

Regarding the shareholder incentive system

The deadline for eligible shareholders as of March 31, 2018 to acquire shareholder incentive points is fast approaching.

Until December 28, 2018

What you need

Please refer to the **Guidance on Shareholder Incentives** mailed in late August.

1 Shareholder number

2 Coupon code

Please have the above information prepared to receive incentive points from the dedicated **Shareholder Incentives website**.

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

Shareholder incentive points accepted for use are valid for a period of 12 months from the day they are acquired.

Contents of shareholder incentives

クラクイン!ビデオ クラクイン!コミック



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" service. (1 point is equivalent to 1 yen)

Number of shares held	Shareholding duration	
	Less than 1 year	1 year or more *1
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 services.



The Second quarter business report

Business Report

For the First Half of FY2018

(April 1, 2018 to September 30, 2018)

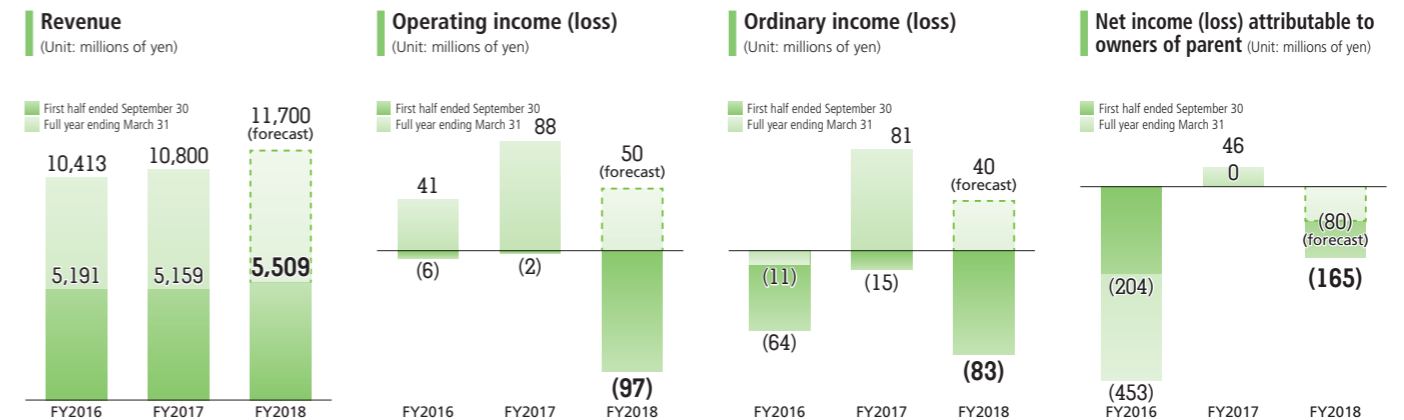
BROADEN THE BORDERS OF MEDIA

Broadmedia Corporation
(Securities Code: 4347)

Greeting

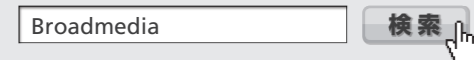
We would like to express our heartfelt gratitude to our shareholders for their continued support and understanding of the Company's business. Along with reporting on the business results for the first half of FY2018, we herein offer an explanation on the progress of management and business operations. Thank you for your reading.

Financial Highlights for the First Half of FY2018



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.



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.

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

Company Profile /Information on Shares/ Shareholders' Memo (As of September 30, 2018)

Company Profile

Company Name	Broadmedia Corporation
Established	September 5, 1996
Paid-in Capital	3,457,496 (thousands of yen)
Employees	35(consolidated: 400)
URL	http://www.broadmedia.co.jp/

Stock Information

Number of shares authorized	128,000,000 shares
Number of shares issued*	79,147,323 shares
Number of shareholders	15,570

* 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*	71,095	89.83
Japanese securities companies	4,561	5.76
Overseas institutions	2,164	2.74
Other Japanese institutions	1,108	1.40
Japanese financial institutions	217	0.27

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.
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)

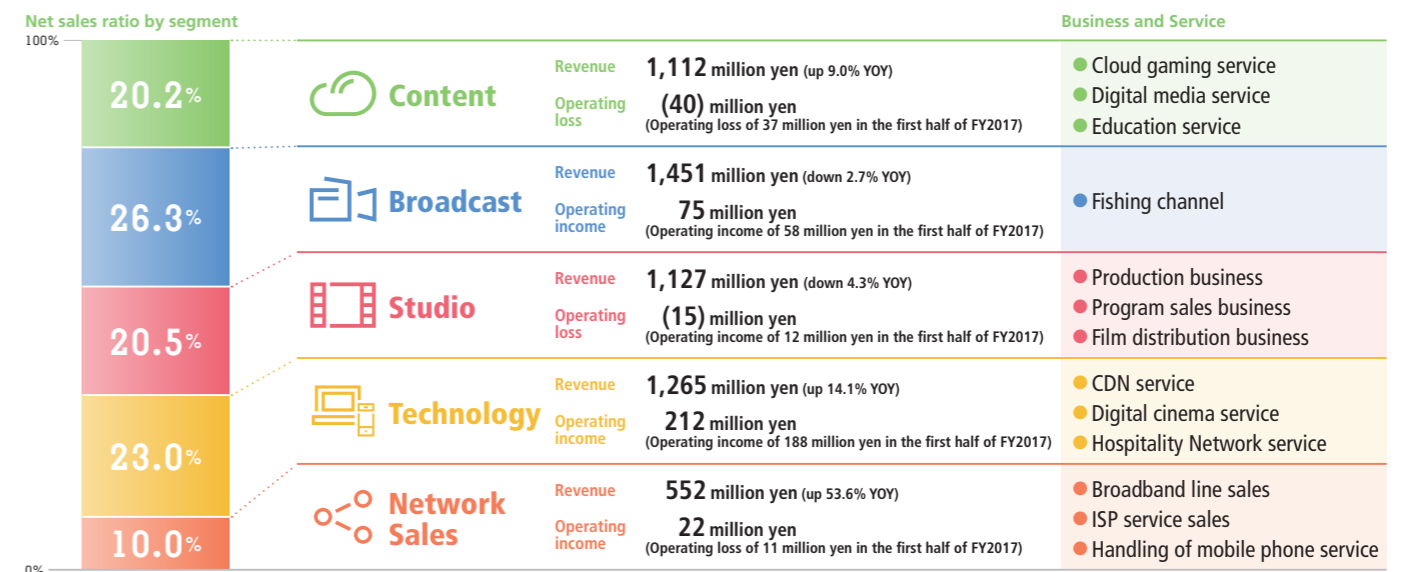
Executive Directors and Auditors

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.

* "Individuals and others" includes treasury stock.

Financial Results by Segment





We will further enhance our company-wide governance and compliance system, and aim to increase profit by taking on new challenges and creating profit-earning opportunities in each segment.

Taro Hashimoto, CEO

Q The damages from fictitious transactions suffered by Fishing Vision and response status

Again, we would like to extend our sincere apologies to all shareholders for the inconvenience and concern caused from fictitious transactions discovered in January 2018.

As a result of the investigations by the Internal Investigation Committee and Third Party Committee conducted after the discovery of the incident, it was concluded that the case was fraudulent activity committed by a subcontracting video production company, and no individual was found within the Group that had taken part in the fictitious transactions. Furthermore, in July, we completed all settlement revisions, including for the previous fiscal years, and submitted an "Improvement Report" to the Tokyo Stock Exchange in August. Currently, we are implementing improvement measures to prevent recurrence and enhancing our company-wide governance and compliance system.

As to the subsequent response, the police and prosecutors have already started to investigate this as a criminal case. Additionally, in order to recover the damages, we are taking actions carefully through the courts and through individual negotiations.

In addition, Fishing Vision is seeking refunds for consumption and corporate taxes incurred by the fictitious transactions through the amendment of tax declarations. We will continue to take a resolute response and make efforts to recover the damages.

Q Financial results for the first half of FY2018

Although revenue increased 7% year-on-year, mainly due to the recording of expenses pertaining to damages from fictitious transactions of about 150 million yen, we posted an operating loss, ordinary loss and net loss. Assuming that these expenses had not accrued, we would have recorded

operating income and ordinary income, which indicates that our profitability has improved from the same period of the previous fiscal year. Looking by business segment, revenue of broadcast and studio decreased, but income decreased only in studio, with broadcast (Fishing Vision) posting increased income. Performance is on a recovery track as a whole.

Q The progress of each business and future development

First, I would like to talk about the Content segment. The education service business has been steady thanks to an increase in the number of students enrolled. We will continue to enhance our support system geared toward the realization of students' dreams through efforts including the launching of new courses such as "eSports course," which is the first-ever course offered by high schools, and opening new campuses.

With regard to the cloud gaming business, through the provision of a platform based on G-cluster technology, we are proceeding with continuous development toward strengthening collaborative relationships and building new services. The Pocket Company, an investee, launched the sale of "Overcooked® 2 Packaged Version" as a game software for the Nintendo Switch™ in November this year, and it has been determined that they will release "Hifumi Katou-Supervised Hifumin's Shogi Dojo" on December 20.

"Crank-In!" provided by the digital media service business saw an increase in the number of users owing to its services that merge comic books, films, and entertainment news, contributing to the improvement of business performance.

Next, as for the Technology segment, in this past October we launched the provision of "Broadmedia® CDN Stork," a high-speed delivery system for high-volume files for production companies, postproduction firms and broadcast stations. The system was adopted by Nippon Television Network Corporation as the first user and it has been used for sending and receiving high-volume files such as videos and poster data both in Japan

and overseas. Going forward, we will strive to expand the number of users and offer new solutions and services.

Lastly, regarding the Network Sales segment, broadband line sales has remained strong. Revenue was up 50% year-on-year and operating income turned profitable. Nonetheless, the growth of the current affiliated agents management business has remained sluggish. Under these circumstances, in October we established Broadmedia Communications Corporation that engages in telemarketing business, aiming for future growth. This company is a joint venture with TrybalUnit, Inc, which operates telemarketing business and we will aim to achieve profitability from the next fiscal year onwards by leveraging the know-how of both companies.

Q To our shareholders

Consolidated financial results forecast for the fiscal year ending March 31, 2019 remains unchanged as it has generally progressed as expected up to the second quarter in terms of both revenue and income. Recovery of damages pertaining to fictitious transactions suffered by Fishing Vision and tax refunds through the amendment of tax declaration are not included in the forecast as their total amount and timing are yet to be determined.

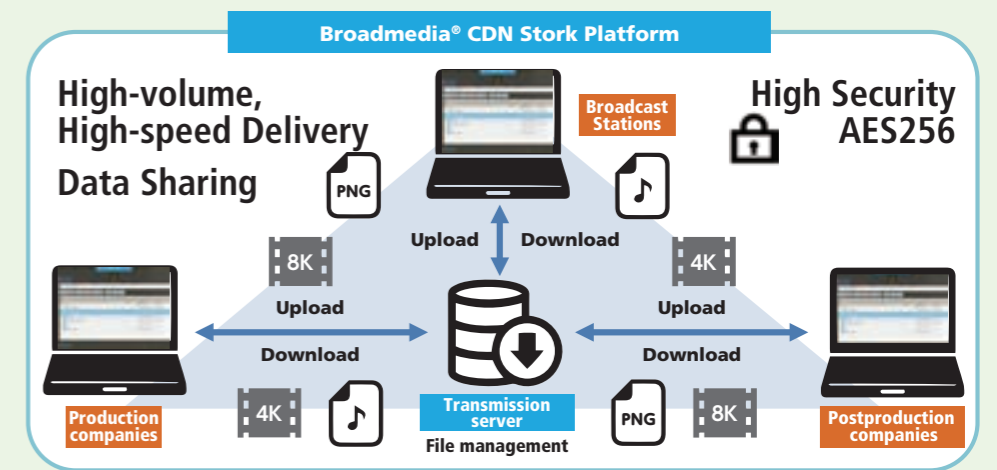
In the second half of the fiscal year, we will strive for sustainable growth and improvement in the corporate value by continuously enhancing the Group's governance/compliance system. In addition, in each segment, we aim to increase profit by taking on new challenges and creating profit-earning opportunities and strive to provide a return to shareholders as soon as possible. I would be most grateful to our shareholders for their continuing support.

Topics

Launch of the provision of "Broadmedia® CDN Stork," a high-speed delivery system for high-volume files

In October 2018, we started to provide "Broadmedia® CDN Stork," a file delivery system that can deliver high-volume files such as video, audio, and 4K/8K data at high speed. The service enables sending and receiving of data with no limit on the file type, file size or number of files, as long as there is an Internet connection, whether in Japan or overseas. The system was adopted by the Film Business Department of the Business Development Division of Nippon Television Network Corporation as the first user and it has been used for sending and receiving high-volume files.

In addition, the system is also compatible with the Interoperable Mastering Format (IMF), a prospective next-generation international standard format for video. Going forward, we will make proposals to many customers by utilizing the experiences and technologies we have accumulated for the film industry.



Established Broadmedia Communications Corporation



In October 2018, we established Broadmedia Communications Corporation as a joint venture with TrybalUnit, Inc.

TrybalUnit, Inc is engaged in telemarketing businesses that make the most of its own call center equipped with 400 booths, and provides appropriate services for its client companies through high-quality customer interactions based on its extensive experience and know-how.

To date, we have been engaged in the network sales business in a form of affiliated agents management business. However, with the establishment of this new joint venture, we have decided to start telemarketing businesses for communication products as a new business model.