

**BRIEF STATEMENT OF CONSOLIDATED FINANCIAL RESULTS
FOR THE 3rd QUARTER OF THE FISCAL YEAR ENDING MARCH 2020**

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.

February 13, 2020

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: February 14, 2020

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 3rd Quarter of the Fiscal Year Ending March 2020

(From April 1, 2019 to December 31, 2019)

(1) Consolidated Operating Results (Percentages indicate changes compared with the same quarter of the previous fiscal year.)

Q3 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 2020	15,226	△3.6	522	78.8	564	—	△331	—
March 2019	15,796	△3.4	292	△77.9	△363	—	△307	—

(Note) Comprehensive income: 3rd quarter of the fiscal year ending March 2020: ¥△181 million (—%); 3rd quarter of fiscal year ending March 2019: ¥△416 million (—%);

	Net Income per Share	Diluted Net Income per Share
Q3 of the year ending	<i>Yen</i>	<i>Yen</i>
March 2020	△25.19	—
March 2019	△22.97	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Ratio of Equity Capital
Q3 of the year ending	<i>Millions of yen</i>	<i>Millions of yen</i>	%
March 2020	24,585	16,809	68.4
Year ending March 2019	24,343	17,520	72.0

(Reference) Equity capital: 3rd quarter of fiscal year ending March 2020: ¥16,809 million; fiscal year ending March 2019: ¥17,520 million

2. Dividends

(Record dates)	Dividends per Share				
	1 st Quarter	Interim	3 rd Quarter	Year-end	Total
Year ending March 2019	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>
Year ending March 2020	—	5.00	—	5.00	10.00
Year ending March 2020 (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 2020

(from April 1, 2019 to March 31, 2020)

(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>
	20,000	△4.6	300	107.9	300	—	△450	—	△34.48

(Note) These figures have 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, (3) Notes Concerning the Consolidated Financial Statements (Adoption of Simplified Methods in the Preparation of the Quarterly Financial Statements)" on page 9 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 3rd quarter of the fiscal year ending March 2020: 13,831,091 shares
The fiscal year ending March 2019: 13,831,091 shares
(ii) Treasury shares at the end of the term:
The 3rd quarter of the fiscal year ending March 2020: 1,068,908 shares
The fiscal year ending March 2019: 572,000 shares
(iii) Average number of shares during the interim accounting period:
The 3rd quarter of the fiscal year ending March 2020: 13,143,364 shares
The 3rd quarter of the fiscal year ending March 2019: 13,384,742 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 3rd Quarter, (3) Explanation Concerning Future Forecast Information on the Consolidated Financial Results, etc." on page 4 of the accompanying material.

(To obtain supplemental documents relating to financial results)

Supplemental materials related to the Company's quarterly and other financial results are posted on the company website.

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1. Qualitative Information Concerning the Settlement of Accounts for the 3rd Quarter

(1) Explanation Concerning the Operating Results

In the Japanese information and communications field in 2018, the Internet penetration rate remained high at 79.8%, and the percentage of households owning one or more smartphones reached 79.2%, exceeding the percentage of households that own personal computers. ^{(*)1} Meanwhile, since 2000, the movement away from television has been progressing centered mainly on the younger generation, and in 2018, the Internet usage rate exceeded the TV viewing rate on weekdays and holidays for the first time. ^{(*)2} In addition, the average monthly video viewing time from smartphones is expected to increase by about four-fold over the next five years. ^{(*)3} With the rise of the Internet usage rate and the spread of smartphones, the transition to services in line with the digital age is expected to accelerate in the future.

*1. Source: Ministry of Internal Affairs and Communications, *2018 Telecommunications Usage Trend Survey Results*

*2. Source: Ministry of Internal Affairs and Communications, *FY2018 Survey Report on Survey on Time Spent for Information and Communication Media and Information Behaviors*

*3. *Nielsen Digital Database 2018*, compiled by Nielsen Digital Co., Ltd.

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 their 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 ^{(*)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 in particular 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, driven by an expansion of “experience” consumption ^{(*)6}.

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

*5. Source: Recording Industry Association of Japan (RIAJ), *The Recording Industry in Japan 2019*

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

Founded in 1992, Faith, Inc. was the first company in the world to commercialize ringtones, and has steadily expanded its business centered on the music distribution business together with the spread of mobile phones. In the current music market, amid the growing popularity of smartphones, streaming media, user upload content (UUC) that allows general users to easily send out 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 this 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, the number of tourists travelling to Japan has continued to increase since 2012, and in 2018 a total of 31.19 million tourists visited the country, an increase of 8.7% from the previous year ^{(*)7}. In anticipation of the expansion of the Japanese nighttime economy, Faith opened Tokyo's largest music lounge PLUSTOKYO in Ginza, Tokyo in November 2018 and followed this in June 2019 with the opening of an entertainment facility named CROKET MIMIC TOKYO in Roppongi, Tokyo that specializes in world-class performances centered on impersonation. As these examples illustrate, for new markets that are expected to expand in future, Faith will propose new lifestyles in the form of spaces that combine the elements of art, food and entertainment with a focus on music.

*7. Source: *Visitor Arrivals to Japan and Japanese Overseas Travelers, 2018*, compiled by Japan National Tourism Organization (JNTO)

On October 8, 2019, Faith acquired all the shares of KSR Corporation and welcomed that company into the Faith Group. KSR was founded in 2000 and is a domestic music label. Musician Shinji Nira (also known as Wakadanna), a member of the Japanese reggae group Shonan no Kaze, serves on the board of directors. In addition to producing wide-ranging artists with a strong focus on dance music, KSR is

developing a variety of businesses in the entertainment field including music production, promotion, and events. From now on, KSR will work to achieve synergies with the Faith Group's artist platform business as well as in the artist nurturing and development, music production, advertising, and sales businesses.

Regarding the Faith Group's business performance for the third quarter of the consolidated fiscal year ending March 2020, revenue from existing distribution services, which account for a major share of overall sales, continued to decline, and although revenue from new businesses in the Content Business segment made a contribution, the Label Business recorded a year-on-year decrease in sales. As a result of these factors, the Group reported a decrease in net sales of 3.6% compared with the same period of previous fiscal year to ¥15,226 million. On the profit side, the Group's operating income increased by 78.8% year-on-year to ¥522 million driven by improved profitability of the Label Business, and it recorded ordinary income of ¥564 million (compared with an ordinary loss of ¥363 million for the same period of the previous fiscal year). Moreover, due to the recording of a valuation loss of ¥549 million on securities, the Group recorded a net loss attributable to the shareholders of the parent company of ¥331 million (compared with a net loss attributable to shareholders of the parent company of ¥307 million for the same period of 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 ^(*8) 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. In June 2019, we began working to further expand the functions of Fans' such as introducing a system that contributes to the creation of communities by spreading information transmitted by creators through strengthened cooperation with SNS. We are also 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 convenience.

*8. 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, buoyed by the contribution of sales in new businesses, the Content Business recorded net sales of ¥2,732 million (an increase of 7.9% year-on-year). However, due to a decrease in carrier official website service sales and delays in the progress of new business ventures, this segment recorded an operating loss of ¥453 million (compared with an operating loss of ¥406 million for the same period of 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, the issue of points at existing member stores remained solid in line with the deployment of sales promotion measures, and net sales increased by 0.4% year-on-year to ¥2,060 million. Moreover, operating income increased by 22.0% year-on-year to ¥109 million, mainly

due to cost reductions such as warehouse consolidation.

Label Business

Amid the difficult environment facing the music and video-related industry in line with the continuing contraction 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 this segment, sales of animation-related titles released by DREAMUSIC Inc. and sales of animation titles and game titles released by Nippon Columbia, Co., Ltd. decreased compared with the same period of the previous fiscal year, resulting in a decline in sales of 6.9% year-on-year to ¥10,432 million. However, operating income rose sharply due to a solid performance by KSR Co., Ltd., the Group's new consolidated subsidiary, and to strong sales of live performances by Columbia artists, increasing by 43.3% to ¥869 million.

*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 December 31, 2019, total assets increased by ¥242 million yen compared to the end of the previous consolidated fiscal year to ¥24,585 million. This result was mainly due to an increase in cash and deposits.

Total liabilities increased by ¥952 million compared to the end of the previous consolidated fiscal year to ¥7,775 million. This result was mainly due to an increase in borrowings.

Total net assets decreased by ¥710 million compared to the end of the previous consolidated fiscal year to ¥16,809 million. This was mainly due to the recording of quarterly net loss attributable to the shareholders of the parent company and to the acquisition of treasury stock, etc.

The equity ratio declined by 3.6 percentage points to 68.4%.

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

Performance forecasts are made based on information currently available to the Company, but there is a possibility that the actual performance figures will differ significantly from the forecast figures due to a variety of factors. In addition, the current performance forecast for the full fiscal year is unchanged from the forecast figures issued today.

2. Consolidated Financial Statements and Important Explanatory Notes

(1) Consolidated Balance Sheet

	(Unit: thousands of yen)	
	FY 2018 (March 31, 2019)	3rd Quarter of FY 2019 (December 31, 2019)
(Assets)		
Current assets		
Cash and deposits	12,150,463	12,645,453
Accounts and notes receivable	2,063,965	2,037,900
Marketable securities	232,066	232,551
Commercial products	484,367	478,459
Products in progress	394,308	453,722
Primary materials and inventory goods	61,544	55,835
Corporation tax refund receivable, etc.	212,102	23,489
Other current assets	534,205	539,052
Allowance for doubtful accounts	△19,401	△19,543
Total current assets	16,113,621	16,446,921
Fixed assets		
Tangible fixed assets	3,257,801	3,184,247
Intangible fixed assets		
Goodwill	1,541,584	1,551,665
Other intangible fixed assets	556,635	500,853
Total intangible fixed assets	2,098,219	2,052,519
Investment and other assets		
Investment securities	1,957,225	1,963,221
Deferred tax assets	454,354	454,127
Other investment and other assets	942,793	1,000,669
Allowance for doubtful accounts	△480,799	△516,428
Total investments and other assets	2,873,573	2,901,589
Total fixed assets	8,229,594	8,138,356
Total assets	24,343,216	24,585,277
(Liabilities)		
Current liabilities		
Accounts and notes payable	905,762	880,741
Short-term loans payable	509,950	633,700
Lease obligations	662	120
Accrued expenses payable	2,749,170	2,851,870
Income taxes payable	116,814	257,862
Reserve for bonuses	79,633	41,403
Reserve for point card certificates	374	542
Reserve for sales returns	62,356	76,043
Other current liabilities	1,516,430	1,466,682
Total current liabilities	5,941,156	6,208,966
Fixed liabilities		
Long-term loans payable	63,000	484,025
Net defined retirement benefits	632,538	644,232
Lease obligations	60	60
Deferred tax liabilities	139,595	212,368
Other fixed liabilities	46,577	226,131
Total fixed liabilities	881,771	1,566,818
Total liabilities	6,822,927	7,775,785

	(Unit: thousands of yen)	
	FY 2018	3rd Quarter of FY 2019
	(March 31, 2019)	(December 31, 2019)
(Net assets)		
Shareholder's equity		
Common stock	3,218,000	3,218,000
Capital surplus	3,019,175	2,840,095
Retained earnings	11,872,088	11,407,357
Treasury stock	△802,315	△1,018,910
Total shareholder's equity	17,306,948	16,446,542
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	307,035	448,095
Foreign currency translation adjustments	△10,936	△24,492
Cumulative adjustment for retirement benefit obligations	△82,758	△60,652
Total other accumulated comprehensive income	213,340	362,950
Non-controlling interests	—	—
Total net assets	17,520,288	16,809,492
Total liabilities and net assets	24,343,216	24,585,277

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

	(Unit: thousands of yen)	
	3rd Quarter of FY 2018 (April 1-Dec.31, 2018)	3rd Quarter of FY 2019 (April 1-Dec. 31, 2019)
Net sales	15,796,138	15,226,548
Cost of sales	10,295,357	9,402,978
Gross profit	5,500,781	5,823,570
Selling, general and administrative expenses	5,208,595	5,301,141
Operating income	292,186	522,428
Non-operating income		
Interest income	168	185
Dividend income	4,237	4,678
Interest on securities	94	100
Gain on equity method investment	—	18,553
Gain on investment partnership management	19,759	41,014
Gain on valuation of investment securities	—	1,164
Miscellaneous receipts	16,862	20,440
Total non-operating income	41,122	86,138
Non-operating expenses		
Interest paid	1,854	4,153
Loss on equity method investment	692,609	—
Loss on investment partnership management	917	18,003
Loss on valuation of investment securities	437	582
Loss on foreign exchange	46	9,365
Miscellaneous expenses	846	12,392
Total non-operating expenses	696,711	44,498
Ordinary income or ordinary loss (Δ = loss)	Δ 363,402	564,068
Extraordinary income		
Gain on sale of shares of affiliates	161,965	—
Gain on sales of investment securities	69,052	—
Total extraordinary income	231,018	—
Extraordinary losses		
Loss on disposal of fixed assets	11,427	102
Loss on valuation of investment securities	15,000	549,999
Total extraordinary losses	26,427	550,102
Net income or net loss before income taxes (Δ = net loss)	Δ 158,812	13,966
Corporate, local, and business taxes	183,753	347,028
Income taxes - deferred	Δ 24,653	Δ 1,954
Current quarter net income or net loss (Δ = net loss)	Δ 317,912	Δ 331,107
Current quarter net income or net loss attributable to non-controlling interests (Δ = net loss)	Δ 10,407	—
Current quarter net income or net loss attributable to shareholders of the parent company (Δ = net loss)	Δ 307,504	Δ 331,107

(Consolidated Statement of Comprehensive Income)

(Unit: thousands of yen)

	3rd Quarter of FY 2018 (April 1-Dec.31, 2018)	3rd Quarter of FY 2019 (April 1-Dec. 31, 2019)
Current quarter net income or net loss (Δ = net loss)	Δ 317,912	Δ 331,107
Other comprehensive income		
Valuation difference on other available-for-sale securities	Δ 108,802	141,060
Foreign currency translation adjustments	Δ 5,074	Δ 13,556
Retirement benefit adjustments	15,147	22,106
Total other comprehensive income	Δ 98,729	149,609
Comprehensive income	Δ 416,641	Δ 181,497
(Details)		
Comprehensive income attributable to shareholders of the parent company	Δ 406,233	Δ 181,497
Comprehensive income attributable to non-controlling interests	Δ 10,407	—

(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)

Based on a resolution of the Board of Directors Meeting held on May 21, 2019, the Company acquired 496,000 shares of treasury stock. As a result of this acquisition, during the consolidated cumulative 3rd quarter accounting period of the current fiscal year, the value of the treasury shares held by the Company increased by ¥394,948 thousand, so that at the end of the 3rd quarter accounting period, the value of treasury shares held amounted to ¥1,018,910 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 fiscal year including the current 3rd quarter accounting period, and then multiplying the amount of quarterly net income before tax deduction by the current estimated effective tax rate.

(Segment Information)

I 3rd quarter of the previous consolidated fiscal year/FY 2018 (April 1, 2018 through Dec. 31, 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	2,533,526	2,052,755	11,209,856	15,796,138	—	15,796,138
Intersegment sales or transfer amount	58,003	481	2,203	60,688	△60,688	—
Total	2,591,530	2,053,236	11,212,060	15,856,827	△60,688	15,796,138
Segment income or loss (△)	△406,869	89,804	606,935	289,870	2,315	292,186

Notes: 1. The segment income or loss (△) adjustment amount of ¥2,135 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 3rd quarter of the current consolidated fiscal year/FY 2019 (April 1, 2019 through Dec. 31, 2019)

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	2,732,844	2,060,936	10,432,767	15,226,548	—	15,226,548
Intersegment sales or transfer amount	82,060	211	3,532	85,803	△85,803	—
Total	2,814,904	2,061,147	10,436,300	15,312,352	△85,803	15,226,548
Segment income or loss (△)	△453,196	109,599	869,480	525,883	△3,454	522,428

Notes: 1. The segment income or loss (△) adjustment amount of △¥3,454 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.