



Broadmedia

Summary of Financial Results for the Fiscal Year Ended March 31, 2016

Broadmedia Corporation

April 28, 2016

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.

◆ Summary of Financial Results for FY2015

◆ Management Challenges

◆ Financial Forecasts for FY2016

◆ Topics

[Reference Documents]

- Results by Business Segment

Consolidated Financial Results for FY2015



(Unit : Million yen)

	FY2014	FY2015	Difference	Forecasts for full-year financial results (*)	Achievement ratio
Revenue	11,918	12,117	→ 198	13,100	93%
Operating income (loss)	(1,147)	71	↗ 1,218	50	143%
Ordinary income (loss)	(2,358)	(198)	↗ 2,159	—	—
Net income (loss)	(2,580)	(1,082)	↗ 1,498	—	—

*Announced on May 1, 2015 (Amounts are rounded down to the nearest million yen)

Overview

- Positive operating income was reported because revenue edged up from the previous year.
- Ordinary loss declined sharply, reflecting fewer postings of losses incurred by equity-method affiliates.
- Net loss was incurred due to the following factors.
 - ✓ Extraordinary loss (impairment of lease assets, allowance for doubtful accounts, etc.): 584 million yen
 - ✓ Net Income for the year attributable to non-controlling interests: 176 million yen
 - ✓ Tax expenses incurred mainly by subsidiaries: 126 million yen

Consolidated Financial Results by Business Segment



(Unit : Million yen)

	Revenue			Operating income		
	FY2014	FY2015	Difference	FY2014	FY2015	Difference
Content	2,034	2,003	→ (30)	(1,072)	(178)	↗ 893
Broadcast	4,793	5,360	↗ 566	330	330	→ 0
Studio	2,547	2,638	→ 91	(253)	47	↗ 301
Technology	1,402	1,574	↗ 172	45	72	↗ 27
Network Sales	1,140	540	↘ (600)	(197)	(201)	→ (4)
Total	11,918	12,117	→ 198	(1,147)	71	↗ 1,218

(Amounts are rounded down to the nearest million yen)

- Revenue increased in the Studio and Technology segments and decreased in the Network Sales segment.
- The operating income of the Studio segment restored profitability, and the operating loss of the Content segment decreased slightly.

Major Factors for the Improvement in Operating Income



Content

<Cloud games>

- Losses on the valuation of game machines and game content, which had been incurred in the previous year, did not occur.
- Slight decrease in sales cost as a result of the above-mentioned decline in valuation losses.

<Education>

- Introduction of new digital teaching materials and the recovery in the number of students who enrolled.
- Absorption of advance expenses for Osaka School that opened in the previous year.
- Cost reductions through the consolidation of educational facilities.



Studio

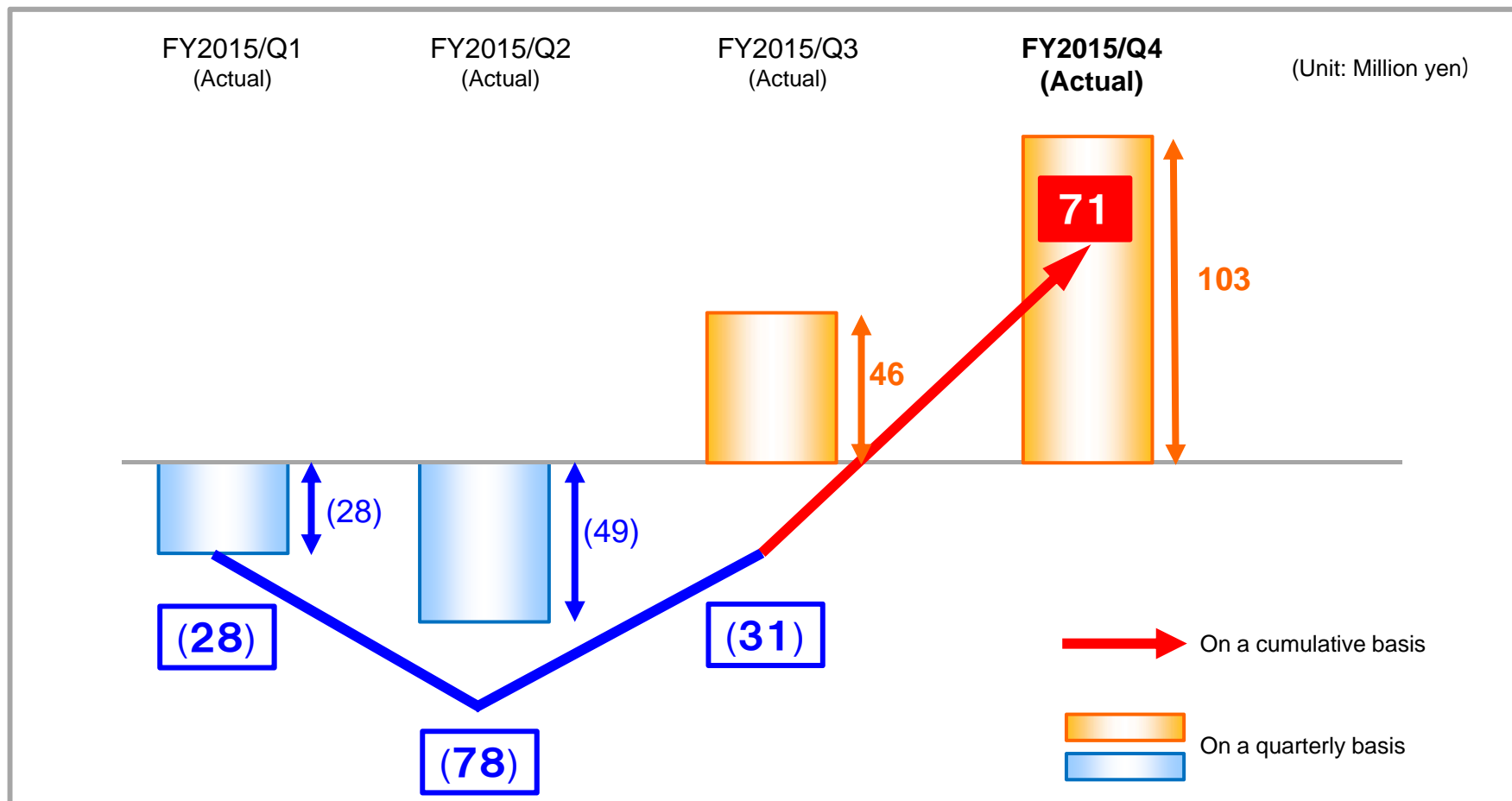
- Synergy effect from cost cutting and a significant recovery in orders in the production business, which had been plagued by heavy fixed costs.
- Significant downsizing of the slumping theatrical distribution business which had been experiencing a lack of growth in box-office performance.



Changes in Operating Income (Loss)



- Operating income recovered in the second half as expected at the beginning of the period, turning positive on a full-year basis.



Consolidated Financial Conditions



Conditions of assets, liabilities, and net assets

(Unit: Million yen)

	FY2014	FY2015	Difference	Rate of difference
Total assets	8,978	7,591	(1,386)	(15%)
Liabilities	4,533	4,081	(451)	(10%)
Net assets	4,444	3,509	(934)	(21%)
Shareholders' equity	3,563	2,456	(1,107)	(31%)
Stock acquisition rights for non-controlling shareholders	881	1,053	172	20%
Shareholders' equity ratio	40%	32%	—	—

(Amounts are rounded down to the nearest million yen)

Total assets	Decreased in terms of cash and deposits, and lease assets.
Liabilities	Decreased in terms of short-term borrowings and lease obligations.
Net assets	Decreased due to the posting of net loss.

Consolidated Financial Position



Condition of Cash flow

(Unit: Million yen)

	FY2014	FY2015
Operating cash flow	(418)	71
Investing cash flow	(263)	(376)
Financing cash flow	331	(660)
Changes in cash and cash equivalents	(350)	(965)
Year-end balance of cash and cash equivalents	2,397	1,432

(Amounts are rounded down to the nearest million yen)

Operating cash flow

- A cash inflow of 71 million yen due to, among other things, depreciation expenses and impairment losses amounting to 497 million yen and 435 million, respectively, although inventory assets increased due to the posting of a loss before taxes amounting to 779 million yen.

Investing cash flow

- A cash outflow of 376 million yen due mainly to the acquisition of fixed assets (software, etc.) and loans receivable, although there were proceeds from the sales of investment securities.

Financing cash flow

- A cash outflow of 660 million yen due to the repayment of borrowings and lease obligations.

◆ Summary of Financial Results for FY2015

◆ Management Challenges

◆ Financial Forecasts for FY2016

◆ Topics

[Reference Documents]

- Results by Business Segment

Strengthening the financial base

- Issuance of convertible bonds amounting to 1 billion yen, to investment funds.
⇒ Zero coupon. Three years. Conversion price: 105 yen (closing price on the previous day).
- Issuance of new shares amounting to 50 million yen through a private placement to the Company's CEO Mr. Taro Hashimoto.
⇒ Issued at a price of 125 yen per share (19% premium over a closing price on the previous day).
- A total of 1.05 billion yen in capital will be procured through the above-mentioned sources.
- Outstanding convertible bonds will be acquired and retired by the Company.

Conditions that may cast significant doubt on the entity's ability to continue as a going concern will be eliminated as a result of securing capital through the above-mentioned sources, over and above the operating income and operating cash flow that turned positive.

Uses of capital

- (i) Development of original games and remaking popular games for cloud-based services.
- (ii) Marketing expenses such as advertising and publicity.
- (iii) Investments, M&A, and capital and business alliances.

- Funds will be secured through a financing method that requires investors to pay the entire amount on payment dates.
⇒ No need to reconsider investments and development dates.

With a stronger sense of urgency, we will spend capital on businesses such as the cloud gaming business and content-related business, and seek to enhance corporate value.

Reasonableness of financing

- The dilution rate is projected to be 14.6% as a result of issuing new shares and converting the convertible bonds.
- On the other hand, the potential dilution rate attributable to stock purchase warrants is 8.8%.
- Outstanding convertible bonds will be acquired and retired simultaneously with the issuing of new shares.
⇒ Additional dilution of shares will consequently be 5.8%.
- The issuance price of new shares and conversion price of convertible bonds are fixed at 125 yen and 105 yen, respectively.
⇒ Most likely the shares will not be diluted if they are traded at prices of 105 yen or below.

The above-mentioned financing methods are reasonable given the present situation of the Company, as well as the conditions in which the total financing amount is secured at the time the instruments are issued.

*The dilution rate is calculated based on the voting rights ratio

G-cluster Global Corporation (“GCG”)

Resolution to Dissolve

- GCG had been moving forward with measures, such as cost reductions, to improve business performance. However, it was decided that GCG would be dissolved on April 22, given that there was no prospect of additional financing and the difficulty of a significant recovery in business performance on a short-term basis.

Continuation of business

- We plan to continue engaging in the cloud gaming business.
- Discussions are being made to ensure that our subsidiary Broadmedia GC Co., Ltd. (formerly named: Clarinet), our subsidiary company, will take over the technologies owned by and important personnel working for GCG.

Discussions with partners

- Discussions are also being held with customers of services that GCG has provided and the gaming companies with which it has conducted business, both in Japan and in Asia, to make sure that business will be continued.
- For services in Europe, negotiations are ongoing with IPTV operators so that business can be continued under a technology license agreement, a different structure from the present.

Cloud gaming business of the Group

- **Broadmedia GC Co., Ltd., our subsidiary company, plans to succeed the technologies and personnel of G-cluster Global Corporation and engage in a cloud gaming business.**
- **We are currently in the process of reviewing our game development framework as well as strategies.**
- **We will work proactively to strengthen human resources and pursue M&As to secure the necessary expertise and skills.**

We will continue to leverage management resources.

◆ Summary of Financial Results for FY2015

◆ Management Challenges

◆ Financial Forecasts for FY2016

◆ Topics

[Reference Documents]

- Results by Business Segment

Consolidated Financial Forecasts for FY2016



	FY2015 (actual)	FY2016 (full-year forecasts)	
Revenue	12,117	13,000	← Increase of 7%
Operating income	71	150	← Increase of 111%
Ordinary income	(198)	70	← Restoration of profitability
Net income	(1,082)	(220)	← Reduction of deficit

(Unit: Million yen)

- We achieved profitability in terms of operating income in FY2015.
- We aim to achieve profitability in terms of ordinary income in FY2016.
- We aim to make net income positive in FY2017.
- We plan to disclose forecasts by segment when announcing financial results for the first quarter because we are considering changing the disclosing segments from this period.

Revenue/Operating income

- In the cloud gaming business, costs are expected to increase because we anticipate that the G-cluster technology and human resources necessary for the development of businesses in Japan and Asia will be transferred from G-cluster Global Corporation (hereinafter GCG).
- Costs are expected to be significantly lower than those posted when the business was run by GCG because we expect restructuring and business structure transformation to be conducted on a large scale.
- We expect that profits will pick up on the back of a moderate increase in overall sales.

Ordinary income

- Equity in earnings of equity method affiliates is expected to increase due to the dissolution of GCG.

Net income

- Net income attributable to non-controlling shareholders and tax expenses are likely to be posted due to the significant contribution by subsidiaries other than consolidated wholly-owned subsidiaries.

Consolidated Financial Forecasts for FY2016 (First Half/Second Half)



	FY2016		
	Forecast for 1st half (Apr. – Sep.)	Forecast for 2nd half (Oct. – Mar.)	Full-year forecasts
Revenue	6,000	7,000	13,000
Operating income	(140)	290	150
Ordinary income	(180)	250	70
Net income	(280)	60	(220)

(Unit: Million yen)

- Revenue and profits from cloud games and video services are expected to increase in the second half. Structurally speaking, revenue and profits from education businesses in Content will mainly be generated in the second half.
⇒ As in the previous year, revenue and profits are expected to improve more in the second half than in the first half.

- ◆ Summary of Financial Results for FY2015
- ◆ Management Challenges
- ◆ Financial Forecasts for FY2016

◆ **Topics**

[Reference Documents]

- Results by Business Segment

Cloud Gaming Business

- We started to provide cloud game apps for five popular Square Enix games through Amazon's Fire TV Stick beginning April 27.

Full-fledged high performance games are provided through Fire TV Stick for the first time !
The cloud game apps can be played on any device unit after they are purchased.

Users can play the apps of their choice because the data can be synchronized on any device, such as Fire TV Stick, Amazon Fire TV, Fire Tablets, or smartphones or tablets that support Android.



We also plan on adding more cloud game apps in the future.

Studio Business

A movie humorously featuring slow-paced and easy-going conversations between two high school boys, Seto and Utsumi, who are living in Kansai.

Movie title: ***Setoutsumi***

Main cast: Sosuke Ikematsu, Masaki Suda, and Ayami Nakajo

Directed by Tatsushi Omori

Original story by Kazuya Konomoto

(Based on a comic serialized in the “Bessatsu Shonen Champion” by Akita Publishing Co., Ltd.)



**First-run at Shinjuku Piccadilly and
other theaters nationwide
from Saturday, July 2, 2016**

Thank you for your attention.



Broadmedia

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.

- ◆ Summary of Financial Results for FY2015
- ◆ Management Challenges
- ◆ Financial Forecasts for FY2016
- ◆ Topics

[Reference Documents]

- Results by Business Segment

Consolidated Financial Results by Business Segment – Content -



◆ Home Entertainment

- Cloud games
“G-cluster”
- Interactive systems
“**T’s TV** Cloud”

◆ Video services

- “Crank in ! Video”

◆ Mobile services

- “Crank in !”
- “Hollywood Channel”

◆ Educational services

- Renaissance High School
- Renaissance Toyoda High School
- Renaissance Osaka High School
- Kagakukentei (Science Certification Test)

(Unit: Million yen)

	Revenue			Operating income		
	FY2014	FY2015	Difference	FY2014	FY2015	Difference
Content	2,034	2,003	→ (30)	(1,072)	(178)	↗ 893

(Amounts are rounded down to the nearest million yen)

- In the education business, advertising and publicity expenses were curbed due to the decreased number of enrollments.
- In the cloud gaming business, losses declined because the write-downs on devices that had been incurred in the previous year did not occur and advertising and publicity expenses were decreased.

Consolidated Financial Results by Business Segment - Broadcast -



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

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

Unit: Million yen

	Revenue			Operating income		
	FY2014	FY2015	Difference	FY2014	FY2015	Difference
Broadcast	4,793	5,360	↑ 566	330	330	→ 0

(Amounts are rounded down to the nearest million yen)

- Income from subscription fees remained firm, and revenue from the production business increased.
- Operating income remained flat, reflecting an increase in outsourcing expenses in association with increased sales of the production business.

Consolidated Financial Results by Business Segment - Studio -



◆ Production business

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

◆ Film distribution business

- Distribution of theatrical films
- Sales of DVD and Blu-ray titles
- Sales of TV broadcasting rights

◆ Program sales business

- Provisioning of Hollywood and other movies to TV stations.

(Unit: Million yen)

	Revenue			Operating income		
	FY2014	FY2015	Difference	FY2014	FY2015	Difference
Studio	2,547	2,638	→ 91	(253)	47	↗ 301

(Amounts are rounded down to the nearest million yen)

- In the production business, profits increased, reflecting the synergistic effect of a significant recovery in orders and the reduction of fixed costs.
- In the program sales business, revenue of programs to TV stations increased.
- In the film distribution business, expenses for advertising and publicity remained under control, although box-office revenue and video sales declined.

Consolidated Financial Results by Business Segment – Technology -



◆ CDN services

- CDN solutions
- Broadmedia®CDN Entry
- Broadmedia®CDN mobile
- Broadmedia®CDN mobile movie

◆ Digital cinema services

- Broadmedia®CDN for theaters
- Sales and rental services of distribution equipment, etc.
- Provisioning of VPF services

◆ Other services

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

(Unit: Million yen)

	Revenue			Operating income		
	FY2014	FY2015	Difference	FY2014	FY2015	Difference
Technology	1,402	1,574	↑ 172	45	72	↑ 27

(Amounts are rounded down to the nearest million yen)

- **CDN services and digital cinema services remained strong.**
- **Internet services to hotels increased.**

Consolidated Financial Results by Business Segment - Network Sales -



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

(Unit: Million yen)

	Revenue			Operating income		
	FY2014	FY2015	Difference	FY2014	FY2015	Difference
Network Sales	1,140	540	↘ (600)	(197)	(201)	→ (4)

(Amounts are rounded down to the nearest million yen)

- Sales cost ratio improved, reflecting a decline in the ratio of allowances for the cancellation of ISP services. However, there was a significant decline in sales that was primarily due to a delay in the offering of new products.

We aim to contribute to the development of a more affluent community through the dissemination of high quality products and services that are derived from creativity.

<http://www.broadmedia.co.jp/en/>



Broadmedia

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.