BRIEF STATEMENT OF ANNUAL FINANCIAL RESULTS FOR THE YEAR ENDED MARCH 2016 AND FORECASTS FOR THE YEAR ENDING MARCH 2017

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 13, 2016

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 29, 2016
Date of Submission of Annual Security Report: June 30, 2016
Starting Date of the Dividend Payment: June 30, 2016
Preparation of Supplementary Materials for Financial Results: Applicable
Information Meeting for Financial Results to be Held: Applicable (for Institutional Investors and Analysts)

Amounts are rounded down to the nearest JPY 1 million.

1. Results for the Fiscal Year Ending March 2016 (From April 1, 2015 to March 31, 2016)

(1) Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
Year ending	*Millions of yen*	%	*Millions of yen*	%	*Millions of yen*	%	*Millions of yen*	%
March 2016	20,163	2.9	1,534	—	1,529	—	646	—
March 2015	19,597	209.1	△891	—	△862	—	△3,340	—

(Note) Comprehensive income: fiscal year ending March 2016: 1,063 million (—%); fiscal year ending March 2015: △¥3,981 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	*Yen*	*Yen*	%	%	%
March 2016	63.86	—	4.0	6.1	7.6
March 2015	△295.46	—	△17.7	△3.1	△4.6

(Reference) Equity in earnings of associated companies: fiscal year ending March 2016: △¥34 million; fiscal year ending March 2015: △¥56 million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Ratio of Equity Capital	Net Assets per Share
Year ending	*Millions of yen*	*Millions of yen*	%	*Yen*
March 2016	24,712	16,829	62.9	1,576.18
March 2015	25,835	17,723	65.5	1,540.23

(Reference) Equity capital: fiscal year ending March 2016: ¥15,556 million; fiscal year ending March 2015: ¥16,918 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	*Millions of yen*	*Millions of yen*	*Millions of yen*	*Millions of yen*
March 2016	1,800	1,266	△1,497	10,913
March 2015	9	△1,456	△634	9,346

2. Dividends

(Record dates)	Dividends per Share: 1st Quarter	Interim	3rd Quarter	Year-end	Total (Annual)	Total Dividend Payment (Annual)	Payout Ratio (Consolidated)	Dividend on Net Assets (Consolidated)
Year ending	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Millions of yen*	%	%
March 2015	—	5.00	—	5.00	10,00	113	—	0.6
March 2016	—	5.00	—	5.00	10.00	104	15.7	0.6
March 2017 (Forecast)	—	5.00	—	5.00	10.00		65.8	

3. Forecast for the Consolidated Results for the Year Ending March 2017 （from April 1, 2016 to March 31, 2017）

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	*Millions of yen*	%	*Millions of yen*	%	*Millions of yen*	%	*Yen*
First half (cumulative)	9,000	△7.3	△100	—	△110	—	△185	—	△18.74
Full year	19,000	△5.8	500	△67.4	450	△70.6	150	△76.8	15.20

※ 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
* For details, please refer to "5. Consolidated Financial Statements, (5) A Notes Concerning the Consolidated Financial Statements (Changes in Accounting Policy)" on page 19 of the accompanying material.

(3) Outstanding shares (common shares)
(3)-1. Outstanding shares at the end of the fiscal years (including treasury stock):
The fiscal year ending March 2016: 11,960,000 shares
The fiscal year ending March 2015: 11,960,000 shares
(3)-2. Treasury stock at the end of the fiscal year:
The fiscal year ending March 2016: 2,090,390 shares
The fiscal year ending March 2015: 975,480 shares
(3)-3. Average number of shares at the accounting period
The fiscal year ending March 2016: 10,116,500 shares
The fiscal year ending March 2015: 11,305,901 shares

(Reference) Overview of Non-Consolidated Results
Results for the Fiscal Year Ending March 2016 (From April 1, 2015 to March 31, 2016)

(1) Non-Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
Year ending	*Millions of yen*	%	*Millions of yen*	%	*Millions of yen*	%	*Millions of yen*	%
March 2016	3,125	28.4	△96	—	△47	—	906	—
March 2015	2,433	△7.2	△586	—	△444	—	△3,022	—

	Net Income per Share	Diluted Net Income per Share
Year ending	*Yen*	*Yen*
March 2016	89.64	—
March 2015	△267.35	—

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Ratio of Equity Capital	Net Assets per Share
Year ending	*Millions of yen*	*Millions of yen*	%	*Yen*
March 2016	15,428	14,274	92.5	1,446.27
March 2015	15,889	15,272	96.1	1,390.38

(Reference) Equity capital: fiscal year ending March 2016: ¥14,274 million; fiscal year ending March 2015: ¥15,272 million

* Indication of auditing procedures implementation status

This financial results report is exempt from review procedures under Japan’s Financial Instruments and Exchange Law. As of the time of disclosure of this report, the auditing procedure based on the Financial Instruments and Exchange Law has not been completed.

* 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. Analysis of Operating Results and Financial Position, (1) Analysis of Operating Results” on page 2 of the accompanying material.

(To obtain supplemental documents relating to financial results)

Supplemental Materials for Financial Results were posted on the company website on May 25, 2016.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

① Business Performance

Amid the increasing worldwide popularization of smartphones, tablets and other highly functional mobile terminals that has accompanied the completion of the Internet environment, the mainstream method of accessing the Internet has shifted from PC to smartphone, with the number of Internet users in Japan accessing via a PC currently standing at 47,350,000, while the number accessing via a smartphone is over 50,000,000 (*1). Also, the smartphone penetration rate among ordinary households in Japan has risen to 67.4% to exceed the feature phone penetration rate (64.3%) for the first time (*2), and changes in services are required in line with this ongoing migration to smartphone use.

In the domestic music contents market, in keeping with the expansion of subscription-type music distribution services that allow users to listen to as much music as they like for a fixed monthly charge, overall sales in 2015 grew for the first time in three years, increasing by 1% year on year to ¥301,500 million (*3). In the copyright field, music copyright agency e-License merged in February 2016 with Japan Rights Clearance (JRC)—a music copyright management organization in which the Company holds an equity stake—to form NexTone Inc., a new company that is responding flexibly to the changing demands of music listeners by providing new music services tailored to meet their needs.

Moreover, in recent years, greater attention is being paid to the importance of protecting the rights to diverse forms of content such as, for example, legislation protecting the rights to music and novels created by means of artificial intelligence (AI). In future too, against the backdrop of the increasing Internet and smartphone penetration rates, the migration of users to services appropriate to the digital era is expected to accelerate. Responding adeptly to the needs of these users in order to keep up with changing demands over time is becoming increasingly important.

(*1) The Neilson Company, *Digital Trends 2015*
(*2) The Cabinet Office, Economic and Social Research Institute (ESRI), *Consumption Trend Survey*
(*3) The Recording Industry Association of Japan (RIAJ), *The Recording Industry in Japan 2016*

In this environment, the Faith Group is continuing to utilize the results of the efforts it has been pouring into content digital distribution ever since its establishment, and is forging ahead with its Multi-Content and Multi-Platform Strategy of creating an environment that allows people to enjoy a wide diversity of contents whenever and wherever they choose. We are also strengthening the development of new services in response to the changing market environment such as platforms that collect and organize the information flooding the Internet and then providing this to users after increasing its added value.

The Group is proceeding with streamlining by deploying human resources flexibly, including through office and management departmental integration at the Group level, in response to the needs of the work progress situation, busy periods, etc. On July 1, 2015, the Business Development Department of Faith Wonderworks, Inc., became a 100% subsidiary of the Company through a simple absorption-type split in the interests of systemic improvement aimed at enhanced efficiency and competitiveness through the integration and centralization of our production and development resources.

Regarding the Faith Group's business performance for the full fiscal year ending March 2016, although sales of distribution services for feature phone use—the Group's largest sales category—continued to decrease, as a consequence of launching new services in response to the environment and of the return to profitability of the Company's 100% consolidated subsidiary Nippon Columbia Co., Ltd., net sales increased by 2.9% compared with the previous fiscal year to ¥20,163 million, while the Group recorded an operating income of ¥1,534 million (compared with an operating loss of ¥891 million for the previous fiscal year), an ordinary income of ¥1,529 million (compared with an ordinary loss of ¥862 million for the previous fiscal year), and a net income attributable to the shareholders of the parent company for the fiscal year under review of ¥646 million (compared with a net loss attributable to the shareholders of the parent company of ¥3,340 million for the previous fiscal year).

Furthermore, from the start of the fiscal year under review, we have been applying the Accounting Standard for Business Combinations (ASBJ Statement No. 21 on September 13, 2013), under which "net income" is stated as "net income attributable to shareholders of the parent company".

Information on each business segment is as follows.

Content Business

In the Content Business, the Faith Group is actively pursuing the development of new services in response to the market environment including the ongoing popularization of smartphones, changing lifestyles, etc. We are continuously working to build up our music service platforms by utilizing business synergies between the Group’s member companies such as by linking together the various diversified profit-generating functions in the artist business, and we are proceeding with the creation and nurturing of businesses that possess structural strengths.

Equipped with functions that make it possible to provide services essential for artistic activities centered on music artists, including official site construction, fan club operation, music distribution, etc., the platform business Fans’, which integrates a variety of the Company’s services, began operating on a full scale from the end of April 2015. In future too, we will promote the activities of various artists both in Japan and oversees and we will work to further expand the number of users by making efforts to offer a wider range of functions and services.

FaRao PRO is a store-use solution service for restaurants and retailers equipped with BGM functions in addition to essential functions for in-store operations such as sales promotion. In FaRao PRO, apart from strengthening the system of operations, acoustic construction, and maintenance in partnership with sales stores, we will attempt to expand the service’s users by targeting offices that are expecting to use it for mental health purposes as well as for switchover demand from existing stores employing professional BGM services. Also, we are moving forward with preparations for overseas development based on current services in Japan and targeting the creation and activation of new BGM markets both in Japan and overseas.

In keeping with above developments, despite the decline in sales of existing distribution services, as a result of the ongoing positive deployment of new services in line with the changing market environment, the Content Business recorded net sales of ¥4,549 million (compared with ¥4,550 million for the previous fiscal year). Moreover, factoring in reductions in costs including subcontracting costs, advertising and promotional expenses, and the loss recorded by the Company’s newly consolidated subsidiary, the Content Business’s operating income decreased by 23.5% year on year to ¥128 million.

Point Service Business

Although aided by an increase in the number of new points issued by existing participating stores, in the wake of the ending the government-administered eco-point system, the Point Service Business recorded net sales of ¥2,306 million, a decrease of 6.0% compared with the previous fiscal year. However, due to a temporary decrease in the expense burden of recovering old points in accordance with the transfer to server management-based operation during the previous fiscal year and other factors, operating income for this business totaled ¥198 million, an increase of 662.1% year on year.

Columbia Business

Amid the severe environment facing the music and video-related industry in line with the continuing shrinking of the music market, the Columbia Business proceeded with its strategy of strengthening new future-oriented businesses and concentrating its management assets into fields with future growth potential in order to overcome the present situation in which it remains dependent on sales of package products for which the market remains sluggish.

Due mainly to higher sales of animation-related titles and game software titles and to an improved sales performance in the artist management-related business, overall sales by the Columbia Business totaled ¥13,306 million, an increase of 5.7% compared with the previous fiscal year. Regarding the profit and loss situation, Columbia’s Direct Sales Business was buoyed by a general increase in sales, and particularly by favorable sales of products utilizing high-margin sound sources. In addition, due to a steep decline in overall fixed costs stemming from the implementation of career change support measures for the purpose of organizational reform during the previous fiscal year, this business segment recorded an operating income for the fiscal year under review of ¥1,201 million (compared with an operating loss for the previous fiscal year of ¥1,104 million).

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

② Business Performance Forecast

The Faith Group's business performance forecasts for next consolidated fiscal year (FY 2016; ending March 31, 2017) are as follows. In the Columbia Business, sales of animation-related products, which have been particularly strong during the fiscal year under review, are expected to decrease. Accordingly, the Group is currently forecasting net sales of ¥19,000 million (down 5.8% year-on-year), an operating income of ¥500 million (down 67.4% year-on-year), an ordinary income of ¥450 million (down 70.6% year-on-year), and a net income of ¥150 million (down 76.8% year-on-year).

(Unit: millions of yen)

	Year ending March 2016 (Result) (a)	Year ending March 2017 (Forecast) (b)	Change (b) - (a)
Net sales	20,163	19,000	△1,163
Operating income	1,534	500	△1,034
Ordinary income	1,529	450	△1,079
Net income attributable to shareholders of the parent company	646	150	△496

(2) Analysis of Financial Position

① Assets, Liabilities and Net Assets

Total assets as of the end of the consolidated fiscal year ended March 31, 2016 decreased by ¥1,122 million from the end of the previous consolidated fiscal year to ¥24,712 million. This result was mainly due to decreases in cash and deposits, accounts and notes receivable, and inventory.

Total liabilities decreased by ¥229 million compared with the end of the previous consolidated fiscal year to ¥7,882 million. This result was mainly due to decreases in trade notes and accounts payable, and accounts payable-other.

Net assets decreased by ¥893 million compared with the end of the previous consolidated fiscal year to ¥16,829 million. This was mainly the result of the acquisition of treasury stock, the payment of dividends, etc., despite the recording of a net income attributable to shareholders of the parent company. Moreover, the Faith Group's capital adequacy ratio became 62.9%.

② Cash Flow

Cash and cash equivalents at the end of the consolidated fiscal year ended March 31, 2016 increased by ¥1,567 million to ¥10,913 million, a 16.8% increase from the end of the previous consolidated 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)

Cash flow from operating activities amounted to an inflow of ¥1,800 million (compared with an inflow of ¥9 million during the previous consolidated fiscal year), due mainly to the addition of impairment losses on goodwill of ¥144 million, depreciation and amortization expenses of ¥361 million, and income tax and other payments of ¥284 million to the Group's net income before taxes and other adjustments of ¥1,513 million.

(Cash flow from investing activities)

Cash flow from investing activities amounted to an inflow of ¥1,266 million (compared with an outflow of ¥1,456 during the previous consolidated fiscal year), due mainly to the posting of ¥4,017 million in expenditure in respect of opening new term deposits, ¥329 million in expenditure to obtain software, ¥167 million in expenditure to purchase shares in subsidiaries and affiliates, and ¥144 million in expenditure for acquisition of subsidiary shares accompanying changes in the scope of consolidation, despite receiving ¥6,043 million in income in proceeds from withdrawals of existing term deposits.

(Cash flow from financing activities)

Cash flow from financing activities amounted to an outflow of ¥1,497 million (an increase of 136.0%

compared with the previous consolidated fiscal year), due mainly to ¥1,582 million in expenditure in respect of acquisition of treasury stock, ¥342 million in expenditure in respect of repayment of long-term loans, and ¥105 million in respect of dividend payments, etc., despite receiving income of ¥500 million in proceeds from long-term loans payable.

(Reference) Movements in Cash Flow Associated Indicators

	FY 2013	FY 2014	FY 2015
Capital-to-asset ratio (%)	69.6	65.5	62.9
Market value-based capital-to-asset ratio (%)	40.2	55.2	52.9
Ratio of interest on interest-bearing debt to cash flow (years)	0.65	137.08	0.85
Interest coverage ratio (multiple)	336.0	0.8	123.7

Capital-to-asset ratio: Equity capital/total assets
Market value-based capital-to-asset ratio: Market capitalization/total assets
Ratio of interest on interest-bearing debt to cash flow: interest-bearing debt/cash flow from operating activities
Interest coverage ratio: Cash flow from operating activities/interest payments
(Note 1) All the above ratios are calculated based on the consolidated financial figures.
(Note 2) Market capitalization is calculated based on the number of shares issued excluding treasury stock.
(Note 3) Interest-bearing debt includes all debt on which interest is being paid among the liabilities reported in the Consolidated Balance Sheet.
(Note 4) For cash flow from operating activities and interest payments, the figures for “cash flow from operating activities” and “interest amount paid” reported in the Consolidated Statement of Cash Flows are used.

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

The Company continues its policy of giving priority to securing the funds necessary for strengthening its business structure and making aggressive business investments. At the same time, it also recognizes return of profit to shareholders to be an important management issue. For this reason, the Company will consider payment of dividends, taking into account its operating results and financial position.

Based on its fundamental policy of paying continued stable dividends, the Company plans to pay a dividend of ¥10 per share (including an interim dividend of ¥5) in the next fiscal year.

2. Overview of the Faith Group

The Faith Group (the Company and its associated companies) consists of Faith, Inc. (the Company), 19 subsidiaries and 6 affiliates, and is engaged mainly in the Content Business, the Point Service Business, and the Columbia Business.

(1) Content Business

In order to promote its Multi-Content and Multi-Platform Strategy, the Faith Group is providing one-stop solutions ranging from the construction of distribution systems and operation of services for end-users to the planning and production of digital contents.
Main companies involved in this business: Faith, Inc. and Faith Wonderworks, Inc.

(2) Point Service Business

The Group is engaged in the Point Service Business, which is aimed at the retail industry.
Main company involved in this business: GoodyPoint Co., Ltd.

(3) Columbia Business

The Columbia Business encompasses the sound source, video, etc., planning, production and sales business, the music rights acquisition and management business, the contracted production and sales business, etc.
Main companies involved in this business: Nippon Columbia Co., Ltd., Columbia Marketing Co., Ltd., and Columbia Songs, Inc.

[Business System Diagram]
The following diagram shows the Faith Group's business system as described above.

The Faith Group (Faith Inc. and its group companies)	Business	Services	
	Content Business The Company (Faith, Inc.) <Major related company> Faith Wonderworks, Inc.	Content distribution service provision ==================> Distribution platform development Content production services	Our customers and clients
	Point Service Business <Major related company> GoodyPoint Co., Ltd.	Point service provision ===================>	
	Columbia Business <Major related companies> Nippon Columbia Co., Ltd. Columbia Marketing Co., Ltd. Columbia Songs, Inc.	Production, advertising and sales of music and game software, etc., and music artist management ===================>	

3. Management Policies

(1) The Faith Group's Basic Management Policy

The basic policy of Faith Group is to create schemes to distribute digital contents to users. In future as well, the Group will attempt to accurately grasp changes in society and in people's lifestyles, and create diverse services that closely match the using environments of feature phone, smartphone, tablet, PC, and TV users. In addition, while producing and procuring contents suitable for these services, the Company and its affiliated group companies will strive to develop the methods, technologies and know-how to realize these services and aim to become a higher value-added corporate group through business partnerships with outside companies in addition to providing their own services independently.

(2) Medium- and Long-Term Management Strategy

The Faith Group will continue to construct new markets by creating a broad range of services that meet the user demands of today and tomorrow. The Group will make efforts to actualize next-generation services that are attractive to users, including the production and distribution of entertainment contents such as music, video and games, as well as various types of services utilizing information devices, based on proposals for unique business solutions and through business partnerships with prominent companies in many fields. Moreover, in today's increasingly diversified and complex market environment, the Group is giving consideration to accurately grasping user needs, promoting its Multi-Content and Multi-Platform Strategy, and improving its equity capital and profitability, which are operating resources that are linked to increasing corporate value and shareholder profit. Accordingly, the Group places emphasis on the equity capital ratio and the operating income as management indexes.

(3) Challenges the Faith Group Should Address

The domestic content industry is continuing to grow by making innovative use of technology and information transfer methods based on a succession of newly appearing ideas. Consequently, user needs are becoming more diversified and complex at an accelerating pace, and a flood of various kinds of contents including free distribution items has been sweeping into the market. The Faith Group will continue its pursuit of intra-group synergies and conduct effective operations on a group-wide basis. At the same time, with the aim of being able to provide excellent high-value-added contents in a diversifying usage environment and market to all users regardless of the type of network and information terminals they use, the Group intends to carry out the following measures.

① Content Business

The Faith Group will create new markets by developing distribution systems that bring benefits to content rights holders, distributors and users alike based on the technology and know-how accumulated by the Group up to now as well as by providing its own business solutions through partnerships with prominent companies in a range of business fields. In order to realize this goal, the Group will make every effort to reinforce its in-house content production activities, while also engaging in production tie-ups with content rights holders and attempting to expand its user reach in order to strengthen its contact points with users.

Ever since its establishment, the Faith Group has endeavored to build up its content distribution business by making use of various information devices as a major pillar of its business. From now on too, the Group will continue to develop new service systems that are useful for content rights holders, distributors and users, commercialize the necessary technology such as embedded terminal technology, distribution system technology, etc., and construct new content distribution systems.

② Point Service Business

Up to now, point services have been centered on the retail industry, and in recent years there has been an increase in partnerships encompassing the mutual use of points across multiple retail operations while competition between point services has also been growing. In this situation, the Faith Group is creating a new Point Service Business that includes O2O (Offline to Offline) services. To this end, the Group recognizes the need to improve the level of satisfaction experienced by its point service customers by reducing operational costs and improving convenience, and by enhancing its service proposal power, etc. In addition, the Group will adopt a strategic approach in tackling the tasks it needs to address.

③ Columbia Business

Regarding the Columbia Business, under circumstances in which the music and video-related industries are facing a severe business environment, Nippon Columbia Co., Ltd.'s Sales/Digital Distribution Business, which is mainly engaged in sales of products based on contents such as planned and produced sound sources, video, etc., will increase its profitability through improved business efficiency by rounding out its artist lineup, nurturing hit artists and creating hit products, and by making use of its rich catalogue of sound sources and concentrating its management resources in order to expand into new fields in the entertainment business.

In the Direct Sales Business, which sells contents that make secondary use of in-house produced sound sources and images, in the special sales area, Nippon Columbia will continue to reinforce its relationships with existing business partners while proceeding with the opening up of new sales channels and new business partners. In addition, Nippon Columbia will endeavor to achieve multiple business deployment of sound sources by improving its planned products including products for the senior/baby boomer generation while making effective use of its rich store of contents.

In the mail order field, Nippon Columbia is developing its business efficiently using a "fulfillment system" that conducts mail order operations such as "order receipt", "payment acceptance" and "product delivery" consistently and efficiently. Moreover, by entering into business cooperation with other record companies in using this system, Nippon Columbia has successfully gained new sales channels and obtained new income sources such as operation management fees, etc. In future too, in order to expand business cooperation to more other companies in the same industry and also to companies in different business fields, Nippon Columbia will make approaches to the planning and production of CD and DVD products jointly with partner companies and to product planning of household items (such as lifestyle goods and daily sundries) that take customer needs into account.

4. 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.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: thousands of yen)

	FY 2014 (As of March 31, 2015)	FY 2015 (As of March 31, 2016)
(Assets)		
Current assets		
Cash and deposits	13,135,625	12,680,124
Accounts and notes receivable	2,868,673	2,388,481
Marketable securities	242,969	242,521
Commercial products	536,992	508,709
Products in progress	314,114	202,043
Primary materials and inventory goods	74,824	47,624
Corporation tax refund receivable, etc.	55,378	7,492
Deferred tax assets	21,503	12,341
Others	986,469	920,570
Allowance for doubtful accounts	△49,909	△52,908
Total current assets	18,186,640	16,957,000
Fixed assets		
Tangible fixed assets		
Buildings and structures	2,075,199	2,037,987
Accumulated depreciation	△780,392	△812,895
Buildings and structures (net base)	1,294,807	1,225,092
Machinery and delivery equipment	647,957	638,036
Accumulated depreciation	△617,022	△613,449
Machinery and delivery equipment (net base)	30,934	24,587
Tools, devices and equipment	1,057,980	1,011,014
Accumulated depreciation	△925,823	△882,809
Tools, devices and equipment (net base)	132,157	128,205
Land	1,501,684	1,501,684
Lease assets	49,726	43,692
Accumulated depreciation	△26,171	△28,945
Lease assets (net base)	23,554	14,746
Total tangible fixed assets	2,983,139	2,894,315
Intangible fixed assets		
Software	499,691	507,103
Goodwill	1,940,390	1,959,316
Leased assets	15,165	6,659
Others	279,055	360,591
Total intangible fixed assets	2,734,302	2,833,671
Investment and other assets		
Investment securities	※ 1,571,280	※ 1,753,502
Others	631,994	554,302
Allowance for doubtful receivable	△272,217	△280,607
Total investments and other assets	1,931,057	2,027,196
Total fixed assets	7,648,498	7,755,183
Total assets	25,835,139	24,712,183

(Unit: thousands of yen)

	FY 2014 (As of March 31, 2015)	FY 2015 (As of March 31, 2016)
(Liabilities)		
Current liabilities		
Trade notes and accounts payable	1,133,715	995,288
Short-term loans	546,120	686,120
Lease obligations	17,730	16,133
Accounts payable-other	1,423,333	1,023,712
Accrued expenses payable	2,431,769	2,541,442
Income taxes payable	124,473	189,734
Reserve for bonuses	64,309	66,147
Provision for point card certificates	39,828	33,874
Reserve for sales returns	160,593	92,333
Others	544,117	604,254
Total current liabilities	6,485,992	6,249,041
Fixed liabilities		
Long-term liabilities	739,020	816,650
Net defined retirement liabilities	645,695	609,261
Lease obligations	23,793	8,028
Deferred tax liabilities	182,465	152,646
Others	35,003	46,744
Total fixed liabilities	1,625,977	1,633,331
Total liabilities	8,111,969	7,882,373
(Net assets)		
Shareholder's equity		
Common stock	3,218,000	3,218,000
Capital surplus	3,708,355	3,707,197
Retained earnings	10,938,929	11,480,657
Treasury stock	△1,254,787	△3,038,502
Total shareholder's equity	16,610,496	15,367,352
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	215,116	198,282
Foreign currency translation adjustments	5,399	△8,446
Accumulated adjustment amount concerning retirement benefits	87,627	△928
Total other accumulated comprehensive income	308,143	188,908
Stock acquisition rights	58,591	42,734
Minority interests	745,938	1,230,815
Total net assets	17,723,169	16,829,810
Total liabilities and net assets	25,835,139	24,712,183

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

(Unit: thousands of yen)

	FY 2014 (April 1, 2014 ~ March 31, 2015)	FY 2015 (April 1, 2015 ~ March 31, 2016)
Net sales	※1 19,597,063	※1 20,163,527
Cost of sales	※1,※2,※3 12,805,550	※1,※2,※3 12,061,696
Gross profit	6,791,513	8,101,831
Selling, general and administrative expenses	※4 7,683,493	※4 6,567,355
Operating income or operating loss (△)	△891,979	1,534,475
Non-operating income		
Interest income	9,993	3,957
Dividend income	6,101	5,473
Interest on securities	144	128
Foreign exchange gains	3,430	—
Gains on investment partnership management	22,663	13,615
Gains on liquidation of unpaid royalties	34,270	15,657
Miscellaneous receipts	24,264	17,707
Total non-operating Income	100,868	56,539
Non-operating expenses		
Interest paid	11,482	14,526
Foreign exchange losses	—	2,666
Investment partnership losses	2,240	8,750
Equity method investment losses	56,364	34,352
Miscellaneous expenses	1,436	1,245
Total non-operating expenses	71,523	61,542
Ordinary income or ordinary losses (△)	△862,635	1,529,473
Extraordinary income		
Gains on disposal of fixed assets	—	※5 990
Gains on changes in equity	—	37,035
Gains on step acquisitions	—	13,186
Gains on reversal of subscription rights to shares	3,357	15,857
Others	—	1,487
Total extraordinary income	3,357	68,557
Extraordinary losses		
Losses on disposal of fixed assets	※6 50,955	※6 21,641
Losses related to organizational reform	※7 434,052	—
Impairment losses	※8 116,534	※8 21,740
Losses on valuation of investment securities	29,804	5,490
Impairment losses on goodwill	※9 2,062,591	—
Losses on liquidation of overseas business	※10 143,034	—
Share exchange losses	—	21,018
Copyright-related losses	—	10,000
Others	5,000	4,798
Total extraordinary losses	2,841,972	84,689
Current term net income or net loss before taxes (△)	△3,701,250	1,513,341
Corporate, local, and business taxes	181,197	310,759
Income taxes - deferred	269,363	2,908
Total corporate, local, and business taxes	450,560	313,667
Current term net income or net loss (△)	△4,151,811	1,199,673
Current term net income or net loss attributable to non-controlling interests (△)	△811,331	553,669
Current term net income or net loss attributable to shareholders of the parent company (△)	△3,340,479	646,004

(Consolidated Statement of Comprehensive Income)

(Unit: thousands of yen)

	FY 2014 (April 1, 2014 ~ March 31, 2015)	FY 2015 (April 1, 2015 ~ March 31, 2016)
Current term net income or net loss (△)	△4,151,811	1,199,673
Other comprehensive income		
Valuation difference on other available-for-sale securities	△12,094	△16,294
Foreign currency translation adjustments	10,639	△13,725
Adjustments for retirement benefit obligations	171,949	△106,319
Total other comprehensive income	170,494	△136,339
Comprehensive income	※ △3,981,317	※ 1,063,333
(Details)		
Comprehensive income attributable to shareholders of the parent company	△3,259,736	526,768
Comprehensive income attributable to non-controlling interests	△721,580	536,564

(3) Consolidated Statement of Changes in Shareholders' Equity
FY 2014 (April 1, 2014 ~ March 31, 2015)

(Unit: thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	3,218,000	3,708,355	14,393,333	△754,679	20,565,008
Changes of items during the accounting period					
Dividends paid			△113,901		△113,901
Changes in parent company equity regarding transactions with non-controlling interests					
Net gain or loss attributable to shareholders of parent company			△3,340,479		△3,340,479
Acquisition of treasury stock				△500,251	△500,251
Disposal of treasury stock			△23	143	120
Net changes in non-equity items during the accounting period					
Total changes during the accounting period	―	―	△3,454,403	△500,107	△3,954,511
Balance at end of period	3,218,000	3,708,355	10,938,929	△1,254,787	16,610,496

	Accumulated other comprehensive income				Share acquisition rights	Minority Interests	Total net assets
	Valuation difference on other available-for-sale securities	Foreign currency translation adjustments	Retirement benefit-related adjustments	Total other accumulated comprehen-sive income			
Balance at beginning of period	227,400	―	―	227,400	61,949	1,485,909	22,340,267
Changes of items during the accounting period							
Dividends paid							△113,901
Changes in parent company equity regarding transactions with non-controlling interests							
Net gain or loss attributable to shareholders of parent company							△3,340,479
Acquisition of treasury stock							△500,251
Disposal of treasury stock							120
Net changes in non-equity items during the accounting period	△12,284	5,399	87,627	80,742	△3,357	△739,970	△662,587
Total changes during the accounting period	△12,284	5,399	87,627	80,742	△3,357	△739,970	△4,617,098
Balance at end of period	215,116	5,399	87,627	308,143	58,591	745,938	17,723,169

FY 2015 (April 1, 2015 ~ March 31, 2016)

(Unit: thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	3,218,000	3,708,355	10,938,929	△1,254,787	16,610,496
Changes of items during the accounting period					
Dividends paid			△104,273		△104,273
Changes in parent company equity regarding transactions with non-controlling interests		△1,157			△1,157
Net gain or loss attributable to shareholders of parent company			646,004		646,004
Acquisition of treasury stock				△1,783,816	△1,783,816
Disposal of treasury stock			△2	101	98
Net changes in non-equity items during the accounting period					
Total changes during the accounting period	―	△1,157	541,728	△1,783,715	△1,243,144
Balance at end of period	3,218,000	3,707,197	11,480,657	△3,038,502	15,367,352

	Accumulated other comprehensive income				Share acquisition rights	Minority Interests	Total net assets
	Valuation difference on other available-for-sale securities	Foreign currency translation adjustments	Retirement benefit-related adjustments	Total other accumulated comprehen-sive income			
Balance at beginning of period	215,116	5,399	87,627	308,143	58,591	745,938	17,723,169
Changes of items during the accounting period							
Dividends paid							△104,273
Changes in parent company equity regarding transactions with non-controlling interests							△1,157
Net gain or loss attributable to shareholders of parent company							646,004
Acquisition of treasury stock							△1,783,816
Disposal of treasury stock							98
Net changes in non-equity items during the accounting period	△16,833	△13,845	△88,556	△119,235	△15,857	484,877	349,784
Total changes during the accounting period	△16,833	△13,845	△88,556	△119,235	△15,857	484,877	△893,359
Balance at end of period	198,282	△8,446	△928	188,908	42,734	1,230,815	16,829,810

(4) Consolidated Statement of Cash Flows

(Unit: thousands of yen)

	FY 2014 (April 1, 2014 ~ March 31, 2015)	FY 2015 (April 1, 2015 ~ March 31, 2016)
Cash flow from operating activities		
Income or loss before income taxes, etc.	△3,701,250	1,513,341
Depreciation and amortization	368,188	361,663
Impairment losses	116,534	21,740
Amortization losses on goodwill	266,192	144,316
Impairment losses on goodwill	2,062,591	—
Increase/decrease in allowance for doubtful accounts (△ = decrease)	△49,953	11,351
Increase/decrease in reserve for bonus (△ = decrease)	△6,094	974
Increase/decrease in allowance for unexercised sales promotion points (△ = decrease)	△151,681	△5,953
Increase/decrease in net defined retirement liabilities (△ = decrease)	△178,465	△70,414
Interest and dividends income	△16,094	△9,431
Interest on securities	△144	△128
Interest paid	11,482	14,526
Gain or loss on foreign exchange (△ = gain)	△12,554	1,868
Gain or loss on equity method investments (△ = gain)	56,364	34,352
Gain or loss on investment partnership management (△ = gain)	△20,423	△4,864
Gain or loss on valuation of investment securities (△ = gain)	29,804	5,490
Loss related to organizational reform	434,052	—
Loss on liquidation of overseas business	143,034	—
Gain or loss on sale of fixed assets (△ = gain)	—	△990
Gain or loss on disposal of fixed assets (△ = gain)	50,955	21,641
Gain or loss on step acquisitions (△ = gain)	—	△13,186
Gain or loss on change in equity (△ = gain)	—	△37,035
Share exchange losses	—	21,018
Increase/decrease in trade receivables (△ = increase)	363,740	359,176
Increase/decrease in inventory assets (△ = increase)	43,465	90,591
Increase/decrease in trade payables (△ = decrease)	△140,124	△190,178
Increase/decrease in consumption tax receivable (△ = increase)	△4,266	△30,859
Increase/decrease in consumption tax payable (△ = decrease)	54,140	157,796
Others	383,386	△366,021
Sub-total	102,879	2,030,786
Interest and dividends received	7,730	13,287
Interest paid	△11,604	△14,564
Income tax refunded	68,384	55,951
Income tax paid	△157,712	△284,589
Cash flow from operating activities	9,678	1,800,872

(Unit: thousands of yen)

	FY 2014 (April 1, 2014 ~ March 31, 2015)	FY 2015 (April 1, 2015 ~ March 31, 2016)
Cash flow from investing activities		
Expenditure for opening of term deposits	△5,034,975	△4,017,682
Income from withdrawal of term deposits	4,036,105	6,043,035
Expenditure for acquisition of tangible fixed assets	△101,100	△83,324
Expenditure for acquisition of software	△373,592	△329,055
Expenditure for acquisition of investment securities	—	△61,360
Income from sale of investment securities	6,783	15,476
Expenditure for acquisition of shares of affiliates	△0	△167,100
Expenditure for acquisition of subsidiary shares accompanying changes in the scope of consolidation	—	※2 △144,007
Income from acquisition of subsidiary shares accompanying changes in the scope of consolidation	※2 104,951	42,404
Expenditure for loans receivable	△15,000	△15,000
Income from collection of loans receivable	6,246	120
Expenditure for security deposits	△956	△7,185
Income from collection of security deposits	3,494	45,039
Others	△88,622	△54,958
Net cash flow from investing activities	△1,456,667	1,266,402
Cash flow from financing activities		
Net increase/decrease in short-term loans payable (△ = decrease)	△270,000	60,000
Expenditure for repayment of lease obligations	△53,457	△17,229
Income from long-term loans payable	1,000,000	500,000
Expenditure for repayment of long-term borrowing	△456,780	△342,370
Increase/decrease in money held in trust for acquisition of treasury stock (△ = increase)	△201,673	—
Expenditure for acquisition of treasury stock	△500,251	△1,582,108
Income from sale of treasury stock	128	101
Payment of dividends	△114,882	△105,021
Payment of dividends to non-controlling interests	△27,307	△65
Expenditure for acquisition of subsidiary shares not accompanying changes in the scope of consolidation	—	△11,100
Others	△10,396	△131
Net cash flow from financing activities	△634,620	△1,497,925
Effect of exchange rate on cash and cash equivalents	12,554	△1,868
Net increase/decrease in cash and cash equivalents (△ = decrease)	△2,069,055	1,567,480
Cash and cash equivalents at the beginning of the year	11,415,340	9,346,285
Cash and cash equivalents at the end of the year	※1 9,346,285	※1 10,913,765

(5) Notes Concerning the Consolidated Financial Statements

(Notes Concerning the Premise of a Going Concern)

Not applicable

(Significant Matters That Constitute the Basis for Preparation of the Consolidated Financial Statements)

1. Items Concerning the Scope of Consolidation

(1) Number of consolidated subsidiaries

Previous fiscal year: 15 companies, current consolidated fiscal year: 16 companies

Names of major consolidated companies:

- Faith Wonderworks, Inc.
- GoodyPoint Co., Ltd.
- Future RECORDS Inc.
- ENTERMEDIA INC.
- OK LIFE, Inc.
- Nippon Columbia Co., Ltd.
- Columbia Marketing Co., Ltd.
- Columbia Songs, Inc.
- GLOBAL PLUS, INC.
- Japan Music Network Inc.

Japan Music Network Inc., for which the Company newly acquired a controlling shareholding during the current consolidated fiscal year, has been included within the scope of consolidation.

SLG, LLC, a subsidiary for which the Company has transferred its entire equity interest, has been excluded from the scope of consolidation.

(2) Names of major non-consolidated subsidiaries, etc.

Name of major non-consolidated company:

- Rightsscale USA, Inc.

(Reason for exclusion from scope of consolidation)

Because this non-consolidated subsidiary is a small company, the sum totals of it gross assets, sales, and net income or loss (amount corresponding to equity), etc., do not have a significant influence on the Consolidated Balance Sheet.

2. Items Concerning the Application of the Equity Method

(1) Number of equity method affiliates

Previous fiscal year: 6 companies, current consolidated fiscal year: 5 companies

Names of major consolidated companies:

- Lync-Entertainments
- FlyingPenguins Inc.
- TOKYO SMARTCAST Inc.

TOKYO SMARTCAST Inc., for which the Company newly acquired a controlling shareholding during the current consolidated fiscal year, has been included within the scope of application of equity method accounting.

Japan Rights Clearance Inc. has been excluded from the scope of application of equity method accounting due to a decrease in the equity ratio held by the Company resulting from this subsidiary's merger with e-License to form NexTone Inc.

(2) Non-consolidated companies to which the equity method is not applied (Rightsscale USA, Inc. and others) an and affiliated company (Asian Entertainment and Communications Co., Ltd.) have been excluded from the scope of application of equity method accounting because, in view of their net income or loss (amount corresponding to equity) and retained earnings (amount corresponding to equity), etc., excluding them from the scope of application of equity method accounting has only a minor influence on the Consolidated Balance Sheet and is of no overall significance.

3. Items Concerning the Accounting Periods of the Consolidated Subsidiaries

All the consolidated subsidiaries in the Faith Group have the same consolidated balance sheet closing date.

4. Items Concerning the Accounting Standards

(1) Significant evaluation standards and methods

1) Marketable securities

Other securities:

—Available-for-sale securities with a fair market value

Stated at fair value based on market values applicable on the date of consolidated settlement of accounts (in which all differences between the carrying amounts and the fair values are reported as a separate component of net assets, while the cost of securities sold is calculated by the moving average method)

—Available-for-sale securities without a fair market value: stated at cost determined by the moving average method. For investment equities in investment partnerships, a method based on the most recent balance sheet available at the balance sheet reporting date provided in the partnership contract is employed, taking an amount equivalent to the equity value.

2) Inventories

The evaluation standard is the cost method employing the specific cost method (balance sheet values calculated by devaluing the book values based on declining profitability).

a. Commercial products and merchandise: For the Company and some of its consolidated subsidiaries, mainly stated under the gross average method; for the other consolidated subsidiaries the first-in-first out method.

b. Products in progress: For some of the consolidated subsidiaries, stated under the specific identification method; for the other consolidated subsidiaries, mainly stated under the gross average method.

c. Raw materials and supplies: Stated mainly under the gross average method.

(2) Significant depreciable assets and depreciation methods

1) Tangible fixed assets (excepts lease assets)

The declining balance method is mainly employed to calculated depreciation expenses for these assets. (However, the company employs the straight-line method for buildings (apart from attached facilities) acquired since April 1, 1998.) The useful lifetimes of the main types of tangible fixed assets are as follows.

Buildings and structures: 5 – 50 years

Machinery and delivery equipment: 2 – 12 years

Tools, devices and equipment: 2 – 15 years

2) Intangible fixed assets (excepts lease assets)

The straight-line method is employed. In the case of in-house-use software, this is based on the useable period in-house (up to 5 years).

3) Lease assets

a. Lease assets pertaining to finance lease transactions involving the transfer of ownership

The straight-line method is employed. The useful lifetime of the main types of intangible fixed assets is 5 years.

b. Lease assets pertaining to finance lease transactions not involving the transfer of ownership

The method to calculate depreciation for such assets is the straight-line method with their residual values being zero over their leased periods used as the number of years of useful life.

(3) Standards for recording significant allowances

1) Allowance for doubtful accounts

In order to prepare for losses due to doubtful accounts receivable, the estimated unrecoverable amounts in consideration of the actual ratio of bad debts for general accounts receivable and individual collectability for special bonds such as doubtful accounts receivable, etc., are recorded.

2) Reserve for point card certificates

In order to prepare for the cost burden of point utilization, for the balance of yet to be exchanged issued points, the required amount expected to be utilized in future is recorded based on the point collection performance ratio.

3) Reserve for bonuses

In order to prepare for employee bonus payments, among the estimated future payment amount, the Company and some of its consolidated subsidiaries record the current consolidated fiscal year’s share of these expenses.

4) Reserve for losses due to sales returns
In order to prepare for future losses due to sales returns, anticipated losses accompanying future returns of merchandise are recorded based on actual past return rates with respect to total sales.

(4) Accounting Standard for Retirement Benefits

1) Method of attributing expected retirement benefits to periods
When calculating retirement benefit obligations, straight-line attribution is used to allocate expected retirement benefit payments in the period until the end of the fiscal year.

2) Method of treating prior service liabilities and actuarial differences as expenses
Past service liabilities are amortized as incurred by the straight-line method over certain periods (3 years), which are within the average remaining years of service of the employees at the time the service cost is generated. Actuarial gains and losses are amortized on a straight-line basis over certain periods (5 years), which are within the average remaining years of service of the employees at the time the amounts are generated in each fiscal year, allocated proportionately starting from the year following the respective fiscal year of occurrence.

3) Adoption of simplified method for smaller entities
The company and certain of its consolidated subsidiaries have adopted the simplified method for calculating liabilities for retirement benefit and retirement benefit expenses, which employs a method assuming the Company's benefit obligation to be equal to the benefits payable assuming the voluntary retirement of all employees at the fiscal year-end.

(5) Important standards for revenue and cost recognition
Standards for recording income and expenditure related to software production orders

a. Software produced to order for which certainty of achievement with respect to sections progressing up to the end of the current consolidated fiscal year is recognized: Progress-based (rate of progress of the work estimated using the cost-to-cost method)
b. Other software produced to order: Completed contract method

(6) Standards for conversion of significant foreign currency-denominated assets and liabilities into Japanese yen
Receivables and payables denominated in foreign currencies are processed through translation into Japanese yen at the consolidated fiscal year-end spot exchange rates. Meanwhile, the assets and liabilities of overseas subsidiaries are converted into yen based on the spot exchange rate on the day of consolidated settlement of accounts, revenue and expenses are converted into yen using the average market price during the period, and exchange differences are included in Foreign currency translation adjustments under Net assets on the Consolidated Balance Sheet.

(7) Goodwill amortization method and amortization period
The amortization of goodwill is carried out using the straight-line method over a period of 5 years or 20 years. Also, regarding the balance between investment and capital (goodwill equivalent amount) in the case of companies accounted for by the equity method, amortization is conducted over 5 years or less using the straight-line method. However, in cases where the amount of goodwill is insignificant, one-time amortization is conducted for the fiscal term in which the relevant account case occurred.

(8) Scope of cash and cash equivalents reported in the Statement of Cash Flows
This item consists of cash on hand, demand deposits and short-term investments that are highly liquid, easily realizable, bearing only insignificant risk of changing in value, and with a maturity date that comes within 3 months of the acquisition date.

(9) Other important items necessary to produce the Consolidated Financial Statements

1) Accounting method for consumption tax: The tax exclusion method is adopted for consumption tax and local consumption tax. Nondeductible consumption tax is processed as an expense for the current consolidated fiscal year.
2) Adoption of the consolidated tax payment system: Some of the Company's consolidated subsidiaries have adopted the consolidated tax payment system.

(Accounting Standards Issued But Not Yet Applied)

• Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, issued on March 28, 2016)

(1) Overview
Regarding the treatment of the recoverability of deferred tax assets, when the accounting and auditing treatment on tax-effect accounting of The Japanese Institute of Certified Public Accountants (the section relating to accounting treatment) was transferred to the Accounting Standards Board of Japan,

a necessary review was conducted into certain of the classification requirements and treatments of the recorded amounts of deferred tax assets which resulted in the compilation of the Implementation Guidance on Recoverability of Deferred Tax Assets. Among the practical guidelines examined, the review was focused mainly on the guidance on recoverability of deferred tax assets prescribed in the Audit Treatment of Judgments with Regard to Recoverability of Deferred Tax Assets (Report No. 66, the Auditing Committee of the Japanese Institute of Certified Public Accountants). The review basically followed a framework of treatment under which companies are classified into five categories and deferred tax assets are estimated in accordance with the appropriate classification. This guidance is intended for use when applying the Accounting Standards for Tax Effect Accounting (Business Accounting Council) in assessing the recoverability of deferred tax assets.

(Revision of classification requirements and treatment of deferred tax asset recording)

(i) Treatment of companies that do not fulfill any of the requirements for classification from Category 1 to Category 5.
(ii) Requirements for classification as Category 2 and Category 3
(iii) Treatment of temporary differences in future temporary differences that cannot be scheduled for companies applicable to Category 2
(iv) Treatment concerning the reasonable estimable period of temporary differences in future pre-adjusted taxable income for companies applicable to Category 3
(v) Treatment in cases where a company fulfilling the requirements of Category 4 is also applicable to Category 2 or Category 3

(2) Adoption date

This accounting standard has been adopted from the start of the consolidated fiscal year beginning April 1, 2016.

(3) Impact of adoption

As of the time of the preparation of these consolidated financial statements, the impact of the adoption of the Implementation Guidance on Recoverability of Deferred Tax Assets is under evaluation.

(Changes in Accounting Policy)

(Application of Accounting Standard for Business Combinations, etc.)

Starting in the first quarter of the current consolidated fiscal year, the Accounting Standard for Business Combinations (ASBJ Statement No. 21 on September 13, 2013; hereinafter referred to as the “Business Combinations Accounting Standard”), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 on September 13, 2013; hereinafter referred to as the “Consolidated Accounting Standard”), the Accounting Standard for Business Divestiture (ASBJ Statement No. 7 on September 13, 2013; hereinafter referred to as the “Business Divestiture Accounting Standard”), and other standards, Faith, Inc. (the “Company”) changed accounting methods to those recording differences from fluctuations in equity that the Company holds in subsidiaries, for which the Company continues to control as capital surplus, and recording acquisition-related expenses as expenses for the consolidated fiscal year when the relevant expenses incur.

The Company also changed its accounting methods to those reflecting a review of the distribution amount of acquisition costs following the finalization of provision accounting treatment for business combinations that are carried out after the beginning of the first quarter of the consolidated fiscal year to quarterly consolidated financial statements for the consolidated quarterly accounting period to which the business combination belongs. Moreover, the presentation method of net income, etc., has been changed and the presentation of “minority interests” has been changed to “non-controlling interests”. To reflect changes in the relevant presentation, the Company has reclassified its consolidated financial statements for the previous consolidated fiscal year.

The Company applies the Business Combinations Accounting Standard and other standards in compliance with the transitional handling as set forth in Paragraph 58-2 (4) of the Business Combinations Accounting Standard, Paragraph 44-5 (4) of the Consolidated Accounting Standard, and Paragraph 57-4 (4) of the Business Divestiture Accounting Standard, and it has applied these standards from the beginning of the current consolidated fiscal year and will continue to apply them in the future.

In the Consolidated Statement of Cash Flows for the current consolidated fiscal year, cash flow pertaining to the acquisition of subsidiary shares not accompanying changes in the scope of consolidation is recorded in the “Cash flow from financing activities” segment, while cash flow pertaining to expenditure for related to the acquisition of subsidiary shares accompanying changes in the scope of consolidation is recorded in the “Cash flow from operating activities” segment. The effects of this change on the Company’s income and net assets figures for the current consolidated fiscal year are immaterial.

(Consolidated Balance Sheet Related)

* The following were held by the Company’s non-consolidated subsidiaries and affiliates.

(Unit: thousands of yen)

	FY 2014 (As of March 31, 2015)	FY 2015 (As of March 31, 2016)
Investment securities (shares)	118,042	184,518

(Consolidated Statement of Income Related)

*1 The following are included in net sales and cost of sales.

(Unit: thousands of yen)

	FY 2014 (April 1, 2014 ~ March 31, 2015)	FY 2015 (April 1, 2015 ~ March 31, 2016)
Provision of reserve for returned goods	152,223	86,297
Provision of reversal of reserve for returned goods	△140,520	△154,558
Total	11,703	△68,260

*2 A write-down of book value as a result of decreased profitability and loss on valuation of inventories included in the cost of sales were as follows.

(Unit: thousands of yen)

	FY 2014 (April 1, 2014 ~ March 31, 2015)	FY 2015 (April 1, 2015 ~ March 31, 2016)
Reduction in book value of inventories	5,638	29,078

*3 Total research and development costs included in cost of sales were as follows.

(Unit: thousands of yen)

	FY 2014 (April 1, 2014 ~ March 31, 2015)	FY 2015 (April 1, 2015 ~ March 31, 2016)
Research and development costs included in cost of sales	49,146	49,361

*4 In the breakdown of cost of sales and selling, general and administrative expenses, the main items and amounts were as follows.

(Unit: thousands of yen)

	FY 2014	FY 2015
	(April 1, 2014 ~ March 31, 2015)	(April 1, 2015 ~ March 31, 2016)
Salaries and allowances	2,104,469	1,742,583
Provision of allowance for bonuses	49,666	43,766
Retirement benefit expenses	175,889	15,978
Advertising expenses	2,353,953	1,915,743
Provision of allowance for doubtful accounts	△4,216	71,954

*5 Details of gains on the disposal of fixed assets were as follows.

(Unit: thousands of yen)

	FY 2014 (April 1, 2014 ~ March 31, 2015)	FY 2015 (April 1, 2015 ~ March 31, 2016)
Machinery, equipment and vehicles	—	990

*6 Details of losses on the disposal of fixed assets were as follows.

(Unit: thousands of yen)

	FY 2014 (April 1, 2014 ~ March 31, 2015)	FY 2015 (April 1, 2015 ~ March 31, 2016)
Buildings and structures	5,543	—
Machinery and transportation equipment	1,081	150
Tools, devices and equipment	129	316
Software	38,752	20,885
Other intangible fixed assets	4,448	290
Total	50,955	21,614

*7 Losses related to organizational reform

Previous consolidated fiscal year/FY 2014 (April 1, 2014 ~ March 31, 2015)

The Company has decided to work on organizational reform with a view to future entry into and rapid development of new fields of business by its consolidated subsidiary Nippon Columbia Co., Ltd. Expenses already incurred and expected future expenses in accordance with the career change support measures for organizational reform are recorded as losses related to organizational reform.

Current consolidated fiscal year/FY 2015 (April 1, 2015 ~ March 31, 2016)

Not applicable

*8 Impairment losses

Previous consolidated fiscal year/FY 2014 (April 1, 2014 ~ March 31, 2015)

The Faith Group recorded impairment losses concerning the following asset groups.

Location	Segment	Type
Minato Ward, Tokyo	Content Business	Software
Minato Ward, Tokyo	Columbia Business	Other intangible fixed assets

In the impairment loss calculation, the Faith Group has made a grouping based on segments and regarding unutilized assets has made a judgment as to the impairment loss on each asset.

For the current consolidated fiscal year, in consideration of prospective future earnings and future cash flow, the book value of unutilized assets is recorded as an impairment loss (¥116,534 thousand). The details are ¥106,534 thousand for software, and ¥10,000 thousand for other intangible fixed assets (master use rights).

Moreover, in the calculation of recoverable value, the impairment loss is measured while making the utility value zero.

Current consolidated fiscal year/FY 2015 (April 1 2015 ~ March 31, 2016)

The Faith Group recorded impairment losses concerning the following asset groups.

Location	Segment	Type
Minato Ward, Tokyo	Content Business	Software Other intangible fixed assets
Minato Ward, Tokyo	Columbia Business	Buildings and structures

In the impairment loss calculation, the Faith Group has made a grouping based on segments and regarding unutilized assets has made a judgment as to the impairment loss on each asset.

For the current consolidated fiscal year, in consideration of prospective future earnings and future cash flow, the book value of unutilized assets is recorded as an impairment loss (¥21,740 thousand). The details are ¥9,966 thousand for buildings and structures, ¥6,587 thousand for software, and ¥5,187 thousand for other intangible fixed assets.

Moreover, in the calculation of recoverable value, the impairment loss is measured while making the utility value zero.

*9 Impairment losses on goodwill

Previous consolidated fiscal year/FY 2014 (April 1, 2014 ~ March 31, 2015)

The Faith Group recorded the following impairment losses on goodwill.

Location	Segment	Type
Minato Ward, Tokyo	Content Business	Goodwill
Minato Ward, Tokyo	Columbia Business	Goodwill

With regard to the Company's subsidiaries, as a result of reconsidering profitability and future business plans, within the unamortized balance, the Company has recorded impairment losses of ¥2,062,591 thousand (Contents ¥245,140 thousand, Columbia ¥1,817,450 thousand).

Current consolidated fiscal year/FY 2015 (April 1 2015 ~ March 31, 2016)
Not applicable

*10 Losses on liquidation of overseas business
Previous consolidated fiscal year/FY 2014 (April 1, 2014 ~ March 31, 2015)
In view of the severe business environment surrounding the music industry in recent years, in order to concentrate its management resources into the Japanese domestic market, the Company decided to transfer through sale the entire equity interest held by its wholly-owned US consolidated subsidiary, resulting in the generation of losses that are recorded as losses on overseas business liquidation.

Location	Segment	Type
U.S.A	Columbia Business	Other intangible fixed assets
U.S.A.	Columbia Business	Tools, devices and equipment

These losses on liquidation of an overseas business are inclusive of impairment losses. Because it was decided to transfer the entire equity interest in this US consolidated subsidiary, independent asset groups were established and grouped into the minimum-sized cash flow-producing units. Based on the US Accounting Standard, concerning the other intangible fixed assets (master use rights) ¥77,461 thousand, and tools, devices and equipment ¥960 thousand of the aforementioned US consolidated subsidiary, for which the probability of the Company's recuperating the book value was judged to be low, the book value has been reduced to the net sale value. Moreover, the projected sale value has been used in setting the net sale value.

Current consolidated fiscal year/FY 2015 (April 1 2015 ~ March 31, 2016)
Not applicable

(Consolidated Statement of Comprehensive Income Related)
*Reclassification adjustment amount and tax effect amount of other comprehensive income

(Unit: thousands of yen)

	FY 2014 (April 1, 2014 ~ March 31, 2015)	FY 2015 (April 1, 2015 ~ March 31, 2016)
Valuation differences on other available-for-sale securities:		
Amount accrued in the current term	△35,270	△34,314
Reclassification adjustment amount	6	3,175
Before tax effect adjustment	△35,264	△31,139
Tax effect amount	23,170	14,844
Total valuation difference on other available-for-sale securities	△12,094	△16,294
Foreign currency translation adjustments:		
Amount accrued in the current term	10,639	△13,725
Reclassification adjustment amount	—	—
Before tax effect adjustment	10,639	△13,725
Tax effect amount	—	—
Foreign currency translation adjustment amount	10,639	△13,725
Adjustments for retirement benefit obligations:		
Amount accrued in the current term	34,381	△29,325
Reclassification adjustment amount	137,568	△76,993
Before tax effect adjustment	171,949	△106,319
Tax effect amount	—	—
Retirement benefit obligation adjustment amount	171,949	△106,319
Total other comprehensive income	170,494	△136,339

(Consolidated Statements of Changes in Shareholders' Equity Related)
Previous consolidated fiscal year/FY 2014 (April 1, 2014 ~ March 31, 2015)

1. Matters Related to Class and Total Numbers of Shares Issued and Shares of Treasury Stock

	Start of current consolidated fiscal year	Increase during current consolidated fiscal year	Decrease during current consolidated fiscal year	End of current consolidated fiscal year
Number of shares issued				
Common stock	1,196,000	—	—	1,196,000
Total	1,196,000	—	—	1,196,000
Treasury stock				
Common stock	569,670	405,920	110	975,480
Total	569,670	405,920	110	975,480

(Notes)
1. The increase of 405.920 shares in the total amount of treasury stock represents the increase of 404,200 shares due to the stock split of ordinary shares plus the increase of 1,720 shares due to the acquisition of an odd lot.
2. The decrease of 110 shares in the total amount of treasury stock is due to the transfer of odd-lot shares in response to purchase requests

2. Matters Related to Equity Warrants

Segment	Details	Class of shares	Number of shares				Balance at end of current consolidated fiscal year (thousands of yen)
			Start of current con-solidated fiscal year	Increase	Decrease	End of current con-solidated fiscal year	
Consolidated subsidiaries	Equity warrants as 2006 stock options	Common stock	1,000	—	—	1,000	1,135
	Equity warrants as 2007 stock options	Common stock	50,500	—	3,500	47,000	43,040
	Equity warrants as 2009 stock options	Common stock	28,500	—	—	28,500	14,415
Total			80,000	—	3,500	76,500	58,591

(Note) The decrease in the number of shares subject to equity warrant subscription rights as 2007 stock options is due to the expiry of purchasing rights.

3. Matters Related to Dividend Distribution
(1) Amounts of dividends paid

(Resolution)	Class of shares	Total amount of dividends (thousands of yen)	Dividend per share (yen)	Record date	Effective date
General Meeting of Shareholders held on June 27, 2014	Common stock	56,951	5	March 31, 2014	June 30, 2014
Board of Directors' Meeting held on November 11, 2014	Common stock	56,949	5	September 30, 2014	December 10, 2014

(2) Of dividends whose record date belongs to the current consolidated fiscal year, those whose effective date of dividend falls on the following consolidated fiscal year

(Resolution)	Class of shares	Total amount of dividends (thousands of yen)	Source of funds for dividends	Dividend per share (yen)	Record date	Effective date
General Meeting of Shareholders held on June 27, 2015	Common stock	54,922	Retained earnings	5	March 31, 2015	June 29, 2015

Current consolidated fiscal year/FY 2015 (April 1 2015 ~ March 31, 2016)

1. Matters Related to Class and Total Numbers of Shares Issued and Shares of Treasury Stock

	Start of current consolidated fiscal year	Increase during current consolidated fiscal year	Decrease during current consolidated fiscal year	End of current consolidated fiscal year
Number of shares issued				
Common stock	1,196,000	—	—	11,960,000
Total	1,196,000	—	—	11,960,000
Treasury stock				
Common stock	975,480	1,114,980	70	2,090,390
Total	975,480	1,114,980	70	2,090,390

(Notes)

1. The increase in the total amount of treasury stock represents the increase of 127,900 shares due to the purchase of treasury stock with money held in trust approved by a resolution of the Board of Directors, the increase of 985,650 shares in response to share purchase demands from dissenting shareholders, plus the increase of 430 shares due to the acquisition of an odd lot.
2. The decrease of 70 shares in the total amount of treasury stock is due to the transfer of odd-lot shares in response to purchase requests.

2. Matters Related to Equity Warrants

Segment	Details	Class of shares	Number of shares				Balance at end of current consolidated fiscal year (thousands of yen)
			Start of current consolidated fiscal year	Increase	Decrease	End of current con-solidated fiscal year	
Consolidated subsidiaries	Equity warrants as 2006 stock options	Common stock	1,000	—	—	1,000	1,135
	Equity warrants as 2007 stock options	Common stock	47,000	—	16,500	30,500	29,206
	Equity warrants as 2009 stock options	Common stock	28,500	—	4,000	24,500	12,392
Total			76,500	—	20,500	56,000	42,734

(Note) The decrease in the number of shares subject to equity warrant subscription rights as 2007 and 2009 stock options is due to the expiry of purchasing rights.

3. Matters Related to Dividend Distribution

(1) Amounts of dividends paid

(Resolution)	Class of shares	Total amount of dividends (thousands of yen)	Dividend per share (yen)	Record date	Effective date
General Meeting of Shareholders held on June 26, 2015	Common stock	54,922	5	March 31, 2015	June 29, 2015
Board of Directors' Meeting held on November 12, 2015	Common stock	49,350	5	September 30, 2015	December 10, 2015

(2) Of dividends whose record date belongs to the current consolidated fiscal year, those whose effective date of dividend falls on the following consolidated fiscal year

(Resolution)	Class of shares	Total amount of dividends (thousands of yen)	Source of funds for dividends	Dividend per share (yen)	Record date	Effective date
General Meeting of Shareholders held on June 29, 2016	Common stock	49,348	Retained earnings	5	March 31, 2016	June 30, 2016

4. Changes in the Amount of Shareholders' Equity

(Concerning the acquisition of treasury stock based on a resolution at the Board of Directors meeting)

Based on a resolution at the Board of Directors meeting held on December 5, 2014, the Company proceeded to acquire shares of its own stock.

① Type of treasury stock acquired
The Company's common stock

② Total number of shares of acquired stock
127,900 shares

③ Total stock acquisition price
¥201,673,000

④ Acquisition period
April 1, 2015 ~ April 30, 2015

⑤ Acquisition method
Market purchasing by means of the trust method

(Concerning the acquisition of treasury stock from shareholders opposed to the absorption-type corporate split involving a subsidiary)

Effective from July 1, 2015, the Company inherited the contents distribution platform development and production business of its100% subsidiary Faith Wonderworks Ltd. by means of the corporate split (absorption-type demerger) method. Regarding this absorption-type split, in response to a share purchase request from a shareholder opposed to the split based on Article 797, Paragraph 1 of the Companies Act, the Company carried out the treasury stock acquisition procedure outlined below.

① Number of shareholders to which share purchase requests were made
1

② Date of receipt of share purchase request
June 16, 2015

③ Number of shares for which purchase was requested
985,650 shares (equal to 8.24% of the Company's total number of issued shares as March 31, 2015)

④ Purchase price
¥1,579,996,000 (price per share: ¥1,603)

⑤ Purchase date
July 10, 2015

⑥ Acquisition method
Off-market trading

(Consolidated Statement of Cash Flows Related)

*1 The relation of the end-of-term balance of cash and cash equivalents and the amounts of the items listed on the Consolidated Balance Sheet

(Unit: thousands of yen)

	FY 2014 (April 1, 2014 ~ March 31, 2015)	FY 2015 (April 1, 2015 ~ March 31, 2016)
Cash and deposit accounts	13,135,625	12,680,124
Securities accounts	242,969	242,521
Term deposits with deposit terms of over 3 months	△4,032,309	△2,008,881
Cash and cash equivalents	9,346,285	10,913,765

*2 Breakdown of main assets and liabilities of companies that are newly consolidated subsidiaries of the Faith Group due to acquisition of their shares

Previous consolidated fiscal year/FY 2014 (April 1, 2014 ~ March 31, 2015)

(GLOBAL PLUS, INC.)

The following is a breakdown of the assets and liabilities of GLOBAL PLUS, INC. at the time of its incorporation as a newly consolidated subsidy of the Faith Group by means of a share acquisition, as well as the acquisition value of the company's shares, and the income resulting from the acquisition.

	(Unit: thousands of yen)
Current assets	219,031
Fixed assets	6,377
Goodwill	5,785
Current liabilities	△ 192,178
Fixed liabilities	△15,000
Minority interests	△8,936
Acquisition cost of shares in GLOBAL PLUS, INC.	15,080
Value of cash and cash equivalents of GLOBAL PLUS, INC.	△120,031
Deduction: Income resulting from the acquisition (net amount)	104,951

Current consolidated fiscal year/FY 2015 (April 1 2015 ~ March 31, 2016)
(Japan Music Network Inc.)
The following is a breakdown of the assets and liabilities of Japan Music Network Inc. at the time of its incorporation as a newly consolidated subsidy of the Faith Group by means of a share acquisition, as well as the acquisition value of the company's shares, and the income resulting from the acquisition.

	(Unit: thousands of yen)
Current assets	47,383
Fixed assets	139,336
Current liabilities	△5,887
Minority interests	△25,833
Acquisition cost of shares in Japan Music Network Inc.	155,000
Value of cash and cash equivalents of Japan Music Network Inc.	△10,992
Deduction: Income resulting from the acquisition (net amount)	△144,007

(Business Combination Related)
Current consolidated fiscal year/FY 2015 (April 1 2015 ~ March 31, 2016)
The Company acquired a controlling shareholding in Japan Music Network Inc.

(1) Overview of business combination

① Name and business contents of acquired company
Name: Japan Music Network Inc.
Business contents: Operation of music information site BARKS, etc.

② Main reason for proceeding with the business combination
The acquisition was conducted as part of the Company's strategy of growth and expansion of the Contents Business.

③ Date of business combination
October 6, 2015
Also, the Company is treating October 1, 2015 as the date on which it obtained control of Japan Music Network Inc.

④ Legal form of business combination
Share acquisition with cash as consideration (tender offer)

⑤ Name of company following acquisition
No change

⑥ Percentage of voting rights acquired
85.7%

⑦ Grounds for deciding to acquire company
The Company determined that cooperation between Japan Music Network Inc.'s Web Media Business and the Faith Group's Contents Business would be an appropriate means of attempting to increase the Faith Group's corporate value.

(2) Period of results of acquired company included in consolidated financial statements
The period from October 1, 2015 to March 31, 2016

(3) Acquisition cost of acquired company and breakdown of amount

(Unit: thousands of yen)

Acquisition value	Market price of common stock of Japan Music Network Inc.	155,000
Acquisition cost		155,000

(4) Amount of goodwill, reason for recognition, and method and period of amortization
Not applicable

(5) Amounts of assets acquired and liabilities assumed on date of business combination and breakdown

(Unit: thousands of yen)

Current assets	47,383
Fixed assets	139,336
Current liabilities	5,887

(6) Of the acquisition cost, amount allotted to intangible fixed assets apart from goodwill and segment-classified amortization period
Not applicable

(7) Estimated amount of effect on the Consolidated Statement of Income for the current consolidated fiscal year under the assumption that the business unification was completed on the first day of the current consolidated fiscal year, and its calculation method
Not applicable

(8) Details and amount of acquisition-related costs
This information has been omitted, as its impact on the Company's business performance is immaterial.

(Segment Information, etc.)

[Segment Information]

1. Outline of reportable segments

The Company's reportable segments provide separate financial information among its various structural units and also serve as objects of study when the Board of Directors periodically decide on the allocation of business resources and make performance appraisals.

The Company and several of its subsidiaries are engaged in the Content Business, which provides one-stop contents encompassing everything from planning and production of contents to design and construction of platforms and delivering these things to users. GoodyPoint Co., Ltd. is engaged in the Point Service Business, which provides points services. Nippon Columbia Co., Ltd. and its subsidiaries are engaged in the Columbia Business, which involves processing planned and produced contents including sound sources, videos, etc., into various products and sale of these products.

Accordingly, the Faith Group categorizes the Content Business, the Point Service Business, and the Columbia Business as its three reportable segments.

The Content Business involves contents delivery, delivery platform technology development, contents production, etc.

The Point Service Business involves sales of point systems, planning of promotions, planning, production and sales of sales promotion tools, etc.

The Columbia Business involves the processing of planned and produced contents including sound sources, videos, etc., into various products and the appropriate sale of these products.

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

The accounting method for reportable business segments is largely the same as the method for preparing 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 2014 (April 1, 2014 ~ March 31, 2015)

(Unit: thousands of yen)

	Reportable segment				Adjustment amount (1)	Amount recorded in Consolidated Financial Statements (2)
	Content	Point Service	Columbia	Total		
Sales						
Sales to external customers	4,550,295	2,454,853	12,591,914	19,597,063	—	19,597,063
Inter-segment sales or transfer amount	157,113	948	37,881	195,943	△195,943	—
Total	4,707,408	2,455,802	12,629,796	19,793,006	△195,943	19,597,063
Segment profit or loss (△)	168,112	26,093	△1,104,790	△910,585	18,605	△891,979
Segment assets	15,217,471	751,391	9,926,875	25,895,737	△60,598	25,835,139
Other items						
Depreciation expenses	255,024	12,896	100,315	368,236	△48	368,188
Amortization of goodwill	64,903	—	201388	266,192	—	266,192
Investment in equity-method affiliates	117,548	—	—	117,548	—	117,548
Increase in tangible and intangible fixed assets	381,969	29,861	62,862	474,693	—	474,693

(Notes)
1.The segment profit adjustment amount of ¥18,605 thousand and the depreciation expenses adjustment amount of △¥48 thousand for this consolidated fiscal year are calculated by eliminating intersegment transactions.
2.The segment assets adjustment amount eliminates intersegment transactions, etc.
3. Segment profit or loss is adjusted with operating loss in the consolidated financial statements.

Current consolidated fiscal year/FY 2015 (April 1 2015 ~ March 31, 2016)

(Unit: thousands of yen)

	Reportable segment				Adjustment amount (1)	Amount recorded in Consolidated Financial Statements (2)
	Content	Point Service	Columbia	Total		
Sales						
Sales to external customers	4,549,915	2,306,938	13,306,673	20,163,527	—	20,163,527
Inter-segment sales or transfer amount	135,170	2,224	36,441	173,836	△173,836	—
Total	4,685,086	2,309,162	13,343,115	20,337,363	△173,836	20,163,527
Segment profit	128,627	198,848	1,201,662	1,529,138	5,337	1,534,475
Segment assets	13,712,236	1,033,167	10,041,682	24,787,086	△74,902	24,712,183
Other items						
Depreciation expenses	238,331	14,111	109,268	361,711	△48	361,663
Amortization of goodwill	42,198	—	102,118	144,316	—	144,316
Investment in equity-method affiliates	128,807	—	—	128,807	—	128,807
Increase in tangible and intangible fixed assets	337,430	23,044	51,905	412,380	—	412,380

(Notes)
1.The segment profit adjustment amount of ¥5,337 thousand and the depreciation expenses adjustment amount of △¥48 thousand for this consolidated fiscal year are calculated by eliminating intersegment transactions.
2.The segment assets adjustment amount eliminates intersegment transactions, etc.
3. Segment profit is adjusted with operating income in the consolidated financial statements.

[Related Information]

Previous consolidated fiscal year/FY 2014 (April 1, 2014 ~ March 31, 2015)

1. Information by product and service

This information is omitted because similar information is disclosed in the segment information.

2. Information by region

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

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

3. Information on major customers

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

Current consolidated fiscal year/FY 2015 (April 1 2015 ~ March 31, 2016)

1. Information by product and service

This information is omitted because similar information is disclosed in the segment information.

2. Information by region

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

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

3. Information on major customers

Information on major customers is omitted because since 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 by Reportable Segment]

Previous consolidated fiscal year/FY 2014 (April 1, 2014 ~ March 31, 2015)

(Unit: thousands of yen)

	Content	Point Service	Columbia	Total	Company-wide/ elimination	Total
Impairment losses	106,534	—	10,000	116,534	—	116,534

Current consolidated fiscal year/FY 2015 (April 1 2015 ~ March 31, 2016)

(Unit: thousands of yen)

	Content	Point Service	Columbia	Total	Company-wide/ elimination	Total
Impairment losses	11,774	—	9,966	21,740	—	21,740

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

Previous consolidated fiscal year /FY 2014 (April 1, 2014 ~ March 31, 2015)

(Unit: thousands of yen)

	Content	Point Service	Columbia	Total	Company-wide/ elimination	Total
Year-end balance	4,301	—	1,936,089	1,940,390	—	1,940,390

(Note)

The amount of amortization of goodwill is omitted because the same information is shown in [Segment Information].

Current consolidated fiscal year/FY 2015 (April 1 2015 ~ March 31, 2016)

(Unit: thousands of yen)

	Content	Point Service	Columbia	Total	Company-wide/ elimination	Total
Year-end balance	125,126	—	1,834,190	1,959,316	—	1,959,316

(Note)

The amount of amortization of goodwill is omitted because the same information is shown in [Segment Information].

[Information on Gains on Negative Goodwill by Reportable Segment]

Previous consolidated fiscal year/FY 2014 (April 1, 2014 ~ March 31, 2015)

Not applicable

Current consolidated fiscal year/FY 2015 (April 1 2015 ~ March 31, 2016)

Not applicable

(Per Share Information)

(Unit: yen)

FY 2014 (April 1, 2014 ~ March 31, 2015)		FY 2015 (April 1 2015 ~ March 31, 2016)	
Net assets per share	1,540.233	Net assets per share	1,576.18
Net loss per share (△)	△295.46	Net income per share	63.86

(Notes)

1. The amount of net income per share fully diluted during the current consolidated fiscal year is not recorded because there was a net loss per share and because there are no residual shares.
2. Information on net income per share after full dilution for the current consolidated fiscal year is omitted because there are no residual shares with the potential to dilute stock value.
3. The basis of the calculation of net income or net loss (△) per share is as follows.

	FY 2014 (April 1, 2014 ~ March 31, 2015)	FY 2015 (April 1 2015 ~ March 31, 2016)
Net income or net loss (△) per share		
Net income or net loss (△) (thousands of yen)	△3,340,479	646,004
Amount not attributable to ordinary shareholders (thousands of yen)	—	—
Net income or net loss (△) applicable to common stock (thousands of yen)	△3,340,479	646,004
Average number of shares outstanding during the period (shares)	11,305,901	10,116,500
Overview of residual shares not included in the computation of diluted net income per share since they have no potential to dilute stock value	—	—

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

	FY 2014 (as of March 31, 2015)	FY 2015 (as of March 31, 2016)
Total amount of net assets (thousands of yen)	17,723,169	16,829,810
Amount deducted from total amount of net assets (thousands of yen)	804,529	1,273,549
(Minority interests)	(745,938)	(1,230,815)
(Share warrants)	(58,591)	(42,734)
Year-end net assets applicable to common stock (thousands of yen)	16,918,640	15,566,260
Term-end number of shares of common stock used in calculating net assets per share (shares)	10,984,520	9,869,610

(Significant Subsequent Events)
Not applicable

(Omission of Disclosure)
No notes are presented concerning information on lease transactions, financial instruments, marketable securities, derivative transactions, retirement benefits, stock options, etc., tax effective accounting, rental property and related parties because their amounts are considered too small and insignificant for presentation in the Brief Statement of Financial Results.