

The “**KAWARU**” Fuji Media Holdings (transforming) Medium-term Strategy Plan

FY2018 → FY2020

May 2018



FUJI MEDIA HOLDINGS, INC.

The “KAWARU” Fuji Media Holdings

In 2018, Fuji Media Holdings marked its 10th year since the transition to a holding company structure.

While technical advancements and media innovations have been remarkable, we have determinedly embraced the changes in the business environment, aiming to be a corporate group with growth based on a combination of “strong media and appealing content.”

2020 and beyond will bring various business opportunities in such areas as urban development, hotels and resorts, including increases in demand from inbound tourism.

Fuji Media Holdings has been “flying low” over the last few years, but we are gaining altitude to achieve a new position as Japan’s leading media conglomerate.

**This is the medium-term strategy plan for
the “KAWARU” Fuji Media Holdings.**
(transforming)



Medium-term Financial Targets – Consolidated

Targets for FY2020 (Fiscal year ending March 31, 2021)

Net Sales ¥655.0 bn

Operating Income ¥32.5 bn

Simple EBITDA ¥55.0 bn

Billions of yen

	FY2016 (FY3/17)	FY2017 (FY3/18)	FY2018 (FY3/19)	FY2019 (FY3/20)	FY2020 (FY3/21)
Net Sales	653.9	646.5	623.0	645.0	655.0

	FY2016	FY2017	FY2018	FY2019	FY2020
Operating Income	22.3	25.2	25.5	28.5	32.5

Media & Content	11.2	11.8	14.1	17.8	21.8
Fuji TV	4.0	4.4	6.0	9.0	12.0
Urban Development, Hotels & Resorts	10.9	14.1	11.5	11.5	11.5
Other	0.1	0.6	0.4	0.4	0.5

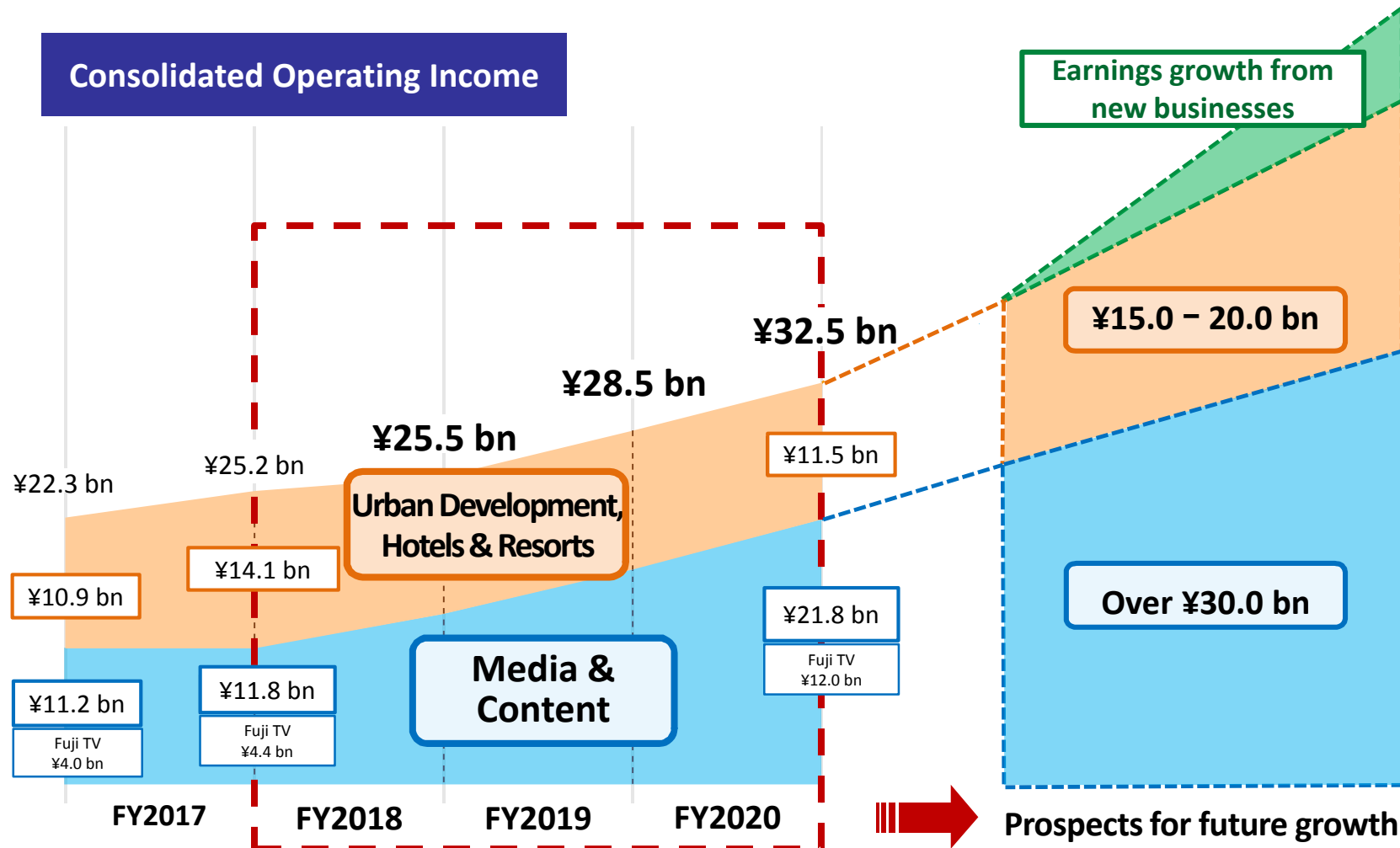
* Adjustments omitted The segment breakdown in FY2016 is estimated.

	FY2016	FY2017	FY2018	FY2019	FY2020
Simple EBITDA	40.6	43.8	44.4	49.0	55.0

* Simple EBITDA = Operating Income + Depreciation Expenses

The “KAWARU” Fuji Media Holdings For 2020 and the Future

(transforming)



Redefining and Reinforcing the Business Portfolio

Reorganization of the previous business segments



Two Growth Pillars + 1

Fuji Media Holdings (FMH) has designated two main business pillars for the group, “**Media & Content**” where we will consolidate operations centered on Fuji TV in a single segment and increase earnings, and “**Urban Development, Hotels & Resorts**” where we will expand strategic investments with the aim of further growth over the longer term. We will also focus on **developing new business fields**.



[Former Business Segments] (FY2017)

* Main group companies

Broadcasting	Production	Video and Music	Life Information	Advertising	Urban Development	Other
Fuji Television Network	Kyodo Television	Pony Canyon	Dinos Cecile	Quaras	The Sankei Building	Fusosha Publishing
Nippon Broadcasting System	Fuji Creative Corporation	Fujipacific Music	Sankei Living Shimbun		GRANVISTA Hotels & Resorts	Fujimic
Fuji Satellite Broadcasting (BS Fuji)	Fuji Art				The Sankei Building Management	Fuji Career Design
Sendai Television	Fuji Media Technology				The Sankei Bldg Techno	Fuji Games
	NEXTEP TV WORKSHOP					Fujisankei Communications International



[New Business Segments] (From FY2018)

Media & Content

Fuji Television Network	Kyodo Television	Pony Canyon
Nippon Broadcasting System	Fuji Creative Corporation	Fujipacific Music
Fuji Satellite Broadcasting (BS Fuji)	Fuji Art	Fuji Games
Sendai Television	Fuji Media Technology	Quaras
Fusosha Publishing	NEXTEP TV WORKSHOP	Dinos Cecile

Urban Development, Hotels & Resorts

The Sankei Building	GRANVISTA Hotels & Resorts
The Sankei Building Management	The Sankei Bldg Techno

Other (Incl. new businesses)

Fujimic
Fuji Career Design
Fujisankei Communications International
New businesses

Enhancing the “Media & Content” Business

Reforming of Fuji TV

As the core of the Fuji Media Group, earnings recovery is essential

Fundamental reform of Fuji TV under new management was begun in FY2017 [June 2017]



- Streamlined organization for quicker decision-making, with greater authority for the Programming Division [July 2017]
- Revision of the budget formulation process, with focus on ordinary income target
- Overhaul of capital expenditure and other structural reforms



First earnings gain for Fuji TV in six years

Structural Reforms in Progress

Optimal utilization of management resources to create a management structure adaptable to changes in the business environment

- Company-wide curbs on **fixed costs** (Administrative costs and other expenses)
- Efficient management of **program production expenditures**
 - Emphasis on cost-effectiveness of program production expenditures: Modulated and effective allocation of program production expenditures
 - Centralization of news gathering infrastructure: Consolidation of editing systems, streamlining of equipment use, aggregation of collected information
- Reconfiguring of **allocations to network stations**
- Revision and promotion of **personnel policy**
 - Special voluntary retirement program [March 2018]
 - Reallocation of personnel, including placement in group companies, considering such factors as the possibility of future restructuring
 - ➔ While pursuing working style reform, aim for optimal personnel allocation to allow for best use of employee capabilities
- Measures to **expand broadcast business revenue and expenditure**
 - “Visualization of revenue and expenditure” by studying the revenue structure of time tables from program-specific revenue and expenditure
 - Study TV commercial sales and formats in line with introduction of new spot ad index
 - Collect and analyze more detailed viewing data, and study utilization for marketing

Program Rating and Spot Ad Share Targets

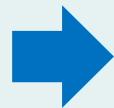
Focus on improving GP* time ratings – Improve ratings to expand share of terrestrial broadcasting advertising market

Plan for reversing and improving broadcast income from bottom level in FY2018

[Measures to Improve Program Ratings]

- **Increase in program production expenditures planned from FY2019**
While revising expenditure levels company-wide, strategically invest business resources to strengthen time tables
- **Following management overhaul in 2017, launch new company-wide structure with personnel reshuffling through April 2018**

Personnel reshuffle implemented ahead of schedule in April, shifting to a more offensive posture with a structure to steadily improve program ratings



Program ratings improving with each seasonal revision

GP Time Slot Rating Target

FY2020: **10%** or higher

(FY2017: G 7.8%, P 7.7%)

Spot Ad Share Target

FY2020: **23%**

Aim for further improvement

* G: Golden time (7pm to 10pm), P: Prime Time (7pm to 11pm)

Streaming Business Growth Strategy

- **FMH recognizes that the positioning of the streaming business is a major management issue**
- **Anticipate advances in technology and changes in the media environment, and aim to increase earnings**

Profit attained in the FOD business (the first streaming service established by a broadcaster in Japan)
– focus on profitability

Further enhance presence of the FOD business, and pursue an optimal earnings structure

- **Enhance the media value of TV through total reach, including streaming and time-shift viewing in addition to broadcasting**

Earnings Improvement in Non-Broadcast Businesses

- **For non-broadcast businesses including events, movies, merchandising, packages, and VR, improve business efficiency and promote growth based on medium-term strategies and financial targets**

Reform of the Media & Content Segment as a Whole

Amid the digital society and fusion with communications, through efficient management of the segment as a whole—

Strengthen the “content factory” structure

- **Media-related companies:** Fuji TV (terrestrial broadcasting, CS satellite, streaming), BS Fuji, Nippon Broadcasting, Sendai Television, Fusosha Publishing
 - ➡ Aim to increase media value overall
- **Content-related companies:**

Program production, movie production, anime production, game production, art production, technical & engineering, events, music publishing, master recordings, live entertainment, merchandising, artist management, video streaming, advertising sales and productions, direct marketing, etc.
Broad range of businesses across companies

 - ➡ **Build mutual connections, and organic relationships with media-related companies**
Adapt to changes in the media environment, including possibility of effective restructuring



Bolster the earnings capacity and management base as the Media & Content segment

Expand Earnings with Strong Content as a “Content Factory”

- Further enhance the strong **content creation** function for media in group
 - Expand **production** function for external use
 - Capture demand from streaming platforms, satellite broadcasters, etc.
 - Broaden earnings as a **content holder**
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- **Further strengthen content, such as TV programs, movies, and anime**
 - **Enhance efficiency and expand the music-related business**
 - **Game business growth** Fuji Games (Spin off from Fuji TV as an independent company)
 - FY2020 target: Net sales of ¥10 billion, with operating margin of 10% or higher
 - First title “ORDINAL STRATA” released in January 2018, four more titles planned through FY2019
 - **In direct marketing business, strengthen ties with the group’s Media & Content business**
 - **Develop and expand overseas markets**
 - Increase sales, format sales, streaming, and joint production for TV programs, movies, and anime
 - Overseas expansion for games and other new content



“Urban Development, Hotels & Resorts” Business Growth Strategies

**Position “Urban Development, Hotels & Resorts”
as one of the Group’s Two Main Pillars, and Expand Strategic Investment**

Increase investment while maintaining a certain level of financial soundness

Strengthen asset development and asset turnover-style businesses

Gain earnings through the buying and selling of held properties, and while curbing risk, secure funds for strategic investments

**In anticipation of steady growth in tourism demand,
cultivate the hotel and resort businesses over the longer term**

Growth in the tourism market expected due to inbound demand and government growth strategies

Segment name changed from “Urban Development” to **“Urban Development, Hotels & Resorts”**



In the “Urban Development, Hotels & Resorts” business, incorporate the impact from the economic cycle in the real estate market, and aim for longer term growth

[Urban Development]

- **Steady growth in the office building leasing business**

Develop the S-GATE mid-sized office building, and move forward with the Ikebukuro “Toshima Project” (provisional name)

- **Residential business: Expand leasing business and strengthen stable supply of condominiums for sale, focusing on area strategies**

- **Strengthen asset turnover-style business, and balance with stable leasing earnings**

[Hotels & Resorts]

- **Increase earnings from existing hotels and facilities, and open new hotel brands**

Open new concept hotels “Intergate Hotels” and “GRIDS” sequentially

- **Strengthen business in the Hokkaido area**

Hokkaido is a promising area where further increases in inbound demand are expected

Sapporo Park Hotel redevelopment plan:

Rebuild the hotel and add new MICE facility; Expectation for redevelopment project with municipal government-private cooperation

Airport concession business:

As largest shareholder in Hokkaido Airport Terminal Co., Ltd., aim to participate in the Hokkaido bundled seven airport concession projects (Incl. New Chitose Airport)

- **Participation in Daiba MICE and IR projects**

FMH is currently considering preparations to participate through a consortium in an attractive urban-style resort utilizing the Daiba site



Reforms to the Group Structure to Strengthen the Business Portfolio

Transfer of shares in Sankei Living Shimbun Inc. [March 2018]

80% stake sold to another corporate group with a subsidiary operating a free paper business

Strengthen business under new capital – Made equity-method affiliate of the FMH Group

Transfer of shares in Pony Canyon Enterprise Inc. [March 2018]

Pony Canyon sold its video package production subsidiary Pony Canyon Enterprise as part of its business structure reform to shift away from reliance on package sales

Dissolution of Fuji TV Kids [Schedule in September 2018]

Merchandising business, with character copyrights as a source of earnings, transferred to Fuji TV

New program using the characters currently under development

Capital Policies to Support Reform

Proactive investment with focus on fields for growth and expansion

Make investments for growth and expansion of the “Urban Development, Hotels & Resorts” field, and strengthening of the “Media & Content” field

Make investments in new business field, and cultivate and secure businesses to be part of group earnings in the future

Expand investment while securing a certain level of financial soundness

Utilize company and external funds for investments

Aim to maintain consolidated equity ratio at a range that does not fall below 50%

Retirement of treasury stock

Treasury stock to be retired (0.95% of issued shares) [May 2018]

Maintain stable dividend policy

These materials are an English translation of the original document in Japanese. The Company's performance forecasts and other information are based on the Company's understanding as of the time the earnings presentation materials were prepared.

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