BRIEF STATEMENT OF CONSOLIDATED FINANCIAL RESULTS FOR THE FULL FISCAL YEAR ENDED MARCH 2022

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 13, 2022

Faith, Inc. (Stock code 4295, Listed on TSE 1st section)
(URL http://www.faith.co.jp/)
Representative: Hajime Hirasawa, CEO/President
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Date of General Meeting of Shareholders: June 24, 2022
Date of Submission of Annual Security Report: June 27, 2022
Starting Date of the Dividend Payment: June 27, 2022
Preparation of Supplementary Materials for Financial Results: Applicable/May 31, 2022
Information Meeting for Financial Results to be Held: Applicable/May 30, 2022 (for Institutional Investors and Analysts)

Amounts are rounded down to the nearest JPY 1 million.

1. Results for the Fiscal Year Ending March 2022 (From April 1, 2021 to March 31, 2022)

(1) Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to the Shareholders of the Parent Company	
Year ending	*Millions of yen*	%	*Millions of yen*	%	*Millions of yen*	%	*Millions of yen*	%
March 2022	15,311	△23.4	△92	—	136	△83.3	△333	—
March 2021	19,911	△0.5	763	98.2	821	74.2	△26	—

(Note) Comprehensive income: fiscal year ending March 2022: △537 million (—%); fiscal year ending March 2021: 1,314 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 2022	△26.41	—	△1.9	0.5	△0.6
March 2021	△2.09	—	△0.2	3.2	3.8

(Reference) Equity in earnings of associated companies: fiscal year ending March 2022: ¥33 million;
fiscal year ending March 2021: ¥4 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 2022	25,291	17,117	67.7	1,355.09
March 2021	26,702	17,627	66.0	1,395.33

(Reference) Equity capital: fiscal year ending March 2022: ¥17,117 million; fiscal year ending March 2021: ¥17,627 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 2022	△104	△970	△387	11,484
March 2021	1,243	△673	△200	12,946

2. Dividends

(Record dates)	Dividends per Share: 1st Quarter	Interim	3rd Quarter	Year-end	Total (Annual)	Total Dividend Payment (Annual)	Payout Ratio (Consolidated)	Dividend on Net Assets (Consolidated)
Year ending	*Yen*	*Yen*	*Yen*	*Yen*	*Yen*	*Millions of yen*	%	%
March 2021	—	5.00	—	5.00	10,00	128	—	0.7
March 2022	—	5.00	—	5.00	10.00	128	—	0.7
March 2023 (Forecast)	—	5.00	—	5.00	10.00		—	

3. Forecast for the Consolidated Results for the Year Ending March 2023 (from April 1, 2022 to March 31, 2023)

(Percentages show changes from the previous year for full-year figures and from the same quarter of the previous year for quarterly figures.)

	Net Sales		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*
Full year	17,000	11.0	350	―	345	152.0	295	―	24.55

※ 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.: Applicable
(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 2022: 13,831,091 shares
The fiscal year ending March 2021: 13,831,091 shares
(3)-2. Treasury stock at the end of the fiscal year:
The fiscal year ending March 2022: 1,198,938 shares
The fiscal year ending March 2021: 1,197,855 shares
(3)-3. Average number of shares during the accounting period
The fiscal year ending March 2022: 12,632,559 shares
The fiscal year ending March 2021: 12,629,621 shares

(Note)
The number of shares of treasury stock at the end of the fiscal year includes those shares (257,200 shares for the fiscal year ending March 2022, 257,200 shares for the fiscal year ending March 2021) 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 (257,200 shares for the fiscal year ending March 2022, 261,483 shares for the fiscal year ending March 2021).

(Reference) Overview of Non-Consolidated Results
Results for the Fiscal Year Ending March 2022 (From April 1, 2021 to March 31, 2022)

(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 2022	1,969	△11.5	△513	—	△421	—	△436	—
March 2021	2,227	3.4	△380	—	△230	—	△566	—

	Net Income per Share	Diluted Net Income per Share
Year ending	*Yen*	*Yen*
March 2022	△34.55	—
March 2021	△44.82	—

(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 2022	18,946	15,992	84.4	1,266.02
March 2021	19,809	16,737	84.5	1,324.90

(Reference) Equity capital: fiscal year ending March 2022: 15,992 million; fiscal year ending March 2021: ¥16,737 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)

Statements concerning the future, such as performance forecasts, etc., described in the present material are based on information currently available to the Company and on certain assumptions judged as reasonable by the Company. The Company’s actual performance may differ substantially from these forecasts as a result of various factors beyond the Company’s control. For details of cautions, etc., employed in making performance forecasts and the assumptions underlying performance forecasts, please refer to “1. 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 31, 2022.

Accompanying Material Contents

1. Overview of Operating Results, etc

(1) Overview of Operating Results for the Current Term

In the Japanese information and communications field in 2020, the Internet penetration rate remained high at 83.4%, while the percentage of households owning one or more smartphones increased to 86.8%, greatly exceeding the 70.1% of households owning one or more personal computers (*1). In addition, while the movement away from television has continued since the year 2000, mainly centered on the young, advertising expenses for the Internet in Japan increased by 21.4% in 2021 from the previous year to ¥2,705.2 billion, exceeding the combined advertising expenses for the four largest mass media sectors (newspapers, magazines, radio, and television) of ¥2,453.8 billion for the first time (*2). This trend is also evident worldwide, where global spending on digital advertising reached approximately ¥40 trillion (US$355.7 billion) in 2021, an increase of 29.1% from the previous year, with spending on digital advertising exceeding 50% of total spending on advertising for the first time (*3).

*1. Source: Ministry of Internal Affairs and Communications, *2020 Telecommunications Usage Trend Survey Results*
*2. Source: Dentsu Inc., *2021 Advertising Expenditures in Japan*
*3. Source: Dentsu Group Inc., *Global Ad Spend Forecasts (2021-2024)*

In the entertainment market in 2021, sales in the global music market centered on streaming services grew by 18.5% year over year to approximately ¥3,367 billion (US$25.9 billion), marking its seventh consecutive year of growth and recording its highest sales total since the beginning of this century (*4). In Japan, the production value of music software including music videos was almost unchanged from the previous year at ¥193.6 billion, and while sales of packaged products continued to decline, paid music distribution sales increased by 14% to ¥89.5 billion. In the paid music distribution sales category, subscription audio streaming increased by 26% year over year to ¥74.4 billion, accounting for 83% of total paid music distribution sales (*5).

However, the impact of the novel coronavirus infection forced the postponement or cancellation of major events and live concerts, causing the live entertainment market in 2020 to shrink by 82.4% from the previous year to 110.6 billion yen (*6). Meanwhile, new ways of enjoying live entertainment are taking root, with many artists offering “hybrid performances” in which a limited audience is allowed into the venue and the performance is also distributed online. With live performances in front of various audience sizes being streamed, the scale of the pay-per-view online live performance market in 2020 is estimated to have reached ¥44.8 billion (*7). In 2021, music events at real venues began to resume in accordance with the infection prevention guidelines based on the Japanese government's basic response policy, and the total number of live performances held between January and June of that year was 216.2% higher than for the same period of 2020 and 64.0% higher than for the same period of 2019 (*8).

*4. Source: IFPI, *Global Music Report 2022*
*5. Source: Recording Industry Association of Japan (RIAJ), *The Recording Industry in Japan 2022*
*6. Source: PIA Research Institute, *Japanese Live Entertainment Market Size Preliminary Report* (published May 13, 2021)
*7. Source: PIA Research Institute, *Japanese Online Live Entertainment Market Survey*
*8. Source: All Japan Concert and Live Entertainment Promoters Conference (A.C.P.C.), *Basic Survey, 2021, 1st Half*

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, the spread of smartphones in today’s music market has been accompanied by the diversification of media such as streaming, user upload content (UUC) that allows general users to easily transmit information to society, and social media, with the result that all kinds of activities in the music industry are changing, including content distribution methods, consumption styles and content production methods.

In this 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 provide this to users after increasing its added value.

In June 2020, Faith released Thumva, a new live streaming platform, as an Internet viewing service that provides a novel kind of live experience. In addition to group viewing and comment posting, it also includes a gifting function for artists, allowing users to share a sense of excitement and unity as if they were attending a live performance without actually being at the venue. A diverse lineup of live performances by numerous artists and online experiential attractions have already been made available on Thumva, and we are planning to continue live streaming with an even broader variety of lineups in future. Since the launch of the service, about 340 performances have been distributed and the number of registered members has grown to over 170,000 (as of March 2022).

Utilizing the resources of Thumva, we launched Thumva BIZ in July 2021 as a new online service for stores that allows customers who wish to make inquiries or consult online to begin business negotiations with a single click. We are proposing an online store-style service that meets the needs of the digital transformation era, and companies in various industries have already introduced this service. In September 2021, we entered into a business partnership with Nippon Travel Agency, Inc., with a view to marketing our services. Through that company’s nationwide sales network, we are planning to provide Thumva BIZ and a number of other Faith Group services in future. Moreover, in February 2022, we began providing the service to HIS, thereby revamping that company’s online consultation service. Thumva BIZ will continue to expand its sales channels as a new DX service for stores in a variety of fields, particularly in face-to-face customer service industries.

One of Tokyo’s largest music lounges, the Faith-operated PLUSTOKYO, is continuing to operate while taking necessary measures in accordance with the Tokyo Metropolitan Government’s guidelines for preventing the spread of COVID-19, including the declaration of a state of emergency with regard to COVID-19 infections, priority measures to help limit the further spread of the disease, and measures to prevent its reemergence. As a new initiative, we have organized limited-time menus and exhibition projects in collaboration with artists and creators of anime works. In addition, from April 2022, the 12F main floor and the rooftop floor resumed operations in tandem, offering a fusion of art, food, and entertainment elements centered on music. We will continue to place the highest priority on preventing the spread of infections and ensuring safety, and we will continue to operate PLUSTOKYO~~KO~~ carefully in accordance with administrative policies and action plans.

In the Label Business, we welcomed Mr. Tatsumi Yoda (President and CEO of GAGA Corporation, Chairman of T.Y. Limited), who has been making innovative and significant contributions to the music and film industries for many years, as our Chief Advisor for Label Management from December 2021. Mr. Yoda will continue to serve as Chief Advisor to the Board of Directors of Dreamusic Inc., which became a wholly owned subsidiary of the Faith Group on September 30, 2021, and he will also contribute to the further strengthening of the Label Business.

The Faith Group has established a regular teleworking system. In addition, we have consolidated our main office functions, which were previously dispersed throughout the company, into the Minami Aoyama Office, which has been completely renovated. In anticipation of changes in behavioral patterns and the establishment of new values, we are committed to realizing diverse and efficient new ways of working based on the concept of “activity-based working” (*9). In the future, we will continue to promote our business activities with the aim of improving management efficiency and profitability.

*9. A way of working that allows individuals to choose their workspace and style according to their work contents.

Regarding the Faith Group’s business performance for the fiscal year ended March 2022, as a result of year over year decreases in merchandise sales in the Point Service Business and in sales in the Label Business, the Group reported a 23.4% decrease in net sales to ¥15,311 million, an operating loss of ¥92 million (compared with an operating income of ¥763 million yen for the previous fiscal year), and an 83.3% decrease in ordinary income to ¥136 million. As a result, the Group posted a net loss attributable to owners of the parent company of ¥333 million (compared to a net loss attributable to shareholders of the parent company of ¥26 million for the fiscal previous year).

The Faith Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other related standards from the beginning of the fiscal year ended March 2022. In accordance with this change, compared with the previous accounting method, during the current fiscal year net sales decreased by ¥3,409 million, operating losses decreased by ¥3 million, ordinary income increased by ¥3 million, and income before income taxes and minority interests increased by ¥3 million. For details, please refer to “3. Consolidated Financial Statements and Important Explanatory Notes, (5) Notes Concerning the Consolidated Financial Statements (Changes in Accounting Policy)” on page 18.

Information on each business segment is as follows.

Content Business

In the Content Business, as sales in the existing distribution business continue to decline, the Faith Group will redouble its efforts to invest in new growth areas, including new product development and the interlinking and platforming of various services to capture diversified profit-earning opportunities.

We are actively developing sales activities for FaRao PRO, focusing not only on providing BGM for commercial use, but also on expanding the functions necessary for store operation, such as solutions for store branding and announcement functions. In the future, our objective will continue to be the creation and revitalization of new BGM markets.

In Fans', our platform of services for artists based on the D2C (*10) business model, which is expected to expand further in future, we are enhancing the functions essential to artists' musical activities such as official website construction, music and video distribution, sales of artists' goods, and fan club operation. We have introduced a system that allows fans to contribute to the creation of a community by spreading the information creators send out by strengthening ties via SNS. In addition, by offering a service that allows more artists to freely disseminate their work and information, we are aiming to acquire and expand the number of users and improve the quality of the service by pursuing enhanced convenience.

*10. 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 for the fiscal year ended March 2022, due to a decrease in sales of carrier official website services and self-restraint of store operations in accordance with government recommended measures against the spread of COVID-19, the Content Business recorded net sales of ¥2,255 million (a decrease of 23.0% year over year), and an operating loss of ¥641 million (compared with an operating loss of ¥599 million for the previous fiscal year).

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other relevant standards have been applied from the beginning of the fiscal year ended March 2022. In accordance with this change, compared with the previous accounting method, net sales in this segment decreased by ¥554 million. However, the application of the accounting standard had no impact on the operating loss.

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, due to a decrease in sales of goods and issuance of points at existing member stores, net sales decreased by 83.4% year over year to ¥579 million and operating income decreased by 56.2% year over year to ¥141 million.

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other relevant standards have been applied from the beginning of the fiscal year ended March 2022. In accordance with this change, compared with the previous accounting method, net sales in this segment decreased by ¥1,867 million. However, the application of the accounting standard had no impact on operating income.

Label Business

In the Label Business, under the severe environment facing the music and video-related industry in line with changes the music market, we are strengthening new businesses with an eye on the future in order to overcome the present situation in which this segment remains dependent on sales of package products.

Regarding the performance of this segment, mainly due ~~mainly~~ to lower sales of animation titles and lower royalties from the use of high-profit-margin sound sources by Nippon Columbia Co., Ltd., net sales decreased by 8.1% year over year to ¥12,476 million, and operating income decreased by 60.7% year over year to ¥407 million.

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other relevant standards have been applied from the beginning of the fiscal year ended March 2022. In accordance with this change, compared with the previous accounting method, net sales in this segment decreased by ¥987 million and operating income increased by ¥3 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, 2022 decreased by ¥1,410 million from the end of the previous fiscal year to ¥25,291 million, a year-on-year decrease of 5.3%. This result was mainly attributable to decreases in cash and deposits and investment and other assets.

Total liabilities decreased by ¥900 million compared with the end of the previous fiscal year to ¥8,174 million, a year-on-year decrease of 9.9%. This result was mainly attributable to decreases in asset retirement obligations and deferred tax liabilities.

Net assets decreased by ¥509 million compared with the end of the previous fiscal year to ¥17,117 million, a year-on-year decrease of 2.9%. This result was mainly attributable to outgoings for the payment of dividends and to a net loss attributable to shareholders of the parent company. The equity ratio became 67.7%.

(3) Overview of Cash Flow for the Current Term

Cash and cash equivalents at the end of the consolidated fiscal year ended March 31, 2022 decreased by ¥1,462 million to ¥11,484 million, a decrease of 11.3% compared with the end of the previous 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 outflow of ¥104 million (compared with an inflow of ¥1,243 million for the previous fiscal year), attributable mainly to an income before income taxes and minority interests of ¥8 million, expenditure of ¥198 million in respect of depreciation and amortization, expenditure of ¥124 million in respect of amortization of goodwill, and expenditure of ¥620 million in respect of income taxes paid income taxes paid, etc.

(Cash flow from investing activities)

Cash flow from investing activities amounted to an outflow of ¥970 million (compared with an outflow of ¥673 million for the previous fiscal year), attributable mainly to expenditure of ¥637 million in respect of the acquisition of tangible fixed assets, expenditure of ¥154 million in respect of the acquisition of software, and expenditure of ¥157 million for the acquisition of shares of affiliates, etc.

(Cash flow from financing activities)

Cash flow from financing activities amounted to an outflow of ¥387 million (compared with an outflow of ¥200 million for the previous fiscal year), due mainly to expenditure of ¥258 million in respect of repayment of long-term loans and expenditure of ¥128 million in respect of dividend payments, etc.

(4) Future Outlook

The Faith Group's business performance forecasts for next consolidated fiscal year (FY 2022; ending March 31, 2023) are for net sales of ¥17,000 million, operating income of ¥350 million, ordinary income of ¥345 million, and net income attributable to the shareholders of the parent company of ¥295 million.

The Faith Group is anticipating 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 secure funds with a view to swiftly make strategic and flexible investments in the entertainment industry and 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.

As initially announced, the Company is planning to pay a dividend of ¥10 per share for the current fiscal year (including an interim dividend of ¥5 that has already been paid), based on the decision of the Board of Directors to continue to make flexible payments to shareholders regardless of the timing of the annual general meeting of shareholders. For the next fiscal year, based on its fundamental policy of paying continuous stable dividends, the Company is planning to pay a dividend of ¥10 per share (including an interim dividend of ¥5).

(6) Business Risks

1) Risks related to business content

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, and the Sales/Digital Distribution 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 return prevention measures
Under the Antimonopoly Act, copyrighted works such as music CDs, newspapers, books, etc. may be legally resold under a resale 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 return 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 2020 (As of March 31, 2021)	FY 2021 (As of March 31, 2022)
(Assets)		
Current assets		
Cash and deposits	12,997,014	11,536,650
Accounts and notes receivable	2,018,712	2,046,903
Marketable securities	229,796	224,003
Commercial products	366,536	336,103
Products in progress	491,109	499,421
Primary materials and inventory goods	58,592	104,241
Corporation tax refunds receivable, etc.	71,062	141,976
Contract assets	—	370
Other current assets	519,948	639,337
Allowance for doubtful accounts	△18,669	△18,325
Total current assets	16,734,103	15,510,681
Fixed assets		
Tangible fixed assets		
Buildings and structures	2,154,482	2,160,563
Accumulated depreciation	△906,742	△823,266
Buildings and structures (net base)	1,247,739	1,337,297
Machinery and delivery equipment	612,271	613,451
Accumulated depreciation	△568,857	△573,884
Machinery and delivery equipment (net base)	43,413	39,567
Tools, devices and equipment	991,444	1,003,309
Accumulated depreciation	△894,614	△922,471
Tools, devices and equipment (net base)	96,829	80,837
Land	1,558,120	1,558,120
Construction in progress	—	438,313
Total tangible fixed assets	2,946,103	3,454,136
Intangible fixed assets		
Software	144,550	118,913
Goodwill	1,395,695	1,270,938
Other intangible fixed assets	213,226	267,486
Total intangible fixed assets	1,753,472	1,657,338
Investment and other assets		
Investment securities	3,898,711	3,528,354
Deferred tax assets	846,890	705,202
Other investment and other assets	1,108,603	1,071,430
Allowance for doubtful accounts	△585,342	△635,348
Total investments and other assets	5,268,863	4,669,638
Total fixed assets	9,968,439	9,781,112
Total assets	26,702,542	25,291,794

(Unit: thousands of yen)

	FY 2020 (As of March 31, 2021)	FY 2021 (As of March 31, 2022)
(Liabilities)		
Current liabilities		
Accounts and notes payable	964,025	1,401,065
Short-term loans payable	340,000	340,000
Current portion of long-term debt	258,700	217,700
Accounts payable-other	741,426	678,160
Accrued expenses payable	2,796,448	2,888,759
Income taxes payable	371,157	119,451
Reserve for bonuses	352,424	238,261
Reserve for point card certificates	251	—
Reserve for sales returns	55,441	—
Contract liabilities	—	49,569
Asset retirement obligations	146,892	—
Other current liabilities	1,140,484	689,109
Total current liabilities	7,167,251	6,622,077
Fixed liabilities		
Long-term loans payable	379,850	162,150
Net defined retirement liabilities	576,922	542,544
Reserve for stock benefits for directors	33,129	39,691
Asset retirement obligations	39,233	39,283
Deferred tax liabilities	874,056	765,118
Other fixed liabilities	4,453	3,191
Total fixed liabilities	1,907,645	1,551,979
Total liabilities	9,074,896	8,174,057
(Net assets)		
Shareholder's equity		
Capital stock	3,218,000	3,218,000
Capital surplus	2,840,667	2,840,498
Retained earnings	10,698,825	10,393,392
Treasury stock	△1,121,619	△1,122,330
Total shareholder's equity	15,635,873	15,329,560
Other accumulated comprehensive income		
Valuation difference on marketable securities	1,987,860	1,740,714
Foreign currency translation adjustments	△30,807	△8,881
Accumulated adjustment for retirement benefits	34,719	56,343
Total other accumulated comprehensive income	1,991,773	1,788,177
Non-controlling interests	—	—
Total net assets	17,627,646	17,117,737
Total liabilities and net assets	26,702,542	25,291,794

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

(Unit: thousands of yen)

	FY 2020 (April 1, 2020 ~ March 31, 2021)	FY 2021 (April 1, 2021 ~ March 31, 2022)
Net sales	19,991,491	15,311,830
Cost of sales	12,611,702	9,495,071
Gross profit	7,379,788	5,816,758
Selling, general and administrative expenses	6,616,353	5,908,760
Operating income or operating loss (△ = loss)	763,435	△92,001
Non-operating income		
Interest income	278	125
Dividend income	3,922	4,259
Interest on marketable securities	15	11
Gain on foreign exchange	759	568
Gain on equity method investment	4,458	33,407
Gain on investment partnership management	181,822	153,510
Subsidy income	46,634	234,878
Miscellaneous receipts	34,516	16,987
Total non-operating Income	272,408	443,749
Non-operating expenses		
Interest paid	5,530	4,419
Loss on valuation of investment securities	1,131	6,586
Loss on investment partnership management	202,951	201,816
Miscellaneous expenses	4,425	1,997
Total non-operating expenses	214,038	214,820
Ordinary income	821,804	136,927
Extraordinary income		
Gain on sale of fixed assets	3,909	141
Gain on sale of investment securities	―	34,114
Total extraordinary income	3,909	34,255
Extraordinary losses		
Loss on disposal of fixed assets	58,516	42
Loss on liquidation of subsidiaries	―	29,756
Loss on valuation of investment securities	26,757	104,940
Loss on sale of investment securities	4,931	―
Office relocation expenses	135,768	―
Impairment losses	137,369	28,336
Total extraordinary losses	363,342	163,075
Current term net income before taxes	462,371	8,106
Corporate, local, and business taxes	571,052	235,436
Income taxes - deferred	△82,255	106,323
Total corporate, local, and business taxes	488,797	341,759
Current term net income net income or net loss (△ = net loss)	△26,425	△333,652
Current term net income or net loss attributable to non-controlling interests (△ = net loss)	―	―
Current term net income or net loss attributable to shareholders of the parent company (△ = net loss)	△26,425	△333,652

(Consolidated Statement of Comprehensive Income)

(Unit: thousands of yen)

	FY 2020 (April 1, 2020 ~ March 31, 2021)	FY 2021 (April 1, 2021 ~ March 31, 2022)
Current term net income net income or net loss (△ = net loss)	△26,425	△333,652
Other comprehensive income		
Valuation difference on other marketable securities	1,250,623	△247,145
Foreign currency translation adjustments	△9,781	21,925
Retirement benefit adjustments	99,834	21,624
Total other comprehensive income	1,340,676	△203,595
Comprehensive income	1,314,251	△537,248
(Details)		
Comprehensive income attributable to shareholders of the parent company	1,314,251	△537,248
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Changes in Shareholders' Equity
FY 2020 (April 1, 2020 ~ March 31, 2021)

(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	2,840,095	10,854,165	△1,124,344	15,787,916
Cumulative effects of changes in accounting policies					
Balance at beginning of period reflecting change in accounting policy	3,218,000	2,840,095	10,854,165	△1,124,344	15,787,916
Changes of items during period					
Dividend of surplus			△128,914		△128,914
Net gain or net loss (△) attributable to shareholders of parent company			△26,425		△26,425
Acquisition of treasury stock				△1,137	△1,137
Disposal of treasury stock		572		3,862	4,434
Increase/decrease in equity resulting from acquisition of shares of consolidated subsidiaries					
Changes in non-equity items during period (net amount)					
Total changes during period	—	572	△155,340	2,725	△152,043
Balance at end of period	3,218,000	2,840,667	10,698,825	△1,121,619	15,635,873

	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 comprehen-sive income		
Balance at beginning of period	737,236	△21,026	△65,114	651,096	—	16,439,012
Cumulative effects of changes in accounting policies						
Balance at beginning of period reflecting change in accounting policy	737,236	△21,026	△65,114	651,096	—	16,439,012
Changes of items during period						
Dividend of surplus						△128,914
Net gain or net loss (△) attributable to shareholders of parent company						△26,425
Acquisition of treasury stock						△1,137
Disposal of treasury stock						4,434
Increase/decrease in equity resulting from acquisition of shares of consolidated subsidiaries						
Changes in non-equity items during period (net amount)	1,250,623	△9,781	99,834	1,340,676		1,340,676
Total changes during period	1,250,623	△9,781	99,834	1,340,676	—	1,188,633
Balance at end of period	1,987,860	△30,807	34,719	1,991,773	—	17,627,646

FY 2021 (April 1, 2021 ~ March 31, 2022)

(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	2,840,667	10,698,825	△1,121,619	15,635,873
Cumulative effects of changes in accounting policies			157,121		157,121
Balance at beginning of period reflecting change in accounting policy	3,218,000	2,840,667	10,855,946	△1,121,619	15,792,994
Changes of items during period					
Dividend of surplus			△128,900		△128,900
Net gain or net loss (△) attributable to shareholders of parent company			△333,652		△333,652
Acquisition of treasury stock				△838	△838
Disposal of treasury stock		△90		126	36
Increase/decrease in equity resulting from acquisition of shares of consolidated subsidiaries		△78			△78
Changes in non-equity items during period (net amount)					
Total changes during period	―	△168	△462,553	△711	△463,433
Balance at end of period	3,218,000	2,840,498	10,393,392	△1,122,330	15,329,560

	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	1,987,860	△30,807	34,719	1,991,773	―	17,627,646
Cumulative effects of changes in accounting policies						157,121
Balance at beginning of period reflecting change in accounting policy	1,987,860	△30,807	34,719	1,991,773	―	17,784,767
Changes of items during period						
Dividend of surplus						△128,900
Net gain or net loss (△) attributable to shareholders of parent company						△333,652
Acquisition of treasury stock						△838
Disposal of treasury stock						36
Increase/decrease in equity resulting from acquisition of shares of consolidated subsidiaries						△78
Changes in non-equity items during period (net amount)	△247,145	21,925	21,624	△203,595		△203,595
Total changes during period	△247,145	21,925	21,624	△203,595	―	△667,029
Balance at end of period	1,740,714	△8,881	56,343	1,788,177	―	17,117,737

(4) Consolidated Statement of Cash Flows

(Unit: thousands of yen)

	FY 2020 (April 1, 2020 ~ March 31, 2021)	FY 2021 (April 1, 2021 ~ March 31, 2022)
Cash flow from operating activities		
Income or loss (△) before income taxes, etc.	462,371	8,106
Depreciation expenses	369,913	198,744
Impairment losses	137,369	28,336
Gain or loss on liquidation of subsidiaries (△ = gain)	―	29,756
Amortization of goodwill	124,757	124,757
Increase/decrease in allowance for doubtful accounts (△ = decrease)	62,396	49,661
Increase/decrease in reserve for bonuses (△ = decrease)	4,999	△114,162
Increase/decrease in allowance for unexercised sales promotion points (△ = decrease)	△112	△251
Increase/decrease in net defined retirement liabilities (△ = decrease)	△75,231	△34,377
Increase/decrease in for stock benefits for directors (△ = decrease)	16,728	6,561
Interest and dividend income	△4,201	△4,385
Interest on marketable securities	△15	△11
Gain or loss on valuation of marketable securities (△ = gain)	1,131	6,586
Interest paid	5,530	4,419
Subsidy income	△46,634	△234,878
Gain or loss on foreign exchange (△ = gain)	△387	―
Gain or loss on equity method investment (△ = gain)	△4,458	△33,407
Gain or loss on investment partnership management (△ = gain)	21,128	48,306
Gain or loss on sale of investment securities (△ = gain)	4,931	△34,114
Gain or loss on evaluation of investment securities (△ = gain)	26,757	104,940
Gain or loss on disposal of fixed assets (△ = gain)	58,516	42
Increase/decrease in trade receivables (△ = increase)	△58,645	△164,168
Increase/decrease in inventory assets (△ = increase)	185,317	△23,896
Increase/decrease in trade payables (△ = decrease)	△71,621	437,039
Increase/decrease in consumption tax receivable (△ = increase)	△39,436	△87,162
Increase/decrease in consumption tax payable (△ = decrease)	135,786	△140,395
Others	367,254	34,730
Sub-total	1,684,143	210,778
Subsidy income received	46,634	234,878
Interest and dividends received	4,201	4,386
Interest paid	△5,272	△4,677
Income tax refunded	68,295	71,062
Income tax paid	△554,940	△620,494
Net cash flow from operating activities	1,243,063	△104,067

(Unit: thousands of yen)

	FY 2020 (April 1, 2020 ~ March 31, 2021)	FY 2021 (April 1, 2021 ~ March 31, 2022)
Cash flow from investing activities		
Expenditure for payments into term deposits	—	△2,000
Expenditure for acquisition of tangible fixed assets	△438,063	△637,747
Income from sale of tangible fixed assets	3,909	141
Expenditure for retirement of tangible fixed assets	△41,279	—
Expenditure for acquisition of software	△110,816	△154,466
Expenditure for acquisition of shares of affiliates	—	△157,405
Expenditure for acquisition of investment securities	△100,999	△40,000
Income from sale of investment securities	9,253	40,307
Income from share of profits from investment partnerships	76,899	68,362
Income from collection of loans receivable	270	—
Expenditure for security deposits	△438	△9,000
Income from collection of security deposits	104	190,469
Expenditure for fulfillment of asset retirement obligations	—	△146,724
Others	△72,772	△122,457
Net cash flow from investing activities	△673,934	△970,521
Cash flow from financing activities		
Expenditure for repayment of long-term borrowing	△271,700	△258,700
Income from long-term borrowing	200,000	—
Expenditure for acquisition of treasury stock	△1,137	△838
Income from disposal of treasury stock	618	36
Payment of dividends	△128,171	△128,195
Others	—	△78
Net cash flow from financing activities	△200,390	△387,775
Effect of exchange rate on cash and cash equivalents	△7,578	—
Net increase/decrease in cash and cash equivalents (△ = decrease)	361,160	△1,462,364
Cash and cash equivalents at the beginning of the year	12,585,834	12,946,994
Cash and cash equivalents at the end of the year	12,946,994	11,484,630

(5) Notes Concerning the Consolidated Financial Statements

(Notes Concerning the Premise of a Going Concern)

Not applicable

(Changes in Accounting Policy)

(Application of Accounting Standard for Revenue Recognition)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, hereinafter the "Accounting Standard for Revenue Recognition") and other related standards from the beginning of the first quarter of the current fiscal year. Based on this standard, revenue the Company expects to receive in exchange for the provision of goods and services is recognized when the control of the goods and services is transferred to customers.

As a result of this change, in the Point Service Business, in which revenue was previously recognized when points were issued to customers and cost of sales was recognized when the points were used, since these transactions correspond to repurchase agreements with a right of return, the Company now recognizes revenue on a net basis. In addition, regarding the distribution of royalties to copyright holders, mainly in the Label Business, the total amount of consideration received from music users, etc., was previously recognized as revenue, but since the Company conducts these transactions as an agent, the Company now recognizes revenue as the net amount received from music users, etc., minus the amount paid to copyright holders. Moreover, in the past, revenue from music licensing fees for karaoke music in the Label Business was recognized on a one-time basis, but as a result of examining the identification and satisfaction of performance obligations, the Company now recognizes revenue over a certain period of time. Furthermore, for sales with a right of return in the Label Business, the total amount of consideration was previously recognized as revenue at the time of sale, and an adjustment allowance for sales returns was recorded based on records of previous sales returns, but the Company now recognizes revenue as the total amount of consideration excluding the amount of consideration for merchandise that is expected to be returned.

With regard to the Accounting Standard for Revenue Recognition, in accordance with the transitional treatment stipulated in the provisions of Paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retrospectively applying the new accounting policy prior to the beginning of the first quarter of the current fiscal year was added to or deducted from retained earnings at the beginning of the first quarter of the current fiscal year, and the new accounting policy was applied from the beginning balance of the current fiscal year.

As a result, for the current consolidated fiscal year, net sales decreased by ¥3,409,871 thousand, cost of sales decreased by ¥3,079,316 thousand, selling, general and administrative expenses decreased by ¥333,566 thousand, the operating loss decreased by ¥3,011 thousand, ordinary income increased by ¥3,011 thousand, and net income before income taxes and minority interests increased by ¥3,011 thousand. In addition, the balance of retained earnings at the beginning of the period increased by ¥157,121 thousand.

Due to the application of the Accounting Standard for Revenue Recognition, the provision for sales returns, which was presented under the current liabilities in the consolidated balance sheets in the previous fiscal year, is included in the other current liabilities from the first quarter of the current fiscal year. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to the previous fiscal year's consolidated financial statements to conform to the new presentation. Furthermore, in accordance with the transitional treatment prescribed in Paragraph 84 of the Accounting Standard for Revenue Recognition, information disaggregating revenue from contracts with customers for the previous fiscal year is not presented.

(Application of Accounting Standard for Fair Value Measurement)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter the "Accounting Standard for Fair Value Measurement") has been applied from the beginning of the first quarter of the current fiscal year, and in accordance with the transitional treatment stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July

4, 2019), the new accounting policy stipulated by the Accounting Standard for Fair Value Measurements will be applied in the future. This change has no impact on the Company's consolidated financial results.

(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 2020 (April 1, 2020 ~ March 31, 2021)

(Unit: thousands of yen)

	Reportable segment				Adjustment amount (Notes 1, 2 & 4)	Amount recorded in Consolidated Financial Statements (Note 3)
	Content	Point Service	Label	Total		
Sales						
Sales to external customers	2,929,600	3,488,147	13,573,742	19,991,491	―	19,991,491
Inter-segment sales or transfer amount	192,330	276	22,395	215,002	△215,002	―
Total	3,121,930	3,488,424	13,596,138	20,206,493	△215,002	19,991,491
Segment profit or loss (△)	△599,423	323,554	1,037,495	761,626	1,808	763,435
Segment assets	12,461,013	1,474,861	13,940,816	27,876,692	△1,174,149	26,702,542
Other items						
Depreciation expenses	114,186	15,525	241,479	371,190	△1,277	369,913
Amortization of goodwill	4,000	―	120,757	124,757	―	124,757
Investment in equity-method affiliates	51,646	―	91,523	143,170	―	143,170
Increase in tangible and intangible fixed assets	464,546	6,912	77,421	548,880	―	548,880

(Notes)

1. The segment profit or loss adjustment amount of ¥1,808 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.
4. The adjustment amount for depreciation expenses represents the elimination of inter-segment transactions.

Current consolidated fiscal year/FY 2021 (April 1 2021 ~ March 31, 2022)

(Unit: thousands of yen)

	Reportable segment				Adjustment amount (Notes 1, 2 & 4)	Amount recorded in Consolidated Financial Statements (Note 3)
	Content	Point Service	Label	Total		
Sales						
Revenue from contracts with customers	2,255,012	579,882	12,476,935	15,311,830	―	15,311,830
Sales to external customers	2,255,012	579,882	12,476,935	15,311,830	―	15,311,830
Inter-segment sales or transfer amount	346,551	13,137	28,057	387,746	△387,746	―
Total	2,601,563	593,020	12,504,993	15,699,577	△387,746	15,311,830
Segment profit or loss (△)	△641,333	141,851	407,221	△92,261	259	△92,001
Segment assets	11,428,289	1,392,098	13,674,242	26,494,630	△1,202,835	25,291,794
Other items						
Depreciation expenses	97,377	15,543	85,824	198,744	―	198,744
Amortization of goodwill	4,000	―	120,757	124,757	―	124,757
Investment in equity-method affiliates	243,289	―	90,693	333,982	―	333,982
Increase/decrease in tangible and intangible fixed assets	680,609	7,763	107,969	796,342	△4,128	792,214

(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.
4. The adjustment amount for the increase/decrease in tangible and intangible fixed assets represents the elimination of inter-segment transactions.

4. Matters related to changes in reportable segments, etc.

As described in the "Changes in Accounting Policies" section above, the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other related standards have been applied from the beginning of the beginning of the current fiscal year, with the result that the accounting method for revenue recognition and the method for calculating the income or loss in each business segment have been modified.

As a result of this change, for the current fiscal year, compared with the previous method, in the Content Business net sales decreased by ¥554,913 thousand and in the Point Service Business net sales decreased by ¥1,867,016 thousand, but in both cases, there was no impact on segment income or loss, while in the Label Business net sales decreased by ¥987,941 thousand and segment income increased by ¥3,011 thousand.

[Related Information]

Previous consolidated fiscal year/FY 2020 (April 1, 2020 ~ March 31, 2021) and current consolidated fiscal year/FY 2021 (April 1 2021 ~ March 31, 2022)

1. Information by product and service
   This information is omitted because similar information appears in [segment information].

2. Information by region
   (1) Sales: Information on sales by region is omitted because sales to external customers in Japan account for over 90% of the net sales amount reported on the consolidated statement of income.
   (2) Tangible fixed assets: Information on tangible fixed assets by region is omitted because the amount of tangible fixed assets in Japan accounts for over 90% of the amount of tangible 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 2020 (April 1, 2020 ~ March 31, 2021)

(Unit: thousands of yen)

	Content	Point Service	Label	Total	Company-wide/ elimination	Total
Impairment losses	137,369	—	—	137,369	—	137,369

Current consolidated fiscal year/FY 2021 (April 1 2021 ~ March 31, 2022)

(Unit: thousands of yen)

	Content	Point Service	Label	Total	Company-wide/ elimination	Total
Impairment losses	28,336	—	—	28,336	—	28,336

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

Previous consolidated fiscal year /FY 2020 (April 1, 2020 ~ March 31, 2021)

(Unit: thousands of yen)

	Content	Point Service	Label	Total	Company-wide/ elimination	Total
Year-end balance	5,000	—	1,390,695	1,395,695	—	1,395,695

(Note) Information on amortization of goodwill is omitted as this information appears in [Segment Information].

Current consolidated fiscal year/FY 2021 (April 1 2021 ~ March 31, 2022)

(Unit: thousands of yen)

	Content	Point Service	Label	Total	Company-wide/ elimination	Total
Year-end balance	1,000	—	1,269,938	1,270,938	—	1,270,938

(Note) The amount of amortization of goodwill is omitted as this information appears in [Segment Information].

[Information on Gains on Negative Goodwill by Reportable Segment]

Previous consolidated fiscal year/FY 2020 (April 1, 2020 ~ March 31, 2021) and current consolidated fiscal year/FY 2021 (April 1 2021 ~ March 31, 2022)

Not applicable

(Per Share Information)

(Unit: yen)

FY 2020 (April 1, 2020 ~ March 31, 2021)		FY 2021 (April 1 2021 ~ March 31, 2022)	
Net assets per share	1,395.33	Net assets per share	1,355.09
Net loss (△) per share	△2.09	Net loss (△) per share	△26.41

(Notes)

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

	FY 2020 (April 1, 2020 ~ March 31, 2021)	FY 2021 (April 1 2021 ~ March 31, 2022)
Net loss (△) per share		
Net loss (△) attributable to the shareholders of the parent company (thousands of yen)	△26,425	△333,652
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)	△26,425	△333,652
Average number of shares outstanding during the period (shares)	12,629,621	12,632,559

(Note) The Company's shares contributed as trust assets for the performance-linked stock compensation plan are included in the amount of treasury stock deducted in the calculation of the average number of shares during the period for the purpose of calculating the net loss per share (261,483 shares for the previous fiscal year ending March 2021, and 257,200 shares for the current fiscal year ending March 2022).

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

	End of FY 2020 (as of March 31, 2021)	End of FY 2021 (as of March 31, 2022)
Total amount of net assets (thousands of yen)	17,627,646	17,117,737
Amount deducted from total amount of net assets (thousands of yen)	—	—
(Of which, non-controlling interests (thousands of yen))	(—)	(—)
Year-end net assets pertaining to common stock (thousands of yen)	17,627,646	17,117,737
Year-end number of shares of common stock used in calculating net assets per share (shares)	12,633,236	12,632,153

(Significant Subsequent Events)

Not applicable