



Broadmedia

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

Broadmedia Corporation

October 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.

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Broadmedia

Financial Summary for the First Half of FY2017

Progress in Management Challenges

- Strengthening of Financial Base
- Group Restructuring and Integration of Offices

Business Progress

Shareholder Benefit Programs

【Reference Documents】

- Results by Business Segment
- Topics

Consolidated Financial Results for the First Half (April – September)



(Unit : Million yen)

	FY2016 1H	FY2017 1H	Difference	Rate of difference
Revenue	6,487	6,682	195	3%
Operating income	62	67	4	7%
Ordinary income	4	54	49	–
Net income	(149)	24	173	–

(Amounts are rounded down to the nearest million yen)

Overview

- Both revenue and operating income increased slightly year on year.
- Ordinary income increased due partly to the effect of a decline in the investment loss on entities accounted for using the equity method.
- Net income turned to the black due to decreases in tax expenses and profit attributable to non-controlling interests, in addition to the posting of extraordinary income.

Consolidated Financial Results by Business Segment



(Unit : Million yen)

	Revenue			Operating income		
	FY2016 1H	FY2017 1H	Difference	FY2016 1H	FY2017 1H	Difference
Content	959	1,020	↑ 60	(172)	(37)	↑ 134
Broadcast	2,866	3,015	↑ 148	177	127	↓ (49)
Studio	1,424	1,178	↓ (245)	132	12	↓ (120)
Technology	902	1,108	↑ 206	148	188	↑ 39
Network Sales	335	359	↑ 24	6	(11)	↓ (18)
Corporate expenses				(230)	(211)	↑ 18
Total	6,487	6,682	↑ 195	62	67	↑ 4

(Amounts are rounded down to the nearest million yen)

- Revenue increased in all segments other than Studio.
- Operating income stayed at the same level as steady income in Technology offset smaller income in Broadcast and Studio, in addition to the improvement of the loss in Content.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2016 1H	FY2017 1H	Difference	FY2016 1H	FY2017 1H	Difference
Content	959	1,020	60	(172)	(37)	134
Broadcast	2,866	3,015	148	177	127	(49)
Education services	1,000	1,000	0	(120)	(120)	0
VOD (digital media)	1,000	1,000	0	39	39	0
Cloud gaming	1,000	1,000	0	(18)	(18)	0
Total	6,487	6,682	195	62	67	4

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

- Revenue increased in all segments other than Studio.
- Operating income stayed at the same level as steady income in Technology offset smaller income in Broadcast and Studio, in addition to the improvement of the loss in Content.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2016 1H	FY2017 1H	Difference	FY2016 1H	FY2017 1H	Difference
Content	959	1,020	↑ 60	(172)	(37)	↑ 134
Broadcast	2,866	3,015	↑ 148	177	127	↓ (49)
Studio	1,424	1,178	↓ (245)	132	12	↓ (120)
Production	39	39	0	39	39	0
Technology	18	18	0	18	18	0
Total	6,487	6,062	↓ (425)	62	61	↓ (1)

- ✓ 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.

- Revenue increased in all segments other than Studio.
- Operating income stayed at the same level as steady income in Technology offset smaller income in Broadcast and Studio, in addition to the improvement of the loss in Content.

Consolidated Financial Results by Business Segment



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

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Broadcast	2,866	3,015	↑ 148	177	127	↓ (49)
Studio	1,424	1,178	↓ (245)	132	12	↓ (120)
Technology	902	1,108	↑ 206	148	188	↑ 39
						(18)
						18
						4

✓ In the production and the program sales businesses, orders remained weak. In the film distribution business, both revenue and operating income declined given the absence of films we produced and distributed in-house.

- Revenue increased in all segments other than Studio.
- Operating income stayed at the same level as steady income in Technology offset smaller income in Broadcast and Studio, in addition to the improvement of the loss in Content.

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	959	1,020	↑ 60	(172)	(37)	↑ 134
Broadcast	2,866	3,015	↑ 148	177	127	↓ (49)
Studio	1,424	1,178	↓ (245)	132	12	↓ (120)
Technology	902	1,108	↑ 206	148	188	↑ 39
Network Sales	5	359	↑ 24	6	(11)	↓ (18)

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

✓ The reduction of fixed costs, etc. had an impact.

■ Revenue increased in all segments other than Studio.

■ Operating income stayed at the same level as steady income in Technology offset smaller income in Broadcast and Studio, in addition to the improvement of the loss in Content.

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	1,424	1,178	↓ (245)	132	12	↓ (120)
Technology	902	1,108	↑ 206	148	188	↑ 39
Network Sales	335	359	↑ 24	6	(11)	↓ (18)
Corporate				(230)	(211)	↑ 18

✓ The segment recorded a loss because the rising cost ratio had an impact on operating income and loss.

- Revenue increased in all segments other than Studio.
- Operating income stayed at the same level as steady income in Technology offset smaller income in Broadcast and Studio, in addition to the improvement of the loss in Content.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2016 1H	FY2017 1H	Difference	FY2016 1H	FY2017 1H	Difference
Content	959	1,020	60	(172)	(37)	134
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Studio	1,424	1,178	(245)	132	12	(120)
Technology	902	1,108	206	148	188	39
Network Sales	335	359	24	6	(11)	(18)
Corporate expenses				(230)	(211)	18

- ✓ Expenses pertaining to affiliates incurred in the first half of the previous fiscal year did not arise.
- ✓ Expenses were curbed overall, although relocation expenses associated with the integration of offices were incurred.

Consolidated Financial Forecasts and Shareholder Returns



Financial Forecasts for FY2017

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

	FY2017 1H	Forecasts for full-year financial results (*)	Achievement ratio
Revenue	6,682	14,000	48%
Operating income	67	250	27%
Ordinary income	54	200	27%
Net income	24	50	50%

*Announced on April 28, 2017

- ✓ Both revenue and income made progress generally as expected in the first half.
- ✓ The full-year forecasts remain unchanged for the time being.

Dividends

- ✓ We did not pay an interim dividend, in line with our initial forecast.
- ✓ We intend to leave our initial forecast for the year-end dividend unchanged and will not pay a year-end dividend.

Consolidated Financial Position



Position of assets, liabilities, and net assets

(Unit : Million yen)

	FY2016	FY2017 1H	Difference	Rate of difference
Total assets	7,800	7,695	(104)	(1%)
Liabilities	4,857	4,399	(458)	(9%)
Net assets	2,942	3,295	353	12%
Shareholders' equity	1,957	2,262	304	16%
Stock acquisition rights for non-controlling shareholders	984	1,033	48	5%
Shareholders' equity ratio	25%	29%	—	—

(Amounts are rounded down to the nearest million yen)

Total assets	■ While program account and prepaid expenses increased, cash and deposits declined.
Liabilities	■ Advances received, provision for directors' retirement benefits and bonds with stock acquisition rights decreased.
Net assets	■ Net assets increased with the posting of net income and the exercise of stock acquisition rights.

Consolidated Financial Position



Condition of Cash flow	FY2016 1H	FY2017 1H
Operating cash flow	106	(421)
Investing cash flow	(124)	(125)
Financing cash flow	1,027	(58)
Changes in cash and cash equivalents	1,004	(601)
Year-end balance of cash and cash equivalents	2,446	1,702

(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 421 million yen primarily due to an increase in inventories and a fall in advances received, despite the posting of net income.

Investing cash flow

- A cash outflow of 125 million yen chiefly due to the acquisition of non-current assets and the payment of lease deposits associated with the integration of Group company offices.

Financing cash flow

- A cash outflow of 58 million yen mainly due to the repayment of lease obligations, despite loans payable.

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■ Status of Fundraising

- ✓ We have been working on capital enhancement, which was a management issue.
⇒ Issued bonds with share acquisition rights (CBs) a year and a half ago.

【 Issued bonds with stock acquisition rights 】

Issued date: May 16, 2016

Total number of stock acquisition rights issued	Number of potential shares as a result of issuance (25 million yen per stock acquisition right)	Number of shares issued
40	1 billion yen	9,523 thousand shares

⇒ CBs worth 300 million yen have already been converted to shares before the book closing of the second quarter.

⇒ All the remaining CBs worth 700 million yen completed conversion in October 2017.

Realized the recovery of the shareholders' equity ratio and the stable financial base that will support business strategies.

■ Efforts for the Group restructuring after April 2016

July 2016

Integrated the cloud gaming business into Broadmedia GC Corporation.

- Assets such as patented technologies of G-cluster Global Corporation
- The cloud gaming business of the Company



March 2017

Made Renaissance Academy Corporation a wholly owned subsidiary by acquiring its additional shares.



ルネサンス・アカデミー株式会社

June 2017

Merged CDN Solutions K.K. and Roonet Systems Co., Ltd. and changed the combined company's name to Broadmedia Technologies Co., Ltd.



BMTi

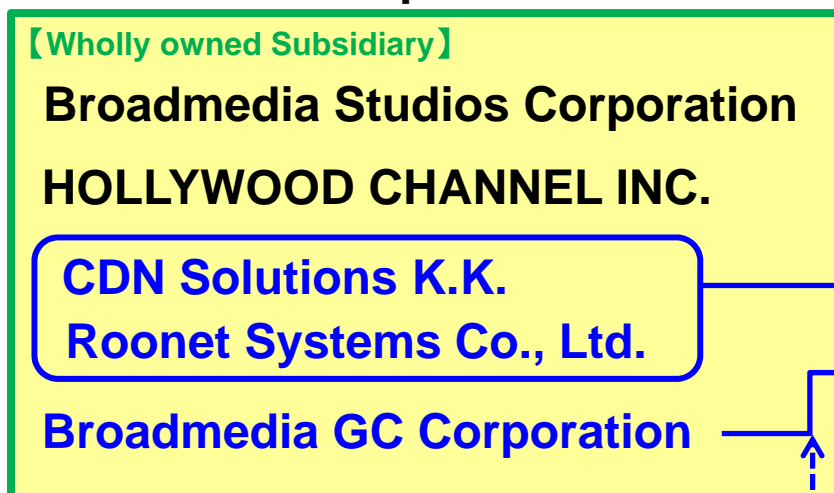
October 2017

Made Digital Cinema Club, Inc. a wholly owned subsidiary by acquiring its additional shares.



■ Efforts for the Group restructuring after April 2016

As of April 2016



【Non-Consolidated Subsidiary】

G-cluster Global Corporation

【Consolidated Subsidiary】

Renaissance Academy Corporation

Digital Cinema Club, Inc.

Fishing Vision Co.,Ltd.

As of October 2017



【Consolidated Subsidiary】

Fishing Vision Co.,Ltd.

※Excluding overseas subsidiaries

■ **Effects of conversion to a wholly owned subsidiary**

- ✓ Stronger Group management structure
- ✓ Financial benefits
 - ⇒ Effects on P/L (financial results will not be reduced by amounts attributable to non-controlling interests)
 - ⇒ Effects on taxes (subject to consolidated tax payment)

■ **Integration of Group company offices**

- ✓ Integration of HOLLYWOOD CHANNEL INC. and Broadmedia Technologies Co., Ltd. into Aoyama Office
 - ⇒ Improvement of communication between the Group companies as a result of the integration
 - ⇒ Creation of Group synergy through stronger collaboration beyond departments and organizations

Promote the improvement of profitability and the enhancement of corporate value more strongly.

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online service for TV commercial content
「Broadmedia[®] CDN CM Online」

launched in October 2017,

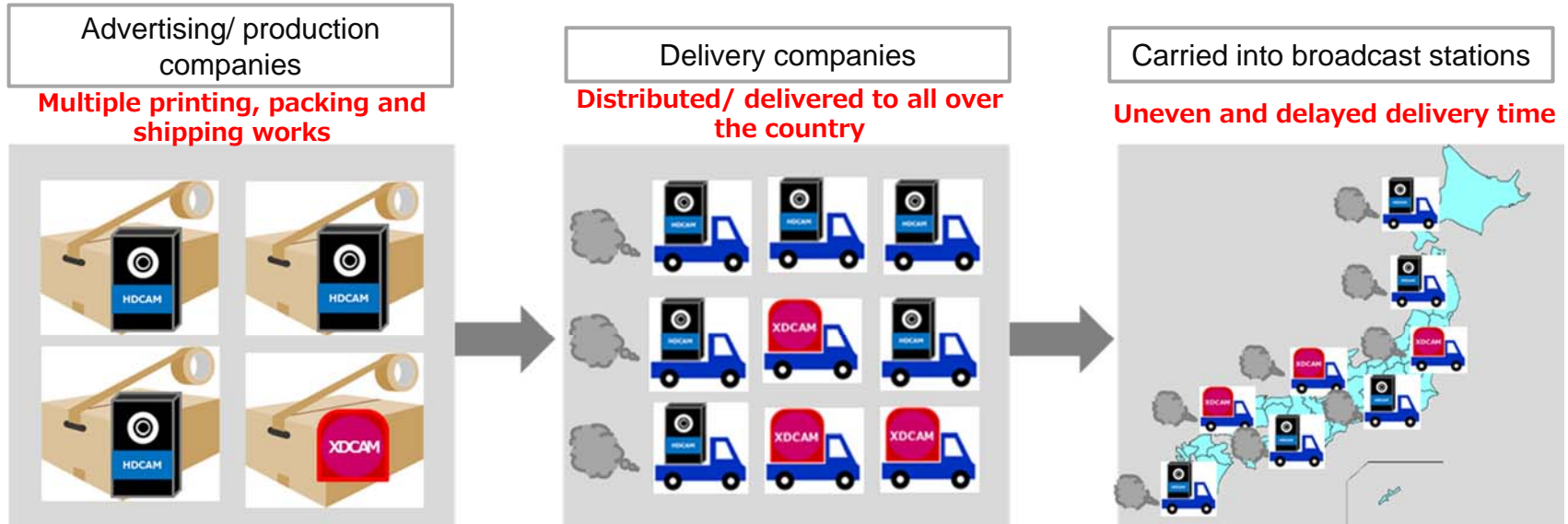


Leverage considerable experience and know-how cultivated in the large-scale content delivery network (CDN) business and the digital cinema business.

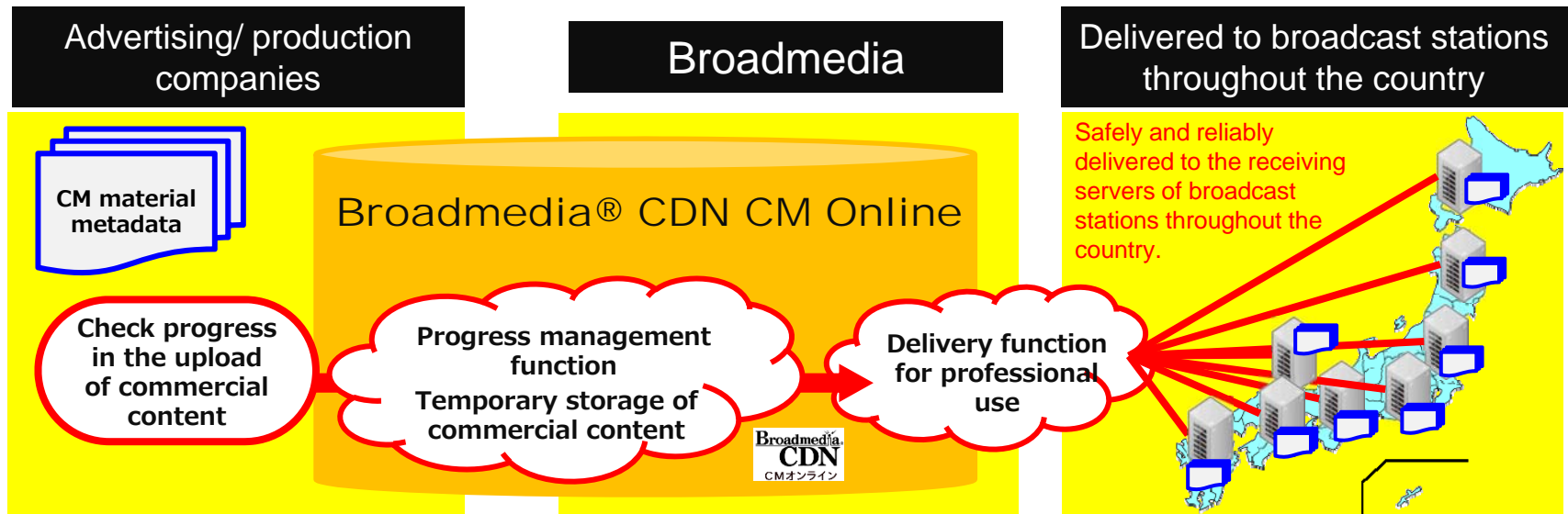
- ✓ Major advertising agencies have already started using our online service.
- ✓ Currently, 21 stations in Tokyo, Osaka and Nagoya, including key stations, have already been delivered CM content through our service.

Technical service

Up to now



From now on



Strengthening of alliances

■ Alliances in the current fiscal year

Apr. :   Sony's BRAVIA Android TV™

Jun. :  Life Stick,
provided exclusively for Leoplace 21 tenants

Nov. :  COCORO GAME,
(planned)  an AI Cloud Service provided by Sharp

Dec. :  
(planned) PIXELA Smart BOX,
an IP set top box for Android TV™

Efforts for VR/4K/5G

■ Begun providing technologies for VR on a trial basis.

Development of the next-generation portal

- Aim to begin the early provision of the next-generation portal which we are currently developing.

Game development / Procurement

- Promote game development in alliance with outside partners.

Invested in The Pocket Company, a game development company.

- ✓ Started distribution of “Homestar VR,” content for Gear VR, in July.
- ✓ Development of game software for the Nintendo Switch



- Adapt popular game titles for the cloud.
“Final Fantasy® IX Cloud version” was launched!



~ Distribution began in September. ~

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Shareholders eligible for shareholder benefit program
are those who were entered in the shareholder register as of March 31, 2017

**Deadline for accepting applications for the acquisition of
shareholder benefit points:**

Until 12:00 noon on Thursday, December 28, 2017

【Content of shareholder benefits】

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

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

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

We will continue shareholder benefit programs.

We are currently considering what to provide, including the setup of new services
and the expansion of covered services.

Thank you for your attention.



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Consolidated Financial Results by Business Segment - Content -



	Revenue			Operating income		
	FY2016 1H	FY2017 1H	Difference	FY2016 1H	FY2017 1H	Difference
Content	959	1,020	 60	(172)	(37)	 134

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

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

◆ 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 1H	FY2017 1H	Difference	FY2016 1H	FY2017 1H	Difference
Broadcast	2,866	3,015	 148	177	127	 (49)

(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 1H	FY2017 1H	Difference	FY2016 1H	FY2017 1H	Difference
Studio	1,424	1,178	(245)	132	12	(120)

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

✓ In the production and the program sales businesses, orders remained weak. In the film distribution business, both revenue and operating income declined given the absence of films we produced and distributed in-house.

<p>◆ Production business</p> <ul style="list-style-type: none"> • Production of Japanese subtitles • Production of Japanese dubs • Production of teletext data • Production of program promotions 	<p>◆ Film distribution business</p> <ul style="list-style-type: none"> • Production and distribution of theatrical films • Sales of DVD and Blu-ray titles • Sales of TV broadcasting rights • Sales of VOD rights 	<p>◆ Program sales business</p> <ul style="list-style-type: none"> • Provisioning of Hollywood and other movies to TV stations.
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Consolidated Financial Results by Business Segment – Technology –



	Revenue			Operating income		
	FY2016 1H	FY2017 1H	Difference	FY2016 1H	FY2017 1H	Difference
Technology	902	1,108	206	148	188	39



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

- ✓ Both revenue and income increased, reflecting the strong performance of CDN services.
- ✓ The reduction of fixed costs, etc. had an impact.

<p>◆CDN services</p> <ul style="list-style-type: none"> •Broadmedia Technologies •Broadmedia®CDN Entry •Broadmedia®CDN mobile •Broadmedia®CDN mobile movie •Broadmedia®CDN CM online 	<p>◆Hospitality network</p> <ul style="list-style-type: none"> •Provisioning of Internet services to hotel guest rooms, conference rooms, etc. 	<p>◆ Digital cinema services</p> <ul style="list-style-type: none"> •Broadmedia®CDN for theaters •Sales and rental services of distribution equipment, etc. •Provisioning of VPF services
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Consolidated Financial Results by Business Segment – Network Sales –



	Revenue			Operating income		
	FY2016 1H	FY2017 1H	Difference	FY2016 1H	FY2017 1H	Difference
Network Sales	335	359	 24	6	(11)	 (18)

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

- ✓ The segment recorded a loss because the rising cost ratio had an impact on operating income and loss.

◆ Sales of ISP services

◆ Sales of broadband lines

◆ Others

Consolidated Financial Results by Business Segment – Corporate expenses – Broadmedia

	Operating income		
	FY2016 1H	FY2017 1H	Difference
Corporate expenses	(230)	(211)	18

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

- ✓ Expenses pertaining to affiliates incurred in the first half of the previous fiscal year did not arise.
- ✓ Expenses were curbed overall, although relocation expenses associated with the integration of offices were incurred.

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

Adolescence of “Talking Only”

Two actors Mahiro Takasugi and Shono Hayama star.

TV Tokyo Drama 25 “Setoutsumi”

First broadcast at 0:52 a.m. on Friday, October 13, 2017!



Topics (Future distribution works)



Broadmedia

The unknown <True Story> of Django Reinhardt, the legendary Jazz guitarist who stood against the Nazis using the power of music

Movie “Django”

Begins showing in stages around Japan, starting at Human Trust Cinema Yurakucho, Shinjuku Musashino-Kan and others on Saturday, November 25.



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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