

BRIEF STATEMENT OF CONSOLIDATED FINANCIAL RESULTS FOR THE FULL FISCAL YEAR ENDED MARCH 2019

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 14, 2019

Faith, Inc. (Stock code 4295, Listed on TSE 1st section)
 Representative: Hajime Hirasawa, CEO/President
 Contact: Jiro Saeki, CFO/Director
 Date of General Meeting of Shareholders:
 Date of Submission of Annual Security Report:
 Starting Date of the Dividend Payment:
 Preparation of Supplementary Materials for Financial Results:
 Information Meeting for Financial Results to be Held:
 (for Institutional Investors and Analysts)

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 Tel: +81-03-5464-7633
 June 27, 2019
 June 28, 2019
 June 28, 2019
 Applicable/May 29, 2019
 Applicable/May 29, 2019

Amounts are rounded down to the nearest JPY 1 million.

1. Results for the Fiscal Year Ending March 2019 (From April 1, 2018 to March 31, 2019)

(1) Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ending March 2019	20,965	△1.2	144	△87.2	△586	—	△309	—
March 2018	21,210	2.0	1,130	△35.7	1,029	△33.1	504	△11.8

(Note) Comprehensive income: fiscal year ending March 2019: △314 million (—%); fiscal year ending March 2018: 696 million (△49.0%)

	Net Income per Share	Diluted Net Income per Share	Return on Equity Capital	Ordinary Income on Total Assets	Operating Income on Net Sales
Year ending	Yen	Yen	%	%	%
March 2019	△23.15	—	△1.7	△2.3	0.7
March 2018	40.48	—	2.9	3.9	5.3

(Reference) Equity in earnings of associated companies: fiscal year ending March 2019: △¥704 million;
 fiscal year ending March 2018: △¥99 million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Ratio of Equity Capital	Net Assets per Share
Year ending	Millions of yen	Millions of yen	%	Yen
March 2019	24,343	17,520	72.0	1,321.37
March 2018	25,705	18,671	72.5	1,355.11

(Reference) Equity capital: fiscal year ending March 2019: ¥17,520 million; fiscal year ending March 2018: ¥18,647 million

(3) Consolidated Cash Flow Results

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents at Year End
Year ending	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 2019	454	△187	△1,077	12,100
March 2018	809	△1,070	△597	12,910

2. Dividends

(Record dates)	Dividends per Share					Total Dividend Payment (Annual)	Payout Ratio (Consolidated)	Dividend on Net Assets (Consolidated)
	1 st Qtr	Interim	3 rd Qtr	Year-end	TTL(Annual)			
Year ending	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 2018	—	5.00	—	5.00	10.00	137	24.7	0.7
March 2019	—	5.00	—	5.00	10.00	132	—	0.7
March 2020 (forecast)	—	5.00	—	5.00	10.00		66.3	

3. Forecast for the Consolidated Results for the Year Ending March 2020 (from Apr. 1, 2019 to Mar. 31, 2020)

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attr to the Shs of the Parent Co		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half (cumulative)	10,100	△4.7	100	△54.3	20	△89.7	—	—	—
Full year	20,000	△4.6	300	107.9	300	—	200	—	15.08

※ Notes

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

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

- (3) Outstanding shares (common shares)
 - (3)-1. Outstanding shares at the end of the fiscal years (including treasury stock):
The fiscal year ending March 2019: 13,831,091 shares
The fiscal year ending March 2018: 13,831,091 shares
 - (3)-2. Treasury stock at the end of the fiscal year:
The fiscal year ending March 2019: 572,000 shares
The fiscal year ending March 2018: 70,041 shares
 - (3)-3. Average number of shares during the accounting period
The fiscal year ending March 2019: 13,353,334 shares
The fiscal year ending March 2018: 12,464,649 shares

(Reference) Overview of Non-Consolidated Results
Results for the Fiscal Year Ending March 2019 (From April 1, 2018 to March 31, 2019)

(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 2019	2,192	△6.2	△239	—	504	—	328	—
March 2018	2,338	△17.0	△97	—	△111	—	△568	—

Year ending	Net Income per Share	Diluted Net Income per Share
	<i>Yen</i>	<i>Yen</i>
March 2019	24.57	—
March 2018	△45.59	—

(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 2019	18,596	17,870	96.1	1,347.80
March 2018	19,153	18,337	95.7	1,332.58

(Reference) Equity capital: fiscal year ending March 2019: ¥17,870 million; fiscal year ending March 2018: ¥18,337 million

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

* Statement regarding the proper use of financial forecasts and other special remarks

(Notice regarding statements concerning the future)

Statements concerning the future, such as performance forecasts, etc., described in the present material are based on information currently available to the Company and on certain assumptions judged as reasonable by the Company. The Company's actual performance may differ substantially from these forecasts as a result of various factors beyond the Company's control. For details of cautions, etc., employed in making performance forecasts and the assumptions underlying performance forecasts, please refer to "1. Overview of Operating Results, etc., (4) Future Outlook" on page 4 of the accompanying material.

(To obtain supplemental documents relating to financial results)

Supplemental Materials for Financial Results are posted on the company website on May 29, 2019.

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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 internet penetration rate among individuals has remained at a high level exceeding 80%, and internet users aged between 13 and 60 years old account for over 90% of the total ^(*1). Among these users, the number of people who rely exclusively on a smartphone to access the Internet has increased for all age groups, and this trend is particularly pronounced among those in their 30s, where the rate of increase in 2018 compared with the previous year was 46% ^(*2). Meanwhile, the movement away from television centered on the young generation is progressing, with average viewing hours on both weekdays and holidays displaying a decreasing trend ^(*3). The ongoing transition to services in line with the digital era is expected to accelerate in future as the Internet usage rate climbs further and the use of smartphones continues to spread. Under these circumstances, it is becoming even more important for Faith to respond swiftly to user needs that are in keeping with the times.

*1. Source: Ministry of Internal Affairs and Communications,
2018 White Paper on Information and Communications in Japan

*2. Source: Nielsen Digital Co., Ltd., *Nielsen Digital Database 2018*

*3. Source: Ministry of Internal Affairs and Communications,
2017 Survey Report on Usage Time and Information Behavior Regarding Information Communication Media

Also, in the entertainment market, sales in the global music market centered on streaming services grew by 10% year on year to US\$19 billion ^(*4), increasing for the fourth consecutive year and recording its highest annual sales growth since 1996. In Japan as well, the production value of music software including music videos increased by 4% from the previous year to 240.3 billion yen ^(*5), with sales increasing for the first time in three years. Although sales of packaged products continued to decline, fee-based music distribution sales increased by 13% year on year to ¥64.5 billion with sales of streaming services leaping by 33% year on year to exceed download sales for the first time. Meanwhile, the size of the live entertainment market increased by 4% from the previous year to ¥344.8 billion, thanks to an expansion of consumption ^(*6).

*4. Source: *IFPI Global Music Report 2019*

*5. Source: Recording Industry Association of Japan (RIAJ),
The Recording Industry in Japan 2018

*6. Source: All Japan Concert & Live Entertainment Promoters Conference (ACPC),
2018 Basic Research Report

Founded in 1992, Faith was the first company in the world to commercialize ringtones, and has steadily grown centered on the music distribution business and in step with the spread of mobile phones. However, in recent years, amid the growing popularity of smartphones in the music market, streaming media, user upload content (UUC) that allows general users to easily transmit information to society, and media diversification such as social media, etc., all kinds of activities in the music industry have been changing, including musical styles and content production methods.

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

In addition, in response to the steady increase in the number of tourists visiting Japan, in anticipation of the expansion of the Japanese nighttime economy, Faith opened Tokyo's largest music lounge PLUSTOKYO in Ginza in November 2018, with the aim of proposing a new lifestyle as a space that combines art, food and entertainment elements centered on music.

Regarding the Faith Group's performance during the consolidated fiscal year ending March 2019, in accordance with the decline in sales of existing distribution services, which account for a major share of overall sales, net sales decreased by 1.2% compared with the previous fiscal year to ¥20,965 million. Meanwhile, due mainly to declining sales of high-margin products launched in previous years and game titles in the Label Business and to a decline in income from music licensing rights, operating income decreased by 87.2% year on year to ¥144 million. In addition, following the recording of a loss on

equity method investment, the Company recorded an ordinary loss of 586 million yen (compared with an ordinary income of ¥1,029 million for the previous fiscal year), and a net loss attributable to the parent company's shareholders of 309 million yen (compared with a net income attributable to parent company shareholders of 504 million yen for the previous fiscal year).

Information on each business segment is as follows.

Content Business

In the Content Business, while sales in the existing distribution business continue to decline, the Faith Group is actively promoting business development in Asian countries and other countries where high growth rates are expected. In addition, we are interlinking and platforming various services in an effort to develop new products and services and grasp diversified revenue opportunities, and we will continue to invest in growth areas in future.

We are actively developing FaRao PRO not only as a service providing business BGM but also for sales activities focused on expanding the functions necessary for store management, such as solutions and announcement functions that make store-branding proposals. In addition to conventional products using tablet devices, we have also released an app-version service that offers users reduced initial costs and we are working to strengthen retail store sales through collaboration with the Point Service Business. Moreover, based on our Japanese service, we have started FaRao PRO services in Indonesia, and for 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 based on the D2C ^(*) business model, which is expected to expand in future, we are enhancing the functions essential to artists' musical activities such as official website construction, music and video distribution, sales of artist goods, and fan club operation. We are aiming to acquire new users and expand the membership base of Fans' as a service that allows more artists to disseminate their works and information freely, and we will endeavor to improve the quality of the service by pursuing enhanced usability.

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

Regarding the performance of this segment, taking into account decreasing sales of carrier official site services, delays in the launch of new businesses and the sale of shares in consolidated subsidiaries, and despite the ongoing positive deployment of new services in line with the changing market environment, the Content Business recorded net sales of ¥3,512 million (a decrease of 19.5% year on year) and an operating loss of ¥605 million (compared with an operating loss of ¥194 million for the previous fiscal year).

Point Service Business

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

Regarding the performance of this segment, with the issue of points at existing member stores remaining steady due to the development of sales promotion measures, net sales increased by 4.7% compared with the previous fiscal year to ¥2,683 million and operating income increased by 28.8% year on year to ¥114 million.

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 is proceeding with its strategy of strengthening new future-oriented businesses in order to overcome the present situation in which it remains dependent on sales of package products for which the market remains sluggish. In order to continue to play a major role in the music industry and expand its revenue, in addition to pursuing the creation of hit products, artist management, and investment in the live performance business, we consider it necessary to introduce new services that anticipate the ever-changing market environment.

This segment achieved strong sales revenue from animation-related titles released by DREAMUSIC Inc,

and from animation titles and live artist performances by Nippon Columbia, Co., Ltd., resulting in a rise in overall Label Business sales of 3.4% year on year to ¥14,769 million. However, due mainly to declines in sales of high-margin products launched in previous years, game titles, and revenue from sales of music licensing rights, this segment recorded an operating income of ¥631 million, a decline of 48.8% compared with the previous fiscal year.

We recognize that we need ample funds in order to make strategic and flexible investments in the entertainment industry, but taking into consideration the current business environment, with regard to business development, scale of investment, and timing, the company intends to flexibly put into practice the following business strategies in a timely manner.

- Platform development such as cloud casting, matching business, and D2C business.
- Business related to live performances, concerts, and nighttime economy activation
- Investment for IP creation and acquisition
- Research and development on new technology such as investment in new start-up companies and distributed ledger technology

*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, 2019 decreased by ¥1,362 million from the end of the previous consolidated fiscal year to ¥24,343 million. This result was mainly attributable to a decrease of ¥1,309 million in cash and deposits, an increase of ¥416 million in buildings and structures, a decrease of ¥660 million in investment securities, and an increase of ¥280 million in deferred tax assets.

Total liabilities decreased by ¥210 million compared with the end of the previous consolidated fiscal year to ¥6,822 million. This result was mainly attributable to a decrease of ¥174 million in long-term debt.

Net assets decreased by ¥1,151 million compared with the end of the previous consolidated fiscal year to ¥17,520 million. This result was mainly attributable to outgoings of ¥702 million for acquisition of treasury stock and ¥134 million for payment of dividends, and to a net loss of ¥333 million attributable to shareholders of the parent company. Moreover, the equity ratio became 72.0%.

(3) Overview of Cash Flow for the Current Term

Cash and cash equivalents at the end of the consolidated fiscal year ended March 31, 2019 decreased by ¥809 million to ¥12,100 million, a decrease of 6.3% 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 ¥454 million (a decrease of 43.9% compared with the previous consolidated fiscal year), attributable mainly to a loss before income taxes and minority interests of ¥393 million, amortization of goodwill of ¥106 million, depreciation expenses of ¥304 million, losses on equity method investment of ¥704 million, a decrease in inventory of ¥122 million, and income tax and other payments of ¥314 million.

(Cash flow from investing activities)

Cash flow from investing activities amounted to an outflow of ¥187 million (compared with an outflow of ¥1,070 million for the previous consolidated fiscal year), attributable mainly to income of ¥550 million from the withdrawal of existing term deposits, expenditure of ¥633 million in respect of the acquisition of tangible fixed assets, expenditure of ¥165 million for the acquisition of investment securities, income of ¥179 million from the sale of shares of subsidiaries accompanying changes in the scope of consolidation, and ¥120 million in respect of security deposit payments.

(Cash flow from financing activities)

Cash flow from financing activities amounted to an outflow of ¥1,077 million (compared with an outflow of ¥597 million for the previous consolidated fiscal year), due mainly to ¥240 million in expenditure in respect of repayment of long-term loans, ¥702 million in respect of the purchase of treasury stock, and ¥134 million in respect of dividend payments, etc.

(4) Future Outlook

The Faith Group's business performance forecasts for next consolidated fiscal year (FY 2019; ending March 31, 2020) are as follows. Due to uncertainty regarding the Label Business, the impact of new businesses in the Content Business, etc., the Group is currently forecasting net sales of ¥20,000 million, an operating income of ¥300 million, an ordinary income of ¥300 million, and a net income attributable to the shareholders of the parent company of ¥200 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 2017	FY 2018
	(As of March 31, 2018)	(As of March 31, 2019)
(Assets)		
Current assets		
Cash and deposits	13,460,309	12,150,463
Accounts and notes receivable	2,162,275	2,063,965
Marketable securities	229,555	232,066
Commercial products	516,373	484,367
Products in progress	493,508	394,308
Primary materials and inventory goods	65,124	61,544
Corporation tax refunds receivable, etc.	26,944	212,102
Other current assets	464,629	534,205
Allowance for doubtful accounts	△27,249	△19,401
Total current assets	17,391,471	16,113,621
Fixed assets		
Tangible fixed assets		
Buildings and structures	2,044,824	2,525,299
Accumulated depreciation	△932,609	△996,463
Buildings and structures (net base)	1,112,214	1,528,836
Machinery and delivery equipment	626,278	615,252
Accumulated depreciation	△605,840	△595,720
Machinery and delivery equipment (net base)	20,438	19,531
Tools, devices and equipment	1,073,360	1,212,819
Accumulated depreciation	△943,788	△1,006,064
Tools, devices and equipment (net base)	129,572	206,754
Land	1,501,684	1,501,684
Lease assets	60,354	38,823
Accumulated depreciation	△58,428	△37,828
Lease assets (net base)	1,926	995
Construction in progress	7,800	—
Total tangible fixed assets	2,773,635	3,257,801
Intangible fixed assets		
Software	365,435	350,763
Goodwill	1,648,115	1,541,584
Other intangible fixed assets	312,912	205,871
Total intangible fixed assets	2,326,463	2,098,219
Investment and other assets		
Investment securities	2,617,499	1,957,225
Deferred tax assets	174,258	454,354
Other investment and other assets	812,042	942,793
Allowance for doubtful accounts	△389,935	△480,799
Total investments and other assets	3,213,864	2,873,573
Total fixed assets	8,313,963	8,229,594
Total assets	25,705,435	24,343,216

(Unit: thousands of yen)

	FY 2017 (As of March 31, 2018)	FY 2018 (As of March 31, 2019)
(Liabilities)		
Current liabilities		
Accounts and notes payable	929,526	905,762
Short-term loans payable	576,039	509,950
Lease obligations	723	662
Accounts payable-other	1,001,461	775,600
Accrued expenses payable	2,642,245	2,749,170
Income taxes payable	188,625	116,814
Reserve for bonuses	76,316	79,633
Reserve for point card certificates	8,711	374
Reserve for sales returns	74,962	62,356
Other current liabilities	489,836	740,830
Total current liabilities	5,988,449	5,941,156
Fixed liabilities		
Long-term loans payable	237,215	63,000
Net defined retirement liabilities	603,262	632,538
Lease obligations	723	60
Deferred tax liabilities	159,317	139,595
Other fixed liabilities	44,758	46,577
Total fixed liabilities	1,045,276	881,771
Total liabilities	7,033,725	6,822,927
(Net assets)		
Shareholder's equity		
Capital stock	3,218,000	3,218,000
Capital surplus	3,019,205	3,019,175
Retained earnings	12,316,449	11,872,088
Treasury stock	△100,158	△802,315
Total shareholder's equity	18,453,496	17,306,948
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	263,254	307,035
Foreign currency translation adjustments	△12,505	△10,936
Cumulative adjustment amount for retirement benefit obligations	△56,561	△82,758
Total other accumulated comprehensive income	194,187	213,340
Non-controlling interests	24,026	—
Total net assets	18,671,710	17,520,288
Total liabilities and net assets	25,705,435	24,343,216

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

	(Unit: thousands of yen)	
	FY 2017 (April 1, 2017 ~ March 31, 2018)	FY 2018 (April 1, 2018 ~ March 31, 2019)
Net sales	21,210,070	20,965,356
Cost of sales	13,212,739	13,736,658
Gross profit	7,997,331	7,228,697
Selling, general and administrative expenses	6,866,577	7,084,406
Operating income	1,130,753	144,290
Non-operating income		
Interest income	1,406	1,183
Dividend income	5,253	4,497
Interest on securities	60	133
Gain on valuation of investment securities	—	2,135
Gain on investment partnership management	26,487	22,771
Miscellaneous receipts	31,195	28,136
Total non-operating Income	64,404	58,859
Non-operating expenses		
Interest paid	8,437	6,201
Gain on foreign exchange loss	423	209
Loss on equity method investment	99,127	704,510
Loss on investment partnership management	—	74,495
Cost of exchange from business combination	50,852	—
Miscellaneous expenses	6,382	4,724
Total non-operating expenses	165,224	790,140
Ordinary income or ordinary loss (Δ = loss)	1,029,933	Δ 586,991
Extraordinary income		
Gain on sale of shares of affiliates	—	164,963
Gain on sale of investment securities	116,982	69,052
Gain on change in equity	7,476	—
Gain on reversal of stock acquisition rights	15,691	—
Other extraordinary income	18,297	4,768
Total extraordinary income	158,447	238,784
Extraordinary losses		
Loss on disposal of fixed assets	22,764	29,299
Loss on valuation of investment securities	—	15,000
Impairment loss on goodwill	84,283	—
Impairment loss	145,164	—
Other extraordinary losses	7,313	912
Total extraordinary losses	259,526	45,212
Current term net income or net loss before taxes (Δ = net loss)	928,854	Δ 393,418
Corporate, local, and business taxes	292,448	258,667
Income taxes - deferred	Δ 81,130	Δ 318,802
Total corporate, local, and business taxes	211,317	Δ 60,134
Current term net income or net loss (Δ = net loss)	717,536	Δ 333,284
Current term net income or net loss attributable to non-controlling interests (Δ = net loss)	212,997	Δ 24,026
Current term net income or net loss attributable to shareholders of the parent company (Δ = net loss)	504,538	Δ 309,257

(Consolidated Statement of Comprehensive Income)

(Unit: thousands of yen)

	FY 2017 (April 1, 2017 ~ March 31, 2018)	FY 2018 (April 1, 2018 ~ March 31, 2019)
Current term net income net income or net loss (Δ = net loss)	717,536	Δ 333,284
Other comprehensive income		
Valuation difference on other available-for-sale securities	Δ 6,078	43,780
Foreign currency translation adjustments	Δ 986	1,569
Retirement benefit adjustments	Δ 13,658	Δ 26,197
Total other comprehensive income	Δ 20,722	19,153
Comprehensive income	696,813	Δ 314,131
(Details)		
Comprehensive income attributable to shareholders of the parent company	483,281	Δ 290,104
Comprehensive income attributable to non-controlling interests	213,531	Δ 24,026

(3) Consolidated Statement of Changes in Shareholders' Equity
FY 2017 (April 1, 2017 ~ March 31, 2018)

(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	3,705,680	11,953,901	△3,039,450	15,838,131
Changes of items during the accounting period					
Dividends paid			△118,161		△118,161
Increase through share exchange		△735,351		2,948,339	2,212,988
Changes in parent company equity regarding transactions with non-controlling interests		48,876			48,876
Changes in the scope of application of the equity method			△23,830		△23,830
Net gain or net loss (△) attributable to shareholders of parent company			504,538		504,538
Acquisition of treasury stock				△9,209	△9,209
Disposal of treasury stock				161	161
Changes in non-equity items during the accounting period (net amount)					
Total changes during the accounting period	—	△686,474	362,547	2,939,291	2,615,365
Balance at end of period	3,218,000	3,019,205	12,316,449	△100,158	18,453,496

	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	267,014	△11,513	△41,119	214,381	15,691	1,998,376	18,066,579
Changes of items during the accounting period							
Dividends paid							△118,161
Increase through share exchange							2,212,988
Changes in parent company equity regarding transactions with non-controlling interests							48,876
Changes in the scope of application of the equity method							△23,830
Net gain or net loss (△) attributable to shareholders of parent company							504,538
Acquisition of treasury stock							△9,209
Disposal of treasury stock							161
Changes in non-equity items during the accounting period (net amount)	△3,759	△992	△15,441	△20,194	△15,691	△1,974,349	△2,010,234
Total changes during the accounting period	△3,759	△992	△15,441	△20,194	△15,691	△1,974,349	605,130
Balance at end of period	263,254	△12,505	△56,561	194,187	—	24,026	18,671,710

FY 2018 (April 1, 2018 ~ March 31, 2019)

(Unit: thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	3,218,000	3,019,205	12,316,449	△100,158	18,453,496
Changes of items during the accounting period					
Dividends paid			△135,103		△135,103
Net gain or net loss (△) attributable to shareholders of parent company			△309,257		△309,257
Acquisition of treasury stock				△702,351	△702,351
Disposal of treasury stock		△30		195	164
Changes in non-equity items during the accounting period (net amount)					
Total changes during the accounting period		△30	△444,360	△702,156	△1,146,548
Balance at end of period	3,218,000	3,019,175	11,872,088	△802,315	17,306,948

	Accumulated other comprehensive income				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	263,254	△12,505	△56,561	194,187	24,026	18,671,710
Changes of items during the accounting period						
Dividends paid						△135,103
Net gain or net loss (△) attributable to shareholders of parent company						△309,257
Acquisition of treasury stock						△702,351
Disposal of treasury stock						164
Changes in non-equity items during the accounting period (net amount)	43,780	1,569	△26,197	19,153	△24,026	△4,873
Total changes during the accounting period	43,780	1,569	△26,197	19,153	△24,026	△1,151,421
Balance at end of period	307,035	△10,936	△82,758	213,340	—	17,520,288

(4) Consolidated Statement of Cash Flows

(Unit: thousands of yen)

	FY 2017 (April 1, 2017 ~ March 31, 2018)	FY 2018 (April 1, 2018 ~ March 31, 2019)
Cash flow from operating activities		
Income or loss (Δ) before income taxes, etc.	928,854	Δ 393,418
Depreciation expenses	358,757	304,685
Impairment loss	145,164	—
Amortization of goodwill	144,634	106,105
Impairment loss on goodwill	84,283	—
Increase/decrease in allowance for doubtful accounts (Δ = decrease)	78,401	83,110
Increase/decrease in reserve for bonus (Δ = decrease)	Δ 1,983	3,316
Increase/decrease in allowance for unexercised sales promotion points (Δ = decrease)	Δ 34,859	Δ 8,336
Increase/decrease in net defined retirement liabilities (Δ = decrease)	Δ 46,332	Δ 15,048
Interest and dividend income	Δ 6,660	Δ 5,681
Interest on securities	Δ 60	Δ 133
Gain or loss on valuation of marketable securities (Δ = gain)	537	Δ 2,135
Interest paid	8,437	6,201
Gain or loss on foreign exchange (Δ = gain)	192	Δ 13
Gain or loss on equity method investment (Δ = gain)	99,127	704,510
Gain or loss on investment partnership management (Δ = gain)	Δ 26,487	51,724
Gain or loss on sale of shares in affiliates (Δ = gain)	—	Δ 164,963
Gain or loss on sale of investment securities (Δ = gain)	Δ 116,982	Δ 69,052
Gain or loss on evaluation of investment securities (Δ = gain)	—	15,000
Gain or loss on disposal of fixed assets (Δ = gain)	22,764	29,299
Gain or loss on change in equity (Δ = gain)	Δ 7,476	—
Increase/decrease in trade receivables (Δ = increase)	587,198	Δ 59,812
Increase/decrease in inventory assets (Δ = increase)	Δ 106,799	122,384
Increase/decrease in trade payables (Δ = decrease)	Δ 401,785	28,354
Increase/decrease in consumption tax receivable (Δ = increase)	21,087	Δ 53,839
Increase/decrease in consumption tax payable (Δ = decrease)	Δ 10,705	Δ 39,571
Others	Δ 505,733	101,480
Sub-total	1,213,575	744,162
Interest and dividends received	6,721	5,834
Interest paid	Δ 8,429	Δ 6,195
Income tax refunded	27,454	24,753
Income tax paid	Δ 429,433	Δ 314,402
Cash flow from operating activities	809,888	454,151

(Unit: thousands of yen)

	FY 2017 (April 1, 2017 ~ March 31, 2018)	FY 2018 (April 1, 2018 ~ March 31, 2019)
Cash flow from investing activities		
Expenditure for opening of term deposits	△550,006	△50,004
Income from withdrawal of term deposits	500,000	550,000
Expenditure for acquisition of tangible fixed assets	△104,344	△633,400
Expenditure for acquisition of software	△200,611	△96,611
Expenditure for acquisition of investment securities	△94,999	△165,000
Expenditure for business transfer	△20,000	—
Income from sale of investment securities	134,258	88,319
Income from share of profits from investment partnerships	15,147	83,219
Expenditure for acquisition of shares of affiliates	△509,800	—
Income from sale of shares of affiliates	—	7,790
Income from acquisition of subsidiary shares accompanying changes in the scope of consolidation	40,600	—
Income from sale of subsidiary shares accompanying changes in the scope of consolidation	—	179,613
Income from collection of loans receivable	37,391	—
Expenditure for security deposits	△11,612	△120,150
Income from collection of security deposits	11,219	1,876
Others	△317,517	△33,274
Net cash flow from investing activities	△1,070,275	△187,622
Cash flow from financing activities		
Net increase/decrease in short-term loans payable (△ = decrease)	△120,000	—
Expenditure for repayment of lease obligations	△6,582	△723
Expenditure for repayment of long-term borrowing	△418,107	△240,304
Expenditure for acquisition of treasury stock	△9,209	△702,351
Income from disposal of treasury stock	—	164
Payment of dividends	△117,896	△134,278
Income from payments from non-controlling interests	84,500	—
Expenditure for acquisition of subsidiary shares not accompanying changes in the scope of consolidation	△10,267	—
Net cash flow from financing activities	△597,562	△1,077,494
Effect of exchange rate on cash and cash equivalents	△599	1,114
Net increase/decrease in cash and cash equivalents (△ = decrease)	△858,550	△809,850
Cash and cash equivalents at the beginning of the year	13,768,853	12,910,303
Cash and cash equivalents at the end of the year	12,910,303	12,100,452

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

(Segment Information, etc.)

[Segment Information]

1. Outline of reportable segments

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

Content Business

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

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

Point Service Business

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

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

Label Business

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

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

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

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

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

3. Information on sales, profit or loss, assets, liabilities and other items by reportable segment
Previous consolidated fiscal year/FY 2017 (April 1, 2017 ~ March 31, 2018)

(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	4,361,273	2,562,697	14,286,099	21,210,070	—	21,210,070
Inter-segment sales or transfer amount	105,110	1,169	9,660	115,940	△115,940	—
Total	4,466,383	2,563,867	14,295,760	21,326,011	△115,940	21,210,070
Segment profit or loss (△)	△194,301	89,069	1,231,542	1,126,309	4,444	1,130,753
Segment assets	12,672,466	1,133,009	11,913,511	25,718,987	△13,552	25,705,435
Other items						
Depreciation expenses	243,798	18,127	96,831	358,757	—	358,757
Amortization of goodwill	34,749	—	109,884	144,634	—	144,634
Investment in equity-method affiliates	835,565	—	11,101	846,666	—	846,666
Increase in tangible and intangible fixed assets	124,027	11,928	169,000	304,955	—	304,955

(Notes)

1. The segment profit or loss adjustment amount of ¥4,444 thousand is 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 2018 (April 1 2018 ~ March 31, 2019)

(Unit: thousands of yen)

	Reportable segment				Adjustment amount (Notes 1 & 2)	Amount recorded in Consolidated Financial Statements (Note 3)
	Content	Point Service	Label	Total		
Sales						
Sales to external customers	3,512,723	2,683,271	14,769,361	20,965,356	—	20,965,356
Inter-segment sales or transfer amount	75,668	540	2,503	78,712	△78,712	—
Total	3,588,391	2,683,812	14,771,865	21,044,068	△78,712	20,965,356
Segment profit or loss	△605,170	114,703	631,130	140,663	3,626	144,290
Segment assets	11,648,799	1,240,498	11,458,691	24,347,989	△4,773	24,343,216
Other items						
Depreciation expenses	176,578	20,621	107,485	304,685	—	304,685
Amortization of goodwill	4,205	—	101,899	106,105	—	106,105
Investment in equity-method affiliates	57,710	—	52,255	109,965	—	109,965
Increase in tangible and intangible fixed assets	657,193	25,974	46,843	730,011	—	730,011

(Notes)

1. The segment profit or loss adjustment amount of ¥3,626 thousand is 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 2017 (April 1, 2017 ~ March 31, 2018) and current consolidated fiscal year/FY 2018 (April 1 2018 ~ March 31, 2019)

1. Information by product and service

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

2. Information by region

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

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

3. Information on major customers

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

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

Previous consolidated fiscal year/FY 2017 (April 1, 2017 ~ March 31, 2018)

(Unit: thousands of yen)

	Content	Point Service	Label	Total	Company-wide/ elimination	Total
Loss on impairment	145,164	—	—	145,164	—	145,164
Loss on goodwill impairment	84,283	—	—	84,283	—	84,283

Current consolidated fiscal year/FY 2018 (April 1 2018 ~ March 31, 2019)

Not applicable

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

Previous consolidated fiscal year /FY 2017 (April 1, 2017 ~ March 31, 2018)

(Unit: thousands of yen)

	Content	Point Service	Label	Total	Company-wide/ elimination	Total
Year-end balance	17,724	—	1,630,391	1,648,115	—	1,648,115

(Note)

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

Current consolidated fiscal year/FY 2018 (April 1 2018 ~ March 31, 2019)

(Unit: thousands of yen)

	Content	Point Service	Label	Total	Company-wide/ elimination	Total
Year-end balance	13,092	—	1,528,491	1,541,584	—	1, 541,584

(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 2017 (April 1, 2017 ~ March 31, 2018) and current consolidated fiscal year/FY 2018 (April 1 2018 ~ March 31, 2019)

Not applicable

(Per Share Information)

(Unit: yen)

FY 2017 (April 1, 2017 ~ March 31, 2018)	FY 2018 (April 1 2018 ~ March 31, 2019)
Net assets per share	1,355.11
Net income per share	40.48
	Net assets per share
	1,321.37
	Net loss per share(△)
	△23.15

(Notes)

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

	FY 2017 (April 1, 2017 ~ March 31, 2018)	FY 2018 (April 1 2018 ~ March 31, 2019)
Net income or net loss (△) per share		
Net income or net loss (△) attributable to the shareholders of the parent company (thousands of yen)	504,538	△309,257
Amount not attributable to ordinary shareholders (thousands of yen)	—	—
Net income or net loss (△) pertaining to common stock attributable to the shareholders of the parent company (thousands of yen)	504,538	△309,257
Average number of shares outstanding during the period (shares)	12,464,649	13,353,334

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

	End of FY 2017 (as of March 31, 2018)	End of FY 2018 (as of March 31, 2019)
Total amount of net assets (thousands of yen)	18,671,710	17,520,288
Amount deducted from total amount of net assets (thousands of yen)	24,026	—
(Non-controlling interests)	(24,026)	(—)
Year-end net assets pertaining to common stock (thousands of yen)	18,647,683	17,520,288
Year-end number of shares of common stock used in calculating net assets per share (shares)	13,761,050	13,259,091

(Significant subsequent events)

Not applicable