

# Guidance on the shareholder incentive system

We have made partial changes to the shareholder incentive program.

To eligible shareholders, we will give out points that can be used not only in the “Crank-In! Video” service but also in “Crank-In! Comic” service.

クラクイン!ビデオ クラクイン!コミック



Please receive shareholder incentive points from the following website via a personal computer, a smartphone, or a tablet.



QR code



URL : <https://video.crank-in.net/shareholder>

For eligible shareholders, we enclosed a Guide to Shareholder Incentives. For details, please see the Guide.

### Eligible shareholders

All shareholders registered or recorded as holding 1,000 shares (10 units) or more in the Company's shareholders' register as of March 31 every year.

### Timing of the grant

We mail a “Guidance on Shareholder Incentives” once a year to eligible shareholders after the conclusion of the ordinary general meeting of shareholders.

### Contents of shareholder incentives

		Shareholding duration	
		Less than 1 year	1 year or more *1
Number of shares held	1,000 to 4,999 shares	2,000 points	2,500 points
	5,000 shares or more	4,000 points	6,000 points

\*1. Shareholders who are registered in the Company's shareholders' register as of March 31 every year and also recorded as holding either 1,000 shares or more, or 5,000 shares or more under an identical shareholder number in the Company's shareholders' register consecutively as of both March 31 and September 30 of the preceding year.

\*2. Shareholders who wish to use the shareholder incentive points must register with either “Crank-In! Video” or “Crank-In! Comic” as members. Either membership allows shareholders to use both the video and comic distribution services.



**Broadmedia**

## Introduction to the Corporate Website

Updated regularly with the latest news, as well as press releases and investor relations information. Links to individual and corporate services, as well as group company sites, will help you find the information you need quickly. Please make use of our website as your resource.

<http://www.broadmedia.co.jp/>

Broadmedia

検索



For added convenience, our website is now available on your smartphone.

The Company's website can be browsed from smartphones and tablets, enabling access to the Company's information on the go.



**Broadmedia Corporation**

Aoyama Tower Place 6F, 8-4-14 Akasaka, Minato-ku, Tokyo 107-0052, Japan

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**Broadmedia Corporation**

Securities Code: 4347

# 01 Broadmedia's Strengths

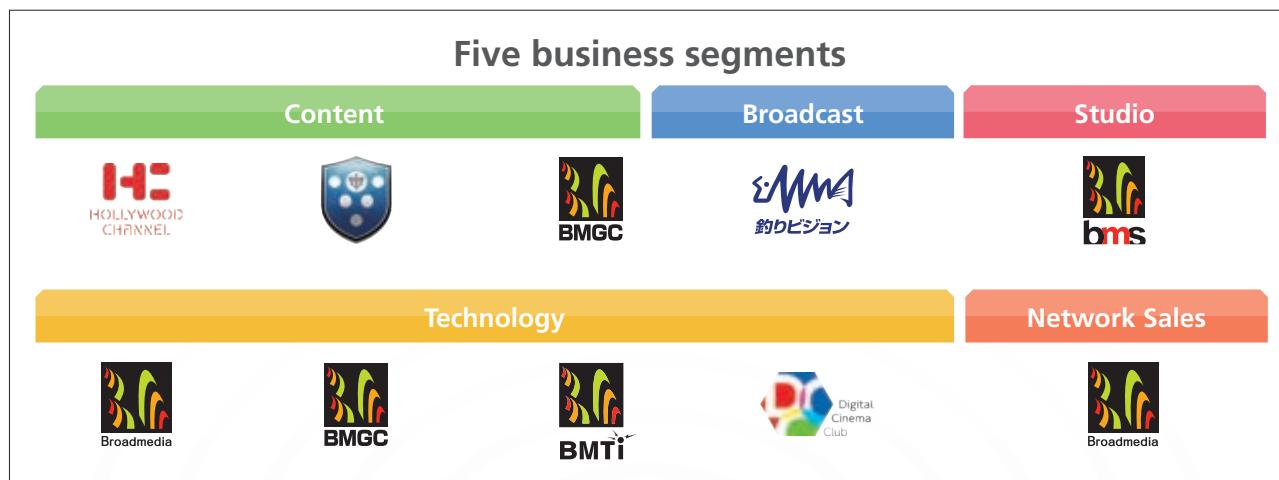
"Content procurement capabilities"



"Technology for stable, high quality distribution of content"

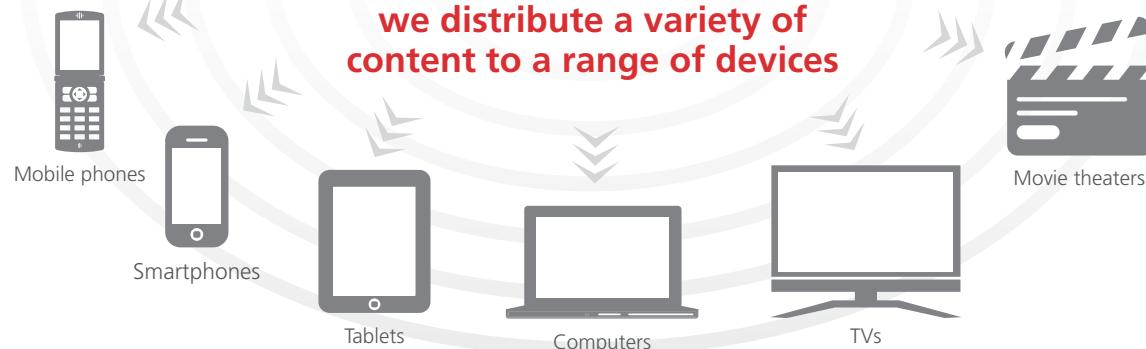
**Our strength lies in originality that combines both content procurement and distribution technology**

Through tight-knit collaboration and mutual cooperation among the five business segments below, we put our corporate philosophy of "aiming to contribute to the development of a more affluent community through the dissemination of high quality products and services that are derived from creativity" into practice.



Services for Individuals / Services for Businesses

**In combination with our unique technology, we distribute a variety of content to a range of devices**



# 02 Top Management Interview

**We will quickly work on enhancing the Group's governance system to regain public trust and improve profitability.**



Taro Hashimoto, CEO

## Report on damages from fictitious transactions suffered by Fishing Vision

Firstly, we would like to extend our sincere apologies to all shareholders for the inconvenience and concern caused by the delays in finalizing financial results for the fiscal year ended March 31, 2018 and the holding of the general meeting of shareholders. I would like to give an explanation on the damages from fictitious transactions suffered by Fishing Vision Co., Ltd., which caused such delays.

Fishing Vision, a consolidated subsidiary,

suffered damages from fictitious transactions stemming from fraudulent practices that a subcontractor continued over ten years from 2007. The loss incurred in the ten years amounted to approximately 540 million yen. For the six months after the incident was discovered, we established Investigation Committees including external parties to investigate. As a result, we did not find that any internal individual had taken part in the fictitious transactions. However, it was also pointed out that there was a breach of the duty of care by a good manager by the executive director in charge of Fishing Vision. The findings

- 1 **Thorough establishment of relationships with business partners**
  - 2 **Strict credit management**
  - 3 **Sufficient training on the importance of internal control**
  - 4 **Review of the organizational system of Fishing Vision**
  - 5 **Parent company's involvement in a ringi (approval) process, etc.**
  - 6 **Review of items to be reported at important meetings, etc.**
  - 7 **Streamline rules and manuals**
  - 8 **Strengthen the cooperation among management divisions**
  - 9 **Enhancement of internal audits**
  - 10 **Implement thorough compliance training**
- We will not only work on preventing the recurrence of similar incidents, but also on enhancing the Group's governance/compliance system.**

also included that the reasons we failed to prevent damage from the fraud were not only due to the deviousness of the subcontractor but also a fault in our internal control system. We are overwhelmed with shame. Upon receiving the results and suggestions of these investigations, our focus will not be limited to preventing the recurrence of similar incidents, but include united efforts to enhance the Group's governance/compliance system by thoroughly enforcing the ten measures enumerated above.

We will make efforts to recover direct damages of approximately 540 million yen and incidental expenses incurred for investigation and outside attorneys through a claim for damages. We will seek refunds for consumption and corporate taxes incurred by the fictitious transactions through the amendment of tax declaration. As

regards the subcontractor, we plan to pursue criminal prosecution as a case of fraud and have already begun consulting with the police.

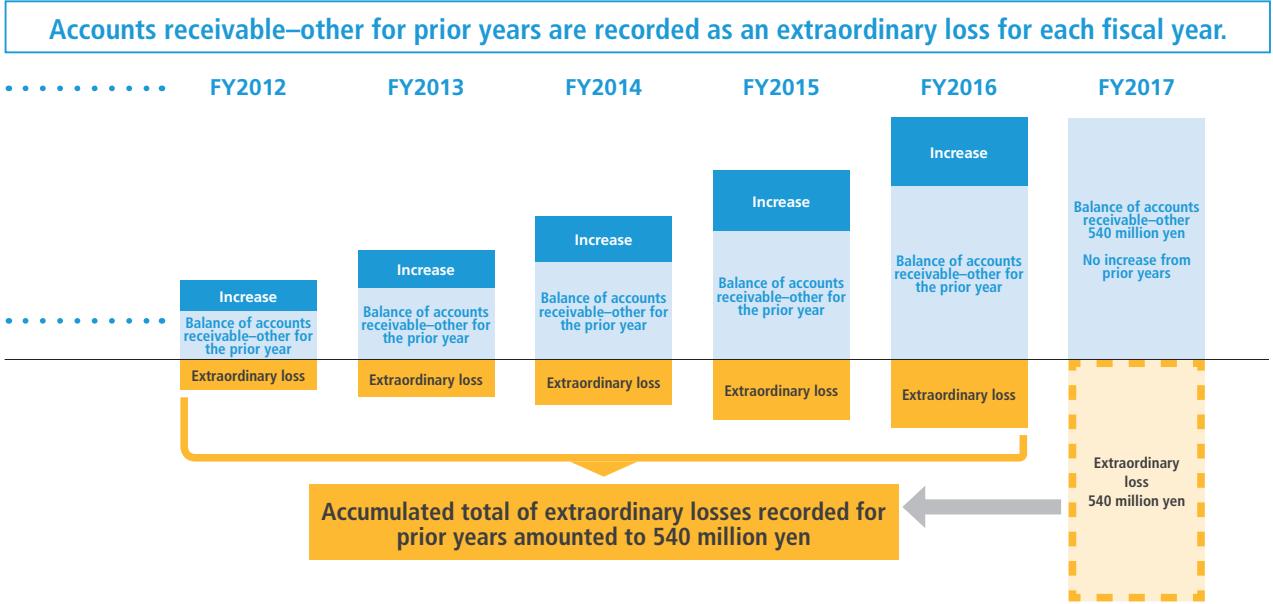
Going forward, we will work on ongoing reorganization and putting our business back on track. Currently, we are preparing to expand the content distribution business in Fishing Vision. Although Fishing Vision boasts overwhelming information about fishing both in quality and quantity, we have not made full use of the content thus far, except for TV programs. Moreover, the existing distribution of information for mobile users has become disorganized as a result of continuous updates. We plan to introduce a Fishing Vision portal by integrating such content. As the largest media company in the fishing industry, broadcast alone will not suffice for us to respond to the needs of the times. We strive to

expand the content distribution business as the second pillar in addition to broadcast by distributing the information accumulated through producing TV programs via the Internet in a timely manner.

**Summary of financial results for FY2017**

We postponed the submission of the quarterly securities report for the third quarter twice, and once for the annual securities report. Finally, we have completed all revisions including financial results for the previous fiscal years and the accounting audit, and finalized the full-year account settlement for FY2017 on July 20, 2018.

As a result, for the fiscal year ended March 31, 2018, revenue was 10.8 billion yen, operating income was 88 million yen, ordinary income was 81 million yen, and net income was 46 million yen. At the time when consolidated financial results were announced on May 30, 2018, the loss resulting from the fictitious transactions was recorded entirely as an extraordinary loss for the fiscal year ended March 31, 2018. However, upon discussion with the audit corporation, we modified the accounting procedure to record prior-year accounts receivable-other as allowance for doubtful accounts under extraordinary loss for each fiscal year. As a result, profitability was achieved for the fiscal year under review.



### Consolidated business results for the fiscal year ended March 31, 2018

(Unit: millions of yen)	FY2016	FY2017	Difference
Revenue	10,413	10,800	↗ 387
Operating income	41	88	↗ 47
Ordinary income	(11)	81	↗ 93
Net income (loss)	(453)	46	↗ 500

### The progress of each business and future development

First, with regard to the cloud gaming business, we are continuing to strengthen collaborative relationships through the provision of a technical platform with the aim of increasing profit. As for the next-generation cable TV portal currently under development, we have already completed demonstrations at several cable TV stations and are preparing for roll out. Regarding virtual reality (VR), 4K and 5G, we are striving to expand the provision of our technology to commercially available VR. Following the 5G demonstration with G-cluster streaming technology in collaboration with TOPPAN PRINTING CO., LTD. and NTT DOCOMO, INC. in 2017, we will continue development aiming to build new services.

Regarding individual game development, we have been promoting the development of game software for the Nintendo Switch™ through an alliance with The Pocket Company, an investee.

Secondly, as for “Crank-In!,” we started the provision of the digital comic service for smartphones and tablets, “Crank-in! Comic” in March 2018. Together with the existing “Crank-in! Video,” members can enjoy not only comic books but also films and dramas with points that are redeemable for either service. Shareholder incentive points can also be redeemed in these services, so please enjoy! Through this business, we aim to provide comprehensive entertainment services that merge news, films, and comic books.

In the education business, we launched four new on-site attendance-based learning courses, namely, “eSports course,” “YouTuber training course,” “Study Sapuri university exam preparatory course,” and “Dedicated English language course.” In addition, we will support students’ dreams by increasing options that can provide learning that is suitable for the lifestyle of each student, capitalizing on partnerships with our partners. Our efforts include the establishment of a soccer club and an overseas study program at HELP University in Malaysia. We expect that the education business will continue to drive expansion of restored profitability in the Content segment. In the future, we plan to promote not only school education, but also new businesses

including Japanese language centers and development of learning materials.

Lastly, regarding the technology service, we launched the “Broadmedia® CDN CM Online” service in October 2017. This service delivers television commercial materials to TV stations via the Internet, replacing conventional physical media. We expect that this service will see huge growth in the future. Moreover, in addition to new solutions and services focused on CDN offered by Akamai Technologies, Inc., recently, we started to provide the high-volume data communications service between global locations offered by Aryaka Networks, Inc. We will foster the Technology segment as the Group’s profit driver by expanding new and highly unique value-added services on top of our existing services.

### A message to the shareholders

Consolidated financial results forecast for the fiscal year ending March 31, 2019 shows increases in both revenue and income per segment as well as an improved forecast overall. An estimated 150 million yen is included as expenses pertaining to damages from fictitious transactions suffered by Fishing Vision in the first half. As a result, we expect to report a net loss due to decreases in operating income and ordinary income, which will offset an increase in revenue. While we will

proceed with the amendment of tax declaration and claim damages, etc., no inflow of refunds is included as they are difficult to estimate.

We will strive to improve the Group’s governance system as soon as possible, and increase the profitability of each business to provide a return to shareholders. I would be most grateful to our shareholders for their continuing support.

### Consolidated financial results forecast for the fiscal year ending March 31, 2019

(Unit: millions of yen)	FY2017 results	FY2018 full-year forecast
Revenue	10,800	11,700
Operating income	88	50
Ordinary income	81	40
Net income (loss)	46	(80)

### The launch of the “Crank-in! Comic” service: A lineup of over 150,000 comic books from new publications to those adapted to film or animation



**“Crank-in! Comic” can be browsed only from smartphones and tablets. (In Japanese only)**

You can enjoy your past purchases with our viewer app (free of charge).  
Previews are available on your browser.

Download our viewer app



With the tagline “Website for comic-book enthusiasts, by comic-book enthusiasts,” we launched the digital comic service for smartphones and tablets, “Crank-in! Comic” in March 2018.

“Crank-in! Comic” is a digital comic service for smartphones and tablets, available starting from a single book, from new publications to the trending masterpieces which have been adapted to film or animation. In addition to a rich lineup of over 150,000 comic books\*, we offer a free trial of our substantial library of over 1,000 episodes available at any time. Once purchased, members can enjoy comic books with our free viewer app (iOS, Android™) any number of times.



Users can enjoy original comics as well as movie versions as a package in conjunction with the “Crank-in! Video” service.

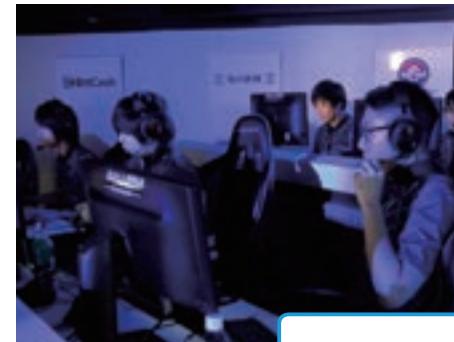
Together with the video distribution service, “Crank-in! Video,” members can not only read comic books, but also view around 10,000 works including new films, dramas, and animations with the points eligible for both services. A live-action version or animated version of comic books viewed will be recommended automatically. In addition, we will continually roll out unique campaigns for combo discounts of a comic book and its film adaptation.

Going forward, we aim to further improve the “Crank-in! Comic” service and strive to offer a new way of enjoying entertainment content uniquely linking and merging comic books, films, and entertainment news.

\*As of March 1, 2018

### Efforts of Renaissance Academy Corporation

#### Launched four new on-site attendance-based learning courses



©Japan esports Union

eSports course

Youtuber training course

Study Sapuri university exam preparatory course

Dedicated English language course

In order to produce talent that can achieve success in a diverse society, we are successively launching new courses including “eSports course” and “YouTuber training course” that are Japan’s first-ever\*1 courses offered by high schools, a university exam preparatory course based on the well-established “Study Sapuri”<sup>\*\*2</sup> for classes taught by first-class lecturers, and a course specialized in English utilizing “Study Sapuri English.”

Concurrently, as an option for on-site attendance-based learning courses, we will introduce approachable and advanced computer programming classes featuring “Minecraft” and “micro:bit” by Microsoft. We also provide programs for overseas studies at “HELP University” in Malaysia, with which we signed a partnership agreement in 2016.

\*1 As of March 22, 2018, research by Renaissance Academy Corporation

\*\*2 The name of an online study program provided by Recruit Marketing Partners Co., Ltd.

#### Service partnership with Jinjibu Co., Ltd.

We partnered with Jinjibu Co., Ltd., which operates “JOB Draft,” an employment website for high school students, to start services for employment support and career education.

Through education programs for job search offered by experts, we provide company information and assist students in seeking employment, aiming to increase options for their future.



#### Supporting FC Osaka as a top partner



We signed a sponsorship agreement to support the professional soccer club “FC Osaka” with R-Dash Inc., its operator.

Taking this opportunity, Renaissance Osaka High School will launch a soccer club and work on team building with technical guidance from FC Osaka.

\*The names of companies, products, and services in this article are trademarks or registered trademarks of their respective owners.

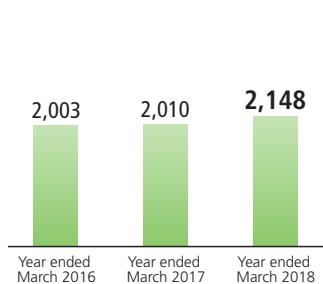
# 09 Financial Results by Segment

## Content

Revenue  
2,148 million yen  
(up 6.9% YOY)

Operating income  
14 million yen  
(Operating loss of 220 million yen in the previous fiscal year)

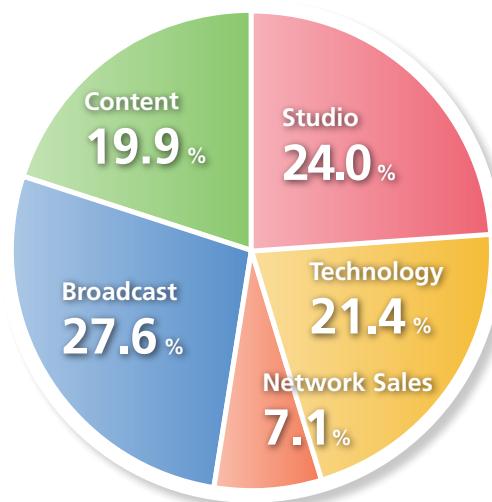
Revenue Trend (Unit: millions of yen)



**Business and Service**  
Cloud gaming service /  
Digital media service / Education service

In the education service business, revenue and income rose thanks to an increase in revenue per student at the Osaka School in addition to an increase in the number of students enrolled. In the digital media service, operating losses shrank due to growth in revenue. Although revenue in the cloud gaming business remained at the same level as the previous fiscal year, operating losses were curtailed as a result of cost reduction, etc. Thus, an increase in revenue restored profitability.

Total Revenue  
**10,800** million yen

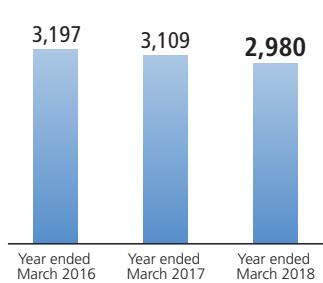


## Broadcast

Revenue  
2,980 million yen  
(down 4.2% YOY)

Operating income  
90 million yen  
(Operating income of 166 million yen in the previous fiscal year)

Revenue Trend (Unit: millions of yen)



**Business and Service**  
Fishing channel

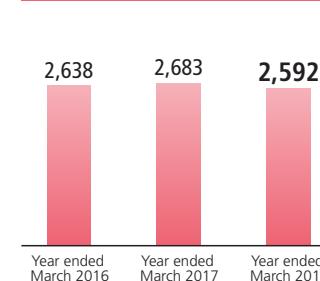
Revenue and income dropped due to the declining trend of the subscription fee revenue.

## Revenue

2,592 million yen  
(down 3.4% YOY)

Operating income  
47 million yen  
(Operating income of 173 million yen in the previous fiscal year)

Revenue Trend (Unit: millions of yen)



## Business and Service

Production business / Program sales  
business / Film distribution business

In the program sales business, revenue and income increased thanks to an increase in sales of programs to TV stations. However, due to a decrease in orders received for the production business and a decrease in sales on the film distribution business including video sales, revenue and income dropped in this segment.

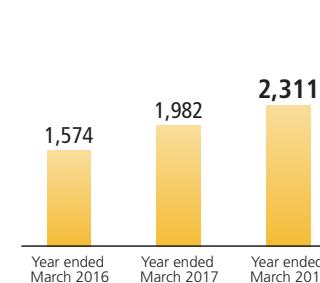
## Technology

## Revenue

2,311 million yen  
(up 16.6% YOY)

Operating income  
384 million yen  
(Operating income of 341 million yen in the previous fiscal year)

Revenue Trend (Unit: millions of yen)



## Business and Service

CDN service / Digital cinema service /  
Hospitality network service

Expansion of solutions and services offered by the CDN service contributed to an increase in revenue. Additionally, the cost of goods sold decreased due to the impairment of fixed assets in the previous fiscal year. As a result, revenue and income increased in this segment.

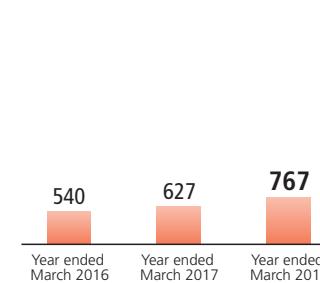
## Network Sales

## Revenue

767 million yen  
(up 22.4% YOY)

Operating income  
4 million yen  
(Operating income of 10 million yen in the previous fiscal year)

Revenue Trend (Unit: millions of yen)



## Business and Service

Broadband line sales / ISP service sales /  
Handling of mobile phone service

While revenue increased due to strong sales of "Softbank Air," due to the rising trend in payment of incentives to affiliated agents and other factors, revenue rose and income decreased in this segment.

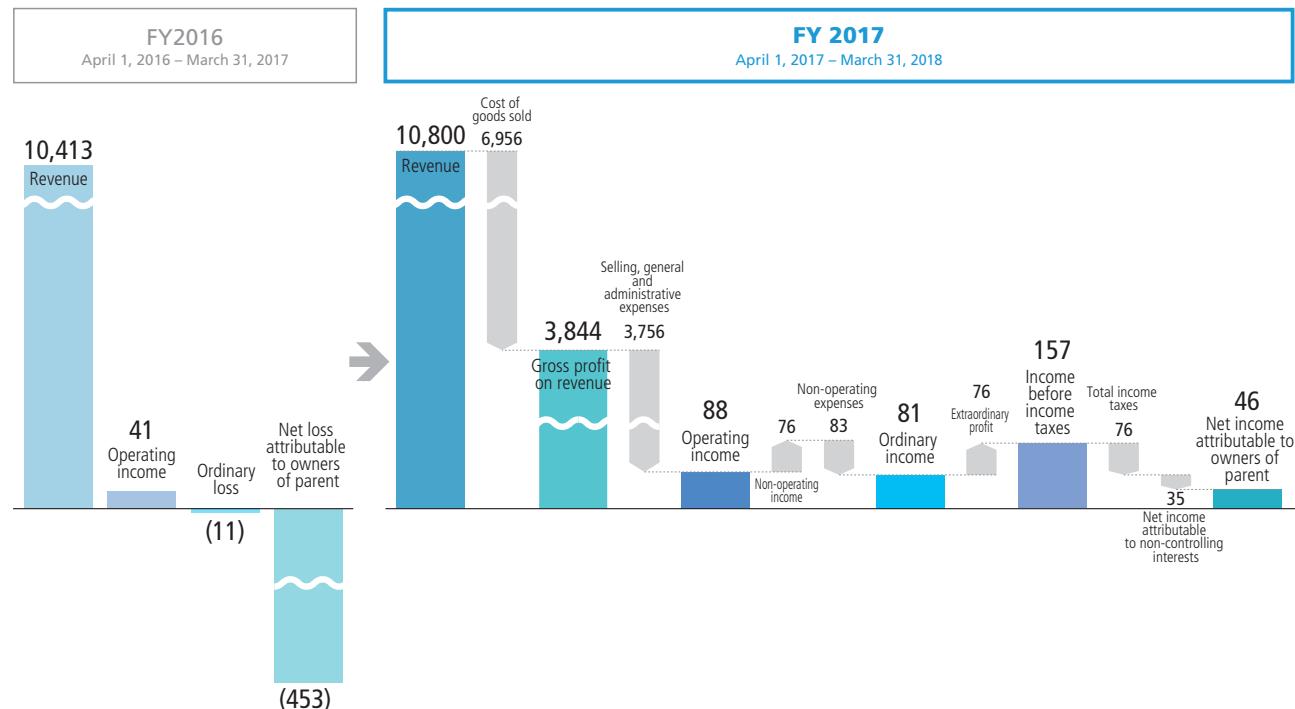
\*Figures for prior years are restated for revisions.

# Consolidated Financial Review

\*Figures for prior years are restated for revisions.

## Operating Results

(Unit: millions of yen)



### Guidance on our site "IR" (Investor Information)

Please visit our "IR" site to see the most recent financial results, information on shares and shareholder incentives, and more.

[Information disclosed on the site]

Consolidated financial results, annual securities reports (yukashoken hokokusho), business reports, notices of general meetings of shareholders, electronic notices, etc.



<http://www.broadmedia.co.jp/ir/>

### Revenue

Although the revenue of "Broadcast" and "Studio" decreased, the revenue of the other three segments increased.

### Operating income / Ordinary income

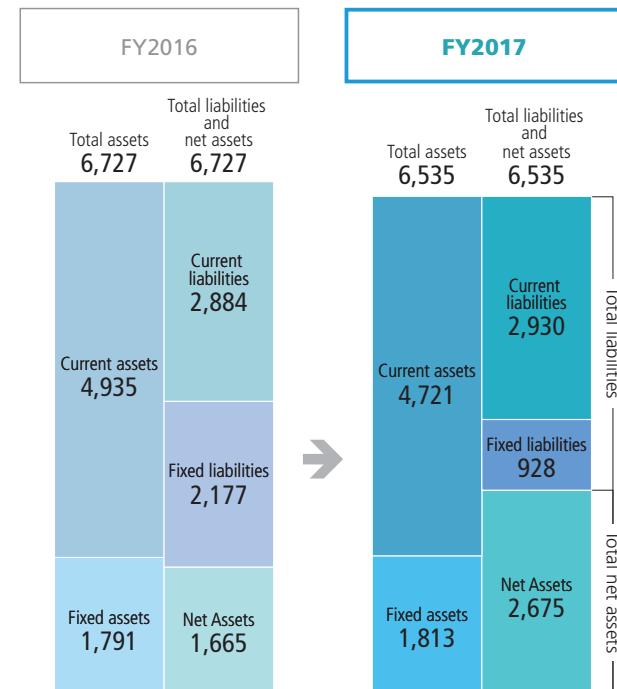
Operating income increased, owing mainly to restored profitability in "Content" and strong performance of "Technology." Profitability was also achieved in terms of ordinary income due mainly to the posting of foreign exchange gains and equity in income of affiliates.

### Net income attributable to owners of parent

In addition to the posting of extraordinary profit, net income attributable to non-controlling interests decreased as a result of converting Renaissance Academy Corporation and Digital Cinema Club, Inc. into wholly-owned subsidiaries. Tax expenses decreased due to the application of consolidated taxation. Thus, we reported net income.

## Financial Position

(Unit: millions of yen)



### Total assets

We recorded an increase in purchase of programs for sale to TV stations and increases in fixed assets and guarantee deposits associated with the integration of Group offices, while cash and deposits decreased.

### Total liabilities

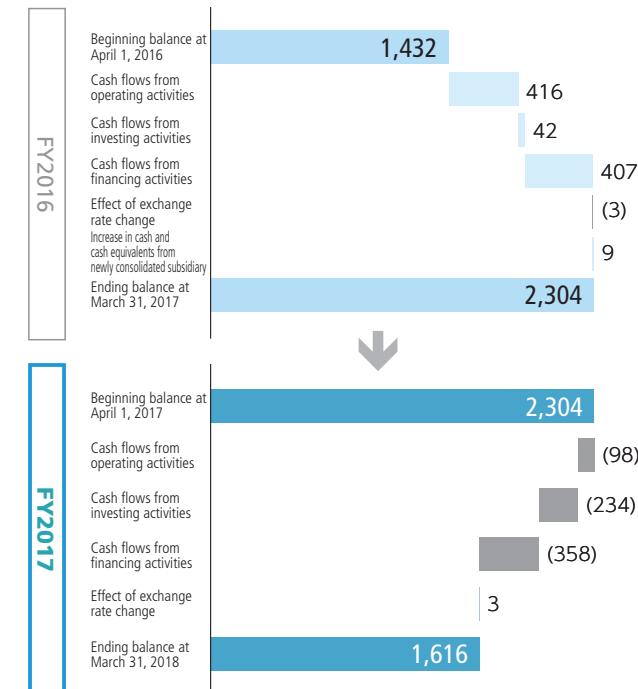
We recorded a decrease in convertible bonds owing to the exercise of stock acquisition rights, in addition to a decrease in provision due to the abolition of directors' retirement benefits plan and a decrease in lease obligations, while accounts payable-trade increased.

### Total net assets

Capital stock and capital surplus increased due to the posting of net income attributable to owners of parent and the exercise of stock acquisition rights. As a result, the equity ratio stood at 33.5%.

## Cash Flows

(Unit: millions of yen)



### Cash flows from operating activities

Increases in trade accounts receivable and inventory including programs for sale to TV stations offset the recording of income before income taxes.

### Cash flows from investing activities

We reported the acquisition of fixed assets and the payment of lease deposits associated with the integration of Group company offices.

### Cash flows from financing activities

Our recordings included repayment of lease obligations and additional acquisition of shares in converting Digital Cinema Club, Inc. into a wholly-owned subsidiary.

# Company Information

As of March 31, 2018

## Company Profile

Company Name	<b>Broadmedia Corporation</b>
Established	<b>September 5, 1996</b>
Paid-in Capital	<b>3,457,496 (thousands of yen)</b>
Employees	<b>42 (consolidated: 405)</b>
URL	<b>http://www.broadmedia.co.jp/</b>

## Group companies



### Fishing Vision Co., Ltd.

<https://www.fishing-v.jp/>

Produces the program dedicated to fishing, "Fishing Vision," and distributes programs for BS broadcasting, SKY PerfecTV! Premium Service, cable TV and others.

Established March 1998  
Location Shinjuku-ku, Tokyo



### Renaissance Academy Corporation

<https://www.renaissance-academy.co.jp/>

Operates three online high schools in the "Renaissance High School Group" where students can learn via smartphones, tablets, and personal computers. Coinciding with the 12th anniversary, the number of alumni has exceeded 13,000. The group is continuously evolving its education content to achieve further advancement as an innovator of online high schools.

Established October 2005  
Location Minato-ku, Tokyo



### HOLLYWOOD CHANNEL INC.

<http://www.hollywood-ch.com/company>

Distributes video, mainly new foreign and Japanese films and dramas, for TVs, personal computers, smartphones, and tablets. Also, distributes digital comics and entertainment news with focus on movies and dramas, provides promotional services, and undertakes production of official websites.

Established April 2003  
Location Minato-ku, Tokyo



### Digital Cinema Club, Inc.

<http://www.dcinema.jp/>

Offers VPF services for film distributors and theaters promoting installation of digital equipment in movie theaters.

Established April 2010  
Location Minato-ku, Tokyo

## Executive Directors and Auditors

As of August 10, 2018

CEO	Taro Hashimoto	Auditor (full-time)	Shunichi Furuya
Executive Director	Toshihito Kubo	Auditor	Kenji Kitatani
Executive Director	Yasutaka Shimamura	Auditor	Jyunko Sato
Executive Director	Hideaki Oshio	Auditor	Jun Yamada
Executive Director (part-time)	Takayoshi Momoi		
Executive Director (outside)	Nobuhiko Seki		

\*Nobuhiko Seki is an outside director.

\*Shunichi Furuya, Kenji Kitatani, Jyunko Sato, and Jun Yamada are outside auditors.



### Broadmedia Studios Corporation

<http://www.bmstd.com/>

Sales of TV broadcast rights of foreign films and dramas, production of Japanese-language versions of foreign films and dramas (subtitles, dubbing), and theatrical distribution and promotion of foreign films, sales and promotion of DVD videos, etc.

Established August 2000  
Location Chuo-ku, Tokyo



### Broadmedia GC Corporation

(formerly Clarinet Corporation)

<http://www.broadmediagc.co.jp/>

Provides technological systems, content, and platforms suitable for cloud gaming.

Established September 2004  
Location Minato-ku, Tokyo



### Broadmedia Technologies Co., Ltd.

<http://www.bmtech.co.jp/>

CDN Solutions K.K. (CDNS) and Roonet Systems Co., Ltd., our Group subsidiaries, were merged by absorption with CDNS as the surviving company in June 2017, and changed its trading name. It will aim to offer new IT services, in addition to the provision of CDN services, security services and internet services for hotels.

Established April 2001  
Location Minato-ku, Tokyo

## Stock Information

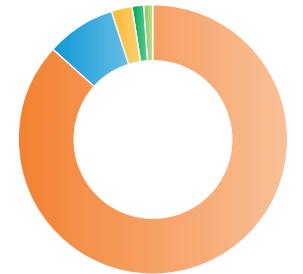
Number of shares authorized	<b>128,000,000 shares</b>
Number of shares issued*	<b>79,147,323 shares</b>
Number of shareholders	<b>16,164</b>

\* The total number of shares issued includes treasury stock (1,157,427 shares).

## Distribution of Shareholders

	Number of shares held (thousands)	Shareholding ratio (%)
Individuals and others*	68,643	86.73
Japanese securities companies	6,650	8.40
Overseas institutions	1,898	2.40
Other Japanese institutions	1,018	1.29
Japanese financial institutions	936	1.18

\* "Individuals and others" in Distribution of Shareholders includes treasury stock.



## Shareholders' Memo

Fiscal year April 1 to March 31 (every year)

Ordinary general meeting of shareholders June every year

Record date for year-end dividend March 31

Record date for interim dividend September 30

Stock exchange listings Tokyo Stock Exchange, JASDAQ Standard

Method for public notice Electronic public notice (posted on the Company's website) <http://www.broadmedia.co.jp/> When notifications are unable to be made due to unavoidable reasons, notifications will be posted in The Nikkei.

Transfer agent Mizuho Trust & Banking Co., Ltd. 1-2-1 Yaesu, Chuo-ku, Tokyo

	If you have an account at a securities company	If you do not have an account at a securities company (In the case of a special account)
Mailing Address	Securities company which you have dealings with.	2-8-4 Izumi, Sugunami-ku, Tokyo 168-8507 Mizuho Trust & Banking Co., Ltd. Stock Transfer Agency Department
Inquiry by Telephone		0120-288-324 Toll-free in Japan (Office hours: from 9:00 am to 5:00 pm, every day except Saturdays, Sundays and public holidays)
Agencies for procedures such as change of address, change of method for receiving dividends, etc.		The head office or all branches nationwide of Mizuho Securities Co., Ltd. The same services are available at the Planet Booth (placed within a Mizuho Bank office).  The head office or all branches nationwide of Mizuho Trust & Banking Co., Ltd. * These services are not available at the Trust Lounge of the bank.
Payment of dividends unclaimed	Head office and all branches nationwide of Mizuho Trust & Banking Co., Ltd. (*) and Mizuho Bank, Ltd. (Mizuho Securities Co., Ltd. will provide transfer services only.) * These services are not available at the Trust Lounge of the bank.	
Notice	For issuance of a payment statement, please use the mailing address, the contact for inquiry by telephone, or agencies for various procedures for "In the case of a special account" stated in the column on the right.	Shares registered with our special accounts cannot be traded, except for the purpose of selling your less-than-one-unit shares or buying additional shares to reach the number of shares per unit. For other share transaction, the shares in the special account need to be transferred to an account opened in a securities company.