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Securities Code: 2121

June 7, 2016

To Shareholders:

Hiroki Morita, President and Representative Director  
mixi, Inc.

Sumitomo Fudosan Shibuya First Tower  
1-2-20 Higashi, Shibuya-ku, Tokyo

## **CONVOCATION NOTICE FOR THE 17TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 17th Ordinary General Meeting of Shareholders of mixi, Inc. (the “Company”). The meeting will be held as described below.

If you are unable to attend the meeting, you may exercise your voting rights with any of the following methods. Please review the reference material for the meeting of shareholders below and exercise your voting rights by 7:00 p.m. on Monday, June 27, 2016 (JST).

### **Exercise of Voting Rights by Mail (in Writing)**

Please send back the enclosed voting rights exercise form to the Company expressing your approval or disapproval of the agenda items by the above deadline.

### **Exercise of Voting Rights via the Internet, etc. (Electronic Methods)**

Please access the website for exercising voting rights (<http://www.web54.net>), and after entering the “voting rights exercise code” and “password” printed on the enclosed voting rights exercise form, indicate your approval or disapproval of the agenda items by following the on-screen guidance. When you exercise your voting rights via the Internet, etc. (electronic methods), please check “**How to Exercise Voting Rights via the Internet, etc. (Electronic Methods)**” on page 3.

### **Particulars**

1. Date and time: Tuesday, June 28, 2016, at 10:00 a.m.
2. Place: 2nd floor, Hall of Belle Salle Shibuya First, Sumitomo Fudosan Shibuya First Tower, 1-2-20 Higashi, Shibuya-ku, Tokyo  
(Please see the map to the venue for the meeting of shareholders attached at the end of this notice.)

3. Agenda items:

- Items to be reported:
1. The business report, consolidated financial statements and results of audits of the consolidated financial statements by the independent auditors and the audit and supervisory board for the 17th fiscal year (from April 1, 2015 to March 31, 2016)
  2. The non-consolidated financial statements for the 17th fiscal year (from April 1, 2015 to March 31, 2016)

Items to be resolved:

- Agenda Item No. 1: Election of six directors
- Agenda Item No. 2: Election of one audit and supervisory board member
- Agenda Item No. 3: Election of one substitute audit and supervisory board member
- Agenda Item No. 4: Revision of the amount of remunerations for directors

End of document

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- \* For those attending, please present the enclosed voting rights exercise form at the reception desk on arrival at the meeting.
- \* This convocation notice does not include, as provided documents, the following documents, because they are posted on the Company's website (<http://www.mixi.co.jp/>) in accordance with laws and regulations, and Article 14 of the Company's articles of incorporation: "Matters concerning the Company's subscription rights to shares, etc.," "Matters concerning independent auditors," and "Systems that ensure the properness of operations; the operational status of those systems", which are in the business report; "Consolidated Statements of Changes in Shareholders' Equity" and "Notes to the Consolidated Financial Statements," which are in the consolidated financial statements; and "Statements of Changes in Shareholders' Equity" and "Notes to the Non-Consolidated Financial Statements," which are in the non-consolidated financial statements. The business report, and the consolidated and non-consolidated financial statements, audited by audit and supervisory board members and by the independent auditors are the matters posted on the Company's website above in addition to each document described in the provided document of this convocation notice.
- \* Any change in the reference material for the meeting of shareholders, business report and consolidated and non-consolidated financial statements will be reported on the Company's website (<http://www.mixi.co.jp/>).

### **How to Exercise Voting Rights via the Internet, etc. (Electronic Methods)**

If you exercise your voting rights via the Internet, etc. (electronic methods), please exercise your voting rights after checking the following matters.

1. You can exercise your voting rights via the Internet, etc. (electronic methods) only by using the system of Sumitomo Mitsui Trust Bank, Limited, which is the shareholder registry administrator, and by using the electronic voting platform operated by ICJ, Inc.
2. The deadline for exercising voting rights via the Internet, etc. (electronic methods) is 7:00 p.m. on Monday, June 27, 2016.
3. If you have exercised your voting rights both in writing and via the Internet, etc. (electronic methods), the last vote to arrive at the Company will be the effective vote. However, if your votes made in writing and made via the Internet, etc. (electronic methods) arrive at the Company on the same date, your vote via the Internet, etc. (electronic methods) will be the effective vote.
4. If you have exercised your voting rights via the Internet, etc. (electronic methods) multiple times and the votes for the same agenda item differ, then your last vote made via the Internet, etc. (electronic methods) will be the effective vote.
5. Connection fees to be paid to a provider and communications fees (telephone, etc.) to be paid to a telecommunications carrier may be required to use the website for exercising voting rights. In that case, the fees shall be borne by the shareholder.

End of document

(Provided Documents)

**Business Report**

(from April 1, 2015 to March 31, 2016)

**1. Matters concerning corporate group's current status****(1) Course and results of the business**

In the consolidated fiscal year ended March 31, 2016, the Japanese economy has been recovering gradually—for example, the economy witnessed a recovery of corporate earnings and improvements in the employment environment due to the effects of various policies of the government and of the Bank of Japan; however, there continues to be uncertainty about the future due to, among other things, concerns about the downturn in the global economy and in particular the Chinese economy.

Regarding Internet-related industries, according to a survey by MM Research Institute, Ltd., the number of smartphone subscriptions at the end of September 2015 was 72.37 million, which constituted the majority (56.9%) of all mobile phone subscriptions, and the number of smartphone subscriptions is expected to continue increasing in the future.

In the midst of such an economic environment, the Company's net sales for the consolidated fiscal year ended March 31, 2016 were 208,799 million yen (an increase of 84.9% compared to the previous consolidated fiscal year). In addition, the Company's operating income was 95,033 million yen (an increase of 80.4% compared to the previous consolidated fiscal year), the ordinary income was 94,798 million yen (an increase of 79.9% compared to the previous consolidated fiscal year) and the net income attributable to parent company shareholders for the consolidated fiscal year ended March 31, 2016 was 61,022 million yen (an increase of 85.1% compared to the previous consolidated fiscal year).

The status of each segment is as follows.

**Net Sales by Business Segment**

| Business Segment        | 16th Fiscal Year            |                       | 17th Fiscal Year            |                       | YoY Comparison (%) |
|-------------------------|-----------------------------|-----------------------|-----------------------------|-----------------------|--------------------|
|                         | Net Sales (millions of yen) | Composition Ratio (%) | Net Sales (millions of yen) | Composition Ratio (%) |                    |
| Entertainment Business  | 102,251                     | 90.6                  | 195,355                     | 93.6                  | 91.1               |
| Media Platform Business | 10,666                      | 9.4                   | 13,443                      | 6.4                   | 26.0               |
| Total                   | 112,918                     | 100.0                 | 208,799                     | 100.0                 | 84.9               |

(The method for measuring profits)

The method for measuring profits of the business segments uses operating income-based amounts (EBITDA), which does not take into account the amount of depreciation and amortization of goodwill.

## (i) Entertainment business

The features of the smartphone native game “Monster Strike” are that it is easy to play and entertaining for everyone and it can be played through face-to-face cooperation with friends (multi-play), and the number of players has steadily grown. In Japan, in addition to promoting using television commercials, billboards and the like; enhancing movie content; holding real-life events; producing arcade games and merchandise; and arranging tie-ups with movies and popular cartoons, the Company also distributed original cartoons and sold a Nintendo 3DS version of the game. In addition, the Company promoted the game in foreign countries as well (Taiwan, North America, South Korea, Hong Kong and Macau) and consequently, the number of players exceeded 35 million worldwide in April 2016. Regarding earnings, net sales and profits are steadily increasing as the number of players increases.

As a result, the entertainment business’s net sales were 195,355 million yen (an increase of 91.1% compared to the previous consolidated fiscal year) and the segment profit was 99,722 million yen (an increase of 87.5% compared to the previous consolidated fiscal year).

## (ii) Media platform business

In the media platform business, regarding “TicketCamp,” the ticket flea-market services that the Company acquired at the end of the previous consolidated fiscal year, the Company is seeking to expand business for both sides by conducting a collaborative program with “mixi Community” and started airing television commercials from July 2015 in Japan. In addition, regarding new businesses developed in-house, the Company launched, among other businesses, the “Kimidake LIVE” communications service, in which an artist performs for a single user, and “Kazoku Album Mitene,” an app specifically designed to share photos and videos for one’s children with family members, and both of these have seen a steady increase in users.

As a result, the media platform business’s net sales were 13,443 million yen (an increase of 26.0% compared to the previous consolidated fiscal year) and the segment profit was 2,164 million yen (an increase of 2.3% compared to the previous consolidated fiscal year).

## (2) Status of capital expenditures

The total of capital expenditures spent during the consolidated fiscal year ended March 31, 2016 was 623 million yen (an increase of 160.0% compared to the previous consolidated fiscal year). The main component of the capital expenditures was 417 million yen spent for acquiring computers, servers and the like.

## (3) Status of financing activities

The Company procured funds of 17,560 million yen in total by issuing new shares and disposing of treasury shares by an overseas offering in July 2015.

## (4) Status of business transfer, absorption-type company split or incorporation-type company split

Not applicable

## (5) Status of acquiring other companies' businesses

Not applicable

## (6) Status of assuming rights and obligations related to other corporations' businesses through an absorption-type merger or absorption-type company split

Not applicable

## (7) Status of acquiring or disposing of other companies' shares, other equities or subscription rights to shares

Not applicable

## (8) Change in the status of assets and income and loss

## (i) Change in the status of the corporate group's assets and income and loss

| Category                                                                            | 14th Fiscal Year<br>(ended March<br>2013) | 15th Fiscal Year<br>(ended March<br>2014) | 16th Fiscal Year<br>(ended March<br>2015) | 17th Fiscal Year<br>(the relevant<br>consolidated fiscal<br>year)<br>(ended March 2016) |
|-------------------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------|-----------------------------------------------------------------------------------------|
| Net Sales (millions of yen)                                                         | 12,632                                    | 12,155                                    | 112,918                                   | 208,799                                                                                 |
| Ordinary Income (millions of yen)                                                   | 2,629                                     | 263                                       | 52,706                                    | 94,798                                                                                  |
| Net Income (Net Loss) Attributable to Parent Company Shareholders (millions of yen) | 1,654                                     | (227)                                     | 32,966                                    | 61,022                                                                                  |
| Net Income (Net Loss) per Share (yen)                                               | 22.17                                     | (3.04)                                    | 409.62                                    | 734.59                                                                                  |
| Total Assets (millions of yen)                                                      | 20,083                                    | 26,492                                    | 104,178                                   | 165,039                                                                                 |
| Net Assets (millions of yen)                                                        | 16,291                                    | 22,427                                    | 53,570                                    | 121,490                                                                                 |
| Net Assets per Share (yen)                                                          | 217.32                                    | 278.45                                    | 664.39                                    | 1,441.66                                                                                |

## Notes:

1. The "Accounting Standards for Business Combinations" (Accounting Standards No. 21 dated September 13, 2013) and other standards were applied and from the consolidated fiscal year ended March 31, 2016. Thus, "net income" was replaced with "net income attributable to parent company shareholders."
2. The net income or net loss per share was computed by using the average number of shares outstanding for the period.

3. The net assets per share were computed by using the total number of shares outstanding as of the end of the fiscal year.
4. On April 1, 2013 and July 1, 2014, the Company effected 1:100 and 1:5 stock splits, respectively. The net income or net loss per share and the net assets per share were calculated assuming the stock splits were conducted at the beginning of the 14th fiscal year.

(ii) Change in the status of the Company's assets and income and loss

| Category                                | 14th Fiscal Year<br>(ended March<br>2013) | 15th Fiscal Year<br>(ended March<br>2014) | 16th Fiscal Year<br>(ended March<br>2015) | 17th Fiscal Year<br>(the relevant fiscal year)<br>(ended March 2016) |
|-----------------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------|----------------------------------------------------------------------|
| Net Sales (millions of yen)             | 11,563                                    | 9,666                                     | 106,990                                   | 199,025                                                              |
| Ordinary Income (millions of yen)       | 2,212                                     | 596                                       | 52,169                                    | 96,657                                                               |
| Net Income (Net Loss) (millions of yen) | 1,159                                     | (7)                                       | 32,919                                    | 61,959                                                               |
| Net Income (Net Loss) per Share (yen)   | 15.53                                     | (0.10)                                    | 409.04                                    | 745.87                                                               |
| Total Assets (millions of yen)          | 19,233                                    | 25,048                                    | 101,181                                   | 161,949                                                              |
| Net Assets (millions of yen)            | 15,608                                    | 21,827                                    | 52,775                                    | 121,656                                                              |
| Net Assets per Share (yen)              | 208.17                                    | 271.04                                    | 654.59                                    | 1,443.70                                                             |

Notes:

1. The net income or net loss per share was computed by using the average number of shares outstanding for the period.
2. The net assets per share were computed by using the total number of shares outstanding as of the end of the fiscal year.
3. On April 1, 2013 and July 1, 2014, the Company effected 1:100 and 1:5 stock splits, respectively. The net income or net loss per share and the net assets per share were calculated assuming the stock splits were conducted at the beginning of the 14th fiscal year.

(9) Status of important subsidiaries

| Company Name           | Capital Stock   | Ratio of the Company's<br>Voting Rights | Main Business                           |
|------------------------|-----------------|-----------------------------------------|-----------------------------------------|
| mixi recruitment, Inc. | 10 million yen  | 100.0%                                  | Online recruitment advertising business |
| Diverse, Inc.          | 100 million yen | 100.0%                                  | Marriage support business               |
| Hunza, Inc.            | 33 million yen  | 100.0%                                  | Online ticket marketplace business      |
| MUSE & Co., Ltd.       | 418 million yen | 100.0%                                  | E-commerce business                     |

Notes: The Company has 14 consolidated subsidiaries including the four important subsidiaries above.

## (10) Issues to be addressed

The basic strategy of the Company's group is to, at all times, keep creating new services under the mission of "creating a new culture" amid the rapidly changing external environment including changes in the device environment, such as the rapid popularization of smartphones and the diversification of online communication methods.

In order to keep creating new services, the Company will promote the creation of new game titles and the creation of new businesses, and will also engage in active investments, such as the acquisition of external businesses. In addition, the Company will aim to maximize profitability of some of the businesses by actively promoting them not only in Japan but also overseas.

## (11) Main businesses (as of March 31, 2016)

| Business Segment        | Details of Business                                                                                                                                        |
|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Entertainment Business  | Providing smartphone native games and other games                                                                                                          |
| Media Platform Business | Operating business to consumer services and consumer to consumer services that utilize the Internet and investing in companies that operate those services |

## (12) Main offices (as of March 31, 2016)

|              |                        |                   |
|--------------|------------------------|-------------------|
| The Company  | Head office            | Shibuya-ku, Tokyo |
| Subsidiaries | mixi recruitment, Inc. | Shibuya-ku, Tokyo |
|              | Diverse, Inc.          | Shibuya-ku, Tokyo |
|              | Hunza, Inc.            | Shibuya-ku, Tokyo |
|              | MUSE & Co., Ltd.       | Chiyoda-ku, Tokyo |

## (13) Status of employees (as of March 31, 2016)

## (i) Status of the corporate group's employees

| Number of Employees | Increase or Decrease from the Previous Consolidated Fiscal Year |
|---------------------|-----------------------------------------------------------------|
| 596                 | increase of 129                                                 |

Note: Officers, part-time employees and temporary employees are not included in the number of employees above.



## (ii) Status of the Company's employees

| Number of Employees | Increase or Decrease from the Previous Fiscal Year | Average Age    | Average Length of Service |
|---------------------|----------------------------------------------------|----------------|---------------------------|
| 447                 | increase of 108                                    | 32.3 years old | 3.2 years                 |

Note: Officers, part-time employees and temporary employees are not included in the number of employees above.

## (14) Main lenders (as of March 31, 2016)

Not applicable

## (15) Other important matters related to the corporate group's current status

Not applicable

**2. Matters concerning the Company's shares (as of March 31, 2016)**

- (1) Total number of authorized shares 264,000,000 shares
- (2) Total number of issued shares 84,295,500 shares  
(including 30,500 shares of treasury stock)
- (3) Number of shareholders 32,760 shareholders
- (4) Principal shareholders (top ten shareholders)

| Name of Shareholder                                                                                          | Number of Shares<br>(shares) | Percentage of<br>Shareholding<br>(%) |
|--------------------------------------------------------------------------------------------------------------|------------------------------|--------------------------------------|
| Kenji Kasahara                                                                                               | 36,418,000                   | 43.21                                |
| Chase Manhattan Bank GTS Clients Account Escrow                                                              | 1,621,464                    | 1.92                                 |
| BNY For GCM Client Accounts (E) BD                                                                           | 1,605,357                    | 1.90                                 |
| Daisuke Gomi                                                                                                 | 1,350,000                    | 1.60                                 |
| BNY GCM Client Account JPRD AC ISG (FE-AC)                                                                   | 1,261,603                    | 1.49                                 |
| MSCO Customer Securities                                                                                     | 1,093,187                    | 1.29                                 |
| Northern Trust Global Services Limited, Luxembourg re LUDURE: Ucits<br>Clients 15.315 PCT Non Treaty Account | 1,085,600                    | 1.28                                 |
| State Street Bank And Trust Company 505225                                                                   | 731,283                      | 0.86                                 |
| Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.                                                           | 719,300                      | 0.85                                 |
| State Street Bank West Client - Treaty 505234                                                                | 573,085                      | 0.68                                 |

Note: The percentages of shareholding were calculated by excluding the 30,500 shares of treasury stock and are rounded down to the nearest one-hundredth of one percent.

**(5) Other important matters related to shares**

- (i) Due to the issuance of new shares and the disposal of treasury shares by an overseas offering, the payment date for which was July 30, 2015, the total number of issued shares increased by 1,092,500 shares and the treasury shares decreased by 2,507,500 shares.
- (ii) The Company resolved, at the board of directors meeting held on May 10, 2016, which is after the fiscal year ended, that it will acquire treasury shares for the purpose of performing a flexible capital policy that will enable the Company to immediately respond to an increase in shareholder returns, improvements in capital efficiency, and changes in the business environment.
- (1) Type of shares to be acquired: Common shares of the Company
- (2) Total number of shares to be acquired: 3,000,000 shares (maximum)
- (3) Total amount of the shares' acquisition value: 10,000 million yen (maximum)
- (4) Acquisition period: From May 11, 2016, to the last day of September 2016

**3. Matters concerning the Company's subscription rights to shares, etc.**

- (1) Status of subscription rights to shares, etc. held by the Company's officers as of the last day of the fiscal year

Not applicable

- (2) Status of subscription rights to shares, etc. granted to the Company's employees during the fiscal year

Not applicable

#### 4. Matters concerning the Company's officers

- (1) Names of, and other information regarding, directors and audit and supervisory board members (as of March 31, 2016)

| Position in Company                           | Name               | Responsibilities and Significant Concurrent Posts                 |
|-----------------------------------------------|--------------------|-------------------------------------------------------------------|
| President and Representative Director         | Hiroki Morita      | -                                                                 |
| Director                                      | Yasuhiro Ogino     | Executive General Manager of the Administrative Headquarter       |
| Director                                      | Shuhei Nishio      | Executive General Manager of the Corporate Planning Division      |
| Director                                      | Kouki Kimura       | Executive General Manager of the XFLAG Studio                     |
| Director and Chairperson                      | Kenji Kasahara     | -                                                                 |
| Director                                      | Ichiya Nakamura    | Professor at the Graduate School of Media Design, Keio University |
| Director                                      | Tatsuya Aoyagi     | Representative director of Heartworth Partners, Inc.              |
| Audit and Supervisory Board Member (Standing) | Takako Kato        | -                                                                 |
| Audit and Supervisory Board Member            | Takayuki Sato      | Managing partner of Satoh Business Law Office                     |
| Audit and Supervisory Board Member            | Hiroyuki Wakamatsu | Managing partner of Wakamatsu CPA Office                          |

Notes:

1. Director Ichiya Nakamura and Director Tatsuya Aoyagi are outside directors.
2. Standing Audit and Supervisory Board Member Takako Kato, Audit and Supervisory Board Member Takayuki Sato and Audit and Supervisory Board Member Hiroyuki Wakamatsu are outside audit and supervisory board members.
3. Standing Audit and Supervisory Board Member Takako Kato has built up experience in accounting operations over many years and possesses considerable expertise regarding finance and accounting.
4. Audit and Supervisory Board Member Takayuki Sato is qualified as a lawyer and possesses professional expertise and experience.
5. Audit and Supervisory Board Member Hiroyuki Wakamatsu is qualified as a certified public accountant and a certified public tax accountant and possesses considerable expertise regarding finance and accounting.
6. The Company has notified the Tokyo Stock Exchange that Director Ichiya Nakamura and Audit and Supervisory Board Member Takayuki Sato are independent officers.

- (2) Directors and Audit and Supervisory Board Members who retired during the fiscal year  
Not applicable

(3) Amount of remunerations for directors and audit and supervisory board members

| Category                           | Number of Officers | Amount          | Remarks                                                                |
|------------------------------------|--------------------|-----------------|------------------------------------------------------------------------|
| Director                           | 7                  | 260 million yen | (11 million yen for two outside directors)                             |
| Audit and Supervisory Board Member | 3                  | 25 million yen  | (25 million yen for three outside audit and supervisory board members) |
| Total                              | 10                 | 285 million yen |                                                                        |

Notes:

1. The aggregate amount of remunerations for directors does not include salaries for employees payable to directors concurrently serving as employees.
2. It was resolved at the 16th ordinary general meeting of shareholders held on June 25, 2015, that the maximum amount of remunerations for directors (monthly-paid remunerations and stock options combined) is 500 million yen per annum (including a maximum amount of 60 million yen per annum for outside directors). The remunerations do not include salaries for employees payable to directors concurrently serving as employees.
3. It was resolved at the extraordinary general meeting of shareholders held on August 26, 2004, that the maximum amount of remunerations for audit and supervisory board members is 50 million yen per annum.

## (4) Matters regarding outside officers

## (i) The status of concurrent posts as an executive, outside officer and other positions of other corporations

| Position                           | Name               | Name of Other Corporations and Details of Concurrent Posts                                                                                                                                                                                                                                                                                                     |
|------------------------------------|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Director                           | Ichiya Nakamura    | Professor at the Graduate School of Media Design, Keio University<br>Outside director of Space Shower Networks, Inc.<br>Outside director of JP Holdings, Inc.                                                                                                                                                                                                  |
| Director                           | Tatsuya Aoyagi     | Representative director of Heartworth Partners, Inc.<br>Outside audit and supervisory board member of AmLead Co., Ltd.                                                                                                                                                                                                                                         |
| Audit and Supervisory Board Member | Takayuki Sato      | Managing partner of Satoh Business Law Office                                                                                                                                                                                                                                                                                                                  |
| Audit and Supervisory Board Member | Hiroyuki Wakamatsu | Managing partner of Wakamatsu CPA Office<br>Outside audit and supervisory board member of With us Corporation<br>Outside audit and supervisory board member of Castalia Co., Ltd.<br>Outside audit and supervisory board member of Pioneer Corporation<br>Non-member supervisor of the Palsystem Consumers' Co-operative Union (currently holds this position) |

## Notes:

1. There is no special relationship between the Company and the other corporations above.
2. Director Ichiya Nakamura is to assume office as an outside director of Yoshimoto Kogyo Co., Ltd. on June 22, 2016, after the end of the fiscal year.

## (ii) Main activities during the fiscal year ended March 31, 2016

| Position                                      | Name               | Activities                                                                                                                                                                                                                                                             |
|-----------------------------------------------|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Director                                      | Ichiya Nakamura    | He attended 16 of the 18 board of directors meetings held in the fiscal year. When deliberating on important matters related to management, he gave advice based on his knowledge and experience.                                                                      |
| Director                                      | Tatsuya Aoyagi     | He attended 18 of the 18 board of directors meetings held in the fiscal year. He provided comments mainly from his professional viewpoint as a certified public accountant.                                                                                            |
| Audit and Supervisory Board Member (Standing) | Takako Kato        | She attended 18 of the 18 board of directors meetings held in the fiscal year, and she attended 17 of the 17 audit and supervisory board meetings held in the fiscal year. She provided comments necessary for deliberation on agenda items as appropriate.            |
| Audit and Supervisory Board Member            | Takayuki Sato      | He attended 18 of the 18 board of directors meetings held in the fiscal year, and he attended 17 of the 17 audit and supervisory board meetings held in the fiscal year. He provided comments mainly from his professional viewpoint as a lawyer.                      |
| Audit and Supervisory Board Member            | Hiroyuki Wakamatsu | He attended 16 of the 18 board of directors meetings held in the fiscal year, and he attended 16 of the 17 audit and supervisory board meetings held in the fiscal year. He provided comments mainly from his professional viewpoint as a certified public accountant. |

(iii) Outline of the agreements for limitation of liability

In accordance with Article 427, Paragraph 1 of the Companies Act, the Company has entered into agreements to limit the liability for damages as stipulated in Article 423, Paragraph 1 of the Companies Act with the outside directors and the outside audit and supervisory board members. The amount of liability for damages limited pursuant to the agreements is the higher of a predetermined amount of 10,000 yen or more and the minimum liability amount stipulated in laws and regulations.

## 5. Matters concerning independent auditors

### (1) Name of independent auditors

Deloitte Touche Tohmatsu LLC

### (2) Independent auditors' remuneration for the fiscal year ended March 31, 2016

|                                                                                                           | Payment        |
|-----------------------------------------------------------------------------------------------------------|----------------|
| Independent auditors' remuneration for the fiscal year ended March 31, 2016                               | 33 million yen |
| The aggregate amount of money and other financial benefits to be paid by the Company and its subsidiaries | 48 million yen |

Note:

- Under the audit contract between the Company and the independent auditors, remuneration is not clearly divided into remuneration for the audit under the Companies Act and for the audit under the Financial Instruments and Exchange Act, and it is impractical to allocate the remuneration between those two audits. Therefore, the aggregate amount of remuneration for those audits for the fiscal year ended March 31, 2016 is stated in the table above.
- The audit and supervisory board gave the consent under Article 399, Paragraph 1 of the Companies Act regarding remuneration for the independent auditors after it (i) confirmed the records of the audit times by audit items and by auditor hierarchies and changes in remuneration in the audit plans for the previous fiscal years, as well as the status of the independent auditors' performance of their duties, and (ii) reviewed the appropriateness of the audit plan and remuneration for the fiscal year ended March 31, 2016.

### (3) Details of non-audit services

The Company paid compensation to the independent auditors for services including preparation of comfort letters regarding the issuance of new shares and the disposition of treasury shares by an overseas offering in addition to paying consideration for the services under Article 2, Paragraph 1 of the Certified Public Accountants Act.

### (4) Policy to determine dismissal or non-reelection of independent auditors

If the audit and supervisory board determines by taking into account various factors that it is necessary to dismiss or not to reelect the independent auditors (such as a case where the independent auditors have difficulty with the execution of their duties), the audit and supervisory board will resolve an agenda item concerning the dismissal or non-reelection of the independent auditors, and the board of directors will submit the agenda item to the general meeting of shareholders in accordance with the resolution made by the audit and supervisory board.

In addition, if the independent auditors are deemed to fall under any item of Article 340, Paragraph 1 of the Companies Act, the audit and supervisory board will dismiss the independent auditors pursuant to the consents of all audit and supervisory board members. In that case, an audit and supervisory board member selected by the audit and supervisory board will report about the dismissal of the independent auditors and the reason therefor at the first general meeting of shareholders convened after the dismissal.



- (5) Outline of the agreements for limitation of liability  
Not applicable

## 6. Systems that ensure the properness of operations; the operational status of those systems

### Systems that ensure the properness of operations:

An outline concerning the systems necessary to ensure that the execution of duties by the directors complies with laws and regulations and the articles of incorporation and other systems necessary to ensure the properness of operations of a corporation is set out below.

- (1) Systems to ensure that the execution of duties by the directors and employees of the Company and its subsidiaries (the “**Company Group**”) complies with laws and regulations and the articles of incorporation

- (i) The Company Group shall endeavor to ensure that duties are properly executed by directors and employees by developing operation processes and internal rules as well as strengthening the assessment and supervision system of the internal audit office.
- (ii) The Company Group shall establish a whistleblower system to curb illegal acts and seek to prevent misconduct, and shall develop a system for eliminating antisocial forces.
- (iii) The Company Group shall accent the importance of compliance in the “Ethical Code” and thoroughly make the details of this code known to all officers and employees through an information system.

- (2) Systems regarding preservation and management of information relating to the execution of duties by directors of the Company Group

The Company Group shall develop information-management rules and, by identifying important documents and clarifying a way to preserve those documents, the Company Group shall construct a system for proper preservation and management of information relating to the execution of a director’s duties.

- (3) Rules and other systems for managing risk of loss of the Company Group

The Company Group shall develop rules to ascertain and manage various risks surrounding the Company Group and develop and strengthen a system that is necessary for managing risks. The Company Group shall endeavor to ascertain, assess and minimize risks relevant to the business operations that the Company Group conducts by appointing the President and Representative Director as the chief executive of the system for promoting risk management as well as establishing the “Internal Control Committee,” which shall support the system and have the executive general manager of the Administrative Headquarter as its person in charge.

- (4) Systems to ensure efficient execution of duties by directors of the Company Group

- (i) To clarify the details of the duties to be assigned and administrative authority, the Company Group shall develop rules regarding the division of duties and administrative authority and shall endeavor to ensure that directors of the Company Group efficiently execute business operations by, among other things, introducing a group-wide information sharing system.
- (ii) The Company Group shall prepare budgets and set goals for the Company Group in each fiscal year after taking into account the current and future business environment. Each division of the Company and each group company in the Company Group shall implement various measures to achieve those goals. In addition, monthly actual results of the budget of the entire Company Group will

be reported at the Company's board of directors, and the board of directors of the Company shall verify the status of goal achievement for each division of the Company and each group company in the Company Group.

- (5) System to ensure the properness of execution of operations in the Company Group
  - (i) The Company shall establish a division to administer the group companies and shall, pursuant to the rules for administering group companies, monitor the progress of group companies' operations and the status of duty execution by the directors, et al., of the group companies.
  - (ii) The directors of the Company, including the President and Representative Director, the Executive General Managers of the Company and the representative directors of the group companies, shall hold ordinary meetings, and each company shall report on important matters.
  - (iii) The internal audit office of the Company shall, pursuant to the internal audit rules, implement an internal audit of the group companies from perspectives such as the level of conformance with laws and regulations, the articles of incorporation, the internal rules and the like.
- (6) Matters relating to employees assisting duties of audit and supervisory board members of the Company when appointment of those employees is requested by the audit and supervisory board members of the Company
 

In order to assist in the duties of audit and supervisory board members, the Company shall assign, at the request of audit and supervisory board members or the audit and supervisory board, employees to assist audit and supervisory board members. Audit and supervisory board members may instruct those employees on matters required to conduct audits.
- (7) Matters relating to independence from the Company's directors of employees assisting duties of the Company's audit and supervisory board members and matters relating to ensuring the effectiveness of instructions given by the Company's audit and supervisory board members to those employees
  - (i) In providing assistance to audit and supervisory board members, employees assisting in the duties of audit and supervisory board members shall follow only the instructions of audit and supervisory board members and shall not receive instructions from directors or employees.
  - (ii) The appointment of, the appraisal of, and the transfer of an employee assisting in the duties of audit and supervisory board members shall be determined after hearing the opinions of the audit and supervisory board.
- (8) System for reporting by the Company's directors and employees to the Company's audit and supervisory board members
  - (i) Audit and supervisory board members may attend board of directors meetings and other important meetings and hear explanations from directors and employees.
  - (ii) Audit and supervisory board members shall inspect important documents and other documents and, as necessary, may request directors and employees to explain those documents.
  - (iii) Directors and employees shall immediately report to audit and supervisory board members facts that might materially affect the management or business results of the Company.

- (9) System for reporting to the Company's audit and supervisory board members by the Company Group's directors, audit and supervisory board members, other relevant persons or employees, or persons who received a report from one of those people

At the Company Group, a method by which officers and employees of each of the group companies report to the Company's audit and supervisory board members through a whistleblower system will be prepared. In addition, each person that has received an internal notification from a person other than an audit and supervisory board member shall report to the Company's audit and supervisory board members in a timely and proper manner.

- (10) System to ensure that persons that reported under (8) or (9) above are not disadvantageously treated for the reason that they made that report

The confidentiality of the content of notifications from the Company Group's directors and employees to the Company's audit and supervisory board members must be ensured in accordance with laws and regulations, the whistleblower system, etc., and disadvantageously treating a whistleblower is prohibited.

- (11) Matters relating to policies for processing expenses that arise when the Company's audit and supervisory board members execute duties

If an audit and supervisory board member of the Company makes a request to the Company for prepayment, etc., of expenses in accordance with Article 388 of the Companies Act in relation to the execution of the member's duties, then the Company shall promptly process the payment of those expenses or debts unless it is acknowledged that the expenses are not necessary to execute the duties. In addition, if an audit and supervisory board member judges it as necessary for the execution of its duties, then auditing expenses that are required to request the opinions and advice of lawyers, patent attorneys, certified public accountants, certified public tax accountants and other external specialists will be permitted.

- (12) Other systems to ensure the Company's audit and supervisory board members effectively conduct audits

- (i) Directors and employees shall deepen understanding of the audits conducted by audit and supervisory board members, and cooperate in those audits to ensure the efficiency of the auditing system.
- (ii) Audit and supervisory board members shall conduct effective audits by regularly exchanging opinions with directors and the independent auditors as well as coordinating with the internal audit office.

Operational status of the systems that ensure the properness of operations:

An outline of the operational status of the systems that ensure the properness of operations in the relevant fiscal year is set out below.

(1) Execution of directors' duties

In accordance with the "Code of the Board of Directors", the Company held, as necessary, extraordinary board of directors meetings in addition to holding monthly regular board of directors meetings and made important business-related decisions and supervised the execution of operations. In addition, the Company elected outside directors to ensure the effectiveness of functions of the board of directors for managing and supervising the execution of duties of the Company's directors.

(2) Compliance initiatives

The Company implemented the "Ethical Code" and provided, as appropriate, legal education and other training tailored to duties. In addition, the Company operated a whistleblower system and, at an early stage, the Company identified acts that might violate a law or regulation, the articles of incorporation or an internal rule and responded to those acts in an appropriate and timely manner.

(3) Risk management initiatives

In accordance with the rules for risk management, the Company continued to manage risk, which involved, for example, ascertaining, evaluating, and devising countermeasures for risk. In addition, the Company made efforts to strengthen the risk management for risks that are thought might greatly affect management by reporting at the board of directors meeting and at other important meetings and consulting about these risks, and by conducting other activities.

(4) Administering the Company Group

In accordance with the rules for administering group companies, the Company's Corporate Planning Division monitored the progress of operations and the status of duty execution at each company of the Company Group. In addition, reports regarding the financial status and other circumstances of each company in the Company Group are, as appropriate, reported to the board of directors.

(5) Implementing internal audits

Based on the internal audit plan, the internal audit office inspected documents and implemented an onsite inspection to check whether the Company and each company of the Company Group is executing its duties in accordance with laws and regulations, the articles of incorporation and internal rules. In addition, the internal audit office sought to mutually coordinate with the audit and supervisory board, reported on the status of internal auditing to the audit and supervisory board, and held timely meetings at which opinions and information were exchanged.

(6) Execution of audit and supervisory board members' duties

Based on the annual plan formulated by the audit and supervisory board, audit and supervisory board members attended board of directors meetings and other important meetings, stated opinions to directors as necessary, and audited the duties executed by the directors.

## **7. Policy for determining dividends from surplus**

The Company recognizes that providing a return to shareholders is an important management issue, and the Company's basic policy is to aim for dividend payouts in a total amount of approximately 20% of the Company's consolidated net income while taking into account the balance with the need for maintaining internal reserves for future business development and strengthening of business operations.

Based on the above policy, the year-end dividend for the fiscal year ended March 31, 2016 is 77 yen per share. The Company has distributed an interim dividend of 70 yen per share in the interim period, so the annual dividends for the fiscal year ended March 31, 2016 are 147 yen per share.

Based on the above policy, the annual dividends for the following fiscal year (ending March 31, 2017) are expected to be 129 yen per share. At this point in time, the Company has not yet determined the allocation of such amount between the dividends that will be distributed at the end of the second quarter and at the end of the fiscal year ending March 31, 2017, and the Company will promptly disclose this information after considering the future trends of business results and other matters.

The Company resolved, at the board of directors meeting held on May 10, 2016, that it will acquire treasury shares. The details are as stated on page 10 - "2. Matters concerning the Company's shares - (5) Other important matters related to shares."

While seeking to secure sufficient internal reserves and taking into consideration the business performance in each fiscal year, the Company will continue to consider providing returns to shareholders.

## Consolidated Balance Sheets

(As of March 31, 2016)

(Unit: ¥ million)

| Description                          | Amount         | Description                                   | Amount         |
|--------------------------------------|----------------|-----------------------------------------------|----------------|
| <b>Assets</b>                        |                | <b>Liabilities</b>                            |                |
| <b>Current assets</b>                | <b>143,190</b> | <b>Current liabilities</b>                    | <b>43,465</b>  |
| Cash and deposits                    | 126,316        | Accounts payable - other                      | 5,883          |
| Accounts receivable – trade          | 12,973         | Income taxes payable                          | 26,194         |
| Deferred tax assets                  | 2,191          | Accrued consumption taxes                     | 5,713          |
| Other                                | 1,719          | Provision for bonuses                         | 915            |
| Allowance for doubtful accounts      | (10)           | Other                                         | 4,757          |
| <b>Non-current assets</b>            | <b>21,848</b>  | <b>Non-current liabilities</b>                | <b>83</b>      |
| <b>Property, plant and equipment</b> | <b>925</b>     | Deferred tax liabilities                      | 63             |
| Buildings                            | 353            | Other                                         | 19             |
| Tools, furniture & fixtures          | 572            | <b>Total liabilities</b>                      | <b>43,548</b>  |
| <b>Intangible assets</b>             | <b>10,552</b>  | <b>Net assets</b>                             |                |
| Goodwill                             | 10,256         | <b>Shareholders' equity</b>                   | <b>121,221</b> |
| Other                                | 296            | <b>Capital stock</b>                          | <b>9,698</b>   |
| <b>Investments and other assets</b>  | <b>10,369</b>  | <b>Capital surplus</b>                        | <b>20,427</b>  |
| Investment securities                | 2,826          | <b>Retained earnings</b>                      | <b>91,112</b>  |
| Deferred tax assets                  | 6,567          | <b>Treasury shares</b>                        | <b>(17)</b>    |
| Other                                | 978            | <b>Accumulated other comprehensive income</b> | <b>260</b>     |
| Allowance for doubtful accounts      | (2)            | Foreign currency translation adjustment       | 260            |
|                                      |                | <b>Subscription rights to shares</b>          | <b>2</b>       |
|                                      |                | <b>Non-controlling interests</b>              | <b>5</b>       |
|                                      |                | <b>Total net assets</b>                       | <b>121,490</b> |
| <b>Total assets</b>                  | <b>165,039</b> | <b>Total liabilities and net assets</b>       | <b>165,039</b> |

Note: Figures have been rounded down to the nearest million yen.

## Consolidated Statements of Income

(April 1, 2015 to March 31, 2016)

(Unit: ¥ million)

| Description                                                     | Amount  |                |
|-----------------------------------------------------------------|---------|----------------|
| <b>Net sales</b>                                                |         | <b>208,799</b> |
| <b>Cost of sales</b>                                            |         | <b>24,750</b>  |
| <b>Gross profit</b>                                             |         | <b>184,049</b> |
| <b>Selling, general and administrative expenses</b>             |         | <b>89,015</b>  |
| <b>Operating income</b>                                         |         | <b>95,033</b>  |
| <b>Non-operating income</b>                                     |         |                |
| Interest income                                                 | 28      |                |
| Other                                                           | 15      | <b>44</b>      |
| <b>Non-operating expenses</b>                                   |         |                |
| Interest expenses                                               | 15      |                |
| Loss on investments in partnership                              | 11      |                |
| Foreign exchange losses                                         | 10      |                |
| Share issuance cost                                             | 238     |                |
| Other                                                           | 3       | <b>280</b>     |
| <b>Ordinary income</b>                                          |         | <b>94,798</b>  |
| <b>Extraordinary income</b>                                     |         |                |
| Gain on reversal of subscription rights to shares               | 1       | 1              |
| <b>Extraordinary losses</b>                                     |         |                |
| Loss on sales and retirement of non-current assets              | 21      |                |
| Loss on valuation of investment securities                      | 177     |                |
| Amortization of goodwill                                        | 1,261   | <b>1,460</b>   |
| <b>Income before income taxes and non-controlling interests</b> |         | <b>93,339</b>  |
| Income taxes - current                                          | 36,384  |                |
| Income taxes - deferred                                         | (4,067) | <b>32,317</b>  |
| <b>Profit</b>                                                   |         | <b>61,022</b>  |
| <b>Loss attributable to non-controlling interests</b>           |         | <b>(0)</b>     |
| <b>Profit attributable to owners of parent</b>                  |         | <b>61,022</b>  |

Note: Figures have been rounded down to the nearest million yen.



## **Consolidated Statements of Changes in Shareholders' Equity**

(April 1, 2015 to March 31, 2016)

(Unit: ¥ million)

|                                                      | Shareholders' equity |                 |                   |                 |                            |
|------------------------------------------------------|----------------------|-----------------|-------------------|-----------------|----------------------------|
|                                                      | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance on April 1, 2015                             | 7,034                | 7,007           | 40,744            | (1,515)         | 53,271                     |
| Changes of items during period                       |                      |                 |                   |                 |                            |
| Issuance of new shares                               | 2,664                | 2,664           |                   |                 | 5,329                      |
| Dividends of surplus                                 |                      |                 | (10,654)          |                 | (10,654)                   |
| Profit attributable to owners of parent              |                      |                 | 61,022            |                 | 61,022                     |
| Disposal of treasury shares                          |                      | 10,755          |                   | 1,497           | 12,252                     |
| Net changes of items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes of items during period                 | 2,664                | 13,420          | 50,368            | 1,497           | 67,950                     |
| Balance on March 31, 2016                            | 9,698                | 20,427          | 91,112            | (17)            | 121,221                    |

|                                                      | Accumulated other comprehensive income  |                                              | Subscription rights to shares | Non-controlling interests | Total net assets |
|------------------------------------------------------|-----------------------------------------|----------------------------------------------|-------------------------------|---------------------------|------------------|
|                                                      | Foreign currency translation adjustment | Total accumulated other comprehensive income |                               |                           |                  |
| Balance on April 1, 2015                             | 285                                     | 285                                          | 8                             | 4                         | 53,570           |
| Changes of items during period                       |                                         |                                              |                               |                           |                  |
| Issuance of new shares                               |                                         |                                              |                               |                           | 5,329            |
| Dividends of surplus                                 |                                         |                                              |                               |                           | (10,654)         |
| Profit attributable to owners of parent              |                                         |                                              |                               |                           | 61,022           |
| Disposal of treasury shares                          |                                         |                                              |                               |                           | 12,252           |
| Net changes of items other than shareholders' equity | (25)                                    | (25)                                         | (5)                           | 0                         | (30)             |
| Total changes of items during period                 | (25)                                    | (25)                                         | (5)                           | 0                         | 67,919           |
| Balance on March 31, 2016                            | 260                                     | 260                                          | 2                             | 5                         | 121,490          |

Note: Figures have been rounded down to the nearest million yen.

1. Notes on Important Matters that Form the Basis of Preparing Consolidated Financial Statements

(1) Matters Related to the Scope of Consolidation

1) Number and names of consolidated subsidiaries

- Number of consolidated subsidiaries: 14
- Names of the major consolidated subsidiaries: mixi recruitment, Inc.  
Diverse, Inc.  
Hunza, Inc.  
MUSE & Co., Ltd.

XFLAG, Inc. and two other companies have been included in the scope of consolidation from the year ended March 31, 2016 due to their establishment.

Scrum Ventures GP L.L.C., which was a consolidated subsidiary of the Company until the previous fiscal year, has been excluded from the scope of consolidation due to the loss of an effective control relationship.

2) Names of non-consolidated subsidiaries

E-mercury, Inc.

(Reason for exclusion from the scope of consolidation)

E-mercury, Inc. has been excluded from the scope of consolidation as it is a small-scale company and its total assets, net sales, net income or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest), etc. have no significant impact on the consolidated financial statements.

(2) Matters Related to the Application of Equity Method

1) Number and names of entities accounted for using the equity method

Not applicable.

2) Names of non-consolidated subsidiaries not accounted for using the equity method

E-mercury, Inc.

(Reason for not applying the equity method)

Non-consolidated subsidiaries that are not accounted for using the equity method are excluded from the scope of application of the equity method since their exclusion has an insignificant impact on the consolidated financial statements in terms of net income or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest), etc.

(3) Matters Related to the Fiscal Year of Consolidated Subsidiaries

Among consolidated subsidiaries, the balance sheet date of Scrum Ventures Fund I, L.P. is December 31, and the balance sheet date of Hunza, Inc. is February 29, and their financial statements as at their respective balance sheet dates are used. However, necessary adjustments are made to reflect important transactions that occurred between their balance sheet dates and the consolidated balance sheet date.

(4) Matters Related to Accounting Standards

1) Valuation Standards and Valuation Methods of Significant Assets

Valuation standards and valuation methods of securities

a. Available-for-sale securities without market value:

Stated at cost using the moving-average method. Investments in investment partnerships, etc. are based on the financial statements for the most recent balance sheet date using the net amount proportionate to the Company's ownership interests.

2) Depreciation and amortization methods of significant depreciation assets

a. Property, plant and equipment:

The declining balance method is primarily applied. However, the straight line method is applied for buildings (excluding accompanying facilities) acquired on or subsequent to April 1, 1998.

The principle useful lives are as follows:

Buildings: 8 to 27 years

Tools, furniture and fixtures: 2 to 20 years

b. Intangible assets:

The straight line method is applied.

The principle useful lives are as follows:

Software for internal use: 5 years

Goodwill: Amortized over 3 to 8 years using the straight line method.

3) Accounting standards for significant allowances and provisions

a. Allowance for doubtful accounts:

In order to provide for losses due to bad debt, including on notes and accounts receivable – trade, for general receivables, an estimated uncollectible amount is recorded according to the historical bad debt ratio. For specific receivables at risk of becoming bad debt, an estimated uncollectible amount is recorded by assessing the collectability of each receivable individually.

b. Provision for bonuses:

In order to provide for payment of bonuses to employees, the amount of bonuses estimated to be incurred in the consolidated fiscal year under review is recorded.

4) Other important matters that form the basis of preparing consolidated financial statements

Accounting method for consumption taxes: Accounted for by the tax exclusion method.

2. Changes in accounting policies due to amendment of accounting standards

Starting from the consolidated fiscal year under review, the Company applies the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013, hereinafter the “Business Combinations Standard”), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 of September 13, 2013; hereinafter the “Consolidated Financial Statements Standard”) and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 of September 13, 2013; hereinafter the “Business Divestitures Standard”) and others. Accordingly, the Company’s accounting methods have been changed: the difference arising from a change in the Company’s ownership interest in a subsidiary over which the Company continues to have control is recorded as capital surplus, and acquisition-related costs are expensed in the consolidated fiscal year when they are incurred. Also, for business combinations to be performed at and after the beginning of the consolidated fiscal year under review, the method will be changed to reflect adjustments to the allocation of acquisition cost under provisional accounting treatment on the consolidated financial statements for the financial year in which the days of the relevant business combinations are included. In addition, the Company has changed the presentation of profit and other related items, as well as the presentation of “minority interests” to “non-controlling interests.”

The Business Combinations Standard and others were applied in accordance with transitional treatments stipulated in Paragraph 58-2 (4) of the Business Combinations Standard, Paragraph 44-5 (4) of the Consolidated Financial Statements Standard and Paragraph 57-4 (4) of the Business Divestiture Standard, and they have been prospectively adopted from the beginning of the consolidated fiscal year under review.

These changes pose no effects in the consolidated financial statements of the consolidated fiscal year under review or on per share information.

3. Notes on Consolidated Balance Sheets

Accumulated depreciation of property, plant and equipment: ¥1,500 million

4. Notes on Consolidated Statements of Income

Amortization of goodwill

Goodwill amortization of extraordinary losses is based on the stipulations in Paragraph 32 of the “Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements” (The Japanese Institute of Certified Public Accountants, Final Revision November 28, 2014, Accounting Practice Committee Statement No. 7).

5. Notes on Consolidated Statements of Changes in Shareholders' Equity

(1) Matters related to the total number of issued shares

| Class of shares | As of April 1, 2015 | Increase         | Decrease | As of March 31, 2016 |
|-----------------|---------------------|------------------|----------|----------------------|
| Common shares   | 83,203,000 shares   | 1,092,500 shares | - shares | 84,295,500 shares    |

(Summary of causes of changes)

Increase due to issuance of new shares by the international offering: 1,092,500 shares

(2) Matters related to dividends of surplus

1) Dividends paid

| Resolution                                     | Class of shares | Total amount of dividends (¥ million) | Dividends per share (¥) | Record date        | Effective date    |
|------------------------------------------------|-----------------|---------------------------------------|-------------------------|--------------------|-------------------|
| Board of Directors Meeting on May 12, 2015     | Common shares   | 4,756                                 | 59                      | March 31, 2015     | June 8, 2015      |
| Board of Directors Meeting on November 6, 2015 | Common shares   | 5,898                                 | 70                      | September 30, 2015 | December 11, 2015 |

2) Dividends with record dates within the year ended March 31, 2016 but with effective dates in the following fiscal year

| Resolution                                 | Class of shares | Source of dividends | Total amount of dividends (¥ million) | Dividends per share (¥) | Record date    | Effective date |
|--------------------------------------------|-----------------|---------------------|---------------------------------------|-------------------------|----------------|----------------|
| Board of Directors Meeting on May 10, 2016 | Common shares   | Retained earnings   | 6,488                                 | 77                      | March 31, 2016 | June 8, 2016   |

(3) Matters related to the subscription rights to shares as of March 31, 2016

|                                                                                                                         | Class of shares to be issued | Number of shares to be issued |
|-------------------------------------------------------------------------------------------------------------------------|------------------------------|-------------------------------|
| 10 <sup>th</sup> issuance of subscription rights to shares (resolved at the Board of Directors Meeting on May 18, 2011) | Common shares                | 10,500 shares                 |

## 6. Notes on Financial Instruments

### (1) Matters related to Status of Financial Instruments

#### 1) Policy on Financial Instruments

In regard to fund management, the Company's group only invests its funds in highly safe short-term financial assets. The policy on financing for consolidated subsidiaries is to use internal funds and loans from banks and other financial institutions.

#### 2) Details of financial instruments, related risks, and risk management system

The main financial assets are cash and deposits, accounts receivable – trade, and investment securities. Deposits are mainly composed of ordinary deposits and short-term time deposits, and are exposed to the credit risk of parties holding the deposits but these parties are banks with high creditworthiness. Accounts receivable – trade are exposed to the credit risk of customers but in addition to regular management of the due dates and balance of each client by credit management personnel in accordance with credit management policies, the Company's group also strives for the early detection and mitigation of concerns for recovery due to reasons such as the deterioration of a client's financial situation. Investment securities are composed mainly of shares in companies with which the Company's group has business relationships and investments in investment partnerships and are exposed to credit risk but the Group monitors the financial situation of issuers and investment partnerships on a regular basis.

Financial liabilities consist mainly of, accounts payable – other, income taxes payable, and accrued consumption taxes. Accounts payable – other are mainly due within one month. In regard to liquidity risk whereby financing is no longer possible, the Company has abundant cash reserves and has secured liquidity. For consolidated subsidiaries, the department responsible manages the liquidity risk by preparing and updating the cash management plan in a timely manner.

### (2) Matters Related to Fair Value, etc. of Financial Instruments

The amounts recorded in the consolidated balance sheets, fair value and the difference between the two as of March 31, 2016 are as follows. Items for which it is extremely difficult to determine the fair value are not included in the following table. (See (Note 2)).

(Unit: ¥ million)

|                                 | Amount recorded on consolidated balance sheet* | Fair value* | Difference |
|---------------------------------|------------------------------------------------|-------------|------------|
| (1) Cash and deposits           | 126,316                                        | 126,316     | -          |
| (2) Accounts receivable – trade | 12,973                                         |             |            |
| Allowance for doubtful accounts | (10)                                           |             |            |
|                                 | 12,963                                         | 12,963      | -          |
| (3) Accounts payable – other    | (5,883)                                        | (5,883)     | -          |
| (4) Income taxes payable        | (26,194)                                       | (26,194)    | -          |
| (5) Accrued consumption taxes   | (5,713)                                        | (5,713)     | -          |

(\*) Items recorded as liabilities are denoted by ( ).

#### (Notes) 1. Matters related to the calculation method of fair value of financial instruments

##### (1) Cash and deposits (2) Accounts receivable – trade

As these are based on short-term settlements, their fair values are almost equivalent to their book values, and therefore their book values are used.

##### (3) Accounts payable – other (4) Income taxes payable (5) Accrued consumption taxes

As these are based on short-term settlements, their fair values are almost equivalent to their book values, and therefore their book values are used.

#### 2. Notes for unlisted shares (amount recorded on consolidated balance sheet is ¥1,448 million) and investments in investment partnerships (amount recorded on consolidated balance sheet is ¥1,377 million) are not included in the above table as the market price for those is not available, future cash flows cannot be estimated, and the fair value is deemed extremely difficult to determine.

7. Notes on Business Combinations, etc.

(1) Hunza, Inc.

1. Settlement of temporary procedure regarding business combinations

With regard to the business combination conducted with Hunza, Inc. on March 31, 2015, the Company performed temporary accounting procedures in the previous fiscal year. However, the following items have been finalized in the fiscal year under review.

(Unit: ¥ million)

|                                               |        |
|-----------------------------------------------|--------|
| Goodwill amount (prior to revision)           | 11,934 |
| Revision amount                               |        |
| - Intangible assets (trademark rights)        | (290)  |
| - Intangible assets (customer-related assets) | (240)  |
| - Deferred tax liabilities                    | 173    |
| Total revision amount                         | (356)  |
| Goodwill amount (after revision)              | 11,577 |

2. Amount of goodwill generated, reasons for the goodwill, and amortization method and amortization period of goodwill

(1) Amount of goodwill generated

¥11,577 million

(2) Reasons for the goodwill

The acquisition cost exceeded the net amount allocated between assets acquired and liabilities assumed, and for this reason, the Company posted the excess amount as goodwill.

(3) Amortization method and amortization period of goodwill

The straight line method over 8 years.

3. Amounts allocated to intangible assets other than for goodwill, category and amortization method and period

| Category                | Amount       | Amortization method and period          |
|-------------------------|--------------|-----------------------------------------|
| Trademark rights        | ¥290 million | The straight line method over 5 years   |
| Customer-related assets | ¥240 million | The straight line method over 10 months |

(2) MUSE & Co., Ltd.

1. Settlement of temporary procedure regarding business combinations

With regard to the business combination conducted with MUSE & Co., Ltd. on March 31, 2015, the Company performed tentative accounting procedures in the previous fiscal year. However, the following items have been finalized in the fiscal year under review. There were no revisions to the amount of goodwill.

2. Amount of goodwill generated, reasons for the goodwill, and amortization method and amortization period of goodwill

(1) Amount of goodwill generated

¥1,891 million

(2) Reasons for the goodwill

The acquisition cost exceeded the net amount allocated between assets acquired and liabilities assumed, and for this reason, the Company posted the excess amount as goodwill.

(3) Amortization method and amortization period of goodwill

The straight line method over 3 years. The unamortized balance of ¥1,261 million as of March 31, 2016 shall be depreciated in a lump sum based on the stipulations in Paragraph 32 of the “Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements” (The Japanese Institute of Certified Public Accountants, Final Revision November 28, 2014, Accounting Practice Committee Statement No. 7).



8. Notes on Per Share Information

- (1) Net assets per share: ¥1,441.66
- (2) Profit per share: ¥734.59

9. Notes on Significant Subsequent Events

At the Company's Board of Directors meeting held on May 10, 2016, the Board of Directors adopted a resolution on matters regarding repurchase shares of the Company pursuant to the provisions of the Company's Articles of Incorporation in accordance with Article 459, Paragraph 1, Item 1 of the Companies Act.

(1) Reasons for repurchase shares of the Company

To enable to enhance a return to shareholders as well as capital efficiency and enabling agile capital management that is highly responsive to the changing business environment.

(2) Matters regarding repurchase shares of the Company

- |                                             |                                                                                                           |
|---------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| 1) Type of shares to be repurchased         | Common shares of the Company                                                                              |
| 2) Total number of shares to be repurchased | Up to 3,000,000 shares (3.56% of the total outstanding shares, other than treasury shares)                |
| 3) Type of property to purchase             | Cash                                                                                                      |
| 4) Total repurchase amount of shares        | Up to ¥10,000,000,000                                                                                     |
| 5) Repurchase period                        | From May 11, 2016 to September 30, 2016                                                                   |
| 6) Repurchase method                        | Market purchases on the Tokyo Stock Exchange<br>(Market purchases under a discretionary trading contract) |

10. Other Notes

(Revision of amount of deferred tax assets and deferred tax liabilities due to changes in tax rates such as income tax)

Following the enactment by the Diet on March 29, 2016 of the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 15 of 2016) and "Act for Partial Amendment of the Local Tax Act, etc." (Act No. 13 of 2016), a reduction in the tax rate, etc. was implemented in the fiscal year beginning on and after April 1, 2016. As a result, the effective statutory tax rate used to measure deferred tax assets and liabilities was changed from 33.1% to 30.9% for temporary differences expected to be eliminated in the fiscal year beginning on April 1, 2016 and to 30.6% for temporary differences expected to be eliminated in the fiscal year beginning on April 1, 2018.

As a result of these changes in tax rates, deferred tax assets decreased by ¥615 million and income taxes – deferred recorded in the current fiscal year increased by the same amount.

## Balance Sheets

(As of March 31, 2016)

(Unit: ¥ million)

| Description                                           | Amount         | Description                             | Amount         |
|-------------------------------------------------------|----------------|-----------------------------------------|----------------|
| <b>Assets</b>                                         |                | <b>Liabilities</b>                      |                |
| <b>Current assets</b>                                 | <b>136,222</b> | <b>Current liabilities</b>              | <b>40,273</b>  |
| Cash and deposits                                     | 119,584        | Accounts payable – other                | 5,291          |
| Accounts receivable – trade                           | 12,549         | Accrued expenses                        | 19             |
| Advance payments – trade                              | 1,165          | Income taxes payable                    | 26,020         |
| Prepaid expenses                                      | 288            | Accrued consumption taxes               | 5,636          |
| Deferred tax assets                                   | 2,017          | Advances received                       | 1,557          |
| Other                                                 | 624            | Deposits received                       | 888            |
| Allowance for doubtful accounts                       | (8)            | Provision for bonuses                   | 859            |
| <b>Non-current assets</b>                             | <b>25,726</b>  | <b>Non-current liabilities</b>          | <b>19</b>      |
| <b>Property, plant and equipment</b>                  | <b>913</b>     | Long-term accounts payable – other      | 19             |
| Buildings                                             | 341            | <b>Total liabilities</b>                | <b>40,292</b>  |
| Tools, furniture & fixtures                           | 571            | <b>Net assets</b>                       |                |
| <b>Intangible assets</b>                              | <b>64</b>      | <b>Shareholders' equity</b>             | <b>121,653</b> |
| Software                                              | 64             | <b>Capital stock</b>                    | <b>9,698</b>   |
| Other                                                 | 0              | <b>Capital surplus</b>                  | <b>20,427</b>  |
| <b>Investments and other assets</b>                   | <b>24,748</b>  | Legal capital surplus                   | 9,668          |
| Investment securities                                 | 1,610          | Other capital surplus                   | 10,759         |
| Shares of subsidiaries and associates                 | 14,207         | <b>Retained earnings</b>                | <b>91,544</b>  |
| Investments in capital of subsidiaries and associates | 18             | Other retained earnings                 | 91,544         |
| Long-term loans receivable                            | 1,979          | Retained earnings brought forward       | 91,544         |
| Deferred tax assets                                   | 6,448          | <b>Treasury shares</b>                  | <b>(17)</b>    |
| Other                                                 | 936            | <b>Subscription rights to shares</b>    | <b>2</b>       |
| Allowance for doubtful accounts                       | (453)          | <b>Total net assets</b>                 | <b>121,656</b> |
| <b>Total assets</b>                                   | <b>161,949</b> | <b>Total liabilities and net assets</b> | <b>161,949</b> |

Note: Figures have been rounded down to the nearest million yen.

## Statements of Income

(April 1, 2015 to March 31, 2016)

(Unit: ¥ million)

| Description                                                      | Amount  |                |
|------------------------------------------------------------------|---------|----------------|
| <b>Net sales</b>                                                 |         | <b>199,025</b> |
| <b>Cost of sales</b>                                             |         | <b>22,261</b>  |
| <b>Gross profit</b>                                              |         | <b>176,764</b> |
| <b>Selling, general and administrative expenses</b>              |         | <b>80,331</b>  |
| <b>Operating income</b>                                          |         | <b>96,432</b>  |
| <b>Non-operating income</b>                                      |         |                |
| Interest income                                                  | 77      |                |
| Dividend income                                                  | 370     |                |
| Other                                                            | 51      |                |
|                                                                  |         | <b>499</b>     |
| <b>Non-operating expenses</b>                                    |         |                |
| Interest expenses                                                | 15      |                |
| Loss on investments in partnership                               | 15      |                |
| Share issuance cost                                              | 238     |                |
| Other                                                            | 4       |                |
|                                                                  |         | <b>274</b>     |
| <b>Ordinary income</b>                                           |         | <b>96,657</b>  |
| <b>Extraordinary income</b>                                      |         |                |
| Gain on reversal of subscription rights to shares                | 1       |                |
|                                                                  |         | <b>1</b>       |
| <b>Extraordinary losses</b>                                      |         |                |
| Loss on sales and retirement of non-current assets               | 21      |                |
| Loss on valuation of investment securities                       | 46      |                |
| Loss on valuation of shares of subsidiaries and associates       | 2,080   |                |
| Provision of allowance for doubtful accounts                     | 453     |                |
| Loss on liquidation of businesses of subsidiaries and associates | 70      |                |
|                                                                  |         | <b>2,672</b>   |
| <b>Income before income taxes</b>                                |         | <b>93,986</b>  |
| Income taxes - current                                           | 35,990  |                |
| Income taxes - deferred                                          | (3,963) |                |
|                                                                  |         | <b>32,027</b>  |
| <b>Profit</b>                                                    |         | <b>61,959</b>  |

Note: Figures have been rounded down to the nearest million yen.

## Statements of Changes in Shareholders' Equity

(April 1, 2015 to March 31, 2016)

(Unit: ¥ million)

|                                                      | Shareholders' equity |                       |                       |                       |                                                              |                         |
|------------------------------------------------------|----------------------|-----------------------|-----------------------|-----------------------|--------------------------------------------------------------|-------------------------|
|                                                      | Capital stock        | Capital surplus       |                       |                       | Retained earnings                                            |                         |
|                                                      |                      | Legal capital surplus | Other capital surplus | Total capital surplus | Other retained earnings<br>Retained earnings brought forward | Total retained earnings |
| Balance on April 1, 2015                             | 7,034                | 7,004                 | 3                     | 7,007                 | 40,239                                                       | 40,239                  |
| Changes of items during period                       |                      |                       |                       |                       |                                                              |                         |
| Issuance of new shares                               | 2,664                | 2,664                 |                       | 2,664                 |                                                              |                         |
| Dividends of surplus                                 |                      |                       |                       |                       | (10,654)                                                     | (10,654)                |
| Net income                                           |                      |                       |                       |                       | 61,959                                                       | 61,959                  |
| Disposal of treasury shares                          |                      |                       | 10,755                | 10,755                |                                                              |                         |
| Net changes of items other than shareholders' equity |                      |                       |                       |                       |                                                              |                         |
| Total changes of items during period                 | 2,664                | 2,664                 | 10,755                | 13,420                | 51,304                                                       | 51,304                  |
| Balance on March 31, 2016                            | 9,698                | 9,668                 | 10,759                | 20,427                | 91,544                                                       | 91,544                  |

|                                                      | Treasury shares | Total shareholders' equity | Subscription rights to shares | Total net assets |
|------------------------------------------------------|-----------------|----------------------------|-------------------------------|------------------|
| Balance on April 1, 2015                             | (1,515)         | 52,766                     | 8                             | 52,775           |
| Changes of items during period                       |                 |                            |                               |                  |
| Issuance of new shares                               |                 | 5,329                      |                               | 5,329            |
| Dividends of surplus                                 |                 | (10,654)                   |                               | (10,654)         |
| Net income                                           |                 | 61,959                     |                               | 61,959           |
| Disposal of treasury shares                          | 1,497           | 12,252                     |                               | 12,252           |
| Net changes of items other than shareholders' equity |                 |                            | (5)                           | (5)              |
| Total changes of items during period                 | 1,497           | 68,886                     | (5)                           | 68,880           |
| Balance on March 31, 2016                            | (17)            | 121,653                    | 2                             | 121,656          |

Note: Figures have been rounded down to the nearest million yen.

1. Notes on Matters Related to Significant Accounting Policies

(1) Valuation Standards and Valuation Methods of Securities

1) Shares of subsidiaries and associates and investments in capital of subsidiaries and associates:

Stated at cost using the moving-average method.

2) Available-for-sale securities without market value:

Stated at cost using the moving-average method. Investments in investment partnerships, etc. are based on the financial statements for the most recent balance sheet date using the net amount proportionate to the Company's ownership interests.

(2) Depreciation and amortization methods of non-current assets

1) Property, plant and equipment:

The declining balance method is applied. However, the straight line method is applied for buildings (excluding accompanying facilities) acquired on or subsequent to April 1, 1998.

The principle useful lives are as follows:

Buildings: 8 to 27 years

Tools, furniture and fixtures: 2 to 20 years

2) Intangible assets:

The straight line method is applied. However, the amortization period for software for internal use is based on the period available for internal use (5 years).

(3) Accounting standards for allowances and provisions

1) Allowance for doubtful accounts:

In order to provide for losses due to bad debt, including on notes and accounts receivable – trade, for general receivables, an estimated uncollectible amount is recorded according to the historical bad debt ratio. For specific receivables at risk of becoming bad debt, an estimated uncollectible amount is recorded by assessing the collectability of each receivable individually.

2) Provision for bonuses:

In order to provide for payment of bonuses to employees, the amount of bonuses estimated to be incurred in the fiscal year under review is recorded.

(4) Other important matters that form the basis of preparing consolidated financial statements

Accounting method for consumption taxes: Accounted for by the tax exclusion method.

2. Changes in accounting policies due to amendment of accounting standards
 

Starting from the fiscal year under review, the Company applies the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013, hereinafter the “Business Combinations Standard”), and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 of September 13, 2013; hereinafter the “Business Divestitures Standard”) and others. Accordingly, the Company’s accounting policies have been changed: acquisition-related costs are expensed in the fiscal year when they are incurred. Also, for business combinations to be performed at and after the beginning of the fiscal year under review, the method will be changed to reflect adjustments to the allocation of acquisition cost under provisional accounting treatment on the financial statements for the financial period in which the days of the relevant business combinations are included.

The Business Combinations Standard and others were applied in accordance with transitional treatments stipulated in Paragraph 58-2 (4) of the Business Combinations Standard and Paragraph 57-4 (4) of the Business Divestiture Standard, and they have been prospectively adopted from the beginning of the fiscal year under review.

These changes pose no effects in the financial statements of the fiscal year under review or on per share information.
3. Notes on Changes in Representation Methods
 

Advance payments – trade (¥8 million yen in the previous fiscal year) that were included in “Other” of “Current Assets” in the previous fiscal year, are presented separately in the fiscal year ended March 31, 2016 as the amount is significant.
4. Notes on Balance Sheets
  - (1) Accumulated depreciation of property, plant and equipment: ¥1,497 million
  - (2) Monetary receivables and payables in relation to subsidiaries and associates
    - Short-term monetary receivables: ¥455 million
    - Long-term monetary receivables: ¥2,000 million
    - Short-term monetary payables: ¥3 million
5. Notes on Statements of Income
  - (1) Transaction volume with subsidiaries and associates
    - Transaction volume of operating transactions
      - Operating revenue: ¥12 million
      - Operating expenses: ¥58 million
    - Transaction volume of non-operating transactions: ¥467 million
  - (2) Loss on valuation of shares of subsidiaries and associates and provision of allowance for doubtful accounts
    - Related to investments and loans to MUSE & Co., Ltd. and i-mercury Capital, Inc. whose financial condition deteriorated.
  - (3) Loss on liquidation of businesses of subsidiaries and associates
    - Loss on write-off of receivables in mixi research, Inc.
6. Notes on Statements of Changes in Shareholders’ Equity
  - Class and number of treasury shares at the end of the year ended March 31, 2016
  - Common shares: 30,500 shares

7. Notes on Tax Effect Accounting

(1) Breakdown by main causes of deferred tax assets and deferred tax liabilities

|                                       |                      |
|---------------------------------------|----------------------|
| Deferred tax assets                   |                      |
| Software                              | ¥6,420 million       |
| Lump sum depreciable assets           | 39 million           |
| Investment securities                 | 51 million           |
| Shares of subsidiaries and associates | 796 million          |
| Allowance for doubtful accounts       | 141 million          |
| Enterprise tax payable                | 1,575 million        |
| Provision for bonuses                 | 265 million          |
| Asset retirement obligations          | 20 million           |
| Other                                 | <u>28 million</u>    |
| Subtotal of deferred tax assets       | 9,339 million        |
| Valuation allowance                   | <u>(873million)</u>  |
| Total deferred tax assets             | 8,465 million        |
| Deferred tax liabilities              |                      |
| Total deferred tax liabilities        | <u>- million</u>     |
| Net deferred tax assets               | <u>8,465 million</u> |

(2) Breakdown by main causes of deferred tax assets and deferred tax liabilities

Following the enactment by the Diet on March 29, 2016 of the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 15 of 2016) and “Act for Partial Amendment of the Local Tax Act, etc.” (Act No. 13 of 2016), a reduction in the tax rate, etc. was implemented in the fiscal year beginning on and after April 1, 2016. As a result, the effective statutory tax rate used to measure deferred tax assets and liabilities in the current fiscal year was changed from 33.1% to 30.9% for temporary differences expected to be eliminated in the fiscal year beginning on April 1, 2016 and to 30.6% for temporary differences expected to be eliminated in the fiscal year beginning on April 1, 2018.

As a result of these changes in tax rates, deferred tax assets decreased by ¥612 million and income taxes – deferred recorded in the current fiscal year increased by the same amount.

8. Notes on Per Share Information

(1) Net assets per share: ¥1,443.70

(2) Net income per share: ¥745.87

9. Notes on Significant Subsequent Events

At the Company’s Board of Directors meeting held on May 10, 2016, the Board of Directors adopted a resolution on matters regarding purchase of treasury shares pursuant to the provisions of the Company’s Articles of Incorporation in accordance with Article 459, Paragraph 1, Item 1 of the Companies Act.

(1) Reasons for purchase of treasury shares

To enable to enhance a return to shareholders as well as capital efficiency and enabling agile capital management that is highly responsive to the changing business environment.

(2) Matters regarding purchase of treasury shares

|                                             |                                                                                                        |
|---------------------------------------------|--------------------------------------------------------------------------------------------------------|
| 1) Type of shares to be repurchased         | Common shares of the Company                                                                           |
| 2) Total number of shares to be repurchased | Up to 3,000,000 shares (3.56% of the total outstanding shares, other than treasury shares)             |
| 3) Type of property to purchase             | Cash                                                                                                   |
| 4) Total repurchase amount of shares        | Up to ¥10,000,000,000                                                                                  |
| 5) Repurchase period                        | From May 11, 2016 to September 30, 2016                                                                |
| 6) Repurchase method                        | Market purchases on the Tokyo Stock Exchange (Market purchases under a discretionary trading contract) |

## Reference Material for the Meeting of Shareholders

### Agenda Item 1: Election of six directors

When this general meeting of shareholders ends, the term of office of all of the directors (seven) will expire. Therefore the Company proposes, in order to build a system in which a flexible management strategy can be realized, the reduction of the number of directors by one and the election of six directors.

The candidates for director are as follows:

| Candidate number | Name<br>(Date of birth stated in parentheses) | Brief career history; positions and responsibilities in the Company; and significant concurrent posts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Number of Company shares owned |
|------------------|-----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| 1                | Hiroki Morita<br>(April 2, 1976)              | <p>December 2000    Joined Net Village Co., Ltd. (now fonfun corporation)</p> <p>April 2007        Manager of content business at Net Village</p> <p>November 2008    Joined the Company</p> <p>February 2011     Director and vice president of Grengre, Inc.</p> <p>January 2013       Executive officer of the Company</p> <p>May 2013          Executive General Manager of game business at the Company</p> <p>November 2013    Executive General Manager of mixi Head Office at the Company</p> <p>February 2014     Executive Producer of Monster Strike Studio at the Company</p> <p>June 2014          President and Representative Director of the Company (currently holds this position)</p> | 310,000                        |
| 2                | Yasuhiro Ogino<br>(September 29, 1973)        | <p>August 2005        Joined MACROMILL, INC.</p> <p>January 2008        Executive officer of MACROMILL (in charge of finance and accounting headquarters)</p> <p>June 2008            Joined J-Magic K.K.</p> <p>December 2008     Director, CFO, and general manager of administration management at J Magic K.K.</p> <p>December 2009     Joined the Company</p> <p>November 2011     Executive General Manager of the Administrative Headquarter at the Company (currently holds this position)</p> <p>February 2012       Executive officer of the Company</p> <p>June 2012            Director of the Company (currently holds this position)</p>                                                   | 200,000                        |



| Candidate number | Name<br>(Date of birth stated in parentheses) | Brief career history; positions and responsibilities in the Company; and significant concurrent posts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Number of Company shares owned |
|------------------|-----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| 3                | Kouki Kimura<br>(December 9, 1975)            | <p>February 2003    Joined Mobileproduction Co., Ltd.</p> <p>March 2005        Joined Index Corporation</p> <p>June 2008          Joined the Company</p> <p>August 2012       Product owner of the Product Development Department of the Company</p> <p>November 2013    Producer of Monster Strike Studio at the Company</p> <p>April 2014          General Manager of Monster Strike Studio at the Company</p> <p>November 2014    Executive officer of the Company</p> <p>January 2015       Executive General Manager of Monster Strike Studio at the Company</p> <p>June 2015          Director of the Company (currently holds this position)</p> <p>August 2015       Executive General Manager of XFLAG Studio at the Company (currently holds this position)</p>                                                             | 100,000                        |
| 4                | Kenji Kasahara<br>(December 6, 1975)          | <p>June 1999          Established eMercury, Inc. (now the Company)<br/>Director of eMercury, Inc.</p> <p>October 2000       Reorganization (change from <i>yugen kaisha</i> to <i>kabushiki kaisha</i>) of eMercury, Inc. (now the Company)<br/>President and representative director of eMercury, Inc.</p> <p>February 2006      Company name changed to mixi, Inc.<br/>President and representative director of the Company</p> <p>May 2008           Chairperson at mixi Shanghai, Inc.</p> <p>October 2008       Representative director of NexPas, Inc. (now Torchlight, Inc.)</p> <p>April 2011           Representative director of mixi recruitment, Inc.</p> <p>July 2011            Executive officer of the Company</p> <p>June 2013           Director and Chairperson of the Company (currently holds this position)</p> | 36,418,000                     |

| Candidate number | Name<br>(Date of birth stated in parentheses) | Brief career history; positions and responsibilities in the Company; and significant concurrent posts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Number of Company shares owned |
|------------------|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| 5                | Ichiya Nakamura<br>(March 19, 1961)           | <p>April 1984      Joined the Ministry of Posts and Telecommunications</p> <p>July 1998      Special advisor to CSK Holdings Corporation (now SCSK Corporation)</p> <p>August 1998    Visiting professor at MIT Media Lab</p> <p>August 2002    Vice chairperson of CANVAS (an NPO) (currently holds this position)</p> <p>July 2004      Director at International Communications Foundation (now KDDI Foundation) (currently holds this position)</p> <p>September 2006 Professor at the Research Institute for Digital Media and Content, Keio University</p> <p>January 2007    Advisor to Ministry of Internal Affairs and Communications</p> <p>April 2008      Professor at the Graduate School of Media Design, Keio University (currently holds this position)</p> <p>June 2008      Chairperson of Standards Drafting Committee at Content Evaluation and Monitoring Association (EMA);<br/>Outside director of Space Shower Networks, Inc. (currently holds this position);<br/>Outside director of JP-Holdings, Inc. (currently holds this position)</p> <p>June 2009      Director of the Company (currently holds this position)</p> <p>May 2010      Committee chairperson at the Content Evaluation and Monitoring Association (EMA) (currently holds this position)</p> <p>January 2011    Director of Digital Ehon, Inc.</p> <p>March 2011      Trustee of Okawa Dream Foundation (currently holds this position)</p> <p>February 2012   Chairperson of Newmedia Risk Association (NRA) (currently holds this position)</p> <p>November 2012 Head of secretariat of Japan Social Game Association</p> <p>April 2015      Chairperson of Digital Signage Consortium (currently holds this position);<br/>Chairperson of CiP Conference (currently holds this position)</p> <p>January 2016    Counselor at Yoshimoto Kogyo Co., Ltd. (currently holds this position)</p> <p>May 2016      Policy advisor to Secretariat of the Headquarters for Tokyo 2020 Olympic and Paralympic Games, the Cabinet Secretariat (currently holds this position)</p> <p>Significant concurrent posts:</p> <p>Professor at the Graduate School of Media Design, Keio University;</p> | -                              |

| Candidate number | Name<br>(Date of birth stated in parentheses) | Brief career history; positions and responsibilities in the Company; and significant concurrent posts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Number of Company shares owned |
|------------------|-----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| 6                | Tatsuya Aoyagi<br>(August 8, 1971)            | <p>October 1993      Joined Tohmatsu &amp; Co (now Deloitte Touche Tohmatsu LLC)</p> <p>April 1997        Registered as a certified public accountant</p> <p>February 2007    Joined Masters Trust Accounting Firm (now Masters Trust Inc.)</p> <p>July 2007         Representative director of Heartworth Partners, Inc. (currently holds this position)</p> <p>August 2007      Director of Share Generate Inc.</p> <p>August 2008      Registered as a certified public tax accountant</p> <p>February 2010    Outside audit and supervisory board member of AmLead Co., Ltd. (currently holds this position)</p> <p>May 2010         Outside audit and supervisory board member of BT Holdings, Inc. (now Primagest, Inc.)</p> <p>June 2010         Audit and supervisory board member of the Company</p> <p>June 2012         Director of the Company (currently holds this position)</p> <p>Significant concurrent post:</p> <p>Representative director of Heartworth Partners, Inc.</p> | -                              |

Notes:

1. There is no special interest between any candidate and the Company.
2. Each candidate's number of shares stated in the column titled "Number of Company shares owned" is the number of shares as of March 31, 2016.
3. Mr. Ichiya Nakamura and Mr. Tatsuya Aoyagi are candidates for outside director and the Company has notified the Tokyo Stock Exchange that Mr. Ichiya Nakamura is an independent officer.
4. In addition to engaging in research focused on digital media for many years, Mr. Ichiya Nakamura has also held several officer posts at business companies operating in related fields, and therefore, he possesses an abundance of insights and experience regarding the Company's business domain. The Company has selected Mr. Ichiya Nakamura as a candidate for outside director based on the judgment that Mr. Ichiya Nakamura's insights and experience related to maintaining and improving the soundness of services provided on the Internet would continue to serve a sufficient role with respect to matters including determination of the Company's management-related matters and supervision of the execution of operations.

As a certified public accountant, Mr. Tatsuya Aoyagi has an abundance of insights and experience, and he has the competence to monitor management with independence and with an objective viewpoint that is not bound by the Company's logic. The Company has selected him as a candidate for outside director based on the judgment that those qualities would continue to serve a sufficient role with respect to improving the transparency and strengthening the function of supervision of the board of directors.

5. At the closing of this general meeting of shareholders, Mr. Ichiya Nakamura will have served as an outside director for a period of seven years.

At the closing of this general meeting of shareholders, Mr. Tatsuya Aoyagi will have served as an outside director for four years.

6. With respect to the liability for damages under Article 423, Paragraph 1 of the Companies Act, the Company has entered into an agreement for limitation of liability with each of Mr. Ichiya Nakamura and Mr. Tatsuya Aoyagi that limits the liability for damages (the maximum amount of damages is the higher of a predetermined amount of 10,000 yen or more and the minimum liability amount stipulated in laws and regulations) if the requirements stipulated under law and regulations are fulfilled. If, at this general meeting of shareholders, Mr. Ichiya Nakamura and Mr. Tatsuya Aoyagi are reelected, then those agreements will continue.
7. Mr. Ichiya Nakamura is to assume office as an outside director of Yoshimoto Kogyo Co., Ltd. on June 22, 2016.

Agenda Item 2: Election of one audit and supervisory board member

As of the closing of this general meeting of shareholders, the term of office of one audit and supervisory board member will expire. Therefore the Company proposes the election of one audit and supervisory board member.

Further, the consent of the audit and supervisory board has been obtained with respect to submitting this agenda item.

The candidate for audit and supervisory board member is as follows:

| Name<br>(Date of birth in parentheses)     | Brief career history; positions in the Company; and significant concurrent post                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Number of Company shares owned |
|--------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| Hiroyuki Wakamatsu<br>(September 20, 1971) | <p>April 1995      Joined Tohmatsu &amp; Co (now Deloitte Touche Tohmatsu LLC)</p> <p>April 1998      Registered as a certified public accountant</p> <p>October 2008    Representative of Wakamatsu CPA Office (currently holds this position)</p> <p>Partner at Tokiwa United Partners LLP</p> <p>April 2010      Lecturer in the Department of Management, BBT University</p> <p>June 2010      Outside audit and supervisory board member of With us Corporation (currently holds this position)</p> <p>August 2010    Registered as a certified public tax accountant</p> <p>June 2011      Outside audit and supervisory board member of Eastern Co., Ltd.</p> <p>June 2012      Audit and supervisory board member of the Company (currently holds this position)</p> <p>September 2014   Lecturer in the Graduate School of Finance, Accounting and Law, Waseda University (currently holds this position)</p> <p>March 2015      Outside audit and supervisory board member of Castalia Co., Ltd. (currently holds this position)</p> <p>June 2015      Outside audit and supervisory board member of Pioneer Corporation (currently holds this position)</p> <p>Non-member supervisor of the Palsystem Consumers' Co-operative Union (currently holds this position)</p> <p>Significant concurrent post:<br/>Representative of Wakamatsu CPA Office</p> | -                              |

Notes:

1. There is no special interest between the candidate and the Company.
2. Mr. Hiroyuki Wakamatsu is the candidate for outside audit and supervisory board member.

3. As well as having held several outside audit and supervisory board member posts at business companies and possessing an abundance of insights and experience related to corporate activities, Mr. Hiroyuki Wakamatsu also possesses, among other qualities, specialist knowledge and experience that he cultivated as a certified public tax accountant. For those reasons, the Company selected him as a candidate for outside audit and supervisory board member in order to have him reflect that experience, knowledge and the like into the auditing system of the Company. Mr. Hiroyuki Wakamatsu does not have experience of participating in the management of a company with a method other than by serving as an outside director or as an outside audit and supervisory board member, but, due to the above reasons, the Company judged that he is able to suitably perform the duties of an outside audit and supervisory board member.
4. At the closing of this general meeting of shareholders, Mr. Hiroyuki Wakamatsu will have served four years as the outside audit and supervisory board member of the Company.
5. With respect to the liability for damages under Article 423, Paragraph 1 of the Companies Act, the Company has entered into an agreement for limitation of liability with Mr. Hiroyuki Wakamatsu that limits the liability for damages (the maximum amount of damages is the higher of a predetermined amount of 10,000 yen or more and the minimum liability amount stipulated in laws and regulations) if the requirements stipulated under law and regulations are fulfilled. If, at this general meeting of shareholders, Mr. Hiroyuki Wakamatsu is reelected, then those agreements will continue.

Agenda Item 3: Election of one substitute audit and supervisory board member

In preparation for a shortage in the number of audit and supervisory board members stipulated under laws and regulations, the Company would like to, in advance, elect one substitute audit and supervisory board member. Incidentally, only before assumption of office can the validity of the election be revoked by a resolution of the board of directors with the consent of the audit and supervisory board.

Further, the consent of the audit and supervisory board has been obtained with respect to submitting this agenda item.

The candidate for substitute audit and supervisory board member is as follows:

| Name<br>(Date of birth in parentheses) | Brief career history; positions in the Company; and significant concurrent posts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Number of<br>Company<br>shares owned |
|----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| Hideo Tsukamoto<br>(July 25, 1980)     | <p>April 2003      Joined the Legal Training and Research Institute of the Supreme Court of Japan</p> <p>October 2004    Registered as a lawyer (Daini Tokyo Bar Association)<br/>Joined Anderson &amp; Mōri (now Anderson Mōri &amp; Tomotsune)</p> <p>November 2010   Seconded to the Civil Affairs Bureau, Ministry of Justice</p> <p>January 2013    Partner at Anderson Mōri &amp; Tomotsune (currently holds this position)</p> <p>April 2014      Part-time lecturer in the Faculty of Law, The University of Tokyo (currently holds this position)</p> <p>January 2016    Advisory member of the Case Studies Committee, Public Interest Incorporated Association Japan Audit &amp; Supervisory Board Members Association (currently holds this position)</p> | -                                    |

Notes:

1. There is no special interest between the candidate and the Company.
2. Mr. Hideo Tsukamoto is the candidate for substitute outside audit and supervisory board member.
3. Mr. Hideo Tsukamoto possesses, among other qualities, specialist knowledge and experience that he cultivated as a lawyer and, therefore, the Company selected him as a candidate for substitute outside audit and supervisory board member in order to have him reflect that specialist knowledge, experience and the like into the auditing system. Mr. Hideo Tsukamoto does not have experience of participating in the management of a company, but, due to the above reason, the Company judged that he can suitably perform the duties of an outside audit and supervisory board member.
4. If Mr. Hideo Tsukamoto assumes the office of audit and supervisory board member, the Company is planning to, under the provisions of the Company's articles of incorporation, enter into an agreement for limitation of liability with respect to the liability for damages under Article 423, Paragraph 1 of the Companies Act with Mr. Hideo Tsukamoto that limits the liability for damages (the maximum amount of damages is the higher of a predetermined amount of 10,000 yen or more and the minimum liability amount stipulated in laws and regulations) if the requirements stipulated under law and regulations are fulfilled.

Agenda Item 4: Revision of the amount of remunerations for directors

At the 16th ordinary general meeting of shareholders held on June 25, 2015, approval has been given that the total amount of remunerations (a combination of monthly-paid remuneration and stock options) for the Company's directors must be within 500 million yen per annum (including the amount of remunerations for the outside directors, which must be within 60 million yen); however, taking into account various circumstances, such as subsequent changes in the economic situation, the Company would like to change the total amount of remunerations (a combination of monthly-paid remunerations and stock options (including the stock options approved at the 13th ordinary general meeting of shareholders held on June 26, 2012 and the stock options approved at the 14th ordinary general meeting of shareholders held on June 25, 2013)) for the Company's directors to be within 1,000 million yen per annum (including the amount of remunerations for the outside directors, which will be within 100 million yen).

In line with past practice, the Company would like to not include the employee salary of each director who is also an employee in the above remunerations.

The number of directors concerned will be six (of which two are outside directors) if agenda item 1 is approved and adopted in its original form.

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