

# Putter King - Adventure Golf

パターキング アドベンチャーゴルフ

## Business Plan

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秘 Confidential

*"They say you should never mix business with pleasure. Really? Well then explain to me how a putt putt golf company operates"*

- Andrew Bernard (*The Office*)

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## *Executive Summary*

Putter King plans to open an indoor adventure golf course in Japan featuring 18 unique, challenging, themed holes.

### **Putter King is an attractive investment due to:**

- New activity in a densely populated area
  - There are currently no adventure golf courses in Japan
- Over 600,000 people within 30 minutes of the planned location, and over 20 million people within 2 hours
- Clear plan for revenue and cash flow generation from day one
- Adventure golf is a proven business model that has been successful for almost 100 years
- Lean fixed cost structure
  - Scalable business
  - High gross margin business
- Future growth potential
  - Franchising model improves equity investor economics and avoids leveraging the company
- Highly motivated and capable management
  - 3+ years experience in Japan
  - Strong financial background

### **Putter King's competitive advantage is built on:**

- Unique hole designs
  - Challenge both mind and skill
  - Have aesthetic appeal and imagination
  - Feature variety (every hole will have a different layout, look, and challenge)
  - Cultural theme (9 holes - Japanese cultural theme; 9 holes - famous world sites)
- Integration of technology
  - Electronic scoring through touchscreen scoring kiosks
  - Digital displays of top scores (daily, weekly, all-time) throughout the facility

## Preface

*“Dwarfs standing on the shoulders of giants”*  
-Bernard of Chartres

Below, I have included an article by Luke Johnson that appeared in the *Financial Times* in 2009. I think he does an excellent job of capturing the thoughts and fears of would-be entrepreneurs. As he mentions, there will never be the “perfect time” to make the jump and start a new business, so what better time than now.

However, most importantly I have included this article for the section I highlighted. Miniature golf is by no means a new concept or invention. It is a tried and true form of family entertainment. Therefore, the key to success of this business will be:

- 1) Filling an untapped demand in a new market
- 2) Adding incremental improvements to the traditional miniature golf business model

### **Stop Making Excuses and Just Get Started<sup>1</sup>**

by Luke Johnson

In my travels, I meet quite a few would-be entrepreneurs. Some of these characters have a vision of starting or buying a business, but always seem to find reasons to do nothing. Their excuses as to why they have not created an enterprise sound convincing, but in truth none of them really stands up to close examination.

First on the list tends to be a lack of capital. There are lots of solutions to this one. My first business, when I was 18, was a venture with an Oxford nightclub where student friends and I promoted themed evenings and took the door money, while the venue owners kept the bar takings. The operation needed no capital at all - always the best type for absolute beginners.

Other situations may need some funding, but often less than founders think. I am often impressed at how first-time restaurateurs seem to fit out premises on a shoestring - using second-hand equipment, helping out themselves with the refurbishment and so on.

Most things can be done on a budget if your life’s dream depends on it. And even now there is equity backing out there. There are all sorts of pockets of institutional and private cash for a sound project, from government agencies to angel investors. It has never been easy to tap these sources of finance, so you need to be good - and persistent. Howard Schultz, founder of Starbucks, did more than 250 presentations to raise the early-stage funding to really kick-start his coffee bar chain.

A second imagined obstacle is income: people get addicted to a nice safe salary as an employee, and are unwilling to give it up for the uncertainties of the entrepreneurial life. It is true that plenty of the self-employed earn less than they would working for others - and may put in longer hours. But they do it because of the freedom and fulfilment it brings - and because they refuse to give up on their hopes.

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<sup>1</sup> Johnson, Luke (2009, April 28). Stop making excuses and just get started. *Financial Times*, columnists.

During my early 20s I took little time off - when I wasn't working for others, I ran sideline businesses at weekends and during holidays - until I felt able to finally break free and become a full-time entrepreneur. In some ways I wished I had not delayed, but had taken the plunge straight from university.

I accept that there are those who have heavy domestic responsibilities - a mortgage, family obligations and so forth. But anything really worth having requires sacrifice - do you want to deny yourself opportunities and live a life of regrets? Right now many are facing redundancy, so there may not be any salary coming in anyway - what have you got to lose?

A third reason is the idea: too many wannabe entrepreneurs are waiting for a breakthrough concept to arrive one day, fully formed and ready to launch. But capitalism is not like that.

**Most new businesses do something pretty similar to many others - they provide familiar services or products, fulfilling a definite demand - with perhaps an incremental improvement. You do not need an earth-shattering invention to achieve success.**

Those triumphs are rare, and usually happen after immense heartache. What you want is a solid proposition that generates sales and cash quickly, using the skills you already possess, with economics you understand, and serving a known market.

A fourth reason is risk aversion. Too many people fear failure more than they want to win. Of course, your start-up might prove a vain attempt at the prize, so you may lose money, time and pride. But 2009 is, in fact, a great time to fail. All around us companies and institutions are going wrong, including many of the world's largest and grandest. Everyone who has achieved much has suffered setbacks. And you know what? No one really notices or cares. As Confucius said: "Our greatest glory lies not in never failing, but in rising every time we fail."

I predict that many great companies will be started in the next year or two, by those brave enough to believe in the future, energetic enough to seize the day and optimistic enough to deny the possibility of defeat.

There is never a perfect time to begin the journey. But if you have ambition and are willing to apply the effort, stop making excuses - get out there and start battling.

## 1.0 Timeline

### Important Dates

#### Investor Conference Call #1

Date: **Sunday, October 17th, 2010**

Time: 9:00 AM EST

Agenda: Discuss the Putter King business plan and field questions from potential investors.

#### Investor Conference Call #2

Date: **Sunday, October 24th, 2010**

Time: 9:00 AM EST

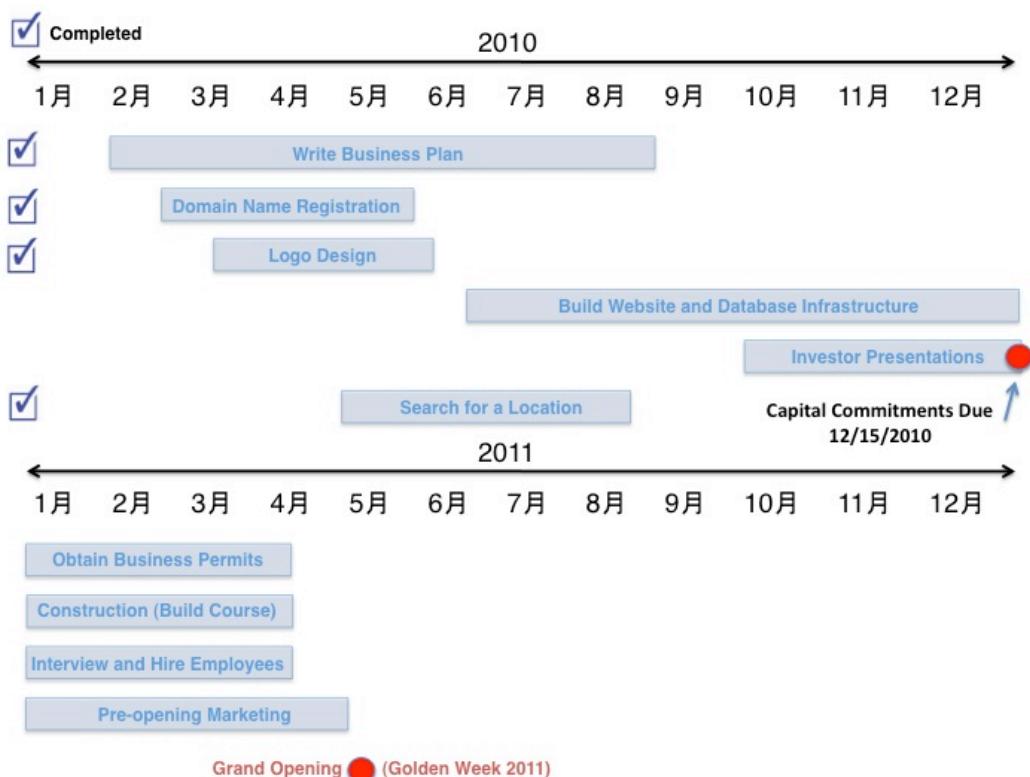
Agenda: Answer any follow-up questions from the first conference call. For potential investors that could not attend the first conference call: discuss the Putter King business plan and field questions from potential investors.

#### Capital Commitments Due

Date: **Wednesday, December 15th, 2010**

(see 26.0 *Investment in Putter King* p.227)

### Timeline



## *2.0 The History and Evolution of Miniature Golf*

### *The many names of miniature golf*

One of the difficulties this business will initially face in Japan will be educating the population about miniature golf; defining exactly what it is, and what it should be called.

According to the American Heritage Dictionary, miniature golf is a novelty version of golf played with a putter and golf ball on a miniature course and featuring obstacles such as alleys, bridges, and tunnels. Merriam Webster's defines miniature golf as a novelty golf game played with a putter on a miniature course usually having tunnels, bridges, sharp corners, and obstacles.

Throughout the world, miniature golf goes by many names:

- a) minigolf (or mini-golf)
- b) Putt-Putt® golf
- c) adventure golf
- d) midget golf
- e) goofy golf
- f) extreme golf
- g) mini-putt
- h) crazy golf (UK)

Further complicating the matter is other scaled down versions of golf usually played with a wedge and putter:

- a) garden golf
- b) pitch and putt golf
- c) clock golf
- d) par 3 golf

### *Types of miniature golf courses*

The World Minigolf Sports Federation (WMF), an umbrella organization of minigolf sports associations worldwide, recognizes four distinct types of miniature golf courses. Each type has its own special design, construction and obstacles:

### Type 1: Minigolf Open Standard (MOS)

Figure 1 - MOS Course



Minigolf Open Standard (MOS) courses are those built with a surface of artificial grass and are most common in North America and Great Britain. MOS courses are also commonly known as Adventure Golf or Crazy Golf. The majority of the courses in the United States fall into this category.

Putter King's hole design (see 11.0 *Hole Design* p.58) best fits into the MOS course designation.

### Type 2: Miniaturegolf (also known as 'Eternit'?)

Figure 2 - Eternit Course



The most common type of approved tournament miniature golf courses in the world are Miniaturegolf courses. These courses are mostly built using fibre cement (Eternit), and do not require much space (a complete tournament course of 18 holes can be built in 600-800m<sup>2</sup>).

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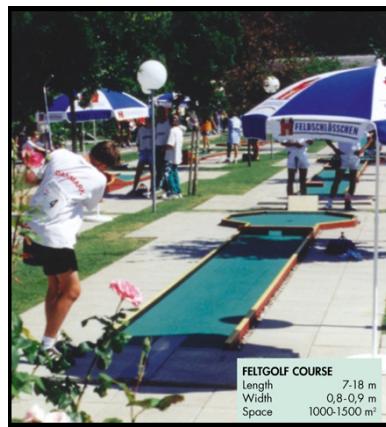
<sup>2</sup> Eternit is the registered trademark for fibre cement.

There are 24<sup>3</sup> different types of approved holes that can be used to design an 18 hole course. Even though the holes are quite short, many people are surprised at how difficult some holes can be. Players are not allowed to stand or walk on the course or obstacles, but this is not necessary to play.

The Miniaturegolf course is used to stage World and European minigolf championships. Each hole is designed specifically to reward pinpoint putting accuracy. The world record score is a perfect 18 (an ace on every hole). The runs are 6.25m long and 0.9m wide, with a target circle diameter of 1.4m. The durable fibre cement playing surface is frost-resistant and weatherproof.

### Type 3: Feltgolf

Figure 3 - Felt Course



Sweden and Finland are known for their Feltgolf courses. The surface is felt (as indicated in the name) and the borders are made of wood. This type of course can be quite difficult as some holes are much longer than the Miniaturegolf holes. Recently, this type of course has grown all over Europe and it has become quite popular to play on felt.

The felt courses require more space, a typical area of 1000-1500m<sup>2</sup>. There can be some variation; however, the total length should be at least 180m (the longest courses are well over 200m in length).

There are almost 40 different types of approved holes (although all of these hole designs are not used for competition). There are international tournaments played almost every year on felt courses as they are becoming more and more popular. Players are allowed to stand on these courses when they play, but should avoid walking on the lanes as it risks that dirt or small stones enter the course.

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<sup>3</sup> It is unclear whether there are 24 or 25 approved Eternit holes.

#### Type 4: Concrete

Figure 4 - Concrete



The fourth type of course is Concrete. These courses were constructed in the 1950's by Paul Bogni from Switzerland. Therefore, this type is predominantly found in Switzerland, Austria and southern Germany. There are only 18 types of obstacles and every course has the same number.

The courses are constructed in concrete and the borders around them are made of steel. The courses are quite expensive to build and require more space than felt courses. The length of the lanes is 10-12m, the longest being about 20-25m. Players may stand on the lanes when they play as it is necessary to be in the right position to hit the ball. As on the felt courses, players should not walk on the lanes.

## *Categorization in Japan*

In Japan, there are generally 4 categories:

### パター ゴルフ - Putter Golf

Generally, putter golf in Japan is outdoors using natural grass, and does not include any obstacles. The holes are designed to mimic a regular golf course, with a fairway and green. However, the holes are usually only a few meters in length. Putter Golf is found in resort areas or at ski areas as a way to increase revenue during the slow summer months.

Figure 5 - Putter Golf Course



Occasionally, putter golf in Japan is associated with Type 3 Feltgolf courses. However, there are not many of these style courses in Japan.

Figure 6 - Felt Golf Course (Japan)



### パークゴルフ (パークボール) - Park Golf (Park Ball)

Park Golf (sometimes called Park Ball) is a cross between mini-golf, Par 3 golf, and croquet that was invented in Japan in 1983. There are over 900 park golf courses in Japan. There is only one club and the ball is made of hard plastic and is about 7 cm in diameter. The hole is about 20 cm wide and about 30-90 meters away from the tee box. Unlike miniature golf, players need to take a “full swing”. Park Golf closely resembles Par 3 golf, but only uses one club.

Figure 7 - Park Golf Course



### ミニゴルフ - Mini-golf

Mini-golf in Japan has the same meaning as Par 3 golf in the United States. The holes are all par 3s with lengths of 50-150 yards.

Figure 8 - Mini-Golf Course (Japan)



### アドベンチャーゴルフ - Adventure Golf

There are few, if any, adventure golf courses in Japan. However, some Japanese may be familiar with the term as it is a popular activity during vacations in Hawaii. Adventure golf in Japan refers to the Type 1 MOS course style.

We have decided to brand Putter King as adventure golf as it most closely fits what we are trying to do.

## *The Early History of Miniature Golf in the United States*

The traditional game of golf experienced a wild surge in popularity in the years immediately following World War I. During this period, small “practice” putting courses are reported to have been constructed by aficionados of the sport in both Europe and the United States. One of the most elaborate, and best documented, was built on an estate in Pinehurst, North Carolina in 1916.

Even though variations of the “big game” of golf had been enjoyed for many years, it was not until James Barber and Edward E. Wisell, an amateur architect, designed and built the “Thistle Dhu” (this’ll do) miniature golf course that all of the elements of miniature golf were brought together for the first time.

### *Thistle Dhu*

In 1916 James Barber retained an amateur architect named Edward H. Wisell to design the earliest known miniature golf course. “Thistle Dhu”, an 18-hole course which intended to duplicate the challenges of the “big game” on a diminutive scale, was a private course complete with walkways, flower beds, a fountain, benches, and a summer house. The course was built in Barber’s garden, and was a forerunner of things to come.

The “Thistle Dhu” miniature golf course featured interconnecting playing tees, fairways, and holes with grass bunkers, wood bunkers, various obstacles, and elaborate landscaping on a fairly level playing field. However, the course remained behind closed gates and was only revealed to the public in magazine articles and pictures, like the 1920 *Country Life* story.

### *Patented Cottonseed Hull Surface*

Thomas McCulloch Fairbairn, a golf fanatic, revolutionized the game in 1922 with his formulation of a suitable artificial green—a surface made from crushed cottonseed hulls mixed with oil, dyed green, and rolled on top of a sand foundation.

Fairbairn had attempted to build a small private course on his cotton plantation in Mexico, but was frustrated by the parched climate and his inability to establish suitable greens. His initial attempts to create the rolling green hills of his homeland failed in the bone-dry Mexican climate, and the course playing surface was just too coarse. After much trial and error, he developed the cottonseed hull surface, a discovery he later patented.

In 1925, Fairbairn and his two partners, Robert McCart and Albert Valdespino patented the process and created the company Miniature Golf Courses of America Inc. However, they found themselves with an invention for which no market yet existed.

### *New York City's Rooftop Courses*

With the invention of artificial turf came the first opportunity to create a durable putting green for anyone, anywhere. Before long, two New Yorkers, Drake Delanoy and John N. Ledbetter, used the new turf to turn miniature golf into a popular commercial enterprise. In 1926, they built New York City's first outdoor miniature golf course on top of a skyscraper in the financial district. Delanoy and Ledbetter copied Thomas Fairbairn's process of using crushed cottonseed hulls, which they had seen at golf trade shows. Eventually Fairbairn and McCart became aware that Delanoy and Ledbetter were infringing upon their patent. In 1928, the four men came to a financial agreement that let Delanoy and Ledbetter use the cottonseed hull process. Delanoy and Ledbetter then went on to establish over 150 putting courses on the rooftops of Manhattan's skyline.

The miniature golf courses they built cost only a few thousand dollars to construct and the rate-of-return on the investments reportedly were phenomenal. After boasting to the press that they planned to franchise courses throughout the world Delanoy and Ledbetter abruptly vanished from the annals of miniature golf history.

### *Tom Thumb*

In 1927, Garnet Carter became the first person to patent a game of miniature golf which he called "Tom Thumb Golf". He built his miniature golf course on Lookout Mountain in Tennessee to draw traffic to the hotel he owned.

Carter's wife, Frieda Carter did most of the designing of the course's obstacles which had a fairyland theme. She designed numerous miniature houses, garages, and the fairyland gas station employing hazards constructed of leftover tile, hollow logs, sections of sewer pipe, and enhanced with statues (elves, gnomes, and Little Red Riding Hood, among them). The Tom Thumb Golf course quickly became a popular and major draw for parents and their children. Garnet and Frieda eventually lavished over \$40,000 on their original miniature golf course on Lookout Mountain.

Fairbairn and McCart became aware of Carter's use of their patented cottonseed-hull surface and Carter agreed to pay over \$65,000 for use of the patented miniature golf surface material. Then they struck a deal with the owners of National Pipe Products Corporation, who retooled three of their manufacturing plants into fantasy factories employing over 200 people to design and build hazards, hand paint hollow logs, tiny houses, and other itsy-bitsy items. Carter and National Pipe Products formed the Fairyland Manufacturing Corporation and soon three other plants in various parts of the country were turning out Tom Thumb Golf courses.

In the fall of 1930, on Lookout Mountain, Chattanooga, Tennessee, the first National Tom Thumb Open Miniature Golf Tournament was played comprising of players who competed in playoffs in all forty-eight states. A cash award of \$10,000 was offered

and over 200 players representing thirty states arrived for the tournament with the top prize being \$2,000.

By 1931 Fairyland Manufacturing Company had sold over 3,000 Tom Thumb miniature golf course franchises to entrepreneurs at a price of \$4,500 each (which included a customized plan with prefabricated parts). This resulted in the 1930's Miniature Golf Gold Rush.

By the end of the decade, there was an estimated 50,000 miniature golf courses scattered across the United States representing an investment of over \$325 million. An estimated four million Americans were playing miniature golf. Tom Thumb's success notwithstanding, the vast majority of courses were privately owned Mom and Pop affairs.

### *End of the Boom*

Miniature golf was extremely popular among movie stars and celebrities, which helped spawn new links all across the nation. The American population was hooked on miniature golf, not only as a leisure time game, but also a sport that any gender and any age could excel at without any handicap or without being a well-conditioned athlete.

Courses stayed open until 4 AM and reopened at 6 AM. Unfortunately, a large number of the four million miniature golf players liked to play until dawn, and the racket caused by the hordes of players kept other people in nearby residential settings awake. This eventually led to the enactment of ordinances, curfews, regulations, and Blue Laws for miniature golf course operations across the country. Rumors of mob involvement further hurt the reputation of the game, and the miniature golf industry's success and growth went into a decline.

The American miniature golf boom of early 20th century came to an end during the economic depression in the late 1930s. Nearly all miniature golf courses in the United States were closed and demolished before the end of 1930s.

By mid-1930, Tom Thumb Golf had hundreds of competitors. Most of these courses were located in urban areas on rooftops, in basements and ballrooms, or on vacant lots. Miniature golf attracted stars like Mary Pickford and Douglas Fairbanks, stimulated the publication of "how to" books and trade magazines, and inspired fashion and songs. The courses of the 1930s had many of the landscape and architectural features that we associate with today's versions. A plan typically included 18 holes, each easily distinguished from the next by use of Rube Goldberg-style hazards, miniature architectural structures, and amusing figures.

Theme courses were popular and the use of elaborate decoration and live musical accompaniment was common. Some courses even featured trained animals. Along with football and baseball, miniature golf was one of the early outdoor sports to use night lighting. It was not unusual to see evening players wearing furs and formal

attire. Some indoor courses featured air-conditioning. Important innovations of the period included the scoring table and the “bottomless” 18th hole. But even with all the fancy trappings, at 25 to 50 cents a game, the diversion remained—like the movies—a truly democratic activity.

Ballroom courses allowed one to polish dance steps and golf strokes under the same roof and in the same shoes. However, the oils used in the patented cottonseed-hull formula putting surface were murder on the shoes so the course designers/owners struggled with this problem and they searched for an artificial turf that was neither too coarse nor smooth but cheap, durable, and easy to maintain. Desperate course owners tried virtually every material possible: compressed feathers, ground sponge mixed with cement, asphalt emulsion, oiled sawdust. Carpet was too expensive to install and hard to maintain during this period. However, experimenters in an eastern state were reported to have developed, at a cost of more than \$500,000, an odd combination of goat hair and vulcanized rubber. Due to its even texture and durability, goat hair felt became the most popular surface.

However, the fever for miniature golf quickly burned out. By the end of the 1930s, the frenzy was over. Courses across the nation were abandoned and later destroyed.

### *Rinkiedink golf*

During the Great Depression, the ingenuity of the players spawned what became known as “Rinkiedink” golf. Undaunted by convention, enthusiastic players would use any space available to set up these unique and crazy courses. Due to the need for lights at night, many of these courses were built under a brilliantly illuminated billboard sign with the playing surface made of a clay or hard sand surface. There was even a green dye called “Grassit” which was used to color the ground to look like grass.

Many new and ingenious obstacle or hazard holes were created by using what could be scavenged, such as old tires, old wagon wheels, rusty stove pipes, sewer pipes, barrels, rain gutters, etc. Some of these became so popular they were incorporated into courses across the country, and were the models for the obstacle-laden miniature golf that we still think of today.

### *1940s*

In 1938 Joseph and Robert Taylor from Binghamton, New York started building and operating their own miniature golf courses. These courses differed from the ones in the late 20s and early 30s; they were no longer just rolls, banks, and curves, with an occasional pipe thrown in. Their courses not only had landscaping, but also obstacles, including windmills, castles, and wishing wells.

Impressed by the quality of the courses, many customers asked if the Taylors would build a course for them. By the early 1940s, Joe and Bob formed Taylor

Brothers, and were in the business of building miniature golf courses and supplying obstacles to the industry. During both the Korean and Vietnam Wars, many a G.I. played on a Taylor Brothers prefabricated course that the United States Military had contracted to be built and shipped overseas.

### 1950s

When the sport of miniature golf more fully returned in the 1950s, it was transformed into a family activity. The 1950s and 1960s are considered the Golden Age of miniature golf. Courses were stocked with dinosaurs and mythological creatures and the holes were more humorously challenging. By the late 50s most—if not all—supply catalogs carried Taylor Brothers' obstacles.

The baby boom of the 1950s and the sprawl of suburbia fueled a quiet resurgence. Unlike the red-hot fad of the 1930s, mini-golf was marketed as a wholesome family pastime. It was during this period that miniature golf began to be paired with food concessions (most often soft-serve ice cream), motels, drive-in movie theaters, driving ranges, and other commercial concerns along the American roadside. Courses also sprouted up on beachfronts, near campgrounds, and other tourist areas.

It was not until after World War II that the United States economy shifted from an military industrial war oriented economy to a consumer products orientated economy that indoor-outdoor artificial turf was developed, and quickly replaced Fairbairn's patented cottonseed hull miniature golf playing surface. Don Clayton was among the first to widely adopt the use of indoor-outdoor carpet for miniature golf courses.

The first Putt-Putt® course was designed in 1954 by Don Clayton, a 28-year-old insurance salesman trying to stave off a nervous breakdown. Clayton was otherwise successful and healthy, but one day he went to a doctor in his hometown, Fayetteville, N.C., complaining of a strange symptom: sometimes while driving in his car, he found himself crying. The doctor ordered him to take a 1 month vacation. Clayton decided to relax by playing miniature golf, which turned out to be a bad idea, since there are few things more challenging to sanity than missing short putts, especially when the cause is poor design or an errant windmill.

To keep his wits intact, Clayton sat down at his dining-room table and drew up on 3-by-5 cards a set of holes that were tough but fair. Disgusted by what he considered trick shots, he designed a new and improved course that allowed only straight putting with none of the gimmicks. His version of the game would feature holes bordered by standard rails, smooth, felt-like carpets and obstacles that would punish only poorly struck putts. Clayton had intended to call his version of the game Shady Vale Golf, but while filling in forms at the bank he realized that he was not sure how to spell "Vale", so he called it Putt-Putt® instead. The Putt-Putt® design made the game more like billiards in the consistent nature of the surface and the central role of the bank shot. Before long, Clayton had created an entertainment empire based on the concept that it should be possible to ace every hole, but only with a perfectly conceived and struck putt.

Putt-Putt® was established in 1954 and along with McDonald's and Holiday Inn, Putt-Putt® went on to become one of the nation's first franchised roadside businesses. Many people doubted that miniature golf would ever be regarded as a sport. However, Putt-Putt® and Don Clayton did thrive for many years, and at one time had almost 500 locations.

In 1955, Lomma Enterprises, Inc., founded by Al Lomma and his brother Ralph Lomma, led the revival of wacky, animated trick hazards. These hazards required both accurately aimed shots and split-second timing to avoid spinning windmill blades, revolving statuary, and other careening obstacles.

Al and Ralph Lomma are often credited as the fathers of modern-day miniature golf. The brothers were instrumental in the renaissance of inspired, stunt courses which featured moving hazards and required accuracy and concentration. Their first course was built in Scranton, Pennsylvania in 1956. Soon, they had established a business manufacturing and selling prefabricated courses. To solve the problem of turf, the Lommars had a company in South Carolina produce a special indoor/outdoor carpet, expressly for use on their greens. Even today, one of the selling features of Lomma golf is that a course can be installed in one day and moved indoors seasonally if desired.

Many of the roadside courses of the period were homemade, folk art creations. Using poured concrete, chicken wire, and lumber, these mom and pop courses proliferated like theme parks, souvenir shops, and other tourist attractions spurred by the automobile culture. Miniature golf courses grew with the baby boom, becoming bigger and more outrageous in their design. The American Southeast established itself as the heartland of putting activity, with Myrtle Beach, South Carolina, as its capital. There along a 50-mile stretch of Kings Highway miniature golf continues to reign supreme. As a result, the area has become a tourist destination for players from around the United States.

### *1960s and 1970s*

In 1961 Bob Taylor, Don Clayton of Putt-Putt, and Frank Abramoff of Arnold Palmer Miniature Golf organized the first miniature golf association known as NAPCOMS (or the "National Association of Putting Course Operators, Manufacturers, and Suppliers"). Their first meeting was held in New York City. Though this organization only lasted a few years it was the first attempt to bring miniature golf operators together to promote miniature golf.

For many years, there was a stylistic divergence between the miniature golf courses of the East Coast and West coasts. Southern California courses, undoubtedly influenced by Hollywood, tended to be more elaborate, draw heavily on fantasy, and grandiosity. In contrast, East Coast courses were smaller and less theatrical, due a shorter season and harsher weather. Many East Coast courses, particularly in the Northeast featured literary or historic themes. Farther to the South, along the Eastern

Seaboard to Florida courses began to be characterized by large central synthetic rock creations and cascading waterfalls. Many of the courses invoked a jungle atmosphere with palm trees, thatched huts and wild animals.

A third wave of putting enthusiasm began in the 1970s and continues to influence the courses being constructed today. These new courses most often employed one coherent theme (Jungle, Pirate, Safari), extreme terrain (man-made mountains and caves), waterfalls and lagoons, and special effects (lights and sound). Obstacles and tricks emblematic of the game, like loop-di-loops and waterwheels, were fast being retired in favor of more high-tech and “maintenance-free” devices. Miniature golf was transformed with million dollar landscaping and stock course design and decoration. The courses included waterfalls, rocks, steep pathways, and rope bridges.

### 1980s

Starting in the mid-1980's, a newer adventure-style course became very popular which took on a Disney-look in its theming. Course names now were as exotic as the courses themselves such as Pirate's Cove, Adventure Island, Mountasia, etc. Many were first built in the tourist destination areas such as Myrtle Beach, South Carolina, which to this day, is still the 'Miniature Golf Capital of the World'. There are as many as 45 courses within a 20 mile radius from the center of the Grand Strand and the tourist swell of over 12 million visitors easily supports this many facilities. The same growth could be seen in Florida especially in the tourist areas.

During this new growth period, small amusement parks featuring miniature golf courses and other anchor attractions, like go-kart tracks and arcade games, began to coalesce into what is now called the Family Entertainment Center or FEC.

The FEC industry became one of the fastest growing segments of the international amusement industry. While miniature golf courses remained the most popular feature attraction at family entertainment centers, it was the synergistic combination of multiple attractions and activities that made these facilities thrive, prosper, and enjoy financial success. Due to the availability of multiple attractions, consumer's extended their length of stay, and subsequently the per capita spending rate increased.

Companies like Malibu Grand Prix and Mountasia Enterprises (Fantasy Golf Inc.) built miniature golf courses with story-line type themes or nature oriented playing holes that featured dramatic changes in elevation. However, with many different attractions (such as go-kart tracks), it was not only miniature golf that was driving consumers to these locations.

## 1990s

During the 1990's, the serious competitive straight and flat Putt-Putt® miniature golf courses were operating at over 400 franchised or company owned locations in America. The majority of the Putt Putt® miniature golf courses were of a 'cookie cutter' design, and if you had played one you had played them all, with slight deviations.

During this period, Putt-Putt® locations (particularly franchise operator/owners), which had available land space, began to transform their facilities into the FEC concept, with the addition of more attractions and activities. However, many locations were land locked and without property to expand. Therefore, many Putt-Putt® locations began to lose competitive market share to companies like Malibu Grand Prix, Pirates Cove, Mountasia, and a dramatic number of new mom and pop entrepreneurs. These groups and individuals were building FECs featuring more amusement attractions and the more attractive, whimsical, and dramatic adventure style miniature golf courses.

The majority of the new FECs were, and are, designed to show off the adventure style miniature golf courses, as a beautiful feature attraction, to motorists driving by. Today, there are 60 Putt-Putt® locations in existence, down from almost 500. Many of the Putt-Putt® locations did not, or have not, remained abreast of market changes, and consumer's tastes and demands. Don Clayton's concept of the flat straight sport oriented style of miniature golf course continues to decline in popularity and profitability. The consideration of miniature golf as a seriously competitive sport has only taken root in Europe, and even now is shifting towards a purely entertaining and passive amusement activity.

The first five years in the 90's showed a very strong growth period for the FEC concept; however, the adventure theming seemed to have one downfall, and that was due primarily to the buying and patronage habits of the American public. Consumers would begin to lose interest after the 'new' factor started to wear off. As many American's were now aware of at least the "Pirate's" theme, which is so popular, the buying public only patronized these facilities until the newness wore off (usually within two-three years). The FEC concept was able to achieve a longer newness by adding more component attractions which in turn also gave the patron other choices for spending their entertainment dollar.

In the 90's, the themed miniature golf FEC facilities were built, not only in the tourist areas, but also in the bedroom communities. Two classes of FECs emerged; "A" Class and "B" Class FECs. "A" Class FECs usually have more than three attractions such as go-karts, batting cages, bumper boats and/or cars, laser tag. "B" Class FECs have only about two or three of the necessary components.

Due to land costs, "B" Class FECs became popular in pocket bedroom communities while full "A" Class FECs were built in large MSA's. In the 90's, stand-alone miniature golf courses were almost gone except for very rural areas with low populations and no competition.

### *Indoor Miniature Golf*

In addition to classical outdoor miniature golf, indoor “glow in the dark” miniature golf has achieved some popularity, especially in colder climates like Canada and Finland. Indoor miniature golf can be played throughout the year, and climate control allows the building of elaborate obstacles that would otherwise not withstand inclement weather.

Putting Edge and Monster Mini-Golf are two indoor (glow in the dark) golf franchises that have found some success. Putting Edge is a Canadian company that has 10 locations in Canada and 8 in the United States, while Monster Mini-Golf has 26 locations throughout the United States.

### *Competitive Miniature Golf*

The World Minigolf Sports Federation (WMF), organizes World Championships bi-annually (on odd-numbered years), while the continental championships in Europe and Asia are organized on even-numbered years. Many of these competitions are arranged for three age groups: juniors (under 20 years), adults (no age limit), and seniors (over 45 years). Men and women compete separately in their own categories, except in some team competitions and pair competitions.

European players have tended to do well in international competitions; no player from other countries (such as England, the United States, Japan, etc.) has ever reached the top 50 in the World Championships (in the men’s category). Nearly all national federations outside Europe were founded only quite recently (within the last 10 years).

The United States has a longer history of miniature golf competitions, but the standardized European competition courses (Type 2: Miniaturegolf - ‘Eternit’) are practically unknown in United States.

The highest money prizes are paid in the United States, where the winner of a major competition may earn up to \$5,000. In mainland Europe the money prizes are generally quite low, and in many cases honor is the only thing at stake in the competition. International championships usually award no money prizes at all.

In the United States, there are two organizations offering national tournaments: the Professional Putters Association and the US Pro Mini-Golf Association (USPMGA). The latter of these represents the United States in the WMF, having been an active member since 1995. USPMGA President Robert Detwiler is also the WMF representative for North and South America.

The world record on one round of miniature golf is 18 strokes on 18 holes. More than a thousand players have officially achieved this score on an Eternit course. On other course types, a perfect round of 18 holes-in-one is extremely rare, and has never

been scored in an official national or international tournament. Unofficial 18-rounds on concrete and felt courses have been reported in Sweden.

For four years, a miniature golf National Championship was aired on ESPN with excellent family ratings. The program was successful in generating more interest in the sport of miniature golf.

#### *Expansion into Asia*

In November 2008, Hello! Haigeng Mini Golf Park opened as one of the first major miniature golf courses in China. The \$500,000 complex includes two 18-hole courses, a restaurant, tiki bar and mini golf teaching facilities.

Miniature golf is nearly non-existent in China, which is why North Carolina business man Ed Knapp, the developer and manager of the Haigeng park, got into this business. He opened the facility in November, and it is the first of eight that he says the provincial government has green-lighted him to create in Yunnan. USPMGA President Robert Detwiler is also financially invested in the park.



### *3.0 Industry Analysis*

#### *Japan Standard Industrial Classification (JSIC)*

The Japan Standard Industrial Classification is a set of standards used to show statistical survey results by industry. The JSIC was created in October 1949 to ensure the accuracy and objectivity of statistics, and to make it easier to compare statistics and obtain maximum benefit from them. The twelfth revision of the JSIC (as revised in November 2007) is the most current classification. The JSIC is quite similar to both the International Standard Industrial Classification (ISIC) and the North American Industry Classification System (NAICS).

In the JSIC classification system, Putter King will be in category N: *Living-Related and Personal Services and Amusement Services*. Under category N, there are a few possible subcategories where Putter King might fit (possible subcategories for Putter King have been highlighted; yellow - best fit, blue - possible fit):

- 804 Sports Facilities
  - 8041 Sports facilities, except otherwise classified
  - 8042 Gyms (sports hall)
  - 8043 Golf courses
  - 8044 Golf driving range operations
  - 8045 Bowling alleys
  - 8046 Tennis clubs
  - 8047 Baseball and tennis batting range operations
  - 8048 Fitness centers
- 806 Amusement and Recreation Facilities
  - 8061 Billiard-rooms
  - 8062 "Go" and Japanese chess parlors
  - 8063 "Mah-jong" clubs
  - 8064 "Pachinko" parlors
  - 8065 Game centers
  - 8069 Miscellaneous amusement and recreation facilities
- 809 Miscellaneous Amusement and Recreation Services
  - 8091 Dance halls
  - 8092 Marinas
  - 8093 Recreational fishing guide business
  - 8094 Geisha houses
  - 8095 "Karaoke" boxes
  - 8096 Services incidental to amusement and recreation
  - 8099 Amusement and recreation services, NEC (not elsewhere classified)

### *Why Not Open a Family Entertainment Center (FEC)?*

Putter King will not be opening a Family Entertainment Center (FEC). Putter King will focus on adventure golf. Although there are benefits to FECs (diversity of revenue streams, multiple attractions), Putter King will not enter this section of the industry for the following reasons:

I) Land and rent costs

- The cost to develop a location suitable for a FEC would cost millions of dollars

II) Competition

- FECs have a much wider range of competitors
- FECs have to beat out competitors that are specializing in one area (for example: the bowling center at a FEC has to be better or cheaper than bowling at a franchise or alley that only offers bowling)

III) Established Industry

- It is very difficult to break into established industries in Japan. It is tough to get Japanese consumers to switch from established brands to new or lesser known brands. For example, in the English conversation industry, hundreds and hundreds of new companies have tried to enter the market in the past 20 years, but most fail and few, if any, have been able to join the echelon of the major English conversation schools.
- Would have no competitive advantage over other FECs

Putter King plans to concentrate on its niche (adventure golf) and do it better than anyone else.

## *4.0 Competition in Japan*

Putter King will face competition from many different companies in the entertainment and amusement industry, most notably from Family Entertainment Centers (FECs).

### *Yokohama Bahn Golf*

Category: Miniature golf

Business Type: NPO (non-profit organization)

Course Type: Type 2 (Eternit) - 18 holes; Type 3 (Feltgolf) - 9 holes

Location: Yokohama (roof of the World Porters Building)

Website: <http://www.geocities.jp/bahngolf>

Hours:

- 10:30 - 19:00 (Normal)
- 10:00 - 20:00 (Summer: July 18th - August 31st)
- 10:30 - 18:00 (Winter)

Pricing:

Eternit (18 holes):

- ¥900 Adults
- ¥600 Primary and secondary students<sup>4</sup>
- ¥500 Members<sup>5</sup>

Felt (9 holes):

- ¥500

Membership:

- ¥1,000 one-time sign-up fee
- ¥3,000 annual membership fee

Bahn Golf is a member of the World Minigolf Sports Federation (WMF) and will often hold competitions on the Eternit course. The Bahn Golf Association was established in April, 1995 and joined the WMF in 1996. Bahn Golf also has an 18-hole Feltgolf course on the Shukutoku University campus.

Figure 9 - Yokohama Bahn Golf



<sup>4</sup> Elementary school students (and younger) are not allowed access to the Eternit course.

<sup>5</sup> Members can play both courses (Eternit and Felt) for ¥500.

### *Cha Cha World*

Category: Small amusement park  
Course Type: Type 3 (Feltgolf) - 18 holes  
Location: Miyage Prefecture  
Website: <http://www.chachaworld.jp>

Minna no Putter Golf (literally: “everyone’s Putter Golf”) is one of the attractions at Cha Cha World, a small amusement park and flower garden. Other attractions at Cha Cha World include:

- Haunted house
- Sky cycle
- Go-Karts
- Peddle boats
- Carousel
- Mountain tram
- Alpine slide

Figure 10 - Cha Cha World



### *Shira Kobato Park*

Category: Small amusement park  
Business Type: NPO (non-profit organization)  
Course Type: Type 3 (Feltgolf)  
Location: Saitama  
Website: [http://www.parks.or.jp/koen\\_main/shirakobato-suijo.html](http://www.parks.or.jp/koen_main/shirakobato-suijo.html)

Figure 11 - Shira Kobato Park



### *Tatsumi Seaside Forest Park*

Category: Miniature golf

Business Type: Managed by the Tokyo Port Terminal Corporation

Course Type: Type 1 (MOS) - 9 holes

Location: Tokyo

Website: <http://www.tptc.co.jp/corporate//tabid/388/Default.aspx>

Tatsumi Seaside Forest Park is located near Tokyo Bay and is run by the Tokyo Port Terminal Corporation. The park also includes other activities such as:

- Frisbee golf
- Park golf (grand golf)
- Shuffleboard
- Tennis
- Mallet golf
- Garden golf

Figure 12 - Tatsumi Seaside Forest Park



## *Round One*

Category: FEC

Business Type: Public, TYO:4680

Course Type: Type 1 (MOS)

Website: <http://www.round1.co.jp>

Round One is the sole operator of nation-wide amusement complexes in Japan. Round One amusement centers are found mainly in the Kansai area (Southern-Central Japan, including Osaka, Kobe, and Kyoto) and the Kanto area (Eastern Japan including Tokyo) regions. In particular, Round One has a substantial presence in “Hokusetsu”, a region comprising parts of Osaka, Kyoto and Hyogo Prefectures. The company has two types of amusement centers:

1) Standard

- Bowling
- Arcade

2) Stadium

- Bowling
- Arcade
- SPO-CHA (abbreviation for “Sports Challenge”)
  - Basketball
  - Golf Practice Range
  - Mini-soccer
  - Pitching
  - Volleyball
  - Batting
  - Archery
  - Tennis
  - **Putting golf**
  - Squash
  - Catch & frisbee
  - Mini-bikes
  - Roller skating
  - Kick target
  - Pool
  - Curling
  - Virtual golf
  - Virtual bowling
  - Shooting gallery
  - Automatic tennis
  - Smash ping-pong
  - Table tennis
  - Darts

The Stadium center is a newer type of facility for Round One, and it was seen as an important new driver for sales when it was first introduced. However, the SPO-CHA

concept has failed to generate sufficient traction in the market as traffic flow tends to slow substantially after a period of initial post-opening excitement. Most recently SPO-CHA had been considered by the company as more of brand advertising tool.

Customers can use any of the games or amusements at SPO-CHA during an allotted time. Round One sells both 90 minute plans and 3 hour plans.

#### SPO-CHA Pricing:

	General	Students (Junior high school and up)	Elementary school students	Children (under 6 years old)
3-hr (Mon-Fri)	¥1,500	¥1,200	¥1,100	¥900
3-hr (Sat, Sun & Holidays)	¥1,600	¥1,400	¥1,300	¥900
1.5-hr (Mon-Fri)	¥1,080	¥880	¥780	¥680
1.5-hr (Sat, Sun & Holidays)	¥1,180	¥1,080	¥980	¥880

Figure 13 - Round One Putter Golf



The “Putting golf” facilities at SPO-CHA most resemble a Type 1 (MOS) course; however, there are no obstacles and the greens are basically flat with the addition of some “sand traps” and “water hazards” constructed using a different type of turf.

Round One’s business model is unique in that it combines bowling, games and karaoke in one large amusement center, increasing both its customer drawing power and stability of revenues. Round One entered the market late for bowling alleys, in the early 1980s, around the end of the era when such commercially successful entries were still possible. The company not only opened bowling alleys but introduced a completely new model (under the Round One brand), combining bowling with games, karaoke, and other amusement options. This model came to dominate the market. The market size is currently about 90-100 billion yen with approximately 10 centers closing each year, and an expected continued contraction of the market.

The market for arcade games is saturated, due to previous growth and the over-supply of games and centers which were developed to meet expectations of what the market could have been. The total market size is approximately 600 billion yen, down from a peak of 700 billion yen.

The marginal profitability appears to be the highest for Round One in bowling, followed by game. For bowling, the marginal profitability is suggested to be over 90% while game is relatively lower due to variable costs associated with prizes in redemption type machines. Karaoke has a high exposure to variable costs; this service includes offerings of foods and drinks to customers. For SPO-CHA, marginal profitability was initially expected to be higher, but lower than originally forecast sales meant a higher fixed cost ratio.

Round One believes that bowling has distinguished characteristics that make it unique and somewhat ‘sticky’ with players – the rules are relatively simple, skill is not required for enjoyment, and it is relatively inexpensive. Given these factors, Round One believes that it is unlikely that the market for bowling could quickly decline from current levels.

#### Customers:

Customer breakdown by generations with the company is as follows: teens and twenties or youngsters, collectively, account for 50% of the total. Collective thirties and forties account for 10% to 20%. The remaining 30% to 40% is accounted for by other generations.

#### Competitors:

There are no direct competitors to Round One that run national chains. Neighborhood operators of bowling centers, game arcades, and karaoke centers are all competitors to varying degrees. Smaller operator Sport is considered a distant second runner in the industry, operating twelve plain-vanilla bowling centers, but no company has succeeded in replicating the national scale and highly standardized model that Round One has accomplished.

In the words of management, “there is no Round 2” in the market<sup>6</sup>. Arcade game operators such as Sega Sammy (TSE 6460), Namco Bandai (TSE 7832) and Square Enix’s (TSE 9684) Taito, as well as smaller players like Adores (JASDAQ 4712) and Warehouse (TSE 4724) are competitors in a broader sense but they lack either scale or exposure to the profitable bowling segment.

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<sup>6</sup> Putter King believes this statement shows Round One management’s complacency. In their view, there are no real competitors. Consequently, they have stopped innovating and are happy to keep the status quo in a mature market. This narrow view of the competitive landscape leaves them open for a competitor (Putter King) to come in under the radar of Round One management and quickly steal market share.

*Tokyo Dome Corporation*

Category: FEC

Business Type: Public, TYO:9681

Course Type: No miniature golf offered

Website: <http://www.tokyo-dome.co.jp/e>

Tokyo Dome Corporation owns Tokyo Dome (a baseball stadium), as well as surrounding hotels and attractions. Among the attractions at Tokyo Dome City are:

- Tokyo Dome Bowling Center
- Virtual Sports Plaza Dagekioh

Virtual Sports Plaza Dagekioh is an amusement facility with 11 types of virtual sports game machines including a batting cage, golf, tennis, soccer, etc. However, there is no miniature golf.

*Tokyu Recreation Co. Ltd.*

Category: FEC

Business Type: Public, TYO:9631

Course Type: No miniature golf offered

Website: <http://www.tokyurec.co.jp>

Tokyu Recreation Co., Ltd. is a Japan-based company that operates in six business segments:

- Movies

This segment is engaged in the operation of cinemas, as well as the planning and production of events

- Sports and Leisure

This segment operates bowling alleys, football halls and other sports leisure facilities

- Real Estate Leasing

- Convenience Store

- Building Management

- Other

This segment is engaged in the operation of restaurants and game arcades

*Geo Dinos Co. Ltd.*

Category: FEC

Business Type: Public, JSD:4650

Course Type: No miniature golf offered

Website: <http://www.geodinos.jp>

Geo Dinos Co., Ltd., formerly Sugai Entertainment Co., Ltd. is a Japan-based company mainly engaged in the provision of leisure-related services. The Company

operates in three business divisions. The Amusement Facilities division is engaged in the operation of game centers, bowling alleys, karaoke studios, billiard halls, batting centers, comic book coffee houses and dart bars, among others. The Movie Entertainment division operates movie theaters and cinemas in Hokkaido. The Others division is engaged in the leasing of land and buildings.

### *Putter Golf*

More common in Japan than miniature golf is Putter Golf (see *Categorization in Japan* p.9). The following are some of the more popular Putter Golf locations in Japan:

Figure 14 - Hiroshi Putter Golf



- a) Tokyo German Village
  - <http://www.t-doitsumura.co.jp>
- b) Highlands Golf Course
  - <http://www.482.co.jp/putter>
- c) Hiroshi Golf Course
  - <http://natural.web.infoseek.co.jp/pata.htm>
- d) Senbonmatsu Ranch
  - <http://www.senbonmatsu.com>
  - 18 holes: ¥1,500
- e) Shibamasa World
  - <http://www.shibamasa.com>
  - 18 holes: ¥2,000 Adults; ¥1,000 Kids
- f) Tanikoi
  - <http://tanikoi.com>
- g) Miniamigaoka Dairy Farm
  - <http://www.minamigaoka.co.jp>
- h) Nikko Sunshine Village
  - <http://chirorin.dohome.net/putter.html>
  - 9 holes: ¥840

## Park Golf

Compared with Putter Golf, Park Golf is actually closer to regulation golf than to miniature golf. However, it is still a form of competition, especially for the senior market. The International Park Golf Association (IPGA) is an NPO (non-profit organization) that set the rules for Park Golf and maintains listing of the more than 900 courses in Japan (see *Categorization in Japan* p. 9).

## Gateball

A popular form of entertainment for seniors in Japan is Gateball. Gateball is a mallet team sport similar to croquet. It is a fast-paced, non-contact, highly-strategic team game, which can be played by anyone regardless of age or gender. Gateball was invented in Japan by Suzuki Kazunobu in 1947. Putter King will be competing with gateball for the daytime senior market.

Figure 15 - Gateball



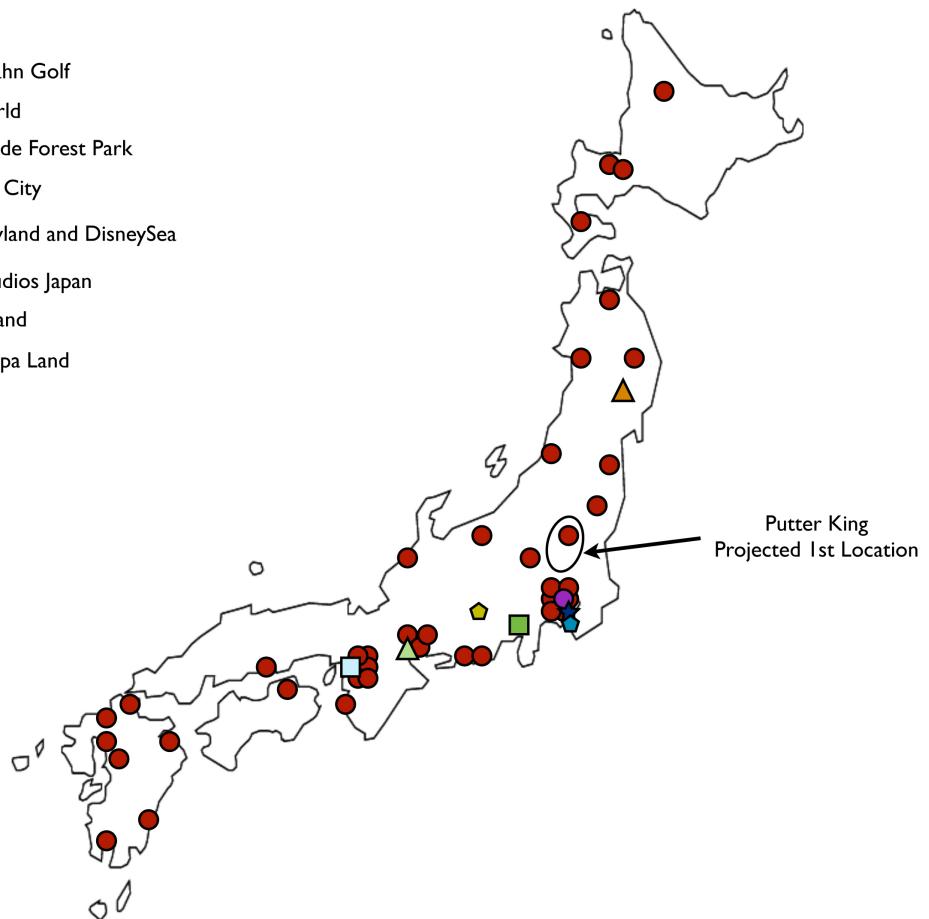
## Substitute Goods

Putter King's competition is not limited solely to miniature golf courses, but rather Putter King will face competition from many businesses that operate in the amusement or entertainment industry. These competitors include:

- Bowling Alleys
- Movie Theaters
- Game Arcades
- Karaoke
- Dart Bars
- Water Parks (during summer)
- Onsen (hot springs)
- Theme Parks
  - Tokyo Disneyland
  - Tokyo DisneySea
  - Universal Studios Japan (Osaka)
  - Fuji Q Highland (Lake Kawaguchi)
  - Nagashima Spa Land
  - Hirakata Park

## *Competition Map*

- Round One
- Yokohama Bahn Golf
- ▲ Cha Cha World
- ◆ Tatsumi Seaside Forest Park
- Tokyo Dome City
- ★ Tokyo Disneyland and DisneySea
- Universal Studios Japan
- ◆ Fuji Q Highland
- ▲ Nagashima Spa Land



## 5.0 SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Innovative hole design</li> <li>• Brand</li> <li>• Use of technology</li> <li>• Activity duration</li> <li>• Wholesome family entertainment</li> </ul>	<ul style="list-style-type: none"> <li>• Focused on one form of entertainment</li> <li>• Course capacity is limited</li> <li>• High cost of land in Japan</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• New market for mini-golf</li> <li>• High population density</li> <li>• Franchise system is well-recognized and accepted in Japan</li> <li>• Child allowance</li> <li>• Easing of Chinese travel visa rules</li> </ul>	<ul style="list-style-type: none"> <li>• Weak economy (Japan/global)</li> <li>• Potential consumption tax hike</li> <li>• Low birthrate and aging population</li> <li>• Relatively low barriers to entry for competition</li> </ul>

### *Strengths*

#### Innovative hole design

- Putter King hole designs are creative, challenging and varied. The unique hole designs and cultural themes will hopefully help increase repeat business and, most importantly, create positive word of mouth advertising.
- An overriding theme is important and makes the experience more memorable for customers (Monster Mini-Golf and Pirate's Cove are two good examples). The theme is necessary for the course to be unique and stand out from the crowd.

#### Brand

- The Putter King brand is one of the key strengths of the business. The name is short, easy to remember, and lends itself well to many different advertising concepts. The Putter King logo is fun and colorful. All Putter King branding (website, advertisements, merchandise, etc.) will have a clean, simple, and aesthetically appealing look.

#### Use of technology

- Putter King aims to use and embrace technology to enhance the customer experience. Putter King's use of technology can be seen in its electronic scoring, database and POS systems, hole design features, web design, etc.

#### Activity duration

- Customers are able to spend more time playing miniature golf per dollar (or yen) spent compared with some other competing forms of entertainment (arcade

games, batting cages, go-karts, etc.). Customers may spend anywhere from 45 to 60 minutes playing 18 holes, and because of this long duration there may be a higher perceived benefit compared to other entertainment options.

#### Wholesome family entertainment

- These days, with mobile phones, video games systems, TVs, etc. families are spending less and less time doing activities together. At Putter King, the entire family can have fun and enjoy a wholesome activity.

#### *Weaknesses*

#### Focused on one form of entertainment

- Putter King focuses solely on adventure golf. Other competitors, such as Round One, are FECs that offer many different forms of entertainment (such as bowling, arcade games, etc.)

#### Course capacity is limited

- The course can only hold so many players at one time. This is unavoidable and will potentially cap revenue potential at peak hours. Course layout and design are key as some holes will naturally take longer than other holes.

#### High cost of land in Japan

- One disadvantage of Japan's population density is the fact that real estate prices are relatively high throughout the country. Although prices are nowhere near the levels they reached during the bubble era, they are still high on cost per square meter basis compared to the United States.

#### *Opportunities*

#### New market for mini-golf

- Miniature golf, especially adventure golf, has not yet been truly introduced in Japan. There is a lot of potential in a new market that has familiarity with the game of golf. When bowling was first introduced in Japan in the 1960s, it was not unusual to queue for hours to play and the number of bowling alleys in the country quickly increased.

#### High population density

Area	Population Density (people per km <sup>2</sup> )
Tokyo	5,847
Japan	337
United States	32

- With 337 people per square kilometer, Japan has the 36<sup>th</sup> highest population density in the world (the United States is 178<sup>th</sup> with 32 people per square kilometer).
- With a population of 127.4 million and arable land of only 11% of Japan's total land area, the population density in inhabited areas in Japan is even higher. For example, Tokyo has 5,847 people per square kilometer.

#### Franchise system is well-recognized and accepted in Japan

- Franchising has been increasing in popularity in Japan since the 1970s. The number of franchising chains increased from 186 in 1975 to 1,231 in 2008, while the number of franchised stores expanded from 28,000 to 230,822 during the same period.
- In Japan, where people tend to be half-hearted about setting out on their own, franchising offers a happy compromise between completely developing a new business on one's own and the salary man lifestyle.

#### Child allowance

- The child allowance in Japan, one of the key initiatives of the DPJ government, will be distributed from June, 2010 (¥13,000 per month per child). This, in combination with the removal of public high school fees, should positively impact family consumption. The child allowance is scheduled to increase to ¥26,000 per month per child from fiscal 2011.

#### Easing of Chinese travel visa rules

- In July 2009, Japan began granting travel visas to individual wealthy Chinese and in July 2010 the income criteria was lowered making an additional estimated 16 million more households eligible. This should help boost tourism in Japan, and, if successful, may lead to further immigration easing in the future in order to expand tourism.

#### *Threats*

#### Weak economy (Japan/Global)

- Japan's economy, along with the global economy, is still recovering from the recession. If the economy falls into a double-dip recession, or if the economy experiences flat or no growth for an extended period of time, there will be an impact on disposable income and consumer spending.

#### Potential consumption tax hike

- There has been talk in Japan of having to raise the consumption tax for some time now (see 6.0 *Risks* p.37). The current consumption tax rate is 5% and current Prime Minister Naoto Kan has said that he will consider 10% as "one of the references" for raising the rate.
- Any consumption tax increase will most likely negatively impact consumer spending.

### Low birthrate and aging population

- Japan's total fertility rate — the number of children a woman would bear throughout her life if she follows the age-specific fertility rates of a given year — fell to 1.57 in 1989 and went into a general decline. It reached an all-time low of 1.26 in 2005, according to the Health, Labor and Welfare Ministry. Despite slight increases in recent years, it was still at only 1.37 in 2008, far below 2.1, the accepted rate at which developed countries can sustain a stabilized population.
- The National Institute of Population and Social Security Research says the population will shrink by a third by 2050, and by 2105 it will fall to 44.6 million. People of working age between 15 and 64 will make up only half of the population by 2055, the research center projects.
- Although seniors are one of Putter King's key targets, Putter King's number one target market is families with children. Therefore, if the recent upward trend in the birthrate is again reversed this may negatively impact the potential future customer base for Putter King.

### Relatively low barriers to entry for competition

- Generally speaking, the barriers to entry for starting a miniature golf course are relatively low compared to many other businesses (see 6.0 *Risks* p.37). If Putter King achieves some success in Japan, it is likely that new competitors will enter the market.

## 6.0 Risks

There will always be risk no matter what type of company you have or what industry you are in. Risk is unavoidable. If people believe there is no risk, this is probably one of the most dangerous risks of all. The following are some of the risks (no list of risk could ever be comprehensive) that Putter King will face as well as the mitigating factors for these risks.

### *Risk: Miniature golf is not Japanese / Japanese people won't be into it*

First and foremost, there are examples of miniature golf in Japan (or very close substitutes, such as putter golf) that have clearly achieved some form of success as a sustainable business. Putter King is just taking it to the next level - adventure golf.

A great counterexample to the “Japanese people won’t be into it” argument is the iPhone. When the iPhone first came out in Japan, *none* of my students were interested in it. Japan was (and still is) known as the ‘Galapagos Island’ of mobile phones. My students told me how “Japanese customers are different”, and “Japan is special, only Japanese mobile phone makers can survive here” and that the “iPhone is difficult to use for writing Japanese and doesn’t include some typical Japanese features like a place for a strap”.

Well, not even one year later, the same exact people were giving me a hard time for not having upgraded to the latest iPhone. The popularity of the iPhone has taken off, and it would be difficult to argue that it hasn’t been a success in Japan.

Steve Jobs has often cited this quote from Henry Ford: “If I’d have asked customers what they wanted, they would have told me, ‘A faster horse!’”. The approach of Apple is that people can’t really envision what they want. They’ll tell you a bunch of stuff they want. Then if you build it, it turns out that’s not right. It’s hard to visualize things that don’t exist.

At Putter King, it is *our* job to create a fun, innovative adventure golf course for the customers. As with many new products in Japan, it might not catch on immediately, but once it reaches the tipping point there is a large, dense market to support it.

### *Risk: Miniature golf is a fad*

As we have seen in the history of miniature golf in the United States, there have been ups and downs in the popularity of miniature golf. However, to call something that has managed to stay around for almost a century a fad is a mischaracterization. A fad conjures the image that the company, product or activity almost completely disappears after experiencing a quick and dramatic rise in popularity.

The more apt description of miniature golf is that it has experienced periods of boom due to a new innovation or change in the style of the game (e.g. New York City’s

rooftop courses / Tom Thumb Golf courses, the 1950s and 60s Golden Age with Taylor Brothers' obstacles, 1980s and 90s adventure style courses) and afterwards settled to the level of a mature industry. Miniature golf has never disappeared.

A similar pattern is apparent in the bowling industry in Japan. Bowling was well accepted in Japan when it was imported in the 1960s. In those days, it was not unusual to queue for hours to play, and anyone with excess funds was keen to invest in bowling alleys as long as they could find suitable land. Bowling reached its height of popularity in 1972 with 3,697 bowling alleys. That number has gradually decreased due to a growing range of other leisure activities and fewer young people going bowling. As a result, the number of alleys dropped to 987 in 2008.

Given the scenario that continued year after year growth in same store sales for Putter King is unlikely (if not impossible due to the clear customer traffic constraints of a miniature golf course), Putter King plans to mitigate the risk of a sudden decrease in popularity by:

I) Franchising

- By favoring franchising over organic store growth, Putter King is able to outsource the risk of a sudden drop in popularity to the franchisee

II) Continuing to innovate

- New hole designs and the utilization of the latest technology will help keep the business fresh and keep customers coming in the door

*Risk: Initial success for Putter King brings many copycat competitors*

If Putter King is able to achieve success in Japan, it is inevitable that some competitors will try to enter the industry. Generally speaking, the barriers to entry for starting a miniature golf course are relatively low compared to many other businesses. However, Putter King's strategy is to find as many ways as possible to increase the barriers to entry for other companies and to build a moat around the Putter King business model. These include:

I) Comprehensive and well-built database systems for POS, customer tracking, scoring, etc.

II) Use of technology in regards to electronic scoring (see 12.0 *Scoring* p.88)

III) Innovative, creative and fun hole designs

IV) Hole design technology (see 11.0 *Hole Design* p.58)

V) Strong, clear brand image forged through:

- Being first to market
- Clear, focused marketing campaign

- Excellent customer service
- Fun and enjoyable customer experience

*Risk: Round One upgrades their miniature golf*

Round One is a public company and we have very good visibility on their store openings, strategy and plans. Round One offers a very simple putter golf course as one of over 20 activities for its SPO-CHA concept (see 4.0 *Competition in Japan* p.23). However, according to Round One, the SPO-CHA concept has failed to generate sufficient traction in the market and most recently SPO-CHA had been considered by the company as more of a brand advertising tool. Therefore, it is very unlikely that they would invest more capital to improve an activity that is 1/20<sup>th</sup> of a concept that they are using as a type of loss leader.

Round One is also being very conservative with new store openings, and any new store openings are planned and reported years in advance (Round One stores require new construction and a very large capital investment to open a new store). Putter King locations will be in such a place that we will not be in direct competition with Round One.

*Risk: The Putter King business is initially under capitalized*

Due to the high rent costs in Japan, and the anticipated ‘slow launch’ of the business (due to adventure golf being a somewhat new concept in Japan), it is extremely important to ensure that Putter King is well-capitalized and has the available cash-flow to withstand a slower than anticipated first year.

As marketing and advertising will be one the keys to success, Putter King must have the capital to ensure that the business plan can be successfully executed without having to cut costs in these important areas.

To minimize the risk of under capitalization, Putter King:

- has been overly conservative regarding financial projections and initial capital requirements
- will not launch the business until a target capitalization is reached
- will stay in constant contact with investors through transparent monthly reporting and emails to enable Putter King and investors to anticipate any potential future cash shortages or the need for any additional capital

*Risk: A future consumption tax hike or other budget balancing measures hurt consumer spending*

There has been talk in Japan of having to raise the consumption tax for some time now. The current consumption tax rate is 5% and current Prime Minister Naoto Kan has said that he will consider 10% as “one of the references” for raising the rate; although he later conceded (in June 2010) that it would take at least two to three years

to increase the consumption tax. Furthermore, voters sent a clear signal that they are not in favor of a consumption tax increase in the July 2010 Upper House election when the DPJ was clearly defeated.

In Japan, the consumption tax is always included in the listed price (what you see on the price tag is what you pay). Therefore, any consumption tax increase will probably have a larger effect on consumer spending than a similar sales tax hike in the United States. The majority of people in the United States don't calculate the tax when comparing prices, and it is not until after the sale that the true cost is usually seen. Therefore the psychological impact of a consumption tax raise in Japan due to a simultaneous jump in prices might negatively effect consumer spending.

Although the consumption tax might hurt overall consumer spending, it would not put Putter King at a disadvantage compared to other entertainment options (movies, bowling, etc.). Moreover, due to the low variable costs of the business, Putter King has the flexibility to offer discounts and incentives to keep customer traffic high.

*Risk: Actual hole design doesn't come to fruition in a clean, fun, aesthetically appealing way.*

The perceived quality of the hole design is going to be a very important factor in regards to customer satisfaction. Thus, it is extremely important that Putter King does not cut any corners in the design and construction of the holes. Although the initial investment may be high, it is the most important aspect in regards to the long term success of the business.

*Risk: Early cash burn due to delays in the initial business opening*

One of the bigger challenges of opening Putter King is going to be managing the logistics of ordering the materials and building the holes. In addition, this process will most likely be happening simultaneously with many other important tasks such as obtaining business permits, company incorporation, etc.

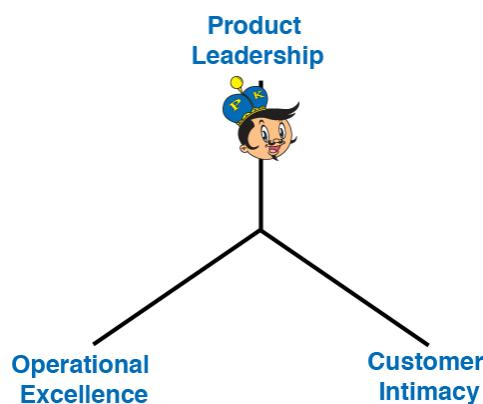
The best way for Putter King to mitigate this risk is to do as much planning, scheduling and coordinating ahead of time as possible. Moreover, Putter King will need to have backup plans at hand so that when the inevitable delays happen, we are prepared.

## 7.0 Core Value Proposition

In the January 1993 edition of the *Harvard Business Review*, Michael Tracy and Fred Wiersema proposed a set of three “value disciplines” which emerged after a three-year study of forty companies noted for their exceptional performance. The three different strategies were:

- 1) Operational excellence
  - Firms that specialize in this strategic option lead the industry in price. They consistently try to lower overhead costs and seek to eliminate any unnecessary production steps. Their goal is to increase efficiency and lower prices to consumers (i.e. Wal-Mart, Dell).
- 2) Customer intimacy
  - Firms following this strategy tailor their products to fit the specific needs of market segments. They compete on superior service and giving the consumer exactly what he or she wants rather than low prices. Customer intimacy is a recognition that some customers will pay extra for products made especially for them. Firms following this strategy stress customer satisfaction and relationship marketing rather than efficient manufacturing (i.e. Nordstrom, Home Depot).
- 3) Product leadership
  - Firms following this value discipline stress speed and perpetual innovation. Product leaders do not wait for competitors to make their products obsolete, they can do it themselves. These are the entrepreneurial innovators of the competitive arena. They serve the group of customers who want new, different, and state-of-the-art products, even if they have to pay more for them (i.e. Nike, Apple).

While it is possible to master two of the value disciplines, the overwhelming majority of leading companies typically excel at one. Putter King’s strategy focus will be the *product leadership* discipline. Putter King’s business model is built around creative hole designs and integrating technology throughout the course. Therefore, it is Putter King’s product that will differentiate it from any potential competitors, coupled with Putter King’s ability to continue to innovate with new hole designs and scoring technology.



## 8.0 Logo

The full version of the Putter King logo depicts the Putter King himself standing confidently over a shot he has just made and holding his pointer finger up in the air. The Putter King's crown carries the initials "PK" for Putter King and the top of his crown is a golf ball. He is smiling and looks like he is having a lot of fun. His pose can either be interpreted as, "I'm #1" as he is the Putter King and the best mini-golfer of all-time, or also as "We're #1" as in the Putter King adventure golf center.

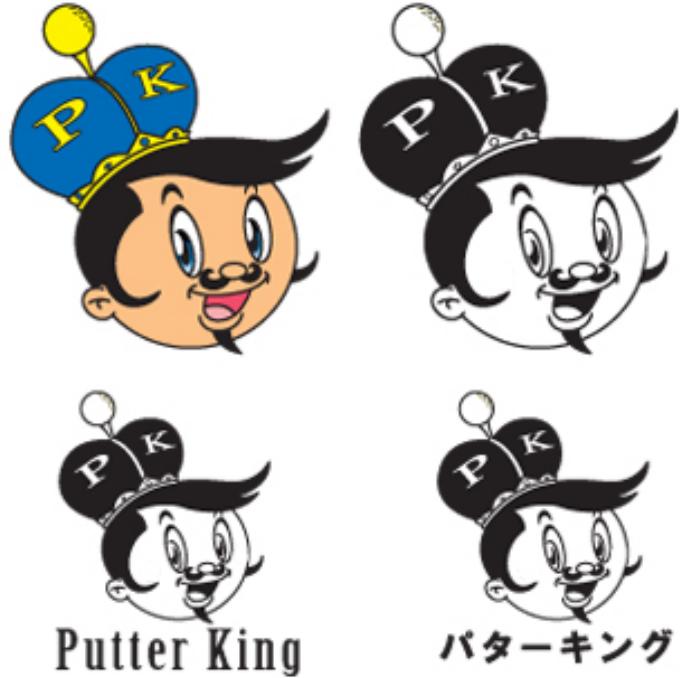
The typography is meant to convey a feeling of fun, creativity, and something that is not standard or the status quo. The *i* in King is in the shape of a putter with the dot as a king's crown. Underneath the roman letter name, the name is written in katakana, a Japanese syllabary most often used for the transcription of words from foreign languages. Although most Japanese can read the roman alphabet without any problems, the company name will almost always appear with the katakana underneath to aid in pronunciation.

In many instances the full version of the logo will not be used for the sake of simplicity or space. In these cases, typically either just the typography version will appear, or the small version of the logo will appear. The small version of the logo is a head shot of the Putter King. The small version of the logo might also have the name written underneath, depending on the situation or the use.



# PUTTER KING

パターキング



## Logo Colors

#22c3f3  
R: 34  
G: 195  
B: 243



#006bb7  
R: 0  
G: 107  
B: 183



#ffff200  
R: 255  
G: 242  
B: 0



Character Only



Character Outline



## *9.1 Slogan*

Japanese Slogan: 「パターキングなら、誰もが楽しめる」

English Equivalent: "With Putter King, everyone can have fun"

Putter King Adventure Golf Explanation of Business (Japanese): 子供から大人まで楽しめる頭脳ゲーム。スリル満点の 18 ホール。君は何回のショットでクリアできるか？

English Equivalent: Kids to adults can enjoy a thrilling 18 holes.

Explanation of Putter King Merits (Japanese):

パターキングのメリット：

- 1) 楽しい
- 2) 子供から大人まで楽しめる
- 3) 価格はリーズナブル

English Equivalent:

Why Putter King?:

- 1) It's fun
- 2) Everyone from kids to adults can enjoy it
- 3) Reasonably priced

Putter King explanation (Japanese):

アメリカで家族のエンターテインメントといえば、アドベンチャーゴルフです。誰もが楽しめます。子供から大人までできます。アドベンチャーゴルフはハザードと障害があるのでパズルのように頭を使うので面白いです。

English Equivalent:

Adventure golf is a form of family entertainment from America. Everyone, from kids to adults can enjoy it. With many hazards and obstacles, adventure golf is like a fun puzzle.

## *9.0 Intellectual Property*

### *What is a Trademark?*

A trademark includes any word, name, symbol, or device, or any combination, used, or intended to be used, in commerce to identify and distinguish the goods of one manufacturer or seller from goods manufactured or sold by others, and to indicate the source of the goods. In short, a trademark is a brand name. Trademarks, unlike patents, can be renewed forever as long as they are being used in commerce.

Trademarks do not need to be registered; however, a federal registration has several advantages, including notice to the public of the registrant's claim of ownership of the mark, a legal presumption of ownership nationwide, and the exclusive right to use the mark on or in connection with the goods or services set forth in the registration.

The use of the symbols "TM" or "SM" (for trademark and service mark, respectively) may be used without registering a trademark. These designations usually indicate that a party claims rights in the mark and are often used before a federal registration is issued. However, the federal registration symbol (the letter R enclosed within a circle - ®), can only be used once the mark is actually registered in that country. Even though an application is pending, the registration symbol may not be used before the mark has actually become registered.

There are two key pieces of information that define each trademark registration:

- 1) The Mark
- 2) Goods or Services classification
  - a) Class (1-45)

The Nice Classification is a system of classifying goods and services for the purpose of registering trademarks. The latest 9th version of the system groups products into 45 classes (classes 1-34 include goods and classes 35-45 embrace services), and allows users seeking to trademark a good or service to choose from these classes as appropriate. Since the system is recognized in numerous countries, this makes applying for trademarks internationally a more streamlined process.

- b) Goods or Services

## *Registering a Trademark*

### United States

The United States Patent and Trademark Office (USPTO) is the Federal agency for granting United States patents and registering trademarks (<http://www.uspto.gov/index.jsp>).

### Japan

The Japan Patent Office (JPO) is responsible for granting patents and registering trademarks in Japan (<http://www.jpo.go.jp/indexj.htm>). The Japan Patent Office is located at the following address (trademark registration is on the first floor):

Japan Patent Office  
3-4-3, Kasumigaseki, Chiyoda-ku  
Tokyo 100-8915, Japan

The process for applying for a trademark is as follows:

- 1) Bring the completed application to the Japan Patent Office (applications can also be submitted online).
- 2) Buy ¥12,000 in revenue stamps at the Japan Patent Office and attach them to the application form.
- 3) 1 week after applying, you will receive a letter from the Electric Information Center. There is a fee for converting the information into the electronic database. It costs ¥1,200 yen plus ¥700 yen per page (plus tax). The fee can be paid at either the post office or bank using the form enclosed in the letter. (Putter King total = ¥2,020)
- 4) 3 weeks after applying, you will receive a postcard that contains your application ID number. The first part is the year (2010), and the second part is a 6 digit number<sup>7</sup> which is unique for your trademark.

Putter King's trademark application number is:

受付番号 (Receipt Number): 11020940002

出願(申請)番号 (Application Number) 商願2010 - 44108

- 5) 3 weeks after applying, you will get another postcard which contains your ID number. This ID number is to specify who you are, where you live, and your inkan (seal). It's a 9 digit number. Whenever you send them papers or letters, you will have to write this number above your address.

Putter King's ID Number is:

識別番号 (ID Number): 510156192

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<sup>7</sup> Putter King's application number includes a blank space + 5 digits

6) The average time to receive the decision of trademark registration (accepted or refused) is typically 7 months (12 months if the classification is in the service industry).

7) After approval, pay the registration fee of ¥37,600.

### International

International trademarks fall under the Madrid system (Madrid Agreement and Madrid Protocol). Japan and the United States are both members of the Madrid Union and adhere to this system.

The Madrid system for the international registration of marks (the Madrid system) was established in 1891 and functions under the Madrid Agreement (1891), and the Madrid Protocol (1989). It is administered by the International Bureau of WIPO located in Geneva, Switzerland. The Madrid system offers a trademark owner the possibility to have his trademark protected in several countries by simply filing one application directly with his own national or regional trademark office. An international mark so registered is equivalent to an application or a registration of the same mark effected directly in each of the countries designated by the applicant. If the trademark office of a designated country does not refuse protection within a specified period, the protection of the mark is the same as if it had been registered by that Office. The Madrid system also simplifies greatly the subsequent management of the mark, since it is possible to record subsequent changes or to renew the registration through a single procedural step.

### *Putter King Trademark*

Putter King filed a trademark application with the Japan Patent Office on May 24th, 2010. Prior to filing, a search of the Industrial Property Digital Library (IPDL) Japanese trademark database did not produce any results for "Putter King".

#### The Mark



#### Goods or Services Classification

Class: 41

Education; Providing of training; Entertainment; Sporting and cultural activities.

Class 41 covers mainly services rendered by persons or institutions in the development of the mental faculties of persons or animals, as well as services intended to entertain or to engage the attention. In particular, services consisting of all forms of education of persons or training of animals; services having the basic aim of the entertainment, amusement or recreation of people.

Goods or services: アドベンチャーゴルフ、パターゴルフ、ミニゴルフ

(Adventure Golf, Putter Golf, Mini Golf)

Japan Patent Office - Request for Trademark Registration Application

特許  
印紙

(12、000円)

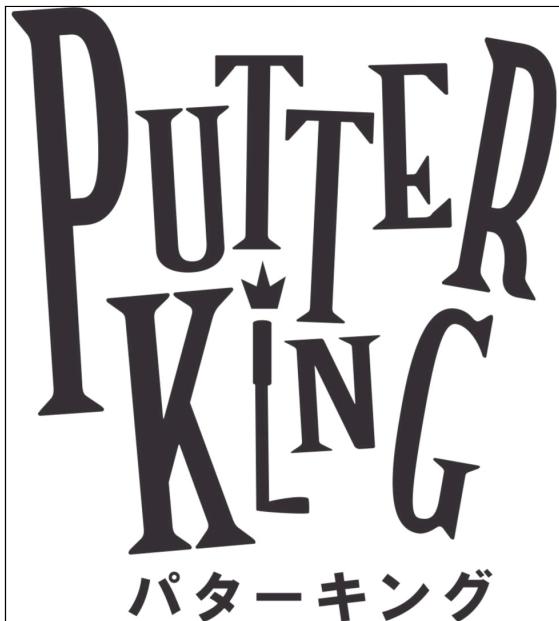
【書類名】 商標登録願

【整理番号】

【提出日】 平成 22年 05月 24日

【あて先】 特許庁長官 殿

【商標登録を受けようとする商標】



【指定商品又は指定役務並びに商品及び役務の区分】

【第41類】

【指定商品（指定役務）】

アドベンチャーゴルフ、パターゴルフ、ミニゴルフ

【商標登録出願人】

【住所又は居所】

東京都品川区大崎3丁目20番14号 アベニティA·S205

【氏名又は名称】 ケビン ディアス

印 又は 識別ラベル

【国籍】 アメリカ

【電話番号】 090-6657-1433

### *Putter King Trademark Status in the United States*

In the United States, there is currently a registered trademark for "Putter King"; however, it is registered under a different goods and services classification:

Class: 28

Goods or services: Golf clubs, golf club heads, and golf club shafts

Due to this classification, it is possible that our company could also receive a trademark from the USPTO under a different goods and services classification (i.e. Class 41 - Adventure Golf, Putter Golf, Mini Golf). In the least, it is relatively clear that we would not be in violation of the current United States trademark registration, even if we decided to do business in the United States.

The legal standard for trademark infringement is addressed in statute 15 USC 1114(1)(a) as whether or not the use of two marks creates a "likelihood of confusion" among the consuming public. Several factors are analyzed to determine likelihood of confusion. Each situation is different and provides unique facts, therefore, no single factor will completely determine the answer and some factors may be stronger than others. The factors evaluated are:

- I) Do the particular goods or services using the same mark compete? The more competitive the products or services, the more likely the public will be confused
- II) Are the goods and services marketed with the same channels of distribution? If the public can buy both seller's products from the same or similar vendor, the public may be more confused
- III) Would you, as a potentially alleged infringer intend to benefit from the other trademark user's "goodwill" in the marketplace? Intentional or willful acts increase the court's opinion to that of a likelihood of confusion
- IV) What is the similarity of the sound, appearance, interpretation of each mark? The more similar they look and sound, the more likely they are to be confused
- V) How sophisticated are the potential customers? More advanced customers are usually more careful during purchase. So, if the product or service is very expensive, the potential customer may be more scrutinizing and thus the likelihood for confusion may be lessened
- VI) Do the two marks intend to sell to similar groups of customers? If they do, there may be more likelihood for confusion
- VII) Considering the "distinctiveness" of the mark, how strong are the marks in question? The stronger the mark, the higher the likelihood for confusion by another similar mark

VIII) Whether or not there has been any actual confusion between the two marks already? If you have received communication from consumers thinking they are calling the other user, there is a clear confusion. And vice versa. This is one of the strongest factors in determining likelihood of confusion

Current United States Trademark Registration for "Putter King"

Serial Number: 75838714

Registration Number: 2375522

Mark (words only): PUTTER KING

Standard Character claim: No

Current Status: Section 8 and 15 affidavits have been accepted and acknowledged.

Date of Status: 2006-09-27

Filing Date: 1999-11-01

Transformed into a National Application: No

Registration Date: 2000-08-08

Last Applicant(s)/Owner(s) of Record

Name: Newport Golf Corporation

Address: Newport Golf Corporation

1401 East Ball Road, Unit D

Anaheim, CA 92805

United States

Legal Entity Type: Corporation

State or Country of Incorporation: California

Goods and/or Services

International Class: 028

Class Status: Active

Golf clubs, golf club heads, and golf club shafts

Basis: 1(a)

First Use Date: 1999-08-03

First Use in Commerce Date: 1999-08-03

Additional Information

Disclaimer: "PUTTER"

## *10.0 Website*

### *Look and Feel*

The Putter King website will strive to have a simple, aesthetically appealing look that is easy to navigate and contains useful information for our customers. The Putter King website will be available in two languages (a Japanese version and an English version). The Japanese version will be the main site, and the English version will incorporate the same material and pages with the extension (en). Japanese site tags and titles will all be in Japanese, while the English site tags and titles will all be in English.

The Putter King website will have the following pages accessible on the left side of the home page:

- Home
- Store Hours
- Location
- Pricing
- Birthday Parties
- Corporate Events
- Merchandise
- Videos

The following pages will be accessible from the bottom of the home page:

- About Us
- Contact Us
- Franchise Opportunities
- FAQ
- Site Map

Putter King's website will avoid using Adobe Flash technology as it is not viewable on many popular mobile devices (iPhone, iPad).

### *FAQ*

Some of the frequently asked questions that will be addressed on the website include:

- Who can play?
- How many people can play in a group?
- Do you host birthday parties or company events?
- Can I buy a membership?
- What is the "Lucky Number 7" card?
- Do you host any tournaments?
- What is "Today's Lucky Hole"?
- Do you have clubs for small children?
- Are you open on holidays?

## Home Page (Japanese):

パタークリング アドベンチャーゴルフ

日本語 | English

「パタークリングなら、誰もが楽しめる」

**PUTTER KING**  
パタークリング

ホーム  
営業時間  
店舗情報  
料金表  
誕生日パーティー  
会社のイベント  
お土産  
ビデオ

子供から大人まで楽しめる頭脳ゲーム。  
スリル満点の18ホール。  
君は何回のショットでクリアできるか？

パタークリングについて | お問い合わせ | フランチャイズについて | よくある質問 | サイトマップ

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## Home Page (English):

パタークリング アドベンチャーゴルフ

日本語 | English

**PUTTER KING**  
パタークリング

Home  
Store Hours  
Locations  
Pricing  
Birthday Parties  
Corporate Events  
Merchandise  
Videos

Are you a King?

About Us | Contact Us | Franchise Opportunities | FAQ | Site Map

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### *Website Domains*

Putter King owns the rights to the following domains, registered through Go Daddy (godaddy.com).

Currently all domains forward to the main address of:  
<http://www.putterking.jp>

Name	Expiration Date	Years	Cost
mrputter.biz	Apr 1, 2012	2	\$21.35
mrputter.info	Apr 2, 2012	2	\$11.35
mrputter.jp	Apr 2, 2011	1	\$99.99
mrputter.org	Apr 2, 2012	2	\$24.35
mrputterjp.com	Apr 1, 2012	2	\$21.74
putterking.biz	May 10, 2011	1	\$6.17
putterking.info	May 11, 2011	1	\$1.18
putterking.jp	May 11, 2011	1	\$99.99
putterking.mobi	May 11, 2011	1	\$7.17
putterking.net	May 11, 2012	2	\$14.35
putterking.org	May 11, 2012	2	\$24.35
theputterking.biz	May 9, 2011	1	\$2.17
theputterking.com	Apr 7, 2012	2	\$22.34
theputterking.info	Apr 7, 2012	2	\$11.35
theputterking.jp	Apr 7, 2011	1	\$99.99
theputterking.mobi	May 10, 2011	1	\$7.17
theputterking.net	Apr 7, 2012	2	\$18.35
theputterking.org	Apr 7, 2012	2	\$24.35

## *Website Hosting*

Putter King's website is currently hosted by Go Daddy ([godaddy.com](http://godaddy.com)). As Putter King's website will stay generally simple in nature (no shopping cart<sup>8</sup>), the hosting capabilities and services provided by Go Daddy will probably be sufficient. However, if the popularity of the website increases significantly, it may be necessary to transfer to another company that specializes in hosting.

## *Search Engine Optimization*

Search engine optimization ("SEO") is the process of improving the volume or quality of traffic to a website from search engines via "natural" (a.k.a. un-paid, organic or algorithmic) search results. The following keys to SEO will be followed to help improve the traffic and visibility of the Putter King website:

- 1) Proper Title Tags
  - a) Accurately describe the page's content
  - b) Create unique title tags for each page
  - c) Use brief, but descriptive titles
- 2) Proper Description Tags
  - a) Accurately summarize the page's content
  - b) Use unique descriptions for each page
- 3) Proper Keyword Tags
  - a) Keyword meta tag should contain between 5-10 keywords
- 4) Optimize the use of images
  - a) Use brief, but descriptive filenames and alt text
  - b) Supply alt text when using images as links
  - c) Store images in a directory of their own
  - d) Use commonly supported filetypes (Most browsers support JPEG, GIF, PNG, and BMP image formats)
- 5) Improve the structure of URLs
  - a) Use words in URLs
  - b) Create a simple directory structure
  - c) Provide one version of a URL to reach a document
- 6) Proper Heading Tags
  - a) Imagine writing an outline
  - b) Use headings sparingly across the page
- 7) Write better anchor text
  - a) Choose descriptive text
  - b) Write concise text
  - c) Format links so they're easy to spot
  - d) Think about anchor text for internal links
- 8) Page Content

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<sup>8</sup> The merchandise section of the Putter King website will show all available Putter King merchandise; however, the merchandise will only be for purchase in-store.

- a) Write easy-to-read text
  - b) Stay organized around the topic
  - c) Use relevant language
  - d) Create fresh, unique content
  - e) Offer exclusive content or services
  - f) Create content primarily for your users, not search engines
- 9) Proper Navigation
- a) Create a naturally flowing hierarchy
  - b) Use mostly text for navigation
  - c) Use “breadcrumb” navigation (A breadcrumb is a row of internal links at the top or bottom of the page that allows visitors to quickly navigate back to a previous section or the root page. Many breadcrumbs have the most general page (usually the root page) as the first, left-most link and list the more specific sections out to the right)
  - d) Consider what happens when a user removes part of your URL
  - e) Have a useful 404 page
- 10) Proper Sitemap
- a) Put an HTML sitemap page on your site, and use an XML Sitemap file
- 11) Controlled Crawling
- a) Make effective use of robots.txt
  - b) Use more secure methods for sensitive content
- 12) Duplicate Content/Tags
- a) Use unique tags and content for each page
- 13) Word Density
- a) Pages should contain 300 to 700 words of unique and descriptive content
  - b) A page’s meta tag keywords should also be those that occur most frequently on the page

## 11.0 Hole Design

There are many aspects of the customer experience (customer service, store cleanliness, etc.) that will ultimately influence whether a customer returns for repeat business, or whether a customer tells their friends about the business. However, far and away the most important aspect of the customer experience for this business is the hole design. If the course is simple, boring, or lacks aesthetic appeal the chance of repeat business will be close to zero. A fun, interesting, challenging, and visually appealing course is the key to an enjoyable experience for the customer.

Putter King holes were designed with the following criteria in mind:

- 1) Aesthetic appeal
- 2) Imagination
- 3) Variety (every hole will have a different layout, look, and challenge)
- 4) Cultural theme (9 holes - Japanese cultural theme; 9 holes - famous world sites)

The overriding cultural theme will help make the course unique and stand out from other potential competitors. The theme helps tie the holes together and makes the course more memorable and increases the likelihood that customers will talk about it with their friends.

One important aspect of the hole design will be the material used for the walls or guard-rails that surround each hole. A material such as wood provides very little bounce after it is struck by a golf ball. To increase the fun and challenge of the course it is necessary to use a material that will produce a significant bounce. This will allow the player to try various bank shots (such as in billiards) and can add an interesting dimension to the game. This also allows kids to learn about angles and explore creative ways to make a shot. If the walls or guard-rails do not have any bounce, this dimension is eliminated from the game.

Each hole will have a sign that will include the hole number, par, hole sponsor (see 22.1 *Other Revenue Streams* p.219), and the hole name. There will also be a large poster near the hole that gives the customer the background of the hole.

The final 18 holes for the first store have not been decided yet (the following holes are not listed in any particular order). Putter King will decide the designs for the first store based on:

- Survey rankings of the different hole designs
- Cost constraints
- Space or store layout constraints



## #1 - Mt. Fuji Hole (富士山)

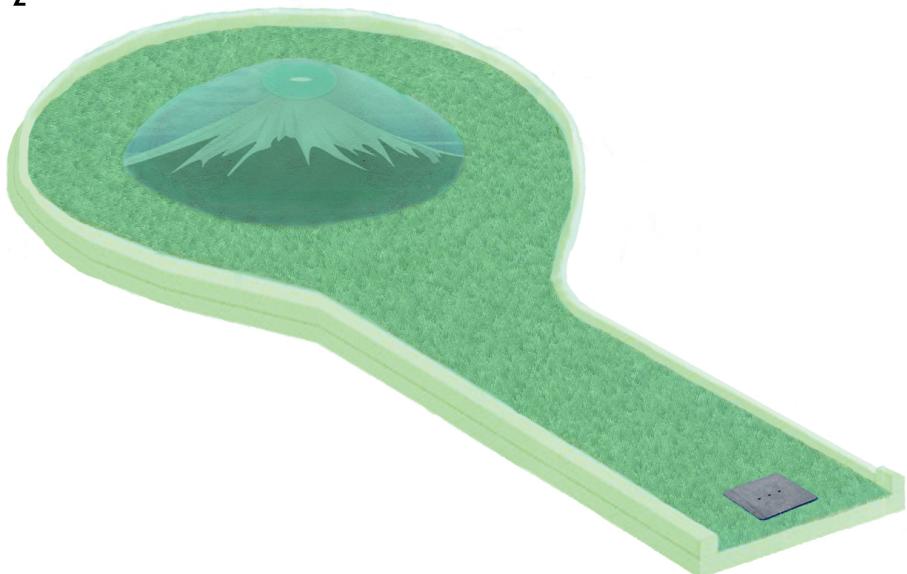
Par 2

The Mt. Fuji Hole is a straight hole with an elevated portion (in the shape and design of Mt. Fuji). The hole itself is on top on the elevated portion making it important for the golfer to correctly judge the speed of the shot. A shot hit too hard will fall off the back side of Mt. Fuji and a shot hit too soft will not make it to the top of Mt. Fuji.

Mt. Fuji is the highest mountain in Japan at 3,776 meters (12,388 ft.). Mt. Fuji is just west of Tokyo, and can be seen on a clear day. Mt. Fuji is a well-known symbol of Japan and is frequently depicted in art and photographs.

**Mt. Fuji**  
Par 2

富士山



## #2 - Hokusai Wave Hole (北斎の波)

Par 2

The Hokusai Wave Hole is in the shape of an ocean wave. The golfer's first shot is from the left side and the golfer has to hit the putt up the wave and to the right. A shot not hit far enough will fall in a middle zone that makes the golfer's second shot more difficult.

Katsushika Hokusai was a famous Japanese ukiyo-e painter and printmaker from the Edo period. Hokusai is best-known as author of the woodblock print series titled *Thirty-Six Views of Mt. Fuji* which includes the print, *The Great Wave off Kanagawa*, the picture used in the design of this hole.



北斎の波

### #3 - The Three Wise Monkeys Hole (日光の三猿)

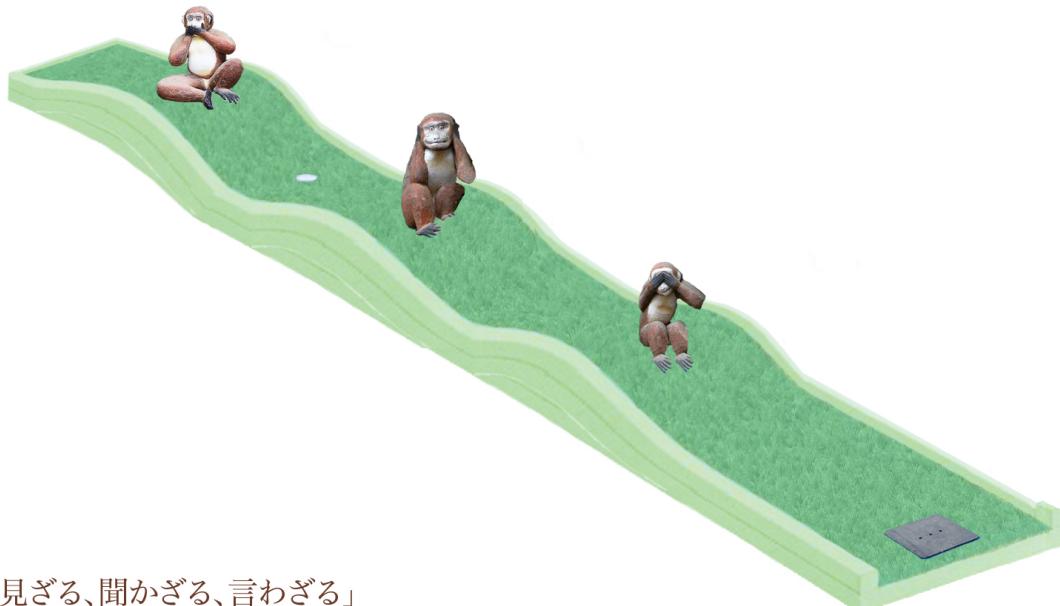
#### Par 2

The Three Wise Monkeys Hole features three rolling bumps. The hole is placed between bump number two and bump number three. A shot hit too hard will clear bump number three and leave the golfer with a shot back over bump number three. A shot hit too lightly may not clear bump number one or bump number two. Adding to the difficulty are three small statues of the Three Wise Monkeys (one placed on the top of each bump). The golfer will have to direct his shot to one of the sides to clear the bump without hitting the monkey statue obstructions.

The Three Wise Monkeys hole is based on pictorial maxim from a 17th century carving over a door of a famous shrine in Nikko, Japan. The carving embodies the proverbial principle of “see no evil, hear no evil, speak no evil” (「見ざる、聞かざる、言わざる」).

## The Three Wise Monkeys Par 2

日光の三猿



#### #4 - The Frozen Torii Gate Hole (冬の鳥居)

Par 2

The Frozen Torii Gate Hole is a two-level hole with a dogleg left on the lower level. The entrance to the upper level is rather narrow and requires a skilled putt to reach the upper level in one shot. The upper level has a surface that is meant to mimic ice (teflon) and is thus more slippery and faster than the normal putting surface.

A torii is a traditional Japanese gate most commonly found at the entrance of or within a Shinto shrine. There are many famous torii throughout Japan and it is commonly found in many pictures that aim to capture Japanese culture.

## The Frozen Torii Gate

Par 2



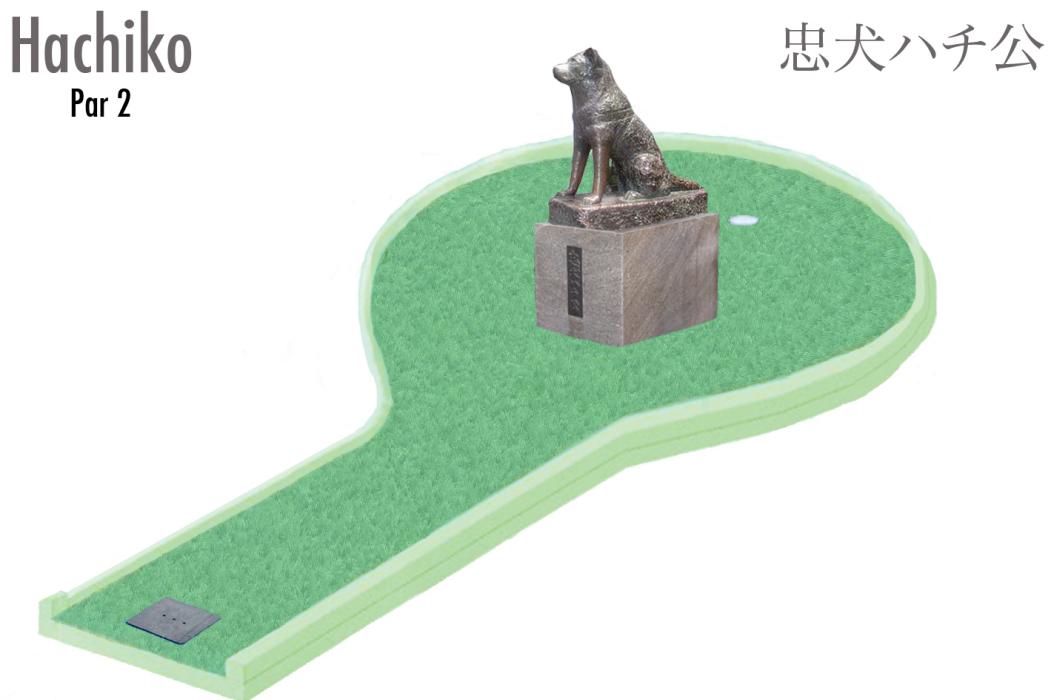
冬の鳥居

## #5 - Hachiko Hole (忠犬ハチ公)

### Par 2

The Hachiko Hole is a circular hole with the cup placement behind a statue of Hachiko that is blocking a direct shot to the hole.

Hachiko is a famous dog in Japan of the Akita breed. In 1924, Hachiko was brought to Tokyo by his owner, Professor Ueno, a professor in the agriculture department at the University of Tokyo. Every day Hachiko saw his owner out from the front door and greeted him at the end of the day at the nearby Shibuya Station. The pair continued their daily routine until May 1925, when Professor Ueno did not return on his usual train one evening. Professor Ueno had suffered a heart attack at the university that day. The professor died and never returned to the train station where Hachiko was waiting. However, Hachiko was loyal and every day for the next nine years he waited for his owner, sitting in front of the station.



## #6 - Castle Moat Hole (城の堀)

Par 3

The Castle Moat Hole features a famous Japanese castle (Himeji Castle) surrounded by a moat. This is one of the most difficult holes on the course due to the hole placement which is close to the edge of the moat wall, making it easy to overshoot and go into the moat. The golfer's first shot has to first cross a bridge, while the second must navigate around the castle without going into the moat. If a golfer's shot goes into the moat, the golfer can either try to hit a return shot up the steep wall of the moat, or must use the path from the moat back to the tee box.

Himeji Castle is a hilltop castle that comprises 83 wooden buildings. It is occasionally known as the White Heron Castle because of its brilliant white exterior. It was registered as one of the first Japanese World Heritage Sites by UNESCO and five structures of the castle were designated as a National Treasure in December, 1993. Along with Nagoya Castle and Kumamoto Castle, it is one of Japan's "Three Famous Castles", and is the most visited castle in Japan.

## Castle Moat Par 3



城の堀

## #7 - Subway Hole (地下鉄)

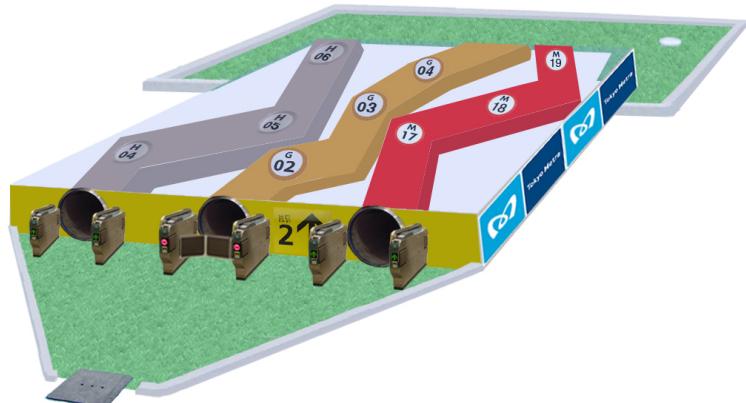
### Par 2

The Subway Hole is a timing hole. There are three subway entrances guarded by a ticket gate that is on a timer. The gate doors will open and close on the timer. The route that brings the ball closest to the hole will have the shortest gate open time, while the others will have longer gate open times.

The Tokyo Metro is one of two rapid transit systems making up the Tokyo subway system, the other being Toei. The Tokyo subway is the most used subway system in the world in terms of annual passenger rides.

## Subway Hole

Par 2



地下鉄

## #8 - Okinawa Hole (沖縄)

Par 3

The Okinawa Hole features two 90 degree direction changes which forces the player to play a bank shot. There is a sand trap (white sand beach) that the player must navigate around (the material used for the sand trap will be something that greatly slows down or stops the ball). There is also a low hanging palm tree that might give the player some trouble if they have an errant shot. Traditional Okinawan lion statues, used as talisman against evil, guard the 90 degree corners.

Okinawa Prefecture is the southern most prefecture of Japan and consists of hundreds of islands in a chain over 1,000 km long, which extends southwest from Kyushu to Taiwan. The island experiences temperatures above 20 °C (68 °F) for most of the year and is known for it's beautiful beaches.

Okinawa

Par 3



## #9 - Sumo Hole (相撲)

Par 2

The Sumo Hole features a moving sumo wrestler and a sumo ring. The sumo wrestler is robotic and lifts his leg up and down in the ceremonial pre-match style. The golfer must time the sumo wrestler's leg lift to successfully hit a shot under the sumo wrestler's keshō-mawashi (a silk 'belt' with a large apron that features thick tassels at the bottom). When the sumo wrestler's leg is down, the golfer's shot will be stopped by the keshō-mawashi. The hole also features a sumo ring that has a raised edge that may disrupt the golfer's shot. The hole placement is directly in the center of the ring.

Sumo wrestling originated in Japan and is a competitive contact sport where a wrestler attempts to force another wrestler out of a circular ring, or to touch the ground with anything other than the soles of the feet. Many ancient traditions have been preserved in sumo, and even today the sport includes many ritual elements. Most sumo wrestlers are required to live in communal "sumo training stables" where all aspects of their daily lives—from meals to their manner of dress—are dictated by strict tradition.

## Sumo Par 2



相撲

## #10 - Onsen Hole (温泉)

Par 2

The Onsen Hole gives the golfer three options for the tee shot. One option is to go around the onsen on the right side and the second is to bypass the onsen on the left side. The third option is to go up the ramp and into the onsen. The ball will then appear to float towards the hole (the onsen depth will be very shallow with only a thin layer of water and will be tilted allowing the ball to “float”). The third option (through the onsen) provides the golfer with the best chance of getting a hole-in-one. The water drains through grates and is recycled up to the top waterfall.

Onsen is the term for hot spring in the Japanese language. As a volcanically active country, Japan has thousands of onsen across the country. Onsen were traditionally used as public bathing places and today play a central role in the Japanese domestic tourism industry.

Onsen  
Par 2



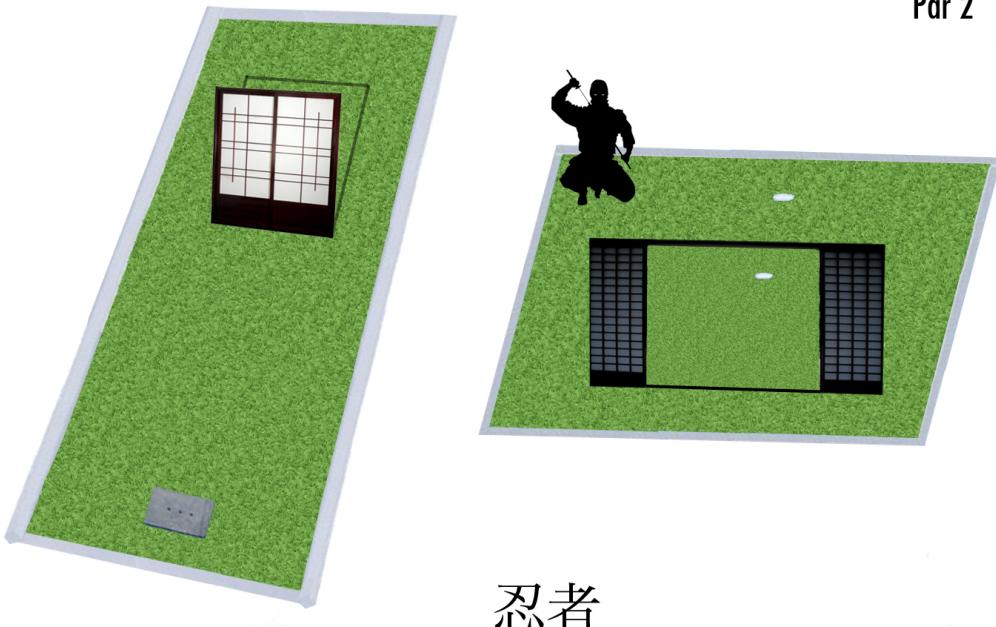
## #11 - Ninja Hole (忍者)

Par 2

The Ninja Hole is a timing and deception hole. At first, the golfer must hit his shot towards a door that opens and closes on a timer. Directly behind this door is a hidden trap door on the floor that, if the shot stops directly on the trap door, the weight of the ball will open the hidden trap door and send the ball to the lower level. The trap door blends in with the rest of the green and is hard to detect (ninja houses were famous for using hidden trap doors). The hole is on the lower level hidden behind another door. This door appears open to the golfer; however, in the center of the open door is a picture of a green and hole. Therefore, when the golfer's shot goes through the trap door and pops out on the lower level, it will appear to the golfer that the golf ball didn't come out on the lower level, but actually it is hidden behind the screen.

A ninja was a covert agent or mercenary of feudal Japan specializing in unorthodox arts of war. The functions of the ninja included espionage, sabotage, infiltration, and assassination. Ninjas would use disguises as well as special techniques to avoid detection or escape from certain situations.

Ninja  
Par 2



忍者

## #12 - Irohazaka Hole (いろは坂)

### Par 2

The golfer has the option of two routes; the up route and down route of the Irohazaka (down route - left side; up route - right side). The down route entrance is bigger and thus an easier shot, while the up route entrance is smaller (the up route has a “Do Not Enter” sign). The up route will bring your shot closer to the hole; however it is a riskier shot.

The Irohazaka is a famous switch back road in Nikko, Japan. It gets its name from the first three turns, the syllables I, Ro and Ha, which come from a poem that is taught to children learning hiragana. The Irohazaka ascends more than 400 meters and is named “Iroha Slope” because its original 48 turns were equal to the number of characters in the Japanese syllabary.



## #13 - Fortune Hole (おみくじ)

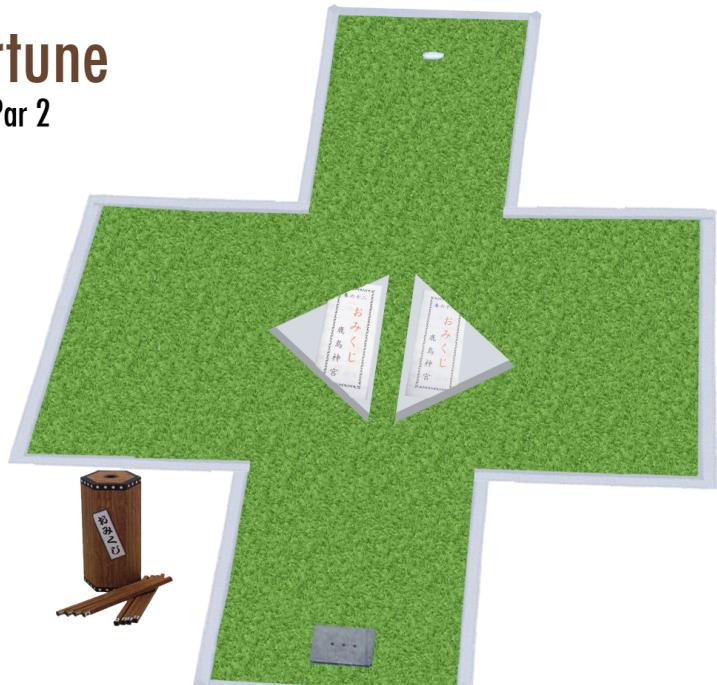
### Par 2

Before taking the tee shot, the golfer must first draw a fortune from the box. The possible fortunes are:

- Great Blessing (大吉) - Subtract 1 stroke from your final score (10% probability)
- Blessing (吉) - If needed, take a second tee shot without any penalty (20% probability)
- Small Curse (小凶) - Putt with the opposite hand (if you are right handed - putt left handed; if you are left handed - putt right handed) (30% probability)
- Half Curse (半凶) - Putt using only one hand (20% probability)
- Great Curse (大凶) - Putt with your eyes closed (20% probability)

Omikuji are random fortunes written on strips of paper at Shinto shrines and Buddhist temples in Japan. Literally “sacred lottery”, these are usually received by making a small offering (generally a five-yen coin as it is considered good luck) and randomly choosing one from a box, hoping for the resulting fortune to be good.

## Fortune Par 2



おみくじ

## #14 - Earthquake Hole (地震)

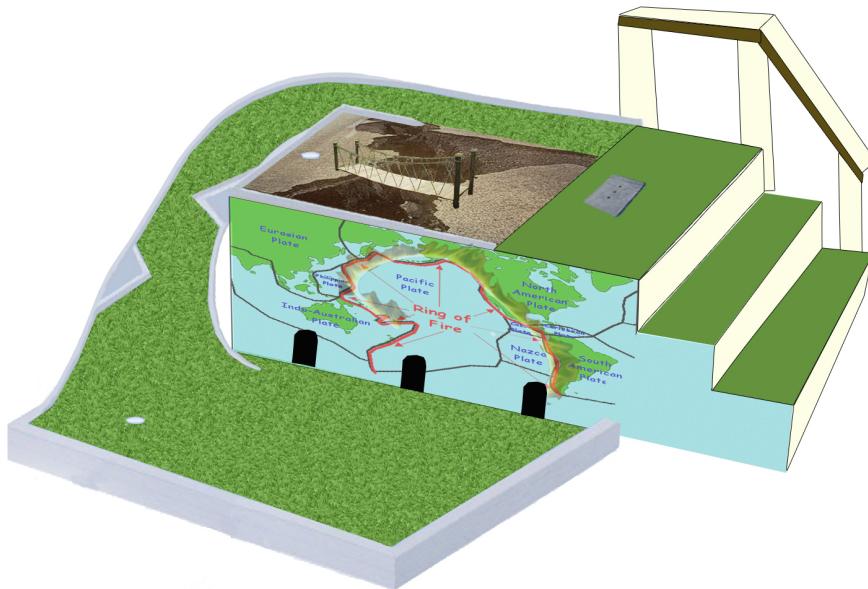
### Par 2

The Earthquake Hole is a two-level hole with a few possible paths to the lower level. The golfer can choose to take the safe way down (around the outside), however this makes a hole-in-one close to impossible. The other option is to go through the "earthquake zone" (there are earthquake sound effects on this hole). In the earthquake zone, the rope bridge swings back and forth. If the shot can successfully cross the rope bridge to the hole on the other side, there is a high probability of a hole-in-one, as the ball will come out on the lower level aimed directly at the hole. However, if the shot falls into the crack in the earth, it will come out in one of the other two holes on the lower level that are not aimed towards the hole, making a hole-in-one impossible.

Japan sits in the Ring of Fire, an area in the basin of the Pacific Ocean where large numbers of earthquakes and volcanic eruptions occur. Japan averages as many as 1,500 earthquakes per year, and magnitudes of four to six on the Richter scale are not uncommon. Minor tremors occur almost daily in one part of the country or another, causing slight shaking of buildings.

## Earthquake

Par 2



地震

## #15 - Conveyor Belt Sushi Hole (回転寿司)

Par 3

The Conveyor Belt Sushi Hole features a ramp going to a conveyor belt that brings your ball around to another ramp that exits towards the hole. The exit ramp is bifurcated and there is a chance the ball might end up in another area away from the hole. Only some spaces on the conveyor belt are empty; therefore, timing is key on the tee shot. Alternatively, the golfer doesn't have to use the conveyor belt; however, the golfer will need to navigate around various hazards and obstacles.

Kaiten-zushi is a sushi restaurant where the plates with the sushi are placed on a rotating conveyor belt that winds through the restaurant and moves past every table and counter seat. Customers may place special orders, but most simply pick their selections from a steady stream of fresh sushi moving along the conveyor belt. The final bill is based on the number and type of plates of the consumed sushi.

## Conveyor Belt Sushi

Par 3



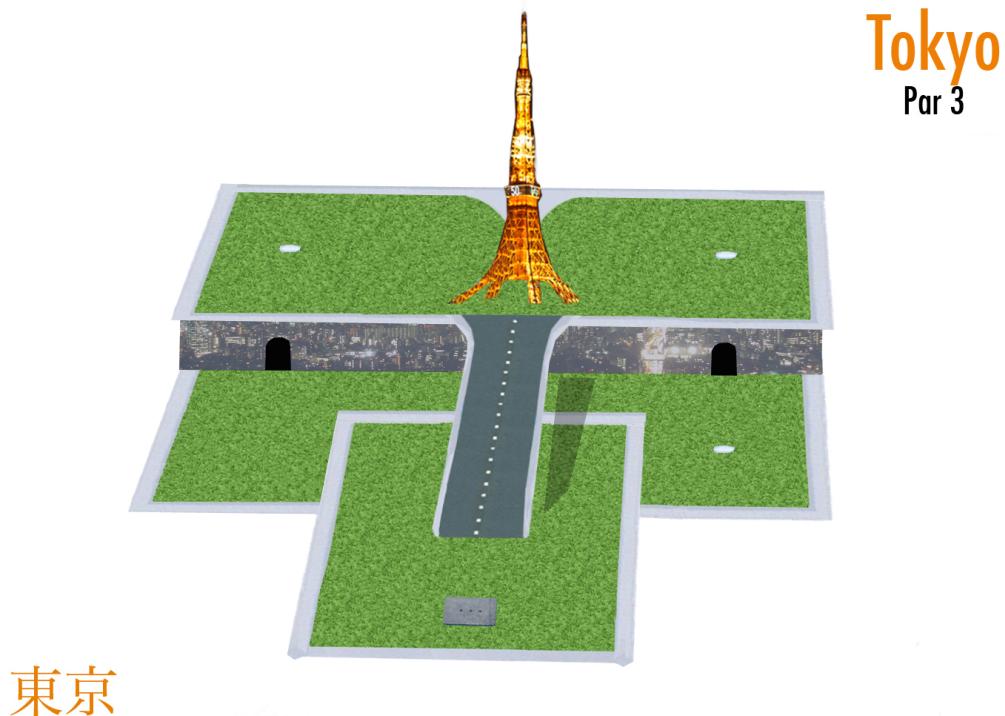
回転寿司

## #16 - Tokyo Hole (東京)

Par 3

The Tokyo Hole is a two-level hole that starts and finishes on the lower level. The golfer's tee shot will go up to the second level and under Tokyo Tower. The second shot gives the golfer two options to get back to the lower level. The right option will put the golfer closest to the hole.

Tokyo is the capital of Japan and the home of the Imperial Palace and the Japanese Imperial Family. Tokyo Tower is one of the most well-known landmarks of Tokyo. At 332.5 meters (1,091 ft), it is the third tallest artificial structure in Japan. The structure is an Eiffel Tower-inspired lattice tower that is painted white and orange to comply with air safety regulations. Built in 1958, the tower's main sources of revenue are tourism and antenna leasing. Over 150 million people have visited the tower since its opening.

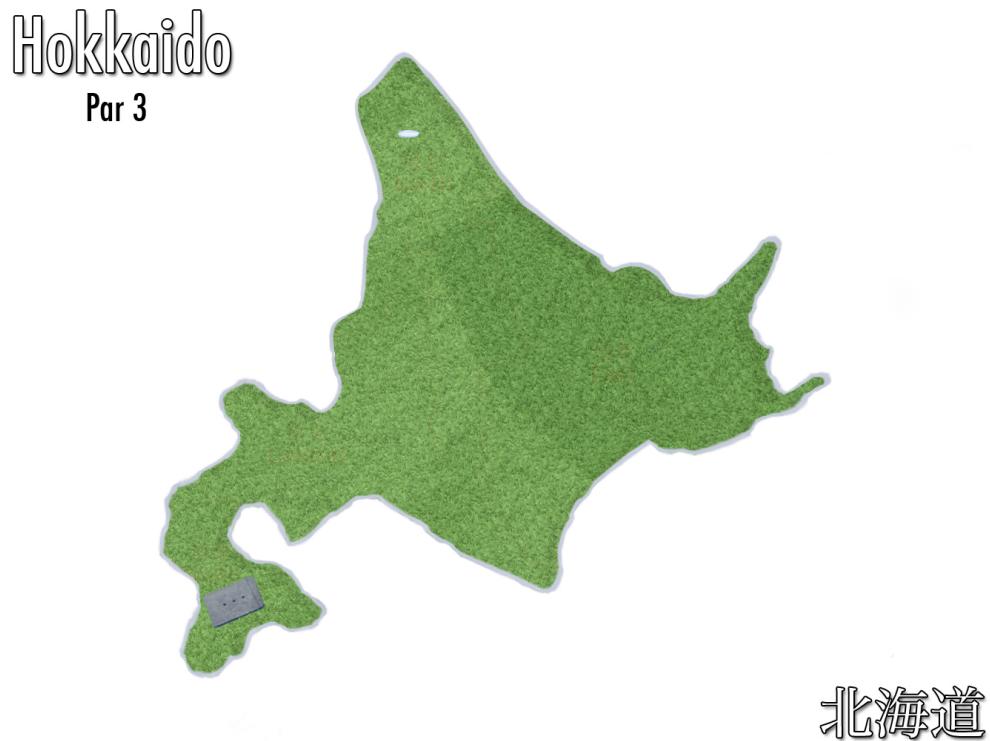


## #17 - Hokkaido Hole (北海道)

Par 3

The Hokkaido Hole is in the shape of the northern island of Japan. The golfer must take into account not only the strange contour of the perimeter of the hole, but also the topographic undulations of the hole (the middle of the hole is slightly raised like a mountain, creating an uneven surface).

Hokkaido is Japan's second largest island and the largest, northernmost of its 47 prefectures. The largest city on Hokkaido is its capital, Sapporo - famous for Sapporo beer, Sapporo ramen, and its snow festival. In winter, the generally high quality of Hokkaido's powder snow and numerous mountains make it one of Japan's most popular regions for snow sports.



## #18 - Cherry Blossom Pinball Hole (さくらピンボール)

Par 2

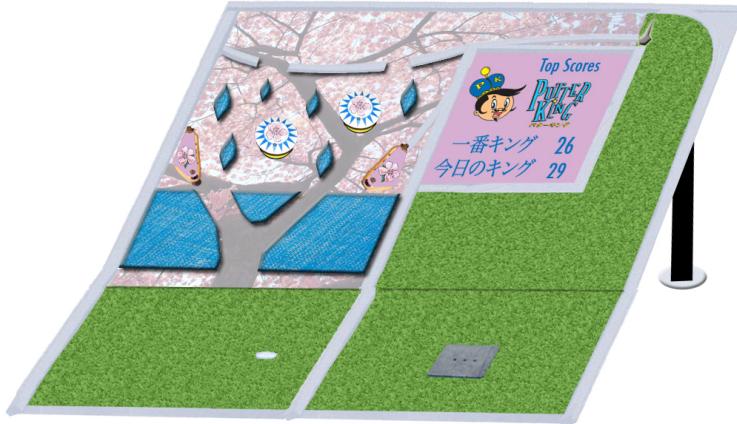
The Cherry Blossom Pinball Hole is modeled after a pinball machine. The golfer's tee shot is analogous to the player's pull of the plunger (the spring-loaded rod with a small handle, used to propel the ball into the playing field). Inside the pinball area there are some slingshots and bumpers to propel the ball away upon impact. Ultimately, there are two general angles at which the ball will emerge from the pinball area - one is directed at the hole, the other is directed away from the hole. As this is the final hole of the course, the pinball machine will digitally display the top course scores ('Today's King', 'Weekly King', and the 'All-Time King').

Hanami ("flower viewing") is the Japanese traditional custom of enjoying the beauty of the cherry blossom flowers. In modern-day Japan, hanami usually consists of having an outdoor party beneath the cherry blossom trees during the daytime or at night. During cherry blossom season, blue tarp mats used for the parties are ubiquitous throughout all of the public parks.

This hole also incorporates the theme of pinball, which closely resembles Pachinko, a Japanese gaming device used for amusement and gambling. A pachinko machine resembles a vertical pinball machine, but with no flippers and a large number of relatively small balls.

## Cherry Blossom Pinball

Par 2



さくらピンボール

## #19 - Ramen Hole (ラーメン)

Par 2

The Ramen Hole features a large bowl of ramen with a pair of chopsticks lying across the top of it. The golfer must attempt to hit a shot up the ramp and cross the chopsticks without falling off into the bowl. If the ball falls off the chopsticks into the bowl (there is a transparent plastic cover over the “soup”) it will drop out of one of the two holes in the bowl and leave the golfer with a difficult second shot . The golfer’s only chance at a hole-in-one is to successfully cross the chopstick bridge.

Ramen is a Japanese noodle dish that originated in China. It is served in a meat or fish-based broth, often flavored with soy sauce or miso, and uses toppings such as sliced pork, dried seaweed, etc. Almost every locality in Japan has its own variation of ramen, from the tonkotsu (pork bone broth) ramen of Kyushu to the miso ramen of Hokkaido.

## Ramen Par 2



ラーメン

## #20 - Trivia Hole (豆知識)

### Par 3

The Trivia Hole not only tests the golfer's putting skills, but also his/her mental acuity. At the start of each golfer's turn, they will be given a trivia question with 4 multiple choice answers on a touch screen. The golfer will only have 10 seconds to answer the question. If the golfer answers the question correctly within the allotted time, Buddha will open the bamboo gate and the golfer will have a chance at a hole-in-one. However, the bamboo gate will only stay open for 10 seconds, so the golfer must be quick to line up and take the shot. If the golfer answers the question incorrectly, or if the gate closes before the golfer can take the shot, the golfer must then take the long way around the back of the Buddha. This path will invariably take the golfer more shots. Each player is only given one question and the questions and gate mechanics are timed to help prevent a backup of traffic at this hole.

Shinto and Buddhism are Japan's two major religions. Religion does not play a big role in the everyday life of most Japanese people today. The average person typically follows the religious rituals at ceremonies like births, weddings, and funerals. Also, many people visit a shrine or temple on New Year's Day and participate in local festivals (matsuri), most of which have a religious background. There are several giant Buddha statues throughout Japan (Nara, Kamakura, and Hyogo).



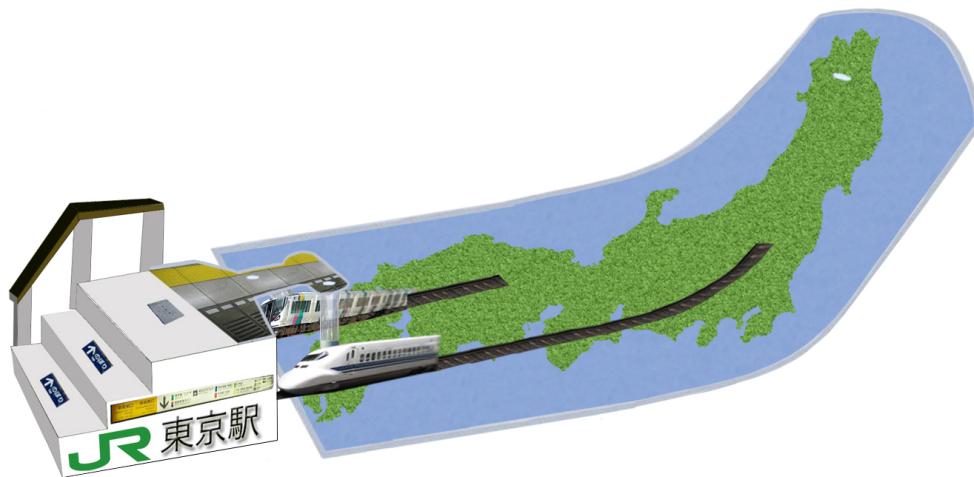
## #21 - Bullet Train Hole (新幹線)

### Par 3

The Bullet Train Hole starts at the station where the golfer must first aim towards one of two holes; one that boards the bullet train, and one that boards the express train. If the golfer's shot makes it in the hole that boards the bullet train, the ball will shoot out of the bullet train (using a spring loaded plunger) and follow the train tracks towards the hole, with a chance at a hole-in-one. If the golfer's shot boards the express train the ball will shoot out at a lower speed and not have enough momentum to reach the hole, thus requiring at least one more shot. The hole that connects to the express train is blocking the golfer from attempting to make a bank shot towards the hole that connects to the bullet train; thus it is challenging to get a shot into the hole that connects to the bullet train.

Japan was the first country to build dedicated railway lines for high speed travel. Construction of the first segment of the Tokaido Shinkansen between Tokyo and Osaka started in 1959. The line was inaugurated in 1964, just in time for the Tokyo Olympics. It connected Tokyo, Nagoya, Kyoto and Osaka, and was the first shinkansen (bullet train) line and the world's first high speed train service. At that time the trains ran at about 200 km/h. Nowadays they can reach speeds of over 300 km/h.

## Bullet Train Par 3

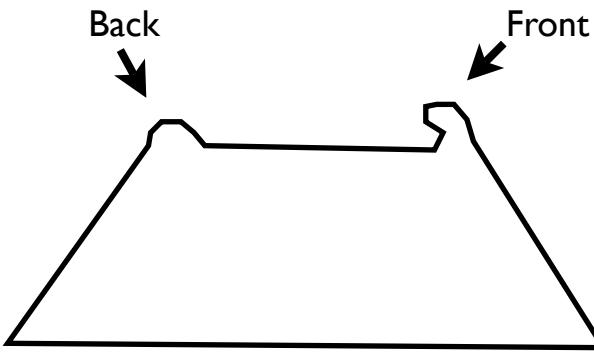


新幹線

### *Additional Hole Information*

#### #1 - Mt. Fuji Hole (富士山)

If the top of the Mt. Fuji Hole is flat, the hole becomes very difficult and can actually be very frustrating for the player. Many players will end up with the maximum score on the hole. To avoid this, and to make the hole easier, the top of Mt. Fuji will not be flat, but will rather look like the diagram below. It will still be possible to hit the shot too hard and to go over the back of Mt. Fuji; however, the front lip will be impossible to go over, therefore the player's return shot should stay on the top of Mt. Fuji. This design should help preserve the challenging aspect of the hole, without making it overly frustrating.



#### #2 - Hokusai Wave Hole (北斎の波)

The Hokusai Wave Hole will be capped at the top of the wave. This cap will capture any shot that is hit too hard and it will release it into the section of the green that is blocked from directly shooting at the hole. The Hokusai Wave Hole will also be capped on the edges to keep the ball from leaving the hole playing area.

#### #13 - Fortune Hole (おみくじ)

The Fortune Hole will use a box that is similar in shape to the traditional omikuji box found at temples and shrines throughout Japan; however it will be electronic and contain an accelerometer so that when someone shakes it, it displays a new fortune on a digital screen.

#### #16 - Tokyo Hole (東京)

The Tokyo Tower will have LED lights that will be set to different flashing patterns. Also, for the Tokyo Hole, there will be a hidden switch that determines which side the ball will exit on. Sometimes the top left hole will exit on the right side, and sometimes the top left hole will exit on the left side and vice versa for the top right hole.

## #20 - Trivia Hole (豆知識)

For the “Trivia Hole”, Japanese kids will write the trivia questions. The trivia questions will fall under different categories (i.e. TV, sports, etc.) and the golfer will first be able to choose the category of the question on the touch screen. As kids are the ones writing the questions, the questions will consequently focus on topics that are interesting to kids. In addition, since kids are writing the questions, they are likely to be focused on areas that adults are not necessarily knowledgeable about (i.e. Pokémon characters). This will give kids an advantage on the “Trivia Hole” and it will make it more fun for them as they can feel like they are smarter than their parents; in the same vein as the American TV show “Are You Smarter Than A 5th Grader”.

### Hole Ranking Survey Results

Hole	Average Ranking	First Place Votes
#10 - Onsen Hole (温泉)	5.3	2
#14 - Earthquake Hole (地震)	6.9	1
#15 - Conveyor Belt Sushi Hole (回転寿司)	7.3	2
#2 - Hokusai Wave Hole (北斎の波)	7.8	2
#7 - Subway Hole (地下鉄)	7.9	3
#6 - Castle Moat Hole (城の堀)	8.5	
#19 - Ramen Hole (ラーメン)	8.6	2
#20 - Trivia Hole (豆知識)	8.8	2
#21 - Bullet Train Hole (新幹線)	9.2	
#13 - Fortune Hole (おみくじ)	9.4	1
#1 - Mt. Fuji Hole (富士山)	9.4	1
#11 - Ninja Hole (忍者)	9.9	1
#18 - Cherry Blossom Pinball Hole (さくらピンボール)	10.5	
#9 - Sumo Hole (相撲)	10.6	
#4 - The Frozen Torii Gate Hole (冬の鳥居)	12.5	
#3 - The Three Wise Monkeys Hole (日光の三猿)	14.0	
#12 - Irohazaka Hole (いろは坂)	14.3	
#8 - Okinawa Hole (沖縄)	14.8	
#17 - Hokkaido Hole (北海道)	15.1	
#16 - Tokyo Hole (東京)	15.2	
#5 - Hachiko Hole (忠犬ハチ公)	18.2	

### *Other Hole Ideas*

As Putter King plans to open franchises, it is important to have many hole design concepts. Also, to keep a location fresh and new, some holes may be changed from time to time. The following are some additional hole idea concepts that may be used at Putter King.

#### Theme: Japan

- Karaoke Hole
- Godzilla Hole
- Kyoto Hole (Golden Pavilion)
- Rainbow Bridge Hole
- Japanese Baseball Hole
- Bamboo Hole
- Rice Paddy Hole
- Japanese Style Folding Fan Hole (扇子)

#### Theme: Miscellaneous

- Rube Goldberg Device Hole
- Optical Illusion Hole
- Maze hole

#### Theme: Famous World Sites

- Egyptian Pyramid Hole
- Great Wall of China Hole
- New York City Hole
- Sydney Opera House Hole
- Grand Canyon Hole
- Leaning Tower of Pisa Hole
- Machu Picchu Hole
- Antarctica Hole (Penguins)
- Windmills of Northern Europe Hole
- Mayan Hole (Chichen Itza)
- Rome Hole
- The Hanging Gardens of Babylon
- Space Hole (Moon)
- Africa Hole (Serengeti and Masai Mara)
- Atlantis Hole
- Paris Hole

## *Other Course Design Ideas*

### Golf ball

Putter King may consider using a golf ball that has more bounce than a typical golf ball. There are many golf balls that exceed USGA specifications and are “illegal for tournament play” (i.e. Bandit and Desperado golf balls).

### Golf clubs

Putter King may consider offering customers a different style putter with a smaller face and sweet spot to make the course more challenging. The small face and sweet spot would make it more difficult for the player to accurately control his or her shot.

### Variable Hole Contour Technology

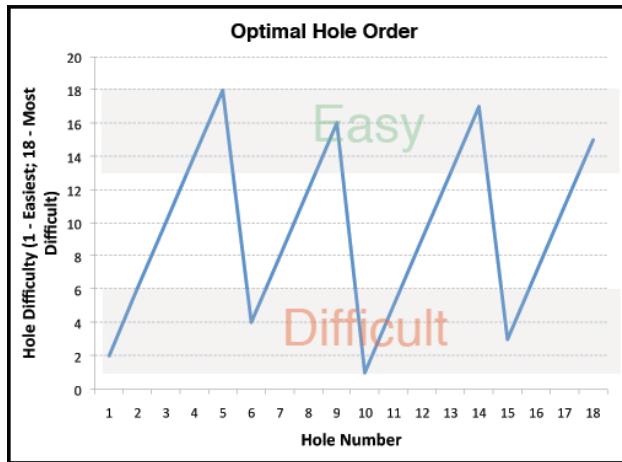
The goal of this technology would be to change the contour of the hole (i.e. humps, bumps, rolls, pitches) on a daily or weekly basis. The underlying construction of the hole fairway would include the following layers:

- Top layer: carpet surface
- 2nd layer: gridded arrays of plastic or metal rods
- 3rd Layer: a thin silicon fabric to seal the rods
- Bottom layer: 5 cm Delrin® or some other millable hard material used to construct peaks, valleys or other wedged effects.

By placing custom wedges, shapes, or inclines under the hole the top carpet would reflect the shape. This would thus allow Putter King to change the contours or features of a hole at will. This technology might be useful for a hole such as The Hokkaido Hole (#17).

### Hole order

Hole order will be important for traffic flow as well as customer enjoyment. Some miniature golf course designers have recommended using a “three peaks principle” when determining the hole order. The first few holes are easy and get the traffic moving quickly, which can help to avoid long lines of people waiting to play. Interest is maintained through the middle section and the player finishes on a moderately difficult hole.



The goal is to intersperse the more difficult holes, as customers will get less enjoyment playing a group of very easy holes and then, likewise, a group of very difficult ones. Knowledge of the slow and fast parts of the course will also allow Putter King to determine the ideal location to place the TV screens that will show advertisements, top scores, etc.

Hole Order:

Hole Number	Hole Difficulty (1 - Easiest; 18 - Most Difficult)
1	2
2	6
3	10
4	14
5	18
6	4
7	8
8	12
9	16
10	1
11	5
12	9
13	13
14	17
15	3
16	7
17	11
18	15

## *Course Rules*

The following are the Putter King course rules. These rules will be displayed throughout the facility.

### Course Rules (English)

- I) Initial stroke must be hit from the tee mat
- II) Stroke limit of 7 - (After 7 strokes pick up ball and go to the next hole)
- III) After everyone takes their tee shot, closest to the hole plays first
- IV) If your ball is hit by another ball, it can not be returned to its old location
- V) You can move the ball 12 cm away from the edge or an obstacle with no penalty
- VI) Out of bounds incurs a 1 stroke penalty (Replace ball where it left the hole)
- VII) Limit of 5 people per group

### コースのルール（日本語）

- I) 一回目のショットはティーマットから打って下さい。
- II) 打数は7回まで。(7回打った後はボールを拾って次のホールへ進んでください)
- III) 全員がティーショットを打ち終わったら、ホールに近い順に次のショットを打ちます。
- IV) もし、他の人が打ったボールが自分のボールに当たり、位置が動いても元の場所に戻すことはできません。
- V) コースの端か障害物からはペナルティー無しでボールを12cm離すことができます。
- VI) ホールの境界を超ってしまった場合は、1ショットのペナルティーとなります。境界を超える前の位置へボールを戻します。
- VII) 1グループ5人までとします。

## *12.0 Scoring*

Traditionally, miniature golf courses have provided a paper scorecard and pencil for guests to score their rounds. At Putter King we will use electronic scoring.

### *Electronic Scoring - Touchscreen Tablet Scorecard*

Putter King will use an electronic scorecard accessed on a touchscreen tablet device. Touchscreen tablet devices (or kiosks) will be positioned throughout the playing area. The touchscreen tablet will allow the player to select their group and then enter a score for each player in their group for that hole. When a customer or group initially pays for a round, Putter King staff will enter each player's name (or nickname) into the system and give each group a 4-digit pin. The 4-digit pin will prohibit other groups from intentionally or accidentally accessing another group's scorecard. Customers will also be able to access the database of historical scores through the Putter King website in order to compare their score with other player's scores.

Electronic scoring provides a few distinct benefits:

- 1) Eliminates one of the common variable costs of miniature golf courses (scorecard and pencil).
- 2) Allows Putter King to database scores which will be helpful for historical score analysis, future promotions, and to measure hole difficulty.
- 3) Allows customers to compete with each other - they can check all of the scores for the day as well as:
  - a) Today's King
  - b) Weekly King
  - c) All-Time King
- 4) More convenient for customers - customers don't have to carry around a scorecard and pencil.
- 5) Help flow more traffic to the website - If customers visit the website to check their scores or see how their scores rank, they might bookmark the site and visit it again later, or they might visit other parts of the website (such as Birthday Parties, Franchising, etc.).
- 6) Electronic scoring can be marketed as more environmentally friendly due to less paper waste. Recently, Japanese consumers are more sensitive to the environment and buying environmentally friendly products.
- 7) Putter King estimates that this electronic scoring system will pay for itself within approximately 3 years<sup>9</sup>.

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<sup>9</sup> Putter King estimates the cost of the electronic scoring system to be ¥2,000,000, and the cost of a paper scorecard and pencil to be ¥60 per group. Thus, after 33,333 groups the cost of a paper scorecard and pencil will start to exceed the total cost of the scoring system. At 1.8 people per group, Putter King needs to serve 60,000 total customers to reach this point. Putter King's break-even is around 20,000 customers per year; therefore, the system should pay for itself within approximately 3 years.

### *Potential Future Technology - Putters with Wi-Fi Electronic Sensors*

Although there are clear benefits to electronic scoring when compared to paper scoring; the electronic scoring system described above still requires the player to record their score manually after every hole. In the future, Putter King may aim to automate the entire scoring process and completely remove the player from having to worry about keeping score.

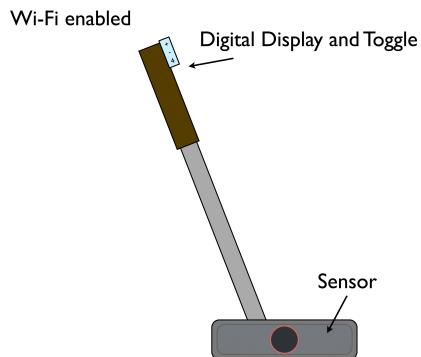
To achieve this, Putter King will use putters and golf balls that are equipped with RFID tags that will transmit a signal each time a player takes a stroke. The players scores will be instantly and automatically updated in the database. Players will be able to check their scores during the round by checking flat-panel screens placed throughout the building. Also, the handle of the putter will have a small digital display that shows the players total strokes and current hole stroke count. If a mistaken stroke is taken, the total can be manually adjusted up or down using the plus/minus switch. In addition, there is a separate button to confirm when a player has finished the hole.

Compared to the touchscreen electronic scoring system, this technology provides a few important additional benefits:

- 1) The customers do not have to worry about recording their score; this eliminates the most tedious and cumbersome part of the adventure golf experience.
- 2) Speeds up play; players no longer need to stop between holes to record their scores. This will improve the traffic flow on the course and allow Putter King to increase course throughput during peak hours.
- 3) Great marketing tool

At the appropriate time, Putter King plans to begin testing this technology and ensuring:

- It is 99% effective in recording only actual strokes
- There is a quick and easy system in place to adjust the score if there is a mistaken stroke counted
- It can be achieved in a cost-effective manner
- The clubs are durable and can withstand wear, tear, and misuse.



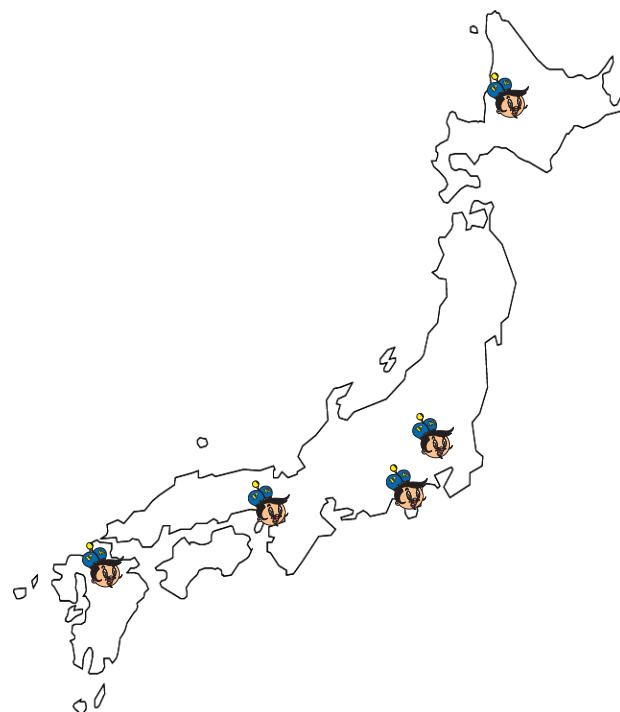
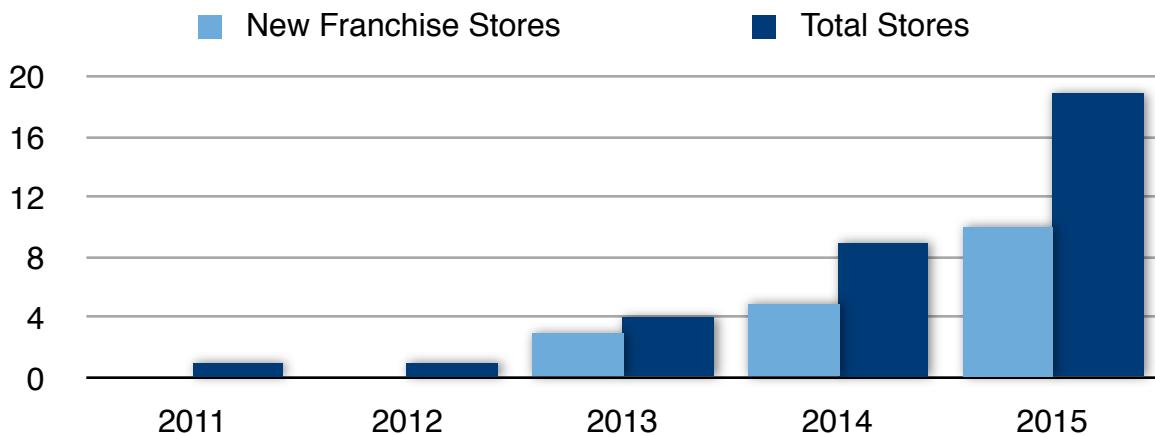
## 13.0 Franchising

Putter King plans to use franchising as a way to expand the company and increase revenues while avoiding excessive capital investment and financial liabilities.

Franchising is well-known and widely adopted throughout Japan. Some of the benefits of franchising, in lieu of organic expansion, are:

- a) able to more quickly expand the business without leveraging the company
- b) the franchisee has more incentive than a direct employee as he or she has a direct stake in the business
- c) franchisor can maintain a strict brand image

### New Store Openings - Target Plan



## *Current Miniature Golf Franchises*

### Putt-Putt®

Established: 1954

Locations: 60 (U.S.)

Business Model: Some locations are still focused solely on miniature golf, while others have added go-karts, batting cages, game rooms, bumper boats, laser tag, climbing walls and more.

Website: <http://www.putt-putt.com/>

### Pirate's Cove Adventure Golf<sup>10</sup>

Established: 1983

Locations: 25 (U.S.)

Business Model: An outdoor adventure golf course characterized by cascading waterfalls and streams, elaborate and lush landscaping, and pirate themed decors and props.

Website: <http://www.piratescove.net/>

### Putting Edge

Established: 1995

Locations: 10 (Canada), 8 (U.S.)

Business Model: Glow in the dark indoor miniature golf. Colorful glow in the dark surroundings and upbeat music are combined with a staff that entertains the customers: balloon animals, card tricks, trivia, etc.

Website: <http://www.puttingedge.com/>

### Monster Mini-Golf

Established: 2004

Locations: 26 (U.S.)

Business Model: An indoor monster themed glow in the dark 18 hole miniature golf course. Each location has its own family arcade.

Website: <http://www.monsterminigolf.com/>

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<sup>10</sup> May or may not be a franchise; franchise opportunities not openly marketed

### *Franchising in Japan*

While Japan's economy was dragging through the 1990s in a state of stagnation, there was one type of business that grew every year: franchising. The number of franchising chains increased from 186 in 1975 to 1,231 in 2008, while the number of franchised stores expanded from 28,000 to 230,822 during the same period.

In Japan, where people tend to be half-hearted about setting out on their own, franchising grew popular as more workers were released from big corporations. Franchising was a happy compromise between a forced venture into solo entrepreneurialism and the support and services of a larger company.

The franchise craze also reflects the transition in corporate financial strategy. The traditional approach of debt-fueled growth is giving way to a more risk-diffused method of seeking outside capital while profiting from a brand name and systematized support and services. Franchising business models range from the highly controlled, in which a franchisee must hand over all of the sales to headquarters and then receives a cut from the gross income, to the nearly independent, with the franchisee simply paying a royalty calculated as a percent of sales.

### *Definition of a Franchise in Japan*

There is no uniform legal definition of a franchise in Japan. However, there are three relevant definitions with regard to franchise businesses.

- I) The Medium and Small Retail Commerce Promotion Act (Law No. 110 of 1973 – MSRPCPA) defines 'chaining business' as a business that, pursuant to an agreement with uniform terms and conditions, continuously sells or acts as an agent for sales of products and provides guidance regarding management, and that primarily targets medium and small retailers. In addition, a 'specified chaining business' is defined as 'any chaining business the agreement for which includes clauses which permit its members to use certain trademarks, trade names or any other sign, and collects joining fees, deposits or any other money from the member when becoming a member'. If a franchise business falls under this definition, the regulations of the MSRPCPA apply.
- II) The Guidelines Concerning Franchising (Franchise Guidelines) under the Act Concerning the Prohibition of Private Monopolisation and Maintenance of Fair Trade (Law No. 54 of 1947 – Anti-Monopoly Act) provide that: 'The franchise system is defined in many ways. However, the franchise system is generally considered to be a form of business in which the head office provides the member with the right to use a specific trademark and trade name, and provides coordinated control, guidance, and support for the member's business and its management. The head office may provide support in relation to the selling of commodities and the provision of services. In return, the member pays the head office.'

III) The Japan Franchise Association (JFA) defines a franchise as: a continuous relationship under which a business entity (franchisor) enters into an agreement with another business entity (franchisee) and gives the franchisee the right to sell goods or conduct other businesses under a unified business image by using any signs which can be a symbol of business, such as its own trademarks, service marks and trade names, and any know-how regarding management, while a franchisee pays consideration for such rights and invests the necessary funds into the business in order to conduct a business pursuant to instruction and aid by a franchisor.

#### *Regulation and Legal Requirements*

Regarding the laws and government agencies which regulate the offer and sale of franchises:

If the franchise business falls within the scope of a specified chaining business, the MSRPCA regulates the disclosure obligations related to the offer and sale of franchises and the Ministry of Economy, Trade and Industry has overall responsibility in this regard.

Under the MSRPCA, franchisors whose businesses fall under the definition of specified chaining businesses are required to provide a written document that describes prescribed items and to explain the contents of the written documents prior to executing a franchise agreement with prospective franchisees. The Franchise Guidelines require franchisors to disclose sufficient and accurate information to prospective franchisees.

The following information is required to be disclosed by the franchisor to the franchisee (MSRPCA article 11, Enforcement Regulation (ER), articles 10 and 11):

- I) Information regarding the franchisor, including:
  - a) the name and address of the franchisor, number of full-time employees and, if the franchisor is a company, the title and names of officers
  - b) the amount of capital, the names of the principal shareholders (those holding more than 10 per cent of the shares directly or indirectly) and, if the franchisor is conducting another business, the type of business
  - c) the name of any entity of which the franchisor holds a majority of the voting shares
  - d) the balance sheet, profit and loss statement and any other relevant documents with regard to the past three business years of the franchisor's business

- e) the date on which the franchisor began its specified chaining business
  - f) the number of litigation cases in which the franchisor is the plaintiff and a franchisee or ex-franchisee is the defendant with regard to the franchise agreement and vice versa during the past five business years
  - g) business hours, business days and regular or irregular closing days of stores of franchisees
  - h) whether there is a provision stipulating if the franchisor will commence or allow other franchisees to commence operations conducting the same or similar retail business near the shops of the franchisee and, if there is such a provision, the contents of the provision
  - i) whether there is a provision that prohibits or restricts the ability of franchisees to conduct businesses, such as prohibiting them from joining other specified chaining businesses or from being employed with similar businesses, either during or after termination or expiration of the agreement and, if there is such a provision, the contents of the provision
  - j) whether there is a provision that prohibits or restricts disclosure of information that the franchisee may know regarding the specified chaining business, during or after termination or expiration of the agreement
  - k) if the franchisees need to remit all or part of the sale proceeds periodically, the timing and method thereof
  - l) if the franchisor lends or arranges to lend money to franchisees, the interest rate or the method of calculating the rate and any other conditions of the lending or arranging of lending
  - m) whether or not the franchisor adds interest to all or part of the remaining amount after setting off the rights and obligations which accrue in connection with a transaction with the franchisor during a certain period
  - n) if the franchisor imposes on franchisees a special obligation regarding the structure or interior or exterior of stores of franchisees, the contents of the obligation
  - o) the amount of money or the method of calculating the amount of money that accrues when the franchisor or a franchisee violates the agreement
- II) Information with regard to the initial fee, deposit or any other money which the franchisor will collect at the time when the prospective franchisee becomes a franchisee. Such information must specify:

- a) the amount of money to be paid or the method of calculating the amount
- b) the nature of the money to be collected, such as whether it is an initial fee, deposit, equipment fee, etc.
- c) the timing of payment
- d) the method of collection and
- e) whether the money will be refunded or not, and the conditions applicable to such refund

III) Information with regard to the type of products that are sold or arranged to be sold to the franchisees and the method of payment for such products

IV) Information with regard to management instruction, specifying whether there will be training or a seminar when joining, the content thereof, and the method of continuous management instruction to franchisees and how many times such instruction will be conducted

V) Information with regard to the trademark, trade name, and any other matters regarding the indication of the business name, which will be permitted to be used. In addition, if there are any terms and conditions with regard to the use of the indication of the business name, the content thereof must be provided

VI) Information with regard to the duration of the agreement and renewal and termination of the agreement, specifying:

- a) the duration of the agreement
- b) the conditions and procedure to renew the agreement
- c) the requirements and procedures to terminate the agreement
- d) the amount of the damages that will be caused by termination or the methods to calculate the damages, and the content of any other obligation

VII) Information with regard to changes in the number of stores of franchisees during the most recent three years, specifying (i)

- a) the number of stores of franchisees as at the last day of each business year
- b) the number of franchisees' stores that started operations during each business year

- c) the number of franchisees' stores whose franchise agreements have been terminated during each business year
- d) the number of franchisees' stores whose franchise agreements were renewed during each business year, and the number of franchisees' stores whose franchise agreements were not renewed during each year

VIII) Information with regard to any periodic payments, specifying:

- a) the amount of money to be paid periodically or the method of calculating the amount of money to be paid periodically
- b) the nature of the payment, such as whether it is a royalty for the use of the business name, a consulting fee, etc.
- c) the timing of payment
- d) the method of collection of the payment

In addition, from the perspective of competition law, the Franchise Guidelines regulate the offer and sale of franchises in connection with the Anti-Monopoly Act and the Fair Trade Commission has overall responsibility in this regard.

The JFA has also implemented voluntary rules, such as the Ethical Rules of the Japan Franchise Association and the Voluntary Standard Regarding Disclosure and Explanation of Information to Prospective Franchisees.

*Pre-contractual Disclosure*

Under the MSRPCA, when a franchisor intends to negotiate a franchise agreement with a prospective franchisee, the franchisor must provide written documents describing the prescribed items and explain the contents of the written documents to prospective franchisees. There are no regulations regarding the frequency of updating disclosures.

*Japan Franchise Association*

The Japan Franchise Association (JFA) is a public interest organization, formed by the leading franchisors and franchising institutions of Japan. The association was established in 1972, with the assistance of the 'Ministry of Economy, Trade, and Industry'. The purpose of the JFA is to improve and develop the Japanese franchising industry. The franchise industry in Japan has been prosperous in recent years, and the JFA is committed to achieving an even greater leap forward in the years to come.

The JFA formed a code of ethics, which sets standards and codes of behavior by which all the members of the Association pledge to conduct themselves. This gives

franchisees the assurance that all member franchise systems are of the highest standard. The member franchise systems must maintain a mutually beneficial business relationship with franchisees, help contribute to the promotion of the industry and the needs of the society, and encourage business performance.

#### *JFA Code of Ethics*

Franchisors who are members of JFA, to endeavor for the franchise system's healthy, effective development and proliferation, to maintain sound, mutually beneficial business relationship with franchisees, and hand in hand with franchisees to contribute to the promotion of consumer interests, respond to the needs of the society, and improve credibility and business performance, hereby pledge to uphold the following provisions:

**1) Proven experience and track record**

Any good, service or know-how that the franchisor provides to the franchisee in exchange for consideration shall be evidenced by past experience and track record

**2) Provision of accurate and sufficient information**

When recruiting franchisees, the franchiser shall provide accurate information and shall avoid excessive advertising or misleading representation. The information that the franchisor furnish those who may wish to become a franchisee with shall contain such matters as details of the franchise agreement, past business performance of the representative unit, required investment for the franchisee and projected income of the franchisee, and shall be sufficient enough to decide whether or not to obtain a franchise.

**3) Franchisee qualification**

When selecting a franchisee, the franchisor shall thoroughly examine the candidate's ability, personality, financial resources, motivation, etc., and determine whether the candidate is qualified to act as a franchisee.

**4) Understanding of and agreement on contractual substance**

The franchise agreement shall clearly stipulate in writing detailed rights and obligations of the franchisor and the franchisee, and shall be executed on the basis of comprehensive understanding of and substantive agreement on the contractual contents by both parties.

**5) Assurance of quality and preservation of reliability**

The franchisor shall recognize that the logo or the service mark symbolizing the franchisor's franchise system serves to assure the quality of goods and services which the franchisee sells, provide the franchisee with raw materials, goods and services of good and consistent quality, and oversee that the quality of goods and services which all and any

franchisees sell is at all times good and consistent.

The franchisor shall seek to amicably resolve consumer complaints on quality, responding to consumers' reliance on the franchisor's logo or service mark.

6) Continuing development, improvement, and provision of guidance and assistance

In order that the franchisee may generate a reasonable profit constantly, the franchisor shall at all times endeavor to develop and improve goods and services, research and develop management know-how, and provide the franchisee with continuing guidance, assistance and input of information.

7) Compliance with relevant laws and regulations

The franchisor shall commit to comply with relevant laws and regulations, shall not infringe the logos of others or perform an act which constitutes unfair competition, and shall endeavor to prevent the franchisee from engaging in such unlawful activities.

8) Protection of logo or service mark

The franchisor shall recognize that the protection of the logo or the service mark symbolizing the franchise system is a common interest of both the franchisor and the franchisee and shall use the best efforts to prevent any infringement or unfair competition by third parties.

9) Facilitating performance of obligations

The franchisor shall endeavor to provide the franchisee with necessary guidance that facilitates the franchisee's performance of contractual obligations and to maintain enough communication that prevents occurrence of conflict with the franchisee. Should the franchisee breach the contract, the franchisor shall not terminate the contract before making an effort to remedy the breach by way of giving sufficient notice to the franchisee.

### *JFA Membership*

In the future, Putter King would benefit from membership in the JFA to help attract potential franchisees. After meeting the minimum qualifications for membership, Putter King plans to apply for, at first, an associate membership, and later a full membership.

### Full Membership

To become full members, franchisors who adhere to the Code of Ethics must meet the following qualifications:

- 1) The purpose and conduct of the company may not offend public orders and morals
- 2) The company maintains sound finance and management
- 3) Clear terms and conditions of the agreement concerning the relevant franchise system are established and their contents are adequate
- 4) The company itself has performed the provisions of the agreement concerning the relevant franchise system and possesses the evidence to substantiate its successful performance
- 5) At the time of applying for the membership, the company, in principle, licenses ten or more franchisees who have been operating in Japan for two or more years
- 6) In the past two years, the number of cases of terminating or breaching the agreement concerning the relevant franchise system did not exceed 20% of the number of agreements outstanding in the year

### Associate Membership

To become associate members, franchisors who adhere to the Code of Ethics but are not qualified for full membership must have no less than one year's experience in operation.

### Research Membership

To become research members, those who are interested in the franchise system must participate in the Association's research activities.

### Supporting Membership

To become supporting members, those who adhere to the purpose of the Association must cooperate with the Association in its undertakings.

### *What we provide our Franchisees*

In addition to providing all of the standard information and disclosures provided by law, Putter King will also provide the following to help the franchisees be as successful as possible:

- a) New franchisee training at a current Putter King location
- b) A comprehensive and detailed pre-opening check-list (e.g. review and sign lease, set up water, turn on phone, get business license, order office supplies, etc.)

- c) Detailed business know-how (e.g. store layout, signage, etc.)
- d) A user-friendly POS and database system to track sales data, labor hours, etc.
- e) Weekly Skype conference calls with discussions about: new ideas, problems/issues at stores, and a weekly topic (e.g. talking to customers, upselling, advertising, etc.)
- f) Annual meeting to discuss annual results and strategy for the upcoming year

### *Franchisee Recruitment*

Putter King plans to immediately begin actively recruiting potential franchisees through the following means:

- 1) Networking
- 2) From top universities that have a Japanese language program (e.g. Wake Forest, University of Pennsylvania, Harvard, UCLA, Middlebury, etc.)  
These graduating students are young, some are highly entrepreneurial, have already successfully financed one \$100k+ investment (whether through scholarships, parents, or loans), and many are interested in coming to work in Japan and are limited as there are not many companies that are willing to hire foreigners apart from the English education industry.
- 3) Through the company website (see 10.0 *Website* p.53)
- 4) From top universities in Japan that have an Entrepreneurship program

### *What Putter King will look for in Franchisees*

For the Putter King brand to achieve long-term success, the selection of our franchisees is of the upmost importance. Putter King will have a thorough interview and screening process to ensure we choose the right candidates as franchisees.

The financial success of Putter King will depend not only on receiving the upfront franchise fee, but more importantly on ensuring that our franchisees are strong and growing their businesses (thus increasing our royalty revenue, brand image, and ease of recruiting future franchisees). The following qualities are what we will be looking for in potential franchisees:

- Attitude  
The potential franchisee must have strong people and social skills, must be able create a friendly atmosphere for the customers, have a drive to succeed, and be able to accept criticism.
- Strong work ethic  
The candidate must demonstrate that when everyone else was jogging, they were running. The potential franchisee must be highly self-motivated.
- Leadership  
The franchisee should be able to motivate, inspire, organize, develop, coach and guide any employees they might have.

- Versatility

The franchisee will need to be able to wear many “hats” (e.g. owner, manager, cashier, accountant, etc.)

- Creativity

To keep customers coming in the door, this business requires the franchisee to continually be finding innovative and creative new ideas (i.e. marketing, hole design, etc.)

- Financial and Business Acumen

The candidate must have strong business and financial skills. The franchisee should be able to demonstrate that they have a firm understanding of accounting in addition to some type of business experience or background.

- Entrepreneurial Spirit

Potential franchisees need to possess a passion for creating something new, a certain appetite for risk-taking, the ability to persevere through adversity, and a “never give up” attitude. The candidate shouldn’t just have a dream, but also the follow through to do whatever it takes to make it happen.

- Cultural Knowledge (for non-Japanese applicants)

A deep cultural knowledge of Japan is necessary, in regards to both the general Japanese culture as well as the Japanese business culture (customer service, language formality, business card exchange, etc.). A prospective franchisee should have already spent at least 1 year living in Japan.

- Language Ability (for non-Japanese applicants)

The franchisee will be running a business in Japan and interacting with Japanese customers and thus needs to have the requisite language ability.

### *Confidentiality Agreements*

Franchisees will be receiving strategic, know-how that is central to the ongoing success of the Putter King business model. Therefore, the franchise contract will include various confidentiality and non-compete covenants.

In Japan, confidentiality covenants are generally enforceable. If a franchisee breaches confidentiality covenants, a franchisor may ask for compensation for the damages caused by such violation or ask for a preliminary injunction.

### *Franchisee Application Process*

Potential franchisees will be screened through an application process that requires the candidate to submit their CV and answer all of the pertinent application questions.

Applicants who make it through the initial screening process must sign a confidentiality, non-disclosure, non-compete agreement to see the business plans or any financial information from Putter King. This agreement will be enforceable for one year.

If the potential franchisee passes the initial screening process, the candidate will also be asked to submit for review a three year business plan.

#### Application Questions:

- Do you have any previous franchise experience? Yes/No (please describe)
- Are you currently involved in a franchise? Yes/No (if yes, please describe)
- Who will manage the day-to-day operations of the franchise?
- In what time frame will you be prepared to sign a franchise agreement?
- Please list the location(s) where you wish to open a franchise
- Have you ever filed for bankruptcy? If yes, please provide information
- How much do you plan to invest in the franchise?
- Will you purchase the franchise as a single investor or as part of a group?
- How did you hear about Putter King?
- Why do you want to become a Putter King franchisee? Please explain in detail.

### *Franchise Fees and Royalties - Industry Comps*

#### Putt-Putt®

Initial Franchise Fee: \$15,000<sup>11</sup>

#### Royalties:

5% of gross sales payable to Putt-Putt, LLC

1% of gross sales payable to the Putt-Putt Marketing Fund<sup>12</sup>

#### Monster Mini-Golf

Initial Franchise Fee: \$30,000

#### Royalties:

7% of gross sales<sup>13</sup>

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<sup>11</sup> \$15,000 - golf only; \$20,000 - golf and games; \$25,000 - family entertainment center

<sup>12</sup> This fund is used for the development of marketing programs and support for franchisees and is managed by an Advisory Board of franchisees.

<sup>13</sup> This fee is paid weekly and entitles the franchisee to use of the service mark, system, support, marketing assistance (including the web site monsterninigolf.com), ongoing business development and consulting, and other benefits that come with being a franchisee.

### Putting Edge

Initial Franchise Fee: \$25,000

Royalties:

8% of gross sales

### *Putter King Franchise Fees and Royalties<sup>14</sup>*

Initial Franchise Fee: (¥4,000,000)

Royalties:

- (5)% of gross sales payable to Putter King or a fixed monthly payment<sup>15</sup>
- (2)% of gross sales payable to Putter King Marketing Fund or a fixed monthly payment

### *Putter King Marketing Fund*

Putter King will establish a Marketing Fund that each franchisee will be required to pay into as a part of their royalties (franchisees will pay (2)% of gross sales into this fund). The money in the Putter King Marketing Fund will be used for:

- Marketing campaigns (regional or national)
- Development of new marketing materials

### *Transfer of Ownership*

A franchisor may restrict a franchisee's ability to transfer its franchise or restrict transfers of ownership interests in a franchisee entity. Usually, a franchise agreement requires the franchisor's consent for the franchisee to transfer its franchise under the agreement. In addition, it is generally understood that, when a party to an agreement is going to transfer its franchise under the agreement, the other party's consent is necessary. Therefore, even if there is no clause in the franchise agreement requiring consent for transfer, the franchisor's consent will be required.

As to the transfer of ownership interest in a franchisee entity, the owner of the ownership interest in a franchisee entity is generally free to transfer its ownership interest. The franchise agreement may require the franchisor's consent for the transfer of ownership interest in a franchisee entity. Such covenants will be only contractually enforceable against the franchisee, and not against the owner of the ownership interest in a franchisee entity unless the owner of the ownership interest in the franchisee is also a party to the franchise agreement.

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<sup>14</sup> Putter King may adjust the franchise fees based on the success of the initial store

<sup>15</sup> Putter King will need to determine which method will be best for accounting and risk management purposes

### *Interest on Overdue Payments*

Putter King franchisee royalty payments will be due monthly on the 25th. Payments received after this date will be considered late and will start accruing interest. Putter King will charge an interest rate of 10% APR<sup>16</sup>.

### *Renewing and Terminating Franchise Contracts*

Usually, the franchise agreement lists the circumstances in which the franchisor may terminate a franchise relationship. In addition, it is understood that the franchisor may terminate a franchise relationship based on mutual agreement with the franchisee. If there is no clause in the franchise agreement regarding the termination, the franchisor may terminate the franchise agreement prior to the expiration of the term of the agreement when the franchisee violates the franchise agreement (Civil Code, articles 541 to 543). However, because franchise agreements are usually continuous agreements, it can be expected that courts will be more reluctant to terminate such agreements, compared with normal agreements.

Provisions in the franchise agreement generally determine whether a franchisor may refuse to renew the franchise agreement with the franchisee. In cases where the franchise agreement states that it will not be renewed unless otherwise agreed to between the parties, the franchisor may generally refuse to renew. On the other hand, in cases where the franchise agreement states that it will be renewed automatically, it is unclear in which circumstances the franchisor may refuse to renew. On this point, there is a case in which a court required 'compelling circumstances which make it difficult to continue the agreement' for a franchisor to be able to refuse to renew a continuous agreement (Hokka Hokka Tei case, Nagoya District Court, 31 August 1998).

### *Exclusive Territory*

Franchisees will be granted a "protected area" around their designated, approved location where no other Putter King franchises will be placed. The protected area will be specific to the location, based on populations, distances and commute times to existing locations. These protected areas will each be handled on an individual basis, based on the specifics of the geographic area each individual franchisee is granted.

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<sup>16</sup> Interest rate restrictions: as to interest on loans from a franchisor to a franchisee, the restriction on interest under the Interest Limitation Law (Law No. 100 of 1954) applies. However, if the overdue payment is not in connection with a loan, there is no specific restriction on the amount of interest. If the interest charged is unreasonably high, however, it can be held to be void.

## 14.0 Store Location

*"location, location, location"*  
-Lord Harold Samuel

The first Putter King store location will be in Tochigi prefecture, Japan near the city of Oyama. Tochigi prefecture is located in the Kanto region on the main island of Honshu, Japan. Oyama is near Utsunomiya, the capital city of Tochigi.

Not only will the location directly benefit from the people living in Oyama, but also from Utsunomiya which is only 30 km (19 miles) away. The planned location will be somewhere between the two cities.

### Tochigi Prefecture

Population<sup>17</sup> - 2,016,631

### Utsunomiya

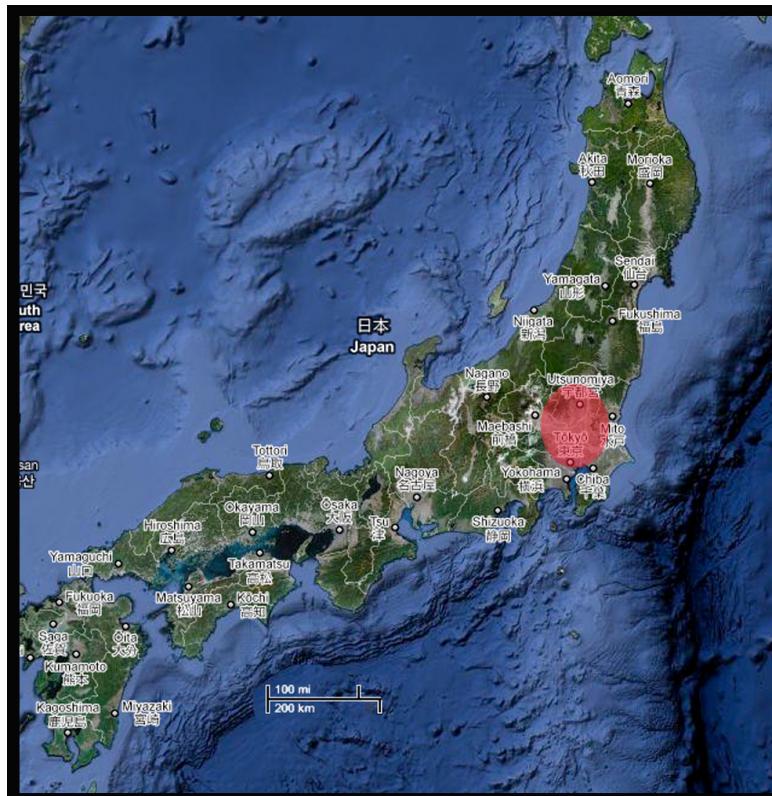
Population - 502,396

Population density (per km<sup>2</sup>) - 1,212

### Oyama

Population - 160,150

Population density (per km<sup>2</sup>) - 933



<sup>17</sup> Final Report of the 2005 Population Census (<http://www.e-stat.go.jp>)

The Oyama/Utsunomiya area is ideal as it retains the benefits of a more rural area (lower real estate prices and cars are the main form of transportation); however, it also has the characteristics of a larger city (over half a million people) and benefits from being close to Tokyo and its suburbs. There are over 20 million people in a 130 km (80 mile) radius of Oyama/Utsunomiya.

The relatively short distance from Tokyo makes Tochigi prefecture an ideal location for weekend visits or trips during the holidays. Tochigi is home to Nikko, whose ancient shrines and temples are recognized as World Heritage sites. Nikko is just 35 km west of Utsunomiya, and is a common vacation spot for people living in the Tokyo area.

#### Tokyo (Ueno Station) to Oyama

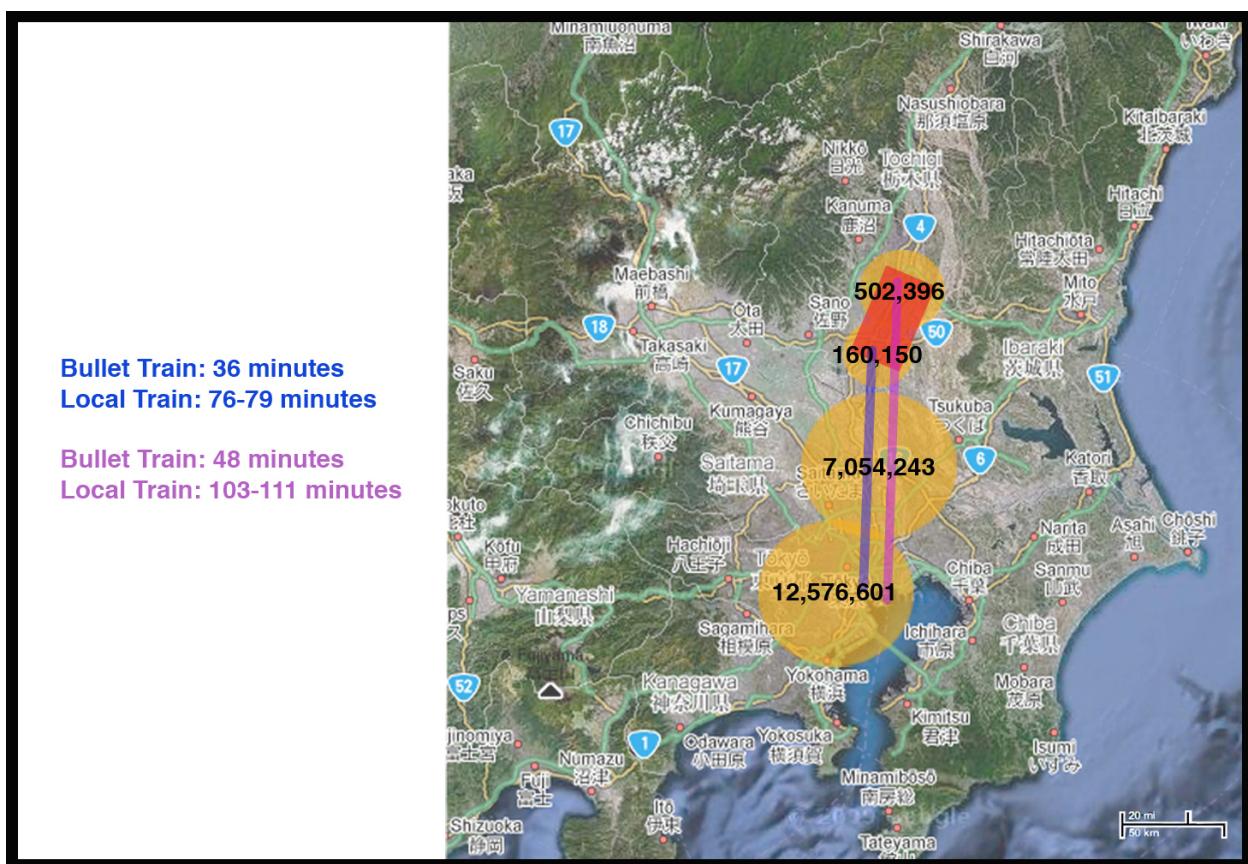
Bullet Train: 36 minutes

Local Train: 76-79 minutes

#### Tokyo (Ueno Station) to Utsunomiya

Bullet Train: 48 minutes

Local Train: 103-111 minutes



### *Why Not Tokyo?*

- 1) The demographics that frequent the busiest places in Tokyo (Shinjuku, Shibuya, Ikebukuro) generally do not fit Putter King's target market
  - a) Weekends: 20-50 year olds
  - b) Weekdays: business men and business women
- 2) High real estate prices/lease prices would require a high volume of sales to make a profit

Tokyo might be an ideal location in the future if Putter King is able to establish a very strong brand name. However, it is not ideal for a first location.

### *Why the Oyama/Utsunomiya area in Tochigi prefecture?*

- 1) The Oyama/Utsunomiya area has a significant population (Utsunomiya - 502,396 and Oyama - 160,150) and large stations that connect to Tokyo
- 2) People have cars
  - The Oyama/Utsunomiya area is more flexible in regards to location as almost everyone has a car (In Tokyo, many people do not have cars and therefore the location would need to be near a train station and real estate prices would be even higher)
- 3) Tochigi prefecture is close enough to Tokyo to get weekend and holiday visitors wanting to get away from the city

### *Indoor vs. Outdoor*

Putter King adventure golf will be an indoor course. There are a few key advantages to an indoor course, especially given that the business will be operating in Japan:

- 1) The business can stay open year-round, rain or shine
- 2) Avoids any weather damage to the holes
  - This is especially important due to the nature of some of the Putter King hole designs and the sometimes severe weather conditions in Japan (i.e. typhoons, rainy season, etc.)
- 3) Maximizes the potential store locations
  - There are very few places near cities in Japan that have any suitable "outdoor" land
  - Majority of land near cities has already been commercialized, except for farms or rice paddies
- 4) Japanese consumer's acceptance of indoor activities
  - Japanese consumers are familiar with doing activities indoors, even activities that Westerners may perceive as outdoor activities (batting cages, tennis, virtual sports, soccer, etc.)
- 5) Success of indoor model in North America (e.g. Monster Mini-Golf and Putting Edge)

## *Indoor Location Options in Japan*

Putter King plans to lease a commercial space for the indoor course. Available commercial space for lease in Japan generally has the following limitations:

- 100 坪 (330 m<sup>2</sup>)
  - A larger space would need to be purchased or built (lease availability may be extremely rare)
- Steel frame warehouse structure
  - All properties that are around 100 tsubo are steel frame warehouses

Although 300-330 m<sup>2</sup> will be a tight fit for 18 holes, it is possible. As is common in Japan, Putter King will need to creatively maximize the available space. The Japanese are experts at efficiently maximizing use of very limited space. As they say, “When in Rome, do as the Romans do”.

### *Putter King Location Factor<sup>18</sup>*

One of the key reasons why Japan is such an attractive market is its population density. To highlight how the population density compares with the cost of commercial real estate leasing, Putter King uses a *Location Factor*. The *Location Factor* is the average cost per square meter of a commercial real estate lease divided by the population density in that area (a lower *Location Factor* is more attractive). Obviously, the cost of commercial real estate leases will vary within a city based on many different factors; however, the *Location Factor* is useful to give some general perspective.

One limit of the *Location Factor* is that a miniature golf course’s capacity is fixed; only so many people can be on the course at one time. Therefore, as the population increases, there is a limit where a further increase in population will have no impact on sales as a course is maxed out during peak hours.

Both Oyama and Utsunomiya are ideal locations due to the low cost of commercial property leases combined with a relatively high population density.

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<sup>18</sup> If more granular data were available, the Putter King Location factor would more precisely be calculated as the cost per square meter divided by the population within 30 minutes of the location. With increases in technology and transparency, this calculation might be possible in the future (for example: a Google Map that shows the population census data over a very fine, granular area). However, this would still be a cumbersome calculation as someone who lives next to a highway or train station can cover much more distance in 30 minutes than someone who lives in a more secluded part of town.

*Putter King Location Factor:*

Area	Average cost per m <sup>2</sup>	Population Density (people per km <sup>2</sup> )	Putter King Location Factor
Utsunomiya	¥701	1,212	0.58
Oyama (Putter King Location)	¥656	933	0.70
Atlanta, GA	¥1,800	1,552	1.15
Tokyo	¥10,000	5,847	1.71
Lanesboro, MA	¥400	40	10.00

*Commercial Leases*

Putter King plans to lease the building for the first store location. Some of the important factors Putter King will need to take care of when negotiating the terms of the commercial lease are:

- Rent, including any increases
- Length of the lease
- Conditions under which the lease may be renewed
- Whether or not Putter King is responsible for paying utilities, such as phone, electricity, and water
- Whether or not Putter King is responsible for paying any of the landlord's maintenance expenses, property taxes, or insurance costs, and if so, how these will be calculated
- Any required deposit
- A description of the space including floor space size, available parking, and other amenities
- A detailed listing of any improvements the landlord will make to the space before Putter King moves in
- Any representations made to Putter King by the landlord or leasing agent, such as amount of foot traffic, average utility costs, restrictions on the landlord renting to competitors (such as in a shopping mall), compliance with any special government requirements, etc.
- Assurances that the space is zoned appropriately for Putter King's business
- Ability to sublease or assign the lease to someone else, and if so, under what conditions
- How either Putter King or the landlord can terminate the lease and the consequences

### *Zoning Requirements*

Is the Putter King's business allowed to operate at these locations?

- Putter King will need to be approved by the local city government for the use of the location for Putter King's desired purpose. Putter King is in the process of acquiring this approval and does not foresee any problems in obtaining approval.

Can Putter King build a 2nd floor in the warehouse?

- Yes, Putter King may build a 2nd floor in the warehouse. The initial deposit of 4 months may increase based on the estimated cost to return the property to its initial condition at the end of the lease (i.e. remove the 2nd floor).

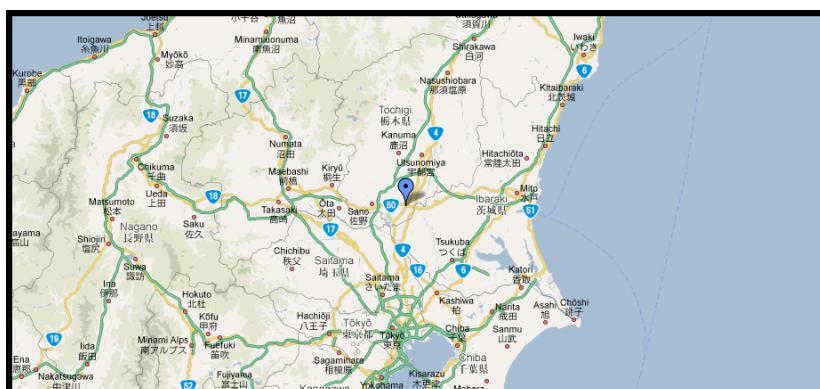
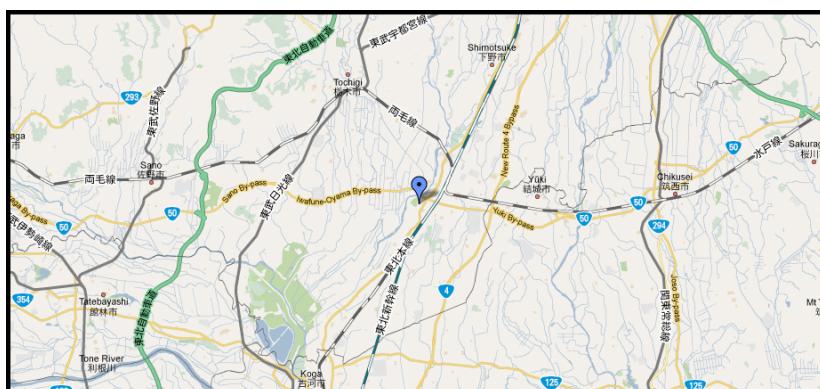
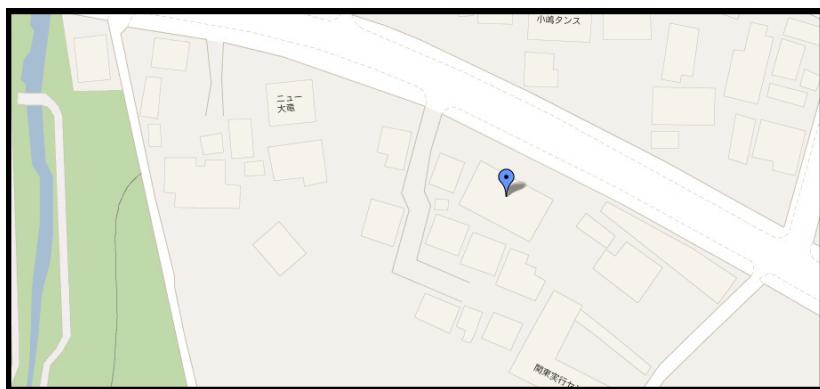
### *Commercial Lease Length*

The standard commercial lease length for all potential properties is 3 years. As part of the lease negotiations, Putter King plans to try to reduce the lease length.

*Potential Location #1 - Info*

City	Oyama
Monthly rent	¥210,000
Monthly cost per m <sup>2</sup>	¥673
Deposit	4 months
Floor space (including office)	312.20 m <sup>2</sup> ; 94.44 坪; 14.0m x 22.3m
Office space	16.5 m <sup>2</sup> ; 5 坪
Bathroom	Yes
GPS coordinates	36.300996,139.785203
Property type	For commercial property (rent)
Use	Warehouse
Orientation	North
Property Number	1-002437601-01010
Electricity	NA
Water	NA
Sewage	NA
Structure	Steel frame
Parking	8 spaces (estimated)
Date built	January, 1991
Maintenance fee	¥4,000
Parking fee	NA
Fire insurance	Required
Distance to nearest station	2.8 km (Oyama Station)
Distance to nearest expressway	17.2 km (Tohoku Expressway)
Distance to nearest major station	2.8 km (Oyama Station)

## *Potential Location #1 - Maps*



### Potential Location #1 - Pictures



- 1) Floor plan
- 2) Front of building
- 3) Front and left side of building
- 4) Inside (right wall; taken from the left side of building)
- 5) Inside (left wall and office; taken from the right side of building)
- 6) Inside (office and toilet)
- 7) Office
- 8) Toilet and sink
- 9) Area in front of the building (taken from the right side of the building, looking up the street)

## *Potential Location #1 - Pros and Cons*

### Pros

- Good visibility; on a high traffic road that leads to a big park
  - 200 - 300 free public parking spaces available at the park (within 500 meters of the location)
  - Parking lot behind the store with 50+ spaces available to rent for ¥2,000-¥4,000 per space per month
  - The park has a large playground (200 meters from the location)
- 400 meters to Route 4; 900 meters to Route 50
- Bus service from Oyama station (12 min. bus ride from the station; bus runs every 80 minutes; 10 times a day)
- Building condition is good, both interior and exterior are in better condition than other potential locations
- Surrounding neighborhood is clean, no issues

### Cons

- Train station is not very close to walk (however easily accessible by bicycle or bus)
  - 35 min. walk (9 min. bike) from Oyama Station (2.8 km)
- Oyama has a smaller population than Utsunomiya (160,150 vs. 502,396)
- A little less floor space compared to the other locations (312m<sup>2</sup> vs. 330m<sup>2</sup>)
- Heating and cooling
  - Building is steel frame with no insulation; probably need to use fans (summer) and space heaters (winter)

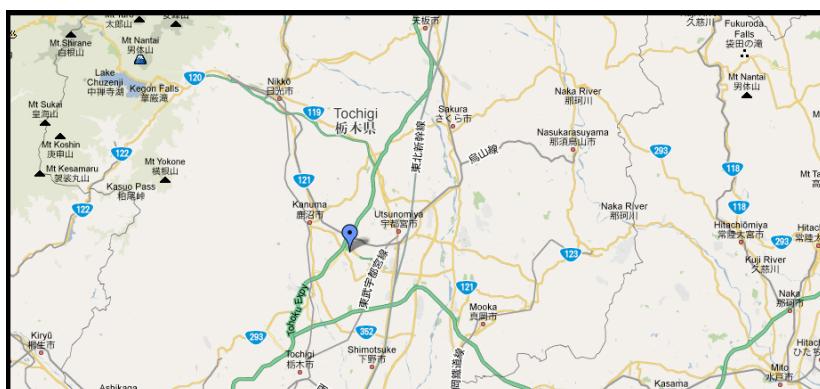
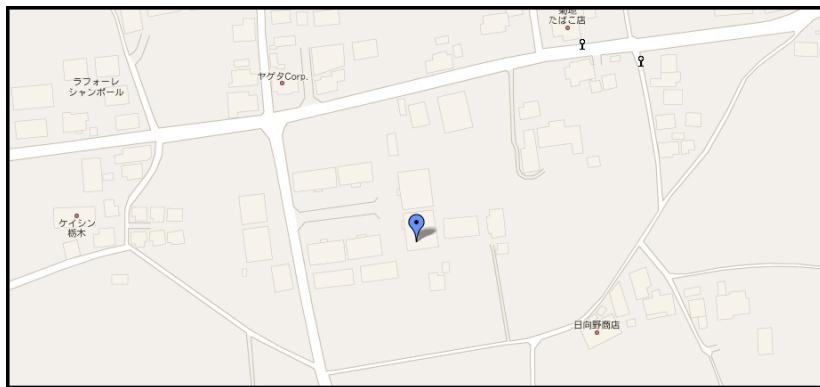
Putter King Vision:



*Potential Location #2 - Info*

City	Kanuma
Monthly rent	¥220,500
Monthly cost per m <sup>2</sup>	¥668
Deposit	4 months
Floor space (including office)	330.00 m <sup>2</sup> ; 99.82 坪
Office space	16.5 m <sup>2</sup> ; 5 坪
Bathroom	Yes
GPS coordinates	36.52937, 139.80706
Property type	For commercial property (rent)
Use	Factory yard
Orientation	West
Property Number	1-002115606-01010
Electricity	TEPCO (Tokyo Electric Power Co.)
Water	Public
Sewage	Public
Structure	Steel frame
Parking	8 spaces
Date built	September, 1990
Maintenance fee	¥2,100
Parking fee	Included in the rent
Fire insurance	Required
Distance to nearest station	5.2 km (Tsuruta Station - Nikko Line)
Distance to nearest expressway	700 m (Tohoku Expressway)
Distance to nearest major station	9.6 km (Utsunomiya Station)

## *Potential Location #2 - Maps*



### Potential Location #2 - Pictures



- 1) Floor plan
- 2) Front of building
- 3) Front of building
- 4) Inside (left wall; from front of building looking toward back of building)
- 5) Inside (from back of building looking toward front of building; office and toilet are visible)
- 6) Inside (right wall; from front of building looking toward back of building; office is visible)
- 7) Office
- 8) Area in front of the building (looking toward the building)
- 9) Area in front of the building (in front of the building, looking away from the building)

## Potential Location #2 - Pros and Cons

### Pros

- 700 meters to a Tohoku Expressway exit (toll road)
  - The Tohoku Expressway is part of the route to Nikko, a popular tourist destination for people living in and around Tokyo
  - Nikko is especially popular during Golden Week and the autumn season when the leaves change colors
- 600 meters to Route 121
- Possible room for future expansion on site (there are currently two available buildings)
- 8 parking spaces included (and ample park sharing with other buildings, especially on the weekends)
- Building condition is good
- Surrounding neighborhood is clean, no issues

### Cons

- No nearby train stations
  - 85 min. walk (22 min. bike) from Kanuma Station - Nikko Line (6.8 km)
  - 65 min. walk (17 min. bike) from Tsuruta station (5.2 km)
- Although close to major roads, not on any major road
- Heating and cooling
  - Building is steel frame with no insulation; probably need to use fans (summer) and space heaters (winter)

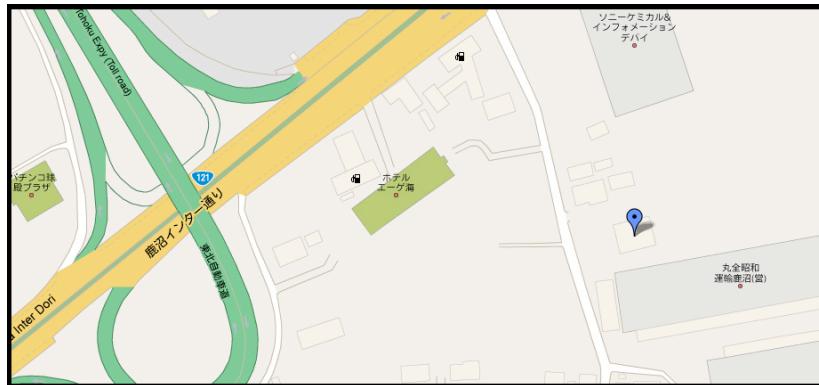
Putter King Vision:



*Potential Location #3 - Info*

City	Kanuma
Monthly rent	¥173,250
Monthly cost per m <sup>2</sup>	¥525
Deposit	4 months
Floor space (including office)	330.31 m <sup>2</sup> ; 99.91 坪; 17.0m x 19.4m
Office space	16.5 m <sup>2</sup> ; 5 坪
Bathroom	Yes
GPS coordinates	36.533862,139.806194
Property type	For commercial property (rent)
Use	Factory yard
Orientation	West
Property Number	1-001230701-01010
Electricity	TEPCO (Tokyo Electric Power Co.)
Water	Well water
Sewage	Public
Structure	Steel frame
Parking	4 spaces
Date built	April, 1988
Maintenance fee	¥3,150
Parking fee	Included in the rent
Fire insurance	Required
Distance to nearest station	5.5 km (Tsuruta Station - Nikko Line)
Distance to nearest expressway	300 m (Tohoku Expressway)
Distance to nearest major station	9.7 km (Utsunomiya Station)

### Potential Location #3 - Maps



### Potential Location #3 - Pictures



- 1) Floor plan
- 2) Front of building
- 3) Parking area in front of the building
- 4) Parking area in front of the building
- 5) Inside (from back of building looking toward front of building; office and toilet are visible)
- 6) Inside (from front of building looking toward back of building)
- 7) Office
- 8) Office
- 9) Sink (toilet door on left, office door on right)
- 10) Toilet

### *Potential Location #3 - Pros and Cons*

#### Pros

- Rent cost
- 300 meters to Tohoku Expressway exit (toll road)
- 300 meters to Route 121
- 4 parking spaces included (and possibility to rent more)
  - During the weekdays, the gravel parking lot is currently rented and full (on the weekends it is basically empty)
  - Parking on the side of the street is also possible

#### Cons

- No nearby train stations
  - 75 min. walk (19 min. bike) from Kanuma Station - Nikko Line (6.2 km)
  - 69 min. walk (18 min. bike) from Tsuruta station (5.5 km)
- Although close to major roads, not on any major road
- Heating and cooling
  - Building is steel frame with no insulation; probably need to use fans (summer) and space heaters (winter)
- A neglected love hotel is visible from the parking lot
- Building condition is moderate (structure and frame is good; exterior needs to be painted)

Putter King Vision:



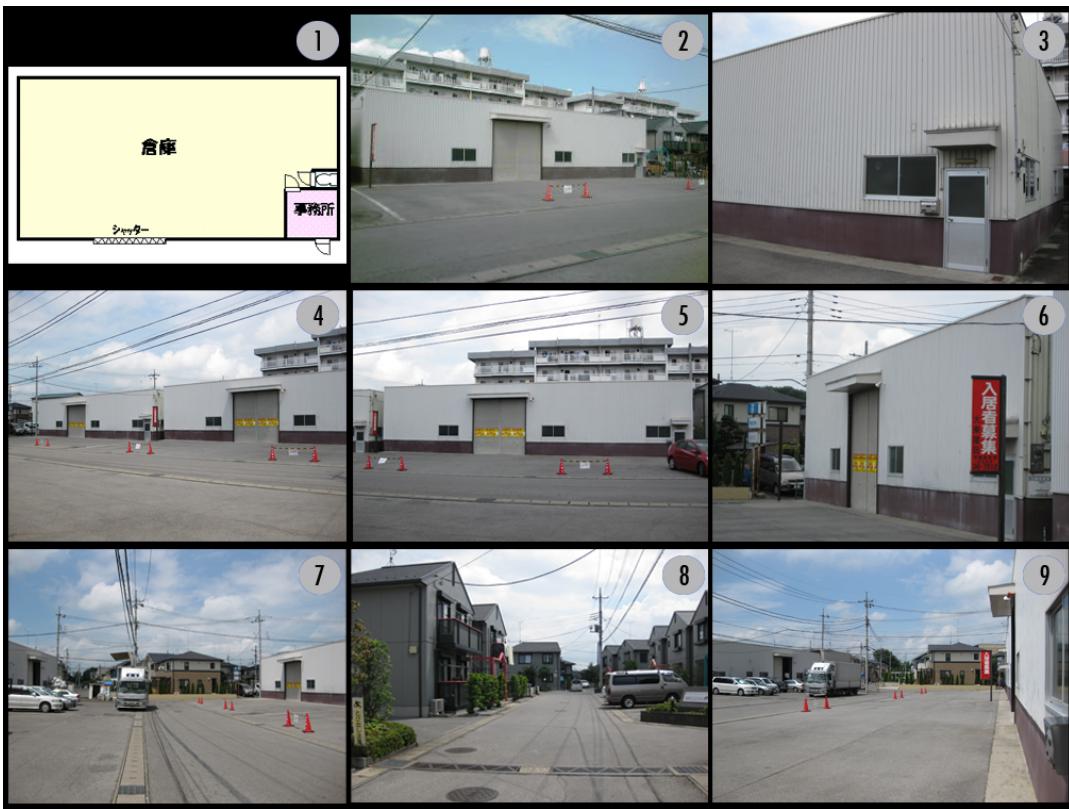
*Potential Location #4 - Info*

City	Utsunomiya
Monthly rent	¥231,000
Monthly cost per m <sup>2</sup>	¥701
Deposit	4 months
Floor space (including office)	329.44 m <sup>2</sup> ; 99.66 坪
Office space	16.5 m <sup>2</sup> ; 5 坪
Bathroom	Yes
GPS coordinates	36.502754,139.857923
Property type	For commercial property (rent)
Use	Warehouse
Orientation	South
Property Number	1-002857701-01010
Electricity	NA
Water	NA
Sewage	NA
Structure	Steel frame
Parking	8+ spaces
Date built	March, 1992
Maintenance fee	¥3,150
Parking fee	NA
Fire insurance	Required
Distance to nearest station	1.9 km (Nishikawa Station)
Distance to nearest expressway	6.7 km (Kita-Kanto Expressway); 8.3 km (Tohoku Expressway)
Distance to nearest major station	2.4 km (Suzumenomiya Station)

## Potential Location #4 - Maps



### Potential Location #4 - Pictures



- 1) Floor plan
- 2) Front of building
- 3) Office entrance (front of building)
- 4) Adjacent available properties (right property is *Potential Location #4*)
- 5) Front of building
- 6) Adjacent property (front of building)
- 7) Street in front of building (*Potential Location #4* is on the right side, out of view)
- 8) Looking down street in the opposite direction (residential area)
- 9) Parking area (Looking out from the office entrance)

## Potential Location #4 - Pros and Cons

### Pros

- Location is in Utsunomiya City
- 1 km to Route 121
- Possible room for future expansion on site (there are currently two available buildings next to each other)
- 8+ parking spaces available
- Building condition is good

### Cons

- Although close to major roads, not on any major road
  - Somewhat tucked away and difficult to find
- No nearby train stations
  - 23 min. walk (6 min. bike) from Nishikawa station (1.9 km)
  - 29 min. walk (8 min. bike) from Suzumenomiya station (2.4 km)
- Heating and cooling
  - Building is steel frame with no insulation; probably need to use fans (summer) and space heaters (winter)

Putter King Vision:



*Potential Location Comparison Chart*

	<b>Location #1</b>	<b>Location #2</b>	<b>Location #3</b>	<b>Location #4</b>
City	Oyama	Kanuma	Kanuma	Utsunomiya
Monthly rent	¥210,000	¥220,500	¥173,250	¥231,000
Monthly cost per m <sup>2</sup>	¥673	¥668	¥525	¥701
Floor space (including office)	312.20 m <sup>2</sup> ; 94.44 坪	330.00 m <sup>2</sup> ; 99.82 坪	330.31 m <sup>2</sup> ; 99.91 坪	329.44 m <sup>2</sup> ; 99.66 坪
Office space	16.5 m <sup>2</sup> ; 5 坪			
Bathroom	Yes	Yes	Yes	Yes
GPS coordinates	36.300996,13 9.785203	36.52937,139. 80706	36.533862,13 9.806194	36.502754,13 9.857923
Electricity	NA	TEPCO	TEPCO	NA
Water	NA	Public	Well water	NA
Sewage	NA	Public	Public	NA
Parking	8 (50+ rent)	8	4	8+
Maintenance fee	¥4,000	¥2,100	¥3,150	¥3,150
Distance to nearest station	2.8 km	5.2 km	5.5 km	1.9 km
Distance to nearest expressway	17.2 km	700 m	300 m	6.7 km
Distance to nearest major station	2.8 km	9.6 km	9.7 km	2.4 km

## *Location Commentary and Summary*

### Location #1

- In the heart of Oyama City (population 160,150) on a high traffic road near a popular park with ample available parking directly behind the location (50 meter walk).

### Location #2 and #3

- A lot of potential: close to Utsunomiya City (population 502,396) and extremely close to the Tohoku Expressway (which services a popular vacation spot). This exit has over 20 million people (Tokyo and Saitama) within a 1.5 hour drive. However, these locations are not visible from a major road and thus business will need to come 100% from advertising and marketing.

### Location #4

- In the heart of Utsunomiya City (population 502,396); however, the location is somewhat difficult to find and not on a major road.

Combined Location Map:



## *15.0 Store Interior*

Although 330 m<sup>2</sup> will be a tight fit for 18 holes, it is possible. As is common in Japan, Putter King will need to creatively maximize the available space.

Customers will enter through the office. In the office will be a desk and the POS system. Here, customers will be able to pay for their game and register in the electronic scoring system. The office will also have Putter King merchandise on display for sale. Additionally, there will be a TV screen that displays top score information, advertisements, and the Putter King animation.

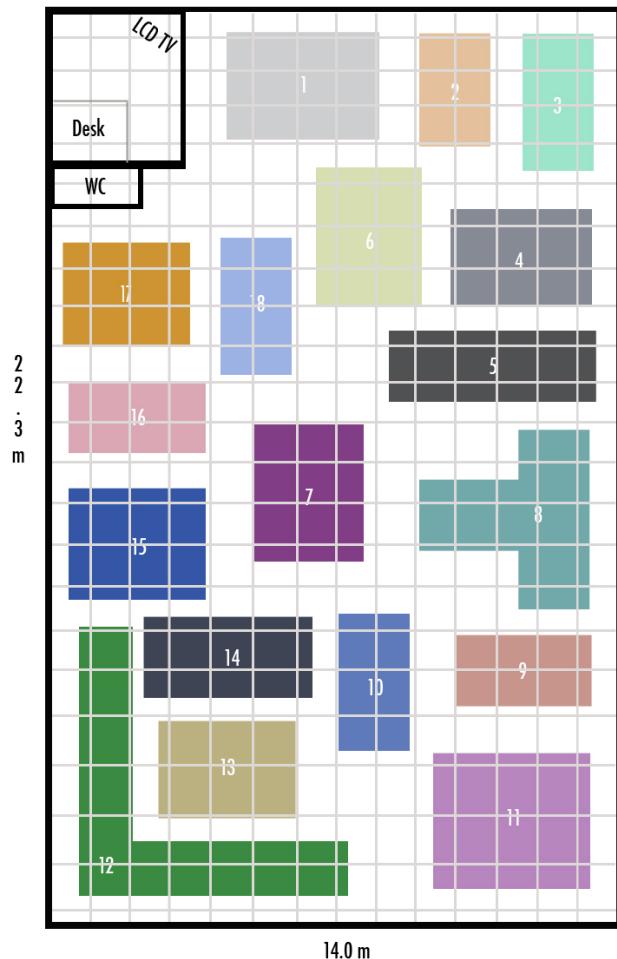
Putter King also plans to have vending machines available inside the building. After designing the course, Putter King will determine the best location for the vending machines (drink and snack).

Putter King will need to install lighting in the playing area. Putter King plans to install LED lighting as the savings in electricity costs will make up for any premium there may be in the initial product cost.

## *Floor Plan*

Sample Floor Plan A (total floor space: 312.20 m<sup>2</sup>):

**Sample Floor Plan (312.20 m<sup>2</sup>)**



## *16.0 Store Operation*

### *Hours of Operation*

In order to determine the optimal store hours of operation, Putter King first studied the hours of operation of miniature golf courses in North America, specifically the indoor miniature golf franchises (i.e. Monster Mini-Golf, Putting Edge, etc.)

Putter King initial hours of operation<sup>19</sup>:

Day	Open Time	Close Time	Duration (Hours)
Monday	12:00	21:00	9
Tuesday	12:00	21:00	9
Wednesday	12:00	21:00	9
Thursday	12:00	21:00	9
Friday	12:00	22:00	10
Saturday	10:00	22:00	12
Sunday	10:00	19:00	9
Holiday	10:00	22:00	12

When setting the hours of operation, balance is important. The goal is to have the perception of a lot of open time while minimizing wasted time where Putter King has to still pay operating expenses (i.e. payroll) with little to no business. Another factor that Putter King considered is the length of time it takes to play a round. For example, if the store is open until 21:00, and a customer starts a round at 20:50, it will take them between 45 minutes to 1.5 hours to finish. On weekdays, people will not want to be out until 23:00 or later when they have work the next day, therefore it doesn't make sense to stay open later than 21:00.

As necessary, after collecting data on customer visit habits during the first year, Putter King may adjust future hours of operation for profit optimization purposes.

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<sup>19</sup> Businesses that plan to operate after 22:00 need a special permit (see 16.4 *Business Permits and Licenses* p.142). Since there is the possibility with a 22:00 close time that customers will still be playing until after 22:00, Putter King will most likely need to obtain this permit.

### Sample 2010 Holiday Calendar

Putter King plans to be open during all holidays except Christmas and New Year's Day. Putter King anticipates that holidays will be important revenue days (see *Anticipated Peak Periods* below).

Sample 2010 Putter King Calendar					
January	February	March	April	May	June
1	1	1	1	1	1
2	2	2	2	2	2
3	3	3	3	3	3
4	4	4	4	4	4
5	5	5	5	5	5
6	6	6	6	6	6
7	7	7	7	7	7
8	8	8	8	8	8
9	9	9	9	9	9
10	10	10	10	10	10
11	11	11	11	11	11
12	12	12	12	12	12
13	13	13	13	13	13
14	14	14	14	14	14
15	15	15	15	15	15
16	16	16	16	16	16
17	17	17	17	17	17
18	18	18	18	18	18
19	19	19	19	19	19
20	20	20	20	20	20
21	21	21	21	21	21
22	22	22	22	22	22
23	23	23	23	23	23
24	24	24	24	24	24
25	25	25	25	25	25
26	26	26	26	26	26
27	27	27	27	27	27
28	28	28	28	28	28
29		29	29	29	29
30		30	30	30	30
31		31		31	

July	August	September	October	November	December
1	1	1	1	1	1
2	2	2	2	2	2
3	3	3	3	3	3
4	4	4	4	4	4
5	5	5	5	5	5
6	6	6	6	6	6
7	7	7	7	7	7
8	8	8	8	8	8
9	9	9	9	9	9
10	10	10	10	10	10
11	11	11	11	11	11
12	12	12	12	12	12
13	13	13	13	13	13
14	14	14	14	14	14
15	15	15	15	15	15
16	16	16	16	16	16
17	17	17	17	17	17
18	18	18	18	18	18
19	19	19	19	19	19
20	20	20	20	20	20
21	21	21	21	21	21
22	22	22	22	22	22
23	23	23	23	23	23
24	24	24	24	24	24
25	25	25	25	25	25
26	26	26	26	26	26
27	27	27	27	27	27
28	28	28	28	28	28
29	29	29	29	29	29
30	30	30	30	30	30
31	31		31		31



- Store Closed



- Holiday Hours (Extended Open)

Putter King will be closed from December 20th until January 8th (depending on the yearly calendar). Although this is a holiday period in Japan, Putter King believes it would be an extremely slow period for two reasons:

- 1) During the New's Years Holiday in Japan, most Japanese visit their hometowns and participate in family cultural traditions at the house and local shrine
- 2) It is during the winter season

#### *Anticipated Peak Periods*

Putter King anticipates that revenue will be seasonal and will vary quite drastically from month to month. It is quite likely that a large percentage of Putter King's annual revenue will come from a select few holiday periods and weekends.

One of the reasons for this is that the overwhelming majority of people have vacation at the same time in Japan. In Japan workers utilize only about 50%<sup>20</sup> of their discretionary paid vacation (8 days out of an available 15) due to societal pressures, corporate pressures, and underlying cultural ideals that view work as a virtue and vacation as a vice. Contrast this with the United States where, on average, workers use 10 out of 13 discretionary paid vacation days. Also, in the United States only 34% of workers do not use their full allotted vacation time, while in Japan 92% of workers do not fully utilize their vacation time. Therefore, the National Holiday vacation weeks in Japan (Golden Week, Obon, etc.) are extremely busy domestic travel and tourism days as almost everyone is off and almost everyone travels.

The anticipated peak periods for Putter King are (in order of anticipated customer volume):

#### 1) Golden Week

Golden Week includes the National Holidays:

- April 29th - Showa Day
- May 3rd - Constitution Memorial Day
- May 4th - Greenery Day
- May 5th - Children's Day

Many Japanese take paid time off on the intervening work days, but some companies also close down completely and give their employees time off. Golden Week is the longest vacation period of the year for many Japanese.

#### 2) Obon Holiday

The Obon week in mid August is one of Japan's three major holiday seasons (along with Golden Week and New Year's). Unlike Golden Week,

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<sup>20</sup> All figures are from the 2009 International Vacation Deprivation™ Survey

there are no National Holidays, but many companies give their employees time off or allow a “summer vacation” that many employees take during August or September. In 2010, the peak of the Obon travel season took place between August 7th and August 17th. The busiest days were August 12th with people leaving the big cities, and August 15th with people returning to the big cities.

### 3) Silver Week<sup>21</sup>

Silver Week is a new term applied to a string of consecutive holidays in September. In 2009, the term gained popularity, referring to the unusual occurrence of a weekend followed by three National Holidays in September. The holidays are:

- Respect for the Aged Day - 3rd Monday
- Autumnal Equinox Day - usually September 23rd
- Kokumin no Kyūjitsu<sup>22</sup> - the day in between the two other holidays

During these two National Holidays, Nikko is a popular tourist destination.

In addition to these three peak periods, many people travel to Nikko in autumn to view the leaves changing color (koyo) and it is common to have long traffic jams on the Tohoku Expressway. Another potential peak time is the end of March and beginning of April. This is the start of the new school year in Japan and is a time when many Japanese like to start a new hobby.

Due to the proximity of *Potential Location #1* to a public park, cherry blossom viewing season will be an additional peak period for this location. Cherry blossoms usually bloom in Tochigi at the beginning of April. During cherry blossom viewing season in Japan, many people have outdoor parties beneath the trees during the day and nighttime. While parents are drinking and barbecuing, their kids can visit Putter King and play a round.

Similar to the hours of operation, Putter King may readjust the Holiday Calendar based on customer data from the first year.

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<sup>21</sup> In Japanese, “silver” is a commonly used, polite adjective for referring to the elderly, deriving from their gray hair and thus referring to Respect for the Aged Day. Also, the term “silver week” refers to the holiday period’s second rank after the more famous “Golden Week”.

<sup>22</sup> Kokumin no kyūjitsu (lit. Citizens’ Holiday): Japanese law stipulates that if there is only one non-holiday in between two public holidays, that day should become an additional holiday. It is unusual for September to get this extra holiday. The five-day break will occur in the following years: 2015, 2026, 2032, 2037, 2043, 2049, 2054, 2060, 2071, 2077, 2088, 2094, 2099

### *Dress Code*

The goal of the Putter King dress code is to create a relaxed and fun atmosphere while still maintaining a certain professionalism. The standard dress code will be a company provided Putter King T-shirt with jeans or khakis.

Other rules include:

- Clothing must be clean and pressed
- Hair must be clean, neatly trimmed, and at an appropriate length
- Tattoos should not be visible and must be completely covered
- No excessive jewelry (Men - no earrings; Women - one earring per ear lobe in accordance with appropriate Japanese business practices)



### *Smoking Policy*

Putter King will have a strict no smoking policy within the facility. Putter King will also prohibit smoking outside of the building.

### *Music*

Putter King will have speakers throughout the playing area and will play music and occasionally will play special recorded announcements, contests, and Putter King advertisements (i.e. hole-in-one contest, etc.). Putter King believes the music is important to set the ambiance and atmosphere of the store. For example, there is a ramen shop in Tokyo that plays The Beatles music, and whenever you ask someone if they have been to that store, many reply, “the one where they play The Beatles music?”. Music can leave an impression on the customers, especially if it is not just the latest pop station. Putter King will play a mix of music that creates an acceptable and fun environment for children.

### *Tournaments*

Putter King plans to host tournaments/leagues on weekday nights. These tournaments/leagues will be targeted at the customers who enjoy Putter King for the competitive aspect of improving their score, as well as to the customers who have played the course multiple times. The goal of the tournaments/leagues is to increase revenue on weekday nights, and also as another way to keep the customers continually engaged with Putter King.

## *16.1 Database*

The database will be an integral of Putter King's business. Not only will it track all of the customers scores on a hole by hole basis, but it will also track other important data that Putter King will be able to use to analyze customer traffic, demographics, and behavior. In addition to score information, the database will track:

- Time of day (customer visit)
- Weather (at time of customer visit)
- Customer gender
- Customer age
- Customer nationality (Japanese, foreigner)
- Group size (1, 2, 3, 4, etc.)
- Ancillary purchases (i.e. merchandise, membership, etc.)
- Number of times to play the course in one visit (i.e. 2x, 3x, etc.)

This data will be an extremely useful management tool and will allow Putter King to recognize potential problems or risks, and will also provide Putter King invaluable information on peak times, market segments, etc. All of this information will help Putter King to more easily sell the business model and concept to potential franchisees.

Putter King will take care to back up the database daily both to a local device as well as to a remote server.

## *16.2 Customer Payment Methods*

### *Cash*

Putter King plans to (at first) *only* accept cash. Although electronic forms of payment are growing in popularity, cash is still more widely used in Japan compared with countries such as the United States. Many smaller restaurants and mom and pop shops still accept only cash. Also, at many smaller restaurants customers use a vending machine to purchase their meal order ticket, and most of these vending machines are older and only accept cash.

The reasons Putter King plans to only accept cash (at first) are:

1) Electronic payment transaction costs

- On average, electronic payment transaction costs (merchant fees, etc.) are higher than in the United States. These fees average 3%-4% for the major credit cards, and up to 7% for some cards

2) Payment receipt lag

- After a customer makes a purchase using a credit card or debit card in the United States, the business generally is credited with the payment rather quickly (within 1-2 business days). However, anecdotally it can take up to 4 months in Japan. As cash flow will be important for Putter King in the first year (like any startup), this is not a desired situation.

### *Credit Cards*

As mentioned above, although electronic forms of payment are increasing in popularity, it is not yet a general expectation that consumers can use a credit card at any store or place of business (unlike the United States where more than 95% of businesses accept credit cards). Although Putter King does not plan to accept electronic forms of payment initially, Putter King does plan to accept credit cards in the future for the following reasons:

1) The Putter King business model is built on integrating the latest technology (electronic scoring, etc.) and thus it may be seen as hypocritical if we don't accept credit cards

2) In my opinion, it is becoming a consumer expectation that if the total bill is over ¥5,000, the business should accept credit cards. For families that visit Putter King, their total bill might eclipse this amount

3) Consumers might be more likely to spend more if they can use their credit card (i.e. merchandise sales, memberships, second rounds, etc.)

In the future, Putter King will accept as many credit card processing companies as it financially makes sense to do so. At the least, Putter King will accept JCB (one of the most popular card processors in Japan), Visa, Mastercard, and American Express.

### *Debit Cards*

For the same reasons listed under credit cards, Putter King will also accept debit card transactions in the future.

### *Rechargeable Smart Cards*

Putter King may also accept rechargeable smart cards (Suica and Pasmo) as a form of payment in the future (depending on the fees). These cards are issued as train or subway passes, however they can be charged and used at other locations as a form of payment. This payment method has been becoming more and more popular. Also, many people have this rechargeable card function built into their mobile phone. Therefore, instead of setting the card on the IC reader, they set their mobile phone on the IC reader.



#### Suica



Suica is a rechargeable contactless smart card used as a fare card on train lines in Japan. Launched in November 2001, the card is usable currently in the Kanto region, at JR East stations, and in the Kinki region on JR West. The card can also be used interchangeably with JR West's ICOCA card in the Kansai region and with JR Central's TOICA. The card is also increasingly being accepted as a form of electronic money for purchases at stores and kiosks within train stations. As of October 2009, 30 million Suica cards were in circulation.

## Pasmo



Pasco is a rechargeable contactless smart card ticketing system for public transport introduced in Tokyo, Japan, on March 18, 2007. Pasmo is a development of the Passnet system used by many non JR railway lines in the Tokyo region (such as the Tokyo Metro subway system). As of April 2009, over 11 million cards were in circulation.

### *16.3 Birthday Parties and Corporate Events*

Putter King will host children's birthday parties and corporate events and will offer special group pricing for these events (see 17.0 *Pricing* p.145).

#### *Birthday Parties*

Unlike the United States, where it is more common for young children to have birthday parties at bowling alleys, miniature golf centers, etc., this type of birthday party concept is more rare in Japan. However, Putter King believes there is potential demand for this type of product and plans to market it heavily to mothers who visit Putter King with their children. For birthday parties, Putter King will provide:

- a) 18 holes of adventure golf
- b) Birthday cake
- c) "Happy Birthday" song sung by the Putter King staff
- d) Putter King crowns for all of the birthday party attendees with a special colored crown for the birthday boy/girl



#### *Corporate Events*

Putter King will offer group pricing for corporate events. Putter King plans to market the corporate events group pricing as a low cost, team building/bonding event for a company's employees. Putter King will specifically target it to companies as a way for new employees fresh out of college to form bonds with their new co-workers.

## *16.4 Business Permits and Licenses*

To open and operate Putter King, it will be necessary to obtain certain licenses and permits. Putter King's legal team will be able to provide more specific advice in this area during the corporation formation process; however, listed below are some of the necessary licenses to conform to the various laws and ordinances in Japan. (Permits/licenses may also vary by region and there may be additional local permits/licenses required in addition to the ones mentioned below).

### *Public Safety Commission License*

For an entertainment and amusement business it is necessary to obtain a license from the Public Safety Commission (koan-iinkai). This license can be applied for through the regional Police Office (pre-consultation available).

This license is also necessary for businesses that intend to operate after 22:00 or serve alcohol.

### *Building / Facilities Permit*

It may be necessary to obtain a building or facilities permit from the Ministry of Land, Infrastructure, Transport and Tourism (MLIT). It may also be necessary to obtain a permit or inspection from the Fire Department. It has been advised to Putter King that the Fire Department may require Putter King to install more windows at the proposed location.

### *Regional Health Center License*

Establishments that sell food or drinks fall under the food sanitary law and must obtain the necessary license from the Governor, for which an application should be submitted through the regional Health Center (pre-consultation available). This license will most likely not be necessary for Putter King as there is no plan to sell food or drinks (apart from vending machines).

## *16.5 Japanese Labor and Social Insurance Systems*

Japan has a universal insurance system whereby everyone residing in Japan must, in principle, take part in the public health (medical) insurance and pension insurance system.

Japan has four different kinds of insurance system which companies are legally obliged to take part in; all workers that meet certain criteria are covered by the insurance.

### 1) Workers' Accident Compensation Insurance

- This covers any illness or accident incurred by workers as a result of work or while commuting to or from work

### 2) Employment Insurance

- This provides for workers that become unemployed and helps to maintain stable employment such as by providing financial aid and subsidies

### 3) Health Insurance and Nursing Care Insurance

- These cover medical and nursing care expenses incurred by workers

### 4) Employees' Pension Insurance

- This provides for benefits to workers in their old age, or in the case of death or disability

Generally, Workers' Accident Compensation Insurance and Employment Insurance are known collectively as "labor insurance", while Health, Nursing Care and Employees' Pension Insurances are referred to collectively as "social insurance". A company must enter these insurance systems when first incorporating or hiring staff by submitting labor and social insurance notification forms to the relevant authorities. The company usually pays insurance premiums by deducting the portion of the premiums payable by employees from their wages, and paying these together with the portion of the premiums payable by the company to the relevant authorities.

The premiums Putter King will pay for these different programs will depend on certain variables, such as the number of part-time employees, as well as whether Kevin Dias is classified as an Executive Manager or a full-time employee, or both. Putter King will be discussing these issues with Putter King's legal team.

Labor and Social Insurance Systems Table:

Insurance	Coverage	Employer Pays (% of total annual wage)	Worker Pays (% of total annual wage)
Workers' Accident Compensation Insurance	All businesses that employ workers must have this insurance	0.305%	-
Employment Insurance	All workers whose prescribed working hours are not less than 20 hours per week must have this insurance	0.950%	0.600%
Health Insurance and Nursing Care Insurance	All full-time workers employed at incorporated companies, as well as part-time workers whose prescribed working hours were not less than 75% of full-time workers	4.660%	4.660%
Employees' Pension Insurance	All full-time workers employed at incorporated companies, as well as part-time workers whose prescribed working hours were not less than 75% of full-time workers	7.852%	7.852%
Child Benefits Contribution	Contribution to a social welfare system for child benefits	0.130%	-
<b>Total</b>		<b>13.897%</b>	<b>13.112%</b>

## *17.0 Pricing*

### *Pricing Strategy*

There are many types of pricing strategies (i.e. competition-based pricing, cost-plus pricing, penetration pricing, premium pricing, etc.) that companies use to set the price of their product. Unlike most companies, Putter King is in a unique position with respect to pricing as:

- Putter King is a fixed cost business
- There are no directly similar products in Japan (there are currently no other adventure golf courses)

None of the traditional pricing strategies (on their own) fit Putter King's business model precisely. Therefore, Putter King's pricing strategy was set based on a combination of three main factors:

#### 1) The price of substitute family entertainment products

Although pricing can be quite variable and obtuse for many competing forms of entertainment (see Round One's SPO-CHA pricing on p.27), there is one type that is somewhat constant, straightforward and widely known across Japan: movie tickets. The regular price of an adult movie ticket is typically between ¥1,600 - ¥1,800. Therefore, families may use the price for a night out at the movies as a benchmark when deciding whether to come play adventure golf at Putter King.

#### 2) Psychological break points

Refer to the *Psychology of Pricing* below.

#### 3) The ability to charge a premium for a new product in a new market

Japanese consumers do not necessarily have a reference for what this type of product should cost, which allows Putter King to charge more than a typical miniature golf course in the United States. In the United States, miniature golf has been around for everyone since their childhood. Consumers therefore tend to forget about inflation, course improvements, etc. and many people have an image of miniature golf as a relatively cheap family activity. A price of over \$10 per round would probably not be very successful in the United States. However, as first to market in Japan with a unique course that incorporates some new technological features (electronic scoring), Putter King is not subject to these consumer perceptions. The pricing that Putter King sets may set the precedent for the pricing for adventure golf.

### *The Psychology of Pricing*

Although some people might believe that humans are perfectly rationale and always make the decision that makes the most economical sense, it has been proven

time and again that this is just not true. Behavioral psychology, perception, and other factors impact a consumer's decision to buy. Thus, it is important when setting the price of a product to consider the psychology of pricing.

One of the most common examples of the psychology of pricing is with regards to psychological "break points". For example, there have been many studies done that show a product priced at \$9.99 sells much better than the same product priced at \$10.00. Although the difference is only \$0.01, and buyers intellectually recognize the lack of meaningful difference, the lower amount is said to appeal on a less conscious level.

These break points will vary depending on the product, the price range, etc.; however, if a company can successfully identify these break points and price under them, it may have a drastic impact on sales. As the price becomes lower, the break points become finer and may be harder to recognize. Putter King believes there are 3 relevant break points and has taken these into account in setting the prices for Putter King adventure golf:

- ¥500 (one coin)
- ¥1,000
- ¥1,500

One important difference between the United States and Japan is with respect to the last digit of a price. In the United States, many products are priced to the penny and thus the end digit of a price has significant psychological importance. It is said that prices should end in 5, 7, 8, or 9 but never end in 0 or 1. However, this does not apply in Japan. Japanese prices almost always end in 0 (and sometimes 5). Products are rarely priced to the 1 yen (with the exception of products under ¥1,000 such as grocery store items). Typically, products are priced to the 10 yen, or sometimes to the 5 yen. The main reason for this is that Japan is a cash based society, especially compared to the United States, and pricing products to the 1 yen is viewed as onerous on both the store and the consumer. Therefore, consumers may actually have a very negative reaction if, for example, Putter King priced a regular adult ticket at ¥1,499.

Some other psychological factors that will influence Putter King's price strategy (and marketing strategy) are:

### The Perception of Savings or Discounts

Consumers love the perception of saving money, and different types of discounts or savings promotions can have an effect on consumer behavior. Even if there is no true savings or discount, the perception of a discount can actually motivate a consumer's purchase decision. For example, if there are two identical products, one priced at \$18 with no discount, and one "marked-down" to \$20 from \$50, the consumer may actually be more likely to choose the \$20 item because the consumer perceives a "big savings". Thus, the perception of savings makes for a powerful pricing strategy.

Putter King will use savings or discounts in certain marketing promotions to try and attract customers, including:

- The *Lucky Number 7* free game point card
- Senior Day
- Kid's Day
- Date Night
- Senior specials - "Grandchildren can play for free"

### The Perception of Value

A common tactic of many retailers is to bundle their products, and offer some for free. This strategy gives customers the perception that they are getting way more than what they are paying for. Putter King will have various marketing offers that fall into this category, such as:

- Buy one round, get the second round for 1/2 price
- Buy two rounds, get the third round free

### *Sales Tax in Japan*

Sales tax in Japan is always included in the price and will also be included in the Putter King prices. The current consumption tax rate is 5%; however, this is currently a hot political issue due to Japan's large national debt and the consumption tax may be raised to 10% (or another rate) in the future (see 6.0 *Risks* p.37).

### *Putter King Pricing<sup>23</sup>*

	<b>Standard Pricing</b>	<b>Senior Day</b>	<b>Kid's Day</b>
Adult	¥1,400	¥1,400	¥1,400
Senior (60+)	¥1,000	¥500	¥1,000
Student	¥1,000	¥1,000	¥1,000
Children (12 and under)	¥900	¥900	Free

### *Special Days*

In Japan, consumers are sensitive to special days. Movie theaters offer the best example of this; every cinema holds "Movie Day" on the 1st of every month where movies cost ¥1,000 instead of the usual ¥1,600 - ¥1,800. Also, movie theaters have a weekly "Women's Day", "Men's Day", "Couples Day", etc. where theater tickets are offered at a discounted price.

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<sup>23</sup> Pricing is based on the assumption that Putter King will be an 18 hole course.

Putter King plans to offer three weekly special days to help attract more business: “Senior Day”, “Kid’s Day”, and “Date Night”.

### Special Days:

	<b>Day Name</b>	<b>Description</b>
Monday	Senior Day	Seniors play for ¥500 (one coin)
Wednesday	Kid’s Day	Children play free (limit one child per one adult)
Thursday	Date Night	Couples play 2 for the price of 1

#### Senior Day

“Senior Day” will be every Monday and any customer 60+ will pay only ¥500 (or one coin) for 18 holes. The goal is to attract business (especially during the daytime) for what is anticipated to be one of the slower days of the week. The concept of “one coin” promotions in Japan are quite common and tend to attract consumer attention. The idea is that items that usually cost more than ¥500 are discounted to the point where the consumer can purchase the product with only one coin. The katakana phrase “ワンコイン” (one coin) is used to denote this type of special.

#### Kid’s Day

On “Kid’s Day”, all children (12 and under) will play 18 holes for free (limit one free child per one adult). The main goal of this promotion will be to attract mid-week business during the school summer vacation period as well as other school holidays. Most likely, this promotion will not attract much business during the school year as parents will be reluctant to bring their children out on a school night.

#### Date Night

On “Date Night”, couples can play 18 holes for the price of one adult round. The target market for this promotion will mainly be late high school and college students (18 - 24 years old), but also working professionals (24 - 35 years old) who are marrying much later in Japan<sup>24</sup>.

#### *The King Card*

Putter King plans to offer an annual membership card named *The King Card* as a way to increase revenue. Memberships are common for businesses that incur minimal

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<sup>24</sup> In 2008, the mean age of first marriage was 30.2 for men and 28.5 for women, compared with 27.0 for men and 24.7 for women in 1975 (Japanese Ministry of Health, Labour and Welfare)

variable costs per customer visit such as golf courses, ski areas, gyms, etc. There will be 3 types of Putter King annual membership cards:

- 1) Daytime
  - The customer may play free of charge from store open until 17:00
- 2) All-Access
  - The customer may play at any time free of charge
- 3) Little King
  - Customers (under 12 years old) may play at any time free of charge

### *The King Card Pricing*

To determine pricing for *The King Card*, Putter King first examined data of other businesses that offer an annual membership card in addition to a one day use option. Based on this data, Putter King determined what multiple of a one day use ticket the annual membership is priced at.

Comparable annual membership multiples table:

Company	Type of Business	1-Day Price	Annual Membership Price	Annual Membership Multiple
Tokyo Disney	Amusement Park	¥5,800	¥75,000	12.93x
Niseko United	Ski Area	¥5,500	¥152,000	27.63x
Gold's Gym (All-Access)	Gym	¥2,630	¥120,000	45.63x
Gold's Gym (Limited Access)	Gym	¥2,630	¥72,000	27.38x
Skyline CC (Weekend)	Golf Course	\$39	\$900	23.08x
Skyline CC (Weekday)	Golf Course	\$35	\$900	25.71x

*The King Card* pricing:

	Daytime King Card	All-Access King Card	Little King Card
Adult	¥19,000	¥29,000	NA
Senior (60+) & Student	¥13,500	¥19,000	NA
Children (12 and under)	NA	NA	¥5,000

*The King Card* multiples table:

	Daytime King Card	All-Access King Card	Little King Card
Adult	13.57x	20.71x	NA
Senior (60+) & Student	13.50x	19.00x	NA
Children (12 and under)	NA	NA	5.5x

In general, *The King Card* will be targeted at enthusiasts, seniors and kids (especially for summer break). Putter King's pricing for the *The King Card* is actually below typical multiples, and was intentionally priced much lower specifically for the *Little King Card*. Both the adult *Daytime King Card* and *All-Access King Card*, as well as the senior *All-Access King Card* were priced just below two psychological break points (¥20,000 and ¥30,000) with a multiple that is still below average.

The *Little King Card* is priced at a very low multiple (5.5x), in order to try to make it a possible upsell when a family first visits Putter King. That way, if the child has a great time, they will want to come back, and since children 12 years old and under will have to return with an adult, this will thus help to boost future business.

#### *Group Pricing*

Putter King will offer group pricing packages for birthday parties and corporate events (see 16.3 *Birthday Parties and Corporate Events* p.141).

Group Pricing Schedule:

Event	Group Size Minimum	Price per Person
Birthday Party	5 children	Children: ¥700 (Adults: regular price)
Corporate Event	10 adults	¥1,000

#### *Lucky Number 7 Free Game Card*

The *Lucky Number 7* free game card is a type of point card that Putter King plans to offer. In Japan, the number 7 is a lucky number in the culture. With the *Lucky Number 7* free game card, a customer will receive a free game after completing 7 paid rounds of 18 holes. This card is another tool that Putter King plans to use in order to try to increase repeat business.

## *18.0 Marketing*

Marketing will be one of the major keys to the success of Putter King. As adventure golf will be a new concept to many people, Putter King's marketing and advertising needs to be able to successfully draw them to the store.

Putter King's marketing and advertising needs to convey the value proposition of adventure golf to the customer. First and foremost this will be done visually. If customers only spend a few seconds looking at an advertisement, they will be focused on any images and not on text. Therefore, it is important that the visual quality of Putter King advertisements are top notch and most importantly that they show people using the service. This type of image will relay some key information to the reader:

- 1) It is a form of golf
- 2) People of all ages are enjoying themselves
- 3) The hole designs look unique, creative, challenging, and fun

Although the visual aspect of any advertisement will be the most important, the text is also an important aspect of correctly conveying the value proposition. The combination of the visual and textual elements of the advertisement will need to convey Putter King's value proposition:

- 1) Fun, unique hole designs
- 2) Affordable family entertainment

### *Marketing Analytics*

Putter King plans to put a lot of focus on marketing analytics, with the goal being to find the most profitable allocation of marketing funds. This will be especially important as Putter King looks to expand with new franchises. Putter King will tag all marketing materials and advertisements that feature some sort of offer or discount with a tracking code. The tracking code will be unique for each new set of marketing materials. Imbedded in the tracking code will be the following pieces of information:

- 1) Type
  - For example: flier, wristband, tissues, etc.
- 2) Date distributed
- 3) Discount offered
  - For example: buy one round get one free, grandchildren are free, etc.
- 4) Location distributed
  - For example: station, park, etc.

The multiple sections of the tracking code will allow Putter King to do a much deeper analysis and, after collecting a decent amount of data, isolate the successful variables in a marketing campaign by running a regression analysis. The ultimate goal is to try and find which marketing campaigns (type, date, discount, location) have the highest ROI and highest conversion rates (the percentage of people who respond to the offer).

Marketing analytics will never be a perfect science. For example, we will not be able to know what drove *every* customer to Putter King (Was it the branded water bottle she saw in the park, that led her to check the Putter King website and ultimately stop in? Or did she hear about Putter King from her friend?) However, Putter King can try to track the success of different marketing channels to the greatest extent possible through:

- 1) Tracking code on all promotional coupons or discounts
- 2) Anecdotal evidence (talking to customers)
- 3) Tracking website analytics (unique visitors, # of visitors that visit the map page, etc.)

### *Marketing Timing and Schedule*

In addition to the *Anticipated Peak Periods* (see p.133), there are a few other key cultural factors that are important in regards to advertising timing:

- Many businesses in Japan have their monthly pay day on the 25th
  - Consumers may be more likely to spend money on discretionary items or activities near the end/beginning of the month (after pay day) as opposed to the middle of the month
- School vacation schedules
  - The school year in Japan is different than the school year in the United States
  - Almost all schools run a three-term school year:
    - The first term runs from April 1st to mid-July (the exact date of the beginning of the summer break and its duration vary across regions, but commonly the break lasts for about one or two months)
    - The second term lasts from early September to late December with a winter break at the end of the year
    - The third term starts in early January and goes to early March, after which there is a spring break lasting several weeks
    - The graduation ceremony occurs in March, and the enrollment ceremony in early April
- End of March/Beginning of April is typically a time when many people seek to start a new hobby
  - It is the end of the winter season and people are looking to get out and try something new
  - It is the start of the new school year in Japan

These factors and times will be important for Putter King to keep in mind when designing marketing campaigns and programs.

### *Market Segmentation and Putter King's Target Market*

Putter King plans to target 3 specific customer segments with its marketing materials and promotions (listed in order of importance)

- 1) Families with young children (age 2-12)

- 2) Students (mainly middle school and high school)
- 3) Seniors

Although Putter King plans to target these 3 segments at first, Putter King will continually try to keep an eye and ear to the market to see if there are any trends or fads within other segments. Sometimes in Japan, unexpected market segments latch on to a new product or hobby<sup>25</sup>. If this were to happen with Putter King's product, Putter King would adapt its marketing strategy and target market.

Population breakdown:

Category	Utsunomiya	Oyama
Total Population	502,396	160,150
Under 15 Years Old	14%	15%
15-64 Years Old	68%	69%
65 Years Old and Over	18%	16%

*Marketing Message*

Generally speaking, Putter King's advertising and marketing will fall into one of two categories:

- 1) Type 1
  - Inform the audience about adventure golf or show people playing adventure golf
- 2) Type 2
  - Catch the audience's attention and move them to take action by visiting the website or the store

As adventure golf will be new to most Japanese people, Putter King will rely heavily on Type 1 marketing. Type 1 marketing will strive to relay some key information to the reader:

- It is a form of golf
- People of all ages are enjoying themselves
- The hole designs look unique, creative, challenging, and fun

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<sup>25</sup> Examples: Recently in Japan, the number of *young women* mountain climbers has surged (nicknamed "mountain girls"); the popularity of history-related products and tours has been rising due to *female fans* of period dramas and samurai video games; the popularity of ikebana (flower arrangement) and ballet has increased among *young men*.

Type 1 example<sup>26</sup>:



Type 2 example:



<sup>26</sup> Hypothetical example only. A potential Putter King advertisement would use a Japanese child playing at an actual Putter King hole. The goal would be to both show someone enjoying themselves as well as the uniqueness of the hole designs.

### *Putter King Grand Opening*

Putter King is targeting the weekend of April 23rd and April 24th, 2011 for the grand opening of the first Putter King location. The grand opening discounts, promotions, festivities, etc. will continue (for 2 weeks) until May 6th, the end of the 2011 Golden Week holiday.

For Golden Week 2011, travel activity is anticipated to peak on April 29th and May 3rd with people leaving the large urban centers and on May 1st and 5th in the opposite direction.

Item	Quantity	Cost per Item	Total Cost
Wristbands	3,000	¥60	¥180,000
Tissue	5,000	¥10	¥50,000
Windshield Fliers	1,000	¥20	¥20,000
Fliers	3,500	¥20	¥70,000
Station Poster	5 (weeks)	¥19,635	¥98,175
<b>Total</b>	<b>12,500</b>	-	<b>¥418,175</b>

## Grand Opening Marketing Calendar:

April, 2011

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					Start Oyama Station Poster	1 2 Wristbands Park/Station 500
3 Wristbands Park/Station 500	4 Oyama Station Tissues 500	5 Utsunomiya Station Tissues 500	6 Oyama Station Tissues 500	7 Utsunomiya Station Tissues 500	8 Oyama Station Tissues 500	9 Wristbands Park/Station 500
10 Wristbands Park/Station 500	11 Utsunomiya Station Tissues 500	12 Oyama Station Tissues 500	13 Utsunomiya Station Tissues 500	14 Oyama Station Tissues 500	15 Utsunomiya Station Tissues 500	16 Wristbands Park/Station 500
17 Wristbands Park/Station 500	18 Oyama Station Tissues 500	19 Utsunomiya Station Tissues 500	20 Oyama Station Tissues 500	21 Utsunomiya Station Tissues 500	22 Oyama Station Tissues 500	23 Opening Weekend 
24 Opening Weekend 	25 Park Windshield Fliers 500	26 Park Fliers 500	27 Park Fliers 500	28 Park Windshield Fliers 500	29 GW Holiday Park Fliers 500	30

May, 2011

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1 Oyama Station Tissues 500	2 GW Holiday Park Fliers 500	3 GW Holiday Park Fliers 500	4 GW Holiday Park Fliers 500	5 GW Holiday Park Fliers 500	6 Park Fliers 500	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

### *In-store Marketing*

Putter King plans to use various types of in-store marketing to try to increase the amount of repeat business. Ideas for in-store marketing include:

- a) outdoor hole in the parking lot to attract visitors
- b) balloons outside the store for the grand opening
- c) occasional free sticker give-away for kids
- d) “Today’s Lucky Hole”: If you get a hole-in-one on “Today’s Lucky Hole” you win a free game and you are entered into the raffle for an all-access yearly membership
- e) Putter King video advertisement (animation, video of best way to play the holes, hole in one shots) interlaced with top scores
- f) Putter King Trophy with name of the person with the best score or most hole in ones in a round
- g) one hole is changed every 6 or 12 months, designed by the winner of a “Hole Design Contest” (see 25.0 *Future Kings Program* p.226).

### *Signage*

Putter King plans to have one lightbox style, circular sign about 2 meters in diameter that has the Putter King logo and name attached to the front roof section of the building.

Putter King may also consider purchasing billboard space on a local highway billboard in the future.

### *Fliers*

Putter King plans to hand out fliers at the station and also at the nearby park. This is common and legal to do in Japan and regularly many companies hand out fliers at the foot of the station entrance/exit. Based on past experience handing out fliers in Japan (for a wiffleball league), some important guidelines include:

- Mornings are typically not an ideal time as:
  - a) People are in a rush and unless it is something like a tissue or a fan, people probably will not take it
  - b) As people are headed to work, they will not focus on what you hand them
  - c) Most of the people will be businessmen and businesswomen. It will be more beneficial for Putter King to distribute the fliers to mothers, or to families at a time when they are riding the train together
- Need to give people something (i.e. tissue, coupon, wristband), not just an informational flier
- It has to be colorful

Putter King plans to target Oyama station, Utsunomiya station, and the park near the planned Putter King location as the top targets. As secondary targets, Putter King

will also hand out fliers at other stations that are close to Oyama (i.e. Mamada, Nogi, Koga, Koganei, Jichiidai, Ishibashi, Suzumenomiya, Tochigi, etc.).

As part of the marketing strategy, Putter King will handout wristbands (debossed with the Putter King name or web address) with a flier attached. Putter King will hand out the wristbands on weekends and target kids.

As there is a park nearby to *Potential Location #1*, Putter King plans to hand out a lot of fliers at the park. Specifically, Putter King plans to put windshield wiper cut-out advertisements on the cars in the park parking lot. These windshield wiper cut-out advertisements will be foldable and the Putter King character logo will be facing the driver/passenger and the coupon part of the flier will be parallel with the hood of the car.

### *Newspapers*

Putter King plans to use both national and local newspapers to market the opening of the business.

#### Local Newspapers:

Putter King plans to use various network contacts to get a write-up in the local newspaper concerning the grand opening and details of the store.

#### National Newspapers:

Putter King will try to get an article in the “Who’s Who” section of the *Japan Times*. This column spotlights foreigners in business in Japan. Putter King will also try to get an article placed in the other popular National newspapers such as *The Yomiuri Shimbun*, *The Asahi Shimbun*, *The Mainichi Daily News*, etc.

### *Magazines and Tourist Guidebooks*

One critical advertising channel will be local prefectural guidebooks. Many Japanese, when they travel domestically, will buy a guidebook concerning that prefecture or area of the country. These guidebooks include sightseeing spots, activities, restaurants, etc. and can be found at any convenience store or book store. If Putter King is included in the Tochigi guidebook, it should increase the number of visits from travelers that are planning to visit other popular places in Tochigi (i.e. Nikko, Utsunomiya, etc.), as they might stop on the way to their final destination in Tochigi.

Putter King will also consider advertising in other magazines such as magazines that are targeted at mothers, and in *Metropolis* which is a free magazine that is popular among foreigners.

### *Brochures and Pamphlets*

Putter King plans to ask local businesses (especially hotels, specialty shops that recommend local hotels, restaurants, etc.) to display Putter King brochures or pamphlets. In exchange for placing Putter King's brochure or pamphlet at the local business, Putter King will offer to display that shop's brochure, or will give the store owner coupons for free games.

### *Online*

#### Search Engines:

Putter King has registered with the major search engines (Google, Yahoo, Bing), and ultimately Putter King's search ranking will depend on how well the Putter King website is optimized (see 10.0 *Website* p.53). At first, Putter King does not plan to purchase any search engine rankings or advertisements.

#### Social Networking:

Recently, the correct use of social networking has been a huge marketing benefit to many companies, especially small businesses. Social networking allows customers to become more engaged with the business and ultimately, if done right, increases brand awareness and customer traffic. Putter King plans to utilize the following social networking sites:

- Twitter (@theputterking)
- Facebook business page (<http://www.facebook.com/pages/Putter-King/126341560712115?ref=ts>)
- Mixi<sup>27</sup>
- Facebook places (future possibility)
- Foursquare (future possibility)

The proportion of Japanese Internet users who tweet is 16.3% and now surpasses the ratio among Americans (9.8%)<sup>28</sup>. Twitter and Japan's top social networking site, Mixi, have been running neck and neck with monthly visitors between 9 million and 10 million.

In contrast, only 3% of Japanese Internet users are on Facebook, compared with 62% in the U.S., according to Nielsen. MySpace has also failed to take off in Japan, at less than 3% of Internet users versus 35% in the United States, according to comScore Inc.

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<sup>27</sup> Mixi is currently the most popular Japanese social networking site (although Facebook is becoming more popular day-by-day).

<sup>28</sup> *The Japan Times*, June 30, 2010

According to *The Japan Times* article, Twitter is also proving to be a good business tool. Companies are exploring Twitter as a way to reach consumers and get feedback, a function that holds potential in Japan, where broadband connections are widespread and cheap, and mobile phones outnumber the population.

Putter King will also keep a close watch on sites such as Foursquare or Facebook Places. Currently, these sites/applications are not so popular in Japan; however, it may be a trend to watch. Online trends in Japan such as Facebook and Twitter tend to lag the United States by 6 months to a few years.

Foursquare is a application where customers use their smartphones to “check in” at a business when they’re nearby and post their thoughts about the offerings at that business, and whoever checks in the most is crowned the “mayor” of the shop. When users check in, they are encouraged to give an inside scoop about a business. Friends who are nearby at the time, and those in the area later, see those tips and are encouraged to give their own recommendations about that business along with nearby places to eat, shop, and see. The application also allows a business to offer discount coupons or promotions to someone who “checks-in”.

### Blogs:

Putter King plans to invite bloggers (especially bloggers that blog about Japan, Japanese culture, sightseeing, etc.) to play the course for free and hopefully write a blog article.

### *iPhone Application*

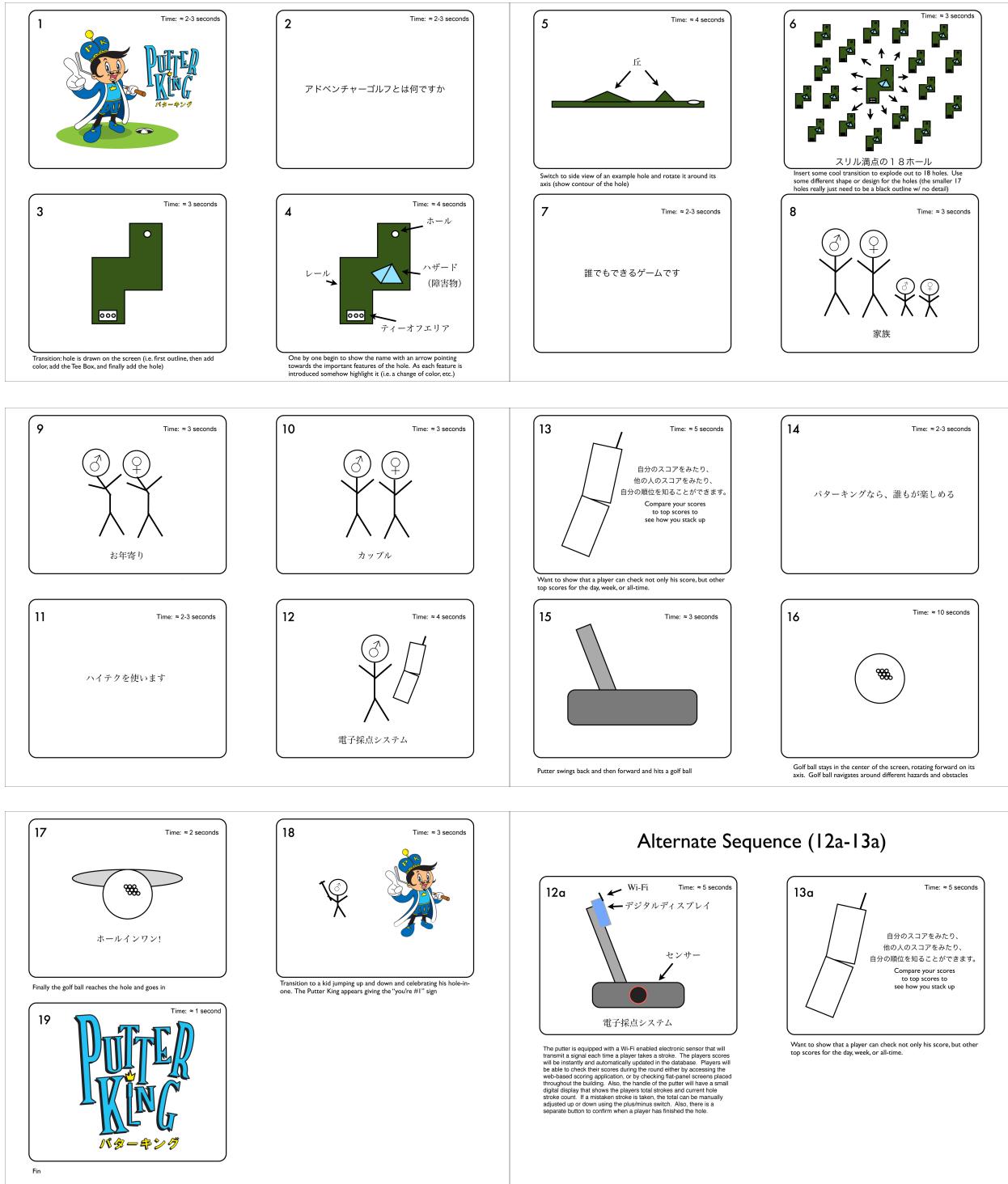
In the future, Putter King may create an iPhone application. The application would allow the user to do a few different things:

- Check scores (personal history, and top scores)
- Play an adventure golf game based on the Putter King hole designs
- Check a map to different store locations
- Get coupons or discounts

Putter King will also need to stay abreast regarding iPhone applications that review local attractions or restaurants to be sure that Putter King is also featured in these applications.

## Website

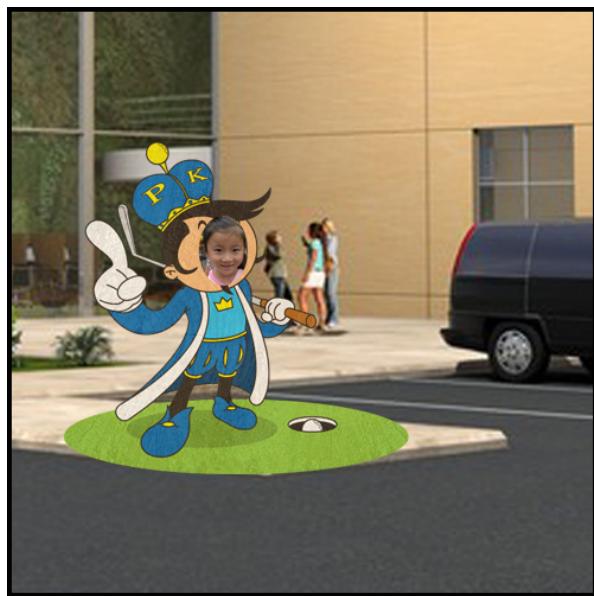
Putter King will create a short, animated video for the website to help customers get a better feel for the business and what exactly adventure golf is. Below is a storyboard for the proposed short animation:



### *Wooden Cut-Out*

At Putter King, in the lobby or outside of the building there will be a wooden cut-out of the Putter King logo with a part of the head of the logo cut out. The wooden cut-out will be about 160 cm tall and will be used by the customers for taking pictures. The customer can place their head in the hole while a friend or family member takes a picture. Behind the wooden cut-out there will be a crate that children or shorter people may stand on to reach their head into the opening.

The wooden cut-out will be a great way for customers to memorialize their visit. The cut-out will also benefit Putter King's marketing efforts. It will help spur word-of-mouth advertising when customers share their pictures with friends. This is especially important in today's world where pictures are easily and quickly shared online.



### *Television*

In the future, if franchising takes off, Putter King may consider purchasing a local TV commercial during the daytime. The target market for such a commercial would be mothers, or seniors who might bring their grandchildren.

### *Direct Mail*

Putter King plans to utilize direct mail to distribute a postcard-sized advertisement to houses in the area nearby the location.

### *Email*

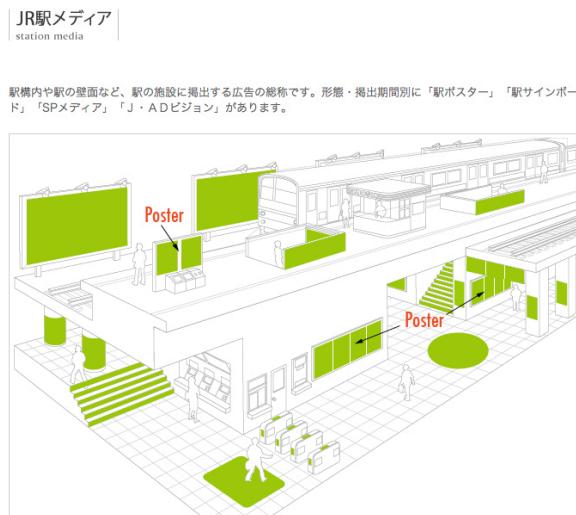
For interested customers, Putter King plans to collect email addresses and send a monthly newsletter or various offers to those that opt-in to be on the email list.

### *Other*

99% of all cars in Japan are equipped with a GPS system. As street directions and addresses can be very confusing in Japan, many people rely on their GPS to go to different locations. When going to a new location, it is common to enter the telephone number of the business (or do a search for the business name) and the location destination will appear on the GPS. Thus, it will be necessary for Putter King to ensure that it is registered as a business in the GPS system.

### *Station Advertisements*

As part of the grand opening marketing campaign Putter King plans to place a poster advertisement at Oyama station.



Train station poster cost for a term of 7 days (price in parentheses includes tax)

	<b>B0 (103.0cm x 145.6cm)</b>	<b>B1 (103.0cm x 72.8cm)</b>	<b>B2 (72.8cm x 51.5cm)</b>
Utsunomiya	¥56,300 (¥59,115)	¥28,150 (¥29,560)	¥14,150 (¥14,860)
Oyama	¥18,700 (¥19,635)	¥9,350 (¥9,820)	¥4,750 (¥4,990)
Jichiidai	¥9,200 (¥9,680)	¥4,600 (¥4,830)	¥2,300 (¥2,415)

## 18.1 Business Cards (Meishi 名刺)

The Putter King business card will be two-sided; one side will be in Japanese and the other side will be in English (this is typical of most business cards in Japan these days). The business cards will be printed on golf ball paper (with dimples in paper) so that the business card is more unique and leaves a bigger impression. The dimpled golf ball paper is available at <http://www.golfballpaper.com>.

English side:

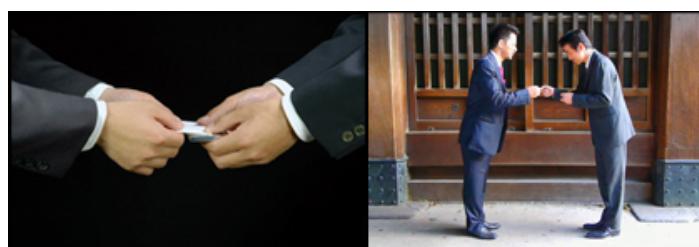


Japanese side:



### Exchanging Business Cards in Japan (名刺交換)

The practice of exchanging business cards in Japan is extremely important. In Japan, business actually cannot take place until these cards have been exchanged with the utmost respect. A business card establishes a person's station and status in Japan's intensely hierachal culture.



How to exchange business cards in Japan:

- 1) Use both hands when presenting your business card. When presenting the card, the Japanese side should be facing up.
- 2) Bow as long and as low as befits your station
- 3) You receive a business card in the same way, but you should bow even longer and lower than you did before. Say ‘thank you’, or ‘nice to meet you’ as you accept it with both hands.
- 4) Study and admire the business card intently
- 5) If you are receiving multiple cards at once, you may leave them in a neat stack in front of you until the end of your meeting. If not, retrieve your custom-made business card holder, and slide your new acquisition inside - carefully, like it were a piece of art.

The business card exchange (meishi kokan) process is very formal and involves a substantial amount of respect. Some other key points to keep in mind about the business card exchange process include:

- a) One should never turn up for a meeting in Japan or with Japanese counterparts without a business card (for the Japanese this is as insulting as not shaking hands is for Westerners).
- b) Business cards should be kept in a presentable business card holder, and not in a wallet.
- c) If it's a buyer-seller relationship, the seller always gives the card first.
- d) It is imperative that a junior presents his card first. If you have accepted a card of a senior, your bow has to be slightly deeper (an angle of preferably 45 degrees) in cognizant of the person's seniority.
- e) Present the card face up with the type facing the receiver so that the other person can read it while receiving the card.
- f) Present the card always with both the hands and say your name slowly while you are doing so. When receiving, receive it with both hands; it shows a mark of respect, if unable to do so, always receive it with your right hand.
- g) Do not put the card away into your pocket or wallet as soon as you receive it, it is considered highly discourteous by the Japanese.
- h) Never exchange a soiled or damaged card.
- i) If you are unable to bow, because of space constraint or the place you are seated, apologize (shitsurei shimasu) while receiving or giving your card.

## 19.0 Customer Service

*"If we don't take care of our customers, someone else will."*  
-Unknown

### *Customer Service in Japan*

Customer service is extremely important in Japan and will be one of Putter King's top priorities. Japanese consumers have very high expectations for customer service as other companies in Japan have set the bar high.

There are a few aspects of customer service in Japan that set it apart from other countries:

- a) Welcoming
- b) Attention to customer needs
- c) Diligence in trying to fix a problem
- d) Apologies
- e) Honorific language

First and foremost, the customer is always greeted with "Irasshaimase!", an honorific expression welcoming someone, upon entering the store (in many cases this is said while bowing). Although there are some businesses that consistently greet and welcome customers in the United States (e.g. Walmart, Moe's Southwest Grill), it is nowhere near as widespread as in Japan. This one word sets the tone that the store is aware and appreciative that the customer has potentially chosen to patronize this shop.

Secondly, store employees in Japan are much more proactive in regards to helping the customer, or paying attention to the customer and sensing the customers needs. Although people in Japan may complain that, at times, it is overdone; customers always prefer an abundance of help or service compared with being completely ignored and having to search for someone to give them help.

Many times in Japan, customer service is measured by sincere effort. The important thing is to sincerely attempt to "do the impossible," and to show you are solely concerned about the customer's needs and desires. A Japanese tour company manager who handles serious customer complaints sees it this way: "Non-Japanese guides think that good service means responding quickly to fix a problem. But to the Japanese customer, solving the problem is a matter of course. More important is that you recognize the inconvenience they have experienced."

Another aspect that clearly differentiates Japanese customer service from Western countries is apologizing. Profuse apologies, even if it is not your fault, are expected and required if there is some trouble. In Western countries, apologizing can be uncomfortable because apologizing equals an admission of guilt or personal responsibility. Apologizing can mean you may get unfairly blamed for the mishap, or

even fired. In the United States, people do apologize to their customers when something goes wrong. Yet fear of being blamed means that when someone from the United States apologizes, they will probably also:

- Follow with an excuse: "Sorry I'm late, but traffic was terrible."
- Or invoke regulations so that the institution is the one at fault. "I'm sorry, but our bank no longer allows us to accept that card."

Most Japanese see apology as an attitude of humbleness and concern for others, rather than as an admission of personal fault. Apologizing and diligent attempts to resolve an impossible situation are therefore seen as basic courtesy. When an airline flying to India misplaced Japanese tourists' baggage, complaints came in because the local tour guide reportedly shrugged and said, "No problem." The Indian guide meant that "Delayed baggage is a problem we can't fix. We have to be patient here." However, his Japanese customers heard, "Hey, don't get upset, this isn't such a big deal." They knew the guide could not instantly produce their bags out of the sky. What they did want was sincere apologies and a visible attempt, even if it was obviously futile, to retrieve their luggage.

Finally, language is extremely important when speaking with customers. The Japanese language has different levels of politeness. The system of honorifics in Japan is very extensive, including various levels of respectful, humble, and polite speech.

### *Honorific Language and Business*

The Japanese language has many honorifics, parts of speech which show respect, and their use is mandatory in many social situations. Honorifics in Japanese may be used to emphasize social distance or disparity in rank, or to emphasize social intimacy or similarity in rank.

Honorifics are considered extremely important in a business setting. Training in honorifics usually does not take place at a school or university, so company trainees are trained in the correct use of honorifics after they join the company.

### *Types of Honorific Language*

Honorifics in Japanese are broadly referred to as *keigo* (literally "respectful language"), and fall under three main categories:

- 1) *sonkeigo* (尊敬語) - respectful language
- 2) *kensongo* (謙遜語) or *kenjōgo* (謙讓語) - humble language
- 3) *teineigo* (丁寧語) - polite language

Linguistically, the former two are referent honorifics, used for someone being talked about, and the last is an addressee honorific, used for someone being talked to. Each type of speech has its own vocabulary and verb endings. Sometimes two more categories are also used: *teichōgo* (丁重語) and *bikago* (美化語), "word beautification".

## Respectful language

Respectful language, sonkeigo, is a special form or alternate word used when talking about superiors and customers. It is not used to talk about oneself. The respectful version of language can only be used to refer to others.

In general, respectful language is directed at those in positions of power; for example, a superior at work, or a customer. It also implies that the speaker is acting in a professional capacity. Sonkeigo is characterized by lengthy polite expressions. Common verbs may be replaced by more polite alternative verbs when the subject is a person of respect. Verbs may also be changed to respectful forms. One respectful form is a modification of the verb with a prefix and a polite suffix. Nouns also undergo substitution to express respect. The normal Japanese word for person, hito, becomes kata in respectful language. Thus a customer would normally be expected to be referred to as a kata rather than a hito.

## Humble language

In general, humble language is used when describing one's actions or the actions of a person in one's in-group to others such as customers in business. Humble language tends to imply that one's actions are taking place in order to assist the other person. Humble language (kensongo or kenjōgo) is similar to respectful language, in substituting verbs with other forms.

Similar to respectful language, verbs can also change their form by adding a prefix and the verb "suru" or "itasu". The use of humble forms may imply doing something for the other person. In humble language, name suffixes are dropped when referring to people from inside one's group (in-groups and out-groups). Similarly to respectful language, nouns can also change. The word hito, meaning person, becomes mono. The humble version is used when referring to oneself or members of one's group, such as one's company.

## Polite language

Polite language, teineigo, is characterized by the use of the sentence ending "desu" and the verb ending "masu" and the use of prefixes such as "o" and "go" towards neutral objects. Television presenters invariably use polite language, and it is the form of the language first taught to most non-native learners of Japanese. Polite language can be used to refer to one's own actions or those of other people.

### *In-Groups and Out-Groups (Uchi-soto)*

Uchi-soto in the Japanese language is the distinction between in-groups (uchi, "inside") and out-groups (soto, "outside"). This distinction between groups is not merely a fundamental part of Japanese social custom, but is also directly reflected in the Japanese language itself.

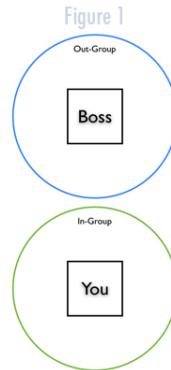
The basic concept revolves around dividing people into in-groups and out-groups. When speaking with someone from an out-group, the out-group must be honored, and the in-group humbled. This is achieved with special features of the Japanese language, which conjugates verbs based on both tense and politeness. It may also include social concepts such as gift giving or serving. The uchi-soto relationship can lead to someone making great personal sacrifices to honor a visitor or other person in an out-group.

One of the complexities of the uchi-soto relationship lies in the fact that groups are not static; they may overlap and change over time and according to situation. Uchi-soto groups may be conceptualized as a series of overlapping circles. One's position within the group, and relative to other groups, depends on the context, situation, and time of life.

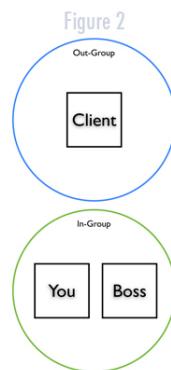
For example, a person usually has a family, a job, and other groups or organizations they belong to. Their position within the various groups, and in relation to other groups, changes according to circumstances at a given moment. Thus, a company employee may occupy a superior position within the specific company, but a humble one in relation to the company's customers. The same employee may hold a black belt, giving them a superior position within a karate club, but they may be a beginner at tennis and thus occupy an inferior position in the tennis club.

The workplace is a typical example: the employees below a middle manager are in his in-group, and may be spoken to using casual speech, while his bosses, or even, in large companies, people in other departments, are in an out-group, and must be spoken to politely. However, when dealing with someone from another company, one's own entire company is the in-group, and the other company the out-group. Thus, it is acceptable for the middle manager to speak of his own company, even the bosses, in non-honorific speech. This emphasizes that the company is one group, and although that group may have subdivisions inside of itself, it does not include the other company. For example, when speaking with subordinates a manager might omit the honorific “-san”, whereas he would be unlikely to do so when addressing his superiors. On the other hand, when dealing with an outsider, essentially any person not directly connected to the company, he omits all honorifics when speaking about anyone in the company, including his superiors.

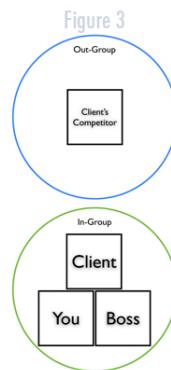
As an example, imagine your team has a meeting with a client. Before the meeting, you would address your boss with “-san” as he is in your out-group (Figure 1).



When the client enters the room, the in-groups and out-groups shift, and now your team should address the client using honorific language as the client is in the out-group (Figure 2). Your boss and anyone on your team is now in your in-group.



However, if a client’s competitor entered the room, then immediately your team and the client are in the in-group, in opposition to the new rival, and your team would refer to the client without “-san” even though it would have been amazingly rude a minute before (Figure 3).



It is because of the trickiness of this that recent graduates newly hired at traditional and conservative Japanese companies are often not allowed to even pick up the phone. Superiors will only let new hires meet and talk to customers when they are sure that they can leave them alone and they won't make any mistakes, which generally takes months or even up to a year in conservative companies like banks.

The uchi-soto relationship also applies when talking about one's family. If a manager speaks to a subordinate about his family, he refers to the subordinate's family, which is the subordinate's in-group but not his, in polite terms, but his own family, which is his in-group but not the subordinate's, in plain language. Thus, the manager and the subordinate both refer to their own families as kazoku (family) and to the other's family as go-kazoku (honorable family).

In addition to features of the Japanese language, uchi-soto also extends to social actions. For instance, in a Japanese home the most senior family member, usually the father or grandfather, normally takes a bath first; the rest of the family follows in order of seniority. A visitor to the home, however, is offered the first bath. Similarly, an overnight guest is offered the best sleeping arrangements, even if this greatly inconveniences the rest of the family.

### *Talking to Customers*

All Putter King employees will be trained regarding how to greet and talk to customers. Some phrases that are anticipated to be commonly used include:

Japanese: お電話ありがとうございます。パターキングアドベンチャーゴルフケビンでございます。

English equivalent: Thank you for calling Putter King Adventure Golf, this is Kevin speaking.

Japanese: 何名様ですか。

English equivalent: How many people in your party? (When someone arrives to play)

Japanese: 順番待ち

English equivalent: The course is full now, so there is a wait.

Japanese: 今込んでいますから順番でお予備します。

English equivalent: The course is full now, but you will be placed in the queue

Japanese: お待たせいたしました or お待たせしました。

English equivalent: Thank you for patiently waiting.

Japanese: 只今、30分待ちでございます。如何でしょうか。or 只今、30分待ちでございます。どされますか。

English equivalent: There is currently a 30 minute wait, is it OK?

Japanese: こちらにお名前とお電話番号（を）ご記入ください。

English equivalent: Could you please write your name and phone number here.

Japanese: ごゆっくり楽しんでください。or ごゆっくりお楽しみください。

English equivalent: Please enjoy!

Japanese: またのお越しをお待ちいたしております

English equivalent: Please come again.

Japanese: それはダメですよ

English equivalent: Don't do that! (To yell at kids who are misbehaving)

Japanese: こうやってください

English equivalent: This is how to do it correctly (To show someone how to do it properly)

Japanese: 何色が良い。or 何色のボールが良い。

English equivalent: What color (ball) would you like?

Japanese: 7ポイントがたまつたら、無料で一名様ゲームができます。

English equivalent: After you reach 7 points, you win a free game.

Japanese: 別料金

English equivalent: additional charge

Japanese: 付く

English equivalent: to be included (in the price)

## 20.0 Legal Structure

### Pre-2006

To best understand the current laws and regulations regarding corporate structures in Japan, we first need to examine how it has evolved over the past few decades. Traditionally, the two most common forms of business organization in Japan were the Y.K. (Yugen Kaisha or Limited Liability Company) and the K.K. (Kabushiki Kaisha or Joint Stock Company).

The Y.K. was the easiest to set up and administer; however, as it was often used for mom-and-pop operations, it carried with it a certain stigma. Therefore, many companies chose to incorporate as a K.K. for its prestige and credibility in the business community. Additionally, people also believed that the higher capital requirements of a K.K. (¥10,000,000 vs. ¥3,000,000 for a Y.K.) helped to keep out the riffraff.

	Y.K. (有限会社) Limited Liability Company	K.K. (株式会社) Joint Stock Company
Incorporation Fees	¥60,000 minimum plus attorney fees ✓	¥150,000 minimum plus higher attorney fees due to its complexities ✗
U.S. Tax Treatment	'Check the box' entity classification regulations for U.S. tax purposes, allowing its U.S. parent to obtain flow-through U.S. income tax treatment ✓	Treated as per se corporations and U.S. taxpayers are thus unable to choose pass-through treatment with respect to such companies ✗
Financial Reporting Requirements	Relatively simple and unobtrusive financial reporting requirements ✓	Robust regular reporting and compliance ✗
Initial Paid-In Capital Requirements	¥3,000,000 ✓	¥10,000,000 ✗
Limitation of Transfer of Ownership	Transfer to a non-partner must be approved by all current partners ✗	No limitation on transfer of interest unless provided for in the Articles of Incorporation ✓
Number of Partners	Limited to 50 ✗	Unlimited ✓
Board of Directors / Statutory Auditors	Not Required ✓	Required ✗
Prestige	Associated with "mom-and-pop" operations ✗	More prestige, especially for companies with mainly Japanese clients ✓
Public Solicitation of Capital	Not Allowed ✗	Allowed ✓

Both the K.K. and the Y.K. had always had statutory paid-in capital requirements; however, starting in the early 1990s, the requirements were increased to the aforementioned levels (¥10,000,000 for a K.K. vs. ¥3,000,000 for a Y.K.) The reason for the increase was due to the sharp rise in corporate failures that marked the end of Japan's economic boom of the 1970s and 1980s. The Japanese government believed that if companies were better funded upon establishment they would have a higher chance of survival; however, this left many would-be entrepreneurs unable to start a company because of these initial capital requirements.

To help encourage entrepreneurship, in February 2003, the Japanese Government amended the Commercial Code allowing both Y.K.s and K.K.s to be funded with a minimum of ¥1 of paid-in capital. Although the new laws made such companies cheap to establish (about ¥240,000 after taxes and notarization fees) there were some clear limitations. First, the capital requirements were only temporary; after five years, the company was required to upgrade its capital to the proper amount (¥10,000,000 for a K.K. and ¥3,000,000 for a Y.K.) or shut down. Furthermore, to qualify for the ¥1 paid-in capital requirement, the director of the company had to be a resident of Japan and must not have started or managed any other Japanese company (or branch-office) during the 2 months immediately prior to incorporation. In addition, substantial quarterly reporting was required. However, despite these disincentives, the ¥1 corporations proved to be extremely popular, and the Nikkei reported that through January 2005, over 20,000 were established.

#### *Post-2006*

On June 29, 2005, the Diet of Japan passed a new Companies Act, which took effect on May 1, 2006. This new law has changed the landscape of business organizations in Japan and has brought the structure of Japanese businesses closer to that of the United States. The new Companies Act replaced the Y.K. with a new form of company called the G.K. (Godo Gaisha or Limited Liability Company), based upon the American Limited Liability Company.

Following the implementation of the new Companies Act, no new Y.K.s were allowed in Japan, but pre-existing Y.K.s were allowed to continue their operations as T.Y.K. (Tokurei Yugen Kaisha or Special Y.K.s). However, over time the restrictions on T.Y.K. are expected to increase and owners will be encouraged to re-register the company as one of the other legal structures.

#### G.K. 合同会社

From a corporate law perspective, a G.K. is similar to a United States limited liability company in that it has a flexible equity and management structure, and provides limited liability protection to its equity members. Unlike a K.K., a G.K. need not establish a board of directors or hold shareholders' meetings to manage its affairs. In

addition, profits may be allocated to the members on a non-pro rata basis (i.e. personal services or intangible assets provided by members may be taken into account in determining profit allocations). Moreover, as is the case for K.K.s, all G.K. members will be liable for the G.K.'s debts only to the extent of their invested capital.

The G.K. is best suited to people who want to keep their business operation simple and not have to do a lot of reporting or commercial compliance work. Rather than shareholders in the company, there is a class of investors called participants, and any changes, dividends, rights, etc., have to be applied equally across all participants. So while a G.K. is easier to run, in that it doesn't require shareholder meetings or elected directors, it also has the downside that you can't take a G.K. public.

Although a G.K. is commonly referred to as the "Japanese LLC", it differs from a United States LLC in several important respects.

#### Taxable Entity In Japan

The G.K. is taxed like a corporation in Japan, and therefore is not a disregarded entity for Japanese tax purposes, unlike the disregarded entity tax status of an LLC in the United States. The only limited liability business which receives pass-through tax treatment in Japan is the limited liability partnership.

Under United States tax law, G.K.s are not classified as corporations, and are therefore subject to "check the box" regulations: a single-member G.K. may be treated as an extension of its member and a multi-member G.K. may follow the tax rules for partnerships.

#### Partnership Governance Concepts Apply

The creators of the G.K. wanted to discourage use of the G.K. to avoid the mandatory governance and other formalities of a K.K. corporation. The Japanese Ministry of Justice has explicitly stated in its outline of the new Company Law (Law No. 86 of 2005) that it intends Japanese partnership concepts to apply to G.K. governance rather than K.K. corporate governance concepts. One manifestation of this is that, unlike with a United States LLC, a G.K. does not have the legal capacity to act on its own, and instead only acts through its members. In this respect, the G.K. is more like a Japanese partnership (which only acts through its partners) than an LLC (which is a separate legal entity that can act on its own).

A G.K. must have at least one "Executive Member" (i.e. a member that implements the business of the G.K.). Where there is more than one member of the G.K., all members, certain members or only a single member can be designated as Executive Member(s). Only an Executive Member can conduct the business of the G.K. If the Executive Member is a corporation, it has the duty to appoint a person with the title of Executive Manager to act on its behalf with respect to the G.K.

### No G.K. Board

Another manifestation of the application of Japanese partnership governance concepts to a G.K. is that in a G.K. there is no separation between the investors and management (i.e. the investors are the management). While an LLC may have self-governance institutions such as a board of directors or managers of the LLC which are separate from the investors, this concept does not work in the case of a G.K. because the G.K. acts only through its members, in particular the Executive Members. The current view of the Ministry of Justice is that a G.K. may not appoint an independent third party to manage the G.K.; rather it must be managed by the Executive Members directly or by the Executive Managers that act on behalf of the Executive Members. Applying this logic, it appears that a G.K. cannot have a true board of directors. This limits options for governance of the G.K. as compared to an LLC.

### Executive Managers

The persons designated to act on behalf of a G.K. with respect to the business of the G.K. are designated as shokumu shikkousha (literally, “person who is to perform duties of the member who executes the G.K. business,” which we refer to here as an “Executive Manager”).

The Executive Manager(s) is responsible for performing the duties of the Executive Member. The Executive Manager can represent the G.K. (if so specified in the G.K. Articles), as well as act on behalf of the Executive Member who appointed him. The Executive Manager of the G.K. is different from the Representative Director of a K.K. in that:

While the Representative Director has the inherent legal authority to represent and bind the K.K., the Executive Managers can represent and bind the G.K. only if so specified in the G.K. Articles. If the Articles are silent, the Executive Member has the legal authority to represent and bind the G.K., not the Executive Manager per se.

While the Representative Director implements the business of the K.K., the Executive Manager performs the duties of the corporate Executive Member of the G.K. There must be at least one Executive Manager resident in Japan. The employment status of an Executive Manager who works full time for a G.K. is not fully clear. While an Executive Manager can be paid a salary directly by the G.K., it is likely that he/she will not be classified as an “employee” of the G.K. for social insurance or similar employment benefit purposes. In addition, we doubt that the Executive Manager will have the employment protections of an “employee” under Japanese labor law, and in this respect will be treated more like directors of a K.K.

### Supervision Of Executive Managers

In the case of a G.K. with multiple members, the Executive Members can agree to create a Board of Executive Managers to make decisions regarding the G.K. business. However, because the G.K. can only act through the acts of its Executive Members, this will be an institution of the Executive Members rather than an institution of the G.K. itself.

In the case of a G.K. that is a 100% subsidiary of foreign company, for governance purposes (i.e. oversight of the Executive Manager resident in Japan) it is likewise advisable to create a Board of Executive Managers to approve important decisions with respect to the G.K. However, since the G.K. only acts through its members, the Board of Executive Managers must be an institution of the parent company, not of the G.K. Parent companies will need to create such organizations internally rather than relying on the subsidiary board as in the case of a Japanese K.K. corporation.

#### Imperfect Limited Liability

Unlike an LLC, the G.K. does not provide a complete liability shield for the member/shareholder. Japanese law provides that the G.K. Executive Member who acts on behalf of the G.K. will be jointly and severally liable for damages caused to a third party due to any act of gross negligence or willful misconduct by the Executive Member in conducting the business of the G.K. Moreover, an Executive Manager who performs the duties of the Executive Member will be jointly and severally liable for damages caused to a third party due to any act of gross negligence or willful misconduct that he/she commits.

Since the G.K. only acts through the actions of its members, and the members act by their appointed Executive Managers, this means that an Executive Member is vicariously liable for damages caused to a third party due to acts of gross negligence or willful misconduct by their appointed Executive Manager. For example, if an Executive Manager commits a fraud in the course of the G.K. business and causes damage to a third party, the Executive Member who appointed him/her is vicariously liable for such damage. This would not be true, however, for frauds committed by a mere employee of the G.K., since the employee acts on behalf of the G.K. and not the Executive Member.

#### Summary

In many ways, the G.K. is more akin to a partnership than to an LLC or corporation. This may surprise foreign investors since a G.K. is often called the “Japanese LLC” and is taxed in Japan as corporation rather than as a partnership. Care must be taken in drafting the organizational documents and establishing the governance of the G.K. to compensate for these differences.

#### K.K. 株式会社

The K.K. is a joint stock company that looks most like a United States style C-corporation. There are two types: the so-called closed and open variants. A K.K. can be closed, with only one director, which is ideal for start-ups, or it can be open ('public') with more than three directors and a statutory auditor, though not necessarily listed, which can be preferred by sizable entities.

Fundamentally the structure for both is the same, but since closed corporations can be run by just one director, they don't require a board of directors nor the meetings that go with them. This means less reporting and compliance work and is best suited for a smaller operation run by one person.

Kabushiki Joto Seigen Kaisha (J.S.K.K.)  
株式譲渡制限会社

The J.S.K.K. is also called a closed K.K. and is a more flexible vehicle for smaller start-ups compared to the open K.K. Just like any other K.K., the founders can raise capital from outside investors, offering different classes of shares, yet they can also keep the reporting and compliance work to a minimum. Essentially J.S.K.K.'s have the option but are not obliged to have more than one investor, or more than one director - and thus a board of directors. Needless to say, if there is no board, then the need for directors meetings and the subsequent reporting is reduced. Further, no statutory auditor is required either, because instead the company can hire an outside "zeirishi" (Certified Tax Accountant) to attest to the reliability of books. Also, it is not necessary to have an outside audit firm; this is optional.

Kokai Kabushiki Kaisha (K.K.K.)  
公開株式会社

In English, the K.K.K. is called a "Public" K.K., even though it is not listed. Recently, it is more commonly called an open K.K. This is the company vehicle that most closely resembles the previous standard Kabushiki Kaisha format, and thus carries the weight of tradition as well as corporate governance. It is designed for a strong level of transparency and responsibility, and requires the existence of a minimum of 3 directors, a statutory auditor, and regular reporting and compliance.

*Distinguishing characteristics - G.K. vs. K.K.*

The following distinguish a G.K. from a K.K.:

- 1) All members must consent to amendment of the articles of incorporation, unless the articles of incorporation provide otherwise. (In a K.K., only a supermajority of shareholders is required.)
- 2) All members must consent to any transfer of ownership, unless the articles of incorporation provide otherwise. (In a K.K., the transfer of shares is unlimited by default.)
- 3) All members are representatives of the company by default, unless managers have been appointed. (In a K.K., only the representative directors represent the company.)

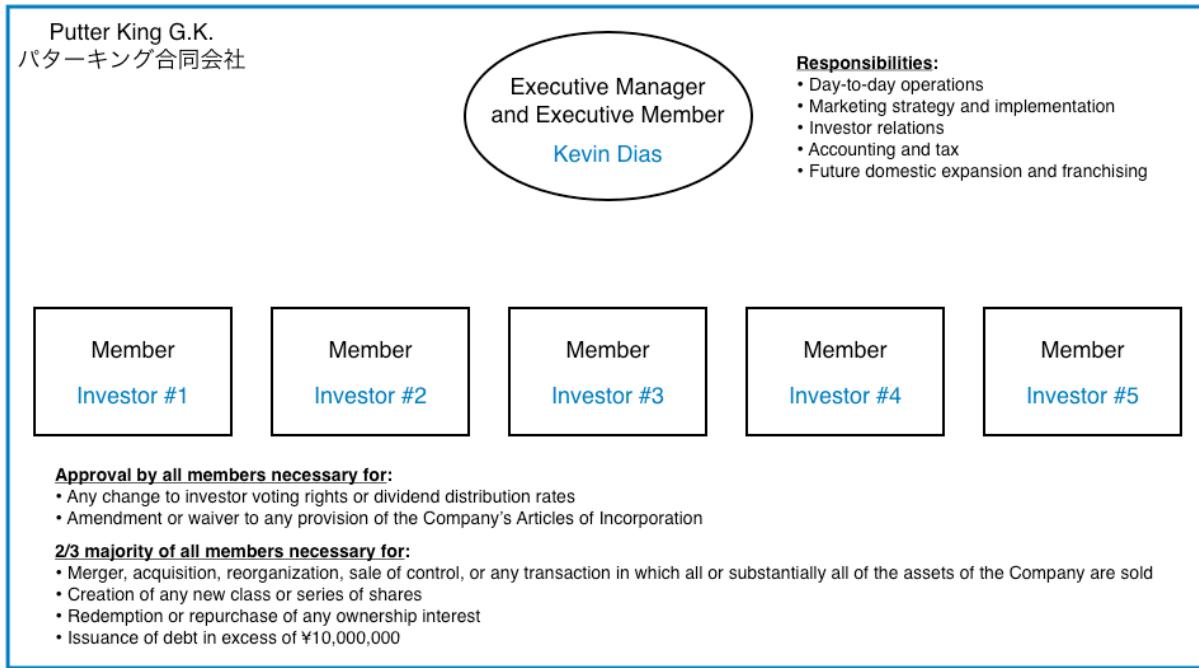
- 4) Major business decisions (such as large asset sales or winding up of the company) may be made informally. (In a K.K., resolutions of shareholder and board meetings are often required for such decisions).
- 5) Members may invest any type of asset in exchange for their interest. (In a K.K., non-cash contributions require an appraisal supervised by a court.)
- 6) The business can only be run by someone who is an investor, thus removing the possibility of a neutral board of directors
- 7) Due to the fact that K.K.s have traditionally required a larger capital and procedural investment, G.K.s do not have the same level of prestige.
- 8) G.K.s have lower incorporation fees compared to K.K.s

### *Conclusion*

Putter King will incorporate as a G.K. for the following reasons:

- I) Lower incorporation fees
- II) Fits well with Putter King's simple business operation and allows Putter King to minimize ongoing reporting, audit, and compliance work
- III) Members may invest any type of asset in exchange for their interest
  - Allows Putter King to allocate "Sweat Equity" (see 26.0 *Investment in Putter King* p.227)

## Legal Structure Diagram



## Hypothetical Capital Structure

Company Valuation: ¥34,000,000  
Amount of Financing: ¥24,000,000

	Investment ¥	Investment ¥80/\$1	Number of Votes	Awarded ¥	Awarded ¥80/\$1	Awarded Number of Votes	Total ¥	Total ¥80/\$1	Total Number of Votes	Dividend Distribution %	Voting %
Founder	¥3,000,000	\$37,500	6	¥9,000,000	\$112,500	18	¥12,000,000	\$150,000	24	35.29%	35.29%
Contractor	¥0	\$0	0	¥1,000,000	\$12,500	2	¥1,000,000	\$12,500	2	2.94%	2.94%
Investor 1	¥10,000,000	\$125,000	20	¥0	\$0	0	¥10,000,000	\$125,000	20	29.41%	29.41%
Investor 2	¥2,000,000	\$25,000	4	¥0	\$0	0	¥2,000,000	\$25,000	4	5.88%	5.88%
Investor 3	¥4,500,000	\$56,250	9	¥0	\$0	0	¥4,500,000	\$56,250	9	13.24%	13.24%
Investor 4	¥2,500,000	\$31,250	5	¥0	\$0	0	¥2,500,000	\$31,250	5	7.35%	7.35%
Investor 5	¥2,000,000	\$25,000	4	¥0	\$0	0	¥2,000,000	\$25,000	4	5.88%	5.88%
<b>Total</b>	<b>¥24,000,000</b>	<b>\$300,000</b>	<b>48</b>	<b>¥10,000,000</b>	<b>\$125,000</b>	<b>20</b>	<b>¥34,000,000</b>	<b>\$425,000</b>	<b>68</b>	<b>100.00%</b>	<b>100.00%</b>

## *20.1 Getting Started*

### *Steps for Establishing a Company in Japan*

#### 1. Decide the company's founding members

The founders (promoters) are the initial capital investors. A company can be established by a single promoter. Putter King's founding member is Kevin Dias.

#### 2. Outline the basic business concept

Describe the purpose of the company in the Articles of Incorporation.

#### 3. Decide on a business location

A business location is required, which will be registered as the "head office" in Japan. This does not have to be the final location of the company, often people register the office to their place of abode, and make the final company location the "sales office". Corporate documents will of course be delivered to the original address unless a record of the company moving is lodged with the Legal Affairs office. Since a business location for Putter King will not be able to be secured without a registered company (chicken or the egg dilemma), Putter King will need to register the "head office" as the residence of Kevin Dias and not the actual business location. After this, Putter King will do a "head office change". The fee for a "head office change" is ¥30,000 for the prefecture you are moving out of and ¥30,000 to the prefecture you are moving to, plus legal fees.

#### 4. Name the company

The company name will be "Putter King" or "パター・キング". It is necessary to do a search at the Legal Affairs Bureau to ensure no other company in the same business sector is registered in the Ward or City with the same name.

#### 5. Consult with a registrar on suitability for registration

Advance consultation with a registrar at the Legal Affairs Bureau is especially recommended for IT businesses, as business activities may need to be described with new terminology.

#### 6. Decide the organizational structure

Appoint officers (directors, board members, etc.).

#### 7. Make a company seal (3 days; ¥20,000)

Two seals are required: a personal seal for the president and a company seal. Both must be jitsuin-type seals. A ginkoin-type seal (for bank transactions) and a chain-type seal (for stamping invoices, quotations, etc.) are also convenient to have. The cost to make a jitsuin-type seal is ¥6,000-¥10,000.

#### 8. Acquire certificate of seal registration of representative managing member at the ward office (1 day; ¥400 each)

To register the company and have the Articles of Incorporation notarized, the representative managing member must provide the certificate of seal registration with the Legal Affairs Bureau. This certificate is available from the ward/city office by officially registering the seal. Signature certificates (which prove the authenticity of a signature) are available from the embassy or consulate.

9. Decide the number of shares and the amount of capital

Assign the number of shares to be issued at incorporation. Decide the total number of shares that can be issued (limit is 4 times the amount issued at incorporation).

10. Decide on a payment handling bank

Some banks may not be willing to serve as a handling bank for a new customer. It is recommended to consult with several banks at an early stage to prevent problems at a later stage.

11. Create the Articles of Incorporation and have them notarized

Decide the fiscal year start and finish dates. The Japanese Notary Association offers a model form to create the Articles of Incorporation.

12. Deposit the capital and receive a Certificate of Deposit Balance

Once the Articles of Incorporation have been notarized, deposit the capital with the handling bank and have them issue a Certificate of Deposit Balance. This certificate should be submitted to the Legal Affairs Bureau when the company is registered.

13. Submit the Application for the Establishment of a Corporation (1-3 weeks; 0.7% of the capital amount or ¥60,000, whichever is higher)

Submit the application and any other required documents to the Legal Affairs Bureau's registry office. Documents may be submitted by registered mail. Filed documents can be returned for revisions. When the documents are accepted, the company applies for an issuance of the company registration and the certificate of seal registration at the same location of the Legal Affairs Bureau of the Ministry of Justice.

14. Submit notification to the district tax office (1 day; no charge)

Submit the following three documents to the tax office immediately after the business has been established (incorporation):

- Notification of Commencement of Business (within 2 months of the date of incorporation)
- Application for Approval of Blue Tax Return (within 3 months of the date of incorporation or after the ending day of the first fiscal year, whichever comes first)
- Notification of Establishment of Wage-Paying Office (within 1 month of the opening of a payroll office)

15. Submit notification to the local tax office (1 day; no charge)

The company promoters must file the notification of the commencement of business within 15 days of the commencement of business or after the opening of a business office.

16. File notifications of commencement the applied business and labor insurance, and the rules of employment with the Labor Standards Inspection Office (1 day; no charge)

Companies with 10 or more employees must submit employment regulations and notifications of start of business and of labor insurance. Employment regulations stipulate work hours, paid vacation, severance, benefits, bonuses, retirement payments, wage payment method, and so forth. The employment regulations must be submitted to the Labor Standards Supervisory Office, without delay, upon employment of 10 or more employees. In addition, the company must file the following documents irrespective of the number of employees:

- Notification of applied business must be filed without delay after the start of business operations
- Report of start of labor insurance must be filed within 10 days from the day of start of labor insurance
- Agreement on overtime or holiday work (36 agreement) must be filed when the company anticipates its employees will work overtime work or on some official holidays.

17. Prepare any other required documentation

- Notification of Current Condition of Newly Established Business Office
- Notification of Establishment of Office Required to Provide Health Insurance and Public Pension (1 day; no charge)
- Notification of Employee Qualified for Health, Public Pension and Unemployment Insurance (1 day; no charge)
  - The application should be filed by the 10th day of the month immediately following the month in which the employment commences.

18. Choose a method of public notice of establishment of the company

Usually the government's official gazette the "Kampo" is used.

Putter King will need to first incorporate the company with one member, Kevin Dias. To incorporate a company in Japan, a corporate bank account is necessary. However, to open a corporate bank account, a corporation is necessary. Therefore, to first incorporate Putter King, the law firm will use the personal bank account of Kevin Dias as a proxy. Then, after the company is set up, Putter King will open a corporate bank account. Putter King will then do a "Capital Increase" and the Articles of Incorporation will be amended to include the new investors who will deposit the money in the Putter King corporate bank account.

## *21.0 Management*

### *Putter King Management*

I, Kevin Dias, will be the Executive Member and Executive Manager of the G.K. corporation named Putter King and will be responsible for all aspects of managing the business including, but not limited to:

- Day-to-day operations
- Marketing strategy and implementation
- Investor relations
- Accounting and Tax
- Future domestic expansion and franchising
- Future international expansion

I have lived and worked in Japan for the past two years at AEON, an English conversation school. One of the advantages of my job is that over the past two years I have had the opportunity to interview and question many different business leaders (in my class) and I have had a chance to learn a lot about Japanese companies, Japanese culture, and the Japanese business market.

### *Putter King Expectations*

When I arrived at AEON Kanda school we were one of the worst schools in the country and we were consistently failing to even meet our expenses on a monthly basis. I worked really hard to change the culture. Obviously, first and foremost was providing exceptional first-class lessons, and through these lessons I was able to build student trust. I also worked hard outside of the classroom to build and foster a student community, attending many events with the students outside of work. After 13 months, AEON Kanda school was ranked as the #1 school in the country in terms of profitability.

In Japan, it takes time and effort to initially build the consumer's trust. However, once you have their trust, the consumer's are very loyal and their word of mouth advertising is quite powerful.

If given the chance, I feel that within two years I can make Putter King a consistently profitable business. I think it will be a struggle at first as it is a new concept. However, if we can provide a high quality service, along with what I feel will be a fun and new experience, then I believe the momentum will quickly start to build.

## *Kevin Dias Curriculum Vitae*

### Education

**Wake Forest University**, Winston-Salem, NC May 2006

*Wayne Calloway School of Business and Accountancy*

Bachelor of Science in Business, Minor in International Studies

Cumulative GPA: 3.5; Cum Laude; Dean's List all semesters

Thomas H. Davis Business Scholarship Recipient

**Kansai Gaidai University**, Hirakata-Shi, Japan August 2004 – June 2005

Focus on international business (including the class *Entrepreneurship in Japan*) and Japanese language classes

### Work Experience

**AEON Corporation**, Tokyo, Japan October 2008 – Present

*English Teacher*

- Currently teach all levels of English to businessmen and businesswomen
- Transformed Kanda school from the worst school in the nation when I arrived (in terms of profitability) to the #1 school in May 2010
  - Kanda school was the only AEON school nationwide that obtained a perfect zero refunds for the first half of fiscal 2010
- Designed and created a fully-functioning student database using Java programming language in order to:
  - Centralize and institutionalize all student data
  - Create a user-friendly system for both the foreign and Japanese staff
  - Help teachers provide better student care
- Designed and marketed several new special courses based on my business experience
  - Prominence of these new business courses helped us to reach our school revenue targets
- Featured teacher in "Self-Study" marketing brochure distributed nationwide
  - Selected to appear due to my:
    - Popularity with students and reputation within AEON Corporation
    - Sales results for the past "Self-Study" programs (Top 10 throughout Japan for 3 consecutive programs)

**PNC Capital Markets**, Charlotte, NC June 2007 – July 2008

*Investment Banking Analyst - Structuring, Asset-Backed Securitization Group*

- Part of team responsible for the structuring of all securitized products
  - Experience modeling auto, credit card and corporate loan structured products
  - Supported the development and expansion of PNC's proprietary cash flow modeling system
  - Helped develop, maintain and update PNC's proprietary data warehouse
- Worked with members of the origination team to develop pitch books, prepare term sheets and present detailed analysis to PNC's internal credit group
- Responsible for analyzing and pricing PNC's structured product transactions

- Designed and wrote proprietary program to automate process of marking-to-market all conduit facilities on a monthly basis
  - Actively involved in all aspects of new analyst and intern recruiting efforts
  - Designed first summer internship program for the asset-backed securitization group
  - Mentor junior analysts and interns on the underwriting, structuring, and marketing of asset-backed transactions as well as PNC's policies and procedures
  - Responsible for the on-going surveillance of origination team's portfolio
  - Assisted in review of legal documentation for credit facilities extended by PNC

**PNC Capital Markets, Charlotte, NC** June 2006 – June 2007

## **Investment Banking Analyst - Originations, Asset-Backed Securitization Group**

- Assisted in the origination, structuring and analysis of PNC's asset-backed transactions
  - Provided transaction modeling, completed due diligence reviews and managed the preparation of confidential information memoranda

**LED Luminosity**, Winston-Salem, NC January 2006 – April 2009

### *Co-founder*

- Assisted with the other co-founder in setting the marketing and sales strategy as well as running the day-to-day business operations
  - Designed the website, online shopping cart, logo and marketing materials
  - Negotiated with suppliers and managed import logistics

**Thunder Alley / Pitch and Putt**, Lanesboro, MA      April 2004 - August 2005

### *Assistant Manager*

- Handled all day-to-day operation tasks for the Pitch and Putt golf and Go-Karts center including but not limited to: management of employees, maintenance of track, golf course, and go-karts, daily accounting, petty cash, and bank deposits
  - Addressed all customer concerns

### Other Skills

Languages: Japanese (JLPT Level 3) - Have taken weekly Japanese lessons since arrival in Japan in October 2008

Software Skills: MS Office (Access, Excel, PowerPoint, Word), Apple iWork (Pages, Keynote, Numbers), Adobe (Photoshop, Dreamweaver, Illustrator), and Bloomberg

## *21.1 Management Principles*

### *Ignorance is not an Excuse*

In today's world, technology is advancing at the speed of light. This in turn is completely changing the business environment day by day. The DVD, a world changer invented in 1995, is today basically obsolete. Whole industries are disappearing - brick and mortar book stores and record stores, video rental shops, etc. The pager once served its purpose, but today is but a memory.

Putter King will never use ignorance as an excuse for not adapting and keeping up with the latest trends and innovations. To stay on top, Putter King will need to stay in tune with any changes in advertising channels and social media, payment methods, web technology, etc. As a famous Chinese proverb says, "the wise adapt themselves to circumstances, as water moulds itself to the pitcher".

### *Recognition of Revenue (Revenue Smoothing)*

One of my biggest pet peeves is revenue smoothing. I think there is no bigger waste of time and resources than the time spent calculating the "real" results versus the "reported" results. Sadly, revenue smoothing is not an isolated incident of a few bad companies, but rather it is widespread throughout the global business world.

There was a great study done by Joseph Grundfest and Nadya Malenko that analyzed almost half a million earnings reports from 1980-2006 and discovered that companies clearly "tweak" their quarterly earnings numbers. They discovered that when companies want to appear more successful than they are, they often massage their per-share earnings numbers upward by a tenth of one cent. The study found that the number 4 appears significantly less often than expected in the post-decimal digits of earnings reports. In the United States, per-share earnings are reported as pennies, so bumping that post-decimal digit from a 4 to a 5 results in the overall number being rounded up by a full penny. Grundfest and Malenko call the practice "quadrophobia". While the tweaking may be legal in some cases, the authors also found that "quadrophobes" are more likely to restate financials and to be named as defendants in SEC Accounting and Auditing Enforcement Releases (AAER). Or, as Grundfest told the Wall Street Journal, "quadrophobia" serves as "a leading indicator of a company that's going to have an accounting issue."

One way to avoid this problem is to make sure that a manager's incentives are in-line with the objectives of the business. This means designing objectives and targets that do not give employees or managers incentive to cheat or lie. People will try to fudge the numbers to reach a target, or will stop working hard after they reach a target. Thus, I feel it is important to give employees at all levels of the business goals and incentives that are in-line with the objectives of the business. If the employee feels and is compensated like an "owner" of the business, they will in turn act like an "owner" of the business.

Putter King will always report the accurate sales and revenue numbers to investors, with no smoothing, rounding, delaying, etc. Business is naturally seasonal and will fluctuate from month to month and day to day. The important point is to understand why these fluctuations are happening, not to make the fluctuations magically disappear to appease investors.

Consequently, Putter King believes that future earnings projections are of little use and the time spent creating these projections would be better spent thinking of ways to improve the business.

### *Mentoring Employees (Boss-Employee Relationship)*

Traditional leaders see the employee-boss relationship as a transaction: money in exchange for labor. However, to be a true leader and for one's employees (and thus one's company) to have success, a manager needs to show his/her employees:

- 1) Care
  - Show your employees you care about them and their future.
- 2) Growth
  - No one wants to be exactly where they are forever. Create a culture that allows your people to grow and expand.
- 3) Contribution
  - To feel fulfilled, employees must know that they are contributing to the whole. Emphasize the ways that their work matters to the organization.
- 4) Challenge
  - Share a vision with your employees and give them work that is challenging, interesting, and rewarding.

### *Favor transparency over obtuseness*

Putter King will always favor transparency over obtuseness when providing information to investors. Putter King believes that one of the keys to running a successful business will be having an educated investor base with a long term outlook. Transparency, openness, and honesty allows these investors to make educated decisions, as well as to provide invaluable expertise and guidance to management. Investors are partners in the business, and without transparent information will be handicapped in their ability to help the business. Furthermore, a lack of transparency can lead to a lack of trust between investors and management which will be detrimental to all aspects of the business.

## *21.2 Lessons Learned*

*"Failure is only the opportunity to begin again, only this time more wisely"*  
*-Henry Ford*

### *LED Luminosity*

In early January 2006 Ryan Hanpeter and myself had just returned from studying abroad in Japan. During Ryan's travels around the holiday season he discovered the use of a product that caught his attention: LED Christmas lights. He purchased a set and brought it back home to the United States.

When he returned to the United States he showed the light set to me and we both agreed it was a far superior product than anything we had seen in the United States. After doing extensive research to see if the product was available or manufactured anywhere in the United States we learned that the only LED Christmas light products available in the United States were what we referred to as "American-style LED Christmas lights", a style that was completely different and inferior to the set Hanpeter had bought in Japan.

To make a long story short we decided to start a company named LED Luminosity with the goal of:

*"providing the highest quality, most aesthetically pleasing and vibrant LED decorative light sets that provide value to our customers because they are safe, energy efficient, and currently unavailable in this form in the US market"*

Ultimately, our venture ended up unsuccessful for a variety of reasons. However, the experience and knowledge gained from this venture has been invaluable. The following are the most tangible lessons from LED Luminosity:

#### 1) Risk Management

As a start-up company with a limited amount of capital, we knew we were at a disadvantage with respect to our supplier. Our initial order size was minimal by their standards and we did not have the capital to pay for an on-site factory due diligence visit, as that would have required a trip to China.

To try to mitigate some of this risk, we requested samples from multiple suppliers and finally chose our supplier based on the quality of their samples, price, and their ability to customize the product for United States voltage, frequency and UL testing standards. In the end, our shipment contained many defective products or products with some minor imperfections.

The lessons from a risk management prospective are:

- a) When negotiating contracts for goods or services, it is necessary to make sure that any expectations, warranties or guarantees of quality are clear and in writing. When approaching a situation work backwards from the worst possible scenario, and think of ways to mitigate that risk.
- b) Risk is unavoidable. There will always be risk and one has to realize that no matter what you do to mitigate your risk, things will not go according to plan and you have to be ready to adapt or deal with the situation.

## 2) Full-time Job

We started LED Luminosity in the second half of our senior year and received the first shipment of lights after we had already graduated from college. Both of us had full-time jobs lined up and we believed that we could manage the business in our free time.

This was a severe underestimation on my part. When starting a business, especially in the first year to two years, you have to be able to devote a significant amount of time to the business. If you do not approach it like a full-time job and give it the attention of a full-time job you are severely limiting your chance of success.

As this relates to the current business plan, it would be impossible for me to continue as an English teacher and hope to run this business in my spare time. I will need to be fully devoted to this business for it to be successful.

## 3) The Importance of Marketing and Advertising

For LED Luminosity, one of the failures was that we did not put enough focus on marketing and advertising. We thought that between setting up a website, advertising on Christmas lighting forums, and benefiting from word of mouth that our product would just “sell itself”.

No matter how great your product is, people still need to find out about it. Having a website and relying on word of mouth is not enough. Putter King will put a lot of emphasis on marketing and advertising and views this as one of the main keys to success. Please refer to the marketing and advertising section for more specific details (see 18.0 *Marketing* p.151).

## 4) The Value Proposition

The marketing and advertising needs to convey the value proposition of the goods or services to the customer. This is *not* easy to do, and was one of the problems that LED Luminosity struggled with. Until potential customers had the lights and saw them in use, they couldn't understand why they would pay a premium over normal lights. In this case, the reasons were the brightness, quality, and crispness of the colors, the energy savings, and the multiple setting blinking functionality.

Putter King's advertising will focus on how to best convey the Putter King value proposition. First and foremost this will be done visually. If customers only spend a few seconds looking at an advertisement, they will be focused on any images and not on text. Therefore, it is important that the visual quality of Putter King advertisements are top notch and most importantly that they show people using the service, in this case that would be showing people enjoying themselves at Putter King (see 18.0 *Marketing* p. 151).

This type of image will relay some key information to the reader:

- 1) It is a form of golf
- 2) People of all ages are enjoying themselves
- 3) The hole designs look unique, creative, challenging and fun.

Although the visual aspect of any advertisement will be the most important, the text is also an important aspect of correctly conveying the value proposition. The combination of the visual and textual elements of the advertisement will need to convey Putter King's value proposition:

- 1) Fun, unique hole designs
- 2) Affordable family entertainment

## *22.0 Financial Projections*

### *Fundraising Needs*

Putter King is looking to raise ¥24,000,000 (\$300,000) to fund the opening of the first Putter King location. Putter King will use the initial seed capital to:

I) Fund startup expenses

- Course construction and materials
- Lease deposit and 6 months rent prior to store opening
- Grand opening marketing campaign
- Incorporation fees
- Golf equipment (clubs, ball, etc.)

II) Supplement 1st year recurring expenses

- Building lease payments
- Wages
- Utilities
- Insurance
- Marketing

Initial Capital Needs:

	Projected Expenses (\$)	Projected Expenses (\$80/\$1)	Percent to fund at startup	Total seed capital required (\$)	Total seed capital required (\$80/\$1)
Startup expenses	¥19,631,087	\$245,389	100%	¥19,631,087	\$245,389
1st year recurring expenses	¥12,937,548	\$161,719	34%	¥4,368,913	\$54,611
<b>Total</b>	<b>¥32,568,635</b>	<b>\$407,108</b>	<b>74%</b>	<b>¥24,000,000</b>	<b>\$300,000</b>

### *Startup Expenses*

Estimated Startup Expenses (blue indicates the expense has already been paid for):

Description	Estimated Cost
Hole Construction (Materials and Labor)	¥11,000,000
Electronic Scoring System	¥2,000,000
Commercial Property Lease (6 months prior to open)	¥1,483,500
Commercial Property Lease (4 month deposit)	¥856,000
TV Screens	¥760,500
Initial Marketing Campaign	¥500,000
Golf Clubs	¥300,000
Company Incorporation	¥273,000
Point of Sale (POS) System	¥260,000
Signage	¥250,000
Space Heaters and Fans	¥250,000
Building Lighting	¥250,000
Corporation Capital Increase	¥245,000
Hole Signs	¥180,000
Change of Residence Status (Visa)	¥157,500
Custom Store Flags	¥120,000
Headquarter Relocation	¥112,500
Office Table and Chairs	¥77,000
Golf Balls	¥60,000
Website Video	¥50,000
Leasehold Improvements	¥50,000
Music Speakers	¥50,000

Description	Estimated Cost
Merchandise Inventory	¥50,000
Domain Name Registration	¥44,005
Computer Accessories	¥41,800
Outdoor Storage Shed	¥41,800
Logo Design	¥40,000
Video Cameras	¥40,000
Trademark (Part #2)	¥37,600
Safe	¥20,000
Trademark (Part #1)	¥14,020
Jitsuin (Hanko) - Personal Stamp	¥7,138
Domain Name Hosting	¥5,314
Business Cards (100)	¥4,410
<b>Total</b>	<b>¥19,631,087</b>
<b>Total (to be funded)</b>	<b>¥19,466,200</b>

The total startup expenses that need to be funded: ¥19,466,200

The total startup expenses that need to be funded (dollar equivalent<sup>29</sup>): \$243,328

#### Hole Construction (Materials and Labor)

For the materials and labor to construct the holes, Putter King is allocating ¥11,000,000 plus an additional ¥1,000,000 in equity ownership for the contractor. This works out to ¥611,111 per hole (in cash), which Putter King feels is a conservative number. Some holes, such as the Fortune Hole, are actually very basic in terms of construction. These holes will allow more money to be spent on the complicated or complex holes.

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<sup>29</sup> Putter King is assuming an exchange rate of 80 yen per dollar

## Electronic Scoring System

Putter King will install an electronic scoring system (see 12.0 *Scoring* p.88). Putter King estimates that 9 electronic scoring kiosks will be necessary (1 per every 2 holes) and is budgeting ¥2,000,000 for the system (or ¥211,111 per kiosk).

## Commercial Property Lease

Putter King will need to lease the store space approximately 6 months in advance of the store grand opening in order to do hole construction, building improvements, etc. Therefore, as part of the startup expenses Putter King is budgeting ¥1,284,000 ( $\text{¥214,000} * 6$ ) for six months of the lease before the business opens its doors. Also, there will be an additional ¥199,500 for the real estate company's brokerage fees for a total of ¥1,483,500.

## Commercial Property Lease (Deposit)

The monthly lease cost for *Potential Location #1* is ¥210,000 plus a maintenance fee of ¥4,000 for a total of ¥214,000. The standard deposit for commercial property leases is 4 months. Therefore, the estimated deposit is ¥856,000.

## TV Screens

To display top scores, advertisements, and the Putter King animation, Putter King is planning to have flat-panel displays located throughout the playing area. Putter King is budgeting ¥760,500 for the purchase of these flat-panel displays.

## Initial Marketing Campaign

Putter King plans to do a “Grand Opening” marketing blitz (see 18.0 *Marketing* p. 151). Putter King is budgeting ¥500,000 for this campaign (this is in addition to the ¥1,200,000 annual marketing expense).

## Golf Clubs

Putter King plans to have available putters with the following different lengths:

Length	Quantity (a)	Type	Estimated Cost per Putter (b)	Total Cost (a * b)
35"	5	Rubber	¥1,500	¥7,500
32"	35	Metal	¥3,000	¥105,000
29"	35	Metal	¥3,000	¥105,000

Length	Quantity (a)	Type	Estimated Cost per Putter (b)	Total Cost (a * b)
27"	35	Rubber	¥1,500	¥52,500
24"	20	Rubber	¥1,500	¥30,000
<b>Totals</b>	<b>130</b>	-	-	<b>¥300,000</b>

Putter King anticipates the maximum course capacity to be about 90 people (18 holes with a group of 5 at each hole). Therefore, given that it would be extremely rare to have every hole on the course occupied by a group of five, 130 putters should easily cover Putter King during even the busiest times.

### Company Incorporation

Putter King will use a bilingual law office to handle the company incorporation process. Putter King has been quoted a cost of ¥157,500 in professional fees plus ¥63,000 in government registration fees for a total of ¥220,500. For purposes of the financial projections, Putter King is budgeting for an additional ¥52,500 in miscellaneous fees. Therefore, Putter King is using an assumption of ¥273,000 in total company incorporation fees for the financial projections.

### Point of Sale (POS) System

There are many companies that provide POS systems and products. Putter King will need a system that includes the items below.

Item	Estimated Cost
Cash Drawer	¥15,000
Customer Display	¥20,000
Card Reader	¥40,000
Receipt Printer	¥35,000
Accounting/Tax/POS Software	¥150,000
<b>Total</b>	<b>¥260,000</b>

## Signage

Putter King will need to invest in signs for the store front. Putter King plans to have one lightbox style, circular sign about 2 meters in diameter that has the Putter King logo and name. Putter King is budgeting ¥250,000 for signage.

## Space Heaters and Fans

To heat and cool the warehouse, Putter King plans to use heavy duty industrial fans and space heaters. Putter King estimates the cost of an industrial fan to be approximately ¥20,000 and is budgeting to purchase 5 for a total of ¥100,000. Putter King estimates the cost of a industrial space heater to be approximately ¥30,000 and is budgeting to purchase 5 for a total of ¥150,000. Therefore the total estimated cost of both the space heaters and fans is ¥250,000.

## Building Lighting

The current potential locations have no lighting in the warehouse area (only in the office area). Putter King plans to use LED lighting as it consumes less energy, has a much longer life, and provides a bright, pure light. Putter King will need approximately 20 lights for the warehouse. Putter King estimates the cost to install LED lighting at ¥250,000 (¥12,500 per light).

## Corporation Capital Increase

Putter King will need to first incorporate with one member (Kevin Dias) and then later do a capital increase and amend the Articles of Incorporation to include the new members. A capital increase costs .007% times the amount of capital added (minimum of ¥30,000). For purposes of the financial projections, Putter King is estimating that the capital increase will be in the amount of ¥20,000,000 which will incur a fee of ¥140,000. In addition to this registration fee, Putter King is estimating legal fees of ¥105,000 for a total projected expense of ¥245,000.

## Hole Signs

Each hole will have a sign that will include the hole number, par, hole name, and hole sponsor. Putter King is budgeting ¥180,000 for this expense (¥10,000 per sign).

## Change of Residence Status (Visa)

To become the Executive Manager of Putter King, Kevin Dias will need to change his visa status from “Specialist in Humanities / International Services” to “Investor/ Business Manager”. The cost of this change, including all legal fees is estimated at ¥157,500.

## Custom Store Flags

Flags are very common and popular in Japan and many stores place flags in front of their store to attract customers. Flags give an impression that a big event is happening and help add to the atmosphere of a fun, lively place.

Item	Quantity	Estimated Cost (per unit)	Total Estimated Cost
Flag	8	¥12,000	¥96,000
Flag Base Unit	8	¥3,000	¥24,000
<b>Total</b>	<b>16</b>	-	<b>¥120,000</b>

## Headquarter Relocation

Putter King will need to first incorporate with one member (Kevin Dias) using an apartment address, and then relocate the headquarter address after the commercial property lease contract is finalized. The cost to relocate the headquarters is ¥30,000 for the prefecture that the company is moving from and ¥30,000 for the prefecture that the company is moving to. Putter King estimates legal fees of ¥52,500 for a total estimated expense of ¥112,500.

## Office Table and Chairs

Putter King will need to purchase tables and chairs to furnish the office (entrance) space. In addition to chairs for the staff, Putter King will also need to purchase chairs that the customers can sit in while waiting.

Item	Quantity	Estimated Cost (per unit)	Total Estimated Cost
Desk	1	¥50,000	¥50,000
Chair (Staff)	2	¥5,000	¥10,000
Chair (Customers)	4	¥3,000	¥12,000
Bench (Customers)	1	¥5,000	¥5,000
<b>Total</b>	<b>8</b>	-	<b>¥77,000</b>

## Golf Balls

Putter King will have 13 different colors of golf balls available for the customers to choose from:

Color	Quantity (boxes)	Quantity (balls)	Estimated Cost per Box	Total Estimated Cost
Red	5	60	¥1,000	¥5,000
Burgundy Red	3	36	¥1,000	¥3,000
Royal Blue	5	60	¥1,000	¥5,000
Pastel Blue	4	48	¥1,000	¥4,000
Orange	5	60	¥1,000	¥5,000
Yellow	4	48	¥1,000	¥4,000
Pine Green	4	48	¥1,000	¥4,000
Neon Green	3	36	¥1,000	¥3,000
Purple	5	60	¥1,000	¥5,000
Hot Pink	5	60	¥1,000	¥5,000
Pastel Pink	5	60	¥1,000	¥5,000
Black	3	36	¥1,000	¥3,000
Novelty (i.e. Eight Ball, Putter King logo ball, etc.)	6	72	¥1,500	¥9,000
<b>Totals</b>	<b>57</b>	<b>684</b>	-	<b>¥60,000</b>

684 golf balls will give Putter King a large quantity of spare golf balls in case some are lost or stolen.

## Website Video

Putter King is currently developing an adventure golf explanatory animated video for the Putter King website (see 18.0 *Marketing* p.151). The video is being animated by Patrik Washburn (<http://patokon.com>). The cost of the animated video is estimated at ¥50,000.

### Leasehold Improvements

Putter King is budgeting ¥50,000 for leasehold improvements such as exterior and interior (office, bathroom) painting, outdoor lighting, etc.

### Music Speakers

Putter King plans to have music playing throughout the course area (see 16.0 *Store Operation* p.131). Putter King estimates the cost of speakers at ¥50,000.

### Merchandise Inventory

Putter King intends to sell merchandise (see 22.1 *Other Revenue Streams* p.219) and will need to purchase the initial inventory. Putter King is budgeting ¥50,000 for the initial inventory.

### Domain Name Registration

Putter King owns the rights to 18 unique domain names at a total cost of \$517.71 (see 10.0 *Website* p.53).

### Computer Accessories

Putter King plans to offer all customers free wi-fi access in the store. Putter King may need to purchase some additional computer accessories:

Item	Estimated Cost
External Hard Drive	¥10,000
Cords and Cables	¥5,000
Wi-Fi Base Unit	¥16,800
Miscellaneous	¥10,000
<b>Total</b>	<b>¥41,800</b>

## Outdoor Storage Shed

Putter King will need purchase an outdoor storage shed as the space within the building will be completely used for the golf course. The shed will be used to store extra merchandise, golf balls, supplies, etc. Putter King estimates the shed will cost ¥41,800.



## Logo Design

The Putter King logo was designed by Patrik Washburn (<http://patokon.com>) for a cost of ¥40,000.

## Video Cameras

In order to operate the store with only one staff member, it will be necessary to have video cameras so that the staff member can monitor the holes from his computer screen in the office. Putter King believes that this system can be installed for approximately ¥40,000.

## Trademark

Putter King has filed for a trademark with the Japan Patent Office (see 9.0 *Intellectual Property* p.46). If the trademark application is approved, Putter King will need to pay the registration fee. The trademark fee schedule is as follows:

Description	Cost
Trademark Application Fee (Part #1)	¥12,000
Electronic Database Fee (Part #1)	¥2,020
Trademark Registration Fee (Part #2)	¥37,600
<b>Total</b>	<b>¥51,620</b>

## Safe

Putter King will need a safe to store petty cash at night. Putter King estimates that a decent safe can be purchased for approximately ¥20,000.

### Jitsuin (Hanko)

In order to execute the incorporation contracts, Kevin Dias will need a personal stamp, called a Hanko. The cost of the personal stamp is ¥6,488 plus ¥650 to register it at the city hall for a total of ¥7,138.

### Domain Hosting

Putter King purchased 1 year of economy hosting through GoDaddy.com at a cost of \$62.52.

### Business Cards

Putter King plans to purchase 100 2-sided, color business cards at a cost of ¥4,410.

### Computer

Putter King plans to use a 24 inch. iMac (donated by Kevin Dias) as the main server at the store. This computer will house the POS and database system, as well as receive the video feeds from the playing area.

*Recurring Expenses*

Expense	Monthly	Annual
Building Lease	¥210,000	¥2,520,000
Building Maintenance Fee	¥4,000	¥48,000
Phone and Internet	¥12,000	¥144,000
Electricity	¥90,000	¥1,080,000
Water	¥12,000	¥144,000
Garbage	¥8,000	¥96,000
Parking	¥30,000	¥360,000
Full-time Salary (Kevin Dias)	¥250,000	¥3,000,000
Part-time Salary	¥233,200	¥2,798,400
Liability Insurance	¥3,333	¥40,000
Business Owner's Insurance	¥10,000	¥120,000
Worker's Compensation Insurance	¥1,448	¥17,380
Employment Insurance	¥2,375	¥28,500
Health Insurance	¥11,650	¥139,800
Pension Insurance	¥19,630	¥235,560
Child Benefit Contribution	¥617	¥7,408
Marketing	¥100,000	¥1,200,000
Certified Tax Accountant	¥25,000	¥300,000
Business Permit / License Renewal	¥2,500	¥30,000
Domain Name Renewal	¥2,500	¥30,000
Website Hosting	¥833	¥10,000
Trademark Renewal	¥4,042	¥48,500
Restoration, Repair, Course Maintenance	¥20,000	¥240,000

<b>Expense</b>	<b>Monthly</b>	<b>Annual</b>
Office Supplies	¥5,000	¥60,000
Miscellaneous	¥20,000	¥240,000
<b>Total</b>	<b>¥1,078,129</b>	<b>¥12,937,548</b>

### Building Lease

The monthly lease expense will be ¥210,000. The total annual lease expense is projected to be ¥2,520,000.

### Building Maintenance Fee

The monthly building maintenance fee is ¥4,000. The total annual maintenance fee expense is projected to be ¥48,000.

### Phone and Internet

Putter King will need to have a business telephone number (and possibly fax number) in addition to Internet service. Putter King used ¥12,000 per month as the assumption for phone and Internet service (¥144,000 per year).

### Electricity

For the purposes of the financial projections, Putter King assumes that the monthly electricity cost will average around ¥90,000 (¥1,080,000 per year). Admittedly this number is hard to estimate and will depend on a variety of factors such as: how many holes use electricity, the number of vending machines, any heating or cooling systems used, etc. Putter King plans to reduce its energy use as much as possible by using energy efficient lighting and turning off all computers and electronics at night.

### Water and Sewer

Putter King estimates its water and sewer monthly expense to be ¥12,000 (¥144,000 per year). Putter King plans to have one toilet and one sink.

### Garbage

Trash removal rates (and rules) vary depending on the municipality. As a general assumption (using Tokyo information as a guide), Putter King will use ¥8,000 per month for trash removal (¥96,000 per year).

## Parking

For *Potential Location #1* there is an additional parking lot behind the building and the landlord rents parking spaces at a cost of ¥2,000 - ¥4,000 per space per month. For purposes of the financial projections, Putter King is assuming renting 10 spaces at a cost of ¥3,000 per space per month for a total of ¥30,000 per month (¥360,000 per year).

## Staffing Expense

Putter King believes that the store can be operated using one part-time staff member (in addition to Kevin Dias). The staff member will be positioned in the office. There will be video cameras throughout the building so that the staff member can keep an eye on the course and players while staying near the entrance to welcome customers and handle all transactions (golf rounds and merchandise sales).

Projected Annual Staffing Expense<sup>30</sup>:

	<b>Estimated Annual Salary Expense</b>
Kevin Dias	¥3,000,000
Part-time Staff	¥2,798,400
<b>Total</b>	<b>¥5,798,400</b>

For the projections, Putter King assumes that one part-time employee will be working during all open hours for the first year.

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<sup>30</sup> Part-time staff estimated salary expense based on 3,373 required man hours \* ¥800 per hour + ¥100,000 available bonus amount to be divided among part-time employees if certain revenue targets are met.

Part-time Staff Required Man Hours:

<b>Day of the Week</b>	<b>Number of Hours Open Per Day (a)</b>	<b>Number of Occurrences per Year (b)</b>	<b>Man Hours (a) * (b)</b>
Monday	9	42	378
Tuesday	9	47	423
Wednesday	9	46	414
Thursday	9	45	405
Friday	10	46	460
Saturday	12	45	540
Sunday	9	45	405
Holiday	12	29	348
Closed	0	20	0
<b>Total</b>	<b>-</b>	<b>365</b>	<b>3,373</b>

Minimum wage<sup>31</sup>:

<b>Prefecture</b>	<b>Current Minimum Wage</b>	<b>Date Effective</b>
Tochigi	¥685	Oct 1, 2009
Saitama	¥735	Oct 17, 2009
Tokyo	¥791	Oct 1, 2009

Liability Insurance

Putter King will purchase liability insurance that will cover any injury, accident or damage caused by:

- Sales and service operations
- Products sold
- Premises and equipment

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<sup>31</sup> Minimum Wage in Japan: <http://www2.mhlw.go.jp/topics/seido/kijunkyoku/minimum/minimum-02.htm>

There are many large Japanese insurance companies that provide this insurance at competitive rates. As a basis for the financial projection assumption, Putter King used the case studies detailed on Sompo Japan's website. Sompo Japan is one of the larger insurance companies in Japan. The case study gave the following hypothetical quotes for liability insurance:

Store	Annual Sales	Payout Limit	Annual Premium
Retail (Shoe Store)	¥50,000,000	¥100,000,000	¥18,200
Supermarket	¥300,000,000	¥50,000,000	¥36,600
Beauty Salon	¥30,000,000	¥50,000,000	¥31,840

Based on these case study quotes, Putter King will assume an annual liability insurance premium of ¥40,000.

### Business Owner's Insurance

Business owner's insurance is offered by the major Japanese insurance companies. Business owner's insurance covers:

- Fire
- Lightning strikes
- Theft
- Wind, hail or snow disaster
- Explosion
- Exterior disturbances or impact from flying objects
- Water disaster
- Plumbing accident, water leakage, etc.
- Labor disturbances, violence, vandalism

This type of insurance will be specifically tailored to fit the risk of each individual business. Therefore, without getting a specific quotation, it is somewhat difficult to estimate. As an assumption, Putter King is assuming an annual premium of ¥120,000.

### Worker's Compensation Insurance

The rate that the employer has to pay for worker's compensation insurance is 0.305% (see 16.5 *Japanese Labor and Social Insurance Systems* p.143). Based on the estimated full-time and part-time salaries, Putter King estimates this expense to be ¥17,380 per year.

### Employment Insurance

The rate that the employer has to pay for employment insurance is 0.950% (see 16.5 *Japanese Labor and Social Insurance Systems* p.143). Based on the estimated full-time salary (employment insurance is only paid on full-time salaries), Putter King estimates this expense to be ¥28,500 per year.

### Health Insurance

The rate that the employer has to pay for health insurance is 4.660% (see 16.5 *Japanese Labor and Social Insurance Systems* p.143). Based on the estimated full-time salary (health insurance is only paid on full-time salaries), Putter King estimates this expense to be ¥139,800 per year.

### Pension Insurance

The rate that the employer has to pay for employment insurance is 7.852% (see 16.5 *Japanese Labor and Social Insurance Systems* p.143). Based on the estimated full-time salary (pension insurance is only paid on full-time salaries), Putter King estimates this expense to be ¥235,560 per year.

### Child Benefit Contribution

The rate that the employer has to pay for the child benefit contribution is 0.130% (see 16.5 *Japanese Labor and Social Insurance Systems* p.143). Based on the estimated full-time and part-time salaries, Putter King estimates this expense to be ¥7,408 per year.

### Marketing

Putter King is budgeting ¥100,000 per month (¥1,200,000 per year) to be used for marketing.

### Certified Tax Accountant

Putter King was given an estimate of ¥200,000-¥300,000 per year for a certified tax accountant. Putter King is using the more conservative ¥300,000 estimate.

### Business Permit / License Renewal

Putter King is estimating that permit and license renewals will cost ¥30,000 per year.

### Domain Name Renewal

Putter King is estimating that domain name renewals will cost ¥30,000 per year.

### Website Hosting

Putter King estimates the annual cost of website hosting to be ¥10,000.

### Trademark Renewal

The annual renewal fee for a trademark is ¥48,500

### Restoration, Repair, Course Maintenance

Putter King is allocating ¥240,000 in annual restoration, repair, and course maintenance expenses.

### Office Supplies

Putter King is budgeting ¥60,000 (¥5,000 per month) to cover office supplies such as paper, printer ink cartridges, etc.

### Miscellaneous

Putter King is budgeting an additional ¥240,000 in potential miscellaneous or unforeseen expenses.

### *Break-even Analysis*

The following financial break-even projections only include revenue from customers playing adventure golf at the first proposed store and do not include any additional revenue streams such as franchising fee revenue, merchandise sales, hole advertising, etc.

Putter King estimates the 3-year break-even (\*\*with no franchising\*\*) amount to be:

	Year 1	Year 2	Year 3	Total
Startup expenses	¥19,631,087	¥0	¥0	¥19,631,087
Recurring expenses	¥12,937,548	¥12,937,548	¥12,937,548	¥38,812,644
<b>Total</b>	<b>¥32,568,635</b>	<b>¥12,937,548</b>	<b>¥12,937,548</b>	<b>¥58,443,731</b>

$$¥58,443,731 / 3 \text{ years} = \mathbf{¥19,481,244 \text{ per year}}$$

Break-even analysis:

	Days per year	Store hours per day	Annual open hours	Visitors per day	Visitors per year	Visitors per hour	Average revenue per customer	Total revenue (¥)
Monday	42	9	378	24	1,008	2.67	¥876	¥883,450
Tuesday	47	9	423	24	1,128	2.67	¥832	¥938,496
Wednesday	46	9	414	28	1,288	3.11	¥437	¥562,856
Thursday	45	9	405	20	900	2.22	¥809	¥728,100
Friday	46	10	460	70	3,220	7.00	¥973	¥3,133,060
Saturday	45	12	540	120	5,400	10.00	¥1,044	¥5,637,600
Sunday	45	9	405	88	3,960	9.78	¥1,035	¥4,098,600
Holiday	29	12	348	122	3,538	10.17	¥989	¥3,499,082
Closed	20	0	0	0	0	0.00	¥0	¥0
<b>Total</b>	<b>365</b>	<b>-</b>	<b>3,373</b>	<b>-</b>	<b>20,442</b>	<b>-</b>	<b>¥953</b>	<b>¥19,481,244</b>

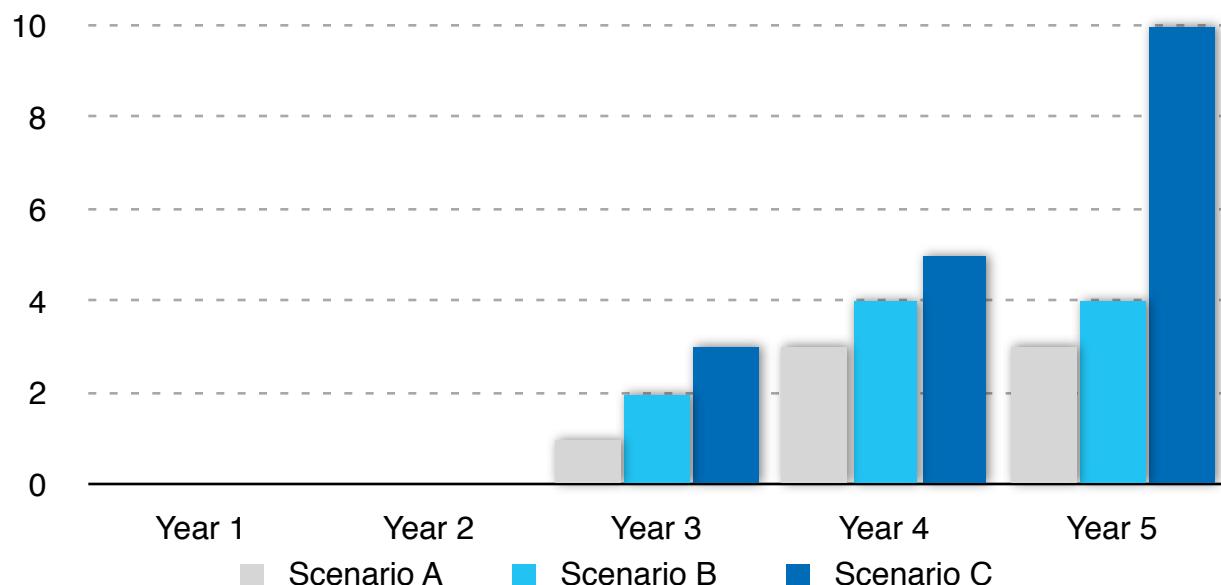
### Financial Projection Assumptions

Initial Franchising Fee:	¥4,000,000
Franchise Royalty Fee (% of gross sales) <sup>32</sup> :	5.00%
Franchise Store Average Annual Revenue:	¥15,000,000

#### Number of New Franchise Stores:

	Year 1	Year 2	Year 3	Year 4	Year 5
Scenario A	0	0	1	3	3
Scenario B	0	0	2	4	4
Scenario C	0	0	3	5	10

### New Franchise Stores



<sup>32</sup> A percentage of gross sales is used for projection purposes only. Putter King may choose to use a flat monthly fee. Putter King will need to determine which method will be best for accounting and risk management purposes (see 13.0 *Franchising* p.90).

*Projected Return Scenarios (Scenario A)<sup>33</sup>*

	Year 1	Year 2	Year 3	Year 4	Year 5
New Franchise Stores	0	0	1	3	3
Franchisee Fee Revenue	¥0	¥0	¥4,000,000	¥12,000,000	¥12,000,000
Royalty Revenue	¥0	¥0	¥750,000	¥3,000,000	¥5,250,000
<b>Total Franchising Revenue</b>	<b>¥0</b>	<b>¥0</b>	<b>¥4,750,000</b>	<b>¥15,000,000</b>	<b>¥17,250,000</b>

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Oyama Store Revenue	¥15,000,000	¥17,500,000	¥17,500,000	¥17,500,000	¥17,500,000	<b>¥85,000,000</b>
Franchising Revenue	¥0	¥0	¥4,750,000	¥15,000,000	¥17,250,000	<b>¥37,000,000</b>
Merchandise Revenue	¥100,000	¥100,000	¥100,000	¥100,000	¥100,000	<b>¥500,000</b>
Advertising Revenue	¥750,000	¥750,000	¥750,000	¥750,000	¥750,000	<b>¥3,750,000</b>
<b>Total Revenue</b>	<b>¥15,850,000</b>	<b>¥18,350,000</b>	<b>¥23,100,000</b>	<b>¥33,350,000</b>	<b>¥35,600,000</b>	<b>¥126,250,000</b>
Startup Expenses	¥6,543,696	¥6,543,696	¥6,543,696	¥0	¥0	<b>¥19,631,087</b>
Recurring Expenses	¥12,937,548	¥12,937,548	¥12,937,548	¥12,937,548	¥12,937,548	<b>¥64,687,740</b>
<b>Total Expenses</b>	<b>¥19,481,244</b>	<b>¥19,481,244</b>	<b>¥19,481,244</b>	<b>¥12,937,548</b>	<b>¥12,937,548</b>	<b>¥84,318,827</b>
Gross Income	-¥3,631,244	-¥1,131,244	¥3,618,756	¥20,412,452	¥22,662,452	<b>¥41,931,173</b>
Tax Rate	0.00%	0.00%	29.33%	40.87%	40.87%	
Tax	¥0	¥0	¥0	¥7,875,126	¥9,262,144	<b>¥17,137,270</b>
<b>Net Income</b>	<b>-¥3,631,244</b>	<b>-¥1,131,244</b>	<b>¥3,618,756</b>	<b>¥12,537,326</b>	<b>¥13,400,308</b>	<b>¥24,793,903</b>

<sup>33</sup> All effective tax rates in the financial projections are estimates. There is a 3-year loss carry-forward for tax purposes in Japan. Corporate tax rates in Japan are based on the company's taxable income bracket (see 28.2 *Corporate Tax Rates in Japan* p.232).

*Projected Return Scenarios (Scenario B)*

	Year 1	Year 2	Year 3	Year 4	Year 5
New Franchise Stores	0	0	2	4	4
Franchisee Fee Revenue	¥0	¥0	¥8,000,000	¥16,000,000	¥16,000,000
Royalty Revenue	¥0	¥0	¥1,500,000	¥4,500,000	¥7,500,000
<b>Total Franchising Revenue</b>	<b>¥0</b>	<b>¥0</b>	<b>¥9,500,000</b>	<b>¥20,500,000</b>	<b>¥23,500,000</b>

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Oyama Store Revenue	¥15,000,000	¥17,500,000	¥20,000,000	¥20,000,000	¥20,000,000	<b>¥92,500,000</b>
Franchising Revenue	¥0	¥0	¥9,500,000	¥20,500,000	¥23,500,000	<b>¥53,500,000</b>
Merchandise Revenue	¥100,000	¥100,000	¥250,000	¥250,000	¥500,000	<b>¥1,200,000</b>
Advertising Revenue	¥750,000	¥750,000	¥750,000	¥750,000	¥750,000	<b>¥3,750,000</b>
<b>Total Revenue</b>	<b>¥15,850,000</b>	<b>¥18,350,000</b>	<b>¥30,500,000</b>	<b>¥41,500,000</b>	<b>¥44,750,000</b>	<b>¥150,950,000</b>
Startup Expenses	¥6,543,696	¥6,543,696	¥6,543,696	¥0	¥0	<b>¥19,631,087</b>
Recurring Expenses	¥12,937,548	¥12,937,548	¥12,937,548	¥12,937,548	¥12,937,548	<b>¥64,687,740</b>
<b>Total Expenses</b>	<b>¥19,481,244</b>	<b>¥19,481,244</b>	<b>¥19,481,244</b>	<b>¥12,937,548</b>	<b>¥12,937,548</b>	<b>¥84,318,827</b>
Gross Income	-¥3,631,244	-¥1,131,244	¥11,018,756	¥28,562,452	¥31,812,452	<b>¥66,631,173</b>
Tax Rate	0.00%	0.00%	40.87%	40.87%	40.87%	
Tax	¥0	¥0	¥2,556,937	¥11,673,474	¥13,001,749	<b>¥27,232,160</b>
<b>Net Income</b>	<b>-¥3,631,244</b>	<b>-¥1,131,244</b>	<b>¥8,461,819</b>	<b>¥16,888,978</b>	<b>¥18,810,703</b>	<b>¥39,399,013</b>

*Projected Return Scenarios (Scenario C)*

	Year 1	Year 2	Year 3	Year 4	Year 5
New Franchise Stores	0	0	3	5	10
Franchisee Fee Revenue	¥0	¥0	¥12,000,000	¥20,000,000	¥40,000,000
Royalty Revenue	¥0	¥0	¥2,250,000	¥6,000,000	¥13,500,000
<b>Total Franchising Revenue</b>	<b>¥0</b>	<b>¥0</b>	<b>¥14,250,000</b>	<b>¥26,000,000</b>	<b>¥53,500,000</b>

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Oyama Store Revenue	¥15,000,000	¥17,500,000	¥20,000,000	¥20,000,000	¥20,000,000	<b>¥92,500,000</b>
Franchising Revenue	¥0	¥0	¥14,250,000	¥26,000,000	¥53,500,000	<b>¥93,750,000</b>
Merchandise Revenue	¥100,000	¥100,000	¥250,000	¥250,000	¥500,000	<b>¥1,200,000</b>
Advertising Revenue	¥750,000	¥750,000	¥750,000	¥750,000	¥750,000	<b>¥3,750,000</b>
<b>Total Revenue</b>	<b>¥15,850,000</b>	<b>¥18,350,000</b>	<b>¥35,250,000</b>	<b>¥47,000,000</b>	<b>¥74,750,000</b>	<b>¥191,200,000</b>
Startup Expenses	¥6,543,696	¥6,543,696	¥6,543,696	¥0	¥0	<b>¥19,631,087</b>
Recurring Expenses	¥12,937,548	¥12,937,548	¥12,937,548	¥12,937,548	¥12,937,548	<b>¥64,687,740</b>
<b>Total Expenses</b>	<b>¥19,481,244</b>	<b>¥19,481,244</b>	<b>¥19,481,244</b>	<b>¥12,937,548</b>	<b>¥12,937,548</b>	<b>¥84,318,827</b>
Gross Income	-¥3,631,244	-¥1,131,244	¥15,768,756	¥34,062,452	¥61,812,452	<b>¥106,881,173</b>
Tax Rate	0.00%	0.00%	40.87%	40.87%	40.87%	
Tax	¥0	¥0	¥4,498,262	¥13,921,324	¥25,262,749	<b>¥43,682,335</b>
<b>Net Income</b>	<b>-¥3,631,244</b>	<b>-¥1,131,244</b>	<b>¥11,270,494</b>	<b>¥20,141,128</b>	<b>¥36,549,703</b>	<b>¥63,198,838</b>

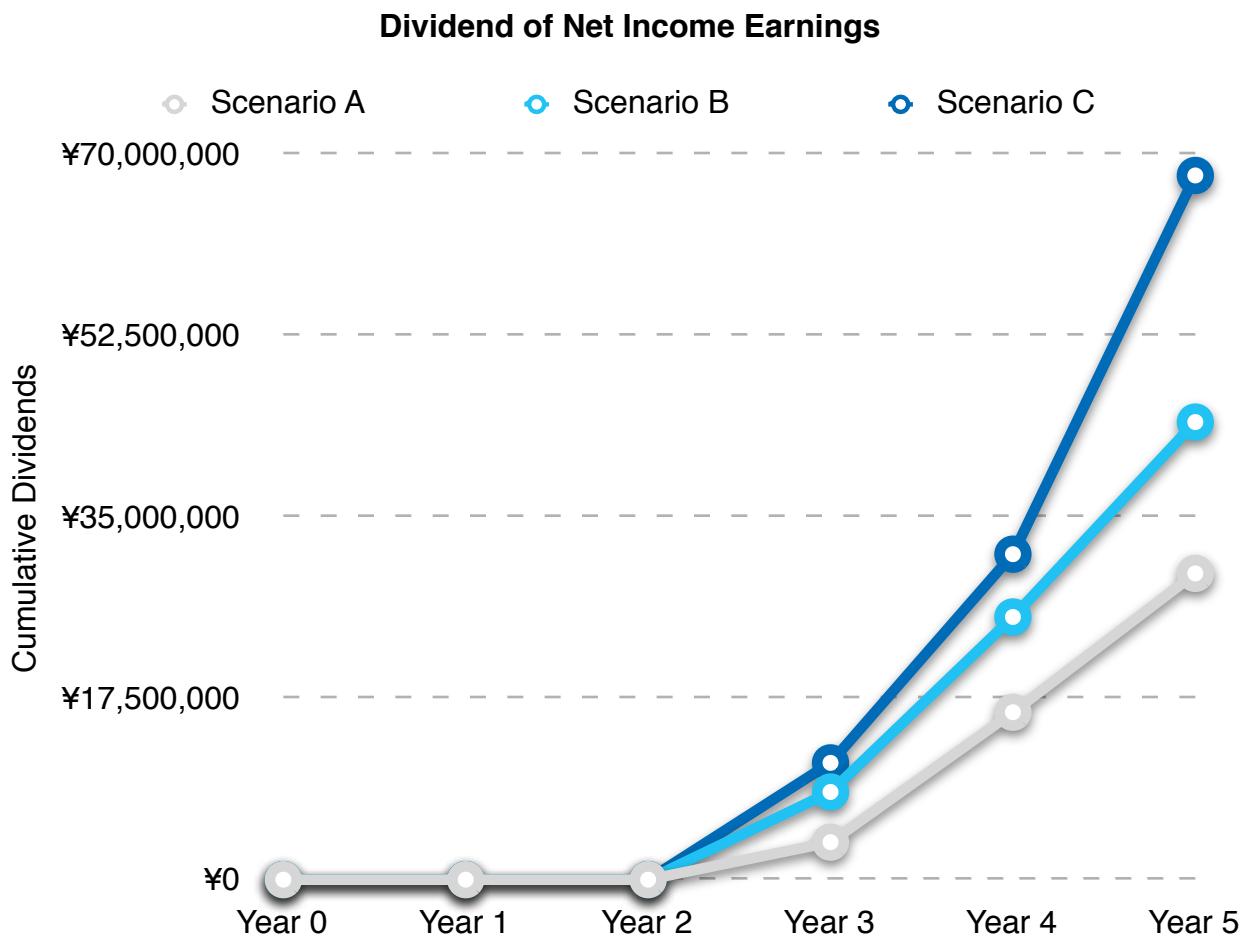
### *Projected Investor Returns*

Putter King's strategy is built around franchising. Therefore, the majority of any future capital expenditures will be to upgrade or refurbish the existing physical assets, equipment, and property. After accounting for any necessary working capital needs, Putter King plans to dividend the remaining net income earnings to investors.

An investment in Putter King is thus a unique opportunity, as an investor is able to begin to recoup the initial principal investment over the first 5 years while still maintaining the upside of a future acquisition or sale.

The following graph is **only** showing dividends and completely ignores the value of the business and the investor's stake in that value. In addition to dividends, investors will still hold an equity stake in the business and will be able to benefit from a potential future sale or acquisition.

Both Scenario A and Scenario B are able to fully return the investor's original principal investment (¥34,000,000) through dividends within the first 5 years, and Scenario C projects to return the full amount in just over 5 years.



## *22.1 Other Revenue Streams*

### *Hole Advertisements*

Putter King will sell hole advertisements. Each hole will have a sign that will include the hole number, par, hole name, and hole sponsor (see 11.0 Hole Design p.58). Putter King will target local businesses, especially ones that fit into the hole design theme (i.e. Putter King will seek out a ramen restaurant to sponsor the ramen hole). The advertising will be priced as a 1 year contract. The pricing for the first and last hole will be slightly more expensive as people remember the first and last most clearly.

<b>Hole #</b>	<b>Price (1 Year Contract)</b>
1	¥60,000
2	¥40,000
3	¥40,000
4	¥40,000
5	¥40,000
6	¥40,000
7	¥40,000
8	¥40,000
9	¥40,000
10	¥40,000
11	¥40,000
12	¥40,000
13	¥40,000
14	¥40,000
15	¥40,000
16	¥40,000
17	¥40,000
18	¥50,000
<b>Total</b>	<b>¥750,000</b>

## *Merchandise*

Putter King will offer branded merchandise at the store including: souvenir golf balls, key chains, hats, t-shirts, frisbees, water bottles, wristbands, trading cards, gift cards, temporary tattoos<sup>34</sup>, stickers, and bicycle jerseys. The intent of the merchandise sales are:

- a) Additional revenue stream
- b) Promote and increase brand awareness
- c) Souvenirs for out-of-town travelers<sup>35</sup>
- d) Advertising (people wearing or using the merchandise)

### Golf Balls



### Key Chains



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<sup>34</sup> Cultural note: typically tattoos are associated with the yakuza (mafia) in Japan. However, temporary tattoos are classified as stickers (not tattoos) and thus are sometimes seen at Tokyo Disney and sold for Halloween in some department or specialty stores.

<sup>35</sup> Whenever Japanese people take a vacation or trip to another part of Japan, they always bring back souvenirs for their co-workers, family or friends. Typically these souvenirs are sweets; however other items are also popular souvenirs.

## Hats



## T-Shirts



## Bicycle Jerseys



## Frisbees



## Water Bottles



### Wristbands

(With text of the Putter King name or website address sunken into the wristband)



### Trading Cards

Putter King plans to sell trading cards that feature a picture of the hole (front) and stats about the hole (back). There will also be special cards such as a card with the Putter King character. Kids can collect and trade the cards.

### Gift Cards



### *Electronic Scoring Technology*

Putter King plans to potentially sell or license the software and technology used for the electronic scoring system to other miniature golf companies (i.e. Putting Edge, Monster Mini-Golf, etc.).

## *23.0 Exit Strategy*

### *Return of Investor Capital*

Based on Putter King's future strategy, Putter King does not anticipate having large future capital expenditures. As Putter King will be franchising, and doesn't have any plans to expand organically, the majority of any capital expenditures will be to upgrade or refurnish the existing physical assets, equipment, and property. After accounting for any necessary working capital needs, Putter King plans to dividend the remaining net income earnings to investors.

An investment in Putter King is thus a unique opportunity, as an investor is able to begin to recoup the initial principal investment over the first few years while still maintaining the upside of a future acquisition or sale.

### *Acquisition*

If Putter King's franchising model is successful, it is anticipated that Putter King's business will start to hurt the major competitors (such as Round One). As Round One has no space to expand into adventure golf and compete with Putter King, their best option would be to consider acquiring Putter King.

### *Sale*

If Putter King is successful, after 5 years management will begin to shop the business for a potential sale. A sale of the business would allow investors to cash out of their investment.

## *24.0 International Expansion*

If Putter King is successful in Japan, in the future Putter King will consider international expansion. The initial target countries would be places, like Japan, where adventure golf does not currently exist (i.e. South Korea). Putter King would only consider international expansion after thorough research and only with the appropriate potential management in place (someone who has a deep knowledge of the nuances of the culture, business environment, etc.).

## *25.0 Future Kings Program*

*The Future Kings Program* is a multifaceted program with the broad goal of improving the lives and education of children and young adults.

As part of this program, Putter King will host an annual charity fundraiser to raise money for an organization (to be determined) that is involved in children's education. Putter King will choose one day of the year and 100% of the proceeds from that day will be donated to charity.

Putter King will also occasionally hold contests to encourage creativity. These contests may include:

- Hole design contest
- Character design contest (i.e. Putter King's wife or children)

Prizes for these contests may include *King Cards*, gift certificates, free games, merchandise, etc.

## *26.0 Investment in Putter King*

Putter King is seeking equity investment in Putter King G.K. The invested capital will be used to open the flagship store and expand the franchise business model as described in this business plan.

### *Monetary Investment*

Minimum investment: ¥1,500,000

Investment blocks: ¥500,000 (e.g. ¥1,500,000 / ¥2,000,000 / ¥2,500,000 / etc.)

### *Sweat Equity Investment*

Sweat Equity will be issued to someone who makes a significant contribution to the business. Any allocations of Sweat Equity will be reported to investors *before* they make an investment.

The only planned allocation of Sweat Equity for Putter King is for Kevin Dias in the form of (26.47%) of the Total Invested Capital and a General Contractor for the construction of the holes in the form of (2.94%) of the Total Invested Capital.

### *Total Invested Capital*

The Total Invested Capital will include the addition of all Monetary Investments and Sweat Equity Investments.

### *Ownership Percentage Calculation*

Your ownership position will be calculated as the addition of your (a) Monetary Investment plus (b) Sweat Equity Investment divided by the Total Invested Capital ([a + b] / Total Invested Capital).

### *Steps to Invest in Putter King*

- 1) Make a capital commitment during the fundraising period (September 1st, 2010 - December 15th 2010)
- 2) On **December 15th, 2010** the unfunded capital commitment will be called
- 3) Deposit the capital with the handling bank
- 4) Sign and notarize, as a member, the Articles of Incorporation
- 5) Receive the Certificate of Ownership

### *What you get as an investor in Putter King*

- 1) A monthly investor newsletter containing:
  - Transparent financial results
  - Update on the current marketing strategy
  - Detailed statistical analysis (i.e. number of customers, time of visit, etc.)
- 2) Free access to any Putter King location
- 3) Annual investor shareholder meeting to:
  - Discuss future business strategy
  - Report annual results
  - Field questions from investors

### *Why Putter King is an Attractive Investment*

- First to market
  - There are currently no adventure golf courses in Japan
- Densely populated area
  - Over 600,000 people within 30 minutes of the planned location, and over 20 million people within 2 hours
- Clear plan for revenue and cash flow generation from day one
  - Adventure golf is a proven business model that has been successful for almost 100 years
- Future growth potential
  - Dividends of net income plus potential of future company sale
  - Franchising model improves equity investor economics and avoids leveraging the company
- Lean fixed cost structure
  - Scalable business
  - High gross margin business
- Cash nature of business allows Putter King to avoid debt
- Currency diversification
- Highly motivated and capable management
  - 3+ years experience in Japan
  - Strong financial background

## *27.0 Term Sheet*

**THIS TERM SHEET SUMMARIZES THE PRINCIPAL TERMS OF THE PROPOSED FINANCING OF PUTTER KING G.K. (THE “*COMPANY*”). THIS TERM SHEET IS FOR DISCUSSION PURPOSES ONLY. THIS TERM SHEET DOES NOT CONSTITUTE EITHER AN OFFER TO SELL OR AN OFFER TO PURCHASE.**

### **MEMORANDUM OF TERMS VALID FOR ACCEPTANCE UNTIL 12:00 P.M. DECEMBER 15, 2010 EST**

This memorandum summarizes the major terms for the offering of an ownership interest in **Putter King** (the “Company”), a G.K. (合同会社) formed under the laws of Japan.

**Issuer:** Putter King (the "Company")

**Company Valuation:** ¥34,000,000

**Amount of Financing:** An aggregate of (¥24,000,000), representing a (70.59%) ownership position in the company. The remaining (29.41%) ownership position will be in awarded ownership equity.

**Protective Provisions:** Consent of the full voting interest shall be required for (i) any change to investor voting rights or dividend distribution rates, (ii) any amendment, waiver, or change to any provision of the Company's Articles of Incorporation.

Consent of at least a 2/3 majority of the voting interest shall be required for (i) any merger, acquisition, reorganization, sale of control, or any transaction in which all or substantially all of the assets of the Company are sold (ii) creation of any new class or series of shares, (iii) redemption or repurchase of any ownership interest, (iv) issuance of debt in excess of ¥10,000,000.

**Information Rights:** Any Investor will be granted access to Company facilities and personnel during normal business hours and with reasonable advance notification. The Company will deliver to such Investor (i) annual, quarterly, and monthly unaudited financial statements, and other information as determined by the Executive Manager; (ii) thirty days prior to the end of each fiscal year, a comprehensive operating budget forecasting the Company's revenues, expenses, and cash position on a month-to-month basis for the upcoming fiscal year.

## *28.1 Appendix - (United States Tax Liability and Filing Requirements)<sup>36</sup>*

### *IRS Form 8832 - Entity Classification Election*

The IRS will allow taxpayers to “check the box”<sup>37</sup> for G.K.s., and the entity may be classified as “A *foreign eligible entity electing to be classified as a partnership*” on IRS Form 8832. This differs from a K.K., which is treated as a corporation for United States tax purposes.

Therefore, Putter King will first need to submit Form 8832 to elect how it will be classified for federal tax purposes. An election specifying an eligible entity’s classification cannot take effect more than 75 days prior to the date the election is filed, nor can it take effect later than 12 months after the date the election is filed.

### *IRS Form 8865 - Return of U.S. Persons With Respect to Certain Foreign Partnerships*

A United States person qualifying under one or more of the Categories of Filers (see below) must complete and file form 8865.

#### **Category 1 filer**

- A Category 1 filer is a United States person who controlled the foreign partnership at any time during the partnership’s tax year. Control of a partnership is ownership of more than a 50% interest in the partnership.

#### **Category 2 filer**

- A Category 2 filer is a United States person who at any time during the tax year of the foreign partnership owned a 10% or greater interest in the partnership while the partnership was controlled by United States persons each owning at least 10% interests. However, if the foreign partnership had a Category 1 filer at any time during that tax year, no person will be considered a Category 2 filer.

Any United States person who controls a foreign partnership during the tax year must file Form 8865 (for a partnership). These forms must be filed with the United States person’s timely filed federal tax return (including extensions). For foreign partnerships, control means direct or indirect ownership of a more than 50% interest in partnership profits, capital, or deductions or losses. It also includes certain groups of United States persons, who collectively own more than a 50 percent and individually own more than a 10 percent interest in the foreign partnership.

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<sup>36</sup> Please note that United States tax laws may change at any time and any information in this section does not constitute legal advice. Please be sure to consult your tax attorney regarding the appropriate forms to file.

<sup>37</sup> Business entities treated as corporations are taxed at the entity and member levels. However, the Internal Revenue Service issued the so-called “check-the-box” regulations in 1997 under which entities that qualify may elect to be treated as “flow through” (taxed only at the member level) by filing Form 8832.

*IRS Form 926 - Return by a U.S. Transferor of Property  
to a Foreign Corporation*

Subject to certain exceptions, transfers of property by United States persons to foreign corporations must be reported to the IRS. The United States person must file a Form 926 with its timely filed income tax return for the year in which the transfer occurred. Transfers by United States persons to foreign partnerships are subject to reporting. A reportable transfer occurs when:

- i) immediately after the transfer, the person holds, directly or constructively, a 10% or greater interest in the partnership, or
- ii) the value of the property transferred, when added to the value of the property previously transferred by the person (or related person) to the foreign partnership over the last 12 months, exceeds \$100,000.

The United States person must report the transfer on Form 8865, which is filed with the person's timely filed federal tax return (including extensions).

## *28.2 Appendix - (Corporate Tax Rates in Japan)*

The G.K. is taxed like a corporation in Japan, and therefore is not a disregarded entity for Japanese tax purposes. The taxes levied in Japan on income generated by the activities of a corporation include:

- 1) Corporate tax (national tax)
- 2) Corporate inhabitant tax (local tax)
- 3) Enterprise tax (local tax)

Corporate inhabitant taxes are levied not only on income but also on a per capita basis using the corporation's capital and the number of its employees as the tax base. Corporations having paid-in capital of more than ¥100,000,000 are subject to corporate enterprise tax on a pro forma basis.

The tax rates for corporate tax, corporate inhabitant tax and enterprise tax on income (tax burden on corporate income) and per capita levy on corporate inhabitant tax for each taxable year are shown below (a small company in Tokyo is used as an example)<sup>38</sup>. The rates for local taxes may vary somewhat depending on the scale of the business and the local government under whose jurisdiction it is located.

### Corporate Tax Rates:

	Taxable Income (Up to ¥4,000,000)	Taxable Income (¥4,000,000 - ¥8,000,000)	Taxable Income (Over ¥8,000,000)
Corporate Tax	22.00%	22.00%	30.00%
Corporate Inhabitant Tax (1) - Prefectural	1.10%	1.10%	1.50%
Corporate Inhabitant Tax (2) - Municipal	2.70%	2.70%	3.69%
Enterprise Tax	5.00%	7.30%	9.60%
Total Tax Rate	30.80%	33.10%	44.79%
<b>Effective Tax Rate</b>	<b>29.33%</b>	<b>30.85%</b>	<b>40.87%</b>

<sup>38</sup> The following conditions apply to the chart:

- 1) The capital of the corporation is ¥100,000,000 or less
- 2) The Corporate Tax Amount is ¥10,000,000 or less and taxable income is ¥25,000,000 or less
- 3) Offices or factories located in two prefectures or less

Per Capital Levy on Corporate Inhabitant Tax:

<b>Capital Amount (Lower Bound)</b>	<b>Capital Amount (Upper Bound)</b>	<b>Employee Number</b>	<b>Per Capital Levy</b>
¥5,000,000,000	-	Over 50	¥3,800,000
¥1,000,000,000	¥5,000,000,000	Over 50	¥2,290,000
¥5,000,000,000	-	Under 50	¥1,210,000
¥1,000,000,000	¥5,000,000,000	Under 50	¥950,000
¥100,000,000	¥1,000,000,000	Over 50	¥530,000
¥100,000,000	¥1,000,000,000	Under 50	¥290,000
¥10,000,000	¥100,000,000	Over 50	¥200,000
¥10,000,000	¥100,000,000	Under 50	¥180,000
-	¥10,000,000	Over 50	¥140,000
-	¥10,000,000	Under 50	¥70,000

*28.3 Appendix - (Management Contact Information)*