



Broadmedia

# Summary of Financial Results for the Fiscal Year Ended March 31, 2017

**Broadmedia Corporation**

**April 28, 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.

◆ Summary of Financial Results for FY2016

◆ Financial Forecasts for FY2017

◆ Management Challenges

◆ Topics

[Reference Documents]

- Results by Business Segment
- State of Finance

# Consolidated Financial Results for FY2016



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

	FY2015	FY2016	Difference	Financial forecasts for FY2016 (Announced on April 28)	Achievement ratio
Revenue	12,117	13,158	↑ 1,040	13,000	101%
Operating income (loss)	71	187	↑ 116	150	125%
Ordinary income (loss)	(198)	134	↑ 333	70	192%
Net income (loss)	(1,082)	(350)	↑ 732	(220)	-

- Revenue increased and operating income rose 2.5 times compared with the previous year.
- Decrease in equity method impairment loss as a result of the integration of the cloud gaming business into a subsidiary.  
⇒ Ordinary income turned positive and the net loss decreased significantly.
- Net loss was incurred due to the following factors.
  - ✓ Extraordinary loss: 165 million yen
  - ✓ Net Income for the year attributable to non-controlling interests: 148 million yen
  - ✓ Tax expenses incurred mainly by subsidiaries: 170 million yen

# Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2015	FY2016	Difference	FY2015	FY2016	Difference
Content	2,003	2,010	→ 7	(116)	(220)	↓ (104)
Broadcast	5,360	5,854	→ 493	330	312	↓ (18)
Studio	2,638	2,683	→ 45	47	173	→ 125
Technology	1,574	1,982	→ 407	240	341	→ 101
Network Sales	540	627	→ 87	(13)	10	→ 24
Corporate expenses				(417)	(429)	↓ (12)
<b>Total</b>	<b>12,117</b>	<b>13,158</b>	<b>→ 1,040</b>	<b>71</b>	<b>187</b>	<b>→ 116</b>

■ 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		
	FY2015	FY2016	Difference	FY2015	FY2016	Difference
<b>Content</b>	<b>2,003</b>	<b>2,010</b>	<b>→ 7</b>	<b>(116)</b>	<b>(220)</b>	<b>↘ (104)</b>
Broadcast	5,360	5,854	↗ 493	330	312	↘ (18)
Cloud gaming						↘ 125
VOD (digital media)						↘ 101
Educational services						↘ 24
Administrative division						↘ (12)
<b>Total</b>	<b>12,117</b>	<b>13,158</b>	<b>↗ 1,040</b>	<b>71</b>	<b>187</b>	<b>↗ 116</b>

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

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

■ Change in Segment

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	FY2015	FY2016	Difference	FY2015	FY2016	Difference
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Broadcast	5,360	5,854	↗ 493	330	312	↘ (18)
Studio	2,638	2,683	↗ 45	47	173	↗ 125
						↗ 101
						↗ 24
						↘ (12)
						↗ 116

- ✓ 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 slightly.

- 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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Broadcast	5,360	5,854	↗ 493	330	312	↘ (18)
<b>Studio</b>	<b>2,638</b>	<b>2,683</b>	↗ 45	<b>47</b>	<b>173</b>	↗ 125
Technology	1,774	1,982	↗ 208	240	341	↗ 101
N						↘ 24
						↘ (12)
						↗ 116

- ✓ Production orders such as for Japanese subtitles and dubs remained strong.
- ✓ Revenue from *Setoutsumi*, a film we produced and distributed, contributed to the full-year results.
- ✓ The reduction of fixed costs, etc. had an impact.

## 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



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	Revenue			Operating income		
	FY2015	FY2016	Difference	FY2015	FY2016	Difference
Content	2,003	2,010	→ 7	(116)	(220)	↓ (104)
Broadcast	5,360	5,854	↑ 493	330	312	↓ (18)
Studio	2,638	2,683	↑ 45	47	173	↑ 125
<b>Technology</b>	<b>1,574</b>	<b>1,982</b>	<b>↑ 407</b>	<b>240</b>	<b>341</b>	<b>↑ 101</b>
Network Services	540	627	↑ 87	(13)	10	↑ 24
Others						↓ (12)
Corporate Expenses						↑ 116

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.)

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



# Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2015	FY2016	Difference	FY2015	FY2016	Difference
Content	2,003	2,010	→ 7	(116)	(220)	↓ (104)
Broadcast	5,360	5,854	↑ 493	330	312	↓ (18)
Studio	2,638	2,683	↑ 45	47	173	↑ 125
Technology	1,574	1,982	↑ 407	240	341	↑ 101
<b>Network Sales</b>	<b>540</b>	<b>627</b>	<b>↑ 87</b>	<b>(13)</b>	<b>10</b>	<b>↑ 24</b>
Corporate				(117)	(100)	↑ (12)

- ✓ Sales of *SoftBank Hikari*, a high-speed internet plan, increased.
- ✓ Selling, general and administrative expenses were reduced.

## 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	FY2016	Difference	FY2015	FY2016	Difference
Content	2,003	2,010	→ 7	(116)	(220)	↓ (104)
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Technology	1,574	1,982	↑ 407	240	341	↑ 101
Network Sales	540	627	↑ 87	(13)	10	↑ 24
Corporate expenses				(417)	(429)	↓ (12)

✓ 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.

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(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 Position



## Condition of assets, liabilities, and net assets

(Unit : Million yen)

	FY2015	FY2016	Difference	Rate of difference
<b>Total assets</b>	7,591	7,800	208	3%
<b>Liabilities</b>	4,081	4,857	775	19%
<b>Net assets</b>	3,509	2,942	(567)	(16%)
Shareholders' equity	2,456	1,957	(498)	(20%)
Stock acquisition rights for non-controlling shareholders	1,053	984	(68)	(7%)
<b>Shareholders' equity ratio</b>	32%	25%	—	—

(Amounts are rounded down to the nearest million yen)

<b>Total assets</b>	<ul style="list-style-type: none"> <li>Cash and deposits increased, mainly due to the issuance of bonds with stock acquisition rights (CB).</li> </ul>
<b>Liabilities</b>	<ul style="list-style-type: none"> <li>Lease obligations declined. However, liabilities increased, mainly due to the issuance of CB.</li> </ul>
<b>Net assets</b>	<ul style="list-style-type: none"> <li>Net assets declined, chiefly due to the posting of a net loss and accounting processes pertaining to the acquisition of additional shares of a subsidiary.</li> </ul>

# Consolidated Financial Position



## Condition of Cash flow

	FY2015	FY2016
Operating cash flow	71	416
Investing cash flow	(376)	42
Financing cash flow	(660)	407
Changes in cash and cash equivalents	(965)	862
Year-end balance of cash and cash equivalents	1,432	2,304

(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 inflow of 416 million yen due to a decrease in inventory assets and an increase in advances received, although a net loss was posted.

### Investing cash flow

- A cash inflow of 42 million yen due to the collection of investment funds, although cash was spent for the transfer of assets in the cloud gaming business, among other initiatives.

### Financing cash flow

- A cash inflow of 407 million yen mainly due to the issuance of CB, although cash was used for the repayment of lease obligations and the acquisition of additional shares of a subsidiary.

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## Financial Forecasts for FY2017

(Unit : Million yen)

	FY2016 actual	FY2017 full-year forecasts	
Revenue	13,158	14,000	← Record high since listing
Operating income	187	250	← Increase of 33%
Ordinary income	134	200	← Increase of 49%
Net income	(350)	50	← Turns positive

- ✓ We restored profitability in terms of ordinary income in FY2016.
- ✓ We aim to turn net income positive in FY2017.

## Dividends

- ✓ We will not make a payment of year-end dividends for FY2016.
- ✓ We deeply regret that we do not plan to pay dividends in FY2017 either.

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- **The business was integrated into Broadmedia GC Corporation. We will aim to achieve sustainable growth.**

## ■ **Strengthening of alliances**

- ⇒ We will launch cloud gaming services of new partners in the first half.
- ⇒ We will begin providing next-generation portal technology in the second half on an experimental basis.

## ■ **Efforts regarding VR / Supporting 4K and 5G**

- ⇒ We began providing technologies for VR on an experimental basis.

## ■ **Game development**

- ⇒ Promote game development in alliance with outside partners. We will release newly developed game content this summer.



- **We aim to achieve significant growth in 2018 and thereafter.**

## 【 Education Business 】

- ✓ **Development and provision of new curriculum and education materials**
- ✓ **New partner strategy**

## 【 Technology Segment 】

- ✓ Enhancement of distribution for business use (movie theaters, etc.)
  - ✓ Increase in the number of technology personnel and their empowerment
- ⇒ We aim to expand revenue during FY2017 and FY2018.

**We will improve management efficiency to achieve growth and establish an organizational structure that prepares us for taking a significant step forward.**

- **We acquired additional shares of  Renaissance Academy, making it a wholly owned subsidiary in March 2017.**

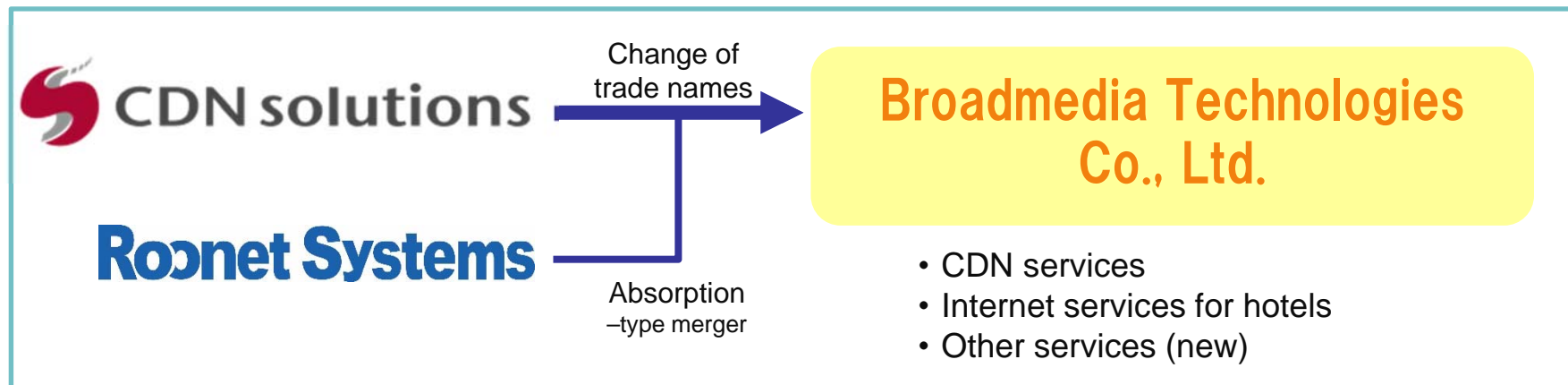
- ✓ We will create a faster decision-making process and enjoy financial benefits.
  - The company's financial results will not be reduced by amounts attributable to non-controlling shareholders.
  - The company will enjoy tax benefits because the consolidated tax payment system applies.

⇒ **The advantages will contribute to the improvement of consolidated net income in FY2017 and thereafter.**

- ✓ Development of new curriculum and programs
  - Promotion of programming education
  - New one-on-one teaching programs (adaptive learning) using AI
  - Programs for teaching the Japanese language

⇒ **We will take on challenges to offer a new type of education and create more business opportunities to increase earnings.**

- We will implement a merger of two of our wholly owned subsidiaries in June 2017.



- ✓ We will bolster our technical personnel to further expand service areas.

We will move forward with efforts to enhance profitability and improve management efficiency.

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We began providing G-cluster, a cloud gaming app for Sony's BRAVIA Android TV™, on Tuesday, April 11, 2017.

- The distribution of apps for FINAL FANTASY® XIII also commenced.





On March 3, 2017  
the multi-device image distribution service,  
Crank in! Video,  
launched service for Lawticke HMV Premium

**ローチケ HMV プレミアム**  
ENJOY A VARIETY OF ENTERTAINMENT.

- プレゼント** (Present): Read as many selected magazines as you like! More than 600 magazines, such as fashion, travel and personal interests.
- デジタル配信** (Digital Distribution): Watch new movies, animation and dramas. Watch movies using 600 yen points every month!
- チケット** (Ticket): Receive 500 yen coupons every month! Receive coupons to buy CDs, DVDs and books!
- プレミアム** (Premium): Premium advanced lottery tickets. Your probability of successfully winning the pre-request lottery increases automatically!

Every month each member will be able to use 600 yen worth of points on Crank in! Video for Lawticke HMV Premium to watch the distributed movies and overseas dramas, etc.

# 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.

# Thank you for your attention.



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# Consolidated Financial Results by Business Segment – Content –



	Revenue			Operating income		
	FY2015	FY2016	Difference	FY2015	FY2016	Difference
<b>Content</b>	2,003	2,010	→ 7	* (116)	(220)	↘ (104)

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

- The operating loss on digital media services decreased due to an increase in sales.
- Sales of digital teaching materials decreased, although the number of enrolments increased in educational services.
- 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	FY2016	Difference	FY2015	FY2016	Difference
Broadcast	5,360	5,854	 493	330	312	 (18)

(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	FY2016	Difference	FY2015	FY2016	Difference
Studio	2,638	2,683	45	47	173	125

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

- Orders remained firm in the production and program sales businesses.
- Revenue from *Setoutsumi*, a movie produced and distributed by the Company's studio segment, contributed to the full-year results.

## ◆ 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	FY2016	Difference	FY2015	FY2016	Difference
<b>Technology</b>	1,574	1,982	 407	* 240	341	 101

(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	FY2016	Difference	FY2015	FY2016	Difference
<b>Network Sales</b>	540	627	 87	* (13)	10	 24

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

\*Reference value after the segment change


- Sales of *SoftBank Hikari*, a high-speed internet plan, increased.
- Operating loss turned to profitability thanks mainly 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 – Broadmedia

	Operating income		
	FY2015	FY2016	Difference
<b>Corporate expenses</b>	* (417)	(429)	 (12)

(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)

- 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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