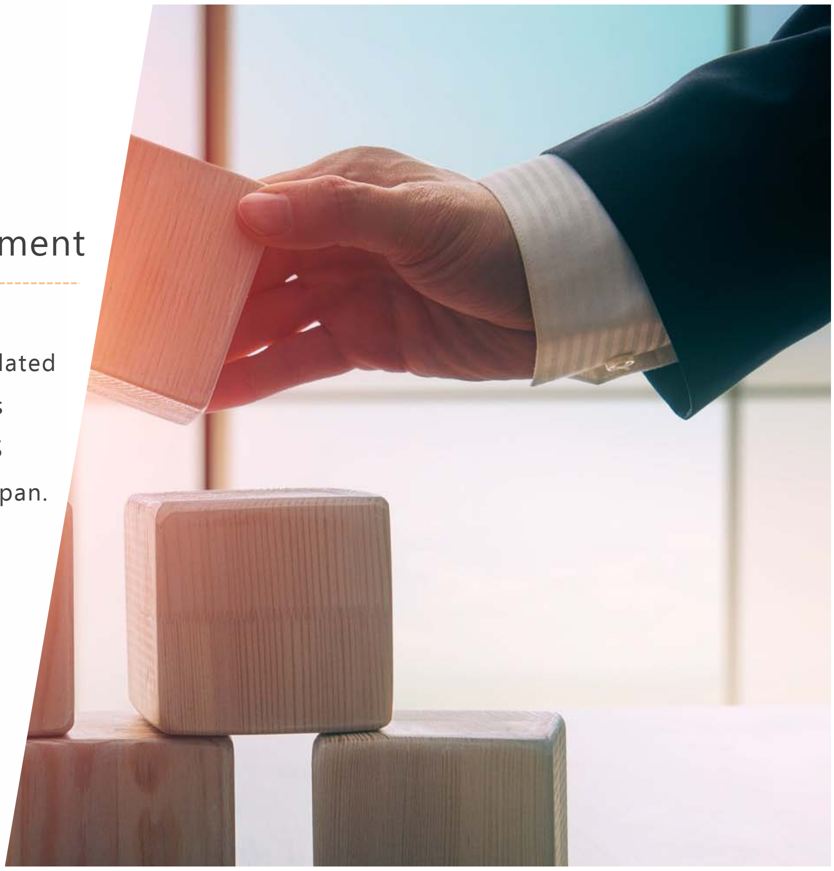
Financial Section

Consolidated Financial Statement

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



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Consolidated Balance Sheet

FIELDS CORPORATION and its Consolidated Subsidiaries At March 31, 2017

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

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheet

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

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

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

Earnings per share:		Yen	U.S. Dollars (Note 1)
Basic earnings (loss) per share	¥ 3.58	¥ (376.19)	$ (3.35)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

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

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

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

Millions of Yen

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

Thousands of U.S. Dollars (Note 1)

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

Thousands of U.S. Dollars (Note 1)

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

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

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

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

The consolidated financial statements are stated in Japanese yen. The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2017, which was ¥112.19 to U.S. $1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at that or any other rate.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

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

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

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

Scope of Consolidation and Application of the Equity Method

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

Number of Companies

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

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

Number of Companies

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

Note:

Year ended March 31, 2016

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

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

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

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

Year ended March 31, 2017

The Company sold all shares of Fly Studio Sdn, Bhd (“Fly”) and excluded Fly from the scope of consolidation.

NEX ENTERTAINMENT CO., LTD. was liquidated and excluded from the scope of consolidation.

Cash Equivalents

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

Valuation of Inventories

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

<table>
<tr><td rowspan="3">Merchandise</td><td rowspan="2">The Company</td><td>Used machines: the specific identification method</td></tr>
<tr><td>Other: the moving-average method</td></tr>
<tr><td>Consolidated subsidiaries</td><td>the gross-average method</td></tr>
<tr><td>Work in process</td><td>Consolidated subsidiaries</td><td>the specific identification method</td></tr>
<tr><td>Raw materials</td><td>The Company and consolidated subsidiaries</td><td>the moving-average method</td></tr>
<tr><td>Supplies</td><td>The Company and consolidated subsidiaries</td><td>the last purchase price method</td></tr>
</table>

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

Investment Securities

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

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

Property and Equipment

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

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

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

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

Intangible Assets

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

Allowance for Doubtful Accounts

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

Accrued Bonuses

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

Retirement Benefits

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

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

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

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

Derivative Financial Instruments and Hedging Accounting

Japanese GAAP for derivative financial instruments:

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

Group's management policy for derivative transactions:

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

Risk management for derivative transactions:

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

Asset Retirement Obligations

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

Income Taxes

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

Revenue Recognition

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

For distribution sales:

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

For agency sales:

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

Leases

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

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

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

Consumption Tax

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

Earnings Per Share (“EPS”)

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

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

Accounting Changes

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

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

Use of Estimates

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

3. INVENTORIES

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

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

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

4. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Policy for financial instruments

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

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

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

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

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

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

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

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

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

Notes:

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

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

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

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

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

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

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

Detailed information about investment securities is discussed in Note 5.

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

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

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

Notes:

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

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

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

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

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

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

Detailed information about investment securities is discussed in Note 5.

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

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

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

Notes:

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

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

5. INVESTMENT SECURITIES

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

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

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

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

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

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

6. FAIR VALUE OF DERIVATIVE TRANSACTIONS

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

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

Note:

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

No balances remained at March 31, 2017.

7. LONG-LIVED ASSETS

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

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

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

8. LEASES

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

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

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

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

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

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

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

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

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

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

10. CREDIT LINES

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

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

11. RETIREMENT BENEFITS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12. CONTINGENCIES

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

13. INCOME TAXES

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

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

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

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

Income taxes in Japan consist of corporation tax, inhabitants' taxes, and enterprise taxes. Reconciliation of the differences between the statutory tax rate and the effective income tax rate for the year ended March 31, 2016 is as follows:

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

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

14. NET ASSETS

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

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

15. RELATED-PARTY TRANSACTIONS

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

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

Notes:

(1) Terms and conditions of the above transactions have been determined based on the arm's length and normal market price levels.

(2) Transactions during the year figures do not include consumption taxes, whereas outstanding balances at year-end figures do.

(3) Bisty Co., Ltd. is a wholly owned subsidiary of SANKYO Co., Ltd., a major shareholder of the Company.

(4) During the year ended March 31, 2017, the Group provided ¥1,702 million ($15,170 thousand) of an allowance for uncollectible account for the long-term loans receivable from MIZUHO CORP.

(5) In applying the equity method to MIZUHO CORP., the long –term loans receivable in the above table have been eliminated on consolidation.

16. COMPREHENSIVE INCOME (LOSS)

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

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

17. SUBSEQUENT EVENT

Year-end dividends

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

18. SEGMENT INFORMATION

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

Independent Auditor's Report

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

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

BDO Sanyu & Co.

BDO Sanyu & Co.
Tokyo, Japan
July 28, 2017