

Shareholder Information

Account settlement date March 31

Ordinary general meeting of shareholders June

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Handling offices Mitsubishi UFJ Trust and Banking Corporation, Head Office,
and its branches nationwide
Nomura Securities Co., Ltd., Head Office, and its branches
nationwide
*Requests for share-related applications forms are available 24
hours a day at the following telephone numbers and website
of Mitsubishi UFJ Trust and Banking Corporation:
Toll-free numbers (in Japan only)
0120-244-479 (Transfer Agent Division, Head Office)
0120-684-479 (Transfer Agent Division, Osaka Branch)
Website: <http://www.tr.mufg.jp/daikou/>

Public announcements Electronic announcements
<http://www.faith.co.jp/>
In cases where electronic announcements are not possible
due to accidents and unavoidable reasons, public
announcements will be published in the Nihon Keizai Shimbun.

Corporate names and product names on this report are the trademarks and registered marks of each company.

Disclaimer

The forward-looking statements represent the expectations and judgments of the management, based on the information available to the Company at the time they were prepared. When reading this report, please consider that forward-looking statements involve known and unknown risks and uncertainties; therefore, the actual future business performance and environment may differ materially, from what is forecasted in the statements.

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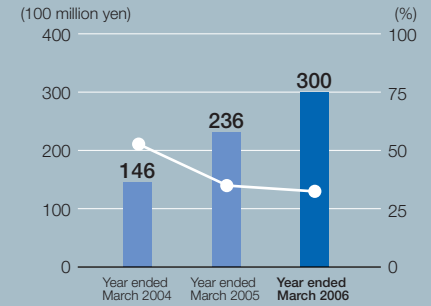
Faith, Inc. Annual Report
(2005.4.1~2006.3.31)



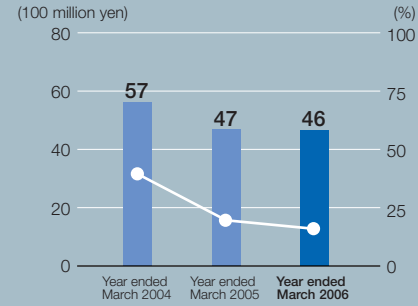
Financial Highlights (Consolidated)

*Figures are rounded down to the nearest unit.

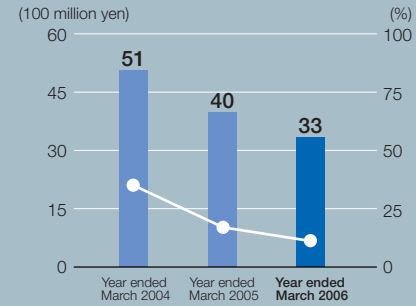
Net sales/Gross profit on sales



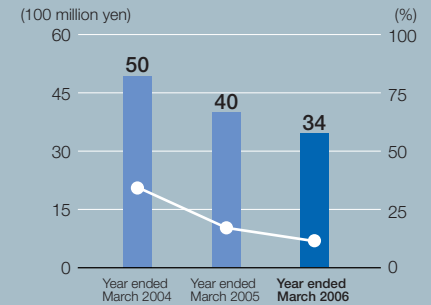
EBITDA/EBITDA to net sales*1



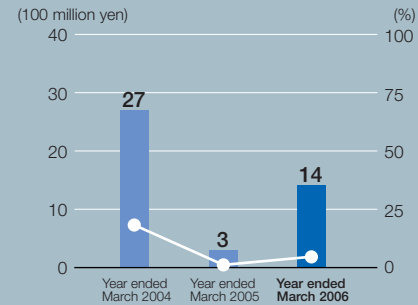
Operating profit/Operating profit to net sales



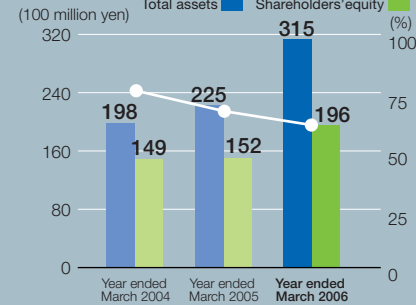
Recurring profit/Recurring profit to net sales



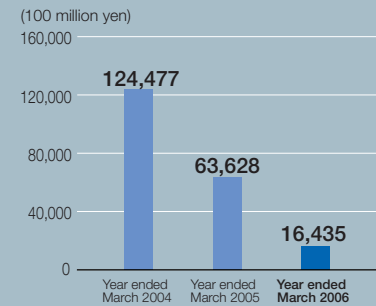
Net profit/Net profit to net sales



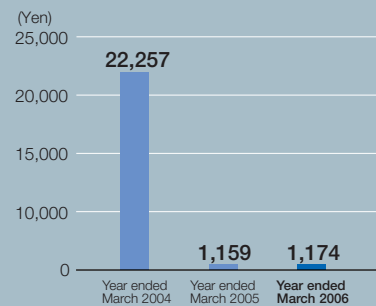
Total assets/Shareholders' equity/Shareholders' equity ratio



Shareholders' equity per share*2

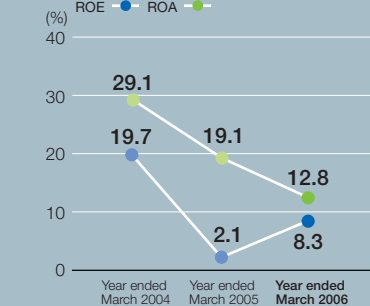


Net profit per share*2



ROE (Return on Equity)

ROA (Return on Assets)



*1. EBITDA stands for Earnings Before Interest, Taxes, Depreciation and Amortization.
EBITDA=Operating profit+Depreciation and Amortization

*2. Based on two-for-one stock split that took effect on August 20, 2004
Based on five-for-one stock split that took effect on December 20, 2005

To Our Shareholders



Hajime Hirasawa, President and CEO

Results for the Year Ended March 2006

In the consolidated fiscal year 2005, the Japanese information and communication industry saw the digital content market grow led by music distribution services, online games, and the highly-convenient information services, etc. amidst the further spread of broadband networks and the shift in the cell phone market to third-generation mobile communication systems.

Staying one step ahead of this trend, our Group actively worked to "create new content distribution mechanisms". In the music distribution business, we established a next-generation music distribution framework to further strengthen our relationships with content rights holders, taking advantage of the capital tie-up with a music copyright management company.

In the games business, we commenced operation of a full-scale role-playing game where tens of thousands of players can participate simultaneously, and accumulated the technical know-how to develop new solutions. In the medical and health information service business using cell phones, we began exploring the market by establishing a new company. In the electronic money

business where demand is expanding, payment by WebMoney increased dramatically, on the strength of a large share of settlement in music distribution and online games.

Demand increased for the sound generator LSI for cell phones that use our technology licenses, particularly overseas, led by the United States and China. By tying up with a global record label, we are now providing mobile content distribution services worldwide, mainly in music. In addition, we acquired Faith Communications in the United States, which operates the wireless service, as our subsidiary, thus expanding into the wireless service business that specializes in value added services for high end wireless users.

Furthermore, we newly established the Advisory Board (management advisory committee) comprised of outside, knowledgeable persons in January 2006 to further improve our compliance structure as a listed company, as well as to strengthen the procedure for determining business strategies. With this new organization in place, we will continue to improve corporate governance that is more than capable of responding to the strong trust of our shareholders.

As a result of the efforts above, we recorded a significant increase in Income in the consolidated fiscal year ended March 2006. With regards to profits, both Operating Profit and Recurring Profit decreased due to anticipatory investment to develop new markets, although EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization), which represents the operating profit on a cash basis before amortization, maintained a level similar to that of the previous term. In particular, we achieved Net Sales of ¥30,040 million (an increase of 27.1% over the previous year), Operating Profit of ¥3,391 million (down 15.6%), Recurring Profit of ¥3,455 million (down 14.6%), and Net Profit for the year of ¥1,438 million (up 355.1%).

Outside, knowledgeable persons comprising the Advisory Board

Toshiharu Aoki	Advisor, NTT Data Corporation Former President and CEO, NTT Data Corporation Former Senior Executive Vice President, Nippon Telegraph and Telephone Corporation
Yasuyuki Nambu	Group CEO and President, Pasona Inc.
Yutaka Hori	Representative, Hori Sogo Horitsu Jimusho Corporate lawyer, Social Insurance Agency, Japan Post (savings business) Corporate lawyer, Mizuho Group companies
Yoshiro Yamamoto	Chairman, The Shouohkai Foundation Former Chairman and Director, Mizuho Holdings Inc. Former President, the Fuji Bank, Ltd.

Results by Business Segment

Content-distribution Services

•Service business

In Japan, users of our content distribution service, led by ring tones, is hovering around a level of 8 million registered users. At the same time, we have actively created new markets as follows: 1) Music distribution service, 2) Online games service, 3) Video distribution service, and 4) Medical and health information services. For music distribution service, we invested in Japan Rights Clearance, Inc. For online games service, we began operating Rose Online, a full-scale role-playing game. For Video distribution service, we established a joint venture company with Yoshimoto Kogyo Co., Ltd., and Intel Corporation in the United States. For medical and health information services, we established Medical Communications in order to promptly provide emergency information concerning medical care and health via cell phones.

In May 2006 we acquired the business rights to Giga Networks Company, which is engaged in the mobile content distribution business. By adding four million registered members of this service, our mobile content distribution services now reach 12 million people, the largest service network of its kind in Japan. We will promote active cooperation with partner companies to develop next generation services that are attractive to users and offer high added value.

Overseas, Digiplug S.A.S. in France began providing official content and distribution systems in 10 European countries as a mobile content producer and distribution provider for Warner Music International, one of the world's four largest music labels. In South America, the ring tone distribution service provided by Curupira S.A. (commonly known as TakeNET), the No.1 service provider in South America, has remained firm.

As a result, the sales of our service business totaled ¥10,832 million (for a year-on-year increase of 18.2%).

•Licensing Business

As the shift to third-generation mobile communication systems progresses in Japan, most cell phone manufacturers adopted our Group's sound format technology through certain semiconductor manufacturers, and its demand has been expanded.

Overseas, in line with the global development of the CDMA communication system promoted by Qualcomm Inc., our technology licensing business continued to expand, particularly in the United States and China.

In Europe, Faith Technologies in France provides technological

consultation concerning entertainment content distribution to cell phone carriers and mobile terminal manufacturers, as well as cultivating demand for mobile terminal testing services. As a result, sales of our licensing business increased to ¥3,207 million (up 34.5%).

As a result of the efforts above, Sales of our content distribution business increased significantly to ¥14,040 million (up 21.6%), whereas Operating Profit was ¥4,029 million (down 3.0%) due to increased amortization of consolidated adjustments following the acquisition of TakeNET in Brazil.

Electronic Payment Business

By the end of December 2005, there were more than 22 million broadband subscribers in Japan (source: Information and Communication Statistics Database, Ministry of Internal Affairs and Communications), along with growing demand for online games, music distribution, and video distribution continued to expand. In such an environment, the volume of account settlements utilizing WebMoney increased significantly, given the safety and convenience it affords for settlement over the network. Moreover, we began providing Mobile Wallet, which is a form of electronic money used to settle content accounts via cell phones without having to enter IDs or passwords.

Consequently, sales of the Electronic Payment Business continued to achieve a high growth rate, reaching ¥15,106 million (up 28.8%). Operating Profit and Loss returned to the black as supported by steady growth in settlement volume, with Operating Profit totaling ¥119 million (as compared to Operating Loss of ¥136 million for the same period last year).

MVNO (Mobile Virtual Network Operator) Business

Faith Communications Inc., our subsidiary in the United States, launched a wireless service ("Voce") that provides domestic phone service at a fixed rate, with a sophisticated customer service, and concierge service at exclusive lounges, etc., for high end wireless users. Since sales for this business will be generated from March 2007 period onwards, only expenses are recorded for this consolidated accounting year.

As a result, the MVNO business recorded an Operating Loss of ¥706 million.

Other Businesses

In other businesses, Sales totaled ¥893 million (up 152.8%) due to the inclusion of GoodyPoint, which operates a loyalty point system business, in the consolidated accounts and an increase in lease

income from rental properties. Conversely, an Operating Loss of ¥51 million was recorded (as compared to Operating Profit of 2 million yen for the same period last year) due to the consolidated amortization of adjustment accounts following the acquisition of GoodyPoint.

Results by Region

Japan

In Japan, we expanded into the following new markets on the axis of mobile content distribution services: 1) music distribution, 2) online games, 3) Video distribution, and 4) medical and health information services. Amidst the continuing shift to third-generation cell phones, most cell phone manufacturers have adopted the Group's sound format technologies through technology licensing to semiconductor manufacturers.

Given the ongoing spread of broadband networks, the demand for online games, music distribution, and video distribution continues to grow. Consequently, the volume of account settlement utilizing WebMoney soared since it enables safe and convenient settlement method over networks.

As a result of the above, Sales in Japan totaled ¥26,053 million (up 21.0% year-on-year) and Operating Profit ¥4,212 million (up 9.0%).

North and South Americas

In the United States, "Modtones" ring tone distribution services and "ModtonesDJ" ring song distribution services, both provided by our Moderati Inc., remained strong. In addition, we acquired Faith Communications, Inc. as our subsidiary, expanding into wireless services for high end wireless users. The services commenced in May 2006.

In South America, the ring tone distribution service, provided by TakeNET, remained firm, mainly in Brazil.

As a result, Sales in North and South Americas extended significantly to ¥3,309 million (up 149.3%). However, in terms of profit and loss, an Operating Loss of ¥517 million was recorded (as compared to Operating Profit of ¥552 million for the same period last year) due to preparation expenses before the commencement of Voce cell phone services in Faith Communications.

Europe

In Europe, Digiplug S.A.S. in France began providing official

content and distribution systems in 10 European countries as a mobile content producer and distribution provider of Warner Music International, one of the world's four largest music labels.

In addition, in order to respond to growing technology related demand in the cell phone market, we offered technological consultation concerning entertainment content distribution, as well as cultivating demand for mobile terminal testing services.

As a result of the above, Sales in Europe totaled ¥677 million (down 12.7%) and Operating Loss ¥304 million (down 23.6%).

Outlook for Fiscal 2006

The Group will continue to proactively create new mechanisms to distribute digital content.

We intend to create more opportunities for profit by developing new demand in markets with potential for further growth, such as music distribution, video distribution, and online games. We will also proactively promote the issuance of our electronic money which currently holds a large market share as a means for account settlement over networks.

In the overseas markets, we will continue to actively develop demand in conjunction with overseas subsidiaries, cell phone communication carriers, cell phone manufacturers, and content rights holders.

We therefore expect the high growth rate of sales to continue on the heels of acquiring Giga Networks Company and due to expansion of the electronic payment business. As for profit, the anticipatory investment for the MVNO business will be absorbed, and the actual EBITDA is expected to improve significantly. Conversely, Recurring Profit and Current Profit are expected to decline due to an amortization of goodwill following the acquisition of Giga Networks Company. In particular, we expect Group Sales to reach ¥45,443 million (up 51.3% compared to the same period last year), Recurring Profit of ¥2,227 million (down 35.5%), and Net Profit of ¥268 million (down 81.4%).

With regards to Giga Networks Company, whose goodwill we acquired in May 2006, we expect Sales of ¥4,700 million and Operating Profit of ¥600 million. The goodwill is expected to be amortized equally over the five years following acquisition.

“Voce”—the world’s first premium wireless service for high end wireless users—launched

Faith Communications, Inc., launched “Voce”—the world’s first wireless service—as a MVNO business* targeting high end wireless users in the Los Angeles area where its main base is located in Beverley Hills.

The services provided include unlimited domestic telephone use, attractive international call rates, as well as such high-class customer services as 24-hour call center service, immediate response in case of emergency involving breakdown, loss, or theft, and personalized customer visits by Voce representatives. Additional services include such travel services as airport transportation service and an exclusive lounge and concierge service to offer life-style recommendations in response to the needs of Voce clients.

A line-up of customized handsets is also being planned for Voce with a premium service. We also opened a flagship boutique in Beverley Hills. The provision of such high-class services that thoroughly address the needs of each client, unprecedented thus far in the wireless services business, is what characterizes “Voce”. We intend to gradually expand the service area to other major cities in the United States, including New York and San Francisco.

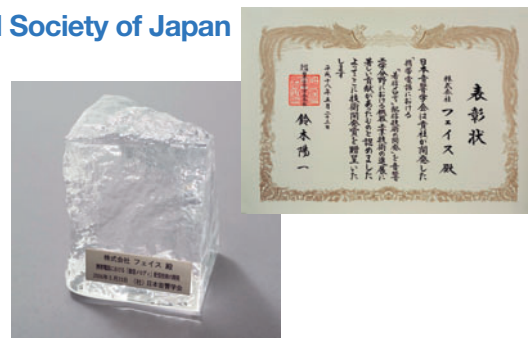
*MVNO (Mobile Virtual Network Operator) business:
A business that provides wireless service under new brands to customers by renting some necessary infrastructures or facilities from wireless service carriers



Voce store (Inside a high-class department store, Neiman Marcus, Beverley Hills branch)

“Technology Development Prize” awarded by Acoustical Society of Japan

The Acoustical Society of Japan awarded its 14th Technology Development Prize to us for our development of technology for ring tone distribution to cell phones. This prize is awarded to individuals, groups, or corporations who are deemed to have contributed to the progress and development of industrial technology related to acoustics. We will continue contributing to technological progress in acoustics and accelerate the growth of the Faith Group by responding to the needs and usage environment of a variety of users, and building mechanisms to distribute new digital content via various networks and terminals.



Interviews

Giga Networks, a subsidiary of Faith Inc., acquired the business rights to Giga Networks Company

Interview

New development is expected on the strength of the foundation of Giga Networks with four million subscribers

Q What is the purpose of acquiring the business rights to Giga Networks Company (hereinafter called Giga)?

A As the mobile content market matures, the competition has become more intense. In such an environment, it is an important issue for Faith to build an operational structure for more efficient distribution of content, as well as to develop more attractive content services.

Giga started its ring tone service for cell phones in 1999, and is a leading content service company with four million members. By acquiring the business rights to Giga, Faith is now able to reach a total of 12 million users, including those of the affiliated content providers, which is to say that the customer base has expanded exponentially. We intend to develop new services and content in cooperation with strategic partner companies, and provide these services to a large number of customers to further promote the growth of the company.

Q Can you tell us about specific actions to be taken?

A First of all, we will focus on developing new digital content with partner companies of the Faith Group. In addition to ring tones services, we would like to promote many new services, with movie and digital broadcasting as the keywords, let alone ring song distribution and music information. We will also work closely and proactively with regard to services for communication terminals other than cell phones.

As a result of acquiring the business rights to Giga, the Faith Group acquired four million members whom we can approach directly. We would also like to use this customer base in terms of a

pilot service to proactively launch new offerings. We will continue strengthening cooperation with partner companies to jointly develop next generation services with high added value.

Q What is the strength of the Faith Group in creating new contents?

A One of the strengths is its wealth of accumulated know-how regarding the handling of rights, which is an important factor in content distribution, planning, and operating a distribution system. Moreover, the Group has licensed its technologies to manufacturers as a pioneer of sound format technology, which is essential in distribution. We are currently developing a variety of technologies concerning terminals and network systems, including digital rights management technology (to manage content rights), and will interface with these platform strategies in creating new business opportunities.

In addition, we have thus far nurtured the necessary functions for creating content in the B-to-B business. Our most significant strength is to have acquired a large number of reachable users, and we fully intend to improve the value of the Faith Group through synergies with these users.



Kenzo Odori
President and CEO,
GIGA NETWORKS, INC.



Yoshimoto Sho ROOM



GIGA MUSIC



Ring tone GIGA100,200

Summary of Consolidated Financial Statements

(Unit: ¥million. Figures have been rounded down to the nearest million yen.)

Consolidated Balance Sheet

Item	This term		The previous term	
	As of March 31, 2006	As of March 31, 2005	As of March 31, 2006	As of March 31, 2005
(Assets)				
Current assets	14,005	13,097		
Cash and deposits	7,534	6,520		
Notes receivable and accounts receivable	4,768	4,316		
Marketable securities	364	864		
Inventories	39	1		
Deferred tax assets	808	760		
Others	571	701		
Allowance for doubtful receivable	(82)	(66)		
Fixed assets	17,590	9,485		
Tangible fixed assets	1,228	946		
Intangible fixed assets	4,597	3,810		
Consolidation-adjusted account	3,656	3,354		
Others	940	455		
Investment and other assets	11,764	4,728		
Investment in securities	9,560	2,643		
Lease deposits	1,144	1,105		
Others	1,179	1,181		
Allowance for doubtful receivable	(119)	(200)		
Total assets	31,595	22,582		
(Liabilities)				
Current liabilities	9,205	7,105		
Accounts payable	3,349	2,501		
Short-term borrowings	86	—		
Accrued income taxes	826	973		
Allowance for cost of card usage	2,323	2,404		
Allowance for points	697	—		
Allowance for bonus	77	89		
Others	1,844	1,137		
Fixed liabilities	2,421	198		
Deferred tax liabilities	2,235	—		
Employees' severance and retirement benefits	27	19		
Retirement benefits for directors and statutory auditors	121	117		
Others	37	61		
Total liabilities	11,627	7,304		
(Minority interests)				
Minority interests	342	46		
(Shareholders' equity)				
Common stock	3,218	3,218		
Additional paid-in capital	3,708	3,708		
Retained earnings	9,408	8,128		
Net unrealized gains on marketable securities	3,401	297		
Foreign currency exchange adjustments	243	29		
Treasury stock	(354)	(150)		
Total shareholders' equity	19,625	15,231		
Total liabilities, minority interests and shareholders' equity	31,595	22,582		

Consolidated Profit and Loss Statement

Item	This term		The previous term	
	From April 1, 2005 to March 31, 2006	From April 1, 2004 to March 31, 2005	From April 1, 2005 to March 31, 2006	From April 1, 2004 to March 31, 2005
Net sales	30,040	23,628		
Cost of sales	20,308	15,352		
Gross profit	9,731	8,276		
Selling, general, and administrative expenses	6,339	4,258		
Operating profit	3,391	4,017		
Non-operating income	221	52		
Interest received	38	7		
Interest on securities	43	21		
Exchange gain	116	14		
Investment return by equity method	—	4		
Miscellaneous income	22	5		
Non-operating expense	157	23		
Interest expense	9	—		
Loss on anonymous association	—	9		
Valuation loss on merchandise	—	7		
Investment loss by equity method	140	—		
Miscellaneous expense	7	5		
Recurring profit	3,455	4,047		
Extraordinary income	234	441		
Gain on disposal of investment securities	220	406		
Gain on reversal of employees' severance and retirement benefits	—	24		
Gain on reversal of retirement benefits for directors and statutory auditors	—	10		
Others	14	—		
Extraordinary loss	179	2,166		
Loss on disposal of fixed assets	108	13		
Write-down of investment securities	—	51		
Provision for doubtful receivable	—	125		
Amortization of consolidation adjustment account	—	1,935		
Loss on bad debt	63	—		
Others	8	41		
Income before income taxes	3,509	2,322		
Corporate taxes, local taxes, and business taxes	2,132	2,205		
Adjustment for income taxes, etc.	33	(164)		
Minority interest in loss of consolidated affiliates	94	34		
Net profit	1,438	316		

Statement of Additional Paid in Capital and Retained Earnings

Item	This term		The previous term	
	From April 1, 2005 to March 31, 2006	From April 1, 2004 to March 31, 2005	From April 1, 2005 to March 31, 2006	From April 1, 2004 to March 31, 2005
(Additional paid in capital)				
Beginning balance for capital surplus	3,708	3,708		
Balance of capital surplus at term end	3,708	3,708		
(Retained earnings)				
Beginning balance for retained earnings	8,128	7,973		
Increase in retained earnings	1,438	317		
Net income	1,438	316		
Increase due to a greater number of companies adopting equity method	—	1		
Decrease in retained earnings	158	162		
Cash dividends paid	119	119		
Bonuses to directors and statutory auditors	39	39		
Loss on disposal of treasury stocks	—	3		
Outstanding balances of retained earnings at term end	9,408	8,128		

Consolidated Statement of Cash Flow

Item	This term		The previous term	
	From April 1, 2005 to March 31, 2006	From April 1, 2004 to March 31, 2005	From April 1, 2005 to March 31, 2006	From April 1, 2004 to March 31, 2005
Cash flow from operating activities	2,970	3,074		
Cash flow from investing activities	(2,041)	(4,297)		
Cash flow from financing activities	(236)	(275)		
Effect of exchange rate changes on cash and cash equivalents	216	(6)		
Net increase in cash and cash equivalents	909	(1,504)		
Cash and cash equivalents at beginning of term	6,770	8,274		
Cash and cash equivalents at end of term	7,679	6,770		

Consolidated Subsidiaries

Number of consolidated subsidiaries: 11
Names of main consolidated subsidiaries

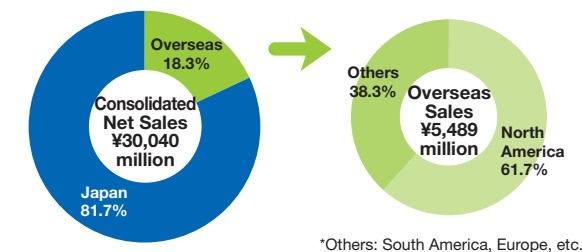
- Moderati Inc.
- Faith Communications, Inc.
- Digiplug S.A.S.
- Faith Technologies S.A.S.
- Invest Virtua S.A.
- WebMoney Corporation
- GoodyPoint Co., LTD
- Mobile Alliance Corporation

*Mobile Alliance Corporation changed its company name on April 14, 2006 to GIGA NETWORKS, INC.

*Faith Communications, Inc., and GoodyPoint Co., LTD are included in the scope of consolidation from the consolidated fiscal year under review as a result of stock acquisitions. Mobile Alliance Corporation is included in the scope of consolidation from the end of the consolidated fiscal year under review as a result of stock acquisitions.

*The end of first half-year for Faith Communications, Inc., and the beginning of the second half-year for GoodyPoint Corporation are deemed an acquisition period. As a result, the balance sheets and profit & loss statements for the second half of both subsidiaries are consolidated. For Mobile Alliance Corporation, however, only the balance sheet is consolidated.

Breakdown of Net Sales by Region



*Others: South America, Europe, etc.

Cash Flow

Cash and cash equivalents as of the end of the consolidated fiscal year under review (hereinafter called the "money") increased by ¥909 million year-on-year to ¥7,679 million, given the payment of corporate taxes and purchase of investment securities, etc., offset by income before taxes of ¥3,509 million (a year-on-year increase of 51.1%), income from term deposit repayment, and the sale of investment securities.

Cash flow from operating activities resulted in income of ¥2,970 million (down 3.4% year-on-year) due to income before taxes of ¥3,509 million and the amortization of consolidated adjustment accounts totaling ¥715 million, and including the payment of income taxes, etc., of ¥2,283 million.

Cash flow from investing activities resulted in an outflow of ¥2,041 million (down 52.5% year-on-year) due to the purchase of investment securities totaling ¥2,344 million and purchase of tangible fixed assets totaling ¥427 million, despite income of ¥400 million from term deposit repayment and income of ¥1,014 million from the sale and redemption of investment securities.

Cash flow from financing activities resulted in an outflow of ¥236 million (down 14.2% year-on-year) due to payments of ¥204 million for the purchase of treasury stock and payments of ¥119 million for dividends.

Summary of Non-Consolidated Financial Statements

(Unit: ¥million. Figures have been rounded down to the nearest million yen.)

Balance Sheet

Item	This term		The previous term	
	As of March 31, 2006	As of March 31, 2005	As of March 31, 2006	As of March 31, 2005
(Assets)				
Current assets	5,373	6,684		
Cash and deposit	2,367	3,475		
Trade notes receivable	4	4		
Accounts receivable	1,963	1,462		
Marketable securities	255	721		
Finished goods	1	0		
Others	800	1,086		
Allowance for doubtful receivable	(20)	(65)		
Fixed assets	19,437	11,209		
Tangible fixed assets	925	772		
Intangible fixed assets	264	295		
Investments and other assets	18,247	10,141		
Investments in securities	8,347	2,043		
Investments in subsidiaries	7,612	4,859		
Investments in marketable securities of affiliated companies	108	-		
Differed tax assets	-	1,073		
Lease deposits	1,069	1,049		
Others	1,165	1,190		
Allowance for doubtful receivable	(56)	(74)		
Total assets	24,810	17,894		
(Liabilities)				
Current liabilities	1,981	1,601		
Accounts payable	663	453		
Accrued amount payable	378	237		
Accrued corporate taxes	817	814		
Allowance for bonus	64	54		
Others	56	40		
Fixed liabilities	1,268	142		
Deferred tax liabilities	1,115	-		
Employees' severance and retirement benefits	27	19		
Retirement benefits for directors and statutory auditors	121	117		
Others	4	4		
Total liabilities	3,250	1,743		
(Shareholders' equity)				
Common stock	3,218	3,218		
Capital surplus	3,708	3,708		
Additional paid in capital	3,708	3,708		
Retained earnings	11,588	9,087		
Legal reserve	1	1		
Voluntary reserve	8,500	7,500		
Unappropriated retained earnings	3,087	1,586		
Net unrealized gains on other marketable securities	3,399	286		
Treasury stock	(354)	(150)		
Total Shareholders' equity	21,560	16,150		
Total liabilities and shareholders' equity	24,810	17,894		

Statement of Retained Earnings (Proposed)

Item	This term		The previous term	
	As of June 29, 2006	As of June 29, 2005	As of June 29, 2006	As of June 29, 2005
Balance at year-end	3,087	1,586		
Disposed as follows:				
Appropriations	1,098	1,098		
Cash dividends	59	59		
Directors' and statutory auditors' bonuses	39	39		
Voluntary reserves	1,000	1,000		
Balance to be carried forward	1,988	487		

Profit and Loss Statement

Item	This term		The previous term	
	From April 1, 2005 to March 31, 2006	From April 1, 2004 to March 31, 2005	From April 1, 2005 to March 31, 2006	From April 1, 2004 to March 31, 2005
Net sales	10,293	9,801		
Cost of sales	4,303	4,107		
Gross profit	5,990	5,694		
Selling, general and administrative expenses	1,812	1,694		
Operating profit	4,177	4,000		
Non-operating income	174	44		
Non-operating expense	13	21		
Recurring profit	4,338	4,023		
Extraordinary income	193	406		
Extraordinary loss	41	2,855		
Income before taxes	4,490	1,574		
Corporate taxes, residential taxes and business taxes	1,736	1,814		
Adjustment for corporate taxes, etc.	94	(1,143)		
Net profit	2,659	903		
Balance carried forward from the previous term	487	746		
Loss on disposal of treasury stocks	-	3		
Interim dividends paid	59	59		
Unappropriated retained earnings	3,087	1,586		

Corporate Profile/Corporate Stock

Corporate Profile

As of March 31, 2006

Corporate name	Faith, Inc.
Address	566-1, Toraya-cho, Karasuma-oike sagaru, Nakagyo-ku, Kyoto, Japan
Paid-in capital	3,218 million yen
Established	October 9, 1992
Number of employees	88 (Consolidated: 415)
Membership	Association of Musical Electronics Industry (AMEI) Acoustical Society of Japan T-Engine Forum ETSI (The European Telecommunications Standards Institute) Association of Mobile music Contents Providers

Stock Information

As of March 31, 2006

Number of authorized shares	1,990,000
Number of shares issued and outstanding	1,196,000
Number of shareholders	19,154

10 Major Shareholders

As of March 31, 2006

Name of shareholder	Number of shares in the Company held by shareholders	
	Number of shares held	Voting share ratio (%)
Hajime Hirasawa	466,040	39.14
Masato Nakanishi	70,660	5.93
Japan Trustee Services Bank, Ltd.	42,196	3.54
The Master Trust Bank of Japan, Ltd.	23,203	1.94
The Nomura Trust and Banking Co., Ltd.	22,395	1.88
State Street Bank and Trust Company	16,924	1.42
Japan Securities Finance Co., Ltd.	11,889	0.99
Government of Singapore Investment Corporation Limited	10,928	0.91
The Chase Manhattan Bank	10,000	0.84
SBIC West Japan	9,800	0.82

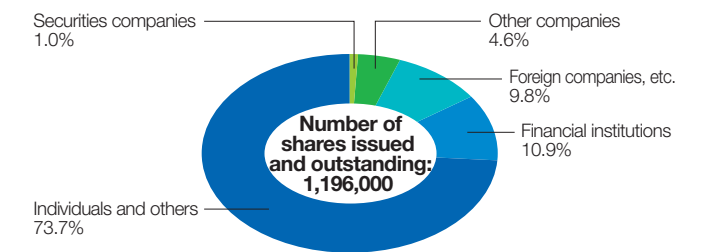
Board Members and Auditors

As of June 29, 2006

CEO and President, Representative Director	Hajime Hirasawa
COO, Senior Managing Director	Masato Nakanishi
CFO, Director	Koji Saeki
Director	Keizo Odori
Standing Statutory Auditor	Akira Shimizu (Chartered accountant)
Statutory Auditor	Yasumasa Tomioka (Chief Scientist, Telecom Research Institute) (TELEC)
Statutory Auditor	Yoshio Takahashi (Executive Director, Kyoto Industrial Support Organization 21)

Stock Distribution by Shareholders

As of March 31, 2006



Stock Distribution by Ownership of Shares

As of March 31, 2006

