



Broadmedia

# Summary of Financial Results for the First Three Quarters of the Fiscal Year Ending March 31, 2017

**Broadmedia Corporation**

**January 27, 2017**

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.

## Financial Summary for the First Three Quarters of FY2016

Shareholder Benefit Program

Topics

### 【Reference Documents】

- Results by Business Segment
- Status of Convertible Bonds with Stock Acquisition Rights

# Consolidated Financial Results for the First Three Quarters (April – December)



(Unit : Million yen)

	FY2015 3Q	FY2016 3Q	Difference	Rate of difference	Financial forecasts for FY2016 (Announced on April 28)
Revenue	8,933	9,725	792	9%	13,000
Operating income (loss)	(31)	100	132	—	150
Ordinary income (loss)	(241)	29	271	—	70
Net income (loss)	(640)	(200)	440	—	(220)

(Amounts are rounded down to the nearest million yen)

- Revenue and income increased year on year.
- Operating income returned to profitability, thanks to higher income due to an increase in revenue and a reduction in selling, general and administrative expenses.
- Ordinary income also returned to profitability and net loss contracted as a result of a decline in the share of loss of entities accounted for using the equity method as a result of the consolidation of the cloud gaming business into a wholly owned subsidiary.
- The full-year results forecasts remain unchanged.

# Consolidated Financial Results by Business Segment



	Revenue			Operating income		
	FY2015 3Q	FY2016 3Q	Difference	FY2015 3Q	FY2016 3Q	Difference
Content	1,520	1,470	(49)	(109)	(208)	(98)
Broadcast	3,966	4,344	377	265	239	(26)
Studio	1,864	2,047	182	(31)	155	186
Technology	1,165	1,413	248	189	238	49
Network Sales	416	449	32	(8)	5	14
Corporate expenses				(337)	(328)	8
<b>Total</b>	<b>8,933</b>	<b>9,725</b>	792	<b>(31)</b>	<b>100</b>	132

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

■ All segments except for the Content business segment returned to profitability.

■ Change in Segment

Effective from this fiscal year, expenses and income for our administrative division are now disclosed in a separate segment as corporate expenses. The purpose of this change is to more clearly present profitability by business.

(Note: Segments in terms of revenue remain unchanged.)

# Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2015 3Q	FY2016 3Q	Difference	FY2015 3Q	FY2016 3Q	Difference
<b>Content</b>	<b>1,520</b>	<b>1,470</b>	<b>(49)</b>	<b>(109)</b>	<b>(208)</b>	<b>(98)</b>
Broadcast	4,966	4,344	377	265	239	(26)
Net						186
						49
						14
						8
<b>Total</b>	<b>8,933</b>	<b>9,725</b>	792	<b>(31)</b>	<b>100</b>	132

- ✓ Operating loss increased due to the consolidation of the cloud gaming business (ordinary income (loss) and net income (loss) improved significantly).
- ✓ The performance of VOD (digital media) remained weaker than expected.
- ✓ Educational services continued to be in surplus.

■ All segments except for the Content business segment returned to profitability.  
 ■ Change in Segment  
 Effective from this fiscal year, expenses and income for our administrative division are now disclosed in a separate segment as corporate expenses. The purpose of this change is to more clearly present profitability by business.  
 (Note: Segments in terms of revenue remain unchanged.)

# Consolidated Financial Results by Business Segment



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Content	1,520	1,470	(49)	(109)	(208)	(98)
Broadcast	3,966	4,344	377	265	239	(26)
Studio	2,644	2,047	182	(31)	155	186
						49
						14
						8
Total	8,933	9,725	792	(31)	100	132

- ✓ While production revenue (non-broadcasting revenue), which has a high cost ratio, increased, some subscription revenue declined.
- ✓ As a result, revenue increased, but operating income declined.

■ All segments except for the Content business segment returned to profitability.

■ Change in Segment

Effective from this fiscal year, expenses and income for our administrative division are now disclosed in a separate segment as corporate expenses. The purpose of this change is to more clearly present profitability by business.

(Note: Segments in terms of revenue remain unchanged.)

# Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
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Content	1,520	1,470	(49)	(109)	(208)	(98)
Broadcast	3,966	4,344	377	265	239	(26)
<b>Studio</b>	<b>1,864</b>	<b>2,047</b>	182	<b>(31)</b>	<b>155</b>	186
Technology	1,410	1,459	49	100	114	14
Others	1,000	1,008	8	100	132	132

- ✓ Production orders such as for Japanese subtitles and dubs increased.
- ✓ Revenue from *Setoutsumi*, a film we produced and distributed, made a contribution.
- ✓ The reduction of fixed costs, etc. had an impact.

- All segments except for the Content business segment returned to profitability.
- Change in Segment

Effective from this fiscal year, expenses and income for our administrative division are now disclosed in a separate segment as corporate expenses. The purpose of this change is to more clearly present profitability by business.

(Note: Segments in terms of revenue remain unchanged.)

**NOTE: Each segment's operating income in the same period of the previous year is a reference value that takes the effect of the change in segment into consideration.**

# Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
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Studio	1,864	2,047	182	(31)	155	186
<b>Technology</b>	<b>1,165</b>	<b>1,413</b>	248	<b>189</b>	<b>238</b>	49
Network Sales		449	32	(8)	5	14
						8
						132

- ✓ CDN services remained strong.
- ✓ Internet services to hotels increased.
- ✓ The reduction of fixed costs, etc. had an impact.

Effective from this fiscal year, expenses and income for our administrative division are now disclosed in a separate segment as corporate expenses. The purpose of this change is to more clearly present profitability by business.  
(Note: Segments in terms of revenue remain unchanged.)

# Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2015 3Q	FY2016 3Q	Difference	FY2015 3Q	FY2016 3Q	Difference
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Studio	1,864	2,047	182	(31)	155	186
Technology	1,165	1,413	248	189	238	49
<b>Network Sales</b>	<b>416</b>	<b>449</b>	32	<b>(8)</b>	<b>5</b>	14
Corporate				(227)	(229)	8
						132

✓ While sales of ISP services declined, sales of *SoftBank Hikari*, a broadband line, increased.  
 ✓ Selling, general and administrative expenses were reduced.

separate segment as corporate expenses. The purpose of this change is to more clearly present profitability by business.  
 (Note: Segments in terms of revenue remain unchanged.)

**NOTE:** Each segment's operating income in the same period of the previous year is a reference value that takes the effect of the change in segment into consideration.

# Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2015 3Q	FY2016 3Q	Difference	FY2015 3Q	FY2016 3Q	Difference
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Broadcast	3,966	4,344	377	265	239	(26)
Studio	1,864	2,047	182	(31)	155	186
Technology	1,165	1,413	248	189	238	49
Network Sales	416	449	32	(8)	5	14
<b>Corporate expenses</b>				(337)	(328)	8

- ✓ Corporate expenses were the same level as the same period of the previous year, with higher expenses in some areas, such as expenses related to the general meeting of shareholders, offset by restraint in other areas.

Effective from this fiscal year, expenses and income for our administrative division are now disclosed in a separate segment as corporate expenses. The purpose of this change is to more clearly present profitability by business. (Note: Segments in terms of revenue remain unchanged.)

**NOTE:** Each segment's operating income in the same period of the previous year is a reference value that takes the effect of the change in segment into consideration.

# Consolidated Financial Conditions



## Conditions of assets, liabilities, and net assets

(Unit : Million yen)

	FY2015	FY2016 3Q	Difference	Rate of difference
Total assets	7,591	8,192	600	8%
Liabilities	4,081	4,708	626	15%
Net assets	3,509	3,483	(26)	(1%)
Shareholders' equity	2,456	2,333	(123)	(5%)
Stock acquisition rights for non-controlling shareholders	1,053	1,150	96	9%
Shareholders' equity ratio	32%	28%	—	—

(Amounts are rounded down to the nearest million yen)

### Total assets

- While program accounts and leased assets declined, cash and deposits increased due to issuance of bonds with stock acquisition rights.

### Liabilities

- Accounts payable and lease obligations decreased but bonds with stock acquisition rights increased.

### Net assets

- Capital and capital reserve increased due to capital increase and exercise of stock acquisition rights.
- Net assets decreased slightly due to posting of a net loss.

# Consolidated Financial Position



- Operating cash flow** ■ A cash inflow of 36 million yen due to a decline in inventories, despite decreases in notes and accounts payable – trade and advances received.
- Investing cash flow** ■ A cash outflow of 86 million yen due to the acquisition of assets in the cloud gaming business, despite the collection of investments (funds).
- Financing cash flow** ■ A cash inflow of 918 million yen due to the issuance of CBs and new shares, while lease obligations were repaid.

	FY2015 3Q	FY2016 3Q
Operating cash flow	(332)	36
Investing cash flow	(328)	(86)
Financing cash flow	(455)	918
Changes in cash and cash equivalents	(1,115)	866
Year-end balance of cash and cash equivalents	1,282	2,308

(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.**

## Financial Summary for the First Three Quarters of FY2016

### Shareholder Benefit Program

#### Topics

#### 【Reference Documents】

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# Establishment of Shareholder Benefit Program

(Announced on Oct. 28, 2016)



Shareholders will be presented with points that can be used with the *Crank-in Video* film distribution service provided by Hollywood Channel Inc.

## 1. Eligible shareholders

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

## 2. Number of points presented

Number of shares held	Period shares have been continuously held	
	Less than 1 year	1 year or more
1,000 shares or more but less than 5,000 shares	1,000 points	1,500 points
5,000 shares or more	4,000 points	6,000 points

\*Shareholders can watch two new films with 1,000 points, and 13 new films with 6,000 points.

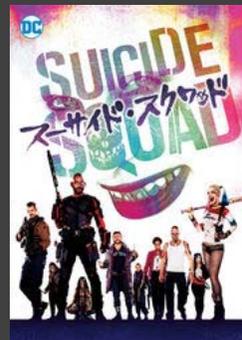
## 3. Timing of presentation of benefits (points)

Eligible shareholders will be mailed Notification of Shareholder Benefits after the close of the General Meeting of Shareholders.

# Crank-In Video



An online rental video service that allows users to watch popular new films and dramas when they want, any time, anywhere. Users can choose from around 10,000 films and dramas, most of which are new releases.



## Multi-device compatibility

Users can enjoy films and dramas anytime, anywhere, in whichever environment they choose



Newly released films priced from 400 yen (excl. tax) each

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## ■ **Strengthening of alliances**

Aim to create an alliance with new partner companies following NTT Plala, Jupiter Telecommunications, Orange (France), SFR (France) and Vietnam Posts and Telecommunications Group.

## ■ **Efforts regarding VR**

Promote the new provision of platform technology using G-cluster technology to companies that will enter into VR services.

## ■ **Game development**

Promote game development in alliance with outside partners.

We will continue to dedicate management resources to grow and develop the business.

# On Friday, January 20, 2017, We began distributing *Fishing Vision IP Linear* !

## Distribution of *IP Linear*

Distributes the same content as programs on air on *Fishing Vision* at the same time!



## Distribution of missed programs/VOD

Distributes missed programs and precious archives of popular series!



## Users can watch programs on their preferred device

Users can watch programs on their PC or smartphone anytime, anywhere!



## Free for SKY Perfect TV! subscribers

\*Able to watch in SKY Perfect TV! on demand.

Customers who subscribe to *Fishing Vision* from the SKY Perfect TV! broadcasting service are able to enjoy it with no additional fee!

# Thank you for your attention.



**Broadmedia**

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### Shareholder Benefit Program

#### Topics

##### **【Reference Documents】**

- Results by Business Segment
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# Consolidated Financial Results by Business Segment – Content –



	Revenue			Operating income		
	FY2015 3Q	FY2016 3Q	Difference	FY2015 3Q	FY2016 3Q	Difference
<b>Content</b>	1,520	1,470	(49)	* (109)	(208)	(98)

(Unit : Million yen) (Amounts are rounded down to the nearest million yen)  
\*Reference value after the segment change

- Sales of digital teaching materials in educational services and advertising revenues in digital media services declined.
- In cloud gaming services, expenses increased due to the transfer of assets and personnel, etc. from G-Cluster Global Corporation.

### ◆ Cloud Gaming services

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

### ◆ Digital Media services

- “Crank in !”
- “Crank in ! Video”

### ◆ Educational services

- Renaissance High School
- Renaissance Toyoda High School
- Renaissance Osaka High School
- Kagakukentei (Science Certification Test)

# Consolidated Financial Results by Business Segment – Broadcast –



	Revenue			Operating income		
	FY2015 3Q	FY2016 3Q	Difference	FY2015 3Q	FY2016 3Q	Difference
<b>Broadcast</b>	<b>3,966</b>	<b>4,344</b>	 <b>377</b>	<b>265</b>	<b>239</b>	 <b>(26)</b>

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

- While production revenue (non-broadcasting revenue), which has a high cost ratio, increased, some subscription revenue declined.
- As a result, revenue increased, but operating income declined.

## ◆ “*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		
	FY2015 3Q	FY2016 3Q	Difference	FY2015 3Q	FY2016 3Q	Difference
<b>Studio</b>	1,864	2,047	 182	(31)	155	 186

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

- In the production business and program sales business, orders rose significantly.
- In the film distribution business, box office revenue from *Setoutsumi*, a film produced and distributed by Broadmedia Studios Corporation, and sales of VOD rights and DVD/Blu-ray were strong.

## ◆ 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		
	FY2015 3Q	FY2016 3Q	Difference	FY2015 3Q	FY2016 3Q	Difference
<b>Technology</b>	<b>1,165</b>	<b>1,413</b>	 <b>248</b>	* <b>189</b>	<b>238</b>	 <b>49</b>

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

\*Reference value after the segment change

- CDN services and digital cinema services remained strong.
- Internet services to hotels increased.
- Costs decreased due to the recognition of impairment losses on leased assets in the previous year.

## ◆CDN services

- CDN solutions
- Broadmedia®CDN Entry
- Broadmedia®CDN mobile
- Broadmedia®CDN mobile movie

## ◆Digital cinema services

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

## ◆Other services

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

# Consolidated Financial Results by Business Segment – Network Sales –



	Revenue			Operating income		
	FY2015 3Q	FY2016 3Q	Difference	FY2015 3Q	FY2016 3Q	Difference
<b>Network Sales</b>	416	449	32	* (8)	5	14

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

\*Reference value after the segment change

- While sales of ISP services declined, sales of *SoftBank Hikari*, a broadband line, increased.
- Operating loss turned to profitability thanks to the reduction of selling, general and administrative expenses.

◆ Sales of ISP services

◆ Sales of broadband lines

◆ Others

# Consolidated Financial Results by Business Segment – Corporate expenses –



	Operating income		
	FY2015 3Q	FY2016 3Q	Difference
<b>Corporate expenses</b>	* (337)	(328)	➔ 8

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

\*Reference value after the segment change

- Corporate expenses were the same level as the same period of the previous year, with higher expenses in some areas, such as expenses related to the general meeting of shareholders, legal expenses and personnel expenses, offset by restraint in other areas.

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

# Progress in Comparison with Financial Forecasts



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

	Revenue			Operating income	
	FY2016 full-year forecasts	FY2016 3Q	Achievement ratio	FY2016 full-year forecasts	FY2016 3Q
Content	2,190	1,470	67%	(152)	(208)
Broadcast	5,607	4,344	77%	267	239
Studio	2,654	2,047	77%	172	155
Technology	1,852	1,413	76%	288	238
Network Sales	696	449	65%	21	5
Corporate expenses	—	—	—	(447)	(328)
<b>Total</b>	<b>13,000</b>	<b>9,725</b>	<b>75%</b>	<b>150</b>	<b>100</b>

- Although progress in the Content and Network Sales business segments is delayed, overall revenue is generally as expected.
- Operating income (loss) made more progress than expected in the Broadcast, Studio and Technology business segments.

## Bonds with Stock Acquisition Rights: First Series of Unsecured Convertible Bonds with Warrants



### 【Issued bonds with stock acquisition rights】

Total number of stock acquisition rights issued	Number of potential shares as a result of issuance (238,095 shares per stock acquisition right)	Total value of bonds issued (25 million yen per stock acquisition right)
40	9,523,800 shares	1,000,000,000 yen

### 【Progress with conversion】

Total number of stock acquisition rights exercised	Number of shares delivered	Total value of bonds converted
1	238,095 shares	25,000,000 yen

### 【Outstanding bonds with stock acquisition rights】

Total number of rights not exercised	Total number of potential shares remaining	Outstanding convertible bonds
39	9,285,705 shares	975,000,000 yen

**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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