



Broadmedia

# **Summary of Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2021**

**Broadmedia Corporation**

**August 28, 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

# **Financial Summary for the First Quarter of FY2020**

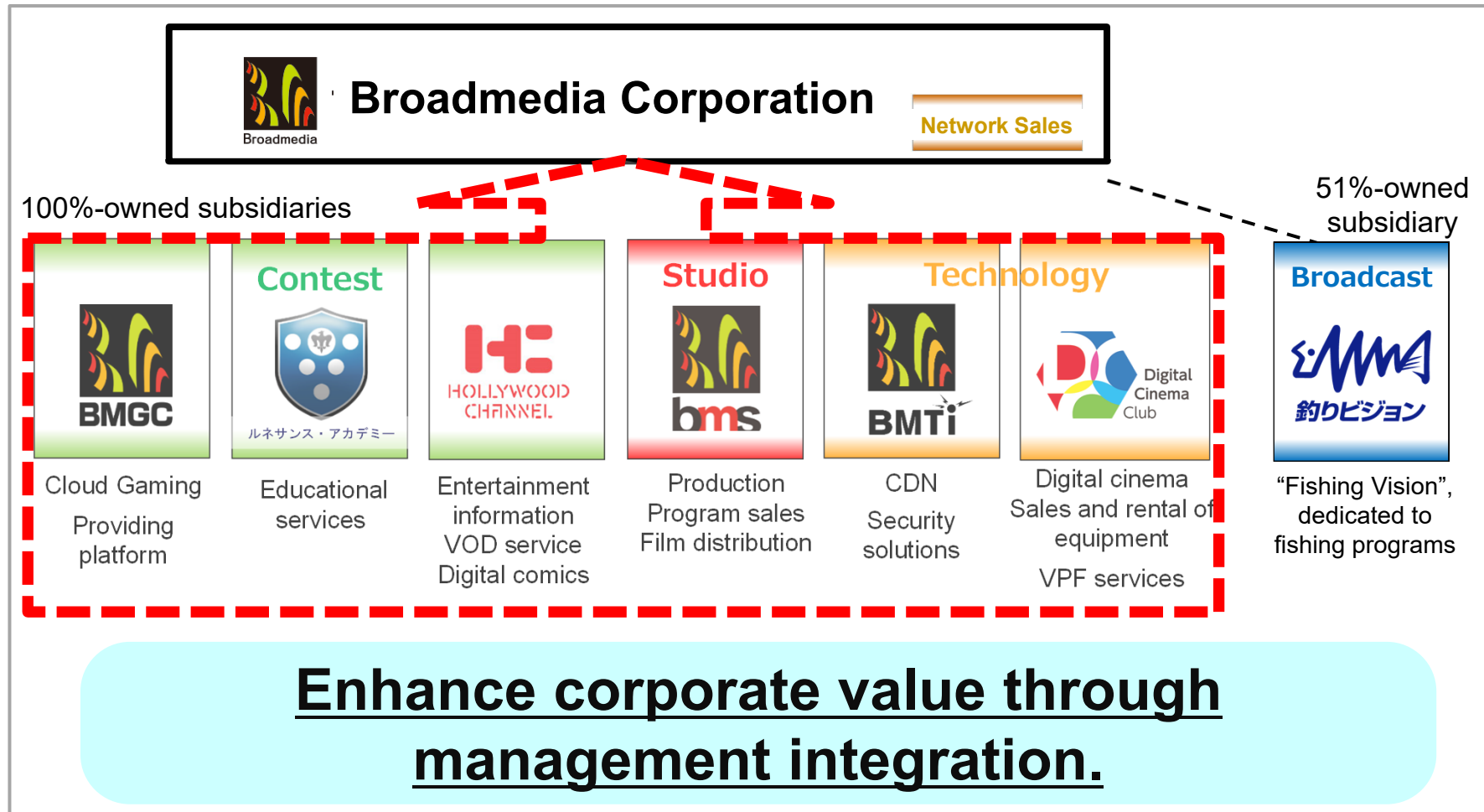
## **Financial Forecasts for FY2020**

### **Topics**

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

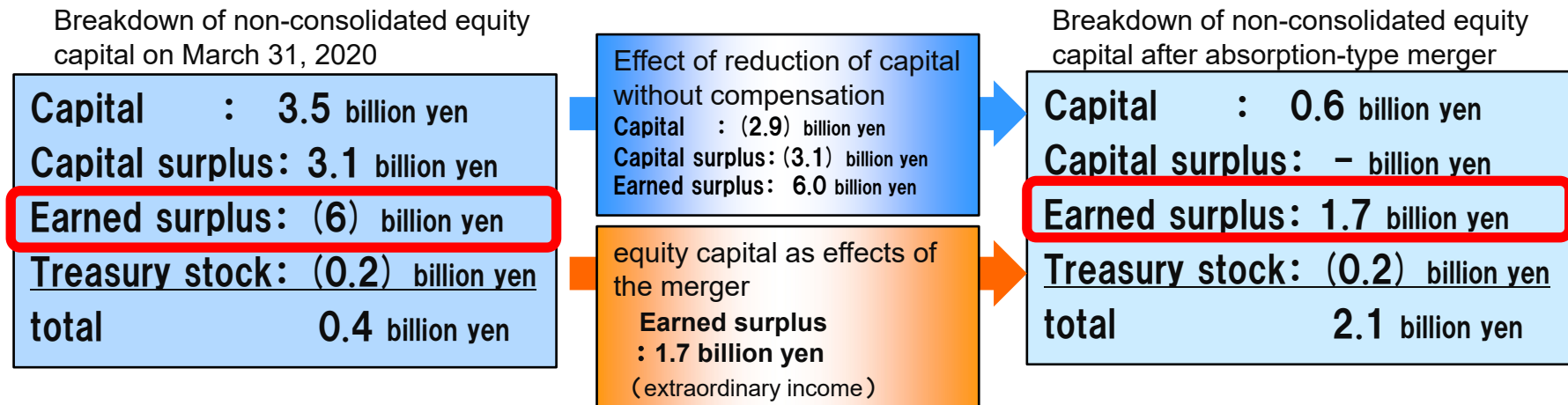
**【4 new segments】**

Name of segment	Business Outline
<b>Education</b>	Operation of online credit-based e-learning high schools
	Japanese Language Education
<b>Studio &amp; Content</b>	<u>Digital media services</u>
	Production business
	Contents Licensing business
<b>Broadcast</b>	Fishing channel
	Fishing Vision VOD
<b>Technology</b>	<u>Cloud Game services</u>
	Digital Cinema services
	CDN Services
	Hospitality & Network
	<u>Network Sales</u>
<b>Corporate expense</b>	

# Capital reduction without compensation



At the 24th Ordinary General Meeting of Shareholders, a resolution for reducing capital without compensation was passed



Schedule;

Effective date                      September 15, 2020 (scheduled)

Negative earned surplus at the end of the fiscal year was eliminated.

## Resources for shareholder return

Net income/loss for the current fiscal  
year generated by business activity from  
April 2020

&

1.7 billion yen due to the gain  
on extinguishment of tie-in  
shares because of the subsidiary  
merger on April 1, 2020

Net income for  
the current  
fiscal year

&

Earned  
surplus  
carried  
forward  
1.7 billion yen

While considering the balance with investment required for  
growth, we will positively examine shareholder return.

## Effects of Covid-19 on 1Q (April to June)



Segments Name	Impacts
Education	<ul style="list-style-type: none"><li>• No impact on new students</li><li>• Postponement of schooling (in-person classes)</li></ul>
Studio & Content	<ul style="list-style-type: none"><li>• Good performance on content delivery due to stay-at-home demand</li><li>• Postponement or cancellation of Japanese dub production gatherings of cast at studios</li><li>• Decrease in advertising on entertainment and information sites compared to the previous quarter</li></ul>
Broadcast	<ul style="list-style-type: none"><li>• Freezing of new program production and broadcasts due to voluntary restraint on filming</li></ul>
Technology	<ul style="list-style-type: none"><li>• Decrease in use of digital cinema services due to the temporary closure of movie theaters and postponement of new movies</li></ul>

# Consolidated Financial Results for the First Quarter (April – June)



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

	FY 2019 1Q	FY 2020 1Q	Difference	Rate of difference
Revenue	2,803	2,705	(98)	(3%)
Operating income	139	129	(10)	(7%)
Ordinary income	183	137	(45)	(25%)
Net income	150	90	(59)	(39%)

## Overview

- Managed to stay at a 3% decline in revenue and a 7% decline in operating income despite the Covid-19 pandemic
- Ordinary income decreased due to no insurance income (23 million yen)
- Net income also decreased due to the absence of a corporate tax refund for past years on Tsuru Vision (-56 million yen), although tax expenses were significantly limited partly due to the merger effects.



# Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY 2019 1Q	FY 2020 1Q	Difference	FY 2019 1Q	FY 2020 1Q	Difference
Education	509	603	↑ 93	113	161	↑ 47
Studio & Content	771	678	↓ (92)	(18)	(45)	↓ (26)
Broadcast	692	626	↓ (66)	79	68	↓ (11)
Technology	830	796	↓ (33)	87	53	↓ (33)
Corporate expenses				(122)	(108)	↑ 14
<b>Total</b>	<b>2,803</b>	<b>2,705</b>	↓ (98)	<b>139</b>	<b>129</b>	↓ (10)

- ✓ In Education, revenue and operating income increased.
- ✓ In Studio & Content, revenue decreased, expanding the deficit.
- ✓ In Broadcast and Technology, revenue and operating income decreased, but the operating income was still positive.

# Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY 2019 1Q	FY 2020 1Q	Difference	FY 2019 1Q	FY 2020 1Q	Difference
Education	509	603	93	113	161	47
			+18%			+42%

- The number of new students reached the highest record following the previous year, increasing revenue and operating income.
- This segment became a positive driver for the consolidated financial results in 1Q.

## ◆ Operation of online credit-based e-learning high schools

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

## ◆ Japanese Language Education

- Operation of Japanese Language Center that provides Japanese language training and Japanese language teacher fostering course

# Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY 2019 1Q	FY 2020 1Q	Difference	FY 2019 1Q	FY 2020 1Q	Difference
Studio & Content	771	678	(92)	(18)	(45)	(26)
			(12%)			loss widened

- Digital media services increased revenue, and the content sales business maintained the same level of revenue.
- The production business significantly reduced revenue and operating income, due to the postponement and cancellation of production for Japanese dubs because of the Covid-19 pandemic.
- In the segment as a whole, revenue decreased, expanding the deficit.

## ◆ Production business

- Production of Japanese subtitles
- Production of Japanese dubs
- Production of teletext data
- Production of program promotions

## ◆ Content licensing and sales business

- Production and distribution of theatrical films
- Licensing TV broadcasting rights
- Licensing VOD rights
- Sales of DVD and Blu-ray titles

## ◆ Digital Media services

- "Crank in !"
- "Crank in ! Trend"
- "Crank in ! Video"
- "Crank in ! Comic"

# Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY 2019 1Q	FY 2020 1Q	Difference	FY 2019 1Q	FY 2020 1Q	Difference
Broadcast	692	626	↓ (66)	79	68	↓ (11)
			(10%)			(14%)

- Subscription revenue continues to decline.
- Revenue from sponsors decreased, due to inability to broadcast new programs owing to voluntary restraint on filming during the Covid-19 pandemic, while expenses for filming declined.
- Expenses arose from launching “Fishing Vision VOD”.
- Consequently, revenue and operating income decreased as a whole.

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

- Satellite basic broadcasting (BS broadcasting)
- Distribution of “Fishing Vision” mainly to cable operators
- Others

## ◆ “Fishing Vision VOD”, a streaming service for multiple devices

# Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY 2019 1Q	FY 2020 1Q	Difference	FY 2019 1Q	FY 2020 1Q	Difference
Technology	830	796	↓ (33)	87	53	↓ (33)
			(4%)			(39%)

- CDN services maintained good performance.
- Due to the delay in the new platform launch, cloud game services earned the same level of revenue but had increased expenses.
- Digital cinema services had reduced revenue and operating income due to the impact of the movie theater closure and new movie release postponement.

## ◆ Cloud Gaming services

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

## ◆ Hospitality network

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

## ◆ CDN services

- CDN service, security service, CM online service etc.

## ◆ Network sales

- Sales of broadband lines
- Sales of ISP services

## ◆ 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"

# Consolidated Financial Results by Business Segment



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

	Operating income		
	FY 2019 1Q	FY 2020 1Q	Difference
Corporate expenses	(122)	(108)	 14

- Temporary expenses arose from the merger with subsidiaries and retaking of the shareholder list in May.
- Security measures taken in the same term last year are planned in 2H.
- Tax expenses decreased, including the effects of capital reduction.

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

# Consolidated Financial Position



## Condition of assets, liabilities, and net assets

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

	FY 2019	FY 2020 1Q	Difference	Rate of difference
Total assets	7,408	6,877	(531)	(7%)
Liabilities	3,856	3,210	(646)	(17%)
Net assets	3,552	3,666	114	3%
Shareholders' equity	2,693	2,786	92	3%
Stock acquisition rights for non-controlling shareholders	858	880	22	3%
Shareholders' equity ratio	36%	41%	—	—

### Total assets

■ While prepaid expenses increased, cash and deposits and accounts receivable decreased.

### Liabilities

■ Accrued tax payable and advances received decreased.

### Net assets

■ Net assets increased due to the recording of net income.

# Consolidated Financial Position



Condition of Cash flow	FY 2019 1Q	FY 2020 1Q
Operating cash flow	120	(393)
Investing cash flow	(51)	(101)
Financing cash flow	(75)	(64)
Changes in cash and cash equivalents	(6)	(559)
Year-end balance of cash and cash equivalents	1,863	2,815

(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.

<b>Operating cash flow</b>	<ul style="list-style-type: none"> <li>Cash outflow of 393 million yen, despite 137 million yen in profit before income taxes recorded, due to a deposit decrease and corporate tax payment</li> </ul>
<b>Investing cash flow</b>	<ul style="list-style-type: none"> <li>Cash outflow of 101 million yen, due to fixed asset acquisition and loans receivable</li> </ul>
<b>Financing cash flow</b>	<ul style="list-style-type: none"> <li>Cash outflow of 64 million yen, due to repayment of lease obligations</li> </ul>



# Financial Summary for the First Quarter of FY2020

## Financial Forecasts for FY2020

### Topics

Financial forecasts for the fiscal year ending March 31, 2021 are difficult to reasonably estimate now due to the Covid-19 pandemic and will remain undetermined.

## **【Uncertain factors that have already happened】**

- ① Deferment of subtitle and dub production due to the postponement of new movie and drama releases
- ② Decrease in advertising income on entertainment and information sites due to advertising cost reduction by companies
- ③ Decrease in use of digital cinema services due to postponement of new movie releases and concerns on extending movie theater closures

## **【Uncertain factors in future】**

- ④ Improvement in the number of new students due to the increase in inquiries by applicants
- ⑤ Improvement in the use of content delivery and cloud games due to stay-at-home demand
- ⑥ Stagnation in new contract and contract renewal on CDN services due to the economic slowdown in Japan

**Positive and negative factors from the Covid-19 pandemic are mixing.**

# Financial Summary for the First Quarter of FY2020

## Financial Forecasts for FY2020

### Topics

## Structural reform of network sales

- ✓ The business of handling affiliated sales agencies that sell broadband lines and mobile phone contracts is struggling.
- ✓ Our telemarketing business, which started recently, is discontinued.



We will start providing a new service combining our  
content delivery services クラシクイン!ビデオ クラシクイン!コミック (Crank In! Video & Crank In! Comic) and our  
internet optical lines (FVNO).

Our content delivery services & our internet optical lines (FVNO)

クランクイン! ビデオ クランクイン! コミック

Includes 2,000 yen in points, which can be used for movies, dramas, and digital comics on Crank In!, and a fiber-optic internet line (2 Gbps\*1)

Monthly fee: Starting from 4,700 yen

Service starts on August 28, 2020

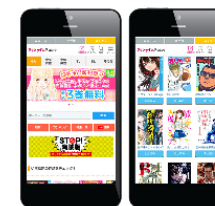


クランクイン! ビデオ

Crank In! Video

クランクイン! 光 ※2

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



クランクイン! コミック

Crank In! Comic

※1 ・ The communication speed of 2 Gbps is the maximum speed for downloads according to the technical standards for transmission from a network to a terminal device at home. It does not indicate the communication speed to individual terminal devices of customers.

・ Available maximum communication speed on one terminal device according to technical standards is roughly 1 Gbps when connected with wire (using a 1000BASE-T1 port) and roughly 1.3 Gbps when connected wirelessly. (This is the speed in the case of IEEE802.11ac. Some terminal devices that we install for residential use do not support the standard depending on the model.)

・ The speed may fall, depending on customers' environments (specifications of terminal device) and line congestion.

※2 "Crank-in! Hikari" is Broadmedia's optical line service provided as a FVNO (Fixed Virtual Network Operator).

"Crank-in! Hikari" is served borrowing NURO optical lines, of up to 2 Gbps for downloading, provided by Sony Network Communications Inc.

## Applicants for the eSports course increased significantly.

In addition to the expansion at Shinjuku-Yoyogi Campus, the second campus will open at the Umeda eSports Campus.



The online course system continues to improve.

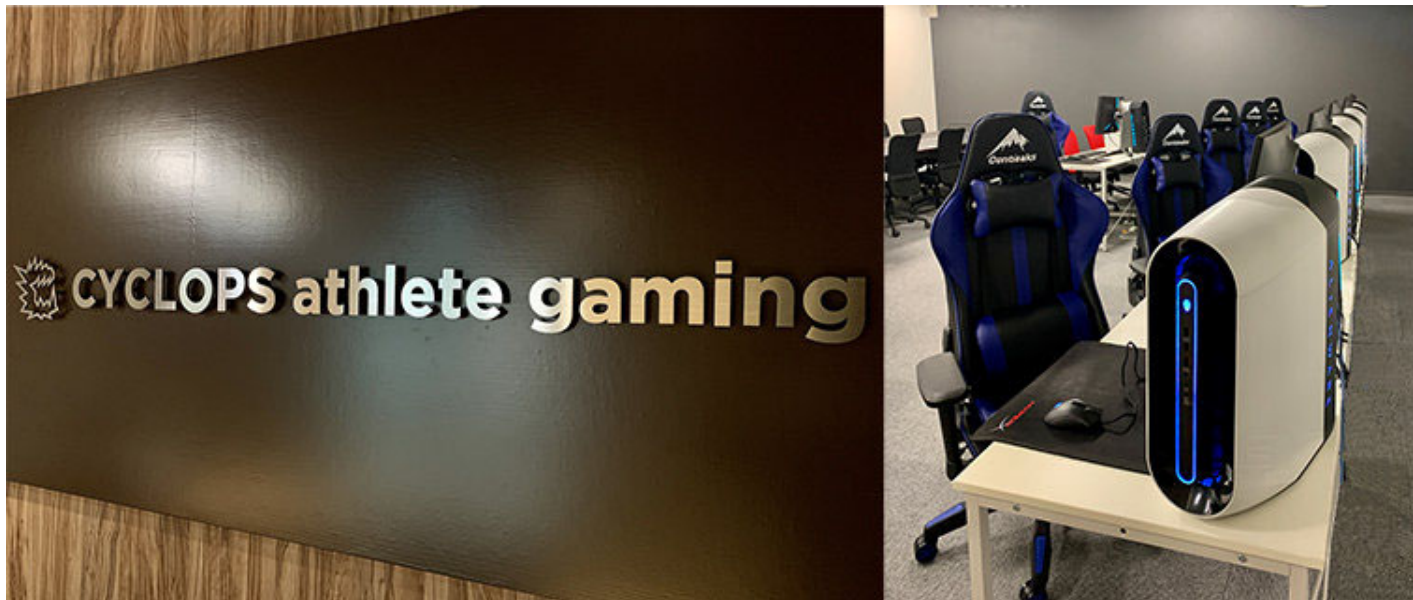
**Renaissance Junior High, an eSports and programming course for junior high students, will open in October 2020.**



Left: Umeda eSports Campus reception desk / Right: A global competition organized by Makeblock

**Collaboration with Makeblock at the University of Tokyo, which supports STEAM education**

**In August 2020,  
a new base “Cyclops Base” for the professional  
eSports team Cyclops will open in Umeda, Osaka.**



## Cutting-edge gaming environment

Equipment is provided by the following companies. Network environment: eo-hikari net / 10 gigabyte line;  
Game console system: ALIENWARE (DELL); Gaming chair: Contieaks (Seki Furniture); Dedicate earphones  
for players: SHIDO (Onkyo & Pioneer)



Air traffic control puzzle game

## “I am an Air Traffic Controller 4 Shin-Chitose”

Cloud game app for smartphones and tablets

Distribution begins on Thursday, August 27, 2020.



# Studio & Contest

## - Theatrical Distribution -



Latest work of Diao Yinan, director of "BLACK COAL, THIN ICE"

## “WILD GOOSE LAKE”

September 25, 2020

Scheduled to be released nationwide,  
including Shinjuku Musashinokan, Human Trust Cinema Yurakucho & Shibuya

孤独に溺れて、闇夜を彷徨う――。



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# Thank you for your attention.



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

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



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