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mixi GROUP
Annual Report 2018
Fiscal Year Ended March 31, 2018

moving forward

Opening Message

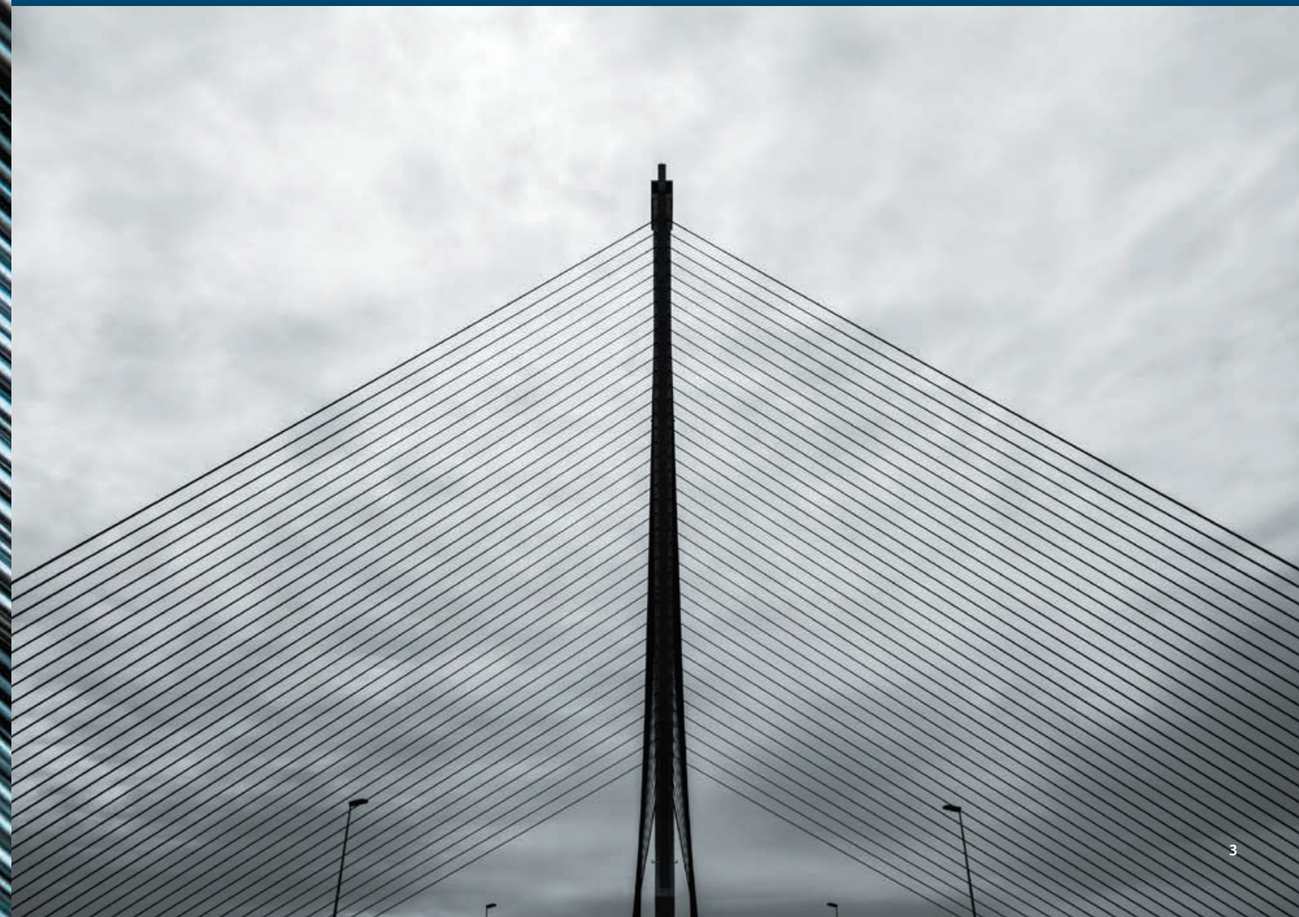
I would like to express my deepest apologies for the commotion surrounding our consolidated subsidiary Hunza, Inc., and the tremendous concern and trouble this has caused for our many stakeholders, including users of the service itself, and shareholders of the Company.

The mixi Group has carried out a renewal of its management structure, including appointing directors in charge centered on myself, the newly appointed president, and increasing the number of outside directors. We have also introduced an executive officer system, and under this stronger management and business execution structure, will aim for business expansion.

Going forward, the mixi Group will concentrate management resources in communication services, and offer services for everyone to enjoy. We will also work to regain trust by pursuing growth that only we can achieve, and advance as a company. Thank you for your continued support.

Koki Kimura
President and Representative Director
Corporate Officer

bundle



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Disclaimer Regarding Forward-Looking Statements

This report contains forward-looking statements concerning plans, predictions, projections, strategies, and operating results. These forward-looking statements reflect management assumptions based on information available to management as of the date of this report's publication and are thus subject to risks and uncertainties that may cause actual results to differ significantly from such statements. These risks and uncertainties include, but are not limited to, the economic environment in which the mixi Group's businesses operate, changes in the development status of products and services, and fluctuations in currency exchange rates.

Note: The content of this report is based on the mixi Group's consolidated results for fiscal year 2018, ended March 31, 2018. However, some information is for April 2018 or later.

Five Business Areas and Core Services



Creating communication—this is where the mixi Group generates maximum value

We have achieved growth by offering services in domains where it is easy to design ways to stir up viral communication between family, friends and acquaintances. The clearest embodiments of this approach are the social networking service (SNS) *mixi* and the smartphone game app, *Monster Strike*. These services are driven by our goal of "creating communication."

Aiming to achieve further growth, we have redefined the mixi Group's business domain as "communication services." Based on this, we will focus management resources on the five newly established areas of Digital Entertainment, Live Experiences, Media, Sports, and Wellness, and develop these businesses.



Koki Kimura
President and Representative Director Corporate Officer

To Our Stakeholders

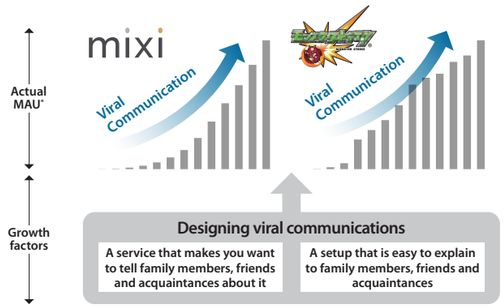
We are creating "communication services" with exponential growth, based on an organizational framework combining an attacking and a defensive posture.

Redefining our business domain
Applying our understanding of viral communication

The mixi Group has redefined its business domain for the fiscal year 2019, ending March 31, 2019. Up to now we have established and pursued many new businesses simultaneously, but we have not necessarily invested in areas that make maximum use of our strengths.

Looking back over the last 10 years, the growth of the mixi Group has been driven by the expansion of the SNS *mixi*, and *Monster Strike*. These two successes may appear unrelated, but they have a key point in common. Both are services with the potential for explosive growth, an exponential increase in the number of users, as a result of word-of-mouth "viral communication" among family members, friends and acquaintances. We intend to concentrate management resources in businesses that take advantage of our design capabilities for the type of viral communication that led to the success of the SNS *mixi* and *Monster Strike*, and have redefined our business domain as "communication services."

Developing businesses in domains where viral communication among family members, friends and acquaintances is easy to stir up



*MAU (Monthly Active Users)

A superior position in our business domain
Exponential growth from our human resources and organizational capabilities

The mixi Group has three advantages in developing communication services—the motivation of our employees, the capabilities of our organization, and the profitability of our services.

The growth of the SNS *mixi* and *Monster Strike* has attracted many people to the mixi Group with a passion to create services that many people can enjoy together with their friends. "Communication services" is a domain where they can work together with strong motivation.

Our organizational capability is another strength mixi can employ in pursuit of communication services. Through the SNS *mixi*, the mixi Group has accumulated a tremendous amount of data and knowledge about the value of information generated from close family and friends, and the ways in which in spreads. Through the entertainment-related business sector, we have built expertise on the sort of content and communication design that people will want to share. Further, mixi has creators for character design, video, anime, and games, as well as teams and personnel with highly specialized capabilities that have gained them numerous followers. We have even built a formidable server engineering team to handle system loads, providing a structure to handle the explosive service growth sparked by viral communication.

The personnel and organizational capabilities of the mixi Group drive viral communication, and generate "sympathetic consumption." This leads to highly profitable services that generate the same exponential growth curves as the SNS *mixi* and *Monster Strike*.

Business development in five areas

Entering into new businesses with an emphasis on synergy

Along with redefining its business domain as "communication services," the mixi Group, with an emphasis on business synergy, has identified five areas in which to concentrate management resources—Digital Entertainment, Live Experiences, Media, Sports, and Wellness.

Of these, Sports and Wellness are areas that were not clearly defined in the previous business segments of "Entertainment" and "Media Platform." However, we will develop these areas as highly marketable fields that utilize our strengths as a company.

Sports is a promising market, one that the Japanese government's Japan Revitalization Strategy 2016 states is expected to be a ¥15 trillion market by 2025. We decided to establish the Sports domain as a separate, independent business to firmly convey the message that the mixi Group is developing a sports business, and will create a new sports business model. However, in the sense of customers coming together with excitement, it is close to the Live Experiences field in which we specialize.

In the Wellness domain, we will utilize the knowledge we have accumulated in fostering family communication through the *Family Album Mitene* app for sharing photos and videos with family members. Japanese society is graying rapidly, even among developed countries, and we wanted to establish a business centered on wellness that would link the elderly and their families. We plan to develop this business overseas as well.

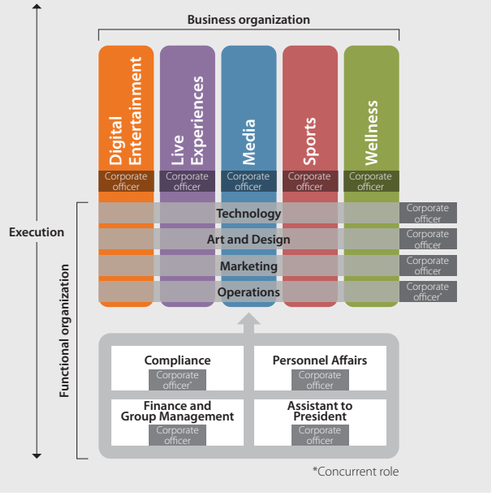
The mixi Group has established several committees based on different themes, which discuss ways to improve service and generate synergies among businesses. For example, the committee for the entertainment field is discussing the possibility of adding the new business of sports to existing services such as live experiences, games, anime, and shopping.

Aiming for a new structure

Strengthening the balance between attacking and defensive, along with bolstering diversity

Along with redefining its business domain, the mixi Group is rebuilding its organization to be a "matrix-like" structure with businesses along the vertical axis, and functions along the horizontal. This will allow all of our five business areas to exhibit the viral marketing capabilities that are mixi Group's forte, as well as our art and design skills, and the technical capabilities that support exponential growth. By linking the business structure in a cross-sectional way, we are building a management framework for governance of the entire corporate group, as well as human resources, capital, and other management resources.

New business structure and roles of corporate officers



The new organizational structure includes an executive officer system, and reforms to the makeup of the Board of Directors. Twelve corporate officers placed at each organizational point along the vertical and horizontal axes will allow for speedy decision-making, while a Board of Directors comprising diverse members will provide oversight.

The majority of members in the previous Board of Directors were in charge of "attacking" measures such as business execution, and we have increased the number of "defensive" members overseeing compliance, finance, and group management. Further, we have newly appointed outside directors to enhance transparency and objectivity. Based on a structure with a balance of "attacking" and "defensive," we have put in place an environment for all directors provide checks and engage in discussion, without being constrained by their own management areas.

Under the new structure I will hold concurrent positions as representative director and corporate officer. As a leader with a strong business sense, I will guide our corporate management, and meet the expectations of stakeholders.

Measures for FY2019

Moving to national content for the fifth anniversary of *Monster Strike*

One of the major themes for fiscal year 2019 is how to link the fifth year for our mainstay title *Monster Strike* to growth. At the third anniversary in 2016, we implemented a range of proactive measures to push back against a more powerful competing service, and achieved renewed growth.
For the fifth anniversary, we are bringing new innovation to *Monster Strike*, and aim to advance to the next step of moving the title to national content. Specifically, we will make renovations to enhance the playing environment, release YouTube anime and an animated movie, and pursue a marketing campaign that will attract broad public attention. We will also work to generate new properties other than *Monster Strike*.

In the Media domain, we will invest in services with prospects for growth, aiming for exponential gains in the number of active users.

For the new business domains of Sports and Wellness, while some time will be required to produce results, these are areas with great potential, and we plan to maintain initiatives over the medium term.

Message to stakeholders

We are building corporate strength to continue generating big hits.

Up to now, the mixi Group has followed a path as a company that makes bold attempts to generate big hits. The SNS *mixi* and *Monster Strike* were truly endeavors into unexplored territory, and I believe they succeeded because of our steadfast venture spirit. Going forward, we will build up our organizational strength along with this venture spirit, and establish a solid foundation to continue generating big hits.

All our staff, the engineers, designers, and planners, are working excitedly to create extremely enjoyable services for customers, maintaining a uniquely mixi Group stance, and aiming for further growth.

I would like to thank all of our stakeholders for their continued support.

July 2018

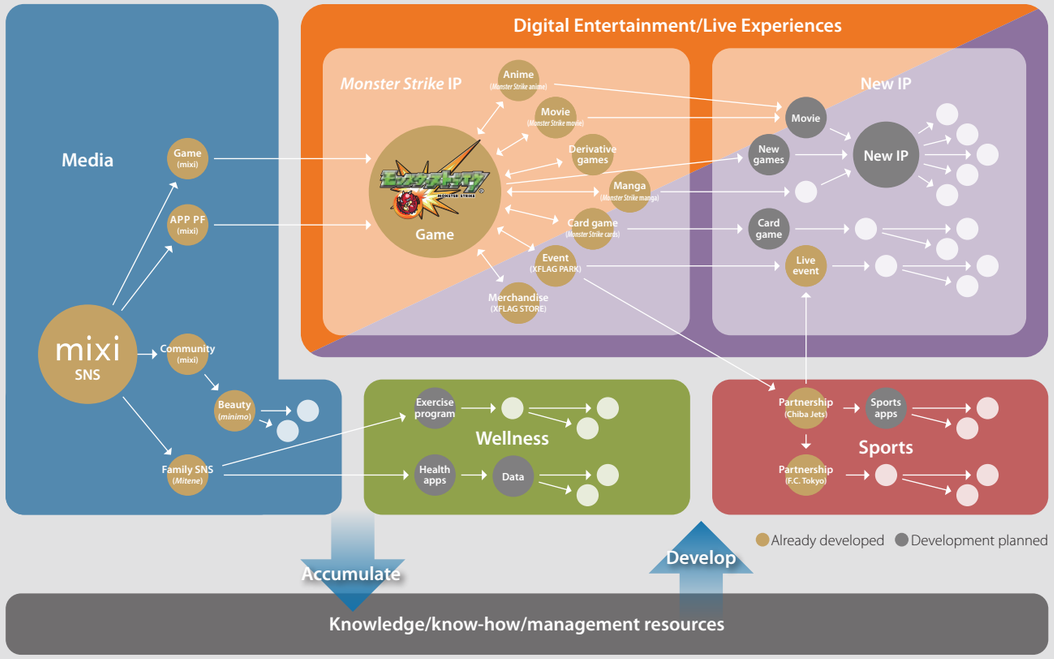


President and Representative Director
Corporate Officer

picture



New Business Structure



Main measures taken in the five new business areas

By means of the knowledge and know-how cultivated in its SNS *mixi*, as well as the accumulation of technology and data, the mixi Group uses its unique "viral communication design" approach to convert the rich and enjoyable communication resulting from close human relationships into passionate energy, and further amplifying and spreading it in order to lay the foundation of business development.

This "viral communication design" is the basis for *Monster Strike*, and for *Family Album Mitene* and *minimo*.

In recent years, we have promoted the shift to IP for *Monster Strike* and are focusing on developing events and stores under the XFLAG brand. In addition, we have expanded our initiatives to anime, movies, and YouTube videos, and then to merchandising (MD), providing opportunities to allow friends to meet and have fun together.

Furthermore, in the newly established Sports domain, we will generate new services by leveraging our *Monster Strike* event know-how. Likewise, in the new Wellness domain, we will utilize our know-how in communication services in the Media domain for building an environment to facilitate communications between those interested in health.

In this way, the mixi Group will accumulate knowledge, know-how and management resources in the five business areas where it can generate mutual synergies, using these to the full for the development of the next step, and creating a new business pillar.

Digital Entertainment Live Experiences

As part of the redefinition of the business domains, from fiscal year 2019 onward the organization responsible for the Entertainment Business has been divided into the two areas of Digital Entertainment and Live Experiences. Today, with consumer needs undergoing a dramatic shift from the consumption of things to the consumption of experiences, we will work to capture these trends to accelerate the development of our businesses. At the same time, we will aim to generate synergies between domains by strengthening strategic investments in each domain.

Digital Entertainment

I want to let everyone in Japan know that *Monster Strike* is no longer just a game!

In the Digital Entertainment domain, in addition to smartphone game apps centered around *Monster Strike*, we will develop businesses that make good use of *Monster Strike* IP, such as anime and movies. Under the new structure, while working to move to national content for *Monster Strike*, we will enhance the departments that develop IP unrelated to *Monster Strike*, and will reinforce the new IP development structure.

One of the priority measures going forward is the strengthening of marketing to promote wider use of *Monster Strike* to move to national content. The current perception in the market is, unfortunately, that *Monster Strike* = game. In order to change this, it is vital that we implement game management on a large scale and over a long period, realize the next big hit to use *Monster Strike* IP in the form of anime, merchandise and derivative games, and solidly convey their appeal through marketing activities. It will not be easy, but we feel that we have come to an important inflection point at which we must take action.

The mission of the XFLAG brand is to create battle entertainment that gets the adrenaline flowing, and that friends and family can enjoy together. By moving to national content for *Monster Strike*, and creating and nurturing new IP, we will provide users with opportunities to experience a new outlook on life, and in doing so build a stable business structure on which to implement long-term growth.

Kosuke Taru
Director
Corporate Officer (Digital Entertainment)

Live Experiences

Develop and manage unique content to build a portfolio, and expand it in multiple directions

One of the important roles assigned to the Live Experiences domain is that of preventing the customer base from becoming dominated by a fixed group of users. When a fixed group of users dominates the customer base, it allows the Company to secure a certain level of profits, but it makes it difficult to acquire new customers. In order to prevent this, we will develop and manage unique content to offer new experience value, and focus on constructing a content portfolio that attracts customers from multiple angles, using a variety of approaches, such as events, anime and movies.

Within this portfolio, as events and movies tend to reinforce connections to users and have a strong element of content management, it is difficult to establish a profitable business. However, we are already making progress toward achieving this through MD and by opening stores.

For example, XFLAG STORE SHIBUYA, the flagship store in the Tokyo area, welcomed around 130,000 customers during the first year after opening its doors. By incorporating various features that encourage friends to have an exciting, fun-filled experience together, it has achieved a repeat customer ratio of more than 50%.

Currently, we are working on initiatives to accelerate store openings, and to provide products and services based on our existing knowledge and know-how. However, we intend to take up the challenge of creating new value never before seen in the entertainment market, such as through developing new ways of playing by using IoT technology to drive the evolution of more realistic experiences.

Masaya Tamura
Corporate Officer (Live Experiences)

Fusion of the Digital Entertainment and Live Experiences domains

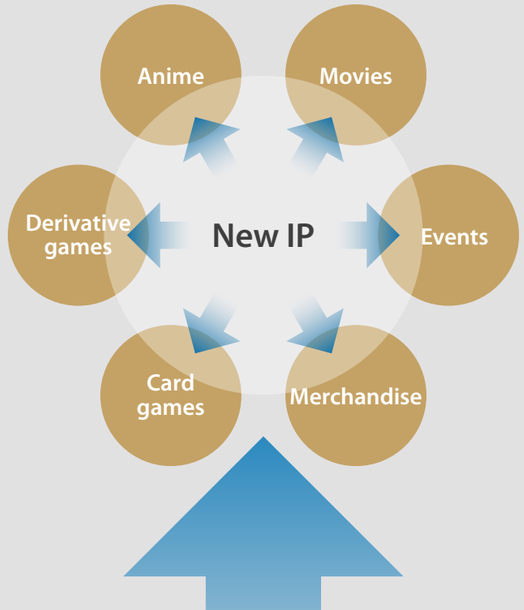
Platform, and strategy for growth

The two indispensable elements for the entertainment area to grow significantly are a mechanism for attracting customers, and a business model that generates profit.

"With smartphone game apps as the core, attract customers through the multifaceted development of events, anime and movies, and use the increased points of contact with the customer to nurture it as IP ➡ Generate income not only from fees charged in-game, but by developing profit-generating business such as sales of tickets and MD, e-commerce and store operations ➡ Reinvest profits, and link this to the next mechanism for attracting customers and for the development of new IP, including IP unrelated to games."

As described in the above paragraph, it is necessary that we fuse the Digital Entertainment domain and the Live Experiences domain, develop a mechanism that follows on from the *Monster Strike* smartphone game app by appealing powerfully to customers, in addition to a business model that generates profit, so that we can build a solid cycle of profit generation.

Under the growth strategy that we build a new business pillar by moving to national content for *Monster Strike* and by creating new IP, expanding the mechanism by which we attract customers over the medium term, and developing businesses that generate profit, are arguably the most important issues.



Make full use of *Monster Strike*'s multifaceted development know-how

Development of new games | Building a business platform for creating IP

Initiatives aimed at creating new IP



We are moving ahead with the development of *Monster Strike* on multiple fronts.
Our aim is to use new IP to build the next stage of our business.

Media

Media

Create next big hits with the goal of scaling up sales

In the Media domain, we aim to create and provide new communication services filled with surprise and excitement for users. This is of course the case for our existing businesses, and it will also be the case for new business development.

For both the *Family Album Mitene* and *minimo* services, we have recorded steady growth in users and sales since their respective launches. *minimo* has passed the tipping point, and has entered the phase of growth in which users give rise to other users. *Mitene* already has more than 2.5 million users in Japan, and has secured an unchallengeable position as a service on which users can share photos and videos of their children. We have started work on localization to multiple languages, and have begun marketing activities primarily in North America.

With *Mitene*, we have been able to capture demand for sharing photos and videos of children only with "the truly important people" in life. This is not something that can be done with a typical SNS. It is possible to offer new services targeted at specific areas, such as that of *Mitene*, that make it easier for enthusiasts to communicate with each other, but if it is too much of a niche market, there is no point in the Group getting involved. Moreover, for services aimed at the mass market, it is not simple to take share in an environment where Facebook and LINE exist. I think that it is likely that the Group will focus on coming up with services aimed at huge markets in a completely new competitive space, responding to the various changes in devices in future.

With regard to new businesses, we are at the stage of sowing a few different kinds of seed, and determining whether they will do well or not. After they have sprouted, we will review every six months, and make a decision whether to continue or to withdraw. The key performance indicator (KPI) for the rationale underpinning that decision is basically the number of active users, but we will set others depending on the nature of the business. For example we look at the number of active families for *Mitene*, and in the case of *minimo*, the number of bookings, the booking price, Gross Merchandise Volume (GMV), and so on.

In fiscal year 2019, we will invest ¥1,500 million to develop new services and accelerate the growth of existing services. About 60% of the fund will be allocated to new services, and 40% to existing services. We plan to make multiple releases in the new businesses during fiscal year 2019 with the aim of driving their expansion.

With the new structure, communications between the different departments throughout the Company have become much more open, and it has been a useful stimulus to the Media domain staff. Going forward, we aim to scale up sales by developing attractive services centered on communication and by nurturing those services to become the next big hits. There is much to look forward to from the Media domain in future.

Kenji Kasahara
Founder and Chairperson
Corporate Officer (Media)

Sports
Wellness

Sports

Maximize the appeal of sports through entertainment and communication

In the Sports domain, the Sports Business Division handles negotiations with various teams, negotiations with related organizations, and the design of business models. On the other hand, the Sports Marketing Division, which is part of the Live Experiences domain, is responsible for the production of competitions, and developing promotional materials.

The mixi Group recognizes that it is competing for the user's disposable time. In that sense, we perceive the entire entertainment industry to be our competitors, and in this domain the situation is no different.

When people meet and have fun together, it is important that the activity is within immediate reach. *Monster Strike* is just such an example of a hit product that fulfills these conditions. Recently consumers' points of contact with sports have been decreasing due to fewer sports programs on TV. Nevertheless, if people easily come into contact with sports and have an exciting, fun-filled experience together, it would not be only sports fans who would find it enjoyable. This is the approach that the sports business is taking.

We are also planning to develop communication-based services that will generate consumption based on online social interaction between users, and when this is released you should see something completely different to the existing sports businesses.

Both in the United States and in China, the sports market is worth around ¥50 trillion, whereas in Japan it is no larger than ¥5 trillion or so. However, according to the Japan Revitalization Strategy 2016, this market is forecast to expand to ¥15 trillion by 2025 and the Group is willing to grow along with the market. Using information technology, we will put in place an environment in which sports can be experienced in a familiar way, with the objective of creating opportunities to communicate between teams, players and users. We sincerely ask for your continued support.

Koki Kimura
President and Representative Director
Corporate Officer (Sports)

Wellness

Support the health and happiness of people through the power of communication

As Japan has become an aging society, the level of interest and attention paid to health matters is rising on a daily basis, and society is looking for solutions to the issue of how to extend healthy life expectancy. In these circumstances, the Ministry of Health, Labour and Welfare is promoting measures for preventive long-term care and health management as part of the shift toward a "Society in which Healthy Life Expectancy is Extended." Rather than preventive care and health management, today's fitness market is dominated by services aimed at developing the body and typified by people training without communicating with others. We believe that these services have failed to capture market demand.

The Group will work to extend healthy life expectancy centered around the two concepts of "communication" and "preventive care and health management."

Under the concept of "communication," rather than having people train without communicating with others, we will develop exercise programs that blend training with the communication design know-how that the mixi Group has nurtured. In the game market also, we saw the significant market expansion created by smartphone games that appeared following the trend of playing alone on game consoles at home. Moreover, the entry of *Monster Strike* uncovered still another market in which people come together to communicate and enjoy games. In the Wellness domain, if we succeed in creating a market in which people can enjoy communication for the sake of health, we believe this will form the basis of an enormous opportunity.

In terms of "preventive care and health management" concept, we will provide both a scientific evaluation of physical condition derived from quantitative data, and, based on that, an exercise program tailored to the individual. Specifically, in April 2018, we partnered with Kyoto University, which is focusing on the new area of preventative physical therapy, to endow a course within the Collaborative Research Laboratory in relation to exercise programs with a scientific grounding. Going forward, we aim to develop AI that can evaluate the physical condition of a subject based on data and cutting-edge technologies. With a goal of commercialization in 2020, during fiscal year 2019, we will work on the database construction and system design and development. I would like to ask you to pay attention to the mixi Group's new approach to the wellness business.

Yasuhiro Ogino
Corporate Officer (Wellness)

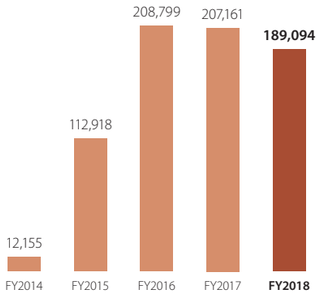
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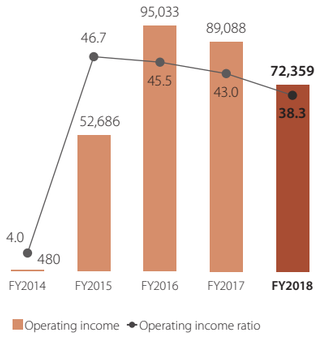
Financial Highlights

mixi, Inc. and Consolidated Subsidiaries

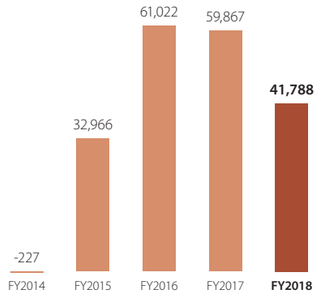
Net sales (millions of yen)



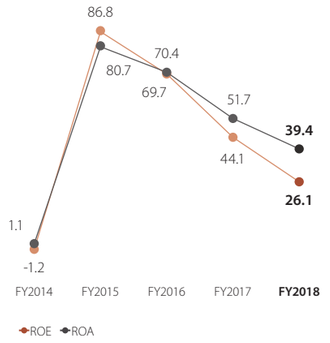
Operating income (millions of yen) / **Operating income ratio** (%)



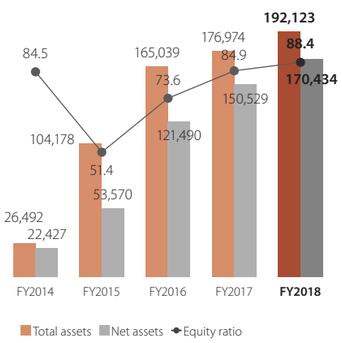
Profit (loss) attributable to owners of parent[*1] (millions of yen)



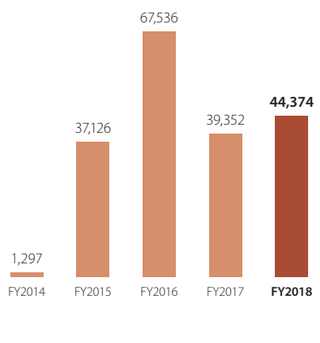
ROE (%) / **ROA** (%)



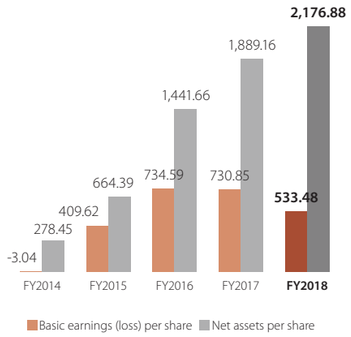
Total assets (millions of yen) / **Net assets** (millions of yen) / **Equity ratio** (%)



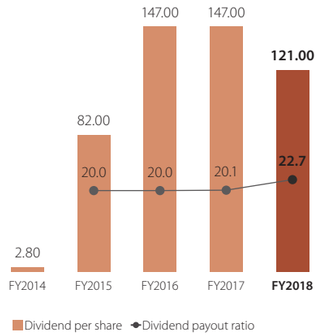
Free cash flow (millions of yen)



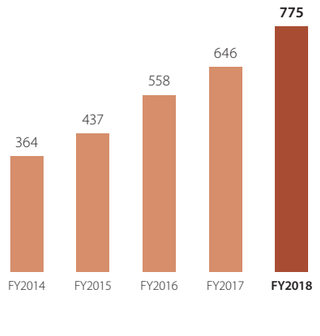
Basic earnings (loss) per share (yen) / **Net assets per share** (yen)



Dividend per share (yen) / **Dividend payout ratio**[*2] (%)



Number of employees[*3]



*1 From fiscal year 2016 onward, "net income (loss)" was changed to "profit (loss) attributable to owners of parent."
*2 The dividend payout ratio for fiscal year 2014 is not shown because a basic loss per share was incurred.
*3 The number of employees is the total of full-time employees.



The mixi Group's Financial Strategy

Hiroyuki Ohsawa
Director
Corporate Officer
(Finance and Group Management)

Overview of FY2018 consolidated financial results

In fiscal year 2018, ended March 31, 2018, operating income surpassed forecasts, but net sales undershot its target. In terms of the percentage of target achieved, net sales was 94.5%, operating income 103.4%, ordinary income 103.9% and profit attributable to owners of parent 104.0%. Also, on a year-on-year basis both net sales and profits fell.

The main factor behind the decrease in sales was the situation regarding *Monster Strike*, our core service in the Entertainment Business. As a result of the success of the third anniversary events of *Monster Strike* held in the second half of fiscal year 2017, the number of active users set a new record, and performance in the third quarter improved dramatically. In fiscal year 2018 we also held events, this time to celebrate the fourth anniversary, but although we achieved some

Summary of FY2018 financial results

(Millions of yen)	FY2016	FY2017	FY2018	YoY change
Net sales	208,799	207,161	189,094	-8 .7%
Gross profit	184,049	183,013	166,043	-9.3%
Gross profit ratio	88.1%	88.3%	87.8%	—
Selling, general and administrative expenses	89,015	94,004	93,683	-0.3%
SG&A ratio	42.6%	45.4%	49.5%	—
Operating income	95,033	89,008	72,359	-18.7%
Operating income ratio	45.5%	43.0%	38.3%	—
Ordinary income	94,798	88,472	72,717	-17.8%
Profit attributable to owners of parent	61,022	59,867	41,788	-30.2%

Summary of FY2018 results by segment

(Millions of yen)	FY2016	FY2017	FY2018	YoY change
Segment net sales				
Entertainment Business	195,355	192,703	175,948	-8.7%
Media Platform Business	13,443	14,457	13,146	-9.1%
Segment profit*				
Entertainment Business	99,722	94,267	78,438	-16.8%
Segment profit ratio	51.0%	48.9%	44.6%	—
Media Platform Business	2,164	1,806	1,564	-13.4%
Segment profit ratio	16.1%	12.5%	11.9%	—
Adjustment	(6,852)	(7,064)	(7,643)	—

*Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) is used for segment profit.

temporary success by increasing the number of active users, the results were not as significant as those of the third anniversary events. In addition, we timed the release of the *Monster Strike* anime movie to coincide with its third anniversary. The anime movie activated the user base and limited-edition characters made a contribution to earnings, but no movie anime was released during the fourth anniversary year. Sales of new characters introduced in January 2018 were strong, but overall we took a careful approach to releasing other new characters, and this was one of the main factors behind the decline in net sales in the second half of fiscal year 2018.

In the Media Platform Business, we halted all new transactions for *TicketCamp* completely in December 2017, and stopped offering the service in May 2018.

In terms of costs, advertising expenses within selling, general and administrative expenses ("SG&A expenses") rose from ¥20,864 million in fiscal year 2017 to ¥23,593 million in fiscal year 2018, an increase of 13.1% year on year. The main components of this were expenses related to TV commercials and Internet advertisements aimed at reactivating dormant *Monster Strike* users, expenses related to holding huge bingo competitions and eSports competitions in order to return something to users, production expenses for the *Monster Strike* anime distributed by YouTube, and other expenses. Among these, we focused in particular on initiatives to return profits to users, and allocated more than ¥5,000 million to this.

Also in SG&A expenses, outsourcing expenses grew significantly from ¥1,999 million in fiscal year 2017, to ¥4,077 million (204.0% year on year), but this item includes expenses for research and development related to new businesses.

In addition, as a result of discontinuing the *TicketCamp* service, amortization of goodwill amounting to ¥7,597 million, and an impairment loss on non-current assets of ¥131 million, were posted as extraordinary losses.

Breakdown of SG&A expenses for FY2018

(Millions of yen)	FY2016	FY2017	FY2018	YoY change
Selling, general and administrative expenses	**89,015**	**94,004**	**93,683**	**99.7%**
Personnel	4,057	5,223	5,363	102.7%
Advertising	15,818	20,864	23,593	113.1%
Outsourcing	1,515	1,999	4,077	204.0%
Rents on properties	725	1,126	1,320	117.1%
Settlement fees	61,203	59,273	53,634	90.5%
Amortization of goodwill	2,318	1,679	1,085	64.6%
Taxes and public charge	1,075	1,352	1,256	93.0%
Others	2,302	2,485	3,351	134.8%

Overview of FY2019 earnings forecasts

Fiscal year 2019 will be the first fiscal year in which we push ahead with our new growth strategy, based on the redefined business domains and the rebuilt management structure. We have incorporated into our earnings forecast assumptions approximately ¥15,000 million of business investments aimed at growing future earnings, but because there are many uncertainties with regard to sales from new services, we have not included these in our estimates.

The breakdown of these business investments is ¥11,000 million to the Digital Entertainment domain, ¥1,000 million to the Live Experiences domain, and ¥1,500 million to the Media domain. The new Sports and Wellness domains starting up in fiscal year 2019 are scheduled to receive ¥1,000 million and ¥500 million, respectively.

In the Digital Entertainment domain, we will invest aggressively during its fifth anniversary year to turn *Monster Strike* into a piece of national IP that will retain the affections of users over the long term. We plan to shift the *Monster Strike* anime for YouTube to all-year distribution, which had previously been divided into and displayed as segments of a specific length, and have scheduled the release of the second installment of the *Monster Strike* anime movie. In addition, we have also taken into account development costs and advertising expenses for *Monster Strike* derivative games, as well as investments in development of game titles using new IP. We will also move ahead with initiatives to create new IP from source material such as anime and manga.

In the Live Experiences domain, we are conducting various activities to increase the points of contact with *Monster Strike* users, creating communication spaces where people can meet and have fun together. In fiscal year 2018, we started managing brick-and-mortar stores, and began the sale of peripheral merchandising, for example card games, cumulative shipments of which have reached five million cards since launch in February 2018. In fiscal year 2019, in addition to opening more brick-and-mortar stores, we will work to further expand live events such as XFLAG PARK and the "Monster Strike Grand Prix" eSports competition.

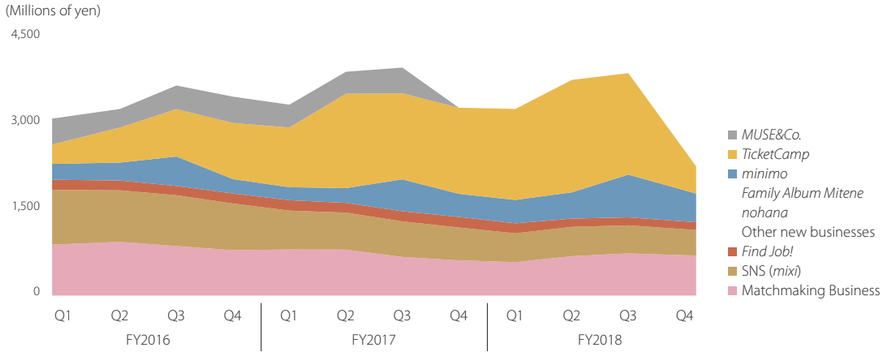
In the Media domain, we will work to expand the business centering on the mainstay service *Family Album Mitene*. In Japan, we have achieved a high market share and widespread use of the *Mitene* service, but the business model or, to put it another way, the means of monetization, remains an issue. In fiscal year 2019, we will take new initiatives in various areas, such as the way we charge fees. Overseas, we will start marketing in the United States, aiming to broaden our services.

In the Sports and Wellness domains, our new businesses, we are at the stage of executing feasibility studies. With regard to the details of business models and specific services, we are validating hypotheses while watching the reactions of users and the market. Following careful validations, we will invest aggressively as soon as we find the logic to win.

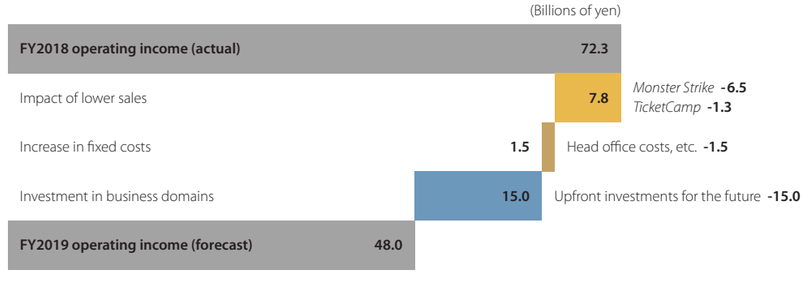
Summary of FY2019 earnings forecasts

(Millions of yen)	FY2018 (Actual)	FY2019 (Forecast)	YoY change
Net sales	**189,094**	**175,000**	**-7.5%**
Entertainment Business	175,948	166,000	-5.7%
Media Platform Business	13,146	9,000	-31.5%
Operating income	**72,359**	**48,000**	**-33.7%**
Operating income ratio	38.3%	27.4%	—
Ordinary income	**72,717**	**48,000**	**-34.0%**
Profit attributable to owners of parent	**41,788**	**31,000**	**-25.8%**
Basic earnings per share (yen)	533.48	397.43	-25.5%

Media Platform Business sales (quarterly)



FY2019 operating income forecast changes



Policy on medium- to long-term business investment

We plan to invest around ¥100 billion over the next three to five years, in preparation for building a new pillar for the business. This investment includes M&As, as well as business development from within the Company. The funds for this investment are scheduled to be allocated from funds at hand and from future free cash flows.

The mixi Group has developed its business by introducing viral communications, which provide the base for exponential growth, in a form appropriate to each individual service. The SNS *mixi* made use of an invitation system between friends and acquaintances, and *Monster Strike* also has a unique setup whereby people are introduced by friends, resulting in growth in the user base. These setups enable more users to actively enjoy these services. In future, we will continue to invest in domains where we can make good use of such viral communications.

In the new domains of Sports and Wellness also, by using the weapon of viral communications, which is one of our strengths, we believe we can nurture highly profitable businesses with long lifetimes.

We will disclose information that enables investors to develop a firm grasp of the growth potential, profitability and security of each business in the business domains.

Policy on returns to shareholders

The mixi Group gives priority to investments made to grow the business, such as business development and M&As, in order to continually enhance corporate value while implementing stable and sustainable returns to shareholders. In addition to setting a dividend payout ratio of 20% in fiscal year 2019, we have added to a dividend policy a dividend on equity (DoE) ratio target of 5%. Based on this policy, in fiscal year 2019 we plan to pay annual dividends of ¥124 per share (interim: ¥62; year-end: ¥62).

In terms of purchases of treasury shares, the amounts will be decided with reference to cash flow and to the amount invested in the previous year, and purchases implemented as appropriate. In fiscal year 2019, we purchased treasury shares with a total value of around ¥10 billion in May and June 2018. Going forward, we will work to maintain communications with shareholders and to provide timely information, while striving to provide an appropriate return to the shareholders who have supported our growth over the long term.

July 2018

Hiroyuki Ohsawa
Director
Corporate Officer (Finance and Group Management)

Summary of FY2018 Balance Sheets

Main points

- **Current assets:** Trade accounts receivable declined as a result of the fall in sales, but due to an increase in cash and deposits achieved by cash inflows from operating activities, there was an increase over the previous fiscal year-end of ¥18,125 million.
- **Non-current assets:** Guarantee deposits increased, but due to such factors as the decrease in goodwill resulting from the closure of the *TicketCamp* service, we saw an overall decline of ¥2,977 million.
- **Current liabilities:** Declined by ¥4,659 million as a result of the decrease in income taxes payable.

(Millions of yen)	End of FY2016	End of FY2017	End of FY2018	Vs. end of FY2017
Assets				
Current assets	143,190	154,130	172,256	+18,125
Non-current assets	21,848	22,844	19,866	-2,977
Total assets	165,039	176,974	192,123	+15,149
Liabilities and net assets				
Current liabilities	43,465	26,300	21,641	-4,659
Non-current liabilities	83	143	47	-96
Net assets	121,490	150,529	170,434	+19,904

Summary of FY2018 Statements of Cash Flows

Main points

- **Cash flows from operating activities:** We saw a decrease of ¥15,504 million year on year due mainly to a large drop in income before income taxes before an increase in amortization of goodwill, but a decrease of income taxes paid by ¥18,706 million offset these negative factors, resulting in a year-on-year increase in cash flows from operating activities.
- **Cash flows from investing activities:** These fell year on year due mainly to increases in payments for guarantee deposits, which rose ¥3,400 million year on year.
- **Cash flows from financing activities:** These increased due primarily to a decline of ¥10,136 million in purchase of treasury shares.
- As a result of the above, free cash flow, which provides the funds for investments in the business, rose by ¥5,021 million year on year to ¥44,374 million, while cash and cash equivalents at end of period also increased, by ¥21,912 million year on year to ¥156,190 million.

(Millions of yen)	FY2016	FY2017	FY2018	YoY change
Net cash provided by (used in) operating activities	69,060	41,303	49,975	+8,671
Net cash provided by (used in) investing activities	(1,524)	(1,950)	(5,601)	-3,650
Net cash provided by (used in) financing activities	(6,646)	(31,386)	(22,447)	+8,939
Cash and cash equivalents at end of period	126,316	134,278	156,190	+21,912
Free cash flow	67,536	39,352	44,374	+5,021

harmonize



Corporate Governance

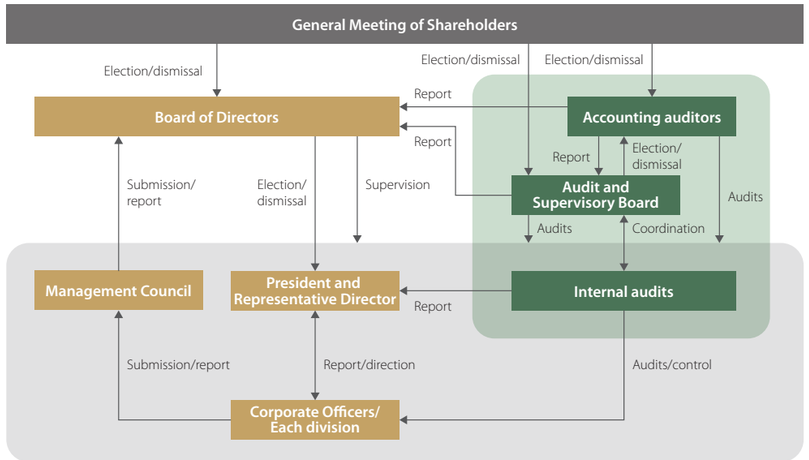
(As of June 26, 2018)

Format: Company with corporate auditors
Number of directors: Eight
Number of outside directors: Three
Number of outside directors who are independent: One
Term of service for directors: One year
Number of Audit and Supervisory Board members: Three
Number of outside Audit and Supervisory Board members: Three
Number of outside Audit and Supervisory Board members who are independent: One
Term of service for Audit and Supervisory Board members: Four years
Accounting auditors: Deloitte Touche Tohmatsu LLC

Basic approach to corporate governance

We recognize corporate governance as a means for maximizing corporate value. As such, we engage in organizational overhauls as appropriate to accommodate the expansion of our business ventures, to manage profits and losses of each of our businesses and to further clarify authority and responsibilities. We also focus on further enhancing the capabilities of the Board of Directors, which serves as the Company's decision-making body and of Audit and Supervisory Board members and the Audit and Supervisory Board to monitor directors' performance of their duties, as well as on improving the ability of our systems for internal control to prevent improprieties in the execution of business activities.

We have implemented all of the basic principles set forth in Japan's Corporate Governance Code.



Board of Directors

The Board of Directors has eight members, three of whom are outside. In principle, Board of Directors' meetings are held once monthly, constituting a system that allows speedy and efficient decision-making. To clarify the managerial responsibilities of directors and create a management system that is able to respond swiftly to changes in the management environment, the term of service for directors is prescribed as one year.

Management Council

The Management Council has been established to facilitate swift decision-making by the Board of Directors, as well as to ensure sufficient deliberation on key matters. In principle, Management Council meetings are held once monthly, but when necessary they may be held at any time.

Audit and Supervisory Board

We are a company with corporate auditors as stipulated in Japan's Companies Act. Our Audit and Supervisory Board has three outside members, one of whom is full-time, and in principle meets periodically once monthly. Audits are conducted based on a yearly plan. The results of audits are reported and deliberated in meetings of the Audit and Supervisory Board, which offers appropriate advice to the directors. Overall audits of the Company are conducted in coordination with internal audits and the accounting auditors.

Outside directors and outside Audit and Supervisory Board members

Three of the eight members of the Board of Directors and all three members of the Audit and Supervisory Board are outside members. Outside directors are expected to provide advice and supervision from an independent perspective, while outside Audit and Supervisory Board members are expected to provide objective auditing of job performance without being influenced by directors. Outside directors and outside Audit and Supervisory Board members thus ensure the effectiveness of management monitoring systems.

Individuals who have served as members of the Diet, held positions as executive officers at other companies, or are licensed attorneys, are selected to serve as outside directors and outside Audit and Supervisory Board members. These individuals offer appropriate advice and recommendations from a specialist perspective based on their individual expertise and experience.

Reasons for the election of outside directors and outside Audit and Supervisory Board members

Outside director Tatsuya Aoyagi: He has an abundance of insights and experience as a certified public accountant, and the competence to monitor management with independence and with an objective viewpoint that is not bound by the Company's logic.

Outside director Satoshi Shima: In addition to experience as a member of the House of Representatives, he possesses from his past career an abundance of insights and achievements related to corporate activities. We expect him to monitor decisions related to management matters in addition to performance of duties, based on this knowledge and experience.

Outside director Naoko Shimura: She possesses specialist knowledge and abundant experience in relation to the law and compliance matters that she cultivated as a lawyer, and it is anticipated that these qualities will enable her to contribute to further strengthening the function of supervision of the Company's Board of Directors.

Outside Audit and Supervisory Board member Takayuki Sato: We believe he will leverage his specialized knowledge and experience as a licensed attorney to conduct audits of the Company.

Outside Audit and Supervisory Board member Hiroyuki Wakamatsu: We expect him to leverage his specialized knowledge and experience as a licensed attorney and tax attorney to conduct audits of the Company.

Initiatives aimed at revitalizing the ordinary general meeting of shareholders and facilitating the exercise of voting rights

We strive to ensure the prompt dispatch of the convocation notice for our ordinary general meetings of shareholders. The notice for the meeting held on June 26, 2018, was dispatched on June 5.

To make it easier for shareholders to exercise their voting rights, we have made it possible to do so via the Internet from a computer, cell phone, or smartphone, as well as by using our electronic voting platform.

We also post an English-language summary of the convocation notice on our corporate website.

Internal audits and audits conducted by Audit and Supervisory Board members

We have established an internal audit office that is staffed by five employees, of whom three are dedicated to this work. The office conducts internal audits of the Company and the Group, as well as investigations into improvements in matters identified through such audits. The results of these are reported to the president and representative director.

In addition to periodically holding Audit and Supervisory Board meetings, Audit and Supervisory Board members attend Board of Directors' meetings and other important Company meetings and investigate Company assets and business ventures, among others. Through this system, we ensure sufficient auditing and supervision of directors' performance of their duties and strive to prevent improprieties and incidents that violate laws, ordinances, and our own articles of incorporation. We also seek to ensure the effectiveness of our internal controls through regular exchanges of views and information between Audit and Supervisory Board members and the internal audit office.

Status of internal control systems

We believe that it is essential to maintain appropriate corporate governance and to implement systems that ensure efficient and effective corporate activities, reliable financial reporting, and legal compliance. As such, and based on a fundamental policy of creating systems for internal control, we strive to maintain and strengthen our internal control systems. We aim to make continuous improvements with the goal of ensuring the soundness of our business ventures and creating even more effective internal control systems.

We also strive to ensure that the work performed by our directors and employees is appropriate by establishing business processes and internal regulations, as well as by strengthening systems for evaluation and monitoring by the internal audit office. The importance of compliance is stated in our Code of Ethics, the content of which all executive officers and employees are made aware of and are thoroughly versed in through our information systems.

Additionally, we have created an internal reporting system as a means of checking illegal acts and strive to prevent misconduct before it occurs. We have also created systems designed to eliminate any association with antisocial forces.

Promoting the "defensive" strengthening of the organization to support an "attacking" approach

Leveraging lessons learned to renew the management structure

The *TicketCamp* service was discontinued in May 2018, and the Company is currently working to clear up any remaining issues. In relation to these operations, we will continue to cooperate with inquiries from the investigatory agency, and the Group will work to the maximum extent possible to cooperate with regard to legal developments going forward.

The Group has learned important lessons about management structure from this incident, and has renewed the structure accordingly. Going forward, I regard it also as my personal duty to construct a system whereby the business, with the aid of appropriate crisis management measures, can achieve stable growth.

As part of those efforts, licensed attorney Naoko Shimura was recently elected outside director. As a result, we expect that the rigorous viewpoint of legal specialists will be reflected in the discussions and decision-making of the Board of Directors.

Building an organization to produce sustainable company operations

In this rapidly changing market environment, it goes without saying that we have an "attacking" business promotion system that emphasizes speed, but we believe it is also necessary to create a "defensive" foundation that supports the "attacking" aspect by forecasting risk and avoiding crises. We will prescribe the rules that we must respect as a company, and set a high value on the balance between "attacking" and "defensive."

Also, in recent years, intellectual property disputes have been on a rising trend and so in fiscal year 2019 we will take measures to strengthen our intellectual property management department as part of the "defensive" strengthening of the organization.

Ahead of this, we will of course reinforce employee education in the areas of compliance, corporate governance and ethics, in addition to which we have begun to build on a training program in collaboration with the human resources division.

Going forward, the Group believes that M&As are one option for achieving corporate growth, but as the primary driving force for the growth, we will release the services making best use of the knowledge and information that we have accumulated. We will develop human resources internally and create a new business, resulting in a business portfolio in which branches lead off from this main pillar, as part of our aim to become an organization capable of sustainable growth. I perceive my role being, as part of that process, to detect the various signs of internal and external risks at an early stage, and to navigate appropriate routes for their avoidance.

Going forward, we humbly request the continued encouragement and guidance of stakeholders as we work to recover their trust.

Masahiko Okuda
Director
Corporate Officer (Compliance and Operations)

Board of Directors

	Title	Name of Executive
Directors	President and Representative Director	Koki Kimura
	Director	Kosuke Taru
	Director	Hiroyuki Ohsawa
	Director	Masahiko Okuda
	Founder and Chairperson	Kenji Kasahara
	Outside Director	Tatsuya Aoyagi
	Outside Director	Satoshi Shima
	Outside Director	Naoko Shimura
Audit and Supervisory Board Members	Outside Audit and Supervisory Board Member (full-time)	Takako Kato
	Outside Audit and Supervisory Board Member	Takayuki Sato
	Outside Audit and Supervisory Board Member	Hiroyuki Wakamatsu

Directors and Audit and Supervisory Board Members

(As of June 26, 2018)



From left

Masahiko Okuda
Director

Koki Kimura
President and Representative Director

Hiroyuki Ohsawa
Director

Kosuke Taru
Director

Kenji Kasahara
Founder and Chairperson

Outside Directors
Tatsuya Aoyagi
Satoshi Shima
Naoko Shimura

Outside Audit and Supervisory Board Members
Takako Kato (Full-time)
Takayuki Sato
Hiroyuki Wakamatsu

Risk Factors

Recognizing the potential for the occurrence of the following risks that may impact the business, performance, and financial position of the mixi Group, we are committed to avoiding their occurrence and responding if they occur. However, we believe that investment decisions relating to the Company's shares need to be made following careful consideration together with consideration of other risk factors that are not listed in this section. It should be noted that, unless otherwise specified, forward-looking matters among the following descriptions are based on the Company's judgment as of June 28, 2018 and may differ from actual results due to inherent uncertainty.

1. Risk related to our business environment

(1) Mobile market

As the services provided via smart devices are highly vulnerable to the impact of the mobile-related market, the introduction of new legal regulations, technical innovation, and changes in trends at communications carriers could cause rapid and significant changes in the core businesses.

(2) Competition

If time spent on competing services by users of the services provided by the mixi Group increases, demand for the services provided by the mixi Group could decrease, etc.

(3) Technical innovation

Technical innovation and changes in customer needs are rapid in the Internet industry, and new services are being introduced one after another. If the mixi Group is unable to respond to change appropriately in a timely manner despite securing outstanding engineers and adopting cutting-edge technology in research and systems, competitiveness within the industry could decline.

2. Risk related to our business

(1) Response to changes in user tastes, interests, and concerns

As the main users of the services the mixi Group provides are ordinary mobile users, including young people, the acquisition and retention of users, frequency of use, and volume of billed use are highly vulnerable to the impact of changes in their tastes. If the mixi Group is unable to identify user needs accurately and provide content that satisfies those needs appropriately in a timely manner for core services, the appeal of these services to users could decline.

The sales of charged content in the Entertainment Business account for the majority of Group revenue, and there is a significant dependence on a specific title (*Monster Strike*).

Therefore, a decline in the competitiveness of that title could cause a decrease in the number of users, a decrease in the percentage of users of charged content, and a decrease in the use of charged content, etc.

(2) Dependence on acquisition of users

Services in the Entertainment Business are provided via platform providers such as Apple Inc. and Google Inc., and maintaining agreements with the relevant platform providers could become difficult or changes to their operational policy, fees, etc., could arise.

(3) Global expansion

If the mixi Group is unable to address potential risks that include differences in laws and regulations, political and social circumstances, culture, religion, user tastes and commercial practices in individual countries, and exchange rate fluctuations, the expected outcomes may not be achieved. The mixi Group and its services may not be accepted as they are in Japan and could be exposed to criticism by users in some cases in relation to the overseas expansion of native smartphone games.

(4) Trust and social confidence in the mixi Group and the mixi Group's products, services, and businesses

The mixi Group and the services the Group provides could suffer damage to their reputation and trust due to unsubstantiated rumors among users. In addition, the mixi Group contracts operations to a number of external enterprises for the development and provision of services. If a leak of personal information or other illegal or inappropriate action, etc., is carried out by a related external enterprise, the reputation of the mixi Group or its services could decline.

3. Risk related to our business promotion system

(1) Securing and developing human resources

If the securing of outstanding human resources does not proceed as planned, the mixi Group's competitiveness could decline and business expansion could be restricted.

(2) Internal management systems

If the development of adequate internal management systems fails to keep pace with rapid expansion of business, etc., the appropriate operation of business and the development of management systems could become difficult.

(3) Information management system

It is possible that leaks, tampering with, improper use, etc., of the personal information and other information held by the mixi Group could occur. Moreover, if such circumstances occur and the insurance that the mixi Group has appropriately entered into cannot necessarily compensate completely for all losses, the burden of considerable costs for an appropriate response, claims for compensation for damages, and a decline of confidence in the mixi Group, etc., could occur.

(4) Short business track record

The mixi Group strives to secure experienced and outstanding human resources but, due to a lack of experience as an organization overall, it may be unable to operate services as scheduled or may not be able to respond appropriately to changes in the business environment, etc. Moreover, as the mixi Group has a short business track record, it is possible that the financial position and operating results from past fiscal years may not be sufficient as information on which to judge future performance and growth potential.

4. Risk related to our systems

(1) Continuous equipment and systems investment accompanying business expansion

The mixi Group plans continuous capital expenditure in systems infrastructure, etc., to prepare for an increase in the future number of users and access volume. However, if there is a sharp increase in the number of users and access volume exceeding the mixi Group's forecasts, it is possible that the Group could be forced to change the timing, content, and scale of capital expenditure, and the burden of expenses related to this could increase.

(2) Systems failure and natural disasters

Computer systems may go down due to various factors that the mixi Group cannot predict, including temporary overloads and interruptions to the power supply, software bugs, failures of external linked systems, computer viruses and external intrusions into computers by illegal means, natural disasters, and accidents.

5. Risk related to legal regulation

Regarding the various laws and regulations relating to business and regulation based on the guidelines, etc., of regulatory agencies, it is possible that business could be subject to new restrictions or existing regulations could be strengthened, as a result of the formulation or amendment of relevant laws and regulations, the cancellation of approvals or imposition of penalties by the regulatory agencies, the formulation or amendment of new guidelines or voluntary rules, etc.

6. Risk related to our intellectual property

Accompanying the possibility that intellectual property rights that the mixi Group has not recognized could already be established or that new intellectual property rights could be established, it is possible that the mixi Group could be subject to claims for compensation for damages or injunctions due to infringement of the intellectual property rights of third parties or that there could be claims against the mixi Group for royalties for the intellectual property rights.

7. Risk related to our investment and lending

Regarding investment based on a policy of aggressive investment and lending to expand the business portfolio, it is possible that business synergies between individual investee companies and the mixi Group or contributions to profits by investee companies may not be obtained as anticipated. It is also possible that investment returns could be rendered impossible and that an impairment loss etc., could be recorded depending on the performance of investee companies.

8. Risk related to our operational alliances and M&As

Regarding the implementation of operational and capital alliances and M&As with companies that are highly compatible with mixi's services, in order to promote expansion in the scale of business and diversification of earnings sources, if integration with an acquired company or the development and strengthening of relations with an alliance partner do not progress as planned, or if the business synergies, etc., initially anticipated due to the integration or alliance cannot be obtained, or if the operational alliance in question is dissolved for any reason, it is possible that profit commensurate with investment, time, and other expenses may not be returned.

9. Risk related to our new businesses

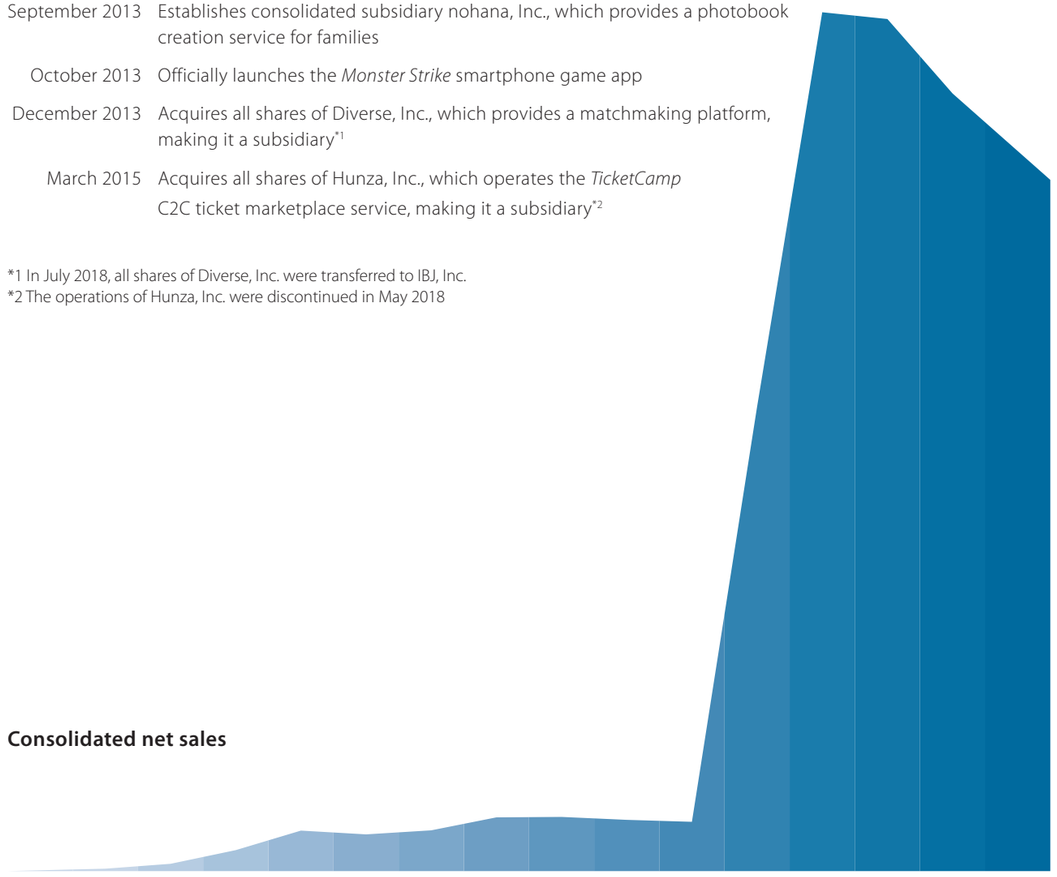
If additional expenditure aimed at creating and developing new services and new businesses arises, it is possible that profitability could decline, that risks which are difficult to predict could arise in the process, or that the mixi Group may not be able to operate the businesses smoothly due to its lack of experience. If the development of new services and new businesses does not proceed as planned or plans are canceled, it is possible that the new businesses may not be able to achieve the anticipated profitability.

History

November 1997	Launches the *Find Job!* job search website
June 1999	Establishes E-Mercury, Inc.
October 2000	Changes organizational structure of E-Mercury, Inc. from *yugen gaisha* (limited company) to *kabushiki gaisha* (joint-stock company)
February 2004	Launches the social networking service *mixi*
February 2006	Changes name to mixi, Inc.
September 2006	Lists on the Mothers section of the Tokyo Stock Exchange
April 2011	Spins off the *Find Job!* business as mixi recruitment, Inc.
March 2012	Establishes mixi America, Inc.
September 2013	Establishes consolidated subsidiary nohana, Inc., which provides a photobook creation service for families
October 2013	Officially launches the *Monster Strike* smartphone game app
December 2013	Acquires all shares of Diverse, Inc., which provides a matchmaking platform, making it a subsidiary*1
March 2015	Acquires all shares of Hunza, Inc., which operates the *TicketCamp* C2C ticket marketplace service, making it a subsidiary*2

*1 In July 2018, all shares of Diverse, Inc. were transferred to IBJ, Inc.
*2 The operations of Hunza, Inc. were discontinued in May 2018

Consolidated net sales



Main Group Companies and Principal Services

(As of June 30, 2018)

Main Group Companies

mixi, Inc.

mixi recruitment, Inc.

nohana, Inc.

SmartHealth, Inc.

i-mercury Capital, Inc.

mixi empowerment, Inc.

mixi America, Inc.

Principal Services

Hunting action role-playing game (RPG)
Monster Strike
▶ mixi, Inc.

All-out tag team board game
Fight League
▶ mixi, Inc.

A new playable shopping experience
XFLAG STORE
▶ mixi, Inc.

Family photo and video sharing app
Family Album Mitene
▶ mixi, Inc.

Salon artist booking app
minimo
▶ mixi, Inc.

Social networking service
mixi
▶ mixi, Inc.

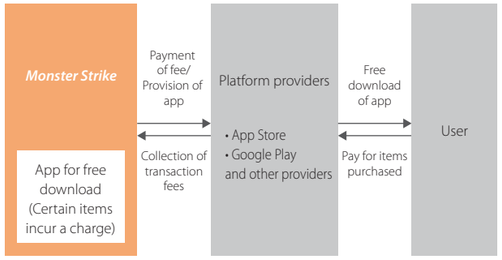
Job search website for people working in the web industry *Find Job!*
▶ mixi recruitment, Inc.

Photobook creation service for families
nohana
▶ nohana, Inc.

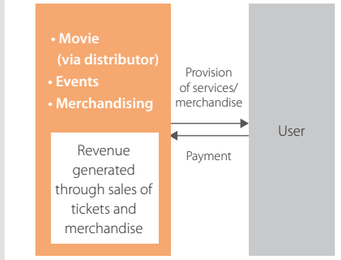
Casual photo studio for kids and family
STUDIO nohana
▶ nohana, Inc.

Business Models and Track Records of the Principal Services

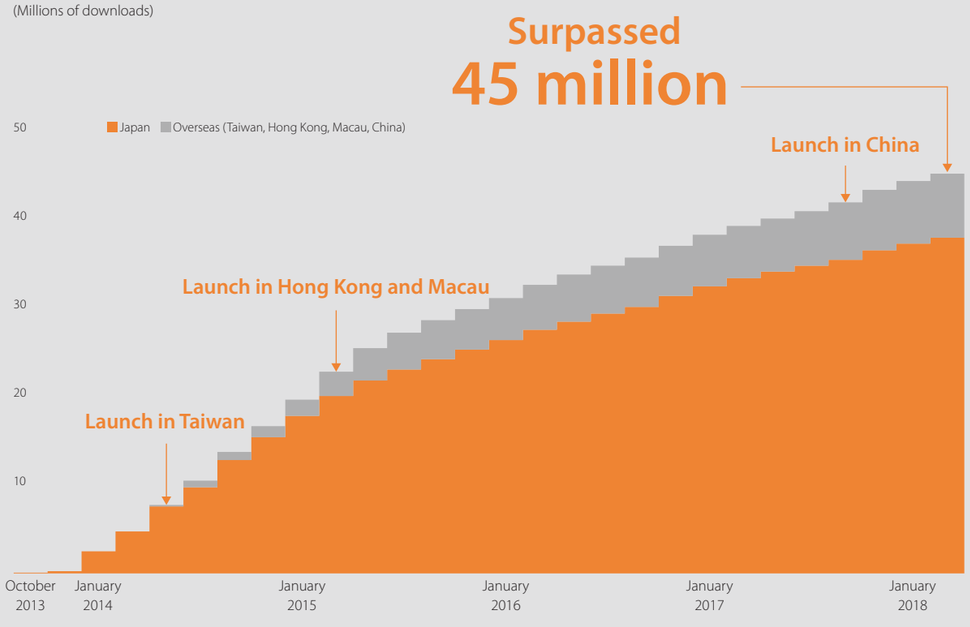
Monster Strike



Monster Strike-related businesses

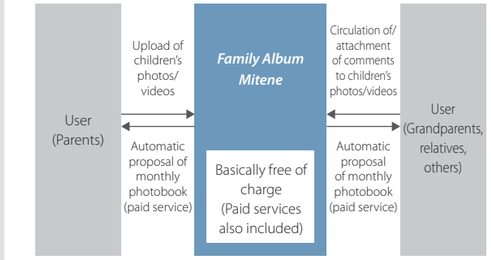


Cumulative number of downloads of *Monster Strike* worldwide
(Millions of downloads)

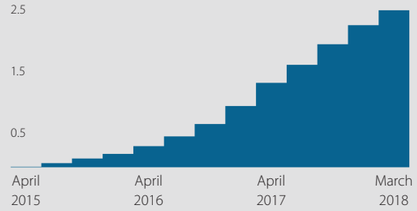


Monster Strike is an exhilarating multiplayer action RPG that anybody can easily enjoy, with its key feature enabling cooperative (multi) play with up to four friends in the same space together. Distribution of the game app began in October 2013 in Japan, and it is currently offered in Taiwan, Hong Kong, Macau, and China. Without limiting ourselves to the app itself we have developed a varied media mix that includes distribution of video and anime, and the operation of permanent stores, in addition to merchandising and live events. On March 8, 2018, the cumulative number of downloads topped 45 million globally.

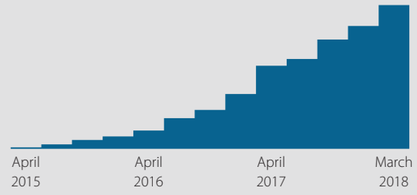
Family Album Mitene



Cumulative number of users of *Family Album Mitene*
(Millions of people)



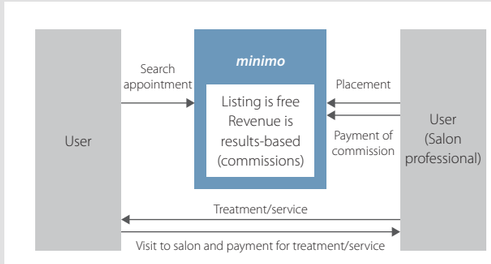
Family Album Mitene, WAF



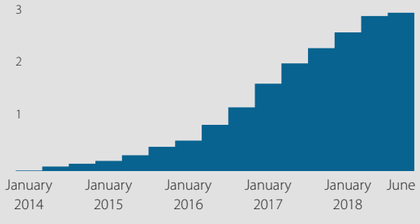
The service was launched in April 2015, and July 2017 saw the start of an English version. Growth in the number of users has accelerated among the grandparents' generation, as well as among husband and wife, and in January 2018 the number of users exceeded 2.5 million, while the WAF* doubled compared to that of March 2017.

*WAF = Weekly Active Family, defined as those who use *Mitene* at least once a week

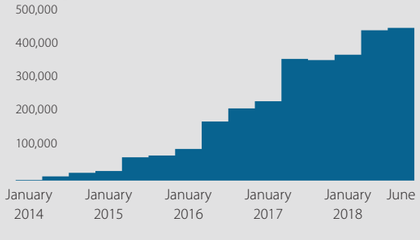
minimo



Cumulative number of downloads of *minimo*
(Millions of downloads)



Number of bookings of *minimo*
(Bookings)



This booking app was launched in January 2014 as a service connecting the customer to individual salon staff, unlike conventional services that connect the salon to the customer. As of June 19, 2018, the cumulative number of downloads had exceeded 3 million, with more than 450,000 bookings made, and more than 40,000 salon staff listed. Also, the total annual transaction value in fiscal year 2018 was 2.2 times that of fiscal year 2017.

The mixi Group's Corporate Social Responsibility

Investor relations activities

In order to engage shareholders and investors in active dialogue, we hold an earnings result briefing session for securities analysts and institutional investors after each quarterly financial results announcement. For overseas investors, we hold both meetings and conference calls on a regular basis, usually every quarter, and several times a year we offer investors the opportunity to meet management directly during overseas investor relations (IR) trips.

In terms of tools for information disclosure, financial results reports and other timely disclosures, as well as quarterly securities reports (published in Japanese only), presentation materials, and videos of financial results presentations are posted to the "Investor Relations" section of our corporate website.

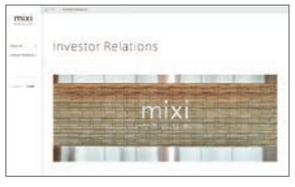
IR for the mixi Group are handled by a specialist department within the Administrative Headquarters. Going forward we will continue to conduct IR activities from a medium- to long-term perspective, strengthening engagement with shareholders and investors, with the aim of achieving sustainable growth in corporate value.

Principal IR activities in fiscal year 2018

Details	Annual frequency
Financial results briefing sessions for securities analysts and institutional investors	Four times
Meetings with domestic institutional investors	65 times
Conference calls with domestic investors	Five times
Meetings with overseas investors	114 times
Conference calls with overseas investors	27 times

Investor Relations website page

https://mixi.co.jp/en/ir/



Our relationship with society

As a company that provides Internet services, we undertake various initiatives to ensure that the services can be used more safely and more positively.

Company visits and educational activities

Based on our desire to interest junior and senior high school students in the work of the IT industry, and to encourage them to consider a career in this area, we accept visits to the Company.

Also, as part of our activities to educate children, we conduct lectures with the aim of providing them with the skills needed to use the Internet independently and safely.





Systems supporting a healthy mixi Group

As technology advances, the Internet has taken root as a component of infrastructure that is indispensable to industry and to our daily lives. However, it is a fact that the risk of normal users becoming involved in difficulties or dangers caused by those who misuse Internet services has not disappeared.

The mixi Group is promoting monitoring activities and the further strengthening of systems that enable the safe use of its services in order to prevent illicit use and harm to users.

In addition, in order to reduce Internet crime and the incidence of harm, we cooperate with investigatory agencies and exchange information, leading to the identification and reporting of abusers. In this way, and based on correct understanding of situations, we continue to implement various activities intended to improve safety for users.

Financial Information

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Consolidated Financial Statements

Consolidated Balance Sheets

mixi, Inc. and Consolidated Subsidiaries

(Millions of yen)

	FY2017 (As of March 31, 2017)	**FY2018 (As of March 31, 2018)**
Assets:		
Current assets		
Cash and deposits	¥134,278	**¥156,190**
Accounts receivable — trade	16,214	**11,732**
Merchandise	291	**441**
Raw materials	—	**211**
Deferred tax assets	864	**808**
Other	2,487	**2,887**
Allowance for doubtful accounts	(6)	**(16)**
Total current assets	154,130	**172,256**
Non-current assets		
Property, plant and equipment		
Buildings	703	**1,005**
Accumulated Depreciation	(213)	**(397)**
Buildings, net	489	**608**
Tools, furniture and fixtures	2,303	**2,615**
Accumulated Depreciation	(1,540)	**(1,349)**
Tools, furniture and fixtures, net	763	**1,266**
Construction in progress	33	**13**
Total property, plant and equipment	1,286	**1,888**
Intangible assets		
Goodwill	8,683	**—**
Other	271	**391**
Total intangible assets	8,954	**391**
Investments and other assets		
Investment securities	2,559	**3,351**
Deferred tax assets	8,994	**9,677**
Other	1,051	**4,559**
Allowance for doubtful accounts	(1)	**(1)**
Total investments and other assets	12,603	**17,586**
Total non-current assets	22,844	**19,866**
Total assets	¥176,974	**¥192,123**

(Millions of yen)

	FY2017 (As of March 31, 2017)	**FY2018 (As of March 31, 2018)**
Liabilities:		
Current liabilities		
Accounts payable — other	¥ 5,713	**¥ 7,068**
Income taxes payable	11,347	**9,909**
Accrued consumption taxes	865	**95**
Provision for bonuses	1,560	**950**
Other	6,814	**3,616**
Total current liabilities	26,300	**21,641**
Non-current liabilities		
Deferred tax liabilities	50	**—**
Other	93	**47**
Total non-current liabilities	143	**47**
Total liabilities	26,444	**21,688**
Net assets:		
Shareholders' equity		
Capital stock	9,698	**9,698**
Capital surplus	10,941	**9,668**
Retained earnings	139,914	**151,669**
Treasury shares	(10,525)	**(1,450)**
Total shareholders' equity	150,029	**169,587**
Accumulated other comprehensive income		
Foreign currency translation adjustment	242	**212**
Total accumulated other comprehensive income	242	**212**
Subscription rights to shares	253	**630**
Non-controlling interests	4	**4**
Total net assets	150,529	**170,434**
Total liabilities and net assets	¥176,974	**¥192,123**

Consolidated Statements of Income

mixi, Inc. and Consolidated Subsidiaries

(Millions of yen)

	FY2017 (April 1, 2016 to March 31, 2017)	**FY2018 (April 1, 2017 to March 31, 2018)**
Net sales	¥207,161	**¥189,094**
Cost of sales	24,147	**23,050**
Gross profit	183,013	**166,043**
Selling, general and administrative expenses (Note 5 (*1)(*2))	94,004	**93,683**
Operating income	89,008	**72,359**
Non-operating income		
Interest income	2	**3**
Refunded consumption taxes	15	**—**
Gain on investments in partnership	—	**493**
Foreign exchange gains	—	**12**
Other	19	**50**
Total non-operating income	37	**559**
Non-operating expenses		
Interest expenses	0	**0**
Loss on investments in partnership	235	**—**
Foreign exchange losses	3	**—**
Commission fee	332	**196**
Other	1	**5**
Total non-operating expenses	573	**202**
Ordinary income	88,472	**72,717**
Extraordinary income		
Gain on sales of non-current assets (Note 5 (*3))	—	**2**
Gain on sales of investment securities (Note 5 (*4))	—	**346**
Gain on sales of shares of subsidiaries and associates	20	**—**
Gain on reversal of subscription rights to shares	0	**—**
Total extraordinary income	21	**348**
Extraordinary losses		
Loss on sales and retirement of non-current assets (Note 5 (*5))	8	**24**
Impairment loss (Note 5 (*6))	3	**131**
Loss on valuation of investment securities	861	**391**
Amortization of goodwill (Note 5 (*7))	—	**7,597**
Loss on sales of shares of subsidiaries and associates (Note 5 (*8))	192	**—**
Total extraordinary losses	1,065	**8,145**
Income before income taxes	87,428	**64,920**
Income taxes — current	28,674	**23,810**
Income taxes — deferred	(1,112)	**(677)**
Total income taxes	27,562	**23,132**
Profit	59,866	**41,788**
Loss attributable to non-controlling interests	(0)	**(0)**
Profit attributable to owners of parent	¥ 59,867	**¥ 41,788**

Consolidated Statements of Comprehensive Income

mixi, Inc. and Consolidated Subsidiaries

(Millions of yen)

	FY2017 (April 1, 2016 to March 31, 2017)	**FY2018 (April 1, 2017 to March 31, 2018)**
Profit	¥59,866	**¥41,788**
Other comprehensive income		
Foreign currency translation adjustment	(18)	**(29)**
Total other comprehensive income (Note 6 (*1))	(18)	**(29)**
Comprehensive income	¥59,848	**¥41,758**
Comprehensive income attributable to:		
Owners of parent	¥59,849	**¥41,759**
Non-controlling interests	(0)	**(0)**

Consolidated Statements of Changes in Shareholders' Equity

mixi, Inc. and Consolidated Subsidiaries

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	¥9,698	¥20,427	¥ 91,112	¥ (17)	¥121,221
Changes of items during period					
Dividends of surplus			(11,066)		(11,066)
Profit attributable to owners of parent			59,867		59,867
Purchase of treasury shares				(20,000)	(20,000)
Disposal of treasury shares		2		4	6
Retirement of treasury shares		(9,488)		9,488	—
Transfer to capital surplus from retained earnings					—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(9,486)	48,801	(10,507)	28,807
Balance at end of period	¥9,698	¥10,941	¥139,914	¥(10,525)	¥150,029

(Millions of yen)

	Accumulated other comprehensive income		Subscription rights to shares	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	¥260	¥260	¥ 2	¥5	¥121,490
Changes of items during period					
Dividends of surplus					(11,066)
Profit attributable to owners of parent					59,867
Purchase of treasury shares					(20,000)
Disposal of treasury shares					6
Retirement of treasury shares					—
Transfer to capital surplus from retained earnings					—
Net changes of items other than shareholders' equity	(18)	(18)	250	(0)	231
Total changes of items during period	(18)	(18)	250	(0)	29,039
Balance at end of period	¥242	¥242	¥253	¥4	¥150,529

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	**¥9,698**	**¥10,941**	**¥139,914**	**¥(10,525)**	**¥150,029**
Changes of items during period					
Dividends of surplus			**(12,230)**		**(12,230)**
Profit attributable to owners of parent			**41,788**		**41,788**
Purchase of treasury shares				**(9,999)**	**(9,999)**
Disposal of treasury shares					**—**
Retirement of treasury shares		**(19,075)**		**19,075**	**—**
Transfer to capital surplus from retained earnings		**17,802**	**(17,802)**		**—**
Net changes of items other than shareholders' equity					
Total changes of items during period	**—**	**(1,272)**	**11,755**	**9,075**	**19,557**
Balance at end of period	**¥9,698**	**¥ 9,668**	**¥151,669**	**¥ (1,450)**	**¥169,587**

(Millions of yen)

	Accumulated other comprehensive income		Subscription rights to shares	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	**¥242**	**¥242**	**¥253**	**¥4**	**¥150,529**
Changes of items during period					
Dividends of surplus					**(12,230)**
Profit attributable to owners of parent					**41,788**
Purchase of treasury shares					**(9,999)**
Disposal of treasury shares					**—**
Retirement of treasury shares					**—**
Transfer to capital surplus from retained earnings					**—**
Net changes of items other than shareholders' equity	**(29)**	**(29)**	**376**	**(0)**	**346**
Total changes of items during period	**(29)**	**(29)**	**376**	**(0)**	**19,904**
Balance at end of period	**¥212**	**¥212**	**¥630**	**¥4**	**¥170,434**

Consolidated Statements of Cash Flows

mixi, Inc. and Consolidated Subsidiaries

(Millions of yen)

	FY2017 (April 1, 2016 to March 31, 2017)	**FY2018 (April 1, 2017 to March 31, 2018)**
Cash flows from operating activities		
Income before income taxes	¥ 87,428	**¥ 64,920**
Depreciation	375	**783**
Impairment loss	3	**131**
Amortization of goodwill	1,679	**8,683**
Increase (decrease) in allowance for doubtful accounts	(4)	**9**
Increase (decrease) in provision for bonuses	649	**(610)**
Interest income	(2)	**(3)**
Refunded consumption taxes	(15)	**—**
Interest expenses	0	**0**
Foreign exchange losses (gains)	0	**11**
Commission fee	332	**196**
Loss (gain) on investments in partnership	235	**(493)**
Loss (gain) on sales of shares of subsidiaries and associates	171	**—**
Loss (gain) on valuation of investment securities	861	**391**
Loss (gain) on sales of investment securities	—	**(346)**
Loss (gain) on sales and retirement of non-current assets	8	**22**
Decrease (increase) in notes and accounts receivable — trade	(3,280)	**4,482**
Decrease (increase) in inventories	(221)	**(362)**
Increase (decrease) in accounts payable — other	99	**958**
Increase (decrease) in accrued consumption taxes	(4,847)	**(769)**
Other, net	1,448	**(3,117)**
Subtotal	84,923	**74,888**
Interest income received	0	**1**
Interest expenses paid	(0)	**(0)**
Income taxes paid	(43,621)	**(24,915)**
Net cash provided by (used in) operating activities	41,303	**49,975**
Cash flows from investing activities		
Purchase of property, plant and equipment	(606)	**(1,329)**
Purchase of intangible assets	(46)	**(331)**
Purchase of investment securities	(1,093)	**(1,644)**
Proceeds from sales of investment securities	—	**445**
Proceeds from share of profits on investment securities	239	**750**
Proceeds from investment securities	—	**75**
Payments for guarantee deposits	(173)	**(3,573)**
Payment for acquisition of the subsidiary resulting in change in scope of consolidation	(94)	**—**
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation (Note 8 (*2))	(200)	**—**
Other, net	22	**7**
Net cash provided by (used in) investing activities	(1,950)	**(5,601)**
Cash flows from financing activities		
Repayments of long-term loans payable	—	**(10)**
Proceeds from disposal of treasury shares	4	**—**
Purchase of treasury shares	(20,332)	**(10,195)**
Cash dividends paid	(11,057)	**(12,239)**
Other, net	(0)	**(1)**
Net cash provided by (used in) financing activities	(31,386)	**(22,447)**
Effect of exchange rate change on cash and cash equivalents	(3)	**(14)**
Net increase (decrease) in cash and cash equivalents	7,961	**21,912**
Cash and cash equivalents at beginning of period	126,316	**134,278**
Cash and cash equivalents at end of period (Note 8 (*1))	¥134,278	**¥156,190**

1. Important matters that form the basis of preparing consolidated financial statements

1. Matters related to the scope of consolidation

(1) Number of consolidated subsidiaries: 17

Names of the major consolidated subsidiaries:
mixi recruitment, Inc.
Diverse, Inc.
Hunza, Inc.

Ratel, Inc. and five other subsidiaries have been included in the scope of consolidation from the consolidated fiscal year ended March 31, 2018 due to their new establishment.

Confianza, Inc., which was a consolidated subsidiary until the previous consolidated fiscal year, has been excluded from the scope of consolidation since the liquidation procedure was completed in the consolidated fiscal year ended March 31, 2018.

(2) Name of non-consolidated subsidiaries and others

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 total assets, net sales, profit or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest) and others have no significant impact on the consolidated financial statements.

2. Matters related to the application of equity method

(1) Number of equity-method associates

There is no relevant information.

(2) Number of non-consolidated subsidiaries to which the equity method is not applicable: 1

Name of the non-consolidated subsidiary: 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 an insignificant impact on the consolidated financial statements in terms of profit or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest) and others.

3. Matters related to the fiscal year of consolidated subsidiaries

Among consolidated subsidiaries, the balance sheet date of Scrum Ventures Fund I, L.P. and Compath Me Inc. is December 31, and the balance sheet date of Hunza, Inc. is February 28 or 29, and their financial statements as at their respective balance sheet dates are used. However, necessary adjustments are made to reflect important transactions that occurred during their balance sheet dates to the consolidated balance sheet date.

4. Matters related to accounting policies

(1) Valuation standards and valuation methods of significant assets

1) Securities
Available-for-sale securities without market value
Stated at cost using the moving-average method. Investments in investment partnerships and others are based on the financial statements for the most recent balance sheet date using the net amount proportionate to mixi's ownership interests.
2) Inventories
Merchandise
Stated at cost determined by the first-in, first-out (FIFO) method (the book value in the balance sheet is written down based on the decline in profitability).
Raw materials
Stated at cost determined by the first-in, first-out (FIFO) method (the book value in the balance sheet is written down based on the decline in profitability).

(2) Depreciation and amortization methods of significant depreciation assets

1) Property, plant and equipment (excluding leased assets)
The declining balance method is primarily applied.

However, the straight line method is applied for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings acquired on or after April 1, 2016.
The principle useful lives are as follows:

Buildings:	2 to 27 years
Tools, furniture and fixtures:	2 to 20 years

2) Intangible assets (excluding leased assets)
The straight line method is applied.

The amortization period for software for internal use is based on its useful life within mixi (5 years).
3) Leased assets
Leased assets pertaining to finance leases other than those in which the title of the leased property transfers to the lessee

The straight line method, substituting the lease term for the useful life, assuming no residual value.

(3) Accounting standards for significant 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) Accrued employees' bonuses
In order to provide for payment of bonuses to employees, the amount of bonuses estimated to be incurred in the consolidated fiscal year under review is recorded.

(4) Translation of significant assets and liabilities denominated in foreign currencies into Japanese yen

Monetary receivables and payables denominated in foreign currencies have been translated into Japanese yen at the spot exchange rate on the consolidated balance sheet date, and translation adjustments are recorded as gains or losses. Assets, liabilities, income, and expenses of overseas consolidated subsidiaries are translated into Japanese yen using the spot exchange rate on the consolidated balance sheet date, and translation adjustments are included in foreign currency translation adjustment and non-controlling interests under "Net assets."

(5) Amortization method and amortization period of goodwill

Amortized over a period of eight 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.

(6) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents consist of cash on hand, deposits that can be withdrawn at any time and short-term investments with a maturity of three months or less from the date of acquisition that are readily convertible into cash and subject to minimum risk of price fluctuations.

(7) Other important matters that form the basis for preparing consolidated financial statements

Accounting method for consumption taxes
Accounted for by the tax-exclusion method

2. Accounting standards, etc. not applied

- "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

This is a comprehensive accounting standard regarding revenue recognition. Revenue is recognized by applying the following five steps.
Step 1: Identify the contract with the customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Calculate the transaction price.
Step 4: Allocate the transaction price among the performance obligations in the contract.
Step 5: Recognize revenue when a performance obligation is fulfilled, or in line with the fulfillment.

(2) Scheduled date of application

The scheduled date of application is at the start of the fiscal year ending March 31, 2022.

(3) Impact of application of the said accounting standards, etc.

At the time of preparation of these consolidated financial statements, the financial impact was in the process of evaluation.

3. Changes in presentation

(Consolidated statements of cash flows)
"Payments for guarantee deposits," which was previously included in "other, net" under "cash flows from investing activities" in the previous consolidated fiscal year, is stated independently from the consolidated fiscal year ended March 31, 2018 as its quantitative significance has increased.

As a result, ¥(151) million stated in "other, net" under "cash flows from investing activities" in the consolidated statements of cash flows in the previous consolidated fiscal year has been reclassified as "payments for guarantee deposits" of ¥(173) million and "other, net" of ¥22 million.

4. Changes in accounting estimates

In the consolidated fiscal year ended March 31, 2018, mixi concluded a real estate lease agreement concerning the relocation of the Head Office. In line with this, mixi revised the expected period of use of the asset retirement obligations which had been recorded to perform the obligation to restore the current office to the original state based on its real estate lease agreement, as well as useful life of the non-current assets of the current office. Due to these changes in accounting estimates, operating income, ordinary income and income before income taxes for the consolidated fiscal year ended March 31, 2018 each decreased by ¥202 million.

5. Consolidated statements of income

*1. The major components and amounts of selling, general and administrative expenses are as follows:

(Millions of yen)

	FY2017 (April 1, 2016 to March 31, 2017)	**FY2018 (April 1, 2017 to March 31, 2018)**
Advertising expenses	¥20,864	**¥23,593**
Settlement fees	59,273	**53,634**

*2. The amount of research and development expenses, included in selling, general and administrative expenses, is as follows:

(Millions of yen)

	FY2017 (April 1, 2016 to March 31, 2017)	**FY2018 (April 1, 2017 to March 31, 2018)**
	¥—	**¥635**

*3. The breakdown of gain on sales of non-current assets are as follows:

(Millions of yen)

	FY2017 (April 1, 2016 to March 31, 2017)	**FY2018 (April 1, 2017 to March 31, 2018)**
Tools, furniture and fixtures	¥—	**¥2**

*4. Gain on sales of investment securities

For the consolidated fiscal year ended March 31, 2017
(April 1, 2016 to March 31, 2017)
There is no relevant information.

For the consolidated fiscal year ended March 31, 2018
(April 1, 2017 to March 31, 2018)
mixi recorded a gain on sales of investment securities owned by i-mercury Capital, Inc.

*5. The breakdown of loss on sales and retirement of non-current assets is as follows:

(Millions of yen)

	FY2017 (April 1, 2016 to March 31, 2017)	**FY2018 (April 1, 2017 to March 31, 2018)**
Buildings	¥0	**¥—**
Tools, furniture and fixtures	6	**24**
Other	1	**0**
Total	¥8	**¥24**

*6. Impairment loss

For the consolidated fiscal year ended March 31, 2017
(April 1, 2016 to March 31, 2017)
There are no important matters that need to be stated.

For the consolidated fiscal year ended March 31, 2018
(April 1, 2017 to March 31, 2018)
mixi Group posted impairment loss on the following assets in the consolidated fiscal year ended March 31, 2018.

Business	Application	Place	Classification	Amount (Millions of yen)
Media Platform Business	**Business assets**	**—**	**Tools, furniture and fixtures**	**¥ 0**
			Other intangible assets	**¥131**

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

Impairment loss in the Media Platform Business was recognized due to the fact that the revenue initially expected can no longer be expected in line with the decision to stop operations of *TicketCamp*, operated by Hunza, Inc., and to shut down the service.

Recoverable value of these assets is calculated by estimating the collectible amount, which amounts to zero due to the fact that no future cash flow can be anticipated.

*7. Amortization of goodwill

For the consolidated fiscal year ended March 31, 2017
(April 1, 2016 to March 31, 2017)
There is no relevant information.

For the consolidated fiscal year ended March 31, 2018
(April 1, 2017 to March 31, 2018)
The goodwill was amortized in accordance with the provisions of Paragraph 32 of the "Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements" (Accounting Practice Committee Report No. 7, issued by Japanese Institute of Certified Public Accountants, the latest revision on November 28, 2014).

The full amortization of goodwill is in line with the decision in the Media Platform Business to stop operations of *TicketCamp*, operated by Hunza, Inc., and to shut down the service.

*8. Loss on sales of shares of subsidiaries and associates

For the consolidated fiscal year ended March 31, 2017
(April 1, 2016 to March 31, 2017)
mixi recorded a loss on sale of shares of MUSE & Co., Ltd.

For the consolidated fiscal year ended March 31, 2018
(April 1, 2017 to March 31, 2018)
There is no relevant information.

6. Consolidated statements of comprehensive income

*1. Reclassification adjustments and tax effect associated with other comprehensive income

(Millions of yen)

	FY2017 (April 1, 2016 to March 31, 2017)	**FY2018 (April 1, 2017 to March 31, 2018)**
Foreign currency translation adjustment:		
Gains (losses) arising during the period	¥(18)	**¥(29)**
Reclassification adjustments	—	**—**
Amount before income tax effect	(18)	**(29)**
Income tax effect	—	**—**
Foreign currency translation adjustment	(18)	**(29)**
Total other comprehensive income	¥(18)	**¥(29)**

7. Consolidated statements of changes in shareholders' equity

For the consolidated fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

1. Matters related to class and total number of issued shares

Class of shares	As of April 1, 2016	Increase	Decrease	As of March 31, 2017
Common shares (Shares)	84,295,500	—	2,416,050	81,879,450

(Summary of causes of changes)
Decrease due to retirement of treasury shares: 2,416,050 shares

2. Matters related to class and total number of treasury shares

Class of shares	As of April 1, 2016	Increase	Decrease	As of March 31, 2017
Common shares (Shares)	30,500	4,727,750	2,423,050	2,335,200

(Summary of causes of changes)
Increase due to purchase of treasury shares: 4,727,700 shares
Increase due to purchase of fractional shares: 50 shares
Decrease due to retirement of treasury shares: 2,416,050 shares
Decrease due to disposal of shares upon exercise of subscription rights to shares: 7,000 shares

3. Matters related to subscription rights to shares

Company name	Details	Class of shares subject to subscription rights	Number of shares subject to subscription rights				Balance as of March 31, 2017 (Millions of yen)
			As of April 1, 2016	Increase	Decrease	As of March 31, 2017	
mixi	Subscription rights to shares as stock option			—			¥253
Total				—			¥253

4. Matters related to dividends of surplus
(1) Cash dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors Meeting on May 10, 2016	Common shares	¥6,488	¥77	March 31, 2016	June 8, 2016
Board of Directors Meeting on November 9, 2016	Common shares	4,577	56	September 30, 2016	December 12, 2016

(2) Dividends with record dates within the consolidated fiscal year ended March 31, 2017, but with effective dates belonging to the following consolidated fiscal year

Resolution	Class of shares	Funds for dividends	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors Meeting on May 10, 2017	Common shares	Retained earnings	¥7,238	¥91	March 31, 2017	June 7, 2017

For the consolidated fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)
1. Matters related to class and total number of issued shares

Class of shares	As of April 1, 2017	Increase	Decrease	As of March 31, 2018
Common shares (Shares)	**81,879,450**	**—**	**3,648,600**	**78,230,850**

(Summary of causes of changes)
Decrease due to retirement of treasury shares: 3,648,600 shares

2. Matters related to class and total number of treasury shares

Class of shares	As of April 1, 2017	Increase	Decrease	As of March 31, 2018
Common shares (Shares)	**2,335,200**	**1,542,700**	**3,648,600**	**229,300**

(Summary of causes of changes)
Increase due to purchase of treasury shares: 1,542,700 shares
Decrease due to retirement of treasury shares: 3,648,600 shares

3. Matters related to subscription rights to shares

Company name	Details	Class of shares subject to subscription rights	Number of shares subject to subscription rights				Balance as of March 31, 2018 (Millions of yen)
			As of April 1, 2017	Increase	Decrease	As of March 31, 2018	
mixi	**Subscription rights to shares as stock option**			**—**			**¥630**
Total				**—**			**¥630**

4. Matters related to dividends of surplus
(1) Cash dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors Meeting on May 10, 2017	**Common shares**	**¥7,238**	**¥91**	**March 31, 2017**	**June 7, 2017**
Board of Directors Meeting on November 8, 2017	**Common shares**	**4,992**	**64**	**September 30, 2017**	**December 11, 2017**

(2) Dividends with record dates within the consolidated fiscal year ended March 31, 2018, but with effective dates belonging to the following consolidated fiscal year

Resolution	Class of shares	Funds for dividends	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors Meeting on May 10, 2018	**Common shares**	**Retained earnings**	**¥4,446**	**¥57**	**March 31, 2018**	**June 6, 2018**

8. Consolidated statements of cash flows

*1. The ending balance of cash and cash equivalents and its relationship to the amounts of items listed in the consolidated balance sheets are as follows:

(Millions of yen)

	FY2017 (April 1, 2016 to March 31, 2017)	**FY2018 (April 1, 2017 to March 31, 2018)**
Cash and deposits account	¥134,278	**¥156,190**
Cash and cash equivalents	134,278	**156,190**

*2. Principal assets and liabilities of companies that have been excluded from the scope of consolidation due to the sales of shares

For the consolidated fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

Breakdown of assets and liabilities at the date of sales of shares in MUSE & Co., Ltd., which has been excluded from the scope of consolidation due to the sales of shares, as well as the relationship between the sales price of the shares and payments (net) for the sales are as follows:

(Millions of yen)

Current assets	¥ 330
Non-current assets	58
Current liabilities	(196)
Non-current liabilities	(0)
Loss on sales of shares	(192)
Sales price of shares	¥ 0
Cash and cash equivalents	¥(190)
Balance: Payments for sales of shares of subsidiary resulting in change in scope of consolidation	¥(190)

Breakdown of assets and liabilities at the date of sales of shares in mixi research, Inc., which has been excluded from the scope of consolidation due to the sales of shares, as well as the relationship between the sales price of the shares and payments (net) for the sales are as follows:

(Millions of yen)

Current assets	¥ 39
Current liabilities	(56)
Gain on sales of shares	20
Sales price of shares	¥ 3
Cash and cash equivalents	¥(13)
Balance: Payments for sales of shares of subsidiary resulting in change in scope of consolidation	¥ (9)

For the consolidated fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

There is no relevant information.

9. Lease transactions

Operating lease transactions

Accrued lease payments related to non-cancellable operating lease transactions

(Millions of yen)

	FY2017 (April 1, 2016 to March 31, 2017)	**FY2018 (April 1, 2017 to March 31, 2018)**
Less than 1 year	¥268	**¥1,124**
More than 1 year	536	**553**
Total	¥805	**¥1,678**

10. Financial instruments

1. Matters related to status of financial instruments

(1) Policy on financial instruments

In regard to fund management, the mixi 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 are exposed to the credit risk of parties holding the deposits but these parties are banks with high creditworthiness. Accounts receivable-trade are exposed to the credit risk of customers but in addition to regular management of the due dates and balance of each customer 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 customer'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, income taxes payable, and accrued consumption taxes. Accounts payable - other are mainly due within one month. In regard to liquidity risk whereby financing is no longer possible, 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 others of financial instruments

The amounts recorded in the consolidated balance sheets, fair value and the difference between the two as of the balance sheet date 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)).

For the consolidated fiscal year ended March 31, 2017 (as of March 31, 2017)

(Millions of yen)

	Amount recorded on consolidated balance sheets*	Fair value*	Difference
(1) Cash and deposits	¥134,278	¥134,278	¥—
(2) Accounts receivable — trade	¥ 16,214		
Allowance for doubtful accounts	(6)		
	¥ 16,208	¥ 16,208	¥—
(3) Accounts payable — other	¥ (5,713)	¥ (5,713)	¥—
(4) Income taxes payable	¥ (11,347)	¥ (11,347)	¥—
(5) Accrued consumption taxes	¥ (865)	¥ (865)	¥—

* Items recorded as liabilities are denoted by ( ).

For the consolidated fiscal year ended March 31, 2018 (as of March 31, 2018)

(Millions of yen)

	Amount recorded on consolidated balance sheets*	Fair value*	Difference
(1) Cash and deposits	**¥156,190**	**¥156,190**	**¥—**
(2) Accounts receivable — trade	**¥ 11,732**		
Allowance for doubtful accounts	**(16)**		
	¥ 11,716	**¥ 11,716**	**¥—**
(3) Accounts payable — other	**¥ (7,068)**	**¥ (7,068)**	**¥—**
(4) Income taxes payable	**¥ (9,909)**	**¥ (9,909)**	**¥—**
(5) Accrued consumption taxes	**¥ (95)**	**¥ (95)**	**¥—**

* 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 approximate their book values, and therefore their book values are used.
(3) Accounts payable — other, (4) Income taxes payable and (5) Accrued consumption taxes:
As these are based on short-term settlements, their fair values approximate their book values, and therefore their book values are used.

2. Consolidated balance sheet amounts of financial instruments whose market values are deemed to be extremely difficult to determine

(Millions of yen)

Classification	As of March 31, 2017	**As of March 31, 2018**
Unlisted shares and others	¥ 865	**¥ 906**
Contribution to investment partnerships	1,694	**2,444**

The above financial instruments are not included in the above table as their market prices are not available, future cash flows cannot be estimated, and market values are deemed extremely difficult to determine.

3. Scheduled redemption amount of monetary receivables after the consolidated balance sheet date
For the consolidated fiscal year ended March 31, 2017 (as of March 31, 2017)

	Less than 1 year (Millions of yen)	More than 1 year and less than 5 years (Millions of yen)	More than 5 years and less than 10 years (Millions of yen)	More than 10 years (Millions of yen)
Cash and deposits	¥134,278	¥—	¥—	¥—
Accounts receivable — trade	16,214	—	—	—
Total	¥150,493	¥—	¥—	¥—

For the consolidated fiscal year ended March 31, 2018 (as of March 31, 2018)

	Less than 1 year (Millions of yen)	More than 1 year and less than 5 years (Millions of yen)	More than 5 years and less than 10 years (Millions of yen)	More than 10 years (Millions of yen)
Cash and deposits	**¥156,190**	**¥—**	**¥—**	**¥—**
Accounts receivable — trade	**11,732**	**—**	**—**	**—**
Total	**¥167,923**	**¥—**	**¥—**	**¥—**

11. Retirement benefits

1. Outline of retirement benefit plans
mixi and two of its consolidated subsidiaries in Japan have adopted a defined contribution plan and an advance payment plan with optional plans.

2. Defined contribution plan
The amount contributed by mixi and its consolidated subsidiaries in Japan to the defined contribution plan was ¥28 million for the previous consolidated fiscal year and ¥41 million for the current consolidated fiscal year.

12. Stock options

1. Amount recorded as expenses and item in which such expenses are recorded

(Millions of yen)

	FY2017	**FY2018**
Selling, general and administrative expenses	¥253	**¥376**

2. Amount recorded as income due to expiration of subscription rights to shares

(Millions of yen)

	FY2017	**FY2018**
Gain on reversal of subscription rights to shares	¥0	**¥—**

3. Details and volume of stock options and changes thereto

(1) Details of stock options

	2016 Stock Option	2017 Stock Option
Classification and number of persons granted stock options	mixi's executive officers: 3 persons	mixi's executive officers: 4 persons
Number of stock options (Note)	Common shares: 133,800 shares	Common shares: 95,500 shares
Grant date	August 29, 2016	August 29, 2017
Vesting conditions	No conditions	Same as on the left
Period of service eligible	No requirement for period of service	Same as on the left
Exercise period	From August 30, 2016 to August 29, 2046	From August 30, 2017 to August 29, 2047

(Note) The number of stock options is presented by converting into the number of shares.

(2) Volume of stock options and changes thereto

The following table shows information related to the stock options that existed during the current consolidated fiscal year (fiscal year ended March 31, 2018). The number of stock options is presented by converting into the number of shares.

1) Number of stock options

	2016 Stock Option	2017 Stock Option
Before vesting of stock options (Shares)	—	—
As of March 31, 2017	—	—
Granted	—	95,500
Expired	—	—
Vested	—	95,500
Not vested	—	—
After vesting of stock options (Shares)		
As of March 31, 2017	133,800	—
Vested	—	95,500
Exercised	—	—
Expired	—	—
Not vested	133,800	95,500

2) Unit price information

	2016 Stock Option	2017 Stock Option
Exercise price (Yen)	¥ 1	¥ 1
Average stock price at exercise (Yen)	—	—
Fairly evaluated unit price (as of grant date) (Yen)	1,897	3,944

4. Method of estimation of fairly evaluated unit price of stock options granted during the current consolidated fiscal year

(1) Method used for evaluation: Black-Scholes model

(2) Major basic figures used and method of estimation

	2016 Stock Option	2017 Stock Option
Stock price volatility (Note 1)	73.64%	70.64%
Expected remaining period (Note 2)	15.01 years	15.01 years
Expected dividends (Note 3)	¥147 per share	¥147 per share
Risk-free interest rate (Note 4)	0.08%	0.27%

(Notes) 1. Calculated based on the actual stock prices during the period from September 11, 2006 to August 29, 2017
2. Estimated based on the assumption that the rights are exercised in the middle of the exercise period as reasonable estimation is difficult due to insufficient historical data
3. Based on the actual dividends paid for the fiscal year ended March 31, 2017
4. Interest rate of government bonds corresponding to the expected remaining period

5. Method of estimation of the number of stock options vested

As it is difficult to reasonably estimate the number of stock options that will expire in the future, only the number of stock options which actually expired is reflected.

13. Tax effect accounting

1. Breakdown by main causes of deferred tax assets and deferred tax liabilities

(Millions of yen)

	FY2017 (As of March 31, 2017)	**FY2018 (As of March 31, 2018)**
Deferred tax assets:		
Buildings	¥ —	**¥ 47**
Tax losses carried forward	52	**281**
Software	8,940	**9,536**
Investment securities	265	**395**
Enterprise tax payable	330	**471**
Provision for bonuses	478	**275**
Asset adjustment	97	**—**
Subscription rights to shares	77	**193**
Advances received	54	**112**
Other	167	**160**
Subtotal of deferred tax assets	¥10,464	**¥11,476**
Valuation allowance	¥ (602)	**¥ (990)**
Total deferred tax assets	¥ 9,861	**¥10,486**
Offset against deferred tax liabilities	¥ (3)	**¥ —**
Net deferred tax assets	¥ 9,858	**¥10,486**
Deferred tax liabilities:		
Intangible assets	¥ (53)	**¥ —**
Total deferred tax liabilities	¥ (53)	**¥ —**
Offset against deferred tax assets	¥ 3	**¥ —**
Net deferred tax liabilities	¥ (50)	**¥ —**

(Note) Net deferred tax assets for the previous consolidated fiscal year and the current consolidated fiscal year are included in the following items of the consolidated balance sheets:

(Millions of yen)

	FY2017 (As of March 31, 2017)	**FY2018 (As of March 31, 2018)**
Current assets – deferred tax assets	¥ 864	**¥ 808**
Non-current assets – deferred tax assets	8,994	**9,677**
Non-current assets – deferred tax liabilities	(50)	**—**

2. Breakdown of main items that cause difference when an important difference arises between statutory tax rate and effective tax rate of income taxes and others after application of tax effect accounting

(%)

	FY2017 (As of March 31, 2017)	**FY2018 (As of March 31, 2018)**
Statutory tax rate	—	**30.9**
(Adjustment)		
Amortization of goodwill	—	**4.1**
Valuation allowance	—	**0.6**
Tax deductions	—	**(0.6)**
Other	—	**0.6**
Effective tax rate of income taxes and others after application of tax effect accounting	—	**35.6**

(Note) In the previous consolidated fiscal year, as the difference between the statutory tax rate and the effective tax rate of income taxes and others after the application of tax effect accounting was less than 5% of the statutory tax rate, information regarding the difference is omitted.

14. Segment information

1. Overview of reportable segments

mixi Group's reportable segments are components for which separate financial information is available and whose operating results are regularly reviewed by the Board of Directors to decide on the allocation of management resources and assess business performance.

mixi Group conducts its business activities mainly including operation of websites and provision of native smartphone games on the Internet. Among these activities, "Entertainment Business" and "Media Platform Business" are reportable segments.

mixi provides games mainly including native smartphone games through "Entertainment Business," and operates services utilizing the Internet and invests in operating companies of these services through "Media Platform Business."

2. Calculation method of amounts of net sales, profit or loss, assets, liabilities and other items by reportable segment

The accounting methods for business segments reported are substantially the same as those described in "Important matters that form the basis for preparing consolidated financial statements." Profit of reportable segments is the amount based on operating income (EBITDA), excluding depreciation and amortization of goodwill.

Segment assets and liabilities are omitted as they are not subject to review for decision on the allocation of operating resources and assessment of business performance.

3. Information on net sales, profit or loss and other items by reportable segment

For the consolidated fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable segment			Adjustment (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
	Entertainment Business	Media Platform Business	Total		
Net sales					
Net sales to external customers	¥192,703	¥14,457	¥207,161	¥ —	¥207,161
Inter-segment net sales or transfers	—	4	4	(4)	—
Total	¥192,703	¥14,462	¥207,166	¥ (4)	¥207,161
Segment profit	¥ 94,267	¥ 1,806	¥ 96,073	¥(7,064)	¥ 89,008
Other					
Depreciation	¥ 145	¥ 59	¥ 204	¥ 171	¥ 375
Amortization of goodwill	—	1,679	1,679	—	1,679

(Notes) 1. The segment profit adjustment of ¥(7,064) million includes depreciation and amortization of goodwill of reportable segments of ¥(204) million and ¥(1,679) million, respectively, and company-wide expenses of ¥(5,180) million not allocated to each reportable segment. Company-wide expenses comprise mainly costs relating to mixi's administrative departments not belonging to any reportable segment.
2. Segment profit is adjusted with operating income in the consolidated statements of income.

For the consolidated fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable segment			Adjustment (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
	Entertainment Business	Media Platform Business	Total		
Net sales					
Net sales to external customers	**¥175,948**	**¥13,146**	**¥189,094**	**¥ —**	**¥189,094**
Inter-segment net sales or transfers	**—**	**—**	**—**	**—**	**—**
Total	**¥175,948**	**¥13,146**	**¥189,094**	**¥ —**	**¥189,094**
Segment profit	**¥ 78,438**	**¥ 1,564**	**¥ 80,003**	**¥(7,643)**	**¥ 72,359**
Other					
Depreciation	**¥ 323**	**¥ 46**	**¥ 370**	**¥ 412**	**¥ 783**
Amortization of goodwill	**—**	**1,085**	**1,085**	**—**	**1,085**
Amortization of goodwill (Extraordinary loss)	**—**	**7,597**	**7,597**	**—**	**7,597**

(Notes) 1. The segment profit adjustment of ¥(7,643) million includes depreciation and amortization of goodwill of reportable segments of ¥(370) million and ¥(1,085) million, respectively, and company-wide expenses of ¥(6,187) million not allocated to each reportable segment. Company-wide expenses comprise mainly costs relating to mixi's administrative departments not belonging to any reportable segment.
2. Segment profit is adjusted with operating income in the consolidated statements of income.

[Related information]

For the consolidated fiscal year ended March 31, 2017
(April 1, 2016 to March 31, 2017)

1. Information by product or service

This information is omitted because the same information is disclosed in the segment information.

2. Information by region

(1) Net sales

This information is omitted because the amount of net sales to external customers in Japan exceeds 90% of the amount of net sales recorded in the consolidated statements of income.

(2) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment recorded in the consolidated balance sheets.

3. Information by major customer

This information is omitted because among the sales to external customers there are no counterparties to whom the sales account for 10% or more of net sales recorded in the consolidated statements of income.

For the consolidated fiscal year ended March 31, 2018
(April 1, 2017 to March 31, 2018)

1. Information by product or service

This information is omitted because the same information is disclosed in the segment information.

2. Information by region

(1) Net sales

This information is omitted because the amount of net sales to external customers in Japan exceeds 90% of the amount of net sales recorded in the consolidated statements of income.

(2) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment recorded in the consolidated balance sheets.

3. Information by major customer

This information is omitted because among the sales to external customers there are no counterparties to whom the sales account for 10% or more of net sales recorded in the consolidated statements of income.

[Information on impairment loss on non-current assets by reportable segment]

For the consolidated fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable segment			Corporate / Elimination	Total
	Entertainment Business	Media Platform Business	Total		
Impairment loss	¥—	¥—	¥—	¥3	¥3

For the consolidated fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable segment			Corporate / Elimination	Total
	Entertainment Business	Media Platform Business	Total		
Impairment loss	**¥—**	**¥131**	**¥131**	**¥—**	**¥131**

(Note) In the "Media Platform Business" segment, in line with the decision to stop operations of *TicketCamp*, operated by Hunza, Inc., and to shut down the service in the consolidated fiscal year ended March 31, 2018, an impairment loss was recorded.

[Information regarding amortization of goodwill and unamortized balance of goodwill by reportable segment]

For the consolidated fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable segment			Corporate / Elimination	Total
	Entertainment Business	Media Platform Business	Total		
Amortization for the year	¥—	¥1,679	¥1,679	¥—	¥1,679
Balance at end of the year	—	8,683	8,683	—	8,683

For the consolidated fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable segment			Corporate / Elimination	Total
	Entertainment Business	Media Platform Business	Total		
Amortization for the year	**¥—**	**¥8,683**	**¥8,683**	**¥—**	**¥8,683**
Balance at end of the year	**—**	**—**	**—**	**—**	**—**

(Notes) 1. In the "Media Platform Business" segment, in line with the decision to stop operations of *TicketCamp*, operated by Hunza, Inc., and to shut down the service in the consolidated fiscal year ended March 31, 2018, the goodwill was fully amortized.
2. Amortization for the fiscal year under review includes "amortization of goodwill" posted as an extraordinary loss, ¥7,597 million.

[Information regarding negative goodwill by reportable segment]
For the consolidated fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)
There is no relevant information.

For the consolidated fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)
There is no relevant information.

[Information regarding related parties]
Transactions with related parties
Transactions between the company submitting the consolidated financial statements and its related parties
Executive officers and major shareholders (limited to individuals) of the company submitting the consolidated financial statements

For the consolidated fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

Type	Name of company or individual	Location	Capital stock or investments (Millions of yen)	Descrpition of business or occupation	Owner-ship ratio of voting rights (%)	Rela-tion-ships with related parties	Detail of transactions	Transaction amount (Millions of yen)	Item	Year-end balance (Millions of yen)
Executive officer of a significant subsidiary	Takehiko Hasegawa	—	—	Represen-tative Director of MUSE & Co., Ltd.	—	—	Transfer of shares of a subsidiary (Note)	¥0	—	¥—
	Noriyasu Matsui	—	—	Director of MUSE & Co., Ltd.	—	—	Loss on sales of shares of a subsidiary (Note)	192	—	—

(Note) Terms of transactions and policy of determining the terms:
As mixi transferred all the shares of MUSE & Co., Ltd. owned by mixi to Mr. Hasegawa and Mr. Matsui as of January 30, 2017, the company was no longer a consolidated subsidiary as of March 31, 2017.
The transfer value of the shares of the subsidiary was determined based on the net asset value.

For the consolidated fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)
There is no relevant information.

15. Per share information

(Yen)

	FY2017 (April 1, 2016 to March 31, 2017)	**FY2018 (April 1, 2017 to March 31, 2018)**
Net assets per share	¥1,889.16	**¥2,176.88**
Basic earnings per share	730.85	**533.48**
Diluted earnings per share	730.14	**532.19**

(Note) Basis for calculation of basic earnings per share and diluted earnings per share are as follows:

Item	FY2017 (April 1, 2016 to March 31, 2017)	**FY2018 (April 1, 2017 to March 31, 2018)**
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	¥59,867	**¥41,788**
Amount not attributable to common shareholders (Millions of yen)	—	**—**
Profit attributable to owners of parent relating to common shares (Millions of yen)	59,867	**41,788**
Average number of common shares for the period under review (Shares)	81,914,717	**78,331,422**
Diluted earnings per share		
Amount of adjustment to profit attributable to owners of parent (Millions of yen)	¥ —	**¥ —**
Number of increased common shares (Shares)	79,979	**190,018**
[Subscription rights to shares] (Shares)	[79,979]	**[190,018]**
Summary of potential shares not included in diluted earnings per share due to their lack of dilutive effect	—	**—**

16. Significant subsequent events

(Purchase of treasury shares)
mixi, at its Board of Directors meeting held on May 10, 2018, resolved matters related to the purchase of its treasury shares pursuant to the Articles of Incorporation in accordance with Article 459, Paragraph 1, Item 1 of the Companies Act, and purchased treasury shares as follows. The purchase of treasury shares was completed on June 7, 2018.

1. Reason for purchase of treasury shares
Aimed at improving capital efficiency and maximization of shareholder value.

2. Details of purchase of treasury shares

(1) Class of shares to be purchased	Common shares
(2) Total number of treasury shares to be purchased	Up to 3,200,000 shares (4.10% to the total number of outstanding shares, other than treasury shares)
(3) Consideration for purchase	Money
(4) Total purchase price of shares	Up to ¥10,000,000,000
(5) Purchase period	From May 15, 2018 to September 30, 2018
(6) Purchase method	1) Off-Auction Own Share Repurchase Trading (ToSTNeT-3) on the Tokyo Stock Exchange 2) Market purchases on the Tokyo Stock Exchange (Market purchases under a discretionary trading contract)

3. Status of purchase of treasury shares (May 15, 2018 to June 7, 2018, on a trade basis)

(1) Total number of treasury shares purchased	2,795,800 shares
(2) Total purchase price of shares	¥9,999 million
(3) Purchase method	Market purchases under a discretionary trading contract related to the purchase of treasury shares Off-Auction Own Share Repurchase Trading (ToSTNeT-3) on the Tokyo Stock Exchange on May 15, 2018 (Note)

(Note) The largest shareholder and Director and Chairperson of mixi, Kenji Kasahara (numbers of shares held as of April 27, 2018: 36,358,000 shares, 46.61% to the total number of issued shares, excluding treasury shares), placed a sell order against purchase through Off-Auction Own Share Repurchase Trading (ToSTNeT-3) and the Company purchased 1,206,100 common shares for ¥4,504 million.

Consolidated Supplementary Schedules

[Schedule of bonds]

There is no relevant information.

[Schedule of borrowings and others]

Classification	As of April 1, 2017 (Millions of yen)	As of March 31, 2018 (Millions of yen)	Average interest rate (%)	Deadline for repayment
Current portion of lease obligations	¥ 1	¥2	—	—
Long-term loans payable (excluding current portion)	10	—	—	—
Lease obligations (excluding current portion)	4	7	—	From April 27, 2019 to December 18, 2022
Total	¥15	¥9	—	—

(Notes) 1. Average interest rate of lease obligations is omitted because lease obligations were recorded in the consolidated balance sheets at the amount before deducting the portion equivalent to interest.

2. Due to quantitative insignificance, current portion of lease obligations is included in "other" under "current liabilities" in the consolidated balance sheets, and lease obligations (excluding current portion) are included in "other" under "non-current liabilities" in the consolidated balance sheets.

3. Scheduled repayment amounts of lease obligations (excluding current portion) after the consolidated balance sheet date are as follows:

Classification	More than 1 year and less than 2 years (Millions of yen)	More than 2 years and less than 3 years (Millions of yen)	More than 3 years and less than 4 years (Millions of yen)	More than 4 years and less than 5 years (Millions of yen)	More than 5 years (Millions of yen)
Lease obligations	¥2	¥2	¥1	¥0	¥—

[Schedule of asset retirement obligations]

There is no relevant information.

Other

Quarterly financial information and others for the current consolidated fiscal year

(Cumulative period)	1Q of FY2018	2Q of FY2018	3Q of FY2018	FY2018
Net sales (Millions of yen)	¥48,229	¥93,256	¥135,436	¥189,094
Income before income taxes (Millions of yen)	20,122	37,097	40,803	64,920
Profit attributable to owners of parent (Millions of yen)	13,713	25,144	25,126	41,788
Basic earnings per share (Yen)	172.95	319.66	320.33	533.48

(Accounting period)	1Q of FY2018	2Q of FY2018	3Q of FY2018	4Q of FY2018
Basic earnings (loss) per share (Yen)	¥172.95	¥146.49	¥ (0.23)	¥ 213.61

Balance Sheets

mixi, Inc.

(Millions of yen)

	FY2017 (As of March 31, 2017)	**FY2018 (As of March 31, 2018)**
Assets:		
Current assets		
Cash and deposits	¥124,895	**¥141,300**
Accounts receivable — trade	15,868	**11,446**
Merchandise	291	**427**
Raw materials	—	**211**
Advance payments — trade	192	**905**
Prepaid expenses	708	**577**
Deferred tax assets	759	**803**
Other	1,649	**1,782**
Allowance for doubtful accounts	(5)	**(16)**
Total current assets	144,360	**157,439**
Non-current assets		
Property, plant and equipment		
Buildings	703	**965**
Accumulated Depreciation	(213)	**(397)**
Buildings, net	489	**568**
Tools, furniture and fixtures	2,303	**2,600**
Accumulated Depreciation	(1,539)	**(1,348)**
Tools, furniture and fixtures, net	763	**1,251**
Construction in progress	33	**13**
Total property, plant and equipment	1,286	**1,833**
Intangible assets		
Software	61	**306**
Other	36	**85**
Total intangible assets	97	**391**
Investments and other assets		
Investment securities	1,472	**2,334**
Shares of subsidiaries and associates	13,814	**6,130**
Investments in capital of subsidiaries and associates	18	**18**
Long-term loans receivable from subsidiaries and associates	879	**7,889**
Deferred tax assets	8,965	**9,633**
Lease and guarantee deposits	1,033	**4,529**
Other	22	**45**
Allowance for doubtful accounts	(444)	**(562)**
Total investments and other assets	25,763	**30,018**
Total non-current assets	27,146	**32,243**
Total assets	¥171,507	**¥189,683**

(Millions of yen)

	FY2017 (As of March 31, 2017)	**FY2018 (As of March 31, 2018)**
Liabilities:		
Current liabilities		
Accounts payable — other	¥ 5,379	**¥ 6,613**
Accrued expenses	17	**25**
Income taxes payable	10,431	**9,306**
Accrued consumption taxes	664	**—**
Advances received	1,726	**1,646**
Deposits received	746	**694**
Lease obligations	1	**2**
Provision for bonuses	1,511	**894**
Total current liabilities	20,479	**19,181**
Non-current liabilities		
Lease obligations	4	**7**
Other	79	**39**
Total non-current liabilities	83	**46**
Total liabilities	20,562	**19,228**
Net assets:		
Shareholders' equity		
Capital stock	9,698	**9,698**
Capital surplus		
Legal capital surplus	9,668	**9,668**
Other capital surplus	1,272	**—**
Total capital surplus	10,941	**9,668**
Retained earnings		
Other retained earnings		
Retained earnings brought forward	140,575	**151,906**
Total retained earnings	140,575	**151,906**
Treasury shares	(10,525)	**(1,450)**
Total shareholders' equity	150,690	**169,823**
Subscription rights to shares	253	**630**
Total net assets	150,944	**170,454**
Total liabilities and net assets	¥171,507	**¥189,683**

Statements of Income

mixi, Inc.

(Millions of yen)

	FY2017 (April 1, 2016 to March 31, 2017)	**FY2018 (April 1, 2017 to March 31, 2018)**
Net sales	¥195,756	**¥178,813**
Cost of sales	21,876	**21,405**
Gross profit	173,879	**157,408**
Selling, general and administrative expenses (Note 4 (*1))	85,516	**85,990**
Operating income	88,363	**71,418**
Non-operating income		
Interest income	23	**45**
Dividend income (Note 4 (*2))	409	**—**
Gain on investments in partnership	—	**541**
Foreign exchange gains	—	**16**
Other	34	**50**
Total non-operating income	467	**654**
Non-operating expenses		
Loss on investments in partnership	121	**—**
Commission fee	332	**196**
Other	3	**3**
Total non-operating expenses	457	**199**
Ordinary income	88,373	**71,873**
Extraordinary income		
Gain on sales of non-current assets (Note 4 (*3))	—	**2**
Gain on sales of shares of subsidiaries and associates	3	**—**
Reversal of allowance for doubtful accounts (Note 4 (*4))	—	**46**
Gain on reversal of subscription rights to shares	0	**—**
Gain on liquidation of subsidiaries and associates (Note 4 (*5))	—	**11**
Total extraordinary income	4	**60**
Extraordinary losses		
Loss on sales and retirement of non-current assets (Note 4 (*6))	8	**24**
Impairment loss	3	**—**
Loss on valuation of investment securities	711	**—**
Loss on valuation of shares of subsidiaries and associates (Note 4 (*7))	100	**8,374**
Provision of allowance for doubtful accounts (Note 4 (*8))	361	**164**
Loss on liquidation of business of subsidiaries and associates (Note 4 (*9))	684	**—**
Total extraordinary losses	1,868	**8,563**
Income before income taxes	86,510	**63,370**
Income taxes — current	27,672	**22,718**
Income taxes — deferred	(1,259)	**(711)**
Total income taxes	26,412	**22,006**
Profit	¥ 60,097	**¥ 41,363**

Cost of Sales Statements

mixi, Inc.

	FY2017 (April 1, 2016 to March 31, 2017)		**FY2018 (April 1, 2017 to March 31, 2018)**	
Classification	Amount (Millions of yen)	Composition ratio (%)	**Amount (Millions of yen)**	**Composition ratio (%)**
(I) Labor cost	¥ 1,989	9.2	**¥ 2,124**	**10.2**
(II) Costs[*1]	19,699	90.8	**18,637**	**89.8**
Total manufacturing costs	¥21,688	100.0	**¥20,761**	**100.0**
Beginning goods	¥ 46		**¥ 291**	
Cost of purchased goods	432		**780**	
Total	¥22,167		**¥21,833**	
Ending goods	291		**427**	
Cost of sales	¥21,876		**¥21,405**	

*1. Major breakdown of costs is as follows:

(Millions of yen)

	FY2017 (April 1, 2016 to March 31, 2017)	**FY2018 (April 1, 2017 to March 31, 2018)**
Subcontract expenses	¥18,505	**¥16,961**
Rent expenses	778	**1,149**
Content expenses	126	**104**
Depreciation	92	**164**

Statements of Changes in Shareholders' Equity

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity								Subscription rights to shares	Total net assets
		Capital surplus			Retained earnings					
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity		
Balance at beginning of period	¥9,698	¥9,668	¥10,759	¥20,427	¥ 91,544	¥ 91,544	¥ (17)	¥121,653	¥ 2	¥121,656
Change of items during period										
Dividends of surplus					(11,066)	(11,066)		(11,066)		(11,066)
Profit					60,097	60,097		60,097		60,097
Purchase of treasury shares							(20,000)	(20,000)		(20,000)
Disposal of treasury shares			2	2			4	6		6
Retirement of treasury shares			(9,488)	(9,488)			9,488	—		—
Transfer to capital surplus from retained earnings								—		—
Net changes of items other than shareholders' equity									250	250
Total changes of items during period	—	—	(9,486)	(9,486)	49,031	49,031	(10,507)	29,037	250	29,288
Balance at end of period	¥9,698	¥9,668	¥ 1,272	¥10,941	¥140,575	¥140,575	¥(10,525)	¥150,690	¥253	¥150,944

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity								Subscription rights to shares	Total net assets
		Capital surplus			Retained earnings					
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity		
Balance at beginning of period	**¥9,698**	**¥9,668**	**¥ 1,272**	**¥10,941**	**¥140,575**	**¥140,575**	**¥(10,525)**	**¥150,690**	**¥253**	**¥150,944**
Change of items during period										
Dividends of surplus					**(12,230)**	**(12,230)**		**(12,230)**		**(12,230)**
Profit					**41,363**	**41,363**		**41,363**		**41,363**
Purchase of treasury shares							**(9,999)**	**(9,999)**		**(9,999)**
Disposal of treasury shares								—		—
Retirement of treasury shares			**(19,075)**	**(19,075)**			**19,075**	—		—
Transfer to capital surplus from retained earnings			**¥17,802**	**17,802**	**(17,802)**	**(17,802)**		—		—
Net changes of items other than shareholders' equity									**376**	**376**
Total changes of items during period	**—**	**—**	**(1,272)**	**(1,272)**	**11,330**	**11,330**	**9,075**	**19,133**	**376**	**19,509**
Balance at end of period	**¥9,698**	**¥9,668**	**¥ —**	**¥ 9,668**	**¥151,906**	**¥151,906**	**¥ (1,450)**	**¥169,823**	**¥630**	**¥170,454**

Notes to Financial Statements

1. 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 in investment partnerships and others are based on the financial statements for the most recent balance sheet date using the net amount proportionate to mixi's ownership interests.

2. Valuation standards and valuation methods of inventories

Merchandise

Stated at cost determined by the first-in, first-out (FIFO) method (the book value in the balance sheet is written down based on the decline in profitability).

Raw materials

Stated at cost determined by the first-in, first-out (FIFO) method (the book value in the balance sheet is written down based on the decline in profitability).

3. Depreciation and amortization methods of non-current assets

(1) Property, plant and equipment (excluding leased assets)

The declining balance method is applied.

However, the straight-line method is applied for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings acquired on or after April 1, 2016.

The principal useful lives are as follows:

Buildings:	2 to 27 years
Tools, furniture and fixtures:	2 to 20 years

(2) Intangible assets (excluding leased assets)

The straight-line method is applied.

However, the amortization period for software for internal use is based on its useful life within mixi (5 years).

(3) Leased assets

Leased assets pertaining to finance leases other than those in which the title of the leased property transfers to the lessee

The straight line method, substituting the lease term for the useful life, assuming no residual value.

4. Translation of significant assets and liabilities denominated in foreign currencies into Japanese yen

Monetary receivables and payables denominated in foreign currencies have been translated into Japanese yen at the spot exchange rate at the balance sheet date, and translation adjustments are recorded as gains or losses.

5. Accounting standards for allowances and provisions

(1) Allowances 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.

6. Other important matters that form the basis for preparing financial statements

Accounting method for consumption taxes

Accounted for by the tax-exclusion method.

2. Changes in presentation method

(Balance sheets)

"Lease and guarantee deposits," which was previously included in "other" under "investments and other assets" in the previous consolidated fiscal year, is stated independently from the fiscal year ended March 31, 2018 as its quantitative significance has increased. In order to reflect the change of presentation, the financial statements for the previous fiscal year has been reclassified.

As a result, ¥1,056 million stated in "other" under "investments and other assets" in the balance sheets in the previous fiscal year has been reclassified as "lease and guarantee deposits" of ¥1,033 million and "other" of ¥22 million.

3. Changes in accounting estimates

In the fiscal year ended March 31, 2018, mixi concluded a real estate lease agreement concerning the relocation of the Head Office. In line with this, mixi revised the expected period of use of the asset retirement obligations which had been recorded to perform the obligation to restore the current office to the original state based on its real estate lease agreement, as well as useful life of the non-current assets of the current office. Due to these changes in accounting estimates, operating income, ordinary income and income before income taxes for the fiscal year ended March 31, 2018 each decreased by ¥202 million.

4. Statements of income

*1. Approximate ratio of selling expenses to selling, general and administrative expenses was 88.4% and 84.8% for the previous fiscal year and the current fiscal year, respectively. Approximate ratio of general and administrative expenses to selling, general and administrative expenses was 11.6% and 15.2% for the previous fiscal year and the current fiscal year, respectively.

Major components and amounts of selling, general and administrative expenses are as follows:

(Millions of yen)

	FY2017 (April 1, 2016 to March 31, 2017)	**FY2018 (April 1, 2017 to March 31, 2018)**
Advertising expenses	¥17,773	**¥20,937**
Settlement fees	57,750	**51,866**

*2. Amount attributable to subsidiaries and associates included in each item is as follows:

(Millions of yen)

	FY2017 (April 1, 2016 to March 31, 2017)	**FY2018 (April 1, 2017 to March 31, 2018)**
Dividend income	¥409	**¥—**

*3. The breakdown of gain on sales of non-current assets is as follows:

(Millions of yen)

	FY2017 (April 1, 2016 to March 31, 2017)	**FY2018 (April 1, 2017 to March 31, 2018)**
Tools, furniture and fixtures	¥—	**¥2**

*4. Reversal of allowance for doubtful accounts

For the fiscal year ended March 31, 2017
(April 1, 2016 to March 31, 2017)
There is no relevant information.

For the fiscal year ended March 31, 2018
(April 1, 2017 to March 31, 2018)
These items are related to investments in, and loans to, nohana, Inc. whose amount of excess liabilities decreased.

*5. Gain on liquidation of subsidiaries and associates

For the fiscal year ended March 31, 2017
(April 1, 2016 to March 31, 2017)
There is no relevant information.

For the fiscal year ended March 31, 2018
(April 1, 2017 to March 31, 2018)
Refers to gain associated with the liquidation of Confianza, Inc.

*6. The breakdown of loss on sales and retirement of non-current assets is as follows:

(Millions of yen)

	FY2017 (April 1, 2016 to March 31, 2017)	**FY2018 (April 1, 2017 to March 31, 2018)**
Buildings	¥0	**¥—**
Tools, furniture and fixtures	6	**24**
Software	1	**0**
Total	¥8	**¥24**

*7. Loss on valuation of shares of subsidiaries and associates

For the fiscal year ended March 31, 2017
(April 1, 2016 to March 31, 2017)
These items arose due to the deterioration of the financial status of nohana, Inc.

For the fiscal year ended March 31, 2018
(April 1, 2017 to March 31, 2018)
These items arose due to the decision to stop operations of *TicketCamp*, operated by Hunza, Inc., and to shut down the service.

*8. Provision of allowance for doubtful accounts

For the fiscal year ended March 31, 2017
(April 1, 2016 to March 31, 2017)
These items are related to investments in, and loans to, i-mercury Capital, Inc. and nohana, Inc. whose financial status deteriorated.

For the fiscal year ended March 31, 2018
(April 1, 2017 to March 31, 2018)
These items are related to investments in, and loans to, i-mercury Capital, Inc. whose financial status deteriorated.

*9. Loss on liquidation of business of subsidiaries and associates

For the fiscal year ended March 31, 2017
(April 1, 2016 to March 31, 2017)
Refers to loss associated with write-off of receivables in MUSE & Co., Ltd. and liquidation of mixi marketing, Inc.

For the fiscal year ended March 31, 2018
(April 1, 2017 to March 31, 2018)
There is no relevant information.

5. Securities

Fair value of shares of subsidiaries and associates is not presented as market value is not available and fair value is deemed extremely difficult to determine.

Balance sheet amounts of shares of subsidiaries and associates whose fair values are deemed extremely difficult to determine are as follows:

(Millions of yen)

	FY2017 (As of March 31, 2017)	**FY2018 (As of March 31, 2018)**
Shares of subsidiaries	¥13,814	**¥6,130**
Total	¥13,814	**¥6,130**

6. Tax effect accounting

1. Breakdown by main causes of deferred tax assets and deferred tax liabilities

(Millions of yen)

	FY2017 (As of March 31, 2017)	**FY2018 (As of March 31, 2018)**
Deferred tax assets:		
Buildings	¥ —	**¥ 47**
Software	8,903	**9,492**
Lump sum depreciable assets	45	**35**
Investment securities	265	**267**
Shares of subsidiaries and associates	102	**2,631**
Allowance for doubtful accounts	138	**177**
Enterprise tax payable	256	**471**
Provision for bonuses	466	**273**
Asset retirement obligations	26	**50**
Subscription rights to shares	77	**193**
Advances received	54	**112**
Other	67	**69**
Subtotal of deferred tax assets	¥10,404	**¥13,822**
Valuation allowance	¥ (679)	**¥ (3,386)**
Total deferred tax assets	¥ 9,725	**¥10,436**

(Note) Total deferred tax assets for the previous fiscal year and the current fiscal year are included in the following items of the balance sheets:

(Millions of yen)

	FY2017 (As of March 31, 2017)	**FY2018 (As of March 31, 2018)**
Current assets – deferred tax assets	¥ 759	**¥ 803**
Non-current assets – deferred tax assets	8,965	**9,633**

2. Breakdown of main items that cause significant difference between statutory tax rate and effective tax rate of income taxes and others after application of tax effect accounting

(%)

	FY2017 (As of March 31, 2017)	**FY2018 (As of March 31, 2018)**
Statutory tax rate	—	**30.9**
(Adjustment)		
Valuation allowance	—	**4.3**
Tax deductions	—	**(0.6)**
Other	—	**0.1**
Effective tax rate of income taxes and others after application of tax effect accounting	—	**34.7**

(Note) As the difference between the statutory tax rate and the effective tax rate of income taxes and others after the application of tax effect accounting was less than 5% of the statutory tax rate for the previous fiscal year, information regarding the difference is omitted.

7. Significant subsequent events

(Purchase of treasury shares)
mixi, at its Board of Directors meeting held on May 10, 2018, resolved matters related to the purchase of its treasury shares pursuant to the Articles of Incorporation in accordance with Article 459, Paragraph 1, Item 1 of the Companies Act, and purchased treasury shares as follows. The purchase of treasury shares was completed on June 7, 2018.

1. Reason for purchase of treasury shares

Aimed at improving capital efficiency and maximization of shareholder value.

2. Details of purchase of treasury shares

(1) Class of shares to be purchased	Common shares
(2) Total number of treasury shares to be purchased	Up to 3,200,000 shares (4.10% to the total number of outstanding shares, other than treasury shares)
(3) Consideration for purchase	Money
(4) Total purchase price of shares	Up to ¥10,000,000,000
(5) Purchase period	From May 15, 2018 to September 30, 2018
(6) Purchase method	1) Off-Auction Own Share Repurchase Trading (ToSTNeT-3) on the Tokyo Stock Exchange 2) Market purchases on the Tokyo Stock Exchange (Market purchases under a discretionary trading contract)

3. Status of purchase of treasury shares (May 15, 2018 to June 7, 2018, on a trade basis)

(1) Total number of treasury shares purchased	2,795,800 shares
(2) Total purchase price of shares	¥9,999 million
(3) Purchase method	Market purchases under a discretionary trading contract related to the purchase of treasury shares Off-Auction Own Share Repurchase Trading (ToSTNeT-3) on the Tokyo Stock Exchange on May 15, 2018 (Note)

(Note) The largest shareholder and Director and Chairperson of mixi, Kenji Kasahara (numbers of shares held as of April 27, 2018: 36,358,000 shares, 46.61% to the total number of issued shares, excluding treasury shares), placed a sell order against purchase through Off-Auction Own Share Repurchase Trading (ToSTNeT-3) and the Company purchased 1,206,100 common shares for ¥4,504 million.

Supplementary Schedules

(Schedule of property, plant and equipment and others)

(Millions of yen)

Type of assets	Balance at beginning of period	Increase during the period	Decrease during the period	Balance at end of period	Amount of accumulated depreciation as of March 31, 2018	Amount of depreciation	Difference at end of period
Property, plant and equipment							
Buildings	¥ 703	¥ 261	¥ —	¥ 965	¥ 397	¥183	¥ 568
Tools, furniture and fixtures	2,303	1,033	736	2,600	1,348	517	1,251
Construction in progress	33	27	46	13	—	—	13
Total property, plant and equipment	¥3,039	¥1,322	¥783	¥3,579	¥1,745	¥701	¥1,833
Intangible assets							
Software	¥ 114	¥ 306	¥ 0	¥ 420	¥ 114	¥ 61	¥ 306
Other	36	146	97	85	0	0	85
Total intangible assets	¥ 150	¥ 453	¥ 98	¥ 506	¥ 114	¥ 61	¥ 391

(Notes) 1. Major components of the increase during the period are as follows:
Tools, furniture and fixtures: Purchase of computers, servers, and others (¥458 million)
Tools, furniture and fixtures: Purchase of utensils and fixtures (¥254 million)
2. Major components of the decrease during the period are as follows:
Tools, furniture and fixtures: Retirement of servers and others (¥508 million)

(Schedule of allowances)

(Millions of yen)

Classification	Balance at beginning of period	Increase during the period	Decrease during the period (use for intended purpose)	Decrease during the period (other)	Balance at end of period
Allowance for doubtful accounts	¥ 450	¥579	¥ 2	¥448	¥579
Provision for bonuses	1,511	894	1,511	—	894

(Note) Decrease during the period (other) of allowance for doubtful accounts includes reversed amount of ¥448 million.

Details of Major Assets and Liabilities

Due to the availability of consolidated financial statements, information regarding major assets and liabilities is omitted.

Other

There is no relevant information.

Investor Information

(As of March 31, 2018)

Corporate information

Company name	mixi, Inc.
Representative	President and Representative Director Koki Kimura (appointed June 26)
Establishment	June 3, 1999
Paid-in capital	¥9,698 million
Head office	Sumitomo Shibuya First Tower 7F, 2-20, Higashi 1-chome, Shibuya-ku, Tokyo 150-0011, Japan
Number of employees	775 (full-time only)
Group Companies	mixi recruitment, Inc. nohana, Inc. mixi America, Inc. i-mercury Capital, Inc.
Corporate website	http://mixi.co.jp/en/overview
Stock exchange listing	Mothers section, Tokyo Stock Exchange
Securities code	2121
Fiscal year-end	March 31
Annual ordinary general meeting of shareholders	June
Independent public accountants	Deloitte Touche Tohmatsu LLC
Common stock	Authorized: 264,000,000 Issued: 78,230,850
Number of shareholders	12,433
Stock transfer agent	Sumitomo Mitsui Trust Bank, Limited

Principal shareholders

Name	Number of shares held	Percentage of total
Kenji Kasahara	36,358,000	46.61
THE BANK OF NEW YORK 133972	1,656,100	2.12
STATE STREET BANK AND TRUST COMPANY	1,372,671	1.75
THE BANK OF NEW YORK MELLON 140044	981,133	1.25
SKANDINAVISKA ENSKILDA BANKEN S.A. 127200	931,200	1.19

Note: In addition to the above, the Company owns 229,300 treasury shares (0.29% of the total).

Breakdown of shareholders by type



Note: A total of 229,300 treasury shares (2,293 units) are included in "Individuals and others."

Share price (as of June 30, 2018)

