FIELDS™

Gaming and Entertainment

Annual Report 2004

Profile

Fields Corporation was established in 1988 as a distributor of pachinko/pachislot machines. The pachinko/pachislot industry accounts for at least 30% of the revenues generated in Japan's leisure market, reaching as high as ¥29.6 trillion in 2003.※

In this market, we have conducted business transactions with about 12,000 pachinko hall operators throughout Japan and with nearly every maker of pachinko/pachislot machines. Drawing upon our nationwide sales network, we have helped boost the sales growth of both operators and makers while maintaining our operational capacity to earn significant profits.

We have recently acquired rights to use a number of copyrighted characters that are well-known in Japan and overseas and have effectively incorporated them into the development of pachinko/pachislot machines, toward increasing the number of pachinko/pachislot fans who will be attracted to these enhanced pachinko/pachislot machines and halls. Fields Corporation (hereinafter, "Fields" or "the Company") is successfully established as the No.1 distributor of game machines, with uniquely strong abilities in product planning for, and sales of, pachinko/pachislot machines. Similar strengths lie in our ability to support sales promotions for both pachinko hall operators and the makers of pachinko/pachislot machines.

※Source: "2004 White Paper on Leisure" published by Japan Productivity Center for Socio-Economic Development

Corporate Philosophy:

The Greatest Leisure for All People

The Pachinko/Pachislot Industry in Japan

Pachinko/pachislot is one of the most popular forms of entertainment in Japan. The Japan Productivity Center for Socio-Economic Development (the"JPC-SED"), a research arm of the Japanese Ministry of Economy, Trade and Industry, estimates that in 2004, the latest date for which it has released information, approximately 13.6% of the total population in Japan (approximately 17.4 million people) played pachinko/pachislot. Pachinko/pachislot is played in Japan at approximately 16,000 halls located throughout the country.

A pachinko machine consists of a colourful upright board, with a series of round-headed pins mounted on the board. The pins can be moved around on the board to create a variety of patterns. In appearance, a pachinko machine resembles an upright and compact Western pinball machine.

In playing pachinko, the player pays for an initial quantity of small steel balls, which are fed into the machine. The player sits on a chair in front of the machine and turns a knob to fire balls from inside the machine up to the top of the board. The knob allows the player to control the speed of the balls as they shoot up. The balls cascade down and bounce about when striking the array of round-headed pins mounted on the board.

Each falling ball lands either in a pocket, which retains the ball, removing it from play, or in a pocket that releases additional balls to the player and triggers an animated video and audio simulation of a slot machine-like display on a small screen in the middle of the machine. The simulation features revolving numbers or objects that, if correctly matched or aligned, results in a jackpot of various amounts of additional balls, which are dispensed to the player. A player succeeds at pachinko by accumulating as many balls as possible.

A pachislot machine resembles a Western style slot machine in appearance. Like a traditional slot machine,a pachislot machine has three spinning reels and offers the possibility of a jackpot. The player deposits tokens and then starts the reels spinning by pulling a small lever. However, instead of stopping the reels with the single press of one button by the player, the three pachislot reels are stopped individually by pushing a button below each reel, adding an element of skill and challenge to the game.

After purchasing an initial quantity of balls (for a pachinko machine) or tokens (for a pachislot machine), the player plays the game and may exchange any accumulated balls or tokens for prizes. Depending on the player's success in winning balls or tokens, a player can choose from a wide variety of available prizes, including snacks, cigarettes, toy animals and figures, cosmetics, household goods, electrical appliances and brand name goods.

With the coming era of innovative pachinko/pachislot machines, we are entering a new stage of growth.

Fields and our consolidated subsidiaries (together, the "Fields Group") have revolutionised the amusement industry through open and flexible distribution strategies, aggressive promotional activities, and broadened content drawing on our acquisition of rights to use well-known characters. With the advent of new pachinko machines using widely recognised characters, the game of pachinko has become more popular than ever and is steadily capturing a broader base of customers. We at Fields would like to develop pachinko/pachislot games into an innovative entertainment field and attract new fans to this market, beyond the existing 17 million or more players across the country who enjoy the exciting experience of playing these games. Fields is effectively using the business networks we have established, both within and outside the industry, and leveraging our strong earnings base. We are creating new opportunities that appear as times change and are growing with the industry.

Contents

Our Tracks

We have consistently taken the lead in developing the market for pachinko hall operators and pachinko/pachislot machine makers, and most importantly, for the fans of pachinko/pachislot.

In line with our corporate philosophy, “The Greatest Leisure for All People,” Fields has set its sights on the pachinko/pachislot market, the most popular public leisure activity in Japan, and has aimed to revitalise the market through a variety of new challenges. We have established a nationwide sales network and solidified a unique position that connects the many pachinko/pachislot fans with pachinko halls and pachinko/pachislot machine makers, while continuing to grasp the needs of all industry participants and providing proposal-oriented services through intensive marketing.

Growing demand and increasingly diversified preferences for entertainment

As the leisure market expanded, entertainment needs and preferences diversified. Those who wanted to experience a new form of entertainment directed their attention to pachinko/pachislot. The number of women players, who previously had seldom been found in pachinko halls, was also on the increase.

Amid mounting concern over gambling, regulations were tightened

As the popularity of pachinko overheated, regulations for the industry were tightened, which in turn curbed enthusiasm for gambling. To keep fans attracted to pachinko, the industry faced the pressing need to develop machines without depending on the draw of gambling.

Advances in liquid crystal display (LCD) and chip technologies

Introduction of LCD screens enabled pachinko/pachislot machines to provide richness in action and story lines. Many excellent machines are on the market or currently under development, designed to deliver high entertainment value by incorporating large LCD screens and high-quality digital content.

With the objective of more openly and flexibly distributing pachinko/pachislot machines

Taking advantage of our strength as an independent distributor, Fields has changed the conventional practice of the industry in which each pachinko hall only installed the machines of a single maker. Now, operators of halls are introducing a variety of product lines to offer a wide range of machines from different makers. Our innovation and flexibility in distribution has contributed to increasing customer satisfaction and enhanced the sales channels of makers.

To raise awareness and invigorate the industry

Fields aggressively disseminated information about pachinko/pachislot through the mass media, and then raised public and industry awareness of these games as diverse amusement that stands to attract an increasing number of fans. We also helped pachinko halls select suitable machines by providing them with the latest market information.

Carefully observing the potential needs of the pachislot market

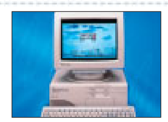
Because of their reputation for providing a highly exciting gaming experience, pachislot machines gained many fans. Focusing attention on the machines’ growth potential, Fields affiliated with a pachislot machine manufacturer ahead of the competition. We then developed machines using copyrighted characters, which led to explosive sales.

As a forerunner in entertainment-oriented trends for pachinko/pachislot machines

Fields started selling machines using copyrighted characters, ahead of its rivals in the industry, and has continued, in partnership with each Fields Group company, to acquire rights to use popular characters in the development of pachinko/pachislot machines with high entertainment value. Linking pachinko/pachislot to other entertainment, such as computer games and movies, to increase fan appeal, Fields has been helping revitalise the industry.

88
- The Company was established in Nagoya for selling pachinko/pachislot machines

92
- Established branch offices in Tokyo and Kyushu
- Bought out “Leisure Nippon Newspaper Company” to build our new vision for the industry
- Launched “Hall TV” system, a pachinko hall management support system



94

95
- Established branch offices nationwide in the Tohoku, Chugoku, Shikoku and Kansai regions
- Formed partnership with Sammy Corporation (currently, SEGA SAMMY HOLDINGS INC.),an pachinko/pachislot machine maker, for joint sales
- Launched Communications Satellite (CS) broadcasting service for the pachinko industry in collaboration with Mitsui & Co., Ltd.

00
- Initiated a sole distributorship for Rodeo Corporation, a pachislot maker, through joint capital investment
- Sparked a boom in pachislot machines that feature copyrighted characters

Sammy
RODEO

01
- Established Professional Management Co.,Ltd. and Total Workout Corporation

02
- Hosted the hall design competition, inviting architects from Japan and overseas
- Established White Trash Charms Japan Co., Ltd.

Aiming to revitalise the pachinko/pachislot machine market and increase the number of fans...

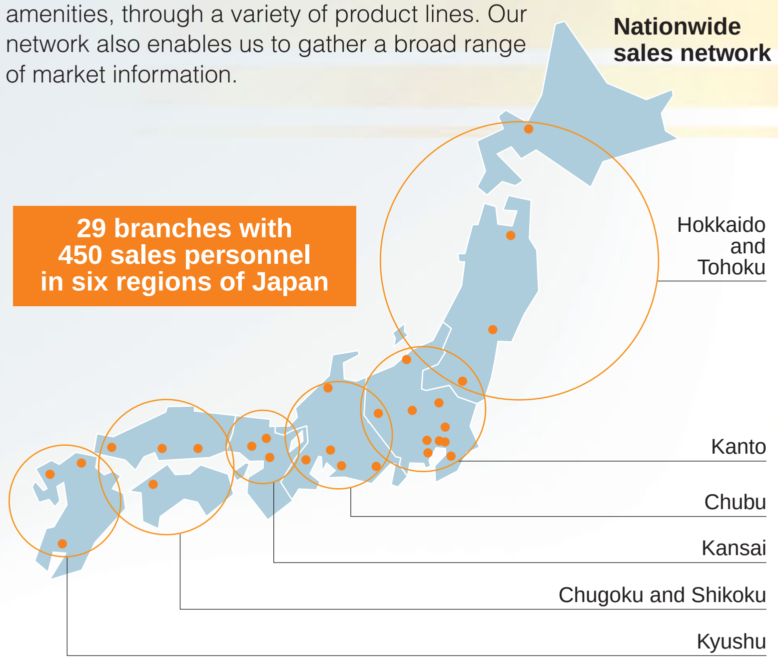
Our Advantages

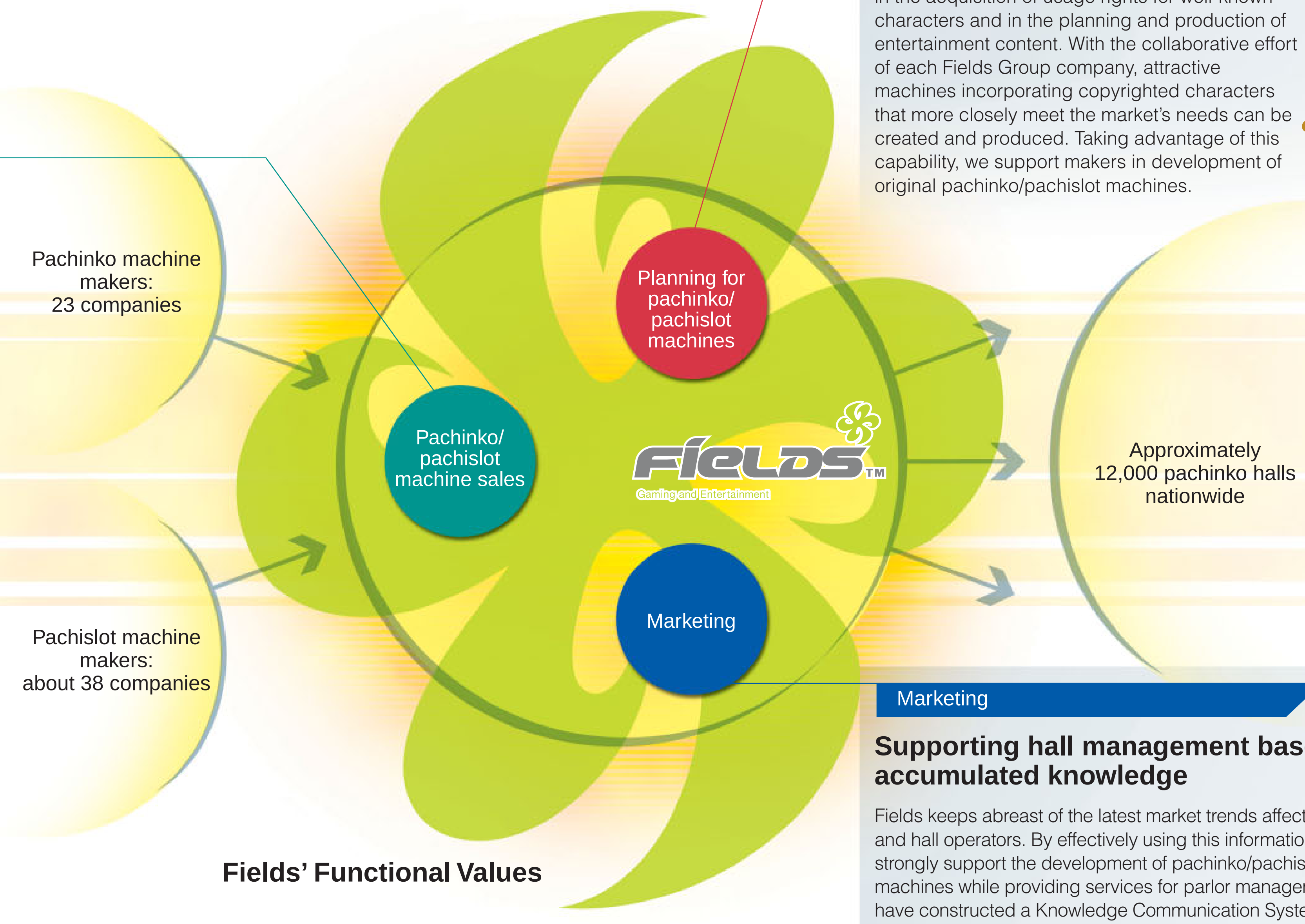
Operating as a uniquely effective distributor with sophisticated capabilities.

Pachinko/pachislot machine sales

Providing advantages to both machine makers and halls through our industry-leading, nationwide sales network

Fields is the only distributor in Japan with a nationwide sales network. In addition, as an independent vendor, we can handle nearly every model from every maker. Based on these advantages, we are able to act as a sales agent over a broad range of marketing channels for pachinko/pachislot machines, effectively deploying our nationwide sales force of 29 branch offices and 450 sales personnel (as of September 2004). With this structure, we have significantly contributed to the sales growth of makers, as well as the enhancement of hall amenities, through a variety of product lines. Our network also enables us to gather a broad range of market information.





Fields' Functional Values

Planning for pachinko/pachislot machines

Supporting pachinko/pachislot machine planning through collaboration of each Fields Group company

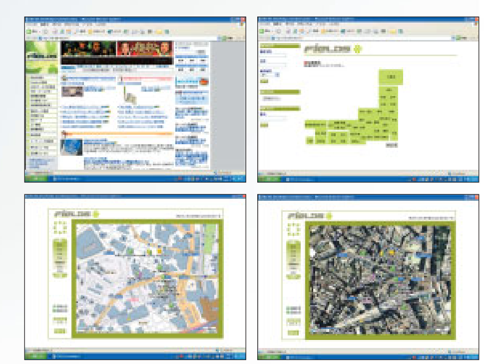
Fields is thoroughly familiar with pachinko/pachislot machines and related trends in demand, based on its business experience. Additionally, we have established a network of group companies, as well as creators outside the pachinko/pachislot industry, capitalizing on our strengths in the acquisition of usage rights for well-known characters and in the planning and production of entertainment content. With the collaborative effort of each Fields Group company, attractive machines incorporating copyrighted characters that more closely meet the market's needs can be created and produced. Taking advantage of this capability, we support makers in development of original pachinko/pachislot machines.

Marketing

Supporting hall management based on a deep reservoir of accumulated knowledge

Fields keeps abreast of the latest market trends affecting makers and hall operators. By effectively using this information, we strongly support the development of pachinko/pachislot machines while providing services for parlor management. We have constructed a Knowledge Communication System that organises, in a database, a wide variety of information gathered daily by category, ranging from information on halls and pachinko/pachislot machines to sales results of our sales staff, trading area analysis and statistical data. Our sales staff nationwide exchange this information to accurately grasp market trends and provide proposal-oriented services closely related to hall management, in an intelligent and attentive manner. This approach has been well received by halls across the country, contributing to increasing their attractiveness and advantages, and resulting in a broader fan base for pachinko/pachislot machine play.

Knowledge Communication System:
Including market analysis, potential customer demand, trading areas and market share



Our New Challenges

Toward increasing the number of pachinko/pachislot machine fans, Fields is accelerating its production capability and expanding its structural framework.

Annual Highlights

'03 — 4 — 5 — 6 — 7 — 8 — 9 — 10 — 11 — 12 — 1 — 2 — 3 — '04

(Sole distribution rights for pachislot machines)

RODEO

■ "Yajyu (Wild beast)" released

■ "Slotter Kin-Taro," a successor to the blockbuster game machine, released

©Hiroshi Motomiya/SHUEISHA/CIA

■ "Charlie's Angels" released

■ "Jet Set Radio," a pachislot version of a worldwide hit game, released

©SEGA
©SEGA/Smilebit

July 2003

Our sales tie-up with Sammy Corporation, an pachinko/pachislot machine maker, was reinforced to initiate sales of pachinko machines equipped with dedicated frames.

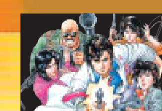
Sammy

(Sole distribution rights for pachinko machines)

■ "CR Ume-Matsu Paradise," drawing upon two well-known Japanese movie stars, released

©NP/GD/PKL
©PC/BP
©Sammy2003

■ "CR City Hunter," reminiscent of a popular comic, released



©Tukasa Hojo
©Sammy

November 2003

A strategic alliance with Daido Co., Ltd. (currently, Bisty Co., Ltd.), a subsidiary of Sankyo Corporation, was formed in a sole distributor agreement.

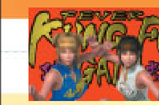
Bisty

(Sole distribution rights for pachislot machines)

■ "Kaizoku (Pirates)" released

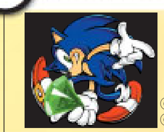
(Sole distribution rights for pachinko machines)

■ "CR Fever Kung-Fu Gal" released



©Bisty

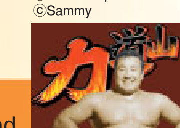
■ "CR Sonic," using a popular character from a world-famous game, released



©SEGA/SONICTEAM
©Sammy

©Kadokawa Daiei
©1999 Kadokawa Daiei TNHN

■ "Gamera High Grade Vision," equipped with the largest available LCD screen, released



©Riki Enterprise
©Sammy

■ "CR Rikidouzan," based on a legendary professional wrestler and providing an innovative gaming experience, released

January 2004

A business and equity alliance was concluded with D3PUBLISHER INC., a game publisher.

D3PUBLISHER

Business collaboration with several makers reinforced joint development framework for pachinko/pachislot machines.

We reinforced our sales tie-up with Sammy Corporation in July 2003, and formed a strategic alliance with Bisty Co., Ltd. (formerly, Daido Co., Ltd.) of the SANKYO Co., Ltd. in November 2003. These collaborative efforts have resulted in increasing our business partners to three makers, including the existing partnership with Rodeo Corporation, and the further strengthening of our joint product planning framework for pachinko/pachislot machines. In January 2004, we concluded a basic agreement with D3PUBLISHER INC., a game publisher, for a business and capital tie-up. We have consolidated the development foundation for an extensive variety of entertainment products, with the expectation of building synergies in combined use of pachinko/pachislot machines.

Machines that use copyrighted characters to provide a highly exciting game experience brought to market in alliance with makers.

In the fiscal year ended March 2004, Fields introduced to the market a wide variety of pachinko/pachislot machines by teaming up with several makers. Most of these machines used copyrighted characters, such as those portrayed by famous movie stars, and well-known cartoon and animation characters. The machines can be expected to create a sensation and spur demand by revitalising the market. And, by continuously placing on the market more machines using copyrighted characters, we are energising fans and providing a more captivating sense of interaction with the games and characters. In line with this vision, we will strive to grow along with makers and hall operators.

Combination and Linkage as the Key

Hidetoshi Yamamoto
President and CEO

Pursuing Supreme Leisure Time

Pachinko/pachislot in the mass-market leisure industry

Since its establishment in 1988, Fields Corporation has continued to grow as a distributor of pachinko/pachislot machines. Today, we have established the largest sales network in the industry, with 29 branch offices and 450 sales personnel nationwide.

Pachinko/pachislot has found its way into society on a nationwide scale in Japan, and is among the most popular forms of entertainment there. The market size reached ¥29.6 trillion in 2003 and accounts for no less than 30% of the revenues generated in the Japan's leisure market. Moreover, 17.4 million people, or 13.6% of the total population in Japan, enjoy playing these games.* There are at least 16,000 pachinko halls across the country. This means that pachinko/pachislot has an extremely promising future in the community-based amusement industry.

Focusing our attention on this potential, we have been seeking to define the modality of the pachinko/pachislot industry and our own business activities from a long-term perspective, in line with our corporate philosophy: "The Greatest Leisure for All People."

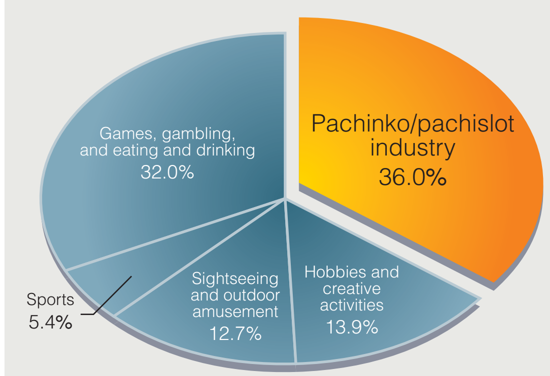
* Source: "2004 White Paper on Leisure" published by Japan Productivity Center for Socio-Economic Development

How pachinko/pachislot machines can meet the growing demand for leisure

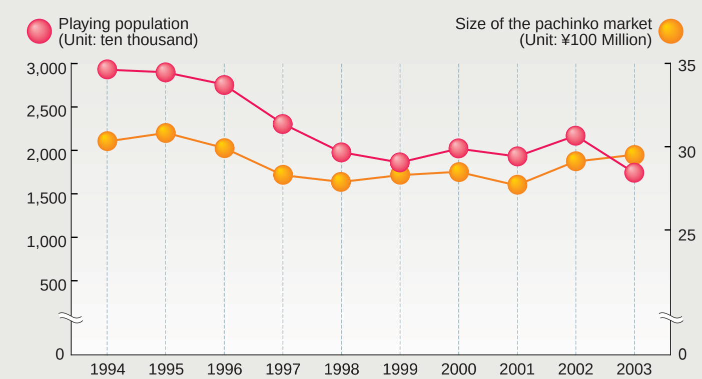
As society matures in the wake of higher rates of economic growth, the need for leisure grows and the way people spend their spare time becomes more diversified. In this context, we have been considering the following questions: What will our daily lives be like, and what will be the nature of the times, in 2010 for example? What forms of leisure will there be? How can the pachinko/pachislot industry further entertain people and develop along with each company in the industry, and what value will the pachinko/pachislot industry add? What should pachinko hall operators and machine makers do? What can we do? We call these explorations the embodiment of a vision for the industry.

Our first step in this quest was the acquisition of Leisure Nippon Newspaper Company in 1992. Above all, we thought it was necessary to build a consensus across the industry through the mass media in order to advance into a new stage of growth. We believe our attempts, which have more recently utilised such emerging forms of mass media as personal computer networks and CS broadcasting services, have led to greater recognition of pachinko/pachislot across society, a stronger promotion of its understanding, as well as an increase in the number of pachinko fans. Furthermore, we embarked on the formulation of a new "Pachinko Industry Theory" in 1999 in cooperation with the Sanwa Research Institute Corporation (currently, UFJ Institute Ltd.). Today, we are working to incorporate the results of these efforts into planning projects for pachinko/pachislot machines, and production projects for pachinko hall space.

Size of the leisure market, by category



Progress in the pachinko/pachislot machine industry



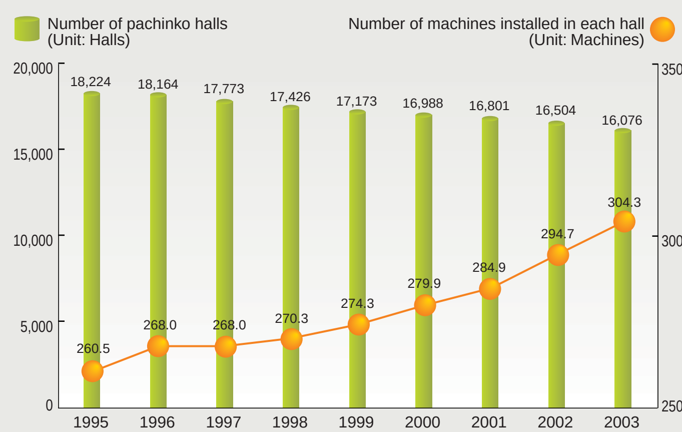
Source: "2004 White Paper on Leisure" published by Japan Productivity Center for Socio-Economic Development

Limited-space and time-distributed leisure: the essence of the game of pachinko

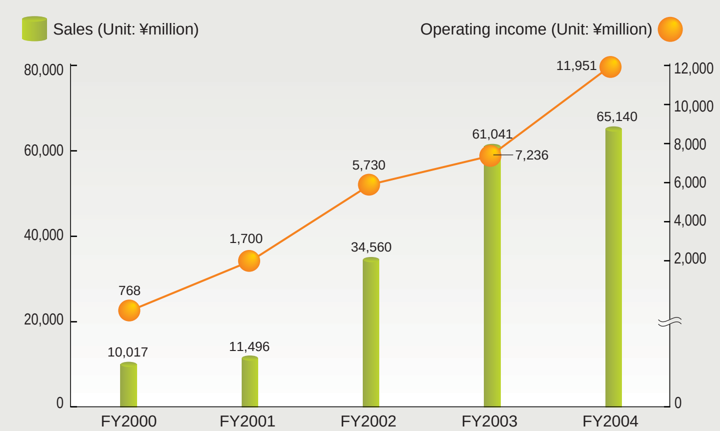
Let us explain this in more detail. Before embarking on the formulation of a new "Pachinko Industry Theory," we analysed the inner nature of the game of pachinko. What we recognised, as if for the first time, was that, unlike casinos and horse racing, pachinko cannot be a form of entertainment in which players 'strike it rich.'
Why? First of all, pachinko must be played within the basic premise that players must visit pachinko halls. In other words, the games are confined to a limited area; it is a form of leisure subject to space restrictions. And, pachinko machines, as regulated by law, can only shoot 100 pachinko balls a minute. At the same time, the cost per ball for playing is fixed at ¥4 or less, and therefore, unlike casinos, the cost of playing cannot be freely set. That is to say, the game is also a time-consuming form of leisure in which players must spend time on a pachinko machine in order to win. These two factors, limitations of space and extension of the pace of the action, predetermine the gambling and gaming appeal of pachinko.
In order to attract more customers within these two parameters, the pachinko industry has typically built a solid customer base for its fans from a select segment of people by feeding the desire to gamble, through such measures as intermittently allowing customers to 'hit the jackpot.' In other words, the industry has maintained the loyalty of as many as 20 million players only through the relentless pursuit of this passion for gambling.
This being the case, we have concluded that there are many other ways we can and should pursue the attraction of more fans. There are already 16,000 pachinko halls nationwide, so we certainly couldn't ask for a better opportunity, as these bases already provide easily accessible entertainment sites for the public at large. If there is sense of limited space associated with the halls, we should create an enhanced, more enjoyable space. And if the players are subject to an extended time format, we should come up with some ideas for enabling them to spend that time enjoying the game of pachinko. With this change in our own mind set, we sought to introduce a hall production project to heighten entertainment value, instead of depending only on the desire to gamble. Moreover, this involves the creation of hall spaces that can be enjoyed by anyone, in any local community, and requires the development of pachinko/pachislot machines that deliver optimal entertainment value.

> "To Resonate in Harmony with All People,
> We pursue:
> Complete understanding of the nature of pachinko makers and pachinko halls;
> our goals and the actions we should take;
> and enhancements in what we do for makers and halls."

Progress in the number of pachinko halls and the number of machines installed in each hall



Sales and operating income of Fields



Source: "2004 White Paper on Leisure" published by Japan Productivity Center for Socio-Economic Development

Combining and Linking Value, and Increasing the Number of Fans

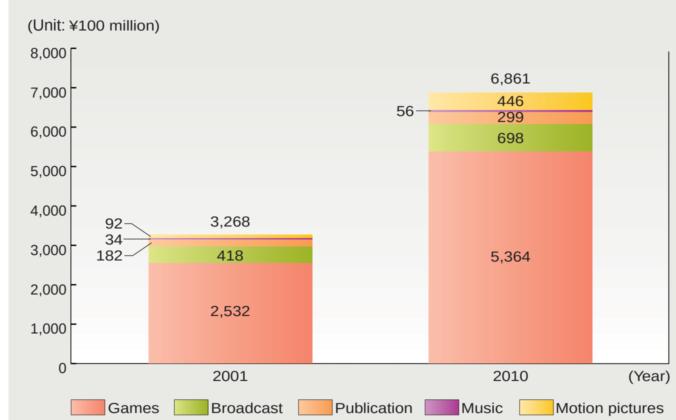
Increasing the number of fans, focussing on the younger generation

Our strategies are based on the presupposition that there is ample room for increasing the number of pachinko fans by enhancing the appeal of the game, and on the belief that capitalising on opportunities for growing the pachinko industry will only be brought about by increasing the number of fans. Based on this concept, the core target is young people, 18 years or older, who are finished high school and are legally allowed to play pachinko. Effectively conveying the charm of pachinko will enable them to enjoy playing pachinko for a longer time, and we believe this segment will expand over the medium term.
Today, the general public is flooded with a wide variety of entertainment businesses and facilities. However, innovative advances in liquid crystal display (LCD) and chip technologies have added a sense of realistic performance by a variety of characters on LCD screens, and these advances are now being incorporated into pachinko/pachislot machines. In this environment, we are capable of providing the best possible entertainment value at the most accessible and comfortable locations of any type of amusement or leisure activity.

Accelerating our copyright business by acquiring rights for well-known characters that play a central role in customer appeal

We have already begun a full-fledged planning and development project to provide the best time-distributed leisure. In order to maintain maximum appeal of pachinko/pachislot as enjoyable entertainment, we have drawn up a business strategy centred on the content of well-known characters that are recognised in every arena. In this strategy, our network of partnerships in Japan and overseas, including alliances with each Fields Group company, affords a strong advantage.
With regard to acquisition of the rights to use well-known characters, we will use our human network, built up by Professional Management Co., Ltd. and Total Workout Corporation, which are Fields Group companies, to successfully continue acquiring copyrights for characters modelled after first-rate athletes, artists and performers in such areas as entertainment and sports. We also plan to acquire more copyrights for characters of world-famous and 'big-name' K-1 fighters, (K-1 is a mixed martial art that recently made its debut in Japan), while sponsoring K-1 martial arts events. In terms of alliances with overseas corporations, we expect that a strategic partnership with SUN R&P Co., Ltd., a company that manages the licensing of copyrights related to three major Hollywood movie studios, will represent another major asset for expanding our own business domains.

Forecast of value of Japanese content in global markets



Source: Report published by Japan's Ministry of Economy, Trade and Industry

Growth rate of content industry in global markets

Source: Commerce and Information Policy Bureau, Japan's Ministry of Economy, Trade and Industry (Compiled from references offered by PWC, IMF)

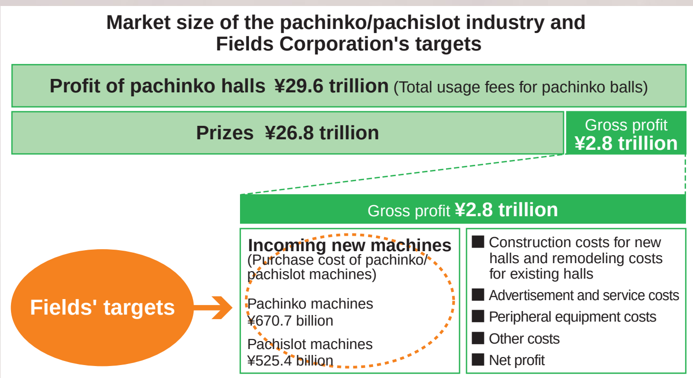
Shifting proposed activities into full swing based on a solid partnership

Developing content and equipment that incorporate copyrighted characters, Digital Lord Corporation, one of our affiliates, functions as an expert in producing the creative images that have become the key allure of pachinko/pachislot machines. We have also established a new department in-house to strengthen the planning and development of pachinko/pachislot machines. This department is now intensifying its efforts on planning products that are expected to attract more customers, in close partnership with pachinko/pachislot machine makers. In January 2004, we concluded a business and capital alliance agreement with D3PUBLISHER INC., a game publisher, looking toward worldwide game markets. We are determined to offer broader entertainment through this joint venture, which is not exclusively associated with the pachinko/pachislot market, while using copyrighted characters as the platform.

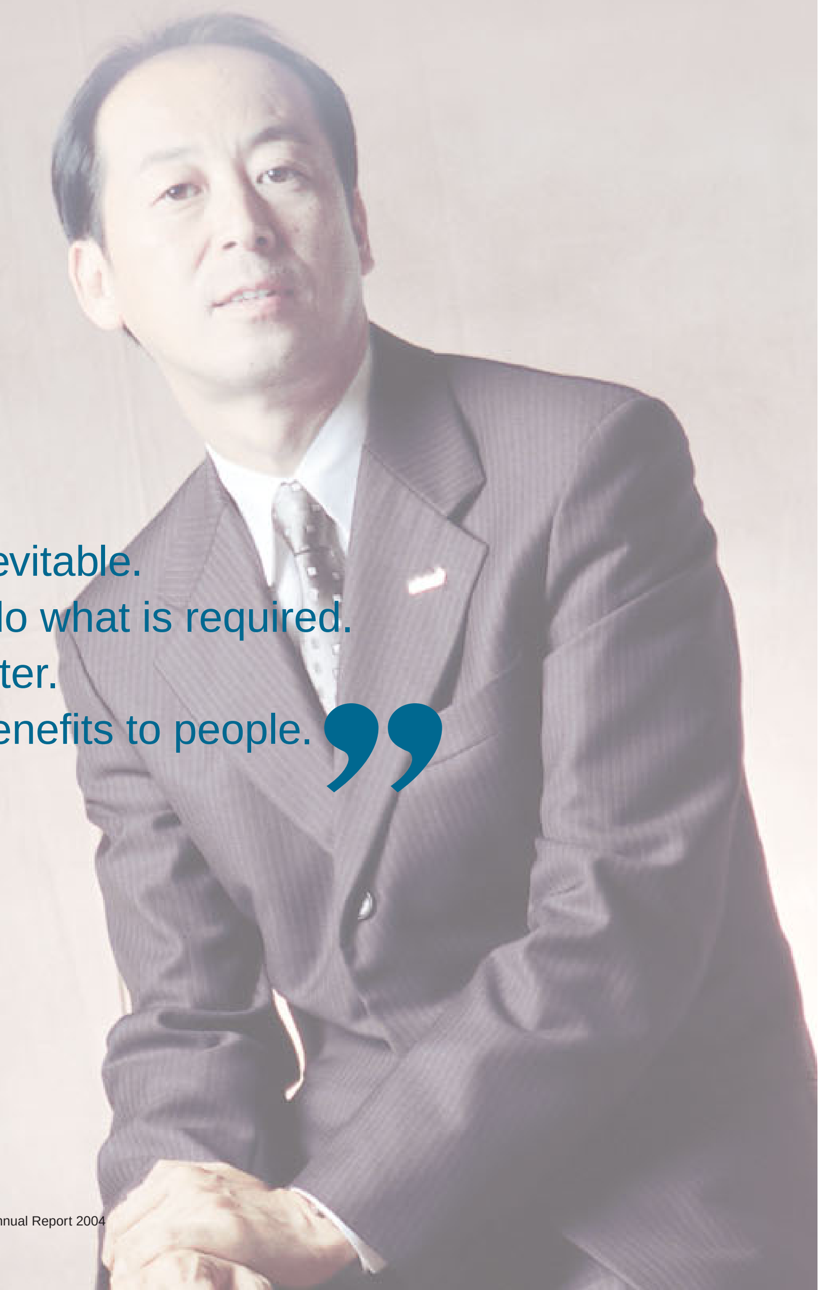
In line with these efforts, we also strive to support hall operators with integrated consulting services to help them create better hall spaces, in addition to our planning and sales activities in the pachinko/pachislot market.

Despite our emphasis on effectively using a variety of copyrighted characters, we have no intention of changing our business strategy, which calls for collaboration with many partners. New entertainment fields interweave various values and provide a mechanism for creating new value from these inter-relationships. We believe entertainment in years to come will be an essential part of our life by overcoming sector barriers and combining and inter-linking the individual values of each sector. To this end, we will continue to undertake bold new challenges.

Hidetoshi Yamamoto



Above figures are Fields' estimates. Sources: "2004 White Paper on Leisure" published by Japan Productivity Center for Socio-Economic Development, and the "Pachinko Related Manufacturing Industry 2004" report published by Yano Research Institute Ltd.



> "This kind of network is inevitable.
> However, timing is everything. Let's do what is required.
> Let's do it now, not later.
> Success is assured if we deliver benefits to people."

Special Feature

Evolving Business Scheme

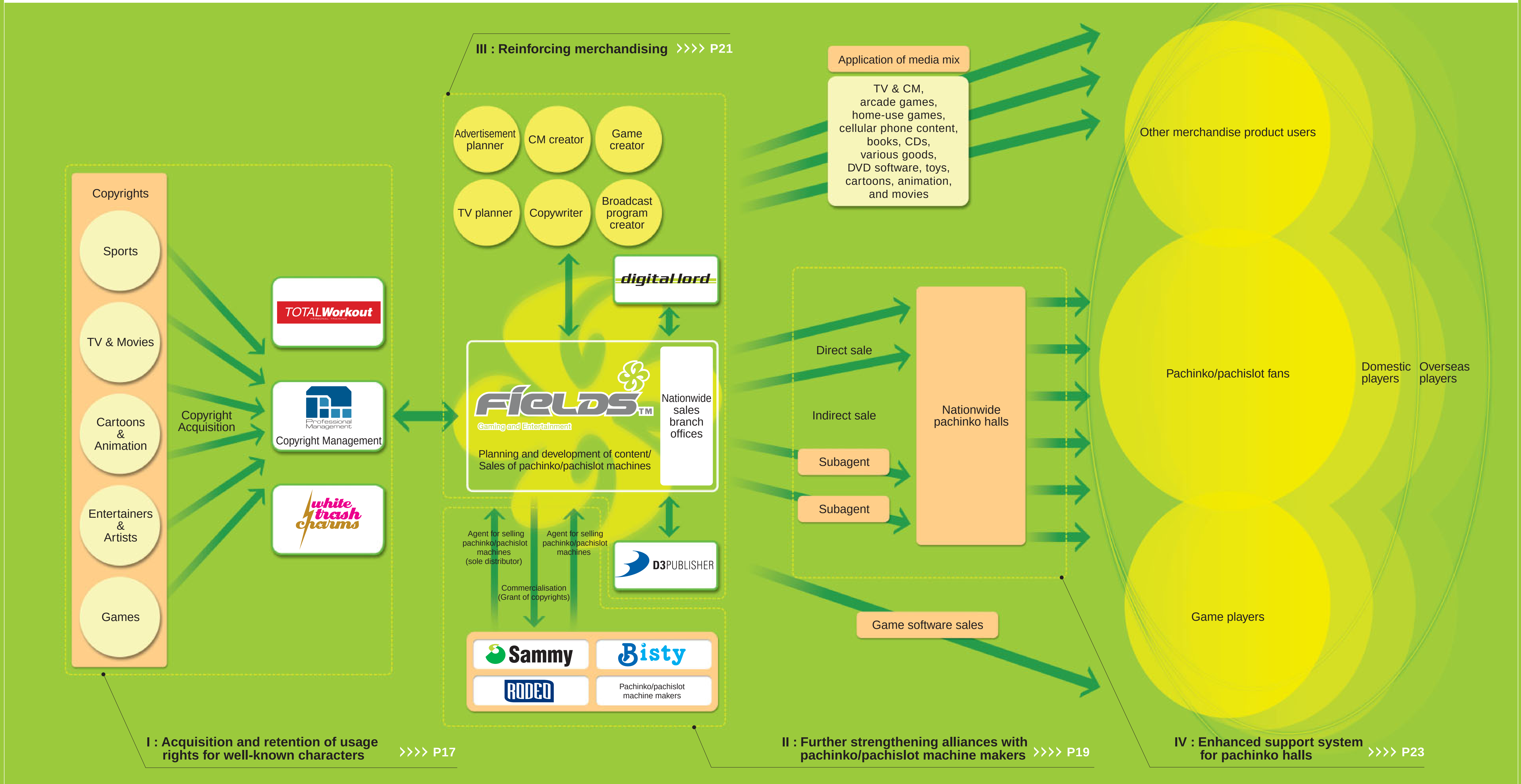
Fields Group hopes to continue growing along with every company in the industry, including pachinko halls and pachinko/pachislot machine makers, with the highest priority on improving customer satisfaction and expanding the fan base. So far, we have established a solid profit-earning foundation through sales of pachinko/pachislot machines, which has been our main line of business.

From now on, we will continue to acquire rights to use well-known characters, both inside and outside Japan, and focus on planning and development activities for amusement machines that can meet market needs by making use of such rights. We will also aggressively invest in the planning and development of prizes and the creation of new entertainment centered on pachinko/pachislot.

Contents

Achieving progress in expanding the fan base, acting as a central creative force in the market

Fields Group has acquired rights to use well-known characters in Japan and overseas and has developed content utilising the attractivenessof these characters by incorporating them into pachinko/pachislot machines.
By proposing attractive machines to halls nationwide, we have contributed to raising the entertainment value of pachinko/pachislot games and attracting more customers.
At the same time, we apply the developed content to a wide variety of media to enhance the inter-compatibility of pachinko/pachislot with other entertainment and further boost the number of fans.



I : Acquisition and retention of usage rights for well-known characters

In partnership with each Fields Group company, we have been acquiring rights to use a series of well-known characters, both in Japan and overseas

Utilising famous, widely recognised characters is a prerequisite for increasing the number of fans in today's amusement game market. Under the Fields Group umbrella, each group company has formed a powerful human network in a wide variety of areas, such as entertainment and sports. By fully leveraging these networks, we are acquiring rights to use well-known characters that are extremely popular and appealing to the general public.

Fields Group companies

Professional Management Co.,Ltd.

This company engages in human resource management across a broad range of fields, including the sports and entertainment industries. It has established solid track records in the management of celebrities, including Kazuhiro Kiyohara (a professional baseball player with the Yomiuri Giants), Chiyotaikai (a professional sumo wrestler), and Ahn Jung Hwan (a professional soccer player in the Japanese Professional Football League). Acting as a coordinator to help further build these celebrities' value, this company establishes a strong trust with them, furthering its ability to acquire rights to use copyrighted characters.

Digital Lord Corporation

This is a creator group led by Koji Kawaguchi, who formerly played a vital role as a producer at Nintendo Co., Ltd., a major game production company in Japan, and who is now acting as a director for The Pokémon Company. Digital Lord Corporation has contributed to acquiring rights to use copyrighted characters, making use of his broad personal connections primarily in the game industry. The company also plans and develops a variety of high-quality software, including LCD software for pachinko/pachislot machines, and provides the software to pachinko/pachislot machine makers.

Koji Kawaquchi
Representative Director

Motion Pictures

We are working to acquire a wide range of copyrights for characters and performers in Japanese movies by participating in production at the planning stage. In the fiscal year ended March 2004, we undertook product planning for pachinko games, such as "CR Gokujyo! Ume-Matsu Paradise," using Tatsuo Umemiya and Hiroki Matsukata (well-known Japanese movie stars), in coordination with pachinko machine makers, to capitalise on each character's personal qualities. In foreign films, we have acquired usage rights focusing on popular Hollywood movies.

Sports

Each Fields Group company has contributed to improving the value of characters associated with top athletes through their group company business activities, and is building relationships of trust with these sports stars. Using such relationships as starting points, the Fields Group continues to engage in activities to acquire usage rights.
In May 2004, we formed an alliance with FEG Co., Ltd., which sponsors K-1 martial arts events, to acquire a wide range of K-1 related merchandising rights. We will continue to effectively apply the powerful content of K-1, a sport that has gained popularity among many martial arts fans, to pachinko/pachislot machines, as well as other media.

Entertainers & Artists

As a rule with regard to entertainers and artists affiliated with entertainment agencies, we negotiate with such agencies for exclusive rights concerning the use of copyrights for pachinko/pachislot machines. We are also actively concentrating our efforts on improving the value of characters through the effective use of copyrights, and on searching for the most promising artists of the next generation.

Cartoons & Animation

We conduct smooth negotiations with several major publishing companies to acquire copyrights. Presently, we have acquired rights to use the artwork of Hiroshi Motomiya, a Japanese cartoonist, as content for pachinko/pachislot machines. Moreover, we are proceeding with negotiations to extend areas for the use of copyrights, including usage rights for games and merchandising rights.

Games

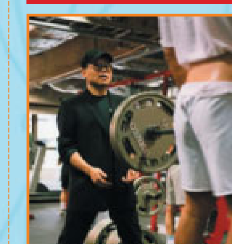
Having acquired a number of copyrights for use in hit games in Japan and overseas, we are now planning related pachinko/pachislot machines that will utilise these copyrights. Looking ahead, we will strengthen existing alliances with influential game production companies, such as D3PUBLISHER INC., in an effort to enhance vitality in the planning of relevant machines.

Fields Group companies

White Trash Charms Japan Co.,Ltd.

This company operates shops carrying fashion accessories that are widely cherished, even by Hollywood stars. These accessories are gaining in popularity, not only in Japan, but also in Europe and the United States. The company helps build a network linking popular actors and Fields, in Japan and overseas.

Total Workout Corporation



This company provides many top-class athletes and entertainers with opportunities to train at a prestigious fitness club. Kevin Yamazaki, the company's acting president, is a famous trainer who has coached many elite athletes. While helping many celebrities keep in shape, the company plays a key role as a coordinator in connecting them with Fields.

II : Further strengthening alliances with pachinko/pachislot machine makers

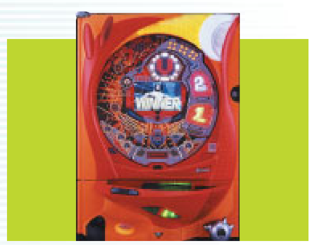
Expanding our scope of activities, from pachinko/pachislot machine sales to product planning for machines featuring copyrighted characters

Fields continually negotiates with all pachinko/pachislot machine makers, through its agency business, to sell pachinko/pachislot machines, while making full use of its nationwide distribution network.
In collaboration with major makers, we plan and produce attractive amusement machines that accurately meet market needs, thereby strongly supporting the machine development of makers.

Collaborative operations with Sammy Corporation and Rodeo Corporation

Fields has reinforced a sales tie-up with Sammy Corporation, the leading pachislot machine maker, in order to enable both companies to cooperate in the strategic planning, development and sales of pachinko machines. Fields has also invested in Rodeo Corporation, another member of the Sammy Corporation Group, and acts as Rodeo's exclusive distributor.
Sammy Corporation Group is blessed with excellent planning and development ability, having recently received recognition not only as a pachislot maker but also as a pachinko maker. Fields supports the Sammy Corporation Group in expanding its sales network for pachinko/pachislot machines, capitalising on Fields' nationwide sales network.
In the fiscal year ended March 2004, we released Sammy Corporation's "CR Rikidouzan" pachinko machine and Rodeo Corporation's "Gamera High Grade Vision" pachislot machine. From the start of the fiscal year ending March 2005, Fields is also implementing aggressive sales activities by releasing a pachinko machine utilising the character of Linda Yamamoto, a professional singer, and a pachislot machine based on the second edition of the "Ume-Matsu" series.

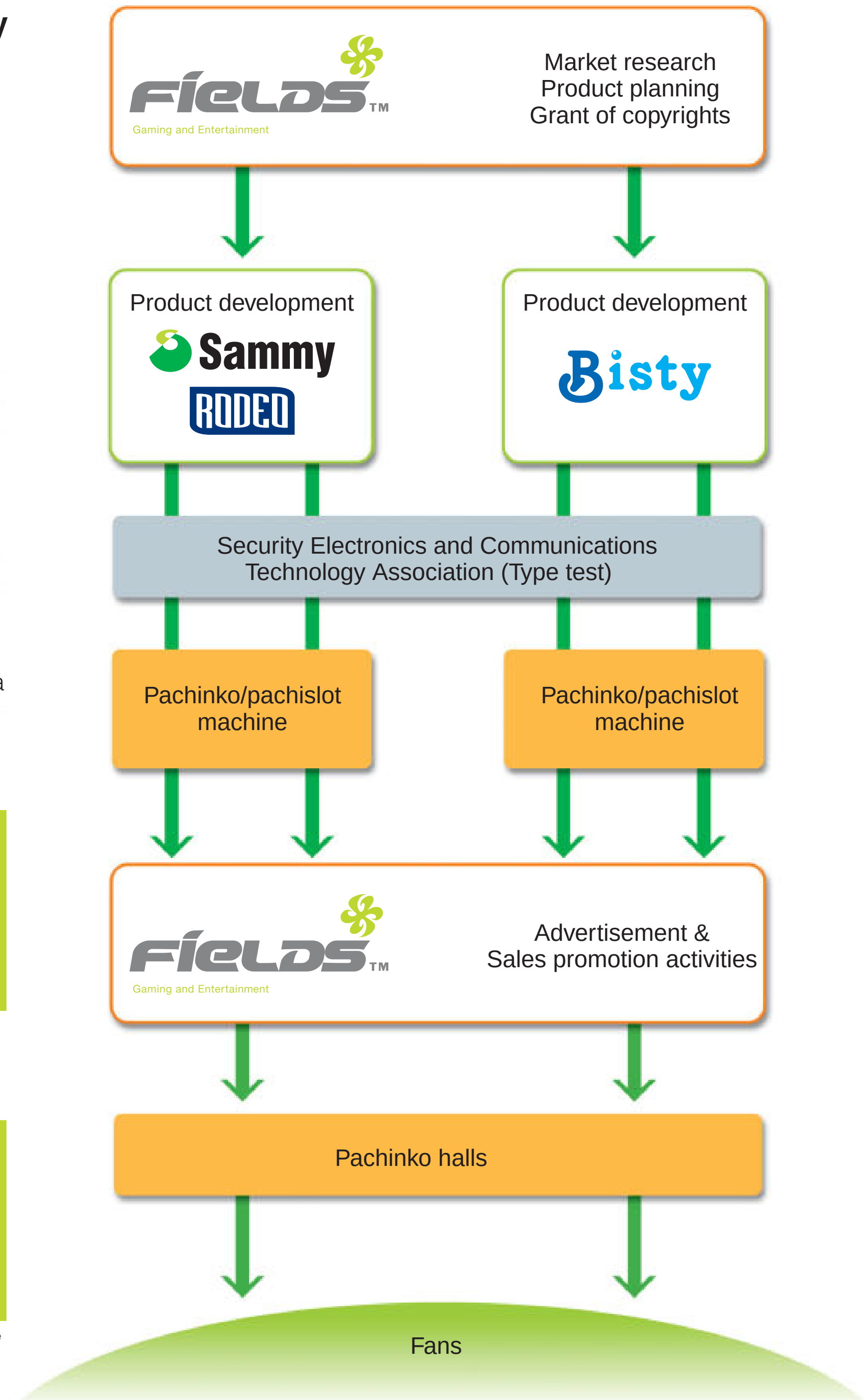
■ Gamera High Grade Vision pachislot machine
ⓒKadokawa Daiei
ⓒ1999 Kadokawa Daiei TNHN



■ CR Rikidouzan pachinko machine
ⓒRiki Enterprise ⓒSammy

■ CR Linda no Do-Ni-Mo Tomaranai pachinko machine
ⓒLMO/GD ⓒSammy

■ Ume-Matsu Dynamite Wave pachislot machine
ⓒNP/GD/PKL ⓒPC/BP ⓒSammy

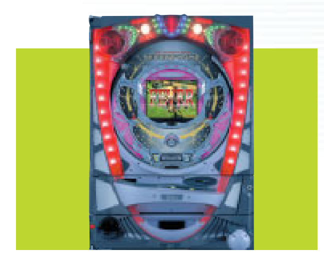


Collaboration with Bisty Co., Ltd. of the SANKYO Group

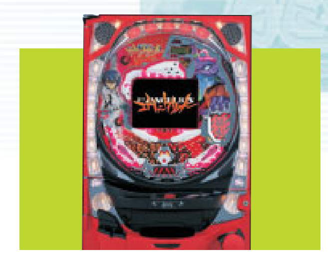
In the fiscal year ended March 2004, we formed a business alliance with Bisty Co., Ltd. (formerly Daido Co., Ltd.), a subsidiary of the SANKYO Group, a leading pachinko machine maker in Japan. Based on this alliance, we released, in the same fiscal year, the "Kaizoku (Pirates)" pachislot machine and the "CR Fever Kung-Fu Gal" pachinko machine, and in May 2004, the "Fever Natsu Matsuri (Summer festival)" pachislot machine, nationwide.
SANKYO Group enjoys perhaps the industry's most solid brand equity, and develops the capabilities of pachinko/pachislot machines and highly sophisticated LCD process technologies across the industry. In years to come, we will further pursue collaborations in which Fields' planning and development skills are integrated with the strength of the SANKYO Group and usage rights for well-known characters. By working together, the two groups will create highly attractive, creative and entertainment-quality pachinko/pachislot machines to fully exploit potential market demand.

■ CR Fever Kung-Fu Gal pachinko machine
ⓒBisty

■ Fever Natsu Matsuri (Summer festival) pachislot machine
ⓒBisty



■ CR Fever Twins pachinko machine
ⓒBisty



■ CR Neon Genesis Evangelion pachinko machine
ⓒGAINAX/PROJECT EVA., TV TOKYO

III : Reinforcing merchandising

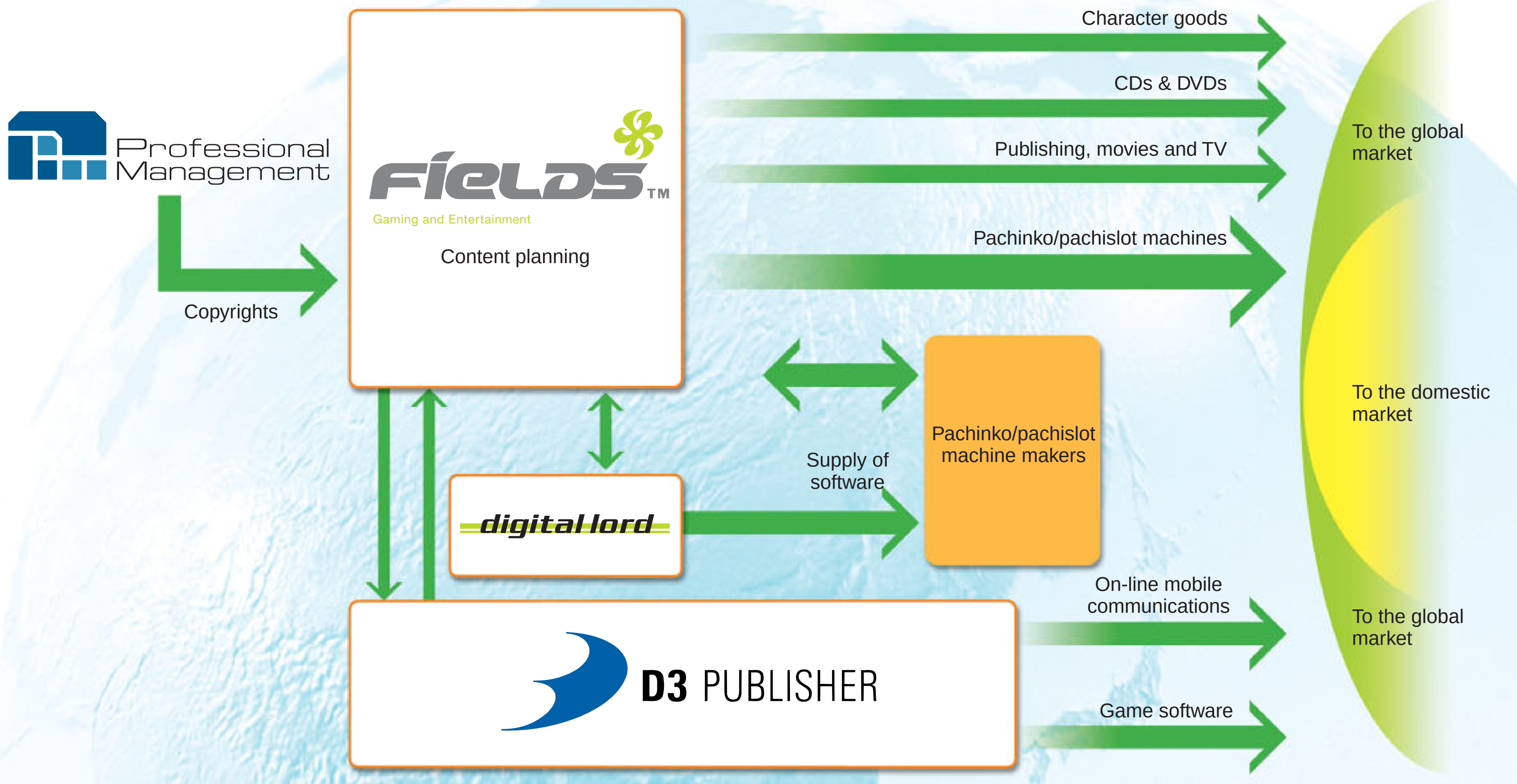
We will effectively apply the acquired rights to use famous characters in a wide variety of media

Fields strives to develop content that makes best use of the attractiveness of well-known characters.
To that end, we bring together creators and designers who are capable of materialising strategic merchandising (MD) and highly creative designs.
By introducing the developed content to a variety of media, including pachinko/pachislot machines, CDs and DVDs, we attract users of various merchandise products to the pachinko/pachislot entertainment world, thereby increasing the number of fans.

Exerting highly sophisticated creative and producing prowess

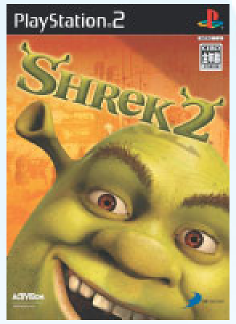
Fields Group possesses outstanding personnel resources capable of highly creative management. For example, Shigesato Itoi maintains extensive connections across mass media circles and is a highly regarded game creator. He now serves as an outside director for the Company. Similarly, Koji Kawaguchi is the representative director and president of Digital Lord Corporation, one of our affiliate companies. Mr. Kawaguchi has accomplished outstanding achievements in the game industry, including the “Pokémon” project, and has earned the trust of the industry. Making full use of this human network, typified by our relationships with these two men, we have entered into partnerships with advertisement planners, game designers and other industry participants, in Japan and overseas, and we have effectively and efficiently implemented projects ranging from strategic merchandising planning to content development.

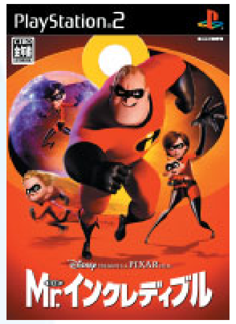
Shigesato Itoi
Outside Director



Business and capital agreements concluded with D3PUBLISHER INC., from the perspective of the global game market

D3PUBLISHER INC., is a game publisher that provides home-use game software centred on the “SIMPLE series,” drawing upon its outstanding development capability and sales network. In the fiscal year ending March 2005, D3PUBLISHER INC., plans to release a game version of popular movies such as “SHREK 2” and “THE INCREDIBLES” In January 2004, Fields concluded a joint business and capital agreement with D3PUBLISHER INC., Fields acquired 36.10% of the shares of D3PUBLISHER INC., making Fields the largest shareholder of the company. Fields will capitalise on D3PUBLISHER’s know-how in the development and sales of games, applying character-related content to a wide assortment of products and services in the game industry both inside and outside Japan.





IV : Enhancing support system for pachinko halls

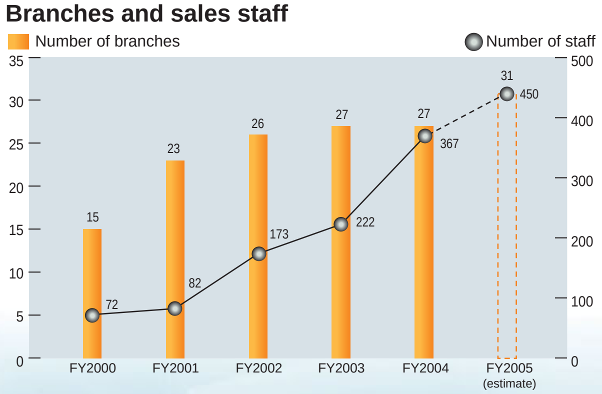
Through community-based sales activities, we are advancing enhanced hall features that will win the appreciation of many more fans

Fields is now intensifying activities to create attractive hall spaces for many people.
To build on our ability to propose improvements to hall operators, we have enhanced our sales structure and opened showrooms that present concepts and ideas for creating attractive hall amenities.
Our proposal-oriented sales activities, which fully utilise all kinds of industry information, will help us fulfil our commitment to contribute to the further development of the industry and generate even greater customer satisfaction, while deepening our relationship with hall operators.

Further enhancing our branch offices and sales force

Since its foundation, Fields has earned the trust of hall operators through hall-based sales activities. Our sales structure is second-to-none in the industry. In the fiscal year ended March 2004, we further reinforced our organisational structure in anticipation of expansion in our scope of business, which was accompanied by closer business alliances with makers. During the fiscal year ending March 2005, our sales staff is being increased to 450 members. At the same time, we are striving to improve our staff training system to improve the sales skills of our sales staff and rapidly establish new recruits as valuable assets for the Company. By taking advantage of our established Knowledge Communication System, we can most effectively use information about the market and customers, thereby enabling our individual staff members to successfully implement proposal-oriented sales activities.

Branches and sales staff



Nationwide sales network

Market research
Product planning
Grant of copyrights

Fukuoka showroom

Kanazawa showroom

Sapporo showroom

Kobe showroom

Sendai showroom

Utsunomiya showroom

Shizuoka showroom

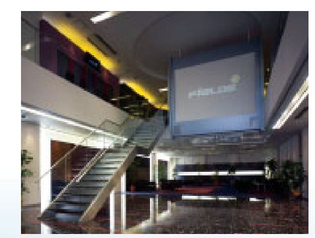
Okayama showroom

Mie showroom

Nagano showroom

Opening showrooms nationwide to deliver precisely tailored solutions

In order to assist the sales force in making presentations for pachinko/pachislot halls, we have actively opened, upgraded and located showrooms at strategic locations across the country. In addition to conventional facilities for helping visitors select appropriate models, try out machines, and compare performance, these showrooms incorporate innovative features that enable us to offer visitors a wide variety of business plans and concepts for attracting customers. The showrooms feature new pachinko/pachislot machines and provide detailed information on the industry. These facilities also provide operators with ideas on how to best utilise their entire hall space, and include the Data Field, which offers detailed, quantitative information on halls nationwide; the Brand-image Field, which helps hall operators create unique and attractive hall amenities; and the Entertainment Field, which offers proposals for advertisement and sales promotions taking advantage of usage rights for famous characters. Through these showrooms, Fields helps hall operators incorporate outside-the-box thinking.



Board of Directors & Corporate Auditors (As of September 2004)

President & CEO
Hidetoshi Yamamoto

Senior Managing Director
Hirofumi Inokuma
General Manager,
Sales & Marketing Division

Directors
Shigetoshi Kitano
General Manager,
Marketing Office

Hiroyuki Yamanaka
General Manager,
Administration Division

Shigemi Shimada
General Manager,
Product Development Division

Toru Suenaga
General Manager,
Corporate Planning Office

Outside Director
Shigesato Itoi

Corporate Auditors
Shigeru Matsushita
(Standing Auditor)

Tadao Koike

Yoshika Furuta

Executive Officers

Deputy General Manager, Sales & Marketing Division, and General Manager, Sales Planning Department .... **Teruo Fujishima**

Deputy General Manager, Sales & Marketing Division, and General Manager, Japan East Area .... **Hideo Wakazono**

General Manager, Product Planning Department .... **Yosuke Ozawa**

General Manager, Product Promotion Department .... **Akira Fujii**

General Manager, Japan West Area .... **Kiyoharu Akiyama**

General Manager, Sales & Marketing Division .... **Shouichi Kido**

Fundamental corporate governance policy and implementation

In order to consistently enhance our corporate value and realize our corporate philosophy, "The Greatest Leisure for All People," we fully recognise the vital importance of improving our organisational structure and management system, and we are implementing the required operational strategies. In terms of our commitment to improve management efficiency, we have made it our practice to thoroughly oversee risk management. And we introduced an executive officer system to enable the Board of Directors to quickly make decisions and to efficiently carry out business activities, under the principle that the Board of Directors represents shareholders' interests. We will continue discussing whether this system should be transferred to a management advisory and whether an administrative company should be established. For now, however, we are determined to intensify our efforts to improve our organisational structure and executive officer system within the existing framework of directors and auditors.

Financial Section

Contents

Consolidated Financial Results

FINANCIAL HIGHLIGHT

	Year ended March 31,						
	Non-Consolidated				Consolidated		
	2001	2002	2003	**2004**	**2003**	**2004**	**2004**
Results of Operations (in millions):							
Sales	¥ 11,496	¥ 34,560	¥ 61,041	**¥ 65,141**	¥ 61,889	**¥ 66,212**	**$ 626**
Cost of sales	6,127	21,857	45,406	**43,976**	45,896	**44,633**	**422**
Gross profit	5,369	12,704	15,635	**21,165**	15,993	**21,578**	**204**
Selling, general and administrative expenses	3,668	6,973	8,399	**9,213**	9,212	**9,712**	**92**
Operating income	1,701	5,731	7,237	**11,952**	6,781	**11,867**	**112**
Income before income taxes	1,166	5,783	7,415	**12,040**	7,148	**12,189**	**115**
Net income	583	3,041	3,786	**6,520**	3,524	**6,620**	**63**
Financial Position (in millions):							
Total current assets	¥ 3,347	¥ 14,824	¥ 11,342	**¥ 27,233**	¥ 11,977	**¥ 28,153**	**$ 266**
Total assets	6,212	18,631	17,310	**37,115**	17,090	**37,116**	**351**
Short-term borrowings (including current portion of long-term borrowings)	446	3,265	—	**3,000**	—	**3,000**	**28**
Long-term borrowings (excluding current portion)	2,198	627	—	—	—	—	—
Shareholders' equity	1,070	3,883	9,044	**14,702**	8,753	**14,508**	**137**
Other Data:							
Gross profit margin	46.70%	36.80%	25.60%	**32.50%**	25.80%	**32.60%**	
Operating margin	14.80%	16.60%	11.90%	**18.30%**	11.00%	**17.90%**	
Earnings per share (Notes 1and 2)	¥ 38,883	¥ 25,069	¥ 25,229	**¥ 39,846**	¥ 23,447	**¥ 40,466**	**$ 383**
Number of shares issued and outstanding at period end (Note 1)	2,320	2,930	32,300	**161,500**	32,300	**161,500**	

Notes:
(1) Earnings per share were calculated using the weighted average number of shares outstanding through the year, retroactively adjusted for the ten-for-one stock split effective on October 10, 2002 and the five-for-one stock split effective on November 20, 2003.
(2) From the year ended March 31, 2003, the Company adopted the new Japanese accounting standards "Accounting Standard for Earnins per Share" and "Implementation Guidance for Application of Accounting Standard for Earnings per Share", which are effective for periods beginning on or after April I, 2002. In accordance with the new accounting standards, the amount of earnings, which is used for the computation of EPS, is net income for the year, excluding income to be appropriated as bonuses to directors and statutory auditors to be approved at the shareholders' meeting. Earnings per share were calculated with the retroactive application of the new accounting standards.

Overview

The Company's principal business is the distribution and agency sale of pachinko and pachislot machines in Japan. In the year ended March 31, 2004, the Company's pachinko/pachislot business accounted for approximately 98% of the Company's revenues on a consolidated basis. It is anticipated that in fiscal 2005, pachinko/pachislot will account for a similar proportion of revenues. The Company also engages in other businesses, including providing personal management services for entertainers, athletes and other celebrities in Japan, operating fitness gyms, and manufacturing and selling a specialty brand line of accessories.

The following table shows for the periods indicated the number of units of pachinko and pachislot machines sold by the Company (with respect to pachislot machines, classified by the method of sale):

	Year ended March 31,			
	2001	2002	2003	**2004**
Pachinko	95,631	62,809	78,699	**145,031**
Pachislot:				
Distribution model	1,634	71,237	176,404	**172,327** (1)
Agency model	69,074	88,614	4,710	**6,579**
	70,708	159,851	181,114	**178,906** (1)
Total	166,339	222,660	259,813	**323,937** (1)

Note:
(1) 15,040 units were included in fiscal 2004 sales as a result of the Company's change in its revenue recognition policy (effective at April 1,2003), pursuant to which the Company recognises pachislot sales under its distribution model upon shipment of machines by makers instead of upon delivery and instalment at the hall customers' facilities.

Comparison of fiscal 2004 and 2003 (consolidate)

Sales.

Sales totaled ¥66,212 million in fiscal 2004, an increase of 7.0% from sales of ¥61,889 million in fiscal 2003. 0n a unit basis, total sales of pachinko/pachislot machines increased 24.7%, from 259,813 units in fiscal 2003 to 323,937 units in fiscal 2004.

The Company's sales performance for fiscal 2004 was affected by its change in revenue recognition policy for pachislot sales under the distribution model, which became effective as of April 1, 2003. Under the changed policy, revenue is recognised upon shipment of pachislot machines from makers, rather than upon delivery and instalment of machines at hall customers' facilities. The revised policy resulted in the recognition of an additional ¥5,956 million in sales (representing an additional 15,040 pachislot unit sales) in fiscal 2004 rather than in fiscal 2005.

This rise in total unit sales was driven by an 84.3% increase in unit sales of pachinko machines (145,031 machines in fiscal 2004 as compared to 78,699 machines in fiscal 2003). Pachinko sales growth was led by the Company's sales on an exclusive basis of selected Sammy pachinko machines, including the CR City Hunter, CR Sonic and CR Gokujo! Umematsu Paradise models.

The significant increase in pachinko unit sales in fiscal 2004 was offset in part by a 1.2% decrease in unit sales of pachislot machines (178,906 machines in fiscal 2004 as compared to 181,114 machines in fiscal 2003)despite the change in revenue recognition policy described above. This decrease in pachislot sales resulted largely from adverse regulatory developments and uncertainties generally affecting pachislot makers in the second half of fiscal 2004, due to the announcement in October 2003 of stricter regulations (to become effective in July 2004) governing large payouts on pachislot machines. This resulted in Rodeo's inability to obtain regulatory approval for the planned launch in fiscal 2004 of new pachislot models that were to be distributed by the Company. See "Regulations Relating to the Pachinko/Pachislot Industry" for more discussion of these regulatory developments and uncertainties in the pachislot machine industry. The Company's launch of Rodeo's Camera model in March 2004 and its commencement of sales of Bisty and Olympia pachislot machines in fiscal 2004 helped to stabilise pachislot sales.

The Company's commission revenues from pachinko sales increased 115.2%, from ¥1,840 million in fiscal 2003 to ¥3,959 million in fiscal 2004. Overall, the Company's increase in sales in fiscal 2004 (7.0%) was relatively modest as compared to the increase in overall unit sales (24.7%). Because pachinko machines are sold under the agency model and the Company only recognises its commission on these sales as revenue rather than the full price to hall owners (as is true for distribution sales), the increased proportion of pachinko machines in the Company's unit sales (from 30.3% of total machine sales in fiscal 2003 to 44.8% in fiscal 2004) contributed to lowering the Company's revenue growth during this period.

Cost of sales.

Despite the increase in sales, the Company's cost of sales decreased by 2.8%, from ¥45,896 million in fiscal 2003 to ¥44,633 million in fiscal 2004. The increased proportion of pachinko machine sales in the Company's overall unit sales contributed to this result - the Company sells pachinko machines on an agency basis, so (unlike pachislot sales) the cost of pachinko machines are not included in the Company's cost of sales.

The Company's commissions paid to independent sales agents (a component of cost of sales) were lower in fiscal 2004, as the Company relied increasingly on its expanded internal sales force in selling machines.

An additional ¥3,916 million was recognised in cost of sales in fiscal 2004 due to the change in the Company's revenue recognition policy for pachislot sales under the distribution model, as described above.

The Company's gross profit increased 34.9%, from ¥15,993 million in fiscal 2003 to ¥21,578 million in fiscal 2004.

Selling, general and administrative expenses.

Selling, general and administrative expenses increased 5.4%, from ¥9,212 million in fiscal 2003 to ¥9,712 million in fiscal 2004. Higher compensation expense and other costs associated with the expansion of the Company's sale force in fiscal 2004 were the principal drivers for the SG&A expense increase. These factors were partially offset by the Company's decreased use of television advertising and product exhibitions to market its machines, as the Company increasingly marketed its machines to hall customers directly through its expanded sales force.

Operating income increased 75.0%, from ¥6,781 million in fiscal 2003 to ¥11,867 million in fiscal 2004.

Net Income. As a result of the foregoing, net income increased 87.9%, from ¥3,524 million in fiscal 2003 to ¥6,620 million in fiscal 2004.

Liquidity and Capital Resources

The Company's principal source of liquidity is cash generated from operations. The Company also enjoys liquidity benefits from its typical trade terms with pachislot makers and hall customers, because the Company receives payment from halls for machines before the Company is required to make payment to its makers for the Machines.

As an additional source of liquidity, the Company has obtained credit facilities from six banks in an aggregate amount of ¥6.0 billion, consisting of ¥2.0 billion in commitment lines and ¥4.0 billion in over-draft facilities. In fiscal 2004, the Company made aggregate short-term borrowings of ¥3.0 billion under the over-draft facilities, principally to finance the acquisition of rights to entertainment content for use in the Company's business and to refurbish its nationwide sales offices. In fiscal 2004, the borrowings were subject to interest at a weighted average annual rate of 0.83%. Of the total principal amount of the borrowings, ¥1.0 billion will mature in August 2004 and ¥2.0 billion will mature in March 2005.

In fiscal 2004, the Company made significant cash expenditures for enhancements to its sales offices (¥907 million), up-front payments for the acquisition of rights to content (¥1,458 million), and strategic equity investments in other companies, such as the Company's investment in D3PUBLISHER INC., (¥883 million). Over the two year period of fiscal 2005 and 2006, the Company expects to make aggregate capital expenditures of approximately ¥5.0 billion for enhancements to its nationwide sales offices, including renewing and establishing showroom facilities for pachinko/pachislot machines and investment in internal sales and administrative systems. The Company also expects that it will make expenditures for content, subsidiary investments and strategic transactions during this period. The Company believes that cash on hand, cash from operations, future bank and other debt financings and the net proceeds from this offering will provide sufficient financial resources to meet the Company's currently anticipated capital expenditures, working capital requirements and other liquidity needs and financial commitments.

Cash flows (consolidated)

In summary, the Company's consolidated cash flows for fiscal 2003 and 2004 were as follows:

	Year ended March 31,	
	2003	2004
	Millions of Yen	
Net cash provided by operating activities	3,316	**851**
Net cash used in investing activities	(2,253)	**(3,190)**
Net cash (used in) provided by financing activities	(2,455)	**2,030**

Cash provided by operating activities.

Net cash provided by operating activities in fiscal 2004 was ¥851 million, from net income of ¥6,620 million. The adjustment to net income resulted largely from a significant build-up in accounts receivable - trade near the end of fiscal 2004 as a result of the Company's sales of Rodeo's
Gamera pachislot machines in March 2004, offset in part by an increase in accounts payable — trade relating to these sales. The Company's merchandise right advances also increased by ¥1,458 million during fiscal 2004. The Company usually makes an upfront payment to acquire rights to content. When the Company holds rights without sublicensing to a third party at period end, the upfront payment is accounted for as a merchandise right advance.

Net cash generated by operating activities in fiscal 2003 was ¥3,316 million, from net income of ¥3,524 million.

Net cash used in investing activities.

Net cash used in investing activities was ¥3,190 million in fiscal 2004. Significant investing activities included the Company's acquisition of its Hiroshima sales office, its acquisition of land for its Fukuoka sales office and the construction of that office, enhancements to some of its other sales offices, and the Company's equity investments in D3PUBLISHER INC., (¥883 million) and Commonwealth Entertainment & Co. (¥200 million).

Net cash used in investing activities was ¥2,253 million in fiscal 2003. This was mainly due to an expenditure for the acquisition of property in Tokyo, and-a payment to obtain the rights to Korean professional soccer player Ahn Jung Hwan.

Net cash (used in)provided by financing activities.

Net cash provided by financing activities was ¥2,030 million in fiscal 2004. This cash resulted from the Company's bank borrowings of ¥3,000 million to finance the Company's investing activities described above, offset in part by the Company's ¥966 million dividend payment on its common stock.

Net cash used in financing activities was ¥2,455 million in fiscal 2003. This was mainly due to the net decrease in short-term borrowings of ¥3,07 1 million, the repayment of long-term borrowings of ¥1,062 million, and proceeds of ¥1,678 million from the Company's IPO.

Pachinko/Pachislot Business Models

The Company conducts its pachinko/pachislot business through a distribution model and an agency model. The Company typically acts as a distributor in its pachislot business with Rodeo Corporation and other makers. Due to industry convention and other factors, the Company has been conducting its pachinko business exclusively through the agency model. The Company also acts as an agent in its dealings with certain pachislot machine makers.

Distribution

Under its distribution model, the Company purchases pachislot machines from makers and sells the machines to halls. The Company believes that its distribution model provides it with the following advantages.
The Company does not order pachislot machines from makers until the Company has received binding purchase orders from its hall customers. Additionally, makers ship their pachislot machines directly to halls. As a result, the Company does not maintain machine inventory, and thus is not required to commit investment funds to inventory and is not subject to obsolescence or other inventory-related risks. The Company also is not required to maintain warehouses or other physical infrastructure to carry out its distribution activities.

Under its typical payment terms with pachislot makers and hall customers, the Company receives payment from halls for machines before the Company is required to make payment to its makers for the machines. This arrangement effectively provides the Company with financing for its distribution activities on an interest-free basis.

Agency

Under its agency model, the Company obtains orders for machines from pachinko/pachislot halls, and presents the orders to makers for their acceptance. The Company receives a commission from makers at negotiated rates on machines that are purchased by halls.

The Company guarantees the hall customer's payment to the maker for pachinko/pachislot machines sold under the agency model. The Company's aggregate contingent liability under its outstanding payment guarantees was ¥744 million at March 31, 2004. See note 9 to the Company's consolidated financial statements contained in this offering circular. To date, the Company has not been required to make material payments to makers under these guarantees; in the year ended March 31, 2004, the Company made no payments under its sales agent guarantees to makers.

Revenues

The Company principally generates revenues from its sales of pachislot machines under its distribution model, and from commissions received from sales of pachinko and pachislot machines under the agency model. In the year ended March 31, 2004, the Company's pachinko/pachislot business accounted for approximately 98% of the Company's revenues on a consolidated basis.

The distribution model generally results in higher revenue amounts to the Company than the agency model for an equivalent unit volume of pachinko/pachislot machines sold. This is true because under the distribution model, the Company recognises the entire sales price of a machine to its hall customer as revenue, while under the agency model the Company only recognises its sales commission as revenue.

This difference means that the Company's revenues for a period will depend in part on the relative mix of machines sold under the distribution versus the agency model during that period. In November 2001, the Company changed the model for its pachislot business with Rodeo Corporation from the agency model to the distribution model. This change in business model contributed to a significant increase in the Company's revenues in the years ended March 31, 2002 and 2003 as compared to prior periods.

Effective April 1, 2003, as a result of revisions to the terms of the Company's sales arrangements with its hall customers, the Company changed its revenue recognition policy for pachislot sales under the distribution model. Under the new policy, revenue is recognised upon shipment of pachislot machines from makers, rather
than upon delivery and instalment of machines at the hall customer's facility. The revised policy resulted in the recognition of an additional ¥5,956 million in sales and ¥3,916 million in cost of sales in fiscal 2004 rather than in fiscal 2005.

Cost of Sales

The Company's cost of sales arises principally from the Company's purchase of pachislot machines under the distribution model. Together with its revenues from pachislot machine sales, the Company's cost of sales represented by pachislot machine purchases increased significantly following the Company's change in November 2001 to the distribution model for its pachislot business with Rodeo Corporation. Additional cost of sales arises from the Company's payment of commissions to independent sales agents that the Company works with in marketing pachinko/pachislot machines.

Selling, General and Administrative Expenses

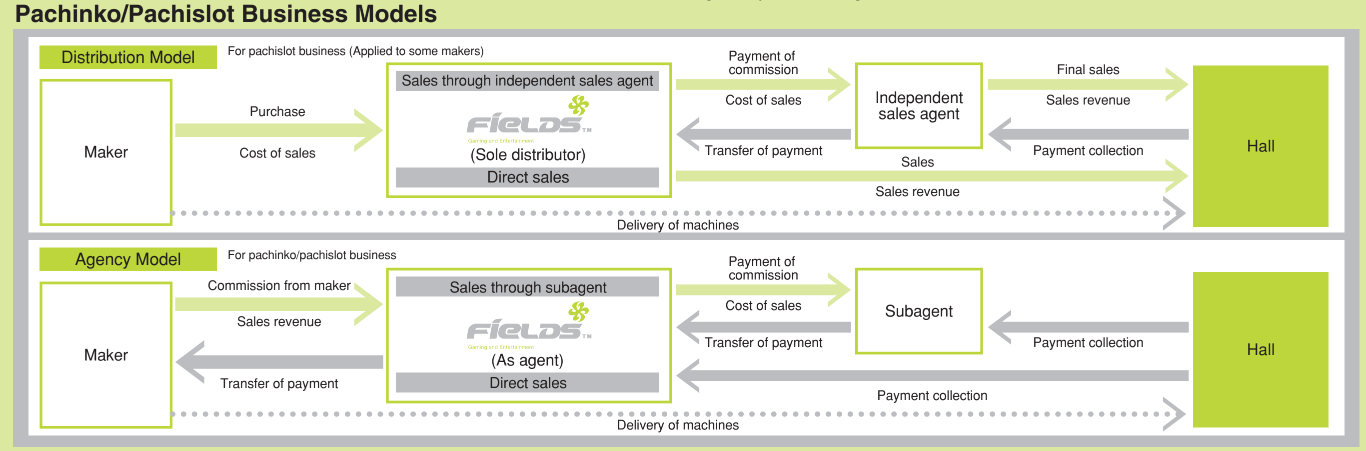
The Company's selling, general and administrative expenses principally consist of compensation and benefits for sales representatives and other employees, and real property rental and other miscellaneous expenses.

The largest component in the miscellaneous category is advertising and marketing costs, which totaled ¥2,042 million in fiscal 2002 on a non-consolidated basis, and ¥3,011 million in fiscal 2003 and ¥1,423 million in fiscal 2004 on a consolidated basis. These costs principally comprise the costs of hosting industry exhibitions, and
television and newspaper marketing costs.

Spin-Off of Non-Core Businesses

In October 2001, the Company completed a spin-off of its video rental, cafe, insurance agency, and steel businesses as part of the Company's efforts to increase its focus on its core pachinko/pachislot machine marketing business in preparation for the Company's initial public offering in 2003. These businesses represented approximately 8.5% of the Company's total revenues and 4.4% of the Company's total gross profit during fiscal 2001.

Pachinko/Pachislot Business Models



Consolidated Balance Sheets

ASSETS	Thousands of Yen 2003	Thousands of Yen 2004	Thousands of U.S. Dollars (Note 1) 2004
Current assets:			
Cash and cash equivalents	¥ 5,739,061	¥ 5,437,758	$ 51,450
Notes and accounts receivable—trade	4,379,791	18,865,138	178,495
Inventories	260,261	256,541	2,427
Merchandising right advances	262,125	1,720,076	16,275
Deferred tax assets	268,667	371,033	3,511
Other current assets	1,105,243	1,589,009	15,035
Allowance for doubtful accounts	(38,378)	(86,953)	(823)
Total current assets	11,976,772	28,152,604	266,370
Property and equipment:			
Land	945,931	1,547,993	14,647
Buildings and structures	801,830	1,227,337	11,613
Equipment	554,249	850,804	8,050
Vehicles	71,765	71,385	675
Construction in progress	22,547	335,744	3,177
	2,396,322	4,033,263	38,161
Less: Accumulated depreciation	(503,509)	(681,909)	(6,452)
Total property and equipment	1,892,814	3,351,355	31,709
Investments and other assets:			
Investment securities	1,096,809	2,824,195	26,721
Deposits	1,198,017	1,661,745	15,723
Intangible assets	163,074	384,585	3,639
Deferred tax assets	240,596	222,779	2,108
Other assets	522,351	518,574	4,907
Total investments and other assets	3,220,849	5,611,879	53,098
Total assets	¥17,090,435	¥37,115,839	$351,176

See accompanying notes to the consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Thousands of Yen 2003	Thousands of Yen 2004	Thousands of U.S. Dollars (Note 1) 2004
Current liabilities:			
Accounts payable—trade	¥ 2,746,670	¥11,645,579	$110,186
Short-term borrowings	—	3,000,000	28,385
Accrued income taxes	2,605,440	3,960,019	37,468
Accrued bonuses	18,000	18,600	176
Other current liabilities	1,352,405	1,930,638	18,267
Total current liabilities	6,722,516	20,554,837	194,482
Long-term liabilities:			
Retirement benefits	674,998	820,615	7,764
Deposits received	863,808	1,161,922	10,994
Excess of net assets acquired over cost	3,083	1,602	15
Other liabilities	73,231	51,065	483
Total long-term liabilities	1,615,121	2,035,204	19,256
Minority interest in consolidated subsidiaries	—	17,976	170
Shareholders' equity:			
Common stock			
Authorised; March 31, 2003—117,200 shares			
March 31, 2004—586,000 shares			
Issued; March 31, 2003—32,300 shares			
March 31, 2004—161,500 shares	1,295,500	1,295,500	12,258
Additional paid-in capital	1,342,429	1,342,429	12,702
Retained earnings	6,060,735	11,631,695	110,055
Unrealised holding gain on available-for-sale securities	54,133	238,194	2,254
Total shareholders' equity	8,752,797	14,507,820	137,268
Total liabilities and shareholders' equity	¥17,090,435	¥37,115,839	$351,176

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

For the fiscal years ended March 31, 2003 and 2004

	Thousands of Yen		Thousands of U.S. Dollars(Note 1)
	2003	2004	2004
Sales	¥61,888,832	**¥66,211,589**	**$626,470**
Cost of Sales	45,895,906	**44,633,469**	**422,306**
Gross profit	15,992,925	**21,578,120**	**204,164**
Selling, general and administrative expenses	9,211,728	**9,711,541**	**91,887**
Operating income	6,781,196	**11,866,578**	**112,277**
Other income (expenses):			
Interest and dividend income	5,628	**12,340**	**117**
Interest expenses	(49,303)	**(2,197)**	**(21)**
Equity in earnings of affiliates	255,645	**292,330**	**2,766**
Loss on disposal of property and equipment, net	(50,547)	**(17,288)**	**(164)**
Loss on devaluation of investment securities and capital investments	(65,248)	**(42,587)**	**(403)**
Gain on cancellation of life insurance	185,872	—	—
Other, net	85,112	**80,023**	**757**
Other income, net	367,159	**322,623**	**3,053**
Income before income taxes and minority interest	7,148,355	**12,189,200**	**115,330**
Income taxes:			
Current	3,749,518	**5,768,861**	**54,583**
Deferred	(125,535)	**(211,184)**	**(1,998)**
	3,623,983	**5,557,676**	**52,585**
Minority interest	—	**11,269**	**107**
Net income	¥ 3,524,372	**6,620,253**	**$ 62,638**

	Yen		U.S. Dollars (Note 1)
Earnings per share:			
Basic and diluted	¥ 23,446.73	**¥ 40,465.97**	**$ 382.87**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Shareholders' Equity

For the fiscal years ended March 31, 2003 and 2004

	Number of Shares of Common Stock Issued	Thousands of Yen				
		Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Holding Gain on Securities	Total Shareholders' Equity
Balance as of March 31, 2002	2,930	¥ 530,500	¥ 415,429	¥ 2,826,872	¥81,582	¥3,854,383
Ten-for-one stock split	26,370	—	—	—	—	—
Common stock issued under the spread-method in connection with initial public offering	3,000	765,000	927,000	—	—	1,692,000
Net income	—	—	—	3,524,372	—	3,524,372
Cash dividends paid	—	—	—	(238,509)	—	(238,509)
Bonuses to directors and statutory auditors	—	—	—	(52,000)	—	(52,000)
Change in net unrealized holding gain on securities	—	—	—	—	(27,449)	(27,449)
Balance as of March 31, 2003	32,300	1,295,500	1,342,429	6,060,735	54,133	8,752,797
Five-for-one stock split	129,200	—	—	—	—	—
Retained earnings decreased due to change of consolidation scope	—	—	—	(3,293)	—	(3,293)
Net income	—	—	—	6,620,253	—	6,620,253
Cash dividends paid	—	—	—	(969,000)	—	(969,000)
Bonuses to directors and statutory auditors	—	—	—	(77,000)	—	(77,000)
Change in net unrealized holding gain on securities	—	—	—	—	184,061	184,061
Balance as of March 31, 2004	161,500	¥ 1,295,500	¥ 1,342,429	¥ 11,631,695	¥238,194	¥14,507,820

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Holding Gain on Securities	Total Shareholders' Equity
Balance as of March 31, 2003	$12,258	$12,702	$57,344	$512	$82,816
Retained earnings decreased due to change of consolidation scope	—	—	(31)	—	(31)
Net income	—	—	62,638	—	62,638
Cash dividends paid	—	—	(9,168)	—	(9,168)
Bonuses to directors and statutory auditors	—	—	(729)	—	(729)
Change in net unrealized holding gain on securities	—	—	—	1,742	1,742
Balance as of March 31, 2004	$12,258	$12,702	$110,055	$2,254	$137,268

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

For the fiscal years ended March 31, 2003 and 2004

	Thousands of Yen		Thousands of U.S. Dollars(Note 1)
	2003	2004	2004
Operating activities:			
Income before income taxes and minority interest	¥7,148,355	¥12,189,200	$115,330
Adjustments to reconcile income before income taxes and minority interest to net cash provided by operating activities:			
Depreciation and amortization	229,404	317,565	3,005
Amortization of excess of net assets acquired over cost	(1,481)	(1,481)	(14)
Allowance for doubtful accounts	(47,980)	64,540	611
Reserve for retirement benefits	108,845	145,616	1,378
Accrued bonuses	(140)	600	6
Interest and dividend income	(5,628)	(12,340)	(117)
Gain on cancellation of life insurance	(185,872)	—	—
Equity in earnings of affiliates	(255,645)	(292,330)	(2,766)
Interest expenses	49,303	2,197	21
Loss on disposal of property and equipment, net	50,547	17,288	164
Loss on devaluation of investment securities and capital investments	65,248	42,587	403
Notes and accounts receivable - trade	3,219,859	(14,546,569)	(137,634)
Inventories	(98,647)	7,919	75
Merchandising right advances	(262,125)	(1,457,951)	(13,795)
Accounts payable - trade	(4,618,385)	8,823,448	83,484
Deposit received	315,754	298,114	2,821
Payments of bonuses to directors and statutory auditors	(52,000)	(77,000)	(729)
Other	(55,170)	(286,080)	(2,707)
Subtotal	5,604,244	5,235,325	49,535
Interest and dividends received	40,303	33,319	315
Interest paid	(48,214)	(3,140)	(30)
Income taxes paid	(2,280,205)	(4,414,311)	(41,767)
Net cash provided by operating activities	3,316,128	851,192	8,054
Investing activities:			
Purchases of property and equipment	(1,163,261)	(1,520,955)	(14,391)
Proceeds from sales of disposed property and equipment	—	6,964	66
Purchases of intangible assets	(75,402)	(287,452)	(2,720)
Purchases of investment securities	(105,291)	(1,356,059)	(12,831)
Maturity of debt securities	—	200,700	1,899
Cancellation of life insurance policies	—	422,076	3,994
Long-term loans receivable, net	(1,260)	(352,770)	(3,338)
Payment for deposits, net	(335,130)	(204,258)	(1,933)
Payment for long-term expenses	(496,868)	(65,304)	(618)
Other	(76,003)	(33,135)	(314)
Net cash used in investing activities	(2,253,217)	(3,190,193)	(30,184)
Financing activities:			
(Decrease) increase in short-term borrowings, net	(3,070,500)	3,000,000	28,385
Proceeds from long-term borrowings	240,000	—	—
Repayments of long-term borrowings	(1,061,935)	—	—
Proceeds from issuance of common stock	1,678,093	—	—
Cash dividends paid	(238,509)	(966,210)	(9,142)
Other	(1,953)	(3,790)	(36)
Net cash (used in) provided by financing activities	(2,454,804)	2,029,999	19,207
Effect of exchange rate changes on cash and cash equivalents	—	(1,892)	(18)
Decrease in cash and cash equivalents	(1,391,893)	(310,893)	(2,942)
Cash and cash equivalents at beginning of the period	7,130,955	5,739,061	54,301
Increase in cash and cash equivalents due to change of consolidation scope	—	9,590	91
Cash and cash equivalents at end of the period	¥5,739,061	¥5,437,758	$51,450

See accompanying notes to the consolidated financial statements.

Notes To The Consolidated Financial Statements

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

FIELDS CORPORATION (the "Company") and its consolidated subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code (the "Code") and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, which are different from the accounting and disclosure requirements of International Financial Reporting Standards or accounting standards generally accepted in the United States of America. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The accompanying consolidated financial statements are the translation of the consolidated financial statements of the Company which were prepared in accordance with accounting principles generally accepted in Japan from the accounts and records maintained by the Company and its consolidated subsidiaries and were filed with the Ministry of Finance as required by the Securities and Exchange Law.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The year ended March 31, 2003 was the first year for the Company to prepare consolidated financial statements as several subsidiaries have become significant to the Company's financial position and results of operations.

The translations of the Japanese yen amounts presented in the financial statements as of and for the year ended March 31, 2004 into U.S. dollars are included solely for the convenience of the readers outside Japan, using the prevailing exchange rate of ¥105.69 to U.S. $1 at March 31, 2004. Such 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.

Figures below one thousand yen are rounded off in the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and those of significant subsidiaries (collectively the "Companies") that are controlled by the Company. Under the effective control approach, all majority-owned companies and companies effectively controlled by the parent are consolidated. Companies in which the parent's ownership share is less than or equal to 50% may be required to be consolidated in case where the parent has effective control through the interests held by a party with a close relationship with the parent. All significant inter-company transactions and account balances and unrealised inter-company profits among the Companies, after adjustment for minority interests, are eliminated upon consolidation.

The difference between the total acquisition cost and underlying fair value of the net equity of the acquired company at acquisition is stated as "excess of cost over net assets acquired" or "excess of net assets acquired over cost" which is amortised on a straight-line basis over a period of five years. When the difference is insignificant, it is charged to income as incurred.

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

Scope of Consolidation and Application of Equity Method

Number of consolidated subsidiaries and affiliates accounted for under the equity method at March 31, 2003 and 2004 are as follows:

	Number of Companies	
	2003	2004
Consolidated subsidiaries	4	5
Unconsolidated subsidiaries accounted for under the equity method	0	0
Unconsolidated subsidiaries not accounted for under the equity method	3	2
Affiliates accounted for under the equity method	1	1
Affiliates not accounted for under the equity method	0	1

The names of consolidated subsidiaries and an affiliate accounted for under the equity method at March 31,2004 are as follows:

Consolidated subsidiaries:
Professional Management Co., Ltd
Fields Jr. Corporation
Total Workout Corporation
White Trash Charms Japan Co., Ltd
Digital Lord Corporation

Digital Lord Corporation, which was unconsolidated subsidiary not accounted for under the equity method at March 31, 2003, is consolidated at March 31, 2004 as the company became a significant subsidiary.

Affiliate:
Rodeo Corporation

Cash Equivalents

Cash equivalents on the statements of cash flows 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

Merchandise – Used Machine
The Company: At cost determined by the specific identification method
Merchandise – Others
The Company: At cost determined by the moving-average method
Consolidated subsidiaries: At cost determined by the gross-average method
Work in process
Consolidated subsidiaries: At cost determined by the specific identification method
Supplies
The Companies: At cost determined by the last purchase price method

Investment Securities

Under Japanese accounting standards for financial instruments, all marketable securities held by the Company are classified as available-for-sale securities and are reported at fair value, with unrealised gains and losses, net of applicable taxes, reported as a separate component of shareholders' equity. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value of investment securities, impairment losses are recognised and the acquisition cost is directly reduced to net realisable value by charging such losses to income.

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

Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998. The estimated useful lives of depreciable assets at March 31, 2003 and 2004 are as follows:

Buildings	15 - 48 years (6 - 50 years for 2004)
Structures	10 - 27 years
Vehicles	4 - 6 years
Equipment	3 - 20 years

Intangible Assets

Intangible assets primarily consist of internal-use software, which is amortised using the straight-line method over five years.

Allowance for Doubtful Accounts

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

Retirement Benefits

For employees:
The Company has an unfunded defined benefit retirement plan.
The reserve for retirement benefit obligations is provided based on the projected benefit obligation. The obligation is calculated in accordance with a formula which has, as its variables, the length of service and basic pay rate at the end of the fiscal year.
Actuarial differences are amortised under the straight-line method using the specific number of years (five years) less than the average remaining service period.

For directors and statutory auditors:
Directors and statutory auditors of the Company are entitled to lump-sum retirement payments determined in accordance with the Company's internal rules. The retirement benefit obligation is accrued at the amount which would have been required if all directors and statutory auditors had terminated their services at the balance sheet date. These amounts are paid subject to approval of the shareholders in accordance with the Code.

Accrued Bonuses

Accrued bonuses for employees are provided for using the estimated amount which the Company is obligated to pay to employees after the fiscal year-end, based on services provided during the current period.

Income Taxes

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

Revenue Recognition

The Company generates revenue from primarily two sources: merchandise sales and agency services.

For merchandise sales, the Company purchases pachislot machines from manufactures and sells them to pachislot parlours. The Company recognised revenue when products were delivered to the parlours and installation was completed. Effective April 1, 2003, the Company changed its accounting policy for revenue recognition, due to a change in the sales contracts with the parlours. According to the new recognition policy, the Company recognises revenue when products are shipped to the parlours. As the result of this change, sales and cost of sales for the year ended March 31, 2004 increased by ¥5,956,372 thousand ($56,357 thousand) and ¥3,916,219 thousand ($37,054 thousand), respectively, compared with the amounts which would have been recognised under the previous recognition policy.

For agency services, the Company acts as an agent between manufactures and pachinko parlours to provide various services related to the distribution of pachinko and pachislot machines, and

receives commissions from the manufacturers. The services are completed when the Company collects sales proceeds from pachinko parlours, and remits the proceeds to the manufacturers. The Company recognises revenue when services are completed.

Leases

Under Japanese accounting standards for leases, financial leases that are deemed to transfer ownership of the leased property to the lessee are to be capitalised, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalised" information is disclosed in the notes to the lessee's financial statements. In compliance with this standard, all lease transactions of the Company and its consolidated subsidiaries are accounted for as operating leases.

Stock Issuance Costs

Stock issuance costs are expensed as incurred.

Appropriation of Retained Earnings

Under the Code and the Articles of Incorporation of the Company, the plan for appropriation of retained earnings (primarily for cash dividend payments and bonuses paid to directors and statutory auditors) proposed by the Board of Directors should be approved by the shareholders at the shareholders' meeting which must be held within three months after the end of each fiscal year. The appropriation of retained earnings reflected in the accompanying consolidated financial statements represents the results of such appropriations which relate to the immediately preceding fiscal year but were approved by the shareholders at the shareholders'meeting and disposed of during that year.

Earnings Per Share ("EPS")

Basic EPS is computed based on the average number of shares of common stock outstanding during each period and diluted EPS assumes the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock. The Company and its consolidated subsidiaries had no dilutive securities outstanding at March 31, 2003 and 2004.
Therefore, there are no differences between basic and diluted EPS.

From the fiscal year commencing on April 1, 2002, the Company and its consolidated subsidiaries adopted the new Japanese accounting standard "Accounting Standard for Earnings per Share" and "Implementation Guidance for Application of Accounting Standard for Earnings per Share", which are effective for periods beginning on or after April 1, 2002. In accordance with the new accounting standard, the amount of earnings which is used for the computation of EPS is net income for the year, excluding income to be appropriated as bonuses to directors and statutory auditors to be approved by the shareholders at the shareholders'meeting which must be held within three months after the end of each fiscal year.

Net earnings per share for the fiscal year ended March 31, 2003 have been adjusted for the five-for-one stock split made on November 20, 2003.

3. INVESTMENT SECURITIES

(a) The following table summarises acquisition cost, book values and fair value of available-for-sale securities with available fair values at March 31, 2003 and 2004:

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2004	2004
Equity securities			
Acquisition cost	¥ 52,312	¥323,371	$3,060
Book value	143,292	725,048	6,860
Net unrealised gain	90,980	401,677	3,801

(b) The following table summarises book value of available-for-sale securities with no available fair values at March 31, 2003 and 2004:

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2004	2004
Stocks	¥22,580	¥23,880	$226
Bonds and other	5,291	5,291	50

(c) Carrying amounts of investments in unconsolidated subsidiaries and affiliates at March 31, 2003 and 2004 are ¥925,645 thousand and ¥2,069,975 thousand ($19,585 thousand), respectively.

4. LEASES

The Companies lease certain equipment, software and vehicles under several finance lease contracts without ownership transfer to lessees. Assumed amounts of (a) acquisition cost, accumulated depreciation and net book value and (b) lease obligations at March 31, 2003 and 2004 are as follows:

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

	Thousands of Yen			
At March 31, 2003	Equipment	Software	Vehicles	Total
Acquisition cost	¥290,212	¥20,779	¥9,300	¥320,291
Accumulated depreciation	149,319	13,433	7,750	170,502
Net book value	¥140,892	¥ 7,346	¥1,550	¥149,789

	Thousands of Yen			
At March 31, 2004	Equipment	Software	Vehicles	Total
Acquisition cost	¥219,370	¥18,851	—	¥238,222
Accumulated depreciation	121,037	15,275	—	136,313
Net book value	¥ 98,333	¥ 3,575	—	¥101,908

	Thousands of U.S. Dollars			
At March 31, 2004	Equipment	Software	Vehicles	Total
Acquisition cost	$ 2,076	$ 178	$ —	$ 2,254
Accumulated depreciation	1,145	145	—	1,290
Net book value	$ 930	$ 34	$ —	$ 964

(b) Lease obligations

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2004	2004
Payments due within one year	¥ 58,029	¥ 52,170	$494
Payments due after one year	91,759	49,738	471
Total	¥149,789	¥101,908	$964

Due to immateriality of the aggregated amount of lease obligations compared with the year-end balance of properties, interest expenses related to lease obligations are included in both the assumed acquisition cost and lease obligations of the lease properties.

Amounts of lease payments and depreciation expense equivalents for the years ended March 31, 2003 and 2004 are as follows:

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2004	2004
Lease payments	¥57,924	¥58,378	$552
Depreciation expense equivalent	57,924	58,378	552

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

The Companies lease certain office space, vehicles and equipment under the operating leases. The following is a schedule by year of future lease payments under non-cancellable operating leases at March 31, 2003 and 2004:

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2004	2004
Payments due within one year	¥2,184	¥1,644	$ 16
Payments due after one year	4,110	2,466	23
Total	¥6,294	¥4,110	$ 39

5. SHORT-TERM BORROWINGS

The Company's short-term borrowings at March 31, 2004 are ¥3,000,000 thousand ($28,385 thousand), and their weighted average interest rate at March 31, 2004 is 0.83% per annum.
The Company has entered into line of credit and over-draft

6. CREDIT LINES

agreements with banks for the purpose of fund management and increased the amount of the lines of credit in the year ended March 31, 2004. The following is the summary of the lines of credit at March 31, 2003 and 2004:

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2004	2004
Total credit lines	¥1,000,000	¥6,000,000	$56,770
Balance of borrowing	—	3,000,000	28,385
Unused credit lines	¥1,000,000	¥3,000,000	$28,385

7. DERIVATIVE TRANSACTIONS

The Companies had no derivative transactions during the years ended March 31, 2003 and 2004.

8. RETIREMENT BENEFITS

For employees:
The Company has an unfunded defined benefit retirement plan covering substantially all of its employees.
This plan provides employees with lump-sum retirement payments, determined by their basic pay at the time of retirement and benefit rate based on years of service.

The liability for employees' retirement benefits at March 31, 2003 and 2004 is as follows:

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2004	2004
Projected benefit obligation	¥112,330	¥123,506	$ 1,169
Unrecognised actuarial differences	(6,331)	(2,691)	(25)
Accrued retirement benefits	¥105,998	¥120,815	$ 1,143

Net periodic costs for the employees' retirement benefits for the years ended March 31, 2003 and 2004 consisted of the following components:

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2004	2004
Service cost	¥14,222	¥17,166	$ 162
Interest cost	2,337	2,232	21
Amortisation of actuarial differences	(1,554)	851	8
Net periodic costs	¥15,004	¥20,249	$ 192

The assumptions used for the above plans for the years ended March 31, 2003 and 2004 are as follows:

Discount rate	2.0%
Amortisation period of actuarial differences	5 years

The estimated amount of employees' retirement benefits to be paid in the future is allocated equally through the estimated service periods of each employee.

For directors and statutory auditors:
The Company also has a retirement plan for its directors and statutory auditors. The amounts of accrued retirement liability for the Company's directors and statutory auditors based on its internal rules are ¥569,000 thousand and ¥699,800 thousand ($6,621 thousand) at March 31, 2003 and 2004, respectively.

9. CONTINGENCIES

For agency services, when the Company receives a sales order for pachinko and pachislot machines from a pachinko parlour (the"Customer"), the Company asks the manufacturer of the machines to deliver the machines directly to the Customer, and guarantees payment for the machines delivered on behalf of the Customer. Those guarantees at March 31, 2003 and 2004 are as follows:

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2004	2004
Amounts guaranteed	¥1,581,073	¥744,496	$7,044

For merchandise sales, the Company has contingent liabilities from notes delivered with endorsement for payments for purchases of pachislot machines purchased. Total amount of notes endorsed at March 31, 2003 and 2004 is as follows:

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2004	2004
Amount of notes endorsed for payments	¥3,677,050	¥591,657	$5,598

10. INCOME TAXES

The significant components of deferred tax assets and liabilities at March 31, 2003 and 2004 are as follows:

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2004	2004
Deferred tax assets:			
Accrued directors' and statutory auditors' retirement benefits	¥230,445	¥ 284,818	$ 2,695
Accrued local taxes	208,899	323,159	3,058
Accrued employees' retirement benefits	33,779	47,392	448
Allowance for doubtful accounts	25,721	23,354	221
Accrual bonuses	5,881	7,570	72
Subsidiaries' net operating loss carryforwards	58,598	255,026	2,413
Other	14,222	88,285	835
Gross deferred tax assets	577,547	1,029,607	9,742
Valuation allowances	(31,437)	(272,311)	(2,576)
Total deferred tax assets	546,110	757,295	7,166
Deferred tax liabilities:			
Unrealised holding gain on investment securities	36,846	163,482	1,547
Total deferred tax liabilities	36,846	163,482	1,547
Net deferred tax assets	¥509,263	¥ 593,812	$ 5,619

Income taxes in Japan applicable to the Companies consist of corporation tax, inhabitants' taxes and enterprise taxes, which in the aggregate resulted in a statutory tax rate of 42.0% for the years ended March 31, 2003 and 2004.

Effective for years commencing on April 1, 2004 or later, according to the revised local tax law, income tax rates for enterprise taxes will be reduced due to the introduction of assessment by estimate based on the size of the business. Based on the change in income tax rates, for the calculation of deferred tax assets and liabilities, the Companies used aggregate statutory income tax rates of 42.0% and 40.5% for current items and non-current items, respectively, at March 31, 2003. The change in aggregate statutory income tax rates had the following effect on accounts at and for the year ended March 31, 2003: deferred income tax assets decreased by ¥8,910 thousand, and provision for deferred income taxes and unrealised holding gain on available-for-sale securities increased by ¥10,275 thousand and ¥1,364 thousand, respectively.

Reconciliation of the differences between the statutory tax rate and the effective income tax rate for the years ended March 31, 2003 and 2004 is as follows:

	2003	2004
Statutory tax rate	42.0%	42.0%
Increase (reduction) in taxes resulting from:		
Taxation on retained earnings imposed on a family corporation	4.0	3.0
Per capita levy	0.4	0.2
Expenses not deductible for tax purpose	1.5	0.5
Income not taxable for tax purpose	(0.1)	(0.1)
Tax exemption	—	(0.2)
Effect of valuation allowance for deferred tax assets	3.3	—
Effect of tax rate change	0.1	—
Other	(0.5)	0.2
Effective income tax rate	50.7%	45.6%

11. SHAREHOLDERS' EQUITY

Under the Code, the entire amount of the issue 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 included in capital surplus. The Code also provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of the legal earnings reserve and additional paid-in capital equals 25% of common stock. The total amount of the legal earnings reserve and additional paid-in capital has reached 25% of common stock, and, therefore, the Company is no longer required to provide for the legal earnings reserve.

The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders at the shareholders' meeting or may be capitalised by resolution of the Board of Directors. On condition that the total amount of the legal earnings reserve and additional paid-in capital remains equal to or exceeds 25% of common stock, they are available for distribution by resolution of the shareholders at the shareholders' meeting. The legal earnings reserve is included in retained earnings in the accompanying consolidated financial statements. The legal earnings reserve included in retained earnings at March 31, 2003 and 2004 is ¥9,580 thousand ($91 thousand).

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

12. RELATED PARTY TRANSACTIONS

Transactions with directors:
At March 31, 2003 and 2004, the Representative Director of the Company guaranteed the following liabilities on behalf of the Company without compensation:

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2004	
Lease obligations	¥78,033	¥36,698	$347

For the year ended March 31, 2003, the Representative Director of the Company paid ¥3,060 thousand for company housing.

Transactions in the normal course of business with affiliates:

The following table summarises the year-end balances resulting from purchase transactions in the normal course of business with Rodeo Corporation, an affiliate:

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2004	2004
Account balances			
Accounts receivable-trade	¥ —	¥ 2,479,632	$ 23,461
Accounts payable	1,792,732	7,957,693	75,293
Deposits paid	500,000	500,000	4,731
Transactions			
Purchase of merchandise	38,281,476	33,103,396	313,212
Sales of used pachislot machines	—	2,364,855	22,375

13. SEGMENT INFORMATION

・Industry Segment:
Revenue and income from the sale of amusement machines are over 90% of the consolidated revenue and income from operations. Therefore, business segment information is omitted.

・Geographic Segment:
The Company and its consolidated subsidiaries operate their business only in Japan and, therefore, geographical information and information about revenues from overseas are omitted.

14. SUBSEQUENT EVENTS

Following the introduction of a stock option plan in accordance with Articles 280-20 and 280-21 of the Commercial Code in Japan, which was approved by the shareholders at the general shareholders' meeting held on June 27, 2003, on April 14, 2004 the Company granted 681 stock purchase rights at advantageous terms to directors, statutory auditors and selected employees totalling 115 persons. Under this stock option plan, each stock purchase right enables its holder to purchase five shares of common stock at an exercise price of ¥1,520 thousand ($14 thousand) per share, and the exercise period of the stock purchase rights starts on July 1, 2005 and ends on June 30, 2008.

The Board of Directors of the Company resolved at its meeting held on May 13, 2004 to propose to its shareholders, at the general shareholders' meeting to be held on June 29, 2004, the payment of year-end cash dividends totalling ¥646,000 thousand ($6,112 thousand), or ¥4,000 ($37.85) per share, and the payment of ¥85,000 thousand ($804 thousand) in bonuses to directors and statutory auditors from retained earnings.

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
FIELDS CORPORATION

We have audited the accompanying consolidated balance sheets of FIELDS CORPORATION and its consolidated subsidiaries as of March 31, 2003 and 2004, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FIELDS CORPORATION and its consolidated subsidiaries as of March 31, 2003 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan as described in Note 1 to the consolidated financial statements.

The consolidated financial statements as of and for the year ended March 31, 2004 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis set forth in Note 1 to the consolidated financial statements.

BDO Sanyu & Co

BDO Sanyu & Co.
Tokyo, Japan

May 21, 2004

Stock Information (As of September 30, 2004)

Total authorised shares	586,000
Total outstanding shares	347,000
Number of shareholders	8,866

Principal shareholders

Name of shareholder	Number of shares held	Percentage of outstanding shares owned (%)
Hidetoshi Yamamoto	112,200	32.33
Takashi Yamamoto	40,000	11.53
Yoko Yamamoto	35,000	10.09
Sammy Corporation	27,500	7.93
Mint Co.	16,000	4.61
Morgan Stanley & Co. International Limited	10,488	3.02
Fields Employee Shareholding Association	9,482	2.73
Yuki Yamamoto	5,000	1.44
The Master Trust Bank of Japan, Ltd. (in trust)	4,761	1.37
Japan Trustee Services Bank, Ltd. (in trust)	3,771	1.09

Number of shareholders by category

Distribution of ownership among shareholders

Corporate Data (As of September 30, 2004)

Company name	Fields Corporation
Corporate philosophy	The Greatest Leisure for All People
Head office address	E Space Tower 12F, 3-6, Maruyama-cho, Shibuya-ku, Tokyo 150-0044 Japan Phone : +81-3-5784-2111 (Trunk line)
Branch offices	Sapporo, Aomori, Sendai, Koriyama, Niigata, Takasaki, Tsukuba, Saitama, Chiba, Utsunomiya, Tokyo, Western-Tokyo, Yokohama, Shizuoka, Nagano, Nagoya, Aichi, Mie, Kanazawa, Kyoto, Osaka, Kobe, Hiroshima, Okayama, Yamaguchi, Matsuyama, Fukuoka, Saga, and Kagoshima (29 bases nationwide)
Established	June 1988
Paid-in capital	¥7.948 billion
Fiscal year	April to March
Number of employees	735 (consolidated)
Main business activities	1. Planning and development of amusement machines 2. Purchasing and sales of amusement machines 3. Supporting hall owners with consulting services for space creation and facility management 4. Planning, development and sales of copyrighted characters and related content 5. Planning, development and sales of image software
Consolidated subsidiaries	Professional Management Co., Ltd. Fields Jr. Corporation Digital Lord Corporation White Trash Charms Japan Co., Ltd. Total Workout Corporation

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