

## BRIEF STATEMENT OF CONSOLIDATED FINANCIAL RESULTS FOR THE FULL FISCAL YEAR ENDED MARCH 2018

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, 2018

Faith, Inc. (Stock code 4295, Listed on TSE 1st section) (URL <http://www.faith.co.jp/>)  
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 Date of General Meeting of Shareholders: June 28, 2018  
 Date of Submission of Annual Security Report: June 29, 2018  
 Starting Date of the Dividend Payment: June 29, 2018  
 Preparation of Supplementary Materials for Financial Results: Applicable/May 28, 2018  
 Information Meeting for Financial Results: Applicable/May 28, 2018 (for Institutional Investors and Analysts)

Amounts are rounded down to the nearest JPY 1 million.

### 1. Results for the Fiscal Year Ending March 2018 (From April 1, 2017 to March 31, 2018)

#### (1) Consolidated Operating Results

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

Year ending	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 2018	21,210	2.0	1,130	△35.7	1,029	△33.1	504	△11.8
March 2017	20,795	3.1	1,757	14.6	1,539	0.6	571	△11.5

(Note) Comprehensive income: fiscal year ending March 2018: 696 million (△49.0%); fiscal year ending March 2017: 1,365 million (28.5%)

Year ending	Net Income per Share	Diluted Net Income per Share	Return on Equity Capital	Ordinary Income on Total Assets	Operating Income on Net Sales
	Yen	Yen	%	%	%
March 2018	40.48	—	2.9	3.9	5.3
March 2017	57.95	—	3.6	6.0	8.5

(Reference) Equity in earnings of associated companies: fiscal year ending March 2018: △¥99 million;  
 fiscal year ending March 2017: △¥86 million

#### (2) Consolidated Financial Position

Year ending	Total Assets	Net Assets	Ratio of Equity Capital	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
March 2018	25,765	18,671	72.4	1,355.11
March 2017	26,959	18,066	59.5	1,626.59

(Reference) Equity capital: fiscal year ending March 2018: ¥18,647 million; fiscal year ending March 2017: ¥16,052 million

#### (3) Consolidated Cash Flow Results

Year ending	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents at Year End
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 2018	809	△1,070	△597	12,910
March 2017	2,471	839	△512	13,768

### 2. Dividends

(Record dates)	Dividends per Share					Total Dividend Payment (Annual)	Payout Ratio (Consolidated)	Dividend on Net Assets (Consolidated)
	1 <sup>st</sup> Quarter	Interim	3 <sup>rd</sup> Quarter	Year-end	Total (Annual)			
Year ending	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 2017	—	5.00	—	5.00	10.00	98	17.3	0.6
March 2018	—	5.00	—	5.00	10.00	137	24.7	0.7
March 2019 (Forecast)	—	5.00	—	5.00	10.00		52.9	

### 3. Forecast for the Consolidated Results for the Year Ending March 2019 (from April 1, 2018 to March 31, 2019)

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

			Operating Income		Ordinary Income		Net Income Attributable to the Shareholders of the Parent Company		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	10,100	△5.6	100	△89.0	20	△99.7	—	—	—
Full year	20,000	△5.7	500	△55.8	350	△66.0	260	△48.5	18.89

#### ※ Notes

(1) Changes in significant subsidiaries (accompanying changes in scope of consolidation): None

Newly added subsidiaries: 0 companies (subsidiary's name: )

Removed subsidiaries: 0 companies (subsidiary's name: )

(2) Changes in accounting policy, changes in accounting estimates, and restatements

(2)-1. Changes accompanying revisions of accounting standards, etc.: 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 2018: 13,831,091 shares

The fiscal year ending March 2017: 11,960,000 shares

(3)-2. Treasury stock at the end of the fiscal year:

The fiscal year ending March 2018: 70,041 shares

The fiscal year ending March 2017: 2,091,180 shares

(3)-3. Average number of shares during the accounting period

The fiscal year ending March 2018: 12,464,649 shares

The fiscal year ending March 2017: 9,869,195 shares

(Note) The major changes, namely the increase of 1,871,091 shares in the number of outstanding shares (including treasury shares) and the decrease of 2,021,139 shares in the number of treasury shares at the end of the of the fiscal year ending March 2018, were due to the implementation of a share exchange with Nippon Columbia Co., Ltd. effective as of August 1, 2017.

#### (Reference) Overview of Non-Consolidated Results

Results for the Fiscal Year Ending March 2018 (From April 1, 2017 to March 31, 2018)

##### (1) Non-Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ending March 2018	2,338	△17.0	△97	—	△111	—	△568	—
March 2017	2,817	△9.9	3	—	278	—	△26	—

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Year ending March 2018	△45.59	—
March 2017	△2.70	—

##### (2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Ratio of Equity Capital	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
Year ending March 2018	19,153	18,337	95.7	1,332.58
March 2017	15,304	14,216	92.9	1,440.51

(Reference) Equity capital: fiscal year ending March 2018: ¥18,337 million; fiscal year ending March 2017: ¥14,216 million

\* This financial results report is exempt from financial audit procedures review.

\* 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, 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. Overview of Operating Results, (4) Future Outlook" of the accompanying material.

(To obtain supplemental documents relating to financial results)Supplemental Materials for Financial Results are posted on the company website on May 28, 2018.

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## 1. Overview of Operating Results, etc

### (1) Overview of Operating Results for the Current Term

In the Japanese information and communications field, although the Internet usage rate is showing signs of leveling off at 83.5% <sup>(\*)1</sup>, it has been rising continuously for over a decade, while the proportion of households possessing one or more smartphones also has increased to 71.8%. On the other hand, the TV penetration rate for single-person households under 29 years old is 87.2%, which is 8 points lower than the overall diffusion rate of 95.2% for all households <sup>(\*)2</sup>. Also, statistics on daily TV usage time reveal that younger Japanese people are increasingly turning away from television, with those in their teens and twenties devoting significantly less time to viewing than the average for all generations. The current transition to services in line with the shift to the era of digitalization is expected to further accelerate as the Internet usage rate climbs further and the use of smartphones continues to spread. Under these circumstances, it is becoming even more important for the Company to respond swiftly to the latest user needs.

<sup>(\*)1</sup> Source: Ministry of Internal Affairs and Communications, *2016 Communication Usage Trend Survey*

<sup>(\*)2</sup> Source: Cabinet Office *Consumer Confidence Survey, March 2018*

Also, in the entertainment market, the global music market centered on flat rate subscription services grew by 8.1% to US\$17.3 billion dollars <sup>(\*)3</sup>, marking the first time since 1999 that this market has recorded sales growth for three consecutive years. In the Japanese domestic music contents market, the production value of music software including music videos in 2017 decreased by 6% from the previous year to ¥232 billion yen <sup>(\*)4</sup>. Although sales of packaged products continued to exhibit a declining trend, fee-based music distribution sales increased by 8% year on year to ¥57.3 billion and sales of subscription-type music distribution services leaped by 22% year on year. Meanwhile, the size of the live entertainment market increased by 7.2% from the previous year to ¥332.4 billion, thanks to an expansion of consumption <sup>(\*)5</sup>.

<sup>(\*)3</sup> Source: *IFPI Global Music Report 2018*

<sup>(\*)4</sup> Source: Recording Industry Association of Japan (RIAJ), *The Recording Industry in Japan 2017*

<sup>(\*)5</sup> Source: All Japan Concert & Live Entertainment Promoters Conference (ACPC), *2017 Basic Research Report*

In the current environment, the Faith Group is continuing to utilize the results of the efforts it has been pouring into digital content distribution ever since its establishment, and is forging ahead with its Multi-Content and Multi-Device Strategy of creating environments in which people can 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.

Regarding the Faith Group's performance during the consolidated fiscal year, despite continued declines in sales of existing distribution services, which account for a major share of overall sales, we introduced several new services in response to the changing market environment and we also newly added the major music label DREAMUSIC Inc. as a consolidated subsidiary. As a result of these factors, the Group's net sales increased by 2.0% compared with the previous fiscal year to ¥21,210 million, operating income decreased by 35.7% year on year to ¥1,130 million, ordinary income decreased by 33.1% year on year to ¥1,029 million, and net income attributable to the shareholders of the parent company decreased by 11.8% year on year to ¥504 million.

Moreover, Faith, Inc. gained ownership of all the shares of Nippon Columbia Co., Ltd. by means of a share exchange that was implemented on August 1, 2017 following the granting of approval of the share exchange contract by the annual general meetings of both companies, which took place on June 29, 2017 in the case of the Company and on June 23, 2017 in the case of Nippon Columbia Co., Ltd. With this, we have facilitated the centralization of our business strategy, speeding up decision making, promoting the efficient utilization of both companies' available resources including know-how and human resources, strengthening our creative response in the face of the huge changes currently enveloping the music industry, and allowing us to strive to further improve our corporate value.

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 evolving market environment including the ongoing popularization of smartphones, and changing music listening styles. In this business, we are proceeding with measures to enhance the added value of our contents, such as functional improvement and linkage between various services, by verifying the results of service contents and marketability, including with regard to existing businesses, while also moving ahead with platformization in the interests of achieving income source diversification.

We are actively developing the FaRao PRO business by pursuing the functional expansion necessary for in-store operations such solutions that propose store branding and announcement functions in addition to providing commercial-use BGM services. Based on our Japanese service we have also begun providing FaRao PRO services in France and Indonesia, and in future we will endeavor to create and activate new BGM markets both in Japan and overseas.

In the platform of services for artists Fans', we are enhancing a number of functions essential to artists' musical activities such as official website construction, music and video distribution, sales of artist goods, and fan club operation. By providing services that allow more artists to freely send out their musical work and information, we are aiming to acquire new users and to expand its membership, and we are attempting to improve the service quality of Fans' by pursuing greater usability.

As a result of the above factors, and 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, as well as delays in the launch of new businesses, the Content Business recorded net sales of ¥4,361 million (a decrease of 1.0% year on year), and an operating loss of ¥194 million (compared with operating loss of ¥56 million for the previous fiscal year).

### ***Point Service Business***

In the Point Service Business, sales of new points issued by participating point card stores remained robust and special measures including double point sales were conducted. In addition, the self liquidation <sup>(\*6)</sup> business remained strong, with the result that this business recorded net sales of ¥2,562 million, an increase of 6.2% year on year. Although costs increased in line with the expansion of personnel and office facilities in connection with investment in talented human resources, as a result of the increase in sales, operating income increased by 3.6% year on year to ¥89 million.

(\*6) A campaign in which users can purchase various goods at a discount by saving points in the form of seals, etc.

### ***Label Business***

Amid the difficult environment facing the music and video-related industry in line with the continuing decline of the music market, the Label 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.

Regarding this segment's performance, the inclusion of record label company DREAMUSIC Inc. as newly consolidated subsidiary of the Faith Group and strong sales of game titles by Nippon Columbia Co., Ltd., helped to boost net sales to ¥14,286 million, an increase of 2.2% compared with the previous fiscal year. On the profit and loss front, however, sales of J-Pop, educational and animation titles, all of which made substantial contributions to sales in the previous fiscal year, recorded significant declines, with the result that operating income decreased by 28.8% to 1,231 million yen.

\*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) Overview of Financial Position for the Current Term

Total assets as of the end of the consolidated fiscal year ended March 31, 2018 decreased by ¥1,193 million compared with the end of the previous consolidated fiscal year to ¥25,765 million. This result was mainly attributable to decreases in cash and deposits, and accounts and notes receivable.

Total liabilities decreased by ¥1,798 million compared with the end of the previous consolidated fiscal year to ¥7,093 million. This result was mainly attributable to decreases in accounts and notes payable, and accounts payable-other.

Net assets increased by ¥605 million compared with the end of the previous consolidated fiscal year to ¥18,671 million. This result was mainly attributable to the share exchange between the company and its consolidated subsidiary Nippon Columbia Co., Ltd. Moreover, the Faith Group's equity capital ratio became 72.4%.

## (3) Overview of Cash Flow for the Current Term

Cash and cash equivalents at the end of the consolidated fiscal year ended March 31, 2018 decreased by ¥858 million to ¥12,910 million, a decrease of 6.2% compared with the end of the previous consolidated fiscal year.

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

### (Cash flow from operating activities)

Cash flow from operating activities amounted to an inflow of ¥809 million (a decrease of 67.2% compared with the previous consolidated fiscal year), attributable mainly to the addition of amortization goodwill of ¥144 million, depreciation and amortization expenses of ¥358 million, a decrease in accounts receivable of ¥587 million, a decrease in accounts payables of ¥401 million, and income tax and other payments of ¥429 million to the Group's net income before taxes and other adjustments of ¥928 million.

### (Cash flow from investing activities)

Cash flow from investing activities amounted to an outflow of ¥1,070 million (an inflow of ¥839 million for the previous consolidated fiscal year), attributable mainly to the expenditures of ¥550 million in respect of opening new term deposits, ¥509 million for the acquisition of shares of affiliated company stock, ¥200 million to obtain softwares, and ¥94 million for the acquisition of investment securities, despite receiving income of ¥500 million from the withdrawal of existing term deposits, ¥149 million from the sale of investment securities, and ¥40 million from the acquisition of shares of newly consolidated subsidiaries.

### (Cash flow from financing activities)

Cash flow from financing activities amounted to an outflow of ¥597 million (an outflow of an outflow of ¥512 million for the previous consolidated fiscal year), due mainly to ¥418 million in expenditure in respect of repayment of long-term loans, and ¥117 million in respect of dividend payments.

## (4) Future Outlook

The Faith Group's forecasts for next consolidated fiscal year (FY2018; ending March 31, 2019) are as follows. Due to the impact of new business activity in the Content Business, the Group is currently forecasting net sales of ¥20,000 million, an operating income of ¥500 million, an ordinary income of ¥350 million, and a net income attributable to the shareholders of the parent company of ¥260 million.

(5) 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. Basic Philosophy on Selection of Accounting Standards

For the present, the Faith Group is following a policy of producing its consolidated financial statements under Japanese standards in the interest of maintaining comparability between the financial statements of its constituent companies. Furthermore, concerning the future application of the International Financial Reporting Standards (IFRS), we intend to respond appropriately based on the movements of other companies.



### 3. Consolidated Financial Statements and Main Explanatory Notes

#### (1) Consolidated Balance Sheet

	(Unit: thousands of yen)	
	FY 2016	FY 2017
	(As of March 31, 2017)	(As of March 31, 2018)
<b>(Assets)</b>		
<b>Current assets</b>		
Cash and deposits	14,268,853	13,460,309
Accounts and notes receivable	2,659,104	2,162,275
Marketable securities	230,572	229,555
Commercial products	561,536	516,373
Products in progress	356,686	493,508
Primary materials and inventory goods	49,983	65,124
Corporation tax refund receivable, etc.	27,454	26,944
Deferred tax assets	100,976	189,170
Other current assets	639,750	464,629
Allowance for doubtful accounts	△18,863	△27,249
<b>Total current assets</b>	<b>18,876,055</b>	<b>17,580,642</b>
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Buildings and structures	2,042,346	2,044,824
Accumulated depreciation	△881,524	△932,609
Buildings and structures (net base)	1,160,821	1,112,214
Machinery and delivery equipment	620,000	626,278
Accumulated depreciation	△600,020	△605,840
Machinery and delivery equipment (net base)	19,979	20,438
Tools, devices and equipment	1,045,359	1,073,360
Accumulated depreciation	△904,023	△943,788
Tools, devices and equipment (net base)	141,336	129,572
Land	1,501,684	1,501,684
Lease assets	72,821	60,354
Accumulated depreciation	△65,025	△58,428
Lease assets (net base)	7,795	1,926
Construction in progress	—	7,800
<b>Total tangible fixed assets</b>	<b>2,831,617</b>	<b>2,773,635</b>
<b>Intangible fixed assets</b>		
Software	441,953	365,435
Goodwill	1,833,611	1,648,115
Other intangible fixed assets	413,624	312,912
<b>Total intangible fixed assets</b>	<b>2,689,188</b>	<b>2,326,463</b>
<b>Investment and other assets</b>		
Investment securities	2,137,412	2,617,499
Deferred tax assets	26,208	45,342
Other investment and other assets	718,609	812,042
Allowance for doubtful accounts	△319,539	△389,935
<b>Total investments and other assets</b>	<b>2,562,690</b>	<b>3,084,948</b>
<b>Total fixed assets</b>	<b>8,083,496</b>	<b>8,185,047</b>
<b>Total assets</b>	<b>26,959,552</b>	<b>25,765,689</b>

(Unit: thousands of yen)

	FY 2016 (As of March 31, 2017)	FY 2017 (As of March 31, 2018)
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Accounts and notes payable	1,233,646	929,526
Short-term loans payable	852,119	576,039
Lease obligations	6,582	723
Accounts payable-other	1,447,152	1,001,461
Accrued expenses payable	2,756,629	2,642,245
Income taxes payable	327,800	188,625
Reserve for bonuses	78,300	76,316
Reserve for point card certificates	43,570	8,711
Reserve for sales returns	96,748	74,962
Other current liabilities	717,634	489,836
<b>Total current liabilities</b>	<b>7,560,185</b>	<b>5,988,449</b>
<b>Fixed liabilities</b>		
Long-term loans payable	464,530	237,215
Net defined retirement liabilities	621,382	603,262
Lease obligations	1,446	723
Deferred tax liabilities	195,107	219,571
Other fixed liabilities	50,320	44,758
<b>Total fixed liabilities</b>	<b>1,332,787</b>	<b>1,105,530</b>
<b>Total liabilities</b>	<b>8,892,972</b>	<b>7,093,979</b>
<b>(Net assets)</b>		
<b>Shareholder's equity</b>		
Common stock	3,218,000	3,218,000
Capital surplus	3,705,680	3,019,205
Retained earnings	11,953,901	12,316,449
Treasury stock	△3,039,450	△100,158
<b>Total shareholder's equity</b>	<b>15,838,131</b>	<b>18,453,496</b>
<b>Other accumulated comprehensive income</b>		
Valuation difference on available-for-sale securities	267,014	263,254
Foreign currency translation adjustments	△11,513	△12,505
Cumulative adjustment amount for retirement benefit obligations	△41,119	△56,561
<b>Total other accumulated comprehensive income</b>	<b>214,381</b>	<b>194,187</b>
Stock acquisition rights	15,691	—
Non-controlling interests	1,998,376	24,026
<b>Total net assets</b>	<b>18,066,579</b>	<b>18,671,710</b>
<b>Total liabilities and net assets</b>	<b>26,959,552</b>	<b>25,765,689</b>

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

	(Unit: thousands of yen)	
	FY 2016 (April 1, 2016 ~ March 31, 2017)	FY 2017 (April 1, 2017 ~ March 31, 2018)
Net sales	20,795,074	21,210,070
Cost of sales	12,528,057	13,212,739
Gross profit	8,267,016	7,997,331
Selling, general and administrative expenses	6,509,223	6,866,577
Operating income	1,757,793	1,130,753
Non-operating income		
Interest income	1,311	1,406
Dividend income	5,137	5,253
Interest on securities	36	60
Gain on investment partnership management	23,921	26,487
Gain on liquidation of unpaid royalties	22,680	—
Miscellaneous receipts	10,816	31,195
Total non-operating Income	63,903	64,404
Non-operating expenses		
Interest paid	11,045	8,437
Gain on foreign exchange loss	1,784	423
Loss on equity method investment	86,238	99,127
Cost of exchange from business combination	174,469	50,852
Miscellaneous expenses	9,156	6,382
Total non-operating expenses	282,693	165,224
Ordinary income	1,539,004	1,029,933
Extraordinary income		
Gain on sale of investment securities	224,236	116,982
Gain on change in equity	19,845	7,476
Gain on reversal of subscription rights to shares	27,043	15,691
Other extraordinary income	—	18,297
Total extraordinary income	271,125	158,447
Extraordinary losses		
Loss on disposal of fixed assets	80,324	22,764
Impairment loss on goodwill	—	84,283
Impairment loss	9,919	145,164
Other extraordinary losses	10,140	7,313
Total extraordinary losses	100,383	259,526
Current term net income before taxes	1,709,746	928,854
Corporate, local, and business taxes	430,540	292,448
Income taxes - deferred	△98,908	△81,130
Total corporate, local, and business taxes	331,632	211,317
Current term net income	1,378,113	717,536
Current term net income attributable to non-controlling interests	806,175	212,997
Current term net income attributable to shareholders of the parent company	571,938	504,538

(Consolidated Statement of Comprehensive Income)

(Unit: thousands of yen)

	FY 2016 (April 1, 2016 ~ March 31, 2017)	FY 2017 (April 1, 2017 ~ March 31, 2018)
Current term net income	1,378,113	717,536
Other comprehensive income		
Valuation difference on other available-for-sale securities	69,190	△6,078
Foreign currency translation adjustments	△2,579	△986
Retirement benefit adjustments	△78,836	△13,658
Total other comprehensive income	△12,225	△20,722
Comprehensive income	1,365,888	696,813
(Details)		
Comprehensive income attributable to shareholders of the parent company	597,411	483,281
Comprehensive income attributable to non-controlling interests	768,476	213,531

(3) Consolidated Statement of Changes in Shareholders' Equity  
FY 2016 (April 1, 2016 ~ March 31, 2017)

(Unit: thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	3,218,000	3,707,197	11,480,657	△3,038,502	15,367,352
Changes of items during the accounting period					
Dividends paid			△98,694		△98,694
Increase through share exchange					—
Changes in parent company equity regarding transactions with non-controlling interests		△1,517			△1,517
Changes in the scope of application of the equity method					—
Net gain or loss attributable to shareholders of parent company			571,938		571,938
Acquisition of treasury stock				△947	△947
Disposal of treasury stock					—
Net changes in non-equity items during the accounting period					—
Total changes during the accounting period	—	△1,517	473,243	△947	470,778
Balance at end of period	3,218,000	3,705,680	11,953,901	△3,039,450	15,838,131

	Accumulated other comprehensive income				Share acquisition rights	Minority Interests	Total net assets
	Valuation difference on other available-for-sale securities	Foreign currency translation adjustments	Retirement benefit-related adjustments	Total other accumulated comprehensive income			
Balance at beginning of period	198,282	△8,446	△928	188,908	42,734	1,230,815	16,829,810
Changes of items during the accounting period							
Dividends paid							△98,694
Increase through share exchange							—
Changes in parent company equity regarding transactions with non-controlling interests							△1,517
Changes in the scope of application of the equity method							—
Net gain or loss attributable to shareholders of parent company							571,938
Acquisition of treasury stock							△947
Disposal of treasury stock							—
Net changes in non-equity items during the accounting period	68,731	△3,067	△40,191	25,473	△27,043	767,560	765,990
Total changes during the accounting period	68,731	△3,067	△40,191	25,473	△27,043	767,560	1,236,769
Balance at end of period	267,014	△11,513	△41,119	214,381	15,691	1,998,376	18,066,579

FY 2017 (April 1, 2017 ~ March 31, 2018)

(Unit: thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	3,218,000	3,705,680	11,953,901	△3,039,450	15,838,131
Changes of items during the accounting period					
Dividends paid			△118,161		△118,161
Increase through share exchange		△735,351		2,948,339	2,212,988
Changes in parent company equity regarding transactions with non-controlling interests		48,876			48,876
Changes in the scope of application of the equity method			△23,830		△23,830
Net gain or loss attributable to shareholders of parent company			504,538		504,538
Acquisition of treasury stock				△9,209	△9,209
Disposal of treasury stock				161	161
Net changes in non-equity items during the accounting period					
Total changes during the accounting period	—	△686,474	362,547	2,939,291	2,615,365
Balance at end of period	3,218,000	3,019,205	12,316,449	△100,158	18,453,496

	Accumulated other comprehensive income				Share acquisition rights	Minority Interests	Total net assets
	Valuation difference on other available-for-sale securities	Foreign currency translation adjustments	Retirement benefit-related adjustments	Total other accumulated comprehensive income			
Balance at beginning of period	267,014	△11,513	△41,119	214,381	15,691	1,998,376	18,066,579
Changes of items during the accounting period							
Dividends paid							△118,161
Increase through share exchange							2,212,988
Changes in parent company equity regarding transactions with non-controlling interests							48,876
Changes in the scope of application of the equity method							△23,830
Net gain or loss attributable to shareholders of parent company							504,538
Acquisition of treasury stock							△9,209
Disposal of treasury stock							161
Net changes in non-equity items during the accounting period	△3,759	△992	△15,441	△20,194	△15,691	△1,974,349	△2,010,234
Total changes during the accounting period	△3,759	△992	△15,441	△20,194	△15,691	△1,974,349	605,130
Balance at end of period	263,254	△12,505	△56,561	194,187	—	24,026	18,671,710

## (4) Consolidated Statement of Cash Flows

(Unit: thousands of yen)

	FY 2016 (April 1, 2016 ~ March 31, 2017)	FY 2017 (April 1, 2017 ~ March 31, 2018)
Cash flow from operating activities		
Income or loss before income taxes, etc.	1,709,746	928,854
Depreciation expenses	337,883	358,757
Impairment loss	9,919	145,164
Amortization of goodwill	161,723	144,634
Impairment loss on goodwill	—	84,283
Increase/decrease in allowance for doubtful accounts ( $\Delta$ = decrease)	1,560	78,401
Increase/decrease in reserve for bonus ( $\Delta$ = decrease)	12,153	$\Delta$ 1,983
Increase/decrease in allowance for unexercised sales promotion points ( $\Delta$ = decrease)	9,695	$\Delta$ 34,859
Increase/decrease in net defined retirement liabilities ( $\Delta$ = decrease)	$\Delta$ 65,704	$\Delta$ 46,332
Interest and dividend income	$\Delta$ 6,449	$\Delta$ 6,660
Interest on securities	$\Delta$ 36	$\Delta$ 60
Interest paid	11,045	8,437
Gain or loss on foreign exchange ( $\Delta$ = gain)	$\Delta$ 1,466	192
Gain or loss on equity method investment ( $\Delta$ = gain)	86,238	99,127
Gain or loss on investment partnership management ( $\Delta$ = gain)	$\Delta$ 23,921	$\Delta$ 26,487
Gain or loss on sale of investment securities ( $\Delta$ = gain)	$\Delta$ 224,236	$\Delta$ 116,982
Gain or loss on disposal of fixed assets ( $\Delta$ = gain)	80,324	22,764
Gain or loss on change in equity ( $\Delta$ = gain)	$\Delta$ 19,845	$\Delta$ 7,476
Increase/decrease in trade receivables ( $\Delta$ = increase)	$\Delta$ 66,043	587,198
Increase/decrease in inventory assets ( $\Delta$ = increase)	$\Delta$ 99,130	$\Delta$ 106,799
Increase/decrease in trade payables ( $\Delta$ = decrease)	480,617	$\Delta$ 401,785
Increase/decrease in consumption tax receivable ( $\Delta$ = increase)	44,765	21,087
Increase/decrease in consumption tax payable ( $\Delta$ = decrease)	$\Delta$ 131,408	$\Delta$ 10,705
Others	504,658	$\Delta$ 505,195
Sub-total	2,812,087	1,213,575
Interest and dividends received	6,691	6,721
Interest paid	$\Delta$ 11,110	$\Delta$ 8,429
Income tax refunded	—	27,454
Income tax paid	$\Delta$ 336,258	$\Delta$ 429,433
Cash flow from operating activities	2,471,410	809,888

(Unit: thousands of yen)

	FY 2016 (April 1, 2016 ~ March 31, 2017)	FY 2017 (April 1, 2017 ~ March 31, 2018)
Cash flow from investing activities		
Expenditure for opening of term deposits	△500,000	△550,006
Income from withdrawal of term deposits	2,008,881	500,000
Expenditure for acquisition of marketable securities	△230,000	—
Expenditure for acquisition of tangible fixed assets	△43,256	△104,344
Expenditure for acquisition of software	△269,781	△200,611
Expenditure for acquisition of investment securities	△403,900	△94,999
Expenditure for business transfer	—	△20,000
Income from sale of investment securities	233,120	149,405
Expenditure for acquisition of shares of affiliates	△9,600	△509,800
Income from acquisition of subsidiary shares accompanying changes in the scope of consolidation	188,255	40,600
Expenditure for loans receivable	△40,000	—
Income from collection of loans receivable	2,699	37,391
Expenditure for security deposits	△4,411	△11,612
Income from collection of security deposits	600	11,219
Others	△93,121	△317,517
Net cash flow from investing activities	839,486	△1,070,275
Cash flow from financing activities		
Net increase/decrease in short-term loans payable (△ = decrease)	—	△120,000
Expenditure for repayment of lease obligations	△16,133	△6,582
Expenditure for repayment of long-term borrowing	△396,120	△418,107
Expenditure for acquisition of treasury stock	△947	△9,209
Payment of dividends	△99,262	△117,896
Income from payments from non-controlling interests	—	84,500
Payment of dividends to non-controlling interests	△26	—
Expenditure for acquisition of subsidiary shares not accompanying changes in the scope of consolidation	—	△10,267
Net cash flow from financing activities	△512,490	△597,562
Effect of exchange rate on cash and cash equivalents	1,466	△599
Net increase/decrease in cash and cash equivalents (△ = decrease)	2,799,872	△858,550
Cash and cash equivalents at the beginning of the year	10,913,765	13,768,853
Increase in cash and cash equivalents resulting from new consolidation	55,216	—
Cash and cash equivalents at the end of the year	13,768,853	12,910,303



(5) Notes Concerning the Consolidated Financial Statements  
(Notes Concerning the Premise of a Going Concern)  
Not applicable

(Segment Information, etc.)

[Segment Information]

1. Outline of reportable segments

The Company's reportable segments provide separate financial information among its various structural units and also serve as objects of study when the Board of Directors periodically decide on the allocation of business resources and make performance appraisals. The reportable segments for the current consolidated fiscal year are the Content Business, the Point Service Business, and the Label Business.

***Content Business***

In order to promote its Multi-Content and Multi-Platform Strategy, the Faith Group's Content Business is providing one-stop solutions ranging from the construction of distribution systems and the operation of services for end-users to the planning and production of digital contents.

Main companies involved in this business: Faith, Inc. and Faith Wonderworks, Inc.

***Point Service Business***

The Faith Group is engaged in the Point Service Business, which is aimed at the retail industry.

Main company involved in this business: GoodyPoint Co., Ltd.

***Label Business***

The Label Business encompasses planning, production and sales of sound sources and videos, music rights acquisition and management, and contracted production and sales of sound source and video products for other companies, etc.

Main companies involved in this business: Nippon Columbia Co., Ltd. and DREAMUSIC Inc.

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

The accounting method for the reportable business segments is in accordance with the accounting policies adopted for preparing the consolidated financial statements.

For the profit figures of the reportable segments, the operating income base figures are used. Inter-segment sales and transfer amounts are decided in consideration of the market price and other factors.

3. Information on sales, profit or loss, assets, liabilities and other items by reportable segment  
 Previous consolidated fiscal year/FY 2016 (April 1, 2016 ~ March 31, 2017)

(Unit: thousands of yen)

	Reportable segment				Adjustment amount (Notes 1 & 2)	Amount recorded in Consolidated Financial Statements (Note 3)
	Content	Point Service	Label	Total		
Sales						
Sales to external customers	4,405,641	2,413,712	13,975,720	20,795,074	—	20,795,074
Inter-segment sales or transfer amount	128,862	—	44,594	173,456	△173,456	—
Total	4,534,503	2,413,712	14,020,315	20,968,531	△173,456	20,795,074
Segment profit or loss (△)	△56,347	85,976	1,728,490	1,758,119	△325	1,757,793
Segment assets	13,836,432	1,057,691	12,107,564	27,001,688	△42,136	26,959,552
Other items						
Depreciation expenses	236,461	19,305	82,427	338,194	△310	337,883
Amortization of goodwill	36,244	—	125,479	161,723	—	161,723
Investment in equity-method affiliates	38,613	—	9,600	48,213	—	48,213
Increase in tangible and intangible fixed assets	226,712	18,176	68,149	313,038	—	313,038

(Notes)

1. The segment profit or loss adjustment amount of △¥325 thousand and the depreciation expenses adjustment amount of △¥310 thousand for this consolidated fiscal year are calculated by eliminating intersegment transactions.
2. The segment assets adjustment amount eliminates intersegment transactions, etc.
3. Segment profit is adjusted with operating income in the consolidated financial statements.

Current consolidated fiscal year/FY 2017 (April 1 2017 ~ March 31, 2018)

(Unit: thousands of yen)

	Reportable segment				Adjustment amount (Notes 1 & 2)	Amount recorded in Consolidated Financial Statements (Note 3)
	Content	Point Service	Label	Total		
Sales						
Sales to external customers	4,361,273	2,562,697	14,286,099	21,210,070	—	21,210,070
Inter-segment sales or transfer amount	105,110	1,169	9,660	115,940	△115,940	—
Total	4,466,383	2,563,867	14,295,760	21,326,011	△115,940	21,210,070
Segment profit or loss	△194,301	89,069	1,231,542	1,126,309	4,444	1,130,753
Segment assets	12,672,466	1,133,009	11,973,765	25,779,241	△13,552	25,765,689
Other items						
Depreciation expenses	243,798	18,127	96,831	358,757	—	358,757
Amortization of goodwill	34,749	—	109,884	144,634	—	144,634
Investment in equity-method affiliates	835,565	—	11,101	846,666	—	846,666
Increase in tangible and intangible fixed assets	124,027	11,928	169,000	304,955	—	304,955

(Notes)

1. The segment profit or loss adjustment amount of ¥4,444 thousand is calculated by eliminating intersegment transactions.
2. The segment assets adjustment amount eliminates intersegment transactions, etc.
3. Segment profit is adjusted with operating income in the consolidated financial statements.

[Related Information]

Previous consolidated fiscal year/FY 2016 (April 1, 2016 ~ March 31, 2017) and current consolidated fiscal year/FY 2017 (April 1 2017 ~ March 31, 2018)

1. Information by product and service

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

2. Information by region

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

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

3. Information on major customers

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

[Information on Impairment Losses on Fixed Assets for Each Reportable Segment]

Previous consolidated fiscal year/FY 2016 (April 1, 2016 ~ March 31, 2017)

(Unit: thousands of yen)

	Content	Point Service	Label	Total	Elimination	Total
Loss on impairment	9,919	—	—	9,919	—	9,919
Loss on goodwill impairment	—	—	—	—	—	—

Current consolidated fiscal year/FY 2017 (April 1 2017 ~ March 31, 2018)

(Unit: thousands of yen)

	Content	Point Service	Label	Total	Elimination	Total
Loss on impairment	145,164	—	—	145,164	—	145,164
Loss on goodwill impairment	84,283	—	—	84,283	—	84,283

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

Previous consolidated fiscal year /FY 2016 (April 1, 2016 ~ March 31, 2017)

(Unit: thousands of yen)

	Content	Point Service	Label	Total	Elimination	Total
Year-end balance	93,335	—	1,740,276	1,833,611	—	1,833,611

(Note)

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

Current consolidated fiscal year/FY 2017 (April 1 2017 ~ March 31, 2018)

(Unit: thousands of yen)

	Content	Point Service	Label	Total	Elimination	Total
Year-end balance	17,724	—	1,630,391	1,648,115	—	1,648,115

(Note)

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

[Information on Gains on Negative Goodwill by Reportable Segment]

Previous consolidated fiscal year/FY 2016 (April 1, 2016 ~ March 31, 2017) and current consolidated fiscal year/FY 2017 (April 1 2017 ~ March 31, 2018)

Not applicable

## (Per Share Information)

(Unit: yen)

FY 2016 (April 1, 2016 ~ March 31, 2017)	FY 2017 (April 1 2017 ~ March 31, 2018)
Net assets per share	1,626.59
Net income per share	57.95
Net assets per share	1,355.11
Net income per share	40.48

(Notes)

- The amount of net income per share fully diluted is not recorded because there are no residual shares.
- The basis of the calculation of net income per share is as follows.

	FY 2016 (April 1, 2016 ~ March 31, 2017)	FY 2017 (April 1 2017 ~ March 31, 2018)
Net income per share		
Net income attributable to the shareholders of the parent company (thousands of yen)	571,938	504,538
Amount not attributable to ordinary shareholders (thousands of yen)	—	—
Net income applicable to common stock attributable to the shareholders of the parent company (thousands of yen)	571,938	504,538
Average number of shares outstanding during the period (shares)	9,869,195	12,464,649

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

	End of FY 2016 (as of March 31, 2017)	End of FY 2017 (as of March 31, 2018)
Total amount of net assets (thousands of yen)	18,066,579	18,671,710
Amount deducted from total amount of net assets (thousands of yen)	2,014,067	24,026
(Non-controlling interests)	(1,998,376)	(24,026)
(Share warrants)	(15,691)	(—)
Year-end net assets applicable to common stock (thousands of yen)	16,052,512	18,647,683
Term-end number of shares of common stock used in calculating net assets per share (shares)	9,868,820	13,761,050

## (Significant Subsequent Events)

## [Transfer of Subsidiary Shares]

At a meeting of the Board of Directors held on April 24, 2018, the Company resolved to transfer all shares held by ENTERMEDIA INC., a consolidated subsidiary of the Company, and the transfer was completed on April 25, 2018. In accordance with this share transfer, the Company anticipates the recording of a gain (extraordinary profit) on the sale of shares of an affiliated company of ¥161 million for the first quarter the fiscal year ending March 2019.