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Press Release

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Broadmedia Corporation Announces Submission of Application for Approval of Postponement of Announcement of Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2018

Broadmedia Corporation (hereinafter the “Company”) has decided to submit an application for approval of the postponement of the announcement of the financial results stated above with the Kanto Local Finance Bureau based on Section 1, Subparagraph 2, Paragraph 15, Article 17 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc. Details are as follows.

1. Announcement of financial results for which the application will be filed
Announcement of financial results for the third quarter of the 22nd Term (the fiscal year ending March 31, 2018)
(Covering the period from October 1, 2017 to December 31, 2017)
2. Deadline for announcement before postponement
February 14, 2018
3. Deadline for announcement if the application for postponement is approved
March 14, 2018

4. Reasons for the need to postpone the announcement

The Company learned that there was a strong possibility that a subcontractor for Fishing Vision Co., Ltd. (hereinafter “Fishing Vision”), its consolidated subsidiary, had fabricated transactions, claiming that they had been undertaken for outsourced video production for which Fishing Vision had recognized and posted revenue, expenses and the like as normal transactions for about 10 years, as stated in its press release dated January 30, 2018, “Broadmedia Corporation Announces Damages from Fictitious Transactions Suffered by a Consolidated Subsidiary and Postponement of Announcement of Financial Results for the First Three Quarters of the Fiscal Year Ending March 31, 2018.”

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.

Fishing Vision and the Company received the report on January 16, 2018 and commenced their investigations on the same day. However, they expect that a full understanding of the details will require a considerable period of time because the items for investigation and confirmation are wide-ranging. As the maximum impact on the consolidated financial results for the first three quarters of fiscal 2017, the Company anticipates the cancellation of about 2,300 million yen in revenue and about 120 million yen in operating income, and extraordinary losses of 400 million yen to 600 million yen, assuming that all the transactions for outsourced video production were fictitious.

The Company must also finalize the sum of the fictitious transactions and correct its financial results and quarterly financial results for past fiscal years and periods up to the first two quarters of the ongoing fiscal year in cases where investigations confirmed that the transactions concerned were fictitious. This is the case because the transactions continued for up to 10 years and their sum is large.

For those reasons, the Company decided to apply for the postponement of the announcement based on its assessment that the announcement of the quarterly financial results concerned by the deadline for announcement prescribed in Section 1, Subparagraph 7, Paragraph 4, Article 24 of the Financial Instruments and Exchange Act will be difficult.

In addition, the Company established the Internal Investigation Committee consisting of a corporate lawyer, its outside directors, members of its legal department and the like on January 30, 2018 for the purposes of clarifying the full picture of this incident and investigating its cause fairly. The Internal Investigation Committee is expected to require about one month (February 1 to February 28) to examine the authenticity of the transactions, confirm the account books and interview interested parties, and about two additional weeks (March 1 to March 14) to compile the reports. The Company expects to require about two weeks (February 26 to March 9) to prepare its financial statements for past and ongoing fiscal years properly based on the results of investigations by the Internal Investigation Committee. Jinchi Audit Corporation is anticipated to require about one month (February 14 to March 14) to audit the financial statements.

5. Outlook for the future

The Company will make a prompt announcement when the latest application for the postponement of the announcement is approved.

The Company offers its sincerest apologies to shareholders, customers and other stakeholders for causing them significant difficulties and concerns in connection with this decision to apply for the postponement of the announcement.

End

For inquiries regarding this press release:

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