FIELDS CORPORATION

Shaping the

FUTURE

ANNUAL REPORT 2015

April 1, 2014–March 31, 2015

ULTRAMAN Motion Comic

The *ULTRAMAN* Motion Comic can be viewed from this QR code.

Message from the Chairman & CEO

The Greatest Leisure for All People

Hidetoshi Yamamoto
Chairman & CEO

We aim to continue to create the greatest leisure for all people.

In April 2015, FIELDS CORPORATION was listed on the First Section of the Tokyo Stock Exchange. We would like to offer our profound gratitude to our shareholders, investors, and other stakeholders for the guidance and support shown us, as this was invaluable in helping us achieve this accomplishment. Those of us at Fields view the move of our shares to the First Section of the Tokyo Stock Exchange as the start of a new stage toward achieving our founding vision. Going forward, we will continue to devote ourselves to this goal with even more determination and passion.

In order to realize our corporate philosophy of "The Greatest Leisure for All People," we have taken an expansive view of all types of entertainment, closely observing how people spend leisure time to achieve personal fulfillment while taking on a wide range of challenges. Through this process, we discover opportunities to bring happiness and joy into people's lives and realize our corporate philosophy through characters and stories that encourage people. Based largely on data we have collected and our successes and failures, we announced a business model in May 2012 that systematically organized our ambitions and beliefs.

Since establishing this business model, we have assessed such intellectual properties as characters and stories to be the core of our business. By leveraging these intellectual properties across various kinds of media, such as comics, animations, games, merchandising, live entertainment, and pachinko and pachislot machines, we are taking on the challenge of delivering "enjoyable times" and "dream-filled play" that entertains the hearts and minds of people around the world. As an example, created by consolidated subsidiary Tsuburaya Productions Co., Ltd., almost 50 years ago, hero character *Ultraman* still lives on in the hearts of many, spanning generations as well as geographical areas. It is through various media, such as animations, live entertainment, and pachinko and pachislot machines, that *Ultraman* is able to bring smiles to such a large number of people, ranging from children on up to adults.

In this way, characters that continue to live on in the hearts of people around the world, as well as the worlds created by these characters, become a part of people's daily lives, offering them personal fulfillment. Guided by our relentless spirit for research and our firm marketing techniques, we will continue to work together with our business partners to develop characters created on our own initiative through various types of media going forward. In doing so, we will endeavor to provide inspiration and excitement in the lives of many.

At Fields, we aim to continue to create the greatest leisure for all people. We are grateful to all of our stakeholders for the support shown to our corporate philosophy and the strength given to us through the years, and will continue our efforts to meet stakeholder expectations going forward. We would like to ask for your continued support as we pursue our goals.

August 2015
Hidetoshi Yamamoto
Chairman & CEO

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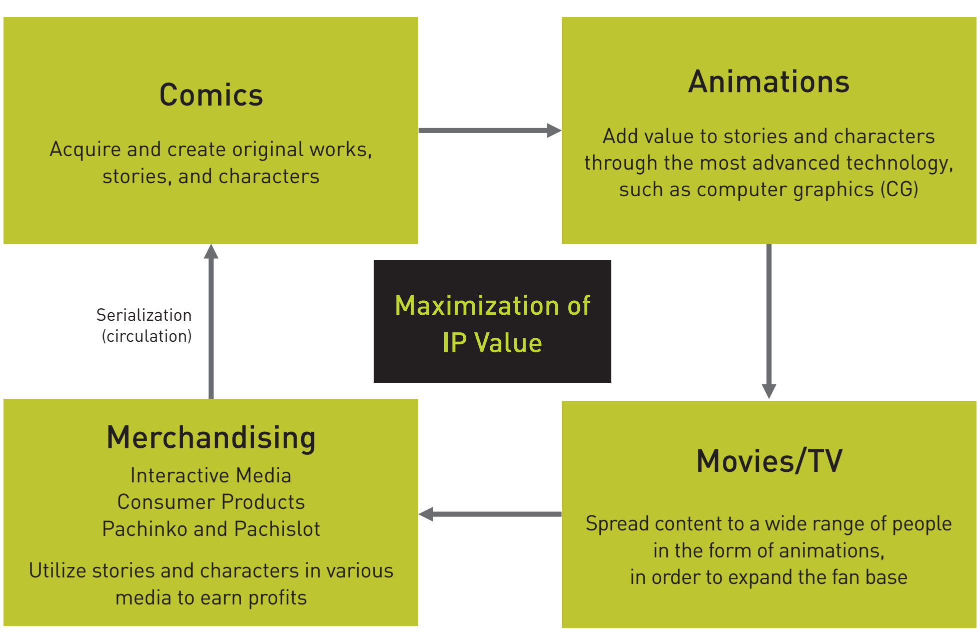
Regarding the use of the words "anime" and "animations."
In this publication, the term "anime" only refers to the works developed from the Japanese style of animation. The term "animations," on the other hand, refers both to anime and all other forms of animation, including movies/TV and interactive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

To give form to its corporate philosophy of providing "The Greatest Leisure for All People," Fields is developing its operations based on a business model centered around characters, stories, and other intellectual properties (IP). Annual Report 2015 is designed to illustrate the Company's business model, past initiatives and current progress, and its vision for the future.

"Developing Business Model" Strategy



How can IP be linked to “The Greatest Leisure”? What potential does IP have as a business?

The Future of Fields

At the 27th Annual General Meeting of Shareholders, held in June 2015, a presentation explaining FIELDS CORPORATION was delivered to shareholders by president & COO Takashi Oya and executive vice president Tetsuya Shigematsu.

The following section will provide a summary of this presentation while attempting to pose an answer to the two questions above. At the same time, we hope to explain Fields’ business model and its plans for the future so as to facilitate a degree of understanding among readers to help them better envision the Company.

IP = Intellectual Properties

The Future of Fields

Everyone knows the childhood experience of losing oneself in play. Fields strives to create "the greatest leisure" through its characters and the unique worlds they present.

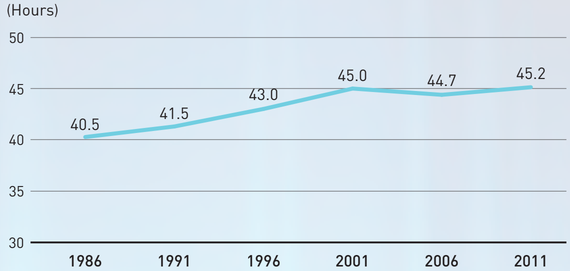
Takashi Oya
President & COO

Fields' Vision of "the Greatest Leisure"

Our free time is spent reading books, watching movies, surfing the Internet, enjoying a cup of tea at a cafe, or playing pachinko. The time devoted to these activities is leisure. Since Fields was founded, we have continued to engage in a wholehearted search for ways of making this time the greatest leisure possible.

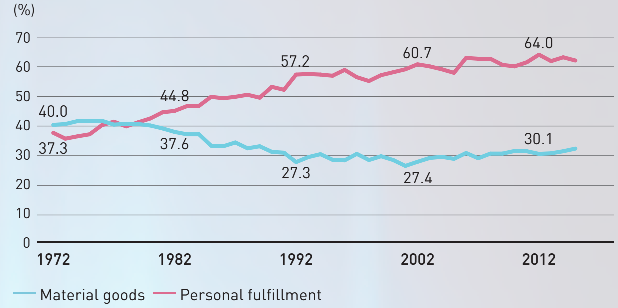
As a child, I suspect, everyone has had the experience of becoming utterly lost in their play. The memories of this time spent completely absorbed in one's pursuits, forgetting time itself, is irreplaceable. Fields believes "the greatest leisure" is just that, the childhood experience of becoming lost in one's play, time spent excited and enthralled in an enjoyable experience. As people are increasingly having access to greater amounts of leisure time, the demand for more-rewarding lifestyles is growing. Fields is committed to responding to this demand, and will continue endeavoring to provide "The Greatest Leisure for All People."

Total Weekly Leisure Time



Source: 2011 *Survey on Time Use and Leisure Activities*, Ministry of Internal Affairs and Communications
(http://www.stat.go.jp/data/shakai/2011/gaiyou.htm)

Society's Shift from Material Goods



Source: FY2015 *Public Opinion Survey Concerning People's Lifestyles*, Cabinet Office
(http://survey.gov-online.go.jp/h27/h27-life/index.html)

Deliverance of “the Greatest Leisure” to Customers

Fields is always seeking out means of delivering the greatest leisure to its customers, an unending quest that has involved countless challenges. One of our major triumphs has been the *Evangelion* pachinko machine.

In 2004, Fields unveiled its first *Evangelion* pachinko machine based on the *Neon Genesis Evangelion* TV anime series originally aired in Japan in 1995. In the period of more than a decade that followed, each new incarnation of this machine has proven immensely popular, making this series of machines a cornerstone of our lineup. The combined sales of *Evangelion* pachinko and pachislot machines has exceeded 2 million units to date, and created a market with a scale of roughly ¥700 billion.

Playing pachinko is a popular form of leisure in and of itself, and its fans are numerous. However, the *Evangelion* pachinko machine has proven that this experience becomes even more enjoyable when the unique world of *Evangelion* is brought into the equation. One of the more notable game functions included in these machines is the "berserk mode." Some pachinko machines feature a "sudden probability variation*" function, which serves as a big jackpot without won pachinko balls. As this function acts as a big jackpot that does not let the player win balls, it was, needless to say, not particularly popular, and few machines announced at the time contained this function. However, when this was merged with elements of the *Evangelion* anime, namely the berserk state of the central robot of the series, this previously unpopular function was reborn into a new game function that offers players a fresh new sense of excitement and anticipation. In this manner, the addition of the characters and world of *Evangelion* gave birth to a new form of entertainment value that transcends the traditional win or lose nature of pachinko.

This experience made us realize something incredibly important: introducing IP into existing forms of recreation and leisure can create added joy, and thereby represent a viable business model.

* After a big jackpot, pachinko machines will enter into a stance of probability variation during which the probability of subsequent big jackpots will change (subsequent jackpots will be made more likely). Generally, these probability variation states occur after the won balls are dispensed from a big jackpot. Conversely, sudden probability variation refers to probability variation states that occur without warning, rather than after the dispensing of won balls from a big jackpot.

Evangelion

Neon Genesis Evangelion is a Japanese TV anime series directed by film director Hideaki Anno. Originally aired over the period from 1995 to 1996, this series garnered incredibly high levels of popularity.

Set in Japan in the near future, the story follows 14-year-old Shinji Ikari as he pilots the synthetic lifeform known as Evangelion to battle a mysterious foe called the Angels. This work won the hearts of countless young viewers. Major draws included its cryptic story that did not clearly explain the reason behind its struggles and was filled with mystery as well as its unique characters, such as Rei Ayanami and Asuka Langley Sohryu, both of whom are the same age as Shinji Ikari. Moreover, this series was brimming with unforgettable lines, distinct color usage, and memorable scene direction.

The *Evangelion* pachinko machine released in 2004 also proved to be a massive hit, raising the series' recognition among demographics that do not normally watch anime.

With the release of the first of the *Rebuild of Evangelion* series of movies in 2007, *Evangelion*'s fan base grew even wider.

In 2012, the latest installment of this movie series—*Evangelion: 3.0 You Can (Not) Redo*—hit theaters. Even before its release, more than 150 companies were engaged in movie tie-up and collaboration campaigns. As of 2012, the market for *Evangelion*-related products was estimated to have a scale of more than ¥150.0 billion, and this series continues to boast massive popularity in Japan as well as overseas.

Diverse Range of Fields Engaged in *Evangelion* Tie-Up and Collaboration Campaigns

Transportation	Food and beverage products	Fashion
Manufacturing	Pharmaceuticals	Leisure and amusement facilities
Telecommunications	Restaurants	Municipal governments
Convenience stores	Automobiles	

EVANGELION

The "berserk mode" function merges the scenes from the TV anime series in which Evangelion goes "berserk," becoming uncontrollable, with the sudden probability variation function of pachinko machines. The *Evangelion* pachinko machine was revolutionary due to its inclusion of this mode, and this machine has been a large influence in shaping the development of later-released pachinko machines.

Strategic Creation and Cultivation of IP

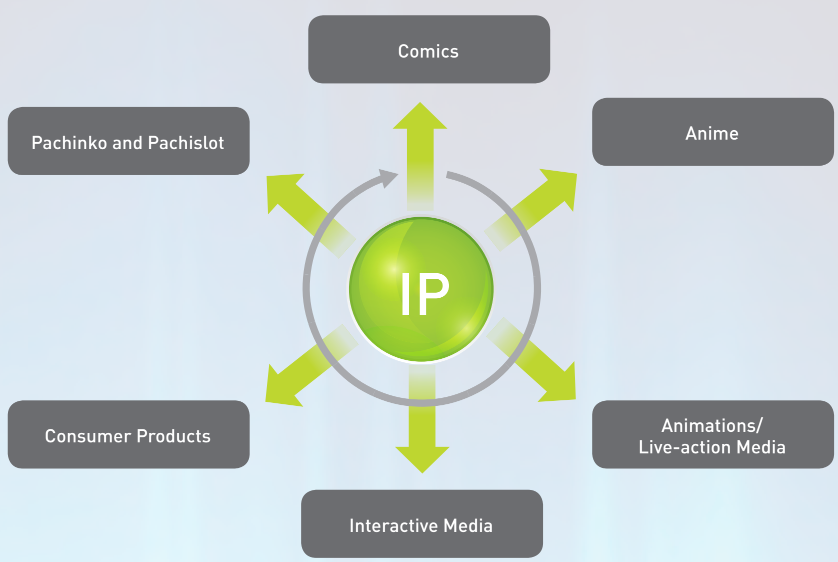
In Japan, the younger generation has recently been thought to be drifting away from television. It was in 1953 when television broadcasts first began in Japan, and in the years that followed it was common for children to spend each week waiting in anticipation for the next episodes of their favorite weekly TV anime and hero shows. However, this is no longer the case, as over the 20 years since 1995—the so-called inaugural year of the Internet in Japan—the very nature of media has undergone a substantial transformation. The first phase of this was the spread of the Internet, after which we witnessed the development of the telecommunications infrastructure supporting the Internet and then the advent of mobile phone ubiquity. Soon, the times gave rise to smartphones and tablets. Today, people are able to enjoy media that is always close at hand, allowing them to consume media content that match their preferences whenever and however much they want. In this current era, a new approach is required to create IP, such as characters and stories, with the potential of becoming social phenomena that entertain countless fans, as it was in the days when television was the leading entertainment venue. This approach entails deploying IP across various entertainment mediums, including comics, television, videos games, toys and others, rather than limiting IP to specific forms of media. It is by creating synergistic relations between an IP's incarnations in different media forms that we are able to cultivate IP that will eventually become a social phenomenon. In other words, our business should not be one of creating IPs targeting a certain form of media. On the contrary, we believe it is important to first invent an IP, and then deploy it across various media forms through a cross-media rollout.

Based on our experience with the *Evangelion* pachinko machine, we realized that people were more interested in the joy of becoming engaged in the story and world of an IP than they were in indulging in a specific form of media. It was this realization that led us to place IP at the center of our operations. Increasing the popularity of an IP is not a matter of order, or determining from which media an IP will start. Rather, Fields believes that it is more important to simultaneously extend an IP to various forms of entertainment media.

The leading form of media changes with the times. Accordingly, the spotlight in the entertainment industry has shifted from company to company as the leading form of media has changed from newspapers to radio and then to television, mobile phones, and most recently smartphones. For this reason, Fields is not devoting its efforts to developing IP matched to a specific media form. Instead, we have placed IP at the center of our business, and are focused on cultivating IP by introducing them into various media forms and on constructing systems for facilitating these efforts.

Common Application of IPs

Fields' Cross-Media IP Rollouts



Fields' Business Model

Japan's entertainment industry is home to numerous publishers, television stations, toymakers, video game developers, and other companies in all form of media with impressive track records. Fields, however, is neither a publisher nor a television station or video game developer. We do not compete with these prominent media companies, and are not impacted as the operating environment changes to become beneficial or unfavorable for specific media forms. Rather, Fields partners with leading companies possessing superior know-how and insight, cultivating IP together with them and building lasting win–win relationships.

For example, we were able to rekindle the popularity of the aforementioned *Evangelion* several years after the TV anime series' broadcast run by developing pachinko machines. Eventually, this gave rise to new stories and the creation of new movies and animation contents, further expanding the series' fan base and leading to a number of collaboration campaigns with companies from various industries. The popularity of *Evangelion* today is a clear example of the successful cultivation of an IP through synergistic relationships between its incarnations in various media forms.

Another example of an IP we are cultivating is the Japanese idol group AKB48. As opposed to producing our own idol group to compete with AKB48, we are instead borrowing the IP to further expand its popularity together with its owner through cross-media rollouts, specifically the development of social games and shops. In this manner, we are collaborating with partners in cultivating IP and avoiding becoming dependent on certain media forms.

It is through this business model of collaborating with prominent companies in the entertainment industry, rather than competing with them, to jointly cultivate borrowed IP that Fields is increasing its profits. In similar fashion, we are also working together with partners in various sectors of the entertainment industry to cultivate IPs created by Fields with the aim of growing them into entities as expansive as *Evangelion* and AKB48.

AKB48

AKB48 is a female idol group in Japan. Founded in 2005 based on the concept of "idols you can meet," AKB48 is based out of its own theater located in the Akihabara district of Tokyo and is growing under the guidance of general producer Yasushi Akimoto. After the debut of sister group SKE48 (Nagoya City, Aichi Prefecture) in 2008, a number of AKB48 sister groups were established in Japan and even overseas, including NMB48 (Osaka City, Osaka Prefecture), HKT48 (Fukuoka City, Fukuoka Prefecture), JKT48 (Jakarta, Indonesia), and SNH48 (Shanghai, China). This collective AKB48 Group continues to entertain its fans with numerous unique events, including the annual General Election and *Janken* (rock–paper–scissors) Tournament, and the group's immense popularity has made it one of Japan's leading musical artists. The AKB48 single released in August 2015 extended the group's streak of million-selling singles to 22, making for the longest streak in the history of the Japanese music industry.

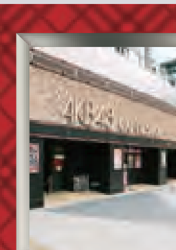
AKB48

TV

Sailor Zombie TV drama starring members of AKB48, aired on TV TOKYO (April–July 2014)

GAME

Arcade games and smartphone games



SHOP

AKB48 CAFE & SHOP
Akihabara, Hakata, Namba and online

The Future of Fields

Based on its medium- to long-term outlook for the future, Fields is advancing the commercialization of IP through various techniques and mechanisms in order to cultivate IP.

In this section, we will explain major initiatives for cultivating IP.

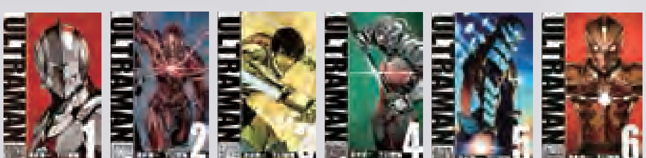

Tetsuya Shigematsu
Executive Vice President

Ultraman Series IP

▶ *ULTRAMAN*

While in previous *Ultraman* series the hero has grown to a giant size in order to battle foes, the *ULTRAMAN* comic serialized in the comic magazine *HERO'S Monthly* features a hero that becomes a human-sized ULTRAMAN. Just as is seen in the Hollywood renditions of comic book super heroes, it is crucial for an IP to evolve in response to changing times and societal entertainment needs. Based on this belief, we created the *ULTRAMAN* comic in *HERO'S Monthly* as an ambitious new IP looking toward the future of society.

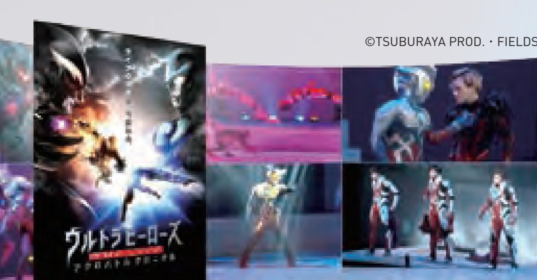
ULTRAMAN More than 1.7 million copies printed to date



▶ *ULTRA HEROES THE LIVE ACROBATTLE CHRONICLE*

Fields holds "hero shows" and other live entertainment events, which serve as important venues for interaction with fans. These events as well must evolve together with the changing times.

A recent undertaking includes the new *ULTRA HEROES THE LIVE ACROBATTLE CHRONICLE* shows. Utilizing the latest imaging technologies to create a new type of live entertainment event that goes beyond traditional hero shows, we are endeavoring to develop a live performance spectacular that can be enjoyed by adults as well as children, and even by people from around the world. Looking ahead, we plan to hold performances of these shows around the world, continually evolving them throughout this process.

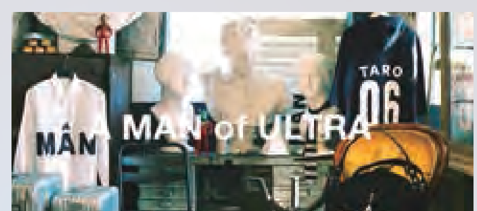


▶ *A MAN of ULTRA*

In the 1960s, Tsuburaya Productions Co., Ltd., gave birth to its science fiction hero *Ultraman* through the TV series of the same name. The new conceptual licensed brand *A MAN of ULTRA*, however, breaks away from science fiction. Based on the concept of creating an "ultra man" in the everyday world, this brand features items created through collaboration with various brands and includes apparel, sundry, food and beverage product, and other companies that support this line.

Rather than utilizing IP to create short-term gains, Fields believes it is important to raise the value of IP in order to grow earnings over the medium-to long-term. As a spinoff of *Ultraman*, an IP that has been loved by three generations of fans, *A MAN of ULTRA* will be developed through medium- to long-term branding initiatives as we strive to help users add an element of "ultra" into their normal, everyday lives.

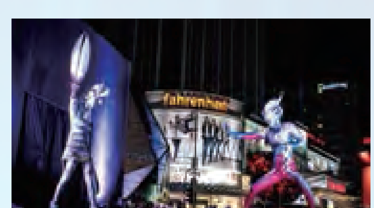
Currently, this brand is being developed together with more than 30 partner companies, and we hope to introduce this brand in overseas markets in the future.



▶ *Ultraman* Series IP Overseas

In addition to Japan, *Ultraman* series IP are popular across Asia, particularly in China, Malaysia, Thailand, and Indonesia. We are currently advancing the overseas development of *Ultraman* IP through strategies centered on Asia, and the result seen thus far makes us confident in the future growth potential of these IP in this market.

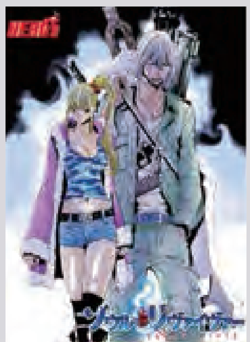
In a similar fashion as is done with Hollywood renditions of comic book super heroes, we will introduce *Ultraman* IP onto the global market. In the future, we aim to develop these IP in wide-reaching, multifaceted manners as we accumulate expertise with each successful undertaking.



SOUL ReVIVER

SOUL ReVIVER is an ongoing comic series running in *HERO'S Monthly* that is penned by Tohru Fujisawa, famous for creating the original *Great Teacher Onizuka* comic, which was later adapted into a TV anime and drama series.

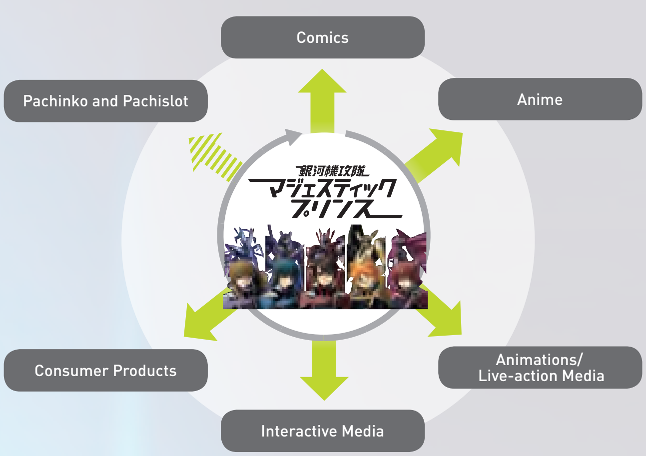
We are currently in the process of writing the script for a movie version of *SOUL ReVIVER* together with a Hollywood movie production company that has produced such movies as *The Last Samurai* and *Shakespeare in Love*. Should this IP successfully be transformed into a Hollywood movie, it would substantially raise the recognition of not only the comic itself but also of *HERO'S Monthly*, the platform in which it is contained. For this reason, we are intently focused on this promising IP.



MAJESTIC PRINCE

MAJESTIC PRINCE is an IP for which we are advancing cross-media rollouts developing this IP in comics, TV anime series, and social games. These efforts are being conducted in conjunction with SOTSU CO., LTD., of *Gundam* fame; TOHO animation, the anime label of Toho Co., Ltd.; and BANDAI NAMCO Entertainment Inc.

We are presently pushing forward with preparation for the commercialization of this IP while examining possibilities for future measures. Strategic cross-media rollouts are being utilized to ensure that *MAJESTIC PRINCE* can be cultivated into a highly viable IP through a medium- to long-term development cycle.



NINJA SLAYER

NINJA SLAYER is a novel that compiles a story told through a series of short messages posted on "Twitter", which limits messages to 140 characters. Fields is currently working together with partner companies to produce an animated version of this novel.

This animated series is distributed through Internet video sites. The first episode has been viewed 1.5 million times and the total views for the entire series is approximately 10 million. Television viewing ratings of 1% in the Kanto and Kansai regions are thought to represent 500,000 viewers, and it can therefore be said that these Internet viewer numbers represent a substantial level of recognition for a newly started IP. At the moment, we are collaborating with 30 partners in developing commercial license businesses to cultivate this IP, for which we will continue to embark on new endeavors to promote the animation work on a global scale through means not limited to television broadcasts.

Furthermore, *NINJA SLAYER* is proving exceptionally popular overseas due to its subject matter of "ninjas." We suspect that developing the animation for this IP will create opportunities for it to grow rapidly in the future.

New Growth Foundations for the Future

The *HERO'S Monthly* magazine serves as a platform for creating and cultivating original Fields IP. At the same time, it is a platform used in our business of improving the value of IP borrowed from other companies.

This function mimics the very essence of Fields' business, which is focused on cultivating strong original IP while maximizing the business potential of IP borrowed from other companies, such as *Evangelion* and AKB48.

If the Group is able to create one or two IP capable of competing on the global market, these will form solid growth foundations for the future. For this reason, Fields is advancing its unique IP business through a concerted Group effort.

The Future of Fields

Looking to the various aspects of people's lives, Fields is seeking out a unique brand of value to provide to the world.

We suspect that in the future all aspects of our lives will come to represent forms of media capable of giving form to IP. For example, the Group's *A MAN of ULTRA* conceptual licensed brand is a means of expression for our IP that differs from those used previously. It is neither a comic nor a TV anime series. Nonetheless, we are still able to give form to the world of *Ultraman* and provide joy through this brand. In this brand, we see the potential for spreading IP to apparel, consumer electronics, automobiles, interior items, and various other items that play a part in our everyday lives.

In the future, we could possibly create, for example, an "*Ultraman* golf course". There is no doubt that both golf fans and *Ultraman* fans alike would want to visit such a golf course at least once.

Looking ahead, we can imagine a future in which IP is incorporated into all aspects of society, transforming people's lives into something that feels even more fulfilling and enjoyable due to the unique worlds these IP bring.

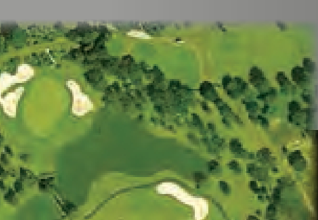
Fields' business has two sides: the production side, in which we plan and create IP, and the distribution side, in which we generate earnings by distributing IP in a manner similar to how a trading company distributes commodities. On the production side, we have created various hero IP, such as *ULTRAMAN* and *SOUL ReVIVER*. On the distribution side, we have made our mark by using *Evangelion*, AKB48, and other borrowed IP. By effectively combining our strengths in both sides of operations, we believe that Fields will be able to secure stable earnings while continuing to provide the world with promising new IP.

In order for Fields to successfully develop its business in line with the changing times, it is crucial for us to create and cultivate various quality IP, and solidify these into the core of our business. We are committed to utilizing IP cultivated by Fields to provide "The Greatest Leisure for All People," offering them entertainment that can carry them away. This endeavor, we are confident, will help Fields become a highly profitable company with a sustainably growing business.

In realizing this vision, there are numerous tasks that we must tend to as well as challenges we wish to tackle. Fields aims to stand together with its stakeholders and with everyone who hopes to enjoy their leisure time, and will continue striving to help build a society in which people are able to dream and experience the greatest leisure.







*These pictures are simulated images.

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

Consolidated Financial Highlights

FIELDS CORPORATION and its Consolidated Subsidiaries

	Year Ended March 31, 2010	YoY Change (%)	Year Ended March 31, 2011	YoY Change (%)
Results of Operations (Millions of Yen):				
Net sales	¥ 66,342	(9.2)	¥ 103,593	56.2
Gross profit	26,889	11.9	35,129	30.6
Gross profit margin (%)	40.5		33.9	
Operating income	8,124	314.3	13,136	61.7
Operating margin (%)	12.2		12.7	
Ordinary income	7,761	682.9	13,684	76.3
Ordinary margin (%)	11.7		13.2	
Net income	3,289	—	7,520	128.6
Net margin (%)	5.0		7.3	
Financial Position (Millions of Yen):		YoY Change		YoY Change
Total assets	81,329	29,264	78,971	(2,357)
Total net assets	41,187	1,690	47,021	5,834
Shareholders' equity	41,064	1,601	46,779	5,714
Interest-bearing liabilities	2,230	(781)	1,834	(395)
Cash Flows (Millions of Yen):		YoY Change		YoY Change
Cash flows from operating activities	8,429	4,281	8,005	(424)
Cash flows from investing activities	(1,011)	5,171	(4,356)	(3,344)
Cash flows from financing activities	(2,687)	(3,290)	(3,915)	(1,227)
Free cash flow	7,418	9,452	3,649	(3,769)
Per Share Data (Yen)*1:				
Basic earnings per share	¥ 97.97		¥ 226.44	
Net assets per share	1,236.46		1,408.53	
Dividends per share	45		50	
Key Financial Indicators (%):				
Return on equity (ROE)	8.2		17.1	
Return on assets (ROA)	11.6		17.1	
Shareholders' equity ratio	50.5		59.2	
Payout ratio	45.9		22.1	
Number of Employees	909		1,149	

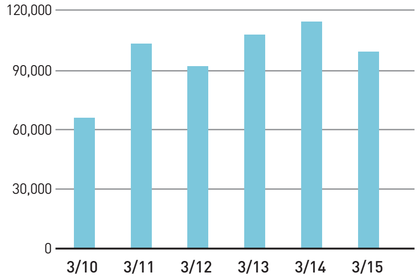
Figures in parentheses in the table are negative.

*1 On October 1, 2012, the Company conducted a 1:100 stock split. Past amounts have been retroactively restated to reflect the stock split.

	Year Ended March 31, 2010	YoY Change	Year Ended March 31, 2011	YoY Change
Pachinko and Pachislot Machine Unit Sales:				
Number of pachinko and pachislot machines sold	449,880	118,675	480,273	30,393
By type:				
Pachinko machines	330,734	128,209	262,614	(68,120)
Pachislot machines	119,146	(9,534)	217,659	98,513

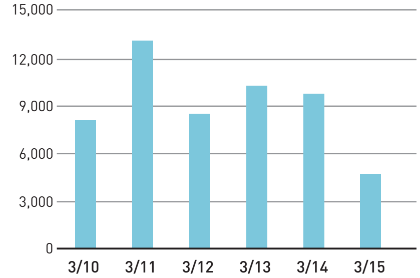
Net Sales

(Millions of Yen)



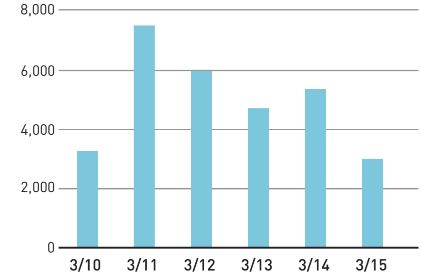
Operating Income

(Millions of Yen)



Net Income

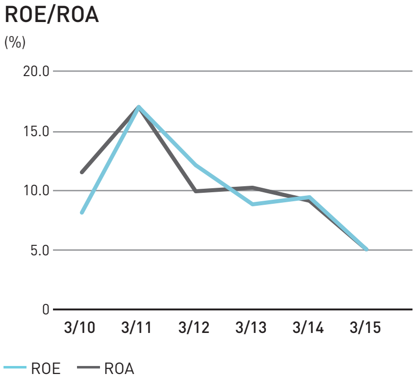
(Millions of Yen)



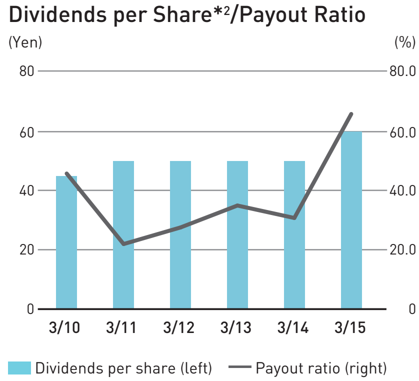
Year Ended March 31, 2012		Year Ended March 31, 2013		Year Ended March 31, 2014		Year Ended March 31, 2015	
	YoY Change (%)		YoY Change (%)		YoY Change (%)		YoY Change (%)
¥ 92,195	(11.0)	¥ 108,141	17.3	¥114,904	6.3	**¥ 99,554**	**(13.4)**
31,330	(10.8)	33,279	6.2	33,812	1.6	**28,468**	**(15.8)**
34.0		30.8		29.4		**28.6**	
8,527	(35.1)	10,314	21.0	9,791	(5.1)	**4,743**	**(51.6)**
9.2		9.5		8.5		**4.8**	
8,661	(36.7)	10,268	18.6	9,765	(4.9)	**5,491**	**(43.8)**
9.4		9.5		8.5		**5.5**	
5,991	(20.3)	4,720	(21.2)	5,370	13.7	**3,018**	**(43.8)**
6.5		4.4		4.7		**3.0**	
	YoY Change		YoY Change		YoY Change		YoY Change
93,601	14,630	106,628	13,026	104,869	(1,758)	**110,316**	**5,447**
51,555	4,533	55,098	3,543	58,753	3,654	**60,246**	**1,493**
51,071	4,291	54,559	3,487	58,279	3,720	**59,492**	**1,212**
1,660	(172)	1,052	(609)	743	(308)	**4,065**	**3,321**
	YoY Change		YoY Change		YoY Change		YoY Change
10,015	2,010	13,570	3,554	16,322	2,752	**(9,086)**	**(25,408)**
(4,798)	(441)	(6,263)	(1,465)	(8,018)	(1,754)	**(6,297)**	**1,720**
(2,565)	1,349	(2,277)	288	(2,018)	258	**1,624**	**3,643**
5,217	1,568	7,307	2,088	8,303	997	**(15,384)**	**(23,687)**
¥ 180.45		¥ 142.27		¥ 161.83		**¥ 90.97**	
1,539.04		1,644.15		1,756.27		**1,792.83**	
50		50		50		**60**	
12.2		8.9		9.5		**5.1**	
10.0		10.3		9.2		**5.1**	
54.6		51.2		55.6		**53.9**	
27.7		35.1		30.9		**66.0**	
1,324		1,416		1,588		**1,716**	

Year Ended March 31, 2012		Year Ended March 31, 2013		Year Ended March 31, 2014		Year Ended March 31, 2015	
	YoY Change		YoY Change		YoY Change		YoY Change
412,390	(67,883)	328,110	(84,280)	392,982	64,872	**399,691**	**6,709**
233,223	(29,391)	99,993	(133,230)	162,879	62,886	**302,406**	**139,527**
179,167	(38,492)	228,117	48,950	230,103	1,986	**97,285**	**(132,818)**

ROE/ROA

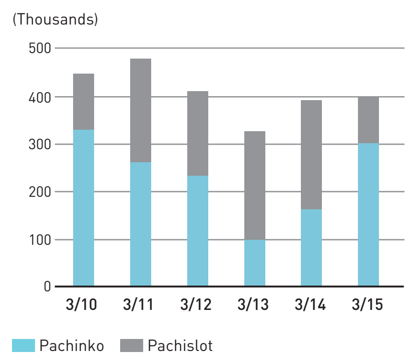


Dividends per Share*2/Payout Ratio



*2 On October 1, 2012, the Company conducted a 1:100 stock split. Past amounts have been retroactively restated to reflect the stock split.

Pachinko and Pachislot Machines Unit Sales



Review of Fields' Business Activities

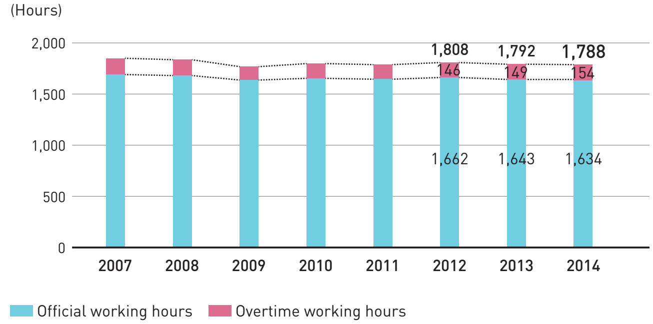
The Environment Surrounding Leisure

Trends in Working Hours

According to the *Monthly Labour Survey* conducted by Japan's Ministry of Health, Labour and Welfare, the annual total for hours worked (the average for one person working in a company of 30 or more people) in 2014 decreased 0.2% year-on-year, to 1,788 hours. Official working hours decreased for the second consecutive year, down 0.5%, to 1,634 hours. Meanwhile, overtime working hours increased for the third consecutive year, up 3.4%, to 154 hours. The increase in the ratio of part-time employees, who have shorter working hours, resulted in the reduction of overall working hours, while working hours for full-time employees increased.

In addition, both official and overtime working hours in 2009 decreased substantially, primarily in the manufacturing industry, due to the impact of the financial crisis in the fall of the previous year.

Trends in Working Hours



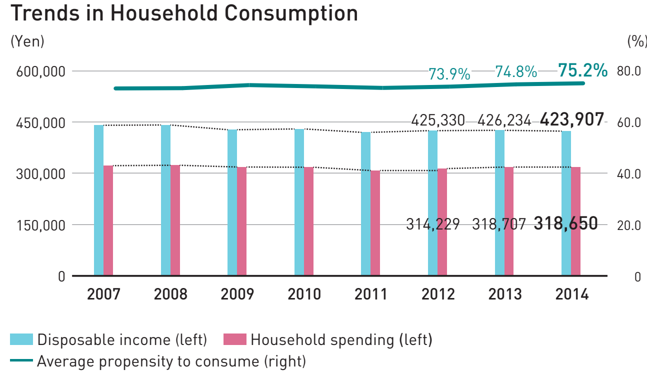
Source: *Monthly Labour Survey*, Ministry of Health, Labour and Welfare (http://www.mhlw.go.jp/toukei/list/30-1.html)

Trends in Household Consumption

According to the *Family Income and Expenditure Survey* conducted by the Ministry of Internal Affairs and Communications, disposable income (yearly average per month) for a single household in Japan (households of two or more people with average number of people per household of 3.39, excluding agricultural, forestry, and fishing households) decreased 0.5% year-on-year, to ¥423,907. Household spending (yearly average per month) was down 0.02%, to ¥318,650. As a result, the average propensity to consume, which represents the ratio of household spending to disposable income, rose for the third consecutive year, up 0.4 points, to 75.2%.

Both disposable income and household spending decreased following the impact of economic stagnation due to the consumption tax rate rising to 8% in 2014.

Trends in Household Consumption

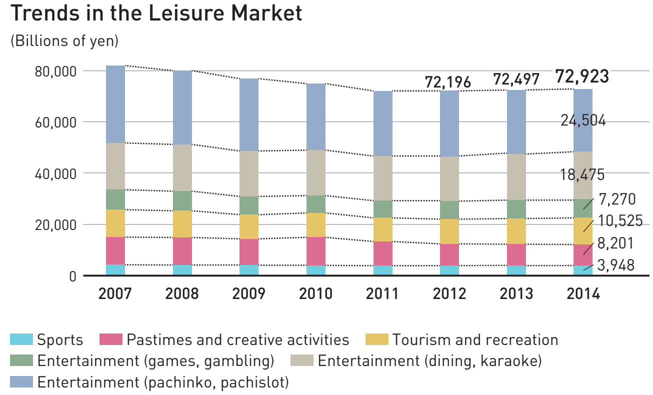


Source: *Family Income and Expenditure Survey*, Ministry of Internal Affairs and Communications (http://www.stat.go.jp/data/kakei/)

Trends in the Leisure Market

According to the Japan Productivity Center's *White Paper on Leisure 2015*, the leisure market edged up 0.6% year-on-year, to ¥72,923 billion, in 2014. Growth was particularly strong in the domestic tourism and recreation markets, such as domestic travel, hotels, and amusement and theme parks, which increased 4.5% year-on-year, to ¥6,756 billion. With a growth rate of over 4.0% for the second consecutive year, this sector helped drive overall growth for the leisure market. Growth in this sector reflected an 11.0% year-on-year increase in the hotel market, to ¥1,201 billion, which was attributable to the increase in the number of foreign tourists due to the impact of yen depreciation. This growth also reflected a 2.3% increase in the amusement and theme park market, to a record high of ¥741 billion, brought about by the rising demand for interactive recreation.

Trends in the Leisure Market



Source: *White Paper on Leisure 2015*, Japan Productivity Center

In addition, the effects of consumption for interactive activities spread to music-related markets. The market size for musical entertainment, such as live performances and events, was ¥346 billion, up 13.1% year-on-year, and surpassed the CD market (including rentals) for the first time ever.

As the demand for interactive recreation continues to rise, all companies in the leisure industry are implementing initiatives to attract customers.

In regard to the pachinko and pachislot market, which accounts for approximately 30% of Japan's leisure market, the Japan Productivity Center made retrospective revisions to market size estimates. Based on these new estimations, the pachinko and pachislot market decreased 2.0% year-on-year, to ¥24,504 billion.

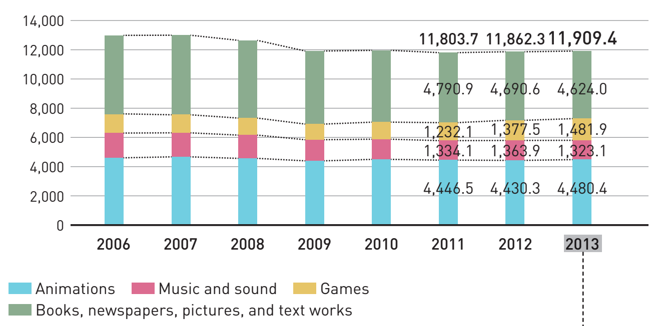
Trends in the Content Industry

As stated in the Ministry of Economy, Trade and Industry (METI)'s *Current Status and Future Development Trends of the Contents Industry (July 2015)*, the Japanese contents industry is an up-and-coming industry, with growth anticipated from overseas development. In addition, it is believed to have a significant economic impact toward non-contents industries such as the manufacturing industry. It is also believed that leveraging the value of Japanese contents to acquire profits from overseas will be extremely important in order to realize sustainable growth going forward.

According to the Digital Content Association of Japan's *White Paper on Digital Content 2014*, the contents industry—comprising Japanese movies, anime, TV shows, games, and books—was approximately unchanged year-on-year, edging up 0.4% in 2013, to ¥11,909.4 billion, making it the second largest contents industry in the world next to the United States. Although growth in the industry in recent years has leveled off due to Japan's declining population, the industry is anticipating growth from overseas development going forward through the METI-promoted "Cool Japan Strategy."

Trends in the Content Industry

(Billions of yen)



Source: *White Paper on Digital Content 2014*, Digital Content Association of Japan

Breakdown of Contents Industry in Japan (¥11,909.4 billion)

Animations	Music and sound	Games	Books, newspapers, pictures, and text works
¥4,480.4 billion	¥1,323.1 billion	¥1,481.9 billion	¥4,624.0 billion
Animation software: ¥498.7 billion	Music software: ¥389.3 billion	Game software: ¥253.7 billion	Publications: ¥785.1 billion
Movies: ¥194.2 billion	Karaoke: ¥453.5 billion	Online games: ¥678.8 billion	Magazines: ¥1,147.1 billion
TV broadcasts and related services: ¥3,527.4 billion	Concert admission fees: ¥247.1 billion	Games for cellular phones: ¥96.4 billion	Free newspapers: ¥228.9 billion
Other (transmissions, stage performances): ¥260.1 billion	Radio-related services: ¥136.7 billion	Arcade games: ¥453.0 billion	Newspapers: ¥1,560.0 billion
	Cellular phones and Internet broadcasts: ¥96.5 billion		Other: ¥902.9 billion

Review of Fields' Business Activities

The Environment Surrounding Leisure

Market Trends: Pachinko and Pachislot

1 Trends in Playing Population

According to the Japan Productivity Center's *White Paper on Leisure 2015*, the number of people (estimated) that played pachinko and pachislot in 2014 rebounded to 11.5 million, an increase of 1.8 million from the previous year, where the number of people playing was under 10.0 million. The main reasons for this increase were an economic recovery that helped boost the overall population participating in the leisure industry and the increase in halls that operate with low playing costs in the pachinko and pachislot market.

2 Trends in Number of Pachinko Halls and Pachinko and Pachislot Machines Installations

Statistical data released by the National Police Agency (NPA) indicates that the number of pachinko halls in Japan decreased by 266 compared to the previous year, to 11,627 in 2014. Although the number of pachinko and pachislot machines installed fell 13,000 units, to 4.59 million, the number of machines installed per pachinko hall increased 7.6 units, to 395.4. This represents the continuing trend toward large-scale pachinko halls.

3 Trends in Pachinko and Pachislot Machines Sales

According to the Yano Research Institute Ltd.'s *2015 Trends and Market Share of Pachinko Related Manufacturers*, pachinko machine sales were down 2.4% year-on-year, to 2.01 million units in 2014. Pachislot machine sales decreased 11.1%, to 1.23 million units. As a result, the total sales market for pachinko and pachislot machines declined 5.0%, to ¥1,069.3 billion, with the pachinko market decreasing 1.1%, to ¥643.7 billion, and the pachislot market down 10.3%, to ¥425.6 billion.

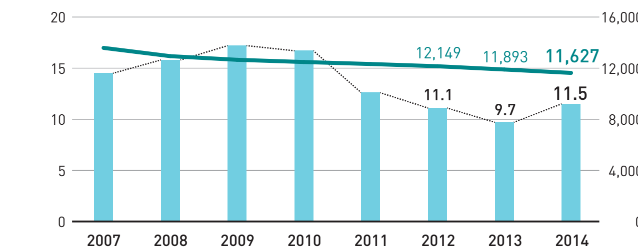
These trends can largely be attributed to the sales schedule revisions implemented by several manufacturers in response to the change in the model certification test method for pachislot machines instituted in September 2014.

4 Trends in Regulations

In September 2014, the Security Communications Association made changes to the pachislot model certification test method. Previously, the voluntary payout method required a minimum payout rate of 55%, or more than 11 medals for every 20 medals inserted. After these changes, this same condition now applies to the payout method with the lowest payout rates.

In the same month, Nichidenkyo, an association of pachislot manufacturers, placed restrictions on equipping penalty functions in pachislot machines in response to these changes. The association also announced voluntary regulations related to main circuit board transfers for AT/ART functions. As a result, after December 2015 it will only be possible to sell or install pachislot machines that participate in these new standards, which place importance on entertainment over gambling.

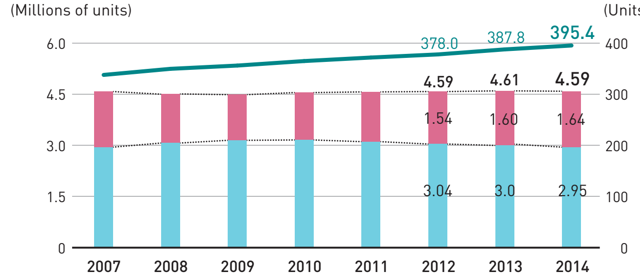
Trends in Playing Population/Number of Pachinko Halls



Playing population (left) — Number of pachinko halls (right)

Source: *White Paper on Leisure 2015*, Japan Productivity Center and *2014 White Paper on Adult Entertainment Businesses*, National Police Agency (https://www.npa.go.jp/pressrelease/2015/03/20150312_02.html)

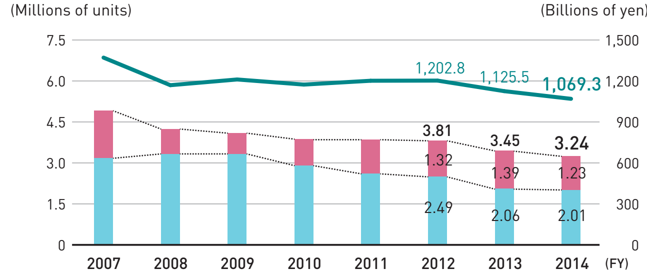
Trends in Pachinko and Pachislot Machines Installations



Number of pachinko machines installed (left)
Number of pachislot machines installed (left)
— Number of machines installed per pachinko hall (right)

Source: *2014 White Paper on Adult Entertainment Businesses*, National Police Agency (https://www.npa.go.jp/pressrelease/2015/03/20150312_02.html)

Trends in Pachinko and Pachislot Machines Sales

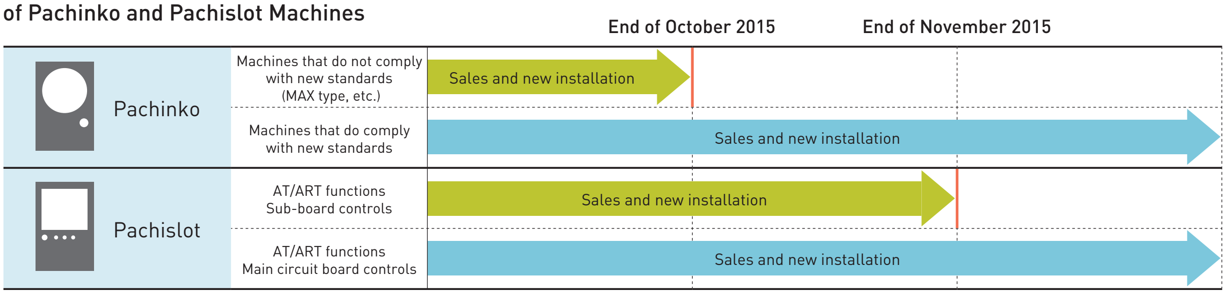


Number of pachinko machines sold (left)
Number of pachislot machines sold (left)
— Sales market size for pachinko and pachislot machines (right)

Source: *2015 Trends and Market Share of Pachinko Related Manufacturers*, Yano Research Institute Ltd.

Meanwhile, in regard to pachinko machines, Nikkoso, an association of pachinko manufacturers, announced voluntary regulations in March 2015 that set the lower limit for the probability of winning a big jackpot at once per 320 spins of in-machine slot reels (currently once per 400 spins) in consideration of the expectations of the NPA. As a result, the period for which it is possible to sell or install so-called "MAX (high spec) type" machines, which are currently in operation, will be until the end of October 2015. From November 2015, it will only be possible to sell or install pachinko machines that participate in these new standards.

Period for Sales and Installation of Pachinko and Pachislot Machines



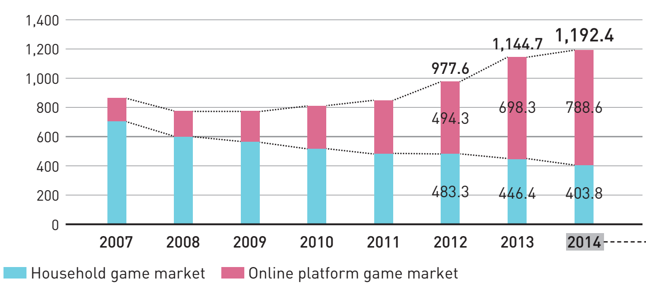
Market Trends: Games

The KADOKAWA DWANGO CORPORATION's *White Paper on Famitsu Games 2015* states that the household game market decreased 9.5% year-on-year, to ¥403.8 billion (total of game hardware and software) in 2014. Meanwhile, the online platform game market (game apps for smartphones/tablets, games on SNS platforms for feature phones, and online PC games) increased 12.9%, to ¥788.6 billion. As a result, the size of the game market in Japan reached a record-high ¥1,192.4 billion, up 4.2% year-on-year.

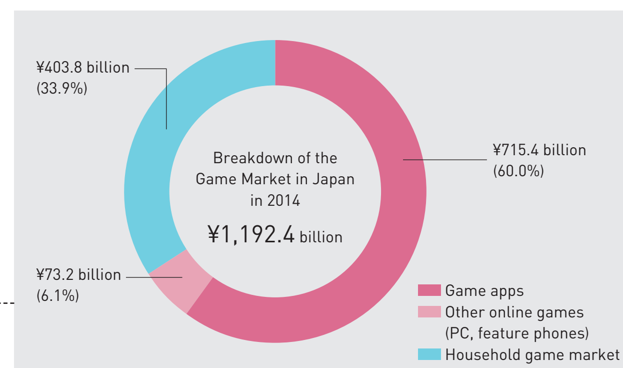
Within the online platform game market, the size of the game app market (game apps for smartphones/tablets and games on SNS platforms for feature phones) increased 17.9% year-on-year, to ¥715.4 billion, accounting for approximately 60% of the domestic game market and helping to drive its expansion.

Trends in the Game Market

(Billions of yen)



Source: *White Paper on Famitsu Games 2015*, KADOKAWA DWANGO CORPORATION



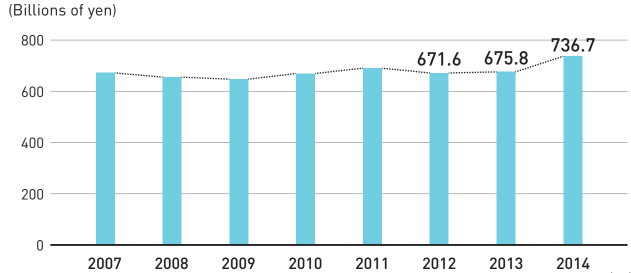
Market Trends: Toys

According to the Japan Toy Association, the size of the toy market in Japan in the fiscal year ended March 31, 2015, was ¥736.7 billion, up 9.0% compared to the previous fiscal year. This is the largest the market has been in the past 10 years. In addition, the market for capsule toys, a peripheral field of the toy market, increased 14.7% year-on-year, to ¥31.9 billion. The market for candy toys also increased substantially, to ¥65.9 billion, up 17.0% year-on-year.

The main reasons behind these increases were the success of character-related products, which became extremely popular especially among young children, and the rising popularity of products related to anime movies, which achieved record-breaking success around the world. These have had synergistic effects in the extensive development of the peripheral field of toys, such as capsule toys, candy toys, and video games, helping improve their popularity.

Size of the Toy Market

(Billions of yen)



Source: Data released by the Japan Toy Association

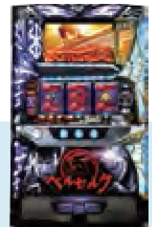
Review of Fields' Business Activities

Results of Operations and Financial Position for the Fiscal Year Ended March 31, 2015

Number of Pachinko Machines Sold

302,000

(year-on-year increase of 139,000 machines)



Number of Pachislot Machines Sold

97,000

(year-on-year decrease of 132,000 machines)

Review of Business Performance in the Fiscal Year Ended March 31, 2015

In the fiscal year ended March 31, 2015, although the number of pachinko machines sold increased, the number of pachislot machines sold decreased, due primarily to fluctuating business performance throughout the year.

In regard to pachinko machines, the number of machines sold increased 139,000 year-on-year, to 302,000, with sales of each type exceeding expectations, starting with *CR EVANGELION 9*. This was the result of promoting a wide variety of sales initiatives geared toward expanding sales of pachinko machines featuring prominent IP.

As for pachislot machines, the number of machines sold decreased 132,000 year-on-year, to 97,000, despite sales of the three titles launched during the year under review being better than planned, starting with *Pachislot BERSERK*. This decrease was the result of changes made to the pachislot model certification test method in September 2014, which delayed the launch of five different titles until next fiscal year.

Consolidated Performance Highlights

Millions of Yen

	Year Ended March 31, 2014	Year Ended March 31, 2015	Year Ending March 31, 2016 (Forecast)
Net sales	¥114,904	**¥99,554**	¥120,000
Year-on-year (%)	106.3	86.6	120.5
Ratio to net sales (%)	100.0	100.0	100.0
Gross profit	33,812	**28,468**	—
Year-on-year (%)	101.6	84.2	—
Ratio to net sales (%)	29.4	28.6	—
Selling, general and administrative expenses	24,020	**23,724**	—
Year-on-year (%)	104.6	98.8	—
Ratio to net sales (%)	20.9	23.8	—
Operating income	9,791	**4,743**	6,000
Year-on-year (%)	94.9	48.4	126.5
Ratio to net sales (%)	8.5	4.8	5.0
Ordinary income*1	9,765	**5,491**	6,500
Year-on-year (%)	95.1	56.2	118.4
Ratio to net sales (%)	8.5	5.5	5.4
Net income	5,370	**3,018**	3,500
Year-on-year (%)	113.7	56.2	115.9
Ratio to net sales (%)	4.7	3.0	2.9
Shareholders' equity ratio (%)	55.6	**53.9**	—
Return on equity (ROE) (%)	9.5	**5.1**	—
Return on assets (ROA) (%)	9.2	**5.1**	—
Dividends per share (Yen)*2	50	**60**	50
Payout ratio (%)	30.9	**66.0**	47.4

*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 The dividend payment of ¥60 per share for the fiscal year ended March 31, 2015, includes a commemorative dividend of ¥10 per share.

Number of Consolidated Subsidiaries

15

Number of Equity-Method Affiliates

9

IP

Total Number of IP

150

Number of Consolidated Employees

1,716

Consolidated Financial Highlights

Millions of Yen

	At March 31, 2014	At March 31, 2015	Change
Total current assets	¥66,921	¥71,014	4,093
Property and equipment, net	12,104	12,197	92
Total intangible fixed assets	4,365	4,490	124
Total investments and other assets	21,477	22,614	1,137
Total fixed assets	37,948	39,302	1,354
Total assets	104,869	110,316	5,447
Total current liabilities	41,730	45,773	4,043
Total long-term liabilities	4,386	4,296	(89)
Total liabilities	46,116	50,070	3,954
Total shareholders' equity	58,670	60,171	1,501
Total accumulated other comprehensive loss	(390)	(679)	(289)
Minority interests	473	753	280
Total net assets	58,753	60,246	1,493
Total liabilities and net assets	104,869	110,316	5,447

Consolidated Cash Flows

Millions of Yen

	At March 31, 2014	At March 31, 2015	Change
Net cash provided by (used in) operating activities	16,322	(9,086)	(25,408)
Net cash used in investing activities	(8,018)	(6,297)	1,720
Net cash used in financing activities	(2,018)	1,624	3,643

Total Assets, Liabilities, and Net Assets

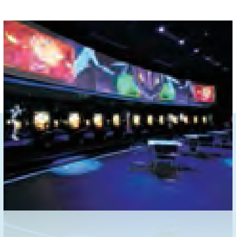
The change in total current assets was largely attributable to notes and accounts receivable–trade rising ¥16,732 million year-on-year, to ¥45,888 million.

The change in total current liabilities was mainly due to a ¥3,380 million increase in short-term bank loans, to ¥4,014 million.

The change in total net assets was primarily a result of retained earnings rising ¥1,501 million, to ¥46,049 million, due to an increase in net income.

Cash Flows

Net cash used in operating activities amounted to ¥9,086 million, compared with ¥16,322 million provided by operating activities in the previous fiscal year. This was mainly attributable to an increase in notes and accounts receivable–trade. As a result, free cash flow decreased ¥23,687 million, to negative ¥15,384 million.



Number of Branch Offices in Japan

26

Review of Fields' Business Activities

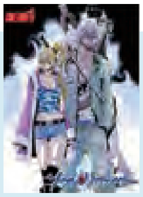
IP Cultivation and Commercialization

Comics

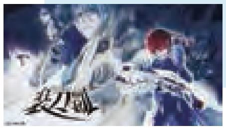
Developing Stories and Characters, the Sources of In-house IP Creation and the Basis of Cross-media Rollouts

Through the comic magazine *HERO'S Monthly*, we are continuing to focus our efforts on IP creation. As of August 2015, the magazine has included 53 works, and we have published 36 works of the comic book *HERO'S Comics*. Among these, we have published six volumes of the comic book *ULTRAMAN*, which has printed over 1.7 million copies to date and is steadily expanding its fan base.

In addition, we are promoting the rollout of works included in *HERO'S Monthly* into film, starting with a project to make *SOUL ReVIVER* into a live-action Hollywood movie and a project to make *SWORDGAI* into a TV anime series. In addition, we have decided to consecutively roll out several IP to games and pachinko and pachislot machines.



Live-action Hollywood movie project
SOUL ReVIVER
©Tōru Fujisawa
Manabu Akishige
©ヒーローズ



TV anime series project
SWORDGAI
©Keita Amemiya
Toshiki Inoue
Wosamu Kine
©ヒーローズ

Animations, Movies/TV

IP Digitization Utilizing Leading-edge Technologies, IP Popularization, and Value Expansion through Animations

In the *Ultraman* series, we are continuing with TV broadcasts and movie releases. We are also working to expand sales of products related to *Ultraman* animations.

Moreover, we are promoting sales of existing animations and have plans for new animations overseas. At the same time, we are carrying out a full suite of events at complex facilities, planning and producing hands-on live entertainment events leveraging *Ultraman* IP, and holding these events in Japan and overseas.

We are also working together with partner companies to develop video content, focusing our efforts on cross-media rollouts of such content. These include the TV anime series *RED EYES SWORD* and *CROSS ANGE Rondo of Angel and Dragon* as well as the movie *APPLESEED ALPHA* and *NINJA SLAYER FROM ANIMATION*, an animation broadcast globally via the Internet.

New TV anime series
Ultraman X
(Began in July 2015, airing on TV Tokyo)
©TSUBURAYA PROD.

Internet broadcast
NINJA SLAYER FROM ANIMATION
(Started airing in April 2015)
©Ninj@ Entertainment/Ninj@ Conspiracy

Merchandising

Cultivating IP in a Wide Range of Fields, Including Games, Toys, and Pachinko and Pachislot Machines, and Using them to Generate Profits

In the social game field, in which we aim to establish an earnings foundation, we are promoting measures to make management and development systems more efficient, and are working to improve the quality of each of our titles. For titles that make use of AKB48, a Japanese idol girl group, we are implementing such measures as adding new content and holding live events. In games for smartphones, we are consecutively launching new apps that combine new sensations in their game functions with a cast of appealing characters.

Furthermore, we are expanding our AKB48 shops and *KAIJU RESTAURANT*, which use the world of monsters that appear in the *Ultraman* series as the restaurant's theme. In this way, we are promoting the cross-media development of our IP.

In addition, in a manner that differs significantly from how we have expressed other IPs, we are developing the conceptual license brand *A MAN of ULTRA*, and are currently cooperating with over 30 partner companies in promoting the development of products that give shape to the concept and world view for this brand.

In the pachinko/pachislot machines business that forms a pillar of profits for the Company, we are pushing ahead with the strengthening of our sales structure through cooperation with Group companies that develop machines and affiliated manufacturers. We are working together in a variety of ways, from planning and development to distribution, in order to expand our product lineup over the medium-to long-term.

Social game
AKB48 Stage Fighter
(iOS/Android)
©AKS
©GREE, Inc./エイチーム

AKB48 CAFE & SHOP
(Akihabara, Hakata, Namba, as well as an online store)

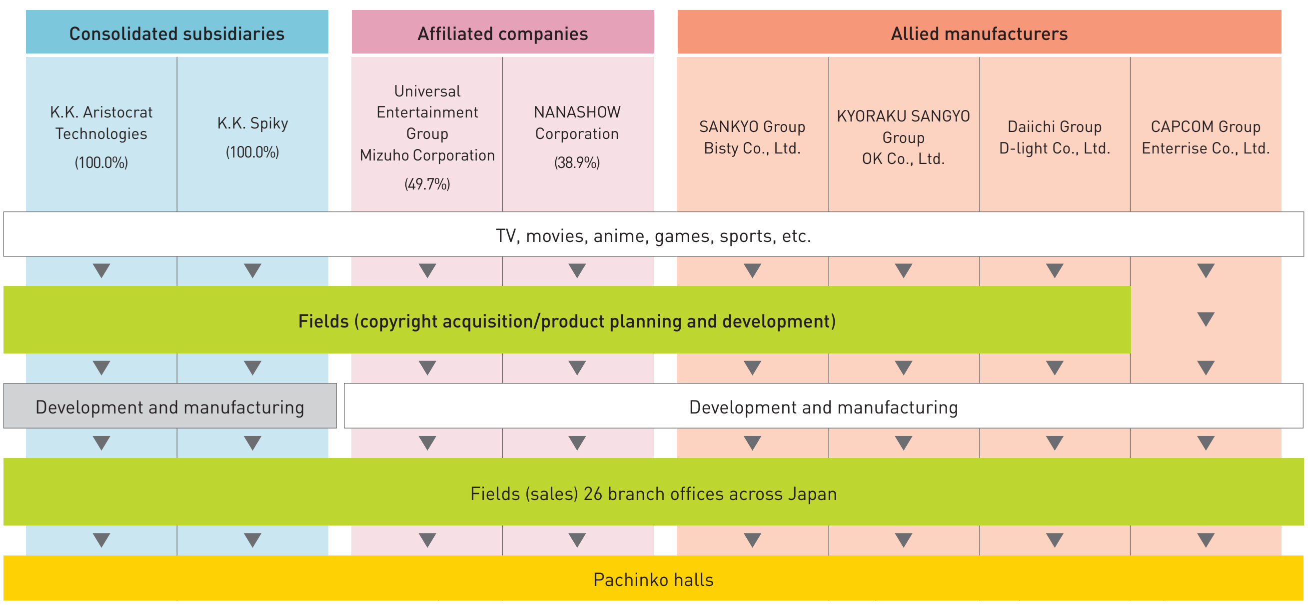
KAIJU RESTAURANT
(Namba, Osaka)
©TSUBURAYA PROD.

Merchandising—Pachinko/Pachislot Machines Business

In June 2015, we made K.K. Aristocrat Technologies and its affiliate K.K. Spiky our subsidiaries. Going forward, we will undertake product development utilizing the assets possessed by both of these companies, such as their hardware and software.

In addition to bolstering cooperation with affiliated manufacturers, we will also concentrate our efforts more than ever before to create highly entertaining pachinko and pachislot machines that fuse the characteristics of our IP with machines' game functions. To this end, we will strengthen our planning and developing capabilities at Group companies that develop pachinko and pachislot machines. Furthermore, we will work to expand sales offices across Japan and increase the number of sales personnel. In this way, we will strive to develop increasingly comprehensive services.

Figures in parentheses are investment percentages (As of June 30, 2015)



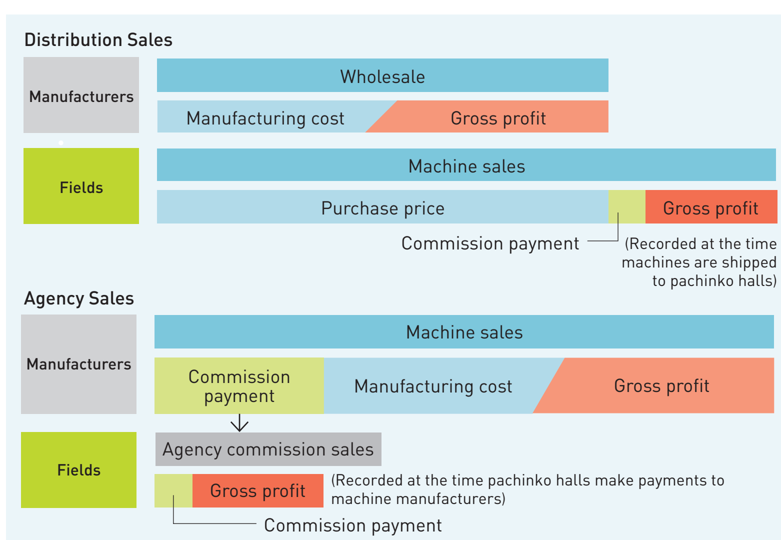
(Reference) Methods for Recording Distribution Sales and Agency Sales

Pachinko and pachislot machines sales consists of two types, distribution sales and agency sales. Distribution sales is where the Company purchases pachinko and pachislot machines from a manufacturer and sells them to pachinko halls, and agency sales is where the Company acts as a sales agent for manufacturers, engaging in sales-related work and collecting a commission.

In distribution sales, funds from sales of pachinko and pachislot machines by the Company to pachinko halls are recorded in the Company's net sales. As a standard, these sales are recorded at the time the pachinko and pachislot machines are shipped to pachinko halls. Costs of sales include the funds used to purchase machines from manufacturers. In addition, in the case the Company uses an agency to sell the machines it has purchased, commissions paid to that agency are also recorded as cost of sales.

Meanwhile, in agency sales, commissions received from manufacturers are recorded in the Company's net sales in the event pachinko and pachislot machines are sold. As a standard, these commissions are recorded at the time the pachinko hall makes a payment to the manufacturer. In the case the Company makes a direct sale to the pachinko hall, costs of sales are not recorded. In the case the Company uses an additional agency to sell the machines, commissions paid to that agency are recorded as cost of sales.

In other words, these two types of sales establish a structure that in the case the Company increases distribution sales, mainly net sales will grow; and in the case the Company increases agency sales, mainly profits will grow.



Review of Fields' Business Activities

Realizing Our Corporate Philosophy throughout Our History

From 1988

Creating entertainment that provides personal fulfillment

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

From 1998

Creating highly entertaining pachinko and pachislot machines

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
- 2013 Forms alliance with Daiichi Group
  - → 2015 Begins exclusive sales of D-light brand machines
- 2014 Forms alliance with NANASHOW Corporation
  - → 2015 Begins exclusive sales of NANASHOW brand machines
- 2015 Makes K.K. Aristocrat Technologies and its affiliate K.K. Spiky subsidiaries

Enters sports entertainment field

From 2003

Developing diverse IP

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

Operations at Lucent Pictures Entertainment, Inc., began

From 2008

Maximizing IP value

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., which owns *Ultraman* and other IP, a subsidiary

Enters animations production field

Makes Digital Frontier Inc. a subsidiary

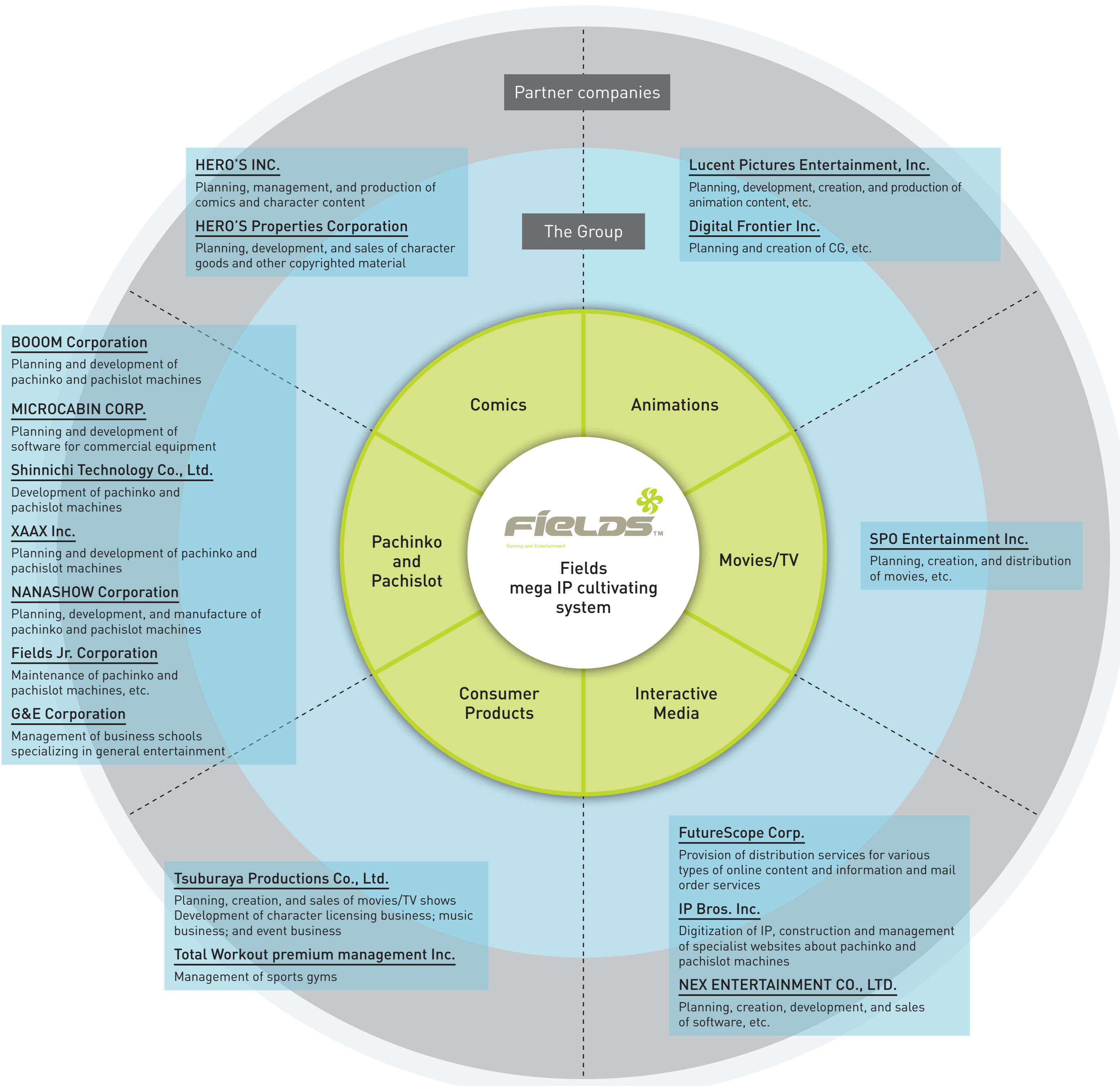
2011 Strengthens businesses for social games and consumer products

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

2015 **Lists on the First Section of the Tokyo Stock Exchange**

Group Structure that Promotes a Circulation Business Model Centered on IP

As a medium- to long-term strategy, the Fields Group is moving forward with a circulation business model that promotes cross-media rollouts of IP, starting with characters. By maximizing the value of the IP that the Group acquires, owns, and creates, we aim for sustainable growth. Accordingly, we have in place a Group structure of companies that excel in creativity and companies that possess cutting-edge technologies in each field of the entertainment industry. In addition, we are leveraging our network of external partners to its fullest extent and, guided by these partnerships, are promoting the cultivating and commercialization of IP.



* Only a select number of Group companies are listed in this report.

Corporate Social Responsibility (CSR)

Fields' CSR

Based on its corporate philosophy of "The Greatest Leisure for All People," the Company has continually strived since its foundation to research what wonderful entertainment is and to create such entertainment 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, we recognize that the trend of increasing leisure time will continue. The Company believes that it 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 this way, activities based on our corporate philosophy fulfill CSR in and of themselves. We believe that carrying out our activities based on this idea is our obligation to all of Fields' stakeholders, starting with the customers who enjoy our products and services and the investors who hold our shares.

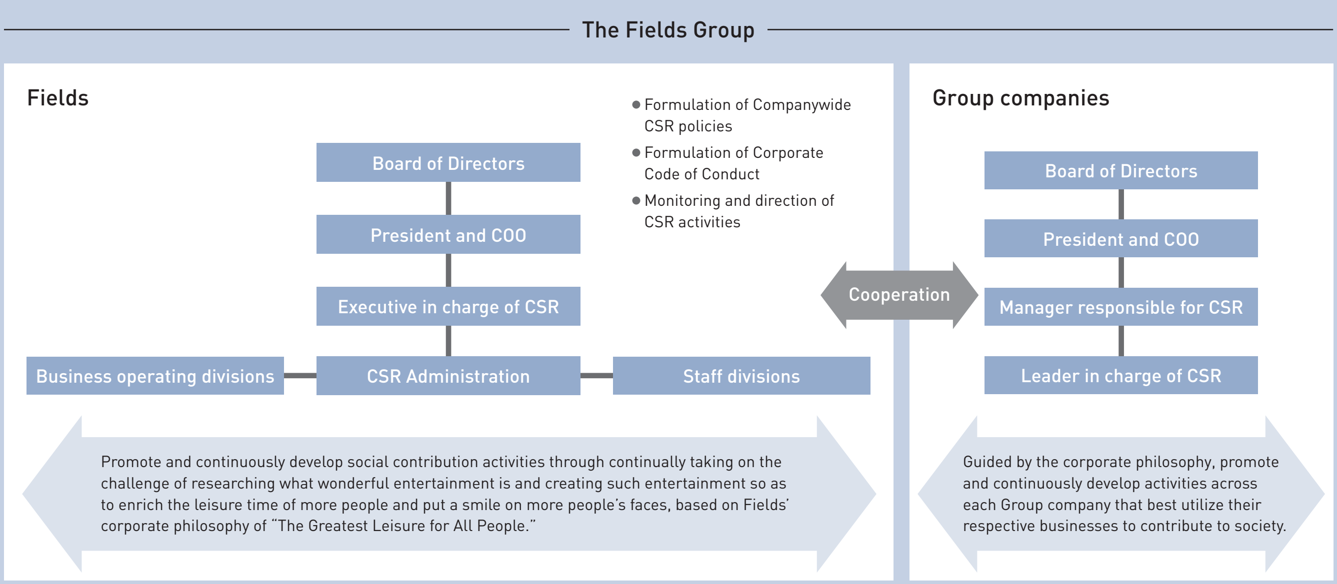
CSR Promotion Structure

Based on a structure that centers on the CSR Committee, the Company has promoted various activities to realize its corporate philosophy, fulfill its social responsibility, and help bring about a richer society. These include not only working to fulfill its social responsibility through its business activities but also contributing to society through global environmental protection, cultural, and sporting activities. Fields has also promoted thorough compliance to corporate ethics as well as laws and regulations.

Activities based on our corporate philosophy fulfill CSR in and of themselves. This is the true essence of our CSR activities and, in order to facilitate a groupwide understanding and awareness of this true essence, we established a department specializing in CSR in April 2014. To achieve a more ideal organizational structure, we dissolved the previous structure provided through the CSR Committee. With this move, the Board of Directors is now responsible for the functions of the CSR Committee. We also shifted to a structure where responsible departments develop the CSR activities that were previously developed under the jurisdiction of the CSR Committee. Under this new structure, the Group will work to revitalize social contribution through its business activities.

CSR Promoting Department

Guided by the Company's corporate philosophy, the CSR Promoting Department cooperates with each business and staff division to research what wonderful entertainment is and to continually take on the challenge of creating such entertainment so as to enrich the leisure time of more people and put a smile on more people's faces. In doing so, the department works to strengthen cooperation among Group Companies under the philosophy of promoting social contribution activities across each Group Company and encouraging continuous development of these activities.



Main CSR Initiatives from April 2014 to August 2015

Initiatives to Facilitate an Understanding and Awareness of "the True Essence of the Fields Group's CSR Activities"

The Company is carrying out instructional and educational activities related to the true essence of the Fields Group's CSR activities, which is the idea that activities based on the Company's corporate philosophy fulfill CSR in and of themselves.

These educational activities are carried out within the Company and at each Group company. Through the proactive exchange of information utilizing such in-house communication tools as the in-house portal and WE, the in-house digital signage system, we are focusing our efforts on facilitating an understanding and awareness of the true nature of the Group's CSR activities. In addition, we are promoting initiatives to reflect this true essence into our business activities and corporate actions.

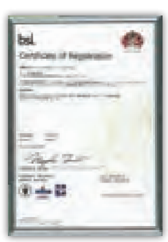
Initiatives for Thorough Adherence to Corporate Ethics and Laws

With the purpose of simultaneously fostering awareness for corporate ethics and compliance, Fields is implementing compliance education on a wide variety of themes through group training and e-learning systems.

In addition, we have expanded the application range of our e-learning systems in the Fields Group, which were previously only applied to the Company. In this way, we are making efforts to forge an awareness of corporate ethics and compliance throughout the Group.

Initiatives in Risk Management Promotion

In order to earn the trust of society and our customers, all directors and employees of the Group possess a high level of awareness toward information security. As such, we are engaging in initiatives to further improve systems that manage information security.


bsi.
Certificate of Registration

In August 2015, we transitioned over to a new standard* for information security management systems (ISMS), and maintained certifications for these systems.

* The ISO/IEC 27001:2013, an international standard, and the JISQ 27001:2014, a standard in Japan

Other Major Initiatives in Social Contribution Activities

TOPIC 1 Continuously Implementing Energy-saving Initiatives

Initiatives related to air conditioning and Company facilities
- Shortening of operating hours, thorough management of air conditioning temperature
- Reduction of lighting, conversion to LED light bulbs
- Introduction of multi-function copiers with low power consumption

Initiatives related to office automation (OA) equipment
- Introduction of energy-saving OA equipment, reduction of standby power consumption for PCs and other equipment

Promotion of "cool biz" dress code

TOPIC 2 Actively Participating in Volunteer Activities

Periodic cleaning activities around the head office (Nampeidai-cho in Shibuya, Tokyo)

Collection of PET bottle caps and used stamps

Participation in Shibuya Ward Cleanup Day (Shibuya Day, April 28) sponsored by the Shibuya Ward of Tokyo

Participation in Cleanup Campaign Kugenuma Beach sponsored by the Japan Environmental Action Network NPO

Participation in Tokyo's "Shibuya town cleanup regulation enlightening campaign Oct. 7" sponsored by the Shibuya Ward of Tokyo

TOPIC 3 Introducting Eco-Cars in Consideration of the Environment

Completion of replacement of 287 cars used for business with eco-car, reduction of annual CO_2 emissions by approximately 538 tons (equivalent to the annual amount of CO_2 absorbed by approximately 38,000 cedar trees*)

* Figures for cedar trees are calculated based on the annual CO_2 absorption amount of roughly 14kg per one cedar tree ("Green Carbon Sink Measures to Prevent Global Warming," Ministry of Education, Forestry Agency materials)

TOPIC 4 Promoting the Installation of Automated External Defibrillators (AEDs)

Installation of AEDs at 53 in-house locations, including the head office and branch offices and stores; implementation of lectures on AED use for employees

Installation of AEDs in easy-to-find places, such as near the entrances of branch offices and stores, in order for AEDs to be of assistance to clients and neighborhood residents

TOPIC: ULTRAMAN FOUNDATION

Immediately after the March 2011 Great East Japan Earthquake, the Fields Group cooperated primarily with Tsuburaya Productions Co., Ltd., and approving companies within the Group to establish the ULTRAMAN FOUNDATION. With a particular focus on children as the hope for the future, the foundation has worked to give emotional and material support to those most affected by the earthquake. Four years have passed since the disaster, and the scope of the foundation's activities has expanded across Japan, including disaster-stricken areas, to provide support to children in need, continuously engaging in activities to address both their physical and psychological needs. Going forward, we will continue these activities as we believe spending enjoyable, stress-free time with heroes naturally leads many children to think about their ambitions and hopes for the future.


©TSUBURAYA PROD.

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/

Please visit the Company website for more details on our CSR initiatives.
http://www.fields.biz/ir/e/csr/activities/

Corporate Governance

Basic Approach to Corporate Governance

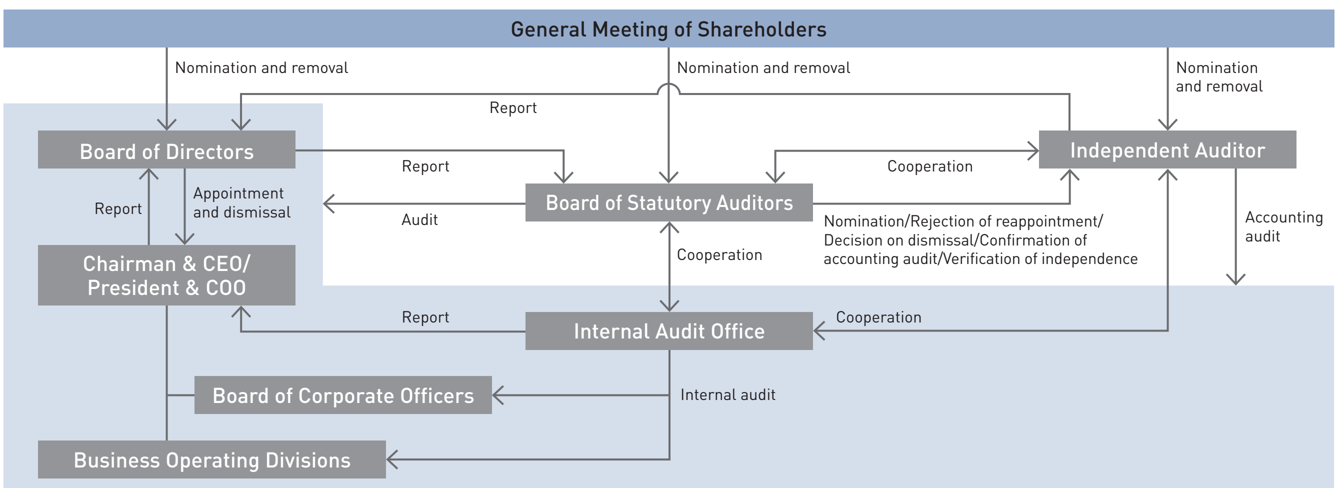
Fields' corporate philosophy and mission is to provide "The Greatest Leisure for All People," with continuously increasing corporate value as a basic policy guiding Company management.

We believe one of the most important management issues for the Company 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 financing to subsidiaries and affiliates.

Furthermore, in regard to the Corporate Governance Code, which was adopted by the Tokyo Stock Exchange on June 1, 2015, the Company will continue to secure transparency and fairness in its management. At the same time, the Company aims to improve corporate value over the medium-to long-term through continuous profit growth and appropriate corporate governance. To this end, we are promoting diligent considerations toward establishing an optimal corporate governance structure.

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)	13 (1)
Board of Directors' meetings in the fiscal year ended March 31, 2015	18
Number of auditors (outside auditors)	4 (4)
Board of Auditors' meetings in the fiscal year ended March 31, 2015	20
Board of Directors' meetings attended by outside auditors in the fiscal year ended March 31, 2015	Kenichi Ikezawa: 18, Tadao Koike: 18, Yoshika Furuta: 18, Koichiro Nakamoto: 17
Independent Auditor	BDO Sanyu & Co.
Internal Audit Office	Internal Audit Office

Oversight and Execution of Management

The Board of Directors comprises 13 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 has a system in place that allows for quick management decisions to be made. In addition, through its comprehensive set of regulations covering all business operations, Fields carries out the transfer of authority. This establishes 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, which holds meetings every month. The Internal Audit Office's personnel also attend these monthly meetings, and the Company provides opportunities at these meetings for auditors to talk with directors and key personnel on an individual basis. In addition, the Board of Statutory Auditors holds periodic meetings with the Independent Auditor to exchange opinions.

Internal audits are carried out by the Internal Audit Office, which is comprised of 3 members, including its general manager, and reports directly to the President & COO. These 3 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.

In regard to audits performed by statutory auditors, not only do these auditors attend important meetings of 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.

As for cooperation between the Board of Statutory Auditors and the Internal Audit Office, at the monthly meetings of the Board of Statutory Auditors, the Internal Audit Office and the Board of Statutory Auditors conduct mutual evaluations of internal controls, report results of audits, and exchange opinions.

Every quarter, the Internal Audit Office's personnel also attends the meetings held between the Board of Statutory Auditors and the Independent Auditor to exchange opinions. Furthermore, the Board of Statutory Auditors and the Internal Audit Office attend the interim and end-of-year audits by the Independent Auditor of the Company. In this way, the Board of Statutory Auditors, the Internal Audit Office, and the Independent Auditor engage in mutual cooperation as they conduct their auditing duties.

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 has worked as a copywriter and an essayist and has deep insight into the Company's content business. In addition, with his abundant experience and original ideas, he was appointed as an outside director to proactively participate in the business strategies of the Company. While Mr. Itoi is also the president of Tokyo Itoi Shigesato Office Co., Ltd., the Company does not conduct transactions or maintain a special relationship with Tokyo Itoi Shigesato Office. 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 auditor (including reason for being designated as an independent member of the Board, if applicable)
Kenichi Ikezawa	Standing auditor Kenichi Ikezawa has worked in accounting and finance for many years. He also has considerable experience in the Group's internal control leveraging the knowledge and insight he has developed throughout his career. We appointed Mr. Ikezawa with the expectation of reflecting his broad range of expertise in management. Furthermore, he satisfies the criterion of independence, and was designated as an independent member of the Board after it was judged his appointment would not give rise to conflict of interest with the general shareholders of the Company.
Tadao Koike	Part-time auditor Tadao Koike was a former executive at a major securities company, and is a veteran of the securities-issuing market. He was appointed with the expectation of reflecting his extensive insight into the Company's management. While Mr. Koike is also an outside auditor at Tokyo Itoi Shigesato Office Co., Ltd., the Company does not conduct transactions or maintain a special relationship with Tokyo Itoi Shigesato Office. Moreover, 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 Japan's National Tax Agency. Mr. Furuta was appointed with the expectation of reflecting his extensive insight into the Company's management. While he is the Chief of the Yoshika Furuta Certified Public Tax Accountant Office and an auditor at MONEY SQUARE HOLDINGS, Inc., the Company does not engage in transactions or maintain a special relationship with either of these companies. In addition, 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 the expectation of reflecting his extensive insight into the Company's management While Mr. Nakamoto is an outside auditor at JI Accident & Fire Insurance Co., Ltd., the Company does not engage in transactions or maintain a special relationship with JI Accident & Fire Insurance. Mr. Nakamoto is also an advisor at Anderson Mori & Tomotsune LPC. Although this law firm acts as a legal advisor to the Company under contract, transaction prices for these legal services are based on general terms and conditions.

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 members of the Board 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 director). 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, 2015, was ¥821 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 13 directors and 4 auditors.

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

At the 27th Annual General Meeting of Shareholders, held on June 29, 2015, shareholders voted on and approved resolutions as proposed for the disposition of surplus (¥35 per share [ordinary dividend of ¥25 and commemorative dividend of ¥10], ¥1,161,433,000 in total) and for the election of 13 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

Based on the Group's Corporate Code of Conduct, directors and employees of the Group are working toward appropriate and fair business activities.

In order to ensure that Group directors and employees stringently adhere to laws and regulations, 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 30–31.

Internal Controls Related to Financial Reporting

Working to improve the system for reporting on internal controls related to financial statements stipulated in the Financial Instruments and Exchange Law, the Company is establishing and managing necessary systems to maintain credibility in financial reporting. The Company's internal controls for consolidated financial reporting at the end of the fiscal period were deemed to be effective, and the Company has submitted this evaluation as an internal control report to the Director of the Kanto Finance Bureau. This evaluation has also been posted on EDINET and the Company's IR website.

System for Ensuring Reliable Financial Reporting

In accordance with such laws as Japan's Financial Instruments and Exchange Law as well as the Timely Disclosure Rules established by the Tokyo Stock Exchange, Fields discloses information in a timely manner based on the principles of transparency, fairness, and continuity.

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. The Company undertakes 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 the Company's IR site, and publish an annual report and shareholders' newsletter (only available in Japanese). 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.

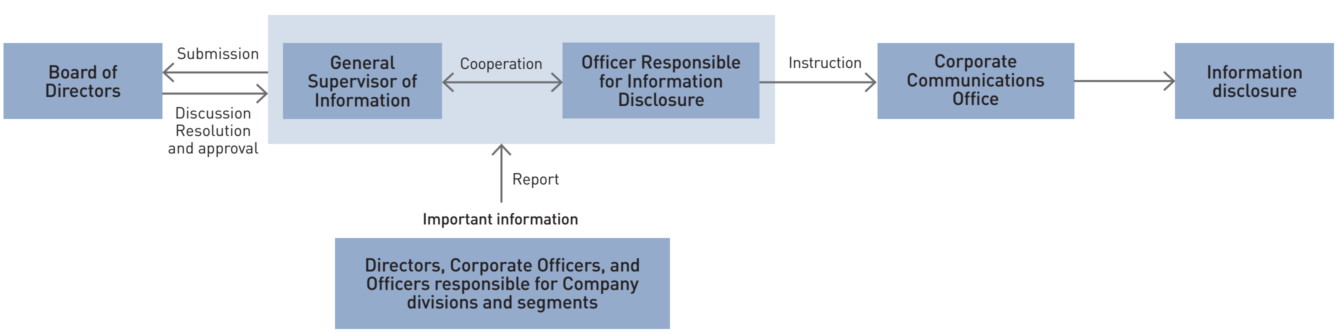
Furthermore, the Company actively works to improve direct communication with all of its stakeholders, and management shares information about stakeholders' requests and evaluations throughout the entire Company, to help improve management and raise corporate value.

Overview of the Framework for Timely Disclosure

Fields designates the Corporate Officer and General Manager of the Corporate Communications Office as the Officer Responsible for Information Disclosure, and this officer manages information concerning the Company. This officer also gathers the required information from the various divisions and segments within the Company and deliberates on the necessity of its disclosure. As for the necessity of disclosure, deliberations are held by authorized personnel. Disclosure standards abide by regulations for the timely disclosure of the Group's information of issuers of listed securities maintained by securities exchanges and others.

In regard to information pertaining to matters of decision, matters of occurrence, and financial results, the General Supervisor of Information reports and submits this kind of information to the Board of Directors for approval. Once approved, the Officer Responsible for Information Disclosure promptly discloses information using TDnet.

Framework for Timely Disclosure



Structure for Rejection of Antisocial Forces

Fields conducts sound corporate management with a basic policy of preventing any relations with antisocial forces and strongly rejecting 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.

Even in the event where it is confirmed that a relationship is had with antisocial forces unexpectedly, a system is in place to quickly dissolve such a relationship as stipulated by contracts based on clauses for the elimination of antisocial forces.

In addition, the Group raises awareness among directors and employees at each Group company in order to prevent any relations with antisocial forces.

The Group has established a special department to respond to unreasonable demands from antisocial forces. The Group also cooperates with local police stations and related institutions in efforts to collect and manage information on antisocial forces. At the same time, the Group maintains a resolute attitude in rejecting any unreasonable demands.

Corporate Governance

Risk 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 29, 2015). 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 IP to develop content for diverse media and platforms. In relation to each IP, 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 recreation 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.

As a result, 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.

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 does not perform rights procedures properly or is 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 its 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. Pachinko and Pachislot Machines Industry's Statutory Regulations, Self-imposed Regulations, and Market Conditions

The Group's design, development, and sale of pachinko and pachislot machines are not directly subject to control by legal regulations for pachinko and pachislot machine manufacturers or 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." However, pachinko and pachislot machine manufacturers within the Group are subject to the above legal regulations. On the other hand, there are cases where industry bodies implement self-imposed regulations for pachinko and pachislot machine manufacturers, pachinko hall operators, and pachinko and pachislot machine distributors, as part of efforts to restore soundness in the industry.

Furthermore, amendments to 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 have strong entertainment value, which are instrumental in attracting new customers and keeping existing customers.

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.

10. Financing

In order to realize a stable supply of financing, the Group has entered into syndicate loan contracts with several financial institutions. These contracts include financial covenants that would force the Company to forfeit the benefit of time regarding loan obligations and require lump-sum repayments of loans if the Company were to violate certain conditions. This could subsequently affect the Group's financial position. As of the publication date of the securities report (June 29, 2015), the Group has not violated any financial covenants pertaining to these syndicate loan contracts.

Corporate Governance

Directors, Auditors, and Corporate Officers (As of June 29, 2015)

Chairman & CEO	Hidetoshi Yamamoto
President & COO	Takashi Oya
Executive Vice President	Kiyoharu Akiyama
Executive Vice President	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
Director; Division Manager, Imaging Production Division	Eiichi Kamagata
Outside Director	Shigesato Itoi

Outside Auditor (Standing 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, Intellectual Property Marketing Division	Noritada Shimizu
Corporate Officer; Division Manager, Consumer Service Business Division	Takao Yamamura

At the 27th Annual General Meeting of Shareholders (held on June 29, 2015)

At the 27th Annual General Meeting of Shareholders, which was held on June 29, 2015, a shareholder posed the following question to Outside Director Shigesato Itoi. His response is provided below.

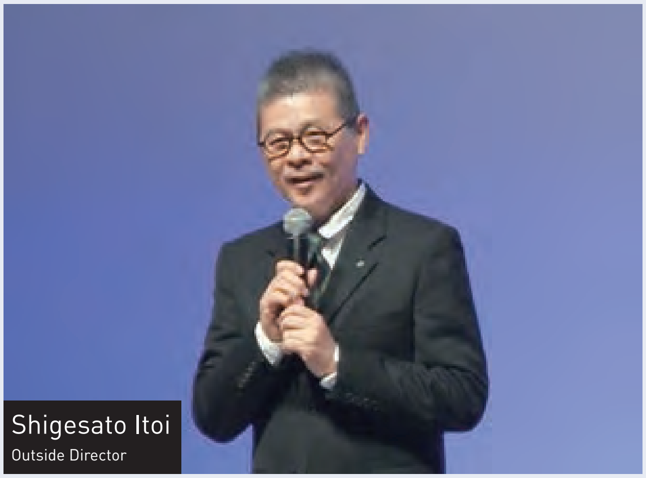
Question from Shareholder

Mr. Itoi, what was it about Fields that you found appealing enough to want to become an outside director?

Outside Director Itoi's Response

A long period of my past was spent working freelance, and I therefore found myself on a path unrelated to overseeing organizations or participating in management. However, I was later awakened to the potential for companies and other organizations to give form to dreams and to influence and shape society. It was Chairman Yamamoto and Fields itself that made me aware of this potential.

Fields is currently developing a business that is centered on intellectual properties, or IP. I first heard of this "IP business" over a decade ago, before the word "IP" became part of the social lexicon. This was when Chairman Yamamoto explained to me that Fields was preparing to launch a new business model in which the Company would link its various characters to pachinko machines, establishing this model as its brand and subsequently expanding its customer base. At the time, I was unable to properly understand what all this entailed. Later, Fields launched a pachinko machine that revolved around *Evangelion*, a TV anime series that had finished its broadcast run a number of years prior. This machine soon proved to be a massive hit. Chairman Yamamoto had accomplished exactly what he had proposed, the establishment of a brand founded on pachinko and IP. Today, anyone in Japan is well aware of the heights the popularity of *Evangelion* rose to after this IP was rekindled by this pachinko machine. I do not think anyone could have imagined characters from this popular anime that had stopped being broadcast years ago would be used in a pachinko machine. Nor could they have expected that this would lead to this anime once again being featured in movie theaters in the form of animated contents. This accomplishment by Fields convinced me of the Company's ability to predict future trends and create new value.



At the 27th Annual General Meeting of Shareholders (held on June 29, 2015)

Fields has given birth to numerous new ideas that are unrestrained by common conventions or practices, and being involved in this environment fills me with a sense of wonder. Of course, not all new ideas come to fruition, but the process of making an idea into a reality is an undertaking with the potential to influence and shape society. It was Fields that made me aware of this fact. I feel very privileged to be in a position in which I am able to gain this sense of wonder, and I believe this is a major appeal of Fields. As an outside director, I am taking advantage of my outside position, performing my duties with the aim of responding to this sense of wonder with opinions that similarly exist beyond the scope of the normal. I hope that Fields' stakeholders will look to the Company with the same high expectations that I do, and I am working to my fullest to ensure Fields continues to be a company worthy of this level of anticipation.

Consolidated Balance Sheets

FIELDS CORPORATION and its Consolidated Subsidiaries
At March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
ASSETS	2014	2015	2015
Current assets:			
Cash and cash equivalents	¥ 29,583	¥ 15,823	$131,671
Notes and accounts receivable–trade	29,155	45,888	381,859
Inventories	3,133	1,736	14,446
Merchandising rights advances	1,954	3,061	25,472
Deferred tax assets	732	568	4,726
Other current assets	2,395	3,959	32,944
Allowance for doubtful accounts	(34)	(25)	(208)
Total current assets	66,921	71,014	590,946
Property and equipment:			
Land	7,875	7,737	64,383
Buildings and structures	6,291	6,513	54,198
Tools and furniture	4,143	4,590	38,195
Machinery and vehicles	47	54	449
Construction in progress	41	59	490
Total	18,397	18,953	157,718
Less: Accumulated depreciation	(6,293)	(6,758)	(56,236)
Property and equipment, net	12,104	12,197	101,497
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates	8,330	8,505	70,774
Investment securities	7,277	6,059	50,420
Goodwill	1,905	1,618	13,464
Long-term loans receivable	1,787	3,770	31,372
Deferred tax assets	654	840	6,990
Other assets	6,962	7,340	61,080
Allowance for doubtful accounts	(1,074)	(1,029)	(8,562)
Total investments and other assets	25,842	27,104	225,547
Total assets	¥104,869	¥110,316	$917,999

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, using the prevailing exchange rate at March 31, 2015, which was ¥120.17 to U.S.$1.00.

LIABILITIES AND NET ASSETS	Millions of Yen 2014	Millions of Yen 2015	Thousands of U.S. Dollars 2015
Current liabilities:			
Notes and accounts payable–trade	¥ 33,105	¥ 33,850	$281,684
Short-term bank loans	634	4,014	33,402
Current portion of long-term debt	58	42	349
Income taxes payable	1,959	2,345	19,514
Accrued bonuses	350	378	3,145
Accrued bonuses to directors and corporate auditors	230	282	2,346
Other current liabilities	5,390	4,859	40,434
Total current liabilities	41,730	45,773	380,902
Long-term liabilities:			
Long-term debt, less current portion	50	8	66
Net defined benefit liability	675	521	4,335
Other long-term liabilities	3,659	3,766	31,338
Total long-term liabilities	4,386	4,296	35,749
Net assets:			
Common stock:			
Authorized; 138,800,000 shares at March 31, 2014 and 2015			
Issued; 34,700,000 shares at March 31, 2014 and 2015	7,948	7,948	66,139
Capital surplus:			
Additional paid-in capital	7,994	7,994	66,522
Retained earnings	44,548	46,049	383,198
Treasury stock; 1,516,200 shares at March 31, 2014 and 2015	(1,821)	(1,821)	(15,153)
Accumulated other comprehensive loss:			
Unrealized loss on available-for-sale securities	(262)	(567)	(4,718)
Foreign currency translation adjustments	(1)	(1)	(8)
Remeasurements of defined benefit plans	(126)	(109)	(907)
Total accumulated other comprehensive loss	(390)	(679)	(5,650)
Minority interests	473	753	6,266
Total net assets	58,753	60,246	501,339
Total liabilities and net assets	¥104,869	¥110,316	$917,999

Consolidated Statements of Income

FIELDS CORPORATION and its Consolidated Subsidiaries
For the years ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Net sales	¥114,904	¥99,554	$828,443
Cost of sales	81,092	71,086	591,545
Gross profit	33,812	28,468	236,897
Selling, general and administrative expenses	24,020	23,724	197,420
Operating income	9,791	4,743	39,469
Other income (expenses):			
Interest and dividend income	223	272	2,263
Interest expenses	(10)	(12)	(99)
Equity in earnings of affiliates	384	187	1,556
Impairment loss	(20)	(12)	(99)
Gain on sale of investment securities	28	467	3,886
Purchase discount	125	289	2,404
Provision for doubtful accounts	(940)	—	—
Other, net	8	(181)	(1,506)
Other income (expenses), net	(204)	1,012	8,421
Income before income taxes and minority interests	9,588	5,754	47,882
Income taxes:			
Current	3,940	2,425	20,179
Deferred	203	4	33
Total income taxes	4,143	2,430	20,221
Income before minority interests	5,444	3,324	27,660
Minority interests	74	305	2,538
Net income	¥ 5,370	¥ 3,018	$ 25,114

	Yen		U.S. Dollars
Earnings per share:			
Basic earnings per share	¥161.83	¥90.97	$0.76

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, using the prevailing exchange rate at March 31, 2015, which was ¥120.17 to U.S.$1.00.

Consolidated Statements of Comprehensive Income

FIELDS CORPORATION and its Consolidated Subsidiaries
For the years ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Income before minority interests	¥5,444	**¥3,324**	**$27,660**
Other comprehensive income (loss):			
Net unrealized gain (loss) on available-for-sale securities	138	**(307)**	**(2,554)**
Foreign currency translation adjustments	0	**(0)**	**(0)**
Remeasurements of defined benefit plans	—	**17**	**141**
Total other comprehensive income (loss)	138	**(290)**	**(2,413)**
Total comprehensive income	¥5,583	**¥3,034**	**$25,247**
Attributable to:			
Shareholders of FIELDS CORPORATION	¥5,505	**¥2,730**	**$22,717**
Minority interests	77	**304**	**2,529**

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, 2014 and 2015

	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, 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
Cumulative effect of accounting change	—	—	—	142	—	—	—	—	—	142
Adjusted beginning balance	34,700,000	7,948	7,994	44,690	(1,821)	(262)	(1)	(126)	473	58,895
Net income	—	—	—	3,018	—	—	—	—	—	3,018
Cash dividends paid	—	—	—	(1,659)	—	—	—	—	—	(1,659)
Net change of item other than shareholders' equity	—	—	—	—	—	(305)	(0)	17	280	(8)
Balance at March 31, 2015	34,700,000	¥7,948	¥7,994	¥46,049	¥(1,821)	¥(567)	¥(1)	¥(109)	¥753	¥60,246

	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 March 31, 2014	$66,139	$66,522	$370,708	$(15,153)	$(2,180)	$(8)	$(1,048)	$3,936	$488,915
Cumulative effect of accounting change	—	—	1,181	—	—	—	—	—	1,181
Adjusted beginning balance	66,139	66,522	371,889	(15,153)	(2,180)	(8)	(1,048)	3,936	490,097
Net income	—	—	25,114	—	—	—	—	—	25,114
Cash dividends paid	—	—	(13,805)	—	—	—	—	—	(13,805)
Net change of item other than shareholders' equity	—	—	—	—	(2,538)	(0)	141	2,330	(66)
Balance at March 31, 2015	$66,139	$66,522	$383,198	$(15,153)	$(4,718)	$(8)	$(907)	$6,266	$501,339

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, using the prevailing exchange rate at March 31, 2015, which was ¥120.17 to U.S.$1.00.

Consolidated Statements of Cash Flows

FIELDS CORPORATION and its Consolidated Subsidiaries
For the years ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Operating activities:			
Income before income taxes and minority interests	¥ 9,588	¥ 5,754	$ 47,882
Adjustments:			
Depreciation and amortization	2,164	2,137	17,783
Impairment loss	20	12	99
Amortization of goodwill	323	325	2,704
Equity in earnings of affiliates	(384)	(187)	(1,556)
Purchase discount	(125)	(289)	(2,404)
Gain on sale of investment securities	(28)	(467)	(3,886)
Notes and accounts receivable–trade	13,078	(17,232)	(143,396)
Accounts payable–trade	(3,132)	1,317	10,959
Inventories	(941)	1,396	11,616
Merchandising rights advances	71	(966)	(8,038)
Allowance for doubtful accounts	930	(54)	(449)
Other	449	878	7,306
Subtotal	22,015	(7,369)	(61,321)
Interest and dividends received	247	246	2,047
Interest paid	(10)	(12)	(99)
Income taxes paid	(5,929)	(1,951)	(16,235)
Net cash provided by (used in) operating activities	16,322	(9,086)	(75,609)
Investing activities:			
Purchases of property and equipment	(2,035)	(1,587)	(13,206)
Purchases of intangible assets	(1,414)	(1,665)	(13,855)
Payments for investments in affiliates	(4,209)	(48)	(399)
Proceeds from sale of investment securities	40	828	6,890
Increase in loans receivable	(930)	(4,221)	(35,125)
Collection on loans	12	788	6,557
Other	518	(391)	(3,253)
Net cash used in investing activities	(8,018)	(6,297)	(52,400)
Financing activities:			
Increase in short-term bank loans, net	113	3,380	28,126
Repayments of long-term debt	(422)	(58)	(482)
Cash dividends paid	(1,657)	(1,658)	(13,797)
Other	(52)	(38)	(316)
Net cash provided by (used in) financing activities	(2,018)	1,624	13,514
Foreign currency translation adjustments on cash and cash equivalents	0	—	—
Net increase (decrease) in cash and cash equivalents	6,284	(13,760)	(114,504)
Cash and cash equivalents at beginning of the year	23,309	29,583	246,176
Decrease in cash and cash equivalents due to change in the scope of consolidation	(10)	—	—
Cash and cash equivalents at end of the year	¥29,583	¥ 15,823	$ 131,671

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, using the prevailing exchange rate at March 31, 2015, which was ¥120.17 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 2014 consolidated financial statements to conform to the classifications used in 2015.

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, 2015, which was ¥120.17 to U.S.$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at that or any other rate.

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

2. Summary of Significant Accounting Policies

Principles of Consolidation

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

All significant inter-company balances and transactions are eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated. In eliminating investments in subsidiaries, the assets and liabilities, including the portion attributable to minority interests, are evaluated at fair value at the time the Company acquired control 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 subsidiaries and affiliates at March 31, 2014 and 2015 are as follows:

	Number of Companies	
	2014	2015
Consolidated subsidiaries	15	15
Unconsolidated subsidiaries not accounted for under the equity method	5	5
Affiliates accounted for under the equity method	9	9
Affiliates not accounted for under the equity method	2	2

The consolidated subsidiaries and holding ratio of the Company at March 31, 2014 and 2015 are as follows:

	Holding Ratio	
	2014	2015
Fields Jr. Corporation	100.0%	100.0%
Shinnichi Technology Co., Ltd.	100.0	100.0
MICROCABIN CORP.	100.0	100.0
Lucent Pictures Entertainment, Inc.	100.0	100.0
Total Workout premium management Inc.	95.0	95.0
FutureScope Corp.	87.7	87.7
Digital Frontier Inc.	86.9	86.9
Digital Frontier (Taiwan) Inc.	86.9	86.9
IP Bros. Inc.	85.0	85.0
Fly Studio Sdn, Bhd	80.0	80.0
GEMBA Inc.	73.9	73.9
NEX ENTERTAINMENT CO., LTD.	64.6	69.8
BOOOM Corporation (Formerly known as F Corporation)	51.0	51.0
Tsuburaya Productions Co., Ltd.	51.0	51.0
XAAX Inc.	51.0	51.0

Note:

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.

Year ended March 31, 2015

There were no changes 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 ranges of useful lives of depreciable assets are as follows:

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

ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets" (revised on May 17, 2012), 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. An 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 losses.

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 April 1, 2014, the Company applied 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 March 26, 2015), in accordance with Section 35 of the aforementioned standard and Section 67 of the aforementioned guidance. In applying the new standard and guidance, the Company reviewed the determination method of retirement benefit obligations and current service costs, and changed: (1) the method of attributing expected benefit to periods from the straight-line basis to the benefit formula basis; and (2) the method to determine the discount rate under which a single weighted average discount rate reflecting the estimated timing and amount of benefit payment is used.

In applying the new standard and guidance, the effects of amendments in the determination method of retirement benefit obligations and current service costs were recognized as an adjustment of the opening balance of retained earnings as of April 1, 2014 in accordance with the tentative treatment stipulated in Section 37 of the new standard.

As a result, the effects of applying the new standard and guidance were to decrease net defined benefit liability by ¥220 million ($1,830 thousand) and to increase retained earnings by ¥142 million ($1,181 thousand) as of April 1, 2014. The effects on operating income, ordinary income, and income before income taxes and minority interests were to increase each by ¥13 million ($108 thousand). The effect on per share figures is to increase basic earnings per share ("EPS") by ¥0.42 ($0.00).

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 translations are charged to income in the year they are incurred.

Notes to the Consolidated Financial Statements

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 asset accounts are translated at their historical exchange rates. The differences arising from translations are included in foreign currency translation adjustments.

Derivative Financial Instruments and Hedging Accounting

Japanese GAAP for derivative financial instruments:

Derivative financial instruments are stated at fair value at the balance sheet date and changes in fair value are recognized as gains or losses. If derivative financial instruments are used as hedges and meet certain hedging criteria, a company defers recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related gains or losses on the hedged items are realized.

Group's management policy for derivative transactions:

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

Risk management for derivative transactions:

The Group enters into 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, 2014 and 2015.

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 distribution sales and agency sales.

For distribution sales:

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

For agency sales:

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. Revenue is recognized 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 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, 2014 and 2015 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 may differ from those estimates and assumptions.

3. Inventories

Inventories at March 31, 2014 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Merchandise	¥ 742	¥ 239	$ 1,988
Work in process	2,351	1,414	11,766
Raw materials and supplies	40	83	690
Total	¥3,133	¥1,736	$14,446

Loss on revaluation of inventories, which is included in cost of sales, for the years ended March 31, 2014 and 2015 was ¥306 million and nil, 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, 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

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. 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
Balance included in the consolidated balance sheet	
Investment securities	¥ 494
Investments in unconsolidated subsidiaries	32
Investments in affiliates	8,297
Total	¥8,824

Detailed information about investment securities is discussed in Note 5.

Notes to the Consolidated Financial Statements

Financial instruments whose fair values are readily determinable at March 31, 2015 are as follows:

	Millions of Yen		
	Carrying Amount	Fair Value	Difference
Assets:			
(1) Cash and cash equivalents	¥15,823	¥15,823	¥—
(2) Notes and accounts receivable	45,888		
Less: Allowance for doubtful accounts	(24)		
Net amount	45,863	45,863	—
(3) Investment securities			
(a) Held-to-maturity securities	200	207	7
(b) Available-for-sale securities	5,520	5,520	—
(4) Long-term loans receivable	3,770		
Less: Allowance for doubtful accounts	(935)		
Net amount	2,835	2,846	11
Total	¥70,242	¥70,261	¥18
Liabilities:			
(5) Notes and accounts payable	33,850	33,850	—
(6) Short-term bank loans	4,014	4,014	—
(7) Current portion of long-term debt	42	42	0
(8) Income taxes payable	2,345	2,345	—
(9) Long-term debt	8	8	(0)
Total	¥40,261	¥40,261	¥ 0

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Difference
Assets:			
(1) Cash and cash equivalents	$131,671	$131,671	$ —
(2) Notes and accounts receivable	381,859		
Less: Allowance for doubtful accounts	(199)		
Net amount	381,650	381,650	—
(3) Investment securities			
(a) Held-to-maturity securities	1,664	1,722	58
(b) Available-for-sale securities	45,934	45,934	—
(4) Long-term loans receivable	31,372		
Less: Allowance for doubtful accounts	(7,780)		
Net amount	23,591	23,683	91
Total	$584,521	$584,680	$149
Liabilities:			
(5) Notes and accounts payable	281,684	281,684	—
(6) Short-term bank loans	33,402	33,402	—
(7) Current portion of long-term debt	349	349	0
(8) Income taxes payable	19,514	19,514	—
(9) Long-term debt	66	66	(0)
Total	$335,033	$335,033	$ 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. Fair value of bank loans is stated at present value of the 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 tables above. Such financial instruments at March 31, 2015 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance included in the consolidated balance sheet		
Investment securities	¥ 338	$ 2,812
Investments in unconsolidated subsidiaries	70	582
Investments in affiliates	8,434	70,183
Total	¥8,843	$73,587

Detailed information about investment securities is discussed in Note 5.

Maturity analysis for financial assets at March 31, 2015 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	¥15,823	¥ —	¥ —	¥ —
(2) Notes and accounts receivable	45,888	—	—	—
(3) Investment securities				
(a) Held-to-maturity securities	—	—	—	200
(b) Available-for-sale securities				
Debt securities	—	—	—	100
Other securities	—	—	—	—
(4) Long-term loans receivable	—	2,346	680	—
Total	¥61,711	¥2,346	¥680	¥300

	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	$131,671	$ —	$ —	$ —
(2) Notes and accounts receivable	381,859	—	—	—
(3) Investment securities				
(a) Held-to-maturity securities	—	—	—	1,664
(b) Available-for-sale securities				
Debt securities	—	—	—	832
Other securities	—	—	—	—
(4) Long-term loans receivable	—	19,522	5,658	—
Total	$513,530	$19,522	$5,658	$2,496

Notes:
(1) Long-term loans receivable in the tables above are stated after deducting the allowance for doubtful accounts of ¥935 million ($7,780 thousand) .
(2) Long-term loans receivable in the consolidated balance sheet are stated after deducting ¥190 million ($1,581 thousand) because of applying the equity method.
(3) During the year ended March 31, 2015, ¥200 million ($1,664 thousand) of held-to-maturity securities and ¥100 million ($832 thousand) of other securities of available-for-sale securities were redeemed though early redemptions.

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, 2014 and 2015:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Held-to-maturity securities:			
Balance included in the consolidated balance sheets	¥ 400	¥ 200	$ 1,664
Fair value	354	207	1,722
Net unrealized gain (loss)	(45)	7	58
Available-for-sale securities:			
—Equity securities			
Acquisition cost	6,625	6,263	52,117
Fair value	6,211	5,420	45,102
Net unrealized loss	(414)	(844)	(7,023)
—Debt securities			
Acquisition cost	62	71	590
Fair value	71	100	832
Net unrealized gain	8	28	233
—Other			
Acquisition cost	100	—	—
Fair value	100	—	—
Net unrealized gain	—	—	—

(b) The following table summarizes carrying value of available-for-sale securities whose fair value is not readily determinable at March 31, 2014 and 2015:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Stocks	¥338	¥338	$2,812
Investments in various partnerships and others	156	—	—

(c) The following table summarizes information of available-for-sale securities sold during the years ended March 31, 2014 and 2015:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
—Other			
Proceeds	¥40	¥828	$6,890
Realized gains	28	467	3,886

6. Fair Value of Derivative Transactions

Fair values of the Group's derivative financial instruments at March 31, 2014 and 2015 are as follows:

	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

	Millions of Yen 2015			
	Contract Amount			
	Within One Year	Over One Year	Fair Value	Valuation Gain
Financial instruments with embedded derivative instruments (Non-listed)	¥—	¥71	¥100	¥28

	Thousands of U.S. Dollars 2015			
	Contract Amount			
	Within One Year	Over One Year	Fair Value	Valuation Gain
Financial instruments with embedded derivative instruments (Non-listed)	$—	$590	$832	$233

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 gain and loss in the tables above are computed based on the fair value of the financial instruments with embedded derivative instruments taken as a whole because they cannot be reasonably bifurcated and remeasured.
(3) Contract amounts in the tables above are stated at the book value as of the beginning of the fiscal year.
(4) Financial instruments with embedded derivative instruments (non-listed) of ¥71 million ($590 thousand) as of March 31, 2015 will be redeemed within a year through an early redemption.

Notes to the Consolidated Financial Statements

7. Long-lived Assets

The Group reviewed its long-lived assets for impairment at March 31, 2014 and 2015 and, as a result, recognized impairment loss of ¥20 million and ¥12 million ($99 thousand), respectively.

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

For the year ended March 31, 2015, ¥1 million ($8 thousand) of tools and furniture for a restaurant facility was written down to zero because the Company decided to discontinue the facility. In addition, ¥10 million ($83 thousand) of buildings and structures of an office space was written down to zero because the Company decided to relocate.

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, 2014 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Due within one year	¥783	¥364	$3,029
Due after one year	125	583	4,851
Total	¥908	¥947	$7,880

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

The average interest rates applicable to the short-term bank loans were 1.17% and 0.45% at March 31, 2014 and 2015, respectively.

The following table summarizes the Group's long-term debt at March 31, 2014 and 2015:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Long-term debt:			
Long-term bank loans due October 20, 2016			
Current portion with weighted average interest rate of 1.61% in 2014 and 1.43% in 2015	¥ 58	¥42	$349
Non-current portion with weighted average interest rate of 1.46% in 2014 and 1.32% in 2015	50	8	66
Total	¥108	¥50	$416

No assets were pledged as collateral for the long-term debts at March 31, 2015.

The aggregate amounts of annual maturity of long-term debt at March 31, 2015 are as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥42	$349
2017	8	66
Total	¥50	$416

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, 2014 and 2015:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Total amount of the line of credit	¥17,000	¥32,000	$266,289
Outstanding balance	—	(3,800)	(31,621)
Remaining amount of the line of credit	¥17,000	¥28,200	$234,667

11. Retirement Benefits

Changes in defined benefit obligation for the years ended March 31, 2014 and 2015, except for plans to which the simplified method is applied, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Beginning balance:	¥519	¥ 610	$ 5,076
Cumulative effect of accounting change	—	(220)	(1,830)
Adjusted beginning balance:	519	390	3,245
Current service cost	52	61	507
Interest cost	10	3	24
Actuarial gains and losses	170	9	74
Benefits paid	(58)	(10)	(83)
Prior-year net periodic benefit costs	(84)	—	—
Ending balance	¥610	¥ 454	$ 3,777

Changes in net defined benefit liability of the plans under the simplified method for the years ended March 31, 2014 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Beginning balance:	¥59	¥64	$532
Net periodic benefit costs	8	11	91
Benefits paid	(3)	(9)	(74)
Ending balance	¥64	¥67	$557

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 and 2015 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Unfunded defined benefit obligation	¥675	¥521	$4,335
Net defined benefit liability on the consolidated balance sheets	675	521	4,335
Net defined benefit liability	675	521	4,335
Net defined benefit liability on the consolidated balance sheets	¥675	¥521	$4,335

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

Components of net periodic benefit costs for the years ended March 31, 2014 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Service cost	¥ 52	¥ 61	$ 507
Interest cost	10	3	24
Recognized actuarial gains and losses	20	44	366
Net periodic benefit costs under the simplified method	8	11	91
Other	(84)	—	—
Net periodic benefit costs for the year	¥ 8	¥121	$1,006

Other comprehensive income on defined retirement benefit plans for the years ended March 31, 2014 and 2015 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Actuarial gains and losses	¥—	¥35	$291
Total	¥—	¥35	$291

Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014 and 2015 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Unrecognized actuarial gains and losses	¥197	¥162	$1,348
Total	¥197	¥162	$1,348

Assumptions used for the above plans for the years ended March 31, 2014 and 2015 are as follows:

	2014	2015
Discount rate	1.0%	1.0%

Amounts of required contributions to defined contribution pension plans including the welfare pension plan as discussed in Note 2 for the years ended March 31, 2014 and 2015 were ¥9 million and ¥45 million ($374 thousand), respectively.

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, 2015 was ¥1,056 million ($8,787 thousand).

13. Income Taxes

The significant components of deferred tax assets and liabilities at March 31, 2014 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Deferred tax assets:			
Retirement benefits for employees	¥ 254	¥ 168	$ 1,398
Allowance for doubtful accounts	389	337	2,804
Asset retirement obligations	135	125	1,040
Accrued bonuses	124	125	1,040
Loss on investments in affiliates	53	100	832
Loss on devaluation of merchandising rights advances	169	116	965
Unrealized loss on investment securities	149	272	2,263
Enterprise taxes	138	179	1,489
Amortization	313	309	2,571
Tax loss carryforwards	1,212	999	8,313
Other	543	553	4,601
Gross deferred tax assets	3,486	3,287	27,352
Valuation allowances	(2,095)	(1,877)	(15,619)
Total deferred tax assets	1,390	1,409	11,725
Deferred tax liabilities	4	1	8
Net deferred tax assets	¥ 1,386	¥1,408	$11,716

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Deferred tax assets–current	¥ 732	¥ 568	$ 4,726
Deferred tax assets–non-current	654	840	6,990
Deferred tax liabilities–non-current (included in other long-term liabilities)	—	1	8
Net deferred tax assets	¥1,386	¥1,408	$11,716

Notes to the Consolidated Financial Statements

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, 2014 and 2015 is as follows:

	2014	2015
Statutory tax rate	38.0%	35.6%
Adjustments:		
Per capita levy of inhabitants' taxes	0.5	0.8
Expenses not deductible for tax purposes	1.4	1.9
Income not taxable for tax purposes	(0.7)	(0.6)
Equity in earnings of affiliates	(1.5)	(1.2)
Accrued bonuses to directors and corporate auditors	0.9	1.7
Change in valuation allowance	(2.6)	(3.8)
Amortization of goodwill	1.3	2.0
Expiration of tax loss carryforwards	3.3	—
Change in the effective income tax rate	1.7	6.7
Other	0.9	(1.0)
Effective income tax rate	43.2%	42.2%

On March 31, 2015, the Act on the Partial Revision of the Income Tax Act (Article 9, 2015) and the Act on the Partial Revision of the Local Tax Act (Article 2, 2015) were promulgated in Japan. In accordance with these revisions, deferred tax assets and liabilities which are collectible on or after April 1, 2015 are determined by using the new statutory tax rate. The statutory tax rate has been changed from the previous fiscal year's rate of 35.6% to 33.1% for items expected to be collected or paid in the period from April 1, 2015 to March 31, 2016, and to 32.3% for items expected to be collected or paid on or after April 1, 2016.

The effect of this change was to decrease net deferred tax assets by ¥418 million ($3,478 thousand), to increase income taxes–deferred by ¥384 million ($3,195 thousand), to decrease unrealized gain on available-for-sale securities by ¥28 million ($233 thousand), and to decrease cumulative effects of remeasurements of defined benefit plans by ¥5 million ($41 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 100-to-1 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, 2014 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
(Unconsolidated subsidiary)			
Nishiazabu 2-chome Kaihatsu Project, LLC			
Transactions during the year:			
Loans receivable (Note 1)	¥ 3,000	¥ —	$ —
Investments in Tokumei Kumiai (Note 1)	3,000	—	—
(Affiliate)			
Rodeo Co., Ltd.			
Outstanding balances at year-end:			
Accounts payable–trade	0	10	83
Transactions during the year:			
Purchase of merchandise	397	11,024	91,736
Purchase discount	84	—	—
Bisty Co., Ltd.			
Outstanding balances at year-end:			
Accounts receivable–trade	72	383	3,187
Accounts payable–trade	7,496	32	266
Advance received	391	36	299
Transactions during the year:			
Commissions received	5,683	6,857	57,060
Sales of merchandising rights	839	1,023	8,512
Purchase of merchandise	18,066	440	3,661
NANASHOW Corporation			
Outstanding balances at year-end:			
Short-term loans receivable	—	2,300	19,139
Long-term loans receivable	—	1,050	8,737
Accounts receivable–trade	—	110	915
Accounts payable–trade	—	4,528	37,679
Transactions during the year:	—		
Loans	—	3,350	27,877
Purchase of merchandise	—	7,027	58,475
Sales of merchandising rights	—	102	848

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.
(3) Transactions during the year figures do not include consumption taxes, whereas outstanding balances at year-end figures do.
(4) Bisty Co., Ltd. is a subsidiary of SANKYO Co., Ltd., a major shareholder of the Company.

16. Comprehensive Income

Reclassification adjustments and tax effects on other comprehensive income for the years ended March 31, 2014 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Net unrealized gain (loss) on available-for-sale securities:			
Gains arising during the year	¥ 461	¥ 37	$ 307
Reclassification adjustments	(250)	(467)	(3,886)
Amount before income tax effect	210	(429)	(3,569)
Income tax effect	(72)	(122)	(1,015)
Other comprehensive income–net unrealized gain (loss) on available-for-sale securities	¥ 138	¥(307)	$(2,554)
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)
Remeasurements of defined benefit plans:			
Gains arising during the year	¥ —	¥ (9)	$ (74)
Reclassification adjustments	—	44	366
Amount before income tax effect	—	35	291
Income tax effect	—	17	141
Other comprehensive income–remeasurements of defined benefit plans	¥ —	¥ 17	$ 141
Total other comprehensive income (loss)	¥ 138	¥(290)	$(2,413)

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.

No significant business combinations occurred during the year ended March 31, 2015.

18. Subsequent Event

Year-end dividends

At the General Meeting of Shareholders held on June 29, 2015, the shareholders approved the payment of year-end cash dividends totaling ¥1,161 million ($9,661 thousand), or ¥35.00 ($0.29) per share.

19. Segment Information

Segment information for the years ended March 31, 2014 and 2015 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, 2014 and 2015, 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 these 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 these 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. 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, but not fro the purpose of expressing an opinion on the effectiveness of the entity ´s internal control. 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, 2014 and 2015, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 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 29, 2015

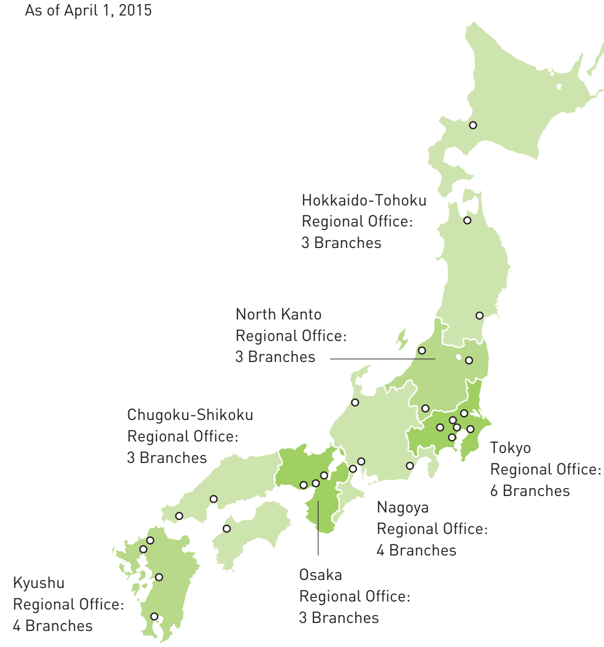
Corporate Profile

As of March 31, 2015

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 animation works 3. Planning and development of pachinko and pachislot machines 4. Purchasing and sales of pachinko and pachislot machines
Paid-in capital	¥7,948 million
Number of employees	1,716 (consolidated)
Consolidated subsidiaries	Lucent Pictures Entertainment, Inc. FutureScope Corp. Digital Frontier Inc. BOOOM Corporation Tsuburaya Productions Co., Ltd. 10 other companies
Equity-method affiliates	HERO'S INC. NANASHOW Corporation Kadokawa Haruki Corporation 6 other companies

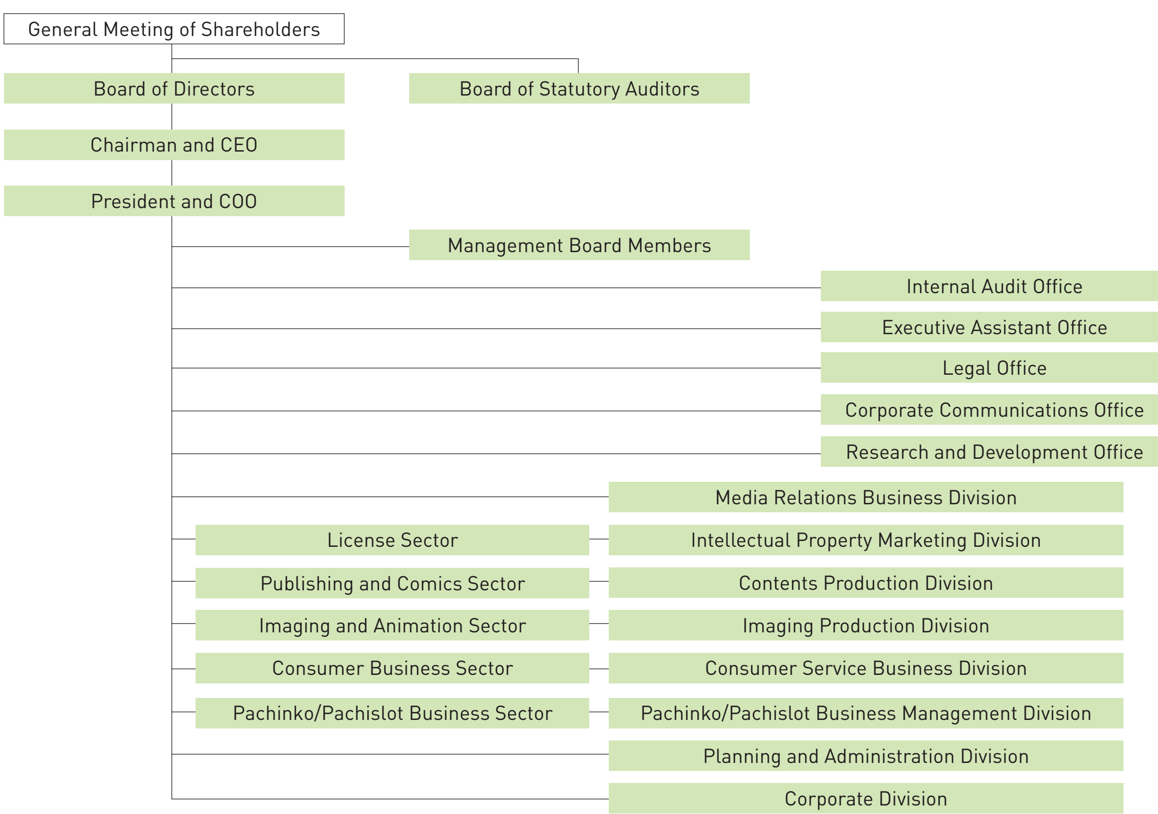
Number of Regional and Branch Offices

As of April 1, 2015



Organization

As of April 1, 2015



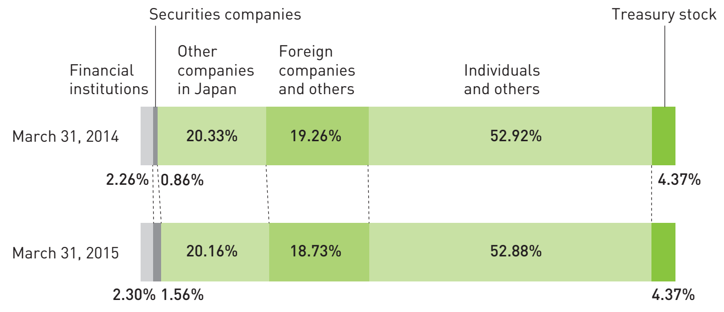
Stock Information

As of March 31, 2015

Stock Status

Total authorized shares	138,800,000
Total outstanding shares	34,700,000
Treasury stock	1,516,200
Number of shareholders	8,641

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	1,461,200	4.21
GOLDMAN, SACHS & CO. REG	702,021	2.02
STATE STREET BANK AND TRUST COMPANY 505103	565,800	1.63
Takashi Oya	450,000	1.30
STATE STREET BANK AND TRUST COMPANY 505019	432,100	1.25
THE BANK OF NEW YORK – JASDEC TREATY ACCOUNT	413,300	1.19

Note: Treasury stock the Company holds has been excluded from the list of (top 10) principal shareholders.

IR Information

IR Events Held—Fiscal Year Ended March 31, 2015

		IR Events	Number of Participants
2014	May	Business Strategy Conference	120
		Company briefing for individual investors (Tokyo)	30
	June	26th Annual General Meeting of Shareholders	303
		Company briefing for individual investors (Tokyo)	10
		Overseas IR activities	—
	August	Financial results briefing for the three months ended June 30, 2014	70
		Company briefing for individual investors (Sapporo)	180
	September	Company briefing for individual investors (Fukushima, Yamagata, and Tokyo)	390
	November	Financial results briefing for the six months ended September 30, 2014	110
		Overseas IR activities	—
	December	Company briefing for individual investors (Odawara)	17
		Overseas IR activities	—
2015	February	Financial results briefing for the nine months ended December 30, 2014	80

IR Schedule for the Fiscal Year Ending March 31, 2016

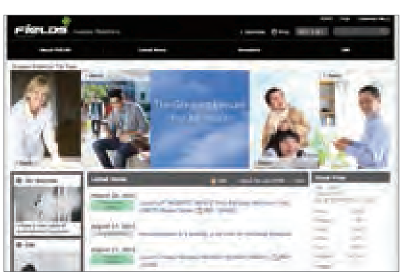
		IR Events	Number of Participants
2015	April	Company briefing for individual investors (Tokyo)	87
	May	Financial results briefing for the fiscal year ended March 31, 2015	90
	June	27th Annual General Meeting of Shareholders	371
	July	Company briefing for individual investors (Tokyo)	11
	August	Financial results briefing for the three months ended June 30, 2015	70
	September	Company briefing for individual investors (Osaka)	
	November	Financial results briefing for the six months ended September 30, 2015	
		Overseas IR activities	
2016	February	Financial results briefing for the nine months ended December 30, 2015	

Notes: 1. In the fiscal year ending March 31, 2016, 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.

Latest IR Information and Various Financial Results Materials Provided on Our Website

Fields strives to create venues for communicating with shareholders and other investors and to provide them with useful information. As one facet of these efforts, we are enhancing our IR website to disclose a broad range of information about the Company to various stakeholders. This is being done through means such as expanding both the content and the volume of information provided on the site as well as making it easier to use.

In the fiscal year ended March 31, 2015, we were recognized in IR site rankings and received awards from various third-party evaluation institutions. Specifically, we were presented with a Best Corporate Website Award in a survey that ranked listed companies' websites in the fiscal year ended March 31, 2015, conducted by Nikko Investor Relations Co., Ltd.; a 2014 Internet IR Excellence Award from Daiwa Investor Relations Co., Ltd.; and a Silver Medal in the Gomez IR Site Ranking 2015, which was released by Morningstar Japan K.K. We regard these awards as a great honor, and the Company will continue enhancing both its IR website and its IR activities.



www.fields.biz/ir/e/

Company Briefings for Individual Investors

The Company strives to further understanding of its activities among its shareholders and individual investors, and therefore holds Company briefings in various locations across Japan.

In the fiscal year ended March 31, 2015, we held briefings in 7 locations: 3 locations in Tokyo as well as locations in Sapporo, Fukushima, Yamagata, and Odawara. Approximately 620 people attended these briefings in total.

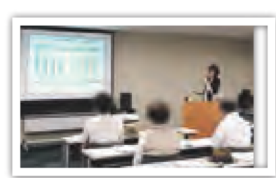
At these briefings, we explained the Company's business models and IP, and investors asked a wide range of questions about such topics as future rollouts of IP and the pachinko/pachislot business.

Going forward, the Company will continue to hold briefings as it actively creates opportunities for dialogue with stakeholders.

Tokyo briefing

Sapporo briefing

Fukushima briefing



Yamagata briefing

For additional IR information, please contact:
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Gaming and Entertainment

FIELDS CORPORATION

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http://www.fields.biz/

Fields IR website
http://www.fields.biz/ir/e/

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