Summary

(Translation)

Fields Corporation
Summary of Financial Statements and Business Results (Consolidated)
Year Ended March 31, 2007

May 14, 2007

Company Name:	Fields Corporation (URL: http://www.fields.biz)
Listed on:	JASDAQ (Stock code: 2767)
Head Office:	Tokyo
Representative Director:	Hidetoshi Yamamoto President, Representative Director and CEO
Inquiries:	Hiroyuki Yamanaka Director and General Manager, Planning and Administration Division

Planned Date for Ordinary General Meeting of Shareholders:	June 27, 2007
Planned Date for Start of Dividend Payment:	June 28, 2007
Planned Date for Submittal of the Financial Statements Report:	June 28, 2007

(Rounded down to the nearest million)

1. Business results for the year ended March 31, 2007 (April 1, 2006, to March 31, 2007)

(1) Operating results (Percentage figures denote year-over-year changes.)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2007	85,321	(−11.9)	8,944	(− 27.6)	9,202	(− 29.9)
Year ended March 31, 2006	96,814	(18.6)	12,348	(2.1)	13,127	(5.2)

	Net income		Net income per share	Diluted net income per share
	Millions of yen	%	Yen	Yen
Year ended March 31, 2007	3,710	(− 47.6)	10,692.29	—
Year ended March 31, 2006	7,085	(2.3)	20,118.14	—

	Return on equity	Ordinary income to total assets	Operating margin
	%	%	%
Year ended March 31, 2007	9.2	12.0	10.5
Year ended March 31, 2006	19.5	16.4	12.8

(Reference) Equity in earnings of affiliates
Year ended March 31, 2007: (¥92) million
Year ended March 31, 2006: ¥429 million

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2007	66,081	42,836	62.2	118,487.37
Year ended March 31, 2006	87,556	39,411	45.0	113,275.37

(Reference) Shareholders' equity
Year ended March 31, 2007: ¥41,115 million
Year ended March 31, 2006: ¥— million

(3) Cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2007	5,293	(4,772)	1,488	17,819
Year ended March 31, 2006	6,164	(2,224)	(1,540)	15,777

2. Dividends

(Record date)	Dividend per share			Total dividend (annually)	Payout ratio (consolidated)	Dividend on equity ratio (consolidated)
	Interim	Year-end	Annual			
	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2006	2,000.00	2,000.00	4,000.00	1,388	19.9	3.8
Year ended March 31, 2007	2,000.00	2,000.00	4,000.00	1,388	37.4	3.5
Year ending March 31, 2008 (Projections)	2,000.00	2,000.00	4,000.00		36.5	

3. Forecast earnings for the year ending March 31, 2008 (April 1, 2007, to March 31, 2008)

(Percentages denote year-over-year changes versus the corresponding year-earlier period.)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
First half	53,000	(12.5)	4,300	(− 8.9)	4,200	(− 15.7)
Full year	98,000	(14.9)	9,600	(7.3)	9,300	(1.1)

	Net income		Net income per share
	Millions of yen	%	Yen
First half	1,000	(− 55.1)	2,881.84
Full year	3,800	(2.4)	10,951.01

4. Other Information

(1) Transfer of important subsidiaries during the year under review (Transfer of specific subsidiaries that results in a change in the scope of consolidation) None

(2) Changes in accounting principles, accounting procedures, presentation method and others in association with the preparation of consolidated financial statements (Those which are stated in the "Basis of Presentation of the Consolidated Financial Statements")

1) Changes due to the revision to the accounting standards, etc. Yes
2) Changes due to any reason other than those in 1) above No

Note: For details, see "Basis of Presentation of the Consolidated Financial Statements" on page 22.

(3) Number of shares issued (common stock)

1) Number of shares issued (including treasury stock)
Year ended March 31, 2007: 347,000 shares Year ended March 31, 2006: 347,000 shares

2) Number of treasury stock at end of year
Year ended March 31, 2007: — shares Year ended March 31, 2006: — shares

Note: For the number of shares as the calculation basis for net income per share (consolidated), see the "Per-share data" on page 49.

(Reference) **Summary of Business Results (Non-Consolidated)**

1. Business results for the year ended March 31, 2007 (April 1, 2006, to March 31, 2007)

(1)Operating results (Percentage figures denote year-over-year changes.)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2007	71,314	(− 19.2)	8,999	(− 28.0)	9,393	(− 26.8)
Year ended March 31, 2006	88,251	(10.4)	12,497	(1.8)	12,836	(4.3)

	Net income		Net income per share	Diluted net income per share
	Millions of yen	%	Yen	Yen
Year ended March 31, 2007	4,773	(− 31.2)	13,755.49	—
Year ended March 31, 2006	6,934	(3.2)	19,681.88	—

(2) Financial position

	Total assets	Net assets	Shareholders' Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2007	57,509	42,001	73.0	121,042.25
Year ended March 31, 2006	82,304	39,242	47.7	112,787.63

(Reference) Shareholders' equity
Year ended March 31, 2007: ¥42,001 million
Year ended March 31, 2006: ¥— million

2. Forecast earnings for the year ending March 31, 2008 (April 1, 2007, to March 31, 2008)

(Percentages denote year-over-year changes versus the corresponding year-earlier period.)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
First half	46,000	(11.8)	4,700	(− 5.6)	4,800	(− 9.2)
Full year	75,000	(5.2)	8,400	(− 6.7)	8,500	(− 9.5)

	Net income		Net income per share
	Millions of yen	%	Yen
First half	800	(− 71.5)	2,305.48
Full year	2,800	(− 41.3)	8,069.16

Caution regarding forward-looking statements

The forward-looking statements made in this report such as performance perspective are based on currently available information and certain premises that are judged reasonable by management. There are many uncertain factors inherent in forecasting, and there might be cases in which actual results of future business operations and/or events differ from our forecasts depending on changes in diverse conditions. Please see "Operating Results and Financial Position, 1. Analysis of Operating Results" on page 5 with regard to the cautions in using assumptions as the premise for forecast earnings.

Operating Results and Financial Position

1. Analysis of Operating Results

<Overview of Operations for the Year>

Net sales for the year ended March 31, 2007, decreased 11.9% from the previous fiscal year to ¥85,321,144 thousand.

[PS (Pachinko/Pachislot) Field]

Net sales in the PS Field segment fell 19.4% year over year to ¥71,064,425 thousand. In the pachinko machine sales business of Fields Corporation ("the Company"), the number of units sold increased 4.9%. However, pachislot machine sales remained sluggish due to weak demand for replacement with the five new regulation machines, which were launched during the fourth quarter, resulting in a 22.9% decline in units sold.

[Game Field]

Net sales in the Game Field segment surged 95.3% to ¥9,847,658 thousand, mainly due to successful sales of game software products in North America by D3 Inc., our significant consolidated subsidiary in this business segment.

[Other Field]

Net sales in the Other Field segment increased 22.4% to ¥4,409,061 thousand, principally due to considerable increases in sales from the copyright-related and sports-related athlete management businesses of Japan Sports Marketing Inc., a leading consolidated subsidiary in this business segment.

Operating income decreased 27.6% year over year to ¥8,944,975 thousand.

[PS Field]

Operating income of the PS Field was ¥9,073,848 thousand, a decline of 28.6% year over year. This decrease reflected the Company's weak sales of pachislot machines and an increase in sales promotion expenses to stimulate replacement with the new regulation pachislot machines.

[Game Field]

Operating income of the Game Field was ¥220,149 thousand, a decline of 20.7% year over year. This decrease mainly reflected a temporary reduction in orders because business restructuring by thinkArts Co., Ltd., a newly consolidated subsidiary for the development of graphic software, was in progress although D3's game software sales business was successful.

[Other Field]

An operating loss of ¥513,444 thousand, a decrease in losses of 21.7% year over year, was recorded in the Other Field, reflecting sluggish performance of the fitness gym operation as the mainstay solution business of Japan Sports Marketing Inc. and due to the newly started investment in movie, animation titles and other areas by Fields Pictures Corporation, which has become a consolidated subsidiary effective from the year under review.

Ordinary income decreased 29.9% year over year to ¥9,202,537 thousand.

Non-operating income decreased 47.0% to ¥439,008 thousand. This decline was mainly attributable to a reduction of equity method investment gain from Rodeo, an equity method affiliate.

Non-operating expenses rose 270.6% to ¥181,446 thousand. This rise was mainly attributable to an increase in interest expense due to fund procurement by D3.

Net income decreased 47.6% year over year to ¥3,710,224 thousand.

This decline was mainly attributable to the posting of ¥1,086,070 thousand in extraordinary losses consisting of such factors as a ¥743,948 thousand loss on disposal of fixed assets, which was incurred by the Company in association with the renewal of an internal information system, and a ¥214,809 thousand impairment loss on fixed assets at Fields. Such extraordinary losses were partly offset by extraordinary income of ¥110,527 thousand including a ¥79,218 thousand gain on investment in anonymous association.

<Analysis by Business Segment>

(1) PS Field

In the fiscal year ended March 31, 2007, the business environment surrounding pachinko halls (our users) changed considerably.

For the old regulation pachislot machines, the period from the summer to the autumn of 2006, the *Yoshimune* and *Hokuto-no-Ken,* the popular and profit-gaining models, which fell under the so-called Category A (models that had been authorized and passed official examination before the Regulation Revision was implemented in July 2004 and for which the installation deadline was three years after the official examination) of the old regulation pachislot machines (so-called Regulation 4.0, 4.1, 4.5 and 4.7), were removed from pachinko halls. Instead, Regulation 4.7 machines, which fell either under Category B (models that had been authorized before the Regulation Revision in July 2004 and passed the official examination after the Regulation Revision and for which the installation deadline was until June 30, 2007) or Category C (models for which an application for examination was submitted before the Regulation Revision in July 2004 and authorized after the Regulation Revision and for which the installation deadline was the date of acquisition of the relevant permit), were implemented on a widespread basis. The profitability of pachinko halls declined as the popular, highly profitable Category A pachislot machines were removed from pachinko halls and replacement expenses were incurred for the installation of the Regulation 4.7 machines.

During the period from the autumn of 2006 to the spring of 2007, the replacement of machines to the new regulation pachislot machines (so-called Regulation 5 machines) advanced gradually to compensate for the removal of such popular models as the Category A *JUGGLER* series. Nevertheless, a further increase in replacement expense led to a decline in profitability at most pachinko halls.

As a result, pachinko halls tended to purchase pachinko machines with higher profitability in the autumn of 2006 and later to compensate for the decline in profitability against a backdrop of drastic changes in the pachislot machine business environment. This purchasing trend accelerated the adoption of major copyrights of quality characters and superior planning and direction.

In these circumstances, the Company’s performance in the pachinko machine sales business remained steady into the fourth quarter thanks to the launch of *CR Neon Genesis Evangelion—‘Kiseki no Kachiwa,’* which features “killer” content. Conversely, in the pachislot machine sales business, although sales performed well until the third quarter, sales were flat in the fourth quarter because many pachinko halls, which suffered from a decline in profitability, postponed the implementation of the Regulation 5 machines until the spring of 2007 or later when the installation deadline for the Regulation 4.7 machines was also fast approaching.

Operating results in the PS Field segment were as follows:

(Pachinko machine sales business)

During the year ended March 31, 2007, sales of pachinko machines supplied by allied machine manufacturers performed well; in particular, sales of Bisty Co., Ltd., increased 11.5% year over year.

Major machine titles sold during the year under review were *Neon Genesis Evangelion: Second Impact* (with approximately 36,000 units sold in the year for an aggregate of 161,000 units), which was introduced in the previous fiscal year; *CR Shin-Sangokumuso* (released in the first quarter and selling approximately 27,000 units in the year), which has adopted KOEI Co., Ltd.’s popular game content; *CR Matsuura Aya* (released in the second quarter and selling approximately 41,000 units in the year), in which a leading idol talent appears as part of the game content; and *CR Salaryman Kintaro* (released in the third quarter and selling approximately 28,000 units in the year), in which representative work of comic artist Hiroshi Motomiya is included as content. The merchandising of these outstanding content products steadily helped to increase sales performance.

In the fourth quarter, in particular, *CR Neon Genesis Evangelion—‘Kiseki no Kachiwa,’* which is the third title in the series and features our “killer” content, was launched with high expectations. The title has been extremely popular, achieving record sales of approximately 169,000 units (with aggregate sales of approximately 187,000 units to date) surpassing the previous record set by the series’ second title (with aggregate sales of 161,000 units).

As a result, the number of pachinko machines sold during the year (April 1, 2006–March 31, 2007) totaled 345,823 units for nine new models, resulting in a 4.9% sales increase, compared with 329,661 units for the previous year.

(Pachislot machine sales business)

During the year ended March 31, 2007, sales of machines supplied by allied pachislot machine manufacturers performed successfully until the end of the third quarter, but sales of the new regulation machines were weak in the fourth quarter.

Sales during the year performed firmly until the end of the third quarter primarily due to the mainstay old regulation pachislot machines such as *Ore-no-Sora* (with approximately 25,000 units sold in the year for an aggregate of 130,000 units), which was introduced in the previous fiscal year, and *TOMB RAIDER* (released in the second quarter and selling approximately 61,000 units in the year), the last old regulation pachislot machine. At the same time, our “WE LOVE PACHISLOT” campaign promoted the new regulation machines, developing potential customers and expanding the operation of the regulation-compliant models at pachinko halls.

We proactively committed to promote the new regulation machines, receiving high evaluation for our initiative. Such efforts included the opening of simultaneous launch exhibitions for the five selected new regulation models—*Karate Baka Ichidai, GTO* (sales ongoing), *PREMIUM Dynamite!, Sakigake!! Otoko Juku* (sales ongoing) and *SHERLOCK HOUND* (sales ongoing)—in synchronization with the anticipated replacement demand for the new regulation machines in the fourth quarter to help the pachinko halls introduce the compliant models. These models were carefully selected from an abundant variety of models that had been verified by the Security Electronics and Communications Technology Association. Nevertheless, the number of units sold failed to reach the targets for the new regulation models released in the fourth quarter due to such factors as decreased financial procurement capabilities of many pachinko halls.

As a result, the number of pachislot machines sold during the year (April 1, 2006–March 31, 2007) totaled 165,424 units for 11 new models, resulting in a 22.9% sales decline, compared with 214,660 units for the previous year.

(Changes of representative performance indicators in the PS Field segment)

(Thousands of yen)

	First half ended September 30, 2005	Fiscal year ended March 31, 2006	First half ended September 30, 2006	Fiscal year ended March 31, 2007
Net sales	Indicators newly established at the end of fiscal 2006	88,168,782	40,966,146	71,064,425
Operating income (loss)		12,711,000	5,026,461	9,073,848

(2) Game Field

In the Fields Group, the Game Field is deemed an important segment in the content cross-media business. In the game software sales business, in addition to the domestic market, we began investing in sales of software titles for overseas markets centering on North America and Europe two years ago.

In the domestic market, we released a variety of products by shifting our marketing focus to sales of the *SIMPLE Series*, which is structured on a new platform. In addition, we continued to sell certain simulator software products for pachinko/pachislot machines as a synergy business with the group companies and focused efforts on the sale of game software with high entertainment features for the targeted family-based and female customers.

In the mobile content delivery business, we focused on acquiring light users and enhanced mobile content in conjunction with the consumer game software sales business. In addition, we newly started the delivery of rich game content for mobile phone users while encouraging various uses of our content.

As for overseas business development in North America and Europe, we pursued strategic business initiatives taking into account regional characteristics and launched the first global content in these regions as the first step toward the global use of our content.

The operating results of this segment reflect and include those of thinkArts Co.,Ltd, a newly consolidated subsidiary for the development of graphic software. This corporation started developing both game software and graphic software for pachinko/pachislot machines through an enhanced collaboration with several group companies.

(Changes of representative performance indicators in the Game Field segment)

(Thousands of yen)

	First half ended September 30, 2005	Fiscal year ended March 31, 2006	First half ended September 30, 2006	Fiscal year ended March 31, 2007
Net sales	Indicators newly established at the end of fiscal 2006	5,042,102	3,878,951	9,847,658
Operating income (loss)		277,681	(81,446)	220,149

(3) Other Field

In the Other Field segment, Japan Sports Marketing Inc. actively committed to three mainstay businesses in the sports marketing field. After the management integration in October 2005, Japan Sports Marketing restructured its business operations based on a new business plan in about one year and five months. Of its three mainstay businesses, the rights-related sports business covering various sponsorships and broadcasting rights for diverse sports events and the sports-related athlete management business performed as planned. However, the solution business, which mainly consists of the Total Workout fitness gyms, failed to achieve the planned targets, as represented by the closure of the Total Workout Mita store in December 2006 due to earthquake-proof-related issues and delays in new store openings.

The operating results of this segment reflect and include those of Fields Pictures Corporation and FutureScope Corporation, which are newly consolidated subsidiaries.

Fields Pictures' principal business objective is to invest in the creation of "killer" content to drive group synergies, and it has established close partnerships with many corporations to extensively acquire primary content for subsequent secondary utilization through investments in movie and animation titles and several content funds established to create excellent content products.

FutureScope Corporation has two core businesses. One is the content business, which takes advantage of mobile phone media, and the other is the community business. Its principal business objective is to supply new entertainment and create primary content by leveraging on the content owned by the Company and other group companies. In February 2007, it started a new service to supply general pachinko information to consumers on the mobile site "Fields Mobile," an official site of NTT DoCoMo. In the future, FutureScope Corporation plans to aggressively develop business by steadily increasing members through the supply of extended services to au and SoftBank mobile carriers.

(Changes of representative performance indicators in the Other Field segment)

(Thousands of yen)

<table>
<tr><th></th><th>First half ended September 30, 2005</th><th>Fiscal year ended March 31, 2006</th><th>First half ended September 30, 2006</th><th>Fiscal year ended March 31, 2007</th></tr>
<tr><td>Net sales</td><td rowspan="2">Indicators newly established at the end of fiscal 2006</td><td>3,603,479</td><td>2,277,085</td><td>4,409,061</td></tr>
<tr><td>Operating income (loss)</td><td>(655,529)</td><td>(286,925)</td><td>(513,444)</td></tr>
</table>

<Forecast for the next fiscal year>

The Company's business strategy is to use an abundance of content assets to create a diversified earnings model based on core competence in the form of extensive planning and production capabilities in the entertainment field. We intend to maximize the synergies among the Company and group companies, realize the creation and holding of high-quality content and promote the cross-media business through the best combination of content titles and multifaceted development in different areas.

The Company's business development plans and projections for the full year by business segment are set out below.

(1) PS Field

Regarding the market environment for pachinko machines, the implementation of new models is expected to be restrained for some time compared with the fiscal year ended March 31, 2007, because the short-term funding at pachinko halls should shift to the purchase of new pachislot machine models in response to the new regulations. The market demand has a clear tendency to concentrate on fewer models with high entertainment features, which should ensure excellent profitability, major copyright licensing and superior planning. New models equipped with high-definition, next-generation graphic IC chips are anticipated to appear in mid-2007. We are confident that content quality will be the decisive factor in determining the competitive edge in this market.

Concerning the market environment for pachislot machines, the mass removal of approximately one million units is predicted in June and July 2007 given the installation deadline of September 30, 2007, for Regulation 4.7 machines, for which about 1.3 million units are expected to be removed.

The forecasts for the respective businesses in the PS Field are as follows:

(Pachinko machine sales business)

The Company owns many major copyrights (PS copyright licensing) for the pachinko machines that pachinko halls are eager to install. In view of the demanding level of machine quality to satisfy pachinko halls and enthusiasts, we are reviewing all the products that we had planned to launch in the next fiscal year to verify the quality of the developed products and possibly revise them. As a consequence, the number of launched products will likely be less than usual in the first half. We intend to gradually increase sales by supplying quality products to meet the needs of pachinko halls and enthusiasts in the second half of the next fiscal year and the following year ending March 2009.

(Pachislot machine sales business)

To address the full-scale removal of old regulation machines in June and July 2007 and their replacement with new regulation ones by September 30, we announced the introduction of new regulation pachislot machines with high merchantability ahead of our competitors in an effort to maintain our current share of the market. These titles include *Morning Musume*, for which the primary content is a national idol group; *Devil May Cry 3*, which was realized through a collaboration with Capcom Co., Ltd.; and *Neon Genesis Evangelion—'Magokoro wo Kimini,'* which features "killer" content. The announcement of these products has been highly acclaimed in the market. To cope with the temporary demand for mass replacement by the end of September 2007, we intend to select and launch high-value-added products for pachinko halls and enthusiasts from among the abundant lineups of allied machine manufacturers and pursue additional sales by stably supplying promising products in the second half.

(2) Game Field

As for the game software sales business, we intend to focus on global business development through the enhanced use of global content and sales of products attractive to users, together with the *SIMPLE Series*, which boasts stable sales performance in the domestic market.

Overseas, we plan to launch *darkSector* in the autumn of 2007 and a new title that leverages on the copyright licensing of a popular animation in North America as global content. In Europe, we intend to strengthen our business deployment following a study on developing original titles for the European market apart from the promotion of global content and ensuring profits via the provision of titles from North America and Japan.

In the Japanese market, we anticipate an increase in sales of simulator software for pachinko and pachislot machines, the release of new titles in combination with movie and TV content, and domestic sales of global content.

Meanwhile, in the mobile delivery business, we intend to consistently increase the number of members via the renewal of popular applications and reinforced promotion activity and proactively launch new titles as rich game content.

(3) Other Field

Japan Sports Marketing will actively pursue an increase in orders from the rights-related sports business optimizing its long experience and brand potential in the sports business world. Meanwhile, it will further raise the brand value by increasing the number of contracted athletes and strengthen the promotions capability for the sports-related athlete management business. As for the solution business, we intend to enhance the brand value of the Total Workout fitness gyms and concurrently improve profitability by starting new service programs at existing stores and opening new stores in regional cities.

Fields Pictures continues to accelerate the creation of influential primary content by actively investing in a wide variety of fields such as movie, animation and comics toward the early realization of profits.

FutureScope intends to promote measures such as an increase in the available mobile phone carriers and the reinforcement of new content to acquire more members at the "Fields Mobile" site. Moreover, to expand the business, it plans to start supplying a new community service in and after the summer of 2007 as a kind of social networking service (SNS).

Through these vigorous efforts to develop various businesses, we project the following consolidated operating results for the fiscal year ending March 31, 2008: net sales of ¥98,000 million, up 14.9% year over year; operating income of ¥9,600 million, up 7.3%, ordinary income of ¥9,300 million, up 1.1%; and net income of ¥3,800 million, up 2.4%.

2. Financial Position

<Balance Sheet Analysis>

Assets, Liabilities and Net Assets

Total assets decreased 24.5% year over year to ¥66,081,557 thousand.

Current assets decreased 34.0% to ¥46,144,689 thousand.

This decline was principally attributable to a decrease of ¥27,862,702 thousand in notes and accounts receivable—trade due to the reduced net sales.

Tangible fixed assets increased 22.8% to ¥5,756,417 thousand.

This increase was mainly attributable to the moving of the Nagoya Branch and other headquarters offices, although it was partly offset by the disposal and impairment loss for several tangible fixed assets.

Intangible fixed assets increased 46.6% to ¥4,036,178 thousand.

This increase was mainly attributable to purchases of software titles.

Investments and other assets edged down 0.9% to ¥10,144,272 thousand.

This decline was attributable to a decrease in investment securities, a decrease in long-term loans and an increase in the allowance for doubtful accounts.

Total liabilities decreased 50.0% year over year to ¥23,244,865 thousand.

Current liabilities decreased 55.6% to ¥18,865,169 thousand.

This decline was attributable to a decrease of accounts payable—trade, an increase of borrowings, the posting of accrued bonuses to directors and auditors and a decrease of income taxes payable in association with decreased profits.

Long-term liabilities increased 9.3% to ¥4,379,696 thousand.

This increase was principally attributable to an increase in long-term borrowings and a reduction of reserve for retirement benefits for directors and auditors as a result of the payment of retirement benefits for directors and auditors.

Net assets increased 8.7% year over year to ¥42,836,691 thousand.

This increase was mainly attributable to an increase in retained earnings and the application of the "Accounting standards for presentation of net assets in the balance sheet" to the consolidated financial statements.

The previous total shareholders' equity was ¥41,115,115 thousand, up 4.3% compared with the previous fiscal year.

<Cash Flow Analysis>

Cash flows

Cash and cash equivalents at the end of the year amounted to ¥17,819,928 thousand, after taking into account net cash provided by operating activities of ¥5,293,740 thousand, net cash provided by financing activities of ¥1,488,670 thousand and net cash used in investing activities of ¥4,772,711 thousand.

Cash flows from operating activities

Net cash provided by operating activities totaled ¥5,293,740 thousand (down 14.1% year over year). The principal components of this were a decline of ¥607,100 thousand in retirement benefits for directors and auditors, a decrease of ¥28,719,949 thousand in notes and accounts receivable—trade, an increase of ¥1,341,601 thousand in inventories, a decrease of ¥26,297,458 thousand in notes and accounts payable—trade and ¥6,887,285 thousand in income taxes paid.

Cash flows from investing activities

Net cash used in investing activities totaled ¥4,772,711 thousand (up 114.5% year over year). The principal factors in this were purchases of tangible fixed assets totaling ¥1,113,515 thousand, purchases of intangible fixed assets totaling ¥2,425,998 thousand and purchases of investment securities totaling ¥1,050,850 thousand.

Cash flows from financing activities

Net cash provided by financing activities amounted to ¥1,488,670 thousand (no percentage change). This was attributable primarily to an increase in short-term borrowings totaling ¥1,477,164 thousand, proceeds from long-term borrowings totaling ¥1,581,908 thousand (net) and cash dividends paid totaling ¥1,389,956 thousand.

Trends of Cash Flow Indicators

	Fiscal year ended March 31, 2003	Fiscal year ended March 31, 2004	Fiscal year ended March 31, 2005	Fiscal year ended March 31, 2006	Fiscal year ended March 31, 2007
Equity ratio (%)	51.2	39.1	46.0	45.0	62.2
Equity ratio at market value (%)	88.8	491.7	250.5	145.8	99.8
Debt/cash flow ratio (years)	—	3.5	0.7	0.3	0.9
Interest coverage ratio (times)	68.8	271.0	210.3	256.6	83.7

•Equity ratio: Shareholders’ equity/Total assets

•Equity ratio at market value: Market capitalization (based on closing stock price at end of the year)/Total assets

• Debt/cash flow ratio: Interest-bearing debt/Operating cash flow

• Interest coverage ratio: Operating cash flow/Interest expense

Notes:

1. All of the above indicators are calculated for their respective values on a consolidated basis.
2. Interest-bearing debt indicates the liabilities for which interest is paid on all the liabilities posted in the consolidated balance sheets.

3. Fundamental Corporate Policy for Distributing Profits and Dividends for the Current and Next Fiscal Years

The Company regards the enhancement of corporate value as one of its principal management tasks, and its fundamental policy is therefore to pay dividends at an appropriate level that corresponds with profits. Specifically, dividends are determined on the basis of such factors as operating revenue and cash flow conditions, and we aim to achieve the consolidated payout ratio of 20% or more.

The Company makes every effort to effectively use retained earnings to enhance its financial condition and strengthen the foundations of its operations while giving due consideration to business development requirements and securing a competitive edge on an ongoing basis.

Given these factors for the year ended March 31, 2007, the Company paid an interim cash dividend of ¥2,000 per share to shareholders of record as of September 30, 2006, and intends to distribute a year-end dividend of ¥2,000 per share. The resulting consolidated payout ratio would be 37.4%.

<u>**Outline of the Fields Group**</u>

The Fields Group (parent company and associated companies) comprises Fields Corporation ("the Company"), 16 subsidiaries and four affiliated companies.
The Group's principal business activities are the sale of pachinko/pachislot machines and the planning and development of digital content based on the copyrights created by the Group itself or acquired for secondary use in other media.

The business areas of each company in the Fields Group are summarized below.

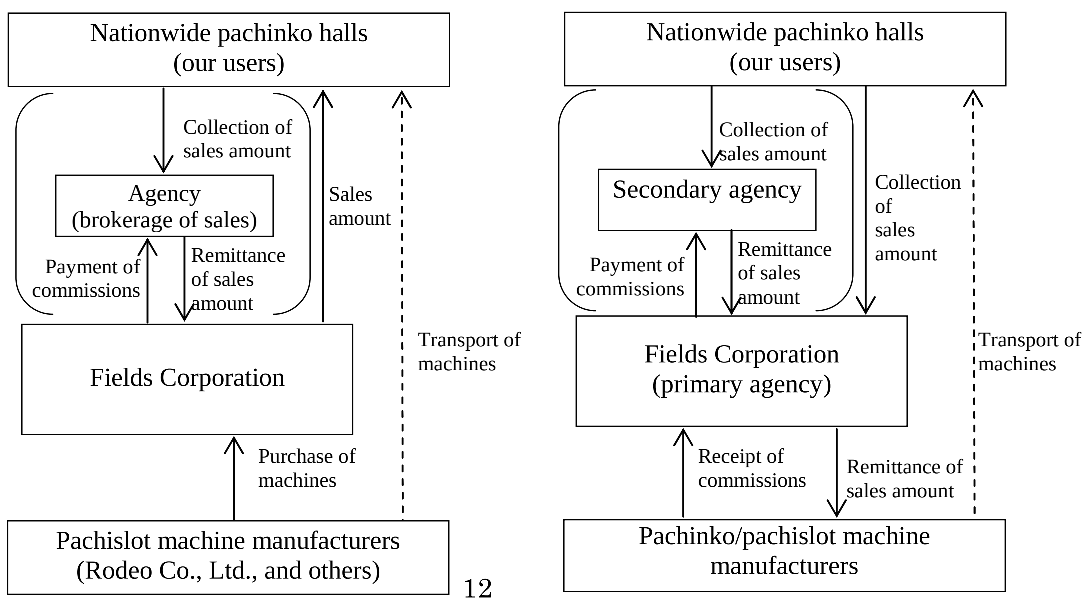
Business segment	Description of principal business	Company name
PS (Pachinko/ Pachislot) Field	Planning, development, sales and maintenance of pachinko/pachislot machines, as well as purchasing of pachinko/pachislot machines	Fields Corporation Fields Jr. Corporation Rodeo Co., Ltd.
	Planning and development of pachinko/pachislot machine software	Digital Lord Corporation Ildel Corporation
Game Field	Planning, development and sales of home-use game software, etc.	D3 Inc. D3 Publisher Inc. Entertainment Software Publishing Inc. D3Publisher of America, Inc.* D3Publisher of Europe Ltd.* D3DB S.r.l.* thinkArts Co., Ltd.
Other Field	Sports marketing and content business, etc.	Japan Sports Marketing Inc. JSM HAWAII, LLC* Kadokawa Haruki Corporation White Trash Charms Japan Co., Ltd. Fields Pictures Corporation FutureScope Corporation G&E Corporation APE Inc. YMO Inc.

*Located overseas

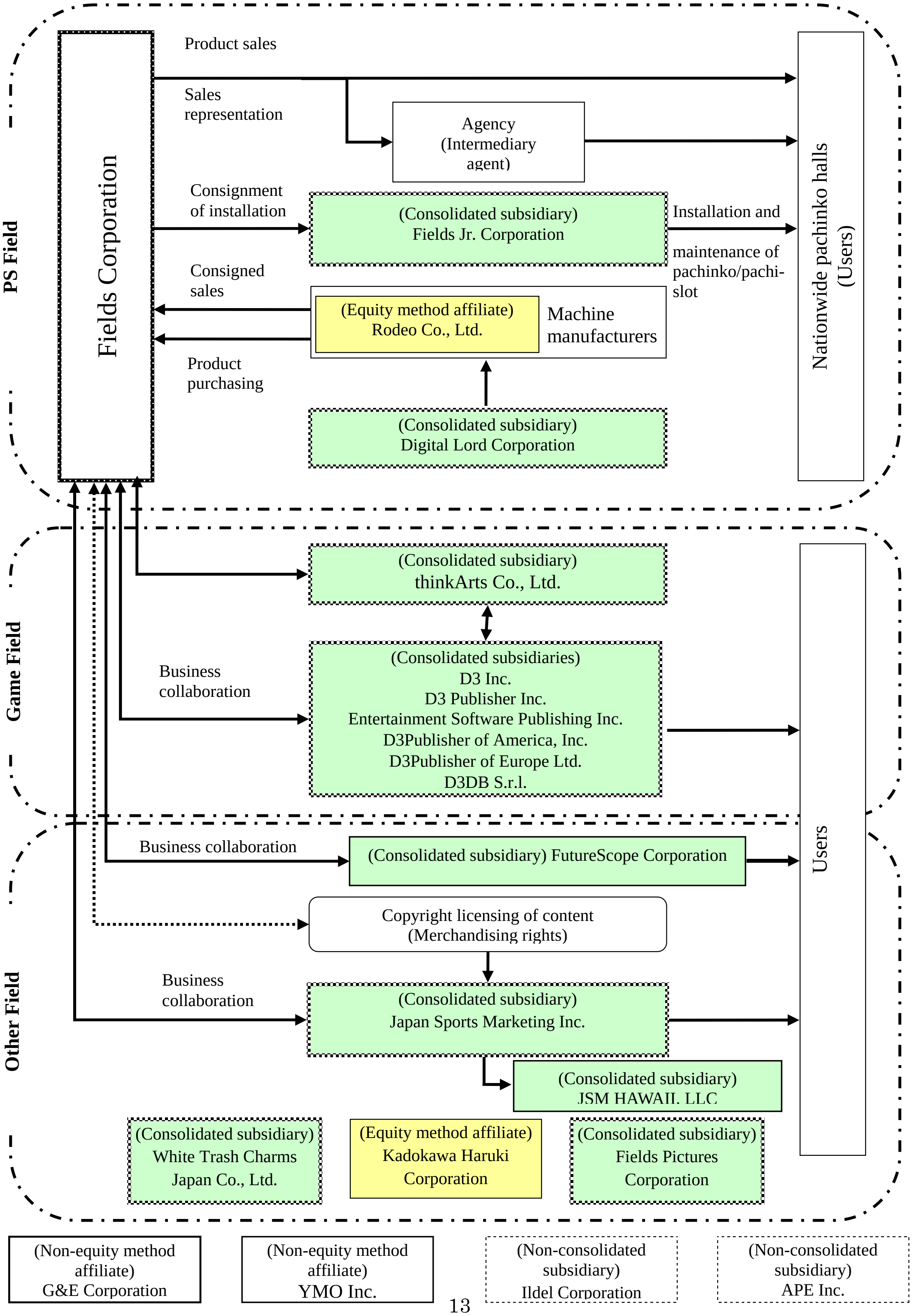
[Business Organization Chart]
We have two sales channels for pachinko/pachislot machines: direct sales to pachinko halls through sales activities by our branches (distribution model) and sales by an intermediary of an agency service (agency model).

Distribution model

Agency model



Overview of Group Businesses



Operating Policies

1. Fundamental Corporate Management Policy

The Company's management philosophy is to provide "the greatest leisure for all people," based on which it has been expanding its business domain in a variety of entertainment fields, taking the pachinko and pachislot field as its starting point. The backbone engine to drive the creation of its core strengths is "content business." Accordingly, through the comprehensive strengths of its group companies, the Group strives to create primary content and acquire copyrights for multiple secondary use, providing content derived from planning and development activities in line with detailed project design based on strategic marketing.

The twin pillars of the Company's "shareholders' first" operating policy are the enhancement of corporate value and the return of profits to shareholders. To do this, we seek to make optimal use of our management resources.

2. Targeted Management Indicators

The Fields Group's primary management target is to enhance corporate value through more efficient management and consistent expansion of businesses. Specifically, return on equity, operating income and operating cash flow shall be the three focus indicators.

3. Management Strategies for the Medium to Long Term

In May 2004, the Ministry of Economy, Trade and Industry released its New Industry Promotion Strategy, the aim of which is to nurture industries to underpin the future of the Japanese economy. The future potential of the content industry is one of the focuses of the strategy, which holds high expectations for the growth potential of the digital content field, including animations and games.

Under its management philosophy of providing "the greatest leisure for all people," the Company has long been focusing efforts on furthering its content-provider strategy—based on the multiple use of digital content—as the foundation for enhancing its competitive advantage.

Fields believes that the essence of the content business lies in creating content with high commercial value and putting it to a diversity of uses. To that end, with the overwhelming earnings capacity of the PS Field serving as a powerful base, the Company is strengthening collaborations with its affiliates and partners for the creation of primary content and the development of content for diverse secondary use. In addition, particular emphasis is being placed on the importance of "killer" content, which is now a special feature of the content business, and through *Neon Genesis Evangelion*, Fields has been developing content in a wide range of media, for example, pachinko/pachislot, games and merchandising goods. Fields and its group companies will continue to work in concert on the strategic development of an array of "killer" content comparable with *Neon Genesis Evangelion,* including primary content created in-house, and to develop content in a variety of media.

4. Challenges for the Future

A key task of the Company is to raise the planning and development capabilities for pachinko/pachislot machines to strengthen the entertainment features and stably provide commercially valuable content across a variety of media.

The Company forms an extensive corporate group via M&As and other measures in the entertainment field by proactively creating primary content and committing itself to the acquisition of copyrights for the secondary use of various content for such diverse media as pachinko, pachislot and games.

In these circumstances, the Company addresses the following tasks to raise its competitive edge in the market.

(1) PS Field

As for the planning and development of the pachinko/pachislot machines, the importance of content has been rising in line with larger LCD screens and the higher performance of the graphic IC chips of the machines. Based on its strategic marketing, the Company focuses on creating and acquiring commercially valuable content products.

(2) Game Field
The Company and the group companies in the Game Field jointly or autonomously strive to acquire highly valued copyrights. Concurrently, we work to maximize profits by also using the created content in the PS Field and the game software field while paying attention to synergies through multiple uses of commercially valuable rights. Specifically, the group companies in the Game Field use the rights acquired and/or the machine content planned by the Company as game software. The Company, in turn, actively uses game software of the group companies in the Game Field for the planning and development of pachinko/pachislot machines.

(3) Other Field
Japan Sports Marketing Inc. has established a unique business model in the sports and entertainment field. Kadokawa Haruki Corporation is committed to a media mix strategy for book publishing, movies and music. Fields Pictures Corporation aims to create influential content for movies and animations, and pursue business growth in these fields. FutureScope Corporation is extending the mobile content business. At the same time, the Company and the respective group companies endeavor to maintain competitive advantages in these business fields by effectively leveraging high-value-added content products held by them for pachinko/pachislot machines and game software.

5. Streamlining of the Internal Control System and Its Operational Status
The relevant description is omitted because it overlaps the description in the “Basic Concept and the Streamlined Conditions Regarding the Internal Control System” in the Report on Corporate Governance, which is set forth in Article 8-3 of the Securities Listing Rules and Article 10, Paragraph 3, of the Timely Disclosure Regulations.

Consolidated Financial Statements

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

Period / Item	Fiscal year ended March 31, 2006 (As of March 31, 2006)			Fiscal year ended March 31, 2007 (As of March 31, 2007)			Year-on-year change
	Amount		% total	Amount		% total	Amount
Assets							
I. Current assets							
1. Cash and cash equivalents[*1]		15,777,313			17,902,518		2,125,205
2. Notes and accounts receivable—trade[*5]		46,385,995			18,523,292		(27,862,702)
3. Inventories		1,568,986			2,972,540		1,403,554
4. Deferred tax assets		526,855			1,517,242		990,387
5. Other current assets		5,769,846			5,286,686		(483,160)
6. Allowance for doubtful accounts		(149,225)			(57,592)		91,632
Total current assets		69,879,772	79.8		46,144,689	69.8	(23,735,083)
II. Fixed assets							
1. Tangible fixed assets							
(1) Buildings and structures	3,148,129			3,905,256			
Accumulated depreciation	(692,884)	2,455,245		(851,574)	3,053,681		598,436
(2) Vehicles	47,356			45,691			
Accumulated depreciation	(26,643)	20,713		(20,172)	25,518		4,805
(3) Tools, furniture and fixtures	1,671,437			1,931,932			
Accumulated depreciation	(858,088)	813,349		(1,066,083)	865,848		52,499
(4) Land		1,372,477			1,762,635		390,158
(5) Construction in progress		27,369			48,732		21,362
Total tangible fixed assets		4,689,155	5.4		5,756,417	8.7	1,067,261
2. Intangible fixed assets							
(1) Software		266,603			433,495		166,891
(2) Consolidation adjustment account		1,600,689			—		(1,600,689)
(3) Goodwill		—			1,405,855		1,405,855
(4) Other intangible fixed assets		885,090			2,196,827		1,311,737
Total intangible fixed assets		2,752,383	3.1		4,036,178	6.1	1,283,794
3. Investments and other assets							
(1) Investment securities[*2,3]		6,991,655			6,216,967		(774,687)
(2) Long-term loans		296,238			104,747		(191,491)
(3) Deposits and guarantees		2,298,879			2,464,950		166,070
(4) Other assets		442,485			1,266,249		823,763
(5) Deferred tax assets		360,424			363,638		3,214
(6) Allowance for doubtful accounts		(154,461)			(272,280)		(117,818)
Total investments and other assets		10,235,222	11.7		10,144,272	15.4	(90,949)
Total fixed assets		17,676,761	20.2		19,936,868	30.2	2,260,106
Total Assets		87,556,534	100.0		66,081,557	100.0	(21,474,976)

(Thousands of yen)

Item / Period	Fiscal year ended March 31, 2006 (As of March 31, 2006)			Fiscal year ended March 31, 2007 (As of March 31, 2007)			Year-on-year change
	Amount		% total	Amount		% total	Amount
Liabilities							
I. Current liabilities							
1. Accounts payable—trade		34,869,095			9,094,526		(25,774,569)
2. Short-term borrowings		730,000			2,230,000		1,500,000
3. Current portion of long-term borrowings		214,668			917,750		703,082
4. Corporate bonds redeemable within 1 year		110,000			120,000		10,000
5. Accrued income taxes		3,733,977			2,032,419		(1,701,557)
6. Accrued bonuses		25,000			25,000		—
7. Accrued bonuses to directors and auditors		—			98,000		98,000
8. Other current liabilities		2,843,769			4,347,473		1,503,703
Total current liabilities		42,526,511	48.6		18,865,169	28.6	(23,661,341)
II. Long-term liabilities							
1. Corporate bonds		490,000			370,000		(120,000)
2. Long-term borrowings		366,997			1,238,852		871,855
3. Retirement benefit provisions		162,648			195,112		32,464
4. Reserve for retirement benefits for directors and auditors		607,100			—		(607,100)
5. Deposits received		2,380,985			2,575,731		194,746
Total long-term liabilities		4,007,730	4.6		4,379,696	6.6	371,965
Total liabilities		46,534,242	53.2		23,244,865	35.2	(23,289,376)
Minority interest							
Minority interest in consolidated subsidiaries		1,610,739	1.8		—	—	—
Shareholders' equity							
I. Common stock*3		7,948,036	9.1		—	—	
II. Capital surplus		7,994,953	9.1				—
III. Retained earnings		22,726,469	26.0		—	—	—
IV. Unrealized holding gain on available-for-sale securities		735,622	0.8		—	—	—
V. Foreign currency translation adjustment		6,470	0.0		—	—	—
Total shareholders' equity		39,411,552	45.0		—	—	—
Total liabilities, minority interest and shareholders' equity		87,556,534	100.0		—	—	—
Net assets							
I. Shareholders' equity							
1. Common stock	—			7,948,036			—
2. Capital surplus	—			7,994,953			—
3. Retained earnings	—			24,943,694			—
Total shareholders' equity		—	—		40,886,683	61.9	—
II. Valuation and translation differences							
1.Unrealized holding gain on available-for-sale securities	—			214,822			—
2. Foreign currency translation adjustment	—			13,609			—
Total valuation and translation differences		—	—		228,431	0.3	—
III. Stock acquisition rights		—	—		15,907	0.0	—
IV. Minority interest		—	—		1,705,668	2.6	—
Total net assets		—	—		42,836,691	64.8	—
Total Liabilities and Net Assets		—	—		66,081,557	100.0	—

(2) Consolidated Statements of Income

(Thousands of yen)

Item \ Period	Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006) Amount		% sales	Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007) Amount		% sales	Year-on-year change Amount
I. Net sales		96,814,364	100.0		85,321,144	100.0	(11,493,220)
II. Cost of sales		67,077,197	69.3		56,072,618	65.7	(11,004,578)
Gross profit		29,737,167	30.7		29,248,525	34.3	(488,641)
III. Selling, general and administrative expenses							
1. Advertising expenditures	3,905,772			5,561,034			
2. Salaries and allowances	4,588,573			5,246,298			
3. Provision for accrued bonuses	25,000			25,000			
4. Provision for accrued bonuses to directors and auditors	—			98,000			
5. Outsourcing expenses	1,277,679			1,180,975			
6. Travel and transport expenses	622,025			660,420			
7. Depreciation and amortization	576,645			622,410			
8. Rents	1,087,487			1,244,377			
9. Retirement benefit costs	47,982			51,571			
10. Provision to retirement benefits for directors and auditors	57,400			—			
11. Provision to allowance for doubtful accounts	114,257			71,901			
12. Amortization of excess of net assets acquired over cost	261,807			—			
13. Amortization of goodwill	—			429,933			
14. Others*1	4,824,379	17,389,011	17.9	5,111,624	20,303,549	23.8	2,914,538
Operating income		12,348,156	12.8		8,944,975	10.5	(3,403,180)
IV. Non-operating income							
1. Interest income	16,797			59,261			
2. Dividend income	25,422			27,515			
3. Discounts on purchases	201,904			215,522			
4. Equity method investment gain	429,179			—			
5. Foreign exchange gain	—			78,532			
6. Others	155,191	828,495	0.9	58,175	439,008	0.5	(389,487)
V. Non-operating expenses							
1. Interest expense	23,875			58,538			
2. Corporate bond issuance expense	2,400			—			
3. Stock issuance expense	872			—			
4. Equity method investment loss	—			92,953			
5. Others	21,818	48,966	0.1	29,953	181,446	0.2	132,479
Ordinary income		13,127,685	13.6		9,202,537	10.8	(3,925,147)
VI. Extraordinary income							
1. Gain on sale of fixed assets*2	147,314			605			
2. Gain on sale of investment securities	7,054			10,000			
3. Reversal of allowance for doubtful accounts	—			3,319			
4. Gain on investment in anonymous association	64,081			79,218			
5. Gain on liquidation of affiliates	—	218,451	0.2	17,383	110,527	0.1	(107,923)
VII. Extraordinary losses							
1. Loss on sale of fixed assets*3	62			7,539			
2. Loss on disposal of fixed assets*4	115,194			743,948			
3. Impairment loss*5	56,819			214,809			
4. Loss on sale of shares in affiliates	1,251			—			
5. Valuation loss on investment securities	4,320			—			
6. Provision to allowance for doubtful accounts	6,900			—			
7. Loss on sale of shares in affiliates	4,604			—			
8. Valuation loss on shares in affiliates	13,498			—			
9. Valuation loss on equity investment	22,609			—			
10. Valuation loss on membership rights	2,100			—			
11. Loss from change in equity of affiliates	83,894			150			
12. Others	—	311,254	0.3	119,622	1,086,070	1.3	774,816
Income before income taxes and minority interest		13,034,882	13.5		8,226,994	9.6	(4,807,887)
Current income taxes	6,588,353			5,058,713			
Deferred income taxes	(383,530)	6,204,823	6.4	(625,331)	4,433,381	5.2	(1,771,441)
Minority interest		(255,935)	(0.2)		83,388	0.1	339,324
Net income		7,085,994	7.3		3,710,224	4.3	(3,375,770)

(3) Consolidated Statements of Capital Surplus and Retained Earnings

(Thousands of yen)

Item \ Period	Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)	
Capital surplus		
I. Capital surplus at beginning of year		7,994,953
II. Capital surplus at end of year		7,994,953
Retained earnings		
I. Retained earnings at beginning of year		17,133,487
II. Increase in retained earnings		
Net income	7,085,994	7,085,994
III Decrease in retained earnings		
Cash dividends paid	1,388,000	
Bonuses to directors and auditors	105,000	
Decrease of retained earnings due to newly consolidated subsidiaries	12	1,493,012
IV Retained earnings at end of year		22,726,469

(4) Consolidated Statement of Change in Net Assets

Year ended March 31, 2007 (April 1, 2006–March 31, 2007)

(Thousands of yen)

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at March 31, 2006	7,948,036	7,994,953	22,726,469	38,669,459
Amount of changes during the year				
Dividends from surplus	—	—	(1,388,000)	(1,388,000)
Bonuses to directors and auditors	—	—	(105,000)	(105,000)
Net income	—	—	3,710,224	3,710,224
Net amount of changes in items not included in shareholders' equity during the year	—	—	—	—
Total amount of changes during the year	—	—	2,217,224	2,217,224
Balance at March 31, 2007	7,948,036	7,994,953	24,943,694	40,886,683

	Valuation and translation differences			Stock acquisition rights	Minority interest	Total net assets
	Unrealized holding gain on available-for-sale securities	Foreign currency translation adjustment	Total valuation and translation differences			
Balance at March 31, 2006	735,622	6,470	742,093	—	1,610,739	41,022,292
Amount of changes during the year						
Dividends from surplus	—	—	—	—	—	(1,388,000)
Bonuses to directors and auditors	—	—	—	—	—	(105,000)
Net income	—	—	—	—	—	3,710,224
Net amount of changes in items not included in shareholders' equity during the year	(520,800)	7,138	(513,661)	15,907	94,928	(402,825)
Total amount of changes during the year	(520,800)	7,138	(513,661)	15,907	94,928	1,814,399
Balance at March 31, 2007	214,822	13,609	228,431	15,907	1,705,668	42,836,691

(5) Consolidated Statements of Cash Flows

(Thousands of yen)

Item / Period	Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)	Year-on-year change
	Amount	Amount	Amount
I. Cash flows from operating activities			
1. Income before income taxes and minority interest	13,034,882	8,226,994	(4,807,887)
2. Depreciation and amortization	1,237,274	817,867	(419,406)
3. Impairment loss	56,819	214,809	157,990
4. Amortization of excess of net assets acquired over cost	261,807	—	(261,807)
5. Amortization of goodwill	—	429,602	429,602
6. Increase (decrease) in allowance for doubtful accounts	(55,454)	26,186	81,641
7. Increase (decrease) in accrued bonuses	2,688	—	(2,688)
8. Increase (decrease) in retirement benefit provisions	(3,100)	32,464	35,564
9. Increase (decrease) in reserve for retirement benefits for directors and auditors	38,400	(607,100)	(645,500)
10. Increase (decrease) in accrued bonuses to directors and auditors	—	98,000	98,000
11. Interest and dividend income	(42,219)	(86,777)	(44,558)
12. Discounts on purchases	(201,904)	(215,522)	(13,617)
13. Equity method investment gain (loss)	(429,179)	92,953	522,132
14. Interest expense	23,875	58,538	34,663
15. Corporate bond issuance expense	2,400	—	(2,400)
16. Stock issuance expense	872	—	(872)
17. Gain on sale of fixed assets	(147,314)	(605)	146,709
18. Gain on sale of investment securities	(7,054)	(10,000)	(2,945)
19. Gain on investment in anonymous association	(64,081)	(79,218)	(15,136)
20. Loss from change in equity of affiliates	83,894	150	(83,744)
21. Gain on sale of fixed assets	62	7,539	7,477
22. Loss on disposal of fixed assets	115,194	743,995	628,801
23. Valuation loss on investment securities	4,320	150	(4,170)
24. Decrease (increase) in notes and accounts Receivable—trade	(9,135,880)	28,719,949	37,855,830
25. Decrease (increase) in inventories	(1,085,496)	(1,341,601)	(256,105)
26. Decrease (increase) in merchandising right advances	(203,728)	944,467	1,148,196
27. Decrease (increase) in prepaid expenses	147,235	331,993	184,757
28. Decrease (increase) in advance payments	5,838	52,457	46,618
29. Decrease (increase) in notes held	(19,670)	(37,764)	(18,093)
30. Decrease (increase)in non-operating notes receivable	377,620	(175,764)	(553,385)
31. Decrease (increase) in deposits as security for dealing	(30,832)	20,000	50,832
32. Increase (decrease) in notes and accounts payable—trade	7,492,695	(26,297,458)	(33,790,154)
33. Increase (decrease) in accrued consumption taxes	177,473	(152,127)	(329,601)
34. Increase (decrease) in deposits received	(55,878)	530,005	585,883
35. Increase(decrease) in deposits held	2,375	190,937	188,561
36. Bonuses to directors and auditors	(105,000)	(105,000)	—
37. Others	797,611	(318,835)	(1,116,446)
Subtotal	12,276,545	12,111,288	(165,257)
38. Interest and dividends received	74,320	132,979	58,658
39. Interest paid	(24,024)	(63,241)	(39,216)
40. Income taxes paid	(6,162,055)	(6,887,285)	(725,229)
Net cash provided by (used in) operating activities	6,164,786	5,293,740	(871,045)

(Thousands of yen)

Item \ Period	Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)	Year-on-year change
	Amount	Amount	Amount
II. Cash flows from investing activities			
1. Transfer to time deposits	—	(2,600)	(2,600)
2. Proceeds from cancellation of time deposits	—	98,081	98,081
3. Proceeds from sale of marketable securities	5,000	—	(5,000)
4. Purchases of tangible fixed assets	(784,621)	(1,113,515)	(328,894)
5. Proceeds from sale of tangible fixed assets	395,924	16,535	(379,389)
6. Purchases of intangible fixed assets	(702,484)	(2,425,998)	(1,723,514)
7. Purchases of investment securities	(920,000)	(1,050,850)	(130,849)
8. Proceeds from sale of investment securities	551,585	858,657	307,071
9. Expenditure for acquiring shares in affiliates	(300,000)	(16,000)	284,000
10. Proceeds from (expenditure for) acquiring newly consolidated subsidiaries*2	(662,560)	(9,065)	653,495
11. Proceeds from sale of shares of subsidiaries on change to scope of consolidation*3	8,914	—	(8,914)
12. Expenditure for equity investment	—	(596,221)	(596,221)
13. Expenditure for loans	(215,650)	(23,998)	191,652
14. Collection on loans	303,461	40,421	(263,039)
15. Payment for deposits and guarantees	(304,686)	(363,421)	(58,734)
16. Proceeds from cancellation of deposits and guarantees	259,448	136,506	(122,942)
17. Payment for long-term prepaid expenses	(48,271)	(8,934)	39,337
18. Payments for insurance reserve	(1,092)	(1,092)	—
19. Proceeds from sale of insurance reserve	178,638	—	(178,638)
20. Others	11,780	(311,218)	(322,998)
Net cash used in investing activities	(2,224,610)	(4,772,711)	(2,548,100)
III. Cash flows from financing activities			
1. Increase (decrease) in short-term borrowings	79,800	1,477,164	1,397,364
2. Proceeds from long-term borrowings	—	2,000,000	2,000,000
3. Repayment of long-term borrowings	(343,268)	(418,091)	(74,823)
4. Proceeds from issuance of corporate bonds	97,600	—	(97,600)
5. Redemption of corporate bonds	—	(110,000)	(110,000)
6. Provision of collateral goods	—	(81,390)	(81,390)
7. Proceeds from issuance of shares	—	944	944
8. Proceeds from payments by minority shareholders	10,319	10,000	(319)
9. Cash dividends paid	(1,384,996)	(1,389,956)	(4,960)
Net cash provided by (used in) financing activities	(1,540,544)	1,488,670	3,029,215
IV. Effect of exchange rate changes on cash and cash equivalents	50,037	32,727	(17,310)
V. Increase (decrease) in cash and cash equivalents	2,449,668	2,042,426	(407,242)
VI. Cash and cash equivalents at beginning of year	13,326,256	15,777,313	2,451,057
VII. Increase in cash and cash equivalents due to change in scope of consolidation	1,388	188	(1,200)
VIII. Cash and cash equivalents at end of year	15,777,313	17,819,928	2,042,614

(6) Significant Event or Situation that May Affect the Premises of the Company’s Operations as a Going Concern

Fiscal year ended March 31, 2006 (April 1, 2005 to March 31, 2006): None applicable

Fiscal year ended March 31, 2007 (April 1, 2006 to March 31, 2007): None applicable

(7) Basis of Presentation of the Consolidated Financial Statements

Item	Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)
1. Scope of consolidation	(1) Number of consolidated subsidiaries: 9 Names of consolidated subsidiaries: Fields Jr. Corporation White Trash Charms Japan Co., Ltd. Digital Lord Corporation Japan Sports Marketing, Inc. D3 Publisher Inc. Entertainment Software Publishing Inc. D3Publisher of America, Inc. D3Publisher of Europe Ltd. D3DB S.r.l. Given its significance, D3DB S.r.l., which was a non-consolidated subsidiary until the previous fiscal year, was included within the scope of consolidation in the current fiscal year. J. Sakazaki Marketing Ltd. has also been included within the scope of consolidation as a result of the acquisition of its shares in the current fiscal year. During the year, Total Workout Corporation and newly consolidated J. Sakazaki Marketing Ltd. were excluded from the scope of consolidation, since they merged on October 1, 2005, and Professional Management Co., Ltd. became the surviving company. After the merger, Professional Management Co., Ltd. changed its name to Japan Sports Marketing, Inc. D3Publisher of Europe Ltd. was established during the fiscal year under review, and was therefore included in the scope of consolidation. The Company sold all its shares in Heart-line Inc., which was a consolidated subsidiary in the previous fiscal year, and therefore that company ceased to be a consolidated subsidiary as of this fiscal year. (2) Names of significant non-consolidated subsidiaries: Database Co., Ltd. E-Active Co., Ltd. APE Inc.	(1) Number of consolidated subsidiaries: 14 Names of consolidated subsidiaries: Fields Jr. Corporation White Trash Charms Japan Co., Ltd. Digital Lord Corporation thinkArts Co., Ltd. Fields Pictures Corporation FutureScope Corporation Japan Sports Marketing, Inc. JSM HAWAII, LLC D3 Inc. D3 Publisher Inc. Entertainment Software Publishing Inc. D3Publisher of America, Inc. D3Publisher of Europe Ltd. D3DB S.r.l. Given its significance, Fields Pictures Corporation, which was a non-consolidated subsidiary until the previous fiscal year, was included within the scope of consolidation in the current fiscal year. E-Active Co., Ltd. changed its trade name to Fields Pictures Corporation as of June 19, 2006. thinkArts Co., Ltd. has been included within the scope of consolidation as a result of the acquisition of its shares by the Company in the current fiscal year. JSM HAWAII, LLC was established during the fiscal year under review, and was therefore included in the scope of consolidation. D3 Publisher Inc. was included in the scope of consolidation because it changed its trade name to D3 Inc. and newly established D3 Publisher Inc. as a result of the corporate divesture as of April 1, 2006. (2) Names of significant non-consolidated subsidiaries: Ildel Corporation APE Inc.

Item	Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)
	Reason for exclusion from the scope of consolidation: Non-consolidated subsidiaries have been left out of consolidation due to their small size, with none of their total assets, net sales, net income (proportionate to the equity stakes held) and retained earnings (proportionate to equity stakes held) having a material effect on the consolidated financial statements.	Reason for exclusion from the scope of consolidation: Same as at left
2. Application of equity method	(1) Number of equity-method affiliates: 2 Rodeo Co., Ltd. Kadokawa Haruki Corporation In accordance with a resolution adopted at the ordinary general meeting of shareholders held on September 30, 2005, 3D-AGES Inc. was dissolved, and upon the completion of its liquidation on December 30, 2005, it ceased to be an equity method affiliate. (2) Names of significant non-consolidated subsidiaries and affiliated companies not accounted for by the equity method: Database Co., Ltd. E-Active Co., Ltd. APE Inc. G&E Corporation Reason for non-application of the equity method: These companies have a negligible impact on net income (proportionate to equity stakes held) and retained earnings (proportionate to equity stakes held) and have no significance as a whole, so have been excluded from the application of the equity method. (3) Matters requiring clarification concerning procedures for application of the equity method: With regard to companies accounted for by the equity method whose year-end settlement dates differ from that for consolidated accounts, the financial statements relating to those companies' fiscal years are utilized.	(1) Number of equity-method affiliates: 2 Rodeo Co., Ltd. Kadokawa Haruki Corporation (2) Names of significant non-consolidated subsidiaries and affiliated companies not accounted for by the equity method: Ildel Corporation APE Inc. G&E Corporation YMO Inc. Reason for non-application of the equity method: Same as at left (3) Matters requiring clarification concerning procedures for application of the equity method: Same as at left
3. Accounts settlement dates of consolidated subsidiaries	The year-end balance sheet date of consolidated subsidiaries coincides with the consolidation date. As of the fiscal year under review, the year-end balance sheet date of D3 Publisher Inc. and of Entertainment Software Publishing Inc. was changed from October 31 to March 31.	Of the consolidated subsidiaries, the year-end balance sheet date of JSM HAWAII, LLC is December 31. In preparing the consolidated financial statements, its financial statements as of March 31 through the temporary settlement of accounts are used. Effective from the current fiscal year, thinkArts Co., Ltd. has changed its year-end balance sheet date from the previous November 30 to March 31.

Item	Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)
4. Accounting standards (1) Valuation standards and methods for important assets	(1) Marketable securities Other marketable securities Securities with market prices: Stated at market value based on market price as of the consolidated balance sheet date (unrealized gains or losses are charged or credited directly to shareholders' equity, with the cost of securities sold determined by the moving-average method). Securities without market prices: Stated at cost determined by the moving-average method. (2) Inventories 1) Merchandise Fields Corporation: Used pachinko/pachislot machines At cost determined by the specific identification method Others At cost determined by the moving-average method Consolidated subsidiaries: At cost determined by the periodic average method 2) Products Consolidated subsidiaries: At cost determined by the first-in first-out method 3) Work in process and content Consolidated subsidiaries: At cost determined by the specific identification method Game software: With regard to the production costs of outsourced game software, the software and its content are closely integrated and therefore inseparable, and it is impossible to demarcate them. In view of this, hitherto they have been recognized as software and treated accordingly, but owing to developments such as the upgrading of the performance of home game machines, the decision-making process for the merchandising of game software and the nature of outsourcing have been revised, and in recent years the importance of content categorized as images, music, voice, etc., has been growing, and this trend will strengthen in the future. In view of this, with the exclusion of items whose principal characteristics are clearly those of software, as of the fiscal year under review the Company's accounting recognizes them as content (stating production expenditure as advances or inventories, and transferring it to cost of sales in accordance with projected sales volume).	(1) Marketable securities Other marketable securities Securities with market prices: Stated at market value based on market price as of the consolidated balance sheet date (unrealized gains or losses are charged or credited directly to net assets, with the cost of securities sold determined by the moving-average method). Securities without market prices: Same as at left (2) Inventories 1) Merchandise Fields Corporation: Used pachinko/pachislot machines Same as at left Others Same as at left Consolidated subsidiaries: Same as at left 2) Products Consolidated subsidiaries: Same as at left 3) Work in process and content Consolidated subsidiaries: Same as at left

Item	Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)
	In consequence, inventories increased by ¥1,160,073,000 and there were declines of ¥147,250,000 in advances and of ¥718,410,000 in other intangible fixed assets. Cost of sales rose by ¥124,267,000, and there were declines of ¥418,793,000 in selling, general and administrative expenses and of ¥112,000 in non-operating income, while operating income increased by ¥294,525,000, and ordinary income and net income before income taxes and minority interest each increased by ¥294,413,000.	
	4) Supplies At cost determined by the last purchase price method	4) Supplies Same as at left
(2) Depreciation methods for important depreciable assets	(1) Tangible fixed assets Declining-balance method for the Company and domestic consolidated subsidiaries However, the straight-line method is applied to buildings (excluding building fixtures) acquired after April 1, 1998. Straight-line method for overseas consolidated subsidiaries. The estimated useful lives of depreciable assets are as follows. Buildings: 4-50 years Structures: 10-50 years Vehicles: 2-6 years Tools, furniture and fixtures: 3-20 years	(1) Tangible fixed assets Same as at left
	(2) Intangible fixed assets Straight-line method The straight-line method is applied to software for company use, based on its useful life within the Company (five years). Software for sale by consolidated subsidiaries is depreciated at the depreciation rate determined by the Company over the estimated payback period (12 months for game software; 36 months for other software).	(2) Intangible fixed assets Same as at left
	(3) Long-term prepaid expenses Straight-line method	(3) Long-term prepaid expenses Same as at left
(3) Treatment of important deferred charges	(1) Stock issuance expense The expense is charged in full at the time it is incurred.	(1) —
	(2) Corporate bond issuance expense The expense is charged in full at the time it is incurred.	(2) —
	(3) —	(3) Stock delivery expense The expense is charged in full at the time it is incurred.

Item	Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)
(4) Accounting standards for important reserves	(1) Allowance for doubtful accounts To provide against losses from doubtful accounts, allowances for ordinary receivables are provided using a rate determined by past collection experience, and allowances for specific debts considered doubtful are accounted for by calculating the estimated amounts deemed uncollectible after individually reviewing collectibility of the debts.	(1) Allowance for doubtful accounts Same as at left
	(2) Accrued bonuses To provide for employee bonuses, the Company recognizes the amounts out of the projected bonus payments to be allocated to the fiscal year.	(2) Accrued bonuses Same as at left
	(3) —	(3) Accrued bonuses to directors and auditors To provide for bonuses to directors and auditors, the Company recognizes the amounts corresponding to the current fiscal year based on the projected bonus payments. (Change in Accounting Principle) Effective from the current fiscal year, the Company has adopted the Accounting Standards Board of Japan (ASBJ) Statement No. 4, Accounting Standard for Bonuses to Directors and Auditors (issued on November 29, 2005). As a result, operating income, ordinary income, and income before income taxes and minority interest each decreased ¥98,000 thousand. The impacts on segment information are stated at the relevant points in the Segment Information.
	(4) Retirement benefit provisions To provide for employees' retirement benefits, the Company and some consolidated subsidiaries recognize, on the basis of projected benefit obligations as of the end of the fiscal year, benefit obligations accrued as of the end of the fiscal year. Actuarial differences are amortized proportionately by the straight-line method over a fixed number of years (five years) within the average remaining period of service of employees as of the time such differences arise. Amortization amounts are expensed beginning with the fiscal year following that in which the differences arise.	(4) Retirement benefit provisions Same as at left
	(5) Reserve for retirement benefits for directors and auditors To provide for directors' and auditors' retirement benefits, the Company states the amounts to be paid at the end of the fiscal year in accordance with the internal regulations.	(5) Reserve for retirement benefits for directors and auditors —

Item	Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)
(5) Translation of important foreign-currency-denominated assets and liabilities into yen	Foreign currency receivables and payables are translated into yen using the spot currency exchange rate on the consolidated balance sheet date, and translation differences are recorded as gains or losses. The assets and liabilities of overseas subsidiaries are translated into yen using the spot currency exchange rate on the consolidated balance sheet date, and income and expenses are translated into yen using the average exchange rate during the period, translation differences being stated as part of the foreign currency translation adjustment in the minority interest or shareholders' equity sections of the balance sheet.	Foreign currency receivables and payables are translated into yen using the spot currency exchange rate on the consolidated balance sheet date, and translation differences are recorded as gains or losses. The assets and liabilities of overseas subsidiaries are translated into yen using the spot currency exchange rate on the consolidated balance sheet date, and income and expenses are translated into yen using the average exchange rate during the period, translation differences being stated as part of the "Foreign currency translation adjustment" in the "Net asset" section of the balance sheet.
(6) Treatment of important lease transactions	Finance lease transactions, other than those where the ownership of the leased assets is deemed to be transferred to the lessee, are accounted for as ordinary operating lease transactions.	Same as at left
(7) Important hedge accounting methods	(1) Hedge accounting method At certain consolidated subsidiaries, special treatment is used in the case of interest rate swaps that satisfy the criteria for hedge accounting. (2) Method and scope of hedging Hedging method Interest rate swap transactions Scope of hedging Interest on borrowings (3) Hedging policy At certain consolidated subsidiaries a hedging policy is implemented to avoid any impact of fluctuations in market interest rates on fund-raising costs (interest expense). (4) Method for assessing hedging effectiveness Interest rate swap transactions are deemed to qualify for special accounting treatment, and therefore it is on this basis that judgments as to effectiveness are made. (5) Other risk management The management division has responsibility for the conclusion of contracts relating to hedge accounting at certain consolidated subsidiaries. No particular stipulations relating to such transactions have been laid down, but they are administered in accordance with regulations governing the scope of authority.	(1) Hedge accounting method Same as at left (2) Method and scope of hedging Same as at left (3) Hedging policy Same as at left (4) Method for assessing hedging effectiveness Same as at left (5) Other risk management Same as at left
(8) Other significant standards for the preparation of consolidated financial statements	Accounting for consumption taxes Consumption tax is accounted for by the tax-excluded method.	Accounting for consumption taxes Same as at left

Item	Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)
5. Valuation of assets and liabilities of consolidated subsidiaries	The full fair value method is adopted to value assets and liabilities of consolidated subsidiaries.	Same as at left
6. Amortization of excess of net assets acquired over cost	The excess of net assets acquired over cost is amortized evenly over five years.	—
7. Amortization of goodwill and negative goodwill	—	The goodwill is amortized evenly over five years.
8. Treatment of items for appropriation of retained earnings	The methods of appropriation of retained earnings and loss disposition are determined in accordance with the appropriation of retained earnings determined during the fiscal year.	—
9. Scope of funds in consolidated statements of cash flows	Funds include cash on hand, demand deposits, and short-term investments maturing or redeemable within three months after acquisition that are highly liquid, easily convertible into cash, and exposed to low price fluctuation risk.	Same as at left

(8) Change in the Basis of Presentation of the Consolidated Financial Statements

Changes in accounting treatment

Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)
Accounting standard for impairment of fixed assets As of this fiscal year, the Company has adopted the Accounting Standard for Impairment of Fixed Assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the Implementation Guidance for the Accounting Standard for Impairment of Fixed Assets (Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). In consequence, income before income taxes and minority interest declined by ¥56,819,000. Cumulative impairment losses are deducted directly from the amount of the relevant assets in accordance with the revised Regulations on Consolidated Financial Statements.	————
————	**Accounting standard for the presentation of net assets in balance sheets** Effective from the current fiscal year, the Company has adopted the Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No. 5 issued on December 9, 2005) and the Implementation Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No. 8 issued on December 9, 2005). The amount conventionally recorded in "Shareholders' equity" was ¥41,115,115 thousand. Due to the revision to the regulations regarding consolidated financial statements, the "Net assets" section of the consolidated balance sheet for the current fiscal year ended March 31, 2007, has been prepared according to the revised regulations for the consolidated financial statements.
————	**Accounting standard for business combinations** Effective from the current fiscal year, the Company has adopted the Accounting Standard for Business Combinations (issued on October 31, 2003 by Business Accounting Deliberation Council), Accounting Standard for Business Divestures (ASBJ Statement No. 7 issued on December 27, 2005) and the related Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Implementation Guidance No. 10 issued on December 27, 2005).
————	**Accounting standard for share-based payment including stock options** Effective from the current fiscal year, the Company has adopted the Accounting Standard for Share-Based Payment (ASBJ Statement No. 8 issued by the ASBJ on December 27, 2005) and the Implementation Guidance on Accounting Standard for Share-Based Payment (ASBJ Implementation Guidance No. 11 issued by the ASBJ on May 31, 2006). As a result, operating income, ordinary income and income before income taxes and minority interest each decreased ¥15,877 thousand, compared with the previous accounting method. The impacts on segment information are stated at the relevant points in the Segment Information.
————	**Tentative treatment of the accounting for deferred charges** Effective from the current fiscal year, the Company has adopted the Tentative Solution on Accounting for Deferred Assets (Practical solutions—PITF No. 19 issued by ASBJ on August 11, 2006). As a result, "Stock issuance expense," which was included in "Non-operating expenses" in the previous fiscal year, has been treated as "Stock delivery expense" effective from the current fiscal year. This change has no significant effect on the consolidated statement of income.

Changes in method of presentation

Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)
————	**Consolidated Balance Sheets** 1. The item which was presented as **"**Consolidation adjustment account" in the previous fiscal year has been presented as "Goodwill" effective from the current fiscal year.
Consolidated statements of income Until the previous fiscal year, "Lease income" was presented as a separate item under "Non-operating income." As this item has become insignificant it has been included in "Others" under "Non-operating income." During the year ended March 31, 2006, lease income amounted to ¥5,393,000.	**Consolidated statements of income** 1. The account item which was presented as "Amortization of excess of net assets acquired over cost" in the previous fiscal year has been presented as "Amortization of goodwill" effective from the current fiscal year. 2. Until the previous fiscal year, "Foreign exchange gain" was included in "Others" under "Non-operating income." As this item has exceeded 10/100 of the "Non-operating income" amount, it has been separately presented effective from the current fiscal year. As of March 31, 2006, "Foreign exchange gain" amounted to ¥67,366 thousand. 3. Until the previous fiscal year, "Stock delivery expense" was presented as "Stock issuance expense" under "Non-operating expenses." As this item has become insignificant, stock delivery expense has been included in "Others" under "Non-operating expenses." Stock delivery expense for the fiscal year ended March 31, 2006, amounted to ¥64 thousand.
————	**Consolidated Statements of Cash Flows** Pursuant to the revision to the regulations of consolidated financial statements, "Amortization of excess of net assets acquired over cost" in the "Cash flows from operating activities" is presented as "Amortization of goodwill."

Additional information

Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)
————	**Retirement benefits of directors and auditors** The Company reviewed the remuneration payment system for directors and auditors, which is not linked to actual performance and may be considered deferred remuneration. As a result, the retirement benefit system for directors and auditors was abolished as of the closing of the 18th Ordinary General Meeting of Shareholders held on June 28, 2006. Accordingly, pursuant to the resolution adopted by the Meeting, accrued retirement benefits as of the closing of said Meeting were paid to the directors and auditors then in office at the Meeting for their services corresponding to the tenure of respective directors and auditors until the closing of the Meeting.

(9) Notes to the Consolidated Financial Statements

Consolidated Balance Sheets

<table>
<tr><th>Fiscal year ended March 31, 2006
(As of March 31, 2006)</th><th>Fiscal year ended March 31, 2007
(As of March 31, 2007)</th></tr>
<tr><td>*1 —</td><td>*1 Assets held as collateral
Time deposits ¥81,390 thousand
They are held as collateral to guarantee the transactions with banks.</td></tr>
<tr><td>*2 The following are assets held in non-consolidated subsidiaries and affiliated.
Investment securities (equities) ¥4,128,042 thousand</td><td>*2 The following are assets held in non-consolidated subsidiaries and affiliated.
Investment securities (equities) ¥3,860,546 thousand</td></tr>
<tr><td>*3 Number of shares issued 347,000 shares of common stock</td><td>*3 —</td></tr>
<tr><td>4 Contingent liabilities
The Company provides payment guarantees for sales of pachinko/pachislot machines to pachinko halls on an agency basis for pachinko/pachislot machine manufacturers.
Sankei Shoji Co., Ltd. ¥41,728 thousand
Asahi Shoji K.K. ¥39,823 thousand
Niimi Co., Ltd. ¥33,106 thousand
Y.K. Daiko ¥31,777 thousand
Meiplanet K.K. ¥23,861 thousand
K.K. Toei Kanko ¥19,895 thousand
LiNE Company ¥15,536 thousand
Y.K. Big Shot ¥14,025 thousand
Y.K. R&K ¥14,017 thousand
K.K. Bishop ¥13,198 thousand
Others (294) ¥430,297 thousand
Total ¥677,268 thousand</td><td>4 Contingent liabilities
The Company provides payment guarantees for sales of pachinko/pachislot machines to pachinko halls on an agency basis for pachinko/pachislot machine manufacturers.
Y.K. Daiko ¥72,057 thousand
Meiplanet K.K. ¥51,717 thousand
Asahi Shoji K.K. ¥44,898 thousand
Niimi Co., Ltd. ¥41,271 thousand
K.K. Taisei Kanko ¥37,147 thousand
Sankei Shoji Co., Ltd. ¥31,558 thousand
K.K. Toei Kanko ¥28,935 thousand
K.K. New Asahi ¥26,829 thousand
K.K. Corona ¥21,727 thousand
Narita Kogyo K.K. ¥20,434 thousand
Others (218) ¥540,743 thousand
Total ¥917,322 thousand</td></tr>
<tr><td>*5 —</td><td>*5 Notes matured as of the balance-sheet date
The notes of the Company maturing at the end of the year are settled on a bill clearing date. As the balance-sheet date for the year under review was a bank holiday, the following notes matured are included in the balance as of March 31, 2007.
Notes receivable ¥1,299,860 thousand
Non-operating notes receivable ¥431,719 thousand</td></tr>
<tr><td>6 Overdraft agreements and loan commitments
To raise working capital efficiently, the Fields Group has concluded overdraft and loan commitment agreements with six banks. As of the end of the current fiscal year, unutilized balances under these agreements were as follows.
Overdraft limit plus total amount of loan commitments ¥5,610,000 thousand
Borrowings outstanding ¥730,000 thousand
Difference ¥4,880,000 thousand</td><td>6 Overdraft agreements and loan commitments
To raise working capital efficiently, the Fields Group has concluded overdraft and loan commitment agreements with five banks. As of the end of the current fiscal year, unutilized balances under these agreements were as follows.
Overdraft limit commitments ¥4,500,000 thousand
Borrowings outstanding ¥1,400,000 thousand
Difference ¥3,100,000 thousand</td></tr>
</table>

Consolidated Statements of Income

Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)

*1 R&D expenditures included in “general and administrative expenses” ¥ 231,590 thousand

*2 Details of gain on sale of fixed assets

Buildings and structures	¥9,323	thousand
Tools, furniture and fixtures	¥521	thousand
Land	¥115,617	thousand
Gain on sale of insurance reserve	¥21,852	thousand
Total	¥147,314	thousand

*3 The loss on sale of fixed assets arose from the sale of telephone subscription rights.

*4 Details of loss on disposal of fixed assets

Buildings and structures	¥34,242	thousand
Tools, furniture and fixtures	¥16,274	thousand
Construction in progress	¥19,337	thousand
Long-term prepaid expenses	¥1,714	thousand
Software	¥5,845	thousand
Other intangible fixed assets	¥37,780	thousand
Total	¥115,194	thousand

*5 Impairment loss

The Fields Group has stated an impairment loss for the asset set out below.

Usage	Miscellaneous business
Type	Buildings and land
Location	Shibuya, Tokyo
Amount	¥56,819 thousand

When grouping its assets, the Fields Group adopts the method of grouping primarily by business category in accordance with management accounting practice. With regard to a property in Shibuya used for miscellaneous business, since there is no prospect of a recovery in operating income from the property a loss has been recognized, composed of ¥51,136 thousand on the building and ¥5,682 thousand on the land.

The recoverable value of this property has been calculated on the basis of the net sale price, the market price being the real estate appraisal value.

Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)

*1 —

*2 “Gain on sale of fixed asset” was derived from the sale of vehicles.

*3 Details of loss on sale of fixed assets

Vehicles	¥2,878	thousand
Tools, furniture and fixtures	¥4,661	thousand
Total	¥7,539	thousand

*4 Details of loss on disposal of fixed assets

Buildings and structures	¥82,531	thousand
Tools, furniture and fixtures	¥13,172	thousand
Long-term prepaid expenses	¥260	thousand
Software	¥24,861	thousand
Software in progress	¥623,122	thousand
Total	¥743,948	thousand

*5 Impairment loss

The Fields Group has stated an impairment loss for the asset set out below.

Usage	Miscellaneous business	—
Type	Buildings, tools, furniture and fixtures and trademark rights	Goodwill
Location	Minato-ku, Tokyo Shibuya, Tokyo Osaka, Osaka	—
Amount	¥208,809 thousand	¥6,000 thousand

When grouping its assets, the Fields Group adopts the method of grouping primarily by business category in accordance with management accounting practice. With regard to the properties in Minato-ku, Shibuya-ku and Osaka used for miscellaneous business, the Group has recognized losses, which are composed of ¥120,596 thousand on the building, ¥2,231 thousand on the tools, furniture and fixtures and ¥85,881 thousand on the trademark rights because there is no prospect of a recovery in operating income from these properties.

On the other hand, with regard to the goodwill, the Group has recognized a loss because the initially anticipated income has become impossible in the business plan which had been studied when the relevant shares were acquired. It is composed of ¥6,000 thousand in goodwill.

The recoverable value of these properties has been calculated on the basis of use value, with such recoverable value appraised zero, because future cash flow is negative.

Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)

1. Shares issued

Type	As of March 31, 2006	Increase	Decrease	As of March 31, 2007
Common stock	347,000	—	—	347,000

2. Treasury stock

Not applicable.

3. Stock acquisition rights

Company Name	Description	Nature of shares to be issued	Number of shares to be issued				Balance at March 31, 2007 (Thousands of yen)
			As of March 31, 2006	Increase	Decrease	As of March 31, 2007	
The Company	The 1st stock acquisition rights	Common stock	6,040	—	400	5,640	—
	The 2nd stock acquisition rights	Common stock	1,610	—	250	1,360	—
Consolidated subsidiaries		—	—	—	—	—	15,907
Total			7,650	—	650	7,000	15,907

Notes: 1. The number of shares to be issued is the number of shares to which stock acquisition rights can be exercised.

2. The reason for the changes in the number of shares to be issued is as follows.
The decrease during the year ended March 31, 2007, resulted from the forfeiture of the corresponding rights.

3. The exercise period for the stock acquisition rights of consolidated subsidiaries above did not come as of March 31, 2007.

4. Dividends

(1) Dividends paid

Resolution	Nature of shares	Total dividends	Amount of dividend per share	Cut-off date	Effective date
Ordinary general meeting of shareholders on June 28, 2006	Common stock	¥694,000 thousand	¥2,000	March 31, 2006	June 29, 2006
Board of Directors meeting on November 6, 2006	Common stock	¥694,000 thousand	¥2,000	September 30, 2006	December 8, 2006

(2) Dividends for which the cut-off date came during the fiscal year ended March 31, 2007, but the effective date will come during the fiscal year ending March 31, 2008

Resolution expected	Nature of shares	Total dividends	Funding source for payment of dividends	Amount of dividend per share	Cut-off date	Effective date
Ordinary general meeting of shareholders to be held on June 27, 2007	Common stock	¥694,000 thousand	Retained earnings	¥2,000	March 31, 2007	June 28, 2007

Consolidated Statements of Cash Flows

<table>
<tr><th>Fiscal year ended March 31, 2006
(April 1, 2005–March 31, 2006)</th><th>Fiscal year ended March 31, 2007
(April 1, 2006–March 31, 2007)</th></tr>
<tr><td>1. Relationship between cash and cash equivalents as of the end of the fiscal year and cash amounts stated on the consolidated balance sheets
(As of March 31, 2006)
Cash and deposit accounts ¥15,777,313 thousand
Cash and cash equivalents ¥15,777,313 thousand</td><td>1. Relationship between cash and cash equivalents as of the end of the fiscal year and cash amounts stated on the consolidated balance sheets
(As of March 31, 2007)
Cash and deposit accounts ¥17,902,518 thousand
Time deposits of which depositing period exceeds three months (¥1,200) thousand
Deposits supplied as collateral (¥81,390) thousand
Cash and cash equivalents ¥17,819,928 thousand</td></tr>
<tr><td>*2 Details of assets and liabilities of companies that have been newly consolidated through the acquisition of shares

Details of assets and liabilities at the start of consolidation when the companies were newly consolidated through the additional acquisition of shares, and the relationship between the acquisition cost of the shares and the income from acquisition (net amount) are as follows.

J. Sakazaki Marketing Ltd.
(As of September 30, 2005)
Current assets ¥1,293,740 thousand
Fixed assets ¥249,426 thousand
Excess of net assets acquired over cost ¥980,395 thousand
Current liabilities (¥1,024,859) thousand
Long-term liabilities (¥26,607) thousand
Minority interest in consolidated Subsidiaries (¥172,094) thousand
Acquisition cost ¥1,300,000 thousand
Cash and cash equivalents (¥637,439) thousand
Less: income from acquisition (net amount) ¥662,560 thousand

*3 Details of assets and liabilities of a company that has ceased to be a consolidated subsidiary through the sale of shares
As a result of the sale of shares, Heart-line Inc. (“HL”) ceased to be a consolidated subsidiary. Details of the assets and liabilities at the time of the sale, and the selling price of HL shares and the sales proceeds, are as follows.
Current assets ¥2,810 thousand
Fixed assets ¥13,330 thousand
Current liabilities (¥15,012) thousand
Long-term liabilities (¥10,000) thousand
Gain on sale of shares ¥18,871 thousand
Selling price of HL shares ¥10,000 thousand
HL cash and cash equivalents (¥1,085) thousand
Less: sales proceeds ¥8,914 thousand</td><td>*2 Details of assets and liabilities of companies that have been newly consolidated through the acquisition of shares

Details of assets and liabilities at the start of consolidation when a company was newly consolidated through the additional acquisition of shares, and the relationship between the acquisition cost of the shares and the income from acquisition (net amount) are as follows.

thinkArts Co., Ltd.
(As of April 1, 2006)
Current assets ¥88,409 thousand
Fixed assets ¥24,813 thousand
Consolidation adjustment account ¥184,788 thousand
Current liabilities (¥97,125) thousand
Long-term liabilities (¥185,885) thousand
Acquisition cost ¥15,000 thousand
Cash and cash equivalents ¥5,934 thousand
Less: income from acquisition (net amount) ¥9,065 thousand</td></tr>
</table>

Stock Options

Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)

1. Outline, scale and variations of the stock options

(1) Outline of stock options

	First 2000 Stock Option	Second 2000 Stock Option	2001 Stock Option
Issuer	D3 Inc.	D3 Inc.	D3 Inc.
Scope and number of grantees	Directors of the Company: 3 persons Employees of the Company: 8 persons	Outside cooperators: 12 persons	Employees of the Company: 3 persons
Number of stock options (Note)	Common stock: 102 shares	Common stock: 76 shares	Common stock: 28 shares
Granting date	September 22, 2000	September 22, 2000	January 31, 2001
Right-ascertaining conditions	No provision that specifies right-ascertaining conditions.	Same as at left	To continue to work as employee until the time when he/she exercises the option.
Service period required for qualification	No provision that specifies the service period required for qualification.	Same as at left	Same as at left
Exercise period of the options	From November 1, 2002 to September 28, 2007	From November 1, 2001 to September 28, 2007	From April 1, 2003 to September 28, 2007

	2003 Stock Option	2005 Stock Option	First 2006 Stock Option
Issuer	D3 Inc.	D3 Inc.	D3 Inc.
Scope and number of grantees	Directors and auditors of the Company: 7 persons Employees of the Company: 18 persons Director of a domestic subsidiary: 1 person Employees of domestic subsidiaries: 4 persons Outside cooperators: 16 persons	Directors and auditors of the Company: 8 persons Director of an overseas subsidiary: 1 person Employees of the Company: 5 persons Employees of overseas subsidiaries: 5 persons	Directors of the Company: 6 persons Employees of the Company: 10 persons Employees of overseas subsidiaries: 11 persons
Number of stock options (Note)	Common stock: 594 shares	Common stock: 350 shares	Common stock: 500 shares
Granting date	March 3, 2003	March 15, 2005	March 15, 2006
Right-ascertaining conditions	As for the directors, auditors and employees of the Company, the grantee shall continue to work as such until the time when each of them exercises the option. As for the outside cooperators, the grantee shall lose option rights if the corporation he/she serves at becomes a subsidiary or an affiliated company of another company that is competitive against the Company.	The grantee shall continue to work as employee until the time when he/she exercises the option.	Same as at left
Service period required for qualification	No provision that specifies the service period required for qualification.	Same as at left	Same as at left
Exercise period of the options	From February 1, 2005 to January 29, 2010	From February 1, 2007 to January 31, 2012	From February 1, 2008 to January 31, 2013

	Second 2006 Stock Option	Third 2006 Stock Option	2005 Stock Option
Issuer	D3 Inc.	D3 Inc.	D3 Publisher of America, Inc.
Scope and number of grantees	Directors of the Company: 5 persons	Employees of the Company: 3 persons Directors of domestic subsidiaries: 2 person Director of an overseas subsidiary: 1 person Employees of domestic subsidiaries: 4 persons Employees of overseas subsidiaries: 13 persons	Directors of the Company: 3 persons Employees of the Company: 2 persons Director of an overseas subsidiary: 1 person Employees of overseas subsidiaries: 9 persons
Number of stock options (Note)	Common stock: 110 shares	Common stock: 280 shares	Common stock: 1,521,900 shares
Granting date	October 17, 2006	October 17, 2006	November 1, 2005
Right-ascertaining conditions	The grantee shall continue to work as employee until the time when he/she exercises the option.	Same as at left	Same as at left
Service period required for qualification	No provision that specifies the service period required for qualification.	Same as at left	Same as at left
Exercise period of the options	From October 18, 2008 to October 17, 2013	From June 23, 2008 to May 31, 2013	From November 1, 2007 to October 31, 2013

Note: The number of stock options is stated in terms of the number of the subjected shares. The issuer conducted a two-for-one stock split as of October 18, 2002. The number of shares relating to the 2000 Stock Options and the 2001 Stock Option is respectively listed for the number of shares after adjusting the number of shares due to the stock split.

(2) Scale and variations of the stock options

The table below lists the stock options that existed during the fiscal year ended March 31, 2007, and the number of stock options are stated in terms of the number of shares subject to such stock options.

1) Number of stock options

	First 2000 Stock Option	Second 2000 Stock Option	2001 Stock Option	2003 Stock Option	2005 Stock Option
Issuer	D3 Inc.	D3 Inc.	D3 Inc.	D3 Inc.	D3 Inc.
Before the right is ascertained: (shares)					
As of March 31, 2006	—	—	—	—	350
Granted	—	—	—	—	—
Forfeited	—	—	—	—	15
Right ascertained	—	—	—	—	335
Remaining non-ascertained	—	—	—	—	—
After the right is ascertained: (shares)					
As of March 31, 2006	22	68	18	467	—
Right ascertained	—	—	—	—	335
Option exercised	—	—	—	6	—
Forfeited	—	—	—	—	—
Remaining non-ascertained	22	68	18	461	335

	First 2006 Stock Option	Second 2006 Stock Option	Third 2006 Stock Option	2005 Stock Option
Issuer	D3 Inc.	D3 Inc.	D3 Inc.	D3 Publisher of America, Inc.
Before the right is ascertained: (shares)				
As of March 31, 2006	500	—	—	1,527,900
Granted	—	280	110	—
Forfeited	32	—	—	6,000
Right ascertained	—	—	—	—
Remaining non-ascertained	468	280	110	1,521,900
After the right is ascertained: (shares)				
As of March 31, 2006	—	—	—	—
Right ascertained	—	—	—	—
Option exercised	—	—	—	—
Forfeited	—	—	—	—
Remaining non-ascertained	—	—	—	—

2) Unit-price information

	First 2000 Stock Option	Second 2000 Stock Option	2001 Stock Option	2003 Stock Option
Issuer	D3 Inc.	D3 Inc.	D3 Inc.	D3 Inc.
Option exercise price (Yen)	250,000	250,000	250,000	168,210
Average stock price upon exercise (Yen)	—	—	—	258,000
Fair unit price evaluated (on the granting date) (Yen)	—	—	—	—

	2005 Stock Option	First 2006 Stock Option	Second 2006 Stock Option	Third 2006 Stock Option
Issuer	D3 Inc.	D3 Inc.	D3 Inc.	D3 Inc.
Option exercise price (Yen)	335,000	379,005	320,650	320,650
Average stock price upon exercise (Yen)	—	—	—	—
Fair unit price evaluated (on the granting date) (Yen)	—	—	123,564	119,064

	2005 Stock Option
Issuer	D3 Publisher of America, Inc.
Option exercise price (US$)	0.10
Average stock price upon exercise (US$)	—
Fair unit price evaluated (on the granting date) (US$)	0.06

2. Estimation method of the fair unit price evaluated for the stock options

The estimation method of the fair unit price of the stock options granted during the fiscal year ended March 31, 2007, is as follows:

(1) Second 2006 Stock Option

1) Technical method used: Black-Scholes Model

2) Major basic values and estimation method

Variations in stock prices *1	57.4%
Projected remaining period *2	4.5 years
Projected dividend *3	¥600/share
No-risk interest rate *4	1.20%

Notes:

1. The value was computed based on the variations in the issuer’s stock price from April 15, 2002 to October 9, 2006.
2. The estimation was made on the assumption that the stock option was exercised at the midpoint of the exercise period because rational estimation was difficult without sufficiently accumulated data.
3. The value was based on the interim dividends distributed in October 2005.
4. The value refers to the rate of yield for government bonds for the period corresponding to the projected remaining period.

(2) Third 2006 Stock Option

1) Technical method used: Black-Scholes Model

2) Major basic values and estimation method

Variations in stock prices *1	57.7%
Projected remaining period *2	4.2 years
Projected dividend *3	¥600/share
No-risk interest rate *4	1.14%

Notes:

1. The value was computed based on the variations in the issuer’s stock price from August 19, 2002, to October 9, 2006.
2. The estimation was made on the assumption that the stock option was exercised at the midpoint of the exercise period because rational estimation was difficult without sufficiently accumulated data.
3. The value was based on the interim dividends distributed in October 2005.
4. The value refers to the rate of yield for government bonds for the period corresponding to the projected remaining period.

3. Estimation method for the number of right-ascertained stock options

Only the number of actually forfeited stock options is reflected on our estimation method adopted because rational estimation of the possible number of forfeited stock options is basically difficult.

4. Impact on the consolidated financial statements

Stock option cost under the “Selling, general and administrative expenses” ¥15,877 thousand

Business Combinations

None applicable

Leases

Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)

Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)

1. Finance lease transactions other than those in which the ownership of the leased assets is deemed to be transferred to the lessee.

(1) Acquisition cost, accumulated depreciation, and net book value of leased assets at the end of the fiscal year

(Thousands of yen)

	Acquisition cost	Accumulated depreciation	Net book value
Vehicles	11,592	241	11,350
Tools, furniture and fixtures	91,863	67,278	24,584
Software	38,757	8,397	30,359
Total	142,212	75,917	66,295

Acquisition cost has been calculated by the interest-inclusive method, since the balance of future minimum lease payments accounts for a minimal portion of tangible and intangible fixed assets at the end of the fiscal year.

(2) Future minimum lease payments

Due within one year	¥27,619 thousand
Due after one year	¥38,676 thousand
Total	¥66,295 thousand

Future minimum lease payments at the end of the fiscal year have been calculated by the interest-inclusive method, since the balance of future minimum lease payments accounts for a minimal portion of tangible and intangible fixed assets at the end of the fiscal year.

(3) Lease payments and depreciation

Lease payments	¥41,246 thousand
Depreciation	¥41,246 thousand

(4) Calculation method for depreciation

Depreciation is calculated by the straight-line method over the lease term of the leased assets with no residual value.

2. —

Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)

1. Finance lease transactions other than those in which the ownership of the leased assets is deemed to be transferred to the lessee.

(1) Acquisition cost, accumulated depreciation, and net book value of leased assets at the end of the fiscal year

(Thousands of yen)

	Acquisition cost	Accumulated depreciation	Net book value
Vehicles	18,252	3,139	15,112
Tools, furniture and fixtures	27,912	16,015	11,896
Software	38,757	16,148	22,608
Total	84,921	35,304	49,616

Acquisition cost has been calculated by the interest-inclusive method, since the balance of future minimum lease payments accounts for a minimal portion of tangible and intangible fixed assets at the end of the fiscal year.

(2) Future minimum lease payments

Due within one year	¥18,416 thousand
Due after one year	¥31,200 thousand
Total	¥49,616 thousand

Future minimum lease payments at the end of the fiscal year have been calculated by the interest-inclusive method, since the balance of future minimum lease payments accounts for a minimal portion of tangible and intangible fixed assets at the end of the fiscal year.

(3) Lease payments and depreciation

Lease payments	¥27,844 thousand
Depreciation	¥27,844 thousand

(4) Calculation method for depreciation

Depreciation is calculated by the straight-line method over the lease term of the leased assets with no residual value.

2. Operating lease transactions

Due within one year	¥1,318 thousand
Due after one year	¥1,538 thousand
Total	¥2,857 thousand

Marketable Securities

1. Other securities at fair value

(Thousands of yen)

Category	Fiscal year ended March 31, 2006 (As of March 31, 2006)			Fiscal year ended March 31, 2007 (As of March 31, 2007)		
	Acquisition cost	Carrying value on consolidated balance sheets	Difference	Acquisition cost	Carrying value on consolidated balance sheets	Difference
Securities whose carrying value exceeds their acquisition cost						
(1) Shares	832,724	2,088,715	1,255,990	773,307	1,150,600	377,292
(2) Bonds	500,000	503,200	3,200	157,650	158,925	1,275
(3) Other	—	—	—	—	—	—
Subtotal	1,332,724	2,591,915	1,259,190	930,957	1,309,525	378,567
Securities whose carrying value does not exceed their acquisition cost						
(1) Shares	—	—	—	59,417	43,113	(16,303)
(2) Bonds	200,000	181,320	(18,680)	—	—	—
(3) Other	—	—	—	—	—	—
Subtotal	200,000	181,320	(18,680)	59,417	43,113	(16,303)
Total	1,532,724	2,773,235	1,240,510	990,374	1,352,638	362,264

2. Other securities sold during the fiscal year

(Thousands of yen)

Category	Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)
Proceeds from sales	551,585	—
Gains on sales	7,054	—
Losses on sales	(1,251)	—

3. Principal holdings of securities not valued at fair value

(Thousands of yen)

Content	Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)
	Carrying value on consolidated balance sheets	Carrying value on consolidated balance sheets
1. Shares of subsidiaries and affiliates		
Shares of subsidiaries	155,000	16,000
Shares of affiliates	3,973,042	3,844,546
2. Other marketable securities		
Unlisted securities (excluding shares traded over the counter)	34,618	122,118
Unlisted bonds	—	—
Other	55,758	881,664

4. Redemption schedule of other securities with maturities and bonds classified as held-to-maturity

Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)

(Thousands of yen)

	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
1. Bonds				
Japanese government and local government bonds	—	—	—	—
Japanese corporate bonds	—	—	—	—
Others	—	—	—	—
2. Other	—	—	—	—
Total	—	—	—	—

Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)

(Thousands of yen)

	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
1. Bonds				
Japanese government and local government bonds	—	—	—	—
Japanese corporate bonds	—	—	—	—
Others	—	—	—	958,925
2. Other	—	—	—	—
Total	—	—	—	958,925

Derivatives

1. Matters relating to transaction status

Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)
(1) Description of transactions Derivative transactions entered into by some of the consolidated subsidiaries are interest rate swaps.	(1) Description of transactions Same as at left
(2) Policy for transactions Derivative transactions entered into by some of the consolidated subsidiaries are aimed at reducing the risks from interest rate fluctuations, and it is our policy that they are not for speculative purposes.	(2) Policy for transactions Same as at left
(3) Purposes of transactions Derivative transactions entered into by some of the consolidated subsidiaries are aimed at reducing their exposure to interest rate fluctuations on borrowings. Hedge accounting is carried out using derivative transactions. Method for hedge accounting Special accounting methods are adopted for interest rate swaps that satisfy the requirements for hedge accounting. Means and scope of hedging Means of hedging: Interest rate swap transactions Scope of hedging: Interest on borrowings Hedge policy At some of the consolidated subsidiaries, a hedge policy is implemented to mitigate the interest rate risks and improve the financial account balance, and hedging is carried out within the scope of the relevant debt. Method for assessing hedging effectiveness As the interest rate swap transactions are deemed to come under the requirements for special accounting methods, that become the criterion for assessing the hedging as effective.	(3) Purposes of transactions Same as at left
(4) Details of risk relating to transactions Interest rate swap transactions entered into by some of the consolidated subsidiaries have risks from fluctuations in the market interest rates.	(4) Details of risk relating to transactions Same as at left
(5) Risk management system relating to transactions The management division bears the responsibility for concluding contracts relating to hedge accounting at some of the consolidated subsidiaries. There are no particular stipulations relating to such transactions, but these are controlled in accordance with the office regulations concerning authority.	(5) Risk management system relating to transactions Same as at left
(6) Supplementary explanation on matters relating to market value of transactions All derivative transactions entered into by some of the consolidated subsidiaries are subject to hedge accounting, thus a supplementary explanation has been omitted.	(6) Supplementary explanation on matters relating to market value Same as at left

2. Matters relating to the market price of transactions

Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)
As all derivative transactions entered into by some consolidated subsidiaries are subject to hedge accounting, mention of them here has been omitted.	Same as at left

Deferred Tax Accounting

Fiscal year ended March 31, 2006 (As of March 31, 2006)		Fiscal year ended March 31, 2007 (As of March 31, 2007)	
1. Main components of deferred tax assets and deferred tax liabilities		1. Main components of deferred tax assets and deferred tax liabilities	
Deferred tax assets		Deferred tax assets	
Unrecognized reserve for retirement benefits for directors and auditors	¥247,089 thousand	Unrecognized sales discounts	¥215,056 thousand
Unrecognized accrued enterprise taxes	¥262,282 thousand	Unrecognized accrued enterprise taxes	¥175,955 thousand
Excess reserve for retirement benefits	¥66,142 thousand	Excess reserve for retirement benefit	¥79,537 thousand
Excess allowance for doubtful accounts	¥93,755 thousand	Excess allowance for doubtful accounts	¥127,139 thousand
Excess reserve for accrued bonuses	¥10,175 thousand	Excess reserve for accrued bonuses	¥10,175 thousand
Operating loss carryforwards for subsidiaries	¥1,055,752 thousand	Operating loss carryforwards for subsidiaries	¥1,665,113 thousand
Unrecognized excess depreciation of software	¥183,322 thousand	Unrecognized excess depreciation of software	¥98,895 thousand
Excess amortization of royalty	¥246,788 thousand	Excess amortization of royalty	¥128,833 thousand
Unrecognized valuation loss on merchandising rights advances	¥90,416 thousand	Unrecognized valuation loss on merchandising rights advances	¥229,051 thousand
Unrecognized excess depreciation of content	¥41,653 thousand	Unrecognized excess depreciation of content	¥532,621 thousand
Unrecognized valuation loss on merchandise	¥29,388 thousand	Unrecognized valuation loss on merchandise	¥266,296 thousand
Others	¥180,132 thousand	Others	¥325,439 thousand
Subtotal deferred tax assets	¥2,506,901 thousand	Subtotal deferred tax assets	¥3,854,116 thousand
Valuation allowance	(¥1,114,733) thousand	Valuation allowance	(¥1,825,793) thousand
Total deferred tax assets	¥1,392,167 thousand	Total deferred tax assets	¥2,028,322 thousand
Deferred tax liabilities		Deferred tax liabilities	
Unrealized holding gains (losses) on available－for－sale securities	(¥504,887) thousand	Unrealized holding gains (losses) on available－for－sale securities	(¥147,441) thousand
Total deferred tax liabilities	(¥504,887) thousand	Total deferred tax liabilities	(¥147,441) thousand
Net deferred tax assets	¥887,279 thousand	Net deferred tax assets	¥1,880,881 thousand
2. Breakdown of main items causing differences between the statutory tax rate and the effective rate for income taxes after applying deferred tax accounting		2. Breakdown of main items causing differences between the statutory tax rate and the effective rate for income taxes after applying deferred tax accounting	
Statutory tax rate	40.7%	Statutory tax rate	40.7%
(Adjustments)		(Adjustments)	
Accumulated earnings tax	2.9%	Accumulated earnings tax	0.4%
Per capita levy of local resident income tax	0.3%	Per capita levy of local resident income tax	0.5%
Entertainment expenses not deductible for tax purposes	1.1%	Entertainment expenses not deductible for tax purposes	4.9%
Non－taxable dividend income	(0.2%)	Non－taxable dividend income	(0.3%)
Tax－rate difference arising from losses at consolidated subsidiaries	3.5%	Tax－rate difference arising from losses at consolidated subsidiaries	6.2%
Others	(0.7%)	Others	1.5%
Effective income tax rate after application of deferred tax accounting	47.6%	Effective income tax rate after application of deferred tax accounting	53.9%

Retirement Benefit Provisions

<table>
<tr><th>Fiscal year ended March 31, 2006
(April 1, 2005–March 31, 2006)</th><th>Fiscal year ended March 31, 2007
(April 1, 2006–March 31, 2007)</th></tr>
<tr><td>1. Outline of retirement benefit system adopted
The Company and certain domestic consolidated subsidiaries have adopted a defined benefit plan consisting of a lump－sum retirement payment.
Certain overseas consolidated subsidiaries have adopted defined contribution plans.

2. Details of retirement benefit obligations
Projected benefit obligations (¥165,941) thousand
Unrecognized net actuarial loss ¥3,293 thousand
Retirement benefit provisions (¥162,648) thousand

Note: Certain domestic consolidated subsidiaries use the simplified method for the computation of retirement benefit obligations.

3. Details of retirement benefit expenses
Retirement benefit expenses:
Service cost ¥40,626 thousand
Interest cost ¥2,716 thousand
Amortization of net actuarial loss ¥993 thousand
Other ¥3,645 thousand
¥47,982 thousand

Notes:
1. The retirement benefits expenses of consolidated subsidiaries using the simplified method are stated in “Service cost.”
2. “Other” indicates the amount of premium payments to defined contribution pensions.

4. Basis for calculation of retirement benefit obligation
Discount rate: 2.0%
Periodic allocation method for projected benefits:
Straight－line standard
Years over which actuarial gains or losses are amortized:
Five years from the fiscal year after the year of occurrence</td><td>1. Outline of retirement benefit system adopted
Same as at left

2. Details of retirement benefit obligations
Projected benefit obligations (¥218,678) thousand
Unrecognized net actuarial loss ¥23,565 thousand
Retirement benefit provisions (¥195,112) thousand

Note: Certain domestic consolidated subsidiaries use the simplified method for the computation of retirement benefit obligations.

3. Details of retirement benefit expenses
Retirement benefit expenses:
Service cost ¥35,436 thousand
Interest cost ¥2,978 thousand
Amortization of net actuarial loss ¥1,191 thousand
Other ¥11,965 thousand
¥51,571 thousand

Notes:
1. The retirement benefits expenses of consolidated subsidiaries using the simplified method are stated in “Service cost.”
2. “Other” indicates the amount of premium payments to defined contribution pensions.

4. Basis for calculation of retirement benefit obligation
Discount rate: 2.0%
Periodic allocation method for projected benefits:
Straight－line standard
Years over which actuarial gains or losses are amortized:
Five years from the fiscal year after the year of occurrence</td></tr>
</table>

Segment Information

1. Segment information by business category

Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)

(Thousands of yen)

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

Notes:

1. Based on the proximity of services or others provided, the Fields Corporation's businesses are segmented into PS Field, Game Field and Other Field.
2. The major products or services in each segment are as follows:
   (1) PS Field: Purchasing, sales, planning and development of pachinko/pachislot machines and related services
   (2) Game Field: Planning, development and sales of packaged software, such as game software
   (3) Other Field: Sports management and others
3. Since the pachinko/pachislot machine sales business accounted for more than 90% of total sales and operating income in all segments in the past fiscal years, the Company did not disclose segment information for each category of business activity. However, effective from the current fiscal year, we have disclosed the relevant segment information due to the expansion of the Game Field businesses.
4. All operating expenses are allocated to individual segments, and thus none remain unallocated.
5. All assets are allocated to individual segments, and thus there are no assets that are regarded as being corporate assets.

Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)

(Thousands of yen)

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

Notes:

1. Based on the proximity of services or others provided, the Fields Corporation's businesses are segmented into PS Field, Game Field and Other Field.
2. The major products or services in each segment are as follows:
    (1) PS Field: Purchasing, sales, planning and development of pachinko/pachislot machines and related services
    (2) Game Field: Planning, development and sales of packaged software, such as game software
    (3) Other Field: Sports management and others
3. All operating expenses are allocated to individual segments, and thus none remain unallocated.
4. All assets are allocated to individual segments, and thus there are no assets that are regarded as being corporate assets.
5. As stated in the "Basis of Presentation of the Consolidated Financial Statements; 4. Accounting standards; (4) Accounting standards for important reserves (3) Accrued bonuses to directors and auditors (Change in Accounting Principle)," effective from the current fiscal year, the Company has adopted the ASBJ Statement No. 4, "Accounting Standard for Directors' Bonuses," issued on November 29, 2005.
   As a result, operating expenses in the "PS Field" segment increased ¥98,000 thousand, whereas operating income decreased the same amount for the current fiscal year ended March 31, 2007.
6. As stated in the "Change in the Basis of Presentation of the Consolidated Financial Statements," effective from the current fiscal year, the Company has adopted the "Accounting Standards for Share－Based Payment" (ASBJ Statement No. 8 issued by the ASBJ on December 27, 2005) and the "Implementation Guidance on Accounting Standards for Share－Based Payment" (ASBJ Implementation Guidance No. 11 issued by the ASBJ on May 31, 2006).
   As a result, operating expenses in the "Game Field" segment increased ¥15,877 thousand, whereas operating income decreased the same amount for the current fiscal year ended March 31, 2007.

2. Segment information by region

Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)

Since Japan accounts for more than 90% of total sales and of total assets in all segments, the Company does not disclose segment information by region.

Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)

Since Japan accounts for more than 90% of total sales and of total assets in all segments, the Company does not disclose segment information by region.

3. Overseas sales

Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)

Since overseas sales account for less than 10% of consolidated net sales, the Company does not disclose overseas sales.

Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)

Since overseas sales account for less than 10% of consolidated net sales, the Company does not disclose overseas sales.

Transactions with Related Parties

Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)

1. Subsidiaries, etc.

(Thousands of yen)

Attribute	Company name	Location	Capital stock or equity capital	Business or occupation	Holding ratio of voting rights	Relationship	
						Officer's post concurrently held	Business relationship
Affiliate	Rodeo Co., Ltd.	Toshima－ku, Tokyo	100,000	Development and manufacture of pachinko/ pachislot machines	Direct holding: 35.0%	—	Development and manufacture of pachinko/ pachislot machines

Transaction details	Transaction amount	Account item	Balance at year－end
Purchase of machines (Notes 1, 2)	46,825,232	Accounts payable—trade	30,590,077
Purchase discounts	201,904	—	

Notes:

1. The above transaction amounts are net of consumption tax, but the balance at year－end is inclusive of consumption tax.
2. Transaction conditions and the policies for determining those conditions

(1) For the purchase of machines, transaction conditions are determined in the same manner as general terms and conditions.

Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)

1. Subsidiaries, etc.

(Thousands of yen)

Attribute	Company name	Location	Capital stock or equity capital	Business line or occupation	Holding ratio of voting rights	Relationship	
						Officer's post concurrently held	Business relationship
Affiliate	Rodeo Co., Ltd.	Toshima－ku, Tokyo	100,000	Development and manufacture of pachinko/ pachislot machines	Direct holding: 35.0%	—	Development and manufacture of pachinko/ pachislot machines

Transaction details	Transaction amount	Account item	Balance at year－end
Purchase of machines (Notes 1, 2)	12,447,958	Accounts payable—trade	3,403,259
Purchase discounts	197,125		

Notes:
1. The above transaction amounts are net of consumption tax, but the balance at year－end is inclusive of consumption tax.
2. Transaction conditions and the policies for determining those conditions

(1) For the purchase of machines, transaction conditions are determined in the same manner as general terms and conditions.

Per－Share Data

Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)
Net assets per share ¥113,275.37 Net income per share ¥20,118.14 Since no dilutive latent shares exist, diluted net income per share is not stated.	Net assets per share ¥118,487.37 Net income per share ¥10,692.29 Since no dilutive latent shares exist, diluted net income per share is not stated.

Note: The calculation basis for net income per share is as follows.

	Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)
Net income (Thousands of yen)	7,085,994	3,710,224
Amount not allocable to common shares Including bonuses to directors and auditors by appropriation of retained earnings (Thousands of yen)	105,000	－
Net income allocable to common shares	6,980,994	3,710,224
Average number of shares of common stock outstanding	347,000	347,000
Outline of latent shares not reflected in the calculation of diluted net income per share since they have no dilutive effect	2 types of stock acquisition rights: Number of the 1st stock acquisition rights: 604 Number of the 2nd stock acquisition rights: 1,610	2 types of stock acquisition rights: Number of the 1st stock acquisition rights: 564 Number of the 2nd stock acquisition rights: 1,360

Significant Subsequent Events

Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)
――――	――――

Non－Consolidated Financial Statements

(1) Non－Consolidated Balance Sheets

(Thousands of yen)

Item \ Period	Fiscal year ended March 31, 2006 (As of March 31, 2006) Amount		% total	Fiscal year ended March 31, 2007 (As of March 31, 2007) Amount		% total	Year-on-year change Amount
Assets							
I. Current assets							
1. Cash and cash equivalents		13,566,922			14,083,737		516,814
2. Notes receivable—trade[*5]		1,746,185			3,346,712		1,600,527
3. Accounts receivable—trade[*1]		43,542,586			13,152,225		(30,390,361)
4. Merchandise		149,166			344,962		195,796
5. Supplies		2,023			13,448		11,424
6. Advances		4,607			6,875		2,267
7. Merchandising right advances[*1]		3,652,792			2,626,684		(1,026,108)
8. Prepaid expenses[*1]		300,310			275,937		(24,372)
9. Deferred tax assets		463,003			889,610		426,606
10. Other accounts receivable[*1]		23,080			18,010		(5,069)
11. Advance payments[*1]		204,611			117,266		(87,345)
12. Notes held		111,606			149,370		37,764
13. Non－operating notes receivable[*5]		500,712			676,477		175,764
14. Other current assets[*1]		98,112			601,939		503,826
15. Allowance for doubtful accounts		(141,000)			(50,200)		90,800
Total current assets		64,224,724	78.0		36,253,059	63.0	(27,971,664)
II. Fixed assets							
1. Tangible fixed assets							
(1) Buildings	2,320,666			3,317,052			
Accumulated depreciation	(392,021)	1,928,645		(538,547)	2,778,505		849,860
(2) Structures	62,201			63,451			
Accumulated depreciation	(24,533)	37,668		(30,758)	32,692		(4,976)
(3) Vehicles	29,623			27,632			
Accumulated depreciation	(20,147)	9,475		(10,066)	17,566		8,090
(4) Tools, furniture and fixtures	1,091,590			1,305,249			
Accumulated depreciation	(526,818)	564,772		(681,506)	623,743		58,970
(5) Land		1,370,827			1,760,985		390,158
(6) Construction in progress		—			32,000		32,000
Total tangible fixed assets		3,911,388	4.8		5,245,492	9.1	1,334,104
2. Intangible fixed assets							
(1) Software		195,421			370,912		175,490
(2) Software under development		739,255			2,155,781		1,416,525
(3) Telephone subscription rights		18,539			18,539		—
(4) Other intangible fixed assets		44,100			31,500		(12,600)
Total intangible fixed assets		997,317	1.2		2,576,733	4.5	1,579,416
3. Investments and other assets							
(1) Investment securities		2,858,403			2,351,362		(507,041)
(2) Investments in subsidiaries and affiliates		7,315,550			7,876,550		561,000
(3) Equity investment		10,508			213,326		202,818
(4) Long－term loans		103,204			102,604		(600)
(5) Long－term loans receivable from shareholders, directors or employees		—			375		375
(6) Long－term loans receivable from subsidiaries and affiliates		1,267,142			625,999		(641,142)
(7) Claims in bankruptcy		143,867			257,004		113,136
(8) Long－term prepaid expenses		27,957			16,336		(11,620)
(9) Deferred tax assets		123,267			365,168		241,901
(10) Deposits and guarantees		1,868,307			2,078,440		210,132
(11) Other assets		85,478			86,571		1,092
(12) Allowance for doubtful accounts		(612,476)			(539,704)		72,772
(13) Allowance for investment losses		(20,000)			—		20,000
Total investments and other assets		13,171,210	16.0		13,434,034	23.4	262,824
Total fixed assets		18,079,916	22.0		21,256,261	37.0	3,176,344
Total Assets		82,304,640	100.0		57,509,320	100.0	(24,795,319)

(Thousands of yen)

Item / Period	Fiscal year ended March 31, 2006 (As of March 31, 2006) Amount		% total	Fiscal year ended March 31, 2007 (As of March 31, 2007) Amount		% total	Year-on-year change Amount
Liabilities							
I. Current liabilities							
1. Accounts payable—trade[*1]		34,453,859			8,199,531		(26,254,328)
2. Other accounts payable		990,382			1,419,720		429,338
3. Accrued expenses		2,700			9,852		7,152
4. Accrued income taxes		3,590,000			1,242,000		(2,348,000)
5. Accrued consumption taxes		311,854			67,651		(244,203)
6. Advances received		50,343			680,492		630,149
7. Deposits received		498,233			1,000,247		502,014
8. Accrued bonuses		25,000			25,000		—
9. Accrued bonuses to directors and auditors		—			98,000		98,000
10. Other current liabilities		3,359			15,550		12,191
Total current liabilities		39,925,732	48.5		12,758,046	22.2	(27,167,685)
II. Long-term liabilities							
1. Retirement benefit provisions		144,705			173,879		29,174
2. Reserve for retirement benefits for directors and auditors		607,100			—		(607,100)
3. Deposits held		2,384,794			2,575,731		190,937
Total long-term liabilities		3,136,600	3.8		2,749,611	4.8	(386,988)
Total liabilities		43,062,332	52.3		15,507,658	27.0	(27,554,673)
Shareholders' equity							
I. Common stock[*2]		7,948,036	9.7		—	—	—
II. Capital surplus							
1. Additional paid-in capital	7,994,953			—			
Total capital surplus		7,994,953	9.7		—	—	—
III. Retained earnings							
1. Legal reserve	9,580			—			
2. Voluntary reserve							
(1) General reserve	15,000,000			—			
3. Unappropriated retained earnings	7,554,115			—			
Total retained earnings		22,563,695	27.4		—	—	—
IV. Unrealized holding gain on available-for-sale securities		735,622	0.9		—	—	—
Total shareholders' equity		39,242,308	47.7		—	—	—
Total liabilities and shareholders' equity		82,304,640	100.0		—	—	—
Net Assets							
I. Shareholders' equity							
1. Common stock		—	—		7,948,036	13.8	—
2. Capital surplus							
(1) Additional paid-in capital	—			7,994,953			
Total capital surplus		—	—		7,994,953	13.9	—
3. Retained earnings							
(1) Legal reserve	—			9,580			
(2) Other retained earnings							
General reserve	—			20,000,000			
Earned surplus carried forward	—			5,834,270			
Total retained earnings		—	—		25,843,850	44.9	—
Total shareholders' equity		—	—		41,786,839	72.6	—
II. Valuation and translation differences							
1.Unrealized holding gain on available-for-sale securities		—			214,822		
Total valuation and translation differences		—	—		214,822	0.4	—
Total net assets		—	—		42,001,662	73.0	—
Total Liabilities and Net Assets		—	—		57,509,320	100.0	—

(2) Non-Consolidated Statements of Income

(Thousands of yen)

Item \ Period	Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006) Amount		% sales	Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007) Amount		% sales	Year-on-year change Amount
I. Net sales		88,251,762	100.0		71,314,702	100.0	(16,937,059)
II. Cost of sales*1		61,682,867	69.9		46,164,048	64.7	(15,518,819)
Gross profit		26,568,894	30.1		25,150,654	35.3	(1,418,240)
III. Selling, general and administrative expenses							
1. Advertising expenditures	3,070,003			4,439,905			
2. Remuneration of directors and auditors	286,200			313,360			
3. Salaries and allowances	3,874,502			4,228,093			
4. Bonuses	51,210			48,860			
5. Provision for accrued bonuses	25,000			25,000			
6. Provision for accrued bonuses to directors and auditors	—			98,000			
7. Legal welfare expenses	467,220			523,445			
8. Other welfare expenses	33,248			30,951			
9. Outsourcing expenses	1,293,836			1,051,726			
10. Travel and transport expenses	447,745			428,707			
11. Depreciation and amortization	502,937			527,386			
12. Rents	959,287			1,049,383			
13. Recruitment and training expenses	394,558			332,937			
14. Provision to allowance for doubtful accounts	143,813			71,564			
15. Retirement benefit expenses	30,626			37,391			
16. Provision to retirement benefits for directors and auditors	57,400			—			
17. Others	2,433,864	14,071,454	15.9	2,944,057	16,150,772	22.7	2,079,317
Operating income		12,497,439	14.2		8,999,882	12.6	(3,497,557)
IV. Non-operating income							
1. Interest income*1	25,488			24,800			
2. Interest on securities	3,060			37,641			
3. Dividend income*1	67,622			77,814			
4. Discounts on purchases*1	201,904			215,522			
5. Lease income*1	5,393			5,333			
6. Others*1	47,168	350,637	0.3	46,681	407,792	0.6	57,154
V. Non-operating expenses							
1. Amortization of equity investment	—			7,182			
2. Depreciation and amortization	2,806			3,989			
3. Others	9,100	11,906	0.0	2,819	13,990	0.0	2,083
Ordinary income		12,836,170	14.5		9,393,684	13.2	(3,442,486)
VI. Extraordinary income							
1. Gain on sale of fixed assets*2	124,941			605			
2. Gain on investment in anonymous association	64,081			79,218			
3. Gain on sale of share in affiliates	—			10,000			
4. Reversal of allowance for investment losses	175,000	364,023	0.5	0	89,824	0.1	(274,198)
VII. Extraordinary losses							
1. Loss on sale of fixed assets*3	—			2,878			
2. Loss on disposal of fixed assets*4	72,866			651,215			
3. Impairment loss*5	56,819			—			
4. Loss on sale of investment securities	1,251			—			
5. Valuation loss on investment securities	4,320			—			
6. Valuation loss on equity investment	12,311			—			
7. Valuation loss on membership rights	2,100			—			
8. Bad debt loss	—			95,000			
9. Provision to allowance for doubtful accounts	471,900			—			
10. Others	—	621,569	0.7	205	749,299	1.1	127,730
Income before income taxes		12,578,624	14.3		8,734,209	12.2	(3,844,415)
Current income taxes	6,120,130			4,272,116			
Deferred income taxes	(476,119)	5,644,010	6.4	(311,061)	3,961,054	5.5	(1,682,956)
Net income		6,934,613	7.9		4,773,154	6.7	(2,161,459)
Earnings brought forward from previous year		1,313,502					
Interim dividends paid		694,000					
Unappropriated retained earnings		7,554,115					

(3) Appropriation Statement (Tentative)

(Thousands of yen)

Item \ Period	Fiscal year ended March 31, 2006 (June 28, 2006)	
I. Unappropriated retained earnings at end of year		7,554,115
II. Appropriation amount		
1. Dividends	694,000	
2. Bonuses to directors and auditors	105,000	
(Of which, to auditors)	(3,000)	
3. Voluntary reserve		
(1) General reserve	5,000,000	5,799,000
III. Retained earnings carried forward		1,755,115

Note: The date in parentheses under the period is the date of approval by the general meeting of shareholders.

(4) Non-Consolidated Statement of Change in Net Assets

Year ended March 31, 2007 (April 1, 2006–March 31, 2007)

(Thousands of yen)

	Shareholders' equity							
		Capital surplus		Retained earnings				
					Other retained earnings			
	Common stock	Additional paid-in capital	Total capital surplus	Legal reserve	General reserve	Earned surplus carried forward	Total retained earnings	Total shareholders' equity
Balance at March 31, 2006	7,948,036	7,994,953	7,994,953	9,580	15,000,000	7,554,115	22,563,695	38,506,685
Amount of changes during the year								
Dividends from surplus	—	—	—	—	—	(1,388,000)	(1,388,000)	(1,388,000)
Bonuses to directors and auditors	—	—	—	—	—	(105,000)	(105,000)	(105,000)
Provision for general reserve	—	—	—	—	5,000,000	(5,000,000)	—	—
Net income	—	—	—	—	—	4,773,154	4,773,154	4,773,154
Net amount of changes in items not included in shareholders' equity during the year	—	—	—	—	—	—	—	—
Total amount of changes during the year	—	—	—	—	5,000,000	(1,719,845)	3,280,154	3,280,154
Balance at March 31, 2007	7,948,036	7,994,953	7,994,953	9,580	20,000,000	5,834,270	25,843,850	41,786,839

	Valuation and translation differences		
	Unrealized holding gain on available-for-sale securities	Total valuation and translation differences	Total net assets
Balance at March 31, 2006	735,622	735,622	39,242,308
Amount of changes during the year			
Dividends from surplus	—	—	(1,388,000)
Bonuses to directors and auditors	—	—	(105,000)
Provision for general reserve	—	—	—
Net income	—	—	4,773,154
Net amount of changes in items not included in shareholders' equity during the year	(520,800)	(520,800)	(520,800)
Total amount of changes during the year	(520,800)	(520,800)	2,759,353
Balance at March 31, 2007	214,822	214,822	42,001,662

(5) Significant Accounting Policies

(Thousands of yen)

Item	Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)
1. Valuation standards and methods for marketable securities	(1) Shares of subsidiaries and affiliates Stated at cost determined by the moving-average method (2) Other marketable securities Securities with market prices: Stated at market value based on market price as of the balance sheet date (unrealized gains or losses are charged or credited directly to shareholders' equity, with the cost of securities sold determined by the moving-average method). Securities without market prices: Stated at cost determined by the moving-average method.	(1) Shares of subsidiaries and affiliates Same as at left (2) Other marketable securities Securities with market prices: Stated at market value based on market price as of the balance sheet date (unrealized gains or losses are charged or credited directly to net assets, with the cost of securities sold determined by the moving-average method). Securities without market prices: Same as at left
2. Valuation standards and methods for inventories	(1) Merchandise Used pachinko/pachislot machines: Stated at cost determined by the specific identification method. Others: Stated at cost determined by the moving-average method. (2) Supplies Stated at cost determined by the last purchase price method.	(1) Merchandise Used pachinko/pachislot machines: Same as at left Others: Same as at left (2) Supplies Same as at left
3. Depreciation methods for fixed assets	(1) Tangible fixed assets Declining-balance method However, the straight-line method is applied to buildings (excluding building fixtures) acquired after April 1, 1998. The estimated useful lives of depreciable assets are as follows. Buildings: 4-50 years Structures: 10-50 years Vehicles: 2-6 years Tools, furniture and fixtures: 3-20 years (2) Intangible fixed assets Straight-line method The straight-line method is applied to software for company use, based on its useful life within the Company (five years). (3) Long-term prepaid expenses Straight-line method	(1) Tangible fixed assets Same as at left (2) Intangible fixed assets Same as at left (3) Long-term prepaid expenses Same as at left
4. Accounting standards for reserves	(1) Allowance for doubtful accounts To provide against losses from doubtful accounts, allowances for ordinary receivables are provided using a rate determined by past collection experience, and allowances for specific debts considered doubtful are accounted for by calculating the estimated amounts deemed uncollectible after individually reviewing the collectibility of the debts. (2) Allowance for investment losses To provide for possible losses from investments in affiliates, this reserve is provided in consideration of factors such as the financial condition of the affiliates. (3) Accrued bonuses To provide for employee bonuses, the Company recognizes the amounts out of the	(1) Allowance for doubtful accounts Same as at left (2) — (3) Accrued bonuses Same as at left

Item	Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)
	projected bonus payments to be allocated to the fiscal year. (4) —	(4) Accrued bonuses to directors and auditors To provide for bonuses to directors and auditors, the Company recognizes the amounts corresponding to the current fiscal year based on the projected bonus payments. (Change in Accounting Principle) Effective from the current fiscal year, the Company has adopted the Accounting Standards Board of Japan (ASBJ) Statement No. 4, Accounting Standard for Bonuses to Directors and Auditors (issued on November 29, 2005). As a result, operating income, ordinary income, and income before income taxes each decreased ¥98,000 thousand compared with the previous accounting method.
	(5) Retirement benefit provisions To provide for employees' retirement benefits, the Company recognizes, on the basis of projected benefit obligations as of the end of the fiscal year, benefit obligations accrued as of the end of the fiscal year. Actuarial differences are amortized proportionately by the straight-line method over a fixed number of years (five years) within the average remaining period of service of employees as of the time such differences arise. Amortization amounts are expensed beginning with the fiscal year following that in which the differences arise. (6) Reserve for retirement benefits for directors and auditors To provide for directors' and statutory auditors' retirement benefits, the Company, in accordance with the internal regulations, states the amounts to be paid at the end of the fiscal year.	(5) Retirement benefit provisions Same as at left (6) —
5. Accounting standards for revenues and expenses	For agency sales, when the pachinko/pachislot machines are delivered to users, and the payments for the machines are made to the machine makers, these are recognized as commission income and commission cost.	Same as at left
6. Treatment of lease transactions	Finance lease transactions, other than those where the ownership of the leased assets is deemed to be transferred to the lessee, are accounted for as ordinary operating lease transactions.	Same as at left
7. Other significant standards for the preparation of financial statements	Accounting for consumption tax Consumption tax is accounted for by the tax-excluded method.	Accounting for consumption tax Same as at left

(6) Changes to the Significant Accounting Policies

Changes in accounting treatment

Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)
Accounting standard for impairment of fixed assets As of this fiscal year, the Company has adopted the Accounting Standard for Impairment of Fixed Assets (“Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets” issued by the Business Accounting Deliberation Council on August 9, 2002) and the Implementation Guidance for the Accounting Standard for Impairment of Fixed Assets (Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). In consequence, income before income taxes declined by ¥56,819,000. Cumulative impairment losses are deducted directly from the amount of the relevant assets in accordance with the revised Regulations on Financial Statements.	―――――
	Accounting standard for the presentation of net assets in balance sheets Effective from the current fiscal year, the Company has adopted the Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No. 5 issued on December 9, 2005) and the Implementation Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No. 8 issued on December 9, 2005). The amount conventionally recorded in “Shareholders’ equity” was ¥42,001,662 thousand. Due to the revision to the regulations regarding financial statements, the “Net assets” section of the balance sheet for the current fiscal year ended March 31, 2007, has been prepared according to the revised regulations for the financial statements.

Additional information

Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)
	Retirement benefits of directors and auditors The Company reviewed the remuneration payment system for directors and auditors, which is not linked to actual performance and may be considered deferred remuneration. As a result, the retirement benefit system for directors and auditors was abolished as of the closing of the 18th Ordinary General Meeting of Shareholders held on June 28, 2006. Accordingly, pursuant to the resolution adopted by the Meeting, accrued retirement benefits as of the closing of said Meeting were paid to the directors and auditors then in office at the Meeting for their services corresponding to the tenure of the respective directors and auditors until the closing of the Meeting.

(7) Notes to the Non-Consolidated Financial Statements

Non-Consolidated Balance Sheets

Fiscal year ended March 31, 2006 (As of March 31, 2006)	Fiscal year ended March 31, 2007 (As of March 31, 2007)
*1. Assets and liabilities relating to affiliates Other than items stated separately, the following are included in the relevant balance sheet items. Accounts payable—trade ¥30,760,621 thousand	*1. Assets and liabilities relating to affiliates Other than items stated separately, the following are included in the relevant balance sheet items. Other assets ¥1,217,083 thousand Accounts payable—trade ¥3,456,080 thousand
*2. Number of authorized and issued shares Authorized shares: Common stock 1,388,000 shares Shares issued: Common stock 347,000 shares	*2. —
3. Contingent liabilities The Company provides payment guarantees for sales of pachinko/pachislot machines to pachinko halls on an agency basis for pachinko/pachislot machine manufacturers. Sankei Shoji Co., Ltd ¥41,728 thousand Asahi Shoji K.K. ¥39,823 thousand Niimi Co., Ltd. ¥33,106 thousand Y.K. Daiko ¥31,777 thousand Meiplanet K.K. ¥23,861 thousand K.K. Toei Kanko ¥19,895 thousand LiNE Company ¥15,536 thousand Y.K. Big Shot ¥14,025 thousand Y.K. R&K ¥14,017 thousand K.K. Bishop ¥13,198 thousand Others (294) ¥430,297 thousand Total ¥677,268 thousand	3. Contingent liabilities The Company provides payment guarantees for sales of pachinko/pachislot machines to pachinko halls on an agency basis for pachinko/pachislot machine manufacturers. Y.K. Daiko ¥72,057 thousand Meiplanet K.K. ¥51,717 thousand Asahi Shoji K.K. ¥44,898 thousand Niimi Co., Ltd. ¥41,271 thousand K.K. Taisei Kanko ¥37,147 thousand Sankei Shoji Co., Ltd. ¥31,558 thousand K.K. Toei Kanko ¥28,935 thousand K.K. New Asahi ¥26,829 thousand K.K. Corona ¥21,727 thousand Narita Kogyo K.K. ¥20,434 thousand Others (218) ¥540,743 thousand Total ¥917,322 thousand The Company provides a guarantee for liabilities of the following corporation for it borrowings from financial institutions. Japan Sports Marketing Inc. ¥830,000 thousand
4. Dividend restriction As a result of mark-to-market valuation of securities, net assets increased by ¥735,622,000. However, the Company is prohibited from utilizing the said amount for dividend payment in accordance with Article 124-3 of the Commercial Code Enforcement Regulations.	4. —
*5. —	*5. Notes matured as of the balance-sheet date The notes of the Company maturing at the end of the year are settled on a bill clearing date. As the balance-sheet date for the year under review was a bank holiday, the following notes matured are included in the balance sheet as of March 31, 2007. Notes receivable ¥1,299,860 thousand Non-operating notes receivable ¥431,719 thousand
6. Overdraft agreements To raise working capital efficiently, the Company has concluded overdraft agreements with three banks. As of the end of the fiscal year, unutilized amounts under these agreements were as follows. Overdraft limit commitments ¥3,500,000 thousand Borrowings outstanding — Difference ¥3,500,000 thousand	6. Overdraft agreements and loan commitments To raise working capital efficiently, the Company has concluded overdraft and loan commitment agreements with five banks. As of the end of the current fiscal year, unutilized balances under these agreements were as follows. Overdraft limit commitments ¥3,000,000 thousand Borrowings outstanding — Difference ¥3,000,000 thousand

Non-Consolidated Statements of Income

<table>
<tr><th>Fiscal year ended March 31, 2006
(April 1, 2005–March 31, 2006)</th><th>Fiscal year ended March 31, 2007
(April 1, 2006–March 31, 2007)</th></tr>
<tr><td>*1. Items relating to affiliates included in the statements of income are as follows.
Purchases ¥47,408,061 thousand
Interest income ¥42,200 thousand
Discounts on purchases ¥201,904 thousand
Other non-operating income ¥47,631 thousand

*2. Details of gain on sale of fixed assets
Buildings and structures ¥9,323 thousand
Land ¥115,617 thousand
Total ¥124,941 thousand

*3. —

*4. Details of loss on disposal of fixed assets
Buildings ¥22,501 thousand
Structures ¥105 thousand
Tools, furniture and fixtures ¥10,563 thousand
Long-term prepaid expenses ¥1,714 thousand
Software ¥37,981 thousand
Total ¥72,866 thousand
*5. Impairment loss
The Company has stated an impairment loss for the assets set out below.

Usage: Miscellaneous business
Type: Buildings and land
Location: Shibuya-ku, Tokyo
Amount: ¥56,819,000

When grouping its assets, the Company adopts the method of grouping primarily by business category in accordance with management accounting practice. With regard to a property in Shibuya used for miscellaneous business, since there is no prospect of a recovery in operating income from the property, a loss has been recognized, composed of ¥51,136,000 on the building and ¥5,682,000 on the land. The recoverable value of this property has been calculated on the basis of the net sale price, the market price being the real estate appraisal value.</td><td>*1. Items relating to affiliates included in the statements of income are as follows.
Purchases ¥13,122,479 thousand
Interest income ¥50,300 thousand
Discounts on purchases ¥197,125 thousand
Other non-operating income ¥43,408 thousand

*2. “Gain on sale of fixed assets” was derived from the sale of vehicles.

*3. “Loss on sale of fixed assets” was derived from the sale of vehicles.

*4. Details of loss on disposal of fixed assets
Tools, furniture and fixtures ¥3,083 thousand
Long-term prepaid expenses ¥260 thousand
Software ¥24,748 thousand
Software in progress ¥623,122 thousand
Total ¥651,215 thousand

*5. —</td></tr>
</table>

Non-Consolidated Statement of Change in Net Assets

Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)

Treasury stock

Not applicable.

Leases

Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)

1. Finance lease transactions other than those in which the ownership of the leased assets is deemed to be transferred to the lessee

(1) Acquisition cost, accumulated depreciation, and net book value of leased assets at the end of the fiscal year

(Thousands of yen)

	Acquisition cost	Acquisition cost	Net book value
Tools, furniture and fixtures	26,833	14,441	12,391
Software	38,757	8,397	30,359
Total	65,590	22,838	42,751

Acquisition cost has been calculated by the interest-inclusive method, since the balance of future minimum lease payments accounts for a minimal portion of tangible and intangible fixed assets at the end of the fiscal year.

(2) Future minimum lease payments

Due within one year	¥12,527 thousand
Due after one year	¥30,223 thousand
Total	¥42,751 thousand

Future minimum lease payments at the end of the fiscal year have been calculated by the interest-inclusive method, since the balance of future minimum lease payments accounts for a minimal portion of tangible and intangible fixed assets at the end of the fiscal year.

(3) Lease payments and depreciation

Lease payments	¥18,568 thousand
Depreciation	¥18,568 thousand

(4) Calculation method for depreciation

Depreciation is calculated by the straight-line method over the lease term of the leased assets, with no residual value.

2. —

Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)

1. Finance lease transactions other than those in which the ownership of the leased assets is deemed to be transferred to the lessee

(1) Acquisition cost, accumulated depreciation, and net book value of leased assets at the end of the fiscal year

(Thousands of yen)

	Acquisition cost	Acquisition cost	Net book value
Vehicles	6,660	—	6,660
Tools, furniture and fixtures	23,406	15,790	7,615
Software	38,757	16,148	22,608
Total	68,823	31,939	36,883

Same as at left

(2) Future minimum lease payments

Due within one year	¥14,617 thousand
Due after one year	¥22,266 thousand
Total	¥36,883 thousand

Same as at left

(3) Lease payments and depreciation

Lease payments	¥12,527 thousand
Depreciation	¥12,527 thousand

(4) Calculation method for depreciation

Same as at left

2. Operating lease transactions

Due within one year	¥1,318 thousand
Due after one year	¥1,538 thousand
Total	¥2,857 thousand

Marketable Securities

Fiscal year ended March 31, 2006 (As of March 31, 2006)

Shares of subsidiaries and affiliates at fair value (Thousands of yen)

Category	Carrying value on non-consolidated balance sheets	Market value	Difference
Shares of subsidiaries	2,670,100	4,116,000	1,445,900

Fiscal year ended March 31, 2007 (As of March 31, 2007)

Shares of subsidiaries and affiliates at fair value (Thousands of yen)

Category	Carrying value on non-consolidated balance sheets	Market value	Difference
Shares of subsidiaries	2,670,100	3,420,000	749,900

Deferred Tax Accounting

Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)		Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)	
1. Main components of deferred tax assets and deferred tax liabilities		1. Main components of deferred tax assets and deferred tax liabilities	
Deferred tax assets	(Thousands of yen)	Deferred tax assets	(Thousands of yen)
Unrecognized reserve for retirement benefits for directors and auditors	¥247,089	Unrecognized accrued enterprise taxes	¥111,175
Unrecognized accrued enterprise taxes	¥250,278	Excess reserve for retirement benefits	¥70,769
Excess reserve for retirement benefits	¥58,895	Excess allowance for doubtful accounts	¥328,505
Excess allowance for doubtful accounts	¥280,551	Excess reserve for accrued bonuses	¥10,175
Excess reserve for accrued bonuses	¥10,175	Unrecognized valuation loss on merchandising rights advances	¥229,051
Unrecognized allowance for investment losses	¥8,140	Unrecognized valuation loss on equity investment	¥29,301
Unrecognized valuation loss on merchandising rights advances	¥90,416	Impairment loss	¥21,465
Unrecognized valuation loss on equity investment	¥21,367	Unrecognized valuation loss on merchandise	¥216,186
Impairment los	¥22,386	Unrecognized sales discounts	¥215,056
Others	¥101,858	Others	¥170,535
Subtotal deferred tax assets	¥1,091,159	Subtotal deferred tax assets	¥1,402,220
Deferred tax liabilities		Deferred tax liabilities	
Unrealized holding gains (losses) on available-for-sale securities	(¥504,887)	Unrealized holding gains (losses) on available-for-sale securities	(¥147,441)
Total deferred tax liabilities	(¥504,887)	Total deferred tax liabilities	(¥147,441)
Net deferred tax assets	¥586,271	Net deferred tax assets	¥1,254,778
2. Breakdown of main items causing differences between the statutory tax rate and the effective rate for income taxes after applying deferred tax accounting		2. Breakdown of main items causing differences between the statutory tax rate and the effective rate for income taxes after applying deferred tax accounting	
Statutory tax rate	40.7%	Statutory tax rate	40.7%
(Adjustments)		(Adjustments)	
Accumulated earnings tax	3.0%	Per capita levy of local resident income tax	0.4%
Per capita levy of local resident income tax	0.3%	Entertainment expenses not deductible for tax purposes	4.5%
Entertainment expenses not deductible for tax purposes	1.1%	Non-taxable dividend income	(0.3%)
Non-taxable dividend income	(0.2%)	Others	0.1%
Tax deduction	(0.0%)	Effective income tax rate after application of deferred tax accounting	45.4%
Others	0.0%		
Effective income tax rate after application of deferred tax accounting	44.9%		

Per-Share Data

Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)		Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)	
Net assets per share	¥112,787.63	Net assets per share	¥121,042.25
Net income per share	¥19,681.88	Net income per share	¥13,755.49
Since no dilutive latent shares exist, diluted net income per share is not stated.		Since no dilutive latent shares exist, diluted net income per share is not stated.	

Note: The calculation basis for net income per share is as follows.

	Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)
Net income (Thousands of yen)	6,934,613	4,773,154
Amount not allocable to common shares Including bonuses to directors and auditors by appropriation of retained earnings (Thousands of yen)	105,000	–
Net income allocable to common shares (Thousands of yen)	6,829,613	4,773,154
Average number of shares of common stock outstanding	347,000	347,000
Outline of latent shares not reflected in the calculation of diluted net income per share since they have no dilutive effect	2 types of stock acquisition rights: Number of the 1st stock acquisition rights: 604 Number of the 2nd stock acquisition rights: 1,610	2 types of stock acquisition rights: Number of the 1st stock acquisition rights: 564 Number of the 2nd stock acquisition rights: 1,360

Significant Subsequent Events

Fiscal year ended March 31, 2006 (April 1, 2005–March 31, 2006)	Fiscal year ended March 31, 2007 (April 1, 2006–March 31, 2007)
———	———

Other Information

(1) Transfer of Officers
Undetermined