



RMB Capital Proposes New Director for Faith *Firm Takes Strong Stance on Corporate Governance in Japan*

CHICAGO- June 12, 2018 –RMB Capital (“RMB”), an independent investment and advisory firm with approximately \$9.1 billion in assets under management (estimated as of March 31, 2018), asks Faith Inc. (4295 JP) to adhere to Japan’s heightened corporate governance code, which was enacted to align interests between the country’s shareholders and businesses.

Masakazu Hosomizu, portfolio manager of RMB’s Japan equity strategies since 2011 and recently named partner, has been a vocal activist for structural reform in his native country, appreciating how crucial it is for sustainable growth and economic prosperity. Known as the third arrow of Abenomics (Prime Minister Shinzo Abe’s comprehensive economic and social reform movement, which also includes monetary easing and fiscal stimulus), structural reform is a broad initiative that encompasses policies related to taxes, labor, higher education, and corporate governance.

RMB’s Criticism of Faith

Hosomizu, with the support of RMB’s investment committee, has been vocal and persistent in his criticisms of Faith’s corporate governance. Among the concerns is Faith’s approach to allocating capital, which is inconsistent and inefficient. RMB had publicly expressed opposition of Faith’s intention to use a stock-swap deal in acquiring Nippon Columbia, several months prior to the transaction date of August 1, 2017. RMB cited the stock swap’s flawed valuation methodology, dilution of shareholder value, and lack of necessity given Faith’s cash on hand. Faith has not put its cash to use on any strategic investments since then – rather, it recently announced a 5% share buyback program that would return cash to shareholders. While the buyback is beneficial to shareholders, it contradicts Faith’s prior position about conserving cash for strategic initiatives.

RMB questions Faith’s strategic plan for its business. It characterized the acquisition of Nippon Columbia, a central player in Japan’s music industry, as an initiation of consolidations in a fragmented sector. Yet, in its presentation to analysts during a May 2018 meeting, Faith announced investments in disruptive innovations, including block chain technologies. Faith’s financial statements and earnings projections demonstrate the effect of ill-conceived business plans, as its management expects up to a

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66% decline in consolidated recurring profits this fiscal year. The lack of clarity and discipline in capital spending decisions puts shareholders in a risky position going forward.

RMB's Proposal to Help Faith

On April 25, RMB proposed sending Hosomizu to fulfill the role of external director on Faith's board, citing the aims to protect shareholders' interests, further the company's adoption of Japan's corporate governance code (which includes the stipulation that publicly traded Japanese companies must have at least two outside board members), and ultimately improve Faith's corporate value. Without a nomination committee, Faith's board of directors did not have a defined process for reviewing the proposal and refused to entertain the notion of an interview between the board and Hosomizu.

Faith's Flawed Response

Faith publicly responded to RMB's proposal in a May 22 press release, including multiple claims that are wholly rejected by RMB at this time.

1. *Faith's alternative "outside director" candidates*: Faith announced its nomination of three other candidates who could serve as outside directors on its board. However, all of these candidates have ties to Faith and cannot be considered independent – an auditor of Nippon Columbia (Faith's 100% subsidiary), a director of Yoshimoto Kogyo (a business partner and shareholder of Faith), and a corporate advisor to Pasona Group, which was founded by an ex-board member of Nippon Columbia and itself had Faith's founder as a previous board member.
2. *Concern over "a specific shareholder"*: Faith expressed skepticism about whether Hosomizu would represent the interests of all minority shareholders or just those of a specific shareholder. RMB maintains that the specific shareholder who warrants concern is Hajime Hirasawa, the founder CEO and largest shareholder of Faith with a 34% ownership stake. The other 66% of ownership is held by minority shareholders, who don't currently have representation in Faith's corporate governance structure.
3. *Role of an outside director*: Faith demonstrated a lack of understanding about the role and value of outside directors. Its assertion that Hosomizu "does not understand the firm's business policy" was based solely on the fact that Hosomizu has a different opinion. Its claim that an outside director such as Hosomizu would create chaos shows a complete disregard for Japan's corporate governance code – and is also an indication that Faith lacks confidence in its board's ability to function properly. Finally, its statement that Hosomizu should present "realistic, concrete business plans" is erroneous; Japan's corporate governance code clearly

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states that the role of outside directors is to monitor companies' management. It is the responsibility of management to develop business plans.

There is no definitive conclusion that relying on RMB's suggestions and proposed candidate will have any positive or negative impact on Faith.

ABOUT RMB ASSET MANAGEMENT

RMB Asset Management specializes in long-term, concentrated, active investing strategies. From long-only strategies to a select lineup of differentiated absolute return offerings, its products span the market-cap spectrum and the globe. Its team of highly experienced portfolio managers and analysts are united by an emphasis on fundamental research and a belief that quality portfolios outperform.

ABOUT RMB CAPITAL

RMB Capital is an independent investment and advisory firm. Its businesses include wealth management, family office services, asset management, and retirement plan consulting. Headquartered in Chicago, RMB also has offices in Denver; Jackson Hole, Wyo.; Lake Forest, Ill.; Milwaukee; Minneapolis; New York; Oakbrook Terrace, Ill.; and Washington D.C. To learn more about RMB, visit www.rmbcap.com.

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