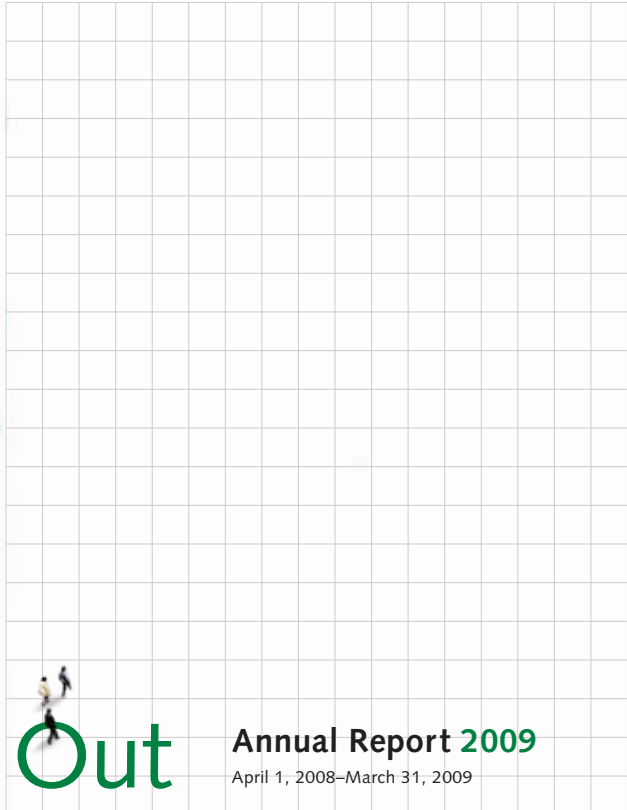
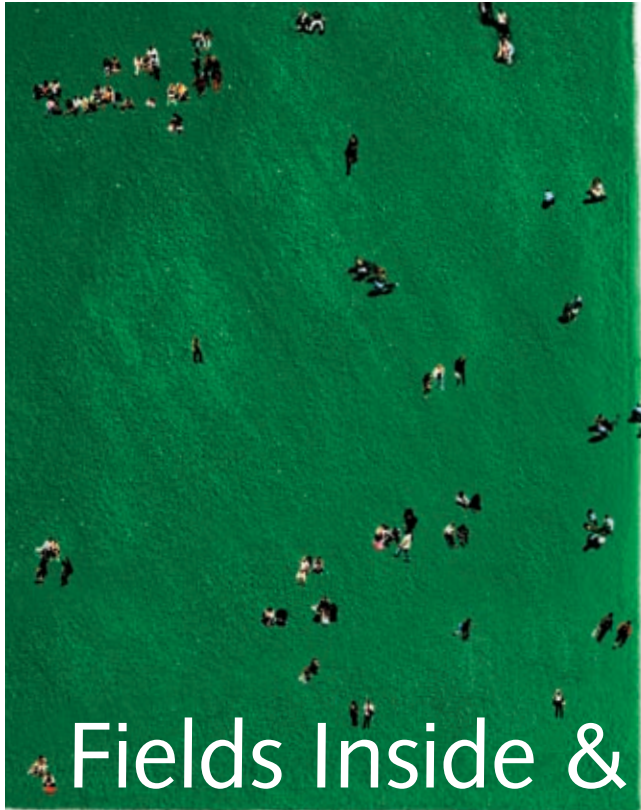
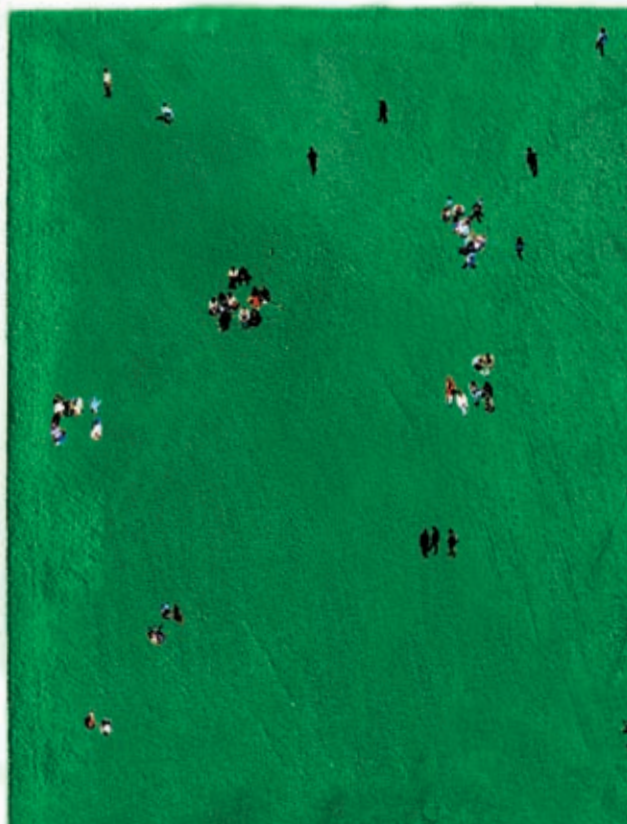


Fields Corporation



**Annual Report 2009**  
April 1, 2008–March 31, 2009



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### What's Your Fields IQ?



Which describes **you** ?

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### At a Glance

**How Fields Makes It Happen**  
— Commercial development of pachinko/pachislot machines

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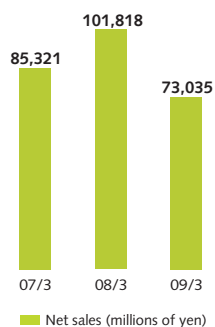
#### Forward-looking Statements

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.

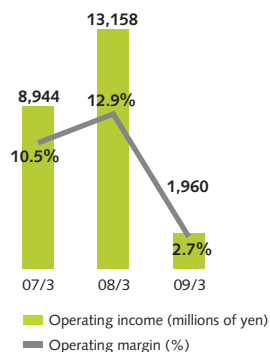
# Consolidated Financial Highlights

	Year Ended March 31, 2007	Year Ended March 31, 2008	Year Ended March 31, 2009
<b>Results of Operations (millions of yen)</b>			
Net sales	¥ 85,321	¥101,818	¥ 73,035
Gross profit	29,248	34,544	24,024
Gross profit margin (%)	34.3	33.9	32.9
Operating income	8,944	13,158	1,960
Operating margin (%)	10.5	12.9	2.7
Net income (loss)	3,710	5,296	(1,481)
Net margin (%)	4.3	5.2	—
<b>Financial Position (millions of yen)</b>			
Total assets	66,081	69,168	52,064
Net assets	42,836	46,331	39,496
Shareholders' equity	41,115	44,485	39,463
<b>Cash Flows (millions of yen)</b>			
Cash flows from operating activities	5,293	11,127	4,147
Cash flows from investing activities	(4,772)	(14,604)	(6,182)
Cash flows from financing activities	1,488	(1,384)	602
<b>Per-share Data (yen)</b>			
Earnings (loss) per share	¥ 10,692	¥ 15,263	¥ (4,271)
Net assets per share	118,487	128,201	117,326
Dividends per share	4,000	4,500	4,500
<b>Key Financial Indicators (%)</b>			
Return (loss) on equity (ROE)	9.2	12.4	(3.5)
Return on assets (ROA)	12.0	17.3	1.6
Shareholders' equity ratio	62.2	64.3	75.8
Payout ratio	37.4	29.5	—

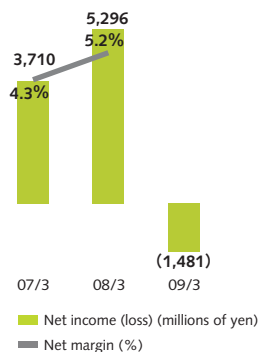
Net Sales



Operating Income/  
Operating Margin



Net Income (Loss) and  
Net Margin



# Message from the Chairman and CEO



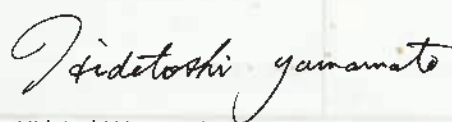
The Greatest Leisure for All People



From its inception, the corporate philosophy that guides Fields has been to provide “The Greatest Leisure for All People.” In fact, our desire to create fields where individuals with a common commitment to this ideal—whether within or outside the company—can come together to realize it underlies our choice of company name. In the first decade after establishment, we brought a transformation to the pachinko/pachislot industry, taking advantage of our strength as an independent distributor to make the distribution model for pachinko/pachislot machines more open and flexible. Over the next 10 years, we emerged as one of the first to foresee the critical role that content would assume in the industry. To help this new form of value—pachinko/pachislot machines with appealing content—gain broad social traction, we moved beyond our distribution-based framework to aggressively tackle planning and development, forming alliances with many prominent manufacturers.

Today, we are moving steadily towards a giant leap forward as a new entertainment creation company in step with the maturing Japanese society of the 21st Century. In the pachinko/pachislot business we are pressing ahead with growth strategies to create new profit opportunities in addition to our conventional earnings. Furthermore, we seek to create primary content by developing the Fields Group through collaboration with companies in diverse specialized fields, and will work hard to promote the multiple use of that content. In parallel, we intend to establish the mechanisms and frameworks required for new entertainment creation, thus laying a long-term foundation for the Company’s future.

In the not-too-distant future, I am convinced that we will see the creation of fields with outstanding entertainment potential beyond anything imaginable today, and an accompanying host of new fans. This will spur development of Japan’s leisure market, which by extension will help make Japanese society as a whole happier. We plan to assume leadership in these new fields. Going forward, I ask for your continued support for the company, and invite you to expect greater things than ever before from Fields.



Hidetoshi Yamamoto

Chairman & CEO

# FIELDS Play by Play: The President Talks About Business at Fields

Perspective on the Pachinko/Pachislot Market	pg.05
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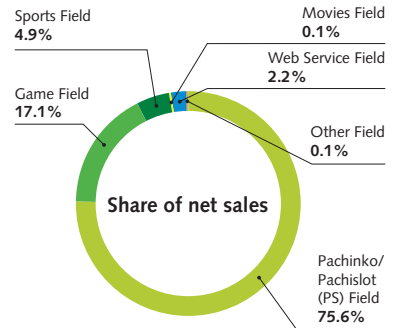
## • Description of Business

Planning, development and sales of pachinko/pachislot machines

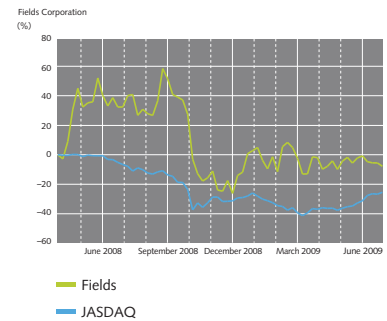
Fields' strength lies in collaboration with major manufacturers to plan original, content-based pachinko/pachislot machines.

## • Highlights

	(millions of yen)
Net sales	¥73,035
Operating income	1,960
Net income (loss)	(1,481)
Total assets	52,064
Net assets	39,496



## • Stock Performance



*Takashi Oya*

Takashi Oya  
President & COO

## What is your perspective on the pachinko/pachislot market, the core of Fields' business?

First of all, looking at the leisure market of which the pachinko/pachislot industry is a part, it is clear that the amount of leisure time for people in Japan's maturing society is steadily increasing and that this trend is going to continue. A diverse range of time-spending needs is arising based on people's interests and tastes, creating a wealth of business opportunities.

Fields and the Fields Group have a corporate philosophy of providing "The Greatest Leisure for All People." We are responding to this increase in leisure time by providing products and services, such as pachinko/pachislot machines. We are also discerning business opportunities through research, analysis and forecasting of changes in peoples' lifestyles and environments. In this way we are developing our business. This is the first thing I want to make clear.

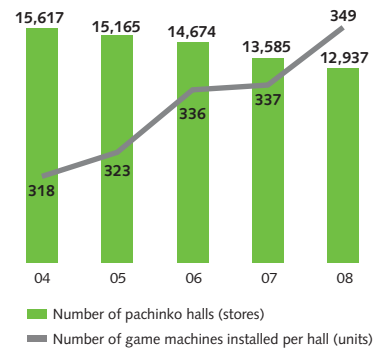
In the pachinko/pachislot market, to which our core business belongs, we are seeing a call for growth of pachinko/pachislot as a form of entertainment that does not rely on gambling appeal, and a shift towards soundness. These changes are necessary if pachinko/pachislot is to be selected and supported as a form of time-spending leisure by consumers. Against this backdrop, in our development of pachinko/pachislot machines groundbreaking advances in hardware such as image chips and LCD displays mean that the content shown on the machines has taken on a greater importance. In future, consumers will therefore expect even more planning and development to go into the machines.

In this environment, we believe that pachinko/pachislot must present even greater value to even more people in order for the industry to become sound and to develop. We recognize therefore that our greatest challenge is to plan, develop and provide pachinko/pachislot machines with superior game and entertainment value, capable of moving or exciting players without relying on gambling appeal.

As the largest independent distributor in the industry, we led the industry in continuing to provide pachinko halls and fans all over Japan with the pachinko/pachislot games that they were asking for. We were also the first to foresee recent technological advances such as LCD screens and to plan and develop pachinko/pachislot machines with high entertainment value using premium content. I believe that Fields' mission is to continue to lead the market in a unique way that only Fields can and to advance our visionary initiatives for the next step based on new growth strategies.

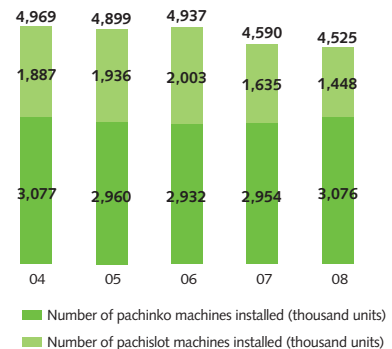
The ongoing pursuit of game and entertainment value is definitely leading the industry in a healthy direction. The dramatic changes that we see in the current economy are drawing interest to easily accessible leisure activity options that are inexpensive, nearby and quick. We are certain that increasing the soundness of the pachinko/pachislot industry as a form of entertainment will widen the user-base and vitalize the market.

Number of Pachinko Halls and Machines Installed Per Hall



Source: National Police Agency Statistics

Number of Machines Installed



Source: National Police Agency Statistics

## Fields Corporation's Growth Drivers

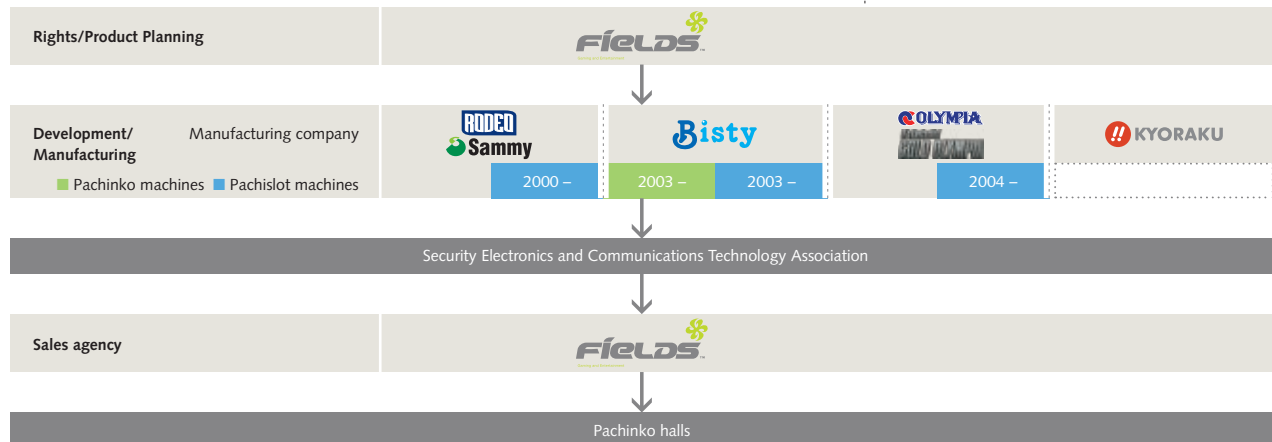
## What are Fields' growth drivers in the pachinko/pachislot market?

First of all, there are our alliances with leading manufacturers. We join hands with likeminded companies with the goal of increasing the fan base. This is the strength of our alliances and this enables efforts to create new entertainment in the pachinko/pachislot market together, a task that would be impossible to accomplish on our own. Currently, we are collaborating and planning products with Sammy Corporation, SANKYO CO., LTD., Olympia Co., Ltd. and KYORAKU SANGYO, some of the top market share manufacturers in the industry.

### List of Manufacturing Partners

- |  |
|--|
| Rodeo Co., Ltd.  |
| • Consolidated subsidiary of SEGA SAMMY HOLDINGS INC., 35% owned by Fields |
| • Partnership began in 2000  |
| Bisty Co., Ltd.  |
| • Wholly owned subsidiary of SANKYO CO., LTD.                              |
| • Partnership began in 2003  |
| Olympia Co., Ltd.  |
| • Long-established pachislot machine manufacturer                          |
| • Partnership began in 2004  |
| KYORAKU SANGYO   |
| • Major pachinko machine manufacturer                                      |
| • Partnership began in 2008  |

### Business Model



As a second important factor driving our growth, I believe it is important that we continue to try various methods for planning and developing pachinko/pachislot machines to realize our corporate philosophy of "The Greatest Leisure for All People."

Up until now we have been the first to see the potential of a fusion of premium content with the game value of pachinko/pachislot machines into a new form of entertainment as a way of contributing to widening the fan base and developing the industry. One example of this was our initiative in "content-derived pachinko" as represented by the *Evangelion* series. But we have not stopped there. Looking to the future, we felt that in order to further develop the pachinko/pachislot market it was time to go beyond loading pre-existing content into pachinko/pachislot machines, and to try reversing the process by creating and putting out "pachinko-derived content." We went on to make a historical attempt in this direction by re-filming Akira Kurosawa's immortal masterpiece "Seven Samurai" exclusively for pachinko. The result, *CR Seven Samurai*, was launched in August 2008. Although we



CR Seven Samurai pachinko machine  
 黒澤プロダクション ©三船プロダクション  
 ©BP/PC ©FIELDS ©Bisty



encountered many challenges, the reaction to the product has been sufficient for us to consider it as a successful opening move in this field and we see it as our role to continue trying new ideas in the market.

The third growth driver is modernization of distribution. Traditionally, even as machines evolved ever superior entertainment features, the sales outlets serving as distribution bases have been viewed as mere warehouses. We at Fields Corporation thought that these locations could also serve well as showcases for explaining in detail the high entertainment value of machines. Therefore, in April 2008, we opened a state-of-the-art showroom to welcome visitors at the Nagoya Branch and the Nagoya Regional Office and began Web-based promotions. I am proud to say that this showroom is now a benchmark for next-generation distribution bases, and has attracted much fanfare from both pachinko halls and machine manufacturers alike. With the showroom and Web promotions serving as a sort of launch pad for Fields' distribution efforts, we will further strengthen the distribution infrastructure in the future.

These three measures are not only the present growth drivers of the Company, but also the keys to vitalizing the industry. I believe that expanding the scale of the market overall will not only push up our own profits, but also contribute to the growth of pachinko halls and our partner manufacturers.



Showroom at the Nagoya Branch and the Nagoya Regional Office



Premium site

Management's Growth Scenario

See pg. 17

## What is your growth scenario based on these drivers?

In the future, we will aim to reform our income structure and create new growth drivers in the pachinko/pachislot business. The industry has three income structures: distribution income, which is the core of our operations, manufacturing income, the revenue source of machine manufacturers, and planning and development income, which currently goes primarily to the manufacturers. We would like to further strengthen our planning and development capabilities to create unique machines. In addition, we will examine the idea of diversifying our sources of revenue by developing pachinko/pachislot-related services.

We aim to further grow the Group's business by developing the multi-use of content including for the pachinko/pachislot business and becoming a pioneer in the time-spending leisure market. As I noted at the beginning, there is no doubt that the advancement of technology and medical care will lead to more leisure time. Introducing new items for the leisure formats that will increase with the expansion of the market and acquiring income as a pioneer is our future growth scenario.

Our current medium-term management plan was formulated specifically for the realization of this scenario.

Performance Evaluation for the Fiscal Year Ended March 31, 2009

## What is the evaluation of your performance for the fiscal year ended March 31, 2009?

Our performance for the fiscal year under review consists of ¥73.0 billion in net sales and ¥1.9 billion in operating income, with a net loss of ¥1.4 billion, representing a decrease in both revenue and profit. We have to reflect on why we were unable to achieve our initial targets.

There are two causes of these results. Firstly, for strategic reasons we postponed the timing of the launch onto the market of our major hit series pachinko machine *CR Neon Genesis Evangelion—The Beginning and the End*. Because the original release date came at a time when many manufacturers were introducing machines with a strong gambling element, we decided to reschedule the entertainment-focused *Evangelion* launch for a more appropriate time in order to preserve brand value.

The other cause was the reorganization of the Group's portfolio. Part of this included the sale of D3 Inc., which resulted in a valuation loss on stock. Nevertheless, this sale was a very significant move in terms of strengthening our future growth base.

Although our performance results did not reach short-term targets, I believe that our business will grow favorably over the medium- to long-term.

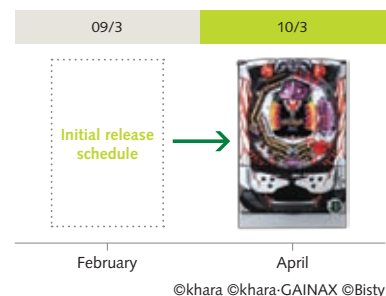
Reformulation and Background of our Medium-Term Management Plan and the Fiscal Year Ending March 31, 2010 Plan

## Please tell us about the reformulation and background of the medium-term management plan, and the short-term plan for the fiscal year ending March 31, 2010.

We made the revisions based not only on our results for the fiscal year ended March 31, 2009, but also because we determined that the milestones we had set to achieve in the medium-term management plan were going to be pushed back to the following year.

First, the contributions to income from our alliance with KYORAKU SANGYO in the pachinko/pachislot business are off by one year. Because we are placing priority on higher quality, the introduction of the first collaborative product will be delayed from the fiscal year ending March 31, 2010 to the fiscal year ending March 31, 2011. Those planned at a rate of two titles per year from the fiscal year ending March 31, 2011 and beyond are similarly postponed. Since we are planning and developing these collaborative projects with KYORAKU SANGYO to be launched into the market as never-before-seen pachinko/pachislot machines, there is no other income that can cover the delay period.

Also, in terms of Group businesses, as I mentioned earlier, we sold consolidated games subsidiary D3 Inc. through tender offer of its stock. This eliminated some earnings we had expected from the game business. However, in the future, I believe our game business will generate new earnings including those



### Group Restructuring

Fields Pictures Corporation	→ Merger
<ul style="list-style-type: none"> <li>Acquisition of rights, creation of digital content, etc.</li> </ul>	
White Trash Charms Japan Co., Ltd.	→ Merger
<ul style="list-style-type: none"> <li>Sale of accessories</li> </ul>	
thinkArts Co., Ltd.	→ Dissolution, liquidation
<ul style="list-style-type: none"> <li>Planning, production and sales of computer software</li> </ul>	
D3 Inc.	→ Tender offer
<ul style="list-style-type: none"> <li>Planning, development and sales of video game software</li> </ul>	

from collaboration with major players including NAMCO BANDAI Games Inc., the purchaser of D3 Inc.

In addition, we started efforts to reorganize the Group's portfolio from the fiscal year ended March 31, 2009. This reorganization is based on the notion that over the next few years it will be essential to use the content that will form our future earnings base in multiple ways within the Group, and to unleash strengths created by the link with the pachinko/pachislot business.

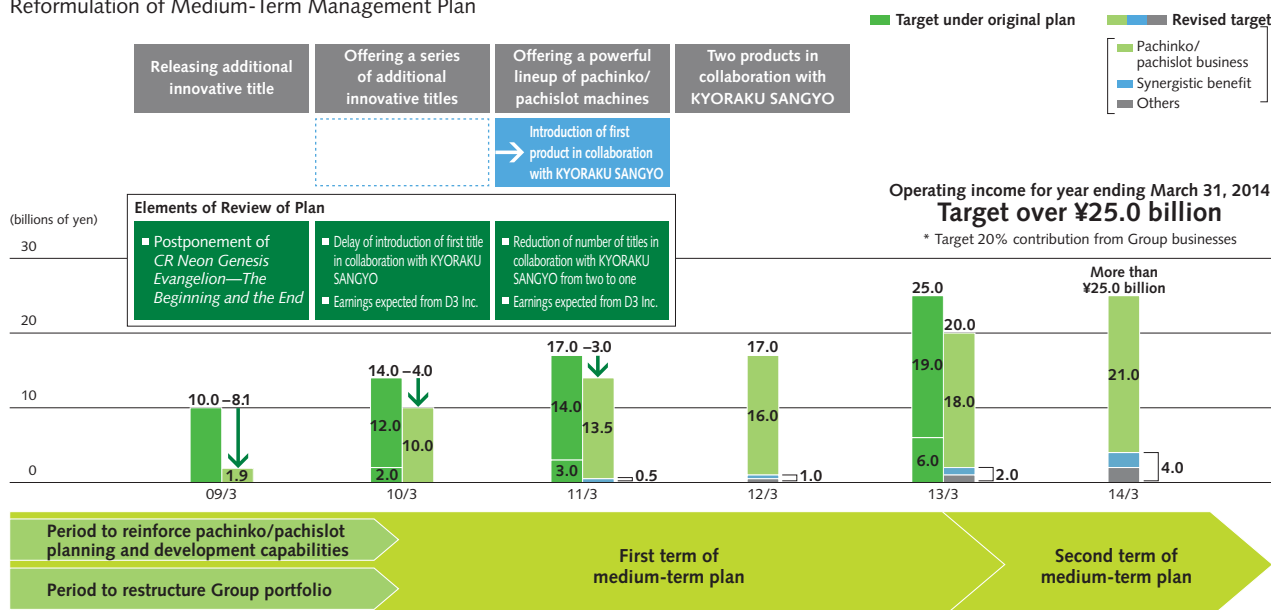
With this in mind, the new targets we set include ¥25 billion or more in operating income for the fiscal year ending March 31, 2014, with Group businesses contributing at least 20%.

Although this revision slightly delays our quantitative milestones, qualitatively I believe these gradual changes will lead to the successful execution of the plan. We have always managed our business with a keen eye on the future, but, I feel that establishing the medium-term management plan has given us a chance to discuss many aspects of the Company's future and served to further solidify our direction. Moreover, to help us move in the direction we are aiming for, we have built up a base of high-quality employees and directors who have the ability needed to execute our strategy. Our working environment today enables our employees to take confident steps toward realizing the Company's future.

We expect the fiscal year ending March 31, 2010 to provide ¥70 billion in net sales, ¥10 billion in operating income and ¥4.5 billion in net income. The operating income forecast represents the total sales planned for our entire lineup including *CR Neon Genesis Evangelion—The Beginning and the End* and other major titles and innovative title series for the pachinko/pachislot business, reflecting the Company's current potential.

Regarding Group businesses, companies whose restructuring is complete now have the firm footing to start earnings improvement efforts. We are aiming for a profitability consolidated/non-consolidated ratio of 1.0 or more.

#### Reformulation of Medium-Term Management Plan



## Please tell us about the future of the Group businesses.

At this time, the pachinko/pachislot business makes the highest level of contribution to earnings. Our other businesses are not in an environment where significant earnings can be generated in the near future, and for this reason, we are allocating interim managerial resources to the pachinko/pachislot business, but not to the detriment of other Group businesses. If in the future we come across a business field from which we are assured of the creation of new earnings, we will examine possibilities for assertive investments and focus our efforts.

Our aim for the Group businesses is to provide the best services and content to the time-spending leisure market.

In the current content business market, only the top products make it. In order to help Group businesses engaged in the development of content, which presents many high hurdles to success, we recognize the critical importance of maximizing the multiple use of video content, mainly used for the high-earning pachinko/pachislot business.

Meanwhile, over the medium- to long-term, each Group company is aiming to be the frontrunner in its respective business field. This translates into the creation and fostering of content capable of unleashing optimum creativity in ever-diversifying media formats, and the formulation of "frameworks" such as organizations and business structures that would work to sustain the development of the Group.

As a company, we have always exercised foresight in making strategic moves in the pachinko/pachislot market, and we have now assembled a team of talented individuals both from within and outside our organization. I believe that transforming this resource into a network to promote alliances and frameworks with partner companies will be an important factor in creating and providing the best services and content to all people in the future. In order to formulate these frameworks, we will strive to collect, analyze and research information thoroughly in the time-spending leisure market in hopes of creating new entertainment.



*T Shigematsu*

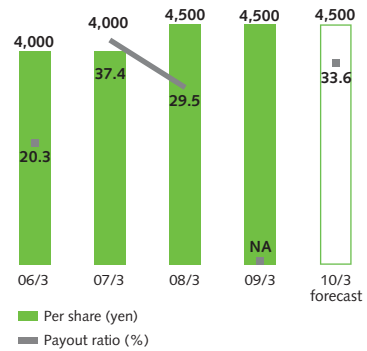
Tetsuya Shigematsu  
Senior Managing Director;  
Division Manager, Group Strategy Division

Capital Policy

## What are your thoughts on shareholders' returns and capital policy for dynamic investments?

It is our policy to return earnings to shareholders through stable dividends. The minimum target consolidated payout ratio is 20%. Although we recorded a net loss for the fiscal year ended March 31, 2009, because the loss will not affect the growth trajectory of Fields Corporation over the long-term, we decided to pay the same amount of dividends as for the fiscal year ended March 31, 2008. Although we will consider raising dividends as earnings rise, we are still a growing company, so a certain amount of retained earnings is necessary to facilitate flexible business investments. Regarding investments, our basic policy is not to procure funds from external sources, but from within the scope of our free cash flows.

Dividend per Share and Payout Ratio\*



\* Payout ratio for the fiscal year ended March 31, 2006 refers to non-consolidated dividends.

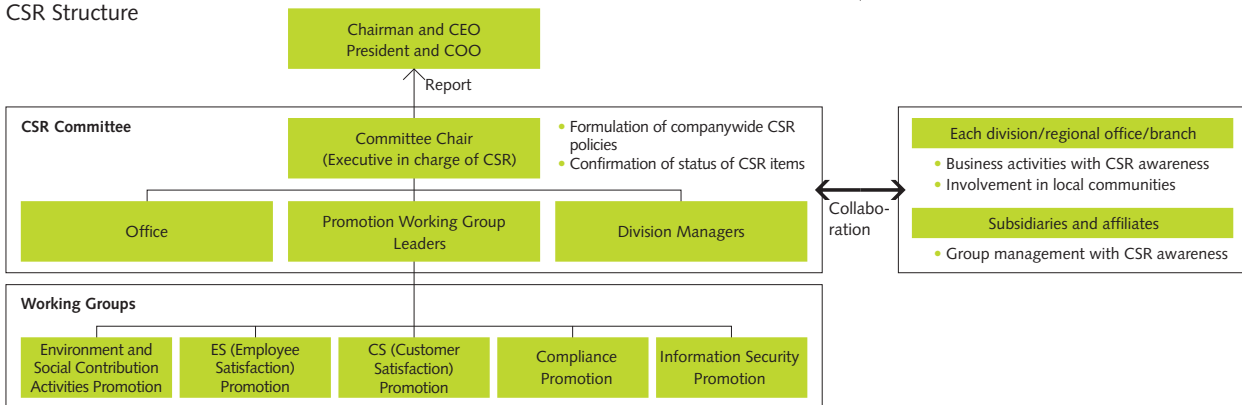
The Social Responsibilities of Fields Corporation

## What is the Company's approach to CSR, which is an increasingly important topic?

We believe that our corporate activities in and of themselves should constitute CSR. We aim to realize our corporate philosophy of "The Greatest Leisure for All People" by providing entertainment that enriches people's lives. The behavior of all our employees based on this concept enhances our sustainable growth and corporate value and contributes to the joy of the stakeholders such as all our shareholders and customers, and thus all of society.

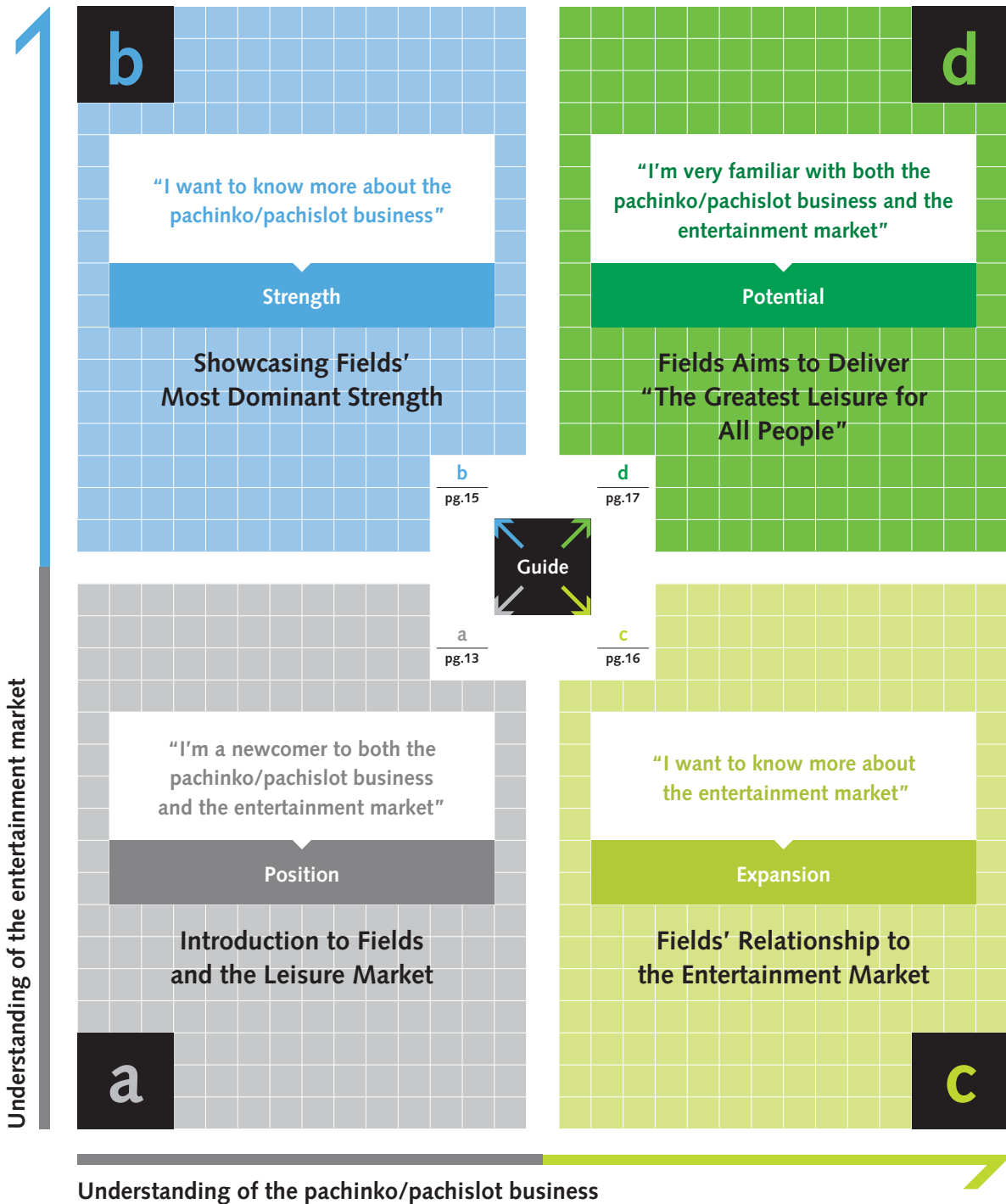
All of us at Fields Corporation hope that we can count on your continued support and encouragement, both now and into the future.

CSR Structure





# Which describes **you** ?



# Position

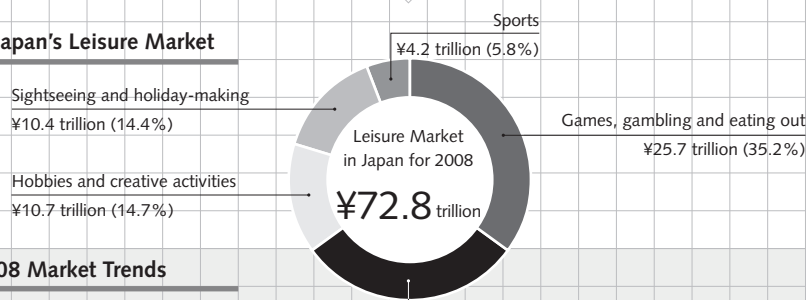
## Introduction to Fields and the Leisure Market

"I'm a newcomer to both the pachinko/pachislot business and the entertainment market"

### Fields and the Leisure Market

How does Fields' core operation—the Pachinko/Pachislot Business—fit into Japan's leisure market?

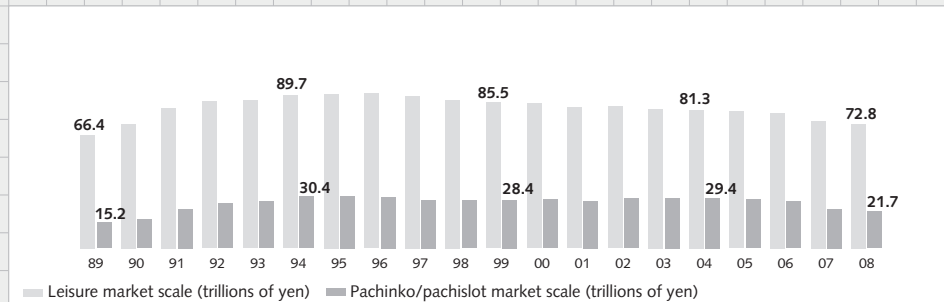
#### Scale of Japan's Leisure Market



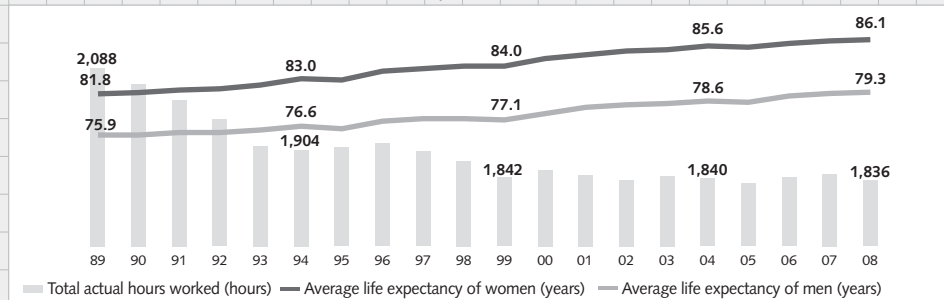
#### Fiscal 2008 Market Trends

Pachinko/pachislot ¥21.7 trillion (29.9%)

#### Pachinko/Pachislot Market Scale



#### Total Actual Hours Worked and Average Life Expectancy



Source: "2009 White Paper on Leisure," published by Japan Productivity Center

### Key Points for Japan's Leisure Market

- In the maturing Japanese society of the 21st Century leisure time is increasing. This will give rise to various needs for entertainment to suit individual tastes.
- The pachinko/pachislot market is seeing an increase in pachinko/pachislot machines featuring content. This is driving development in the game and entertainment aspect of the market.

**a**

**Position**

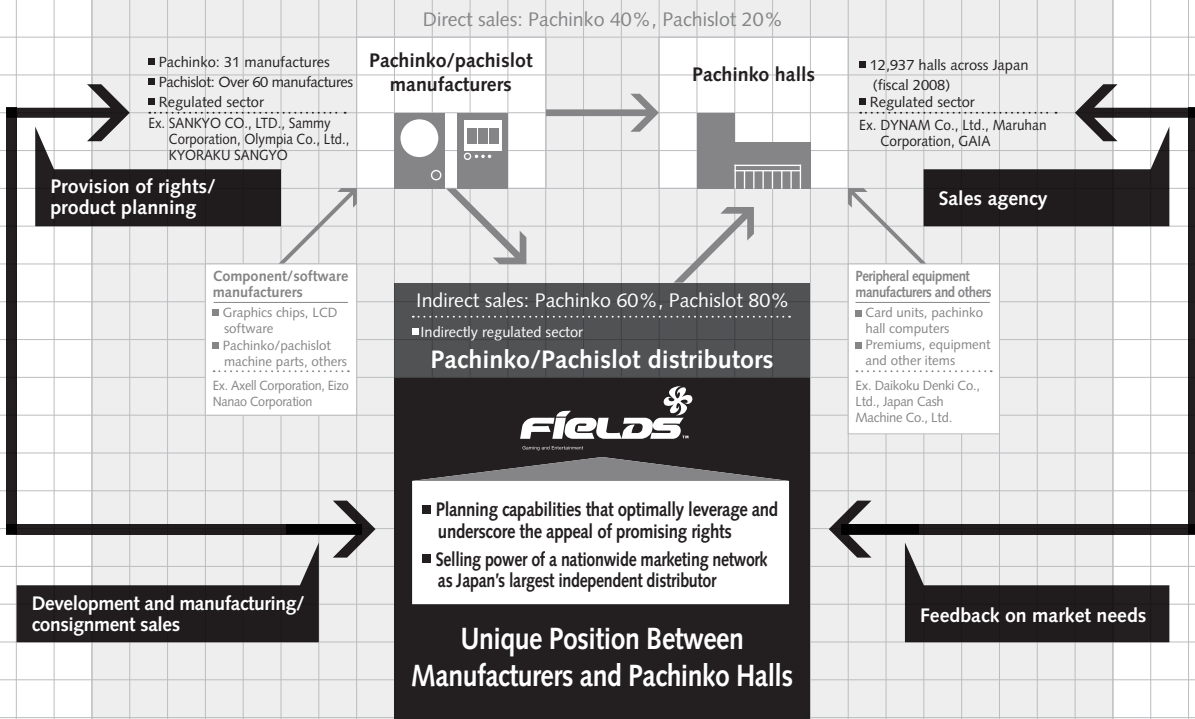
Introduction to Fields and the Leisure Market

"I'm a newcomer to both the pachinko/pachislot business and the entertainment market"

■ Fields and the Pachinko/Pachislot Industry

**What is Fields' position in the pachinko/pachislot industry?**

**Schematic of the Pachinko/Pachislot Industry**



■ Fields' History in Overview

1988  
↓  
1997

**The first decade after establishment**  
Present pachinko halls throughout Japan with proposals for services, space design, and the ideal pachinko/pachislot machines to provide greater enjoyment to pachinko/pachislot fans

1998  
↓  
2007

**The past decade**  
Team up with major pachinko/pachislot machine manufacturers to provide units with attractive content that does not rely on gambling appeal

The coming decade  
2008 → 2017

**Invigorate the pachinko/pachislot market**

Create highly entertaining pachinko/pachislot machines for supply to pachinko halls

Produce content for supply to manufacturers

Offer Web and showroom presence accessible to all pachinko halls and manufacturers

**b**

# Strength

Showcasing Fields' Most Dominant Strength

"I want to know more about the pachinko/pachislot business"

■ What is Fields' strength?

The planning and provision of highly entertaining pachinko/pachislot machines that invigorate the market

### Alliances with Major Manufacturers

Manufacturers allied with Fields

Share of Pachinko Machine Sales Volume (%)

Rank	FY2006		FY2007		FY2008	
	Manufacturer	Share	Manufacturer	Share	Manufacturer	Share
1	Sanyo	23.1	Sanyo	25.8	Sanyo	24.3
2	KYORAKU SANGYO	20.9	SANKYO	22.9	SANKYO	13.6
3	SANKYO	16.7	KYORAKU SANGYO	16.1	Sammy	11.8
4	Newgin	6.6	Newgin	6.4	KYORAKU SANGYO	10.5
5	DAIICHI SHOKAI	5.1	DAIICHI SHOKAI	5.3	Newgin	10.5

\*SANKYO includes Bisty  
\*Sammy includes GINZA (from FY 2006), and Taiyo Elec (from FY 2007)

Share of Pachislot Machine Sales Volume (%)

Rank	FY2006		FY2007		FY2008	
	Manufacturer	Share	Manufacturer	Share	Manufacturer	Share
1	Sammy	31.8	Sammy	21.8	Yamasa	18.8
2	DAITO GIKEN	12.1	ARUZE	11.0	SANKYO	14.6
3	HEIWA/Olympia	10.9	SANKYO	9.7	Sammy	13.5
4	Yamasa	10.5	DAITO GIKEN	8.7	HEIWA/Olympia	7.4
5	Kita Denshi	9.4	Yamasa	8.7	Kita Denshi	6.5

\*Sammy includes RODEO, IGT-Japan, Trivy, GINZA (from FY 2006), and Taiyo Elec (from FY 2007)  
\*SANKYO includes Bisty  
\*ARUZE includes ELECO, MIZUHO and MACY  
\*Sales from all Olympia and HEIWA brands counted together from FY 2005

Source: 2009 Trend of Pachinko Machine Makers and Their Market Share, published by Yano Research Institute Ltd.

### Fields Planning and Development

Content-derived pachinko/pachislot

→ Evangelion series

Accurately re-creates the look of the Evangelion universe  
Sure to appeal to Evangelion fans

The hit 1990s animation that become a cult phenomenon  
*Neon Genesis Evangelion*



Pachinko

Pachislot

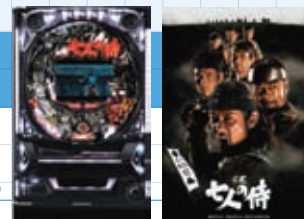
©khara ©khara-GAINAX ©Bisty ©GAINAX-khara/Project Eva. ©Bisty

Pachinko-derived content

→ CR Seven Samurai

Creation of new content

The classic movie from Akira Kurosawa hailed as a masterpiece of Japanese cinema  
*Seven Samurai*



Pachinko

黒澤プロダクション ©三船プロダクション ©BP/PC ©FIELDS ©Bisty

### Fields' Selling Power

As the largest independent distributor in the market, Fields has 7 regional offices and 26 branches throughout Japan

Fields makes full use of its nationwide sales network to sell its products

C

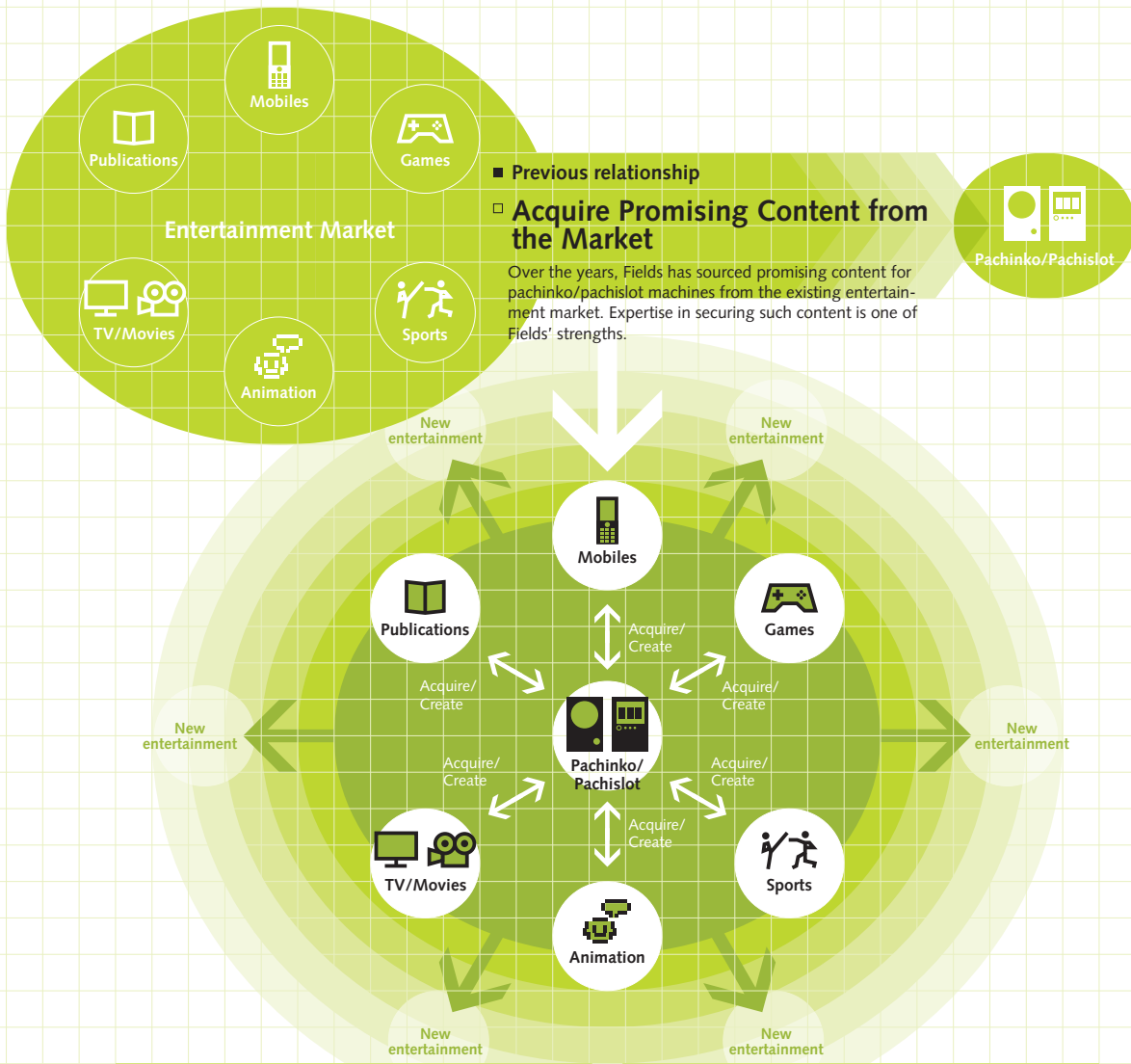
# Expansion

## Fields' Relationship to the Entertainment Market

"I want to know more about the entertainment market"

- To offer everyone the chance to enjoy pachinko/pachislot...  
Fields is building stronger relationships with the entertainment market.

### What is Fields' relationship to the entertainment market?



- **New relationship**
- **Expand the Entertainment Market by Securing and Creating Top Grade Content**  
To enable everyone to enjoy pachinko/pachislot as forms of entertainment, Fields is acquiring and creating top grade content, and encouraging its multiple use centered on the pachinko/pachislot field, to help expand the entire entertainment market



d

# Potential

Fields Aims to Deliver "The Greatest Leisure for All People"

"I'm very familiar with both the pachinko/pachislot business and the entertainment market"

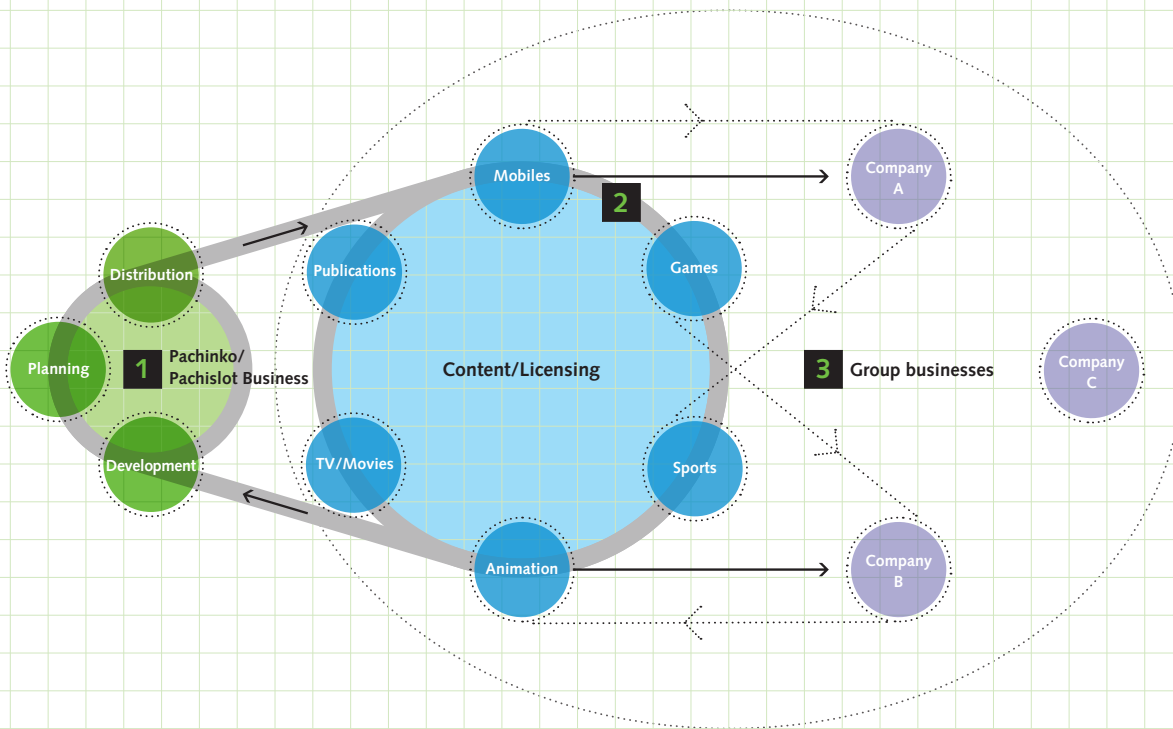
What is Fields' goal?

To Provide "The Greatest Leisure for All People"

Group Business Strategy

Promote the multiple use of video content in the pachinko/pachislot business and among Group companies

Expansion of new business domains



To create "The Greatest Leisure for All People"

- 1 Growth strategy: Broaden profit opportunities in pachinko/pachislot
- 2 Expansion strategy: Extend the Group's reach, with pachinko/pachislot as a starting point
- 3 Future strategy: Lay the groundwork for new entertainment that will grow 10, 20 or 30 years from now

# How Fields Makes It Happen

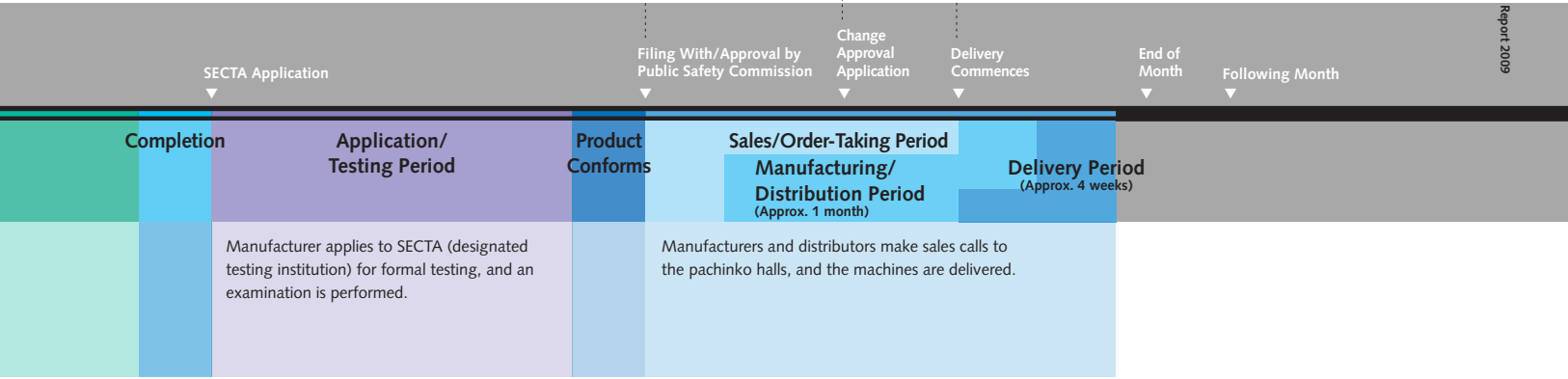
## — Commercial development of pachinko/pachislot machines

Typical Development Flow	Content Study, Research, and Acquisition Period	Product Planning Period	Development Period
	<p>After surveying and researching the optimum content for pachinko/pachislot machines, rights are acquired.</p>	<p>Planning involves determining the overall storyline, plasma display images, board design, and other aspects of the pachinko/pachislot machine.</p>	<p>Pachinko/pachislot machine display images, operating programs, etc. are developed.</p>
Development at Fields	Content Surveys, Research, and Acquisition	Planning Products for Greater Entertainment Value	Alliances with Major Manufacturers
	<ul style="list-style-type: none"> <li>Aware of the growing importance of the content featured on pachinko/pachislot machines, Fields has led the industry in efforts to acquire content rights.</li> <li>Fields has collected data on a wide range of rights, covering <i>manga</i>, <i>anime</i>, television, games, and movies, and works to acquire optimal content for use in pachinko/pachislot machines. With the goal of acquiring, creating, and nurturing content that can generate a new class of customers, Fields has moved into a broad range of entertainment fields, including games, sports, film, <i>anime</i>, publishing, and mobile. By partnering with Group companies in each of these fields, we are working to generate more original pachinko content.</li> <li>We will continue to work with our group companies to acquire and develop the intellectual property rights which will act as the source of our competitive advantage.</li> </ul>	<ul style="list-style-type: none"> <li>Fields is working to expand its fan base by offering greater entertainment value through its pachinko/pachislot machines, and after intense discussions, we are pushing ahead with product planning targeting future leisure markets.</li> <li>In the product planning process, we collaborate with top planners and designers outside of the industry, with the aim of creating an in-depth concept for each of our machines.</li> <li>With the <i>CR Seven Samurai</i> machine designed by Fields, we even adopted a new method of filming all-new original content specifically for use on pachinko/pachislot machines. In this way, Fields is able to generate innovative new designs unfettered by stereotypes, and provide machines with high entertainment value.</li> </ul>	<ul style="list-style-type: none"> <li>As a “fables” company, Fields uses alliances with leading manufacturers to bring its original designs to market.</li> <li>Through its strong alliances with manufacturers having some of the most advanced technology development capabilities, including Rodeo Co., Ltd., Bisty Co., Ltd., Olympia Co., Ltd., and KYORAKU SANGYO, Fields is able to develop and productize pachinko/pachislot machines with even greater game and entertainment value.</li> <li>In the development area, Fields has subsidiaries such as Shin-Nichi Technology Co., Ltd., and we have already begun certain initiatives toward the future.</li> </ul>

**\*What is "SECTA"**

Abbreviation for the Security Electronics and Communications Technology Association  
 A testing institution designated by the National Public Safety Commission. Responsible under contract from prefectural-level Public Safety Commissions for the formal testing and inspection of machines based on the Amusement Business Law.\*  
 \* Amusement Business Law: Law on Control and Improvement of Amusement Businesses.

- ▼ When a machine passes the SECTA inspection, the manufacturer then submits a notification with each prefectural Public Safety Commission. Once the Commissions' approval is received, sales and order-taking can commence.
- ▼ The pachinko hall files with the Public Safety Commission for approval to replace its machines.
- ▼ Machines are installed at pachinko halls nationwide, and are then available to users for play.



### Proposal-Based Sales and Marketing

- With its industry-leading sales force of about 300, Fields has built a nationwide network of seven regional offices and 26 branch offices. Through their proposal-based sales to pachinko halls, sales staff are able to analyze market trends and offer proposals for the deployment of the most appropriate machines.
- Going forward, we are working on the continuous roll-out of our state of the art, next-generation showrooms, and combined with our use of the Web, we continue to expand our highly proprietary promotional programs.

▲ **Pachislot**  
 Revenue booked as machine sales

▲ **Pachinko**  
 Revenue booked as agency commissions

**Differences in how Fields books its sales**  
 Pachinko is based on agency sales (commission income), with agency commission revenue booked in the month following delivery. Pachislot revenue, on the other hand, is booked as machine sales when the machines are sold (shipped) to the pachinko hall.  
 \*Please see Page 23 for details.



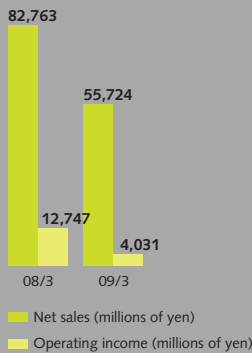
**Time to Market**

From initial product planning to final delivery requires about two years, or nearly 17,520 hours. The product designs Fields is working on today are for introduction to the market two years down the road.

## Pachinko/Pachislot Business

### → Pachinko/Pachislot (PS) Field

Net Sales and Operating Income

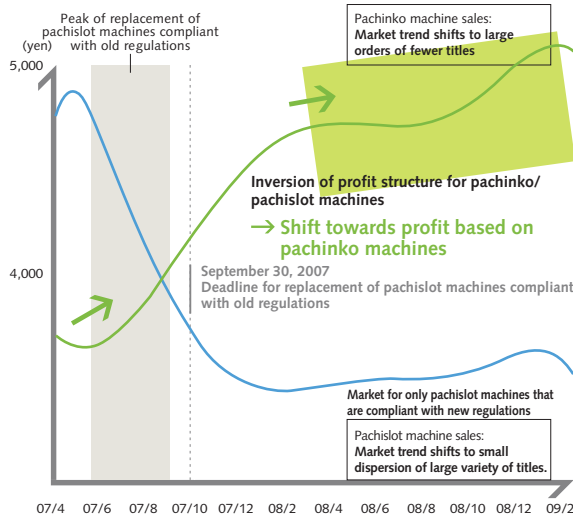


### Strategy for the fiscal year ended March 31, 2009

The fiscal year ended March 31, 2009 marked the first year of our medium-term management plan for 2008–2013, in which we aim to contribute to the expansion and soundness of the pachinko/pachislot market. Our goal for the fiscal year was to target further growth in our pachinko/pachislot business by utilizing our strengths as an independent distributor, namely our access to information and our business networks.

Our sales strategy in the year under review was to focus on sales of pachinko machines, in expectation of a lower need for pachislot machines after regulatory revisions prompted large-scale demand for replacement machines in the fiscal year ended March 31, 2008.

Per Unit Gross Profit\* of Pachinko Hall Machines



\* "Per unit gross profit" represents the average daily gross profit generated from a single machine installed at a pachinko hall.

### Market Trends and Outlook

With the sharp tightening of credit and the worsening of the economy from the fall of 2008, consumers moved increasingly to preserve their day-to-day lifestyles, and this brought significantly weaker demand in the leisure market, especially for travel and luxury goods. In the midst of this, pachinko/pachislot and other easily accessible so-called "inexpensive, nearby, quick" leisure activity options, which are seen as being relatively less affected by economic fluctuations, in fact showed only limited impact from the worsening economy.

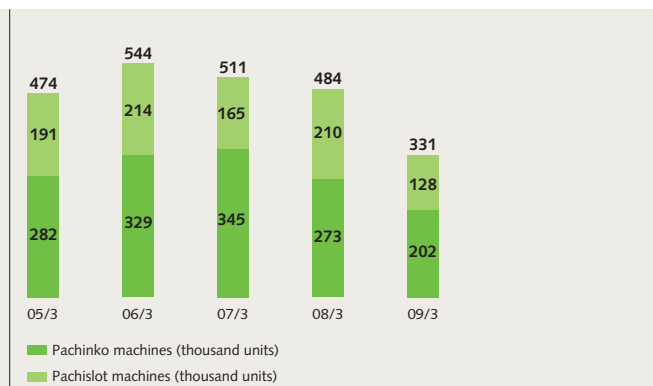
At the same time, the long-term trend toward a drop in number and growth in size of pachinko halls continued in 2008, with the number of halls down 4.8% from the previous year, to 12,937,\* and the average number of pachinko/pachislot machines installed per hall up 3.5% from the previous year, to 349.8 machines.\* Increased competition has also moved the pachinko halls to be more selective in their choice of machines, and pachinko/pachislot machine manufacturers are placing even greater focus on planning and development, hoping to introduce new machines with higher entertainment and game-playing value.

These trends are expected to continue going forward, and for the Fields Group, with its expertise in acquisition of powerful content and design and development of highly entertaining, playable machines, this environment offers the prospect of even greater business opportunity.

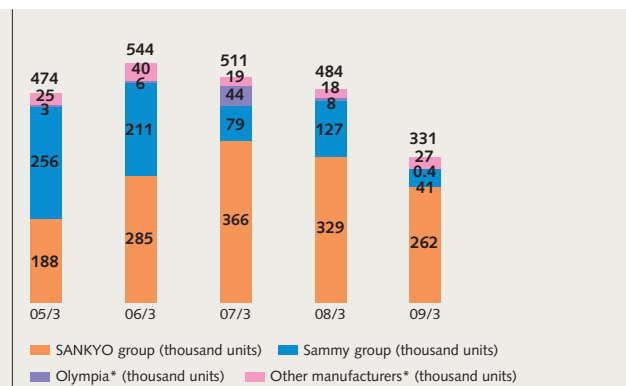
\* Source: National Police Agency statistics



Number of Pachinko/Pachislot Machines Sold



Number of Pachinko/Pachislot Machines Sold by Alliance Partner



\* Olympia was included in "Other manufacturers" before the fiscal year ended March 2006. Data in this chart has therefore been modified from data published in the past.

## Review of Results for the Fiscal Year Ended March 31, 2009

Net sales for the Pachinko/Pachislot (PS) Field in the fiscal year under review were ¥55,724 million (down 32.7% versus the previous fiscal year), with operating income at ¥4,031 million yen (down 68.4% year on year).

On the basis of number of machines sold, pachinko machines totaled 202,525 (down 26.1% year on year), with pachislot machines at 128,680 (down 38.9% year on year), for a total of 331,205 machines sold. On a quarterly basis, our strategy for new products focusing on pachinko machines was successful, with sales growing over 15% through the third quarter compared with the same period in the previous year.

The number of machines sold for the full year failed to reach levels achieved in the fiscal year ended March 31, 2008 because, after discussions with the allied manufacturer on sales strategy, we decided to delay release of the new pachinko machine title, *CR Neon Genesis Evangelion—The Beginning and the End*, which had been planned for the fourth quarter. Given the number of new machines that rely on gambling appeal scheduled for release through the end of March 2009, a strategic decision was made to avoid damaging the value of the *Evangelion* brand by timing the release for a period in which it would attract the greatest attention. This agile response to the market enabled us to introduce the new title after the end-of-March sales rush, effectively playing off the needs of the pachinko halls for replacement machines, and producing a record-breaking hit that exceeded our initial projections.

## → Topics

### *CR Neon Genesis Evangelion—The Beginning and the End*

The fifth title in this major pachinko series was scheduled for release in February of 2009. This new machine in the *Evangelion* series, which has earned long-term support and popularity among its fans, went on sale in April 2009, and set a record for sales in the series, with over 230,000 machines sold.



©khara ©khara-GAINAX ©Bisty



## Product Releases

In the fiscal year ended March 31, 2009, we continued to introduce a number of new products in partnerships with leading manufacturers holding top market share.

New pachinko machine offerings included the industry's first use of video content filmed exclusively for pachinko, with the release of the first in this series of machines with a new focus, *CR Seven Samurai* from Bisty Co., Ltd., a SANKYO Group company. This product involved completely recreating Akira Kurosawa's renowned masterpiece "The Seven Samurai" as video content for pachinko, using a crew from among the best in Japan today, along with a cast of stars from film and television. It was a major hit with both pachinko hall owners and their customers, with sales of about 80,000 machines. We also released titles featuring content based on hit video games and popular idol groups, for a total of six new titles released.

New pachislot machine titles included *Neon Genesis Evangelion—That time has come, now they're waiting for us*, from Bisty Co., Ltd. *Neon Genesis Evangelion* is one of the most popular animation titles, both in Japan and abroad, and continues to attract new fans even now, more than ten years after its first release. This new machine marks our eighth release featuring content from the *Evangelion* series (the third as a pachislot machine), and even in the current slump in the pachislot market, managed to record a major hit, with approximately 90,000 machines sold. We also launched new machines featuring hit titles from top *manga* artists, as well as video content from hit movies, rolling out a total of five new titles.

By continually introducing new products to the market, we are able to maintain a fresh portfolio of products, and respond flexibly to the demands of pachinko halls for new replacement machines.

Main Pachinko/Pachislot Machine Titles Sold for the Year Ended March 31, 2009 (Units)

Sales period	Manufacturer	Title	Units sold
<b>Pachinko Machines</b>			
1Q	Bisty Co., Ltd.	CRA Neon Genesis Evangelion Premium Model	51,000
2Q	Bisty Co., Ltd.	CRA Morning Musume	—
	Bisty Co., Ltd.	CR Seven Samurai	82,000
3Q	Sammy Corporation	CR Virtua Fighter	11,000
	Bisty Co., Ltd.	CR King Kong	21,000
	Bisty Co., Ltd.	CR Mystic Blue	—
Number of pachinko machines sold throughout the year			202,525
<b>Pachislot Machines</b>			
1Q	Rodeo Co., Ltd.	Sonic Live	—
2Q	Bisty Co., Ltd.	Neon Genesis Evangelion—That time has come, now they're waiting for us	90,000
3Q	Rodeo Co., Ltd.	Tenchi wo Kurau	—
	Rodeo Co., Ltd.	Kaiji Act 2	18,000
4Q	Bisty Co., Ltd.	King Kong	—
Number of pachislot machines sold throughout the year			128,680
Number of pachinko and pachislot machines sold throughout the year			<b>331,205</b>

\*Sales for titles that sold less than 10,000 units are not shown

## Policies Going Forward

In the fiscal year ending March 31, 2010, we predict that pachinko machines will continue to represent the bulk of demand among pachinko halls. Our policy is to continue to focus not so much on the number of new titles we introduce, but more on planning, developing, and providing machines with high added value, capable of attracting new users through their superior game and entertainment value.

As noted earlier, the *CR Neon Genesis Evangelion—The Beginning and the End* title introduced in April 2009, has been well received by the market, and is expected to reach the highest number of sales yet for the series. We also plan to follow the *CR Seven Samurai* title, sold in the fiscal year under review, with a second title in our new innovative video entertainment line during the fiscal year. In this way we are working to maintain a product portfolio that does not depend on a one-off hit series.

Based on pachinko hall customer reaction to the machines we have introduced to date, we believe that the

preference for even higher entertainment value, including latent need, will continue to strengthen. In our pursuit of game and entertainment value able to offer customers even greater levels of surprise, excitement, and playing satisfaction, we plan to delay the introduction of the first in a new series of products to be released in partnership with KYORAKU SANGYO, which was scheduled for the year ending March 31, 2010, preferring to allow more time for development by postponing release until the fiscal year ending March 31, 2011.

Aiming to take an even more strategic approach to our pursuit of game and entertainment value, in April of 2009 we undertook a reorganization of the functions of our Pachinko/Pachislot (PS) Field. Specifically, we established three new divisions—the Intellectual Property, Planning, and Development divisions—which will enable us to focus on the management and utilization of quality content, and the planning and development of competitive products with high game and entertainment value.

## Income Structure for Fields

### Net Sales

The Company sells pachinko/pachislot machines through two different channels: distribution sales, which are direct sales through the activities of our branch offices, and agency sales, which are indirect sales through brokering activities.

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 Commissions.

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

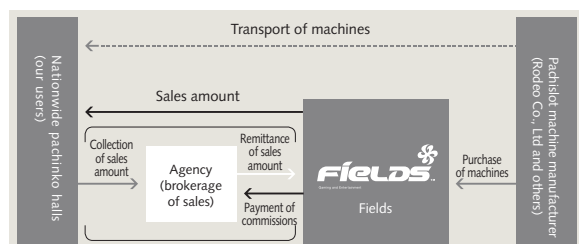
### Cost of Sales

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.

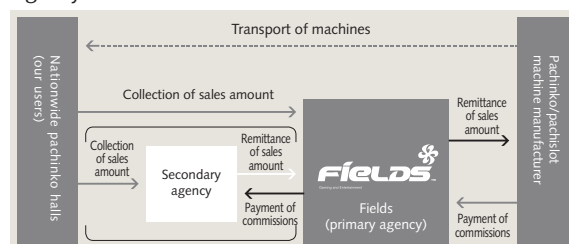
### Selling, General and Administrative Expenses (SG&A)

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 participating in industry exhibitions as well as TV and newspaper promotion expenditures.

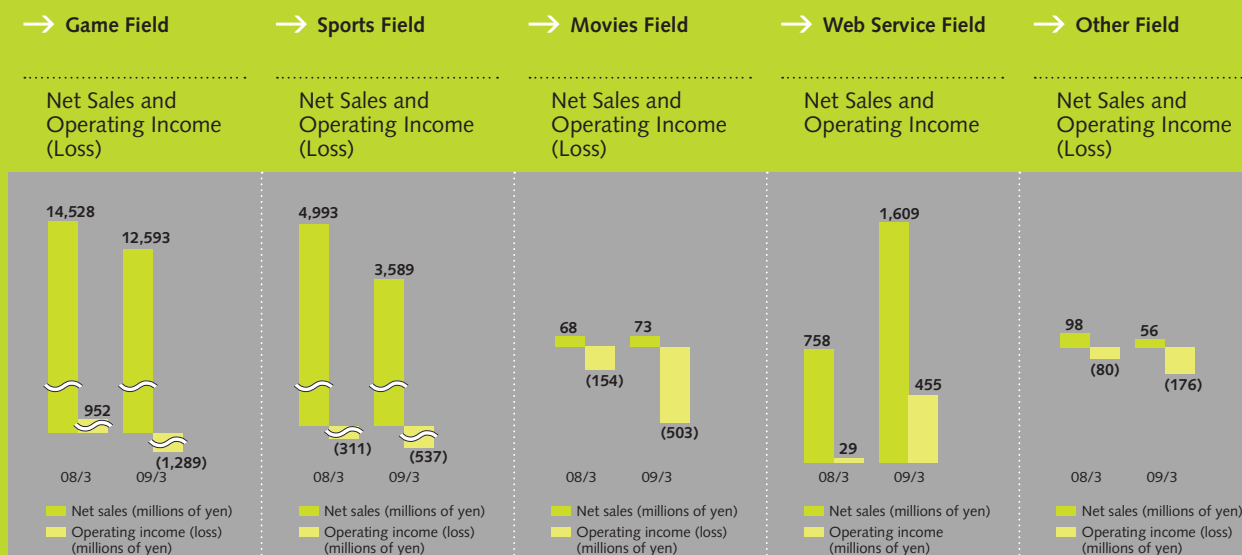
### Distribution model



### Agency model



## Group Businesses



### Strategy for the fiscal year ended March 31, 2009

The Game Field and other Group businesses in the fiscal year under review saw a restructuring of our business portfolio, with the result that management resources are now concentrated in the Pachinko/Pachislot (PS) Field, as intended under our medium-term management plan. We have also made adjustments in those businesses which may require more time to produce synergies with the pachinko/pachislot field, and established a policy of curbing investments in companies aside from those strategic growth businesses in which we can establish a unique presence. These actions have advanced our efforts to build a business platform for long-term growth.

### Review of Results for the Fiscal Year Ended March 31, 2009

In the fiscal year under review, we divided out certain segments which had previously comprised the Other Field into the Sports Field, the Movies Field, the Web Service Field, and the Other Field.

Net sales in the Game Field reached ¥12,593 million (down 13.3% from the previous fiscal year), with an operating loss of ¥1,289 million (versus an operating profit of ¥952 million in the previous year). This was due to the impact of the sluggish economy on sales at D3 Inc., which develops and markets games in Japan and in North America and Europe. The Group also booked a cost for implementing a price protection program for *darkSector*, which was released in the fiscal year ended March 31, 2008. Note also that thinkArts Co., Ltd., which developed video and game software for pachinko/pachislot machines, and which was determined to have little prospect for profitability in the short term, was dissolved as of March 31, 2009, resulting in an extraordinary loss.

In addition, based on the above basic policy regarding business reorganization, the Group accepted a tender offer by NAMCO BANDAI Games Inc. for shares of D3 Inc, and upon the completion of the tender, D3 Inc. was removed from the scope of consolidation of the Company as of March 24, 2009.

The Sports Field saw net sales of ¥3,589 million (down 28.1% year-on-year), and posted an operating loss of ¥537 million (versus an operating loss of ¥311 million in the previous fiscal year). Business was steady in our athlete management operation due to the activities of the athletes under contract, and we continued our scrap-and-build strategy to improve profitability in the solutions business, which manages sports gyms. Furthermore, we made a drastic review of the sports business, and restructured it by implementing reforms particularly to scale down the rights business and to optimize personnel deployment.

The Movies Field had net sales of ¥73 million (up 7.1% year-on-year), and operating losses of ¥503 million (versus an operating loss of ¥154 million in the previous fiscal year).

While two films in which the Group invested were released during the year, one of them produced only low box office results, and the amount invested was converted to an expense. Note that in January of 2009, Fields Pictures Corporation was merged into the Company.

The Web Service Field produced net sales of ¥1,609 million (up 112.2% year-on-year), with operating income at ¥455 million (up 1,469.0% over the previous year). FutureScope Corporation worked to bring its business up to speed, adding two new services to the mobile content it operates. Fields Mobile, its mainstay mobile content site saw a steady increase in the number of paid memberships.

In the Other Field, net sales were ¥56 million (down 42.8% year-on-year), with operating losses of ¥176 million (versus an operating loss of ¥80 million in the previous fiscal year). Solid progress was made in generating new content for the planning, creation, and

production of animated films, and in January 2009, White Trash Charms Japan Co., Ltd., which also operated in the Other Field, was merged into the Group.

## Policies Going Forward

The Group believes that its group businesses are essential to building a platform for growth, so that the Group may continue as a pioneer in the time-spending leisure market. In the fiscal year ending March 31, 2010, we shall complete the rebuilding of our group portfolio, focusing our management resources on our core Pachinko/Pachislot (PS) Field. At the same time, however, in addition to our mobile business, we will also continue to expand our business in the sports, animation, and other fields to support further development of primary content, aiming to achieve a consolidated/non-consolidated ratio of 1.0 or above in Group earnings.

### Sports Field

Group Company Initiatives ①  
**Initiatives to enhance profitability at Total Workout**  
**Japan Sports Marketing, Inc.**

In April 2008, Japan Sports Marketing, Inc., which is in the sports entertainment business, opened the Fukuoka Branch of Total Workout, and began its membership drive. At the same time, as part of the reevaluation of existing branches, the Ebisubashi branch was closed, and we continue to work to further strengthen profitability and enhance brand value. Total Workout currently consists of three branches, in Shibuya, Roppongi Hills, and Fukuoka.



Total Workout (Fukuoka branch)

**JSM**  
 JAPAN SPORTS MARKETING

### Web Service Field

Group Company Initiatives ②  
**Increasing membership in Fields Mobile**  
**FutureScope Corporation**

FutureScope Corporation, which manages mobile phone content, saw its key mobile content platform, Fields Mobile, continue to perform well, with paid membership increasing steadily to approximately 430,000 as of March 31, 2009, about two years after the start of service. The content offered through the site utilizes the Group's network to offer pachinko/pachislot games, ring tones, song downloads, and screen-savers, and has delivered strong synergies with machines sold through our pachinko/pachislot business.



**FutureScope**

### Other Field

Group Company Initiatives ③  
**Opening into the animation field**  
**Lucent Pictures Entertainment, Inc.**

Lucent Pictures Entertainment, Inc. is involved in animation planning, creation, and production. During the fiscal year ended March 31, 2009, it worked to create openings for its next product release, participated in the Tokyo International Anime Fair, and worked with one of the industry's leaders in quality, STUDIO4°C CO., LTD., in establishing a joint animation studio, L4C, furthering the company's efforts to build an environment for producing high quality animated films.



L4C, formed as a strategic business partnership

**LUCENT PICTURES**

# Corporate Social Responsibility (CSR)

## Basic Approach to CSR

At Fields, we believe that corporate activities and CSR should be one and the same. Our view is that enriching people's lives and lifestyles by providing entertainment, and doing so for as many people as possible, is what gives meaning to our continued existence as a company.

Presently, our operations revolve around pachinko/pachislot machine sales, an industry of which some may have a less than favorable impression. With that said, the pachinko/pachislot industry is in fact an enormous market, accounting for 30% of Japan's ¥72.8 trillion leisure market. It also contains a great deal of untapped potential. Given these facts, our approach is to transform this market into one that is richly entertaining and sound.

We are a group of individuals committed to realizing a common corporate philosophy—"The Greatest Leisure for All People." As we strengthen our current businesses, we are taking vigorous steps to enhance human resources. Our desire is to contribute to society by gathering knowledge wherever it exists, whether inside or outside the company, and moving boldly towards realizing our corporate philosophy.

## Corporate Code of Conduct Established

In June 2008, Fields established a Corporate Code of Conduct. The following October, these guidelines were published in a portable handbook and distributed to employees. The company is enacting initiatives to ensure that the principles stipulated in the code are reflected in employees' work and behavior on a day-to-day basis.

Fields' corporate philosophy is to provide "The Greatest Leisure for All People," with the sustainable increase in corporate value based on this philosophy as the basic principle guiding company management. In executing business activities backed by this basic principle, both the company and the Fields Group recognize that fulfilling their corporate social responsibility is vital to improving corporate value. Accordingly, we are committed to complete compliance with the Corporate Code of Conduct in every facet of our full range of business activities.

## Internal Control

### Developing a Management Structure Geared for Further Growth

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

Going forward we will utilize our new core business operation system and tirelessly pursue improvement in all aspects of our business operations to accelerate management functions and efficiency while strengthening internal control.



Corporate Code of Conduct handbook



## Quality Management

### Renewal of ISO 9001:2000 Certification

In January 1999, Fields was awarded the internationally recognized ISO 9002:1994 certification for its quality management system. Since then, we have worked continuously to improve service quality, transitioning to ISO 9001:2000 (JIS Q 9001:2000) certification in December 2002.

For Fields, providing clients with superior service quality is vital to the company's continued survival, and is absolutely essential to promoting its growth and development. Recognizing this, we view sales activities as synonymous with service quality, and acquired ISO 9001:2000 certification in a constant push to maintain and improve quality management levels.

As we deploy measures to improve our quality management system further, every employee will move with a keen awareness of the importance of service quality to earn the trust of society and our customers.

## Information Security Management

### Acquiring ISO 27001:2005 Certification

Following the acquisition of ISO 9001:2000 quality management system certification in 2002, Fields obtained international ISO/IEC 27001:2005 certification and domestically recognized JIS Q 27001:2006 certification for its information security management system in August 2007.

In light of growing interest in the management of information assets accompanying the rapid advance of information technology in recent years, the company pursued these certifications as a means to continuously strengthen its security measures, viewing this task as a social responsibility. The granting of this certification by an objective third party is a strong acknowledgment that the security measures promoted by the company are of an internationally recognized level.

Going forward, as we pursue additional measures to improve our information security management system, every employee will act with a keen awareness of the importance of information security to earn the trust of society and our customers.

## Topics in Social Contribution Activities

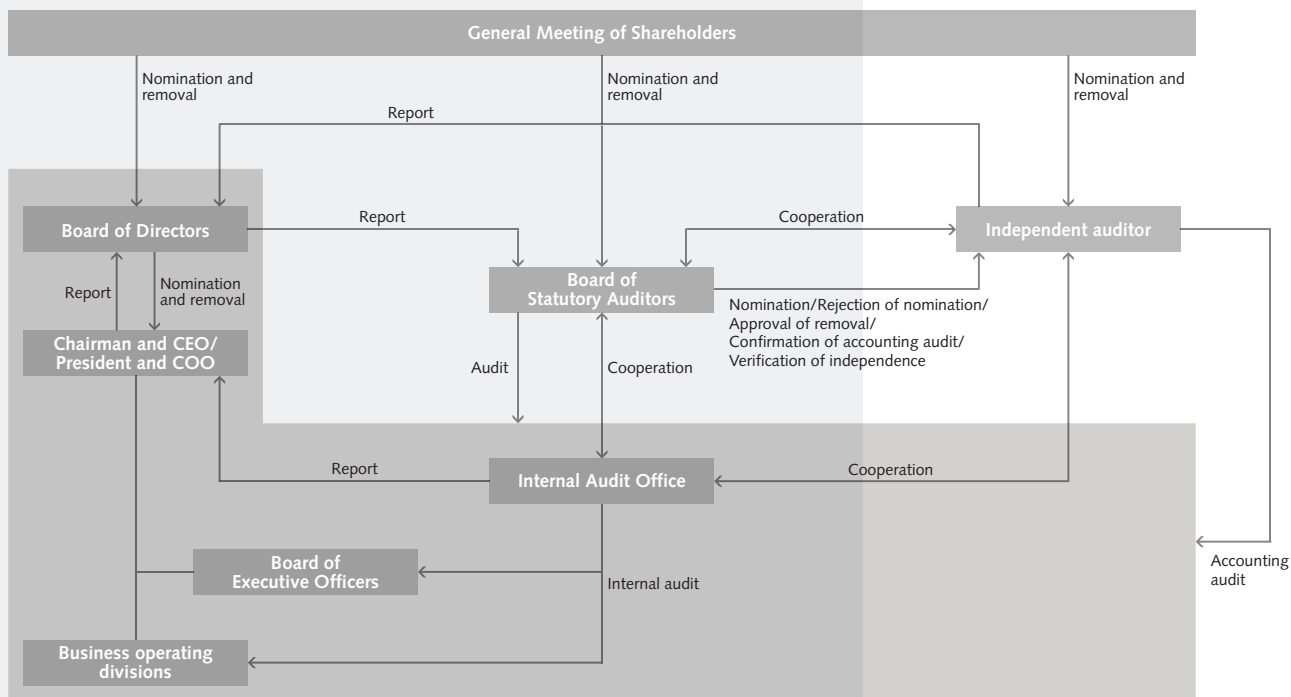
### Charity Golf Tournament Sponsorship

As one of our social contribution activities, in May 2009, we sponsored the "2009 Isao Aoki, Terumasa Hino and Fields THE LEGEND CHARITY PRO-AM TOURNAMENT." Fields has for years been involved in a wide range of social contribution activities, mainly through co-sponsorship of an array of sporting events in connection to the company's sports business. This tournament, however, marked Fields' trial debut as the main sponsor of a charity event. Proceeds from entry fees, a charity auction, and the sale of tickets to the venue by Fields were donated to the Chiba Children's Hospital, the Japan Leukemia Research Fund, and the Children's Cancer Association of Japan. The tournament drew the interest of the media, and for Fields, it held powerful meaning as a site for social contribution not only as a charity event, but as an opportunity for players and onlookers alike to utilize a form of entertainment, sports, to make their own contribution to society. Going forward, we will pursue more vigorously activities for meeting our corporate social responsibility and encouraging greater charity work.



### Basic Approach to Corporate Governance

Fields has identified its corporate philosophy as providing “The Greatest Leisure for All People,” and has established a basic management policy of continuously enhancing corporate value. To realize this basic policy, we enhance our corporate governance system by advancing reforms in our management structures and institutions specifically within the framework of the Board of Directors and the Board of Statutory Auditors. Within this context, we employ one outside director and four outside auditors with the goal of further bolstering oversight functions. The Fields Group, comprising the company and its consolidated subsidiaries, conducts corporate management in line with mutually agreed-upon management plans, following careful deliberation of policies and initiatives based on the Group’s management philosophy. In parallel, we strive to improve the corporate value of the entire Group through rigorous adherence to standards for extending financing to or exiting from Group companies.



## Corporate Governance System (As of June 30, 2009)

Matters related to corporate governance	Details
Governance format	Company with Board of Statutory Auditors system
Chairman of the Board of Directors	President
Number of directors (outside directors)	11 (1)
Board of Directors' meetings in fiscal year ended March 31, 2009	18
Board of Directors' meetings attended by outside director in fiscal year ended March 31, 2009	15
Number of statutory auditors (outside auditors)	4 (4)
Board of Directors' meetings attended by outside auditors in fiscal year ended March 31, 2009	Shigeru Matsushita: 17; Tadao Koike: 15; Yoshika Furuta: 17; Koichiro Nakamoto: 11 (Board of Directors' meetings held since election as statutory auditor: 15)
Board of Statutory Auditors meetings in fiscal year ended March 31, 2009	17
Attendance at Board of Statutory Auditors meetings in fiscal year ended March 31, 2009	Shigeru Matsushita: 17; Tadao Koike: 17; Yoshika Furuta: 17; Koichiro Nakamoto: 11 (Board of Statutory Auditors meetings held since election as statutory auditor: 12)
Independent auditors	BDO Sanyu & Co.
Internal audit division	Internal Audit Office
Matters concerning decisions regarding business execution, audits and supervision, nominating, and compensation	<ul style="list-style-type: none"> <li>· The 11-member Board of Directors (which includes one outside director) convenes monthly, and holds emergency meetings as necessary, to decide important management matters, as well as report on and supervise the status of business execution</li> <li>· To strengthen audit functions and improve management transparency, the company operates a rigorous and appropriate system of checks consisting of internal audits, audits by statutory auditors, and audits performed by independent auditors</li> <li>· The President, Internal Audit Office and independent auditors hold periodic meetings to exchange opinions on compliance</li> </ul>
Compliance structure	<ul style="list-style-type: none"> <li>· The company has appointed a director responsible for compliance, created compliance-related regulations and adopted an internal reporting system; it also enacts compliance education and training programs for directors and employees</li> <li>· The Internal Audit Office audits the status of compliance operation, reporting the results periodically to the President and Board of Statutory Auditors</li> <li>· The company has established departments responsible for promoting internal control systems for each Group company</li> </ul>
Risk management structure	<ul style="list-style-type: none"> <li>· The company has appointed a director responsible for risk management, who formulates regulations regarding risk management, monitors the status of risks from markets, investments and disasters, and addresses risks on a companywide basis</li> <li>· Each division has a department responsible for managing risks associated with its respective operations</li> <li>· The Internal Audit Office monitors the status of normal risk management conducted by each division, reporting the results to the President and the Board of Statutory Auditors</li> </ul>
Support system for outside directors and statutory auditors	<ul style="list-style-type: none"> <li>· The outside director is assisted by the General Affairs Section of the General Affairs Division</li> <li>· The General Affairs Section of the General Affairs Division, which serves as a secretariat to the Board of Directors, distributes materials to the outside director and statutory auditors prior to board meetings</li> <li>· The Board of Statutory Auditors is assisted by the auditor's staff, whose job is to aid the statutory auditors in their duties</li> </ul>
Compensation for directors	<ul style="list-style-type: none"> <li>· Compensation for 12 directors totaled ¥716 million (of which ¥13 million was paid to the outside director)</li> <li>· Compensation for 4 statutory auditors was ¥17 million</li> <li>· Compensation included ¥245 million (¥5 million for one outside director) in accrued bonuses to directors and statutory auditors</li> </ul> <p>(Note) The number of directors to which compensation was paid includes one director who retired effective from the close of the company's 20th General Meeting of Shareholders</p>
Extraordinary circumstances that could greatly impact corporate governance	<ul style="list-style-type: none"> <li>· D3 Inc., in which the company formerly held all shares, was excluded from the scope of consolidation on March 24, 2009, upon conclusion of the purchase of the aforementioned shares following tender offer by NAMCO BANDAI Games Inc.</li> </ul>
Disclosure policy	<ul style="list-style-type: none"> <li>· As a rule, the company fulfills its responsibilities to all stakeholders through timely and fair disclosure</li> </ul>
Rejection of criminal elements	<ul style="list-style-type: none"> <li>· The company conducts sound corporate management, and utterly rejects any attempts by criminal elements of any kind to influence management activities</li> <li>· The company blocks any attempts by criminal elements and/or organizations to establish relationships with it, and has distributed and shared with all officers and employees its resolute stance in this regard, including in a clearly worded statement found in the Corporate Code of Conduct</li> </ul>

**Directors, Corporate Auditors and Executive Officers** (As of June 25, 2009)

Chairman & CEO	Hidetoshi Yamamoto
President & COO	Takashi Oya
Senior Managing Director; Division Manager, Group Strategy Division	Tetsuya Shigematsu
Senior Managing Director (In charge of the Sales Division and the Development Division)	Kiyoharu Akiyama
Outside Director	Shigesato Itoi
Director; Division Manager, Planning Division	Masakazu Kurihara
Director; Division Manager, Intellectual Property Division	Yoshiteru Yamaguchi
Director; Division Manager, Planning and Administration Division	Hiroyuki Yamanaka
Director; Division Manager, Corporate Division	Hideo Ito
Director; Division Manager, Sales Division	Akira Fujii
Director; General Manager, Office of the Chairman	Toru Suenaga
Standing Auditor	Shigeru Matsushita
Auditor	Tadao Koike
Auditor	Yoshika Furuta
Auditor	Koichiro Nakamoto
Executive Officer; General Manager, Corporate Communications Office	Hideaki Hatanaka
Executive Officer; Division Manager, Development Division	Teruo Fujishima
Executive Officer; General Manager, Branch Administration Department, Sales Division, Hokkaido-Tohoku Regional Office, and Tokyo Regional Office	Hideo Wakazono
Executive Officer; General Manager and Senior Production Executive, Group Related Business Department, Group Strategy Division	Yosuke Ozawa
Executive Officer; General Manager in Charge of the Corporate Communications Office	Soichi Kasuya

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# Management's Analysis of Financial Position and Business Results

## Consolidated Financial Highlights

	Year Ended March 31, 2004	Year Ended March 31, 2005	Year Ended March 31, 2006	Year Ended March 31, 2007	Year Ended March 31, 2008	Year Ended March 31, 2009
<b>Results of Operations (millions of yen)</b>						
Net sales	¥66,211	¥81,658	¥ 96,814	¥ 85,321	¥101,818	¥ 73,035
Gross profit	21,578	24,752	29,737	29,248	34,544	24,024
Gross profit margin (%)	32.6	30.3	30.7	34.3	33.9	32.9
Operating income	11,866	12,097	12,348	8,944	13,158	1,960
Operating margin (%)	17.9	14.8	12.8	10.5	12.9	2.7
Net income (loss)	6,620	6,926	7,085	3,710	5,296	(1,481)
Net margin (%)	10.0	8.5	7.3	4.3	5.2	—
<b>Financial Position (millions of yen)</b>						
Total assets	37,115	72,584	87,556	66,081	69,168	52,064
Net assets	14,507	33,426	39,411	42,836	46,331	39,496
Shareholders' equity	14,507	33,426	39,411	41,115	44,485	39,463
<b>Cash Flows (millions of yen)</b>						
Cash flows from operating activities	851	2,965	6,164	5,293	11,127	4,147
Cash flows from investing activities	(3,190)	(5,257)	(2,224)	(4,772)	(14,604)	(6,182)
Cash flows from financing activities	2,029	10,177	(1,540)	1,488	(1,384)	602
<b>Per-share Data (yen)</b>						
Earnings (loss) per share	¥40,465	¥19,888	¥ 20,118	¥ 10,692	¥ 15,263	¥ (4,271)
Net assets per share	89,305	96,026	113,275	118,487	128,201	117,326
Dividends per share	24,000	4,000	4,000	4,000	4,500	4,500
<b>Key Financial Indicators (%)</b>						
Return (loss) on equity (ROE)	56.9	28.9	19.5	9.2	12.4	(3.5)
Return on assets (ROA)	45.0	22.8	16.4	12.0	17.3	1.6
Shareholders' equity ratio	39.1	46.0	45.0	62.2	64.3	75.8
Payout ratio*	20.1	20.7	20.3	37.4	29.5	—

\*Payout ratios for the years ended March 31, 2004 to March 31, 2006 are non-consolidated.

## Overview

### Business Environment

In the year ended March 31, 2009 (April 1, 2008–March 31, 2009), the Japanese economy deteriorated as the financial crisis touched off by the global subprime loan problem accelerated. The unemployment issue also grew more serious. In the leisure market, however, the amount of leisure time consumers have has been increasing in recent years due to advances in technology and medical care, and demand structure has started undergoing marked change as consumer interests and tastes diversify. With consumers now focusing on the entertainment options that interest them most, the market is transitioning to a format in which consumers make selective investments in leisure activities.

The pachinko/pachislot industry needs to develop and become more wholesome as a form of entertainment that does not rely on the element of gambling so that consumers selective about how to spend their leisure time will continue to choose pachinko/pachislot. Meanwhile, dramatic advances in the hardware development aspect of the industry, including graphic chips and LCD screens for pachinko/pachislot machines, have highlighted the importance of the content shown on them. In the competition between pachinko/pachislot machine manufacturers, therefore, there is an increasingly pronounced trend toward investing time into planning and development to introduce highly developed machines. In today's market, it is the ability to secure powerful content and planning and development capabilities that will determine the success or failure of a company.

### General Overview

The Company has grown its business by anticipating changes in the lifestyle and environment of people around the world in terms

of their increasing leisure time and finding business opportunities in order to realize its corporate philosophy of "The Greatest Leisure for All People." In particular, we have come to understand the vital role that digital content plays as the basis for its leading competitive edge as a corporation. We are therefore aiming to acquire, create and develop content with high entertainment value that can be used in our core business of pachinko/pachislot, and with which we can create a new class of customers. Acting on this, in recent years the Company has invested and expanded in diverse fields of entertainment, ranging from games to sports, movies, animation, publishing, mobile phone content, and more.

In the year ended March 31, 2009, Fields worked to achieve the goal of ¥10,000 million in operating income laid out for the first year of the medium-term management plan by responding flexibly to changes in the external environment and actively introducing pachinko/pachislot machines with high game and entertainment value tailored to meeting diverse market needs.

However, as a result of strategic revisions to the launch for a major title that had been scheduled for release in the fourth quarter, operating income for the year under review amounted to ¥1,960 million. Nevertheless, we actively rebuilt the Group's portfolio and concentrated management resources on our core Pachinko/Pachislot (PS) Field to bolster our revenue base.

As part of these efforts, we accepted a tender offer by NAMCO BANDAI Games Inc. for shares of D3 Inc. As a result, following the conclusion of the tender offer, D3 Inc. was removed from the scope of consolidation.

Starting in the fiscal year under review, the segment previously listed as "Other Field," which included sports management, video, and web services businesses, has been divided into four segments: Sports Field, Movies Field, Web Service Field and Other Field.

## Business Results

### Net Sales

Consolidated net sales in the year ended March 31, 2009 amounted to ¥73,035 million, down 28.3% year on year. This was the result of a decline in the number of machines sold in our mainstay Pachinko/Pachislot (PS) Field distribution sales (pachislot machine purchasing and sales), as well as a sales slump in the Game Field, among other factors.

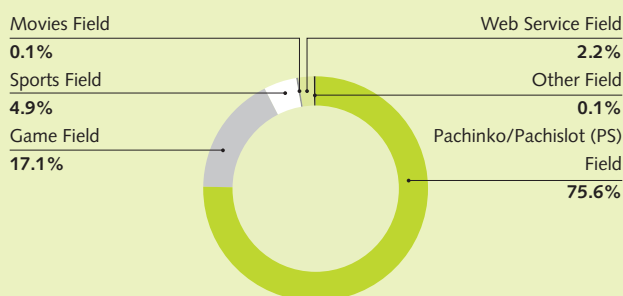
### Selling, General and Administrative Expenses and Operating Income

Gross profit for the year ended March 31, 2009 was ¥24,024 million, down 30.5% year on year. This was due to factors such as a decline in the number of pachislot machines sold and revisions to schedules for sales of large pachinko machines in the Pachinko/Pachislot (PS) Field, as well as a slump in sales of game software in the Game Field.

Selling, general and administrative expenses rose 3.2% year on year to ¥22,063 million due in part to an increase in depreciation costs.

As a result, operating income for the fiscal year declined by 85.1% to ¥1,960 million.

### Proportion of Sales by Segment



## Segment Overview

### • By Operating Segment

#### Pachinko/Pachislot (PS) Field Segment

In the year ended March 31, 2009 in the Pachinko/Pachislot (PS) Field, the industry exercised voluntary restraint in replacing machines for a time out of consideration for the country's hosting of the G8 Summit at Lake Toya in July 2008. Despite this, the Company was proactive in supplying the marketplace with machines with superior game and entertainment features to meet the diversifying needs of the market.

The pachinko machine sales business introduced a total of six new models, including *CRA Neon Genesis Evangelion Premium Model*, designed less for gambling than for playing for fun, and *CR Seven Samurai*, a new video entertainment experience. Although major pachinko machine title *CR Neon Genesis Evangelion—The Beginning and the End* was initially scheduled for release during the fourth quarter ended March 31, 2009, the Company made a strategic decision to delay the release and launch the product in April 2009. As a result, unit sales of pachinko machines amounted to 202,525, down 26.1% year on year.

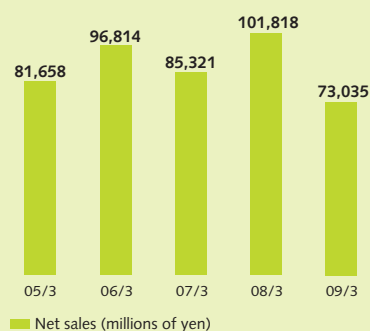
In the pachislot machine sales business, pachinko hall operators throughout Japan are shifting to focus on pachinko machines. Amid this environment, the Company released five new pachislot machine models, notably *Neon Genesis Evangelion—That time has come, now they're waiting for us*, which was highly acclaimed by users and recorded blockbuster sales totaling 90,000 machines. Total unit sales of pachislot machines were down 38.9% to 128,680 as a result of changes in the market environment.

As a result, the Pachinko/Pachislot (PS) Field recorded net sales of ¥55,724 million, a year-on-year decrease of 32.7%, and operating income of ¥4,031 million, down 68.4%.

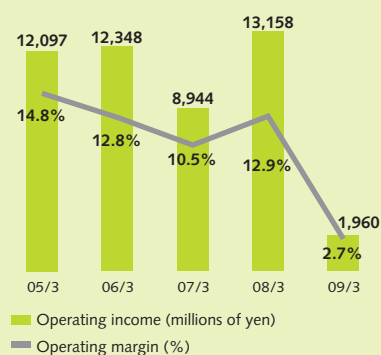
The Company sells pachinko/pachislot machines through two different channels—direct sales through the activities of our branch offices (distribution sales), and indirect sales through brokering activities (agency sales).

In distribution sales, we purchase pachinko/pachislot machines from manufacturers and sell them to users (pachinko hall operators). In agency sales, we operate as an agent for pachinko/pachislot machines and receive commissions from manufacturers for various services. The difference between these two methods has an impact on the Company's sales performance. For a detailed explanation of our revenue structure, please see page 23.

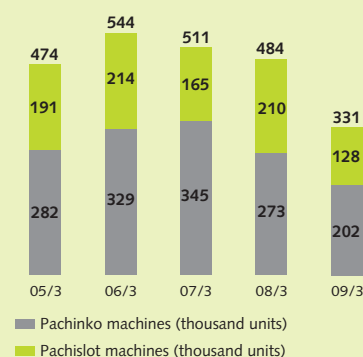
### Net Sales



### Operating Income/ Operating Margin



### Number of Pachinko/ Pachislot Machines Sold



### Game Field Segment

During the year ended March 31, 2009, D3 Inc., previously one of the Company's major subsidiaries, saw a decline in sales of game software both in the domestic and overseas markets as a result of the rapid economic recession. Although sales of high-end game software including a collaboration title between D3 Inc. and the Company, as well as overseas sales of the *Ben10* series and the *NARUTO* series, remained strong, this failed to offset the negative earnings impact and other issues resulting from implementation of a price protection\* program following slower growth in sales of the *darkSector* title introduced late in the previous fiscal year by D3 Inc. As a result of the above, the segment recorded net sales of ¥12,593 million, down by 13.3%, and an operating loss of ¥1,289 million, compared to operating income of ¥952 million from the previous fiscal year.

\* Price protection: Sales subsidies to support reductions in retail prices. These payments are deducted from net sales.

### Sports Field Segment

During the year ended March 31, 2009, the athlete management business reported continued strong results benefiting particularly from outstanding showings by athletes under contract. The Total Workout operation, a provider of sports solutions, opened a branch in Fukuoka in April 2008, and sought to acquire new members. Meanwhile, the branch at Ebisubashi in Osaka was closed at the end of September 2008 under an initiative to review the current branch structure in order to make this business more profitable. Furthermore, we made a drastic review of the sports business, and restructured it by implementing reforms particularly to scale down the rights business and to optimize personnel deployment.

As a result, net sales in the Sports Field segment declined by 28.1% to ¥3,589 million, and the segment recorded an operating loss of ¥537 million, compared to the loss of ¥311 million in the previous fiscal year.

### Movies Field Segment

During the year ended March 31, 2009, two of the Company's movie investments hit the screen. One film suffered lackluster performance at the box office, and accordingly the Company wrote off the equity investment in the first quarter (April–June). Fields Pictures Corporation, included in this segment, has been absorbed and merged into the Company effective January 2009.

As a result of these activities, net sales in the Movies Field segment amounted to ¥73 million, an increase of 7.1% year on year, but the segment recorded an operating loss of ¥503 million, compared to a loss of ¥154 million in the previous fiscal year.

### Web Service Field Segment

During the year ended March 31, 2009, a mobile content platform operated by FutureScope Corporation began offering two new services and focused efforts on putting the operations firmly on track. The company's mainstay mobile content platform, Fields Mobile, continued to perform well with its paying membership increasing steadily thanks to synergies with merchandise the Company has launched. As of March 31, 2009, about two years after the start of service, membership had reached approximately 430,000.

As a result of the above, the Web Service Field segment posted net sales of ¥1,609 million, an increase of 112.2% year on year, while operating income rose 1,469.0% to ¥455 million.

### Other Field Segment

During the year ended March 31, 2009, Lucent Pictures Entertainment, Inc., a subsidiary for planning and production of animation, made steady progress towards film releases for the year ending March 2010. Activities to this end included the participation at the Tokyo International Anime Fair, establishment of a joint animation studio with STUDIO4°C CO., LTD., and development of a production environment and infrastructure to produce high-quality animation videos. White Trash Charms Japan Co., Ltd., included in this segment, has been absorbed and merged into the Company effective January 2009.

As a result of the above, the Other Field segment posted net sales of ¥56 million, 42.8% less than in the previous fiscal year, and an operating loss of ¥176 million, compared to a loss of ¥80 million in the previous fiscal year.

### • By Geographic Segments

For the fiscal year ended March 31, 2009, overseas sales totaled ¥8,646 million. This was mainly due to strong overseas sales of game software by former major subsidiary D3 Inc., including the *Ben10* series and the *NARUTO* series.

During the year under review, overseas sales from North America, Europe, and other regions accounted for over 10% of consolidated net income, and are therefore disclosed.

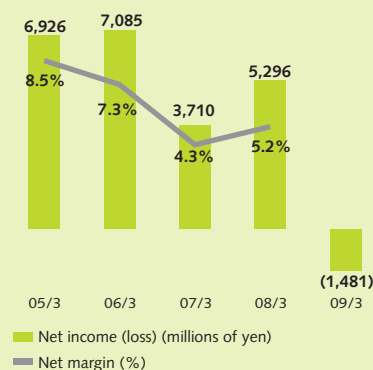
### Other Income (Expenses) and Net Income (Loss)

In other income (expenses) for the fiscal year ended March 31, 2009, despite a decrease in impairment losses, the Company was affected by foreign exchange fluctuations accompanying the global financial uncertainty and equity method investment loss in the Games Field, as well as a loss on discontinued content production incurred by a subsidiary, loss on liquidation of a consolidated subsidiary resulting from the liquidation of a subsidiary, loss on write-down of investment securities, and loss on sale of investments in affiliates. As a result of these and other losses, other expenses for the year ended March 31, 2009 amounted to ¥4,540 million, compared to ¥2,649 million in the previous year.

Net loss before income taxes and minority interests amounted to ¥2,579 million, compared to net income before income and income taxes of ¥10,509 million in the previous year.

Net loss totaled ¥1,481 million, compared to net income of ¥5,296 million in the previous year.

### Net Income (Loss) and Net Margin



## Dividends

Fields considers improving corporate value to be a crucial management issue, and makes appropriate return of profit to shareholders a basic policy. Dividend amounts are determined in consideration of factors such as business profits and the Company's cash flow situation, but in general we aim for a standard of a consolidated payout ratio of 20% or higher.

With regard to internal reserves, our policy is to use them effectively in investments intended to strengthen the Company's financial position and management base and ensure continued business expansion and competitiveness.

In the fiscal year ended March 31, 2009, the Company recorded a net loss. However, in order to maintain our shareholder-focused approach, we have maintained the same level of dividends as for the year ended March 31, 2008, at ¥4,500 per share.

## Financial

### Assets

Current assets amounted to ¥25,135 million, down ¥14,423 million since the end of the previous fiscal year. This was mainly attributable to decreases in notes and accounts receivable—trade, and in inventories.

Property and equipment, net amounted to ¥10,898 million, up ¥2,805 million since the end of the previous fiscal year. This primarily reflected the purchase of land in Osaka scheduled for the construction of branch office premises to enforce sales capabilities in the Pachinko/Pachislot (PS) Field segment.

Investments and other assets amounted to ¥16,029 million, down ¥5,486 million since the end of the previous fiscal year. This primarily reflected the decrease in goodwill associated with the sale of D3 Inc., as well as a decline in investment securities as a result of the rapid economic recession.

As a result of the above, total assets at March 31, 2009 amounted to ¥52,064 million, down ¥17,103 million from the end of the previous fiscal year.

### Liabilities and Net Assets

Current liabilities declined by ¥11,775 million from the end of the previous fiscal year to ¥7,547 million. This reflected a decrease in notes and accounts payable—trade, a decline in short-term borrowings associated with D3 Inc., and a decline in income taxes payable as profit decreased.

Long-term liabilities amounted to ¥5,021 million, up ¥1,506 million since the end of the previous fiscal year. This primarily reflected an increase in long-term debt due to the issue of corporate bonds for the acquisition of land for commercial use.

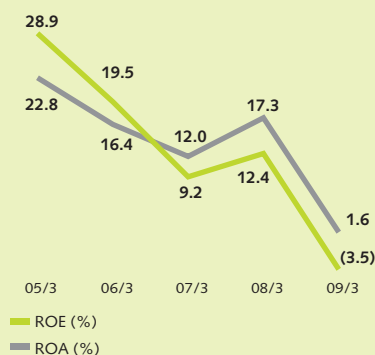
Net assets amounted to ¥39,496 million, down ¥6,835 million since the end of the previous fiscal year. This primarily reflected a decrease in retained earnings, acquisition of treasury stock, and a decline in minority interests. The shareholders' equity ratio rose to 75.8%, from 64.3% in the previous year.

As a result of the above, the total of liabilities and net assets amounted to ¥52,064 million, down ¥17,103 million from the end of the previous fiscal year.

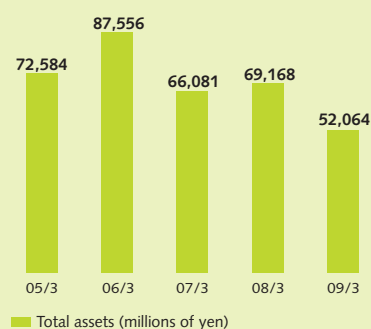
### Funding Procurement (Overdraft Agreement)

In order to procure operating funds in an efficient manner, the Group concluded account overdraft agreements with four banks with which it does business. Based on these agreements, as of March 31, 2009, the total overdraft limit and the balance of untapped loans amounted to ¥19,000 million.

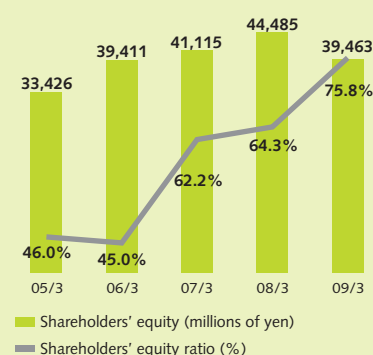
## ROE and ROA



## Total Assets



## Shareholders' Equity and Shareholders' Equity Ratio



## Cash Flows

The balance of cash and cash equivalents at the end of the fiscal year ended March 31, 2009 was ¥11,181 million, a decrease of ¥1,512 million from the end of the previous fiscal year.

It is the Company's basic policy to conduct all business investments within the scope of free cash flows.

### Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥4,147 million, compared to ¥11,127 million in the previous year. The principal factor in this was the decline in income before income taxes and minority interests. Also contributing to the decline were a decrease of ¥4,423 million in notes and accounts receivable—trade, a decrease of ¥1,343 million in inventories, a decrease of ¥2,329 million in accounts payable—trade, ¥2,328 million in interest and dividends received and ¥6,863 million in income taxes paid.

### Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥6,182 million, compared to ¥14,604 million of expenditure in the previous year. The principal factors in this were purchases of property and equipment totaling ¥4,710 million and ¥793 million of payment for sale of shares in consolidated subsidiaries associated with a change in the scope of consolidation.

### Cash Flows from Financing Activities

Net cash provided by financing activities amounted to ¥602 million, compared to ¥1,384 million of expenditure in the previous year. The principal factors in this were a net decrease of ¥2,898 million in short-term borrowings, ¥6,200 million of proceeds from long-term debt, the repayment of ¥2,287 million in long-term debt and ¥2,948 million of proceeds from issuance of corporate bonds.

## Future Outlook

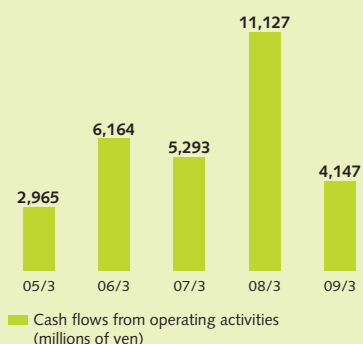
In light of results for the fiscal year ended March 31, 2009, the Fields Group has realigned the targets in its medium-term management plan, which was launched with the goals of creating new leisure businesses and realizing a vision for the Group 10 years down the road. Specifically, the timeframe for achieving operating income of over ¥25.0 billion has been extended by one year, to the fiscal year ending March 31, 2014. In addition to leveraging our advanced planning and development capabilities to introduce a full lineup of pachinko/pachislot machines, we anticipate that profits from our Group businesses, where our investments are beginning to come full circle and form a revenue base, will contribute about 20% to achieving this target. Going forward, we will actively invest in new business opportunities such as M&As and new businesses in order to become a pioneer in the time-spending leisure market.

### Outlook for the Year Ending March 31, 2010

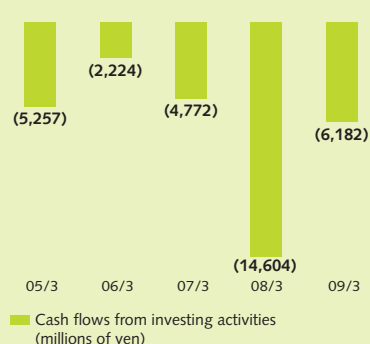
In April 2009 the Company restructured the functions of its core pachinko/pachislot business, and made organizational changes with a view to accelerating accurate response to the market environment, decision making, and execution of duties. In particular, we are further strengthening our planning and development functions in order to leverage high-quality content to provide the market with competitive, highly entertaining products.

The market environment for pachinko halls in the year ending March 31, 2010 is expected to see continued expansion of the pachinko machine-centered business format. Under these circumstances, in our pachinko machine sales business we will concentrate the types of machine introduced and aggressively provide highly developed machines. Already in the first quarter of the year ending March 31, 2010 we have introduced the pachinko machine *CR Neon Genesis Evangelion—The Beginning and the End*, a new title from Bisty Co., Ltd., which has earned high acclaim, selling approximately 230,000 units as of May 2009, the most ever for a machine in this series. We are also planning the launch of a second, innovative title that aspires to create a new form of video entertainment.

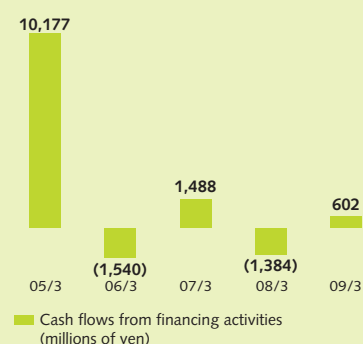
Cash Flows From Operating Activities



Cash Flows From Investing Activities



Cash Flows From Financing Activities





Meanwhile, in the pachislot machine sales business, the pachislot market as a whole continues to face difficult conditions. Nevertheless, we will continue to provide these products, with a focus on the most popular titles.

In our Group business strategy we have restructured our business portfolio and revised each business. As a result, most management resources will now be focused on the core pachinko/pachislot field, and we will limit investments and other initiatives outside of businesses that require time to develop synergies with the pachinko/pachislot business and strategic development businesses that are part of our effort to become a unique company.

For the year ending March 31, 2010, we are not forecasting sales in the Game Field due to the sale of shares of D3 Inc. In the fields of

sports, animation, and mobile content, the Company will continue to actively promote business development toward the creation of primary content, with a view to improving profitability as early as possible. At the same time, we will build a base for future growth in order to be a pioneer in the time-spending leisure market.

In light of the above, we are forecasting the following results for the fiscal year ending March 31, 2010: net sales of ¥70,000 million, a decrease of 4.2% year on year; operating income of ¥10,000 million, an increase of 410.2%; and net income of ¥4,500 million, compared to a net loss of ¥1,481 million in the year ended March 31, 2009. We intend to pay a dividend of ¥4,500 per share, the same as in the year ended March 31, 2009.

## Risks Related to Our Business

The operating and financial conditions associated with various risks that may substantially affect decisions by potential investors are as follows.

Forward-looking statements are based on the judgment of Group management as of the end of the fiscal year ended March 31, 2009.

### High Level of Products Supplied by a Specific Supplier

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

Of the total net sales of the Company, product sales and sales commissions represented 66.0% and 13.2%, respectively, for the fiscal year ended March 31, 2008, and 57.4% and 12.7%, respectively, for the fiscal year ended March 31, 2009.

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 31, 2009, products supplied by Rodeo Co., Ltd. and Bisty Co., Ltd. accounted for 13.8% and 42.7%, 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 could be affected.

Our Basic Exclusive Distributorship Agreement is renewable on an annual basis with Rodeo Co., Ltd. and a triennial basis with Bisty Co., Ltd.. Therefore, should the Agreements not be renewed, Group results could 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 Entertainment Business Law. For example, the Company cannot sell or install any machines that have not obtained the approval of the Public Safety Commission of the related prefecture. The business activities of pachinko hall operators, the final users of our machines, are also regulated under the Entertainment Business Law and related ordinances in each prefecture.

Apart from these regulations, the pachinko/pachislot industry may, as necessary, voluntarily regulate the operations of pachinko/pachislot 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 could affect the results of Group operations.

### Content Business

The Company will focus on obtaining rights or merchandising rights and developing content with high value. However, the distinctive nature of the content business makes it difficult to accurately evaluate its potential for contributing to profits. Specifically, 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 rights 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 conducts its business in broad 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 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.

# Consolidated Balance Sheets

As of March 31, 2008 and 2009

Assets	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2009	2009
<b>Current assets:</b>			
Cash and cash equivalents	¥12,693	¥11,181	\$113,824
Notes and accounts receivable — trade	12,354	4,324	44,019
Other receivables	355	3,223	32,810
Inventories	4,013	963	9,803
Merchandising right advances	4,397	3,591	36,557
Deferred tax assets	2,271	545	5,548
Other current assets	3,566	1,383	14,079
Allowance for doubtful accounts	(92)	(77)	(783)
Total current assets	39,559	25,135	255,879
<b>Property and equipment :</b>			
Land	3,701	6,514	66,313
Buildings and structures	3,957	4,733	48,182
Equipment	2,599	2,402	24,452
Vehicles	26	23	234
Construction in progress	269	53	539
Total	10,552	13,725	139,723
Less: Accumulated depreciation	(2,459)	(2,826)	(28,769)
Property and equipment, net	8,093	10,898	110,943
<b>Investments and other assets:</b>			
Investments in unconsolidated subsidiaries and affiliates	4,447	1,904	19,383
Investment securities	8,765	6,085	61,946
Deposits	2,893	2,707	27,557
Software	2,473	2,355	23,974
Goodwill	1,057	326	3,318
Deferred tax assets	790	1,862	18,955
Other assets	1,442	1,044	10,628
Allowance for doubtful accounts	(355)	(256)	(2,606)
Total investments and other assets	21,515	16,029	163,178
<b>Total assets</b>	<b>¥69,168</b>	<b>¥52,064</b>	<b>\$530,021</b>

See accompanying notes to the consolidated financial statements.

Liabilities and Net Assets	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2009	2009
<b>Current liabilities:</b>			
Notes and accounts payable — trade	¥ 5,954	¥ 1,981	\$ 20,166
Short-term borrowings	3,398	—	—
Current portion of long-term debt	924	781	7,950
Income taxes payable	3,743	263	2,677
Accrued bonuses	174	211	2,148
Accrued bonuses to directors and corporate auditors	128	245	2,494
Other current liabilities	4,996	4,065	41,382
Total current liabilities	19,322	7,547	76,829
<b>Long-term liabilities:</b>			
Long-term debt, less current portion	684	2,230	22,701
Retirement benefits	211	221	2,249
Deposits received	2,459	2,569	26,152
Other long-term liabilities	158	0	0
Total long-term liabilities	3,514	5,021	51,114
<b>Net assets:</b>			
Common stock			
Authorized; 1,388,000 shares at March 31, 2008 and 2009			
Issued; 347,000 shares at March 31, 2008 and 2009	7,948	7,948	80,912
Capital surplus			
Additional paid-in capital	7,994	7,994	81,380
Retained earnings	28,852	25,808	262,730
Treasury stock; 10,643 shares at March 31, 2009	—	(1,330)	(13,539)
Unrealized loss on available-for-sale securities	(249)	(956)	(9,732)
Foreign currency translation adjustments	(59)	(0)	(0)
Stock acquisition rights	43	—	—
Minority interests	1,802	32	325
Total net assets	46,331	39,496	402,076
<b>Total liabilities and net assets</b>	<b>¥69,168</b>	<b>¥52,064</b>	<b>\$530,021</b>

# Consolidated Statements of Operations

For the years ended March 31, 2008 and 2009

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Fields Corporation Annual Report 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2009	2009
<b>Sales</b>	¥ 101,818	¥ 73,035	\$743,510
<b>Cost of Sales</b>	67,274	49,010	498,931
Gross profit	34,544	24,024	244,568
<b>Selling, general and administrative expenses</b>	21,385	22,063	224,605
Operating income	13,158	1,960	19,953
<b>Other income (expenses):</b>			
Interest and dividend income	90	217	2,209
Interest expenses	(86)	(127)	(1,292)
Equity in loss of affiliates	(557)	(428)	(4,357)
Impairment losses	(876)	(152)	(1,547)
Loss on write-down of investment securities	(112)	(1,605)	(16,339)
Loss on sale of investments in affiliates, net	—	(342)	(3,481)
Loss on liquidation of a consolidated subsidiary	—	(537)	(5,466)
Loss on discontinued content production	—	(702)	(7,146)
Foreign exchange loss, net	(597)	(357)	(3,634)
Other, net	(508)	(507)	(5,161)
Other expenses, net	(2,649)	(4,540)	(46,218)
Income (loss) before income taxes and minority interests	10,509	(2,579)	(26,254)
<b>Income taxes:</b>			
Current	6,022	388	3,949
Deferred	(921)	(514)	(5,232)
	5,101	(126)	(1,282)
<b>Minority interests</b>	111	(971)	(9,884)
<b>Net income (loss)</b>	¥ 5,296	¥ (1,481)	\$ (15,076)
<b>Earnings per share:</b>		Yen	U.S. Dollars (Note 1)
Basic earnings (loss) per share	¥15,263.76	¥(4,271.78)	\$ (43.49)

See accompanying notes to the consolidated financial statements.

# Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2008 and 2009

	Shares					Millions of Yen				
	Number of Shares of Common Stock Issued	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Stock Acquisition Rights	Minority Interests	Total Net Assets
<b>Balance as of March 31, 2007</b>	347,000	¥7,948	¥7,994	¥24,943	¥ —	¥214	¥ 13	¥ 15	¥ 1,705	¥42,836
Net income	—	—	—	5,296	—	—	—	—	—	5,296
Cash dividends paid	—	—	—	(1,388)	—	—	—	—	—	(1,388)
Changes in scope of consolidation	—	—	—	(0)	—	—	—	—	—	(0)
Net change in the year	—	—	—	—	—	(464)	(73)	27	96	(413)
<b>Balance as of March 31, 2008</b>	347,000	7,948	7,994	28,852	—	(249)	(59)	43	1,802	46,331
Net loss	—	—	—	(1,481)	—	—	—	—	—	(1,481)
Cash dividends paid	—	—	—	(1,561)	—	—	—	—	—	(1,561)
Changes due to the merger of affiliates that had been accounted for under the equity method	—	—	—	(1)	—	—	—	—	—	(1)
Purchase of treasury stock	—	—	—	—	(1,330)	—	—	—	—	(1,330)
Net change in the year	—	—	—	—	—	(707)	59	(43)	(1,769)	(2,460)
<b>Balance as of March 31, 2009</b>	347,000	¥7,948	¥7,994	¥25,808	¥(1,330)	¥(956)	¥ (0)	¥ —	¥ 32	¥39,496

	Thousands of U.S. Dollars (Note 1)									
	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Stock Acquisition Rights	Minority Interests	Total Net Assets	
<b>Balance as of March 31, 2008</b>	\$80,912	\$81,380	\$293,718	\$ —	\$(2,534)	\$(600)	\$437	\$ 18,344	\$471,658	
Net loss	—	—	(15,076)	—	—	—	—	—	(15,076)	
Cash dividends paid	—	—	(15,891)	—	—	—	—	—	(15,891)	
Changes due to the merger of affiliates that had been accounted for under the equity method	—	—	(10)	—	—	—	—	—	(10)	
Purchase of treasury stock	—	—	—	(13,539)	—	—	—	—	(13,539)	
Net change in the year	—	—	—	—	(7,197)	600	(437)	(18,008)	(25,043)	
<b>Balance as of March 31, 2009</b>	\$80,912	\$81,380	\$262,730	\$(13,539)	\$(9,732)	\$ (0)	\$ —	\$ 325	\$402,076	

See accompanying notes to the consolidated financial statements.

# Consolidated Statements of Cash Flows

For the years ended March 31, 2008 and 2009

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	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2009	2009
<b>Operating activities:</b>			
Income (loss) before income taxes and minority interests	¥ 10,509	¥ (2,579)	\$ (26,254)
Adjustments:			
Depreciation and amortization	1,097	1,775	18,069
Impairment losses	876	152	1,547
Amortization of goodwill	335	332	3,379
Equity in loss of affiliates	557	428	4,357
Loss on sale of investments in affiliates, net	—	342	3,481
Loss on write-down of investment securities	112	1,605	16,339
Notes and accounts receivable – trade	6,052	4,423	45,026
Inventories	(504)	1,343	13,671
Merchandising right advances	(1,918)	805	8,195
Accounts payable – trade	(3,250)	(2,329)	(23,709)
Deposit received	(363)	917	9,335
Other	1,869	1,531	15,585
Subtotal	15,372	8,752	89,097
Interest and dividends received	131	2,328	23,699
Interest paid	(76)	(115)	(1,170)
Income taxes paid	(4,299)	(6,863)	(69,866)
Other	—	46	468
Net cash provided by operating activities	11,127	4,147	42,217
<b>Investing activities:</b>			
Purchases of property and equipment	(3,450)	(4,710)	(47,948)
Purchases of intangible assets	(761)	(401)	(4,082)
Purchases of investment securities	(7,585)	(566)	(5,761)
Investments in affiliates	(1,169)	—	—
Payment for acquisitions of interests in newly consolidated subsidiaries, net of cash acquired	(902)	—	—
Payment for sale of investments in consolidated subsidiaries, net	—	(793)	(8,072)
Increase in loans receivable	(1,036)	(252)	(2,565)
Other	301	542	5,517
Net cash used in investing activities	(14,604)	(6,182)	(62,933)
<b>Financing activities:</b>			
Increase (decrease) in short-term borrowings, net	1,167	(2,898)	(29,502)
Proceeds from long-term debt	—	9,148	93,128
Repayments of long-term debt	(1,107)	(2,707)	(27,557)
Cash dividends paid	(1,391)	(1,563)	(15,911)
Purchase of treasury stock	—	(1,334)	(13,580)
Other	(52)	(42)	(427)
Net cash provided (used in) by financing activities	(1,384)	602	6,128
Foreign currency translation adjustments on cash and cash equivalents	(275)	(79)	(804)
Net decrease in cash and cash equivalents	(5,136)	(1,512)	(15,392)
Cash and cash equivalents at beginning of the year	17,819	12,693	129,217
Increase in cash and cash equivalents due to changes in consolidation scope	10	—	—
Cash and cash equivalents at end of the year	¥ 12,693	¥11,181	\$113,824

See accompanying notes to the consolidated financial statements.



# Notes to 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 International Financial Reporting Standards or accounting standards generally accepted in the United States of America as to accounting and disclosure requirements.

The accompanying consolidated financial statements are translated into English from the consolidated financial statements issued domestically in Japan. Certain modifications and reclassifications have been made for the convenience of readers unfamiliar with Japanese GAAP presentation rules and methods. In addition, certain rearrangements have been made to the 2008 consolidated financial statements to conform to the classifications used in 2009.

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, 2009, which is ¥98.23 to U.S. \$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at that or any other rate.

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

## 2. Summary of Significant Accounting Policies

### Principles of Consolidation

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

All significant inter-company balances and transactions are eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is eliminated. In the elimination of investments in subsidiaries, the assets and liabilities, including the portion attributing to minority interests, are evaluated using the fair value at the time the Company acquired the control of the respective subsidiaries. For consolidated subsidiaries or affiliates whose closing dates are different from that of the Company, certain adjustments necessary for consolidation have been made.

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

Under the control concept, companies over which the Company has the ability to exercise significant influence through investment, personnel, financing, technology or other relationships are

accounted for under the equity method. Investments in companies other than those consolidated or accounted for under the equity method are accounted for under the cost method. If the equity method had been applied to the investments in those companies, the effect on the consolidated financial statements would not have been significant.

### Scope of Consolidation and Application of the Equity Method

Number of consolidated subsidiaries and affiliates at March 31, 2008 and 2009 is as follows:

	Number of Companies	
	2008	2009
Consolidated subsidiaries	19	9
Unconsolidated subsidiaries accounted for under the equity method	—	—
Unconsolidated subsidiaries not accounted for under the equity method	1	1
Affiliates accounted for under the equity method	4	4
Affiliates not accounted for under the equity method	2	2

The consolidated subsidiaries and holding ratio of the Company as of March 31, 2008 and 2009 are as follows:

	Holding ratio (indirectly owned)	
	2008	2009
Fields Jr. Corporation	100.0%	100.0%
White Trash Charms Japan Co., Ltd. (Note B)	100.0	—
Lucent Pictures Entertainment, Inc.	100.0	90.0
thinkArts Co., Ltd. (Note C)	100.0	—
Fields Pictures Corporation (Note B)	100.0	—
Shin-Nichi Technology Co., Ltd.	100.0	100.0
Haruki Fields Cinema Fund	90.0	90.0
FutureScope Corporation	83.3	83.3
EXPRESS Inc.	80.0	80.0
Japan Sports Marketing Inc.	61.8	61.8
JSM HAWAII, LLC	61.8 (61.8)	61.8 (61.8)
Idel Corporation	60.0	60.0
D3 INC. (Note A)	57.1	—
D3PUBLISHER INC. (Note A)	57.1 (57.1)	— (—)
Entertainment Software Publishing Inc. (Note A)	57.1 (57.1)	— (—)
D3 Publisher of America, Inc. (Note A)	57.1 (57.1)	— (—)
D3 Publisher of Europe, Ltd. (Note A)	57.1 (57.1)	— (—)
Vicious Cycle Software, Inc. (Note A)	57.1 (57.1)	— (—)
D3DB S.r.l. (Note A)	28.6 (28.6)%	— (—)%

### (Note A):

In March 2009, the Company sold all shares of D3 INC. As a result, D3 INC. and its six subsidiaries, namely: (1) D3PUBLISHER INC., (2) Entertainment Software Publishing Inc., (3) D3 Publisher of America, Inc., (4) D3 Publisher of Europe, Ltd., (5) Vicious Cycle Software, Inc. and (6) D3DB S.r.l. were excluded from the consolidation scope. Profit and loss items incurred for the year ended March 31, 2009 are included in the consolidation.

The following table summarizes payment for sale of investments in consolidated subsidiaries and the fair value of D3 INC.'s assets and liabilities at the time of sale:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 7,892	\$ 80,342
Non-current assets	848	8,632
Current liabilities	(1,954)	(19,892)
Non-current liabilities	(5,144)	(52,366)
Minority interests	(816)	(8,307)
Foreign currency translation adjustments	263	2,677
Loss on sale of investments in consolidated subsidiaries	(344)	(3,501)
Selling price	744	7,574
Cash and cash equivalents held by D3 INC.	(1,537)	(15,646)
Payment for sale of investments in consolidated subsidiaries	¥ (793)	\$ (8,072)

**(Note B):**

On January 1, 2009, the Company absorbed its two wholly owned consolidated subsidiaries, namely, (1) Fields Pictures Corporation ("FP") and (2) White Trash Charms Japan Co., Ltd. ("WTCJ") through mergers. The purposes of the mergers were; (1) to promote rapid decision-making and to mitigate risks underlying in investments in visual content market in which FP had been engaged, and (2) to streamline WTCJ's shrinking operation by changing its form to one division of the Company. Under Japanese GAAP, these mergers are regarded as transactions under common control. No share issuance or cash receipt/payment occurred upon the mergers since they were wholly owned subsidiaries. Profit and loss items incurred until the merger date are included in the consolidation.

**(Note C):**

In March 2009, thinkArts Co., Ltd. was deconsolidated due to liquidation.

**Cash Equivalents**

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

**Valuation of Inventories**

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

Merchandise	The Company	Used Machine: the specific identification method
	Consolidated subsidiaries	Other: the moving-average method the gross-average method
Finished products	Consolidated subsidiaries	the first-in first-out method
Work in process	Consolidated subsidiaries	the specific identification method
Content	Consolidated subsidiaries	the specific identification method
Raw material	Consolidated subsidiaries	the moving-average method
Supplies	Consolidated subsidiaries	the last purchase price method

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

Prior to April 1, 2008, inventories had been stated at cost, determined by the methods in the table above. On July 5, 2006, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories," which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses.

The Company adopted the new accounting standard for measurement of inventories as of April 1, 2008. The accounting change did not have any effect on the consolidated financial statements of the Company.

**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. Available-for-sale securities whose fair value is not readily determinable are stated at cost determined by the moving-average method.

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

**Property and Equipment**

Property and equipment are stated at cost. Depreciation is calculated principally by the declining-balance method for property and equipment held by the Company and domestic consolidated subsidiaries whereas the straight-line method is applied to those held by overseas consolidated subsidiaries.

The range of useful lives of depreciable assets at March 31, 2008 and 2009 are as follows:

	2008	2009
Buildings	8 – 50 years	8 – 50 years
Structures	10 – 50	10 – 50
Vehicles	2 – 6	2 – 6
Equipment	2 – 20	2 – 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 is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted future cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Acquisition costs of impaired long-lived assets are directly deducted in recognizing impairment losses.

**Intangible Assets**

Intangible assets primarily consist of computer software. Software for internal use is amortized over a period of no more than five years by the straight-line method.

**Allowance for Doubtful Accounts**

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

**Accrued Bonuses**

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

**Bonuses to Directors and Corporate Auditors**

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

**Retirement Benefits**

The Company and certain 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. Actuarial differences are amortized by the straight-line method using the specific number of years (five years) less than the average remaining service period. Certain subsidiaries adopt the simplified method for calculating projected benefit obligation. In defined contribution plans of consolidated subsidiaries, contribution to the plans are charged to income as incurred.

**Stock Option**

On December 27, 2005, ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. This 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.

**Translation of Foreign Currencies**

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

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

**Derivative Financial Instruments and Hedging Accounting**  
**Japanese GAAP for derivative financial instruments:**

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

**Companies' management policy for derivative transactions:**

The Company utilizes financial instruments with embedded derivative instruments for effective use of surplus fund. The Company does not enter into derivative transactions unless they are considered secure with low risk underlying. In addition, 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 speculative purposes.

**Risk management for derivative transactions:**

The Companies enter into the derivative transactions only with major financial institutions with favorable credit ratings, thereby reducing credit risk exposure for non-performance. The finance and budget department is engaged in managing derivative transactions. All of derivative transactions are executed, monitored, and managed in accordance with internal authorization policies.

**Income Taxes**

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

**Revenue Recognition**

Revenue of the Companies primary consists of merchandise sales and agency services.

**For merchandise sales:**

The Companies purchase Pachislot machines from manufactures and sell them to Pachislot parlors. The Companies recognize revenue when merchandises are shipped to the parlors.

**For agency services:**

The Companies act as an agent between manufactures and Pachinko parlors to provide various services related to the distribution of Pachinko and Pachislot machine. The Companies receive commissions from the manufacturers for this agency service. The services are completed when the Companies collect sales proceeds from Pachinko parlors, and remit the proceeds to the manufacturers. The Companies recognize revenue when services are completed.

### Leases

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

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

The Company adopted this revised accounting standard as of April 1, 2008, applying the permission discussed above to leases which existed at the transition date and do not transfer ownership of the leased property to the lessee. This accounting change did not have any effect on the accompanying consolidated financial statements.

### Stock and Bond Issuance Costs

Stock issuance costs for 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". The net balance of consumption tax withheld and payable is included in "Other current assets" or "Other current liabilities" in the accompanying consolidated balance sheets.

### Earnings Per Share ("EPS")

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

Number of shares to be issued upon exercise of stock options outstanding at March 31, 2008 was 5,710 shares. As the exercise price of the stock options was higher than the average market price of the Company's common stock, those options did not have potential dilutive effect. As a result, the diluted EPS for the year ended March 31, 2008 is not presented. The diluted EPS for the year ended March 31, 2009 is not presented because of the Company's loss position, as well as lack of securities with potential dilutive effect.

### Use of Estimates

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

## 3. 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, 2008 and 2009:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
<b>Held-to-maturity securities</b>			
Balance included in the consolidated balance sheets	¥ 400	¥ 400	\$ 4,072
Fair value	305	330	3,359
Net unrealized loss	(94)	(69)	(702)
<b>Available-for-sale securities</b>			
—Equity securities			
Acquisition cost	6,704	6,244	63,565
Fair value	6,360	4,637	47,205
Net unrealized loss	(344)	(1,608)	(16,369)
—Other			
Acquisition cost	457	246	2,504
Fair value	246	172	1,750
Net unrealized loss	(211)	(74)	(753)

The Company recognized ¥426 million (\$4,336 thousand) of loss on write-down of investment securities with available fair value for the year ended March 31, 2009.

(b) The following table summarizes carrying value of available-for-sale securities whose fair value is not readily determinable at March 31, 2008 and 2009:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Stocks	¥445	¥ 33	\$ 335
Bonds	500	—	—
Other	811	841	8,561

The Company recognized ¥1,178 million (\$11,992 thousand) of loss on write-down of investment securities whose fair value is not readily determinable for the year ended March 31, 2009.

(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, 2009 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2009	2009
Due after 1 year through 5 years	¥ 15	\$ 152
Due after 10 years	557	5,670
Total	¥572	\$ 5,823

## 4. Long-Lived Assets

The Companies reviewed its long-lived assets for impairment as of March 31, 2008 and 2009 and as a result, recognized impairment losses of ¥876 million and ¥152 million (\$1,547 thousand), respectively.

For the years ended March 31, 2008 and 2009, impairment losses were recognized for the following assets:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Property and equipment	¥ 42	¥ 6	\$ 61
Goodwill	717	130	1,323
Land	—	15	152
Buildings and structures—unutilized	116	—	—
Total	¥876	¥152	\$1,547

The Companies recognized the impairment losses on the assets above because achieving anticipated earnings resulting from use of the assets or asset group was not foreseeable. The recoverable amounts for determination of the impairment loss for the unutilized assets were based on the estimated selling price. At March 31, 2009, the Company has entered into a contract to sell the land in the table above. The recoverable amount for determination of the impairment loss of the land has been based on the selling price in the contract.

## 5. Leases

The Companies lease certain vehicle, equipment and software. The following information summarizes finance lease contracts that do not transfer ownership of the leased property to the lessee and that were entered into prior to April 1, 2008.

Assumed amounts of (a) acquisition cost, accumulated depreciation and net book value and (b) lease obligations at March 31, 2008 and 2009 are as follows:

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

	Millions of Yen			
	Vehicles	Equipment	Software	Total
At March 31, 2008				
Acquisition cost	¥ 15	¥ 15	¥ 38	¥ 70
Accumulated depreciation	5	8	23	38
Net book value	¥ 10	¥ 6	¥ 14	¥ 31

	Millions of Yen			
	Vehicles	Equipment	Software	Total
At March 31, 2009				
Acquisition cost	¥ 12	¥ 17	¥ 38	¥ 68
Accumulated depreciation	9	8	31	49
Net book value	¥ 3	¥ 8	¥ 7	¥ 19

	Thousands of U.S. Dollars			
	Vehicles	Equipment	Software	Total
At March 31, 2009				
Acquisition cost	\$122	\$173	\$386	\$692
Accumulated depreciation	91	81	315	498
Net book value	\$ 30	\$ 81	\$ 71	\$193

### (b) Lease obligations

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Payments due within one year	¥15	¥14	\$142
Payments due after one year	15	5	50
Total	¥31	¥19	\$193

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

Amounts of lease payments and depreciation expense equivalent for the years ended March 31, 2008 and 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Lease payments	¥20	¥16	\$162
Depreciation expense equivalent	20	16	162

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

(c) The minimum rental commitments under non-cancelable operating leases at March 31, 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Due within one year	¥535	¥310	\$5,446
Due after one year	310	165	3,155
Total	¥845	¥475	\$8,602

## 6. Short-Term Borrowings and Long-Term Debt

The following table summarizes the Companies' short-term borrowings and long-term debt at March 31, 2008 and 2009:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
<b>Short-term borrowings:</b>	¥3,398	¥ —	\$ —
Short-term borrowings with weighted average interest rate of 1.51%			
<b>Long-term debt:</b>			
Long-term borrowings with weighted average interest rate of 2.14% (2008) and 1.80% (2009)			
Current portion	804	61	620
Non-current	434	—	—
Unsecured bonds with variable interest rate issued on June 27, 2008 and due 2013			
Current portion	—	600	6,108
Non-current	—	2,100	21,378
0.88% unsecured bonds issued on March 31, 2005 and due 2011			
Current portion	100	100	1,018
Non-current	200	100	1,018
0.76% unsecured bonds issued on July 29, 2005 and due 2011			
Current portion	20	20	203
Non-current	50	30	305
Total	¥5,006	¥3,011	\$30,652



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

The aggregate amounts of annual maturity of long-term debt at March 31, 2009 are as follows:

Year Ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 781	\$ 7,950
2011	720	7,329
2012	610	6,209
2013	600	6,108
2014	300	3,054
Total	¥3,011	\$30,652

## 7. Credit Lines

The Companies entered into line of credit and over-draft agreements with four banks for the purpose of efficient management of operation fund. The following is the summary of the line of credit at March 31, 2008 and 2009:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Total amount of the line of credit	¥3,568	¥19,000	\$193,423
Outstanding balance	568	—	—
Remaining amount of the line of credit	¥3,000	¥19,000	\$193,423

## 8. Fair Value of Derivative Transactions

The fair values of the Companies' derivative financial instruments at March 31, 2008 and 2009 are as follows:

	Millions of Yen		
	2008		
	Contract Amount	Fair Value	Valuation Loss
Financial instruments with embedded derivative instruments (Non-listed)	¥ 457	¥ 246	¥(211)

	Millions of Yen		
	2009		
	Contract Amount	Fair Value	Valuation Loss
Financial instruments with embedded derivative instruments (Non-listed)	¥ 246	¥ 172	¥ (73)

	Thousands of U.S. Dollars		
	2009		
	Contract Amount	Fair Value	Valuation Loss
Financial instruments with embedded derivative instruments (Non-listed)	\$2,504	\$1,750	\$(743)

The fair values in the table above are stated at the value submitted from financial institutions, the counter party of the derivative transactions.

The valuation losses in the table above are computed based on the fair value of the financial instruments with embedded derivative instruments taken as a whole because they cannot be reasonably bifurcated.

Contract amounts in the table above are stated at the book value as of the beginning of the fiscal year.

Derivatives which qualify for hedge accounting for the year ended March 31, 2008 are excluded from disclosure of fair value information.

As discussed in Note 2, in March 2009, the Company sold all shares of D3 INC. that had interest rate swap agreements which qualify for hedge accounting. As a result, no derivative instruments other than those in the above table remained as of March 31, 2009.

## 9. Retirement Benefits

The Accrued retirement benefits for employees at March 31, 2008 and 2009 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Projected benefit obligation	¥247	¥301	\$3,064
Unrecognized actuarial differences	(36)	(79)	(804)
Accrued retirement benefits	¥211	¥221	\$2,249

Net periodic costs for the employees' retirement benefits for the years ended March 31, 2008 and 2009 consisted of the following components:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Service cost	¥59	¥61	\$620
Interest cost	4	4	40
Amortization of actuarial differences	6	5	50
Net periodic benefit costs	¥71	¥71	\$722

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

The assumptions used for the above plans for the years ended March 31, 2008 and 2009 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

## 10. Contingencies

In its agency services, the Company guarantees payments of customers (Pachinko parlors) to the sellers, manufacturers of Pachinko and Pachislot machines. The total amount of such guarantees at March 31, 2009 was ¥1,261 million (\$12,837 thousand).



## 11. Income Taxes

The significant components of deferred tax assets at March 31, 2008 and 2009 are as follows:

	Millions of Yen		Thousands of
	2008	2009	U.S. Dollars
Deferred tax assets:			
Amortization	¥ 1,516	¥ 119	\$ 1,211
Allowance for doubtful accounts	109	88	895
Accrued bonuses	71	85	865
Retirement benefits for employees	86	90	916
Loss on devaluation of merchandising right advances	261	407	4,143
Loss on write-down of investment securities	36	517	5,263
Unrealized loss on investment securities	126	654	6,657
Sales and accounts receivable	167	—	—
Enterprise taxes	273	—	—
Devaluation of inventories	183	—	—
Impairment loss	148	—	—
Tax loss carryforwards	1,696	1,568	15,962
Other	476	360	3,664
Gross deferred tax assets	5,154	3,892	39,621
Valuation allowances	(2,092)	(1,484)	(15,107)
Total deferred tax assets	¥ 3,062	¥ 2,408	\$ 24,513

No deferred tax liabilities were recognized for the years ended March 31, 2008 and 2009.

Income taxes in Japan consist of corporation tax, inhabitants' taxes and enterprise taxes. Reconciliation of the differences between the statutory tax rate and the effective income tax rate for the fiscal year 2008 is as follows:

	2008
Statutory tax rate	40.7%
Adjustments:	
Taxation on retained earnings imposed on a family corporation	—
Per capita levy of inhabitant tax	0.4
Expenses not deductible for tax purpose	1.4
Income not taxable for tax purpose	(0.2)
Tax rates applied to consolidated subsidiaries with net operating losses	—
Equity in loss of affiliates	2.2
Amortization of goodwill	1.3
Impairment on goodwill	2.8
Other	(0.1)
Effective income tax rate	48.5%

Reconciliation for the year ended March 31, 2009 is not presented because the Company recorded loss before income tax and minority interests.

## 12. Net Assets

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

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

### 13. Stock Option

Outline of stock options for the year ended March 31, 2009 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
2003 Stock Option	7 directors/statutory auditors 1 director of a subsidiary 18 employees 4 employees of 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 a subsidiary 6 employees 4 employees of a subsidiary	350 shares	September 14, 2005	From February 1, 2007 to January 31, 2012
2006 Stock Option (1)	6 directors 1 director of a subsidiary 11 employees 9 employees of a 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 directors of a subsidiary 3 employees 17 employees of a subsidiary	280 shares	October 17, 2006	From June 23, 2008 to May 31, 2013
2008 Stock Option (1)	5 directors	120 Shares	January 7, 2008	From January 9, 2010 to January 8, 2015
2008 Stock Option (2)	3 directors of a subsidiary 5 employees 12 employees of a subsidiary	225 shares	January 7, 2008	From June 22, 2009 to May 31, 2014
2008 Stock Option (3)	5 directors	115 Shares	September 17, 2008	From October 3, 2010 to October 2, 2015
2008 Stock Option (4)	2 directors of a subsidiary 4 employees 13 employees of a subsidiary	235 shares	September 17, 2008	From October 3, 2010 to October 2, 2015

#### (D3Publishers of America, Inc.)

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Period
2005 Stock Option	3 directors 1 director of a subsidiary 2 employees 9 employees of a subsidiary	1,527,900 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)

For the Year Ended March 31, 2009	2003 Stock Option	2005 Stock Option
Non-vested:		
March 31, 2008—outstanding (shares)	—	—
Granted (shares)	—	—
Canceled (shares)	—	—
Vested (shares)	—	—
March 31, 2009—outstanding (shares)	—	—
Vested:		
March 31, 2008—outstanding (shares)	4,960	750
Vested (shares)	—	—
Exercised (shares)	—	—
Canceled (shares)	(4,960)	(750)
March 31, 2009—outstanding (shares)	—	—
Exercise price (Yen)	¥760,000 (\$7,736)	¥760,000 (\$7,736)
Average stock price at exercise (Yen)	— (—)	— (—)
Fair value price at grant date (Yen)	— (—)	— (—)

**(D3/INC.)**

For the Year Ended March 31, 2009	2003 Stock Option	2005 Stock Option	2006 Stock Option (1)	2006 Stock Option (2)	2006 Stock Option (3)
Non-vested:					
March 31, 2008—outstanding (shares)	—	—	—	110	231
Granted (shares)	—	—	—	—	—
Canceled (shares)	—	—	—	(110)	(231)
Vested (shares)	—	—	—	—	—
March 31, 2009—outstanding (shares)	—	—	—	—	—
Vested:					
March 31, 2008—outstanding (shares)	461	291	398	—	—
Vested (shares)	—	—	—	—	—
Exercised (shares)	—	—	—	—	—
Canceled (shares)	(461)	(291)	(398)	—	—
March 31, 2009—outstanding (shares)	—	—	—	—	—
Exercise price (Yen)	¥168,210 (\$1,712)	¥335,000 (\$3,410)	¥379,005 (\$3,858)	¥320,650 (\$3,264)	¥320,650 (\$3,264)
Average stock price at exercise (Yen)	— (—)	— (—)	— (—)	— (—)	— (—)
Fair value price at grant date (Yen)	— (—)	— (—)	—	¥123,564 (\$1,257)	¥119,064 (\$1,212)

For the Year Ended March 31, 2009	2008 Stock Option (1)	2008 Stock Option (2)	2008 Stock Option (3)	2008 Stock Option (4)
Non-vested:				
March 31, 2008—outstanding (shares)	120	225	—	—
Granted (shares)	—	—	115	235
Canceled (shares)	(120)	(225)	(115)	(235)
Vested (shares)	—	—	—	—
March 31, 2009—outstanding (shares)	—	—	—	—
Vested:				
March 31, 2008—outstanding (shares)	—	—	—	—
Vested (shares)	—	—	—	—
Exercised (shares)	—	—	—	—
Canceled (shares)	—	—	—	—
March 31, 2009—outstanding (shares)	—	—	—	—
Exercise price (Yen)	¥268,635 (\$2,734)	¥268,635 (\$2,734)	¥113,197 (\$1,152)	¥113,197 (\$1,152)
Average stock price at exercise (Yen)	— (—)	— (—)	— (—)	— (—)
Fair value price at grant date (Yen)	¥111,073 (\$1,130)	¥97,704 (\$994)	¥30,160 (\$307)	¥30,160 (\$307)

**(D3/Publisher of America, Inc.)**

For the Year Ended March 31, 2009	2005 Stock Option
Non-vested:	
March 31, 2008—outstanding (shares)	—
Granted (shares)	—
Canceled (shares)	—
Vested (shares)	—
March 31, 2009—outstanding (shares)	—
Vested:	
March 31, 2008—outstanding (shares)	1,212,000
Vested (shares)	—
Exercised (shares)	—
Canceled (shares)	(1,212,000)
March 31, 2009—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 in this fiscal year are as follows:  
(D3 INC.)**

-2008 stock option (3) and (4)

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	54.38%
Estimated remaining outstanding period:	4.5 years
Estimated dividend:	¥2,800 per share
Risk-free interest rate:	1.04%

Notes: 1. Volatility of stock price is calculated based on the actual stock prices marked in the period from April 2, 2004 to October 2, 2008.

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 latest actual dividend.

4. For the risk-free interest rate, 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.

**14. Related Party Transactions**

Transactions with and balances due to or due from related parties as of and for the years ended March 31, 2008 and 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2008	2009	2008	2009
<b>(Affiliates)</b>				
<i>Rodeo Co., Ltd.</i>				
Account balances				
Accounts payable — trade	¥ 3,000	¥ —	\$ —	\$ —
Transactions				
Purchase of merchandise	20,865	—	—	—
Rebate on purchase of merchandise	103	—	—	—
<b>(Sister company)</b>				
<i>Bisty Co., Ltd.</i>				
Account balances				
Accounts receivable — trade	2,172	55	559	1,903
Accounts payable	—	187	—	—
Advance received	470	226	2,300	—
Transactions				
Commissions received	5,393	8,297	84,465	—
Sales of merchandising rights	521	1,330	13,539	—
Purchase of machines	—	20,909	—	212,857
Purchase of merchandising rights	—	54	—	549
<b>(Subsidiary)</b>				
<i>EXPRESS Inc. (Note)</i>				
Transactions				
Loan financed	717	—	—	—
Collection on loan	187	—	—	—

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

Note: As EXPRESS Inc. has been included in the scope of consolidation from March 31, 2008, all inter-company balances are eliminated on consolidation as of the balance sheet date. The transactions with the Companies in the table above were occurred before March 31, 2008, the deemed acquisition date of EXPRESS Inc.

**15. Research and Development Costs**

Research and development costs ("R&D costs") included in the selling, general and administrative expenses for the year ended March 31, 2008 were ¥34 million. No R&D costs incurred for the year ended March 31, 2009.

**16. Subsequent Event**

Year-end dividends

At the general shareholders meeting of the Company held on June 25, 2009, the shareholders approved the payment of the year-end cash dividends totaling ¥840 million (\$8,551 thousand), or ¥2,500.00 (\$25.45) per share.

## 17. Segment Information

### Business Segment:

Business segment for the fiscal year 2008 is as follows:

	Millions of Yen					
	PS Field	Game Field	Other Field	Total	Elimination and/ or corporate	Consolidation
Sales to third parties	¥82,449	¥14,261	¥5,107	¥101,818	¥ —	¥101,818
Inter-segment sales and transfers	313	267	812	1,393	(1,393)	—
Total sales	82,763	14,528	5,919	103,212	(1,393)	101,818
Operating expense	70,016	13,576	6,436	90,029	(1,369)	88,660
Operating income (loss)	¥12,747	¥ 952	¥ (516)	¥ 13,182	¥ (24)	¥ 13,158
Total assets	¥55,239	¥14,148	¥5,350	¥ 74,737	¥(5,569)	¥ 69,168
Depreciation	854	93	149	1,097	(9)	1,087
Impairment losses	116	—	760	876	—	876
Capital expenditure	3,479	130	127	3,738	(18)	3,720

Business segment for the fiscal year 2009 is as follows:

	Millions of Yen								
	PS Field	Game Field	Sports Field	Movies Field	Web Service Field	Other Field	Total	Elimination and/ or corporate	Consolidation
Sales to third parties	¥ 55,257	¥ 12,504	¥ 3,551	¥ 73	¥ 1,608	¥ 38	¥ 73,035	¥ —	¥ 73,035
Inter-segment sales and transfers	467	88	37	—	0	17	612	(612)	—
Total sales	55,724	12,593	3,589	73	1,609	56	73,647	(612)	73,035
Operating expense	51,693	13,883	4,126	577	1,153	232	71,667	(593)	71,074
Operating income (loss)	¥ 4,031	¥ (1,289)	¥ (537)	¥ (503)	¥ 455	¥ (176)	¥ 1,980	¥ (19)	¥ 1,960
Total assets	¥50,927	¥ —	¥ 1,988	¥ 107	¥ 1,033	¥ 353	¥ 54,411	¥ (2,346)	¥ 52,064
Depreciation	1,418	108	161	—	81	4	1,774	(14)	1,760
Impairment losses	15	130	6	—	—	—	152	—	152
Capital expenditure	4,442	62	124	—	128	18	4,776	(9)	4,767

	Thousands of U.S. Dollars								
	PS Field	Game Field	Sports Field	Movies Field	Web Service Field	Other Field	Total	Elimination and/ or corporate	Consolidation
Sales to third parties	\$562,526	\$127,293	\$36,149	\$ 743	\$16,369	\$ 386	\$743,510	\$ —	\$743,510
Inter-segment sales and transfers	4,754	895	376	—	0	173	6,230	(6,230)	—
Total sales	567,280	128,199	36,536	743	16,379	570	749,740	(6,230)	743,510
Operating expense	526,244	141,331	42,003	5,873	11,737	2,361	729,583	(6,036)	723,546
Operating income (loss)	\$ 41,036	\$ (13,122)	\$ (5,466)	\$ (5,120)	\$ 4,631	\$ (1,791)	\$ 20,156	\$ (193)	\$ 19,953
Total assets	\$518,446	\$ —	\$20,238	\$ 1,089	\$10,516	\$ 3,593	\$553,914	\$(23,882)	\$530,021
Depreciation	14,435	1,099	1,639	—	824	40	18,059	(142)	17,917
Impairment losses	152	1,323	61	—	—	—	1,547	—	1,547
Capital expenditure	45,220	631	1,262	—	1,303	183	48,620	(91)	48,528

Effective April 1, 2008, the Companies' Sports-management services and Movies/Web services that had been included in the Other Field have been presented as separate components of the business segment, namely, (1) Sports Field, (2) Movies Field, and (3) Web Service Field, because of their growing significance. If the business segment information for the year ended March 31, 2008 were prepared using the new segmentation, such information would be as follows:

	Millions of Yen								
	PS Field	Game Field	Sports Field	Movies Field	Web Service Field	Other Field	Total	Elimination and/or corporate	Consolidation
Sales to third parties	¥82,449	¥14,261	¥4,231	¥ 68	¥756	¥ 51	¥101,818	¥ —	¥101,818
Inter-segment sales and transfers	313	267	762	—	2	47	1,393	(1,393)	—
Total sales	82,763	14,528	4,993	68	758	98	103,212	(1,393)	101,818
Operating expense	70,016	13,576	5,305	223	728	179	90,029	(1,369)	88,660
Operating income (loss)	¥12,747	¥ 952	¥ (311)	¥ (154)	¥ 29	¥ (80)	¥ 13,182	¥ (24)	¥ 13,158
Total assets	¥55,239	¥14,148	¥3,524	¥1,295	¥434	¥ 95	¥ 74,737	¥(5,569)	¥ 69,168
Depreciation	854	93	111	—	34	4	1,097	(9)	1,087
Impairment losses	116	—	760	—	—	—	876	—	876
Capital expenditure	3,479	130	34	—	90	2	3,738	(18)	3,720

#### Geographical Segment:

Prior to April 1, 2008, geographical segment information had not been presented since the operating results and the total assets in jurisdictions other than Japan had been insignificant.

Geographical segment for the fiscal year 2009 is as follows:

	Millions of Yen					
	Japan	North America	Europe and Other	Total	Elimination and/or corporate	Consolidation
Sales to third parties	¥ 64,938	¥ 5,502	¥ 2,594	¥ 73,035	¥ —	¥ 73,035
Inter-segment sales and transfers	2,081	549	—	2,630	(2,630)	—
Total sales	67,019	6,052	2,594	75,665	(2,630)	73,035
Operating expense	63,933	7,127	2,551	73,612	(2,538)	71,074
Operating income (loss)	¥ 3,086	¥ (1,075)	¥ 42	¥ 2,053	¥ (92)	¥ 1,960
Total assets	¥ 52,064	¥ —	¥ —	¥ 52,064	¥ —	¥ 52,064

	Thousands of U.S. Dollars					
	Japan	North America	Europe and Other	Total	Elimination and/or corporate	Consolidation
Sales to third parties	\$661,081	\$ 56,011	\$26,407	\$743,510	\$ —	\$743,510
Inter-segment sales and transfers	21,184	5,588	—	26,773	(26,773)	—
Total sales	682,266	61,610	26,407	770,284	(26,773)	743,510
Operating expense	650,850	72,554	25,969	749,384	(25,837)	723,546
Operating income (loss)	\$ 31,416	\$(10,943)	\$ 427	\$ 20,899	\$ (936)	\$ 19,953
Total assets	\$530,021	\$ —	\$ —	\$530,021	\$ —	\$530,021

#### Overseas Sales:

Prior to April 1, 2008, information of overseas sales had not been presented since the sales earned in jurisdictions other than Japan had been insignificant. For the year ended March 31, 2009, the overseas sales of the Companies were ¥7,893 million (\$80,352 thousand), or 10.8% of the consolidated sales.



# Independent Auditors' Report

FIELDS CORPORATION AND SUBSIDIARIES

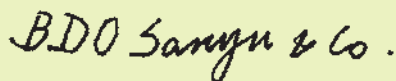
The Board of Directors of  
FIELDS CORPORATION

We have audited the accompanying consolidated balance sheets of FIELDS CORPORATION and its consolidated subsidiaries as of March 31, 2008 and 2009, and the related consolidated statements of operations, 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, 2008 and 2009, 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, 2009 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.

Tokyo, Japan

June 25, 2009

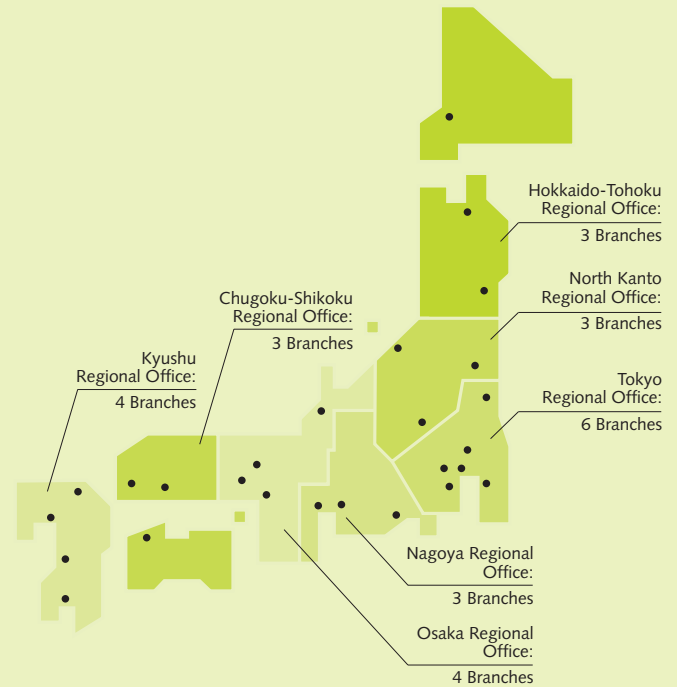
# Corporate Data

As of March 31, 2009

## Corporate Data

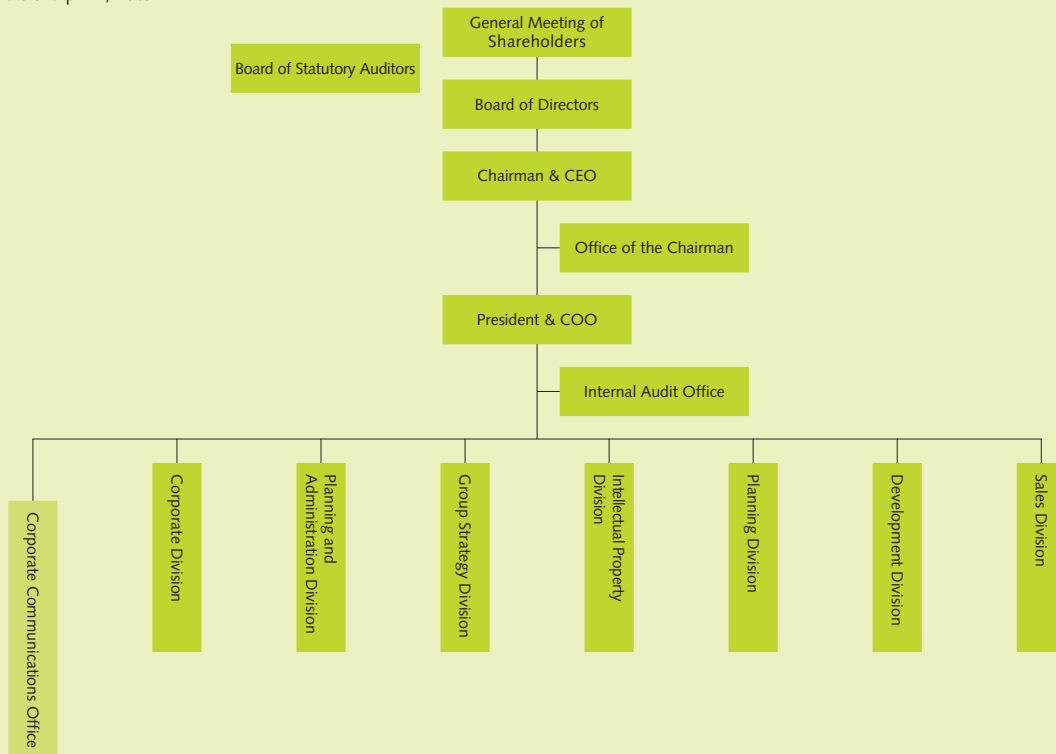
Company name	Fields Corporation
Corporate philosophy	The Greatest Leisure for All People
Established	June 1988
Head office address	E Space Tower, 3-6, Maruyama-cho, Shibuya-ku, Tokyo 150-0044, Japan
Main business activities	<ol style="list-style-type: none"> <li>1. Planning and development of pachinko/pachislot machines</li> <li>2. Purchasing and sales of pachinko/pachislot machines</li> <li>3. Planning, development and sales of copyrighted characters and related content</li> <li>4. Planning, development and sales of image software</li> </ol>
Paid-in capital	¥7,948 million
Number of employees	827 (consolidated)
Consolidated subsidiaries	Fields Jr. Corporation Shin-Nichi Technology Co., Ltd. Ildel Corporation EXPRESS Inc. Japan Sports Marketing Inc. JSM HAWAII, LLC Haruki Fields Cinema Fund FutureScope Corporation Lucent Pictures Entertainment, Inc.

## Number of Regional and Branch Offices

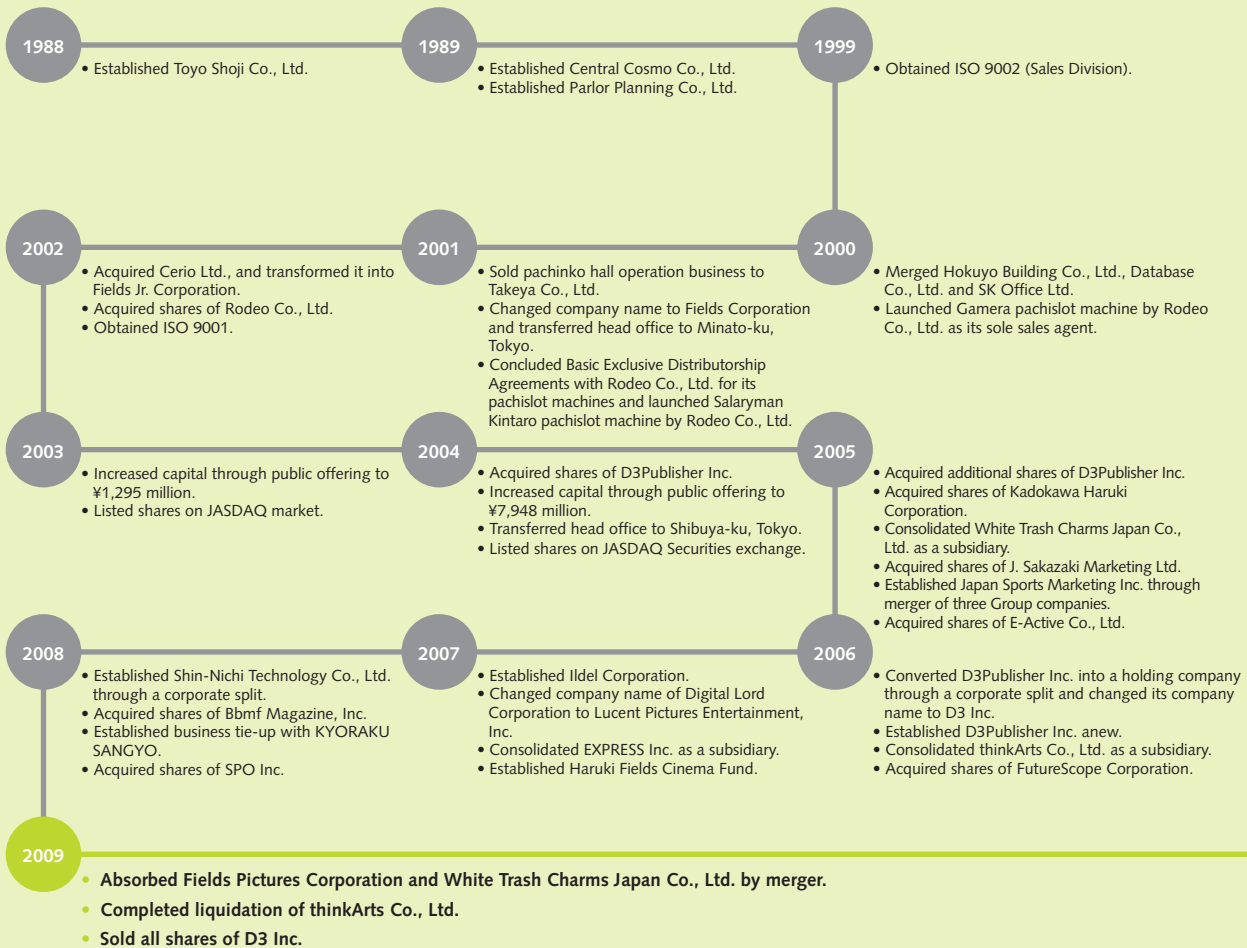


## Organization

As of April 1, 2009



## Corporate History



1988~

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

Taking advantage of our strength as an independent distributor, Fields changed the conventional practice of the industry, in which each pachinko hall only installed machines from a single maker. Hall operators are now 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.

1998~

### Evolving into a content provider

In order to find new points of appeal for pachinko/pachislot machines and recognizing the importance of machines featuring game functions, Fields 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 of content, while advancing the role of content in multiple directions through a wide range of channels in addition to pachinko/pachislot machines.

2008~

### Seeking to create new entertainment

Fields is aiming to realize its corporate philosophy of "The Greatest Leisure for All People" by anticipating changes and finding business opportunities in the lifestyle and environment of people around the world in terms of their increasing leisure time. Recently we have come to understand the vital role that digital content plays as the basis for our leading competitive edge as a corporation. We are therefore aiming to acquire, create and nurture rights to content with high entertainment value that can be used in our core business of pachinko and pachislot, and content upon which we can create a new class of customers. To this end we are actively working to create new entertainment through a repeated cycle of exhaustive information gathering, analysis and research in the time-spending leisure market.

# Stock Information

As of March 31, 2009

## Stock status

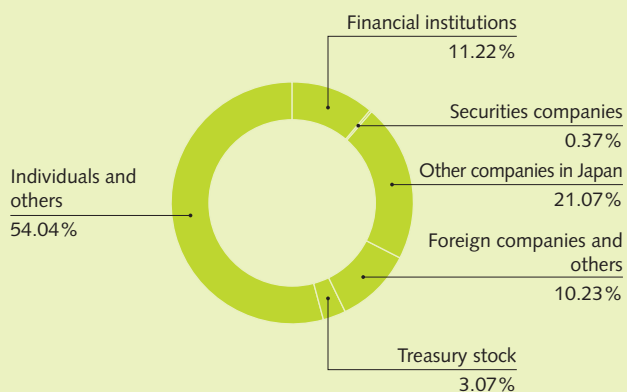
Total authorized shares	1,388,000
Total outstanding shares	347,000
Treasury stock	10,643
Number of shareholders	9,756

## Principal Shareholders

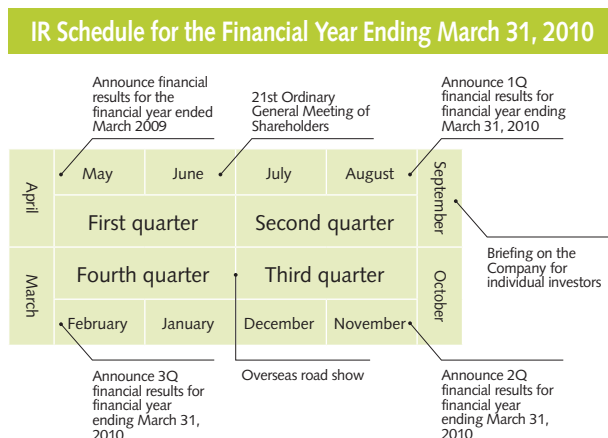
Name of shareholders	Number of shares held	Shareholding ratio
Hidetoshi Yamamoto	86,750	25.00%
SANKYO CO., LTD.	52,050	15.00%
Takeshi Yamamoto	36,128	10.41%
Mint Co.	16,000	4.61%
Japan Trustee Services Bank, Ltd. (Trust account)	12,691	3.66%
The Master Trust Bank of Japan, Ltd. (Trust account)	12,397	3.57%
Takashi Oya	4,500	1.30%
Bank of New York GCM Client Account JPRD ISG (FE-AC)	4,337	1.25%
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT	3,942	1.14%
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	3,439	0.99%

\*Excluding treasury stock held by the Company

## Number of Shareholders by Category



IR Events Held			
Financial year ended March 31, 2009			
2008	April		
	May	Financial results briefing for the financial year ended March 31, 2008	Participants: 93
	June	20th Ordinary General Meeting of Shareholders	
	July	Participation in JASDAQ Value IR Square 2008	
	August	1Q financial results briefing for financial year ending March 31, 2009	Participants: 36
	September	Briefing on the Company for individual investors held	Participants: 341
	October		
	November	2Q financial results briefing for financial year ending March 31, 2009	Participants: 74
	December		
2009	January		
	February	3Q financial results briefing for financial year ending March 31, 2009	Participants: 50
	March		



## Online IR Initiatives

Fields aims to provide high-utility information tools for shareholders and investors on its IR website, and is making a dedicated effort to improve the website in this regard. We will continue to supply stakeholders with meaningful and comprehensive information through the website in future.

- Chosen for the "Best Corporate Website award" by Nikko Investor Relations Co., Ltd.



- Included in the top 580 IR websites announced in rankings compiled by Daiwa Investor Relations Co., Ltd.



- Selected for inclusion in the Gomez Consulting Co.'s IR website ranking

## Awarded the "2008 IR Company of Excellence" by JASDAQ

Fields was selected as an IR Company of Excellence for 2008 under the IR Company of Excellence Award Scheme run by JASDAQ Securities Exchange, and received a Company of Excellence award.

The award was given to Fields in recognition of the fullness of information provided on its IR website and the quality of that information in terms of detail and clarity. We are honored to have received this award and will further our efforts to make our IR website a truly useful information resource and communication forum for shareholders and investors.



IR website address

<http://www.fields.biz/ir/e/>

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



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We make it happen



The paper on which this annual report is printed was produced using "green" electricity that emits no CO<sub>2</sub> during papermaking.  
(Estim 310,000 kWh/year)