



Broadmedia

Summary of Financial Results for the Fiscal Year Ended March 31, 2020

Broadmedia Corporation

May 15, 2020

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 FY2019

Financial Forecasts for FY2020

**Management Integration and
New Reporting Segments**

Shareholder Return

Topics

[Reference Documents]

- **Results by Business Segment**

Consolidated Financial Results for FY2019



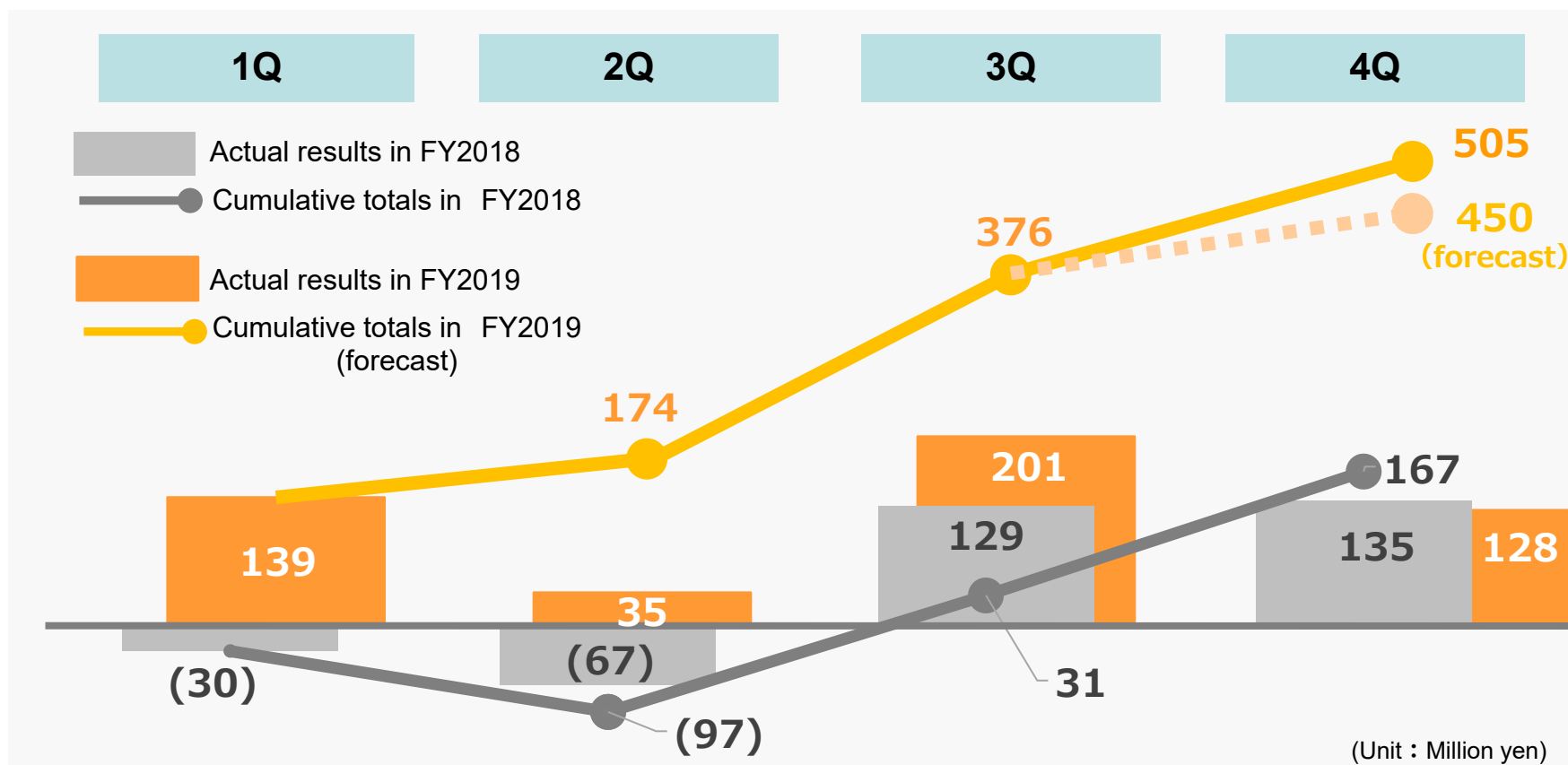
(Unit : Million yen) (Amounts are rounded down to the nearest million yen)

	FY 2018	FY 2019	Difference	Financial Forecasts (announced on Oct. 30)	Achievement ratio
Revenue	11,123	11,506	↑ 383	12,000	96%
Operating income	167	505	↑ 337	450	113%
Ordinary income	203	627	↑ 424	510	124%
Net income	167	411	↑ 243	340	121%

Overview

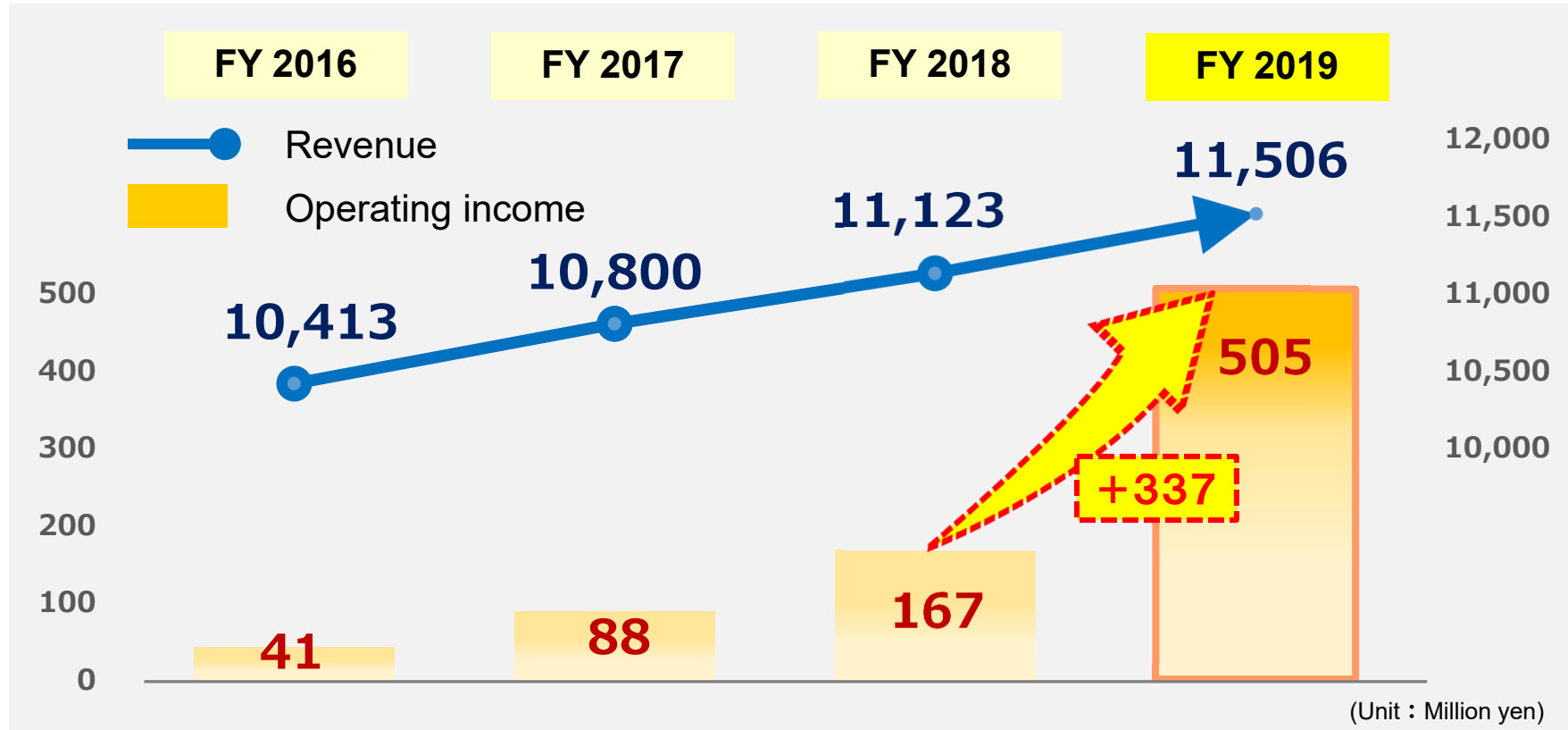
- Revenue increased year on year, and operating income rose significantly.
- Ordinary income also increased due primarily to the receipt of insurance proceeds.
- While tax expenses increased at subsidiaries, net income also increased due to local tax refunds at Fishing Vision and the posting of some of the settlement money for damage suits as extraordinary income.

Changes in Quarterly Operating Income



Operating income rose year on year in the first three quarters, but cost of goods sold increased significantly in the Studio segment in the fourth quarter, and so was on a par with the year-ago level.

Changes in Annual Operating Income



- Both revenue and operating income rose.
- Operating income increased threefold (up 202%) year on year.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY 2018	FY 2019	Difference	FY 2018	FY 2019	Difference
Content	2,477	3,180	↑ 702	146	385	↑ 238
Broadcast	2,901	2,802	↓ (99)	162	292	↑ 130
Studio	2,270	2,404	↑ 133	(36)	(187)	↓ (151)
Technology	2,658	2,959	↑ 301	460	510	↑ 50
Network Sales	815	160	↓ (654)	6	(18)	↓ (25)
Corporate expenses				(572)	(476)	↑ 95
Total	11,123	11,506	↑ 383	167	505	↑ 337

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY 2018	FY 2019	Difference	FY 2018	FY 2019	Difference
Content	2,477	3,180	↑ 702	146	385	↑ 238
			+28%			+162%

- ✓ 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.

The Content segment has been constructively dissolved in FY 2019.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY 2018	FY 2019	Difference	FY 2018	FY 2019	Difference
Content	2,477	3,180	↑ 702	146	385	↑ 238
Broadcast	2,901	2,802	↓ (99)	162	292	↑ 130
			(3%)			+80%

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

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY 2018	FY 2019	Difference	FY 2018	FY 2019	Difference
Content	2,477	3,180	↑ 702	146	385	↑ 238
Broadcast	2,901	2,802	↓ (99)	162	292	↑ 130
Studio	2,270	2,404	↑ 133	(36)	(187)	↓ (151)

+6%

loss widened

- ✓ In the production business, both revenue and income rose due to an increase in orders.
- ✓ The program sales business posted a loss due to a significant increase in cost of goods sold.
- ✓ The film distribution business recorded a loss.
- ✓ As a result, revenue increased but the operating loss expanded significantly.

Digital media services have been consolidated into this segment.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY 2018	FY 2019	Difference	FY 2018	FY 2019	Difference
Content	2,477	3,180	↑ 702	146	385	↑ 238
Broadcast	2,901	2,802	↓ (99)	162	292	↑ 130
Studio	2,270	2,404	↑ 133	(36)	(187)	↓ (151)
Technology	2,658	2,959	↑ 301	460	510	↑ 50
			+11%			+11%

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

The cloud gaming business and Network Sales have been consolidated into this segment.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY 2018	FY 2019	Difference	FY 2018	FY 2019	Difference
Content	2,477	3,180	↑ 702	146	385	↑ 238
Broadcast	2,901	2,802	↓ (99)	162	292	↑ 130
Studio	2,270	2,404	↑ 133	(36)	(187)	↓ (151)
Technology	2,658	2,959	↑ 301	460	510	↑ 50
Network Sales	815	160	↓ (654)	6	(18)	↓ (25)

(80%)
loss recorded

✓ Sales (sales through agents) of broadband lines fell significantly, and a loss was posted.

Network Sales has been consolidated into Technology segment. The business will be restructured.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY 2018	FY 2019	Difference	FY 2018	FY 2019	Difference
Content	2,477	3,180	↑ 702	146	385	↑ 238
Broadcast	2,901	2,802	↓ (99)	162	292	↑ 130
Studio	2,270	2,404	↑ 133	(36)	(187)	↓ (151)
Technology	2,658	2,959	↑ 301	460	510	↑ 50
Network Sales	815	160	↓ (654)	6	(18)	↓ (25)
Corporate expenses				(572)	(476)	↑ 95

- ✓ 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 Financial Position



Condition of assets, liabilities, and net assets

(Unit : Million yen)

	FY 2018	FY 2019	Difference	Rate of difference
Total assets	6,557	7,408	851	13%
Liabilities	3,554	3,856	302	9%
Net assets	3,003	3,552	548	18%
Shareholders' equity	2,333	2,693	360	15%
Stock acquisition rights for non-controlling shareholders	669	858	188	28%
Shareholders' equity ratio	35.6%	36.4%	—	—

(Amounts are rounded down to the nearest million yen)

- Total assets : While program accounts, etc. decreased, cash and accounts receivable increased.
- Liabilities : While accounts payable fell, advances received and deposits received increased.
- Net assets : Due to posting of net income, net assets increased.
- Shareholders' equity ratio increased from a year ago.

Consolidated Financial Position



Condition of Cash flow

	FY 2018	FY 2019
Operating cash flow	407	1,991
Investing cash flow	(4)	(256)
Financing cash flow	(149)	(235)
Changes in cash and cash equivalents	252	1,501
Year-end balance of cash and cash equivalents	1,869	3,374

(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 1,991 million yen mainly due to the posting of 740 million yen as income before income taxes, a decrease in inventories, and income tax refunds for past fiscal years.
Investing cash flow	<ul style="list-style-type: none"> A cash outflow of 256 million yen due to the acquisition of non-current assets, payments for lending and the underwriting of convertible bonds of a new alliance partner.
Financing cash flow	<ul style="list-style-type: none"> A cash outflow of 235 million yen due to the repayment of lease obligations, despite the issuance of straight bonds (100 million yen).

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- **Results by Business Segment**

Financial forecasts for the fiscal year ending March 31, 2021 are difficult to reasonably estimate at this point in time and are undetermined.

■ Main points of the forecasts

- (i) In educational services, both revenue and income are expected to increase year on year due to a record-high number of new students in April.
- (ii) Both revenue and income are forecast to rise in the cloud gaming business and digital media services.
- (iii) In Broadcast, new system development and operation costs will be incurred in relation to the launch of VOD “*Fishing Vision*” and investments will be made actively for gaining new subscribers for future growth. As a result, income is expected to decrease.
- (iv) VPF services within the digital cinema business, which are time-limited for promoting the digital conversion of movie theaters, are expected to end in the current fiscal year. Therefore, it is likely to result in decreases in revenue and income.

■ Effects of the Covid-19 coronavirus

It is impossible to predict at present the effects of our voluntary suspension of shooting “*Fishing Vision*” programs, delays in the production of Japanese dubs in Studio segment as well as the indirect effects of a slowdown in the Japanese economy.

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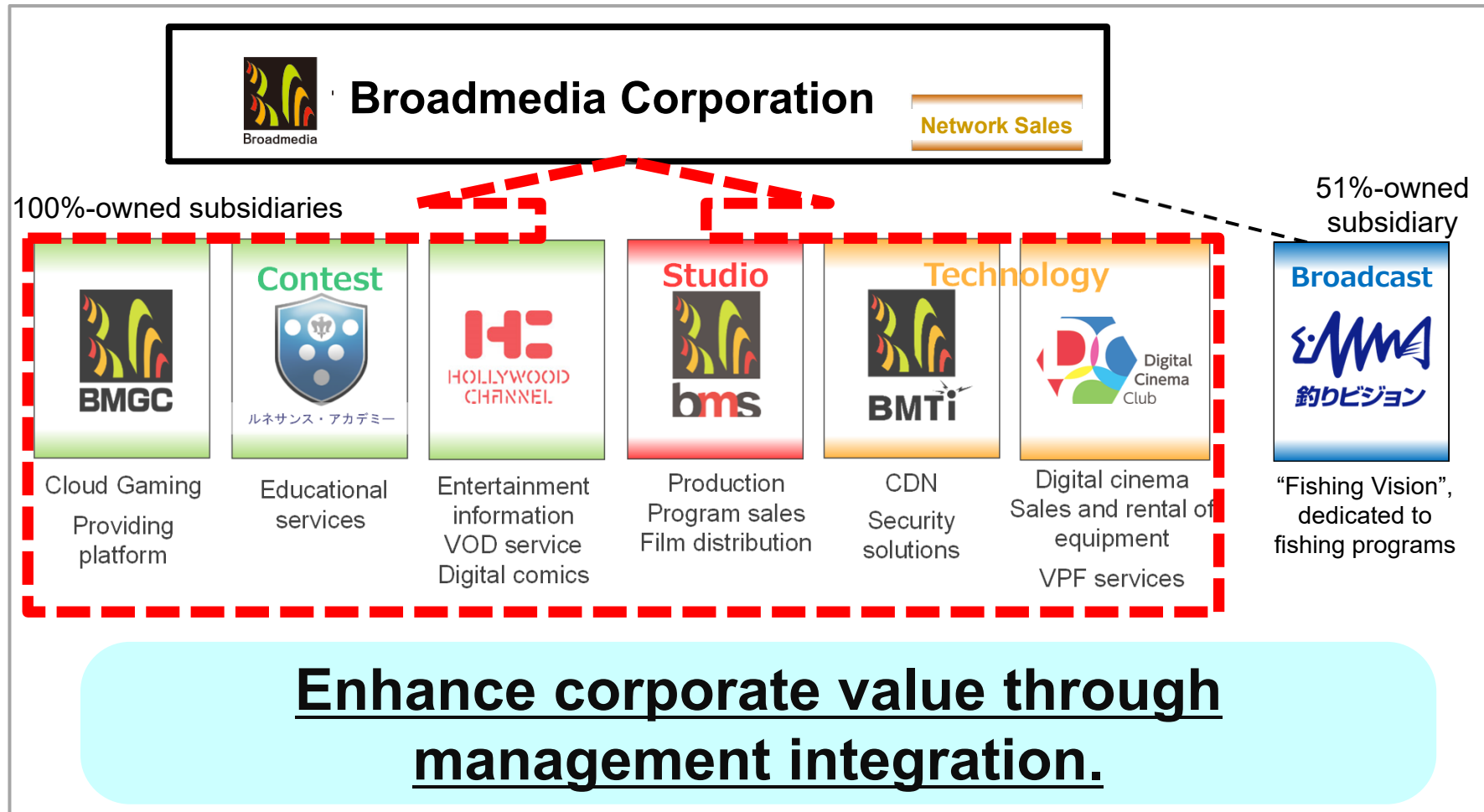
[Reference Documents]

- **Results by Business Segment**

Progress of Management Integration



As of April 1, 2020, the absorption-type merger of 6 wholly owned subsidiaries was completed.



New Reporting Segments



- The reporting segments have changed from the first quarter of the fiscal year ending March 31, 2021.
- B2C services and digital services are included in all segments.

[5 previous segments]

Name of segment	Business Outline
Content	<u>Education services</u>
	<u>Digital media services</u>
	<u>Cloud Game services</u>
Broadcast	Fishing channel
Studio	Production business
	Movie & TV Licensing business
	Film Distribution business
Technology	Digital Cinema services
	CDN Services
	Hospitality & Network
	Other solution services
<u>Network Sales</u>	<u>Broadband line sales</u>
	<u>ISP service sales</u>
	<u>Handling of mobile phone service</u>
Corporate expense	

[4 new segments]

Name of segment	Business Outline
Education	Operation of online credit-based e-learning high schools
	Japanese Language Education
Studio & Content	<u>Digital media services</u>
	Production business
	Movie & TV Licensing business
Broadcast	Theatrical Distribution business
	Fishing channel
	<u>Cloud Game services</u>
Technology	Digital Cinema services
	CDN Services
	Hospitality & Network
	<u>Network Sales</u>
	Other solution services
Corporate expense	

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- **Results by Business Segment**

■ Dividends

- ✓ Although business performance is recovering, earned surplus was in negative territory. No year-end dividends will thus be paid for FY 2019.

■ Next Steps

- ✓ To achieve shareholder returns as soon as possible, earned surplus needs to be in positive territory.
The Company is considering reducing capital without compensation to that end.
- ✓ The merger with subsidiaries on April 1, 2020 generated extraordinary income (gain on extinguishment of tie-in shares) of 1.7 billion yen.
- ✓ The Company has decided that reducing capital without compensation at the timing of the consolidation is the best way to retain income generated from the merger for shareholder return.

Achieving Shareholder Returns as Soon as Possible



■ Considering reducing capital without compensation (i)

- ✓ Change in equity capital as effects of the merger (generation of extraordinary income of 1.7 billion yen)

Breakdown of non-consolidated equity capital on March 31, 2020

Capital	: 3.5 billion yen
Capital surplus	: 3.1 billion yen
Earned surplus	: (6) billion yen
Treasury stock	: (0.2) billion yen
total	0.4 billion yen

equity capital as effects of the merger
Earned surplus : 1.7 billion yen
(extraordinary income)

Breakdown of non-consolidated equity capital after absorption-type merger

Capital	: 3.5 billion yen
Capital surplus	: 3.1 billion yen
Earned surplus	: (4.3) billion yen
Treasury stock	: (0.2) billion yen
total	2.1 billion yen

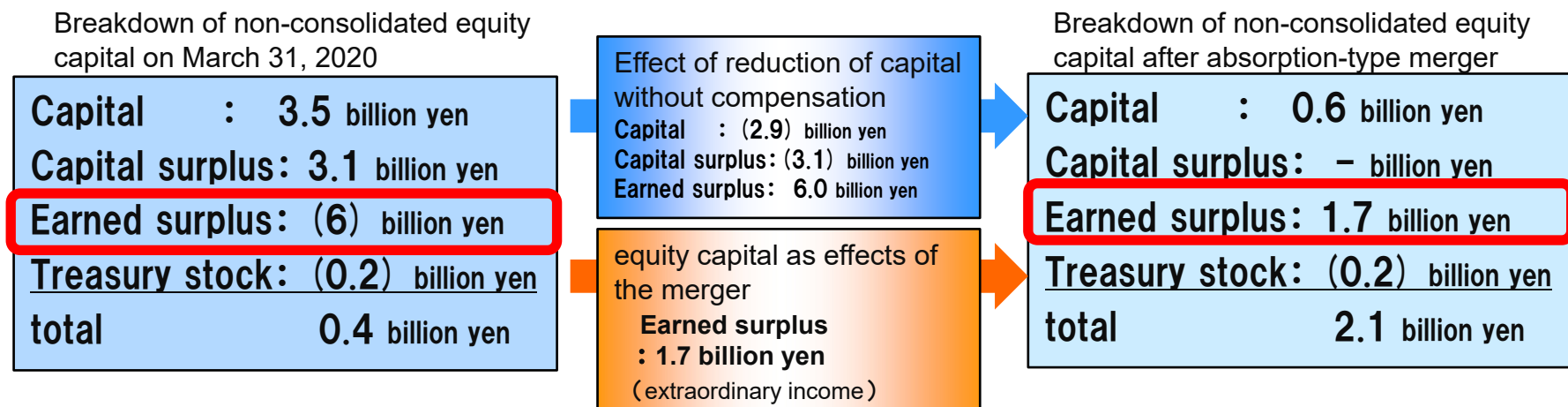
Negative earned surplus at the end of the previous fiscal year is not eliminated, and early shareholder return is difficult.

Achieving Shareholder Returns as Soon as Possible



■ Considering reducing capital without compensation (ii)

- ✓ Change in equity capital as effects of the merger (generation of extraordinary income of 1.7 billion yen)
- ✓ It is possible to reduce capital without compensation by up to the absolute value of earned surplus at the end of the previous fiscal year (elimination of minus 6 billion yen).



Eliminating the negative earned surplus at the end of the previous fiscal year and retaining funds for shareholder return

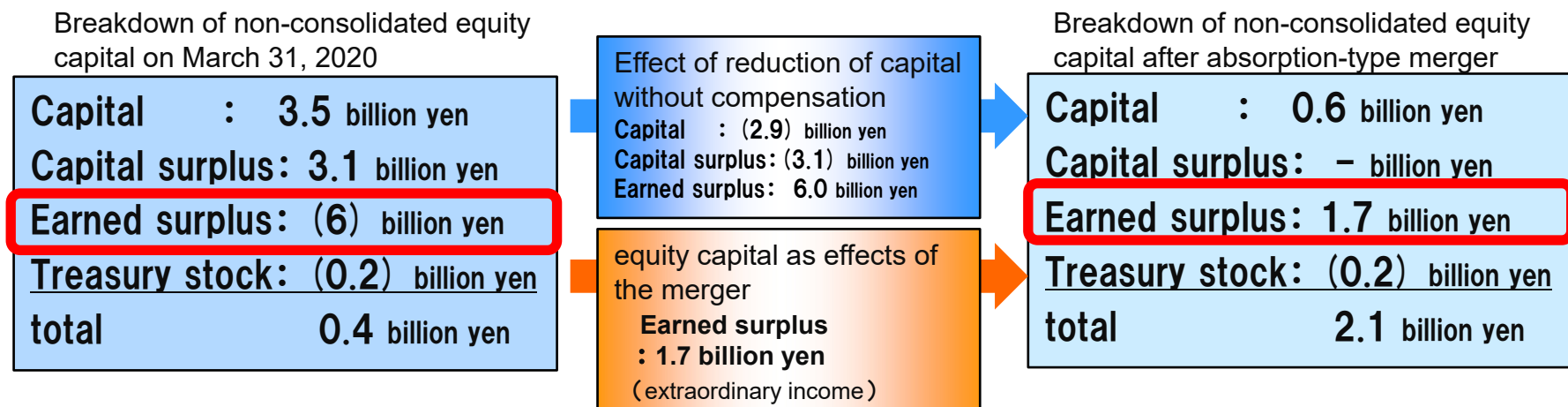
That is possible by reducing capital in the current fiscal year.

Achieving Shareholder Returns as Soon as Possible



■ Considering reducing capital without compensation (ii)

- ✓ Change in equity capital as effects of the merger (generation of extraordinary income of 1.7 billion yen)
- ✓ It is possible to reduce capital without compensation by up to the absolute value of earned surplus at the end of the previous fiscal year (elimination of minus 6 billion yen).



Reducing capital without compensation requires a resolution at the general meeting of shareholders.

The 24th Ordinary General Meeting of Shareholders



Postponement of ordinary shareholders' meeting

- ✓ Settling accounts is delayed, and it is difficult to hold the ordinary general meeting of shareholders by the end of June.
- ✓ The Company has set a new record date of the voting rights for the ordinary shareholders' meeting and will hold the shareholders' meeting.
 - Record date: May 31, 2020
 - Scheduled date of the 24th ordinary general meeting of shareholders:
Late July 2020

(Note) The record date for the shareholder incentive system (end of March) remains unchanged.

Reducing capital without compensation will be proposed at the shareholders' meeting.

We aim to eliminate historical losses for early shareholder return.

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[Reference Documents]

- **Results by Business Segment**

March 2020,

**Launch of cloud games on NTT DOCOMO, INC.'s
d game™ service**

~ Providing cloud gaming for the 5G era ~



The screenshot shows a cloud gaming service interface. At the top left is the G-cluster logo. In the center is the d game logo. Below it, two game titles are displayed:

- Released in April 2020**

©2018-2020 コーエーテックモゲームス All rights reserved.
Dynasty Warriors 9
- Released in May 2020**

©2016-2020 SQUARE ENIX CO., LTD. All Rights Reserved.
MAIN CHARACTER DESIGN : TETSUYA NOMURA
FINAL FANTASY® XV

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Education

(Renaissance High School Group)



Broadmedia

February 2020,

Formed a business alliance in e-sports with the Kansai Regional Headquarters of NTT West, aiming to create optimum e-sports environments and revitalize local communities.



NTT
西日本



ルネサンス・アカデミー株式会社

Merged into Broadmedia Corporation on April 1, 2020

We aim to enhance our services related to e-sports by combining expertise in ICT and education.

Education

(Renaissance High School Group)



Broadmedia

April 2020,

Renaissance High School Group formed an alliance with Titan Co. Ltd.

Comedy duo Bakushomondai belongs to the company.

Started to recruit students on May 1. “Titan’s school” will help students make their dreams come true.



ルネサンス高等学校グループ

<https://www.r-ac.jp/school/course/titan>

We will expand opportunities for students to learn and will strengthen our system to help them make their dreams come true after graduation.

Education

(Renaissance High School Group)



Broadmedia

April 2020,

Enhanced Online Course System for eSports Curriculum

Dedicated eSports classrooms are established on the Shinjuku-Yoyogi and Umeda eSports Campuses.



<https://www.r-ac.jp/special/>

Delivering free video and other content under the slogan "Stay Home # enjoytogether"



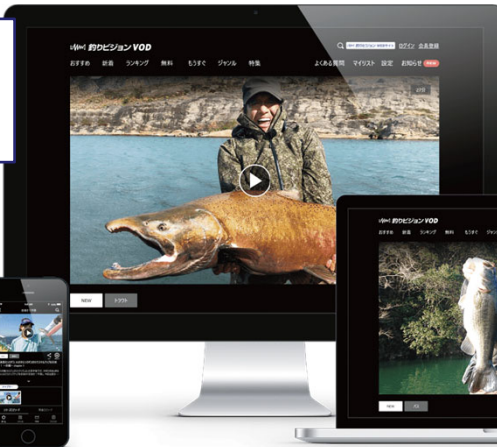
April 22, 2020

70% N@MQD@!@?D<@@? DJ ANCDIB

釣りビジョン VOD

Watch popular programs on smartphones, tablets, and PCs 24 hours a day, anywhere.

As much as you want and whenever you want



As much as you want with the device of your choice



You can watch **more than 5,000** videos.

Around 100 videos will be added every month.

+

New programs are streamed the same day they are broadcast!

*The images above are for illustrative purposes only. They differ from actual images.

*Some programs are distributed on different days and time.

The business is expanding with two pillars of broadcasting and Internet delivery.

Establishment of Broadmedia eSports Corporation

March 2020

**Completed the acquisition of “CYCLOPS athlete gaming”,
a professional eSports team**



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

We aim to cultivate eSports-related businesses by creating synergies with educational services, cloud gaming and distribution technology.

May 2020

CYCLOPS athlete gaming won first prize in an APAC region charity e-sports event of Gamers Without Borders.



The charity prize pool of the winner (US\$250,000) was donated to Direct Relief, an organization that is helping in the fight against the Covid-19 coronavirus.

Studio

- Theatrical Distribution -



Broadmedia

The latest film directed by Nobuhiro Suwa

Film *Voices in the Wind*

special advance release via VOD from April 24 Fri, 2020

also held Crank in! Video Campaign, "Let's enjoy at home!"



クランクイン!
ビデオ

5/15
まで

お家で楽しもう!
もれなくみなさまに

1000 ポイントクーポン
プレゼント

#おうち時間 #StayHome

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

Thank you for your attention.



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[Reference Documents]

- **Results by Business Segment**

Consolidated Financial Results by Business Segment – Content –



	Revenue			Operating income		
	FY2018 3Q	FY2019 3Q	Difference	FY2018 3Q	FY2019 3Q	Difference
Content	1,768	2,237	↑ 469	34	202	↑ 167

(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”
- “Crank in ! Trend”

◆ 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 3Q	FY2019 3Q	Difference	FY2018 3Q	FY2019 3Q	Difference
Broadcast	2,192	2,098	 (94)	147	230	 82

(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.

◆ “*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 3Q	FY2019 3Q	Difference	FY2018 3Q	FY2019 3Q	Difference
Studio	1,669	1,820	↑ 150	(31)	(64)	↓ (32)

(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.
- The program sales business posted a loss due to a significant increase in cost of goods sold.
- The film distribution business recorded a loss.
- As a result, revenue increased but the operating loss expanded significantly.

◆ 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 3Q	FY2019 3Q	Difference	FY2018 3Q	FY2019 3Q	Difference
Technology	1,934	2,162	↑ 227	321	370	↑ 49

(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 3Q	FY2019 3Q	Difference	FY2018 3Q	FY2019 3Q	Difference
Network Sales	735	115	(620)	24	(15)	(39)

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

- Sales (sales through agents) of broadband lines fell significantly, and a loss was posted.

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

Consolidated Financial Results by Business Segment – Corporate expenses – Broadmedia

	Operating income		
	FY2018 3Q	FY2019 3Q	Difference
Corporate expenses	(463)	(346)	117

(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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