



Broadmedia

Summary of Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2018

Broadmedia Corporation

July 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.

Financial Summary for the First Quarter of FY2017

Topics

【Reference Documents】

- Results by Business Segment
- Education Business
- Film Distribution Business

Consolidated Financial Results for the First Quarter (April – June)



(Unit : Million yen)

	FY2016 1Q	FY2017 1Q	Difference	Rate of difference
Revenue	3,249	3,414	165	5%
Operating income	47	63	15	32%
Ordinary income	31	63	31	100%
Net income (loss)	(56)	73	129	–

(Amounts are rounded down to the nearest million yen)

Overview

- Revenue and operating income increased year on year.
- Ordinary income also rose, mainly reflecting a decline in the share of losses of entities accounted for using the equity method.
- Net income turned positive due to the posting of extraordinary income and a decline in income attributable to non-controlling interests.

Consolidated Financial Results by Business Segment



(Unit : Million yen)

	Revenue			Operating income		
	FY2016 1Q	FY2017 1Q	Difference	FY2016 1Q	FY2017 1Q	Difference
Content	491	543	↑ 52	(62)	(9)	↑ 53
Broadcast	1,405	1,501	↑ 96	89	82	→ (7)
Studio	690	614	↓ (76)	54	0	↓ (54)
Technology	455	535	↑ 79	75	86	↑ 11
Network Sales	206	219	→ 13	6	0	→ (6)
Corporate expenses				(115)	(96)	↑ 19
Total	3,249	3,414	↑ 165	47	63	↑ 15

(Amounts are rounded down to the nearest million yen)

- Revenue increased in all segments except Studio.
- Operating income rose, mainly reflecting a decline in the loss in Content, the strong performance of Technology and the reduction of corporate expenses, which offset a decrease in income in Studio.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2016 1Q	FY2017 1Q	Difference	FY2016 1Q	FY2017 1Q	Difference
Content	491	543	52	(62)	(9)	53
Broadcast	1,405	1,501	96	89	82	(7)
Technology	1,154	1,200	46	(10)	(10)	(54)
Studio	1,090	1,010	(80)	11	11	11
Corporate expenses	(490)	(496)	(6)	(6)	(6)	(6)
Total	3,249	3,414	165	47	63	15

(Amounts are rounded down to the nearest million yen)

- Revenue increased in all segments except Studio.
- Operating income rose, mainly reflecting a decline in the loss in Content, the strong performance of Technology and the reduction of corporate expenses, which offset a decrease in income in Studio.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2016 1Q	FY2017 1Q	Difference	FY2016 1Q	FY2017 1Q	Difference
Content	491	543	↑ 52	(62)	(9)	↑ 53
Broadcast	1,405	1,501	↑ 96	89	82	→ (7)
Studio	690	614	↓ (76)	54	0	↓ (54)
Technology	1,014	1,087	↑ 73	141	141	→ 0
Corporate	10	10	→ 0	19	19	→ 0
Total	3,110	3,255	↑ 145	292	231	↓ 61

- ✓ 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.

(Amounts are rounded down to the nearest million yen)

- Revenue increased in all segments except Studio.
- Operating income rose, mainly reflecting a decline in the loss in Content, the strong performance of Technology and the reduction of corporate expenses, which offset a decrease in income in Studio.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2016 1Q	FY2017 1Q	Difference	FY2016 1Q	FY2017 1Q	Difference
Content	491	543	↑ 52	(62)	(9)	↑ 53
Broadcast	1,405	1,501	↑ 96	89	82	→ (7)
Studio	690	614	↓ (76)	54	0	↓ (54)
Technology	455	535	↑ 79	75	86	↑ 11

- ✓ In the program sales business, sales of programs to TV stations increased.
- ✓ In the production business, a profit was posted but orders remained at a low level.
- ✓ One-time expenses were incurred as a result of the intra-office reorganization.

- Revenue increased in all segments except Studio.
- Operating income rose, mainly reflecting a decline in the loss in Content, the strong performance of Technology and the reduction of corporate expenses, which offset a decrease in income in Studio.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2016 1Q	FY2017 1Q	Difference	FY2016 1Q	FY2017 1Q	Difference
Content	491	543	↑ 52	(62)	(9)	↑ 53
Broadcast	1,405	1,501	↑ 96	89	82	→ (7)
Studio	690	614	↓ (76)	54	0	↓ (54)
Technology	455	535	↑ 79	75	86	↑ 11
Network Sales	206	219	→ 13	6	0	→ (6)
						↑ 19
Total	3,249	3,414	↑ 165	47	63	↑ 15

✓ Both revenue and income increased, reflecting the strong performance of CDN services.

(Amounts are rounded down to the nearest million yen)

- Revenue increased in all segments except Studio.
- Operating income rose, mainly reflecting a decline in the loss in Content, the strong performance of Technology and the reduction of corporate expenses, which offset a decrease in income in Studio.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2016 1Q	FY2017 1Q	Difference	FY2016 1Q	FY2017 1Q	Difference
Content	491	543	52	(62)	(9)	53
Broadcast	1,405	1,501	96	89	82	(7)
Studio	690	614	(76)	54	0	(54)
Technology	455	535	79	75	86	11
Network Sales	206	219	13	6	0	(6)
Corporate expenses				(115)	(96)	19

✓ Sales of SoftBank Hikari, a high-speed internet plan, remained at the same level as the previous year.

- Revenue increased in all segments except Studio.
- Operating income rose, mainly reflecting a decline in the loss in Content, the strong performance of Technology and the reduction of corporate expenses, which offset a decrease in income in Studio.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2016 1Q	FY2017 1Q	Difference	FY2016 1Q	FY2017 1Q	Difference
Content	491	543	52	(62)	(9)	53
Broadcast	1,405	1,501	96	89	82	(7)
Studio	690	614	(76)	54	0	(54)
Technology	455	535	79	75	86	11
Network Sales	206	219	13	6	0	(6)
Corporate expenses				(115)	(96)	19

- ✓ The elimination of G-Cluster Global-related expenses as well as continuous efforts to improve efficiency had an impact.

performance of Technology and the reduction of corporate expenses, which offset a decrease in income in Studio.

Progress in Comparison with Financial Forecasts



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

	FY2017 1Q	Forecasts for full-year financial results (*)	Achievement ratio
Revenue	3,414	14,000	24%
Operating income	63	250	25%
Ordinary income	63	200	32%
Net income (loss)	73	50	146%

*Announced on April 28, 2017

- Revenue increased almost as expected and profitability improved more significantly than assumed.
- The full-year forecasts remain unchanged for the time being.

Consolidated Financial Position



Condition of assets, liabilities, and net assets

(Unit : Million yen)

	FY2016	FY2017 1Q	Difference	Rate of difference
Total assets	7,800	8,015	215	3%
Liabilities	4,857	4,976	118	2%
Net assets	2,942	3,039	96	3%
Shareholders' equity	1,957	2,027	70	4%
Stock acquisition rights for non-controlling shareholders	984	1,011	26	3%
Shareholders' equity ratio	25%	25%	—	—

(Amounts are rounded down to the nearest million yen)

Total assets

- Program accounts and prepaid expenses increased.

Liabilities

- While the provision for directors' retirement benefits declined, accounts payable-trade and borrowings increased.

Net assets

- Net assets rose due to the posting of net income.

Consolidated Financial Position



Condition of Cash flow

	FY2016 1Q	FY2017 1Q
Operating cash flow	(93)	(411)
Investing cash flow	(65)	(58)
Financing cash flow	966	72
Changes in cash and cash equivalents	805	(394)
Year-end balance of cash and cash equivalents	2,247	1,909

(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 411 million yen, mainly due to increases in inventories and prepaid expenses despite the posting of net income.

Investing cash flow

- A cash outflow of 58 million yen, mainly due to the acquisition of non-current assets.

Financing cash flow

- A cash inflow of 72 million yen, mainly due to borrowings, despite the repayment of lease obligations.

■ 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
5	1,190,475 shares	125,000,000 yen

【Outstanding bonds with stock acquisition rights】

Total number of rights not exercised	Total number of potential shares remaining	Outstanding convertible bonds
35	8,333,325 shares	875,000,000 yen

Financial Summary for the First Quarter of FY2017

Topics

【Reference Documents】

- Results by Business Segment
- Education Business
- Film Distribution Business



Development of games

Development was facilitated through collaborations with external parties.

⇒ We subscribed for Convertible Bonds of Pocket Co, Ltd., a game development company.

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

- (i) Development of game software for the Nintendo Switch
- (ii) Development of game applications for smartphones
- (iii) Commencement of the delivery of a VR app, the initial product

We will facilitate the development of attractive content, including cloud games.



We will also move forward with collaborations with cloud game services.

The New Sensation Planetarium Application That Makes You Want
to Instinctively Reach Out and Touch the Stars!
Experience a 360-Degree Panoramic View of a Star-Filled Sky with Gear VR!

Dedicated application for VR

HOMESTAR VR

VR head-mounted display × Homestar

Homestar, a star planetarium for home use, is a hit product from SEGA TOYS, which recorded the sales of more than one million copies.

In full collaboration with SEGA TOYS Co, Ltd. and under the supervision of Mr. Takayuki Ohira, one of the most prominent planetarium creators in Japan

We began to deliver the application for Gear VR on July 27, 2017.
It will be sold at various VR platform stores going forward.

Progress in Cloud Gaming Business



Launched "G-cluster for LEONET," on June 1, 2017
a cloud gaming service on "Life Stick"
provided exclusively for Leoplace21 tenants



"G-cluster for LEONET" has been preinstalled on "Life Stick,"
enabling users to enjoy the service easily on television sets
in about 550,000 rental properties of Leoplace21 all over Japan.

Launch of a Special Website Providing Shareholder Benefit Programs



We have launched a dedicated website for shareholders to present shareholder benefit program points for *Crank-in Video*, a video distribution service for multi devices.



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

The website can be accessed from the page of shareholder benefit programs under IR Information on our website. (in Japanese only)

Please go through the procedures for the acquisition of points for the shareholder benefit program after clicking on “For members” or “For non-members.”

Deadline for the acquisition of points for the shareholder benefit program:
12:00 noon on Thursday, December 28, 2017.

Please enjoy *Crank-in Video*.

Thank you for your attention.



Broadmedia

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 Quarter of FY2017



Topics

【Reference Documents】

- Results by Business Segment
- Education Business
- Film Distribution Business

Consolidated Financial Results by Business Segment – Content –



	Revenue			Operating income		
	FY2016 1Q	FY2017 1Q	Difference	FY2016 1Q	FY2017 1Q	Difference
Content	491	543	 52	(62)	(9)	 53

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

- Revenue increased and the operating loss decreased in the cloud gaming business and VOD (digital media).
- Both revenue and income increased in education services.

◆ 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 Toyota High School
- Renaissance Osaka High School

Consolidated Financial Results by Business Segment – Broadcast –



	Revenue			Operating income		
	FY2016 1Q	FY2017 1Q	Difference	FY2016 1Q	FY2017 1Q	Difference
Broadcast	1,405	1,501	 96	89	82	 (7)

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



- 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.

◆ “*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		
	FY2016 1Q	FY2017 1Q	Difference	FY2016 1Q	FY2017 1Q	Difference
Studio	690	614	 (76)	54	0	 (54)

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

- In the program sales business, sales of programs to TV stations increased.
- In the production business, a profit was posted but orders remained at a low level.
- One-time expenses were incurred as a result of the intra-office reorganization.

◆ 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		
	FY2016 1Q	FY2017 1Q	Difference	FY2016 1Q	FY2017 1Q	Difference
Technology	455	535	 79	75	86	 11

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

- Both revenue and income increased, reflecting the strong performance of CDN services.

◆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		
	FY2016 1Q	FY2017 1Q	Difference	FY2016 1Q	FY2017 1Q	Difference
Network Sales	206	219	➔ 13	6	0	➔ (6)

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


- Sales of SoftBank Hikari, a high-speed internet plan, remained at the same level as the previous year.

◆ Sales of ISP services

◆ Sales of broadband lines

◆ Others

Consolidated Financial Results by Business Segment – Corporate expenses – Broadmedia

	Operating income		
	FY2016 1Q	FY2017 1Q	Difference
Corporate expenses	(115)	(96)	 19

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

- The elimination of G-Cluster Global-related expenses as well as continuous efforts to improve efficiency had an impact.

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

Renaissance Academy Corporation, a consolidated subsidiary, acquired Japanese Language Center as its wholly owned subsidiary.



- ✓ Unique online teaching materials
- ✓ Operation of correspondence-based high schools that provide leading edge educational programs via the internet such as taking lessons through various devices

株式会社 日本語センター
Japanese Language Center

- ✓ Acquisition of skills for speaking practical Japanese in a short time
- ✓ Provision of training programs for foreigners to large companies
- ✓ Operation of training and lecture courses in conjunction with the development of teachers of Japanese

Synergies leveraging the strengths of the two companies

Expansion into overseas markets

Enhancement of the customer base
by going online



JATTEN/THE GIANT

A touching movie that won three categories, the highest number for any film, at Sweden's Guldbagge Awards.

To be released at Shinjuku Cinema Qualite and then other theaters nationwide from Saturday, August 19.

A superb drama describing the life of Ricardo, a young man, who makes the best of his destiny despite suffering from a serious disease, by means of uniquely beautiful images combined with Swedish scenery.

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/>



Broadmedia

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.