

**BRIEF STATEMENT OF CONSOLIDATED FINANCIAL RESULTS
FOR THE 1st QUARTER OF THE FISCAL 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.

August 10, 2017

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

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

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Date of Submission of Securities Report: August 14, 2017

Starting Date of the Dividend Payment: -

Preparation of Supplementary Materials for Quarterly Financial Results: None

Information Meeting for Quarterly Financial Results to be Held: None

Amounts are rounded down to the nearest JPY 1 million.

1. Results for the 1st Quarter of the Fiscal Year Ending March 2018

(From April 1, 2017 to June 30, 2017)

(1) Consolidated Operating Results (cumulative totals)

(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 2018	5,034	2.6	353	△31.4	298	△40.3	80	△61.4
March 2017	4,908	4.5	515	212.7	500	197.3	208	273.1

(Note) Comprehensive income: 1st quarter of the fiscal year ending March 2018: ¥420 million (3.7%); 1st quarter of the fiscal year ending March 2017: ¥405 million (598.7%)

	Net Income per Share	Diluted Net Income per Share
Q1 of the year ending	Yen	Yen
March 2018	8.16	—
March 2017	21.15	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Ratio of Equity Capital
Q1 of the year ending	Millions of yen	Millions of yen	%
March 2018	26,029	18,422	62.1
Year ending March 2017	26,959	18,066	59.5

(Reference) Equity capital: 1st quarter of fiscal year ending March 2018: ¥16,172 million; fiscal year ending March 2017: ¥16,052 million

2. Dividends

(Record dates)	Dividends per Share				
	1 st Quarter	Interim	3 rd Quarter	Year-end	Total
Year ending March 2017	yen	yen	yen	yen	yen
Year ending March 2018	—	5.00	—	5.00	10.00
Year ending March 2018 (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.

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)	11,000	6.4	560	△50.4	510	△52.9	220	△49.3	17.77
Full year	22,100	6.3	1,310	△25.5	1,300	△15.5	800	39.9	61.41

(Note) Forecasts for dividends have been modified since the time of the most recently announced business forecast.

(Note) The net income per share figures quoted in the forecast of consolidated results for the fiscal year ending March 2018 are calculated to include the increase in the number of shares resulting from the exchange of shares related to Nippon Columbia's becoming a wholly owned subsidiary of the Faith Group. Moreover, for information on the revision of the forecast of consolidated financial results, please refer to the Notice Concerning the Revision of the Forecast of Financial Results issued today (August 10, 2017).

※ 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. Consolidated Financial Statements and Important Explanatory Notes, (3) Notes Concerning the Consolidated Financial Statements (Changes in Accounting Principles, Procedures, and Disclosure Methods)" on page 10 of the accompanying material.

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

(i) Changes accompanying revisions of accounting standards, etc.: None

(ii) Changes other than the above: None

(iii) Changes in accounting estimates: None

(iv) Restatements: None

(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 2018: 11,960,000 shares

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

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

The 1st quarter of the fiscal year ending March 2018: 2,091,310 shares

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

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

The 1st quarter of the fiscal year ending March 2018: 9,868,743 shares

The 1st quarter of the fiscal year ending March 2017: 9,869,510 shares

* 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. (3) Explanation Concerning Future Forecast Information on the Consolidated Financial Results, etc." on page 5 of the accompanying material.

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

(1) Explanation Concerning the Operating Results

In the domestic information communication field, the ongoing diversification and popularization of devices such as smartphones, tablets and other multifunctional mobile terminals continues to advance. Although the rate of growth of this market is modest in comparison with during the previous period of rapid popularization, the smartphone shipment volume for the full 2016 fiscal year increased to more than 30,130,000 exceeding 30 million units for the first time and surpassing the previous record set in FY 2012 (*1). In keeping with the progressing switch from feature phones to smartphones, the demand for changes in services will continue apace, and in future it will become increasingly important to develop services that match consumer tastes and lifestyles and the changing marketplace even more quickly than ever before.

(*1) MM Research Institute, Ltd.,
General Situation of Mobile Phone Shipments in Japan for the Full 2016 Fiscal Year (published May 18, 2017)

In this 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 an environment that allows 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.

Regarding the Faith Group business performance for the first quarter of the consolidated fiscal year ending March 2018, net sales increased by 2.6% compared with the same quarter of the previous fiscal year to ¥5,034 million while operating income decreased by 31.4% year on year to ¥353 million, ordinary income increased by 40.3% to ¥298 million, and net income attributable to the shareholders of the parent company decreased by 61.4% to ¥80 million.

Meanwhile, Faith, Inc. (hereinafter “the Company”) has gained ownership of all the shares of Nippon Columbia Co., Ltd. by means of a share exchange that took place on August 1, 2017 following the granting of approval of the share exchange contract by the annual general meetings of both companies, which took place on June 29, 2017 in the case of the Company and on June 23, 2017 in the case of Nippon Columbia. With this, Nippon Columbia Co., Ltd. has become a wholly owned subsidiary of the Company, a development that will help to achieve greater organizational management flexibility, facilitate the integration of the two companies’ business strategies, and lead to faster decision-making, as well as enabling more efficient use of their know-how, human resources and other resources. In addition, it will strengthen their creative response in the face of the huge changes currently enveloping the music industry. Through this integration, we will attempt to improve the corporate value of both companies and of the entire Faith Group.

Information on each business segment is as follows.

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, changing music listening styles, etc. In this business, the Company is proceeding with measures to enhance the added value of its contents, such as functional improvement and linkage between various services, etc., by verifying the results of service contents and marketability, including with regard to existing businesses, while also moving ahead with platformization in the interests of achieving income diversification.

We are actively developing our FaRao PRO business by pursuing the functional expansion necessary for in-store operations such as signage and security camera functions, in addition to commercial-use BGM and announcement functions using the Internet, and we are also making efforts to utilize FaRao PRO in a variety of fields beyond commercial establishments. For example, at the International Conference of Alzheimer’s Disease International 2017 held in Kyoto in April, we presented a case study of the introduction of FaRao PRO at a medical institution in cooperation with the French city of Angers. Moreover, based on our Japanese service, we have started FaRao PRO services in France and Indonesia, and in future, we aim 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, 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 ¥980 million, a decrease of 11.8% year on year, and an operating loss of ¥33 million, compared with an operating loss of ¥30 million for the previous fiscal year.

Point Service Business

In the Point Service Business, sales of new points issued by existing participating point card stores remained robust and the self-liquidation business(*2) also performed favorably. As a result, this business recorded net sales of ¥596 million, an increase of 14.0% year on year. However, due to expenses in connection with an office transfer, etc., operating income decreased by 32.2% year on year to ¥26 million. (*2) 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 shrinkage of the music market, the Label Business proceeded 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 for which the market remains sluggish.

Regarding this segment's performance, sales of animation-related, J-Pop and education titles, which contributed significantly to sales revenue in the previous fiscal year, recorded year-on-year declines. However, the inclusion of record label company Dreamusic Inc. and a subsidiary of that company as newly consolidated subsidiaries of the Faith Group boosted overall Label Business sales to ¥3,458 million, an increase of 5.6% compared with the same quarter of the previous fiscal year. As for the profit and loss situation, due mainly to declining sales of high-margin products launched in previous years, this segment recorded an operating income for the first quarter under review of ¥358 million, a year-on-year decrease of 29.2%.

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

(2) Explanation Concerning the Financial Position

Total assets as of June 30, 2017 decreased by ¥929 million compared to the end of the previous consolidated fiscal year to ¥26,029 million. This result was mainly due to decreases in cash and deposits, trade notes and accounts receivable, and commercial products and to increases in products in progress and marketable securities.

Total liabilities decreased by ¥1,285 million compared to the end of the previous consolidated fiscal year to ¥7,607 million. This result was mainly due to decreases in trade notes and accounts payable, accrued expenses payable, loans payable, and in "others" in the current liabilities column.

Net assets increased by ¥356 million compared to the end of the previous consolidated fiscal year to ¥18,422 million. This was mainly due to an increase in retained earnings due to the recording of net income attributable to the shareholders of the parent company, and to an increase in non-controlling interests.

As a result of the above, the equity ratio increased by 2.6 percentage points to 62.1%.

(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, for the current performance forecast for second quarter cumulative accounting period and the full financial year please refer to the forecast issued today (August 10, 2017).

2. Consolidated Financial Statements and Important Explanatory Notes
 (1) Consolidated Balance Sheet

	(Unit: thousands of yen)	
	FY 2016	1st Quarter of FY 2017
	(As of March 31, 2017)	(As of June 30, 2017)
(Assets)		
Current assets		
Cash and deposits	14,268,853	13,634,950
Accounts and notes receivable	2,659,104	2,211,496
Marketable securities	230,572	230,503
Commercial products	561,536	490,636
Products in progress	356,686	473,987
Primary materials and inventory goods	49,983	42,905
Corporation tax refund receivable, etc.	27,454	11,205
Deferred tax assets	100,976	91,002
Others	639,750	721,081
Allowance for doubtful accounts	△18,863	△18,897
Total current assets	18,876,055	17,888,873
Fixed assets		
Tangible fixed assets	2,831,617	2,822,474
Intangible fixed assets		
Goodwill	1,833,611	1,798,192
Others	855,577	831,612
Total intangible fixed assets	2,689,188	2,629,804
Investment and other assets		
Investment securities	2,137,412	2,248,098
Deferred tax assets	26,208	26,208
Others	718,609	723,936
Allowance for doubtful accounts	△319,539	△309,422
Total investments and other assets	2,562,690	2,688,820
Total fixed assets	8,083,496	8,141,099
Total assets	26,959,552	26,029,972
(Liabilities)		
Current liabilities		
Accounts and notes payable	1,233,646	1,041,452
Short-term loans payable	852,119	682,120
Lease obligations	6,582	4,496
Accrued expenses payable	2,756,629	2,623,556
Income taxes payable	327,800	59,452
Reserve for bonuses	78,300	39,111
Reserve for point card certificates	43,570	19,832
Reserve for sales returns	96,748	85,086
Others	2,164,786	1,731,215
Total current liabilities	7,560,185	6,286,323
Fixed liabilities		
Long-term loans payable	464,530	452,500
Net defined retirement benefits	621,382	580,290
Lease obligations	1,446	1,265
Deferred tax liabilities	195,107	243,224
Others	50,320	43,723
Total fixed liabilities	1,332,787	1,321,005
Total liabilities	8,892,972	7,607,328

	(Unit: thousands of yen)	
	FY 2016	1st Quarter of FY 2017
	(As of March 31, 2017)	(As of June 30, 2017)
(Net assets)		
Shareholder's equity		
Common stock	3,218,000	3,218,000
Capital surplus	3,705,680	3,705,680
Retained earnings	11,953,901	11,961,226
Treasury stock	△3,039,450	△3,039,610
Total shareholder's equity	15,838,131	15,845,296
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	267,014	379,735
Foreign currency translation adjustments	△11,513	△12,986
Cumulative adjustment for retirement benefit obligations	△41,119	△39,264
Total other accumulated comprehensive income	214,381	327,484
Stock acquisition rights	15,691	—
Non-controlling interests	1,998,376	2,249,862
Total net assets	18,066,579	18,422,643
Total liabilities and net assets	26,959,552	26,029,972

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

	(Unit: thousands of yen)	
	1st Quarter of FY 2016 (April 1-June 30, 2016)	1st Quarter of FY 2017 (April 1-June 30, 2017)
Net sales	4,908,878	5,034,924
Cost of sales	2,822,072	2,987,066
Gross profit	2,086,806	2,047,858
Selling, general and administrative expenses	1,570,942	1,694,029
Operating income	515,863	353,829
Non-operating income		
Interest income	286	426
Dividend income	2,834	2,831
Interest on securities	7	11
Gain on investment partnership management	4,195	3,855
Foreign exchange gains	—	446
Miscellaneous receipts	3,723	4,263
Total non-operating income	11,047	11,834
Non-operating expenses		
Interest paid	3,556	2,014
Loss on equity method investment	18,582	15,968
Loss on share exchange	—	48,552
Foreign exchange losses	2,818	—
Miscellaneous expenses	1,505	379
Total non-operating expenses	26,462	66,915
Ordinary income	500,447	298,748
Extraordinary income		
Gain on sales of investment securities	—	32,800
Gain on change in equity	—	5,859
Gain on reversal of subscription rights to shares	12,369	15,691
Total extraordinary income	12,369	54,350
Extraordinary losses		
Loss on disposal of fixed assets	2,181	—
Total extraordinary losses	2,181	—
Net income or net loss before income taxes	510,635	353,098
Corporate, local, and business taxes	49,252	36,804
Income taxes - deferred	9,067	9,081
Current quarter net income	452,316	307,212
Current quarter net income attributable to non-controlling interests	243,622	226,713
Current quarter net income attributable to shareholders of the parent company	208,693	80,499

(Consolidated Statement of Comprehensive Income)

	(Unit: thousands of yen)	
	1st Quarter of FY 2016	1st Quarter of FY 2017
	(April 1-June 30, 2016)	(April 1-June 30, 2017)
Current quarter net income	452,316	307,212
Other comprehensive income		
Valuation difference on other available-for-sale securities	△46,081	111,466
Foreign currency translation adjustments	△40	△1,467
Retirement benefit adjustments	△253	3,638
Total other comprehensive income	△46,375	113,636
Comprehensive income	405,941	420,849
(Details)		
Comprehensive income attributable to shareholders of the parent company	161,940	193,602
Comprehensive income attributable to no-controlling interests	244,000	227,247

(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

(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 income before tax deduction for the consolidated financial year including the current 1st quarter accounting period, and then multiplying the amount of quarterly net income before tax deduction by the current estimated effective tax rate.

(Segment Information)

I 1st quarter of the previous consolidated fiscal year/FY 2016 (April 1, 2016 through June 30, 2016)

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

(Unit: thousands of yen)

	Content	Point Service	Label	Total	Adjustment amount (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
Net sales						
Sales to external customers	1,111,231	523,248	3,274,398	4,908,878	—	4,908,878
Intersegment sales or transfer amount	21,471	—	13,324	34,795	△34,795	—
Total	1,132,702	523,248	3,287,723	4,943,674	△34,795	4,908,878
Segment income or loss (△)	△30,078	39,276	506,357	515,554	308	515,863

Notes: 1. The segment income adjustment amount of ¥308 thousand is calculated by eliminating intersegment transactions.

2. Segment income amounts are 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 2017 (April 1, 2017 through June 30, 2017)

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

(Unit: thousands of yen)

	Content	Point Service	Label	Total	Adjustment amount (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
Net sales						
Sales to external customers	980,080	596,300	3,458,543	5,034,924	—	5,034,924
Intersegment sales or transfer amount	26,212	—	2,008	28,220	△28,220	—
Total	1,006,292	596,300	3,460,551	5,063,145	△28,220	5,034,924
Segment income or loss (△)	△33,564	26,636	358,734	351,806	2,022	353,829

Notes: 1. The segment income adjustment amount of ¥2,022 thousand is calculated by eliminating intersegment transactions.

2. Segment income or loss amounts are 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.

3. Change of segment information name

Following the inclusion of Dreamusic Inc. and its subsidiaries as consolidated subsidiaries within the Faith Group from the end of the previous consolidated fiscal year, these companies have been merged with the former Columbia Business to create the Label Business. In accordance with this development, in the above information for the quarter of the previous consolidated fiscal year, the name of the reportable segment in question has been changed from “Columbia” to “Label”.