



Broadmedia

# Summary of Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2019

**Broadmedia Corporation**

**August 14, 2018**

The statements contained here indicate the Company's current plans, expectations, strategies, and beliefs. Any statements that are not historical facts are forward-looking statements regarding future business performance. This document contains forecasts determined by the Company's management based on information presently available. The Company asks that you do not rely completely on these forward-looking statements because actual business results may vary materially from these statements due to various risks and uncertain factors.

## Amendment of Financial Results for Prior Years

Financial Summary for the First  
Quarter of FY2018

### 【Reference Documents】

- Results by Business Segment
- Topics



Regarding amendment of  
financial results for prior years  
related to damages from  
fictitious transactions suffered by  
Fishing Vision



- As of July 20, amendment of financial results is complete
  - ✓ We submitted the annual securities report for the fiscal year ended March 31, 2018, which had been postponed
  - ✓ We also amended and submitted annual and quarterly securities reports and summaries of financial results for prior years
  - ✓ Following an audit, an audit review report from the audit corporation expressing an unqualified opinion was attached to all submitted reports



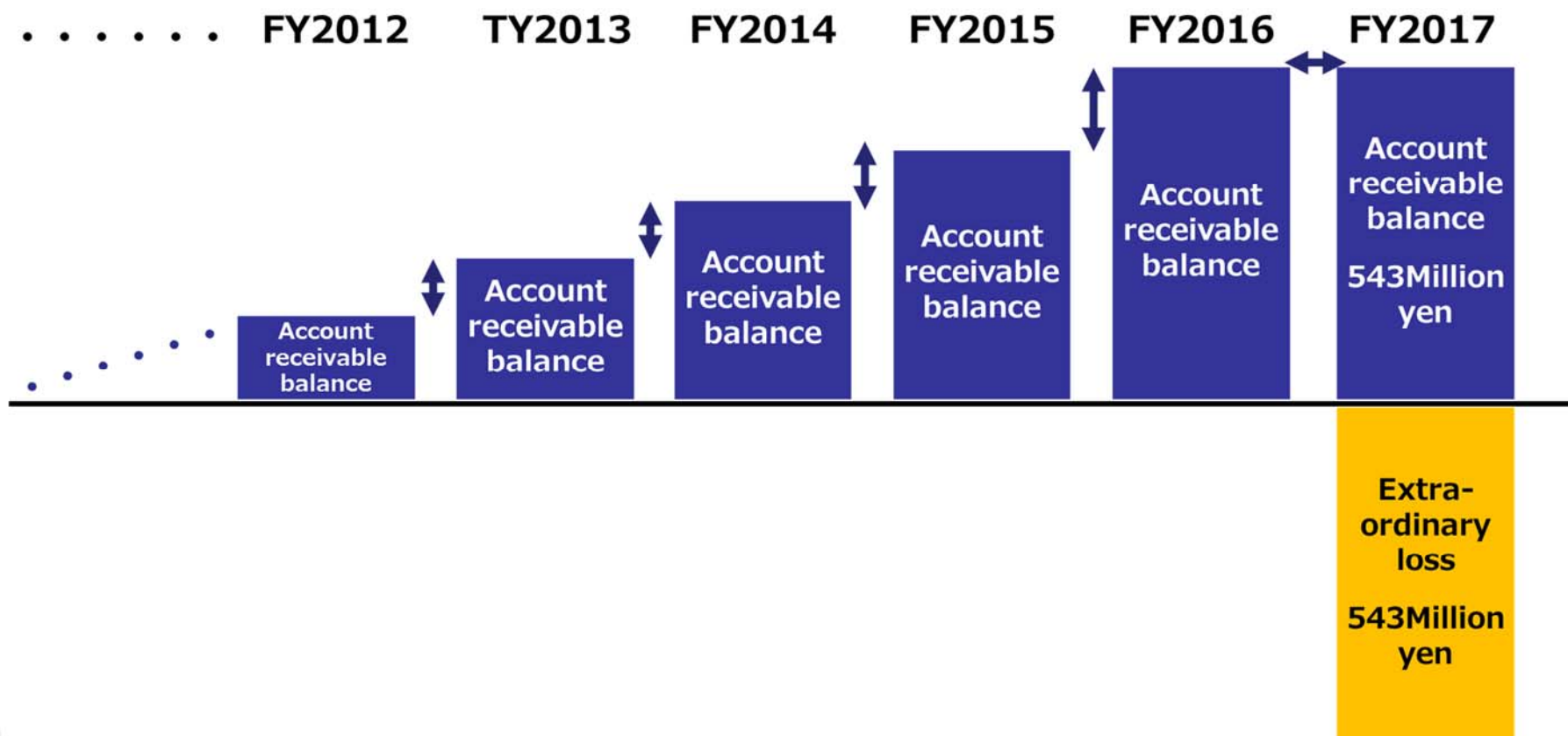
- Change of accounting method associated with damages from fictitious transactions
  - ✓ Change from initial method of booking a lump-sum allowance for doubtful accounts to method of allocating the amount proportionately to prior years
  - ✓ As a result, we did not incur an extraordinary loss in FY2017.

# Change of Accounting Method



Initial method of recording losses and changes in accounts receivable–other (receivables)

(Announced May 30)

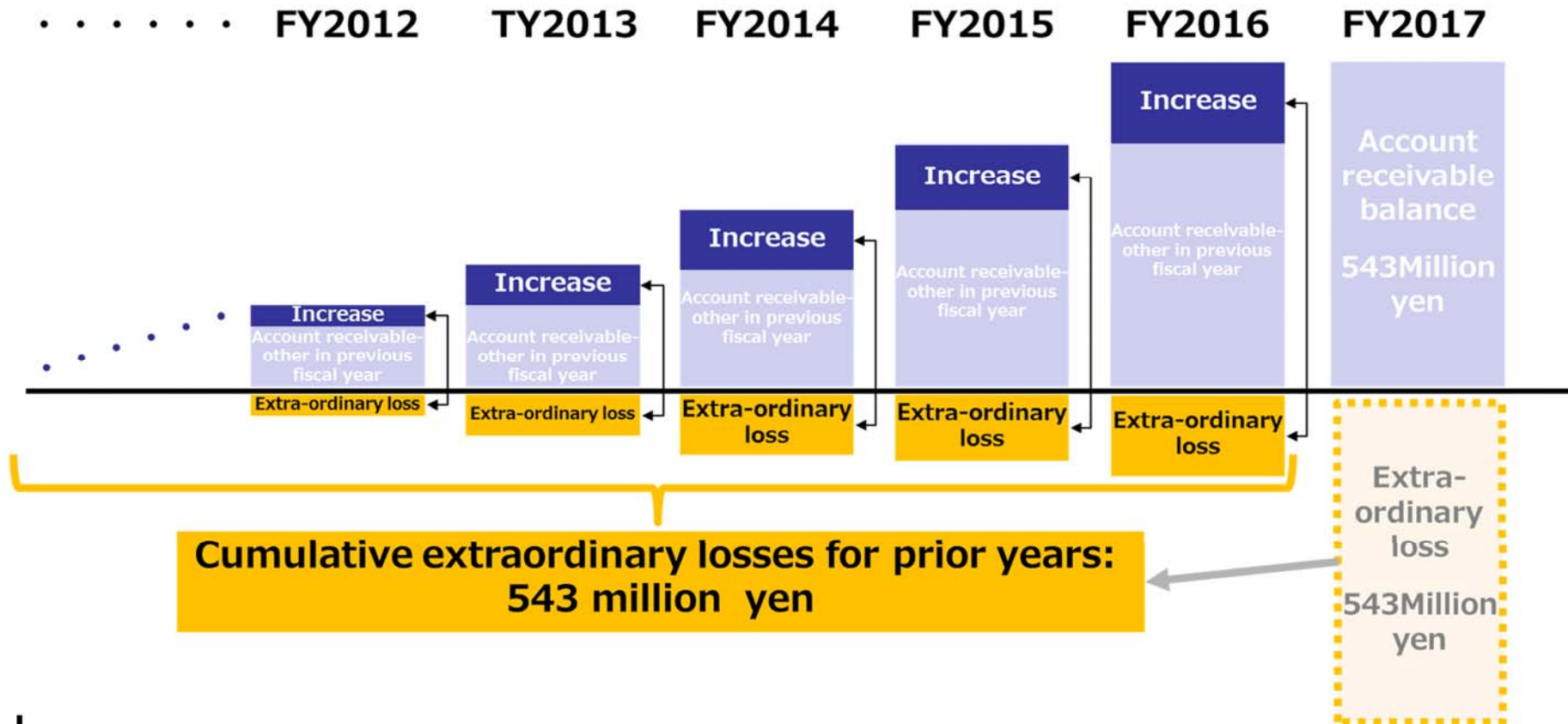


# Change of Accounting Method



## Revised method of recording losses

(Announced July 20)



# Consolidated Financial Results after amendment (announced on July 20)



(Unit : Million yen) (Amounts are rounded down to the nearest million yen)

	<b>FY2016</b>	<b>FY2017</b>	<b>Difference</b>
	<b>Amended financial results</b>	<b>Amended financial results</b>	
<b>Revenue</b>	10,413	10,800	387
<b>Operating income</b>	38	85	47
<b>Ordinary income</b>	(14)	78	92
<b>Net income</b>	(457)	43	500

As a result, we recorded a final profit on a full-year basis in FY2017.



- Submission of Improvement Report to the TSE on August 7
  - ✓ We will implement improvement measures to prevent a reoccurrence and strengthen corporate governance and compliance
  - ✓ We will report on the status of improvement in six months (February 2019)
  
- Convocation of “continuation” of General Meeting of Shareholders on August 10
  - ✓ Made reports including business report and financial statements and the 22nd Ordinary General Meeting of Shareholders was closed

### ■ Actions to be taken

- ✓ Because this is a case of fraud, we are proceeding with a criminal complaint.
- ✓ Regarding damages incurred by our group, the Company will make efforts to obtain refunds, claim damages, etc.
- ✓ We have also been making progress with the amendment of the consumption/corporate tax declaration.

We regret that the situation remains outstanding and apologize sincerely to all stakeholders for the inconvenience and concern that has been caused.

## Amendment of Financial Results for Prior Years

### Financial Summary for the First Quarter of FY2018

#### 【Reference Documents】

- Results by Business Segment
- Topics

# Consolidated Financial Results for the First Quarter (April – June)



(Unit : Million yen) (Amounts are rounded down to the nearest million yen)

	FY2017 1Q	FY2018 1Q	Difference	Rate of difference	Forecasts for full-year financial results (*)
Revenue	2,657	2,764	107	4%	11,700
Operating income	26	(30)	(56)	-	50
Ordinary income	27	(43)	(70)	-	40
Net income	60	(89)	(149)	-	(80)

\* Announced on May 30, 2018

- Revenue and income increased year on year.
- Costs relating to damages from fictitious transactions suffered by Fishing Vision of around 70 million yen were incurred in the first quarter (April – June), and we recorded an operating loss and an ordinary loss.
- The net loss reflects the absence of extraordinary income recorded in the same period a year ago.
- Due to progress almost as anticipated at the beginning of the fiscal year, the full-year results forecasts remain unchanged.

# Consolidated Financial Results by Business Segment



(Unit : Million yen) (Amounts are rounded down to the nearest million yen)

	Revenue			Operating income		
	FY2017 1Q	FY2018 1Q	Difference	FY2017 1Q	FY2018 1Q	Difference
Content	543	588	↑ 44	(9)	(14)	↓ (5)
Broadcast	743	722	↓ (21)	45	41	↓ (3)
Studio	614	529	↓ (84)	0	(8)	↓ (9)
Technology	535	628	↑ 93	86	100	↑ 14
Network Sales	219	295	↑ 75	(0)	12	↑ 12
Corporate expenses				(96)	(161)	↓ (65)
<b>Total</b>	<b>2,657</b>	<b>2,764</b>	<b>↑ 107</b>	<b>26</b>	<b>(30)</b>	<b>↓ (56)</b>

# Consolidated Financial Results by Business Segment



(Unit : Million yen) (Amounts are rounded down to the nearest million yen)

	Revenue			Operating income		
	FY2017 1Q	FY2018 1Q	Difference	FY2017 1Q	FY2018 1Q	Difference
<b>Content</b>	<b>543</b>	<b>588</b>	<b>44</b>	<b>(9)</b>	<b>(14)</b>	<b>(5)</b>
Broadca	743	722	(21)	45	41	(3)
						(9)
						14
						12
						(65)
						(56)

- ✓ In education services, revenue rose due to an increase in new students, while operating income remained at the same level due to costs incurred in relation to the start of new commuting-based learning courses.
- ✓ In the cloud gaming business, revenue grew and the operating loss narrowed.
- ✓ In digital media services, upfront costs were incurred in connection with the launch of “Crank-In! Comic” service.

# Consolidated Financial Results by Business Segment



(Unit : Million yen) (Amounts are rounded down to the nearest million yen)

	Revenue			Operating income		
	FY2017 1Q	FY2018 1Q	Difference	FY2017 1Q	FY2018 1Q	Difference
Content	543	588	↑ 44	(9)	(14)	↓ (5)
<b>Broadcast</b>	<b>743</b>	<b>722</b>	↓ (21)	<b>45</b>	<b>41</b>	↓ (3)
Studio	814	529	↓ (285)	0	(8)	↓ (8)
						14
						12
						(65)
Total	2,657	2,764	↑ 107	26	(30)	↓ (56)

- ✓ Both revenue and operating income declined because subscription revenue is in a downward trend.
- ✓ We will implement organizational reforms aimed at strengthening the governance structure and improving profitability.

# Consolidated Financial Results by Business Segment



(Unit : Million yen) (Amounts are rounded down to the nearest million yen)

	Revenue			Operating income		
	FY2017 1Q	FY2018 1Q	Difference	FY2017 1Q	FY2018 1Q	Difference
Content	543	588	44	(9)	(14)	(5)
Broadcast	743	722	(21)	45	41	(3)
<b>Studio</b>	<b>614</b>	<b>529</b>	(84)	<b>0</b>	<b>(8)</b>	(9)
Technology	535	628	93	86	100	14
						12
						(65)
						(56)

- ✓ Both revenue and income increased, as sales of programs to TV stations increased in the program sales business.
- ✓ Both revenue and income decreased, as orders declined in the production business.
- ✓ In the film distribution business, both revenue and operating income declined as video sales, etc. declined.



# Consolidated Financial Results by Business Segment



(Unit : Million yen) (Amounts are rounded down to the nearest million yen)

	Revenue			Operating income		
	FY2017 1Q	FY2018 1Q	Difference	FY2017 1Q	FY2018 1Q	Difference
Content	543	588	44	(9)	(14)	(5)
Broadcast	743	722	(21)	45	41	(3)
Studio	614	529	(84)	0	(8)	(9)
<b>Technology</b>	<b>535</b>	<b>628</b>	<b>93</b>	<b>86</b>	<b>100</b>	<b>14</b>
Network S	219	295	75	(0)	12	12
						(65)
						(56)

- ✓ Solutions and services handled expanded.
- ✓ Both revenue and operating income increased due to growth in the number of customers.

# Consolidated Financial Results by Business Segment



(Unit : Million yen) (Amounts are rounded down to the nearest million yen)

	Revenue			Operating income		
	FY2017 1Q	FY2018 1Q	Difference	FY2017 1Q	FY2018 1Q	Difference
Content	543	588	44	(9)	(14)	(5)
Broadcast	743	722	(21)	45	41	(3)
Studio	614	529	(84)	0	(8)	(9)
Technology	535	628	93	86	100	14
<b>Network Sales</b>	<b>219</b>	<b>295</b>	<b>75</b>	<b>(0)</b>	<b>12</b>	<b>12</b>

✓ Both revenue and income increased, as sales of a high-speed internet plan grew.

# Consolidated Financial Results by Business Segment



(Unit : Million yen) (Amounts are rounded down to the nearest million yen)

	Revenue			Operating income		
	FY2017 1Q	FY2018 1Q	Difference	FY2017 1Q	FY2018 1Q	Difference
Content	543	588	44	(9)	(14)	(5)
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Studio	614	529	(84)	0	(8)	(9)
Technology	535	628	93	86	100	14
Network Sales	219	295	75	(0)	12	12
Corporate expenses				(96)	(161)	(65)

- ✓ The results reflect the temporary expenses (around 70 million yen) incurred in relation to the damages from fictitious transactions suffered by Fishing Vision.

# Consolidated Financial Position



## Condition of assets, liabilities, and net assets

(Unit : Million yen)

	FY2017	FY2018 1Q	Difference	Rate of difference
Total assets	6,535	6,025	(510)	(8%)
Liabilities	3,859	3,435	(424)	(11%)
Net assets	2,675	2,589	(85)	(3%)
Shareholders' equity	2,187	2,092	(94)	(4%)
Stock acquisition rights for non-controlling shareholders	487	497	9	2%
Shareholders' equity ratio	33%	35%	—	—

(Amounts are rounded down to the nearest million yen)

### Total assets

- While prepaid expenses increased, cash and deposits declined.

### Liabilities

- Accounts payable-trade, advances received and lease obligations decreased.

### Net assets

- Due to a net loss was posted, net assets decreased.

# Consolidated Financial Position



## Condition of Cash flow

	FY2017 1Q	FY2018 1Q
Operating cash flow	(411)	(308)
Investing cash flow	(58)	(22)
Financing cash flow	72	(72)
Changes in cash and cash equivalents	(394)	(405)
Year-end balance of cash and cash equivalents	1,909	1,211

(Unit : Million yen) (Amounts are rounded down to the nearest million yen)

Note: The table above does not reflect the effects of the exchange rate change on cash and cash equivalents.

### Operating cash flow

- A cash outflow of 308 million yen mainly due to the posting of a net loss, the payment of purchase prices in TV program sales, and the advance payment of satellite charges for BS broadcasting

### Investing cash flow

- A cash outflow of 22 million yen chiefly due to the payment of lease deposits associated and the acquisition of non-current assets.

### Financing cash flow

- A cash outflow of 72 million yen mainly due to the repayment of lease obligations.

- ✓ We are enhancing governance throughout the company and our compliance system, working to achieve our group's sustainable growth and improve its corporate value.
- ✓ We aim to increase profit by taking on new challenges and creating opportunities to earn further profits in each segment.

# Thank you for your attention.



**Broadmedia**

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## Financial Summary for the First Quarter of FY2018



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- Topics



# Consolidated Financial Results by Business Segment – Content –



	Revenue			Operating income		
	FY2017 1Q	FY2018 1Q	Difference	FY2017 1Q	FY2018 1Q	Difference
Content	543	588	 44	(9)	(14)	 (5)

(Unit : Million yen) (Amounts are rounded down to the nearest million yen)

- In education services, revenue rose due to an increase in new students, while operating income remained at the same level due to costs incurred in relation to the start of new commuting-based learning courses.
- In the cloud gaming business, revenue grew and the operating loss narrowed.
- In digital media services, upfront costs were incurred in connection with the launch of “Crank-In! Comic” service.

### ◆ Cloud Gaming services

- Cloud gaming: “G-cluster”
- Cloud game apps for smartphones
- Providing platform for telcos

### ◆ Digital Media services

- “Crank in !”
- “Crank in ! Video”
- “Crank in ! Comic”

### ◆ Educational services

- Renaissance High School
- Renaissance Toyota High School
- Renaissance Osaka High School

# Consolidated Financial Results by Business Segment – Broadcast –



	Revenue			Operating income		
	FY2017 1Q	FY2018 1Q	Difference	FY2017 1Q	FY2018 1Q	Difference
<b>Broadcast</b>	743	722	(21)	45	41	(3)

(Unit : Million yen) (Amounts are rounded down to the nearest million yen)

- Both revenue and operating income declined because subscription revenue is in a downward trend.
- We will implement organizational reforms aimed at strengthening the governance structure and improving profitability.

## ◆ “*Fishing Vision*”, a channel dedicated to fishing programs

- Satellite basic broadcasting (BS broadcasting)
- Distribution of “*Fishing Vision*” mainly to cable operators
- Others

# Consolidated Financial Results by Business Segment – Studio –



	Revenue			Operating income		
	FY2017 1Q	FY2018 1Q	Difference	FY2017 1Q	FY2018 1Q	Difference
<b>Studio</b>	614	529	(84)	0	(8)	(9)

(Unit : Million yen) (Amounts are rounded down to the nearest million yen)

- Both revenue and income increased, as sales of programs to TV stations increased in the program sales business.
- Both revenue and income decreased, as orders declined in the production business.
- In the film distribution business, both revenue and operating income declined as video sales, etc. declined.

## ◆ Production business

- Production of Japanese subtitles
- Production of Japanese dubs
- Production of teletext data
- Production of program promotions

## ◆ Film distribution business



- Production and distribution of theatrical films
- Sales of DVD and Blu-ray titles
- Sales of TV broadcasting rights
- Sales of VOD rights

## ◆ Program sales business

- Provisioning of Hollywood and other movies to TV stations.

# Consolidated Financial Results by Business Segment – Technology –



	Revenue			Operating income		
	FY2017 1Q	FY2018 1Q	Difference	FY2017 1Q	FY2018 1Q	Difference
<b>Technology</b>	<b>535</b>	<b>628</b>	 <b>93</b>	<b>86</b>	<b>100</b>	 <b>14</b>

(Unit : Million yen) (Amounts are rounded down to the nearest million yen)

- Solutions and services handled expanded.
- Both revenue and operating income increased due to growth in the number of customers.

## ◆ CDN services

- Broadmedia®CDN Entry
- Broadmedia®CDN mobile
- Broadmedia®CDN mobile movie
- Broadmedia®CDN CM online
- Broadmedia Technologies' CDN service etc.

## ◆ Hospitality network

- Provisioning of Internet services to hotel guest rooms, conference rooms, etc.

## ◆ Digital cinema services

- Broadmedia®CDN for theaters
- Sales and rental services of distribution equipment, etc.
- Provisioning of VPF services

# Consolidated Financial Results by Business Segment – Network Sales –




	Revenue			Operating income		
	FY2017 1Q	FY2018 1Q	Difference	FY2017 1Q	FY2018 1Q	Difference
<b>Network Sales</b>	<b>219</b>	<b>295</b>	<b>75</b>	<b>(0)</b>	<b>12</b>	<b>12</b>

(Unit : Million yen) (Amounts are rounded down to the nearest million yen)

■ Both revenue and income increased, as sales of a high-speed internet plan grew.

◆ Sales of ISP services      ◆ Sales of broadband lines      ◆ Others

# Consolidated Financial Results by Business Segment – Corporate expenses – Broadmedia

	Operating income		
	FY2017 1Q	FY2018 1Q	Difference
<b>Corporate expenses</b>	<b>(96)</b>	<b>(161)</b>	 <b>(65)</b>

(Unit : Million yen) (Amounts are rounded down to the nearest million yen)

- The results reflect the temporary expenses (around 70 million yen) incurred in relation to the damages from fictitious transactions suffered by Fishing Vision.

## ◆ Expenses and income for the administrative division of the Group headquarters (Broadmedia)



Launch of Programming x Intensive English Course by Renaissance High School Group, announced in June 2018



ルネサンス高等学校



エンジニア国内留学  
**NexSeed**  
瀬戸内校

Supporting the acquisition of skills required by society



# Holding of "SHADOWVERSE" ES (Event Support) at Renaissance Osaka High School on July 28, 2018



Participation award emblem

Emeralda, Demonic Officer



© Cygames, Inc.

A competitive online trading card game that can be played on a smartphone, developed and launched by Cygames in 2016 with a mind to turning it into an e-sport





Opening of Nagoya Sakae Campus in Nagoya Sakae on August 1, 2018 in partnership with Renaissance Toyota High School

Plan to launch a YouTuber and e-sports programmer course





Formation of education services partnership  
between Renaissance High School Group and  
Yoyogi Animation Gakuin on August 3, 2018



YOANI

代々木アニメーション学院

ルネサンス高等学校

“YOANI” will share the knowhow accumulated over 40 years  
with Renaissance high school students!

Provision of affordable 1-week course in animation  
and voice acting

Start of distribution of *PHOTON<sup>3</sup>*,  
A 3D prism action puzzle  
on Amazon Fire TV and G-cluster platforms  
on June 28 (Thur)



新人キューブ・トレイラー育成キャンペーン特別セール!開催  
2018 6/28 (木) 正午 ~ 7/31 (火) 正午

フォトキューブ  
**PHOTON<sup>3</sup>**

期間限定価格  
**630円**  
(税込)  
通常価格700円

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Launch of *Asonde Manabu!*,  
an intellectual training app for young children,  
on Amazon Fire TV and G-Cluster platforms  
Start of distribution from July 5 (Thur)





- Launch of air traffic control puzzle game  
*Boku Wa Kokukanseikan 4 Centrair*  
- a cloud gaming app for smartphones and tablets  
- July 26 (Thur)!







Film *On Wings of Eagles*,  
which tells the heroic story of the “later life” of the  
legendary gold medalist from the deeply moving Academy-  
Award winning film *Chariots of Fire*,  
is to be released progressively at theaters nationwide  
including Yurakucho Subaru-za from July 14 (Sat)



## Film *La Mélodie*,

which tells the story of a frustrated violinist and children who find their dream rehearsing on the rooftops in Paris

is to be released progressively at theaters nationwide, including Human Trust Cinema Yurakucho Shinjuku Musashinokan and Yebisu Garden Cinema from August 18 (Sat)



**We aim to contribute to the development of a more affluent community through the dissemination of high quality products and services that are derived from creativity.**



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



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