



Broadmedia

Summary of Financial Results for the First Half of the Fiscal Year Ending March 31, 2020

Broadmedia Corporation

October 30, 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.

1

Broadmedia

Consolidated Results for the First Half of FY2019

Revision of Full-year Forecast

Consolidated Financial Position

Management Integration

Topics

[Reference Documents]

- **Results by Business Segment**

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



(Unit : Million yen)

	FY2018 1H	FY2019 1H	Difference
Revenue	5,509	5,491	→ (18)
Operating income	(97)	174	↗ 272
Ordinary income	(83)	268	↗ 352
Net income	(165)	222	↗ 387

(Amounts are rounded down to the nearest million yen)

Overview

- Revenue remained almost unchanged year on year, but operating income became positive.
- Ordinary income also increased due to the receipt of insurance proceeds, in addition to higher operating income.
- Net income also increased due to local tax refunds at Fishing Vision and the posting of some of the settlement money for damage suits as extraordinary income.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2018 1H	FY2019 1H	Difference	FY2018 1H	FY2019 1H	Difference
Content	1,112	1,431	↑ 319	(40)	104	↑ 144
Broadcast	1,451	1,389	↓ (62)	75	139	↑ 63
Studio	1,127	1,183	↑ 56	(15)	(53)	↓ (38)
Technology	1,265	1,396	↑ 131	212	230	↑ 17
Network Sales	552	90	↓ (462)	22	(13)	↓ (35)
Corporate expenses				(352)	(231)	↑ 120
Total	5,509	5,491	→ (18)	(97)	174	↑ 272

- ✓ Consolidated financial results improved, mainly driven by increases in revenue and income achieved in Content.
- ✓ Network sales decreased significantly.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2018 1H	FY2019 1H	Difference	FY2018 1H	FY2019 1H	Difference
Content	1,112	1,431	↑ 319	(40)	104	↑ 144

+29%
turned profitable

- ✓ In educational services, both revenue and income increased due to the record high number of new students.
- ✓ Digital media services returned to profitability because revenue increased due to strong advertising revenues and VOD services.
- ✓ Operating loss declined in the cloud gaming business.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2018 1H	FY2019 1H	Difference	FY2018 1H	FY2019 1H	Difference
Content	1,112	1,431	319	(40)	104	144
Broadcast	1,451	1,389	(62)	75	139	63
			(4%)			+84%

- ✓ Revenue decreased due to a downward trend in subscription revenue.
- ✓ Operating income increased through continuous efforts to reduce costs on a full scale.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2018 1H	FY2019 1H	Difference	FY2018 1H	FY2019 1H	Difference
Content	1,112	1,431	↑ 319	(40)	104	↑ 144
Broadcast	1,451	1,389	↓ (62)	75	139	↑ 63
Studio	1,127	1,183	↑ 56	(15)	(53)	↓ (38)

+5%
loss widened

- ✓ In the production business, both revenue and income rose due to an increase in orders.
- ✓ In the program sales business, sales declined and the cost ratio rose.
- ✓ The film distribution business continued to experience difficulties.
- ✓ As a result, revenue increased but the operating loss expanded.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2018 1H	FY2019 1H	Difference	FY2018 1H	FY2019 1H	Difference
Content	1,112	1,431	↑ 319	(40)	104	↑ 144
Broadcast	1,451	1,389	↓ (62)	75	139	↑ 63
Studio	1,127	1,183	↑ 56	(15)	(53)	↓ (38)
Technology	1,265	1,396	↑ 131	212	230	↑ 17
			+10%			+8%

✓ Both revenue and operating income increased thanks to the expansion of new solutions and services for existing customers in CDN services.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2018 1H	FY2019 1H	Difference	FY2018 1H	FY2019 1H	Difference
Content	1,112	1,431	↑ 319	(40)	104	↑ 144
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Studio	1,127	1,183	↑ 56	(15)	(53)	↓ (38)
Technology	1,265	1,396	↑ 131	212	230	↑ 17
Network Sales	552	90	↓ (462)	22	(13)	↓ (35)

(84%)
loss recorded

- ✓ Sales (sales through agents) of broadband lines remained sluggish, resulting in a significant decline in revenue.
- ✓ Restructuring of business is taking a long time.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY2018 1H	FY2019 1H	Difference	FY2018 1H	FY2019 1H	Difference
Content	1,112	1,431	↑ 319	(40)	104	↑ 144
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Network Sales	552	90	↓ (462)	22	(13)	↓ (35)
Corporate expenses				(352)	(231)	↑ 120

✓ The results reflect expenses to bolster compliance and the implementation of security measures, despite the absence of the temporary expense (approximately 150 million yen) incurred the year before.

Consolidated Results for the First Half of FY2019

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Consolidated Financial Position

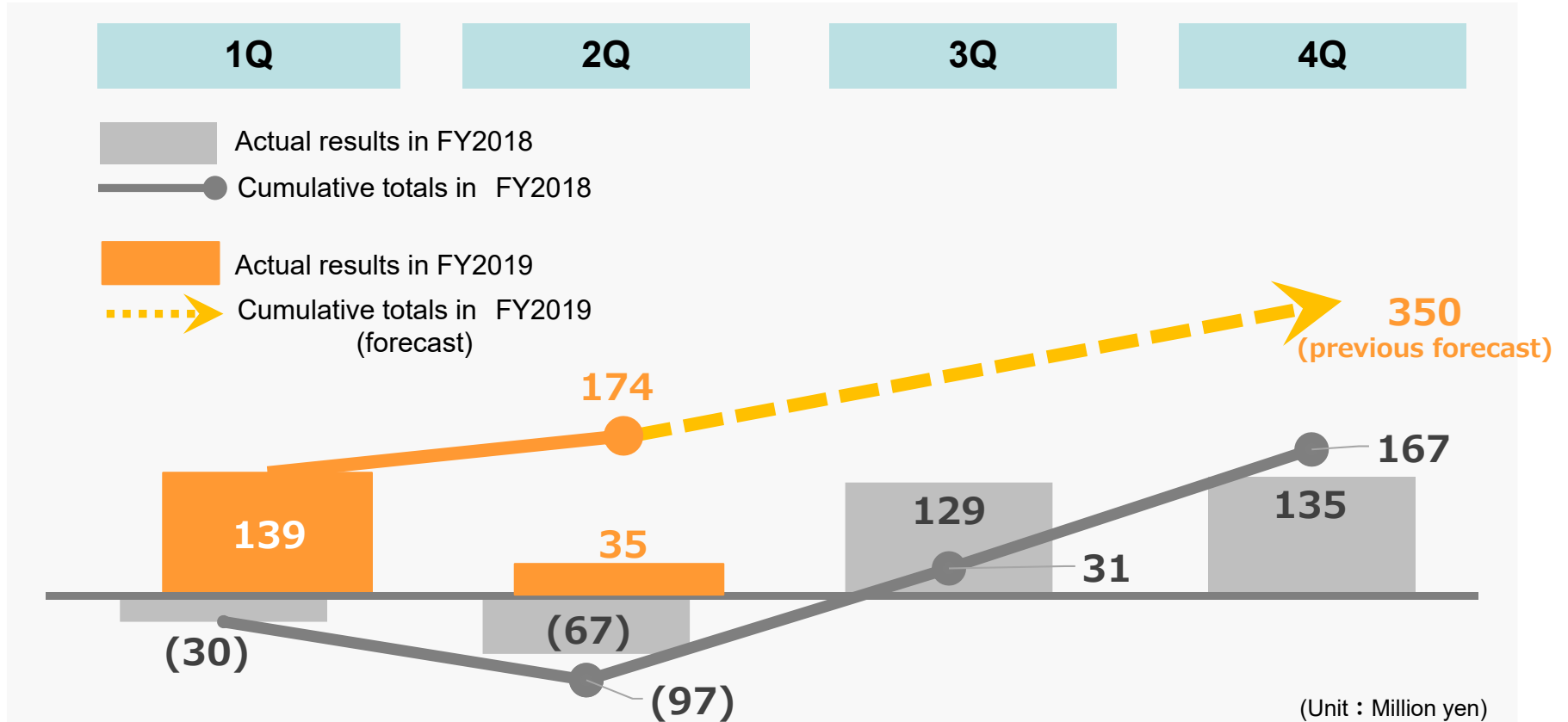
Management Integration

Topics

[Reference Documents]

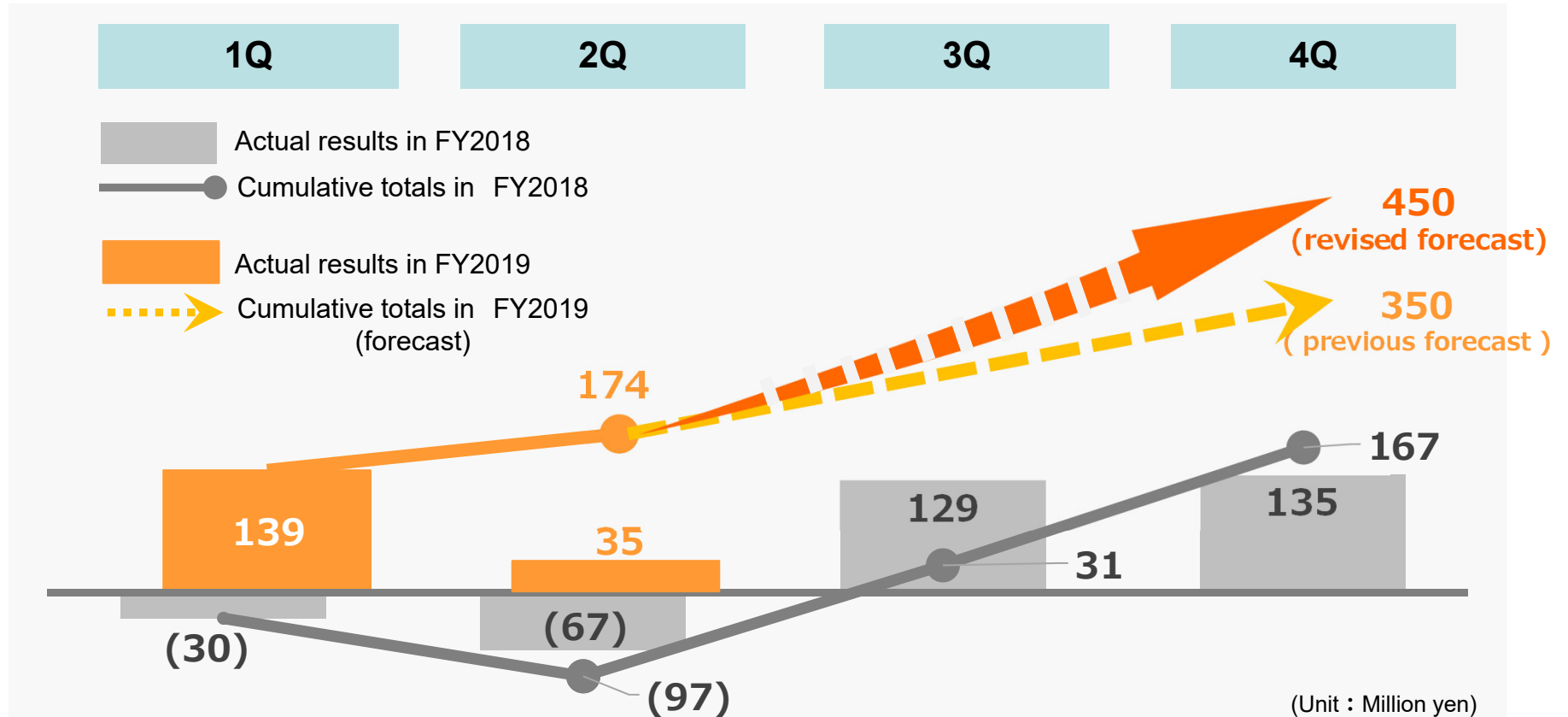
- **Results by Business Segment**

Changes in Operating Income



In the first half, operating income increased significantly and remained stronger than expected.

Changes in Operating Income



- In the first half, operating income increased significantly and remained stronger than expected.
- In the second half, operating income is expected to be on par with the year-ago level.
- The previous forecast of 350 million yen will be revised upward to 450 million yen.

Changes in Ordinary Income

- The forecast for ordinary income was revised upward by 50 million yen on September 30 as a result of a boost in income due to the receipt of insurance proceeds, which was not anticipated at the beginning of the period.
- This time, the forecast for ordinary income will be revised upward by 100 million yen associated with the upward revision of full-year operating income.

Changes in Net Income

- The forecast for net income was revised upward by 90 million yen on September 30 due to the posting of 130 million yen, some of the settlement money for damage suits, as extraordinary income, and higher ordinary income.
- This time, the forecast for net income will be revised upward by 70 million yen associated with the upward revision of full-year operating income.

Consolidated Financial Forecasts and Shareholder Returns



Financial Forecasts for FY2018

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

Full-year Forecasts	Initial forecasts announced on May 10	Previous forecasts announced on Sept. 30	Revised forecasts announced on Oct. 30	difference
Revenue	12,000	12,000	12,000	→ 0
Operating income	350	350	450	↗ 100
Ordinary income	360	410	510	↗ 100
Net income	180	270	340	↗ 70

Dividends

Because retained earnings are negative at present, although the business performance is recovering:

- ✓ 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.

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Revision of Full-year Forecast

Consolidated Financial Position

Management Integration

Topics

[Reference Documents]

- **Results by Business Segment**

Consolidated Financial Position



Condition of assets, liabilities, and net assets

(Unit : Million yen)

	FY2018	FY2019 1H	Difference	Rate of difference
Total assets	6,557	6,603	45	1%
Liabilities	3,554	3,297	(256)	(7%)
Net assets	3,003	3,305	301	10%
Shareholders' equity	2,333	2,502	168	7%
Stock acquisition rights for non-controlling shareholders	669	802	132	20%
Shareholders' equity ratio	0	0	—	—

(Amounts are rounded down to the nearest million yen)

- Total assets : While program accounts, etc. decreased, cash and deposits and prepaid expenses increased.
- Liabilities : While deposits received and bonds increased, accounts payable and advances received decreased.
- Net assets : Due to posting of net income, net assets increased.
- As the business performance improves, the financial structure is becoming sounder.

Consolidated Financial Position



Condition of Cash flow	FY2018 1H	FY2019 1H
Operating cash flow	(278)	254
Investing cash flow	(43)	(92)
Financing cash flow	42	(62)
Changes in cash and cash equivalents	(278)	98
Year-end balance of cash and cash equivalents	1,337	1,971

(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	<ul style="list-style-type: none"> A cash inflow of 254 million yen due to income tax refunds for past fiscal years and the posting of 391 million yen as income before income taxes, despite decreases in advances received and trades payable.
Investing cash flow	<ul style="list-style-type: none"> A cash outflow of 92 million yen chiefly due to the acquisition of non-current assets and payments for lending.
Financing cash flow	<ul style="list-style-type: none"> A cash outflow of 62 million yen due to the repayment of lease obligations, despite the issuance of straight bonds (100 million yen).

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Consolidated Financial Position

Management Integration

Topics

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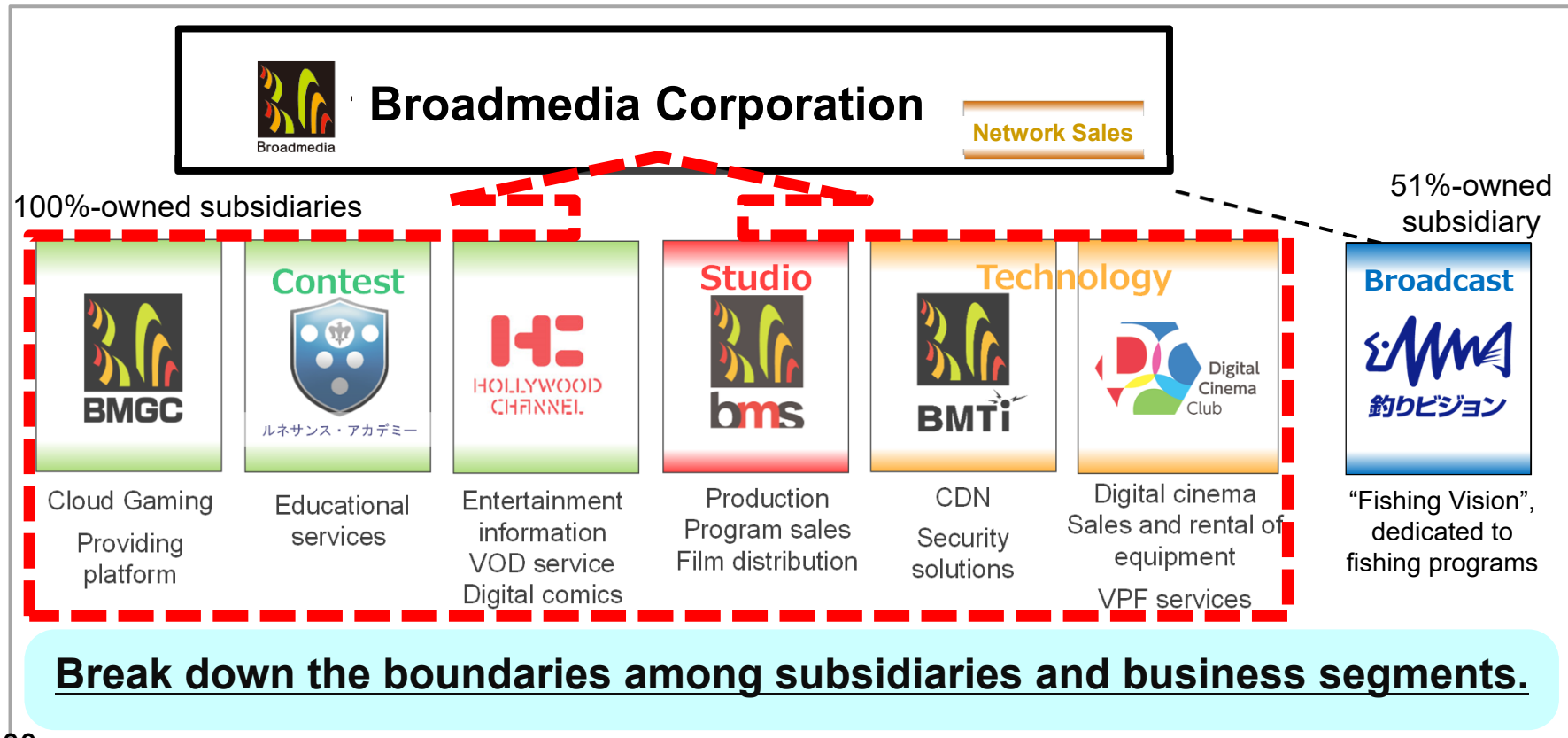
- **Results by Business Segment**

Status of Management Integration



We will merge with six wholly-owned subsidiaries through absorption-type mergers on April 1, 2020..

- The Board of Directors passed a resolution on the merger at the meeting on October 30.
- We will waive our receivables from subsidiaries with negative net worth (*no impact on our consolidated financial results).
- We will consider changes in our segments in line with the merger.



Strengthening of Business Foundation through Management Integration



- Foster cooperation among business segments
- Further strengthening of governance and compliance systems
- Optimize personnel and cultivate human resources
- Improvement of management efficiency by consolidating administrative departments, etc.
- Benefits for tax purposes (tax-saving effect)

**Enhance corporate value through
management integration.**

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Topics

[Reference Documents]

- **Results by Business Segment**

On the Status of Handling Damage from Fictitious Transactions Suffered by Fishing Vision



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**Procedure for revising consumption/corporate tax declaration
(Done)**

⇒ All claims for correction were approved, and the total amount of completed refunds was 408 million yen.
(Previous fiscal year: 289 million yen; Fiscal year under review: 119 million yen)

**Insurance claims received
(Done)**

⇒ Received insurance proceeds of 70 million yen for some of the expenses caused by the damage from fictitious deals(fiscal year under review).

**Civil procedure(Recovery by demand for damages)
(Ongoing)**

⇒ For some damage suits, an amicable settlement was reached. The settlement money was 130 million yen (fiscal year under review).
⇒ Remaining damage suits and individual negotiations continue.

**Criminal procedure
(Ongoing)**

⇒ Submitted the materials necessary for a criminal complaint, and the police and prosecutors are in the process of undertaking an investigation.

Content

- Educational Services -



ルネサンス・アカデミー株式会社



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September 2019

The e-sports course of the Renaissance High School Group had a booth at Tokyo Game Show 2019 for the first time.



In April 2020, the e-sports course was launched at Renaissance Toyota High School and Nagoya Sakae Campus, following Osaka Umeda and Shinjuku Yoyogi Campuses.

Studio - Theatrical Distribution -



Broadmedia

A moving pottery manga was finally made into a live-action film, taking advantage of the unprecedented pottery boom!

Haruka no Sue,

in which Nao appeared in the starring role, will be released in advance at AEON Cinema Okayama on October 25 (Fri) and will then be released progressively at theaters nationwide including EUROSPACE on November 30 (Sat).

千年の歴史に触れた。新しい自分を見つけた。



© 2019「ハルカの陶」製作委員会

The film ***My Foolish Heart***,

a story tracing the unknown last days and the light and dark sides of Chet Baker, a solitary genius and legendary jazz musician who suddenly met a mysterious death, is to be released progressively at theaters nationwide including Human Trust Cinema Yurakucho and Musashino-Kan Shinjuku on November 8 (Fri).

音楽だけの、愚かな人生だったのか——



© 2018(PUPKIN) - VPRO

The film *Inochi no Switch*,
a moving story set in a small zoo in a small town,
which has attracted worldwide attention,
is to be released in Fukuoka in advance on November 8 (Fri),
and will be released progressively at theaters nationwide including United
Cinema Toyosu on November 15 (Fri).

動物園、そこはいのちを感じる場所



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Studio - Theatrical Distribution -



Broadmedia

The film *Kaze no Denwa*,

a story about a girl with a broken heart who moves from Hiroshima to Otsuchi-cho, Iwate eight years after the Great East Japan Earthquake, is to be released progressively at theaters nationwide including Shinjuku Piccadilly on January 14 (Fri), 2020.

Cast: Serena Motola, Hidetoshi Nishijima, Toshiyuki Nishida (guest appearance), Tomokazu Miura

もう一度、話したい



©2020 映画「風の電話」製作委員会

Thank you for your attention.



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- **Results by Business Segment**

Consolidated Financial Results by Business Segment – Content –



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

- In educational services, both revenue and income increased due to the record high number of new students.
- Digital media services returned to profitability because revenue increased due to strong advertising revenues and VOD services.
- Sales increased and operating loss declined 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”
- “Crank in ! Comic”

◆ Educational services

- Renaissance High School
- Renaissance Toyota High School
- Renaissance Osaka High School
- Operation of Japanese language training and training courses for Japanese-language teachers

Consolidated Financial Results by Business Segment – Broadcast –



	Revenue			Operating income		
	FY2018 1H	FY2019 1H	Difference	FY2018 1H	FY2019 1H	Difference
Broadcast	1,451	1,389	(62)	75	139	63

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



- Revenue decreased due to a downward trend in subscription revenue.
- Operating income increased through continuous efforts to reduce costs on a full scale.

◆ “*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		
	FY2018 1H	FY2019 1H	Difference	FY2018 1H	FY2019 1H	Difference
Studio	1,127	1,183	 56	(15)	(53)	 (38)

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

- In the production business, both revenue and income rose due to an increase in orders.
- In the program sales business, sales declined and the cost ratio rose.
- The film distribution business continued to experience difficulties.
- As a result, revenue increased but the operating loss expanded.

◆ 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		
	FY2018 1H	FY2019 1H	Difference	FY2018 1H	FY2019 1H	Difference
Technology	1,265	1,396	↑ 131	212	230	↑ 17

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

- Both revenue and operating income increased thanks to the expansion of new solutions and services for existing customers in CDN services.

◆ CDN services

- 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

◆ Other solution services

- Private network "Aryaka"
- a Conversational AI Platform "Passage AI "

Consolidated Financial Results by Business Segment – Network Sales –



	Revenue			Operating income		
	FY2018 1H	FY2019 1H	Difference	FY2018 1H	FY2019 1H	Difference
Network Sales	552	90	(462)	22	(13)	(35)

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


- Sales (sales through agents) of broadband lines remained sluggish, resulting in a significant decline in revenue.
- Restructuring of business is taking a long time..

◆ Sales of ISP services

◆ Sales of broadband lines

◆ Others

Consolidated Financial Results by Business Segment – Corporate expenses – Broadmedia

	Operating income		
	FY2018 1H	FY2019 1H	Difference
Corporate expenses	(352)	(231)	 120

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

- The results reflect expenses to bolster compliance and the implementation of security measures, despite the absence of the temporary expense (approximately 150 million yen) incurred the year before.

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

We contribute to communities through quality content and services produced by human creativity.

<https://www.broadmedia.co.jp/>



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