Gaming and Entertainment

ANNUAL REPORT

April 1, 2006 – March 31, 2007

Fields Corporation Security Code: 2767

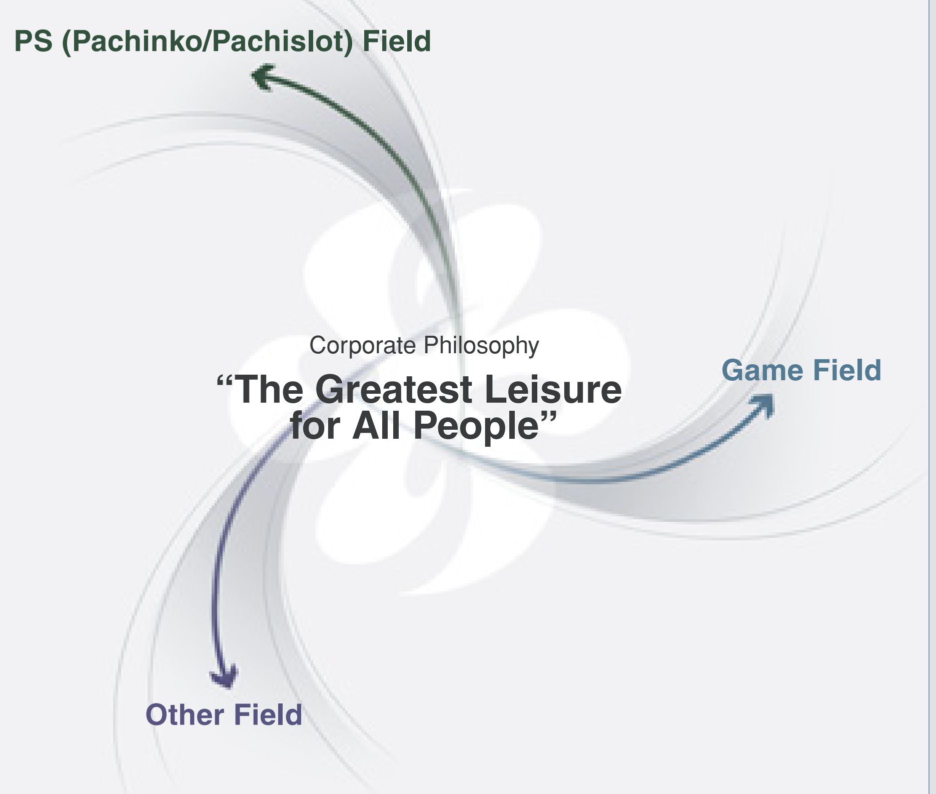
2007

Evolving from a Pachinko/Pachislot Machine Trading Company into a Content Provider

Fields Corporation conducts ongoing business transactions with about 10,000 pachinko hall operators throughout Japan and with nearly every manufacturer of pachinko/pachislot machines. We maintain a solid position as the industry's largest trading company and contribute to boosting the sales growth for both pachinko hall operators and machine manufacturers.

Currently, Fields is acquiring rights for a number of copyrighted characters that are well-known in domestic and overseas markets and to expand the fan base for pachinko/pachislot entertainment by enhancing the attractiveness of pachinko/pachislot machines and halls. Fields has also established a unique position in the industry as a fabless company that provides allied manufacturers with product planning, which utilizes these copyrighted characters, and then distributes the pachinko/pachislot machines they manufacture.

Based on this sound business infrastructure, Fields is taking concrete steps to provide content to diverse media—mainly pachinko/pachislot and games—through the creation of primary content, the acquisition of merchandising rights, and detailed project design based on strategic marketing.



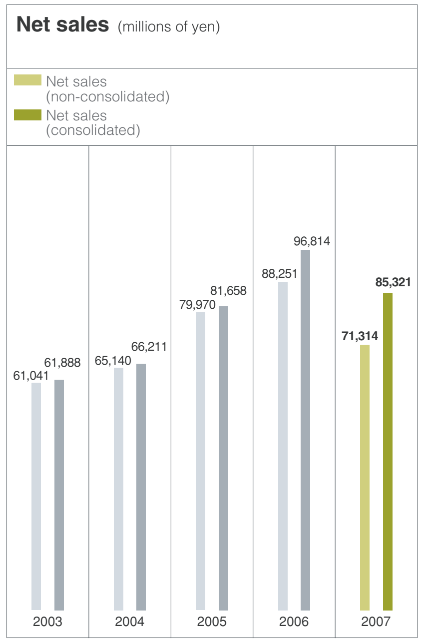
Contents

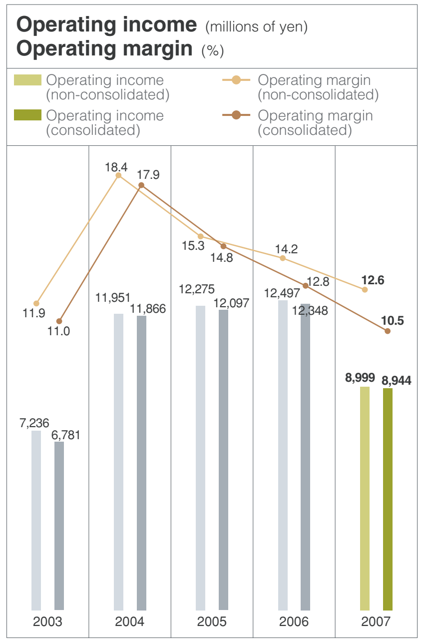
Forward-looking Statements

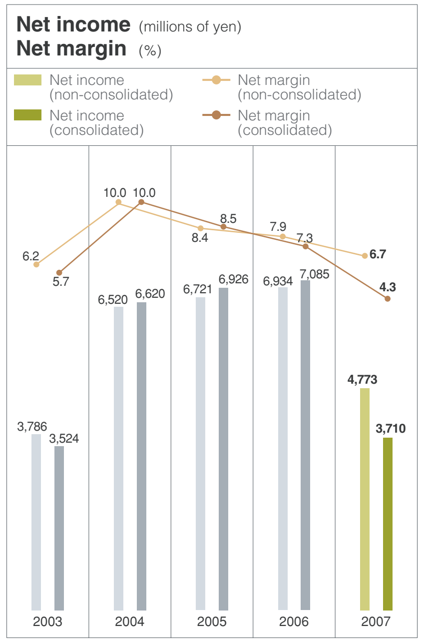
This Annual Report includes forward-looking statements about Fields Corporation and its Group companies ("Fields Group"). Forward-looking statements, including the plans and forecasts of operations in this report, are based on information currently available to the Fields Group and involve unknown risks and uncertainties. Any change in risks, uncertainties and other factors upon which such forward-looking statements are based may cause 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.

Financial Highlights

	Non-Consolidated			Consolidated		
	2005	2006	**2007**	2005	2006	**2007**
Results of Operations (in millions):						
Net sales	¥ 79,970	¥ 88,251	**¥ 71,314**	¥ 81,658	¥ 96,814	**¥ 85,321**
Cost of sales	55,787	61,682	**46,164**	56,905	67,077	**56,072**
Gross profit	24,182	26,568	**25,150**	24,752	29,737	**29,248**
Selling, general and administrative expenses	11,906	14,071	**16,150**	12,655	17,389	**20,303**
Operating income	12,275	12,497	**8,999**	12,097	12,348	**8,944**
Income before income taxes	12,197	12,578	**8,734**	12,560	13,034	**8,226**
Net income	6,721	6,934	**4,773**	6,926	7,085	**3,710**
Financial Position (in millions):						
Total current assets	¥ 52,562	¥ 64,224	**¥ 36,253**	¥ 57,000	¥ 69,879	**¥ 46,144**
Total assets	68,354	82,304	**57,509**	72,584	87,556	**66,081**
Short-term borrowings (including current portion of long-term borrowings)	—	—	**—**	656	730	**2,230**
Long-term borrowings (excluding current portion)	—	—	**—**	341	324	**1,037**
Shareholders' equity	33,414	39,242	**41,786**	33,426	39,411	**40,886**
Other Data:						
Gross profit margin	30.24%	30.11%	**35.27%**	30.31%	30.72%	**34.28%**
Operating margin	15.35%	14.16%	**12.62%**	14.81%	12.75%	**10.48%**
Earnings per share	¥ 19,289	¥ 19,681	**¥ 13,755**	¥ 19,888	¥ 20,118	**¥ 10,692**
Number of shares issued and outstanding at fiscal year end	347,000	347,000	**347,000**	347,000	347,000	**347,000**







New management start in June 2007 for further evolution

Toward the Next Stage

Hidetoshi Yamamoto Chairman and CEO

Fields Corporation has steadily expanded its business in line with the growth of the pachinko market. The driving force for this leap forward is the widespread recognition of our proven foresight to remain a step ahead of new trends in the industry. This ability to anticipate future developments is reflected in our introduction of initiatives such as a proposal-type sales system, customized for each pachinko hall to establish an open distribution system in the pachinko/pachislot machine market at a time when pachinko halls only installed units from specific makers; the provision of market information via the Internet and satellite broadcasting; and the planning of extremely entertaining pachinko/pachislot machines using creators outside the Company.

In the context of the current diversification of the entire entertainment industry along with increasing leisure time for various segments of the population, the pachinko/pachislot machine market is experiencing a period of major structural changes. In anticipation of these changes, the Fields Group has for many years considered a content-provider strategy based on multiple use of digital content as a foundation for establishing a competitive advantage. We have been promoting this approach to realize our corporate philosophy, "The Greatest Leisure for All People," starting in the pachinko/pachislot field.

In the fiscal year ended March 31, 2007, we also aggressively invested in such areas as game software, movies, animation, mobile content, and sports. Particularly in game software and sports marketing, we have completed consolidating a foundation and have already started transitioning into a new orbit of growth. In addition, we established a new mobile phone-related company and launched a membership-based mobile phone site. Consequently, each Group company is steadily enhancing its presence in its respective market. Fields Group believes that through these efforts it has been developing a powerful business infrastructure as a gaming and entertainment corporation with the high earning capacity of the pachinko business as its main pillar.

Given this background and guided by a new management structure, in which a new president and COO will focus on managing Fields Corporation, the main pillar of the Fields Group, and I, as chairman and CEO, will place greater emphasis on the management of the entire Group, we will continue to address the challenges of advancing to a new stage, including further expansion of Fields Group businesses and future transformation into a holding company.

We look forward to the continued cooperation and support of our stakeholders.

Becoming a corporate group that creates genuine fun

Takashi Oya President and COO

The current changes in the regulatory environment surrounding the pachinko industry are increasing the gap between weak and strong among pachinko hall operators as well as pachinko/pachislot manufacturers, causing polarization in the industry, and this trend is expected to become even more pronounced in future.

Therefore, we have been focusing on planning content for pachinko/pachislot machines that provide premier entertainment functions and then applying that content to a broad range of media by bringing together, at an early stage, outstanding creative talent from outside the industry while aggressively creating primary content and acquiring merchandising rights. These efforts led to significant results and constitute the main driving force behind our business. In particular, the third series of Neon Genesis Evangelion, our "killer" content, which has won strong support in the market, registered the highest unit sales in the Company's history during the fiscal year under review. We believe the acquisition, creation and strategic development of "killer" content like this is key to sharpening our competitive edge. More importantly, we need to reach beyond simply recreating the world of copyrighted content and pursue the concept of genuine fun from the user's point of view and propose planning that delves deeper into the content. We believe the repeated impact of these efforts will lead to the planning and development of attractive pachinko/pachislot machines and ultimately revitalize the entire industry.

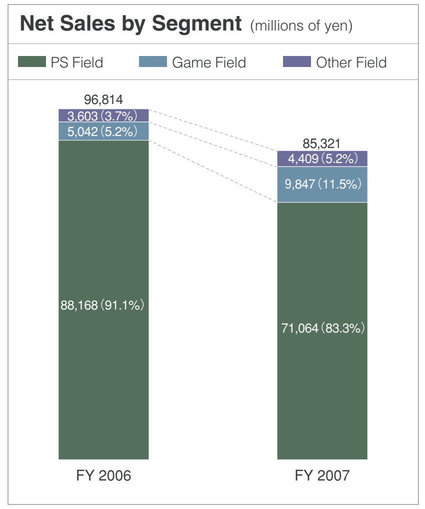
Our new management structure was specifically designed to promote these efforts in a powerful and dynamic manner and signifies a shift from a top-down management style to an organizational management approach in which the judgment and creativity of each employee constitutes a vital force for success. The major goal for this change is to establish an environment in which each and every employee—of which there are now more than 1,000 across the entire Group—uses their imagination to understand what type of fun users are seeking and aggressively works in concert as our "corporate brain" for planning and development. I will guide these employee activities and, in cooperation with Chairman Yamamoto, who is responsible for the management of the entire Group, we will pursue total optimization across the entire Group.

Under this philosophy, we will commit ourselves to further enhancing shareholder value. We are grateful for the continued understanding and support of all our shareholders.

Formulating a wide variety of revenue models centered on our planning and production capabilities

The Fields Group promotes a cross-media business, including the integration and multifaceted development of content, by creating or acquiring high-quality content. To this end, we draw upon our extensive planning and production capabilities in the entertainment field as our core competency while maximizing Group synergies.

In the fiscal year ended March 31, 2007, in our core PS (pachinko/pachislot) field, sales of pachislot machines that comply with new regulations (new regulation machines) grew at a sluggish pace despite strong sales of pachinko machines. In the Game field, our global business development achieved successful outcomes, although the volume of orders received temporarily declined due to the ongoing restructuring of the graphic software development business. In our Other field, we continued our efforts to establish businesses in diverse areas.



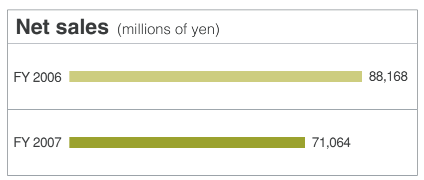
PS (Pachinko/Pachislot) Field

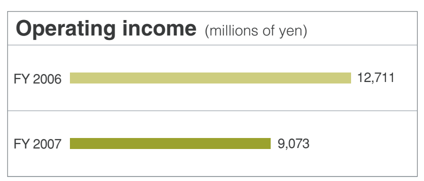
Overview of the fiscal year ended March 31, 2007

The fiscal year ended March 31, 2007 represented a period of removing and replacing popular, profitable models of pachislot machines compliant with old regulations (old regulation machines) from pachinko halls. While replacing pachislot machines at a moderate pace, pachinko halls exhibited a clear tendency to purchase pachinko machines with major, high-quality characters, which should ensure excellent profitability.

Given these changes in the business environment, our pachinko machine sales business achieved solid growth, increasing 4.9% in terms of the number of units sold compared with the previous fiscal year. However, the number of pachislot machine units sold declined 22.9%, due to sluggish sales for five new regulation machines launched during the fourth quarter.

As a result, net sales in the PS field fell 19.4% year on year to ¥71,064 million and operating income decreased 28.6% to ¥9,073 million compared with the previous fiscal year.





Major Group companies

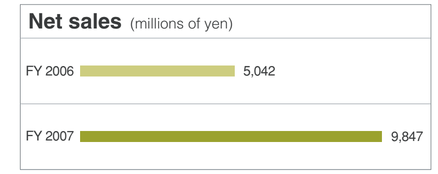
- Fields Corporation
- Fields Jr. Corporation
- Rodeo Co., Ltd.

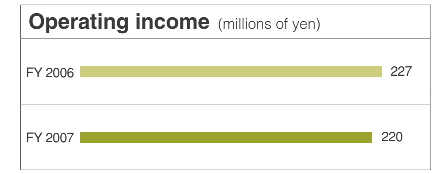
Game Field

Overview of the fiscal year ended March 31, 2007

In the overseas market in which D3 Inc. operates, the game software sales business performed well, centered on the North American market, partially due to the development of local content with due consideration for regional characteristics as well as the launch of our first global content. In our domestic market, we released the *SIMPLE Series* structured on a new platform, as well as software catering to the family and our female customer base.

Consequently, net sales in the Game field increased 95.3% year on year to ¥9,847 million. Operating income declined 20.7% to ¥220 million due to a temporary decline in orders received because of the ongoing restructuring of the graphic software development business in our newly consolidated subsidiary.





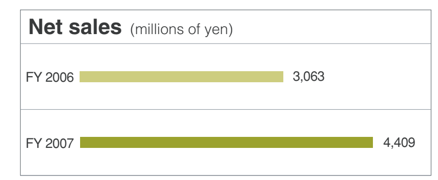
Major Group companies

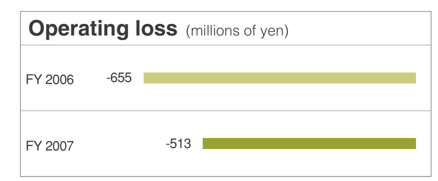
- D3 Inc.
- D3Publisher of America, Inc (USA)
- D3DB S.r.l. (Italy)
- D3PUBLISHER INC.
- D3Publisher of Europe Ltd. (UK)
- thinkArts Co., Ltd.
- Entertainment Software Publishing Inc.

Other Field

Overview of the fiscal year ended March 31, 2007

In the Other field, businesses overseen by Japan Sports Marketing Inc. (JSM)—the rights business, which includes broadcasting rights for diverse sporting events and various sponsorships, along with the athlete management business that manages athletes—fared well. As a result, net sales in the Other field increased 22.4% to ¥4,409 million. However, an operating loss of ¥513 million, a decrease of 21.7% year on year, was recorded in the Other field, reflecting sluggish performance of JSM's fitness gym operations and also due to the newly started investment in movies, animation titles and other areas by Fields Pictures Corporation.





Major Group companies

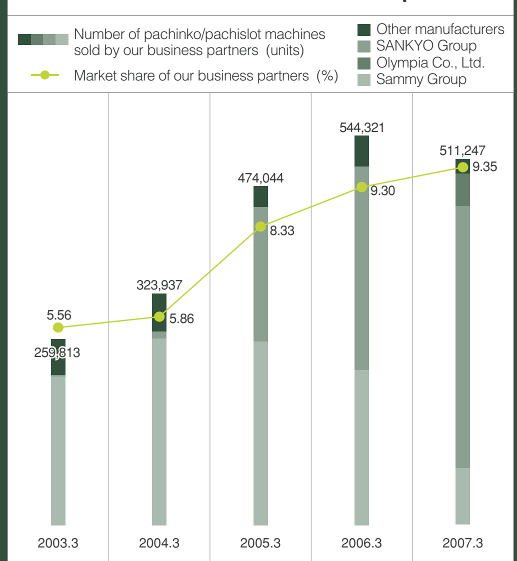
- Japan Sports Marketing Inc.
- Fields Pictures Corporation
- G&E Corporation
- White Trash Charms Japan Co., Ltd.
- FutureScope Corporation
- Kadokawa Haruki Corporation

Pursuing entertainment functions of pachinko/pachislot machines

The content carried on pachinko/pachislot machines has become increasingly important in line with larger LCD screens and the higher performance of graphic IC chips incorporated into the machines.

Fields has pushed ahead in its strategic marketing with activities to create and acquire commercially valuable content.

Number of pachinko/pachislot machines sold and the market share of our business partners



Creating attractive content in collaboration with major manufacturers

The introduction of new models is expected to be restrained in the fiscal year ending March 31, 2008 compared with the fiscal year ended March 31, 2007 as short-term funding at pachinko halls will shift to the purchase of new pachislot machine models in response to the new regulations governing these units. The trend in market demand is clearly toward concentrating on fewer models with enhanced entertainment features, which ensure excellent profitability, major copyright licensing and superior planning. In addition, new models equipped with next-generation graphics chips featuring high-definition and high-performance are expected to appear in mid-2007. In light of these trends, it is believed that content quality will increasingly become the decisive factor in determining the competitive edge in this market.

Against this backdrop, Fields will aggressively launch pachislot machines with enhanced game features in fiscal year ending March 2008 toward the September 30, 2007 deadline for removing older generation pachislot machines. In addition, the proactive release of pachinko machines with even greater profitability into the market is planned for the second half of the fiscal year.

Sammy Corporation and Rodeo Co., Ltd.

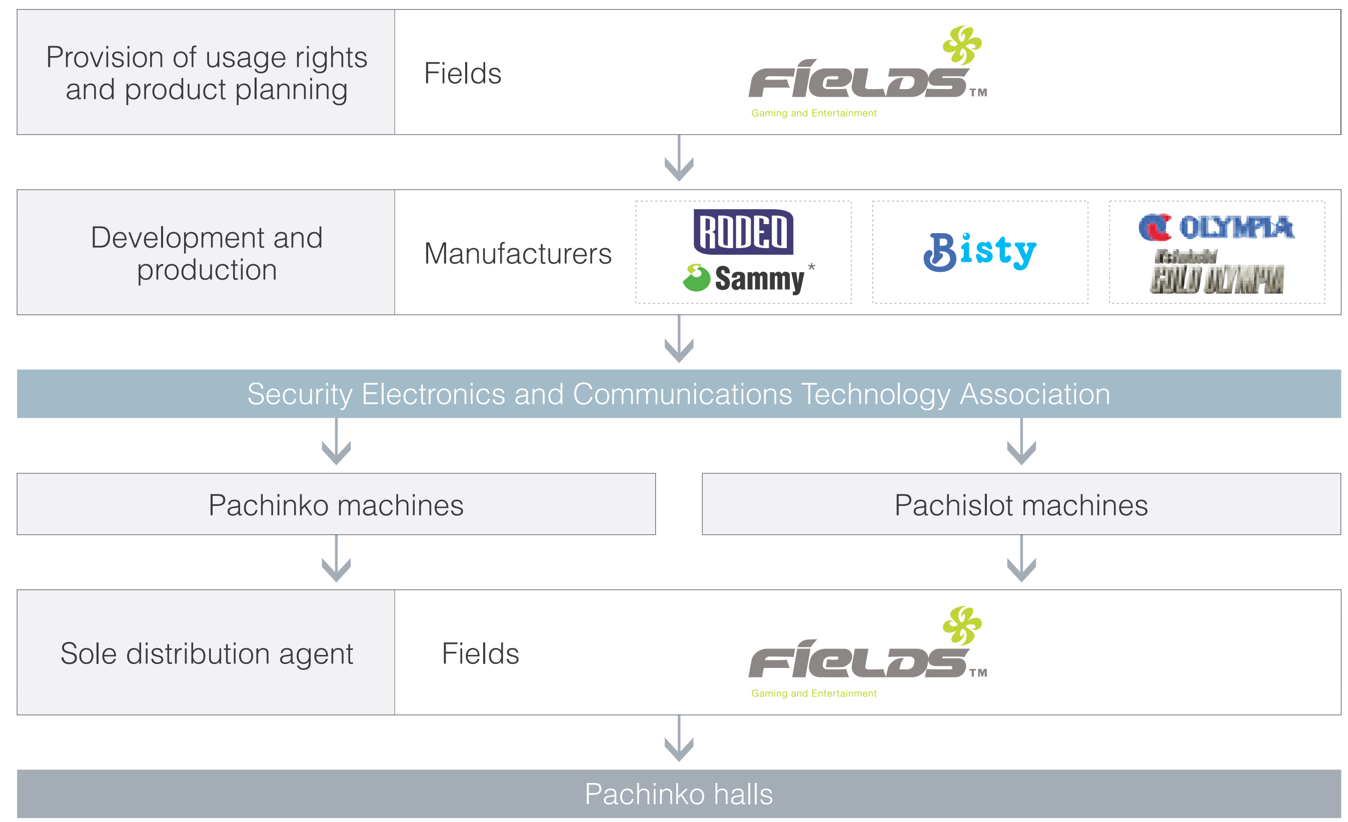
Fields has reinforced its sales tie-up with the Sammy Group to facilitate collaboration in the strategic planning, development and sales of pachinko machines. With its excellent planning and development capabilities, Sammy Group has recently received strong recognition as a manufacturer of pachislot and pachinko machines. Fields has also undertaken capital participation in Rodeo Co., Ltd., a member of the Sammy Group, and acts as its sole distribution agent.

Bisty Co., Ltd., SANKYO Group

We maintain a business alliance with Bisty Co., Ltd., a subsidiary of the Sankyo Co., Ltd. a leading pachinko machine manufacturer. The SANKYO Group possesses one of the industry's strongest brands, along with development capabilities for pachinko/pachislot machines and highly sophisticated LCD process technologies. It has also recently received strong recognition as a manufacturer of pachislot machines. In the coming years, we will further pursue powerful collaborations in which Fields' merchandising rights for well-known characters and planning and development skills are integrated with the strengths of SANKYO Group.

Collaboration with Olympia Co., Ltd.

We promote product planning and development under a business tie-up with Olympia Co., Ltd., an established pachislot machine manufacturer that has led the pachislot machine industry for more than 20 years. The collaborative products are developed and manufactured by Olympia Co., Ltd. using the merchandizing rights and product planning provided by Fields, and completed products will be sold under the "GOLD OLYMPIA" brand, with Fields as the exclusive distributor.



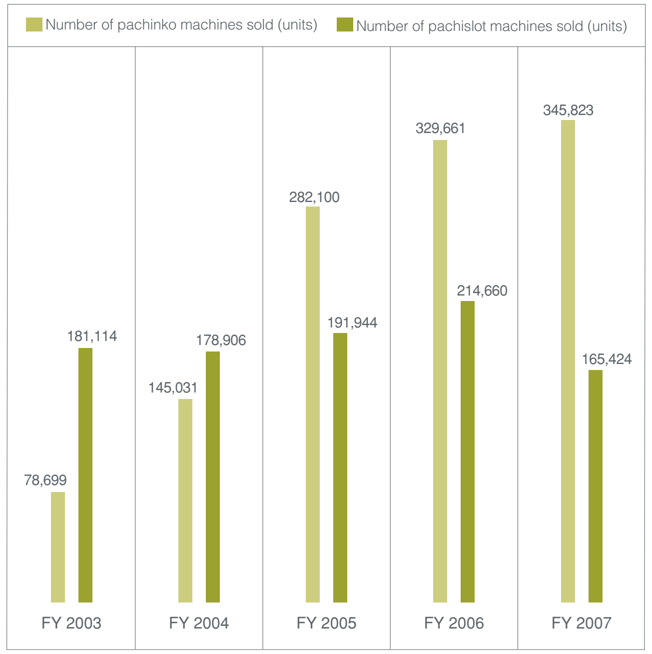
* Selling Fields exclusive model of pachinko machines

Pachinko Machines Sales Business

During the fiscal year ended March 31, 2007, Fields promoted merchandising of its outstanding content and sales of Pachinko machines performed grew steadily. CR Neon Genesis Evangelion—Kiseki no Kachiwa, the third in our Neon Genesis Evangelion series of "killer" content, gained even stronger support in the market than the previous series and achieved sales of approximately 169,000 units (with aggregate sales of approximately 187,000 units to date), the highest unit sales ever for a single title since our founding. This also boosted sales of Bisty Co., Ltd., which increased 11.5% year over year.

In the fiscal year ending March 2008, we will conduct a total review of all the products we had planned to launch as well as re-confirm the quality of developed products and revise them as necessary. Although Fields owns many major copyrights (PS copyright licensing) for pachinko machines for which pachinko halls have high expectations, we will conduct this review in light of the rising demand for higher-quality machines to ensure the satisfaction of pachinko halls and fans. Consequently, we are likely to launch fewer products in the first half of the fiscal year. We intend, however, to boost sales by supplying quality products that meet the needs of pachinko halls and fans in the second half of the fiscal year and in the following fiscal year ending March 2009.

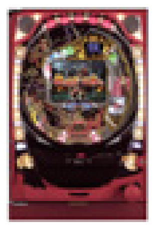
Number of pachinko/pachislot machines sold



Major titles launched in the fiscal year ended March 31, 2007

First Quarter


CR Gamera Extreme Battle
(Sammy)


CR Shin Sangoku Musou
(Bisty)

Second Quarter


CR Otoko Ippiki Gaki Daisho
(Bisty)


CR Aya Matsuura
(Bisty)

Third Quarter


CR WINK
(Bisty)


CR Salaryman Kintaro
(Sammy)


CR SEA COP
(Sammy)

Fourth Quarter


CR Neon Genesis Evangelion
—Kiseki no Kachiwa
(Bisty)


CR PROJECT MINERVA
(Olympia)

Pachislot Machines Sales Business

During the fiscal year ended March 31, 2007, sales were firm until the end of the third quarter, primarily due to the launch of old regulation pachislot machines utilizing major content such as Ore-no-Sora and Tomb Raider. During the fourth quarter, we announced the release of five carefully selected, new regulation pachislot machines and pursued aggressive marketing, synchronized with the anticipated replacement demand for new regulation machines to assist pachinko halls in systematically changing over to the compliant models in a timely manner. However, partly due to the shortage of available funds for pachinko halls, we were unable to achieve our sales target for these machines.

In the fiscal year ending March 2008, to address replacement demand for new regulation machines along with the September 30, 2007, time limit for installing old regulation machines, we intend to carefully select from the abundant lineup of allied machine manufacturers and implement a focused launch of high-value products for pachinko halls and fans. We will continue our efforts to expand sales by stably supplying promising products in the second half.

TOPICS

Developing and releasing a variety of the popular content in response to demand for pachislot machines

Anticipating the replacement demand due to the removal of old regulation machines, which was carried out on the largest scale ever in June and July 2007 in response to the prohibition on installing old regulation machines after the end of September, Fields announced the introduction of a series of new regulation pachislot machines with high commercial potential ahead of the competition. These titles include Morning Musume, featuring a Japanese idol group; Devil May Cry 3, which was realized through a total collaboration with Capcom Co., Ltd.; and Neon Genesis Evangelion—Magokoro wo Kimini, the latest series of our "killer" content.


Morning Musume


Devil May Cry 3


Neon Genesis Evangelion
—Magokoro wo Kimini

Major titles launched in the fiscal year ended March 31, 2007

First Quarter

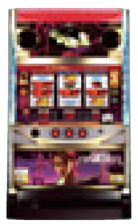

Looney Tunes: Back in Action
(Olympia)

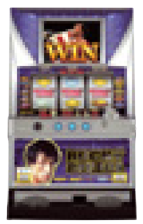

King of Mouse
(Olympia)

Second Quarter


Lord of the Rings
(Bisty)

Third Quarter


Tomb Raider
(Bisty)


ROCKY BALBOA
(Bisty)


Dokaben
(Rodeo)

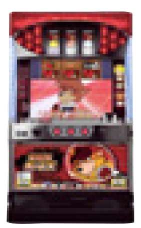
Fourth Quarter


Karate-Baka Ichidai
(Olympia)


GTO
(Bisty)


PREMIUM Dynamite
(Rodeo)

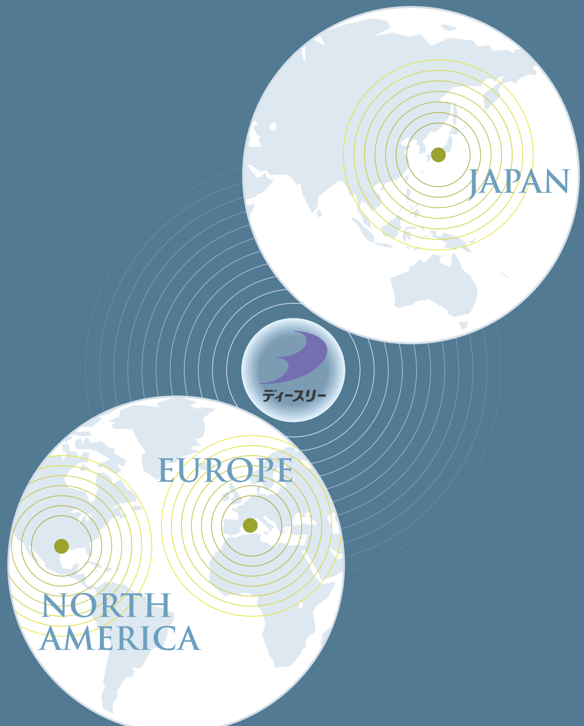

Sakigake!! Otoko Juku
(Rodeo)


SHERLOCK HOUND
(Bisty)

Game Field

Implementing a Global and Multi-platform Strategy

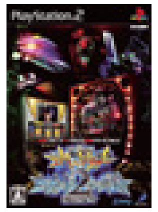
Fields has positioned the Game Field as a key segment in the cross-media content business. In addition to the domestic sales of game software, we began investing about two years ago in our overseas business, centered on the North American and European markets. While strengthening the development of international business by utilizing global content, we are also promoting the sales of products that are enjoyed by many users.



Japan

Establishing a solid business infrastructure by diversifying revenue sources

We focused on the sales of game software with high entertainment features, including the sales of simulator software products for pachinko/pachislot machines, such as Neon Genesis Evangelion, which generated synergies with Group companies, as well as the sales of the SIMPLE Series structured on a new platform. In the mobile content distribution business, we enhanced mobile content in conjunction with the game software sales business. In addition, we began distributing rich game content for mobile phone users and pushed forward efforts to cultivate mobile game users.

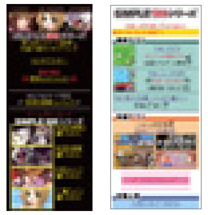


Winning Pachinko★ Pachislot Series CR Neon Genesis Evangelion: Second Impact and Pachislot Neon Genesis Evangelion

©Bisty ©GAINAX/Project Eva., TV Tokyo ©D3PUBLISHER

EARTH DEFENSE FORCES 3

©2006 D3 PUBLISHER ©2006 SANDLOT



Mobile site

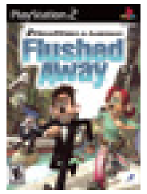
Europe and North America

Developing global and local strategies

While pursuing strategic business initiatives that take into account regional characteristics, Fields launched its first global content, Flushed Away, in North America and Europe. Looking ahead, we intend to aggressively develop global content. To this end, we plan to launch *darkSector* in autumn 2007 along with new titles that can leverage the licensing of popular animation in North America. In Europe, we intend to strengthen our business initiatives, starting the planning and development of original titles for the European market.

NARUTO

NARUTO ©2002 MASASHI KISHIMOTO Clash of Ninja 2 ©2003 TOMY Ninja Council 2 C2004 TOMY



Flushed Away

Flushed Away ©2006 DreamWorks Animation L.L.C. and Aardman Animations Ltd. Flushed Away™ 2006 DreamWorks Animation L.L.C. Flushed Away™, and its associated characters and names are trademarks or registered trademarks of DreamWorks Animation L.L.C. and used under license.

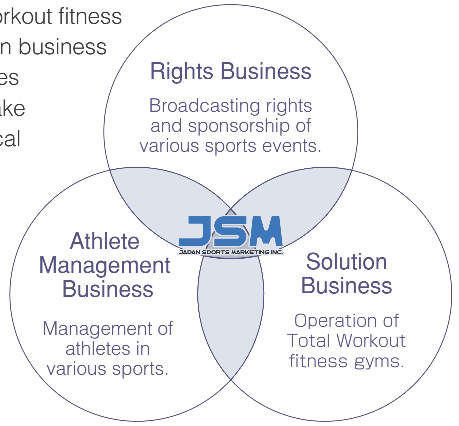
Other Field

Adopting a variety of approaches in the content market

We have adopted diverse approaches in the content market, from sports entertainment to mixed media development involving books, movies, and music, as well as the creation of content such as movies and animation and developing mobile content. We also effectively incorporate high-value commercial content held by Group companies into pachinko/pachislot machines and game software to sharpen the competitive edge of the entire Group.

Restructuring the Sports Entertainment Business

Japan Sports Marketing Inc. operates three mainstay businesses and since the integration of management in October 2005, the company has been restructuring its businesses for about a year and a half. In the fiscal year under the review, although the rights business and the athlete management business grew as planned, we were unable to achieve all our planned targets, partly due to the delayed opening of new stores and the closure of the Mita store, one of our Total Workout fitness gyms in our solution business in the wake of issues related to earthquake proofing. In the fiscal year ending March 2008, we will strive to improve profitability by starting new service programs and opening new stores in regional centers.



Cultivating the mobile content area FutureScope

FutureScope Corporation was established to operate the content business and community business utilizing mobile phone media. In February 2007, FutureScope launched the Fields Mobile service, a mobile website that offers comprehensive pachinko information. We plan to reinforce new content to acquire more members for this service as well as to provide mobile community service through mobile social networking services (SNS).

Toward creating primary content FIELDS PICTURES

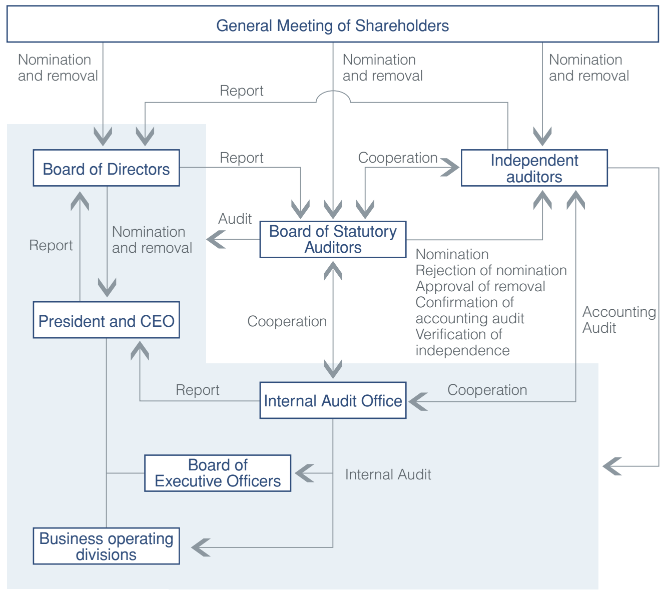
Fields recently established Fields Pictures to invest in movies, animation titles and content funds toward creating “killer” content to lead the entire Group. It has currently been establishing partnerships with many corporations. Looking ahead, Fields Pictures will continue to accelerate the creation of influential primary content by actively cultivating new, multifaceted investment projects, such as movies, animation and comics, toward the early realization of profits.

Corporate Governance System (As of November 8, 2007)

Fields has identified its mission as providing, "The Greatest Leisure for All People"—its corporate philosophy—and has established a basic management policy of continuously enhancing corporate value.

To realize this basic policy, we believe effective corporate governance represents a major management challenge. Even as we continue to consider ways to enhance our corporate governance system, for now, we will further advance reforms in our management structures and institutions within the framework of the Board of Directors, the Board of Statutory Auditors, the independent auditors and the Board of Executive Officers.

On August 24, 2007, we acquired ISO/IEC 27001:2005 certification, an international standard for information security management systems, and the corresponding domestic standard JIS Q 27001:2006 certification. With the goal of fully realizing our corporate philosophy, we will continue to improve the corporate value of the Fields Group.



Directors, Corporate Auditors and Executive Officers (As of October 19, 2007)

Chairman and CEO
Hidetoshi Yamamoto

President and COO
Takashi Oya

Senior Managing Director

Tetsuya Shigematsu
General Manager, Group Strategy Division; and General Manager, Business Administration Department

Kazuo Matsui
General Manager, Business Headquarters

Managing Director

Kiyoharu Akiyama
Deputy General Manager, Business Headquarters; and General Manager, Product Development Division

Director

Hiroyuki Yamanaka
General Manager, Planning and Administration Division

Toru Suenaga
General Manager, Office of the President

Outside Director

Shigesato Itoi

Auditors

Shigeru Matsushita
Standing Auditor

Tadao Koike

Yoshika Furuta

Executive Officers

Yoshiteru Yamaguchi
Group CVO, Office of the President

Masakazu Kurihara
General Manager, Communications and Marketing Division

Akira Fujii
General Manager, Sales Division, Business Headquarters; and General Manager, Sales Strategy Division

Hideo Ito
General Manager, Operational Planning Division, and General Manager, Operational Planning Department

Teruo Fujishima
Deputy General Manager, Sales Division; Business Headquarters, and General Manager, Sales Support Department

Hideo Wakazono
Deputy General Manager, Sales Division, Business Headquarters, and General Manager, Kanto Area

Soichi Kasuya
Deputy General Manager, Planning and Administration Division

Yosuke Ozawa
General Manager, Business Development Department, Group Strategy Division

Yukio Nishihata
General Manager, Intellectual Property Department, Communications and Marketing Division

Hideaki Hatanaka
General Manager, Investor Relations Department, Planning and Administration Division

FINANCIAL SECTION

FINANCIAL SECTION

CONTENTS

Consolidated Financial Highlights

	Non-Consolidated			Consolidated		
Results of Operations (in millions):	2005	2006	**2007**	2005	2006	**2007**
Net sales	¥ 79,970	¥ 88,251	**¥ 71,314**	¥ 81,658	¥ 96,814	**¥ 85,321**
Cost of sales	55,787	61,682	**46,164**	56,905	67,077	**56,072**
Gross profit	24,182	26,568	**25,150**	24,752	29,737	**29,248**
Selling, general and administrative expenses	11,906	14,071	**16,150**	12,655	17,389	**20,303**
Operating income	12,275	12,497	**8,999**	12,097	12,348	**8,944**
Income before income taxes	12,197	12,578	**8,734**	12,560	13,034	**8,226**
Net income	6,721	6,934	**4,773**	6,926	7,085	**3,710**
Financial Position (in millions):						
Total current assets	¥ 52,562	¥ 64,224	**¥ 36,253**	¥ 57,000	¥ 69,879	**¥ 46,144**
Total assets	68,354	82,304	**57,509**	72,584	87,556	**66,081**
Short-term borrowings (including current portion of long-term borrowings)	—	—	**—**	656	730	**2,230**
Long-term borrowings (excluding current portion)	—	—	**—**	341	324	**1,037**
Shareholders' equity	33,414	39,242	**41,786**	33,426	39,411	**40,886**
Other Data:						
Gross profit margin	30.24%	30.11%	**35.27%**	30.31%	30.72%	**34.28%**
Operating margin	15.35%	14.16%	**12.62%**	14.81%	12.75%	**10.48%**
Earnings per share	¥ 19,289	¥ 19,681	**¥ 13,755**	¥ 19,888	¥ 20,118	**¥ 10,692**
Number of shares issued and outstanding at fiscal year end	347,000	347,000	**347,000**	347,000	347,000	**347,000**

Overview

During the fiscal year under review, the Japanese economy remained on a gradual recovery path due in part to strong exports to Asia, growth in capital expenditures and a recovery in personal consumption, despite causes of concern such as the slowdown of the U.S. economy and consistently high oil prices.

Under these circumstances, the leisure market underwent a structural change in which leisure time increased across all segments of the population and the entire entertainment industry became more diversified. In the pachinko/pachislot field, the mainstay business of the Fields Group, considerable investments were required on the part of pachinko halls for a business model changeover centered on pachislot machines, following revised legislation mandating a qualitative change from dependency on the gambling element to an emphasis on entertainment content (July 2004 amendments for implementing the Law Regulating Adult Entertainment Businesses). Most pachinko halls, however, postponed full-scale changeovers until after the spring of 2007, the final year of the transitional period, and consequently demand remained weak for pachislot machines compliant with the new regulation.

Anticipating these changes in the market environment, the Group has been enhancing its planning and development capabilities to further heighten the entertainment content of pachinko/pachislot machines and striving to offer a stable supply of content with high market value applicable to various media. At the same time, it has also been aggressively investing in fields such as games, movies, animation, mobile phones and sports by creating primary content and acquiring commercial rights for secondary use of content in diverse media.

With respect to the development of Fields Group companies, D3 Inc. in the gaming business, and Japan Sports Marketing Inc. in the sports and marketing business have steadily solidified their business base and are advancing toward a pathway of growth. Kadokawa Haruki Corporation has been vigorously pursuing efforts to gain an even higher profile in the publishing and movie business, and FutureScope Corporation in the mobile business launched its membership mobile site.

As a result, total net sales for the Group in the fiscal year under review amounted to ¥85,321 million, down 11.9% compared with the previous fiscal year, while ordinary income fell 29.9% to ¥9,202 million and net income fell 47.6% to ¥3,710 million.

Comparison of fiscal 2007 and 2006 (consolidated)

Net sales

Net sales for the fiscal year under review fell 11.9% compared with the previous fiscal year to ¥85,321 million.

PS (Pachinko/Pachislot) Field

Net sales fell 19.4% compared with the previous fiscal year to ¥71,064 million. Fields Corporation (hereafter "the Company") saw favorable sales in pachinko machines with the number of units sold up 4.9% from the previous fiscal year. However, because replacement demand did not mature, sales remained sluggish for five models of pachislot machines compliant with the new regulations that were launched in the fourth quarter, resulting in a 22.9% year-on-year drop in the number of pachislot machines sold.

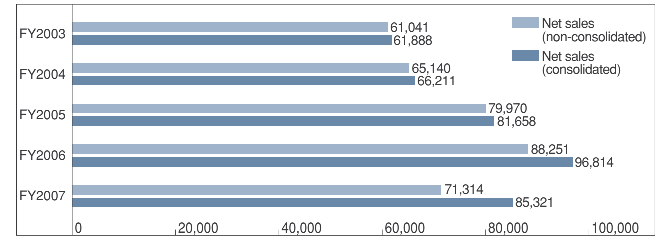
Game Field

Net sales surged 95.3% compared with the previous fiscal year to ¥9,847 million, as D3 Inc., a major consolidated subsidiary in this field, enjoyed steady sales in game software, primarily in the North American market.

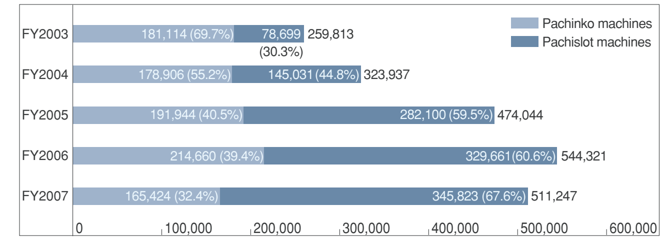
Other Field

Net sales rose 22.4% compared with the previous fiscal year to ¥4,409 million, as sales increased in the rights business and the athlete management business at Japan Sports Marketing Inc., a major consolidated subsidiary in this field.

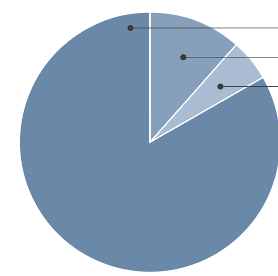
Net sales (millions of yen)



Number of pachinko / pachislot machines sold (millions of yen)



Proportion of sales by segment – Fiscal 2007



Costs of sales

Costs of sales for the Group for the fiscal year under review declined 16.4% compared with the previous fiscal year to ¥56,072 million, due to decreased sales. Gross profit for the Group fell 1.6% year-on-year to ¥29,248 million.

Selling, general and administrative expenses (SG&A)

SG&A for the fiscal year under review increased 16.8% compared with the previous fiscal year to ¥20,303 million. The principal reasons were an increase in personnel expenses due to a rise in the number of marketing personnel, higher advertising and marketing expenses due to the implementation of corporate advertisements and an increase in depreciation of goodwill. As a result, operating income for the fiscal year under review decreased 27.6% compared with the previous fiscal year to ¥8,944 million.

Income Structure for Fields

Net sales

Sales of pachinko/pachislot machines account for a large portion of Group sales.The Company sells pachinko/pachislot machines through two different channels–direct sales through the activities of our branch offices (distribution sales), and indirect sales through brokering activities (agency sales).

In distribution sales, we purchase pachinko/pachislot machines from manufacturers and sell them to users (pachinko hall operators). In agency sales, on the other hand, we operate as an agent for pachinko/pachislot machines and receive commissions from pachinko/pachislot machine manufacturers for such services as: (a) arranging sales/purchase agreements on behalf of pachinko/pachislot manufacturers and pachinko halls, (b) collecting sales for machines, (c) preparing for the opening of pachinko halls on their behalf, and (d) providing after sales services.

Net sales for distribution and agency sales are reported separately.

The sales amount for machines sold to pachinko halls through distribution sales is reported in the Statement of Income as Product Sales, while sales commissions paid by manufacturers in agency sales are reported as Sales Commission.

Since we use two different sales channels, our net sales are affected by the relative balance of distribution and agency sales.

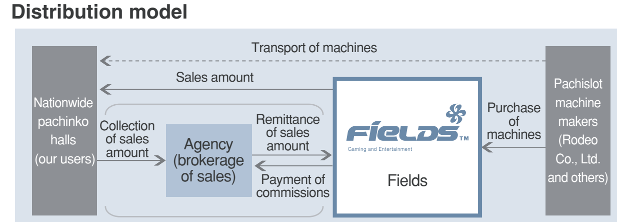
Cost of sales

Purchase costs of pachinko/pachislot machines represent a major part of the cost of sales for the Group based on distribution sales. Sales commissions we pay to secondary agencies for the sales of machines are also included in these costs.

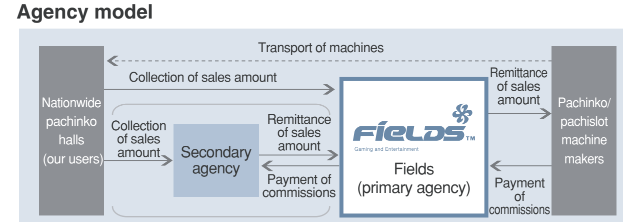
Selling, general and administrative expenses (SG&A)

SG&A expenses of the Group primarily consist of personnel expenses for sales staff and other employees along with land and facility rent. Other major items under SG&A include advertising and marketing expenses. These costs principally comprise the cost of hosting industry exhibitions as well as TV and newspaper marketing costs.

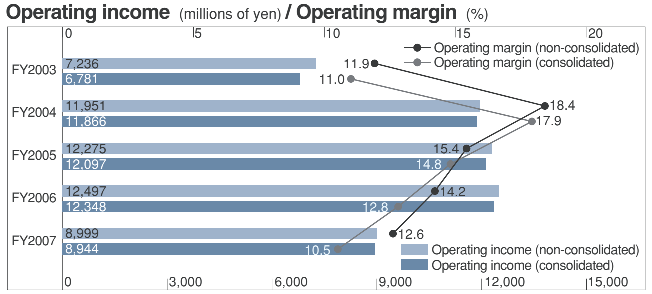
Distribution model



Agency model



Operating income (millions of yen) **/ Operating margin** (%)

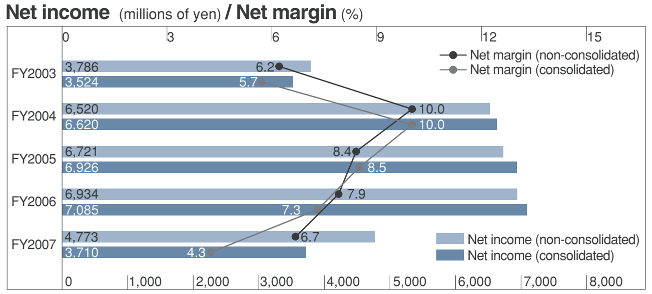


Net income

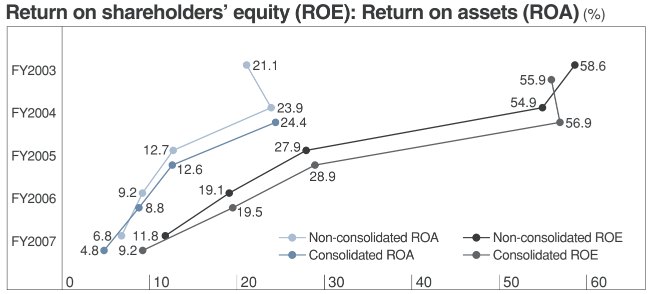
Net income for the fiscal year under review fell 47.6% compared with the previous fiscal year to ¥3,710 million.

The Group reported extraordinary income totaling ¥110 million including ¥79 million in income from investments in silent partnerships and reported an extraordinary loss totaling ¥1,086 million, including ¥743 million in loss on disposal of impaired assets and ¥214 million in impairment loss in Other Field operations.

Net income (millions of yen) **/ Net margin** (%)



Return on shareholders' equity (ROE): Return on assets (ROA) (%)



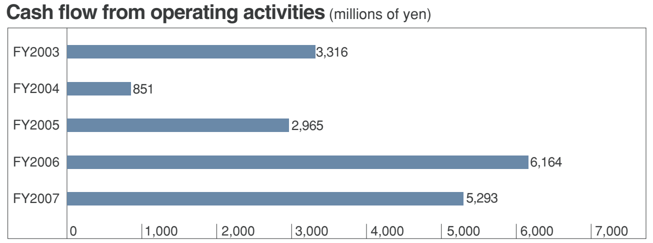
Cash flows

With respect to cash flows in the fiscal year under review, net cash provided by operating activities was ¥5,293 million and net cash provided by financing activities was ¥1,488 million. Net cash used in investing activities was ¥4,772 million. As a result, the outstanding balance of cash and cash equivalents at the end of the fiscal year under review amounted to ¥17,819 million.

Cash flow from operating activities

Net cash provided by operating activities totaled ¥5,293 million, down 14.1% compared with the previous fiscal year. This was primarily due to ¥8,226 million in income before income taxes, a decrease of ¥28,719 million in accounts receivable-trade, an increase of ¥1,341 million in inventory, a decrease of ¥26,297 million in accounts payable-trade and ¥6,887 million in payment of corporate income tax.

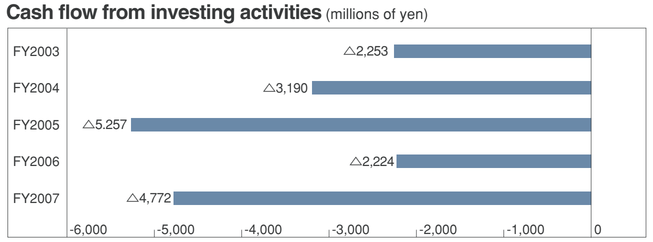
Cash flow from operating activities (millions of yen)



Cash flow from investing activities

Net cash used in investing activities totaled by ¥4,772 million, up 114.5% compared with the previous fiscal year. This was primarily due to expenses including ¥1,113 million for the acquisition of tangible fixed assets, ¥2,425 million for the acquisition of intangible fixed assets and ¥1,050 million for the acquisition of investment securities.

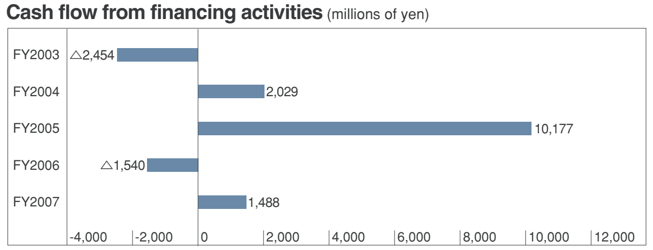
Cash flow from investing activities (millions of yen)



Cash flow from financing activities

Net cash provided by financing activities increased by ¥1,488 million compared with the previous fiscal year. This was primarily due to an increase of ¥1,477 million in short-term loans, net income of ¥1,581 million in long-term debt and ¥1,389 million in dividend payments.

Cash flow from financing activities (millions of yen)



Present situation and prospects for our sales strategy

In its New Industry Promotion Strategy published in May 2004, the Ministry of Economy, Trade and Industry (METI) focused on the future prospects for the content industry and expressed significant hope for the growth potential of the digital content industry, including animation and games.

Under its corporate philosophy,"The Greatest Leisure for All People," the Company views content provider strategy centered on multi-use of digital content as the foundation for establishing its competitive edge and has been concentrating its resources on promoting this strategy.

The Company believes the essence of this business is creating content with high commercial value and seeking multi-use of this content. Based on the overwhelming profitability of its business in the PS Field, the Company has been strengthening its alliances with affiliated and partner companies to create primary content, and promotes multifaceted development for secondary use.

Another noteworthy feature of the content business is the importance of "killer" content. For example, the Company has been applying content from Neon Genesis Evangelion to a broad range of media, including pachinko/pachislot machines, game software and merchandise goods. Looking ahead, the Company and its Group companies will make a concerted effort to produce such "killer" content from primary content as well as strategically developing "killer" content that has previously been created or acquired. At the same time, we will also seek further diversification in media applications.

Risks Related to Our Business

The operating and financial conditions stated in the financial statements of the Company are associated with various risks that may substantially affect decisions by potential investors.

Forward-looking statements are based on the judgment of Group management as of the end of the fiscal year under review.

High level of product supplied by a specific supplier

Company sales primarily consist of product sales through an agent business that purchases machines and sells them to customers, and sales commissions in which commissions are received from the brokerage of machine sales.

Of the total net sales of the Company, product sales and sales commissions represented 76.9% and 13.2%, respectively, for the fiscal year ended March 2006, and 63.2% and 16.5%, respectively, for the fiscal year ended March 2007.

The major portion of products sold was supplied by Rodeo Co., Ltd., our affiliate, and Bisty Co., Ltd., an allied manufacturer. In the fiscal year ended March 2007, products supplied by Rodeo Co., Ltd. and Bisty Co., Ltd. accounted for 31.9% and 43.0%, respectively, of the total products we purchased.

Given the heavy reliance of the Company in the PS Field on these two companies for product supply, should products from these companies become less popular or the launch of new products be delayed due to delays in product development falling behind schedule or other reasons, the results of operations of the Group may be affected.

Our Basic Exclusive Distributorship Agreements with both companies are renewable on an annual basis. Therefore, should the Agreements not be renewed, Group results may be affected.

Legal and voluntary regulations governing the pachinko/pachislot machine industry

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

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

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

Content business

The Company will focus on obtaining copyrights or usage rights and developing content with high value. However, the distinctive nature of the content business makes it difficult to accurately evaluate its potential for contributing to profits. Specifically, due to the following potential risks related to content, the Company may not achieve the business growth it currently projects.

Directing significant funds into the content business might result in increased fixed costs and overall financial risk for the Company. Also, investment in copyrights or usage rights may not lead to the development of content with high value. The Company may not acquire attractive content at favorable terms due to fierce competition in the market. In implementing its content strategy and related activities, the Company may unknowingly infringe upon the intellectual property rights of other companies or become party to other claims associated with these intellectual property rights. In addition, the Company, in turn, may not be able to effectively protect its own content-related intellectual property rights.

Risk associated with investment

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

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

As of March 31, 2006 and 2007

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2006	2007	2007
Current assets:			
Cash and cash equivalents	¥ 15,777,313	¥ 17,819,928	$ 150,952
Notes and accounts receivable – trade	46,385,995	18,523,292	156,910
Inventories	1,568,986	2,972,540	25,180
Merchandising right advances	3,516,483	2,572,015	21,787
Deferred tax assets	526,855	1,517,242	12,852
Other current assets	2,253,363	2,797,261	23,695
Allowance for doubtful accounts	(149,225)	(57,592)	(487)
Total current assets	69,879,772	46,144,689	390,891
Property and equipment :			
Land	1,372,477	1,762,635	14,931
Buildings and structures	3,148,129	3,905,256	33,081
Equipment	1,671,437	1,931,932	16,365
Vehicles	47,356	45,691	387
Construction in progress	27,369	48,732	412
	6,266,771	7,694,246	65,177
Less: Accumulated depreciation	(1,577,615)	(1,937,829)	(16,415)
Total property and equipment	4,689,155	5,756,417	48,762
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates	4,128,042	3,860,546	32,702
Investment securities	2,863,613	2,356,421	19,961
Deposits	2,298,879	2,464,950	20,880
Intangible assets	1,151,693	2,630,322	22,281
Goodwill	1,600,689	1,405,855	11,908
Deferred tax assets	360,424	363,638	3,080
Other assets	584,263	1,098,716	9,307
Total investments and other assets	12,987,606	14,180,450	120,122
Total assets	¥ 87,556,534	¥ 66,081,557	$ 559,776

See accompanying notes to the consolidated financial statements.

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND NET ASSETS	2006	2007	2007
Current liabilities:			
Accounts payable – trade	¥ 34,869,095	¥ 9,094,526	$ 77,039
Short-term borrowings	730,000	2,230,000	18,890
Current portion of long-term debt	324,668	1,037,750	8,790
Income taxes payable	3,733,977	2,032,419	17,216
Accrued bonuses	25,000	25,000	211
Accrued bonuses to directors and statutory auditors	—	98,000	830
Other current liabilities	2,843,769	4,347,473	36,827
Total current liabilities	42,526,511	18,865,169	159,806
Long-term liabilities:			
Long-term debt, less current portion	856,997	1,608,852	13,628
Retirement benefits	769,748	195,112	1,652
Deposits received	2,380,985	2,575,731	21,818
Total long-term liabilities	4,007,730	4,379,696	37,100
Minority interests	1,610,739	—	—
Net assets:			
Common stock	7,948,036	7,948,036	67,327
Authorized; 1,388,000 shares at March 31, 2006 and 2007			
Issued; 347,000 shares at March 31, 2006 and 2007			
Capital surplus			
Additional paid-in capital	7,994,953	7,994,953	67,725
Retained earnings	22,726,469	24,943,694	211,297
Unrealized holding gain on available-for-sale securities	735,622	214,822	1,819
Foreign currency translation adjustments	6,470	13,609	115
Stock acquisition rights	—	15,907	134
Minority interests	—	1,705,668	14,448
Total net assets	39,411,552	42,836,691	362,869
Total liabilities and net assets	¥ 87,556,534	¥ 66,081,557	$ 559,776

Consolidated Statements of Income

FIELDS CORPORATION AND SUBSIDIARIES

For the fiscal years ended March 31, 2006 and 2007

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2007	2007
Sales	¥ 96,814,364	¥ 85,321,144	$ 722,754
Cost of Sales	67,077,197	56,072,618	474,990
Gross profit	29,737,167	29,248,525	247,763
Selling, general and administrative expenses	17,389,011	20,303,549	171,991
Operating income	12,348,156	8,944,975	75,772
Other income (expenses):			
Interest and dividend income	42,219	86,776	735
Interest expenses	(23,875)	(58,538)	(495)
Equity in earnings (loss) of affiliates	429,179	(92,953)	(787)
Gain on investment in partnerships	64,081	79,218	671
Gain (loss) on disposal of property and equipment, net	32,058	(750,882)	(6,360)
Impairment loss on long-lived assets	(56,819)	(214,809)	(1,819)
Rebate on purchase of inventories	201,904	215,522	1,825
Foreign exchange gain	67,366	78,532	665
Loss on change on interests in subsidiaries	(83,894)	(150)	(1)
Other, net	14,507	(60,698)	(514)
Other (expenses) income, net	686,726	(717,981)	(6,082)
Income before income taxes and minority interests	13,034,882	8,226,994	69,690
Income taxes:			
Current	6,588,353	5,058,713	42,852
Deferred	(383,530)	(625,331)	(5,297)
	6,204,823	4,433,381	37,555
Minority interests	(255,935)	83,388	706
Net income	¥ 7,085,994	¥ 3,710,224	$ 31,429

	Yen		U.S. Dollars (Note 1)
Earnings per share:			
Basic earnings per share	¥ 20,118.14	¥ 10,692.29	$ 90.57

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

FIELDS CORPORATION AND SUBSIDIARIES

For the fiscal years ended March 31, 2006 and 2007

	Shares	Thousands of Yen							
	Number of Shares of Common Stock Issued	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Holding Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Stock Acquisition Rights	Minority Interests	Total Net Assets
Balance as of March 31, 2005	347,000	¥ 7,948,036	\ ¥ 7,994,953	\ ¥ 17,133,487	¥ 349,796	¥ —	¥ —	¥ —	¥ 33,426,273
Net income	—	—	—	7,085,994	—	—	—	—	7,085,994
Cash dividends paid	—	—	—	(1,388,000)	—	—	—	—	(1,388,000)
Bonuses to directors and statutory auditors	—	—	—	(105,000)	—	—	—	—	(105,000)
Decrease of retained earnings due to change in consolidation scope	—	—	—	(12)	—	—	—	—	(12)
Net change in the year	—	—	—	—	385,826	6,470	—	—	392,296
Balance as of March 31, 2006	347,000	7,948,036	7,994,953	22,726,469	735,622	6,470	—	—	39,411,552
Reclassified balance as of March 31, 2006	—	—	—	—	—	—	—	1,610,739	1,610,739
Net income	—	—	—	3,710,224	—	—	—	—	3,710,224
Cash dividends paid	—	—	—	(1,388,000)	—	—	—	—	(1,388,000)
Bonuses to directors and statutory auditors	—	—	—	(105,000)	—	—	—	—	(105,000)
Net change in the year	—	—	—	—	(520,800)	7,138	15,907	94,928	(402,825)
Balance as of March 31, 2007	347,000	¥ 7,948,036	\¥ 7,994,953	¥ 24,943,694	¥ 214,822	¥ 13,609	¥ 15,907	¥ 1,705,668	¥ 42,836,691

	Thousands of U.S. Dollars (Note 1)							
	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Holding Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Stock Acquisition Rights	Minority Interests	Total Net Assets
Balance as of March 31, 2006	67,327	67,725	192,515	6,231	54	—	—	333,854
Reclassified balance as of March 31, 2006	—	—	—	—	—	—	13,644	13,644
Net income	—	—	31,429	—	—	—	—	31,429
Cash dividends paid	—	—	(11,757)	—	—	—	—	(11,757)
Bonuses to directors and statutory auditors	—	—	(889)	—	—	—	—	(889)
Net change in the year	—	—	—	(4,411)	60	134	804	(3,412)
Balance as of March 31, 2007	$ 67,327	$ 67,725	$ 211,297	$ 1,819	$ 115	$ 134	$ 14,448	$ 362,869

See accompanying notes to the consolidated financial statements.

For the fiscal years ended March 31, 2006 and 2007

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2007	2007
Operating activities:			
Income before income taxes and minority interests	¥ 13,034,882	¥ 8,226,994	$ 69,690
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	1,237,274	817,867	6,928
Impairment loss on long-lived assets	56,819	214,809	1,819
Amortization of goodwill	261,807	429,602	3,639
Accrued bonuses to directors and statutory auditors	—	98,000	830
Retirement benefits for directors and statutory auditors	38,400	(607,100)	(5,142)
Rebate on purchase of inventories	(201,904)	(215,522)	(1,825)
Equity in (earnings) loss of affiliates	(429,179)	92,953	787
(Gain) loss on disposal of property and equipment, net	(32,058)	750,882	6,360
Notes and accounts receivable – trade	(9,135,880)	28,719,949	243,286
Inventories	(1,085,496)	(1,341,601)	(11,364)
Merchandising right advances	(203,728)	944,467	8,000
Prepaid expenses	147,235	331,993	2,812
Notes receivable – non-operating	377,620	(175,764)	(1,488)
Accounts payable – trade	7,492,695	(26,297,458)	(222,765)
Deposits received	(53,503)	720,942	6,107
Consumption tax payable	177,473	(152,127)	(1,288)
Payments of bonuses to directors and statutory auditors	(105,000)	(105,000)	(889)
Other	699,088	(342,601)	(2,902)
Subtotal	12,276,545	12,111,288	102,594
Interest and dividends received	74,320	132,979	1,126
Interest paid	(24,024)	(63,241)	(535)
Income taxes paid	(6,162,055)	(6,887,285)	(58,342)
Net cash provided by operating activities	6,164,786	5,293,740	44,843
Investing activities:			
Purchases of property and equipment	(784,621)	(1,113,515)	(9,432)
Proceeds from sales of property and equipment	395,924	16,535	140
Purchases of intangible assets	(702,484)	(2,425,998)	(20,550)
Purchases of investment securities	(920,000)	(1,050,850)	(8,901)
Proceeds from sales of investment securities	551,585	758,657	6,426
Investments in affiliates	(300,000)	(16,000)	(135)
Payment for acquisitions of interests in newly consolidated subsidiaries, net of transaction costs	(662,560)	(9,065)	(76)
Purchases of other investments	—	(596,221)	(5,050)
Proceeds from cancellation of life insurance policies	178,638	—	
Payment for deposits, net	(45,237)	(226,915)	(1,922)
Other	64,142	(109,340)	(926)
Net cash used in investing activities	(2,224,610)	(4,772,711)	(40,429)
Financing activities:			
Increase in short-term borrowings, net	79,800	1,477,164	12,513
Proceeds from long-term borrowings	—	2,000,000	16,941
Repayments of long-term borrowings	(343,268)	(418,091)	(3,541)
Payments for redemption of bonds	—	(110,000)	(931)
Cash dividends paid	(1,384,996)	(1,389,956)	(11,774)
Other	107,919	(70,446)	(596)
Net cash (used in) provided by financing activities	(1,540,544)	1,488,670	12,610
Effect of exchange rate changes on cash and cash equivalents	50,037	32,727	277
Net increase in cash and cash equivalents	2,449,668	2,042,426	17,301
Cash and cash equivalents at beginning of the period	13,326,256	15,777,313	133,649
Increase in cash and cash equivalents due to change of consolidation scope	1,388	188	1
Cash and cash equivalents at end of the period	¥ 15,777,313	¥ 17,819,928	$ 150,952

See accompanying notes to the consolidated financial statements.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in net assets, which is effective for years ending on or after May 1, 2006. The consolidated statement of shareholders'equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under Japanese GAAP and has been renamed "the consolidated statement of changes in net assets" in the current year.

The accompanying consolidated financial statements are translated into English from the consolidated financial statements prepared in accordance with Japanese GAAP. Certain modifications and reclassifications have been made for the convenience of readers outside Japan. In addition, certain rearrangements have been made to the 2006 consolidated financial statements to conform to the classifications used in 2007.

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, 2007, which is ¥118.05 to U.S. $1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

The U.S. dollar amounts as well as the Japanese yen amounts in thousands in the consolidated financial statements are 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 those of significant subsidiaries (collectively the "Companies") that are controlled by the Company. The concept of effective control has been applied in order to decide the scope of consolidation. Under the effective control approach, all majority-owned companies and companies effectively controlled by the parent are consolidated. Companies in which the parent's ownership share is less than or equal to 50% may be required to be consolidated in case where the parent has effective control through the interests held by a party with a close relationship with the parent.

All significant inter-company balances and transactions are eliminated in consolidation. All material unrealized profit included in assets resulting from transactions with the Companies is eliminated. In the elimination of investments in subsidiaries, the assets and liabilities, including the portion attributing to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

For consolidated subsidiaries or affiliates whose closing dates are different from that of the Company, certain adjustments necessary to consolidate have been made.

The difference between the total acquisition cost and underlying fair value of the net equity of investments in a subsidiary at acquisition is referred to goodwill or negative goodwill, that are amortized over five years by the straight-line method.

An affiliate is defined as a company whose financial and operating decision-making is influenced to a material degree through investment, personnel, financing, technology or other relationships. Accordingly, all 20% to 50% owned companies, except for those that are consolidated, and unconsolidated subsidiaries are, in principle, required to be accounted for by the equity method. An investment of less than 20% of voting rights of an investee may be required to be accounted for by the equity method in cases where the investor has the ability to exercise significant influence over the company.

Scope of Consolidation and Application of the Equity Method

Number of consolidated subsidiaries and affiliates at March 31, 2006 and 2007 is as follows:

	Number of Companies	
	2006	2007
Consolidated subsidiaries	9	14
Unconsolidated subsidiaries accounted for by the equity method	—	—
Unconsolidated subsidiaries not accounted for by the equity method	3	2
Affiliates accounted for by the equity method	2	2
Major affiliates not accounted for by the equity method	1	2

As to consolidated subsidiaries:

The name of consolidated subsidiaries and respective percentages of ownership owned by the Company as of March 31, 2006 and 2007 are listed below:

	Ownership percentage (indirectly owned)	
Name of subsidiaries	2006	2007
Fields Jr. Corporation	100.0 %	100.0 %
Digital Lord Corporation (Note E)	100.0	100.0
White Trash Charms Japan Co., Ltd. (Note E)	100.0	100.0
thinkArts Co., Ltd. (Notes A and E)	—	100.0
Fields Pictures Corporation (Note B)	—	100.0
FutureScope Corporation (Notes C and E)	—	83.3
Japan Sports Marketing Inc. (Note E)	61.8	61.8
JSM HAWAII, LLC (Note C)	— (—)	61.8 (61.8)
D3 INC. (Formerly known as D3 PUBLISHER INC.) (Note D)	57.2	57.2
D3PUBLISHER INC. (a newly established company) (Note D)	— (—)	57.2 (57.2)
Entertainment Software Publishing Inc.	57.2 (57.2)	57.2 (57.2)
D3 Publisher of America, Inc.	57.2 (57.2)	57.2 (57.2)
D3 Publisher of Europe, Ltd.	57.2 (57.2)	57.2 (57.2)
D3DB S.r.l.	28.6 (28.6)	28.6 (28.6)

Note A:

The Company acquired a 100% interest in thinkArts Co., Ltd. ("thinkArts") on April 1, 2006. The following table shows the information of the fair values of assets and liabilities of thinkArts at the date of acquisition, acquisition cost and the amount of cash received from the transaction.

	Thousands of Yen	Thousands of U.S. Dollars (Note 1)
Current assets	¥ 88,409	$ 748
Non-current assets	24,813	210
Goodwill	184,788	1,565
Current liabilities	(97,125)	(822)
Non-current liabilities	(185,885)	(1,574)
Acquisition cost	15,000	127
Cash and cash equivalents owned by thinkArts	(5,934)	(50)
Cash payment for acquisition	¥ 9,065	$ 76

Note B:
E-Active Co., Ltd., a former unconsolidated subsidiary, was renamed Fields Pictures Corporation and has been consolidated since the fiscal year 2007 due to an increase of its magnitude.

Note C:
FutureScope Corporation and JSM HAWAII, LLC were established during the fiscal year 2007.

Note D:
On April 1, 2006, D3PUBLISHER INC. was renamed D3 INC. and established D3PUBLISHER INC. as a new company through a corporate divestiture.

Note E:
The negative net worth of certain consolidated subsidiaries as of March 31, 2007 is summarized below:

	Thousands of Yen	Thousands of U.S. Dollars (Note 1)
Japan Sports Marketing Inc.	¥ 607,458	$ 5,145
White Trash Charms Japan Co., Ltd.	210,443	1,782
Digital Lord Corporation	251,989	2,134
thinkArts Co., Ltd.	282,325	2,391
FutureScope Corporation	16,110	136

As to unconsolidated subsidiary:
Two subsidiaries are not consolidated, which are not accounted for by the equity method as those unconsolidated subsidiaries do not have significant impact on the consolidated financial position as a whole such as the consolidated net income and consolidated retained earnings for the fiscal years 2006 and 2007. Investments in unconsolidated subsidiaries are accounted for by the cost method.

As to affiliates:
Two affiliates, Rodeo Co., Ltd. and KADOKAWA HARUKI CORPORATION are accounted for by the equity method at March 31, 2006 and 2007. The Companies have affiliates, which are not accounted for by the equity method as they do not have impact on the consolidated financial position as a whole such as the consolidated net income and consolidated retained earnings for the fiscal years 2006 and 2007. Investments in affiliates not accounted for by the equity method are accounted for by the cost 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
Merchandis – Used Machine
The Company: At cost determined by the specific identification method
Merchandise – Others
The Company: At cost determined by the moving-average method
Consolidated subsidiaries: At cost determined by the periodic average method
Finished products
Consolidated subsidiaries: At cost determined by the first-in first-out method
Work in process
Consolidated subsidiaries: At cost determined by the specific identification method
Content
Consolidated subsidiaries: At cost determined by the specific identification method
Supplies
The Companies: At cost determined by the last purchase price method

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 the positive intent and 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.

For other than temporary declines in fair value of investment securities, impairment losses are recognized and the acquisition cost is directly reduced to net realizable value by charging such losses to income. No impairment losses were recognized for the fiscal years 2006 and 2007.

The cost of securities sold is determined based on the moving-average method.

Property and Equipment
For the Company and domestic consolidated subsidiaries:
Property and equipment are stated at cost. Depreciation is calculated by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998.

For overseas consolidated subsidiaries:
Property and equipment are stated at cost. Depreciation is calculated by the straight-line method.

The rage of estimated useful lives of depreciable assets at March 31, 2006 and 2007 are as follows:

	2006	2007
Buildings	4 - 50 years	**4 - 50 years**
Structures	10 - 50	**10 - 50**
Vehicles	2 - 6	**2 - 6**
Equipment	3 - 20	**3 - 20**

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

The Companies adopt asset grouping method in order to determine weather long-lived assets are impaired or not. Net sales prices in market appraised by licensed outside parties are used as recoverable value of long-lived assets. The recognized impairment losses are directly deducted from the acquisition costs of impaired long-lived assets.

Intangible Assets
Intangible assets primarily consist of computer software. For internal-use software, the software is amortized over five years by using the straight-line method. For software held by subsidiaries for sale, such software is amortized over anticipated sales periods (12months for software used for gaming machines and 36 months for other software) by the appropriate amortization methods decided by the subsidiaries.

Allowance for Doubtful Accounts
The allowance for doubtful accounts is reported as an amount determined by adding the individually estimated uncollectible amounts to a general reserve calculated by applying a rate based on past collection experience.

Accrued Bonuses
Accrued bonuses for employees are provided for using the estimated amount which the Company is obligated to pay to employees after the balance sheet date, based on services provided during the period.

Bonuses to Directors and Statutory Auditors
Prior to the fiscal year ended March 31, 2005, bonuses to directors and statutory auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force No. 13, "Accounting Treatment for Bonuses to Directors and Statutory Auditors," which encouraged companies to record bonuses to directors and statutory auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and statutory auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and statutory auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue the estimated amount of bonuses to directors and statutory auditors at the year end to which such bonuses are attributable.

The Company adopted the new accounting standard for bonuses to directors and statutory auditors in the year ended March 31, 2007. The effect of adopting this accounting standard was to decrease income before income taxes for the year ended March 31, 2007 by ¥98,000 thousand ($830 thousand).

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

For directors and statutory auditors:
As part of the revision of directors' emoluments, the Company discontinued the retirement benefit plan for directors and statutory auditors on June 28, 2006, the date of the eighteenth shareholders meeting. With the termination of the policy, special payments to directors and statutory auditors in response to the length of their term were approved at the shareholders meeting and paid by the Company.

Stock Option
On December 27, 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on or after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of net assets until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

The Company applied the new accounting standard for stock options to those granted on or after May 1, 2006. The effect of adopting this accounting standard for the year ended March 31, 2007 was to decrease income before income taxes by ¥15,877 thousand ($134 thousand).

Presentation of Net Assets
On December 9, 2005, the ASBJ published a new accounting standard for presentation of net assets. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of net assets. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

Translation of Foreign Currencies
Current and no-current monetary assets and liabilities denominated in foreign currencies of the Companies are translated into yen at the exchange rates in effect at the end of the fiscal year. Gains and losses arising from exchange differences are credited or charge to income in the year in which they are made or incurred.

The Company translates the revenue and expense accounts of the overseas consolidated subsidiaries at the average rates of exchange in effect during the year. The balance sheet accounts, except for the components of net assets, are translated into yen at the rates of exchange in effect at the end of the fiscal year. The components of net assets are translated at their historical exchange rates. The differences arising from translation where two exchange rates have been used are included in minority interests and foreign currency translation adjustments in the accompanying consolidated financial statements.

Derivatives and Hedging Accounting
The accounting standards for financial instruments:
Derivative financial instruments are stated at fair value and changes in fair value are recognized as gains or losses unless derivative financial instruments are used for hedging purposes. 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 recognized.

Companies' policy for derivative activities:
Certain consolidated subsidiaries enter into interest rate swap contracts for the purpose of reduction of the risks of fluctuations in future interest payments on loan transactions. The Companies do not enter into derivative transactions for trading or speculative purposes.

Risk management for derivative transactions:
Certain consolidated subsidiaries enter into the derivative transactions only with major international financial institutions with favorable credit ratings, thereby reducing credit risk exposure for non-performance. The Companies evaluate hedge effectiveness periodically by comparing the cumulative changes in cash flows or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments. The finance department is engaged in derivative transactions. The derivative transactions are executed in accordance with the established job authorization.

Income Taxes

The Companies use the asset and liability method to account for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed or settled. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in income in the period the change is enacted. A valuation allowance is provided for deferred tax assets when considered tax benefit will not be realized.

Revenue Recognition

The revenue of the Company primary consists of merchandise sales and agency services.

For merchandise sales:

The Company purchases pachislot machines from manufactures and sells them to pachinko halls. The Company recognized revenue when products are shipped to the halls.

For agency services:

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

Leases

Under Japanese accounting standards for leases, financial leases that are deemed to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are 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. In compliance with this standard, all lease transactions of the Companies are accounted for as operating leases.

Issuance Costs for Stock and Bonds

Issuance costs for stock and bonds are expensed as incurred.

Consumption Tax

Consumption tax is imposed at the flat rate of five per cent on all domestic consumption of goods and services (with certain exemptions). The consumption tax imposed on the Companies' sales to customers is withheld by the companies at the time of sale and is subsequently paid to the national government. Consumption tax withheld upon sale is not included in "Sales" and consumption tax payable by the Companies on the purchases of goods and services from vendors is not included in "Costs and Expenses" in the accompanying consolidated statements of income. 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.

Appropriation of Retained Earnings

Appropriations of retained earnings are reflected in the consolidated financial statements for the following year upon shareholders' approval.

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.

Number of shares to be issued upon exercise of stock options outstanding at March 31, 2006 and 2007 are 7,650 shares and 7,000 shares, respectively. As the exercise price of the stock options was higher than the average market price of the Company's common stock for both 2006 and 2007, those options are not considered dilutive for 2006 and 2007. As a result, there are no differences between basic and diluted EPS in the fiscal years ended March 31, 2006 and 2007.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in Japan requires management to make certain estimates and assumptions which affect the accounts reported in the financial statements and accompanying notes. The actual results could differ from those estimates.

3. 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, 2006 and 2007:

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2007	2007
Held-to-maturity securities			
Acquisition cost	¥ —	¥ 800,000	$ 6,776
Fair value	—	758,256	6,423
Net unrealized loss	—	(41,744)	(353)
Available-for-sale securities			
— Equity securities			
Acquisition cost	832,724	832,724	7,053
Fair value	2,088,715	1,193,713	10,111
Net unrealized gain	1,255,990	360,989	3,057
— Other			
Acquisition cost	700,000	157,650	1,335
Fair value	684,520	158,925	1,346
Net unrealized (loss) gain	(15,480)	1,275	10

(b) The following table summarizes carrying value of available-for-sale securities with no available fair values at March 31, 2006 and 2007:

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2007	2007
Stocks	¥ 34,618	¥ 122,118	$ 1,034
Bonds and other	55,758	81,664	691

(c) The carrying values of debt securities by contractual maturities for securities classified as held-to-maturity securities and available-for-sale securities at March 31, 2007 are as follows:

	Thousands of Yen	Thousands of U.S. Dollars (Note 1)
Due after 10 years	¥ 958,925	$ 8,123

4. LEASES

The Companies lease certain vehicle, equipment and software under several finance lease contracts without ownership transfer to lessees. Assumed amounts of (a) acquisition cost, accumulated depreciation and net book value and (b) lease obligations at March 31, 2006 and 2007 are as follows:

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

	Thousands of Yen			
At March 31, 2006	Vehicles	Equipment	Software	Total
Acquisition cost	¥ 11,592	¥ 91,863	¥ 38,757	¥ 142,212
Accumulated depreciation	241	67,278	8,397	75,917
Net book value	¥ 11,350	¥ 24,584	¥ 30,359	¥ 66,295
At March 31, 2007				
Acquisition cost	¥ 18,252	¥ 27,912	¥ 38,757	¥ 84,921
Accumulated depreciation	3,139	16,015	16,148	35,304
Net book value	¥ 15,112	¥ 11,896	¥ 22,608	¥ 49,616

	Thousands of U.S. Dollars (Note 1)			
At March 31, 2007	Vehicles	Equipment	Software	Total
Acquisition cost	$ 154	$ 236	$ 328	$ 719
Accumulated depreciation	26	135	136	299
Net book value	$ 128	$ 100	$ 191	$ 420

(b) Lease obligations

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2007	2007
Payments due within one year	¥ 27,619	¥ 18,416	$ 156
Payments due after one year	38,676	31,200	264
Total	¥ 66,295	¥ 49,616	$ 420

Due to immateriality of the aggregated amount of lease obligations compared with the year-end balance of properties, interest expenses related to lease obligations are included in both the assumed acquisition cost and lease obligations of the lease properties.
Amounts of lease payments and depreciation expense equivalent for the years ended March 31, 2006 and 2007 are as follows:

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2007	2007
Lease payments	¥ 41,246	¥ 27,844	$ 235
Depreciation expense	41,246	27,844	235

Depreciation expense equivalent is computed by the straight-line method over the lease period without residual value.

(c) The minimum rental commitments under non-cancelable operating leases at March 31, 2007 were as follows:

	Thousands of Yen	Thousands of U.S. Dollars (Note 1)
Payments due within one year	¥ 1,318	$ 11
Payments due after one year	1,538	13
Total	¥ 2,857	$ 24

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

The following table summarizes the Companies' short-term borrowings and long-term debt at March 31, 2006 and 2007:

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2007	2007
Short-term borrowings:			
Short-term borrowings with weighted average interest rate of 1.02% and 1.34% per annum at March 31, 2006 and 2007, respectively.	¥ 730,000	¥ 2,230,000	$ 18,890
Long-term debt:			
Current portion of long-term borrowings with weighted average interest rate of 1.82% and 2.15% per annum at March 31, 2006 and 2007, respectively.	214,668	917,750	7,774
Long-term borrowings, less current portion, with weighted average interest rate of 1.81% and 2.15% per annum at March 31, 2006 and 2007, respectively, due serially to 2011	366,997	1,238,852	10,494
Current portion of 0.88% unsecured bonds: Issued on March 31, 2005 and due serially to 2011	100,000	100,000	847
0.88% unsecured bonds less current portion: Issued on March 31, 2005 and due serially to 2011	400,000	300,000	2,541
Current portion of 0.76% unsecured bonds: Issued on July 29, 2005 and due serially to 2011	10,000	20,000	169
0.76% unsecured bonds less current portion: Issued on July 29, 2005 and due serially to 2011	90,000	70,000	592
Total	¥ 1,911,665	¥ 4,876,602	$ 41,309

The aggregate amounts of annual maturity of long-term debt at March 31, 2007 are as follows:

	Thousands of Yen	Thousands of U.S. Dollars (Note 1)
2008	¥ 1,037,750	$ 8,790
2009	924,568	7,832
2010	547,534	4,638
2011	126,750	1,073
2012	10,000	84
Total	¥ 2,646,602	$ 22,419

As is customary in Japan, the Companies pledge its time deposit to certain banks with which they have transactions. The amount of time deposit pledged at March 31, 2007 was ¥81,390 thousand ($689 thousand).

6. CREDIT LINES

The Companies entered into line of credit and over-draft agreements with five (six in 2006) banks for the purpose of efficient management of operation fund. The following is the summary of the line of credit at March 31, 2006 and 2007:

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2007	2007
Total amount of the line of credit	¥ 5,610,000	¥ 4,500,000	$ 38,119
Outstanding balance	730,000	1,400,000	11,859
Remaining amount of the line of credit	¥ 4,880,000	¥ 3,100,000	$ 26,260

7. FAIR VALUE OF DERIVATIVE TRANSACTIONS

Due to adopting hedge accounting for all derivatives transactions, there is no information disclosed regarding fair value of derivatives transactions at March 31, 2006 and 2007.

8. RETIREMENT BENEFITS

For employees:

The Accrued retirement benefits for employees at March 31, 2006 and 2007 is as follows:

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2007	2007
Projected benefit obligation	¥ 165,941	¥ 218,678	$ 1,852
Unrecognized actuarial differences	(3,293)	(23,565)	(199)
Accrued retirement benefits	¥ 162,648	¥ 195,112	$ 1,652

Net periodic costs for the employees' retirement benefits for the years ended March 31, 2006 and 2007 consisted of the following components: The retirement benefit costs of certain domestic consolidated subsidiaries which adopt the simplified method for calculating projected benefit obligation are accounted for as service cost.

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2007	2007
Service cost	¥ 40,626	¥ 35,436	$ 300
Interest cost	2,716	2,978	25
Amortization of actuarial differences	993	1,191	10
Contribution to defined contribution plan	3,645	11,965	101
Net periodic benefit costs	¥ 47,982	51,571	$ 436

The assumptions used for the above plans for the years ended March 31, 2006 and 2007 are as follows:

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

For directors and statutory auditors:

The accrued retirement benefits for the Company's directors and statutory auditors as of March 31, 2006 were ¥607,100 thousand. However, as part of the revision of directors' emoluments, the Company discontinued the retirement benefit plan for directors and statutory auditors during the fiscal year 2007. As the special payments for termination of the policy were paid to directors and statutory auditors, all amount of the accrued retirement benefits for auditors and statutory auditors were reversed and became zero.

9. CONTINGENCIES

For agency services, when the Company receives a sales order for pachinko and pachislot machines from pachinko halls (the "Customers"), the Company asks the manufacturer of the machines to deliver the machines directly to the Customers, and guarantees payment for the machines delivered on behalf of the Customers. The amounts of such guarantees at March 31, 2006 and 2007 are as follows:

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2007	2007
Amounts guaranteed	¥ 677,268	¥ 917,322	$ 7,770

10. INCOME TAXES

The significant components of deferred tax assets and liabilities at March 31, 2006 and 2007 are as follows:

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2007	2007
Deferred tax assets:			
Retirement benefits for directors and statutory auditors	¥ 247,089	¥ —	$ —
Sales discount	—	215,056	1,821
Enterprise taxes	262,282	175,955	1,490
Devaluation of inventories	29,388	266,296	2,255
Retirement benefits for employees	66,142	79,537	673
Allowance for doubtful accounts	93,755	127,139	1,076
Accrued bonuses	10,175	10,175	86
Amortization for software	183,322	98,895	837
Amortization for royalty	246,788	128,833	1,091
Amortization for merchandising right advances	90,416	229,051	1,940
Amortization for content	41,653	532,621	4,511
Tax loss carryforwards of subsidiaries	1,055,752	1,665,113	14,105
Other	180,132	325,439	2,756
Gross deferred tax assets	2,506,901	3,854,116	32,648
Valuation allowances	(1,114,733)	(1,825,793)	(15,466)
Total deferred tax assets	1,392,167	2,028,322	17,181
Deferred tax liabilities:			
Unrealized holding gain on investment securities	504,887	147,441	1,248
Total deferred tax liabilities	504,887	147,441	1,248
Net deferred tax assets	¥ 887,279	¥ 1,880,881	$ 15,932

Income taxes in Japan consist of corporation tax, inhabitants' taxes and enterprise taxes. A reconciliation of the differences between the statutory tax rate and the effective income tax rate for the fiscal years 2006 and 2007 is as follows:

	2006	2007
Statutory tax rate	40.7 %	40.7 %
Adjustments:		
Taxation on retained earnings imposed on a family corporation	2.9	0.4
Per capita levy of inhabitant tax	0.3	0.5
Expenses not deductible for tax purpose	1.1	4.9
Income not taxable for tax purpose	(0.2)	(0.3)
Tax rates applied to consolidated subsidiaries with net operating losses	3.5	6.2
Other	(0.7)	1.5
Effective income tax rate	47.6 %	53.9 %

11. NET ASSETS

From May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. Under the Corporate Law, 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 Corporate Law 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 earrings surplus equals 25% of common stock. The total amount of the Company's capital surplus and earrings 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 Corporate Law, interim dividends may also be paid anytime upon resolution of the Board of Directors, subject to certain limitations imposed by the Corporate Law. 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 Corporate Law.

12. STOCK OPTION

The stock option outstanding as of March 31, 2007 is as follows:

The Company

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Period
2003 Stock Option	7 directors/statutory auditors 100 employees	6,810 shares	April 14, 2004	From July 1, 2005 to June 30, 2008
2005 Stock Option	1 director 44 employees	1,610 shares	June 29, 2005	From August 1, 2005 to June 30, 2008

D3 INC.

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Period
2000 Stock Option (1)	3 directors 8 employees	102 shares	September 22, 2000	From November 1, 2002 to September 28, 2007
2000 Stock Option (2)	12 outside cooperators	76 shares	September 22, 2000	From November 1, 2001 to September 28, 2007
2001 Stock Option	3 employees	28 shares	January 31, 2001	From April 1, 2003 to September 28, 2007
2003 Stock Option	7 directors/statutory auditors 18 employees 1 director of domestic subsidiary 4 employees of domestic subsidiary 16 outside cooperators	594 shares	March 3, 2003	From February 1, 2005 to January 29, 2010
2005 Stock Option	8 directors/statutory auditors 1 director of overseas subsidiary 5 employees 5 employees of overseas subsidiary	350 shares	March 15, 2005	From February 1, 2007 to January 31, 2012
2006 Stock Option (1)	6 directors 10 employees 11 employees of overseas subsidiary	500 shares	March 15, 2006	From February 1, 2008 to January 31, 2013
2006 Stock Option (2)	5 directors	110 shares	October 17, 2006	From October 18, 2008 to October 17, 2013
2006 Stock Option (3)	3 employees 2 directors of domestic subsidiary 1 director of overseas subsidiary 4 employees of domestic subsidiary 13 employees of overseas subsidiary	280 shares	October 17, 2006	From June 23, 2008 to May 31, 2013

D3Publisher of America, Inc

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Period
2005 Stock Option	3 directors 2 employees 1 director of overseas subsidiary 9 employees of overseas subsidiary	1,521,900 shares	November 1, 2005	From November 1, 2007 to October 31, 2013

Note: Number of options granted in the tables above is presented after giving effect of stock splits made in prior years.

The stock option activity is as follows:

The Company

	2003 Stock Option	2005 Stock Option
For the Year Ended March 31, 2007		
Non-vested:		
March 31, 2006 – outstanding (shares)	—	—
Granted (shares)	—	—
Canceled (shares)	—	—
Vested (shares)	—	—
March 31, 2007 – outstanding (shares)	—	—
Vested:		
March 31, 2006 – outstanding (shares)	6,040	1,610
Vested (shares)	—	—
Exercised (shares)	—	—
Canceled (shares)	(400)	(250)
March 31, 2007 – outstanding (shares)	5,640	1,360
Exercise price (Yen)	¥ 760,000 ($ 6,437)	¥ 760,000 ($ 6,437)
Average stock price at exercise (Yen)	— (—)	— (—)
Fair value price at grant date (Yen)	— (—)	— (—)

D3 INC.

	2000 Stock Option (1)	2000 Stock Option (2)	2001 Stock Option	2003 Stock Option
For the Year Ended March 31, 2007				
Non-vested:				
March 31, 2006 – outstanding (shares)	—	—	—	—
Granted (shares)	—	—	—	—
Canceled (shares)	—	—	—	—
Vested (shares)	—	—	—	—
March 31, 2007 – outstanding (shares)	—	—	—	—
Vested:				
March 31, 2006 – outstanding (shares)	22	68	18	467
Vested (shares)	—	—	—	—
Exercised (shares)	—	—	—	(6)
Canceled (shares)	—	—	—	—
March 31, 2007 – outstanding (shares)	22	68	18	461
Exercise price (Yen)	¥ 250,000 ($ 2,117)	¥ 250,000 ($ 2,117)	¥ 250,000 ($ 2,117)	¥ 168,210 ($ 1,424)
Average stock price at exercise (Yen)	— (—)	— (—)	— (—)	¥ 258,000 ($ 2,185)
Fair value price at grant date (Yen)	— (—)	— (—)	— (—)	— (—)

	2005 Stock Option	2006 Stock Option (1)	2006 Stock Option (2)	2006 Stock Option (3)
For the Year Ended March 31, 2007				
Non-vested:				
March 31, 2006 – outstanding (shares)	350	500	—	—
Granted (shares)	—	—	280	110
Canceled (shares)	(15)	(32)	—	—
Vested (shares)	335	—	—	—
March 31, 2007 – outstanding (shares)	—	468	280	110
Vested:				
March 31, 2006 – outstanding (shares)	—	—	—	—
Vested (shares)	335	—	—	—
Exercised (shares)	—	—	—	—
Canceled (shares)	—	—	—	—
March 31, 2007 – outstanding (shares)	335	—	—	—
Exercise price (Yen)	¥ 335,000 ($ 2,837)	¥ 379,005 ($ 3,210)	¥ 320,650 ($ 2,716)	¥ 320,650 ($ 2,716)
Average stock price at exercise (Yen)	— (—)	— (—)	— (—)	— (—)
Fair value price at grant date (Yen)	— (—)	— (—)	¥ 123,564 ($ 1,046)	¥ 119,064 ($ 1,008)

D3Publisher of America, Inc.

	2005 Stock Option
For the Year Ended March 31, 2007	
Non-vested:	
March 31, 2006 – outstanding (shares)	1,527,900
Granted (shares)	—
Canceled (shares)	(6,000)
Vested (shares)	—
March 31, 2007 – outstanding (shares)	1,521,900
Vested:	
March 31, 2006 – outstanding (shares)	—
Vested (shares)	—
Exercised (shares)	—
Canceled (shares)	—
March 31, 2007 – outstanding (shares)	—
Exercise price (U.S.dollar)	$ 0.10
Average stock price at exercise (U.S.dollar)	—
Fair value price at grant date (U.S.dollar)	$ 0.06

Note: Number of options and prices in the tables above are presented after giving effect of stock splits made in prior years.

The Assumptions Used to Measure Fair Value of Stock Options Granted on or after May 1, 2006 are as follows:

D3 INC.

2006 stock option (2)

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	57.4%
Estimated remaining outstanding period:	4.5 years
Estimated dividend:	¥ 600 per share
Interest rate with risk free:	1.20%

Notes:
1. Volatility of stock price is calculated based on the actual stock prices marked in the period from April 15, 2002 to October 9, 2006.
2. Estimated remaining outstanding period is determined based on the assumption that all options would be exercised by the middle date of the exercise period.
3. Estimated dividend is determined based on the actual dividend applicable to the year ended October 31, 2005.
4. For the interest rate with risk free, the Company uses the yield of Japanese treasury bond applicable to the estimated remaining outstanding period of options.

2006 stock option (3)

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	57.7%
Estimated remaining outstanding period:	4.2 years
Estimated dividend:	¥ 600 per share
Interest rate with risk free:	1.14%

Notes:
1. Volatility of stock price is calculated based on the actual stock prices marked in the period from August 19, 2002 to October 9, 2006.
2. Estimated remaining outstanding period is determined based on the assumption that all options would be exercised by the middle date of the exercise period.
3. Estimated dividend is determined based on the actual dividend applicable to the year ended October 31, 2005.
4. For the interest rate with risk free, the Company uses the yield of Japanese treasury bond applicable to the estimated remaining outstanding period of options.

Estimated number of stock options to be vested:

As the number of options to be cancelled in future is not readily estimable, the estimated number of options to be vested is based on the actual cancel of options.

13. RELATED PARTY TRANSACTIONS

Transactions in the normal course of business with affiliates:

The following table summarizes the account balances and transactions in the normal course of business with Rodeo Co., Ltd., a 35.0% interest of which is owned by the Company, for the fiscal years 2006 and 2007.

	Thousands of yen		Thousands of U.S. Dollars (Note 1)
	2006	2007	2007
Account balances			
Accounts payable – trade	¥ 30,590,077	¥ 3,403,259	$ 28,828
Transactions			
Purchase of merchandise	¥ 46,825,232	¥ 12,447,958	$ 105,446
Rebate on purchase of merchandise	201,904	197,125	1,669

14. SEGMENT INFORMATION

Business Segment:

Business segment for the fiscal year 2006 is as follows:

	Thousands of yen					
	PS Field	Game Field	Other Field	Total	Elimination and/ or corporate	Consolidation
Sales to third parties	¥ 88,168,782	¥ 5,042,102	¥ 3,603,479	¥ 96,814,364	¥ —	¥ 96,814,364
Inter-segment sales and transfers	180,653	10,774	480,027	671,455	(671,455)	—
Total sales	88,349,435	5,052,877	4,083,507	97,485,820	(671,455)	96,814,364
Operating expense	75,638,435	4,775,196	4,739,036	85,152,668	(686,460)	84,466,208
Operating income (loss)	¥ 12,711,000	¥ 277,681	¥ (655,529)	¥ 12,333,151	¥ 15,004	¥ 12,348,156
Total assets	¥ 76,791,354	¥ 5,543,721	¥ 6,091,831	¥ 88,426,907	¥ (870,373)	¥ 87,556,534
Depreciation	¥ 497,534	403,421	252,956	1,153,912	(4,942)	1,148,970
Impairment losses	¥ —	—	56,819	56,819	—	56,819
Capital expenditure	¥ 734,555	674,656	987,660	2,396,872	(3,555)	2,393,317

Business segment for the fiscal year 2007 is as follows:

	Thousands of yen					
	PS Field	Game Field	Other Field	Total	Elimination and/ or corporate	Consolidation
Sales to third parties	¥ 71,064,425	¥ 9,847,658	¥ 4,409,061	¥ 85,321,144	¥ —	¥ 85,321,144
Inter-segment sales and transfers	242,429	99,175	1,112,150	1,453,756	(1,453,756)	—
Total sales	71,306,854	9,946,833	5,521,211	86,774,900	(1,453,756)	85,321,144
Operating expense	62,233,005	9,726,684	6,034,656	77,994,347	(1,618,178)	76,376,168
Operating income (loss)	¥ 9,073,848	¥ 220,149	¥ (513,444)	¥ 8,780,553	¥ 164,422	¥ 8,944,975
Total assets	¥ 53,218,506	¥ 9,264,226	¥ 4,922,505	¥ 67,405,238	¥ (1,323,681)	¥ 66,081,557
Depreciation	512,899	47,216	192,374	752,490	(4,942)	747,548
Impairment losses	6,000	—	208,809	214,809	—	214,809
Capital expenditure	4,051,597	95,493	181,164	4,328,255	(7,520)	4,320,734

	Thousands of U.S. Dollars (Note 1)					
	PS Field	Game Field	Other Field	Total	Elimination and/ or corporate	Consolidation
Sales to third parties	$ 601,985	$ 83,419	$ 37,349	$ 722,754	$ —	$ 722,754
Inter-segment sales and transfers	2,053	840	9,421	12,314	(12,314)	—
Total sales	604,039	84,259	46,770	735,069	(12,314)	722,754
Operating expense	527,174	82,394	51,119	660,689	(13,707)	646,981
Operating income (loss)	$ 76,864	$ 1,864	$ (4,349)	$ 74,379	$ 1,392	$ 75,772
Total assets	$ 450,813	$ 78,477	$ 41,698	$ 570,988	$ (11,212)	$ 559,776
Depreciation	4,344	399	1,629	6,374	(41)	6,332
Impairment losses	50	—	1,768	1,819	—	1,819
Capital expenditure	34,321	808	1,534	36,664	(63)	36,600

Geographic Segment:

For the fiscal year 2006 and 2007, both sales earned in Japan and the total assets existing in Japan are over 90% of the consolidated sales and the consolidated total assets and, therefore, geographic segment information is omitted.

Overseas sales Segment:

For the fiscal year 2006 and 2007, the amount of overseas sales is less than 10% of the total of consolidated sales and, therefore, the information of overseas sales segment is omitted.

15. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in selling, general and administrative expenses in the fiscal years 2006 and 2007 are ¥231,590 thousand and none, respectively.

16. SUBSEQUENT EVENTS

At the general shareholders meeting of the Company held on June 27, 2007, the shareholders approved the payment of the year-end cash dividends totaling ¥694,000 thousand ($5,878 thousand), or ¥2,000.00 ($16.94) per share.

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, 2006 and 2007, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2006 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan as described in Note 1 to the consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 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 27, 2007

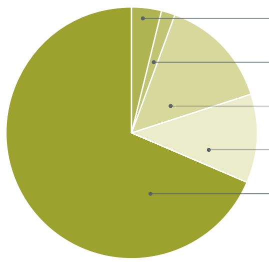
Stock Information

Total authorized shares	1,388,000
Total outstanding shares	347,000
Number of shareholders	14,075

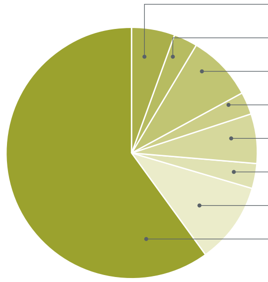
Principal Shareholders

Name of shareholders	Number of shares held	Percentage of outstanding shares owned (%)
Hidetoshi Yamamoto	112,200	32.33
Takashi Yamamoto	40,000	11.53
Sammy Corporation	27,500	7.93
Mint Co.	16,000	4.61
RBC Dexia Investor Services Trust London Lending account client account	5,960	1.72
Japan Securities Finance	5,316	1.53
Japan Trustee Services Bank, Ltd. (Trust account)	4,550	1.31
State Street Bank and Trust Company 505019	4,018	1.16
Morgan Stanley & Co. Inc.	3,936	1.13
IXIS CIB	3,800	1.10

Number of Shareholders by Category (%)



Distribution of Ownership among Shareholder (%)

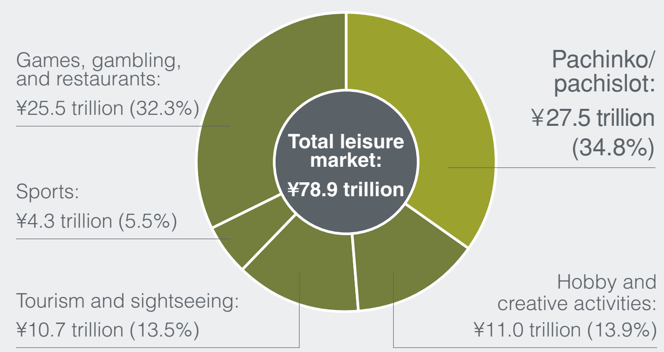


Growth potential of the pachinko/pachislot industry

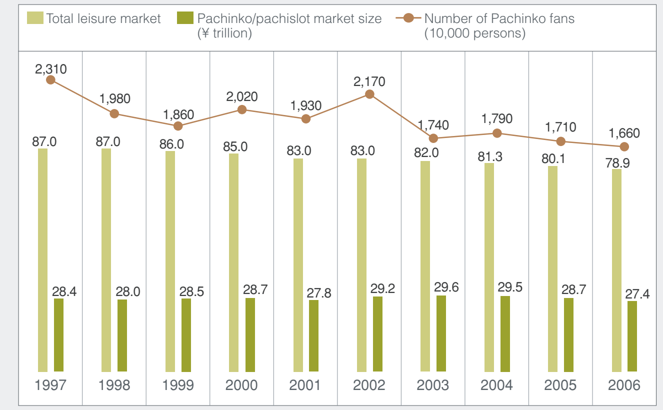
— Leading to an expanding fan base

The pachinko/pachislot business is at the forefront of Japan's leisure industry. With a market scale reaching approximately ¥28 trillion, the industry accounts for over 34% of the overall leisure industry. The number of pachinko fans has been recently declining due to diversified leisure needs that reflect a similar diversification in the entertainment environment as well as the 1995 amendment to the pachinko/pachislot machine law. This downward trend, however, appeared to have bottomed out in 2003. The industry is expected to adopt various approaches to acquire new pachinko fans, including the creation of pachinko/pachislot machines and hall spaces and the development of services to meet the needs of diverse fans.

Share of the pachinko/pachislot industry in the Japanese leisure industry*



Pachinko/pachislot market size and number of pachinko fans*



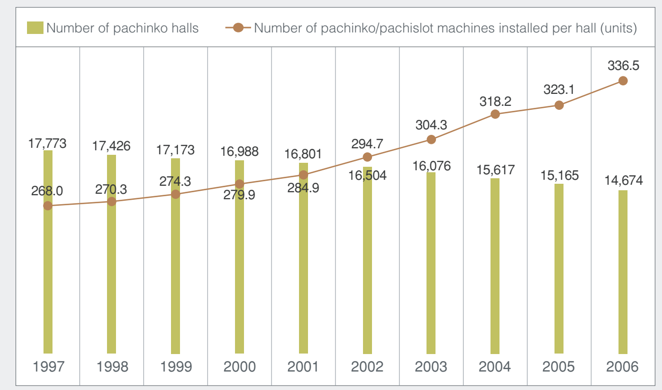
Current situation in the pachinko/pachislot machine market

— Increasing investment to attract more fans into halls

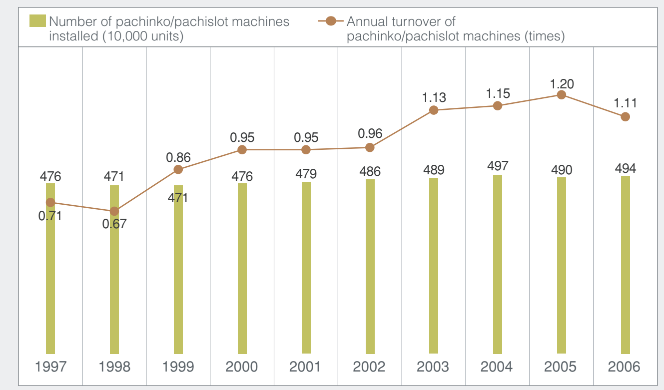
Many pachinko halls have recently joined major pachinko chains. In addition, newly opened halls are becoming larger while existing halls are accelerating their efforts to expand their space. Consequently, the number of machines is rising despite having fewer halls. Investment for improving halls to acquire fans is growing and the annual turnover* of pachinko/pachislot machines has been on the rise after bottoming out in 1999. Following the amendment of the Law Regulating Adult Entertainment Businesses in 2004, the industry has offered enhanced game and entertainment features, such as machines with image displays. Given this market environment, expectations are high for the development and release of new content to attract a wider range of fans.

* Annual turnover of pachinko/pachislot machines = number of machines sold / number of existing machines

Number of pachinko halls and average number of pachinko/pachislot machines installed per hall*



Number of pachinko/pachislot machines installed and their annual turnover*

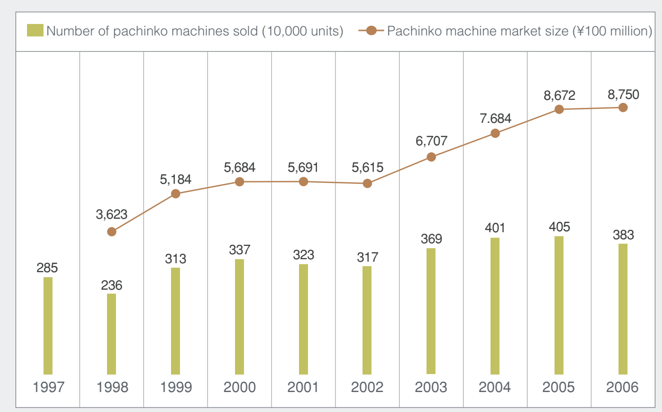


Outlook for the pachinko/pachislot machines market

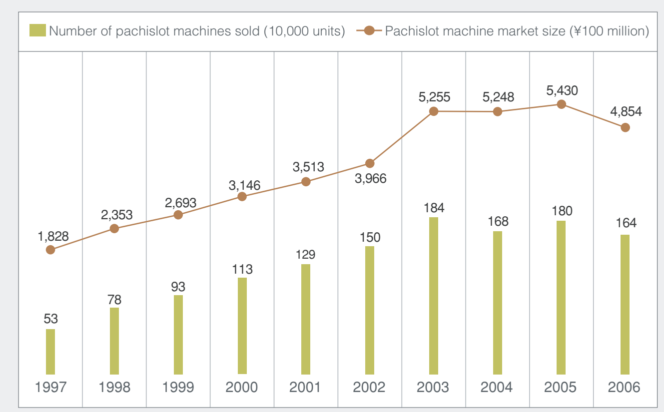
— Significant demand for game and entertainment features

The number of pachinko machines has been on the increase since 2001. The number of machines sold is expected to grow in the coming years, given that the industry is projected to draw a more varied base of fans by using popular copyrighted characters and their stories to attract new fans to new models of machines that comply with the provisions of the Law Regulating Adult Entertainment Businesses as amended in 2004.
In regard to pachislot machines, the number of fans, particularly young fans, is continually growing. In addition, the market scale and total number of machines sold have rapidly grown in recent years, benefiting from the introduction of new models that employ advanced imaging hardware and software technology. Since the gambling nature of machines is restricted under the 2004 amendment to the law, there will be increasing demand for content development with more sophisticated entertainment value.

Pachinko machine market scale*



Pachislot machine market scale*



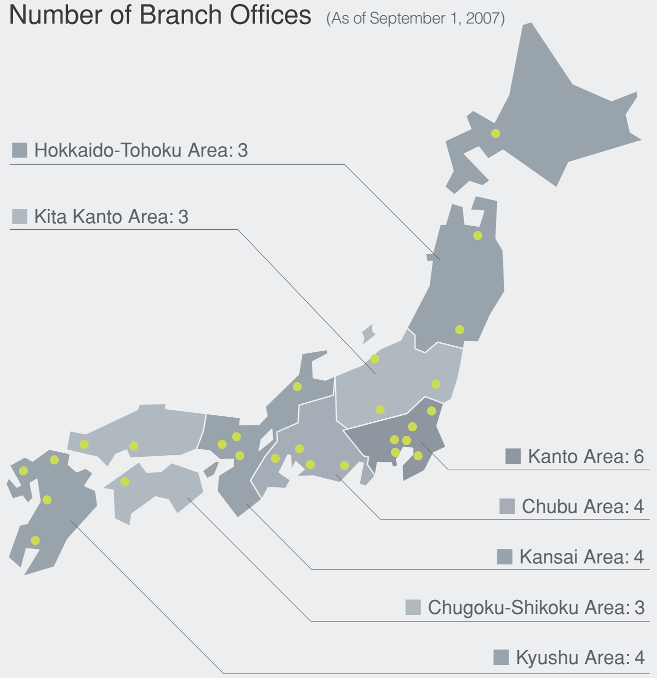
* Sources: *2007 White Paper on Leisure*, published by Japan Productivity Center for Socio-Economic Development; *Pachinko Participation Fact-Finding Survey 2007*, published by Entertainment Business Institute; *2007 Trend of Pachinko Machine Makers and Their Market Share*, published by Yano Research Institute Ltd.

Corporate Data (As of March 31, 2007)

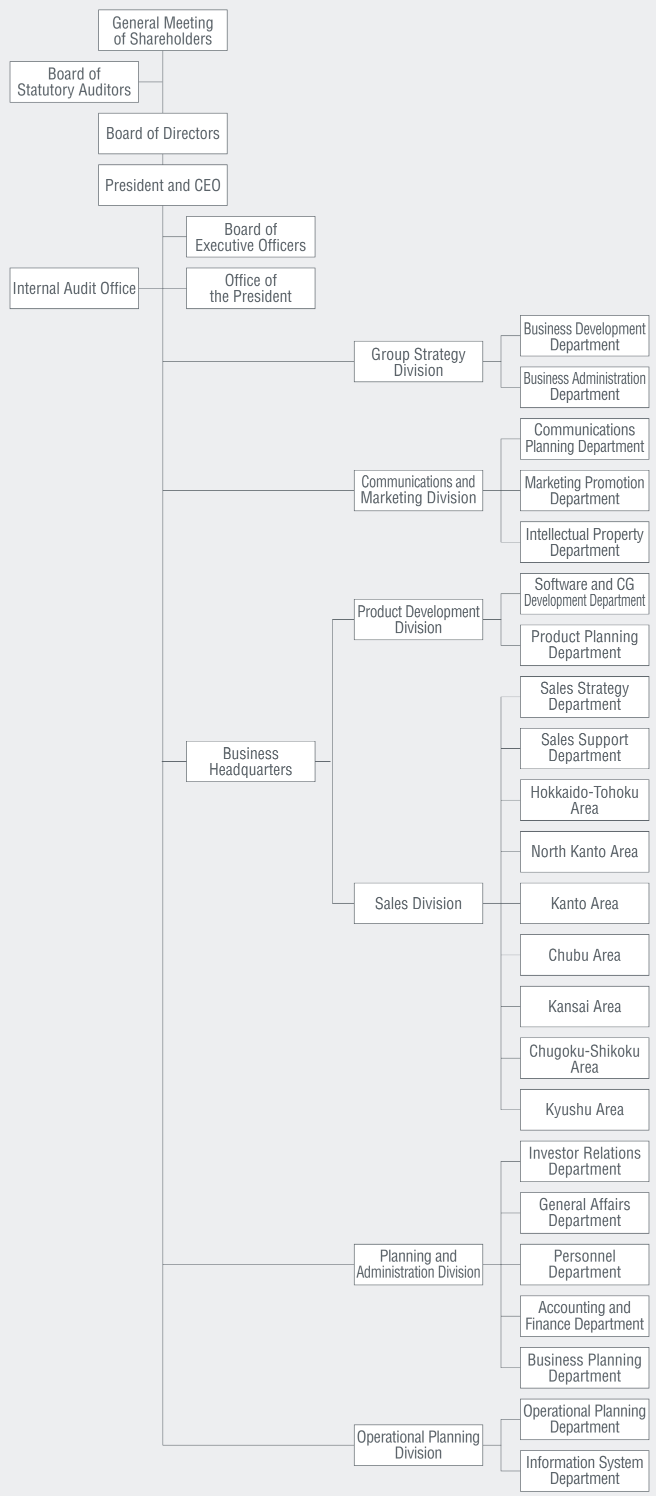
Company name	Fields Corporation
Corporate philosophy	The Greatest Leisure for All People
Established	June 1988 (started business operation under the company name of Toyo Shoji Co., Ltd. in 1983)
Head office address	E Space Tower , 3-6, Maruyama-cho, Shibuya-ku, Tokyo 150-0044, Japan
Main business activities	1. Planning and development of pachinko/pachislot machines 2. Purchasing and sales of pachinko/pachislot machines 3. Planning, development and sales of copyrighted characters and related content 4. Planning, development and sales of image software
Paid-in capital	¥7.948 billion
Number of employees	1,022 (consolidated)
Major consolidated subsidiaries	Japan Sports Marketing Inc. Fields Jr. Corporation Fields Pictures Corporation FutureScope, Corporation D3 Inc.* and nine other companies

* D3PUBLISHER INC. was transferred to the holding company, D3 Inc., in April 2006.

Number of Branch Offices (As of September 1, 2007)



Organization (As of October 1, 2007)



Corporate History

1988
- Established Toyo Shoji Co., Ltd.
- Started sales of pachinko/pachislot machines.

1992
- Bought out Leisure Nippon Newspaper Company.
- Established Hall TV Co., Ltd. (liquidated in 2000) Launched "Hall TV" system to support pachinko hall management.
- Started full-fledged development of nationwide network of branch offices.

1994
- Established communication satellite (CS) broadcasting company, P Station Co., Ltd., in collaboration with Mistui & Co,. Ltd. (liquidated in 2001)

1995
- Launched Pachinko Information Station, CS broadcasting for the pachinko/pachislot industry. (broadcasting ended in 2001)
- Formed sales partnership with Sammy Corporation.

1999
- Acquired ISO 9002 (1994 Edition) certification.

2000
- Became general sales agent for pachislot manufacturer, Rodeo Co. Ltd and started selling their pachislot machines.

2001
- Renamed company as Fields Corporation.
- Relocated head office from Nagoya to Tokyo.
- Established Professional Management Co., Ltd.
- Established Total Workout Corporation.

2002
- Consolidated Fields Jr. Corporation as a subsidiary.
- Acquired shares of Rodeo Co. Ltd.
- Hosted hall design competition.
- Established White Trash Charms Japan Co., Ltd.
- Acquired ISO 9002 (2000 Edition) certification

2003
- Listed shares on JASDAQ.
- Established Digital Lord Corporation.
- Formed sales alliance with Bisty Co., Ltd. of the SANKYO Group and became its sole distribution agent

2004
- Acquired shares of D3PUBLISHER INC.
- Became sole distribution agent for the GOLD OLYMPIA brand of OLYMPIA Co., Ltd.
- Started full-fledged collaboration with Bisty Co., Ltd.

2005
- Consolidated D3PUBLISHER INC. as a subsidiary.
- Acquired shares of Kadokawa Haruki Corporation.
- Established G&E Corporation, with SANKYO Co., Ltd., Sammy Corporation.
- Acquired shares of J. Sakazaki Marketing Ltd., and consolidated the company as a subsidiary.
- Established Japan Sports Marketing Inc. through merger of three Group companies including J. Sakazaki Marketing Ltd.

2006
- Started full-fledged collaboration on the GOLD OLYMPIA brand with OLYMPIA Co., Ltd.
- Consolidated thinkArts Co., Ltd. as a subsidiary.
- Consolidated Fields Pictures Corporation as a subsidiary.

2007
- Consolidated FutureScope Corporation as a subsidiary.

Starting in 1988

Seeking a more open and flexible distribution model for pachinko/pachislot machines

Taking advantage of our strength as an independent distributor, Fields has changed the conventional practice of the industry, in which each pachinko hall only installed machines from a single maker. Hall operators are able to select the optimal mix of machines from a wide range of options from different makers through our practical proposals, which are based on meticulous marketing. Our innovation and flexible distribution has contributed to increasing fan satisfaction and enhanced the sales channels of makers.

1992~

Contributing to raising recognition and revitalizing the industry

In response to the growth of the leisure market and increasingly diversified preferences and needs for leisure, Fields has used mass media to send out entertainment information on pachinko/pachislot and contributed to improving the recognition of the pachinko business as a leisure enterprise. In addition, Fields has contributed to the information-based operation of halls by providing them with relevant market data, such as the types of pachinko/pachislot machines and market trends.

2000~

Evolving into a content provider

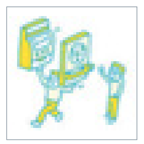
In order to establish new points of appeal for pachinko/pachislot machines and recognizing the high demand for the machines featuring game functions, Fields has formed a business alliance with pachislot makers and was the first to release pachislot machines featuring highly animated content and exciting story lines associated with copyrighted characters while capitalizing on the rapid advances in liquid crystal displays (LCDs) and semiconductor technologies. The machines were wildly successful and triggered a boom in entertainment machines. Since then we have focused on strengthening the planning and sales not only of pachinko/pachislot machines but also on the variety of content.

PS (Pachinko/Pachislot) Field

Rodeo Co., Ltd.

A member company of the Sammy Group, a leading pachislot machine manufacturer. Fields invested capital in this company and acts as its sole distribution agent. Fields has been aggressively promoting collaboration with Sammy by bringing together our major merchandising rights and planning capability with Sammy Group's strong development capacity.

Fields Jr. Corporation



Registers and manages approximately 1,200 college students across Japan who are involved in the delivery and installation of pachinko/pachislot machines. Also conducts nationwide marketing research in such areas as the models of machines installed in halls and the occupancy rate of the halls, targeting 14,700 pachinko halls for feedback that is incorporated into the planning and development of new machines.

Game Field

D3 Inc. (Securities code 4311: JASDAQ)

http://www.d3i.co.jp

Globally develops businesses as a game publisher under the holding company system that consists of operating companies in Japan, North America and Europe. Focuses on revitalizing activities to acquire copyrights in the U.S. and European markets, reinforcing the content provider business, and facilitating the timely planning, development and sales of game software in close collaboration with other Fields Group companies.

thinkArts Co., Ltd.

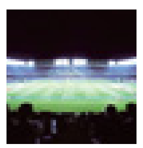
http://www.thinkarts.jp/

Develops graphic software and game software for pachinko/pachislot machines. Steadily establishing a system to create uncompromisingly high-quality digital content in collaboration with other Group companies.

Other Field

Japan Sports Marketing Inc.

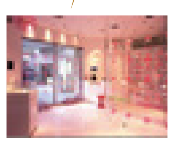
http://www.jsm.jp



Operates a wide variety of sports entertainment businesses in the global market, ranging from sports marketing, such as the production of sporting events and the television rights business to the management of athletes and fitness gyms.

White Trash Charms Japan Co., Ltd.

http://www.whitetrashcharmsjapan.com



A fashion accessories brand that originated on the West Coast of the United States and is widely esteemed by fashion leaders, including Hollywood stars. Plans are underway for expanding its product lineup.

Fields Pictures Corporation

http://www.fieldspictures.co.jp/

Established to create major content such as movies and animation. Actively creates primary content for the Fields Group by pushing the multi-use of digital content for pachinko/pachislot machines as well as games.

FutureScope Corporation

http://www.futurescope.jp/

Established in October 2006 to propose a more convenient and more enjoyable lifestyle by exploring the further possibilities of mobile entertainment. Aims to provide a variety of entertainment services and realize a new community-type membership service by capitalizing on a broad range of content held by Fields.

G&E Corporation

http://www.g-e.jp/

Founded by three equity partners—Fields, SANKYO Co., Ltd., and Sammy Corporation. The first school in Japan and the industry to cultivate human resources for comprehensive entertainment corporations. Students can not only learn basic knowledge in the industry but also improve their business skills and systematically acquire leading-edge technologies and knowledge.

Kadokawa Haruki Corporation

http://www.kadokawaharuki.co.jp/

A renowned pioneer in the media mix of publishing, movies, and music. Fields collaborates in business operations for the multi-use of content owned by Kadokawa Haruki Corporation and creates primary content and characters capitalizing on this company's capabilities in developing a variety of content.

For more information, please contact:
IR & Public Relations Department

Fields Corporation
E Space Tower, 3-6,
Maruyama-cho, Shibuya-ku,
Tokyo 150-0044, Japan
Phone: +81-3-5784-2111
Fax: +81-3-5784-2112

Corporate website (home page):
http://www.fields.biz

IR page:
http://www.fields.biz/ir/j/index_e.html

The Company posts the latest information, such as results of operations and press releases, on this website. Please visit regularly for updates.

FIELDS™

Gaming and Entertainment