

**BRIEF STATEMENT OF CONSOLIDATED FINANCIAL RESULTS
FOR THE 2nd QUARTER OF THE FISCAL YEAR ENDING MARCH 2025**

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

November 14, 2024

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

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

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Date of Submission of Securities Report: November 14, 2024

Starting Date of the Dividend Payment: December 10, 2024

Preparation of Supplementary Materials for Quarterly Financial Results: Not applicable

Information Meeting for Quarterly Financial Results to be Held: Not applicable

Amounts are rounded down to the nearest JPY 1 million.

1. Results for the 2nd Quarter of the Fiscal Year Ending March 2025

(From April 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results (cumulative totals)

(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	%
Year ending March 2025 Q2	6,988	3.2	△135	—	△94	—	△290	—
Year ending March 2024 Q2	6,773	△7.2	△329	—	△362	—	△363	—

(Note) Comprehensive income: 2nd quarter of the fiscal year ending March 2025: △¥168 million (—%); 2nd quarter of fiscal year ending March 2024: △¥1,068 million (—%)

	Net Income per Share	Diluted Net Income per Share
	<i>Yen</i>	<i>Yen</i>
Year ending March 2025 Q2	△26.80	—
Year ending March 2024 Q2	△33.55	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Ratio of Equity Capital
	<i>Millions of yen</i>	<i>Millions of yen</i>	<i>%</i>
Year ending March 2025 Q2	20,791	13,062	62.8
Year ending March 2024	21,903	13,274	60.6

(Reference) Equity capital: 2nd quarter of fiscal year ending March 2025: ¥13,062 million; fiscal year ending March 2024: ¥13,274 million

2. Dividends

(Record dates)	Dividends per Share				
	1 st Quarter	Interim	3 rd Quarter	Year-end	Total
	<i>Yen</i>	<i>Yen</i>	<i>Yen</i>	<i>Yen</i>	<i>Yen</i>
Year ending March 2024	—	5.00	—	5.00	10.00
Year ending March 2025	—	5.00	—	—	—
Year ending March 2025 (forecast)	—	—	—	—	5.00

(Note) Revision of dividend forecast since the most recently announced dividend forecast: Not applicable

For details on the revision to the dividend forecast, please refer to the “Notice of the Revision to the Dividend Forecast for the Fiscal Year Ending March 2025 (No Dividend)” announced today (November 14, 2024).

3. Forecast for the Consolidated Results for the Year Ending March 2025 (from April 1, 2024 to March 31, 2025)

As was announced in the Notice Regarding Implementation of MBO and Recommendation to Tender Shares dated November 14, 2024, the Company's shares are scheduled to be delisted as a result of the Tender Offer and the subsequent series of procedures to be implemented by the Offeror. Consequently, the Company has withdrawn the consolidated results forecast for the fiscal year ending March 2025 that was previously disclosed in the Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 2025 (Japanese GAAP) dated August 14, 2024, and is not disclosing a consolidated results forecast for the fiscal year ending March 2025.

* Notes

- (1) Changes in significant subsidiaries (accompanying changes in scope of consolidation): Not applicable
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: Not applicable
- (3) Changes in accounting policy, changes in accounting estimates, and restatements
 - (i) Changes accompanying revisions of accounting standards, etc.: Applicable
 - (ii) Changes other than the above: Not applicable
 - (iii) Changes in accounting estimates: Not applicable
 - (iv) Restatements: Not applicable
- (4) Outstanding shares (common shares)
 - (i) Outstanding shares at the end of the term (including treasury shares):
The 2nd quarter of the fiscal year ending March 2025: 13,831,091 shares
The fiscal year ending March 2024: 13,831,091 shares
 - (ii) Treasury shares at the end of the term:
The 2nd quarter of the fiscal year ending March 2025: 2,972,656 shares
The fiscal year ending March 2024: 2,989,350 shares
 - (iii) Average number of shares during the interim accounting period:
The 2nd quarter of the fiscal year ending March 2025: 10,848,050 shares
The 2nd quarter of the fiscal year ending March 2024: 10,839,127 shares

(Note) The number of shares of treasury stock at the end of the period includes the Company's shares (228,800 shares in Q2 of the fiscal year ending March 2025, 245,900 shares in the fiscal year ending March 2024) contributed as trust assets in the performance-based stock compensation plan). In addition, such shares are also included in the treasury shares that are deducted in calculating the average number of shares during the accounting period (239,350 shares in Q2 of the fiscal year ending March 2025, 249,100 shares in Q2 of the fiscal year ending March 2024).

* 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)

As was announced in the Notice Regarding Implementation of MBO and Recommendation to Tender Shares dated November 14, 2024, the Company's shares are scheduled to be delisted as a result of the Tender Offer and the subsequent series of procedures to be implemented by the Offeror. Consequently, the Company has withdrawn the consolidated results forecast for the fiscal year ending March 2025 that was previously disclosed in the Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 2025 (Japanese GAAP) dated August 14, 2024, and is not disclosing a consolidated results forecast for the fiscal year ending March 2025.

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1. Qualitative Information Concerning the Settlement of Accounts for the 2nd Quarter

(1) Explanation Concerning the Operating Results

In the Japanese information and communications field in 2023, the Internet penetration rate remained high at 86.2%, while the percentage of households owning one or more smartphones was 90.6%, and “SNS use (including for free calling functions)” was the most popular purpose of Internet use at 80.8% (*1). In addition, while the movement away from television has continued since the year 2000, particularly among younger people, advertising expenses for the Internet in Japan increased by 7.8% in 2023 from the previous year to ¥3,333.0 billion, exceeding the combined advertising expenses for the four largest mass media sectors (newspapers, magazines, radio, and television) of ¥2,316.1 billion, and accounting for 45.5% of Japan’s total advertising expenditures (*2). This trend is also evident worldwide, where in 2024 global spending on digital advertising is expected to reach approximately ¥70 trillion (US\$449.3 billion), an increase of 7.4% from the previous year, with spending on digital advertising exceeding 59.6% of total advertising expenditures (*3).

*1. Source: Ministry of Internal Affairs and Communications, *2023 Telecommunications Usage Trend Survey Results*

*2. Source: Dentsu Inc., *2023 Advertising Expenditures in Japan*

*3. Source: Dentsu Group Inc., *Global Ad Spend Forecasts (2024-2026)*

In the entertainment market in 2023, sales in the global music market centered on streaming services grew by 10.2% year over year to approximately ¥4,318.6 billion (US\$28.6 billion), expanding for the ninth consecutive year and reaching its highest level since the beginning of this century. In particular, paid subscription streaming accounted for 67.3% of the total, increasing to ¥2,914.3 billion (\$19.3 billion) (*4). In Japan, total sales in the music software market increased by 10.0% year over year to ¥337.2 billion, while paid music distribution sales increased by 11.0% to ¥116.5 billion and audio streaming sales increased by 14.0% year over year to ¥105.6 billion, accounting for more than 90% of total paid music distribution sales (*5). Sales in the Japanese live entertainment market in 2023 reached a record high of ¥685.7 billion, which was 8.9% higher than the previous record set in 2019, the year before the start of the novel coronavirus pandemic, indicating that the market has successfully recovered from the recession coinciding with the pandemic. This market is expected to grow further to ¥710 billion in 2025 and 736 billion by 2030 (*6).

*4. Source: IFPI, *Global Music Report 2024*

*5. Source: Recording Industry Association of Japan (RIAJ), *The Recording Industry in Japan 2024*

*6. Source: Source: PIA Research Institute, *Japanese Live Entertainment Market Survey Results and Latest Future Forecasts* (published June 18, 2024)

Founded in 1992, Faith was the first company in the world to commercialize ringtones, and has steadily grown in step with the popularization of mobile phones around its core music distribution business. In the current music market, along with the spread of smartphones and the diversification of media such as streaming, user-generated content (UGC) (*7), which allows ordinary users to easily transmit information to society, and social media, the music industry is facing a situation in which all of its activities, including content distribution methods, consumption styles, and content production methods, are changing.

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

In this environment, the Faith Group is continuing to forge ahead with its Multi-Content and Multi-Device Strategy of creating environments in which people can enjoy a wide variety of content when and where they want, by utilizing the efforts it has focused on digital content distribution ever since its establishment. In addition, the Group is developing new services in response to the changing market environment, including platforms that collect and organize the information flooding the Internet and providing it to users after increasing its added value. As a corporate group dedicated to creating the future of music, the Group will continue to strive to create new forms of entertainment that will enrich people's lives and bring smiles to their faces.

At present, we are undertaking fundamental organizational reforms in order to further strengthen our creativity in response to the current period of change in the music industry. In addition to promoting further selection and concentration of our existing businesses, we are pursuing a more flexible approach to work in anticipation of changes in behavior patterns and the establishment of new values. We will continue to maintain the flexibility of our organizational management, integrate our business strategies, speed up decision-making, and make efficient use of our resources, including know-how and human resources, with a view to realizing sustainable growth across the entire Group and increasing our corporate value over the medium to long term.

Regarding the Faith Group's business performance for the second quarter of the current fiscal year ending March 2025, net sales increased by 3.2% from the same quarter of the previous fiscal year to ¥6,988 million. The Group reported an operating loss of ¥135 million (compared with an operating loss of ¥329 million for the same period of the previous fiscal year), an ordinary loss of ¥94 million (compared with an ordinary loss of ¥362 million for the same period of the previous fiscal year), and a net loss attributable to owners of the parent of ¥290 million (compared with a net loss attributable to owners of the parent of ¥363 million for the same period of the previous fiscal year).

Information on each business segment is as follows.

Platform Business

In the Platform Business, as sales in our existing distribution businesses continue to decline, we will 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.

Our new platform, called sprayer, is an innovative music distribution service that helps artists to distribute and monetize their own original songs worldwide simply by registering them, as well as to directly deliver a wide range of activities to their fans through the original spray LINK function. Spray LINK is equipped with a crowdfunding function that helps artists to recruit supporters by allowing a portion of their proceeds from music distribution to be returned to their fans as rewards, so they can raise funds for their activities and also share profits with their supporters and reach more listeners with their music. We have published registration guidelines for songs that use generative AI, and together with the voice synthesis software characters we are partnering with, we are now able to accommodate the registration of an even wider variety of songs. For the future, sprayer will continue to provide a platform that allows artists to directly deliver information about their works to listeners and fans, thereby building deeper engagement and facilitating monetization, and we will work to expand the artist economy across all demographics and create a system that encourages artists to grow together with their fans.

FaRao PRO not only provides BGM for commercial use, but also actively develops sales activities centered on the expansion of the functions necessary for store operations, such as store branding solutions, as well as announcement functions. In the future, we will continue to aim at the creation and revitalization of the BGM market.

Fans' is a service equipped with a host of functions necessary for supporting artists' activities, such as building official websites, distributing music and videos, selling artist goods, and managing fan clubs. Moreover, by strengthening links with SNS and allowing fans to spread information sent out by creators, it can contribute to the creation of communities.

In addition to providing a platform for operating point systems for retailers, the Point Service also offers an outsourcing service to help maximize the efficiency of retailers' sales promotion activities through total support for the entire cycle from planning to operation, including the acquisition, analysis and utilization of point issuance data.

Regarding the performance of this segment for the second quarter of the current consolidated fiscal year, , net sales decreased due to declining sales of official carrier services for artist platforms and content distribution for mobile phones, as well as to a reduction in points issuance for existing member stores on the Point System operation platform for retailers. On the other hand, as a result of improvements to the business scheme following the termination of some services, although sales decreased by 23.3% year-over-year to ¥806 million, the segment loss decreased to ¥106 million (compared to a segment loss of ¥108 million for the same period of the previous 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 in Japan and globally.

In the location business, as part of a project to revitalize the area around the Pukarisanbashi Pier in Yokohama Minato Mirai, we were commissioned to produce the PIER21 MUSIC CAFE & BAR, which opened in June 2024. Going forward, together with BAROOM in Minami Aoyama (a music bar with an immersive circular hall) and ZEROTOKYO (a new facility that utilizes the nighttime hours of Zepp Shinjuku (TOKYO), one of the largest live halls in the area), we are aiming to develop a diverse range of businesses both inside and outside the group as real places where versatile content is disseminated.

Regarding the performance of this segment, due to increases in sales of major digital products and revenue from live performances and independent performances by affiliated artists, as well as strong sales of major package products released during the period under review, net sales increased by 8.0% year-over-year to ¥6,181 million, and segment income increased to ¥185 million (compared to a segment income of ¥1 million for the same period of the previous year).

*Product and service names appearing in this document are trademarks or registered trademarks of Faith, Inc. either in Japan or in other countries.

(2) Explanation Concerning the Financial Position

(Analysis of the Financial Position)

As of the end of the second quarter of the current consolidated fiscal year ending March 2025 (September 30, 2024), total assets decreased by ¥1,111 million compared to the end of the previous consolidated fiscal year to ¥20,791 million. This was mainly due to decreases in cash and deposits and accounts receivable.

Total liabilities decreased by ¥900 million compared to the end of the previous consolidated fiscal year to ¥7,728 million. This was mainly due to decreases in notes and accounts payable, short-term loans payable, and long-term loans payable.

Net assets decreased by ¥211 million compared to the end of the previous consolidated fiscal year to ¥13,062 million. This was mainly due to the interim net loss attributable to owners of the parent and the payment of dividends, notwithstanding an increase in the valuation difference on available-for-sale securities.

As a result of the above, the equity ratio increased by 2.2 percentage points to 62.8%.

(Cash Flow Situation)

The balance of cash and cash equivalents at the end of the second quarter of the current consolidated fiscal year stood at ¥9,440 million, a decrease of ¥317 million from the end of the previous consolidated fiscal year. Details of cash flow for the consolidated cumulative second quarter and its contributory factors are as follows:

(Cash Flow from Operating Activities)

Cash flow from operating activities amounted to an outflow of ¥139 million (compared with an inflow of ¥54 million for the same period of the previous fiscal year), due to the recording of a loss before income taxes and other adjustments, etc.

(Cash Flow from Investing Activities)

Cash flow from investing activities amounted to an inflow of ¥226 million (compared with an outflow of ¥6 million for the same period of the previous fiscal year), due to the collection of loans receivable, etc.

(Cash Flows from Financing Activities)

Cash flow from financing activities amounted to an outflow of ¥405 million (compared with an outflow of ¥325 million for the same period of the previous fiscal year), due to a decrease in short-term loans payable of ¥145 million, expenditure of ¥216 million in respect of repayments of long-term loans payable, and dividend payments of ¥55 million.

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

As was announced in the Notice Regarding Implementation of MBO and Recommendation to Tender Shares dated November 14, 2024, the Company's shares are scheduled to be delisted as a result of the Tender Offer and the subsequent series of procedures to be implemented by the Offeror. Consequently, the Company has withdrawn the consolidated results forecast for the fiscal year ending March 2025 that was previously disclosed in the Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 2025 (Japanese GAAP*) dated August 14, 2024, and is not disclosing a consolidated results forecast for the fiscal year ending March 2025.

*Japanese generally accepted accounting principles (GAAP) are one of the four sets of accounting standards listed companies in Japan can currently choose to use to file their consolidated financial statements.

2. Consolidated Financial Statements and Important Explanatory Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	Previous consolidated fiscal year/FY 2023 As of March 31, 2024	Current consolidated fiscal year/FY 2024 Q2 As of September 30, 2024
Assets		
Current assets		
Cash and deposits	9,808,298	9,490,545
Notes receivable	5,831	4,470
Accounts receivable	2,360,257	1,684,871
Contract assets	120	140
Available-for-sale securities	214,953	213,479
Merchandise and finished goods	287,356	321,528
Work in process	562,519	717,154
Raw materials and supplies	44,505	43,798
Income taxes refundable	405	14
Other	1,178,706	889,486
Allowance for doubtful accounts	△20,364	△21,324
Total current assets	14,442,592	13,344,165
Non-current assets		
Tangible non-current assets	3,494,199	3,479,705
Intangible non-current assets		
Goodwill	1,028,423	968,044
Other	263,053	254,018
Total intangible non-current assets	1,291,477	1,222,062
Investment and other assets		
Investment securities	2,168,088	2,372,594
Deferred tax assets	70,091	135,875
Other	546,213	347,594
Allowance for doubtful accounts	△109,238	△110,514
Total investment and other assets	2,675,154	2,745,550
Total non-current assets	7,460,831	7,447,319
Total assets	21,903,424	20,791,484
Liabilities		
Current liabilities		
Notes and accounts payable- trade	1,107,266	810,460
Short-term loans payable	385,002	239,171
Current portion of long-term debt	433,200	408,200
Accounts payable-other	801,762	774,069
Accrued expenses payable	3,008,212	2,944,265
Income taxes payable	83,716	48,499
Reserve for bonuses	274,752	194,679
Reserve for business structure improvement	68,162	—
Contract liabilities	32,651	26,361
Other	1,087,841	971,441
Total current liabilities	7,282,567	6,417,149
Non-current liabilities		
Long-term loans payable	491,600	300,000
Retirement benefit liabilities	450,133	416,962
Reserve for share awards for directors (and other officers)	37,479	35,011
Asset retirement obligations	39,383	39,383
Deferred tax liabilities	324,855	517,817
Other	3,271	2,397
Total non-current liabilities	1,346,723	1,311,572
Total liabilities	8,629,291	7,728,721

(Thousands of yen)

	Previous consolidated fiscal year/FY 2023 As of March 31, 2024	Current consolidated fiscal year/FY 2024 Q2 As of September 30, 2024
Net assets		
Shareholders' equity		
Share capital	3,218,000	3,218,000
Capital surplus	2,840,416	2,840,392
Retained earnings	8,644,481	8,298,243
Treasury shares	△2,414,684	△2,402,551
Total shareholders' equity	12,288,213	11,954,085
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	959,469	1,085,052
Foreign currency translation adjustment	△8,877	△8,867
Accumulated retired benefit adjustment	35,327	32,493
Total accumulated other comprehensive income	985,919	1,108,678
Non-controlling interests	—	—
Total net assets	13,274,133	13,062,763
Total liabilities and net assets	21,903,424	20,791,484

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

(Thousands of yen)

	Previous consolidated fiscal year/FY 2023 Q2 (April 1, 2023 – Sept. 30, 2023)	Current consolidated fiscal year/FY 2024 Q2 (April 1, 2024 – Sept. 30, 2024)
Net sales	6,773,515	6,988,194
Cost of sales	4,223,301	4,404,581
Gross profit	2,550,213	2,583,613
Selling, general and administrative expenses	2,879,608	2,719,311
Operating income (loss = Δ)	Δ 329,394	Δ 135,698
Non-operating income		
Interest income	57	2,537
Dividend income	4,716	3,798
Interest on securities	252	301
Gain on equity method investment	—	28,231
Gain on investments in investment partnerships	5,067	5,577
Foreign exchange gains	1,122	—
Subsidy income	414	—
Gain on reversal of reserve for directors' share benefits	6,853	—
Miscellaneous receipts	20,958	12,042
Total non-operating income	39,442	52,488
Non-operating expenses		
Interest paid	4,536	3,450
Loss on equity method investment	37,572	—
Loss on investment partnership management	6,003	3,799
Foreign exchange loss	—	818
Loss on valuation of securities	6,738	958
Settlement Payment	11,155	—
Miscellaneous expenses	6,534	2,036
Total non-operating expenses	72,540	11,063
Ordinary income (loss = Δ)	Δ 362,492	Δ 94,273
Extraordinary income		
Gain on sale of non-current assets	—	949
Total extraordinary income	—	949
Extraordinary losses		
Loss on disposal of non-current assets	—	164
Loss on valuation of investment securities	1,784	—
Business structure improvement expenses	—	90,323
Total extraordinary losses	1,784	90,488
Net income (loss = Δ) before income taxes	Δ 364,277	Δ 183,812
Corporate, inhabitant, and enterprise taxes	36,797	33,475
Corporate tax adjustment	Δ 37,356	73,511
Net income (loss = Δ)	Δ 363,717	Δ 290,799
Net income (loss = Δ) attributable to owners of the parent	Δ 363,717	Δ 290,799

(Consolidated Statement of Comprehensive Income)

(Thousands of yen)

	Previous consolidated fiscal year/FY 2023 Q2 (April 1, 2023 – Sept. 30, 2023)	Current consolidated fiscal year/FY 2024 Q2 (April 1, 2024 – Sept. 30, 2024)
Profit (loss)	△363,717	△290,799
Other comprehensive income		
Valuation difference on available-for-sale securities	△684,966	125,583
Foreign currency translation adjustment	8	9
Retirement benefit adjustment (before any applicable tax effect)	△20,292	△2,833
Total other comprehensive income	△705,250	122,758
Comprehensive income	△1,068,968	△168,041
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	△1,068,968	△168,041
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Cash Flows

(Thousands of yen)

	Previous consolidated fiscal year/FY 2023 Q2 (April 1, 2023 – Sept. 30, 2023)	Current consolidated fiscal year/FY 2024 Q2 (April 1, 2024 – Sept. 30, 2024)
Cash flow from operating activities		
Income (loss) before income taxes	△364,277	△183,812
Depreciation expenses	88,846	89,058
Amortization of goodwill	60,378	60,378
Business structure improvement expenses	—	90,323
Increase (decrease) in allowance for doubtful accounts	14,483	2,235
Increase (decrease) in reserve for bonuses	△57,858	△80,073
Increase (decrease) in reserve for business structure improvement	—	△68,162
Increase (decrease) in net defined retirement liabilities	△15,041	△33,171
Increase (decrease) in reserve for stock benefits for directors	△12,345	△2,468
Interest and dividend income	△4,773	△6,335
Loss (gain) on valuation of securities	6,738	958
Interest on available-for-sale securities	△252	△301
Interest paid	4,536	3,450
Subsidy income	△414	—
Loss (gain) on equity method investment	37,572	△28,231
Loss (gain) on investment partnership management	935	△1,778
Loss (gain) on valuation of investment securities	1,784	—
Loss (gain) on disposal of non-current assets	—	164
Decrease (increase) in trade receivables	153,015	724,087
Decrease (increase) in inventory assets	12,707	△188,119
Increase (decrease) in trade payables	10,606	△296,805
Other	6,437	△155,306
Subtotal	△56,921	△73,908
Amount of subsidy income received	414	—
Amount of interest and dividends received	5,026	6,637
Amount of interest paid	△4,686	△3,572
Amount of income tax refunded	135,743	405
Amount of income tax paid	△24,995	△68,710
Net cash flow from operating activities	54,579	△139,148

(Thousands of yen)

	Previous consolidated fiscal year/FY 2023 Q2 (April 1, 2023 – Sept. 30, 2023)	Current consolidated fiscal year/FY 2024 Q2 (April 1, 2024 – Sept. 30, 2024)
Cash flow from investing activities		
Expenditure for acquisition of tangible non-current assets	△25,579	△46,462
Income from sale of tangible non-current assets	—	1,590
Expenditure for acquisition of software	△36,990	△25,996
Expenditure for acquisition of investment securities	—	△10,000
Expenditure for loans	—	△30,000
Income from share of profits from investment partnerships	902	6,457
Income from collection of loans receivable	347	275,520
Income from collection of security deposits	—	220
Other	55,255	55,528
Net cash flow from investing activities	△6,065	226,859
Cash flow from financing activities		
Net increase (decrease) in short-term borrowing	—	△145,831
Expenditure for repayment of long-term borrowing	△278,750	△216,600
Expenditure for acquisition of treasury stock	△244	△178
Income from disposal of treasury stock	8,196	12,288
Payment of dividends	△55,134	△55,151
Net cash flow from financing activities	△325,932	△405,472
Effect of exchange rate on cash and cash equivalents	8	9
Net increase (decrease) in cash and cash equivalents	△277,410	△317,752
Cash and cash equivalents at beginning of period	10,973,997	9,758,276
Cash and cash equivalents at end of period	10,696,586	9,440,523

(4) Notes Concerning the Consolidated Financial Statements

(Notes on Changes in Accounting Policies)

(Application of Accounting Standard for Current Income Taxes, etc.)

The Company has applied the Accounting Standard for Current Income Taxes (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; hereinafter referred to as the Revised Accounting Standard 2022) effective from beginning of the first quarter of the consolidated fiscal year under review.

The amendments to categories in which current income taxes should be recorded (taxation on other comprehensive income) are in accordance with the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso of paragraph 65-2 (2) of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the Revised Implementation Guidance 2022). This change in accounting policies has no impact on the quarterly consolidated financial statements.

Furthermore, regarding the amendments related to the review of the consolidated financial statements when deferring gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies for tax purposes, the Revised Implementation Guidance 2022 has been adopted from the beginning of the first quarter of the consolidated fiscal year under review. This change in accounting policies has been applied retrospectively, and the quarterly consolidated financial statements for the previous quarter and the consolidated financial statements for the previous fiscal year have been restated accordingly. This change in accounting policies has no impact on the quarterly consolidated financial statements for the same quarter of the previous fiscal year or on the consolidated financial statements for the full previous fiscal year.

(Segment Information)

I 2nd quarter of the previous consolidated fiscal year/FY 2023 (April 1, 2023 through Sept. 30, 2023)

1. Information on sales and profit or loss by reportable segment

(Unit: thousands of yen)

	Platform	Content	Total	Adjustment amount (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
Net sales					
Goods transferred at a single point in time	1,051,006	5,665,523	6,716,530	—	6,716,530
Goods transferred over a period of time	—	56,985	56,985	—	56,985
Revenue from contracts with customers	1,051,006	5,722,508	6,773,515	—	6,773,515
Sales to external customers	1,051,006	5,722,508	6,773,515	—	6,773,515
Intersegment sales or transfer amount	222,751	25,610	248,362	△248,362	—
Total	1,273,758	5,748,119	7,021,877	△248,362	6,773,515
Segment income or segment loss (△)	△108,582	1,120	△107,462	△221,932	△329,394

Notes: 1. The segment income or loss adjustment amount of △¥221,932 thousand consists of ¥1,522 thousand in eliminated intersegment transactions and △¥223,454 thousand in companywide expenses not allocated to reportable segments.

2. Segment income amounts are adjusted with operating income in the quarterly consolidated profit and loss statement.

2. Information regarding impairment loss on non-current assets or goodwill by segment reported

This information is omitted since there is no critical impairment loss on non-current assets or significant change in amount of goodwill.

II 2nd quarter of the current consolidated fiscal year/FY 2024 (April 1, 2024 through Sept. 30, 2024)

1. Information on sales and profit or loss by reportable segment

(Unit: thousands of yen)

	Platform	Content	Total	Adjustment amount (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
Net sales					
Goods transferred at a single point in time	806,505	6,159,016	6,965,521	—	6,965,521
Goods transferred over a period of time	—	22,672	22,672	—	22,672
Revenue from contracts with customers	806,505	6,181,689	6,988,194	—	6,988,194
Sales to external customers	806,505	6,181,689	6,988,194	—	6,988,194
Intersegment sales or transfer amount	229,646	38,962	268,609	△268,609	—
Total	1,036,151	6,220,652	7,256,803	△268,609	6,988,194
Segment income or segment loss (△)	△106,567	185,299	78,731	△214,430	△135,698

Notes: 1. The segment income or loss adjustment amount of △¥214,430 thousand consists of ¥2,505 thousand in eliminated intersegment transactions and △¥216,935 thousand in companywide expenses not allocated to reportable segments.

2. Segment income amounts are adjusted with operating income in the quarterly consolidated profit and loss statement.

2. Information regarding impairment loss on non-current assets or goodwill by segment reported

This information is omitted since there is no critical impairment loss on non-current assets or significant change in amount of goodwill.

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

Not applicable

(Note Concerning the Premise of a Going Concern)

Not applicable

(Important Subsequent Events)

At a meeting of the Board of Directors held on November 14, 2024, the Company resolved to express its opinion in support of the tender offer (hereinafter: the "Tender Offer") for the shares of common stock issued by the Company (hereinafter: the "Company Shares") to be conducted by Genesis1 Inc. (hereinafter: the "Tender Offeror") as part of a so-called management buyout (MBO) (Note 1), and to recommend that the Company's shareholders tender their shares in response to the Tender Offer.

The above resolution of the Board of Directors was made on the assumption that the Tender Offeror intends to take the Company private through the Tender Offer and a series of subsequent procedures, and that the Company's shares are scheduled to be delisted.

(Note 1)

A management buyout (MBO) generally refers to a transaction in which the management team of the target company (the company that will be acquired) raises all or part of the funds necessary for the acquisition and then purchases the shares of the target company on the assumption that the business of the target company will continue.

1. Outline of the Tender Offeror

(1) Name	Genesis1, Inc.
(2) Address	Imon Meiji Yasuda Seimei Bldg., 566-1 Torayacho, Karasuma-dori Oike-Sagaru, Nakagyo-ku, Kyoto City 604-8171
(3) Name and title of representative	Representative Director: Hajime Hirasawa
(4) Business activities	Holding, management, investment, and administration of securities, etc.
(5) Capital	¥1 million
(6) Date of establishment	July 15, 2020
(7) Major shareholder and shareholding ratio	Hajime Hirasawa 100%
(8) Relationship between the Company and the Tender Offeror	
Capital relationship	As of today, the Tender Offeror owns 4,633,700 shares of the Company's stock (ownership ratio (Note 2) 41.79%). In addition, Mr. Hajime Hirasawa, who is the President and Representative Director of the Company and also the Representative Director of the Tender Offeror, owns 62,138 shares of the Company's stock (ownership ratio: 0.56%).
Personal relationship	Mr. Hajime Hirasawa, the President and Representative Director of the Company, also serves as the Representative Director of the Offeror.
Business relationship	Not applicable.
Status as a related party	The Tender Offeror is a related party of the Company, as all of its voting rights are held by Hajime Hirasawa, the Company's President and Representative Director.

(Note 2)

The ownership ratio refers to the ratio (rounded to two decimal places) of the number of outstanding shares issued by the Company (13,831,091 shares) as of September 30, 2024, to the number of shares (11,087,235 shares) obtained by deducting the number of treasury shares (2,743,856 shares [The number of treasury shares held by the Company as of the same date (2,972,656 shares) less the number of shares held by the Company's directors (excluding outside directors) and certain directors of subsidiaries (excluding outside directors) under the Broad Benefit Trust (BBT) performance-linked stock compensation plan for directors, excluding 228,800 shares held by Sumitomo Mitsui Trust Bank, Limited (sub-trustee: Japan Custody Bank, Ltd.), which was entrusted by the Company.]) held by the Company as of the same date from the total number of outstanding issued shares.

2. Outline of the Tender Offer

- (1) Type of shares to be purchased:
Common stock
- (2) Purchase price:
¥1,220 per common share
- (3) Number of shares, etc., to be purchased:
Number to be purchased: ____ shares
Minimum number to be purchased: 2,757,800 shares
Maximum number to be purchased: ____ shares
- (4) Tender offer period: From November 15, 2024 to December 26, 2024 (30 business days)
- (5) Date of public notice of commencement of tender offer: November 15, 2024