

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

November 13, 2018

Faith, Inc.

(Stock code 4295, Listed on TSE 1st section)(URL <http://www.faith.co.jp/>)

Representative: Hajime Hirasawa, CEO/President

Contact: Jiro Saeki, CFO/Director

Tel: +81-3-5464-7633

Securities Report Submission: Nov. 14, 2018

Starting Date of the Dividend Payment: Dec. 11, 2018

Preparation of Supplementary Materials for Quarterly Financial Results: Applicable

Information Meeting for Quarterly Financial Results to be Held: None

Amounts are rounded down to the nearest JPY 1 million.

1. Results for the 2nd Quarter of the Fiscal Year Ending March 2019
(From April 1, 2018 to September 30, 2018)

(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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 2019	10,600	△1.0	218	△75.9	194	△77.2	213	△62.0
March 2018	10,703	3.5	907	△19.6	852	△21.3	560	29.1

(Note) Comprehensive income: 2nd quarter of the fiscal year ending March 2019: ¥195 million (△76.0%); 2nd quarter of fiscal year ending March 2018: ¥818 million (△9.3%)

	Net Income per Share	Diluted Net Income per Share
Q2 of the year ending	<i>Yen</i>	<i>Yen</i>
March 2019	15.84	—
March 2018	50.18	—

(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>	<i>%</i>
March 2019	24,749	18,097	73.0
Year ending March 2018	25,705	18,671	72.5

(Reference) Equity capital: 2nd quarter of fiscal year ending March 2019: ¥18,072 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>	<i>yen</i>	<i>yen</i>	<i>yen</i>
Year ending March 2019	—	5.00	—	5.00	10.00
Year ending March 2019 (Forecast)	—	5.00	—	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 2019
(from April 1, 2018 to March 31, 2019)

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

Full year	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to the Shareholders of the Parent Company		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	<i>Yen</i>
	20,500	△3.3	620	△45.2	525	△49.0	475	△5.9	35.57

(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 2019: 13,831,091 shares
The fiscal year ending March 2018: 13,831,091 shares
(ii) Treasury shares at the end of the term:
The 2nd quarter of the fiscal year ending March 2019: 571,513 shares
The fiscal year ending March 2018: 70,041 shares
(iii) Average number of shares during the interim accounting period:
The 2nd quarter of the fiscal year ending March 2019: 13,447,409 shares
The 2nd quarter of the fiscal year ending March 2018: 11,167,503 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. 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 3 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 in 2017, the Internet penetration rate remained high at 80.5%. Moreover, among individuals who utilize the Internet for personal use, those between 13 and 50 years old accounted for over 95% 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 the trend is particularly pronounced among those in their 30s, where the rate of increase compared with the previous year was 46% ^{(*)2}. 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 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}. *2018 White Paper on Information and Communications in Japan*, compiled by the Ministry of Internal Affairs and Communications

^{(*)2}. *Nielsen Digital Database 2018*, compiled by Nielsen Digital Co., Ltd.

Moreover, in the entertainment market, the global music market centered on flat rate subscription services grew by 8.1% to US\$17.3 billion dollars ^{(*)3}, marking the first time since 1999 that this market has recorded sales growth for three consecutive years. In the Japanese domestic music content market, the production value of music software including music videos in 2017 decreased by 6% from the previous year to ¥232 billion yen ^{(*)4}. Although sales of packaged products continued to exhibit a declining trend, fee-based music distribution sales increased by 8% year on year to ¥57.3 billion 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 ^{(*)5}.

^{(*)3} Source: *IFPI Global Music Report 2018*

^{(*)4} Source: Recording Industry Association of Japan (RIAJ), *The Recording Industry in Japan 2017*

^{(*)5} Source: All Japan Concert & Live Entertainment Promoters Conference (ACPC), *2017 Basic Research Report*

In the current environment, Faith 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 such as platforms that collect and organize the information flooding the Internet and providing it 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 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 1.0% compared with the same quarter of the previous fiscal year to ¥10.6 billion, while due mainly to declining sales of high-margin products launched in previous years and game titles in the Label Business, operating income decreased by 75.9% year on year to ¥218 million, ordinary income decreased by 77.2% to ¥194 million, and net income attributable to the shareholders of the parent company decreased by 62.0% to ¥213 million.

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. In this business segment the Company is proceeding with measures to enhance the value of its contents, improving the functionality of each service as well as increasing the connectivity between them. We aim to do so through verifying the results of service contents and marketability, while continuing to with platformization in the interests of achieving income diversification.

We are actively promoting FaRao PRO not only as a BGM service providing solution for store owners, but as a set of store management solutions which includes store branding solutions and store announcement functions. 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 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 Fan's 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.

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 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 ¥1,627 million, a decrease of 19.6% year on year, and an operating loss of ¥248 million, compared with an operating loss of ¥58 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 due to an increase in the number of users. In addition, the self-liquidation business ^(*) also performed favorably. As a result, this business recorded net sales of ¥1,335 million, an increase of 10.0% 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 63.8% year on year to ¥52 million.

(*) 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 decrease of the Japanese 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 2.3% year on year to ¥7,637 million. However, due mainly to declines in sales of high-margin products released in previous years, game titles, and revenue from sales of music licensing rights, this segment recorded an operating income of ¥414 million, a decrease of 55.5% from the same period of the previous fiscal year.

*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, 2018 decreased by ¥956 million compared to the end of the previous consolidated fiscal year to ¥24,749 million. This result was due mainly to decreases in cash and deposits.

Total liabilities decreased by ¥381 million compared to the end of the previous consolidated fiscal year to ¥6,652 million. This result was due mainly to the repayment of loans.

Total net assets decreased by ¥574 million compared to the end of the previous consolidated fiscal year to ¥18,097 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 assets due to the acquisition of treasury stock.

As a result of the above, the equity ratio improved by 0.5 percentage points to 73.0%.

(Cash Flow Situation)

Cash and cash equivalents for the consolidated cumulative 2nd quarter of the current fiscal year decreased by ¥567 million from the end of the previous consolidated fiscal year to ¥12,342 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 inflow of ¥156 million (compared with an outflow of ¥296 million for the same period of the previous fiscal year), due mainly to the recording of ¥332 million in respect of income before income taxes and minority interests, ¥134 million in respect of depreciation costs, ¥161 million in respect of a gain on the sale of shares of affiliates, ¥262 million in respect of an increase in accounts receivable, ¥133 million in respect of a decrease in inventories, and ¥118 million in respect of payment of corporation tax.

(Cash flow from investing activities)

Cash flow from investing activities amounted to an inflow of ¥177 million yen (compared with an outflow of ¥190 million for the same period of the previous fiscal year), due mainly to the recording of income of ¥500 million in respect of reimbursement of fixed-term deposits, expenditure of ¥427 million in respect of expenditure to acquire tangible fixed assets, income of ¥179 million in respect of proceeds from the sale of shares of subsidiaries in line with a change in the scope of consolidation, and expenditure of ¥120 million in respect of making security deposits,.

(Cash flow from financing activities)

Cash flow from financing activities amounted to an outflow of ¥897 million (compared with an outflow of ¥342 million yen for the same period of the previous fiscal year), due mainly to expenditure of ¥127 million in respect of repayment of long-term loans, ¥701 million yen in respect of purchases of treasury stock, and ¥68 million yen in respect of payment of dividends.

(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. In addition, the current performance forecast for the full financial year is unchanged from the forecast issued on October 30, 2018.

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

	(Unit: thousands of yen)	
	FY 2017	2nd Quarter of FY 2018
	(As of March 31, 2018)	(As of Sept. 30, 2018)
(Assets)		
Current assets		
Cash and deposits	13,460,309	12,392,454
Accounts and notes receivable	2,162,275	2,220,201
Marketable securities	229,555	227,731
Commercial products	516,373	515,399
Products in progress	493,508	333,931
Primary materials and inventory goods	65,124	79,989
Corporation tax refund receivable, etc.	26,944	4,707
Other current assets	464,629	510,580
Allowance for doubtful accounts	△27,249	△19,216
Total current assets	17,391,471	16,265,780
Fixed assets		
Tangible fixed assets	2,773,635	3,119,137
Intangible fixed assets		
Goodwill	1,648,115	1,594,660
Others	678,348	603,897
Total intangible fixed assets	2,326,463	2,198,558
Investment and other assets		
Investment securities	2,617,499	2,465,616
Deferred tax assets	174,258	179,037
Other intangible fixed assets	812,042	928,675
Allowance for doubtful accounts	△389,935	△407,460
Total investments and other assets	3,213,864	3,165,869
Total fixed assets	8,313,963	8,483,565
Total assets	25,705,435	24,749,345
(Liabilities)		
Current liabilities		
Accounts and notes payable	929,526	746,466
Short-term loans payable	576,039	554,999
Lease obligations	723	723
Accrued expenses payable	2,642,245	2,826,820
Income taxes payable	188,625	172,652
Reserve for bonuses	76,316	88,036
Reserve for point card certificates	8,711	8,047
Reserve for sales returns	74,962	72,514
Other current liabilities	1,491,297	1,297,290
Total current liabilities	5,988,449	5,767,553
Fixed liabilities		
Long-term loans payable	237,215	131,050
Net defined retirement benefits	603,262	582,543
Lease obligations	723	361
Deferred tax liabilities	159,317	127,873
Other fixed liabilities	44,758	42,805
Total fixed liabilities	1,045,276	884,635
Total liabilities	7,033,725	6,652,188

	(Unit: thousands of yen)	
	FY 2017	2nd Quarter of FY 2018
	(As of March 31, 2018)	(As of Sept. 30, 2018)
(Net assets)		
Shareholder's equity		
Common stock	3,218,000	3,218,000
Capital surplus	3,019,205	3,019,175
Retained earnings	12,316,449	12,460,717
Treasury stock	△100,158	△801,809
Total shareholder's equity	18,453,496	17,896,084
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	263,254	240,477
Foreign currency translation adjustments	△12,505	△17,603
Cumulative adjustment for retirement benefit obligations	△56,561	△46,462
Total other accumulated comprehensive income	194,187	176,410
Non-controlling interests	24,026	24,662
Total net assets	18,671,710	18,097,156
Total liabilities and net assets	25,705,435	24,749,345

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

	(Unit: thousands of yen)	
	2nd Quarter of FY 2017 (April 1-Sept.30, 2017)	2nd Quarter of FY 2018 (April 1-Sept. 30, 2018)
Net sales	10,703,830	10,600,700
Cost of sales	6,299,575	6,945,378
Gross profit	4,404,254	3,655,321
Selling, general and administrative expenses	3,496,835	3,436,394
Operating income	907,418	218,927
Non-operating income		
Interest income	869	100
Dividend income	2,831	2,564
Interest on securities	25	59
Gain on investment partnership management	15,367	19,759
Foreign exchange gains	817	740
Miscellaneous receipts	9,928	13,007
Total non-operating income	29,839	36,232
Non-operating expenses		
Interest paid	4,245	3,216
Loss on equity method investment	28,501	53,522
Cost of exchange from business combination	50,852	—
Loss on investment partnership management	—	917
Miscellaneous expenses	825	3,156
Total non-operating expenses	84,425	60,813
Ordinary income	852,832	194,346
Extraordinary income		
Gain on sale of shares of affiliates	—	161,965
Gain on sales of investment securities	112,927	—
Gain on change in equity	5,859	—
Gain on reversal of subscription rights to shares	15,691	—
Total extraordinary income	134,477	161,965
Extraordinary losses		
Loss on disposal of fixed assets	—	9,119
Impairment loss on goodwill	23,421	—
Loss on valuation of investment securities	—	15,000
Total extraordinary losses	23,421	24,119
Net income or net loss before income taxes	963,888	332,191
Corporate, local, and business taxes	169,849	144,487
Income taxes - deferred	8,018	△26,004
Current quarter net income	786,020	213,709
Current quarter net income attributable to non-controlling interests	225,582	635
Current quarter net income attributable to shareholders of the parent company	560,437	213,073

(Consolidated Statement of Comprehensive Income)

	(Unit: thousands of yen)	
	2nd Quarter of FY 2017	2nd Quarter of FY 2018
	(April 1-Sept. 30, 2017)	(April 1-Sept. 30, 2018)
Current quarter net income	786,020	213,709
Other comprehensive income		
Valuation difference on other available-for-sale securities	25,157	△22,777
Foreign currency translation adjustments	△425	△5,098
Retirement benefit adjustments	7,276	10,098
Total other comprehensive income	32,008	△17,776
Comprehensive income	818,028	195,932
(Details)		
Comprehensive income attributable to shareholders of the parent company	591,912	195,296
Comprehensive income attributable to non-controlling interests	226,116	635

(3) Consolidated Statement of Cash Flows

	(Unit: thousands of yen)	
	2nd Quarter of FY 2017 (April 1-Sept. 30, 2017)	2nd Quarter of FY 2018 (April 1-Sept. 30, 2018)
Cash flow from operating activities		
Gain before income taxes and other adjustments	963,888	332,191
Depreciation and amortization	167,057	134,363
Amortization of goodwill	71,838	53,121
Impairment loss on goodwill	23,421	—
Increase/decrease in allowance for doubtful accounts (Δ = decrease)	18,555	9,585
Increase/decrease in reserve for bonuses (Δ = decrease)	832	11,719
Increase/decrease in reserve for point card certificates (Δ = decrease)	Δ 43,570	Δ 663
Increase/decrease in liabilities for retirement benefits (Δ = decrease)	Δ 44,274	Δ 20,718
Interest and dividends income	Δ 3,700	Δ 2,665
Interest on securities	Δ 25	Δ 59
Interest paid	4,245	3,216
Gain or loss on foreign exchange (Δ = gain)	Δ 982	Δ 1,086
Investment gain or loss on equity method (Δ = gain)	28,501	53,522
Gain or loss on investment partnership management (Δ = gain)	Δ 15,367	Δ 18,841
Gain or loss on change in equity (Δ = gain)	Δ 5,859	—
Gain or loss on sale of shares of affiliates (Δ = gain)	—	Δ 161,965
Gain or loss on sale of investment securities (Δ = gain)	Δ 112,927	—
Gain or loss on valuation of investment securities (Δ = gain)	—	15,000
Gain or loss on disposal of fixed assets (Δ = gain)	—	9,119
Increase/decrease in trade receivables (Δ = increase)	Δ 306,116	Δ 262,254
Increase/decrease in inventory assets (Δ = increase)	Δ 143,626	133,232
Increase/decrease in trade payables (Δ = decrease)	Δ 209,588	Δ 124,941
Others	Δ 396,382	93,541
Sub-total	<u>Δ4,080</u>	<u>255,418</u>
Interest and dividends received	3,725	2,743
Interest paid	Δ 4,250	Δ 3,222
Income tax refunded	27,454	19,999
Income tax paid	Δ 319,211	Δ 118,797
Cash flow from operating activities	<u>Δ296,363</u>	<u>156,141</u>

(Unit: thousands of yen)

	2nd Quarter of FY 2017 (April 1-Sept. 30, 2017)	2nd Quarter of FY 2018 (April 1-Sept. 30, 2018)
Cash flow from investing activities		
Expenditure for opening of term deposits	△530,000	—
Proceeds from withdrawal of term deposits	500,000	500,000
Expenditure for acquisition of tangible fixed assets	△73,312	△427,315
Expenditure for acquisition of software	△87,735	△43,369
Expenditure for transfer of business	△20,000	—
Expenditure for acquisition of investment securities	△49,999	—
Proceeds from sale of investment securities	121,967	—
Proceeds from distribution of profits from investment partnerships	15,147	59,610
Expenditure for acquisition of shares of affiliates	△27,196	—
Proceeds from acquisition of subsidiary shares accompanying changes in the scope of consolidation	40,600	—
Proceeds from sale of subsidiary shares accompanying changes in the scope of consolidation	—	179,613
Expenditure for payments of loans receivable	—	△1,138
Proceeds from collection of loans receivable	37,391	—
Expenditure for guaranteeing security deposits	△140	△120,000
Proceeds from collection of security deposits	20	1,389
Others	△117,236	28,294
Net cash flow from investing activities	△190,494	177,084
Cash flow from financing activities		
Net increase/decrease in short-term loans payable (△ = decrease)	△100,000	—
Expenditure for repayment of financing and lease obligations	△3,900	△361
Expenditure for repayment of long-term borrowing	△207,799	△127,204
Expenditure for acquisition of treasury stock	△6,010	△701,838
Proceeds from sale of treasury stock	—	158
Payment of dividends	△49,300	△68,534
Proceeds from stock issuance to non-controlling interests	24,500	—
Net cash flow from financing activities	△342,510	△897,781
Effect of exchange rate on cash and cash equivalents	739	△3,299
Net increase/decrease in cash and cash equivalents (△ = decrease)	△828,629	△567,854
Cash and cash equivalents at beginning of year	13,768,853	12,910,303
Cash and cash equivalents at end of the quarter	12,940,223	12,342,448

(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)

Based on a resolution of the Board of Directors Meeting held on May 14, 2018, the Company acquired 500,100 shares of treasury stock. As a result of this acquisition, during the consolidated cumulative 2nd quarter accounting period of the current fiscal year, the value of the treasury shares held by the Company increased by ¥699,868 thousand, so that at the end of the 2nd quarter accounting period, the value of treasury shares held amounted to ¥801,809 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 under review 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.

(Additional Information)

(Adoption of the "Partial Amendments to the Accounting Standard for Tax Effect Accounting," etc.)

The Company has adopted the "Partial Amendments to the Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, issued on February 16, 2018), etc. from the beginning of the 1st quarter accounting period of the consolidated financial year under review, with the result that deferred tax assets are presented in the Investments and other assets category, and deferred tax liabilities are presented in the Other fixed liabilities category.

(Segment Information)

I 2nd quarter of the previous 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.

II 2nd quarter of the current consolidated fiscal year/FY 2018 (April 1, 2018 through Sept. 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	1,627,737	1,335,707	7,637,254	10,600,700	—	10,600,700
Intersegment sales or transfer amount	40,666	481	1,583	42,730	△42,730	—
Total	1,668,403	1,336,188	7,638,838	10,643,431	△42,730	10,600,700
Segment income or loss (△)	△248,416	52,085	414,413	218,082	844	218,927

Notes: 1. The segment income or loss (△) adjustment amount of ¥844 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.