

**BRIEF STATEMENT OF CONSOLIDATED FINANCIAL RESULTS
FOR THE 2nd 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.

November 13, 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: November 14, 2017

Starting Date of the Dividend Payment: December 8, 2017

Preparation of Supplementary Materials for Quarterly Financial Results: Applicable

Information Meeting for Quarterly Financial Results to be Held: Applicable (for Institutional Investors and Analysts)

Amounts are rounded down to the nearest JPY 1 million.

1. Results for the 2nd Quarter of the Fiscal Year Ending March 2018

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

(1) Consolidated Operating Results

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

Q2 of the 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 2018	10,703	3.5	907	△19.6	852	△21.3	560	29.1
March 2017	10,339	6.5	1,129	96.2	1,083	86.7	434	38.5

(Note) Comprehensive income: 2nd quarter of the fiscal year ending March 2018: ¥818 million (△9.3%); 2nd quarter of fiscal year ending March 2017: ¥902 million (137.9%)

	Net Income per Share	Diluted Net Income per Share
Q2 of the year ending	<i>Yen</i>	<i>Yen</i>
March 2018	50.18	—
March 2017	43.98	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Ratio of Equity Capital
Q2 of the year ending	<i>Millions of yen</i>	<i>Millions of yen</i>	%
March 2018	26,552	18,813	70.7
Year ending March 2017	26,959	18,066	59.5

(Reference) Equity capital: 2nd quarter of fiscal year ending March 2018: ¥18,777 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	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>
Year ending March 2017	—	5.00	—	5.00	10.00
Year ending March 2018	—	5.00	—	—	—
Year ending March 2018 (Forecast)	—	—	—	5.00	10.00

(Note) These figures have not been modified since the time of the most recently announced dividend 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.)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to the Shareholders of the Parent Company		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>
Full year	22,100	6.3	1,310	△25.5	1,300	△15.5	800	39.9	64.18

(Note) These figures have not been modified since the time of the most recently announced business result 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. Consolidated Financial Statements and Important Explanatory Notes, (4) Notes Concerning the Consolidated Financial Statements (Adoption of Simplified Methods in the Preparation of the Quarterly Financial Statements)" on page 11 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 term (including treasury shares):

The 2nd quarter of the fiscal year ending March 2018: 13,831,091 shares

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

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

The 2nd quarter of the fiscal year ending March 2018: 67,694 shares

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

(iii) Average number of shares during the interim accounting period:

The 2nd quarter of the fiscal year ending March 2018: 11,167,503 shares

The 2nd quarter of the fiscal year ending March 2017: 9,869,423 shares

(Note) The major changes, namely the increase of 1,871,091 shares in the number of outstanding shares (including treasury shares) and the decrease of 2,023,486 shares in the number of treasury shares at the end of the 2nd quarter of the fiscal year ending March 2018, were due to the implementation of a share exchange with Nippon Columbia Co., Ltd. effective as of August 1, 2017.

* 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. Qualitative Information Concerning the Settlement of Accounts for the 2nd Quarter, (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 2nd Quarter

(1) Explanation Concerning the Operating Results

In the domestic information communication field, the popularization of devices such as smartphone- and tablet-type multifunctional mobile terminals is continuing to progress together with the increasing diversification of devices. Although the rate of growth of this market is modest in comparison with during the previous period of rapid popularization, the personal-use smartphone ownership rate has quadrupled over the most recent five-year period from 14.6% in FY 2011 to 56.8% in FY 2016 (*1). In keeping with the ongoing switch 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 before.

*1. *2017 White Paper on Information and Communications in Japan*,
compiled by the Ministry of Internal Affairs and Communications

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-Device Strategy of creating environments in which people can enjoy a wide diversity of contents whenever and wherever they choose. We are also strengthening the development of new services in response to the changing market environment 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's business performance for the second quarter of the consolidated fiscal year ending March 2018, net sales increased by 3.5% compared with the same quarter of the previous fiscal year to ¥10,703 million, operating income decreased by 19.6% year on year to ¥907 million, ordinary income decreased by 21.3% to ¥852 million, and net income attributable to the shareholders of the parent company increased by 29.1% to ¥560 million.

Moreover, Faith, Inc. (hereinafter "the Company") gained ownership of all the shares of Nippon Columbia Co., Ltd. by means of a share exchange that was implemented 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 Co., Ltd. With this, Nippon Columbia Co., Ltd. has become a wholly owned subsidiary of the Company, facilitating the centralization of our business strategy, speeding up decision making, promoting the efficient utilization of both companies' available resources including know-how and human resources, strengthening our creative response in the face of the huge changes currently enveloping the music industry, and allowing us to strive to further improve our corporate value.

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 signage and security camera functions, in addition to commercial-use BGM and announcement functions using the Internet. For instance, we have begun providing FaRao PRO services in France and Indonesia based on our Japanese service, and our efforts to utilize FaRao PRO in a variety of fields beyond commercial establishments have been highly evaluated, such as the introduction of the service at nursing care facilities for the elderly in cooperation with the French city of Angers, an initiative on which we presented a case study at the International Conference of Alzheimer's Disease International 2017 in Kyoto last April. 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. In providing a service that allows more artists to freely send out their musical work and information, we are aiming to acquire new users, and we will endeavor to improve the quality of the Fan's service by pursuing usability.

As a result of the above developments, taking into account the ongoing positive deployment of new services in keeping with the changing market environment and the decline in sales of services to feature phone users, the Content Business recorded net sales of ¥2,025 million, a decrease of 8.7% year on year, and an operating loss of ¥58 million, compared with an operating loss of ¥3 million for same period of the previous fiscal year.

Point Service Business

In the Point Service Business, sales of points issued by existing participating point card stores remained robust, thanks in part to measures such as double point sales. In addition, the self-liquidation business (*2) performed well and the Company also gained some new customers in the hotel industry, etc. As a result, this business recorded net sales of ¥1,214 million, an increase of 5.8% year on year.

However, as a result of increased costs in line with an expansion of personnel and office facilities in connection with investment in talented human resources, operating income decreased by 45.2% year on year to ¥31 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 difficult 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 J-Pop and education titles, which contributed significantly to sales revenue in the previous fiscal year, recorded year-on-year declines, while animation and game titles performed favorably. Meanwhile, the inclusion of record label company Dreamusic Inc. as newly consolidated subsidiary of the Faith Group boosted overall Label Business sales to ¥7,464 million, an increase of 7.0% compared with the same period 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 of ¥931million, a year-on-year decrease of 13.2%.

*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

(Analysis of Financial Position)

Total assets as of September 30, 2017 decreased by ¥407 million compared to the end of the previous consolidated fiscal year to ¥26,552 million. This result was due mainly to decreases in cash and deposits, etc.

Total liabilities increased by ¥1,154 million compared to the end of the previous consolidated fiscal year to ¥7,738 million. This result was due mainly to the repayment of loans.

Total net assets increased by ¥747 million compared to the end of the previous consolidated fiscal year to ¥18,813 million. This was due mainly to the recording of a quarterly net income attributable to the shareholders of the parent company and to a decrease in treasury stock, etc.

As a result of the above, the equity ratio improved by 11.2 percentage points to 70.7%.

(Cash Flow Situation)

Cash and cash equivalents for the consolidated cumulative 2nd quarter of the current fiscal year decreased by ¥828 million from the end of the previous consolidated fiscal year to ¥12,940 million. Details of cash flow for the consolidated cumulative 2nd quarter and its contributory factors are as follows:

(Cash flow from operating activities)

Cash flow from operating activities amounted to an outflow of ¥296 million (compared with an inflow of ¥1,026 million for the same period of the previous fiscal year), due mainly to the recording a decrease in trade payables, etc.

(Cash flow from investing activities)

Cash flow from investing activities amounted to an outflow of ¥190 million yen (compared with an inflow of ¥1,086 million for the same period of the previous fiscal year), due mainly to outgoings of ¥530 million revenues of in respect of making fixed-term deposits and ¥87 million in respect of acquisition of software, despite income of ¥500 million in respect of reimbursement of fixed-term deposits and ¥137 million in respect of disposal of marketable securities.

(Cash flow from financing activities)

Cash flow from financing activities amounted to an outflow of ¥342 million (a decrease of 33.2% compared with the same period of the previous fiscal year), due mainly to outgoings of ¥207 million in respect of repayment of long-term loans, and ¥100 million in respect of repayment of short-term loans.

(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 August 10, 2017.

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

	(Unit: thousands of yen)	
	FY 2016	2nd Quarter of FY 2017
	(As of March 31, 2017)	(As of Sept. 30, 2017)
(Assets)		
Current assets		
Cash and deposits	14,268,853	13,470,223
Accounts and notes receivable	2,659,104	3,023,787
Marketable securities	230,572	230,468
Commercial products	561,536	494,626
Products in progress	356,686	548,448
Primary materials and inventory goods	49,983	68,757
Corporation tax refund receivable, etc.	27,454	0
Deferred tax assets	100,976	91,156
Others	639,750	640,833
Allowance for doubtful accounts	△18,863	△19,455
Total current assets	18,876,055	18,548,847
Fixed assets		
Tangible fixed assets	2,831,617	2,810,330
Intangible fixed assets		
Goodwill	1,833,611	1,781,773
Others	855,577	799,634
Total intangible fixed assets	2,689,188	2,581,407
Investment and other assets		
Investment securities	2,137,412	2,199,618
Deferred tax assets	26,208	26,215
Others	718,609	723,503
Allowance for doubtful accounts	△319,539	△337,882
Total investments and other assets	2,562,690	2,611,453
Total fixed assets	8,083,496	8,003,192
Total assets	26,959,552	26,552,039
(Liabilities)		
Current liabilities		
Accounts and notes payable	1,233,646	1,135,881
Short-term loans payable	852,119	667,600
Lease obligations	6,582	3,043
Accrued expenses payable	2,756,629	2,642,810
Income taxes payable	327,800	155,445
Reserve for bonuses	78,300	79,133
Reserve for point card certificates	43,570	—
Reserve for sales returns	96,748	114,646
Others	2,164,786	1,738,383
Total current liabilities	7,560,185	6,536,944
Fixed liabilities		
Long-term loans payable	464,530	375,963
Net defined retirement benefits	621,382	577,108
Lease obligations	1,446	1,084
Deferred tax liabilities	195,107	204,841
Others	50,320	42,379
Total fixed liabilities	1,332,787	1,201,376
Total liabilities	8,892,972	7,738,320

	(Unit: thousands of yen)	
	FY 2016	2nd Quarter of FY 2017
	(As of March 31, 2017)	(As of Sept. 30, 2017)
(Net assets)		
Shareholder's equity		
Common stock	3,218,000	3,218,000
Capital surplus	3,705,680	2,970,081
Retained earnings	11,953,901	12,441,165
Treasury stock	△3,039,450	△97,121
Total shareholder's equity	15,838,131	18,532,125
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	267,014	293,427
Foreign currency translation adjustments	△11,513	△11,944
Cumulative adjustment for retirement benefit obligations	△41,119	△35,626
Total other accumulated comprehensive income	214,381	245,856
Stock acquisition rights	15,691	—
Non-controlling interests	1,998,376	35,736
Total net assets	18,066,579	18,813,718
Total liabilities and net assets	26,959,552	26,552,039

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

	(Unit: thousands of yen)	
	2nd Quarter of FY 2016 (April 1-Sept.30, 2016)	2nd Quarter of FY 2017 (April 1-Sept. 30, 2017)
Net sales	10,339,227	10,703,830
Cost of sales	6,087,028	6,299,575
Gross profit	4,252,199	4,404,254
Selling, general and administrative expenses	3,122,964	3,496,835
Operating income	1,129,234	907,418
Non-operating income		
Interest income	519	869
Dividend income	2,858	2,831
Interest on securities	15	25
Gain on investment partnership management	23,598	15,367
Foreign exchange gains	—	817
Miscellaneous receipts	5,843	9,928
Total non-operating income	32,835	29,839
Non-operating expenses		
Interest paid	6,235	4,245
Loss on equity method investment	60,388	28,501
Costs relating to Business Combination	—	50,852
Foreign exchange losses	4,105	—
Miscellaneous expenses	7,519	825
Total non-operating expenses	78,249	84,425
Ordinary income	1,083,821	852,832
Extraordinary income		
Gain on sale of fixed assets	74	—
Gain on sales of investment securities	—	112,927
Gain on change in equity	—	5,859
Gain on reversal of subscription rights to shares	27,043	15,691
Total extraordinary income	27,117	134,477
Extraordinary losses		
Loss on disposal of fixed assets	4,122	—
Impairment loss on goodwill	—	23,421
Total extraordinary losses	4,122	23,421
Net income or net loss before income taxes	1,106,816	963,888
Corporate, local, and business taxes	186,565	169,849
Income taxes - deferred	580	8,018
Current quarter net income	919,670	786,020
Current quarter net income attributable to non-controlling interests	485,610	225,582
Current quarter net income attributable to shareholders of the parent company	434,060	560,437

(Consolidated Statement of Comprehensive Income)

(Unit: thousands of yen)

	2nd Quarter of FY 2016 (April 1-Sept. 30, 2016)	2nd Quarter of FY 2017 (April 1-Sept. 30, 2017)
Current quarter net income	919,670	786,020
Other comprehensive income		
Valuation difference on other available-for-sale securities	△12,170	25,157
Foreign currency translation adjustments	△4,889	△425
Retirement benefit adjustments	△505	7,276
Total other comprehensive income	△17,564	32,008
Comprehensive income	902,105	818,028
(Details)		
Comprehensive income attributable to shareholders of the parent company	415,551	591,912
Comprehensive income attributable to non-controlling interests	486,554	226,116

(3) Consolidated Statement of Cash Flows

	(Unit: thousands of yen)	
	2nd Quarter of FY 2016 (April 1-Sept. 30, 2016)	2nd Quarter of FY 2017 (April 1-Sept. 30, 2017)
Cash flow from operating activities		
Gain before income taxes and other adjustments	1,106,816	963,888
Depreciation and amortization	167,460	167,057
Amortization of goodwill	69,839	71,838
Impairment loss on goodwill	—	23,421
Increase/decrease in allowance for doubtful accounts (Δ = decrease)	Δ 12,306	18,555
Increase/decrease in reserve for bonuses (Δ = decrease)	Δ 264	832
Increase/decrease in reserve for point card certificates (Δ = decrease)	Δ 4,407	Δ 43,570
Increase/decrease in liabilities for retirement benefits (Δ = decrease)	Δ 55,927	Δ 44,274
Interest and dividends income	Δ 3,378	Δ 3,700
Interest on securities	Δ 15	Δ 25
Interest paid	6,235	4,245
Gain or loss on foreign exchange (Δ = gain)	2,424	Δ 982
Investment gain or loss on equity method (Δ = gain)	60,388	28,501
Gain or loss on investment partnership management (Δ = gain)	Δ 23,598	Δ 15,367
Gain or loss on change in equity (Δ = gain)	—	Δ 5,859
Gain or loss on sale of investment securities (Δ = gain)	—	Δ 112,927
Increase/decrease in trade receivables (Δ = increase)	Δ 267,250	Δ 306,116
Increase/decrease in inventory assets (Δ = increase)	Δ 60,979	Δ 143,626
Increase/decrease in trade payables (Δ = decrease)	307,268	Δ 209,588
Others	Δ 128,194	Δ 396,382
Sub-total	1,164,110	Δ 4,080
Interest and dividends received	3,599	3,725
Interest paid	Δ 6,236	Δ 4,250
Income tax refunded	7,492	27,454
Income tax paid	Δ 142,484	Δ 319,211
Cash flow from operating activities	1,026,482	Δ 296,363

	(Unit: thousands of yen)	
	2nd Quarter of FY 2016 (April 1-Sept. 30, 2016)	2nd Quarter of FY 2017 (April 1-Sept. 30, 2017)
Cash flow from investing activities		
Expenditure for opening of term deposits	△500,000	△530,000
Proceeds from withdrawal of term deposits	2,008,881	500,000
Expenditure for acquisition of marketable securities	△230,000	—
Expenditure for acquisition of tangible fixed assets	△22,658	△73,312
Expenditure for acquisition of software	△147,849	△87,735
Expenditure relating to business transfer	—	△20,000
Expenditure for acquisition of investment securities	—	△49,999
Proceeds from sale of investment securities	8,206	137,114
Expenditure for acquisition of shares of affiliates	—	△27,196
Proceeds from acquisition of subsidiary shares accompanying changes in the scope of consolidation	16,989	40,600
Proceeds from collection of loans receivable	60	37,391
Expenditure for guaranteeing security deposits	△3,008	△140
Proceeds from collection of security deposits	—	20
Others	△43,800	△117,236
Net cash flow from investing activities	1,086,821	△190,494
Cash flow from financing activities		
Net increase/decrease in short-term loans payable (△ = decrease)	—	△100,000
Expenditure for repayment of financing and lease obligations	△9,098	△3,900
Expenditure for repayment of long-term borrowing	△198,060	△207,799
Expenditure for acquisition of treasury stock	△364	△6,010
Payment of dividends	△49,432	△49,300
Payment of dividends to non-controlling shareholders	△13	—
Proceeds from stock issuance to non-controlling shareholders	—	24,500
Net cash flow from financing activities	△256,968	△342,510
Effect of exchange rate on cash and cash equivalents	△1,719	739
Net increase/decrease in cash and cash equivalents (△ = decrease)	1,854,615	△828,629
Cash and cash equivalents at beginning of year	10,913,765	13,768,853
Increase in cash and cash equivalents resulting from new consolidation	55,216	—
Cash and cash equivalents at end of the quarter	12,823,597	12,940,223

(4) 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)

Effective as of August 1, 2017, the Company implemented a share exchange for the purpose of converting its consolidated subsidiary Nippon Columbia Co., Ltd. into a wholly owned subsidiary with the Company as the wholly owning parent company. Primarily as a result of this share exchange, during the consolidated cumulative 2nd quarter accounting period of the current fiscal year, the Company's capital surplus declined by ¥735,598 thousand and treasury shares declined by ¥2,942,329 thousand, so that at the end of the current 2nd quarter accounting period, the capital surplus was ¥2,970,081 thousand and the treasury shares was ¥97,121 thousand.

(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 2nd 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 2nd quarter of the previous consolidated fiscal year/FY 2016 (April 1, 2016 through Sept. 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	2,217,531	1,147,550	6,974,145	10,339,227	—	10,339,227
Intersegment sales or transfer amount	59,069	—	21,654	80,724	△80,724	—
Total	2,276,601	1,147,550	6,995,800	10,419,951	△80,724	10,339,227
Segment income or loss (△)	△3,653	58,013	1,074,182	1,128,543	691	1,129,234

Notes: 1. The segment income or loss (△) adjustment amount of ¥691 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.

II 2nd quarter of the current consolidated fiscal year/FY 2017 (April 1, 2017 through Sept. 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	2,025,499	1,214,125	7,464,205	10,703,830	—	10,703,830
Intersegment sales or transfer amount	72,958	—	4,898	77,857	△77,857	—
Total	2,098,458	1,214,125	7,469,103	10,781,687	△77,857	10,703,830
Segment income or loss (△)	△58,424	31,800	931,975	905,352	2,066	907,418

Notes: 1. The segment income or loss (△) adjustment amount of ¥2,066 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.

(Business Combination Related)

Transactions under common control

(Conversion of a consolidated subsidiary into a wholly owned subsidiary by means of a share exchange)

On August 1, 2017, the Company and Nippon Columbia Co., Ltd. (hereinafter referred to as “Nippon Columbia”) implemented a share exchange (hereinafter referred to as “the share exchange”) involving the Company as the wholly owning parent company and Nippon Columbia as the wholly owned subsidiary.

(1) Transaction Overview

① Name and business contents of company undergoing business combination

Name: Nippon Columbia

Business contents: Production, advertising and sale of audio, video and game software titles, management of music artists, etc.

② Date of business combination

August 1, 2017

③ Legal form of business combination

A share exchange involving the Company as the wholly owning parent company and Nippon Columbia as the wholly owned subsidiary

④ Names of companies following business combination

No change

⑤ Other matters related to the transaction

Under the present rapidly changing business environment, the Company and Nippon Columbia are aiming to make use of the technology and human resources of both companies by proceeding with the

unification of their capital and their business activities. Through the share exchange, both companies will be able to boldly make the investments necessary to introduce new business methods on both the user side and the content creator side (including artists, etc.) of the business. Even more than at present, this will make possible the creation of new services and new markets, which will in turn further improve the corporate value of both companies.

(2) Summary of accounting treatment

The Company accounted for the business combination as a transaction under common control based on the Accounting Standard for Business Combinations (Accounting Standards Board of Japan Statement No. 21, September 13, 2013) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Accounting Standards Board of Japan Implementation Guidance No. 10, September 13, 2013).

(3) Details of acquisition cost of additionally acquired shares issued or owned by the subsidiary and type of consideration

Consideration for the acquisition: shares of the Company's common stock valued at ¥4,823,818 thousand

(4) Exchange ratio by type of shares, method of calculation, and number of shares to be allotted

① Exchange ratio by type of shares

	The Company (wholly owning parent company)	Nippon Columbia (wholly owned subsidiary)
Share exchange ratio	1	0.59

② Method of share exchange ratio calculation

In determining the share exchange ratio, the Company selected Nomura Securities Co., Ltd. as its third-party appraisal institution and Anderson Mori & Tomotsune as its legal adviser, while Nippon Columbia selected Plutus Consulting Co., Ltd. as its third-party appraisal institution and Iwata Godo as its legal advisor. Nomura Securities Co., Ltd. analyzed the value of both the Company's and Nippon Columbia's shares using market share price analysis and discounted cash flow (DCF) analysis, and calculated the share exchange ratio in consideration of these analyses in a comprehensive manner. Plutus Consulting Co., Ltd. analyzed the value of both the Company's and Nippon Columbia's shares using market share price analysis, comparable company analysis and DCF analysis, and calculated the share exchange ratio in consideration of these analyses in a comprehensive manner. The share exchange ratio was decided through consultations between the two parties based on the results of the above-mentioned calculations and the advice provided by the legal advisors.

③ Number of shares allotted

3,899,611 shares of the Company's common stock

(Of the above-mentioned number of shares, 2,028,520 treasury shares held by the Company were allotted, while the remaining 1,871,091 shares comprised newly issued shares of common stock.)