BRIEF STATEMENT OF CONSOLIDATED FINANCIAL RESULTS
FOR THE 3rd QUARTER OF THE FISCAL 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.

February 12, 2015

Company name: 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: +81-3-5464-7633)
Date of Submission of Securities Report: February 13, 2015
Starting Date of the Dividend Payment: —
Preparation of Supplementary Materials for Quarterly Financial Results: Applicable
Information Meeting for Quarterly Financial Results to be Held: None

Amounts are rounded down to the nearest JPY 1 million.

1. Consolidated Results for the 3rd Quarter of the Fiscal Year Ending March 2015 (From April 1, 2014 to December 31, 2014)

(1) Consolidated Operating Results

Percentages indicate changes compared with the 2nd quarter of the previous fiscal year

	Net Sales		Operating Income		Ordinary Income		Net Income	
Q3 of the year ending	*Millions of yen*	%	*Millions of yen*	%	*Millions of yen*	%	*Millions of yen*	%
March 2015	14,163	198.0	△888	—	△864	—	△797	—
March 2014	4,752	△7.1	476	△41.4	509	△44.6	464	△42.5

(Note) Comprehensive income: 3rd quarter of fiscal year ending March 2015: △¥1,233 million (—%); 3rd quarter of fiscal year ending March 2014: ¥544 million (△30.7%)

	Net Income per Share	Diluted Net Income per Share
Q3 of the year ending	*Yen*	*Yen*
March 2015	△70.09	—
March 2014	40.79	40.79

(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. The quarterly Net Income per share and the quarterly diluted Net Income per share are 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 Income Per Share
	Millions of yen	*Millions of yen*	%	*yen*
Q3 of the year ending March 2015	27,625	20,809	71.7	1,752.62
Year ending March 2014	29,887	22,340	69.6	1,825.44

(Reference) Equity Capital: 3rd quarter of fiscal year ending March 2015: ¥19,816 million; fiscal year ended March 2014: ¥20,792 million

2. Dividends

	Dividends per share				
(Record dates)	1st Quarter	Interim	3rd Quarter	Year-end	Total
	yen	*yen*	*yen*	*yen*	*yen*
Year ending March 2014	—	50.00	—	5.00	—
Year ending March 2015	—	5.00	—		
Year ending March 2015 (Forecast)				5.00	10.00

(Notes) Forecasts for dividends have not been modified since the time of the most recently announced business forecast.
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 Business Results for the Year Ending March 2015
(from April 1, 2014 to March 31, 2015)

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

	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*
Full year ending March 2015	18,200	187.1	△810	—	△770	—	△920	—	△80.77

(Notes) Forecasts for business results have not been modified since the time of the most recently announced business forecast.

※ Notes

(1) Changes in significant subsidiaries (accompanying changes in scope of consolidation): None
Newly added subsidiaries: 0 companies (subsidiary's name:)
Removed subsidiaries: 0 companies (subsidiary's name:)

(2) Adoption of simplified accounting practices or specific procedures in preparation of the quarterly consolidated financial reports: Applicable
* For details, please refer to "2. Summary Information, (2) Adoption of Simplified Accounting Methods in the Preparation of Quarterly Financial Statements" on page 4 of the accompanying material.

(3) Changes in accounting policy, changes in accounting estimates, and restatements
(i) Changes accompanying revisions of accounting standards, etc.: Applicable
(ii) Changes other than the above: None
(iii) Changes in accounting estimates: None
(iv) Restatements: None
* For details, please refer to "2. Summary Information, (3) Changes in Accounting Principles, Procedures, and Disclosure Methods" on page 4 of the accompanying material.

(4) Outstanding shares (common shares)
(i) Outstanding shares at the end of the fiscal periods (including treasury shares):
The 3rd quarter of the fiscal year ending March 2015: 11,960,000 shares
The fiscal year ending March 2014: 11,960,000 shares
(ii) Treasury shares at the end of the fiscal periods:
The 3rd quarter of the fiscal year ending March 2015: 653,000 shares
The fiscal year ending March 2014: 569,670 shares
(iii) Average number of shares at the interim accounting period
The 3rd quarter of the fiscal year ending March 2015: 11,380,784 shares
The 3rd quarter of the fiscal year ending March 2014: 11,392,610 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.

* Indication of auditing procedures implementation status
This financial results report is exempt from quarterly 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. (3) Explanation Concerning Future Forecast Information on the Consolidated Financial Results, etc." on page 4 of the accompanying material.

(To obtain supplemental documents relating to financial results)
Supplemental documents related to the Company's quarterly and other financial results are posted on the company website.
(URL: http://www.faith-inc.com/ir/library.html)

Contents

1. Qualitative Information Concerning the Settlement of Accounts for the 1st Quarter

(1) Operating Result Review

Information and communications technology (ICT) is spreading on a global scale, and in keeping with the development of the Internet infrastructure, high-performance mobile devices such as smartphones and tablets have become widespread throughout the world. While the growth rate of smartphone shipments has slowed, the smartphone ownership ratio in Japan at the end of 2013 rose to 62.6% while the tablet device ownership ratio increased to 21.9% (*1). Meanwhile, in September 2014, smartphones accounted for more than half of all mobile phone subscription contracts for the first time, with 62,480,000 smartphone contracts (structural ratio: 50.3%) against 61,760,000 feature phone contracts (structural ratio: 49.7%) (*2). As the smartphone approaches the full-scale popularization phase, the market for MVNO services, which combine low price with highly functional models and plans known as "affordable SIM", is expanding. With this, the mobile market is breaking into a new era in which it is responding to diversified needs by developing variations such as models specifically designed for senior use or children's use, and consequently it is expected that the mobile market including the market for peripherals will continue to grow in future.

Moreover, changes in lifestyle brought about by the spread of the Internet and smartphones has a significant effect on people's consumption behavior. Consumer behavior is shifting, with the ratio of households that make use of Internet shopping increasing consistently since 2002 to reach 28.4% in 2014 (*3). In the field of music content distribution too, the impact of this change has been significant, as illustrated by the fact that more CDs and DVDs are now purchased at online stores than at real brick-and-mortar stores and that 39% of smartphone users listen to music on their smartphone (*1).

In the music CD and DVD package products market, sales of music software including music videos during the January-December 2014 period fell to 94% of the previous year's level. Also, while the Japanese music market as a whole is continuing to shrink, paid music distribution sales during the January-September 2014 period stood at 103% of their level during the same period in 2013, reflecting favorable sales of subscription distribution services (*4). Meanwhile, in music contents distribution, the importance of the Internet and smartphones is increasing.

(*1) From the 2014 Information and Telecommunications White Paper
(*2) From MM Research Institute's "Mobile Phone Shipments in the Domestic Market in the First Half of 2014"
(*3) From the Ministry of Internal Affairs and Communications Statistics Bureau's "Trends in Consumption Due to Internet Shopping" (Japanese only)
(*4) Research by the Recording Industry Association of Japan

In the market environment dominated by these sudden changes in all areas from infrastructure to platforms, the Faith Group is continuing to move ahead with its Multi-Content and Multi-Platform Strategy of creating an environment that allows people to enjoy a wide diversity of contents whenever and wherever they choose while providing compatibility with today's increasingly popular smart devices. We have made unceasing efforts to strengthen the functions of our platforms that gather relevant information from the mass that floods the Internet, sort it into categories, increase its added value, and provide it to users, as well as to develop new services in response to the changing market environment. In the music market, Faith is focusing primarily on music service platform construction by making effective use of the business synergies between the companies within the Group, as well as on fixed-priced subscription-based music distribution business that allow customers to use the service as many times as they need within a fixed period, which has been expanding at an accelerating rate in recent years.

Regarding the Faith Group's business performance since the start of the current consolidated fiscal year, although sales of smartphone services continued to expand strongly, sales of the Group's mainstream feature phone distribution services declined, and since the start of the 3rd quarter sales of high-margin package products launched in past years by Nippon Columbia, Co., Ltd. (which became a fully consolidated subsidiary of Faith in April 2014) declined sharply. As a result, for the business period including this 3rd quarter, the Faith Group, due to the inclusion of the Columbia Business Segment's sales and operating loss, recorded net sales of ¥14,163 million (an increase of 198.0% compared with the same period of the previous fiscal year), an operating loss of ¥888 million (compared with an operating income of ¥476 million for the same period of the previous year), and an ordinary loss of ¥864 million (compared with an ordinary income of ¥509 million for the same period of the previous year), Moreover, due to the reporting of an extraordinary loss of ¥150 million in connection with the organizational reform of a consolidated subsidiary, and of a minority interest loss of ¥582 million, the Group recorded a net loss for the current quarter of ¥797 million (compared with a net income of ¥464 million for the same period of the previous year).

The Company's performance on a segment basis is as follows.

Content Business

Under a strategy that calls for expanding and commercializing the contact points between artists and fans, Faith is actively engaged in new business development and is continuing to promote the introduction of high value-added services to match the changing lifestyles of consumers in response to the popularization of smartphones, and other such technology.

Fans™, a one-stop system that supports a full range of artist activities from fan club operation to sales of e-tickets for live performances, will continue to expand its service menu as a music business platform that makes use of the Faith Group's diverse music- and artist-related service functions. As part of its strategy, Faith worked to develop these functions by acquiring the business of Japan's largest-scale band member recruitment social media service "with9" in June 2014, and in future too the Company will aim at creating a total music platform by adding essential functions to facilitate exchanges between artists and fans.

Concerning the internet-based radio service FaRao®, Faith will try to expand recognition of this service while continuing to promote the development of a multi-device approach objected at general users. In addition, the Company launched the business-use BGM service FaRao PRO™ in November 2014 aimed at restaurants and retail stores. Targeting a wide diversity of potential customers ranging from chain stores to small and medium-sized privately operated shops, Faith is attempting to expand the service's commercial user base by making available over 3,000 channels—the largest number of any Japanese Internet radio service—and by offering users fast installation and low cost operation. In future, in addition to developing store-use solutions and functions for sales promotion, etc., the Company is planning to proceed sequentially with overseas expansion with the aim of creating a new BGM market both in Japan and internationally.

In the lifestyle field apart from music, from the worldwide intellectual training application brand for pre-school children Kidzapplanet®, Faith has released five titles beginning with the child rearing app called BabySmile, which was planned and developed by a father and mother team while they were raising their own children. Child rearing services for smartphone users is a field for which there is a considerable need and national and local governments are also considering making use of these apps. Faith is planning to launch further new services in this field in future.

As a result of the developments listed above, taking into account the active ongoing deployment of new services in response to the changing market environment and the decline in sales of services to feature phone users, the Content Business recorded net sales of ¥3,425 million (a decline of 8.9% year on year). Also, due to increasing costs in connection with the start up of new smartphone-user services, in addition to the abovementioned decline in sales, this business recorded an operating income of ¥132 million (a decline of 68.4% year on year).

Point Service Business

In the Point Service Business, sales of points increased in line the opening of new point member stores and aggressive point sales promotion, with the result that this business recorded net sales of ¥1,675 million (an increase of 68.6% year on year). However, although the Company maintained to keep sales-related expenses and general and administrative expenses in line, this segment resulted in a decrease in profit rate due to redemptions of former points in line with the shift to server-based management, resulting in an operating income of ¥18 million (a decrease of 66.5% year on year).

Columbia Business

Amid the difficult environment facing the music and video-related industry in line with the continuing shrinking of the music market, the Columbia Business experienced an overall decline in sales of music CDs, digital distribution titles, and products supplied to mail order companies. Also, due to declines in sales of high-margin titles released in past years and in transactions utilizing sound sources, this business reported net sales for the 3rd quarter of FY 2014 of ¥9,061 million and an operating loss of ¥1,047 million. Moreover, as the Columbia Business has been included in the Faith Group's business performance only since the start of the current fiscal year, no comparisons with the 3rd quarter of the previous fiscal year are given here.

(2) Explanation Concerning the Financial Position

(Analysis of Financial Position)
Total assets as of December 31, 2014 decreased by ¥2,262 million compared to March 31, 2014 to ¥27,625 million. This result was mainly due to decreases in cash and deposits, notes receivable and trade accounts receivable.

Total liabilities decreased by ¥731 million compared to the end of the previous consolidated fiscal year to ¥6,815 million. This result was mainly due to decreases in notes payable and trade accounts payable.

Total net assets decreased by ¥1,530 million compared to the end of the previous consolidated fiscal year to ¥20,809 million. This was mainly due to a decrease in retained earnings in accordance with the payment of dividends and the recording of a quarterly net loss, as well as to a decrease in minority interests.

As a result of the above, the equity ratio increased by 2.1 percentage points to 71.7%.

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

Performance forecasts are made based on information currently available to the Company, but there is a possibility that the actual performance figures will differ significantly from the forecast figures due to a variety of factors. In addition, the current performance forecast for the full financial year is unchanged from the revised forecast issued on October 28, 2014.

2. Summary Information

(1) Changes in Major Subsidiaries during the 3rd Quarter

None

(2) Adoption of Simplified Methods in the Preparation of Quarterly Financial Statements

Tax expenses for the Company and a portion of its consolidated subsidiaries are calculated by making a reasonable estimate of the effective tax rate after applying tax effect accounting to the amount of quarterly Net Income before tax deduction for the consolidated financial year including the current 3rd quarter accounting period, and then multiplying the amount of quarterly Net Income before tax deduction by the current estimated effective tax rate.

(3) Changes in Accounting Principles, Procedures, and Disclosure Methods

(Changes in Accounting Principles)

For certain consolidated subsidiaries, with effect from the beginning of the first quarter of the current consolidated fiscal year, we have applied the regulations stipulated in the main texts of Item 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and Item 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012) in revising the retirement benefit obligations and the service cost calculation method.

These changes will have no material impact on the Group's retained earnings or profitability for the current 3rd quarter accounting period.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: thousands of yen)

	FY 2013 (As of March 31, 2014)	3rd Quarter of FY 2014 (As of Dec. 31, 2014)
(Assets)		
Current assets		
Cash and deposits	14,196,991	12,338,965
Accounts and notes receivable	3,238,570	2,724,320
Marketable securities	241,587	242,965
Commercial products	464,387	435,153
Products in progress	440,603	412,396
Primary materials and inventory goods	63,564	68,705
Corporation tax refund receivable, etc.	67,118	194
Deferred tax assets	286,638	176,846
Others	774,474	1,322,391
Allowance for doubtful accounts	△74,763	△66,130
Total current assets	19,699,173	17,655,810
Fixed assets		
Tangible fixed assets	3,062,848	2,978,800
Intangible fixed assets		
Goodwill	4,247,061	4,068,778
Others	871,886	963,709
Total intangible fixed assets	5,118,948	5,032,487
Investment and other assets		
Investment securities	1,679,127	1,619,780
Others	623,900	638,435
Allowance for doubtful accounts	△296,727	△300,050
Total investments and other assets	2,006,300	1,958,164
Total fixed assets	10,188,097	9,969,452
Total assets	29,887,271	27,625,262
(Liabilities)		
Current liabilities		
Accounts and notes payable	1,243,213	911,400
Short-term loans payable	906,520	411,532
Lease obligations	51,491	21,642
Accrued expenses payable	2,062,945	2,318,959
Income taxes payable	73,763	188,671
Reserve for bonuses	70,403	65,496
Reserve for point card certificates	191,510	20,570
Reserve for sales returns	148,890	119,030
Allowance for organizational reform	—	32,750
Others	1,399,389	1,136,863
Total current liabilities	6,148,127	5,226,917
Fixed liabilities		
Long-term loans payable	105,400	418,320
Net defined retirement benefits	996,110	914,977
Lease obligations	41,915	28,614
Deferred tax liabilities	209,823	190,406
Others	45,628	36,479
Total fixed liabilities	1,398,877	1,588,798
Total liabilities	7,547,004	6,815,715

(Unit: thousands of yen)

	FY 2013 (As of March 31, 2014)	3rd Quarter of FY 2014 (As of Dec. 31, 2014)
(Net assets)		
Shareholder's equity		
Common stock	3,218,000	3,218,000
Capital surplus	3,708,355	3,708,355
Retained earnings	14,393,333	13,481,699
Treasury stock	△754,679	△848,856
Total shareholder's equity	20,565,008	19,559,198
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	227,400	197,811
Foreign currency translation adjustments	—	10,743
Cumulative adjustment for retirement benefit obligations	—	49,083
Total other accumulated comprehensive income	227,400	257,638
Stock acquisition rights	61,949	58,591
Minority interests	1,485,909	934,118
Total net assets	22,340,267	20,809,547
Total liabilities and net assets	29,887,271	27,625,262

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

(Unit: thousands of yen)

	3rd Quarter of FY 2013 (April 1-Dec. 31, 2013)	3rd Quarter of FY 2014 (April 1-Dec. 31, 2014)
Net sales	4,752,604	14,163,008
Cost of sales	2,650,875	9,296,760
Gross profit	2,101,729	4,866,248
Selling, general and administrative expenses	1,625,136	5,754,742
Operating income or loss (△)	476,592	△888,493
Non-operating income		
Interest income	13,254	7,269
Dividend income	7,096	6,101
Interest on securities	2,061	105
Foreign exchange gain	4,041	3,663
Investment partnership operation gain	4,909	11,412
Interest on refund	18,669	—
Gain on disposal of unpaid royalties	—	10,673
Miscellaneous receipts	10,152	17,530
Total non-operating income	60,183	56,755
Non-operating expenses		
Interest paid	4,161	7,828
Investment partnership operation loss	—	6,244
Investment loss on equity method	23,540	18,198
Miscellaneous expenses	—	691
Total non-operating expenses	27,702	32,962
Ordinary income or loss (△)	509,074	△864,701
Extraordinary income		
Gain on sale of investment securities	25,220	—
Gain on change in equity	3,759	—
Gain on transfer of business	28,320	—
Gain on reversal of subscription rights to shares	—	3,357
Total extraordinary income	57,300	3,357
Extraordinary losses		
Loss on disposal of fixed assets	14,248	4,308
Relocation expenses	2,314	—
Overseas tax-related loss	7,491	—
Organizational reform-related loss	—	150,000
Total extraordinary losses	24,054	154,308
Net income or net loss before income taxes (△)	542,319	△1,015,652
Corporate, local, and business taxes	77,554	254,612
Corporate tax adjustment amount	70	109,819
Net income or net loss before minority interests (△)	464,694	△1,380,084
Minority interests in loss (△)	—	△582,352
Net income or loss for the current quarter (△)	464,694	△797,732

(Consolidated Statement of Comprehensive Income)

(Unit: thousands of yen)

	3rd Quarter of FY 2013 (April 1-Dec. 31, 2013)	3rd Quarter of FY 2014 (April 1-Dec. 31, 2014)
Net income or net loss before minority interests (△)	464,694	△1,380,084
Other comprehensive income		
Valuation difference on other available-for-sale securities	74,562	29,520
Foreign currency translation adjustment	—	21,083
Retirement benefit adjustments	—	96,319
Share in comprehensive income of equity method affiliates	5,183	—
Total other comprehensive income	79,746	146,922
Comprehensive income	544,440	△1,233,162
(Details)		
Comprehensive income attributable to shareholders of the parent company	544,440	△708,315
Comprehensive income attributable to minority interests	—	△524,846

(3) Notes Concerning the Consolidated Financial Statements

(Note Concerning the Premise of a Going Concern)

Not applicable

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

Not applicable

(Segment Information)

Ⅰ 3rd quarter of the previous consolidated fiscal year/FY 2013 (April 1, 2013 through Dec. 31, 2013)

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

(Unit: thousands of yen)

	Content	Point Service	Columbia	Total	Adjustment amount (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
Net sales						
Sales to external customers	3,758,796	993,808	—	4,752,604	—	4,752,604
Intersegment sales or transfer amount	10,529	297	—	10,826	△10,826	—
Total	3,769,325	994,105	—	4,763,431	△10,826	4,752,604
Segment income/loss	419,734	56,079	—	475,814	778	476,592

Notes: 1. The segment income adjustment amount of ¥778 thousand is calculated by eliminating intersegment transactions.

2. Segment income/loss is adjusted with operating income in the quarterly consolidated profit and loss statement.

2. Information regarding impairment loss on fixed assets or goodwill by segment reported

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

Ⅱ 3rd quarter of the current consolidated fiscal year/FY 2014 (April 1, 2014 through Dec. 31, 2014)

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

(Unit: thousands of yen)

	Content	Point Service	Columbia	Total	Adjustment amount (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
Net sales						
Sales to external customers	3,425,788	1,675,431	9,061,788	14,163,008	—	14,163,008
Intersegment sales or transfer amount	102,786	645	33,888	137,320	△137,320	—
Total	3,528,575	1,676,076	9,095,677	14,300,329	△137,320	14,163,008
Segment income/loss	132,752	18,773	△1,047,373	△895,848	7,354	△888,493

Notes: 1. The segment loss adjustment amount of ¥7,354 thousand is calculated by eliminating intersegment transactions.

2. Segment income/loss is adjusted with operating income in the quarterly consolidated profit and loss statement.

2. Note concerning changes in reportable segments, etc.

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, Inc. from the end of the previous 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 3rd quarter presented as comparison information with the 3rd quarter of the current consolidated first quarter is reproduced based on the revised reportable segment classification.

3. Information regarding impairment loss on fixed assets or goodwill by segment reported

That information is omitted since there is no critical impairment loss on fixed assets or significant change in amount of goodwill.