



Broadmedia

# **Summary of Financial Results for the First Three Quarters of the Fiscal Year Ending March 31, 2019**

**Broadmedia Corporation**

**February 1, 2019**

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 FY2018**

### **Topics**

#### **[ Reference Documents ]**

- **Results by Business Segment**

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



Broadmedia

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

	FY2017 3Q	FY2018 3Q	Difference	Rate of difference
Revenue	8,005	8,301	295	4%
Operating income	72	31	(40)	(56%)
Ordinary income	58	60	1	2%
Net income	47	(39)	(87)	-

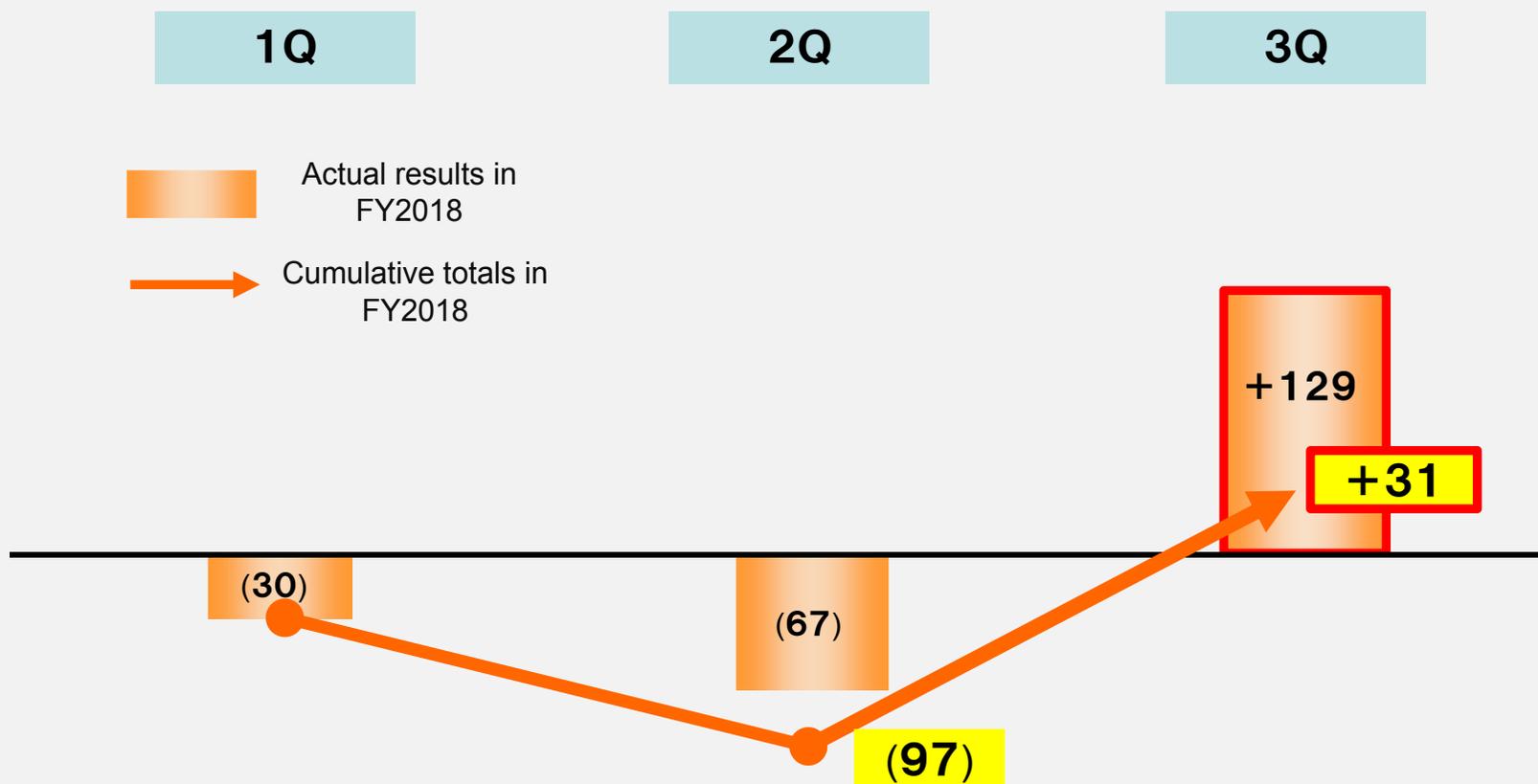
## Overview

- Revenue and income increased year on year.
- Costs relating to damages from fictitious transactions suffered by Fishing Vision of around 150 million yen were incurred, and we recorded an operating loss.
- Ordinary income increased partly due to the posting of the reversal to the allowance of doubtful accounts.
- A net loss was posted mainly due to tax expenses incurred by subsidiaries and an increase in net income attributable to non-controlling interests.

# (Reference) Changes in operating income



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

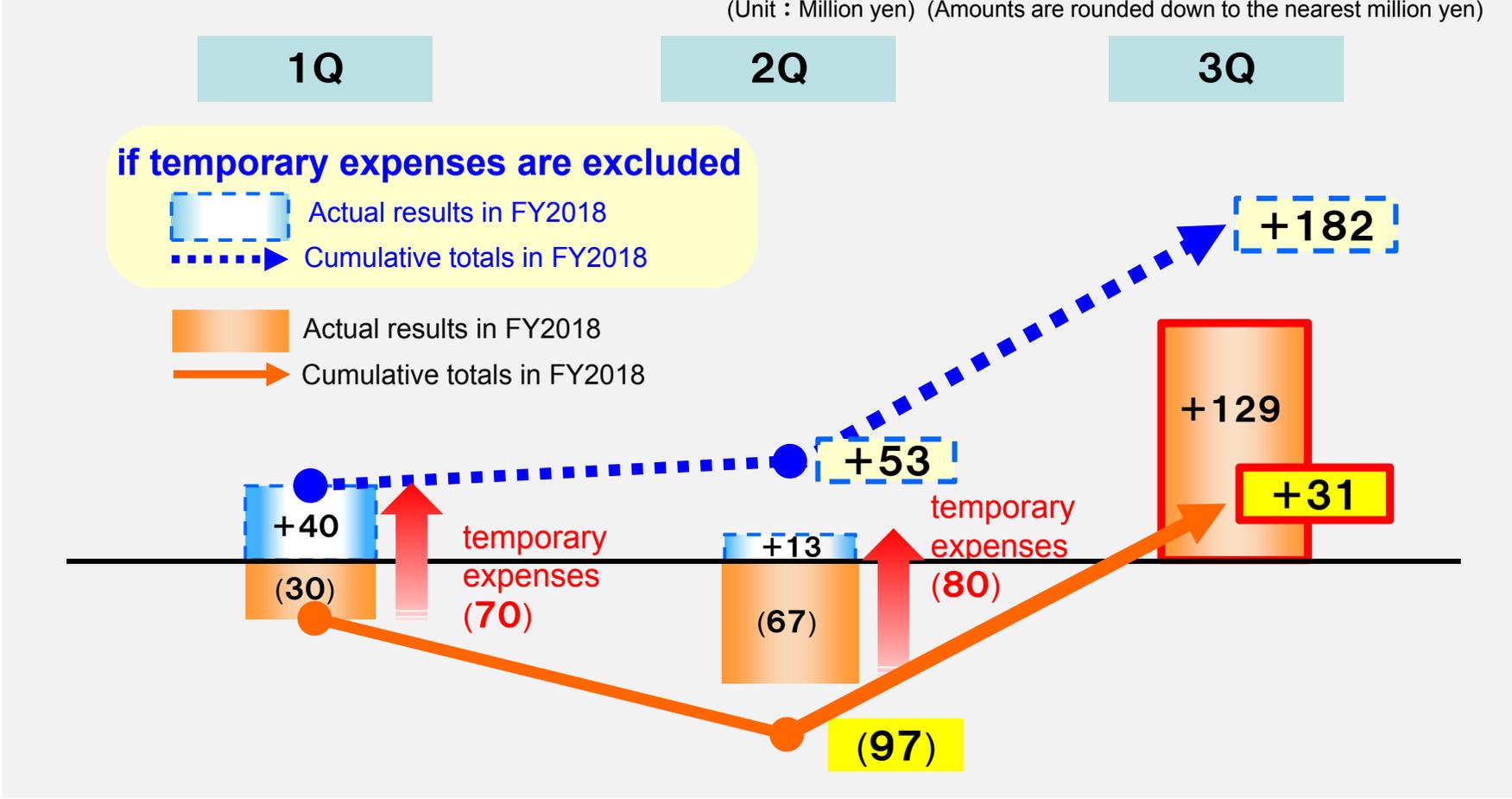


- Operating income of approximately 129 million yen was posted in the third quarter.
- The result reflected the impact of temporary costs amounting to approximately 70 million yen and 80 million yen in the first and second quarters, respectively, due to damages from fictitious transactions suffered by Fishing Vision.

# Change in operating income (if temporary expenses are excluded)



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



■ Operating income would have been positive from the first quarter if temporary costs had not been posted.

# Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2017 3Q	FY2018 3Q	Difference	FY2017 3Q	FY2018 3Q	Difference
Content	1,556	1,768	212	(31)	34	66
Broadcast	2,231	2,192	(38)	76	147	70
Studio	2,001	1,669	(331)	71	(31)	(103)
Technology	1,705	1,934	229	281	321	40
Network Sales	511	735	224	(11)	24	35
Corporate expenses				(313)	(463)	(150)
<b>Total</b>	<b>8,005</b>	<b>8,301</b>	295	<b>72</b>	<b>31</b>	(40)

# Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2017 3Q	FY2018 3Q	Difference	FY2017 3Q	FY2018 3Q	Difference
<b>Content</b>	1,556	1,768	↑ 212	(31)	34	↑ 66
Broadcast	2,231	2,192	→ (38)	76	147	↑ 70
Education	1,000	1,035	↑ 35	(103)	40	↑ 40
Cloud gaming	1,000	1,035	↑ 35	(150)	35	↑ 35
Digital media	1,000	1,035	↑ 35	(150)	35	↑ 35
Total	5,000	5,001	↑ 1	(72)	31	↑ (40)

- ✓ The segment as a whole saw an increase in both revenue and operating income.
- ✓ Both revenue and operating income rose in educational services due to a rise in the number of students enrolled.
- ✓ Sales increased and operating loss declined in the cloud gaming business and digital media services, respectively.

# Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2017 3Q	FY2018 3Q	Difference	FY2017 3Q	FY2018 3Q	Difference
Content	1,556	1,768	↑ 212	(31)	34	↑ 66
<b>Broadcast</b>	<b>2,231</b>	<b>2,192</b>	→ (38)	<b>76</b>	<b>147</b>	↑ 70
Studio	2,001	1,669	↓ (331)	71	(31)	↓ (103)
						40
						35
						(150)
						(40)

- ✓ Revenue decreased but operating income increased through efforts to reduce costs on a full scale, despite a downward trend in subscription revenue.
- ✓ Promoted organizational reforms aimed at strengthening the governance structure and improving profitability, with damages from fictitious transactions as a lesson.

# Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2017 3Q	FY2018 3Q	Difference	FY2017 3Q	FY2018 3Q	Difference
Content	1,556	1,768	212	(31)	34	66
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Studio	2,001	1,669	(331)	71	(31)	(103)
Technology	1,705	1,934	229	281	321	40
						35
						(150)
						(40)

- ✓ In the program sales business, sales of programs to TV stations decreased.
- ✓ The cost ratio rose in the production business due to a decline in orders received.
- ✓ The operating loss increased in the film distribution business because there was no production of such dramas that had made a contribution in the same period of the previous year.
- ✓ As a result, revenue decreased and posted an operating loss.

# Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2017 3Q	FY2018 3Q	Difference	FY2017 3Q	FY2018 3Q	Difference
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Broadcast	2,231	2,192	(38)	76	147	70
Studio	2,001	1,669	(331)	71	(31)	(103)
<b>Technology</b>	<b>1,705</b>	<b>1,934</b>	<b>229</b>	<b>281</b>	<b>321</b>	<b>40</b>
Network Sales	511	735	224	(11)	24	35
						(150)
						(40)

- ✓ Expansion of new solutions and services for existing customers in CDN services.
- ✓ Digital cinema services remained strong.

# Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2017 3Q	FY2018 3Q	Difference	FY2017 3Q	FY2018 3Q	Difference
Content	1,556	1,768	212	(31)	34	66
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Studio	2,001	1,669	(331)	71	(31)	(103)
Technology	1,705	1,934	229	281	321	40
<b>Network Sales</b>	<b>511</b>	<b>735</b>	<b>224</b>	<b>(11)</b>	<b>24</b>	<b>35</b>
Corporate expenses				(313)	(463)	(150)
						(40)

✓ Both revenue and income increased (turned profitable), as sales of high-speed internet plans were favorable.

# Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2017 3Q	FY2018 3Q	Difference	FY2017 3Q	FY2018 3Q	Difference
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Technology	1,705	1,934	229	281	321	40
Network Sales	511	735	224	(11)	24	35
Corporate expenses				(313)	(463)	(150)

- ✓ The results reflect the temporary expenses (around 150 million yen) incurred in relation to the damages from fictitious transactions suffered by Fishing Vision.

# Consolidated Financial Position



## Position of assets, liabilities, and net assets

(Unit : Million yen)

	FY2017	FY2018 3Q	Difference	Rate of difference
Total assets	6,535	6,335	(199)	(3%)
Liabilities	3,859	3,683	(176)	(5%)
Net assets	2,675	2,652	(23)	(1%)
Shareholders' equity	2,187	2,120	(67)	(3%)
Stock acquisition rights for non-controlling shareholders	487	531	43	9%
Shareholders' equity ratio	33%	33%	—	—

(Amounts are rounded down to the nearest million yen)

<b>Total assets</b>	<ul style="list-style-type: none"> <li>While program account and prepaid expenses increased, cash and deposits declined.</li> </ul>
<b>Liabilities</b>	<ul style="list-style-type: none"> <li>While straight bonds (250 million yen) increased, advances received and lease obligations declined.</li> </ul>
<b>Net assets</b>	<ul style="list-style-type: none"> <li>Due to a net loss was posted, net assets decreased.</li> </ul>

# Consolidated Financial Position



Condition of Cash flow	FY2017 3Q	FY2018 3Q
Operating cash flow	△ 575	△ 245
Investing cash flow	△ 221	△ 3
Financing cash flow	△ 234	△ 49
Changes in cash and cash equivalents	△ 1,026	△ 298
Year-end balance of cash and cash equivalents	1,277	1,317

(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 245 million yen mainly due to an increase in the purchase of TV programs and a decline in advances received, despite the posting of 105 million yen as income before income taxes.

## Investing cash flow

- A cash outflow of 3 million yen primarily due to the acquisition of non-current assets, despite proceeds from sales of investment securities.

## Financing cash flow

- A cash outflow of 49 million yen chiefly due to the repayment of lease obligations, despite the issuance of straight bonds.

# Consolidated Financial Forecasts Announced on February 1, 2019



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

	Previous forecasts Announced on Nov. 30, 2018	Modified forecasts Announced on Feb. 1, 2019	Difference
Revenue	11,700	11,700	→ —
Operating income	50	100	↗ 50
Ordinary income	40	130	↗ 90
Net income	(34)	100	↗ 134

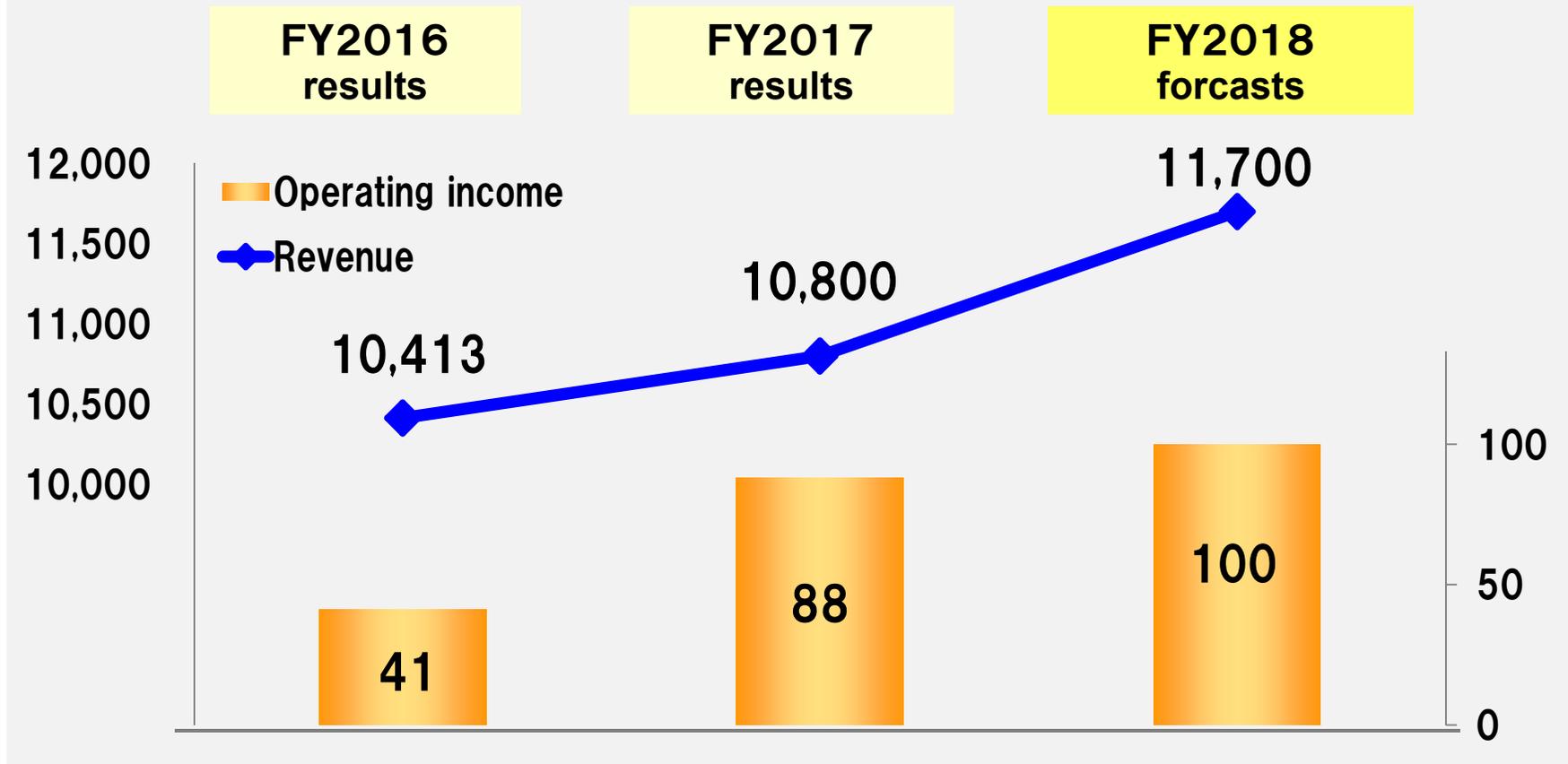
- Revenue is expected to remain unchanged from the initially forecast level.
- Operating income is expected to increase, mainly reflecting cost reductions in the Broadcast segment and improvements in profitability in the Technology segment.
- Both ordinary and net incomes include expected refunds of consumption and national taxes paid in previous years.

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# Changes in full-year financial results



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



Both revenue and operating income have been rising.

## **Financial Summary for the First Three Quarters of FY2018**

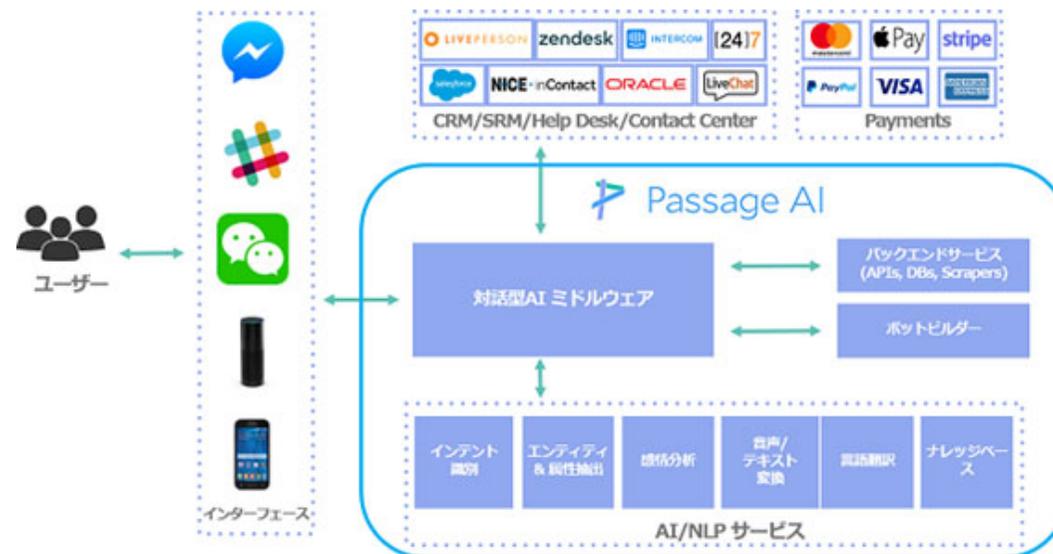
### **Topics**

#### **[ Reference Documents ]**

- **Results by Business Segment**

December 2018

Started to provide Passage AI, a Conversational AI platform with industry-leading accuracy of 95% or more!



- ✓ Provide interactive AI solutions mainly to large companies and the hotel industries.
- ✓ Easily achieve collaboration with more than 20 interfaces such as LINE, Facebook Messenger, Amazon Alexa and Google Home.
- ✓ Support more than 100 languages, while responding to both text and voice in Japanese and Chinese.
- ✓ The accuracy of bots built by Passage AI is 95% or more, the highest in this industry.



January 31, 2019

The Renaissance High School Group announced an alliance with  
Avex Artist Academy.



©avex

The Performing Arts course will be opened in April 2019. Students, while they are enrolled, aim to become dance performers or artists and obtain dance instructor qualifications.

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

# Thank you for your attention.



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## **Financial Summary for the First Three Quarters of FY2018**

### **Topics**

#### **[ Reference Documents ]**

- **Results by Business Segment**

# Consolidated Financial Results by Business Segment – Content -



	Revenue			Operating income		
	FY2017 3Q	FY2018 3Q	Difference	FY2017 3Q	FY2018 3Q	Difference
Content	1,556	1,768	212	(31)	34	66

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

- The segment as a whole saw an increase in both revenue and operating income.
- Both revenue and operating income rose in educational services due to a rise in the number of students enrolled.
- Sales increased and operating loss declined in the cloud gaming business and digital media services, respectively.

### ◆ Cloud Gaming services

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

### ◆ Digital Media services

- “Crank in !”
- “Crank in ! Video”
- “Crank in ! Comic”

### ◆ Educational services

- Renaissance High School
- Renaissance Toyota High School
- Renaissance Osaka High School

# Consolidated Financial Results by Business Segment – Broadcast –



	Revenue			Operating income		
	FY2017 3Q	FY2018 3Q	Difference	FY2017 3Q	FY2018 3Q	Difference
Broadcast	2,231	2,192	→ (38)	76	147	↗ 70

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

- Revenue decreased but operating income increased through efforts to reduce costs on a full scale, despite a downward trend in subscription revenue.
- Promoted organizational reforms aimed at strengthening the governance structure and improving profitability, with damages from fictitious transactions as a lesson.

## ◆ “*Fishing Vision*”, a channel dedicated to fishing programs

- Satellite basic broadcasting (BS broadcasting)
- Distribution of “*Fishing Vision*” to cable operators and other platforms
- Others

# Consolidated Financial Results by Business Segment – Studio –



	Revenue			Operating income		
	FY2017 3Q	FY2018 3Q	Difference	FY2017 3Q	FY2018 3Q	Difference
Studio	2,001	1,669	(331)	71	(31)	(103)

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

- In the program sales business, sales of programs to TV stations decreased.
- The cost ratio rose in the production business due to a decline in orders received.
- The operating loss increased in the film distribution business because there was no production of such dramas that had made a contribution in the same period of the previous year.
- As a result, revenue decreased and posted an operating loss.

## ◆ 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		
	FY2017 3Q	FY2018 3Q	Difference	FY2017 3Q	FY2018 3Q	Difference
Technology	1,705	1,934	↑ 229	281	321	↑ 40

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

- Expansion of new solutions and services for existing customers in CDN services.
- Digital cinema services remained strong.

## ◆ 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		
	FY2017 3Q	FY2018 3Q	Difference	FY2017 3Q	FY2018 3Q	Difference
Network Sales	511	735	↑ 224	(11)	24	↑ 35

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

- Both revenue and income increased (turned profitable), as sales of high-speed internet plans were favorable.

◆ Sales of ISP services

◆ Sales of broadband lines

◆ Others

# Consolidated Financial Results by Business Segment – Corporate expenses – Broadmedia

	Operating income		Difference
	FY2017 3Q	FY2018 3Q	
Corporate expenses	(313)	(463)	 (150)

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

- The results reflect the temporary expenses (around 150 million yen) incurred in relation to the damages from fictitious transactions suffered by Fishing Vision.

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

### Film “Barbara”

**A passionate drama featuring Barbara, the world’s legendary female singer who captivated many Parisians.**

Released on Friday, November 16, 2018, and showing sequentially in theaters nationwide, including Le Cinema at Bunkamura.



**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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