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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 of Revision to Financial Forecasts and Extraordinary Losses

Broadmedia Corporation (hereinafter referred to as “the Company”) announced that it has revised the financial forecasts for the fiscal year ending March 31, 2018, as announced on April 28, 2017.

Details are as follows.

The Company also announced that it has posted extraordinary losses (provision of allowance for doubtful accounts) in the third quarter of the fiscal year ending March 31, 2018.

### 1. Revision to the consolidated financial forecasts for the fiscal year ending March 31, 2018

(April 1, 2017 to March 31, 2018)

	Revenue	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previously forecast (A)	14,000	250	200	50	0.73
<b>Revised forecast (B)</b>	<b>10,600</b>	<b>50</b>	<b>40</b>	<b>(260)</b>	<b>(3.54)</b>
Difference (B – A)	(3,400)	(200)	(160)	(310)	—
Increase/Decrease (%)	(24.3)	(80.0)	(80.0)	—	—
(For reference) Financial results for the previous year (the FY ended March 31, 2017)	13,158	187	134	(350)	(5.11)
(For reference) Financial results for the previous year after excluding the effects* (the FY ended March 31, 2017)	10,413	38	(14)	(426)	(6.22)

(Note) \*The figures in “Financial results for the previous year after excluding the effects (fiscal year ended March 31, 2017)” represent the figures excluding the effects that have an impact on the main items including the consolidated financial statements stated in the press release “Notice of Current Status Related to Damages from Fictitious Transactions Suffered by a Consolidated Subsidiary.”

## 2. Reason for the revision

### <Revenue>

Regarding the outsourced video production of Fishing Vision Co., Ltd. (hereinafter referred to as “Fishing Vision”), a consolidated subsidiary of the Company in the broadcast segment, 1,523 million yen was posted as revenue during the first six months of the consolidated fiscal year, and revenue for the full year was expected to be some 3,000 million yen. However, as stated in its press release announced today, “Notice of Current Status Related to Damages from Fictitious Transactions Suffered by a Consolidated Subsidiary,” it was revealed that all the transactions in 2011 and beyond should be recognized as fictitious ones. In addition, the revenue from the transactions expected in the fourth quarter cannot be expected naturally. In the cloud gaming business and VOD business in the content segment, revenue is expected to fall short of the assumptions made at the beginning of the fiscal year. As a result, revenue is projected to be much lower than the previous forecast.

### <Operating income>

Some 150 million yen that was expected as operating income for the full year related to the outsourced video production of Fishing Vision will be retracted. Approximately 30 million yen is expected to be required in total as expenses associated with costs related to the investigation into the damage from the fictitious transactions suffered by Fishing Vision and revisions to the annual securities report / quarterly financial statements / financial results reports of the past years. Loss in the cloud gaming business and VOD business in the content segment is expected to increase somewhat more than the assumption made at the beginning of the fiscal year. Given the above, operating income is expected to be lower than the assumption.

### <Ordinary income>

Ordinary income is also expected to be lower than the assumption due to a decrease in operating income. Since the increase of the equity in earnings of affiliate’s share of profit of entities accounted for using equity method is expected to be more than the initial assumption for the fiscal year, the decrease in ordinary income is smaller than the revision to operating income.

### <Net income attributable to owners of parent>

Ordinary income will be lower than the assumption, and the Company will post an extraordinary loss of 529 million yen for the subsidiary as stated in 3. below. Fishing Vision is not a wholly-owned subsidiary, and the Company has a 51% stake in the subsidiary. Accordingly, the effect on the extraordinary loss will be partially excluded from net income attributable to non-controlling interests in the subsidiary. Nonetheless, net income attributable to owners of parent is expected to be lower than the assumption by 310 million yen, and a 260-million-yen loss is projected to be posted.

## 3. Regarding posting of extraordinary losses (provision of allowance for doubtful accounts)

The Company undertook an accounting revision for the damage suffered by Fishing Vision from fictitious transactions related to outsourced video production. Following the revision, the effect on the financial statements is as stated below:

<Past income statements>

(1) Acknowledging that the transactions concerned were all fictitious and that there were no business transactions whose revenue and cost can be posted, the revenue and cost concerned were retracted on the income statement.

⇒As a result, the revenue, cost and operating income of each period decreased.

(2) As we acknowledged that all transactions were subject to consumption tax, the difference between consumption tax income and consumption tax paid had been paid. We now recognize that it was an excessive payment.

⇒We expensed the overpaid consumption tax as taxes and dues in each period, assuming that it would not be returned. As a result, selling, general and administrative expenses increased, reducing operating income and below.

(3) As for corporate income tax, no accounting revisions were made on the assumption that we would not qualify for revisions to tax charges retrospectively.

⇒Profits reduced due to the abovementioned accounting treatments (1) and (2), but there was no change in corporate income taxes.

<Past balance sheets>

(1) Accounts receivable from clients on the balance sheet are retracted at each period-end. (As payments were made to Company A in the current month, there are no accounts payable at each period-end.)

(2) Instead, the difference between the amount including tax paid to Company A by the specific point in time and the amount including tax received from clients (parties that can be recognized as clients) was changed to accounts receivable-other from Company A.

<Balance sheet / Income statement for the third quarter>

The Company undertook the above accounting treatment for all periods, including previous years. As a result, total accounts receivable-other from Company A on the balance sheet at the end of the third quarter were 529 million yen.

The Company will collect the abovementioned accounts receivable-other by demanding repayment or claiming damages, etc. in the future. However, as it is difficult to collect all amounts given the situation of Company A at the present time and to appropriately estimate the recoverable amounts, the total amount of 529 million yen of the provision of allowance for doubtful accounts was posted in the third quarter of the fiscal year ending March 31, 2018 under extraordinary losses.

End

For inquiries regarding this press release:

IR Dept., Broadmedia Corporation (E-mail: [ir@broadmedia.co.jp](mailto:ir@broadmedia.co.jp))