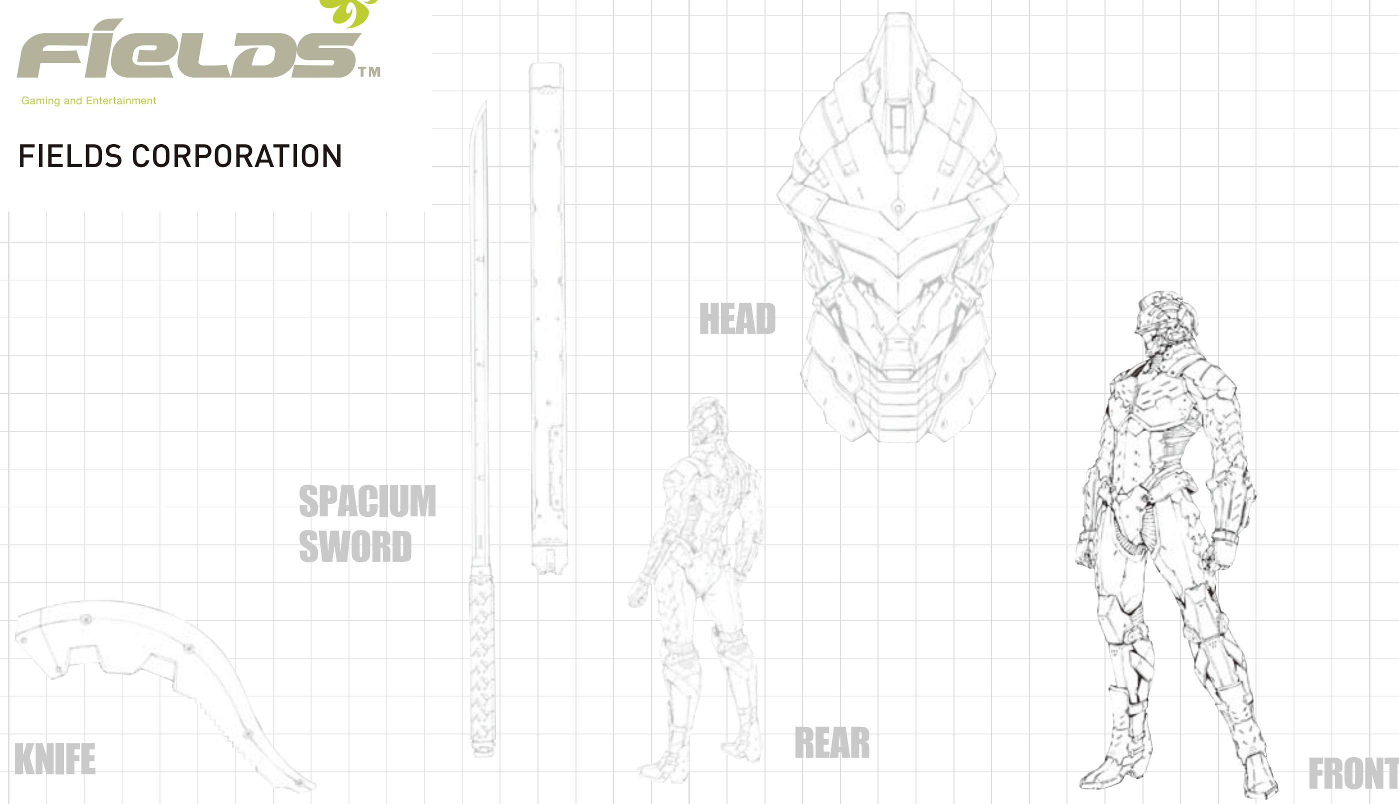
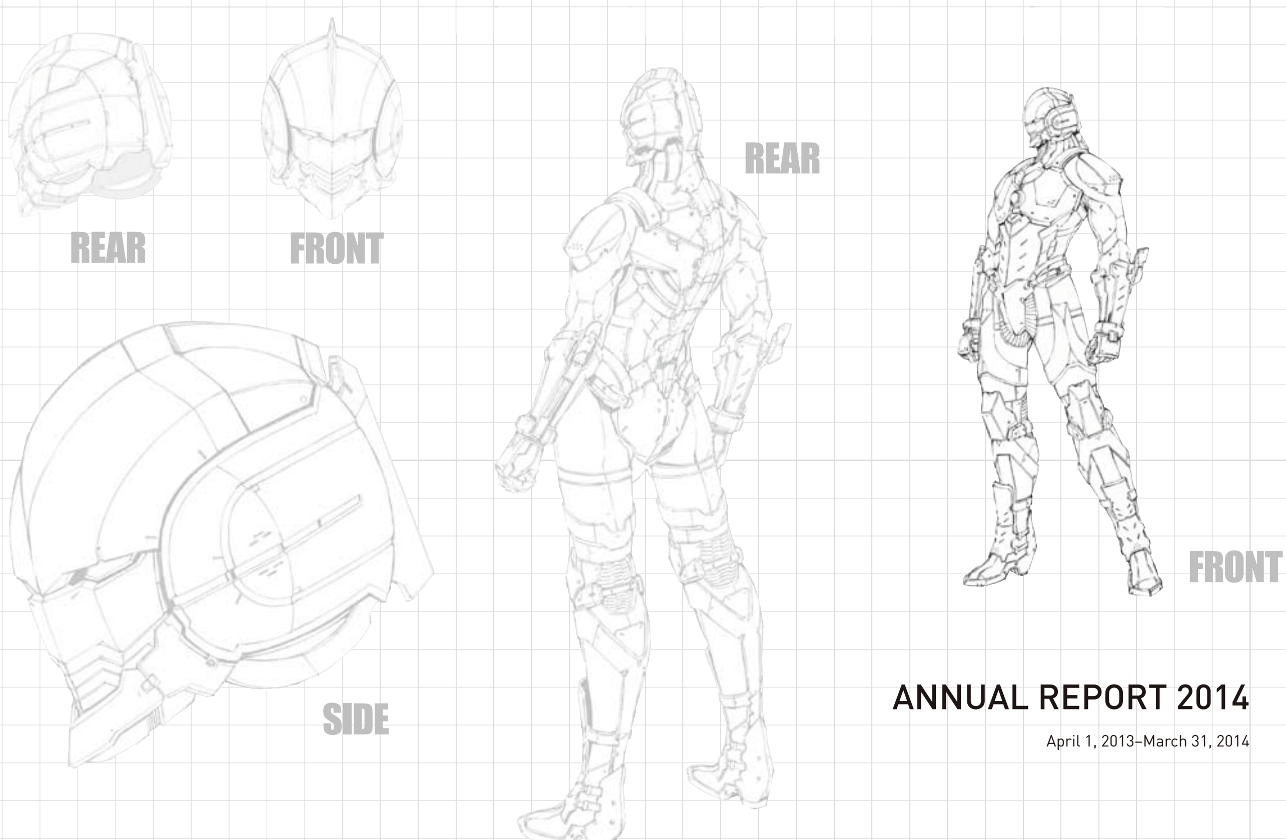
Gaming and Entertainment

FIELDS CORPORATION



Shaping the FUTURE



ANNUAL REPORT 2014

April 1, 2013–March 31, 2014

The Greatest Leisure for All People

Hidetoshi Yamamoto
Chairman & CEO

Reflecting our corporate philosophy of providing "The Greatest Leisure for All People," we have always marketed products and services that contribute to personal fulfilment. We adopted this philosophy based on the belief that as Japanese society matured and its economic and material needs were satisfied, demand for personal fulfillment would grow naturally.

Since our foundation, we have taken an expansive view of entertainment, surveying and researching how people spend leisure time to achieve personal fulfilment. Furthermore, as technological evolution has generated diverse media transforming how people spend leisure time, we have constantly analyzed how best to respond. This process led us to conclude that such intellectual properties as characters and stories were likely to become pivotal for a range of media. Accordingly, we have acquired many intellectual properties. Moreover, to heighten the value of intellectual properties acquired, we have built networks in various fields with highly creative production companies and personnel and companies with leading-edge technology. These efforts have enabled us to develop innovative business models. Centered on intellectual properties, such business models extend businesses into a wide spectrum of new entertainment fields, link them with existing entertainment fields organically, and circulate intellectual properties through the fields.

Over a period of more than 2 years, we have built concrete business models in the comics, animations, consumer services, pachinko and pachislot, and other fields. As a result, our networks of specialists and partners have been expanding in these fields. Looking ahead, through animations and a variety of other formats we will popularize the intellectual properties that we have created and cultivated.

Also, we have established an in-house network as a production system befitting a new era, which includes approximately 2,000 personnel, including those of subsidiaries. This network enables personnel with various talents to access and share useful information. We feel strongly that by enabling all personnel to act as entertainment producers and facilitating the exchange of opinions among them as highly discerning consumers, this network will generate the creative seeds of products that contribute to personal fulfilment and happiness.

Fields will analyze people's needs rigorously and continue taking on challenges to become a company that is an essential part of society.

For concurring with our corporate philosophy and providing significant support, we would like to thank our shareholders and other investors sincerely. As we make a concerted effort to meet their expectations and advance even further, we would like to ask for their continued support.

September 2014

Hidetoshi Yamamoto
Chairman & CEO

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Regarding the use of the words "anime" and "animations."
In this publication, the term "anime" only refers to the works developed from the Japanese style of animation. The term "animations," on the other hand, refers both to anime and all other forms of animation, including movies/TV and interactive media.

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.

Consolidated Financial Highlights

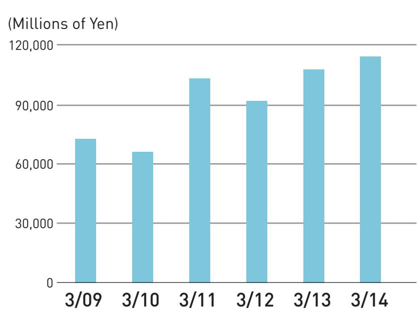
FIELDS CORPORATION and its Consolidated Subsidiaries

	Year Ended March 31, 2009	
Results of Operations (Millions of Yen):		YoY Change (%)
Net sales	¥73,035	(28.3)
Gross profit	24,024	(30.5)
Gross profit margin (%)	32.9	
Operating income	1,960	(85.1)
Operating margin (%)	2.7	
Ordinary income*1	991	(91.5)
Ordinary margin (%)	1.4	
Net income (loss)	(1,481)	—
Net margin (%)	—	
Financial Position (Millions of Yen):		YoY Change
Total assets	52,064	(17,103)
Total net assets	39,496	(6,835)
Shareholders' equity	39,463	(5,022)
Interest-bearing liabilities	3,011	(1,995)
Cash Flows (Millions of Yen):		YoY Change
Cash flows from operating activities	4,147	(6,980)
Cash flows from investing activities	(6,182)	8,421
Cash flows from financing activities	602	1,986
Free cash flow	(2,035)	1,441
Per Share Data (Yen)*2:		
Basic earnings (loss) per share	¥(4,271)	
Net assets per share	117,326	
Dividends per share	4,500	
Key Financial Indicators (%):		
Return (loss) on equity (ROE)	(3.5)	
Return on assets (ROA)	1.6	
Shareholders' equity ratio	75.8	
Payout ratio	—	
Number of Employees	827	

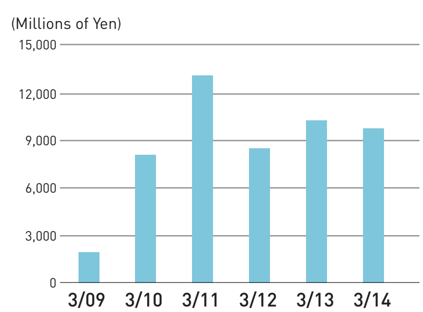
Figures in parentheses in the table are negative.
*1 Ordinary income is used as one of the important performance indicators in Japanese GAAP. This classification consists of the addition of the balance of financial income, such as interest income (expense), foreign exchange gain (loss) etc., to operating 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.

	Year Ended March 31, 2009	
Pachinko/Pachislot Machine Unit Sales		YoY Change
Number of pachinko/pachislot machines sold	331,205	(153,329)
By type		
Pachinko machines	202,525	(71,456)
Pachislot machines	128,680	(81,873)

Net Sales



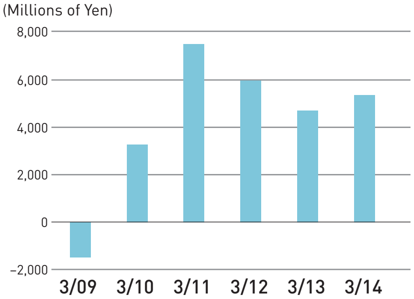
Operating Income



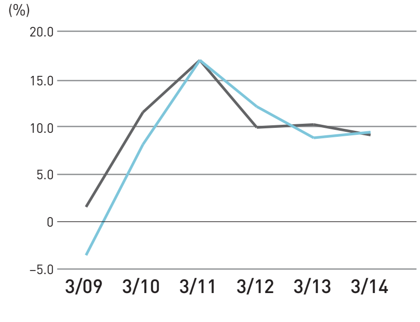
Year Ended March 31, 2010		Year Ended March 31, 2011		Year Ended March 31, 2012		Year Ended March 31, 2013		Year Ended March 31, 2014	
	YoY Change (%)		YoY Change (%)		YoY Change (%)		YoY Change (%)		YoY Change (%)
¥66,342	(9.2)	¥103,593	56.2	¥92,195	(11.0)	¥108,141	17.3	¥114,904	6.3
26,889	11.9	35,129	30.6	31,330	(10.8)	33,279	6.2	33,812	1.6
40.5		33.9		34.0		30.8		29.4	
8,124	314.3	13,136	61.7	8,527	(35.1)	10,314	21.0	9,791	(5.1)
12.2		12.7		9.2		9.5		8.5	
7,761	682.9	13,684	76.3	8,661	(36.7)	10,268	18.6	9,765	(4.9)
11.7		13.2		9.4		9.5		8.5	
3,289	—	7,520	128.6	5,991	(20.3)	4,720	(21.2)	5,370	13.7
5.0		7.3		6.5		4.4		4.7	
	YoY Change		YoY Change		YoY Change		YoY Change		YoY Change
81,329	29,264	78,971	(2,357)	93,601	14,630	106,628	13,026	104,869	(1,758)
41,187	1,690	47,021	5,834	51,555	4,533	55,098	3,543	58,753	3,654
41,064	1,601	46,779	5,714	51,071	4,291	54,559	3,487	58,279	3,720
2,230	(781)	1,834	(395)	1,660	(172)	1,052	(609)	743	(308)
	YoY Change		YoY Change		YoY Change		YoY Change		YoY Change
8,429	4,281	8,005	(424)	10,015	2,010	13,570	3,554	16,322	2,752
(1,011)	5,171	(4,356)	(3,344)	(4,798)	(441)	(6,263)	(1,465)	(8,018)	(1,754)
(2,687)	(3,290)	(3,915)	(1,227)	(2,565)	1,349	(2,277)	288	(2,018)	258
7,418	9,452	3,649	(3,769)	5,217	1,568	7,307	2,088	8,303	997
¥9,796		¥22,643		¥18,044		¥142.27		¥161.83	
123,645		140,853		153,904		1,644.15		1,756.27	
4,500		5,000		5,000		50		50	
8.2		17.1		12.2		8.9		9.5	
11.6		17.1		10.0		10.3		9.2	
50.5		59.2		54.6		51.2		55.6	
45.9		22.1		27.7		35.1		30.9	
909		1,149		1,324		1,416		1,588	

Year Ended March 31, 2010		Year Ended March 31, 2011		Year Ended March 31, 2012		Year Ended March 31, 2013		Year Ended March 31, 2014	
	YoY Change		YoY Change		YoY Change		YoY Change		YoY Change
449,880	118,675	480,273	30,393	412,390	(67,883)	328,110	(84,280)	392,982	64,872
330,734	128,209	262,614	(68,120)	233,223	(29,391)	99,993	(133,230)	162,879	62,886
119,146	(9,534)	217,659	98,513	179,167	(38,492)	228,117	48,950	230,103	1,986

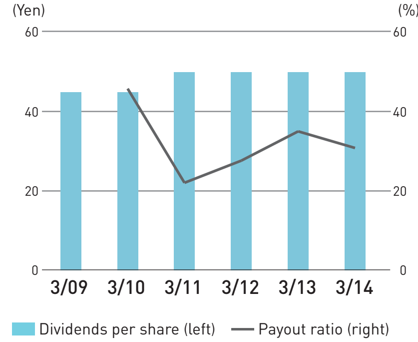
Net Income (Loss)



ROE / ROA



Dividends per Share*3 / Payout Ratio



*3 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.

Fields' Business Management Strategy

Building and Managing a "Developing Business Model" Strategy

Our medium-to-long-term tasks are to establish relationships with companies that have expertise and to secure personnel not only in the pachinko and pachislot field, where we have strength, but in diverse entertainment fields. In 2012, we announced our intellectual property-centered "Developing Business Model" strategy, which is based on building networks, expanding and improving the capabilities of subsidiaries and affiliates, and securing personnel. Since then, we have been collaborating with partner companies to create new intellectual properties and cultivating the resulting intellectual properties.

Fields' business model heightens intellectual properties' value through cross-media rollouts. This does not simply mean rolling out intellectual properties across multiple media to increase their value. Instead, we establish an intellectual property's world and draw on diverse media to accentuate its appeal—animating or merchandising the intellectual property strategically.

One example of this approach is the intellectual property *GINGA KIKOTAI: Majestic Prince*. We built up this intellectual property's world by simultaneously releasing 2 stories, one in comic form and the other as an anime. Subsequently, we rolled out a social game based on shooting scenes that are one of the anime's highlights, thereby adding further value to the intellectual property. Our next strategic rollout of the intellectual property is already in the pipeline.

Identifying Tasks through the New Business Model

History shows that most systems that are reliant on media ultimately become obsolete if they do not keep up with change. Rather than treating intellectual properties as a way of adding interest to games or pachinko and pachislot machines, our business model exploits a range of media to heighten the appeal of intellectual properties. However, when frontline creative operations become involved with media, there is a tendency to give priority to media over intellectual properties. Currently, intellectual properties are bridging the fields of our organization, such as the pachinko and pachislot field and the games field, that have different roots and cultures. Merging these roots and cultures that have developed in a vertically divided organization requires a little more time.

For example, when we released the above-mentioned *GINGA KIKOTAI: Majestic Prince* as a social game, we focused on shooting elements. However, from the viewpoint of an anime, shooting elements are just several frames of a scene. In other words, rather than just creating an exciting shooting game, we have to communicate the intellectual property's appeal. Thus, progressing from past initiatives that used intellectual properties' appeal to heighten the media's competitiveness toward initiatives that leverage media to maximize intellectual properties' value is our mission and an urgent task.

Creating an Organization and a Culture Befitting an Intellectual Property-Centered Business Model

With above-mentioned tasks and other tasks in mind, we are reforming our corporate culture.

First, we will hire and cultivate personnel who think like intellectual property producers and therefore always give priority to intellectual properties. Such intellectual property producers promise to bring together talented personnel from different fields to advance all stages in the development of intellectual property, from creation through to value maximization. Establishing an organization that intellectual property producers lead will enable integrated cost management of processes from acquiring, owning, and creating intellectual properties through to cultivating and commercializing them. Such an organization will give an overview that helps us see where we are generating cash flows and decide the fields toward which we should channel these cash flows. Moreover, this organization will be able to adapt flexibly to media format changes.

Next, we have established a system in which directors manage and oversee the business model as a whole, while corporate officers control business divisions. Under the "Developing Business Model" strategy, we need to have an overview of the entire business model and cultivate intellectual properties. Having created the necessary systems and cemented foundations, we recently established an organization that elevates directors, who until now have controlled business divisions, to a higher echelon. Meanwhile, we have deployed to business divisions new leaders, who will redouble efforts to advance toward our target business model.

By increasing the number of intellectual property producers and circulating multiple high-quality intellectual properties across various media based on the "Developing Business Model" strategy, we will reduce risk and increase earning power structurally.

Advancing Business Strategies in the Fiscal Year Ending March 31, 2015

In the fiscal year ending March 31, 2015, based on the foundations laid, we will advance our business model even more vigorously by concentrating efforts on 3 measures.

First, we aim to create a greater number of appealing intellectual properties—the heart of our business model. To this end, we will reinforce the comics field, which is the main source of characters and stories. More rapidly than ever, we will take a range of steps. As part of this drive, in the first quarter of the fiscal year ending March 31, 2015, we launched 5 new works in the comic magazine *HERO'S Monthly* and published 9 volumes of the magazine in comic-book format. Going forward, we will accelerate these efforts even further.

Our second measure involves animations, which is pivotal to cross-media rollouts of the intellectual properties we create. Coinciding with the stepped-up efforts for comics, the possibility of animating several works has emerged. However, these proposals remain at the planning stage. Therefore, how best to realize such seeds will be one of our main focuses.

Last, we will advance "third media" plans. This will involve devising approaches that achieve the mission of intensifying intellectual properties' appeal through cross-media rollouts while addressing each medium's issues. These efforts are very significant for our future evolution.

Sending a Message to Shareholders and Other Investors

From a medium-to-long-term perspective, as we advance an intellectual property-centered circulation business model, we appreciate that media formats could very well change. Consequently, we will remain adaptable and avoid preconceptions as we realize our corporate philosophy.

While continuing to take on challenges, we intend to give first priority to securing resources for the payment of dividends to our shareholders. Please look forward to Fields' future as the Company prepares for dramatic progress and then advances toward its next phase.

As we forge ahead, we would like to ask for the continued support of shareholders, investors, and other stakeholders.

Business Model Centered on Intellectual Properties

As we evolve our business model with intellectual properties at its core, we will constantly explore new approaches to creating and cultivating intellectual properties.

Tetsuya Shigematsu
Senior Managing Director

Creating an Intellectual Property-Centered Business Model

Through a process of trial and error, the Group has sought to create appealing intellectual properties by redeploying personnel and reorganizing. The benefits of these efforts are emerging steadily. However, as we have taken on the challenge of creating major intellectual properties, we have kept in mind that doing so is not a simple process.

One such initiative is the comic magazine *HERO'S Monthly*. The animations of works included in this magazine has begun. Rather than resulting from initiatives to date, such image reflects an increase in opportunities to take on challenges based on these initiatives. Taking on challenges sometimes heightens intellectual properties' value, and sometimes it does not. What is important, however, is increasing the success rate of our efforts as much as possible by forming tie-ups with outside partners who have outstanding capabilities. If, based on works from the magazine, we can create hit works in other formats, the magazine's value will change. And, our business model will become more meaningful. We feel the potential for this scenario to become a reality is considerable.

Developing Far-Sighted Intellectual Property Strategies

Basic Strategy

We will further heighten corporate value and increase the percentage of original intellectual properties in our portfolio by creating intellectual properties, heightening their value through cross-media rollouts, and monetizing them.

Although the comic magazine *HERO'S Monthly* will continue to lead our creation of original intellectual properties, for games and other platforms we will form alliances with other companies and begin creating original intellectual properties. Acquiring the capability to lead original intellectual property creation for any platform will be a major advance in Fields' evolution.

Furthermore, we will link existing business fields to establish an integrated business model that creates new value. We believe this initiative will be extremely important for the entertainment industry going forward. Also, we will constantly explore new approaches to creating, cultivating, and monetizing intellectual properties.

Intellectual Property Creation

Each year, numerous novels and comics are published, and hundreds of animations are released. In addition, recent years have seen the marketing of a large number of new social game titles. As smartphones and tablets become ubiquitous, the social game platform is becoming an increasingly large business opportunity. Therefore, beginning with publications and then creating animiations is no longer a hard-and-fast rule. Social games provide the opportunity to simultaneously create and monetize intellectual properties. Furthermore, social games have a strong affinity with pachinko and pachislot machines, which are Fields' highest earners. Consequently, social games enable us to increase production efficiency and transplant them with their gameplay excitement intact to pachinko and pachislot machines.

Thus, there is no single way to create intellectual properties, which means, as mentioned above, we have to constantly explore new approaches to creating and cultivating intellectual properties.

Tasks Related to Cross-Media Rollouts

At present in the Japan market, intellectual properties with strong endorsement could originate from any media or field, including comics, animes, movies, games, or pachinko and pachislot machines. In addition, we have to realize that cross-media rollouts of highly popular intellectual properties are now a matter of course.

Going forward, we should not try to imitate successful initiatives blindly. Instead, all personnel must think about cross-media rollouts one or two steps in advance and devise initiatives through a continuous process of trial and error.

Another task is keeping in mind such overseas markets as Asia, North America, and Europe as we develop initiatives. Even if they succeed, intellectual properties only targeting the Japan market limit expansion potential. To advance cross-media rollouts to their second and third steps—when considering intellectual properties based in the Japan market that we hope to introduce overseas—we must keep in mind, for example, how we plan to localize intellectual properties.

Implementing Strategies for the *Ultraman* Series as a Major Intellectual Property

Because the *Ultraman* series enjoys overwhelming competitive strength as an intellectual property targeting 3 generations, we will develop it as a separate product category, including works suitable for the active senior generation.

Overseas rollouts will not simply entail selling old animations. As in Japan, we want to incorporate a lineup of new works and build a system for cross-media rollouts. As part of these efforts, we have posted an employee to Indonesia, who is conducting multifaceted analysis and negotiations.

Furthermore, we are focusing efforts on live shows as a new component of cross-media rollouts. We want to create a new monetized system based on the production of shows children and adults can enjoy by using projection mapping, which is a leading-edge image-representation technology that enables the combining of live performances and animations.

Sending a Message to Shareholders and Other Investors

We view the fiscal year ending March 31, 2015, as a year for realizing our ideas and the seeds we have sown. We will monetize projects that warrant it and implement cross-media rollouts of intellectual properties with a view to reaping future benefits. Medium-to-long-term initiatives and preparations to advance the Group toward its next phase are progressing steadily.

With this in mind, we ask our stakeholders to expect growth and continue their support.

Creating and Cultivating Intellectual Properties

The comics field leads character and story creation, which drives our intellectual property (IP)-centered business model. Furthermore, animations are the focus of our cross-media rollouts of the IP created.

Main initiatives

- November 2011: Publishes inaugural issue of comic magazine *HERO'S Monthly*
- September 2012: Publishes comic book *HERO'S Comics*
- April 2013: Broadcasts first episode of TV anime *GINGA KIKOTAI: Majestic Prince*
- February 2014: Releases social game *Majestic Prince Shooting Hero*
- March 2014: Ships more than 1 million copies cumulatively under *ULTRAMAN* comic book series
- April 2014: Launches *Sailor Zombie*
- July 2014: Begins project for live-action Hollywood movie based on *SOUL ReVIVER*

Comic Magazine *HERO'S Monthly* and Comic Book *HERO'S Comics*

Launched in November 2011, the comic magazine *HERO'S Monthly* comprises characters and stories centered on heroes. The comic magazine has included 42 works, and we have published 24 volumes of the comic book *HERO'S Comics*.

At present, we are advancing animations versions of multiple IPs from the comic magazine *HERO'S Monthly*.

Majestic Prince

With cross-media rollouts in mind, we created *GINGA KIKOTAI: Majestic Prince* in collaboration with such major companies as SOTSU CO., LTD., and Toho Co., Ltd., and ran 2 different stories simultaneously in the comic magazine *HERO'S Monthly* and in the TV anime series. February 2014 saw the release of a social game, and we are currently planning rollouts through other media.

ULTRAMAN

Based on the original *Ultraman* world, *ULTRAMAN* is a human-sized hero and the son of the first *Ultraman*, Deputy Captain Hayata. We have published 4 volumes of this comic book series, which has sold more than 1 million copies to date and is expanding its fan base steadily.

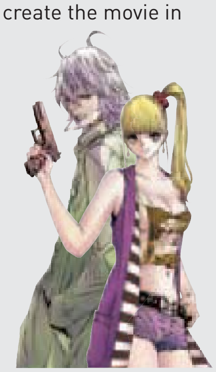
Sailor Zombie

With partner companies, we are implementing a cross-media rollout of *Sailor Zombie*, which we originated. Since April 2014, we have rolled out the IP through the comic magazine *HERO'S Monthly*, a TV drama, and an amusement arcade game.

SOUL ReVIVER

We are developing a script for a live-action Hollywood movie of a series running in the comic magazine *HERO'S Monthly*.

With 2 partners, we launched a project to create the movie in July 2014. They are The Bedford Falls Productions, a Hollywood movie production company that has produced such movies as *The Last Samurai* and *Shakespeare in Love*, and All Nippon Entertainment Works, Inc., which promotes the rollout of Japanese content through Hollywood.



Cultivating Owned Intellectual Properties

ウルトラマン

Since Tsuburaya Productions Co., Ltd., became a subsidiary in 2010, we have been cultivating the *Ultraman* series—one of Japan's flagship IP—and creating new characters based on it.

Main initiatives

- December 2010: Releases movie *Ultraman Zero: The Revenge of Belial*
- July 2011: Begins airing TV anime series *Ultraman Retsuden*
- November 2011: Begins running *ULTRAMAN* in comic magazine *HERO'S Monthly*
- March 2012: Releases movie *Ultraman Saga*
- September 2012: Publishes first *ULTRAMAN* comic book
- July 2013: Begins broadcasting TV anime series *Ultraman Ginga*
- September 2013: Premieres movie *Ultraman Ginga Movie Special*
- October 2013: Launches *PACHISLOT ULTRAMAN WARS*
- January 2014: Releases social game *Ultra Kaiju Quest*
- March 2014: Sells more than 1 million *ULTRAMAN* comic books cumulatively
- March 2014: Releases second installment of movie *Ultraman Ginga Movie Special*
- July 2014: Begins airing TV anime series *Ultraman Ginga S*

ULTRAMAN

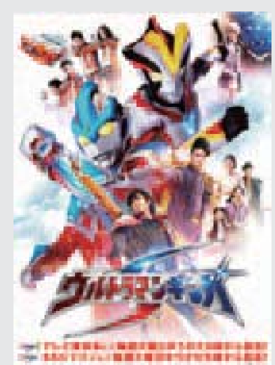
While the existing *Ultraman* series targets families, the *ULTRAMAN* that comic magazine *HERO'S Monthly* depicts is aimed at young adults.

With our sights set on future global rollouts, we are currently planning to create animations and advance other initiatives to cultivate this intellectual property.

Further Revitalization of the Existing *Ultraman* Series

Debuting on TV in 1966, the existing *Ultraman* series enjoys the endorsement of a broad fan base, which developed in step with the regular release of new series. Aiming to revitalize the series, we began broadcasting a new TV series *Ultraman Ginga* in July 2013. Related initiatives included collaborating with partner companies to develop merchandising targeting families. Furthermore, we launched the TV series *Ultraman Ginga S* in July 2014. We are continuing cross-media rollouts that leverage major IP.

Furthermore, regarding the future of the existing *Ultraman* series IP, we will implement collaborations involving multiple media and companies and hold "hero shows" to increase points of contact with fans, thereby increasing the value of the IP throughout the series.

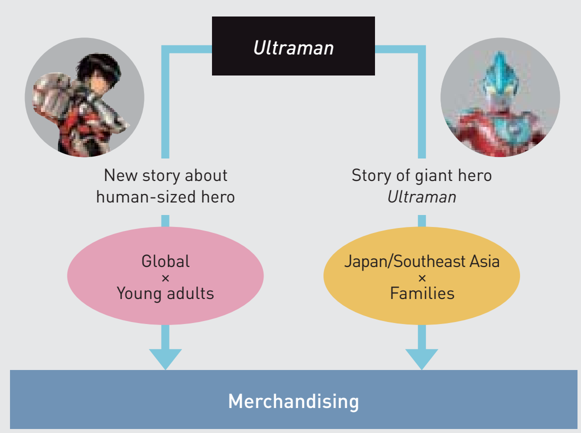


Initiatives Going Forward

With a view to capturing an even broader fan base, we will advance cross-media rollouts of IP focused on the existing *Ultraman* series and *ULTRAMAN* as featured in the comic magazine *HERO'S Monthly*.

As for overseas initiatives, we will not simply sell old animations, as we have done in the past. Mainly in Southeast Asia, we will market new works and build a system for cross-media rollouts similar to those in Japan.

We intend to continue heightening the IP value of the *Ultraman* series, which boasts one of Japan's flagship hero characters, through rollouts that exploit a diverse range of media and products, including animations, live entertainment, and merchandise.



Developing Content with Partner Companies

The Group is cultivating and commercializing IP by developing content mainly through animations projects with partner companies. We then use the developed content for cross-media rollouts.

Main initiatives

- February 2012: Releases movie *BERSERK THE GOLDEN AGE ARC*, a movie trilogy
- August 2013: Launches *New-century Pachinko BERSERK*
- August 2013: Releases social game *BERSERK*
- October 2013: Begins broadcasting TV anime *KILL la KILL*
- April 2014: Begins airing TV drama *Sailor Zombie*
- July 2014: Premieres movie *APPLESEED ALPHA* in North America
- July 2014: Begins broadcasting TV anime *RED EYES SWORD*
- October 2014: Plans to broadcast TV anime *CROSS ANGE Rondo of Angel and Dragon*
- 2015: Plans global rollout of *NINJA SLAYER FROM ANIMATION*

BERSERK THE GOLDEN AGE ARC

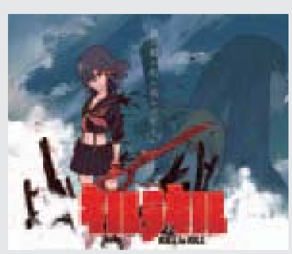
Based on a dark fantasy comic series that has run since 1989, we worked with partner companies to plan and produce *BERSERK THE GOLDEN AGE ARC* as a movie trilogy, which we released from 2012 to 2013. We then heightened the IP's value by rolling out the animation content we had created as a social game and pachinko machine in August 2013.

To continue cultivating the IP, we plan to further develop it in the merchandising field.

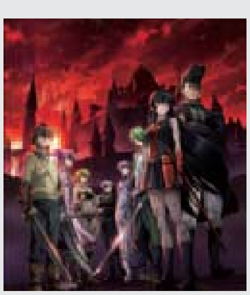
KILL la KILL

In collaboration with KADOKAWA CORPORATION and Aniplex Inc., the Group created this series as an original anime, which began airing on TV in October 2013.

Plans call for rolling out the IP in the merchandising field to broaden its fan base even further.



RED EYES SWORD



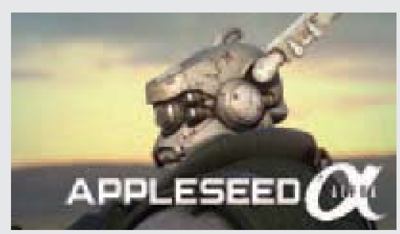
The Group, Toho Co., Ltd., Sony Music Entertainment (Japan) Inc., and other partner companies created this animation based on a comic that has shipped 1.6 million copies since its release. 2 seasons of the TV anime, comprising 24 episodes, began airing in July 2014.

Currently, we are planning merchandising initiatives based on the animation content.

APPLESEED ALPHA

Through a joint project with Sony Pictures Entertainment Inc. of the United States, we released a comic-based "reboot" (remake) animation movie in North America in July 2014.

In Japan, as well as rolling out animation, we will develop the IP through other media.



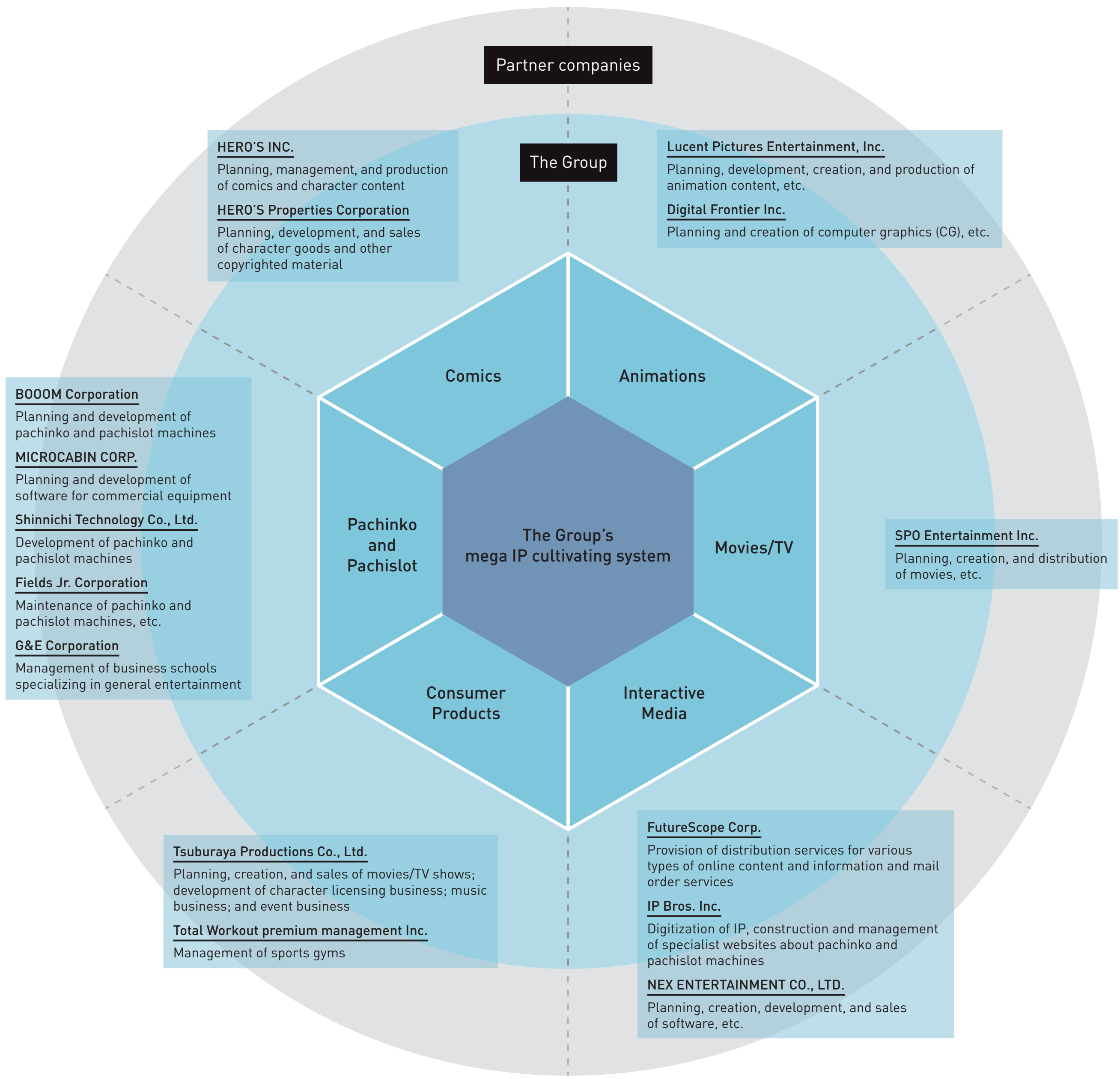
CROSS ANGE Rondo of Angel and Dragon

Having created an original anime with partner companies Sunrise Inc. and King Record Company Limited, we plan to broadcast this TV anime from October 2014.

Going forward, based on the animation content created, we plan to implement cross-media rollouts to heighten the value of the IP.

Heightening IP Value through Subsidiaries and Affiliates

In various entertainment fields, we are building a collaborative in-house system that includes companies boasting outstanding creative capabilities as well as companies with leading-edge technology. In addition, by making maximum use of networks with outside partners, we will advance decisively toward an IP-centered business model in accordance with our medium-to-long-term growth strategy.



Realizing Our Corporate Philosophy throughout Our History

Entertainment Market Milestones

1991~ Entertainment value of pachinko and pachislot machines increases dramatically

1991 Launch of pachinko machines with color liquid crystal display (LCD) monitors
1999 Launch of pachislot machines with color LCD monitors

Pachinko and pachislot machines incorporating content from animes and movies become popular. Market peaks between 1994 and 1996, surpassing ¥30 trillion.

1998~ Internet penetration and development of telecommunications infrastructure progresses rapidly

1998 Launch of Windows 98
1999 Launch of i-mode service by NTT DOCOMO, INC.
2001 Introduction of broadband

The development of an information-based society begins in earnest due to the spread of the Internet and the development of telecommunications infrastructure.

2004~ Home video game consoles diversify, and software platforms for popular video game titles diversify as a result

2004 Launch of Nintendo DS
2004 Launch of PlayStation Portable
2006 Launch of PlayStation 3

Due to software platform diversification among popular video game titles, users increasingly own several types of hardware compatible with respective software platforms.

2008~ Social game market expands, and software platforms shift

2008 Launch of iPhone 3G in Japan
2010 Conversion of *Mobage* and *GREE* to open platform
2012 Achievement of record-breaking hit by *Pazdra (PUZZLE & DRAGONS)*

As smartphones spread, social games boom. Subsequently, software platforms shift from web apps to native apps.

2013~ Live entertainment booms

2013 Expansion of theme and amusement parks market to record level
2014 Achievement of record revenues, earnings, and park visitors by Oriental Land Co., Ltd., in fiscal year ended March 31, 2014
2014 Recording of highest ever number of monthly park visitors at Universal Studios Japan following opening of Harry Potter area

Respective event facilities boom due to holding of events centered on characters.

The Group's Evolution

1988 **Establishes Toyo Shoji Co., Ltd.**

1992
- Acquires Leisure Nippon News Company
- Launches leading-edge information services
  - 1992 Begins *Hall TV*
  - 1994 Launches *Pachinko Information Station* satellite broadcasting service
- Increases number of regional and branch offices throughout Japan to establish foundations as a distributor

1999
- Obtains ISO 9002 certification for sales division to provide superior operational quality to customers

2001 **Changes name from Toyo Shoji Co., Ltd., to FIELDS CORPORATION**
- Forms alliances with leading manufacturers to develop pachinko and pachislot machines that leverage IP
  - 2001 Forms alliance with Sammy Corporation, begins exclusive sales of RODEO brand machines
  - 2003 Forms alliance with SANKYO CO., LTD., begins exclusive sales of Bisty brand machines
  - 2008 Forms alliance with KYORAKU SANGYO → 2012 Begins exclusive sales of OK!! brand machines
  - 2010 Begins exclusive sales of CAPCOM Group Enterrise brand machines
  - 2011 Forms alliance with Universal Entertainment Corporation → 2014 Begins exclusive sales of Mizuho brand machines
  - 2014 Forms alliance with Daiichi Shokai Group; Forms alliance with NANASHOW Corporation
- Enters sports entertainment field

2003 **Lists on JASDAQ and announces IP-centered business model**

Uses listing as opportunity to acquire merchandising rights for numerous high-quality IP

2004
- Enters video game field

2006
- Enters online services field, including mobile content field

2007
- Enters animations field

Establishes Lucent Pictures Entertainment, Inc.

2008
- Enters animation for pachinko and pachislot machines field
- Enters digital comics field

2010
- Enters comics field

Establishes HERO'S INC.
- Makes Tsuburaya Productions Co., Ltd., a subsidiary, which owns *Ultraman* and other IP
- Enters animations production field

Makes Digital Frontier Inc. a subsidiary

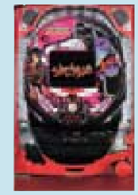
2011
- Strengthens businesses for social games and consumer products

2012 **Announces "Developing Business Model" strategy based on maximizing value of IP, particularly characters**

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

Commercialization Examples

Pachinko/Pachislot



2004 Launches *Evangelion* pachinko machine
(Series has shipped 1.9 million units as of June 2014.)

2005 Launches *Onimusha 3* pachislot machine

2013 Launches *New-century Pachinko BERSERK* pachinko machine

Launches *PACHISLOT ULTRAMAN WARS* pachislot machine

2014 Launches *ANOTHER GOD HADES* pachislot machine

Launches *Pachislot Monster Hunter: Gekka Raimei* pachislot machine

Interactive Media

2011 Releases social game *AKB48 Stage Fighter*

2013 Assumes business including social game *KIDATSU! Dungeons Lord*

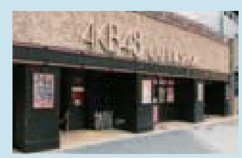
Releases social game *BERSERK*

2014 Releases social game *Majestic Prince Shooting Hero*

Launches amusement arcade game *Sailor Zombie: AKB48 Arcade Edition*

Releases social game *AKB48 Music Game*

Consumer Products



2011 Opens *AKB48 CAFE&SHOP AKIHABARA*

2012 Opens *AKB48 CAFE&SHOP HAKATA*

Opens *AKB48 CAFE&SHOP NAMBA*

Animations, Movies/TV

2012 Releases movie *BERSERK THE GOLDEN AGE ARC*, a movie trilogy

Releases movie *Ultraman Saga*

2013 Begins broadcasting TV anime *GINGA KIKOTAI: Majestic Prince*

Begins broadcasting TV series *Ultraman Ginga*

2014 Premieres movie *Ultraman Ginga Movie Special*

Begins broadcasting TV series *Ultraman Ginga S*

Premieres movie *Appleseed Alpha* in North America

Comics

2011 Publishes inaugural issue of comic magazine *HERO'S Monthly*

2012 Publishes comic book *HERO'S Comics*

Seeking IP with Lasting Support from All Generations and Areas

Current trends, competitors, and changes in consumer demand affect whether or not an IP becomes a hit. However, truly outstanding IP always become major IP regardless of such factors. Aiming to create content that is still fresh even after 10 or 20 years—as opposed to content that only appeals to a specific era—we analyze diverse data and research thoroughly. As a result, the Group has chosen to focus on heroes (and heroines). Heroes make a lasting impression. Even though the times and the appearance of heroes change, they continue to excite and inspire people. The large number of Hollywood blockbusters featuring heroes illustrates this. In any age, stories about heroes enrich people and offer moral instruction. Therefore, we are convinced that advancing the "Developing Business Model" strategy for IP based on heroes will generate a positive spiral.

In 2010, the Ministry of Economy, Trade and Industry issued the *Report by the Study Group on the Content Industry's Growth Strategy*, which anticipates the content industry becoming one of Japan's top 5 exporting industries. In this scenario, by 2020 the industry's overall sales will grow from ¥15 trillion to ¥20 trillion, overseas sales will increase from ¥0.7 trillion to ¥2.3 trillion, and overseas sales as a percentage of overall sales will rise from 5% to 12%. The Group will help make this a reality by advancing cross-media rollouts of IP in Japan and overseas while continuing far-sighted initiatives looking 10 or 20 years ahead.

Ministry of Economy, Trade and Industry's Vision for the Content Industry by 2020

• Overall sales	**¥20 trillion**	• Overseas sales	**Triple**
• Overseas sales ratio	**Double**	• Exports	**Becomes a top 5 exporter**

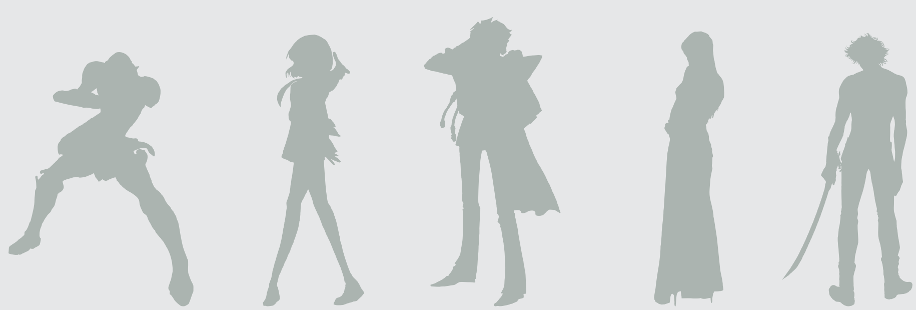
Source: *Report by the Study Group on the Content Industry's Growth Strategy*, Ministry of Economy, Trade and Industry

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

FUTURE

"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

Net Sales

¥114.9 billion

+6.3%

Operating Income

¥9.7 billion

−5.1%

Net Income

¥5.3 billion

+13.7%

Performance Overview

Millions of Yen

Consolidated Performance Highlights	Year Ended March 31, 2012	Year Ended March 31, 2013	Year Ended March 31, 2014	Year Ending March 31, 2015 (Forecast)
Net sales	92,195	108,141	1 **114,904**	100,000
Year on year (%)	89.0	117.3	106.3	87.0
Ratio to net sales (%)	100.0	100.0	100.0	100.0
Gross profit	31,330	33,279	2 **33,812**	—
Year on year (%)	89.2	106.2	101.6	—
Ratio to net sales (%)	34.0	30.8	29.4	—
Selling, general and administrative expenses	22,803	22,964	**24,020**	—
Year on year (%)	103.7	100.7	104.6	—
Ratio to net sales (%)	24.7	21.2	20.9	—
Operating income	8,527	10,314	3 **9,791**	5,000
Year on year (%)	64.9	121.0	94.9	51.1
Ratio to net sales (%)	9.2	9.5	8.5	5.0
Ordinary income*1	8,661	10,268	**9,765**	5,000
Year on year (%)	63.3	118.6	95.1	51.2
Ratio to net sales (%)	9.4	9.5	8.5	5.0
Net income	5,991	4,720	**5,370**	2,500
Year on year (%)	79.7	78.8	113.7	46.6
Ratio to net sales (%)	6.5	4.4	4.7	2.5
Shareholders' equity ratio (%)	54.6	51.2	**55.6**	—
Return on equity (ROE) (%)	12.2	8.9	**9.5**	—
Return on assets (ROA) (%)	10.0	10.3	**9.2**	—
Dividends per share (Yen)*2	50	50	4 **50**	50
Payout ratio (%)	27.7	35.1	**30.9**	66.4

*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. The amounts shown here have been retroactively adjusted to reflect the stock split.

3 Causes of Change in Operating Income

1) In pachinko and pachislot machine sales, earnings rose because solid sales counteracted costs arising from strengthening the sales system and stepped-up sales promotion activities. At the same time, we increased collaborative development of pachinko and pachislot machines with subsidiaries to expand and improve the product lineup over the medium-to-long term.
2) In the consumer products field, we are building a system that will enable Tsuburaya Productions Co., Ltd., which owns the *Ultraman* series, to generate stable earnings. In the fiscal year ended March 31, 2014, earnings increased due to the favorable performance of the license business as a result of 50th anniversary events and the rollout of a new TV series.
3) In the interactive media field, popular content provided by ongoing services performed steadily. On the other hand, in response to the rapid shift in distribution formats from web apps to native apps in the social game market, we reformed the earnings structure by narrowing down the lineup and improving the efficiency of operational and developmental systems. As a result, earning power dipped temporarily in the fiscal year ended March 31, 2014.
4) In the comics, animations, and movies/TV fields, we continued deploying management resources with a view to creating and cultivating IP such as characters and stories, which are the source of growth. In particular, we animated works created through comics and strengthened sales promotion activities.

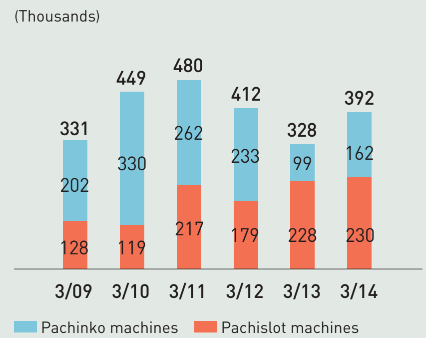
As a result of the above-mentioned measures and advance investments aimed at medium-to-long-term growth, operating income decreased 5.1% year on year.

① Development of Pachinko and Pachislot Business —The Group's Earnings Mainstay

In the pachinko and pachislot business, which is our earnings mainstay, we are taking a range of steps to provide high-quality products stably, keep existing fans, and attract new customers.

In the fiscal year ended March 31, 2014, pachinko machine unit sales rose approximately 63,000 units year on year, to 163,000 units, thanks to the release of the latest installment of the *Evangelion* series and others. Meanwhile, adding Mizuho brand products to the lineup boosted pachislot machine unit sales approximately 2,000 units year on year, to the record level of 230,000 units.

Number of Machines Sold

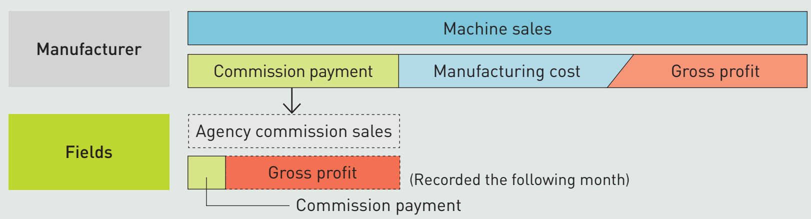


② Differences in Recording for Pachinko and Pachislot Machines

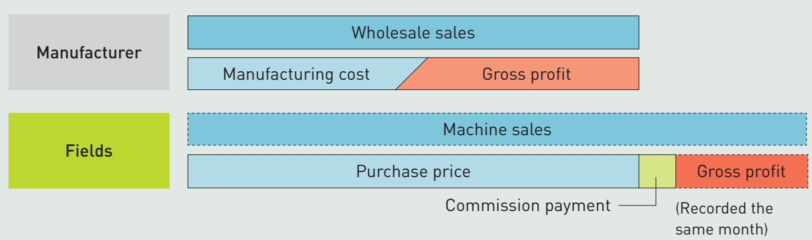
The sales formats for pachinko and pachislot machines are different. Pachinko machines are based on commission sales and the Company receives a commission from the manufacturer for every machine sold to pachinko halls. These commissions are recorded as sales. By contrast, pachislot machines are based 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, because sales per unit are higher for pachislot machines, an increase in unit sales of pachislot machines contributes to higher sales. However, an increase 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)



④ Shareholder Return

The Group considers increasing corporate value to be a crucial management issue and follows a basic policy of paying appropriate dividends commensurate with profits realized. Specifically, dividends are determined based on such benchmarks as the Company's cash flow situation. In general, however, we use a consolidated payout ratio of 20% or higher as a benchmark. With regard to internal reserves, our policy is to use them effectively in investments intended to strengthen our financial position and management base and ensure continued business expansion and competitiveness.

In view of the above, dividends paid for the fiscal year ended March 31, 2014, consisted of interim dividends of ¥25* per share and year-end dividends of ¥25 per share, giving total dividends for the year of ¥50 per share. The consolidated payout ratio was 30.9%.

In the fiscal year ending March 31, 2015, we plan to pay interim dividends of ¥25 per share and year-end dividends of ¥25 per share, giving total dividends for the year of ¥50 per share.

Total Current Assets

¥66.9 billion

−¥5.7 billion

Total Assets

¥104.8 billion

−¥1.7 billion

Total Net Assets

¥58.7 billion

Shareholders' Equity Ratio
55.6%

Free Cash Flow

¥8.3 billion

+¥0.9 billion

Financial Position

Consolidated Financial Highlights

Millions of Yen

	At March 31, 2012	At March 31, 2013	At March 31, 2014	Change	
Total current assets	62,811	72,709	66,921	(5,788)	1
Property and equipment, net	10,980	11,151	12,104	953	
Total intangible fixed assets	4,372	4,540	4,365	(174)	
Total investments and other assets	15,437	18,226	21,477	3,251	2
Total fixed assets	30,790	33,918	37,948	4,029	
Total assets	93,601	106,628	104,869	(1,758)	
Total current liabilities	37,925	47,365	41,730	(5,635)	3
Total long-term liabilities	4,121	4,164	4,386	222	
Total liabilities	42,046	51,529	46,116	(5,413)	
Total shareholders' equity	51,895	54,957	58,670	3,712	
Minority interests	483	539	473	(65)	
Total net assets	51,555	55,098	58,753	3,654	4
Total liabilities and net assets	93,601	106,628	104,869	(1,758)	

Cash Flows

Consolidated Cash Flows

Millions of Yen

	At March 31, 2012	At March 31, 2013	At March 31, 2014
Net cash provided by operating activities	10,015	13,570	16,322
Net cash used in investing activities	(4,798)	(6,263)	(8,018)
Net cash used in financing activities	(2,565)	(2,277)	(2,018)
Foreign currency translation adjustments on cash and cash equivalents	0	(3)	0
Net increase in cash and cash equivalents	2,652	5,025	6,284
Cash and cash equivalents at beginning of the year	15,632	18,284	23,309
Cash and cash equivalents at end of the year	18,284	23,309	29,583

Financial Analysis

Assets: Total current assets at March 31, 2014, stood at ¥66,921 million, down ¥5,788 million from March 31, 2013 (1). This was mainly attributable to a ¥12,861 million decrease in notes and accounts receivable–trade, to ¥29,155 million, which reflected lower receivables associated with sales of pachislot machines. Property and equipment, net was ¥37,948 million, up ¥4,029 million. This primarily resulted from a ¥3,251 million rise in total investments and other assets, to ¥21,477 million, due to investments in capital of subsidiaries and affiliates (2).

As a result of the above, total assets at March 31, 2014, amounted to ¥104,869 million, a decrease of ¥1,758 million from March 31, 2013.

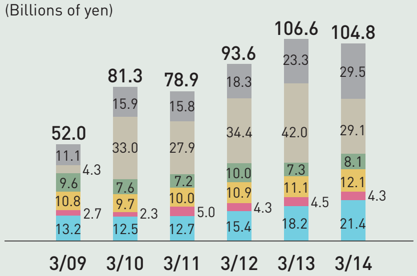
Liabilities: Total current liabilities at March 31, 2014, amounted to ¥41,730 million, a decreased of ¥5,635 million from March 31, 2013 (3). This was principally due to a ¥3,498 million decline in notes and accounts payable–trade, to ¥33,105 million, reflecting lower payables associated with sales of pachislot machines, and a ¥1,971 million decrease in income taxes payable, to ¥1,959 million.

As a result of the above, total liabilities at March 31, 2014, amounted to ¥46,116 million, a decrease of ¥5,413 million from March 31, 2013.

Total net assets at March 31, 2014, were ¥58,753 million, an increase of ¥3,654 million from March 31, 2013 (4). This was mainly because of a ¥3,712 million rise in retained earnings, to ¥44,548 million, which resulted from higher net income.

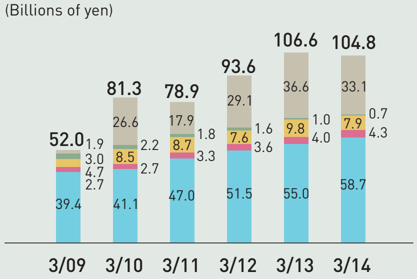
Assets

(Billions of yen)



Liabilities and Net Assets

(Billions of yen)



Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥16,322 million, compared with ¥13,570 million in the previous fiscal year. The principal factors were ¥9,588 million in income before income taxes and minority interests, a decrease in notes and accounts receivable–trade of ¥13,078 million, a decrease in accounts payable–trade of ¥3,132 million, and income taxes paid of ¥5,929 million in depreciation and amortization.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥8,018 million, compared with ¥6,263 million in the previous fiscal year. The principal factors were expenditure for acquiring other securities of subsidiaries and affiliates of ¥3,000 million, purchases of property and equipment of ¥2,035 million, and purchases of intangible assets of ¥1,414 million.

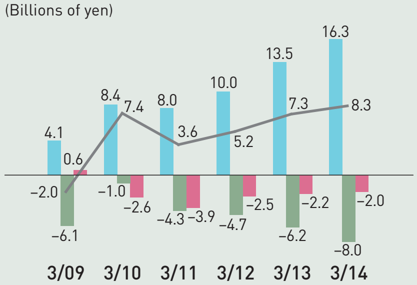
Free cash flow, the sum of cash flows from operating activities and cash flows from investing activities, amounted to ¥8,303 million, compared with ¥7,307 million in the previous fiscal year.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥2,018 million, compared with ¥2,277 million in the previous fiscal year. The principal factors were cash dividends paid totaling¥1,657 million, redemption of corporate bonds totaling ¥300 million, and repayment of long-term borrowings totaling ¥122 million.

Free Cash Flow

(Billions of yen)



Market Trends

Market Trends: Leisure

According to the Japan Productivity Center's *White Paper on Leisure 2014*, the leisure market edged up 0.8% year on year, to ¥65,216.0 billion in 2013. Growth was particularly strong in the tourism and recreation sector, which grew approximately 4% year on year, to ¥10,022.0 billion. This reflected theme and amusement parks' record revenues and a significant increase in domestic tourism, which offset lower overseas tourism resulting from the yen's depreciation. An additional factor driving growth was a rush in demand before a consumption tax increase in April 2014.

Source: *White Paper on Leisure 2014*, Japan Productivity Center

Furthermore, the smartphone market, which is not included in the *White Paper on Leisure 2014*, expanded significantly in 2013, growing 78.0% year on year, to ¥546.8 billion. The native app market increased 137.2% year on year, to ¥317.8 billion. This was attributable to more titles in all genres, from quiz and puzzle games through to full-fledged role-playing games (RPGs), and endorsement not only from core users but from a wide range of users. The web app market grew 32.2% year on year, to ¥229.0 billion, due to continuing strong support as core users switch from feature phones to smartphones.

Sources: Japan Online Game Association and Joint Survey by CyberZ, Inc., and Seed Planning, Inc.

Market Trends: Content Industry

According to the Digital Content Association of Japan's *White Paper on Digital Content 2014*, in 2013 the content industry's market—comprising Japan's movies, animes, TV shows, games, and books—was approximately unchanged year on year, edging up 0.4%, to ¥11,909.4 billion. Looking at content by category year on year, animations and games increased, while music and sound and still images and text decreased.

Furthermore, the shift from analog to digital continued. The digital content market rose steadily, increasing 1.6% year on year, to ¥7,658.9 billion, which accounted for 64.3% of the overall content market. By content type, the animation market generated revenues of ¥4,334.8 billion, representing 56.6% of the content market. Apart from music and sound, animations, games, and still images and text each grew year on year.

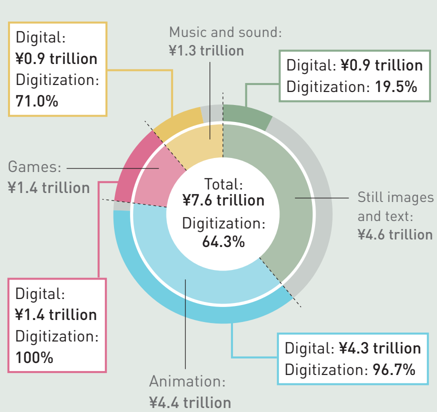
Content Market*

(Trillions of yen)

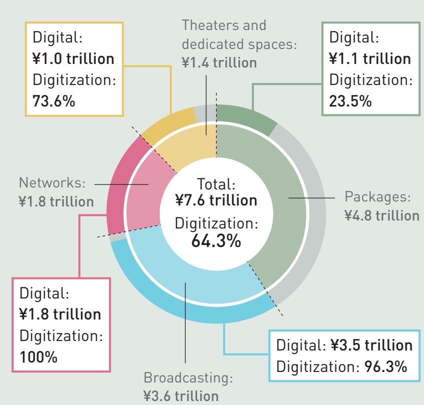
* Content is information comprising such elements as animations, still images, sound, text, and programs. Digital content is content that is expressed as digital data when users purchase it.

Digital Content Market*

By content type

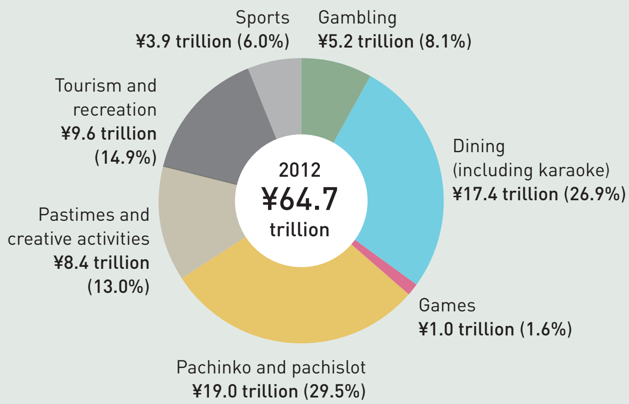


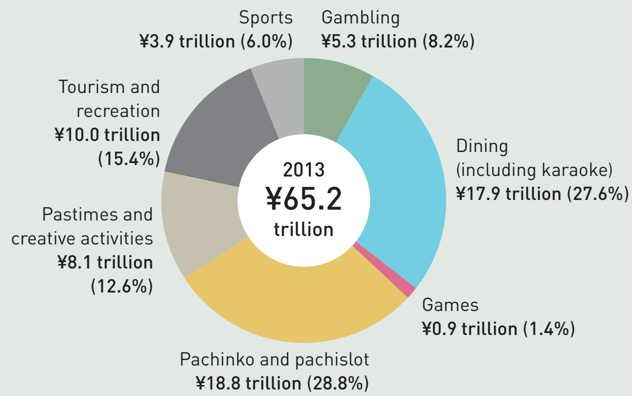
By media type



Source: *White Paper on Digital Content 2014*, edited by the Digital Content Association of Japan and overseen by the Ministry of Economy, Trade and Industry

Leisure Market





Source: *White Paper on Leisure 2014*, Japan Productivity Center

Market Trends: Pachinko and Pachislot

Based on ball and token rental fees, in 2013 the pachinko and pachislot market declined 1.3% year on year, to ¥18,818.0 billion. However, this market continues to account for a significant share of the leisure market.

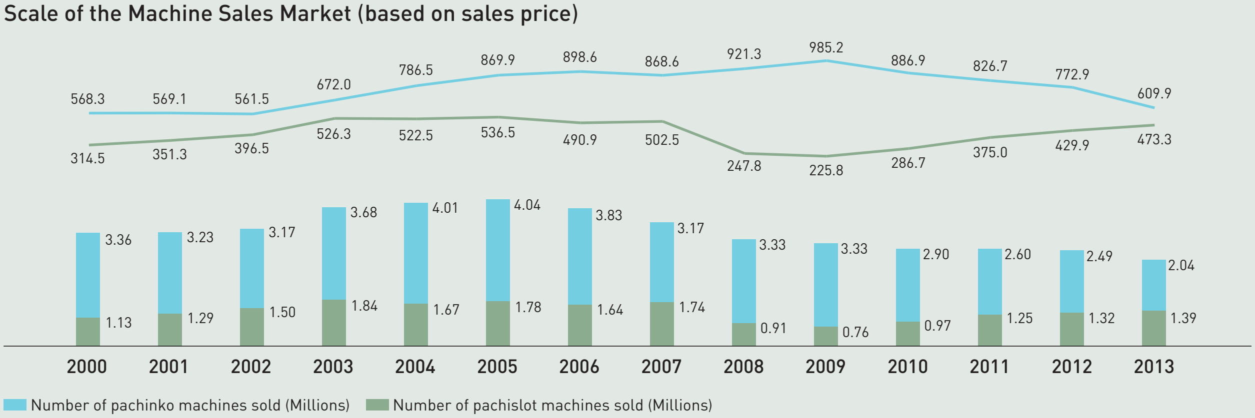
Although the number of pachinko halls in Japan decreased 2.1%, to 11,893, pachinko and pachislot machine installations rose for the forth consecutive year, to 4.61 million units. Thus, the number of machines installed per pachinko hall continues to trend upward.

Pachinko machine sales were down 440,000 units year on year, to 2.04 million units, while pachislot machine sales rose 60,000 year on year, to 1.39 million units. As a result, pachinko machine sales decreased 21.1%, to ¥609.9 billion; pachislot machine sales increased 10.1%, to ¥473.3 billion; and the total sales market declined 9.9%, to ¥1,083.2 billion.

In the pachinko and pachislot market, the importance of content is increasing. Titles incorporating content from animes and movies/TV shows account for the majority of the market.

Source: Yano Research Institute Ltd., *2014 Trends and Market Share of Pachinko Related Manufacturers*

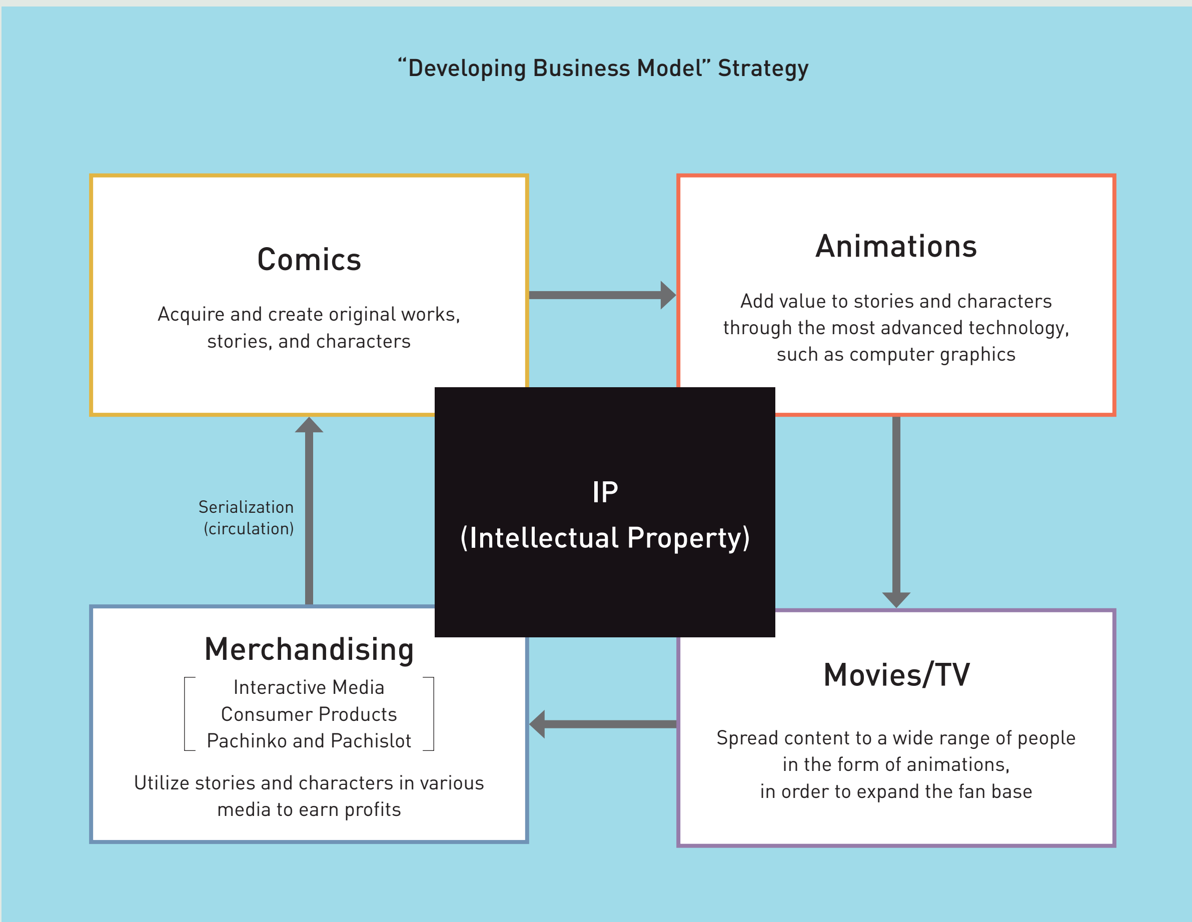
Scale of the Machine Sales Market (based on sales price)



Source: Yano Research Institute Ltd., *2014 Trends and Market Share of Pachinko Related Manufacturers*

Overview by Field—Progress of the "Developing Business Model" Strategy

As a medium-to-long-term growth strategy, the Group aims to sustain growth by focusing on such IP as characters and maximizing the value of acquired, owned, and created IP. The Group is making the fullest use of expertise it has cultivated through IP development and the networks of creative and business partners to cultivate and commercialize IP through partnerships.



Comics

We have positioned comics as our source of in-house IP creation. In this field we are developing the stories and characters that form the basis of cross-media rollouts.

As of March 2014, the comic magazine *HERO'S Monthly*, which creates content based on heroes, has included 42 works, and we have published 24 volumes of the comic book *HERO'S Comics*. Among these IP, the comic book *ULTRAMAN* has published 4 volumes of the comic book series, which has sold more than 1 million copies to date and is expanding its fan base steadily.

Furthermore, we are advancing joint projects with partner companies to roll out comic adaptations of IP other than hero characters.

Animations, Movies/TV

In the animations field, we are taking advantage of leading-edge technology to digitize IP, which we are popularizing and adding value to through movies/TV.

In April 2013, we began broadcasting *GINGA KIKOTAI: Majestic Prince*. Also, we are accelerating various initiatives to create animations and movies based on works created for the comic magazine *HERO'S Monthly*. For example, in collaboration with a Hollywood movie production company, The Bedford Falls Productions of the United States, we have begun developing a script for a movie that we hope to roll out overseas. The movie is based on *SOUL ReVIVER*, an original work by Tohru Fujisawa, acclaimed for the *GTO* comic book, that has original drawings by Manabu Akishige.

Also, with partner companies we are animating such comic works as *BERSERK* and *RED EYES SWORD*. Furthermore, our joint initiatives are developing original anime content that includes *KILL la KILL* and *CROSS ANGE Rondo of Angel and Dragon*. Other initiatives include plans to roll out an animation based on a novel originating from Twitter, *NINJA SLAYER*, in 2015.

Regarding the *Ultraman* series, an IP we own, we will continue the new *Ultraman Ginga* TV series that began airing in July 2013 by broadcasting *Ultraman Ginga S* from July 2014. Through this series we aim to heighten the IP's value.

Merchandising

In the merchandising field, we are cultivating IP and using them to generate earnings.

As for interactive media, in response to the rapid shift in distribution formats from web apps to native apps in the social game market, we reformed the earnings structure by narrowing down the lineup and improving the efficiency of operational and developmental systems. Furthermore, ongoing service *AKB48 Stage Fighter* performed steadily. And, *AKB48 Music Game*, released in May 2014, made a strong start—reaching 1 million downloads only 2 months after the service debuted.

Regarding consumer products, we marketed various goods in 23 regions worldwide. We obtained the rights as a license agent in Japan for *UGLYDOLL*, which is particularly popular in the United States. In Japan, we will conduct marketing and branding, develop relationships with new licensors, roll out goods, and build distribution channels.

In relation to pachinko and pachislot machines, we strengthened collaborative development of machines with subsidiaries to expand and improve the product lineup over the medium-to-long term. Furthermore, to provide high-quality products stably, keep existing fans, and attract new customers, we announced alliances with NANASHOW Corporation and D-light Co., Ltd., in May 2014.

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.

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 the 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.

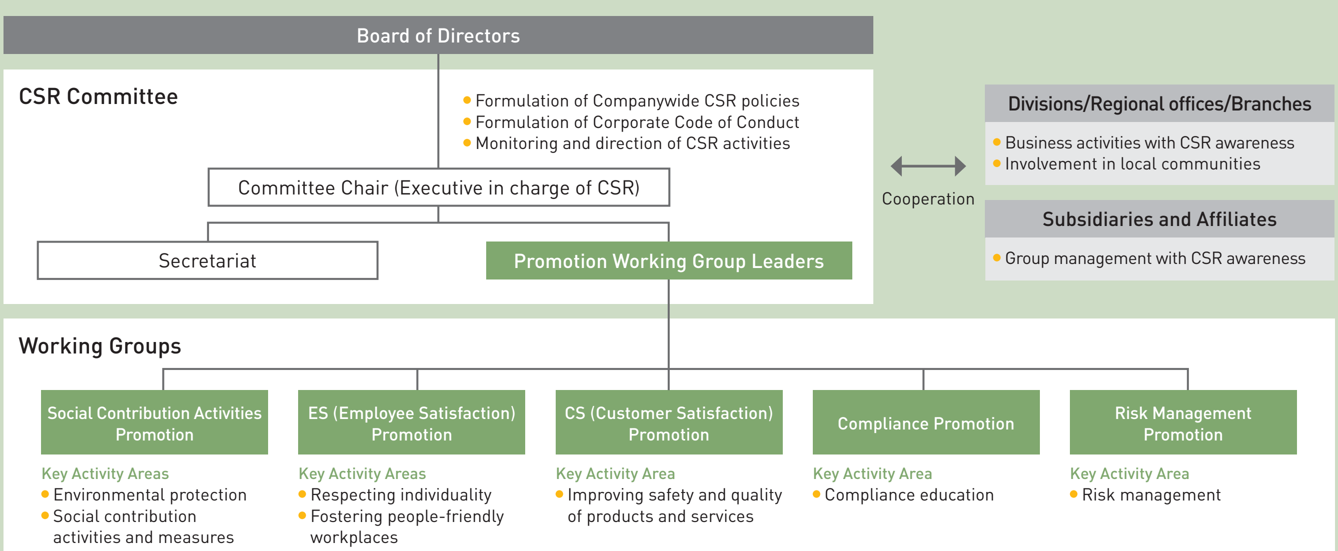
CSR Committee

Chaired by the executive in charge of CSR, the CSR Committee is made up of CSR promotion working group leaders 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.

Role of Promotion 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 secretariat and report quarterly to the CSR Committee.

CSR Structure



Main Initiatives between April 2013 and August 2014

Social Contribution Activities Promotion

As part of social contribution efforts, Fields actively advances activities that benefit local communities at its head office and branches around Japan. These activities include electricity-saving initiatives, clean-up activities in respective regions, donations through the sponsorship of various types of sporting events, and participation in voluntary activities that nonprofit organizations (NPOs) hold.

Main Initiatives

- Conducted regular clean-ups of Nampeidai-cho in Shibuya, Tokyo
- Participated in Shibuya Ward Cleanup Day (Shibuya Day, April 28)
- Co-sponsored charity golf tournament
- Participated in "Union Beautification Day at Shibuya Station" organized by Beautification Promotion Committee of Shibuya Ward
- Participated in "Cleanup Campaign Kugenuma Beach" in Kanagawa Prefecture organized by general incorporated association JEAN
- Participated in activities of Be Smile Project, an NPO
- Conducted joint clean-up of Tokyo's Yoyogi Park with ARTNATURE INC.

Compliance Promotion

At Fields, we not only ensure compliance with laws and regulations but also cultivate a strong sense of ethics and morals among employees. To entrench compliance awareness groupwide and ensure business is conducted in accordance with laws and regulations, we are improving and increasing study opportunities.

Main Initiatives

- Used e-learning system to conduct groupwide compliance education
- Conducted compliance group training for specific departments and employee ranks

Risk Management Promotion

To earn and maintain the trust of society and customers, Fields takes measures to ensure that all employees are highly aware of information security and to improve information security management systems.

Main Initiative

- Maintained certification under ISO/IEC 27001:2005 international standards and JIS Q 27001:2006 domestic standards

ES (Employee Satisfaction) Promotion

Based on a medium-to-long-term viewpoint, Fields is building a personnel development system so that personnel—who are the source of sustained growth—can fully realize their capabilities and work with pride. As part of these activities, we are establishing infrastructure that links all employees and enables them to hold discussions, share information, and engage in lively communication as equals.

Main Initiatives

- Developed, introduced, and managed "campus" in-house communication tool
- Developed and managed "WE" dedicated channel and database website
- Developed and managed "campus Lab" creative communication space

CS (Customer Satisfaction) Promotion

Aiming to please customers and business partners as well as earn and maintain their trust, Fields takes measures to improve the safety and quality of its products and services.

Main Initiative

- Renewed certification under latest international standards for quality management systems: ISO 9001:2008 (JIS Q 9001:2008)

For detailed information about CSR initiatives, please see our website.
http://www.fields.biz/ir/e/csr/activities/

TOPICS: Ultraman Foundation

Immediately after the March 2011 Great East Japan Earthquake, Tsuburaya Productions Co., Ltd., played a central role in establishing the "Ultraman Foundation" with like-minded subsidiaries and affiliates. With a particular focus on children as the hope for the future, the foundation continues to give emotional and material support to those the earthquake affected.

The "HERO CARAVAN: For the Lights of Children in 78 Places in Tohoku" tour interacted directly with approximately 7,200 children. Launched in March 2013, it involves Tsuburaya Productions' heroes visiting 79 locations in the disaster-affected areas, including nurseries, kindergartens, and volunteer centers, during the year. We will continue these activities because we believe spending enjoyable, stress-free time with heroes naturally leads many children to think about their ambitions and hopes for the future.

Establishment: March 2011
Administrative office:
Within Tsuburaya Productions Co., Ltd.

Please visit the Ultraman Foundation official website for an overview of the foundation and details about its activities.
http://www.ultraman-kikin.jp/en/

Corporate Governance

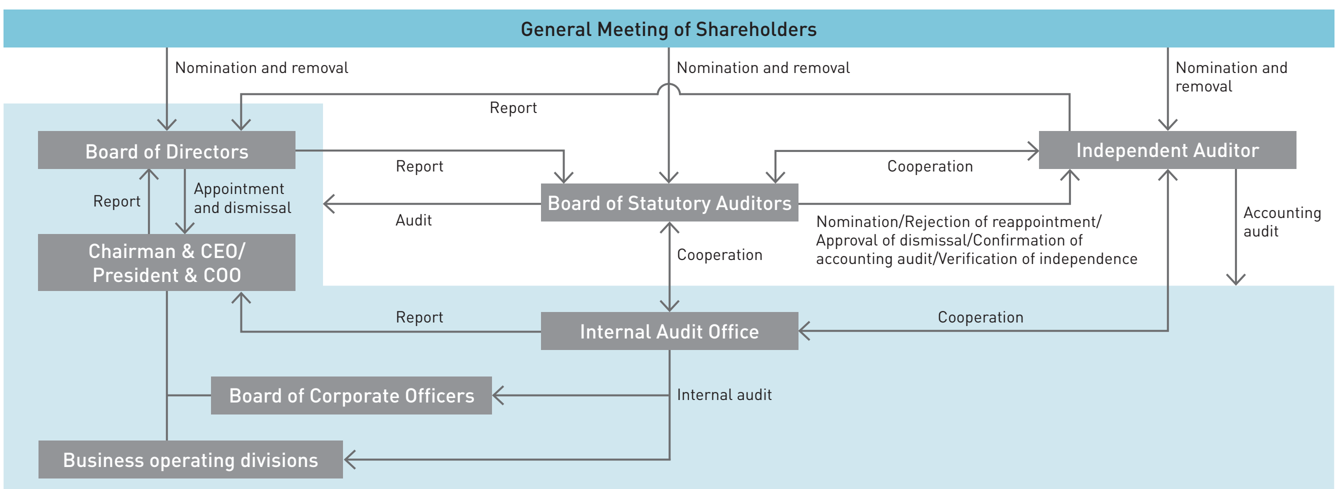
Basic Approach to Corporate Governance

Fields' corporate philosophy and mission is to provide "The Greatest Leisure for All People," with continuously increasing corporate value as a basic policy guiding Company management.

We believe one of the most important management issues in realizing this basic policy 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 comprising the Board of Directors, the Board of Statutory Auditors, the Independent Auditor, and the Board of Corporate Officers.

Fields, 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. The Group improves its overall corporate value through rigorous adherence to standards for extending or terminating investment or finance to subsidiaries and affiliates.

Corporate Governance System



Details of Corporate Functions and Internal Control System

Governance format	Company with auditors
Chairman of the Board of Directors	President & COO
Number of directors (outside directors)	12 (1)
Board of Directors' meetings in the fiscal year ended March 31, 2014	17
Number of auditors (outside auditors)	4 (4)
Board of Auditors' meetings in the fiscal year ended March 31, 2014	20
Board of Directors' meetings attended by outside auditors in the fiscal year ended March 31, 2014	Kenichi Ikezawa: 17, Tadao Koike: 17, Yoshika Furuta: 17, Koichiro Nakamoto: 16
Independent Auditor	BDO Sanyu & Co.
Internal Audit Office	Internal Audit Office

Oversight and Execution of Management

The Board of Directors comprises 12 directors (including 1 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 Statutory Auditors, and Internal Audits

Fields has a Board of Statutory 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. Including its general manager, the office has 4 members. These 4 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's personnel also attend the monthly meetings of the Board of Statutory Auditors, and the Company provides opportunities for auditors to talk with directors and key personnel on an individual basis. In addition, the Board of Statutory 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 Statutory 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 the Independent Auditor. In this way, the Company works to strengthen supervisory functions and achieve more transparent business management.

Reasons for Appointing an 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. Furthermore, he satisfies the criterion of independence, and was designated as an independent member of the Board after it was judged his appointment would not give rise to conflict of interest with the general shareholders of the Company.

Outside auditors

Name	Reason for being appointed as an outside director (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 appointed Mr. Ikezawa with a view to 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 his appointment would not give rise to conflict of interest with the general shareholders of the Company.
Tadao Koike	Part-time auditor Tadao Koike has extensive insight into management and was appointed with a view to 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 his appointment would not give rise to conflict of interest with 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 a view to 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 his appointment would not give rise to conflict of interest with 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 a view to reflecting his specialist legal viewpoint in the Company's management.

Independent Members of the Board

Outside director Shigesato Itoi and 3 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 their appointment would not give rise to conflict of interest with the general shareholders of the Company.

Policy on Setting Compensation

In accordance with the 26th Annual General Meeting of Shareholders resolution of June 18, 2014, the annual compensation amount for directors was set at within ¥1,100 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, 2014, was ¥723 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 4 auditors.

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

At the 26th Annual General Meeting of Shareholders held on June 18, 2014, shareholders voted on and approved resolutions as proposed for the disposition of surplus (¥25 per share, ¥829 million in total), for Partial Amendments to the Articles of Incorporation, for the election of 3 directors, and for the revision of compensation of directors.

For detailed results of the proxy vote, please view the Company's website.
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 introduced 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 & COO and the Board of Statutory 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& COO and the Board of Statutory 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 pages 30–32.

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.

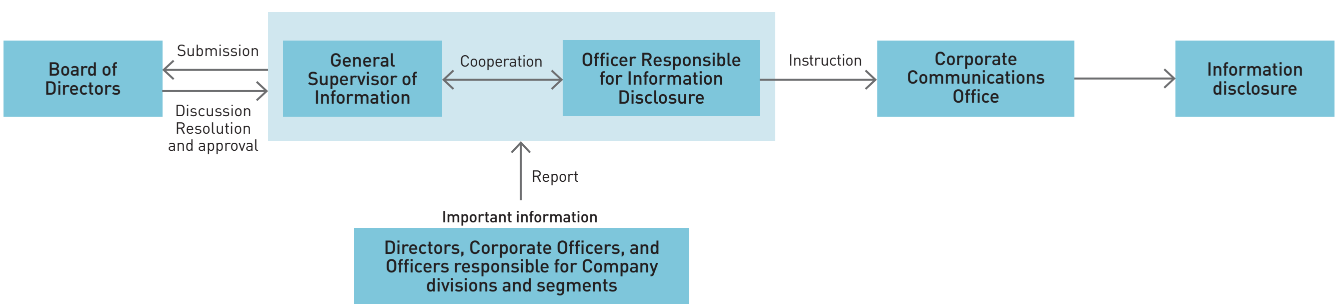
Specifically, we have formulated an IR policy and made this public. We also disclose information on an IR section of our website dedicated to investor information, and publish an annual report and shareholders' newsletter. Other IR activities include Company information presentations given by the President & COO 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 Corporate 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 the Group's information of 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.

Risks Related to Our Business and Management Status

Among items that relate to the conditions of businesses or accounting and which are included in the securities report, the principal items that could be risk factors and other items that could affect investors' decisions significantly are as follows.

Recognizing the possibility of these risks actualizing, the Fields Group (the Company and its consolidated subsidiaries) pursues a policy of avoiding actualization and responding if risks actualize. However, decisions on investing in Fields' shares should be taken in light of careful consideration of the details of these and other items.

Also, actualization of risks other than those the Group has envisioned and stated below could affect the Group's business results significantly. Furthermore, unless stated otherwise, forward-looking statements are the Group's judgments as of the date of filing the securities report (June 18, 2014). They do not cover all possible risks.

In addition, because forward-looking statements include uncertainties, actual results could differ from such statements due to changes in business conditions.

1. Business Model

The Group advances businesses that use intellectual properties (IP) to develop content for diverse media and platforms. In relation to each intellectual property, media compatibility or media trends could affect the Group's business results.

Therefore, the Group diversifies risks, stabilizes earnings, and grows businesses by developing them across a wide range of fields and by building and strengthening its IP portfolio.

2. Changes and Competition in the Market

(1) Changes in Consumer Preferences and Economic Conditions

Trends in leisure activities, entertainment, and other types of recreations tend to affect some of the Group's businesses. In particular, changes in consumer preferences or awareness with regard to leisure activities or changes in style or fashion in relation to leisure activities could affect the Group's business results.

Furthermore, lackluster domestic economic conditions that curb consumer spending or statutory regulations or industry bodies' self-imposed regulations could reduce demand for the Group's products or services in leisure-related fields, which could affect the Group's business results.

Therefore, the Group researches and analyzes trends in consumer preferences and leisure-related fields, does not rely on particular media or platforms in Japan, selects media that are compatible with IP, and pursues a strategy of multifaceted business development that includes overseas development. In conjunction with these efforts, the Group is involved in creating new media that transcends and links existing fields and is building systems that enable rapid, efficient responses to new media.

(2) Competition

In the diverse business fields in which the Group operates, some competitors have superior products, services, cost competitiveness, or brands. If competitors exploited such superiority when providing products or services, the Group could see its position weaken and become unable to provide the products or services it would like to or become unable to capture or keep customers. Such contingencies could affect the Group's business results.

Furthermore, the popularity or trends of third parties' IP that are available through the same media or platforms as the Group's IP, and consequently compete with them, could affect earnings from the Group's IP. Such contingencies could affect the Group's business results.

Therefore, the Group establishes businesses based on IP that take advantage of its strong pachinko and pachislot machine distribution capabilities. By strengthening management systems for these businesses, the Group will build competitive advantages.

3. Investment

(1) Alliances

By strengthening alliances among in-house companies and alliances with outside companies or forming new alliances, the Group increases the business lines or bolsters the capabilities of existing businesses and develops new businesses efficiently. In this process, the Group invests in order to establish new companies through joint ventures with other companies or makes additional investments in existing companies. In the future, the Group could continue such investments.

However, significant expenses could arise from these investments, business acquisitions, or business mergers. Furthermore, if the performance of a joint venture established with a third party or an investee's business deteriorated significantly, and business results remained lackluster beyond a certain period, the Group could incur losses due to increases in additional investments or impairment losses or valuation losses on investment securities. In addition, business earnings may not grow in accordance with strategic targets or plans, and joint ventures with third parties may not perform as hoped. Such contingencies could affect the Group's business results.

Therefore, when deciding on such investments, the Group gives adequate consideration to avoiding risk in relation to the future profitability of investments.

(2) New Businesses

The Group intends to continue actively creating and cultivating new services and businesses to cater to customer needs, diversify earnings sources, and realize continuous growth. However, if the process of creating new services or businesses added inherent risks to the said services or businesses, or if difficult-to-foresee problems such as dramatic changes in business conditions arose, the new services or businesses may not progress as planned. Such contingencies could affect the Group's business results.

Mother of Ultra from the "AMU PLAZA HAKATA Summer Ultra Bargain" commercial

Dada from the "AMU PLAZA HAKATA Summer Ultra Bargain" commercial

Therefore, the Company clarifies the significance and aims of new businesses. It then considers the future business development that investment will entail, analyzes and manages risk, and reaches decisions that enable ambitious forward-looking initiatives and protect foundations simultaneously. Furthermore, the Company periodically conducts in-house verification of the extension or termination of investment or finance to new businesses throughout the Group. In conjunction with these efforts, the Group utilizes outside resources through strategic business alliances as required.

4. IP

(1) Acquisition, Ownership, Creation, and Rollout of IP

The Group licenses (acquires) from rights holders in Japan and overseas, purchases (owns), and originates (creates) IP and content for which it can implement multifaceted rollouts across the comics, animations, movies/TV, and merchandising fields. However, an inability to secure the expected benefits or earnings from multifaceted rollouts of IP could affect the Group's business results.

In addition, the Group must receive licenses from multiple related rights holders when implementing multifaceted rollouts of acquired, owned, or created IP. Rights procedures could take a significant amount of time and or incur significant expenses. If the Group did not perform rights procedures properly or was unable to acquire the required rights, circulating IP or content across diverse media efficiently would become difficult. As a result, the Group would be unable to implement operations as planned, which could affect its business results.

Therefore, when the Group acquires or owns IP or content, it gives due consideration to their effect or profitability in relation to the comics, animations, movies/TV, and merchandising fields. When the Group creates IP, its basic approach is to develop them through tie-ups with major companies. Furthermore, the Group implements multifaceted rollouts of IP based on partnerships that make maximum use of business partners' networks.

(2) Infringement of IP

The Group's multifaceted rollouts of IP or content could result in third parties infringing the Group's IP or content or the Group infringing third parties' IP or content. Such contingencies could affect the Group's business results.

Furthermore, the IP and content that the Group plans, develops, and produces or which it acquires from creators or rights holders or owns include diverse rights, such as copyrights of multiple related rights holders, rights relating to copyrights, trademark rights, portrait rights, and patent rights. As a result of receiving licenses with defective rights or differences in perception between the Group and rights holders, the Group could be prohibited from using content or receive damages claims. Also, when the Group grants usage rights of IP or content to third parties, it could receive damages claims from the said third parties or become involved in lawsuits.

Therefore, the Group is aware of the importance of the value of IP or content and is strengthening their management. Furthermore, the Group educates executives and other employees, establishes rights for IP or content that it has created or invented, and continues measures to prevent infringement of these rights. Meanwhile, when the Group plans, develops, produces, acquires, or owns IP or content, it clarifies the associated rights' attributes, scopes, and details through contracts and takes the utmost care to avoid infringing the rights of multiple related rights holders.

5. Risks Inherent in Pachinko and Pachislot Machine Sales

(1) Pachinko and Pachislot Machines Industry's Statutory Regulations, Self-Imposed Regulations, and Market Conditions

The Group's businesses that are engaged in the sale of pachinko and pachislot machines are not subject to statutory regulations directly. However, manufacturers of pachinko and pachislot machines are subject to control by related laws and regulations, including the Act on Control and Improvement of Amusement Businesses, etc. (the Amusement Business Act) and the Public Safety Commission's "regulations for the verification of licenses, formats, and other aspects of pachinko and pachislot machines." Also, pachinko hall operators, which use pachinko and pachislot machines, receive licenses and file notifications based on the Amusement Business Act and are subject to control by related laws and regulations and prefectural ordinances. Furthermore, industry bodies implement self-imposed regulations for pachinko and pachislot machine manufacturers, pachinko hall operators, and pachinko and pachislot machine distributors focused on such aims as controlling excessive gambling nature.

Amendments to the above-mentioned statutory regulations or the implementation of new self-imposed regulations could require responses to the said regulations that delay the delivery of pachinko and pachislot machines to pachinko hall operators or change demand for pachinko and pachislot machines among pachinko hall operators. Factors other than statutory regulations, such as changes in market conditions or economic conditions, could cause dramatic changes in pachinko hall operators' business conditions. Such contingencies could affect the Group's business results.

Therefore, the Group promotes initiatives aimed at the sound development of the pachinko and pachislot machines industry. In addition, the Group plans and develops pachinko and pachislot machines that do not rely on excessive gambling nature and which have strong entertainment value with a view to attracting new customers and keeping existing customers.

Pigmon from the "AMU PLAZA HAKATA Summer Ultra Bargain" commercial

(2) Reliance on Specific Suppliers for Pachinko and Pachislot Machine Sales

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 Group receives commissions from the brokerage of machine sales. As percentages of the Group's net sales, product sales and sales commissions, respectively, were 80.0% and 3.8% in the fiscal year ended March 31, 2013, and 77.6% and 6.9% in the fiscal year ended March 31, 2014.

Regarding product sales, the Group's main suppliers of products were an affiliate, RODEO Co., Ltd., and an allied manufacturer, Bisty Co., Ltd. Of the total products the Group purchased on a consolidated basis, RODEO and Bisty, respectively, accounted for 37.7% and 21.6% in the fiscal year ended March 31, 2013, and 0.4% and 22.3% in the fiscal year ended March 31, 2014.

In relation to pachinko and pachislot machines sales, delays in product development could delay product launches, products could fail to become popular in markets, or exclusive distributorship agreements could be cancelled. Such contingencies could affect the Group's business results.

Therefore, the Company is reducing its reliance on specific manufacturers to diversify risk. As additions to its alliances with RODEO and Bisty, the Company has established alliances with KYORAKU SANGYO, Enterrise Co., Ltd., and Universal Entertainment Corporation and is already selling the products of these allied manufacturers. Also, the Company announced alliances with D-light Co., Ltd., and NANASHOW Corporation in May 2014. In conjunction with these efforts, the Group is exploiting its IP and expertise in planning and development to strengthen the appeal of products while bolstering the sales systems that market them.

6. Securing and Development of Personnel

The Group could be unable to secure or develop required personnel as planned due to the limited availability of talented personnel and other factors. Furthermore, the Group could be unable to prevent the loss of talented personnel. Also, the Group's business collaborations and alliances could stop functioning properly due to the rapid hiring of personnel. As a result of such factors, the Group could be unable to conduct business activities as planned, which could affect its business results.

Therefore, the Group views personnel as the most significant asset supporting growth and views hiring and developing talented personnel as an important management task. The senior management team discusses and advances overall hiring with a view to securing and developing talented personnel.

7. Compliance

The Group takes a range of measures reflecting its view of compliance as an important management task. However, the Group could be unable to avoid the actualization of compliance risk completely. Infringement of laws could diminish the Group's social credibility or brand image or lead to damages claims. Such contingencies could affect the Group's business results.

Therefore, the Group has established compliance guidelines and built systems for compliance advancement. Furthermore, the Group further heightens corporate ethics and compliance by conducting training for executives and other employees.

8. Information Security

The Group keeps important operational information as well as the confidential and personal information of customers and suppliers. If information was leaked externally due to unforeseen circumstances or third parties acquired such information and used it improperly, the Group could not only receive damages claims or incur expenses in dealing with the matter but also suffer diminished credibility. Such contingencies could affect the Group's business results.

Therefore, the Group implements management information rigorously by strengthening its information security countermeasures and conducting training for executives and other employees.

9. Accounting System

The introduction of, or changes in, accounting standards or tax systems that the Group has not foreseen could affect its business results or financial position.

The Group owns a significant amount of fixed assets, such as property and equipment and goodwill. If the market value of the assets the Group owns decreased markedly or the profitability of businesses deteriorated, the Group could incur impairment losses due to the application of impairment accounting to fixed assets, which could affect the Group's business results or financial position.

Furthermore, the Group owns investment securities for the purpose of building operational relationships as well as purely for the purpose of investment. Because investment securities are evaluated based on trends in securities markets and the financial positions and business results of the companies that issue securities, if the Group implemented impairment treatment due to falls in market values or decreases in real values, the Group could recognize impairment of securities or valuation losses, which could affect its business results or financial position.

Therefore, in light of advice from such outside experts as certified public accountants and tax accountants, the Group invests based on appropriate processes and implements accounting treatments and disclosures appropriately.

Zetton from the "Ultra Monster Personification Project"

Gomora from the "Ultra Monster Personification Project"

Directors, Auditors, and Corporate Officers (As of June 18, 2014)

Chairman & CEO	Hidetoshi Yamamoto
President & COO	Takashi Oya
Executive Vice President	Kiyoharu Akiyama
Senior Managing Director	Tetsuya Shigematsu
Managing Director	Masakazu Kurihara
Managing Director	Akira Fujii
Managing Director	Kenichi Ozawa
Director; Division Manager, Planning and Administration Division	Hiroyuki Yamanaka
Director; Division Manager, Corporate Division	Hideo Ito
Director; Division Manager, Pachinko/Pachislot Business Management Division	Teruo Fujishima
Director; Division Manager, Media Relations Business Division	Nobuyuki Kikuchi
Outside Director	Shigesato Itoi

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

Corporate Officer; General Manager, Legal Office	Toru Suenaga
Corporate Officer; General Manager, Corporate Communications Office	Hideaki Hatanaka
Corporate Officer; Division Manager, Sales Division Pachinko/Pachislot Business Management Division	Hideo Wakazono
Corporate Officer; Division Manager, Contents Production Division	Yosuke Ozawa
Corporate Officer; General Manager, Research and Development Office	Tadamasa Oshio
Corporate Officer; Division Manager, Imaging Production Division	Eiichi Kamagata
Corporate Officer; Division Manager, Intellectual Property Marketing Division	Noritada Shimizu
Corporate Officer; Division Manager, Consumer Service Business Division	Takao Yamamura

Consolidated Balance Sheets

FIELDS CORPORATION and its Consolidated Subsidiaries
At March 31, 2013 and 2014

ASSETS	Millions of Yen 2013	Millions of Yen 2014	Thousands of U.S. Dollars 2014
Current assets:			
Cash and cash equivalents	¥ 23,309	¥ 29,583	$ 287,436
Notes and accounts receivable–trade	42,017	29,155	283,278
Inventories	2,343	3,133	30,441
Merchandising rights advances	2,026	1,954	18,985
Deferred tax assets	749	732	7,112
Other current assets	2,305	2,395	23,270
Allowance for doubtful accounts	(41)	(34)	(330)
Total current assets	72,709	66,921	650,223
Property and equipment:			
Land	6,775	7,875	76,515
Buildings and structures	6,336	6,291	61,125
Tools and furniture	3,862	4,143	40,254
Machinery and vehicles	70	47	456
Construction in progress	43	41	398
Total	17,086	18,397	178,750
Less: Accumulated depreciation	(5,936)	(6,293)	(61,144)
Property and equipment, net	11,151	12,104	117,605
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates	3,860	8,330	80,936
Investment securities	7,539	7,277	70,705
Goodwill	2,177	1,905	18,509
Deferred tax assets	847	654	6,354
Other assets	8,855	8,749	85,007
Allowance for doubtful accounts	(514)	(1,074)	(10,435)
Total investments and other assets	22,766	25,842	251,088
Total assets	¥106,628	¥104,869	$1,018,937

See accompanying notes to the consolidated financial statements.
U.S. dollar amounts above and elsewhere in this report are converted from yen, for convenience only, which was using the prevailing exchange rate at March 31, 2014, ¥102.92 to U.S. $1.00.

LIABILITIES AND NET ASSETS	Millions of Yen 2013	Millions of Yen 2014	Thousands of U.S. Dollars 2014
Current liabilities:			
Notes and accounts payable–trade	¥ 36,604	¥ 33,105	$ 321,657
Short-term bank loans	521	634	6,160
Current portion of long-term debt	422	58	563
Income taxes payable	3,931	1,959	19,034
Accrued bonuses	301	350	3,400
Accrued bonuses to directors and corporate auditors	230	230	2,234
Other current liabilities	5,354	5,390	52,370
Total current liabilities	47,365	41,730	405,460
Long-term liabilities:			
Long-term debt, less current portion	109	50	485
Retirement benefits	531	—	—
Net defined benefit liability	—	675	6,558
Other long-term liabilities	3,522	3,659	35,551
Total long-term liabilities	4,164	4,386	42,615
Net assets:			
Common stock			
Authorized; 138,800,000 shares at March 31, 2013 and 2014			
Issued; 34,700,000 shares at March 31, 2013 and 2014	7,948	7,948	77,225
Capital surplus			
Additional paid-in capital	7,994	7,994	77,671
Retained earnings	40,835	44,548	432,841
Treasury stock; 1,516,200 shares at March 31, 2013 and 2014	(1,821)	(1,821)	(17,693)
Accumulated other comprehensive loss			
Unrealized loss on available-for-sale securities	(397)	(262)	(2,545)
Foreign currency translation adjustments	(1)	(1)	(9)
Remeasurements of defined benefit plans	—	(126)	(1,224)
Total accumulated other comprehensive loss	(398)	(390)	(3,789)
Minority interests	539	473	4,595
Total net assets	55,098	58,753	570,860
Total liabilities and net assets	¥106,628	¥104,869	$1,018,937

See accompanying notes to the consolidated financial statements.
U.S. dollar amounts above and elsewhere in this report are converted from yen, for convenience only, which was using the prevailing exchange rate at March 31, 2014, ¥102.92 to U.S. $1.00.

Consolidated Statements of Income

FIELDS CORPORATION and its Consolidated Subsidiaries
For the years ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Net sales	¥108,141	**¥114,904**	**$1,116,439**
Cost of sales	74,862	**81,092**	**787,912**
Gross profit	33,279	**33,812**	**328,527**
Selling, general and administrative expenses	22,964	**24,020**	**233,385**
Operating income	10,314	**9,791**	**95,132**
Other income (expenses):			
Interest and dividend income	198	**223**	**2,166**
Interest expenses	(18)	**(10)**	**(97)**
Equity in earnings (loss) of affiliates	(103)	**384**	**3,731**
Amortization of investments in partnerships	(531)	**(295)**	**(2,866)**
Impairment loss	(180)	**(20)**	**(194)**
Loss on discontinuation of production	(853)	**—**	**—**
Provision for doubtful accounts	—	**(940)**	**(9,133)**
Other, net	176	**456**	**4,430**
Other income (expenses), net	(1,311)	**(204)**	**(1,982)**
Income before income taxes and minority interests	9,002	**9,588**	**93,159**
Income taxes:			
Current	4,538	**3,940**	**38,282**
Deferred	(313)	**203**	**1,972**
Total income taxes	4,224	**4,143**	**40,254**
Income before minority interests	4,778	**5,444**	**52,895**
Minority interests	57	**74**	**719**
Net income	¥ 4,720	**¥ 5,370**	**$ 52,176**

	Yen		U.S. Dollars
Earnings per share:			
Basic earnings per share	¥142.27	**¥161.83**	**$1.57**

See accompanying notes to the consolidated financial statements.
U.S. dollar amounts above and elsewhere in this report are converted from yen, for convenience only, which was using the prevailing exchange rate at March 31, 2014, ¥102.92 to U.S. $1.00.

Consolidated Statements of Comprehensive Income

FIELDS CORPORATION and its Consolidated Subsidiaries
For the years ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Income before minority interests	¥4,778	¥5,444	$52,895
Other comprehensive income:			
Net unrealized gain on available-for-sale securities	427	138	1,340
Foreign currency translation adjustments	(0)	0	0
Total other comprehensive income	426	138	1,340
Comprehensive income	¥5,204	¥5,583	$54,246
Attributable to:			
Shareholders of FIELDS CORPORATION	¥5,147	¥5,505	$53,488
Minority interests	57	77	748

See accompanying notes to the consolidated financial statements.
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Consolidated Statements of Changes in Net Assets

FIELDS CORPORATION and its Consolidated Subsidiaries
For the years ended March 31, 2013 and 2014

	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	Remeasure-ments of Defined Benefit Plans	Minority Interests	Total Net Assets
Balance at April 1, 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
Net income	—	—	—	5,370	—	—	—	—	—	5,370
Cash dividends paid	—	—	—	(1,659)	—	—	—	—	—	(1,659)
Change in the scope of consolidation	—	—	—	1	—	—	—	—	—	1
Net change of item other than shareholders' equity	—	—	—	—	—	135	0	(126)	(65)	(57)
Balance at March 31, 2014	34,700,000	¥7,948	¥7,994	¥44,548	¥(1,821)	¥(262)	¥(1)	¥(126)	¥473	¥58,753

	Thousands of U.S. Dollars								
						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	Remeasure-ments of Defined Benefit Plans	Minority Interests	Total Net Assets
Balance at April 1, 2013	$77,225	$77,671	$396,764	$(17,693)	$(3,857)	$(9)	$ —	$5,237	$535,347
Net income	—	—	52,176	—	—	—	—	—	52,176
Cash dividends paid	—	—	(16,119)	—	—	—	—	—	(16,119)
Change in the scope of consolidation	—	—	9	—	—	—	—	—	9
Net change of item other than shareholders' equity	—	—	—	—	1,311	0	(1,224)	(631)	(553)
Balance at March 31, 2014	$77,225	$77,671	$432,841	$(17,693)	$(2,545)	$(9)	$(1,224)	$4,595	$570,860

See accompanying notes to the consolidated financial statements.
U.S. dollar amounts above and elsewhere in this report are converted from yen, for convenience only, which was using the prevailing exchange rate at March 31, 2014, ¥102.92 to U.S. $1.00.

Consolidated Statements of Cash Flows

FIELDS CORPORATION and its Consolidated Subsidiaries
For the years ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Operating activities:			
Income before income taxes and minority interests	¥ 9,002	¥ 9,588	$ 93,159
Adjustments:			
Depreciation and amortization	2,207	2,164	21,026
Impairment loss	180	20	194
Amortization of goodwill	319	323	3,138
Equity in earnings (loss) of affiliates	103	(384)	(3,731)
Notes and accounts receivable–trade	(9,013)	13,078	127,069
Accounts payable–trade	8,488	(3,132)	(30,431)
Other	1,289	356	3,458
Subtotal	12,577	22,015	213,904
Interest and dividends received	212	247	2,399
Interest paid	(19)	(10)	(97)
Income taxes refunded (paid)	799	(5,929)	(57,607)
Net cash provided by operating activities	13,570	16,322	158,589
Investing activities:			
Purchases of property and equipment	(1,571)	(2,035)	(19,772)
Purchases of intangible assets	(1,741)	(1,414)	(13,738)
Payments for investments in affiliates	(412)	(4,209)	(40,895)
Increase in loans receivable	(1,891)	(930)	(9,036)
Other	(646)	571	5,547
Net cash used in investing activities	(6,263)	(8,018)	(77,905)
Financing activities:			
Increase in short-term bank loans, net	70	113	1,097
Repayments of long-term debt	(780)	(422)	(4,100)
Cash dividends paid	(1,658)	(1,657)	(16,099)
Other	90	(52)	(505)
Net cash used in financing activities	(2,277)	(2,018)	(19,607)
Foreign currency translation adjustments on cash and cash equivalents	(3)	0	0
Net increase in cash and cash equivalents	5,025	6,284	61,057
Cash and cash equivalents at beginning of the year	18,284	23,309	226,476
Decrease in cash and cash equivalents due to change in the scope of consolidation	—	(10)	(97)
Cash and cash equivalents at end of the year	¥23,309	¥29,583	$287,436

See accompanying notes to the consolidated financial statements.
U.S. dollar amounts above and elsewhere in this report are converted from yen, for convenience only, which was using the prevailing exchange rate at March 31, 2014, ¥102.92 to U.S. $1.00.

Notes to the Consolidated Financial Statements

FIELDS CORPORATION and its Consolidated Subsidiaries

1. Basis of Presentation of Consolidated 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 2013 consolidated financial statements to conform to the classifications used in 2014.

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, 2014, which was ¥102.92 to U.S. $1.00. These 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 eliminating investments in subsidiaries, the assets and liabilities, including the portion attributing to minority interests, are evaluated at 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 10 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, 2013 and 2014 is as follows:

	Number of Companies	
	2013	2014
Consolidated subsidiaries	16	15
Unconsolidated subsidiaries not accounted for under the equity method	4	5
Affiliates accounted for under the equity method	7	9
Affiliates not accounted for under the equity method	1	2

The consolidated subsidiaries and holding ratio of the Company at March 31, 2013 and 2014 are as follows:

	Holding Ratio	
	2013	2014
Fields Jr. Corporation	100.0%	100.0%
Shinnichi Technology Co., Ltd.	100.0	100.0
MICROCABIN CORP.	85.0	100.0
Lucent Pictures Entertainment, Inc.	90.0	100.0
Total Workout premium management Inc.	95.0	95.0
FutureScope Corporation	85.1	87.7
Digital Frontier Inc.	86.9	86.9
Digital Frontier(Taiwan) Inc.	73.9	86.9
IP Bros. Inc.	85.0	85.0
Fly Studio SDN, BHD	71.3	80.0
GEMBA Inc.	73.9	73.9
NEX ENTERTAINMENT CO., LTD.	64.6	64.6
BOOOM Corporation (Formerly known as F Corporation)	51.0	51.0
Tsuburaya Productions Co., Ltd.	51.0	51.0
XAAX Inc.	—	51.0
K-1 INTERNATIONAL Corporation	85.7	See below
EXPRESS Inc.	80.0	See below

Note:

Year ended March 31, 2013

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

Year ended March 31, 2014

K-1 INTERNATIONAL Corporation, a former consolidated subsidiary, was excluded from the scope of consolidation due to its decreased significance.

EXPRESS Inc., a former consolidated subsidiary, was absorbed into the Company through a merger. Details of the business combination are discussed in Note 17.

XAAX Inc. was newly established and has been included in 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 year ended March 31, 2011. Under the revised accounting standards, business combinations must be accounted for 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 years
Machinery and vehicles	2–12 years

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 an 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, as well as defined contribution retirement plans.

Effective March 31, 2014, the Company adopted ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" (issued on May 17, 2012), and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits" (issued on May 17, 2012), except for certain provisions described in Section 35 of the new standard as well as those in Section 67 of the new guidance. Under the new standard, net defined benefit liability (asset) is determined by deducting pension assets from retirement benefit obligations. Amounts of unrecognized actuarial differences at March 31, 2014 were included in the net defined benefit liability.

In applying the new accounting standard, the effects of this accounting change were included in remeasurements of defined benefit plans in accumulated other comprehensive income (loss). This treatment was made in accordance with the transitional measures stipulated in Section 37 of the new accounting standard.

The effects of this accounting change were to record ¥197 million ($1,914 thousand) of net defined benefit liability and to decrease accumulated other comprehensive income (loss) by ¥126 million ($1,224 thousand) at March 31, 2014.

Total estimated retirement benefit obligation to each accounting period is allocated by using the straight-line method over service periods. 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 net defined benefit liability. Under the simplified method, defined benefit obligation is assumed to be equal to the amount that would be required to be paid if all eligible employees voluntarily retired at the year-end.

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 charged to income in the year they incurred.

The Company translates the revenue and expense accounts of its overseas consolidated subsidiaries at the average rates of exchange of the year. The balance sheet accounts, except for net assets accounts, are translated into yen at the exchange rates of the balance sheet date. Net assets 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 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 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. The Company did not have any material asset retirement obligations at March 31, 2013 and 2014.

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 manufacturers 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 or 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, 2013 and 2014 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, 2013 and 2014 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Merchandise	¥ 250	¥ 742	$ 7,209
Work in process	2,041	2,351	22,842
Raw materials and supplies	52	40	388
Total	¥2,343	¥3,133	$30,441

Loss on revaluation of inventories, which is included in cost of sales, for the years ended March 31, 2013 and 2014 was ¥11 million and ¥306 million ($2,973 thousand), respectively.

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. Each 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 by the Planning and Administration Division in accordance with internal rules for controlling investment securities.

Financial instruments with embedded derivative instruments are also subject to market value volatility risks. The Planning and Administration Division 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 corporation 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 Planning and Administration Division 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, 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

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
Balance included in the consolidated balance sheet	
Investment securities	¥ 949
Investments in unconsolidated subsidiaries	25
Investments in affiliates	3,835
Total	¥4,809

Detailed information about investment securities is discussed in Note 5.

Financial instruments whose fair values are readily determinable at March 31, 2014 are as follows:

	Millions of Yen		
	Carrying Amount	Fair Value	Difference
Assets:			
(1) Cash and cash equivalents	¥29,583	¥29,583	¥ —
(2) Notes and accounts receivable	29,155		
Less: Allowance for doubtful accounts	(28)		
Net amount	29,127	29,127	—
(3) Investment securities			
(a) Held-to-maturity securities	400	354	(45)
(b) Available-for-sale securities	6,383	6,383	—
(4) Long-term loans receivable	1,787		
Less: Allowance for doubtful accounts	(980)		
Net amount	806	810	3
Total	¥66,300	¥66,258	¥(42)
Liabilities:			
(5) Notes and accounts payable	33,105	33,105	—
(6) Short-term bank loans	634	634	—
(7) Current portion of long-term debt	58	59	1
(8) Income taxes payable	1,959	1,959	—
(9) Long-term debt	50	50	(0)
Total	¥35,808	¥35,809	¥ 0

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Difference
Assets:			
(1) Cash and cash equivalents	$287,436	$287,436	$ —
(2) Notes and accounts receivable	283,278		
Less: Allowance for doubtful accounts	(272)		
Net amount	283,006	283,006	—
(3) Investment securities			
(a) Held-to-maturity securities	3,886	3,439	(437)
(b) Available-for-sale securities	62,019	62,019	—
(4) Long-term loans receivable	17,363		
Less: Allowance for doubtful accounts	(9,521)		
Net amount	7,831	7,870	29
Total	$644,189	$643,781	$(408)
Liabilities:			
(5) Notes and accounts payable	321,657	321,657	—
(6) Short-term bank loans	6,160	6,160	—
(7) Current portion of long-term debt	563	573	9
(8) Income taxes payable	19,034	19,034	—
(9) Long-term debt	485	485	(0)
Total	$347,920	$347,930	$ 0

Notes:

(1), (2), (5), (6), and (8) —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.

(3) —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.

(4) —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 (9) —Long-term debt comprises bank loans.

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, 2014 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance included in the consolidated balance sheet		
Investment securities	¥ 494	$ 4,799
Investments in unconsolidated subsidiaries	32	310
Investments in affiliates	8,297	80,616
Total	¥8,824	$85,736

Detailed information about investment securities is discussed in Note 5.

Maturity analysis for financial assets at March 31, 2014 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	¥29,583	¥ —	¥ —	¥ —
(2) Notes and accounts receivable	29,155	—	—	—
(3) Investment securities				
(a) Held-to-maturity securities	—	—	—	400
(b) Available-for-sale securities				
Debt securities	—	—	—	71
Other securities	—	—	—	100
(4) Long-term loans receivable	—	537	680	—
Total	¥58,739	¥537	¥680	¥571

	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	$287,436	$ —	$ —	$ —
(2) Notes and accounts receivable	283,278	—	—	—
(3) Investment securities				
(a) Held-to-maturity securities	—	—	—	3,886
(b) Available-for-sale securities				
Debt securities	—	—	—	689
Other securities	—	—	—	971
(4) Long-term loans receivable	—	5,217	6,607	—
Total	$570,724	$5,217	$6,607	$5,547

Notes:

(1) Long-term loans receivable in the table above are stated after deducting the allowance for doubtful accounts of ¥980 million ($9,521 thousand).

(2) Long-term loans receivable in the consolidated balance sheets are stated after deducting ¥411 million ($3,993 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, 2013 and 2014:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Held-to-maturity securities			
Balance included in the consolidated balance sheets	¥ 400	¥ 400	$ 3,886
Fair value	324	354	3,439
Net unrealized loss	(75)	(45)	(437)
Available-for-sale securities			
—Equity securities			
Acquisition cost	6,637	6,625	64,370
Fair value	6,027	6,211	60,347
Net unrealized loss	(610)	(414)	(4,022)
—Debt securities			
Acquisition cost	47	62	602
Fair value	62	71	689
Net unrealized gain	14	8	77
—Other			
Acquisition cost	100	100	971
Fair value	100	100	971
Net unrealized gain	—	—	—

(b) The following table summarizes the carrying value of available-for-sale securities whose fair value is not readily determinable at March 31, 2013 and 2014:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Stocks	¥338	¥338	$3,284
Investments in various partnerships and others	611	156	1,515

(c) The following table summarizes the information of available-for-sale securities sold during the years ended March 31, 2013 and 2014:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
—Other			
Proceeds	¥54	¥40	$388
Realized gains	0	28	272

6. Fair Value of Derivative Transactions

Fair values of the Group's derivative financial instruments at March 31, 2013 and 2014 are as follows:

	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

	Millions of Yen 2014			
	Contract Amount			
	Within One Year	Over One Year	Fair Value	Valuation Gain
Financial instruments with embedded derivative instruments (Non-listed)	¥—	¥62	¥71	¥8

	Thousands of U.S. Dollars 2014			
	Contract Amount			
	Within One Year	Over One Year	Fair Value	Valuation Gain
Financial instruments with embedded derivative instruments (Non-listed)	$—	$602	$689	$77

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 losses 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, 2013 and 2014 and as a result, recognized impairment loss of ¥180 million and ¥20 million ($194 thousand), respectively.

For the year ended March 31, 2013, ¥132 million 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 of software was written down to zero because the Company did not expect that the carrying amount of the software was recoverable.

For the year ended March 31, 2014, ¥20 million ($194 thousand) of buildings and structures for a restaurant facility was written down to zero because the Company decided to discontinue the facility.

8.Leases

The Group leases certain tools and furniture under operating lease contracts. The minimum rental commitments under non-cancelable operating leases at March 31, 2013 and 2014 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Due within one year	¥ 874	¥783	$7,607
Due after one year	892	125	1,214
Total	¥1,767	¥908	$8,822

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

The average interest rates applicable to the short-term bank loans were 1.65% and 1.17% at March 31, 2013 and 2014, respectively.

The following table summarizes the Group's long-term debt at March 31, 2013 and 2014:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Long-term debt:			
Long-term bank loans due October 20, 2016			
Current portion with weighted average interest rate of 1.76% in 2013 and 1.61% in 2014	¥122	¥ 58	$ 563
Non-current portion with weighted average interest rate of 1.46% in 2013 and 1.46% in 2014	109	50	485
Unsecured bonds with variable interest rate issued on June 27, 2008 and due June 27, 2013			
Current portion	300	—	—
Non-current portion	—	—	—
Total	¥531	¥108	$1,049

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, 2014.

The aggregate amounts of annual maturity of long-term debt at March 31, 2014 are as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 58	$ 563
2016	42	408
2017	8	77
Total	¥108	$1,049

10. Credit Lines

The Group entered into line of credit and overdraft agreements with banks for the purpose of efficient management of operation funds. The following is the summary of the line of credit at March 31, 2013 and 2014:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Total amount of the line of credit	¥17,400	¥17,000	$165,176
Outstanding balance	(400)	—	—
Remaining amount of the line of credit	¥17,000	¥17,000	$165,176

11. Retirement Benefits

Year ended March 31, 2013

Accrued retirement benefits for employees at March 31, 2013 are as follows:

	Millions of Yen
Projected benefit obligation	¥579
Unrecognized actuarial differences	(47)
Accrued retirement benefits	¥531

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

	Millions of Yen
Service cost	¥ 67
Interest cost	9
Amortization of actuarial differences	22
Other	7
Net periodic benefit costs	¥108

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.

Assumptions used for the above plans for the year ended March 31, 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

Year ended March 31, 2014

Changes in defined benefit obligation for the year ended March 31, 2014, except for plans to which the simplified method is applied, are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Beginning balance	¥519	$5,042
Current service cost	52	505
Interest cost	10	97
Actuarial gains and losses	170	1,651
Benefits paid	(58)	(563)
Prior service cost	—	—
Prior-year net periodic benefit costs	(84)	(816)
Ending balance	¥610	$5,926

Changes in net defined benefit liability of the plans under the simplified method for the year ended March 31, 2014 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Beginning balance	¥59	$573
Net periodic benefit costs	8	77
Benefits paid	(3)	(29)
Contributions to the plans	—	—
Ending balance	¥64	$621

Reconciliation between the net defined benefit liability in the consolidated balance sheets and the balances of defined benefit obligation and plan assets as of March 31, 2014 is as follows:

	Millions of Yen	Thousands of U.S. Dollars
Unfunded defined benefit obligation	¥675	$6,558
Net defined benefit liability on the consolidated balance sheets	675	6,558
Net defined benefit liability	675	6,558
Plan assets	—	—
Net defined benefit liability on the consolidated balance sheets	¥675	$6,558

Note: The table above includes the plans to which the simplified method is applied.

Components of net periodic benefit costs for the year ended March 31, 2014 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥ 52	$ 505
Interest cost	10	97
Expected return on plan assets	—	—
Recognized actuarial gains and losses	20	194
Amortization of prior service cost	—	—
Net periodic benefit costs under the simplified method	8	77
Prior-year net periodic benefit costs	(84)	(816)
Net periodic benefit costs for the year	¥ 8	$ 77

Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014 is as follows:

	Millions of Yen	Thousands of U.S. Dollars
Unrecognized prior service cost	¥ —	$ —
Unrecognized actuarial gains and losses	197	1,914
Total	¥197	$1,914

Assumptions used for the above plans for the year ended March 31, 2014 are as follows:

Discount rate 1.0%

Amount of required contributions to defined contribution pension plans including the welfare pension plans as discussed in Note 2 was ¥9 million ($87 thousand).

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, 2014 was ¥676 million ($6,568 thousand).

13. Income Taxes

The significant components of deferred tax assets and liabilities at March 31, 2013 and 2014 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Deferred tax assets:			
Retirement benefits for employees	¥ 189	¥ 254	$ 2,467
Allowance for doubtful accounts	108	389	3,779
Asset retirement obligations	126	135	1,311
Accrued bonuses	114	124	1,204
Loss on investments in securities	33	23	223
Loss on devaluation of merchandising rights advances	166	169	1,642
Unrealized loss on investment securities	222	149	1,447
Enterprise taxes	300	138	1,340
Amortization	295	313	3,041
Tax loss carryforwards	1,948	1,212	11,776
Other	438	573	5,567
Gross deferred tax assets	3,944	3,486	33,870
Valuation allowances	(2,347)	(2,095)	(20,355)
Total deferred tax assets	1,597	1,390	13,505
Deferred tax liabilities:	7	4	38
Net deferred tax assets	¥ 1,589	¥ 1,386	$ 13,466

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Deferred tax assets–current	¥ 749	¥ 732	$ 7,112
Deferred tax assets–non-current	847	654	6,354
Deferred tax liabilities–non-current (included in other long-term liabilities)	(7)	—	—
Net deferred tax assets	¥1,589	¥1,386	$13,466

Income taxes in Japan consist of corporation tax, inhabitants' taxes, and enterprise taxes. Reconciliation of the differences between the statutory tax rate and the effective income tax rate for the years ended March 31, 2013 and 2014 is as follows:

	2013	2014
Statutory tax rate	38.0%	38.0%
Adjustments:		
Per capita levy of inhabitants' taxes	0.5	0.5
Expenses not deductible for tax purposes	1.3	1.4
Income not taxable for tax purposes	(0.5)	(0.7)
Equity in loss (earnings) of affiliates	0.4	(1.5)
Accrued bonuses to directors and corporate auditors	1.0	0.9
Change in valuation allowance	7.2	(2.6)
Amortization of goodwill	1.4	1.3
Expiration of tax loss carryforwards	—	3.3
Sales of affiliates' stocks	(2.0)	—
Change in the effective income tax rate	—	1.7
Other	(0.4)	0.9
Effective income tax rate	46.9%	43.2%

On March 31, 2014, new tax reform laws were promulgated in Japan, which changed the statutory tax rate from 38.0% to 35.6% effective for the fiscal years beginning on or after April 1, 2014. In accordance with this change, deferred tax assets and liabilities are determined by using the new tax rate. The effect of this change was to decrease net deferred tax assets by ¥163 million ($1,583 thousand) and to increase income taxes–deferred by ¥163 million ($1,583 thousand).

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 1:100 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. One *tangen* (a 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, 2013 and 2014 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
(Unconsolidated subsidiary)			
Nishiazabu 2-chome Kaihatsu Project, LLC			
Transactions:			
Loans receivable (Note 1)	¥ —	¥ 3,000	$ 29,148
Investments in Tokumei Kumiai (Note 1)	—	3,000	29,148
(Affiliate)			
Rodeo Co., Ltd.			
Account balances:			
Accounts payable–trade	15,377	0	0
Transactions:			
Purchase of merchandise	28,242	397	3,857
Purchase discount	139	84	816
Bisty Co., Ltd.			
Account balances:			
Accounts receivable–trade	366	72	699
Accounts payable	12,032	7,496	72,833
Advance received	469	391	3,799
Transactions:			
Commissions received	1,791	5,683	55,217
Sales of merchandising rights	734	839	8,151
Purchase of merchandise	16,148	18,066	175,534

Notes: (1) Loans to *Nishiazabu 2-chome Kaihatsu Project, LLC* ("N2KP") were converted into investments in Tokumei Kumiai managed by N2KP. Since the investments in capital of N2KP were subsequently sold during the fiscal year, N2KP was not a subsidiary of the Company at March 31, 2014. No balance remained at March 31, 2014.

(2) 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 for the years ended March 31, 2013 and 2014 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Net unrealized gain on available-for-sale securities			
Gains arising during the year	¥ 660	¥ 461	$ 4,479
Reclassification adjustments	—	(250)	(2,429)
Amount before income tax effect	660	210	2,040
Income tax effect	(232)	(72)	(699)
Other comprehensive income–Net unrealized gain on available-for-sale securities	¥ 427	¥ 138	$ 1,340
Foreign currency translation adjustments			
Gains arising 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	¥ 426	¥ 138	$ 1,340

17. Business Combination

On October 1, 2013, the Company absorbed EXPRESS Inc. through a merger for further operating efficiency of its fitness club business as part of its consumer product business. EXPRESS had been a consolidated subsidiary that operated fitness centers in Fukuoka. Under Japanese GAAP, this transaction is treated as a transaction between entities under common control. This transaction did not have any effect on the profit or loss of the Group.

18. Subsequent Event

Year-end dividends

At the General Meeting of Shareholders held on June 18, 2014, the shareholders approved the payment of year-end cash dividends totaling ¥829 million ($8,054 thousand), or ¥25.00 ($0.24) per share.

19. Segment Information

Segment information for the years ended March 31, 2013 and 2014 is not presented because of the single segmentation.

Independent Auditor's 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, 2013 and 2014, 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, 2013 and 2014, 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, 2014 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 18, 2014

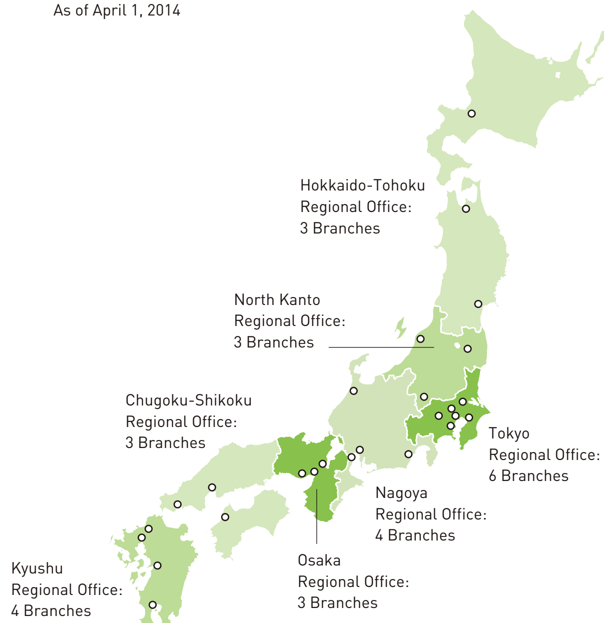
Corporate Profile

As of March 31, 2014

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	1,588 (consolidated)
Consolidated subsidiaries	Lucent Pictures Entertainment, Inc. FutureScope Corp. Digital Frontier Inc. BOOOM Corporation Tsuburaya Productions Co., Ltd. 10 other companies
Equity-method affiliates	Mizuho Corp. HERO'S INC. Kadokawa Haruki Corporation 6 other companies

Number of Regional and Branch Offices

As of April 1, 2014



Organization

As of April 1, 2014

- General Meeting of Shareholders
  - Board of Directors
    - Chairman & CEO
      - President & COO
        - Internal Audit Office
        - Executive Assistant Office
        - Legal Office
        - Corporate Communications Office
        - Research and Development Office
        - Media Relations Business Division
        - Intellectual Property Marketing Division
        - Contents Production Division
        - Imaging Production Division
        - Consumer Service Business Division
        - Pachinko/Pachislot Business Management Division
        - Planning and Administration Division
        - Corporate Division
  - Board of Statutory Auditors

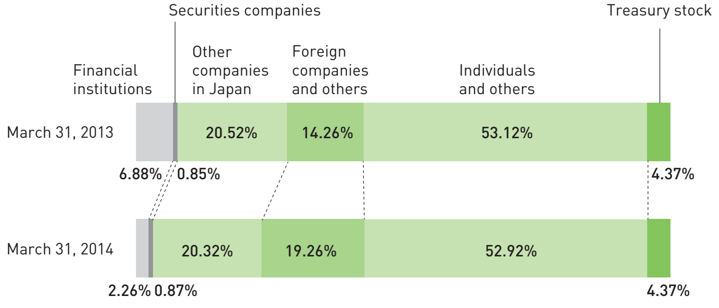
Stock Information

As of March 31, 2014

Stock Status

Total authorized shares	138,800,000
Total outstanding shares	34,700,000
Treasury stock	1,516,200
Number of shareholders	9,341

Number of Shareholders by Category

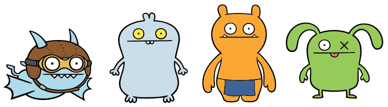


Principal Shareholders

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) RE NVI01	996,100	2.87
JPMorgan Chase Bank N.A. 385632	553,300	1.59
Takashi Oya	450,000	1.30
NORTHERN TRUST CO. (AVFC) RE 15PCT TREATY ACCOUNT	393,500	1.13
NORTHERN TRUST CO. (AVFC) ACCOUNT NON-TREATY	350,900	1.01
THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED 131800	321,600	0.93

Note: Treasury stock the Company holds has been excluded from the list of principal shareholders.

IR Information



IR Events Held—Fiscal Year Ended March 31, 2014

		IR Events	Number of Participants
2013	May	Financial results briefing for the fiscal year ended March 31, 2013	110
		Company briefings for individual investors (Sapporo, Otaru)	310
	June	25th Ordinary General Meeting of Shareholders	268
	July	Overseas IR activities	—
	August	Briefing on 1Q financial results for the fiscal year ended March 31, 2014	90
	September	Company briefing for individual investors (Niigata)	50
	October	Overseas IR activities	—
	November	Briefing on 2Q financial results for the fiscal year ended March 31, 2014	100
		Company briefings for individual investors (Kurashiki, Fukuoka)	205
2014	February	Briefing on 3Q financial results for the fiscal year ended March 31, 2014	90
	March	Company briefings for individual investors (Kobe, Kyoto)	240

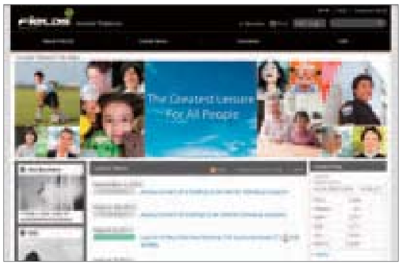
IR Schedule for the Fiscal Year Ending March 31, 2015

		IR Events	Number of Participants
2014	May	Financial results briefing for the fiscal year ended March 31, 2014, via telephone conference	—
		Business Strategy Conference	120
		Company briefing for individual investors (Tokyo)	30
	June	Company briefing for individual investors (Tokyo)	10
		Overseas IR activities	—
		26th Ordinary General Meeting of Shareholders	303
	August	Briefing on 1Q financial results for the fiscal year ending March 31, 2015	70
		Company briefing for individual investors (Sapporo)	
	September	Company briefings for individual investors (Fukushima, Yamagata)	
	November	Briefing on 2Q financial results for the fiscal year ending March 31, 2015	
2015	February	Briefing on 3Q financial results for the fiscal year ending March 31, 2015	

Notes: 1. In the fiscal year ending March 31, 2015, Fields will continue holding Company briefings for individual investors and conducting overseas IR activities as needed.
2. The schedule for Company briefings for individual investors is available on the Company's IR site.

Upgrading and Expansion of Our IR Site

The Company is upgrading and expanding its IR site to disclose a broad range of information about the Company that is useful to stakeholders. In the fiscal year ended March 31, 2014, the Company received a Best Corporate Website Award in a survey that ranked listed companies' websites in the fiscal year ended March 31, 2014, which Nikko Investor Relations Co., Ltd., conducted; a 2013 Internet IR Superior Company Award from Daiwa Investor Relations Co., Ltd.; and a first place in the emerging markets category of the Gomez IR Site Ranking 2014, which Morningstar Japan K.K. released. Regarding these awards as a great honor, the Company will continue upgrading and expanding IR activities to provide shareholders and other investors with even more useful information and to create additional opportunities for dialogue.



WITH GRADE AAA Corporate Websites 2013 Nikko Investor Relations Co.,Ltd Ranking in all listed companies in Japan

Internet IR Grand Prize 2013 Daiwa Investor Relations

www.fields.biz/ir/e/

Company Briefings for Individual Investors

The Company furthers understanding of its activities among its shareholders and individual investors by holding Company briefings in various regions across Japan. In the fiscal year ended March 31, 2014, we held briefings in 7 locations: 2 cities in Hokkaido, Niigata, Okayama, Fukuoka, Hyogo, and Kyoto. Approximately 800 people attended these briefings.

The briefings explained the Company's business models, and investors asked a wide range of questions about such topics as future rollouts of IP and shareholder returns. The Company will continue to hold briefings and create opportunities for dialogue.


Sapporo briefing


Niigata briefing


Fukuoka briefing


Kobe briefing

For additional IR information, please contact:

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Gaming and Entertainment

FIELDS CORPORATION

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