surplus (¥25 per share, ¥830 million in total), for Partial Amendments to the Articles of Incorporation, for the election of 10 directors, and for the election of an auditor.

For detailed results of the proxy vote, please view the Company's website.

http://www.fields.biz/ir/e/investors/stock/meeting/

Strengthening Compliance and Risk Management

Fields has appointed a director responsible for compliance, created compliance-related regulations, and manages an internal reporting system. The Company also conducts compliance education and training programs for directors and employees. The Internal Audit Office audits the status of compliance operations, reporting the results regularly to the President and the Board of Auditors.

In creating a risk management system, Fields has appointed a director responsible for risk management, formulates risk management regulations, monitors market, investment, disaster, and other risks, and addresses risks on a Companywide basis. Moreover, each division has a department responsible for managing risks associated with its respective operations. The Internal Audit Office audits the status of normal risk management conducted by each division, reporting the results to the President and the Board of Auditors.

In managing legal risk, Fields has all contracts centrally managed by the Legal Office and, as a rule, all important contracts receive a legal check from a legal advisor to avoid any unexpected risks.

For other risks relating to business and other areas recognized by the Company, please refer to page 28.

Internal Control System

Since April 2006, Fields has been working to build a management structure that encourages further growth. As part of this effort, in October 2007 we revamped our information systems to provide a flexible structure able to cope with business expansion. We also introduced a core business operation system featuring J-SOX-compliant internal control functions and information security functions, and strengthened our system infrastructure. These actions have made business issues more visible, accelerated our decision-making process, and made our internal control functions an integral part of our structure.

System for Ensuring Reliable Financial Reporting

In accordance with the provisions of Japan's Financial Instruments and Exchange Act and other laws, Fields has created and operates a system for internal control over financial reporting, and carries out ongoing evaluation of the system to ensure that it is functioning properly, amending it as required.

Duty to Create and Explain an Information Disclosure System

Fields strives to disclose information to all stakeholders, including shareholders and investors, in a manner that is timely, unbiased, accurate, and continuous, based on a set of information disclosure guidelines. The Company undertakes investor relations (IR) activities with the goal of building relationships of trust with a greater number of people.

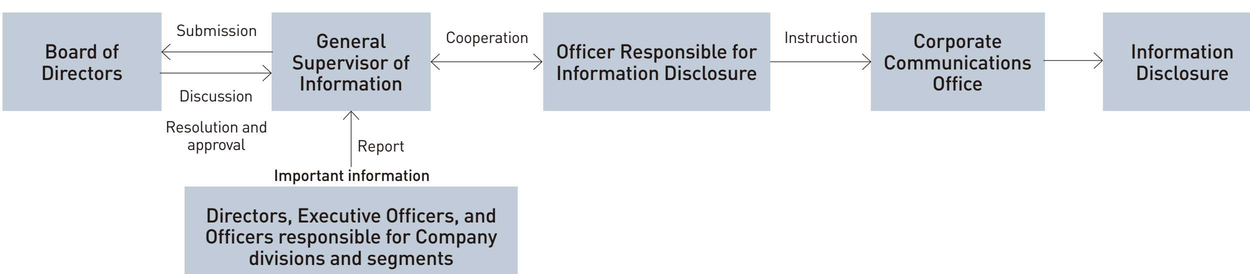
Specifically, we have formulated an IR policy and made this public. We also disclose information on an IR section of our website dedicated to investor information, and publish an annual report and shareholders' newsletter. Other IR activities include Company information presentations given by the President for individual investors throughout Japan, and quarterly financial presentations for analysts and institutional investors.

Furthermore, the Company actively works to improve direct communication with all of its stakeholders, and management shares information about stakeholders' requests and evaluations throughout the entire Company, to help improve management and raise corporate value.

Overview of the Framework for Timely Disclosure

The General Supervisor of Information reports and submits the Company's material information pertaining to matters of decision, matters of occurrence, financial results, and other matters to the Board of Directors for approval. Once approved, this material information is disclosed and controlled by the Officer Responsible for Information Disclosure. As Fields' designated Officer Responsible for Information Disclosure, the Executive Officer and General Manager of the Corporate Communications Office is responsible for gathering the required information from the various divisions and segments within the Company and deliberating the necessity of their disclosure in accordance with Regulations for the Timely Disclosure of Information by Issuers of Listed Securities maintained by securities exchanges and others.

Framework for Timely Disclosure



Basic Stance on Rejection of Antisocial Forces and Preparatory Measures

Basic Stance on Rejection of Antisocial Forces

Fields conducts sound corporate management, and strongly rejects any attempts by antisocial forces to influence management activities. The Company deals firmly at an organization level with any contact from antisocial forces or organizations.

Preparatory Measures for Rejecting Antisocial Forces

Fields has distributed a Corporate Code of Conduct to all executives and employees, which clearly explains the Company's resolute rejection of any relationship with antisocial forces or organizations that threaten the social order of society or public safety. Specifically, we have designated a department that participates in liaison meetings run by the police department in charge of the area and other relevant organizations, and participates in other external specialist organizations, following their guidance. We attend talks, courses, and seminars to gather and manage information about the issue. We have also created a response manual and use this to thoroughly educate our employees about this issue.

Outside Auditor Opinion Regarding Fields' Corporate Governance

We asked the standing outside auditor, Kenichi Ikezawa, about Fields' corporate governance functions and the role of auditors.

Fields' Corporate Governance Functions

Senior managers themselves see the enhancement of effective corporate governance functions as one of management's most material issues, reporting on these functions in both Board of Directors' and Board of Auditors' meetings. Fields' strong emphasis on corporate governance is also demonstrated in the Company's appointment of outside auditors for all corporate auditor positions. The 4 auditors leverage their external perspectives and high degree of specialization, gained through abundant experience, to ensure that the Company's corporate governance functions are being implemented and to provide management with frank advice. Among the ways in which they seek to gain a full picture of the Company's current situation, auditors attend regular and ad hoc Board of Directors' meetings and other important meetings. They also hold consultations with directors and executive officers and exchange information with the Independent Auditor, the Internal Audit Office, and auditors at subsidiaries. The effectiveness of Fields' corporate governance functions are supported by the understanding of senior management and these kinds of auditing functions.

However, the business environment changes daily and accordingly it is essential to prepare for what is to come. Fields' new "Developing Business Model," announced in May 2012, is the Company's management policy for achieving growth and development put into concrete form. In the second half of 2012, a Companywide horizontal meeting system was put into place and has begun to be a venue for lively debate. The system is expected to play a role in the new corporate governance system.

The Role of Auditors

The duties of Fields' auditors and the Board of Auditors include not only legally defined duties such as preparing auditing reports but also ensuring the Company's healthy and continued growth and maintaining a high-quality corporate governance system to preserve society's trust. I believe that the influence auditors exert on management from this perspective is a way of responding to the confidence placed in them by the Company's shareholders and other stakeholders. We will support the Company's corporate governance system by keeping in mind dialogue with management and employees and enhancing auditing functions throughout the Fields Group.

Directors, Auditors, and Executive Officers (As of June 20, 2013)

Chairman and CEO	Hidetoshi Yamamoto
President and COO	Takashi Oya
Executive Vice President; Division Manager, Pachinko/Pachislot Business Management Division	Kiyoharu Akiyama
Senior Managing Director; Division Manager, Interactive Media Business Division and Division Manager, Consumer Products Business Division	Tetsuya Shigematsu
Managing Director; Division Manager, Contents Division	Masakazu Kurihara
Director; Division Manager, Planning and Administration Division	Hiroyuki Yamanaka
Director; Division Manager, Corporate Division	Hideo Ito
Director; Deputy Division Manager, Pachinko/Pachislot Business Management Division	Akira Fujii
Director; General Manager, Legal Office	Toru Suenaga
Outside Director	Shigesato Itoi

Standing Auditor (Outside Director)	Kenichi Ikezawa
Outside Auditor	Tadao Koike
Outside Auditor	Yoshika Furuta
Outside Auditor	Koichiro Nakamoto

Executive Officer; Deputy Division Manager, Planning and Administration Division	Kenichi Ozawa
Executive Officer; General Manager, Corporate Communications Office	Hideaki Hatanaka
Executive Officer; Deputy Division Manager, Pachinko/Pachislot Business Management Division	Teruo Fujishima
Executive Officer; General Manager, Branch Administration Department, Pachinko/Pachislot Business Management Division and Manager, Hokkaido-Tohoku Regional Office, Pachinko/Pachislot Business Management Division	Hideo Wakazono
Executive Officer; Division Manager, Imaging & Live Entertainment Division and Division Manager, Animation Produce Division	Yosuke Ozawa
Executive Officer; General Manager, Research and Development Office	Tadamasa Oshio
Executive Officer; Division Manager, Media Relations Business Division	Nobuyuki Kikuchi
Executive Officer; Deputy Division Manager and Executive Producer, Imaging & Live Entertainment Division (Representative Director/CEO, Digital Frontier Inc.)	Hidenori Ueki
Executive Officer; Deputy Division Manager and Executive Producer, Animation Produce Division (President, Lucent Pictures Entertainment, Inc.)	Eiichi Kamagata
Executive Officer; Executive Producer, Interactive Media Business Division (President & CEO, FutureScope Corp.)	Masao Tominaga

FINANCIAL SECTION & CORPORATE DATA

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Financial Section

Corporate Data

Consolidated Financial Highlights

FIELDS CORPORATION and its Consolidated Subsidiaries
For the years ended March 31

	2004	2005	2006	2007
Results of Operations:				
Net sales	¥66,211	¥81,658	¥96,814	¥85,321
Gross profit	21,578	24,752	29,737	29,248
Gross profit margin (%)	32.6	30.3	30.7	34.3
Operating income	11,866	12,097	12,348	8,944
Operating margin (%)	17.9	14.8	12.8	10.5
Ordinary income*1	12,209	12,480	13,127	9,202
Ordinary margin (%)	18.4	15.3	13.6	10.8
Net income (loss)	6,620	6,926	7,085	3,710
Net margin (%)	10.0	8.5	7.3	4.3
Financial Position:				
Total assets	37,115	72,584	87,556	66,081
Net assets	14,507	33,426	39,411	42,836
Shareholders' equity	14,507	33,426	39,411	41,115
Interest-bearing liabilities	3,000	2,090	1,910	4,875
Cash Flows:				
Cash flows from operating activities	851	2,965	6,164	5,293
Cash flows from investing activities	(3,190)	(5,257)	(2,224)	(4,772)
Cash flows from financing activities	2,029	10,177	(1,540)	1,488
Free cash flow	(2,339)	(2,292)	3,940	521
Per Share Data:				
Earnings (loss) per share	¥40,465	¥19,888	¥ 20,118	¥ 10,692
Net assets per share	89,305	96,026	113,275	118,487
Dividends per share*2	24,000	4,000	4,000	4,000
Key Financial Indicators (%):				
Return (loss) on equity (ROE)	56.9	28.9	19.5	9.2
Return on assets (ROA)	45.0	22.8	16.4	12.0
Shareholders' equity ratio	39.1	46.0	45.0	62.2
Payout ratio*3	20.1	20.7	20.3	37.4

*1 Ordinary income is used as one of the important performance indicators in Japanese GAAP. This classification consists of the addition of the balance of financial income, such as interest income (expense), foreign exchange gain (loss), etc., to operating income.
*2 On October 1, 2012, the Company conducted a 1:100 stock split. Amounts for the fiscal year ended March 31, 2013 and thereafter reflect the stock split.
*3 Payout ratios for the fiscal years ended March 31, 2003 to March 31, 2006 are non-consolidated.

	2004	2005	2006	2007
Pachinko/Pachislot Machine Unit Sales				
Number of pachinko/pachislot machines sold	323,937	474,044	544,321	511,247
By type				
Pachinko machines	145,031	282,100	329,661	345,823
Pachislot machines	178,906	191,944	214,660	165,424
By alliance partner				
Sammy Group	260,893	256,871	211,612	79,711
SANKYO Group	10,175	188,090	285,758	366,619
Enterrise*	—	—	—	—
KYORAKU SANGYO Group	—	—	—	—
Other manufacturers	52,869	29,083	46,951	64,917

* From the fiscal year ended March 31, 2010, Enterrise has been disclosed separately from "Other manufacturers."

	2008	2009	2010	2011	2012	Millions of Yen 2013	Thousands of U.S. Dollars 2013
	¥101,818	¥73,035	¥66,342	¥103,593	¥92,195	¥108,141	$1,149,824
	34,544	24,024	26,889	35,129	31,330	33,279	353,843
	33.9	32.9	40.5	33.9	34.0	30.8	
	13,158	1,960	8,124	13,136	8,527	10,314	109,665
	12.9	2.7	12.2	12.7	9.2	9.5	
	11,705	991	7,761	13,684	8,661	10,268	109,175
	11.5	1.4	11.7	13.2	9.4	9.5	
	5,296	(1,481)	3,289	7,520	5,991	4,720	50,186
	5.2	—	5.0	7.3	6.5	4.4	
	69,168	52,064	81,329	78,971	93,601	106,628	1,133,737
	46,331	39,496	41,187	47,021	51,555	55,098	585,837
	44,485	39,463	41,064	46,779	51,071	54,559	580,106
	5,006	3,011	2,230	1,834	1,660	1,052	11,185
	11,127	4,147	8,429	8,005	10,015	13,570	144,284
	(14,604)	(6,182)	(1,011)	(4,356)	(4,798)	(6,263)	(66,592)
	(1,384)	602	(2,687)	(3,915)	(2,565)	(2,277)	(24,210)
	(3,477)	(2,035)	7,418	3,649	5,217	7,307	77,692
						Yen	U.S. Dollars
	¥ 15,263	¥ (4,271)	¥ 9,796	¥ 22,643	¥ 18,044	¥ 142.27	$ 1.51
	128,201	117,326	123,645	140,853	153,904	1,644.15	17.48
	4,500	4,500	4,500	5,000	5,000	50	0.53
	12.4	(3.5)	8.2	17.1	12.2	8.9	
	17.3	1.6	11.6	17.1	10.0	10.3	
	64.3	75.8	50.5	59.2	54.6	51.2	
	29.5	—	45.9	22.1	27.7	35.1	

	2008	2009	2010	2011	2012	2013
	484,534	331,205	449,880	480,273	412,390	328,110
	273,981	202,525	330,734	262,614	233,223	99,993
	210,553	128,680	119,146	217,659	179,167	228,117
	127,670	41,536	28,762	121,691	81,820	104,549
	329,965	262,087	363,056	306,585	263,530	114,092
	—	—	2,498	16,119	7,264	47,889
	—	—	—	—	—	32,437
	26,899	27,582	55,564	35,878	59,776	29,143

Consolidated Balance Sheets

FIELDS CORPORATION and its Consolidated Subsidiaries
At March 31, 2012 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2012	2013	2013
Current assets:			
Cash and cash equivalents	¥18,284	¥ 23,309	$ 247,836
Notes and accounts receivable – trade	34,402	42,017	446,751
Inventories	3,134	2,343	24,912
Merchandising rights advances	1,840	2,026	21,541
Deferred tax assets	609	749	7,963
Other current assets	4,640	2,305	24,508
Allowance for doubtful accounts	(101)	(41)	(435)
Total current assets	62,811	72,709	773,088
Property and equipment:			
Land	6,642	6,775	72,036
Buildings and structures	6,078	6,336	67,368
Tools and furniture	3,450	3,862	41,063
Machinery and vehicles	96	70	744
Construction in progress	285	43	457
Total	16,551	17,086	181,669
Less: Accumulated depreciation	(5,572)	(5,936)	(63,115)
Property and equipment, net	10,980	11,151	118,564
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates	3,553	3,860	41,041
Investment securities	6,688	7,539	80,159
Goodwill	2,498	2,177	23,147
Deferred tax assets	909	847	9,005
Other assets	6,691	8,855	94,152
Allowance for doubtful accounts	(531)	(514)	(5,465)
Total investments and other assets	19,809	22,766	242,062
Total assets	¥93,601	¥106,628	$1,133,737

See accompanying notes to the consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of Yen 2012	Millions of Yen 2013	Thousands of U.S. Dollars (Note 1) 2013
Current liabilities:			
Notes and accounts payable – trade	¥29,100	¥ 36,604	$ 389,197
Short-term bank loans	450	521	5,539
Current portion of long-term debt	771	422	4,486
Income taxes payable	184	3,931	41,796
Accrued bonuses	315	301	3,200
Accrued bonuses to directors and corporate auditors	240	230	2,445
Other current liabilities	6,862	5,354	56,927
Total current liabilities	37,925	47,365	503,615
Long-term liabilities:			
Long-term debt, less current portion	439	109	1,158
Retirement benefits	455	531	5,645
Other long-term liabilities	3,226	3,522	37,448
Total long-term liabilities	4,121	4,164	44,274
Net assets:			
Common stock			
Authorized; 1,388,000 shares at March 31, 2012 and 138,800,000 shares at March 31, 2013			
Issued; 347,000 shares at March 31, 2012 and 34,700,000 shares at March 31, 2013	7,948	7,948	84,508
Capital surplus			
Additional paid-in capital	7,994	7,994	84,997
Retained earnings	37,774	40,835	434,183
Treasury stock; 15,162 shares at March 31, 2012 and 1,516,200 shares at March 31, 2013	(1,821)	(1,821)	(19,362)
Accumulated other comprehensive loss			
Unrealized loss on available-for-sale securities	(824)	(397)	(4,221)
Foreign currency translation adjustments	(0)	(1)	(10)
Total accumulated other comprehensive loss	(824)	(398)	(4,231)
Minority interests	483	539	5,730
Total net assets	51,555	55,098	585,837
Total liabilities and net assets	¥93,601	¥106,628	$1,133,737

Consolidated Statements of Income

FIELDS CORPORATION and its Consolidated Subsidiaries
For the years ended March 31, 2012 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2013	2013
Net sales	¥92,195	¥108,141	$1,149,824
Cost of sales	60,865	74,862	795,980
Gross profit	31,330	33,279	353,843
Selling, general and administrative expenses	22,803	22,964	244,167
Operating income	8,527	10,314	109,665
Other income (expenses):			
Interest and dividend income	174	198	2,105
Interest expenses	(17)	(18)	(191)
Equity in earnings (loss) of affiliates	102	(103)	(1,095)
Amortization of investments in partnerships	(289)	(531)	(5,645)
Impairment loss	(197)	(180)	(1,913)
Loss on discontinuation of production	—	(853)	(9,069)
Other, net	(36)	176	1,871
Other income (expenses), net	(262)	(1,311)	(13,939)
Income before income taxes and minority interests	8,265	9,002	95,715
Income taxes:			
Current	1,450	4,538	48,250
Deferred	649	(313)	(3,328)
Total income taxes	2,099	4,224	44,912
Income before minority interests	6,165	4,778	50,802
Minority interests	174	57	606
Net income	¥ 5,991	¥ 4,720	$ 50,186

	Yen		U.S. Dollars (Note 1)
Earnings per share:			
Basic earnings per share	¥180.45	¥142.27	$1.51

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

FIELDS CORPORATION and its Consolidated Subsidiaries
For the years ended March 31, 2012 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2013	2013
Income before minority interests	¥6,165	¥4,778	$50,802
Other comprehensive income (loss):			
Net unrealized gain (loss) on available-for-sale securities	(1)	427	4,540
Foreign currency translation adjustments	(0)	(0)	(0)
Total other comprehensive income (loss)	(2)	426	4,529
Comprehensive income	¥6,162	¥5,204	$55,332
Attributable to:			
Shareholders of FIELDS CORPORATION	5,988	5,147	54,726
Minority interests	173	57	606

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

FIELDS CORPORATION and its Consolidated Subsidiaries
For the years ended March 31, 2012 and 2013

	Shares	Millions of Yen							
						Other comprehensive income (loss)			
	Number of Shares of Common Stock Issued	Common Stock	Additional Paid in Capital	Retained Earnings	Treasury Stock	Unrealized Loss on Available-for-sale Securities	Foreign Currency Translation Adjustments	Minority Interests	Total Net Assets
Balance at April 1, 2011	347,000	¥7,948	¥7,994	¥33,443	¥(1,785)	¥(822)	¥ 0	¥242	¥47,021
Net income	—	—	—	5,991	—	—	—	—	5,991
Cash dividends paid	—	—	—	(1,660)	—	—	—	—	(1,660)
Purchase of treasury stock	—	—	—	—	(36)	—	—	—	(36)
Net change of item other than shareholders' equity	—	—	—	—	—	(1)	(0)	241	238
Balance at March 31, 2012	347,000	7,948	7,994	37,774	(1,821)	(824)	(0)	483	51,555
Net income	—	—	—	4,720	—	—	—	—	4,720
Cash dividends paid	—	—	—	(1,659)	—	—	—	—	(1,659)
Stock split	34,353,000	—	—	—	—	—	—	—	—
Net change of item other than shareholders' equity	—	—	—	—	—	426	(0)	55	481
Balance at March 31, 2013	34,700,000	¥7,948	¥7,994	¥40,835	¥(1,821)	¥(397)	¥(1)	¥539	¥55,098

	Thousands of U.S. Dollars (Note 1)							
					Other comprehensive income (loss)			
	Common Stock	Additional Paid in Capital	Retained Earnings	Treasury Stock	Unrealized Loss on Available-for-sale Securities	Foreign Currency Translation Adjustments	Minority Interests	Total Net Assets
Balance at March 31, 2012	$84,508	$84,997	$401,637	$(19,362)	$(8,761)	$ (0)	$5,135	$ 548,165
Net income	—	—	50,186	—	—	—	—	50,186
Cash dividends paid	—	—	(17,639)	—	—	—	—	(17,639)
Stock split	—	—	—	—	—	—	—	—
Net change of item other than shareholders' equity	—	—	—	—	4,529	(0)	584	5,114
Balance at March 31, 2013	$84,508	$84,997	$434,183	$(19,362)	$(4,221)	$(10)	$5,730	$585,837

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

FIELDS CORPORATION and its Consolidated Subsidiaries
For the years ended March 31, 2012 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2013	2013
Operating activities:			
Income before income taxes and minority interests	¥ 8,265	¥ 9,002	$ 95,715
Adjustments:			
Depreciation and amortization	1,962	2,207	23,466
Impairment loss	197	180	1,913
Amortization of goodwill	333	319	3,391
Equity in earnings (loss) of affiliates	(102)	103	1,095
Notes and accounts receivable – trade	(5,194)	(9,013)	(95,832)
Accounts payable – trade	11,048	8,488	90,249
Other	424	1,289	13,705
Subtotal	16,933	12,577	133,726
Interest and dividends received	212	212	2,254
Interest paid	(18)	(19)	(202)
Income taxes refunded (paid)	(7,112)	799	8,495
Net cash provided by operating activities	10,015	13,570	144,284
Investing activities:			
Purchases of convertible bonds	(503)	—	—
Proceeds from redemption of convertible bonds	531	—	—
Purchases of property and equipment	(1,355)	(1,571)	(16,703)
Purchases of intangible assets	(1,065)	(1,741)	(18,511)
Purchases of investment securities	(400)	(313)	(3,328)
Additional investments in affiliates	(1,021)	(412)	(4,380)
Payment for purchase of newly consolidated subsidiaries' stocks	(172)	—	—
Increase in investments in various partnerships	(572)	(459)	(4,880)
Increase in loans receivable	(354)	(1,891)	(20,106)
Increase in security deposits	(572)	(395)	(4,199)
Other	686	521	5,539
Net cash used in investing activities	(4,798)	(6,263)	(66,592)
Financing activities:			
Increase (decrease) in short-term bank loans, net	(152)	70	744
Repayments of long-term debt	(809)	(780)	(8,293)
Cash dividends paid	(1,659)	(1,658)	(17,628)
Other	55	90	956
Net cash used in financing activities	(2,565)	(2,277)	(24,210)
Foreign currency translation adjustments on cash and cash equivalents	0	(3)	(31)
Net increase in cash and cash equivalents	2,652	5,025	53,429
Cash and cash equivalents at beginning of the year	15,632	18,284	194,407
Cash and cash equivalents at end of the year	¥18,284	¥23,309	$247,836

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

FIELDS CORPORATION and its Consolidated Subsidiaries

1. Basis of Presentation of Conolidated Financial Statements

FIELDS CORPORATION (the "Company") and its consolidated subsidiaries maintain their accounts and records in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different from International Financial Reporting Standards and accounting standards generally accepted in the United States of America as to accounting and disclosure requirements.

The accompanying consolidated financial statements are translated into English from the consolidated financial statements issued domestically in Japan. Certain modifications and reclassifications have been made for the convenience of readers unfamiliar with Japanese GAAP presentation rules and methods. In addition, certain rearrangements have been made to the 2012 consolidated financial statements to conform to the classifications used in 2013.

The consolidated financial statements are stated in Japanese yen. The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2013, which was ¥94.05 to U.S. $1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at that or any other rate.

The Japanese yen amounts in millions are rounded down to the nearest million, by which the translations into U.S. dollar amounts are computed. U.S. dollar amounts in thousands are also rounded down to the nearest thousand.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries (collectively, the "Group") that are controlled by the Company. Under the effective control approach, all majority-owned companies and companies effectively controlled by the Company are consolidated. Additionally, those companies over which the Company is able to directly or indirectly exercise control are to be consolidated even if the holding ratio equals to 50% or less.

All significant inter-company balances and transactions are eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated. In the elimination of investments in subsidiaries, the assets and liabilities, including the portion attributing to minority interests, are evaluated using the fair value at the time the Company acquired controls over the respective subsidiaries. The closing date of the consolidated subsidiaries is the same as that of the Company.

The difference between total acquisition costs and underlying fair value of the acquired company is recognized as goodwill, and is amortized on a straight-line basis over an estimated period of no more than ten years.

Under the control concept, companies over which the Company has the ability to exercise significant influence through investment, personnel, financing, technology, or other relationships are accounted for under the equity method. Investments in companies other than those consolidated or accounted for under the equity method are accounted for under the cost method. If the equity method had been applied to the investments in those companies, the effect on the consolidated financial statements would not have been significant.

Scope of Consolidation and Application of the Equity Method

Number of consolidated subsidiaries and affiliates at March 31, 2012 and 2013 is as follows:

	Number of Companies	
	2012	**2013**
Consolidated subsidiaries	16	**16**
Unconsolidated subsidiaries not accounted for under the equity method	3	**4**
Affiliates accounted for under the equity method	7	**7**
Affiliates not accounted for under the equity method	1	**1**

The consolidated subsidiaries and holding ratio of the Company at March 31, 2012 and 2013 are as follows:

	Holding ratio	
	2012	**2013**
Fields Jr. Corporation	100.0%	**100.0%**
BOOOM Corporation (Formerly known as F Corporation)	51.0	**51.0**
MICROCABIN CORP.	85.0	**85.0**
Shin-Nichi Technology Co., Ltd.	100.0	**100.0**
FutureScope Corporation	85.1	**85.1**
IP Bros. Incorporated	85.0	**85.0**
Tsuburaya Productions Co., Ltd.	51.0	**51.0**
Digital Frontier Inc.	86.9	**86.9**
Lucent Pictures Entertainment, Inc.	90.0	**90.0**
GEMBA Inc.	73.9	**73.9**
EXPRESS Inc.	80.0	**80.0**
K-1 INTERNATIONAL Corporation	85.7	**85.7**
TOTAL Workout premium management Inc.	95.0	**95.0**
Digital Frontier (Taiwan) Inc.	73.9	**73.9**
Fly Studio SDN, BHD	71.3	**71.3**
NEX ENTERTAINMENT CO., LTD.	64.6	**64.6**

(Note):

Year ended March 31, 2012

JSM HAWAII, LLC and Japan Sports Marketing Inc. ("JSM") were liquidated and excluded from the scope of consolidation.

TOTAL Workout premium management Inc. and Digital Frontier (Taiwan) Inc. were newly established and have been included in the scope of consolidation.

The Company acquired majority shareholdings of Fly Studio SDN, BHD and NEX ENTERTAINMENT CO., LTD. As a result, these two companies became consolidated subsidiaries of the Company.

Year ended March 31, 2013

There were no changes in the holding ratios or the scope of consolidation.

Business Combination

In December 2008, the Accounting Standards Board of Japan ("ASBJ") revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations", ASBJ Statement No. 7, "Accounting Standard for Business Divestitures", and ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combinations and Business Divestitures". The Company adopted these revised standards effective from the fiscal year ended March 31, 2011. Under the revised accounting standards, business combinations must be accounted only by the purchase method.

Cash Equivalents

Cash equivalents are defined as low-risk, highly-liquid, short-term investments with an initial maturity of three months or less that are readily convertible to cash.

Valuation of Inventories

Inventories are stated at cost, determined by the following methods:

Merchandise	The Company	Used machines: the specific identification method
		Other: the moving-average method
	Consolidated subsidiaries	the gross-average method
Work in process	Consolidated subsidiaries	the specific identification method
Raw materials	The Company and consolidated subsidiaries	the moving-average method
Supplies	The Company and consolidated subsidiaries	the last purchase price method

If acquisition cost of an inventory exceeds its net selling value, the carrying amount of such inventory would be written down to its net selling value and the difference would be charged to income.

Investment Securities

Investment securities are classified and accounted for, depending on management's intent, as follows: (1) held to maturity securities, which are expected to be held to maturity with a positive intent and an ability to hold to maturity are reported at amortized cost; and (2) available for sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets. Available-for-sale securities whose fair value is not readily determinable are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value and charged to income.

Property and Equipment

Property and equipment are stated at cost determined principally by the declining-balance method, whereas the straight line method is applied to buildings acquired on or after April 1, 1998.

The range of useful lives of depreciable assets is as follows:

Buildings and structures	2–50 years
Tools and furniture	2–20
Machinery and vehicles	2–12

The accounting standard for impairment of fixed assets requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted future cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition. Acquisition costs of impaired long-lived assets are directly deducted in recognizing impairment loss.

Intangible Assets

Software for internal use is amortized over a period of no more than five years by the straight-line method.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided at amount based on past collection experience and evaluation of potential losses in the receivables outstanding.

Accrued Bonuses

Bonuses to employees are accrued at the estimated amount which the Group is obligated to pay to employees after the balance sheet date, based on services provided during the period.

Bonuses to Directors and Corporate Auditors

Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

Retirement Benefits

The Company and certain consolidated subsidiaries have an unfunded defined benefit retirement plan with lump-sum payments. Reserve for retirement benefit obligations is provided based on the projected benefit obligation. The obligation is calculated in accordance with a formula which has, as its variables, the length of service and basic pay rate at the end of the fiscal year. Actuarial differences are amortized by the straight-line method using the specific number of years (five years) less than the average remaining service period. Certain subsidiaries adopt the simplified method for calculating projected benefit obligation.

A certain other consolidated subsidiary participates in a multi employer contributory defined benefit welfare pension plan (the "welfare pension plan"), which includes the substitution portion of the pension obligations and related assets. Contributions made by the consolidated subsidiary to the welfare pension plans are expensed when paid because the plan assets attributable to each participant cannot be reasonably determined.

Translation of Foreign Currencies

Current and non-current monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates at the balance sheet date. Gains and losses arising from translation are charge to income in the year they incurred.

The Company translates the revenue and expense accounts of the overseas consolidated subsidiaries at the average rates of exchange of the year. The balance sheet accounts, except for net assets account, are translated into yen at the exchange rates of the balance sheet date. Net asset accounts are translated at their historical exchange rates. The differences arising from translations are included in foreign currency translation adjustments.

Derivative Financial Instruments and Hedging Accounting

Japanese GAAP for derivative financial instruments:

Derivative financial instruments are stated at fair value at the balance sheet date and changes in fair value are recognized as gains or losses. If derivative financial instruments are used as hedges and meet certain

hedging criteria, a company defers recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related gains or losses on the hedged items are realized.

Group's management policy for derivative transactions:

The Company utilizes financial instruments with embedded derivative instruments for effective use of surplus funds. The Company does not enter into derivative transactions unless they are considered secure with underlying low risks. The Group does not enter into derivative transactions for speculative purposes.

Risk management for derivative transactions:

The Group enters into the derivative transactions only with major financial institutions with favorable credit ratings, thereby reducing credit risk exposure for non-performance. The Accounting and Finance Department is engaged in managing derivative transactions, and all derivative transactions are executed, monitored, and managed in accordance with internal authorization policies.

Asset Retirement Obligations

Effective from the fiscal year ended March 31, 2011, the Company adopted ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations". The accounting standard requires legal obligations associated with the retirement of long-lived assets to be recognized as the sum of the discounted cash flows required for future asset retirement at the time that the obligations are incurred. If the asset retirement obligation cannot be reasonably estimated, such obligation should be recognized as a liability in the period when it becomes reasonably estimated. Upon initial recognition of a liability, the cost is capitalized as part of the related long-lived assets and depreciated over the remaining estimated useful life of the related asset.

Income Taxes

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are determined by applying currently enacted tax laws to the temporary differences. Change in the statutory tax rate is recognized as income or loss in the period the new tax rate is enacted. A valuation allowance is provided for deferred tax assets when considered tax benefit would not be realized.

Revenue Recognition

Revenue of the Group primarily consists of merchandise sales and agency services.

For merchandise sales:

The Group purchases pachislot machines from manufacturers and sells them to pachislot halls. The Group recognizes revenue when merchandise is shipped to the halls.

For agency services:

The Group acts as an agent between manufactures and pachinko halls to provide various services related to the distribution of pachinko and pachislot machines. The Group receives commissions from the manufacturers for this agency service. The services are completed when the Group collects sales proceeds from pachinko halls, and remits the proceeds to the manufacturers. The Group recognizes revenue when services are completed.

Leases

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that deemed to transfer ownership of the leased property to the lessee were to be capitalized; however, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Company adopted this revised accounting standard as of April 1, 2008, applying the permission discussed above to leases which existed at the transition date and do not transfer ownership of the leased property to the lessee.

Consumption Tax

Consumption tax is imposed at the flat rate of five percent on all domestic consumption of goods and services (with certain exemptions). The consumption tax imposed on the Group's sales to customers is withheld by the customers at the time of sale and is subsequently paid to the Japanese government. Consumption tax withheld upon sale is not included in "Sales" and consumption tax payable by the Group on the purchases of goods and services from vendors is not included in "Costs and Expenses". The net balance of consumption tax withheld and payable is included in "Other current assets" or "Other current liabilities" in the accompanying consolidated balance sheets.

Earnings Per Share ("EPS")

Basic EPS is computed based on the average number of shares of common stock outstanding during the period. Diluted EPS reflects all of the potential dilution that could occur if securities or other contracts to issue common stock were exercised.

Diluted EPS for the years ended March 31, 2012 and 2013 is not presented because the Company did not have any kind of securities with potential dilutive effect.

Use of Estimates

The accompanying consolidated financial statements include amounts based on certain estimates and assumptions. The actual results could differ from those estimates and assumptions.

3. Inventories

Inventories at March 31, 2012 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Merchandise	¥ 386	¥ 250	$ 2,658
Work in process	2,493	2,041	21,701
Raw materials and supplies	255	52	552
Total	¥3,134	¥2,343	$24,912

Loss on revaluation of inventories, which is included in cost of sales, for the year ended March 31, 2013, was ¥11 million ($116 thousand). No such loss was recorded for the year ended March 31, 2012.

4. Financial Instruments and Related Disclosures

(1) Policy for financial instruments

Basically, the Group's use of its surplus funds is limited to low-risk financial assets. The Group finances its working capital by short-term bank loans. For mid- or long-term cash demands, the way of raising funds is determined after considering the market environment and its purposes.

(2) Nature, risks arising from financial instruments, and risk management

Notes and accounts receivable arise during the ordinary course of business and are subject to the credit risks of customers. The Pachinko/Pachislot Business Management Division controls these risks by reviewing outstanding balances and due dates of each customer in accordance with internal rules for controlling receivables, as well as by monitoring customers' financial conditions to promptly obtain information about possible bad debts.

Most investment securities are related to capital and/or operating alliances with business partners, and are subject to market value volatility risks. In order to control these risks, fair value, the financial condition of investees, and related business relationships are periodically reviewed in accordance with internal rules for controlling investment securities.

Financial instruments with embedded derivative instruments are also subject to market value volatility risks. The Accounting and Finance Department controls these risks in accordance with internal rules for controlling investment securities.

Notes and accounts payable arise during the ordinary course of business and are payable within one year. Income taxes payable include income tax, inhabitants' tax, and enterprise tax and are payable within one year. These items are subject to liquidity risks of default. To control these risks, the Group's Accounting and Finance Department prepares and updates cash-flow plans and maintains appropriate amounts of ready liquidity based on reports from internal sections.

Fair value of financial instruments is based on quoted prices in active markets. If quoted price is not available, other rational valuation techniques are used instead. Because such valuation techniques include certain assumptions, results may differ if different assumptions are used in the valuation.

Financial instruments whose fair values are readily determinable at March 31, 2012 are as follows:

	Millions of Yen		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash and cash equivalents	¥18,284	¥18,284	¥ —
(2) Time deposits (included in other current assets)	60	60	—
(3) Notes and accounts receivable	34,402		
Less: Allowance for doubtful accounts	(88)		
Net amount	34,313	34,313	—
(4) Investment securities			
(a) Held-to-maturity securities	400	270	¥(129)
(b) Available-for-sale securities	5,554	5,554	—
(5) Long-term loans receivable	407		
Less: Allowance for doubtful accounts	(386)		
Net amount	21	20	(0)
Total	¥58,633	¥58,504	¥(129)
Liabilities:			
(6) Notes and accounts payable	29,100	29,100	—
(7) Current portion of long-term debt	771	773	1
(8) Short-term bank loans	450	450	—
(9) Income taxes payable	184	184	—
(10) Long-term debt	439	437	(1)
Total	¥30,946	¥30,946	¥ (0)

Notes:

(1), (2), (3), (6), (8), and (9) —As these items are settled within a year and have fair values approximately equal to their carrying amounts, they are stated at the carrying amounts.

(4) —Fair value of equity securities is stated at market price whereas that of debt securities is stated at amount obtained from financial institutions. Fair value information categorized by holding purposes of investment securities is discussed in Note 5.

(5) —Fair value of long-term loans receivable is stated at present value of future cash flows. Discount rate is computed by adding spreads to appropriate indices such as yield Japanese government bonds.

(7) and (10) —Long-term debt comprises of bonds issued by the Company and consolidated subsidiaries and bank loans.

Bonds

Because such bonds do not have market prices, fair value of bonds is stated at present value of total amount of its principal and interest discounted by an assumed rate that would be applicable to bonds issued under the same conditions. Bonds with variable interest rates are stated at carrying amount because fair value of such bonds is considered approximately equal to its carrying amount based on the following assumptions; (a) variable interest rates reflect the current market rate, and (b) the Company's credit status has not significantly changed after the issuance. Bonds with fixed interest rates are stated at present value of a total amount of its principal and interest discounted by a rate determined considering its remaining periods and credit risks.

Bank loans

Fair value of bank loans is stated at present value of total amount of its principal and interest discounted by an assumed rate that would be applicable to bank loans financed under the same conditions.

Financial instruments which do not have quoted market prices and whose fair value is not reliably determinable are not included in the table above. Such financial instruments at March 31, 2012 are as follows:

	Millions of Yen
Balance included in the consolidated balance sheet	
Investment securities	¥ 733
Investments in unconsolidated subsidiaries	20
Investments in affiliates	3,533
Total	¥4,287

Detailed information about investment securities is discussed in Note 5.

Financial instruments whose fair values are readily determinable at March 31, 2013 are as follows:

	Millions of Yen		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash and cash equivalents	¥23,309	¥23,309	¥ —
(2) Time deposits (included in other current assets)	5	5	—
(3) Notes and accounts receivable	42,017		
Less: Allowance for doubtful accounts	(29)		
Net amount	41,988	41,988	—
(4) Investment securities			
(a) Held-to-maturity securities	400	324	(75)
(b) Available-for-sale securities	6,190	6,190	—
(5) Long-term loans receivable	1,429		
Less: Allowance for doubtful accounts	(40)		
Net amount	1,388	1,409	20
Total	¥73,282	¥73,227	¥(54)
Liabilities:			
(6) Notes and accounts payable	36,604	36,604	—
(7) Current portion of long-term debt	422	423	1
(8) Short-term bank loans	521	521	—
(9) Income taxes payable	3,931	3,931	—
(10) Long-term debt	109	108	(0)
Total	¥41,587	¥41,588	¥ 0

	Thousands of U.S. Dollars		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash and cash equivalents	$247,836	$247,836	$ —
(2) Time deposits (included in other current assets)	53	53	—
(3) Notes and accounts receivable	446,751		
Less: Allowance for doubtful accounts	(308)		
Net amount	446,443	446,443	—
(4) Investment securities			
(a) Held-to-maturity securities	4,253	3,444	(797)
(b) Available-for-sale securities	65,816	65,816	—
(5) Long-term loans receivable	15,194		
Less: Allowance for doubtful accounts	(425)		
Net amount	14,758	14,981	212
Total	$779,181	$778,596	$(574)
Liabilities:			
(6) Notes and accounts payable	389,197	389,197	—
(7) Current portion of long-term debt	4,486	4,497	10
(8) Short-term bank loans	5,539	5,539	—
(9) Income taxes payable	41,796	41,796	—
(10) Long-term debt	1,158	1,148	(0)
Total	$442,179	$442,190	$ 0

Notes:

(1), (2), (3), (6), (8), and (9) —As these items are settled within a year and have fair values approximately equal to their carrying amounts, they are stated at the carrying amounts.

(4) —Fair value of equity securities is stated at market price whereas that of debt securities is stated at amount obtained from financial institutions. Fair value information categorized by holding purposes of investment securities is discussed in Note 5.

(5) —Fair value of long-term loans receivable is stated at present value of future cash flows. Discount rate is computed by adding spreads to appropriate indices such as yield of Japanese government bonds.

(7) and (10) —Long-term debt comprises bonds issued by the Company and bank loans.

Bonds

Because such bonds do not have market prices, fair value of bonds is stated at present value of total amount of its principal and interest discounted by an assumed rate that would be applicable to bonds issued under the same conditions. Bonds with variable interest rates are stated at carrying amount because fair value of such bonds is considered approximately equal to its carrying amount based on the following assumptions; (a) variable interest rates reflect the current market rate, and (b) the Company's credit status has not significantly changed after the issuance.

Bank loans

Fair value of bank loans is stated at present value of total amount of its principal and interest discounted by an assumed rate that would be applicable to bank loans financed under the same conditions.

Financial instruments which do not have quoted market prices and whose fair value is not reliably determinable are not included in the table above. Such financial instruments at March 31, 2013 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance included in the consolidated balance sheet		
Investment securities	¥ 949	$10,090
Investments in unconsolidated subsidiaries	25	265
Investments in affiliates	3,835	40,776
Total	¥4,809	$51,132

Detailed information about investment securities is discussed in Note 5.

Maturity analysis for financial assets at March 31, 2013 is as follows:

	Millions of Yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
(1) Cash and cash equivalents	¥23,309	¥ —	¥ —	¥ —
(2) Time deposits (included in other current assets)	5	—	—	—
(3) Notes and accounts receivable	42,017	—	—	—
(4) Investment securities				
(a) Held-to-maturity securities	—	—	—	400
(b) Available-for-sale securities				
Debt securities	—	—	—	62
Other securities	—	—	—	100
(5) Long-term loans receivable	—	750	1,053	—
Total	¥65,332	¥750	¥1,053	¥562

	Thousands of U.S. Dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
(1) Cash and cash equivalents	$247,836	$ —	$ —	$ —
(2) Time deposits (included in other current assets)	53	—	—	—
(3) Notes and accounts receivable	446,751	—	—	—
(4) Investment securities				
(a) Held-to-maturity securities	—	—	—	4,253
(b) Available-for-sale securities				
Debt securities	—	—	—	659
Other securities	—	—	—	1,063
(5) Long-term loans receivable	—	7,974	11,196	—
Total	$694,651	$7,974	$11,196	$5,975

Notes:

(1) Amounts of long-term loans receivable in the table above are stated after deducting the allowance for doubtful accounts of ¥40 million ($425 thousand).

(2) Amounts of long-term loans receivable in the consolidated balance sheets are stated after deducting ¥415 million ($4,412 thousand) because of applying the equity method.

5. Investment Securities

(a) The following table summarizes information of held-to-maturity securities and available-for-sale securities with available fair values at March 31, 2012 and 2013:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Held-to-maturity securities			
Balance included in the consolidated balance sheets	¥ 400	¥ 400	$ 4,253
Fair value	270	324	3,444
Net unrealized loss	(129)	(75)	(797)
Available-for-sale securities			
—Equity securities			
Acquisition cost	6,637	6,637	70,568
Fair value	5,352	6,027	64,082
Net unrealized loss	(1,285)	(610)	(6,485)
—Debt securities			
Acquisition cost	98	47	499
Fair value	100	62	659
Net unrealized gain	1	14	148
—Other			
Acquisition cost	100	100	1,063
Fair value	100	100	1,063
Net unrealized gain	—	—	—

(b) The following table summarizes carrying value of available-for-sale securities whose fair value is not readily determinable at March 31, 2012 and 2013:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Stocks	¥ 25	¥338	$3,593
Investments in various partnerships and others	708	611	6,496

(c) The following table summarizes information of available-for-sale securities sold during the years ended March 31, 2012 and 2013:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
—Other			
Proceeds	¥—	¥54	$574
Realized gains	—	0	0

6. Fair Value of Derivative Transactions

Fair values of the Group's derivative financial instruments at March 31, 2012 and 2013 are as follows:

	Millions of Yen			
	2012			
	Contract Amount			
	Within one year	Over one year	Fair Value	Valuation Gain
Financial instruments with embedded derivative instruments (Non-listed)	¥—	¥99	¥100	¥1

	Millions of Yen			
	2013			
	Contract Amount			
	Within one year	Over one year	Fair Value	Valuation Gain
Financial instruments with embedded derivative instruments (Non-listed)	¥—	¥47	¥62	¥14

	Thousands of U.S. Dollars			
	2013			
	Contract Amount			
	Within one year	Over one year	Fair Value	Valuation Gain
Financial instruments with embedded derivative instruments (Non-listed)	$—	$499	$659	$148

Notes: (1) The fair values in the tables above are stated at amounts obtained from financial institutions, which are the counter parties of the derivative transactions.

(2) The valuation gains and loss in the tables above are computed based on the fair value of the financial instruments with embedded derivative instruments taken as a whole because they cannot be reasonably bifurcated and remeasured.

(3) Contract amounts in the tables above are stated at the book value as of the beginning of the fiscal year.

7. Long-lived Assets

The Group reviewed its long-lived assets for impairment at March 31, 2012 and 2013 and as a result, recognized impairment loss of ¥197 million and ¥180 million ($1,913 thousand), respectively.

For the year ended March 31, 2012, ¥173 million of software for mobile-related businesses was written down to zero because the Company did not expect that the carrying amount of the software was recoverable. In addition, ¥23 million of buildings and structures were written down to zero because of early disposal in relation to the planning of business office relocation.

For the year ended March 31, 2013, ¥132 million ($1,403 thousand) of buildings and structures for an amusement facility was written down to zero because the Company decided to discontinue the facility. In addition, ¥47 million ($499 thousand) of software was written down to zero because the Company did not expect that the carrying amount of the software was recoverable.

8.Leases

The Group leases certain tools and furniture. The following information summarizes finance lease contracts that do not transfer ownership of the leased property to the lessee and that were entered into prior to April 1, 2008.

Assumed amounts of (a) acquisition cost, accumulated depreciation and net book value and (b) lease obligations at March 31, 2012 and 2013 are as follows:

(a) Acquisition cost, accumulated depreciation and net book value

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Tools and furniture:			
Acquisition cost	¥10	¥—	$—
Accumulated depreciation	9	—	—
Net book value	¥ 1	¥—	$—

(b) Lease obligations

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Payments due within one year	¥1	¥—	$—
Payments due after one year	—	—	—
Total	¥1	¥—	$—

As the aggregated amount of lease obligations is immaterial, interest expenses are included in the assumed acquisition cost and lease obligations at each balance sheet date.

Amounts of lease payments and depreciation expense equivalent for the years ended March 31, 2012 and 2013 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Lease payments	¥1	¥1	$10
Depreciation expense equivalent	1	1	10

Depreciation expense equivalent is computed by the straight–line method over the lease period with no residual value.

(c) The minimum rental commitments under non-cancelable operating leases at March 31, 2013 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 874	$ 9,292
Due after one year	892	9,484
Total	¥1,767	$18,787

9. Short-term Bank Loans and Long-term Debt

The average interest rates applicable to the short term bank loans were 1.64% and 1.65% at March 31, 2012 and 2013, respectively.

The following table summarizes the Group's long-term debt at March 31, 2012 and 2013:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Long-term debt:			
Long-term bank loans due October 20, 2016			
Current portion with weighted average interest rate of 1.97% in 2012 and 1.76% in 2013	¥ 153	¥122	$1,297
Non-current portion with weighted average interest rate of 1.71% in 2012 and 1.46% in 2013	139	109	1,158
Unsecured bonds with variable interest rate issued on June 27, 2008 and due June 27, 2013			
Current portion	600	300	3,189
Non-current portion	300	—	—
0.74% unsecured bonds issued on March 15, 2010 and due March 15, 2013			
Current portion	18	—	—
Non-current portion	—	—	—
Total	¥1,210	¥531	$5,645

The variable interest rate of the unsecured bonds in the above table is 6-month TIBOR plus 0.25%.

No assets were pledged as collateral for the long-term debts at March 31, 2013.

The aggregate amounts of annual maturity of long-term debt at March 31, 2013 are as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2014	¥422	$4,486
2015	58	616
2016	42	446
2017	8	85
Total	¥531	$5,645

10. Credit Lines

The Group entered into line of credit and overdraft agreements with banks for the purpose of efficient management of operation fund. The following is the summary of the line of credit at March 31, 2012 and 2013:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Total amount of the line of credit	¥17,400	¥17,400	$185,007
Outstanding balance	(400)	(400)	(4,253)
Remaining amount of the line of credit	¥17,000	¥17,000	$180,754

11. Retirement Benefits

Accrued retirement benefits for employees at March 31, 2012 and 2013 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Projected benefit obligation	¥514	¥579	$6,156
Unrecognized actuarial differences	(59)	(47)	(499)
Accrued retirement benefits	¥455	¥531	$5,645

Net periodic costs for the employees' retirement benefits for the years ended March 31, 2012 and 2013 consisted of the following components:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Service cost	¥59	¥ 67	$ 712
Interest cost	8	9	95
Amortization of actuarial differences	24	22	233
Other	4	7	74
Net periodic benefit costs	¥96	¥108	$1,148

The retirement benefit costs of certain domestic consolidated subsidiaries which adopt the simplified method for calculating projected benefit obligation are accounted for as service cost.

The assumptions used for the above plans for the years ended March 31, 2012 and 2013 are as follows:

Discount rate	2.0%
Allocation of total estimated retirement benefit obligation to each accounting period	straight-line method over service periods
Amortization period of actuarial differences	5 years

12. Contingencies

In its agency services, the Company guarantees payments of customers (pachinko halls) to the sellers, manufacturers of pachinko and pachislot machines. The total amount of such guarantees at March 31, 2013 was ¥1,272 million ($13,524 thousand).

13. Income Taxes

The significant components of deferred tax assets and liabilities at March 31, 2012 and 2013 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Deferred tax assets:			
Amortization	¥ 280	¥ 295	$ 3,136
Allowance for doubtful accounts	198	108	1,148
Accrued bonuses	120	114	1,212
Retirement benefits for employees	164	189	2,009
Asset retirement obligations	121	126	1,339
Loss on devaluation of merchandising rights advances	332	166	1,765
Unrealized loss on investment securities	456	222	2,360
Loss on investments in securities	44	33	350
Enterprise taxes	14	300	3,189
Tax loss carryforwards	1,232	1,948	20,712
Other	526	438	4,657
Gross deferred tax assets	3,492	3,944	41,935
Valuation allowances	(1,750)	(2,347)	(24,954)
Total deferred tax assets	1,742	1,597	16,980
Deferred tax liabilities:			
Enterprise taxes refundable	105	—	—
Other	128	7	74
Total deferred tax liabilities	233	7	74
Net deferred tax assets	¥ 1,509	¥ 1,589	$ 16,895

Balances of deferred tax assets and liabilities included in the consolidated balance sheets are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Deferred tax assets—current	¥ 609	¥ 749	$ 7,963
Deferred tax assets—non-current	909	847	9,005
Deferred tax liabilities—non-current (included in other long-term liabilities)	(9)	(7)	(74)
Net deferred tax assets	¥1,509	¥1,589	$16,895

Income taxes in Japan consist of corporation tax, inhabitants' taxes, and enterprise taxes. Reconciliation of the differences between the statutory tax rates and the effective income tax rates for the years ended March 31, 2012 and 2013 is as follows:

	2012	2013
Statutory tax rate	40.7%	38.0%
Adjustments:		
Per capita levy of inhabitants' taxes	0.5	0.5
Expenses not deductible for tax purposes	1.9	1.3
Income not taxable for tax purposes	(0.4)	(0.5)
Equity in loss (earnings) of affiliates	(0.5)	0.4
Accrued bonuses to directors and corporate auditors	1.2	1.0
Change in valuation allowance	(0.9)	7.2
Amortization of goodwill	1.6	1.4
Liquidation of a subsidiary	(19.6)	—
Sales of affiliates' stocks	(1.0)	(2.0)
Change in the effective income tax rate	1.6	—
Other	0.3	(0.4)
Effective income tax rate	25.4%	46.9%

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from 40.7% to 38.0% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.6% afterwards.

14. Net Assets

Under the Companies Act of Japan (the "Companies Act"), the entire amount of the issuance price of shares is required to be accounted for as capital, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one half of the issue price of new shares as additional paid-in capital, which is one component of capital surplus. The Companies Act also provides that when a company makes cash appropriations such as cash dividends from capital surplus or earnings surplus, the company has to set aside at least of 10% of the total amount of the cash payments as earnings reserve or additional paid-in capital until the total amount of capital surplus and earnings surplus equals 25% of common stock. The total amount of the Company's capital surplus and earnings surplus has reached 25% of common stock and, therefore, the Company is no longer required to provide for the earnings surplus.

Year-end dividends are to be approved by the shareholders at a shareholders meeting held subsequent to the fiscal year to which the dividends are applicable. Under the Companies Act, interim dividends may also be paid anytime upon resolution of the Board of Directors, subject to certain limitations imposed by the Companies Act. The maximum amount that a company can distribute as dividends is calculated based on the non-consolidated financial statements of the company in accordance with the Companies Act.

Effective October 1, 2012, the Company implemented a one hundred-to-one stock split and adopted the unit share ("*tangen*") system, according to the resolution of the Company's Board of Directors meeting held on August 23, 2012. The number of one *Tangen* (trading unit of shares) is equal to 100 shares.

15. Related Party Transactions

Transactions with and balances due to or due from related parties as of and for the years ended March 31, 2012 and 2013 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
(Affiliates)			
Rodeo Co., Ltd.			
Account balances			
Accounts payable – trade	¥16,165	¥15,377	$163,498
Transactions			
Purchase of merchandise	21,760	28,242	300,287
Purchase discount	33	139	1,477
(Sister company)			
Bisty Co., Ltd.			
Account balances			
Accounts receivable – trade	2,327	366	3,891
Accounts payable	10,110	12,032	127,931
Advance received	567	469	4,986
Transactions			
Commissions received	9,071	1,791	19,043
Sales of merchandising rights	996	734	7,804
Purchase of merchandise	19,913	16,148	171,695

The terms and conditions of the above transactions have been determined based on the arm's length and normal market price levels.

16. Comprehensive Income

Reclassification adjustments and tax effects on other comprehensive income (loss) for the years ended March 31, 2012 and 2013 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Net unrealized gain on available-for-sale securities			
Gains arose during the year	¥ 105	¥ 660	$7,017
Reclassification adjustments	—	—	—
Amount before income tax effect	105	660	7,017
Income tax effect	(107)	(232)	(2,466)
Other comprehensive income-Net unrealized gain on available-for-sale securities	¥ (1)	¥ 427	$4,540
Foreign currency translation adjustments			
Gains arose during the year	¥ (0)	¥ (0)	$ (0)
Reclassification adjustments	—	—	—
Amount before income tax effect	(0)	(0)	(0)
Income tax effect	—	—	—
Other comprehensive income-Foreign currency translation adjustments	¥ (0)	¥ (0)	$ (0)
Total other comprehensive income (loss)	¥ (2)	¥ 426	$4,529

17. Subequent Event

Year-end dividends

At the General meeting of Shareholders held on June 19, 2013, the shareholders approved the payment of year-end cash dividends totaling ¥829 million ($8,814 thousand), or ¥25.00 ($0.27) per share.

18. Segment Information

Prior to April 1, 2012, the Group classified its business into four reportable segments, namely, (1) Pachinko/Pachislot (PS) Field, (2) Mobile Field, (3) Sports Entertainment Field, and (4) Other Field. Effective from the fiscal year ended March 31, 2013, the Company constructively unified all the segments to form a single segment centered on intellectual properties ("IP").

In order to achieve mid- and long-term growth and development, the Group plans to make a strategic shift of the core part of its business from pachinko and pachislot to IP, by establishing and refining its business model that the Company defines as "Developing Business Model."

Under the concept of "Developing Business Model," the Company promotes its business activities that focus on maximizing values of IP. The "Developing Business Model" is based on the four frameworks, comics, animation, movie/TV, and merchandising. Through their synergies, which create cyclical business development, the Company aims to optimize values of intellectual properties. In accordance with this IP-oriented strategy that determines planning operating strategy, allocating business resources, and assessing operating results, all the Group's businesses belong to the single segment.

Segment information for the years ended March 31, 2012 and 2013 is not presented because of the single segmentation.

Independent Auditors' Report

The Board of Directors of
FIELDS CORPORATION

We have audited the accompanying consolidated balance sheets of FIELDS CORPORATION and its consolidated subsidiaries as of March 31, 2012 and 2013, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the years then ended, expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control. In making risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FIELDS CORPORATION. and its consolidated subsidiaries as of March 31, 2012 and 2013, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 are presented solely for the convenience of readers outside Japan. Our audit also included the translation of yen amounts into the U.S. dollar amounts and, in our opinion, such translation has been made on the basis set forth in Note 1 to the consolidated financial statements.

BDO Sanyu & Co.

BDO Sanyu & Co.
Tokyo, Japan

June 19, 2013

Corporate Profile

As of March 31, 2013

Company name	FIELDS CORPORATION
Corporate philosophy	"The Greatest Leisure for All People"
Established	June 1988
Head office address	16-17 Nampeidai-cho, Shibuya-ku, Tokyo 150-0036, Japan
Main business activities	1. Planning, development, and sales of copyrighted characters and related content 2. Planning, development, and sales of video game software 3. Planning and development of pachinko/pachislot machines 4. Purchasing and sales of pachinko/pachislot machines
Paid-in capital	¥7,948 million
Number of employees	1,416 (consolidated)
Consolidated subsidiaries	FutureScope Corp. Total Workout premium management Inc. Tsuburaya Productions Co., Ltd. Digital Frontier Inc. Lucent Pictures Entertainment, Inc. 11 other companies
Equity-method affiliates	RODEO Co., Ltd. Kadokawa Haruki Corporation HERO'S INC. 4 other companies

Number of Regional and Branch Offices

Organization

As of April 1, 2013

- General Meeting of Shareholders
  - Board of Directors
  - Board of Auditors
- Chairman & CEO
  - Office of the Chairman
- President & COO
  - Internal Audit Office
  - Legal Office
  - Corporate Communications Office
  - Group Communication Office
  - Research and Development Office
  - Media Relations Business Division
  - Contents Division
  - Animation Production Division
  - Imaging and Live Entertainment Division
  - Interactive Media Business Division
  - Consumer Products Business Division
  - Pachinko/Pachislot Business Management Division
  - Planning and Administration Division
  - Corporate Division

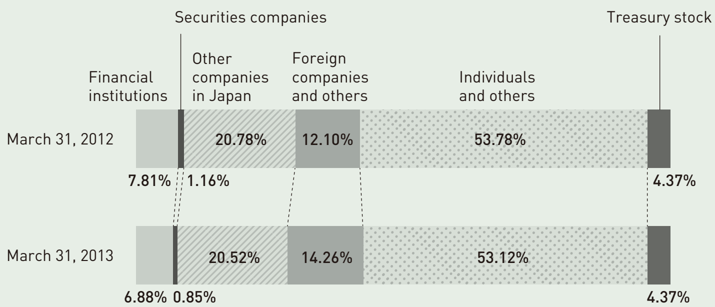
Stock Information

As of March 31, 2013

Stock Status

Total authorized shares	138,800,000
Total outstanding shares	34,700,000
Treasury stock	1,516,200
Number of shareholders	8,959

Number of Shareholders by Category



* The Company conducted a 1:100 stock split and adopted a share-trading-unit system to make the share-trading unit 100 shares from October 1, 2012.

Principal Shareholders

Name of Shareholders	Number of Shares Held	Shareholding Ratio (%)
Hidetoshi Yamamoto	8,675,000	25.00
SANKYO CO., LTD.	5,205,000	15.00
Takashi Yamamoto	3,612,800	10.41
Mint Co.	1,600,000	4.61
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS	941,148	2.71
The Master Trust Bank of Japan, Ltd. (Trust account)	790,100	2.28
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	530,500	1.53
Takashi Oya	450,000	1.30
Japan Trustee Services Bank, Ltd. (Trust account)	392,900	1.13
Japan Trustee Services Bank, Ltd. (Trust account 4)	386,800	1.11

* Treasury stock held by the Company is excluded from the list of principal shareholders

IR Information

IR Events Held—Fiscal Year Ended March 31, 2013

		IR Event	Participants
2012	May	Financial results briefing for the fiscal year ended March 31, 2012	100
	June	Briefing on the Company for individual investors held (Shiga, Tottori)	280
		24th Ordinary General Meeting of Shareholders	200
	August	1Q financial results briefing for the fiscal year ended March 31, 2013	60
		Briefing on the Company for individual investors held (Hokkaido)	160
	September	Briefing on the Company for individual investors held (Yamaguchi, Okinawa)	130
		Overseas IR activities	
	November	2Q financial results briefing for the fiscal year ended March 31, 2013	100
		Briefing on the Company for individual investors held (Toyama, Ishikawa)	180
		Overseas IR activities	
	December	Overseas IR activities	
2013	February	3Q financial results briefing for the fiscal year ended March 31, 2013	100
	March	Briefing on the Company for individual investors held (Shimane, Oita)	155

IR Schedule for the Fiscal Year Ending March 31, 2014

2013	May	Financial results briefing for the fiscal year ended March 31, 2013
		Briefing on the Company for individual investors held (Hokkaido)
	June	25th Ordinary General Meeting of Shareholders
	July	Overseas IR activities
	August	Announcement of 1Q financial results for the fiscal year ending March 31, 2014
	September	Briefing on the Company for individual investors held (Niigata)
	October	Overseas IR activities
	November	Announcement of 2Q financial results for the fiscal year ending March 31, 2014
2014	February	Announcement of 3Q financial results for the fiscal year ending March 31, 2014
	May	Announcement of financial results for the fiscal year ending March 31, 2014
	June	26th Ordinary General Meeting of Shareholders

* In the fiscal year ending March 31, 2014, we will also hold briefings on the Company for individual investors and conduct overseas IR activities as needed.
* Plans for holding briefings on the Company for individual investors are displayed on our IR site.

Briefings Held for Individual Investors

We seek to foster a deeper understanding of the Company in our shareholders and individual investors by holding briefings on the Company in various regions across Japan. In the fiscal year ended March 31, 2013, we held briefings in 9 locations: Hokkaido, Toyama, Ishikawa, Shiga, Tottori, Shimane, Yamaguchi, Oita, and Okinawa. These briefings were attended by a total of approximately 900 people.

At the briefings, we talked about the Company's business activities and business models, and investors asked a wide range of questions, such as regarding shareholder returns and the future expansion of IP.

We will continue to hold these kinds of briefings and strive to build an even better relationship of trust through extensive dialogue.

Shimane briefing

Oita briefing

Hokkaido briefing

For additional IR information, please contact:

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Gaming and Entertainment

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