

BRIEF STATEMENT OF CONSOLIDATED FINANCIAL RESULTS FOR THE FULL FISCAL YEAR ENDED MARCH 2023

This is an English translation of summarized consolidated financial results prepared for the convenience of non-resident shareholders. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.

May 12, 2023

Faith, Inc. (Stock code 4295, Listed on TSE 1st section)

(URL <http://www.faith.co.jp/>)

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Date of General Meeting of Shareholders: June 23, 2023

Date of Submission of Annual Security Report: June 26, 2023

Starting Date of the Dividend Payment: June 26, 2023

Preparation of Supplementary Materials for Financial Results: Applicable/May 31, 2023

Information Meeting for Financial Results to be Held: Applicable/May 31, 2023 (for Institutional Investors and Analysts)

Amounts are rounded down to the nearest JPY 1 million.

1. Results for the Fiscal Year Ending March 2023 (From April 1, 2022 to March 31, 2023)

(1) Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to the Shareholders of the Parent	
	<i>Millions of yen</i>	%	<i>Millions of yen</i>	%	<i>Millions of yen</i>	%	<i>Millions of yen</i>	%
Year ending March 2023	15,177	△0.9	△183	—	△148	—	△421	—
March 2022	15,311	△23.4	△92	—	136	△83.3	△333	—

(Note) Comprehensive income: fiscal year ending March 2023: △311 million (—%); fiscal year ending March 2022: △537 million (—%)

	Net Income per Share	Diluted Net Income per Share	Return on Equity Capital	Ordinary Income on Total Assets	Operating Income on Net Sales
Year ending	<i>Yen</i>	<i>Yen</i>	%	%	%
March 2023	△38.40	—	△2.6	△0.6	△1.2
March 2022	△26.41	—	△1.9	0.5	△0.6

(Reference) Equity in earnings of affiliates: fiscal year ending March 2023: ¥△35 million; fiscal year ending March 2022: ¥33 million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Ratio of Equity Capital	Net Assets per Share
Year ending	<i>Millions of yen</i>	<i>Millions of yen</i>	%	<i>Yen</i>
March 2023	24,226	15,385	63.5	1,420.51
March 2022	25,291	17,117	67.7	1,355.09

(Reference) Equity capital: fiscal year ending March 2023: ¥15,385 million; fiscal year ending March 2022: ¥17,117 million

(3) Consolidated Cash Flow Results

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents at Year End
Year ending	<i>Millions of yen</i>	<i>Millions of yen</i>	<i>Millions of yen</i>	<i>Millions of yen</i>
March 2023	158	△339	△329	10,973
March 2022	△104	△970	△387	11,484

2. Dividends

	Dividends per Share					Total Dividend Payment (Annual)	Payout Ratio (Consolidated)	Dividend on Net Assets (Consolidated)
	1 st Quarter	Interim	3 rd Quarter	Year-end	Total (Annual)			
Year ending	<i>Yen</i>	<i>Yen</i>	<i>Yen</i>	<i>Yen</i>	<i>Yen</i>	<i>Millions of yen</i>	%	%
March 2022	—	5.00	—	5.00	10,00	128	—	0.7
March 2023	—	5.00	—	5.00	10.00	119	—	0.7
March 2024 (Forecast)	—	5.00	—	5.00	10.00		108.3	

3. Forecast for the Consolidated Results for the Year Ending March 2024 (from April 1, 2023 to March 31, 2024)

(Percentages show changes from the previous year for full-year figures and from the same quarter of the previous year for quarterly figures.)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to the Shareholders of the Parent		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>
Full year	16,100	6.1	305	—	300	—	100	—	9.23

※ Notes

- (1) Changes in significant subsidiaries (accompanying changes in scope of consolidation): None
 Newly added subsidiaries: 0 companies (subsidiary's name:)
 Removed subsidiaries: 0 companies (subsidiary's name:)
- (2) Changes in accounting policy, changes in accounting estimates, and restatements
 - (2)-1. Changes accompanying revisions of accounting standards, etc.: Applicable
 - (2)-2. Changes other than the above: None
 - (2)-3. Changes in accounting estimates: None
 - (2)-4. Restatements: None
- (3) Outstanding shares (common shares)
 - (3)-1. Outstanding shares at the end of the fiscal years (including treasury stock):
 The fiscal year ending March 2023: 13,831,091 shares
 The fiscal year ending March 2022: 13,831,091 shares
 - (3)-2. Treasury stock at the end of the fiscal year:
 The fiscal year ending March 2023: 2,999,883 shares
 The fiscal year ending March 2022: 1,198,938 shares
 - (3)-3. Average number of shares during the accounting period
 The fiscal year ending March 2023: 10,981,526 shares
 The fiscal year ending March 2022: 12,632,559 shares

(Note)

The number of shares of treasury stock at the end of the fiscal year includes those shares (257,200 shares for the fiscal year ending March 2023, 257,200 shares for the fiscal year ending March 2022) contributed as trust assets of the performance-linked stock compensation plan. In addition, these shares are included in the shares of treasury stock deducted in calculating the average number of shares during the accounting period (257,200 shares for the fiscal year ending March 2023, 257,200 shares for the fiscal year ending March 2022).

(Reference) Overview of Non-Consolidated Results

Results for the Fiscal Year Ending March 2023 (From April 1, 2022 to March 31, 2023)

(1) Non-Consolidated Operating Results

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

Year ending	Net Sales		Operating Income		Ordinary Income		Net Income	
	<i>Millions of yen</i>	%	<i>Millions of yen</i>	%	<i>Millions of yen</i>	%	<i>Millions of yen</i>	%
March 2023	1,835	△6.8	△761	—	△694	—	△603	—
March 2022	1,969	△11.5	△513	—	△421	—	△436	—

Year ending	Net Income per Share		Diluted Net Income per Share	
	<i>Yen</i>		<i>Yen</i>	
March 2023	△54.98		—	
March 2022	△34.55		—	

(2) Non-Consolidated Financial Position

Year ending	Total Assets	Net Assets	Ratio of Equity Capital	Net Assets per Share
	<i>Millions of yen</i>	<i>Millions of yen</i>	%	<i>Yen</i>
March 2023	19,413	14,087	72.6	1,300.67
March 2022	18,946	15,992	84.4	1,266.02

(Reference) Equity capital: fiscal year ending March 2023: 14,087 million; fiscal year ending March 2022: ¥15,992 million

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

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

(Notice regarding statements concerning the future)

Statements concerning the future, such as performance forecasts, etc., described in the present material are based on information currently available to the Company and on certain assumptions judged as reasonable by the Company. The Company's actual performance may differ substantially from these forecasts as a result of various factors beyond the Company's control. For details of cautions, etc., employed in making performance forecasts and the assumptions underlying performance forecasts, please refer to "1. Overview of Operating Results, etc., (4) Future Outlook" on page 5 of the accompanying material.

(To obtain supplemental documents relating to financial results)

Supplemental Materials for Financial Results are posted on the company website on May 31, 2023.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Current Term

In the Japanese information and communications field in 2021, the Internet penetration rate remained high at 82.9%, while the percentage of households owning one or more smartphones increased to 88.6%, greatly exceeding the 69.8% of households owning one or more personal computers ^{(*)1}. In addition, while the movement away from television has continued since the year 2000, mainly centered on the young, advertising expenses for the Internet in Japan increased by 14.3% in 2022 from the previous year to ¥3,091.2 billion, exceeding the combined advertising expenses for the four largest mass media sectors (newspapers, magazines, radio, and television) of ¥2,398.5 billion, and reaching 43.5% of Japan's total advertising expenditures ^{(*)2}. This trend is also evident worldwide, where in 2023 global spending on digital advertising is expected to reach approximately ¥56 trillion (US\$422.8 billion), an increase of 7.2% from the previous year, with spending on digital advertising exceeding 57.1% of total spending on advertising ^{(*)3}.

*1. Source: Ministry of Internal Affairs and Communications, *2021 Telecommunications Usage Trend Survey Results*

*2. Source: Dentsu Inc., *2022 Advertising Expenditures in Japan*

*3. Source: Dentsu Group Inc., *Global Ad Spend Forecasts (2022-2025)*

In the entertainment market in 2022, sales in the global music market centered on streaming services grew by 9.0% year over year to approximately ¥3,523.4 billion (US\$26.2 billion), marking its eighth consecutive year of growth and reaching its highest sales total since the beginning of this century. In particular, paid subscription streaming accounted for 67% of the total, increasing to ¥2,345 billion (\$17.5 billion) ^{(*)4}. In Japan, the production value of music software including music videos increased by 4% year over year to ¥202.3 billion, to exceed ¥200 billion for the first time in three years since 2019. Moreover, paid music distribution sales increased by 17% to ¥105.0 billion and audio streaming sales increased by 25% year over year to ¥92.8 billion, reaching almost 90% of total paid music distribution sales ^{(*)5}.

As music events in real venues began to resume in line with the Japanese Government's basic infection prevention guidelines, the live entertainment market showed signs of recovery, reaching ¥307.2 billion in 2021, a decrease of 52.1% compared with 2019, before the start of the novel coronavirus pandemic ^{(*)6}. Meanwhile, new ways of enjoying live entertainment have taken root, with many artists streaming live performances via the Internet, the scale of the pay-per-view online live performance market was estimated at ¥44.8 billion in 2020, rising to an estimated ¥51.2 billion in 2021 ^{(*)7}.

*4. Source: IFPI, *Global Music Report 2023*

*5. Source: Recording Industry Association of Japan (RIAJ), *The Recording Industry in Japan 2023*

*6. Source: PIA Research Institute, *Japanese Live Entertainment Market Size Confirmed Report* (published June 15, 2022)

*7. Source: PIA Research Institute, *Japanese Online Live Entertainment Market Survey* (published June 15, 2022)

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, in the current music market, with the spread of smartphones, the music industry is facing a situation in which all manner of activities, including content distribution methods, consumption styles, and content production methods, are changing as media such as streaming, user-generated content (UGC) ^{(*)8}, which allows general users to easily transmit information to society, and social media become more diverse.

*8. User-generated content: images and videos generated and posted by users themselves on the Internet.

In this environment, the Faith Group is forging ahead with its Multi-Content and Multi-Device Strategy of creating environments in which people can enjoy a variety of content when and where they need it, by utilizing the efforts it has focused on digital content distribution ever since its establishment, and developing 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.

Thumva, a new kind of live-streaming platform that offers music lovers a novel live experience, includes features for group viewing, comment posting, and gifting, allowing users to share a sense of excitement and togetherness as if they were attending a live concert. In the future, we will continue to expand Thumva's diverse lineup of contents. In addition, we have launched Thumva BIZ as a new online store service utilizing Thumva's resources that allows customers who wish to make inquiries or consult online to initiate business discussions with a single click. Our proposal is for an online retail store service that meets the needs of the age of digital transformation.

The Faith Group has reorganized its Content Business with effect from April 1, 2023, with the goal of establishing an organization that is better adapted to the needs of the present era. By breaking down the functions that each group company has developed to date and clarifying their core competencies, we are aiming to create an organizational structure that facilitates business development, differentiates the profit structure, and further

improves efficiency. By building a system capable of quickly responding to the rapidly changing tastes and trends of the music market, we will enhance our ability to create appealing content and improve our competitiveness. We are aiming to further develop synergies within the Group by consolidating the major labels, reinforcing and streamlining the administrative and sales functions, and integrating the assets belonging to each label using the Group's own technology.

In addition, Faith, Inc. has consolidated its office functions into the Minami-Aoyama Office, and has established a permanent telework work system in anticipation of changes in behavioral patterns and the establishment of new values. We are actively engaged in a company-wide effort to reestablish and activate cross-sectional communication between departments, and we will continue to pursue more flexible workstyles and realize diverse and efficient ways of working.

Regarding the Faith Group's business performance for the full fiscal year ended March 2023, net sales decreased by 0.9% from the previous fiscal year to ¥15,177 million, the operating loss amounted to ¥183 million (compared with an operating loss of ¥92 million for the previous fiscal year), and the ordinary loss was ¥148 million (compared with an ordinary income of ¥136 million for the previous fiscal year). As a result, the Group posted a net loss attributable to owners of the parent of ¥421 million (compared with a net loss attributable to owners of the parent of ¥333 million for the previous year).

Information on each business segment is as follows.

The Faith Group previously had three reportable segments; the Content Business, the Point Service Business and the Label Business, but as a result of a review of business management decisions and performance classifications, from the start of the current fiscal year, the Group has changed to two reportable segments: the Platform Business and the Content Business. The comparative analysis with the previous fiscal year given below is based on the segment classification after the change.

Platform Business

In the Platform Business, as sales in existing distribution businesses continue to decline, we will continue to invest in new growth areas by linking and platforming each of our services with the aim of developing new and innovative products and grasping diversified profit opportunities.

Through FaRao PRO, we are focusing not only on providing BGM for commercial use, but also on actively developing sales activities centered on the expansion of functions necessary for store operations, such as solutions that propose store branding, as well as announcement functions. In the future, we will continue to aim at the creation and activation of a new BGM market.

In Fans', our platform of services for artists based on the D2C ^(*9) business model, which is expected to expand further in future, we are enhancing the functions essential to artists' musical activities such as constructing official websites, distributing music and videos, selling artists' goods, and operating fan clubs. By strengthening links with SNS, we have introduced a system that allows fans to contribute to building a community by sharing the information that creators send out. Moreover, as the provider of a service that allows more artists to freely disseminate their work and information, we are attempting to acquire and expand the number of users and improve the quality of the service by pursuing greater convenience.

*9. Abbreviation of "Direct to Consumer"

—a business model for delivering services and products planned and manufactured by Faith directly to users

In addition, the Point Service provides a platform that allows retailers to operate point issuing systems and other services, and also offers total support from planning to operation as a series of cycles of point issuance data acquisition, analysis, and sales promotion utilization, as well as providing outsourcing services to maximize the efficiency of sales promotion in the retail industry.

Regarding the performance of this segment for the full fiscal year ended March 2023, due to decreases in sales of carrier official website services and in the number of performances available for live distribution services in the mobile phone content distribution field and a decrease in point issuance to existing member stores in the Retail Point System Operation Platform, net sales decreased by 19.1% year over year to ¥2,150 million, and the segment recorded a loss of ¥236 million (compared with a segment loss of ¥7 million for the previous fiscal year).

Content Business

In the Content Business, we are strengthening new businesses with an eye to the future in order to overcome our dependence on sales of packaged products in the severe environment faced by the music and video-related industries due to the changing music market. In an effort to create new hits, the three label companies, Nippon Columbia, DREAMUSIC, and KSR, are developing and nurturing content suitable for the next-generation music business. In addition, they are actively utilizing their extensive catalog assets in new projects, with the goal of expanding their IP domains both domestically and globally.

In addition, we accept commissions to manage various facilities and events utilizing the Faith Group's accumulated location business management knowhow. We have been entrusted with the operation of ZEROTOKYO (a new facility utilizing the nighttime hours of Zepp Shinjuku (TOKYO), one of the largest live halls in the area), which opened inside the Tokyu Kabukicho Tower in April 2023. This business is expected to generate stable revenue due to its asset-light business structure, and we will work toward further expanding it by harnessing synergies with our existing businesses.

Regarding the performance of this segment, in response to an increase in activities by affiliated artists, a recovery of sales related to the use of sound sources, and an increase in sales of exclusive mail-order products amid signs of recovery in the entertainment market, net sales increased by 3.0% year over year to ¥13,027 million and segment income increased by 81.8% year over year to ¥433 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) Overview of Financial Position for the Current Term

Total assets as of the end of the consolidated fiscal year ended March 31, 2023 decreased by ¥1,065 million from the end of the previous fiscal year to ¥24,226 million, a year-over-year decrease of 4.2%. This result was mainly attributable to decreases in cash and deposits and investment and other assets.

Total liabilities increased by ¥666 million compared with the end of the previous fiscal year to ¥8,840 million, a year-over-year increase of 8.2%. This result was mainly attributable to an increase in long-term loans payable.

Net assets decreased by ¥1,731 million compared with the end of the previous fiscal year to ¥15,385 million, a year-over-year decrease of 10.1%. This result was mainly attributable to the acquisition of treasury stock and to a net loss attributable to shareholders of the parent. The equity ratio became 63.5%.

(3) Overview of Cash Flow for the Current Term

Cash and cash equivalents at the end of the consolidated fiscal year ended March 31, 2023 decreased by ¥510 million to ¥10,973 million, a decrease of 4.4% compared with the end of the previous fiscal year.

Details of cash flow during the fiscal year under review and its main contributory factors were as follows:

(Cash flow from operating activities)

Net cash flow from operating activities amounted to an inflow of ¥158 million (compared with an outflow of ¥104 million for the previous fiscal year), attributable mainly to a loss before income taxes and minority interests of ¥175 million, and to expenditures of ¥186 million in respect of depreciation expenses, ¥121 million in respect of amortization of goodwill, ¥212 million in respect of a decrease in inventories, ¥635 million in respect of a decrease in trade payables, ¥371 million in respect of others, as well as to income tax refunds of ¥138 million and income tax payments of ¥363 million, etc.

(Cash flow from investing activities)

Net cash flow from investing activities amounted to an outflow of ¥339 million (compared with an outflow of ¥970 million for the previous fiscal year), attributable mainly to expenditures of ¥304 million in respect of the acquisition of tangible fixed assets and ¥76 million in respect of the acquisition of software.

(Cash flow from financing activities)

Cash flow from financing activities amounted to an outflow of ¥329 million (compared with an outflow of ¥387 million for the previous fiscal year), mainly due to income of ¥1,450 million from long-term borrowing, and expenditures of ¥409 million in respect of repayments of long-term borrowing, ¥1,300 million in respect of acquisition of treasury stock, and ¥119 million in respect of dividend payments.

(4) Future Outlook

The Faith Group's business performance forecasts for next consolidated fiscal year (FY 2023; ending March 31, 2024) are for net sales of ¥16,100 million, operating income of ¥305 million, ordinary income of ¥300 million, and net income attributable to the shareholders of the parent of ¥100 million.

With the aim of creating “future entertainment”, the Faith Group respond quickly and flexibly to changes in the business environment.

(5) Basic Policy on Profit Allocation and Current Term/Next Term Dividend Distribution

Faith Inc. will continue its policy of placing priority on strengthening its corporate structure and securing the funds necessary for making aggressive business investments. At the same time, the Company also recognizes that the return of profits to shareholders is an important management task. For this reason, the Company will consider the payment of dividends while taking into account its operating results and financial position.

As initially announced, the Company is planning to pay a dividend of ¥10 per share for the current fiscal year (including an interim dividend of ¥5 that has already been paid), based on the decision of the Board of Directors to continue to make flexible payments to shareholders regardless of the timing of the Annual General Meeting of Shareholders. For the next fiscal year, based on its fundamental policy of paying continuous stable dividends, the Company is also planning to pay a dividend of ¥10 per share (including an interim dividend of ¥5).

(6) Business Risks

1) Risks related to business content

Platform Business

(a) Business environment

The Faith Group develops new markets by creating services that users want to use based on original business solution proposals and develops content services and wide-ranging enterprise support services through tie-ups with leading companies in various fields such as content providers. Competition is intense in the Platform Business that the Group and its collaborating content providers are striving to develop, and it is possible that the number of new entrants in this business will continue to increase in future. If unit prices of content decrease due to price competition, etc., if the content services of the Group and its collaborating content providers fail to meet the needs of users, or if the number of users decreases, then there is a possibility that sales will not expand.

In some cases, the Group may provide server construction and operation services in order to meet the needs of content provider customers. In so doing, the Group makes every effort to prevent operational management failures, and even in the unlikely event of such a failure occurring, we take emergency measures and have a system in place that allows us to restore operation quickly by remote control. However, in the case that unavoidable failures occur due to natural disasters, etc., that would make it difficult to provide services for an extended period, this may adversely affect the Group's performance.

(b) Quality control

The Faith Group makes every effort to ensure quality control by operating a thorough system supported by technological development. However, even after the customer company's acceptance inspection, if deficiencies, discrepancies or defects are found in the Group's technology, in the case that a user suffers a loss as a consequence of using a product or service that employs the Group's technology, this may adversely affect the Group's current or future business performance.

(c) Legal regulations

Increasing damage caused by illegal acquisition and modification of data on the Internet or by leakage of personal information has led to the development of legal regulations in Japan and elsewhere. The Faith Group's operations are related to the business of distributing content via the Internet, so in the case that laws and regulations or voluntary restraints between businesses are established in this field, or if the application of laws and regulations becomes clear, there is a possibility that the Group's business development will be restricted and that costs may be incurred with regard to the implementation of countermeasures.

(d) Point service

The Faith Group sells points to participating point member stores, and in order to prepare for the cost burden of using points, with regard to the balance of unexchanged points among issued points, the required amount that is

expected to be used in future is estimated and recorded as a provision based on the past point collection rate. However, if points are exchanged in excess of the estimated amount, this may adversely affect the Group's business performance.

Contents Business

(a) Economic situation and market environment

The Faith Group's main businesses, including the sale and distribution of music and video titles such as CDs and DVDs, and the Sales/Digital Distribution Business, are affected by the economic conditions in the regions and countries where these products are sold. Many of the Group's products are not necessarily indispensable for consumers, and their sales are strongly influenced by market trends, consumer preferences and consumption behavior. For this reason, if the demand for the products of the music and video-related industry in general declines due to a recession or reduced consumer spending, the Group's business performance and financial condition may be adversely affected. An increase in illegal copying and downloading is considered to be one of the factors causing the current decline in sales of music and video-related titles and the contraction in the overall scale of the music and video-related industry. Competition in the music and video-related industry is intensifying in this shrinking market, and this has a significant effect on the Group's sales and profitability. Digital music distribution has become popular in recent years, and the Group is focusing its efforts on this field as well. However, the expansion of this market may have a negative impact on sales of the Group's conventional products such as music CDs. Due to the recent revision of the Japanese Copyright Act, downloading of illegal copies is now prohibited, and consequently it is expected that the number of illegal downloads will decrease, but illegal downloads from illegal distribution sites still appear to be at a high level, which is likely to adversely affect the Group's sales. Moreover, in the music market, price competition is intensifying, as can be seen in the release of low-priced CDs, which may adversely affect the Group's business performance and financial condition.

(b) Music works and artists

Most of the revenue generated by the Faith Group's business depends on the creation of hits by popular artists, and the stability and growth of the Group's management derives from the creation of artists and music works that are expected to become hits. The Group will continue to discover and develop new artists who will be accepted by consumers, but since the creation of hit titles involves complex and uncertain factors such as consumer preferences and trends, lack of success at producing hits may adversely affect the Group's business performance and financial condition.

(c) Performance plan

The Faith Group's sales and profitability rest on a low proportion of fixed and continuous income, and are strongly influenced by the sales situation of individual music titles. Since the sales situation changes due to a number of factors such as the trends of the times and consumer preferences, sales may fall below the forecast levels predicted from past results so that the targets specified in the initial performance plan may not be achieved. In addition, the production of music CDs and other products may be postponed or canceled due to factors involving artists, production, and manufacturing and sales outsourcing, which may cause the Group's performance to fall below the level specified in the initial performance plan. For this reason, it is difficult to predict business performance elements such as sales forecasts, and a decline in profit for a specific quarter may change the business performance plan and affect the business performance. In the manufacturing and sales contract business, depending on the circumstances of individual business partners, the subcontractor may be changed from the Group to another subcontractor, which may be a factor in driving the Group's actual business performance below level specified in the initial performance plan.

(d) Retail price maintenance system and return prevention measures

Under the Antimonopoly Act, copyrighted works such as music CDs, newspapers, books, etc. may be legally resold under a resale price maintenance system (resale system). Although there is no guarantee that the system will last forever, the Japan Fair Trade Commission has announced its view that it is reasonable to leave the system in place for the foreseeable future. Moreover, in recent years, the copyright law has been revised to protect the interests of copyright holders of music CDs produced locally under license agreements for the purpose of selling them in Asia at low cost. A so-called return prevention measure has been introduced to prohibit the import of commercial records produced for the purpose of distribution overseas under certain conditions. If in the future, the Antitrust Law or Copyright Act is reviewed, there is a possibility that the Faith Group's sales may be reduced.

(e) Returns

Due to the resale system for products such as music CDs, retailers cannot set the selling price freely. Instead, there is a business practice under which retailers can return products within a certain range. For this reason, some

products that do not sell well may be returned in the future. The Faith group properly prepares for this eventuality by recording contract liabilities based on past returns and other provisions. However, if more returns occur due to unexpectedly poor sales, etc., there is a possibility that the Group's business performance may be adversely affected through decreases in sales and profit.

2) Intellectual property rights

The Faith Group has filed patent applications and trademark applications related to its technology, and the Group intends to continue making similar promotion efforts in future. With respect to intellectual property rights such as patent rights, trademark rights, and copyrights, the Group is strengthening its efforts to protect these rights and to prevent infringements. However, it is difficult to predict how the intellectual property rights of third parties will be applied to the Group's business. For example, in the future, if a patent right related to the Group's business model or to a related technology is established by a third party, or if a patent right not recognized by the Group is established, there is a possibility that the Group may be required to compensate the patent holder for damages related to an infringement of the said patent right, or it may become impossible for the Group to continue to conduct all or part of the business related to the patent. In addition, even if the patent holder allows the use to continue, payment of a license fee may be obligated, and in such a case, this may adversely affect the Group's performance.

Among the intellectual property rights owned by the Group, rights such as copyrights and neighboring rights represent one of the strengths of the Group's business. However, there is a possibility that third parties may infringe on the rights regarding songs sold by the Group or for which the Group holds rights or that the Group may unintentionally infringe the rights of third parties. Such copyright infringements may adversely affect the Group's business performance and financial condition.

3) Leakage of personal information

Regarding the protection of personal information, the Faith Group has established a personal information protection policy for the purpose of completing the internal system and instilling an awareness of compliance among its employees, as well as exercising the utmost caution in conducting internal education and implementing security measures for information systems. However, if personal information is leaked for some reason, it may damage the Group's social credibility and adversely affect its business performance and financial condition.

4) Disposal of businesses

The Group conducts business reviews as appropriate, which may result in losses if it decides to sell or dispose of related assets. On the other hand, the Group actively considers business tie-ups with other companies, and there is a possibility that such business tie-ups may adversely affect the Group's business performance and financial condition.

5) Pension system

The Group has established a defined-benefit corporate pension plan for beneficiaries and a pension plan for employees that combines a lump-sum retirement allowance plan with a defined contribution pension plan. However, if in the future pension asset management yields decline, or if the actuarial assumptions or the assumptions used to calculate retirement benefit obligations are changed, retirement benefit obligations and retirement benefit expenses may increase, which could adversely affect the Group's business performance and financial condition.

6) Large-scale natural disasters and pandemics

In the event of a natural disaster such as a large-scale earthquake, severe storm or flood, or a pandemic such as the novel coronavirus infection, the Group's business performance could be affected by such factors as voluntary restraints on business activities and the prolonged closure of store facilities. In addition, if the Group's head office, business offices, store facilities, artists, production companies, contract manufacturers, or sales consignees experience a disruption of their business activities due to the aforementioned natural disasters or pandemics, there is a possibility that this could hinder the Group's business activities and adversely affect its business performance and financial condition.

2. Basic Philosophy on Selection of Accounting Standards

For the present, the Faith Group is following a policy of producing its consolidated financial statements under Japanese standards in the interest of maintaining comparability between the financial statements of its constituent companies. Furthermore, concerning the future application of the International Financial Reporting Standards (IFRS), we intend to respond appropriately based on the movements of other companies, etc.

3. Consolidated Financial Statements and Main Explanatory Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
Assets		
Current assets		
Cash and deposits	11,536,650	11,024,018
Notes receivable - trade	8,296	6,873
Accounts receivable	2,038,607	1,992,323
Contract assets	370	920
Marketable securities	224,003	218,509
Merchandise and finished goods	336,103	290,769
Work in process	499,421	373,434
Raw materials and supplies	104,241	62,796
Income taxes refundable	141,976	175,393
Other	639,337	796,954
Allowance for doubtful accounts	△18,325	△23,801
Total current assets	15,510,681	14,918,191
Fixed assets		
Tangible fixed assets		
Buildings and structures	2,160,563	2,349,898
Accumulated depreciation	△823,266	△753,527
Buildings and structures (net base)	1,337,297	1,596,370
Machinery and delivery equipment	613,451	618,462
Accumulated depreciation	△573,884	△583,498
Machinery and delivery equipment (net base)	39,567	34,964
Tools, devices and equipment	1,003,309	815,982
Accumulated depreciation	△922,471	△701,522
Tools, devices and equipment (net base)	80,837	114,460
Boats and ships	—	2,894
Accumulated depreciation	—	△482
Boats and ships (net base)	—	2,412
Land	1,558,120	1,558,120
Construction in progress	438,313	275,212
Total tangible fixed assets	3,454,136	3,581,540
Intangible fixed assets		
Software	118,913	100,278
Goodwill	1,270,938	1,149,180
Other	267,486	258,789
Total intangible fixed assets	1,657,338	1,508,248
Investment and other assets		
Investment securities	3,528,354	3,621,214
Deferred tax assets	705,202	210,402
Other	1,071,430	1,064,557
Allowance for doubtful accounts	△635,348	△677,703
Total investment and other assets	4,669,638	4,218,470
Total fixed assets	9,781,112	9,308,259
Total assets	25,291,794	24,226,451

(Consolidated Balance Sheet)

(Thousands of yen)

	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
Liabilities		
Current liabilities		
Accounts and notes payable	1,401,065	765,755
Short-term loans payable	340,000	390,000
Current portion of long-term debt	217,700	495,350
Accounts payable-other	678,160	906,621
Accrued expenses payable	2,888,759	3,141,533
Income taxes payable	119,451	27,201
Reserve for bonuses	238,261	295,468
Contract liabilities	49,569	48,216
Other	689,109	742,554
Total current liabilities	6,622,077	6,812,700
Fixed liabilities		
Long-term loans payable	162,150	924,800
Net defined retirement liabilities	542,544	504,822
Reserve for stock benefits for directors	39,691	47,158
Asset retirement obligations	39,283	39,333
Deferred tax liabilities	765,118	482,410
Other	3,191	29,335
Total fixed liabilities	1,551,979	2,027,860
Total liabilities	8,174,057	8,840,561
Net assets		
Shareholder's equity		
Capital stock	3,218,000	3,218,000
Capital surplus	2,840,498	2,840,496
Retained earnings	10,393,392	9,851,724
Treasury stock	△1,122,330	△2,422,510
Total shareholder's equity	15,329,560	13,487,710
Other accumulated comprehensive income		
Valuation difference on other marketable securities	1,740,714	1,848,510
Foreign currency translation adjustments	△8,881	△8,879
Accumulated adjustment for retirement benefits	56,343	58,547
Total other accumulated comprehensive income	1,788,177	1,898,179
Non-controlling interests	—	—
Total net assets	17,117,737	15,385,889
Total liabilities and net assets	25,291,794	24,226,451

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

(Thousands of yen)

	FY 2021 (April 1, 2021 ~ March 31, 2022)	FY 2022 (April 1, 2022 ~ March 31, 2023)
Net sales	15,311,830	15,177,877
Cost of sales	9,495,071	9,382,883
Gross profit	5,816,758	5,794,994
Selling, general and administrative expenses	5,908,760	5,978,124
Operating income (loss =△)	△92,001	△183,130
Non-operating income		
Interest income	125	104
Dividend income	4,259	4,440
Interest on securities	11	232
Foreign exchange gains	568	—
Share of profit of entities accounted for using equity method	33,407	—
Gain on investments in investment partnerships	153,510	2,481
Subsidy income	234,878	55,438
Miscellaneous receipts	16,987	39,675
Total non-operating Income	443,749	102,372
Non-operating expenses		
Interest paid	4,419	8,470
Foreign exchange loss	—	622
Share of loss of entities accounted for using equity method	—	35,416
Loss on valuation of securities	6,586	6,439
Loss on investments in investment partnerships	201,816	9,922
Miscellaneous expenses	1,997	6,546
Total non-operating expenses	214,820	67,417
Ordinary income (loss =△)	136,927	△148,174
Extraordinary income		
Gain on sale of fixed assets	141	4,832
Gain on sale of investment securities	34,114	—
Total extraordinary income	34,255	4,832
Extraordinary losses		
Loss on disposal of fixed assets	42	18,807
Loss on liquidation of subsidiaries	29,756	—
Loss on valuation of investment securities	104,940	—
Impairment loss	28,336	13,170
Total extraordinary losses	163,075	31,977
Net income (loss =△) before income taxes	8,106	△175,319
Corporate, inhabitant, and enterprise taxes	235,436	81,746
Corporate tax adjustment	106,323	164,711
Total income taxes	341,759	246,457
Net income (loss = △)	△333,652	△421,777
Net income (loss = △) attributable to noncontrolling interests	—	—
Net income (loss = △) attributable to owners of parent	△333,652	△421,777

(Consolidated Statement of Comprehensive Income)

(Thousands of yen)

	FY 2021 (April 1, 2021 ~ March 31, 2022)	FY 2022 (April 1, 2022 ~ March 31, 2023)
Profit (loss = △)	△333,652	△421,777
Other comprehensive income		
Valuation difference on available-for-sale securities	△247,145	107,795
Foreign currency translation adjustment	21,925	2
Retirement benefit adjustment (before any applicable tax effect)	21,624	2,204
Total other comprehensive income	△203,595	110,001
Comprehensive income	△537,248	△311,775
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	△537,248	△311,775
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Changes in Shareholders' Equity
 FY 2021 (April 1, 2021 ~ March 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	3,218,000	2,840,667	10,698,825	△1,121,619	15,635,873
Cumulative effects of changes in accounting policies			157,121		157,121
Balance at beginning of period reflecting change in accounting policy	3,218,000	2,840,667	10,855,946	△1,121,619	15,792,994
Changes of items during period					
Dividend of surplus			△128,900		△128,900
Net gain or net loss (△) attributable to shareholders of parent			△333,652		△333,652
Acquisition of treasury stock				△838	△838
Disposal of treasury stock		△90		126	36
Increase/decrease in equity resulting from acquisition of shares of consolidated subsidiaries		△78			△78
Changes in non-equity items during period (net amount)					
Total changes during period	—	△168	△462,553	△711	△463,433
Balance at end of period	3,218,000	2,840,498	10,393,392	△1,122,330	15,329,560

	Accumulated other comprehensive income				Minority Interests	Total net assets
	Valuation difference on other marketable securities	Foreign currency translation adjustments	Retirement benefit-related adjustments	Total other accumulated comprehensive income		
Balance at beginning of period	1,987,860	△30,807	34,719	1,991,773	—	17,627,646
Cumulative effects of changes in accounting policies						157,121
Balance at beginning of period reflecting change in accounting policy	1,987,860	△30,807	34,719	1,991,773	—	17,784,767
Changes of items during period						
Dividend of surplus						△128,900
Net gain or net loss (△) attributable to shareholders of parent						△333,652
Acquisition of treasury stock						△838
Disposal of treasury stock						36
Increase/decrease in equity resulting from acquisition of shares of consolidated subsidiaries						△78
Changes in non-equity items during period (net amount)	△247,145	21,925	21,624	△203,595		△203,595
Total changes during period	△247,145	21,925	21,624	△203,595	—	△667,029
Balance at end of period	1,740,714	△8,881	56,343	1,788,177	—	17,117,737

FY 2022 (April 1, 2022 ~ March 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	3,218,000	2,840,498	10,393,392	△1,122,330	15,329,560
Cumulative effects of changes in accounting policies					—
Balance at beginning of period reflecting change in accounting policy	3,218,000	2,840,498	10,393,392	△1,122,330	15,329,560
Changes of items during period					
Dividend of surplus			△119,890		△119,890
Net gain or net loss (△) attributable to shareholders of parent			△421,777		△421,777
Acquisition of treasury stock				△1,300,188	△1,300,188
Disposal of treasury stock		△2		9	6
Increase/decrease in equity resulting from acquisition of shares of consolidated subsidiaries		—			—
Changes in non-equity items during period (net amount)					—
Total changes during period	—	△2	△541,667	△1,300,179	△1,841,849
Balance at end of period	3,218,000	2,840,496	9,851,724	△2,422,510	13,487,710

	Accumulated other comprehensive income				Minority Interests	Total net assets
	Valuation difference on other marketable securities	Foreign currency translation adjustments	Retirement benefit-related adjustments	Total other accumulated comprehensive income		
Balance at beginning of period	1,740,714	△8,881	56,343	1,788,177	—	17,117,737
Cumulative effects of changes in accounting policies						—
Balance at beginning of period reflecting change in accounting policy	1,740,714	△8,881	56,343	1,788,177	—	17,117,737
Changes of items during period						
Dividend of surplus						△119,890
Net gain or net loss (△) attributable to shareholders of parent						△421,777
Acquisition of treasury stock						△1,300,188
Disposal of treasury stock						6
Increase/decrease in equity resulting from acquisition of shares of consolidated subsidiaries						—
Changes in non-equity items during period (net amount)	107,795	2	2,204	110,001		110,001
Total changes during period	107,795	2	2,204	110,001	—	△1,731,847
Balance at end of period	1,848,510	△8,879	58,547	1,898,179	—	15,385,889

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY 2021 (April 1, 2021 ~ March 31, 2022)	FY 2022 (April 1, 2022 ~ March 31, 2023)
Cash flow from operating activities		
Income or loss (Δ) before income taxes, etc.	8,106	Δ 175,319
Depreciation expenses	198,744	186,636
Impairment losses	28,336	13,170
Gain or loss on liquidation of subsidiaries (Δ = gain)	29,756	—
Amortization of goodwill	124,757	121,757
Increase/decrease in allowance for doubtful accounts (Δ = decrease)	49,661	47,832
Increase/decrease in reserve for bonuses (Δ = decrease)	Δ 114,162	57,206
Increase/decrease in allowance for unexercised sales promotion points (Δ = decrease)	Δ 251	—
Increase/decrease in net defined retirement liabilities (Δ = decrease)	Δ 34,377	Δ 37,722
Increase/decrease in for stock benefits for directors (Δ = decrease)	6,561	7,466
Interest and dividend income	Δ 4,385	Δ 4,544
Interest on marketable securities	Δ 11	Δ 232
Gain or loss on valuation of marketable securities (Δ = gain)	6,586	6,439
Interest paid	4,419	8,470
Subsidy income	Δ 234,878	Δ 55,438
Gain or loss on equity method investment (Δ = gain)	Δ 33,407	35,416
Gain or loss on investment partnership management (Δ = gain)	48,306	7,441
Gain or loss on sale of investment securities (Δ = gain)	Δ 34,114	—
Gain or loss on valuation of investment securities (Δ = gain)	104,940	—
Gain or loss on disposal of fixed assets (Δ = gain)	42	18,807
Increase/decrease in trade receivables (Δ = increase)	Δ 164,168	52,582
Increase/decrease in inventory assets (Δ = increase)	Δ 23,896	212,214
Increase/decrease in trade payables (Δ = decrease)	437,039	Δ 635,309
Increase/decrease in consumption tax receivable (Δ = increase)	Δ 87,162	69,431
Increase/decrease in consumption tax payable (Δ = decrease)	Δ 140,395	22,867
Other	34,730	371,456
Sub-total	210,778	330,630
Subsidy income received	234,878	55,438
Interest and dividends received	4,386	4,776
Interest paid	Δ 4,677	Δ 7,525
Income tax refunded	71,062	138,186
Income tax paid	Δ 620,494	Δ 363,105
Net cash flow from operating activities	Δ 104,067	158,400

(Thousands of yen)

	FY 2021 (April 1, 2021 ~ March 31, 2022)	FY 2022 (April 1, 2022 ~ March 31, 2023)
Cash flow from investing activities		
Expenditure for payments into term deposits	△2,000	—
Expenditure for acquisition of tangible fixed assets	△637,747	△304,144
Income from sale of tangible fixed assets	141	4,832
Expenditure for acquisition of software	△154,466	△76,824
Expenditure for acquisition of shares of affiliates	△157,405	—
Expenditure for acquisition of investment securities	△40,000	△5,000
Income from sale of investment securities	40,307	1,218
Income from share of profits from investment partnerships	68,362	—
Income from collection of loans receivable	—	180
Expenditure for security deposits	△9,000	△162
Income from collection of security deposits	190,469	131,597
Expenditure for fulfillment of asset retirement obligations	△146,724	50
Other	△122,457	△91,648
Net cash flow from investing activities	△970,521	△339,902
Cash flow from financing activities		
Net increase (△ = decrease) in short-term borrowing	—	50,000
Expenditure for repayment of long-term borrowing	△258,700	△409,700
Income from long-term borrowing	—	1,450,000
Expenditure for acquisition of treasury stock	△838	△1,300,188
Income from disposal of treasury stock	36	6
Payment of dividends	△128,195	△119,249
Other	△78	—
Net cash flow from financing activities	△387,775	△329,131
Effect of exchange rate on cash and cash equivalents	—	—
Net increase/decrease in cash and cash equivalents (△ = decrease)	△1,462,364	△510,633
Cash and cash equivalents at the beginning of the year	12,946,994	11,484,630
Cash and cash equivalents at the end of the year	11,484,630	10,973,997

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

(Note in the Case of Significant Changes in the Amount of Shareholders' Equity)

Faith repurchased 1,800,000 shares of treasury stock based on a resolution of the Board of Directors meeting held on May 17, 2022. Accordingly, the Company's holdings of treasury stock increased by ¥1,299,600 thousand during the current fiscal year. As a result of this acquisition, the total amount of treasury stock was ¥2,422,510 at the end of the current fiscal year.

(Changes in Accounting Policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

With effect from the start of the current fiscal year, Faith has begun to apply the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021, hereinafter the "Implementation Guidance"). The Company has decided to apply the new accounting policies set forth in the Implementation Guidance prospectively in accordance with the transitional treatment stipulated in Section 27-2 of the Implementation Guidance. Application of the Implementation Guidance has no impact on the Company's consolidated financial results.

(Additional Information)

(Application of Accounting Treatment and Disclosure When Adopting the Group Tax Sharing System)

From the current fiscal year, Faith and some of its domestic consolidated subsidiaries have adopted the group tax sharing system. In accordance with this change, the Company is applying the Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System (Practical Issues Task Force Report No. 42, August 12, 2021, hereinafter "PITF No. 42"). In addition, in accordance with Paragraph 32 (1) of PITF No. 42, the Company considers that the change in accounting policy due to the application of PITF No. 42 has no impact on the Company's financial statements.

(Segment Information)

1. Outline of reportable segments

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

Platform Business

In order to promote its Multi-Content and Multi-Platform Strategy, the Faith Group's Platform Business provides one-stop solutions ranging from content creation and production, to development and provision of distribution platform technology, construction and operation of network systems for content distribution, and content distribution services for users. This business also provides point services to retailers and other services. Main companies involved in this business: Faith, Inc., Faith Wonderworks, Inc., and GoodyPoint Co., Ltd.

Content Business

The Content Business encompasses the planning, production and sales of sound sources and videos, as well as the music copyright acquisition and management business, the manufacturing and sales consignment business, and the facility and event consignment business. Main companies involved in this business: Nippon Columbia Co., Ltd., DREAMUSIC Inc., and KSR Corp.

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

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

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

3. Information on sales, profit or loss, assets, liabilities and other items by reportable segment
Previous consolidated fiscal year/FY 2021 (April 1, 2021 ~ March 31, 2022)

(Thousands of yen)

	Platform	Content	Total	Adjustment amount (Notes 1 & 2)	Amount recorded in Consolidated Financial Statements (Note 3)
Net sales					
Goods transferred at a single point in time	2,658,206	12,599,192	15,257,399	—	15,257,399
Goods transferred over a period of time	—	54,431	54,431	—	54,431
Revenue from contracts with customers	2,658,206	12,653,623	15,311,830	—	15,311,830
Sales to external customers	2,658,206	12,653,623	15,311,830	—	15,311,830
Intersegment sales or transfer amount	317,066	29,503	346,570	△346,570	—
Total	2,975,273	12,683,127	15,658,401	△346,570	15,311,830
Segment income or segment loss (△)	△7,032	238,293	231,260	△323,262	△92,001
Segment assets	13,821,381	14,009,355	27,830,737	△2,538,942	25,291,794
Other items					
Depreciation expenses	112,920	85,824	198,744	—	198,744
Amortization of goodwill	4,000	120,757	124,757	—	124,757
Investment in equity-method affiliates	243,289	90,693	333,982	—	333,982
Increase in tangible and intangible fixed assets	688,373	107,969	796,342	—	796,342

(Notes)

1. The segment income or segment loss adjustment amount of △¥323,262 thousand for the current fiscal year is due to the elimination of intersegment transactions of △¥15,595 thousand and corporate expenses of ¥324,857 thousand that are not allocated to reportable segments.
2. The segment assets adjustment amount eliminates intersegment transactions, etc.
3. The segment income or segment loss is adjusted with the operating loss in the consolidated financial statements.

Current consolidated fiscal year/FY 2022 (April 1 2022 ~ March 31, 2023)

(Thousands of yen)

	Platform	Content	Total	Adjustment amount (Notes 1 & 2)	Amount recorded in Consolidated Financial Statements (Note 3)
Net sales					
Goods transferred at a single point in time	2,150,231	12,840,225	14,990,457	—	14,990,457
Goods transferred over a period of time	—	187,420	187,420	—	187,420
Revenue from contracts with customers	2,150,231	13,027,646	15,177,877	—	15,177,877
Sales to external customers	2,150,231	13,027,646	15,177,877	—	15,177,877
Intersegment sales or transfer amount	385,156	64,857	450,014	△450,014	—
Total	2,535,388	13,092,503	15,627,892	△450,014	15,177,877
Segment income or segment loss (△)	△236,860	433,171	196,311	△379,441	△183,130
Segment assets	14,165,422	14,204,306	28,369,729	△4,143,277	24,226,451
Other items					
Depreciation expenses	116,082	70,553	186,636	—	186,636
Amortization of goodwill	1,000	120,757	121,757	—	121,757
Investment in equity-method affiliates	224,627	116,374	341,001	△35,225	305,775
Increase in tangible and intangible fixed assets	328,170	52,798	380,968	—	380,968

(Notes)

1. The segment income or segment loss adjustment amount of △¥379,441 thousand for the current fiscal year is due to the elimination of intersegment transactions of △¥11,429 thousand and corporate expenses of ¥390,870 thousand that are not allocated to reportable segments.
2. The segment assets adjustment amount eliminates intersegment transactions, etc.
3. The segment income or segment loss is adjusted with the operating loss in the consolidated financial statements.
4. The adjustment for investment in equity-method affiliates represents the elimination of intersegment transactions.

4. Matters related to changes in reportable segments, etc.

Historically, the Faith Group has had three reportable segments: the Content Business, the Point Service Business, and the Label Business. However, after reassessing its business management decision-making and performance classifications, with effect from the start of the current fiscal year, the Group has begun operate under two reportable segments: the Platform Business and the Content Business. Moreover, since Faith Inc. now manages the entire Faith Group following the integration of the Group's offices, the personnel and other expenses of the Company's Administration Department, which were previously included under the Content Business, are now included in the adjustment amount as companywide expenses effective from the current fiscal year. In addition, segment information for the previous fiscal year is disclosed based on the reporting segment classifications resulting from this change.

[Related Information]

Previous consolidated fiscal year/FY 2021 (April 1, 2021 ~ March 31, 2022) and current consolidated fiscal year/FY 2022 (April 1 2022 ~ March 31, 2023)

1. Information by product and service

This information is omitted because similar information appears under (Segment Information).

2. Information by region

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

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

3. Information on major customers

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

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

Previous consolidated fiscal year/FY 2021 (April 1, 2021 ~ March 31, 2022)

(Thousands of yen)

	Platform	Content	Total	Company-wide/ elimination	Total
Impairment losses	28,336	—	28,336	—	28,336

Current consolidated fiscal year/FY 2022 (April 1 2022 ~ March 31, 2023)

(Thousands of yen)

	Platform	Content	Total	Company-wide/ elimination	Total
Impairment losses	13,170	—	13,170	—	13,170

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

Previous consolidated fiscal year /FY 2021 (April 1, 2021 ~ March 31, 2022)

(Thousands of yen)

	Platform	Content	Total	Company-wide/ elimination	Total
Impairment losses	1,000	1,269,938	1,270,938	—	1,270,938

(Note) Information on amortization of goodwill is omitted as this information appears in [Segment Information].

Current consolidated fiscal year/FY 2022 (April 1 2022 ~ March 31, 2023)

(Thousands of yen)

	Platform	Content	Total	Company-wide/ elimination	Total
Impairment losses	—	1,149,180	1,149,180	—	1,149,180

(Note) The amount of amortization of goodwill is omitted as this information appears in [Segment Information].

[Information on Gains on Negative Goodwill by Reportable Segment]

Previous consolidated fiscal year/FY 2021 (April 1, 2021 ~ March 31, 2022) and current consolidated fiscal year/FY 2022 (April 1 2022 ~ March 31, 2023)

Not applicable

(Per Share Information)

(Yen)

FY 2021 (April 1, 2021 ~ March 31, 2022)		FY 2022 (April 1 2022 ~ March 31, 2023)	
Net assets per share	1,355.09	Net assets per share	1,420.51
Net loss (△) per share	△26.41	Net loss (△) per share	△38.40

(Notes)

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

	FY 2021 (April 1, 2021 ~ March 31, 2022)	FY 2022 (April 1 2022 ~ March 31, 2023)
Net loss (△) per share		
Net loss (△) attributable to the shareholders of the parent (thousands of yen)	△333,652	△421,777
Amount not attributable to ordinary shareholders (thousands of yen)	—	—
Net loss (△) pertaining to common stock attributable to the shareholders of the parent (thousands of yen)	△333,652	△421,777
Average number of shares outstanding during the period (shares)	12,632,559	10,981,526

(Note) The Company's shares contributed as trust assets for the performance-linked stock compensation plan are included in the amount of treasury stock deducted in the calculation of the average number of shares during the period for the purpose of calculating the net loss per share (257,200 shares for the previous fiscal year ending March 2022, and 257,200 shares for the current fiscal year ending March 2023).

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

	End of FY 2021 (As of March 31, 2022)	End of FY 2022 (As of March 31, 2023)
Total amount of net assets (thousands of yen)	17,117,737	15,385,889
Amount deducted from total amount of net assets (thousands of yen)	—	—
(Of which, non-controlling interests (thousands of yen))	(—)	(—)
Year-end net assets pertaining to common stock (thousands of yen)	17,117,737	15,385,889
Year-end number of shares of common stock used in calculating net assets per share (shares)	12,632,153	10,831,208

(Significant Subsequent Events)

Not applicable