



Broadmedia

Summary of Financial Results for the First Half of the Fiscal Year Ending March 31, 2021

Broadmedia Corporation

October 30, 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.

Financial Summary for the First Half of FY2020

Financial Forecasts for FY2020

Shareholders Returns

Introduction of the Restricted Stock System

Topics

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



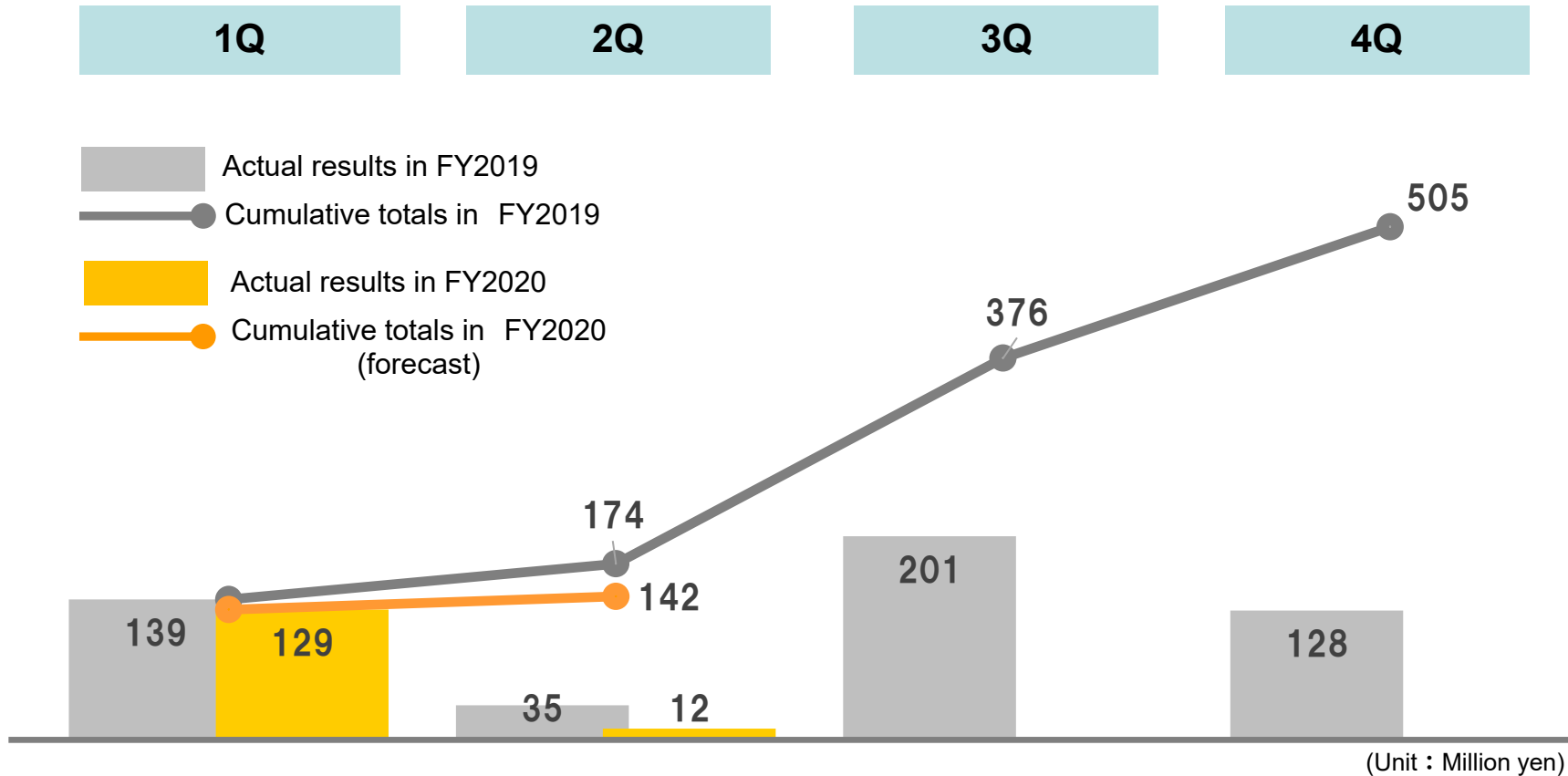
(Unit : Million yen) (Amounts are rounded down to the nearest million yen)

	FY 2019 1H	FY 2020 1H	Difference	Rate of difference
Revenue	5,491	5,304	(187)	(3%)
Operating income	174	142	(32)	(19%)
Ordinary income	268	138	(129)	(48%)
Net income	222	43	(179)	(81%)

Overview

- Revenue and operating income decreased year on year partly due to the Covid-19 pandemic.
- Ordinary income decreased due to absence of insurance proceeds.
- Net income decreased significantly due to the absence of some of the settlement proceeds for damage suits (122 million yen) and a corporate tax refund for previous years (56 million yen) at Fishing Vision.

Changes in Operating Income



■ The change in operating income showed the same tendency as in the same period of the previous year.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY 2019 1H	FY 2020 1H	Difference	FY 2019 1H	FY 2020 1H	Difference
Education	900	1,065	↑ 165	123	230	↑ 106
Studio & Content	1,570	1,392	↓ (177)	(35)	(77)	↓ (41)
Broadcast	1,389	1,300	↓ (88)	139	137	→ (1)
Technology	1,631	1,544	↓ (86)	179	119	↓ (60)
Corporate expenses				(231)	(268)	↓ (36)
Total	5,491	5,304	↓ (187)	174	142	↓ (32)

- ✓ 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.

* We have changed the reporting segment from the 1Q of 2020.

The numbers for 2019 1H are shown after being reclassified under the new segment.

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY 2019 1H	FY 2020 1H	Difference	FY 2019 1H	FY 2020 1H	Difference
Education	900	1,065	165	123	230	106
			+18%			+86%

- ✓ The number of new students reached the highest record following the previous year, increasing revenue and operating income.
- ✓ This segment continued to be a positive driver for the consolidated financial results.

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

Renaissance High School Group

◆ Japanese Language Education

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY 2019 1H	FY 2020 1H	Difference	FY 2019 1H	FY 2020 1H	Difference
Studio & Content	1,570	1,392	(177)	(35)	(77)	(41)
			(11%)			loss widened

- ✓ In digital media services, both revenue and income decreased due to a decline in advertising revenue, despite good performance on content delivery.
- ✓ In the content licensing business, sales of programs to TV stations decreased significantly.
- ✓ In the production business, both revenue and income decreased, reflecting inferior performance than in the same period of the previous year. Production of Japanese dubs, which had been postponed or cancelled due to the COVID-19 pandemic, was resumed.
- ✓ In the segment as a whole, revenue decreased, expanding the deficit.

◆ Digital Media services



◆ Content licensing business

◆ Production business

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY 2019 1H	FY 2020 1H	Difference	FY 2019 1H	FY 2020 1H	Difference
Broadcast	1,389	1,300	 (88)	139	137	 (1)
			(6%)			Same level

- ✓ 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.
- ✓ Promotional activities for Fishing Vision VOD, a streaming service launched in April, were reduced significantly due to the Covid-19 pandemic.
- ✓ As a result, revenue decreased in the segment, but income remained at the year-ago level.



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

◆ **“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 1H	FY 2020 1H	Difference	FY 2019 1H	FY 2020 1H	Difference
Technology	1,631	1,544	 (86)	179	119	 (60)
			(5%)			(34%)


- ✓ CDN (Akamai) services maintained good performance.
- ✓ In digital cinema services, the provision of VPF services was a business operated for a limited period. With the expiration of the 10-year period, no relevant revenue from film distributors was posted in the first half.
- ✓ Delivery services in digital cinema services remained sluggish, partly reflecting the temporary closure of movie theaters and the postponement of new movie releases due to the Covid-19 pandemic.
- ✓ Cloud gaming services remained weak due to the delayed launch of new platforms despite strong in-app sales.

- ◆ CDN services
- ◆ Cloud solution services
- ◆ Digital cinema services
- ◆ Hospitality network
- ◆ Network sales
- ◆ Other solution services

Consolidated Financial Results by Business Segment



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

	Operating income		
	FY 2019 1H	FY 2020 1H	Difference
Corporate expenses	(231)	(268)	 (36)
			16% cost increase

- ✓ Expenses for the administrative division were organized and consolidated as the result of the absorption-type merger with subsidiaries.
- ✓ Temporary expenses arose as a result of the change to the record date for the general meeting of shareholders.
- ✓ Tax expenses decreased due to the implementation 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 1H	Difference	Rate of difference
Total assets	7,408	6,684	(724)	(10%)
Liabilities	3,856	3,038	(818)	(21%)
Net assets	3,552	3,646	93	3%
Shareholders' equity	2,693	2,745	51	2%
Stock acquisition rights for non-controlling shareholders	858	900	42	5%
Shareholders' equity ratio	36%	41%	—	—

Total assets

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

Liabilities

- Advances received, accounts payable and accrued taxes payable decreased.

Net assets

- Net assets increased due to the recording of net income.
- The effect of capital reduction was reflected.
- Shareholders' equity includes the earned surplus of 2,297 million yen.

Consolidated Financial Position



Condition of Cash flow	FY 2019 1H	FY 2020 1H
Operating cash flow	254	(432)
Investing cash flow	(92)	(186)
Financing cash flow	(62)	(156)
Changes in cash and cash equivalents	98	(777)
Year-end balance of cash and cash equivalents	1,971	2,597

(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"> Cash outflow of 432 million yen, despite 127 million yen in profit before income taxes recorded, due to a deposit decrease and corporate tax payment
Investing cash flow	<ul style="list-style-type: none"> Cash outflow of 186 million yen, due to fixed asset acquisition and loans receivable
Financing cash flow	<ul style="list-style-type: none"> Cash outflow of 156 million yen, due to repayment of lease obligations and redemption of bonds

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Earnings Forecast

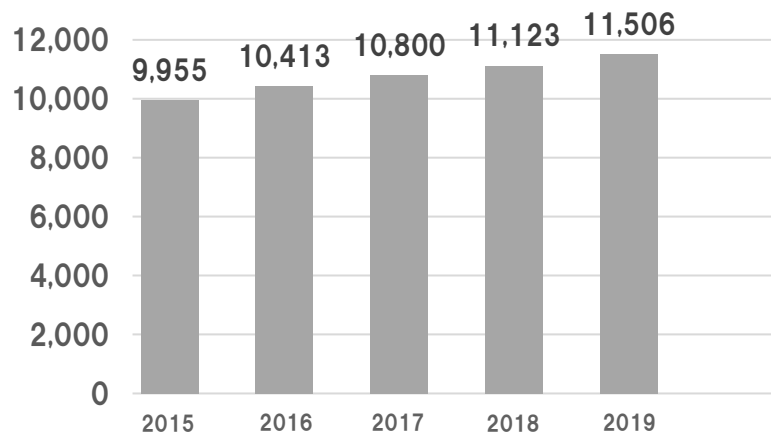
Trends in business performance over the past 5 years



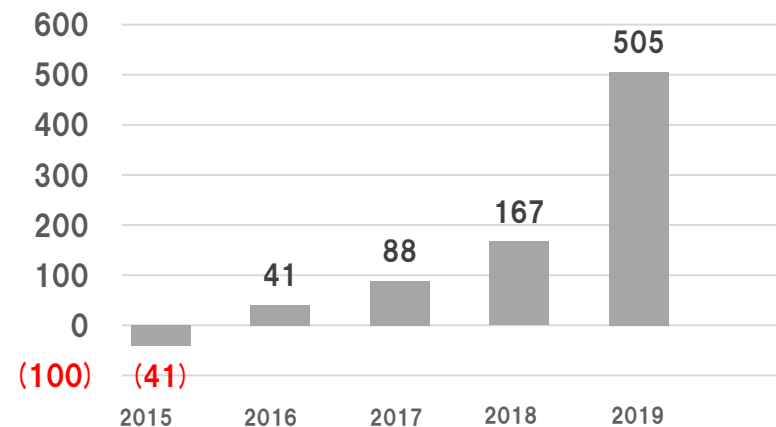
Broadmedia

(Unit : Million yen)

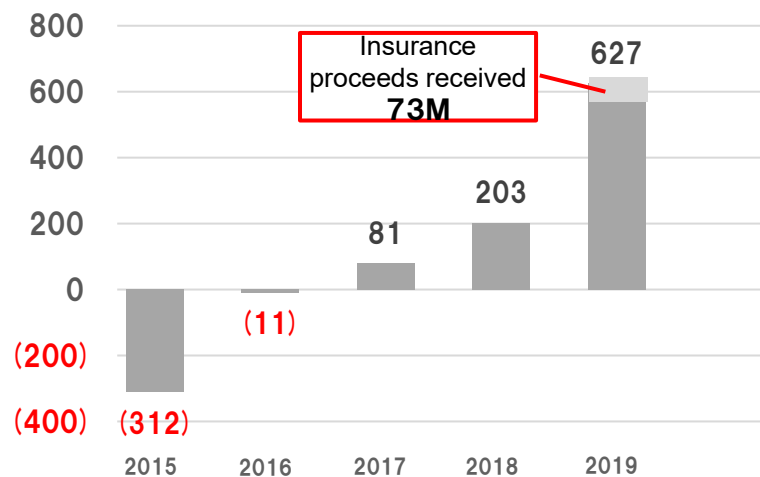
Revenue



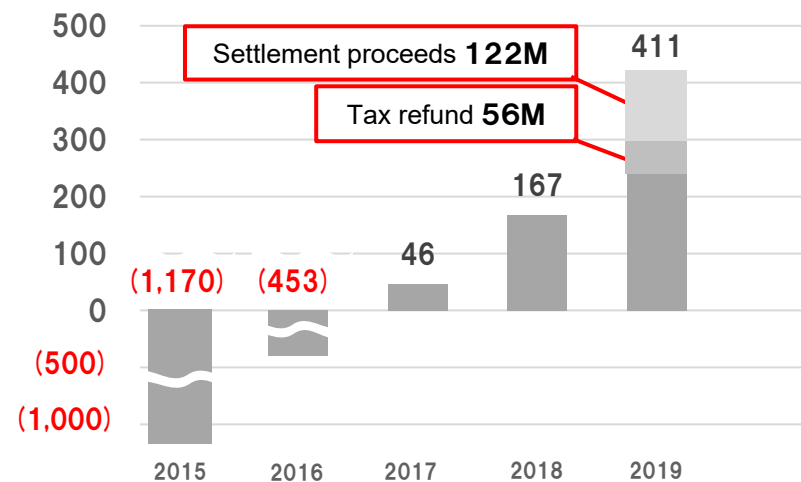
Operating income



Ordinary income



Net income



Earnings Forecast



■ Full-year earnings forecast

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

	FY 2019 results	FY 2020 Earnings forecast	Difference	Rate of difference
Revenue	11,506	11,000	(506)	(4%)
Operating income	505	400	(105)	(21%)
Ordinary income	627	400	(227)	(36%)
Net income	411	190	(221)	(54%)

We aimed to increase revenue and operating income for the fifth consecutive year. However, revenue and operating income are expected to decrease partly due to the Covid-19 pandemic.

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【Revenue, Operating income】

We aimed to increase revenue and operating income for the fifth consecutive year. However, given uncertainty about the effects of the Covid-19 pandemic, we decided not to announce financial forecasts.

Completion of VPF services within digital cinema services in the current year

Increase in sales promotion expenses associated with the launch of Fishing Vision VOD

Education and CDN (Akamai) services are expected to grow.

【Ordinary income, Net income】

Full-year ordinary and net incomes are expected to decrease from the beginning of the current period.

Negative impact due to absence of insurance proceeds, settlement proceeds and corporate tax refund for past years unlike in the previous year.

【Revenue, Operating income】

At this point, revenue and operating income are expected to decrease due to the Covid-19 pandemic.

- Completion of VPF services within digital cinema services in the current year
- Increase in sales promotion expenses associated with the launch of Fishing Vision VOD
- The Studio & Content segment was affected unexpectedly by the Covid-19 pandemic.

Education and CDN (Akamai) services are expected to grow.

【Ordinary income, Net income】

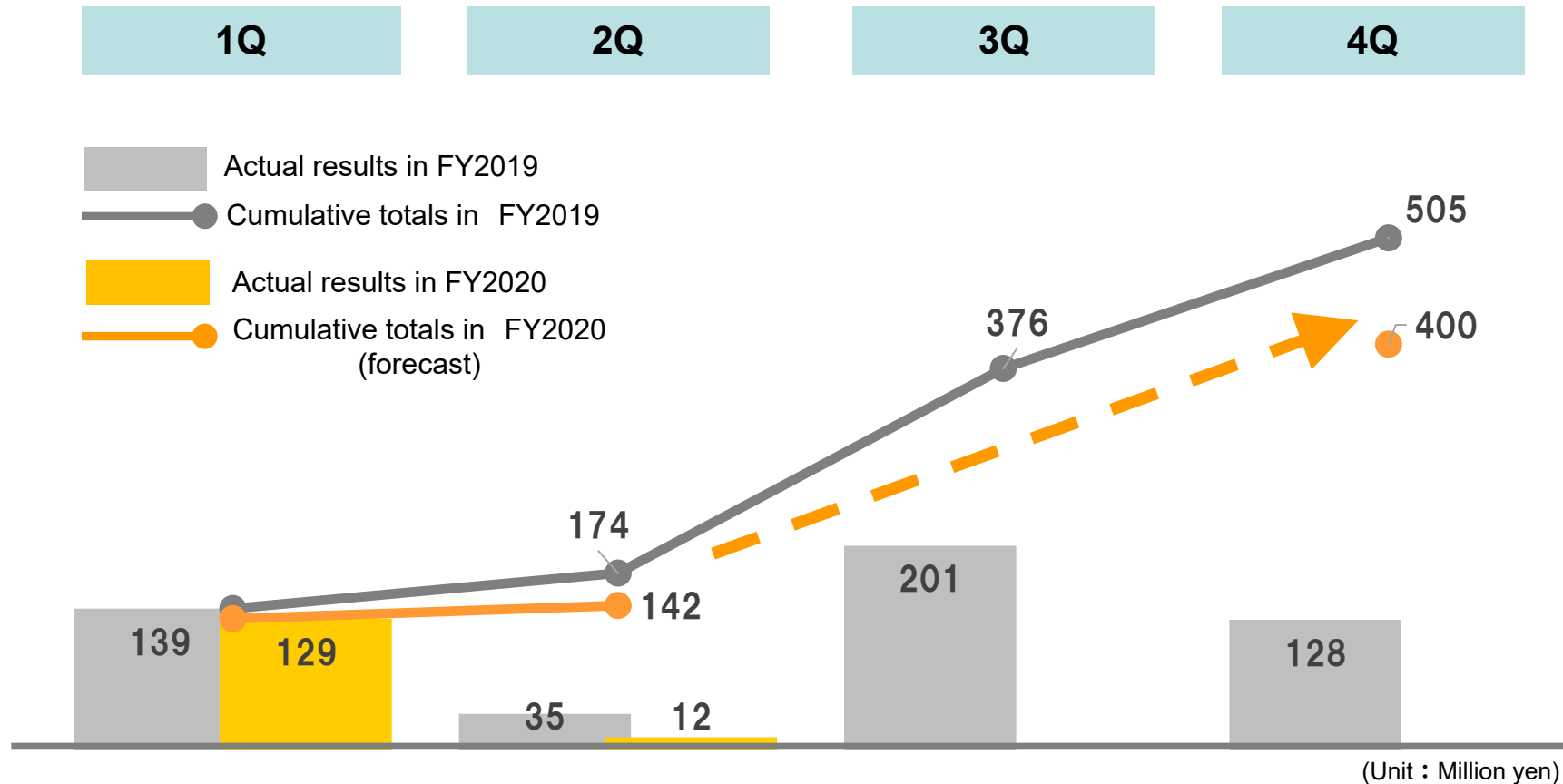
Full-year ordinary and net incomes are expected to decrease from the beginning of the current period.

- Negative impact due to absence of insurance proceeds, settlement proceeds and corporate tax refund for past years unlike in the previous year.

Earnings Forecast



Changes in Operating Income



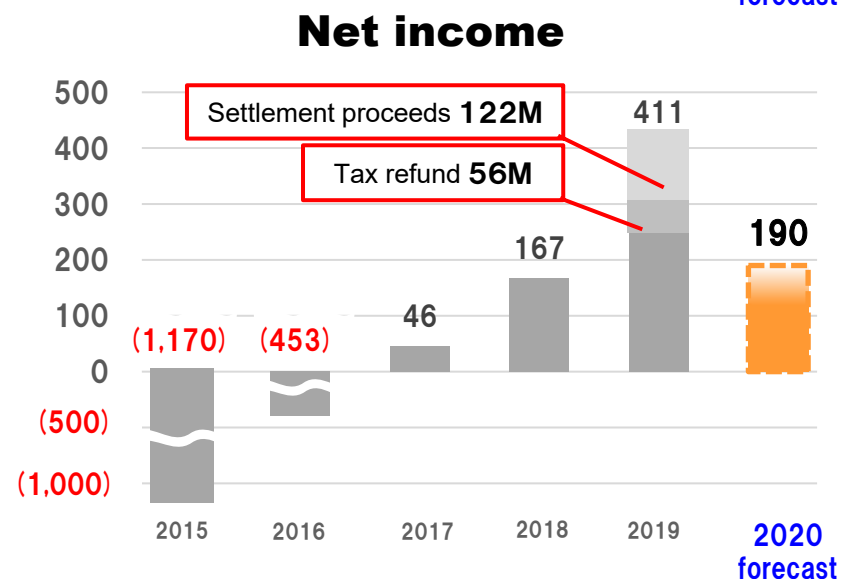
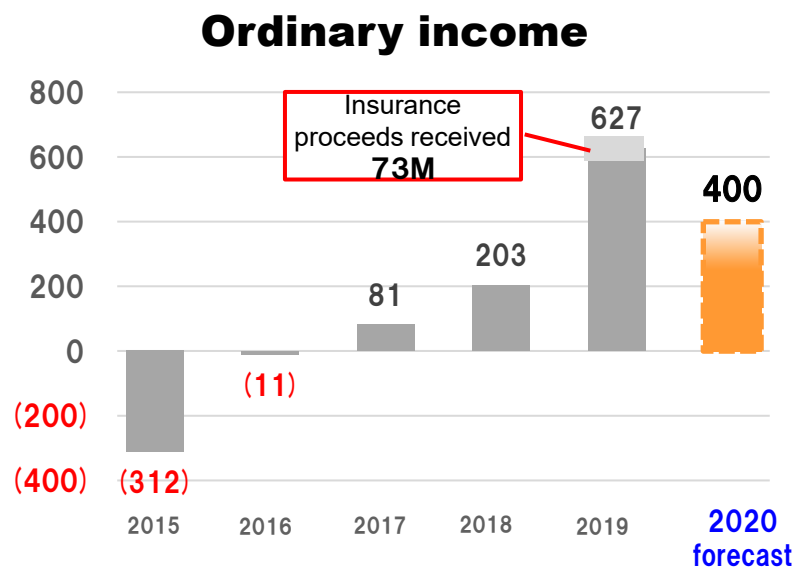
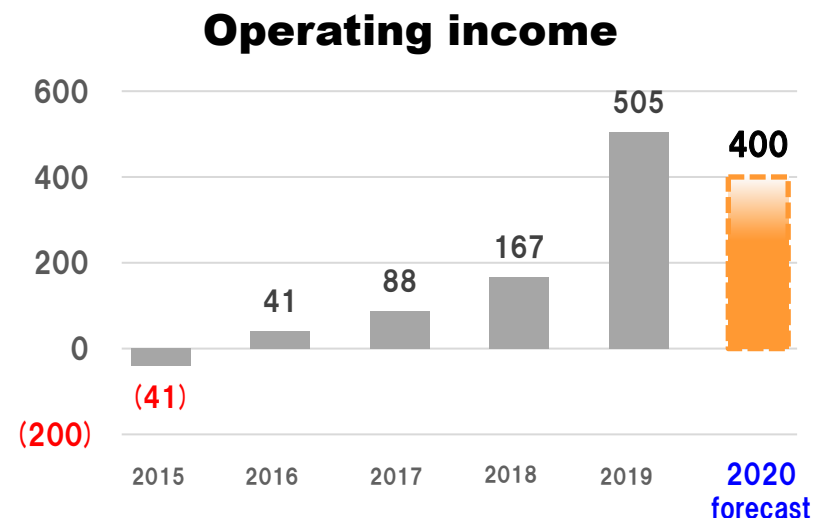
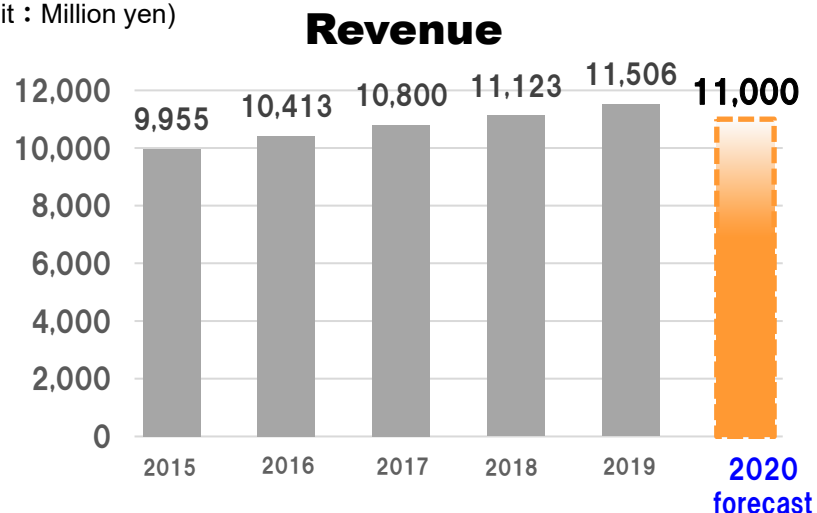
- There is a tendency where the greater part of operating income will be generated in the second half.
- We will raise operating income steadily while also taking appropriate preventive measures against the Covid-19 pandemic.

Earnings Forecast

Trends in full-year results



(Unit : Million yen)



Revenue and profits are expected to decline for the first time in five years.

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At a Board of Directors' meeting held on October 30, the Company passed a resolution for acquiring treasury stock.
Total purchase price and number of shares to be acquired: up to 200 million yen and 1,600,000 shares.

- ✓ **The reduction of capital without compensation resolved at the 24th Ordinary General Meeting of Shareholders took effect on September 15, 2020.**
- ✓ **Negative earned surplus was eliminated at the end of the second quarter.**

Consolidated earned surplus : 2,297 millions of yen

Non-Consolidated earned surplus : 1,734 millions of yen

⇒ The Company acquired its treasury stock to return profits and implement flexible capital policies.

We have decided not to pay an interim dividend for the fiscal year ending March 21, 2021.

■ Overview of acquisition of treasury stock

Type of shares to be acquired	common shares of the Company
Total number of acquirable shares	1,600,000 shares (upper limit) Their ratio to the total number of outstanding shares (excluding treasury stock): 2.05%
Total share acquisition value	200 million yen (upper limit)
Acquisition period	from November 2, 2020 to November 30, 2020
Acquisition method	market purchase through discretionary investment performed by a securities company

【reference】 as of September 30, 2020

Number of issued shares (excluding treasury stock)	77,989,896 shares
Number of treasury stock	1,157,427 shares

We are aware that one important management issue is returning profits to shareholders while simultaneously ensuring competitiveness in the business.

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

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■ What is a restricted stock system?

- ✓ **An incentive system in which a company provides officers and employees with shares whose transfer (sale) is restricted for a certain period**
- ✓ **The transfer restriction is lifted once the officer or employee has met certain conditions (such as continuous employment), and thereafter may sell the acquired shares at their discretion in the market.**
- ✓ **The system is used for the retention of human resources, among other purposes.**
- ✓ **Issuance to board members is subject to a resolution by a General Meeting of Shareholders.**

■ Purpose for introducing the Plan

Introduced a new incentive plan following the absorption-type merger of six wholly owned subsidiaries effective as of April 1, 2020.

- ✓ developing a sense of unity among employees
- ✓ enhancing motivation for improving corporate value

■ Overview of the resolution

The details of the Plan will be disclosed as soon as they are decided.

- ✓ Introduction of Restricted Stock Compensation Plan for Employees
- ✓ Number of allotted shares: total 500,000 or less
use retained treasury stock (1,157,427 shares)
(amounting to 0.63% of the total number of outstanding shares)

■ Reference

Eligible persons	351 persons comprising the Company's full-time employees and contract employees*¹ (The Company's board members*² are not eligible.)
Date of introduction	To be decided at a future meeting of the Company's Board of Directors.

***1. The number of employees may change depending on the date of introduction.**

***2. Directors and auditors including employee directors**

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Renaissance Junior High, an eSports and programming course for junior high students, opened on October 1st, 2020.



Shinjuku-Yoyogi Campus at Tokyo

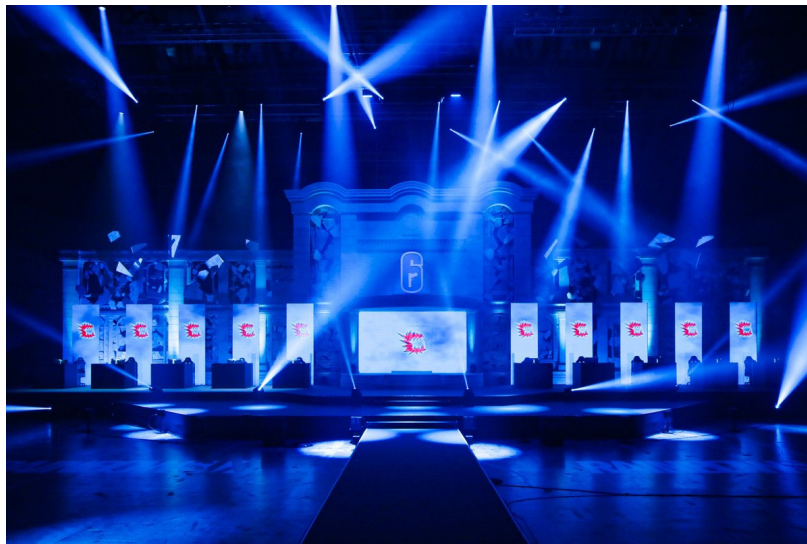


Umeda eSports Campus at Osaka

The school uses expertise in learning for the eSports course at the Renaissance High School Group, thereby ensuring that students develop social skills through e-sports.



**October 2020,
The Professional eSports team "CYCLOPS athlete
gaming" won "Rainbow Six Japan Chapter 2020"!**



<http://cyclops-osaka.jp/>

**The first champion team is expected to achieve a good result in
the international "SIX NOVEMBER 2020 MAJOR" tournaments
scheduled for November.**

The provision of the Vue.ai platform, a next-generation AI solution that uses image analysis techniques, began in October 2020.



By conducting analysis and profiling on customers' tastes and purchase patterns, the platform facilitates the creation of websites where customers can find items that they want to acquire or purchase.

Progress of Investee (The Pocket Company)

株式会社ポケット



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FiNC HOME FiT software for Nintendo Switch™ features effective at-home workouts.



Launched
on Oct.
29th



<https://www.pckt.co.jp/homefit/>

Thank you for your attention.



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Our Mission



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

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



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