

**BRIEF STATEMENT OF CONSOLIDATED FINANCIAL RESULTS
FOR THE 1st QUARTER OF THE FISCAL YEAR ENDING MARCH 2024**

This is an English translation of summarized consolidated financial results prepared for the convenience of non-resident shareholders. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.

August 14, 2023

Faith, Inc. (Stock code 4295, Listed on TSE 1st section)

(URL <http://www.faith.co.jp/>)

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Date of Submission of Securities Report: August 14, 2023

Starting Date of the Dividend Payment: -

Preparation of Supplementary Materials for Quarterly Financial Results: None

Information Meeting for Quarterly Financial Results to be Held: None

Amounts are rounded down to the nearest JPY 1 million.

1. Results for the 1st Quarter of the Fiscal Year Ending March 2024

(From April 1, 2023 to June 30, 2023)

(1) Consolidated Operating Results (cumulative totals)

(Percentages indicate changes compared with the 1st quarter of the previous fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ending March 2024 Q1	3,499	△0.7	△40	—	△47	—	△80	—
Year ending March 2023 Q1	3,524	3.5	△90	—	△46	—	△87	—

(Note) Comprehensive income: 1st quarter of the fiscal year ending March 2024: △¥442 million (—%); 1st quarter of the fiscal year ending March 2023: ¥78 million (△67.5%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Year ending March 2024 Q1	△7.40	—
Year ending March 2023 Q1	△7.63	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Ratio of Equity Capital
	Millions of yen	Millions of yen	%
Year ending March 2024 Q1	23,137	14,895	64.4
Year ending March 2023	24,226	15,385	63.5

(Reference) Equity capital: 1st quarter of fiscal year ending March 2024: ¥14,895 million; fiscal year ending March 2023: ¥15,385 million

2. Dividends

(Record dates)	Dividends per Share				
	1 st Quarter	Interim	3 rd Quarter	Year-end	Total
Year ending March 2023	—	5.00	—	5.00	10.00
Year ending March 2024	—	—	—	—	—
Year ending March 2024 (Forecast)	—	5.00	—	5.00	10.00

(Note) Revision of dividend forecast since the most recently announced dividend forecast: Not applicable

3. Forecast for the Consolidated Results for the Year Ending March 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate changes compared with the previous fiscal year and the previous interim result.)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to the Shareholders of the Parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	16,100	6.1	305	—	300	—	100	—	9.22

(Note) Revision of consolidated results forecast since the most recently announced forecast: Not applicable

※ Notes

(1) Changes in significant subsidiaries (accompanying changes in scope of consolidation): Applicable

Newly added subsidiaries: 0 companies (subsidiary's name:)

Removed subsidiaries: 1 company (subsidiary's name: Faith Wonderworks, Inc.)

(2) Adoption of simplified accounting practices or specific procedures in preparation of the quarterly consolidated financial reports: Not applicable

(3) Changes in accounting policies, changes in accounting estimates, and restatements

(i) Changes accompanying revisions of accounting standards, etc.: Not applicable

(ii) Changes other than the above: Not applicable

(iii) Changes in accounting estimates: Not applicable

(iv) Restatements: Not applicable

(4) Outstanding shares (common shares)

(i) Outstanding shares at the end of the period (including treasury shares):

Year ending March 2024 Q1: 13,831,091 shares

Year ending March 2023: 13,831,091 shares

(ii) Treasury shares at the end of the period:

Year ending March 2024 Q1: 2,988,635 shares

Year ending March 2023: 2,999,883 shares

(iii) Average number of shares during the period (cumulative total for the quarter)

Year ending March 2024 Q1: 10,836,066 shares

Year ending March 2023 Q1: 11,431,815 shares

(Note) The number of shares of treasury stock at the end of the period includes those shares (245,900 shares in Q1 of the year ending March 2024, 257,200 shares in the year ending March 2023) contributed as trust assets of the performance-linked stock compensation plan. In addition, these shares are included in the shares of treasury stock deducted in calculating the average number of shares during the accounting period (252,300 shares in the year ending March 2024, 257,200 shares in Q1 of the year ending March 2023).

* This financial results report is exempt from quarterly review procedures.

* Statement regarding the proper use of performance forecasts and other special remarks

(Notice regarding statements concerning the future)

Statements concerning the future, such as performance forecasts, etc., described in the present material are based on information currently available to the Company and on certain assumptions judged as reasonable by the Company. The Company's actual performance may differ substantially from these forecasts as a result of various factors beyond the Company's control. For details of cautions, etc., employed in making performance forecasts and the assumptions underlying performance forecasts, please refer to "1. Qualitative Information Concerning the Settlement of Accounts for the 1st Quarter, (3) Explanation Concerning Future Forecast Information on the Consolidated Financial Results, etc." on page 4 of the accompanying material.

Accompanying Material — Contents

- 1. Qualitative Information Concerning the Settlement of Accounts for the 1st Quarter 2
 - (1) Explanation Concerning the Operating Results 2
 - (2) Explanation Concerning the Financial Position 4
 - (3) Explanation Concerning Future Forecast Information on the Consolidated Financial Results, etc. 4

- 2. Consolidated Financial Statements and Important Explanatory Notes 5
 - (1) Consolidated Balance Sheet 5
 - (2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income 7
 - (Consolidated Statement of Income)..... 7
 - (Consolidated Statement of Comprehensive Income)..... 8
 - (3) Notes Concerning the Consolidated Financial Statements 9
 - (Note Concerning the Premise of a Going Concern) 9
 - (Note in the Case of Significant Changes in the Amount of Shareholders' Equity) 9
 - (Segment Information) 9

1. Qualitative Information Concerning the Settlement of Accounts for the 1st Quarter

(1) Explanation Concerning the Operating Results

In the Japanese information and communications field in 2022, the Internet penetration rate remained high at 84.9%, while the percentage of households owning one or more smartphones increased to 90.1%, greatly exceeding the 69.0% of households owning one or more personal computers ^{(*)1}. In addition, while the movement away from television has continued since the year 2000, mainly centered on the young, advertising expenses for the Internet in Japan increased by 14.3% in 2022 from the previous year to ¥3,091.2 billion, exceeding the combined advertising expenses for the four largest mass media sectors (newspapers, magazines, radio, and television) of ¥2,398.5 billion, and accounting for 43.5% of Japan's total advertising expenditures ^{(*)2}. This trend is also evident worldwide, where in 2023 global spending on digital advertising is expected to reach approximately ¥59 trillion (US\$424.3 billion), an increase of 7.8% from the previous year, with spending on digital advertising exceeding 58.3% of total spending on advertising ^{(*)3}.

*1. Source: Ministry of Internal Affairs and Communications, *2022 Telecommunications Usage Trend Survey Results*

*2. Source: Dentsu Inc., *2022 Advertising Expenditures in Japan*

*3. Source: Dentsu Group Inc., *Global Ad Spend Forecasts (2023-2025)*

In the entertainment market in 2022, sales in the global music market centered on streaming services grew by 9.0% year over year to approximately ¥3,523.4 billion (US\$26.2 billion), expanding for the eighth consecutive year and reaching its highest sales total since the beginning of this century. In particular, paid subscription streaming accounted for 67% of the total, increasing to ¥2,345 billion (\$17.5 billion) ^{(*)4}. In Japan, the production value of music software including music videos increased by 4% year over year to ¥202.3 billion, exceeding ¥200 billion for the first time since 2019, three years earlier. Moreover, paid music distribution sales increased by 17% to ¥105.0 billion and audio streaming sales increased by 25% year over year to ¥92.8 billion, accounting for almost 90% of total paid music distribution sales ^{(*)5}.

In 2022, the size of the live entertainment market experienced a rapid recovery, reaching ¥565.2 billion, which was 10.2% lower than the level in 2019, the year before the start of the novel coronavirus pandemic (the corresponding figure for 2021 was 51.2% lower than in 2019) ^{(*)6}. Meanwhile, online live performances have emerged as a new way to enjoy live entertainment, rather than as merely a substitute for traditional physical live performances, and the size of the pay-per-view online live performance market in 2022 is estimated at ¥46.6 billion ^{(*)7}, with the combined size of the physical and online live performance markets estimated to have reached ¥611.8 billion, approaching the size of record-setting ¥629.5 billion scale the physical live performance market in 2019.

*4. Source: IFPI, *Global Music Report 2023*

*5. Source: Recording Industry Association of Japan (RIAJ), *The Recording Industry in Japan 2023*

*6. Source: PIA Research Institute, *Japanese Live Entertainment Market Size 2022 Preliminary Report* (published May 26, 2023)

*7. Source: PIA Research Institute, *Japanese Online Live Entertainment Market Survey* (published May 26, 2023)

Founded in 1992, Faith was the first company in the world to commercialize ringtones, and has steadily grown centered on the music distribution business and in step with the popularization of mobile phones. In the current music market, along with the spread of smartphones and the diversification of media such as streaming, user-generated content (UGC) ^{(*)8}, which allows ordinary users to easily transmit information to society, and social media, the music industry is facing a situation in which all its activities, including content distribution methods, consumption styles, and content production methods, are changing.

*8. User-generated content: images and videos generated and posted by users themselves on the Internet.

In this environment, the Faith Group is continuing to forge ahead with its Multi-Content and Multi-Device Strategy of creating environments in which people can enjoy a wide variety of content when and where they want, by utilizing the efforts it has focused on digital content distribution ever since its establishment. In addition, the Group is developing new services in response to the changing market environment, including platforms that collect and organize the information flooding the Internet and providing it to users after increasing its added value.

Through our new sprayer® crowdfunding platform, artists can register their own original music for worldwide distribution and monetization, and can also directly distribute music videos, live performances, and other activities using the unique spray LINK function. With spray LINK, artists can not only raise funds to support their activities, but also share profits with their supporters so that their songs can reach

as many listeners as possible. For the future, we will continue to provide a platform that allows artists themselves to directly deliver information about their works to listeners and fans, thereby building deeper engagement and monetization, and we will work to expand the artist economy at all levels and create a system that “allows artists to grow together with their fans.”

The Faith Group has reorganized its Content Business with effect from April 1, 2023, with the goal of establishing an organization that is better adapted to the needs of the present era. By breaking down the functions that each group company has developed to date and clarifying their core competencies, we are aiming to create an organizational structure that facilitates business development, differentiates the profit structure, and further improves efficiency. Moreover, by building a system capable of promptly responding to the rapidly changing tastes and trends in the music market, we will enhance our ability to create appealing content and improve our competitiveness. We are aiming to further develop synergies within the Group by consolidating the major labels, reinforcing and streamlining the administrative and sales functions, and integrating the assets belonging to each label using the Group’s own technology.

In addition, Faith, Inc. has consolidated its office functions into the Minami-Aoyama Office, and has established a permanent telework work system in anticipation of changes in behavioral patterns and the establishment of new values. We are actively engaged in a company-wide effort to reestablish and activate cross-sectional communication between departments, and we will continue to pursue more flexible workstyles and realize diverse and efficient ways of working.

Regarding the Faith Group’s business performance for the first quarter of the current fiscal year ending March 2024, net sales decreased by 0.7% from the same quarter of the previous fiscal year to ¥3,499 million. The Group reported an operating loss of ¥40 million (compared with an operating loss of ¥90 million for the same period of the previous fiscal year), an ordinary loss of ¥47 million (compared with an ordinary loss of ¥46 million for the same period of the previous fiscal year), and a net loss attributable to owners of the parent of ¥80 million (compared with a net loss attributable to owners of the parent of ¥87 million for the same period of the previous fiscal year).

Information on each business segment is as follows.

Platform Business

In the Platform Business, as sales in existing distribution businesses continue to decline, we will continue to invest in new growth areas by linking and platforming each of our services with the aim of developing new and innovative products and grasping diversified profit opportunities.

Through FaRao PRO, we are focusing not only on providing BGM for commercial use, but also on actively developing sales activities centered on the expansion of functions necessary for store operations, such as solutions that propose store branding, as well as announcement functions. In the future, we will continue to aim at the creation and activation of a new BGM market.

In Fans’, our platform of services for artists based on the D2C ^(*9) business model, which is expected to expand further in future, we are enhancing the functions essential to artists’ musical activities such as constructing official websites, distributing music and videos, selling artists’ goods, and operating fan clubs. By strengthening links with SNS, we have introduced a system that allows fans to contribute to building a community by sharing the information that creators send out. Moreover, as the provider of a service that allows more artists to freely disseminate their work and information, we are attempting to acquire and expand the number of users and improve the quality of the service by pursuing greater convenience.

*9. Abbreviation of “Direct to Consumer”
—a business model for delivering services and products planned and manufactured by Faith directly to users

Our live-streaming platform Thumva includes features for group viewing, comment posting, and gifting, allowing users to share a sense of excitement and togetherness as if they were attending a live concert. We have also launched Thumva BIZ as a new online store service utilizing Thumva’s resources that allows customers who wish to make inquiries or consult online to initiate business discussions with a single click.

In addition, the Point Service provides a platform that allows retailers to operate point issuing systems and other services, and also offers total support from planning to operation as a series of cycles of point issuance data acquisition, analysis, and sales promotion utilization, as well as providing outsourcing services to maximize the efficiency of sales promotion in the retail industry.

Regarding the performance of this segment for the first quarter of the current consolidated fiscal year, net sales increased by 2.1% year over year to ¥529 million, and the segment recorded a loss of ¥49 million (compared with a segment loss of ¥96 million for the same period of the previous fiscal year).

Content Business

In the Content Business, we are strengthening new businesses with an eye to the future in order to overcome our dependence on sales of packaged products in the severe environment faced by the music and video-related industries due to the changing music market. In an effort to create new hits, the three label companies, Nippon Columbia, DREAMUSIC, and KSR, are developing and nurturing content suitable for the next-generation music business. In addition, they are actively utilizing their extensive catalog assets in new projects, with the goal of expanding their IP domains both domestically and globally.

We also accept commissions to manage various facilities and events utilizing the Faith Group's accumulated location business management knowhow. We have been entrusted with the operation of ZEROTOKYO (a new facility that utilizes the nighttime hours of Zepp Shinjuku (TOKYO), one of the largest live halls in the area), which opened inside the TOKYU KABUKICHO TOWER in April 2023. Events are being held at ZEROTOKYO in a variety of genres, and many people from both Japan and abroad are using the facility now that the inbound market is recovering in response to the increase in the number of foreign visitors to Japan. This business is expected to generate stable revenue due to its asset-light business structure, and we will work toward further expanding it by harnessing synergies with our existing businesses.

Regarding the performance of this segment for the first quarter, despite an increase in the number of titles sold and the steady growth in income related to the use of sound sources and other items, net sales decreased by 1.2% year over year to ¥2,969 million, while segment income increased by 29.8% year over year to ¥122 million.

*Product and service names appearing in this document are trademarks or registered trademarks of Faith, Inc. either in Japan or in other countries.

(2) Explanation Concerning the Financial Position

Total assets as of the end of the first quarter of the current consolidated fiscal year ending March 2024 (June 30, 2023) decreased by ¥1,088 million compared to the end of the previous consolidated fiscal year to ¥23,137 million. This result was mainly attributable to a decrease of ¥444 million in accounts receivable, and a decrease of ¥514 million in investment securities.

Total liabilities decreased by ¥598 million compared to the end of the previous consolidated fiscal year to ¥8,242 million. This result was mainly due to a decrease of ¥168 million in accounts payable-other, a decrease of ¥168 million in the provision for bonuses, a decrease of ¥108 million in long-term loans payable, and a decrease of ¥221 million in deferred tax liabilities..

Net assets decreased by ¥489 million compared to the end of the previous consolidated fiscal year to ¥14,895 million. This was mainly due to the recording of a net loss and to dividend payments.

As a result of the above, the equity ratio increased by 0.9 percentage points to 64.4%.

(3) Explanation Concerning Future Forecast Information on the Consolidated Financial Results, etc.

There is no change in the forecast of consolidated financial results for the current fiscal year from the forecast announced on May 12, 2023. Although performance forecasts are based on information available to the Company at the time of preparation, there is a possibility that the actual performance figures will differ significantly from the forecast figures due to a variety of factors.

2. Consolidated Financial Statements and Important Explanatory Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	11,024,018	11,074,978
Notes receivable	6,873	10,626
Accounts receivable	1,992,323	1,547,837
Contract assets	920	440
Marketable securities	218,509	218,981
Merchandise and finished goods	290,769	316,127
Work in process	373,434	345,124
Raw materials and supplies	62,796	43,486
Income taxes refundable	175,393	178,084
Other	796,954	915,043
Allowance for doubtful accounts	△23,801	△22,060
Total current assets	14,918,191	14,628,669
Non-current assets		
Property, plant and equipment	3,581,540	3,557,362
Intangible assets		
Goodwill	1,149,180	1,118,991
Other	359,067	361,921
Total intangible assets	1,508,248	1,480,913
Investments and other assets		
Investment securities	3,621,214	3,107,032
Deferred tax assets	210,402	118,758
Other	1,064,557	353,974
Allowance for doubtful accounts	△677,703	△108,716
Total investments and other assets	4,218,470	3,471,049
Total non-current assets	9,308,259	8,509,324
Total assets	24,226,451	23,137,994
Liabilities		
Current liabilities		
Notes and accounts payable - trade	765,755	674,216
Short-term loans payable	390,000	390,000
Current portion of long-term debt	495,350	464,075
Accounts payable - other	906,621	737,799
Accrued expenses payable	3,141,533	3,119,760
Income taxes payable	27,201	46,526
Provision for bonuses	295,468	126,687
Contract liabilities	48,216	32,560
Other	742,554	987,961
Total current liabilities	6,812,700	6,579,587
Non-current liabilities		
Long-term loans payable	924,800	816,500
Retirement benefit liabilities	504,822	489,246
Provision for share awards for directors (and other officers)	47,158	33,479
Asset retirement obligations	39,333	39,333
Deferred tax liabilities	482,410	260,662
Other	29,335	23,191
Total non-current liabilities	2,027,860	1,662,413
Total liabilities	8,840,561	8,242,001

(Thousands of yen)

	As of March 31, 2023	As of June 30, 2023
Net assets		
Shareholders' equity		
Share capital	3,218,000	3,218,000
Capital surplus	2,840,496	2,840,451
Retained earnings	9,851,724	9,716,046
Treasury shares	△2,422,510	△2,414,368
Total shareholders' equity	13,487,710	13,360,129
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,848,510	1,506,481
Foreign currency translation adjustment	△8,879	△8,874
Accumulated retirement benefit adjustment	58,547	38,255
Total accumulated other comprehensive income	1,898,179	1,535,863
Non-controlling interests	—	—
Total net assets	15,385,889	14,895,992
Total liabilities and net assets	24,226,451	23,137,994

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
(Consolidated Statement of Income)

(Thousands of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	3,524,919	3,499,101
Cost of sales	2,126,659	2,068,491
Gross profit	1,398,259	1,430,609
Selling, general and administrative expenses	1,488,860	1,470,964
Operating income (loss)	△90,600	△40,354
Non-operating income		
Interest income	0	1
Dividend income	3,121	4,606
Interest on marketable securities	12	118
Gain on investments in investment partnerships	569	—
Foreign exchange gains	—	840
Subsidy income	49,460	—
Gain on recovery of written-off claims	—	6,853
Miscellaneous income	592	8,805
Total non-operating income	53,756	21,224
Non-operating expenses		
Interest expenses	888	2,402
Los on valuation on securities	3,724	495
Loss on investments in investment partnerships	—	4,198
Equity in losses of affiliates	4,536	16,716
Foreign exchange losses	276	—
Miscellaneous expenses	14	4,387
Total non-operating expenses	9,440	28,199
Ordinary income (loss)	△46,285	△47,329
Extraordinary losses		
Loss on disposal of non-current assets	541	—
Total extraordinary losses	541	—
Net income (loss) before income taxes	△46,826	△47,329
Income taxes - current	13,375	22,103
Income taxes - deferred	27,028	10,803
Total income taxes	40,404	32,906
Net income (loss)	△87,231	△80,236
Net income (loss) attributable to owners of parent	△87,231	△80,236

(Consolidated Statement of Comprehensive Income)

(Thousands of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Loss	△87,231	△80,236
Other comprehensive income		
Valuation difference on available-for-sale securities	164,205	△342,029
Foreign currency translation adjustment	4	5
Retirement benefit adjustment (before any applicable tax effect)	1,216	△20,292
Total other comprehensive income	165,425	△362,315
Comprehensive income	78,193	△442,552
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	78,193	△442,552
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes Concerning the Consolidated Financial Statements
 (Note Concerning the Premise of a Going Concern)
 Not applicable

(Note in the Case of Significant Changes in the Amount of Shareholders' Equity)
 Not applicable

(Segment Information)

I 1st quarter of the previous consolidated fiscal year/FY 2022 (April 1, 2022 through June 30, 2022)

1. Information on sales and profit or loss by reportable segment

(Unit: thousands of yen)

	Platform	Content	Total	Adjustment amount (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
Net sales					
Goods transferred at a single point in time	518,670	2,998,143	3,516,813	—	3,516,813
Goods transferred over a period of time	—	8,105	8,105	—	8,105
Revenue from contracts with customers	518,670	3,006,249	3,524,919	—	3,524,919
Sales to external customers	518,670	3,006,249	3,524,919	—	3,524,919
Intersegment sales or transfer amount	87,070	7,731	94,801	△94,801	—
Total	605,740	3,013,981	3,619,721	△94,801	3,524,919
Segment income or segment loss (△)	△96,311	94,532	△1,778	△88,822	△90,600

Notes: 1. The segment income or loss adjustment amount of △¥88,822 thousand consists of ¥4,211 thousand in eliminated intersegment transactions and △¥93,033 thousand in companywide expenses that are not allocated to the reportable segments.

2. Segment income amounts are adjusted with operating income in the quarterly consolidated profit and loss statement.

2. Information regarding impairment loss on current assets or goodwill by segment reported

This information is omitted since there is no critical impairment loss on current assets or significant change in amount of goodwill.

II 1st quarter of the current consolidated fiscal year/FY 2023 (April 1, 2023 through June 30, 2023)

1. Information on sales and profit or loss by reportable segment

(Unit: thousands of yen)

	Platform	Content	Total	Adjustment amount (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
Net sales					
Goods transferred at a single point in time	529,393	2,962,040	3,491,433	—	3,491,433
Goods transferred over a period of time	—	7,667	7,667	—	7,667
Revenue from contracts with customers	529,393	2,969,707	3,499,101	—	3,499,101
Sales to external customers	529,393	2,969,707	3,499,101	—	3,499,101
Intersegment sales or transfer amount	108,970	28,388	137,359	△137,359	—
Total	638,364	2,998,096	3,636,460	△137,359	3,499,101
Segment income or segment loss (△)	△49,418	122,707	73,288	△113,643	△40,354

Notes: 1. The segment income or loss adjustment amount of △¥113,643 thousand consists of ¥3,095 thousand in eliminated intersegment transactions and △¥110,548 thousand in companywide expenses that are not allocated to the reportable segments.

2. Segment income amounts are adjusted with operating income in the quarterly consolidated profit and loss statement.

2. Information regarding impairment loss on current assets or goodwill by segment reported

This information is omitted since there is no critical impairment loss on current assets or significant change in amount of goodwill.