



March 14, 2018

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

## **Broadmedia Corporation Announces Submission of Application for Approval of Additional 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 an additional 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  
March 14, 2018
3. Deadline for announcement if the application for postponement is approved  
April 13, 2018
4. Reasons for additional postponement of 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 a result, the Company needs to 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. However, as it takes a considerable period of time to investigate and determine the effect, the Company decided 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. It then submitted an “Application for Approval of the Deadline for the Announcement of the Quarterly Financial Results” dated February 13, 2018.

As stated in its press release announced on February 14, 2018 “Broadmedia Corporation Announces Approval of Postponement of Announcement of Financial Results for the First Three Quarters of the Fiscal Year Ending March 31, 2018,” the postponement of the announcement of the financial results for the first three quarters of the fiscal year ending March 31, 2018 was approved and the Internal Investigation Committee had been leading the investigation to submit the financial results for the first three quarters of

the fiscal year ending March 31, 2018, attaching an audit review report expressing an unqualified opinion by the deadline of March 14.

The Company acknowledges that the matter is a case of fraud where the principal offenders are the Representative Director and a board member of a subcontractor of the Company; also judging from a report by a lawyer on behalf of said subcontractor to the effect that this is a fraud committed by said subcontractor. The Internal Investigation Committee also reports that it is highly likely that no one has engaged in the fictitious transactions within the Company Group including Fishing Vision according to the investigation so far. However, as a result of a consultation with the accounting auditor, the Company decided to conduct an investigation equivalent to internal fraud cases to make a more careful decision, and it is therefore now conducting an analysis and inspection of entertainment expenses including duplicate inspections of clients/suppliers, duplicate inspections of insiders/suppliers, inspections of internal approval documents, revenue transitions, etc.

Furthermore, in addition to the occurrence of the supplemental investigation mentioned above, it took time to determine which transactions are highly likely to be genuine transactions since the submission of materials from the subcontractor was delayed in the investigation for identifying the fictitious transactions. As a result, the number of transactions that are highly likely to be genuine transactions increased, and thus the items to be checked with the clients increased more than expected. Furthermore, confirmation of the audit status for the periods in which a former audit corporation was an accounting auditor is taking longer than expected. As a result, the investigation is not yet complete.

Therefore, the Company decided 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. Unfortunately indeed, the Company decided to apply for an additional postponement of the deadline.

In addition, as a reason for requiring one month for submission after the additional postponement, the Company expects to require about 3 weeks to survey and compile the reports which were requested by the current audit corporation for the additional investigation by The Internal Investigation Committee, and about two weeks will be needed for the predecessor audit corporation to view the audit work record. After that, it is expected that about 25 days will be required for the audit procedure including the past and ongoing fiscal years properly based on the results by the current audit corporation.

## 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 those significant difficulties and concerns in connection with this decision to apply for the postponement of the announcement.

End

For inquiries regarding this press release:

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