

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

August 13, 2018

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, 2018

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 2019 (From April 1, 2018 to June 30, 2018)

(1) Consolidated Operating Results (cumulative totals)

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

| | 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> | % |
| Q1 of the year ending March 2019 | 5,360 | 6.5 | 207 | △41.4 | 216 | △27.5 | 320 | 298.0 |
| March 2018 | 5,034 | 2.6 | 353 | △31.4 | 298 | △40.3 | 80 | △61.4 |

(Note) Comprehensive income: 1st quarter of the fiscal year ending March 2019: ¥333 million (△20.7%); 1st quarter of the fiscal year ending March 2018: ¥420 million (3.7%)

| | Net Income per Share | Diluted Net Income per Share |
|----------------------------------|----------------------|------------------------------|
| Q1 of the year ending March 2019 | <i>Yen</i> 23.49 | <i>Yen</i> — |
| March 2018 | 8.16 | — |

(2) Consolidated Financial Position

| | Total Assets | Net Assets | Ratio of Equity Capital |
|----------------------------------|----------------------------------|----------------------------------|-------------------------|
| Q1 of the year ending March 2019 | <i>Millions of yen</i> 25,354 | <i>Millions of yen</i> 18,497 | 72.9 |
| Year ending March 2018 | 25,705 | 18,671 | 72.5 |

(Reference) Equity capital: 1st quarter of fiscal year ending March 2019: ¥18,474 million; fiscal year ending March 2018: ¥18,647 million

2. Dividends

| (Record dates) | Dividends per Share | | | | |
|-----------------------------------|-------------------------|--------------------|-------------------------|--------------------|---------------------|
| | 1 st Quarter | Interim | 3 rd Quarter | Year-end | Total |
| Year ending March 2018 | <i>yen</i> — | <i>yen</i> 5.00 | <i>yen</i> — | <i>yen</i> 5.00 | <i>yen</i> 10.00 |
| Year ending March 2019 | — | 5.00 | — | 5.00 | 10.00 |
| Year ending March 2019 (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 2019 (from April 1, 2018 to March 31, 2019)

(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 | 10,100 | △5.6 | 100 | △89.0 | 20 | △97.7 | — | — | — |
| Full year | 20,000 | △5.7 | 500 | △55.8 | 350 | △66.0 | 260 | △48.5 | 19.06 |

(Note) Forecasts for Consolidated Results have not been modified since the time of the most recently announced business forecast.

※ Notes

(1) Changes in significant subsidiaries (accompanying changes in scope of consolidation): None

Newly added subsidiaries: 0 companies (subsidiary's name:)

Removed subsidiaries: 0 companies (subsidiary's name:)

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

* For details, please refer to "2. Consolidated Financial Statements and Important Explanatory Notes, (3) Notes Concerning the Consolidated Financial Statements (Adoption of Simplified Methods in the Preparation of the Quarterly Financial Statements" on page 8 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 2019: 13,831,091 shares

The fiscal year ending March 2018: 13,831,091 shares

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

The 1st quarter of the fiscal year ending March 2019: 390,822 shares

The fiscal year ending March 2018: 70,041 shares

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

The 1st quarter of the fiscal year ending March 2019: 13,635,147 shares

The 1st quarter of the fiscal year ending March 2018: 9,868,743 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 3 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 Internet penetration rate remained high at 80.5% in 2017. Moreover, among individuals who utilize the Internet for personal use, those aged between 13 and 50 years accounted for over 95% of the total ^{(*)1}. The Internet usage rate has reached extraordinarily high levels for people in a wide range of age groups. Meanwhile, younger Japanese people are increasingly turning away from television, and the ongoing transition to services in line with the shift to the era of digitalization is expected to further 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 Group to respond swiftly to user needs that are in keeping with the times.

(*)1 Source: Ministry of Internal Affairs and Communications, *2018 Information Communication White Paper*

Moreover, in the entertainment market, the global music market based on flat rate subscription services grew by 8.1% to US\$17.3 billion dollars ^{(*)2}, marking the first time since 1999 that this market has recorded sales growth for three consecutive years. In the Japanese domestic music contents market, the production value of music software including music videos in 2017 decreased by 6% from the previous year to ¥232 billion yen ^{(*)3}. Although sales of packaged products continued to exhibit a declining trend, fee-based music distribution sales increased by 8% year on year to ¥57,300 million and sales of subscription-type music distribution services leaped by 22% year on year. Meanwhile, the size of the live entertainment market increased by 7.2% from the previous year to ¥332.4 billion, in line with an expansion of “experiential” consumption ^{(*)4}.

(*)2 Source: *IFPI Global Music Report 2018*

(*)3 Source: Recording Industry Association of Japan (RIAJ), *The Recording Industry in Japan 2017*

(*)4 Source: All Japan Concert & Live Entertainment Promoters Conference (ACPC), *2017 Basic Research Report*

In the current environment, the Faith Group is continuing to utilize the results of the efforts it has been concentrating in 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 such as platforms that collect and organize the information flooding the Internet and providing it to users after increasing its added value.

Regarding the Group business performance for the first quarter of the consolidated fiscal year ending March 2019, despite continued declines in sales of existing distribution services, which account for a major share of overall sales, the Group’s companies launched a number of new services in accordance with the market environment, and both the Label and Points Businesses performed strongly. As a result of these factors, the Group’s net sales increased by 6.5% compared with the same period of previous fiscal year to ¥5,360 million, operating income decreased by 41.4% year on year to ¥207 million, and ordinary income decreased by 27.5% year on year to ¥216 million. Moreover, due to the posting of ¥161 million in respect of extraordinary income from the sale of shares of a consolidated subsidiary, net income attributable to the shareholders of the parent company increased by 298.0% to ¥320 million.

Information on each business segment is as follows.

Content Business

In the Content Business, the Faith Group is actively developing new products in response to the market environment including the ongoing popularization of smartphones, changing music listening styles, etc. In this business, we are proceeding with measures to enhance the added value of contents, such as functional improvement and linkage between various services, 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 greater income diversification.

We are actively developing FaRao PRO not only as a service providing business BGM but also for sales activities focusing on expanding the functions necessary for store management, such as solutions and announcement functions that propose store branding. In addition to conventional products using tablet devices, we have also released an app-version service that offers users reduced initial costs. Moreover, based on our Japanese service, we have started FaRao PRO services in France and 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 (Direct To Consumer) 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 deliver their works and materials in the manner the artists wish, and we will endeavor to improve the quality of the service by pursuing enhanced usability.

As a result of the above developments, and taking into account a decrease in sales of carrier official site services, delays in the launch of new businesses and the sale of shares in a consolidated subsidiary, and despite the ongoing positive deployment of new services in line with the changing market environment, the Content Business recorded net sales of ¥821 million, a decrease of 16.2% year on year, and an operating loss of ¥85 million, compared with an operating loss of ¥33 million for the same period of 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 ^{(*)5} also performed favorably. As a result, this business recorded net sales of ¥671 million, an increase of 12.5% year on year. Regarding operating income, due to the impact of increased sales and cost reductions associated with office consolidation, etc., operating income increased by 32.1% year on year to ¥35 million.

()5 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 decline 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.

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 11.9% year on year to ¥3,868 million. However, regarding the profit and loss situation, 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 ¥257 million, a year-on-year decrease of 28.4%.

*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

As of the end of the first quarter of the consolidated fiscal year ending March 2019 (June 30, 2018), total assets decreased by ¥351 million compared to the end of the previous consolidated fiscal year to ¥25,354 million. This result was mainly due to decreases in cash and deposits.

Total liabilities decreased by ¥177 million compared to the end of the previous consolidated fiscal year to ¥6,856 million. This result was mainly due to decreases in income taxes payable and to the repayment of borrowings.

Net assets decreased by ¥173 million compared to the end of the previous consolidated fiscal year to ¥18,497 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 treasury stock resulting from the acquisition of treasury stock.

As a result of the above, the equity ratio increased by 0.4 percentage points to 72.9%.

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

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.

2. Consolidated Financial Statements and Important Explanatory Notes

(1) Consolidated Balance Sheet

| | (Unit: thousands of yen) | |
|---|--------------------------|------------------------|
| | FY 2017 | 1st Quarter of FY 2018 |
| | (As of March 31, 2018) | (As of June 30, 2018) |
| (Assets) | | |
| Current assets | | |
| Cash and deposits | 13,460,309 | 12,448,832 |
| Accounts and notes receivable | 2,162,275 | 2,333,618 |
| Marketable securities | 229,555 | 229,130 |
| Commercial products | 516,373 | 533,532 |
| Products in progress | 493,508 | 501,557 |
| Primary materials and inventory goods | 65,124 | 73,915 |
| Corporation tax refund receivable, etc. | 26,944 | 24,564 |
| Other current assets | 464,629 | 815,305 |
| Allowance for doubtful accounts | △27,249 | △18,856 |
| Total current assets | 17,391,471 | 16,941,601 |
| Fixed assets | | |
| Tangible fixed assets | 2,773,635 | 2,825,709 |
| Intangible fixed assets | | |
| Goodwill | 1,648,115 | 1,621,154 |
| Others | 678,348 | 639,076 |
| Total intangible fixed assets | 2,326,463 | 2,260,231 |
| Investment and other assets | | |
| Investment securities | 2,617,499 | 2,587,071 |
| Deferred tax assets | 174,258 | 176,286 |
| Other intangible fixed assets | 812,042 | 972,068 |
| Allowance for doubtful accounts | △389,935 | △408,844 |
| Total investments and other assets | 3,213,864 | 3,326,581 |
| Total fixed assets | 8,313,963 | 8,412,522 |
| Total assets | 25,705,435 | 25,354,124 |
| (Liabilities) | | |
| Current liabilities | | |
| Accounts and notes payable | 929,526 | 941,884 |
| Short-term loans payable | 576,039 | 560,267 |
| Lease obligations | 723 | 723 |
| Accrued expenses payable | 2,642,245 | 2,779,683 |
| Income taxes payable | 188,625 | 88,637 |
| Reserve for bonuses | 76,316 | 40,638 |
| Reserve for point card certificates | 8,711 | 8,294 |
| Reserve for sales returns | 74,962 | 98,967 |
| Other current liabilities | 1,491,297 | 1,403,563 |
| Total current liabilities | 5,988,449 | 5,922,661 |
| Fixed liabilities | | |
| Long-term loans payable | 237,215 | 168,862 |
| Net defined retirement benefits | 603,262 | 579,407 |
| Lease obligations | 723 | 60 |
| Deferred tax liabilities | 159,317 | 142,033 |
| Other fixed liabilities | 44,758 | 43,319 |
| Total fixed liabilities | 1,045,276 | 933,683 |
| Total liabilities | 7,033,725 | 6,856,345 |

| | (Unit: thousands of yen) | |
|--|--------------------------|------------------------|
| | FY 2017 | 1st Quarter of FY 2018 |
| | (As of March 31, 2018) | (As of June 30, 2018) |
| (Net assets) | | |
| Shareholder's equity | | |
| Common stock | 3,218,000 | 3,218,000 |
| Capital surplus | 3,019,205 | 3,019,187 |
| Retained earnings | 12,316,449 | 12,568,035 |
| Treasury stock | △100,158 | △538,915 |
| Total shareholder's equity | 18,453,496 | 18,266,307 |
| Other accumulated comprehensive income | | |
| Valuation difference on available-for-sale securities | 263,254 | 273,642 |
| Foreign currency translation adjustments | △12,505 | △14,306 |
| Cumulative adjustment for retirement benefit obligations | △56,561 | △51,512 |
| Total other accumulated comprehensive income | 194,187 | 207,823 |
| Non-controlling interests | 24,026 | 23,647 |
| Total net assets | 18,671,710 | 18,497,778 |
| Total liabilities and net assets | 25,705,435 | 25,354,124 |

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

| | (Unit: thousands of yen) | |
|---|---|---|
| | 1st Quarter of FY 2017 (April 1-June 30, 2017) | 1st Quarter of FY 2018 (April 1-June 30, 2018) |
| Net sales | 5,034,924 | 5,360,908 |
| Cost of sales | 2,987,066 | 3,453,870 |
| Gross profit | 2,047,858 | 1,907,038 |
| Selling, general and administrative expenses | 1,694,029 | 1,699,575 |
| Operating income | 353,829 | 207,462 |
| Non-operating income | | |
| Interest income | 426 | 15 |
| Dividend income | 2,831 | 2,565 |
| Interest on securities | 11 | 28 |
| Gain on investment partnership management | 3,855 | 19,759 |
| Foreign exchange gains | 446 | 354 |
| Miscellaneous receipts | 4,263 | 4,322 |
| Total non-operating income | 11,834 | 27,046 |
| Non-operating expenses | | |
| Interest paid | 2,014 | 1,449 |
| Loss on equity method investment | 15,968 | 15,677 |
| Cost of exchange from business combination | 48,552 | — |
| Miscellaneous expenses | 379 | 815 |
| Total non-operating expenses | 66,915 | 17,942 |
| Ordinary income | 298,748 | 216,566 |
| Extraordinary income | | |
| Gain on sale of shares of affiliates | — | 161,965 |
| Gain on sale of investment securities | 32,800 | — |
| Gain on change in equity | 5,859 | — |
| Gain on reversal of stock acquisition rights | 15,691 | — |
| Total extraordinary income | 54,350 | 161,965 |
| Extraordinary losses | | |
| Loss on disposal of fixed assets | — | 9,035 |
| Total extraordinary losses | — | 9,035 |
| Net income or net loss before income taxes | 353,098 | 369,496 |
| Corporate, local, and business taxes | 36,804 | 73,288 |
| Income taxes - deferred | 9,081 | △23,804 |
| Current quarter net income | 307,212 | 320,012 |
| Current quarter net income or net loss attributable to non-controlling interests (△ = net loss) | 226,713 | △379 |
| Current quarter net income attributable to shareholders of the parent company | 80,499 | 320,391 |

(Consolidated Statement of Comprehensive Income)

| | (Unit: thousands of yen) | |
|---|--------------------------|-------------------------|
| | 1st Quarter of FY 2017 | 1st Quarter of FY 2018 |
| | (April 1-June 30, 2017) | (April 1-June 30, 2018) |
| Current quarter net income | 307,212 | 320,012 |
| Other comprehensive income | | |
| Valuation difference on other available-for-sale securities | 111,466 | 10,388 |
| Foreign currency translation adjustments | △1,467 | △1,800 |
| Retirement benefit adjustments | 3,638 | 5,048 |
| Total other comprehensive income | 113,636 | 13,636 |
| Comprehensive income | 420,849 | 333,649 |
| (Details) | | |
| Comprehensive income attributable to shareholders of the parent company | 193,602 | 334,028 |
| Comprehensive income attributable to non-controlling interests | 227,247 | △379 |

(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 some 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 current consolidated financial year including the first quarter, and then multiplying the amount of quarterly net income before tax deduction by the current estimated effective tax rate.

(Additional Information)

(Application of Partial Amendment to the *Accounting Standard for Tax Effect Accounting*)

The Company adopted the *Accounting Standard for Tax Effect Accounting* (ASBJ Statement No. 28, February 16, 2018) and other accounting standards at the beginning of the first quarter of the current consolidated fiscal year. Accordingly, deferred tax assets are now shown in the investment and other assets category, while deferred tax liabilities are shown in the non-current liabilities category.

(Segment Information)

I 1st quarter of the previous 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 amounts are adjusted to 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 2018 (April 1, 2018 through June 30, 2018)

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 | 821,350 | 671,122 | 3,868,435 | 5,360,908 | — | 5,360,908 |
| Intersegment sales or transfer amount | 17,687 | 481 | 75 | 18,243 | △18,243 | — |
| Total | 839,037 | 671,603 | 3,868,511 | 5,379,152 | △18,243 | 5,360,908 |
| Segment income or loss (△) | △85,241 | 35,199 | 257,028 | 206,986 | 476 | 207,462 |

Notes: 1. The segment income adjustment amount of ¥476 thousand is calculated by eliminating intersegment transactions.

2. Segment income or loss amounts are adjusted to 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.