

Multi-device video distribution service in partnership with popular entertainment news website

“Crank-In! video”

<http://video.crank-in.net/>

Recommendations on related content through tie-in with entertainment news website!

“Crank-In! video” is an online video rental service offered in partnership with “Crank-In!”*1, an entertainment news website. With this new service, users can easily enjoy around 10,000 movies and TV programs, centered around new releases, at any time on televisions, personal computers, smartphones and tablets. Users receive automatic content recommendations on popular articles and hot topics. “Crank-In! video” is the new all-in-one-click way of alternately enjoying articles on entertainment news as well as videos.

No joining fees. A range of monthly plans and standalone options

There’s no fee to join “Crank-In! video.” Simply register for membership*2 and get access to movies starting from single purchases of ¥300 (excluding tax) and TV programs starting from ¥100 (excluding tax). View them as many times as you like within 48 hours of purchase. (Some older programming can be viewed for a 7-day period.) There are also great monthly plans, including the “Premium Plan” at ¥900 (excluding tax) a month that gives you ¥2,000 worth of points a month, and the “Monthly Unlimited Drama Viewing Package.” Please enjoy this service along with the points that will be given out as part of the new shareholder incentives. (For more information about the shareholder incentives, please refer to page 6.)

*1 What is the “Crank-In!” entertainment news website? Operated by HOLLYWOOD CHANNEL INC., Crank-In! is an entertainment news website offering a wealth of content covering TV shows, games, anime, and celebrity gossip from around the world. It collects around 60 million pageviews a month and distributes over 400 articles monthly, including many exclusive interviews and columns.

*2 You need to join the “Premium Plan” when registering. If you choose to cancel after joining, simply cancel during the free-of-charge 2-week trial period and you will not be charged the monthly fee. (The free trial period is good only for the first two weeks after you first join.)



2016

The Second quarter business report

For the First Half of FY2016
(April 1, 2016 to September 30, 2016)



Broadmedia



Introduction to the Corporate Site

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 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

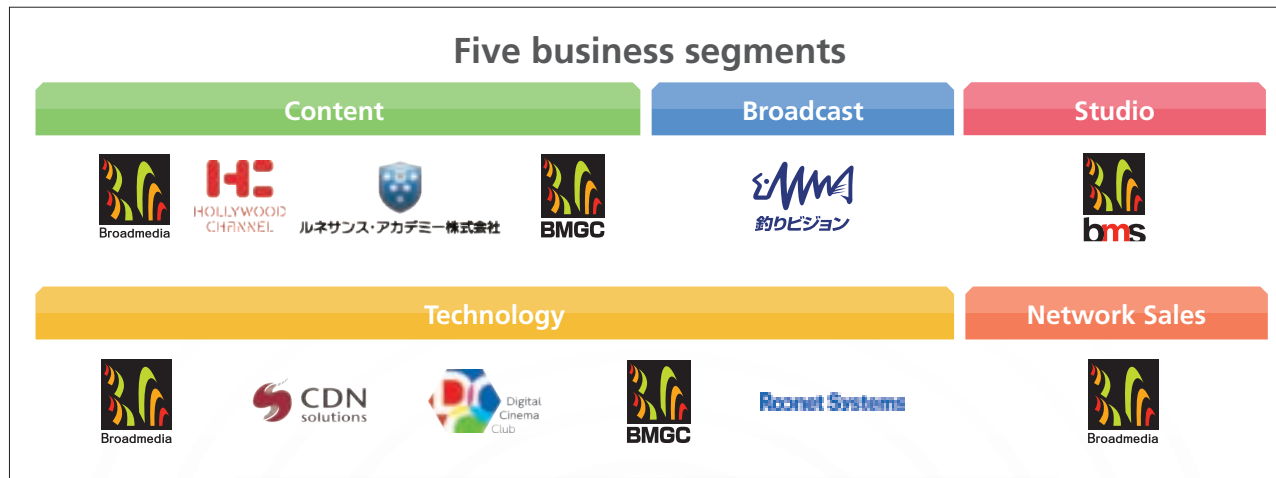
“Content procurement capabilities”



“Technology for stable, high quality distribution of content”

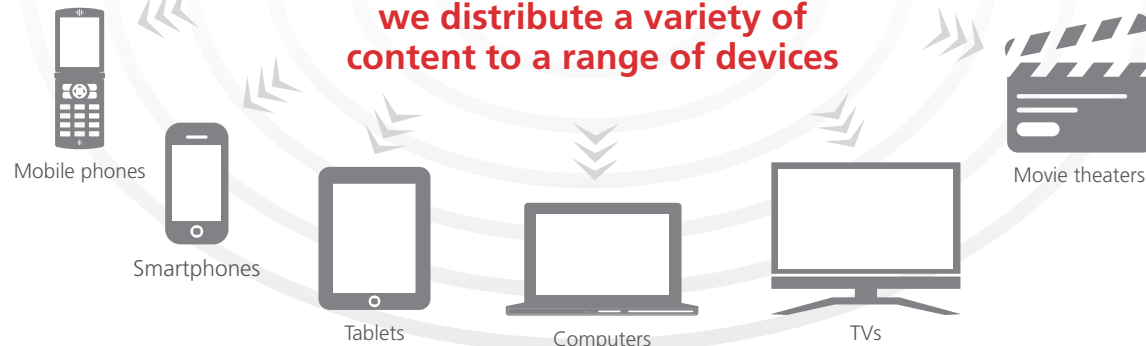
Our strength lies in originality that combines both content procurement and distribution technology

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 restructure the cloud gaming business, and aim for sustainable growth and development, as well as the improvement of our corporate value.



CEO **Taro Hashimoto**

Q Please tell us about the financial results for the current fiscal year and the challenges faced by management.

For the six months ended September 30, 2016, the first half of the current fiscal year, we were able to achieve better operating results than we had forecast at the start of the fiscal year. In particular, the “Studio” segment showed a remarkable recovery. In the segment’s production business, on top of our existing subtitling and dubbing work of Hollywood movies, we recently

made progress in a new production field of closed captions (subtitles that help hearing-impaired people enjoy television programs), which helped operating results grow robustly. In addition, a special demand coming from overseas video on demand (VOD) operators entering the Japanese market on a full scale also made a large contribution during the latter half of the previous fiscal year. Going forward, we will continue making utmost effort in ensuring that this trend of strong performance continues.

In the “Studio” segment, sales of foreign films and dramas in the program sales business were robust, leading to a steady growth for both revenue and income. In the film distribution business, “Setoutsumi,” a film produced and distributed by the Company for the first time in a long while, attained favorable results. Therefore, revenue and profit increased in all three businesses.

The “Technology” segment performed well, and has grown to a level where it can support the Group. The “Fishing Vision” channel in the “Broadcast” segment also had a solid performance.

Furthermore, starting this fiscal year, changes have been made to the disclosed segments. Expenses, income and losses related to the administrative division of the Company have been classified under a separate segment called “Corporate expenses.” This change was implemented to clarify information regarding income and losses in each business segment and to make the conditions of the businesses clearer, particularly with the “Network Sales” segment. The “Network Sales” segment has been fluctuating between being profitable and making a loss for some time, and a strategic measure is required. It

will be our challenge to find the right timing to implement a specific reform of this segment.

As both the “Studio” and “Network Sales” segments were profitable, the only segment that was still producing a loss was the “Content” segment. This segment comprises three businesses, namely the cloud gaming business, the digital media business, and the education business. While the education business is in the black, the remaining two businesses are currently still in deficit. However, the situation is improving. We will continue positioning the cloud gaming business and the digital media business as strategic businesses that will become the main pillars of the Company in the future. Both businesses have finally reached the stage where they have organizational structures that enable them to achieve further growth, and we plan to focus on fully expanding them going forward.

Q Please tell us about the two strategic businesses that will become the main pillars of the Company in the future.

In the cloud gaming business, after G-cluster Global Corporation (GCG) resolved to dissolve its

operations in April this year, many developments have ensued. First, important assets owned by GCG, including the dozens of patents it held, were acquired by our subsidiary Broadmedia GC Corporation (BMGC). BMGC concluded new license agreements with major telecommunications companies in France, Orange and SFR, both

formerly GCG’s business partners. As BMGC absorbed all of GCG’s assets and businesses after the restructuring, we have built a structure where core technologies are directly owned by the Group, and we will use that to our advantage as we strive for further development.

As for the digital media business, the Company’s

(Unit: millions of yen)

	Revenue			Operating income		
	First half forecast <small>(Announced on July 28)</small>	First half results	Difference	First half forecast	First half results	Difference
Content	900	959	↗ 59	(180)	(172)	↗ 7
Broadcast	2,800	2,866	↗ 66	160	177	↗ 17
Studio	1,300	1,424	↗ 124	100	132	↗ 32
Technology	900	902	↗ 2	130	148	↗ 18
Network Sales	400	335	↘ (64)	10	6	↘ (3)
Corporate expenses	—	—	—	(240)	(230)	↗ 9
Total	6,300	6,487	187	(20)	62	82
	Full-year forecast	First half results	Progress rate	Full-year forecast	First half results	Progress rate
Progress compared with the full-year forecast	13,000	6,487	50%	150	62	42%

subsidiary HOLLYWOOD CHANNEL INC., has a framework in place that enables it to purchase and obtain content from numerous Hollywood studios and Japanese content providers for its VOD service “Crank-In! video.” We are also focusing on strengthening the service via measures such as tying it in with the “Crank-In!” entertainment news website which is also operated by HOLLYWOOD CHANNEL INC. These businesses, which used to be operated separately, were consolidated at HOLLYWOOD CHANNEL INC. last year, and the results are finally beginning to show.

The prerequisite for cultivating a business with such a high level of originality is by growing the revenues of the other existing businesses. In the past, during the establishment stage of the new businesses, where the largest amount of prior investment costs were incurred, the existing businesses did not perform as well as expected, and we caused great concern among our shareholders. But as of present, on top of absorbing these prior investment costs, the businesses are also generating positive operating and ordinary income. We will make our best efforts in setting the aforementioned two businesses on their

growth tracks as soon as possible, and strive to boost our performance significantly by making them profitable.

Q Please tell us about the newly established shareholder incentive system.

Currently, although the Company is still unable to pay dividends, we had an internal discussion about what actions we could take to respond to the requests of our shareholders, which we have gathered from surveys and other occasions. As a result, we have decided to begin a shareholder incentive system starting from the next fiscal year. There were many ideas for the incentives, but with the aim of deepening the understanding of the Company’s business on top of providing incentives to shareholders, we decided to give out points that can be used in the “Crank-In! video” service. On “Crank-In! video”, you can enjoy about 10,000 different titles, centered around new releases of Hollywood or Japanese films and dramas. Please take this chance to enjoy the service.

Q Please give a message to the shareholders.

The most important issue at hand is to realize a steady recovery of our financial results and achieve sustainable growth. However, as I had mentioned at the start of this fiscal year, a realistic goal for this fiscal year will be to raise operating income

and turn our ordinary loss into ordinary income. The goal of becoming profitable in terms of net income will be one for the next fiscal year onwards, and we will make the utmost effort to raise corporate value and implement strategic measures in order to achieve that goal. I would be most grateful to our shareholders for their continuing understanding and support.

Regarding the newly established shareholder incentive system

Receive points that can be used in “Crank-In! video,” the video distribution service provided by HOLLYWOOD CHANNEL INC.

1 Shareholders eligible for the incentives

Shareholders who hold 1,000 shares (10 units) or more as of March 31, 2017

2 Number of points to be allocated

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

*You can watch 2 newly released movies with 1,000 points, or 13 with 6,000 points.

3 Implementation period of incentives (Allocation of points)

We plan to mail a “Guide to Shareholder Incentives” to eligible shareholders after the conclusion of the general meeting of shareholders.

Four cloud gaming apps including the "FINAL FANTASY® XIII" series are now playable using wireless gamepads!

Four cloud gaming apps, including the popular "FINAL FANTASY® XIII" series by SQUARE ENIX CO., LTD., are now playable using wireless gamepads that run on the iOS or Android system. Now, these cloud gaming apps originally meant for smartphones and tablets can be played more freely, using familiar controls from home video game consoles, thereby expanding the possibilities of gameplay. We also plan to make the other cloud gaming apps compatible with the wireless gamepads progressively.

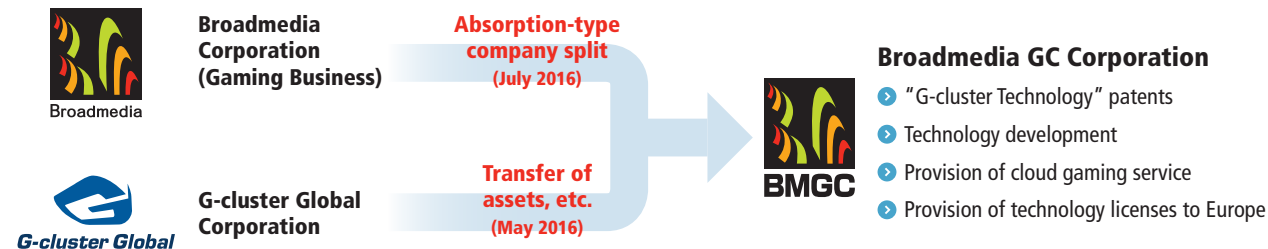


iOS compatible			Android compatible
HORIPAD ULTIMATE Wireless game controller	SteelSeries Nimbus Wireless game controller	Gamevice Controller for iPhone	Mad Catz C.T.R.L.* Mobile Gamepad
FINAL FANTASY® XIII	FINAL FANTASY® XIII-2	LIGHTNING RETURNS: FINAL FANTASY® XIII	THE LAST REMNANT

© 2009, 2010, 2013-2015 SQUARE ENIX CO., LTD. All Rights Reserved. CHARACTER DESIGN: TETSUYA NOMURA
© 2008 SQUARE ENIX CO., LTD. All Rights Reserved. / Unreal®Engine, Copyright 1998-2008, Epic Games, Inc. All rights reserved.

Consolidate the Group's cloud gaming businesses into Broadmedia GC Corporation

We have completed the transfer of the Company's cloud gaming business to our wholly-owned subsidiary Broadmedia GC Corporation. In addition, we have concluded agreements with major European telecommunications companies in October 2016. As initially planned, we have concluded new agreements with business partners of G-cluster Global Corporation, including technology license agreements in Europe. We will continue investing management resources into our efforts for the growth and development of this business under the new organizational structure.



Education business that provides a new format of learning

Renaissance High School expands and moves to new "Shinjuku-Yoyogi Campus"!

In September 2016, Renaissance High School expanded and moved to its new "Shinjuku-Yoyogi Campus." As the number of students physically attending lessons at the school increased, we have increased the number of floors and classrooms, set up more study and meeting booths, and successfully created an environment that enables us to provide careful, thorough educational guidance to each and every student. For students who attend the course at the school, besides supplementary lessons, we also provide a wide range of learning materials and educational programs according to the needs of students, including programming, English language lessons, one-on-one exam preparation lessons, and remedial education.



URL : <http://www.r-ac.jp/>



Providing a format of "Learning" that fits the lifestyles of each and every student

10 years since its founding in April 2006, Renaissance High School has produced more than 8,000 graduates, providing a format of "Learning" that fits the lifestyles of each and every student through a learning environment that mainly revolves around the internet.

In the 49th Japan Women's Open Golf Championship 2016, a third-year student of Renaissance High School, Nasa Hataoka, won the championship. Many of our students are actively working towards a professional career in a wide range of occupations, including actors, idols, voice actors, musicians, ballet dancers and golf players.



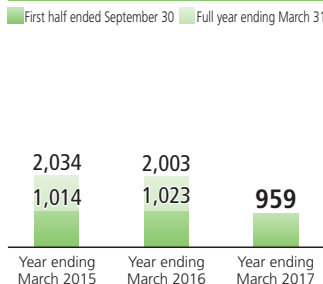
09 Financial Results by Segment

Content

Revenue
959 million yen
(down 6.2% YOY)

Operating loss
(172) million yen
(Operating loss of 93 million yen in the first half of FY2015)

Revenue Trend (Unit: millions of yen)



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

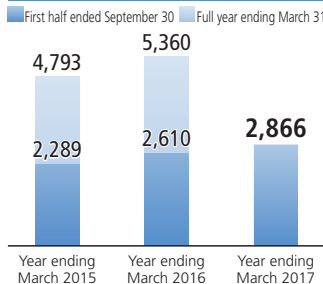
In the education service business, although the number of students enrolled increased, the volume of digital learning materials sold decreased. In the cloud gaming business, in line with the restructuring of the business, losses increased due to a rise in costs as a result of the acquisition of assets and personnel from G-cluster Global Corporation, the Company's former equity method affiliate and unconsolidated subsidiary, to the Company, etc.

Broadcast

Revenue
2,866 million yen
(up 9.8% YOY)

Operating income
177 million yen
(Operating income of 187 million yen in the first half of FY2015)

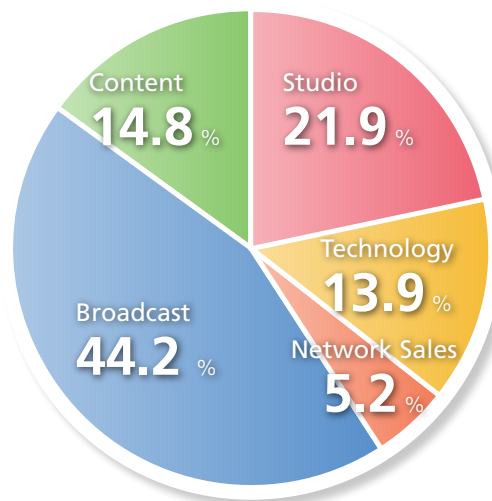
Revenue Trend (Unit: millions of yen)



Business and Service
Fishing channel

While revenue from the production business was robust, outsourcing expenses also increased accordingly. As a result, although revenue for the segment rose, operating income decreased slightly compared to the same period of the previous fiscal year.

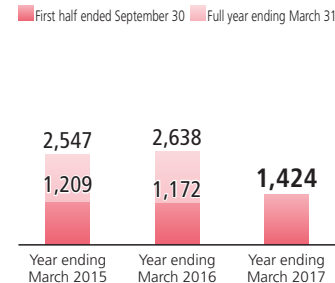
Total Revenue
6,487 million yen



Revenue
1,424 million yen
(up 21.5% YOY)

Operating income
132 million yen
(Operating loss of 53 million yen in the first half of FY2015)

Revenue Trend (Unit: millions of yen)



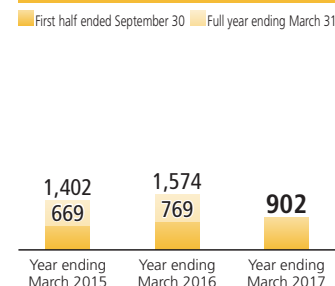
Business and Service
Production business / Program sales
business / Film distribution business

Both the production business and the program sales business saw a significant increase in orders received. In addition, the film "Setoutsumi" produced and distributed by the film distribution business generated more box office revenue than expected, resulting in an increase in revenue. Therefore, profitability was achieved in terms of operating income.

Revenue
902 million yen
(up 17.2% YOY)

Operating income
148 million yen
*(Operating income of 118 million yen in the first half of FY2015)

Revenue Trend (Unit: millions of yen)



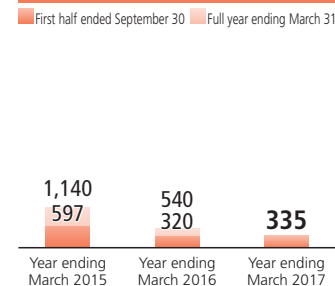
Business and Service
CDN service / Digital cinema service /
Other service

Revenue from the CDN service provided by a subsidiary showed a steady performance, digital delivery to movie theaters by the digital cinema service increased, and there was growth in the provision of internet services for hotels. In addition, the impairment of leased assets of the digital cinema service was recognized in the previous fiscal year, and cost of goods sold decreased. As a result of these and other factors, revenue and income increased in this segment.

Revenue
335 million yen
(up 4.6% YOY)

Operating income
6 million yen
*(Operating loss of 1 million yen in the first half of FY2015)

Revenue Trend (Unit: millions of yen)



Business and Service
ISP service sales / Handling of mobile
phone service / Broadband line sales

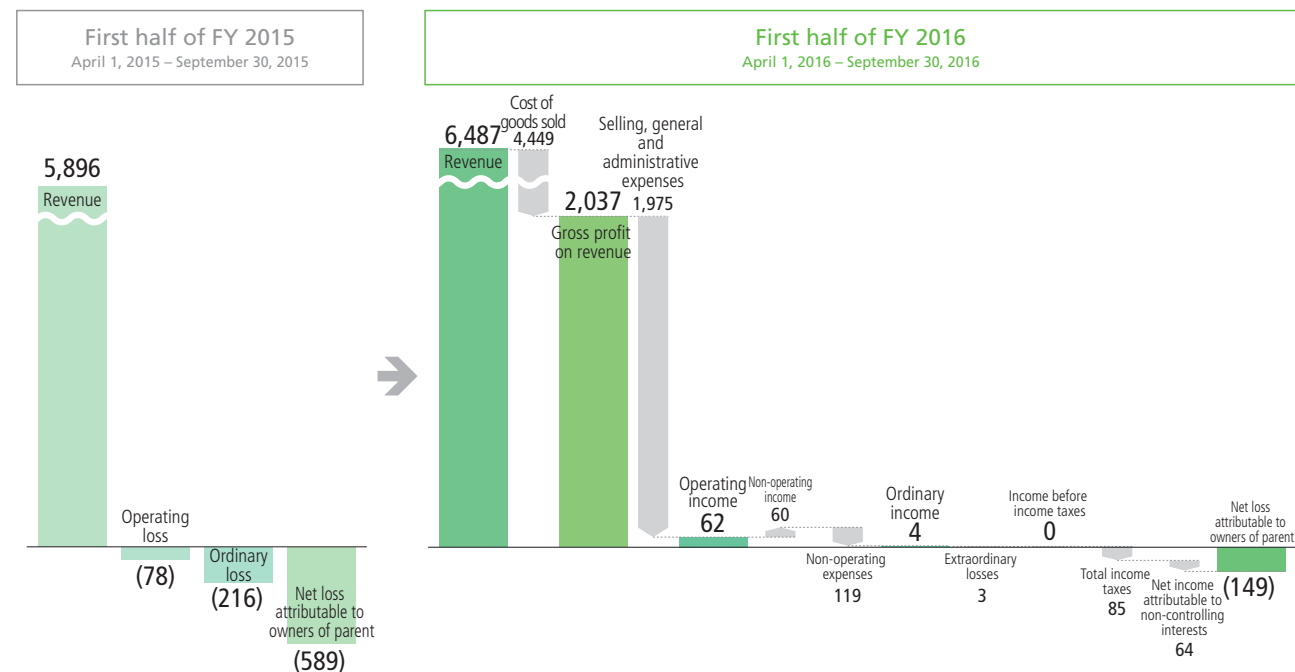
Owing to increased sales of the new product "Hikari fiber optic (SoftBank Hikari)," and an improved cost ratio stemming from a drop in the cancellation reserve rate, profitability was achieved in terms of operating income.

*Values after changes in the segments
In order to disclose information regarding income and losses in the business segments more clearly, expenses, income and losses related to the administrative division have been classified under company-wide expenses starting from the first quarter of the current fiscal year. Please note that revenue is not affected by this change.

Consolidated Financial Review

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 and their summary videos, information on shares and shareholder incentives, and more.

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

Revenue

Although the revenue of "Content" decreased, overall revenue increased because the revenues of the other four segments increased.

Operating income / Ordinary income

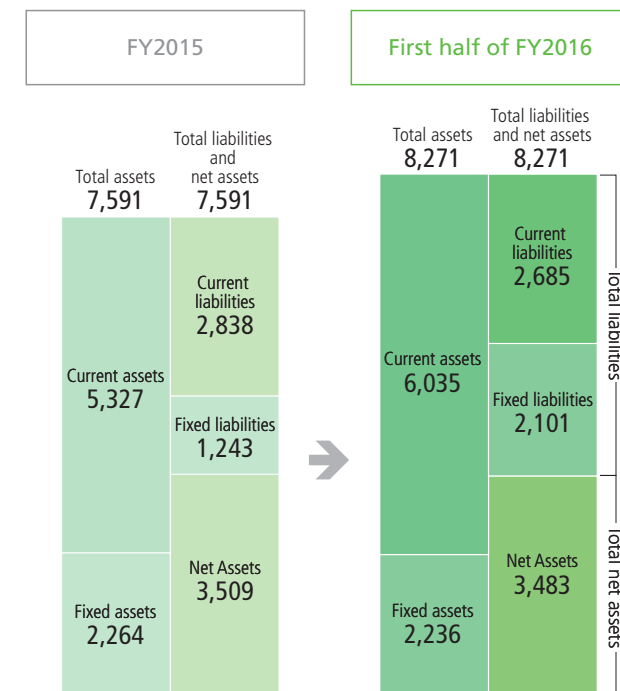
Profitability was achieved in terms of operating income as income increased in "Studio" and "Technology," despite "Broadcast" and "Network Sales" remaining at the same levels compared to the same period of the previous fiscal year. Similarly, profitability was achieved in terms of ordinary income, owing mainly to lower equity in losses of affiliates, and greater foreign exchange gains due to a stronger yen.

Net loss attributable to owners of parent

A loss was recorded due to the impact of tax expenses of subsidiaries, the recording of net income attributable to non-controlling interests, etc.

Financial Position

(Unit: millions of yen)



Total assets

Total assets increased by 9% compared to the end of the previous fiscal year. This was mainly due to factors including an increase in cash and deposits owing to the issuance of new shares and convertible bonds, and an increase in goodwill in line with the acquisition of assets from G-cluster Global Corporation to the Company.

Total liabilities

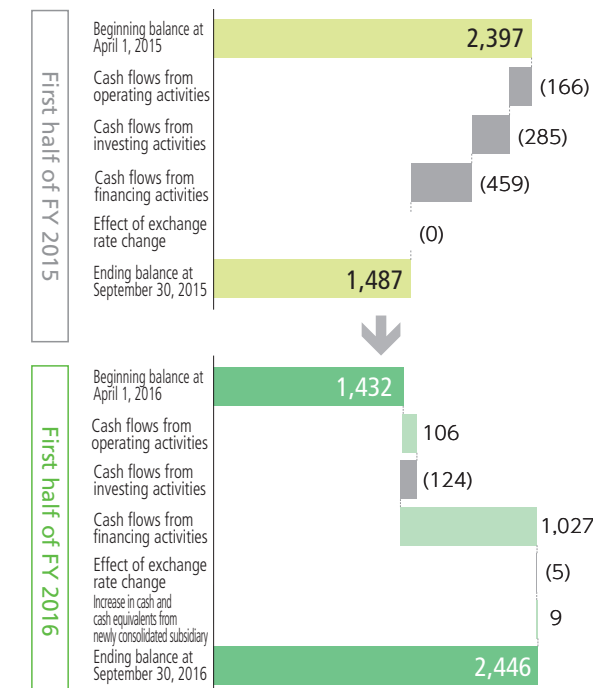
Total liabilities increased by 17% compared to the end of the previous fiscal year, due to factors including the issuance of convertible bonds despite decreases in accounts payable-trade, advances received and long-term lease obligations.

Total net assets

Total net assets declined by 1% compared to the end of the previous fiscal year, due to the posting of net loss attributable to owners of parent, although capital stock and capital surplus increased owing to the issuance of new shares and the exercising of convertible bonds, and non-controlling interests increased. As a result, the equity ratio stood at 28.6%.

Cash Flows

(Unit: millions of yen)



Cash flows from operating activities

Net cash provided by operating activities was 106 million yen, due to factors including the recording of net income before income taxes, as well as decreases in accounts receivable and inventory.

Cash flows from investing activities

Net cash used in investing activities was 124 million yen, due to factors including the acquisition of assets from G-cluster Global Corporation, the Company's former equity method affiliate and unconsolidated subsidiary, to the Company.

Cash flows from financing activities

Net cash provided by financing activities was 1,027 million yen, mainly because of borrowings and proceeds from the issuance of new shares and convertible bonds, which offset the repayments of lease obligations.

Company Information

As of September 30, 2016

Company Profile

Company Name	Broadmedia Corporation
Established	September 5, 1996
Paid-in Capital	2,969,996 (thousands of yen)
Employees	34 (consolidated: 412)
URL	http://www.broadmedia.co.jp/

Group companies



Fishing Vision Co., Ltd.

<http://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

<http://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 10th anniversary, the number of alumni has exceeded 10,000. Provides educational content that is continuously evolving to achieve further development 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 entertainment news, provides promotional services, and undertakes production of official websites with focus on movies and dramas.

Established April 2003
Location Chuo-ku, Tokyo



Roonet Systems Co., Ltd.

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

Provides comprehensive solutions for hospitality institutions including hotels and hospitals, ranging from design of the Internet environment for a local area to operation, maintenance, and management.

Established May 2014
Location Chuo-ku, Tokyo

Executive Directors and Auditors

CEO	Taro Hashimoto	Auditor (full-time)	Takeshi Urasawa
Executive Director	Yasutaka Shimamura	Auditor	Fumito Shiraishi
Executive Director	Toshihito Kubo	Auditor	Kenji Kitatani
Executive Director	Hideaki Oshio	Auditor	Jyunko Sato
Executive Director (part-time)	Ryo Arisawa	*Nobuhiko Seki is an outside director.	
Executive Director (part-time)	Takayoshi Momoi	*Takeshi Urasawa, Fumito Shiraishi, Kenji Kitatani and Jyunko Sato are outside auditors.	
Director	Nobuhiko Seki		



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



CDN Solutions K.K.

<http://www.cdn-sol.co.jp/>

Pioneer of CDN services. Primary agent of Akamai services. CDN Solutions offers acceleration, security, global delivery and other commercial website solutions tailored to customers' environments.

Established April 2001
Location Chiyoda-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



Broadmedia GC Corporation

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

Provides technological systems, content and business models suitable for cloud gaming.

Established September 2004
Location Minato-ku, Tokyo

Stock Information

Number of shares authorized	128,000,000 shares
Number of shares issued* ¹	69,861,611 shares
Number of shareholders	13,937

Major Shareholders

Shareholder name	Shares held (thousands)	Shareholding ratio (%) ^{*3}
SBI Securities Co., Ltd.	2,515	3.66
Taro Hashimoto ^{*4}	1,019	1.48

*¹ The total number of shares issued includes treasury stock (1,157,332 shares).

*² "Individuals and others" in Distribution of Shareholders includes treasury stock.

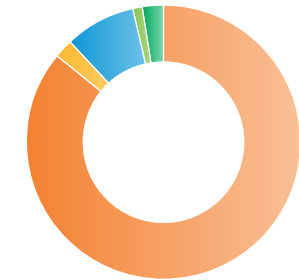
*³ The shareholding ratio for major shareholders is calculated excluding treasury stock.

*⁴ The shares held by Taro Hashimoto stated above include the 600,000 shares that he holds under a securities lending contract with Japan Opportunities Master Fund Ltd.

Stock Information

As of September 30, 2016

Distribution of Shareholders



	Number of shares held (thousands)	Shareholding ratio (%)
Individuals and others ^{*2}	60,071	85.99
Other Japanese institutions	1,537	2.20
Japanese securities companies	5,892	8.43
Japanese financial institutions	682	0.98
Overseas institutions	1,677	2.40

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 case of a special account)
Mailing Address	Securities company which you have dealings with.	2-8-4 Izumi, Suginami-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. These services are also available at the Planet Booths (inside Mizuho Bank branches). The head office or all branches nationwide of Mizuho Trust & Banking Co., Ltd. * These services are not available at the Trust Lounges of the bank.
Payment of unclaimed dividends	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 info for inquiry by telephone, or the agency for various procedures enlisted in the "In case of a special account" 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 transactions, the shares in the special account need to be transferred to an account opened at a securities company.