

**BRIEF STATEMENT OF CONSOLIDATED FINANCIAL RESULTS
FOR THE 2nd QUARTER OF THE FISCAL YEAR ENDING MARCH 2024**

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 14, 2023

Faith, Inc. (Stock code 4295, Listed on TSE Standard Market)

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

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Date of Submission of Securities Report: November 14, 2023

Starting Date of the Dividend Payment: December 8, 2023

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 2024

(From April 1, 2023 to September 30, 2023)

(1) Consolidated Operating Results (cumulative totals)

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	<i>Millions of yen</i>	%	<i>Millions of yen</i>	%	<i>Millions of yen</i>	%	<i>Millions of yen</i>	%
Year ending March 2024 Q2	6,773	△7.2	△329	—	△362	—	△363	—
Year ending March 2023 Q2	7,299	1.2	△240	—	△218	—	△263	—

(Note) Comprehensive income: 2nd quarter of the fiscal year ending March 2024: △¥1,068 million (—%); 2nd quarter of fiscal year ending March 2023: ¥64 million (—%)

	Net Income per Share	Diluted Net Income per Share
	<i>Yen</i>	<i>Yen</i>
Year ending March 2024 Q2	△33.55	—
Year ending March 2023 Q2	△23.64	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Ratio of Equity Capital
	<i>Millions of yen</i>	<i>Millions of yen</i>	%
Year ending March 2024 Q2	22,244	14,269	64.1
Year ending March 2023	24,226	15,385	63.5

(Reference) Equity capital: 2nd quarter of fiscal year ending March 2024: ¥14,269 million; fiscal year ending March 2023: ¥15,385 million

2. Dividends

(Record dates)	Dividends per Share				
	1 st Quarter	Interim	3 rd Quarter	Year-end	Total
	<i>Yen</i>	<i>Yen</i>	<i>Yen</i>	<i>Yen</i>	<i>Yen</i>
Year ending March 2023	—	5.00	—	5.00	10.00
Year ending March 2024	—	5.00	—	5.00	10.00
Year ending March 2024 (forecast)	—	—	—	5.00	10.00

(Note) Revision of dividend forecast since the most recently announced dividend forecast: Not applicable

3. Forecast for the Consolidated Results for the Year Ending March 2024 (from April 1, 2023 to March 31, 2024)

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to the Shareholders of the Parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	16,100	6.1	305	—	300	—	100	—	9.23

(Note) Revision of dividend forecast since the most recently announced dividend forecast: Not applicable

* Notes

- (1) Changes in significant subsidiaries (accompanying changes in scope of consolidation): Applicable
 Newly added subsidiaries: 0 companies (subsidiary's name:)
 Removed subsidiaries: 1 company (subsidiary's name: Faith Wonderworks, Inc.)
- (2) Adoption of simplified accounting practices or specific procedures in preparation of the quarterly consolidated financial reports: Not applicable
- (3) Changes in accounting policy, changes in accounting estimates, and restatements
 - (i) Changes accompanying revisions of accounting standards, etc.: Not applicable
 - (ii) Changes other than the above: Not applicable
 - (iii) Changes in accounting estimates: Not applicable
 - (iv) Restatements: Not applicable

(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 2024: 13,831,091 shares
 The fiscal year ending March 2023: 13,831,091 shares
- (ii) Treasury shares at the end of the term:
 The 2nd quarter of the fiscal year ending March 2024: 2,988,921 shares
 The fiscal year ending March 2023: 2,999,883 shares
- (iii) Average number of shares during the interim accounting period:
 The 2nd quarter of the fiscal year ending March 2024: 10,839,127 shares
 The 2nd quarter of the fiscal year ending March 2023: 11,131,726 shares

(Note) The number of shares of treasury stock at the end of the period includes the Company's shares (245,900 shares in Q2 of the fiscal year ending March 2024, 257,200 shares in the fiscal year ending March 2023) contributed as trust assets in the performance-based stock compensation plan). In addition, such shares are also included in the treasury shares that are deducted in calculating the average number of shares during the accounting period (249,100 shares in Q2 of the fiscal year ending March 2024, 257,200 shares in Q2 of the fiscal year ending March 2023).

* 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, 2023.

Accompanying Material — Contents

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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 2022, the Internet penetration rate remained high at 84.9%, while the percentage of households owning one or more smartphones increased to 90.1%, greatly exceeding the 69.0% 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 14.3% in 2022 from the previous year to ¥3,091.2 billion, exceeding the combined advertising expenses for the four largest mass media sectors (newspapers, magazines, radio, and television) of ¥2,398.5 billion, and accounting for 43.5% of Japan's total advertising expenditures ^{(*)2}. This trend is also evident worldwide, where in 2023 global spending on digital advertising is expected to reach approximately ¥59 trillion (US\$424.3 billion), an increase of 7.8% from the previous year, with spending on digital advertising exceeding 58.3% of total spending on advertising ^{(*)3}.

*1. Source: Ministry of Internal Affairs and Communications, *2022 Telecommunications Usage Trend Survey Results*

*2. Source: Dentsu Inc., *2022 Advertising Expenditures in Japan*

*3. Source: Dentsu Group Inc., *Global Ad Spend Forecasts (2023-2025)*

In the entertainment market in 2022, sales in the global music market centered on streaming services grew by 9.0% year over year to approximately ¥3,523.4 billion (US\$26.2 billion), expanding for the eighth consecutive year and reaching its highest total since the beginning of this century. In particular, paid subscription streaming accounted for 67% of the total, increasing to ¥2,345 billion (\$17.5 billion) ^{(*)4}. In Japan, the production value of music software including music videos increased by 4% year over year to ¥202.3 billion, exceeding ¥200 billion for the first time since 2019, three years earlier. Moreover, paid music distribution sales increased by 17% to ¥105.0 billion and audio streaming sales increased by 25% year over year to ¥92.8 billion, accounting for almost 90% of total paid music distribution sales ^{(*)5}.

In 2022, the live entertainment market underwent a rapid recovery, reaching ¥565.2 billion, which was 10.2% lower than the level in 2019, the year before the start of the novel coronavirus pandemic (the corresponding figure for 2021 was 51.2% lower than in 2019) ^{(*)6}. At the same time, online live performances have emerged as a new way to enjoy live entertainment, rather than as merely a substitute for traditional physical live performances, and the size of the pay-per-view online live performance market in 2022 is estimated at ¥46.6 billion ^{(*)7}. Moreover, the combined size of the physical and online live performance markets is estimated to have reached ¥611.8 billion, approaching the record-setting ¥629.5 billion scale of the physical live performance market in 2019.

*4. Source: IFPI, *Global Music Report 2023*

*5. Source: Recording Industry Association of Japan (RIAJ), *The Recording Industry in Japan 2023*

*6. Source: PIA Research Institute, *Japanese Live Entertainment Market Size 2022 Preliminary Report* (published May 26, 2023)

*7. Source: PIA Research Institute, *Japanese Online Live Entertainment Market Survey* (published May 26, 2023)

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 popularization of mobile phones. In the current music market, along with the spread of smartphones and the diversification of media such as streaming, user-generated content (UGC) ^{(*)8}, which allows ordinary users to easily transmit information to society, and social media, the music industry is facing a situation in which all of its activities, including content distribution methods, consumption styles, and content production methods, are changing.

*8. User-generated content: images and videos generated and posted by users themselves on the Internet.

In this environment, the Faith Group is continuing to forge ahead with its Multi-Content and Multi-Device Strategy of creating environments in which people can enjoy a wide variety of content when and where they want, by utilizing the efforts it has focused on digital content distribution ever since its establishment. In addition, the Group is developing new services in response to the changing market environment, including platforms that collect and organize the information flooding the Internet and providing it to users after increasing its added value.

Through our new sprayer® crowdfunding platform, artists can register their own original music for worldwide distribution and monetization, and can also directly distribute music videos, live performances, and other activities using the unique spray LINK function. With spray LINK, artists can not only raise funds to support their activities, but also share profits with their supporters so that their songs can reach

as many listeners as possible. For the future, we will continue to provide a platform that allows artists themselves to directly deliver information about their works to listeners and fans, thereby helping to build deeper engagement and facilitating monetization, and we will work to expand the artist economy at all levels and create a system that “allows artists to grow together with their fans.”

The Faith Group reorganized its Content Business with effect from April 1, 2023, with the goal of establishing an organization that is better adapted to the needs of the present era. By breaking down the functions that each group company has developed to date and clarifying their core competencies, we are aiming to create an organizational structure that facilitates business development, differentiates the profit structure, and further improves efficiency. Moreover, by building a system capable of promptly responding to the rapidly changing tastes and trends in the music market, we will enhance our ability to create appealing content and improve our competitiveness. We are aiming to further develop synergies within the Group by consolidating the major labels, reinforcing and streamlining the administrative and sales functions, and integrating the assets belonging to each label using the Group’s own technology.

In addition, Faith, Inc. has consolidated its office functions into the Minami-Aoyama Office, and has established a permanent telework work system in anticipation of changes in behavioral patterns and the establishment of new values. We are actively engaged in a company-wide effort to reestablish and activate cross-sectional communication between departments, and we will continue to pursue more flexible workstyles and realize diverse and efficient ways of working.

Furthermore, the Company, which had been listed on the Prime Market of the Tokyo Stock Exchange, has transferred to the Standard Market of the Tokyo Stock Exchange as of October 20, 2023, following its application for selection for listing on the Standard Market following the revision of the Tokyo Stock Exchange rules, which came into effect on April 1, 2023. Looking ahead, we will continue to pursue flexible organizational management, centralize our business strategies, speed up decision-making, and effectively utilize resources such as knowhow and human resources to further strengthen the Faith Group’s creative capabilities so that we can respond appropriately to the changes in the music industry and enhance the corporate value of the entire group.

Regarding the Faith Group’s business performance for the second quarter of the current fiscal year ending March 2024, net sales decreased by 7.2% from the same quarter of the previous fiscal year to ¥6,773 million. The Group reported an operating loss of ¥329 million (compared with an operating loss of ¥240 million for the same period of the previous fiscal year), an ordinary loss of ¥362 million (compared with an ordinary loss of ¥218 million for the same period of the previous fiscal year), and a net loss attributable to owners of the parent of ¥363 million (compared with a net loss attributable to owners of the parent of ¥263 million for the same period of the previous fiscal year).

Information on each business segment is as follows.

Platform Business

In the Platform Business, as sales in existing distribution businesses continue to decline, we will continue to invest in new growth areas by linking and platforming each of our services with the aim of developing new and innovative products and grasping diversified profit opportunities.

Through FaRao PRO, we are focusing not only on providing BGM for commercial use, but also on actively developing sales activities centered on the expansion of functions necessary for store operations, such as solutions that propose store branding, as well as announcement functions. In the future, we will continue to aim at the creation and activation of a 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 constructing official websites, distributing music and videos, selling artists’ goods, and operating fan clubs. By strengthening links with SNS, we have introduced a system that allows fans to contribute to building a community by sharing the information that creators send out. Moreover, as the provider of a service that allows more artists to freely disseminate their work and information, we are attempting to acquire and expand the number of users and improve the quality of the service by pursuing greater convenience.

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

In line with the recovery of the real-live market, our live-streaming platform Thumva will cease providing services at the end of November 2023, after fulfilling its original purpose of “delivering exciting live experiences online” under the restrictions on activity imposed due to the spread of infectious disease. With respect to Thumva BIZ, our new online service for stores that utilizes Thumva’s resources, the Company entered into an agreement to transfer this business as of October 31, 2023.

Regarding the performance of this segment for the second quarter of the current consolidated fiscal year, net sales decreased by 1.7% year over year to ¥1,051 million due mainly to a decline in sales of official carrier website services distributing content for cell phones and a decrease in the issuance of points to existing member stores in the retail point system operation platform,, and the segment recorded a loss of ¥108 million (compared with a segment loss of ¥168 million for the same period of the previous fiscal year).

Content Business

In the Content Business, we are strengthening new businesses with an eye to the future in order to overcome our dependence on sales of packaged products in the severe environment faced by the music and video-related industries due to the changing music market. In an effort to create new hits, the three label companies, Nippon Columbia, DREAMUSIC, and KSR, are developing and nurturing content suitable for the next-generation music business. In addition, they are actively utilizing their extensive catalog assets in new projects, with the goal of expanding their IP domains both domestically and globally.

NHK's TV drama serial *Boogie Woogie* being broadcast in the second half of 2023 is based on the life of jazz singer and actress Shizuko Kasagi, who recorded a slew of hits for Nippon Columbia. In addition to the new drama theme song, “Happy Boogie,” we are developing a multifaceted new IP featuring Shizuko’s past works and the Faith Group’s sound sources including songs by composer Ryoichi Hattori and singer Noriko Awatani, both of whom were active during the period in which the drama is set.

We also accept commissions to manage various facilities and events utilizing the Faith Group’s accumulated location business management knowhow. We have been entrusted with the operation of ZEROTOKYO (a new facility that utilizes the nighttime hours of Zepp Shinjuku (TOKYO), one of the largest live halls in the area), which opened inside the Tokyu Kabukicho Tower in April 2023. Events are being held at ZEROTOKYO in a variety of genres, and many people from both Japan and abroad are using the facility now that the inbound market is recovering in response to the increase in the number of foreign visitors to Japan. We expect this business to generate stable revenue due to its asset-light business structure, and we are working to further expanding it by harnessing synergies with our existing businesses.

Regarding the performance of this segment for the second quarter, due to delays in the launch of major titles and a decline in sales of major package products, net sales decreased by 8.2% year over year to ¥5,722 million, while segment income decreased by 99.0% year over year to ¥1 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 the Financial Position)

As of the end of the second quarter of the current consolidated fiscal year ending March 2024 (September 30, 2023), total assets decreased by ¥1,982 million compared to the end of the previous consolidated fiscal year to ¥22,244 million. This was mainly due to a decrease in investments and other assets.

Total liabilities decreased by ¥865 million compared to the end of the previous consolidated fiscal year to ¥7,975 million. This was mainly due to repayment of long-term debt and a decrease in deferred tax liabilities.

Net assets decreased by ¥1,116 million compared to the end of the previous consolidated fiscal year to ¥14,269 million. This was mainly due to a decrease in unrealized gains on available-for-sale securities.

As a result of the above, the equity ratio increased by 0.6 percentage points to 64.1%.

(Cash Flow Situation)

The balance of cash and cash equivalents at the end of the second quarter of the current consolidated fiscal year stood at ¥10,696 million, a decrease of ¥277 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 Flows from Operating Activities)

Cash flows from operating activities amounted to an inflow of ¥54 million (compared with an outflow of ¥539 million for the same period of the previous fiscal year), due mainly to the recording of ¥364 million in respect of a loss before income taxes, ¥153 million in respect of a decrease in trade receivables, and ¥135 million in respect of income taxes refunded, etc.

(Cash Flows from Investing Activities)

Cash flows from investing activities amounted to an outflow of ¥6 million (compared with an outflow of ¥231 million for the same period of the previous fiscal year).

(Cash Flows from Financing Activities)

Cash flows from financing activities amounted to an outflow of ¥325 million (compared with an inflow of ¥15 million for the same period of the previous fiscal year), mainly due to the repayment of long-term loans payable.

(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. Regarding the current full-year performance forecast, we are planning to release several packaged products in the second half of the year, which had originally been scheduled for release in the first half of the year, and in addition, we are anticipating an increase in earnings in the second half of the year due to the holding of major events by our artists, etc. Accordingly, the current performance forecast for the full financial year remains unchanged from the forecast issued on May 12, 2023.

2. Consolidated Financial Statements and Important Explanatory Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	11,024,018	10,746,607
Notes receivable	6,873	9,632
Accounts receivable	1,992,323	1,832,337
Contract assets	920	140
Marketable securities	218,509	213,187
Merchandise and finished goods	290,769	265,802
Work in process	373,434	396,136
Raw materials and supplies	62,796	53,134
Income taxes refundable	175,393	54,539
Other	796,954	652,621
Allowance for doubtful accounts	△23,801	△22,163
Total current assets	14,918,191	14,201,977
Non-current assets		
Property, plant and equipment	3,581,540	3,546,262
Intangible assets		
Goodwill	1,149,180	1,088,802
Other	359,067	373,160
Total intangible assets	1,508,248	1,461,962
Investments and other assets		
Investment securities	3,621,214	2,577,130
Deferred tax assets	210,402	139,909
Other	1,064,557	426,434
Allowance for doubtful accounts	△677,703	△109,238
Total investments and other assets	4,218,470	3,034,235
Total non-current assets	9,308,259	8,042,460
Total assets	24,226,451	22,244,437
Liabilities		
Current liabilities		
Notes and accounts payable - trade	765,755	776,361
Short-term loans payable	390,000	390,000
Current portion of long-term debt	495,350	433,200
Accounts payable - other	906,621	828,085
Accrued expenses payable	3,141,533	3,086,972
Income taxes payable	27,201	62,235
Provision for bonuses	295,468	237,610
Contract liabilities	48,216	24,093
Other	742,554	764,848
Total current liabilities	6,812,700	6,603,407
Non-current liabilities		
Long-term loans payable	924,800	708,200
Retirement benefit liabilities	504,822	489,780
Provision for share awards for directors (and other officers)	47,158	34,813
Asset retirement obligations	39,333	39,333
Deferred tax liabilities	482,410	82,620
Other	29,335	16,851
Total non-current liabilities	2,027,860	1,371,599
Total liabilities	8,840,561	7,975,006

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
Net assets		
Shareholders' equity		
Share capital	3,218,000	3,218,000
Capital surplus	2,840,496	2,840,438
Retained earnings	9,851,724	9,432,564
Treasury shares	△2,422,510	△2,414,501
Total shareholders' equity	13,487,710	13,076,502
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,848,510	1,163,544
Foreign currency translation adjustment	△8,879	△8,871
Accumulated retired benefit adjustment	58,547	38,255
Total accumulated other comprehensive income	1,898,179	1,192,928
Non-controlling interests	—	—
Total net assets	15,385,889	14,269,431
Total liabilities and net assets	24,226,451	22,244,437

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

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	7,299,265	6,773,515
Cost of sales	4,534,194	4,223,301
Gross profit	2,765,071	2,550,213
Selling, general and administrative expenses	3,006,033	2,879,608
Operating income (loss)	△240,961	△329,394
Non-operating income		
Interest income	52	57
Dividend income	3,203	4,716
Interest on marketable securities	52	252
Gain on investments in investment partnerships	569	5,067
Foreign exchange gains	275	1,122
Subsidy income	42,286	414
Gain on reversal of provision for directors' stock benefits	—	6,853
Miscellaneous income	4,430	20,958
Total non-operating income	50,869	39,442
Non-operating expenses		
Interest expenses	3,133	4,536
Equity in losses of affiliates	8,480	37,572
Loss on investments in investment partnerships	9,916	6,003
Loss on valuation on securities	6,135	6,738
Settlement money	—	11,155
Miscellaneous expenses	421	6,534
Total non-operating expenses	28,086	72,540
Ordinary income (loss)	△218,178	△362,492
Extraordinary Income		
Gain on sale of non-current assets	2,019	—
Total extraordinary income	2,019	—
Extraordinary losses		
Loss on disposal of non-current assets	541	—
Loss on valuation of investment securities	—	1,784
Total extraordinary losses	541	1,784
Net income (loss) before income taxes	△216,700	△364,277
Income taxes - current	37,210	36,797
Income taxes - deferred	9,295	△37,356
Net income (loss)	△263,206	△363,717
Net income (loss) attributable to owners of parent	△263,206	△363,717

(Consolidated Statement of Comprehensive Income)

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit (loss)	△263,206	△363,717
Other comprehensive income		
Valuation difference on available-for-sale securities	324,918	△684,966
Foreign currency translation adjustment	9	8
Retirement benefit adjustment (before any applicable tax effect)	2,433	△20,292
Total other comprehensive income	327,360	△705,250
Comprehensive income	64,153	△1,068,968
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	64,153	△1,068,968
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Cash Flows

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit (loss) before income taxes	△216,700	△364,277
Depreciation	91,177	88,846
Amortization of goodwill	61,378	60,378
Increase (decrease) in allowance for doubtful accounts	19,711	14,483
Increase (decrease) in provision for bonuses	2,198	△57,858
Increase (decrease) in retirement benefit liability	2,788	△15,041
Increase (decrease) in provision for share awards for directors (and other officers)	3,583	△12,345
Interest and dividend income	△3,255	△4,773
Loss (gain) on valuation of securities	6,135	6,738
Interest income on securities	△52	△252
Interest expenses	3,133	4,536
Subsidy income	△42,286	△414
Equity in losses (profit) of affiliates	8,480	37,572
Loss (gain) on investments in investment partnerships	9,346	935
Loss (gain) on valuation of investment securities	—	1,784
Loss (gain) on disposal of non-current assets	541	—
Decrease (increase) in trade receivables	436,927	153,015
Decrease (increase) in inventories	△99,703	12,707
Increase (decrease) in trade payables	△643,591	10,606
Other, net	△247,727	6,437
Subtotal	△607,913	△56,921
Subsidies received	42,286	414
Interest and dividends received	3,263	5,026
Interest paid	△1,913	△4,686
Income taxes refunded	141,976	135,743
Income taxes paid	△117,114	△24,995
Net cash flows from operating activities	△539,415	54,579

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from investing activities		
Purchase of property, plant and equipment	△267,663	△25,579
Proceeds from sale of property, plant and equipment	2,019	—
Purchase of software	△49,344	△36,990
Proceeds from sale of investment securities	1,218	—
Proceeds from distributions from investment partnerships	—	902
Proceeds from collection of loans receivable	—	347
Payments for leasehold deposits	△102	—
Proceeds from refund of leasehold deposits	126,854	—
Other, net	△44,732	55,255
Net cash flows from investing activities	△231,752	△6,065
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	50,000	—
Proceeds from long-term borrowings	1,450,000	—
Repayments of long-term borrowings	△120,150	△278,750
Purchase of treasury shares	△1,300,016	△244
Proceeds from disposal of treasury shares	6	8,196
Dividends paid	△64,128	△55,134
Net cash flows from financing activities	15,711	△325,932
Effect of exchange rate change on cash and cash equivalents	—	8
Net increase (decrease) in cash and cash equivalents	△755,456	△277,410
Cash and cash equivalents at beginning of period	11,484,630	10,973,997
Cash and cash equivalents at end of period	10,729,174	10,696,586

(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

(Segment Information)

I 2nd quarter of the previous consolidated fiscal year/FY 2022 (April 1, 2022 through Sept. 30, 2022)

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

(Unit: thousands of yen)

	Platform	Content	Total	Adjustment amount (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
Net sales					
Goods transferred at a single point in time	1,068,700	6,205,762	7,274,463	—	7,274,463
Goods transferred over a period of time	—	24,802	24,802	—	24,802
Revenue from contracts with customers	1,068,700	6,230,564	7,299,265	—	7,299,265
Sales to external customers	1,068,700	6,230,564	7,299,265	—	7,299,265
Intersegment sales or transfer amount	185,476	16,854	202,331	△202,331	—
Total	1,254,177	6,247,419	7,501,596	△202,331	7,299,265
Segment income or segment loss (△)	△168,792	112,934	△55,858	△185,103	△240,961

Notes: 1. The segment income or loss adjustment amount of △¥185,103 thousand consists of ¥5,754 thousand in eliminated intersegment transactions and △¥190,857 thousand in companywide expenses not allocated to reportable segments.

2. Segment income amounts are adjusted with operating income in the quarterly consolidated profit and loss statement.

2. Information regarding impairment loss on non-current assets or goodwill by segment reported

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

II 2nd quarter of the current consolidated fiscal year/FY 2023 (April 1, 2023 through Sept. 30, 2023)

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

(Unit: thousands of yen)

	Platform	Content	Total	Adjustment amount (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
Net sales					
Goods transferred at a single point in time	1,051,006	5,665,523	6,716,530	—	6,716,530
Goods transferred over a period of time	—	56,985	56,985	—	56,985
Revenue from contracts with customers	1,051,006	5,722,508	6,773,515	—	6,773,515
Sales to external customers	1,051,006	5,722,508	6,773,515	—	6,773,515
Intersegment sales or transfer amount	222,751	25,610	248,362	△248,362	—
Total	1,273,758	5,748,119	7,021,877	△248,362	6,773,515
Segment income or segment loss (△)	△108,582	1,120	△107,462	△221,932	△329,394

Notes: 1. The segment income or loss adjustment amount of △¥221,932 thousand consists of ¥1,522 thousand in eliminated intersegment transactions and △¥223,454 thousand in companywide expenses not allocated to reportable segments.

2. Segment income amounts are adjusted with operating income in the quarterly consolidated profit and loss statement.

2. Information regarding impairment loss on non-current assets or goodwill by segment reported

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