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Press Release

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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

Fishing Vision Co., Ltd. (hereinafter “Fishing Vision”), a consolidated subsidiary of Broadmedia Corporation (hereinafter “the Company”), broadcasts a channel and supplies programs specialized in fishing as a basic satellite broadcaster, and engages in commissioned video production separately from the broadcast business. Recently, the Company received a report that a subcontractor of the commissioned video production business of Fishing Vision conducted fictitious transactions, including exchanges with its clients, for about 10 years from around 2008 to December 2017.

The Company is currently proceeding with investigation to the utmost to make clear the details of the situation. The Company deeply regrets the situation and offers its sincere apologies to all stakeholders for the concern that it causes.

The report of the subcontractor of the commissioned video production business has also revealed that the fictitious transactions were conducted over a number of years, and substantial time will be required to carefully investigate the impact on Fishing Vision and the Company. Therefore, the Company also announces that it will postpone the announcement of its financial results for the first three quarters of the fiscal year ending March 31, 2018, which was planned to be made on January 30, 2018.

An overview of the fictitious transactions and our policy for responding to the incident are as follows.

1. Overview of the situation and circumstances leading to its discovery

From around the spring of 2007, Fishing Vision had been involved in transactions to subcontract to the subcontractor video production work for which Fishing Vision received orders from its client companies. In addition to the video production, Fishing Vision also outsourced to the subcontractor its sales activities, sales order operations, delivery, billing and other businesses incidental to these operations.

Over the past 10 years, documents affixed with a seal of client companies which were necessary for the transactions were received in a timely manner, and relevant accounts receivable were paid on time. In addition, at the end of each fiscal year, the audit corporation, which is the accounting

auditor of Fishing Vision, sent a letter of confirmation of the balance of accounts receivable to the client companies and confirmed that there was no discrepancy in the recognition of accounts receivable in the transactions of Fishing Vision.

However, because it was revealed on December 29, 2017 that there was a shortfall in accounts receivable from a large client that were due at the end of December 2017, Fishing Vision checked with the subcontractor about the demand for payment to the client. In mid-January 2018, a lawyer on behalf of the subcontractor contacted Fishing Vision and explained that the subcontractor had engaged in fictitious transactions for many years and committed various fraudulent acts including the falsification of documents and seals necessary for transactions with the client, etc.

Following these reports and communication, Fishing Vision and the Company immediately began an investigation. However, because the investigation and points to be checked cover a broad range, significant time is expected to be required to ascertain the details.

2. Expected impact on the business performance at the current time

If it is confirmed that transactions in which the subcontractor was involved are fictitious, it will have an impact on the consolidated financial results of the Company.

The impact will be greatest if all transactions prove to have been fictitious. In such case, the maximum impact on the consolidated financial results for the first three quarters of fiscal 2017 would be expected to result in the cancellation of about 2,300 million yen in revenue in the Broadcast segment, together with about 120 million yen in operating income, and 400 million to 600 million yen in extraordinary losses would be expected to be generated as actual damages. However, the amount of actual damages will change, depending on the amount of fictitious transactions and the treatment of tax expenses in prior years, and extraordinary losses, etc. could also change accordingly.

In addition, because the fictitious transactions continued for a long time, if the impact on financial results in prior years is determined to be large after its amount is identified, financial results in prior years could be revised.

[Maximum impacts expected in each fiscal year]

(Unit: million yen)

	Revenue	Operating income	Ordinary income	Net income attributable to owners of parent
First three quarters in FY2017	(2,288)	(114)	(114)	*1 —
FY2016	(2,744)	(142)	(142)	*2 (52)
FY2015	(2,163)	(113)	(113)	*2 (42)
FY2014	(1,647)	(83)	(83)	*2 (35)
FY2013	(1,187)	(60)	(60)	*2 (24)
FY2012	(844)	(43)	(43)	*2 (18)
FY2011	(612)	(31)	(31)	(20)
FY2010	(379)	(21)	(21)	(14)
FY2009	(217)	(12)	(12)	(7)
FY2008	(100)	(6)	(6)	(3)
FY2007	(43)	(3)	(3)	(2)
FY2006	(5)	(0)	(0)	(0)

- *1 The figure is unable to be disclosed at present because the impact on net income attributable to owners of parent could change significantly, depending on the impact on financial results and the treatment of tax expenses in prior years.
- *2 The impact could change, depending on the treatment of tax expenses, etc.

Because additional expenditures, etc. associated with this matter are not expected to arise, we expect that the impact on future cash flows will be limited.

3. Future measures

Because the impact of the transactions is unable to be determined at present, we have decided to postpone the announcement of consolidated financial results for the first three quarters of the fiscal year ending March 31, 2018, which we planned to make on January 30, 2018.

While we will be making every effort to investigate this matter and determine the amount of impact, we have not yet set the date of announcement as the investigation and points to be checked cover a broad range, as described above. If it proves impossible to determine the amount of impact by February 14, the deadline for submitting the quarterly securities report, we will apply for an extension of the deadline for filing the quarterly securities report and immediately make disclosure to that effect.

With regard to the full-year results forecasts for the fiscal year ending March 31, 2018, we will also disclose revised forecasts promptly if a revision becomes necessary after determining the amount of impact.

In addition, if the revision of financial results in prior years becomes necessary as a result of the investigation, we will promptly submit the revised reports for the annual securities report and the quarterly securities report and disclose the revised summary of financial results.

To properly clarify the entire picture of this matter and investigate the cause, the Company has established an Internal Investigation Committee consisting of a corporate lawyer, outside directors and the legal department, etc. of the Company. The Investigation Committee will take the lead in conducting the investigation within the Group and will consult with the investigating authorities as needed when the amount of damages at Fishing Vision has been broadly determined.

We offer our sincerest apologies once again to our shareholders and customers and all stakeholders for the trouble and concern about these fictitious transactions.

All officers and employees of the Group are united in their determination to prevent a recurrence, and we continue to ask for the understanding and support of all of our stakeholders.

End

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