



**J-League
Management Cup 2015**

Sports Business Group
2016.10

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Databook



The Databook, which served as the basis for this analysis, is available for free download from the Deloitte sports business URL below.

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Foreword



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The change of the J-League to a two-stage system for the 2015 Season garnered attention. Sanfrece Hiroshima, ultimately, won the Championship after earning the most points during the year, and gained an honorable victory. The 2016 Season just came to an end; and, the Deloitte Tohmatsu Sports Business Group would like to provide you with this J-League Management Cup 2015 business ranking for all clubs in the J-League during 2015 to assist in the formulation of business strategy measures etc. beginning next year and beyond.

The efforts of the Japanese athletes in the Rio Olympics/Paralympics are still fresh in our minds. This has worked to increase public expectations for the Tokyo Games four years from now. Amidst this, the 210 billion-yen major broadcasting deal over 10 years announced by the J-League through a July 20th, 2016 press release has become a symbolic event that strongly signals J-League's transition to a new stage of business. Moreover, this autumn will inaugurate the basketball B-League-itself a further advancement of business strategy.

We believe that this opportunity will serve as the turning point to propel the Japanese sports business market back from its long period of stagnation; and, there is no doubt that J-League will be one of the main players.

J-League gives the strengthening of their financial base, including the clubs, as one of their two preconditions. It is my hope that the J-League Management Cup 2015, which offers a fixed-point of observation on results, such as what specific actions were taken to strengthen their financial base and how major the effects of these were, serves as the basis for discussion among not only people in the J-League but also many others affiliated with sports business.

Deloitte Tohmatsu Group maintains numerous business specialists on staff and is one of the largest business professional groups in Japan. The Sports Business Group was set up in April 2015, and remains active through the entire Group to contribute to the expansion of the Japanese and Asian sports business market. Deloitte UK, a member firm, established their Sports Business Group over 20 years ago, and they have contributed to the development of the sports business market, with one of the main focus on the English Premier League.

We believe that our activities bring a fresh new perspective to the sports business market and lead to the further revitalization of the sports business.

The shifting Sports Business Landscape

Interest Builds in the Sports Business

Since the release of the first J-League Management Cup 2014 in March 2016, we have received various opinions and comments, and we, once again, got a good sense of the high level of interest in the J-League. Among the opinions, it was indicated that the KPI were divergent from the actual conditions; however, even with these critical voices, we felt that in gaining so much interest we had accomplished something. Additionally, the validity of the analytical results also relies upon the degree of accuracy and precision of the disclosed information, and if the League and clubs continue to be ever more forthcoming with information, we have every expectation that this will allow analysis more reflective of actual conditions.

During the analytical period of this J-League Management Cup 2015 from the second half of 2015 to the first half of 2016, the sports business industry underwent a tectonic shift. Since fully grasping the specifics of this shift is a precondition to carrying out useful analysis, we will now examine the changing environment enveloping the sports business industry.

The Road to the Commercialization of Sports

With the September 2013 decision for Tokyo to host the 2020 Olympic/Paralympic Games, the world of Japanese sports has advanced forward, collectively with the government and people of Japan, on the development of the sports industry.

The Japan Sports Agency, the symbol of this progress, was established in October 2015, and in the Japan Revitalization Strategy 2016 released in June 2016, 'Changing sports to a growth industry' was also proposed as part of the 10 strategic public-private joint projects to reach a nominal GDP of 600 trillion yen. The same proposal stated that the currently-estimated market scale of 5.5 trillion yen would be expanded to 10.9 trillion yen by 2020 and to 15.2 trillion yen by 2025.

Moreover, the Japan Sports Agency established with the Ministry of Economy, Trade and Industry The Future Development Conference for Sports Industry beginning in February of 2016, and clarified the following three pillars of efforts to be made in their June Interim Report:

- 1) Stadium/arena reform
- 2) Strengthening of management capacity of sports contents holders
(Promotion of new business creation/training of human resources)

3) Strengthening of the competitive commercial potential of the field of sports

We understand these to be a clear declaration of intent of the government to steer sports away from its original educational course and on to a route towards commercialization and investment in people, things and contents.

Five Key Strategies of J-League

In seeming conjunction with the aims of the government, the J-League has also produced 5 crucial strategies since the re-appointment of Chairman Murai (1. attractive football, 2. stadiums, 3. training of management, 4. use of digital technology, 5. international strategy). These are all heading in the same general direction of the government, and can actually be praised for being several steps ahead. For example, from the perspective of reforming stadiums and arenas, the Suita City Football Stadium newly built through a public-private partnership has hinted at a transition from sports as an activity to be *done* to an activity to be *watched*. In addition, from the perspective of strengthening the competitive commercial potential of sports, the 210 billion yen in income over 10 years from future broadcasting rights decided upon in July 2016 is a policy of investment in the business infrastructure of sports, especially with the outfitting of stadiums. Moreover, from the perspective of strengthening the management capacity of sports contents holders, J-League preceded the government and established a course in 2015 in collaboration with Ritsumeikan University—J-League Human Capital—and has also begun investing in people. As a result, these efforts are one model that foreshadows the direction of national policy.

Incorporating Environmental Changes into KPIs

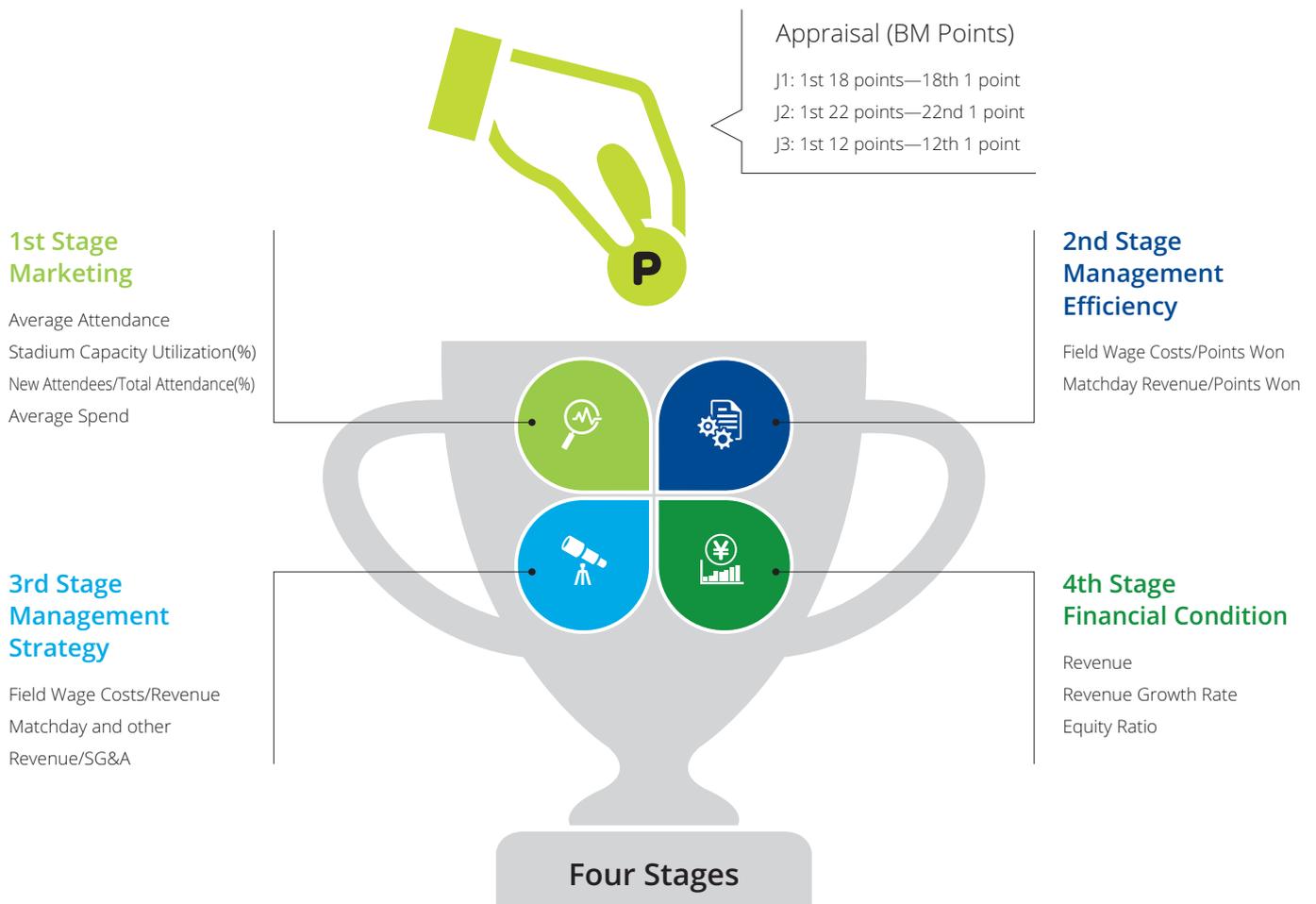
What is important is how these changes in the external environment are incorporated by interested parties in the sports business and how these changes are reflected in business management. The policies of the government and the strategies of the J-League are extremely positive for club affiliates, and they contribute to the drastic improvement of related KPI. Clubs will be expected to catch up with the direction of these policies, to submerge themselves into strategy upon careful consideration of these policies, and to reinvigorate the sports business market through goal management of KPI.

We hope that our report will be of some assistance in meeting these expectations.



J-League Management Cup (JMC) 2015: Four Perspectives

In the J-League Management Cup 2015, focused primarily on the financial information of clubs made public by the J-League, we provide a comprehensive appraisal of the business management (BM) level from the four perspectives of **marketing**, **management efficiency**, **management strategy** and **financial condition**—the most important themes in business management.



We have come to call these four perspectives as ‘Stages’ after the actual League. In addition, our appraisal was directed towards not only J1, but all clubs, including J2 and J3.

Our method of appraisal involved assigning ranks by league based on key performance indicators (KPI) set by Deloitte Tohmatsu by Stage, and then assigning BM points according to that ranking.

For example, should a club be ranked 1st in J1 in terms of KPI, that club will receive 18 BM points. In the same fashion, 1st in J2 will earn a club 22 BM points, and 1st in J3 will earn 12 BM points. We then established a rule where as a club goes one place down in ranking, so they lose 1 BM point. The reason we assigned rankings by league is because the number of games and points differs across the leagues.

Based on this method of appraisal, the club with the highest total BM points in the four stages ultimately becomes the Cup Winner.

Additionally, should there be clubs with the same amount of BM points, the club with the higher ranking in the 1st stage will be the club with the higher placement. (Rankings in the 2nd stage, 3rd stage, and 4th stage shall be subject to the same kind of determination.)

1st Stage: Marketing

This focuses chiefly on attracting attendance and evaluates whether efforts to achieve sell-out crowds in stadiums have been successful. The marketing perspective is a fundamental perspective in general business, and the efforts of the clubs in the J-League still hold untapped potential. In recent years, this has not been limited to just clubs, but the leagues, themselves, are aware of the importance of making efforts in customer relationship management (CRM), and this should become the representative perspective to measure club management performance. Specific KPIs are as follows.

- Average Attendance
- Stadium Capacity Utilization(%)
- New Attendees/Total Attendance(%)
- Average Spend

2nd Stage: Management Efficiency

This focuses chiefly on points and management performance, and evaluates performance in terms of how efficiently points were earned. This perspective indicates a partnership between field management (FM) and BM, and is a significant perspective when considering whether the club management is functioning well. By increasing the awareness of each club towards this area, FM and BM are certain to produce a greater synergy. Specific KPIs are as follows.

- Field Wage Costs/Points Won
- Matchday Revenue/Points Won

3rd Stage: Management Strategy

This focuses chiefly on management, and evaluates club performance based on how effectively revenue are obtained. The main revenue of the sports business come from sponsor revenue, matchday revenue, broadcast rights revenue, and revenue from sales of goods. By analyzing those revenue sources taking account of related costs, the business policies of clubs become clearer. Specific KPIs are as follows.

- Field Wage Cost/Revenue
- Matchday and other Revenue/SG&A

4th Stage: Financial Condition

Here we focus chiefly on the financial conditions of clubs, and evaluate club performance regarding business scale, stability and growth. Financial information is important information that allows the visualization of performance per company in any industry using the tool of accounting. Hints for business can be garnered by pro-actively making use of this information. Specific KPIs are as follows.

- Revenue
- Revenue Growth Rate
- Equity Ratio

The above four perspectives create a visual of the efforts of each club towards BM. But, it is not our aim to appraise the superiority or inferiority of any one club; we only aim to use a common metric to compare and examine. By comparing BM among clubs, which are normally obfuscated, we hope to direct attention also to the efforts of clubs in business.

Lastly, since only information that has been released as data was used in the J-League Management Cup 2015 analysis, information not released as data—despite the fact that a club may have engaged in such activities—has not been included within the scope of our analysis. Therefore, as it stands, please note that the performance of hometown activities carried out by each club, for example, is not reflected in this ranking. Through the future active disclosure of information, including data, by the leagues and clubs alike, we expect to craft both a more accurate understanding of the financial position of the clubs and an environment of learning.



1st Stage: Marketing

In the sports business world, achieving a sold-out stadium is the most basic management objective while also being the most important undertaking. However, the Stadium Capacity Utilization(%) at its highest with J1 is approximately 60%, and with J3 it is approximately 20%. Working towards a sold-out stadium through BM policy is crucial.



Clubs that differ in attendance attraction power should go up against each other in the same league

Average Attendance

Starting from last season for J1 to J3, the league average of the Average Attendance is trending slightly upwards. There was no significant shift in the trending differences among the leagues in attendance attraction power starting from the previous season. There is approximately three times the difference from J3 to J2 and from J2 to J1. Additionally, comparing the difference in attendance attraction power between the top and bottom ranking clubs in each of the leagues, there is a difference of between three to five times in all of the leagues.

Stadium Capacity Utilization(%)

There have been no major shifts in the league averages of Stadium Capacity Utilization(%) from the last season for any league. Comparing the stadium standards under the club licensing system, while the Average Attendance for J1 surpasses the standard of 15,000 people, for 18 of the 22 clubs of J2 it falls below 10,000 people, and for all of the clubs of J3 it falls below 5,000 people. Due to this, the structural problem arises where the lower the league is, the more they are forced to hold games in their home stadiums with conspicuously empty seats. This issue is likely impossible for a club to solve on its own, and will require collaborative examination by both leagues and municipal governments.

New Attendees/Total Attendance(%) (J3 offers no publicly-available data)

The league average of New Attendees/Total Attendance(%)

has dropped slightly for both J1 and J2 starting from the previous season.

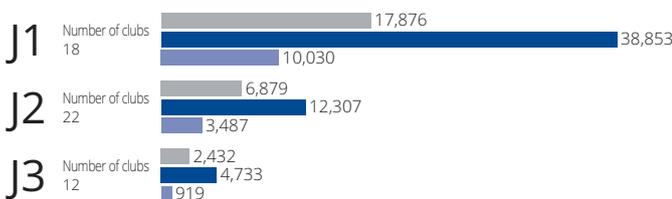
This KPI exhibits higher values among the lower leagues, which have not yet started to bring attendances and are more given to yield the effects of attracting new attendances through various BM measures, and the values in the top league, outside of the rising clubs, are stagnating. On the other hand, the issue is not only about increasing the number of new attendances, but also turning these new attendances into repeat attendances.

Average Spend

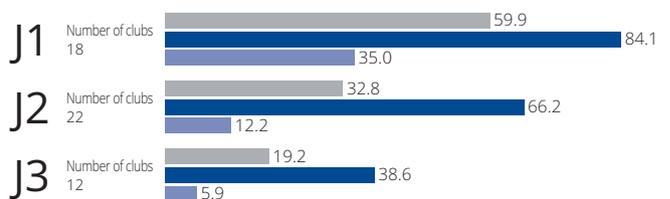
This KPI, which accounts for the average amount per person combining tickets and goods revenue etc., has been on the rise since the previous season in all leagues from J1 to J3. On the other hand, this time, we also focused on the Average Spend calculated only from matchday revenue (ticket price). The ticket price tends to increase the higher the league. Also, in comparing the differences in ticket price for each league between the top-ranking and lowest-ranking clubs, there is approximately a 200% difference in J1, a 260% difference for J2 and a 350% difference for J3, with the difference growing the lower the club.



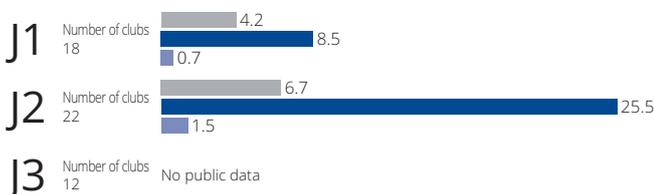
Average Attendance (people)



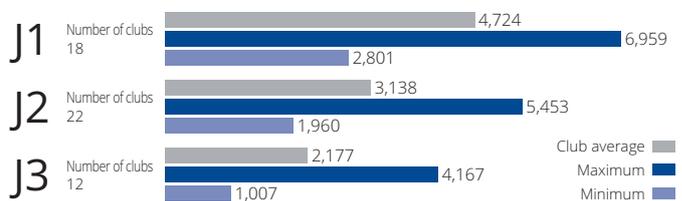
Stadium Capacity Utilization (%)



New Attendees/Total Attendance (%)



Average Spend (yen)



2nd Stage: Management Efficiency

The KPIs of 'Field Wage Costs/Points Won' and 'Matchday Revenue/Points Won' are important for relative comparisons, and they require attention because they are significant in benchmarks among clubs and leagues.

The analysis reveals that the top league is prominent in both the cost invested to gain 1 Point Won and the return, making the large difference among the leagues readily apparent.

Field Wage Costs/Points Won

The league average level for this KPI underwent no major changes since the last season.

This KPI tends to rise the higher the league becomes, with a difference of 300% between J1 and J2, 500% between J2 and J3. Thus, since each club in each league aims for the grand prize or to promote in league position, they desperately seek out more skilled players, so this KPI indicates that club personnel costs invested grow larger the higher the league.

The number of games each league had in 2015 was 34 for J1, 42 for J2 and 36 for J3, tending to make the points of J2 relatively larger compared with the other leagues. Due to this, it must be noted that the structural value of J2 will become smaller.

The theoretical value of the level of club wage costs required to become champion—which has been calculated back from the points of the winning clubs in each league for the 2015 season—is as indicated in the figure on the right. It becomes clear from these data that there are major differences in club business scale among the leagues. To revitalize the J.League, it is a crucial mission to boost the business scale of the top leagues while also making efforts to reduce the differences among the leagues; and these data indicate the growing importance of BM measures from here on out.



Theoretical value of the level of club wage costs required to become champion

Matchday Revenue/Points Won

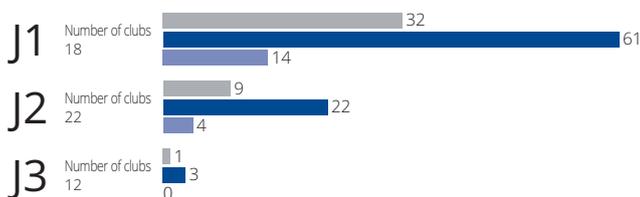
The league average level for this KPI has trending at almost the same level for all leagues, J1 to J3, since last season. This KPI contains a dual-perspective of the 1) clubs (sellers) and 2) fans (buyers); regardless of this, however, there is a possibility that this KPI did not rise because value could not be added per each Point Won from the last season.

Additionally, this KPI also tends to get larger the higher the league. The differences between the leagues are approximately 5 times between J1 and J2, and approximately 6 times between J2 and J3.

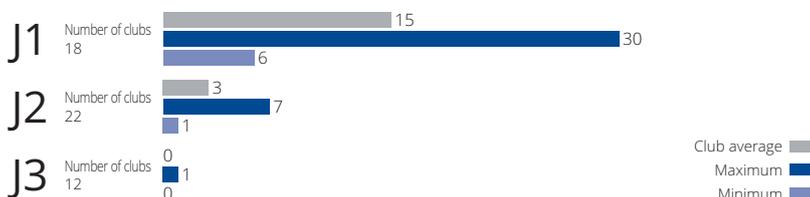


How much has a club sold for 1 Point Won, and how much has a supporter bought for 1 Point Won

Field Wage Costs/Points Won (millions of yen)



Matchday Revenue/Points Won (millions of yen)



3rd Stage: Management Strategy

The J3 clubs have improved their deficits with the introduction of the club licensing system, and they stand ready on the business starting line.

Accompanying this expanded scale of business, a strategic raise of Field Wage Costs to the level of J1 and J2 will likely become an objective to achieving the J.League aspiration of making football more attractive.

Field Wage Cost/Revenue

The league average level of this KPI saw a slight decrease with J1 at -2.8P, a slight increase with J2 at 1.3P, and a decrease with J3 at -4.7P. There may be some influence due to the high level of personnel costs for Omiya Ardija in J1 and the drop in league position of Cerezo Osaka in J2, but the primary factor is the allocation by the J3 of the increase in club income level to cover their deficit.

This KPI tends to increase in value the higher the league, and it is clear that there is a trend to invest more club wage costs the higher the league to win league matches, win the championship and promote in league position.

There is no clear answer to the management problem of what percentage of income to devote to club wage costs.

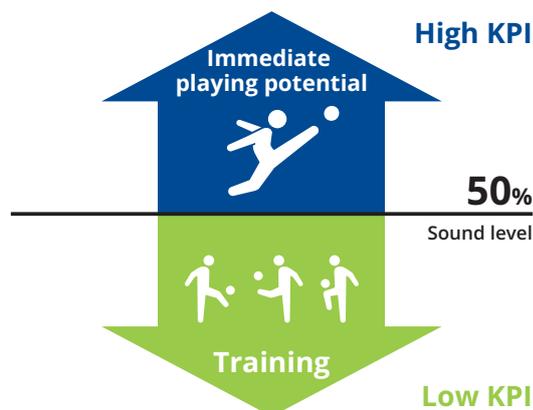
For clubs that aim for strategic investments based on a policy of recruiting immediate players necessary to produce short-term results the value of this KPI will tend to rise, and for clubs that focus on training and producing stable players internally from a medium to long-term perspective the value of this KPI will generally tend to decrease.

That the J.League, in general, falls below the 50% level, which is said to be a sound level, for this KPI can be considered to be reflective of the fact that there are many clubs that adopt the training model as basic policy.

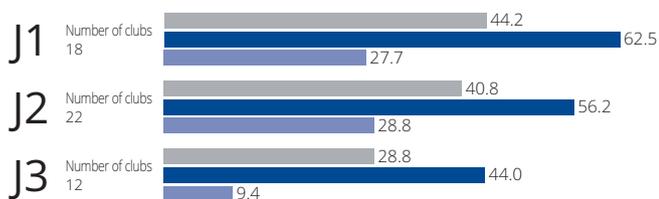
Matchday and other Revenue/SG&A

The corresponding original cost can be difficult to link with matchday revenue and sponsor revenue, an important revenue source for sponsor businesses, and activities regarding the promotion of revenue can also be broadly considered to imply original cost. This KPI tends to be largely reflective of club management strategy on how much management resources ought to be devoted to activities to earn sponsor revenue and matchday revenue. Examining league averages, matchday and other Revenue/SG&A has improved since last season for all leagues. What should be noted is that J3 is facing a market where the level of return cannot recoup investment.

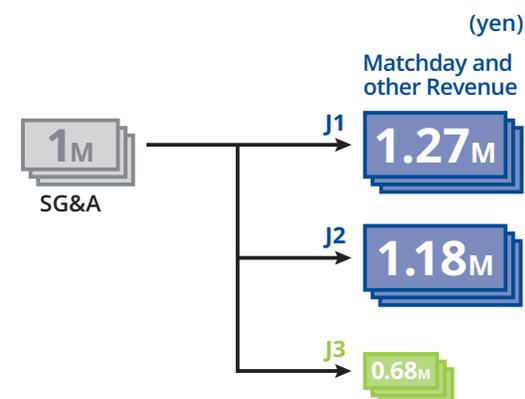
In the future, we believe the League must promote the establishment of business infrastructure on its own so that J3 may function as a business market.



Field Wage Cost/Revenue (%)



Matchday and other Revenue/SG&A (millions of yen)



4th Stage: Financial Condition

Since there is great disparity in the business scale among leagues at present, an important index for business management should be 'Bank Deposits' for J3, 'Solvency' for J2 and 'Profit' for J1.

Over the medium to long term, the league clubs must act in concert to craft management that prioritizes *profit* management for all leagues.

Revenue

As with many other KPIs, this KPI also tends to get larger the higher the league. Among the average level of revenue for each club, J2 is around four times larger than J3 in scale, and J1 is around two-and-a-half times larger than J2. There is around a difference of 10 times in scale between J1 and J3, but this gap is shrinking compared with the previous season (of around 12 times). Additionally, each league has increased their revenue since the last season. Since the J.League is run as an open system with rankings, each year several clubs face being switched to another league with a different market scale, and this is a problem in continuing with stable club management. The media and others also tend to focus the spotlight only on rankings—the result of the field management aspect of the sport—however, the handling of the risk of the changes of an external management environment through ascending or descending in rank, which is difficult for any J club to do by its own power alone, should be considered in conjunction with league policies.

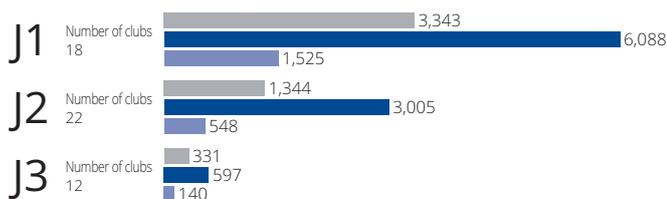


Revenue Growth Rate

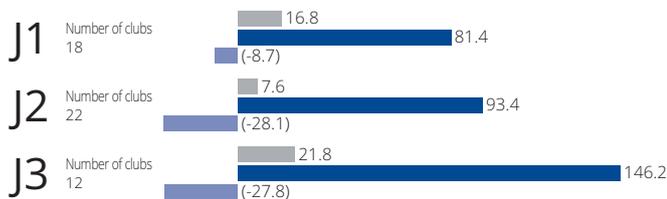
The value of this KPI is largely boosted by clubs that gain attention either by new entry into the league or by rising in league position. The classic example of this is a club that has newly entered the J.League, and having been fully amateur prior to that point, gains new sponsors and fans by being accepted as a professional club, greatly increasing their revenue.

In contrast to J1's 2015 season value, which surpassed the previous season, the values for J2 and J3 were less than half, largely falling short of the previous season. This is likely due, in part, to a lack of the same popularity enjoyed by the J1 with their 2-stage system, compared to the previous season, which was the first since the establishment of J3.

Revenue (millions of yen)



Revenue Growth Rate (%)



Equity Ratio (%)



Club average
Maximum
Minimum



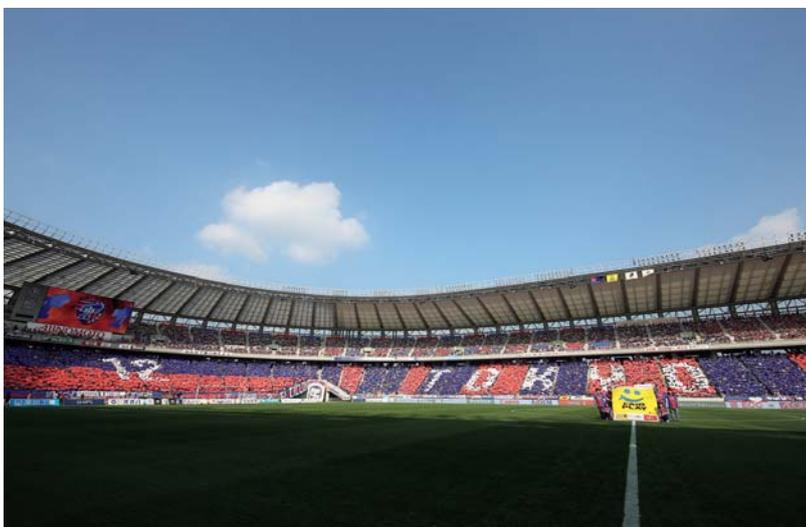
J1 Ranking

FC- Tokyo shows their grit with their first grand prize!

The winning club of Management Cup 2015 in the J1 is FC- Tokyo.

FC- Tokyo shows table performance ranking second in the field of Marketing, third in the field of Management Efficiency, and first in the fields of Management Strategy and Financial Condition, and they held that victory by a wide margin over Matsumoto Yamaga, the runner-up.

The factors that yielded this good performance was the growth in the number of new attendances and the adept use of players in promotional activities. As a club, they have always wielded the greatest power to attract attendances among the League and their Revenue are also stable; and, to make the most of this strong base, they have been steadily deploying BM measures, which this outcome likely reveals.



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BM point 2015

J1

Ranking (for reference)
2014 ranking Total BM points

Ranking	Change	(for reference) 2014 ranking	Total BM points
1	↑	4	159
Matsumoto	2 ↑	1*	141
Kawasaki-F	3 ↑	9	139
Urawa	4 ↓	1	138
Yamagata	5 ↑	5*	113
G-Osaka	6 ↓	5	112
Hiroshima	7 ↑	8	110
Kashima	8 ↓	3	108
Sendai	8 ↑	10	108
Tosu	10 ↑	16	102
Shonan	11 ↑	8*	97
Niigata	12 ↓	7	85
Yokohama F·M	13 ↓	6	84
Shimizu	14 ↓	10	82
Nagoya	15 ↓	14	78
Kashiwa	16 ↓	15	77
Kobe	16 ↓	10	77
Kofu	18 ↓	17	72

*Indicates division ranking for the 2014 season.



1st Stage: Marketing

2nd Stage: Management Efficiency

3rd Stage: Management Strategy

4th Stage: Financial Condition

Average Attendance	Stadium Capacity Utilization(%)	New Attendees/ Total Attendance(%)	Average Spend	Total	Field Wage Costs/ Points Won	Matchday Revenue/ Points Won	Total	Field Wage Cost/ Revenue	Matchday and other Revenue/ SG&A	Total	Revenue	Revenue Growth Rate	Equity Ratio	Total
17	9	17	10	53	14	11	25	16	18	★34	17	12	18	★47
12	18	12	3	45	11	16	27	15	16	31	4	18	16	38
14	15	15	15	★59	9	9	18	13	14	27	12	13	10	35
18	10	3	11	42	12	18	★30	17	10	27	18	7	14	39
1	6	17	17	41	16	6	22	18	9	27	3	14	6	23
8	16	5	16	45	8	7	15	9	15	24	13	10	5	28
13	1	10	14	38	15	2	17	2	17	19	10	11	15	36
11	3	14	18	46	5	8	13	6	4	10	14	8	17	39
7	14	13	6	40	10	14	24	8	13	21	5	5	13	23
5	8	18	8	39	13	10	23	12	5	17	6	15	2	23
4	17	4	5	30	18	1	19	11	12	23	2	16	7	25
15	7	1	2	25	7	15	22	10	11	21	7	1	9	17
16	2	2	7	27	6	13	19	14	3	17	16	4	1	21
6	12	8	13	39	1	17	18	3	2	5	9	3	8	20
9	4	6	9	28	3	12	15	7	1	8	15	9	3	27
2	13	11	12	38	4	5	9	1	7	8	8	2	12	22
10	5	9	4	28	2	4	6	5	6	11	11	17	4	32
3	11	7	1	22	17	3	20	4	8	12	1	6	11	18

Management cup J1 Analysis

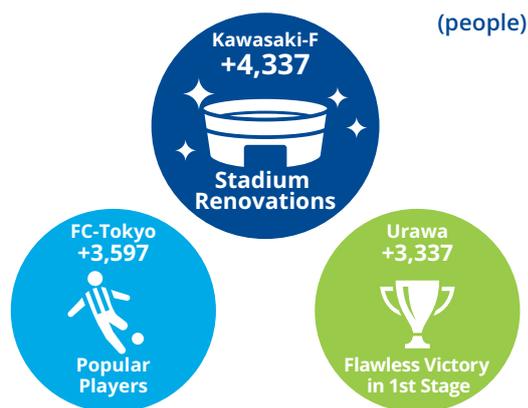
1st Stage: Marketing

J1 introduced the two-stage system starting in the 2015 season. In comparison with the previous season, there was an increase in Average Attendance, Stadium Capacity Utilization(%), and Average Spend over the previous year; however, it is an interesting point that the New Attendees/Total Attendance(%) has decreased, despite expectations that the two-stage system would yield the opposite effect.

Average Attendance

J1 Average : 17,876 Attendances
(+637 people, +4%)

Among the 15 clubs who played in the J1 for both the previous season and the 2015 season, 9 clubs recorded Average Attendance that exceeded the previous year, and the so-called 'Forlan effect' ended up compensating for the negative effect from C-Osaka's slide down to J2. Among these, 3 clubs, Kawasaki-F, FC-Tokyo, and Urawa showed an outstanding increase of 3,000+ people over the previous year.



Additionally, other external primary factors thought to have affected attendance rates for the 2015 season include an 'increase in weekday games' and 'weather'.

The higher density of the schedule accompanying the introduction of the championship increased the total league matches held on weekdays from 24 to 36 over the previous year. This is especially the case with Kashiwa, the total number of matches held on a weekday increased from 1 in the previous year to 6 matches, due in part to their playing in the ACL; despite these harsh conditions, they raised the Average Attendance over the previous year (10,715 → 10,918)—a feat that goes beyond the trends of the values.

In regards to weather, according to the J.League Data Site, the number of matches that experienced rain in J1 fell by roughly 50% from 51 of the previous year to 25. In J1, where all of the home stadiums are exposed to the weather, rain largely affects the number of attendances, so it is presumed that the weather in the 2015 season had a positive effect on attendance numbers.

Stadium Capacity Utilization(%)

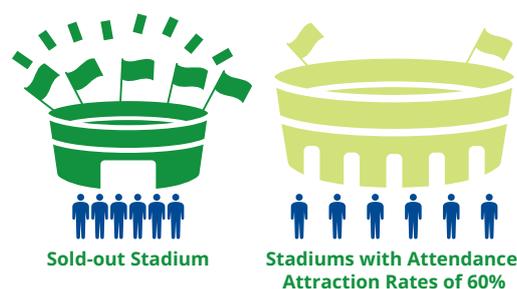
J1 Average : 60% (+1.7P, +3%)

As a precondition to analyzing this KPI we must first address stadium ownership.

Among the J1 clubs in the 2015 season, the only club to own a stadium that was not under the ownership of a municipal government was Kashiwa, and there was the external environment of a difficult stadium selection depending on the business scale of a club. Due to this, clubs with high-capacity stadiums as their home stadium inevitably find themselves with a low-level Stadium Capacity Utilization(%).

In contrast to this, Matsumoto and Shonan, each with stadiums of 20,000 and 15,000 person capacity, are two examples close to the ideal with the average Stadium Capacity Utilization(%) 80% or over, and many sold-out stadium matches.

Additionally, despite Kawasaki-F renovating their main stands to increase their stadium capacity by close to 7,000 people from the 2015 season, the reduction in their Stadium Capacity Utilization(%) was held back to a minimum of 76.4% from the 80.5% from the previous year. The Todoroki Athletics Stadium is owned by the municipal government, but through strongly cooperative relations with Kawasaki City, this has become a fine example of stadium renovations that have focused on providing further hospitality.



New Attendees/Total Attendance(%)

J1 Average : 4.2% (-0.4P, -8%)

This KPI presents data based on questionnaire surveys for a home game match in the middle stage of league matches, so there is a bias in terms of timing; however, there is a trend for clubs with newsworthiness to increase these values.

C-Osaka, the only club among 18 clubs to achieve double digits in the previous season (11.8%), is shown in negative due to their drop in league position to J2.

Tosu, divisioned first in New Attendees/Total Attendance(%), have constantly maintained their high-level position in the top 3 with 10.6%, 8.4%, 7.6% and 8.5% since their promotion in league position in J1 in the 2012 season. The city of Tosu is the hometown with the least population among the J.League clubs with 70 thousand people; however, Tosu City and the region have come together to establish a 'Home Game Support Center to Attract Attendances', and have carried out policies like their 'Sold-Out Stadium Plan' and 'City workers Support Day', which have likely constructed a system to constantly bring new attendances to their stadium. Yamagata, who came next after Tosu in performance, began managing their club in conjunction with a consulting company in June 2013, and coupled with their rise in popularity after being reinstated to J1 for the first time in four years, have been successful in strengthening efforts to draw female attendances etc.

Average Spend

J1 Average : 4,724 yen (+337 yen, +8%)

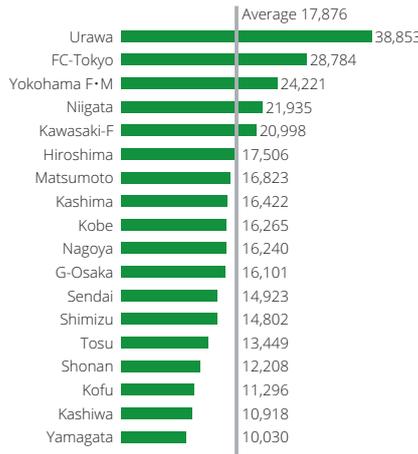
Since Average Spend is tentatively calculated based on matchday revenue and other revenue, this KPI is the total per head amount primarily for ticket and merchandise purchases; however, income such as prize money and revenue from player trades, is also presumed to be included in other revenue, and it must be noted that the amount of these revenue sources does have an effect on this KPI. Additionally, when comparing the pure ticket price after dividing matchday revenue by the total number of attendances, the average price for a J1 match in the 2015 season at 2,251 yen remained at about the same level as the previous season at 2,242 yen.

Naturally, a club's Revenue is the unit price times the volume, so it would be ideal for both the unit price and the volume to be high. On this point, Urawa, with their ability to bring attendances far exceeding other clubs, have a ticket price level 300 yen more expensive than Kashima in second place, making their model the most ideal from the perspective of maximizing club profits.

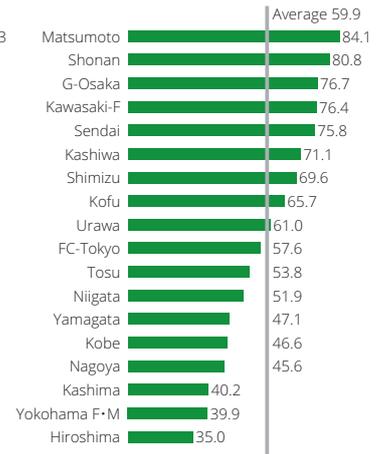
On the other hand, since the fastest way to maximize club profits is to continuously get sold-out stadiums, adjusting ticket prices while securing volume (attendance numbers) is a reasonable approach.

Being able to draw crowds to produce sold-out stadiums will likely allow ticket prices to be adjusted upwards. It will be effective to consider future BM measures around the relative position of each club.

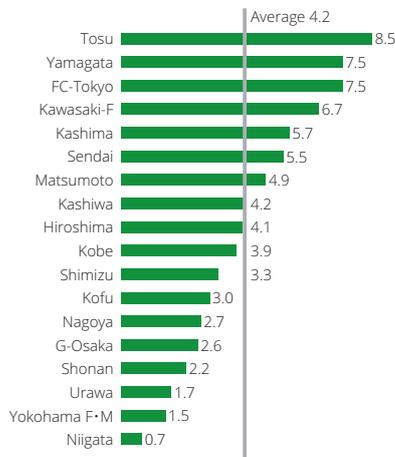
Average Attendance (people)



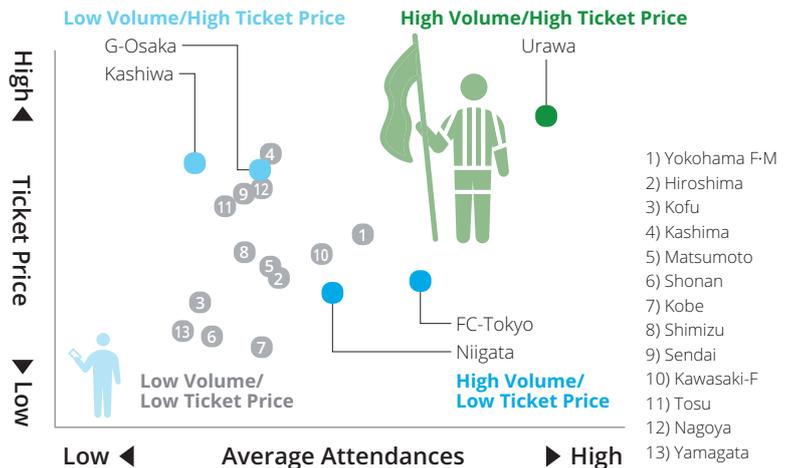
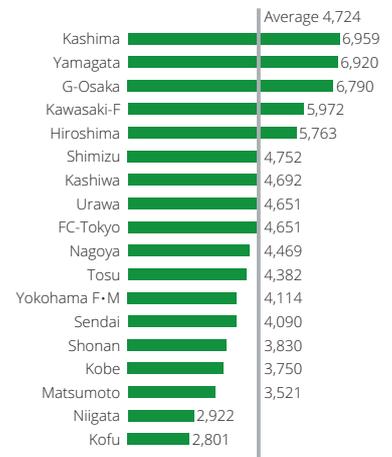
Stadium Capacity Utilization (%)



New Attendees/Total Attendance (%)



Average Spend (yen)



2nd Stage: Management Efficiency

The KPIs 'Field Wage Costs/Points Won' and 'Matchday Revenue/Points Won' focus on the relationship between business management (BM) and field management (FM).

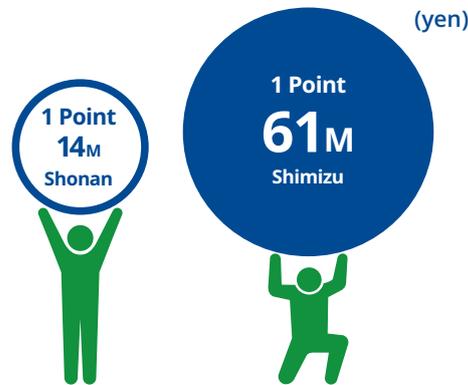
In terms of FM, the season displayed a strong tendency for short-term victories, but there was little difference in terms of BM.

Field Wage Costs/Points Won

J1 Average : 32M yen (-2M yen, -7%)

This KPI is an indicator that can visualize how efficiently Field Wage Costs, which account for the largest ratio of the costs of a club, are linked to FM performance. From this perspective, a lower value to this KPI is more desirable; however, it must be noted that this KPI is important for its relative assessment above all else. We believe it to be important to have an objective understanding of the relative position of other clubs that play against the domestic top league.

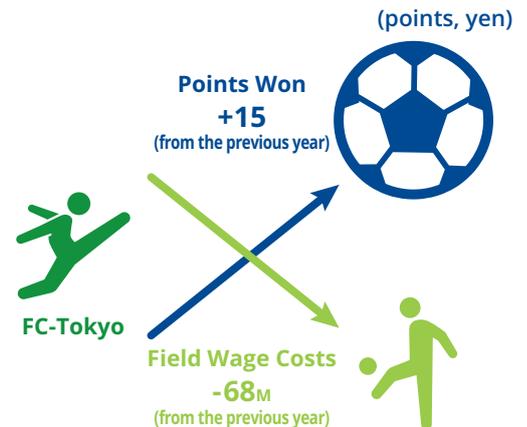
In examining the divisionings of this KPI, we see that it appears to differ from the sport performance of the clubs. In contrast to Shonan, who were most efficient in scoring points in the 2015 season scoring one Point Won for 14 million yen, the lowest divisioning club, Shimizu, differed by roughly four times with 61 million yen per Point Won.



Shonan is divisioned 8th for the year in terms of playing football (48 points); but, their Field Wage Costs are the second lowest in the entire J1 league at 699 million yen, demonstrating that they have achieved extremely efficient FM performance with limited Field Wage Costs. Shonan has demonstrated a football style brimming with an aggressive drive, aptly described in their philosophy, 'the aesthetics of a vertical offense (tate no bigaku), that they were able to display the high performance in the 2015 season right after they had been reinstated to J1 is likely the main factor of the high division in this KPI.

In comparative terms to the previous season, FC-Tokyo was the club that showed the most improvement in efficiency showed by this KPI. They were able to lower their

investment of Field Wage Costs per Point Won obtained by 9 million yen—from 35 million yen during the previous season to 26 million yen this season.



It should go without saying that the factors that comprise this KPI are Points Won and Field Wage Costs. Since Points Won are the exclusive field of the FM, the effects of BM are somewhat obscured. However, the truth is that the effects of BM measures on points through the junction of Field Wage Costs cannot be discounted.

The general tendency for more points to be scored when there is more Field Wage Costs invested through the judgment of BM has been borne out in past data and the activities of clubs from China and the Middle East in the recent ACL. However, normally, there are limits to the capital that can be invested in Field Wage Costs. Particularly with J clubs who have announced the 100 year vision and are active in close alignment with a region—the restrictions on such tend to be prominent. Thus, we believe it to be important to give due consideration to BM measures on how, through an objective understanding of their relative positioning, a club can efficiently invest limited capital into scoring more points.

Matchday Revenue/Points Won

J1 Average : 15M yen

(+0.4M yen, +3%)

It should be noted that this KPI contains a dual-perspective: 1) how much was a Point Won sold for from the club's perspective, and 2) how much a Point Won was bought for from the fans' perspective. In sum, from the club's perspective, this is an indicator to confirm if the value of a Point Won is at an appropriate level, and from the fans' perspective, an indicator to confirm the level of satisfaction from the amount paid per Point Won.



In this sense, this is an indicator that contains a zero-sum relationship where the club wants to have this KPI as large as possible, and the fans want to make it as low as possible. We believe that, since there is no right answer, it is an issue for BM to give constant thought to where the appropriate level should be.

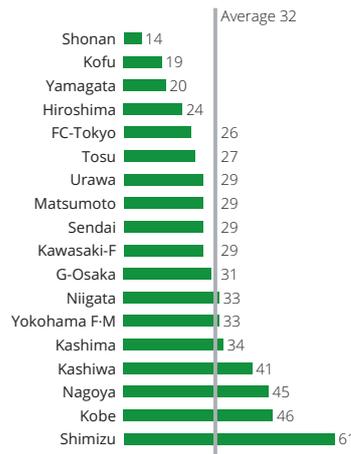
With this KPI, Urawa has remained at the highest level across the past two seasons, and far outstrip other J1 clubs. We believe Urawa to be a fine example of a club that is able to secure high matchday revenue almost every season by getting into high divisioning matches and constantly drawing attendances that would overwhelm other clubs, and that can maintain a balance between FM and BM on a different plane.

Another point that we would like to draw your attention to is the fact that Shimizu, who divisioned second in this KPI, and Matsumoto, who divisioned third, both dropped in league position to J2. This was due to the relatively high level of matchday revenue they achieved in contrast to their lackluster football performance and low points. As has been stated previously, this then becomes a difficult situation to evaluate since, on the one hand, from the club's perspective they feel that they have sold one Point Won for a lot, while on the other hand, from the fans' perspective, the level of customer satisfaction was low.

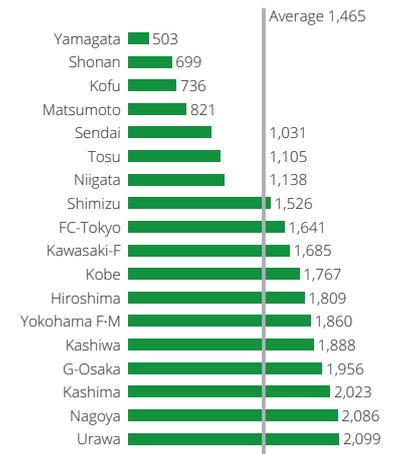
Thus, if the fans of each club judge this KPI to be expensive, this will have a negative effect on future attendance

numbers; and, if they judge it to be cheap, there is a greater possibility of an increase in repeat attendances. In this sense, it will be important for the BM of clubs to pay attention to the level of satisfaction held by fans, while they constantly search for the appropriate level of this KPI.

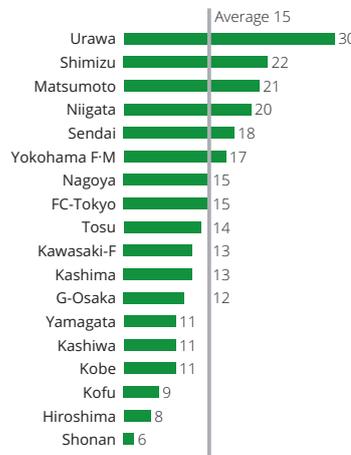
Field Wage Costs/Points Won (millions of yen)



(For reference) Field Wage Costs (millions of yen)



Matchday Revenue/Points Won (millions of yen)



3rd Stage: Management Strategy

This KPI measures return on investment, a business fundamental, and includes 'Field Wage Cost/Revenue' linked to direct investment as well as 'Matchday and other Revenue/SG&A' linked to indirect investment.

In terms of indirect investment in particular, there were expectations put on sales activities making use of the popularity of the two-stage system; however, only a slight increase was made.

Field Wage Cost/Revenue

J1 Average : 44% (-3P, -6%)

In professional sports, clubs use their team as an asset to gain various types of earnings, such as matchday revenue, sponsor revenue, and Revenue from merchandise. Since the costs of using the team are the Field Wage Costs, these costs are considered the sales costs in terms of accounting. In short, this KPI corresponds to the cost rate of Revenue.

It is generally considered desirable in club management to be able to keep the value of the Field Wage Cost/Revenue to within less than 50%. In this sense, almost all the 18 J1 clubs, with the exception of Kashiwa, have managed to keep this KPI value at or below 50%, demonstrating a generally healthy situation.

A factor influencing the low level of this KPI during the 2015 season compared with the previous season is the low level of clubs like Yamagata and Matsumoto, who newly joined J1. It is not clear whether this has been intentional or not for these clubs, but they adopted an administration method with which they maintain financial health by keeping down their Field Wage Cost/Revenue for the 2015 season, their first in J1. By doing so, both clubs came in at a pre-tax profit level of 100 million yen for the single year, and their BM results were favorable. Yet, both clubs faced the extremely harsh result of being demoted to J2 after only one season. It seems evident from these results that a club that has been promoted is faced with the difficult task of forecasting one year of Revenue in the particularly murky conditions of their first season while also having to set this KPI.

A lower value of this KPI is generally thought to be desirable from a management perspective; however, this has the opposite effect in terms of football performance with lower results, leading to a further drop in league position. It seems to be reasonable to adopt a strategy of setting a high value for this KPI in the sense of a future investment. We believe that it is important for clubs and the leagues to achieve sustainable business expansion based on a medium and long-term strategy.

Matchday and other Revenue/SG&A

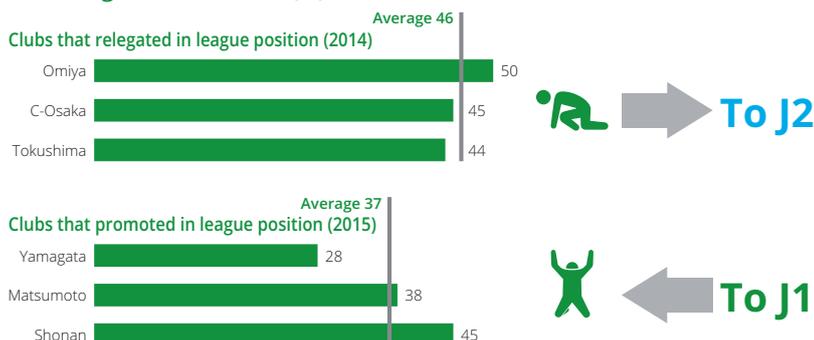
J1 Average : 1.27M yen (+0.06M yen, +5%)

This KPI indicates how costs processed as SG&A are linked to what degree of revenue. The revenue subject to this KPI is matchday revenue and other revenue, excluding advertising revenue, Distribution from the J.League, and academy revenue. The reason for this is that there is a risk of misleading about the capacity of normal return when compared simply, since there is a trend for amounts that include support from Main shareholder companies to be included in advertising revenue. Additionally, Distribution from the J.League strongly tends to be distributed at the same level across the same league, and there is not a strong correlation with SG&A. Academy-related revenue is also of the nature that it should be given separate treatment to academy-related costs, and was, therefore, removed.

The 2015 season saw overwhelming results for three clubs above others— FC-Tokyo (1.91 million yen), Hiroshima (1.91 million yen), and Matsumoto (1.68 million yen).

The revenue from player trades and the increase in attendances to their stadium linked to an increase in revenue from the revenue of merchandise and drinks/foods are presumed to have contributed to the results of FC-Tokyo.

Field Wage Cost/Revenue (%)

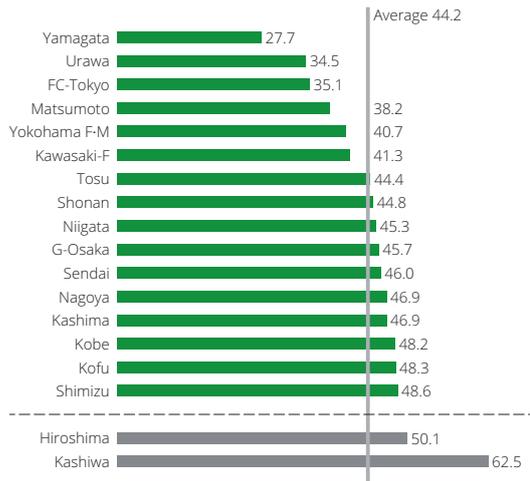


Hiroshima has grown their matchday revenue and other revenue through an increase in attendances and prize money accompanying their fantastic performance in football resulting in their 2nd stage victory and their first place of the season. Moreover, they have used their SG&A effectively since they kept their SG&A only a small rise from 937 million yen to 949 million yen.

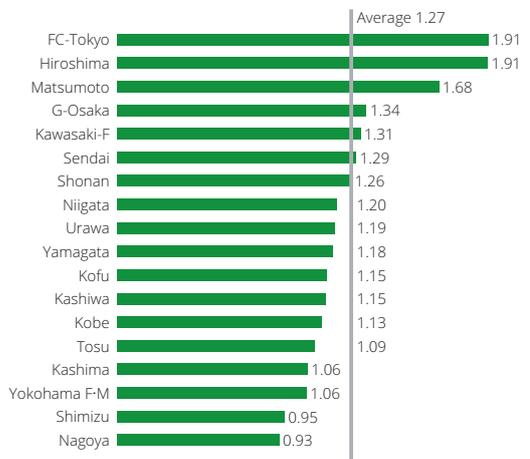
Additionally, Matsumoto has succeeded at generating matchday revenue and other revenue of 1,007 million yen from 598 million yen in SG&A, the smallest amount among all 18 J1 clubs. They increased their revenue effectively based on the popularity of their promotion to J1 from the 2015 season.



Field Wage Cost/Revenue (%)



Matchday and other Revenue/SG&A (millions of yen)



4th Stage: Financial Condition

The KPI that saw the most movement over the previous season is 'Revenue Growth Rate'.

The clubs that promoted league position tend to be largely in the positive since there is a major difference in business scale between J1 and J2; however, what's worth noting in the 2015 season is that clubs other than those generally improved their KPI value.

Revenue

J1 Average : 3,343M yen

(+48M yen, +1%)

Examining a breakdown of the increase in the average value, advertising revenue decreased by -70 million yen (-4%), but matchday revenue was up by 34 million yen (+5%) with an increase of 90 million yen (+11%) in other revenue.

The reduction in advertising revenue was largely influenced by the drop in league position to J2 of Omiya, who had the second greatest advertising revenue in the previous season (2,405 billion yen). The average advertising revenue of the 15 clubs that played in J1 for the last two seasons was up by 138 million yen, showing an actual upwards trend.

Kobe enjoyed an overwhelming increase of 1.253 billion yen, and the increase in sponsor revenue from Main shareholders is thought to be the largest factor in that. From the perspective of ascertaining the impetus to shift to an autonomous business model that does not rely only on the support from Main shareholders, our attention is also directed towards the amount of revenue scale from Main shareholders within advertising revenue; however, as it stands, the breakdown has not been made public and is not available for analysis. Additionally, Matsumoto, who boasted the second largest increase in advertising revenue (+492 million yen), was successful at increasing that over two fold with their promotion in league position into J1. Moreover, Tosu, the third largest in advertising revenue, was able to greatly increase their advertising revenue through their sponsorship with Cygames, the smartphone game giant, and succeeded at avoiding three consecutive term deficits.

In terms of matchday revenue, 11 clubs, among the 15 clubs that played in J1 for the last two seasons, were successful at increasing this revenue stream (15 club-average of +56 million yen). From the perspective of business stability, a full deployment of BM measures would be ideal, such as increasing the number of season ticket holders to minimize the effects football results would have. However, as it stands, there is a trend for this to be somewhat linked to football performance, and the top three clubs by overall divisioning in league matches for the 2015 season (Hiroshima, Urawa, G-Osaka) all saw an increase of matchday revenue by over 100 million yen.

On this point, it is fascinating that Kawasaki-F, who came in 6th for the 2015 season (1st stage: 5th / 2nd stage: 7th) and could not make it to the championship matches, achieved a major increase in matchday revenue (+206 million yen) to reach second place in that revenue. With the renovations of their main stands, they are also the club believed to have most achieved a business model that does not rely on football results alone.

The other increase has been largely led by the increases of FC-Tokyo (+635 million yen) and Kawasaki-F (+768 million yen). We surmise that the revenue from player trades for FC-Tokyo and the increase in merchandise and drinks/food Revenue on top of the increase of stadium attendance numbers for Kawasaki-F have both contributed to this increase; but, unfortunately, the breakdown of other revenue has not been released and this disallows further analysis.

Revenue Growth Rate

J1 Average : 16.8%

(+6.5P, +63%)

The clubs that have recently rose in league position and entered J1 with the past two seasons have dominated the top three positions of this KPI; however, Kobe, at second place (+48.2%), and Tosu, at fourth place (+32.0%)—two clubs that have not rose in league position during the 2015 season—contributed to the increase of this KPI with growth rates that exceeded 30%.

Both clubs led the Revenue Growth Rate with their advertising revenue, and we presume that Kobe, with Rakuten being their Main shareholder, and Tosu, with the support of their new sponsor, Cygames, were the primary factors behind this.



How much do Main shareholders account for this?



Breakdown is not disclosed



Regardless, each year, clubs that promote in league position to J1 attain top ranking in terms of Revenue Growth Rate, and the fact that this includes clubs that have been reinstated to J1 demonstrates the major difference in market scale between J1 and J2, as has been apparent up to now.

Equity Ratio

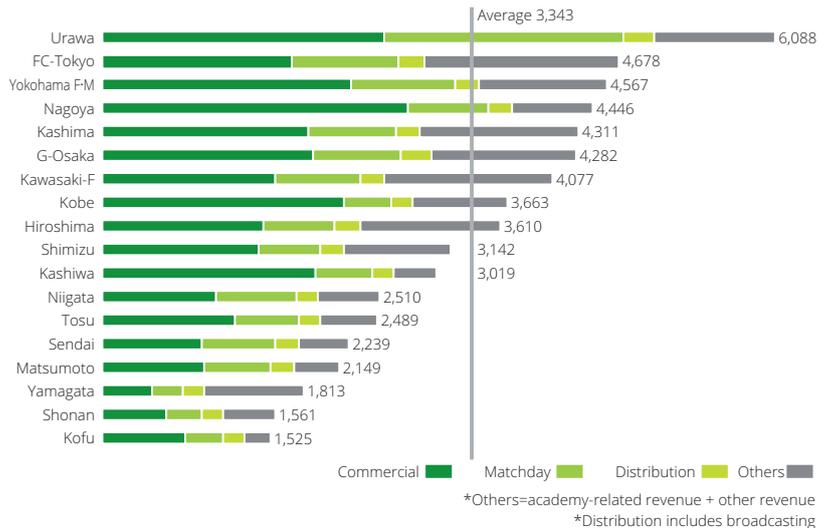
J1 Average : 33%

(-4P, -10%)

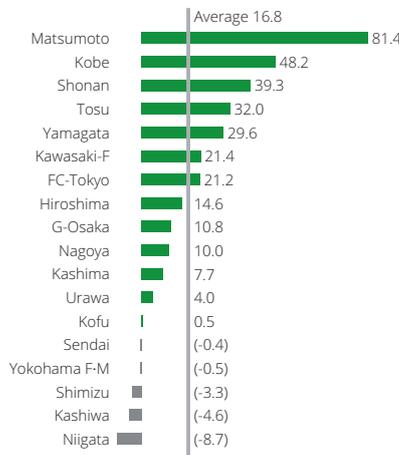
The specific application of the Financial Fair Play(FFP) Standards in the club licensing system began last season. These Standards disqualify clubs from participating in J.League when they have run a deficit for three-consecutive terms or they have Excessive liabilities. As the result of efforts to reach financial soundness, including securing revenue and increasing capital to meet the FFP Standards, all clubs in all leagues successfully eliminated their Excessive liabilities last season.

While all clubs continued to remain in a financial condition with not having excessive liabilities in the 2015 season, the average value of their Equity Ratio worsened. Looking at each club, among the 15 clubs that played in J1 for the past two seasons, only three clubs improved their Equity Ratio—in addition to Sendai, there were also Tosu and Yokohama F·M, who eliminated their Excessive liabilities last season. Amidst business conditions that nearly run even each term, the majority of clubs are faced with the extremely difficult decision of having to make investments to maintain/expand their business scale as they utilize their liabilities.

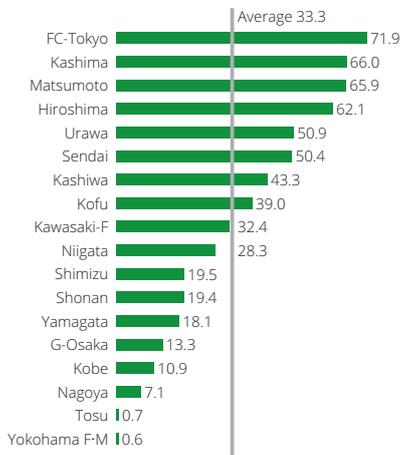
Revenue (millions of yen)



Revenue Growth Rate (%)



Equity Ratio (%)



F.C. Tokyo

In the 2015 season of the J-League Management Cup, FC-Tokyo scored an impressive victory in the J1 with an 18-point lead over the second-place club.

We interviewed FC-Tokyo president, Naoki Ogane, and conducted an analysis, as only Deloitte Tohmatsu can, on the efforts of the club, who showed tremendous progress in the area of business management.

Release of Club Vision

FC-Tokyo drafted their '2015VISION' as their club vision from 2011 to 2015. In January 2016, they both reflected on their performance and released a brushed-up version with their '2020VISION' to go to 2020. They provide the following three displays of 'brilliance' as the pillars of that Vision.

- 'Brilliance of a strong and adored team'
(Training/team strengthening)
- 'Brilliance of the FC-Tokyo brand'
(Expansion of FC-Tokyo family and improvement of brand value)
- 'Brilliance of hometown Tokyo'
(Contribute to hometown and 2020 Tokyo Olympics/ Paralympics)

The sentiments of balancing the field management of training/team strengthening against the business management of improving club brand value and hometown activities are reflected in this club vision.

The Balance of Profitable Business against Unprofitable Business

The majority of J clubs are organized as Limited companies while they also retain the status of cooperative organizations towards their 100 year vision; therefore, club management is faced with the difficult task of carrying out business where profitability must be pursued, while also having to carry out activities that don't directly generate profit but that contribute to their region.

To substantiate this, Mr. Ogane comments that, "even if there's no profitability to it, if the people of a region or hometown feel that there are benefits to FC-Tokyo being there, then the club's value will rise;" but, while he is aware of the necessity of Unprofitable business, he continues: "there is difficulty in explaining, as a Limited company, to shareholders and other stakeholders the necessity of carrying out business that runs a deficit, but it is important for them to show understanding towards the club's thinking."

It's based on this thinking that FC-Tokyo has a system where they share the club's financial information with all associates of the club to increase transparency. It is extremely important to increase transparency through the disclosure of information on the club's activities to gain understanding towards Unprofitable business; and, from this perspective, these initiatives, including the release of the above club vision, are effective.



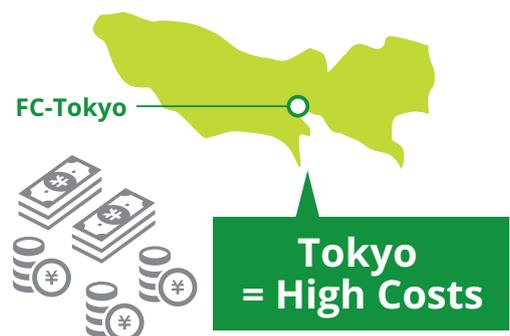
Committed to Training

Examining the financial numbers of FC-Tokyo, the efforts they put into training their players are distinctive, as with their Academy Administrative Costs, which are the top among the J1 every year. One of these efforts is the participation of their second team (U23) in J3 beginning in the 2016 season.

The objective behind this participation in J3 is their aim to accumulate actual experience in a venue where they are not the top team, and the club's desire to strengthen their bench. There is a tendency for under-category players in Japan not to be allowed to play in a high category; however, there is also their intent to remove this generational restriction, and, for example, normalize an environment where even junior high students can play in U18 or U23 matches. There are physical and mental hardships to putting this into practice; however, they are showing that they can put up an ample fight.

FC-Tokyo capitalizes on the location of Tokyo and their revenue scale is in the top class of J1; however, at the same time, they face a financial structure where their ordinary operating costs, such as the use fee of their stadium, are higher than other clubs, and, relative to their revenue scale, the budget they have to allocate to Field Wage Costs is limited. This fact has led to their commitment as a club to thoroughly conduct training, rather than simply relying on bringing in strong players.

Efforts like these by FC-Tokyo are a fascinating example of how BM measures can have a positive effect on strengthening FM.



Challenges and Potential of FC-Tokyo

In the 2015 season, the Average Attendance for FC-Tokyo came in second, next to the Urawa; yet, their Stadium Capacity Utilization(%) was only 10th in the entire league at 57.6%. A 'sold-out stadium' both boosts the value of advertising and also has the anticipated effects of being able to optimize ticket prices and improve the value of broadcast rights by generating the fact that there are fans and supporters who cannot get in the stadium. This is an incredibly important element in the sports business.

On that point, FC-Tokyo faces three structural challenges in a tangible sense.

- The large capacity of their stadium for 50 thousand people makes it difficult to achieve a sold-out stadium.
- Their stadium is an athletic field which makes it lacking in entertainment value in terms of attendance sports.
- Their stadium is geographically distant from the 23 wards of Tokyo, so they are not making the most of their geographical advantage.

According to Mr. Ogane, they have friendly and cooperative relations with Chofu City, where their stadium is located, and its distance from the 23 wards of Tokyo rather makes it easy to use; however, it's also their ardent desire as a club to achieve a sold-out stadium with their own football-exclusive stadium in Tokyo, and they believe this is also important in terms of the generation of culture.



Football-Exclusive Stadium

In terms of the intangible in the 2015 season, they capitalized on the popularity of players, like Yoshinori Muto, who has represented Japan, as well as their resultant increased presence in the media to boost their attendance numbers and gain new attendance, especially focused on female fans, and this led to an improvement in their financial numbers. Mr. Ogane commented that, "2015 was a year where we really got a good feel for the importance of the power of providing content with players."

On the other hand, Average Attendance for the 2016 season, which has just begun, is sluggish, and they are finding themselves in harsh circumstances. The primary factors behind this are believed to be their poor football performance and the trade of popular players to overseas teams. These conditions may also indicate that BM measures have not yet to establish the newly-obtained attendances gained through the power of popular players as fans or supporters of the club.



Notwithstanding the above challenges, in addition to having the specific numerical goal in their '2020VISION' of achieving an Average Attendance of 30 thousand by 2020 through an improvement of the level of satisfaction of the people involved with the club, the interview with Mr. Ogane revealed that FC-Tokyo is clearly aware of the BM challenges they face as a club, and we believe their potential as a club is quite large. We will continue to watch FC-Tokyo to see what kind of growth and development they undergo in the future.

Effects of the Introduction of the Two-Stage System

One of the biggest topics of the 2015 season was the adoption of the two-stage system.

There are various opinions regarding the generalities; however, in the following we present an analysis of the effects of this primarily centered on data of attendance numbers.

The Merits and Demerits of the Two-Stage System

In the 22 years of history of the J.League from its inception in 1993 to 2014, there were 11 seasons with a one-stage system and 11 seasons with a two-stage system, making no historical difference.



When the J.League announced the reinstatement of the two-stage system beginning in the 2015 season, the reasoning behind the great resistance received from supporters is still fresh in memory: "With league matches, the team that plays home and away matches and scores the most Points Won should win the championship." Regarding this resistance, the current chairman, Mitsuru Murai, who was then a member of the Board of Directors, recounts; "Intuitively, I felt odd about the two-stage system, but as I learned more about it, I realized that it was a necessary initiative for the J.League to survive. However, I am regretful, as a member of the Board of Director, that this background information could not be explained well to the fans. (DIAMOND online 8/8)" Moreover, Takaaki Umezawa, a J.League advisor, explains, "it is important to constantly repeat a trial-and-error technique like the change to a tournament format that was brought in 2015." In a similar vein, Kazuhiko Toyama has also stated: "There is a tendency in the public to want to explain the good and bad about the shift to a tournament format; but, if you consider that it is sports, it is nonsense to take time to debate the good and bad. Even if it does not go well, a failure to learn from it will be enough. I believe it is important to keep the debate process open, to constantly keep the hypothesis-verification cycle going, and to properly engage in trial and error." (J.LEAGUE PUB REPORT 2015)

We fundamentally feel the same way; but, it is a fact that

there are various opinions about the merits and demerits of the two-stage system. In this column, we will objectively analyze the effects of the two-stage system from a BM perspective, and we hope to present information to assist any 'trial-and-error' endeavors.

Breakdown of the Increases/Decreases to Total Attendance Numbers

The number of matches for the entire J1 league reached 309 matches with an increase of three matches due to there being championship matches, and the total number of attendances increased by 267,364 people to 5,542,751. In simple terms, attendances increased by 5.0%.

However, the increase of 267,364 attendances was not entirely due to the effects of the introduction of a two-stage system, there were also various other effects mixed in, such as the effects of the switching of clubs through a promotion or relegation in league position, the effects of stadium renovations, and the effects of weather. Considering these effects, we calculated the breakdown of the rise in the total number of attendances as follows.

	(people)
1 Effects of the switching of clubs through a promotion or relegation in league position ¹⁾	-38,344
2 Effects of the expansion of Todoroki Athletics Stadium ²⁾	+73,747
3 Effects of the weather ³⁾	+29,283
4 Effects of the increase of weekday matches ⁴⁾	-82,358
5 Effects of the increase of 3 championship matches	+95,149
6 Other	+189,887
Increase of Total Attendance Numbers	1267,364

The total of 4, 5 and 6 in the above table was 202,678 people omitting all factors with no direct relevance to the change in the stage system, and we believe this number to be due to the introduction of the two-stage system. We estimate the economic effects achieved through the introduction of the two-stage system are 957 million yen, the product of multiplying the Average Spend (4,723 yen) for the J1 2015 season by the increase in attendances.

2014 Season			2015 Season			
First Half	Second Half	Total	First Half	Second Half	Championship	Total
153 matches	153 matches	306 matches	153 matches	153 matches	3 matches	309 matches
2,647,173 people	2,628,214 people	5,275,387 people	2,737,480 people	2,710,122 people	95,149 people	5,542,751 people

An Unseized Business Opportunity

The switch in stage systems will undoubtedly bring chaos to the field side; however, it will also be an opportunity to carry out new measures on the business side and this will test the skill of BM. And on this point, how many clubs were there that understood this as an opportunity and envisioned a reverse scenario? Looking at the overall data, which was sluggishly up and down only slightly, we presume that there were only a few clubs that tried. It cannot be denied that the optimistic thought of the two-stage system as a golden opportunity for trial and error is less than palatable.

For example, the New Attendees/Total Attendance (%) to J1 dropped from the previous year by 0.4P and it is clear that this shift in the stage system, which was a hot topic, was not capitalized on adequately. Behind this, of course, were negative coverage and opposing voices that made it difficult to apply a Marketing strategy that used the introduction of the two-stage system as its selling point; but, it should be noted that the Urawa and G-Osaka, who benefited the most from the two-stage system, both fell into negative growth of -0.6P and -1.2P respectively, from the previous year.

In addition, Matchday Revenue/Points Won was stagnating at +0.5 million yen over the previous year. A two-stage system can be understood to offer points with more relative value in the second stage for clubs that did poorly in the first stage. For example, the 18th section, which is the first match of the second stage, can be considered to be of greater relative value in the 2015 season than the 2014 season. The fact that this increase in the value of Points Won could not be integrated is likely a point of discontent as well.

On the other hand, considering the above-calculated 957 million yen economic effects this stage system change had, the take away argument should be that it wasn't all negative. Moreover, if we consider that the ticket sales period for the 2015 season championships was short, there's still much more room to increase attendance numbers.

To carry out an experiment properly in the future, it is important to first establish a definition for success and then repeat trial-and-error efforts.

*1: Effects on number of attendances for clubs that were promoted or relegated in league position

	2014 Season		2015 Season	
Omiya	183,791 people		Yamagata	170,552 people
C-Osaka	367,651 people		Shonan	207,558 people
Tokushima	151,034 people		Matsumoto	286,022 people
Total	702,476 people		Total	664,132 people

*2: Effects from increasing capacity through main stand renovations of the Todoroki Athletics Stadium

	2014 Season		2015 Season	
Kawasaki-F	283,241 people		Kawasaki-F	356,988 people

*3: Effects on number of attendances lost due to rain or snow

	2014 Season		2015 Season	
Weather	Sunny, Cloudy	Rain, Snow	Sunny, Cloudy	Rain, Snow
Matches	198 matches	39 matches	220 matches	18 matches
Average Attendance	18,515 people	15,990 people	18,890 people	15,046 people

$$39 \text{ matches} \times (18,515 - 15,990 \text{ people}) - 18 \text{ matches} \times (18,890 - 15,046 \text{ people}) = 29,283 \text{ people}$$

*4: Effects of increase in weekday matches due to tightened schedule through two-stage system introduction

	2014 Season		2015 Season	
	Weekends/Holidays	Weekdays	Weekends/Holidays	Weekdays
Matches	220 matches	17 matches	207 matches	31 matches
Average Attendance	18,592 people	11,735 people	19,435 people	13,018 people

$$17 \text{ matches} \times (18,592 - 11,735 \text{ people}) - 31 \text{ matches} \times (19,435 - 13,018 \text{ people}) = -82,358 \text{ people}$$

(*3 and *4 are tabulated excluding the effects of clubs promoting and relegating in league position, Kawasaki-F, and the non-attendance matches of Urawa in the 2014 season.)

J2 Ranking

Avispa Fukuoka comes back to make a tremendous victory!

The winning club of J-League Management Cup 2015 in the J2 is Fukuoka. Fukuoka landed in second place in the field of Marketing, eighth in the field of Management Efficiency, first in Management Strategy and fifth in Financial Condition, giving them a victory after a leap up from their 17th place in last year's J2 Ranking. Fukuoka overcame their club management crisis that began in 2013, BM measures were promoted with the addition of a new Main shareholder to the management, and they made a major recovery. With the achievement of their set goal of the pressing business to restructure management, our attention will be on them in the future to see how they will tackle the problem of linking BM and FM.



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BM point 2015

J2	Ranking	(for reference) 2014 Ranking	Total BM points
Fukuoka	1 ↑	17	179
Iwata	2 →	2	166
Sapporo	3 ↑	4	151
Chiba	4 ↑	7	148
Tokushima	5 ↓	13*	139
Kanazawa	6 ↑	8*	136
FC Gifu	7 ↓	6	134
Kyoto	8 ↑	14	132
Tokyo-V	8 ↑	14	132
Okayama	10 ↓	9	128
C-Osaka	11 ↓	2*	125
Kitakyushu	12 ↑	13	124
Sanuki	12 ↓	3	124
Nagasaki	14 ↓	9	123
Tochigi	15 ↓	12	121
Kumamoto	15 ↓	11	121
Omiya	17 ↓	18*	112
Mito	18 ↑	19	107
Oita	19 ↓	14	104
Yokohama FC	20 →	20	97
Ehime FC	21 ↓	20	92
Gunma	22 ↓	18	90

*Indicates division divisioning for the 2014 season.

 1st Stage: Marketing					 2nd Stage: Management Efficiency			 3rd Stage: Management Strategy			 4th Stage: Financial Condition			
Average Attendance	Stadium Capacity Utilization(%)	New Attendees/ Total Attendance(%)	Average Spend	Total	Field Wage Costs/ Points Won	Matchday Revenue/ Points Won	Total	Field Wage Cost/ Revenue	Matchday and other Revenue/ SG&A	Total	Revenue	Revenue Growth Rate	Equity Ratio	Total
17	17	16	20	70	13	10	23	18	22	★ 40	16	21	9	46
19	22	10	22	★ 73	5	18	23	8	13	21	21	9	19	49
21	11	13	10	55	8	22	★ 30	16	18	34	15	15	2	32
20	20	8	14	62	2	19	21	10	2	12	19	19	15	★ 53
7	8	12	21	48	6	9	15	14	21	35	17	2	22	41
6	7	22	4	39	20	2	22	12	20	32	5	22	16	43
12	6	20	9	47	7	12	19	3	14	17	11	20	20	51
14	15	3	15	47	3	17	20	9	3	12	18	17	18	★ 53
11	3	4	19	37	14	14	28	22	11	33	14	16	4	34
16	18	14	7	55	10	13	23	6	9	15	13	14	8	35
22	19	2	18	61	1	21	22	1	15	16	20	1	5	26
1	14	18	17	50	18	3	21	20	6	26	7	13	7	27
2	1	21	13	37	19	7	26	11	19	30	4	6	21	31
8	10	15	16	49	15	5	20	15	7	22	8	11	13	32
10	13	6	8	37	12	15	27	21	5	26	9	10	12	31
13	9	11	3	36	16	8	24	13	16	29	6	12	14	32
18	21	10	12	61	4	16	20	4	1	5	22	3	1	26
5	16	5	6	32	17	6	23	5	17	22	2	18	10	30
15	4	1	1	21	9	20	29	17	12	29	10	4	11	25
9	12	8	11	40	11	11	22	7	8	15	12	5	3	20
3	2	19	5	29	22	1	23	2	10	12	3	8	17	28
4	5	17	2	28	21	4	25	19	4	23	1	7	6	14

Management Cup J2 Analysis

1st Stage: Marketing

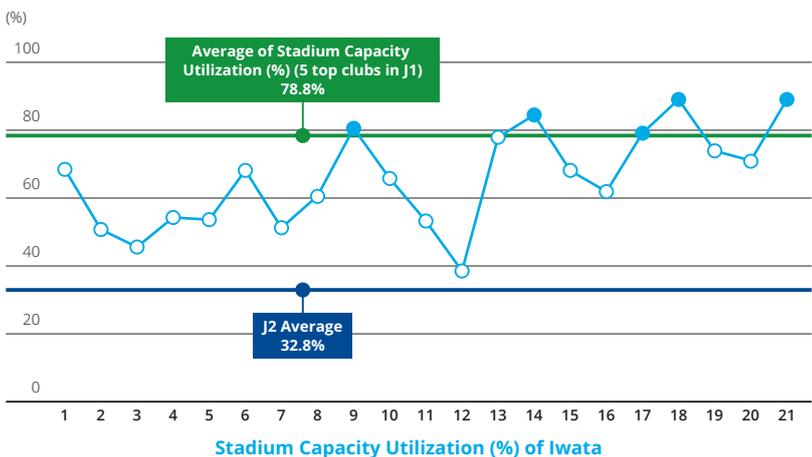
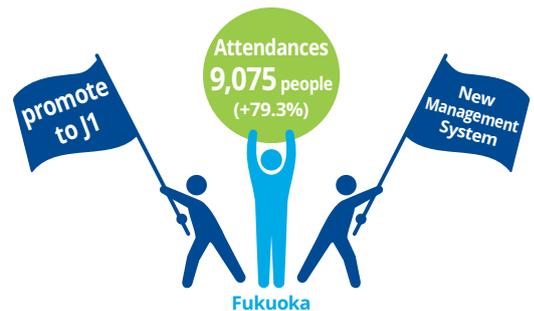
The 2015 season saw a slight increase to Average Attendance the premise for a 'sold-out stadium'; however, the New Attendees/Total Attendance(%) fell slightly. It is a fascinating point that Fukuoka, who increased their Average Attendance the most, likely did so through the effects of thoroughly implementing BM measures.

Average Attendance

J2 Average : 6,879 people (+290 people, +4%)

The impetus behind this rise could be identified as the increase of the number of clubs with over 10 thousand Average Attendance from two to four. Major factor behind this, in particular, was Iwata, the J1-entrant who kept themselves within the range of rising to J1 from the beginning of the 2015 season, and Chiba, the original 10, who again engaged in activities closely linked to their region, such as carrying out big flag projects by calling out their fans to bring their Average Attendance of over 10 thousand people.

Fukuoka was the club within the J2 that grew their Average Attendance the most among the J2 clubs. Their promotion in league position to J1 served as one factor; however, it was distinctive that their management structure was refurbished in 2014 after an injection of capital from Apamanshop Holdings Co., Ltd, and the direction of the club management came into focus. Their number of attendance is thought to have drastically improved due to the BM-measure efforts they made each match to attract attendances, such as through a partnership with Yoshimoto Kogyo Co, Ltd.



Stadium Capacity Utilization(%)

J2 Average : 32% (-0.9P, -2%)

The club with the highest Stadium Capacity Utilization(%) in the J2 was Iwata with 66.2%. One factor that pushed this KPI high was their increase in the number of attendance through their continued position within the range of rising to J1 and their football-exclusive home stadium with a capacity for 15,165 people.

Conversely, Sanuki and Tokyo-V, whose Attendance Attraction Rate were low in the J2, have the factors to push down this KPI owing to an imbalance between the number attendances and stadium size. However, in terms of points, both clubs have improved with +1.5P and +0.9P, respectively, and we look forward to their results next season and beyond.

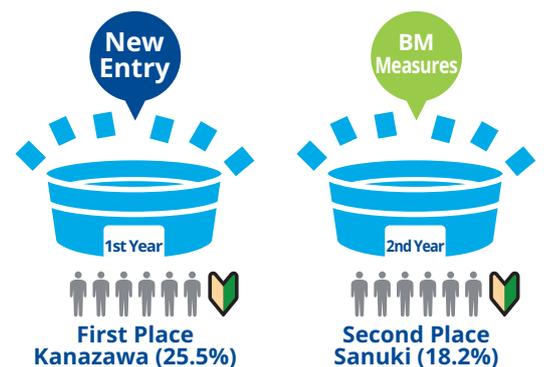
We believe it will be important to consider how to use a home stadium of an appropriate size to provide the attractive content that is a 'sold-out stadium'.

New Attendees/Total Attendance(%)

J2 Average : 6.7% (-0.4P, -5%)

The highest level of this KPI among J2 was 25.5% by Kanazawa, which newly entered J2 from J3 in the 2015 season; however, this KPI is falling overall with the promotion of Matsumoto—who were at the highest level of the previous season—to J1 as well as the major drop in the New Attendees/Total Attendance(%) of clubs that were down positioned into J2.

Next to Kanazawa in the New Attendees/Total Attendance(%) was Sanuki. Despite Sanuki's drop in New Attendees/Total Attendance(%) from the 34.6% they had the previous season when they first rose to J2, their level is roughly three times more than the J2 average at 18.2%. One factor to this could be their active implementation of BM measures, such as the selling of the 'Eleven Ticket' that offers a special discount for 11 people to see a match for the price of 10, targeting people who have never been to their stadium, and based on their



catchphrase 'catching up from the bottom of Average Attendance.' The management of Sanuki has cited Matsumoto, said to be a model private club, as their benchmark club, and they say they are studying various methods to attract attendances etc. We believe that it is important, in terms of improving this KPI, to make efforts to hold the strong points of other clubs like this as a benchmark, apply this to one's own club and actively carry out BM measures.

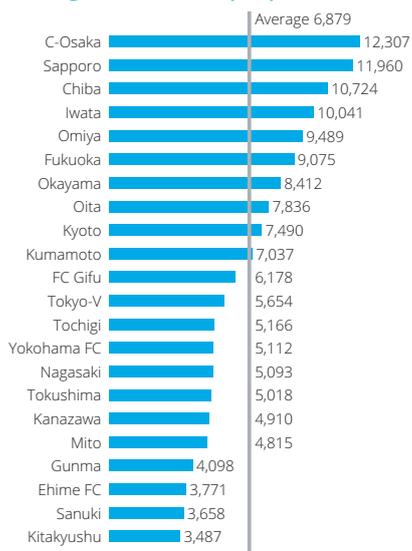
Average Spend

J2 Average : 3,138 yen (+118 yen, +3%)

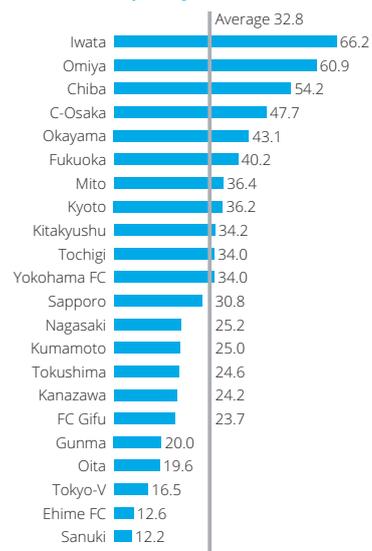
Thirteen clubs among 18 clubs, excluding four that have promoted or relegated in the league position, have increased their Average Spend. Fukuoka, in particular, saw a 51.7% increase over the previous year. The improvement of this KPI was likely linked to the boosted income from the refurbishment of the management system of Fukuoka, as well as the club's implementation of BM measures, such as taking steps to attract attendances from regional companies and event projects etc.

Examining clubs that promoted or relegated in league position, Kanazawa, who rose from J3, increased this KPI to 2,327 yen, approximately two times the previous season, and Omiya and C-Osaka, who dropped in league position from J1, saw a decrease by about 20-25% from the previous season. Tokushima was the only club among the clubs to drop in league position to increase this KPI from the previous year; but, the factor behind this is thought to be the revenue received from the trade of a foreign player to the Middle East. Even with the merchandise Revenue included in Other Revenue that serve as the basis for the calculation of this KPI, there is the issue of the large effect on this KPI of the inclusion of revenue from player trades and prize money, as well as other content that do not directly relate to Average Spend. If clubs aim to use this as an effective benchmark KPI for management analysis, a system should be put in place that shares from the league or the club information that further subdivides the broken-down of Other Revenue items.

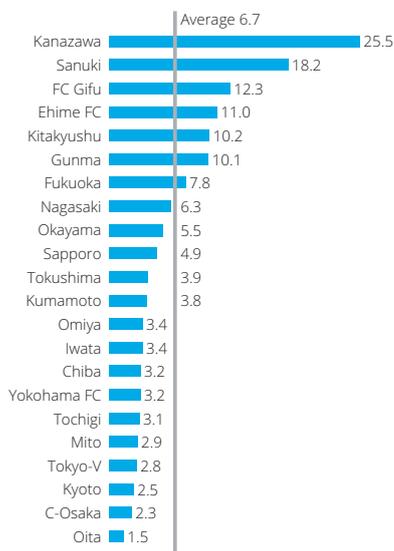
Average Attendance (people)



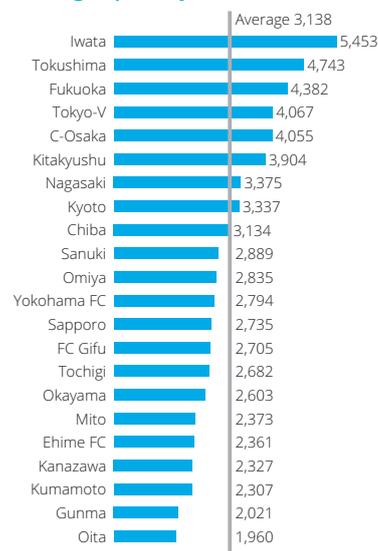
Stadium Capacity Utilization (%)



New Attendees/Total Attendance (%)



Average Spend (yen)



2nd Stage: Management Efficiency

The average of Field Wage Costs/Points Won increased greatly compared with the previous season.

It's believed that C-Osaka had a large effect on this. They aimed to get reinstated in J1 in a year and BM made the decision to keep field wage costs high, but no results could be produced in FM against all expectations.

Field Wage Costs/Points Won

J2 Average : 9.5M yen

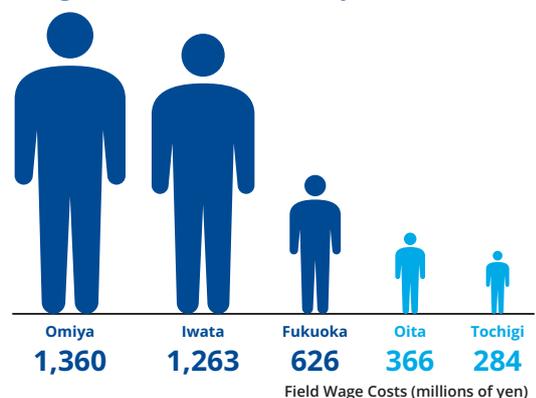
(+1M yen, +21%)

The primary factor behind this major increase to the total amount of Field Wage Costs in J2 (9,833 → 12,402 million yen) were Omiya and C-Osaka, who had league position in amounts that exceed the J1 average, dropping in league position to J2, while Matsumoto and Shonan rose in league position to J1 with Field Wage Costs at the J2 average level.

In an analysis of the 18 clubs, excluding four clubs that made it to J2 from the 2015 season, with Field Wage Costs/Points Won rising by 6.9% and total Field Wage Costs rising by 5.2%, there were no major shifts overall. However, it is interesting that the only club to have barely made it up to J1, Fukuoka, increased their Field Wage Costs by 209 million yen (up 50.1% over last year). However, Chiba, Kyoto, and FC Gifu, who have long been playing in J2, invested a proportionate amount of Field Wage Costs, but were not lucky with match victories, and had Field Wage Costs/Points Won of 10 million yen for two consecutive years.

On the other hand, four clubs joined J2 from the 2015 season, and Omiya, C-Osaka and Tokushima, who dropped from J1 to J2, reduced their Field Wage Costs/Points Won while keeping their field capacity about the same. As a result, the Field Wage Costs/Points Won largely improved. Additionally, Kanazawa, who promote in league position from J3 to J2, augmented their Field Wage Costs by about twice, which led to worse Field Wage Costs/Points Won.

Large ← Number of Players → Small



Field Wage Costs, from the perspective of FM, are proportionate to the number of players. The more players there are, the more player fatigue can be distributed, and the more tactics can be developed tailored to opponents. Oita and Tochigi, which were demoted to J2 for the 2015 season, had Field Wage Costs 40-50% lower than the J2 average, and it can be surmised that this is why they were not fortunate in terms of players. The Points Won accumulated by both of these clubs in the remaining 10 sections were extremely small in number—Oita had nine, while Tochigi had four—and it seems possible that there were not enough players to last out in the end, when their fate was decided.

In contrast, in the remaining 10 sections, Omiya, Iwata, and Fukuoka scored approximately 3.6 times the Points Won of the teams that relegated in league position with 18, 24, and 28, respectively and won the promotion. We believe this to be an example that demonstrates the large effects on FM that can be obtained if the financial resources for Field Wage Costs can be fully secured by BM measures.

Matchday Revenue/Points Won

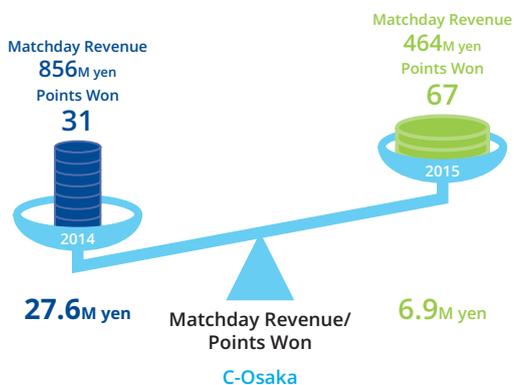
J2 Average : 3.3M yen

(+0.2M yen, +7%)

We believe the primary factors behind the increase of this KPI were the relegating in league position to J2 of C-Osaka, who obtained matchday revenues of 856 million yen for the previous season, while Matsumoto and Shonan, who could only obtain matchday revenue of less than 300 million yen, promote in league position to J1.

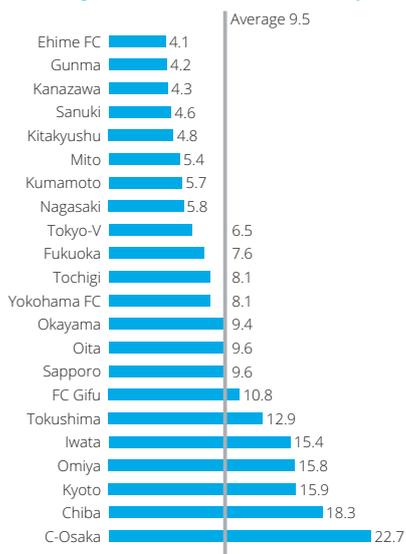
Examining 18 clubs, excluding the four clubs who joined J2 from the 2015 season, there were almost no changes to Matchday Revenue/Points Won, and there were no changes worth mentioned of the total amount of matchday revenue as well.

Examining the four clubs that joined J2 from the 2015 season, Omiya, C-Osaka and Tokushima, who dropped in league position from J1 to J2, all saw reductions in Matchday Revenue/Points Won. This was particularly the case with C-Osaka, whose Matchday Revenue dropped in half from 856 million yen to 464 million yen, but were able to score many points in the main forum of J2, leading to a dramatic drop in Matchday Revenue/Points Won from 27.6 million yen to 6.9 million yen. This is believed to demonstrate the reality that a match victory could be provided at a price less expensive than J1 for fans who came to see their matches, while simultaneously showing the relative reduction of the value of a Point Won. Kanazawa, who rose in league position from J3 to J2, increased their Matchday Revenue/Points Won by around 4.7 times from 0.3 million yen to 1.3 million yen. The roughly 3.7 times increase of their Matchday Revenue from 20 million yen to 74 million yen is believed to be the cause of this.

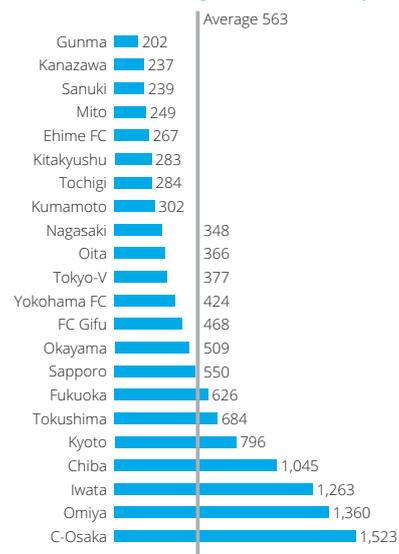


The amount of Matchday Revenue is also likely influenced by the attractiveness of a match, and can be a barometer to accurately visualize the value of victory. When examining BM measures, more effective measures can be brought to bear not only by evaluating with this KPI, but also analyzing in conjunction with measures like satisfaction surveys of attendances.

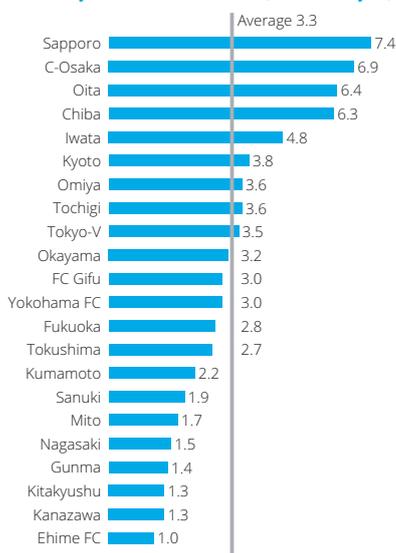
Field Wage Costs/Points Won (millions of yen)



(for reference) Field Wage Costs (millions of yen)



Matchday Revenue/Points Won (millions of yen)



3rd Stage: Management Strategy

For Matchday and other Revenue/SG&A linked to indirect investment, Fukuoka, who strengthened their BM measures, was the only club among all 53 clubs to achieve over 100% investment efficiency.

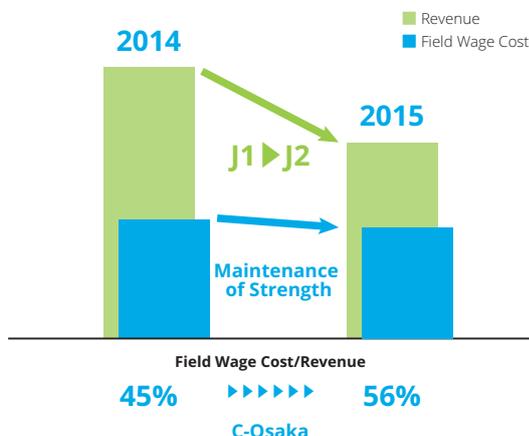
The interesting point indicated here was that J2, depending on how they went about it, can produce results.

Field Wage Cost/Revenue

J2 Average : 40% (+1P, +3%)

This KPI is generally said to be better below 50%, among the 22 clubs of J2, 21 clubs, with the exception of C-Osaka, are at 50% or less and can be deemed to generally be in sound shape.

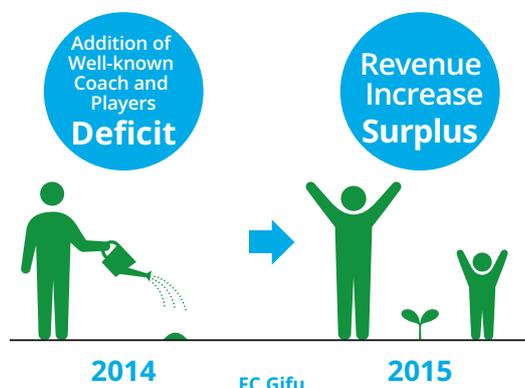
It was C-Osaka, who fell in position from the J1, that had the highest value of 56% for the 2015 season. This is likely due to a reduction in total attendances by 100,000 (367,651 → 270,773 people) and the slumping of ticket and merchandise Revenue through the season after the tapering off of the 'Forlan effect' in the previous season and the 'Cerezo Ladies' boom that had continued from the 2013 season, as well as the upheaval of their drop in position to J2. Matchday Revenue (-392 million yen) and other income (-538 million yen) particularly had a large effect.



FC Gifu, who had the highest Field Wage Cost/Revenue during the previous season, saw the largest decrease among all the 18 clubs that played in J2 for the last two seasons with a drop of 14P from 61% to 47%. One factor showing growth in revenue exceeding Field Wage Costs was the increase in advertising Revenue.

The advertising revenue of FC Gifu continued with strong growth from 266 million yen in 2013, to 380 million yen in 2014, and then 516 million yen in 2015. The addition of a famous coach and players in 2014 saw the expectations

of sponsors grow, yet the increase in Field Wage Costs and posting of a deficit was the other side of the increase to advertising revenue. However, growth in Revenue in 2015 that could absorb these costs allowed for a final surplus for the first time in two terms. This is likely the result of BM measures to invest in the team, even if deficits were strategically posted in some cases.



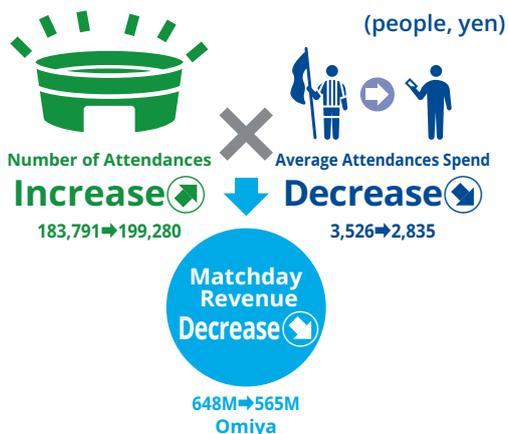
Matchday Revenue, which doubled from 2013 to 2014, moved downwards in 2015, and this is deserving of attention in the medium to long-term club management in the future. For clubs that have expanded Revenue and improved their profit level, the measures they take to gain further increases will be subject to increased scrutiny in the future.

Matchday and other Revenue/SG&A

J2 Average : 1.18M yen (+0.06M yen, +6%)

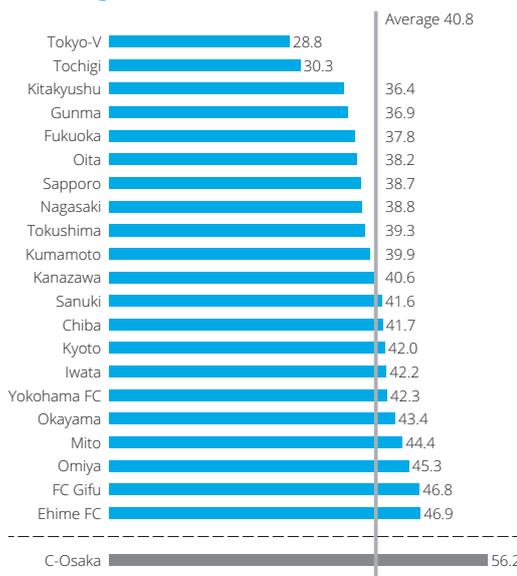
This KPI indicates to what extent costs categorized as SG&A are linked to revenue. The revenue subject to analysis here is only Matchday Revenue and other revenue excluding advertising revenue, J-League Distribution and academy revenue. (For more details, see the J1 analysis) Fukuoka was the club in the 2015 season that made the most efficient use of SG&A, with a KPI value of 2.05 million yen. The club that had the toughest time was Omiya with 640 thousand yen.

As stated above, Fukuoka largely increased this KPI by 76% through the active implementation of BM measures, such as the refurbishment of the management structure through an injection of capital from Apamanshop Holdings Co., Ltd in 2015, a partnership with Yoshimoto Kogyo Co, Ltd, and events, like the invite of a pop group for the 'Level5 Stadium 10,000 People Project'. Omiya 's KPI of 740 thousand yen at that point last year dropped to 640 thousand yen. This is likely due to sluggish Matchday Revenue and merchandise revenue due to their drop in league position to J2. Even while they maintain their top position from the middle of the season and work to promote to J1 one year after their drop in league position, they could not exceed the previous year's KPI level.

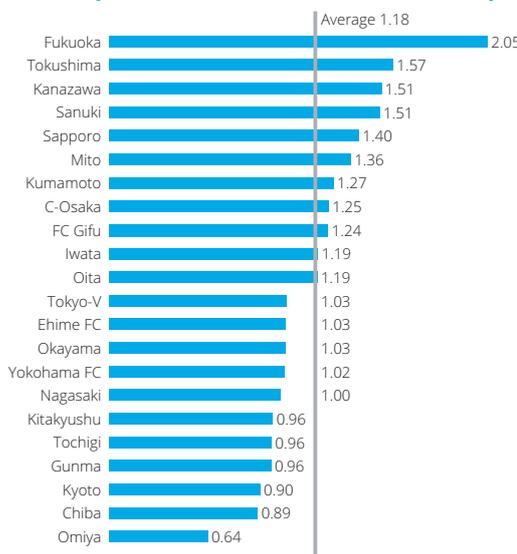


The club with the highest rate of increase from 2014 was Kanazawa, who rose in league position from J3 to J2 in the 2015 season. Their promotion in league position to J2 captured attention and their stadium attendance numbers increased. Additionally, their New Attendees/Total Attendance(%) was the highest in J2 at 25%, and their increase of exposure in the media accompanying their promotion in league position caused their number of attendances to surge. Besides, they also doubled their Average Spend, including tickets and merchandise, etc. The popularity surrounding their promotion to J2 and the increase in media exposure made 2015 a year of free publicity for them. We will continue to watch them to see what investments they make to link this increased Matchday Revenue to sustained club growth.

Field Wage Cost/Revenue (%)



Matchday and other Revenue/SG&A (millions of yen)



4th Stage: Financial Condition

The Revenue Growth Rate was the average value that ultimately retreated the most. Among the overall sluggish trends in growth, Kanazawa, who was among those clubs that rose in position, and Fukuoka, who were successful in their BM measures, resisted this.

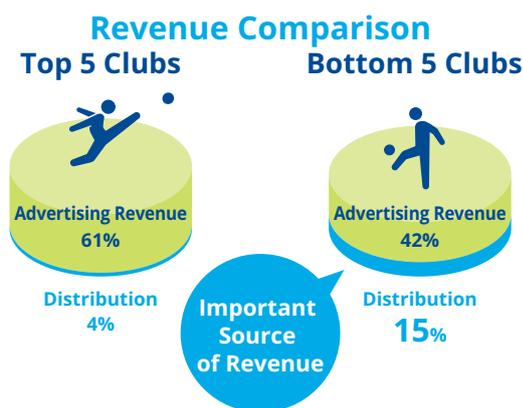
It is crucial for each club to promote initiatives oriented on the expansion of business.

Revenue

J2 Average : 1,344M yen
(+228M yen, +20%)

Omiya was the club in the 2015 season to post the largest Revenue in J2, with 3,005 million yen. Compared with Gunma, the club with the lowest Revenue in J2 at 548 million yen, this is roughly 5.5 times the business scale.

When we compare the profit structure of the top five clubs and bottom five clubs of J2, we see a different in the ratio of advertising Revenue and J.League Distribution. The J.League Distribution for the bottom clubs appear to be a more important source of profit. However, since J.League Distribution are not a type of income that can be increased through a club's individual effort, it must be noted that improvement cannot be achieved with BM measures alone. Thus, while clubs make use of J.League Distribution, etc., we believe it is also important to utilize or further strengthen sponsorship rights, so-called sponsor activation, so that the appropriate recognition can be gained from stakeholders of unseen value, like the power of the club brand and the contributions made to the regional community.



Another issue faced by J2, we believe, is the low level of Matchday Revenue. Compared to the average 712 million yen of J1, J2 comes in at around ¼ of this with an average of 180 million yen. Matchday Revenue is calculated by multiplying the number of attendances by the ticket price; and, this is an area where these factors can be largely improved through BM measures. Effects like match performance cannot be ignored, of course; however, we believe that there is still room for BM measures to be taken, such Marketing activities based on CRM and the creation of a business environment in cooperation with the League.

Revenue Growth Rate

J2 Average : 7.6%
(-7.5P, -50%)

We believe that the difference in Revenue Growth Rate of clubs new to the League is a major factor in this reduction. In contrast to the 93.4% Revenue Growth Rate of Kanazawa, who rose from J3 in the 2015 season, it was the imposing Revenue Growth Rate of 165.5% by Sanuki, who entered J2 from the JFL, in the previous season that was likely behind this.

Fukuoka, who had a high Revenue Growth Rate of 74.7% next to Kanazawa, who rose in league position, recorded an extremely high +65.9P over the previous year. The largest factor behind this is believed to be the addition of Apamanshop Holdings Co., Ltd to Fukuoka's capital base in 2014, the refurbishment of their management structure, and the thorough strengthening of their BM measures. Their sales system was increased from six people to 23 people (as of April 2016), and their number of official sponsors rose from approximately 100 companies to over 1,000 giving them advertising revenue of 474 million yen, a 140 million yen increase year-over-year.



An increase larger than advertising revenue came from other revenue, which increased greatly from 115 million yen of the 2014 season to 640 million yen of the 2015 season. Although prize money and money from player trades, etc. had an effect, we believe this example underlines the scale of influence of BM measures, including the synergistic effects on FM of a promotion to J1.

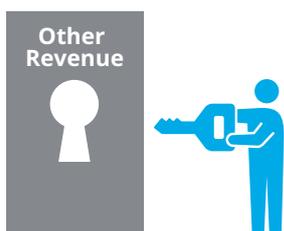
When carrying out a financial analysis of clubs, the amount that includes other revenue is unclear, and may prevent a suitable analysis. To achieve a bottom-up approach for the League as a whole, it is a pressing issue to establish an environment that allows for an effective analysis of club management from the perspective of finances as well. To accomplish this, we have our expectations placed in a system that allows for the disclosure of more detailed financial information with the cooperation of the leagues and clubs.

Equity Ratio

J2 Average : 32.5% (+3.6P, +13%)

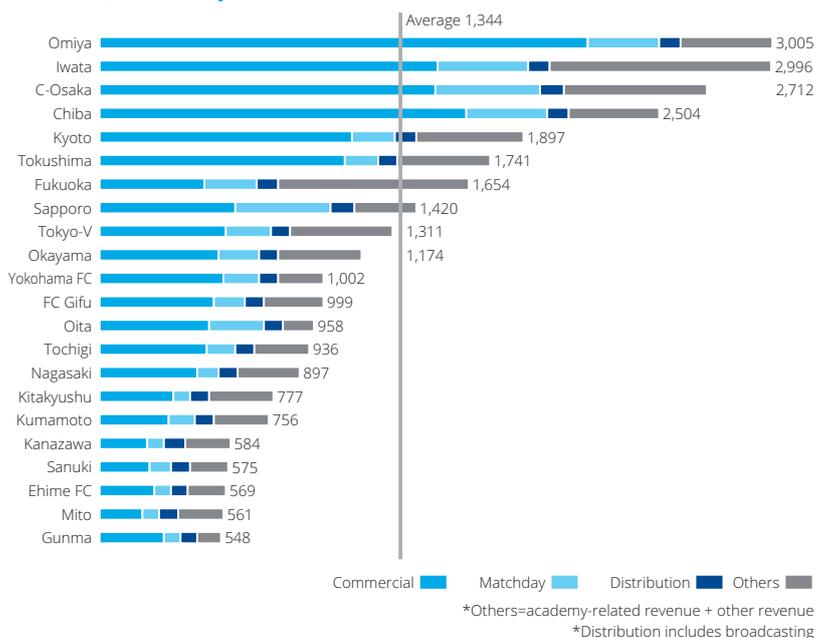
As the result of the influence of the Financial Fair Play Standards in the club licensing system that came into effect from the previous season and the work done by clubs to bring their financial standing back to good health, good results have been produced, with all clubs having achieved a positive Equity Ratio, and with the exception of six clubs, an increasing trend over the previous year. However, there are five clubs with the Equity Ratio of 20% or less—an amount deserving of general attention in business—and requiring further improvement.

Despite there being both arguments in favor and against the club licensing system, we believe this to be a good system from the standpoint of preventing the disbanding of clubs focused on regional revitalization. Yet, we believe there is still room to explore if there are more appropriate standards for the leagues and clubs alike, such as revising the evaluation criteria of the FFP standards, and we will pay close attention to such future responses.

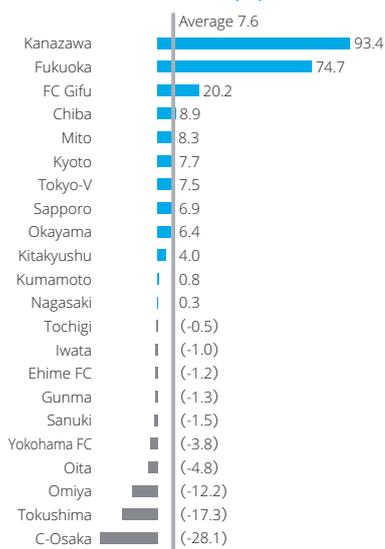


Detailed financial condition should be disclosed

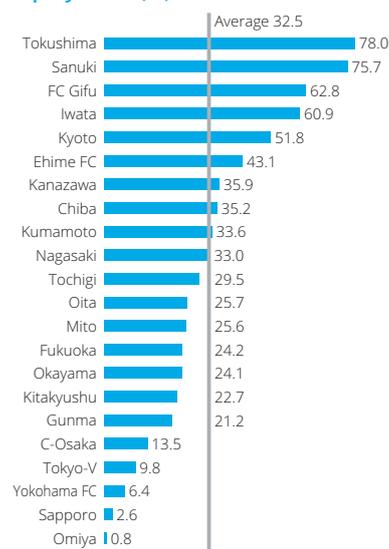
Revenue (millions of yen)



Revenue Growth Rate (%)



Equity Ratio (%)



J2 Cup Winner Analysis

Avispa Fukuoka

In the 2015 season of the J-League Management Cup, Fukuoka, scoring high points in mainly Marketing and strategy, made a tremendous leap up from their 17th place in the previous season to become victorious.

We believe the major impetus behind this was the refurbishment of the management structure and the improvements made in the field of BM. We interviewed Fukuoka president, Takashi Kawamori, and conducted an analysis, as only Deloitte Tohmatsu can, on the club ideology, policies and specific efforts.

The Importance of Executing Commonsense

In 2014, Fukuoka was financed by Apamanshop Holdings Co., Ltd and Kawamori assumed the position of president in 2015. President Kawamori commented on his impressions when he first assumed his position: 'Commonsense things in a regular Limited company were not being done,' 'there is little customer-oriented conscientiousness.'

Fukuoka began taking increased action in 2015 that an regular Limited company would take, like 'visualizing objectives' and 'reporting activities to sponsors.'

In visualizing objectives, they set numerical goals in their policies and began to objectively confirm how the results of their policies were compared with their numerical goals. One of these specific examples is their Administration Table of Attendance. The club manages attendance attraction goals against actual numbers by target levels categorized into 40 to 50 items for every match, and the proximity of reaching these goals is visualized for each manager.



Visualize Data in Every Match

What's interesting is that there is a system in place which includes the leading manager of enhancing the playing capacity, the top of the field management, and academy directors in management meetings, where this information is shared, and this exchange of information between BM and FM works to improve mutual understanding and ties. The top team isn't the only one affected by the numbers, the front staff is as well, and both work hard, successfully drawing out a feeling of unity in the club. Additionally, Fukuoka is committed to transparency measures, such as distributing the Management Plan containing the club's ideology, Financial Conditions and future plans, etc. to not only front staff but all field players, and grants the right to all employees to view the profits and losses of the club.



Management Business Plan to be shared to all!!

Linking BM and FM is indispensable for the sports business, and we believe one factor behind the large increase in Average Attendance for the 2015 season was the assessment of issues facing the club through this kind of PDCA cycle and the steady application of improvements.

Also, in terms of the perspective of reporting to sponsors, ordinary listed companies present their investors with information in the form of materials to assist their investment decisions, such as information concerning corporate performance, activities and future plans. Of course a J-club is not a listed company, but it attracts a lot of social attention as a company dealing sports as business, we believe providing transparent reports on activities is the precondition to securing stable sponsors. However, while most J-clubs report their competition results, the clubs that regularly report on their ideology, initiatives and activities as a club are few, and it remains unclear how the money is being used that sponsors have invested. Thus, it seems difficult for a sponsor to judge the value of their investment, and we do not foresee any dramatic increase in sponsor numbers or values.

Fukuoka carries out commonsense business practices as needed, and their policy of building a club business foundation as the first step to becoming a 10-billion yen club has spurred them to start creating not only football reports, but also separate business initiative reports, which they regularly provide to their sponsors.

These measures have produced a growth of 10 times the amount of sponsors and 1.8 times the Average Attendance and Revenue in one year, which is amazing within the same category. We believe it is important to push forward with these activities going into the future.

A Sense of Unity with the Regional Economic Community

Fukuoka, aiming to become a club closely linked to its region, set up a free membership organization known as Avispa Global Associates (AGA) beginning in the 2015 season.

Based on the following three basic principles, the AGA actively shares information and aims to develop the club and their regional community through briefing sessions and an e-mail newsletter.

- Develop alongside regional people, as a sports club deeply rooted in their community
- Use sports to inspire and excite children, and give the community a sense of pride and vitality
- Build a new community of sports lovers, and contribute to the creation of a rich sports culture open to the world

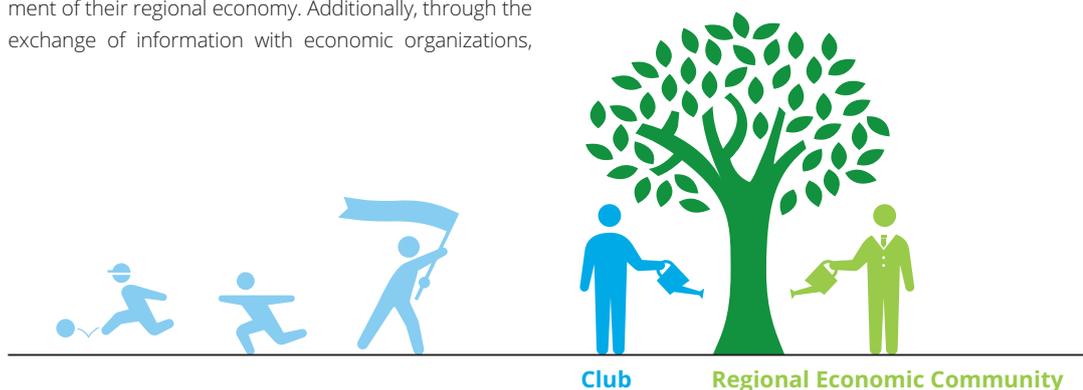
Distinctive about the AGA is that a lot of the listed members are well-known economic organizations in Kyushu region. By taking the initiative to create a social exchange platform with economic organizations sympathetic to their club ideology, Fukuoka contributes to the development of their regional economy. Additionally, through the exchange of information with economic organizations,

the groundwork is created to gain support for measures planned by the club, and this yields positive business effects, and a positive feedback loop ensues where the development of the community through sports comes back to reward the club.

Despite the fact that regional companies wish to contribute to the region where they reside, there are many companies that are at a loss as to what actions to take. In these conditions, it is of great significance for a club to take the lead to direct the development of a region through sports, and contribute to the development of a region while involving local companies. Fukuoka, thus, embodies the community-tied club that the J-League holds as ideal. In this sense, we believe that Fukuoka's AGA serves as a fine example to other J clubs.

Future Potential

Despite Fukuoka attempting to rebuild themselves through the strengthening of BM measures in the 2015 season, we believe they have only just built the groundwork for running their club. Yet, with this kind of firm groundwork, businesses always subsequently grow large. President Kawamori has already made use of this groundwork to begin on the next set of measures. Having allied themselves with their local economy and with the benefit of their geographical location as the doorway to Asia, we will continue to closely follow the future developments of Fukuoka to see how they will achieve their goal of becoming a 10-billion yen club.



SNS Analysis

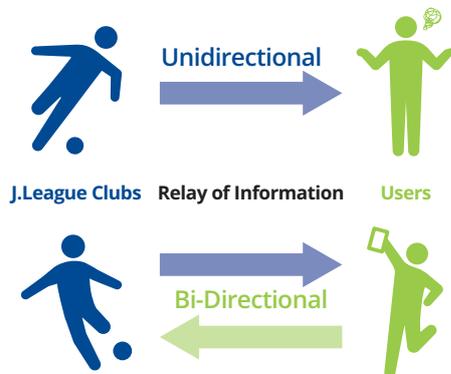
Digital Marketing has become an indispensable element to resolving the challenges of gaining new attendances and increasing current ones for J-League, and J-League holds the 'use of digital technology' as one of its five key strategies.

In the following column, we would like to cast an objective light on the current use of SNS among J clubs, and review the progress of J-League's use of digital technology.

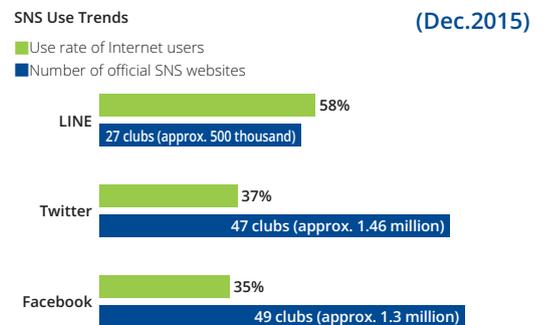
The Digital Marketing Era

Digital Marketing is one major pillar of BM measures. In recent years, the presence of this field has grown dramatically in size, and we believe that J-League's efforts to use this field are currently insufficient. As part of developing a digital common infrastructure, J-League has gradually fielded measures to gather data and reduce the work burden on clubs; however, there have been criticisms of a lack of personnel to effectively use this technology, including among even the clubs.

Yet, smartphone ownership has climbed to 69.2% (source: Hakuodo DY Media Partners Incorporated) in 2015, and the bi-directional communication of information, as opposed to the unidirectional means of TV, has become the new normal. There has been a major paradigm shift where users now obtain only the information they need at the times they need it, and J-League and J clubs can no longer ignore how to respond to these conditions.



According to a publicly-released SNS use trend survey in 2015, the SNS use rate of Internet users in Japan is 58% with LINE, 37% with Twitter and 35% with Facebook; however, the number of clubs that have set up their own official SNS page are 27 clubs on LINE (approx. 500 thousand people), 46 clubs on Twitter (approx. 1.46 million people), and 51 clubs on Facebook (approx. 130 million). The few official club pages on LINE, with its high rate of use, is likely an issue for the future; however, for the time being, we have assembled the status of use and trends therein for Twitter and Facebook, who enjoy the most followers among the official club SNS sites, as of December 2015. In contrast to Facebook, which requires the search of topics and the uploading of pictures or movies in conjunction with articles, Twitter, which allows the easy relay of information in text form only, tends to be utilized more often. We presume that this is not just about the quick and easy nature of posts for users, but this is also largely influenced by the capabilities of those that communicate information.



Ranking of Followers by Club

Among the 52 clubs from J1 to J3, the club with the most followers was C-Osaka in J2. They held 13 times more followers than the all-club average, and in comparison with Kawasaki-F, the club with the second most followers, Osaka has a commanding lead with four times as many followers. The primary factor behind this is believed to be the joint sales strategy they have in Southeast Asia with their main sponsor, Yanmar.

Football enjoys overwhelming popularity in Southeast Asia, and, in addition to the partnership they have with the Bangkok Grass Football Club in Thailand, C-Osaka has also gained the trust of local fans and supporters by holding

charity matches and events in Myanmar and Indonesia. They have also set up Thai and Bahasa Indonesia versions of their website. Yanmar is also known to be a company that has actively invested in football in the past. They use their status as the main sponsor of C-Osaka to grow yearly Revenue of farm equipment, their main product, in Southeast Asia—home to many major food-producing countries. Moreover, the number of Facebook users in Southeast Asia is far greater than Japan—in contrast to Japan's 24 million active FB users, Thailand has 38 million and Indonesia has 79 million.

It is these confluence of factors, we believe, that has led to the success of C-Osaka to obtaining an overwhelming number of followers.

The top 5 growing clubs in this area recently (August 2016) are Fukushima (439%), Gunma (121%), Yamagata (98%), Kumamoto (81%) and Kashima (74%). The average growth for all clubs is roughly 45%, and this seems to indicate that all clubs have begun to focus on creating portals for their fans and supporters using SNS. The live streaming service created through a tie-up with Perform Group, U.K, just announced in July 2016 also has a high degree of compatibility with SNS, and we believe this trend will continue to accelerate going into the future.

The Potential of SNS

There's no disputing that SNS, with its abilities to create direct links with fans and supporters at low cost to clubs, will become the foundation of digital Marketing.

The actual Correlation coefficient of followers to Average Attendance (excluding C-Osaka, with its many followers who cannot physically go to a stadium to see a match) is 0.85, and this demonstrates a strong positive correlation. This indicates that the use of SNS is linked to an increase in Average Attendance. Additionally, we also believe that this tool allows direct input from fans and supporters, something that was previously difficult to obtain.

Having the customer's perspective is indispensable for J-League to develop as a sports business, and we believe that the presence of SNS as a powerful tool to accomplish this will only increase in the future.

We will continue to visualize and measure the trends of each club and pay close attention to the efforts of the leagues and clubs in the future.

Ranking by Twitter + Facebook Followers

	League	Club	Followers	Average Attendance
1	J2	C-Osaka	697,253	12,308
2	J1	Kawasaki-F	174,566	20,999
3	J1	Yokohama F·M	171,139	24,221
4	J1	Urawa	156,618	38,854
5	J1	FC-Tokyo	136,858	28,784
6	J1	Hiroshima	129,169	17,506
7	J1	G-Osaka	113,804	16,102
8	J1	Nagoya	107,416	16,240
9	J1	Kashima	103,089	16,423
10	J1	Niigata	69,420	21,936
11	J1	Shimizu	64,813	14,803
12	J1	Kashiwa	63,287	10,918
13	J2	Iwata	59,007	10,041
14	J1	Matsumoto	52,496	16,823
15	J1	Shonan	51,085	12,208
16	J2	Omiya	46,673	9,490
17	J2	Fukuoka	38,471	9,076
18	J2	Sapporo	33,793	11,960
19	J2	Tokyo-V	30,486	5,655
20	J1	Tosu	30,330	13,450
21	J1	Kofu	27,081	11,297
22	J1	Kobe	26,529	16,265
23	J2	Yokohama FC	26,273	5,113
24	J2	Kyoto	23,714	7,491
25	J2	Chiba	22,708	10,725
26	J2	Nagasaki	22,548	5,093
27	J2	Mito	22,343	4,816
28	J1	Yamagata	21,867	10,030
29	J2	FC Gifu	20,503	6,179
30	J3	FC Machida	16,872	3,997
31	J2	Kumamoto	16,810	7,037
32	J2	Tokushima	16,069	5,019
33	J2	Kanazawa	15,110	4,910
34	J2	Kitakyushu	14,379	3,488
35	J2	Tochigi	13,924	5,167
36	J2	Sanuki	13,715	3,658
37	J3	Yamaguchi	13,664	4,367
38	J3	Nagano	12,504	4,733
39	J2	Ehime FC	12,420	3,771
40	J3	Sagamihara	11,815	3,291
41	J3	FC Ryukyu	10,797	1,498
42	J3	Toyama	10,727	2,820
43	J1	Sendai	9,174	14,924
44	J2	Oita	9,146	7,837
45	J3	Akita	7,158	1,998
46	J3	Morioka	6,321	1,239
47	J3	YSCC Yokohama	4,527	919
48	J3	Tottori	3,901	1,932
49	J2	Gunma	2,974	4,099
50	J3	Fujieda	1,762	1,103
51	J3	Fukushima	175	1,289
52	J2	Okayama	0	8,412
		Total	2,767,283	502,313
		Average	53,217	9,660

Correlation coefficient (all clubs) 0.426
 Correlation coefficient (excluding C-Osaka) 0.853

Data as of December 2015

J3 Ranking

Renofa Yamaguchi FC Captures a Whirlwind Victory After Newly Entering the League!

Yamaguchi is the winning J3 club of Management Cup 2015.

Yamaguchi earned third place in the field of Marketing, first place for both Management Efficiency and Management Strategy, and second place for Financial Condition. They barely outstripped the runner-up, Nagano, to claim their victory.

Yamaguchi made use of their first year playing in J-League to successfully boost their attendances to roughly seven times that of their time in the JFL. They are a well-balanced club that not only made use of their popularity to significantly grow Revenue through BM measures, but they also secured their place as the J3 champions through their FM. All eyes will be on them in the future, including during the next season with their promotion to J2.



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BM point 2015

J3

Ranking (for reference) Total BM points
2014 ranking

J3	Ranking	(for reference) 2014 ranking	Total BM points
 Yamaguchi	1 ↑	—	94
Nagano	2 ↓	1	92
FC Machida	3 ↓	1	81
Tottori	4 ↑	6	70
FC Ryukyu	5 ↓	4	67
Sagamihara	6 ↓	5	62
Akita	7 ↑	11	59
Fukushima	8 ↓	3	57
Toyama	9 ↓	22*	55
YSCC Yokohama	10 →	10	49
Fujieda	10 ↓	8	49
Morioka	12 ↓	6	45

*Indicates division ranking for the 2014 season.



1st Stage: Marketing

2nd Stage: Management Efficiency

3rd Stage: Management Strategy

4th Stage: Financial Condition

Average Attendance	Stadium Capacity Utilization(%)	New Attendees/ Total Attendance(%)	Average Spend	Total	Field Wage Costs/ Points Won	Matchday Revenue/ Points Won	Total	Field Wage Cost/ Revenue	Matchday and other Revenue/ SG&A	Total	Revenue	Revenue Growth Rate	Equity Ratio	Total
11	7	—	7	25	10	11	★ 21	10	12	★ 22	8	12	6	26
12	10	—	8	★ 30	2	12	14	3	11	14	12	11	11	★ 34
10	11	—	6	27	6	8	14	4	10	14	10	9	7	26
6	6	—	12	24	4	10	14	9	8	17	9	2	4	15
5	2	—	11	18	8	1	9	8	9	17	5	6	12	23
9	8	—	1	18	9	7	16	6	6	12	4	7	5	16
7	12	—	3	22	7	4	11	5	4	9	6	8	3	17
4	3	—	10	17	5	5	10	7	3	10	7	3	10	20
8	5	—	4	17	1	9	10	2	5	7	11	1	9	21
1	1	—	9	11	11	6	17	12	1	13	2	4	2	8
2	4	—	2	8	12	2	14	11	2	13	1	5	8	14
3	9	—	5	17	3	3	6	1	7	8	3	10	1	14

Management Cup J3 Analysis

1st Stage: Marketing

The J3 average for the Stadium Capacity Utilization(%) fell below 20% in 2015. Examining this situation in reverse, this indicates that many stadia have roughly 80% empty seats. This is quite a far state of affairs from the revenue-generating sold-out stadium.

Average Attendance

J3 Average : 2,432 people (+185 people, +8%)

As we mentioned in the JMC from last season, J3 attendances are characterized by their correlation with Points Won. The Correlation coefficient of the 2015 season is the same as the previous season at 0.9, making for an extremely high between the two.

On the other hand, it was neither Yamaguchi, who came first in Points Won, nor FC Machida, who took second, that came first in Average Nnumber of Attendances for the 2015 season, rather, it was Nagano. In addition to this correlation between Points Won, which serve as an index of field management, and Average Nnumber of Attendances, we can also catch a glimpse of a new, important element—the stadia for entertainment.

Hospitality



Nagano, who enjoyed the highest Average Nnumber of Attendances in the 2015 season, has as their home stadium the Minami-Nagano Sports Park Stadium, which was reformed at a cost of over 7 billion yen. This football-exclusive stadium was finished in March 2015 and has a capacity of 15,491 people. The stadium is highly hospitable to attendances, and this is thought to be a large factor in boosting Average Nnumber of Attendances.

This example demonstrates that building a new stadium or renovating an old one is extremely effective measures to increasing Average Nnumber of Attendances. Should many more clubs, in cooperation with municipal governments, obtain stadia that are more welcoming to attendances, an increase in attendances is certain to follow.

The primary financing of the stadium renovations is covered by 3.8 billion yen in national government subsidies, and 3.2 billion yen in municipal loans. The national government subsidy is a part of a 26 billion yen grant for infrastructure projects in the heart of Nagano city, and the 3.8 billion yen for the stadium is included within that amount. The municipal loans will be repaid over 10 years to the sum of 4 billion yen, including interest.

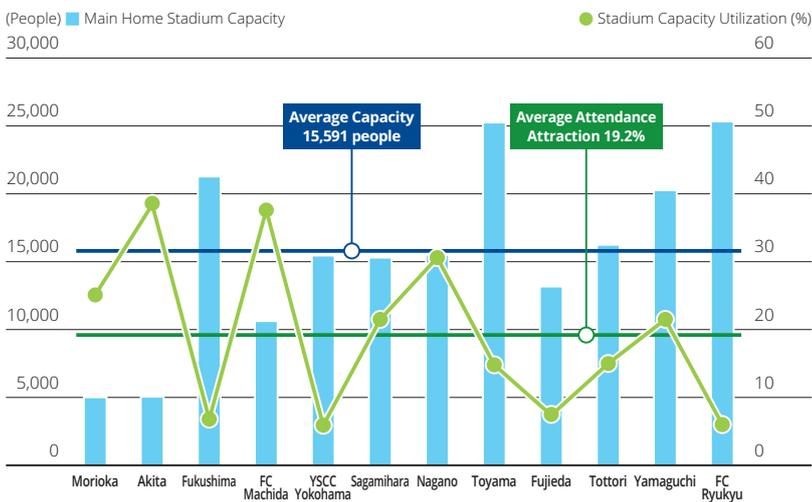
Stadium Capacity Utilization(%)

J3 Average : 19% (-1.2P, -6%)

Continuing from the previous season, Akita finished first with 38.6%, with FC Machida following close behind at 37.6%.

Under the J3 club licensing system stadia are required to hold 5,000 people; however, there are four J3 clubs with home stadia that not only meet the 15,000 capacity requirement of the J1 licensing system, but that also exceed the J1 Average Attendance of 17,877, and this tends to make the value for J3 lower when the attendance attraction rate is analyzed.

Originally, the enthusiasm of a match could be maximized and the best possible contents could be produced by matching the scale of a home stadium to the scale of a club's business; however, we surmise that clubs currently can only choose general-use stadia built by municipal governments. For J3 to be able to provide the best contents possible, we believe the option of using the stadia for entertainment, as we've previously mentioned, needs to be created with the league.



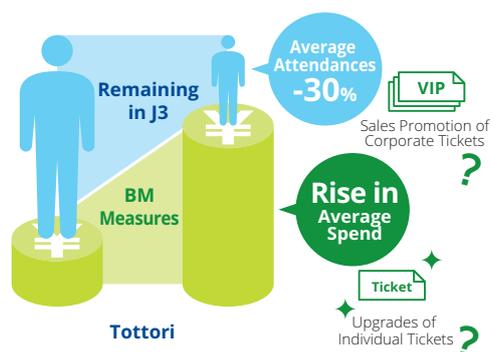


Average Spend

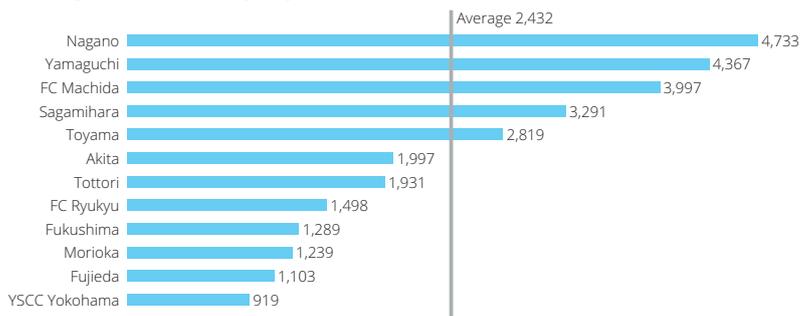
J3 Average : 2,177 yen (+158 yen, +8%)

Tottori had the largest amount among J3 for the Average Spend, recording 43% above the previous year at 4,167 yen. Largely influenced by their quashed aspirations to promote to J2 due to their financial difficulties (Excessive liabilities) that came to light at the opening of the 2015 season, their total attendances fell sharply by -30% from the previous year at 38,637 people. To an extent, this must be declared a BM failing; however, it remains a fact in the data that the total amounts of their matchday revenue and other revenue has remained at almost the same level as the previous season (161 → 161 million yen) despite the fall in total number of attendances. No specific measures can be identified from the information released; but, we presume that the carrying out of BM measures to boost the Average Spend, such as the promotion of sales of corporate tickets for the VIP room and upgrades to individual tickets, has produced a certain amount of success.

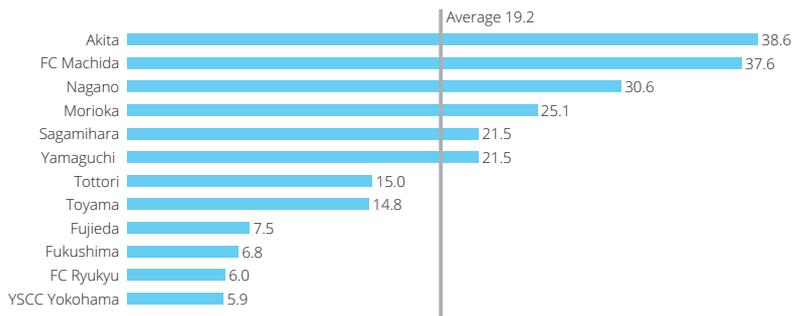
In contrast, Sagami-hara was the J3 club with the lowest Average Spend at 1,007 yen. Despite this, the Average Number of Attendance was up 5% from the previous year, and the total of matchday revenue and other revenue was +40%, showing that they were successful in boosting



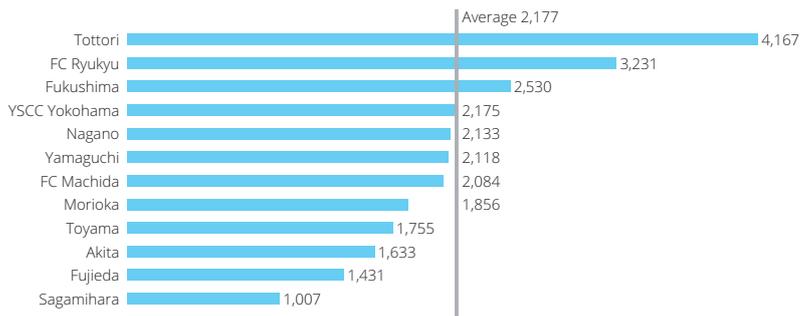
Average Attendance (people)



Stadium Capacity Utilization (%)



Average Spend (yen)



Average Spend using BM measures.

Moreover, Nagano, who carried out stadium renovations, saw their Average Spend up 27% from the previous year to 2,133 yen accompanying the improvement in stadium hospitality. Even the number of attendances, which tend to be a trade-off with Average Spend, was up 31% from the previous year, and we believe this to be the effects of the stadium renovation.

2nd Stage: Management Efficiency

The KPIs Field Wage Costs/Points Won and Matchday Revenue/Points Won both focus on the relationship between business management (BM) and field management (FM).

For Matchday Revenue/Points Won that indicate the price value per Point Won, there is a strong positive correlation between Points Won and matchday revenue.

Field Wage Costs/Points Won

J3 Average : 1.8M yen

(-0.1M yen, -5%)

Field Wage Costs/Points Won is an indicator for how much field wages are required to obtain 1 Point Won, and in the 2015 season, Fujieda was the most efficient J3 club in scoring points at 0.6 million yen per Point Won. In contrast, Toyama was the least efficient club, requiring 3.8 million yen to score a Point Won. There is a 3.1 million yen difference between Fujieda and Toyama, and this difference rose to roughly 600% over the difference of 400% from the previous season.

The two clubs that rose to J2 in the 2015 season both scored 78 points; however, examining the club wage costs used by each club to score one Point Won reveals Yamaguchi, who rose to J2 as the top J3 club, needed 1.1 million yen, while FC Machida, who lost the championship by a goal difference, needed 1.9 million yen.

Considering that Nagano, who came in third in the J3 and was unable to promote to J2, scored 70 Points Won and the threshold to promote in league position for last season was 68 Points Won, it seems from these data that Yamaguchi was able to score Points Won more efficiently since the level of Points Won scored for both clubs is reasonable in aspiring to promote in league position.

J3 clubs must score more Points Won, in particular, since they are limited in their budgets. To accomplish this, it is important for BM to allocate the minimum amount necessary to club wage costs and for FM to efficiently link this to Points Won.

In this sense, we believe that general management (GM) is important to balance BM and FM. J3 has a GM system in place, with the exception of several clubs like Fujieda, Sagamiyara, etc., and we have our expectations placed on the role and skill of club GM.

Balance is Crucial



Matchday Revenue/Points Won

J3 Average : 0.6M yen

(+0.1M yen, +25%)

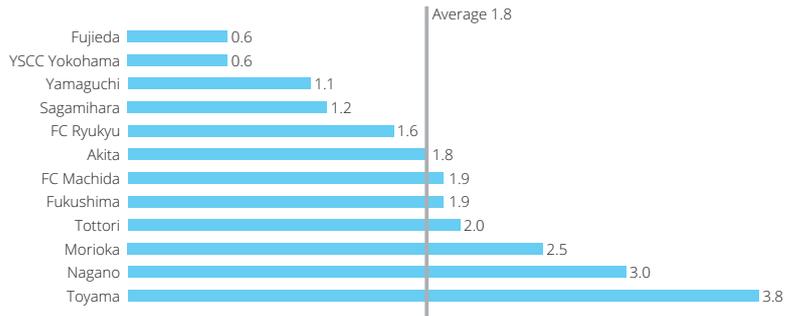
This KPI contains the two perspectives of how much was sold for a point (the club's perspective) and how much was bought for a point (the fans' perspective).

Nagano, who was the top J3 club in total number of attendance, was also the top in Matchday Revenue/Points Won, recording 1.3 million yen for the 2015 season. Despite their season Points Won hardly changing in comparison with the previous season, the 88% increase of matchday revenue had a large effect on this. The effects of the renovation of the Minami-Nagano Sports Park Stadium are likely visible in these results.

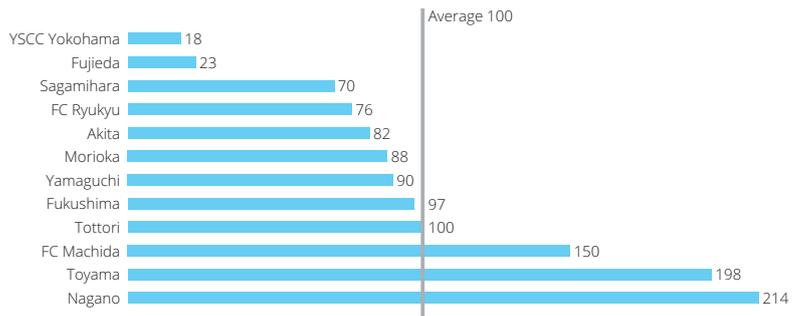
Since this KPI has Points Won as its denominator and matchday revenue as its numerator, as the Points Won increase this KPI appears to worsen; however, when the Correlation coefficient of both are examined, a strong positive correlation of 0.85 is apparent. In short, this reinforces the fact that matchday revenue tends to increase as Points Won increase. These data can also be considered to indicate the effect FM successes have on BM as well. We believe these data can be used to verify the importance of a partnership between FM and BM to club management.



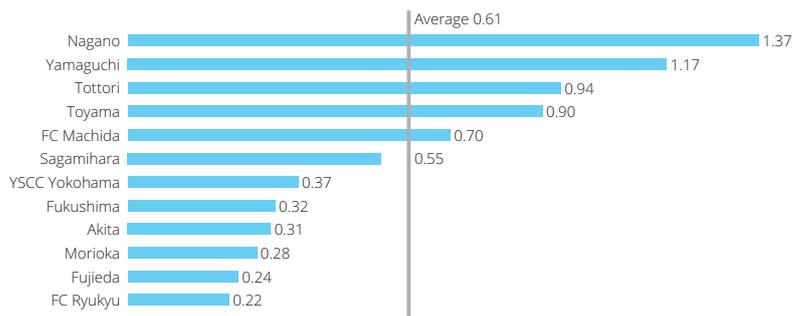
Field Wage Costs/Points Won (millions of yen)



(for reference) Field Wage Costs (millions of yen)



Matchday Revenue/Points Won (millions of yen)



3rd Stage: Management Strategy

J3, which has an extremely small Revenue scale compared with J1 and J2, has the lowest value for Field Wage Cost/Revenue, which indicates direct investment strategy, at a level below 30%.

Moreover, Matchday and other Revenue/SG&A, which indicates indirect investment strategy, is also below 1 million yen, indicating a market with struggling returns on investment.

Field Wage Cost/Revenue

J3 Average : 29%

(-5P, -14%)

The relationship between Revenue and club wage costs, one of the most important KPIs for running a club, is extremely important in considering club strategy that ties in BM and FM.

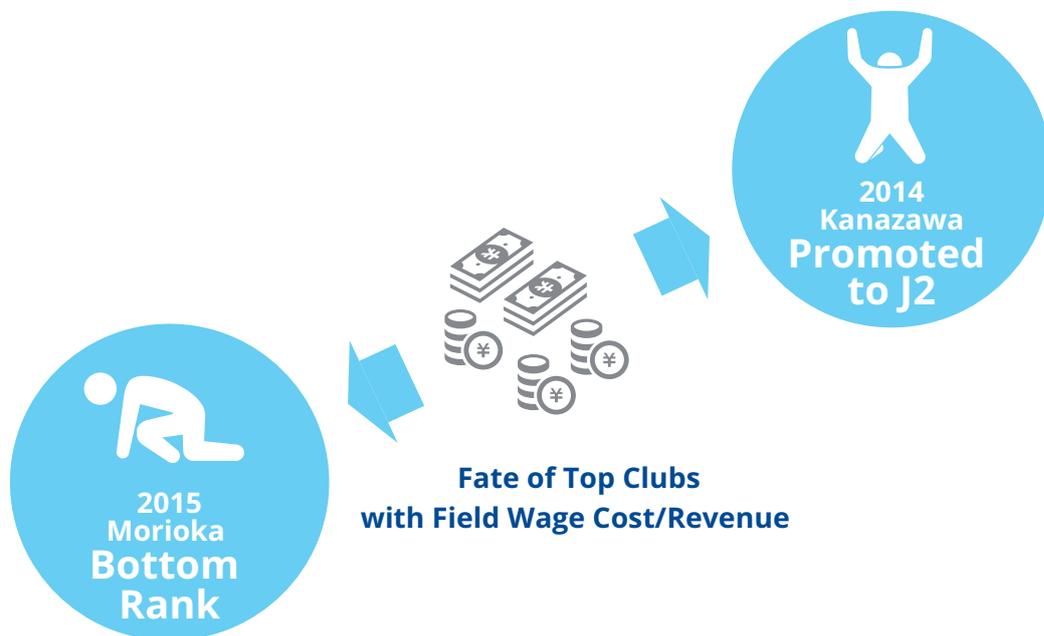
In general terms, club management is said to be sound if the revenue to Field Wage Cost/Revenue is in a range below 50%, and all 12 J3 clubs were within this range for the 2015 season, making it a season where club management was run soundly as a whole.

In the previous season, Kanazawa, with 56%, was the club with the highest Field Wage Cost/Revenue (field wage cost: 170 million yen); however, the 2015 season saw Morioka as the highest with 44% (field wage cost: 88 million yen). In the previous season, Kanazawa likely carried out a policy to strategically allocate over half of their Revenue to club wage costs to fulfill their aspiration to promote to J2; however, Morioka, who allocated close to half of their Revenue to club wage costs for the 2015 season ultimately ranked very low, contrary to expectations, and the unusual personnel decision was made to cut 15 of the 32 players from the team after the season ended.

Since Field Wage Cost/Revenue KPI serves as a measure of the investment tendency (strategy) of how much obtained management resources are invested in club wage costs, a higher value does not always mean that the amount of club wage costs are also high.

As would be expected, talented players that are sought after by other teams generally tend to have higher salaries, etc. Due to this, if we take club wage costs above a certain level as necessary to securing talented players, then the boosting of Revenue, itself, through the strengthening of BM measures is necessary to attaining sound management at the same time.

Despite the Field Wage Cost/Revenue for Yamaguchi being the third from the bottom at 23% for the 2015 season, they still managed to obtain a stunning victory in J3 on the cusp of the 10th anniversary since the club's founding. In addition to largely growing Revenue on the tailwinds of their popularity surrounding their first season in J3, they retained 26 professional contract players without any 2nd class registered players or Special License players, while successfully keeping club wage costs under control by strategically and efficiently obtaining the players necessary for their strategy. They are a fine example of securing sound management while producing the best possible results with a minimum of investment. This is an example of a flawless victory attained through a partnership of FM and BM.



Matchday and other Revenue/SG&A

J3 Average : 0.68M yen

(+0.06M yen, +10%)

This KPI is an indicator that demonstrates how much revenue is linked to expenses processed as selling general and administrative costs. Revenue includes Matchday Revenue and other revenue only, and excludes advertising revenue, J-League Distribution, and Academy revenue. (for more details, see the J1 analysis)

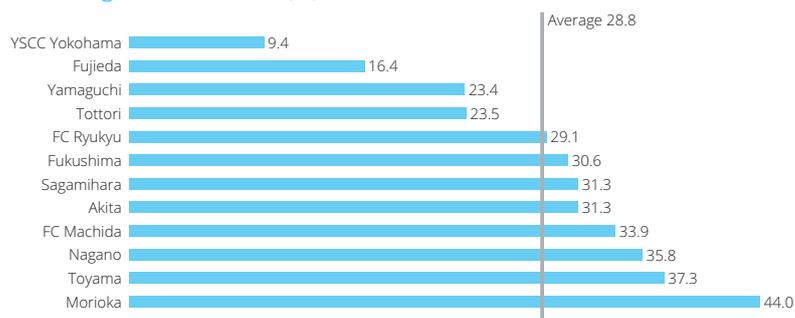
As it currently stands, the data reveal little sales promotion performance in general among J3 clubs.

There are thought to be several factors behind this; however, since club management tends to prioritize costs to strengthening their teams, it's believed that there is not enough in the budget to cover advertising and promotional expenses that could generate further revenue.

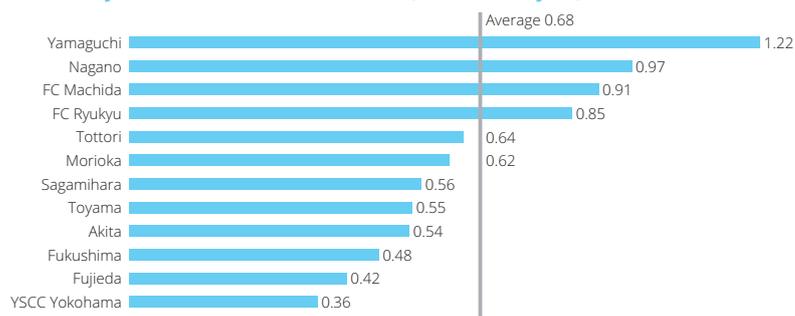
Yamaguchi was the club with the highest value in this KPI, recording 1.22 million yen. Yamaguchi managed to keep the ratio of their high-priority club wage costs down to around 20% of their Revenue while efficiently scoring many winning goals, and they effectively utilized selling general and administrative costs to generate significant matchday revenue. We believe they are a fine example of a club functioning with unity between BM and FM.

On the other hand, other J3 clubs have, unfortunately, fallen below 1 million yen for the value of this KPI. The effects of selling general and administrative costs affect revenue for the next term, and, therefore, must be continuously observed; however, for all J3 clubs to exceed 1 million yen in this KPI, it requires not only efforts by each club, but, we also believe, the self-directed building of business infrastructure by the League, in the form of an IT environment and personnel training, is absolutely essential. We will be watching the League's measures in the future as the broadcasting rights begin to increase greatly from the 2017 season.

Field Wage Cost/Revenue(%)



Matchday and other Revenue/SG&A (millions of yen)



4th Stage: Financial Condition

Through the full introduction of the Financial Fair Play (FFP) standards in the club licensing system, all clubs have eliminated their Excessive liabilities and, thus, greatly improved their Equity Ratio.

We believe business management measures in the future will be the key for J3 with its many regional clubs with few Main shareholder.

Revenue

J3 Average : 331M yen

(+60M yen, +22%)

Nagano was the largest in business scale among the J3 clubs, and recorded 597 million yen—an over 40% increase from last year. This value greatly exceeds last season's top Revenue earner Tottori (460 million yen). Fujieda was the smallest in business scale with a Revenue of 140 million, and, similar to last season, giving them a difference of over 4 times from the top club.

In a breakdown analysis of Revenue, advertising Revenue makes up the core of all revenue. In J3, advertising Revenue accounts for close to 60% of all revenue. But what cannot be forgotten here is that advertising revenue is dependent on the value of the most important product that clubs present, the live match. The value of a live match lies not only on the victory or loss, but is also greatly influenced by the situation, like the turning point of a stage, and match development, as well as the atmosphere, such as with the opponent or stadia. The value of a live match is obviously linked to improvements in ticket value, and also affects the improvement of advertising value and broadcasting rights.



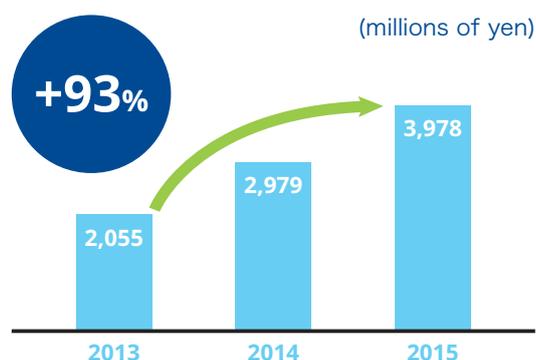
The stable attraction of attendances is, for the sports business, with performance being at its base, extremely important from the perspective of sustainability. Considering this, for J3 clubs with their modest business size, management that places emphasis on attracting attendance, the entire base of their operations, will be crucial. We believe that within the scope of the budget that is distributed, it is important to create a seamless link from what kind of playing strategy will be needed to win points, to how can stable attendances, including new attendances, be attracted, to how can matchday revenue be increased and linked to advertising revenue and an overall increase in Revenue.

Revenue Growth Rate

J3 Average : 21.8%

(-32P, -59%)

The growth rate has contracted from the previous season; however, the data reveal that the Revenue Growth Rate, when calculated from the 2013 season, the inception of J3, has grown by 93P, and overall J3 Revenue is trending strong.



Overall J3 Revenue is Trending Strong

Examining individual clubs, Yamaguchi, who was the JFL in the previous season and propelled by their first time playing in J3, recorded a growth rate of 146% over the previous year; and, Nagano also recording a high growth rate of 40% stemming from the effects of their stadium renovations.

Toyama, with the lowest Revenue Growth Rate, saw a -28% growth rate this season after their fall from J2, which speaks to the large impact a drop from a higher league can have. Additionally, Tottori, which has suffered from two-consecutive years of negative growth, fell by 34% over the most recent two years. It's thought that, in addition to their fall to J3 in the last season, their inability to secure a J2 club license for the 2016 season also had an effect, indicating that the club licensing system has an effect on club management.

Equity Ratio

J3 Average : 29.8% (+20p, +216%)

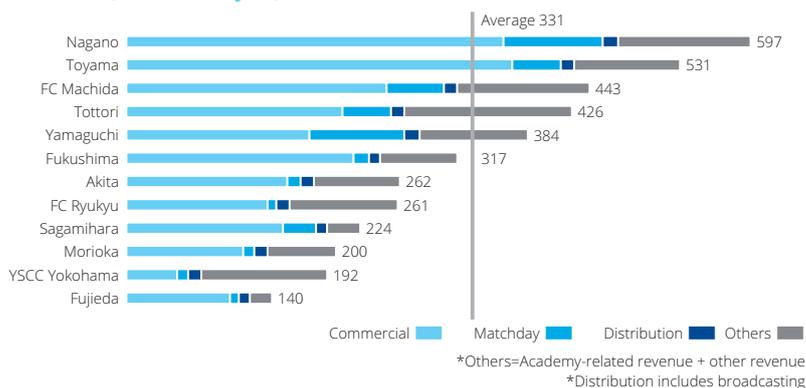
In the previous season, both Akita and Tottori held Excessive liabilities; however, in the 2015 season, with help from BM measures, both clubs managed to eliminate their Excessive liabilities.

The clubs in the higher rank for the 2015 season, FC Ryukyu and Nagano had a high Equity Ratio over 50%, while the club in the lowest position, Morioka, had an extremely low value of 1.7%. These results reveal the difficult financial circumstances faced by clubs with no major Main shareholder.

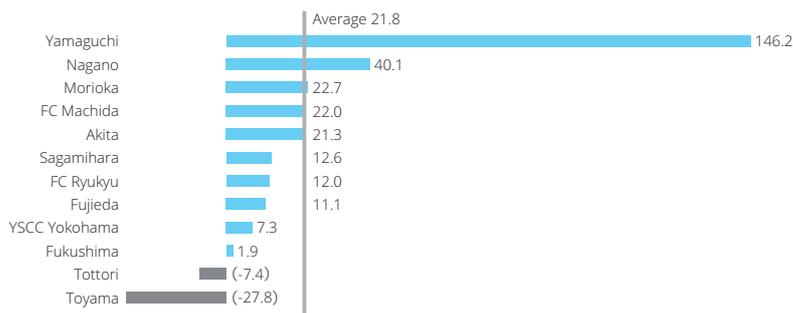
This KPI shows that, depending on the presence of Main shareholders, there is a large gap in capital policies that can be chosen by management. Therefore, for clubs with no major Main shareholders to be able to secure a degree of internal reserves, we believe it prudent to work on the business environment in the League, including actively utilizing the club license system.



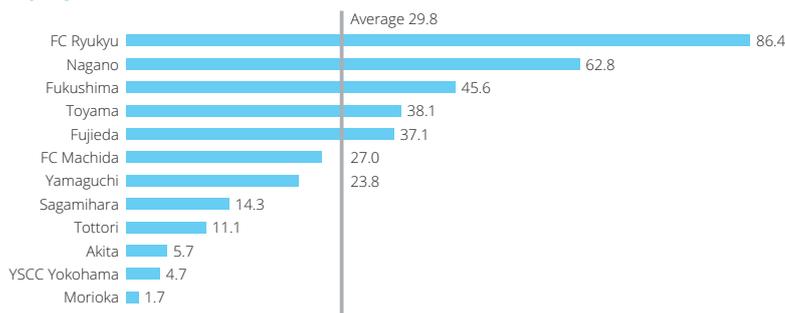
Revenue (millions of yen)



Revenue Growth Rate (%)



Equity Ratio (%)



Renofa Yamaguchi FC

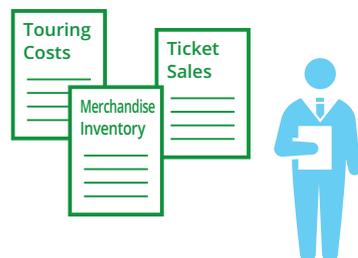
The J3 champion of the 2015 season is Yamaguchi.

Yamaguchi, under the leadership of President Takashi Kawamura, who aims to build a sound business model, carried out cash-flow conscientious management policies. What is club management by a person who has experience as coach, general manager and president of the same club? We have analyzed this from Deloitte Tohmatsu's particular perspective.

Sound Management

Yamaguchi has managed to keep field wage costs, the largest aspect of managing a club, down to 23.8% of Revenue (J3 average is 28.9%), while also obtaining the players that best meet the style demanded by the coach to perform well and promote to J2 in a single year. Considering that Kanazawa rose to J2 last season with a Field Wage Cost/Revenue of 56.3%, Yamaguchi has managed to climb to J2 with overwhelming efficiency. Additionally, it should also be noted that they significantly exceeded the medium-term business plan prepared in 2013 in terms of Revenue and rank, etc.

The effects of this cash-flow-conscientious management extended to not only club wage costs, but also to operating profit and net profit, with all categories being at the top level of J3. Behind these results were business management, BM, measures on the thorough management of cash flow and costs through monthly account settlement. They gave particular emphasis on checking their running costs as a top team, focused on ticket sales, merchandise inventory and touring expenses, and were thorough in managing financing conditions and annual revenue amounts in monthly increments. Their great results in field management, FM, for the 2015 season helped to prime their performance, and the higher-than anticipated attendance draw from within Yamaguchi Prefecture also played a role in their profit boost.



Checking Cash Flow and Costs

With their move to J2 in the 2016 season and their especially well-performing merchandise sales, their Revenue is expected to be double the 2015 season. Mr. Kawamura comments: "Not being swayed by what other clubs were doing, facing our own situation head on, securing our footing, and actively moving forward with efforts that utilize the environment and situation of our region will lead to a bright future." Specifically, they focus on ticket and merchandise sales, and continuously carry out measures that set the percentage of invitation cards and benefits for fan club members to an appropriate level while increasing their points of connection with corporate and individual fans.



A President with a History on the Field

Mr. Kawamura has eight years of experience as a professional player, and prior to assuming the role of president, Mr. Kawamura was the coach in 2012 and the general manager in 2013. Having gone through the important positions in both FM and BM in the club, Mr. Kawamura comments that his current management style particularly stems from his time as coach.

Regarding the club wage costs mentioned previously, he did not simply reduce club wage costs which is a major expense unilaterally, rather, to assemble a winning team utilizing the support from both BM and FM, he played the role of a communication hub so that the players suitable for the football style the coach wanted could be obtained with their limited budget. In the sports business, large differences can erupt from time to time between the front office and the field. Using his experience as a player, he deeply understands the wishes of the field, which we

believe is a major advantage that brings about relations of trust with the field as a civil team. There were reductions made in training expenses in the 2015 season, in particular, by way of the coach's initiative to obtain young J3 and JFL players that were not as accomplished as advanced players in J1, but matched their playing strategy. The trust between the front office (BM) and the field (FM) is the source of strength for the club.



Source of the Club's Strength

Another area where Mr. Kawamura places his focus on is the second career policy. This is also highly influenced by his experience as a player, and we believe gives the club more competitive edge. Yamaguchi promptly signed a business-academic partnership accord with a local vocational school group, and is engaged in educational activities, such as the specialized education of athletes in the prefecture, the promotion of internship programs, and the education and training of employees. There is value in watching this BM measure, which resolves both the issues facing educational institutions in the prefecture facing operating difficulties with declining student numbers and the issues of players who face major life uncertainties after their retirement from the field.

Further still, Yamaguchi is committed to the BM measure of respecting the individual ideas of their employees. They create a free-and-easy environment for their 15 employees, where failure is not feared, and highly value communication in the club. A partnership between FM and BM becomes more important the larger the playing stage, and we believe this to also be a measure that is highly conscientious of the high specialization demanded by both.

The People's Club

In Yamaguchi Prefecture, the passion for football grows from day to day, and at its heart is the Renofa Yamaguchi who inherits the spirit of Meiji restoration. The Average Number of Attendances for the 2015 season was second in J3 with 4,367 people (J3 average: 2,432 people), growing significantly with the dramatic performance of the club. Additionally, the number of attendance continues to rise with their entrance into J2 in the 2016 season, and there is a general sentiment within the larger community of the prefecture to support the club. There are also plans to carry out policies that align with the policies of the municipal government, such as actively introducing people of retirement age in the future. The background of these plans includes the progression of Yamaguchi Active Aging City*1,*2 led by the Yamaguchi Chamber of Commerce and Industry, that was selected as a 'Future City Model Project' by the Japan Business Federation.

As a club with no Main shareholders, Yamaguchi aspires to become the 'People's Club' in which fans, supporters, players and sponsors come together led by the prefecture. To survive as the People's Club, they are planning policies to expand support by regional small businesses and to carry out no-debt management. We believe that Mr. Kawamura's idea to construct a business model that serves as a model for small city regional clubs is heading in the right direction in numerical terms. If they can increase their corporate supporters who actively support them with 30 to 50 thousand yen annually to their goal between 10 to 20 thousand companies, they will likely be recognized as a successful model for a People's Club in a regional city.

Model of Success for a People's Club



Increase of Corporate Supporters

*1 Active Aging is an effort advocated by the WHO in 1998 that promotes the process of extending Healthy life expectancy and optimizing opportunities for health, participation and security in order to enhance quality of life as people age.

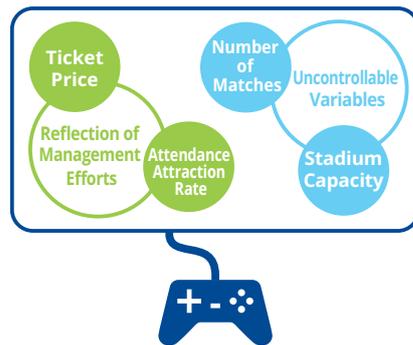
*2 The Active Aging City is a platform linked with the WHO, where Yamaguchi city aims to become the world's most cheerful, most enjoyable and healthiest Active Aging City.

RevPAS (Attendance Rate x Ticket Price)

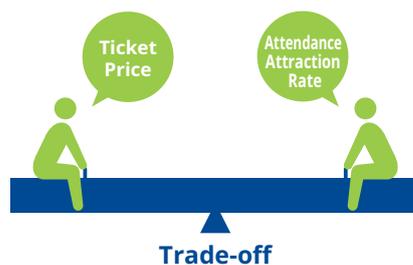
This is one indicator of stadium management known as Revenue Per Available Seat (RevPAS), which Deloitte presented in the J. LEAGUE PUB Report 2016 Summer, published by the J-League in August 2016. In the following, we will explain RevPAS using specific numbers.

The Management Potential of Clubs

'Matchday Revenue', one of the primary sources of revenue for a club, can be broken down into the following: ticket price x stadium capacity x attendance attraction rate x number of matches. The issue of stadium capacity is a variable that cannot be controlled over the short term. Similarly, the number of matches is also a variable that cannot be controlled by clubs, therefore, the ticket price and the attendance attraction rate are two important indicators in stadium management that reflect management efforts when viewed from a business management perspective.



Generally, when importance is placed on the attendance attraction rate, the ticket price goes down, and even if attendances rise, matchday revenue will not grow. Also, when importance is placed on ticket prices, the attendance attraction rate growth becomes sluggish. Ideally, both the ticket price and the attendance attraction rate should be at a high level, however, both are locked into a zero-sum relationship. This is where we would like to evaluate J-League stadium management with the RevPAS indicator, which combines both the attendance attraction rate and the ticket price.



RevPAS in the 2015 Season

The average value of RevPAS in the 2015 season was 1,353 yen for J1, 431 yen for J2, and 131 yen for J3. Among these, the club with the highest RevPAS value was G-Osaka in J1 with 2,103 yen, Iwata in J2 with 1,243 yen, and Nagano in J3 with 310 yen.

To evaluate the efforts of management, the rise or decline of RevPAS needs to be examined. A difference in stage will largely affect a club that has risen or fallen in rank, so clubs that have largely increased or decreased RevPAS without rising or falling in rank should merit attention. Clubs that have greatly increased their RevPAS are G-Osaka (+445 yen, +26.8%), Kashiwa (+199 yen, 11.2%), and FC-Tokyo (+133 yen, +13.3%). The clubs that have seen a large decline in their RevPAS are Nagoya (-273 yen, -18.5%), Yokohama F·M (-236 yen, -20.4%), and Kobe (-214 yen, -23.0%).

Despite the ticket price increasing for G-Osaka and Kashiwa, their attendance attraction rate has grown, and this has greatly boosted their RevPAS value. On the other hand, despite a decrease in the ticket prices of Nagoya, Yokohama F·M, and Kobe, their attendance attraction rate has also declined, causing their RevPAS values to also sharply decline. Conversely, FC-Tokyo slightly lowered their ticket price, but due to an increase in attendance attraction rate that surpassed this, they significantly boosted their RevPAS value. We mentioned previously that ticket price and attendance attraction rate are locked in a zero-sum relationship; however, there are clubs like G-Osaka and Kashiwa that benefit from a positive feedback loop where both values can increase, and there are also clubs like Nagoya, Yokohama F·M and Kobe that suffer from a negative feedback loop where both values decline.

Additionally, the club that with values that have the most salient zero-sum relationship is Fukuoka. Rather than largely lowering their ticket price to 1,177 yen (-35%) from its 1,806-yen level during the previous season, they increased their attendance attraction rate from 22.4% to 45.6% (a 104% increase), which successfully boosted their RevPAS value. They were also able to boost their matchday revenue from 192 million yen to 235 million yen. Their ticket price change and the shift in their attendance attraction rate were both the highest among 43 clubs, excluding those clubs that rose or fell in league position.

Management Through RevPAS

The relationship between ticket price and attendance attraction rate can likely take the form of a zero-sum relationship, a positive feedback loop, or a negative feedback loop

depending on the club's adjustment of the price. For example, in poor economic conditions, expensive seats will be conspicuously empty and Revenue will decline, so a club will be forced to lower the price to raise attendance attraction rate in an attempt to increase matchday revenue. Yet, this trade-off relationship does not always manifest. This is because there are other factors outside of ticket

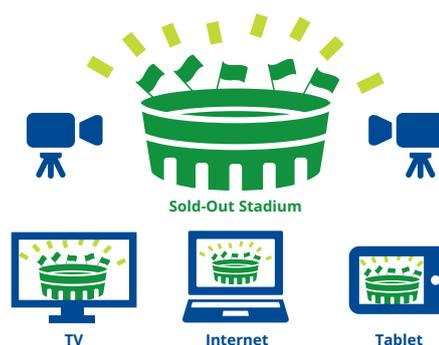
price that affect attendance attraction rate; factors, such as wins and losses, ranking, player injuries or trades, weather or days of the week, exist that cannot be explained as having a direct relation to the price. What is important is to always remain vigilant of the sensitivity of ticket price, which can be controlled by BM, and to understand signs of past changes.

RevPAS Ranking

Club	2015	2014	Decrease/Increase	Rate of Decrease/Increase
1 G-Osaka	2,103	1,658	445	26.8%
2 Kashiwa	1,985	1,786	199	11.2%
3 Sendai	1,971	1,971	0	0.0%
4 Urawa	1,896	1,830	66	3.6%
5 Matsumoto	1,756	689	1,067	154.9%
6 Kawasaki-F	1,662	1,623	39	2.4%
7 Shimizu	1,523	1,489	34	2.3%
8 Tosu	1,355	1,285	70	5.5%
9 Shonan	1,305	710	595	83.9%
10 Iwata	1,243	1,174	69	5.9%
11 Kofu	1,212	1,216	-5	-0.4%
12 Nagoya	1,201	1,473	-273	-18.5%
13 FC-Tokyo	1,137	1,004	133	13.3%
14 Kashima	1,135	1,138	-3	-0.2%
15 Niigata	989	904	85	9.4%
16 Omiya	962	1,317	-354	-26.9%
17 Yokohama F-M	920	1,155	-236	-20.4%
18 Chiba	867	811	56	6.9%
19 C-Osaka	817	1,336	-519	-38.8%
20 Yamagata	776	409	367	89.7%
21 Kobe	716	931	-214	-23.0%
22 Hiroshima	709	597	112	18.7%
23 Sapporo	521	536	-15	-2.9%
24 Yokohama FC	494	543	-50	-9.1%
25 Fukuoka	473	405	68	16.8%
26 Kyoto	444	530	-86	-16.2%
27 Okayama	429	383	46	12.0%
28 Tochigi	401	418	-17	-4.1%
29 Kitakyushu	383	369	14	3.8%
30 Tokushima	339	858	-519	-60.5%
31 Nagano	310	234	76	32.7%
32 Mito	291	349	-58	-16.6%
33 Tokyo-V	283	260	23	8.9%
34 Oita	278	296	-18	-6.1%
35 FC Machida	247	226	21	9.1%
36 FC Gifu	239	333	-94	-28.3%
37 Yamaguchi	226	—	—	—
38 Nagasaki	221	278	-57	-20.5%
39 Kumamoto	201	224	-23	-10.1%
40 Tottori	182	250	-67	-27.0%
41 Kanazawa	174	55	119	217.3%
42 Gunma	165	248	-84	-33.7%
43 Sanuki	157	222	-65	-29.4%
44 Akita	142	89	53	60.0%
45 Toyama	123	151	-28	-18.3%
46 Sagamiyama	110	98	12	12.3%
47 Ehime FC	106	183	-77	-42.0%
48 Morioka	101	124	-22	-18.2%
49 Fukushima	45	55	-11	-19.3%
50 YSCC Yokohama	34	42	-8	-20.0%
51 Fujieda	32	39	-7	-17.3%
52 FC Ryukyu	21	65	-44	-67.5%

RevPAS and Sold-Out Stadia

The sports business can be characterized by the linking of stadium management with revenue from broadcasting rights and sponsor revenue. Thus, it then becomes important how the attendance attraction rate is boosted and a sold-out stadium is achieved. Since a sold-out stadium is, in itself, a show in an extraordinary space, it tends to not only improve customer experience, but it also tends to motivate people to watch the match on the TV or Internet if they could not make it to the stadium. This leads to watching the match through media, and an increase in broadcast right royalties. On this point, the argument behind RevPAS is that since it is specialized to matchday revenue, attendance attraction rate can be sacrificed and the ticket price hiked to bring the RevPAS value up, making it appear to be successful; however, a drop in attendance attraction rate will also have a deleterious effect on other revenue sources, such as broadcast right royalties and sponsor revenue. It must be noted that this type of action requires a full and comprehensive decision.



Three Top/Bottom Teams for Increase/Decrease in RevPAS + Fukuoka (excluding rising/falling clubs in rank)

Club	2015			2014			Increase/Decrease		
	Ticket Price	Attendance Attraction Rate	RevPAS	Ticket Price	Attendance Attraction Rate	RevPAS	Ticket Price	Attendance Attraction Rate	RevPAS
G-Osaka	2,743	76.7%	2,103	2,361	70.2%	1,658	382	6.4%	445
Kashiwa	2,791	71.1%	1,985	2,558	69.8%	1,786	233	1.3%	199
FC-Tokyo	1,974	57.6%	1,137	2,001	50.2%	1,004	-27	7.4%	133
Fukuoka	1,177	40.2%	473	1,806	22.4%	405	-629	17.8%	68
Kobe	1,537	46.6%	716	1,905	48.9%	931	-367	-2.3%	-214
Yokohama F-M	2,302	39.9%	920	2,441	47.3%	1,155	-138	-7.4%	-236
Nagoya	2,633	45.6%	1,201	2,658	55.4%	1,473	-24	-9.8%	-273

Editorial Postscript

Half a year has passed since we published the first J-League Management Cup (JMC) 2014 in March 2016, and now we have completed this second edition for the 2015 season. We are very grateful for the resonance it has received over the past six months among not only those involved in the sports business industry, but many others as well.

Our corporate principles include contributing to the expansion of the sports business market in Japan and Asia; but the response to our JMC has far outstripped our expectations and we believe this to demonstrate that we are doing our small part towards this, and we will continue to do so going into the future.

In this 2015 edition, we have given consideration to the many comments our readers have provided to us, and we have organized them into the following two points:

- 1) the presentation of information that contributes to a fixed observation based on standard indicators
- 2) the presentation of KPI believed effective in practical benchmark analysis

It remains a fact that the reality that has come into focus through the activities of the sports business group shows that the Japanese sports business industry has fallen behind in visualizing itself, such as with KPIs, the lynchpin of management. The PUB Report, which the J.League began publishing at the end of last year, exemplifies this sense of urgency. We hope to use our own JMC to provide support for KPI visualization as well as to present a basis where the results of activities can be verified by time series.

Before us now is the 2020 Tokyo Olympics/Paralympics, and the national government and Japan Sports Agency are taking the lead to aggressively push sports to become commercialized. As is symbolized by the major broadcasting rights contract concluded by the J.League, the environment that envelops the sports business market will also be marked by large, discontinuous changes, and we believe there will also be a risk for us to persist in business that remains bound by conventional KPIs. Therefore, we will use the JMC to also explore what KPIs are appropriate for this changing environment.

If the activities of the JMC can be of help in making sports into a business and expand the sports business market, then this will not only mark the birth of a new giant industry, but it will also facilitate the securing of resources to improve competitive potential and it will facilitate the securing of human talent within the industry that is suffering from an overwhelming shortage.

In this sense, we hope the JMC becomes a hub that links all of you, including stakeholders who are not directly affiliated with sports, with the sports business industry.

We look forward to receiving your comments and opinions.

The Deloitte Tohmatsu Sports Business Group



J.LEAGUE PUB Report 2015



J.LEAGUE PUB Report 2016
Summer

Starting Point



Dan Jones

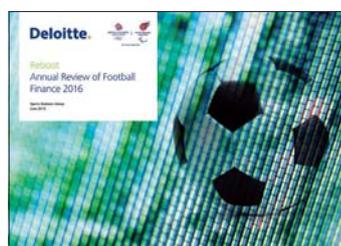
Head of the Sports Business Group
Deloitte LLP

Deloitte has had a unique focus on the sports sector for over 25 years and we have worked with more sports organisations than any other advisor. The Sports Business Group at Deloitte LLP is a unique team of 20 specialists dedicated to working in the global sports business, based in the United Kingdom and regularly teaming with other Deloitte colleagues around the world.

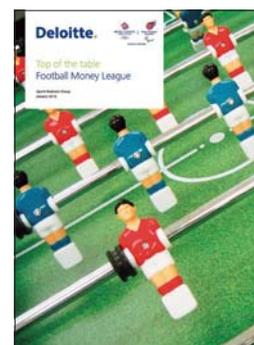
Our work with international and national sports governing bodies, federations, leagues, clubs, governmental organisations, event organisers, sports marketing agencies, stadia, investors, sponsors and rights holders means we are widely acknowledged as leading industry experts. We provide a wide range of consulting and financial advisory services including strategic, commercial, financial, regulatory, taxation and general business knowledge from major sports. Our experience and long-standing relationships mean we provide the highest level of service and add value to a project from the start. The Sports Business Group also publish thought leadership that is recognised as authoritative analysis within the sports industry.

2016 saw the 25th edition of the Deloitte Annual Review of Football Finance, documenting the business and commercial performance of English professional football as well as profiling the wider European game. In addition, each year our Deloitte Football Money League profiles the highest revenue generating clubs around the world. To find out more about our publications, services and experience, please visit our website (www.deloitte.co.uk/sportsbusinessgroup).

With the unprecedented growth in interest and investment in the sport emanating from Asia, a professional approach to understanding the relationship between the financial and football worlds is becoming increasingly important to the game's development across the continent. The second edition of the J-League Management Cup is in itself evidence of the interest in the sport and the growth of Japanese club football.



Annual Review of Football Finance 2016



Deloitte Football Money League
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