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Securities Code: 2121
June 6, 2014

To Shareholders:

Yusuke Asakura, President and Representative Director
mixi, Inc.
Sumitomo Fudosan Shibuya First Tower
1-2-20 Higashi, Shibuya-ku, Tokyo

CONVOCATION NOTICE FOR THE 15TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 15th 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 in writing. If you elect to exercise your voting rights in writing, please review the reference material for the meeting of shareholders below and send back the enclosed voting rights exercise form to the Company expressing your approval or disapproval of the agenda items by 7:00 p.m. on Monday, June 23, 2014.

Particulars

1. Date and time: Tuesday, June 24, 2014, at 10:00 a.m.
2. Place: Basement Floor 1, Sapphire Room of Aoyama Diamond Hall,
3-6-8 Kita-Aoyama, Minato-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 15th fiscal year (from April 1, 2013 to March 31, 2014)
 2. The non-consolidated financial statements for the 15th fiscal year (from April 1, 2013 to March 31, 2014)

Items to be resolved:

Agenda Item No. 1: Election of seven 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

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.

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/>).

(Provided Documents)

## **Business Report**

(from April 1, 2013 to March 31, 2014)

### **1. Matters concerning corporate group's current status**

#### **(1) Course and results of the business**

In the consolidated fiscal year ended March 31, 2014, the Japanese economy experienced weakening yen and rising stock prices under the government's economic policies and the Bank of Japan's monetary policies and witnessed partial recovery in consumer spending and business performance of companies, and the economic trend had recovered gradually.

Regarding Internet-related industries, according to a survey by MM Research Institute, Ltd., at the end of March 2014, the number of feature phone subscriptions decreased by 8.67 million and the number of smartphone subscriptions increased by 13.76 million compared to the numbers of subscriptions at the end of the previous fiscal year and the total number of feature phone and smartphone subscriptions was 122.02 million. In addition, the number of smartphone subscriptions was 57.34 million, which constituted 47.0% of all mobile phone subscriptions (an increase of 9.7% compared to the previous fiscal year), 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, 2014 were 12,155 million yen (a decrease of 3.8% compared to the previous consolidated fiscal year). In addition, the Company's operating income was 480 million yen (a decrease of 81.3% compared to the previous consolidated fiscal year), the ordinary income was 263 million yen (a decrease of 90.0% compared to the previous consolidated fiscal year) and the net loss for the consolidated fiscal year ended March 31, 2014 was 227 million yen (there was a net income of 1,654 million yen in the previous consolidated fiscal year).

The status of each segment is as follows.

#### **Net Sales by Business Segment**

| Business Segment           | 14th Fiscal Year            |                       | 15th Fiscal Year            |                       | YoY Comparison (%) |
|----------------------------|-----------------------------|-----------------------|-----------------------------|-----------------------|--------------------|
|                            | Net Sales (millions of yen) | Composition Ratio (%) | Net Sales (millions of yen) | Composition Ratio (%) |                    |
| Social Networking Business | 11,550                      | 91.4                  | 9,682                       | 79.6                  | (16.2)             |
| Find Job! Business         | 960                         | 7.6                   | 824                         | 6.8                   | (14.2)             |
| Other Businesses           | 121                         | 1.0                   | 1,649                       | 13.6                  | 1,261.4            |
| Total                      | 12,632                      | 100.0                 | 12,155                      | 100.0                 | (3.8)              |

#### **(i) Social networking business**

For the social networking service “mixi,” the Company is mounting efforts to maximize its service value of “creating connections.” In order to respond to the popularization of smartphone devices, the Company has started providing smartphone app versions of service’s main functions. In addition, the Company has worked to connect people with common hobbies and interests through “mixi” and invigorate the service by making some community news information accessible via online search engines.

Moreover, the features of the smartphone native game “Monster Strike,” which the Company started providing in October 2013 as a new project, 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. As a result of airing television commercials since March 2014 in order to increase the number of players further, the number of players exceeded four million on March 17 and six million on April 27.

Regarding earnings, due to a steady growth of net sales accompanied with the increase of the number of players, net sales from in-game purchases are increasing significantly. On the other hand, net sales from advertising are decreasing, affected by factors such as changes in the device environment. However, the decrease is coming to an end due to the strengthened use of ad products by using advertising networks.

As a result, the social networking business’s net sales were 9,682 million yen (a decrease of 16.2% compared to the previous consolidated fiscal year). Of the net sales, net sales from advertising were 1,500 million yen (a decrease of 67.9% compared to the previous consolidated fiscal year) and net sales from in-game purchases were 8,182 million yen (an increase of 19.1% compared to the previous consolidated fiscal year). The segment profit was 2,432 million yen (a decrease of 42.4% compared to the previous consolidated fiscal year).

(ii) Find Job! business

Regarding “Find Job!,” the recruiting website for web-related jobs, the Company will aim to increase earnings by specializing in recruiting information for web-related jobs and distinguishing itself from other companies. However, due to cutbacks on hiring that can be seen in some areas of the IT industry, the Find Job! business’s net sales were 824 million yen (a decrease of 14.2% compared to the previous consolidated fiscal year) and the segment profit was 648 million yen (a decrease of 17.5% compared to the previous consolidated fiscal year).

(iii) Other businesses

The Company is conducting new businesses such as online research services, a photobook service “nohana” and marriage support services.

Regarding online research services, the Company started providing online research services for “mixi” users in July 2013 and has acquired the mystery shopping service “Shopper’s Eye,” which conducts market research through mystery shopping at stores, in December 2013.

In addition, the number of nohana members is increasing steadily. In order to expand the business further, nohana, Inc. was founded as a wholly owned subsidiary of the Company in September 2013 and it provided “nohana New Year’s greeting cards” as its new service in November 2013.

Moreover, the Company has acquired all shares of Confianza & Co., Inc., which operates matchmaking party events, in November 2013 and all shares of Diverse, Inc.,

which operates the marriage support services, in December 2013.

As a result, the other business's net sales were 1,649 million yen (an increase of 1,261.4% compared to the previous consolidated fiscal year) and the segment loss was 493 million yen (the segment loss in the previous consolidated fiscal year was 238 million yen).

(2) Status of capital expenditures

The total of capital expenditures spent by the corporate group during the consolidated fiscal year ended March 31, 2014 was 114 million yen. The main components of the capital expenditures were 62 million yen spent for acquiring software which were spent in the course of developing services for the social networking business, and 43 million yen spent for acquiring computers, servers and the like.

(3) Status of financing activities

The Company issued 1,130,000 new shares in March 2014 by way of public offering and raised 6,537 million yen.

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

The Company conducted a company split effective on July 1, 2013 and assigned its Internet advertising business to mixi marketing, Inc., which was incorporated by the incorporation-type company split, and added mixi marketing, Inc. as its consolidated subsidiary.

On April 1, 2014, the Company transferred to ISMM Foundation Preparatory Company (a subsidiary of istyle Inc.) a part of mixi marketing, Inc.'s business and assets related to the business including fixed assets.

(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

The Company's consolidated subsidiary mixi research, Inc. assumed rights and obligations related to the mystery shopping business operated by Itokuro, Inc. by an absorption-type company split on December 2, 2013.

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

| Company Name | Type of Share | Number of Shares Acquired | Ratio of the Company's Voting Rights | Acquisition Amount | Acquisition Date |
|--------------|---------------|---------------------------|--------------------------------------|--------------------|------------------|
|--------------|---------------|---------------------------|--------------------------------------|--------------------|------------------|

|                       |              |              |      |                   |                  |
|-----------------------|--------------|--------------|------|-------------------|------------------|
| Confianza & Co., Inc. | Common stock | 200 shares   | 100% | 108 million yen   | November 1, 2013 |
| Diverse, Inc.         | Common stock | 2,000 shares | 100% | 1,079 million yen | December 2, 2013 |

(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                                | 12th Fiscal Year<br>(ended March 2011) | 13th Fiscal Year<br>(ended March 2012) | 14th Fiscal Year<br>(ended March 2013) | 15th Fiscal Year<br>(the consolidated fiscal year)<br>(ended March 2014) |
|-----------------------------------------|----------------------------------------|----------------------------------------|----------------------------------------|--------------------------------------------------------------------------|
| Net Sales (millions of yen)             | 13,229                                 | 13,334                                 | 12,632                                 | 12,155                                                                   |
| Ordinary Income (millions of yen)       | 2,989                                  | 2,107                                  | 2,629                                  | 263                                                                      |
| Net Income (Net Loss) (millions of yen) | 1,382                                  | 749                                    | 1,654                                  | (227)                                                                    |
| Net Income (Net Loss) per Share (yen)   | 89.34                                  | 49.98                                  | 110.83                                 | (15.22)                                                                  |
| Total Assets (millions of yen)          | 20,917                                 | 19,649                                 | 20,083                                 | 26,492                                                                   |
| Net Assets (millions of yen)            | 15,999                                 | 14,722                                 | 16,291                                 | 22,427                                                                   |
| Net Assets per Share (yen)              | 1,021.07                               | 984.00                                 | 1,086.59                               | 1,392.24                                                                 |

Notes:

1. The net income or net loss per share was computed by using the weighted-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 at the end of the fiscal year.
3. On April 1, 2013, the Company effected a 1:100 stock split. The net income or net loss per share and the net assets per share were calculated assuming the stock split was conducted at the beginning of the 12th fiscal year.

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

| Category                          | 12th Fiscal Year<br>(ended March 2011) | 13th Fiscal Year<br>(ended March 2012) | 14th Fiscal Year<br>(ended March 2013) | 15th Fiscal Year<br>(the fiscal year)<br>(ended March 2014) |
|-----------------------------------|----------------------------------------|----------------------------------------|----------------------------------------|-------------------------------------------------------------|
| Net Sales (millions of yen)       | 13,229                                 | 12,381                                 | 11,563                                 | 9,666                                                       |
| Ordinary Income (millions of yen) | 3,314                                  | 1,626                                  | 2,212                                  | 596                                                         |

|                                       |                   |          |        |          |          |
|---------------------------------------|-------------------|----------|--------|----------|----------|
| Net Income<br>(Net Loss)              | (millions of yen) | 1,454    | 217    | 1,159    | (7)      |
| Net Income<br>(Net Loss)<br>per Share | (yen)             | 94.01    | 14.50  | 77.63    | (0.51)   |
| Total Assets                          | (millions of yen) | 21,136   | 19,062 | 19,233   | 25,048   |
| Net Assets                            | (millions of yen) | 16,225   | 14,571 | 15,608   | 21,827   |
| Net Assets<br>per Share               | (yen)             | 1,045.28 | 973.88 | 1,040.83 | 1,355.19 |

Notes:

1. The net income or net loss per share was computed by using the weighted-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 at the end of the fiscal year.
3. On April 1, 2013, the Company effected a 1:100 stock split. The net income or net loss per share and the net assets per share were calculated assuming the stock split was conducted at the beginning of the 12th fiscal year.

(9) Status of parent companies and subsidiaries

(i) Relationship with parent companies

Not applicable

(ii) 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%                                    | Find Job! business            |
| mixi marketing, Inc.   | 100 million yen | 100%                                    | Internet advertising business |
| Diverse, Inc.          | 100 million yen | 100%                                    | Marriage support business     |

Notes:

1. Because the Company newly incorporated mixi marketing, Inc. by conducting a company split (an incorporation-type company split) and the Company newly acquired shares of Diverse, Inc., those companies are included in the Company's consolidated financial statements from the consolidated fiscal year ended March 31, 2014.
2. Because Shanghai Mixiu Network Technology Co., Ltd. and mixi Shanghai, Inc., which were the Company's consolidated subsidiaries until the previous consolidated fiscal year, resolved the dissolution in July 2013, those companies are excluded from the Company's consolidated financial statements for the consolidated fiscal year ended March 31, 2014.
3. The Company has 11 consolidated subsidiaries including the three important subsidiaries above.

(10) Issues to be addressed

The basic strategy of the Company's group is to keep creating new values in the world 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 values, the Company will promote the creation and nurture of new businesses through means such as openly collecting ideas from employees, 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 at March 31, 2014)

| Business Segment           | Details of Business                                               |
|----------------------------|-------------------------------------------------------------------|
| Social Networking Business | Operating the SNS "mixi" and smartphone native games              |
| Find Job! Business         | Operating the recruiting website for web-related jobs "Find Job!" |

(12) Main office (as at March 31, 2014)

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

(13) Status of employees (as at March 31, 2014)

(i) Status of the corporate group's employees

| Number of Employees | Increase or Decrease from the Previous Consolidated Fiscal Year |
|---------------------|-----------------------------------------------------------------|
| 390                 | decrease of 138                                                 |

Notes:

1. Officers, part-time employees and temporary employees are not included in the number of employees above.
2. The main reason the number of employees decreased by 138 from the previous consolidated fiscal year is that although there was an increase in the number of employees due to new acquisition of shares of Diverse, Inc. and Confianza & Co., Inc., there was a decrease due to close of development centers in China and retirement of employees.

(ii) Status of the Company's employees

| Number of Employees | Increase or Decrease from the Previous Fiscal Year | Average Age    | Average Length of Service |
|---------------------|----------------------------------------------------|----------------|---------------------------|
| 285                 | decrease of 174                                    | 31.4 years old | 3.7 years                 |

Notes:

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



2. The main reasons the number of employees decreased by 174 from the previous fiscal year are (a) incorporation by a company split (an incorporation-type company split) of mixi marketing, Inc., which operates businesses such as the advertising business for the SNS “mixi” and (b) secondment and transfer to consolidated subsidiaries and retirement of employees.

(14) Main lenders (as at March 31, 2014)

Not applicable

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

Not applicable

## 2. Matters concerning the Company's shares (as at March 31, 2014)

- (1) Total number of authorized shares 52,800,000 shares
- (2) Total number of issued shares 16,640,600 shares  
(including 568,700 shares of treasury stock)
- (3) Number of shareholders 15,964 shareholders
- (4) Principal shareholders (top ten shareholders)

| Name of Shareholder                        | Number of Shares<br>(shares) | Percentage of<br>Shareholding<br>(%) |
|--------------------------------------------|------------------------------|--------------------------------------|
| Kenji Kasahara                             | 7,907,600                    | 49.20                                |
| Daisuke Gomi                               | 610,000                      | 3.79                                 |
| Japan Securities Finance Co., Ltd.         | 283,700                      | 1.76                                 |
| BNY GCM Client Account JPRD AC ISG (FE-AC) | 217,252                      | 1.35                                 |
| Masaru Shimizu                             | 205,000                      | 1.27                                 |
| Matsui Securities Co., Ltd.                | 107,500                      | 0.66                                 |
| Yasuhiro Ogino                             | 90,000                       | 0.55                                 |
| Yutaka Akutsu                              | 77,000                       | 0.47                                 |
| Akinori Harada                             | 75,000                       | 0.46                                 |
| Morgan Stanley & Co. International plc     | 68,600                       | 0.42                                 |

Note: The percentages of shareholding were calculated by excluding the 568,700 shares of treasury stock.

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

- (i) Due to the 1:100 stock split effected on April 1, 2013, the total number of issued shares increased by 15,355,494 shares to 15,510,600 shares and the total number of authorized shares increased from 528,000 shares to 52,800,000 shares.
- (ii) Due to the issuance of new shares by way of public offering with a payment date of March 17, 2014, the total number of issued shares increased by 1,130,000 shares to 16,640,600 shares.

### 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 at the last day of the fiscal year

|                                                                              | 9th Series of<br>Subscription Rights to<br>Shares | 10th Series of<br>Subscription Rights to<br>Shares | 11th Series of<br>Subscription Rights to<br>Shares (1) |
|------------------------------------------------------------------------------|---------------------------------------------------|----------------------------------------------------|--------------------------------------------------------|
| Issue Date                                                                   | June 10, 2010                                     | June 2, 2011                                       | August 27, 2012                                        |
| Category and Number of Grantees                                              | One director (excluding<br>outside directors)     | Two directors (excluding<br>outside directors)     | One director (excluding<br>outside directors)          |
| Number of Subscription Rights to<br>Shares                                   | 5 subscription rights to<br>shares                | 10 subscription rights to<br>shares                | 50 subscription rights to<br>shares                    |
| Type and Number of the Underlying<br>Shares                                  | 500 shares of common<br>stock*3                   | 1,000 shares of common<br>stock*3                  | 5,000 shares of common<br>stock*3                      |
| Issue Price                                                                  | Issued without<br>consideration                   | Issued without<br>consideration                    | Issued without<br>consideration                        |
| Exercise Price per Share upon<br>Exercising Subscription Rights to<br>Shares | 4,970 yen*3 *4                                    | 3,137 yen*3 *4                                     | 1,328 yen*3 *4                                         |
| Exercise Period                                                              | From June 10, 2012 to<br>June 9, 2015             | From June 2, 2013 to<br>June 1, 2016               | From August 27, 2014 to<br>August 26, 2017             |
| Conditions for Exercising<br>Subscription Rights to Shares                   | *5                                                | *5                                                 | *6                                                     |

|                                                                              | 11th Series of<br>Subscription Rights to<br>Shares (2) | 12th Series of<br>Subscription Rights to<br>Shares |
|------------------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------|
| Issue Date                                                                   | August 27, 2012                                        | February 15, 2013                                  |
| Category and Number of Grantees                                              | Two directors (excluding<br>outside directors)         | One director (excluding<br>outside directors)      |
| Number of Subscription Rights to<br>Shares                                   | 82 subscription rights to<br>shares                    | 22 subscription rights to<br>shares                |
| Type and Number of Underlying<br>Shares                                      | 8,200 shares of common<br>stock*3                      | 2,200 shares of common<br>stock*3                  |
| Issue Price                                                                  | Issued without<br>consideration                        | Issued without<br>consideration                    |
| Exercise Price per Share upon<br>Exercising Subscription Rights to<br>Shares | 1,328 yen*3 *4                                         | 2,014 yen*3 *4                                     |
| Exercise Period                                                              | From August 27, 2014 to<br>August 26, 2017             | From February 15, 2015<br>to February 14, 2018     |
| Conditions for Exercising<br>Subscription Rights to Shares                   | *6                                                     | *6                                                 |

Notes:

1. The Company does not grant any subscription rights to share to outside directors or audit and supervisory board members.
2. The subscription rights to shares held by the directors except for the 11th series of subscription rights to shares (1) were granted when the directors were employees of the Company.
3. The Company effected a 1:100 stock split on April 1, 2013, in accordance with the resolution of the board of directors meeting held on February 21, 2013. The number of underlying shares and the exercise price per share upon exercising the subscription rights to shares in the table above are adjusted for the stock split.
4. The exercise price per share upon exercising the subscription rights to shares is adjusted for the issuance of new shares by way of public offering resolved at the board of directors meeting held on February 28, 2014.
5. If a grantee of subscription rights to shares waives its subscription rights to shares, the grantee may not exercise the subscription rights to shares. Other conditions will be set forth in the “Agreement on Allotment of Subscription Rights to Shares” executed between the Company and a person to whom the Company has allotted subscription rights to shares.
6. If a grantee of subscription rights to shares waives its subscription rights to shares, the grantee may not exercise the subscription rights to shares. Other conditions will be set forth in the “Subscription Agreement for All Subscription Rights to Shares” executed between the Company and a person to whom the Company has allotted subscription rights to shares.

- (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 at March 31, 2014)

| Position in Company                           | Name               | Responsibilities and Significant Concurrent Posts                                                                                                                                           |
|-----------------------------------------------|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| President and Representative Director         | Yusuke Asakura     | Executive Officer<br>Chief Executive Officer                                                                                                                                                |
| Director                                      | Yasuhiro Ogino     | Executive Officer<br>Chief Financial Officer                                                                                                                                                |
| Director                                      | Yuichi Kawasaki    | Executive Officer<br>Chief Business Officer                                                                                                                                                 |
| Director                                      | Takeshi Matsuoka   | Executive Officer<br>Chief Technical Officer                                                                                                                                                |
| Director and Chairperson                      | Kenji Kasahara     | -                                                                                                                                                                                           |
| Director                                      | Ichiya Nakamura    | Professor at the Graduate School of Media Design, Keio University<br>Representative of General Incorporated Association, You Go Lab<br>Head of secretariat of Japan Social Game Association |
| 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 a US certified public accountant and possesses considerable expertise regarding finance and accounting.
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 who retired during the fiscal year

| Position in Company at Time of Retirement | Name | Responsibilities and Significant Concurrent Posts at Time of | Reason for Retirement | Retirement Date |
|-------------------------------------------|------|--------------------------------------------------------------|-----------------------|-----------------|
|-------------------------------------------|------|--------------------------------------------------------------|-----------------------|-----------------|

|          |                |            |                          |               |
|----------|----------------|------------|--------------------------|---------------|
|          |                | Retirement |                          |               |
| Director | Akinori Harada | -          | Expiry of term of office | June 25, 2013 |

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

| Category                           | Number of Officers | Amount         | Remarks                                                                |
|------------------------------------|--------------------|----------------|------------------------------------------------------------------------|
| Director                           | 8                  | 50 million yen | (9 million yen for two outside directors)                              |
| Audit and Supervisory Board Member | 3                  | 19 million yen | (19 million yen for three outside audit and supervisory board members) |
| Total                              | 11                 | 70 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 14th ordinary general meeting of shareholders held on June 25, 2013, that the maximum amount of remunerations for directors (monthly-paid remunerations and stock options combined) is 200 million yen per annum (including a maximum amount of 30 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. The number of officers in the column titled “Number of Officers” includes one director who retired due to expiry of the term of office at the end of the 14th ordinary general meeting of shareholders held on June 25, 2013 and the amounts in the column titled “Amount” include the amount for that included director.
5. The amount of remunerations above includes the expenses reported for the fiscal year in relation to subscription rights to shares granted as stock options (two million yen for directors).

(4) Matters regarding outside officers

- (i) The status of important 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>Representative of General Incorporated Association, You Go Lab<br>Outside director of Space Shower Networks, Inc.<br>Outside director of JP Holdings, Inc.<br>Director of Digital Ehon, Inc.<br>Head of secretariat of Japan Social Game Association |
| Director                    | Tatsuya Aoyagi  | Representative director of Heartworth Partners, Inc.<br>Outside audit and supervisory board member of AmLead Co., Ltd.                                                                                                                                                                                                    |
| Audit and Supervisory Board | Takayuki Sato   | Managing partner of Satoh Business Law Office                                                                                                                                                                                                                                                                             |

|                                    |                    |                                                                                                                                                                                  |
|------------------------------------|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Member                             |                    |                                                                                                                                                                                  |
| 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 Eastern Co., Ltd. |

Note: There is no special relationship between the Company and the other corporations above.

(ii) Main activities during the fiscal year ended March 31, 2014

| Position                                      | Name               | Activities                                                                                                                                                                                                                                                                                |
|-----------------------------------------------|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Director                                      | Ichiya Nakamura    | He attended 13 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 and participated in decision making.                                                     |
| 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 15 of the 15 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 15 of the 15 audit and supervisory board meetings held in the fiscal year. He provided comments mainly from his professional viewpoint as a lawyer and as a US certified public accountant. |
| Audit and Supervisory Board Member            | Hiroyuki Wakamatsu | He attended 15 of the 18 board of directors meetings held in the fiscal year, and he attended 13 of the 15 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, 2014

|                                                                                                           | Payment        |
|-----------------------------------------------------------------------------------------------------------|----------------|
| Independent auditors' remuneration for the fiscal year ended March 31, 2014                               | 31 million yen |
| The aggregate amount of money and other financial benefits to be paid by the Company and its subsidiaries | 33 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, 2014 is stated in the table above.

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

The Company paid the independent auditors compensation for preparing a comfort letter related to the issuance of new shares in addition to paying consideration for the services set forth in Article 2, Paragraph 1 of the Certified Public Accountants Act of Japan.

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

If the board of directors determines 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), it will, after obtaining the consent of the audit and supervisory board or at the request of the audit and supervisory board, include the dismissal or non-reelection of the independent auditors in the purpose of a general meeting of shareholders.

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 to ensure the properness of operations**

Details of decisions 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 are set out below.

- (1) Systems to ensure that the execution of duties by the directors and employees complies with laws and regulations and the articles of incorporation
  - (i) As a company with an audit and supervisory board, the Company will endeavor to, through the supervisory function of the board of directors and the monitoring function of the audit and supervisory board, ensure that directors and employees properly execute their duties. In addition, the Company will establish an internal audit office as a division in charge of internal audits and under the direct control of the President and Representative Director, and by conducting internal audits through that division, the Company will inspect whether the execution of duties by the directors and employees complies with laws and regulations, the articles of incorporation and internal rules.
  - (ii) To enhance directors' and employees' awareness of compliance with laws and regulations, the Company will endeavor to develop a high sense of ethics by implementing ethical regulations and by providing legal education and other training that is appropriate in light of their duties.
  - (iii) Through the implementation and operation of a whistleblower system, the Company will identify at an early stage acts that will violate laws and regulations, the articles of incorporation or internal rules and will respond to such acts in an appropriate and timely manner.
- (2) Systems regarding preservation and management of information relating to the execution of duties by directors
  - (i) Information relating to the execution of a director's duties shall be documented (including electronically recording the information) and then preserved with related material that was used to make judgments relating to the business. The Company will establish a division to supervise document management, and the documents that are subject to management, the division responsible for the preservation of those documents, the storage period, management methods and other related matters shall be provided in the document management rules.
  - (ii) In preparation for when a director, audit and supervisory board member or other relevant person requests to inspect information relating to the execution of a director's duties, the Company shall keep the information accessible and properly manage the information in accordance with the document management rules.
- (3) Rules and other systems for managing risk of loss
  - (i) The Company shall endeavor to ascertain, assess and minimize risks that might occur in relation to the business operations of each division by implementing rules relating to risk management and 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.

- (ii) In preparation for when residual risks become apparent, the Company shall maintain a system that can promptly respond to such risks.
- (4) Systems to ensure efficient execution of duties by directors
- (i) The Company will aim to clarify duties and responsibilities of directors by implementing internal rules such as directors' rules, organization rules, rules of administrative authority and rules for allocation of duties. In addition, the Company shall implement rules for the board of directors and provide for matters that should be discussed at the board of directors.
  - (ii) To ensure the efficiency of business operations, the President and Representative Director shall determine a company-wide vision to be shared with directors and employees and work to cause that vision to permeate the Company and, in addition, each division shall determine measures to realize the vision and the President and Representative Director shall review such measures each quarter and give each division feedback on the results of the review.
  - (iii) In addition to the monthly regular board of directors meetings, if necessary, the Company will hold extraordinary board of directors meetings and make important business-related decisions and supervise and check the execution of business operations. In addition, the Company will establish a system that enables timely and proper business judgments by sharing information at an early stage through meetings held as appropriate in which the progress of the business operations of each division is discussed.
- (5) System to ensure the properness of execution of operations in corporate group
- (i) The Administrative Headquarter shall be in charge of administrating the management of subsidiaries, and the administration of management shall be conducted in accordance with the basic policies for administrating the management of group companies and rules for administrating group companies ("Rules for Administrating Group Companies").
  - (ii) If a subsidiary judges that there is an issue related to a law or regulation with respect to the Company's administration of management, it shall report to the Company's division in charge of internal audits. The internal audits division shall immediately report to the audit and supervisory board members. The audit and supervisory board members may state their opinion and request the Company to formulate improvement plans.
  - (iii) The division in charge of internal audits shall conduct internal audits on subsidiaries.
- (6) Matters relating to employees assisting duties of audit and supervisory board members when appointment of those employees is requested by the audit and supervisory board members

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 directors of employees assisting duties of audit and supervisory board members
  - (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 obtaining the consent of the audit and supervisory board.
- (8) System for reporting by directors and employees to audit and supervisory board members and other systems for reporting to 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) The meeting of the board of audit and supervisory board members will be held regularly on a monthly basis and also will be held whenever necessary, and audit and supervisory board members shall report to the audit and supervisory board regarding reports received from directors and employees.
  - (iii) Audit and supervisory board members shall inspect important documents and other documents and, as necessary, may request directors and employees to explain those documents.
  - (iv) Directors and employees shall, from time to time, report to the audit and supervisory board facts that might materially affect the management or business results of the Company.
- (9) Other systems to ensure audit and supervisory board members to effectively conduct audits
  - (i) Audit and supervisory board members shall seek to promote mutual understanding with directors by regularly holding meetings with them and exchanging opinions about management issues, risks surrounding the Company, important audit issues and the situation regarding maintenance of work environment for audit and supervisory board members' audits.
  - (ii) Audit and supervisory board members may request directors to report on matters necessary for conducting an audit and, as necessary, may demand that directors implement corrective measures.
  - (iii) The audit and supervisory board shall regularly receive reports from the independent auditors on the method used to conduct accounting audits and their results and exchange opinions with the independent auditors.

- (iv) Audit and supervisory board members and the audit and supervisory board may, as necessary, seek opinions from lawyers, patent attorneys, certified public accountants, certified public tax accountants and other external specialists.

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

The Company recognizes that providing a return to shareholders is an important management issue. While making an effort to maintain sufficient internal reserves for future business development and strengthening of business operations, at the same time the Company distributes dividends to provide a return to shareholders who hold shares in the Company for a long time.

Based on the above policy, the Company will distribute 14 yen per share as the year-end dividend for the fiscal year ended March 31, 2014.

At this point in time, the Company has not yet determined the distribution of dividends for the following fiscal year ending March 31, 2015; however, while seeking to secure sufficient internal reserves and taking into consideration the business performance in each fiscal year, the Company plans to continue considering providing returns to shareholders.

## Consolidated Balance Sheets

(As of March 31, 2014)

(Unit: ¥ million)

|                                      | Amount        |                                               | Amount         |
|--------------------------------------|---------------|-----------------------------------------------|----------------|
| <b>Assets</b>                        |               | <b>Liabilities</b>                            |                |
| <b>Current assets</b>                | <b>21,917</b> | <b>Current liabilities</b>                    | <b>4,046</b>   |
| Cash and deposits                    | 17,818        | Accounts payable – other                      | 1,595          |
| Accounts receivable – trade          | 3,798         | Income taxes payable                          | 213            |
| Deferred tax assets                  | 182           | Deposits received                             | 1,538          |
| Other                                | 168           | Provision for bonuses                         | 281            |
| Allowance for doubtful accounts      | (50)          | Provision for point card certificates         | 30             |
|                                      |               | Asset retirement obligations                  | 20             |
|                                      |               | Other                                         | 365            |
| <b>Non-current assets</b>            | <b>4,575</b>  | <b>Non-current liabilities</b>                | <b>19</b>      |
| <b>Property, plant and equipment</b> | <b>622</b>    | Long-term deposits received                   | 19             |
| Buildings                            | 247           |                                               |                |
| Tools, furniture & fixtures          | 372           |                                               |                |
| Other                                | 2             |                                               |                |
| <b>Intangible assets</b>             | <b>965</b>    |                                               |                |
| Goodwill                             | 846           |                                               |                |
| Other                                | 119           |                                               |                |
| <b>Investments and other assets</b>  | <b>2,987</b>  |                                               |                |
| Investment securities                | 1,418         |                                               |                |
| Deferred tax assets                  | 850           |                                               |                |
| Other                                | 721           |                                               |                |
| Allowance for doubtful accounts      | (3)           |                                               |                |
|                                      |               | <b>Total liabilities</b>                      | <b>4,065</b>   |
|                                      |               | <b>Net assets</b>                             |                |
|                                      |               | <b>Shareholders' equity</b>                   | <b>22,238</b>  |
|                                      |               | <b>Capital stock</b>                          | <b>7,034</b>   |
|                                      |               | <b>Capital surplus</b>                        | <b>7,013</b>   |
|                                      |               | <b>Retained earnings</b>                      | <b>9,853</b>   |
|                                      |               | <b>Treasury shares</b>                        | <b>(1,661)</b> |
|                                      |               | <b>Accumulated other comprehensive income</b> | <b>137</b>     |
|                                      |               | Foreign currency translation adjustment       | 137            |
|                                      |               | <b>Subscription rights to shares</b>          | <b>46</b>      |
|                                      |               | <b>Minority interests</b>                     | <b>5</b>       |
|                                      |               |                                               |                |
|                                      |               | <b>Total net assets</b>                       | <b>22,427</b>  |
| <b>Total assets</b>                  | <b>26,492</b> | <b>Total liabilities and net assets</b>       | <b>26,492</b>  |

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

## Consolidated Statements of Income

(April 1, 2013 to March 31, 2014)

(Unit: ¥ million)

|                                                                | Amount |               |
|----------------------------------------------------------------|--------|---------------|
| <b>Net sales</b>                                               |        | <b>12,155</b> |
| <b>Cost of sales</b>                                           |        | <b>3,397</b>  |
| <b>Gross profit</b>                                            |        | <b>8,758</b>  |
| <b>Selling, general and administrative expenses</b>            |        | <b>8,278</b>  |
| <b>Operating income</b>                                        |        | <b>480</b>    |
| <b>Non-operating income</b>                                    |        |               |
| Interest income                                                | 5      |               |
| Foreign exchange gains                                         | 26     |               |
| Other                                                          | 13     | <b>44</b>     |
| <b>Non-operating expenses</b>                                  |        |               |
| Share of loss of entities accounted for using equity method    | 152    |               |
| Loss on investments in partnership                             | 61     |               |
| Share issuance cost                                            | 35     |               |
| Other                                                          | 11     | <b>261</b>    |
| <b>Ordinary income</b>                                         |        | <b>263</b>    |
| <b>Extraordinary income</b>                                    |        |               |
| Gain on reversal of subscription rights to shares              | 18     |               |
| Other                                                          | 0      | <b>18</b>     |
| <b>Extraordinary losses</b>                                    |        |               |
| Loss on sales and retirement of non-current assets             | 25     |               |
| Impairment loss                                                | 73     |               |
| Amortization of goodwill                                       | 89     |               |
| Loss on liquidation of business of subsidiaries and associates | 11     | <b>199</b>    |
| <b>Income before income taxes and minority interests</b>       |        | <b>82</b>     |
| Income taxes - current                                         | 325    |               |
| Income taxes - deferred                                        | (14)   | <b>311</b>    |
| <b>Loss before minority interests</b>                          |        | <b>(228)</b>  |
| <b>Minority interests in loss</b>                              |        | <b>(0)</b>    |
| <b>Net loss</b>                                                |        | <b>(227)</b>  |

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

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

(April 1, 2013 to March 31, 2014)

(Unit: ¥ million)

|                                                      | Shareholders' equity |                 |                   |                 |                            |
|------------------------------------------------------|----------------------|-----------------|-------------------|-----------------|----------------------------|
|                                                      | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance on April 1, 2013                             | 3,765                | 3,735           | 10,409            | (1,690)         | 16,220                     |
| Changes of items during period                       |                      |                 |                   |                 |                            |
| Issuance of new shares                               | 3,268                | 3,268           |                   |                 | 6,537                      |
| Dividends of surplus                                 |                      |                 | (328)             |                 | (328)                      |
| Net loss                                             |                      |                 | (227)             |                 | (227)                      |
| Disposal of treasury shares                          |                      | 8               |                   | 28              | 37                         |
| Net changes of items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes of items during period                 | 3,268                | 3,277           | (556)             | 28              | 6,018                      |
| Balance on March 31, 2014                            | 7,034                | 7,013           | 9,853             | (1,661)         | 22,238                     |

|                                                      | Accumulated other comprehensive income  |                                              | Subscription rights to shares | Minority interests | Total net assets |
|------------------------------------------------------|-----------------------------------------|----------------------------------------------|-------------------------------|--------------------|------------------|
|                                                      | Foreign currency translation adjustment | Total accumulated other comprehensive income |                               |                    |                  |
| Balance on April 1, 2013                             | 4                                       | 4                                            | 67                            | -                  | 16,291           |
| Changes of items during period                       |                                         |                                              |                               |                    |                  |
| Issuance of new shares                               |                                         |                                              |                               |                    | 6,537            |
| Dividends of surplus                                 |                                         |                                              |                               |                    | (328)            |
| Net loss                                             |                                         |                                              |                               |                    | (227)            |
| Disposal of treasury shares                          |                                         |                                              |                               |                    | 37               |
| Net changes of items other than shareholders' equity | 132                                     | 132                                          | (20)                          | 5                  | 117              |
| Total changes of items during period                 | 132                                     | 132                                          | (20)                          | 5                  | 6,135            |
| Balance on March 31, 2014                            | 137                                     | 137                                          | 46                            | 5                  | 22,427           |

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: 11
- Names of the major consolidated subsidiaries: mixi recruitment, Inc.  
mixi marketing, Inc.  
Diverse, Inc.

The following companies have been included in the scope of consolidation from the consolidated fiscal year ended March 31, 2014 for the following reasons, respectively:

mixi marketing, Inc. due to new establishment through a company split (incorporation-type company split); i-mercury Capital, Inc. and nohana, Inc. due to new establishment; Scrum Ventures GP L.L.C. due to new investment made; Diverse, Inc. and Confianza & Co., Inc. due to acquisition of their shares.

Shanghai Mixiu Network Technology Co., Ltd. and mixi Shanghai, Inc., which were consolidated subsidiaries of mixi until the previous consolidated fiscal year, have been excluded from the scope of consolidation due to resolution of their dissolution in July, 2013.

2) Names of non-consolidated subsidiaries

eMercury, Inc.

(Reason for exclusion from the scope of consolidation)

eMercury, Inc. has been excluded from the scope of consolidation as it is a small-scale company and its results such as total assets, net sales, net income or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest) 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

- Number of entities accounted for using the equity method: 1
- Name of entity: SORATOBU Inc.

Grenge, Inc., frenxxo, Inc. and Torchlight Inc., which were entities accounted for using the equity method until the previous consolidated fiscal year, are excluded from the scope of application of the equity method as all shares held by mixi have been sold.

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

eMercury, 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 no significant impact on the consolidated financial statements in terms of results such as net income or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest).

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

Among consolidated subsidiaries, the closing date of kamado, Inc., Scrum Ventures Fund I, L.P. and Scrum Ventures GP L.L.C. is end of December every year, and their financial statements as at their respective closing dates are consolidated. However, necessary adjustments are made to reflect important transactions that has occurred since their closing date to the consolidated closing date.

(4) Special Note in regard to Procedures for Application of Equity Method

For entities accounted for using the equity method whose closing dates differ from the consolidated closing date, their financial statements as at their most recent closing dates are consolidated.



(5) 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 such as those in investment partnerships are based on the financial statements for the most recent closing date using the corresponding net equity.

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 50 years

Tools, furniture and fixtures: 3 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 a period of 3 to 4 years using the straight line method. However, in the case where the amount is immaterial, the entire amount is amortized at the time of occurrence.

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.

c. Provision for point card certificates:

In order to provide for the future cost generated from the utilization of points, the amount calculated by multiplying the balance of unused points as at the end of the consolidated fiscal year by figures such as historical utilization ratio is recorded.

4) Accounting method for significant deferred assets

Share issuance cost: The total amount is charged to expenses when incurred.

5) 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. Notes on Changes in Representation Methods

### (Consolidated Balance Sheets)

Goodwill (¥178 million in the previous consolidated fiscal year), which was included in intangible assets in the previous consolidated fiscal year, is presented separately from the consolidated fiscal year ended March 31, 2014 due to an increase in significance.

### (Consolidated Statements of Income)

Gain on reversal of subscription rights to shares (¥7 million in the previous consolidated fiscal year), which was included in “Other” under extraordinary income in the previous consolidated fiscal year, is presented separately from the consolidated fiscal year ended March 31, 2014 due to an increase in significance.

## 3. Notes on Consolidated Balance Sheets

Accumulated depreciation of property, plant and equipment: ¥1,562 million

## 4. Notes on Consolidated Statements of Income

### (1) Amortization of goodwill

Amortization of goodwill posted as an extraordinary loss resulted from amortization of goodwill under the provision of Paragraph 32 of the “Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements” (Exposure Draft of revised Accounting Practice Committee Report No. 7 dated January 12, 2011 issued by Japanese Institute of Certified Public Accountant).

### (2) Impairment loss

The Group posted impairment losses on the following assets in the current consolidated fiscal year.

| Application              | Business            | Place              | Classification                                       | Amount<br>(¥ million) |
|--------------------------|---------------------|--------------------|------------------------------------------------------|-----------------------|
| Assets to be disposed of | Social net business | Osaka-shi, Osaka   | Buildings<br>Tools, furniture & fixtures             | 17                    |
|                          |                     | Sendai-shi, Miyagi | Buildings<br>Tools, furniture & fixtures<br>Software | 35                    |
|                          |                     | Shanghai, China    | Buildings<br>Tools, furniture & fixtures             | 18                    |
| Business assets          | Other               | Shibuya-ku, Tokyo  | Tools, furniture & fixtures<br>Software              | 2                     |

Assets are grouped mainly based on business segmentation. Idle assets and assets to be disposed of are grouped by each asset.

Impairment loss of the social net business amounted to ¥71 million, which is the decrease in the book value of relevant assets to the recoverable value due to the decisions to close local bases of mixi, Inc., to liquidate Shanghai Mixiu Network Technology Co., Ltd. and mixi Shanghai, Inc. Impairment loss of the Other Business amounted to ¥2 million which is the decrease in the book value of relevant assets to the recoverable value due to the fact that the anticipated revenue from the business acquisition is no longer expected. The breakdown of impairment loss by classification of assets is buildings amounting to ¥49 million, tools, furniture and fixtures amounting to ¥22 million and software amounting to ¥1 million.

The recoverable values are calculated by estimating the usable values, but the assets are set as zero due to the fact that no future cash flow is anticipated.

### (3) Loss on liquidation of business of subsidiaries and associates

The loss resulted from liquidation of Shanghai Mixiu Network Technology Co., Ltd. and mixi Shanghai, Inc.

## 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, 2013 | Increase          | Decrease | As of March 31, 2014 |
|-----------------|---------------------|-------------------|----------|----------------------|
| Common shares   | 155,106 shares      | 16,485,494 shares | - shares | 16,640,600 shares    |

(Summary of causes of changes)

Increase due to stock split: 15,355,494 shares

Increase due to issuance of new shares by way of public offering: 1,130,000 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 15, 2013 | Common shares   | 328                                   | 2,200                   | March 31, 2013 | June 10, 2013  |

Note: A hundred-for-one stock split was carried out on April 1, 2013. The amount in dividends per share stated above shows the actual dividends per share before the stock split.

#### 2) Dividends with record dates within the consolidated fiscal year ended March 31, 2014 but with effective dates in the following consolidated 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 14, 2014 | Common shares   | Retained earnings   | 225                                   | 14                      | March 31, 2014 | June 9, 2014   |

### (3) Matters related to the subscription rights to shares as of March 31, 2014

|                                                                                                                                             | Class of shares to be issued | Number of shares to be issued |
|---------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-------------------------------|
| 4 <sup>th</sup> Series of Subscription Rights to Shares (resolved at the Extraordinary General Meeting of Shareholders on October 21, 2005) | Common shares                | 6,000 shares                  |
| 5 <sup>th</sup> Series of Subscription Rights to Shares (resolved at the Extraordinary General Meeting of Shareholders on October 21, 2005) | Common shares                | 5,000 shares                  |
| 7 <sup>th</sup> Series of Subscription Rights to Shares (resolved at the Extraordinary General Meeting of Shareholders on April 28, 2006)   | Common shares                | 800 shares                    |
| 9 <sup>th</sup> Series of Subscription Rights to Shares (resolved at the Board of Directors Meeting on May 26, 2010)                        | Common shares                | 5,000 shares                  |
| 10 <sup>th</sup> Series of Subscription Rights to Shares (resolved at the Board of Directors Meeting on May 18, 2011)                       | Common shares                | 18,400 shares                 |

Note: The above excludes subscription rights to shares of which the commencement date of exercise periods has not yet arrived.

## 6. Notes on Financial Instruments

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

#### 1) Policy on financial instruments

In regard to fund management, the Group only invests its funds in highly safe short-term financial assets. The Group's 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 confirmation of credit standing of clients as well as management of the due dates and balance of each client by credit management personnel in accordance with credit management policies, the 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 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, deposits received, and income taxes payable. Accounts payable – other and deposits received are mainly due within two months. In regard to liquidity risk whereby financing is no longer possible, mixi 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 and Related Items of Financial Instruments

The amounts recorded in the consolidated balance sheets, fair value and the difference between the two as of March 31, 2014 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           | 17,818                                         | 17,818      | -          |
| (2) Accounts receivable – trade | 3,798                                          |             |            |
| Allowance for doubtful accounts | (50)                                           |             |            |
|                                 | 3,747                                          | 3,747       | -          |
| (3) Accounts payable – other    | (1,595)                                        | (1,595)     | -          |
| (4) Income taxes payable        | (213)                                          | (213)       | -          |
| (5) Deposits received           | (1,538)                                        | (1,538)     | -          |

(\*) 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) Deposits received

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 ¥549 million) and investments in investment partnerships (amount recorded on consolidated balance sheet is ¥869 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 and Others

(1) Business combination through acquisition

(Confianza & Co., Inc.)

1) Summary of the business combination

a. Name of the acquired company and description of the acquired business

Name of the acquired company: Confianza & Co., Inc.

Description of the acquired business: Operation of “Machicon” (matchmaking parties) events that use facilities such as restaurants and provision of consulting service to organizations such as local governments by utilizing “Machicon” events

b. Reasons for the business combination

mixi has developed its business such as operation of *mixi.jp* in pursuit of its mission of “creating comfortable connections for all people.” In order to continue to provide more people with a wide range of connections and expand the Group’s business portfolio, mixi acquired all of Confianza & Co., Inc.’s shares to make it into a subsidiary.

c. Date of business combination: November 1, 2013

d. Legal form of the business combination: Share acquisition

e. Name of the entity after the business combination: Confianza & Co., Inc.

f. Ratio of voting rights acquired: 100%

g. Primary ground for determining the acquiring company: Due to the acquisition by mixi of all of Confianza & Co., Inc.’s shares and its conversion to a consolidated subsidiary.

2) Period of business performance of the acquired company included in the consolidated statement of income for the consolidated fiscal year ended March 31, 2014

The acquisition was deemed to be implemented on December 31, 2013 (closing date of Confianza & Co., Inc.), and the business performance for the period from January 1, 2014 to March 31, 2014 of the acquired company is included in the consolidated financial statements for the consolidated fiscal year ended March 31, 2014.

3) Acquisition cost of the acquired company and its breakdown

Consideration for acquisition

Cash

¥100 million

Expenses directly required for the acquisition

Advisory fees and others

¥8 million

Acquisition cost

¥108 million

4) Amount of goodwill generated, reasons for the goodwill, and amortization method and amortization period of goodwill

a. Amount of goodwill generated

¥87 million

b. Reasons for the goodwill

Goodwill was generated due to the difference between the value of equity interest held by the acquiring company in the acquired company and the acquisition cost.

c. Amortization method and amortization period of goodwill

The straight line method over 3 years

(Diverse, Inc.)

1) Summary of the business combination

a. Name of the acquired company and description of the acquired business

Name of the acquired company: Diverse, Inc.

Description of the acquired business: Provision of marriage support service including the

management of the matrimonial website, “youbride.”

b. Reasons for the business combination

mixi has developed its business such as operation of *mixi.jp* in pursuit of its mission of “creating comfortable connections for all people.” In order to continue to provide more people with a wide range of connections and expand the Group’s business portfolio, mixi acquired all of Diverse, Inc.’s shares to make it into a subsidiary.

c. Date of business combination: December 2, 2013

d. Legal form of the business combination: Share acquisition

e. Name of the entity after the business combination: Diverse, Inc.

f. Ratio of voting rights acquired: 100%

g. Primary ground for determining the acquiring company: Due to the acquisition by mixi of all of Diverse, Inc.’s shares and its conversion to a consolidated subsidiary.

2) Period of business performance of the acquired company included in the consolidated statement of income for the consolidated fiscal year ended March 31, 2014

The business performance for the period from December 2, 2013 to March 31, 2014 of the acquired company is included in the consolidated financial statements for the consolidated fiscal year ended March 31, 2014.

3) Acquisition cost of the acquired company and its breakdown

Consideration for acquisition

Cash

¥1,070 million

Expenses directly required for the acquisition

Advisory fees and others

¥9 million

Acquisition cost

¥1,079 million

4) Amount of goodwill generated, reasons for the goodwill, and amortization method and amortization period of goodwill

a. Amount of goodwill generated

¥567 million

b. Reasons for the goodwill

Goodwill was generated due to the difference between the value of equity interest held by the acquiring company in the acquired company and the acquisition cost.

c. Amortization method and amortization period of goodwill

The straight line method over 3 years

(2) Transfer of business by consolidated subsidiary

mixi research, Inc., a consolidated subsidiary of mixi, acquired the Mystery Shopping Business from Itokuro, Inc. by way of an absorption-type split on December 2, 2013.

1) Summary of the business combination

a. Name of the counterparty entity and description of the acquired business

Name of the counterparty entity: Itokuro, Inc.

Description of the acquiring business: Provision of mystery shopping service in which monitors (mystery shoppers) conduct investigation, without revealing their identity, on service provided at shops, to business operators including restaurants, apparel companies and wedding service providers so that such business operators can improve their service.

b. Reasons for the business combination

mixi research, Inc. acquired the business to develop its research business both online and offline in the future by engaging in the Mystery Shopping Business through the website “Shoppers’ Eye” in

addition to the Internet Research Business mainly targeted at young users of its existing business of *mixi.jp*.

- c. Date of business combination: December 2, 2013
- d. Legal form of the business combination: Succession of business by way of an absorption-type split with cash as consideration
- e. Name of the entity after the business combination: mixi research, Inc.
- f. Primary ground for determining the acquiring company: Due to the succession by mixi research, Inc. of the Mystery Shopping Business of Itokuro, Inc. with cash as consideration.

- 2) Period of business performance of the acquired business included in the consolidated statement of income for the consolidated fiscal year ended March 31, 2014

The business performance for the period from December 2, 2013 to March 31, 2014 of the acquired business is included in the consolidated financial statements for the consolidated fiscal year ended March 31, 2014.

- 3) Acquisition cost of the acquired business and its breakdown

Consideration for acquisition

Cash

¥300 million

Expenses directly required for the acquisition

Advisory fees and others

¥5 million

Acquisition cost

¥305 million

- 4) Amount of goodwill generated, reasons for the goodwill, and amortization method and amortization period of goodwill

- a. Amount of goodwill generated

¥285 million

- b. Reasons for the goodwill

Goodwill was generated due to the difference between the value of assets acquired and liabilities assumed and the acquisition cost.

- c. Amortization method and amortization period of goodwill

The straight line method over 4 years

8. Notes on Per Share Information

(1) Net assets per share: ¥1,392.24

(2) Net loss per share: ¥15.22

9. Notes on Significant Subsequent Events

Not applicable.

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 promulgation on March 31, 2014 of the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 10 of 2014), special income tax for reconstruction will be abolished starting from consolidated fiscal years beginning on or after April 1, 2014. As a result, the effective statutory tax rate used to measure deferred tax assets and liabilities was changed from 38.01% to 35.64% for temporary differences expected to be eliminated in the consolidated fiscal year beginning on April 1, 2014.

As a result of these changes in tax rates, deferred tax assets after deducting deferred tax liabilities decreased by ¥34 million and income taxes – deferred recorded in the current consolidated fiscal year increased by the same amount.

## Balance Sheets

(As of March 31, 2014)

(Unit: ¥ million)

|                                       | Amount        |                                         | Amount         |
|---------------------------------------|---------------|-----------------------------------------|----------------|
| <b>Assets</b>                         |               | <b>Liabilities</b>                      |                |
| <b>Current assets</b>                 | <b>18,862</b> | <b>Current liabilities</b>              | <b>3,202</b>   |
| Cash and deposits                     | 15,044        | Accounts payable – other                | 1,292          |
| Accounts receivable – trade           | 3,245         | Accrued expenses                        | 1              |
| Prepaid expenses                      | 79            | Income taxes payable                    | 35             |
| Deferred tax assets                   | 151           | Advances received                       | 71             |
| Short-term loans receivable           | 200           | Deposits received                       | 1,526          |
| Consumption taxes receivable          | 63            | Provision for bonuses                   | 254            |
| Other                                 | 123           | Asset retirement obligations            | 20             |
| Allowance for doubtful accounts       | (45)          | Other                                   | 0              |
| <b>Non-current assets</b>             | <b>6,186</b>  | <b>Non-current liabilities</b>          | <b>19</b>      |
| <b>Property, plant and equipment</b>  | <b>613</b>    | Long-term deposits received             | 19             |
| Buildings                             | 247           |                                         |                |
| Tools, furniture & fixtures           | 365           | <b>Total liabilities</b>                | <b>3,221</b>   |
| <b>Intangible assets</b>              | <b>66</b>     | <b>Net assets</b>                       |                |
| Software                              | 66            | <b>Shareholders' equity</b>             | <b>21,780</b>  |
| Other                                 | 0             | <b>Capital stock</b>                    | <b>7,034</b>   |
| <b>Investments and other assets</b>   | <b>5,506</b>  | <b>Capital surplus</b>                  | <b>7,013</b>   |
| Investment securities                 | 718           | Legal capital surplus                   | 7,004          |
| Shares of subsidiaries and associates | 2,852         | Other capital surplus                   | 8              |
| Long-term loans receivable            | 950           | <b>Retained earnings</b>                | <b>9,394</b>   |
| Lease and guarantee deposits          | 546           | Other retained earnings                 | 9,394          |
| Deferred tax assets                   | 545           | Retained earnings brought forward       | 9,394          |
| Other                                 | 10            | <b>Treasury shares</b>                  | <b>(1,661)</b> |
| Allowance for doubtful accounts       | (117)         | <b>Subscription rights to shares</b>    | <b>46</b>      |
|                                       |               | <b>Total net assets</b>                 | <b>21,827</b>  |
| <b>Total assets</b>                   | <b>25,048</b> | <b>Total liabilities and net assets</b> | <b>25,048</b>  |

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



## Statements of Income

(April 1, 2013 to March 31, 2014)

(Unit: ¥ million)

|                                                                | Amount |              |
|----------------------------------------------------------------|--------|--------------|
| <b>Net sales</b>                                               |        | <b>9,666</b> |
| <b>Cost of sales</b>                                           |        | <b>2,587</b> |
| <b>Gross profit</b>                                            |        | <b>7,078</b> |
| <b>Selling, general and administrative expenses</b>            |        | <b>6,661</b> |
| <b>Operating income</b>                                        |        | <b>416</b>   |
| <b>Non-operating income</b>                                    |        |              |
| Interest income                                                | 15     |              |
| Dividend income                                                | 188    |              |
| Foreign exchange gains                                         | 24     |              |
| Other                                                          | 26     | <b>254</b>   |
| <b>Non-operating expenses</b>                                  |        |              |
| Loss on investments in partnership                             | 2      |              |
| Provision of allowance for investment loss                     | 26     |              |
| Share issuance cost                                            | 35     |              |
| Other                                                          | 10     | <b>74</b>    |
| <b>Ordinary income</b>                                         |        | <b>596</b>   |
| <b>Extraordinary income</b>                                    |        |              |
| Gain on sales of shares of subsidiaries and associates         | 22     |              |
| Gain on reversal of subscription rights to shares              | 18     | <b>40</b>    |
| <b>Extraordinary losses</b>                                    |        |              |
| Loss on sales and retirement of non-current assets             | 25     |              |
| Impairment loss                                                | 52     |              |
| Loss on valuation of shares of subsidiaries and associates     | 336    |              |
| Provision of allowance for doubtful accounts                   | 117    |              |
| Loss on liquidation of business of subsidiaries and associates | 134    | <b>667</b>   |
| <b>Loss before income taxes</b>                                |        | <b>(30)</b>  |
| Income taxes - current                                         | 10     |              |
| Income taxes - deferred                                        | (33)   | <b>(22)</b>  |
| <b>Net loss</b>                                                |        | <b>(7)</b>   |

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

## Statements of Changes in Shareholders' Equity

(April 1, 2013 to March 31, 2014)

(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, 2013                             | 3,765                | 3,735                 | -                     | 3,735                 | 9,730                                                        | 9,730                   |
| Changes of items during period                       |                      |                       |                       |                       |                                                              |                         |
| Issuance of new shares                               | 3,268                | 3,268                 |                       | 3,268                 |                                                              |                         |
| Dividends of surplus                                 |                      |                       |                       |                       | (328)                                                        | (328)                   |
| Net loss                                             |                      |                       |                       |                       | (7)                                                          | (7)                     |
| Disposal of treasury shares                          |                      |                       | 8                     | 8                     |                                                              |                         |
| Net changes of items other than shareholders' equity |                      |                       |                       |                       |                                                              |                         |
| Total changes of items during period                 | 3,268                | 3,268                 | 8                     | 3,277                 | (336)                                                        | (336)                   |
| Balance on March 31, 2014                            | 7,034                | 7,004                 | 8                     | 7,013                 | 9,394                                                        | 9,394                   |

|                                                      | Shareholders' equity |                            | Subscription rights to shares | Total net assets |
|------------------------------------------------------|----------------------|----------------------------|-------------------------------|------------------|
|                                                      | Treasury shares      | Total shareholders' equity |                               |                  |
| Balance on April 1, 2013                             | (1,690)              | 15,541                     | 67                            | 15,608           |
| Changes of items during period                       |                      |                            |                               |                  |
| Issuance of new shares                               |                      | 6,537                      |                               | 6,537            |
| Dividends of surplus                                 |                      | (328)                      |                               | (328)            |
| Net loss                                             |                      | (7)                        |                               | (7)              |
| Disposal of treasury shares                          | 28                   | 37                         |                               | 37               |
| Net changes of items other than shareholders' equity |                      |                            | (20)                          | (20)             |
| Total changes of items during period                 | 28                   | 6,238                      | (20)                          | 6,218            |
| Balance on March 31, 2014                            | (1,661)              | 21,780                     | 46                            | 21,827           |

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:

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 such as those in investment partnerships are based on the financial statements for the most recent closing date using the corresponding net equity.

(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 50 years

Tools, furniture and fixtures: 3 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) Accounting method for significant deferred assets

Share issuance cost: The total amount is charged to expenses when incurred.

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

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

## 2. Notes on Changes in Representation Methods

### (Statements of Income)

Gain on reversal of subscription rights to shares (¥7 million in the previous fiscal year), which was included in “Other” under extraordinary income in the previous fiscal year, is presented separately from the year ended March 31, 2014 due to an increase in significance.

## 3. Notes on Balance Sheets

- (1) Accumulated depreciation of property, plant and equipment: ¥1,558 million
- (2) Monetary receivables and payables in relation to subsidiaries and associates
  - Short-term monetary receivables: ¥277 million
  - Long-term monetary receivables: ¥957 million
  - Short-term monetary payables: ¥81 million

## 4. Notes on Statements of Income

- (1) Transaction volume with subsidiaries and associates
  - Transaction volume of operating transactions
    - Operating revenue: ¥76 million
    - Operating expenses: ¥507 million
  - Transaction volume of non-operating transactions: ¥215 million
- (2) Impairment loss
 

The Group posted impairment losses on the following assets in the current fiscal year.

| Application              | Business            | Place              | Classification                                       | Amount<br>(¥ million) |
|--------------------------|---------------------|--------------------|------------------------------------------------------|-----------------------|
| Assets to be disposed of | Social net business | Osaka-shi, Osaka   | Buildings<br>Tools, furniture & fixtures             | 17                    |
|                          |                     | Sendai-shi, Miyagi | Buildings<br>Tools, furniture & fixtures<br>Software | 35                    |

Assets are grouped mainly based on business segmentation. Idle assets and assets to be disposed of are grouped by each asset.

Impairment loss of the social net business amounted to ¥52 million, which is the decrease in the book value of relevant assets to the recoverable value due to the decision to close local bases of mixi, Inc. The breakdown of impairment loss by classification of assets is buildings amounting to ¥47 million, tools, furniture and fixtures amounting to ¥4 million and software amounting to ¥0 million.

The recoverable values are calculated by estimating the usable values, but the assets are set as zero due to the fact that no future cash flow is anticipated.

- (3) Loss on valuation of shares of subsidiaries and associates and provision of allowance for doubtful accounts
 

The loss and the provision are related to investments and loans to subsidiaries and associates whose financial conditions have deteriorated.
  - (4) Loss on liquidation of business of subsidiaries and associates
 

The loss resulted from liquidation of Shanghai Mixiu Network Technology Co., Ltd. and mixi Shanghai, Inc.
- ## 5. Notes on Statements of Changes in Shareholders' Equity
- Class and number of treasury shares at the end of the year ended March 31, 2014  
Common shares: 568,700 shares

6. Notes on Tax Effect Accounting

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

|                                                       |               |
|-------------------------------------------------------|---------------|
| Deferred tax assets                                   |               |
| Enterprise tax payable                                | ¥9 million    |
| Allowance for doubtful accounts                       | 47 million    |
| Provision for bonuses                                 | 90 million    |
| Asset retirement obligations                          | 21 million    |
| Software                                              | 419 million   |
| Lump sum depreciable assets                           | 13 million    |
| Investment securities                                 | 24 million    |
| Investments in subsidiaries and associates            | 109 million   |
| Shares of subsidiaries and associates                 | 165 million   |
| Other                                                 | 44 million    |
| Subtotal of deferred tax assets                       | 946 million   |
| Valuation allowance                                   | (246 million) |
| Total deferred tax assets                             | 700 million   |
| Deferred tax liabilities                              |               |
| Expenses associated with asset retirement obligations | (3 million)   |
| Total deferred tax liabilities                        | (3 million)   |
| Net deferred tax assets                               | 697 million   |

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

Following the promulgation on March 31, 2014 of the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 10 of 2014), special income tax for reconstruction will be abolished starting from fiscal years beginning on or after April 1, 2014. As a result, the effective statutory tax rate used to measure deferred tax assets and liabilities was changed from 38.01% to 35.64% for temporary differences expected to be eliminated in the fiscal year beginning on April 1, 2014.

As a result of these changes in tax rates, deferred tax assets after deducting deferred tax liabilities decreased by ¥28 million and income taxes – deferred recorded in the current fiscal year increased by the same amount.

7. Notes on Transactions with Related Parties

Subsidiaries and associates

(Unit: ¥ million)

| Type       | Name of company     | Location          | Paid-in capital | Business outline  | Ratio of voting rights         |
|------------|---------------------|-------------------|-----------------|-------------------|--------------------------------|
| Subsidiary | mixi research, Inc. | Shibuya-ku, Tokyo | 50              | Research business | (Ownership)<br>Direct: 100.0 % |

| Type       | Name of company     | Relationship                                      | Summary of transactions    | Amount of transaction | Item                          | Balance at the end of the fiscal year |
|------------|---------------------|---------------------------------------------------|----------------------------|-----------------------|-------------------------------|---------------------------------------|
| Subsidiary | mixi research, Inc. | Concurrently serving officers<br>Lending of funds | Lending of funds<br>(Note) | 500                   | Long-term loans<br>receivable | 650                                   |

Terms and conditions of transactions and their policies

(Note) The interest rate for the lending of funds to mixi research, Inc. is reasonably determined based on market interest rates. No collateral has been accepted.

Furthermore, for the lending of funds to mixi research, Inc., ¥117 million in allowance for doubtful accounts and provision of allowance for doubtful accounts were recorded.

8. Notes on Per Share Information

(1) Net assets per share: ¥1,355.19

(2) Net loss per share: ¥0.51

9. Notes on Significant Subsequent Events

Not applicable.

## Reference Material for the Meeting of Shareholders

Agenda Item 1: Election of seven directors

The term of office of all directors (i.e., seven directors) will expire when this general meeting of shareholders ends. Therefore the Company proposes the election of seven 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                | Kenji Kasahara<br>(December 6, 1975)          | June 1999                                                                                             | Established eMercury, Inc. (now the Company)<br>Director of eMercury, Inc.                                                                                                  | 7,907,600                      |
|                  |                                               | 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. |                                |
|                  |                                               | February 2006                                                                                         | Company name changed to mixi, Inc.<br>President and representative director of the Company                                                                                  |                                |
|                  |                                               | May 2008                                                                                              | Chairperson at mixi Shanghai, Inc.                                                                                                                                          |                                |
|                  |                                               | October 2008                                                                                          | Representative director of NexPas, Inc. (now Torchlight, Inc.)                                                                                                              |                                |
|                  |                                               | April 2011                                                                                            | Representative director of mixi recruitment, Inc.                                                                                                                           |                                |
|                  |                                               | July 2011                                                                                             | Executive officer of the Company                                                                                                                                            |                                |
|                  |                                               | June 2013                                                                                             | Director and Chairperson of the Company (currently holds this position)                                                                                                     |                                |
| 2                | Yasuhiro Ogino<br>(September 29, 1973)        | August 2005                                                                                           | Joined MACROMILL, INC.                                                                                                                                                      | 90,000                         |
|                  |                                               | January 2008                                                                                          | Executive officer of MACROMILL (in charge of finance and accounting headquarters)                                                                                           |                                |
|                  |                                               | June 2008                                                                                             | Joined J-Magic K.K.                                                                                                                                                         |                                |
|                  |                                               | December 2008                                                                                         | Director, CFO, and general manager of administration management at J Magic K.K.                                                                                             |                                |
|                  |                                               | December 2009                                                                                         | Joined the Company                                                                                                                                                          |                                |
|                  |                                               | November 2011                                                                                         | Executive General Manager of the Administrative Headquarter at the Company (currently holds this position)                                                                  |                                |
|                  |                                               | February 2012                                                                                         | Executive officer of the Company                                                                                                                                            |                                |
|                  |                                               | June 2012                                                                                             | Director of the Company (currently holds this position)                                                                                                                     |                                |
| 3                | Yuichi Kawasaki<br>(December 20, 1976)        | April 1999                                                                                            | Joined Cisco Systems Japan K.K. (now Cisco Systems G.K.)                                                                                                                    | -                              |
|                  |                                               | February 2000                                                                                         | Joined Netyear Group Corporation                                                                                                                                            |                                |
|                  |                                               | August 2004                                                                                           | Joined Hatena Co., Ltd.                                                                                                                                                     |                                |
|                  |                                               | December 2004                                                                                         | Director and vice president of Hatena Co., Ltd.                                                                                                                             |                                |
|                  |                                               | February 2010                                                                                         | Established kamado, inc.;<br>President and Representative Director of kamado,                                                                                               |                                |

| 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 |
|------------------|-----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
|                  |                                               | <p>inc. (currently holds this position)</p> <p>March 2010 Outside director of Fringe81 Co., Ltd. (currently holds this position)</p> <p>January 2013 Joined the Company;</p> <p>Department manager of the Cross Function Department of the Company;</p> <p>Executive officer of the Company (currently holds this position)</p> <p>June 2013 Director of the Company (currently holds this position)</p> <p>August 2013 Executive General Manager of the Business Design Department of the Company</p> <p>December 2013 Executive General Manager of the New Communities Department of the Company</p> <p>April 2014 Executive General Manager of the Cross Functions Department of the Company (currently holds this position)</p> <p>Significant concurrent post:</p> <p>President and Representative Director of kamado, inc.</p>                                                                                                                                                                                                                                                                                                                                                                                    |                                |
| 4                | 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</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 |
|------------------|-----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
|                  |                                               | <p>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 (currently holds this position)</p> <p>Significant concurrent posts:</p> <p>Professor at the Graduate School of Media Design, Keio University;</p> <p>Representative of You Go Lab</p> <p>Head of secretariat of Japan Social Game Association</p>                                                                                                                                                                                                                                                                                                                                                   |                                |
| 5                | 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 Grant Thornton 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> | -                              |
| 6                | 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 Grence, Inc.</p> <p>January 2013 Executive officer of the Company (currently holds this position)</p> <p>May 2013 Executive General Manager of game business at the Company</p> <p>November 2013 Executive General Manager of mixi Head Office</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 |
|------------------|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
|                  |                                               | at the Company (currently holds this position)<br>February 2014 Executive Producer of Monster Strike Studio at the Company (currently holds this position)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                |
| 7                | Shuhei Nishio*<br>(June 2, 1980)              | <p>April 2003 Joined Recruit Co., Ltd. (now Recruit Holdings Co., Ltd.)</p> <p>July 2006 Joined Caplan Corporation</p> <p>April 2008 Joined Saintmarc Holdings Co., Ltd.</p> <p>April 2010 Joined J-Will Advance Co., Ltd.</p> <p>January 2013 Joined the Company</p> <p>July 2013 Executive officer of the Company (currently holds this position)</p> <p>Head of the President's Office of the Company</p> <p>March 2014 Representative director of mixi marketing, Inc. (currently holds this position)</p> <p>April 2014 Executive General Manager of the Investment Head Office (currently holds this position);</p> <p>Representative director of Confianza &amp; Co., Inc.. (currently holds this position)</p> <p>Significant concurrent posts:</p> <p>Representative director of Confianza &amp; Co., Inc.</p> <p>Representative director of mixi marketing, Inc.</p> | -                              |

Notes:

- Each person with an asterisk after his name is a newly nominated candidate for director.
- There is no special interest between any candidate and the Company.
- 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, 2014.
- 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.
- 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 .
- At the closing of this general meeting of shareholders, Mr. Ichiya Nakamura will have served as an outside director for a period of five years. At the closing of this general meeting of shareholders, Mr.

Tatsuya Aoyagi will have served as an outside director for two years.

7. 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.

## 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 |
|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| Takako Kato<br>(September 29, 1951)    | <p>April 1970      Joined Japan Radio Co., Ltd.</p> <p>June 2000      Director of Naval Research Co., Ltd.</p> <p>March 2004      Joined Eto Building Management Co., Ltd.</p> <p>August 2004      Assumed post of standing audit and supervisory board member at eMercury, Inc. (now the Company) (currently holds this position)</p> | 200                            |

### Notes:

1. There is no special interest between the candidate and the Company.
2. The candidate's number of shares stated in the column titled "Number of Company shares owned" is accurate as of March 31, 2014.
3. Ms. Takako Kato is the candidate for outside audit and supervisory board member.
4. As well as having built up experience in accounting operations over many years and possessing a considerable level of experience related to finance and accounting, Ms. Takako Kato is also well informed about the Company's affairs, and for those reasons, the Company selected her as a candidate for outside audit and supervisory board member. At the closing of this general meeting of shareholders, Ms. Takako Kato will have served ten 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 Ms. Takako Kato 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, Ms. Takako Kato 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 |
|-----------------------------------------|----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| Shoichi Kobayashi<br>(November 8, 1954) | April 1979                                                                       | Joined Yasuda Fire and Marine Insurance Co., Ltd. (now Sompo Japan Insurance Inc.)                                                          | -                                    |
|                                         | April 1995                                                                       | Section manager of Administration Section, Financial Planning Division, Yasuda Fire and Marine Insurance Co., Ltd.                          |                                      |
|                                         | April 1997                                                                       | Specially appointed section manager, Financial Administration Division, Yasuda Fire and Marine Insurance Co., Ltd.                          |                                      |
|                                         | July 2000                                                                        | Section manager of General Affairs Section 1, General Affairs Division, Yasuda Fire and Marine Insurance Co., Ltd.                          |                                      |
|                                         | December 2002                                                                    | Seconded to Sompo Japan Himawari Life Insurance Co., Ltd. (now NKSJ Himawari Life Insurance Inc.)                                           |                                      |
|                                         | July 2005                                                                        | Leader of the Administration Planning Division Accounting Group 1 of Sompo Japan Insurance Inc.                                             |                                      |
|                                         | April 2006                                                                       | Manager of the Administration Planning Division of Sompo Japan Insurance Inc.;                                                              |                                      |
|                                         |                                                                                  | Outside audit and supervisory board member of Sompo Japan Heartful Line Inc.;                                                               |                                      |
|                                         |                                                                                  | Outside audit and supervisory board member of Sompo Japan Commercial Line Services Inc.                                                     |                                      |
|                                         | April 2007                                                                       | Manager of the Accounting Control Division, Sompo Japan Commercial Line Services Inc.                                                       |                                      |
|                                         | April 2009                                                                       | General manager of the Accounting Control Division, Sompo Japan Commercial Line Services Inc.;                                              |                                      |
|                                         |                                                                                  | Outside audit and supervisory board member of Sompo Japan Information Service Inc. (now NKSJ Business Services, Inc.)                       |                                      |
|                                         | April 2010                                                                       | Outside audit and supervisory board member of Yasuda Enterprise Development Co., Ltd.;                                                      |                                      |
|                                         |                                                                                  | Outside audit and supervisory board member of Sompo Japan Asset Management Co., Ltd. (now Sompo Japan Nipponkoa Asset Management Co., Ltd.) |                                      |
|                                         | June 2011                                                                        | Outside audit and supervisory board member of Sompo Japan Insurance Services Inc. (now Sompo Japan Nipponkoa Insurance Services Inc.)       |                                      |
|                                         | April 2013                                                                       | Internal auditor of the Internal Auditing Division, Sompo Japan Insurance Inc.                                                              |                                      |
|                                         | June 2013                                                                        | Outside audit and supervisory board member of Saison Automobile & Fire Insurance Co., Ltd.;                                                 |                                      |
|                                         |                                                                                  | Outside audit and supervisory board member of Healthcare                                                                                    |                                      |

| 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 |
|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
|                                        | <p>Frontier Japan Inc.;</p> <p>Outside audit and supervisory board member of Sampo Japan Nipponkoa Healthcare Services Inc.;</p> <p>Outside audit and supervisory board member of Sampo Japan Nipponkoa Risk Management Inc.</p> <p>July 2013      Manager of the Group Companies Administration Division, Sampo Japan Insurance Inc.</p> <p>March 2014      Retired from Sampo Japan Insurance Inc.</p> |                                      |

Notes:

1. There is no special interest between the candidate and the Company.
2. Mr. Shoichi Kobayashi is the candidate for substitute outside audit and supervisory board member.
3. As well as having built up experience in accounting and finance operations in business companies over many years and possessing considerable expertise related to finance and accounting, Mr. Shoichi Kobayashi has also held several outside audit and supervisory board member posts and possesses an abundance of insights and experience related to corporate activities. For those reasons, the Company selected him as a candidate for substitute outside audit and supervisory board member in order to have him reflect those experiences and knowledge into the auditing system. Mr. Shoichi Kobayashi 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 can suitably perform the duties of an outside audit and supervisory board member.
4. If Mr. Shoichi Kobayashi 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 Mr. Mr. Shoichi Kobayashi 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.
5. After the closing of this general meeting of shareholders, Mr. Shoichi Kobayashi is scheduled to assume the post of outside corporate auditor of mixi recruitment, Inc., which is a wholly owned subsidiary of the Company.

End of document