



# FY2007 (ended September 2007) Interim Consolidated Financial and business Results

Faith, Inc.  
November 16, 2007



Mobile



Game



Internet



Computer



Technology

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## Agenda

1. **FY 2007 Interim Consolidated Financial Results**
  - Highlights of Consolidated Financial Results
  - Results of Content Business
  - Results of Electronic Money Business
  - Results by Segments
2. **FY07 Highlights of Business Development**
3. **Growth Strategy of Faith Group**
  - Business Environment
  - Multi Platform & Multi Contents
  - NFRM Service
  - GPass
4. **FY07 Financial Forecast for the Business Results**



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# FY 2007 Interim Consolidated Financial Results



Mobile



Game



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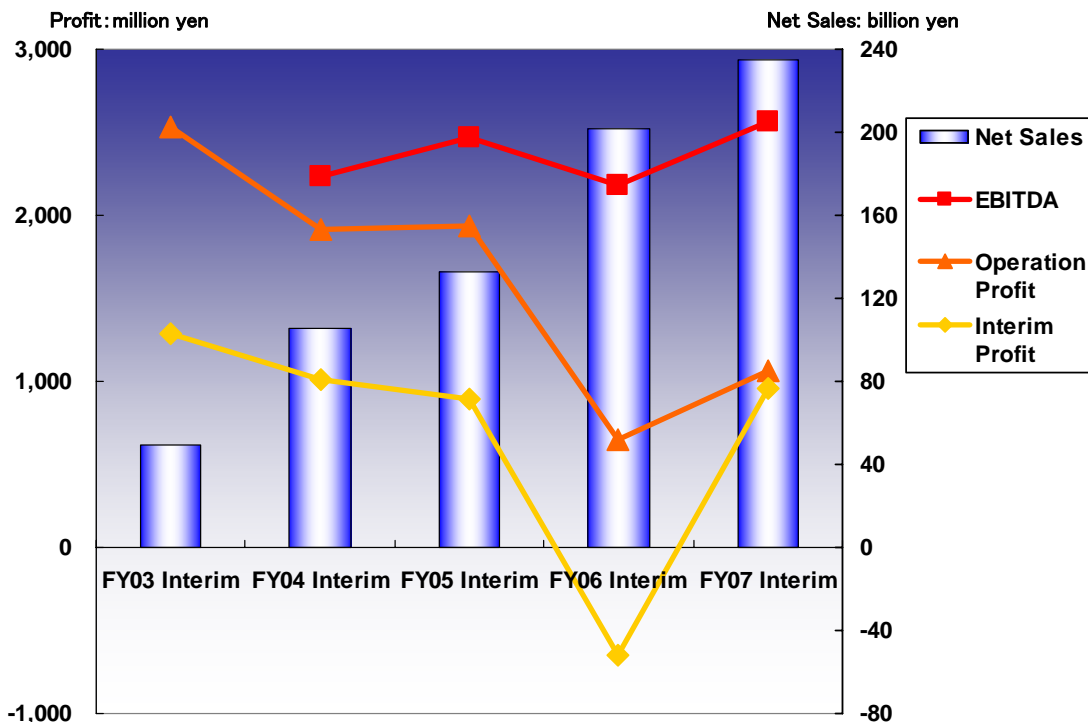
Computer



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## Highlights of Consolidated Financial Result

Expansion of Electronic Money business, Domestic Contents business balanced out the revenue decline caused by overseas business restructuring, etc., and achieved continuous high growth of net sales.  
All the profit indicators show increase due to the restructuring of overseas business, etc.



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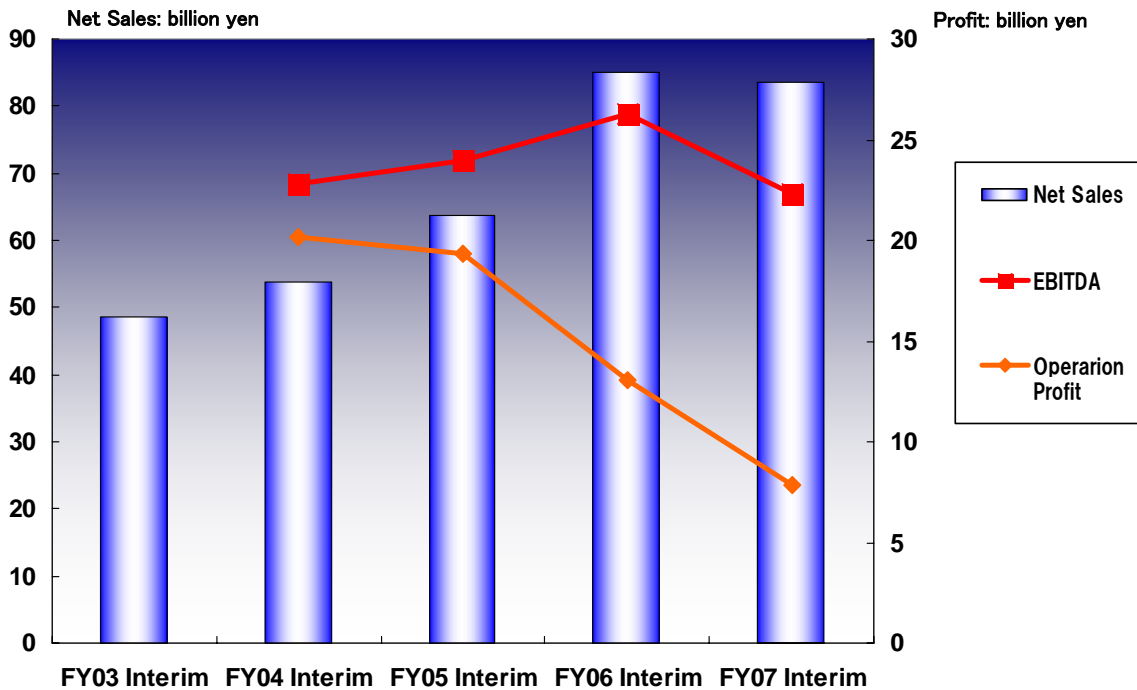


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# FY07 Interim Financial Result for the Contents business



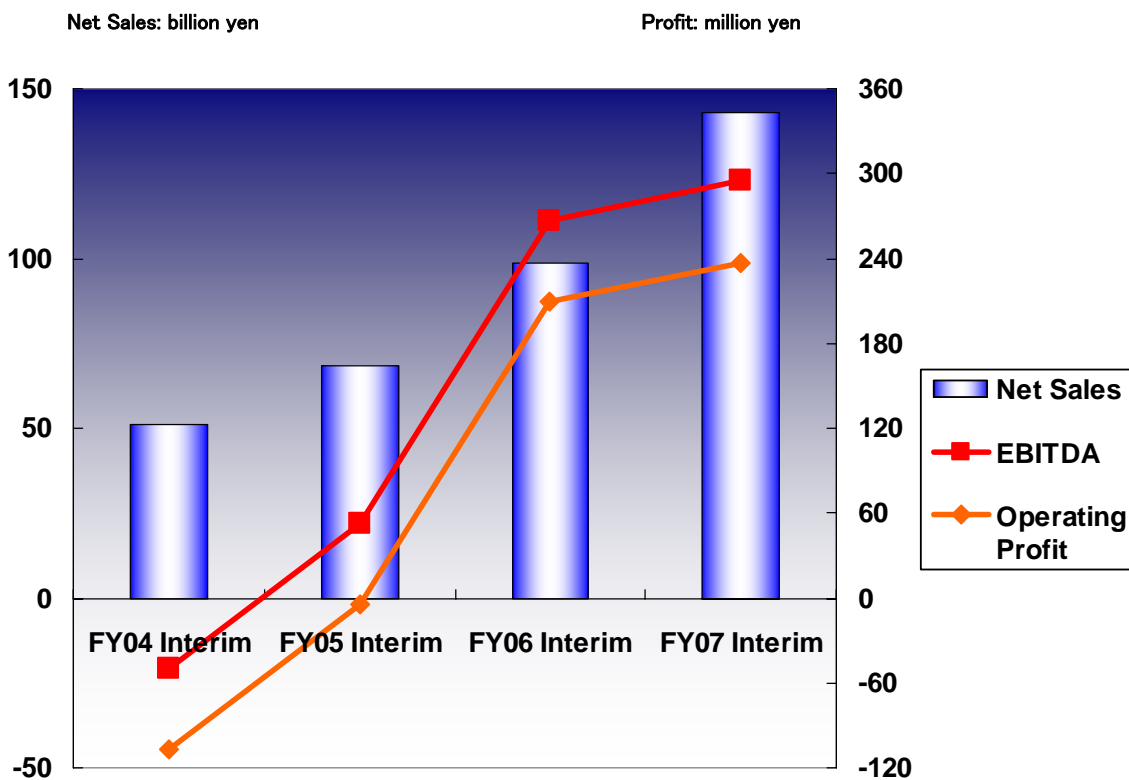
Net sales decreased due to the overseas revenue decline caused by restructuring, in spite of the steady growth of domestic sales, Profit decreased as well due to the priority investment for the creation of new market and the increased expense of rich-content purchase.



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# FY07 Interim Financial Result for the Electronic Money Business



- Mobile
- Game
- Internet
- Computer
- Technology

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# Consolidated Balance Sheet

Cash equivalent increased by ¥3.9 billion, interest bearing debt decreased by ¥2.9 billion, and contributed to increase net cash. (△31 → +¥3.7 billion)  
 Capital adequacy ratio improved 2.8 points. (38.6%→41.4%)



End of March 2007

End of September 2007

End of March 2007		End of September 2007	
Cash & Deposit 82	Short term borrowings 52	Cash & Deposit 121	Short term borrowings 30
Accounts & Notes Receivable 69	Trade notes & Accounts payable 46	Accounts & Notes Receivable 69	Trade notes & Accounts payable 49
<b>Current Asset 200</b>	<b>Current liabilities 154</b>	<b>Current Asset 215</b>	<b>Current Liabilities 138</b>
Tangible fixed assets 10	Long-term liabilities 61	Tangible fixed assets 8	Long-term liabilities 53
Intangible fixed assets 111	Fixed Liabilities 80	Intangible fixed assets 101	Fixed liabilities 78
Investment & other assets 52	Common Stock 32	Investment & other assets 48	Common stock 32
Fixed assets 194	Capital Surplus 37	Fixed assets 169	Capital Surplus 37
	Retained earnings 72		Retained earnings 81
	<b>Total net assets 159</b>		<b>Total net assets 168</b>
<b>Total Assets 394 billion yen</b>	<b>Total Liabilities 235 Bln yen</b>	<b>Total Assets 384 billion yen</b>	<b>Total Liabilities 216 Bln yen</b>
	<b>Interest Bearing Debt 113 Bln yen</b>		<b>Interest Bearing Debt 84 Bln yen</b>



## FY07 Highlights of Business Development 1

Contents

- Acquired all rights of Rose Online Evolution in Japan.
- GIGA Networks\* made MVP\* and Media Complex (MC)\* its subsidiary to build up video production and distribution business targeting mobiles and PCs.
- Established Faith.Biz\* aiming to develop new market and to expand business by creating new distribution platforms.
- GIGA Networks\* started commercial use of NFRM\*\*.
- Medical Communication\* launched “Pocket QTM Health Check Service.”
- Desperado\* started distribution of its own products to mobiles and PCs.
- Brave\* strengthened e-commerce front working with Faith.Biz\*, through acquisition of “MusicDoor.”



\* Ref page 41-44 regarding subsidiaries  
 \*\*Ref page 15-22 regarding NFRM service

# FY07 Highlights of Business Development 2



## Contents

- Realignment of content distribution business in China (sale of AnyMusic)
- Preinstall of “NFRM PC Viewer\*” for Sony ‘s 2007 autumn model of VAIO.
- NFRM demonstration connecting mobiles and Sharp ‘s internet “AQUOS” held using infrared communication.
- Three films Desperado involved made entry to the 20th Tokyo International Film Festival.
- Launch of “KAZAS Channel” , a NFRM portal site on “Osaifu Keitai” mobile menu for i-mode.

## Electronic Money

- Form a partner ship with Napster for Electronic payment
- Improve usability for mobile phone users through QR code enablement.
- IPO approved in JASDAQ Security Exchange ‘ s new market NEO



\* Ref. .page 21      \*\*Ref. page 45

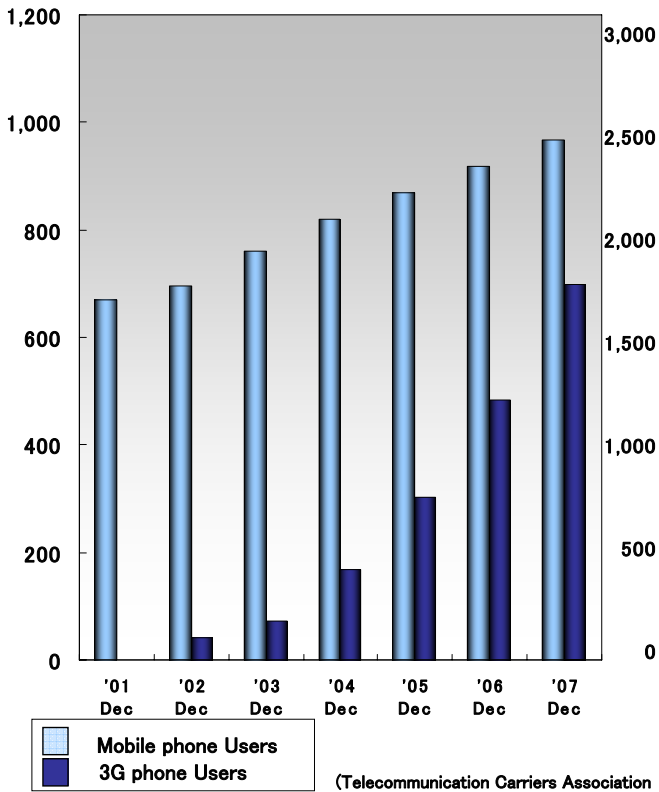
# Growth Strategy



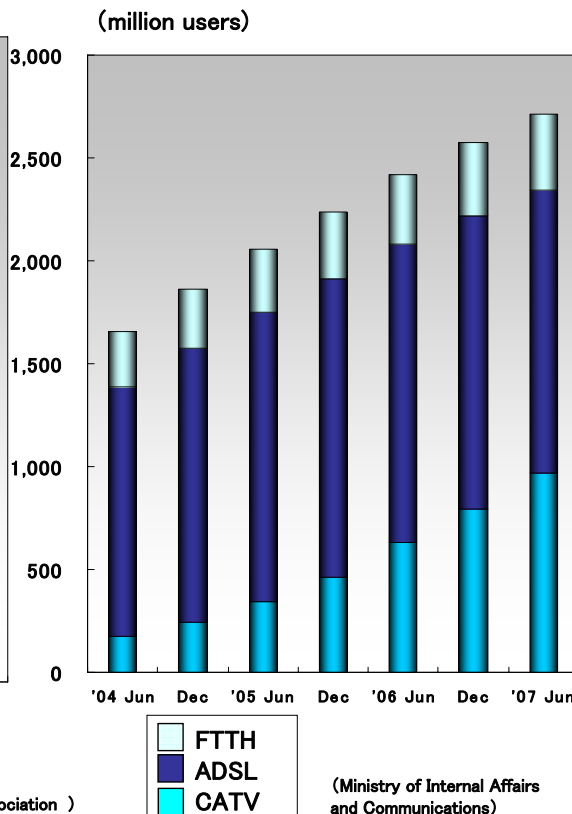
# Evolution of Networks – the coming age of rich content distribution



Number of 3G mobile phone subscribers  
(million users)

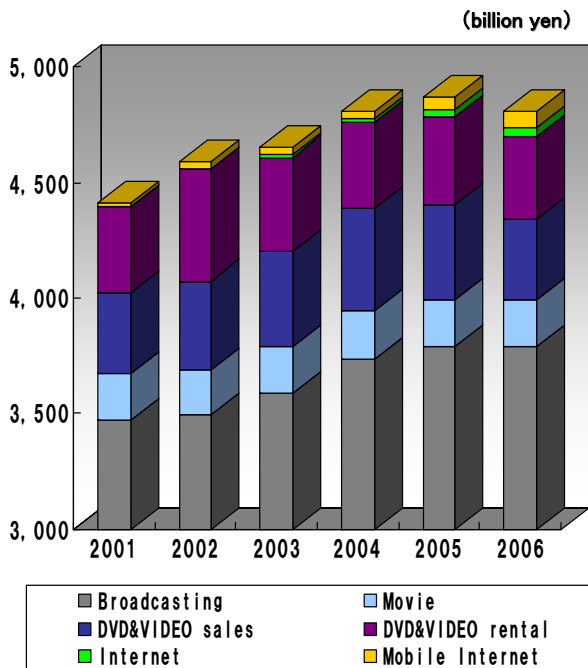
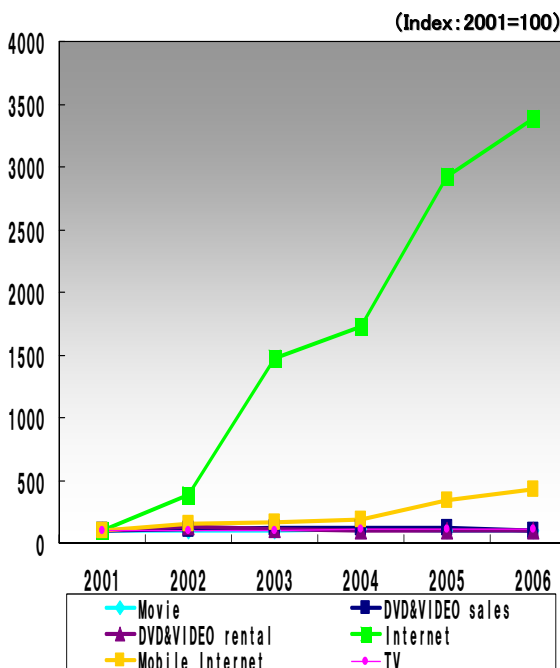


Number of broadband users  
(million users)



## Current State of Video Content Market Distribution

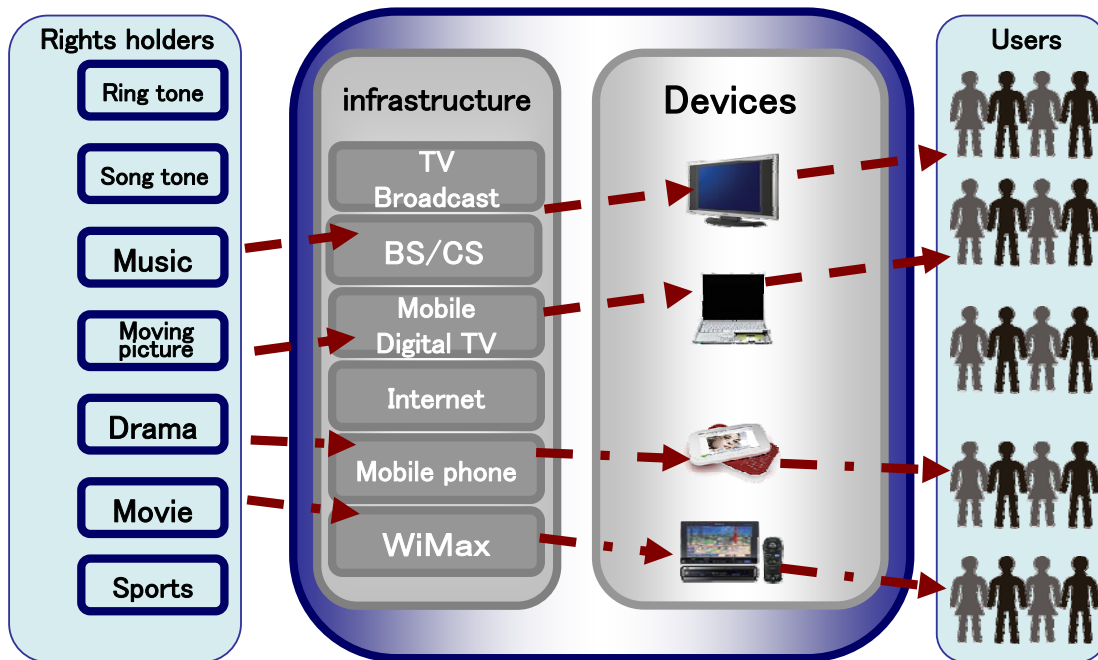
Small scale of distribution market in spite of the remarkable growth



# Shift-up to Multi-Platform and Multi-Contents Distribution



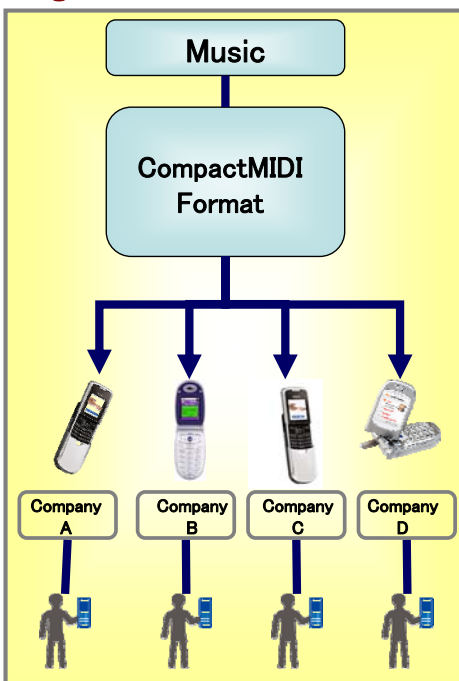
To distribute wide variety of contents to any users with various terminals connected by various infrastructure.



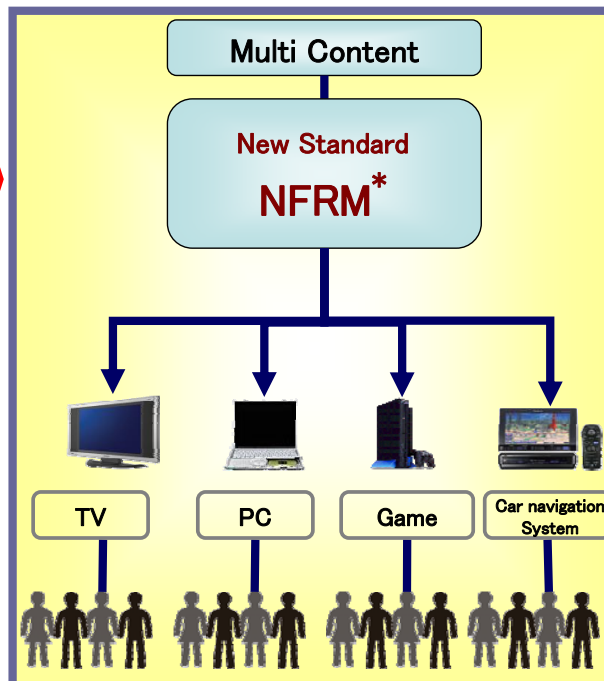
# Creation of New Standard to Realize Multi-Platform and Multi-Contents Distribution



Creation of New Standard for Ring-Tone Distribution



Creation of New Standard and Structure for Video Distribution

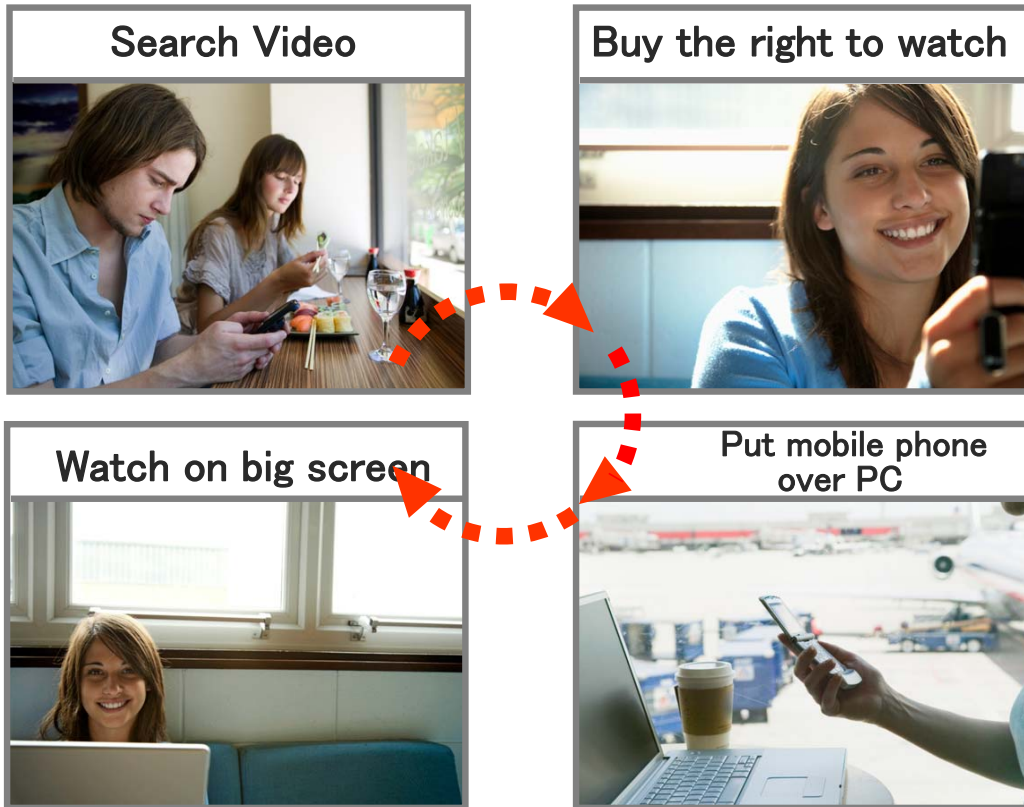


Make it possible to reach even wider audience

\*Near Field Rights Management®: New rights authentication technology developed by Faith

# NFRM Service 1

Creation of New Standard for Video Distribution Utilizing NFRM Authentication Technology

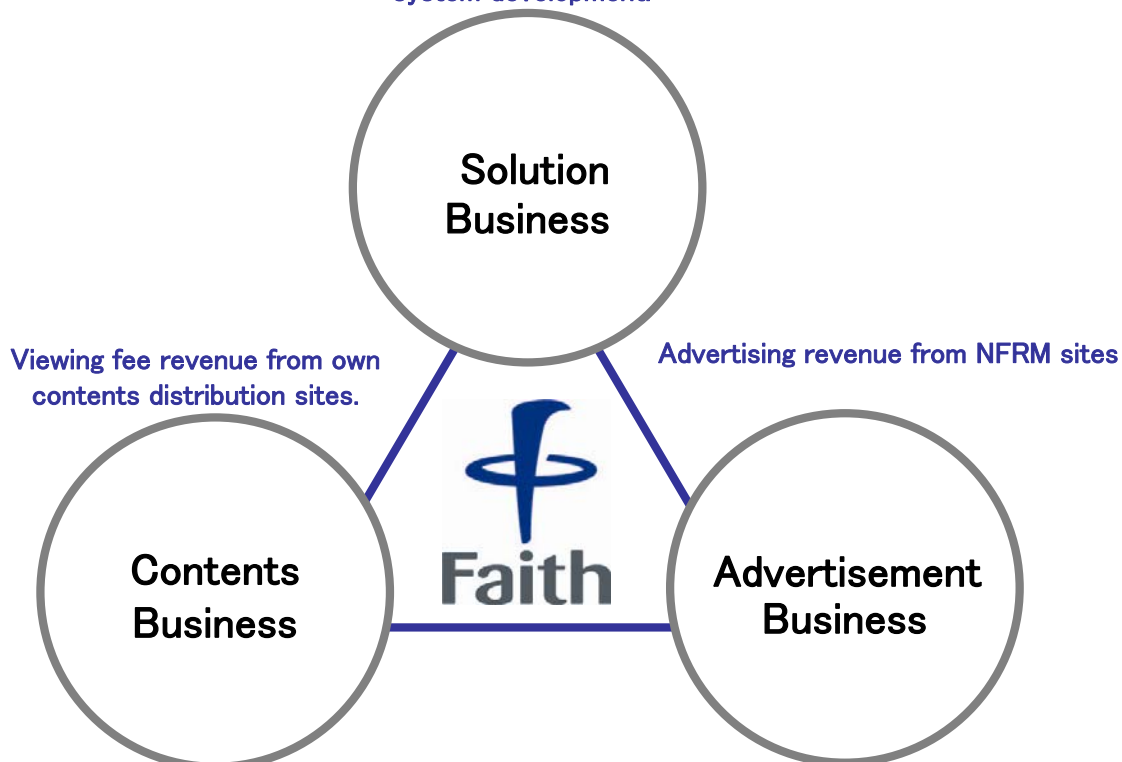


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# NFRM Service 2

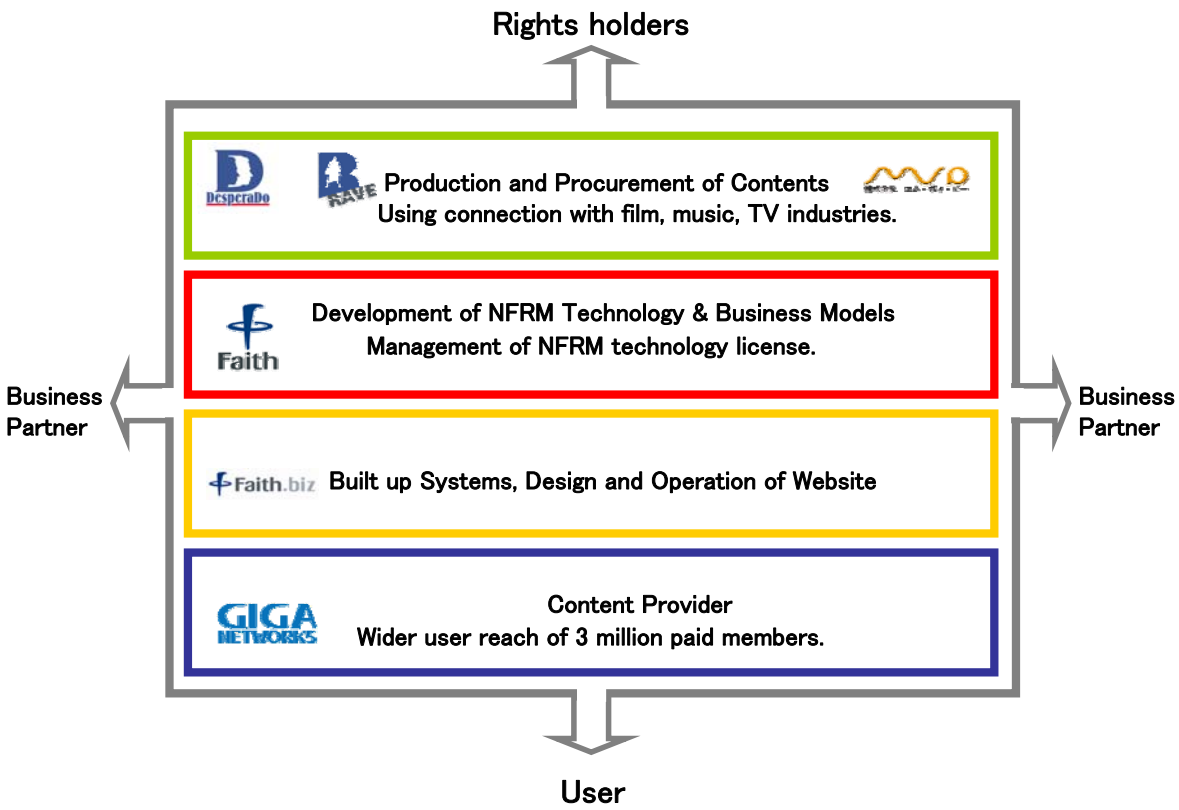
## Business Model for Viewing Rights Authentication

Charges for using the authentication platform, and for system development.



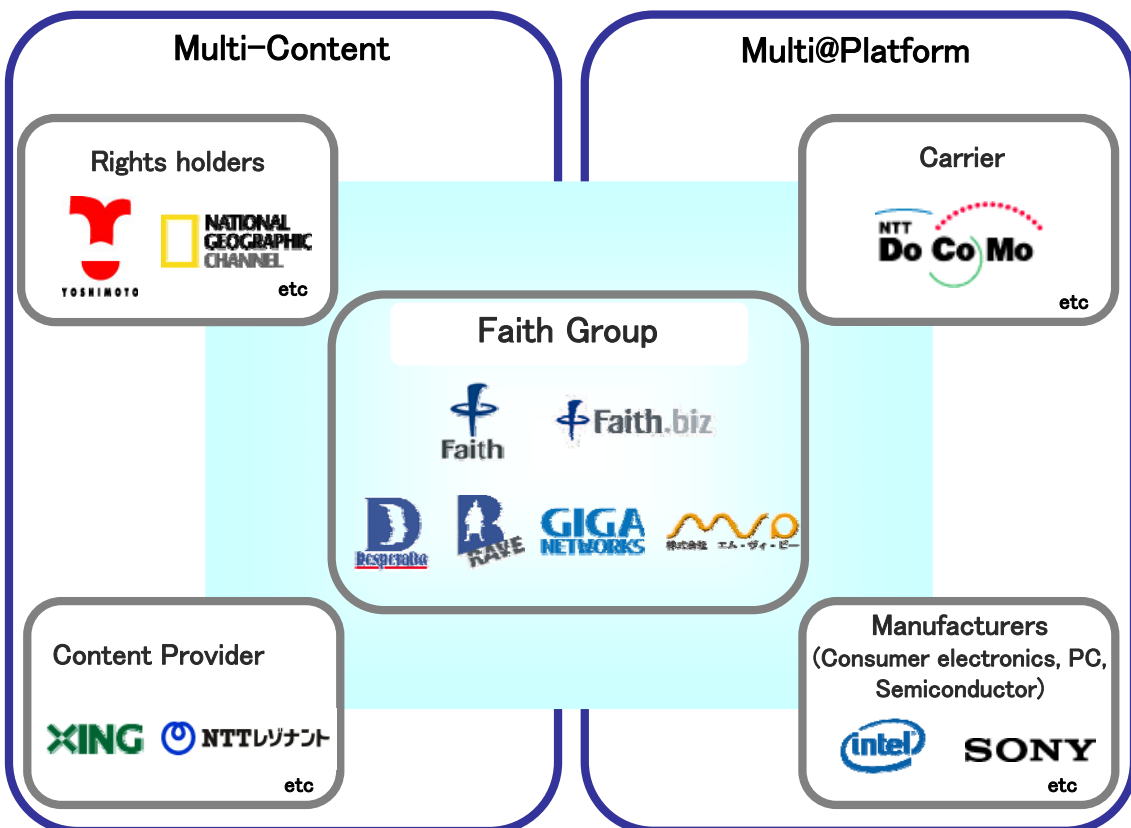
-  Mobile
  -  Game
  -  Internet
  -  Computer
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# NFRM Service 3 Faith Group's Provision One-Stop Solution for Contents Distribution



- Mobile
  - Game
  - Internet
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# NFRM Service 4 Creation of New Market for Multi-Platform and Multi-Contents Distribution



- Mobile
  - Game
  - Internet
  - Computer
  - Technology
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# NFRM Service 5

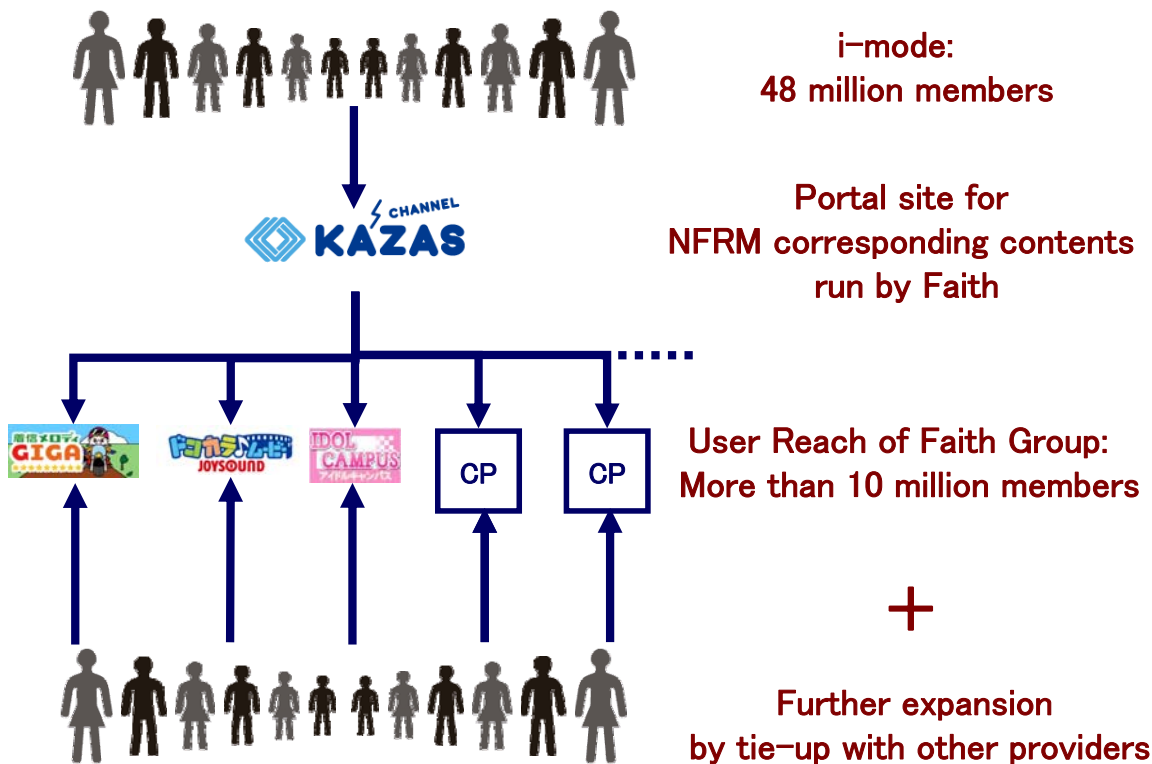
## Acceleration of Market Creation through Business Alliance



<p><b>Hajime Hirasawa</b> CEO Faith, Inc</p>	<p><b>Isao Yoshino</b> President Yoshimoto Kogyo Co., Ltd.</p>	<p><b>Kazumasa Yoshida</b> Co-president Intel K.K. (Japan)</p>
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- Mobile
- Game
- Internet
- Computer
- Technology

# NFRMService 6 Expansion of User reach



- Mobile
- Game
- Internet
- Computer
- Technology

# NFRM Service 7

## Rapid Progress of Multi-Platform and Multi-Contents Distribution



### Challenges

### Progress

#### ● Improvement of User Environment

Needs "Osaifu Keitai" mobile and FeliCa Port.

Needs to install a video viewing application.

⇒ Held demonstration connecting mobiles and Sharp's internet "AQUOS" using infrared communication.

⇒ Preinstalled for Sony's 2007 autumn model of VAIO series.

#### ● Upgraded Services and Improvement of Contents

⇒ GIGA Networks started first commercial use of NFRM.

Launched NFRM portal site "KAZAS Channel"

Xing and NTT Resonant also started distribution of NFRM corresponding contents.



# GPass(GamePass)

## Application of Authentication Technology NFRM



### ■ What's GPass(GamePass)

"Login Authentication Technology" utilizing NFRM

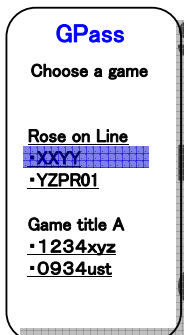
### ■ User's benefit

a. Able to login by just holding a mobile on PC.

Choose a game on "Osaifu Keitai" Mobile → Hold It Over FeliCa Installed PC → Auto-login to the game → Payment Method Carrier, WebMoney, etc

(Automatic login system)

Safely storing all the IDs and passwords registered for each game



Recognized

Settled



## FY07 Financial Forecast



Mobile



Game



Internet



Computer

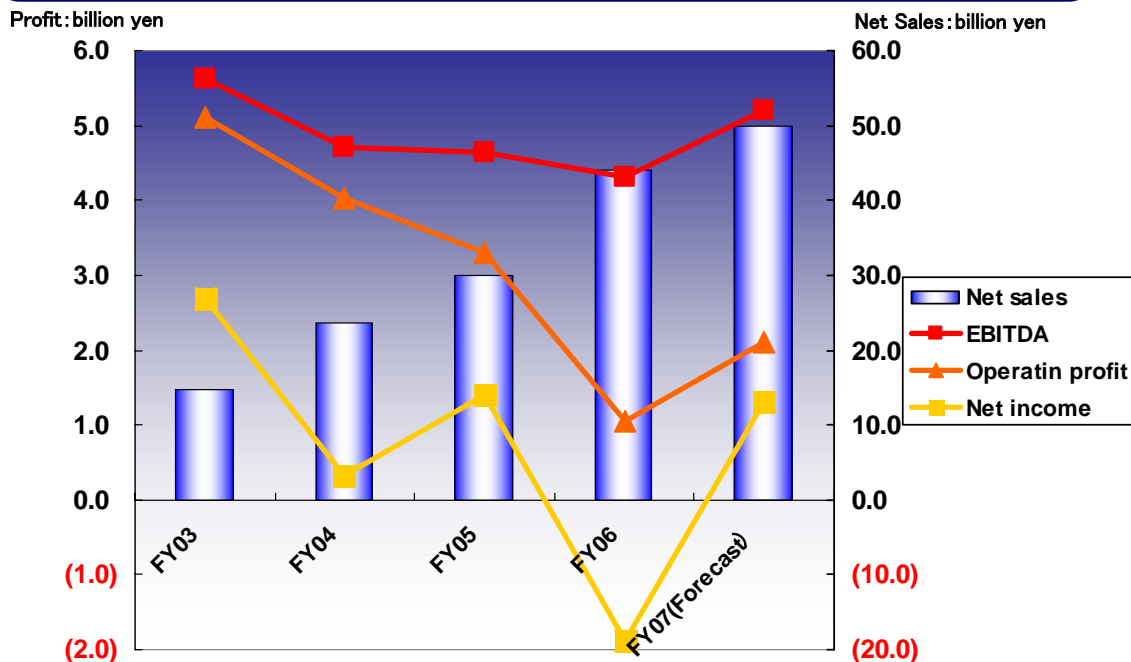


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## Financial Forecast

Significant growth of the group pushed up net sales in spite of the decline of overseas business caused by the realignment and scale down of ringtone sector. Also increase of operating profit is expected due to the expansion of the group and restructuring of overseas business.



Though operating profit for interim period exceeded the forecast, the annual forecast of net sales and operating profit are kept as the original figures, since the up-front for the creation of NFRM oriented new market earmarked for the first-half was carried forward.



Mobile



Game



Internet



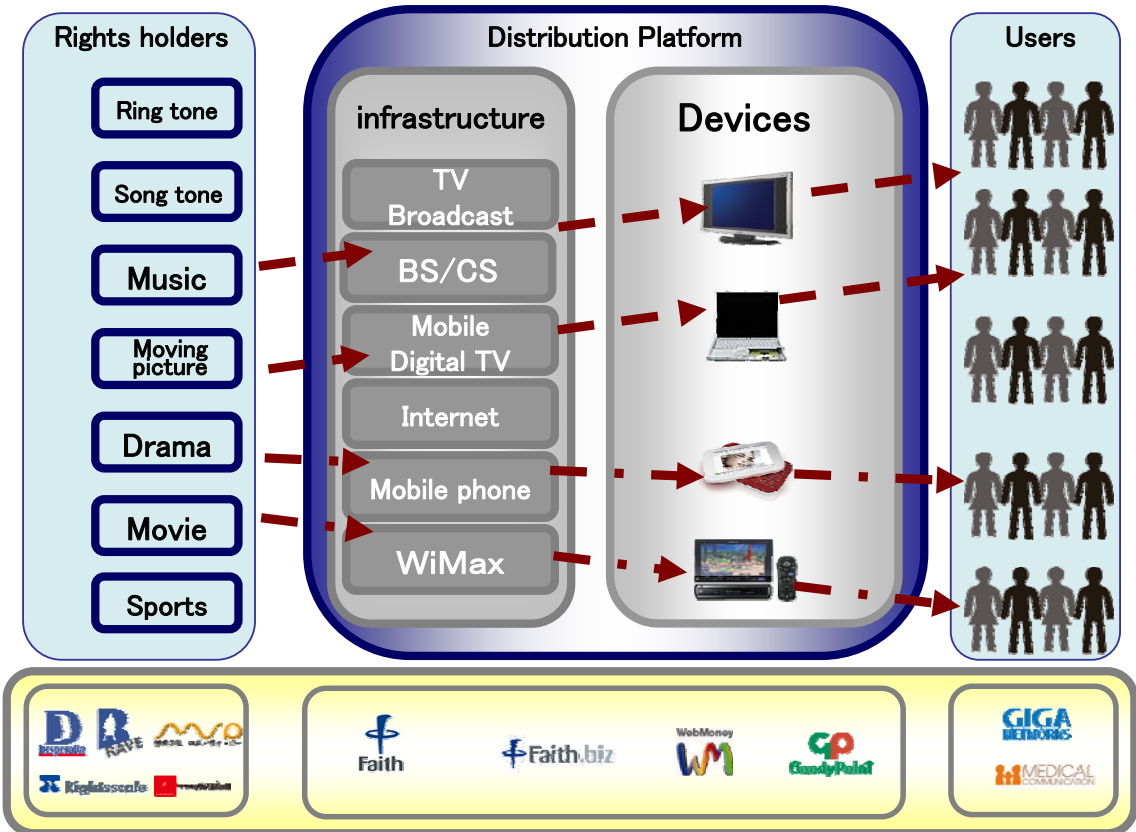
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# Faith Group and Alliance's Approach to Realize Multi-Platform and Multi-Contents Distribution



## Notice

This document and its supporting documents contain projections of our company's future performance. These are estimates by the management of Faith based on currently available information. There are potential risks and uncertainties that may affect the results. Please be advised that actual performance may differ significantly from the forecast.



## Supplemental Data



Mobile



Game



Internet



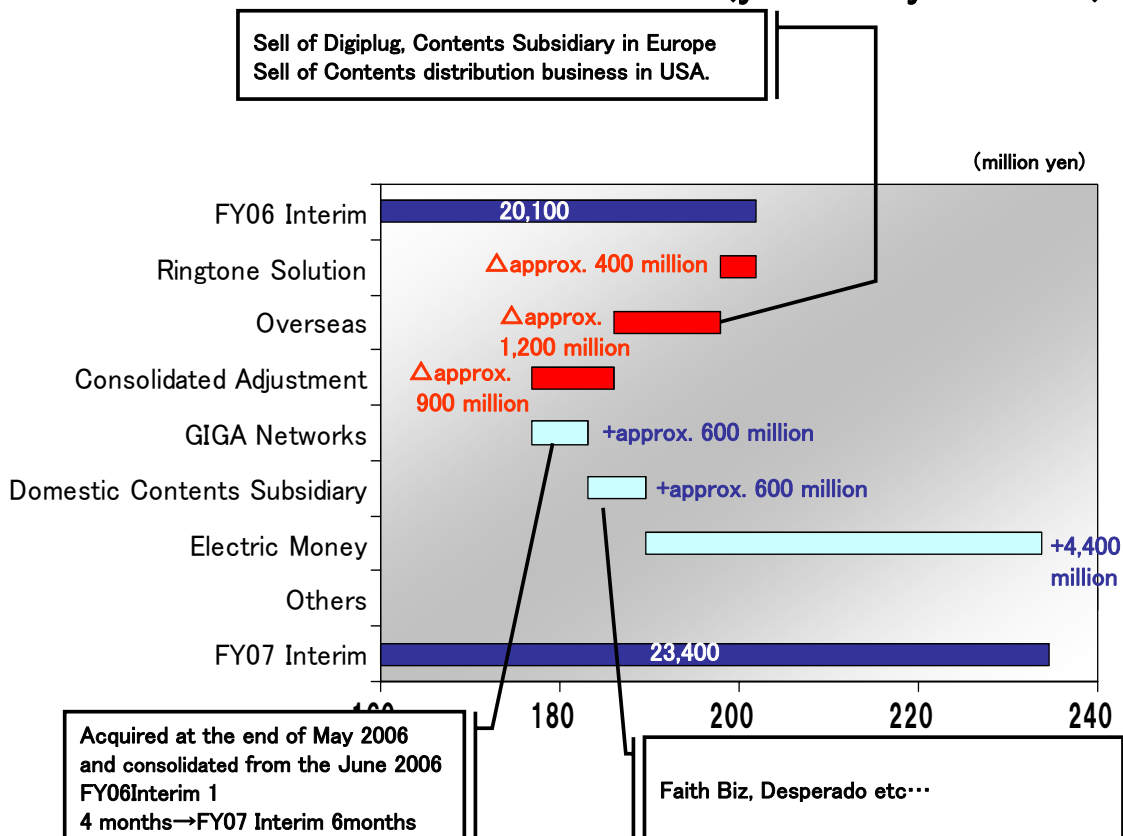
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## FY07 Interim Consolidated Net Sales (year-on-year basis)



Mobile



Game



Internet



Computer



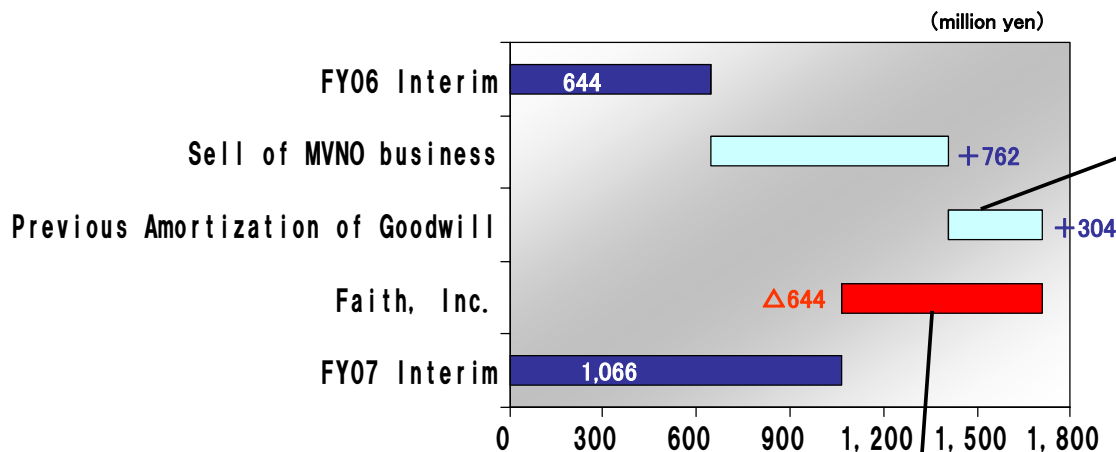
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# FY07 1Q Consolidated Net Sales (year-on-year basis)



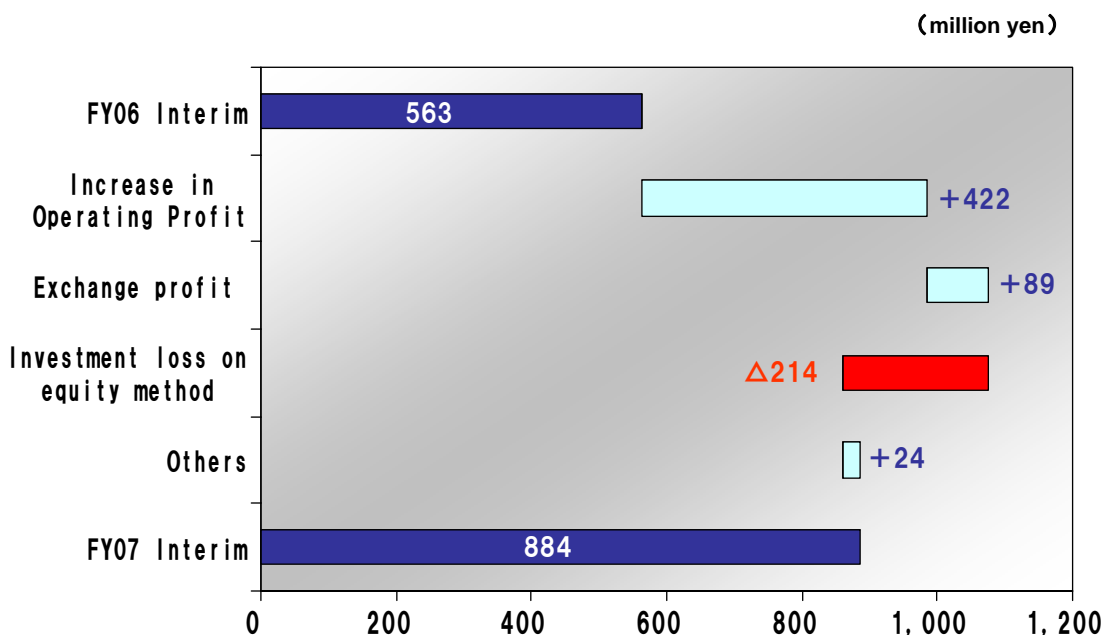
Goodwill amortization for interim period of FY06: Take Net ¥266mil., Goody Point ¥38mil.  
Not accrued for interim of FY07 because it was recorded as one-time amortization in the previous period.



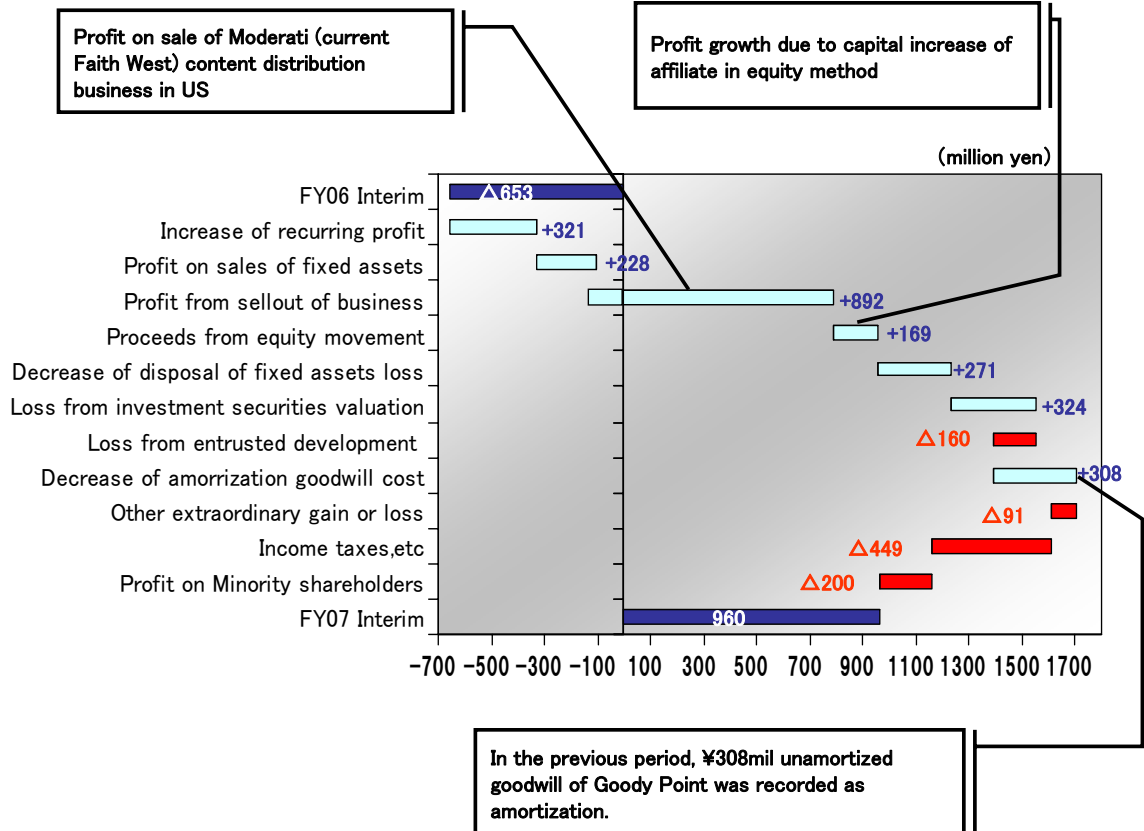
Sales of ringtone distribution solution decreased by approx. ¥400mil  
Advertising expense increased by approx. ¥200mil  
Licensing fee for distribution increased by approx. ¥100mil



# FY07 Interim Recurring Profit (year-on-year basis)



# FY07 Interim Net Income (year-on-year basis)



# FY 07 Interim Financial Result (by segment)

(million yen)



	FY04 Interim			FY05 Interim			FY06 Interim			FY07 Interim		
	Year-on-year change (Amount)	Year-on-year change (%)		Year-on-year change (Amount)	Year-on-year change (%)		Year-on-year change (Amount)	Year-on-year change (%)		Year-on-year change (Amount)	Year-on-year change (%)	
<b>Net Sales</b>	10,521	5,602	113.8%	13,249	2,728	25.9%	20,193	6,944	52.4%	23,452	3,259	16.1%
Content-distribution Services	5,390	530	10.9%	6,373	983	18.2%	8,542	2,169	34.0%	8,345	▲ 197	-2.3%
Electronic Payment Business	5,127	-	-	6,854	1,727	33.6%	9,891	3,037	44.3%	14,300	4,409	44.6%
MVNO Business	-	-	-	-	-	-	1	-	-	-	▲ 1	-
<b>EBITDA</b>	2,230	-	-	2,466	236	10.5%	2,185	▲ 281	-11.3%	2,569	384	17.6%
Content-distribution Services	2,279	-	-	2,399	120	5.2%	2,824	225	9.3%	2,234	▲ 390	-14.9%
Electronic Payment Business	▲ 50	-	-	53	103	-	267	214	403.7%	295	28	10.5%
MVNO Business	-	-	-	-	-	-	▲ 723	-	-	-	723	-
<b>Operating Profit</b>	1,909	▲ 620	-24.5%	1,940	31	1.6%	644	▲ 1,296	-66.8%	1,066	422	65.6%
Content-distribution Services	2,016	-	-	1,931	▲ 85	-4.2%	1,285	▲ 646	-33.4%	785	▲ 500	-38.9%
Electronic Payment Business	▲ 106	-	-	▲ 5	101	-	210	215	-	236	26	12.4%
MVNO Business	-	-	-	-	-	-	▲ 825	-	-	-	825	-
<b>Recurring profit</b>	1,939	▲ 502	-20.5%	2,027	88	4.5%	563	▲ 1,464	-72.2%	884	321	57.0%
<b>Net Income</b>	1,014	▲ 277	-21.4%	889	▲ 125	-12.3%	▲ 653	▲ 1,542	-	960	1,613	-



# FY07 Interim Consolidated Financial Results (year-on-year basis)

(million yen)



	FY06 Interim	FY07 Interim	Year-on-year change (Amount)	Year-on-year change (%)	Year-on-year change (cause)	FY07 Plan	Progress ratio
<b>Net Sales</b>	20,193	23,452	3,259	16.1%		50,000	46.9%
Content	8,542	8,345	▲ 197	-2.3%	Full contribution of GIGA Networks for 6 months (the year-earlier period for 4 month) +600 million yen Contribution of domestic contents business subsidiary +600million yen Decreased receipts in non-consolidated ringtones distribution solutions Δ400million yen Overseas Δ1200 million yen (Decreased receipts due to reorganization and other factors)	17,400	48.0%
Electric Payment	9,891	14,300	4,409	44.6%	Continuous high increase of clearance for on-line game.	30,900	46.1%
MVNO	1	—	1	—	Sellout of MVNO business	—	—
<b>Operating Profit</b>	644	1,066	422	65.6%		2,100	50.8%
Content	1,285	785	▲ 500	-38.9%	Decreased receipts in non-consolidated ringtones distribution solutions Δ400million yen Increase of non-consolidated publicity expenses approx.400million yen Increase of royalty-fees for melodic data along with increase the number of ringtone.	1,400	56.1%
Electric Payment	210	236	26	12.4%	Effects of increased revenue	571	41.3%
MVNO	▲ 825	—	825	—	Sellout of MVNO business	—	—
<b>Recurring profit</b>	563	884	321	57.0%		1,700	52.0%
<b>Net Income</b>	▲ 653	960	1,073	—		1,300	73.8%



Mobile



Game



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\* forecast for FY07 (Net Sales, Operating Profit, Recurring Profit and Net Income) are not modified in this Interim Financial Consolidated Results.

# FY07 Interim Consolidated Financial Results (compared to the beginning of Interim forecast)

(million yen)



	FY07 Interim Plan	FY07 Interim Result	Diff of Forecast (Amount)	Diff of Forecast (%)	Factor of difference	FY07 Forecast	Progress ratio
<b>Net Sales</b>	23,500	23,452	▲ 48	-0.2%	As planned	50,000	46.9%
<b>Operating Profit</b>	850	1,066	216	25.4%	Delay of the priority investment for new market creation focusing on NFRM to second semester.	2,100	50.8%
<b>Recurring profit</b>	700	884	184	26.3%	Increase of operating profit	1,700	52.0%
<b>Net Income</b>	800	960	160	20.0%	Increase of recurring profit	1,300	73.8%



Mobile



Game



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\* Forecast for FY07 (Net Sales, Operating Profit, Recurring Profit and Net Income) are not modified in this Interim Financial Consolidated Results.

# FY 07 Consolidated Financial Result (by segment)

(million yen)



	FY2006	FY 2007	Year-on-year change (Amount)	Year-on-year change (%)	Factor of difference
<b>Net Sales</b>	44,152	50,000	5,847	13.2%	
Content-distribution Services	18,572	17,400	▲ 1,172	-6.4%	Decreased receipts in non-consolidated ringtones distribution solutions Δ10 Oversea realignment Δ36, Domestic contents business subsidiary +35
Electronic Payment Business	22,652	31,030	8,377	36.9%	Increase in number of settlement especially on-line game
MVNO Business	24	—	▲ 24	—	
<b>EBITDA</b>	4,395	5,200	805	18.3%	
Content-distribution Services	5,503	4,400	▲ 1,103	-20.1%	Decreased receipts in non-consolidated ringtones distribution solutions Δ10 Priority investment for creation of new market focusing on NFRM.
Electronic Payment Business	581	708	127	21.8%	Effect from increased revenue
MVNO Business	▲ 1,687	—	1,687	—	Sale of MVNO business
<b>Operating Profit</b>	1,060	2,100	1,039	98.0%	
Content-distribution Services	2,484	1,400	▲ 1,084	-43.7%	Decreased receipts in non-consolidated ringtones distribution solutions Δ10 Priority investment for creation of new market focusing on NFRM.
Electronic Payment Business	473	600	97	20.6%	Effect from increased revenue
MVNO Business	▲ 1,832	0	1,832	—	Sale of MVNO business
<b>Recurring profit</b>	853	1,700	846	99.1%	
<b>Net Income</b>	▲ 1,883	1,300	3,183	—	Gain on sale of US contents distribution business +9, Gain on disposal of fixed assets +2, Gain on investment in equity method +1 Previous period: Extraordinary loss from oversea realignment +33, Loss from sale of Digiplug Δ23, Amortization of goodwill of Goodwill +3, Disposal of fixed assets +3



Mobile



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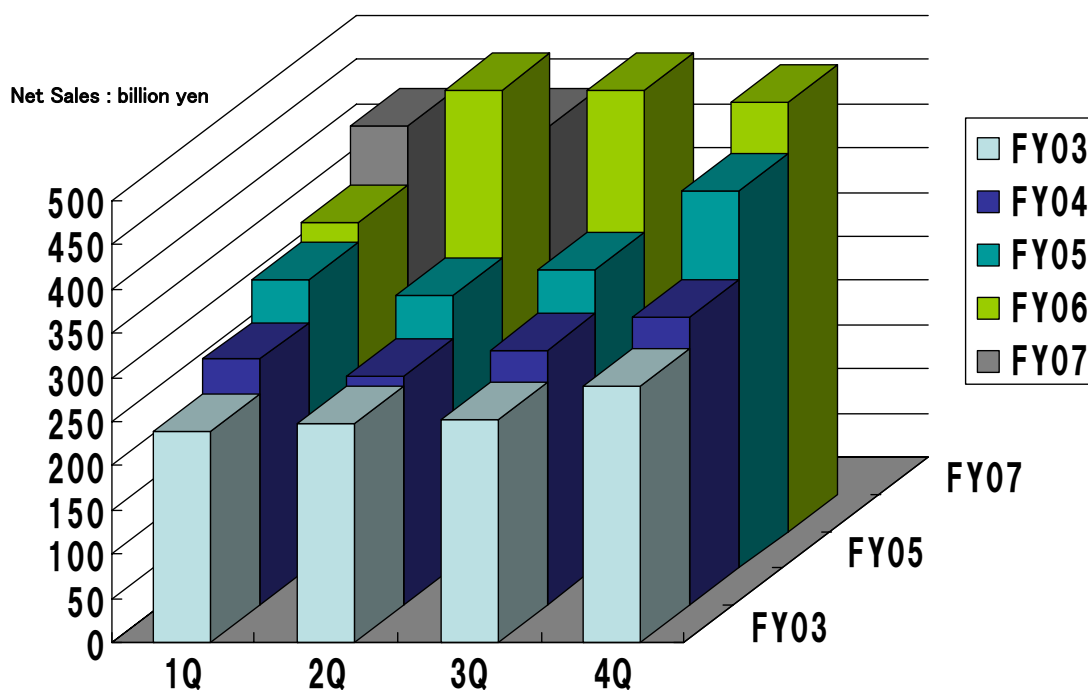


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## Quarterly Net Sales for the Contents Business



Mobile



Game



Internet



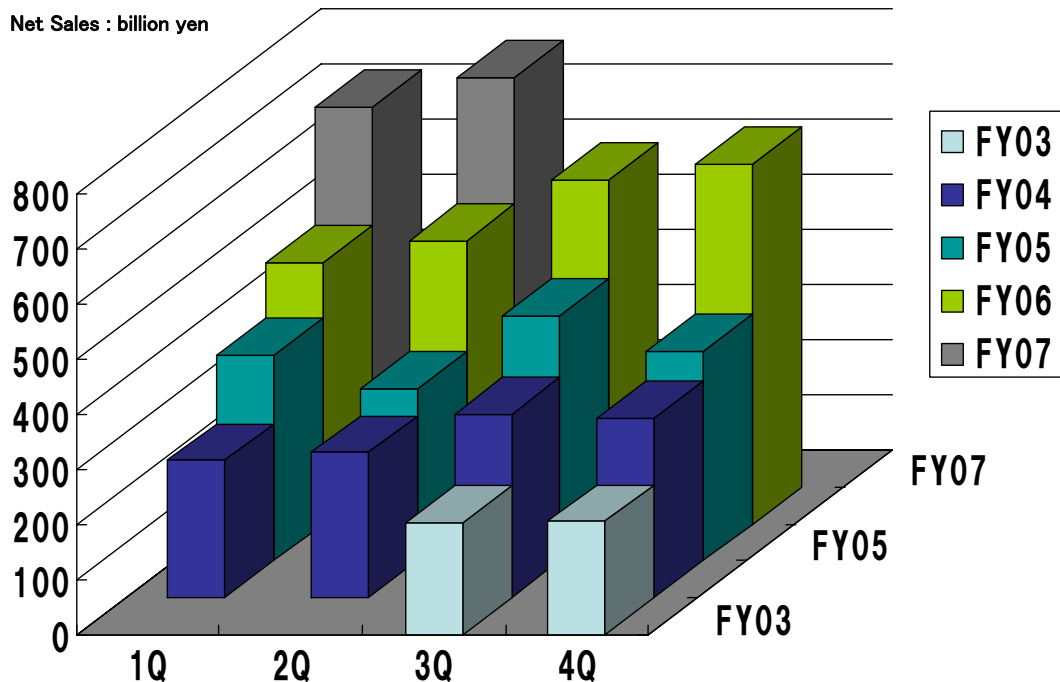
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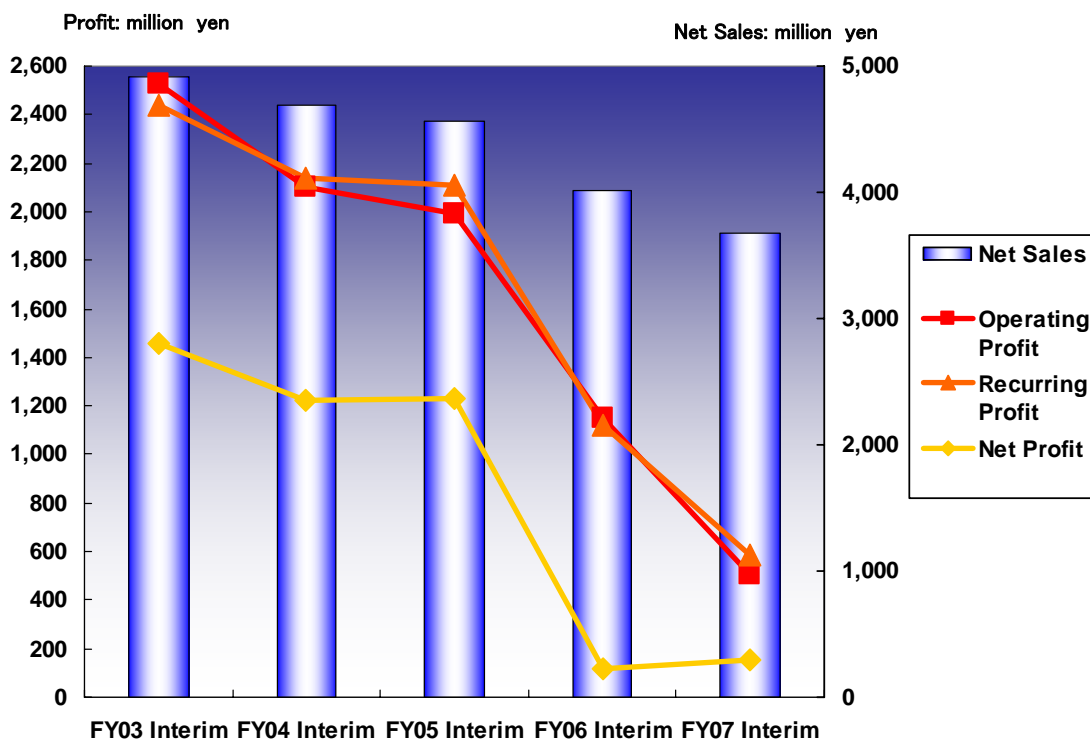
Note: Quarterly estimates manage and disclose only accumulative figures. To ensure trend understanding, graphs show the differences in accumulative figures of 2Q, 3Q, and 4Q.

# Quarterly Net Sales for the Electric Money Business



Note: Quarterly estimates manage and disclose only accumulative figures. To understand trends differences in accumulative figures are made into graphs as shown in the figures of 2Q, 3Q, and 4Q.

# Highlights of Financial Result (non-consolidated)



# FY06 Interim Financial Result (non-consolidated)



(million yen)

	FY04 Interim			FY05 Interim			FY06 Interim			FY07 Interim		
		Year-on-year change (Amount)	Year-on-year change (%)		Year-on-year change (Amount)	Year-on-year change (%)		Year-on-year change (Amount)	Year-on-year change (%)		Year-on-year change (Amount)	Year-on-year change (%)
Net Sales	4,687	▲ 230	-4.6%	4,558	▲ 129	-2.7%	4,014	▲ 544	11.9%	3,679	▲ 335	-8.3%
Operating Profit	2,100	▲ 429	-16.9%	1,993	▲ 107	-5.0%	1,147	▲ 846	-42.4%	503	▲ 644	-56.1%
Recurring Profit	2,134	▲ 307	-12.5%	2,109	▲ 25	-1.1%	1,119	▲ 990	-46.9%	588	▲ 531	-47.4%
Net income	1,224	▲ 230	-15.8%	1,233	9	0.7%	114	▲ 1,119	-90.7%	150	36	31.5%



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## Amortization of Goodwill



(million yen)

	FY04	FY05	FY06		FY07		Years of amortization	End of amortization
			Interim	Full Year	Interim	Full Year (Plan)		
WebMoney	82	82	41	82	45	89	10year	2013/9
Digiplug	239	—	—	—	—	—	—	—
TakeNet	—	531	266	424	—	—	—	—
Faith Communications	—	63	63	94	—	—	—	—
Goody Point	—	39	38	39	—	—	—	—
GIGA Networks	—	—	708	1,771	1,062	2,125	5year	2011/5
MVP	—	—	—	—	2	4	5year	2012/3
Media Complex	—	—	—	—	4	11	5year	2012/6
Others	—	—	109	217	109	217	5year	2011/3
<b>Total</b>	<b>322</b>	<b>715</b>	<b>1,225</b>	<b>2,627</b>	<b>1,221</b>	<b>2,446</b>	<b>—</b>	<b>—</b>



Mobile



Game



Internet



Computer

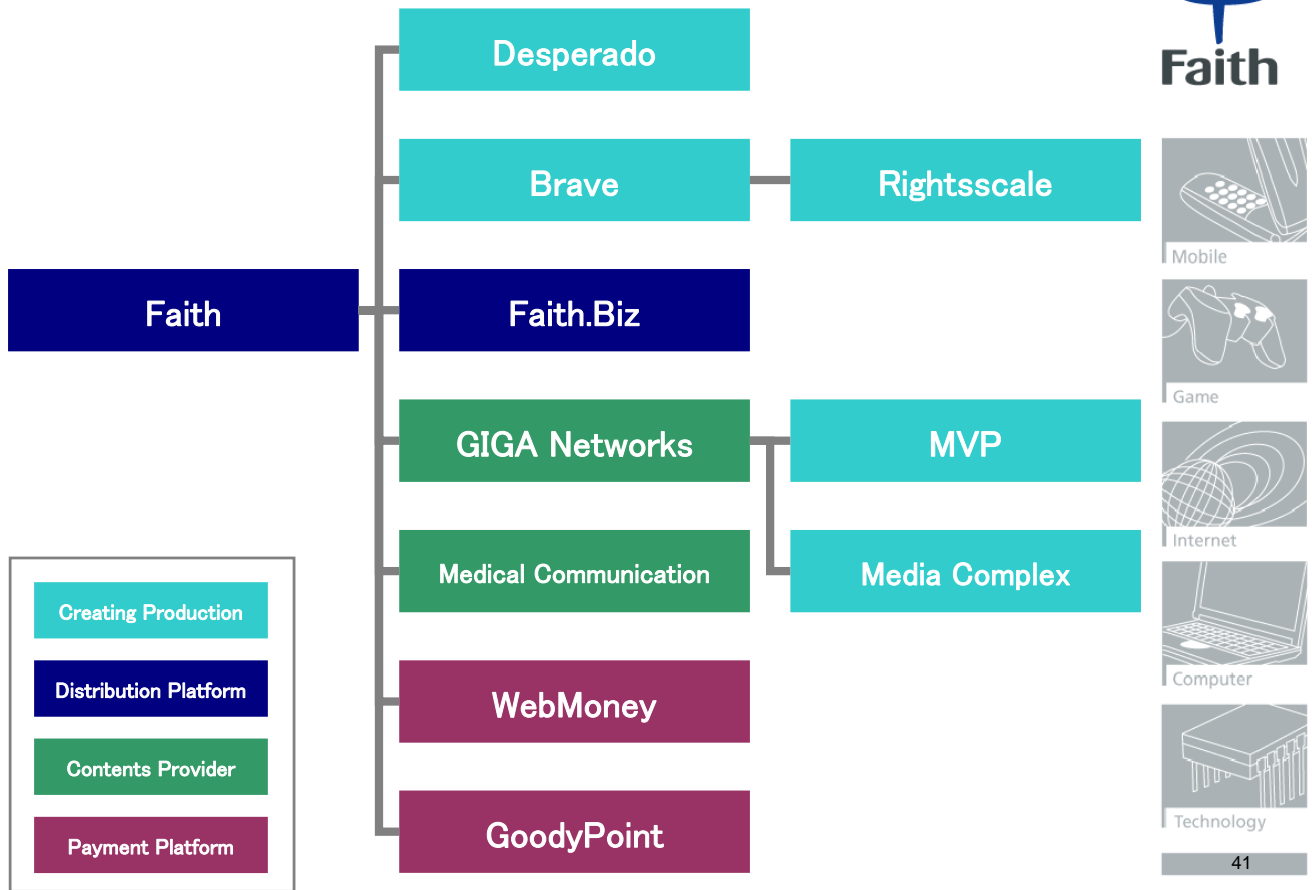


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- Digiplug: ¥1,936 million balance was amortized in March 2005. (recorded as extraordinary loss.)
- GoodyPoint: ¥308 million balance was amortized in September 2006. (recorded as extraordinary loss)
- TakeNet: ¥2,218 million balance was amortized in December 2006 (recorded as extraordinary loss)
- Faith Communications: ¥462 million balance was amortized in December 2006 (recorded as extraordinary loss)

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# Major Faith Group Companies in Japan



## Faith Group Outline 1

### Creation and Production of Content

#### Desperado

In addition to the traditional distribution method such as investment for production, buying, and distribution and advertisement, Desperado undertakes the production and distribution of the videos other than films. It enables the company to establish new scheme which does not depend on the existing distribution route. Joint Venture with Amuse Group (Faith holds 60% of its shares)

#### Brave

Targeting the 10 million subscribers of music services of Faith group and Taito Corp. Brave produces the music creation, promotion, and other music business of next generation. (Faith holds 60% of its shares, Taito Corp. 30%, and Square Enix Co., Ltd. 10%)

#### Rightsscale

It provides solution to the music distribution industry for PC and mobile phone such as iTunes Store. The operation ranges from delivery of content to royalty payment.

#### MVP

Creation and distribution of digital content for mobile phones utilizing a wide array of entertainers, procurement of distribution rights for video content, and production and creation of the cross-media contents compatible among online games, radio programmes, and videos for PC.

#### Media Complex

Runs "Yoshimoto warau senior.com", a free comedy video site for PC users that distributes classical comedy content targeting senior-oriented market.



## Faith Group Outline 2



### Domestic Content Providers

#### GIGA Networks

It provides content distribution service for mobile phone, and has No.2 shares in i-mode ringtone business with 3 million paid subscribers.

(Faith holds 95.4% of its shares, Yoshimoto Kogyo holds 4.6%)

#### Medical Communication

Distribution of various medical service and information through mobile phone

(Faith holds 60% of its shares)

### Overseas Content Providers

#### TakeNet

No.1 content service provider in South America based in Brazil, with 75% market share of ringtone in Brazil.



Mobile



Game



Internet



Computer



Technology

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## Faith Group Outline 3



### Distribution Platform

#### Faith.Biz

Development, built up, and operation of the software, system, network etc. related to the provision of content distribution service and the provision of distribution platform technology for Faith Group, and other companies. Spin off from Faith.

#### Faith Technologies

It expands the business of technology development and licensing in Europe. Its head office and wireless multimedia research and development center is based in Montpellier, France.

#### Faith West

It expands the business of technology development and licensing in North America.

### Payment Platform

#### WebMoney

Issuance of electronic money and provision for electronic settlement platform used for online game, music distribution etc.

#### Goody Point

Provision of point card system



Mobile



Game



Internet



Computer



Technology

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# Recent Lineup of Desperado Films

- Started distribution of drama serieses “Senjo-no Girls’ Life (Girls on a battle field)” and “Uranai-shi Tenjin (Fortune teller, Tenjin)” as NFRM corresponding content for mobile phones and PCs.
- “A COIN LOCKER OF THE DOMESTIC. DUCK AND THE WILD DUCK.” funded by Desperado achieved record high box-office hit among Japanese films at Ebisu Garden Cinema.
- Entry to 20th Tokyo International Film Festival  
 Competition  
 “Crossing Over”  
 Producer: Naoyuki Sakagami, CEO/President of Desperado  
 Special screening  
 “Happily Ever After”  
 Producer: Yuji Ishida, Executive vice president of Desperado  
 “Little DJ” Desperado is the distributor in Japan.
- “Heat Island” funded by Desperado was released in Japan in October.



© “A COIN LOCKER OF THE DOMESTIC. DUCK AND THE WILD DUCK. ” film commission



© 2007 “Crossing Over” film commission



© 2007 Little DJ film partners



©2007 “Heat Island” film commission



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Technology

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