BRIEF STATEMENT OF CONSOLIDATED FINANCIAL RESULTS FOR THE FULL FISCAL YEAR ENDED MARCH 2021

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.

May 13, 2021

Faith, Inc. (Stock code 4295, Listed on TSE 1st section)
(URL http://www.faith.co.jp/)
Representative: Hajime Hirasawa, CEO/President
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Date of General Meeting of Shareholders: June 25, 2021
Date of Submission of Annual Security Report: June 28, 2021
Starting Date of the Dividend Payment: June 28, 2021
Preparation of Supplementary Materials for Financial Results: Applicable/May 26, 2021
Information Meeting for Financial Results to be Held: Applicable/May 26, 2019 (for Institutional Investors and Analysts)

Amounts are rounded down to the nearest JPY 1 million.

1. Results for the Fiscal Year Ending March 2021 (From April 1, 2020 to March 31, 2021)

(1) Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to the Shareholders of the Parent Company	
Year ending	*Millions of yen*	%	*Millions of yen*	%	*Millions of yen*	%	*Millions of yen*	%
March 2021	19,991	△0.5	763	98.2	821	74.2	△26	—
March 2020	20,093	△4.2	385	166.9	471	—	△884	—

(Note) Comprehensive income: fiscal year ending March 2021: 1,314 million (—%); fiscal year ending March 2020: △446 million (—%)

	Net Income per Share	Diluted Net Income per Share	Return on Equity Capital	Ordinary Income on Total Assets	Operating Income on Net Sales
Year ending	*Yen*	*Yen*	%	%	%
March 2021	△2.09	—	△0.2	3.2	3.8
March 2020	△67.93	—	△5.2	1.9	1.9

(Reference) Equity in earnings of associated companies: fiscal year ending March 2021: ¥4 million;
fiscal year ending March 2020: ¥28 million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Ratio of Equity Capital	Net Assets per Share
Year ending	*Millions of yen*	*Millions of yen*	%	*Yen*
March 2021	26,702	17,627	66.0	1,395.33
March 2020	24,746	16,439	66.4	1,301.66

(Reference) Equity capital: fiscal year ending March 2021: ¥17,627 million; fiscal year ending March 2020: ¥16,439 million

(3) Consolidated Cash Flow Results

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents at Year End
Year ending	*Millions of yen*	*Millions of yen*	*Millions of yen*	*Millions of yen*
March 2021	1,243	△673	△200	12,946
March 2020	1,175	△512	△165	12,585

2. Dividends

	Dividends per Share					Total Dividend Payment (Annual)	Payout Ratio (Consolidated)	Dividend on Net Assets (Consolidated)
(Record dates)	1st Quarter	Interim	3rd Quarter	Year-end	Total (Annual)			
Year ending	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Millions of yen*	%	%
March 2020	—	5.00	—	5.00	10,00	133	—	0.8
March 2021	—	5.00	—	5.00	10.00	128	—	0.7
March 2022 (Forecast)	—	5.00	—	5.00	10.00		126.4	

3. Forecast for the Consolidated Results for the Year Ending March 2022
（from April 1, 2021 to March 31, 2022）

(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 Company		Net Income per Share
	Millions of yen	%	*Millions of yen*	%	*Millions of yen*	%	*Millions of yen*	%	*Yen*
First half (cumulative)	8,500	△15.0	200	△63.8	198	△70.3	40	△87.3	3.16
Full year	18,000	△10.0	550	△28.0	500	△39.2	100	－	7.91

(Note) Since the Company will apply the Accounting Standard for Revenue Recognition, etc. (ASBJ Statement No. 29), from the beginning of the fiscal year ending March 31, 2022, the consolidated results forecast described above represents the amounts after applying the said accounting standard. Regarding the impact of the accounting standard on revenue recognition, please refer to “1. Overview of Operating Results, etc., (4) Future Outlook” on page 5 of the accompanying material.

※ Notes

(1) Changes in significant subsidiaries (accompanying changes in scope of consolidation): None
Newly added subsidiaries: 0 companies (subsidiary’s name:)
Removed subsidiaries: 0 companies (subsidiary’s name:)

(2) Changes in accounting policy, changes in accounting estimates, and restatements
(2)-1. Changes accompanying revisions of accounting standards, etc.: None
(2)-2. Changes other than the above: None
(2)-3. Changes in accounting estimates: None
(2)-4. Restatements: None

(3) Outstanding shares (common shares)
(3)-1. Outstanding shares at the end of the fiscal years (including treasury stock):
The fiscal year ending March 2021: 13,831,091 shares
The fiscal year ending March 2020: 13,831,091 shares
(3)-2. Treasury stock at the end of the fiscal year:
The fiscal year ending March 2021: 1,197,855 shares
The fiscal year ending March 2020: 1,201,840 shares
(3)-3. Average number of shares during the accounting period
The fiscal year ending March 2021: 12,629,621shares
The fiscal year ending March 2020: 13,016,759 shares

(Note) The number of shares of treasury stock at the end of the fiscal year includes those shares (257,200 shares for the fiscal year ending March 2021, and 262,500 shares for the fiscal year ending March 2020) 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 (261,483 shares for the fiscal year ending March 2021, and 153,125 shares for the fiscal year ending March 2020).

(Reference) Overview of Non-Consolidated Results
Results for the Fiscal Year Ending March 2021 (From April 1, 2020 to March 31, 2021)

(1) Non-Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
Year ending	*Millions of yen*	%	*Millions of yen*	%	*Millions of yen*	%	*Millions of yen*	%
March 2021	2,227	3.4	△380	―	△230	―	△566	―
March 2020	2,153	△1.8	△380	―	△927	―	△1,468	―

	Net Income per Share	Diluted Net Income per Share
Year ending	*Yen*	*Yen*
March 2021	△44.82	―
March 2020	△112.85	―

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Ratio of Equity Capital	Net Assets per Share
Year ending	*Millions of yen*	*Millions of yen*	%	*Yen*
March 2021	19,809	16,737	84.5	1,324.90
March 2020	17,551	16,192	92.3	1,282.14

(Reference) Equity capital: fiscal year ending March 2021: ¥16,737 million; fiscal year ending March 2020: ¥16,192 million

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

* Statement regarding the proper use of financial 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. Overview of Operating Results, etc., (4) Future Outlook" on page 5 of the accompanying material.

(To obtain supplemental documents relating to financial results)
Supplemental Materials for Financial Results are posted on the company website on May 26, 2021.

Accompanying Material Contents

1. Overview of Operating Results

(1) Overview of Operating Results for the Current Term

In the Japanese information and communications field in 2019, the Internet penetration rate remained high at 89.8%, and the percentage of households owning one or more smartphones reached 83.4%, exceeding the percentage of households that own personal computers [*1]. In addition, while the movement away from television has continued since the year 2000, mainly by the younger generation, advertising expenses for the Internet in Japan increased by 5.9% in 2020 from the previous year to ¥2,229 billion, exceeding advertising expenses for television of ¥1,655.9 billion for the second consecutive year [*2]. On the other hand, the prolonged spread of the novel coronavirus (COVID-19) infection has led to the further expansion of services that allow people to communicate with partners in remote locations online from the comfort of their own homes, and new lifestyles are taking root, including diverse working styles such as telework and "contactless" consumer behavior. Under these circumstances, it is expected that the shift to services in accordance with the era of digitalization will further accelerate as the Internet usage rate rises, smartphones become even more widespread, and G5 communication services develop.

*1. Source: Ministry of Internal Affairs and Communications, *2019 Telecommunications Usage Trend Survey Results*

*2. Source: Dentsu Inc., *2020 Advertising Expenditures in Japan*

In the entertainment market in 2020, sales in the global music market centered on streaming services grew by 7.4% year-on-year to approximately ¥2,332.8 billion (US$21.6 billion), marking its sixth consecutive year of sales growth [*3]. Meanwhile in Japan, the production value of music software including music videos decreased by 15% year-on-year to ¥194.1 billion, and sales of packaged products continued to decline, but sales of fee-based music distribution increased by 11% to ¥78.3 billion. In the paid music distribution sales category, subscription audio streaming increased by 27% year-on-year to ¥58.9 billion, accounting for 75% of total paid music distribution sales [*4]. Conversely, large-scale events and live concerts have been postponed and canceled due to the spread of COVID-19, and the size of the live entertainment market in 2020 is expected to decrease by about 80% compared to the previous year [*5]. Meanwhile, new ways of enjoying live entertainment are taking root, such as "non-audience live streaming" in which live performances are transmitted over the Internet with no audience at the venue, and "hybrid performances", in which a limited number of audience members are allowed into the venue and the performance is also distributed. With live performances in front of various audience sizes being distributed, the size of the digital live performance market is expected to reach ¥14 billion in 2020, and it is projected to expand rapidly to about ¥100 billion by 2024 [*6].

*3. Source: IFPI, *Global Music Report 2020 - THE INDUSTRY IN 2021*

*4. Source: Recording Industry Association of Japan (RIAJ), *The Recording Industry in Japan 2021*

*5. Source: PIA Research Institute, *Japanese Live Entertainment Market Size Preliminary Report* (published October 27, 2020)

*6. Source: CyberZ Co., Ltd., *Domestic Digital Live Entertainment Market Trend Survey*

Founded in 1992, Faith Inc. 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. However, the spread of smartphones in today's music market has been accompanied by the diversification of media such as streaming, user upload content (UUC) that allows general users to easily transmit information to society, and social media, with the result that all kinds of activities in the music industry are now changing, including content distribution methods, consumption styles and content production methods.

In the current environment, the Faith Group is continuing to utilize the results of the efforts it has been pouring into digital content distribution ever since its establishment, and is forging ahead with its Multi-Content and Multi-Device Strategy of creating environments in which people can enjoy a wide diversity of contents whenever and wherever they choose. We are also strengthening the development of new services in response to the changing market environment, which includes platforms that collect and organize the information flooding the Internet and then providing this to users after increasing its added value.

In June 2020, Faith launched a new service called Thumva, which is an innovative live performance distribution platform with a variety of additional features. As an Internet-based viewing service that provides a new kind of live experience, Thumya makes possible group viewing and group text messaging, includes a gifting function for artists, and allows the audience to be taking part in a live performance without actually being at the venue. A considerable number of artists have already performed "live" on Thumva without a live audience, and we are planning to continue live broadcasting with a variety of lineups in future. Since the launch of the service, about 200 performances have been delivered and the number of registered members has exceeded 140,000 (as of March 2021).

Two Faith facilities, namely PLUSTOKYO, Tokyo's largest music lounge, and CROKET MIMIC TOKYO, an entertainment facility that stages world-class performances centered on impersonation, have suspended their operations due to the spread of COVID-19 infections, and are currently providing services related to live distribution.

In March 2021, PLUSTOKYO resumed operations, mainly on the rooftop floor, after taking the necessary measures in accordance with the Tokyo Metropolitan Government's guidelines for preventing the spread of infectious diseases. In addition, CROKET MIMIC TOKYO has suspended its existing operations and has begun operating as a filming and live streaming venue. We will continue to give utmost priority to preventing the spread of COVID-19 infections and ensuring safety, and we will carefully discuss the timing of the resumption of live performances based on public safety policies and action plans.

The Faith Group fully introduced a full-scale teleworking system from October 1, 2020. In addition, we have consolidated our main office functions, to the Minami Aoyama Office, which has been completely renovated. We will continue our efforts to improve the Group's management efficiency and profitability, and we will realize diverse and efficient new ways of working based on the concept of "activity-based working" [*7].

*7. A way of working that allows individuals to choose their workspace and style according to their work.

Regarding the Faith Group's business performance for the consolidated fiscal year ending March 2021, sales decreased by 0.5% year on year to ¥19,991 million, mainly due to a decrease in sales of existing distribution services, which are now the Group's largest sales category, and to the suspension of store operations to prevent the spread of COVID-19 infections. However, operating income increased by 98.2% year-on-year to ¥763 million, while ordinary income increased by 74.2% year-on-year to ¥821 million due to strong performances by the Label business and the Points Business. As a result, after taking into account office relocation expenses associated with office consolidation and impairment losses on fixed assets posted as extraordinary losses, the Group posted a net loss attributable to the owners of the parent company of ¥26 million (compared to a net loss attributable to shareholders of the parent company of ¥884 million for the same period of the previous year).

Information on each business segment is as follows.

Content Business
In the Content Business, as sales in the existing distribution business are continuing to decline, the Faith Group will continue to invest in new growth fields, such as developing new products, interlinking various services and creating platforms to capture diversifying profit opportunities, and promoting overseas business expansion.

We are actively developing FaRao PRO not only as a service providing business BGM but also for sales activities focused on expanding the functions necessary for store management, such as solutions and announcement functions that make store-branding proposals. In addition to conventional products using tablet devices, we have also released an app-version service that offers reduced initial costs and we are working to strengthen retail store sales through collaboration with the Point Service Business. Moreover, based on our Japanese service, we will continue to aim to create and revitalize the new BGM market.

In Fans', our platform of services for artists based on the D2C (*8) business model, which is expected to expand further in future, we are enhancing the functions essential to artists' musical activities such as official website construction, music and video distribution, sales of artist goods, and fan club operation. We are also working to further expand the functions of Fans', as with the introduction in June 2019 of a system that contributes to the creation of communities by spreading information sent out by creators through strengthened SNS cooperation. We are aiming to acquire new users and expand the membership base of Fans' as a service that allows more artists to disseminate their works and information freely, and we will strive to improve the service quality by pursuing enhanced convenience.

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

Regarding the performance of this segment, as a result of declining sales in the carrier official website service and the suspension of store operations due to the spread of COVID-19 infections, the Content Business recorded net sales of ¥2,929 million (an decrease of 18.0% year on year) and an operating loss of ¥599 million (compared with an operating loss of ¥643 million for the previous fiscal year).

Point Service Business
In the Point Service Business, in addition to providing point issue services to retail stores, we offer total support for point issue data acquisition, analysis and sales promotion utilization as a series of cycles from planning to operation, and we provide outsourcing services that maximize retail sales promotion efficiency.

Regarding the performance of this segment, the issue of points at existing client stores increased substantially, with the result that net sales increased by 25.3% year-on-year to ¥3,488 million and operating income increased by 210.0% year-on-year to ¥323 million.

Label Business
Amid the difficult environment facing the music and video-related industry in line with the continuing shrinkage of the music market, the Label Business is proceeding with its strategy of strengthening new future-oriented businesses in order to overcome the present situation in which it remains dependent on sales of package products.

Regarding the performance of this segment, net sales decreased by 1.2% year-on-year to ¥13,573 million due to delays in releases of titles and to a decrease in the activities of affiliated artists in the course of the effort to prevent the spread of COVID-19 infections. However, operating income increased by 12.4% year-on-year to ¥1,037 million yen due to strong sales of animation titles and increased sales titles involving the use of high-margin sound sources.

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

(2) Overview of Financial Position for the Current Term
Total assets as of the end of the consolidated fiscal year ended March 31, 2021 increased by ¥1,955 million from the end of the previous consolidated fiscal year to ¥26,702 million, a year-on-year increase of 7.9%. This result was mainly attributable to an increase of ¥361 million in cash and deposits, an increase of ¥229 million in buildings and structures due to office renovation, a decrease in software due to an impairment loss of ¥123 million, and an increase of ¥1,753 million in investment securities.

Total liabilities increased by ¥766 million compared with the end of the previous consolidated fiscal year to ¥9,074 million, a year-on-year increase of 9.2%. This result was mainly attributable to an increase of ¥146 million due to an increase in asset retirement obligations (current), and an increase of ¥540 million in deferred tax liabilities.

Net assets increased by ¥1,188 million compared with the end of the previous consolidated fiscal year to ¥17,627 million, a year-on-year increase of 7.2%. This result was mainly attributable to an increase in the valuation difference on available-for-sale securities of ¥1,250 million, and to a net loss of ¥26 million attributable to shareholders of the parent company.

The equity ratio became 66.0%.

(3) Overview of Cash Flow for the Current Term

Cash and cash equivalents at the end of the consolidated fiscal year ended March 31, 2021 increased by ¥361 million to ¥12,946 million, an increase of 2.9% compared with the end of the previous consolidated fiscal year.

Details of cash flow during the fiscal year under review and its main contributory factors were as follows:

(Cash flow from operating activities)
Cash flow from operating activities amounted to an inflow of ¥1,243 million (compared with an inflow of ¥1,175 million for the previous consolidated fiscal year), attributable mainly to income before income taxes and minority interests of ¥462 million, depreciation and amortization expenses of ¥369 million, impairment losses of ¥137 million, amortization of goodwill of ¥124 million, an increase in the reserve for bonuses of ¥4 million, a decrease in inventories of ¥185 million, and the payment of ¥554 million in corporation taxes.

(Cash flow from investing activities)
Cash flow from investing activities amounted to an outflow of ¥673 million (compared with an outflow of ¥512 million for the previous consolidated fiscal year), attributable mainly to expenditure of ¥438 million in respect of the acquisition of tangible fixed assets, expenditure of ¥41 million in respect of the retirement of tangible fixed assets, expenditure of ¥110 million in respect of the acquisition of software, expenditure of ¥100 million for the acquisition of investment securities, and income of ¥76 million in respect of income from the sharing of profits from investment partnerships.

(Cash flow from financing activities)
Cash flow from financing activities amounted to an outflow of ¥200 million (compared with an outflow of ¥165 million for the previous consolidated fiscal year), due mainly to expenditure of ¥271 million in respect of repayment of long-term loans, income of ¥200 million in respect of proceeds from long-term loans, and expenditure of ¥128 million in respect of dividend payments, etc.

(4) Future Outlook

The Faith Group's business performance forecasts for next consolidated fiscal year (FY 2021; ending March 31, 2022) are for net sales of ¥18,000 million, an operating income of ¥550 million, an ordinary income of ¥500 million, and a net income attributable to the shareholders of the parent company of ¥100 million. Net sales for the next fiscal year are expected to decrease by ¥2,000 million compared to the net sales under the previous accounting standard (¥20,000 million yen) due to the application of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), etc., and the net amount will be presented instead of the gross amount. These changes will have no impact on reporting of the various profit amounts such as operating profit.

The Faith Group is aiming to achieve changes in behavioral patterns fostered by the prolongation of the COVID-19 pandemic and the establishment of new values after the pandemic ends. In addition, we will endeavor to secure funds with a view to expediting strategic and agile investments in the entertainment industry, and we will respond quickly and flexibly to changes in the business environment.

(5) Basic Policy on Profit Allocation and Current Term/Next Term Dividend Distribution

Faith Inc. will continue its policy of giving priority to securing the funds necessary for strengthening its business structure and making aggressive business investments. At the same time, it also recognizes the return of profits to shareholders to be an important management task. For this reason, Faith Inc. will consider the payment of dividends; taking into account its operating results and financial position while keeping in mind the above-described situation.

The Company's dividend for the current fiscal year will be decided by resolution of the Board of Directors with the aim of making flexible payments to shareholders regardless of the timing of the General Meeting of Shareholders, and the Company is planning to pay a dividend of ¥10 per share (including an interim dividend of ¥5 that has already been paid). Regarding the dividend for the next fiscal year, the Company plans to pay a dividend of ¥10 per share (including an interim dividend of ¥5 per share) based on our basic policy of continuously paying stable dividends.

(6) Business Risks

1) Risks related to business content

Content Business

(a) Business environment

The Faith Group develops new markets by creating services that users want to use based on original business solution proposals and develops content services and wide-ranging enterprise support services through tie-ups with leading companies in various fields such as content providers. Competition is intense in the content business that the Group and its collaborating content providers are striving to develop, and it is possible that the number of new entrants in this business will continue to increase in future. If unit prices of content decrease due to price competition, etc., if the content services of the Group and its collaborating content providers fail to meet the needs of users, or if the number of users decreases, then there is a possibility that sales will not expand.

In some cases, the Group may provide server construction and operation services in order to meet the needs of content provider customers. In so doing, the Group makes every effort to prevent operational management failures, and even in the unlikely event of such a failure occurring, we take emergency measures and have a system in place that allows us to restore operation quickly by remote control. However, in the case that unavoidable failures occur due to natural disasters, etc., which make it difficult to provide services for an extended period, this may adversely affect the Group's performance.

(b) Quality control
The Faith Group makes every effort to ensure quality control by operating a thorough system supported by technological development. However, even after the customer company's acceptance inspection, if deficiencies, discrepancies or defects are found in the Group's technology, in the case that a user suffers a loss as a consequence of using a product or service that employs the Group's technology, this may adversely affect the Group's current or future business performance.

(c) Legal regulations
Increasing damage caused by illegal acquisition and modification of data on the Internet and by leakage of personal information has led to the development of legal regulations in Japan as elsewhere. The Faith Group's operations are related to the business of distributing content via the Internet, so in the case that laws and regulations or voluntary restraints between businesses are established in this field, or if the application of laws and regulations becomes clear, there is a possibility that the Group's business development will be restricted and that costs may be incurred with regard to the implementation of countermeasures.

Point Service Business
The Faith Group sells points to participating point member stores, and in order to prepare for the cost burden of using points, with regard to the balance of unexchanged points among issued points, the required amount that is expected to be used in future is estimated and recorded as a provision based on the past point collection rate. However, if points are exchanged in excess of the estimated amount, this may adversely affect the Group's business performance.

Label Business
(a) Economic situation and market environment
The Faith Group's main businesses, including the sale and distribution of music and video titles such as CDs and DVDs, BtoB business, and direct sales business, are affected by the economic conditions in the regions and countries where these products are sold. Many of the Group's products are not necessarily indispensable for consumers, and their sales are strongly influenced by market trends, consumer preferences and consumption behavior. For this reason, if the demand for the products of music and video-related industry in general declines due to a recession or reduced consumer spending, the Group's business performance and financial condition may be adversely affected. An increase in illegal copying and downloading is considered to be one of the factors causing the current decline in sales of music and video-related titles and the contraction in the overall scale of the music and video-related industry. Competition in the music and video-related industry is intensifying in this shrinking market, and this has a significant effect on the Group's sales and profitability. Digital music distribution has become popular in recent years, and the Group is focusing its efforts on this field as well. However, the expansion of this market may have a negative impact on sales of the Group's conventional products such as music CDs. Due to the recent revision of the Japanese Copyright Act, downloading of illegal copies is now prohibited, and consequently it is expected that the number of illegal downloads will decrease, but illegal downloads from illegal distribution sites still appear to be at a high level, which is likely to adversely affect the Group's sales. Moreover, in the music market, price competition is intensifying, as can be seen in the release of low-priced CDs, which may adversely affect the Group's business performance and financial condition.

(b) Music works and artists
Most of the revenue generated by the Faith Group's business depends on the creation of hits by popular artists, and the stability and growth of the Group's management derives from the creation of artists and music works that are expected to become hits. The Group will continue to discover and develop new artists who will be accepted by consumers, but since the creation of hit titles involves complex and uncertain factors such as consumer preferences and trends, lack of success at producing hits may adversely affect the Group's business performance and financial condition.

(c) Performance plan
The Faith Group's sales and profitability rest on a low proportion of fixed and continuous income, and are strongly influenced by the sales situation of individual music titles. Since the sales situation changes due to a number of factors such as the trends of the times and consumer preferences, sales may fall below the forecast levels predicted from past results so that the targets specified in the initial performance plan may not be achieved. In addition, the production of music CDs and other products may be postponed or canceled due to factors involving artists, production, and manufacturing and sales outsourcing, which may cause the Group's performance to fall below the level specified in the initial performance plan. For this reason, it is difficult to predict business performance elements such as sales forecasts, and a decline in profit for a specific quarter may change the business performance plan and affect the business performance. In the manufacturing and sales contract business, depending on the circumstances of individual business partners, the subcontractor may be changed from the Group to another subcontractor, which may be a factor in driving the Group's actual business performance below level specified in the initial performance plan.

(d) Retail price maintenance system and returns prevention measures
Under the Antimonopoly Act, copyrighted works such as music CDs, newspapers, books, etc. may be legally resold

under a resale price maintenance system (resale system). Although there is no guarantee that the system will last forever, the Japan Fair Trade Commission has announced it's view that it is reasonable to leave the system in place for the foreseeable future. Moreover, in recent years, the copyright law has been revised to protect the interests of copyright holders of music CDs produced locally under license agreements for the purpose of selling them in Asia at low cost. A so-called returns prevention measure has been introduced to prohibit the import of commercial records produced for the purpose of distribution overseas under certain conditions. If in the future, the Antitrust Law or Copyright Act is reviewed, there is a possibility that the Faith Group's sales may be reduced.

(e) Returns
Due to the resale system for products such as music CDs, retailers cannot set the selling price freely. Instead, there is a business practice under which retailers can return products within a certain range. For this reason, some products that do not sell well may be returned in the future. The Faith Group properly prepares a reserve for return adjustments based on past returns and other provisions, and is preparing for this eventuality, but if more returns occur due to unexpectedly poor sales, etc., there is a possibility that the Group's business performance may be adversely affected by a decrease in sales and profit.

2) Intellectual property rights
The Faith Group has filed patent applications and trademark applications related to its technology, and the Group intends to continue making similar promotion efforts in future. With respect to intellectual property rights such as patent rights, trademark rights, copyright ("intellectual property rights"), the Group is strengthening its efforts to protect these rights and to prevent infringements. However, it is difficult to predict how the intellectual property rights of third parties will be applied to the Group's business. For example, in the future, if a patent right related to the Group's business model or to related technology is established by a third party, or if a patent right not recognized by the Group is established, there is a possibility that the Group may be required to compensate the patent holder for damages related to the infringement of the said patent right, or it may become impossible for the Group to continue to conduct all or part of the business related to the patent. In addition, even if the patent holder allows the use to continue, payment of a license fee may be obligated, and in such a case, this may adversely affect the Group's performance.

Among the intellectual property rights owned by the Group, rights such as copyrights and neighboring rights represent one of the strengths of the Group's business. However, there is a possibility that third parties may infringe on the rights regarding songs sold by the Group or for which the Group holds rights or that the Group may unintentionally infringe the rights of third parties. Such copyright infringements may adversely affect the Group's business performance and financial condition.

3) Leakage of personal information
Regarding the protection of personal information, the Faith Group has established a personal information protection policy for the purpose of completing the internal system and instilling an awareness of compliance among its employees, as well as exercising the utmost caution in conducting internal education and implementing security measures for information systems. However, if personal information is leaked for some reason, it may damage the Group's social credibility and adversely affect its business performance and financial condition.

4) Disposal of businesses
The Faith Group conducts business reviews as appropriate, which may result in losses if it decides to sell or dispose of related assets. On the other hand, the Group actively considers business tie-ups with other companies, and there is a possibility that such business tie-ups may adversely affect the Group's business performance and financial condition.

5) Pension system
The Faith Group has established a defined benefit corporate pension plan for beneficiaries and a pension plan for employees that combine a lump-sum retirement allowance plan with a defined contribution pension plan. In future, if pension asset management yields decline or if the actuarial assumptions or the assumptions used to calculate retirement benefit obligations are changed, retirement benefit obligations and retirement benefit expenses may increase, which could adversely affect the Group's business performance and financial condition.

6) Influence of COVID-19 infections
In keeping with the Japanese Government's request for stores to practice self-restraint in retail operations and for individuals to refrain going out unnecessarily in order to limit the spread of novel coronavirus (COVID-19) infections, it is expected that personal consumption will remain sluggish and store visits will decline, and that depending on the progress of the situation, the call to refrain from retail activities and the closing of store facilities may be prolonged. This may affect the Group's business performance. In addition, if COVID-19 infections occur affecting the Group's head office, business offices, store facilities, artists, production, manufacturing and sales consignees, etc., there is a possibility that this may hinder the Group's business activities and affect its business performance and financial condition.

2. Basic Philosophy on Selection of Accounting Standards

For the present, the Faith Group is following a policy of producing its consolidated financial statements under Japanese standards in the interest of maintaining comparability between the financial statements of its constituent companies. Furthermore, concerning the future application of the International Financial Reporting Standards (IFRS), we intend to respond appropriately based on the movements of other companies, etc.

3. Consolidated Financial Statements and Main Explanatory Notes

(1) Consolidated Balance Sheet

(Unit: thousands of yen)

	FY 2019 (As of March 31, 2020)	FY 2020 (As of March 31, 2021)
(Assets)		
Current assets		
Cash and deposits	12,635,849	12,997,014
Accounts and notes receivable	2,199,541	2,018,712
Marketable securities	230,879	229,796
Commercial products	446,811	366,536
Products in progress	578,771	491,109
Primary materials and inventory goods	75,973	58,592
Corporation tax refunds receivable, etc.	68,295	71,062
Other current assets	482,059	519,948
Allowance for doubtful accounts	△18,532	△18,669
Total current assets	16,699,651	16,734,103
Fixed assets		
Tangible fixed assets		
Buildings and structures	2,060,497	2,154,482
Accumulated depreciation	△1,041,806	△906,742
Buildings and structures (net base)	1,018,691	1,247,739
Machinery and delivery equipment	604,513	612,271
Accumulated depreciation	△590,096	△568,857
Machinery and delivery equipment (net base)	14,416	43,413
Tools, devices and equipment	1,058,825	991,444
Accumulated depreciation	△947,266	△894,614
Tools, devices and equipment (net base)	111,558	96,829
Land	1,501,684	1,558,120
Lease assets	38,823	5,469
Accumulated depreciation	△38,702	△5,469
Lease assets (net base)	121	—
Total tangible fixed assets	2,646,472	2,946,103
Intangible fixed assets		
Software	268,262	144,550
Goodwill	1,520,453	1,395,695
Other intangible fixed assets	187,244	213,226
Total intangible fixed assets	1,975,960	1,753,472
Investment and other assets		
Investment securities	2,145,096	3,898,711
Deferred tax assets	765,419	846,890
Other investment and other assets	1,037,457	1,108,603
Allowance for doubtful accounts	△523,083	△585,342
Total investments and other assets	3,424,888	5,268,863
Total fixed assets	8,047,321	9,968,439
Total assets	24,746,972	26,702,542

(Unit: thousands of yen)

	FY 2019 (As of March 31, 2020)	FY 2020 (As of March 31, 2021)
(Liabilities)		
Current liabilities		
Accounts and notes payable	1,039,823	964,025
Short-term loans payable	340,000	340,000
Current portion of long-term debt	269,900	258,700
Accounts payable-other	706,817	741,426
Accrued expenses payable	2,725,341	2,796,448
Income taxes payable	341,858	371,157
Reserve for bonuses	347,424	352,424
Reserve for point card certificates	364	251
Reserve for sales returns	90,279	55,441
Asset retirement obligations	—	146,892
Other current liabilities	824,594	1,140,484
Total current liabilities	6,686,405	7,167,251
Fixed liabilities		
Long-term loans payable	440,350	379,850
Net defined retirement liabilities	652,153	576,922
Reserve for stock benefits for directors	16,401	33,129
Asset retirement obligations	39,183	39,233
Deferred tax liabilities	333,275	874,056
Other fixed liabilities	140,191	4,453
Total fixed liabilities	1,621,554	1,907,645
Total liabilities	8,307,960	9,074,896
(Net assets)		
Shareholder's equity		
Capital stock	3,218,000	3,218,000
Capital surplus	2,840,095	2,840,667
Retained earnings	10,854,165	10,698,825
Treasury stock	△1,124,344	△1,121,619
Total shareholder's equity	15,787,916	15,635,873
Other accumulated comprehensive income		
Valuation difference on marketable securities	737,236	1,987,860
Foreign currency translation adjustments	△21,026	△30,807
Cumulative adjustment amount for retirement benefit obligations	△65,114	34,719
Total other accumulated comprehensive income	651,096	1,991,773
Non-controlling interests	—	—
Total net assets	16,439,012	17,627,646
Total liabilities and net assets	24,746,972	26,702,542

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

(Unit: thousands of yen)

	FY 2019 (April 1, 2019 ~ March 31, 2020)	FY 2020 (April 1, 2020 ~ March 31, 2021)
Net sales	20,093,040	19,991,491
Cost of sales	12,605,521	12,611,702
Gross profit	7,487,518	7,379,788
Selling, general and administrative expenses	7,102,429	6,616,353
Operating income	385,088	763,435
Non-operating income		
Interest income	309	278
Dividend income	4,678	3,922
Interest on marketable securities	121	15
Gain on foreign exchange	—	759
Gain on equity method investment	28,284	4,458
Gain on investment partnership management	117,104	181,822
Subsidy income	—	46,634
Miscellaneous receipts	43,727	34,516
Total non-operating Income	194,226	272,408
Non-operating expenses		
Interest paid	5,744	5,530
Loss on foreign exchange	10,076	—
Loss on valuation of investment securities	1,016	1,131
Loss on sale of investment securities	2,076	—
Loss on investment partnership management	79,857	202,951
Miscellaneous expenses	8,685	4,425
Total non-operating expenses	107,456	214,038
Ordinary income	471,858	821,804
Extraordinary income		
Gain on sale of shares of affiliates	—	3,909
Gain on sale of investment securities	70,500	—
Other extraordinary income	809	—
Total extraordinary income	71,309	3,909
Extraordinary losses		
Loss on disposal of fixed assets	6,779	58,516
Loss on valuation of investment securities	754,346	26,757
Loss on sale of investment securities	7,088	4,931
Office relocation expenses	—	135,768
Impairment loss	544,490	137,369
Total extraordinary losses	1,312,704	363,342
Current term net income or net loss before taxes (△ = net loss)	△769,536	462,371
Corporate, local, and business taxes	437,888	571,052
Income taxes - deferred	△323,124	△82,255
Total corporate, local, and business taxes	114,764	488,797
Current term net income net income or net loss (△ = net loss)	△884,300	△26,425
Current term net income or net loss attributable to non-controlling interests (△ = net loss)	—	—
Current term net income or net loss attributable to shareholders of the parent company (△ = net loss)	△884,300	△26,425

(Consolidated Statement of Comprehensive Income)

(Unit: thousands of yen)

	FY 2019 (April 1, 2019 ~ March 31, 2020)	FY 2020 (April 1, 2020 ~ March 31, 2021)
Current term net income net income or net loss (△ = net loss)	△884,300	△26,425
Other comprehensive income		
Valuation difference on other marketable securities	430,201	1,250,623
Foreign currency translation adjustments	△10,089	△9,781
Retirement benefit adjustments	17,644	99,834
Total other comprehensive income	437,755	1,340,676
Comprehensive income	△446,544	1,314,251
(Details)		
Comprehensive income attributable to shareholders of the parent company	△446,544	1,314,251
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Changes in Shareholders' Equity

FY 2019 (April 1, 2019 ~ March 31, 2020)

(Unit: thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	3,218,000	3,019,175	11,872,088	△802,315	17,306,948
Changes of items during the accounting period					
Dividends paid			△133,622		△133,622
Net gain or net loss (△) attributable to shareholders of parent company			△884,300		△884,300
Acquisition of treasury stock				△690,108	△690,108
Disposal of treasury stock		△179,079		368,079	189,000
Changes in non-equity items during the accounting period (net amount)					
Total changes during the accounting period	—	△179,079	△1,017,922	△322,029	△1,519,031
Balance at end of period	3,218,000	2,840,095	10,854,165	△1,124,344	15,787,916

	Accumulated other comprehensive income				Minority Interests	Total net assets
	Valuation difference on other marketable securities	Foreign currency translation adjustments	Retirement benefit-related adjustments	Total other accumulated comprehensive income		
Balance at beginning of period	307,035	△10,936	△82,758	213,340	—	17,520,288
Changes of items during the accounting period						
Dividends paid						△133,622
Net gain or net loss (△) attributable to shareholders of parent company						△884,300
Acquisition of treasury stock						△690,108
Disposal of treasury stock						189,000
Changes in non-equity items during the accounting period (net amount)	430,201	△10,089	17,644	437,755		437,755
Total changes during the accounting period	430,201	△10,089	17,644	437,755	—	△1,081,275
Balance at end of period	737,236	△21,026	△65,114	651,096	—	16,439,012

FY 2020 (April 1, 2020 ~ March 31, 2021)

(Unit: thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	3,218,000	2,840,095	10,854,165	△1,124,344	15,787,916
Changes of items during the accounting period					
Dividends paid			△128,914		△128,914
Net gain or net loss (△) attributable to shareholders of parent company			△26,425		△26,425
Acquisition of treasury stock				△1,137	△1,137
Disposal of treasury stock		572		3,862	4,434
Changes in non-equity items during the accounting period (net amount)					
Total changes during the accounting period	—	572	△155,340	2,725	△152,043
Balance at end of period	3,218,000	2,840,667	10,698,825	△1,121,619	15,635,873

	Accumulated other comprehensive income				Minority Interests	Total net assets
	Valuation difference on other marketable securities	Foreign currency translation adjustments	Retirement benefit-related adjustments	Total other accumulated comprehensive income		
Balance at beginning of period	737,236	△21,026	△65,114	651,096	—	16,439,012
Changes of items during the accounting period						
Dividends paid						△128,914
Net gain or net loss (△) attributable to shareholders of parent company						△26,425
Acquisition of treasury stock						△1,137
Disposal of treasury stock						4,434
Changes in non-equity items during the accounting period (net amount)	1,250,623	△9,781	99,834	1,340,676		1,340,676
Total changes during the accounting period	1,250,623	△9,781	99,834	1,340,676	—	1,188,633
Balance at end of period	1,987,860	△30,807	34,719	1,991,773	—	17,627,646

(4) Consolidated Statement of Cash Flows

(Unit: thousands of yen)

	FY 2019 (April 1, 2019 ~ March 31, 2020)	FY 2020 (April 1, 2020 ~ March 31, 2021)
Cash flow from operating activities		
Income or loss (△) before income taxes, etc.	△769,536	462,371
Depreciation expenses	310,629	369,913
Impairment loss	544,490	137,369
Amortization of goodwill	115,421	124,757
Increase/decrease in allowance for doubtful accounts (△ = decrease)	41,414	62,396
Increase/decrease in reserve for bonuses (△ = decrease)	267,791	4,999
Increase/decrease in allowance for unexercised sales promotion points (△ = decrease)	△10	△112
Increase/decrease in net defined retirement liabilities (△ = decrease)	7,783	△75,231
Increase/decrease in for stock benefits for directors (△ = decrease)	16,401	16,728
Interest and dividend income	△4,988	△4,201
Interest on marketable securities	△121	△15
Gain or loss on valuation of marketable securities (△ = gain)	1,016	1,131
Gain or loss on sale of marketable securities (△ = gain)	2,076	—
Interest paid	5,744	5,530
Subsidy income	—	△46,634
Gain or loss on foreign exchange (△ = gain)	933	△387
Gain or loss on equity method investment (△ = gain)	△28,284	△4,458
Gain or loss on investment partnership management (△ = gain)	△37,246	21,128
Gain or loss on sale of investment securities (△ = gain)	△63,412	4,931
Gain or loss on evaluation of investment securities (△ = gain)	754,346	26,757
Gain or loss on disposal of fixed assets (△ = gain)	6,689	58,516
Increase/decrease in trade receivables (△ = increase)	210,307	△58,645
Increase/decrease in inventory assets (△ = increase)	△160,361	185,317
Increase/decrease in trade payables (△ = decrease)	97,220	△71,621
Increase/decrease in consumption tax receivable (△ = increase)	55,294	△39,436
Increase/decrease in consumption tax payable (△ = decrease)	6,224	135,786
Others	△109,490	367,254
Sub-total	1,270,332	1,684,143
Subsidy income received	—	46,634
Interest and dividends received	4,984	4,201
Interest paid	△5,717	△5,272
Income tax refunded	210,963	68,295
Income tax paid	△304,937	△554,940
Cash flow from operating activities	1,175,626	1,243,063

(Unit: thousands of yen)

	FY 2019 (April 1, 2019 ~ March 31, 2020)	FY 2020 (April 1, 2020 ~ March 31, 2021)
Cash flow from investing activities		
Expenditure for acquisition of tangible fixed assets	△72,074	△438,063
Income from sale of tangible fixed assets	－	3,909
Expenditure for retirement of tangible fixed assets	－	△41,279
Expenditure for acquisition of software	△87,627	△110,816
Expenditure for acquisition of investment securities	△322,981	△100,999
Income from sale of investment securities	110,377	9,253
Income from share of profits from investment partnerships	14,169	76,899
Expenditure for acquisition of subsidiary shares accompanying changes in the scope of consolidation	△69,988	－
Income from collection of loans receivable	730	270
Expenditure for security deposits	△99	△438
Income from collection of security deposits	1,884	104
Others	△87,204	△72,772
Net cash flow from investing activities	△512,815	△673,934
Cash flow from financing activities		
Expenditure for repayment of lease obligations	△723	－
Expenditure for repayment of long-term borrowing	△291,200	△271,700
Income from long-term borrowing	760,000	200,000
Expenditure for acquisition of treasury stock	△690,108	△1,137
Income from disposal of treasury stock	189,000	618
Payment of dividends	△132,879	△128,171
Net cash flow from financing activities	△165,911	△200,390
Effect of exchange rate on cash and cash equivalents	△11,517	△7,578
Net increase/decrease in cash and cash equivalents (△ = decrease)	485,382	361,160
Cash and cash equivalents at the beginning of the year	12,100,452	12,585,834
Cash and cash equivalents at the end of the year	12,585,834	12,946,994

(5) Notes Concerning the Consolidated Financial Statements

(Notes Concerning the Premise of a Going Concern)

Not applicable

(Segment Information, etc.)

[Segment Information]

1. Outline of reportable segments

The Company's reportable segments provide financial information separated according to its various structural units and are also subject to periodic review when the Board of Directors decides on the allocation of business resources and makes performance appraisals. The Faith Group's main businesses are the Content Business, the Point Service Business, and the Label Business.

Content Business

In order to promote its Multi-Content and Multi-Platform Strategy, the Faith Group's Content Business is providing one-stop solutions ranging from the construction of distribution systems and the operation of services for end-users to the planning and production of digital contents.

Main companies involved in this business: Faith, Inc. and Faith Wonderworks, Inc.

Point Service Business

The Faith Group is engaged in the Point Service Business, which is aimed at the retail industry.

Main company involved in this business: GoodyPoint Co., Ltd.

Label Business

The Label Business encompasses planning, production and sales of sound sources and videos, music rights acquisition and management, and contracted production and sales of sound source and video products for other companies, etc.

Main companies involved in this business: Nippon Columbia Co., Ltd. and DREAMUSIC Inc.

2. Calculation method for sales, profit or loss, assets, liabilities and other items by reportable segment

The accounting method for the reportable business segments is in accordance with the accounting policies adopted for preparing the consolidated financial statements.

For the profit figures of the reportable segments, the operating income base figures are used. Inter-segment sales and transfer amounts are decided in consideration of the market price and other factors.

3. Information on sales, profit or loss, assets, liabilities and other items by reportable segment

Previous consolidated fiscal year/FY 2019 (April 1, 2019 ~ March 31, 2020)

(Unit: thousands of yen)

	Reportable segment				Adjustment amount (Notes 1 & 2)	Amount recorded in Consolidated Financial Statements (Note 3)
	Content	Point Service	Label	Total		
Sales						
Sales to external customers	3,574,322	2,783,983	13,734,734	20,093,040	－	20,093,040
Inter-segment sales or transfer amount	142,031	309	641	142,981	△142,981	－
Total	3,716,353	2,784,292	13,735,375	20,236,022	△142,981	20,093,040
Segment profit or loss (△)	△643,752	104,365	923,111	383,724	1,364	385,088
Segment assets	10,236,962	1,204,729	13,428,420	24,870,112	△123,139	24,746,972
Other items						
Depreciation expenses	194,204	14,047	103,117	311,369	△740	310,629
Amortization of goodwill	4,092	－	111,328	115,421	－	115,421
Investment in equity-method affiliates	50,041	－	88,670	138,711	－	138,711
Increase in tangible and intangible fixed assets	83,756	26,166	49,779	159,701	－	159,701

(Notes)

1. The segment income or loss adjustment amount of ¥1,364 thousand is calculated by eliminating intersegment transactions.
2. The segment assets adjustment amount eliminates intersegment transactions, etc.
3. Segment income is adjusted with operating income in the consolidated financial statements.
4. The adjustment amount for of depreciation is due to elimination of intersegment transactions.

Current consolidated fiscal year/FY 2020 (April 1 2020 ~ March 31, 2021)

(Unit: thousands of yen)

	Reportable segment				Adjustment amount (Notes 1 & 2)	Amount recorded in Consolidated Financial Statements (Note 3)
	Content	Point Service	Label	Total		
Sales						
Sales to external customers	2,929,600	3,488,147	13,573,742	19,991,491	－	19,991,491
Inter-segment sales or transfer amount	192,330	276	22,395	215,002	△215,002	－
Total	3,121,930	3,488,424	13,596,138	20,206,493	△215,002	19,991,491
Segment profit or loss	△599,423	323,554	1,037,495	761,626	1,808	763,435
Segment assets	12,461,013	1,474,861	13,940,816	27,876,692	△1,174,149	26,702,542
Other items						
Depreciation expenses	114,186	15,525	241,479	371,190	△1,277	369,913
Amortization of goodwill	4,000	－	120,757	124,757	－	124,757
Investment in equity-method affiliates	51,646	－	91,523	143,170	－	143,170
Increase in tangible and intangible fixed assets	464,546	6,912	77,421	548,880	－	548,880

(Notes)

1. The segment income or loss adjustment amount of ¥1,808 thousand is calculated by eliminating intersegment transactions.
2. The segment assets adjustment amount eliminates intersegment transactions, etc.
3. Segment income is adjusted with operating income in the consolidated financial statements.
4. The adjustment amount for of depreciation is due to elimination of intersegment transactions.

[Related Information]

Previous consolidated fiscal year/FY 2019 (April 1, 2019 ~ March 31, 2020) and current consolidated fiscal year/FY 2020 (April 1 2020 ~ March 31, 2021)

1. Information by product and service

This information is omitted because similar information is disclosed in the segment information.

2. Information by region

(1) Sales: Information on sales by region is omitted because the amount of sales to external customers in Japan accounts for over 90% of the amount of sales reported on the consolidated balance sheet.

(2) Tangible fixed assets: Information on tangible fixed assets by region is omitted because the amount of fixed assets in Japan accounts for over 90% of the amount of fixed assets reported on the consolidated balance sheet.

3. Information on major customers

Information on major customers is omitted because there were no sales to a single external customer accounting for 10% or more of net sales on the consolidated statement of income.

[Information on Impairment Losses on Fixed Assets for Each Reportable Segment]

Previous consolidated fiscal year/FY 2019 (April 1, 2019 ~ March 31, 2020)

(Unit: thousands of yen)

	Content	Point Service	Label	Total	Company-wide/ elimination	Total
Loss on impairment	542,629	1,860	—	544,490	—	544,490

Current consolidated fiscal year/FY 2020 (April 1 2020 ~ March 31, 2021)

(Unit: thousands of yen)

	Content	Point Service	Label	Total	Company-wide/ elimination	Total
Loss on impairment	137,369	—	—	137,369	—	137,369

[Information on Amortization of Goodwill and Unamortized Balance for Each Reportable Segment]

Previous consolidated fiscal year /FY 2019 (April 1, 2019 ~ March 31, 2020)

(Unit: thousands of yen)

	Content	Point Service	Label	Total	Company-wide/ elimination	Total
Year-end balance	9,000	—	1,511,453	1,520,453	—	1,520,453

(Note) The amount of amortization of goodwill is omitted because the same information is shown in [Segment Information].

Current consolidated fiscal year/FY 2020 (April 1 2020 ~ March 31, 2021)

(Unit: thousands of yen)

	Content	Point Service	Label	Total	Company-wide/ elimination	Total
Year-end balance	5,000	—	1,390,695	1,395,695	—	1,395,695

(Note) The amount of amortization of goodwill is omitted because the same information is shown in [Segment Information].

[Information on Gains on Negative Goodwill by Reportable Segment]

Previous consolidated fiscal year/FY 2019 (April 1, 2019 ~ March 31, 2020) and current consolidated fiscal year/FY 2020 (April 1 2020 ~ March 31, 2021)

Not applicable

(Per Share Information)

(Unit: yen)

FY 2019 (April 1, 2019 ~ March 31, 2020)		FY 2020 (April 1 2020 ~ March 31, 2021)	
Net assets per share	1,301.66	Net assets per share	1,395.33
Net income per share	△67.93	Net income per share	△2.09

(Notes)

1. The amount of net income per share fully diluted during the current consolidated fiscal year and diluted net income per share for the previous consolidated fiscal year are not recorded because there are no residual shares subject to a dilution effect.
2. The basis of the calculation of net income per share is as follows.

	FY 2019 (April 1, 2019 ~ March 31, 2020)	FY 2020 (April 1 2020 ~ March 31, 2021)
Net loss (△) per share		
Net loss (△) attributable to the shareholders of the parent company (thousands of yen)	△884,300	△26,425
Amount not attributable to ordinary shareholders (thousands of yen)	—	—
Net loss (△) pertaining to common stock attributable to the shareholders of the parent company (thousands of yen)	△884,300	△26,425
Average number of shares outstanding during the period (shares)	13,016,759	12,629,621

(Note) The Company's shares contributed as trust assets for the performance-linked stock compensation plan are included in the amount of treasury stock deducted in the calculation of the average number of shares during the period for the purpose of calculating the net loss per share (261,483 shares for the fiscal year ending March 2021, and 153,125 shares for the fiscal year ending March 2020).

3. The basis of the calculation of net assets per share is as follows.

	End of FY 2019 (as of March 31, 2020)	End of FY 2020 (as of March 31, 2021)
Total amount of net assets (thousands of yen)	16,439,012	17,627,646
Amount deducted from total amount of net assets (thousands of yen)	—	—
(Non-controlling interests)	(—)	(—)
Year-end net assets pertaining to common stock (thousands of yen)	16,439,012	17,627,646
Year-end number of shares of common stock used in calculating net assets per share (shares)	12,629,251	12,633,236

(Significant Subsequent Events)

Not applicable