

**BRIEF STATEMENT OF CONSOLIDATED FINANCIAL RESULTS
FOR THE 1st QUARTER OF THE FISCAL YEAR ENDING MARCH 2017**

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

August 10, 2016

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

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

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Date of Submission of Securities Report: August 12, 2016

Starting Date of the Dividend Payment: -

Preparation of Supplementary Materials for Quarterly Financial Results: None

Information Meeting for Quarterly Financial Results to be Held: None

Amounts are rounded down to the nearest JPY 1 million.

1. Results for the 1st Quarter of the Fiscal Year Ending March 2017

(From April 1, 2016 to June 30, 2016)

(1) Consolidated Operating Results

(Percentages indicate changes compared with the 1st quarter of the previous fiscal year.)

Q1 of the year ending	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 2017	4,908	4.5	515	212.7	500	197.3	208	273.1
March 2016	4,695	5.6	164	—	168	—	55	—

(Note) Comprehensive income: 1st quarter of the fiscal year ending March 2017: ¥405 million (598.7%); 1st quarter of the fiscal year ending March 2016: ¥58 million (—%)

	Net Income per Share	Diluted Net Income per Share
Q1 of the year ending	<i>Yen</i>	<i>Yen</i>
March 2017	21.15	—
March 2016	5.15	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Ratio of Equity Capital	Net Assets Per Share
Q1 of the year ending	<i>Millions of yen</i>	<i>Millions of yen</i>	<i>%</i>	<i>Yen</i>
March 2017	24,247	17,173	64.6	1,578.64
Year ending March 2016	24,712	16,829	62.9	1,576.18

(Reference) Equity capital: 1st quarter of fiscal year ending March 2017: ¥15,669 million; fiscal year ending March 2016: ¥15,556 million

2. Dividends

(Record dates)	Dividends per Share				
	1 st Quarter	Interim	3 rd Quarter	Year-end	Total
Year ending March 2016	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>
Year ending March 2017	—	5.00	—	5.00	10.00
Year ending March 2017 (Forecast)	—	5.00	—	5.00	10.00

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

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

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half (cumulative)	10,000	3.0	690	19.9	680	17.1	130	(58.5)	13.17
Full year	20,000	(0.8)	1,300	(15.3)	1,250	(18.3)	450	(30.3)	45.60

(Note) Forecasts for dividends have been modified since the time of the most recently announced business forecast.

For information on the revision of the forecast of consolidated financial results, please refer to the Notice Concerning the Revision of the Forecast of Financial Results issued today (August 10, 2016).

※ 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 years (including treasury shares):
 The 1st quarter of the fiscal year ending March 2017: 11,960,000 shares
 The fiscal year ending March 2016: 11,960,000 shares
 - (ii) Treasury shares at the end of the fiscal years:
 The 1st quarter of the fiscal year ending March 2017: 2,090,500 shares
 The fiscal year ending March 2016: 2,090,390 shares
 - (iii) Average number of shares at the interim accounting period
 The 1st quarter of the fiscal year ending March 2017: 9,869,510 shares
 The 1st quarter of the fiscal year ending March 2016: 10,856,263 shares

* 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 materials related to the Company's quarterly and other financial results are posted on the company website.

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

(1) Explanation Concerning the Operating Results

In the domestic information communication field, the ongoing diversification and popularization of devices such as smartphones, tablets and other multifunctional mobile terminals is proceeding apace. Although the rate of growth of this market is modest in comparison with during the previous period of rapid popularization, the smartphone shipment volume for the full 2015 fiscal year increased to more than 29,160,000 after three years of declining shipments (*1). Furthermore, in keeping with the expansion of the NVNO market, represented by bargain-priced smartphones, the demand for diverse smartphone-compatible services is increasing steadily. In addition, consumer interest in new services and contents, including equipment compatible with VR (Virtual Reality) is growing significantly, and business model expansion is expected to precipitate further growth of the Internet service market.

The music content market, which is characterized by a steadily changing environment in which artists are developing new promotional methods in accord with the dictates of the digital era, in future it will become increasingly important to develop services that match changing market needs, consumer tastes and lifestyles more quickly than ever before.

(*1) MM Research Institute, Ltd.,
General Situation of Mobile Phone Shipments in Japan for the Full 2015 Fiscal Year (published April 12, 2016)

In this environment, the Faith Group is continuing to utilize the results of the efforts it has been pouring into content digital distribution ever since its establishment, and is forging ahead with its Multi-Content and Multi-Platform Strategy of creating an environment that allows people to enjoy a wide diversity of contents whenever and wherever they choose. We are also strengthening the development of new services in response to the changing market environment such as platforms that collect and organize the information flooding the Internet and then providing this to users after increasing its added value. In the Content Business, we remain continuously focused on constructing our music service platforms by fully utilizing business synergies between the Group's member companies, and also on expanding and reinforcing our music distribution business beginning with subscription-based BGM services.

Regarding the Faith Group business performance for the first quarter of the consolidated fiscal year ending March 2017, net sales increased by 4.5% compared with the same quarter of the previous fiscal year to ¥4,908 million while operating income increased by 212.7% year on year to ¥515 million, ordinary income increased by 197.3% to ¥500 million, and net income attributable to the shareholders of the parent company increased by 273.1% to ¥208 million

Information on each business segment is as follows.

Content Business

In the Content Business, the Faith Group is actively pursuing the development of new products in response to the market environment including the ongoing popularization of smartphones, changing music listening styles, etc. The Company is proceeding with measures to enhance the added value of its contents, such as functional improvement and combinations with other services, etc., by verifying the results of service contents and marketability, including with regard to existing businesses, while also proceeding with service linkage and platformization in the interests of income diversification.

FaRao PRO is a solution service that provides essential functions centered on commercial-use BGM for restaurants and retailers. The service has already been adopted by a number of major chain stores, and from the term under review, the Company has been working to expand its introduction to small and medium-sized stores. We are also providing FaRao Voice, which is a commercial-use announcement service designed for use alongside FaRao PRO. In addition, we launched FaRao PRO Hikari BOX+, which brings together several services including an in-store BGM service and security cameras in a single package. We developed this product jointly with Nippon Telegraph and Telephone West Corporation and we are aiming to expand its popularization by providing store solution functions even more simply.

In the overseas development field, the Company established Faith France SAS as a local subsidiary based in Angers, France, and launched a French FaRao PRO service. We consider that the deployment

of a Japanese music contents delivery and distribution system on a worldwide basis including in the high-growth Asian countries will be an important factor in supporting the Company's further business growth. In future, we are planning to develop further new music businesses overseas.

Fans™ is a one-stop solution that can support a full range of artist-related activities such as fan club operation, live ticket sales, etc. Fans™ began full-scale operation in April 2015 as a comprehensive platform for the music business utilizing the Faith Group's diverse music and artist-related service functions. At the present time, the Company is approaching the task of attracting more artist users and fan users by reinforcing the functions required for facilitating exchanges between artists and fans. In June 2016, we released the music player app Fans' Player, which provides a service allowing users to download recorded music and videos via a network by means a 16-figure serial ID numbers embedded in CD packages and allows easy listening using an app.

As a result of the above developments, taking into account the ongoing positive deployment of new services in line with the changing market environment and the decline in sales of services to feature phone users, the Content Business recorded net sales of ¥1,111 million (an decrease of 1.3% year on year), and operating losses of ¥30 million (compared with operating income of ¥33 million for the previous fiscal year).

Point Service Business

In the Point Service Business, although sales of new points issued by participating point card stores remained robust, sales of eco-points decreased following the end of the government-administered reconstruction support home appliance eco-point system. As a result, this business recorded net sales of ¥523 million, a decrease of 8.5% year on year, while operating income decreased by 27.2% year on year to ¥39 million.

Columbia Business

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

Due mainly to higher sales of animation-related titles and game software titles and to an improved sales performance in the artist management-related business, overall sales by the Columbia Business totaled ¥3,274 million, an increase of 9.2% compared with the same quarter of the previous fiscal year. As for the profit and loss situation, due increased sales of high-margin products launched in previous years, this business segment recorded an operating income for the first quarter under review of ¥506 million, an increase of 606.2% year on year.

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

(2) Explanation Concerning the Financial Position

Total assets as of June 30, 2016 decreased by ¥464 million compared to the end of the previous consolidated fiscal year to ¥24,247 million. This result was mainly due to a decrease in "others" in the current assets section.

Total liabilities decreased by ¥808 million compared to the end of the previous consolidated fiscal year to ¥7,073 million. This result was mainly due to decreases in accrued expenses payable, and in "others" in the current liabilities column.

Net assets increased by ¥344 million compared to the end of the previous consolidated fiscal year to ¥17,173 million. This was mainly due to an increase in retained earnings due to the recording of net income attributable to the shareholders of the parent company, and to an increase in minority interests.

As a result of the above, the equity ratio increased by 1.7 percentage points to 64.6%.

(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, for the Company's current performance forecast for second quarter cumulative accounting period and the full financial year please refer to the forecast issued today (August 10, 2016).

2. Summary Information

(1) Changes in Major Subsidiaries during the 1st Quarter

Not applicable

(2) Adoption of Simplified Methods in the Preparation of the 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 1st 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)

(Application of the Practical Solution on Accounting for Changes in Depreciation Method related to the 2016 Tax Law Changes)

From the current first quarter term consolidated accounting term, we have applied the Practical Solution on Accounting for Changes in Depreciation Method related to the 2016 Tax Law Changes (Accounting Standards Board of Japan (ABSJ) Statement No. 32, issued on June 17, 2016). In addition, we have changed the depreciation method concerning building fixtures and structures acquired on or after April 1, 2016 from the declining balance method to the straight-line method

These changes will have no material impact on the Group's retained earnings or profitability.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

	(Unit: thousands of yen)	
	FY 2015	1st Quarter of FY 2016
	(As of March 31, 2016)	(As of June 30, 2016)
(Assets)		
Current assets		
Cash and deposits	12,680,124	12,812,847
Accounts and notes receivable	2,388,481	2,300,701
Marketable securities	242,521	237,139
Commercial products	508,709	447,741
Products in progress	202,043	306,715
Primary materials and inventory goods	47,624	46,491
Corporation tax refund receivable, etc.	7,492	1,825
Deferred tax assets	12,341	3,874
Others	920,570	559,242
Allowance for doubtful accounts	(52,908)	(52,599)
Total current assets	16,957,000	16,663,979
Fixed assets		
Tangible fixed assets	2,894,315	2,871,437
Intangible fixed assets		
Goodwill	1,959,316	1,925,877
Others	874,354	882,153
Total intangible fixed assets	2,833,671	2,808,030
Investment and other assets		
Investment securities	1,753,502	1,609,350
Others	554,302	576,365
Allowance for doubtful accounts	(280,607)	(281,737)
Total investments and other assets	2,027,196	1,903,978
Total fixed assets	7,755,183	7,583,446
Total assets	24,712,183	24,247,426
(Liabilities)		
Current liabilities		
Accounts and notes payable	995,288	955,078
Short-term loans payable	686,120	686,120
Lease obligations	16,133	13,866
Accrued expenses payable	2,541,442	2,330,770
Income taxes payable	189,734	77,034
Reserve for bonuses	66,147	43,079
Reserve for point card certificates	33,874	32,276
Reserve for sales returns	92,333	89,289
Others	1,627,967	1,337,778
Total current liabilities	6,249,041	5,565,294
Fixed liabilities		
Long-term loans payable	816,650	739,620
Net defined retirement benefits	609,261	587,456
Lease obligations	8,028	5,761
Deferred tax liabilities	152,646	131,489
Others	46,744	43,952
Total fixed liabilities	1,633,331	1,508,280
Total liabilities	7,882,373	7,073,574

	(Unit: thousands of yen)	
	FY 2015	1st Quarter of FY 2016
	(As of March 31, 2016)	(As of June 30, 2016)
(Net assets)		
Shareholder's equity		
Common stock	3,218,000	3,218,000
Capital surplus	3,707,197	3,707,686
Retained earnings	11,480,657	11,640,003
Treasury stock	(3,038,502)	(3,038,648)
Total shareholder's equity	15,367,352	15,527,042
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	198,282	152,255
Foreign currency translation adjustments	(8,446)	(9,043)
Cumulative adjustment for retirement benefit obligations	(928)	(1,057)
Total other accumulated comprehensive income	188,908	142,155
Stock acquisition rights	42,734	30,365
Minority interests	1,230,815	1,474,289
Total net assets	16,829,810	17,173,851
Total liabilities and net assets	24,712,183	24,247,426

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

	(Unit: thousands of yen)	
	1st Quarter of FY 2015 (April 1-June 30, 2015)	1st Quarter of FY 2016 (April 1-June 30, 2016)
Net sales	4,695,909	4,908,878
Cost of sales	2,855,367	2,822,072
Gross profit	1,840,541	2,086,806
Selling, general and administrative expenses	1,675,544	1,570,942
Operating income	164,997	515,863
Non-operating income		
Interest income	1,413	286
Dividend income	1,977	2,834
Interest on securities	34	7
Gains on investment partnership management	3,327	4,195
Foreign exchange gains	158	—
Miscellaneous receipts	5,499	3,723
Total non-operating income	12,410	11,047
Non-operating expenses		
Interest paid	3,959	3,556
Equity method investment losses	4,259	18,582
Foreign exchange losses	—	2,818
Miscellaneous expenses	882	1,505
Total non-operating expenses	9,101	26,462
Ordinary income	168,306	500,447
Extraordinary income		
Gains on reversal of subscription rights to shares	10,164	12,369
Gains on step acquisitions	13,186	—
Others	1,370	—
Total extraordinary income	24,721	12,369
Extraordinary losses		
Losses on disposal of fixed assets	3,799	2,181
Others	500	—
Total extraordinary losses	4,299	2,181
Net income or net loss before income taxes	188,727	510,635
Corporate, local, and business taxes	97,235	49,252
Income taxes - deferred	(7,749)	9,067
Current quarter net income	99,241	452,316
Current quarter net income attributable to non-controlling interests	43,308	243,622
Current quarter net income attributable to shareholders of the parent company	55,933	208,693

(Consolidated Statement of Comprehensive Income)

	(Unit: thousands of yen)	
	1st Quarter of FY 2015	1st Quarter of FY 2016
	(April 1-June 30, 2015)	(April 1-June 30, 2016)
Current quarter net income	99,241	452,316
Other comprehensive income		
Valuation difference on other available-for-sale securities	(19,776)	(46,081)
Foreign currency translation adjustments	(14,078)	(40)
Retirement benefit adjustments	(7,288)	(253)
Total other comprehensive income	(41,142)	(46,375)
Comprehensive income	58,099	405,941
(Details)		
Comprehensive income attributable to shareholders of the parent company	18,213	161,940
Comprehensive income attributable to no-controlling interests	39,885	244,000

(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 1st quarter of the previous consolidated fiscal year/FY 2015 (April 1, 2015 through June 30, 2015)

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	1,125,972	571,807	2,998,129	4,695,909	—	4,695,909
Intersegment sales or transfer amount	49,264	171	8,077	57,512	(57,512)	—
Total	1,175,236	571,978	3,006,207	4,753,422	(57,512)	4,695,909
Segment income	33,656	53,959	71,705	159,321	5,675	164,997

Notes: 1. The segment income adjustment amount of ¥5,675 thousand is calculated by eliminating intersegment transactions.

2. Segment income amounts are 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 1st quarter of the current consolidated fiscal year/FY 2016 (April 1, 2016 through June 30, 2016)

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	1,111,231	523,248	3,274,398	4,908,878	—	4,908,878
Intersegment sales or transfer amount	21,471	—	13,324	34,795	(34,795)	—
Total	1,132,702	523,248	3,287,723	4,943,674	(34,795)	4,908,878
Segment income or loss	(30,078)	39,276	506,357	515,554	308	515,863

Notes: 1. The segment income adjustment amount of ¥308 thousand is calculated by eliminating intersegment transactions.

2. Segment income or loss amounts are 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.