



Broadmedia

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

Broadmedia Corporation

February 15, 2021

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.

Consolidated Results for the First Three Quarters of FY2020

Financial Forecasts for FY2020

eSports Business Initiatives

[Reference Documents]

- **Results by Business Segment**
- **Topics**

■ Financial Summary

- ✓ Revenue, operating income, and ordinary income were mostly in line with expectations, despite the impact of the COVID-19 pandemic.
- ✓ An impairment loss (104 million yen) associated with cloud solutions was posted in the third quarter. Net income decreased significantly.

■ Financial Forecasts

- ✓ The previous forecasts remain unchanged.
- ✓ Although an unexpected impairment loss was posted, a range of initiatives will be taken to achieve the earnings forecast.

Consolidated Financial Results for the First Three Quarters (April – December)



Broadmedia

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

	FY 2019 3Q	FY 2020 3Q	Difference	Rate of difference	Financial Forecasts (announced on Oct. 30)	Achievement ratio
Revenue	8,433	8,058	↓ (375)	(4%)	11,000	73%
Operating income	376	284	↓ (92)	(24%)	400	71%
Ordinary income	481	278	↓ (202)	(42%)	400	70%
Net income	350	14	↓ (335)	(96%)	190	8%

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 also declined sharply due to the effects of an impairment loss (-104 million yen) from cloud solutions, in addition to the absence of settlement proceeds for lawsuits (122 million yen) and a corporate tax refund (56 million yen) recorded in the previous year.

Posting of an impairment loss



■ Posting of an impairment loss associated with cloud solutions

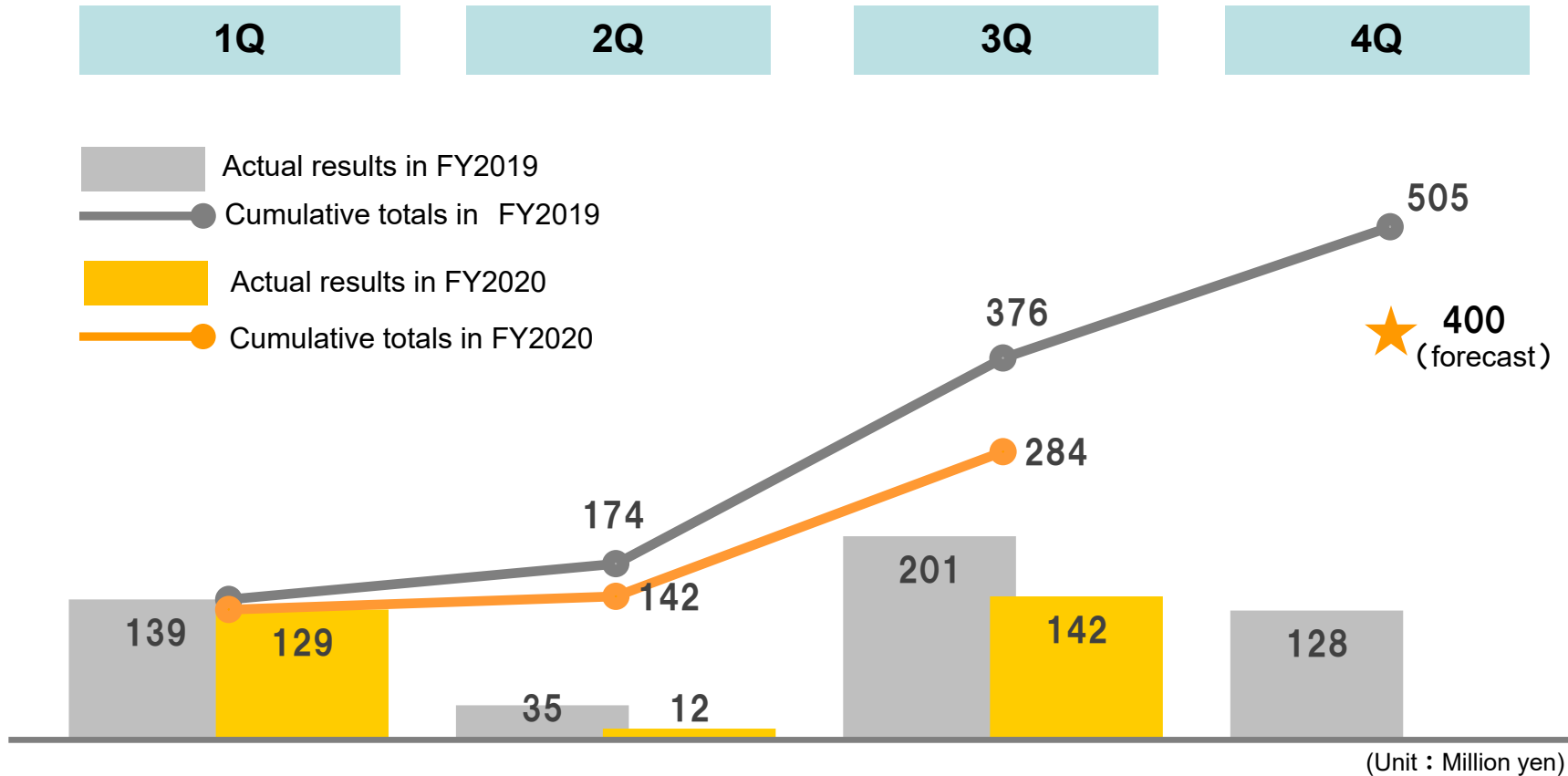


Background

- ✓ The Group's cloud gaming business was integrated into Broadmedia GC Corporation, a subsidiary of the Company, in May 2016.
- ✓ Losses continued to decline steadily through the adjustment of the revenue structure.
- ✓ Sales of game apps remained solid in the fiscal year under review, reflecting demand generated by people staying at home due to the COVID-19 pandemic.
- ✓ On the other hand, earnings for the fiscal year under review are expected to decrease year on year, due to a significant fall in orders for development projects and the delay in the business development at partner companies.

It was decided to record fixed assets related to the business (104 million yen) as an impairment loss.

Changes in Operating Income



■ The change in quarterly 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 3Q	FY 2020 3Q	Difference	FY 2019 3Q	FY 2020 3Q	Difference
Education	1,407	1,647	↑ 240	225	380	↑ 154
Studio & Content	2,433	2,050	↓ (382)	(33)	(128)	↓ (94)
Broadcast	2,098	1,990	↓ (107)	230	238	↑ 8
Technology	2,494	2,369	↓ (125)	301	203	↓ (97)
Corporate expenses				(346)	(409)	↓ (62)
Total	8,433	8,058	↓ (375)	376	284	↓ (92)

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

* We have changed the reporting segment from the 1Q of 2020.
The numbers for 2019 3Q are shown after being reclassified under the new segment.

Impact of the COVID-19 Pandemic on Performance (Summary)



Segments	Details of the impact	Impact
Education	<ul style="list-style-type: none"> The impact was minor. The segment continued to perform steadily. 	
Studio & Content	<ul style="list-style-type: none"> Content delivery remained strong. Orders for Japanese dubs, the production of which was resumed, declined or were pushed back because the production of films and dramas was postponed. The number of advertisements posted on entertainment/information websites continued to fall. 	
Broadcast	<ul style="list-style-type: none"> Promotion activities, which were expected to be conducted proactively for the launch of Fishing Vision VOD, were restrained. 	
Technology	<ul style="list-style-type: none"> The CDN (Akamai) service remained strong. Use of the Digital Cinema service continued to decline due to the postponement of new releases. 	

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 3Q	Difference	Rate of difference
Total assets	7,408	6,469	(939)	(13%)
Liabilities	3,856	2,966	(890)	(23%)
Net assets	3,552	3,502	(49)	(1%)
Shareholders' equity	2,693	2,570	(123)	(5%)
Stock acquisition rights for non-controlling shareholders	858	932	74	9%
Shareholders' equity ratio	36%	40%	—	—

Total assets

- While accounts receivable increased, cash and deposits and program accounts, etc. decreased.

Liabilities

- While deposits received increased, accounts payable and advances received, among other liabilities, decreased.

Net assets

- Earned surplus increased due to the effect of capital reduction reflected in the first half.
- The acquisition of treasury stock (153 million yen) was executed in the third quarter.
- Shareholders' equity includes the earned surplus of 2,268 million yen.

Consolidated Financial Position



Condition of Cash flow

	FY 2019 3Q	FY 2020 3Q
Operating cash flow	728	(456)
Investing cash flow	(250)	(140)
Financing cash flow	(128)	(357)
Changes in cash and cash equivalents	352	(961)
Year-end balance of cash and cash equivalents	2,225	2,413

(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

■ Cash outflow of 456 million yen due to a decrease in advances received and the payment of corporate taxes, despite the posting of 162 million yen as profit before income taxes.

Investing cash flow

■ Cash outflow of 140 million yen, mainly due to the acquisition of fixed assets, despite the collection of loans.

Financing cash flow

■ Cash outflow of 357 million yen due to expenditures for treasury acquisition and the repayment of lease obligations.

Result and Completion of Treasury Stock Acquisition



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.

■ Result and Completion

Type of shares to be acquired	common shares of the Company
Total number of acquired 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	153,650,900 yen
Acquisition period	from November 2, 2020 to November 13, 2020 (Contract basis)

【reference】 as of December 31, 2020

Number of issued shares (excluding treasury stock)

76,389,896 shares

Number of treasury stock

2,757,427 shares

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- **Topics**

Progress against Earnings Forecast



	FY2020 3Q	Financial Forecasts (announced on Oct. 30)	Achievement ratio
Revenue	8,058	11,000	73%
Operating income	284	400	71%
Ordinary income	278	400	70%
Net income	14	190	8%

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

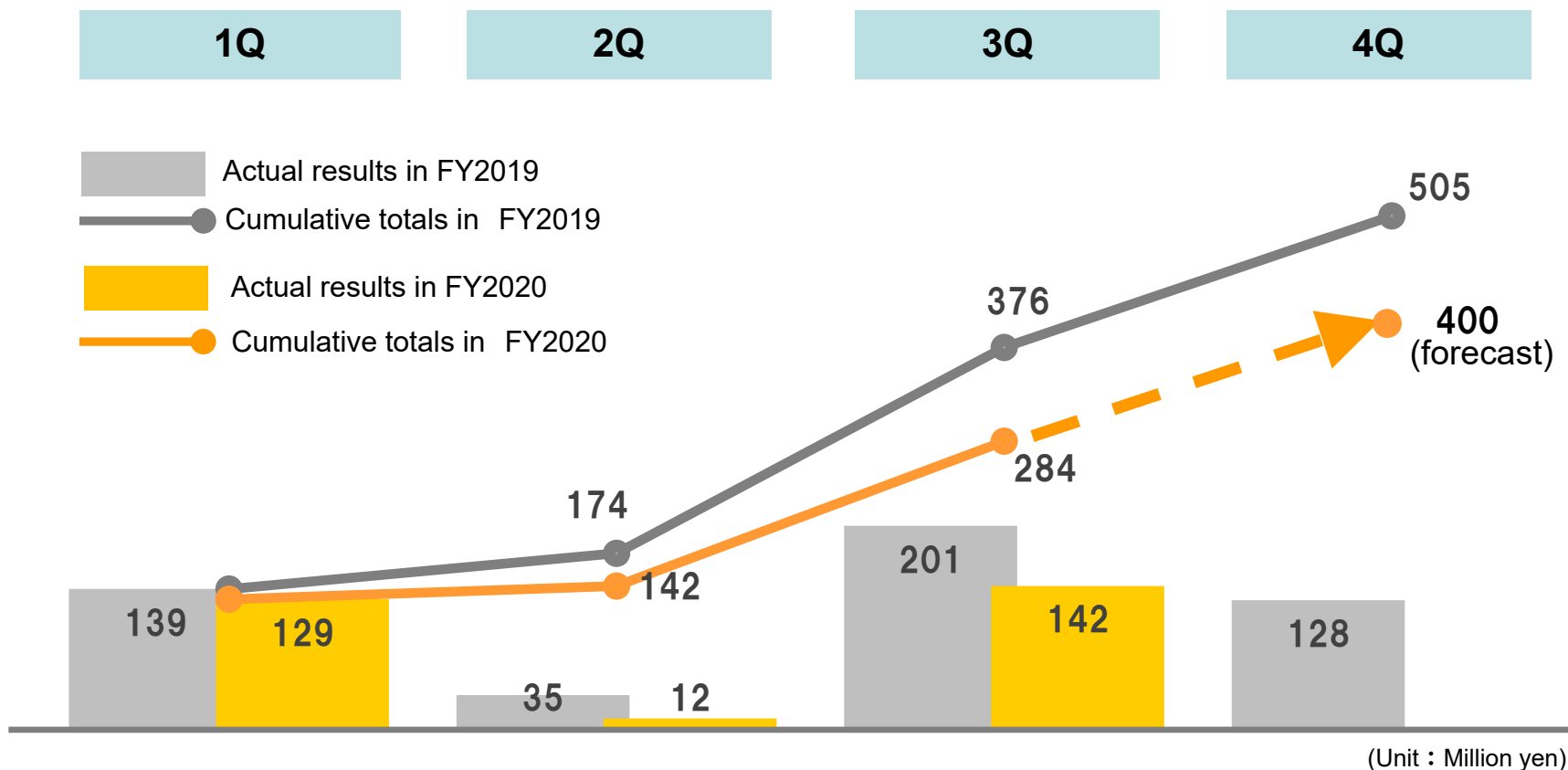
- Revenue, operating income, and ordinary income were mostly in line with expectations.
- A range of initiatives will be taken to achieve the earnings forecasts although net income is significantly lower than the forecast due to the posting of an impairment loss associated with cloud solutions in the third quarter.

The Company has decided to leave the full-year earnings forecasts unchanged.

Progress Against Earnings Forecast



Changes in Operating Income



- The change in quarterly operating income showed the same tendency as in the same period of the previous year.
- Efforts will be made to accumulate operating income while simultaneously taking measures to address COVID-19 as appropriate.

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eSports Business Initiatives

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- **Results by Business Segment**
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(i) Utilization of eSports for education

- Renaissance High School Group
- Expansion of eSports course



(ii) Operation of professional eSports teams

- CYCLOPS athlete gaming



Broadmedia



(iii) Improvement of eSports infrastructure

- Provision of cloud gaming technologies
- Promotion of edge computing

The Company aims for growth by leveraging the complementary effects among the three businesses.

eSports business initiatives
(Utilization of eSports for education)



February 2021,
The Renaissance High School Group will exhibit its
activities at the 2nd TOKYO eSPORTS FESTIVAL to be
held online!



TOKYO
eスポーツフェスタ

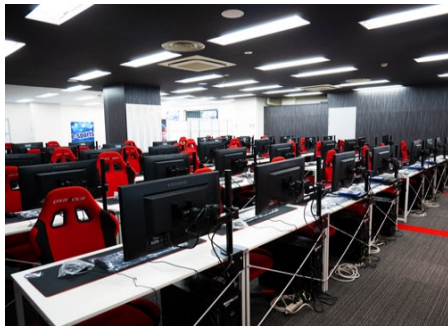
<https://tokyoesportsfesta.jp/>

The strengths of the Renaissance High School's eSports
program are featured on the school's dedicated page in
the official website.

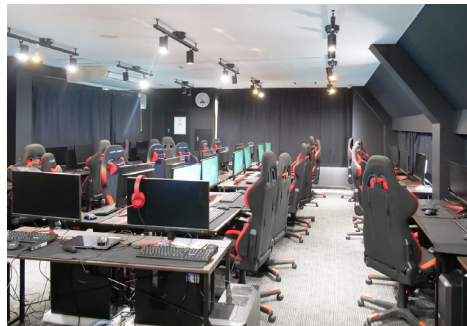
eSports business initiatives (Utilization of eSports for education)



The Yokohama Campus will open in April, 2021.
Another eSports program will be launched in Yokohama, following those in Osaka, Tokyo and Nagoya.



Umeda eSports campus



Shinjuku-Yoyogi eSports campus



Nagoya-Sakae eSports campus

Efforts are being made to promote hybrid campuses featuring the fusion of online and in-person activities.

eSports business initiatives

(Operation of professional eSports teams)



The CYCLOPS athlete gaming team of eSports athletes was selected to participate in two professional leagues operated by X-MOMENT, an eSports league brand sponsored by NTT Docomo!



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PUBG MOBILE JAPAN LEAGUE SEASON 1

Begins February 13, 2021!

**Sixteen professional teams competing.
The total prize money is 300 million yen,
one of the largest payouts in Japan for an
eSports competition.**



Rainbow Six Japan League 2021

Begins March 31, 2021!

**Eight professional teams competing.
The top league in Japan (Division 1)**

eSports business initiatives (Operation of professional eSports teams)



Held three online eSports competitions, in which ordinary people were able to participate regardless of skill level, in collaboration with Optage Inc.



Vol1; held on Dec. 19, 2020



Vol2; held on Jan. 30, 2021

Vol3; to be held on Mar. 20, 2021

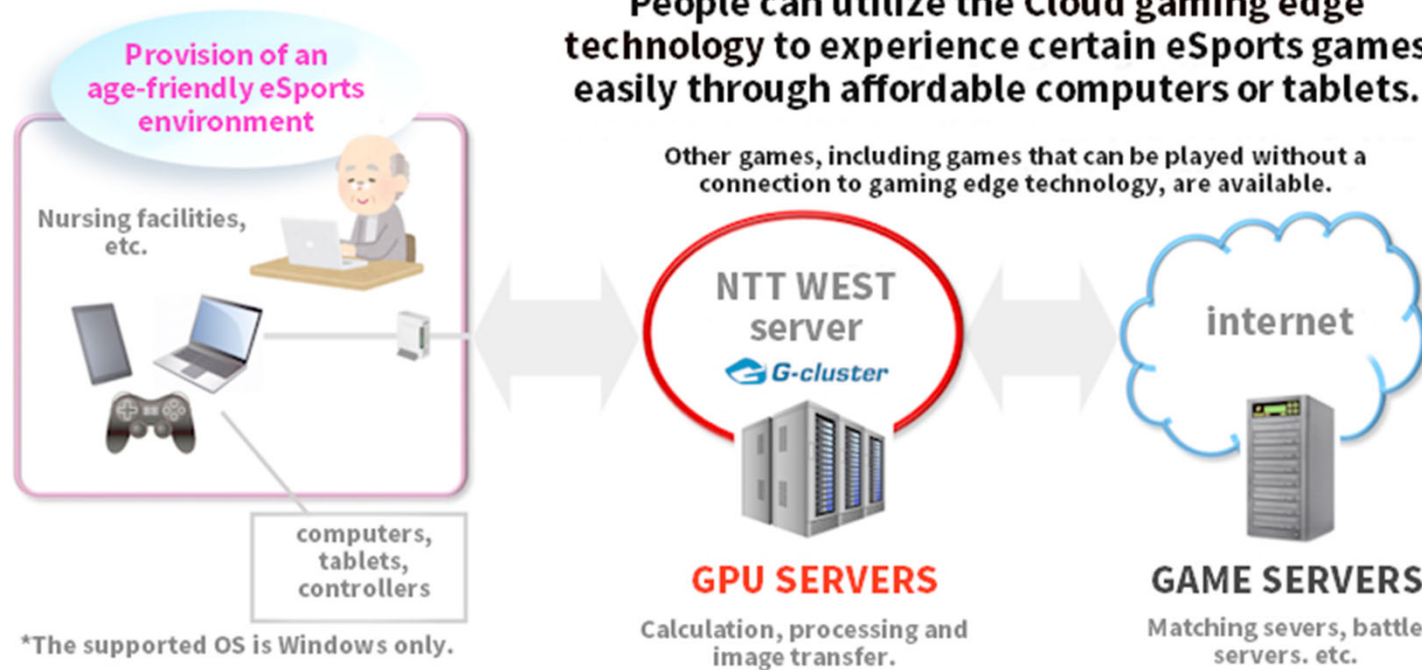
<https://eonet.jp/event/esports2020/index.html?cid=eo200002>

eSports business initiatives (Improvement of eSports infrastructure)



In December 2020,
G-cluster technology was adopted for a Kobe municipal
government eSports demonstration project.

eSports experience environment



* This demonstration project is one initiative promoted in relation to the agreement regarding collaborative efforts to solving regional issues through eSports during the COVID-19 pandemic between the Kobe municipal government, the NTT West Hyogo Branch and PACage Inc.

Thank you for your attention.



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Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY 2019 3Q	FY 2020 3Q	Difference	FY 2019 3Q	FY 2020 3Q	Difference
Education	1,407	1,647	↑ 240	225	380	↑ 154
			+17%			+69%

- ✓ 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

◆ Japanese Language Education

Renaissance High School Group

Consolidated Financial Results by Business Segment



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

	Revenue			Operating income		
	FY 2019 3Q	FY 2020 3Q	Difference	FY 2019 3Q	FY 2020 3Q	Difference
Studio & Content	2,433	2,050	(382)	(33)	(128)	(94)
			(16%)			loss widened

- ✓ In the production business, both revenue and income decreased significantly because orders for Japanese dubs, the production of which was resumed after suspension in the first half, declined or were pushed back due to the postponement of the production of films and dramas.
- ✓ 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.
- ✓ With the segment affected as a whole by the COVID-19 pandemic, revenue decreased, resulting in a larger 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 3Q	FY 2020 3Q	Difference	FY 2019 3Q	FY 2020 3Q	Difference
Broadcast	2,098	1,990	 (107)	230	238	 8
			(5%)			+4%

- ✓ Subscription revenue continues to decline.
- ✓ SG&A expenses were curtailed, reflecting the voluntary refraining from filming due to the COVID-19 pandemic and the postponement of promotional activities for Fishing Vision VOD.
- ✓ Revenue from sponsors, which was declining in the first half, recovered to the previous year's level in the third quarter (October-December).
- ✓ Consequently, both revenue and income decreased.

◆ **“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 3Q	FY 2020 3Q	Difference	FY 2019 3Q	FY 2020 3Q	Difference
Technology	2,494	2,369	(125)	301	203	(97)
			(5%)			(32%)

- ✓ 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 solutions suffered lower-than-expected revenues from the platforms of partner companies, as well as a decline in development orders, despite strong sales of apps in particular.

- ◆ 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 3Q	FY 2020 3Q	Difference
Corporate expenses	(346)	(409)	(62)
			18% cost increase

- ✓ Administrative staff members who belonged to respective subsidiaries and expenses for company operations were consolidated as a result of the integration of the Group companies.
- ✓ 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)

**In November 2020,
Ms. Maria Makino of Morning Musume '20 became the
spokesperson of the Renaissance High School Group!**



With the slogan "high school revolution," Ms. Makino is promoting the very flexible structure of the Renaissance High School.

**In November 2020,
inclusion of the G-cluster technology in Cloud-based
Pachinko and Pachislo for Amazon Fire TV began.**



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**Efforts will continue to create and provide services utilizing
the features of Cloud Gaming Technology.**

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

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



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