



Broadmedia

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

Broadmedia Corporation

November 1, 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.

Handling of fictitious transactions suffered by Fishing Vision

Financial Summary for the First Half of FY2018

Topics

[Reference Documents]

- **Results by Business Segment**

Damages from Fictitious Transactions Suffered by Fishing Vision



January 2018

Discovered fictitious transactions

Damage amount 543 million yen
Associated expenses approx. 200 million yen

From January to June, 2018

Investigation by the Internal Investigation Committee and Third-Party Committee

- ⇒ The matter was a case of fraud committed by a subcontractor.
- ⇒ They did not find that there were any individuals internally who had been involved in the fictitious transactions.

July 2018

All amendments of financial results are complete

August 2018

Submission of Improvement Report to the TSE

- ⇒ We have implemented improvement measures to prevent a reoccurrence and to strengthen corporate governance and compliance.
- ⇒ We will report to the TSE on the status of improvements in February 2019.

Criminal procedure

⇒ Submitted documents necessary for criminal complaint. Police and prosecutors are investigating.

Civil procedure

(Recovery by demand for damages)

⇒ Ongoing court procedures are individual negotiations.

Procedure for revising consumption/ corporate tax declaration

⇒ "Amendment of Tax Declaration" for FY2012 was approved, and procedures for refund have been completed.

(The amount of the refund of approx. 10 million yen was posted in the financial results for the first half.)

⇒ Procedures for "Amendment of Tax Declaration" for FY2013 through FY2016 are also in preparation.

⇒ If all the claims for amendment are approved, the total amount of refunds will be about 400 million yen, and the bottom line is expected to improve approx. 200 million yen in the consolidated financial results .

Handling of fictitious transactions suffered by Fishing Vision

Financial Summary for the First Half of FY2018

Topics

[Reference Documents]

- **Results by Business Segment**

Consolidated Financial Results for the First Half (April – September)



(Unit : Million yen)

	FY2017 1H	FY2018 1H	Difference	Rate of difference
Revenue	5,159	5,509	350	7%
Operating income	(2)	(97)	(95)	–
Ordinary income	(15)	(83)	(68)	–
Net income	0	(165)	(166)	–

(Amounts are rounded down to the nearest million yen)

Overview

- Revenue increased 7% year on year.
- Costs relating to damages from fictitious transactions suffered by Fishing Vision of around 150 million yen were incurred in the first half (April – September), and we recorded an operating loss, an ordinary loss and a net loss.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2017 1H	FY2018 1H	Difference	FY2017 1H	FY2018 1H	Difference
Content	1,020	1,112	↑ 91	(37)	(40)	→ (2)
Broadcast	1,492	1,451	↓ (40)	58	75	↑ 17
Studio	1,178	1,127	↓ (50)	12	(15)	↓ (28)
Technology	1,108	1,265	↑ 156	188	212	↑ 24
Network Sales	359	552	↑ 192	(11)	22	↑ 34
Corporate expenses				(211)	(352)	↓ (140)
Total	5,159	5,509	↑ 350	(2)	(97)	↓ (95)

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2017 1H	FY2018 1H	Difference	FY2017 1H	FY2018 1H	Difference
Content	1,020	1,112	91	(37)	(40)	(2)
Broadcast	1,492	1,451	(40)	58	75	17
Education services	1,000	1,029	29	(10)	(14)	(4)
Cloud gaming business	1,000	1,000	0	(10)	(10)	0
Digital media services	1,000	1,000	0	(10)	(10)	0
Others	1,000	1,000	0	(10)	(10)	0
Total	5,512	5,602	90	(100)	(100)	0

- ✓ In the segment as a whole, revenue increased and operating income remained at the same level.
- ✓ In education services, revenue rose due to an increase in new students, while operating income decreased due to costs incurred in relation to the start of new commuting-based learning courses and a new campus.
- ✓ In both the cloud gaming business and digital media services, revenue increased and the operating loss decreased.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2017 1H	FY2018 1H	Difference	FY2017 1H	FY2018 1H	Difference
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Broadcast	1,492	1,451	↓ (40)	58	75	↑ 17
Studio	1,178	1,127	↓ (50)	12	(15)	↓ (28)
						24
						34
						(140)
						(95)

- ✓ Revenue declined but operating income increased due to the effect of reducing fixed costs, despite a downward trend in subscriptions revenue.
- ✓ Promoted organizational reforms aimed at strengthening the governance structure and improving profitability, with damages from fictitious transactions as a lesson.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2017 1H	FY2018 1H	Difference	FY2017 1H	FY2018 1H	Difference
Content	1,020	1,112	91	(37)	(40)	(2)
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Studio	1,178	1,127	(50)	12	(15)	(28)
Technology	1,108	1,265	156	188	212	24
						34
						(140)
						(95)

- ✓ Sales of programs to TV stations steadily increased in the program sales business.
- ✓ Orders declined while the cost ratio rose in the production business, and video and other sales declined in the film distribution business.
- ✓ As a result, the segment saw a decline in revenue and posted an operating loss.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2017 1H	FY2018 1H	Difference	FY2017 1H	FY2018 1H	Difference
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Broadcast	1,492	1,451	(40)	58	75	17
Studio	1,178	1,127	(50)	12	(15)	(28)
Technology	1,108	1,265	156	188	212	24
Network Sales	959	552	192	(11)	22	34
						(140)
						(95)

✓ Both revenue and operating income increased thanks to the expansion of new solutions and services and the strong performance of digital cinema services.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2017 1H	FY2018 1H	Difference	FY2017 1H	FY2018 1H	Difference
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Studio	1,178	1,127	(50)	12	(15)	(28)
Technology	1,108	1,265	156	188	212	24
Network Sales	359	552	192	(11)	22	34
Corporate				(211)	(352)	(140)
						(95)

✓ Both revenue and income increased (turned profitable), as sales of high-speed internet plans were favorable.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2017 1H	FY2018 1H	Difference	FY2017 1H	FY2018 1H	Difference
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Technology	1,108	1,265	156	188	212	24
Network Sales	359	552	192	(11)	22	34
Corporate expenses				(211)	(352)	(140)

✓ The results reflect the temporary expenses (around 150 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 1H	Difference	Rate of difference
Total assets	6,535	6,595	60	1%
Liabilities	3,859	4,065	206	5%
Net assets	2,675	2,529	(146)	(5%)
Shareholders' equity	2,187	2,014	(172)	(8%)
Stock acquisition rights for non-controlling shareholders	487	514	26	6%
Shareholders' equity ratio	33%	31%	—	—

(Amounts are rounded down to the nearest million yen)

Total assets

- While program account and prepaid expenses increased, cash and deposits declined.

Liabilities

- While advances received and lease obligations declined, accounts payable-trade and straight bonds (250 million yen) increased.

Net assets

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

Consolidated Financial Position



Condition of Cash flow

	FY2017 1H	FY2018 1H
Operating cash flow	(421)	(278)
Investing cash flow	(125)	(43)
Financing cash flow	(58)	42
Changes in cash and cash equivalents	(601)	(278)
Year-end balance of cash and cash equivalents	1,702	1,337

(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 278 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 43 million yen chiefly due to the acquisition of non-current assets and the payment of deposits.

Financing cash flow

- A cash inflow of 42 million yen due to the issuance of straight bonds, despite the repayment of lease obligations.

Consolidated Financial Forecasts and Shareholder Returns



Financial Forecasts for FY2018

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

	FY2018 1H	Forecasts for full-year financial results (*)	Achievement ratio
Revenue	5,509	11,700	47%
Operating income	(97)	50	—
Ordinary income	(83)	40	—
Net income	(165)	(80)	—

- ✓ Both revenue and income made progress generally as expected in the first half.
- ✓ The full-year financial forecasts remain unchanged because the amount and timing of tax refund are not yet determined.

Dividends

- ✓ We did not pay an interim dividend, in line with our initial forecast.
- ✓ We intend to leave our initial forecast for the year-end dividend unchanged and will not pay a year-end dividend.

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Financial Summary for the First Half of FY2018

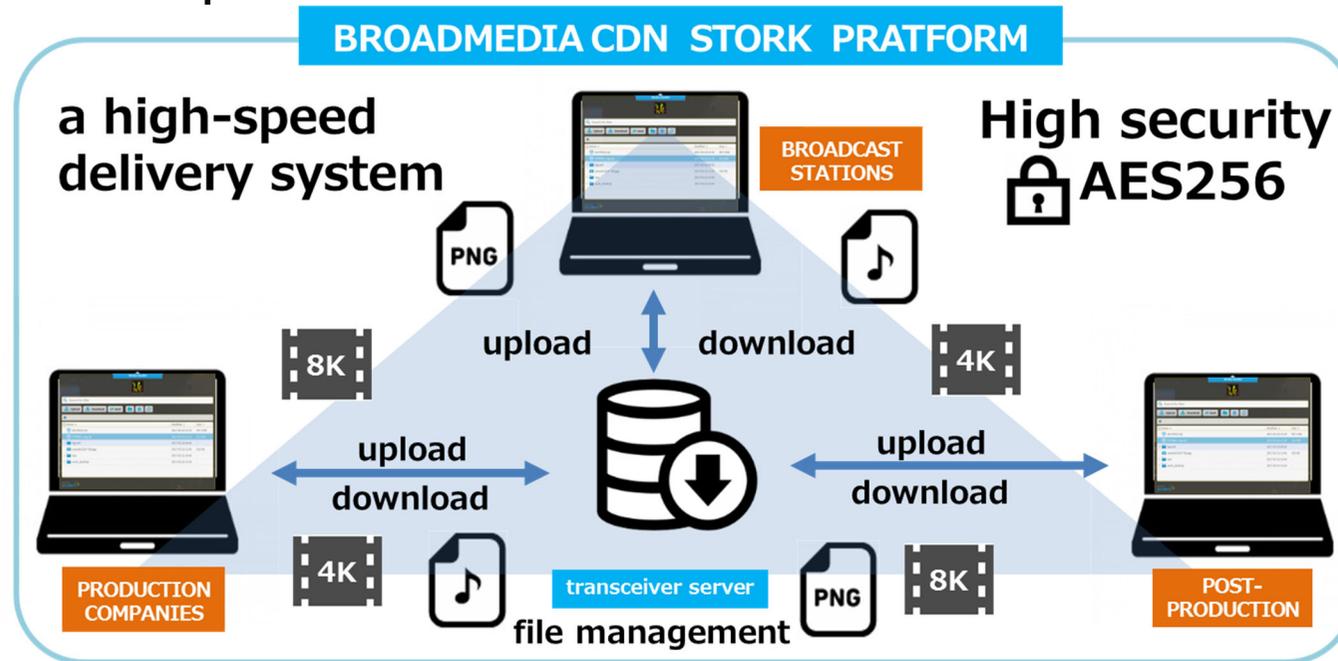
Topics

【Reference Documents】

- **Results by Business Segment**

October 2018

Start of provision of “Broadmedia[®] CDN Stork,” a high-speed delivery system of large files for production companies, post-production and broadcast stations



- ✓ Adopted by Nippon Television Network Corporation.
- ✓ Compatible with “IMF Format” that is expected to be the next-generation international standard video format.



■ Structural reforms of Network Sales

- ✓ The current presiding business of affiliated agents grows at a sluggish pace.
- ✓ Seek a new business model with the aim for future growth.



- ✓ Commence a telemarketing business of communications products.
- ⇒ Establish a joint venture with the telemarketer Trybal Unit, Inc. in order to leverage the know-how of both companies.

Established Broadmedia Communications Corporation in October

with the aim to generate profit from the next fiscal year.



September 2018

Acquisition of the license of “Street Fighter V Arcade Edition,” a match-type fighting game of CAPCOM Co., Ltd., as a training aid of “e-Sports Course” at Renaissance Osaka High School



Theatrical Distribution



Broadmedia

Film “*Koi no Shizuku (For Love’s Sake)*,”
a moving story about the brewing of rare sake and love in
which Rina Kawaei appeared in her first starring role, is to be
released progressively at theaters nationwide including
Marunouchi TOEI from October 20 (Sat), 2018.

一生、忘れられないもの、みつけました。



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- Broadmedia's investee The Pocket Company announces upcoming releases of packaged software for Nintendo Switch™!

“Overcooked^(R) 2 Packaged Edition” to be released on November 29, 2018.

*Released by Team17 and sold by Pocket



Overcooked 2. Developed by Team17 Digital Ltd and Ghost Town Games Ltd © 2018. Published by Team17 Digital Ltd. Team17 is a trademark of Team17 Digital Limited. All other trademarks, copyrights and logos are property of their respective owners.

“Kato Hifumi Kudan Kanshu Hifumin No Shogi Dojo” to be released on December 20, 2018.



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- ✓ **We enhance 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 profit in each segment.**

Thank you for your attention.



Broadmedia

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Financial Summary for the First Half of FY2018

Topics

【 Reference Documents 】

- **Results by Business Segment**

Consolidated Financial Results by Business Segment – Content –



	Revenue			Operating income		
	FY2017 1H	FY2018 1H	Difference	FY2017 1H	FY2018 1H	Difference
Content	1,020	1,112	91	(37)	(40)	(2)

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

- In the segment as a whole, revenue increased and operating income remained at the same level.
- In education services, revenue rose due to an increase in new students, while operating income decreased due to costs incurred in relation to the start of new commuting-based learning courses and a new campus.
- In both the cloud gaming business and digital media services, revenue increased and the operating loss decreased.

◆ 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 1H	FY2018 1H	Difference	FY2017 1H	FY2018 1H	Difference
Broadcast	1,492	1,451	 (40)	58	75	 17

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

- Revenue declined but operating income increased due to the effect of reducing fixed costs, despite a downward trend in subscriptions revenue.
- Promoted organizational reforms aimed at strengthening the governance structure and improving profitability, with damages from fictitious transactions as a lesson.

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

- Satellite basic broadcasting (BS broadcasting)
- Distribution of “Fishing Vision” to cable operators and other platforms
- Others

Consolidated Financial Results by Business Segment – Studio –



	Revenue			Operating income		
	FY2017 1H	FY2018 1H	Difference	FY2017 1H	FY2018 1H	Difference
Studio	1,178	1,127	(50)	12	(15)	(28)

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

- Sales of programs to TV stations steadily increased in the program sales business.
- Orders declined while the cost ratio rose in the production business, and video and other sales declined in the film distribution business.
- As a result, the segment saw a decline in revenue and posted an operating loss.

◆ 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 1H	FY2018 1H	Difference	FY2017 1H	FY2018 1H	Difference
Technology	1,108	1,265	↑ 156	188	212	↑ 24

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

- Both revenue and operating income increased thanks to the expansion of new solutions and services and the strong performance of digital cinema services.

◆ 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 1H	FY2018 1H	Difference	FY2017 1H	FY2018 1H	Difference
Network Sales	359	552	↑ 192	(11)	22	↑ 34

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

- Both revenue and income increased (turned profitable), as sales of high-speed internet plans were favorable.

◆ Sales of ISP services

◆ Sales of broadband lines

◆ Others

Consolidated Financial Results by Business Segment – Corporate expenses – Broadmedia

	Operating income		
	FY2017 1H	FY2018 1H	Difference
Corporate expenses	(211)	(352)	 (140)

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

- The results reflect the temporary expenses (around 150 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)

Issuance of unsecured bonds (bank-guaranteed private placement bonds)

Name	First series of Broadmedia Corporation unsecured bonds (guaranteed by Resona Bank, Ltd. and limited for qualified institutional investors)
Underwriter	Resona Bank, Ltd.
Total amount of issuance	250 million yen
Date of issuance	September 25, 2018
Interest rate	Fixed interest rate 0.49%
Final maturity	September 25, 2023 *25 million yen to be redeemed semiannually
Use of fund	Business fund

Stabilize the financial base and strengthen the business base through this financing.



October 26, 2018 Alliance of Renaissance High School Group with Slim Beauty House Academy



スリムビューティハウス アカデミー
キレイを学び、キレイになる。そしてキレイを仕事にする。



Students who long to be aestheticians can aim for success at various stages as beauty professionals after they graduate from the high school.

Preventive Measures Stated in the Improvement Report



- (1) Thorough establishment of relationships with business partners
- (2) Strict credit management / risk management
- (3) Review of the organization and delinking between the administrative division and the sales division at Fishing Vision
- (4) Streamline rules and manuals within our group
- (5) Review of matters to be reported at the Board of Directors meetings of subsidiaries and the important meetings of the Company

Preventive Measures Stated in the Improvement Report



- (6) Implement thorough compliance training
- (7) Parent company's involvement in a ringi (approval) process, etc.
- (8) Enhance cooperation between Fishing Vision and the administrative division of the Company
- (9) Strengthen the internal audit of the Group including Fishing Vision

We will not only work on preventing the recurrence of similar damage, but also on enhancing our group's governance/compliance system.

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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