



Broadmedia

Summary of Financial Results for the Fiscal Year Ended March 31, 2018

Broadmedia Corporation

May 30, 2018

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

Regarding investigation results of damages from fictitious transactions suffered by Fishing Vision

- The Internal Investigation Committee undertook an investigation into the damages suffered by Fishing Vision, a consolidated subsidiary, due to fictitious transactions, which were discovered in January 2018.

And we established a third-party committee and conducted an additional investigation because there was a request from an insider who had already held an interview with the Internal Investigation Committee that an additional investigation should be made with regard to the Officers of the Company.

■ Internal Investigation Committee

- ✓ The matter was a case of fraud committed by a subcontractor.
- ✓ They did not find that there were any individuals internally who had been involved in the fictitious transactions.

■ Third-Party Committee

- ✓ They found no fraudulent acts or facts that should be added to the reported results of the investigation by the Internal Investigation Committee.

We regret that the situation remains outstanding and apologize sincerely to all stakeholders for the inconvenience and concern that has been caused.

■ The following measures will be taken as a result of the investigation and suggestions.

- (1) Thorough establishment of relationships with business partners
- (2) Strict credit management
- (3) Sufficient training on the importance of internal control
- (4) Review of the organizational system of Fishing Vision (complete separation of management/sales)
- (5) Parent company's involvement in a ringi (approval) process, etc.

■ **The following measures will be taken as a result of the investigation and suggestions.**

- (6) Review of items to be reported at important meetings, etc.
- (7) Streamline rules and manuals within our group
- (8) Strengthen the cooperation among management divisions within our group
- (9) Enhancement of internal audits within our group
- (10) Implement thorough compliance training

We will not only work on preventing the recurrence of similar damage, but also on enhancing our group's governance/compliance system.

■ **Actions to be taken**

- ✓ Regarding damages incurred by our group, the Company will make efforts to obtain refunds, claim damages, etc.
 - Appr. 500 million yen recorded as extraordinary loss for direct damages
 - Incidental expenses incurred for investigation and outside experts
- ✓ We will also make progress with the amendment of the consumption/corporate tax declaration.
- ✓ As a case of fraud, we plan to pursue criminal prosecution in the future.

■ **Submission of a financial statement and an amendment report**

- ✓ We expect to submit a financial statement by the deadline at the end of June.
- ✓ We are currently making adjustments with an auditing firm that will accept an amendment report dated before FY2014.
- ✓ Even if this is accepted, however, it may take time to complete the audits of past fiscal years.
- ✓ The schedule for the audits of past fiscal years may affect the timing of the submission of a financial statement.

If it is necessary to postpone the deadline of the submission of the report, we will announce it promptly.

◆ Summary of Financial Results for FY2017

- ◆ Financial Forecasts for FY2018
- ◆ Management Challenges

[Reference Documents]

- Results by Business Segment
- Topics

Consolidated Financial Results for FY2017



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

	FY2016	FY2017	Difference	Forecasts for full-year financial results (*)	Achievement ratio
Revenue	10,413	10,800	387	10,600	102%
Operating income	38	86	47	50	172%
Ordinary income	(14)	79	93	40	198%
Net income	(426)	(232)	193	(260)	-

* Announced on March 14, 2018

- Revenue and operating income increased year on year.
- Ordinary income also increased, due partly to the investment profit posted due to using the equity method.
- Net loss reflects an extraordinary loss as a result of damages from the fictitious transactions suffered by Fishing Vision.

Figures for the previous year are presented hereinafter by deducting the impacts of the fictitious transactions.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2016	FY2017	Difference	FY2016	FY2017	Difference
Content	2,010	2,148	↑ 138	(220)	14	↑ 235
Broadcast	3,109	2,980	↓ (129)	164	87	↓ (76)
Studio	2,683	2,592	↓ (91)	173	47	↓ (125)
Technology	1,982	2,311	↑ 329	341	384	↑ 43
Network Sales	627	767	↑ 140	10	4	↓ (5)
Corporate expenses				(429)	(453)	↓ (23)
Total	10,413	10,800	↑ 387	38	86	↑ 47

- Revenue increased in Content, Technology and Network Sales.
- Operating income rose, reflecting a significant reduction in operating loss in Content and the solid performance of Technology, which offset decreases in operating income in Broadcast, Studio and Network Sales.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2016	FY2017	Difference	FY2016	FY2017	Difference
Content	2,010	2,148	↑ 138	(220)	14	↑ 235
Broadcast	2,869	2,980	↓ (129)	164	87	↓ (76)

- ✓ 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.
- ✓ As a result, the content segment turned into profitability.

■ Revenue increased in Content, Technology and Network Sales.
 ■ Operating income rose, reflecting a significant reduction in operating loss in Content and the solid performance of Technology, which offset decreases in operating income in Broadcast, Studio and Network Sales.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2016	FY2017	Difference	FY2016	FY2017	Difference
Content	2,010	2,148	↑ 138	(220)	14	↑ 235
Broadcast	3,109	2,980	↓ (129)	164	87	↓ (76)
Studio	2,683	2,592	↓ (91)	173	47	↓ (125)
Technology	2,531	2,527	↓ (4)	43	43	(5)
Network Sales	2,059	2,002	↓ (57)	(23)	(23)	(23)
Total	10,413	10,800	↑ 387	38	86	↑ 47

✓ Both revenue and operating income decreased due to a decline in the unit price of some subscription revenue.

- Revenue increased in Content, Technology and Network Sales.
- Operating income rose, reflecting a significant reduction in operating loss in Content and the solid performance of Technology, which offset decreases in operating income in Broadcast, Studio and Network Sales.

Consolidated Financial Results by Business Segment



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	Revenue			Operating income		
	FY2016	FY2017	Difference	FY2016	FY2017	Difference
Content	2,010	2,148	↑ 138	(220)	14	↑ 235
Broadcast	3,109	2,980	↓ (129)	164	87	↓ (76)
Studio	2,683	2,592	↓ (91)	173	47	↓ (125)
Techno	1,982	2,311	↑ 329	341	384	↑ 43

- ✓ Both revenue and income increased, sales of programs to TV stations increased in the program sales business.
- ✓ Both revenue and income decreased, orders declined in the production business.
- ✓ In the film distribution business, both revenue and operating income declined given the absence of films we produced and distributed in-house.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2016	FY2017	Difference	FY2016	FY2017	Difference
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Broadcast	3,109	2,980	↓ (129)	164	87	↓ (76)
Studio	2,683	2,592	↓ (91)	173	47	↓ (125)
Technology	1,982	2,311	↑ 329	341	384	↑ 43
Network	627	767	↑ 140	10	4	↓ (5)

- ✓ Both revenue and income increased due to the increase in the number of services we provide.
- ✓ The reduction of fixed costs, etc. had an impact.

Operating income rose, reflecting a significant reduction in operating loss in Content and the solid performance of Technology, which offset decreases in operating income in Broadcast, Studio and Network Sales.

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	2,010	2,148	↑ 138	(220)	14	↑ 235
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Studio	2,683	2,592	↓ (91)	173	47	↓ (125)
Technology	1,982	2,311	↑ 329	341	384	↑ 43
Network Sales	627	767	↑ 140	10	4	↓ (5)
Corporate				(429)	(453)	↓ (23)

✓ Revenue increased while operating income declined in the segment because of the rising cost ratio.

- Revenue increased in Content, Technology and Network Sales.
- Operating income rose, reflecting a significant reduction in operating loss in Content and the solid performance of Technology, which offset decreases in operating income in Broadcast, Studio and Network Sales.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2016	FY2017	Difference	FY2016	FY2017	Difference
Content	2,010	2,148	↑ 138	(220)	14	↑ 235
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Studio	2,683	2,592	↓ (91)	173	47	↓ (125)
Technology	1,982	2,311	↑ 329	341	384	↑ 43
Network Sales	627	767	↑ 140	10	4	↓ (5)
Corporate expenses				(429)	(453)	↓ (23)

- ✓ Expenses were incurred, including the expenses related to the investigation of the damages from the fictitious transactions suffered by Fishing Vision and relocation expenses associated with the integration of offices.

Consolidated Financial Position



Condition of assets, liabilities, and net assets

(Unit : Million yen)

	FY2016	FY2017	Difference	Rate of difference
Total assets	7,278	6,540	(738)	(10%)
Liabilities	4,857	3,655	(1,202)	(25%)
Net assets	2,420	2,884	463	19%
Shareholders' equity	1,692	2,396	703	42%
Stock acquisition rights for non-controlling shareholders	727	487	(239)	(33%)
Shareholders' equity ratio	23%	37%	—	—

(Amounts are rounded down to the nearest million yen)

Total assets	<ul style="list-style-type: none"> While program account and accounts receivable increased, cash and deposits declined.
Liabilities	<ul style="list-style-type: none"> Advances received, lease obligations and bonds with stock acquisition rights decreased.
Net assets	<ul style="list-style-type: none"> Although a net loss was posted, net assets increased with the exercise of stock acquisition rights.

Consolidated Financial Position



Condition of Cash flow	FY2016	FY2017
Operating cash flow	416	(98)
Investing cash flow	42	(234)
Financing cash flow	407	(358)
Changes in cash and cash equivalents	862	(687)
Year-end balance of cash and cash equivalents	2,304	1,616

(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 98 million yen due to the posting of net loss, the acquisition of TV broadcasting rights in the program sales business, and the increase in trade accounts receivable.

Investing cash flow

- A cash outflow of 234 million yen chiefly due to the payment of lease deposits associated with the integration of Group company offices and the acquisition of non-current assets.

Financing cash flow

- A cash outflow of 358 million yen mainly due to the acquisition of additional shares of subsidiaries and the repayment of lease obligations.

◆ Summary of Financial Results for FY2017

◆ Financial Forecasts for FY2018

◆ Management Challenges

[Reference Documents]

- Results by Business Segment
- Topics

■ Full-year Forecasts

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

	FY2017 actual	FY2018 full-year forecasts	Difference
Revenue	10,800	11,700	900
Operating income	86	50	(36)
Ordinary income	79	40	(39)
Net income	(232)	(80)	152

- ✓ Revenue and income are projected to increase in each segment.
- ✓ Approximately 150 million yen is included as expenses associated with the damages from the fictitious transactions suffered by Fishing Vision in selling, general and administrative expenses.
- ✓ As a result, revenue is projected to increase, but operating income/ordinary income is projected to decline.
- ✓ We will make progress with the amendment of the tax declaration and claim damages, etc., but at present, because the refund amounts are difficult to project, no inflow of refunds is included.

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Strengthening of alliances

Providing a cloud game platform to:

Japan: NTT Plala, J:COM, Leoplace 21, Sharp, PIXELA

Overseas: Orange, SFR



⇒ We will enhance the alliances with the aim of increasing profit.

Development of the next-generation portal

⇒ Demonstrate and test our new portal at multiple cable TV stations.





Efforts for VR/4K/5G

Expand the provision of technology for VR

Build a new service through continued experimentation and testing of 5G, etc.



Game development

株式会社ポケット

Promotion of the development of game software for the Nintendo Switch™ through an alliance with Pocket Inc., in which we have invested



Expansion of service

Digital comic service for smartphones and tablets
Provision of the “Crank-in! Comic” service begins.

⇒ We provide a new integrated way of enjoying news/movies/comics.

クランクイン!
コミック





Development and provision of a new curriculum and learning materials

Four commuting-based learning courses were launched

“eSports course”, “YouTuber development course”, “Preparatory course for university exams using “*Studysapuri*” materials” and “Dedicated English language course”

⇒ **We provide learning that is suitable for the lifestyle of each student.**

New partner strategy

- ✓ Partnership for service with Jinjibu Co. Ltd., which operates “JOB Draft.”
- ✓ Support FC Osaka as a top partner.
- ✓ Partnership with HELP University (Malaysia)

⇒ **Support the dreams of students through the partnerships with our partners.**

Drive the increase in profit in the content segment.

Fishing Vision × Digital Media

In addition to broadcasting satellite (BS) broadcasting, we expand the provision of information content to digital media.

- ✓ We distribute an overwhelming quantity and quality of information on fishing in a timely manner on the Internet.
- ✓ We have integrated our service for mobile users into the Fishing Vision portal.

Expand the Internet distribution business as a second pillar.

Reorganization and enhancement of control

We have built an organizational structure to establish two pillars of broadcasting and Internet distribution.

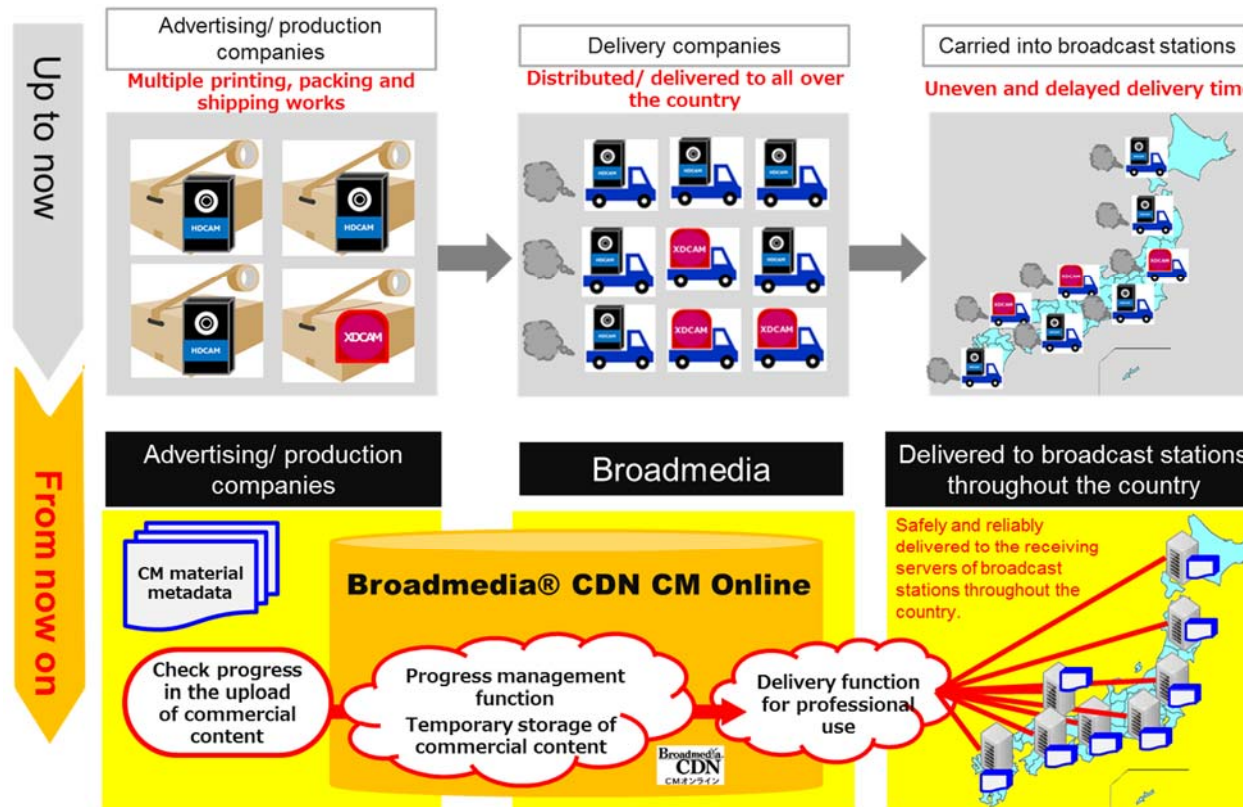
Enhancement of governance and ensuring compliance

- ✓ We have established a special division to review and enhance operation processes, etc.
- ✓ Enhancement of the checking function among the divisions
- ✓ Thorough review and reinforcement of training of employees, etc.

Leverage considerable experience and know-how

Broadmedia® CDN CM Online

✓ We have undertaken distribution online in place of delivery using physical media up until now.



⇒44 broadcasting stations nationwide, including key stations, have already adopted our service. *As of May 1, 2018

Provision of a new solution and service

**We provide a private network that goes around the world:
Aryaka Global SD-WAN.**

⇒ World's first cloud-type WAN speed-up/optimization service

⇒ Stabilization of large-volume data communication environment among global sites



In addition to the existing service, we will expand a new unique, value-added service with the aim of increasing profit.

- ✓ **We aim to increase profit by taking on a new challenge and creating an opportunity to earn further profit in each segment.**
- ✓ **We enhance governance throughout the company and our compliance system, working to achieve our group's sustainable growth and improve its corporate value.**

Thank you for your attention.



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- Results by Business Segment
- Topics

Consolidated Financial Results by Business Segment - Content -



	Revenue			Operating income		
	FY2016	FY2017	Difference	FY2016	FY2017	Difference
Content	2,010	2,148	↑ 138	(220)	14	↑ 235

(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.
- As a result, the content segment turned into profitability.

◆ 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	FY2017	Difference	FY2016	FY2017	Difference
Broadcast	3,109	2,980	 (129)	164	87	 (76)

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

- Both revenue and operating income decreased due to a decline in the unit price of some subscription revenue.

◆ “*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	FY2017	Difference	FY2016	FY2017	Difference
Studio	2,683	2,592	↓ (91)	173	47	↓ (125)

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

- Both revenue and income increased, sales of programs to TV stations increased in the program sales business.
- Both revenue and income decreased, orders declined in the production business.
- In the film distribution business, both revenue and operating income declined given the absence of films we produced and distributed in-house.

◆ 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	FY2017	Difference	FY2016	FY2017	Difference
Technology	1,982	2,311	329	341	384	43

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

- Both revenue and income increased due to the increase in the number of services we provide.
- The reduction of fixed costs, etc. had an impact.

◆ CDN services

- Broadmedia®CDN Entry
- Broadmedia®CDN mobile
- Broadmedia®CDN mobile movie
- Broadmedia®CDN CM online
- Broadmedia Technologies' CDN service etc.

◆ Hospitality network

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

◆ Digital cinema services

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

Consolidated Financial Results by Business Segment – Network Sales –



	Revenue			Operating income		
	FY2016	FY2017	Difference	FY2016	FY2017	Difference
Network Sales	627	767	140	10	4	(5)

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

■ Revenue increased while operating income declined in the segment because of the rising cost ratio.

- ◆ Sales of ISP services
- ◆ Sales of broadband lines
- ◆ Others

Consolidated Financial Results by Business Segment – Corporate expenses – Broadmedia

	Operating income		
	FY2016	FY2017	Difference
Corporate expenses	(429)	(453)	(23)

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

- Expenses were incurred, including the expenses related to the investigation of the damages from the fictitious transactions suffered by Fishing Vision and relocation expenses associated with the integration of offices.

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



May 22, 2018

**Service partnership with Jinjibu Co. Ltd, which operates
“JOB Draft,” an employment website for high school students**

Career education curriculum



Employment support



Information media program for high school students



©JOBドラフト.

**Enhancement of a system for the provision of employment
support/career education by an experts**

Game development / Procurement

- Pocket Inc., in which our company invests;

May 2, 2018,

Distribution of the VR planetarium software “HOMESTAR VR” begins at the same time as the launch of the “Oculus Go” headset!



Distribution of “Oculus Rift” and “HTC VIVE” also begins at the same time.

Unprecedented movie in the industry!? Gyoza × LOVE entertainment

“ **KISS DEKIRU GYOZA** (Gyoza You Can Kiss) ”

To be released progressively at theaters nationwide including Shinjuku Piccadilly from Friday, June 22, 2018

[Advance roadshow in Tochigi Prefecture on Friday, June 15 *excluding some theaters]



(C)2018「キスできる餃子」製作委員会

In this romantic comedy set in Utsunomiya, a divorced woman with a child, who has returned to her parents' home, attempts to revitalize her parents' gyoza restaurant and falls in love with a handsome professional golfer.

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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