



# Business report

For the FY2018

(April 1, 2018 to March 31, 2019)

## BROADEN THE BORDERS OF MEDIA

**Broadmedia Corporation**

(Securities Code: 4347)



### Top Management Interview



**We will strengthen our business foundation through management integration of group companies.**

**Taro Hashimoto, CEO**



### Summary of financial results and operations for FY2018

For the consolidated results in the fiscal year ended March 31, 2019, we recorded revenue of 11,123 million yen, operating income of 167 million yen, ordinary income of 203 million yen, and net income of 167 million yen. Revenue rose compared to the previous fiscal year, and in addition to that increase, there was also a contribution from company-wide efforts to control costs, which resulted in higher operating income. In addition, ordinary income and net income also rose owing to the posting of reversal of allowance for doubtful accounts as well as the posting of refunds for consumption and corporate taxes at our subsidiaries.

In the first half, we experienced negative operating income due to one-time expenses related to the damage associated with fictitious transactions. However, as our business structure

inherently tends to post higher operating income in the second half, and owing to our diligent efforts to improve business results until the end of the fiscal year, the operating income was positive in the end.

Currently, the “Content” and “Technology” segments are the main driving forces of the Company’s business results. The “Content” segment as a whole recorded increased revenue and income, while its education service business, in particular, has been steady thanks to an increase in the number of students enrolled in the Renaissance High School Group. The eSports course introduced at the Osaka School in April 2018 was received well, and in April 2019, we opened “Umeda eSports Campus” as the largest eSports facility in western Japan. In the “Technology” segment, CDN service and Digital cinema service showed favorable results, and both revenue and operating income increased. Each segment has positive and negative aspects, but overall it was a year that we achieved steady results.



### Financial results forecast for FY2019

Our full-year forecast for the fiscal year ending March 31, 2020 expects firm results in the “Broadcast” and “Technology” segments, and we anticipate growth for the “Content” segment. As a result, we believe revenue will rise roughly 8%. In addition, operating income, ordinary income and net income are also projected to accumulate, leading to increases in both revenue and income. We expect that FY2019 will maintain a recovery trend.

(Unit: millions of yen)	FY2018 results	FY2019 full-year forecast	Difference	Rate of increase
<b>Revenue</b>	11,123	<b>12,000</b>	➤ 877	8%
<b>Operating income</b>	167	<b>350</b>	➤ 183	110%
<b>Ordinary income</b>	203	<b>360</b>	➤ 157	77%
<b>Net income</b>	167	<b>180</b>	➤ 13	8%



### Two objectives of management integration

We spent time to consider our vision of the Group’s organization, and came to the conclusion that, given the backdrop of this recovery in business results, this would be the time to integrate wholly-owned subsidiaries into the Company, strengthening both our compliance system and business foundation. Up to the present, each business had its own history and subsidiaries, whereby our group structure placed emphasis on each company’s swift decision-making and mobility. However, this structure tended to make each of the businesses small entities. For that reason, we are considering an absorption-type merger of our six wholly-owned subsidiaries by the end of FY2019, so as to remove the barriers between the Company and its subsidiaries, and to advance a stronger collaborative system for all the businesses.



From a business perspective, the objective of management integration is to bring all businesses under the same umbrella as mentioned above, so as to make it easier to develop businesses jointly by overcoming barriers between conventional subsidiaries and segments. For example, we anticipate joint structures such as Education & Technology, Education & Game, and Technology & Studio. We will see great merits emerging by having the know-how cultivated in each business shared with other businesses.

#### Education & Technology

- ▶ Development of Japanese language education system (AI Learning®)

#### Education & Game

- ▶ Develop unique eSports business

#### Technology & Studio

- ▶ Expand delivery of movies to movie theaters
- ▶ Expand delivery of TV commercials and source images to TV broadcasters
- ▶ Digital equipment sales to movie theaters

From the perspective of management efficiency, we are looking to achieve such benefits as eliminating the duplication of administrative tasks, reducing tax burdens incurred by each company, removing internal workloads associated with transactions among the Group companies, and creating economies of scale in outsourcing. In addition, as seamless transfer of human resources becomes possible, we will push forward with the optimization of staff allocation. Through management integration, we aim to strengthen collaboration among each business, raise management efficiency and improve corporate value. Simplifying the organization will enable us to do what is required without delay. Based on this policy we will work to accelerate growth.



### To our shareholders

Results are steadily recovering, and we believe that from FY2018 to FY2019 we will be on a trajectory for growth. Going forward, FY2019 will be an important year with respect to whether or not we can achieve greater growth after FY2020. We will take a firm stance to address this issue.

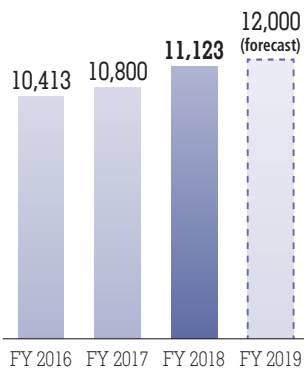
With regard to dividends, as retained earnings are negative, we sincerely regret that we will not pay year-end dividends for FY2018, and at the same time, also do not plan to pay dividends in FY2019.

We strive to accelerate the recovery of our financial results, improve corporate value, and provide returns to shareholders as soon as possible. I would be most grateful to our shareholders for their continuing support.

# Financial Highlights for FY2018

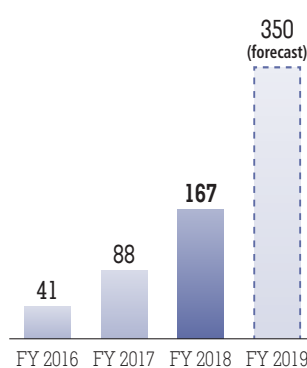
## Revenue

(Unit: millions of yen)



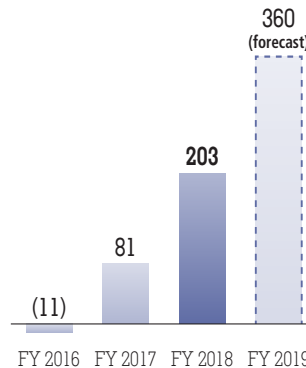
## Operating income

(Unit: millions of yen)



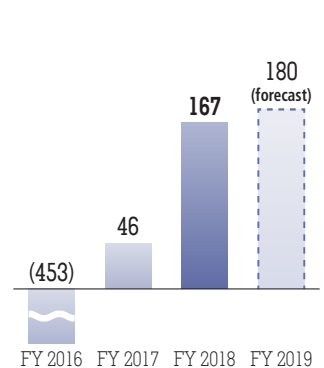
## Ordinary income

(Unit: millions of yen)



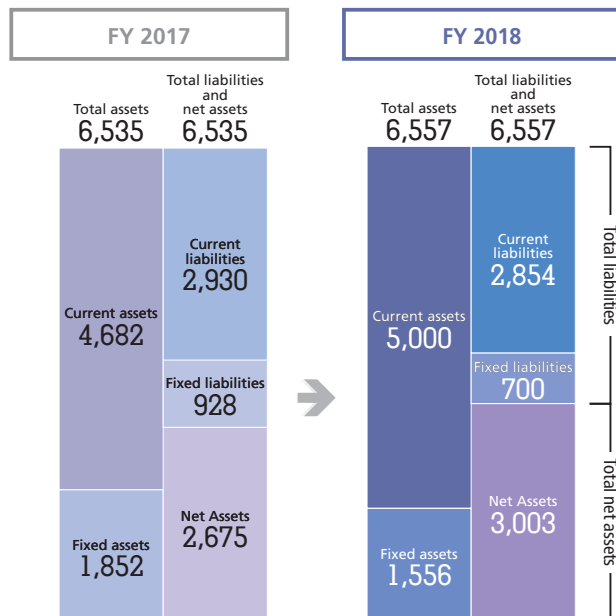
## Net income attributable to owners of parent

(Unit: millions of yen)



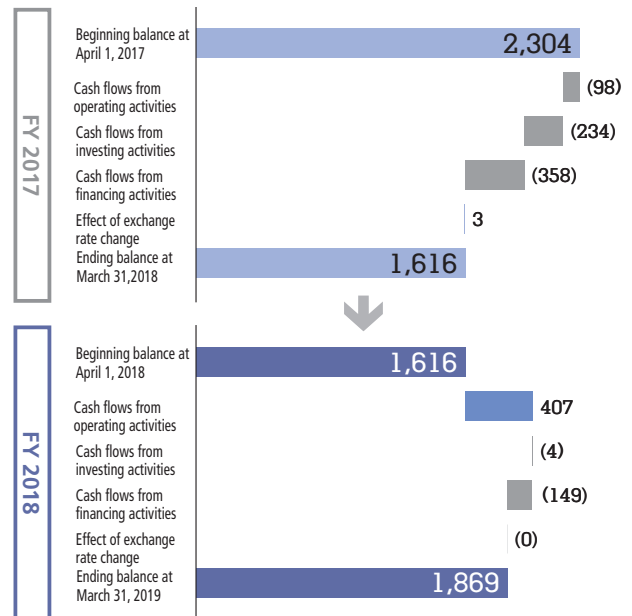
## Financial Position

(Unit: millions of yen)



## Cash Flows

(Unit: millions of yen)



## Introduction to the Corporate Website

### 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.



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



### IR Website

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

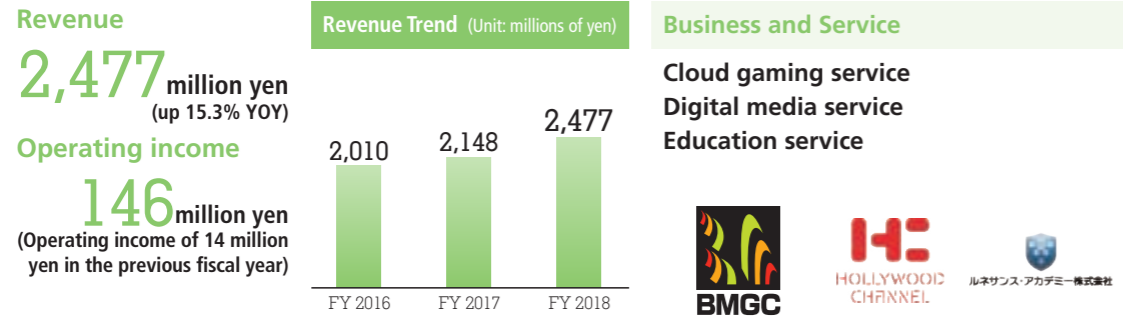
[Information disclosed on the site] Consolidated financial results, annual securities reports (yukashoken hokokusho), business reports, notices of general meetings of shareholders, electronic notices, etc.



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



## Content



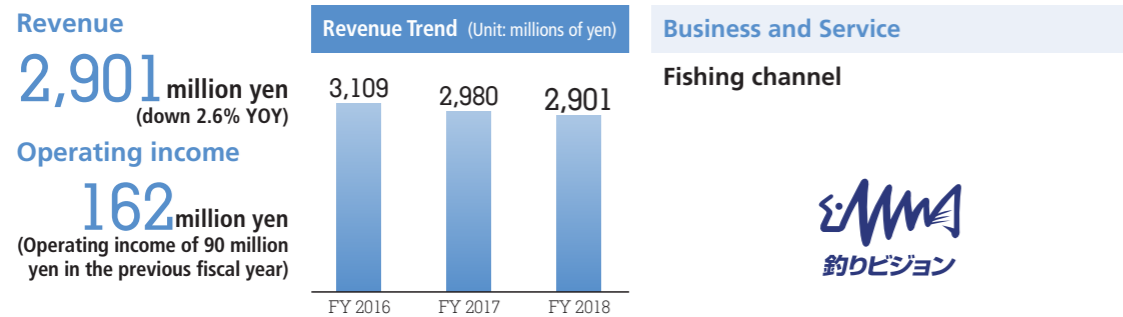
### TOPICS Expanded and relocated "Umeda eSports Campus" in April 2019 in collaboration with Renaissance Osaka High School as the largest eSports facility in western Japan



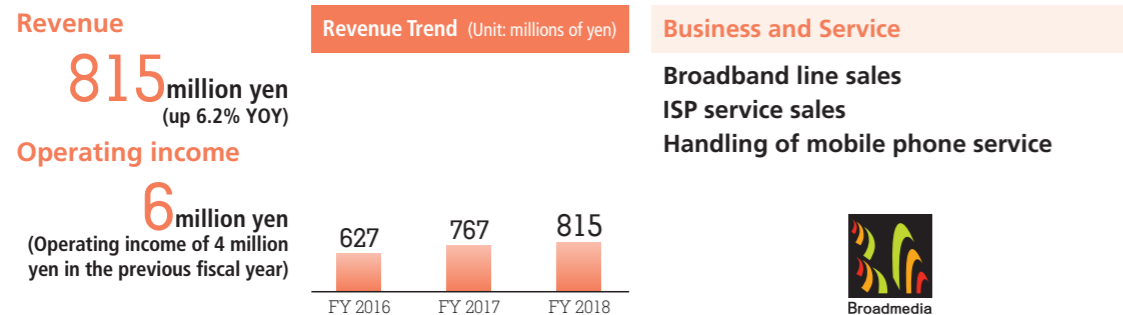
In April 2019, Renaissance Academy Corporation opened "Umeda eSports Campus" in Umeda, Osaka as the largest eSports facility in western Japan, in collaboration with Renaissance Osaka High School. The eSports course at the school was opened in April 2018 as the first-ever eSports course offered by a high school in Japan. Following the greater-than-expected response, Renaissance Academy decided to expand and relocate the campus, and built a new dedicated facility in Umeda, Osaka.

Having an area of 186 square meters and equipped with 40 Gaming PCs and gaming chairs, the largest eSports facility in western Japan will offer an even more quality environment to students aspiring to become professional gamers.

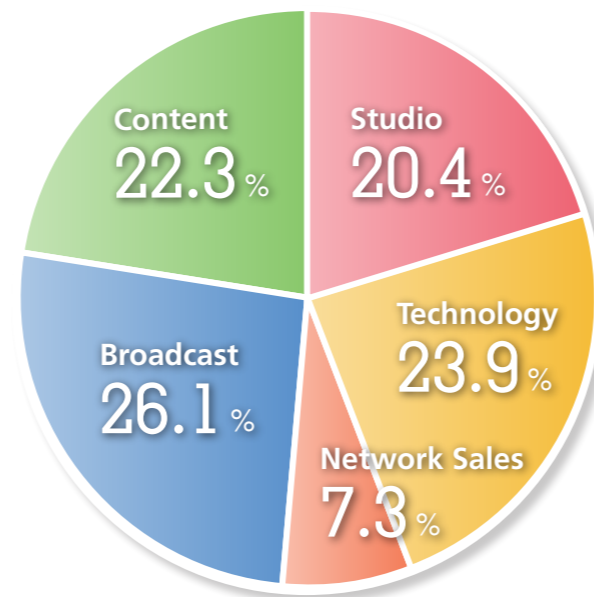
## Broadcast



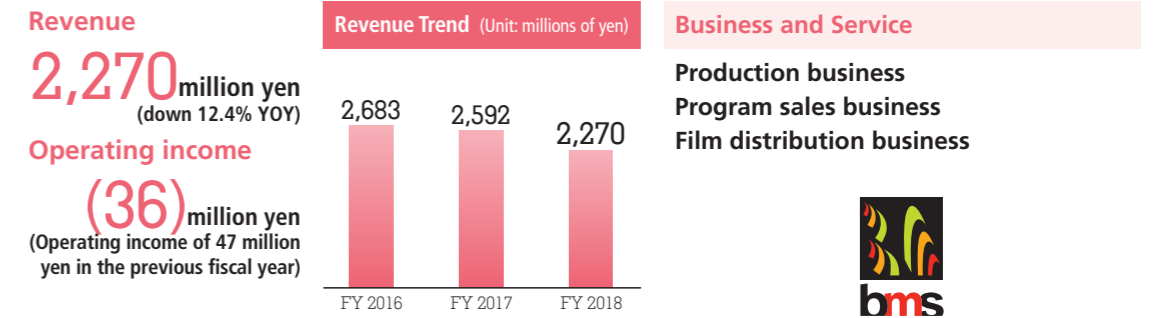
## Network Sales



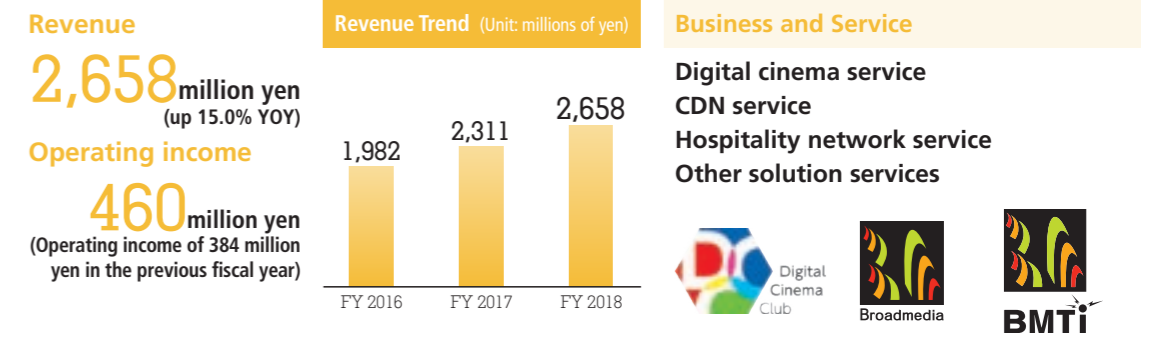
**Total Revenue**  
11,123 million yen



## Studio



## Technology



### TOPICS Broadmedia Technologies launches "Enterprise Application Access," Akamai's next-generation access service to improve the efficiency of multi-cloud tasks and work-style reform

Broadmedia Technologies Co., Ltd. started providing Enterprise Application Access (hereafter, EAA), a solution of Akamai Technologies GK (hereinafter, Akamai).

EAA is a cloud service which provides fast and safe connections to enterprises' applications for their employees via Akamai's service platform on the Internet. EAA can be easily introduced at low cost and it offers a stable and secure network environment regardless of country and location. Currently, many Japanese enterprises' information and communication technology (ICT) departments are facing the challenges of managing resources that are widely distributed across multiple cloud services, and increasing numbers of remote workers. With EAA, these challenges can be solved, making enterprises' ICT operations faster and reducing costs. Moreover, EAA contributes to establishing a Zero Trust security model which greatly reduces the cyber security risks that many enterprises are facing.

### TOPICS Broadmedia Technologies launches "Passage AI," a conversational AI platform with the industry-highest accuracy level of over 95%



Broadmedia Technologies Co., Ltd. has concluded the first-ever partnership agreement in Japan with Rupert Labs, Inc. that provides "Passage AI," a bot building platform utilizing AI/NLP (Natural Language Processing) technologies. After the execution of this agreement, Broadmedia Technologies started to provide conversational AI solution (chatbot and voice assistant) to enterprises and the hotel industry, etc.

"Passage AI" is a conversational AI platform for enterprises that is excellent in accuracy and requires no coding knowledge. With the use of this platform, highly practical and functional chatbots can be developed in a wide range of fields in coordination with various user interfaces without an undue amount of time and expense that were previously needed for development.



# Guidance on the shareholder incentive system

To eligible shareholders, we will give out points that can be used in the video distribution service, “Crank-In! Video” and the digital comics service “Crank-In! Comic”. (1 point is equivalent to 1 yen)

## クランクイン!ビデオ クランクイン!コミック



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



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.

## Company Profile / Information on Shares/ Shareholders' Memo (As of March 31, 2019)

### Company Profile

Company Name	Broadmedia Corporation
Established	September 5, 1996
Paid-in Capital	3,457,496 (thousands of yen)
Employees	42(consolidated: 404)
URL	<a href="https://www.broadmedia.co.jp/">https://www.broadmedia.co.jp/</a>

### Executive Directors and Auditors (As of June 28, 2019)

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		

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

### Stock Information

Number of shares authorized	128,000,000 shares
Number of shares issued*	79,147,323 shares
Number of shareholders	15,102

\* 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*	65,485	82.74
Japanese securities companies	5,171	6.53
Overseas institutions	5,196	6.57
Other Japanese institutions	2,056	2.60
Japanese financial institutions	1,236	1.56

\* “Individuals and others” 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) <a href="https://www.broadmedia.co.jp/">https://www.broadmedia.co.jp/</a> 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.
Place of business	Mizuho Trust & Banking Co., Ltd. Stock Transfer Agency Department
For administrative procedures	2-8-4 Izumi, Suginami-ku, Tokyo 168-8507 Mizuho Trust & Banking Co., Ltd. Stock Transfer Agency Department TEL: 0120-288-324 (Toll-free in Japan)



### Group companies



#### Fishing Vision Co., Ltd.

<https://www.fishing-v.jp/>  
Established March 1998  
Location Shinjuku-ku, Tokyo



#### Renaissance Academy Corporation

<https://www.renaissance-academy.co.jp/>  
Established October 2005  
Location Minato-ku, Tokyo



#### HOLLYWOOD CHANNEL INC.

<https://www.hollywood-ch.com/>  
Established April 2003  
Location Minato-ku, Tokyo



#### Digital Cinema Club, Inc.

<https://www.dcinema.jp/>  
Established April 2010  
Location Minato-ku, Tokyo



#### Broadmedia Studios Corporation

<https://www.bmstd.com/>  
Established August 2000  
Location Chuo-ku, Tokyo



#### Broadmedia GC Corporation

<https://www.broadmediagc.co.jp/>  
Established September 2004  
Location Minato-ku, Tokyo



#### Broadmedia Technologies Co., Ltd.

<https://www.bmtech.co.jp/>  
Established April 2001  
Location Minato-ku, Tokyo



#### Broadmedia Communications Corporation

<https://www.bmcom.co.jp/>  
Established October 2018  
Location Minato-ku, Tokyo

