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Press Release

Head office address	8-4-14 Akasaka, Minato-ku, Tokyo
Company name	Broadmedia Corporation (Code: 4347)
Representative	Representative CEO Taro Hashimoto
Contact for inquiries	Executive Director CFO Hideaki Oshio

Notice on Amendment of Summary of Financial Results and Submission of Revised Annual Securities Reports for Prior Years

Broadmedia Corporation (hereinafter, “the Company”) announces that it has restated its prior years’ financial results and submitted revised reports including annual securities reports to the Kanto Local Finance Bureau as detailed below.

We would like to take this opportunity to extend our sincere apologies for any inconvenience caused by this matter.

1. Reason and background for the amendment

The Company has been proceeding with an extensive investigation to clarify the details of the fictitious transactions that had been occurring for a number of years, suffered by Fishing Vision Co., Ltd. (hereinafter, “Fishing Vision”), a consolidated subsidiary of the Company, as stated in the press release announced on January 30, 2018 “Broadmedia Corporation Announced Damages from Fictitious Transactions Suffered by Consolidated Subsidiary and Postponement of Announcement of Financial Results for the First Three Quarters of the Fiscal Year Ending March 31, 2018” and another press release dated March 14, 2018 “Notice of Current Status Related to Damages from Fictitious Transactions Suffered by a Consolidated Subsidiary.”

Meanwhile, the Company took the necessary measures to determine the scope of the damage in value caused by the fictitious transactions, given that the summary of financial results and the securities reports already submitted to the Kanto Local Finance Bureau were subject to revision.

Subsequently, the Company established a third-party committee as stated in the press release dated April 13, 2018 “Notice of Status of Investigations into Damage from Fictitious Transactions Suffered by Consolidated Subsidiary,” and has completed the investigation as stated in the press release dated May 23, 2018 “Notice of Receipt of Investigation Report from the Third-Party Committee and Date of Announcement of Financial Results for Fiscal Year Ended March 31, 2018.”

Moreover, as reported in the press release dated June 12, 2018 “Notice of Audit of Revised Reports for Annual Securities Reports for Prior Years, etc.,” the former audit corporation in prior years accepted the engagement of revised reports before the period ended March 31, 2015, and the audit corporation undertook the audit procedures.

However, as reported in the press release dated June 28, 2018 “Broadmedia Corporation Announces Submission of Application for Approval of Postponement of Announcement of Financial Results for the Fiscal Year Ended March 31, 2018,” the Company decided to file an application for the postponement because the audit procedures would take time to complete, so the Company would not likely have been able to submit the annual securities reports by the deadline. The application was then approved as reported in the press release dated June 29, 2018 “Broadmedia Corporation Announces Approval of Additional Postponement of Announcement of Financial Results for the Fiscal Year Ended March 31, 2018.”

In the accounting method regarding the loss resulting from the fictitious transactions, a lump sum allowance for doubtful accounts was booked in the third quarter of the fiscal year ended March 31, 2018. The former audit corporation pointed out that the method should be changed. Consequently, the Company discussed the matter with the former and current audit corporations. As a result, the Company decided to change the accounting method to another accounting method in which an allowance for doubtful accounts was recorded for accounts receivable-other at the end of each period of the prior years.

As a result, it has become necessary for the Company to make amendments to the Consolidated Financial Results for the First Three Quarters of FY2017, the Third Quarter Financial Results for the 22nd Term announced and submitted on April 13, 2018, and the Consolidated Financial Results for FY2017 announced on May 30, 2018.

Accordingly, the Company has amended its summaries of financial reports retroactively to the fiscal terms ended March 2014 and subsequent terms, and its quarterly summaries of financial reports retroactively to the first quarter of the fiscal year ended March 2016 and subsequent quarters. Moreover, the Company has submitted revised reports to the Kanto Local Finance Bureau regarding annual securities reports for the fiscal years ended March 31, 2014, March 31, 2015, March 31, 2016 and March 31, 2017 as well as quarterly financial reports for the first quarter of the fiscal year ended March 31, 2016 and subsequent quarters.

Regarding the revised reports for the fiscal years ended March 31, 2014 and March 31, 2015, for which the former audit corporation has accepted the engagement, the Company disclosed their restatement on July 13, 2018, prior to the announcements of the other restatements.

2. Summaries of financial reports already restated

Date of restatement: July 13, 2018

Summary of Financial Results

Consolidated Financial Results for the FY2013

Consolidated Financial Results for the FY2014

3. Summaries of financial reports restated this time

Date of restatement: July 20, 2018

Summaries of Financial Results

Consolidated Financial Results for the FY2015

Consolidated Financial Results for the FY2016

Consolidated Financial Results for the FY2017

Quarterly Financial Results

Consolidated Financial Results for the First Quarter of the FY2015

Consolidated Financial Results for the First Half of the FY2015

Consolidated Financial Results for the First Three Quarters of the FY2015

Consolidated Financial Results for the First Quarter of the FY2016

Consolidated Financial Results for the First Half of the FY2016

Consolidated Financial Results for the First Three Quarters of the FY2016

Consolidated Financial Results for the First Quarter of the FY2017

Consolidated Financial Results for the First Half of the FY2017

Consolidated Financial Results for the First Three Quarters of the FY2017

4. Annual Securities Reports restated this time

Date of restatement: July 20, 2018

Annual Securities Reports

Annual Securities Report for the FY2013, 18th term

Annual Securities Report for the FY2014, 19th term

Annual Securities Report for the FY2015, 20th term

Annual Securities Report for the FY2016, 21st term

Quarterly Securities Reports

Quarterly Securities Report for the First Quarter of FY2015, 20th term

Quarterly Securities Report for the First Half of FY2015, 20th term

Quarterly Securities Report for the First Three Quarters of FY2015, 20th term

Quarterly Securities Report for the First Quarter of FY2016, 21st term

Quarterly Securities Report for the First Half of FY2016, 21st term

Quarterly Securities Report for the First Three Quarters of FY2016, 21st term

Quarterly Securities Report for the First Quarter of FY2017, 22nd term

Quarterly Securities Report for the First Half of FY2017, 22nd term

Quarterly Securities Report for the First Three Quarters of FY2017, 22nd term

5. Impact of the amendment

The restatements pertaining to the retroactive amendments are summarized below:

(1) Accounts receivable from clients on the balance sheet in relation to transactions that fall under fictitious transactions have been canceled out at the end of each period. (As payments were made to subcontractors within the same month in which the service is rendered, there were no accounts payable-trade at each period-end.)

(2) Instead, the difference between the amount including tax paid to the subcontractor by the specific point in time and the amount including tax received from clients (parties that can be recognized as clients) in relation to transactions that fall under fictitious transactions has been changed to accounts receivable-other from the subcontractor.

(3) Following discussions with the former and current audit corporations regarding the accounting treatment (2) mentioned above, it was decided that the provision of allowance for doubtful accounts should not be booked in the third quarter of the fiscal year ended March 31, 2018 at once, but every time an account receivable-other is posted, the provision of an allowance for doubtful accounts was decided to be provided for retroactively with respect to the accounts receivable-other of 543 million yen recorded at the end of the first three quarters of the fiscal year ended March 31, 2018. As a result of accounting treatments 2) and 3) mentioned above, total assets and net assets have been reduced retroactively for the fiscal terms prior to the fiscal year ended March 31, 2017.

(4) Acknowledging that the transactions falling under fictitious transactions are not business transactions whose revenue and costs can be posted, the revenue and costs concerned have been canceled on the income statement.
⇒ As a result, the revenue and sales cost decreased every term through the second quarter of the fiscal year to March 2018.

(5) As we acknowledged that all the transactions falling under fictitious transactions were subject to consumption tax, consumption tax payable (net of consumption tax receivable) had been paid. We now recognize that this was an excessive payment.
⇒ We expensed the overpaid consumption tax as non-refundable taxes and dues in each period. As a result, selling, general and administrative expenses increased for each of the periods through March 31, 2017.

(6) As for the fiscal year ended March 31, 2018, corporate income tax has been reduced to an appropriate level, reflecting the items described in (4) and (5) above ahead of the tax return. No accounting revisions have been made to the corporate income taxes for the fiscal terms through March 31, 2017 on the assumption that we would not qualify for revisions to tax charges

retrospectively.

⇒ Profits declined due to the abovementioned accounting treatments (4) and (5), but there was no change in corporate income taxes through fiscal year March 31, 2017.

(7) As a result of the accounting treatment described in (3) above, the Company posted extraordinary loss in each of the fiscal years through March 31, 2017. Extraordinary loss has been canceled for the third quarter as well as the full year in fiscal year ended March 31, 2018.

(8) As a result of the accounting treatment described in (2) and (3) above, the amount of net assets of Fishing Vision decreased, while the overly appraised value of Fishing Vision stock has been reduced, resulting in a revaluation loss for the year of the stock acquisition.

⇒ As a result, an extraordinary loss was incurred in the year of the stock acquisition.

⇒ The amount of valuation loss for the stock was larger than a decrease in net assets for Fishing Vision, resulting in a decrease in amortization expenses of goodwill (selling and general administrative expenses) in later years.

⇒ Total assets and net assets decreased in the year of stock acquisition, but its impact would be diminished by the last year of the amortization period.

(9) The Company sold some of Fishing Vision's shares in the fiscal year ended March 31, 2015. When the Company agreed on the transaction value with the purchaser, the calculation of the share value included revenue from the fictitious transactions. As a result, it is likely that the share value factoring in the impact of the fictitious transactions will be calculated again with the purchaser, and this will give rise to a possible decrease in the stock trading price after the event. Accordingly, profit on the sale of stocks posted as extraordinary income in the fiscal year ended March 31, 2015 has been revised downward.

(10) As a result of the accounting treatment described in (9) above, liabilities increased while net assets decreased in the terms from the fiscal year ended March 31, 2015.

(11) As a result of the accounting treatments described in (4) through (7), non-controlling interest decreased for the terms prior to the second quarter of the fiscal year ended March 31, 2018, while showing an increase for the third quarter and the full year in fiscal 2017.

The impacts on financial statements are as follows:

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

Fiscal Year	Major Items	Before accounting revisions	After revisions this time	Difference before and after	Impact ratio
FY2013 Full-year	Revenue	12,301	11,114	(1,187)	(9.65)%
	Operating income	(618)	(673)	(54)	—
	Ordinary income	(1,134)	(1,189)	(54)	—
	Net income	(777)	(857)	(80)	—
	Net assets	6,117	5,621	(496)	(8.12)%
	Total assets	11,099	10,602	(496)	(4.47)%
FY2014 Full-year	Revenue	11,918	10,272	(1,646)	(13.81)%
	Operating income	(1,147)	(1,228)	(81)	—
	Ordinary income	(2,358)	(2,440)	(81)	—
	Net income	(2,580)	(2,821)	(240)	—
	Net assets	4,444	3,547	(897)	(20.20)%
	Total assets	8,978	8,284	(693)	(7.73)%
FY2015 1Q	Revenue	2,986	2,502	(484)	(16.21)%
	Operating income	(28)	(53)	(24)	—
	Ordinary income	(151)	(175)	(24)	—
	Net income attributable to owners of parent	(248)	(264)	(15)	—
	Net assets	4,243	3,313	(930)	(21.92)%
	Total assets	8,066	7,340	(726)	(9.00)%
FY2015 Half-year	Revenue	5,896	4,888	(1,008)	(17.10)%
	Operating income	(78)	(130)	(52)	—
	Ordinary income	(216)	(268)	(52)	—
	Net income attributable to owners of parent	(589)	(631)	(41)	—
	Net assets	3,925	2,944	(981)	(25.00)%
	Total assets	7,648	6,871	(777)	(10.16)%
FY2015 3Q	Revenue	8,933	7,362	(1,570)	(17.58)%
	Operating income	(31)	(113)	(81)	—
	Ordinary income	(241)	(323)	(81)	—
	Net income attributable to owners of parent	(640)	(705)	(64)	—
	Net assets	3,923	2,896	(1,027)	(26.19)%
	Total assets	7,529	6,705	(823)	(10.94)%

Fiscal Year	Major Items	Before accounting revisions	After revisions this time	Difference before and after	Impact ratio
FY2015 Full-year	Revenue	12,117	9,955	(2,162)	(17.85)%
	Operating income	71	(41)	(113)	—
	Ordinary income	(198)	(312)	(113)	—
	Net income attributable to owners of parent	(1,082)	(1,170)	(87)	—
	Net assets	3,509	2,436	(1,072)	(30.57)%
	Total assets	7,591	6,722	(868)	(11.45)%
FY2016 1Q	Revenue	3,249	2,619	(629)	(19.37)%
	Operating income	47	14	(33)	(70.05)%
	Ordinary income	31	(1)	(33)	—
	Net income attributable to owners of parent	(56)	(83)	(27)	—
	Net assets	3,534	2,407	(1,126)	(31.87)%
	Total assets	8,305	7,382	(922)	(11.11)%
FY2016 Half-year	Revenue	6,487	5,191	(1,296)	(19.98)%
	Operating income	62	(6)	(69)	—
	Ordinary income	4	(64)	(69)	—
	Net income attributable to owners of parent	(149)	(204)	(55)	—
	Net assets	3,483	2,300	(1,183)	(33.96)%
	Total assets	8,271	7,292	(979)	(11.84)%
FY2016 3Q	Revenue	9,725	7,721	(2,004)	(20.61)%
	Operating income	100	(6)	(106)	—
	Ordinary income	29	(77)	(106)	—
	Net income attributable to owners of parent	(200)	(283)	(82)	—
	Net assets	3,483	2,246	(1,237)	(35.51)%
	Total assets	8,192	7,159	(1,033)	(12.61)%
FY2016 Full-year	Revenue	13,158	10,413	(2,744)	(20.86)%
	Operating income	187	41	(146)	(77.93)%
	Ordinary income	134	(11)	(146)	—
	Net income attributable to owners of parent	(350)	(453)	(103)	—
	Net assets	2,942	1,665	(1,276)	(43.40)%
	Total assets	7,800	6,727	(1,072)	(13.76)%

Fiscal Year	Major Items	Before accounting revisions	After revisions this time	Difference before and after	Impact ratio
FY2017 1Q	Revenue	3,414	2,657	(757)	(22.18)%
	Operating income	63	26	(36)	(57.86)%
	Ordinary income	63	27	(36)	(57.48)%
	Net income attributable to owners of parent	73	60	(12)	(17.19)%
	Net assets	3,039	1,737	(1,302)	(42.84)%
	Total assets	8,015	6,901	(1,114)	(13.90)%
FY2017 Half-year	Revenue	6,682	5,159	(1,523)	(22.79)%
	Operating income	67	(2)	(69)	—
	Ordinary income	54	(15)	(69)	—
	Net income attributable to owners of parent	24	0	(23)	(96.66)%
	Net assets	3,295	1,971	(1,324)	(40.20)%
	Total assets	7,695	6,544	(1,151)	(14.96)%
FY2017 3Q	Revenue	8,005	8,005	0	0.00%
	Operating income	70	72	1	2.74%
	Ordinary income	56	58	1	3.39%
	Net income attributable to owners of parent	(231)	47	278	—
	Net assets	2,888	2,678	(209)	(7.26)%
	Total assets	6,326	6,320	(5)	(0.09)%
FY2017 Full-year	Revenue	10,800	10,800	0	0.00%
	Operating income	86	88	2	2.98%
	Ordinary income	79	81	2	3.24%
	Net income attributable to owners of parent	(232)	46	279	—
	Net assets	2,884	2,675	(208)	(7.24)%
	Total assets	6,540	6,535	(4)	(0.08)%

The Company disclosed the restated financial results and estimated impacts on the income statements in the press release dated June 28, 2018 “Impact on the Company’s Consolidated Account Settlements Related to Damages from Fictitious Transactions Suffered by Consolidated Subsidiary.” The latest estimates disclosed in this press release vary from the previous estimates disclosed earlier in terms of profit, net assets and total assets, primarily reflecting the accounting treatment described in item (8) above.

End

For inquiries regarding this press release:
IR Dept., Broadmedia Corporation (E-mail: ir@broadmedia.co.jp)