



April 13, 2018

Press Release

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## **Notice Concerning Disclaimer of Conclusion in a Quarterly Review Report**

Broadmedia Corporation (hereinafter referred to as the “Company”) announced today that the Company has today received a report on the quarterly reviews of consolidated financial statements for the first three quarters of the fiscal year ended March 31, 2018 in which a disclaimer of conclusion was stated. Details are as follows.

Following its receipt, the Company will today submit a report on the financial results for the first three quarters of the fiscal year ended March 31, 2018.

1. Name of the audit corporation that performed the reviews

Jinchi Audit Corporation

2. Details of the quarterly review report

The details of the quarterly review report on the financial results for the first three quarters of the fiscal year ended March 31, 2018 are as follows.

### **Responsibilities of management executives for quarterly consolidated financial statements**

Management executives are responsible for preparing quarterly consolidated financial statements in accordance with the criteria for their preparation that are generally accepted as fair and reasonable in Japan, and for presenting those financial statements properly. Their responsibilities include the establishment and operation of the internal control that they judge to be necessary for preparing the quarterly consolidated financial statements with no material false statements due to dishonesty or errors, and for presenting them properly.

### **Responsibilities of auditors**

This audit corporation is responsible for stating a conclusion on the quarterly consolidated financial statements from an independent position based on the quarterly reviews it performs in accordance with the criteria for such reviews that are generally accepted as fair and reasonable in Japan.

However, this audit corporation was unable to obtain evidence that could be the basis for stating a conclusion due to the matters stated in “Grounds for disclaimer of conclusion.”

**Grounds for disclaimer of conclusion**

As stated in the additional information section, the Company confirmed that fictitious transactions had existed and reflected the cancellation of the effects of such transactions on its accounting treatment.

The Internal Investigation Committee established by the Company undertook investigations in connection with the fictitious transactions concerned. In addition, the Company decided to establish a third-party committee for investigating the transactions further. However, those investigations have not been completed as of the date on which this quarterly review report is submitted. For this reason, the assessment of the investigations by this audit corporation has not been completed, making it impossible for the corporation to establish their effects. Furthermore, in cancelling the effects of the fictitious transactions, the Company revised its consolidated financial statements and quarterly consolidated financial statements for the past fiscal years. However, this audit corporation has not completed a portion of its audit procedures for the effects of the revisions concerned. Consequently, this audit corporation was unable to judge whether or not the revisions of the quarterly consolidated financial statements mentioned above were necessary.

**Disclaimer of conclusion**

In view of the importance of the effects that the matters stated in “Grounds for disclaimer of conclusion” may have on the quarterly consolidated financial statements, this audit corporation states no conclusion regarding whether matters, which cause it to believe that the quarterly consolidated financial statements mentioned above do not properly present the financial position of the Company and its consolidated subsidiaries as of December 31, 2017, their business results and the state of their cash flows in the first three months that ended on the same date, are recognized in all important respects or not in the quarterly reviews performed by the corporation.

**3. Date on which the quarterly review report was received**

April 13, 2018

**4. Circumstances for the Company and future measures**

The Company received an investigative report on damages from fictitious transactions suffered by Fishing Vision Co., Ltd. (hereinafter referred to as “Fishing Vision”), its consolidated subsidiary, from the Internal Investigation Committee, and identified all transactions that were fictitious as informed in a press release dated January 30, 2018 titled “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 titled “Notice of Current Status Related to Damages from Fictitious Transactions Suffered by a Consolidated Subsidiary.”

Consequently, the Company is performing accounting treatment to fully cancel the revenues from the transactions concerned and their costs. The Company is confirming the method for recognizing the fictitious transactions concerned, the transactions covered, their effects and the accounting treatment method for them with the audit corporation. The Company has received no particular comments or the like from the audit corporation to date.

Investigations conducted by the Internal Investigation Committee confirmed that no fictitious transactions existed outside this case. For this reason, the Company understands that revisions in connection with the damages from the fictitious transactions suffered by Fishing Vision have been completed in the financial statements for the first three quarters of the fiscal year ended March 31, 2018 to be submitted on this occasion.

In the meantime, the audit corporation reported to the Company that it had not completed a portion of the audit procedures regarding the effects that the revisions of consolidated financial statements and quarterly consolidated financial statements for the past fiscal years may have on the financial results for the first three quarters of the fiscal year ended March 31, 2018.

Moreover, an insider who had completed interviews and investigations by the Internal Investigation Committee reported to the Company that additional investigations should be undertaken of the directors of the Company. The Company understands that the Internal Investigation Committee performed necessary and sufficient investigations. However, the Company judges that the scope of the investigations must be expanded more cautiously after repeating the examinations of the possibility mentioned in the report concerned that its directors may have been aware of the fictitious transactions. This judgment led the Company to its decision to establish a third-party committee to conduct additional investigations.

For the reasons described above, the audit corporation stated a disclaimer of conclusion.

As stated above, however, the Company understands that the identification of the effects of the damages from fictitious transactions suffered by Fishing Vision and accounting treatment for their effects have been completed. The Company decided to prepare and submit a report for the first three quarters of the fiscal year ended March 31, 2018 based on the assessment that a further delay in the submission of the report concerned would cause disadvantages to stakeholders. The Company may, however, revise the report in cases where investigations by a newly established third-party committee identify other types of improper accounting treatment and the like.

The Company believes that the audit procedures for accounts closed at the end of the fiscal year ended March 31, 2018 will take time because the account closing procedures for the first three quarters of the same fiscal year were extended. In spite of this situation, the Company plans to submit a securities report including an opinion of the audit corporation by its deadline, which is the end of June 2018.

The Company is also preparing to revise its securities reports and quarterly reports submitted for the past fiscal years and the first two quarters of the fiscal year ended March 31, 2018 to reflect damages from fictitious transactions suffered by Fishing Vision, based on the assessment that financial statements constituting important matters must be revised. However, audit procedures in connection with the revised reports are expected to require more time. For this reason, the Company plans to submit the revised reports concerned before the deadline for submitting a securities report for the fiscal year ended March 31, 2018.

End

For inquiries regarding this press release:

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