

**BRIEF STATEMENT OF CONSOLIDATED FINANCIAL RESULTS
FOR THE 1st QUARTER OF THE FISCAL YEAR ENDING MARCH 2015**

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 8, 2014

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 13, 2014

Starting Date of the Dividend Payment: -

Preparation of Supplementary Materials for Quarterly Financial Results: Applicable

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 2015

(From April 1, 2014 to June 30, 2014)

(1) Consolidated Operating Results

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

Q1 of the year ending	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 2015	4,445	171.1	△391	—	△386	—	△293	—
March 2014	1,639	△1.8	179	△35.5	179	△21.6	181	△1.8

(Note) Comprehensive income: 1st quarter of the fiscal year ending March 2015: △¥433 million (—%); 1st quarter of the fiscal year ending March 2014: ¥194 million (35.3%)

	Net Income per Share	Diluted Net Income per Share
Q1 of the year ending	Yen	Yen
March 2015	△25.77	—
March 2014	15.89	15.89

(Note) With effect from October 1, 2013, the Company carried out a stock split of its common shares at a ratio of 10 shares per share. For this reason, the net income per share and diluted net income per share are calculated under the supposition that the stock split had taken place at the beginning of the previous consolidated fiscal year.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Ratio of Equity Capital	Net Assets Per Share
Q1 of the year ending	Millions of yen	Millions of yen	%	Yen
March 2015	28,713	21,822	71.3	1,797.14
Year ending March 2014	29,887	22,340	69.6	1,825.44

(Reference) Equity capital: 1st quarter of fiscal year ending March 2015: ¥20,469 million; fiscal year ending March 2014: ¥20,792 million

2. Dividends

(Record dates)	Dividends per Share				
	1 st Quarter	Interim	3 rd Quarter	Year-end	Total
Year ending March 2014	yen	yen	yen	yen	yen
Year ending March 2014	—	50.00	—	5.00	—
Year ending March 2015	—				
Year ending March 2015 (Forecast)		5.00	—	5.00	10.00

(Notes) Forecasts for dividends have not been modified since the time of the most recently announced business forecast.

With effect from October 1, 2013, the Company carried out a stock split of its common shares at a ratio of 10 shares per share.

3. Forecast for the Consolidated Results for the Year Ending March 2015 (from April 1, 2014 to March 31, 2015)

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half (cumulative)	10,000	215.2	△160	—	△170	—	△250	—	△21.94
Full year	21,500	239.1	450	△11.5	430	△26.7	100	△75.2	8.77

(Notes) Forecasts for business results have not been modified since the time of the most recently announced business forecast.

※ 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) Adoption of simplified accounting practices or specific procedures in preparation of the quarterly consolidated financial reports: Applicable

* For details, please refer to "2. Summary Information, (2) Adoption of Simplified Accounting Methods in the Preparation of Quarterly Financial Statements" on page 4 of the accompanying material.

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

(i) Changes accompanying revisions of accounting standards, etc.: Applicable

(ii) Changes other than the above: None

(iii) Changes in accounting estimates: None

(iv) Restatements: None

* For details, please refer to "2. Summary Information, (3) Changes in Accounting Principles, Procedures, and Disclosure Methods" on page 4 of the accompanying material.

(4) Outstanding shares (common shares)

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

The 1st quarter of the fiscal year ending March 2015: 11,960,000 shares

The fiscal year ending March 2014: 11,960,000 shares

(ii) Treasury shares at the end of the fiscal years:

The 1st quarter of the fiscal year ending March 2015: 569,770 shares

The fiscal year ending March 2014: 569,670 shares

(iii) Average number of shares at the interim accounting period

The 1st quarter of the fiscal year ending March 2015: 11,390,270 shares

The 1st quarter of the fiscal year ending March 2014: 11,393,430 shares

(Note) With effect from October 1, 2013, the Company carried out a stock split of its common shares at a ratio of 10 shares per share. For this reason, the numbers of shares listed above are calculated under the supposition that the stock split had taken place at the beginning of the previous consolidated fiscal year.

* Indication of auditing procedures implementation status

This financial results report is exempt from quarterly review procedures under Japan's Financial Instruments and Exchange Law. As of the time of disclosure of this report, the auditing procedure based on the Financial Instruments and Exchange Law has not been completed.

* 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. (3) Explanation Concerning Future Forecast Information on the Consolidated Financial Results, etc." on page 4 of the accompanying material.

(To obtain supplemental documents relating to financial results)

Supplemental materials related to the Company's quarterly and other financial results are posted on the company website.

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

(1) Explanation Concerning the Operating Results

Information and communications technology (ICT) including the internet, mobile phones, etc., is now widespread in all spheres of daily life, and the impact of ICT on society, such as in the fields of corporate activity and consumer activity, is steadily increasing. Looking at the Japanese domestic communication service utilization situation, the number of users of smart devices (smartphones and tablet devices) is continuing to expand, while the performance of devices themselves is improving, creating an environment in which vast amounts of information provided on the internet can be accessed anytime and anywhere. At the end of March 2014, the number of internet users in Japan rose above 100 million for the first time, and the internet diffusion ratio reached 82.8%. But in the utilized device classification, the PC utilization ratio was 86.3%, down 7.3% year on year, and the feature phone utilization ratio was 24.5%, down 18.3% year on year. By contrast, smartphones have continued to spread rapidly, and their utilization ratio has increased from 31.4% to 42.4% over the past year. Utilization of tablet devices has also spread steadily, rising from 7.9% to 12.4% year on year. Moreover, the popularity of social media is continuing to expand, with its utilization among people in the 13-39 year-old group now above 50%. (*1)

In the Japanese music market, paid music distribution sales during the January-March 2014 period stood at 100% of their level during January-March 2013. However, in the package products market, which forms a major part of the music market, sales of music software including music videos fell to 97% of the previous year's level, and the overall declining trend in this market is showing no signs of bottoming out. (*2)

(*1) "Communications Usage Trend Survey" compiled by the Ministry of Internal Affairs and Communications

(*2) Research by the Recording Industry Association of Japan

In this market environment, the Faith Group is proceeding with its Multi-Content and Multi-Platform Strategy of creating an environment that allows people to enjoy a wide diversity of contents whenever and wherever they choose while providing compatibility with the increasingly popular smart devices. We have made a continuous effort to strengthen the functions of our platforms that gather relevant information from the mass that floods the internet, sort it into categories, increase its added value, and provide it to users, as well as to strengthen our approach to expanding social media functions, etc.

In June 2014, for the purpose of upgrading and expanding our platform functions in support of musical activity, the Company's consolidated subsidiary Faith Wonderworks became the operator of with9, Japan's largest social media service for band member recruitment. From now on too, the Faith Group is planning to provide high value-added services that deepen the ties between artists and their fans.

Moreover, in order to further improve our competitiveness and strengthen our approach in fields of growth, we will deepen the cooperation between the Group's companies such as Nippon Columbia, Co., Ltd., Japan's oldest record company, and OK Life Inc., the operator of Japan's largest-scale music social media service "OK Music".

In keeping with the change of status of Nippon Columbia, Co., Ltd. from an equity-method affiliate to a fully consolidated subsidiary, this company's sales and business performance have been included in the Faith Group's consolidated financial results from the start of the fiscal year ending March 2015. As a result, for the first quarter of the current fiscal year, the Group recorded net sales of ¥4,445 million (an increase of 171.1% compared with the same term of the previous fiscal year), an operating loss of ¥391 million (compared with an operating income of ¥179 million for the same term of the previous year), an ordinary loss of ¥386 million (compared with an ordinary income of ¥179 million for the same term of the previous year), and a net loss of ¥293 million (compared with a net income of ¥181 million for the same term of the previous year).

Information on each business segment is as follows.

Content Business

In the Content Business, although ringtone melody sales have decreased in line with the gradual shift from feature phones to smartphones, the Company is continuously launching new services with high value-added contents in response to the needs of users of highly functional smart devices.

In June 2014, as an advanced version of “Connecting Card™”, the O2O platform that links artists with fans and currently has approx. 200,000 members, the Company launched the “U-CONNECT” service jointly with UNIVERSAL MUSIC LLC. U-CONNECT is a service that allows users to download music, watch videos, apply for special benefits, make electronic ticket purchases, etc., by authenticating a number inscribed on a card. Because these cards can be enclosed in a CD package or sold in stores, the system is expected to grow as a new music business, Faith and UNIVERSAL MUSIC is planning to develop U-CONNECT with partner companies beginning with other members of the Faith Group.

The internet-based radio service “FaRao®”, which has begun a new distribution service in the music market, is striving continuously to achieve multi-device compatibility. While doing so, in order to help the service achieve greater recognition and diffusion, we carried out a campaign targeted at encouraging users to install “HIKARI BOX+ HB-1000”, provided by NTT West Corporation, and we also embarked on a project in collaboration with OK Music and Japan’s largest charity music festival “COMIN’ KOBE 14”.

In addition, in the lifestyle field apart from music, jointly with Nippon Columbia Co., Ltd., the Company released an app entitled “Kotsuban Yoga Diet”, which is produced by a leading yoga expert.

As a result of the above developments, taking into account the ongoing deployment of new services and the decline in sales of services to feature phone users, the Content Business recorded net sales of ¥1,093 million (a decline of 15.0% year on year), and an operating income of ¥0 (a decline of 99.4% year on year).

Point Service Business

In the Point Service Business, sales of points by member stores increased due to a surge of last-minute demand prior to the increase in the consumption tax rate, with the result that this business recorded net sales of ¥586 million (an increase of 66.1% year on year). However, although we worked to control sales-related expenses and general management expenses, the business experienced a profit ratio decline due to redemptions of former points in line with the shift to server-based management and to an increase in initial costs in line with the startup of new businesses, resulting in an operating income of ¥20 million (a decrease of 22.0% year on year).

Columbia Business

The Columbia Business is engaged in the planning, production, advertising and sales of audio, video and game software, etc. During the first quarter under review, although in the Sales/Digital Distribution Business a rise in sales of large-scale J-Pop products made a contribution to sales, overall sales of non-J-Pop music CDs, digital distribution titles and sales to mail-order companies decreased steeply, due to the influence of the declining music market over the period and the rise in the Consumption Tax rate. Also, a decrease in the sales ratio of titles using high-profit-margin sound sources was a factor in forcing down the profitability of this business.

As a result, for the first quarter of the current consolidated fiscal year, the Columbia Business recorded net sales of ¥2,765 million yen and an operating loss of ¥413 million yen. Moreover, as the Columbia Business has been included in the Faith Group’s business performance only from the start of the current fiscal year, no comparisons with the same period of the previous fiscal year are given here.

(2) Explanation Concerning the Financial Position

Total assets as of June 30, 2014 decreased by ¥1,173 million compared to March 31, 2014 to ¥28,713 million. This result was mainly due to decreases in accounts and notes receivable.

Total liabilities decreased by ¥655 million compared to the end of the previous consolidated fiscal year to ¥6,891 million. This result was mainly due to decreases in accounts and notes payable and accrued expenses payable.

Total net assets decreased by ¥517 million compared to the end of the previous consolidated fiscal year to ¥21,822 million. This was mainly due to a decrease in retained earnings in accordance with the payment of dividends and the recording of a quarterly net loss.

As a result of the above, the equity ratio increased by 1.7 percentage points to 71.3%.

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

Performance forecasts are made based on information currently available to the Company, but there is a possibility that the actual performance figures will differ significantly from the forecast figures due to a variety of factors. In addition, the current performance forecast for the full financial year is unchanged from the forecast issued on May 14, 2014.

2. Summary Information

(1) Changes in Major Subsidiaries during the 1st Quarter

Not applicable

(2) Adoption of Simplified Methods in the Preparation of the Quarterly Financial Statements

Tax expenses for the Company and a portion of its consolidated subsidiaries are calculated by making a reasonable estimate of the effective tax rate after applying tax effect accounting to the amount of quarterly net profit before tax deduction for the consolidated financial year including the current 1st quarter accounting period, and then multiplying the amount of quarterly net profit before tax deduction by the current estimated effective tax rate.

(3) Changes in Accounting Principles, Procedures, and Disclosure Methods

(Changes in Accounting Principles)

For certain consolidated subsidiaries, with effect from the current first quarter accounting period, we have applied the regulations stipulated in the main texts of Item 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and Item 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012) in revising the retirement benefit obligations and the service cost calculation method.

These changes will have no material impact on the Group's retained earnings or profitability.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

	(Unit: thousands of yen)	
	FY 2013	1st Quarter of FY 2014
	(As of March 31, 2014)	(As of June 30, 2014)
(Assets)		
Current assets		
Cash and deposits	14,196,991	13,749,201
Accounts and notes receivable	3,238,570	2,384,781
Marketable securities	241,587	241,501
Commercial products	464,387	486,969
Products in progress	440,603	504,914
Primary materials and inventory goods	63,564	69,168
Corporation tax refund receivable, etc.	67,118	32,095
Deferred tax assets	286,638	286,380
Others	774,474	859,180
Allowance for doubtful accounts	△74,763	△71,185
Total current assets	19,699,173	18,543,009
Fixed assets		
Tangible fixed assets	3,062,848	3,029,393
Intangible fixed assets		
Goodwill	4,247,061	4,198,228
Others	871,886	902,481
Total intangible fixed assets	5,118,948	5,100,710
Investment and other assets		
Investment securities	1,679,127	1,700,160
Others	623,900	638,557
Allowance for doubtful accounts	△296,727	△298,177
Total investments and other assets	2,006,300	2,040,540
Total fixed assets	10,188,097	10,170,643
Total assets	29,887,271	28,713,653
(Liabilities)		
Current liabilities		
Accounts and notes payable	1,243,213	962,214
Short-term loans payable	906,520	596,424
Lease obligations	51,491	40,725
Accrued expenses payable	2,062,945	1,910,982
Income taxes payable	73,763	76,346
Reserve for bonuses	70,403	51,193
Reserve for point card certificates	191,510	227,309
Reserve for sales returns	148,890	116,126
Others	1,399,389	1,252,709
Total current liabilities	6,148,127	5,234,032
Fixed liabilities		
Long-term loans payable	105,400	379,980
Net defined retirement benefits	996,110	975,303
Lease obligations	41,915	37,439
Deferred tax liabilities	209,823	217,433
Others	45,628	46,929
Total fixed liabilities	1,398,877	1,657,086
Total liabilities	7,547,004	6,891,118

	(Unit: thousands of yen)	
	FY 2013	1st Quarter of FY 2014
	(As of March 31, 2014)	(As of June 30, 2014)
(Net assets)		
Shareholder's equity		
Common stock	3,218,000	3,218,000
Capital surplus	3,708,355	3,708,355
Retained earnings	14,393,333	14,042,897
Treasury stock	△754,679	△755,298
Total shareholder's equity	20,565,008	20,213,953
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	227,400	242,584
Foreign currency translation adjustments	—	△1,132
Cumulative adjustment for retirement benefit obligations	—	14,404
Total other accumulated comprehensive income	227,400	255,856
Stock acquisition rights	61,949	61,949
Minority interests	1,485,909	1,290,776
Total net assets	22,340,267	21,822,534
Total liabilities and net assets	29,887,271	28,713,653

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

	(Unit: thousands of yen)	
	1st Quarter of FY 2013 (April 1-June 30, 2013)	1st Quarter of FY 2014 (April 1-June 30, 2014)
Net sales	1,639,776	4,445,100
Cost of sales	898,188	2,828,565
Gross profit	741,588	1,616,535
Selling, general and administrative expenses	562,081	2,007,871
Operating income or loss (△)	179,506	△391,336
Non-operating income		
Interest income	5,957	2,346
Dividend income	4,407	4,058
Interest on securities	642	35
Foreign exchange gain	1,795	—
Miscellaneous receipts	1,709	4,893
Total non-operating income	14,511	11,334
Non-operating expenses		
Interest paid	1,815	2,489
Investment loss on equity method	12,024	959
Investment partnership operation loss	—	2,240
Foreign exchange loss	—	557
Miscellaneous expenses	222	412
Total non-operating expenses	14,062	6,659
Ordinary income or loss (△)	179,956	△386,661
Extraordinary income		
Gain on transfer of business	28,320	—
Total extraordinary income	28,320	—
Extraordinary losses		
Loss on disposal of fixed assets	41	—
Relocation expenses	2,253	—
Total extraordinary losses	2,295	—
Net income or net loss before income taxes (△)	205,981	△386,661
Corporate, local, and business taxes	24,952	88,679
Net income or net loss before minority interests (△)	181,028	△475,341
Minority interests in loss (△)	—	△181,869
Net income or loss for the current quarter (△)	181,028	△293,471

(Consolidated Statement of Comprehensive Income)

	(Unit: thousands of yen)	
	1st Quarter of FY 2013 (April 1-June 30, 2013)	1st Quarter of FY 2014 (April 1-June 30, 2014)
Net income or net loss before minority interests (Δ)	181,028	Δ 475,341
Other comprehensive income		
Valuation difference on other available-for-sale securities	12,032	15,616
Foreign currency translation adjustment	—	Δ 2,223
Retirement benefit adjustments	—	28,266
Share in comprehensive income of equity method affiliates	1,798	—
Total other comprehensive income	13,831	41,659
Comprehensive income	194,859	Δ 433,681
(Details)		
Comprehensive income attributable to shareholders of the parent company	194,859	Δ 265,016
Comprehensive income attributable to minority interests	—	Δ 168,664

(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 2013 (April 1, 2013 through June 30, 2013)

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

(Unit: thousands of yen)

	Content	Point Service	Columbia	Total	Adjustment amount (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
Net sales						
Sales to external customers	1,287,044	352,731	—	1,639,776	—	1,639,776
Intersegment sales or transfer amount	3,376	50	—	3,427	△3,427	—
Total	1,290,421	352,782	—	1,643,203	△3,427	1,639,776
Segment income/loss	153,244	26,010	—	179,254	252	179,506

Notes: 1. The segment income adjustment amount of ¥252 thousand is calculated by eliminating intersegment transactions.

2. Segment income/loss is adjusted with operating income in the quarterly consolidated profit and loss statement.

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

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

II 1st quarter of the current consolidated fiscal year/FY 2014 (April 1, 2014 through June 30, 2014)

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

(Unit: thousands of yen)

	Content	Point Service	Columbia	Total	Adjustment amount (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
Net sales						
Sales to external customers	1,093,507	586,018	2,765,574	4,445,100	—	4,445,100
Intersegment sales or transfer amount	32,019	2	5,317	37,340	△37,340	—
Total	1,125,527	586,021	2,770,892	4,482,440	△37,340	4,445,100
Segment income/loss	950	20,298	△413,399	△392,150	814	△391,336

Notes: 1. The segment loss adjustment amount of ¥814 thousand is calculated by eliminating intersegment transactions.

2. Segment income/loss is adjusted with operating income in the quarterly consolidated profit and loss statement.

2. Note concerning changes in reportable segments, etc.

As a result of the acquisition of additional shares of stock in Nippon Columbia Co., Ltd., by means of a public tender offer that took place in March 2014, Nippon Columbia Co., Ltd. and its subsidiaries have been included as consolidated subsidiaries of Faith, Inc. from the end of the previous consolidated fiscal year. Accordingly, the Company has reorganized its business segment classification method so that the existing classification into two segments of the Content Business and the Point Service Business has been changed to a classification into the three segments of the Content Business, the Point Service Business, and the Columbia Business. Moreover, in keeping with this change, segment information for the previous consolidated first quarter presented as comparison information with the first quarter of the current consolidated first quarter is reproduced based on the revised reportable segment classification.

3. Information regarding impairment loss on fixed assets or goodwill by segment reported

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