



Broadmedia

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

**Broadmedia Corporation**

**October 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 Half of 2016 on October 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.

Broadmedia

## Significant Points about this Fiscal Year

Financial Summary for the First Half of  
FY2016

Business Progress and Fundraising

Establishment of Shareholder Benefit Program

### 【Reference Documents】

- Results by Business Segment
- Status of Convertible Bonds with Stock Acquisition Rights
- Overview of Broadmedia Consolidated Subsidiaries

### ■ Consolidation of cloud gaming businesses

- ✓ G-cluster Global Corporation (“GCG”), which was an equity-method affiliate and had produced large losses, was dissolved.
  
- ✓ Our wholly-owned subsidiary Broadmedia GC Corporation acquired important assets and core development members of GCG.

⇒ Although operating expenses will increase in the short term, total expenses and losses will decrease and ordinary income and net income will improve significantly through the achievement of drastic streamlining that was initiated by GCG and is still ongoing.

## Significant Points about this Fiscal Year (2)



### 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)
<b>Total</b>	<b>71</b>			<b>71</b>

(Amounts are rounded down to the nearest million yen)

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



- Revenue increased 10% year on year.
- Operating income returned to profitability, thanks to an increase in revenue and reduction in costs.
- Ordinary income returned to profitability and net loss decreased, mainly reflecting a decline in the investment loss on entities accounted for using the equity method and foreign exchange gains due to a strong yen.

(Unit : Million yen)

	FY2015 1H	FY2016 1H	Difference	Rate of difference
Revenue	5,896	6,487	↗ 590	10%
Operating income (loss)	(78)	62	↗ 141	—
Ordinary income (loss)	(216)	4	↗ 220	—
Net income (loss)	(589)	(149)	↗ 440	—

(Amounts are rounded down to the nearest million yen)

**NOTE:** We announced the settlement of accounts for the First Half of 2016 on October 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.

# Consolidated Financial Results by Business Segment



	Revenue			Operating income		
	FY2015 1H	FY2016 1H	Difference	FY2015 1H	FY2016 1H	Difference
Content	1,023	959	(63)	(93)	(172)	(78)
Broadcast	2,610	2,866	256	187	177	(9)
Studio	1,172	1,424	251	(53)	132	186
Technology	769	902	132	118	148	29
Network Sales	320	335	14	(1)	6	8
Corporate expenses				(235)	(230)	4
<b>Total</b>	<b>5,896</b>	<b>6,487</b>	590	<b>(78)</b>	<b>62</b>	141

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

- In the Studio business segment, production orders rose significantly and films we produced and distributed performed well.
- The cloud gaming business sub-segment of the Content business segment was consolidated into our wholly owned subsidiary Broadmedia GC Corporation. Although the operating loss expanded, ordinary income improved to an even greater extent.

# Difference Between First-Half Results and Forecast



\*Announced on July 28, 2016

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

	Revenue			Operating income		
	Forecast for 1st half financial results (*)	FY2016 1H	Difference	Forecast for 1st half financial results (*)	FY2016 1H	Difference
Content	900	959	59	(180)	(172)	7
Broadcast	2,800	2,866	66	160	177	17
Studio	1,300	1,424	124	100	132	32
Technology	900	902	2	130	148	18
Network Sales	400	335	(64)	10	6	(3)
Corporate expenses	—	—	0	(240)	(230)	9
<b>Total</b>	<b>6,300</b>	<b>6,487</b>	<b>187</b>	<b>(20)</b>	<b>62</b>	<b>82</b>

- Network Sales results are slightly lower than forecast, but other segment results are higher than forecast.
- In particular, increased revenue and increased operating income in the Studio business segment drove overall growth.
- As a result, total revenue exceeded the forecast and operating income turned positive.

# Second-Half Outlook and Full-Year Results Forecast



- In the Content business segment, we forecast growth in the cloud gaming business and educational services.
- In the Broadcast business segment, we anticipate decline in subscription revenue in some areas.
- In the Studio business segment, we expect decline after orders anticipated in the second half were concentrated in the first half.

	Revenue			Operating income		
	FY2016 1H	Forecast for 2nd half (Oct. - Mar.)	FY2016 full-year forecasts	FY2016 1H	Forecast for 2nd half (Oct. - Mar.)	FY2016 full-year forecasts
Content	959	1,230	2,190	(172)	20	(152)
Broadcast	2,866	2,740	5,607	177	90	267
Studio	1,424	1,230	2,654	132	40	172
Technology	902	950	1,852	148	140	288
Network Sales	335	360	696	6	15	21
Corporate expense				(230)	(217)	(447)
<b>Total</b>	<b>6,487</b>	<b>6,513</b>	<b>13,000</b>	<b>62</b>	<b>88</b>	<b>150</b>

# Consolidated Financial Forecasts and Shareholder Returns



## Financial Forecasts for FY2016

		FY2016 1H	Previous forecasts (Announced on April 28)	Achievement ratio
Revenue	Million yen	6,487	13,000	50%
Operating income	Million yen	62	150	42%
Ordinary income	Million yen	4	70	6%
Net income	Million yen	(149)	(220)	—

- ✓ As of the end of the second quarter, revenue was almost as forecast and operating income was higher than forecast. However, our financial forecast for FY2016 is unchanged, as growth in the second half is uncertain.

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## Dividends

- ✓ We did not pay an interim dividend, in line with our initial forecast.
- ✓ We intend to leave our initial forecast for the year-end dividend unchanged and will not pay a year-end dividend.

# Consolidated Financial Conditions



## Conditions of assets, liabilities, and net assets

(Unit : Million yen)

	FY2015	FY2016 1H	Difference	Rate of difference
Total assets	7,591	8,271	679	9%
Liabilities	4,081	4,787	705	17%
Net assets	3,509	3,483	(26)	(1%)
Shareholders' equity	2,456	2,366	(90)	(4%)
Stock acquisition rights for non-controlling shareholders	1,053	1,117	63	6%
Shareholders' equity ratio	32%	29%	—	—

(Amounts are rounded down to the nearest million yen)

<b>Total assets</b>	<ul style="list-style-type: none"> <li>Cash and deposits increased mainly due to issuance of bonds with stock acquisition rights.</li> </ul>
<b>Liabilities</b>	<ul style="list-style-type: none"> <li>Accounts payable and advances received decreased but bonds with stock acquisition rights increased.</li> </ul>
<b>Net assets</b>	<ul style="list-style-type: none"> <li>Capital and capital reserve increased due to capital increase and exercise of stock acquisition rights.</li> <li>Net assets decreased slightly due to posting of a net loss.</li> </ul>

# Consolidated Financial Position



<b>Operating cash flow</b>	<ul style="list-style-type: none"> <li>A cash inflow of 106 million yen due mainly to decline in inventories and accounts receivable.</li> </ul>
<b>Investing cash flow</b>	<ul style="list-style-type: none"> <li>A cash outflow of 124 million yen due mainly to the acquisition of assets from G-cluster Global Corporation.</li> </ul>
<b>Financing cash flow</b>	<ul style="list-style-type: none"> <li>A cash inflow of 1,027 million yen due mainly to the issuance of convertible bonds and new shares, while lease obligations were paid back.</li> </ul>

	FY2015 1H	FY2016 1H
<b>Operating cash flow</b>	(166)	106
<b>Investing cash flow</b>	(285)	(124)
<b>Financing cash flow</b>	(459)	1,027
<b>Changes in cash and cash equivalents</b>	(910)	1,004
<b>Year-end balance of cash and cash equivalents</b>	1,487	2,446

(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.**

Significant Points about this Fiscal Year

Financial Summary for the First Half of  
FY2016

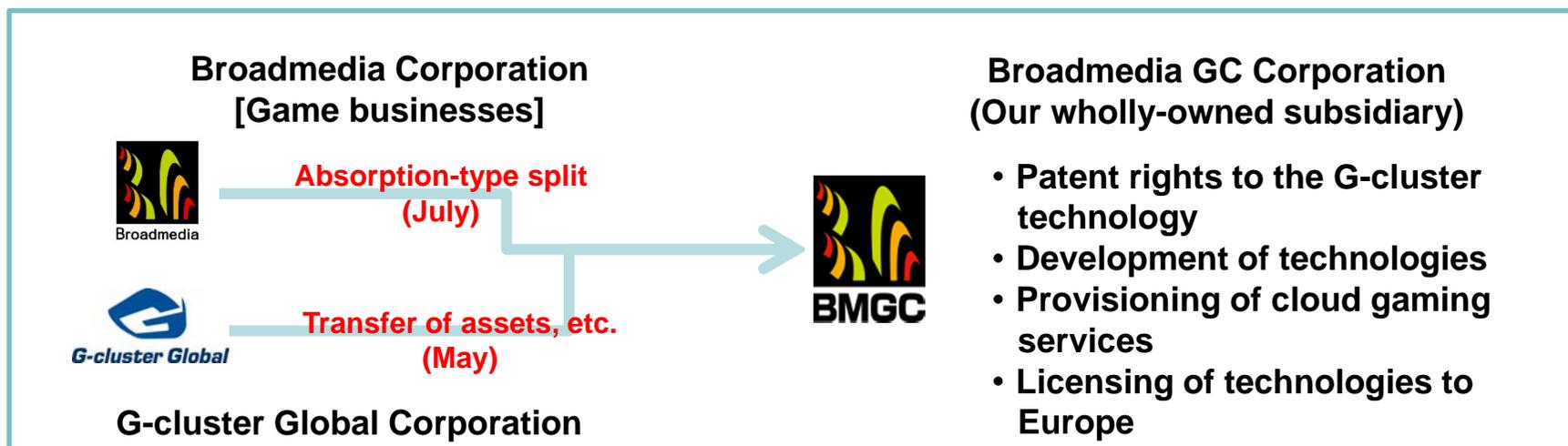
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- We consolidated the Group's cloud gaming business into Broadmedia GC Corporation.



- Conclusion of contracts with leading European carriers with which basic agreements had been reached took time but was completed in October.
- ⇒ Handover with GCG's partners was completed in the format initially planned, including provision of technology licenses in Europe.

We will continue to dedicate management resources to grow and develop the business under the new framework.

## ■ Status of Fundraising

- ⇒ In May, we raised funds totaling 1.05 billion yen through a capital increase by way of third party allotment and bonds with stock acquisition rights (CBs).
- ⇒ Out of CBs totaling 1 billion yen, CBs totaling 25 million yen have been converted.

## ■ Use of Funds

- ① Development of original games and adapting popular game titles for the cloud
- ② Advertising and other marketing expenses
- ③ Investment, M&A and capital and business alliances

**We will invest funds in the cloud gaming business and content-related business, etc., aiming to enhance corporate value.**

October 27, 2016

Four cloud gaming applications compatible with wireless gamepad!



HORIPAD ULTIMATEワイヤレスゲームコントローラ



SteelSeries Nimbusワイヤレスゲームコントローラ



Gamevice Controller for iPhone



Mad Catz C.T.R.L.® Mobile Gamepad



Can be played with operability gamers have grown accustomed to through home game consoles (iOS/Android compatible)

We are also responding to advances in technology and improvement in user convenience.



September 5, 2015

Expansion and relocation of Shinjuku Yoyogi Campus

Increase in number of floors and classrooms due to rising number of students taking courses and further enhancement of study booths and interview booths



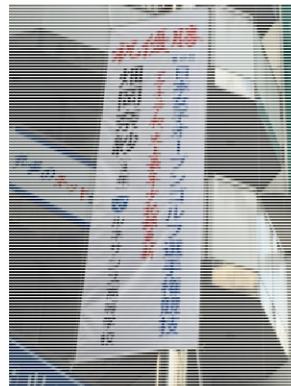
In addition to supplementary lessons, we offer a range of teaching materials and educational programs on campus to meet student needs including programming, English conversation, individual coaching for exam taking, and remedial education.



For 10 years since the opening of Renaissance High School (in April 2006), we have provided “learning” suited to the lifestyles of individual students.

Aspiring to become actors, TV personalities, voice actors, musicians, ballet dancers or golfers, our students are active in a wide range of fields.

Nasa Hataoka, a third-year-student at Renaissance High School, won the FY2016 (49<sup>th</sup>) Japan Women's Open Golf Championship,...



...making her the youngest women's professional in Japan's golf tour history (October 10, 2016)

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We have conducted various examinations with respect to shareholder returns in the past and, given the large number of requests in shareholder questionnaires, etc., we decided to establish a shareholder benefit program as a measure that is feasible.

Another objective of the new shareholder benefit program is to improve recognition of our Group and deepen understanding of our business through the use of our services.

# Establishment of Shareholder Benefit Program



Shareholders will be presented with points that can be used with the *Crank-in Video* film distribution service provided by Hollywood Channel Inc.

## 1. Eligible shareholders

Shareholders who hold 1,000 shares (10 units) or more as of March 31, 2017

## 2. Number of points presented

Number of shares held	Period shares have been continuously held	
	Less than 1 year	1 year or more
1,000 shares or more but less than 5,000 shares	1,000 points	1,500 points
5,000 shares or more	4,000 points	6,000 points

\*Shareholders can watch two new films with 1,000 points, and 13 new films with 6,000 points.

## 3. Timing of presentation of benefits (points)

Eligible shareholders will be mailed Notification of Shareholder Benefits after the close of the General Meeting of Shareholders.

# Crank-In Video



An online rental video service that allows users to watch popular new films and dramas when they want, any time, anywhere.  
Users can choose from around 10,000 films and dramas, most of which are new releases.



## Multi-device compatibility

Users can enjoy films and dramas anytime, anywhere, in whichever environment they choose



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Newly released films priced from 400 yen (excl. tax) each

# Thank you for your attention.



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# Consolidated Financial Results by Business Segment – Content -



	Revenue			Operating income		
	FY2015 1H	FY2016 1H	Difference	FY2015 1H	FY2016 1H	Difference
Content	1,023	959	(63)	* (93)	(172)	(78)

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

\*Reference value after the segment change

- Sales of digital teaching materials in educational services and advertising revenues in digital media services declined.
- In cloud gaming services, expenses increased due to the transfer of assets and personnel, etc. from G-Cluster Global Corporation.

#### ◆ 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)

# Consolidated Financial Results by Business Segment - Broadcast -



	Revenue			Operating income		
	FY2015 1H	FY2016 1H	Difference	FY2015 1H	FY2016 1H	Difference
Broadcast	2,610	2,866	↑ 256	187	177	→ (9)

(Unit : Million yen) (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 same period of the previous year, mainly reflecting an increase in outsourcing expenses.

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

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

# Consolidated Financial Results by Business Segment - Studio -



	Revenue			Operating income		
	FY2015 1H	FY2016 1H	Difference	FY2015 1H	FY2016 1H	Difference
<b>Studio</b>	1,172	1,424	251	(53)	132	186

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

- In the production business and program sales business, orders rose significantly.
- In the film distribution business, box office revenue from *Setoutsumi*, a film produced and distributed by Broadmedia Studios Corporation was strong.

## ◆ Production business

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

## ◆ Film distribution business

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

## ◆ Program sales business

- Provisioning of Hollywood and other movies to TV stations.

# Consolidated Financial Results by Business Segment – Technology -



	Revenue			Operating income		
	FY2015 1H	FY2016 1H	Difference	FY2015 1H	FY2016 1H	Difference
Technology	769	902	↑ 132	* 118	148	↑ 29

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

\*Reference value after the segment change

- CDN services and digital cinema services remained strong.
- Internet services to hotels increased.
- Costs decreased due to the recognition of impairment losses on leased assets in the previous year.

## ◆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.

# Consolidated Financial Results by Business Segment - Network Sales -



	Revenue			Operating income		
	FY2015 1H	FY2016 1H	Difference	FY2015 1H	FY2016 1H	Difference
<b>Network Sales</b>	320	335	14	* (1)	6	8

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

\*Reference value after the segment change

- Sales of the broadband line *Hikari Collabo*, a new product, increased.
- Operating income turned positive, reflecting improvement in the cost ratio as a result of decline in the ratio of allowances for cancellation.

◆ Sales of ISP services

◆ Sales of broadband lines

◆ Others

# Consolidated Financial Results by Business Segment – Corporate expenses -



	Operating income		
	FY2015 1H	FY2016 1H	Difference
Corporate expenses	* (235)	(230)	➔ 4

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

\*Reference value after the segment change

- Corporate expenses were the same level as the same period of the previous year, with higher expenses in some areas, such as expenses related to the general meeting of shareholders, legal expenses and personnel expenses, offset by restraint in other areas.

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

## Bonds with Stock Acquisition Rights: First Series of Unsecured Convertible Bonds with Warrants



### 【Issued bonds with stock acquisition rights】

Total number of stock acquisition rights issued	Number of potential shares as a result of issuance (238,095 shares per stock acquisition right)	Total value of bonds issued (25 million yen per stock acquisition right)
40	9,523,800 shares	1,000,000,000 yen

### 【Progress with conversion】

Total number of stock acquisition rights exercised	Number of shares delivered	Total value of bonds converted
1	238,095 shares	25,000,000 yen

### 【Outstanding bonds with stock acquisition rights】

Total number of rights not exercised	Total number of potential shares remaining	Outstanding convertible bonds
39	9,285,705 shares	975,000,000 yen

# Overview of Broadmedia Consolidated Subsidiaries



(As of September 30, 2016)



	Fishing Vision Co., Ltd.	Plans and operates Japan's only channel dedicated to fishing distributing more than 600 original programs a year.
	Broadmedia Studios Corporation	Distributes first-rate entertainment programs to meet the needs of various clients.
 <small>ルネサンス・アカデミー株式会社 ルネサンス高等学校</small>	Renaissance Academy Corporation	Offers learning style that allows students to learn via PCs, smartphones or on-campus. Operates nationwide correspondence high school.
	CDN Solutions K.K.	Observes the latest technological trends concerning the Internet and Web services and provides high-quality cloud services.
	Hollywood Channel, Inc.	Distributes videos, mainly new films and dramas, and the latest news about films and overseas dramas for various devices.
	Digital Cinema Club, Inc.	Provides digital cinema services promoting installation of digital equipment in movie theaters.
	Roonet Systems Co., Ltd.	Provides comprehensive Internet environment solutions for hospitality institutions including hotels and hospitals.
	Broadmedia GC Corporation	Operates the cloud gaming service <i>G-cluster</i> and provides cloud gaming platforms to carriers and gaming companies, etc.

**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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