



FIELDS CORPORATION

Annual Report 2017

April 1, 2016 – March 31, 2017



DIGITAL
ANNUAL
REPORT
2017

FIELDS CORPORATION

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Management Message

The Greatest Leisure for All People

FIELDS CORPORATION aim to become a company able to continuously create the greatest leisure for all people throughout the world.



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MESSAGE FROM THE CHAIRMAN and CEO

CEO Message

Tadatoshi Yamamoto

Greetings

I would like to express my sincere appreciation for the understanding and continued support of our shareholders, investors and all our other stakeholders.

Moreover, I would like to convey our deepest apologies for any distress caused to our stakeholders

concerning the Company's results in the last fiscal year. We will not waste this experience, instead, we will use it to spur ourselves on to ensure vitality in the future, and our management and employees will strive diligently in unison.

The Company's Establishment and Innovation of PS Distribution

Since the foundation of FIELDS, we have become integrated in the lives of many people in every region across Japan, discovering unrealized potential for enjoyment of pachinko, a form of mass entertainment, into the future. We have endeavored to find ways to develop pachinko as a form of entertainment with community-based value.

From the standpoint of a distribution-oriented trading company, rather than that of a manufacturer or pachinko hall operator, FIELDS has pursued the true needs of fans, and has embarked on reforms to meet these needs. We have provided a wide range of proposals to the industry as a whole, from the line-up

of pachinko and pachislot machines installed in pachinko halls, the services offered, through to the very format of the pachinko hall space itself.

As one approach, we have built systems for collaboration with major manufacturers to focus on the creation of highly entertaining pachinko and pachislot machines to take advantage of advances in hardware. We have proposed and driven the development of products that feature characters from comic, anime, and movie. Rather than focusing only on the success or failure of pachinko and pachislot, we launched a revolution to provide even more people with enjoyable entertainment.

Dawning of the IP Business

Since its foundation, FIELDS has promoted planning and development of pachinko and pachislot machines utilizing intellectual property (IP) including well-known characters. After listing our shares on JASDAQ in 2003, we concentrated on securing merchandising rights for the IP that form the core of our strategy in all kinds of entertainment fields.

Following this, with the sale of comparable new machines from various manufacturers, we became concerned about the future depletion of IP, and in particular, a lack of IP compatible with machine characteristics, and so we began to engage in the creation and ownership of IP.

We created monthly magazines in collaboration with

major publishers. Rather than relying on traditional distribution practices, we established our own distribution channels, building a model for the creation of new IP. Also, in 2010, we welcomed Tsuburaya Productions Co., Ltd. into our Group—the creator of Japan’s most popular hero, Ultraman—to make use of the wealth of IP possessed by this company. With the intention of leveraging digital content, we also welcomed Digital Frontier Inc. into our Group—a company

possessing advanced CG technologies—and began to gradually build a foundation for business centered on IP.

In 2012, we announced a new business model focused on IP. At present, we are promoting a cyclical business model as an “IP-oriented” company that not only acquires IP but also creates and owns original IP, through development of IP over a variety of business platforms.

Future Plans for the Long Term

At present, Japanese comic and anime content are flourishing around the world. FIELDS is further accelerating business deployment focused on IP to contribute to the development of a contents industry that holds significant promise for the future of Japan. We aim to become a Company able to continuously provide the greatest leisure time to everyone on the planet.

In recent years, the entertainment sector has undergone a technological revolution which has seen advancements in hardware and software, together with a rise in people’s leisure time. We

demand, and to adapt to changing habits and culture globally, creating entertainment in a variety of forms for everyone from children to adults. To achieve this, we are leveraging all of the experiences we have amassed so far, exercising our innate sense of adventure, planning capabilities, and spirit of endeavor, which form the DNA of the Company, to advance our business model as we continue in our efforts. It is my sincere wish for us to spread happiness and excitement throughout the world with the greatest entertainment.

Conclusion

We are grateful to all of our stakeholders for the support shown for our corporate philosophy and the strength given to us through the years.

We will continue our efforts to meet stakeholder expectations going forward, and ask for your continued guidance as we pursue our goals.

September 2017
Chairman and CEO
Hidetoshi Yamamoto

MESSAGE FROM THE PRESIDENT and COO

COO Message

T. Shigematsu



Greetings

We are extremely grateful for all our shareholders, investors, and other stakeholders, and sincerely appreciate your continued support.

In regards to the Company's financial results for last fiscal year, we sincerely apologize for not achieving outcomes corresponding with the

expectations of our stakeholders. Based upon the financial results and the simultaneously announced three-year Medium-Term Management Plan, the Company's intention is firstly to drive an immediate recovery in results, followed by sustainable medium- to long-term growth.

Preparation of the Medium-Term Management Plan

FIELDS has given careful consideration and held repeated discussions regarding what we have built and what we have lost since the Company's founding, our strengths and weaknesses, as well as strategy and tactics based on future market expectations. The Company has mapped out what it will achieve over the three years from this fiscal year through fiscal 2019 in the form of its Medium-Term Management Plan.

Looking back, having been established as a distribution-oriented trading company, FIELDS built business value chains centered on planning and production capabilities, not only for pachinko and pachislot machines, but in a range of entertainment fields. However, more recently, distortions of varying degrees have emerged in these value chains. Despite this, the causes of the

recent stagnation in our business results are not limited to external factors accompanying changes in market conditions, but are essentially due to internal factors.

Consequently, FIELDS intends to rebuild its business value chain at an early stage, upon which we will commercialize our unique business model [IP × Business Platforms] in an effort to revive and expand revenue. FIELDS is able to leverage its strengths, deploying IP in a range of unique business platforms, not restricted to pachinko and pachislot machines, games, or manga. By building a solid business foundation that is not swayed by changes in customer preferences and market conditions, we will realize sustainable growth over the medium- to long-term.

Future Outlook

Looking ahead, several events are expected to impact positively upon Japan's economy and bring great change to the entertainment market. These include the 2020 Tokyo Olympic and Paralympic Games, enactment of the Integrated Resort Promotion Bill resulting in the launch of the first integrated resort in Japan, and the 2025 World Expo, which Osaka hopes to host.

FIELDS will strive ambitiously in new technology.

and new fields, not limited to business platforms we already operate in, while expanding and deepening the IP business conceptualized by our company in diverse entertainment fields. We will also build a variety of partnerships both in Japan and in the global market, focusing upon Asia, and we will achieve further growth and expansion through business expansion adapted to the culture, customs and markets of each country.

Our Pledge

When FIELDS was listed on the first section of the Tokyo Stock Exchange in April 2015, we announced that "we aim to become a Company able to continuously create the greatest leisure for all people throughout the world," and our commitment to this pledge is unchanged. Moving forward, FIELDS will develop contact points between IP, such as characters, and all the people who enjoy them. Through its products and services, FIELDS hopes to contribute to the enrichment of people's lives.

To this end, we will work firstly to ensure the achievement of the three-year Medium-Term Management Plan. We will also build a business foundation and management structure to achieve growth thereafter.

We thank all our shareholders, investors, and other stakeholders for their support, and hope you continue looking forward to the Group's further growth.

September 2017
President and COO
Tetsuya Shigematsu

Medium-term Management Plan

Toward the sustainable growth

FIELDS CORPORATION Group will provide hero IP (intellectual property) that will make the world happier, using various customer contact points (business platforms) to contribute to the delight and happiness of people throughout Japan and, in addition, will expand those IP and platforms globally.



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President and COO

T. Shigematsu

The Greatest Leisure for All People

We aim to become a company able to continuously create the greatest leisure for all people throughout the world.



Corporate Philosophy and Resolution/ Long-Term Vision

Based upon our corporate philosophy of “The Greatest Leisure for All People,” we endeavor to create entertainment that provides people with emotion and excitement.

When FIELDS transferred its listing to the first section of the Tokyo Stock Exchange in April 2015, in our publicity, we resolved that “we aim to become a Company able to continuously create the greatest leisure for all people throughout the world.” (Figure 1)

Based on this pledge, we developed a long-term vision: “FIELDS CORPORATION Group will provide hero IP (intellectual property) that will make the world happier, using various customer contact points (business platforms) to contribute to the delight and happiness of people throughout Japan and, in addition, will expand those IP and platforms globally” and drive our business activities on this basis.



(Figure 1) Publicity for listing on the first section of the Tokyo Stock Exchange, published in the Nikkei on April 14, 2015

Preparation of the Medium-term Management Plan

Recently, the market circumstances of our Group business have undergone dramatic changes. Furthermore, tougher market conditions are forecasted for the next fiscal year and beyond owing to the impact of factors such as a succession of regulations in the field of pachinko and pachislot machines, which has been our main focus since the foundation of our business.

We are, however, aware that the stagnation in our business results is more due to internal factors than external conditions. The primary factor was a weakening of the planning and production capabilities with an eye to the past/future of the market, which has been the DNA of FIELDS since its founding.

Now, FIELDS has formulated a 3-year Medium-term Management Plan aimed at sustainable growth, based on the corporate philosophy and in view of changes to external and internal circumstances. Moving forward, our Group will continue striving together with all of our stakeholders and with all people who seek to enjoy themselves, to create a society of hope and ultimate enjoyment.

MEDIUM-TERM MANAGEMENT PLAN

Focal Points of the 3-year Medium-term Management Plan

The 3 focal points of the Medium-term Management Plan are described below. By ensuring its implementation, we will achieve our planned results for these 3 years, and aim for even further growth.

- 1** In parallel with executing medium- to long-term business strategies, **concentrate on the short-term recovery of business results**
 - Strengthening of distribution infrastructure in the pachinko and pachislot business platform
 - Restoration of profitability to each IP project

- 2** **Restructure business value chain** based on core “planning and production capabilities”
 - Customer orientation/ reaction to change/ information capability/ partnership/ planning capability/ persistent business development
 - Organizational improvement of production capabilities pursuing product ideals

- 3** **Evolve the [IP × Business Platform] business model**
 - Thorough approach from both “IP” perspective and “business platform” perspective
 - Generation of revenue through the expansion and deepening of [IP × Business Platform]

3-year Market Perception

1. Pachinko and Pachislot Market

Background

- Sep. 2014 Change of pachislot model certification test method (after that, implementation of a series of regulations regarding pachinko and pachislot machines)
- Dec. 2016 Official announcement of "Integrated Resort Promotion Law**"
- Jul. 2017 Draft revisions to laws, ordinances, and rules related to the Amusement Businesses Law announced
- Jul.-Sep. 2020 The Tokyo Olympic and Paralympic Games held (Scheduled)

For the Creating the Most Pleasant Entertainment Space

Measures (regulations) aimed at preventing dependence (addiction) on pachinko and pachislot continue to be implemented, influenced by the IR Promotion Law of December 2016, and the Tokyo Olympic and Paralympic Games in 2020. However, the issues of reducing the gambling stakes in pachinko and pachislot, and improving entertainment are the theme for not only short term, but also long-term, industry-wide themes. In fact, it could be said that the time is ripe for a change in pachinko and pachislot, which has taken root in the local community as popular entertainment, but which the local community hopes can be a more pleasant entertainment space.

*Integrated Resort (IR) Promotion Law

IR refers to a resort incorporating casino, hotel, entertainment facilities, and international conference facilities. A bill to promote such facilities, known as the Act on Promoting Development of Areas for Specified Integrated Resort Facilities (IR Promotion Bill), was approved in December 2016.

2. Entertainment Market

Background

- Expansion of the market for children, as a result of population increases in Asia and to the west
- Shift of global entertainment companies to Asia
- Increasing emphasis on "experience value" for consumers
- Expansion of new forms of "reality", VR (Virtual Reality), AR (Augmented Reality) and MR (Mixed Reality), etc.
- Shift from ownership of actual products to consumption of data-based products and services

Global Market is Expanding Steadily

The entertainment market is evolving, with technological innovations leading to the launch of new products and services as well as changes in the style of consumption. In the publishing market, paper media is decreasing, while growth of the e-book market is accelerating. In the game market, while the Japanese market is expanding only gradually, growth is continuing on also on a global scale. The movie market has continued its strong growth since 2011. In the live entertainment market, new initiatives such as recent "2.5 D musicals" have led market expansion.

*2.5 Dimensional Musical

The term given to 3D theatrical presentations based on 2D comic, anime and video games

3-year Plan of Medium-term Business Results

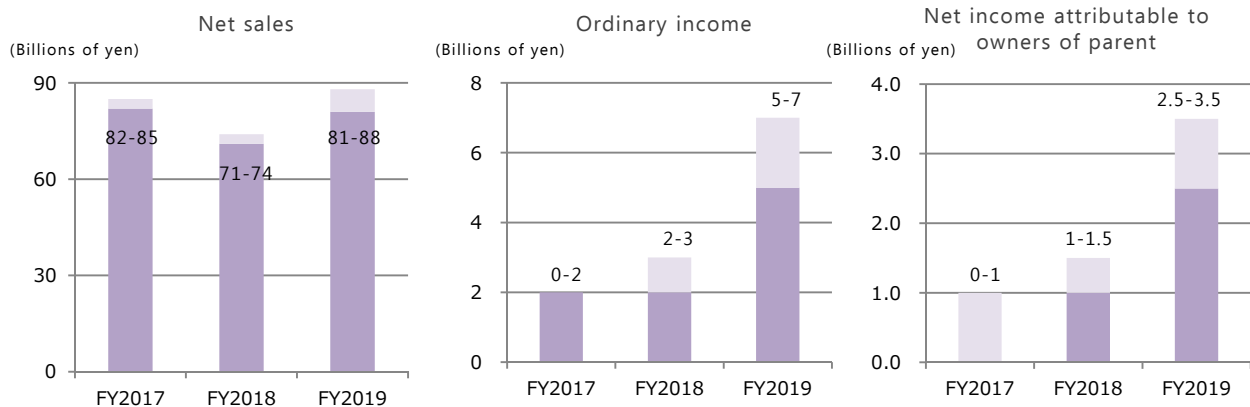
In fiscal 2017, the Group will concentrate on business activities focusing on strengthened earnings in the medium-term. The Group will also work to rebuild its business value chain, thoroughly strengthening the Company's DNA—its planning and production capabilities—with an eye to the past and future of the market. In addition, the Group will promote efforts to evolve a business model aimed at maximizing its earnings from both IP and business platform perspectives. Consequently, according to our plan, our results forecast is ¥82–85 billion in net sales, ¥0–2 billion in ordinary income, and ¥0–1 billion in net income attributable to owners of parent. However, there are some uncertain elements such as the market environment in the pachinko and pachislot field, which is the Group's core field of business, so figures have been given as a range of values. Furthermore, in this profit plan, we take into consideration risks in the process of advancing the selection and concentration of business and management efficiency with a medium-term perspective.

Our planned results outlook for fiscal 2018 is for ¥71–74 billion in net sales, ¥2–3 billion in ordinary income, and ¥1–1.5 billion in net income attributable to owners of parent. Net sales are forecasted to decrease compared with the previous fiscal year due to the impact of the sales mix* in the pachinko and pachislot machine business, however, ordinary income is expected to rise compared with the previous fiscal year owing to the effect of ongoing management optimization as well as the expected contribution from the pachinko and pachislot, and cross-media businesses.

Our planned results outlook for fiscal 2019 is for ¥81–88 billion in net sales, ¥5–7 billion in ordinary income, and ¥2.5–3.5 billion in net income attributable to owners of parent. In the pachinko and pachislot business, we will further evolve our product lineup and sales structure, while in the cross-media business, we will expand customer contact points in Japan and abroad. Consequently, we aim for conditions that will see further gains in net sales and ordinary income. We envisage that the pachinko and pachislot business will represent 70% of profit and the cross-media business will represent 30% of profit in this fiscal year.

*Sales mix

The accounting process differs between distribution and agency sales. Details are available here (<http://www.fields.biz/ir/e/about/market/index.html#07>).



(Table 1) Medium-term performance plan

	(Billions of yen)			
	FY2016	FY2017	FY2018	FY2019
Net sales	76.6	82.0–85.0 (+5.4–+8.4)	71.0–74.0 (-14.0–-8.0)	81.0–88.0 (+7.0–+17.0)
Operating income	(5.3)	1.0–2.0 (+6.3–+7.3)	2.0–3.0 (0–+2.0)	5.0–7.0 (+2.0–+5.0)
Ordinary income	(9.0)	0–2.0 (+9.0–+11.0)	2.0–3.0 (0–+3.0)	5.0–7.0 (+2.0–+5.0)
Net income attributable to owners of parent	(12.4)	0–1.0 (+12.4–+13.4)	1.0–1.5 (0–+1.5)	2.5–3.5 (+1.0–+2.5)

*Figures in parentheses show year-on-year fluctuations

Initiatives for Short-term Recovery of Business Results

- | | |
|---|--|
| 1. Pachinko and pachislot business platform | Enhance distribution base and expand goods handled |
| 2. Cross-media business platform | Improving earnings through organized IP and implementation of measures for building up profits |
| 3. Management foundation | Strengthening the management foundation through cost optimization |

1. Pachinko and Pachislot Business Platform

Enhance distribution base and expand goods handled

FIELDS will strive to strengthen the sales bases we have nationwide, provide more attentive service to customer halls, and engage in proposal activities. Furthermore, by strengthening relations with each manufacturer, we will endeavor to bolster our product line-up. In addition, we will expand the products we handle through sales collaboration with unaffiliated manufacturers.

2. Cross-media Business Platform

Improving earnings through organized IP and implementation of measures for building up profits

FIELDS will also aim to boost revenue by licensing out already organized IP through collaborations with powerful partners in various media. We will also strive to create new revenue opportunities in the field of live entertainment through collaboration with large-scale event facilities.

3. Management Foundation

Strengthening the management foundation through cost optimization

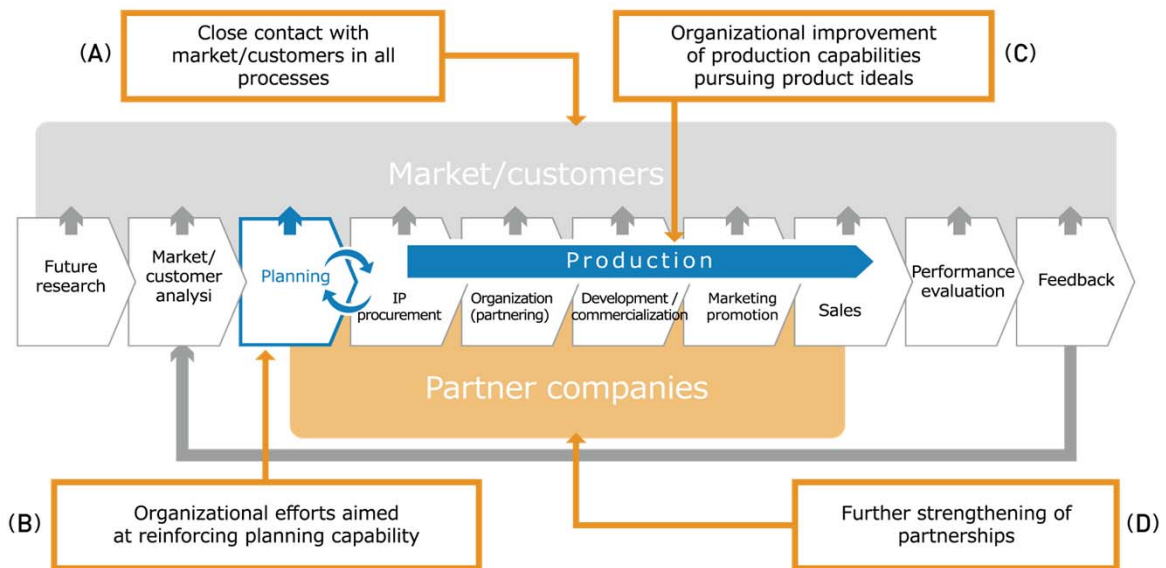
FIELDS will strive to strengthen the management foundation by expanding business revenue and through cost optimization, including cost and SG&A expense reductions.

Restructuring of Business Value Chain

FIELDS' Business Value Chain and Focal Points

As shown in Figure 1, FIELDS' business value chain is comprised of 10 processes, starting with "future research." We are aware that the recent stagnation in our business results has been caused by dysfunctions arising from some of our processes. We will reconstruct our business value chain in order to promote the Medium-term Management Plan and achieve sustainable growth, focusing on the 4 points (A)-(D) described below.

(Figure 1) FIELDS' Business Value Chain and 4-Focal Points



4-Focal Points for Restructuring of Business Value Chain

(A) Close contact with market/customers in all processes

We will strive to fully understand the market and our customers, and thoroughly apply this in all processes.

(B) Organizational efforts aimed at reinforcing planning capability

Among the 10 processes, we will focus on the core process of "planning," and we will refine our "IP planning" in conjunction with "IP procurement." We will promote organizational efforts aimed at designing plans which match market trends and customer needs, based on "future research" and "market and customer analysis."

(C) Organizational improvement of production capabilities pursuing product ideals

To achieve commercialization based on these refined "plans," we need to organizational improvement of "production capabilities" that can drive process consistency in "IP procurement," "organized," "development and commercialization," "marketing and promotion," and "sales."

(D) Further strengthening of partnerships

In each process described in (B) and (C), from "planning" through to "production," we will enhance our relationship with experts and powerful partners. Through the injection of a range of creative and other external expertise, we aim to enhance the quality of each process.

[IP × Business Platform] Matrix Model

Matrix Model

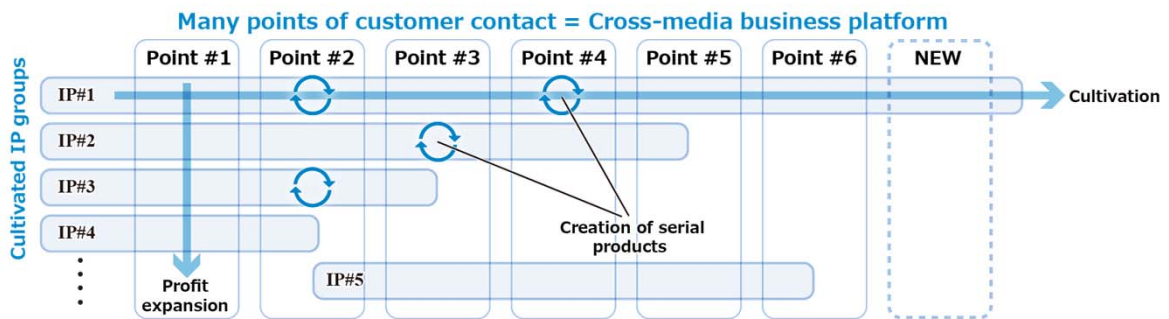
1. Explanation of Matrix Model

(1) Points of customer contact = Cross-media business platform

FIELDS will take one IP, expand it horizontally through various business platforms—our customer contact points—then refine the IP and aim to draw more fans. By simultaneously developing multiple IP in this way, we aim to further increase revenue.

Transforming IP into a series with various contact points such as visuals, games, and pachinko and pachislot machines, as was done with Ultraman, will allow us to exercise our leverage with the aim for further IP development and earnings expansion. (Figure 1)

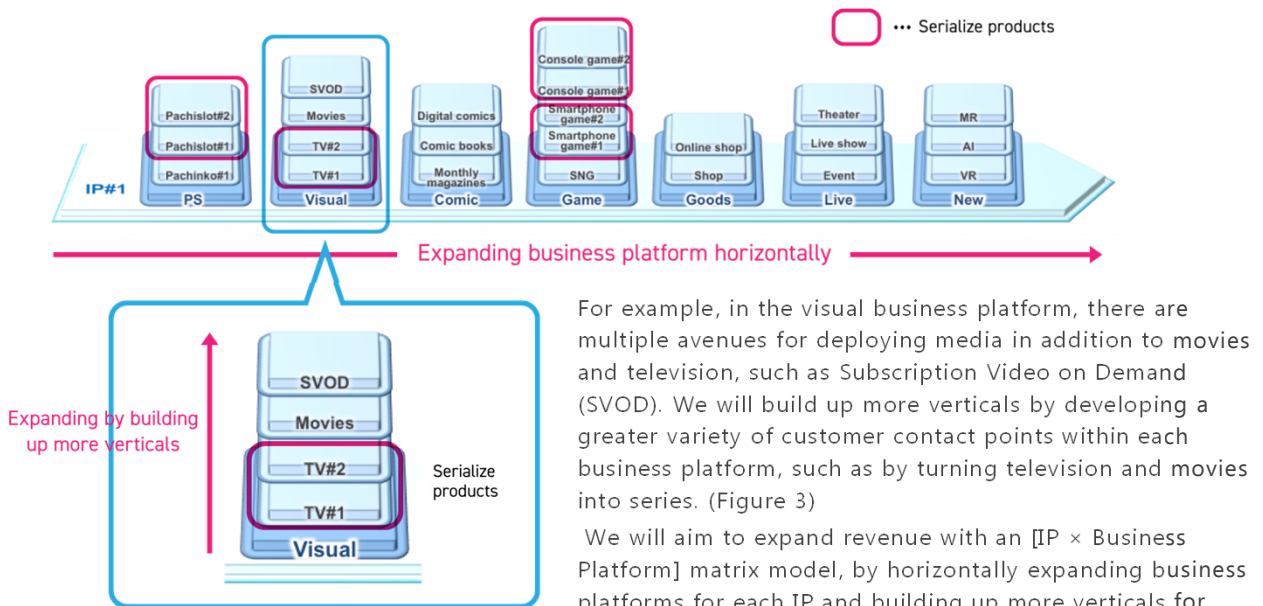
(Figure 1) [IP × Business Platform] Matrix Model



(2) Building up more customer contact points

In addition to the expansion of business platforms for each IP through development as shown in the example Figure 2, we aim for further IP cultivation and earnings expansion by building up more verticals in each business platform.

(Figure 2) Building up of more customer contact points in each business platform



(Figure 3) Close up visual business platform

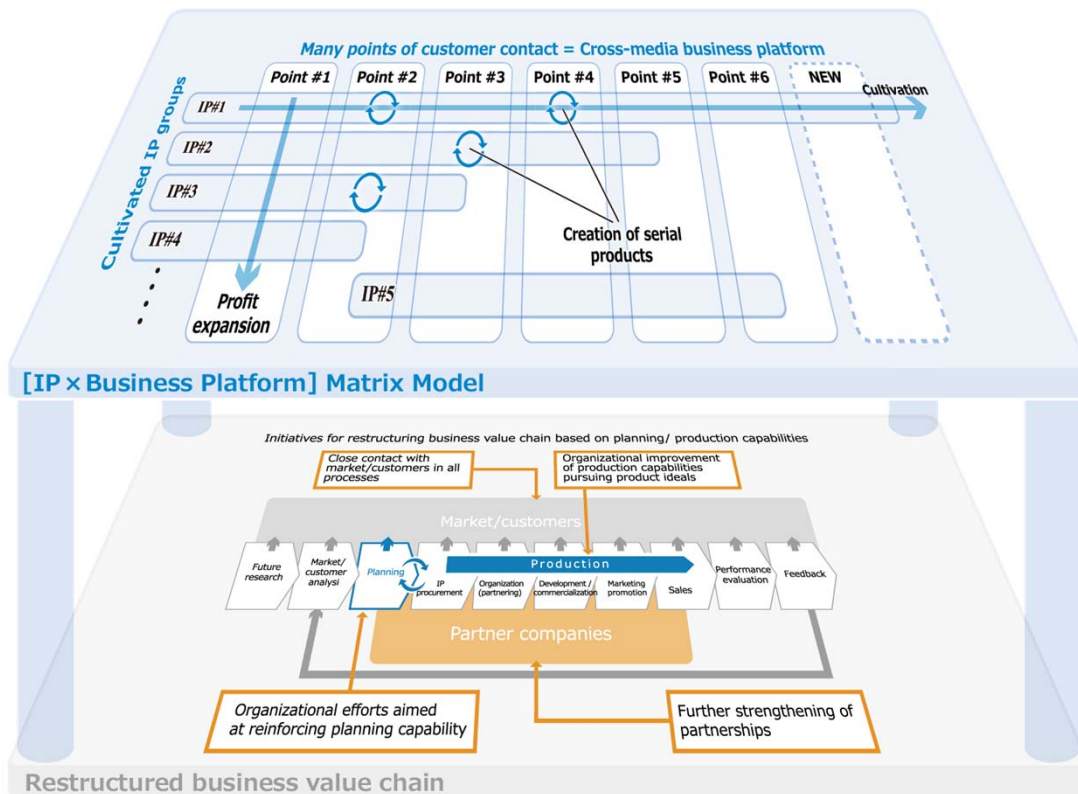
For example, in the visual business platform, there are multiple avenues for deploying media in addition to movies and television, such as Subscription Video on Demand (SVOD). We will build up more verticals by developing a greater variety of customer contact points within each business platform, such as by turning television and movies into series. (Figure 3)

We will aim to expand revenue with an [IP × Business Platform] matrix model, by horizontally expanding business platforms for each IP and building up more verticals for each business platform, while developing multiple IP simultaneously.

2. Implementation of the [IP × Business Platform] matrix model based on the rebuilt business value chain

We will expand our business as envisaged through the [IP × Business Platform] matrix model based on an organic and well-functioning business value chain. To this end, FIELDS will first focus on rebuilding its business value chain, and will aim to expand revenue through operation of the [IP × Business Platform] matrix model based upon this foundation. (Figure 4)

(Figure 4) Business Value Chain × Matrix Model



[1] IP Strategy

We will drive the following 3 points as our IP strategy.

1. "IP portfolio management" that is not reliant on any specific hit IP
2. Concentrate on IP planning that will succeed in [Reboot × Cross-media]
3. Managed the Group's entire IP in an integrated manner

1. "IP portfolio management" that is not reliant on any specific hit IP

(1) IP portfolio management

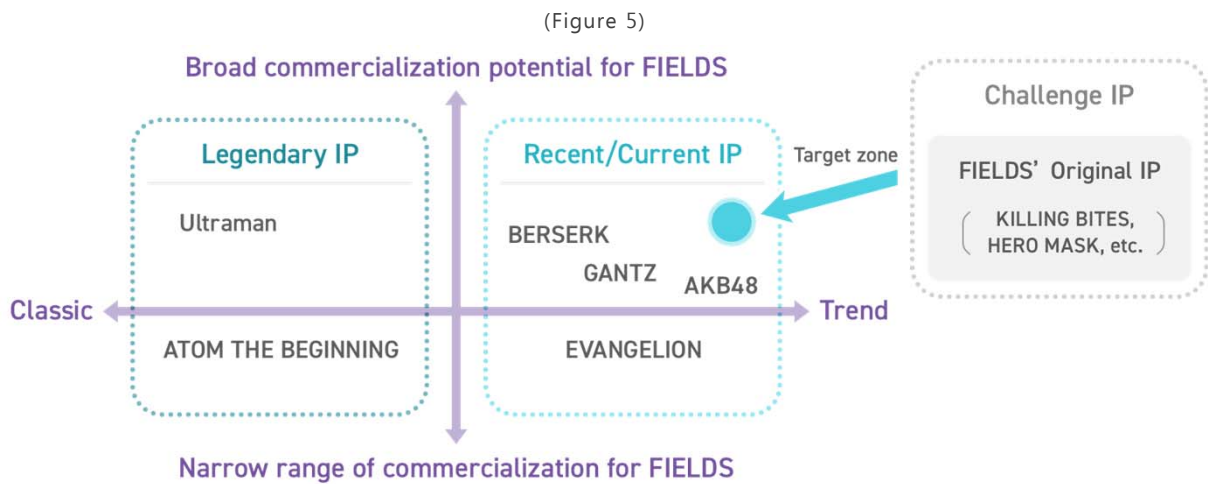


Figure 5 shows the positioning of IP which FIELDS has commercialized to date. The vertical axis indicates the "degree of commercialization for FIELDS," while the horizontal axis shows the "IP creation timing."

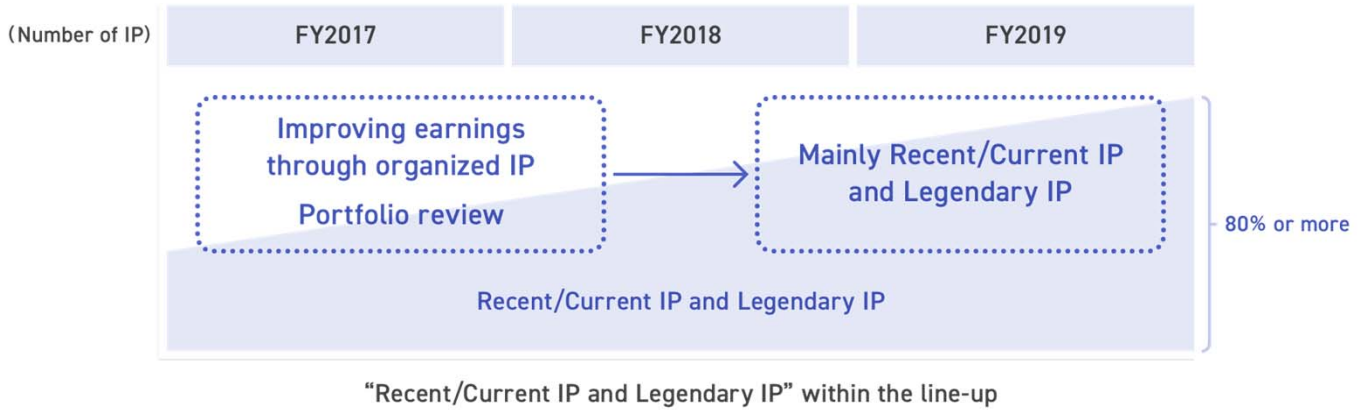
Over the next 3 years in particular, we will focus upon "Recent/Current IP" such as Berserk, GANTZ, and AKB48, which have penetrated the young and adolescent markets, and "Legendary IP" such as Ultraman, which is popular among the middle- to older-age groups.

In addition, FIELDS CORPORATION Group has positioned newly created "Original IP" which aims for "Recent/Current IP" status as experimental IP, and will strive to cultivate these.

(2) IP organization

FIELDS will endeavor to monetize already organized IP, and revise our medium- to long-term portfolio. We will drive selection and focus in an effort to build a portfolio with an outlook for greater revenue.

(Figure 6) Medium-to long-term organization image



(Figure 7)

		Towards organization with depth through accumulation by IP additions and services expansion		
		To FY2017	FY2018	FY2019
Recent/Current IP	AKB48	New game	Further series expansion through regular contents investment	
	BESERK	New TV production	Contribution to profits through regular investment in pachinko and pachislot machines and stable series expansion	
	GANTZ	Seeking global series expansion centered on highly rated visual		
	IP #1	Large IP collaboration		
	IP #2	Large IP collaboration		
	IP #3	Large IP collaboration		
Legendary IP	Ultraman series	ULTRAMAN ORB	ULTRAMAN GEED	Expansion of series loved by three generations over more than 50 years
	ATOM THE BEGINNING	New TV production	Making visuals through FIELDS' comics platform development. Series expansion under consideration.	
	IP #4	New TV production		Series expansion using own production capacity under consideration
	IP #5	FIELDS' major work		
	IP #6	FIELDS' major work		

2. Concentrate on IP planning

We will promote a successful IP plan that combines “Reboots*” of “Recent/Current IP,” and “Legendary IP” with development of “cross-media” for various business platforms.

Definition of IP planning

- The act of delving deeply and exhaustively into an IP, and elaborating it into a “plan” that extracts the maximum appeal of the IP, according to the characteristics of the target media
- Or conversely, the act of carefully selecting an IP having necessary and adequate conditions for success in the target media (multiple) and format (RPG, etc.), and planning a remake, etc. to optimize the IP in each format of media



*Reboot

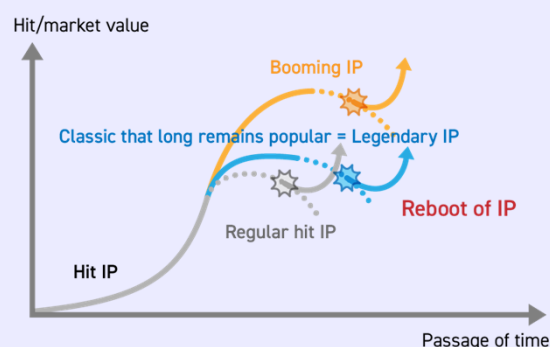
Creating new work by developing a new setting and story while retaining the world view of the original, leveraging the characteristics of IP

Reboot of IP

In general, IP enjoys growth in popularity when it is first released, but later falls out of the limelight. However, there remains a strong awareness with IP that was a big hit initially, therefore by rebooting it, it is possible to achieve leverage and turn it into a significant revenue spinner. (Figure 8)

The main initiatives undertaken by FIELDS in rebooting aim to boost the market value of IP applying new methods and technologies, such as 3D computer graphics, to very popular IP which have reached maturity. Then, by deploying this through various business platforms such as pachinko and pachislot machines, we can create new fans.

(Figure 8)



Works emerging from the focus on IP planning

The TV series ATOM THE BEGINNING, which was developed from the comic magazine “HERO’S Monthly”, is a work created through focus on IP planning together with partner companies. This work is based on a completely new comic that we created, which tells the story of prior to the birth of Astro Boy, a character who debuted in a television series in 1963 and grew into a quintessentially Japanese character. FIELDS is driving growth of IP value by striving to create a new group of fans in addition to the generation which grew up with Astro Boy.



Broadcast on NHK from April 2017

©TEZUKA PRODUCTIONS, Masami Yuuki, Tetsuro Kasahara, HERO’S/ATOM THE BEGINNING Project

3. Integrated management of the entire Group’s IP

In April 2017, we established the “IP Marketing Office” under direct control of the President in order to integrate management of the entire Group’s IP. Through this, we created a structure to unify management to select IP, decide the scale of investment for each IP, and manage revenue after investment across the cross-media business and, the pachinko and pachislot business.

We also reset our core indicators from the conventional focus on revenue management by business to a focus on ROI* for each IP. These indicators will be used when making decision related to IP investment based on the business plan of the whole Group, the medium-term business plan for each platform, and progress confirmation. The indicators will also be referred to at the executive board meeting, and at performance evaluations for group companies, while we work to reform management awareness.

IP ROI

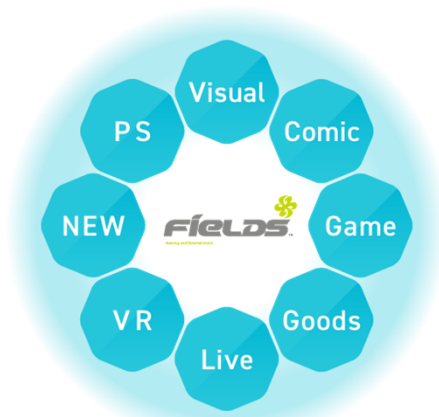
Intellectual Property Return On Investment

*ROI (Return on Investment) : an indicator of profit gained proportional to capital invested

[2] Business Platform Viewpoint

1. Value chain × Matrix model

(Figure 9)

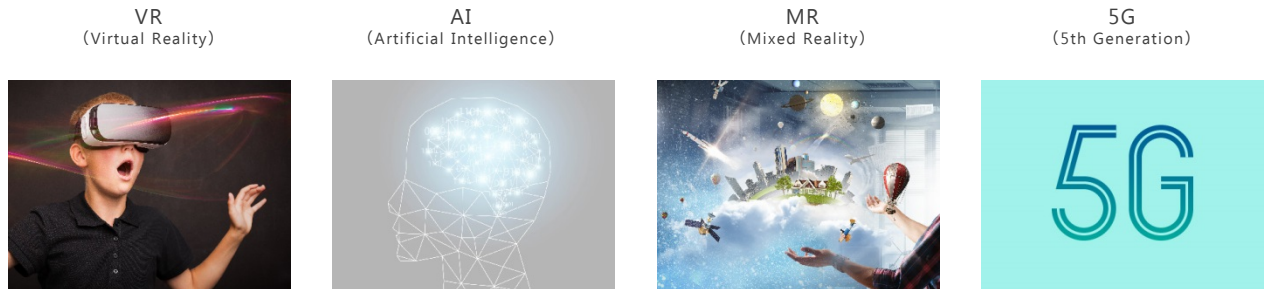


FIELDS is developing products and services including comics, visuals, games, and pachinko and pachislot machines over a range of platforms. (Figure 9) One of our strengths is that we can expand business while altering its form, in accordance with planning adapted to the specific characteristics of each IP. In addition, pachinko and pachislot machines offer a unique, large-scale business platform, and we aim to expand revenue together with partner businesses while making full use of this platform.

The greatest advantage of the FIELDS CORPORATION Group is its multiple and unique business platforms

2. Creation of New Business Platforms

We are striving to expand our business platforms in new technological fields, such as virtual reality (VR), starting with the provision of visuals to the 360 degree four-dimensional VR system "4D OH" for "Ultraman Zero VR."



...and more.

3. Promoting Global Business Development

Effective utilization of Ultraman IP for global business development



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We are effectively using the well-known Ultraman IP as a sales tool to open doors in the development of global business, driving this in association with local operators in China and other countries. We aim to expand income from licensing, by expanding overseas development of our multiple IP. We will also promote the expansion of live entertainment, especially in Southeast Asia.

Development of collaborative works with U.S. and Chinese distribution companies in visual business



We will develop collaborative productions with U.S. and Chinese visual distributors and advance global distribution. Furthermore, we will accelerate our IP licensing business. In addition to expansion of the visual business, we will use these productions as hook to drive development of merchandising in Asia and other global markets.

Collaborate with global companies in game business

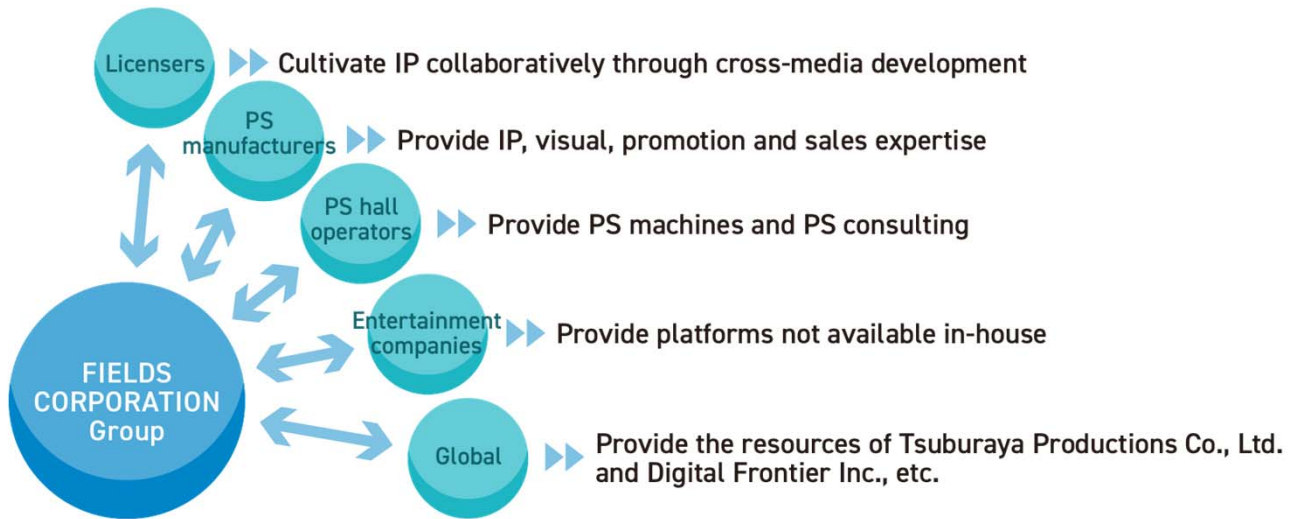


FIELDS will also promote the development of game content leveraging gaming engines developed overseas in collaboration with game companies from outside Japan. We will simultaneously promote both overseas development of gaming content and the expansion of foreign gaming content in Japan.

Win-Win Relationships with Partner Companies

FIELDS will build win-win relationships with all of our business partners, including licensors, pachinko and pachislot machines manufacturers, pachinko hall operators, entertainment companies, and global companies. (Figure 10)

(Figure 10)

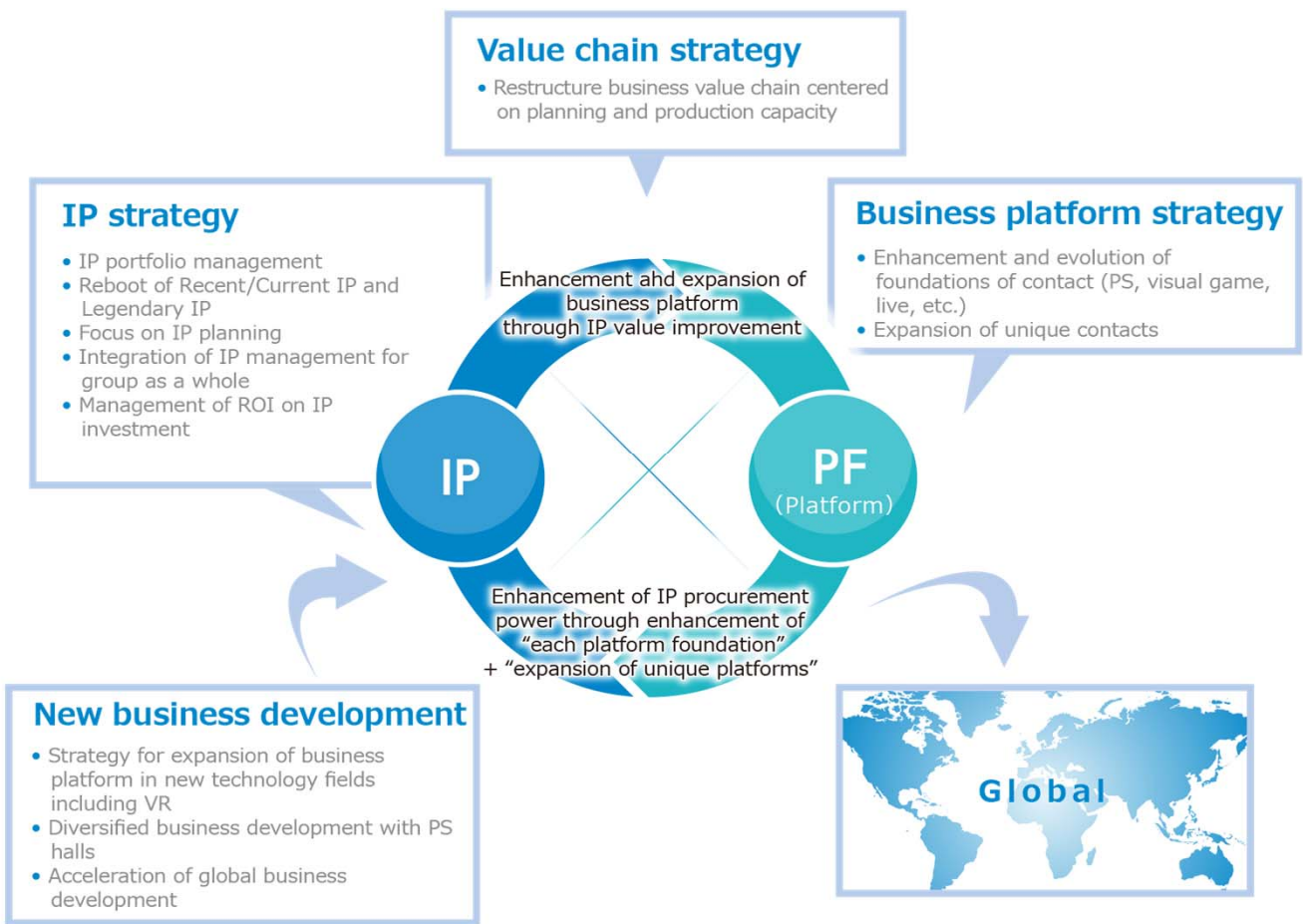


Summary

5-Action

FIELDS will rebuild its business value chain and, based upon this, focus on cultivating and monetizing IP, from perspectives of both IP and the business platforms. Furthermore, we will engage in new business development, such as expanding business platforms in new technological fields including VR (virtual reality). We aim for further revenue expansion by concurrently developing these worldwide. (Figure 1)

(Figure 1) 5-Action



Profit Structure

[Pachinko and Pachislot + Cross-media + More (including global/new technology)] profit structure

- Ensuring stable earnings in pachinko and pachislot business platform
- Cross-media business platform virtuous circle
- Realization of new [IP × Business Platform] including global/new technology

Pachinko and Pachislot Business

In the pachinko and pachislot business, we aim to achieve stable provision of products in the market year-round, while recognizing market trends such as regulatory revisions. Also, we will consider not only pachinko and pachislot machine sales, but all areas in which pachinko halls invest, as total pachinko and pachislot market, and will strive to build a revenue base which does not rely only on pachinko and pachislot machine sales, providing a variety of business solutions, including periphery machines, data analyses, and individualized marketing.

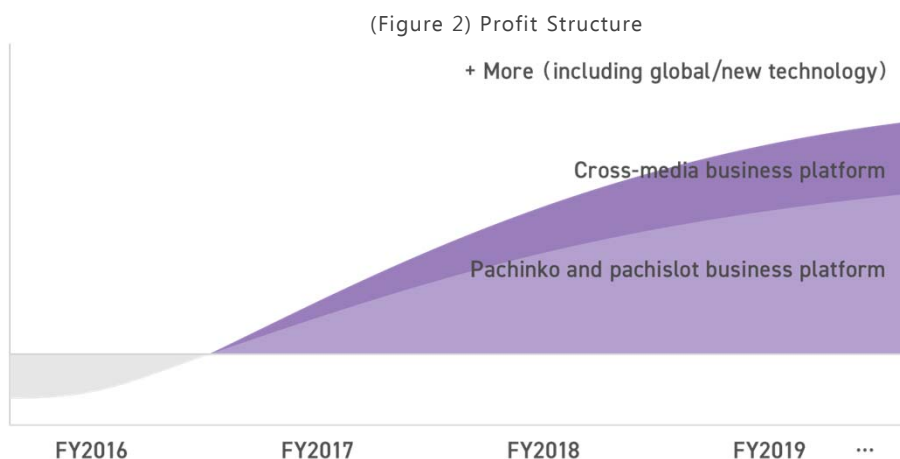
Cross-media Business

In the cross-media business, we will further monetize already organized IP, and work on selecting and focusing on IP for investment. Also, we will promote revenue expansion through initiatives from perspectives of both IP and the business platforms.

Global Development and Business Platforms in New Technology FIELDS

FIELDS will aim to increase profit through global expansion of powerful IP such as Ultraman. In addition, we will promote commercialization in new business fields such as AI (artificial intelligence), AR (augmented reality), VR (virtual reality), and MR (mixed reality).

Through these, we will build a profit structure to obtain revenue from the cross-media business platform “plus something extra,” not merely relying on revenue from the pachinko and pachislot business platform. In this platform, we will aim to free our business from reliance on specific hit products, and strive to build a structure that secures stable revenue throughout the year. (Figure 2)



(Reference) State of Tsuburaya Productions Co., Ltd. and Future Review

Tsuburaya Productions Co., Ltd. owns the IP for Ultraman, a popular Japanese superhero loved by children and adults alike, which celebrated its 50th anniversary of broadcast start in 2016. Moving forward, the company will enhance customer contact points and drive cultivation of IP as well as revenue expansion. (Figure 3)

(Figure 3)



Financial Strategies and Governance

Financial Strategies

We are coordinating with various financial institutions to build and maintain a stable financial structure, tackling the 4 points shown in (Figure 4).

(Figure 4)



Governance

FIELDS will focus on the organization of our internal control systems in line with Japan’s Corporate Governance Code, in order to continue enhancing our corporate value.

(Appendix) Pachinko and Pachislot Business Platform

3-year Market Scenario

On July 11, 2017, the National Police Agency announced the "Draft Regulation Partially Amending the Ordinance for Enforcement of the Act on Control and Improvement of Amusement Business, etc. and the Regulations for the Verification of Licenses, Formats and Other Aspects of Pachinko and Pachislot Machines," including pachinko payout regulations, and this is expected to come into force on February 1, 2018. FIELDS has developed its forecast for the pachinko and pachislot market for the coming 3 years (Table 1) in the light of these regulatory reforms.

(Table 1) Market scale of pachinko and pachislot

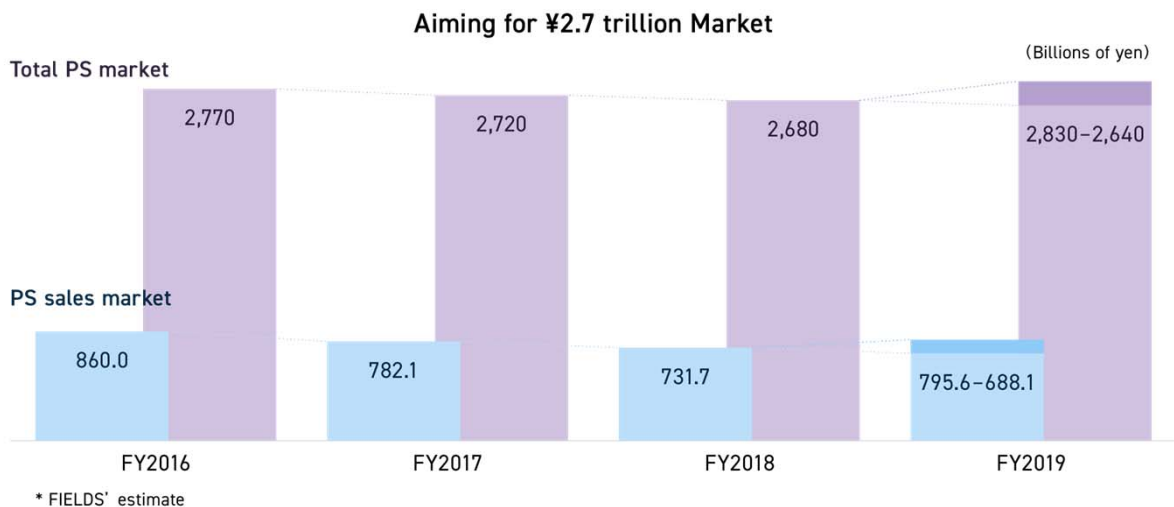
* FIELDS' estimate

	FY2016	FY2017	FY2018	FY2019
PS sales market	¥860.0billion	¥782.1billion	¥731.7billion	¥688.1-¥795.6billion
Total PS market	¥2.77trillion	¥2.72trillion	¥2.68trillion	¥2.64-¥2.83trillion

The pachinko and pachislot machine sales market refers to the scale of the market for new pachinko and pachislot machines.

The total pachinko and pachislot market indicates total expenses including investment by pachinko halls in the purchase of pachinko and pachislot machines, marketing costs, and PR expenses and more.

(Figure 1) Market scale of pachinko and pachislot



Pachinko and pachislot machines sales market

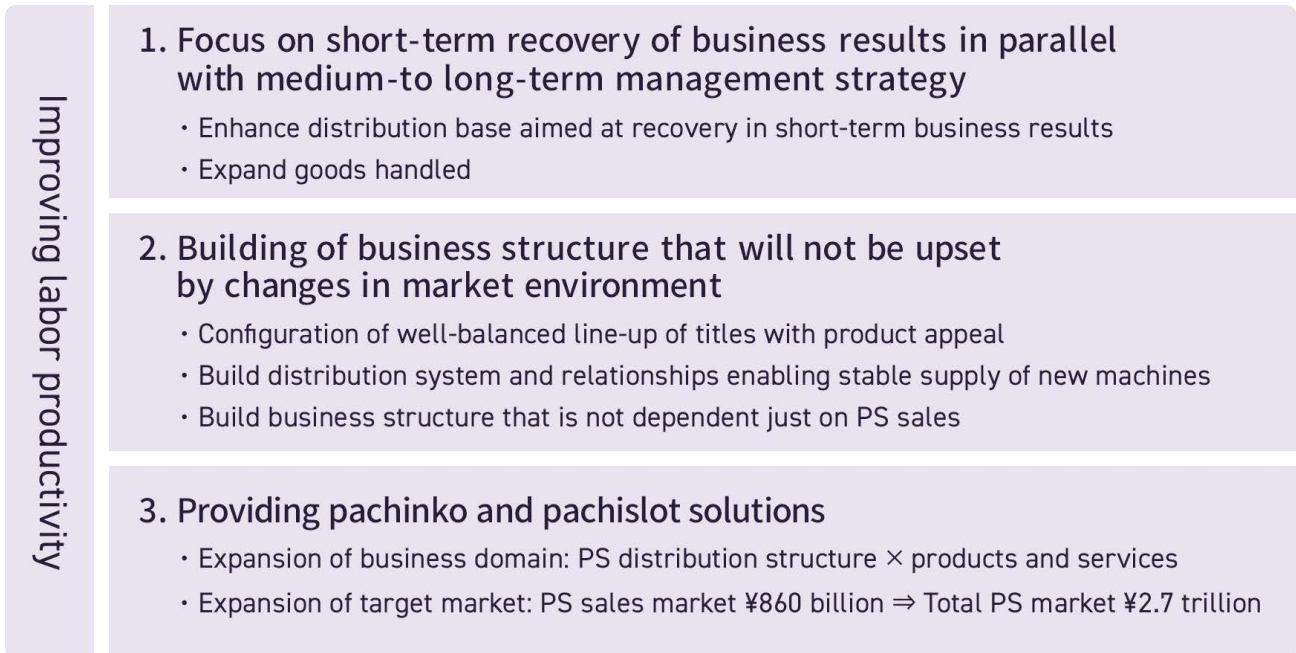
The pachinko and pachislot sales market for fiscal 2016 had an estimated value of approximately ¥860 billion. (Figure 1) We expect that regulatory reform will still be underway during fiscal 2017 and 2018, and consequently, we do not hold an optimistic outlook for sales of new machines. Meanwhile, we hope that the impact from regulation revisions will ease by fiscal 2019, when we will be able to rejuvenate the market by launching highly entertaining pachinko and pachislot machines.

Total pachinko and pachislot market

The total pachinko and pachislot market is estimated to be worth approximately ¥2.7 trillion. (Figure 1) A minor reduction is forecast, similar to the pachinko and pachislot machine sales market, for fiscal 2016. However, we hope a recovery will also be possible for the total pachinko and pachislot market through the launch of pachinko and pachislot machines that can gain market acceptance.

Focal Points of the 3-year Medium-term Management Plan

We have organized the following 3-focal points for the pachinko and pachislot business platform in our 3-year Medium-term Management Plan.



Contribute to expanding fans/market

1. Focus on short-term recovery of business results concurrently with medium-to long-term management strategy

FIELDS will strive to enhance the sales bases that we have nationwide, and provide more attentive service to customer halls. By strengthening relations with each manufacturer, we will endeavor to bolster our product line-up, and we will expand the products we handle through sales collaboration with unaffiliated manufacturers.

2. Building of business structure that will not be upset by changes in market environment

FIELDS aims to achieve stable provision of products in the market year-round. We plan to release 20 or more titles in each of the 3 years of the Medium-term Management Plan. We will also strive to restructure the business value chain centered on planning and production capacity in order to release titles with product appeal.

3. Providing of pachinko and pachislot solutions

FIELDS will leverage our strengths as a distributor and trading company to not only provide pachinko and pachislot machines, but to also promote provision of marketing and data analysis, together with hardware and software other than pachinko and pachislot machines. (Figure 2) Moving forward, we will contribute to revitalization of the market, and work to realize entertainment that fans will truly enjoy.

(Figure 2)



Review of Business Activities

Toward the enhancing IP value and improving profitability

FIELDS CORPORATION aim to enhance IP value and improve profitability, the Group is concentrating investments in a series of IP that are expected to become major products or that can be serialized, and is focusing on the expansion of IP on a domestic and global scale through cooperation with its business partners both in Japan and overseas.



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Consolidated Financial Highlights

6-Year Summary of Key Financial Indicators

Results of Operations (Millions of yen)	FY03/2012		FY03/2013		FY03/2014		FY03/2015		FY03/2016		FY03/2017	
		YoY change (%)		YoY change (%)		YoY change (%)		YoY change (%)		YoY change (%)		YoY change (%)
Net sales	92,195	(11.0)	108,141	17.3	114,904	6.3	99,554	(13.4)	94,476	(5.1)	76,668	(18.8)
Gross profit	31,330	(10.8)	33,279	6.2	33,812	1.6	28,468	(15.8)	25,480	(10.5)	17,641	(30.8)
Gross profit margin (%)	34.0		30.8		29.4		28.6		27.0		23.0	
Operating income	8,527	(35.1)	10,314	21.0	9,791	(5.1)	4,743	(51.6)	1,411*1	(70.4)	(5,374)	-
Operating margin (%)	9.2		9.5		8.5		4.8		1.5		-	
Ordinary income	8,661	(36.7)	10,268	18.6	9,765	(4.9)	5,491	(43.8)	1,380	(74.9)	(9,068)	-
Ordinary margin (%)	9.4		9.5		8.5		5.5		1.5		-	
Net income attributable to owners of parent	5,991	(20.3)	4,720	(21.2)	5,370	13.7	3,018	(43.8)	118	(96.1)	(12,483)	-
Net margin (%)	6.5		4.4		4.7		3.0		0.1		-	

*1 From FY03/16, business contract fee calculation categorization changed.

Financial Position (Millions of yen)	FY03/2012		FY03/2013		FY03/2014		FY03/2015		FY03/2016		FY03/2017	
		YoY change		YoY change		YoY change		YoY change		YoY change		YoY change
Total assets	93,601	14,630	106,628	13,026	104,869	(1,758)	110,316	5,447	92,478	(17,838)	80,397	(12,080)
Total net assets	51,555	4,533	55,098	3,543	58,753	3,654	60,246	1,493	58,291	(1,954)	43,227	(15,064)
Shareholders' equity	51,071	4,291	54,559	3,487	58,279	3,720	59,492	1,212	57,304	(2,188)	42,225	(15,078)
Interest-bearing liabilities	1,662	(172)	1,052	(609)	743	(308)	4,065	3,321	11,423	7,357	15,489	4,066
Cash Flows (Millions of yen)		YoY change		YoY change		YoY change		YoY change		YoY change		YoY change
Cash flows from operating activities	10,015	2,010	13,570	3,554	16,322	2,752	(9,086)	(25,408)	13,353	22,439	(7,319)	(20,673)
Cash flows from investing activities	(4,798)	(441)	(6,263)	(1,465)	(8,018)	(1,754)	(6,297)	1,720	(2,191)	4,106	(3,927)	(1,735)
Cash flows from financing activities	(2,565)	1,349	(2,277)	288	(2,018)	258	1,624	3,643	5,214	3,590	2,136	(3,077)
Free cash flow	5,217	1,568	7,307	2,088	8,303	997	(15,384)	(23,687)	11,162	26,546	(11,246)	(22,408)
Per share data (JPY)*2												
Net income	180.45		142.27		161.83		90.97		3.58		(376.19)	
Total net assets	1,539.04		1,644.15		1,756.27		1,792.83		1,726.88		1,272.48	
Dividends per share	50		50		50		60		50		50	
Key Financial Indicators (%)												
Return on equity (ROE)	12.2		8.9		9.5		5.1		0.2		(25.1)	
Return on assets (ROA)	10		10.3		9.2		5.1		1.4		(10.5)	
Shareholders' equity ratio	54.6		51.2		55.6		53.9		62.0		52.5	

*2 October 1, 2012, a stock split at a ratio of 100 shares for each common share was executed, thus the retroactive calculation takes into account this stock split retroactively.

Business Results Review

Consolidated Business Performance Overview

Business performance in FY03/17 was as follows. In particular, our business results were impacted by regulation in the pachinko and pachislot field and postponement of titles scheduled for launch to the next fiscal year and later.

Results of Operations (Millions of yen)	FY03/2016		FY03/2017		FY03/2018	
	Full-year	YoY change (%)	Full-year	YoY change (%)	Full-year forecast	YoY change (%)
Net sales	94,476	(5.1)	76,668	(18.8)	82,000 – 85,000	7.0 – 10.9
Gross profit	25,480	(10.5)	17,641	(30.8)		
As a percent of sales	27.0%		23.0%			
Operating income	1,411	(70.4)	(5,374)	–	1,000 – 2,000	–
As a percent of sales	1.5%		–			
Ordinary income	1,380	(74.9)	(9,068)	–	0 – 2,000	–
As a percent of sales	1.5%		–			
Net income attributable to owners of parent	118	(96.1)	(12,483)	–	0 – 1,000	–
As a percent of sales	0.1%		–			

Total Assets, Liabilities and Net Assets

Total assets decreased ¥12,080 million from the end of the previous fiscal year to ¥80,397 million. This was due mainly to a decrease in cash and cash equivalents, resulting in an ¥7,077 million decrease in total current assets from the end of the previous fiscal year.

Total liabilities rose ¥2,983 million from the end of the previous fiscal year, to ¥37,170 million. This was mainly due to the decrease in short-term borrowings in current liabilities and the increase in long-term borrowings in fixed liabilities resulting from the implementation of fund procurement in line with business.

Total net assets decrease shrank ¥15,064 million from the end of the previous fiscal year, to ¥43,227 million. This was due mainly to a ¥14,142 million decrease in retained earnings from the end of the previous fiscal year.

(Unit: Millions of yen)

	At March 31, 2016	At March 31, 2017	Increase/Decrease
Total current assets	52,934	45,856	(7,077)
Tangible fixed assets	11,447	10,366	(1,081)
Intangible fixed assets	3,746	2,469	(1,277)
Investments and other assets	24,348	21,705	(2,643)
Investments and other assets	92,478	80,397	(12,080)

	At March 31, 2016	At March 31, 2017	Increase/Decrease
Total current liabilities	29,809	20,475	(9,334)
Total fixed liabilities	4,376	16,694	12,318
Net assets	58,291	43,227	(15,064)
Total liabilities and net assets	92,478	80,397	(12,080)

Cash Flows

Net cash expenditure in operating activities amounted to ¥7,319 million, compared with ¥13,353 million provided by operating activities in the previous fiscal year. This was mainly due to a loss before income taxes and minority interests of ¥10,517 million, an increase in notes and accounts receivable—trade of ¥5,249 million, and an equity method investment loss of ¥3,866 million.

Net cash expenditure in investment activities amounted to ¥3,927 million, compared with ¥2,191 million in the previous fiscal year. This was mainly due to expenditure for loans totaling ¥4,640 million, proceeds from repayments of loans totaling ¥2,037 million, and expenditure for equity investment totaling ¥969 million.

Net cash provided in financing activities amounted to ¥2,136 million, compared with ¥5,214 million provided by financing activities in the previous fiscal year. This was mainly attributable to proceeds from long-term borrowings totaling ¥15,500 million, a decrease in short-term borrowings of ¥11,133 million, and dividends paid totaling ¥1,659 million.

As a result, free cash flows was negative ¥11,246 million.

(Unit: Millions of yen)

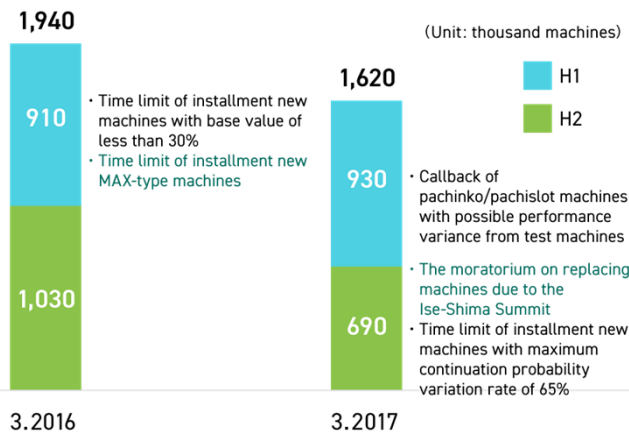
	FY03/2016	FY03/2017	Increase/Decrease
Cash flows from operating activities	13,353	(7,319)	(20,673)
Cash flows from investing activities	(2,191)	(3,927)	(1,735)
Cash flows from financing activities	5,214	2,136	(3,077)

Business Overview

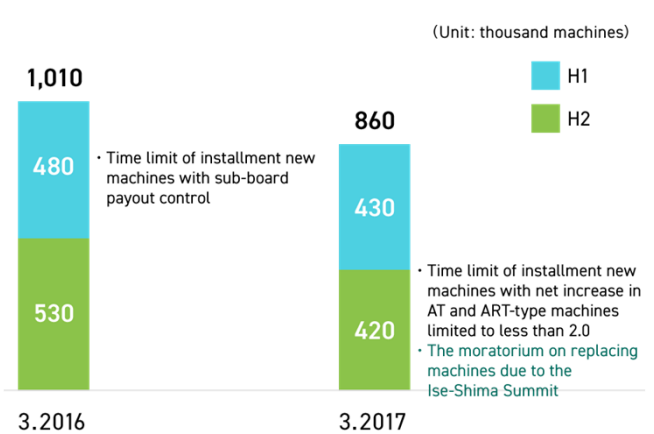
Pachinko and Pachislot

The market for pachinko and pachislot field is continuously shrinking, due to a series of regulations triggered by changes in the model certification test method for pachislot machines in September 2014. In first half of fiscal 2016, the pachinko and pachislot machines market felt the impact of regulations, as well as from the moratorium on replacement of machines during the G7 Ise-Shima Summit in May 2016, and as a consequence, the number of pachinko and pachislot machines sold fell when compared to the same period of the previous year. During the second half of the period, demand for replacement of pachinko machines rose during the October–December period as the December 2016 deadline approached for removing “pachinko machines with possible performance variance from test machines,” and despite the subsequent downturn in demand during the January–March period, the number of machines sold in the pachinko market was steady when compared to the same period of the previous year. With pachislot machines, although there was a certain demand for proven machine series, there is some way to go before the machines on offer fully meet customer needs. Consequently, there was a downward trend in the number of machines sold during the second half of the fiscal year. As a result, total sales of pachinko and pachislot machines in fiscal 2016 were approximately 2.48 million units (*according to the Company), down about 15% from the same period of the previous year.

Number of the pachinko machine sales in PS market



Number of the pachislot machine sales in PS market



*Machines sales in the market: FY03/2016—FY03/2017
*FIELDS' research

In this market environment, we sold 15 titles under 7 brands and strived to expand sales, with a focus on major titles targeting the New Year holiday shopping season, during which demand was expected to increase. 2 of the major titles released in December demonstrated steady sales. Another title released in January was coupled with multimedia expansion, including not only the creation of pachinko and pachislot machines but also visual adaptation, resulting in additional orders being received immediately after their installation. Moreover, the number of machines sold per title continued to exceed the market average, owing mainly to the Group's strength in marketing.

However, orders were sluggish for some of the pachislot titles released in the January–March period due to the effects of a slump in demand. In addition, as stated in the “Notification of Revisions to Performance Forecast,” announced on January 20, 2017, the release of 6 titles, which had been scheduled for this period, was postponed to at least the next period. As a result, the number of pachinko machines sold was 155,000 units (down 6,000 units from the previous year), pachislot machine sales totaled 87,000 units (down 38,000 units), and the total sales volume was 243,000 units (down 45,000 units).

In the future, we will strive to strengthen our distribution base, expand the products we handle based on the Medium-Term Management Plan announced in May 2017, and develop a lineup for stable product supply throughout the year. In addition, we will build a business structure that will not be affected by changes in the market environment, and will focus on providing pachinko and pachislot solutions.

Explanation of Recent Pachinko and Pachislot Market Regulations and Other Developments

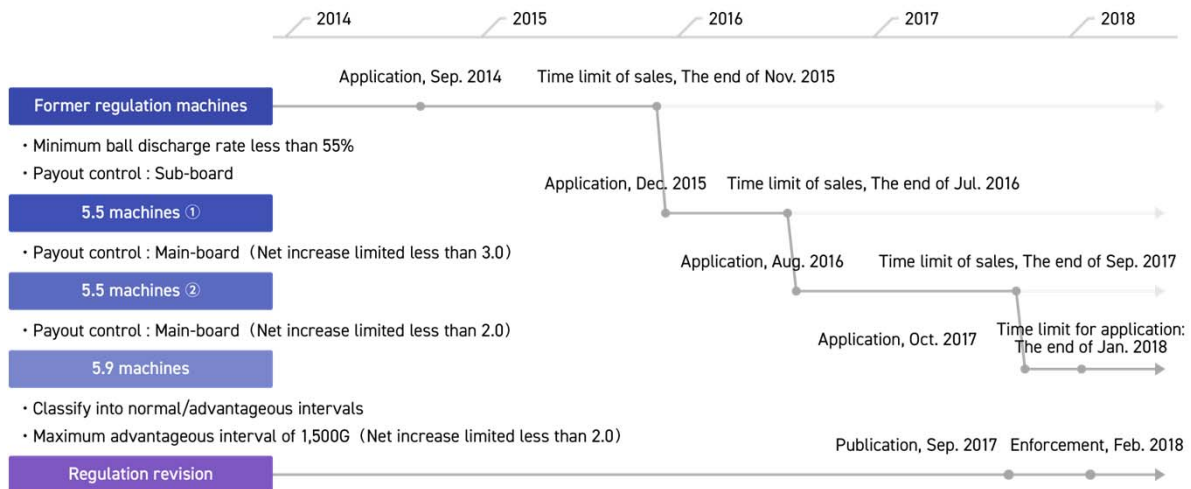
In August 2014, the National Police Agency (NPA) informed industry bodies of partial changes in the model certification test method for pachislot machines. Along with this, several announcements were made by industry bodies pertaining to pachislot machine specifications requiring design reviews in multiple areas. About this time, in March 2015, industrial bodies announced "initiatives to restrict gambling" affecting pachinko machines.

Consequently, with a sales deadline for old standard pachinko and pachislot machines, the market became confused, seeing a sharp decline in test conformance, convergence of sales due to the sales deadline, and a sharp drop in sales immediately following the deadline.

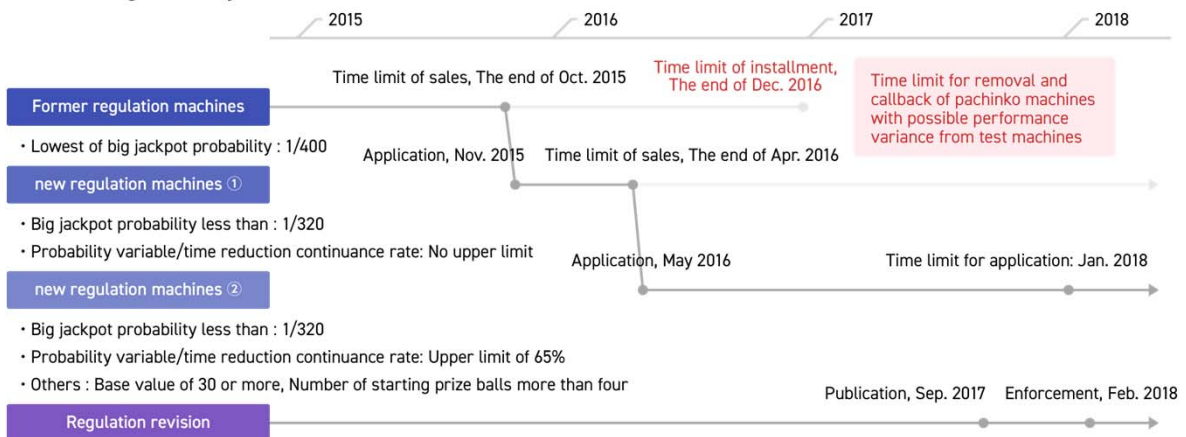
On July 11, 2017 the National Police Agency announced the "Draft Regulation Partially Amending the Ordinance for Enforcement of the Act on Control and Improvement of Amusement Business, etc. and the Regulations for the Verification of Licenses, Formats and Other Aspects of Pachinko and Pachislot Machines," including pachinko payout regulations. This is expected to come into force on February 1, 2018.

Given these circumstances and future market forecasts, FIELDS intends to build a business foundation that will not be affected by changes in the market environment. Consequently, we are working on various measures such as reinforcing our distribution base, which is our strength, boosting relationships with partner manufacturers, and expanding our handled products. In addition, the FIELDS CORPORATION GROUP is planning to temporarily reduce the speed of investment in private brands.

Pachislot Regulatory Trends



Pachinko Regulatory Trends



Structure of related laws and regulations



Game

In the game field, there was a conspicuous slowdown in growth in the social games market in Japan, caused by increasing competition. Development and operating costs have continued upward due to the increased functionality of smartphones.

In FY03/17, social games titles using leading IP, such as AKB48, continued to contribute to the Group's earnings. Meanwhile, the delay in the release of new titles, termination of service for 3 existing titles, and the suspension of development of some consumer games due to business selection and focus resulted in earnings falling below those of the same period of the previous year.

Title Examples

THE TOWER OF PRINCESS



©FIELDS

AKB48 Stage Fighter



©AKS ©GREE, Inc.

AKB48 Group Official Music Game



©AKS ©S&P






Based on the Medium-Term Management Plan, FIELDS will promote global game development and game content development utilizing overseas game engines, in coordination with domestic and overseas partner companies, starting from IP that can be organized in the medium- to long-term, and we will attempt to monetize them.

Visual

In the visual field, with the rise of new platforms including SVOD (Subscription Video On Demand), it is anticipated that the market will expand remarkably both in Japan and overseas.

In FY03/17, we collaborated with powerful businesses in the entertainment industry and SVOD operators in the United States and other countries in the launch of visuals for seven IP, including the full-3D CG animation GANTZ:O, MAJESTIC PRINCE THE MOVIE, and TV anime ACTIVERAID - Special Public Security Fifth Division Third Mobile Assault Eighth Unit -, and BERSERK. As a result of promoting multiple visual projects, there was an increase in the visual-related amortization expense, plus an increase in production expenses for certain large projects undertaken by affiliates, leading to the recording of a temporary loss.

Major Broadcasts and Releases Works

GANTZ:O	MAJESTIC PRINCE THE MOVIE	ULTRAMAN ORB The Movie	ACTIVERAID – Special Public Security Fifth Division Third Mobile Assault Eighth Unit –	BERSERK
				
©奥浩哉／集英社・「GANTZ:O」製作委員会	©2016 創通・フィールズ／MJP製作委員会	©劇場版ウルトラマンオーブ製作委員会	©2016 創通・フィールズ・フライングドッグ／ACTIVERAID PARTNERS	©KENTAROU MIURA(STUDIO GAGA) HAKUSENSHA/BERSERK PARTNERSHIP

Moving forward, we will develop collaborative productions with United States and Chinese visual distributors and advance global development, based on the Medium-Term Management Plan. In addition, we will promote merchandising in the global market, using visuals as a hook, and utilize digital data of visuals to implement cross-media development such as games, and pachinko and pachislot machines, in conjunction with each business platform.

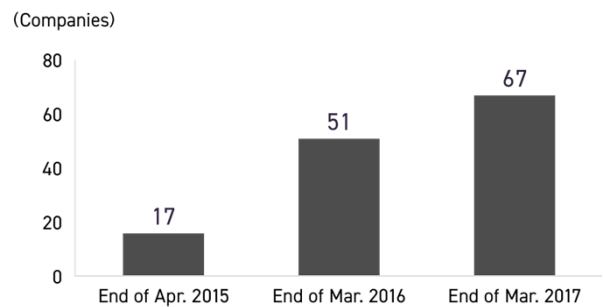
Licensing

In the license field, there has been a flurry of movement across the market to open up new opportunities both in Japan and overseas, such as the new usage of popular characters and licensing such characters in apparel for adults.

In FY03/17, we strengthened collaboration with leading companies in various business fields to expand the scope of the IP business and to establish a new licensing business. In addition, the Group promoted activities to establish partnership mainly in Asia, aiming to find market opportunities overseas. These efforts led to an increase in royalty revenue from the licensing of Ultraman series and other IP compared to the same period of the previous year.

In addition, A Man of Ultra, a conceptual license launched in 2015, won the Japan Brand License Award in June 2016, and we intend to accelerate its expansion further in the future.

A MAN of ULTRA: change in the number of license companies



A MAN of ULTRA



©A MAN of ULTRA ©TSUBURAYA PROD.

TOYOTA86×A MAN of ULTRA
M78×86



©A MAN of ULTRA ©TSUBURAYA PROD.

Pop-up Shops Image



©A MAN of ULTRA ©TSUBURAYA PROD.

Based on the Medium-Term Management Plan, we will make effective use of “Ultraman” IP not only in Japan, but also promoting partnerships with companies in Asia including China, and will also aim to expand license income in various media, such as games and merchandising.

Comic

In the comic field, the e-book market leveraging devices such as smartphones and tablet PCs is expanding steadily through popularization of subscription all-you-can-read services, while the market size for published materials, such as books and magazines, is shrinking.

In FY03/17, we began serialization of 4 new works through HERO'S Monthly comic magazine, bringing the total number of created works to 71. In addition, we have promoted a project for creation of visuals from the hero's IP created in this comic, including TV anime and SVOD services. In October 2016, we began distribution of an official app Comic HERO's. In addition, we promoted diversification of distribution methods in the e-book platform, and developed e-books and books in 11 languages in 24 countries and regions.

New Series Productions

Iris on the soles of the feet



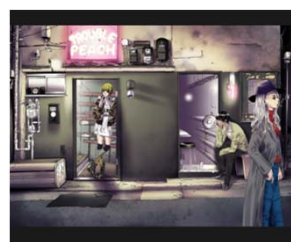
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CAPTAIN HANZOMON



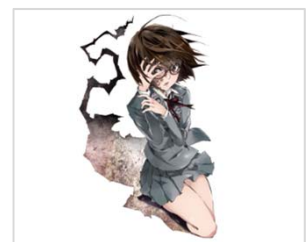
© Hiroyuki Takahashi / HERO'S

KINRYO ROCK



© Bingo Morihashi Manabu Akishige / HERO'S

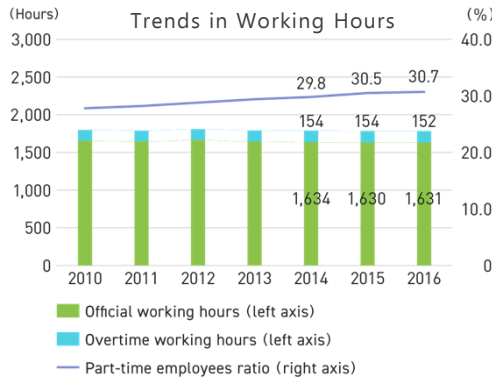
HIMENOSPIA



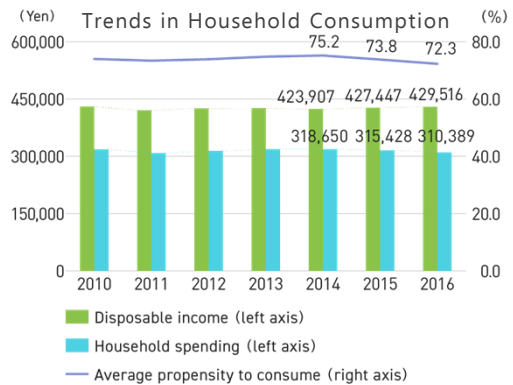
© Shinya Murata Nobuhiko Yanai / HERO'S

Market Data

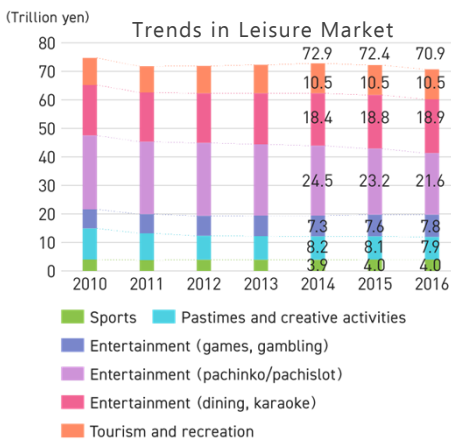
The Environment Surrounding Leisure



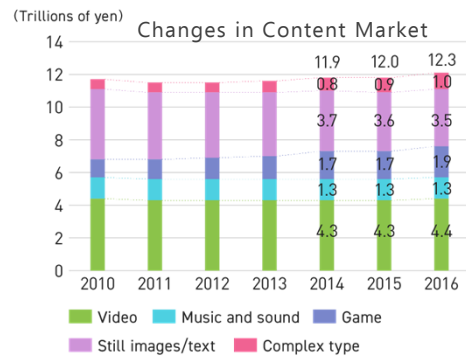
Source: Monthly Labor Survey, Ministry of Health, Labor and Welfare



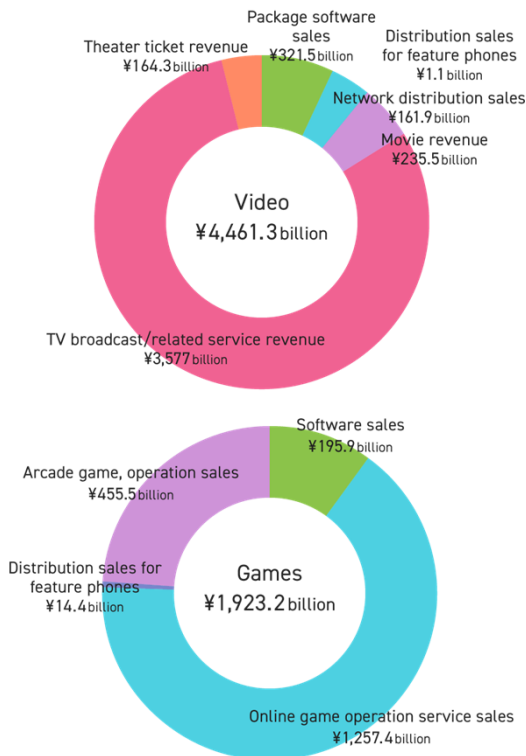
Source: Survey of Household Economy, Ministry of Internal Affairs and Communications



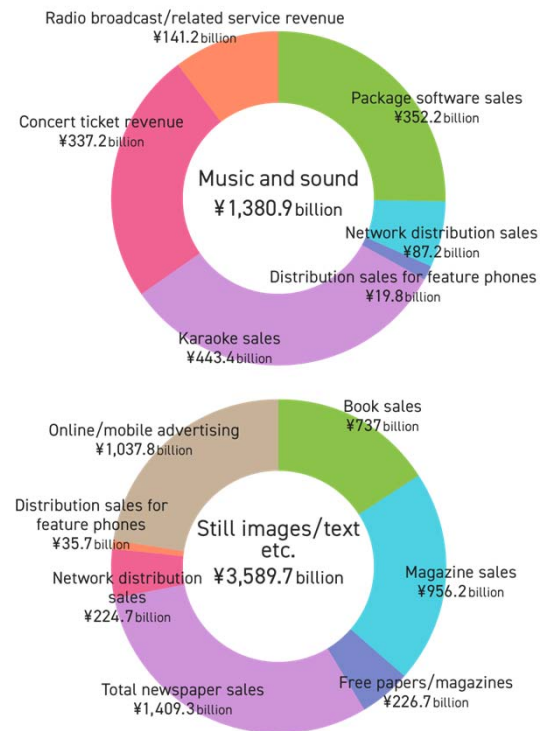
Source: White Paper on Leisure 2017, Japan Productivity Center



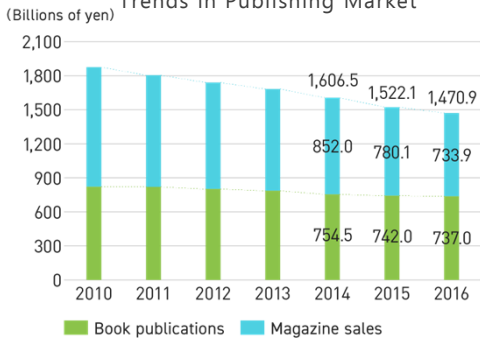
Source: White Paper on Digital Content 2017, Digital Content Association of Japan



Source: White Paper on Digital Content 2017, Digital Content Association of Japan

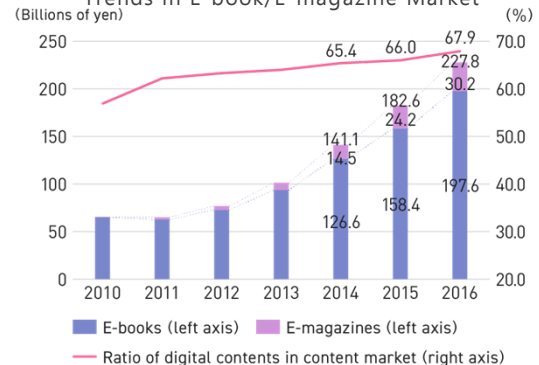


Trends in Publishing Market



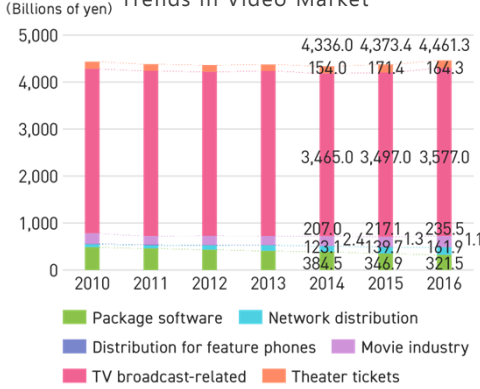
Source: White Paper on Digital Content 2017, Digital Content Association of Japan

Trends in E-book/E-magazine Market



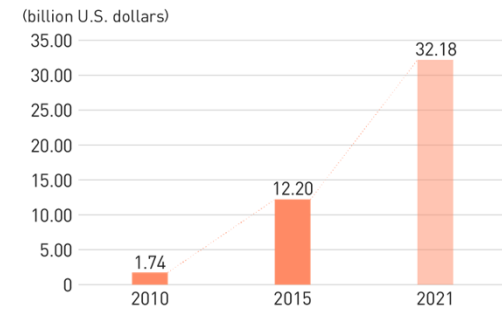
Source: White Paper on Digital Content 2017, Digital Content Association of Japan

Trends in Video Market



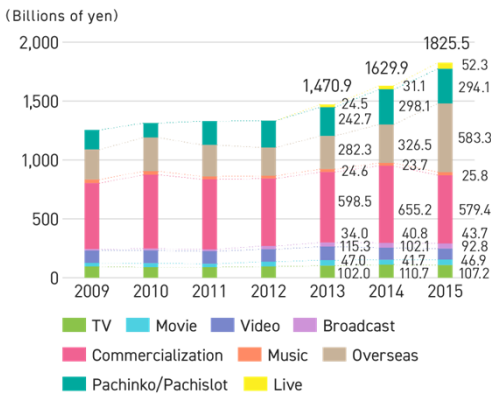
Source: White Paper on Digital Content 2017, published by the Digital Content Association of Japan

Global SVOD Market Forecast



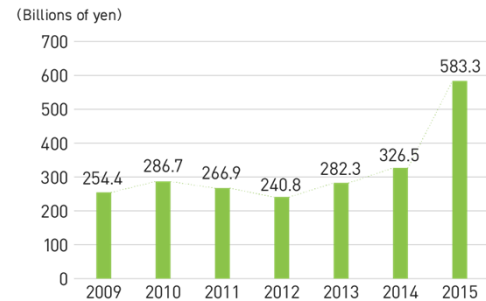
Source: Digital TV Research

Changes in Scale of Animation Industry Market



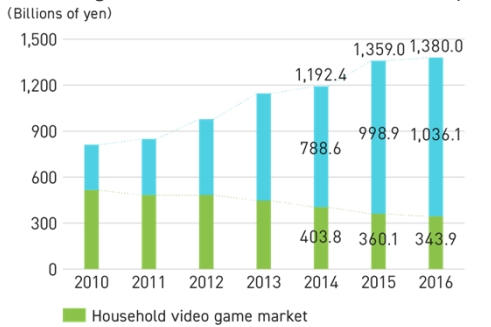
Source: Report on Japanese Animation Industry 2016, Association of Japanese Animation

Overseas Sales for Japanese Animation Industry Market



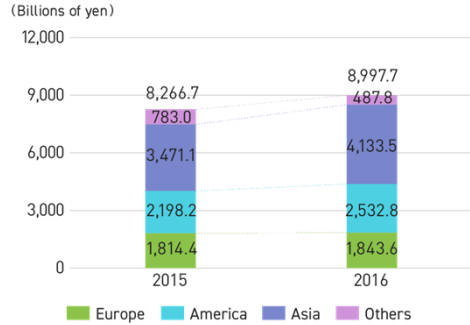
Source: Report on Japanese Animation Industry 2016, Association of Japanese Animation

Changes in Scale of Game Market in Japan



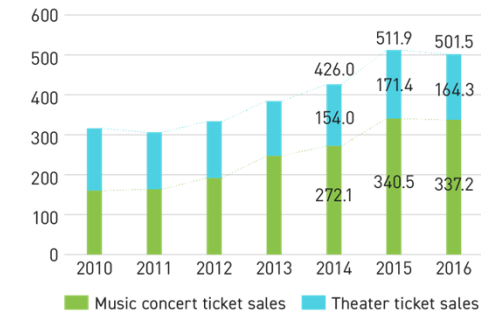
*Numerical values of less than ¥100 million have been rounded down.
Source: White Paper on Famitsu Games 2017, Gzbrain Inc.

Scale of Overseas Game Content Market



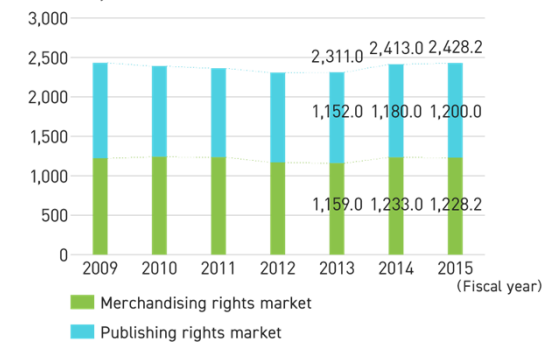
Source: White Paper on Famitsu Games 2017, Gzbrain Inc.

Changes in Live Entertainment Market
(Billions of yen)



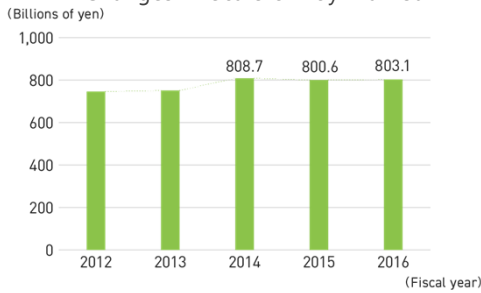
Source: White Paper on Digital Content 2017, published by the Digital Content Association of Japan

Trends in Character Business Market
(Billions of yen)



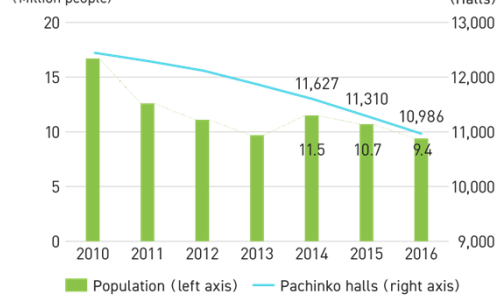
Source: Licensed Character Business in Japan: Key Research Findings 2016, Yano Research Institute, Ltd

Changes in Scale of Toy Market
(Billions of yen)



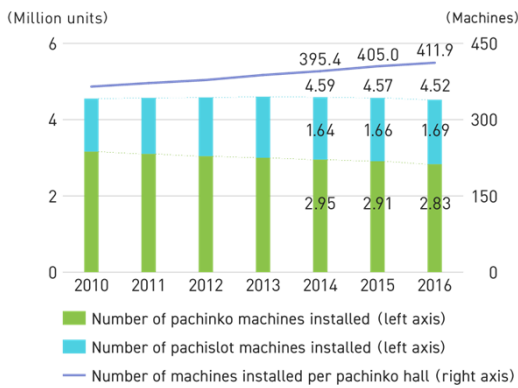
Source: Data released by the Japan Toy Association

Trends in Playing Population/
Changes in Number of Pachinko Halls
(Million people) (Halls)



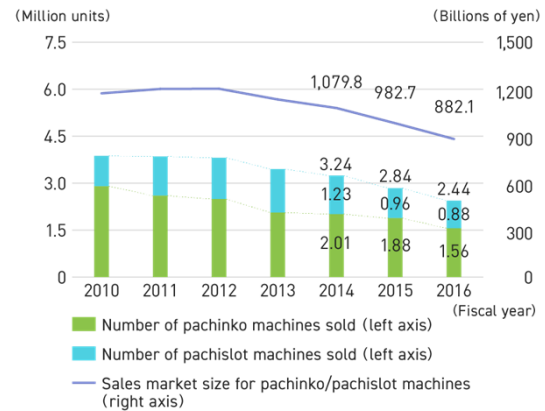
Source: White Paper on Leisure 2017, Japan Productivity Center
2016 White Paper on Adult Entertainment Businesses, National Police Agency

Changes in Number of Pachinko and Pachislot Machine Installations

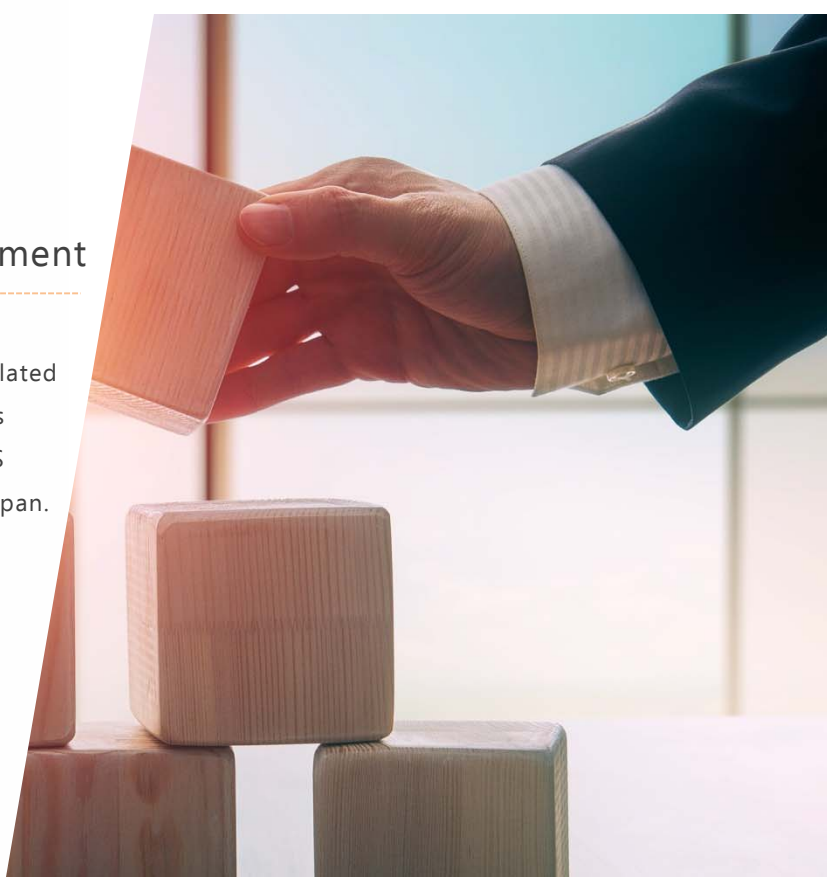


Source: 2016 White Paper on Adult Entertainment Businesses, National Police Agency

Changes in Pachinko and Pachislot Machine Sales



Source: Pachinko Maker Trends 2017, Yano Research Institute, Ltd



Financial Section

Consolidated Financial Statement

The accompanying consolidated financial statements in this section have been translated from the consolidated financial statements included in the Securities Report of FIELDS CORPORATION issued and submitted in Japan. In translating the consolidated financial statements, certain modifications and reclassification have been made for the convenience of readers.

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Consolidated Financial Statement

Consolidated Balance Sheet

FIELDS CORPORATION and its Consolidated Subsidiaries At March 31, 2017

	2016	2017	2017
	Millions of Yen	Thousands of U.S. Dollars (Note 1)	Thousands of U.S. Dollars (Note 1)
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 32,200	¥ 23,090	\$ 205,811
Notes and accounts receivable—trade	8,562	12,727	113,441
Electronically recorded monetary claims	1,142	2,108	18,789
Inventories	3,020	1,423	12,683
Merchandising rights advances	2,121	2,398	21,374
Deferred tax assets	724	136	1,212
Other current assets	5,181	4,043	36,037
Allowance for doubtful accounts	(20)	(73)	(650)
Total current assets	52,934	45,856	408,735
Property and equipment:			
Land	7,550	7,206	64,230
Buildings and structures	6,325	5,282	47,080
Tools and furniture	4,520	4,094	36,491
Machinery and vehicles	86	85	757
Construction in progress	70	127	1,132
Total	18,551	16,794	149,692
Less: Accumulated depreciation	(7,104)	(6,428)	(57,295)
Property and equipment, net	11,447	10,366	92,396
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates	4,180	3,272	29,164
Investment securities	5,536	4,951	44,130
Goodwill	1,298	1,007	8,975
Long-term loans receivable	9,729	8,156	72,698
Deferred tax assets	1,618	496	4,421
Other assets	6,925	6,433	57,340
Allowance for doubtful accounts	(1,193)	(144)	(1,283)
Total investments and other assets	28,094	24,174	215,473
Total assets	¥ 92,478	¥ 80,397	\$ 716,614

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheet

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND NET ASSETS	2016	2017	2017
Current liabilities:			
Notes and accounts payable—trade	¥ 12,749	¥ 12,792	\$ 114,020
Short-term bank loans	11,414	281	2,504
Current portion of long-term debt	8	2,600	23,174
Income taxes payable	690	126	1,123
Accrued bonuses	375	357	3,182
Accrued bonuses to directors and corporate auditors	214	—	—
Other current liabilities	4,355	4,317	38,479
Total current liabilities	29,809	20,475	182,502
Long-term liabilities:			
Long-term debt, less current portion	—	12,607	112,371
Net defined benefit liability	643	615	5,481
Other long-term liabilities	3,732	3,471	30,938
Total long-term liabilities	4,376	16,694	148,801
Net assets:			
Common stock:			
Authorized; 138,800,000 shares at March 31, 2016 and 2017			
Issued; 34,700,000 shares at March 31, 2016 and 2017	7,948	7,948	70,844
Capital surplus:			
Additional paid-in capital	7,994	7,994	71,254
Retained earnings	44,177	30,035	267,715
Treasury stock; 1,516,200 shares at March 31, 2016 and 1,516,300 shares at March 31, 2017	(1,821)	(1,821)	(16,231)
Accumulated other comprehensive loss:			
Unrealized loss on available-for-sale securities	(862)	(1,836)	(16,365)
Foreign currency translation adjustments	(2)	0	0
Remeasurements of defined benefit plans	(130)	(94)	(837)
Total accumulated other comprehensive loss	(994)	(1,930)	(17,202)
Non-controlling interests	987	1,002	8,931
Total net assets	58,291	43,227	385,301
Total liabilities and net assets	¥ 92,478	¥ 80,397	\$ 716,614

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2017	2017
Net sales	¥ 94,476	¥ 76,668	\$ 683,376
Cost of sales	68,995	59,027	526,134
Gross profit	25,480	17,641	157,242
Selling, general and administrative expenses	24,069	23,015	205,143
Operating income (loss)	1,411	(5,374)	(47,900)
Other income (expenses):			
Interest and dividend income	245	270	2,406
Interest expenses	(30)	(41)	(365)
Equity in losses of affiliates	(962)	(3,866)	(34,459)
Impairment loss	(79)	(620)	(5,526)
Loss on disposal of property and equipment	(55)	(239)	(2,130)
Gain on sale of investment securities	198	—	—
Purchase discount	485	159	1,417
Invest income from investment securities	183	0	0
Distributions from investments	101	67	597
Amortization of investments in capital	(138)	(158)	(1,408)
Loss on waiver of receivables from affiliates	(161)	(16)	(142)
Write-down of investments in affiliates	(144)	(8)	(71)
Provision for doubtful receivables from affiliates	(175)	(54)	(481)
Litigation costs	(89)	(352)	(3,137)
Funding costs	(8)	(252)	(2,246)
Other, net	121	(36)	(320)
Other expenses, net	(510)	(5,143)	(45,841)
Income (loss) before income taxes	901	(10,517)	(93,742)
Income taxes:			
Current	1,243	437	3,895
Deferred	(816)	1,269	11,311
Total income taxes	427	1,707	15,215
Net income (loss)	¥ 474	¥ (12,225)	\$ (108,966)
Attributable to:			
Owners of the parent	118	(12,483)	(111,266)
Non-controlling interests	¥ 356	¥ 257	\$ 2,290
Earnings per share:		Yen	U.S. Dollars (Note 1)
Basic earnings (loss) per share	¥ 3.58	¥ (376.19)	\$ (3.35)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2017	2017
Net income (loss)	¥ 474	¥ (12,225)	\$ (108,966)
Other comprehensive income (loss):			
Net unrealized loss on available-for-sale securities	(293)	(972)	(8,663)
Foreign currency translation adjustments	(0)	2	17
Remeasurements of defined benefit plans	(20)	35	311
Total other comprehensive loss	(314)	(933)	(8,316)
Total comprehensive income (loss)	¥ 159	¥ (13,159)	\$ (117,292)
Attributable to:			
Owners of the parent	¥ (196)	¥ (13,419)	\$ (119,609)
Non-controlling interests	356	260	2,317

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

	Shares		Millions of Yen		
	Number of Shares of Common Stock Issued	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock
Balance at April 1, 2015	34,700,000	¥ 7,948	¥ 7,994	¥ 46,049	¥ (1,821)
Net income attributable to owners of the parent	—	—	—	118	—
Cash dividends paid	—	—	—	(1,991)	—
Additional acquisition of a consolidated subsidiary's stocks	—	—	(0)	—	—
Net change of item other than shareholders' equity	—	—	—	—	—
Balance at March 31, 2016	34,700,000	7,948	7,994	44,177	(1,821)
Net loss attributable to owners of the parent	—	—	—	(12,483)	—
Cash dividends paid	—	—	—	(1,659)	—
Repurchase of treasury stock	—	—	—	—	(0)
Net change of item other than shareholders' equity	—	—	—	—	—
Balance at March 31, 2017	34,700,000	¥ 7,948	¥ 7,994	¥ 30,035	¥ (1,821)

Millions of Yen

	Other Comprehensive Income (Loss)			Non-controlling Interests	Total Net Assets
	Unrealized Loss on Available-for-sale Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans		
Balance at April 1, 2015	¥ (567)	¥ (1)	¥ (109)	¥ 753	¥ 60,246
Net income attributable to owners of the parent	—	—	—	—	118
Cash dividends paid	—	—	—	—	(1,991)
Additional acquisition of a consolidated subsidiary's stocks	—	—	—	—	(0)
Net change of item other than shareholders' equity	(294)	(0)	(20)	233	(81)
Balance at March 31, 2016	(862)	(2)	(130)	987	58,291
Net loss attributable to owners of the parent	—	—	—	—	(12,483)
Cash dividends paid	—	—	—	—	(1,659)
Repurchase of treasury stock	—	—	—	—	(0)
Net change of item other than shareholders' equity	(974)	2	35	14	(921)
Balance at March 31, 2017	¥ (1,836)	¥ 0	¥ (94)	¥ 1,002	¥ 43,227

Thousands of U.S. Dollars (Note 1)

	Common Stock	Additional Paid-in Capital		Retained Earnings	Treasury Stock
Balance at March 31, 2016	\$ 70,844	\$ 71,254		\$ 393,769	\$ (16,231)
Net loss attributable to owners of the parent	—	—		(111,266)	—
Cash dividends paid	—	—		(14,787)	—
Repurchase of treasury stock	—	—		—	(0)
Net change of item other than shareholders' equity	—	—		—	—
Balance at March 31, 2017	\$ 70,844	\$ 71,254		\$ 267,715	\$ (16,231)

Thousands of U.S. Dollars (Note 1)

	Other Comprehensive Income (Loss)			Non-controlling Interests	Total Net Assets
	Unrealized Loss on Available-for-sale Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans		
Balance at March 31, 2016	\$ (7,683)	\$ (17)	\$ (1,158)	\$ 8,797	\$ 519,573
Net loss attributable to owners of the parent	—	—	—	—	(111,266)
Cash dividends paid	—	—	—	—	(14,787)
Repurchase of treasury stock	—	—	—	—	(0)
Net change of item other than shareholders' equity	(8,681)	17	311	124	(8,209)
Balance at March 31, 2017	\$ (16,365)	\$ 0	\$ (837)	\$ 8,931	\$ 385,301

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2017	2017
Operating activities:			
Income (loss) before income taxes	¥ 901	¥ (10,517)	\$ (93,742)
Adjustments:			
Depreciation and amortization	2,273	1,760	15,687
Impairment loss	79	620	5,526
Amortization of goodwill	326	322	2,870
Purchase discount	(485)	(159)	(1,417)
Equity in losses of affiliates	962	3,866	34,459
Amortization of investments in capital	264	616	5,490
Gain on sale of investment securities	(198)	—	—
Notes and accounts receivable—trade	36,663	(5,249)	(46,786)
Inventories	86	1,533	13,664
Accounts payable—trade	(22,828)	(93)	(828)
Other	(1,533)	471	4,198
Subtotal	16,509	(6,831)	(60,887)
Interest and dividends received	257	260	2,317
Interest paid	(30)	(41)	(365)
Income taxes paid	(3,382)	(706)	(6,292)
Net cash provided by (used in) operating activities	13,353	(7,319)	(65,237)
Investing activities:			
Purchases of property and equipment	(946)	(559)	(4,982)
Proceeds from sale of property and equipment	638	643	5,731
Purchases of intangible assets	(848)	(370)	(3,297)
Payment for investments in capital	(138)	(969)	(8,637)
Increase in loans receivable	(7,121)	(4,640)	(41,358)
Collection on loans	2,502	2,037	18,156
Proceeds from purchase of newly consolidated subsidiaries' stocks	652	—	—
Proceeds from refund of investments in an unconsolidated subsidiary	3,110	—	—
Other	(40)	(68)	(606)
Net cash used in investing activities	(2,191)	(3,927)	(35,003)
Financing activities:			
Increase in short-term bank loans, net	7,400	(11,133)	(99,233)
Proceeds from long-term bank loans	—	15,500	138,158
Repayment of long-term banks loans	(42)	(300)	(2,674)
Cash dividends paid	(1,990)	(1,659)	(14,787)
Other	(127)	(269)	(2,397)
Net cash provided by financing activities	5,214	2,136	19,039
Foreign currency translation adjustments on cash and cash equivalents	0	0	0
Net increase (decrease) in cash and cash equivalents	16,377	(9,109)	(81,192)
Cash and cash equivalents at beginning of the year	15,823	32,200	287,013
Cash and cash equivalents at end of the year	¥ 32,200	¥ 23,090	\$ 205,811

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

The accompanying consolidated financial statements are translated into English from the consolidated financial statements issued domestically in Japan. Certain modifications and reclassifications have been made for the convenience of readers unfamiliar with Japanese GAAP presentation rules and methods. In addition, certain rearrangements have been made to the 2016 consolidated financial statements to conform to the classifications used in 2017.

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, 2017, which was ¥112.19 to U.S. \$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at that or any other rate.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

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

The difference between total acquisition costs and underlying fair value of the acquired company is recognized as goodwill, and is amortized on a straight-line basis over an estimated period of no more than 10 years.

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

Scope of Consolidation and Application of the Equity Method

Numbers of subsidiaries and affiliates at March 31, 2016 and 2017 are as follows:

	Number of Companies	
	2016	2017
Consolidated subsidiaries	16	14
Unconsolidated subsidiaries not accounted for under the equity method	6	3
Affiliates accounted for under the equity method	9	8
Affiliates not accounted for under the equity method	2	2

The consolidated subsidiaries and holding ratio of the Company at March 31, 2016 and 2017 are as follows:

	Number of Companies	
	2016	2017
Fields Jr. Corporation	100.0%	100.0%
Shinnichi Technology Co., Ltd.	100.0	100.0
MICROCABIN CORP.	100.0	100.0
Lucent Pictures Entertainment, Inc.	100.0	100.0
K.K. CROSSALPHA	100.0	100.0
Spiky Corporation	100.0	100.0
Total Workout premium management Inc.	95.0	95.0
FutureScope Corp.	94.4	94.4
Digital Frontier Inc.	86.9	86.9
BOOOM Corporation	51.0	51.0
Tsuburaya Productions Co., Ltd.	51.0	51.0
XAAX Inc.	51.0	51.0
Digital Frontier (Taiwan) Inc.	86.9	86.9
GEMBA Inc.	73.9	73.9
Fly Studio Sdn, Bhd	84.3	—
NEX ENTERTAINMENT CO., LTD.	69.8	—

Note:

Year ended March 31, 2016

The Company acquired 100% shares of K.K. CROSSALPHA (formerly known as KK Aristocrat Technologies, renamed on October 1, 2015). As a result, K.K. CROSSALPHA and Spiky Corporation, its subsidiary, became consolidated subsidiaries of the Company.

IP Bros. Inc., a former consolidated subsidiary, was absorbed into FutureScope Corp., a consolidated subsidiary, through a merger.

The following table summarizes proceeds from purchase of newly consolidated subsidiaries' stocks and fair value of assets and liabilities at the time of initiating consolidation:
(K.K. CROSSALPHA and Spiky Corporation)

	Millions of Yen
Current assets	¥ 2,952
Non-current assets	523
Goodwill	5
Current liabilities	(2,859)
Long-term liabilities	(607)
Acquisition cost	15
Cash and cash equivalents held by K.K. CROSSALPHA and Spiky Corporation	667
Proceeds from purchase of newly consolidated subsidiary's stocks	¥ 652

Year ended March 31, 2017

The Company sold all shares of Fly Studio Sdn, Bhd ("Fly") and excluded Fly from the scope of consolidation.
NEX ENTERTAINMENT CO., LTD. was liquidated and excluded from the scope of consolidation.

Cash Equivalents

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

Valuation of Inventories

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

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

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

Investment Securities

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

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

Property and Equipment

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

The ranges of useful lives of depreciable assets are as follows:

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

Accounting Standards Board of Japan ("ASBJ") Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets" (revised on May17, 2012), requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted future cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition. Acquisition costs of impaired long-lived assets are directly deducted in recognizing impairment losses.

Intangible Assets

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

Allowance for Doubtful Accounts

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

Accrued Bonuses

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

Retirement Benefits

The Company and certain consolidated subsidiaries have an unfunded defined benefit retirement plan with lump-sum payments, as well as defined contribution retirement plans.

Effective April 1, 2014, the Company applied ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" (issued on May 17, 2012), and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits" (issued on March 26, 2015), in accordance with Section 35 of the aforementioned standard and Section 67 of the aforementioned guidance. In applying the new standard and guidance, the Company reviewed the determination method of retirement benefit obligations and current service costs, and changed: (1) the method of attributing expected benefit to periods from the straight-line basis to the benefit formula basis; and (2) the method to determine the discount rate under which a single weighted average discount rate reflecting the estimated timing and amount of benefit payment is used.

Actuarial differences are amortized over the period of five years, which is within the average remaining service period of employees, using the straight-line method from the following fiscal year.

Certain consolidated subsidiaries applied the simplified method whereby the amount to be required for all employee's voluntary retirement at the year-end is regarded as the retirement benefit obligation.

Derivative Financial Instruments and Hedging Accounting

Japanese GAAP for derivative financial instruments:

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

Group's management policy for derivative transactions:

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

Risk management for derivative transactions:

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

Asset Retirement Obligations

Effective from the year ended March 31, 2011, the Company adopted ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations," and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." The accounting standard requires legal obligations associated with the retirement of long-lived assets to be recognized as the sum of the discounted cash flows required for future asset retirement at the time that the obligations are incurred. If the asset retirement obligation cannot be reasonably estimated, such obligation should be recognized as a liability in the period when it becomes reasonably estimated. Upon initial recognition of a liability, the cost is capitalized as part of the related long-lived assets and depreciated over the remaining estimated useful life of the related asset. The Company did not have any material asset retirement obligations at March 31, 2016 and 2017.

Income Taxes

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

Revenue Recognition

Revenue of the Group primarily consists of distribution sales and agency sales.

For distribution sales:

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

For agency sales:

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

Leases

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

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

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

Consumption Tax

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

Earnings Per Share ("EPS")

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

Diluted EPS for the years ended March 31, 2016 and 2017 is not presented because the Company did not have any kind of securities with potential dilutive effect.

Accounting Changes

In accordance with the revisions of the Corporate Tax Law, effective April 1, 2016, the Company applied ASBJ Practice Issued Task Force No. 32, "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (issued on June 17, 2016). In applying the new practical solution, the Company changed the depreciation method of buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method. The effect of the change of the depreciation method on the operating results was not significant.

Effective April 1, 2016, the Company applied ASBJ Statement No. 26, "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (issued on March 28, 2016).

Use of Estimates

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

3. INVENTORIES

Inventories at March 31, 2016 and 2017 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2017	2017
Merchandise	¥ 346	¥ 650	\$ 5,793
Work in process	2,596	686	6,114
Raw materials and supplies	78	87	775
Total	¥ 3,020	¥ 1,423	\$ 12,683

Loss on revaluation of inventories, which is included in cost of sales, for the years ended March 31, 2016 and 2017 was nil and ¥44 million (\$392 thousand), respectively.

4. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Policy for financial instruments

Basically, the Group's use of its surplus funds is limited to low-risk financial assets. The Group finances its working capital by short-term bank loans. For mid- or long-term cash demands, the way of raising funds is determined after considering the market environment and its purposes. The Group does not enter into derivative transactions for speculative purposes.

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

Notes and accounts receivable and electronically recorded monetary claims arise during the ordinary course of business and are subject to the credit risks of customers. Each division controls these risks by reviewing outstanding balances and due dates of each customer in accordance with internal rules for controlling receivables, as well as by monitoring customers' financial conditions to promptly obtain information about possible bad debts.

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

The Group enters into derivative contracts only with highly trustworthy financial institutions to reduce credit risk. The Planning and Administration Division controls these risks in accordance with internal rules for controlling derivative transactions

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

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

Financial instruments whose fair values are readily determinable at March 31, 2016 are as follows:

	Millions of Yen		
	Carrying Amount	Fair Value	Difference
Assets:			
(1) Cash and cash equivalents	¥ 32,200	¥ 32,200	¥ —
(2) Notes and accounts receivable	8,562		
Less: Allowance for doubtful accounts	(19)		
Net amount	8,542	8,542	—
(3) Electronically recorded monetary claims	1,142		
Less: Allowance for doubtful accounts	(0)		
Net amount	1,142	1,142	—
(4) Investment securities			
(a) Held-to-maturity securities	200	200	0
(b) Available-for-sale securities	5,006	5,006	—
(5) Long-term loans receivable	9,729		
Less: Allowance for doubtful accounts	(1,109)		
Net amount	8,619	8,629	10
Total	¥ 55,711	¥ 55,721	¥ 10
Liabilities:			
(6) Notes and accounts payable	12,749	12,749	—
(7) Short-term bank loans	11,414	11,414	—
(8) Current portion of long-term debt	8	8	0
(9) Income taxes payable	690	690	—
Total	¥ 24,863	¥ 24,863	¥ 0
Derivative transactions	¥ (13)	¥ (13)	¥ —

Notes:

(1), (2), (3), (6), (7) and (9)—As these items are settled within a year and have fair values approximately equal to their carrying amounts, they are stated at the carrying amounts.

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

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

(8)—Current portion of long-term debt comprises bank loans. Fair value of bank loans is stated at present value of the total amount of its principal and interest discounted by an assumed rate that would be applicable to bank loans financed under the same conditions.

Derivative transactions are calculated based on the prices provided by the counterparty financial institutions and stated at a net amount of derivative assets and liabilities.

Financial instruments which do not have quoted market prices and whose fair value is not reliably determinable are not included in the tables above. Such financial instruments at March 31, 2016 are as follows:

Millions of Yen	
Balance included in the consolidated balance sheet	
Investment securities	¥ 330
Investments in unconsolidated subsidiaries	26
Investments in affiliates	4,154
Total	¥ 4,510

Detailed information about investment securities is discussed in Note 5.

Financial instruments whose fair values are readily determinable at March 31, 2017 are as follows:

Millions of Yen			
	Carrying Amount	Fair Value	Difference
Assets:			
(1) Cash and cash equivalents	¥ 23,190	¥ 23,190	¥ —
(2) Notes and accounts receivable	12,727		
Less: Allowance for doubtful accounts	(42)		
Net amount	12,685	12,685	—
(3) Electronically recorded monetary claims	2,108		
Less: Allowance for doubtful accounts	(0)		
Net amount	2,107	2,107	—
(4) Investment securities			
(a) Held-to-maturity securities	200	199	(0)
(b) Available-for-sale securities	4,419	4,419	—
(5) Long-term loans receivable	8,156		
Less: Allowance for doubtful accounts	(61)		
Net amount	8,094	8,103	8
Total	¥ 50,698	¥ 50,706	¥ 8
Liabilities:			
(6) Notes and accounts payable	12,792	12,792	—
(7) Short-term bank loans	281	281	—
(8) Current portion of long-term debt	2,600	2,604	4
(9) Long-term debt	12,607	12,603	(4)
(10) Income taxes payable	126	126	—
Total	¥ 28,407	¥ 28,407	¥ 0

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Difference
Assets:			
(1) Cash and cash equivalents	\$ 206,702	\$ 206,702	\$ —
(2) Notes and accounts receivable	113,441		
Less: Allowance for doubtful accounts	(374)		
Net amount	113,067	113,067	—
(3) Electronically recorded monetary claims	18,789		
Less: Allowance for doubtful accounts	(0)		
Net amount	18,780	18,780	—
(4) Investment securities			
(a) Held-to-maturity securities	1,782	1,773	(0)
(b) Available-for-sale securities	39,388	39,388	—
(5) Long-term loans receivable	72,698		
Less: Allowance for doubtful accounts	(543)		
Net amount	72,145	72,225	71
Total	\$ 451,894	\$ 451,965	\$ 71
Liabilities:			
(6) Notes and accounts payable	114,020	114,020	—
(7) Short-term bank loans	2,504	2,504	—
(8) Current portion of long-term debt	23,174	23,210	35
(9) Long-term debt	112,371	112,336	(35)
(10) Income taxes payable	1,123	1,123	—
Total	\$ 253,204	\$ 253,204	\$ 0

Notes:

(1), (2), (3), (6), (7) and (10)—As these items are settled within a year and have fair values approximately equal to their carrying amounts, they are stated at the carrying amounts.

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

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

(8) and (9) —Long-term debt comprises bank loans. Fair value of bank loans is stated at present value of the total amount of its principal and interest discounted by an assumed rate that would be applicable to bank loans financed under the same conditions.

Financial instruments which do not have quoted market prices and whose fair value is not reliably determinable are not included in the tables above. Such financial instruments at March 31, 2017 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance included in the consolidated balance sheet		
Investment securities	¥ 330	\$ 2,941
Investments in unconsolidated subsidiaries	27	240
Investments in affiliates	3,245	28,924
Total	¥ 3,603	\$ 32,115

Detailed information about investment securities is discussed in Note 5.

Maturity analysis for financial assets at March 31, 2017 is as follows:

	Millions of Yen			
	Due within One Year	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
(1) Cash and cash equivalents	¥ 23,190	¥ —	¥ —	¥ —
(2) Notes and accounts receivable	12,727	—	—	—
(3) Electronically recorded monetary claims	2,108	—	—	—
(4) Investment securities				
Held-to-maturity securities	—	—	—	200
(5) Long-term loans receivable	—	9,691	—	—
Total	¥ 38,026	¥ 9,691	¥ —	¥ 200

	Thousands of U.S. Dollars			
	Due within One Year	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
(1) Cash and cash equivalents	\$ 206,702	\$ —	\$ —	\$ —
(2) Notes and accounts receivable	113,441	—	—	—
(3) Electronically recorded monetary claims	18,789	—	—	—
(4) Investment securities				
Held-to-maturity securities	—	—	—	1,782
(5) Long-term loans receivable	—	86,380	—	—
Total	\$ 338,942	\$ 86,380	\$ —	\$ 1,782

Notes:

(1) Long-term loans receivable in the tables above are stated after deducting the allowance for doubtful accounts of ¥2,336 million (\$20,821 thousand).

(2) Long-term loans receivable in the consolidated balance sheet are stated after deducting ¥3,870 million (\$34,495 thousand) because of applying the equity method.

5. INVESTMENT SECURITIES

(a) The following table summarizes information of held-to-maturity securities and available-for-sale securities with available fair values at March 31, 2016 and 2017:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Held-to-maturity securities:			
Balance included in the consolidated balance sheets	200	200	1,782
Fair value	200	199	1,773
Net unrealized gain (loss)	0	(0)	(0)
Available-for-sale securities:			
– Equity securities			
Acquisition cost	6,252	6,252	55,726
Fair value	5,006	4,419	39,388
Net unrealized loss	(1,246)	(1,832)	(16,329)

(b) The following table summarizes carrying value of available-for-sale securities whose fair value is not readily determinable at March 31, 2016 and 2017:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Stocks	¥ 330	¥ 330	\$ 2,941

(c) The following table summarizes information of available-for-sale securities sold during the years ended March 31, 2016 and 2017:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
– Other			
Proceeds	¥ 216	¥ –	\$ –
Realized gains	198	–	–

6. FAIR VALUE OF DERIVATIVE TRANSACTIONS

Fair values of the Group's derivative financial instruments at March 31, 2016 are as follows:

	Millions of Yen			
	2016			
	Contract Amount		Fair Value	Valuation Gain (Loss)
Within One Year	Over One Year			
Foreign currency forward contract (Non-listed) Long position: U.S. dollar	¥ 160	¥ —	¥ (13)	¥ (13)

Note:

The fair values in the table above are stated at an amount obtained from financial institutions, which are the counterparties of the derivative transactions.

No balances remained at March 31, 2017.

7. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment at March 31, 2016 and 2017 and, as a result, recognized impairment loss of ¥79 million and ¥620 million (\$5,526 thousand), respectively.

For the year ended March 31, 2016, ¥18 million of buildings and structures and ¥9 million of tools and furniture for a restaurant facility were written down to zero because the Company decided to discontinue the facility. In addition, ¥50 million of buildings and structures and ¥1 million of tools and furniture for an office space was written down to zero because the Company decided to relocate.

For the year ended March 31, 2017, asset groups with declined profitability and asset groups that the Group decided to relocate or discontinue were written down to zero. Such asset groups comprise ¥264 million (\$2,353 thousand) of buildings, ¥65 million (\$579 thousand) of tools and furniture, and ¥290 million (\$2,584 thousand) of intangible and other assets.

8. LEASES

The Group leases certain tools and furniture under operating lease contracts. The minimum rental commitments under non-cancelable operating leases at March 31, 2016 and 2017 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Due within one year	¥ 1,013	¥ 489	\$ 4,358
Due after one year	488	161	1,435
Total	¥ 1,501	¥ 651	\$ 5,802

9. SHORT-TERM BANK LOANS AND LONG- TERM DEBT

The average interest rates applicable to the short term bank loans were 0.34% and 0.30% at March 31, 2016 and 2017, respectively.

The following table summarizes the Group's long-term debt at March 31, 2016 and 2017:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Long-term debt:			
Long-term bank loans due September 30, 2026			
Current portion with weighted average interest rate of 1.32% in 2016 and 0.51% in 2017	¥ 8	¥2,600	\$ 23,174
Non-current portion with weighted average interest rate of 0.52% in 2017	—	12,607	112,371
Total	¥8	¥15,207	\$ 135,546

Assets pledged as collateral for long-term bank loans of ¥2,950 million (\$26,294 thousand) at March 31, 2017, which were required under the loan agreement entered into by a consolidated subsidiary and financial institutions, were ¥1,017 million (\$9,064 thousand) of buildings and ¥1,961 million (\$17,479 thousand) of land.

The Group pledges ¥100 million (\$891 thousand) of time deposit as collateral for long-term bank loans of a company other than the consolidated subsidiaries.

The aggregate amounts of annual maturity of long-term debt at March 31, 2017 are as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2018	¥ 2,600	\$ 23,174
2019	2,600	23,174
2020	2,600	23,174
2021	2,600	23,174
2022	2,357	21,009
2023 and thereafter	2,450	21,837
Total	¥ 15,207	\$ 135,546

10. CREDIT LINES

The Group entered into line of credit and overdraft agreements with banks for the purpose of efficient management of operation funds. The following is the summary of the line of credit at March 31, 2016 and 2017:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Total amount of the line of credit	¥ 32,000	¥ 30,000	\$ 267,403
Outstanding balance	(11,320)	(10,000)	(89,134)
Remaining amount of the line of credit	¥ 20,680	¥ 20,000	\$ 178,269

11. RETIREMENT BENEFITS

Changes in defined benefit obligation for the years ended March 31, 2016 and 2017, except for plans to which the simplified method is applied, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Beginning balance:	¥ 454	¥ 565	\$ 5,036
Current service cost	69	82	730
Interest cost	4	5	44
Actuarial gains and losses	70	(38)	(338)
Benefits paid	(33)	(34)	(303)
Ending balance	¥ 565	¥ 580	\$ 5,169

Changes in net defined benefit liability of the plans under the simplified method for the years ended March 31, 2016 and 2017 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Beginning balance:	¥ 67	¥ 78	\$ 695
Net periodic benefit costs	18	18	160
Benefits paid	(9)	(62)	(552)
Net defined benefit liability of newly consolidated subsidiaries	2	—	—
Ending balance	¥ 78	¥ 34	\$ 303

Reconciliation between the net defined benefit liability in the consolidated balance sheets and the balances of defined benefit obligation and plan assets as of March 31, 2016 and 2017 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Unfunded defined benefit obligation	¥ 643	¥ 615	\$ 5,481
Net defined benefit liability on the consolidated balance sheets	643	615	5,481
Net defined benefit liability	643	615	5,481
Net defined benefit liability on the consolidated balance sheets	¥ 643	¥ 615	\$ 5,481

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

Components of net periodic benefit costs for the years ended March 31, 2016 and 2017 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Service cost	¥ 69	¥ 82	\$ 730
Interest cost	4	5	44
Recognized actuarial gains and losses	44	55	490
Net periodic benefit costs under the simplified method	18	18	160
Net periodic benefit costs for the year	¥ 137	¥ 161	\$ 1,435

Other comprehensive income on defined retirement benefit plans for the years ended March 31, 2016 and 2017 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Actuarial gains and losses	¥ 25	¥ (93)	\$ (828)
Total	¥ 25	¥ (93)	\$ (828)

Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2016 and 2017 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Unrecognized actuarial gains and losses	¥ 187	¥ 94	\$ 837
Total	¥ 187	¥ 94	\$ 837

Assumptions used for the above plans for the years ended March 31, 2016 and 2017 are as follows:

	2016	2017
Discount rate	0.09%	0.09%
Expected rate of increase in compensation	1.87%	1.10%

Amounts of required contributions to defined contribution pension plans including the welfare pension plan as discussed in Note 2 for the years ended March 31, 2016 and 2017 were ¥48 million and ¥35 million (\$311 thousand), respectively.

12. CONTINGENCIES

In its agency services, the Company guarantees payments of customers (pachinko halls) to the sellers, manufacturers of pachinko and pachislot machines. The total amount of such guarantees at March 31, 2017 was ¥941 million (\$8,387 thousand).

13. INCOME TAXES

The significant components of deferred tax assets and liabilities at March 31, 2016 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Deferred tax assets:			
Retirement benefits for employees	¥ 197	¥ 159	\$ 1,417
Allowance for doubtful accounts	371	50	445
Accrued bonuses	121	110	980
Accrued bonuses to directors and corporate auditors	66	—	—
Write-down of investment securities	26	26	231
Write-down of investments in affiliates	124	—	—
Loss on devaluation of advances	77	97	864
Loss on devaluation of merchandising rights advances	88	53	472
Unrealized loss on available-for-sale securities	383	565	5,036
Enterprise taxes	49	10	89
Depreciation and amortization	360	409	3,645
Asset retirement obligations	142	120	1,069
Non-deductible cost of sales	—	336	2,994
Unrealized profits	327	406	3,618
Tax loss carryforwards	1,522	3,806	33,924
Other	458	445	3,966
Gross deferred tax assets	4,318	6,597	58,802
Valuation allowances	(1,954)	(5,929)	(52,847)
Total deferred tax assets	2,364	668	5,954
Deferred tax liabilities	25	42	374
Net deferred tax assets	¥ 2,338	¥ 625	\$ 5,570

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Deferred tax assets—current	¥ 724	¥ 136	\$ 1,212
Deferred tax assets—non-current	1,618	496	4,421
Deferred tax liabilities—non-current (included in other long-term liabilities)	4	7	62
Net deferred tax assets	¥ 2,338	¥ 625	\$ 5,570

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 year ended March 31, 2016 is as follows:

	2016
Statutory tax rate	33.1%
Adjustments:	
Per capita levy of inhabitants' taxes	4.9
Expenses not deductible for tax purposes	9.3
Income not taxable for tax purposes	(4.9)
Equity in earnings or losses of affiliates	35.3
Accrued bonuses to directors and corporate auditors	—
Change in valuation allowance	(72.8)
Amortization of goodwill	12.0
Change in the statutory income tax rate	29.2
Other	1.3
Effective income tax rate	47.3%

Reconciliation of the differences between the statutory tax rate and the effective income tax rate for the year ended March 31, 2017 is not presented because the Group recorded loss before income taxes.

14. NET ASSETS

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

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

15. RELATED-PARTY TRANSACTIONS

Transactions with and balances due to or due from related parties as of and for the years ended March 31, 2016 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
(Unconsolidated subsidiary)			
<i>Nishiazabu 2-chome Kaihatsu Project, LLC</i>			
Transactions during the year:			
Refund of investments	¥ 3,110	¥ —	\$ —
(Affiliate)			
<i>Bisty Co., Ltd.</i>			
Outstanding balances at year-end:			
Accounts receivable—trade	—	1,246	11,106
Accounts payable—trade	3,660	4,009	35,734
Transactions during the year:			
Commissions received	—	4,442	39,593
Purchase of merchandise	15,770	4,357	38,835
<i>NANASHOW Corporation</i>			
Outstanding balances at year-end:			
Long-term loans receivable	5,750	7,350	65,513
Other receivable	1,962	1,033	9,207
Accounts payable—trade	3,328	539	4,804
Transactions during the year:			
Loans	2,400	3,600	32,088
Purchase of merchandise	4,634	3,211	28,621
Repayment of loans	—	2,000	17,826
Transfer of materials	1,802	—	—
<i>MIZUHO CORP.</i>			
Outstanding balances at year-end:			
Long-term loans receivable	2,725	1,702	15,170
Transactions during the year:			
Loans	1,975	680	6,061

Notes:

- (1) Terms and conditions of the above transactions have been determined based on the arm's length and normal market price levels.
- (2) Transactions during the year figures do not include consumption taxes, whereas outstanding balances at year-end figures do.
- (3) Bisty Co., Ltd. is a wholly owned subsidiary of SANKYO Co., Ltd., a major shareholder of the Company.
- (4) During the year ended March 31, 2017, the Group provided ¥1,702 million (\$15,170 thousand) of an allowance for uncollectible account for the long-term loans receivable from MIZUHO CORP.
- (5) In applying the equity method to MIZUHO CORP., the long-term loans receivable in the above table have been eliminated on consolidation.

16. COMPREHENSIVE INCOME (LOSS)

Reclassification adjustments and tax effects on other comprehensive income (loss) for the years ended March 31, 2016 and 2017 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2017	2017
Net unrealized loss on available-for-sale securities:			
Losses arising during the year	¥ (204)	¥ (587)	\$ (5,232)
Reclassification adjustments	(198)	—	—
Amount before income tax effect	(403)	(587)	(5,232)
Income tax effect	(109)	385	3,431
Other comprehensive loss—net unrealized loss on available-for-sale securities	¥ (293)	¥ (972)	\$ (8,663)
Foreign currency translation adjustments:			
Losses arising during the year	¥ (0)	¥ 1	\$ 8
Reclassification adjustments	—	1	8
Amount before income tax effect	¥ (0)	¥ 2	\$ 17
Income tax effect	—	—	—
Other comprehensive income (loss)—foreign currency translation adjustments	¥ (0)	¥ 2	\$ 17
Remeasurements of defined benefit plans:			
Losses arising during the year	¥ (70)	¥ 38	\$ 338
Reclassification adjustments	44	55	490
Amount before income tax effect	(25)	93	828
Income tax effect	(5)	57	508
Other comprehensive income (loss)—remeasurements of defined benefit plans	¥ (20)	¥ 35	\$ 311
Total other comprehensive loss	¥ (314)	¥ (933)	\$ (8,316)

17. SUBSEQUENT EVENT

Year-end dividends

At the General Meeting of Shareholders held on June 21, 2017, the shareholders approved the payment of year-end cash dividends totaling ¥829 million (\$7,389 thousand), or ¥25.00 (\$0.22) per share.

18. SEGMENT INFORMATION

Segment information for the years ended March 31, 2016 and 2017 is not presented because of the single segmentation.

Independent Auditor's Report

We have audited the accompanying consolidated balance sheet of FIELDS CORPORATION and its consolidated subsidiaries as of March 31, 2017, and the related consolidated statement of income, comprehensive income, changes in net assets, and cash flows for the year then ended, expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FIELDS CORPORATION and its consolidated subsidiaries as of March 31, 2017, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 are presented solely for the convenience of readers outside Japan. Our audit also included the translation of yen amounts into the U.S. dollar amounts and, in our opinion, such translation has been made on the basis set forth in Note 1 to the consolidated financial statements.

BDO Sanyu & Co.

BDO Sanyu & Co.

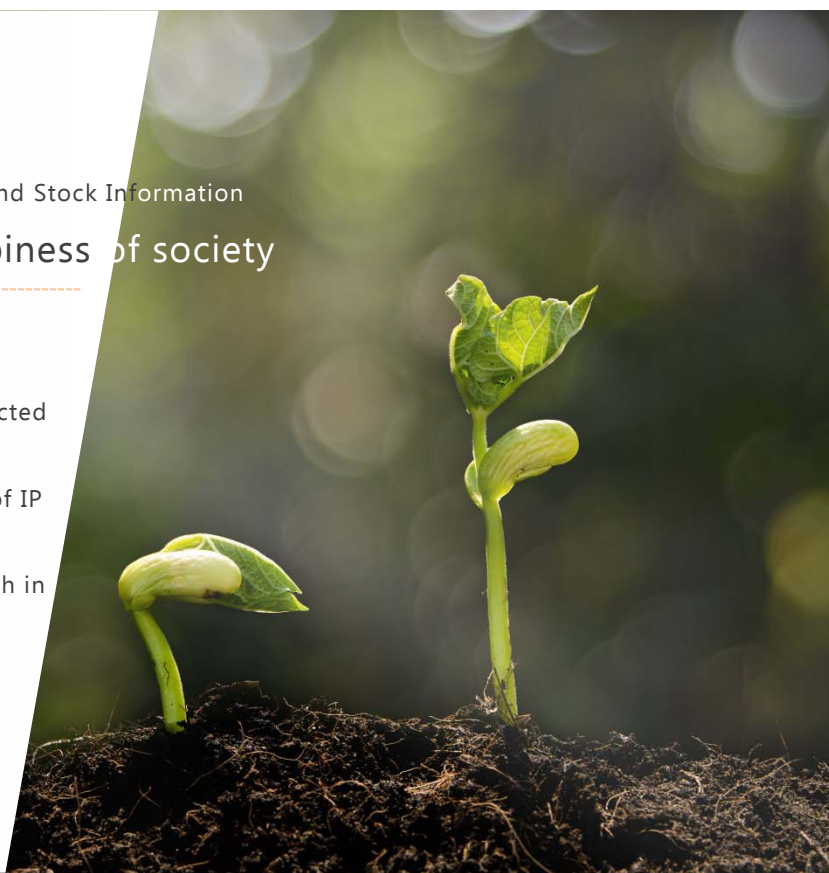
Tokyo, Japan

July 28, 2017

CSR / Corporate Governance / Company and Stock Information

For the contributing to happiness of society

In order to enhance IP value and improve profitability, the Group concentrates investments in a series of IP that are expected to become major products or that can be serialized, and focuses on the expansion of IP on a domestic and global scale through cooperation with its business partners both in Japan and overseas.



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FIELDS' CSR

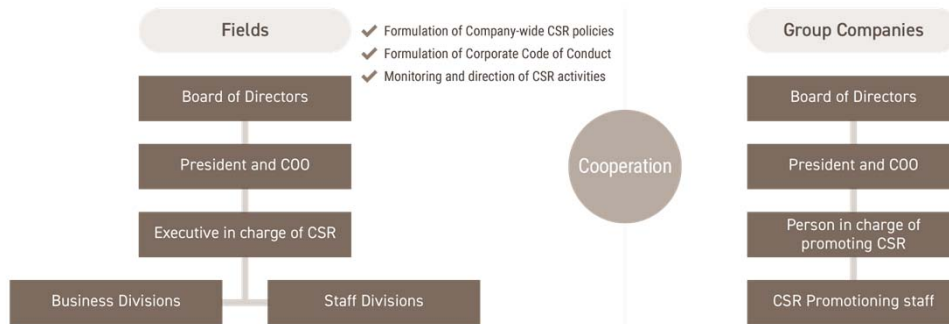
Basic CSR Policy

The mission of FIELDS is to provide "The Greatest Leisure for All People" as in its corporate philosophy. All officers and employees are conscious that corporate social responsibility (CSR) is corporate activity itself, and with a view to ongoing social and business development, the Company meets its social obligations to a variety of stakeholders based on this fundamental activity policy.

CSR Promotion System

At FIELDS, by striving to fulfill our corporate philosophy, we are united in undertaking our daily business activities to help bring about a richer society.

In terms of our system for promoting CSR, we have built a structure in which the position of the Executive in Charge of CSR is established directly under the Board of Directors, and management decisions made based on FIELDS' basic policy on CSR are spread to business and staff divisions. In collaboration with our Group Companies, we will continue to promote social contribution through our business activities throughout the FIELDS CORPORATION Group.



ULTRAMAN FOUNDATION

The FIELDS CORPORATION Group established the ULTRAMAN FOUNDATION in March 2011 in cooperation with Tsuburaya Productions Co., Ltd. and other Group companies willing to provide support. The Foundation is engaged in activities supporting people in regions affected by natural disasters, especially children, who are a light of hope for the future.

In 2017, the ULTRAMAN FOUNDATION celebrates seven years of effort, which coincided with the 50th anniversary of the broadcasting of the Ultraman Seven series. Taking advantage of this, the Foundation is organizing the Hero Caravan, which travels around Japan, visiting approximately 600 child welfare facilities together with Ultraman. These activities provide an opportunity to create dreams and hope for the children. We will continue to engage in these support activities and hope that it will open up a new era for the children to grow stronger.



ULTRAMAN FOUNDATION
official website
<http://www.ultraman-kikin.jp/en/>



ULTRAMAN FOUNDATION (©Tsuburaya Productions)

Corporate Governance

Outline

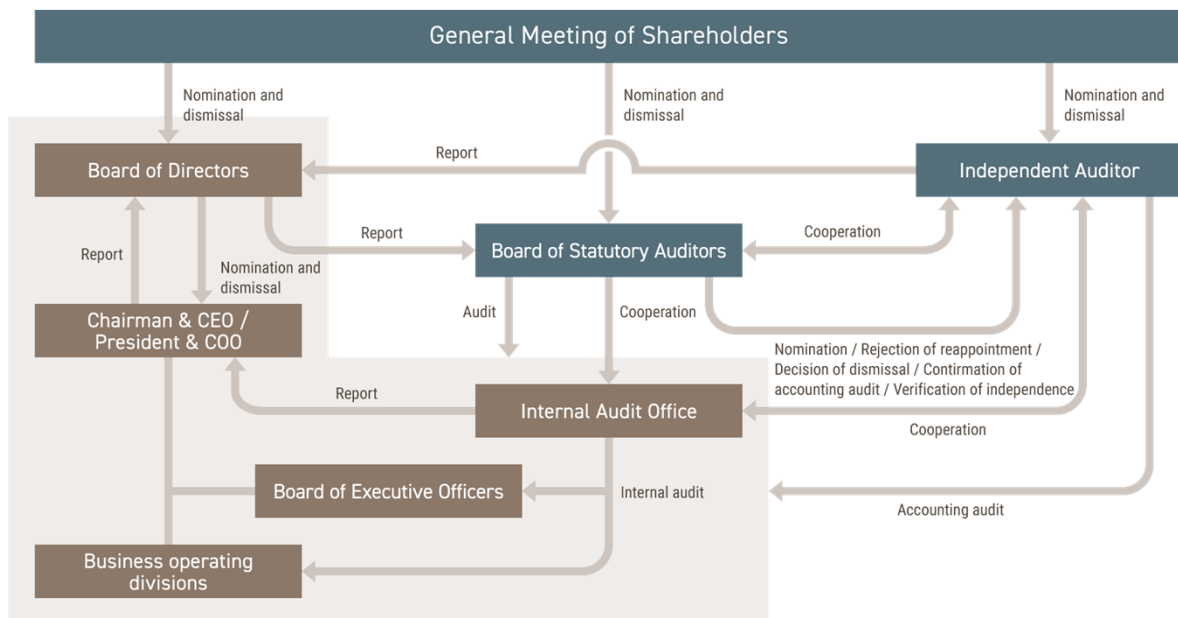
FIELDS' corporate philosophy and mission is to provide "The Greatest Leisure for All People," with the sustainable increase in corporate value as the basic principle guiding Company management. We think one of the important management issues in realizing this basic policy is ensuring that corporate governance functions effectively.

Initiatives to Strengthen Corporate Governance

We will enhance our corporate governance system by advancing reforms in our management structures and systems within the framework of the Board of Directors, the Board of Statutory Auditors, the Independent Auditor and the Board of Executive Officers. In addition, based on management policy, the FIELDS CORPORATION Group carefully discusses policies and measures, and promotes business that conforms to mutually agreed management plans. Furthermore, the term of office for Directors was changed from 2 years to 1 year, in order to build a management structure that is able to swiftly respond to changes in the business environment, and to clarify the management responsibilities of Directors in the fiscal year.

Since the Tokyo Stock Exchange began to apply its Corporate Governance Code, on June 1, 2015, FIELDS has been conducting extensive investigation into the establishment of an optimal governance structure targeting enhanced corporate value over the medium to long term and sustainable profit growth while ensuring management transparency and fairness.

Corporate Governance System



Directors, Auditors and Corporate Officers (As of June 30, 2017)

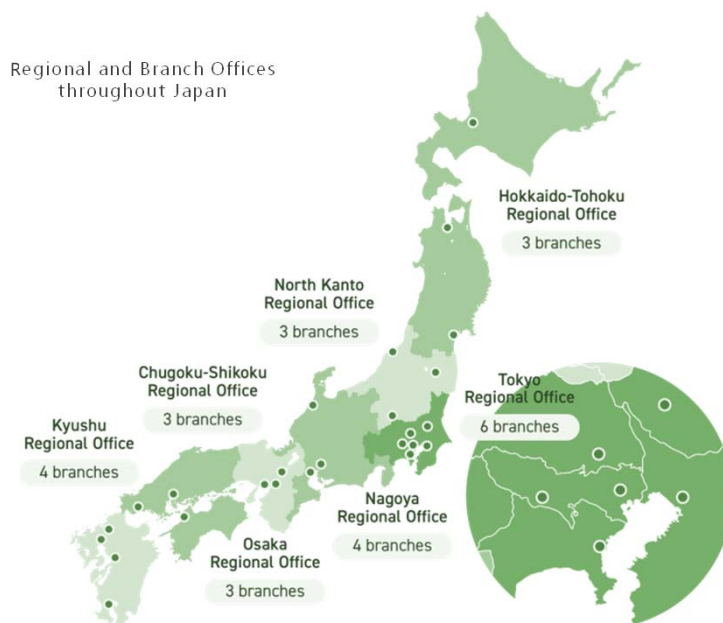
Chairman & CEO		Hidetoshi Yamamoto
President & COO		Tetsuya Shigematsu
Executive Vice President		Kiyoharu Akiyama
Senior Managing Director	Division Manager, Pachinko/Pachislot Business Division	Ei Yoshida
Managing Director		Masakazu Kurihara
Managing Director		Akira Fujii
Managing Director		Kenichi Ozawa
Director	Division Manager, Planning and Administration Division	Hiroyuki Yamanaka
Director		Teruo Fujishima
Director	Division Manager, Cross Media Business Management Division	Eiichi Kamagata
Outside Director		Shigesato Itoi
Standing Auditor (Outside Auditor)		Kenichi Ikezawa
Outside Auditor		Yoshika Furuta
Outside Auditor		Koichiro Nakamoto
Corporate Officer	General Manager, Legal Office	Toru Suenaga
Corporate Officer	General Manager, Corporate Communications Office	Hideaki Hatanaka
Corporate Officer	General Manager, Sales Management Department, Pachinko/Pachislot Business Management Division	Hideo Wakazono
Corporate Officer	EP, IP Marketing Office	Yosuke Ozawa
Corporate Officer	General Manager, Research and Development Office	Tadamasa Oshio
Corporate Officer	General Manager, IP Marketing Office	Noritada Shimizu
Corporate Officer	General Manager, Cross Media Business Department, Cross Media Business Management Division	Takao Yamamura

* EP stands for "Executive Producer."

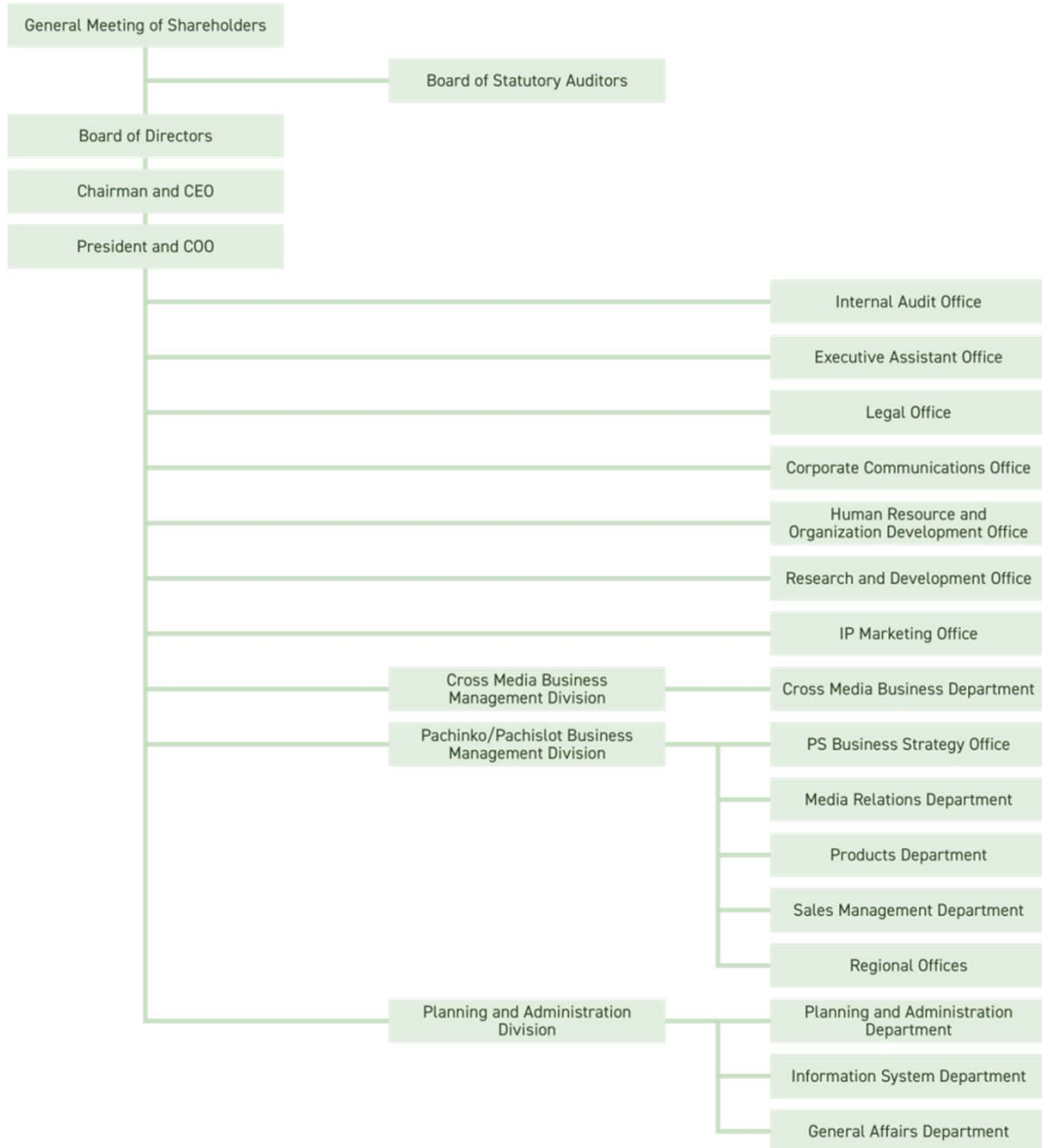
About FIELDS

Company Information (As of March 31, 2017)

Company name	FIELDS CORPORATION
Corporate philosophy	The Greatest Leisure for All People
Established	June 1988
Head office address	Shibuya Garden Tower, 16-17 Nampeidai-cho, Shibuya-ku, Tokyo 150-0036, Japan
Main business activities	<ol style="list-style-type: none"> 1. Development, planning and sales of characters and contents 2. Development, planning and sales of animation soft works 3. Development and planning of pachinko and pachislot machines 4. Purchase and sales of pachinko and pachislot machines
Common stock	¥7,948 million
Number of employees	1,713 (Consolidated); 784 (Non-consolidated)
Consolidated Subsidiaries	Lucent Pictures Entertainment, Inc. Digital Frontier Inc. Tsuburaya Productions Co., Ltd. BOOOM Corporation K.K. CROSSALPHA And others totaling 14 companies
Equity-Method Affiliates	HERO'S INC. Kadokawa Haruki Corporation And others totaling 8 companies



Organization (As of May 15, 2017)



Main Group Companies

	Company name	Paid-in capital (Million yen)	Holding Ratio of Voting Rights(%)	Main Business activities
Pachinko/ Pachislot	Fields Jr. Corporation	10	100.0	Pachinko/pachislot machine maintenance, etc.
	Shinnichi Technology Co., Ltd.	10	100.0	Development of pachinko/pachislot machines
	MICROCABIN CORP.	10	100.0	Planning and development of software for pachinko and pachislot machines
	K.K. CROSSALPHA	10	100.0	Development and production of pachinko/pachislot machines
	Spiky Corporation	100	100.0 (100.0)	Development and production of pachinko/pachislot machines
	BOOOM Corporation	10	51.0	Planning and development of pachinko/pachislot machines
	Mizuho Corp.	10	49.7	Planning, development, manufacturing and sales of pachinko/pachislot machines
	NANASHOW Corporation	40	38.9	Planning, development, manufacturing and sales of pachinko/pachislot machines
	SOUGOU MEDIA INC.	10	35.0	Planning and production related to sales promotions
Comics	HERO'S INC.	10	49.0	Planning, operation and production of comic magazine and character contents
Animation	Lucent Pictures Entertainment, Inc.	10	100.0	Planning, production and producing of animations
	Digital Frontier Inc.	31	86.9	Planning and production of CG, etc.
Movies/TV	SPO Entertainment Inc.	371	31.8	Planning, production and distribution of movie, etc.
Interactive Media	FutureScope Corp.	60	94.4	Service provider and mail order of mobile contents
Consumer Products	Total Workout premium management Inc.	5	95.0	Running fitness gym
	Tsuburaya Productions Co., Ltd.	310	51.0	Planning and production of movie and TV program

*The percentage of indirect ownership is indicated in parenthesis after the Company's voting rights ratio.

FIELDS' Advances

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

As entertainment in Japan entered a new era in the 1980s, we saw a business opportunity in the growing leisure time available to people. This marked the beginning of our move to create entertainment that would enrich people's lives.

In 1988, FIELDS' forerunner, Toyo Shoji Co., Ltd. was established. The company focused first on revitalizing the pachinko industry and making it sounder, with the aim of making it easier for many more people to enjoy the inherent entertainment value of pachinko machines as an ordinary part of life.

After that, the scale of Japan's pachinko/pachislot market expanded to ¥30 trillion. We also grew into the industry's largest distributor with a nationwide sales network, as we continued to anticipate and meet the diverse needs of pachinko halls and fans.

FIELDS' Transitions

- 1983 — Toyo Shoji founded
- 1987 — Construction of the Head Office building completed; Embarked on surveys and research into entertainment in general and computer management systems for pachinko and pachislot halls
- 1988 — Toyo Shoji Co., Ltd. (currently FIELDS CORPORATION) established, marking full-scale launch of the pachinko/pachislot machines sales business
- 1992 — Information service launched
 - 1992 — Leisure Nippon News Company acquired; Formulation of a vision for the pachinko industry began
 - Launched *Hall TV*, a pachinko hall management support system
 - 1994 — Launched *Pachinko Information Station*, a direct-to-hall communications satellite broadcast for the pachinko industry
 - Regional and branch offices were expanded throughout Japan to establish our foundation as a distributor
 - 1992 — Businesses in Tokyo and Kyushu region were expanded
 - 1995 — Businesses in Tohoku, Chugoku and Kansai regions were expanded
 - 2000 — Nationwide sales network was established

Entertainment & Pachinko/Pachislot History

● Entertainment ● Pachinko/Pachislot

- 1983 — Opened *Tokyo Disneyland*
 - Released the home video game console *Family Computer System*
- 1984 — Launched *JUNET*, Japan's first Internet service
- 1985 — Launched *Shoulder Phone*, Japan's first mobile phone
- 1985 — Enforcement of *New Amusement Businesses Law* (started the model certification test of pachinko and pachislot machines by Security Communications Association)
- 1987 — Started Japan's first direct-to-home Broadcasting Satellite (BS) service
- 1988 — Opened *Tokyo Dome*
- 1989 — Launched Japan's first direct-to-home Communications Satellite (CS) broadcasting service
- 1990 — Revised Pachinko and pachislot machines regulations (launch of CR pachinko machine)
- 1991 — Launched Pachinko machines mounted with color LCD screens
- 1993 — Opened First cinema complex in Japan
- 1994 — The pachinko and pachislot market expands to a ¥30 trillion
- 1995 — Strengthening of regulations for restricting the gambling aspect of pachinko machines
- 1996 — Number of pachinko machines installed reaches a record high 3.9 million

From 1998

Focusing on Developing Machines that Provide Greater Entertainment Value

In the 1990s pachinko and pachislot machines mounted with LCD screens brought the same appeal to these machines as media such as movies and television. The advent of larger LCD screens with higher quality, meanwhile, led to the emergence of a host of original intellectual property (IP) unique to the industry.

Viewing pachinko and pachislot machines as media, we moved to create more fans of the genre. To this end, we used our nationwide sales network to identify needs, and began taking steps to create pachinko and pachislot machines that utilize outstanding IP known widely throughout the public domain.

Together with building a structure for acquiring IP and relationships with talented creators and planners, we entered a business alliance with machine manufacturer Sammy Corporation. These and other efforts formed our single-minded focus on measures to enhance both the gaming and entertainment value of pachinko and pachislot machines.

In 1998, the number of pachislot machines installed, which had stalled in the several hundred thousands, broke the 1 million machine mark. We recognized this milestone would change pachinko and pachislot, and transform entertainment in Japan. This was the start of our full-scale shift toward IP.

FIELDS' Transitions

- 1999 — Obtained ISO 9002 certification (Sales Division) to provide superior operational quality to customers (migrating ISO 9001 in 2002)
- 2000 — Company name changed from Toyo Shoji Co., Ltd. to FIELDS CORPORATION
 - Forms alliance with leading manufacturers to develop pachinko and pachislot machines that leverage IP
 - 2001 — Alliance with Sammy Corporation formed; Exclusive sales of Rodeo brand machines began
 - 2003 — Alliance with SANKYO CO., LTD. formed; Exclusive sales of Bisty brand machines began
 - 2008 — Alliance with KYORAKU SANGYO formed; Exclusive sales of OK!! Brand machines began
 - 2009 — Alliance with Enterrise co., Ltd (CAPCOM CO., LTD. subsidiary) formed; Exclusive sales of Enterrise brand machines began
 - 2012 — Formed alliance with Universal Entertainment Corporation
 - 2013 — Formed alliance with D-light Co., Ltd.
 - 2014 — Formed alliance with NANASHOW Corporation
 - 2015 — Aristocrat Technologies (now CROSSALPHA) became a subsidiary
 - Spiky Corporation became a subsidiary (100% wholly owned subsidiary of Aristocrat Technologies (now CROSSALPHA))
 - Formed alliance with Daiichi Shokai Co., Ltd.
 - 2017 — Formed Basic Sale and Purchase Agreement with Sammy Corporation
- 2001 — Entered sports entertainment field
 - 2001 — Starting up professional Management Co., Ltd.; Entertainment production began
 - Established Total Workout Corporation to provide high-quality sports gyms
 - 2005 — Three sports-related subsidiaries merged and renamed Japan Sports Marketing Inc. (JSM Inc.)
 - 2007 — EXPRESS Inc. made a subsidiary
 - 2011 — Established Total Workout premium management Inc.
 - 2012 — Absorption of JSM Inc.'s fitness club business considering future growth and synergistic effects
 - 2013 — Absorption-type merger of EXPRESS Inc. aiming at improving management efficiency

Entertainment & Pachinko/Pachislot History

● Entertainment ● Pachinko/Pachislot

- 1998 — Released *Windows 98*
- 1998 — Opening of large-scale halls by leading pachinko hall operators accelerate
 - Number of pachislot machines installed exceeds one million
- 1999 — Launched *i-mode* proprietary internet service for mobile phones
- 1999 — Launched pachislot machines mounted with color LCD screens
 - Major pachinko and pachislot machines manufacturers launched a number of titles featuring original IP
- 2001 — Opened *Universal Studios Japan*
 - Opened *Tokyo DisneySea*
 - Released feature-length animation film *Spirited Away (Sen to Chihiro no Kamikakushi)*
- 2002 — Held a 2002 FIFA World Cup

From 2003 Toward the Multifaceted Development of IP

Amid diversifying media formats and growth in individual preferences, we strove to establish IP-driven business models to realize "The Greatest Leisure for All People."

Utilizing funds from our public offering and other opportunities afforded by our 2003 stock market listing, we focused on obtaining many merchandising rights to develop high-quality IP into products from companies that possess such IP in areas such as comics, animes, movies, TV dramas, music, games, and sports.

In addition, we formed alliances with outstanding creative production companies and companies with the talented human resources and cutting-edge technology, taking new steps to develop the merchandising rights we obtained in pachinko and pachislot and other media as well.

The start of the 21st century saw the use of characters and other IP across the full spectrum of media formats. For pachinko machines, roughly 70 percent featured IP of some kind. Recognizing that this trend could lead to IP exhaustion in the future, we made it our mission to eliminate this looming concern.

FIELDS' Transitions

- 2003 — Shares listed on the JASDAQ market; New IP-driven business model announced
- 2004 — Entered game field as part of multifaceted IP development
 - 2004 — Invested in D3 Publisher Inc.; Launched pachinko and pachislot machine simulator software
 - 2009 — Sold D3 Inc. shares to NAMCO BANDAI Games Inc.; Strengthened relationship with NAMCO BANDAI Games
- 2005 — Entered movie field to acquire IP and promote multifaceted IP development
 - 2005 — Invested in Kadokawa Haruki Corporation; Planning and production of many movies for the theater began
 - 2008 — Invested in SPO Entertainment Inc. (management of movie theaters); Promotion of trend-setting cinema complexes for independent films began
- 2006 — Entered online services field including mobile service for the acquisition, creation and multifaceted development of IP
 - 2006 — Invested in FutureScope Corporation; Developed mobile site, Fields Mobile
 - 2010 — Established IP Bros. by joint capital investment with NHN Japan Corporation; Developed pachinko and pachislot-related site Nanapachi
 - 2015 — IP Bros. Inc. absorbed into FutureScope Corp.
 - Distributed smartphone app THE TOWER OF PRINCESS and other five works
- 2007 — Entered visual field to acquire and cultivate IP
 - 2007 — Starting up Lucent Pictures Entertainment, Inc.; Planning and producing movie animation BERSERK THE GOLDEN AGE ARC trilogy
 - 2010 — Digital Frontier Inc. made a subsidiary; Providing high-quality video technology
 - 2011 — Digital Frontier (Taiwan) and Fly Studio SDN. BHD. (Malaysia) made a subsidiary to expand the visual production line overseas
 - 2012 — Starting up cross-media development of HERO'S work MAJESTIC PRINCE with SOTSU CO., LTD. and Toho Co., Ltd.
 - 2013 — Broadcasting TV anime MAJESTIC PRINCE
 - 2014 — Released APPLESEED ALPHA
 - 2016 — APPLESEED ALPHA received first prize by category for the VFX-JAPAN Awards 2016
 - Broadcasting TV anime BERSERK (first series) on MBS etc., Animeism, wowow
 - Released Full-3DCG animation movie GANTZ:O
 - Released MAJESTIC PRINCE THE MOVIE
 - Full-3DCG animation movie GANTZ:O received Best Picture in CG Animation category for the 2nd CGWORLD AWARDS
 - Sold all shares of Fly Studio SDN. BHD.(Malaysia)
 - 2017 — Broadcasting TV anime BERSERK (second series) on MBS etc., Animeism, wowow
 - Broadcasting TV anime ATOM THE BEGINNING on NHK

Entertainment & Pachinko/Pachislot History

● Entertainment ● Pachinko/Pachislot

- 2004 — Started social networking service *Facebook*
- 2004 — Revised pachinko and pachislot machines regulations
 - Relaxed pachinko machine regulations
 - Strengthened regulations to restrict the gambling aspect of pachislot machines
 - Launched pachinko machine *CR Neon Genesis Evangelion* based on new regulations
 - Release a host of machines featuring IP by major machine manufacturers
- 2006 — Started information service *Twitter*
 - Launched *Iseg* mobile digital terrestrial broadcasting
- 2006 — Number of pachislot machines installed exceeds two million
- 2007 — Launched *Kindle e-reader* equipped with communication functions
- 2007 — Transferred completely to new regulation machine in pachislot machine

From 2008

Eyeing the Continuous Acquisition, Creation and Cultivation of IP

From our beginnings as an independent distributor of pachinko and pachislot machines, we have now achieved substantial growth in the pachinko and pachislot field driven by IP.

Along the way, we have brought companies with high-quality IP rights like Tsuburaya Productions Co., Ltd. under our umbrella, and sought out higher-added value for our IP by building a more robust network of prominent companies and talented partners in every field. In parallel, the FIELDS CORPORATION Group has also welcomed companies skilled in comics, animation, visual and other specialized field.

During this time, the exhaustion of characters and other high-quality IP in the pachinko and pachislot industry worsened. In light of the situation, we opted to make a strategic shift to a business model centered on IP which continuously acquire, creation and cultivation of IP.

FIELDS' Transitions

- 2008 – Announced Medium-Term Management Plan for 5 years, eyeing the Continuous Acquisition, Creation and Cultivation of IP
- Entered video development field to enhance the entertainment of pachinko and pachislot
- 2008 – Established Shin-Nichi Technology Co., Ltd.
- 2009 – Established F Corporation (currently BOOOM Corporation)
- 2011 – MICROCABIN CORP. made a subsidiary
- 2011 – NEX ENTERTAINMENT CO., LTD. made a subsidiary
- 2013 – Established F Corporation (now XAAX Inc.)
- Entered digital comics field as part of multifaceted IP development efforts
- 2008 – Invested in Bbmf Magazine, Inc.; Digital comics distribution began
- 2010 – Established publishing company HERO'S Inc. by joint capital investment with Shogakukan Creative Inc.
- 2011 – Publishing of HERO'S Monthly magazine began
- 2012 – Launched HERO'S Comics
- Sold shares of Bbmf Magazine, Inc.
- 2016 – Distributed official comic app Comic HERO'S
- 2010 – Tsuburaya Productions Co., Ltd., owner of the Ultraman series and other high-quality IP, made a subsidiary
- 2011 – Broadcasting TV series Ultraman Retsuden (Ultra Zero Fight)
- 2013 – Broadcasting TV series New Ultraman Retsuden (Ultraman Giga, Ultraman Ginga S, ULTRA FIGHT VICTORY, Ultraman X)
- 2016 – Broadcasting ULTRAMAN ORB
- 2017 – Broadcasting ULTRAMAN ZERO THE CHRONICLE
- Broadcasting ULTRAMAN GEED

Entertainment & Pachinko/Pachislot History

● Entertainment ● Pachinko/Pachislot

- 2008 – Launched *iPhone 3G* in Japan
- 2008 – Expanded operating at low playing cost in pachinko and pachislot market, to diversifying needs of fans
- Pachislot machines utilizing high-quality IP revitalize the pachinko and pachislot market
- Launched pachinko machines linked with other media, including movies, TV, mobile and live theater
- 2010 – Box-office earnings in Japan reach record levels due to the rising popularity of 3D in movie field
- Conversion of Mobage and GREE to open platform
- Established *Cool Japan Office* in Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry
- 2011 – Analog terrestrial broadcasting discontinued and transferred completely to digital terrestrial broadcasting (excluding three prefectures affected by the Great East Japan Earthquake)
- 2012 – Launched *iPhone 5* and *4G LTE* service commences
- Achievement of record-breaking hit by *Pazdra (PUZZLE & DRAGONS)*
- 2012 – Shares of major pachinko hall operator listed on the Hong Kong Exchanges and Clearing

From 2012 / Toward the Maximization of IP Value

Since 2012, the spread of smartphones, tablets and other digital devices, along with high-speed internet and devices with greater storage capacity have enabled the casual enjoyment of comic, visual and game without dependence on a specific platform, leading to diversification in the way people spend their leisure time.

Also, with the enhance of internet environment, we have entered an age in which contents are in demand on a global basis. In anticipation of these trends, FIELDS announced the "Development Business Model" based on IP in May 2012. Then, FIELDS has promoted the cross-media development of IP through the acquisition, creation and cultivation of IP focused on the Japanese and global markets without reliance on specific media.

FIELDS' Transitions

- 2012 —Announced "Developing Business Model" based on characters and other IP with the aim of maximizing IP value
- Strengthened Group structure and network with external partners to raise IP value
- 2014 —Formed alliance with DLE Inc. to begin cross-media development of HERO'S work *SWORD GAI*
- 2015 —Collaborative development of conceptual licensing of *A MAN of ULTRA* with various companies and brands
- 2016 —Broadcasting TV anime *ACTIVERAID: Special Public Security Fifth Division Third Mobile Assault Eighth Unit* (first series)
- Broadcasting TV anime *ACTIVERAID: Special Public Security Fifth Division Third Mobile Assault Eighth Unit* (second series)
- A MAN of ULTRA* received *Japan Brand and Licensing Grand Prize for Character & Brand of the Year 2016*
- 2014 —Accelerated global development of IP
- 2014 —Created animation version of *APPLESEED ALPHA* in conjunction with Sony Pictures Entertainment (U.S.) released in the United States and Japan
- 2015 —Global distribution of *NINJA SLAYER FROM ANIMATION*
- Ultra heroes live shows held in China, Hong Kong, Thailand and Malaysia, etc.
- Accelerate global distribution of visual works through collaboration with Crunchy Roll (U.S), Tencent (China) and other SVOD operators.
- 2016 —Expanded distribution of e-books HERO'S works collaboration with China Mobile and Kidstone in China, and developed to North and South America, Europe and Korea
- Developed comics of HERO'S works in North and South America, Europe and Asia

Entertainment & Pachinko/Pachislot History

● Entertainment ● Pachinko/Pachislot

- 2013 —Tokyo is selected as host city for the 2020 Olympic and Paralympic Games
- 2014 —Implementation of voluntary regulations by industry bodies for both pachinko and pachislot machines
- 2015 —Scale of market for theme parks and amusement parks grows to largest ever
- Started video streaming service by Netflix
- Started video streaming service by Amazon Prime
- 2016 —Released animation film *Your Name. (Kimi no Na wa.)*
- 2016 —National Police Agency announces list of machines to be recalled related with possible performance variance from test machine and demands for removal within the current year
- Publication of *IR promotion law*

From 2017 Toward the Growth for Next 30 years

FIELDS will mark its 30th anniversary in Jun 2018. Toward the growth for next 30 years, we announced the Medium-Term Management Plan in May 2017.

We will contribute to the joy and happiness of people across Japan by returning to "planning and production capabilities" with an eye to the past/future of the market, the DNA of FIELDS since its founding, and providing hero's IP through various points of customer contact (business platform), and will further extend those IP and platforms (PF) throughout the world.

We will attempt to plan, develop and provide the products and services that enrich people's spirit and will continue striving toward the realization of its corporate philosophy "The Greatest Leisure for All People."

FIELDS' Transitions

- 2017 —Announced Medium-Term Management Plan for 3 years
- Acquisition of shares in No9 Inc. in the digital book platform

Entertainment & Pachinko/Pachislot History

● Entertainment ● Pachinko/Pachislot

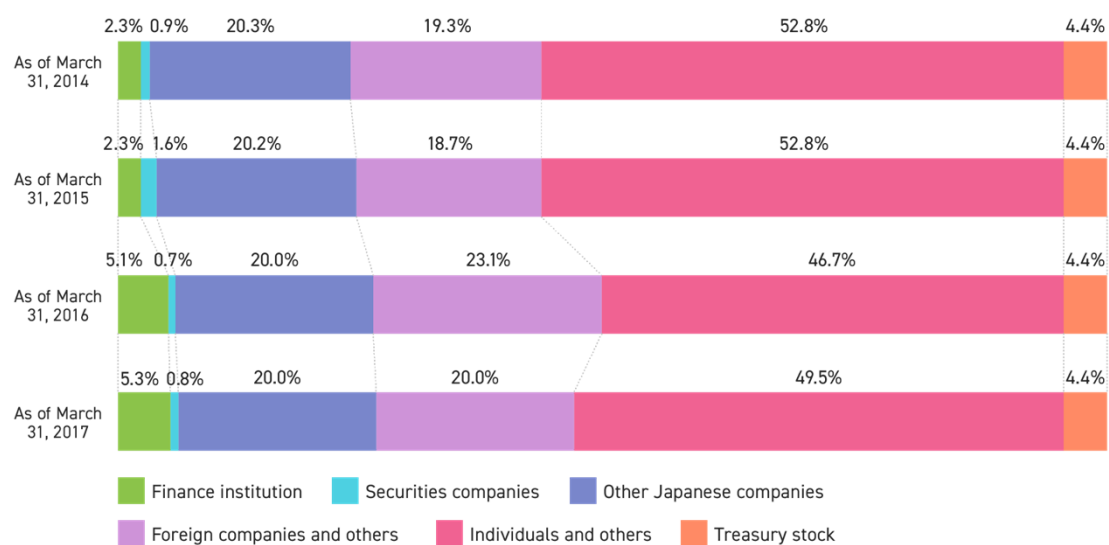
- 2017 —Revisions to Regulations etc. for Enforcement of Act on Control and Improvement of Amusement Business

Stock Information

Stock Information

Total authorized shares	138,800,000	Treasury stock	1,516,300
Total outstanding shares	34,700,000	Number of shareholders	7,745

By type of shareholder



Principal Shareholders

Name of Shareholders	Number of Shareholding shares held	Ratio
Hidetoshi Yamamoto	8,875,000	25.58%
SANKYO CO., LTD.	5,205,000	15.00%
Takashi Yamamoto	3,612,800	10.41%
NORTHERN TRUST CO. (AVFC) RE NVI01	1,835,100	5.29%
Mint Co.	1,600,000	4.61%
Treasury stock	1,516,300	4.37%
GOLDMAN, SACHS & CO. REG	1,089,200	3.14%
STATE STREET BANK AND TRUST COMPANY 505019	593,600	1.71%
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	573,600	1.65%
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	476,200	1.37%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	427,400	1.23%



FIELDS CORPORATION

Corporate Communications Office (IR)

16-17 Nampeidai-cho, Shibuya-ku, Tokyo 150-0036, Japan

Phone: +81-3-5784-2109 (dial-in number) Fax: +81-3-5784-2119



FIELDS Corporate website
<http://www.fields.biz/en/>



FIELDS IR website
<http://www.fields.biz/ir/e/>