BRIEF STATEMENT OF CONSOLIDATED FINANCIAL RESULTS FOR THE FULL FISCAL YEAR ENDED MARCH 2020

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, 2020

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 26, 2020
Date of Submission of Annual Security Report: June 29, 2020
Starting Date of the Dividend Payment: June 29, 2020
Preparation of Supplementary Materials for Financial Results: Applicable/May 29, 2020
Information Meeting for Financial Results to be Held: None

Amounts are rounded down to the nearest JPY 1 million.

1. Results for the Fiscal Year Ending March 2020 (From April 1, 2019 to March 31, 2020)

(1) Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
Year ending	*Millions of yen*	%	*Millions of yen*	%	*Millions of yen*	%	*Millions of yen*	%
March 2020	20,093	△4.2	385	166.9	471	—	△884	—
March 2019	20,965	△1.2	144	△87.2	△586	—	△309	—

(Note) Comprehensive income: fiscal year ending March 2020: △446 million (—%); fiscal year ending March 2019: △314 million (—%)

	Net Income per Share	Diluted Net Income per Share	Return on Equity Capital	Ordinary Income on Total Assets	Operating Income on Net Sales
Year ending	*Yen*	*Yen*	%	%	%
March 2020	△67.93	—	△5.2	1.9	1.9
March 2019	△23.15	—	△1.7	△2.3	0.7

(Reference) Equity in earnings of associated companies: FY ending March 2020: ¥28 million; FY ending March 2019: △¥704 million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Ratio of Equity Capital	Net Assets per Share
Year ending	*Millions of yen*	*Millions of yen*	%	*Yen*
March 2020	24,746	16,439	66.4	1,301.66
March 2019	24,343	17,520	72.0	1,321.37

(Reference) Equity capital: FY ending March 2020: ¥16,439 million; FY ending March 2019: ¥17,520 million

(3) Consolidated Cash Flow Results

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents at Year End
Year ending	*Millions of yen*	*Millions of yen*	*Millions of yen*	*Millions of yen*
March 2020	1,175	△512	△165	12,585
March 2019	454	△187	△1,077	12,100

2. Dividends

	Dividends per Share					Total Dividend Payment (Annual)	Payout Ratio (Consolidated)	Dividend on Net Assets (Consolidated)
(Record dates)	1st Quarter	Interim	3rd Quarter	Year-end	Total (Annual)			
Year ending	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Millions of yen*	%	%
March 2019	—	5.00	—	5.00	10.00	132	—	0.7
March 2020	—	5.00	—	5.00	10.00	133	—	0.8
March 2021 (Forecast)	—	5.00	—	5.00	10.00		—	

3. Forecast for the Consolidated Results for the Year Ending March 2021 (from April 1, 2020 to March 31, 2021)

Regarding the outlook for the fiscal year ending March 2021, we anticipate that the outlook will remain uncertain due to the global spread and prolongation of the COVID-19 pandemic, and it is difficult to predict the impact on the Group's business results at this stage. Therefore, we have not yet decided the financial forecast for the fiscal year ending March 2021. We will make an announcement as soon as a reasonable forecast becomes possible.

※ 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 2020: 13,831,091 shares
The fiscal year ending March 2019: 13,831,091 shares
(3)-2. Treasury stock at the end of the fiscal year:
The fiscal year ending March 2020: 1,201,840 shares
The fiscal year ending March 2019: 572,000 shares
(3)-3. Average number of shares during the accounting period
The fiscal year ending March 2020: 13,016,759 shares
The fiscal year ending March 2019: 13,353,334 shares

(Note)
The number of shares of treasury stock at the end of the fiscal year includes those shares (262,500 shares for the fiscal year ending March 2020, 0 shares for the fiscal year ending March 2019) contributed as trust assets of the performance-linked stock compensation plan. In addition, these shares are included in the shares of treasury stock deducted in calculating the average number of shares during the accounting period (153,125 shares for the fiscal year ending March 2020, 0 shares for the fiscal year ending March 2019).

(Reference) Overview of Non-Consolidated Results
Results for the Fiscal Year Ending March 2020 (From April 1, 2019 to March 31, 2020)

(1) Non-Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
Year ending	*Millions of yen*	%	*Millions of yen*	%	*Millions of yen*	%	*Millions of yen*	%
March 2020	2,153	△1.8	△380	—	△927	—	△1,468	—
March 2019	2,192	△6.2	△239	—	504	—	328	—

	Net Income per Share	Diluted Net Income per Share
Year ending	*Yen*	*Yen*
March 2020	△112.85	—
March 2019	24.57	—

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Ratio of Equity Capital	Net Assets per Share
Year ending	*Millions of yen*	*Millions of yen*	%	*Yen*
March 2020	17,551	16,192	92.3	1,282.14
March 2019	18,596	17,870	96.1	1,347.80

(Reference) Equity capital: fiscal year ending March 2020: ¥16,192 million; fiscal year ending March 2019: ¥17,870 million

* This financial results report is exempt from quarterly review procedures.
* Statement regarding the proper use of financial forecasts and other special remarks
(Notice regarding statements concerning the future)
The Company has not yet issued a consolidated business forecast for the fiscal year ending March 2021 because it is difficult to calculate a reasonable business forecast at this time. We will promptly issue a consolidated performance forecast as soon it becomes possible to disclose it. For details, please refer to "1. Overview of Operating Results, etc., (4) Future Outlook" on page 5 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 29, 2020.

Accompanying Material Contents

1. Overview of Operating Results

(1) Overview of Operating Results for the Current Term

In the Japanese information and communications field in 2018, the Internet penetration rate remained high at 79.8%, and the percentage of households owning one or more smartphones reached 79.2%, exceeding the percentage of households that own personal computers. (*1)

Meanwhile, since 2000, the movement away from television has been progressing centered mainly on the younger generation, and in 2018, the Internet usage rate exceeded the TV viewing rate on weekdays and holidays for the first time. (*2) Furthermore, in 2019 in Japan, advertising expenses for the Internet increased by 19.7% from the previous year to ¥2,104.8 billion, exceeding the advertising expenses for television of ¥1,861.2 billion for the first time. (*3) In addition, as a measure aimed at preventing the spread of novel coronavirus (COVID-19) infections, the popularization of teleworking and of services that allow people to communicate online with remote parties while remaining at home has increased. It is expected that the shift to services in line with the era of digitalization will accelerate as the Internet usage rate rises and smartphones become even more widespread.

*1. Source: Ministry of Internal Affairs and Communications, *2018 Telecommunications Usage Trend Survey Results*
*2. Source: Ministry of Internal Affairs and Communications, *FY2018 Survey Report on Survey on Time Spent for Information and Communication Media and Information Behaviors*
*3. Source: Dentsu Inc., *2019 Advertising Expenditures in Japan*

In the entertainment market, sales in the global music market centered on streaming services grew by 8.2% year-on-year to approximately ¥2,198.4 billion (US$20.2 billion), marking its fifth consecutive year of sales growth. (*4) Meanwhile in Japan, the production value of music software including music videos decreased by 5% year-on-year to ¥229.1 billion, and sales of packaged products continued to decline, but sales of fee-based music distribution increased by 10% to ¥70.6 billion. Sales of streaming services in particular increased by 33% year-on-year, and the share of music distribution sales accounted for by streaming greatly exceeded that accounted for by download sales (*5). On the other hand, as lifestyles shift from “product consumption” to “experience consumption”, the size of the live entertainment market had been expected to continue growing, but due to the spread of COVID-19, large-scale events including live concerts have been postponed and canceled, and the future outlook remains uncertain.

*4. Source: IFPI, *Global Music Report 2020 - THE INDUSTRY IN 2019*
*5. Source: Recording Industry Association of Japan (RIAJ), *The Recording Industry in Japan 2020*

Founded in 1992, Faith was the first company in the world to commercialize ringtones, and has steadily grown centered on the music distribution business and in step with the spread of mobile phones. However, in recent years, amid the growing popularity of smartphones in the music market, streaming media, user upload content (UUC) that allows general users to easily transmit information to society, and media diversification such as social media, etc., all kinds of activities in the music industry have been changing, including musical styles and content production methods.

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, which includes platforms that collect and organize the information flooding the Internet and then providing this to users after increasing its added value.

In addition, in 2018, the number of tourists visiting Japan increased by 8.7% year-on-year to 31.19 million (*6), which was expected to further expand the nighttime economy market in Japan. However, due to the spread of COVID-19 on a global scale, restrictions on entering the country from abroad have been issued, and the market has also been forced to shrink in response to official requests to many stores to suspend or curtail their operations to help prevent infections. Faith operates PLUSTOKYO, the largest music lounge in Tokyo, and an entertainment facility named CROKET MIMIC TOKYO, which specializes in world-class performances centered on impersonation, and we are currently suspending the operation of both facilities. We are making preventing the spread of COVID-19 infections and ensuring safety our top priorities, and we will continue to respond swiftly in the future based on administrative policies and action plans.

*6. Source: *Visitor Arrivals to Japan and Japanese Overseas Travelers, 2018,* compiled by Japan National Tourism Organization (JNTO)

On October 8, 2019, Faith acquired all the shares of KSR Corporation and welcomed that company into the Faith Group. KSR was founded in 2000 and is a domestic music label. Musician Shinji Nira, a member of the Japanese reggae group Shonan no Kaze, serves on the board of directors. In addition to producing wide-ranging artists with a strong focus on dance music, KSR is developing a variety of businesses in the entertainment field including music production, promotion, and events. From now on, KSR will work to achieve synergies with the Faith Group's artist platform business as well as in the artist nurturing and development, music production, advertising, and sales businesses.

Regarding the Faith Group's performance during the consolidated fiscal year ending March 2020, net sales decreased by 4.2% compared with the previous fiscal year to ¥20,093 million in accordance with the decline in sales of existing distribution services, which account for a major share of overall sales, and with the suspension of store operations to prevent COVID-19 infections, Operating income increased by 166.9% year on year to ¥385 million due mainly to increases in sales of high-margin in-house produced titles and sound source use in the Label Business. In addition, the Company recorded ordinary income of ¥471 million (compared with an ordinary loss of ¥586 million for the previous fiscal year), due mainly to operating income from investment partnerships, and a net loss attributable to the parent company's shareholders of ¥884 million (compared with a net income attributable to parent company shareholders of ¥309 million for the previous fiscal year) due mainly to extraordinary losses associated with the impairment of fixed assets and unlisted stock.

Information on each business segment is as follows.

Content Business

In the Content Business, while sales in the existing distribution business continue to decline, the Faith Group is actively promoting business development in Asian countries and other countries where high growth rates are expected. In addition, we are interlinking and platforming various services in an effort to develop new products and services and grasp diversified revenue opportunities, and we will continue to invest in growth areas in future.

We are actively developing FaRao PRO not only as a service providing business BGM but also for sales activities focused on expanding the functions necessary for store management, such as solutions and announcement functions that make store-branding proposals. In addition to conventional products using tablet devices, we have also released an app-version service that offers users reduced initial costs and we are working to strengthen retail store sales through collaboration with the Point Service Business. Moreover, based on our Japanese service, we have started FaRao PRO services in Indonesia, and for the future we are aiming to create and activate new BGM markets both in Japan and overseas.

In Fans', our platform of services for artists based on the D2C [(*7)] business model, which is expected to expand in future, we are enhancing the functions essential to artists' musical activities such as official website construction, music and video distribution, sales of artist goods, and fan club operation. In June 2019, we began working to further expand the functions of Fans' such as introducing a system that contributes to the creation of communities by spreading information transmitted by creators through strengthened cooperation with SNS. We are also aiming to acquire new users and expand the membership base of Fans' as a service that allows more artists to disseminate their works and information freely, and we will endeavor to improve the quality of the service by pursuing enhanced convenience. In addition, in response to the request for people to refrain from going out in order to prevent the spread of COVID-19 infections, until the end of April we offered free of charge the usually paid music under our Musical Life Review™ product used by people to maintain their cognitive function.

*7. Abbreviation of "Direct to Consumer"—a business model for delivering services and products planned and manufactured by Faith directly to users

Regarding the performance of this segment, buoyed by the contribution of sales in new businesses, the Content Business recorded net sales of ¥3,574 million (an increase of 1.8% year on year). However, factoring in declining sales in the carrier official website service, delays in the progress of new businesses, and the suspension of store operations due to the spread of COVID-19 infections this business posted an operating loss of ¥643 million (compared with an operating loss of ¥605 million yen for the previous year).

Point Service Business
In the Point Service Business, in addition to providing point issue services to retail stores, we offer total support for point issue data acquisition, analysis and sales promotion utilization as a series of cycles from planning to operation, and we provide outsourcing services that maximize retail sales promotion efficiency.

Regarding the performance of this segment, with the issue of points at existing member stores remaining steady due to the development of sales promotion measures, net sales increased by 3.8% compared with the previous fiscal year to ¥2,783 million. Moreover, due to an increase in inventory write-downs, operating income decreased by 9.0% year on year to ¥104 million.

Label Business
Amid the severe environment facing the music and video-related industry in line with the continuing shrinkage of the music market, the Label Business is proceeding 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. In order to continue to play a major role in the music industry and expand its revenue, in addition to pursuing the creation of hit products, artist management, and investment in the live performance business, we consider it necessary to introduce new services that anticipate the ever-changing market environment.

In this segment, sales of animation-related titles released by DREAMUSIC Inc. and sales of animation titles and game titles released by Nippon Columbia, Co., Ltd. decreased compared with the previous fiscal year, resulting in a decline in sales of 7.0% year-on-year to ¥13,734 million. Regarding operating income, although sales of live performances declined during the fourth quarter, the Group's new consolidated subsidiary KSR Co., Ltd. performed well, sales of live performances by Columbia artists were favorable overall, and sales of sound sources remained solid, with the result that net sales in this segment increased by 46.3% year on year to ¥923 million.

*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, 2020 decreased by ¥403 million from the end of the previous consolidated fiscal year to ¥24,746 million, a year-on-year increase of 1.7%. This result was mainly attributable to an increase of ¥485 million in cash and deposits, a decrease of ¥510 million in buildings and structures, an increase of ¥187 million in investment securities, and an increase of ¥311 million in deferred tax assets.

Total liabilities increased by ¥1,485 million compared with the end of the previous consolidated fiscal year to ¥8,307 million, a year-on-year increase of 21.8%. This result was mainly attributable to an increase of ¥377 million in long-term debt, an increase of ¥225 million in income taxes payable, and an increase of ¥193 million in deferred tax liabilities.

Net assets decreased by ¥1,081 million compared with the end of the previous consolidated fiscal year to ¥16,439 million, a year-on-year decrease of 6.2%. This result was mainly attributable to outgoings of ¥690 million for acquisition of treasury stock, income of ¥368 million from the disposal of treasury stock, outgoings of ¥133 million for payment of dividends, and to a net loss of ¥884 million attributable to shareholders of the parent company. The equity ratio became 66.4%.

(3) Overview of Cash Flow for the Current Term
Cash and cash equivalents at the end of the consolidated fiscal year ended March 31, 2020 increased by ¥485 million to ¥12,585 million, an increase of 4.0% 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 ¥1,175 million (an increase of 158.9% compared with the previous consolidated fiscal year), attributable mainly to a loss before income taxes and minority interests of ¥769 million, depreciation and amortization expenses of ¥310 million, impairment losses of ¥544 million, amortization of goodwill of ¥115 million, an increase in the reserve for bonuses of ¥267 million, a loss on the valuation of investment securities of ¥754 million, and a decrease in trade receivables of ¥210 million.

(Cash flow from investing activities)
Cash flow from investing activities amounted to an outflow of ¥512 million (compared with an outflow of ¥187 million for the previous consolidated fiscal year), attributable mainly to expenditure of ¥72 million in respect of the acquisition of tangible fixed assets, expenditure of ¥87 million in respect of the acquisition of software, expenditure of ¥322 million for the acquisition of investment securities, income of ¥110 million in respect of income from the sale of investment securities, and expenditure of ¥69 million in respect of the acquisition of subsidiary shares accompanying changes in the scope of consolidation.

(Cash flow from financing activities)
Cash flow from financing activities amounted to an outflow of ¥165 million (compared with an outflow of ¥1,077 million for the previous consolidated fiscal year), due mainly to expenditure of ¥291 million in respect of repayment of long-term loans, income of ¥760 million in respect of proceeds from long-term loans, income of ¥189 million in respect of disposal of treasury stock, expenditure of ¥690 million in respect of the purchase of treasury stock, and expenditure of ¥132 million in respect of dividend payments, etc.

(4) Future Outlook

The Faith Group has been forced to take action in response to the worldwide spread of COVID-19 infections. In the Label Business, titles planned for release have been postponed or cancelled, and many events starring major artists have had to be postponed or cancelled as in the current situation there is no prospect of holding events. In addition, in the Content Business, in consideration of the Japanese Government's response policy, our highest priority is to prevent the spread of COVID-19 infections and to ensure people's safety, so we have suspended the operation of two eating and drinking establishments including a music lounge operated by the Company, and it is difficult to envisage when these businesses will resume.

Against this backdrop, the outlook for next consolidated fiscal year (FY 2020; ending March 31, 2021) is expected to remain uncertain due to the global spread and prolonging of the COVID-19 pandemic. We have determined that it will be difficult to predict the impact, and so for the present we have decided to leave the business performance forecast for the next fiscal year undecided. We will make an announcement as soon as a reasonable forecast becomes possible.

The Faith Group is aiming to achieve changes in behavioral patterns fostered by the prolongation of the COVID-19 pandemic and the establishment of new values after the pandemic ends. In addition, we will endeavor to secure funds with a view to expediting strategic and agile investments in the entertainment industry, and we will respond quickly and flexibly to changes in the business environment.

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

Faith Inc. will continue 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 the return of profits to shareholders to be an important management task. For this reason, the Company will consider the payment of dividends, taking into account its operating results and financial position while keeping in mind the above-described situation.

The Company's dividend will be decided by a resolution of the Board of Directors with the aim of making flexible payments to shareholders regardless of the timing of the annual general meeting of shareholders. As originally announced, the Company is planning to pay a dividend of ¥10 per share (including an interim dividend of ¥5 that has already been paid).

Regarding the dividend for the next fiscal year, based on its fundamental policy of paying continued stable dividends, it is unclear at this point how the worldwide spread of COVID-19 infections will affect each business segment, but the Company plans to pay a dividend of ¥10 per share (including an interim dividend of ¥5) in the next fiscal year.

(6) Business Risks

1) Risks related to the Company’s business

Content Business

(a) Business environment
The Faith Group develops new markets by creating services that users want to use based on original business solution proposals and develops content services and wide-ranging enterprise support services through tie-ups with leading companies in various fields such as content providers. Competition is intense in the content business that the Group and its collaborating content providers are striving to develop, and it is possible that the number of new entrants in this business will continue to increase in future. If unit prices of content decrease due to price competition, etc., if the content services of the Group and its collaborating content providers fail to meet the needs of users, or if the number of users decreases, then there is a possibility that sales will not expand.

In some cases, the Group may provide server construction and operation services in order to meet the needs of content provider customers. In so doing, the Group makes every effort to prevent operational management failures, and even in the unlikely event of such a failure occurring, we take emergency measures and have a system in place that allows us to restore operation quickly by remote control. However, in the case that unavoidable failures occur due to natural disasters, etc., which make it difficult to provide services for an extended period, this may adversely affect the Group’s performance.

(b) Quality control
The Faith Group makes every effort to ensure quality control by operating a thorough system supported by technological development. However, even after the customer company's acceptance inspection, if deficiencies, discrepancies or defects are found in the Group's technology, in the case that a user suffers a loss as a consequence of using a product or service that employs the Group’s technology, this may adversely affect the Group’s current or future business performance.

(c) Legal regulations
Increasing damage caused by illegal acquisition and modification of data on the Internet and by leakage of personal information has led to the development of legal regulations in Japan as elsewhere. The Faith Group’s operations are related to the business of distributing content via the Internet, so in the case that laws and regulations or voluntary restraints between businesses are established in this field, or if the application of laws and regulations becomes clear, there is a possibility that the Group’s business development will be restricted and that costs may be incurred with regard to the implementation of countermeasures.

Point Service Business
The Faith Group sells points to participating point member stores, and in order to prepare for the cost burden of using points, with regard to the balance of unexchanged points among issued points, the required amount that is expected to be used in future is estimated and recorded as a provision based on the past point collection rate. However, if points are exchanged in excess of the estimated amount, this may adversely affect the Group’s business performance.

Label Business
(a) Economic situation and market environment
The Faith Group's main businesses, including the sale and distribution of music and video titles such as CDs and DVDs, BtoB business, and Direct Sales Business, are affected by the economic conditions in the regions and countries where these products are sold. Many of the Group's products are not necessarily indispensable for consumers, and their sales are strongly influenced by market trends,

consumer preferences and consumption behavior. For this reason, if the demand for the products of music and video-related industry in general declines due to a recession or reduced consumer spending, the Group's business performance and financial condition may be adversely affected. An increase in illegal copying and downloading is considered to be one of the factors causing the current decline in sales of music and video-related titles and the contraction in the overall scale of the music and video-related industry. Competition in the music and video-related industry is intensifying in this shrinking market, and this has a significant effect on the Group's sales and profitability. Digital music distribution has become popular in recent years, and the Group is focusing its efforts on this field as well. However, the expansion of this market may have a negative impact on sales of the Group’s conventional products such as music CDs. Due to the recent revision of the Japanese Copyright Act, downloading of illegal copies is now prohibited, and consequently it is expected that the number of illegal downloads will decrease, but illegal downloads from illegal distribution sites still appear to be at a high level, which is likely to adversely affect the Group’s sales. Moreover, in the music market, price competition is intensifying, as can be seen in the release of low-priced CDs, which may adversely affect the Group’s business performance and financial condition.

(b) Music works and artists
Most of the revenue generated by the Faith Group's business depends on the creation of hits by popular artists, and the stability and growth of the Group’s management derives from the creation of artists and music works that are expected to become hits. The Group will continue to discover and develop new artists who will be accepted by consumers, but since the creation of hit titles involves complex and uncertain factors such as consumer preferences and trends, lack of success at producing hits may adversely affect the Group’s business performance and financial condition.

(c) Performance plan
The Faith Group's sales and profitability rest on a low proportion of fixed and continuous income, and are strongly influenced by the sales situation of individual music titles. Since the sales situation changes due to a number of factors such as the trends of the times and consumer preferences, sales may fall below the forecast levels predicted from past results so that the targets specified in the initial performance plan may not be achieved. In addition, the production of music CDs and other products may be postponed or canceled due to factors involving artists, production, and manufacturing and sales outsourcing, which may cause the Group’s performance to fall below the level specified in the initial performance plan. For this reason, it is difficult to predict business performance elements such as sales forecasts, and a decline in profit for a specific quarter may change the business performance plan and affect the business performance. In the manufacturing and sales contract business, depending on the circumstances of individual business partners, the subcontractor may be changed from the Group to another subcontractor, which may be a factor in driving the Group’s actual business performance below level specified in the initial performance plan.

(d) Retail price maintenance system and reflux prevention measures
Under the Antimonopoly Act, copyrighted works such as music CDs, newspapers, books may be legally old under a price maintenance system (resale system). Although there is no guarantee that the system will last forever, the Japan Fair Trade Commission has announced it’s view that it is reasonable to leave the system in place for the foreseeable future. Moreover, in recent years, the copyright law has been revised to protect the interests of copyright holders of music CDs produced locally under license agreements for the purpose of selling them in Asia at low cost. A so-called reflux prevention measure has been introduced to prohibit the import of commercial records produced for the purpose of distribution overseas under certain conditions. If in the future, the Antitrust Law or Copyright Act is reviewed, there is a possibility that the Faith Group’s sales may be reduced.

(e) Returns
Due to the resale system for products such as music CDs, retailers cannot set the selling price freely. Instead, there is a business practice under which retailers can return products within a certain range. For this reason, some products that do not sell well may be returned in the future. The Faith group properly prepares a reserve for return adjustments based on past returns and other provisions, and is preparing for this eventuality, but if more returns occur due to unexpectedly poor sales, etc., there is a possibility that the Group’s business performance may be adversely affected by a decrease in sales and profit.

2) Intellectual property rights

The Faith Group has filed patent applications and trademark applications related to its technology, and the Group intends to continue making similar promotion efforts in future. With respect to intellectual property rights such as patent rights, trademark rights, copyright ("intellectual property rights"), the Group is strengthening its efforts to protect these rights and to prevent infringements. However, it is difficult to predict how the intellectual property rights of third parties will be applied to the Group's business. For example, in the future, if a patent right related to the Group's business model or to related technology is established by a third party, or if a patent right not recognized by the Group is established, there is a possibility that the Group may be required to compensate the patent holder for damages related to the infringement of the said patent right, or it may become impossible for the Group to continue to conduct all or part of the business related to the patent. In addition, even if the patent holder allows the use to continue, payment of a license fee may be obligated, and in such a case, this may adversely affect the Group's performance.

Among the intellectual property rights owned by the Group, rights such as copyrights and neighboring rights represent one of the strengths of the Group's business. However, there is a possibility that third parties may infringe on the rights regarding songs sold by the Group or for which the Group holds rights or that the Group may unintentionally infringe the rights of third parties. Such copyright infringements may adversely affect the Group's business performance and financial condition.

3) Leakage of personal information

Regarding the protection of personal information, the Faith Group has established a personal information protection policy for the purpose of completing the internal system and instilling an awareness of compliance among its employees, as well as exercising the utmost caution in conducting internal education and implementing security measures for information systems. However, if personal information is leaked for some reason, it may damage the Group's social credibility and adversely affect its business performance and financial condition.

4) Disposal of businesses

The Group conducts business reviews as appropriate, which may result in losses if it decides to sell or dispose of related assets. On the other hand, the Group actively considers business tie-ups with other companies, and there is a possibility that such business tie-ups may adversely affect the Group's business performance and financial condition.

5) Pension system

The Group has established a defined benefit corporate pension plan for beneficiaries and a pension plan for employees that combine a lump-sum retirement allowance plan with a defined contribution pension plan. In future, if pension asset management yields decline or if the actuarial assumptions or the assumptions used to calculate retirement benefit obligations are changed, retirement benefit obligations and retirement benefit expenses may increase, which could adversely affect the Group's business performance and financial condition.

6) Influence of COVID-19 infection

In keeping with the Japanese Government's request for stores to practice self-restraint in retail operations and for individuals to refrain going out unnecessarily in order to limit the spread of the novel coronavirus (COVID-19) infection, it is expected that personal consumption will remain sluggish and store visits will decline, and that depending on the progress of the situation, the call to refrain from retail activities and the closing of store facilities may be prolonged. This may affect the Group's business performance. In addition, if COVID-19 infections occur affecting the Group's head office, business offices, store facilities, artists, production, manufacturing and sales consignees, etc., there is a possibility that this may hinder the Group's business activities and affect its business performance and financial condition.

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, etc.

3. Consolidated Financial Statements and Main Explanatory Notes

(1) Consolidated Balance Sheet

(Unit: thousands of yen)

	FY 2018 (As of March 31, 2019)	FY 2019 (As of March 31, 2020)
(Assets)		
Current assets		
Cash and deposits	12,150,463	12,635,849
Accounts and notes receivable	2,063,965	2,199,541
Marketable securities	232,066	230,879
Commercial products	484,367	446,811
Products in progress	394,308	578,771
Primary materials and inventory goods	61,544	75,973
Corporation tax refunds receivable, etc.	212,102	68,295
Other current assets	534,205	482,059
Allowance for doubtful accounts	△19,401	△18,532
Total current assets	16,113,621	16,699,651
Fixed assets		
Tangible fixed assets		
Buildings and structures	2,525,299	2,060,497
Accumulated depreciation	△996,463	△1,041,806
Buildings and structures (net base)	1,528,836	1,018,691
Machinery and delivery equipment	615,252	604,513
Accumulated depreciation	△595,720	△590,096
Machinery and delivery equipment (net base)	19,531	14,416
Tools, devices and equipment	1,212,819	1,058,825
Accumulated depreciation	△1,006,064	△947,266
Tools, devices and equipment (net base)	206,754	111,558
Land	1,501,684	1,501,684
Lease assets	38,823	38,823
Accumulated depreciation	△37,828	△38,702
Lease assets (net base)	995	121
Total tangible fixed assets	3,257,801	2,646,472
Intangible fixed assets		
Software	350,763	268,262
Goodwill	1,541,584	1,520,453
Other intangible fixed assets	205,871	187,244
Total intangible fixed assets	2,098,219	1,975,960
Investment and other assets		
Investment securities	1,957,225	2,145,096
Deferred tax assets	454,354	765,419
Other investment and other assets	942,793	1,037,457
Allowance for doubtful accounts	△480,799	△523,083
Total investments and other assets	2,873,573	3,424,888
Total fixed assets	8,229,594	8,047,321
Total assets	24,343,216	24,746,972

(Unit: thousands of yen)

	FY 2018 (As of March 31, 2019)	FY 2019 (As of March 31, 2020)
(Liabilities)		
Current liabilities		
Accounts and notes payable	905,762	1,039,823
Short-term loans payable	509,950	609,900
Lease obligations	662	—
Accounts payable-other	775,600	706,817
Accrued expenses payable	2,749,170	2,725,341
Income taxes payable	116,814	341,858
Reserve for bonuses	79,633	347,424
Reserve for point card certificates	374	364
Reserve for sales returns	62,356	90,279
Other current liabilities	740,830	824,594
Total current liabilities	5,941,156	6,686,405
Fixed liabilities		
Long-term loans payable	63,000	440,350
Net defined retirement liabilities	632,538	652,153
Reserve for stock benefits for directors	—	16,401
Lease obligations	60	—
Deferred tax liabilities	139,595	333,275
Other fixed liabilities	46,577	179,374
Total fixed liabilities	881,771	1,621,554
Total liabilities	6,822,927	8,307,960
(Net assets)		
Shareholder's equity		
Capital stock	3,218,000	3,218,000
Capital surplus	3,019,175	2,840,095
Retained earnings	11,872,088	10,854,165
Treasury stock	△802,315	△1,124,344
Total shareholder's equity	17,306,948	15,787,916
Other accumulated comprehensive income		
Valuation difference on marketable securities	307,035	737,236
Foreign currency translation adjustments	△10,936	△21,026
Cumulative adjustment amount for retirement benefit obligations	△82,758	△65,114
Total other accumulated comprehensive income	213,340	651,096
Non-controlling interests	—	—
Total net assets	17,520,288	16,439,012
Total liabilities and net assets	24,343,216	24,746,972

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

(Unit: thousands of yen)

	FY 2018 (April 1, 2018 ~ March 31, 2019)	FY 2019 (April 1, 2019 ~ March 31, 2020)
Net sales	20,965,356	20,093,040
Cost of sales	13,736,658	12,605,521
Gross profit	7,228,697	7,487,518
Selling, general and administrative expenses	7,084,406	7,102,429
Operating income	144,290	385,088
Non-operating income		
Interest income	1,183	309
Dividend income	4,497	4,678
Interest on marketable securities	133	121
Gain on valuation of marketable securities	2,135	—
Gain on equity method investment	—	28,284
Gain on investment partnership management	22,771	117,104
Miscellaneous receipts	28,136	43,727
Total non-operating Income	58,859	194,226
Non-operating expenses		
Interest paid	6,201	5,744
Foreign exchange loss	209	10,076
Loss on valuation of investment securities	—	1,016
Loss on sale of investment securities	—	2,076
Loss on equity method investment	704,510	—
Loss on investment partnership management	74,495	79,857
Miscellaneous expenses	4,724	8,685
Total non-operating expenses	790,140	107,456
Ordinary income or ordinary loss (△ = loss)	△586,991	471,858
Extraordinary income		
Gain on sale of shares of affiliates	164,963	—
Gain on sale of investment securities	69,052	70,500
Other extraordinary income	4,768	809
Total extraordinary income	238,784	71,309
Extraordinary losses		
Loss on disposal of fixed assets	29,299	6,779
Loss on valuation of investment securities	15,000	754,346
Loss on sale of investment securities	—	7,088
Impairment loss	—	544,490
Other extraordinary losses	912	—
Total extraordinary losses	45,212	1,312,704
Current term net income or net loss before taxes (△ = net loss)	△393,418	△769,536
Corporate, local, and business taxes	258,667	437,888
Income taxes - deferred	△318,802	△323,124
Total corporate, local, and business taxes	△60,134	114,764
Current term net income net income or net loss (△ = net loss)	△333,284	△884,300
Current term net income or net loss attributable to non-controlling interests (△ = net loss)	△24,026	—
Current term net income or net loss attributable to shareholders of the parent company (△ = net loss)	△309,257	△884,300

(Consolidated Statement of Comprehensive Income)

(Unit: thousands of yen)

	FY 2018 (April 1, 2018 ~ March 31, 2019)	FY 2019 (April 1, 2019 ~ March 31, 2020)
Current term net income net income or net loss (△ = net loss)	△333,284	△884,300
Other comprehensive income		
Valuation difference on other marketable securities	43,780	430,201
Foreign currency translation adjustments	1,569	△10,089
Retirement benefit adjustments	△26,197	17,644
Total other comprehensive income	19,153	437,755
Comprehensive income	△314,131	△446,544
(Details)		
Comprehensive income attributable to shareholders of the parent company	△290,104	△446,544
Comprehensive income attributable to non-controlling interests	△24,026	—

(3) Consolidated Statement of Changes in Shareholders' Equity
FY 2018 (April 1, 2018 ~ March 31, 2019)

(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	3,019,205	12,316,449	△100,158	18,453,496
Changes of items during the accounting period					
Dividends paid			△135,103		△135,103
Net gain or net loss (△) attributable to shareholders of parent company			△309,257		△309,257
Acquisition of treasury stock				△702,351	△702,351
Disposal of treasury stock		△30		195	164
Changes in non-equity items during the accounting period (net amount)					
Total changes during the accounting period	-	△30	△444,360	△702,156	△1,146,548
Balance at end of period	3,218,000	3,019,175	11,872,088	△802,315	17,306,948

	Accumulated other comprehensive income				Minority Interests	Total net assets
	Valuation difference on other marketable securities	Foreign currency translation adjustments	Retirement benefit-related adjustments	Total other accumulated comprehensive income		
Balance at beginning of period	263,254	△12,505	△56,561	194,187	24,026	18,671,710
Changes of items during the accounting period						
Dividends paid						△135,103
Net gain or net loss (△) attributable to shareholders of parent company						△309,257
Acquisition of treasury stock						△702,351
Disposal of treasury stock						164
Changes in non-equity items during the accounting period (net amount)	43,780	1,569	△26,197	19,153	△24,026	△4,873
Total changes during the accounting period	43,780	1,569	△26,197	19,153	△24,026	△1,151,421
Balance at end of period	307,035	△10,936	△82,758	213,340	—	17,520,288

FY 2019 (April 1, 2019 ~ March 31, 2020)

(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	3,019,175	11,872,088	△802,315	17,306,948
Changes of items during the accounting period					
Dividends paid			△133,622		△133,622
Net gain or net loss (△) attributable to shareholders of parent company			△884,300		△884,300
Acquisition of treasury stock				△690,108	△690,108
Disposal of treasury stock		△179,079		368,079	189,000
Changes in non-equity items during the accounting period (net amount)					
Total changes during the accounting period	—	△179,079	△1,017,922	△322,029	△1,519,031
Balance at end of period	3,218,000	2,840,095	10,854,165	△1,124,344	15,787,916

	Accumulated other comprehensive income				Minority Interests	Total net assets
	Valuation difference on other marketable securities	Foreign currency translation adjustments	Retirement benefit-related adjustments	Total other accumulated comprehensive income		
Balance at beginning of period	307,035	△10,936	△82,758	213,340	—	17,520,288
Changes of items during the accounting period						
Dividends paid						△133,622
Net gain or net loss (△) attributable to shareholders of parent company						△884,300
Acquisition of treasury stock						△690,108
Disposal of treasury stock						189,000
Changes in non-equity items during the accounting period (net amount)	430,201	△10,089	17,644	437,755		437,755
Total changes during the accounting period	430,201	△10,089	17,644	437,755	—	△1,081,275
Balance at end of period	737,236	△21,026	△65,114	651,096	—	16,439,012

(4) Consolidated Statement of Cash Flows

(Unit: thousands of yen)

	FY 2018 (April 1, 2018 ~ March 31, 2019)	FY 2019 (April 1, 2019 ~ March 31, 2020)
Cash flow from operating activities		
Income or loss (△) before income taxes, etc.	△393,418	△769,536
Depreciation expenses	304,685	310,629
Impairment loss	—	544,490
Amortization of goodwill	106,105	115,421
Increase/decrease in allowance for doubtful accounts (△ = decrease)	83,110	41,414
Increase/decrease in reserve for bonus (△ = decrease)	3,316	267,791
Increase/decrease in allowance for unexercised sales promotion points (△ = decrease)	△8,336	△10
Increase/decrease in net defined retirement liabilities (△ = decrease)	△15,048	7,783
Increase/decrease in for stock benefits for directors (△ = decrease)	—	16,401
Interest and dividend income	△5,681	△4,988
Interest on marketable securities	△133	△121
Gain or loss on valuation of marketable securities (△ = gain)	△2,135	1,016
Gain or loss on sale of marketable securities (△ = gain)	—	2,076
Interest paid	6,201	5,744
Gain or loss on foreign exchange (△ = gain)	△13	933
Gain or loss on equity method investment (△ = gain)	704,510	△28,284
Gain or loss on investment partnership management (△ = gain)	51,724	△37,246
Gain or loss on sale of shares in affiliates (△ = gain)	△164,963	—
Gain or loss on sale of investment securities (△ = gain)	△69,052	△63,412
Gain or loss on evaluation of investment securities (△ = gain)	15,000	754,346
Gain or loss on disposal of fixed assets (△ = gain)	29,299	6,689
Increase/decrease in trade receivables (△ = increase)	△59,812	210,307
Increase/decrease in inventory assets (△ = increase)	122,384	△160,361
Increase/decrease in trade payables (△ = decrease)	28,354	97,220
Increase/decrease in consumption tax receivable (△ = increase)	△53,839	55,294
Increase/decrease in consumption tax payable (△ = decrease)	△39,571	6,224
Others	101,480	△109,490
Sub-total	744,162	1,270,332
Interest and dividends received	5,834	4,984
Interest paid	△6,195	△5,717
Income tax refunded	24,753	210,963
Income tax paid	△314,402	△304,937
Cash flow from operating activities	454,151	1,175,626

(Unit: thousands of yen)

	FY 2018 (April 1, 2018 ~ March 31, 2019)	FY 2019 (April 1, 2019 ~ March 31, 2020)
Cash flow from investing activities		
Expenditure for opening of term deposits	△50,004	—
Income from withdrawal of term deposits	550,000	—
Expenditure for acquisition of tangible fixed assets	△633,400	△72,074
Expenditure for acquisition of software	△96,611	△87,627
Expenditure for acquisition of investment securities	△165,000	△322,981
Income from sale of investment securities	88,319	110,377
Income from share of profits from investment partnerships	83,219	14,169
Income from sale of shares of affiliates	7,790	—
Income from sale of subsidiary shares accompanying changes in the scope of consolidation	179,613	—
Expenditure for acquisition of subsidiary shares accompanying changes in the scope of consolidation	—	△69,988
Income from collection of loans receivable	—	730
Expenditure for security deposits	△120,150	△99
Income from collection of security deposits	1,876	1,884
Others	△33,274	△87,204
Net cash flow from investing activities	△187,622	△512,815
Cash flow from financing activities		
Expenditure for repayment of lease obligations	△723	△723
Expenditure for repayment of long-term borrowing	△240,304	△291,200
Income from long-term borrowing	—	760,000
Expenditure for acquisition of treasury stock	△702,351	△690,108
Income from disposal of treasury stock	164	189,000
Payment of dividends	△134,278	△132,879
Net cash flow from financing activities	△1,077,494	△165,911
Effect of exchange rate on cash and cash equivalents	1,114	△11,517
Net increase/decrease in cash and cash equivalents (△ = decrease)	△809,850	485,382
Cash and cash equivalents at the beginning of the year	12,910,303	12,100,452
Cash and cash equivalents at the end of the year	12,100,452	12,585,834

(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 financial information separated according to its various structural units and are also subject to periodic review when the Board of Directors decides on the allocation of business resources and makes performance appraisals. The Faith Group's main businesses 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 2018 (April 1, 2018 ~ March 31, 2019)

(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	3,512,723	2,683,271	14,769,361	20,965,356	−	20,965,356
Inter-segment sales or transfer amount	75,668	540	2,503	78,712	△78,712	−
Total	3,588,391	2,683,812	14,771,865	21,044,068	△78,712	20,965,356
Segment profit or loss (△)	△605,170	114,703	631,130	140,663	3,626	144,290
Segment assets	11,648,799	1,240,498	11,458,691	24,347,989	△4,773	24,343,216
Other items						
Depreciation expenses	176,578	20,621	107,485	304,685	−	304,685
Amortization of goodwill	4,205	−	101,899	106,105	−	106,105
Investment in equity-method affiliates	57,710	−	52,255	109,965	−	109,965
Increase in tangible and intangible fixed assets	657,193	25,974	46,843	730,011	−	730,011

(Notes)
1. The segment profit or loss adjustment amount of ¥3,626 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.

Current consolidated fiscal year/FY 2019 (April 1 2019 ~ March 31, 2020)

(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	3,574,322	2,783,983	13,734,734	20,093,040	−	20,093,040
Inter-segment sales or transfer amount	142,031	309	641	142,981	△142,981	−
Total	3,716,353	2,784,292	13,735,375	20,236,022	△142,981	20,093,040
Segment profit or loss	△643,752	104,365	923,111	383,724	1,364	385,088
Segment assets	10,236,962	1,204,729	13,428,420	24,870,112	△123,139	24,746,972
Other items						
Depreciation expenses	194,204	14,047	103,117	311,369	△740	310,629
Amortization of goodwill	4,092	−	111,328	115,421	−	115,421
Investment in equity-method affiliates	50,041	−	88,670	138,711	−	138,711
Increase in tangible and intangible fixed assets	83,756	26,166	49,779	159,701	−	159,701

(Notes)
1. The segment profit or loss adjustment amount of ¥1,364 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 2018 (April 1, 2018 ~ March 31, 2019) and current consolidated fiscal year/FY 2019 (April 1 2019 ~ March 31, 2020)

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 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 2018 (April 1, 2018 ~ March 31, 2019)

(Unit: thousands of yen)

	Content	Point Service	Label	Total	Company-wide/ elimination	Total
Loss on impairment	542,629	1,860	—	544,490	—	544,490

Current consolidated fiscal year/FY 2019 (April 1 2019 ~ March 31, 2020)

Not applicable

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

Previous consolidated fiscal year /FY 2018 (April 1, 2018 ~ March 31, 2019)

(Unit: thousands of yen)

	Content	Point Service	Label	Total	Company-wide/ elimination	Total
Year-end balance	13,092	—	1,528,491	1,541,584	—	1,541,584

(Note)

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

Current consolidated fiscal year/FY 2019 (April 1 2019 ~ March 31, 2020)

(Unit: thousands of yen)

	Content	Point Service	Label	Total	Company-wide/ elimination	Total
Year-end balance	9,000	—	1,511,453	1,520,453	—	1,520,453

(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 2018 (April 1, 2018 ~ March 31, 2019) and current consolidated fiscal year/FY 2019 (April 1 2019 ~ March 31, 2020)

Not applicable

(Per Share Information)

(Unit: yen)

FY 2018 (April 1, 2018 ~ March 31, 2019)		FY 2019 (April 1 2019 ~ March 31, 2020)	
Net assets per share	1,321.37	Net assets per share	1,301.66
Net income per share	23.15	Net income per share	67.93

(Notes)

1. The amount of net income per share fully diluted during the current consolidated fiscal year and diluted net income per share for the previous consolidated fiscal year are not recorded because there are no residual shares subject to a dilution effect.
2. The basis of the calculation of net income per share is as follows.

	FY 2018 (April 1, 2018 ~ March 31, 2019)	FY 2019 (April 1 2019 ~ March 31, 2020)
Net income per share		
Net loss (△) attributable to the shareholders of the parent company (thousands of yen)	△309,257	△884,300
Amount not attributable to ordinary shareholders (thousands of yen)	—	—
Net loss (△) pertaining to common stock attributable to the shareholders of the parent company (thousands of yen)	△309,257	△884,300
Average number of shares outstanding during the period (shares)	13,353,334	13,016,759

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

	End of FY 2018 (as of March 31, 2019)	End of FY 2019 (as of March 31, 2020)
Total amount of net assets (thousands of yen)	17,520,288	16,439,012
Amount deducted from total amount of net assets (thousands of yen)	—	—
(Non-controlling interests)	(—)	(—)
Year-end net assets pertaining to common stock (thousands of yen)	17,520,288	16,439,012
Year-end number of shares of common stock used in calculating net assets per share (shares)	13,259,091	12,629,251

(Significant Subsequent Events)

Not applicable