

MEDIUM-TERM MANAGEMENT PLAN

FY2017-FY2019



FIELDS CORPORATION

May 10, 2017

Corporate Philosophy and Resolution / Long-term Vision

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Corporate Philosophy and Resolution / Long-term Vision

■ Corporate Philosophy

The Greatest Leisure for All People

■ Resolution

Our Company is guided by the binding pledge made 2 years ago when listing on the First Section of the Tokyo Stock Exchange...

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

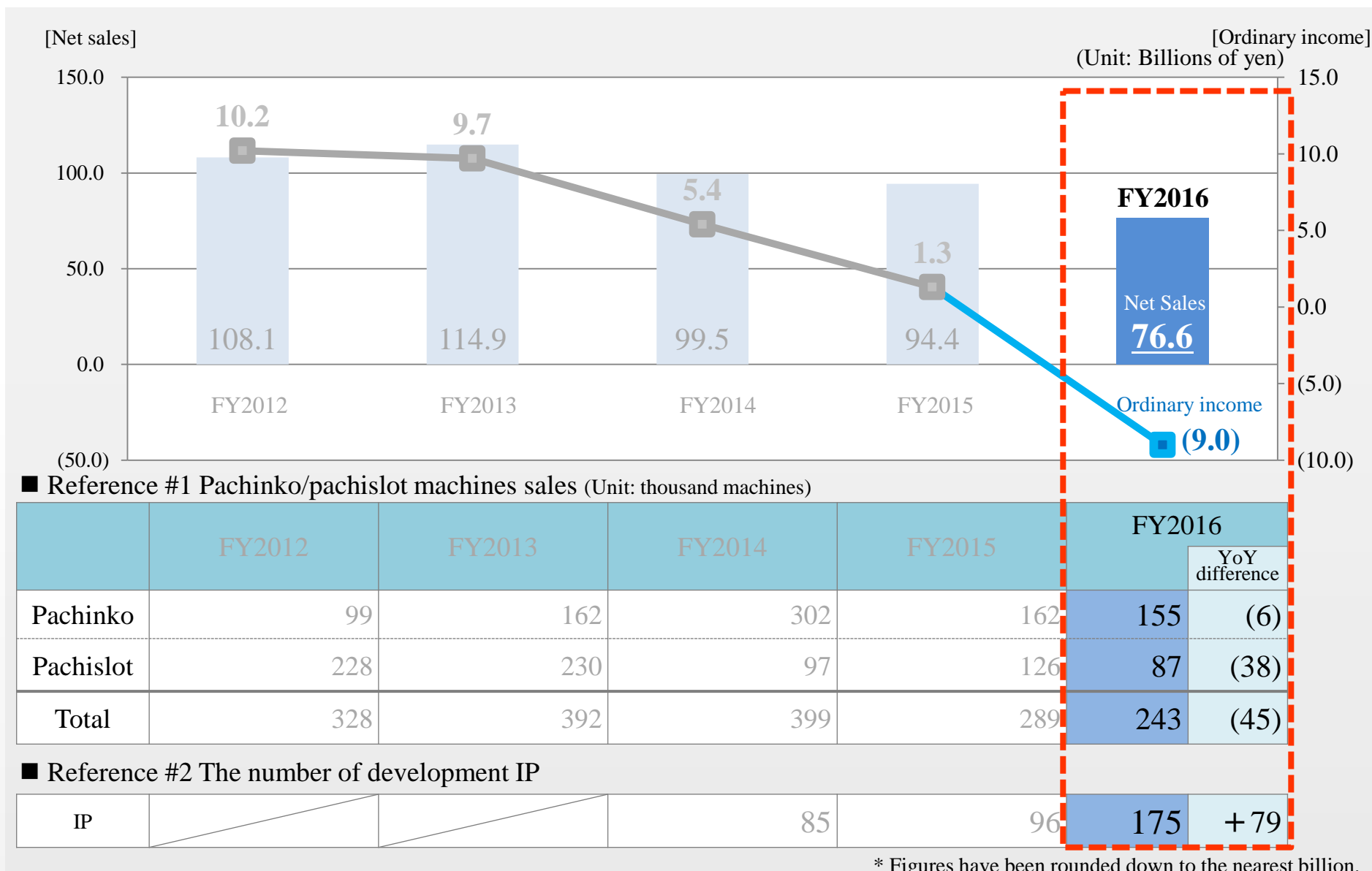
■ Long-term Vision

The Fields Group will contribute to the joy and happiness of people across Japan by providing **hero's IP (intellectual property)** bringing cheer to the world, through various **points of customer contact**, and will further extend those IP and platforms (PF) throughout the world.

I. Review



[1] 5-year Summary of Performance (consolidated)



1. Delays in responding to market changes in each business

- Responding to changes in customers and to regulatory changes in the PS (pachinko/pachislot) business platform
- Responding to the shift of the smartphone market to “red ocean” and to digitization of the publishing market, etc.

2. Dysfunction of the business value chain

- Planning and producing products, building partnerships, etc.

3. Struggle to generate revenue through the cross-media development of original IP

Weakening of
“planning/production capabilities with an eye to the past/future of the market,”
the DNA of **FIELDS CORPORATION** since its founding



- Customer orientation was not thoroughly enforced (both B to B and B to C)
- Sensitivity to market information and speed of reaction to change were inadequate
- There was inadequate building of Win-Win Relationships with Partner Companies as a source of value creation
- Not enough effort was put into the core competence of “planning”
- Footwork and communication both inside and outside the company were insufficient
- There was not enough awareness of profit and tenacity of purpose, etc.

II. Medium-term Management Plan



1. In parallel with executing medium- to long-term business strategies, concentrate on the short-term recovery of business results

- Strengthening of distribution infrastructure in the PS business platform
- Restoration of profitability to each IP project

2. Restructure business value chain based on core **planning/production capabilities**

- Customer orientation / reaction to change / information capability / partnership / planning capability / persistent business development
- Organizational improvement of production capabilities pursuing product ideals

3. Evolve the [IP × business platform] business model

- Thorough approach from both “IP” perspective and “business platform” perspective
- Generation of revenue through the expansion and deepening of [IP × business platform]

PS market

(Apr. 2017 – Mar. 2020)

- **Impact of enforcement of the IR* bill on the PS industry**
(*IR= Integrated Resort)
 - Industry-wide measures to counter the “dependence problem”
- **Moves to limit the elements of high-stakes gambling**
 - Limit the elements of high-stakes gambling following regulatory reform
 - Pursuit of entertainment value to promote media development
- **Rebuilding of the relationship between pachinko halls and community**
 - Breakaway from the business style reliant on the high-stakes gambling elements of pachinko/pachislot machines
 - Transformation and new style of hall management that is appealing to the community
- **New industry-wide initiatives aimed at expanding the fan base**
 - Return and expansion of fans through media development and increased entertainment
 - Provision of services and added value that meet the diverse nature of needs

Entertainment market

(Apr. 2017 – Mar. 2020)

- **Global market is expanding steadily**
 - Expansion of the market for children, as a result of population increases in Asia and to the west
 - Shift of global entertainment companies to Asia
- **Increasing emphasis on “experience value” for consumers**
 - From paper/visual packages to live shows
- **Expansion of new forms of “reality”**
 - Expansion of VR,* AR* and MR,* etc.
- **From ownership to flow**
 - From packages to streaming
 - From purchase/rental to subscription
- **Individual media markets**
 - Publishing market: While paper media will decrease, growth of the electronics market will accelerate
 - Game market: While domestic market will slow, global market will continue to expand
 - Movie market: Expansion since 2011 will continue steadily
 - Live show market: Music and 2.5D will drive market expansion

*VR = Virtual Reality, AR = Augmented Reality, MR = Mixed Reality

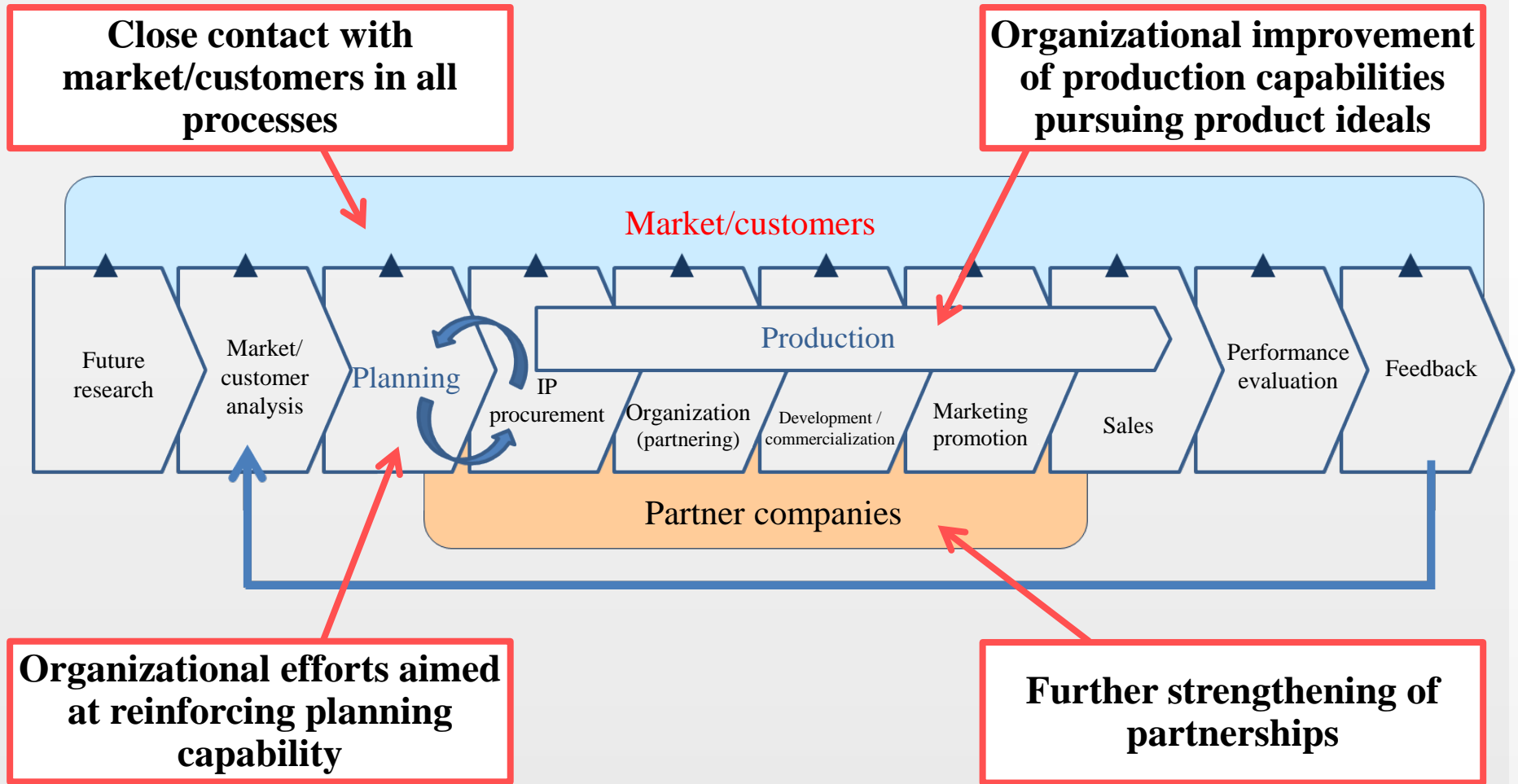
Forecasts for the duration of Medium-term Management Plan appear as a range taking into account regulatory changes and other such risks in the pachinko/pachislot machine market

(Unit: billions of yen)

	FY2016	FY2017	FY2018	FY2019
Net sales	76.6	82.0–85.0 (+5.4– +8.4)	71.0–74.0 (-14.0– -8.0)	81.0–88.0 (+7.0– +17.0)
Operating income	(5.3)	1.0–2.0 (+6.3– +7.3)	2.0–3.0 (0.0– +2.0)	5.0–7.0 (+2.0– +5.0)
Ordinary income	(9.0)	0–2.0 (+9.0– +11.0)	2.0–3.0 (0.0– +3.0)	5.0–7.0 (+2.0– +5.0)
Net income attributable to owners of parent	(12.4)	0–1.0 (+12.4– +13.4)	1.0–1.5 (0.0– +1.5)	2.5–3.5 (+1.0– +2.5)

* Figures in parentheses are changes from the previous fiscal year

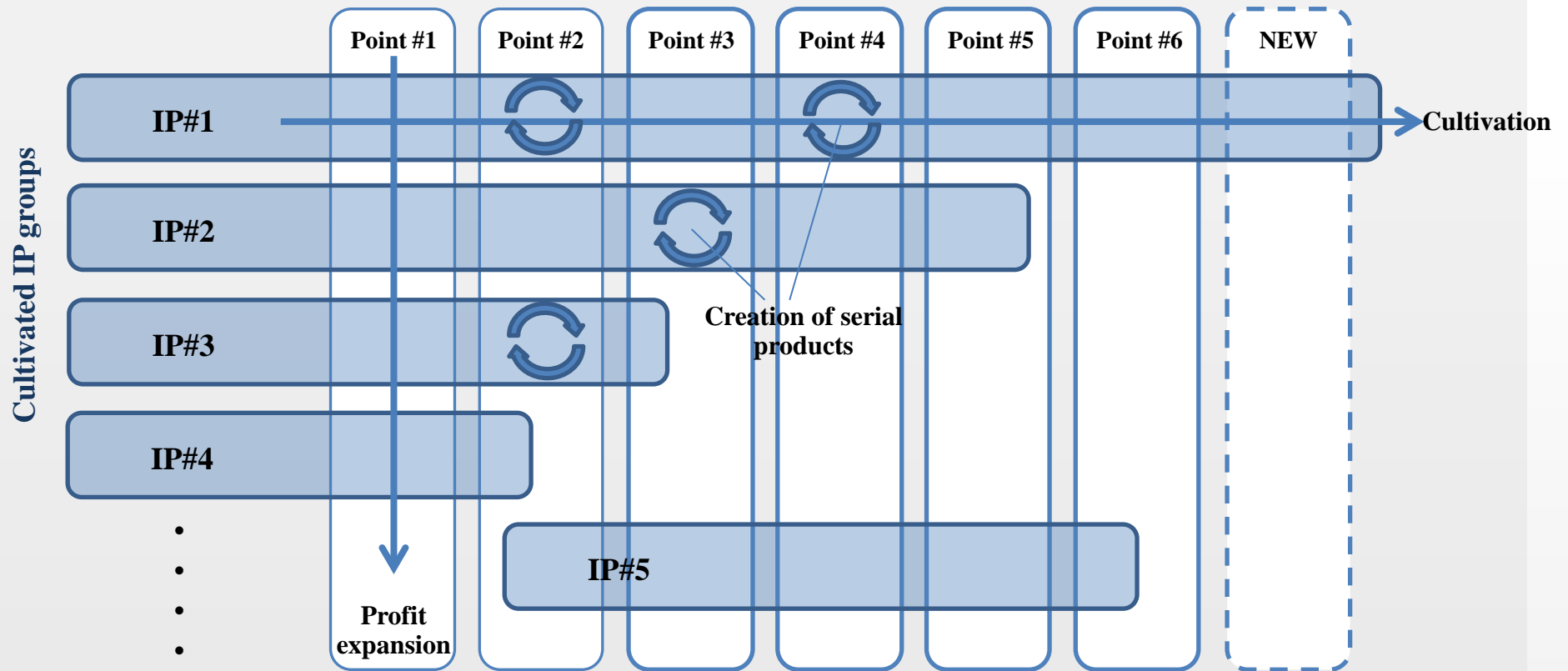
Initiatives for restructuring business value chain based on planning/production capabilities



(1) Fundamental business model

Aim to further **cultivate IP and expand profit**,
 by having many **points of customer contact = cross-media business platform** cultivating IP,
 and **by refining the IP at each contact point, expanding the fan base, raising the IP value and creating serial products**

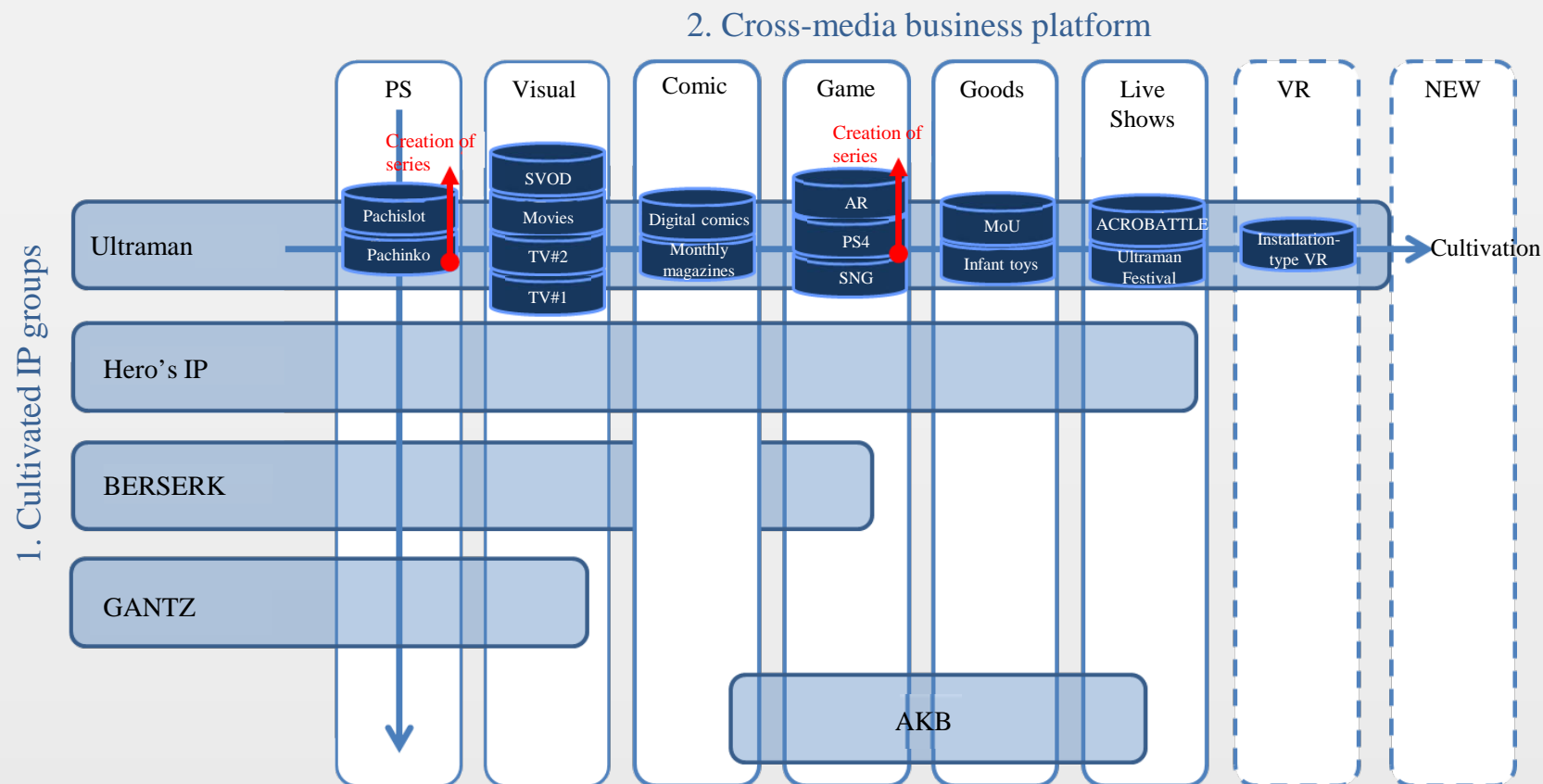
Many points of customer contact = Cross-media business platform



(2) Business model (base)

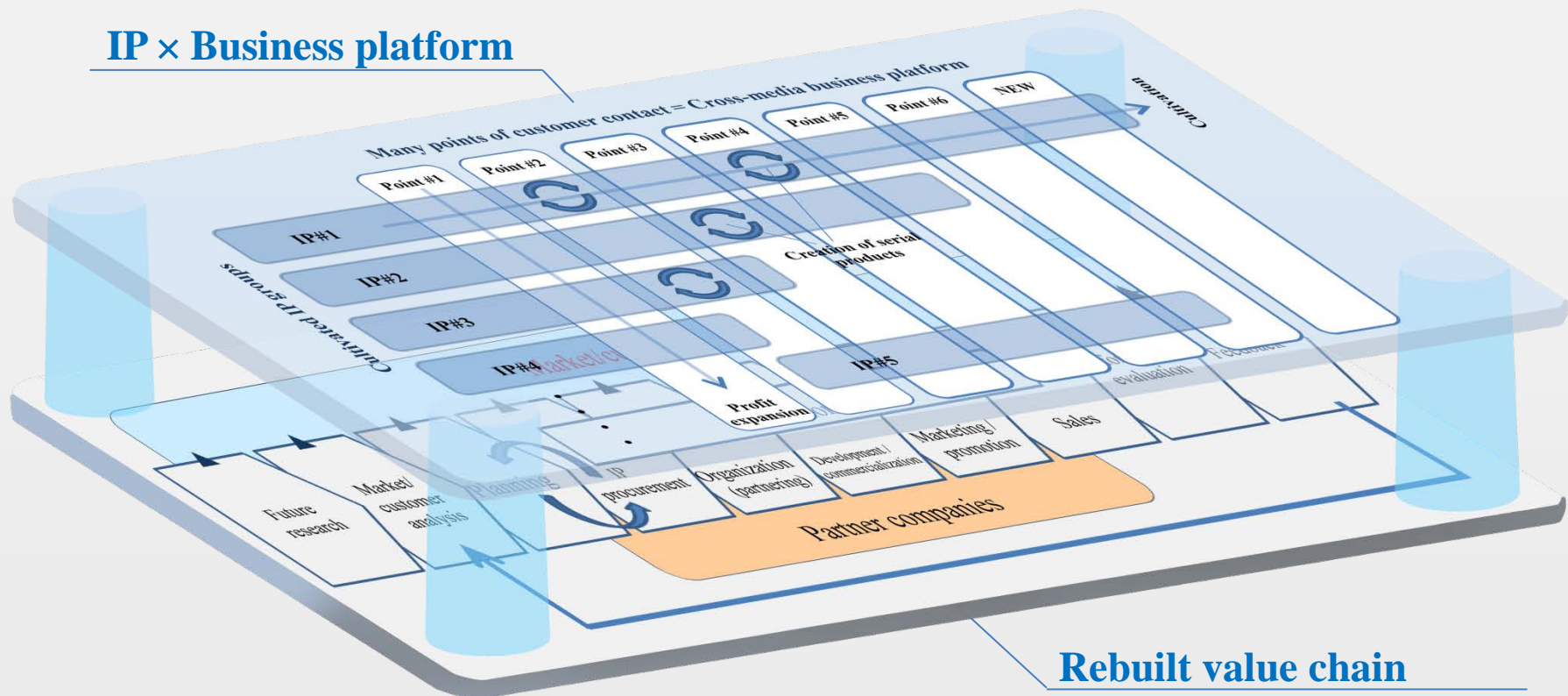
Based on the matrix structure of “1. Cultivated IP groups × 2. Cross-media business platform”

both will be developed individually



(3) [Value chain × Matrix model]

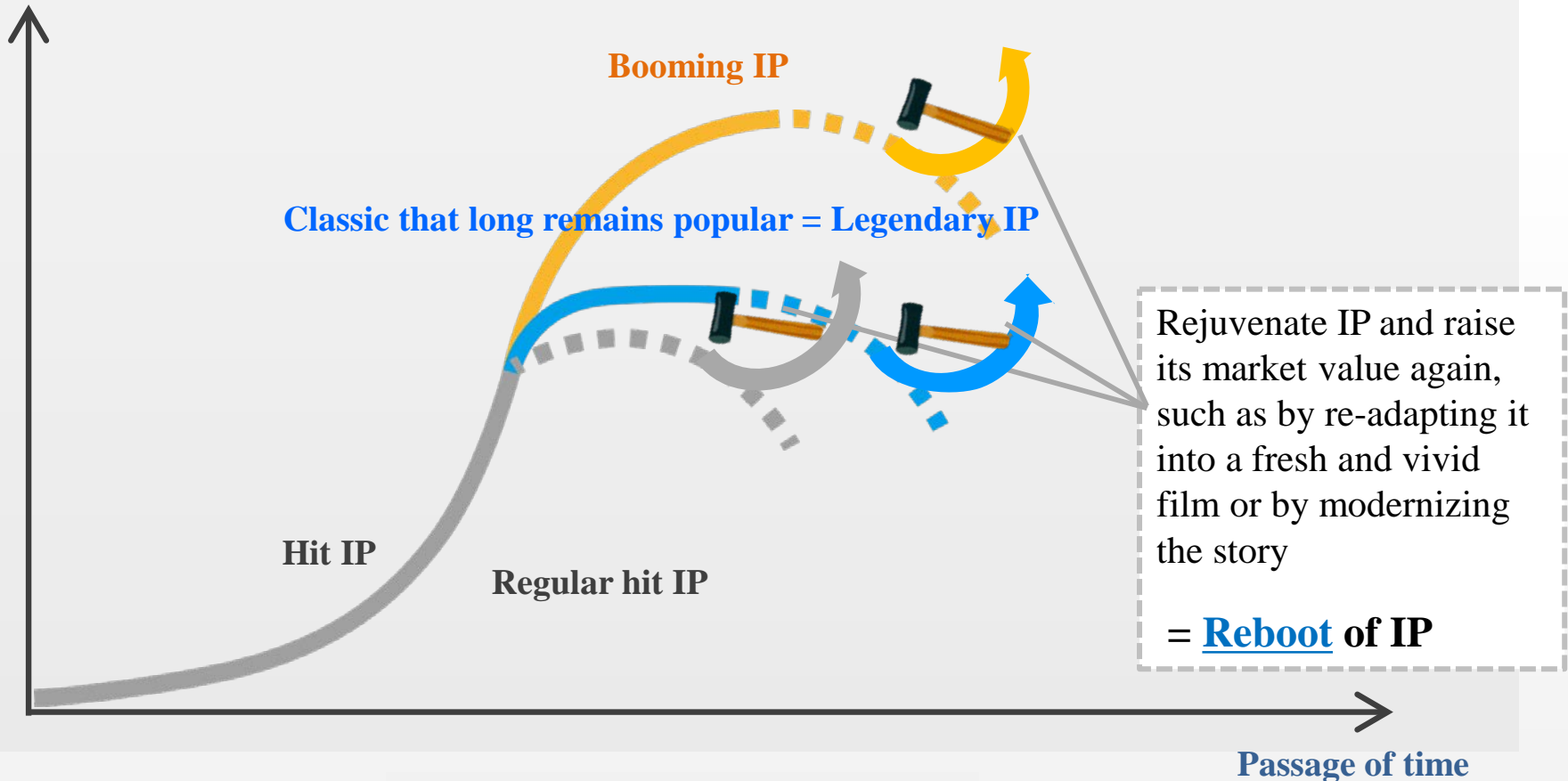
Based on the rebuilt value chain
implement the [IP × Business Platform] matrix model



(1) IP lifecycle and reboot

In general, even the profile of hit IPs fade over time

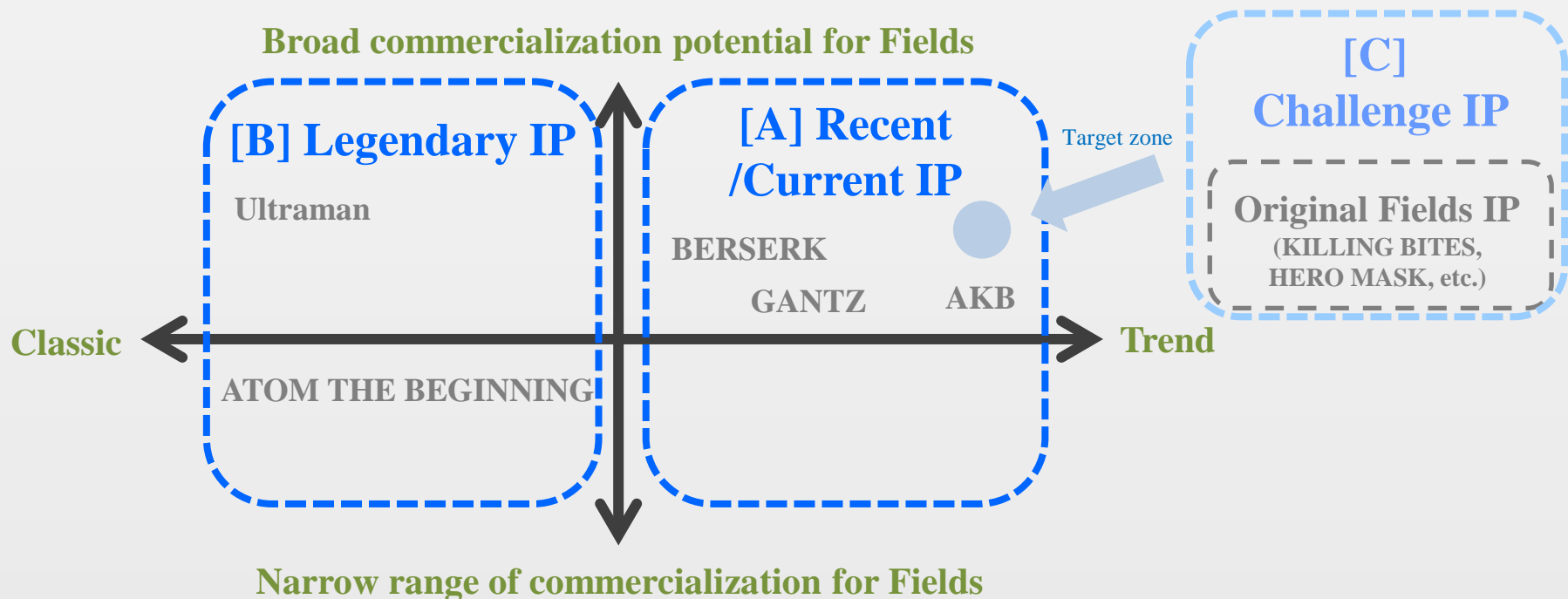
Hit/market value



(2) IP strategy 1): IP portfolio management #1

“IP portfolio management” that is not reliant on any specific hit IP

- [A] Recent /Current IP ... IP that has broadly permeated the younger generation ⇒ Focus
- [B] Legendary IP ... IP that has broadly permeated the middle-aged and elderly ⇒ Challenge
- [C] Challenge IP ... Original Fields IP ⇒ Narrow down through selection and concentration



(2) IP strategy 1): IP portfolio management #2

[A] Over these three years, focus on Recent /Current IP within the portfolio

[B] Proactively tackle the reboot of Legendary IP

Examples of reboot IP through animation



“GANTZ”
Comic



GANTZ:O



“BERSERK”
Comic



BERSERK

Reboot

Examples of reboot IP in “HERO’S” Monthly



“Astro Boy”
TV Anime



ATOM THE BEGINNING



Reboot



ULTRAMAN

(3) IP strategy 2): **Focus on IP planning**

From among Recent/Current IP and Legendary IP,
concentrate on **IP planning** that will succeed in
[Reboot × Cross-media]

Implement “IP planning”* across all platforms


* Definition of IP planning

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

(4) IP strategy 3): **IP management structure #1**

Establish the **“IP Marketing Office”** as an organization under the direct control of the President, to manage the Group’s entire IP in an integrated manner

Previously, the management function for copyright selection/acquisition/approval, etc. in the PS business was, in fact, separated from the IP management function in the cross-media business

- 
- **The IP Marketing Office was established on April 1, combining the above functions**
 - **Conducts integrated IP management, under the direct control of the President**
 - **Also covers the IP management function for Group companies (Tsuburaya Productions, Digital Frontier, etc.), and manages ROI for each IP**

(4) IP strategy 3): IP management structure #2

Use **IP-specific “ROI”** as **key indicators in management accounting** for making decisions and evaluating IP investments based on a Group-wide business plan

Previously, management accounting was focused on profit and loss management for each business

Now, ROIs for each IP are set as key indicators in management accounting, and management awareness is reformed by utilizing the ROIs in:

- **Making IP investment decisions**
- **Formulating medium-term business plans for each platform**
- **Checking progress and taking collective action at the Board of Corporate Officers, etc.**
- **Evaluating business performance that also includes Group companies**

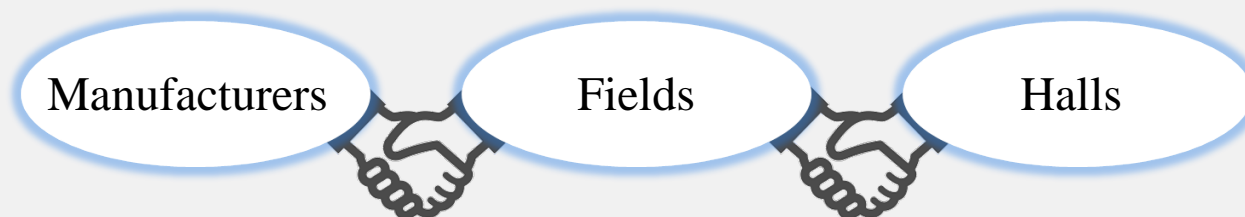
(1) Business platform strategy 1): Advantages of platforms in general

The greatest advantage of the Fields Group is its
(Comics / Anime / Movies / Games / Toys / Live Shows + PS)
unique business platforms

- **“Cross-media business platform which includes PS business” of unique as structure**
 - **PS business platform**
 - ⇒ Relationship with wide range of manufacturers because of huge (yet shrinking) industry and being a planning/production company
 - **Cross-media business platform**
 - ⇒ Whereas many partner companies are specialized plus some additional function, relationship can be “complementary”
 - **“Massive network” because of wide-ranging cross-media business**
 - ⇒ Broad network of contacts in publishing, visual (movies/anime/TV, distribution, etc.), games, PS, toys, live shows, etc.
- **Independent and unique resources**
 - **Group companies such as Tsuburaya Productions and Digital Frontier**
 - **New business platforms in expanding and strengthening VR, etc.**

(2) Business platform strategy 2): PS business platform


Become indispensable to partner companies



- **“Cross-media business model”**
⇒ Like “GANTZ” for instance, rather than simply borrowing a copyright, develop visual + cross-media, increase IP value and commercialize series
- **Strength in making proposals only possible by a distribution, planning and production company**
⇒ Crucial especially when market is struggling
- **Group-wide “visual” “development capability”**
⇒ Support the development functions of manufacturers with Japan’s peak CG production function (Digital Frontier), anime production, PS development etc.
- **Industry’s highest level of “sales expertise”**
⇒ Industry best both in quality and in quantity / including showrooms and other infrastructure

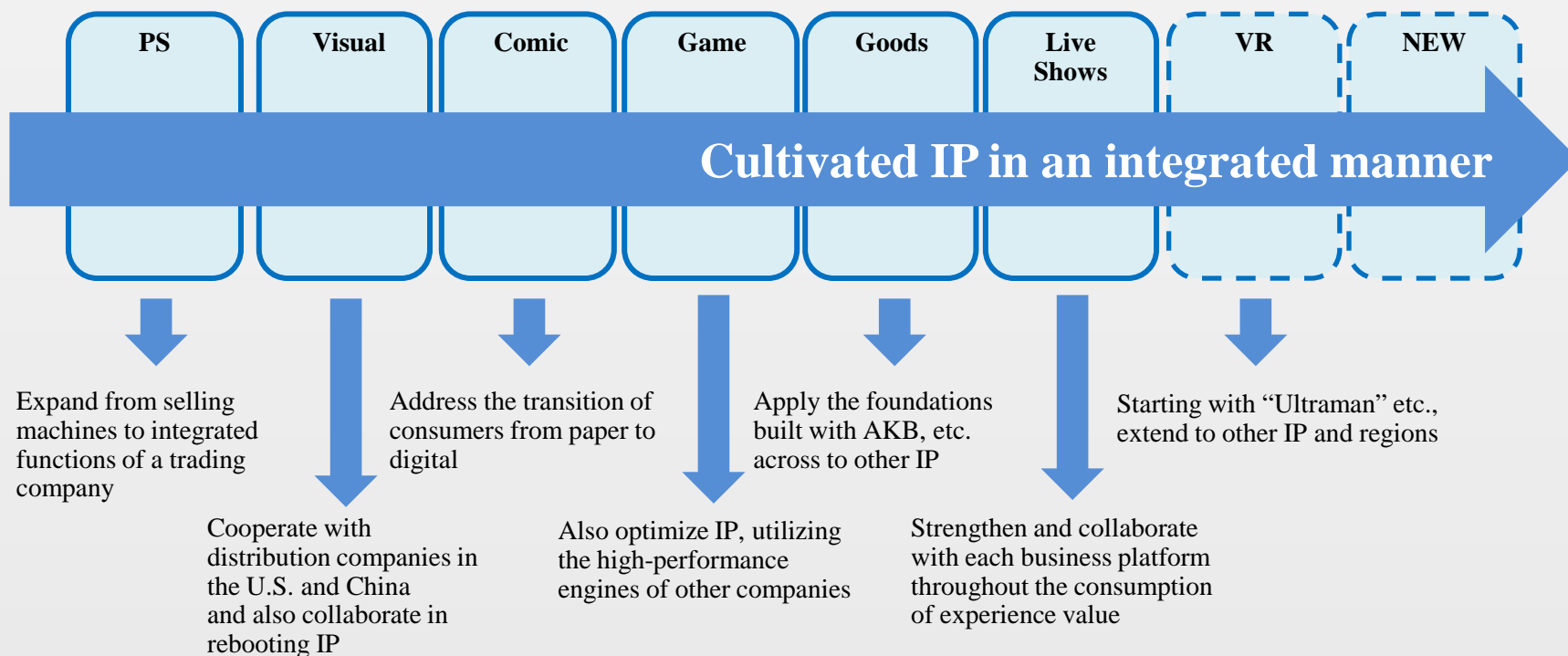
 **Provide value to partner manufacturers by leveraging all-around strengths**

- **From machines market of ¥860 billion, expand area to integrated services market of ¥2.7 trillion in order to develop PS industry**
⇒ Aggregate “people” “goods” “money” and “information,” exercising planning/production capabilities
⇒ Provide hardware and software + information
⇒ Also support hall development, promotion and financial strategies, etc.

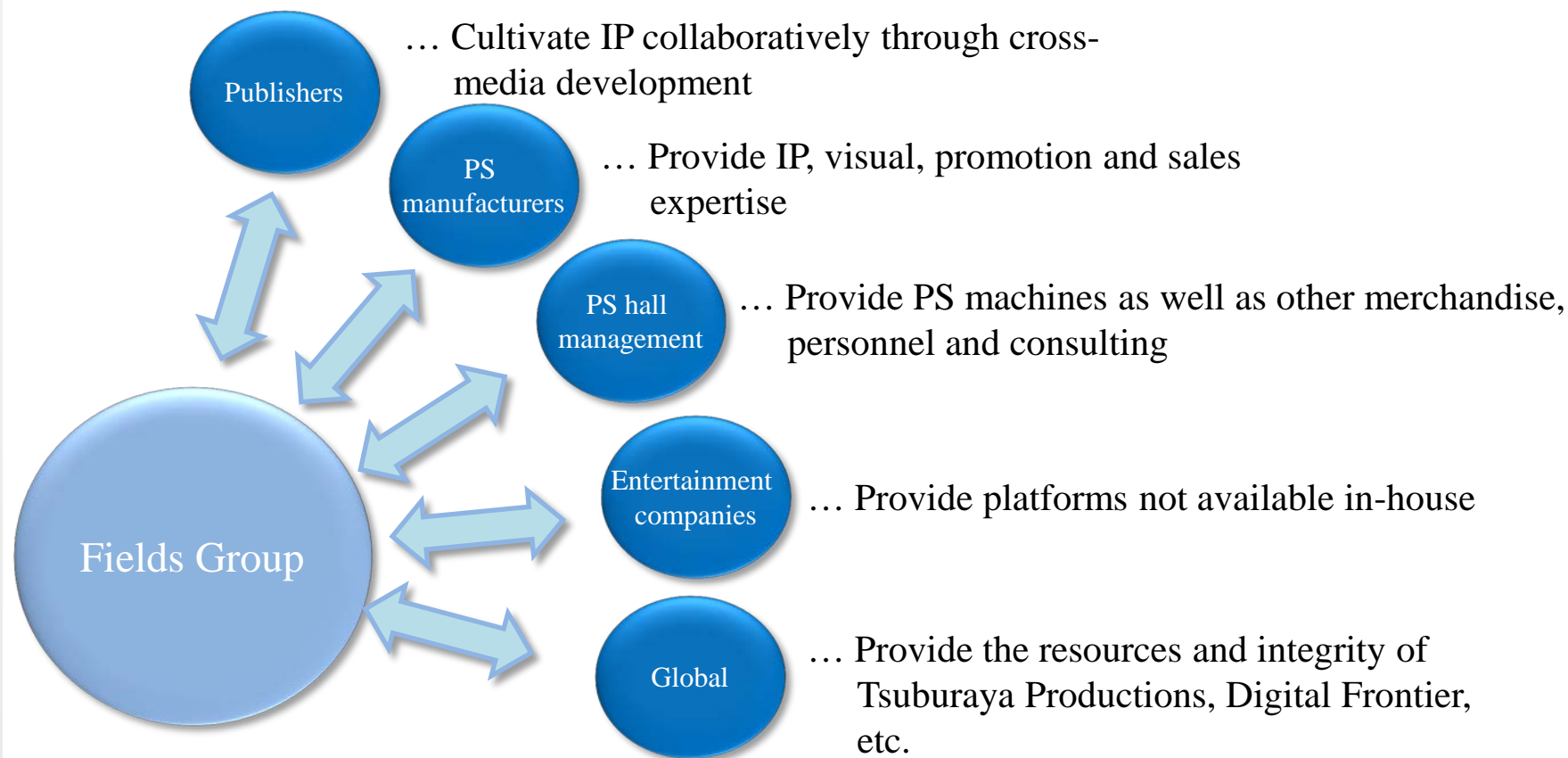
 **Provide comprehensive support for halls, exercising planning/production capabilities, and expand to PS business + some additional function**

(3) Business platform strategy 3): Strengthening of integrated cross-media business structure

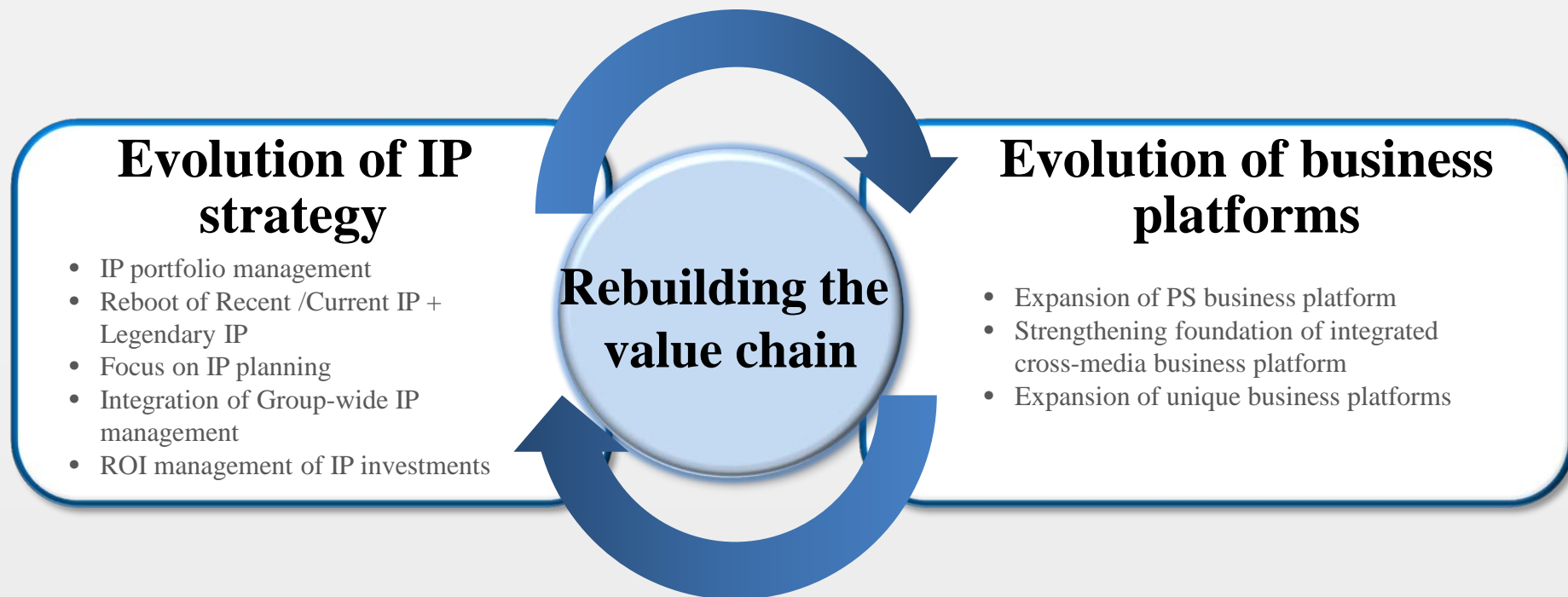
Make integrated cultivation of IP possible / strengthen that infrastructure, by having a cross-media business platform in-house that is capable of creating abundant points of customer contact



Provide value to all partners = Strengthen Win-Win relationship



**Strengthen and expand business platforms
by improving the value of IP**



**Strengthen IP procurement capability
by “strengthening foundation of PS/cross-media business platforms”
+ “expanding unique business platforms”**

III. Pachinko/Pachislot Business Platform



1. Delays in responding to series of regulations relating to pachinko/pachislot machines

- Rapid series of regulations stemming from changes in 2014 to pachislot model certification test method
- Trend towards restraining the nature of gambling extended to both pachinko and pachislot machines

2. Insufficient leveraging of distributor and trading company functions

- Insufficient utilization of leverage in product and sales aspects

3. Reduction in inclination to purchase new machines that restrain the nature of gambling

- Small scale substitution of necessary minimum number
- Vicious circle of further reduction in purchasing inclination arising from slump in new machines

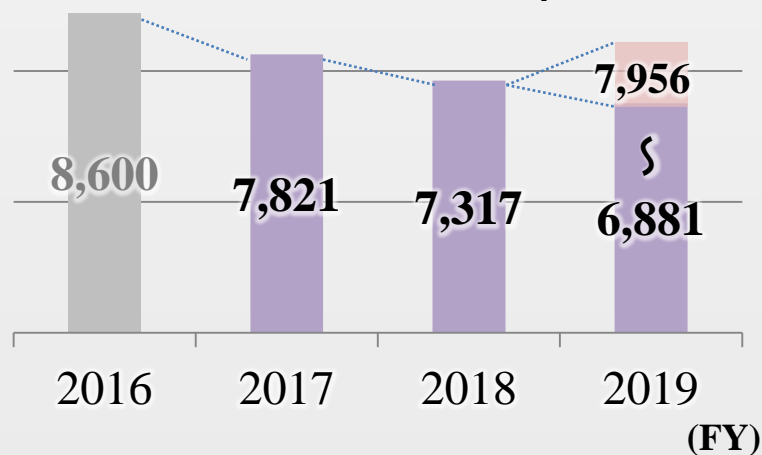
◆ Assumed impact of regulatory changes

* Fields' estimate

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

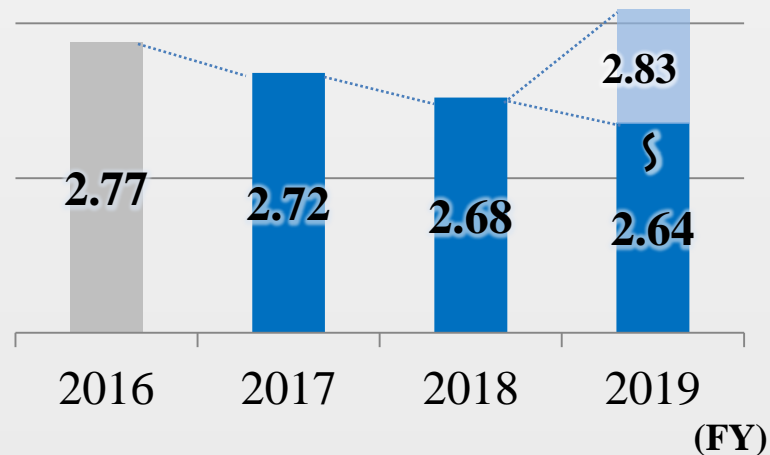
<PS machines market>

(100 millions of yen)



<Total PS market>

(Trillions of yen)



Total PS market: total expenditure invested by halls (pachinko/pachislot machine purchase costs, advertising expenses, rents, personnel expenses, depreciation of facilities, etc., utility expenses, miscellaneous expenses)

Improving labor productivity

1. **Focus on short-term recovery of business results concurrently with medium-to long-term management strategy**
 - Enhance distribution base aimed at recovery in short-term business results
 - Expand goods handled
2. **Building of business structure that will not be upset by changes in market environment**
 - Configuration of well-balanced line-up of titles with product appeal
 - Build distribution system and relationships enabling stable supply of new machines
 - Build business structure that is not dependent just on PS sales
3. **Supplying of PS solutions**
 - Expansion of business domain: PS distribution structure × products and services
 - Expansion of target market: PS sales market ¥860 billion ⇒ Total PS market ¥2.7 trillion



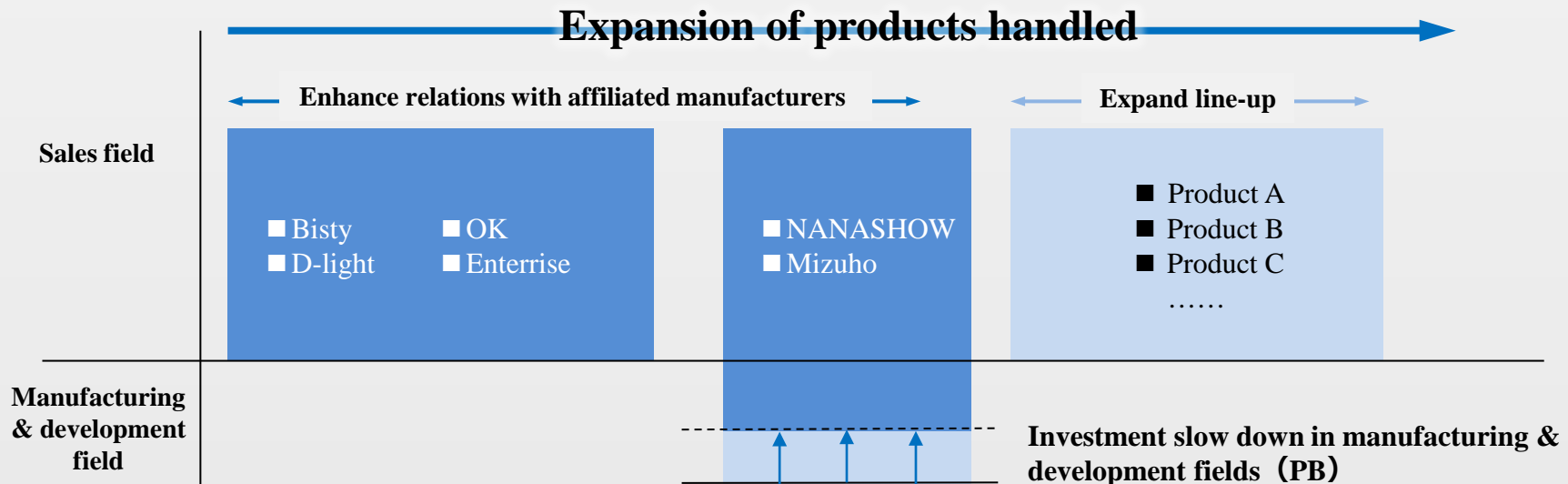
Contribute to expanding fans/market

1. Enhancement of distribution base

- Increase transaction numbers by increasing customer visits and contact
- Improve transaction rates by building systematic sales support structure and following up sales activities

2. Expansion of products handled

- Enhance relations with affiliated manufacturers
- Sales cooperation with manufacturers other than affiliated manufacturers



- Configuration of well-balanced line-up of titles with product appeal
- Build distribution system and relationships enabling stable supply of new machines
- Build business structure that is not dependent just on PS sales

<3-year line-up plan>

* excluding reused/subsequently developed machines

	FY2017	FY2018	FY2019
Pachinko	At least 7 titles	At least 7 titles	At least 9 titles
Pachislot	At least 16 titles	At least 13 titles	At least 14 titles
Total	At least 23 titles	At least 20 titles	At least 23 titles

Stable supply of products throughout the year

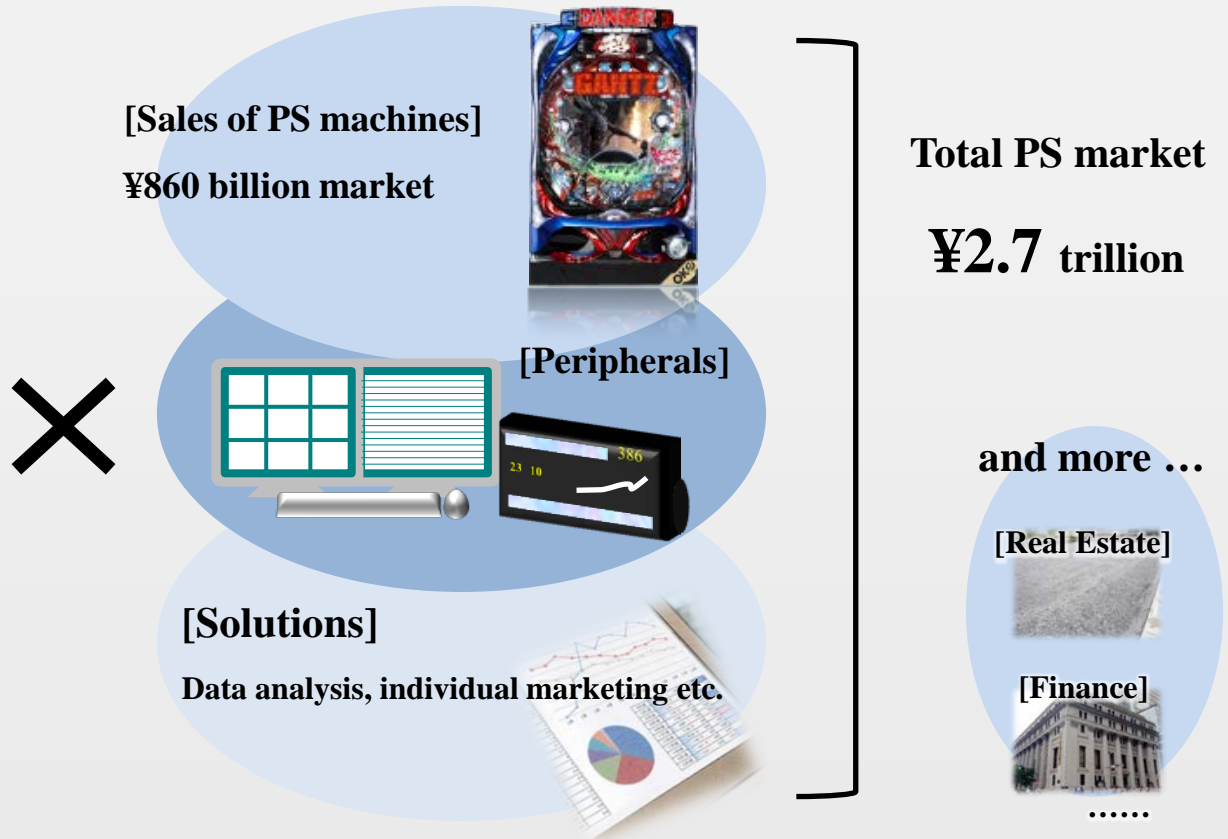


Aiming to make PS business into a “stock business”

Supplying of PS Solutions

- Expansion of business domain: PS distribution structure × products and services
- Expansion of target market: PS sales market ¥860 billion ⇒ Total PS market ¥2.7 trillion

26 branch + α offices in Japan



IV. Cross-Media Business Platform



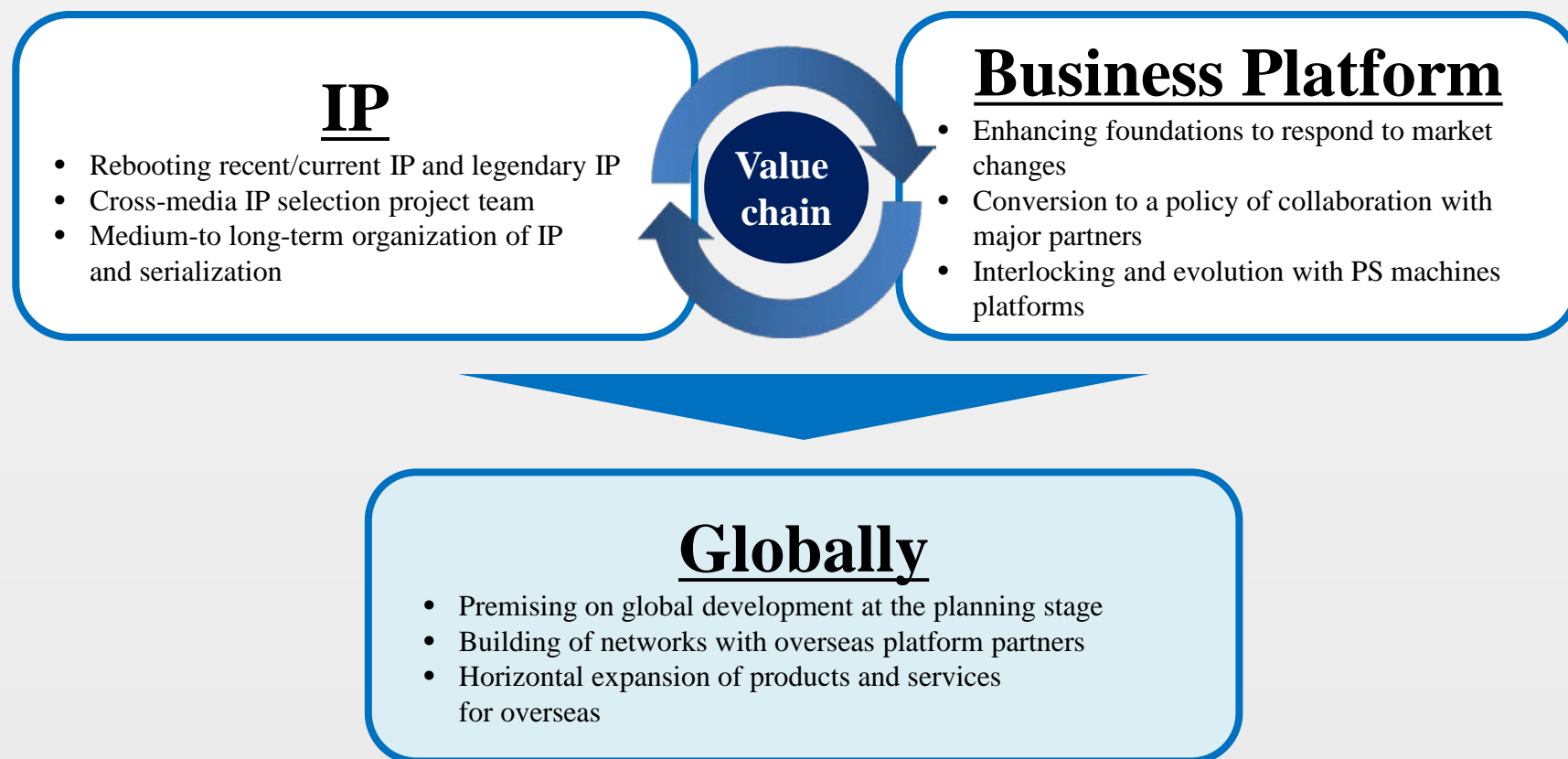
■ Medium-to long-term perspective

- Organization of “recent/current IP and legendary IP,” and serialization of products
- Improving earnings in digital platforms, mainly games
- Cooperation with large customer facilities in live entertainment field
- Advancement towards new platform fields, and narrowing down of fields and partners


■ Short-term perspective

- Implementation of measures for building up profits, for short-term recovery of business results
- Focus on improving earnings through organized IP

Building an “IP x business platform” virtuous circle, including globally




■ Shift in IP selection policy

- Mainly Fields' original 
- Mainly recent/current IP and legendary IP

■ Change in IP selection process

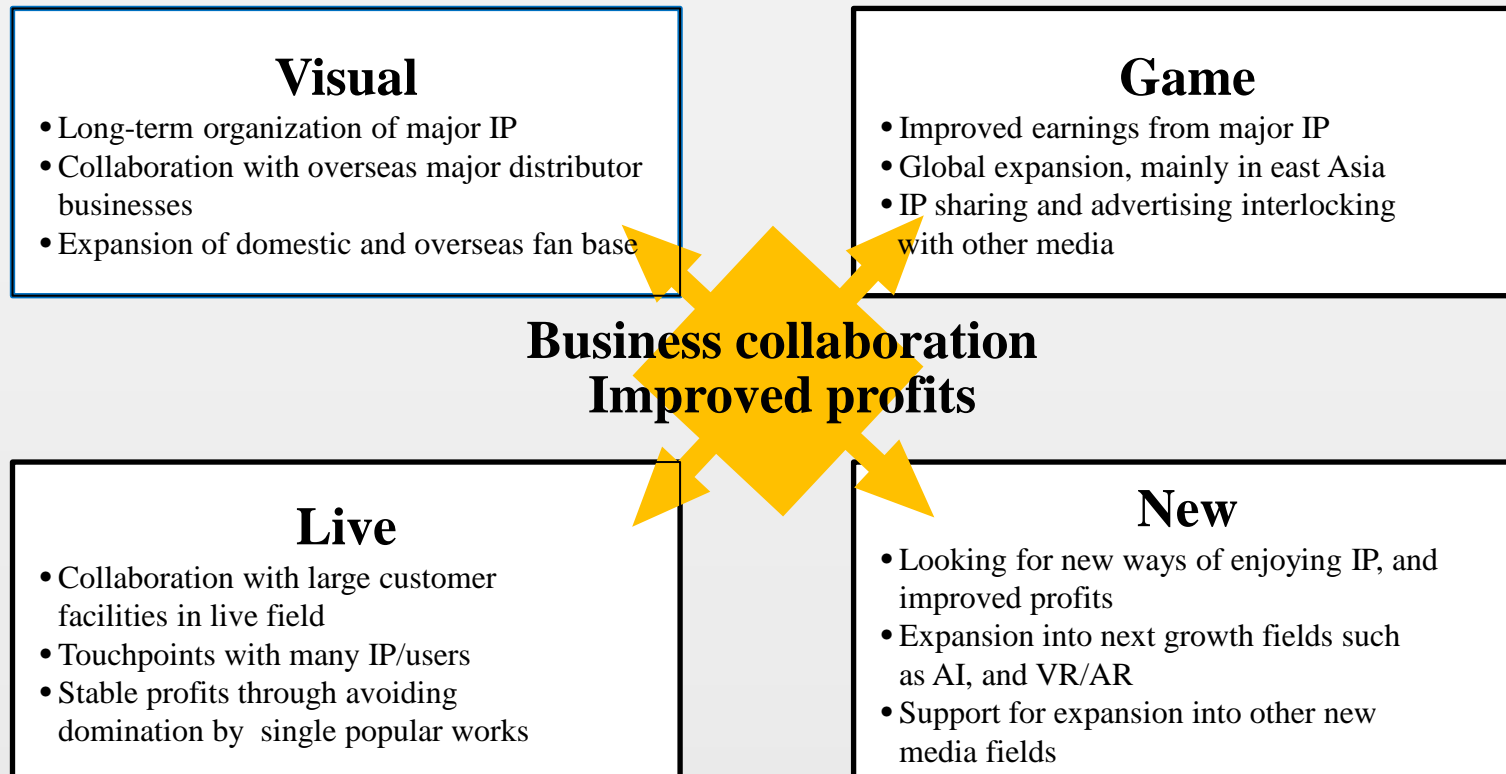
- Each media individually selected 
- Cooperation with IP marketing office
- Cross-media IP selection project team



- **In medium-to long-term, organization of recent/current IP and legendary IP (line-up), and serialization**
- **IP sharing  Capital sharing, and resources concentration**

(1) Overall Strategy

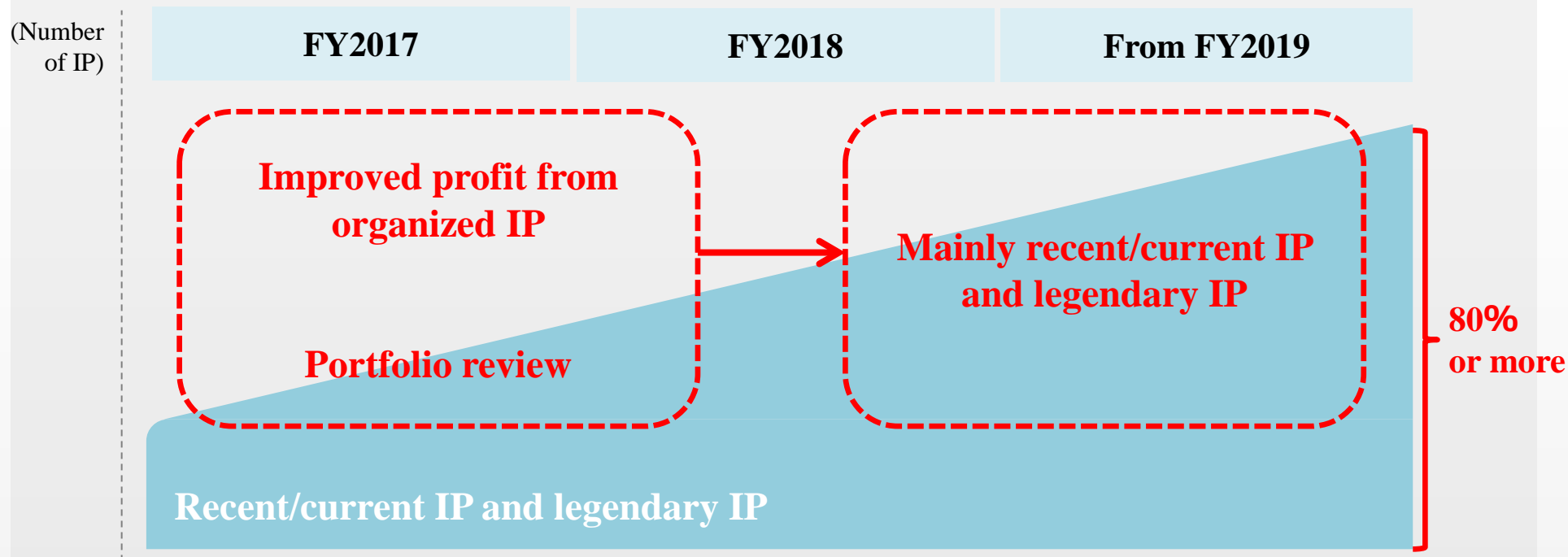
Interlocking of each business platform, and improving earnings through cooperation with partners



(2) IP Organization

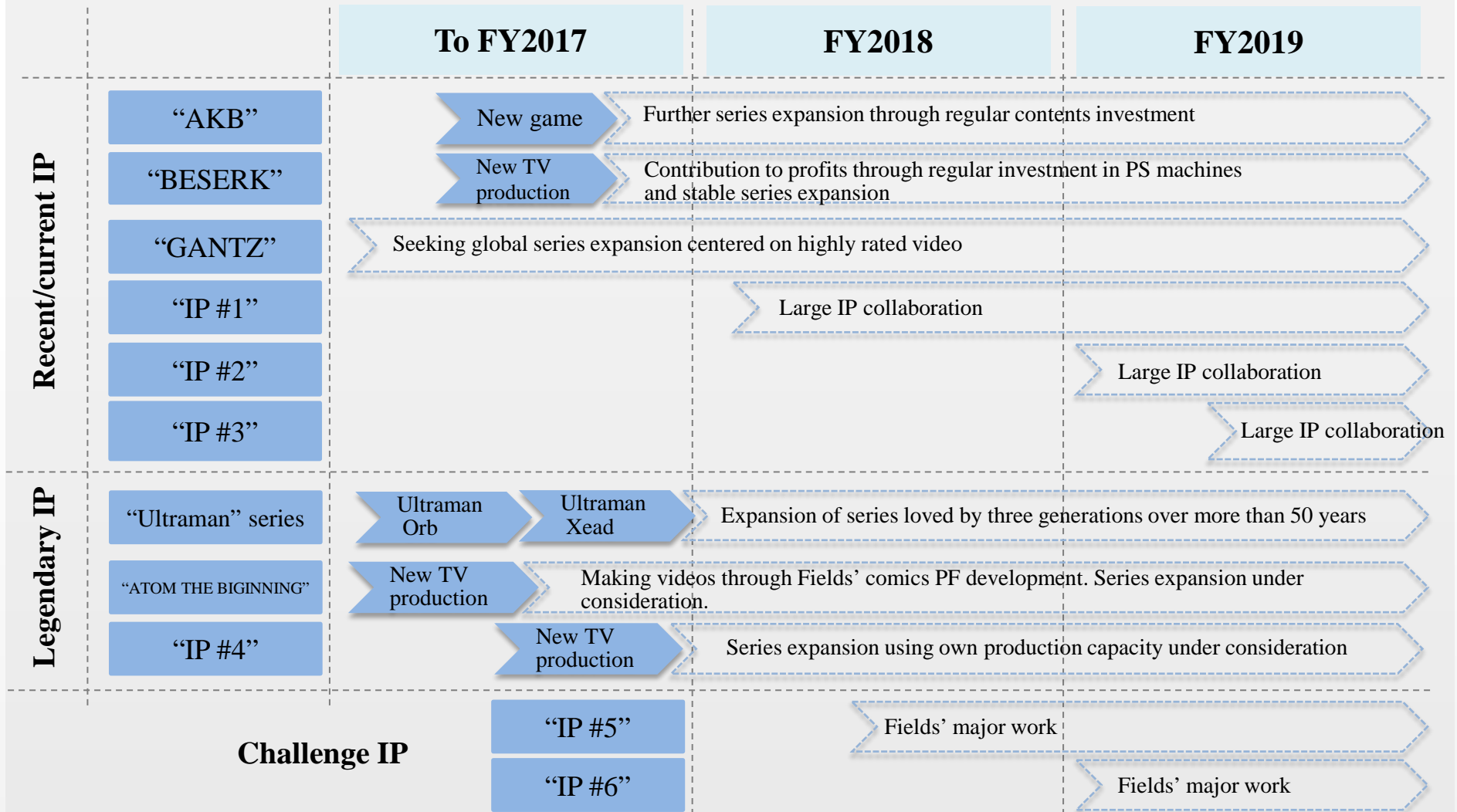
- In the short term, focus on profit improvement through organized IP (licensing expansion, etc.)
- In the medium- to long-term, focus on acquisition and organization of recent/current IP and legendary IP
- Shift to 80% or more of portfolio being recent/current IP and legendary IP

Medium-to long-term organization image



“Recent/current IP and legendary IP” within the line-up

■ Towards organization with depth through accumulation by IP additions and services expansion

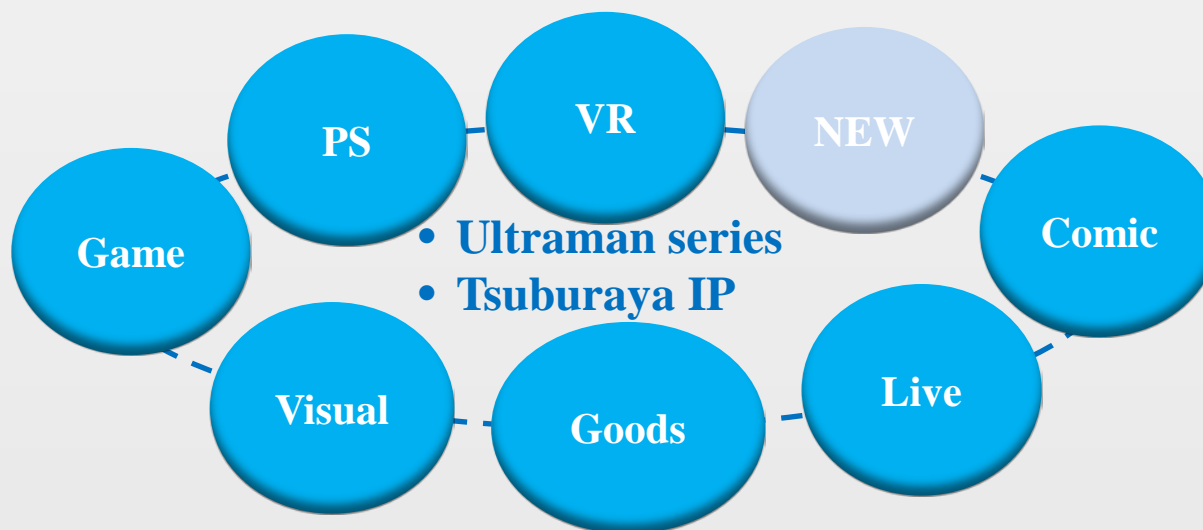


- Since grouping, customer contacts have expanded, and IP cultivation and profit expansion have been promoted

■ Aiming for gross profit of ¥2.6 billion in FY2019

FY2011		Current FY2016	3 years later FY2019		
Net sales	¥2.9 billion	Net sales	¥3.7 billion	Net sales	At least ¥ 6.0 billion
Gross profit	¥1.1 billion	Gross profit	¥1.7 billion	Gross profit	At least ¥ 2.6 billion

FY2010 Fields' Grouping



V. Overview



■ **Effective utilization of Ultraman IP for global business development**

- Expand licensing revenue in collaboration with local companies in China and other parts of the world
- Expand live entertainment, especially in S.E. Asia

■ **Development of collaborative works with U.S. and Chinese distribution companies in visuals business**

- Promote global distribution of superior recent/current IP with major U.S. and Chinese distributors
- Expand IP licensing business in N. America, China, Europe & other Asian countries
- Collaborate globally in publishing in relation to games
- Expand in Japan through cross-media, including PS, using digital data

■ **Collaborate with Chinese companies in games business**

- Promote collaboration in both in-out and out-in directions
- Use overseas game engines

Strategies for expansion of business platforms in new technology fields, including VR

➔ Expand VR commercialization started from “Ultraman” etc.



360° whole circumference stereo visuals VR theater system (4D)



and more

Financial strategies

Ensuring soundness

⇒ Maintain reserves (cash) of at least ¥20 billion

Ensuring stability

⇒ Secure financing in line with form of business

Stable shareholder returns

⇒ Maintain stable dividends

Enhance business structure

⇒ Building of business structure that will not be upset by changes in market environment including SG&A control etc.

■ 3-year B/S plan

(Unit: Billions of yen)	FY2016	FY2017	FY2018	FY2019
Cash & deposits	23.1	29.0	22.6	24.3
Other assets	57.2	51.4	51.2	62.3
Total assets	80.3	80.5	73.8	86.6
Liabilities	37.1	39.0	32.1	42.9
Net assets	43.2	41.4	41.6	43.6
Total liabilities & net assets	80.3	80.5	73.8	86.6

* Figures have been rounded down to the nearest billion.

Governance

Directors' Duties

⇒ Clarification of directors' duties (review of directors' term of office, etc.)

Other

⇒ Promotion of continuing governance enhancement, based on Corporate Governance Code

IP strategy

- IP portfolio management
- Reboot recent/current IP and legendary IP
- Focus on IP planning
- Integration of IP management for group as a whole
- Management of ROI on IP investment

Value chain strategy

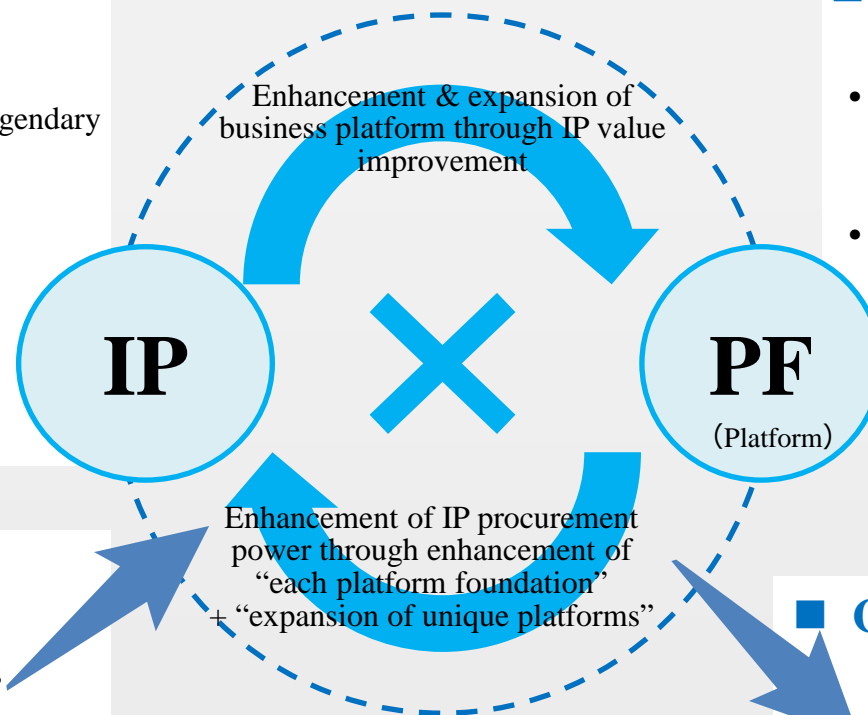
- Restructure business value chain centered on planning and production capacity

Business platform strategy

- Enhancement & evolution of foundations of contact (PS, visual game, live, etc.)
- Expansion of unique contacts

New business development

- Acceleration of global business development
- Strategy for expansion of business platform in new technology fields including VR
- Diversified business development with PS halls

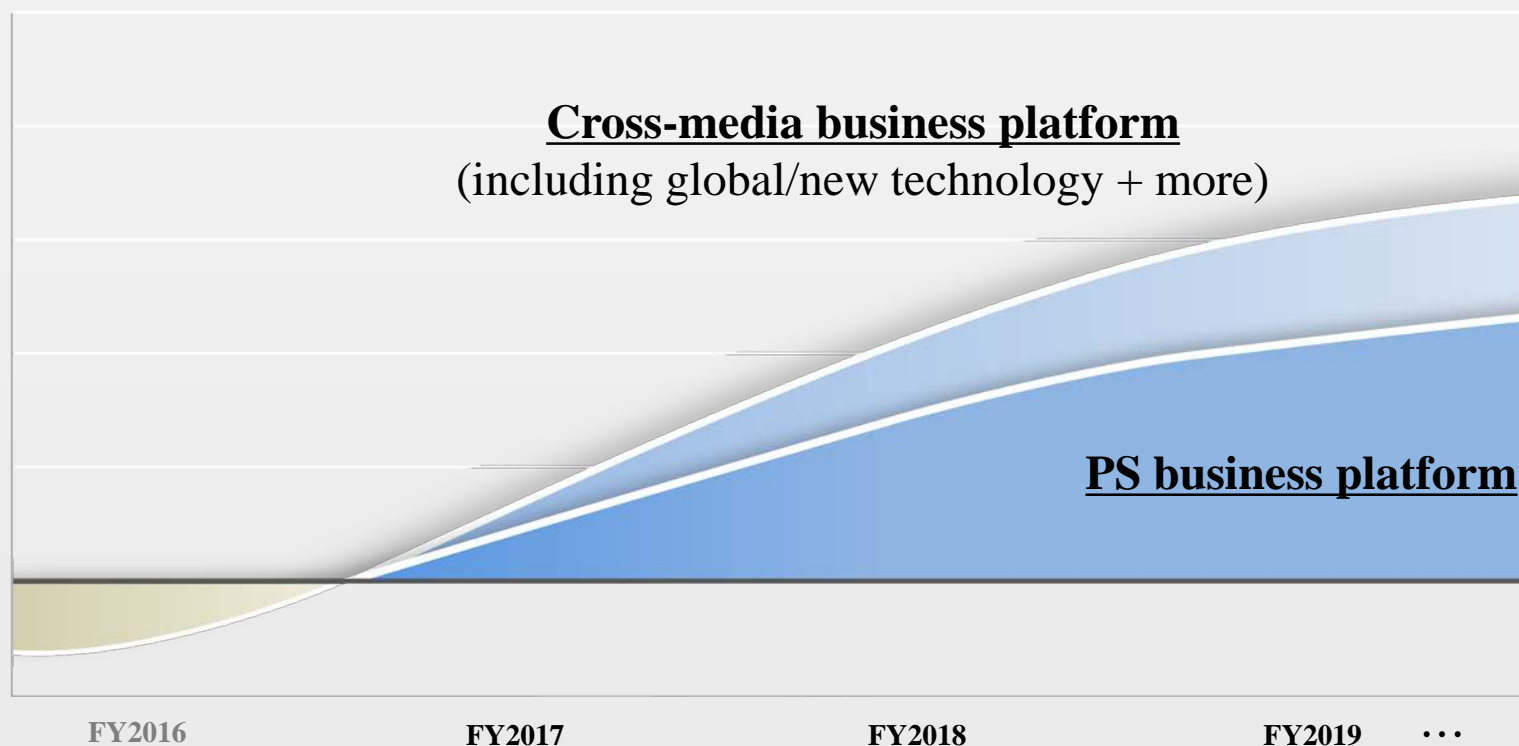


Global



■ [PS + cross-media + more (including global/new technology)] profit structure

- Ensuring stable earnings in PS business platform
- Cross-media platform virtuous circle
- Realization of new [IP × business platform] including global/new technology



Disclaimer/Contact Information

The plans, strategies and estimates of the Company indicated in these documents, other than actual results and established facts, include potential risks and uncertainties and cannot be guaranteed.

Potential risks and uncertainties include, but are not limited to, the economic environment of the pachinko/pachislot market in which the Company operates, market competition and the products handled by the Company.

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