BRIEF STATEMENT OF ANNUAL FINANCIAL RESULTS FOR THE YEAR ENDED MARCH 2014 AND FORECASTS FOR THE YEAR ENDING MARCH 2015

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 14, 2014

Faith, Inc. (Stock code 4295, Listed on TSE 1st section)
(URL http://www.faith.co.jp/)
Representative; Hajime Hirasawa, CEO/President
Contact; Jiro Saeki, CFO/Director Tel: +81-03-5464-7633
Date of General Meeting of Shareholders: June 27, 2014
Date of Submission of Annual Security Report: June 30, 2014
Starting Date of the Dividend Payment: June 30, 2014
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 2014 (From April 1, 2013 to March 31, 2014)

(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 2014	6,340	△5.8	508	△49.8	586	△47.6	403	△63.7
March 2013	6,732	△79.9	1,013	△35.7	1,119	△36.4	1,111	△83.3

(Note) Comprehensive income: fiscal year ending March 2015: ¥357 million (68.9%); fiscal year ending March 2014: ¥1,148 million (△83.5%)

	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 2014	35.44	—	2.0	2.2	8.0
March 2013	96.95	—	5.5	4.9	15.1

(Reference) Equity in earnings of associated companies: fiscal year ending March 2014: ¥15 million/fiscal year ending March 2013: ¥52 million

(Note) With effect from October 1, 2013, the Company carried out a stock split of its common shares at a ratio of 10 shares per share. For this reason, the net income per share is calculated under the supposition that the stock split had taken place at the beginning of the previous consolidated fiscal year.

(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 2014	29,887	22,340	69.6	1,825.44
March 2013	22,611	20,552	90.9	1,803.89

(Reference) Equity capital: fiscal year ending March 2014: ¥20,792 million; fiscal year ending March 2013: ¥20,552 million

(Note) With effect from October 1, 2013, the Company carried out a stock split of its common shares at a ratio of 10 shares per share. For this reason, the net asset value per share is calculated under the supposition that the stock split had taken place at the beginning of the previous consolidated fiscal year.

(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 2014	1,715	4,093	△521	11,415
March 2013	△644	△1,569	△608	6,125

2. Dividends

	Dividends per Share					Total Dividend Payment (Annual)	Payout Ratio (Consolidated)	Dividend on Net Assets (Consolidated)
(Record dates)	1st Quarter	Interim	3rd Quarter	Year-end	Total (Annual)			
Year ending	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Millions of yen*	%	%
March 2014	—	50.00	—	50.00	100.00	114	10.3	0.6
March 2013	—	50.00	—	50.00	—	113	28.2	0.6
March 2015 (Forecast)	—	5.00	—	5.00	10.00		113.9	

(Note) With effect from October 1, 2013, the Company carried out a stock split of its common shares at a ratio of 10 shares per share.

3. Forecast for the Consolidated Results for the Year Ending March 2015 (from April 1, 2014 to March 31, 2015)

(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)	10,000	215.2	△160	−	△170	−	△250	−	△21.94
Full year	21,500	239.1	450	△11.5	430	△26.7	100	△75.2	8.77

※ Notes

(1) Changes in significant subsidiaries (accompanying changes in scope of consolidation): Applicable
Newly added subsidiaries: 1 company (subsidiary's name: Nippon Columbia Co., Ltd.)
For details, please refer to 4. Consolidated Financial Statements, (5) Notes Concerning the Consolidated Financial Statements, (Significant Matters That Constitute the Basis for Preparation of the Consolidated Financial Statements) on page 17 of the accompanying material.

(2) Changes in accounting policy, changes in accounting estimates, and restatements
(2)-1. Changes accompanying revisions of accounting standards, etc.: None
(2)-2. Changes other than the above: None
(2)-3. Changes in accounting estimates: None
(2)-4. Restatements: None

(3) Outstanding shares (common shares)
(3)-1. Outstanding shares at the end of the fiscal years (including treasury stock):
The fiscal year ending March 2014: 11,960,000 shares
The fiscal year ending March 2013: 11,960,000 shares
(3)-2. Treasury stock at the end of the fiscal year:
The fiscal year ending March 2014: 569,670 shares
The fiscal year ending March 2013: 566,570 shares
(3)-3. Average number of shares at the accounting period
The fiscal year ending March 2014: 11,392,053 shares
The fiscal year ending March 2013: 11,465,990 shares

(Note) With effect from October 1, 2013, the Company carried out a stock split of its common shares at a ratio of 10 shares per share. For this reason, the numbers of shares listed above are calculated under the supposition that the stock split had taken place at the beginning of the previous consolidated fiscal year.

(Reference) Overview of Non-Consolidated Results
Results for the Fiscal Year Ending March 2014 (From April 1, 2013 to March 31, 2014)

(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 2014	2,622	△17.7	△335	—	△223	—	△466	—
March 2013	3,185	△15.2	△19	—	25	△49.2	△136	—

	Net Income per Share	Diluted Net Income per Share
Year ending	*Yen*	*Yen*
March 2014	△40.91	—
March 2013	△11.93	—

(Note) With effect from October 1, 2013, the Company carried out a stock split of its common shares at a ratio of 10 shares per share. For this reason, the net income per share is calculated under the supposition that the stock split had taken place at the beginning of the previous consolidated fiscal year.

(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 2014	19,985	18,921	94.7	1,661.22
March 2013	20,953	19,560	93.4	1,716.84

(Reference) Equity capital: fiscal year ending March 2014: ¥18,921 million; fiscal year ending March 2013: ¥19,560 million
(Note) With effect from October 1, 2013, the Company carried out a stock split of its common shares at a ratio of 10 shares per share. For this reason, the net asset value per share is calculated under the supposition that the stock split had taken place at the beginning of the previous consolidated fiscal year.

* 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. (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 March 21, 2014.

Accompanying Material Contents

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

During the fiscal year under review, the Japanese domestic internet and mobile service markets exhibited firm expansion overall, and the number of smartphone users increased rapidly. During the one-year period from April 2013 to March 2014, while the number of users accessing the internet from a PC was 53,670,000, a decrease of approx. 6%, the number of users accessing the internet from a smartphone (including both app users and website visitors) was 39,780,000, an increase of approx. 38% (*1).

Regarding the sales composition ratio of music distribution, in 2012 the PC/smartphone vs. feature phone distribution ratio was 35:65, but in 2013 this reversed to 60:40 (*2), as PC/smartphone distribution came to dominate the music distribution market for the first time.

Moreover, the diffusion rate of SNS (Social Network Services) among internet users is expected to increase from 52% at the end of 2012 to over 65% three years later at the end of 2015 (*3)

(*1) Research by Nielsen Co., Ltd.
(*2) Research by the Recording Industry Association of Japan
(*3) Research by ICT Research & Consulting

In this market environment, based on 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, the Faith Group is moving ahead with the production of new content including music and video in order to be able to bring excellent high-value-added content to the market promptly. At the same time, the Company is proceeding with the provision of highly convenient services including new services for users of smartphones, for which popularization is accelerating.

Also, the Company has been carrying out various approaches in order to promote its “New 360° Strategy”, which encompasses making the most of various opportunities for encouraging contact between artists and fans, expanding their contact points, and striving to monetizing this as a business.

In the music market, in addition to traditional media, SNS are becoming more familiar. Following its acquisition in January 2014 of OK LIFE, Inc., which operates Japan’s largest-scale music SNS platform “OK Music”, as a consolidated subsidiary, the Company entered into a capital and business partnership in February with Revolver, Inc., operator of “Revolver”, an SNS platform for companies and creators. Also, in March, in order to establish a business model that can respond to the drastically changing market environment and to further strengthen our competitiveness and our response in fields of growth by boosting mutual cooperation, the Company made its equity-method affiliate Nippon Columbia, Co., Ltd., into a consolidated subsidiary by raising its shareholding through a tender offer.

The Faith Group’s net sales for the fiscal year ending March 2014 decreased by 5.8% compared with the previous fiscal year to ¥6,340 million, operating income decreased by 49.8% year on year to ¥508 million, and ordinary income decreased by 47.6% year on year to ¥586 million, and the Group recorded a net income for the fiscal year under review of ¥403 million, a decrease of 63.7% year on year.

In addition, with effect from October 1, 2013, the Company carried out a stock split of its common shares at a ratio of 10 shares per share, and in conjunction with this, the share trading unit in which the Company’s stock can be traded on the stock exchange has been changed from 1 share to 100 shares.

Information on each business segment is as follows.

<Content Business>

In both the Japanese domestic and international markets, the Faith Group is further strengthening its efforts to develop smartphone-use services centered on music, education, etc.

FaRao™, Japan’s first internet-based radio service equipped with a recommendation function, is also standard equipped with HIKARI BOX+ HB-1000, provided by NTT West Corporation. In addition, we are striving to realize an environment in which listeners can enjoy a wide variety of music services that match their diverse lifestyles, and towards this end, we began partnerships with Clarion Co., Ltd., and Pioneer Corporation in March 2014 toward the incorporation of FaRao™ in car navigation equipment.

Moreover, in October 2013, the Company newly launched ARTIST CROWD®, a crowd-sourcing service specialized for music production that allows people to use the internet to place orders concerning work to an indefinite number of others in a competition-style process and to advertise for contractors, etc.

In August 2013, the Company started an artist cultivation and development project, the Pop Icon Project Tokyo, with Nicola Formichetti, the well-known fashion director who collaborates with Lady Gaga. In order to discover girl vocal units that can represent Japan and enchant the world, we held auditions and following the final review we selected three successful candidates. In future, the Company intends to develop this project making maximum use of the Faith Group's diverse services and functions beginning with giving these new artists debuts from Nippon Columbia Co., Ltd.

In Kidzapplanet®, a worldwide intellectual training application brand for pre-school children that began service in February 2013, is offering a steadily increasing lineup of titles and has achieved growth as a popular intellectual application brand both in Japan and internationally. For example, seven titles including *Sukusuku Rhythmic! Sawatte Asobo! Wonder Rhythm*, have recorded a combined total of 800,000 downloads worldwide, and in November 2013, we released an app in collaboration the popular children's TV animation *Gambare! Ruru Roro.*

Also, in the Pick Mix Letter series, which allows users to make original video letters with ease, we have launched several new services that make use of popular characters. For instance, we newly released a *Kitty-chan no Nuigurumi* set menu in June 2013, and followed this up with the release of *Doraemon no Oiwai Video Letter*, in which the animation character Doraemon calls the recipient's name and celebrates their birthday, in March 2014, etc.

In addition, in March 2014, we released a photo SNS *Smile Log*®. The concept behind this service is that people can store memories of their relatives and close friends by sharing photos. This "smile log" is equipped with functions that help boost in-group communication such as allowing comments or "like!" recommendations to be attached to photos, decoration of photos using over 500 types of stamp, video addition, etc., and we are also planning to introduce a real album printing service.

In future, the Company will continue realize its "New 360° Strategy" by making maximum use of the diverse distribution services that reach the Faith Group's more than 10 million users and platforms that connect artists and fans.

As a result of the above, the Group recorded net sales in the Content Business for the fiscal year ending March 2014 of ¥5,007 million, a decrease of 5.6% compared with the previous fiscal year, in line with declining sales mainly in the ringtone business, while operating income decreased by 44.6% year on year to ¥467 million.

<Point Service Business>
In the Point Service Business, despite strengthened sales promotion at existing affiliated stores, etc., as well as an increase in revenue from new business ventures, the end of the government-administered reconstruction support home appliance eco-point system had a negative impact, resulting in net sales for this business of ¥1,332 million, a decline of 6.8% year on year. However, due to an increase in sales promotion expenses and an increase in new project expenses, this business recorded an operating income of ¥40 million, a decline of 76.1% year on year.

The business performance forecasts for next fiscal year (FY 2014) are as follows. As a consequence of acquiring Nippon Columbia Co., Ltd., as a consolidated subsidiary, etc., the Faith Group is currently forecasting net sales of ¥21,500 million (up 239.1% year-on-year). Also, in accordance with the decline in income in the Content Business and the effects of amortization for the goodwill, trademark purchases, etc. in connection with the acquisition of Nippon Columbia Co., Ltd., the Group is forecasting an operating income of ¥450 million (down 11.5% year-on-year), a ordinary income of ¥430 million (down 26.7% year-on-year), and a net income of ¥100 million (down 75.2% compared with FY 2013).

(Unit: millions of yen)

	FY2013 (Result) (a)	FY2014 (Forecast) (b)	Change (b) - (a)
Net sales	6,340	21,500	15,159
Operating income	508	450	△58
Ordinary income	586	430	△156
Net income	403	100	△303

(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, 2014 increased by ¥7,276 million from the end of the previous consolidated fiscal year to ¥29,887 million. This result was mainly due to increases in goodwill, cash and deposits, and notes and accounts receivable - trade in line with the acquisition of Nippon Columbia as a consolidated subsidiary despite a decrease in investment securities.

Total liabilities increased by ¥5,488 million compared with the end of the previous consolidated fiscal year to ¥7,547 million. This result was mainly due to increases in liabilities such as bills and trade accounts payable, accrued expenses payable and employee retirement benefits in line with the acquisition of Nippon Columbia Co., Ltd. as a consolidated subsidiary despite a decrease in liabilities following the repayment of long-term debt.

Net assets increased by ¥1,787 million compared with the end of the previous consolidated fiscal year to ¥22,340 million. This was mainly the result of an increase in minority interests in line with the acquisition of Nippon Columbia Co., Ltd. as a consolidated subsidiary, and of an increase in retained earnings due to the recording of net income for the current consolidated fiscal year. Also, the Faith Group's capital adequacy ratio decreased by 21.3 percentage points compared with the end of the previous consolidated fiscal year to 69.6%.

② Cash Flow

Cash and cash equivalents at the end of the consolidated fiscal year ended March 31, 2014 increased by ¥5,290 million (an 86.4% increase) from the end of the previous consolidated fiscal year to ¥11,415 million.

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

(Cash flow from operating activities)
Cash flow from operating activities amounted to an inflow of ¥1,715 million (compared with outflow of ¥644 million during the previous consolidated fiscal year), due mainly to the addition of depreciation expenses of ¥244 million and a loss on revaluation of investments in securities of ¥205 million to the Group's net income before taxes and other adjustments of ¥537 million, and also to the addition of ¥698 million in respect of a refunds on corporation tax paid.

(Cash flow from investing activities)
Cash flow from investing activities amounted to an inflow of ¥4,093 million (compared with an outflow of ¥1,569 compared during the previous consolidated fiscal year), due mainly to the posting of ¥7,192 million in income from withdrawals of existing term deposits and ¥1,913 million in income from the acquisition of shares in a subsidiary through a change in the scope of consolidation, despite the posting of ¥4,023 million in expenditure in respect of opening new term deposits.

(Cash flow from financing activities)
Cash flow from financing activities amounted to an outflow of ¥521 million (a decrease of 14.2% compared with the previous consolidated fiscal year), due mainly to posting of ¥399 million in expenditure in respect of repayment of long-term debt and of ¥112 million in respect of dividend payments.

(Reference) Movements in Cash Flow Associated Indicators

	FY 2011	FY 2012	FY 2013
Capital-to-asset ratio (%)	83.3	90.9	69.6
Market value-based capital-to-asset ratio (%)	48.9	53.6	40.2
Ratio of interest on interest-bearing debt to cash flow (years)	0.35	△1.18	0.65
Interest coverage ratio (multiple)	202.1	△90.4	336.0

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 payment
(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 shares.
(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 payment, 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), 16 subsidiaries and 6 affiliates, and is engaged mainly in the Content Business, the Point Service Business, and the Columbia Business.

The Faith Group's businesses and the relationship between the Company and the other group companies with regard to business operations are as follows. In addition, the following business segments are the same as the segments referred to in 4. Consolidated Financial Statements, (5) Notes Concerning the Consolidated Financial Statements, (Segment Information, etc.). The Group has changed its reportable segment classification with effect from the fiscal year under review. The details are given in 4. Consolidated Financial Statements, (5) Notes Concerning the Consolidated Financial Statements, (Segment Information, etc.) on page 29.

(1) Content Business

In the diversifying content market, the Group is promoting multi-platform-compatible multi-content distribution to users regardless of the network or terminal device used with the aim of creating a new content distribution framework for the emerging new market. As a comprehensive service provider, the Group is promoting 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. This business is conducted by Faith, Inc., Faith Wonderworks, Inc., and 13 other affiliates.

(2) Point Service Business

The Group is engaged in the Point Service Business, which is aimed at the retail industry. This business is conducted by 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. The businesses in question are conducted by Nippon Columbia Co., Ltd., Columbia Marketing Co., Ltd., Columbia Songs, Inc., Omagatoki Co., Ltd., C2 design Inc., and two other affiliated companies.

[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)

Content Business		
Japan	The Company (Faith, Inc.) Faith Wonderworks, Inc. Rightsscale, Inc. Future RECORDS, Inc. ENTERMEDIA INC. OK LIFE, Inc. Plus 1 other company *2. Japan Rights Clearance Inc. *2. Lync-Entertainments *2. FlyingPenguins Inc. *2, *3. Plus 2 other companies	Content distribution service provision ==================> Distribution platform development Content production services
Overseas	*1. Rightsscale USA, Inc. *1, *3. Plus 2 other companies	

Point Service Business		
Japan	GoodyPoint Co., Ltd.	Point service provision ===================>

Columbia Business		
Japan	Nippon Columbia Co., Ltd. Columbia Marketing Co., Ltd. Columbia Songs, Inc. Omagatoki Co., Ltd. C2 Design, Inc.	===================> Production, advertising and sales of audio, video and game software, etc., and music artist management
Overseas	CME, Inc. (USA) SLG, LLC. (USA)	

Our customers and clients

(Notes)

No mark: Consolidated subsidiaries

*1: Non-consolidated subsidiary to which the equity method is not applied

*2: Affiliates to which the equity method is applied

*3: Affiliates to which the equity method is not applied

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, 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 Business 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 on 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 mobile 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 an unprecedented Point Service Business that includes O2O 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 Business, 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. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: thousands of yen)

	FY 2012 (As of March 31, 2013)	FY 2013 (As of March 31, 2014)
(Assets)		
Current assets		
Cash and deposits	12,076,535	14,196,991
Accounts and notes receivable	930,681	3,238,570
Marketable securities	540,780	241,587
Commercial products	4,464	464,387
Products in progress	5,633	440,603
Primary materials and inventory goods	7,004	63,564
Corporation tax refund receivable, etc.	696,298	67,118
Deferred tax assets	224,075	286,638
Others	117,874	774,474
Allowance for doubtful accounts	△21,627	△74,763
Total current assets	14,581,719	19,699,173
Fixed assets		
Tangible fixed assets		
Buildings and structures	1,525,948	2,016,966
Accumulated depreciation	△257,859	△693,217
Buildings and structures (net base)	1,268,089	1,323,748
Machinery and delivery equipment	15,222	27,342
Accumulated depreciation	△11,699	△4,172
Machinery and delivery equipment (net base)	3,522	23,170
Tools, devices and equipment	829,738	797,288
Accumulated depreciation	△731,848	△667,463
Tools, devices and equipment (net base)	97,890	129,824
Land	1,500,895	1,501,684
Lease assets	—	914,368
Accumulated depreciation	—	△829,947
Lease assets (net base)	—	84,420
Total tangible fixed assets	2,870,397	3,062,848
Intangible fixed assets		
Software	282,269	442,145
Goodwill	16,269	4,247,061
Leased assets	15,913	22,807
Others	19,621	406,934
Total intangible fixed assets	334,074	5,118,948
Investment and other assets		
Investment securities	*1 4,761,282	*1 1,679,127
Others	63,890	623,900
Allowance for doubtful receivable	△225	△296,727
Total investments and other assets	4,824,948	2,006,300
Total fixed assets	8,029,420	10,188,097
Total assets	22,611,140	29,887,271

(Unit: thousands of yen)

	FY 2012 (As of March 31, 2013)	FY 2013 (As of March 31, 2014)
(Liabilities)		
Current liabilities		
Trade notes and accounts payable	203,006	1,243,213
Short-term loans	409,884	906,520
Lease obligations	4,453	51,491
Accrued expenses payable	122,399	2,062,945
Income taxes payable	145,492	73,763
Reserve for bonuses	73,914	70,403
Provision for point card certificates	175,091	191,510
Reserve for sales returns	—	148,890
Others	288,137	1,399,389
Total current liabilities	1,422,978	6,148,127
Fixed liabilities		
Long-term liabilities	333,400	105,400
Allowance for retirement benefits	127,394	—
Net defined retirement liabilities	—	996,110
Lease obligations	13,030	41,915
Deferred tax liabilities	156,077	209,823
Others	5,755	45,628
Total fixed liabilities	635,657	1,398,877
Total liabilities	2,058,636	7,547,004
(Net assets)		
Shareholder's equity		
Common stock	3,218,000	3,218,000
Capital surplus	3,708,355	3,708,355
Retained earnings	14,103,509	14,393,333
Treasury stock	△751,372	△754,679
Total shareholder's equity	20,278,491	20,565,008
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	283,308	227,400
Foreign currency translation adjustments	△9,296	—
Total other accumulated comprehensive income	274,012	227,400
Stock acquisition rights	—	61,949
Minority interests	—	1,485,909
Total net assets	20,552,504	22,340,267
Total liabilities and net assets	22,611,140	29,887,271

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

(Consolidated Statement of Income)

(Unit: thousands of yen)

	FY 2012 (April 1, 2012 ~ March 31, 2013)	FY 2013 (April 1, 2013 ~ March 31, 2014)
Net sales	6,732,576	6,340,217
Cost of sales	*2 *6 3,420,425	*2 *6 3,657,383
Gross profit	3,312,151	2,682,833
Selling, general and administrative expenses	*1 2,298,665	*1 2,174,105
Operating income	1,013,458	508,728
Non-operating income		
Interest income	30,217	16,838
Dividend income	6,395	7,096
Interest on securities	4,157	2,096
Exchange gain	18,069	3,501
Investment gain on equity method	52,114	15,303
Gain on investment partnership management	—	3,257
Interest on refund	—	18,837
Miscellaneous receipts	7,121	16,362
Total non-operating Income	118,075	83,292
Non-operating expenses		
Interest paid	7,119	5,044
Investment partnership losses	3,809	—
Miscellaneous expenses	1,464	737
Total non-operating expenses	12,392	5,782
Ordinary income	1,119,168	586,239
Extraordinary income		
Gain on disposal of fixed assets	*3 316	*3 2,833
Gain on disposal of investment securities	51,400	25,220
Gain on transfer of business	—	28,320
Gain on step acquisitions	—	164,191
Others	—	3,759
Total extraordinary income	51,716	224,325
Extraordinary losses		
Loss on disposal of fixed assets	*4 23,856	*4 32,390
Loss due to amortization	*5 93,428	—
Loss on valuation of investment securities	2,573	205,211
Overseas tax practice-related loss	11,892	7,491
Others	351	27,683
Total extraordinary losses	132,102	272,776
Net income before income taxes	1,038,782	537,788
Corporate, local, and business taxes	158,665	84,586
Income taxes - deferred	△206,124	49,416
Total corporate, local, and business taxes	△47,458	134,002
Net income before minority interests	1,086,240	403,785
Minority interests in income	△25,435	—
Net income for the current fiscal year	1,111,676	403,785

(Consolidated Statement of Comprehensive Income)

(Unit: thousands of yen)

	FY 2012 (April 1, 2012 ~ March 31, 2013)	FY 2013 (April 1, 2013 ~ March 31, 2014)
Net income before minority interests	1,086,240	403,785
Other comprehensive income		
Valuation difference on other available-for-sale securities	55,623	△55,790
Foreign currency translation adjustments	6,535	9,179
Total other comprehensive income	62,159	△46,611
Comprehensive income	* 1,148,399	* 357,174
(Details)		
Comprehensive income attributable to shareholders of the parent company	1,173,835	357,174
Comprehensive income attributable to minority interests	△25,435	0

(3) Consolidated Statement of Changes in Shareholders’ Equity

FY 2012 (April 1, 2012 ~ March 31, 2013)

In the tables below, use “year” or use “accounting period” but please be consistent.

(Unit: thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders’ equity
Balance at the beginning of the year	3,218,000	3,708,355	13,106,638	△651,377	19,381,616
Changes of items during the accounting period					
Cash dividend paid			△114,805		△114,805
Net gain or loss			1,111,676		1,111,676
Acquisition of treasury stock				△99,995	△99,995
Disposal of treasury stock					
Net changes in non-equity items during the accounting period					
Total changes of items during the accounting period	—	—	996,871	△99,995	896,875
Balance at the end of the accounting period	3,218,000	3,708,355	14,103,509	△751,372	20,278,491

	Accumulated other comprehensive income			Share acquisition rights	Minority Interests	Total net assets
	Valuation difference on other available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance at the beginning of the year	227,124	△15,270	211,853	—	25,435	19,618,905
Changes of items during the accounting period						
Cash dividend paid						△114,805
Net gain or loss						1,111,676
Acquisition of treasury stock						△99,995
Disposal of treasury stock						
Net changes in non-equity items during the accounting period	56,184	5,974	62,159		△25,435	36,723
Total changes of items during the accounting period	56,184	5,974	62,159	—	△25,435	933,598
Balance at the end of the accounting period	283,308	△9,296	274,012	—	—	20,552,504

FY 2013 (April 1, 2013 ~ March 31, 2014)

(Unit: thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the year	3,218,000	3,708,355	14,103,509	△751,372	20,278,491
Changes of items during the accounting period					
Cash dividend paid			△113,934		△113,934
Net gain or loss			403,785		403,785
Acquisition of treasury stock				△3,492	△3,492
Disposal of treasury stock			△28	185	157
Net changes in non-equity items during the accounting period					
Total changes of items during the accounting period			289,823	△3,307	286,516
Balance at the end of the year	3,218,000	3,708,355	14,393,333	△754,679	20,565,008

	Accumulated other comprehensive income			Share acquisition rights	Minority Interests	Total net assets
	Valuation difference on other available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance at the beginning of the year	283,308	△9,296	274,012	—	—	20,552,504
Changes of items during the accounting period						
Cash dividend paid						△113,934
Net gain or loss						403,785
Acquisition of treasury stock						△3,492
Disposal of treasury stock						157
Net changes in non-equity items during the accounting period	△55,907	9,296	△46,611	61,949	1,485,909	1,501,246
Total changes of items during the accounting period	△55,907	9,296	△46,611	61,949	1,485,909	1,787,762
Balance at the end of the year	227,400	—	227,400	61,949	1,485,909	22,340,267

(4) Consolidated Statement of Cash Flows

(Unit: thousands of yen)

	FY 2012 (April 1, 2012 ~ March 31, 2013)	FY 2013 (April 1, 2013 ~ March 31, 2014)
Cash flow from operating activities		
Income before income taxes and minority interests	1,038,782	537,788
Depreciation and amortization	291,850	244,922
Impairment loss	93,428	—
Amortization loss on goodwill	24,330	49,463
Increase/decrease in allowance for doubtful accounts	△8,248	△3,306
Increase/decrease in reserve for bonus	348	△3,510
Increase/decrease in allowance for unexercised sales promotion points	△33,050	16,418
Increase/decrease in allowance for retirement benefits	18,004	—
Increase/decrease in net defined retirement liabilities	—	△8,662
Interest and dividends income	△36,613	△23,935
Interest on securities	△4,157	△2,096
Interest paid	7,119	5,044
Gain or loss on foreign exchange (△ = gain)	△14,648	△3,156
Gain or loss on equity method investments (△ = gain)	△52,114	△15,303
Gain or loss on investment partnership management (△ = gain)	—	△3,257
Gain or loss on sale of investment securities (△ = gain)	△51,400	△25,220
Gain or loss on valuation of investment securities (△ = gain)	2,573	205,211
Gain or loss on sale of fixed assets (△ = gain)	△316	△2,833
Gain or loss on disposal of fixed assets (△ = gain)	23,856	32,390
Gain or loss on step acquisitions (△ = gain)	—	△164,191
Gain or loss on transfer of business (△ = gain)	—	△28,320
Increase/decrease in trade receivables (△ = increase)	178,646	166,746
Increase/decrease in inventory assets (△ = increase)	1,495	△32,969
Increase/decrease in trade payables	15,169	△12,959
Increase/decrease in consumption tax receivable (△ = increase)	10,929	△8,061
Increase/decrease in consumption tax payable	6,734	△10,190
Others	△126,190	1,479
Sub-total	1,386,527	911,489
Interest and dividends received	42,987	336,250
Interest paid	△7,129	△5,071
Income tax refunded	541	698,957
Income tax paid	△2,067,534	△226,162
Cash flow from operating activities	△644,607	1,715,463

(Unit: thousands of yen)

	FY 2012 (April 1, 2012 ~ March 31, 2013)	FY 2013 (April 1, 2013 ~ March 31, 2014)
Cash flow from investing activities		
Expenditure for opening of term deposits	△6,392,145	△4,023,238
Income from withdrawal of term deposits	5,190,000	7,192,145
Income from redemption of marketable securities	—	300,000
Expenditure for acquisition of tangible fixed assets	△39,289	△72,530
Income from sale of tangible fixed assets	71	5,000
Expenditure for acquisition of software	△176,866	△190,701
Expenditure for acquisition of investment securities	△286,637	△682,697
Income from sale of investment securities	61,400	26,220
Expenditure for acquisition of shares of affiliates	△4,900	△79,000
Expenditure for acquisition of shares of subsidiaries in line with changes in scope of consolidation	—	*2 △207,822
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	*2 1,913,528
Income from liquidation of subsidiaries	28,318	—
Expenditure for loans receivable	—	△3,120
Income from collection of loans receivable	3,705	3,240
Expenditure for security deposits	△315	△5,087
Income from collection of security deposits	40,189	5,087
Income from transfer of business	—	28,571
Others	6,539	△116,197
Net cash flow from investing activities	△1,569,929	4,093,397
Cash flow from financing activities		
Net increase (decrease) in short-term loans payable	9,900	—
Expenditure for repayment of lease obligations	△4,308	△5,723
Expenditure for repayment of long-term borrowing	△399,984	△399,984
Expenditure for acquisition of treasury stock	△99,995	△3,492
Income from sale of treasury stock	—	157
Payment of dividends	△113,804	△112,834
Net cash flow from financing activities	△608,192	△521,878
Effect of exchange rate on cash and cash equivalents	14,473	3,156
Net increase (decrease) in cash and cash equivalents	△2,808,256	5,290,140
Cash and cash equivalents at the beginning of the year	8,961,796	6,125,200
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	△28,338	—
Cash and cash equivalents at the end of the year	*1 6,125,200	*1 11,415,340

(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: 4 companies, current fiscal year: 14 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.
- SLG, LCC

Regarding Nippon Columbia Co., Ltd., and its six subsidiaries, in accordance with the acquisition of additional shares of Nippon Columbia stock during the current consolidated fiscal year, these companies have been included within the scope of consolidation from the end of the current consolidated fiscal year.

Moreover, ENTERMEDIA INC., OK LIFE, Inc. and one other company, for which the Company newly acquired a controlling shareholding during the current consolidated fiscal year, have been included within 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: 4 companies, current fiscal year: 4 companies

Names of major consolidated companies:

- Japan Rights Clearance Inc.
- Lync-Entertainments
- FlyingPenguins Inc.

FlyingPenguins Inc. and one other company, for which the Company newly acquired a controlling shareholding during the current consolidated fiscal year, have been included within the scope of application of equity method accounting.

Moreover, because in accordance with the acquisition of additional shares of Nippon Columbia Co., Ltd., this company has been included within the scope of consolidation from the end of the current consolidated fiscal year, this company and one other company have been excluded from the scope of application of equity method accounting.

(2) Non-consolidated companies to which the equity method is not applied (Rightsscale USA, Inc.) and affiliated companies (Dragon Eye Inc. and others) 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

Among the consolidated subsidiaries, GoodyPoint Co., Ltd. has a settlement date of February 28 as its balance sheet closing date. In producing the Consolidated Balance Sheet, each company's balance sheet as of their respective balance sheet closing dates is used apart from in the case of OK LIFE, Inc.. Moreover, among the consolidated subsidiaries, OK LIFE, Inc. has a settlement date of November 30, and in producing the Consolidated Balance Sheet, the Company has used financial statements based on a provisional statement of account dated February 28. However, necessary adjustments for consolidation have been made concerning important transactions that occurred between February 28 and the consolidated settlement date of March 31.

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 the Company and some of its 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 lifetimes of the main types of intangible fixed assets are between 5 and 12 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. Among the financial lease transactions outside of transfer of ownership, in cases where the lease transaction start date was on or before March 31, 2008, account processing is conducted in accordance with the ordinary lease transaction method.

(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
In the calculation of retirement benefit liabilities and expenses, for the Company and certain subsidiaries apply the simplified method in calculating the provision for retirement benefits, which assumes all employees voluntarily terminate their employment at the end of the year. The other consolidated subsidiaries apply the following methods.

1) Attribution of expected retirement benefit payments
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) Actuarial gains and losses and prior service cost
Transition obligation for the retirement benefit liabilities is amortized equally over 15 years.
Prior service costs 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.

(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 by being translated 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)

- Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012)
- Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

(1) Summary

This accounting standard was revised based on the standpoints of improving financial reporting and on international trends in order to enhance disclosure, centered on the treatment of unrecognized actuarial gains and losses and unrecognized prior service costs, and calculation of retirement benefit obligation and service costs.

(2) Effective date

The amendment of the calculation method for the present value of retirement benefit obligation and service costs is scheduled to be adopted from the beginning of the fiscal year ending March 31, 2015.

(3) Impact of adoption

The effect of adopting this revised accounting standard on the consolidated financial statements was under assessment as at the time of preparation of these consolidated financial statements.

- Accounting Standard for Business Combinations (ASBJ Statement No. 21, issued on September 13, 2013)
- Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, issued on September 13, 2013)
- Accounting Standard for Business Divestitures (ASBJ Statement No. 7, issued on September 13, 2013)
- Accounting Standard for Earnings Per Share (ASBJ Statement No. 2, issued on September 13, 2013)
- Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, issued on September 13, 2013)
- Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, issued on September 13, 2013)

(1) Summary

These accounting standards have been revised centered on the following points: ① Treatment of changes in ownership interests as equity transactions where control continues through the purchase of additional shares of subsidiary companies; ② treatment of expenses at the time of acquisition; ③ presentation of net income for the current term and changes from minority interests to non-controlling interests; and ④ provisional accounting treatment.

(2) Effective date

The adoption of these accounting standards is scheduled for the start of the fiscal year ending March 2016. Also, the schedule calls for provisional accounting treatment to be applied from business combinations carried out from the beginning of the fiscal year ending March 2016.

(3) Impact of adoption

As of the time of the preparation of these consolidated financial statements, the impact of the adoption of these accounting standards is under evaluation.

(Changes in Presentation Methods)

(Consolidated Balance Sheet)

In the previous consolidated fiscal year, the Company reported the "Accrued expenses payable" in

"Other" under current liabilities. The Company has reported this item separately for the current consolidated fiscal year because the amount exceeded 5% of total liabilities. To reflect this change in reporting method, the Company has made certain reclassifications to its consolidated financial statements for the prior consolidated fiscal year.

As a result, ¥411,137 thousand that was reported in "Other" under current liabilities in the Consolidated Balance Sheet in the previous consolidated fiscal year has been reclassified, with ¥122,399 thousand reported in "Accrued expenses payable" and ¥288,737 thousand reported in "Other."

The item reported as "Allowance for retirement benefits" in the previous consolidated fiscal year is reported as "Net defined retirement liabilities" from the current consolidated fiscal year, in line with the application of Accounting Standard for Retirement Benefits (ASBJ Statement No.26, released on May 17, 2012, hereinafter referred to as Retirement Benefit Accounting Standard) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25, released on May 17, 2012, hereinafter referred to as Retirement Benefit Accounting Guidance).

In applying the Retirement Benefit Accounting Standard, etc., in accordance with transitional provisions prescribed in Section 37 of the Retirement Benefit Accounting Standard, the presentation has not been restated.

(Additional Information)

Not applicable

(Consolidated Balance Sheet Related)

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

(Unit: thousands of yen)

	FY 2012 (As of March 31, 2013)	FY 2013 (As of March 31, 2014)
Investment securities (shares)	3,679,186	125,425

*2. Assets including title retention

(Unit: thousands of yen)

	FY 2012 (As of March 31, 2013)	FY 2013 (As of March 31, 2014)
Internal facilities at subsidiary's headquarters (Buildings and structures)	—	37,224

(Consolidated Statement of Income Related)

*1 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 2012 (April 1, 2012 ~ March 31, 2013)	FY 2013 (April 1, 2013 ~ March 31, 2014)
Executive compensation	158,185	162,755
Salaries and allowances	580,699	595,883
Provision of allowance for bonuses	53,350	64,347
Retirement benefit expenses	24,406	19,617
Commission paid	457,609	420,664
Advertising expenses	362,940	331,173
Provision of allowance for doubtful accounts	2,576	△291
Amortization of goodwill	24,330	24,095

*2 Total research and development costs included in current term manufacturing costs were as follows.

(Unit: thousands of yen)

	FY 2012 (April 1, 2012 ~ March 31, 2013)	FY 2013 (April 1, 2013 ~ March 31, 2014)
	41,813	47,184

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

(Unit: thousands of yen)

	FY 2012 (April 1, 2012 ~ March 31, 2013)	FY 2013 (April 1, 2013 ~ March 31, 2014)
Machinery, equipment and vehicles	316	2,833

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

(Unit: thousands of yen)

	FY 2012 (April 1, 2012 ~ March 31, 2013)	FY 2013 (April 1, 2013 ~ March 31, 2014)
Buildings and structures	1,223	128
Tools, devices and equipment	331	3,040
Software	22,301	29,221
Total	23,856	32,390

*5 Impairment losses

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

Previous consolidated fiscal year/FY 2012 (April 1, 2012 ~ March 31, 2013)

Location	Intended purpose	Type
Minato Ward, Tokyo	Content distribution system	Software, etc.
Minato Ward, Tokyo	Unutilized assets	Long-term prepaid expenses (including those which shall be expenses within a year)

In the impairment loss calculation, the Faith Group conducts capital grouping in the smallest possible units that generate a cash flow that is mostly independent of other assets or asset group cash flows. For the current consolidated fiscal year, in consideration of prospective future earnings and future cash flow, the book value of the content distribution system is recorded as an impairment loss (¥80,928 thousand). In consideration of prospective future earnings and cash flow, the book value of unutilized assets is recorded as an impairment loss (¥12,500 thousand). Moreover, in the calculation of recoverable value, the impairment loss is measured while making the utility value zero.

Current consolidated fiscal year/FY 2013 (April 1 2013 ~ March 31, 2014)
Not applicable

*6 The term-end inventory amount is the amount remaining after a book value write-down in accordance with a decline in earnings. The following inventory asset appraised losses were in included in the cost of sales.

(Unit: thousands of yen)

FY 2012 (April 1, 2012 ~ March 31, 2013)	FY 2013 (April 1, 2013 ~ March 31, 2014)
640	1,539

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

(Unit: thousands of yen)

	FY 2012 (April 1, 2012 ~ March 31, 2013)	FY 2013 (April 1, 2013 ~ March 31, 2014)
Valuation differences on other available-for-sale securities:		
Amount accrued in the current term	85,614	△61,342
Reclassification adjustment amount	—	△25,220
Before tax effect adjustment	85,614	△86,562
Tax effect amount	△29,991	30,771
Total valuation difference on other available-for-sale securities	55,623	△55,790
Share of comprehensive income of equity method affiliates:		
Amount accrued in the current term	6,535	3,937
Reclassification adjustment amount	—	5,241
Total other comprehensive income	62,159	△46,611

(Consolidated Statements of Changes in Shareholders' Equity Related)
Previous consolidated fiscal year/FY 2012 (April 1, 2012 ~ March 31, 2013)
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	47,950	8,707	—	56,657
Total	47,950	8,707	—	56,657

Note: The increase of 8,707 shares in the amount of treasury stock of common stock was the result of a resolution by the Board of Directors to acquire these shares.

2. Matters Related to Equity Warrants
Not applicable

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 28, 2012	Common stock	57,402	50	March 31, 2012	June 29, 2012

Board of Directors' Meeting held on November 13, 2012	Common stock	57,402	50	September 30, 2012	December 10, 2012

(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, 2013	Common stock	56,967	Retained earnings	50	March 31, 2013	June 28, 2013

Current consolidated fiscal year/FY 2013 (April 1 2013 ~ March 31, 2014)

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	10,764,000	—	11,960,000
Total	1,196,000	10,764,000	—	11,960,000
Treasury stock				
Common stock	56,657	513,153	140	569,670
Total	56,570	513,153	140	569,670

Notes:

1. The increase of 10,764,000 shares in the total number of shares of common stock issued is in accordance with the Company's stock split at a ratio of 10 ordinary shares for each ordinary share.
2. The increase of 513,153 shares in the total number of treasury stock of common stock represents the increase of 509,913 shares due to the stock split of ordinary shares plus the increase of 3,240 shares due to the acquisition of an odd lot.
3. The decrease of 140 shares in the total number of treasury stock of common stock is due to a request to purchase an odd lot.

2. Matters Related to Equity Warrants

Not applicable

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, 2013	Common stock	57,967	50	March 31, 2013	June 28, 2013
Board of Directors' Meeting held on November 12, 2013	Common stock	57,967	50	September 30, 2013	December 9, 2013

(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, 2014	Common stock	56,951	Retained earnings	5	March 31, 2014	June 30, 2014

Note: With effect from October 1, 2013, the Company carried out a stock split of its common shares at a ratio of 10 shares per share, and in conjunction with this, the share trading unit in which the Company's stock can be traded on the stock exchange was changed to 100 shares. Concerning the dividend per share announced at the General Meeting of Shareholders, the amount reported reflects the result of the share split.

(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 2012 (April 1, 2012 ~ March 31, 2013)	FY 2013 (April 1, 2013 ~ March 31, 2014)
Cash and deposit accounts	12,076,535	14,196,991
Securities accounts	540,780	241,587
Term deposits with deposit terms of over 3 months	△6,192,145	△3,023,238
Securities other than cash equivalents	△299,970	—
Cash and cash equivalents	6,125,200	11,415,340

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

(Nippon Columbia Co., Ltd.)

The following is a breakdown of the assets and liabilities of Nippon Columbia Co., Ltd., an affiliate of Faith under the equity method, at the time of its incorporation as a newly consolidated subsidy of the Faith Group by means of an additional share acquisition, as well as the acquisition value of the company's shares, and the income (net amount) resulting from the acquisition.

(Unit: thousands of yen)

Current assets	7,940,075
Fixed assets	1,053,038
Goodwill	3,936,714
Current liabilities	△4,776,821
Fixed liabilities	△1,124,380
Minority interests	△1,485,909
Stock acquisition rights	△61,949
Acquisition cost of shares in Nippon Columbia Co., Ltd.	5,480,768
Value of shares in Nippon Columbia Co., Ltd. (existing holdings)	△3,498,719
Value of cash and cash equivalents of Nippon Columbia Co., Ltd.	△3,895,577
Deduction: Income resulting from the acquisition (net amount)	1,913,528

(OK LIFE, Inc.)

The following is a breakdown of the assets and liabilities of OK LIFE, 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 expenditure resulting from the acquisition.

(Unit: thousands of yen)

Current assets	113,821
Fixed assets	2,935
Goodwill	289,851
Current liabilities	△48,147
Fixed liabilities	△84,760
Acquisition cost of shares in OK LIFE, Inc.	273,700
Value of cash and cash equivalents of OK LIFE, Inc.	△102,803
Deduction: Expenditure resulting from the acquisition	170,896

(ENTERMEDIA INC.)

The following is a breakdown of the assets and liabilities of ENTERMEDIA 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 expenditure resulting from the acquisition.

	(Unit: thousands of yen)
Current assets	113,934
Fixed assets	15,337
Goodwill	31,710
Current liabilities	△108,328
Fixed liabilities	△9,494
Acquisition cost of shares in ENTERMEDIA INC.	43,250
Value of cash and cash equivalents of ENTERMEDIA INC.	△6,323
Deduction: Expenditure resulting from the acquisition	36,926

(Business Combination Related)
Business Combinations Through Acquisition

1. Nippon Columbia Co., Ltd.
   In accordance with Faith's acquisition of additional ordinary shares of Nippon Columbia stock by means of a public tender offer, Nippon Columbia Co., Ltd. and its six subsidiaries became consolidated subsidiaries of Faith Inc. on March 26, 2014.

(1) Overview of business combination

① Name and business contents of acquired company

Name: Nippon Columbia Co., Ltd.

Business contents: Production, advertising and sales of audio, video and game software, etc., and music artist management

② Main reason for proceeding with the business combination

A judgment was reached that it was desirable for Nippon Columbia Co., Ltd. to become a consolidated subsidiary of Faith Inc. in order to further improve the corporate value of both companies by strengthening the music-related service business partnership between them and facilitating the mutual provision and use of their assets and business resources form the basis of their respective businesses.

③ Date of business combination

March 26, 2014

Also, Faith Inc. is treating March 31, 3014 as the date on which it obtained control of Nippon Columbia, Co., Ltd.

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

Percentage of voting rights held prior to business combination:	33.2%
Percentage of voting rights acquired on the date of business combination:	17.7%
Percentage of voting rights held after business combination:	51.0％

Note: The percentage of voting rights was calculated using the number of voting rights (134,929 units) relating to the number of shares of Nippon Columbia Co., Ltd. (13,492,912 shares)—which corresponds to the number derived by deducting the number of shares of treasury stock held by Nippon Columbia Co., Ltd. as of March 31, 2014 (19,958 shares) stated in said securities report from the total number of issued shares of Nippon Columbia Co., Ltd. as of March 31, 2014 (13,512,870 shares)—as the denominator.

⑦ Grounds for determining acquiring company

Faith Inc. is the acquiring company because it has acquired 51% of the voting rights of Nippon Columbia Co., Ltd. as a result of a cash acquisition of shares.

(2) Period of results of acquired company included in consolidated financial statements

Because the acquired company's settlement date is March 31, and the acquisition date was March 31, 2014, the acquired company's business performance is not included in the Faith Group's consolidated financial statement for the current fiscal year. However, because the acquired company was an equity method affiliate during the period in question, its business performance from April 1 2013 to March 31, 2014 is recorded as a "Gain or loss on equity method investments".

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

(Unit: thousands of yen)

Acquisition value	Market price of common stock of the acquired company held prior to business combination	3,498,719
	Market price of common stock of the acquired company additionally acquired on date of business combination	1,864,494
Expenses directly required for acquisition	Advisory expenses, etc.	117,553
Acquisition cost		5,480,768

(4) Difference between acquisition cost of acquired company and total amount of acquisition cost of each transaction: ¥164,191 thousand

Also, in the Consolidated Statement of Income, this amount is recorded as a "Gain on step acquisitions" under "Extraordinary income".

(5) Amount of goodwill, reason for recognition, and method and period of amortization

① Amount of goodwill: ¥3,936,714 thousand

② Reason for recognition of goodwill

Additional income generating power can be expected to emerge from future business development.

③ Method and period of amortization of goodwill

Amortized by the straight-line method over 20 years.

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

(Unit: thousands of yen)

Current assets	7,940,075
Fixed assets	818,038
Total assets	8,758,113
Current liabilities	4,776,821
Fixed liabilities	1,040,626
Total liabilities	5,817,447

(7) Of the acquisition cost, amount allotted to intangible fixed assets apart from goodwill and amortization period

(Unit: thousands of yen)

Breakdown by main category	Amount	Amortization period
Trademark rights	235,000	20 years

(8) 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

(Unit: thousands of yen)

Net sales	13,975,489
Operating income	74,495
Ordinary income	129,767
Net loss for current fiscal	83,364

(Calculation method of estimated amounts)

The difference between net sales and profit and loss information calculated on the assumption that the business combination was completed as of the start of the current consolidated fiscal year and the net sales and profit and loss information recorded on the Company's Consolidated Statement of Income is defined as the estimated amount of effect. The amount of effect is calculated as if the goodwill recognized at the time of the business combination had occurred at the start of the current consolidated fiscal year. The estimate amount of effect has not received audit certification.

2. OK LIFE, Inc.

In accordance with Faith's acquisition of shares of OK LIFE, Inc. stock and with the decision to accept new shares issued through a third-party allotment, OK LIFE, Inc. became a consolidated subsidiary of Faith as of January 29, 2014.

(1) Overview of business combination

① Name and business contents of acquired company

Name: OK LIFE, Inc.

Business contents: Operation of social music site OKMusic, entrusted development of Web software, editing and publishing of free paper *okmusic UP's*, etc.

② Main reason for proceeding with the business combination

By welcoming OK LIFE, Inc. into the Faith Group, Faith Inc. will be able construct mutual links with the other distribution services that reach the Group's customer base of over 10 million users as well as with the various platforms that connect artists and fans. In addition, even greater business synergies can be expected in line with prospective developments in the O2O business field, such as the Faith Group's e-tickets, distribution services and point solutions through links with the free music-specialist paper *okmusic UP's,* which has a circulation of more than 120,000 copies.

③ Date of business combination

January 29, 2014

Also, Faith Inc. is treating February 28, 2014 as the date on which it obtained control of OK LIFE, 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

59.3%

⑦ Grounds for determining acquiring company

Faith Inc. is the acquiring company because it has acquired 59.3% of the voting rights of OK LIFE, Inc. as a result of a cash acquisition of shares and a third-party allocation of nee shares.

(2) Period of results of acquired company included in consolidated financial statements

OK LIFE, Inc.'s settlement date is November 30, but it produced a provisional settlement of accounts on February 28, 2014. Because the date of acquisition was also February 28, 2014, the acquired company's business results are not included in the Faith Group's settlement of accounts for the current consolidated fiscal year.

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

(Unit: thousands of yen)

Acquisition value	Cash and deposits	270,000
Expenses directly required for acquisition	Due diligence expenses, etc.	3,700
Acquisition cost		273,700

(4) Amount of goodwill, reason for recognition, and method and period of amortization

① Amount of goodwill: ¥289,851 thousand

② Reason for recognition of goodwill

Additional income generating power can be expected to emerge from future business development.

③ Method and period of amortization of goodwill

Amortized by the straight-line method over 5 years.

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

(Unit: thousands of yen)

Current assets	113,821
Fixed assets	2,935
Total assets	116,756
Current liabilities	48,147
Fixed liabilities	84,760
Total liabilities	132,908

(6) Of the acquisition cost, amount allotted to intangible fixed assets apart from goodwill and 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

(Unit: thousands of yen)

Net sales	82,704
Operating loss	66,724
Ordinary loss	68,770
Net loss for current fiscal	137,981

(Calculation method of estimated amounts)

The difference between net sales and profit and loss information calculated on the assumption that the business combination was completed as of the start of the current consolidated fiscal year and the net sales and profit and loss information recorded on the Company's Consolidated Statement of Income is defined as the estimated amount of effect. The amount of effect is calculated as if the goodwill recognized at the time of the business combination had occurred at the start of the current consolidated fiscal year.

The estimate amount of effect has not received audit certification.

(Segment Information, etc.)

a. 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 Faith Group conducts services centered on developing 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, and the Point Service Business.

As a result of the acquisition of additional shares of stock in Nippon Columbia Co., Ltd., by means of a public tender offer that took place in March 2014, Nippon Columbia Co., Ltd. and its subsidiaries have been included as consolidated subsidiaries of Faith from the end of the current consolidated fiscal year. Accordingly, the Company has reorganized its business segment classification method so that the existing classification into two segments of the Content Business and the Point Service Business has been changed to a classification into the three segments of the Content Business, the Point Service Business, and the Columbia Business. Moreover, in keeping with this change, segment information for the previous consolidated fiscal year produced based on the revised reportable segment classification is displayed.

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 profit of reportable segments, the operating income base figure is 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 2012 (April 1, 2012 ~ March 31, 2013)

(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	5,303,090	1,429,486	—	6,732,576	—	6,732,576
Inter-segment sales or transfer amount	15,698	—	—	15,698	△15,698	—
Total	5,318,788	1,429,486	—	6,748,275	△15,698	6,732,576
Segment profit	843,513	169,414	—	1,012,927	558	1,013,485
Segment assets	19,031,610	466,678	3,600,502	22,632,113	△20,972	22,611,140
Other items						
Depreciation expenses	283,899	7,998	—	291,898	△48	291,850
Amortization of goodwill	24,330	—	—	24,330	—	24,330
Investment in equity-method affiliates	78,190	—	3,600,502	3,678,692	—	3,678,692
Increase in tangible and intangible fixed assets	207,396	11,181	—	218,578	△2,422	216,156

Note 1. The segment profit adjustment amount of ¥558 thousand, the depreciation expenses adjustment amount of △¥48 thousand and the increase in tangible and intangible fixed assets amount of △¥2,422 thousand for this consolidated fiscal year are calculated by eliminating intersegment transactions.

Note 2. Segment profit is adjusted with operating income in the consolidated financial statements.

Current consolidated fiscal year/FY 2013 (April 1 2013 ~ March 31, 2014)

(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	5,007,656	1,332,560	—	6,340,217	—	6,340,217
Inter-segment sales or transfer amount	18,258	368	—	18,627	△18,627	—
Total	5,025,915	1,332,929	—	6,358,844	△18,627	6,340,217
Segment profit	467,151	40,546	—	507,697	1,030	508,728
Segment assets	16,540,801	463,782	12,929,827	29,934,410	△47,138	29,887,271
Other items						
Depreciation expenses	237,328	7,641	—	244,970	△48	244,922
Amortization of goodwill	24,095	—	—	24,095	—	24,095
Investment in equity-method affiliates	124,931	—	—	124,931	—	124,931
Increase in tangible and intangible fixed assets	262,813	417	—	263,231	—	263,231

Note 1. The segment profit adjustment amount of ¥1,030 thousand and the depreciation expenses adjustment amount of △¥48 thousand for this consolidated fiscal year are calculated by eliminating intersegment transactions.

Note 2. Segment profit is adjusted with operating income in the consolidated financial statements.

b. Related Information

Previous consolidated fiscal year/FY 2012 (April 1, 2012 ~ March 31, 2013)

1. Information by product and service
   Information by product and service 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

(Unit: thousands of yen)

Customer name	Sales amount	Related segment name
NTT DoCoMo, Inc.	2,138,957	Content Business
XING INC.	1,723,874	Content Business
Kirindo Co., Ltd.	703,939	Point Service Business

Current consolidated fiscal year/FY 2013 (April 1 2013 ~ March 31, 2014)

1. Information by product and service
   Information by product and service 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

(Unit: thousands of yen)

Customer name	Sales amount	Related segment name
NTT DoCoMo Inc.	1,904,000	Content Business
XING INC	1,461,967	Content Business
Kirindo Co., Ltd.	749,594	Point Service Business

c. Information on Impairment Losses on Fixed Assets by Reportable Segment

Previous consolidated fiscal year/FY 2012 (April 1, 2012 ~ March 31, 2013)

(Unit: thousands of yen)

	Content	Point Service	Columbia	Total	Company-wide/ elimination	Total
Impairment loss	93,428	—	—	93,428	—	93,428

Current consolidated fiscal year/FY 2013 (April 1 2013 ~ March 31, 2014)

Not applicable

d. Information on Amortization of Goodwill and Unamortized Balance for Each Reportable Segment

Previous consolidated fiscal year /FY 2012 (April 1, 2012 ~ March 31, 2013)

(Unit: thousands of yen)

	Content	Point Service	Columbia	Total	Company-wide/ elimination	Total
Current term amortization	24,330	—	—	24,330	—	24,330
Year-end balance	16,269	—	—	16,269	—	16,269

Current consolidated fiscal year/FY 2013 (April 1 2013 ~ March 31, 2014)

(Unit: thousands of yen)

	Content	Point Service	Columbia	Total	Company-wide/ elimination	Total
Current term amortization	24,095	—	—	24,095	—	24,095
Year-end balance	292,784	—	3,954,2767	4,247,061	—	4,247,061

e. Information on Gains on Negative Goodwill by Reportable Segment

Previous consolidated fiscal year/FY 2012 (April 1, 2012 ~ March 31, 2013)

Not applicable

Current consolidated fiscal year/FY 2013 (April 1 2013 ~ March 31, 2014)

Not applicable

(Per Share Information)

(Unit: yen)

FY 2012 (April 1, 2012 ~ March 31, 2013)		FY 2013 (April 1 2013 ~ March 31, 2014)	
Net assets per share	1,803.89	Net assets per share	1,825.44
Net income per share	96.95	Net income per share	35.44

(Note 1) The amount of net income per share fully diluted during the current consolidated fiscal year is not recorded because there are no dilutive shares at this time.

(Note 2) With effect from October 1, 2013, the Company carried out a stock split of its common shares at a ratio of 10 shares per share. For this reason, the net asset value per share is calculated under the supposition that the stock split had taken place at the beginning of the previous consolidated fiscal year.

(Note 3) The basis of the calculation of net income per share and net income for share fully diluted is as follows.

	FY 2012 (April 1, 2012 ~ March 31, 2013)	FY 2013 (April 1 2013 ~ March 31, 2014)
Net income per share		
Net income (thousands of yen)	1,111,676	403,785
Amount not attributable to ordinary shareholders (thousands of yen)	—	—
Net income applicable to common stock (thousands of yen)	1,111,676	403,785
Average number of shares outstanding during the period (shares)	11,465,990	11,392,053
Net income per share fully diluted (thousands of yen)		
Net income adjustment amount	—	—
(Adjustment amount of diluted shares in consolidated subsidiaries)	(—)	(—)
Increase in common stock (shares)	—	—
Summary of dilutive potential shares that are not included in the calculation of net income per share after adjustment of dilutive potential shares because of no dilution effect	Stock options on 1,099 shares issued by Catch Media Japan, Inc, (an affiliate accounted for by the equity-method) based on the resolution of the extraordinary meeting of shareholders held on February 22, 2013	Stock options on 135,000 ordinary shares (13 kinds, 2700 units) issued by Nippon Columbia Co., Ltd. (a consolidated subsidiary)

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

	FY 2012 (as of March 31, 2013)	FY 2013 (as of March 31, 2014)
Total amount of net assets (thousands of yen)	20,552,504	22,340,267
Amount deducted from total amount of net assets (thousands of yen)	—	—
(Minority interests)	(—)	(—)
Year-end net assets applicable to common stock (thousands of yen)	20,552,504	22,340,267
Term-end number of shares of common stock used in calculating net assets per share (shares)	11,393,430	11,390,330

(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.