

BRIEF STATEMENT OF ANNUAL FINANCIAL RESULTS FOR THE YEAR ENDED MARCH 2017 AND FORECASTS FOR THE YEAR ENDING MARCH 2018

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 12, 2017

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

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

Representative: Hajime Hirasawa, CEO/President

Contact: Jiro Saeki, CFO/Director Tel: +81-03-5464-7633

Date of General Meeting of Shareholders: June 29, 2017

Date of Submission of Annual Security Report: June 30, 2017

Starting Date of the Dividend Payment: June 30, 2017

Preparation of Supplementary Materials for Financial Results: Applicable/May 25, 2017

Information Meeting for Financial Results to be Held: Applicable/May 25, 2017 (for Institutional Investors and Analysts)

Amounts are rounded down to the nearest JPY 1 million.

1. Results for the Fiscal Year Ending March 2017 (From April 1, 2016 to March 31, 2017)

(1) Consolidated Operating Results

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

| Year ending | Net Sales | | Operating Income | | Ordinary Income | | Net Income | |
|-------------|------------------------|-----|------------------------|------|------------------------|-----|------------------------|-------|
| | <i>Millions of yen</i> | % | <i>Millions of yen</i> | % | <i>Millions of yen</i> | % | <i>Millions of yen</i> | % |
| March 2017 | 20,795 | 3.1 | 1,757 | 14.6 | 1,539 | 0.6 | 571 | △11.5 |
| March 2016 | 20,163 | 2.9 | 1,534 | — | 1,529 | — | 646 | — |

(Note) Comprehensive income: fiscal year ending March 2017: 1,365 million (28.5%); fiscal year ending March 2016: ¥1,063 million (—%)

| Year ending | Net Income per Share | Diluted Net Income per Share | Return on Equity Capital | Ordinary Income on Total Assets | Operating Income on Net Sales |
|-------------|----------------------|------------------------------|--------------------------|---------------------------------|-------------------------------|
| | <i>Yen</i> | <i>Yen</i> | % | % | % |
| March 2017 | 57.95 | — | 3.6 | 6.0 | 8.5 |
| March 2016 | 63.86 | — | 4.0 | 6.1 | 7.6 |

(Reference) Equity in earnings of associated companies: fiscal year ending March 2017: △¥86 million; fiscal year ending March 2016: △¥34 million

(2) Consolidated Financial Position

| Year ending | Total Assets | Net Assets | Ratio of Equity Capital | Net Assets per Share |
|-------------|------------------------|------------------------|-------------------------|----------------------|
| | <i>Millions of yen</i> | <i>Millions of yen</i> | % | <i>Yen</i> |
| March 2017 | 26,959 | 18,066 | 59.5 | 1,626.59 |
| March 2016 | 24,712 | 16,829 | 62.9 | 1,576.18 |

(Reference) Equity capital: fiscal year ending March 2017: ¥16,052 million; fiscal year ending March 2016: ¥15,556 million

(3) Consolidated Cash Flow Results

| Year ending | Cash Flow from Operating Activities | Cash Flow from Investing Activities | Cash Flow from Financing Activities | Cash and Cash Equivalents at Year End |
|-------------|-------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|
| | <i>Millions of yen</i> | <i>Millions of yen</i> | <i>Millions of yen</i> | <i>Millions of yen</i> |
| March 2017 | 2,471 | 839 | △512 | 13,768 |
| March 2016 | 1,800 | 1,266 | △1,497 | 10,913 |

2. Dividends

| (Record dates) | Dividends per Share | | | | | Total Dividend Payment (Annual) | Payout Ratio (Consolidated) | Dividend on Net Assets (Consolidated) |
|-----------------------|-------------------------|------------|-------------------------|------------|----------------|---------------------------------|-----------------------------|---------------------------------------|
| | 1 st Quarter | Interim | 3 rd Quarter | Year-end | Total (Annual) | | | |
| Year ending | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Yen</i> | <i>Millions of yen</i> | % | % |
| March 2016 | — | 5.00 | — | 5.00 | 10.00 | 98 | 15.7 | 0.6 |
| March 2017 | — | 5.00 | — | 5.00 | 10.00 | 98 | 17.3 | 0.6 |
| March 2018 (Forecast) | — | 5.00 | — | 5.00 | 10.00 | | 24.9 | |

3. Forecast for the Consolidated Results for the Year Ending March 2018 (from April 1, 2017 to March 31, 2018)

(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 |
|-------------------------|------------------------|------|------------------------|-------|------------------------|-------|------------------------|-------|----------------------|
| | <i>Millions of yen</i> | % | <i>Millions of yen</i> | % | <i>Millions of yen</i> | % | <i>Millions of yen</i> | % | <i>Yen</i> |
| First half (cumulative) | 10,130 | △2.0 | 100 | △91.1 | 70 | △93.5 | △90 | — | △8.06 |
| Full year | 21,200 | 1.9 | 850 | △51.6 | 860 | △44.1 | 500 | △12.4 | 40.10 |

※ 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.: Applicable

(2)-2. Changes other than the above: None

(2)-3. Changes in accounting estimates: None

(2)-4. Restatements: None

* For details, please refer to “3. Consolidated Financial Statements, (5) A Notes Concerning the Consolidated Financial Statements (Changes in Accounting Policy)” on page 14 of the accompanying material.

5):

(3) Outstanding shares (common shares)

(3)-1. Outstanding shares at the end of the fiscal years (including treasury stock):

The fiscal year ending March 2017: 11,960,000 shares

The fiscal year ending March 2016: 11,960,000 shares

(3)-2. Treasury stock at the end of the fiscal year:

The fiscal year ending March 2017: 2,091,180 shares

The fiscal year ending March 2016: 2,090,390 shares

(3)-3. Average number of shares during the accounting period

The fiscal year ending March 2017: 9,869,195 shares

The fiscal year ending March 2016: 10,116,500 shares

(Reference) Overview of Non-Consolidated Results
Results for the Fiscal Year Ending March 2017 (From April 1, 2016 to March 31, 2017)

(1) Non-Consolidated Operating Results

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

| Year ending | Net Sales | | Operating Income | | Ordinary Income | | Net Income | |
|-------------|------------------------|------|------------------------|---|------------------------|---|------------------------|---|
| | <i>Millions of yen</i> | % | <i>Millions of yen</i> | % | <i>Millions of yen</i> | % | <i>Millions of yen</i> | % |
| March 2017 | 2,817 | △9.9 | 3 | — | 278 | — | △26 | — |
| March 2016 | 3,125 | 28.4 | △96 | — | △47 | — | 906 | — |

| Year ending | Net Income per Share | Diluted Net Income per Share |
|-------------|----------------------|------------------------------|
| | <i>Yen</i> | <i>Yen</i> |
| March 2017 | △2.70 | — |
| March 2016 | 89.64 | — |

(2) Non-Consolidated Financial Position

| Year ending | Total Assets | Net Assets | Ratio of Equity Capital | Net Assets per Share |
|-------------|------------------------|------------------------|-------------------------|----------------------|
| | <i>Millions of yen</i> | <i>Millions of yen</i> | % | <i>Yen</i> |
| March 2017 | 15,304 | 14,216 | 92.9 | 1,440.51 |
| March 2016 | 15,428 | 14,274 | 92.5 | 1,446.27 |

(Reference) Equity capital: fiscal year ending March 2017: ¥14,216 million; fiscal year ending March 2016: ¥14,274 million

* This financial statement is exempt from audit/review procedures required under Japan's Financial Instruments and Exchange Law.

* 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. Analysis of Operating Results and Financial Position, (1) Analysis of Operating Results" on page 2 of the accompanying material.

(To obtain supplemental documents relating to financial results)

Supplemental Materials for Financial Results were posted on the company website on May 25, 2017.

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1. Overview of Operating Results, etc

(1) Overview of Operating Results for the Current Term

In the Japanese information and communications field, the popularization of smartphones, tablets and other highly functional mobile terminals is steadily progressing while the number of feature phone users is in declining year by year. The average number of users accessing the Internet from a smartphone during the three months from October to December 2016 increased by 13% compared with the same period during the previous year to 58,970 thousand (*1) and this ongoing migration to smartphone use is fueling a continuous demand for changes in services.

In the domestic music contents market, sales of music software in 2016 were nearly flat, recording a slight decline to ¥298,500 million. Moreover, fee-based music distribution sales increased by 12% year-on-year to ¥52,900 million (*2), while sales of subscription-type music distribution services that allow users to listen to as much music as they like for a fixed monthly charge overtook sales of single track downloads for the first time. As the environments in which people enjoy music continue to change, it is becoming increasingly important to promptly provide music services that match the preferences and lifestyles of consumers.

(*1) The Neilson Company, *Digital Trends 2016*

(*2) The Recording Industry Association of Japan (RIAJ), *The Recording Industry in Japan 2017*

In this challenging business environment, the Faith Group is continuing to utilize the results of the efforts it has been pouring into content digital distribution ever since its establishment, and is forging ahead with its Multi-Content and Multi-Platform Strategy of creating environments that allow people to 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 such as platforms that collect and organize the information flooding the Internet and then providing this to users after increasing its added value.

With effect from March 1, 2017, the Company acquired a majority interest in Dreamusic Inc. and consequently welcomed Dreamusic as a new member of the Faith Group. Founded in 2001, Dreamusic is a major Japanese record label and a member of the Recording Industry Association of Japan (RIAJ) that boasts an impressive line-up of well-known J-Pop performers including Yuzo Kayama, Ryoko Moriyama, Risa Ono, Funky Monkey Babys and Ayaka Hirahara. In addition, Dreamusic manages the anime label Feel Mee, a distributor of such popular anime series as *The New Prince of Tennis* that have amassed the support of numerous fans. We expect Dreamusic's entry into the Faith Group to generate synergies on the various businesses in which Faith engages including the artist-use platform business as well as artist nurturing and development, music production, advertising and sales.

Regarding the Faith Group's performance during the consolidated fiscal year under review, although sales in our established distribution services, which account for a major share of overall sales, continued to decrease, we introduced several new services in response to the changing market environment, and the performance of our consolidated subsidiary Nippon Columbia Co., Ltd. was favorable. As a result of these factors, the Group's net sales increased by 3.1% compared with the previous fiscal year to ¥20,795 million, operating income increased by 14.6% year on year to ¥1,757 million, ordinary income increased by 0.6% year on year to ¥1,539 million, and net income attributable to the shareholders of the parent company for the fiscal year under review decreased by 11.5% year on year to ¥571 million.

Moreover, on March 28, 2017, the Boards of Directors of the Company and of Nippon Columbia Co., Ltd. resolved that the two companies would conduct an exchange of shares, which would result in the Company becoming the wholly owning parent company and Nippon Columbia becoming a wholly owned subsidiary of the Company, and the two companies concluded a share exchange contract to this effect. The share exchange is scheduled to take place following the approval by resolutions of the Ordinary General Meetings of Shareholders of both companies, which will be held by the Company on June 29, 2017 and by Nippon Columbia and on June 23, 2017. By making Nippon Columbia a wholly owned subsidiary, the Company will be able to further reinforce the Faith Group's creativity in response to the changes in the music industry, and in addition to increasing Nippon Columbia's corporate value, the exchange of shares will be highly beneficial in improving the overall corporate value of the Faith Group.

Information on each business segment is as follows. Also, in accordance with the inclusion of Dreamusic Inc. as a consolidated subsidiary within the Faith Group, from the consolidated fiscal year under review there has been a change in the name of the reportable segments, with “the Columbia Business” replaced by “the Label Business” which includes both Nippon Columbia and Dreamusic.

Content Business

In the Content Business, the Faith Group is actively pursuing the development of new products in response to the market environment including the ongoing popularization of smartphones and evolving music listening styles. We are proceeding with measures to enhance the added value of our contents, such as functional improvement and linkage with other services, by verifying the results of service contents and marketability, including with regard to existing businesses, while also proceeding with platformization in the interests of achieving income diversification.

With FaRao PRO, Faith is positively conducting sales activities related not only to providing commercial-use BGM but also to implementing functional expansion and improvements, such as shop branding solutions and announcement functions, which are essential to shop operations. Based on the service in Japan, we have started up FaRao PRO services in France and Indonesia. In the future, we are aiming to create and activate new BGM markets both in Japan and overseas.

In Fans’, our platform of services for artists, 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. As a service that allows more artists to freely send out their musical work and information, we are aiming to acquire new users and expand membership, and we will endeavor to improve the quality of the service by pursuing usability.

As a result of the above developments, and taking into account the ongoing positive deployment of new services in line with the changing market environment and the decline in sales of services to feature phone users, the Content Business recorded net sales of ¥4,405 million (an decrease of 3.2% year on year), and an operating loss of ¥56 million (compared with operating income of ¥128 million for the previous fiscal year).

Point Service Business

In the Point Service Business, despite a delay in the start up of new business, sales of new points issued by participating point card stores remained robust and the self liquidation (*3) business performed well, with the result that this business recorded net sales of ¥2,413 million, an increase of 4.6% year on year. However, due to increases selling and general administration expenses in connection with investment in talented human resources, operating income decreased by 56.8% year on year to ¥85 million.

(*3) A campaign in which users can purchase various goods at a discount by saving points in the form of seals, etc.

Label Business

Amid the severe environment facing the music and video-related industry in line with the continuing shrinking of the music market, the Faith Group is developing the Label Business and proceeding to invest its management resources intensively in fields of growth based on the awareness of the urgent necessity to realize structural reforms and strengthen new future-oriented businesses in order to overcome the present situation in which we remain dependent on sales of package products for which the market remains sluggish.

Regarding the Label Business’s sales performance, due mainly to higher sales of Nippon Columbia Co., Ltd.’s animation-related titles and game software titles and to an improved sales performance in the artist management-related business, overall sales in this segment totaled ¥13,975 million, an increase of 5.0% compared with the previous fiscal year. On the profit and loss front, due to increased sales of high-margin products launched in previous years, this segment recorded an operating income for the fiscal year under review of ¥1,728 million, an increase of 43.8% year on year.

*The 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, 2017 increased by ¥2,247 million from the end of the previous consolidated fiscal year to ¥26,959 million. This result was mainly attributable to increases in cash and deposits, trade notes and accounts receivable, and inventory.

Total liabilities increased by ¥1,010 million compared with the end of the previous consolidated fiscal year to ¥8,892 million. This result was mainly attributable to increases in trade notes and accounts payable, and accounts payable-other.

Net assets increased by ¥1,236 million compared with the end of the previous consolidated fiscal year to ¥18,066 million. This result was mainly attributable to the recording of net income attributable to shareholders of the parent company. Moreover, the Faith Group's capital adequacy ratio became 59.5%.

(3) Overview of Cash Flow for the Current Term

Cash and cash equivalents at the end of the consolidated fiscal year ended March 31, 2017 increased by ¥2,885 million to ¥13,768 million, an increase of 26.2% 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 ¥2,471 million (an increase of 32.7% compared with the previous consolidated fiscal year), attributable mainly to the addition of amortization of negative goodwill of ¥161 million, depreciation and amortization expenses of ¥337 million, an increase in trade payables of ¥480 million, and income tax and other payments of ¥336 million to the Group's net income before taxes and other adjustments of ¥1,709 million.

(Cash flow from investing activities)

Cash flow from investing activities amounted to an inflow of ¥839 million (a decrease of 33.7% compared with the previous consolidated fiscal year), attributable mainly to the posting of expenditure ¥500 million in respect of opening new term deposits, ¥269 million to obtain software, ¥403 million for purchasing investment securities, and ¥230 million for purchasing marketable securities, despite receiving ¥2,008 million in proceeds from the withdrawal of existing term deposits, ¥233 million in income from the sale of investments in securities, and ¥188 million in income through the acquisition of subsidiary shares accompanying changes in the scope of consolidation.

(Cash flow from financing activities)

Cash flow from financing activities amounted to an outflow of ¥512 million (a decrease of 65.8% compared with the previous consolidated fiscal year), due mainly to ¥396 million in expenditure in respect of repayment of long-term loans, and ¥99 million in respect of dividend payments, etc.

(4) Future Outlook

The Faith Group's business performance forecasts for next consolidated fiscal year (FY 2017; ending March 31, 2018) are as follows. Despite the contribution of higher net sales by the newly consolidated subsidiary, sales of animation-related products, which were strong during the fiscal year under review, are expected to decrease. Accordingly, the Group is currently forecasting net sales of ¥21,200 million, an operating income of ¥850 million, an ordinary income of ¥860 million, and a net income attributable to the shareholders of the parent company of ¥500 million.

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

The Company continues 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 return of profit to shareholders to be an important management issue. For this reason, the Company will consider payment of dividends, taking into account its operating results and financial position.

Based on its fundamental policy of paying continued stable dividends, the Company plans to pay a dividend of ¥10 per share (including an interim dividend of ¥5) in the next fiscal year.

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 2015 | FY 2016 |
| | (As of March 31, 2016) | (As of March 31, 2017) |
| (Assets) | | |
| Current assets | | |
| Cash and deposits | 12,680,124 | 14,268,853 |
| Trade notes and accounts receivable | 2,388,481 | 2,659,104 |
| Marketable securities | 242,521 | 230,572 |
| Commercial products | 508,709 | 561,536 |
| Products in progress | 202,043 | 356,686 |
| Primary materials and inventory goods | 47,624 | 49,983 |
| Corporation tax refund receivable, etc. | 7,492 | 27,454 |
| Deferred tax assets | 12,341 | 100,976 |
| Others | 920,570 | 639,750 |
| Allowance for doubtful accounts | △52,908 | △18,863 |
| Total current assets | 16,957,000 | 18,876,055 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Buildings and structures | 2,037,987 | 2,042,346 |
| Accumulated depreciation | △812,895 | △881,524 |
| Buildings and structures (net base) | 1,225,092 | 1,160,821 |
| Machinery and delivery equipment | 638,036 | 620,000 |
| Accumulated depreciation | △613,449 | △600,020 |
| Machinery and delivery equipment (net base) | 24,587 | 19,979 |
| Tools, devices and equipment | 1,011,014 | 1,045,359 |
| Accumulated depreciation | △882,809 | △904,023 |
| Tools, devices and equipment (net base) | 128,205 | 141,336 |
| Land | 1,501,684 | 1,501,684 |
| Lease assets | 43,692 | 72,821 |
| Accumulated depreciation | △28,945 | △65,025 |
| Lease assets (net base) | 14,746 | 7,795 |
| Total tangible fixed assets | 2,894,315 | 2,831,617 |
| Intangible fixed assets | | |
| Software | 507,103 | 441,953 |
| Goodwill | 1,959,316 | 1,833,611 |
| Leased assets | 6,659 | 424 |
| Others | 360,591 | 413,200 |
| Total intangible fixed assets | 2,833,671 | 2,689,188 |
| Investment and other assets | | |
| Investment securities | 1,753,502 | 2,137,412 |
| Deferred tax assets | 3,898 | 26,208 |
| Others | 550,403 | 718,609 |
| Allowance for doubtful receivable | △280,607 | △319,539 |
| Total investments and other assets | 2,027,196 | 2,562,690 |
| Total fixed assets | 7,755,183 | 8,083,496 |
| Total assets | 24,712,183 | 26,959,552 |

(Unit: thousands of yen)

| | FY 2015 (As of March 31, 2016) | FY 2016 (As of March 31, 2017) |
|---|-----------------------------------|-----------------------------------|
| (Liabilities) | | |
| Current liabilities | | |
| Trade notes and accounts payable | 995,288 | 1,233,646 |
| Short-term loans | 686,120 | 852,119 |
| Lease obligations | 16,133 | 6,582 |
| Accounts payable-other | 1,023,712 | 1,447,152 |
| Accrued expenses payable | 2,541,442 | 2,756,629 |
| Income taxes payable | 189,734 | 327,800 |
| Reserve for bonuses | 66,147 | 78,300 |
| Provision for point card certificates | 33,874 | 43,570 |
| Reserve for sales returns | 92,333 | 96,748 |
| Others | 604,254 | 717,634 |
| Total current liabilities | 6,249,041 | 7,560,185 |
| Fixed liabilities | | |
| Long-term liabilities | 816,650 | 464,530 |
| Net defined retirement liabilities | 609,261 | 621,382 |
| Lease obligations | 8,028 | 1,446 |
| Deferred tax liabilities | 152,646 | 195,107 |
| Others | 46,744 | 50,320 |
| Total fixed liabilities | 1,633,331 | 1,332,787 |
| Total liabilities | 7,882,373 | 8,892,972 |
| (Net assets) | | |
| Shareholder's equity | | |
| Common stock | 3,218,000 | 3,218,000 |
| Capital surplus | 3,707,197 | 3,705,680 |
| Retained earnings | 11,480,657 | 11,953,901 |
| Treasury stock | △3,038,502 | △3,039,450 |
| Total shareholder's equity | 15,367,352 | 15,838,131 |
| Other accumulated comprehensive income | | |
| Valuation difference on available-for-sale securities | 198,282 | 267,014 |
| Foreign currency translation adjustments | △8,446 | △11,513 |
| Accumulated adjustment amount pertaining to retirement benefits | △928 | △41,119 |
| Total other accumulated comprehensive income | 188,908 | 214,381 |
| Stock acquisition rights | 42,734 | 15,691 |
| Minority interests | 1,230,815 | 1,998,376 |
| Total net assets | 16,829,810 | 18,066,579 |
| Total liabilities and net assets | 24,712,183 | 26,959,552 |

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

| | (Unit: thousands of yen) | |
|--|--|--|
| | FY 2015 (April 1, 2015 ~ March 31, 2016) | FY 2016 (April 1, 2016 ~ March 31, 2017) |
| Net sales | 20,163,527 | 20,795,074 |
| Cost of sales | 12,061,696 | 12,528,057 |
| Gross profit | 8,101,831 | 8,267,016 |
| Selling, general and administrative expenses | 6,567,355 | 6,509,223 |
| Operating income | 1,534,475 | 1,757,793 |
| Non-operating income | | |
| Interest income | 3,957 | 1,311 |
| Dividend income | 5,473 | 5,137 |
| Interest on securities | 128 | 36 |
| Gain on investment partnership management | 13,615 | 23,921 |
| Gain on liquidation of unpaid royalties | 15,657 | 22,680 |
| Miscellaneous receipts | 17,707 | 10,816 |
| Total non-operating Income | 56,539 | 63,903 |
| Non-operating expenses | | |
| Interest paid | 14,526 | 11,045 |
| Gain on foreign exchange loss | 2,666 | 1,784 |
| Loss on investment in partnership | 8,750 | — |
| Loss on equity method investments | 34,352 | 86,238 |
| Replacement cost in a business combination | — | 174,469 |
| Miscellaneous expenses | 1,245 | 9,156 |
| Total non-operating expenses | 61,542 | 282,693 |
| Ordinary income | 1,529,473 | 1,539,004 |
| Extraordinary income | | |
| Gain on sales of investment securities | — | 224,236 |
| Gain on disposal of fixed assets | 990 | — |
| Gain on changes in equity | 37,035 | 19,845 |
| Gain on step acquisitions | 13,186 | — |
| Gains on reversal of subscription rights to shares | 15,857 | 27,043 |
| Others | 1,487 | — |
| Total extraordinary income | 68,557 | 271,125 |
| Extraordinary losses | | |
| Loss on disposal of fixed assets | 21,641 | 80,324 |
| Loss on impairment | 21,740 | 9,919 |
| Loss on valuation of investment securities | 5,490 | — |
| Loss on share exchange | 21,018 | — |
| Copyright-related loss | 10,000 | — |
| Others | 4,798 | 10,140 |
| Total extraordinary losses | 84,689 | 100,383 |
| Current term net income before taxes | 1,513,341 | 1,709,746 |
| Corporate, local, and business taxes | 310,759 | 430,540 |
| Income taxes - deferred | 2,908 | △98,908 |
| Total corporate, local, and business taxes | 313,667 | 331,632 |
| Current term net income | 1,199,673 | 1,378,113 |
| Current term net income attributable to non-controlling interests | 553,669 | 806,175 |
| Current term net income attributable to shareholders of the parent company | 646,004 | 571,938 |

(Consolidated Statement of Comprehensive Income)

(Unit: thousands of yen)

| | FY 2015 (April 1, 2015 ~ March 31, 2016) | FY 2016 (April 1, 2016 ~ March 31, 2017) |
|---|--|--|
| Current term net income | 1,199,673 | 1,378,113 |
| Other comprehensive income | | |
| Valuation difference on other available-for-sale securities | △16,294 | 69,190 |
| Foreign currency translation adjustments | △13,725 | △2,579 |
| Adjustments for retirement benefit obligations | △106,319 | △78,836 |
| Total other comprehensive income | △136,339 | △12,225 |
| Comprehensive income | 1,063,333 | 1,365,888 |
| (Details) | | |
| Comprehensive income attributable to shareholders of the parent company | 526,768 | 597,411 |
| Comprehensive income attributable to non-controlling interests | 536,564 | 768,476 |

(3) Consolidated Statement of Changes in Shareholders' Equity
 FY 2015 (April 1, 2015 ~ March 31, 2016)

(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 | 3,708,355 | 10,938,929 | △1,254,787 | 16,610,496 |
| Changes of items during the accounting period | | | | | |
| Dividends paid | | | △104,273 | | △104,273 |
| Changes in parent company equity regarding transactions with non-controlling interests | | △1,157 | | | △1,157 |
| Net gain or loss attributable to shareholders of parent company | | | 646,004 | | 646,004 |
| Acquisition of treasury stock | | | | △1,783,816 | △1,783,816 |
| Disposal of treasury stock | | | △2 | 101 | 98 |
| Net changes in non-equity items during the accounting period | | | | | |
| Total changes during the accounting period | — | △1,157 | 541,728 | △1,783,715 | △1,243,144 |
| Balance at end of period | 3,218,000 | 3,707,197 | 11,480,657 | △3,038,502 | 15,367,352 |

| | Accumulated other comprehensive income | | | | Share acquisition rights | Minority interests | Total net assets |
|--|---|--|--|--|--------------------------|--------------------|------------------|
| | Valuation difference on other available-for-sale securities | Foreign currency translation adjustments | Retirement benefit-related adjustments | Total other accumulated comprehensive income | | | |
| Balance at beginning of period | 215,116 | 5,399 | 87,627 | 308,143 | 58,591 | 745,938 | 17,723,169 |
| Changes of items during the accounting period | | | | | | | |
| Dividends paid | | | | | | | △104,273 |
| Changes in parent company equity regarding transactions with non-controlling interests | | | | | | | △1,157 |
| Net gain or loss attributable to shareholders of parent company | | | | | | | 646,004 |
| Acquisition of treasury stock | | | | | | | △1,783,816 |
| Disposal of treasury stock | | | | | | | 98 |
| Net changes in non-equity items during the accounting period | △16,833 | △13,845 | △88,556 | △119,235 | △15,857 | 484,877 | 349,784 |
| Total changes during the accounting period | △16,833 | △13,845 | △88,556 | △119,235 | △15,857 | 484,877 | △893,359 |
| Balance at end of period | 198,282 | △8,446 | △928 | 188,908 | 42,734 | 1,230,815 | 16,829,810 |

FY 2016 (April 1, 2016 ~ March 31, 2017)

(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 | 3,707,197 | 11,480,657 | △3,038,502 | 15,367,352 |
| Changes of items during the accounting period | | | | | |
| Dividends paid | | | △98,694 | | △98,694 |
| Changes in parent company equity regarding transactions with non-controlling interests | | △1,517 | | | △1,517 |
| Net gain or loss attributable to shareholders of parent company | | | 571,938 | | 571,938 |
| Acquisition of treasury stock | | | | △947 | △947 |
| Disposal of treasury stock | | | | | |
| Net changes in non-equity items during the accounting period | | | | | |
| Total changes during the accounting period | — | △1,517 | 473,243 | △947 | 470,778 |
| Balance at end of period | 3,218,000 | 3,705,680 | 11,953,901 | △3,039,450 | 15,838,131 |

| | Accumulated other comprehensive income | | | | Share acquisition rights | Minority Interests | Total net assets |
|--|---|--|--|--|--------------------------|--------------------|------------------|
| | Valuation difference on other available-for-sale securities | Foreign currency translation adjustments | Retirement benefit-related adjustments | Total other accumulated comprehensive income | | | |
| Balance at beginning of period | 198,282 | △8,446 | △928 | 188,908 | 42,734 | 1,230,815 | 16,829,810 |
| Changes of items during the accounting period | | | | | | | |
| Dividends paid | | | | | | | △98,694 |
| Changes in parent company equity regarding transactions with non-controlling interests | | | | | | | △1,517 |
| Net gain or loss attributable to shareholders of parent company | | | | | | | 571,938 |
| Acquisition of treasury stock | | | | | | | △947 |
| Disposal of treasury stock | | | | | | | |
| Net changes in non-equity items during the accounting period | 68,731 | △3,067 | △40,191 | 25,473 | △27,043 | 767,560 | 765,990 |
| Total changes during the accounting period | 68,731 | △3,067 | △40,191 | 25,473 | △27,043 | 767,560 | 1,236,769 |
| Balance at end of period | 267,014 | △11,513 | △41,119 | 214,381 | 15,691 | 1,998,376 | 18,066,579 |

(4) Consolidated Statement of Cash Flows

(Unit: thousands of yen)

| | FY 2015 (April 1, 2015 ~ March 31, 2016) | FY 2016 (April 1, 2016 ~ March 31, 2017) |
|--|--|--|
| Cash flow from operating activities | | |
| Income or loss before income taxes, etc. | 1,513,341 | 1,709,746 |
| Depreciation expenses | 361,663 | 337,883 |
| Loss on impairment loss | 21,740 | 9,919 |
| Amortization losses on goodwill | 144,316 | 161,723 |
| Increase/decrease in allowance for doubtful accounts (Δ = decrease) | 11,351 | 1,560 |
| Increase/decrease in reserve for bonus (Δ = decrease) | 974 | 12,153 |
| Increase/decrease in allowance for unexercised sales promotion points (Δ = decrease) | Δ 5,953 | 9,695 |
| Increase/decrease in net defined retirement liabilities (Δ = decrease) | Δ 70,414 | Δ 65,704 |
| Interest and dividends income | Δ 9,431 | Δ 6,449 |
| Interest on securities | Δ 128 | Δ 36 |
| Interest paid | 14,526 | 11,045 |
| Gain or loss on foreign exchange (Δ = gain) | 1,868 | Δ 1,466 |
| Gain or loss on equity method investments (Δ = gain) | 34,352 | 86,238 |
| Gain or loss on investment partnership management (Δ = gain) | Δ 4,864 | Δ 23,921 |
| Gain or loss on valuation of investment securities (Δ = gain) | 5,490 | — |
| Gain or loss on sale of fixed assets (Δ = gain) | Δ 990 | — |
| Gain or loss on sale of investment securities (Δ = gain) | — | Δ 224,236 |
| Gain or loss on disposal of fixed assets (Δ = gain) | 21,641 | 80,324 |
| Gain or loss on step acquisitions (Δ = gain) | Δ 13,186 | — |
| Gain or loss on change in equity (Δ = gain) | Δ 37,035 | Δ 19,845 |
| Gain or loss on share exchange (Δ = gain) | 21,018 | — |
| Increase/decrease in trade receivables (Δ = increase) | 359,176 | Δ 66,043 |
| Increase/decrease in inventory assets (Δ = increase) | 90,591 | Δ 99,130 |
| Increase/decrease in trade payables (Δ = decrease) | Δ 190,178 | 480,617 |
| Increase/decrease in consumption tax receivable (Δ = increase) | Δ 30,859 | 44,765 |
| Increase/decrease in consumption tax payable (Δ = decrease) | 157,796 | Δ 131,408 |
| Others | Δ 366,021 | 504,658 |
| Sub-total | 2,030,786 | 2,812,087 |
| Interest and dividends received | 13,287 | 6,691 |
| Interest paid | Δ 14,564 | Δ 11,110 |
| Income tax refunded | 55,951 | — |
| Income tax paid | Δ 284,589 | Δ 336,258 |
| Cash flow from operating activities | 1,800,872 | 2,471,410 |

(Unit: thousands of yen)

| | FY 2015 (April 1, 2015 ~ March 31, 2016) | FY 2016 (April 1, 2016 ~ March 31, 2017) |
|---|--|--|
| Cash flow from investing activities | | |
| Expenditure for opening of term deposits | △4,017,682 | △500,000 |
| Income from withdrawal of term deposits | 6,043,035 | 2,008,881 |
| Expenditure for acquisition of marketable securities | — | △230,000 |
| Expenditure for acquisition of tangible fixed assets | △83,324 | △43,256 |
| Expenditure for acquisition of software | △329,055 | △269,781 |
| Expenditure for acquisition of investment securities | △61,360 | △403,900 |
| Income from sale of investment securities | 15,476 | 233,120 |
| Expenditure for acquisition of shares of affiliates | △167,100 | △9,600 |
| Expenditure for acquisition of subsidiary shares accompanying changes in the scope of consolidation | △144,007 | — |
| Income from acquisition of subsidiary shares accompanying changes in the scope of consolidation | 42,404 | 188,255 |
| Expenditure for loans receivable | △15,000 | △40,000 |
| Income from collection of loans receivable | 120 | 2,699 |
| Expenditure for security deposits | △7,185 | △4,411 |
| Income from collection of security deposits | 45,039 | 600 |
| Others | △54,958 | △93,121 |
| Net cash flow from investing activities | 1,266,402 | 839,486 |
| Cash flow from financing activities | | |
| Net increase/decrease in short-term loans payable (△ = decrease) | 60,000 | — |
| Expenditure for repayment of lease obligations | △17,229 | △16,133 |
| Income from long-term loans payable | 500,000 | — |
| Expenditure for repayment of long-term borrowing | △342,370 | △396,120 |
| Expenditure for acquisition of treasury stock | △1,582,108 | △947 |
| Income from sale of treasury stock | 101 | — |
| Payment of dividends | △105,021 | △99,262 |
| Payment of dividends to non-controlling interests | △65 | △26 |
| Expenditure for acquisition of subsidiary shares not accompanying changes in the scope of consolidation | △11,100 | — |
| Others | △131 | — |
| Net cash flow from financing activities | △1,497,925 | △512,490 |
| Effect of exchange rate on cash and cash equivalents | △1,868 | 1,466 |
| Net increase/decrease in cash and cash equivalents (△ = decrease) | 1,567,480 | 2,799,872 |
| Cash and cash equivalents at the beginning of the year | 9,346,285 | 10,913,765 |
| Increase in cash and cash equivalents resulting from new consolidation | — | 55,216 |
| Cash and cash equivalents at the end of the year | 10,913,765 | 13,768,853 |

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

(Changes in Accounting Policy)

(Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)
 In accordance with the revision of the Corporation Tax Act, the Company adopted the Practical Solution on a Change in Depreciation Method due to Tax Reform 2016 (ASBJ PITF No. 32 issued June 17, 2016) from the first quarter of the fiscal year under review. The straight-line method has been used for the depreciation of the facilities attached to buildings and structures acquired on or after April 1, 2016 instead of the declining-balance method, which had been used prior to this date.

The effects of this change on the Company's income and net assets figures for the current consolidated fiscal year are immaterial.

(Additional Information)

Current consolidated fiscal year/FY 2016 (April 1 2016 ~ March 31, 2017)

(Conclusion of a Share Exchange Agreement)

Faith, Inc. (hereinafter referred to as "the Company") and Nippon Columbia Co., Ltd. (hereinafter referred to as "Nippon Columbia") announced on March 28, 2017 that Faith had decided to make Nippon Columbia its wholly-owned subsidiary by means of a share exchange (hereinafter referred to as "the Share Exchange") that would leave Faith as the wholly-owning parent company and Nippon Columbia as a wholly-owned subsidiary of the Company, and the two companies concluded a share exchange agreement (hereinafter referred to as "the Share Exchange Agreement") on the same day.

(1) Purpose of the Share Exchange Agreement

Under circumstances in which the business environment is changing rapidly, the Company and Nippon Columbia are aiming to make optimum use of both companies' technological and human resources by unifying their operations in both capital and business terms. As a result of the Share Exchange, we will be able to make necessary investments for introducing appropriate new business methods whenever the opportunity arises on both the user side and the content production side including for artists, etc. Through this, we will strive to create even more new services and new markets and to further improve the corporate values of both companies.

(2) Summary of the Share Exchange

① Schedule of the Share Exchange

| | |
|---|--------------------------|
| Conclusion of the Share Exchange Agreement (both companies) | March 28, 2017 |
| Date of General Meeting of Shareholders to approve the Share Exchange Agreement (Nippon Columbia) | June 23, 2017 (planned) |
| Date of General Meeting of Shareholders to approve the Share Exchange Agreement (the Company) | June 29, 2017 (planned) |
| Final trading date (Nippon Columbia) | July 26, 2017 (planned) |
| Delisting date (Nippon Columbia) | July 27, 2017 (planned) |
| Scheduled share exchange execution date (effective date) | August 1, 2017 (planned) |

② Details of the Allotment related to the Share Exchange

| | The Company (wholly owning parent company) | Nippon Columbia (wholly owned subsidiary) |
|--|--|---|
| Share Exchange Ratio of the allotment of shares pertaining to the Share Exchange | 1 | 0.59 |
| Number of shares to be delivered upon the Share Exchange | Shares of the Company's common stock: 3,900,834 shares (planned) | |

(Note 1) Share allotment ratio pertaining to the Share Exchange

0.59 shares of the Company's stock will be allotted and delivered for each share of Nippon Columbia's stock. However, in accordance with the Share Exchange Agreement, the Share Exchange Ratio may be revised upon consultation of Both Companies in the event of a significant change in the conditions on which the calculation is based.

(Note 2) Number of shares to be delivered through the Share Exchange

Upon the Share Exchange, the Company will deliver to Nippon Columbia shareholders (excluding the Company itself) prior to the time at which it acquires all of the outstanding Nippon Columbia shares (excluding those Nippon Columbia shares already in the Company's possession) shares of the Company's stock equivalent in number to 0.59 times the total number of shares of Nippon Columbia stock held by each Nippon Columbia shareholder in exchange for their shares of Nippon Columbia stock.

③ Basis for calculating details of the allotment of shares pertaining to the Share Exchange

In order to ensure fairness and adequacy in calculating the Share Exchange Ratio for the Share Exchange, the Company appointed Nomura Securities Co., Ltd. as its third-party appraiser and Anderson Mori & Tomotsune as its legal advisor, while Nippon Columbia appointed Plutus Consulting Co., Ltd. as its third-party appraiser and Iwata Godo as its legal advisor.

Nomura Securities Co., Ltd. conducted analyses of the Company and Nippon Columbia using the comparable companies analysis method and the DCF analysis method, and then calculated the Share Exchange Ratio by comprehensively taking into account the results of these analyses.

Plutus Consulting Co., Ltd. conducted analyses of the Company and Nippon Columbia using the average market share price method in addition to the comparable company analysis method and the DCF method, and then calculated the Share Exchange Ratio by comprehensively taking into account the results of these analyses.

The Share Exchange Ratio for the Share Exchange was agreed and determined by the two parties through mutual discussion based on the calculation results of the Share Exchange Ratio rendered by each of the third-party evaluation institutions and taking into consideration the advice of both parties' legal advisors.

④ Measures to avoid any conflict of interest

In order to prevent this Share Exchange from being conducted under conditions that are disadvantageous to Nippon Columbia's minority shareholders, Nippon Columbia set up a third-party committee composed of knowledgeable outsiders independent of both the Company and of Nippon Columbia, and consulted them on the issue of whether or not Nippon Columbia's response to the Share Exchange proposal was disadvantageous to its minority shareholders. The Company received a report of the committee's findings in which the committee states that premised upon the explanation concerning procedural measures put in place to avoid conflicts of interest and upon study materials such as the calculation results, etc., the committee recognizes that the Share Exchange is not disadvantageous to the interests of minority shareholders of Nippon Columbia.

(Segment Information, etc.)

[Segment Information]

1. Outline of reportable segments

The Company's reportable segments provide separate financial information among its various structural units and also serve as objects of study when the Board of Directors periodically decide on the allocation of business resources and make performance appraisals.

In accordance with the Company's acquisition of a majority interest in Dreamusic Inc. in March 2017, from the consolidated fiscal year under review Dreamusic and its subsidiaries are included among the Company's consolidated subsidiaries and the "the Columbia Business" has been replaced by "the Label Business" as a reportable segment. Moreover, the name of this segment has been changed in the same way for the previous consolidated fiscal year.

Following this change, the Faith Group categorizes the Content Business, the Point Service Business, and the Label Business as its three reportable segments.

Content Business

In order to promote its Multi-Content and Multi-Platform Strategy, the Faith Group is providing one-stop solutions ranging from the construction of distribution systems and 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 reportable business segments is largely the same as the method for preparing 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 2015 (April 1, 2015 ~ March 31, 2016)

(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 | 4,549,915 | 2,306,938 | 13,306,673 | 20,163,527 | — | 20,163,527 |
| Inter-segment sales or transfer amount | 135,170 | 2,224 | 36,441 | 173,836 | △173,836 | — |
| Total | 4,685,086 | 2,309,162 | 13,343,115 | 20,337,363 | △173,836 | 20,163,527 |
| Segment profit or loss (△) | 128,627 | 198,848 | 1,201,662 | 1,529,138 | 5,337 | 1,534,475 |
| Segment assets | 13,712,236 | 1,033,167 | 10,041,682 | 24,787,086 | △74,902 | 24,712,183 |
| Other items | | | | | | |
| Depreciation expenses | 238,331 | 14,111 | 109,268 | 361,711 | △48 | 361,663 |
| Amortization of goodwill | 42,198 | — | 102,118 | 144,316 | — | 144,316 |
| Investment in equity-method affiliates | 128,807 | — | — | 128,807 | — | 128,807 |
| Increase in tangible and intangible fixed assets | 337,430 | 23,044 | 51,905 | 412,380 | — | 412,380 |

(Notes)

1. The segment profit adjustment amount of ¥5,337 thousand and the depreciation expenses adjustment amount of △¥48 thousand for this consolidated fiscal year are calculated by eliminating intersegment transactions.
2. The segment assets adjustment amount eliminates intersegment transactions, etc.
3. Segment profit is adjusted with operating income in the consolidated financial statements.

Current consolidated fiscal year/FY 2016 (April 1 2016 ~ March 31, 2017)

(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 | 4,405,641 | 2,413,712 | 13,975,720 | 20,795,074 | — | 20,795,074 |
| Inter-segment sales or transfer amount | 128,862 | — | 44,594 | 173,456 | △173,456 | — |
| Total | 4,534,503 | 2,413,712 | 14,020,315 | 20,968,531 | △173,456 | 20,795,074 |
| Segment profit or loss | △56,347 | 85,976 | 1,728,490 | 1,758,119 | △325 | 1,757,793 |
| Segment assets | 13,836,432 | 1,057,691 | 12,107,564 | 27,001,688 | △42,136 | 26,959,552 |
| Other items | | | | | | |
| Depreciation expenses | 236,461 | 19,305 | 82,427 | 338,194 | △310 | 337,883 |
| Amortization of goodwill | 36,244 | — | 125,479 | 161,723 | — | 161,723 |
| Investment in equity-method affiliates | 38,613 | — | 9,600 | 48,213 | — | 48,213 |
| Increase in tangible and intangible fixed assets | 226,712 | 18,176 | 68,149 | 313,038 | — | 313,038 |

(Notes)

1. The segment profit or loss adjustment amount of △325 thousand and the depreciation expenses adjustment amount of △310 thousand for this consolidated fiscal year are calculated by eliminating intersegment transactions.
2. The segment assets adjustment amount eliminates intersegment transactions, etc.
3. Segment profit is adjusted with operating income in the consolidated financial statements.

[Related Information]

Previous consolidated fiscal year/FY 2015 (April 1, 2015 ~ March 31, 2016) and current consolidated fiscal year/FY 2016 (April 1 2016 ~ March 31, 2017)

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 since 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 2015 (April 1, 2015 ~ March 31, 2016)

(Unit: thousands of yen)

| | Content | Point Service | Label | Total | Company-wide/ elimination | Total |
|--------------------|---------|---------------|-------|--------|---------------------------|--------|
| Loss on impairment | 11,774 | — | 9,966 | 21,740 | — | 21,740 |

Current consolidated fiscal year/FY 2016 (April 1 2016 ~ March 31, 2017)

(Unit: thousands of yen)

| | Content | Point Service | Label | Total | Company-wide/ elimination | Total |
|--------------------|---------|---------------|-------|-------|---------------------------|-------|
| Loss on impairment | 9,919 | — | — | 9,919 | — | 9,919 |

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

Previous consolidated fiscal year /FY 2015 (April 1, 2015 ~ March 31, 2016)

(Unit: thousands of yen)

| | Content | Point Service | Label | Total | Company-wide/ elimination | Total |
|------------------|---------|---------------|-----------|-----------|---------------------------|-----------|
| Year-end balance | 125,126 | — | 1,834,190 | 1,959,316 | — | 1,959,316 |

(Note)

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

Current consolidated fiscal year/FY 2016 (April 1 2016 ~ March 31, 2017)

(Unit: thousands of yen)

| | Content | Point Service | Label | Total | Company-wide/ elimination | Total |
|------------------|---------|---------------|-----------|-----------|---------------------------|-----------|
| Year-end balance | 93,335 | — | 1,740,276 | 1,833,611 | — | 1,833,611 |

(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 2015 (April 1, 2015 ~ March 31, 2016) and current consolidated fiscal year/FY 2016 (April 1 2016 ~ March 31, 2017)

Not applicable

(Per Share Information)

(Unit: yen)

| FY 2015 (April 1, 2015 ~ March 31, 2016) | FY 2016 (April 1 2016 ~ March 31, 2017) |
|--|---|
| Net assets per share 1,576.18 | Net assets per share 1,626.59 |
| Net income per share 63.86 | Net income per share 57.95 |

(Notes)

- The amount of net income per share fully diluted during the current consolidated fiscal year is not recorded because there are no residual shares.
- The basis of the calculation of net income per share is as follows.

| | FY 2015 (April 1, 2015 ~ March 31, 2016) | FY 2016 (April 1 2016 ~ March 31, 2017) |
|---|--|---|
| Net income per share | | |
| Net income attributable to the shareholders of the parent company (thousands of yen) | 646,004 | 571,938 |
| Amount not attributable to ordinary shareholders (thousands of yen) | — | — |
| Net income applicable to common stock attributable to the shareholders of the parent company (thousands of yen) | 646,004 | 571,938 |
| Average number of shares outstanding during the period (shares) | 10,116,500 | 9,869,195 |

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

| | End of FY 2015 (as of March 31, 2016) | End of FY 2016 (as of March 31, 2017) |
|---|--|--|
| Total amount of net assets (thousands of yen) | 16,829,810 | 18,066,579 |
| Amount deducted from total amount of net assets (thousands of yen) | 1,273,549 | 2,014,067 |
| (Non-controlling interests) | (1,230,815) | (1,998,376) |
| (Share warrants) | (42,734) | (15,691) |
| Year-end net assets applicable to common stock (thousands of yen) | 15,556,260 | 16,052,512 |
| Term-end number of shares of common stock used in calculating net assets per share (shares) | 9,869,610 | 9,868,820 |

(Significant Subsequent Events)

Not applicable