



Broadmedia

# **Summary of Financial Results for the Fiscal Year Ended March 31, 2019**

**Broadmedia Corporation**

**May 10, 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.

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Broadmedia

## **Summary of Financial Results for FY2018**

**Financial Forecasts for FY2019**

**Management integration**

**Future of cloud game prospects**

**[Reference Documents]**

- **Results by Business Segment**

# Consolidated Financial Results for FY2018



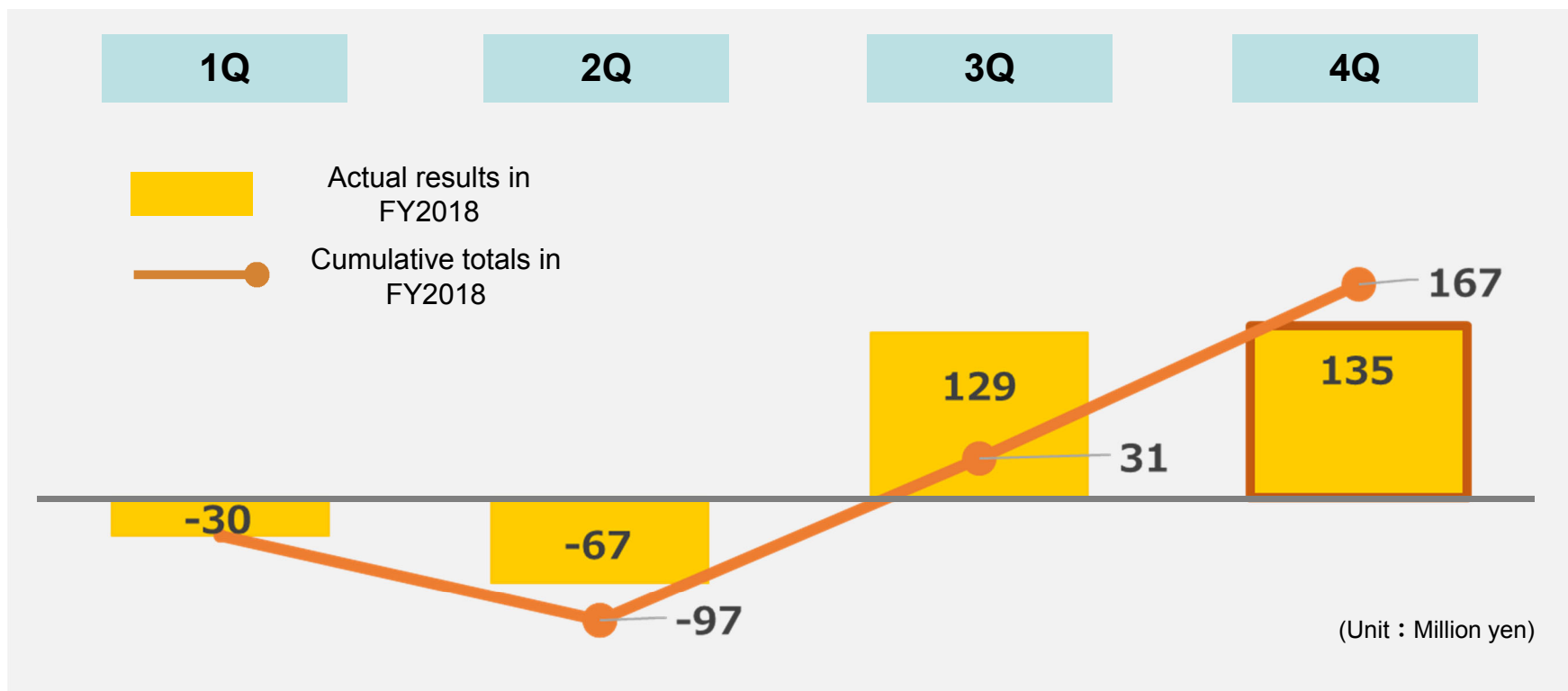
(Unit : Million yen) (Amounts are rounded down to the nearest million yen)

	FY2017	FY2018	Difference	Financial forecasts for FY2018 (Announced on February 1)	Achievement ratio
Revenue	10,800	11,123	↑ 322	11,700	95%
Operating income	88	167	↑ 78	100	167%
Ordinary income	81	203	↑ 121	130	156%
Net income	46	167	↑ 120	100	167%

## Overview

- Revenue and income increased year on year.
- Operating income increased due to an increase in revenue and company-wide cost reduction effects.
- Ordinary income and net income also increased due to the posting of the reversal to the allowance of doubtful accounts and consumption, corporate income, and other tax expenses incurred by subsidiaries.

# Changes in Operating Income



- Operating income of approximately 135 million yen was posted in the fourth quarter.
- Due to the business structure, operating income was concentrated in the latter half of the year.
- The result reflected the impact of temporary costs amounting to approximately 150 million yen in the second quarter cumulative period, due to damages from fictitious transactions suffered by Fishing Vision.

# Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2017	FY2018	Difference	FY2017	FY2018	Difference
Content	2,148	2,477	↑ 329	14	146	↑ 132
Broadcast	2,980	2,901	↓ (78)	90	162	↑ 72
Studio	2,592	2,270	↓ (321)	47	(36)	↓ (84)
Technology	2,311	2,658	↑ 346	384	460	↑ 75
Network Sales	767	815	↑ 47	4	6	↑ 1
Corporate expenses				(453)	(572)	↓ (119)
<b>Total</b>	<b>10,800</b>	<b>11,123</b>	<b>↑ 322</b>	<b>88</b>	<b>167</b>	<b>↑ 78</b>

# Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2017	FY2018	Difference	FY2017	FY2018	Difference
Content	2,148	2,477	329	14	146	132

+15%

- ✓ 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 both the cloud gaming business and digital media services.

# Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2017	FY2018	Difference	FY2017	FY2018	Difference
Content	2,148	2,477	329	14	146	132
Broadcast	2,980	2,901	(78)	90	162	72

Δ3%

- ✓ 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	FY2018	Difference	FY2017	FY2018	Difference
Content	2,148	2,477	329	14	146	132
Broadcast	2,980	2,901	(78)	90	162	72
<b>Studio</b>	<b>2,592</b>	<b>2,270</b>	<b>(321)</b>	<b>47</b>	<b>(36)</b>	<b>(84)</b>

△12%

- ✓ In the program sales business, sales of programs to TV stations decreased.
- ✓ Orders declined in the production business.
- ✓ The operating loss increased in the film distribution business because there was no production of such dramas that had made a contribution in 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	FY2018	Difference	FY2017	FY2018	Difference
Content	2,148	2,477	329	14	146	132
Broadcast	2,980	2,901	(78)	90	162	72
Studio	2,592	2,270	(321)	47	(36)	(84)
<b>Technology</b>	<b>2,311</b>	<b>2,658</b>	<b>346</b>	<b>384</b>	<b>460</b>	<b>75</b>

+15%

- ✓ New solutions and services expanded 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	FY2018	Difference	FY2017	FY2018	Difference
Content	2,148	2,477	329	14	146	132
Broadcast	2,980	2,901	(78)	90	162	72
Studio	2,592	2,270	(321)	47	(36)	(84)
Technology	2,311	2,658	346	384	460	75
<b>Network Sales</b>	<b>767</b>	<b>815</b>	<b>47</b>	<b>4</b>	<b>6</b>	<b>1</b>

+6%

✓ Operating income was maintained, as sales of broadband continued to have a difficult time.

# Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2017	FY2018	Difference	FY2017	FY2018	Difference
Content	2,148	2,477	329	14	146	132
Broadcast	2,980	2,901	(78)	90	162	72
Studio	2,592	2,270	(321)	47	(36)	(84)
Technology	2,311	2,658	346	384	460	75
Network Sales	767	815	47	4	6	1
Corporate expenses				(453)	(572)	(119)

- ✓ The results reflect the temporary expenses (around 150 million yen) incurred in relation to the damages from fictitious transactions suffered by Fishing Vision.
- ✓ Short-term costs were significantly contained, including group-wide costs.

# Consolidated Financial Position



## Condition of assets, liabilities, and net assets

(Unit : Million yen)

	FY2017	FY2018	Difference	Rate of difference
Total assets	6,535	6,557	22	0%
Liabilities	3,859	3,554	(305)	(8%)
Net assets	2,675	3,003	328	12%
Shareholders' equity	2,187	2,333	146	7%
Stock acquisition rights for non-controlling shareholders	487	669	181	37%
Shareholders' equity ratio	33%	36%	—	—

(Amounts are rounded down to the nearest million yen)

<b>Total assets</b>	<ul style="list-style-type: none"> <li>While accounts receivable and investment securities decreased, cash and program account increased.</li> </ul>
<b>Liabilities</b>	<ul style="list-style-type: none"> <li>While straight bonds increased, accounts payable and lease obligations declined.</li> </ul>
<b>Net assets</b>	<ul style="list-style-type: none"> <li>Due to a net income was posted, net assets increased.</li> </ul>

# Consolidated Financial Position



## Condition of Cash flow

	FY2017	FY2018
Operating cash flow	△ 98	407
Investing cash flow	△ 234	△ 4
Financing cash flow	△ 358	△ 149
Changes in cash and cash equivalents	△ 687	252
Year-end balance of cash and cash equivalents	1,616	1,869

(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 407 million yen due to the posting of 240 million yen as income before income taxes, the decrease in accounts receivable, and the increase in advances received.

### Investing cash flow

- A cash outflow of 4 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 149 million yen chiefly due to the repayment of lease obligations, despite the issuance of straight bonds.

## **Summary of Financial Results for FY2018**

### **Financial Forecasts for FY2019**

**Management integration**

**Future of cloud game prospects**

**[Reference Documents]**

- **Results by Business Segment**

# Consolidated Financial Forecasts and Shareholder Return



## ■ Full-year Forecasts

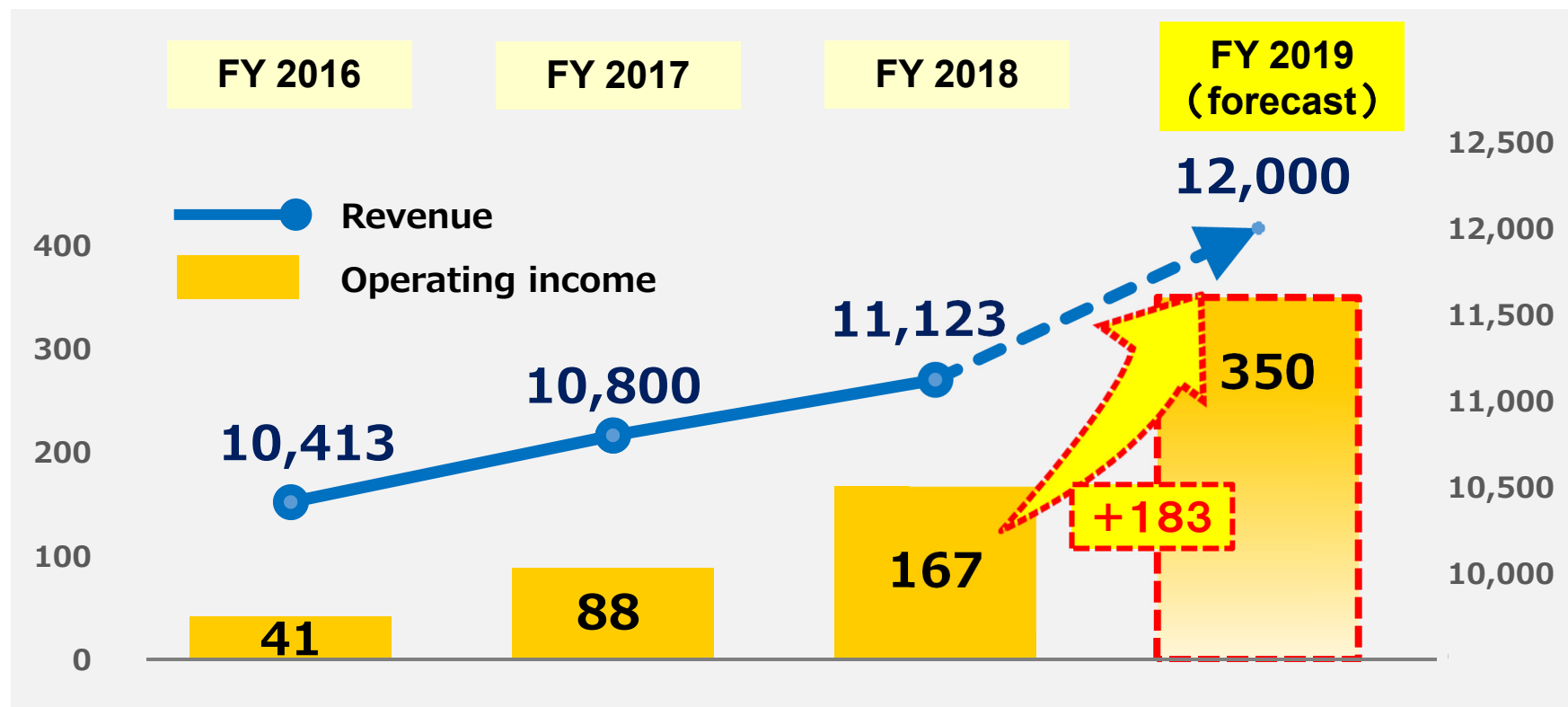
(Unit : Million yen) (Amounts are rounded down to the nearest million yen)

	FY2018 actual	FY2019 full-year forecasts	Difference	Rate of increase
Revenue	11,123	12,000	877	8%
Operating income	167	350	183	110%
Ordinary income	203	360	157	77%
Net income	167	180	13	8%

- ✓ “Broadcast” and “Technology” remained firm, and “Content” is expected to grow.
- ✓ As a result, operating income, ordinary income, and net income are all expected to increase.

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# Consolidated Financial Forecasts and Shareholder Return



(Unit : Million yen)

## ■ Dividends

- ✓ We will not make a payment of year-end dividends for FY2018.
- ✓ We deeply regret that we do not plan to pay dividends in FY2019 either.



## **Summary of Financial Results for FY2018**

### **Financial Forecasts for FY2019**

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

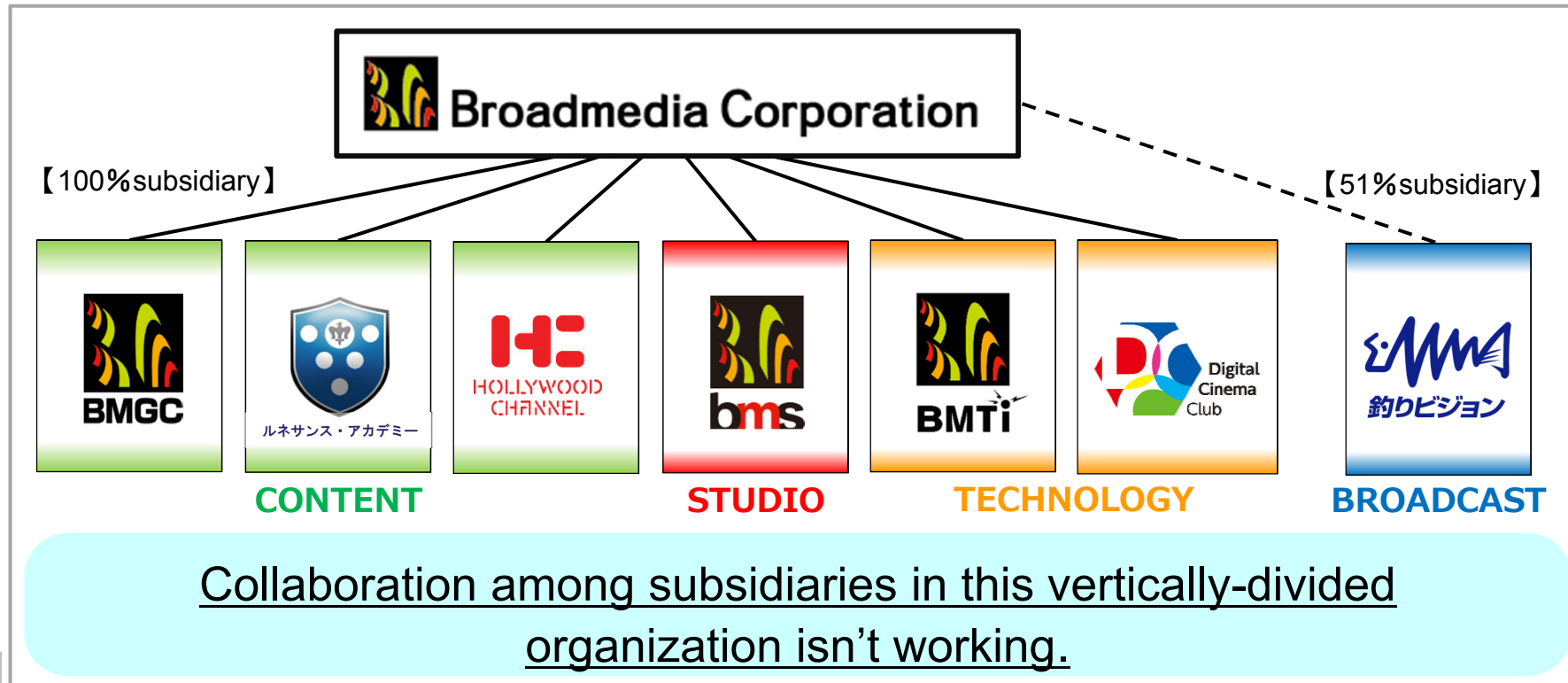
- **Results by Business Segment**

# Strengthen Business Base through Management Integration



## Past system

- Because each business had its own history, subsidiaries were established for each business.
- We prioritized swift decision making and mobility.
- We spent time advancing the establishment of 100% subsidiaries.

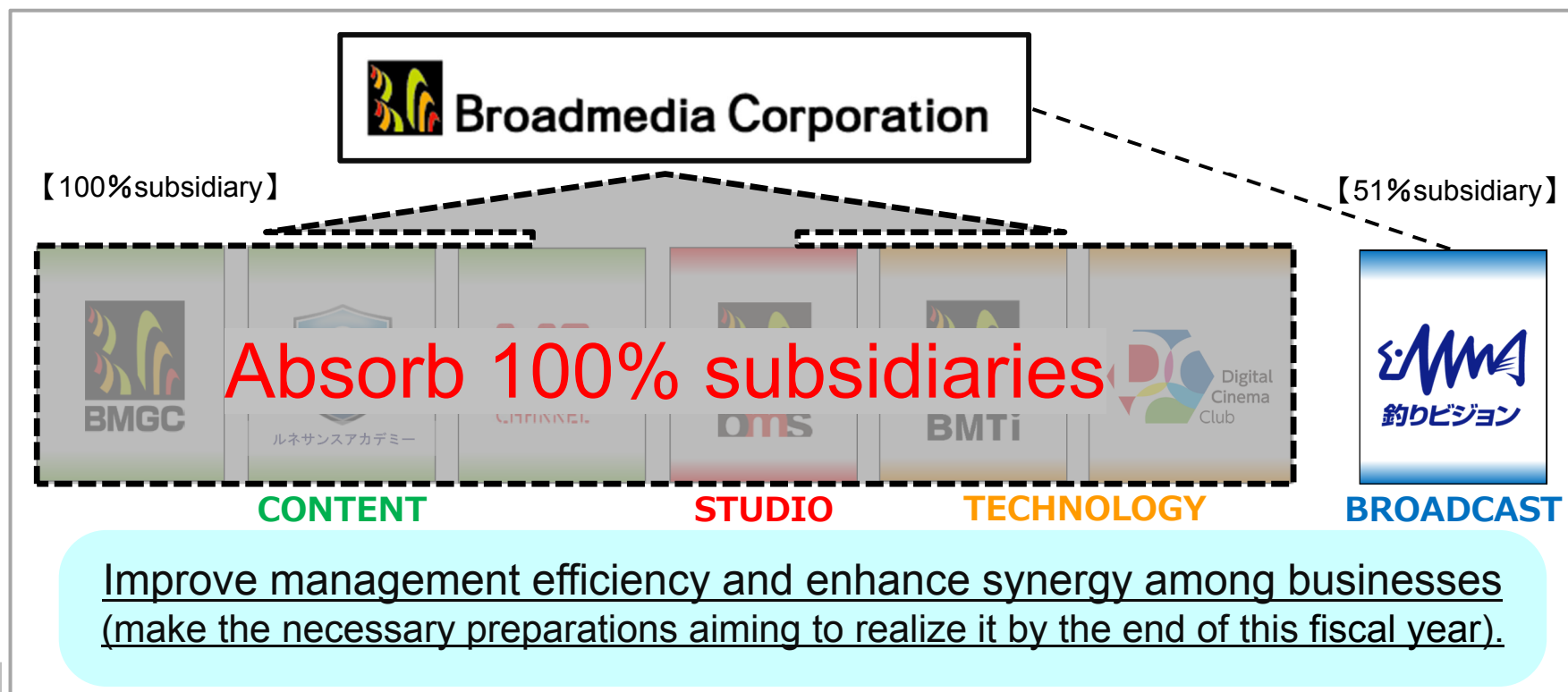


# Strengthen Business Base through Management Integration



Proceed with absorption-type mergers of 6 wholly-owned subsidiaries into Broadmedia

- Further enhance governance and compliance systems.
- Optimize human resources and promote human resource development.
- Improve management efficiency through the consolidation of administrative departments.

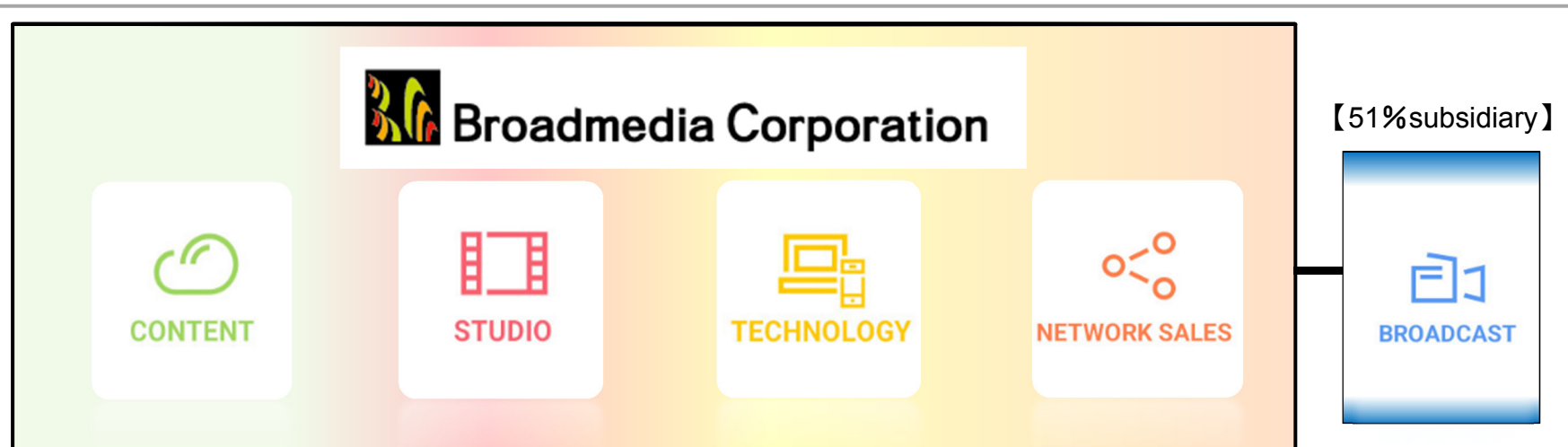


# Strengthen Business Base through Management Integration



## Future group structure

- Further enhance governance and compliance systems.
- Optimize human resources and promote human resource development.
- Improve management efficiency through the consolidation of administrative departments.



Improve corporate value through management integration

# Strengthen Business Base through Management Integration



New activities through synergy among businesses

## Educational Services & Technology

- Develop Japanese language education system (AI Learning®).

## Educational Services & Games

- Establish a unique e-Sports business.

## Technology & Studio

- Expand the volume of movies delivered to movie theaters.
- Expand the volume of TV commercials and video materials delivered to TV stations.
- Sale of digital cinema equipment to movie theaters.

## **Summary of Financial Results for FY2018**

## **Financial Forecasts for FY2019**

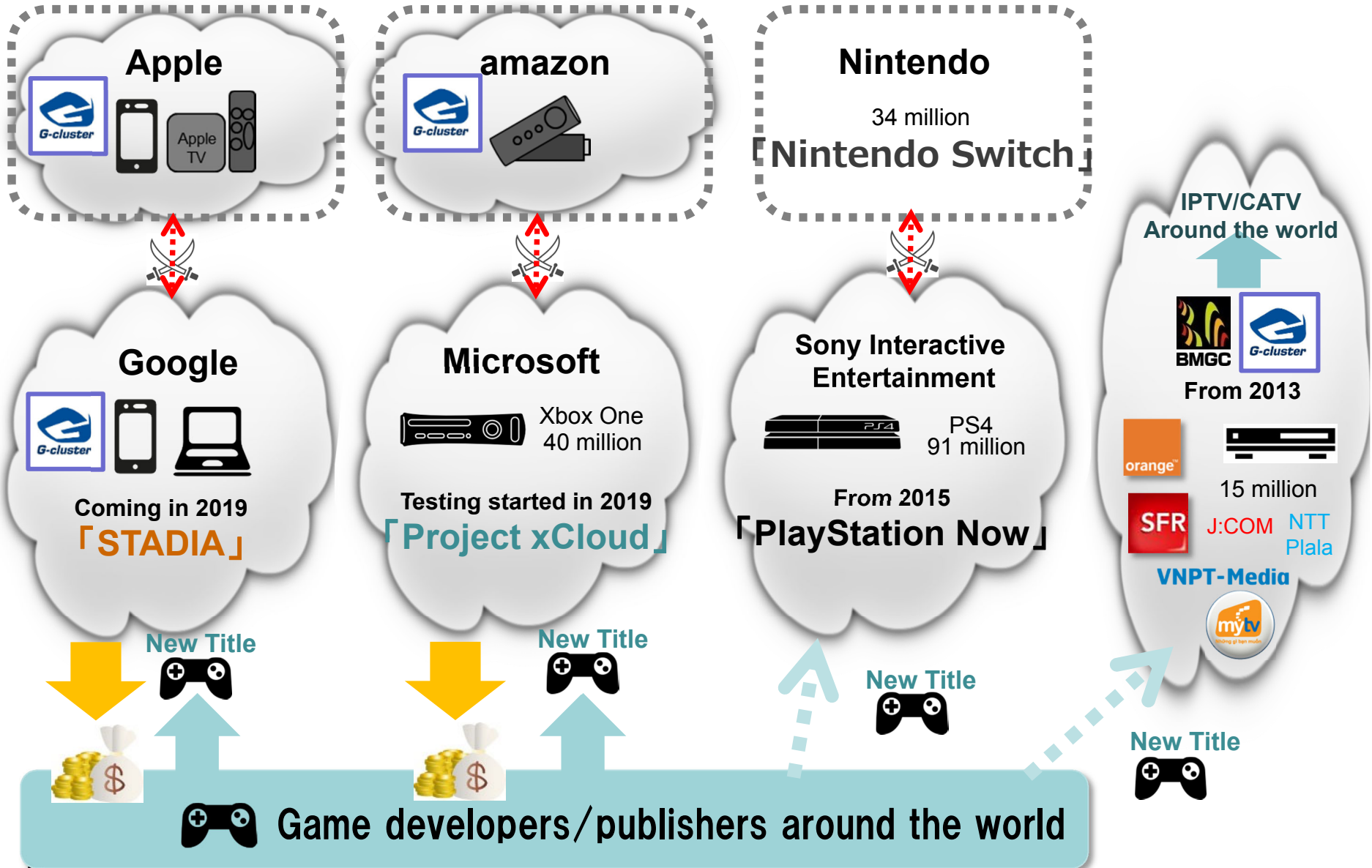
## **Management integration**

## **Future of cloud game prospects**

### **[Reference Documents]**

- **Results by Business Segment**

# The Cloud Gaming Era has Arrived



- ✓ **We aim to increase profit by taking on new challenges and creating opportunities to earn further profit in all our businesses.**
- ✓ **We enhance governance throughout the company and our compliance system.**

**We achieve our group's sustainable growth and improve its corporate value.**



# Thank you for your attention.



**Broadmedia**

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- **Results by Business Segment**

# Consolidated Financial Results by Business Segment – Content -



	Revenue			Operating income		
	FY2017	FY2018	Difference	FY2017	FY2018	Difference
Content	2,148	2,477	↑ 329	14	146	↑ 132



(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 both the cloud gaming business and digital media services.

<p>◆ <b>Cloud Gaming services</b></p> <ul style="list-style-type: none"> <li>• Cloud gaming: “G-cluster”</li> <li>• Cloud game apps for smartphones</li> <li>• Providing platform for telcos</li> </ul>	<p>◆ <b>Digital Media services</b></p> <ul style="list-style-type: none"> <li>• “Crank in ! Video”</li> <li>• “Crank in ! Comic”</li> <li>• “Crank in ! ”</li> </ul>	<p>◆ <b>Educational services</b></p> <ul style="list-style-type: none"> <li>• Renaissance High School</li> <li>• Renaissance Toyota High School</li> <li>• Renaissance Osaka High School</li> </ul>
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# Consolidated Financial Results by Business Segment – Broadcast –



	Revenue			Operating income		
	FY2017	FY2018	Difference	FY2017	FY2018	Difference
Broadcast	2,980	2,901	 (78)	90	162	 72

(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” mainly to cable operators
- Other

# Consolidated Financial Results by Business Segment – Studio –



	Revenue			Operating income		
	FY2017	FY2018	Difference	FY2017	FY2018	Difference
Studio	2,592	2,270	(321)	47	(36)	(84)

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

- ✓ In the program sales business, sales of programs to TV stations decreased.
- ✓ Orders declined in the production business.
- ✓ The operating loss increased in the film distribution business because there was no production of such dramas that had made a contribution in 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

- Sales of TV broadcasting rights of Hollywood and other movies.

# Consolidated Financial Results by Business Segment – Technology –



	Revenue			Operating income		
	FY2017	FY2018	Difference	FY2017	FY2018	Difference
Technology	2,311	2,658	↑ 346	384	460	↑ 75

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

- ✓ New solutions and services expanded for existing customers in CDN services.
- ✓ Digital cinema services remained strong.

<p><b>◆CDN services</b></p> <ul style="list-style-type: none"> <li>•Broadmedia®CDN CM online</li> <li>•Broadmedia Technologies' CDN service etc.</li> </ul>	<p><b>◆Hospitality network</b></p> <ul style="list-style-type: none"> <li>•Provisioning of Internet services to hotel guest rooms, conference rooms, etc.</li> </ul>	<p><b>◆ Digital cinema services</b></p> <ul style="list-style-type: none"> <li>•Broadmedia®CDN for theaters</li> <li>•Sales and rental services of distribution equipment, etc.</li> <li>•Provisioning of VPF services</li> </ul>
<p><b>◆Other solution services</b></p> <ul style="list-style-type: none"> <li>•Private network, “Aryaka”</li> <li>•Conversational AI platform, “Passage AI”</li> </ul>		

# Consolidated Financial Results by Business Segment – Network Sales –



	Revenue			Operating income		
	FY2017	FY2018	Difference	FY2017	FY2018	Difference
Network Sales	767	815	47	4	6	1

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

- ✓ Operating income was maintained, as sales of broadband continued to have a difficult time.

◆ Sales of ISP services

◆ Sales of broadband lines

◆ Others

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

		Operating income		
		FY2017	FY2018	Difference
Corporate expenses		(453)	(572)	(119)

(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.
- ✓ Short-term costs were significantly contained, including group-wide costs.

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



**Studio**  
**– Upcoming Theatrical Distribution**



**Broadmedia**

A masterpiece in coming-of-age films that you will want to think about secretly, presented by a new, brilliant talent from Canada:

## “La Disparition des Lucioles”

To be released at Shinjuku Musashino-kan from June 15, 2019



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**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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