

**BRIEF STATEMENT OF CONSOLIDATED FINANCIAL RESULTS
FOR THE 2nd QUARTER OF THE FISCAL YEAR ENDING 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.

November 12, 2021

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

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

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Date of Submission of Securities Report: November 12, 2021

Starting Date of the Dividend Payment: December 9, 2021

Preparation of Supplementary Materials for Quarterly Financial Results: Applicable

Information Meeting for Quarterly Financial Results to be Held: None

Amounts are rounded down to the nearest JPY 1 million.

1. Results for the 2nd Quarter of the Fiscal Year Ending March 2022

(From April 1, 2021 to September 30, 2021)

(1) Consolidated Operating Results

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

Q2 of the year ending	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 2022	7,212	△27.9	96	△82.5	234	△64.9	53	△83.2
March 2021	10,000	△1.8	552	65.0	667	74.1	315	—

(Note) Comprehensive income: 2nd quarter of the fiscal year ending March 2022: △¥78 million (—%); 2nd quarter of fiscal year ending March 2021: ¥1,362 million (—%)

	Net Income per Share	Diluted Net Income per Share
Q2 of the year ending	<i>Yen</i>	<i>Yen</i>
March 2022	4.20	—
March 2021	25.00	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Ratio of Equity Capital
Q2 of the year ending	<i>Millions of yen</i>	<i>Millions of yen</i>	<i>%</i>
March 2022	25,814	17,641	68.3
Year ending March 2021	26,702	17,627	66.0

(Reference) Equity capital: 2nd quarter of fiscal year ending March 2022: ¥17,641 million; fiscal year ending March 2021: ¥17,627 million

2. Dividends

(Record dates)	Dividends per Share				
	1 st Quarter	Interim	3 rd Quarter	Year-end	Total
Year ending March 2021	<i>Yen</i>	<i>Yen</i>	<i>Yen</i>	<i>Yen</i>	<i>Yen</i>
Year ending March 2021	—	5.00	—	5.00	10.00
Year ending March 2022	—	5.00			
Year ending March 2022 (Forecast)			—	5.00	10.00

(Note) These figures have not been modified since the time of the most recently announced dividend forecast.

3. Forecast for the Consolidated Results for the Year Ending March 2022 (from April 1, 2021 to March 31, 2022)

(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		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	18,000	△10.0	550	△28.0	500	△39.2	100	—	7.91

(Note) These figures have not been modified since the time of the most recently announced business result forecast.

* Notes

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

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

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

(2) Adoption of simplified accounting practices or specific procedures in preparation of the quarterly consolidated financial reports: Applicable

* For details, please refer to "2. Consolidated Financial Statements and Important Explanatory Notes, (4) Notes Concerning the Consolidated Financial Statements (Adoption of Simplified Methods in the Preparation of the Quarterly Financial Statements)" on page 12 of the accompanying material.

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

(i) Changes accompanying revisions of accounting standards, etc.: Applicable

(ii) Changes other than the above: None

(iii) Changes in accounting estimates: None

(iv) Restatements: None

(4) Outstanding shares (common shares)

(i) Outstanding shares at the end of the term (including treasury shares):

The 2nd quarter of the fiscal year ending March 2022: 13,831,091 shares

The fiscal year ending March 2021: 13,831,091 shares

(ii) Treasury shares at the end of the term:

The 2nd quarter of the fiscal year ending March 2022: 1,198,549 shares

The fiscal year ending March 2021: 1,197,855 shares

(iii) Average number of shares during the interim accounting period:

The 2nd quarter of the fiscal year ending March 2022: 12,632,813 shares

The 2nd quarter of the fiscal year ending March 2021: 12,628,981 shares

(Note) The number of shares of treasury stock at the end of the period includes the Company's shares contributed as trust assets in the performance-based stock compensation plan (2nd quarter of fiscal year ending March 2022: 257,200 shares, fiscal year ending March 2021: 257,200 shares).

Moreover, such shares are also included in the treasury shares that are deducted in calculating the average number of shares during the period (the 2nd quarter of the fiscal year ending March 2022: 257,200 shares, the 2nd quarter of the fiscal year ending March 2021: 262,500 shares).

* 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. Qualitative Information Concerning the Settlement of Accounts for the 2nd Quarter, (3) Explanation Concerning Future Forecast Information on the Consolidated Financial Results, etc." on page 5 of the accompanying material.

(To obtain supplemental documents relating to financial results)

Supplemental information on the Company's quarterly financial results will be posted on the company website on November 30, 2021.

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1. Qualitative Information Concerning the Settlement of Accounts for the 2nd Quarter

(1) Explanation Concerning the Operating Results

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%, far 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 younger people, advertising expenses for the Internet in Japan increased by 5.9% in 2020 from the previous year to ¥2,229 billion, exceeding advertising expenses for television of ¥1,655.9 billion for the second consecutive year^(*2). This trend is also evident worldwide, with global spending on digital advertising expected to reach approximately ¥34 trillion (\$311 billion) in 2021, an increase of 15.6% from the previous year^(*3).

*1. Source: Ministry of Internal Affairs and Communications, *2020 Telecommunications Usage Trend Survey Results*

*2. Source: Dentsu Inc., *2020 Advertising Expenditures in Japan*

*3. Source: Dentsu Inc., *Global Ad Spend Forecasts (2020-2022)*

In the entertainment market in 2020, sales in the global music market centered on streaming services grew by 7.4% year over year to approximately ¥2,332.8 billion (US\$21.6 billion), marking its sixth consecutive year of growth^(*4). In Japan, the production value of music software including music videos decreased by 15% year over year to ¥194.4 billion, and sales of packaged products continued to decline, but sales of paid music distribution increased by 11% to ¥78.3 billion. In the paid music distribution sales category, subscription audio streaming increased by 27% year over year to ¥58.9 billion, accounting for 75% of total paid music distribution sales^(*5). Conversely, large-scale events and live concerts have been postponed and canceled due to the spread of COVID-19, and the live entertainment market in 2020 shrank by 82.4% compared to the previous year to ¥110.6 billion^(*6). In 2021, music events at real venues are beginning to resume in accordance with the guidelines for infection prevention measures based on the government's basic response policy. 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 distributed, the scale of the digital live performance market reached ¥14 billion in 2020, and it is projected to expand rapidly to about ¥100 billion by 2024^(*7).

*4. Source: IFPI, *Global Music Report 2021*

*5. Source: Recording Industry Association of Japan (RIAJ), *The Recording Industry in Japan 2020*

*6. Source: PIA Research Institute, *Japanese Live Entertainment Market Size Preliminary Report* (published May 13, 2021)

*7. Source: CyberZ Co., Ltd., *Domestic Digital Live Entertainment Market Trend Survey*

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 launched a new service called Thumva, which is an innovative live performance distribution platform. As an Internet-based viewing service that provides a new kind of live experience, Thumva makes possible group viewing and commenting, includes a gifting function for artists, and allows the audience to share in the uplifting and unifying feeling of taking part in a live performance without actually being at the venue. A considerable number of artists have already performed live streaming on Thumva without a live audience, and we are planning to continue live streaming with a variety of lineups in future. Since the launch of the service, about 280 performances have been distributed and the number of registered members has grown to over 150,000 (as of September 2021).

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 inquire or consult via the Web to begin business negotiations

with a single click. We are proposing an online store-style service that meets the requirements of the digital transformation era, and companies in various industries have already introduced this service. In September, we entered into a business partnership with Nippon Travel Agency, Co.,Ltd., 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.

One of Tokyo's largest music lounges PLUSTOKYO, which is operated by Faith, has continued to operate while taking necessary measures in accordance with the Tokyo Metropolitan Government's guidelines for preventing the spread of infection, including the declaration of a state of emergency for COVID-19 infections, priority measures to prevent the spread of the disease, and recurrence prevention measures. As a new initiative, we have organized limited-time menus and exhibition projects in collaboration with artists and creators of anime works. We will continue to place the highest priority on preventing the spread of infection and ensuring safety, and we will continue to operate carefully in accordance with administrative policies and action plans.

In the Label Business, we are welcoming Mr. Tatsumi Yoda (President and CEO of GAGA Corporation, Chairman of T.Y. Limited, Inc.), 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 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 the future, we will promote business activities aimed at improving the Group's management efficiency and profitability, and we will realize diverse and efficient new ways of working based on the concept of "activity-based working" (*8) while paying attention to changes in behavioral patterns and the establishment of new values.

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

The Faith Group's business performance for the second quarter of the consolidated fiscal year ending March 2022 was negatively affected by a year-over-year decrease in product sales in the Points Service Business and also by a decrease in sales in the Label Business. As a result, the Group reported net sales of ¥7,212 million (a decrease of 27.9% compared with the same period of the previous fiscal year), operating income of ¥96 million (a decrease of 82.5% year over year, ordinary income of ¥234 million (a decrease of 64.9% year over year), and net income attributable to the shareholders of the parent company of ¥53 million (a decrease of 83.2% year over 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 first quarter consolidated accounting period. In accordance with this change, compared with the previous accounting method, net sales for the first half of the current fiscal year decreased by ¥1,487 million, and operating income, ordinary income and net income before income taxes and minority interests each increased by ¥82 million. For details, please refer to "2. Consolidated Financial Statements and Important Explanatory Notes, (3) Notes Concerning the Consolidated Financial Statements (Changes in Accounting Policy)" on page 10.

Information on each business segment is as follows.

Content Business

In the Content Business, as sales in the existing distribution business are continuing to decline, the Faith Group will continue to invest in new growth fields in addition to developing new products by interlinking various services and creating platforms to capture diversifying profit opportunities.

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 reduced initial costs and we are working to strengthen retail store sales through collaboration with the Point Service Business. Moreover, in the future, we will continue working to create and revitalize the new BGM market.

In Fans', our platform of services for artists based on the D2C ^{(*)9} 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 artist 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 that creators send out by strengthening ties via SNS. In addition, by offering a service that allows more artists to freely disseminate their works and information, we aim to acquire and expand the number of users and improve the quality of the service by pursuing enhanced convenience.

^{(*)9}. 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 second quarter of the current fiscal year, due to a decrease in carrier official website service sales and self-restraint measures such as shortened store hours as a countermeasure against the spread of COVID-19, the Content Business recorded net sales of ¥1,121 million (a decrease of 23.4% year over year), and an operating loss of ¥262 million (compared with an operating loss of ¥284 million for the same period of 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 first quarter of the current fiscal year. In accordance with this change, compared with the previous accounting method, net sales in this segment decreased by ¥243 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 83.8% year over year to ¥284 million and operating income decreased by 58.1% year over year to ¥73 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 first quarter of the current fiscal year. In accordance with this change, compared with the previous accounting method, net sales in this segment decreased by ¥934 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. If we are to continue to play a major role in the music industry and increase our profitability in future, in addition to focusing on creating hits, management, and investing in the live performance business, we believe it will be necessary to introduce services that anticipate the ever-changing market environment.

Regarding the performance of this segment, due mainly to lower sales of animation titles by Nippon Columbia Co., Ltd., net sales in this segment decreased by 14.4% year over year to ¥5,806 million, and operating income decreased by 56.9% year over year to ¥284 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 first quarter of the current fiscal year. In accordance with this change, compared with the previous accounting method, net sales in this segment decreased by ¥308 million and operating income increased by ¥82 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) Explanation Concerning the Financial Position

(Analysis of Financial Position)

As of the end of the second quarter of the current consolidated fiscal year ending March 2022 (September 30, 2021), total assets decreased by ¥888 million compared to the end of the previous consolidated fiscal year to ¥25,814 million. This result was mainly due to a decrease in notes and accounts receivable of ¥295 million and a decrease in investment securities of ¥260 million.

Total liabilities decreased by ¥901 million compared to the end of the previous consolidated fiscal year to ¥8,172 million. This result was mainly due to a decrease of ¥195 million in accrued corporate taxes, a decrease of ¥146 million in asset retirement obligations (current liabilities), a decrease of ¥71 million in deferred tax liabilities, a decrease of ¥120 million in long-term debt and a decrease in current liabilities of ¥225 million.

Net assets increased by ¥13 million compared to the end of the previous consolidated fiscal year to ¥17,641 million. This was mainly due to an increase in retained earnings of ¥145 million and a decrease in valuation difference on other securities of ¥163 million yen due to the application of the Accounting Standard for Revenue Recognition.

As a result of the above, the equity ratio increased by 2.4 percentage points to 68.3%.

(Cash Flow Situation)

The balance of cash and cash equivalents at the end of the second quarter of the current consolidated fiscal year was ¥12,777 million, a decrease of ¥556 million from the end of the previous consolidated fiscal year. Details of cash flow for the consolidated cumulative second quarter and its contributory factors are as follows:

(Cash Flow from Operating Activities)

Cash flow from operating activities amounted to an inflow of ¥127 million (compared with an inflow of ¥934 million for the same period of the previous fiscal year), due mainly to the recording of ¥211 million in respect of net income before income taxes and other adjustments, ¥98 million in respect of depreciation expenses, ¥99 million in respect of an decrease in the reserve for bonuses, ¥304 million in respect of a decrease in trade receivables, ¥24 million in respect of a decrease in trade payables, and ¥363 million in respect of payment of income taxes, etc.

(Cash Flow from Investing Activities)

Cash flow from investing activities amounted to an outflow of ¥103 million (compared with an inflow of ¥27 million for the same period of the previous fiscal year), due mainly to the recording of ¥88 million in respect of expenditure for the acquisition of tangible fixed assets, ¥69 million in respect of expenditure for the acquisition of software, and ¥40 million in respect of income from the sale of investment securities, etc.

(Cash Flow from Financing Activities)

Cash flow from financing activities amounted to an outflow of ¥194 million (compared with an outflow of ¥211 million for the same period of the previous fiscal year), due mainly to the recording of ¥129 million in respect of repayment of long-term borrowing and ¥64 million in respect of expenditure for dividend payments.

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

Performance forecasts are made based on information currently available to the Company, but there is a possibility that the actual performance figures will differ significantly from the forecast figures due to a variety of factors. In addition, the current performance forecast for the full financial year is unchanged from the forecast issued on May 13, 2021.

2. Consolidated Financial Statements and Important Explanatory Notes

(1) Consolidated Balance Sheet

	(Unit: thousands of yen)	
	FY 2020	2nd Quarter of FY 2021
	(As of March 31, 2021)	(As of Sept. 30, 2021)
(Assets)		
Current assets		
Cash and deposits	12,997,014	12,827,752
Accounts and notes receivable	2,018,712	1,723,637
Marketable securities	229,796	229,462
Commercial products	366,536	353,190
Products in progress	491,109	481,791
Primary materials and inventory goods	58,592	70,991
Contract assets	—	350
Corporation tax refund receivable, etc.	71,062	0
Other current assets	519,948	632,334
Allowance for doubtful accounts	△18,669	△18,850
Total current assets	16,734,103	16,300,659
Fixed assets		
Tangible fixed assets	2,946,103	2,952,891
Intangible fixed assets		
Goodwill	1,395,695	1,333,317
Other intangible fixed assets	357,776	385,966
Total intangible fixed assets	1,753,472	1,719,283
Investment and other assets		
Investment securities	3,898,711	3,637,914
Deferred tax assets	846,890	809,128
Other investment and other assets	1,108,603	1,005,104
Allowance for doubtful accounts	△585,342	△610,905
Total investment and other assets	5,268,863	4,841,242
Total fixed assets	9,968,439	9,513,417
Total assets	26,702,542	25,814,076
(Liabilities)		
Current liabilities		
Accounts and notes payable	964,025	939,521
Short-term loans payable	340,000	340,000
Current portion of long-term debt	258,700	249,500
Accounts payable-other	741,426	597,951
Accrued expenses payable	2,796,448	2,967,013
Income taxes payable	371,157	175,202
Reserve for bonuses	352,424	252,749
Reserve for sales returns	55,441	—
Contract liabilities	—	32,110
Asset retirement obligations	146,892	—
Other current liabilities	1,140,736	914,659
Total current liabilities	7,167,251	6,468,707
Fixed liabilities		
Long-term loans payable	379,850	259,700
Net defined retirement benefits	576,922	563,215
Reserve for stock benefits for directors	33,129	36,410
Asset retirement obligations	39,233	39,233
Deferred tax liabilities	874,056	802,196
Other fixed liabilities	4,453	3,459
Total fixed liabilities	1,907,645	1,704,215
Total liabilities	9,074,896	8,172,922

	(Unit: thousands of yen)	
	FY 2020	2nd Quarter of FY 2021
	(As of March 31, 2021)	(As of Sept. 30, 2021)
(Net assets)		
Shareholder's equity		
Common stock	3,218,000	3,218,000
Capital surplus	2,840,667	2,840,498
Retained earnings	10,698,825	10,844,558
Treasury stock	△1,121,619	△1,122,071
Total shareholder's equity	15,635,873	15,780,985
Other accumulated comprehensive income		
Valuation difference on other available-for-sale securities	1,987,860	1,824,003
Foreign currency translation adjustments	△30,807	△8,869
Cumulative adjustment for retirement benefit obligations	34,719	45,033
Total other accumulated comprehensive income	1,991,773	1,860,168
Non-controlling interests	—	—
Total net assets	17,627,646	17,641,154
Total liabilities and net assets	26,702,542	25,814,076

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

	(Unit: thousands of yen)	
	2nd Quarter of FY 2020 (April 1-Sept.30, 2020)	2nd Quarter of FY 2021 (April 1-Sept. 30, 2021)
Net sales	10,000,737	7,212,575
Cost of sales	6,286,940	4,292,650
Gross profit	3,713,796	2,919,924
Selling, general and administrative expenses	3,161,335	2,823,196
Operating income	552,461	96,728
Non-operating income		
Interest income	148	59
Dividend income	3,053	2,586
Interest on securities	8	5
Gain on equity method investment	38,031	29,198
Gain on investment partnership management	78,010	116,576
Gain on valuation of investment securities	1,114	—
Gain on foreign exchange	—	83
Subsidy income	31,664	54,000
Miscellaneous receipts	22,872	15,253
Total non-operating income	174,903	217,763
Non-operating expenses		
Interest paid	3,094	2,362
Loss on investment partnership management	50,282	76,524
Loss on valuation of investment securities	—	372
Loss on foreign exchange	289	—
Miscellaneous expenses	6,059	664
Total non-operating expenses	59,726	79,923
Ordinary income	667,638	234,568
Extraordinary income		
Gain on sale of investment securities	—	34,114
Gain on sale of fixed assets	—	141
Total extraordinary income	—	34,255
Extraordinary losses		
Loss on disposal of fixed assets	672	42
Loss on liquidation of subsidiaries	—	29,756
Loss on sale of investment securities	4,931	—
Loss on valuation of investment securities	26,757	27,214
Total extraordinary losses	32,360	57,013
Net income or net loss before income taxes	635,277	211,810
Corporate, local, and business taxes	280,980	155,758
Income taxes - deferred	38,534	2,988
Current quarter net income attributable to non-controlling interests	315,762	53,064
Current quarter net income or net loss attributable to shareholders of the parent company	315,762	53,064

(Consolidated Statement of Comprehensive Income)

	(Unit: thousands of yen)	
	2nd Quarter of FY 2020	2nd Quarter of FY 2021
	(April 1-Sept. 30, 2020)	(April 1-Sept. 30, 2021)
Current quarter net income	315,762	53,064
Other comprehensive income		
Valuation difference on other available-for-sale securities	1,028,159	△163,856
Foreign currency translation adjustments	△923	21,937
Retirement benefit adjustments	19,358	10,314
Total other comprehensive income	1,046,594	△131,604
Comprehensive income	1,362,356	△78,540
(Details)		
Comprehensive income attributable to shareholders of the parent company	1,362,356	△78,540
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Cash Flows

(Unit: thousands of yen)

	2nd Quarter of FY 2020 (April 1-Sept. 30, 2020)	2nd Quarter of FY 2021 (April 1-Sept. 30, 2021)
Cash flow from operating activities		
Income before income taxes and other adjustments)	635,277	211,810
Depreciation expenses	109,936	98,697
Amortization of goodwill	62,378	62,378
Increase/decrease in allowance for doubtful accounts (Δ = decrease)	25,670	25,744
Increase/decrease in reserve for bonuses (Δ = decrease)	172,270	Δ 99,675
Increase/decrease in reserve for point card certificates (Δ = decrease)	11	74
Increase/decrease in liabilities for retirement benefits (Δ = decrease)	Δ 18,701	Δ 13,706
Increase/decrease in reserve for stock benefits for directors (Δ = decrease)	6,839	3,280
Interest and dividend income	Δ 3,201	Δ 2,645
Gain or loss on valuation of securities (Δ = gain)	Δ 1,114	372
Interest on securities	Δ 8	Δ 5
Interest paid	3,094	2,362
Grant income	Δ 31,664	Δ 54,000
Gain or loss on foreign exchange (Δ = gain)	46	Δ 14
Gain or loss on equity method investment (Δ = gain)	Δ 38,031	Δ 29,198
Gain or loss on investment partnership management (Δ = gain)	Δ 27,727	Δ 40,051
Gain or loss on liquidation of subsidiaries (Δ = gain)	—	29,756
Gain or loss on sale of investment securities (Δ = gain)	4,931	Δ 34,114
Gain or loss on valuation of investment securities (Δ = gain)	26,757	27,214
Gain or loss on disposal of fixed assets (Δ = gain)	672	42
Increase/decrease in trade receivables (Δ = increase)	569,359	304,004
Increase/decrease in inventory assets (Δ = increase)	190,600	9,916
Increase/decrease in trade payables (Δ = decrease)	Δ 372,834	Δ 24,504
Others	Δ 181,154	Δ 111,757
Sub-total	1,133,406	365,981
Subsidy income received	5,204	54,000
Interest and dividends received	2,652	2,459
Interest paid	Δ 3,094	Δ 2,411
Income tax refunded	68,295	71,062
Income tax paid	Δ 271,813	Δ 363,205
Cash flow from operating activities	934,650	127,887

	(Unit: thousands of yen)	
	2nd Quarter of FY 2020 (April 1-Sept. 30, 2020)	2nd Quarter of FY 2021 (April 1-Sept. 30, 2021)
Cash flow from investing activities		
Expenditure for acquisition of tangible fixed assets	△18,425	△88,214
Income from sale of tangible fixed assets	—	141
Expenditure for acquisition of software	△35,982	△69,291
Expenditure for acquisition of investment securities	△25,000	△10,000
Income from sale of investment securities	—	40,307
Income from distribution of profits from investment partnerships	76,899	68,362
Income from collection of loans receivable	180	—
Income from collection of security deposits	4	190,452
Expenditure for fulfilling asset retirement obligations	—	△146,892
Others	30,288	△87,946
Net cash flow from investing activities	27,964	△103,081
Cash flow from financing activities		
Expenditure for repayment of long-term borrowing	△147,350	△129,350
Expenditure for acquisition of treasury stock	△495	△578
Income from disposal of treasury stock	35	36
Payment of dividends	△64,142	△64,111
Others	—	△78
Net cash flow from financing activities	△211,951	△194,081
Effect of exchange rate on cash and cash equivalents	△2,654	14
Net increase/decrease in cash and cash equivalents (△ = decrease)	748,008	△169,261
Cash and cash equivalents at beginning of year	12,585,834	12,946,994
Cash and cash equivalents at end of the quarter	13,333,843	12,777,733

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

(Note in the Case of Significant Changes in the Amount of Shareholders' Equity)
Not applicable

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

Tax expenses for the Company and a portion of its consolidated subsidiaries are calculated by multiplying the amount of net income before income taxes by the estimated effective tax rate, which is reasonably estimated by applying tax effect accounting to estimated income before income taxes for the current consolidated fiscal year including the second quarter under review.

(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 Article 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 cumulative second quarter, net sales decreased by ¥1,487,010 thousand, cost of sales decreased by ¥1,397,692 thousand, selling, general and administrative expenses decreased by ¥171,753 thousand, and operating income, ordinary income and net income before income taxes each increased by ¥82,434 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 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), the Company has not presented the disaggregation of revenue

from contracts with customers for the first quarter of the previous fiscal year.

(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 article 19 of the Accounting Standard for Fair Value Measurement and Article 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 had no impact on the quarterly consolidated financial statements for the first quarter of the fiscal year under review.

(Segment Information)

I 2nd quarter of the previous consolidated fiscal year/FY 2020 (April 1, 2020 through Sept. 30, 2020)

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

(Unit: thousands of yen)

	Content	Point Service	Label	Total	Adjustment amount (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
Net sales						
Sales to external customers	1,465,013	1,753,302	6,782,421	10,000,737	—	10,000,737
Intersegment sales or transfer amount	107,168	92	10,563	117,824	△117,824	—
Total	1,572,181	1,753,395	6,792,984	10,118,561	△117,824	10,000,737
Segment income or loss (△)	△284,807	174,339	660,907	550,439	2,022	552,461

Notes: 1. The segment income or loss adjustment amount of ¥2,022 thousand is calculated by eliminating intersegment transactions.
2. Segment income amounts are adjusted with operating income in the quarterly consolidated profit and loss statement.

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

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

II 2nd quarter of the current consolidated fiscal year/FY 2021 (April 1, 2021 through Sept. 30, 2021)

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

(Unit: thousands of yen)

	Content	Point Service	Label	Total	Adjustment amount (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
Net sales						
Revenue from contracts with customers	1,121,759	284,375	5,806,440	7,212,575	—	7,212,575
Sales to external customers	1,121,759	284,375	5,806,440	7,212,575	—	7,212,575
Intersegment sales or transfer amount	169,887	85	12,976	182,949	△182,949	—
Total	1,291,646	284,461	5,819,416	7,395,524	△182,949	7,212,575
Segment income or loss (△)	△262,158	73,136	284,727	95,705	1,022	96,728

Notes: 1. The segment income or loss adjustment amount of ¥1,022 thousand is calculated by eliminating intersegment transactions.
2. Segment income or loss amounts are adjusted with operating income in the quarterly consolidated profit and loss statement.

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

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

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

As described in the aforementioned “Changes in Accounting Policies” section, 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 first quarter 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 first quarter of the current fiscal year, compared with the previous method, in the Content Business net sales decreased by ¥243,733 thousand and in the Point Service Business net sales decreased by ¥934,585 thousand, but in both cases there was no impact on segment income or loss, while in the Label Business net sales decreased by ¥308,692 thousand and segment income increased by ¥82,434 thousand

