



Broadmedia

Summary of Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2017

Broadmedia Corporation

July 28, 2016

(Updated November 2, 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.

1 **NOTE:** We announced the settlement of accounts for the First Quarter of 2016 on July 28, 2016, but there was an error in the numerical value of ordinary profit and loss. Therefore, we corrected the settlement of accounts on November 2, 2016, and the figures and some text in this material have also been revised.

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Change in Segments

Financial Summary for the First
Quarter of FY2016

Topics

- Cloud Gaming Business
- Film Distribution Business

Change in Segment



Effective from this fiscal year, expenses and income for our administrative division are now disclosed in a separate segment as corporate expenses. The purpose of this change is to more clearly present profitability by business.

Note: Segments in terms of revenue remain unchanged.

(Unit : Million yen)

	Operating income for FY2015 (Previous segment)	Amount equivalent to corporate expense contribution		Operating income for FY2015 (Current segment)
Content	(178)	(62)	<p>Corporate expenses totaling 417 million yen were posted separately.</p>	(116)
Broadcast	330	0		330
Studio	47	0		47
Technology	72	(168)		240
Network Sales	(201)	(188)		(13)
Corporate expenses			(417)	
Total	71			71

(Amounts are rounded down to the nearest million yen)

Change in Segments

Financial Summary for the First
Quarter of FY2016

Topics

- Cloud Gaming Business
- Film Distribution Business

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



(Unit : Million yen)

	FY2015 1Q	FY2016 1Q	Difference	Rate of difference
Revenue	2,986	3,249	262	9%
Operating income (loss)	(28)	47	76	—
Ordinary income (loss)	(151)	31	183	—
Net income (loss)	(248)	(56)	192	—

(Amounts are rounded down to the nearest million yen)

Overview

- Revenue increased 9% year on year.
- Operating income restored profitability, thanks to an increase in revenue and reduction in costs.
- A positive ordinary income was posted and net loss decreased, mainly reflecting a decline in the share of loss of entities accounted for using the equity method and foreign exchange gains due to a strong yen.

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Consolidated Financial Results by Business Segment



(Unit : Million yen)

	Revenue			Operating income		
	FY2015 1Q	FY2016 1Q	Difference	FY2015 1Q	FY2016 1Q	Difference
Content	548	491	↓ (57)	(46)	(62)	↓ (15)
Broadcast	1,270	1,405	↑ 134	95	89	↓ (5)
Studio	547	690	↑ 143	(43)	54	↑ 97
Technology	384	455	↑ 70	59	75	↑ 15
Network Sales	235	206	↓ (28)	8	6	↓ (2)
Corporate expenses				(102)	(115)	↓ (12)
Total	2,986	3,249	↑ 262	(28)	47	↑ 76

(Amounts are rounded down to the nearest million yen)

■ The segments' operating income in the same period of the previous year was presented for comparison after recalculations based on the same concept adopted after the segment change (reference values).

Consolidated Financial Results by Business Segment – Content -



◆ Cloud Gaming services

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

◆ Digital Media services

- “Crank in !”
- “Crank in ! Video”

◆ Educational services

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

(Unit : Million yen)

	Revenue			Operating income		
	FY2015 1Q	FY2016 1Q	Difference	FY2015 1Q	FY2016 1Q	Difference
Content	548	491	(57)	* (46)	(62)	(15)

(Amounts are rounded down to the nearest million yen)

- In cloud gaming services, expenses increased because we took over resources such as the assets and personnel of G-cluster Global Corporation.
- In educational services, the sales of digital teaching materials decreased, although the number of students who enrolled increased.

*Reference value after the segment change

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		
	FY2015 1Q	FY2016 1Q	Difference	FY2015 1Q	FY2016 1Q	Difference
Broadcast	1,270	1,405	134	95	89	(5)

(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 at the same level as the previous year, mainly reflecting an increase in SG&A expenses.

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		
	FY2015 1Q	FY2016 1Q	Difference	FY2015 1Q	FY2016 1Q	Difference
Studio	547	690	143	(43)	54	97

(Amounts are rounded down to the nearest million yen)

- In the production business, orders rose significantly.
- In the program sales business and film distribution business, revenue and income remained at the same level as the previous year.

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		
	FY2015 1Q	FY2016 1Q	Difference	FY2015 1Q	FY2016 1Q	Difference
Technology	384	455	70	* 59	75	15

(Amounts are rounded down to the nearest million yen)

- **CDN services and digital cinema services remained strong.**
- **The provisioning of Internet services to hotels increased.**
- **Cost of sales decreased due to the impairment loss on lease assets in the previous year.**

*Reference value after the segment change

Consolidated Financial Results by Business Segment - Network Sales -



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

(Unit : Million yen)

	Revenue			Operating income		
	FY2015 1Q	FY2016 1Q	Difference	FY2015 1Q	FY2016 1Q	Difference
Network Sales	235	206	(28)	* 8	6	(2)

(Amounts are rounded down to the nearest million yen)

- Initial sales of the Hikari Collabo, a new broadband line product, remained sluggish.
- Operating income remained at the same level as the previous year because the sales cost ratio improved, reflecting a decline in the ratio of allowances for cancellations.

*Reference value after the segment change

Consolidated Financial Results by Business Segment – Corporate expenses -



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

(Unit : Million yen)

	Operating income		
	FY2015 1Q	FY2016 1Q	Difference
Corporate expenses	* (102)	(115)	↓ (12)

(Amounts are rounded down to the nearest million yen)

■ There was an increase in expenses, such as those related to the general meeting of shareholders, legal fees, and personnel expenses.

*Reference value after the segment change

Progress in Comparison with Financial Forecasts



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

	FY2016 1Q	Forecast for 1st half financial results (*)	Achievement ratio	Forecasts for full- year financial results (*)	Achievement ratio
Revenue	3,249	6,000	54%	13,000	25%
Operating income (loss)	47	(140)	—	150	32%
Ordinary income (loss)	31	(180)	—	70	24%
Net income (loss)	(56)	(280)	—	(220)	—

*Announced on April 28, 2016

■ Revenue remained almost as expected, and income beat initial projections.

- ✓ **Content:** The educational business remained strong.
- ✓ **Broadcast:** The business remained as expected.
- ✓ **Studio:** Orders for production and program sales remained solid, mainly reflecting the conclusion of contracts ahead of schedule.
- ✓ **Technology:** Digital cinema services remained strong.
- ✓ **Network sales:** The business remained as expected.

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Revisions to Financial Forecasts



Financial forecasts for the second quarter

	Previous forecasts (Announced on April 28)	Revised forecasts (Announced on July 28)	Difference
Revenue	6,000	6,300	↑ 300
Operating income	(140)	(10)	↑ 130
Ordinary income	(180)	(60)	↑ 120
Net income	(280)	(170)	↑ 110

Financial forecasts for FY2016

Previous forecasts remain unchanged (Announced on April 28)
13,000
150
70
(220)

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

- Given the strong first quarter results, the financial forecasts for the second quarter have been revised.
 - ✓ Revenue, which remained as expected overall, have been slightly revised.
 - ✓ Income, which beat expectations, has been revised upward.
- Financial forecasts for FY2016 remain unchanged because an order that had been expected to be concluded in the second half was received in the first quarter ahead of schedule, and because the outlooks for cloud gaming services and digital media services are uncertain.

Financial Forecasts by Segment (after the revision on July 28)



(Unit : Million yen)

	Revenue			Operating income		
	Forecast for 1st half (Apr. – Sep.)	Forecast for 2nd half (Oct. – Mar.)	FY2016 full-year forecasts	Forecast for 1st half (Apr. – Sep.)	Forecast for 2nd half (Oct. – Mar.)	FY2016 full-year forecasts
Content	900	1,500	2,400	(180)	120	(60)
Broadcast	2,800	2,800	5,600	160	130	290
Studio	1,300	1,300	2,600	110	30	140
Technology	900	900	1,800	130	130	260
Network Sales	400	600	1,000	10	30	40
Corporate expense				(240)	(230)	(470)
Total	6,300	7,100	13,400	(10)	210	200

(Amounts are rounded down to the nearest million yen)

- In Content, cloud gaming and digital media will be uncertain factors.
- In Broadcast, sales promotion expenses may increase as usual in the last quarter.
- In Studio, income may decline in the second half due to factors such as the impact of an order received ahead of schedule.

Consolidated Financial Conditions



Conditions of assets, liabilities, and net assets

(Unit : Million yen)

	FY2015	FY2016 1Q	Difference	Rate of difference
Total assets	7,591	8,305	713	9%
Liabilities	4,081	4,770	688	17%
Net assets	3,509	3,534	24	1%
Shareholders' equity	2,456	2,439	(17)	(1%)
Stock acquisition rights for non-controlling shareholders	1,053	1,094	41	4%
Shareholders' equity ratio	32%	29%	—	—

(Amounts are rounded down to the nearest million yen)

Total assets

- Increased due to an increase in cash and deposits that was mainly attributable to the issuance of bonds with stock acquisition rights.

Liabilities

- Increased due to a rise in outstanding bonds with stock acquisition rights, although accounts payable in trade declined.

Net assets

- Increased slightly due to a capital increase and other measures, although a quarterly net loss was posted.

Consolidated Financial Position



Condition of Cash flow

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

	FY2015 1Q	FY2016 1Q
Operating cash flow	(188)	(93)
Investing cash flow	(46)	(65)
Financing cash flow	(247)	966
Changes in cash and cash equivalents	(481)	805
Year-end balance of cash and cash equivalents	1,916	2,247

Note: The table above does not reflect the effects of the exchange rate change on cash and cash equivalents.

Operating cash flow

- A cash outflow of 93 million yen due mainly to a decline in accounts payable and the payment of bonuses and taxes, despite the posting of 31 million yen as income before taxes.

Investing cash flow

- A cash outflow of 65 million yen due mainly to the transfer of assets from G-cluster Global Corporation.

Financing cash flow

- A cash inflow of 966 million yen due mainly to the issuance of convertible bonds and new shares, while lease obligations were paid back.

Change in Segments

Financial Summary for the First Quarter of FY2016

Topics

- Cloud Gaming Business
- Film Distribution Business

Consolidation of Cloud Gaming Businesses into Subsidiary

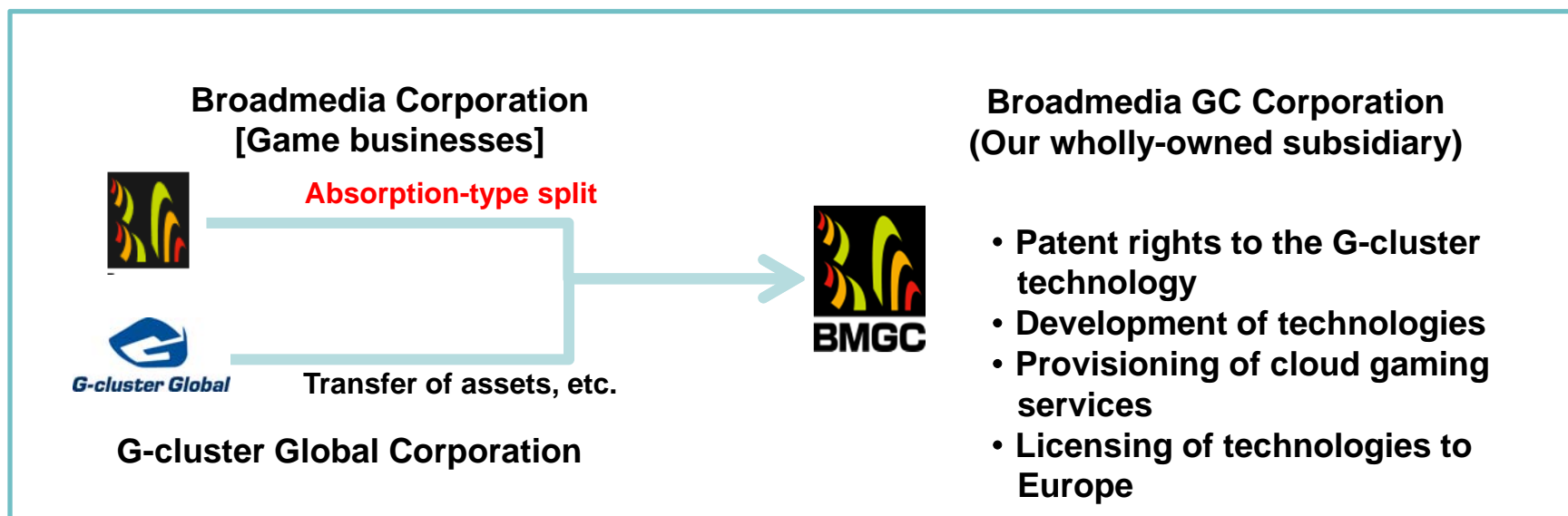


■ May 23, 2016

- ✓ **G-cluster Global Corporation (“GCG”) was dissolved.**
- ✓ **Broadmedia GC Corporation acquired important assets of GCG.**

■ July 1, 2016

- ✓ **The Company’s cloud gaming business was transferred to BMGC.**



- **Through consolidating the business into one subsidiary, we aim to streamline business management and achieve growth by accelerating business expansion more than ever.**
- **We have agreed in principle to continue businesses with almost all the GCG business partners, including telcos in Europe.**
- **We will review our game development system and work actively to strengthen human resources and pursue M&A to secure the necessary expertise and skills.**

We will continue to devote our management resources to Cloud Gaming.

Linkage of Smartphone and TV



We provide cloud game apps for Fire TV (Amazon) and Apple TV. The apps can be played on any device by synchronizing them with the same ID.

Fire TV (Amazon)

Started to provide games on April 27, 2016.
Fire TV Stick, Amazon Fire TV, Fire tablet,
Android-based smartphone and tablet



Five popular Square Enix games



Apple TV

Started to provide games on June 20, 2016.
Apple TV, iPhone, iPad, iPod touch



Final Fantasy® XIII



* Please access the APP Store from Apple TV to download the app.

We also plan to add more cloud game apps
and help link smartphones and TV in our services.



Released a smash hit. Now shown all across the country, generating a positive response from audiences nationwide!



Theaters showing the movie: 43 theaters including Shinjuku Piccadilly
Box-office revenue has surpassed 100 million yen!

*As of July 24, 2016

Thank you for your attention.



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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/>



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