

**BRIEF STATEMENT OF CONSOLIDATED FINANCIAL RESULTS
FOR THE 3rd QUARTER OF THE FISCAL YEAR ENDING MARCH 2021**

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 12, 2021

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 12, 2021 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 2021
(From April 1, 2020 to December 31, 2020)**

(1) Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Q3 of the year ending								
March 2021	15,097	△0.8	633	21.3	692	22.8	182	—
March 2020	15,226	△3.6	522	78.8	564	—	△331	—

(Note) Comprehensive income: 3rd quarter of the fiscal year ending March 2021: ¥1,055 million (—%); 3rd quarter of fiscal year ending March 2020: ¥△181 million (—%);

	Net Income per Share	Diluted Net Income per Share
Q3 of the year ending	Yen	Yen
March 2021	14.43	—
March 2020	△25.19	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Ratio of Equity Capital
	Millions of yen	Millions of yen	%
Q3 of the year ending	26,137	17,364	66.4
March 2021			
Year ending March 2020	24,746	16,439	66.4

(Reference) Equity capital: 3rd quarter of fiscal year ending March 2021: ¥17,364 million; fiscal year ending March 2020: ¥16,439 million

2. Dividends

(Record dates)	Dividends per Share				
	1 st Quarter	Interim	3 rd Quarter	Year-end	Total
	yen	yen	yen	yen	yen
Year ending March 2020	—	5.00	—	5.00	10.00
Year ending March 2021	—	5.00	—	—	—
Year ending March 2021 (Forecast)	—	—	—	5.00	10.00

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

**3. Forecast for the Consolidated Results for the Year Ending March 2021
(from April 1, 2020 to March 31, 2021)**

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to the Shareholders of the Parent Company		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	20,000	△0.5	430	11.7	520	10.2	60	—	4.75

(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, (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 2021: 13,831,091 shares
The fiscal year ending March 2020: 13,831,091 shares
(ii) Treasury shares at the end of the term:
The 3rd quarter of the fiscal year ending March 2021: 1,202,760 shares
The fiscal year ending March 2020: 1,201,840 shares
(iii) Average number of shares during the interim accounting period:
The 3rd quarter of the fiscal year ending March 2021: 12,628,788 shares
The 3rd quarter of the fiscal year ending March 2020: 13,143,364 shares

(Note) The number of shares of treasury stock at the end of the period includes the Company's shares contributed as trust assets in the performance-based stock compensation plan (3rd quarter of fiscal year ending March 2021: 262,500 shares, fiscal year ending March 2020: 262,500 shares).

Moreover, such shares are also included in the treasury shares that are deducted in calculating the average number of shares during the period (the 3rd quarter of the fiscal year ending March 2021: 262,500 shares, the 3rd quarter of the fiscal year ending March 2020: 116,666 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.

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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 2019, the Internet penetration rate remained high at 89.8%, and the percentage of households owning one or more smartphones reached 83.4%, exceeding the percentage of households that own personal computers^(*1). In addition, while the movement away from television has continued since the year 2000, mainly centered on younger people, advertising expenses for the Internet in Japan increased by 19.7% in 2019 from the previous year to ¥2,104.8 billion, exceeding advertising expenses for television of ¥1,861.2 billion for the first time^(*2). Moreover, in January 2021, a second state of emergency was declared in some parts of the country due to the renewed spread of the novel coronavirus (COVID-19), and due to the prolonged nature of the COVID-19 pandemic, services that allow people to stay online while communicating at home are becoming widespread, and new lifestyle choices such as teleworking and “contactless” consumer behavior are beginning to permeate society. Under these circumstances, it is expected that the shift to services in accordance with the era of digitalization will further accelerate as the Internet usage rate rises, smartphones become even more widespread, and G5 communication services develop.

*1. Source: Ministry of Internal Affairs and Communications, *2019 Telecommunications Usage Trend Survey Results*

*2. Source: Dentsu Inc., *2019 Advertising Expenditures in Japan*

In the entertainment market in 2019, sales in the global music market centered on streaming services grew by 8.2% year-on-year to approximately ¥2,198.4 billion (US\$20.2 billion), marking its fifth consecutive year of sales growth^(*3). Meanwhile in Japan, the production value of music software including music videos decreased by 5% year-on-year to ¥229.1 billion, and sales of packaged products continued to decline, but paid music distribution increased by 10% to ¥70.6 billion^(*4). In the paid music distribution sales category, from January to September 2020, subscription audio streaming increased by 26% year-on-year to account for 74% of total paid music distribution sales^(*5). On the other hand, large-scale events and live concerts have been postponed and canceled due to the spread of COVID-19, and the size of the live entertainment market in 2020 is expected to decrease by about 80% compared to the previous year^(*6). However, many artists are experimenting with new ways of enjoying live entertainment and their efforts are beginning to permeate the market, such as “non-audience live distribution” concerts in which they perform “live” without an audience at the venue and the sights and sounds of the performance are distributed in real time to audiences via the Internet. It is estimated that the size of the digital live performance market will reach ¥14 billion in 2020, and it is projected to expand rapidly to about ¥100 billion by 2024^(*7).

*3. Source: IFPI, *Global Music Report 2020 - THE INDUSTRY IN 2019*

*4. Source: Recording Industry Association of Japan (RIAJ), *The Recording Industry in Japan 2020*

*5. Source: Recording Industry Association of Japan (RIAJ), *2020 Quarterly Music Distribution Sales Figures*

*6. Source: PIA Research Institute, *Japanese Live Entertainment Market Size Preliminary Report* (published October 27, 2020)

*7. Source: CyberZ Co., Ltd., *Domestic Digital Live Entertainment Market Trend Survey*

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 popularization of mobile phones. However, the spread of smartphones in today’s music market has been accompanied by the diversification of media such as streaming, user upload content (UUC) that allows general users to easily transmit information to society, and social media, with the result that all kinds of activities in the music industry are now changing, including content distribution methods, consumption 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 June 2020, Faith launched a new service called Thumva, which is an innovative live performance distribution platform with a variety of additional features. An Internet-based viewing service that provides a new kind of live experience, Thumva makes possible group viewing and commenting, includes a gifting function for artists, and allows the audience to share in the uplifting and united feeling of taking part in a

live performance without actually being at the venue. A considerable number of artists have already performed “live” on Thumva without a live audience, and we are planning to continue live broadcasting with a variety of lineups in future. Around 160 performances have been distributed in the eight months since the service started, and the number of registered members exceeds 120,000 (as of December 2020).

Two FAITH facilities, namely PLUSTOKYO, Tokyo's largest music lounge, and CROKET MIMIC TOKYO, an entertainment facility that stages world-class performances centered on impersonation, have been closed since March 2020 due to the spread of COVID-19 infections, but both are providing services related to live distribution. After taking necessary measures in accordance with the Tokyo Metropolitan Infectious Disease Spread Prevention Guidelines, PLUSTOKYO had been gradually resuming its operations, but in order to prevent the spread of COVID-19 infections, which have been protracted since the second state of emergency was issued, it has once again been closed temporarily since January 2021, and CROKET MIMIC TOKYO also remains closed. We will continue to give top priority to preventing the spread of infection and ensuring safety, and will carefully discuss the timing of resumption based on administrative policies and action plans.

The Faith Group fully introduced remote working system from October 1, 2020. In the future, we will gradually consolidate the major office functions that have been dispersed and promote business activities aimed at improving the group's management efficiency and profitability. We will realize diverse and efficient new working styles centered on the idea of “activity-based working” while keeping an eye on changes in behavioral patterns and the establishment of new values.

Regarding the Faith Group's business performance for the third quarter of the consolidated fiscal year ending March 2021, sales decreased by 0.8% year on year to ¥15,097 million, mainly due to a decrease in sales of existing distribution services, which are now the biggest sales category, and to the suspension of store operations to prevent the spread of COVID-19 infections. As for profitability, operating income increased by 21.3% year-on-year to ¥633 million, while ordinary income increased by 22.8% year-on-year to ¥692 million thanks to a strong performance by the Points Business. In addition, the group recorded as an extraordinary loss of ¥74 million attributable to office relocation costs in accordance with the relocation of the headquarters of Nippon Columbia. As a result, net income attributable to owners of the parent company was ¥182 million (compared to a net loss attributable to shareholders of the parent company of ¥331 million for the same period of the previous year).

Information on each business segment is as follows.

Content Business

In the Content Business, as sales in the existing distribution business are continuing to decline, the Faith Group will continue to invest in new growth fields, such as developing new products, interlinking various services and creating platforms to capture diversifying profit opportunities, and promoting overseas business expansion.

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 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 will continue to aim to create and revitalize the new BGM market.

In Fans', our platform of services for artists based on the D2C^(*8) business model, which is expected to expand further 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 also working to further expand the functions of Fans', as with the introduction in June 2019 of a system that contributes to the creation of communities by spreading information sent out by creators through strengthened SNS cooperation. 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 strive to improve the service quality 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, due to a decrease in carrier official website service sales and to the suspension of store operations in line with the spread of COVID-19 infections, the Content Business recorded net sales of ¥2,209 million (a decrease of 19.2% year-on-year), and an operating loss of ¥383 million (compared with an operating loss of ¥453 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 increased substantially, with the result that net sales increased by 40.0% year-on-year to ¥2,885 million and operating income increased by 158.3% year-on-year to ¥283 million.

Label Business

Amid the difficult environment facing the music and video-related industry in line with the continuing shrinkage of the music market, the Label Business 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.

Regarding the performance of this segment, sales decreased by 4.1% year-on-year to ¥10,003 million due to delays in releases of titles, a decrease in the activities of affiliated artists in the course of the effort to prevent the spread of COVID-19 infections, and declining sales of high-margin sound sources. Operating income decreased by 15.8% year-on-year to ¥732 million yen due to a decrease in sales titles involving the use of high-margin sound sources and to the recording of office relocation costs.

*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, 2020, total assets increased by ¥1,390 million yen compared to the end of the previous consolidated fiscal year to ¥26,137 million. This result was mainly due to increases in cash and deposits and investment securities.

Total liabilities increased by ¥464 million compared to the end of the previous consolidated fiscal year to ¥8,772 million. This result was mainly due to increases in asset retirement obligations and deferred tax liabilities.

Total net assets increased by ¥925 million compared to the end of the previous consolidated fiscal year to ¥17,364 million. This was mainly due to an increase in the valuation difference on other available-for-sale securities.

The equity ratio was 66.4%, the same rate as at the end of the previous consolidated fiscal year.

(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 on November 11, 2020.

2. Consolidated Financial Statements and Important Explanatory Notes

(1) Consolidated Balance Sheet

	(Unit: thousands of yen)	
	FY 2019 (March 31, 2020)	3rd Quarter of FY 2020 (December 31, 2020)
(Assets)		
Current assets		
Cash and deposits	12,635,849	13,161,962
Accounts and notes receivable	2,199,541	1,856,856
Marketable securities	230,879	231,809
Commercial products	446,811	354,414
Products in progress	578,771	470,466
Primary materials and inventory goods	75,973	50,620
Corporation tax refund receivable, etc.	68,295	0
Other current assets	482,059	901,598
Allowance for doubtful accounts	△18,532	△19,164
Total current assets	16,699,651	17,008,562
Fixed assets		
Tangible fixed assets	2,646,472	2,660,755
Intangible fixed assets		
Goodwill	1,520,453	1,426,885
Other intangible fixed assets	455,507	439,114
Total intangible fixed assets	1,975,960	1,865,999
Investment and other assets		
Investment securities	2,145,096	3,309,964
Deferred tax assets	765,419	825,860
Other investment and other assets	1,037,457	1,033,423
Allowance for doubtful accounts	△523,083	△566,799
Total investments and other assets	3,424,888	4,602,448
Total fixed assets	8,047,321	9,129,203
Total assets	24,746,972	26,137,765
(Liabilities)		
Current liabilities		
Accounts and notes payable	1,039,823	714,909
Short-term loans payable	609,900	548,700
Accrued expenses payable	2,725,341	2,829,580
Income taxes payable	341,858	258,287
Reserve for bonuses	347,424	221,538
Reserve for point card certificates	364	274
Reserve for sales returns	90,279	44,460
Reserve for office relocation costs	—	65,237
Asset retirement obligations	—	146,892
Other current liabilities	1,531,411	2,217,729
Total current liabilities	6,686,405	7,047,608
Fixed liabilities		
Long-term loans payable	440,350	282,025
Net defined retirement benefits	652,153	638,425
Reserve for stock benefits for directors	16,401	25,194
Asset retirement obligations	39,183	39,183
Deferred tax liabilities	333,275	701,668
Other fixed liabilities	140,191	38,813
Total fixed liabilities	1,621,554	1,725,309
Total liabilities	8,307,960	8,772,918

	(Unit: thousands of yen)	
	FY 2019 (March 31, 2020)	3rd Quarter of FY 2020 (December 31, 2020)
(Net assets)		
Shareholder's equity		
Common stock	3,218,000	3,218,000
Capital surplus	2,840,095	2,840,084
Retained earnings	10,854,165	10,907,494
Treasury stock	△1,124,344	△1,125,117
Total shareholders' equity	15,787,916	15,840,460
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	737,236	1,590,056
Foreign currency translation adjustments	△21,026	△29,593
Cumulative adjustment for retirement benefit obligations	△65,114	△36,076
Total other accumulated comprehensive income	651,096	1,524,387
Non-controlling interests	—	—
Total net assets	16,439,012	17,364,847
Total liabilities and net assets	24,746,972	26,137,765

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

	(Unit: thousands of yen)	
	3rd Quarter of FY 2019 (April 1-Dec.31, 2019)	3rd Quarter of FY 2020 (April 1-Dec. 31, 2020)
Net sales	15,226,548	15,097,633
Cost of sales	9,402,978	9,630,788
Gross profit	5,823,570	5,466,845
Selling, general and administrative expenses	5,301,141	4,833,086
Operating income	522,428	633,759
Non-operating income		
Interest income	185	406
Dividend income	4,678	3,922
Interest on securities	100	12
Gain on equity method investment	18,553	—
Gain on investment partnership management	41,014	109,714
Gain on valuation of investment securities	1,164	1,403
Grant income	—	42,398
Miscellaneous receipts	20,440	31,916
Total non-operating income	86,138	189,773
Non-operating expenses		
Interest paid	4,153	4,362
Loss on equity method investment	—	13,669
Loss on investment partnership management	18,003	106,456
Loss on valuation of investment securities	582	—
Loss on foreign exchange	9,365	631
Miscellaneous expenses	12,392	6,007
Total non-operating expenses	44,498	131,127
Ordinary income	564,068	692,405
Extraordinary losses		
Loss on disposal of fixed assets	102	33,993
Loss on sale of investment securities	—	4,931
Loss on valuation of investment securities	549,999	26,757
Office relocation costs	—	74,510
Total extraordinary losses	550,102	140,192
Net income before income taxes	13,966	552,213
Corporate, local, and business taxes	347,028	433,351
Income taxes - deferred	△1,954	△63,381
Current quarter net income or net loss (△ = net loss)	△331,107	182,243
Current quarter net income or net loss attributable to non-controlling interests (△ = net loss)	—	—
Current quarter net income or net loss attributable to shareholders of the parent company (△ = net loss)	△331,107	182,243

(Consolidated Statement of Comprehensive Income)

(Unit: thousands of yen)

	3rd Quarter of FY 2019 (April 1-Dec.31, 2019)	3rd Quarter of FY 2020 (April 1-Dec. 31, 2020)
Current quarter net income or net loss (Δ = net loss)	Δ 331,107	182,243
Other comprehensive income		
Valuation difference on other available-for-sale securities	141,060	852,820
Foreign currency translation adjustments	Δ 13,556	Δ 8,567
Retirement benefit adjustments	22,106	29,038
Total other comprehensive income	149,609	873,290
Comprehensive income	Δ 181,497	1,055,534
(Details)		
Comprehensive income attributable to shareholders of the parent company	Δ 181,497	1,055,534
Comprehensive income attributable to non-controlling interests	—	—

(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 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 third 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 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.

II 3rd quarter of the current consolidated fiscal year/FY 2020 (April 1, 2020 through Dec. 31, 2020)

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	2,209,092	2,885,243	10,003,298	15,097,633	—	15,097,633
Intersegment sales or transfer amount	145,021	146	13,402	158,569	△158,569	—
Total	2,354,113	2,885,389	10,016,700	15,256,203	△158,569	15,097,633
Segment income or loss (△)	△383,563	283,063	732,267	631,766	1,992	633,759

Notes: 1. The segment income or loss (△) adjustment amount of ¥1,992 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.