MIXI INTEGRATED REPORT 2023

MIXI Group
Integrated Report

2023

FY2023






Contents

Editorial Policy

Creating more meaningful connections with our stakeholders

We would like to thank all who have taken the time to read this report.

In addition to renewing our corporate brand in April 2022, including our corporate philosophy, logo, and values, we changed the corporate name from mixi, Inc. to MIXI, Inc. in October 2022. The purpose of this trade name change is to unify the stylization of the Company name and logo, promoting brand cohesion with the goal of raising our profile, both in Japan and globally.

This report continues to reflect MIXI Group's aim to enrich communication while further improving our corporate value and achieving growth. We have produced this report with a focus on gaining the support of our stakeholders by communicating information on all aspects of the Group, including financial and non-financial information. Please look through this report and read the pages that interest you first. We hope that it will create a more meaningful connection with all of our stakeholders.

Reporting period

In principle, this report mainly covers our business activities and results for fiscal year 2023 (April 1, 2022, through March 31, 2023). The report also contains financial forecasts and other information on our activities before and after fiscal year 2023.

Scope of the report

MIXI, Inc. and its subsidiaries

Month published

October 2023

Referenced guidelines

- The International Integrated Reporting Framework published by the International Financial Reporting Standards (IFRS) Foundation (formerly the Value Reporting Foundation [VRF])
- The Ministry of Economy, Trade and Industry Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation

Disclaimer regarding future-oriented statements

This report contains future-oriented statements concerning plans, strategies, and results. These 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 MIXI Group's businesses operate, changes in the development status of products and services, and fluctuations in currency exchange rates.

ABOUT MIXI

Rather than merely providing efficient means to connect people, MIXI aims to inspire deeper, richer connections through the sharing of joy, excitement, and warmth.

The new MIXI will continue to create places and opportunities for meaningful connection, bringing delight and wonder to the world through authentic emotions and vibrant communication.

Connection with meaning.

MIXI

PURPOSE

Enriching communication and inspiring moments of joy.

Since our founding, we have maintained this singular purpose and we intend to deepen our commitment to it moving forward.

Rather than focus on increasing the quantity and frequency of communication, we strive to promote deep and meaningful connection. Through this endeavor, we believe we can inspire the creation of more moments of joy in the world.

MISSION

To provide space and opportunity for truly meaningful connections.

Simply connecting people is not enough to fulfill our purpose. We must enable the building of deep emotional ties.

We achieve this by providing both fun and exciting content that inspires communication, as well as the space and opportunity to connect meaningfully with friends and family around the world.

MIXI WAY

User surprise first.

To accomplish our mission, we will continue to focus on user surprise above all else.

Before prioritizing a user-first approach, marketing concerns, or even our own interests, we start with the question, “Would this be a pleasant surprise?”

This consideration applies to everything from production to management-level decisions.

VALUES

Innovation / Passion / Integrity

Be bold.
Forge a new path and shatter expectations.

Start from the heart.
Share aspirations and grow together.

Stay sincere.
Be honest with yourself and others.

EMOTION LOGOS

MIXI RED

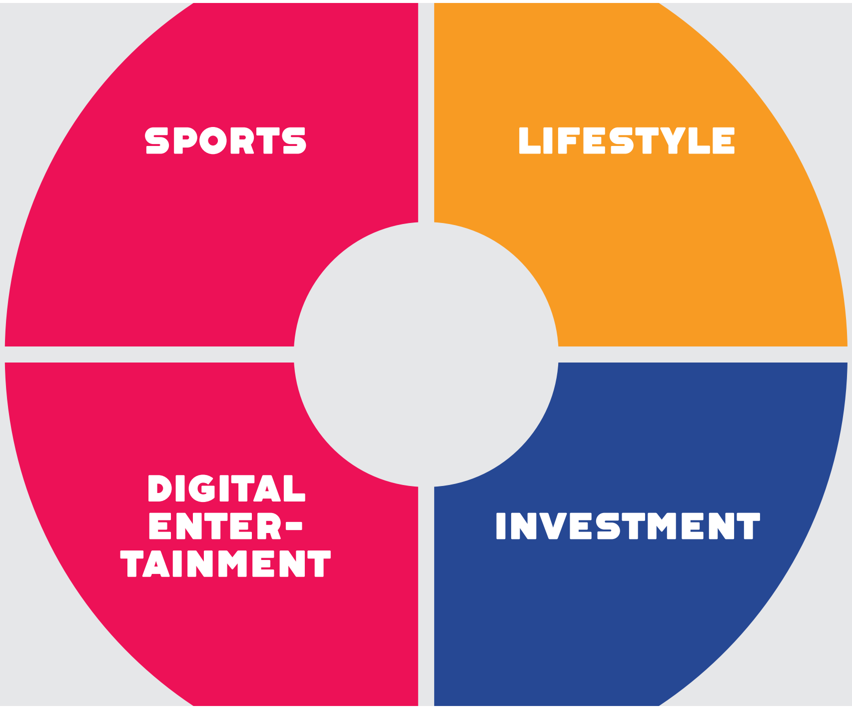
MIXI ORNG

TAGLINE

Connection with meaning.

MIXI GROUP AT A GLANCE

Business Domains



Server-side technology that can support more than 10 million monthly active users (MAU)

Related information on page 9

Technology to generate content via AI

Related information on page 9

MONSTER STRIKE (as of August 31, 2023)

Cumulative net sales
Over ¥1 trillion

Users
Over 60 million

FamilyAlbum (as of August 31, 2023)

Percentage of overseas users
Over 30%

Global reach
175 countries in 7 languages

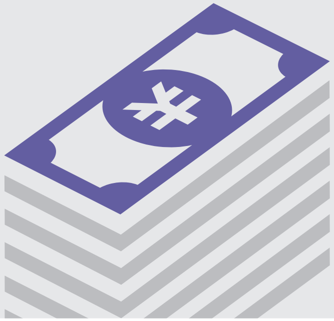
Net sales (FY2023)

¥146,867 million ↗

Cash and deposits
(as of March 31, 2023)

¥118,922 million →

Maintaining at the same level while paying dividends and engaging in M&A



Number of permanent employees by gender (consolidated)
(as of March 31, 2023)

Male: **1,107 ↗**

Female: **449 ↗**

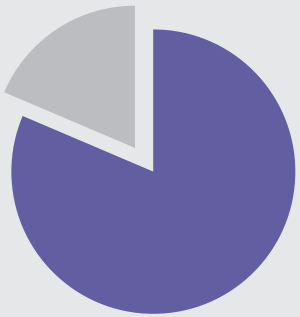
Percentage of permanent employees who are non-Japanese
(non-consolidated; as of March 31, 2023)

3.4% ↗

Equity ratio
(as of March 31, 2023)

81.4% →

Stable management, maintaining the equity ratio at the 80% level since FY2017



EBITDA (FY2023)

¥29,482 million ↗

Percentage of permanent employees by gender
(consolidated; as of March 31, 2023)

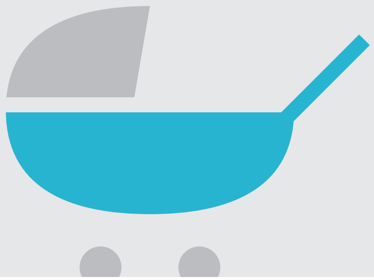
Male: **67.2% ↘**

Female: **32.8% ↗**

Percentage of permanent employees that return after parental leave
(non-consolidated; as of March 31, 2023)

Male and female: **100% →**

Maintaining at 100% since FY2020



MIXI GROUP'S HISTORY

CORPORATE ACTIVITIES

JUNE 1999
E-Mercury, Y.K. is established

OCT. 2000
E-Mercury, Y.K. is restructured to form E-Mercury, Inc.

FEB. 2006
Company name is changed to mixi, Inc.

SEPT. 2006
Listed on the Mothers Section of the Tokyo Stock Exchange

APR. 2011
The *Find Job!* business is spun off and established as mixi Recruitment Inc.

SEPT. 2013
Family photobook creation service provider nohana, Inc. established as a consolidated subsidiary

DEC. 2013
All shares of matchmaking service provider Diverse, Inc. are acquired, making it a subsidiary

DIGITAL ENTERTAINMENT

OCT. 2013
Official launch of the mobile game *MONSTER STRIKE*

SEPT. 2015
MONSTER STRIKE takes the No. 1 spot* for the first time in the sales ranking

* "App Annie Worldwide Index" games sales ranking

LIFESTYLE

NOV. 1997
Official launch of *Find Job!*

FEB. 2004
Official launch of the social network *mixi*

JAN. 2014
Launch of *minimo*

APR. 2015
Official launch of *FamilyAlbum*

- Sports Segment / Digital Entertainment Segment
- Lifestyle Segment
- Corporate Activities

MAR. 2015
All shares of the peer-to-peer ticket marketplace app provider Hunza, Inc. are acquired, making it a subsidiary

MAY 2018
Closure of Hunza, Inc.'s service *TicketCamp*

JULY 2018
All shares of Diverse, Inc. are transferred

MAR. 2019
All shares of nohana, Inc. are transferred

JUNE 2020
Stock market listing transferred to the First Section of the Tokyo Stock Exchange

DEC. 2020
Business alliance with the specialized sports distribution channel DAZN

MAR. 2021
Business alliance with HUB CO., LTD.

APR. 2022
Corporate brand renewal

APR. 2022
Stock market listing transferred to the Prime Market of the Tokyo Stock Exchange

OCT. 2022
Company name changed to MIXI, Inc.

* This service was terminated on September 30, 2023.

OCT. 2019
Publishing rights for *Kotodaman* are transferred to mixi

JUNE 2023
MONSTER STRIKE surpasses 60 million users

*

DEC. 2021
Cumulative downloads of *minimo* app exceeded 5 million

OCT. 2019
Launch of *FamilyAlbum New Year Cards* service

MAY 2023
Cumulative number of *FamilyAlbum* users exceeded 18 million

SPORTS

JUNE 2019
All shares of SFIDANTE Inc. acquired

FEB. 2019
All shares of Chariloto Co., Ltd. acquired

OCT. 2019
All shares of Chiba Jets Funabashi Co., Ltd., the operator of the Chiba Jets, acquired

NOV. 2019
All shares of Net Dreamers Co., Ltd., the owner of *netkeiba.com*, acquired

FEB. 2020
Athlete Flag Foundation established
Launch of *Unlim*

JUNE 2020
Official launch of the sports betting service *TIPSTAR*, which allows users to bet together

DEC. 2020
Official launch of netkeirin

APR. 2021
Launch of *Fansta*

FEB. 2022
All shares of TOKYO FOOTBALL CLUB Co., Ltd. acquired

MIXI GROUP'S APPROACH TO VALUE CREATION

The new MIXI Group will continue to create space and opportunity for meaningful connection, bringing delight and wonder to the world through authentic emotion and vibrant communication.

Sources of Value

Manufactured Capital

Ability to create and manage IPs and content that enrich communication

- Wide range of technical human resources (planners, engineers, designers, creators, and more) that support our communication services
- Planning and management capabilities for long-standing services such as the social network *mixi* and *MONSTER STRIKE*
- External partnerships that create synergies

A strong foundation in supporting the safety, security, and stable operation of services

- Server-side technology that can support more than 10 million monthly active users (MAU)
- Technology to generate content via AI and other means
- Robust security and monitoring system

Intellectual Capital

Marketing ability

- Mass marketing / viral marketing know-how applied to our product design and planning

Human Capital

Diverse human resources and organization that promote the creation of new culture

- Organizational climate dedicated to the MIXI way of user surprise first
- Support system for the diverse activities and work styles of our human resources
- Framework and system that enable each individual to take on challenges

Social Capital

A passionate user base

- Our users use our services as a way to gather and have fun (game apps, apps for publicly-managed betting sports, social media, etc.)

Areas where we provide unique experiences

- Online services such as games and media
- Offline sports spectating, supported through business activities such as managing keirin stadiums (velodromes) and sports teams

Relationships of trust with local governments

- Building and maintaining positive relationships with local governments through the management of publicly-managed betting sport facilities and sports teams

Financial Capital

Stable and safe finance that supports sustainable growth

- Ample liquidity on hand with cash and deposits of approximately ¥120 billion
- A high equity ratio of 81.4% (as of March 31, 2023)

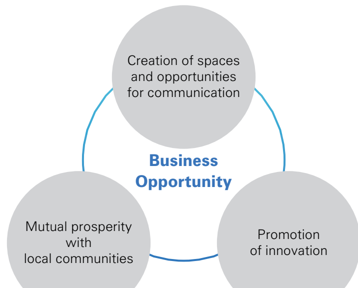
Value Creation Cycle

- **Project development based on positioning services in a unique way**
- **Design that encourages the exponential growth of services**
- **Service planning that embodies the MIXI way of user surprise first**

MIXI

- **Management and marketing that enable the exponential growth of services**
- **Provision of spaces and opportunities for users to engage in exciting communication with the people they are close to**

Eight Material Issues



- Service growth through reinvestment in existing businesses
- Establishing a stable revenue base and creating a sufficient foundation for new services
- Regional revitalization through collaboration with regional communities

MISSION

To provide space and opportunity for truly meaningful connections.

- Achievement of a high continued-usage rate and attraction of new customers at a low cost by utilizing social graphs
- Stimulating consumer confidence because users can share excitement with the people they are close to

Safe and secure operation of sporting and other events

Risk

Operation of wholesome IT services

Business Domains

Sports Segment	Lifestyle Segment	Digital Entertainment Segment
TIPSTAR, netkeirin, チャリ・LOTO, CHIBAJETS, netkeiba, FC東京	みてね, mixi, SFIDANTE スフィダンテ, minimo	モンスターストライク MONSTER STRIKE, コトダマン

Diversity and inclusion

Corporate

Information security and privacy

Strengthening of corporate governance

MIXI WAY

User surprise first.

VALUES

Innovation / Passion / Integrity

Management Foundation for Supporting Sustainable Growth / ESG Management

- Corporate governance
- Risk management

PURPOSE

Enriching communication and inspiring moments of joy.

Value Created

Manufactured Capital

- Creation of communication services that are beyond our users' imaginations and expectations
- Promotion of the safe and secure use of internet services

Intellectual Capital

- Creation of new experiences, economic zones, and culture by making communication more dynamic between users and the people they are close to

Human Capital

- Fostering of a corporate culture that supports employee diversity
- Contribution to the development of the IT industry and IT professionals

Social Capital

- Provision of new experiences through the combination of online and offline services
- Contribution to regional revitalization through collaboration with local governments

Financial Capital

- Proactive shareholder returns in line with profits
- Creation of new markets and services through active promotion of M&As and other activities

TO OUR STAKEHOLDERS

We take on the challenge of resolving social issues and delineate a path to growth through a business strategy dedicated to communication

Koki Kimura
President, Representative Director, and CEO

Creating highly unique services aligned with our newly defined Purpose

At MIXI Group, we are acutely aware that we should operate a business dedicated to originality. To us, originality means a commitment to communication. Providing services specializing in communication will enable us to improve the quality of people's lives, be a company whose services are always in demand, and operate a long-lasting business. Based on this view, we specified our Purpose as "Enriching communication and inspiring moments of joy."

Why has a social media company been expanding its business to smartphones, as well as publicly-managed betting sports and spectator sports businesses? We have clearly expressed our corporate strategy centered around communication and the thought put into that strategy through our Purpose, and are building a firm path to growth through management dedicated to that Purpose.

Communication and inspiring joy are the cornerstones of MIXI

We have continued to base our business strategy on the objectives of “enriching communication” and “inspiring moments of joy” stated in our Purpose. The sports business captures the moments where communication is at its most exciting. No entertainment is more unscripted than sports. Spectators are overjoyed when their team wins and incredibly dejected when their team loses. Betting is an area of sports where participants are exceptionally passionate and can enjoy the excitement and suspense. Betting doesn't need to be solitary; people can enjoy the sport, betting, and the resulting feelings of elation and dejection with their friends. Our Group should engage in business in sports that offer the opportunity to experience a wide range of emotions.

FamilyAlbum is a service in the Lifestyle segment that provides the very essence of the joy of communication. Parents and grandparents are always delighted to look at photos of their precious children and grandchildren. The growth rate of *FamilyAlbum* users is already higher overseas than in Japan, and we anticipate further growth by providing a way to communicate and share for families overseas, where the number of births and birth rates exceed Japan.

MONSTER STRIKE, the core of the Digital Entertainment segment, is a title that has achieved growth by increasing communication between users and their friends. It also received reviews from middle and high school students who were not yet old enough to enjoy gaming when *MONSTER STRIKE* was released in 2013. Their comments such as “I play *MONSTER STRIKE* with my classmates” give us great confidence that *MONSTER STRIKE* has transcended generations to become loved by people of all ages.

Main Business Segments and Policies

We will accelerate growth by engaging in synergistic M&As targeted at growth of main businesses and launch initiatives aimed at globalization of each segment.

Building a service structure that supports communication in different life stages

MIXI Group facilitates various kinds of communication to support people in the different stages of life. Communication with others is an integral part of human life. However, we seek different types of communication at different life stages.

The chief characteristic of *FamilyAlbum* is intergenerational communication connecting infants and young children with their grandmothers and grandfathers. *MONSTER STRIKE* provides a way for middle, high school, and university age students to enjoy exciting communication with their friends, while sports betting provides a space for socializing and entertainment for adults.

Humans show different sides of themselves when communicating with others in their social lives. I act the part of a president at the office, the part of a husband and father at home, and the part of a friend around my friends. In other words, my name is still Kimura, but I put on different faces according to the situation. I aim to build a service structure that supports the communication needed in these different stages of life and situations.

Further enhancing the value of IPs and expanding the *MONSTER STRIKE* economic sphere

Looking back on FY2023, ended March 31, 2023, the environment surrounding the Digital Entertainment segment resulted in a greater-than-expected solidification of users and market maturation. In the game market as a whole, it was a year that did not produce any new hit games or games that had staying power even if they were hits.

The business environment is transforming dramatically. During an era dominated by physical video games as was the case in the past, there was a cycle of buying game software, playing with it for a certain period of time, then buying the next game software when one tired of it. However, in an era such as the present one, where a strong title monopolizes the free time of users, it is hard for users to differentiate between services, and this makes it hard to switch to a new one.

MONSTER STRIKE showed its strength and achieved growth in both sales and profit amid such conditions. One reason for this good performance is that the *MONSTER STRIKE* IP is seen as a top choice for collaboration. I think one main reason why MIXI Group has strong negotiation powers for collaborations is because the sheer size of our user base has turned us into something akin to a platform. *MONSTER STRIKE*, which consistently features various IPs, has amassed a large number of loyal users. I think that is because the companies behind the IPs sense the advantage of associating their own products with us. In October 2023, *MONSTER STRIKE* celebrates the 10th anniversary of its release, and it is a rare title that has demonstrated the ability to stay relevant and achieve growth in sales and profits again in the ninth year from release (in FY2023). We aim to actively invest in developing IPs that will be loved for generations to come and expand the *MONSTER STRIKE* economic sphere.

From an overall business perspective, the chief characteristic of *MONSTER STRIKE* is that people understand it is a game they can enjoy with their friends. It has also become established as a brand while other games have not always established a clear position. In the gaming business, the number of "companion players" (how many friends a user brings along to hang out with and play) is important. The challenge is to develop a game that people do not play on their own, but bring other companions along to play, whether they are existing users or not, by asking, "Want to go play *MONSTER STRIKE* now?"

FamilyAlbum monetization strategy and developing the sports betting market

The first of the key goals in FY2024 is to enhance the monetization of *FamilyAlbum* in the Lifestyle segment. The key is how to expand digital merchandise. At present, the main merchandise consists of analog services including printed photos. The *FamilyAlbum* service is operated globally, but a great deal of work is involved in establishing the environment for where order photos will be printed and how they will be delivered in each country. Thus, there are still a certain number of hurdles to overcome. HIgh-profit-margin digital products, which are easily distributed regardless of country, combined with *FamilyAlbum's* high-user retention qualities should promote monetization and make this a big business.

There is still much room for improvement in providing opportunities for people to join in the excitement with their friends in social betting on sports. The reason for that is probably because the bicycle and auto races featured on *TIPSTAR* are followed by a limited number of enthusiasts compared to horse racing and the jargon used is relatively niche. I am thinking of how to create a way for people who don't know much about bicycle and auto racing to enjoy it while hanging out with friends, and to connect these sports with other types of sports.

Pushing ahead on the cultural side and providing world-class services

MIXI Group provides “culture side” services that incorporate civilization and culture. Civilization encompasses electricity, plumbing, the internet, and other infrastructures. Culture, on the other hand, encompasses entertainment such as art, music, sports, and games. While the absence of these is not a threat to our existence, they enrich the lives of people. MIXI Group provides content on the culture side while using IT as leverage on the civilization side and thereby creates the space and time for “enriching communication” and “inspiring moments of joy.” In the IT area, it is often said that U.S. companies have seized the platforms and Japanese companies cannot keep up. However, Japanese companies are holding their own in areas on the culture side. We also possess the skills to create services that provide opportunities for excitement and enjoyment with friends.

In the food area, for example, Japanese people have absorbed the essence of French, Italian, and other cuisines and remodeled them, achieving world-class quality. We are confident we can absorb the local culture in various places around the world and create businesses arranged in MIXI style in the area of communication as well. We will confidently push forward on the culture side through management with uncompromising commitment to communication as well as technology.

Increasing earning power by investing in essential human capital

Communication between people is the mission of MIXI Group, and the skills possessed by our workforce are an extremely important resource to us. To give an example, the skills of a diverse workforce are essential for the global expansion of *FamilyAlbum*, one of our key initiatives. *FamilyAlbum* is a service that facilitates communication among family members. In Japan, family refers to the nuclear family, while overseas, family can refer to a group of close to 100 people that includes relatives. The needs overseas therefore differ from those in Japan. It is necessary for us to provide support in the style of communication used in each local culture, in addition to being fluent in the language of each country.

It is our policy to actively invest in essential factors that will enhance the capabilities of our human capital. We strive to improve the productivity and earning power of each person in addition to increasing the level of wages and other benefits. How to make use of AI in work is a common topic, from the perspective of training. The fastest human runner cannot run faster than an automobile, so I intend to pursue re-skilling of human resources to enable them to use AI in planning, programming, design, and other areas of work.

Developing the next generation of managers and undertaking management restructuring

We are undertaking management restructuring while pursuing management that uses communication as a strength. Our Management Council is increasingly focused on discussion of questions such as what type of market to launch the next service in, and how to utilize and allocate human, physical, and monetary resources.

I am also concentrating on initiatives implemented with management succession in mind. Our directors and senior corporate officers hold regular meetings to discuss management issues. In the meetings of the Management Council, we have also granted voting rights to senior corporate officers in addition to directors so that those officers can participate in decision making. Through this approach to management personnel development, we aim to foster the next generation of directors from our senior corporate officers. We also focus on more long-term management succession by having executive officers who are senior executive officer candidates attend meetings of the Management Council. I will continue to strengthen the management structure to build the foundation for sustainable growth by addressing issues such as successor development and separation of management and execution.

Working to create even more value as a company that handles the necessities of life

We must communicate with one another to live. While communication is probably not a daily necessity, it is a necessity of life. MIXI Group can provide and grow services that customers actively choose, support, and share through a commitment to communication in all of our businesses. I believe that such commitment to communication will also help us, as a company, resolve the modern social issues of loneliness and isolation.

I ask all of our stakeholders for your continued support and even higher expectations of MIXI Group to provide services that rely on the strength of communication to create corporate value and social value.

October 2023

Koki Kimura

President, Representative Director, and CEO
MIXI, Inc.

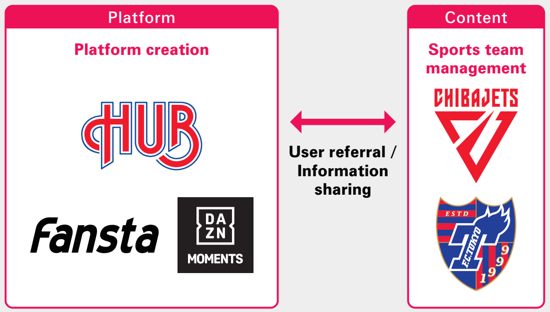
MIXI GROUP'S BUSINESS MODELS

SPORTS

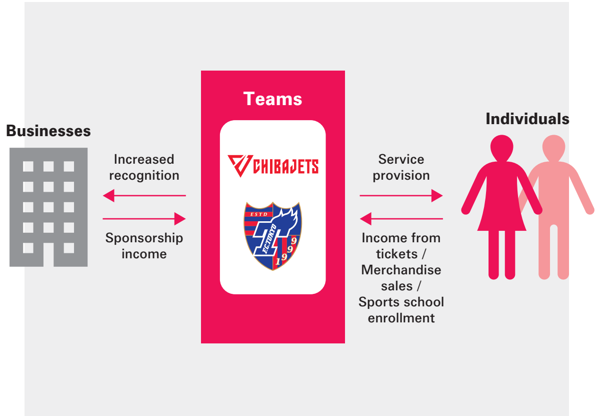
Creating synergies in the spectator sports business

We are aiming to expand our businesses in the spectator sports market, creating synergies through providing sports content of teams such as the Chiba Jets and F.C.Tokyo in combination with platforms where that content can be enjoyed.

While the spectator sports market temporarily shrank due to the impact of COVID-19, fans remain passionate and the market is recovering post-COVID. We also believe that we can create a new market through digital transformation (DX), which represents a significant business opportunity for our Company.



Overview of Chiba Jets and F.C.Tokyo

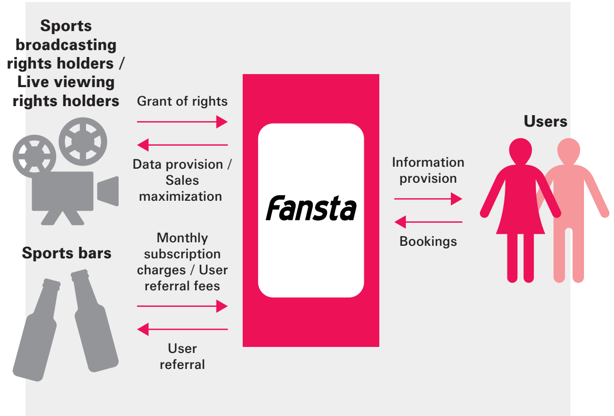


Chiba Jets,
B.LEAGUE Professional Basketball Team
F.C.Tokyo,
J1 League Professional Football Club

Based on sponsorship income from businesses, operations for our professional sports teams include ticket sales, merchandise sales, and the management of sports schools for younger generations. Chiba Jets aims to become a part of local communities, aspiring to popularize basketball and be a stand-out club that is loved by fans and players alike.

F.C.Tokyo strives to be a truly "community-based" J. League club that is committed to the long term by collaborating with the local community, government, and businesses.

Overview of *Fansta*



Fansta

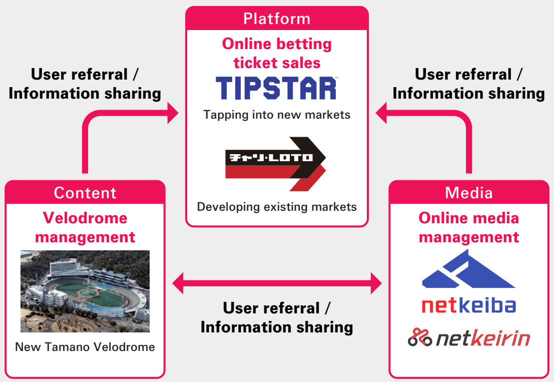
Fansta helps sports fans find sports bars by area or by what soccer and baseball matches they want to watch.

Under the motto of "On game day, the bar is our stadium," fans who cannot make it to the stadium to support their team and people who just want to watch sports can find nearby sports bars with DAZN channels so they can watch sports with their friends.

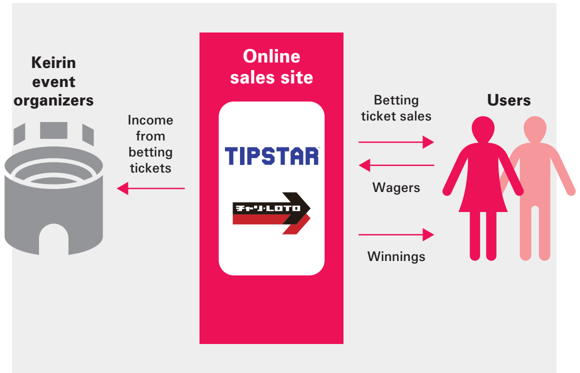
Creating synergies in our publicly-managed betting sports business

In our business in the publicly-managed betting sports market, we manage keirin betting ticket sales platforms (*TIPSTAR* and Chariloto), as well as keirin stadiums (velodromes)—an important part of our value chain for content generation. We also operate media such as netkeirin, which refers users to these services.

While each service has achieved high growth on its own, we aim to establish a unique position and realize further growth by linking each of these to create synergies.



Overview of *TIPSTAR* and Chariloto

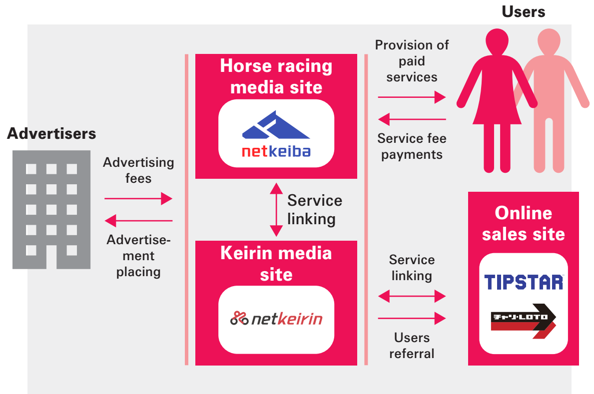


TIPSTAR and Chariloto

TIPSTAR is an online sports betting service that enables users to bet on keirin and auto race events. It is the only betting service in Japan in which users can enjoy betting together with their friends and has highly entertaining features such as "mirror betting," which lets users place bets that match the predictions of other users.

Our consolidated subsidiary Chariloto Co., Ltd. operates chariloto.com, an online betting ticket sales site for keirin and auto racing. In addition, they operate outlets called "Chariloto Plaza" for purchasing betting tickets in physical locations such as velodromes and their external betting ticket sales buildings. By utilizing the expertise gained through these operations, Chariloto has been able to secure stable earnings as the overall business operator of Tamano Velodrome, Takamatsu Velodrome, Komatsushima Velodrome, and Hiroshima Velodrome as well as the owner of Toyama Velodrome and Ito Onsen Velodrome. In addition, by utilizing these facilities as bases for entertainment, Chariloto will continue to boost its presence in the keirin market while engaging in regional revitalization.

Overview of netkeiba.com and netkeirin

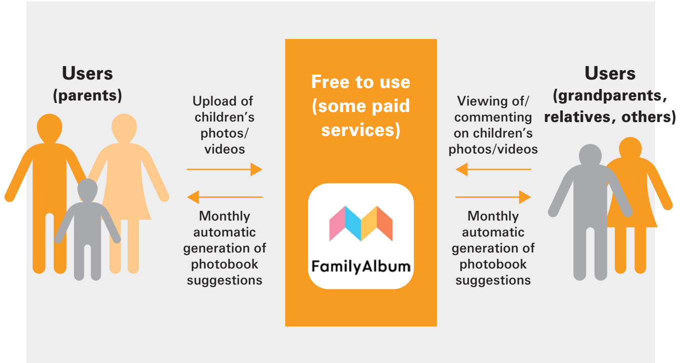


netkeiba.com/netkeirin

netkeiba.com has been in operation since 1999, and is currently one of the largest websites for horse racing in Japan. With monthly users surpassing 17 million, it has a wide range of content including the latest race information and a database of racehorses and jockeys. Via the paid premium membership plan, users can enjoy various services such as video streaming of all races provided by Japan Racing Association (JRA). Utilizing the expertise gained through operating netkeiba.com, in 2020 we launched a sister site for keirin, named netkeirin. With easy access possible between these two websites, as well as *TIPSTAR* and chariloto.com both being linked to netkeirin, we can expand the fan base for publicly-managed betting sports.

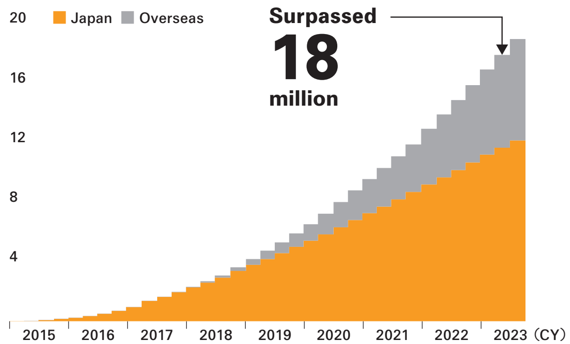
FamilyAlbum

FamilyAlbum, private family photo and video sharing app



Cumulative number of users of *FamilyAlbum*

(Millions of users)



This app helps parents share photos and videos of their children in real time while keeping it all in the family. It is well received for being free to use, offering unlimited storage, and facilitating fun communication among family members. The service was launched in April 2015 in Japan, with English support starting in July 2017. The service is currently offered in seven languages and the cumulative number of users surpassed 18 million in May 2023.

Steadily improving profitability

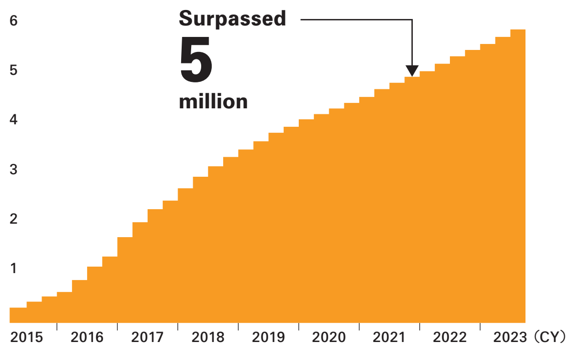
In April 2019, we launched a premium service with monthly subscription fee that offers more features than the traditional service. In June 2019, we acquired SFIDANTE Inc., which engages in the smartphone photo printing business, making it a subsidiary, and using its expertise we began providing *FamilyAlbum New Year Cards* (officially *Mitene Nengajo* in Japanese), a new service for creating traditional Japanese New Year greeting cards. As a result, we made steady progress with improving profitability. Furthermore, we expanded earnings opportunities by linking the company's photo gift service *OKURU* to provide services where photographs on *FamilyAlbum* can be used for gifts, such as for Mother's Day and Father's Day. Diversifying from services based on children's photos, we have launched services based on providing safety and peace of mind for families. These services include the after-hours and holiday house medical call service *FamilyAlbum CALL DOCTOR*, and *FamilyAlbum GPS Guardian*, a GPS protection service for children. By combining user assets of *FamilyAlbum*, we will work to provide new value and to reinforce the business going forward.

minimo

minimo, direct salon staff booking app

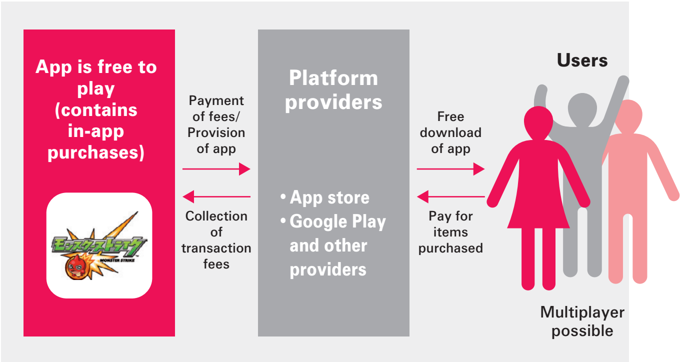
Cumulative number of users of *minimo*

(Millions of users)

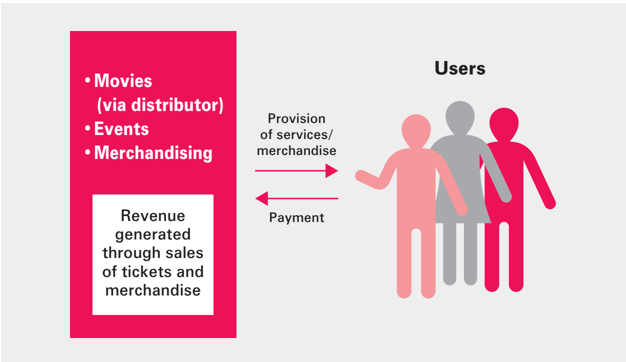


This app, launched in January 2014, allows customers to book appointments directly with individual salon staff such as hairstylists, nail artists, and eye makeup artists 24 hours a day. Ignoring the convention of booking appointments for a salon, *minimo* allows customers to choose and book salon staff directly and consult with a staff member in advance about their desired service to prevent mismatches. Highly appreciated by both salon staff and customers, the app surpassed five million downloads in December 2021.

MONSTER STRIKE, hunting action role-playing game (RPG)

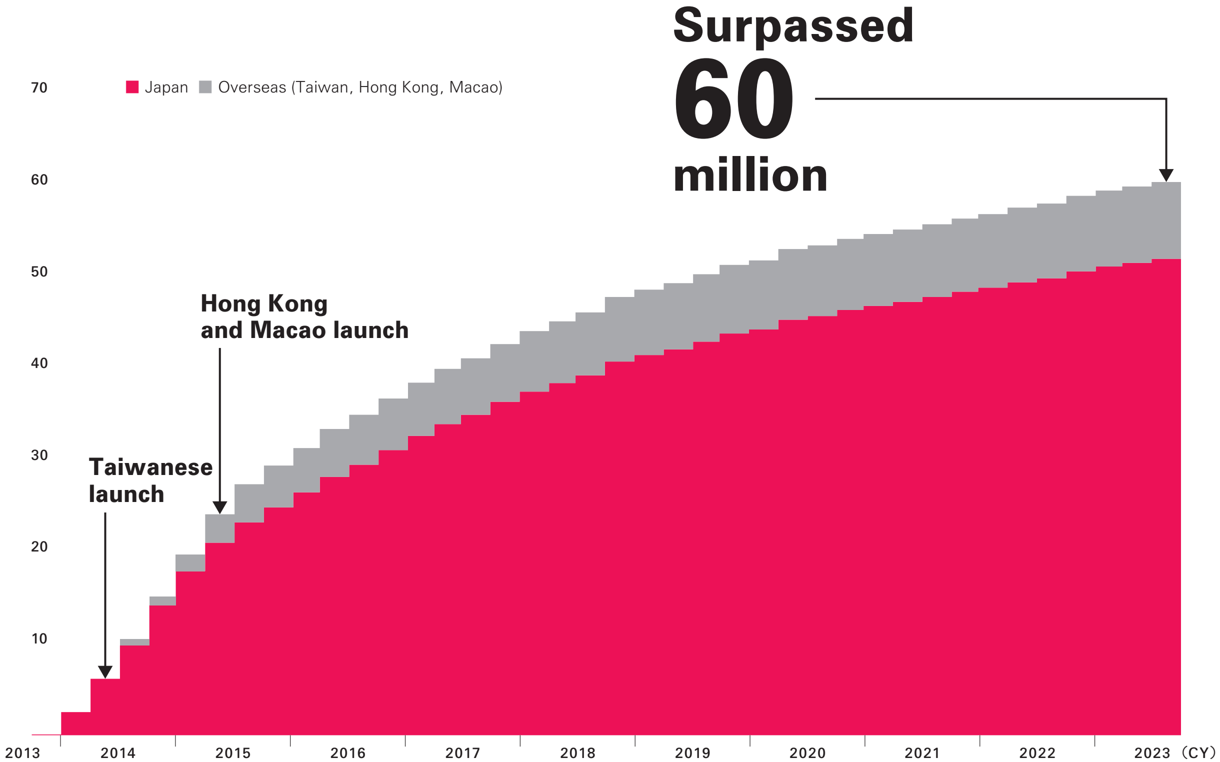


MONSTER STRIKE-related businesses



Cumulative number of users of *MONSTER STRIKE* worldwide

(Millions of users)



MONSTER STRIKE is an exhilarating multiplayer action RPG that anybody can easily enjoy. The game's key feature is its multiplayer co-op system, which allows up to four friends in the same area to play together. *MONSTER STRIKE* was first released in October 2013 in Japan. It is currently also available in Taiwan, Hong Kong, and Macao. Not just a game app, *MONSTER STRIKE* consists of an expansive media mix including merchandising, live events, video streaming, and more. The app surpassed 60 million users worldwide in June 2023.

FOCUS

Pursuit of human capital management in MIXI Group

MIXI's corporate philosophy consists of the following four components.

PURPOSE: Enriching communication and inspiring moments of joy.
MISSION: To provide space and opportunity for truly meaningful connections.
MIXI WAY: User surprise first.
VALUES: Innovation / Passion / Integrity

We operate our businesses based on the corporate philosophy outlined above with communication at their core. We believe the people in our Company who create and operate our businesses are the type of capital that we should focus on the most to achieve our Purpose. It is our policy to actively invest in human capital because the growth of our people is key to achieving our Purpose.

We are working on initiatives in six categories based on that policy:

❶ Improving employee engagement
❷ Human resource development that promotes the advancement and growth of each employee
❸ A framework and systems to promote the growth of employees and the organization
❹ Ensuring diversity
❺ Improving the work environment
❻ Thorough compliance training

While we have set indicators and targets for some initiatives in categories 1 and 4, we will continue to explore appropriate indicators linked to our corporate strategy.

Maki Goto

Chief General Manager of the HR Department

Connecting PMWV to daily work and striving to instill them in all employees

A new corporate philosophy consisting of our Purpose, Mission, the MIXI Way, and Values (PMWV) for all employees of MIXI Group was announced in December 2021. Although we are still at the stage of implementing various measures to better instill and firmly ingrain this philosophy, I feel it is increasing opportunities for employees to go beyond their own work, recognize what the Group as a whole is striving for, and coordinate with people in other departments.

MIXI AWARD 2023 was held in June 2023 in recognition of the importance of diligently taking incremental steps to connect PMWV to each work task to spur greater permeation of the philosophy. We want to give all employees role models to understand what it means to embody PMWV and connect these components to their daily work and duties, and MIXI AWARD commends these role model employees for embodying PMWV.

Targeting new personnel development aimed at furthering human capital management

I have begun the discussion of the key concept of human capital management with members of management to clearly delineate the policy and personnel strategy of MIXI Group, based on PMWV. My goal is to engage in personnel development that furthers MIXI’s strengths such as operation and development, brings out the potential of our employees, and gets them excited about their growth with MIXI to help them embody PMWV.

Approach to managing human capital
— Engineers —

Diversity is what creates a strong organization that can respond to the rapidly changing tech industry.

Junpei Yoshino
Corporate Officer, CTO,
Development Department

Targeting maximization of corporate value through cross-organizational resolution of issues within the Group

The Development Department is a cross-organizational collection of engineers that operates across divisional boundaries. We provide technical support to each division in addition to cultivating engineering talent and developing the organization to maximize corporate value.

I recognize the important role our department plays in quickly resolving the issues of each division, especially in providing support to the divisions. As head of the department, I of course consider the skills and suitability of an engineer as well as their aspirations and motivation when a request is made for one, and take care to match the right engineer to the nature of the work to ensure success. Ultimately, I believe that having highly motivated engineers on a task is the shortest path to improving operating efficiency and quickly resolving issues.

Diversity, the keyword in organizational and personnel development

In my view, diversity is the most important factor in developing an organization and personnel. I hold engineer presentation sessions internally and am working to expand opportunities for our engineers to interact with people outside of the Company by pursuing collaboration and alliances with universities and research institutions because, as an organization, I think it is important for them to be exposed to perspectives other than their own.

In developing personnel, my greatest desire is for our engineers to discover their sphere of specialization where they feel “I am the best in the Company,” regardless of career length, and consciously work to increase the number of spheres they specialize in. I think that will lead to the creation of a strong, sustainable organization that enables independent growth of each person and is able to respond to the rapidly changing tech industry.

I recently jotted down a list of issues and risks in various areas of the Company our engineers should take on as challenges, and also initiated activities aimed at visualizing them. Engineers tend to lose motivation or leave a company when they feel they have reached a point where they have accomplished all they can in their work. That is unfortunate, both for the individual and the company. I think we should create conditions where our engineers are always surrounded by challenging issues they find satisfaction in so they can maintain their motivation.

Doing my utmost to fulfill my mission as CTO through communication

I assumed the position of CTO in April 2023. Under me, the Development Department will make every effort to support any new business the Group wants to undertake to achieve the Purpose of “enriching communication and inspiring moments of joy” outlined when we redefined our corporate philosophy. I was assigned the mission of creating a stronger organization to accomplish that Purpose and will do my utmost to succeed in this mission as it aligns with matters discussed by the Board of Directors.

Approach to managing human capital — Designers —

Enhancing the three areas of specialization and creating designs that exceed the expectations of users

Yoshiyuki Yokoyama
Corporate Office, CDO, Design Department

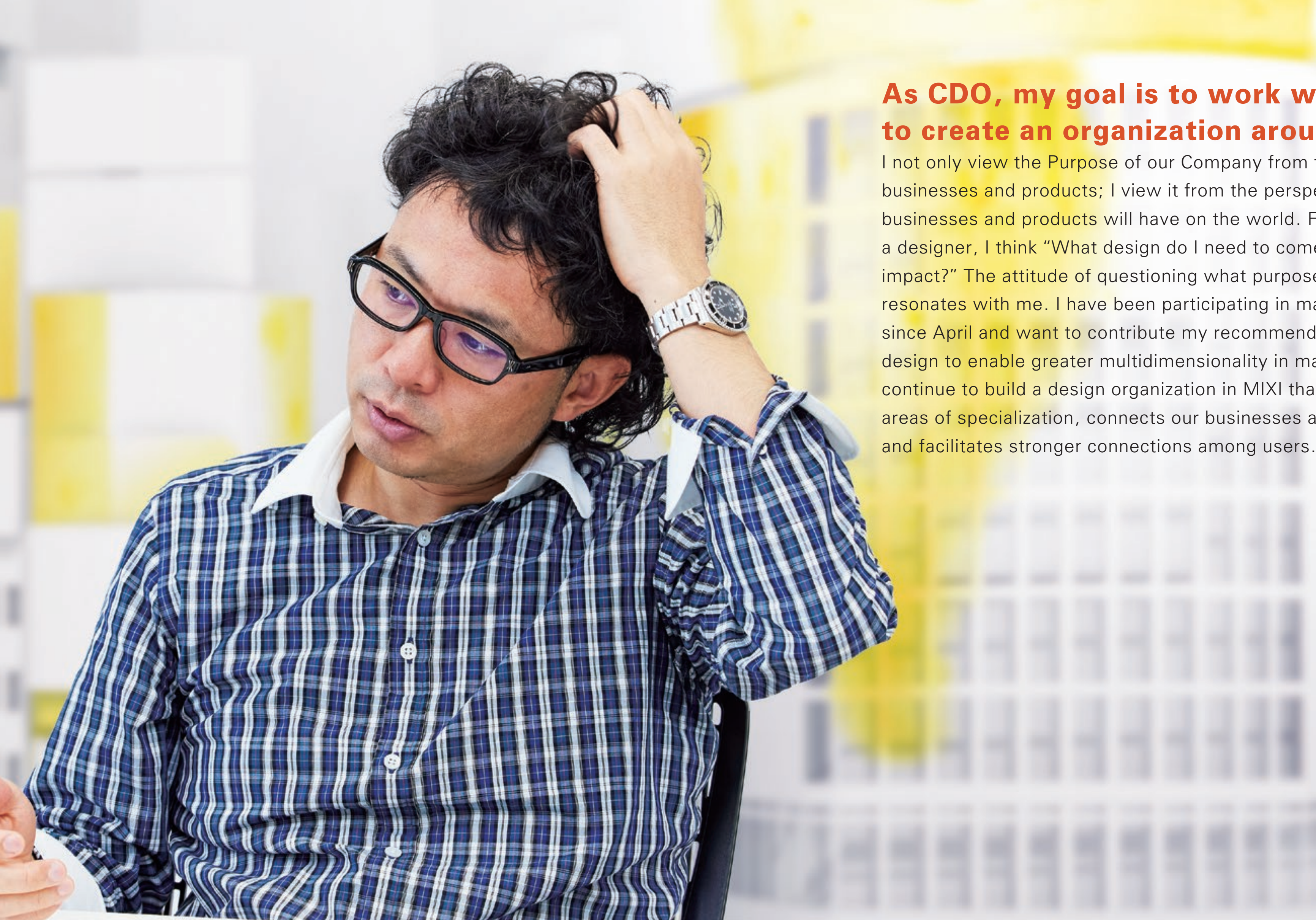
The three areas of specialization that enhance professionalism in design

The Design Department is organized around three areas of specialization. The Video Creative Division is tasked with planning, directing, and shooting videos, as well as distributing them; the Product Designer Division designs UX and UI for services; and the Brand Design Division establishes corporate branding in line with the Purpose stated in our corporate philosophy. Each area is equipped with a wide range of functions and works on projects with other divisions. "User surprise first" is the standard we focus on most in all production processes, and every day we endeavor to design things that will give users a pleasant surprise.

Trust those on the frontlines, increase transparency, and promote the growth of designers

We must create a system that aligns the direction of the Design Department with our corporate philosophy and accomplish our Purpose of "enriching communication and inspiring moments of joy." From an organizational perspective, I put my trust in the people on the frontlines, made a conscientious effort to achieve high transparency in sharing information, and have made it possible for members of the department to act dynamically. We have also formulated an action plan as a team and are establishing the conditions that make it possible for each person to be in charge of their own continual-improvement cycles. I employ a circular process of setting goals and providing feedback to clearly evaluate designers and develop them. In addition to rewarding designers who accomplish their goals with high evaluations, I always provide them with the next opportunity to grow and urge them to grow along with me.

We have many designers in our Company. Each one of them will continue to learn the necessary techniques and manner of expression to produce output that exceeds the expectations of their colleagues and of users as well as spread this ethos to those around them, and the entire MIXI Group. This is characteristic of production at MIXI.



As CDO, my goal is to work with management to create an organization around design

I not only view the Purpose of our Company from the perspective of its businesses and products; I view it from the perspective of what impact these businesses and products will have on the world. From the perspective of a designer, I think “What design do I need to come up with to make an impact?” The attitude of questioning what purpose MIXI exists for is one that resonates with me. I have been participating in management as the new CDO since April and want to contribute my recommendations from the area of design to enable greater multidimensionality in management decisions. I will continue to build a design organization in MIXI that further enhances the three areas of specialization, connects our businesses and products with society, and facilitates stronger connections among users.

MIXI GROUP'S FINANCIAL STRATEGY

We actively communicate the appeal of MIXI Group's social and financial value to capital markets.

Kohei Shimamura
Senior Corporate Officer, CFO, Corporate Promotion Department

Challenges as the new CFO

We began operating under a new management structure from April 1, 2023, based on our management policy of enhancing governance and business execution. With that change, I became the new CFO and Hiroyuki Osawa, the former CFO who was responsible for a rather broad range of operations, will now focus on the areas of human resources and spectator sports.

While the management structure has changed, there has been no change in the basic direction of our management strategy, which is to effectively utilize the cash flow generated by our core business, *MONSTER STRIKE*, and engage in M&A and other efforts to create second and third pillars of business. In January 2022, we also updated our corporate philosophy and defined our Purpose, which consists of enriching the communication of our customers. We have engaged in a process of "selection and concentration" to optimize our business portfolio based on this corporate philosophy and management strategy. This has clarified our main businesses.

We also recognize the need to expand our disclosure of information to the market from being primarily centered on *MONSTER STRIKE* in the past, to providing information on our new business models and analysis of those models. In addition to the above, I want to build a system for pursuing disciplined investment based on the internal rate of return (IRR) and other indicators, while engaging in an active internal deliberation on the weighted average cost of capital (WACC), return on invested capital (ROIC), and other indicators of capital efficiency.

I will strive to be a passionate yet logical CFO who always keeps sight of our Purpose and effectively communicates the appeal of the social and financial value of MIXI Group to capital markets, in addition to pursuing discussions on the management of financial aspects and capital efficiency through future initiatives.

Consolidated performance highlights for FY2023

The initial forecast contained conservative estimates for the performance of *MONSTER STRIKE* in the Digital Entertainment segment. However, collaborations with popular IPs, sales of original characters, and other factors resulted in substantial year-on-year growth in both consolidated net sales and EBITDA.

EBITDA in the Sports segment also entered the black during the second half of the year due to growth in the *TIPSTAR* sports betting service, which allows users to bet together, Chariloto online betting ticket sales service, and other services related to publicly-managed betting sports. I think improvements in the cost efficiency of *TIPSTAR* were especially helpful in providing conditions that enabled us to refine our services while maintaining profitability at the EBITDA level.

In the Lifestyle segment, *FamilyAlbum* entered profitability in the Japanese market. The number of users in overseas markets has expanded to the point when we can accelerate investments.

However, ordinary income and profit attributable to owners of parent remained at the level initially forecast in FY2023. Factors suppressing profits at this level included extraordinary losses recorded on the dissolution of joint ventures and suspension of development of some game titles, both of which were due to our process of selection and concentration, as well as an impairment loss on goodwill recognized for an equity-method affiliate. Although we were unable to revise our forecast upward for profit attributable to owners of parent, the Company maintained a strong asset base, and we foresee decreased risk of impairment losses and other such risks in the future.

Summary of FY2023 financial results

(Millions of yen)	FY2021	FY2022	FY2023	YoY change
Net sales	119,319	122,030	146,867	20.4%
Gross profit	93,310	90,319	105,121	16.4%
Gross profit margin	78.2%	74.0%	71.6%	-2.4 pts
SG&A expenses	70,381	72,510	80,301	10.7%
SG&A margin	59.0%	59.4%	54.7%	-4.7 pts
EBITDA	27,117	22,073	29,482	33.6%
Operating income	22,928	17,808	24,820	39.4%
Operating income margin	19.2%	14.6%	16.9%	2.3 pts
Ordinary income	23,019	17,626	18,250	3.5%
Profit attributable to owners of parent	15,692	10,262	5,161	-49.7%

Breakdown of SG&A expenses for FY2023

(Millions of yen)	FY2021	FY2022	FY2023	YoY change
SG&A expenses	70,381	72,510	80,301	10.7%
Personnel	8,120	9,188	11,491	25.1%
Advertising	16,033	17,299	16,726	-3.3%
Outsourcing	5,214	6,329	5,815	-8.1%
Rents on properties	3,253	3,118	3,159	1.3%
Settlement fees	29,897	27,623	32,092	16.2%
Depreciation	2,662	2,657	2,859	7.6%
Amortization of goodwill	1,063	1,138	1,293	13.6%
Taxes and public charge	787	773	882	14.1%
Others	3,347	4,383	5,981	36.5%

Overview of FY2024 forecasts by segment

Sports segment

In the Sports segment, our businesses, at the bare minimum, provide additional sustainable profit to the Company, based on content from professional sports teams and publicly-managed betting sports, which many people have come to know and love over the years. On the upside, we are aiming to grow this segment into a major pillar of business by injecting elements of differentiation cultivated through our experience in the tech industry and operation of social services to establish a unique position.

The publicly-managed betting sports business is currently at the stage of preparation and development to take advantage of the previously stated upside. Taking into account a lull in online betting ticket sales, which have been growing since the pandemic began, our plan forecasts 4.5% year-on-year growth in sales. We forecast growth in EBITDA due to progress in improving the cost efficiency of *TIPSTAR* through structural reforms last fiscal year. In the spectator sports business, we forecast 5.4% growth in sales, mainly from an increase in spectators after pandemic restrictions were relaxed. However, a decrease in J.League dividends is expected to result in a decline in profit.

Given the size of the positive contribution from the publicly-managed betting sports business and the negative contribution from the spectator sports business, we forecast EBITDA on par with the previous fiscal year.

Lifestyle segment

We expect to expand the economic sphere of *FamilyAlbum*, one of our core services, both in Japan and overseas and forecast 20% year-on-year growth in sales. However, we forecast EBITDA on par with the previous fiscal year as we plan for fortifications to our structures for business development and production, as well as investments in marketing to overseas users.

Digital Entertainment segment

While the recovery of *MONSTER STRIKE* in FY2023 is expected to continue in FY2024, the past few years have shown a downward trend. Coupled with uncertainties in the overall entertainment environment worldwide, I think maintaining the initial plan for a somewhat conservative line on IP collaboration is an honest stance. With this view, segment net sales are forecast to decline by more than 10% year on year. The plan calls for a substantial decline in EBITDA due to a decline in sales from *MONSTER STRIKE*, costs associated with 10th anniversary activities, and anticipated cost increases associated with the release of multiple *MONSTER STRIKE* spinoffs. We will continue to strive to exceed the plan in both net sales and profit since the funds to generate an upside have already been incorporated in the plan.

Summary of FY2024 consolidated earnings forecasts

(Millions of yen)	FY2023	FY2024 forecast	YoY change
Net sales	146,867	138,000	-6.0%
Sports segment	28,643	30,000	4.7%
Publicly-managed betting sports	22,001	23,000	4.5%
Spectator sports	6,642	7,000	5.4%
Lifestyle segment	11,663	14,000	20.0%
Digital Entertainment segment	104,374	93,000	-10.9%
Investment segment	2,023	1,000	-50.6%
EBITDA	29,482	16,000	-45.7%
Operating income	24,820	12,000	-51.7%
Operating income margin	16.9%	8.7%	-8.2 pts
Ordinary income	18,250	11,000	-39.7%
Profit attributable to owners of parent	5,161	7,500	45.3%

Main businesses and future business development

MIXI Group has clarified its policies for its main businesses from FY2024 onward, based on our newly defined Purpose. Our three policies are expanding the *MONSTER STRIKE* economic sphere, pursuing monetization of *FamilyAlbum*, and staged investment in social betting.

MONSTER STRIKE economic sphere expansion

Based on last year's performance, we sense continued high potential in the original *MONSTER STRIKE*. Our goal is to maintain and expand sales through sufficient continued investment in releases. We are also working to enhance the value of the IP along with this. Other areas of focus are continued development of *MONSTER STRIKE* spinoffs and, in the future, non-game areas. In May 2023, we also launched a manga series in the monthly comic magazine, *Saikyo Jump*. Through these initiatives, we will increase touchpoints with the *MONSTER STRIKE* IP. We aim to expand the *MONSTER STRIKE* economic sphere over the medium and long term by implementing various measures.

Pursuing global monetization of *FamilyAlbum*

While *FamilyAlbum* has reached the stage of profitability in the Japanese market, we will invest in product development to more firmly solidify the *FamilyAlbum* economic sphere. Overseas, we will step up investment to acquire more users.

Staged investment in social betting

We aim to refine the elements of social betting focused on communication with friends and acquaintances and achieve differentiation while continuing to maintain the profitability of *TIPSTAR*. We will monitor various KPIs as we make incremental investments until the elements of differentiation have been cultivated. Once a unique position has been established in the *TIPSTAR* business, we intend to actively invest in acquiring users.

Corporate perspective on investment

I think the business investments of MIXI Group up to now have had an element of trying to invest in everything. With our redefined Purpose, we could clearly narrow down our business focus going forward. We believe this was a major achievement of FY2023. We will engage in synergistic investment and strategic M&A, and accelerate growth to propel the expansion of our main businesses in the future.

From a corporate perspective, MIXI Group believes that people are its most valuable management resource. Especially in light of our future growth strategy, we will need to invest in both front office talent who can create quality businesses and back office talent capable of supporting equity investment, M&A, and other types of business investment. I think it is important to invest not only in the treatment of personnel through well-balanced increases in the level of compensation and other benefits, but also in hiring and training, which is becoming increasingly important.

I also recognize the importance of investing in corporate branding. Unfortunately, MIXI still has a low level of name recognition as a company. We revamped our brand structure to elevate each service's brand and boost the MIXI brand, and generate feedback on the individual services through rebranding. Going forward, we are also searching for ways to tie the results generated from investment in branding into the creation of financial value.

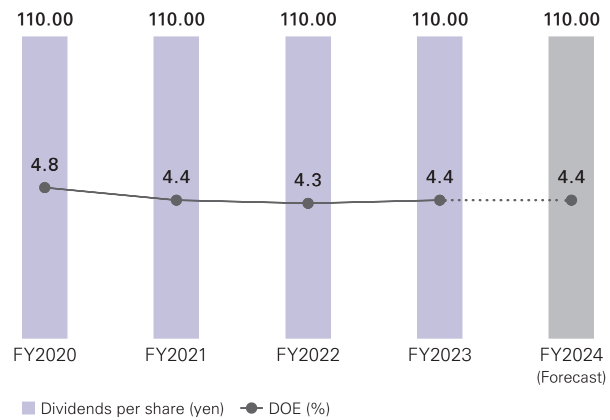
To our stakeholders

Our basic policy targets a dividend payout ratio of 20% and a dividend on equity (DOE) ratio of 5%, and we review this policy annually. In FY2023, we paid annual dividends of ¥110 per share, for a DOE ratio of 4.4%. By the end of FY2024, we plan to spend a maximum of ¥7.5 billion on acquiring up to 3.75 million treasury shares. Our guideline for holding treasury shares is 5% of total shares issued and our policy is for treasury shares held in excess of this to, in principle, be retired.

We have announced our intention to invest ¥30 to 50 billion in M&A and other forms of investment during the three-year period from FY2023 to FY2025. Actual investments amounted to around ¥2.5 billion in FY2023, so we set the difference between the projected investments of ¥10 billion for that year and actual investments as the maximum limit for acquisition of treasury shares. We will continue to provide returns to our shareholders from a holistic perspective, while taking both financial performance and investment conditions into account.

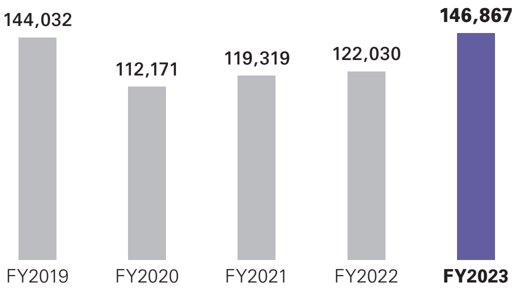
Stock markets are making stronger demands to improve the quality of information disclosed by listed companies. This includes the policy published by the Tokyo Stock Exchange at the end of FY2023 requiring disclosure of improvement measures by companies whose price-to-book ratio (PBR) has fallen below 1.0. We are directly addressing this trend through more extensive communication and engagement with stakeholders and actively communicating our story to enhance corporate value. I ask all of our stakeholders for your continued support of MIXI Group as we take on challenges based on our Purpose of “enriching communication and inspiring moments of joy.”

Trend in dividend on equity (DOE) ratio

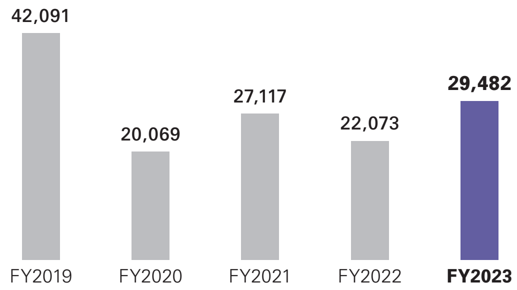


Financial Data

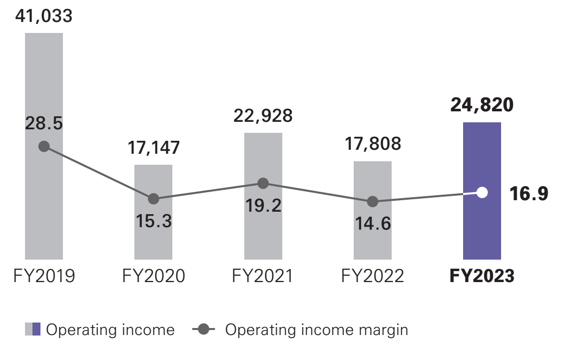
Net sales (millions of yen)



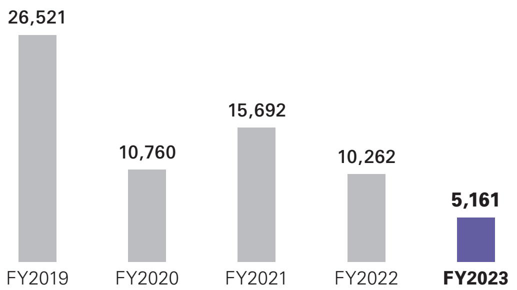
EBITDA (millions of yen)



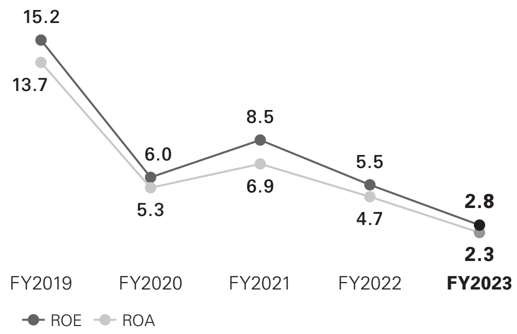
Operating income (millions of yen) / **Operating income margin** (%)



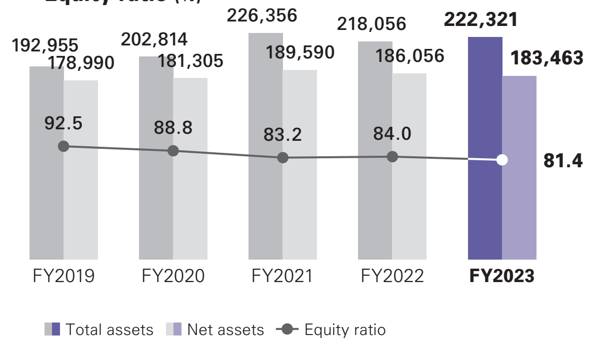
Profit attributable to owners of parent (millions of yen)



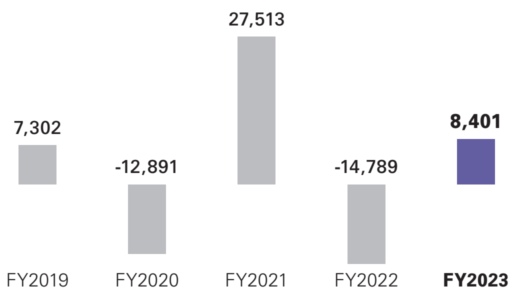
ROE (%) / **ROA** (%)



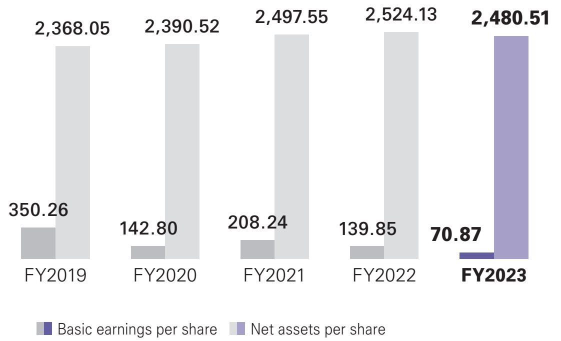
Total assets (millions of yen) / **Net assets** (millions of yen) / **Equity ratio** (%)



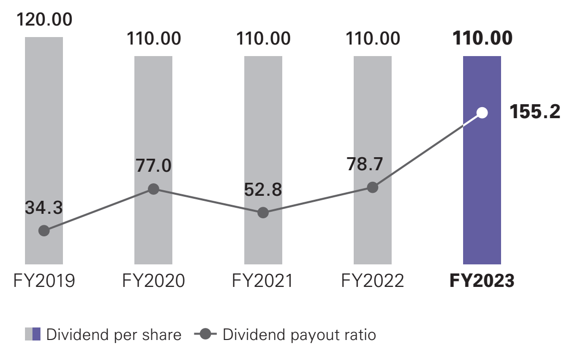
Free cash flow (millions of yen)



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



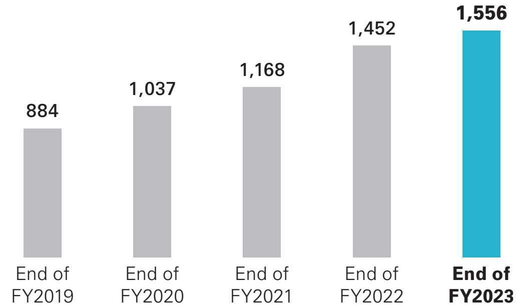
Dividend per share (yen) / **Dividend payout ratio** (%)



Non-financial Data

More information on our non-financial data is available on our corporate website.
https://mixi.co.jp/en/sustainability/data/

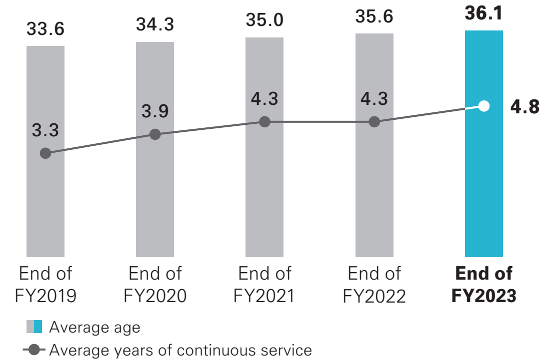
Number of employees*



* The number of employees is the total of (consolidated) full-time employees.

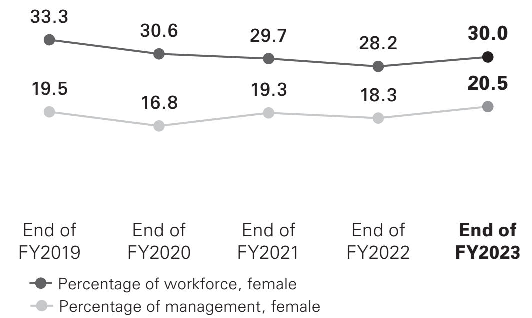
Average age (years) / Average years of continuous service

The calculation scope covers only MIXI, Inc.



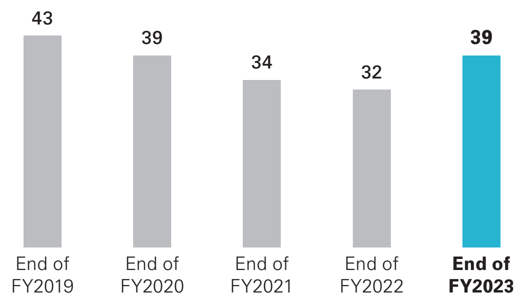
Workforce, female (%) / Management, female (%)

The calculation scope covers only MIXI, Inc.



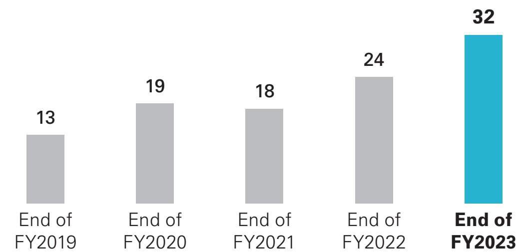
Number of foreign employees

The calculation scope covers only MIXI, Inc.



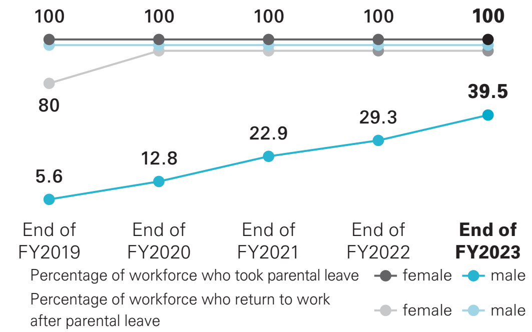
Number of workers with disabilities

The calculation scope covers MIXI, Inc. and a special subsidiary, MIXI EMPOWERMENT, Inc.

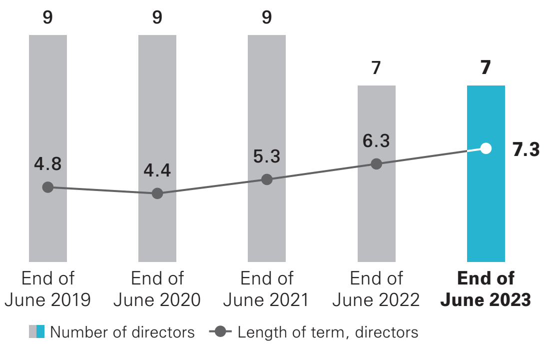


Workforce who took parental leave (%) / Workforce who return to work after parental leave (%)

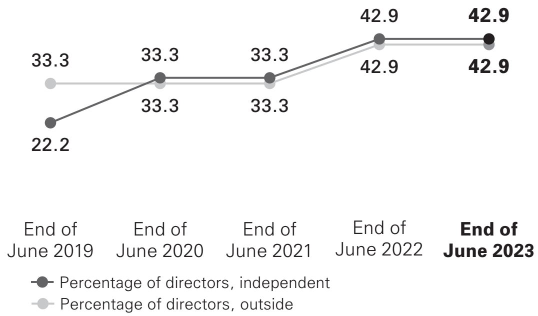
The calculation scope covers only MIXI, Inc.



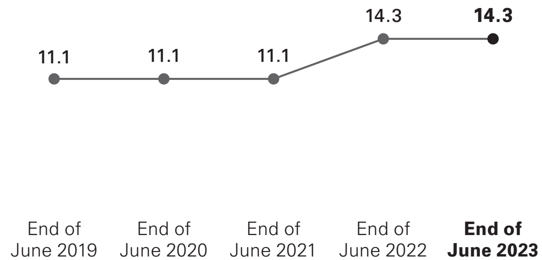
Number of directors / Length of term, directors (years)



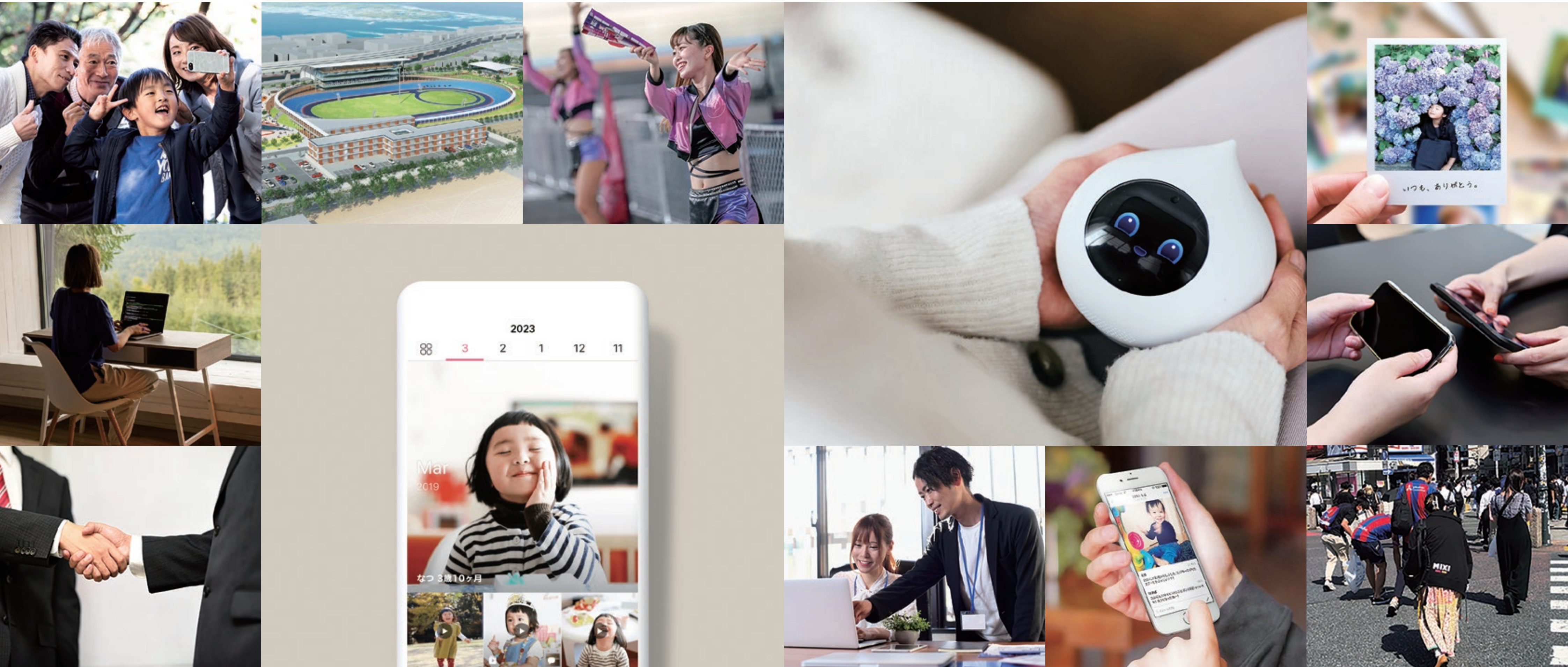
Directors, independent (%) / Directors, outside (%)



Directors, female (%)



MIXI GROUP'S SUSTAINABILITY










We will contribute to the enrichment of society through the creation of communication services that connect hearts and minds.

With the vision of enriching lives and the future by improving the quality of communication, the MIXI Group has continually developed and offered services that connect friends, family, and people who share common interests.

Technological innovations have made many aspects of our lives more convenient. However, as individuals find themselves surrounded more and more by information that has been specifically optimized for them, concerns are increasingly being raised that society is becoming more anxious, divided, and isolating. Against this backdrop, it is no wonder the proper role and meaning of communication are in question.

We intend to foster inspiration and empathy by connecting people's hearts and minds through communication—whether online or offline—while seeking to create a future where people can share moments of fun together. Toward this end, we will continue to deliver innovations in the tech world and provide reliable and wholesome services that create spaces and opportunities for safe and enjoyable communication. Also, through engaging in continuous dialogue with various stakeholders, such as the users of our services and local communities, we will strive to contribute to the creation of a sustainable and prosperous world through our business activities.

MIXI's Material Issues

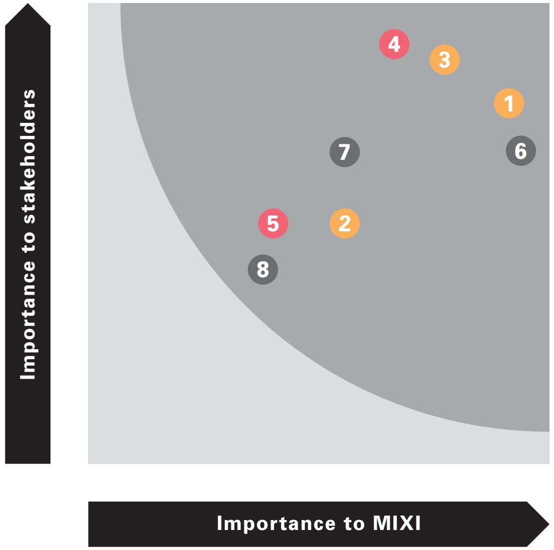
We have established eight material issues to be addressed through our corporate activities from the viewpoint of the impact on our business activities and stakeholders. As a company that produces communication services, we create connections among people, communities, and society, and promote innovation as a source of creating value, while at the same time making sincere efforts to operate reliable services.

We will also promote the reinforcement and improvement of our management foundation in terms of information security and privacy, the activities of our diverse human resources, and governance.

Material Issues Determination Process

STEP 1 **Identifying issues**	Refer to the Sustainable Development Goals (SDGs), Global Risk Report, and other evaluation indicators and reports and identify social issues that are relevant to our business, past initiative results, and potential future corporate activities.
STEP 2 **Assessing the importance of the issues to stakeholders**	Collect information regarding the expectations and requests of stakeholders of the Company and our businesses. Based on this information, evaluate the importance our stakeholders place on the social issues identified in Step 1.
STEP 3 **Assessing the importance of social issues to the Company and selecting potential material issues**	Evaluate social issues based on their impact on our business and corporate activities. Select potential material issues based on this evaluation and their level of importance to stakeholders.
STEP 4 **Determining material issues**	Determine eight material issues through discussions by the Board of Directors.

Areas of Material Issues



Business Opportunity

1. Creation of spaces and opportunities for communication
2. Promotion of innovation
3. Mutual prosperity with local communities

Risk

4. Operation of wholesome IT services
5. Safe and secure operation of sporting and other events

Corporate

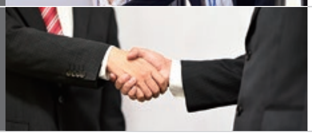
6. Information security and privacy
7. Diversity and inclusion
8. Strengthening of corporate governance

Eight issues that are important to MIXI (Material issues)

We have established eight material issues to be addressed through our corporate activities from the viewpoint of the impact on our business activities and stakeholders, after referencing the SDGs, the Global Risk Report, and various other evaluation indicators and reports.

As a company that produces communication services, we create connections among people, communities, and society, and promote innovation as a source of creating value, while at the same time making sincere efforts to operate reliable services.

We will also promote the reinforcement and improvement of our management foundation by strengthening information security and privacy, the activities of our diverse human resources, and governance.

Material issues			MIXI's Initiatives	Relevant SDGs
❶		**Creation of spaces and opportunities for communication**	Communication is one of the values our Company was founded on. Through leveraging our expertise and providing communication services, we strive to resolve various social issues such as isolation.	3 Good Health and Well-being; 4 Quality Education; 10 Reduced Inequalities
❷		**Promotion of innovation**	We strive to develop products and services that not only innovate in the field of technology but also promote positive cultural changes in society.	4 Quality Education; 8 Decent Work and Economic Growth; 9 Industry, Innovation and Infrastructure; 17 Partnerships for the Goals
❸		**Mutual prosperity with local communities**	Through various corporate and social initiatives, we will contribute to the economic, educational, and cultural revitalization of local communities, and work toward mutual growth and development alongside residents.	4 Quality Education; 8 Decent Work and Economic Growth; 11 Sustainable Cities and Communities; 17 Partnerships for the Goals
❹		**Operation of wholesome IT services**	We operate services for all of our customers responsibly, ensuring that we protect underage users as well as prevent cybercrime, money laundering, and other criminal activity.	3 Good Health and Well-being; 4 Quality Education; 12 Responsible Consumption and Production; 16 Peace, Justice and Strong Institutions; 17 Partnerships for the Goals
❺		**Safe and secure operation of sporting and other events**	We ensure the safety and security of our operations, including in entertainment and sports, by adhering to industry regulations and maintaining compliance as well as taking appropriate measures to prevent terrorism, violence, and crime.	12 Responsible Consumption and Production; 16 Peace, Justice and Strong Institutions
❻		**Information security and privacy**	To ensure the long-term peace of mind of our users, we will take the initiative against cyberattacks and data leaks through the implementation of appropriate information management practices. In addition, we strive to stay prepared through measures such as business continuity plan (BCP) maintenance so that we are able to continue providing our services even in the event of an emergency.	9 Industry, Innovation and Infrastructure; 12 Responsible Consumption and Production; 16 Peace, Justice and Strong Institutions
❼		**Diversity and inclusion**	We believe that our human resources are our greatest asset. To enable each of our employees to express their individuality and play active roles in the Company, we strive to create a work environment that is comfortable for everyone, recruit diverse talents, and help develop employee skills.	4 Quality Education; 5 Gender Equality; 8 Decent Work and Economic Growth; 10 Reduced Inequalities; 16 Peace, Justice and Strong Institutions; 17 Partnerships for the Goals
❽		**Strengthening of corporate governance**	We will strive to realize highly reliable and transparent management for our shareholders, customers, employees, and other stakeholders.	5 Gender Equality; 10 Reduced Inequalities; 16 Peace, Justice and Strong Institutions

Disclosure based on TCFD recommendations

Problems resulting from climate change are increasing in severity every year. As a company, we are called upon to ascertain the impact of climate change on our business activities and to fulfill our responsibility to society through initiatives aimed at mitigating climate change. In June 2022, MIXI endorsed the TCFD's recommendations* and began disclosing information based on the recommendations as shown below. We will continue to monitor greenhouse gas emissions from our business activities and work to disclose appropriate information.

* TCFD: Task Force on Climate-related Financial Disclosures.
The TCFD was established in December 2015 by the Financial Stability Board (FSB) at the request of the G20.

1. Governance

We have appointed the senior corporate officer who oversees the division in charge of the promotion of sustainability (the Chief Sustainability Officer) to be responsible for matters related to climate change. The Sustainability Secretariat is an advisory body to the Chief Sustainability Officer that reviews and reports its findings concerning climate-related issues to the Board of Directors through the Chief Sustainability Officer at least once a year. The Sustainability Secretariat requests appropriate advice from the Risk Management Committee and conducts interviews with each department and Group company as necessary to identify and assess risks and opportunities related to climate change and to consider how to respond to them. The Sustainability Secretariat also conducts annual reviews of climate change-related risks and opportunities and the progress of response measures.

2. Risk management

To determine their level of importance, the Sustainability Secretariat evaluates risks and opportunities related to climate change in terms of their likelihood of occurrence, impact, and availability of countermeasures. During evaluations, the Secretariat refers to various scenarios from organizations such as the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC), interviews relevant departments and Group companies, and makes revisions as necessary. In addition, countermeasures are formulated to address risks and opportunities, and the progress of these countermeasures is measured based on established indicators. When appropriate, advice on climate-related risks is sought from the Risk Management Committee in order to manage the climate-related risks in an integrated manner with other risks. Climate change-related risks and opportunities that require special attention are reported to the Board of Directors through the Chief Sustainability Officer.

3. Strategy

▶ Assumptions for scenario analysis

Scenario analyses were performed for the Digital Entertainment, Sports, and Lifestyle segments based on global scenarios in 2030. We referred to the IEA, IPCC, and various other reports and established three scenarios envisioning an average increase in temperature of 1.5°C, 2°C, and 4°C. The 1.5°C scenario presumes the introduction of decarbonization and various restrictions aimed at achieving a carbon neutral society, increasing demands by stakeholders to address climate change, and the emergence of new needs along with changes in society and lifestyles. The 4°C scenario presumes the occurrence of extreme torrential rainfall and other disaster risks accompanying the progression of global warming, an increase in heatstroke and other risks to health, and the emergence of new needs in order to adapt to climate change.

▶ Results of scenario analysis

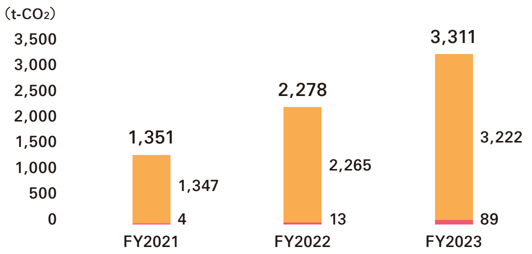
We identified risks and opportunities based on each scenario, evaluated the importance of each to our businesses according to the potential for occurrence and degree of impact, and considered countermeasures. While this analysis did not confirm any serious business risks accompanying climate change, we will continue to ascertain and manage the impact of climate-related issues on our businesses through governance and risk management efforts, and to capture the opportunities presented.

4. Indicators and targets

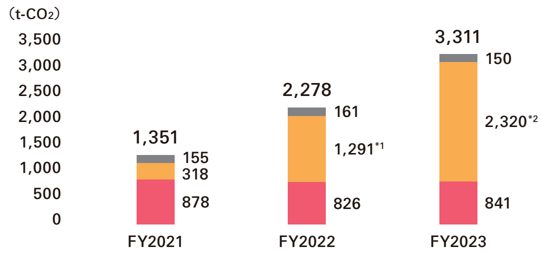
Scope 1 and Scope 2 GHG emissions were calculated as an indicator for managing climate-related risks and opportunities. In the future, we will calculate Scope 3 emissions and will continue to explore initiatives to reduce emissions in each segment through energy conservation, use of renewable energy, and other measures.

See the link below for further details.
https://mixi.co.jp/en/sustainability/issue/environment/tcfd/

Scope 1 and Scope 2 emissions



Scope 1 and Scope 2 emissions by segment



1. The increase in emissions in the Sports segment in FY2022 (ended March 2022) was due to the commencement of operation of Ito Onsen Velodrome, Clap Ishidoriya, and Clap Kashima.
2. The increase in emissions in the Sports segment in FY2023 was due to the commencement of operation of Tamano Velodrome.

Promotion of innovation

SOCIAL

We strive to develop products and services that not only innovate in the field of technology but also promote positive cultural changes in society.

▶ https://mixi.co.jp/en/sustainability/materiality/innovation/

The tech behind *FamilyAlbum*

For *FamilyAlbum*, where a high volume of photos and videos are uploaded daily, we provide services based on machine learning, an AI-based data analysis technology, while also protecting privacy.

▶ 1s Movies and how they're made

1s Movies are compilation videos that are automatically pieced together from uploaded photos and videos and sent seasonally. Photos and videos are selected through the following three steps.

1. Utilize deep learning to identify faces/people.
2. Evaluate the results of person/facial recognition for each photo and video as well as favorites, comments, and other factors.
3. Create a 1s Movie that factors in aspects like the ratio of photos to videos and selecting moments from evenly spread out points in time.

▶ Personal Pages feature

This feature uses a program to sort photos and videos by the person or people in them and automatically categorizes and shows a "Page" for each child. This program extracts the characteristic vectors of each child's face and separates them into various groups using a machine learning technique called clustering. Photos are sorted separately for each child, as well as grouped into larger categories that include all your children and your whole family.

MIXI will continue to use technology to provide services that make it easy for families to share their cherished photos and videos.

Technological innovation in streaming races for publicly-managed betting sports

The *TIPSTAR* sports betting service, which allows users to bet together, streams video from keirin and auto race stadiums nationwide in real time. These streams utilize numerous tools, systems, and other features independently developed by MIXI.

▶ Automatic editing system for real-time video

AI is used to automate the work of editing the videos of races that are streamed from keirin and auto race stadiums nationwide so that text, graphics, and background music are incorporated at the appropriate times. MIXI developed the mechanism for using AI to automate editing of video in real time, which was previously done manually.

▶ *BreezeCast*: making it possible to edit videos in a browser

MIXI has developed a proprietary browser-accessible editing tool called *BreezeCast*, which makes it possible to add text, graphics, and background music to video streams. Video editing is typically done in a studio using specialized equipment, but with only an internet connection and *BreezeCast*, we are able to do the work from anywhere. The inability of staff members to work together in a studio during the pandemic provided the impetus to develop *BreezeCast*.

We will continue to innovate in order to provide new and exciting viewing experiences.

The tech behind *Romi*

Romi is an emotionally rich communication robot that excels at casual conversation. Equipped with multiple AI technologies, *Romi* engages in natural conversation with users and delights them with more than 100 different expressions and movements.

▶ AI generated conversation

Free conversation (chatting) is said to be one of the most difficult realms for AI conversation generation because of its wide range of topics and fluid conversational development. We used deep learning to train *Romi* on hundreds of millions of Japanese conversation data sets, enabling it to generate a response for every question. The system takes previous conversation into account in order to create a thoughtful answer that keeps the conversation flowing naturally.

▶ Emotion detection AI

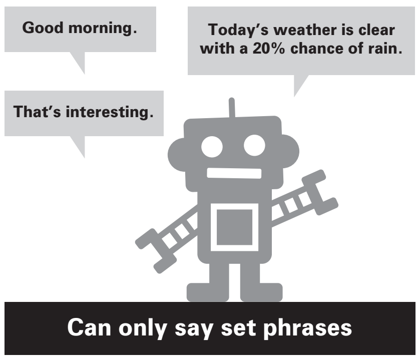
AI is used to express emotions through more than 100 expressions and movements. This AI recognizes what emotion to respond with from the content and flow of the conversation to communicate with the user in an empathetic manner.

BreezeCast screenshots from an actual race

The original video is on the left, and the edited video is on the right. The “AI mood” section shows the status of the race, and AI is used to automatically edit and stream the race according to the progression of the race.

Conventional robots: Rule-based

People write how the robot should respond when prompted a certain way.



Romi: AI generation + rule-based

The AI has been trained on a massive amount of conversation data and generates its own phrasing.

Diversity and inclusion

At MIXI, we provide an environment that enables all employees to maintain mental and physical health and perform their best. We therefore pursue health management measures that will make employees and their families happy.

▶ https://mixi.co.jp/sustainability/materiality/diversity/ (in Japanese only)

Certified as a 2023 Health & Productivity Management Outstanding Organization (Large Enterprise Category)

In March 2023, the Ministry of Economy, Trade and Industry certified MIXI as a 2023 Health & Productivity Management Outstanding Organization (Large Enterprise Category), under its Certified Health & Productivity Management Outstanding Organizations Recognition Program.

To provide even more exciting services and enhance corporate value, we recognize that it is important to establish an environment in which employees can maintain good mental and physical health and perform their best. With this in mind, we have strengthened our occupational health system and implemented measures on matters related to health. We will continue to promote health management to create an attractive workplace where employees can continue to work in good physical and mental health.

2023
健康経営優良法人
Health and productivity

Operation of wholesome IT services

We operate services for all of our customers responsibly, ensuring that we protect underage users as well as prevent cybercrime, money laundering, and other criminal activity.

▶ https://mixi.co.jp/en/sustainability/materiality/itservice/

Monitoring misconduct

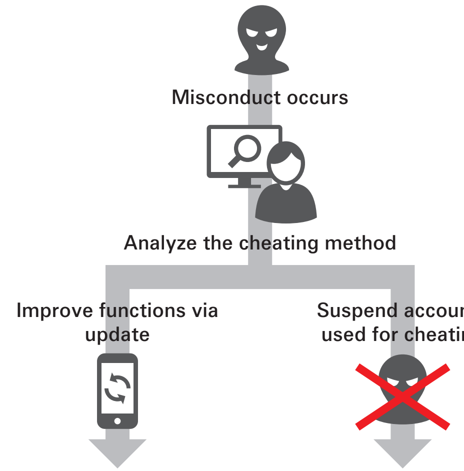
We have appointed several specialist engineers to monitor our systems and check thoroughly for any misconduct. For *MONSTER STRIKE* and other smartphone apps provided by MIXI, we are taking strict action such as suspending the accounts of those that try to gain an unfair advantage and obtain items/characters through illegitimate means such as falsifying data with malicious third-party tools.

We have also taken steps to ensure a fair experience for all our users, such as improving game functionality through updates.

Patrol system

We monitor our services to ensure that they can be used safely, checking that user behavior and communication do not violate our terms of service. We have keyword detection for posted content and risk checks for the prevention of troublesome behavior, including unwanted, continuous contact from other users.

Anti-cheating system flowchart*



Note: Suspicious users are checked via methods such as surveillance and reports.

* "Cheating" refers to the act of manipulating a game or program in order to perform actions impossible through legitimate usage, such as using unauthorized methods to increase in-game currencies or the number of rare items they possess, or rapidly raise the levels of their characters. (Definition from the official website of the Tokyo Metropolitan Police Department)

Preventing users under the age of 20 from racking up charges in games

The increasing occurrence of incidents where children are using their parents' credit cards or other payment methods without permission to purchase in-game items is becoming a social issue. Within these incidents have also been cases where large charges are being incurred while parents are unaware. To prevent users under the age of 20 from spending excessive amounts of money in games, we have established a maximum monthly spending limit of ¥5,000 for users up to 15 years of age, and a limit of ¥20,000 for those who are between 16 and 19 years of age.

We are also cooperating with industry associations to conduct seminars to nurture information ethics instructors who work to raise awareness of how to play games safely. During the seminars, we explain to parents the importance of using parental control functions such as those that are provided by the operating system.

Preventing video game addiction

In May 2019, the World Health Organization (WHO) officially approved "Gaming Disorder" for inclusion as an entry in the International Classification of Diseases, effective January 2022. The disorder is characterized by excessive game playing that has a negative impact on a person's life. To help address this issue, MIXI Group is working together with the Japan Online Game Association (JOGA) to create a website that explains how to play games in appropriate moderation, as well as guidelines that outline how to engage in planning, development, and operation for safe and secure games.

Preventing gambling addiction

Gambling addiction not only wreaks havoc on the daily and social lives of adults and their families; it also can develop into serious social issues such as heavy debts and crime. In accordance with Japan's Basic Act on Countermeasures Against Gambling Addiction, MIXI Group has provided warnings, an inquiry service, and a self-check tool on the websites of Chariloto and *TIPSTAR*. As part of our own initiatives, we are also conducting seminars with the help of external experts to deepen understanding of gambling addiction for our employees who are involved in app planning, development, and operation. We will continue to cooperate closely with external expert organizations to implement countermeasures when appropriate and create a framework where users can enjoy purchasing betting tickets in a healthy manner.

Mutual prosperity with local communities through regional revitalization

Regional communities are faced with social issues, including a shortage of financial resources among local governments, and a declining population caused by factors such as an aging population, movement away from local areas, and fewer job opportunities. To confront this reality, MIXI Group is engaging in regional revitalization efforts through the ownership and management of keirin stadiums (velodromes).

▶ https://mixi.co.jp/sustainability/materiality/localcommunities/

Steady progress on redeveloping Hiroshima Velodrome

Chariloto Co., Ltd. is making steady progress on its project to redevelop Hiroshima Velodrome as the Urban Cycle Parks HIROSHIMA complex. The existing 400-meter track, stands, and athletes' residence were already removed during the demolition work that began in April 2023, and new construction is scheduled to begin.

DIRECTORS (As of June 21, 2023)

Koki Kimura
President / Representative Director / CEO

Feb.	2003	Joined Mobileproduction Co., Ltd.
Mar.	2005	Joined Index Corporation
June	2008	Joined the Company
Aug.	2012	"Product owner" of Product Development Division of the Company
Nov.	2013	Producer of Monster Strike Studio of the Company
Apr.	2014	General Manager of Monster Strike Studio of the Company
Nov.	2014	Corporate Officer of the Company
Jan.	2015	Chief General Manager of Monster Strike Studio of the Company
June	2015	Director of the Company
Aug.	2015	Chief General Manager of XFLAG Studio of the Company
Apr.	2017	Chief General Manager of XFLAG Business Operations of the Company
Apr.	2018	Corporate Officer of the Company
June	2018	President and Representative Director of the Company (current)
Apr.	2022	Senior Corporate Officer of the Company

Attended 18 of 18 Board of Directors' meetings (100%)

Hiroyuki Osawa
Director

Oct.	2006	Joined KBMJ, Inc. (currently Appirits Inc.)
June	2007	Joined the Company
Nov.	2011	General Manager of Accounting and Finance Division of Corporate Promotion Operations of the Company
Apr.	2014	General Manager of Management Promotion Division of Corporate Promotion Operations of the Company
June	2017	Chief General Manager of Corporate Promotion Operations of the Company
Apr.	2018	Corporate Officer of the Company
June	2018	Director of the Company (current)
Apr.	2019	Chief General Manager of Corporate Support Operations of the Company
July	2020	Chief General Manager of Investment and Business Promotion Operations of the Company
May	2021	Outside Director of HUB CO., LTD.
Sept.	2021	Outside Director of bitbank, Inc.
Apr.	2022	Senior Corporate Officer of the Company (current)

Attended 18 of 18 Board of Directors' meetings (100%)

Tatsuma Murase
Director

Jan.	2005	Joined E-Mercury, Inc. (currently MIXI, Inc.)
Dec.	2009	Director of KH2O, Inc.
Jan.	2012	Joined Q-Games Ltd.
Feb.	2013	Joined the Company
May	2014	Senior Director of Group 2 of the System Coordination Division of Cross Function Operations of the Company
July	2016	General Manager of the Game Development Division of XFLAG Studio Operations of the Company
Jan.	2018	Chief General Manager of XFLAG Development Operations (currently Development Operations) of the Company
Apr.	2018	Corporate Officer of the Company
June	2019	Director of the Company (current)
Jan.	2021	Chief General Manager of Design Operations of the Company
Apr.	2022	Senior Corporate Officer of the Company (current)

Attended 18 of 18 Board of Directors' meetings (100%)

Kenji Kasahara
Director / Founder

June	1999	Established E-Mercury, Y.K. (currently MIXI, Inc.) Director of E-Mercury, Y.K.
Oct.	2000	Changed organizational structure of E-Mercury, Inc. (currently MIXI, Inc.) from *yugen gaisha* (limited company) to *kabushiki gaisha* (joint-stock company) President and Representative Director of E-Mercury, Inc.
Feb.	2006	Company name changed to mixi, Inc. (currently MIXI, Inc.)
May	2008	Chairperson at MIXI Shanghai, Inc.
Oct.	2008	Representative Director of NexPas, Inc. (currently Torchlight, Inc.)
Apr.	2011	Representative Director of mixi recruitment, Inc. (currently MIXI RECRUITMENT, Inc.)
July	2011	Corporate Officer of the Company
June	2013	Chairman of the Board of Directors of the Company
Apr.	2016	Chief General Manager of Vantage Studio of the Company (current)
Apr.	2018	Corporate Officer of the Company
June	2021	Director and Founder of the Company (current)
Apr.	2022	Senior Corporate Officer of the Company (current)

Attended 18 of 18 Board of Directors' meetings (100%)

DIRECTORS (CONTINUED) / AUDIT & SUPERVISORY BOARD MEMBERS (As of June 21, 2023)

Satoshi Shima
Outside Director

Apr.	1986	Graduated from The Matsushita Institute of Government and Management (MIGM)
Apr.	1994	Representative of Tokyo Institute of Government and Management, MIGM
Oct.	1996	Elected as a member of Japan's House of Representatives; re-elected in three successive elections
Nov.	2005	General Manager of CEO Office, SoftBank Corp. (currently SoftBank Group Corp.)
Apr.	2014	Advisor of SoftBank Corp.
Apr.	2014	Special Advisor of SoftBank Mobile Corp. (currently SoftBank Corp.)
Apr.	2015	Visiting Professor of Tama University
Apr.	2017	Outside Director of Minrevi Co., Ltd. (currently Yoriso Co., Ltd.)
June	2017	Director of the Company (current)
June	2017	Outside Director of Vortex. Co., Ltd.
Dec.	2017	External Director of Aucfan Co., Ltd. (current)
Oct.	2018	Outside Director of i-mobile Co., Ltd. (current)
Dec.	2018	Outside Director of NEO CAREER Co., Ltd. (current)
Aug.	2019	Outside Director of OUTSOURCING TECHNOLOGY Inc. (current)
Mar.	2020	Outside Director of Hanwha Solutions (current)

Attended 18 of 18 Board of Directors' meetings (100%)

Akihisa Fujita
Outside Director

Apr.	1991	Joined DENTSU INC.
July	1996	Director of cyber communications Inc. (currently CARTA COMMUNICATIONS, Inc.)
June	2000	President and Representative Director of D2 COMMUNICATIONS INC. (currently D2C Inc.)
June	2010	Senior Managing Director of Dentsu Digital Holdings, Inc. (currently Dentsu Innovation Partners Inc.)
June	2014	Vice President and Representative Director of Gurunavi, Inc.
June	2017	Vice President and Director of PADO Corporation (currently Success Holders, inc.)
June	2018	President and Representative Director of SETOUCHI BRAND CORPORATION
Apr.	2021	Director of SETOUCHI BRAND CORPORATION (current)
June	2022	Director of the Company (current)
May	2023	Outside Director of Signpost Corporation (current)

Attended 14 of 14 Board of Directors' meetings (100%)

Yuki Nagata
Outside Director

May	1992	M.B.A. in Marketing, Notre Dame de Namur University (USA)
Jan.	2000	Representative Director of Flowerfarm K.K.
Jan.	2002	President and Representative Director of Arthur & Lily Consulting Company Inc. (current)
Apr.	2003	Adjunct Lecturer, Musashino University
Apr.	2005	Professor, Digital Hollywood University (current)
May	2015	Outside Director, Member of the Audit Committee of SEMBA CORPORATION (current)
June	2022	Director of the Company (current)

Attended 13 of 14 Board of Directors' meetings (93%)

Yuichiro Nishimura
Outside Audit & Supervisory Board Member (Full-time)

Apr.	1982	Joined Nissan Motor Co., Ltd.
June	1985	Seconded to Nissan Cherry Shizuoka Sales Co., Ltd. (currently Nissan Prince Shizuoka Sales Co., Ltd.)
June	1987	Returned to Nissan Motor Co., Ltd.
Apr.	1998	Seconded to Nissan Koei Co., Ltd. (currently Nissan Creative Services Co., Ltd.) Deputy General Manager of the General Affairs Department of Nissan Koei Co., Ltd.
Jan.	2000	Returned to Nissan Motor Co., Ltd.
Apr.	2005	Seconded to Yorozu Corporation Group Chief of the Administration Department
Oct.	2005	Permanent transfer to Yorozu Corporation
June	2008	Chief of the CSR Promotion Office of Yorozu Corporation
Apr.	2014	General Manager of the General Affairs Department of Yorozu Corporation
June	2019	Audit & Supervisory Board member of the Company (current)

Attended 18 of 18 Board of Directors' meetings (100%)

Attended 17 of 17 Audit & Supervisory Board meetings (100%)

Hiroyuki Wakamatsu
Outside Audit & Supervisory Board Member

Apr.	1995	Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)
Apr.	1998	Registered as a certified public accountant
Oct.	2008	Representative of Wakamatsu CPA Office (current)
Apr.	2010	Instructor of the Faculty of Business Administration, BBT University
June	2010	Outside Auditor of Withus Corp. (current)
Aug.	2010	Registered as a licensed tax accountant
June	2011	Outside Auditor of Eastern Co., Ltd.
June	2012	Audit & Supervisory Board member of the Company (current)
Sept.	2014	Instructor of the Graduate School of Finance, Accounting and Law, Waseda University
Mar.	2015	Outside Auditor of Castalia Co. Ltd. (current)
June	2015	Outside Audit & Supervisory Board Member of Pioneer Corporation
June	2015	Non-Member Auditor of Pal-System Tokyo Cooperative Society
Aug.	2017	Outside Auditor of RENOVA, Inc. (current)
July	2018	Representative Director of Generys Co., Ltd. (current)
Sept.	2020	Corporate Auditor of Nohara Holdings (current)

Attended 18 of 18 Board of Directors' meetings (100%)

Attended 17 of 17 Audit & Supervisory Board meetings (100%)

Nozomi Ueda
Outside Audit & Supervisory Board Member

Apr.	1999	Registered as a lawyer
Apr.	1999	Joined Tokyo Themis (currently Kioizaka Themis)
Mar.	2013	Partner at Kioizaka Themis (current)
June	2019	Audit & Supervisory Board member of the Company (current)
June	2021	Outside Director (Audit & Supervisory Committee Member) of Anritsu Corporation (current)

Attended 16 of 18 Board of Directors' meetings (89%)

Attended 17 of 17 Audit & Supervisory Board meetings (100%)

Composition of Officers

The table below presents the areas where the Company expects each director and Audit & Supervisory Board member to particularly demonstrate their expertise and experience during the fiscal year under review. This table is revised based on the policies for each fiscal year.

Position	Name	Male / Female	Expected skills / Description						
			Management strategy	Business strategy / Marketing strategy	Organizational development / Personnel development	M&A / Post-merger integration	Technology / R&D	Risk management	Corporate governance
			Setting medium- to long-term management goals / Management resource allocation / Linking corporate philosophy and management strategy	Business and marketing strategy based on the management strategy	Organizational and human resource development and creation of a framework to embody the corporate philosophy	Valuation of investment targets / Creation of synergies and maximization of integration effects	Judgment on technical feasibility of business strategies / Innovation and creation of framework	Identifying, avoiding, and mitigating risks	Reliable and transparent management
Directors	Koki Kimura	Male	●	●					●
	Hiroyuki Osawa	Male	●		●	●		● Finance, accounting	●
	Tatsuma Murase	Male	●		●		●	● Technology	
	Kenji Kasahara	Male	●	●			●		
	Satoshi Shima Outside Independent	Male	●			●			●
	Akihisa Fujita Outside Independent	Male	●	●		●			●
	Yuki Nagata Outside Independent	Female		●				● PR	●
Audit & Supervisory Board members	Yuichiro Nishimura Outside Independent	Male						● HR	●
	Hiroyuki Wakamatsu Outside Independent	Male						● Finance, accounting	●
	Nozomi Ueda Outside Independent	Female						● Legal affairs, compliance	●

The table below shows the material issues closely related to each skill.

Skill	Material issues							
	Opportunity			Risk		Corporate		
	Creation of spaces and opportunities for communication	Promotion of innovation	Mutual prosperity with local communities	Operation of wholesome IT services	Safe and secure operation of sporting and other events	Information security and privacy	Diversity and inclusion	Strengthening of corporate governance
Management strategy	●	●	●	●	●	●	●	●
Business strategy / Marketing strategy	●	●	●				●	
Organizational development / Personnel development	●	●					●	
M&A / Post-merger integration	●	●	●	●	●			●
Technology / R&D		●		●		●		
Risk management				●	●	●		●
Corporate governance							●	●

Changing how we think about corporate value and navigating beyond a quarter-century of history

Satoshi Shima
Outside Director

How do I perceive corporate value?

The senior corporate officers and corporate officers of MIXI are still young and actively engaged in our businesses. This makes it all the more important for me to monitor and provide advice to management based on my own experience. Awareness of corporate value is now an important theme in monitoring. In general, corporate value is easily confused with market capitalization, and the consensus up to now has been that the market will properly determine a company's share price and market cap if that company operates its business conscientiously. However, market cap is not the only factor we have to watch. Moving forward, corporate value must be understood from a financial viewpoint that includes interest-bearing debt and what cash flow each business can bring in the future. In other words, rather than expecting share prices to catch up later, we must get our shareholders and investors to understand our businesses through means such as this integrated report. It's important to start considering how the market and share prices will react to this communication, so this matter is discussed at our company and during Board of Directors' meetings.

A note on separating managerial and executive functions

We introduced a senior corporate officer system in April 2022 and separated managerial and executive functions, but there is a greater point here. Despite often taking a hands-on approach due to being in charge of individual businesses, senior corporate officers and corporate officers must keep the entire company in mind. It's also important for directors to engage in four-dimensional thinking that includes time, in addition to being responsible for company-wide strategy. For example, always keeping in mind how AI could be used five years later.

Growing businesses that stand the test of time

In 2024, MIXI will celebrate its 25th anniversary since its founding as E-Mercury, Y.K. When we think about the world 50 to 100 years from now, it's clear we must recruit highly perceptive, creative talent from around the world and expand more globally, through means including overseas investment. In June 2022, the Ordinary General Meeting of Shareholders passed a resolution to pursue investment as one of our businesses. MIXI will target further global growth from the perspective of a strategic business investment company by generating synergies through alliances with investees in Japan and overseas, among other efforts.

Enhancing understanding of MIXI Group through initiatives that address material issues

Akihisa Fujita
Outside Director

Communicating the appeal of local communities

MIXI is currently expanding its business domains through many M&A deals and capital alliances. In 2021, eight material issues were designated as social issues to be addressed as issues common to the entire Group. MIXI and its Group companies are incorporating specific items into business activities and formulating action plans.

Let’s take a look at this from the viewpoint of our tourism business, which I have been involved in. The group company Chariloto Co., Ltd. is managing a number of keirin stadiums (velodromes) as one approach to achieve mutual prosperity with local communities, one of the material issues.

I recently stayed in the newly built athletes’ residence and hotel on the grounds of Tamano Velodrome. It was carefully designed to entertain visitors by displaying photos showing the history of the velodrome, interspersed with stories of local residents and other information, along with profiles of keirin cyclists. I felt that the guests who stayed in the hotel would actively spread the appeal of the local community widely, thereby achieving mutual prosperity with local communities.

MIXI Group companies should be able to gain the understanding of many more people through activities of MIXI Group that create value beyond digital entertainment by making steady, earnest efforts to address the eight material issues. As a member of the Board of Directors, I will press forward to achieve that vision.

Using different generations’ impressions of MIXI in our branding

Yuki Nagata
Outside Director

The importance of continuing to refine our brand

We revamped our corporate branding in April 2022 to be satisfying and very easy to understand. It is a good first stage, and entering the second stage, MIXI must continually refine its branding to prevent it from becoming stale. When thinking about how to continue refining our branding, the brand cannot be said to be well established unless all employees in MIXI Group are able to respond in the same tone when asked, “What kind of company is MIXI?” Establishing targets is important in branding. We have set our sights on having each target view our brand how we'd like them to and are making plans to achieve that goal.

Each generation has a different impression of MIXI. I see MIXI as the social network mixi; to a slightly younger generation, it is games; and an even younger generation sees MIXI as a sports team sponsor. This also means that one of MIXI’s strengths is its broad customer base. In the second stage, MIXI will probably need to think about how it wants each customer segment to see it and what services it wants each customer segment to use. I want to put my heart into tying the branding to the path the Company should pursue and having many people get to know MIXI Group.

Corporate Governance Structure (As of June 21, 2023)

Continuing to strengthen and enhance our governance structure

FY2021

- Formulated a policy for deciding the compensation for directors

FY2023

- Introduced a senior corporate officer system in April 2022
- Will increase the ratio of independent directors in the Board of Directors from 33% to 43%

FY2024 (current year)

- Expand C-level positions in core areas (establish the new positions of Chief Information Security Officer [CISO] and Chief Data Officer [CDO])
- Eliminate the practice of a representative director serving concurrently as a senior corporate officer, and otherwise separate management from execution

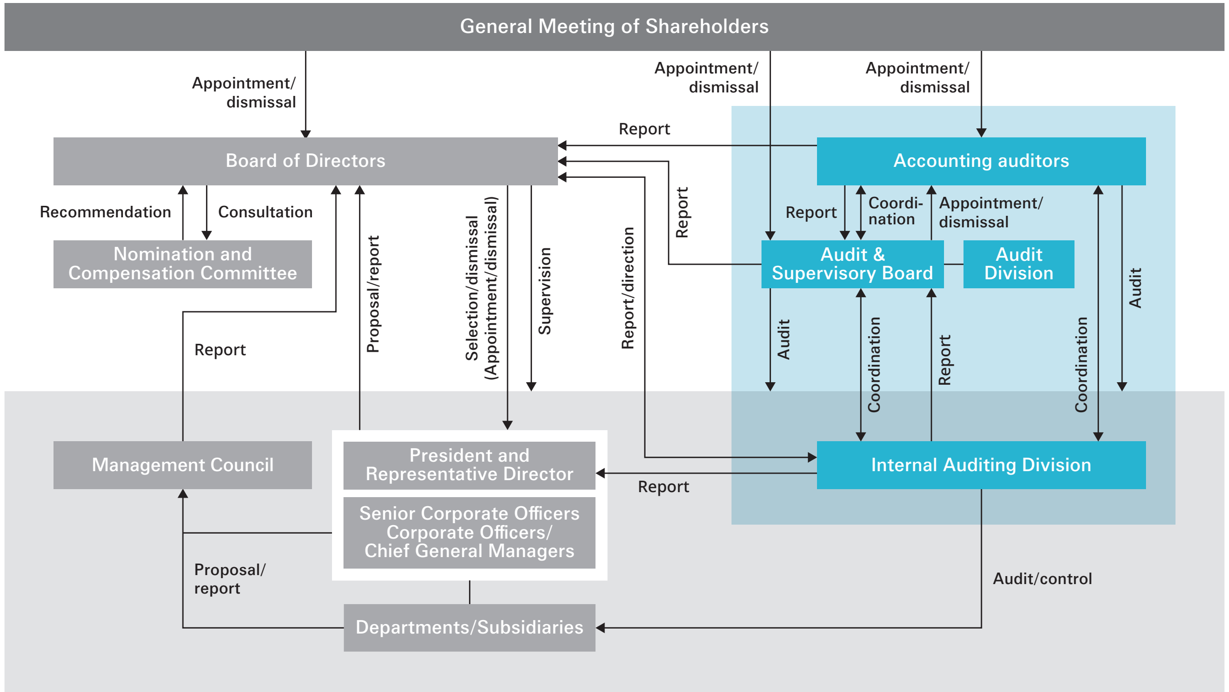
Basic approach to corporate governance

We recognize corporate governance as a means for maximizing corporate value. As such, we reorganize our organizational structure when 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 & Supervisory Board members and the Audit & 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.

In addition, to continually increase management transparency and fairness, we appropriately present statutory disclosure documents and actively conduct investor relations (IR) activities using our website and other means.

Our corporate governance report is posted on our website (https://mixi.co.jp/en/sustainability/materiality/governance/overview/).

Corporate governance structure



Board of Directors

The Board of Directors has seven members, consisting of four internal directors (currently without female directors) and three outside directors (including one female director). In principle, Board of Directors' meetings are held 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 conducts key discussions and decision-making related to business operations. In principle, Management Council meetings are held once a week but may be held whenever necessary.

Audit & Supervisory Board

We are a company with an Audit & Supervisory Board as stipulated in Japan's Companies Act. The Audit & Supervisory Board consists of three outside Audit & Supervisory Board members (including one female member). Each Audit & Supervisory Board member conducts audits according to the annual plan and reports on the results and contents of these audits at Audit & Supervisory Board meetings held once a month, in principle. Audit & Supervisory Board members express their opinions to directors as needed, and strive to ensure sound, efficient management of the Company by coordinating with Internal Auditing (the auditors and/or the division) and with the accounting auditors.

Nomination and Compensation Committee

We have established the Nomination and Compensation Committee consisting of every outside director, the President and Representative Director, and one internal director. The committee aims to strengthen transparency and objectivity by obtaining opinions and advice of outside directors before the Board of Directors deliberates matters related to individual nomination proposals and compensation of directors (excluding outside directors).

Nomination and Compensation Committee composition (Two internal directors, three outside directors)

Composition		Attendance record
Committee Chair	Koki Kimura	3/3 (100%)
Member	Hiroyuki Osawa	3/3 (100%)
Member	Satoshi Shima (Outside Director)	3/3 (100%)
Member	Akihisa Fujita (Outside Director)	3/3 (100%)
Member	Yuki Nagata (Outside Director)	3/3 (100%)

Nomination and Compensation Committee responsibilities:

(1) Nominations for and appointments of director candidates along with human resource policy proposals
(2) Policy proposals for director compensation systems
(3) Compensation condition proposals for directors (including calculation method)
(4) Compensation condition proposals for individual directors (including calculation method)
(5) Other matters requested by the President and Representative Director.

In the previous fiscal year, the Nomination and Compensation Committee met three times. Deliberations included director evaluations, personnel matters concerning individual directors, proposed compensation amounts for individual directors, and compensation structure for directors. The committee also discussed personnel matters concerning individual senior corporate officers, succession plan initiatives, and the establishment of additional C-level positions.

Appointment policy and nomination procedure for directors

The following is our policy regarding the appointment of director candidates (except outside directors).

■ Proposals for the position of director are given considering both the diversity and appropriate size of the Board of Directors. Directors must possess the balance of knowledge, experience, and abilities necessary to efficiently fulfill their roles and responsibilities.

■ Proposals for the position of corporate officer are given for directors who can make forward-looking, accurate, appropriate, and swift business decisions and executions to help the Company achieve continual growth and higher corporate value over the medium to long term.

Candidate directors (except outside directors) are selected in accordance with this policy, and final decisions are made by a resolution of the Board of Directors after deliberation by the Nomination and Compensation Committee.

Policy for determining director compensation

(1) Basic policy

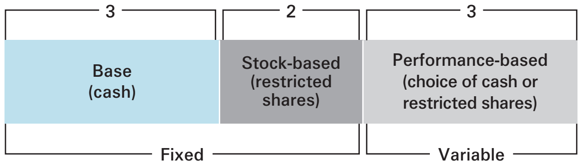
Our basic policy for director compensation is to provide a sound incentive for continuous growth by establishing an appropriate ratio between cash compensation and stock compensation.

(2) Compensation system

Based on this policy, compensation for directors (excluding outside directors) consists of two components: monthly cash compensation and stock compensation (shares with restrictions on transfer ["restricted shares"]) issued annually after the Ordinary General Meeting of Shareholders. More specifically, compensation can be categorized as base compensation, stock-based compensation, and performance-based compensation. Base compensation consists of cash compensation; stock-based compensation consists of stock compensation (restricted shares); and performance-based compensation gives the recipient the choice of either monthly cash compensation or stock compensation (restricted shares) issued annually after the Ordinary General Meeting of Shareholders. Compensation proposals for the ratio of base compensation, stock-based compensation, and performance-based compensation are determined by the Company's past results and shared compensation data of Japan-based listed companies compiled by external professional organizations, deliberated by the Nomination and Compensation Committee, and then decided on by the Board of Directors.

To maintain their independent status, compensation for outside directors consists of monthly cash compensation only. Furthermore, a retirement benefit system for directors has not been established.

Composition of compensation for directors (where evaluation regarding performance-based compensation is standard)



(3) Compensation details and method of determination

Methodology for determining director compensation is as follows:

• Compensation for directors (excluding outside directors)

The level of base compensation and stock-based compensation is determined by factors including representation rights and the director's position.
The purpose of stock-based compensation is to provide an incentive to take action to enhance corporate value over the medium to long term and to share value with shareholders of the Company. Restricted shares, or common shares with restrictions on transfer from the date on which restricted shares are issued until resignation or retirement from the position of director, senior corporate officer, corporate officer, or employee of the Company, or a subsidiary or affiliate of the Company, are issued and compensation is paid in the form of a monetary claim to be exchanged for the restricted shares. Performance-based compensation is determined by first determining the percentage of the evaluation that will be based on the director's position and the scope of the business they are responsible for. An overall evaluation is then conducted which considers the performance of the entire company and the actual fulfillment of the role expected of the individual. The base amount for performance-based compensation (based on the director's base compensation) is multiplied by a performance coefficient corresponding to the overall evaluation to determine the final amount of performance-based compensation. Performance evaluations are based on net sales, operating income, and profit attributable to owners of parent for the entire company and the evaluation is performed by comparing actual results against forecasts and year-on-year change. When stock compensation (restricted shares) issued annually after the Ordinary General Meeting of Shareholders is chosen for the performance-based compensation, that compensation will be the same as the compensation stated above and monetary claims equivalent to the amount of the performance-based compensation determined as stated above will be paid.

Calculating performance-based compensation

	Performance evaluation for the entire company	Evaluation of individual role
Evaluation indicator	Consolidated net sales Consolidated operating income Consolidated profit	—
Evaluation ratio for the President and Representative Director	50%	50%
Evaluation ratio for other internal directors	40%	60%

Notes:
1. We recognize performance evaluations as important indicators for the improvement of performance and corporate value and therefore use consolidated net sales, consolidated operating income, and consolidated profit attributable to owners of parent as indicators.
2. With respect to each indicator for performance-based compensation, consolidated net sales, consolidated operating income, and consolidated profit attributable to owners of parent were evaluated as the performance indicators for the entire company. Operating income was scored as outperforming the standard in terms of both the forecast achievement rate and year-on-year change. Consolidated profit attributable to owners of parent was scored as underperforming the standard in terms of the year-on-year change. These factors resulted in an evaluation of the entire company as having outperformed the standard (consolidated net sales of ¥146,867 million, consolidated operating income of ¥24,820 million, and consolidated profit attributable to owners of parent of ¥5,161 million for the fiscal year under review).

• Outside director compensation

The amount of compensation is decided in accordance with factors that include the job responsibilities of the individual in question, taking into consideration information such as compensation market survey data for Japan-based listed companies provided by external professional organizations.

(4) Decision process

The compensation system and method for deciding compensation for directors (excluding outside directors) is determined by the Board of Directors after deliberation by the Nomination and Compensation Committee, whose members consist of all outside directors, the President and Representative Director, and one internal director. All actions are carried out from the perspective of ensuring objectivity and transparency in the decision-making process.

Compensation for individual directors is determined by the Board of Directors. Decisions in regard to directors (excluding outside directors) are deliberated by the Nomination and Compensation Committee before being decided by the Board of Directors.

At the Ordinary General Meeting of Shareholders held on June 28, 2016, it was decided that compensation for directors, including monthly remuneration and stock options, shall not exceed ¥1,000 million per year (and no more than ¥100 million for outside directors).

Compensation amount for directors and Audit & Supervisory Board members

(Millions of yen)

Category	Number of officers eligible for compensation	Compensation amount by type			Total
		Base	Stock-based	Performance-based	
Directors (outside directors)	11 (5)	116 (27)	59	63	289 (32)
Audit & Supervisory Board members (outside members)	4 (4)	32 (32)	—	—	32 (32)

Notes:
1. The total compensation amount for directors does not include employee salaries payable to directors concurrently serving as employees.
2. It was resolved at the 17th Ordinary General Meeting of Shareholders, held on June 28, 2016, that the maximum total compensation amount for directors (monthly paid compensation and stock options combined) would be ¥1,000 million per annum (including a maximum amount of ¥100 million per annum for outside directors). The number of directors present at the meeting for the resolution was six, including two outside directors. This compensation does not include employee salaries payable to directors concurrently serving as employees.
3. It was resolved at the Extraordinary General Meeting of Shareholders held on August 26, 2004 that the maximum total compensation amount for Audit & Supervisory Board members would be ¥50 million per annum. The number of Audit & Supervisory Board members present at the meeting for the resolution was one.
4. Each compensation amount above includes the expenses reported for the fiscal year in relation to stock acquisition rights granted as stock options (¥100 million for directors).

Evaluating the effectiveness of the Board of Directors

The Company conducts yearly assessment and analysis of the effectiveness of its Board of Directors with the aim of enhancing its capabilities and maximizing corporate value.

Method for evaluating the effectiveness of the Board of Directors for FY2023

A survey of all directors and Audit & Supervisory Board members was conducted from January through February 2023. We ensured anonymity by having an external organization record the results. The results of the survey were analyzed, discussed, and evaluated at the regularly scheduled Board of Directors' meeting in April 2023.

Survey focus points:

- Composition of the Board of Directors
- Management of the Board of Directors
- Board of Directors' discussions
- Director and Audit & Supervisory Board member support systems
- Discussions with shareholders (investors)

Analysis/Evaluation of the Board effectiveness survey

The evaluations from survey responses were generally positive in nature, and the Board of Directors as a whole was evaluated as operating effectively. High evaluations were awarded on the following points:

- Agenda items that should be discussed by the Board of Directors were presented to the Board of Directors appropriately without being overly delegated to the President and Representative Director, the Management Council (executive body consisting mainly of internal directors), and other bodies.

- Outside directors and outside Audit & Supervisory Board members felt their opinions were appropriately reflected in decisions and judgments.

- Reports by internal directors to the Board of Directors are backed up by sufficient financial data.

These were not the only positive points. A comparison with the Board of Directors' evaluation for the previous year revealed that overall scores had improved and confirmed that the effectiveness of the Board of Directors is increasing through actions taken to achieve improvement.

Current fiscal year initiatives for improving the effectiveness of the Board of Directors

Based on evaluations of the Board of Directors from the previous fiscal year, the Board of Directors and Secretariat of the Board of Directors have worked on the following points.

- **Management improvements for the Board of Directors**

Revision of the threshold approval amount for expenses, investments, and other projects, and progress on delegation of business execution to the Management Council improved management by securing sufficient time for deliberation of each proposal. Efforts made to provide materials for Board of Directors' meetings even earlier improved management by securing more time for each director to consider proposals.

- **Discussions on medium- to long-term strategies, profitability, and capital efficiency**

Timely reports were provided on the status of business growth and the impact on management of each business, including the future impact, and the Board of Directors engaged in discussions on the company-wide process of selection and concentration of businesses and the medium- to long-term management strategy.

- **Reports regarding discussions with shareholders and investors**

Quarterly reports were presented on the status of discussions with shareholders (investors) and the opinions of and suggestions by shareholders (investors) were shared with the Board of Directors.

Future initiatives

Aspects the Board of Directors recognizes a need to focus on in the future include allocating an appropriate amount of time for each meeting, improvement of meeting materials / improvement in the method of sharing information, and engaging in more robust discussions concerning strategy.

With the results of the evaluation, we will continue to improve the Board of Directors' overall effectiveness.

We will establish **trust in our services** in order to further enrich communication.

Naoki Kameyama

Corporate Officer and CISO*

*CISO: Chief Information Security Officer

Role of the Security Division and alliances with other divisions

The Security Division is the organization responsible for information security measures. The main roles of the division are to monitor and diagnose vulnerability in the security of MIXI's services and internal PCs and systems, introduce security tools to prevent damage from phishing attacks on employees, and countermeasures in areas subject to attack. The division also operates "mixirt," which is MIXI's version of CSIRT[1] to quickly detect and respond to security issues.

The operation of our businesses involves the handling of customer information. I think that carefully protecting information, making sure that people trust our services, and continually maintaining these activities are also an important role of the Security Division. Working closely with the business segments and the IT department is also essential to our work, and we take care to cooperate with the employees in such areas in implementing countermeasures.

My significance as CISO, and developing human resources

The role of the Chief Information Security Officer (CISO) is to make it clear that MIXI Group will maintain a firm focus on security both internally and externally. While we have prioritized problem solving up to this point, I think preparation will become even more important in the future. Such preparation will include analyzing the risks and cost-benefit of security at the stage where M&A is being considered and before business releases, and incorporating these in measures to be implemented.

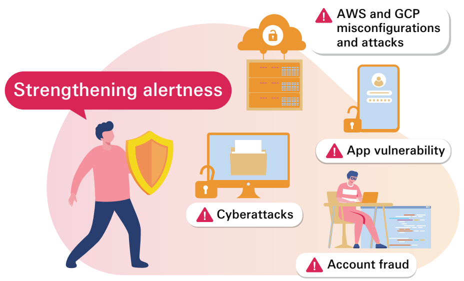
The Security Division is also responsible for developing the human resources who will implement such measures. Because MIXI Group provides a wide range of services, we need to engage in broad-based operations, rather than repeating the same processes over and over. We therefore have new members begin from the area they have worked in the past, then encourage them to learn other tasks once they have become acclimated, and urge them to gradually expand their range of competency.

There is also a contest called SECCON[2] in the information security field. Several members of the Security Division participate as staff, as part of their work duties. Given the benefits to society and our human resources, we will consider further participation in these types of activities.

1. CSIRT: Computer Security Incident Response Team
   The collective name for organizations that respond to computer security-related incidents. These teams engage in activities such as gathering and analyzing information on incidents, and formulating the response policy and procedures.
2. SECCON: Security Contest
   A contest in Japan that holds a variety of competitive events on the theme of information security.

• Strengthening monitoring systems

Strengthening alertness to security issues involving MIXI's service systems. Reinforcing accountability to audits and business partners.

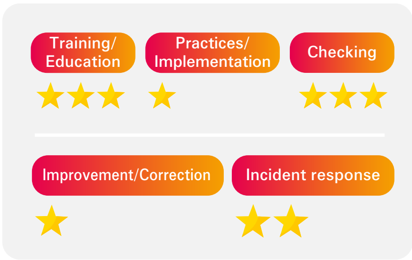


• Support for Group companies and investees

Active support for Group companies and investees with a strong association to MIXI's businesses and brand

More stars: High dependence on the Security Division

Fewer stars: High dependence on individuals



Risk Factors

The MIXI Group has reviewed the risks surrounding the Group that could have a great impact on investors' decisions. Concerns regarding future risks are based on the Company's judgment as of the 24th Ordinary General Meeting of Shareholders, held on June 21, 2023, and may differ from actual results due to inherent uncertainty.

1. Business environment-related risk

(1) Mobile market

The MIXI Group provides various services via smart devices, and the expansion of the mobile-related market is a basic condition for business development. However, the introduction of new legal regulations, technical innovation, changes in trends at communications carriers, and other factors may cause rapid and significant changes in the mobile-related market.

(2) Competition

If users of our services spend more time on competing services, the demand for our services may decrease.

(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 and in a timely manner, our competitiveness may decline despite securing outstanding engineers and adopting cutting-edge technology in research and systems.

2. Business-related risk

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

The main users of our services are ordinary mobile users, including young people, and user acquisition, user retention, frequency of use, and the amount of money spent are greatly affected by changes in user tastes. If the MIXI Group is unable to accurately identify user needs and provide content that satisfies them in an appropriate and timely manner, the appeal of our services to users may decline.

Sales of paid content in games provided by the Digital Entertainment segment account for the majority of Group revenue, and there is a significant dependence on sales of a specific title (*MONSTER STRIKE*). Therefore, a decline in the competitiveness of that title could cause a decrease in user numbers, the percentage of spending users, and in purchases of paid content, etc. Moreover, if the popularity of our newly developed titles and the amount of spending do not progress as anticipated, it may have an impact on our Group's businesses, performance, and financial position.

(2) Dependence on external enterprises for user acquisition

Services in the Digital Entertainment segment are provided via platform providers such as Apple Inc. and Google LLC, but in the event that maintaining agreements with these providers becomes difficult or changes arise in regard to their operational policies, fees, etc., it may impact the Group's businesses, performance, and financial position. Furthermore, we contract operations to various external enterprises for the development and provision of services, and if relationships with those external enterprises were to deteriorate, it may pose a problem for the maintenance of and new developments for our services.

(3) Global expansion

If the MIXI Group is unable to address potential risks, including the differences in local laws and regulations, political and social circumstances, culture, religion, user preferences, local commercial practices, and exchange rate fluctuations, expected outcomes may not be achieved. When releasing smart device apps to global markets, the MIXI Group and its services may not be as accepted as they are in Japan and could be exposed to user criticism.

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

Unsubstantiated rumors among users may damage the reputation and trust of the MIXI Group and the services the Group provides. This, together with inappropriate or illegal behavior on the part of some malicious users, may cause a reduction in the safety and reliability of services and a decrease in the number of users. In addition, if an external enterprise to which operations are contracted leaks personal information or commits some other illegal or inappropriate act, the reputation of the MIXI Group or its services may decline.

The MIXI Group's brand value may also decline if the Group is unable to make the investments needed to maintain and enhance its brand value or if a competitor establishes a more competitive brand.

We have established the following system to ensure that managerial decisions take into consideration this kind of reputational and compliance risk.

▶ Establishment of a risk management system and Risk Management Committee

We have appointed a director in charge of risk management and established our Compliance Operations in order to build a Group-wide risk management system that can take a complete overview of the Group's risk situation and establish a swift response to any incidents that occur. We have also set up the Risk Management Committee, overseen by the director in charge of risk management, as a body for defining and evaluating risks and considering countermeasures across every sector of the organization when launching new businesses or conducting M&As. The results of the deliberation by the committee will be provided as feedback to relevant business divisions, the Board of Directors, and others, with the aim of improving risk management and compliance systems.

3. Business promotion system-related risk

(1) Securing and developing human resources

If securing and developing outstanding human resources, such as the leaders that become necessary as business expands, does not proceed as planned, the MIXI Group's competitiveness may decline and business expansion may be restricted.

(2) Internal management systems

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

(3) Information management system

The possibility of leaks, tampering, improper use, etc., of personal and other information held by the MIXI Group cannot be completely ruled out. In consideration of this, the Group is enrolled in insurance that covers leaks of personal information, but this may not be able to completely compensate for all such losses. If a situation like this were to arise, the burden of considerable costs for an appropriate response, claims for compensation for damages, and a decline in confidence in the MIXI Group, etc., may occur.

4. System-related risk

(1) Continuous equipment and systems investment accompanying business expansion

MIXI Group plans continuous capital expenditure in systems infrastructure, etc., to prepare for future increases in users and access volume. However, if there is a sharp increase in the number of users and access volume exceeding forecasts, it is possible that we could be forced to change the timing, content, and scale of capital expenditure, increasing the burden of capital expenditure and depreciation costs.

(2) Systems failure and natural disasters

Computer systems may fail due to various factors that cannot be predicted, including temporary overloads due to sudden increases in traffic, power outages, software bugs, failures of external linked systems, computer viruses and external intrusions into computers by illegal means, natural disasters, and accidents.

5. Legal regulation-related risk

MIXI Group businesses are subject to various laws and regulations, as well as the guidelines of regulatory agencies. It is possible that MIXI Group businesses could be subject to new restrictions or that existing regulations could be strengthened as a result of the establishment or revision of these laws and regulations, the cancellation of approvals or imposition of penalties by regulatory agencies, or the establishment or revision of new guidelines or voluntary regulations.

6. IP rights-related risk

Accompanying the possibility that IP rights which the MIXI Group has not recognized could already be established or that new IP 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 IP rights of third parties or that there could be claims against the MIXI Group for royalties for the IP rights. Furthermore, it is also possible that the usage of IPs in open-source software we use in systems development may be restricted for unforeseeable reasons.

7. Investment and lending-related risk

As we invest in expanding our business portfolio, we expect to realize business synergies between individual investee companies and the MIXI Group or contributions to profits by investee companies. However, an impairment loss may be recorded depending on the performance of investee companies, or anticipated synergies not being realized. Furthermore, in the case of minority investment, it is possible that the management teams of investee companies could make decisions that do not align with the intentions of the MIXI Group, or that we would be forced to sell our equity in their companies. In addition, it is possible that investment capital cannot be recovered if an unlisted company into which an investment partnership (fund) invests suffers a decline in performance.

8. Operational alliance and M&A-related risk

Regarding the implementation of operational and capital alliances and M&As with companies that are highly compatible with the MIXI Group's services, 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. New business-related risk

If additional expenditure arises when creating and developing new services and new businesses, it is possible that profitability may decline. Also, in cases where the MIXI Group has limited experience concerning a new service or business, operations may not be able to proceed smoothly due to this lack of experience. If the development of new services and businesses does not proceed as planned, or if plans are canceled, or if the new businesses are not able to achieve their anticipated profitability, it may affect the MIXI Group's businesses, performance, and financial position.

10. Trends in financial results

Since FY2017, there has been a downward trend in revenue from *MONSTER STRIKE* due to factors such as a decline in active users, and a trend of falling sales and profits continued into the consolidated financial results for FY2020. We plan to continue to implement measures to raise and maintain the profitability of *MONSTER STRIKE* and actively invest in the Sports segment. However, if these efforts are not executed in an appropriate and timely manner, or if they do not yield results, it may have an impact on the Group's businesses, performance, and financial position.

FINANCIAL INFORMATION

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

(Millions of yen)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Assets		
Current assets		
Cash and deposits	118,633	**118,922**
Notes and accounts receivable — trade (Note 6 (*1))	11,580	**13,736**
Operational investment securities	14,400	**19,514**

(Millions of yen)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Liabilities		
Current liabilities		
Short-term borrowings (Note 6 (*2))	645	**912**
Accounts payable — other	11,660	**13,606**
Income taxes payable	2,503	**4,677**

Merchandise	732	**484**
Consumption taxes receivable	456	**10**
Other	10,106	**10,274**
Allowance for doubtful accounts	(39)	**(35)**
Total current assets	155,871	**162,907**
Non-current assets		
Property, plant and equipment		
Buildings	10,698	**10,707**
Accumulated depreciation	(758)	**(1,182)**
Buildings, net (Note 6 (*2))	9,939	**9,525**
Tools, furniture and fixtures	5,836	**6,433**
Accumulated depreciation	(3,508)	**(4,206)**
Tools, furniture and fixtures, net	2,328	**2,226**
Land (Note 6 (*2))	2,699	**2,699**
Construction in progress	44	**643**
Other	38	**37**
Accumulated depreciation	(37)	**(18)**
Other, net	1	**19**
Total property, plant and equipment	15,012	**15,114**
Intangible assets		
Goodwill	10,737	**9,806**
Customer-related assets	6,316	**5,638**
Trademark right	2,737	**2,467**
Other	2,133	**1,498**
Total intangible assets	21,924	**19,410**
Investments and other assets		
Investment securities (Note 6 (*3))	13,458	**10,313**
Long-term loans receivable	—	**3,405**
Deferred tax assets	5,620	**6,963**
Other	6,186	**5,353**
Allowance for doubtful accounts	(17)	**(1,147)**
Total investments and other assets	25,247	**24,889**
Total non-current assets	62,184	**59,413**
Total assets	218,056	**222,321**

Accrued consumption taxes	—	**1,571**
Provision for bonuses	1,469	**2,847**
Other (Note 6 (*4))	4,569	**5,629**
Total current liabilities	20,847	**29,244**
Non-current liabilities		
Long-term borrowings (Note 6 (*2))	7,477	**6,873**
Deferred tax liabilities	3,002	**2,506**
Other	672	**234**
Total non-current liabilities	11,152	**9,613**
Total liabilities	32,000	**38,857**
Net assets		
Shareholders' equity		
Paid-in capital	9,698	**9,698**
Capital surplus	9,656	**9,662**
Retained earnings	181,278	**177,655**
Treasury shares	(18,248)	**(16,900)**
Total shareholders' equity	182,385	**180,116**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	471	**383**
Foreign currency translation adjustment	277	**510**
Total accumulated other comprehensive income	749	**893**
Subscription rights to shares	1,506	**1,127**
Non-controlling interests	1,415	**1,324**
Total net assets	186,056	**183,463**
Total liabilities and net assets	218,056	**222,321**

Consolidated Statements of Income

(Millions of yen)

	FY2022 (Apr. 1, 2021 to Mar. 31, 2022)	**FY2023 (Apr. 1, 2022 to Mar. 31, 2023)**
Net sales (Note 7 (*1))	122,030	**146,867**
Cost of sales	31,710	**41,746**
Gross profit	90,319	**105,121**
SG&A expenses (Note 7 (*2))	72,510	**80,301**
Operating income	17,808	**24,820**
Non-operating income		
Interest income	1	**10**
Gain on investments in partnership	27	**0**
Foreign exchange gains	80	**—**
Gain on adjustment of account payable	5	**—**
Sponsorship money income	43	**33**
Subsidy income	—	**32**
Reversal of provision for bonuses	—	**33**
Other	108	**146**
Total non-operating income	266	**257**
Non-operating expenses		
Interest expenses	61	**59**
Share of loss of entities accounted for using equity method (Note 7 (*3))	341	**6,604**
Foreign exchange losses	—	**69**
Commission fee	28	**7**
Other	16	**85**
Total non-operating expenses	448	**6,826**
Ordinary income	17,626	**18,250**
Extraordinary income		
Gain on sales of non-current assets (Note 7 (*4))	0	**0**
Gain on bargain purchase	145	**—**
Total extraordinary income	145	**0**
Extraordinary losses		
Cancellation penalty (Note 7 (*5))	190	**—**
Loss on step acquisitions	132	**—**

Loss on withdrawal from business (Note 7 (*6))	—	**4,408**
Loss on sales and retirement of non-current assets (Note 7 (*7))	67	**72**
Impairment loss (Note 7 (*8))	753	**508**
Loss on valuation of investment securities	591	**1**
Provision of allowance for doubtful accounts	—	**1,129**
Loss on sale of shares of subsidiaries and associates (Note 7 (*9))	—	**875**
Total extraordinary losses	1,736	**6,996**
Income before income taxes	16,035	**11,254**
Income taxes — current	6,349	**7,147**
Income taxes — deferred	(497)	**(1,798)**
Total income taxes	5,852	**5,348**
Period net income	10,183	**5,905**
Profit (loss) attributable to non-controlling interests	(79)	**744**
Profit attributable to owners of parent	10,262	**5,161**

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2022 (Apr. 1, 2021 to Mar. 31, 2022)	**FY2023 (Apr. 1, 2022 to Mar. 31, 2023)**
Period net income	10,183	**5,905**
Other comprehensive income		
Valuation difference on available-for-sale securities	(541)	**(93)**
Foreign currency translation adjustment	86	**233**
Share of other comprehensive income of entities accounted for using equity method	—	**4**
Total other comprehensive income (Note 8 (*1))	(455)	**144**
Comprehensive income	9,727	**6,050**
Comprehensive income (loss) attributable to:		
Comprehensive income attributable to owners of parent	9,807	**5,305**
Comprehensive income attributable to non-controlling interests	(79)	**744**

Consolidated Statements of Changes in Shareholders' Equity

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,698	9,656	178,502	(10,811)	187,046
Cumulative effects of changes in accounting policies			667		667
Restated balance	9,698	9,656	179,169	(10,811)	187,714
Changes of items during period					
Dividends of surplus			(8,135)		(8,135)
Profit attributable to owners of parent			10,262		10,262
Purchase of treasury shares				(7,499)	(7,499)
Disposal of treasury shares		(23)		62	38
Change in scope of consolidation			4		4
Transfer to capital surplus from retained earnings		23	(23)		—
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	—	2,108	(7,437)	(5,328)
Balance at end of period	9,698	9,656	181,278	(18,248)	182,385

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	1,013	191	1,205	1,281	56	189,590
Cumulative effects of changes in accounting policies						667
Restated balance	1,013	191	1,205	1,281	56	190,257
Changes of items during period						
Dividends of surplus						(8,135)
Profit attributable to owners of parent						10,262
Purchase of treasury shares						(7,499)
Disposal of treasury shares						38
Change in scope of consolidation						4
Transfer to capital surplus from retained earnings						—
Change in ownership interest of parent due to transactions with non-controlling interests						—
Net changes of items other than shareholders' equity	(541)	86	(455)	224	1,358	1,127
Total changes of items during period	(541)	86	(455)	224	1,358	(4,201)
Balance at end of period	471	277	749	1,506	1,415	186,056

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	**9,698**	**9,656**	**181,278**	**(18,248)**	**182,385**
Cumulative effects of changes in accounting policies					
Restated balance	**9,698**	**9,656**	**181,278**	**(18,248)**	**182,385**
Changes of items during period					
Dividends of surplus			**(8,001)**		**(8,001)**
Profit attributable to owners of parent			**5,161**		**5,161**
Purchase of treasury shares				**(0)**	**(0)**
Disposal of treasury shares		**(782)**		**1,348**	**566**
Change in scope of consolidation					**—**
Transfer to capital surplus from retained earnings		**782**	**(782)**		**—**
Change in ownership interest of parent due to transactions with non-controlling interests		**5**			**5**
Net changes of items other than shareholders' equity					**—**
Total changes of items during period	**—**	**5**	**(3,622)**	**1,348**	**(2,268)**
Balance at end of period	**9,698**	**9,662**	**177,655**	**(16,900)**	**180,116**

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	**471**	**277**	**749**	**1,506**	**1,415**	**186,056**
Cumulative effects of changes in accounting policies						**—**
Restated balance	**471**	**277**	**749**	**1,506**	**1,415**	**186,056**
Changes of items during period						
Dividends of surplus						**(8,001)**
Profit attributable to owners of parent						**5,161**
Purchase of treasury shares						**(0)**
Disposal of treasury shares						**566**
Change in scope of consolidation						**—**
Transfer to capital surplus from retained earnings						**—**
Change in ownership interest of parent due to transactions with non-controlling interests						**5**
Net changes of items other than shareholders' equity	**(88)**	**233**	**144**	**(378)**	**(90)**	**(324)**
Total changes of items during period	**(88)**	**233**	**144**	**(378)**	**(90)**	**(2,592)**
Balance at end of period	**383**	**510**	**893**	**1,127**	**1,324**	**183,463**

Consolidated Statements of Cash Flows

(Millions of yen)

	FY2022 (Apr. 1, 2021 to Mar. 31, 2022)	**FY2023 (Apr. 1, 2022 to Mar. 31, 2023)**
Cash flows from operating activities		
Income before income taxes	16,035	**11,254**
Depreciation	1,350	**1,529**
Amortization of intangible assets	1,776	**1,839**
Amortization of goodwill	1,138	**1,293**
Increase (decrease) in allowance for doubtful accounts	(6)	**(4)**
Increase (decrease) in provision for bonuses	(268)	**1,378**
Interest and dividend income	(1)	**(10)**
Interest expenses	61	**59**
Foreign exchange losses (gains)	(86)	**(59)**
Share of loss (profit) of entities accounted for using equity method	341	**6,604**
Provision of allowance for doubtful accounts	—	**1,129**
Impairment loss	753	**508**
Loss on withdrawal from business	—	**4,408**
Loss (gain) on step acquisitions	132	**—**
Loss (gain) on sale of shares of subsidiaries and associates	—	**875**
Loss (gain) on valuation of investment securities	591	**1**
Gain on bargain purchase	(145)	**—**
Loss (gain) on sales and retirement of non-current assets	67	**72**
Decrease (increase) in notes and accounts receivable — trade	272	**(2,490)**
Decrease (increase) in operational investment securities	(1,390)	**(5,095)**
Decrease (increase) in inventories	(461)	**215**
Increase (decrease) in accounts payable — other	993	**1,084**
Increase (decrease) in accrued consumption taxes	(1,659)	**1,768**
Decrease (increase) in other assets	(6,586)	**(6,613)**
Other, net	(320)	**1,076**
Subtotal	12,588	**20,827**
Interest income received	1	**10**
Interest expenses paid	(59)	**(59)**
Income taxes paid	(9,882)	**(5,027)**

Net cash provided by (used in) operating activities	2,647	**15,751**
Cash flows from investing activities		
Payments into time deposits	—	**(19)**
Purchase of property, plant and equipment	(3,306)	**(1,963)**
Purchase of intangible assets	(588)	**(586)**
Proceeds from sales of intangible assets	27	**—**
Purchase of investment securities	(13,790)	**(3,421)**
Loan advances	—	**(1,200)**
Proceeds from collection of loans receivable	0	**640**
Payments of leasehold and guarantee deposits	(45)	**(83)**
Proceeds from refund of leasehold and guarantee deposits	5	**61**
Payment for acquisition of the subsidiary resulting in change in scope of consolidation (Note 10 (*2))	(464)	**(469)**
Proceeds from acquisition of the subsidiary resulting in change in scope of consolidation (Note 10 (*2))	1,362	**3**
Payments for sale of the subsidiary resulting in change in scope of consolidation (Note 10 (*3))	—	**(921)**
Other, net	(636)	**608**
Net cash provided by (used in) investing activities	(17,436)	**(7,350)**
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(499)	**203**
Proceeds from long-term borrowings	35	**—**
Repayments of long-term loans payable	(417)	**(540)**
Purchase of treasury shares	(7,524)	**(0)**
Cash dividends paid	(8,134)	**(8,087)**
Other, net	(85)	**98**
Net cash provided by (used in) financing activities	(16,627)	**(8,326)**
Effect of exchange rate change on cash and cash equivalents	149	**195**
Net increase (decrease) in cash and cash equivalents	(31,266)	**269**
Cash and cash equivalents at beginning of period	149,812	**118,433**
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(112)	**—**
Cash and cash equivalents at end of period (Note 10 (*1))	**118,433**	**118,703**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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: 30

Names of the major consolidated subsidiaries:
Chariloto Co., Ltd.
Net Dreamers Co., Ltd.

AA Fund No.2 Investment LPS is a newly established company, and CONNECTIT Inc. is a newly acquired company. Therefore, both of these companies have been included in the scope of consolidation from the fiscal year ended March 31, 2023.

In addition, MIXI sold all the shares in PIST6, Inc. As such, the company has been removed from the scope of consolidation from the fiscal year ended March 31, 2023.

(2) Number of non-consolidated subsidiaries: 5

E-Mercury, Inc.

(Reason for exclusion from the scope of consolidation)
E-Mercury, Inc. and four other companies have been excluded from the scope of consolidation as they are of small-scale with combined total assets, net sales, profit or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest) that have no significant impact on consolidated financial statements.

2. Matters related to the application of equity method

(1) Number of equity-method associates: 6

Names of the major equity-method associates:
bitbank, inc.
HUB CO., LTD.
Decollte Holdings Corporation

(2) Names of the major non-consolidated subsidiaries and affiliates to which the equity method is not applicable

(Reason for not applying the equity method)
E-Mercury, Inc. and six other companies are excluded from the scope of equity method application 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).

(3) Matters deemed necessary to be specifically stated regarding the procedure for applying the equity method

For equity-method associates with different balance sheet dates, financial statements corresponding to their respective fiscal years are used.

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 seven other companies is December 31, the balance sheet date of TOKYO FOOTBALL CLUB Co., Ltd. is January 31, and the balance sheet date of AA Fund Investment LPS and one other company is February 28 or 29. Their financial statements use their respective balance sheet dates. However, necessary adjustments are made to reflect important transactions that occurred during the period from their respective balance sheet dates to the consolidated balance sheet date. In addition, the balance sheet date of Chiba Jets Funabashi Co., Ltd. is June 30, although it uses the financial statement based on a provisional settlement of accounts.

4. Matters related to accounting policies

(1) Valuation standards and valuation methods of significant assets

1) Securities
Available-for-sale securities (including operational investment securities)
Securities other than shares, etc. without market value
Stated at market value (all valuation gains or losses are treated as a component of net assets, with the cost of securities sold calculated according to the moving-average method).

Shares, etc. without market value
Mainly 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).

(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 principal useful lives are as follows:

Buildings:	2 to 50 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).

In addition, trademark rights are amortized based on economic useful life (5 to 13 years), customer-related assets are amortized based on economic useful life (5 to 18 years), and other intangible assets are amortized based on economic useful life (4 to 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 and assuming no residual value, is applied.

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

(4) Accounting standards for significant revenues and expenses

The Group recognizes revenue based on the following five-step model.

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.

The revenue recognition standard for each of the major revenue categories is as follows. The amount of variable considerations such as discounts, rebates and returns included in revenue is immaterial. In addition, the amount of considerations promised is generally received within one year and does not include significant financing component.

1) Operation of services for smart device games such as *MONSTER STRIKE*
The Group operates services for smart device games such as *MONSTER STRIKE*. The Group determines that the performance obligations under contracts with customers are to maintain an environment in which the users can use the characters, etc. Therefore, the Group recognizes revenue over an estimated period of use of characters, etc. obtained by users by consuming the in-game currency “orbs” etc. However, the characters, etc. that users continue to use are limited to those with high rarity, and other characters, etc. are rarely used for a long period of time after acquisition. Therefore, the Group determines that there will be no significant differences between the amount of revenue recognized over an estimated period of use of characters, etc. obtained and the amount of revenue recognized when “orbs” are consumed.

Under the revenue recognition standard, etc., paid orbs, etc. and free orbs, etc. do not have significant functional differences and are equivalent in value. Therefore, transaction prices are allocated regardless of whether consumed orbs, etc. are paid or free.

2) Operation of services for a horse racing information website “netkeiba.com”
The Group provides services that provide information for paying members and race forecast information from tipsters “Umai Baken” through the use of a horse racing information website “netkeiba.com.” Revenue related to the flat-rate service of information provision for paying members is recognized over a contract period as performance obligations are satisfied over time. Revenue related to “Umai Baken” is recognized when information is delivered, as performance obligations are deemed to be satisfied mainly when the Group presents relevant information.

3) Operation of services for Chariloto, an online voting website for keirin and auto race betting tickets, and *TIPSTAR*, a sports betting service
The Group provides online voting systems to users through the use of Chariloto, an online voting website for keirin and auto race betting tickets, and *TIPSTAR*, a sports betting service. Revenue related to them is recognized on the day when a race is finished, as performance obligations are deemed to be satisfied when the payout and settlement on betting tickets is completed on the same day after the race is held.

4) Operation of professional sport teams
The Group operates two professional sport teams, Chiba Jets Funabashi and F.C.Tokyo. With respect to advertising fee revenue, which is the principal source of revenue, the Group provides uniforms, signage at game venues, and other printed materials as advertising media. Revenue is recognized over time such as the contract period, because the performance obligation is deemed to be satisfied over time when the advertisement or project is placed over time. On the other hand, when the advertisement is placed for a single game or project, the performance obligation is deemed to be satisfied at the time of the event, and revenue is recognized at a point in time of the end of the event.

5) Operation of services for *FamilyAlbum*
The Group provides a monthly service *FamilyAlbum Premium* that allows users to use the app more conveniently and sells photo books, DVDs and other merchandise through the use of *FamilyAlbum*. Revenue related to *FamilyAlbum Premium* is recognized over a contract period, as performance obligations are satisfied over time. With respect to the sale of photo books, DVDs and other merchandise, while performance obligations are deemed to be satisfied when goods are delivered to users, the Group determines that the period from the time of shipment to the time when control of the product is transferred to the customer is a normal period and therefore recognizes revenue at the time of shipment.

6) Operation of services for the New Year Cards app *FamilyAlbum New Year Cards*
The Group provides a service of creating New Year's cards for printing through the use of the New Year Cards app *FamilyAlbum New Year Cards*. With respect to this service, while performance obligations are deemed to be satisfied by manufacturing New Year's cards for printing according to the order received from a user and delivering them to the user, the Group determines that the period from the time of shipment to the time when control of the product is transferred to the customer is a normal period and therefore recognizes revenue at the time of shipment.

7) Operation of services for a beauty staff direct appointment app *minimo*
The Group provides a salon reservation support service to users through the use of a beauty staff direct appointment app *minimo*. Revenue related to this service is recognized on the day when a general consumer visits the salon, as performance obligations are deemed to be satisfied when the reservation made by the general consumer at the salon or other listed service provider is fulfilled.

(5) 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."

(6) Amortization method and amortization period of goodwill
Amortization of goodwill is estimated for each period in which it is expected to emerge, and then equally amortized over the designated amortization period (4 to 13 years).

(7) 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.

2. Significant accounting estimates

Impairment of operational investment securities and investment securities

Operational investment securities and investment securities stood at ¥19,514 million and ¥10,313 million, respectively, as of March 31, 2023. Of these, the Group assesses impairment on unlisted shares, etc. (excluding equity-method associates) of ¥13,659 million as described below.

In the valuation of unlisted shares, etc., if the net asset value or market value of the shares, etc. declined approximately 50% or more compared with the acquisition cost, an impairment loss is recognized unless recoverability is supported by sufficient evidence. In the case that such unlisted shares of a company were purchased at a price higher than the net asset value per share, which can be obtained from financial statements, reflecting excess earning power of the company, if the excess earning power can no longer be expected and if the net asset value reflecting the loss of excess earning power declined approximately 50% or more compared with the acquisition cost, an impairment loss is recognized.

Moreover, a loss that is not reflected in the current book value or unrecoverability of the book value may arise owing to future decline in fair value or poor performance or deterioration of the financial condition of an investee and it may become necessary to recognize an impairment loss.

Impairment of goodwill and other intangible assets

Goodwill, customer-related assets, trademark right and operation right stood at ¥17,859 million as of March 31, 2023. The Group assesses whether it is necessary to recognize an impairment. Assessment is carried out by means of the following four steps.

(1) Identification of the asset or the asset group to which the intangible assets belong (hereinafter referred to as "asset group")

Events that indicate the possibility of impairment of an asset (hereinafter referred to as "indication of impairment") are identified according to asset groups. The Company groups assets by each subsidiary because the businesses operated by the Company's subsidiaries are different from one another.

(2) Identification of indication of impairment

Indication of impairment is identified if profit or cash flows from operating activities for which the asset group is used have remained negative or are expected to remain negative, or deterioration of the business environment is recognized.

(3) Recognition of impairment

For an asset group with indication of impairment, undiscounted future cash flow is calculated based on the mid- to long-term business plan etc. If it is below the asset group's book value, an impairment loss is recognized.

(4) Measurement of impairment

For an asset or an asset group regarding which it is judged that an impairment loss should be recognized, the book value is reduced to the recoverable value and the amount of the reduction is recognized as an impairment loss and recorded for the current fiscal year.

Of ¥17,859 million stated above, ¥1,352 million pertains to the asset group of Chiba Jets Funabashi Co., Ltd. Profit and cash flows from operating activities were expected to remain negative, and thus indication of impairment was identified in accordance with (2) above. Then, undiscounted future cash flow was calculated based on the forecast of future sales and expenses and assumptions of the operating income ratio and other indicators in accordance with (3). As undiscounted future cash flow exceeded the book value of the asset group, without proceeding to (4), recognition of an impairment loss was judged not to be required.

Forecasts of future sales and expenses and the operating income ratio and other assumptions used for calculation of undiscounted future cash flow are determined according to management's best estimates and judgment based on the historical data and the business plan approved by the Company's management, which is based on the business plan at the time of acquisition and incorporates changes reflected in the budget for the next fiscal year approved by the management, and changes that are likely to persist. Assumptions may be affected by change of the business strategy and change of the market environment. If any change to assumptions is required, there may be a significant impact on the amount of an impairment loss to be recognized.

3. Changes in accounting policies

MIXI applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Guidance") effective from the beginning of the fiscal year ended March 31, 2023, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. The application of the above accounting standard, etc. has no impact on the consolidated financial statements.

4. Accounting standards, etc. not applied

- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022).
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

1. Overview

The accounting standards and guidance stipulate the classification of income taxes when taxed on other comprehensive income and the treatment of tax effects on sales of shares of subsidiaries and other securities when the group tax sharing system is applied.

2. Scheduled date of application

The scheduled date of application is at the start of the fiscal year ending March 31, 2025.

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.

5. Changes in presentation

MIXI Group decided to expand the scale of investment in the Investment Business, by strengthening its engagement. In addition, to realize its contribution to MIXI's sustainable growth centered on investment activities, the Investment Business was classified as a separate reportable segment with its designation as a main line of business, effective from the fiscal year ended March 31, 2023.

With regard to gains and losses on securities acquired for the primary purpose of financial return, MIXI previously recorded dividend income in non-operating income, gain or loss on sales of securities in extraordinary income or losses, and loss on valuation of securities in extraordinary losses. As a result of the above change to the Investment Business, however, effective from the fiscal year ended March 31, 2023, the accounting method was changed to state dividend income and proceeds from sales in net sales, and book values, valuation losses, etc. of securities sold in cost of sales. In addition, with regard to gains and losses on investments in investment limited partnerships and similar partnerships, amounts corresponding to equity interests were previously recorded on a net basis in non-operating income or expenses, but effective from the fiscal year ended March 31, 2023, the accounting method was changed to state profits in net sales and losses in cost of sales for each partnership. Securities acquired for the primary purpose of financial return, which were previously included in investments and other assets under non-current assets, are listed as operational investment securities under current assets on the consolidated balance sheets effective from the fiscal year ended March 31, 2023. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year are reclassified.

Consolidated balance sheets

The ¥14,400 million presented in "Investment securities" under "Investments and other assets" in the consolidated balance sheet for the fiscal year ended March 31, 2022 is reclassified as "Operational investment securities" under "Current assets."

Consolidated statements of income

In the consolidated statements of income for the fiscal year ended March 31, 2022, ¥1,128 million in "Gain on investments in partnership" and ¥10 million in "Dividend income" under "Non-operating income," ¥2,081 million in "Gain on sales of investment securities" and ¥51 million in "Gain on liquidation of investment securities" under "Extraordinary income" and ¥26 million in "Loss on sales of investment securities" and ¥1,506 million in "Loss on valuation of investment securities" under "Extraordinary losses" are reclassified, resulting in increases of ¥3,930 million in "Net sales" and ¥2,191 million in "Cost of sales."

Consolidated statements of cash flows

In the consolidated statements of cash flows for the fiscal year ended March 31, 2022, ¥(10) million of "Interest and dividend income," ¥(1,128) million of "Loss (gain) on investments in partnership," ¥1,506 million of "Loss (gain) on valuation of investment securities," ¥(2,054) million of "Loss (gain) on sales of investment securities," ¥(51) million of "Loss (gain) on liquidation of investment securities," and ¥10 million of "Interest income received" under "Cash flows from operating activities," and ¥(5,113) million of "Purchase of investment securities," ¥2,473 million of "Proceeds from sales of investment securities," and ¥2,137 million of "Proceeds from share of profits on investment securities" under "Cash flows from investing activities," are reclassified as ¥(1,390) million of "Decrease (increase) in operational investment securities," and ¥(788) million of "Other, net" under "Cash flows from operating activities," and ¥(51) million of "Other, net" under "Cash flows from investing activities."

Consolidated statements of cash flows

"Loss (gain) on investments in partnership," which was reported separately under "Cash flows from operating activities" for the previous consolidated fiscal year ended March 31, 2022, has decreased in importance, and as such, MIXI has decided to present this item in "Other, net" from the consolidated fiscal year ended March 31, 2023.

In addition, "Proceeds from collection of loans receivable" presented in "Other, net" under "Cash flows from investing activities" for the previous consolidated fiscal year ended March 31, 2022 has increased in importance, and as such, MIXI has decided to report this item separately from the consolidated fiscal year ended March 31, 2023.

As a result, ¥(27) million presented in "Loss (gain) on investments in partnership" under "Cash flows from operating activities" in the consolidated statements of cash flows for the previous consolidated fiscal year ended March 31, 2022 is reclassified as ¥(27) million of "Other, net," and ¥0 million presented in "Other, net" under "Cash flows from investing activities" is reclassified as ¥0 million of "Proceeds from collection of loans receivable."

6. Consolidated balance sheets

*1. The amounts of notes receivable — trade and accounts receivable — trade from contracts with customers are as follows:

(Millions of yen)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Notes receivable — trade	8	**8**
Accounts receivable — trade	11,571	**13,728**

*2. Assets pledged as collateral and collateralized liabilities
Assets pledged as collateral and collateralized liabilities are as follows:

(Millions of yen)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Buildings	2,610	**5,271**
Land	2,698	**2,698**
Total	5,309	**7,969**

(Millions of yen)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Short-term borrowings	343	**516**
Long-term borrowings	4,268	**6,836**
Total	4,611	**7,352**

*3. Items pertaining to non-consolidated subsidiaries and associates are as follows:

(Millions of yen)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Investment securities (shares)	12,118	**7,453**
Investment securities (bonds)	1,333	**2,666**

*4. The amount of contract liabilities included in “Other” under current liabilities is as follows:

(Millions of yen)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Contract liabilities	1,935	**2,199**

7. Consolidated statements of income

*1. Revenue from contracts with customers
MIXI does not disaggregate revenue from contracts with customers and other sources of revenue. The amount of revenue from contracts with customers is presented in “Notes to Consolidated Financial Statements (Segment information).”

*2. The major components and amounts of SG&A expenses are as follows:

(Millions of yen)

	FY2022 (Apr. 1, 2021 to Mar. 31, 2022)	**FY2023 (Apr. 1, 2022 to Mar. 31, 2023)**
Advertising expenses	17,299	**16,726**
Settlement fees	27,623	**32,092**

*3. Share of loss of entities accounted for using equity method
FY2023 (April 1, 2022 to March 31, 2023)
Of unamortized balance of the goodwill associated with investment in bitbank, inc., an equity-method associate, impairment loss of ¥4,818 million was included in share of loss of entities accounted for using equity method. This was as a result of MIXI reexamining the original business plan due to changes in the business environment.

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

(Millions of yen)

	FY2022 (Apr. 1, 2021 to Mar. 31, 2022)	**FY2023 (Apr. 1, 2022 to Mar. 31, 2023)**
Tools, furniture and fixtures	0	**0**
Other	—	**0**
Total	0	**0**

*5. Cancellation penalty
FY2022 (April 1, 2021 to March 31, 2022)
¥190 million of cancellation penalty that arose from the suspension of new product developments was reported under extraordinary losses.

*6. Loss on withdrawal from business
FY2023 (April 1, 2022 to March 31, 2023)
¥4,408 million of loss on withdrawal from business that arose from the suspension of new product developments was reported under extraordinary losses.

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

(Millions of yen)

	FY2022 (Apr. 1, 2021 to Mar. 31, 2022)	**FY2023 (Apr. 1, 2022 to Mar. 31, 2023)**
Buildings	2	**8**
Tools, furniture and fixtures	59	**8**
Software	5	**55**
Total	67	**72**

*8. Impairment loss

For the consolidated fiscal year ended March 31, 2022 (Apr. 1, 2021 to Mar. 31, 2022)

MIXI Group posted impairment loss on the following assets.

Business	Application	Place	Classification	Amount (Millions of yen)
Sports Business	Business assets	Chiba City, Chiba Prefecture	Buildings	24
			Tools, furniture and fixtures	396
			Property, plant and equipment (Other)	24
			Software	298
			Intangible assets (Other)	9

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 Sports Business was recorded due to the fact that the revenue initially expected for the PIST6 business operated by PIST6 Inc. can no longer be expected.

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.

For the consolidated fiscal year ended March 31, 2023 (Apr. 1, 2022 to Mar. 31, 2023)

MIXI Group posted impairment loss on the following assets.

Business	Application	Place	Classification	Amount (Millions of yen)
Digital Entertainment Business	**Business assets**	**Shibuya Ward, Tokyo**	**Software**	**0**
			Intangible assets (Other)	**252**
Sports Business	**Business assets**	**Shibuya Ward, Tokyo**	**Buildings**	**2**
			Tools, furniture and fixtures	**131**
			Property, plant and equipment (Other)	**1**
			Software	**3**
			Trademark right	**4**
		Koto Ward, Tokyo, etc.	**Buildings**	**0**
			Tools, furniture and fixtures	**0**
			Property, plant and equipment (Other)	**4**
			Software	**7**
			Long-term prepaid expenses	**98**

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

Impairment losses were recorded in the Digital Entertainment Business for the MIXI, Inc. operated Kotodaman business, as well as in the Sports Business for the MIXI, Inc. operated TIPSTAR and non-current assets held by TOKYO FOOTBALL CLUB Co., Ltd. due to delays in achieving projected earnings, and the resulting determination that it will take time to achieve projected figures.

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.

*9. Loss on sales of shares of subsidiaries and associates
FY2023 (Apr. 1, 2022 to Mar. 31, 2023)
This is a loss on sale of shares in PIST6, Inc.

8. Consolidated statements of comprehensive income

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

(Millions of yen)

	FY2022 (Apr. 1, 2021 to Mar. 31, 2022)	**FY2023 (Apr. 1, 2022 to Mar. 31, 2023)**
Valuation difference on available-for-sale securities:		
Gains (losses) arising during the period	(327)	**(146)**
Reclassification adjustments	(472)	**6**
Amount before income tax effect	(800)	**(140)**
Income tax effect	258	**47**
Valuation difference on available-for-sale securities	(541)	**(93)**
Foreign currency translation adjustment:		
Gains (losses) arising during the period	86	**233**
Reclassification adjustments	—	**—**
Amount before income tax effect	86	**233**
Income tax effect	—	**—**
Foreign currency translation adjustment	86	**233**
Share of other comprehensive income of entities accounted for using equity method		
Gains (losses) arising during the period	—	**4**
Reclassification adjustments	—	**—**
Share of other comprehensive income of entities accounted for using equity method	—	**4**
Total other comprehensive income	(455)	**144**

9. Consolidated statements of changes in shareholders' equity

For the consolidated fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

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

Class of shares	As of April 1, 2021	Increase	Decrease	As of March 31, 2022
Common shares (Shares)	78,230,850	—	—	78,230,850

(Summary of causes of changes)

There is no relevant information.

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

Class of shares	As of April 1, 2021	Increase	Decrease	As of March 31, 2022
Common shares (Shares)	2,856,400	2,839,600	18,700	5,677,300

(Summary of causes of changes)

Increase due to purchase of treasury shares: 2,839,600 shares

Decrease due to disposal of shares upon exercise of subscription rights to shares: 18,700 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, 2022 (Millions of yen)
			As of April 1, 2021	Increase	Decrease	As of March 31, 2022	
MIXI	Subscription rights to shares as stock option			—			1,506
Total				—			1,506

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 7, 2021	Common shares	4,145	55	March 31, 2021	June 10, 2021
Board of Directors Meeting on November 5, 2021	Common shares	3,990	55	September 30, 2021	December 6, 2021

(2) Dividends with record dates within the consolidated fiscal year ended March 31, 2022, 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 13, 2022	Common shares	Retained earnings	3,990	55	March 31, 2022	June 14, 2022

For the consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

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

Class of shares	As of April 1, 2022	Increase	Decrease	As of March 31, 2023
Common shares (Shares)	**78,230,850**	**—**	**—**	**78,230,850**

(Summary of causes of changes)

There is no relevant information.

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

Class of shares	As of April 1, 2022	Increase	Decrease	As of March 31, 2023
Common shares (Shares)	**5,677,300**	**25**	**419,500**	**5,257,825**

(Summary of causes of changes)

Increase due to purchase of shares less than one unit: 25 shares
Decrease due to disposal of shares upon exercise of subscription rights to shares: 398,600 shares
Decrease due to disposal of shares upon allotment of restricted stock: 20,900 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, 2023 (Millions of yen)
			As of April 1, 2022	Increase	Decrease	As of March 31, 2023	
MIXI	**Subscription rights to shares as stock option**			**—**			**1,127**
Total				**—**			**1,127**

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 13, 2022	**Common shares**	**3,990**	**55**	**March 31, 2022**	**June 14, 2022**
Board of Directors Meeting on November 4, 2022	**Common shares**	**4,011**	**55**	**September 30, 2022**	**December 5, 2022**

(2) Dividends with record dates within the consolidated fiscal year ended March 31, 2023, 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 12, 2023	**Common shares**	**Retained earnings**	**4,013**	**55**	**March 31, 2023**	**June 6, 2023**

10. 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)

	FY2022 (Apr. 1, 2021 to Mar. 31, 2022)	**FY2023 (Apr. 1, 2022 to Mar. 31, 2023)**
Cash and deposits account	118,633	**118,922**
Time deposits with maturities of three months or more	(200)	**(218)**
Cash and cash equivalents	118,433	**118,703**

*2. Principal assets and liabilities of companies that have become consolidated subsidiaries due to the acquisition of shares

For the consolidated fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

TOKYO FOOTBALL CLUB Co., Ltd.

(Millions of yen)

Current assets	3,061
Non-current assets	19
Total assets	3,080
Current liabilities	416
Non-current liabilities	44
Total liabilities	460

Lovegraph Inc.

(Millions of yen)

Current assets	223
Non-current assets	0
Total assets	224
Current liabilities	122
Non-current liabilities	64
Total liabilities	187

For the consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

CONNECTIT Inc.

(Millions of yen)

Current assets	271
Non-current assets	72
Total assets	344
Current liabilities	5
Total liabilities	5

*3. 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, 2023 (April 1, 2022 to March 31, 2023)
PIST6, Inc.

(Millions of yen)

Current assets	4,480
Non-current assets	0
Total assets	4,480
Current liabilities	526
Non-current liabilities	2,242
Total liabilities	2,769

11. Lease transactions

Operating lease transactions
Accrued lease payments related to non-cancellable operating lease transactions

(Millions of yen)

	FY2022 (Apr. 1, 2021 to Mar. 31, 2022)	**FY2023 (Apr. 1, 2022 to Mar. 31, 2023)**
Less than 1 year	2,984	**2,984**
More than 1 year	4,231	**17,763**
Total	7,215	**20,747**

12. Financial instruments

1. Matters related to status of financial instruments

(1) Policy on financial instruments

In regard to fund management, 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, operational investment securities and investment securities. Deposits are mainly composed of ordinary deposits and short-term time deposits, and are exposed to the credit risk of parties holding the deposits but these parties are banks with high creditworthiness. Accounts receivable — trade are exposed to the credit risk of customers but in addition to regular management of the due dates and balance of each 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. Operational investment securities and 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 long-term borrowings (including the current portion of long-term borrowings). Accounts payable — other are mainly due within one month. Long-term borrowings (including the current portion of long-term borrowings) are mainly for financing capital investment of subsidiaries. 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.

(3) Supplementary explanation concerning matters related to fair value of financial instruments, etc.

The measurement of fair value of financial instruments incorporates variable factors, and the adoption of different assumptions may result in different fair values.

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. Furthermore, cash and deposits, notes and accounts receivable — trade, short-term borrowings (excluding the current portion of long-term borrowings), accounts payable — other, income taxes payable and accrued consumption taxes are settled in a short period of time, and their fair values approximate their book values. Therefore, the notes are omitted.

For the consolidated fiscal year ended March 31, 2022 (as of March 31, 2022)

(Millions of yen)

	Amount recorded on consolidated balance sheets (*1)	Fair value (*1)	Difference
(1) Operational investment securities	955	955	—
(2) Investment securities			
1) Shares of subsidiaries and associates	1,295	1,422	126
2) Available-for-sale securities	1,333	1,333	—
(3) Lease and guarantee deposits (*2)	1,106	1,100	(6)
Total assets	4,691	4,811	120
(4) Long-term borrowings (including the current portion of long-term borrowings)	(8,122)	(8,123)	1
(5) Long-term accounts payable — other (including the current portion of long-term accounts payable — other)	(1,003)	(1,008)	4
Total liabilities	(9,126)	(9,132)	5

(*1) Items recorded as liabilities are denoted by ( ).
(*2) The unamortized balance of lease and guarantee deposits that are recognized as ultimately unrecoverable (the estimated cost of restoring leasehold buildings) has been deducted.

For the consolidated fiscal year ended March 31, 2023 (as of March 31, 2023)

(Millions of yen)

	Amount recorded on consolidated balance sheets (*1)	Fair value (*1)	Difference
(1) Operational investment securities	**2,952**	**2,952**	**—**
(2) Investment securities			
1) Shares of subsidiaries and associates	**2,819**	**3,567**	**747**
2) Available-for-sale securities	**2,855**	**2,855**	**—**
(3) Long-term loans receivable	**3,405**		
1) Allowance for doubtful accounts (*2)	**(1,129)**		
	2,276	**2,276**	**—**
(4) Lease and guarantee deposits (*3)	**1,006**	**998**	**(7)**
Total assets	**11,910**	**12,649**	**739**
(5) Long-term borrowings (including the current portion of long-term borrowings)	**(7,581)**	**(7,581)**	**(0)**
(6) Long-term accounts payable — other (including the current portion of long-term accounts payable — other)	**(588)**	**(588)**	**0**
Total liabilities	**(8,170)**	**(8,170)**	**(0)**

(*1) Items recorded as liabilities are denoted by ( ).
(*2) Allowance for doubtful accounts related to long-term loans receivable has been deducted.
(*3) The unamortized balance of lease and guarantee deposits that are recognized as ultimately unrecoverable (the estimated cost of restoring leasehold buildings) has been deducted.
(*4) Shares, etc. without market value are not included in "(1) Operational investment securities and (2) Investment securities." The amounts recorded on consolidated balance sheet of such financial assets are as follows:

(Millions of yen)

Classification	As of March 31, 2022	**As of March 31, 2023**
Shares of subsidiaries and associates (unlisted)	10,822	**4,633**
Operational investment securities (unlisted)	6,582	**8,660**
Investment securities (unlisted)	6	**4**

(*5) Investments in partnerships and other similar entities for which the amount corresponding to equity interest is recorded on the consolidated balance sheet are omitted. The amount recorded on consolidated balance sheet of such financial assets is as follows:

(Millions of yen)

Classification	As of March 31, 2022	**As of March 31, 2023**
Contribution to investment partnerships (*1)	6,862	**7,901**

(Note 1) Scheduled redemption amount of monetary receivables after the consolidated balance sheet date

For the consolidated fiscal year ended March 31, 2022 (as of March 31, 2022)

(Millions of yen)

	Less than 1 year	More than 1 year and less than 5 years	More than 5 years and less than 10 years	More than 10 years
Cash and deposits	118,633	—	—	—
Notes and accounts receivable — trade	11,580	—	—	—
Total	130,213	—	—	—

For the consolidated fiscal year ended March 31, 2023 (as of March 31, 2023)

(Millions of yen)

	Less than 1 year	More than 1 year and less than 5 years	More than 5 years and less than 10 years	More than 10 years
Cash and deposits	**118,922**	**—**	**—**	**—**
Notes and accounts receivable — trade	**13,736**	**—**	**—**	**—**
Long-term loans receivable (*1)	**1,163**	**741**	**370**	**—**
Total	**133,822**	**741**	**370**	**—**

(*1) ¥1,129 million is not included because the redemption amount cannot be estimated. Loans receivable that are expected to be renewed are classified as long-term loans receivable.

(Note 2) Scheduled repayment amount of short-term borrowings and long-term borrowings (including the current portion of long-term borrowings) after the consolidated balance sheet date

For the consolidated fiscal year ended March 31, 2022 (as of March 31, 2022)

(Millions of yen)

	Less than 1 year	More than 1 year and less than 2 years	More than 2 years and less than 3 years	More than 3 years and less than 4 years	More than 4 years and less than 5 years	More than 5 years
Long-term borrowings (including the current portion of long-term borrowings)	645	558	533	525	1,841	3,990
Total	645	558	533	525	1,841	3,990

For the consolidated fiscal year ended March 31, 2023 (as of March 31, 2023)

(Millions of yen)

	Less than 1 year	More than 1 year and less than 2 years	More than 2 years and less than 3 years	More than 3 years and less than 4 years	More than 4 years and less than 5 years	More than 5 years
Short-term borrowings	**354**	**—**	**—**	**—**	**—**	**—**
Long-term borrowings (including the current portion of long-term borrowings)	**558**	**532**	**525**	**1,840**	**351**	**3,623**
Total	**912**	**532**	**525**	**1,840**	**351**	**3,623**

3. Matters related to the breakdown of fair value of financial instruments, etc. by appropriate category

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 fair value: Fair value measured using directly or indirectly observable inputs other than Level 1 inputs

Level 3 fair value: Fair value measured using significant unobservable inputs

If multiple inputs that significantly impact the fair value measurement are used, the fair value is categorized in its entirety in the lowest level of priority for fair value measurement to which those inputs belong.

(1) Financial instruments recorded on the consolidated balance sheets at fair value

For the consolidated fiscal year ended March 31, 2022 (as of March 31, 2022)

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Operational investment securities				
Available-for-sale securities	760	—	195	955

Investment securities				
Available-for-sale securities	—	—	1,333	1,333
Total assets	760	—	1,528	2,289

For the consolidated fiscal year ended March 31, 2023 (as of March 31, 2023)

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Operational investment securities				
Available-for-sale securities	**626**	**—**	**2,325**	**2,952**
Investment securities				
Available-for-sale securities	**189**	**—**	**2,666**	**2,855**
Total assets	**815**	**—**	**4,992**	**5,808**

(2) Financial instruments other than those recorded on the consolidated balance sheets at fair value

For the consolidated fiscal year ended March 31, 2022 (as of March 31, 2022)

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Shares of subsidiaries and associates	1,422	—	—	1,422
Lease and guarantee deposits	—	1,100	—	1,100
Total assets	1,422	1,100	—	2,522
Long-term borrowings (including the current portion of long-term borrowings)	—	(8,123)	—	(8,123)
Long-term accounts payable — other (including the current portion of long-term accounts payable — other)	—	(1,008)	—	(1,008)
Total liabilities	—	(9,132)	—	(9,132)

For the consolidated fiscal year ended March 31, 2023 (as of March 31, 2023)

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Shares of subsidiaries and associates	**3,567**	**—**	**—**	**3,567**
Long-term loans receivable	**—**	**2,276**	**—**	**2,276**
Lease and guarantee deposits	**—**	**998**	**—**	**998**
Total assets	**3,567**	**3,274**	**—**	**6,841**
Long-term borrowings (including the current portion of long-term borrowings)	**—**	**(7,581)**	**—**	**(7,581)**
Long-term accounts payable — other (including the current portion of long-term accounts payable — other)	**—**	**(588)**	**—**	**(588)**
Total liabilities	**—**	**(8,170)**	**—**	**(8,170)**

* Items recorded as liabilities are denoted by ( ).

(Notes)

1. Explanation of the valuation techniques and inputs used in the fair value measurements

Operational investment securities and investment securities

Listed shares are measured using stock exchange prices. As listed shares are traded in active markets, their fair values are classified as Level 1. If a quoted price is not available, the fair value is measured using a valuation method such as the discounted present value method based on future cash flows. If the fair value is measured using significant unobservable inputs, it is classified as Level 3.

Long-term loans receivable

The fair value of long-term loans receivable with floating interest rates is stated at the relevant book value, as they reflect market interest rates in a short period of time and their fair value approximates their book value unless the credit status of the borrower has changed significantly since the loan was made.

However, the fair value of receivables at risk of becoming bad debt is stated at the amount on the consolidated balance sheet as of the consolidated settlement date less current estimated bad debts, as such amount approximates the fair value.

The fair value of long-term loans receivable is therefore classified as Level 2.

Leasehold and guarantee deposits

The fair value of leasehold and guarantee deposits is measured at the present value of future cash flow discounted at the rate based on appropriate indicators including JGB yields, and is classified as Level 2.

Long-term borrowings

The fair value of long-term borrowings is measured at the present value of the total amount of principal and interest discounted at the interest rate that would be expected if a new similar loan were made, and is classified as Level 2. The current portion of long-term borrowings (on the consolidated balance sheets, ¥558 million is included in “short-term borrowings” under “current liabilities”) is included in “long-term borrowings.”

Long-term accounts payable — other
The fair value of long-term accounts payable — other is measured at the present value of future scheduled payments discounted at an appropriate interest rate such as the government bond yield, and is classified as Level 2. The current portion of long-term accounts payable — other (on the consolidated balance sheets, ¥415 million is included in "accounts payable — other" under "current liabilities") is included in "long-term accounts payable — other."

2. Information about Level 3 fair value of financial instruments recorded on consolidated balance sheets at fair value
(1) Reconciliation of the beginning balances and the ending balances

(Millions of yen)

	FY2022 (Apr. 1, 2021 to Mar. 31, 2022)	**FY2023 (Apr. 1, 2022 to Mar. 31, 2023)**
Balance at beginning of period	382	**1,528**
Recorded in profit or loss (*1)	(427)	**(1)**
Purchase, sales, issuance and settlement, etc.	1,573	**3,465**
Balance at end of period	1,528	**4,992**
Loss (gain) on valuation of financial assets and financial liabilities held on the consolidated balance sheet date, out of the amount recorded in profit or loss (*1)	(427)	**(1)**

(*1) The amount is included in "Cost of sales" and "Loss on valuation of investment securities" in the consolidated statements of income.

(2) Explanation of valuation processes used for fair value measurements
The department of the Group in charge of preparing financial statements has established policies and procedures for measuring fair value, as well as procedures related to the specifications of a fair value valuation model. MIXI verifies whether valid valuation techniques and inputs are used for the fair value measurement and level classification.
In measuring fair value, the fair value of financial instruments which have not been held for a specified period of time is measured using the most recent transaction price.

13. Securities

1. Available-for-sale securities

For the consolidated fiscal year ended March 31, 2022 (as of March 31, 2022)

(Millions of yen)

Classification	Amount recorded on consolidated balance sheets	Acquisition cost	Difference
Amount recorded on consolidated balance sheets that exceeds acquisition cost			
Shares	760	80	679
Subtotal	760	80	679
Amount recorded on consolidated balance sheets that does not exceed acquisition cost			
Convertible-bond-type bonds with subscription rights to shares, etc.	1,363	2,232	(868)
Other	165	175	(10)
Subtotal	1,528	2,408	(879)
Total	2,289	2,488	(199)

For the consolidated fiscal year ended March 31, 2023 (as of March 31, 2023)

(Millions of yen)

Classification	Amount recorded on consolidated balance sheets	Acquisition cost	Difference
Amount recorded on consolidated balance sheets that exceeds acquisition cost			
Shares	**626**	**80**	**545**
Subtotal	**626**	**80**	**545**
Amount recorded on consolidated balance sheets that does not exceed acquisition cost			
Convertible-bond-type bonds with subscription rights to shares, etc.	**4,992**	**5,406**	**(413)**
Other	**189**	**189**	**—**
Subtotal	**5,181**	**5,595**	**(413)**
Total	**5,808**	**5,675**	**132**

(Note) Unlisted shares (amount recorded on consolidated balance sheets: ¥13,298 million) and contribution to investment partnerships (amount recorded on consolidated balance sheets: ¥7,901 million) are not included in the above table of "Available-for-sale securities" as market value is not available and fair value is deemed extremely difficult to determine.

2. Available-for-sale securities sold

For the consolidated fiscal year ended March 31, 2022 (as of March 31, 2022)

(Millions of yen)

Classification	Amount sold	Total gain on sale	Total loss on sale
Operational investment securities including unlisted shares and others	2,473	2,081	26
Total	2,473	2,081	26

For the consolidated fiscal year ended March 31, 2023 (as of March 31, 2023)

(Millions of yen)

Classification	Amount sold	Total gain on sale	Total loss on sale
Operational investment securities including unlisted shares and others	**1,029**	**865**	**23**
Total	**1,029**	**865**	**23**

3. Securities for which impairment loss is recognized

For the fiscal year ended March 31, 2022, an impairment loss of ¥2,098 million was recorded for securities (¥2,098 million of operational investment securities including unlisted shares and others).

For the fiscal year ended March 31, 2023, an impairment loss of ¥560 million was recorded for securities (¥560 million of operational investment securities including unlisted shares and others).

14. Retirement benefits

1. Outline of retirement benefit plans

MIXI has adopted a defined contribution plan and an advance payment plan with optional plans.

2. Defined contribution plan

The amount contributed by MIXI to the defined contribution plan was ¥152 million for the previous consolidated fiscal year and ¥192 million for the current consolidated fiscal year.

15. Stock options

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

(Millions of yen)

	FY2022	**FY2023**
SG&A expenses	263	**132**

2. Details and volume of stock options and changes thereto

(1) Details of stock options

	2016 Stock Option	2017 Stock Option	2018 Stock Option 1
Classification and number of persons granted stock options	MIXI's executive officers: 3 persons	MIXI's executive officers: 4 persons	MIXI's executive officers: 4 persons
Number of stock options (Note)	Common shares: 47,000 shares	Common shares: 28,500 shares	Common shares: 120,800 shares
Grant date	August 29, 2016	August 29, 2017	August 29, 2018
Vesting conditions	No conditions	Same as on the left	Same as on the left
Period of service eligible	No requirement for period of service	Same as on the left	Same as on the left
Exercise period	From August 30, 2016 to August 29, 2046	From August 30, 2017 to August 29, 2047	From August 30, 2018 to August 29, 2048

	2018 Stock Option 2	2019 Stock Option 1	2019 Stock Option 2
Classification and number of persons granted stock options	MIXI's corporate officers: 7 persons	MIXI's exeacutive officers: 5 persons	MIXI's corporate officers: 7 persons
Number of stock options (Note)	Common shares: 11,500 shares	Common shares: 222,400 shares	Common shares: 1,900 shares
Grant date	November 26, 2018	July 16, 2019	July 16, 2019
Vesting conditions	No conditions	Same as on the left	Same as on the left
Period of service eligible	No requirement for period of service	Same as on the left	Same as on the left
Exercise period	From November 27, 2019 to November 26, 2024	From July 17, 2019 to July 16, 2049	From July 17, 2020 to July 16, 2025

	2020 Stock Option 1	2020 Stock Option 2	2021Stock Option 1
Classification and number of persons granted stock options	MIXI's executive officers: 5 persons	MIXI's corporate officers: 5 persons	MIXI's executive officers: 5 persons
Number of stock options (Note)	Common shares: 196,300 shares	Common shares: 13,700 shares	Common shares: 98,600 shares
Grant date	July 13, 2020	July 13, 2020	July 12, 2021
Vesting conditions	No conditions	Same as on the left	Same as on the left
Period of service eligible	No requirement for period of service	Same as on the left	Same as on the left
Exercise period	From July 14, 2020 to July 13, 2050	From July 14, 2021 to July 13, 2026	From July 13, 2021 to July 12, 2051

	2021 Stock Option 2	2022 Stock Option	2023 Stock Option
Classification and number of persons granted stock options	MIXI's executive officers: 5 persons	MIXI's executive officers: 3 persons	MIXI's employees: 56 persons
Number of stock options (Note)	Common shares: 17,500 shares	Common shares: 93,200 shares	Common shares:94,500 shares
Grant date	July 12, 2021	July 13, 2022	March 15, 2023
Vesting conditions	No conditions	Same as on the left	Same as on the left
Period of service eligible	No requirement for period of service	Same as on the left	Same as on the left
Exercise period	From July 13, 2022 to July 12, 2027	From July 14, 2022 to July 13, 2052	From February 28, 2025 to February 27, 2028

(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, 2023). 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	2018 Stock Option 1
Before vesting of stock options (Shares)			
As of March 31, 2022	—	—	—
Granted	—	—	—
Expired	—	—	—
Vested	—	—	—
Not vested	—	—	—
After vesting of stock options (Shares)			
As of March 31, 2022	47,000	38,500	205,500
Vested	—	—	—

Exercised	—	10,000	84,700
Expired	—	—	—
Not vested	47,000	28,500	120,800

	2018 Stock Option 2	2019 Stock Option 1	2019 Stock Option 2
Before vesting of stock options (Shares)			
As of March 31, 2022	—	—	—
Granted	—	—	—
Expired	—	—	—
Vested	—	—	—
Not vested	—	—	—
After vesting of stock options (Shares)			
As of March 31, 2022	23,900	368,900	15,400
Vested	—	—	—
Exercised	12,400	146,500	13,500
Expired	—	—	—
Not vested	11,500	222,400	1,900

	2020 Stock Option 1	2020 Stock Option 2	2021 Stock Option 1
Before vesting of stock options (Shares)			
As of March 31, 2022	—	—	—
Granted	—	—	—
Expired	—	—	—
Vested	—	—	—
Not vested	—	—	—
After vesting of stock options (Shares)			
As of March 31, 2022	285,500	25,400	129,200
Vested	—	—	—
Exercised	89,200	11,700	30,600
Expired	—	—	—
Not vested	196,300	13,700	98,600

	2021 Stock Option 2	2022 Stock Option	2023 Stock Option
Before vesting of stock options (Shares)			
As of March 31, 2022	—	—	—
Granted	—	93,200	94,500
Expired	—	—	—
Vested	—	93,200	94,500
Not vested	—	—	—
After vesting of stock options (Shares)			
As of March 31, 2022	17,500	—	—
Vested	—	93,200	94,500
Exercised	—	—	—
Expired	—	—	—
Not vested	17,500	93,200	94,500

2) Unit price information

	2016 Stock Option	2017 Stock Option	2018 Stock Option 1
Exercise price (Yen)	1	1	1
Average stock price at exercise (Yen)	—	2,232	2,233
Fairly evaluated unit price (as of grant date) (Yen)	1,897	3,944	1,380

	2018 Stock Option 2	2019 Stock Option 1	2019 Stock Option 2
Exercise price (Yen)	1	1	1
Average stock price at exercise (Yen)	2,455	2,234	2,314
Fairly evaluated unit price (as of grant date) (Yen)	A: 2,319 B: 2,207 C: 2,101	928	A: 2,012 B: 1,911 C: 1,814

	2020 Stock Option 1	2020 Stock Option 2	2021 Stock Option 1
Exercise price (Yen)	1	1	1
Average stock price at exercise (Yen)	2,235	2,359	2,235
Fairly evaluated unit price (as of grant date) (Yen)	1,065	A: 2,102 B: 2,000 C: 1,903	1,576

	2021 Stock Option 2	2022 Stock Option	2023 Stock Option
Exercise price (Yen)	1	1	2,631
Average stock price at exercise (Yen)	—	—	—
Fairly evaluated unit price (as of grant date) (Yen)	A: 2,698 B: 2,594 C: 2,494	1,080	461

(Note) As conditions for exercise in phases have been established for 2018, 2019, 2020, and 2021 Stock Option 2, three kinds of fairly evaluated unit prices are stated in accordance with different expected remaining periods.

3. 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

	2022 Stock Option
Stock price volatility (Note 1)	61.64%
Expected remaining period (Note 2)	15.00 years
Expected dividends (Note 3)	¥110 per share
Risk-free interest rate (Note 4)	0.62%

(Notes) 1. Calculated based on the actual stock prices during the period from July 14, 2007 to July 13, 2022
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, 2022
4. Interest rate of government bonds corresponding to the expected remaining period

	2023 Stock Option
Stock price volatility (Note 1)	33.12%
Expected remaining period (Note 2)	3.5 years
Expected dividends (Note 3)	¥110 per share
Risk-free interest rate (Note 4)	0.009%

(Notes) 1. Calculated based on the actual stock prices during the period from September 29, 2019 to March 15, 2023
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, 2022
4. The yield of the 344 long-term government bonds with a redemption date of September 20, 2026 as of the valuation reference date (from Reference Statistical Prices [Yields] for OTC Bond Transactions by the Japan Securities Dealers Association) is adopted.

4. 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.

16. Tax effect accounting

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

(Millions of yen)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Deferred tax assets:		
Overdepreciation	386	**125**
Tax losses carried forward (Note 2)	1,018	**1,189**
Software	4,071	**4,658**
Investment securities	1,152	**1,005**
Accounts payable — other	950	**1,354**
Allowance for doubtful accounts	16	**500**
Enterprise tax payable	187	**247**
Provision for bonuses	452	**885**
Subscription rights to shares	461	**345**
Contract liabilities	129	**141**
Other	421	**343**
Subtotal of deferred tax assets	9,247	**10,797**
Valuation allowance for tax losses carried forward	(1,018)	**(1,189)**
Valuation allowance for aggregate deductible temporary differences	(2,449)	**(2,399)**
Subtotal of valuation allowance (Note 1)	(3,468)	**(3,589)**
Total deferred tax assets	5,779	**7,207**
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(207)	**(166)**
Valuation difference related to business combination	(2,953)	**(2,571)**
Other	—	**(11)**
Total deferred tax liabilities	(3,161)	**(2,749)**
Net deferred tax assets	2,618	**4,457**

(Notes) 1. Valuation allowance increased by ¥121 million. Main component of the increase is the additional recognition of ¥171 million of valuation allowance for tax losses carried forward.
2. Breakdown of tax losses carried forward and deferred tax assets by expiry date

For the consolidated fiscal year ended March 31, 2022 (as of March 31, 2022)

(Millions of yen)

	Less than 1 year	More than 1 year and less than 2 years	More than 2 years and less than 3 years	More than 3 years and less than 4 years	More than 4 years and less than 5 years	More than 5 years	Total
Tax losses carried forward (*1)	—	—	0	9	27	980	1,018
Valuation allowance	—	—	(0)	(9)	(27)	(980)	(1,018)
Deferred tax assets	—	—	—	—	—	—	—

(*1) The amount is calculated by multiplying the corresponding tax loss carried forward by statutory tax rate.

For the consolidated fiscal year ended March 31, 2023 (as of March 31, 2023)

(Millions of yen)

	Less than 1 year	More than 1 year and less than 2 years	More than 2 years and less than 3 years	More than 3 years and less than 4 years	More than 4 years and less than 5 years	More than 5 years	Total
Tax losses carried forward (*2)	**—**	**0**	**8**	**25**	**39**	**1,115**	**1,189**
Valuation allowance	**—**	**(0)**	**(8)**	**(25)**	**(39)**	**(1,115)**	**(1,189)**
Deferred tax assets	**—**	**—**	**—**	**—**	**—**	**—**	**—**

(*2) The amount is calculated by multiplying the corresponding tax loss carried forward by statutory tax rate.

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

(%)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Statutory tax rate	30.6	**30.6**
(Adjustment)		
Share of loss of entities accounted for using equity method	0.6	**16.9**
Amortization of goodwill	2.1	**3.4**
Valuation allowance	4.8	**1.4**
Per capita inhabitants' tax	0.1	**0.1**
Impact of liquidation of consolidated subsidiaries	0.0	**—**
Tax rate difference	(0.0)	**1.6**
Tax deduction under the open innovation promotion tax program	(3.2)	**(1.0)**
Effect of exclusion of subsidiaries from consolidation	—	**(8.9)**
Other	1.0	**0.6**
Effective tax rate of income taxes and others after application of tax effect accounting	36.0	**44.7**

17. Business combinations

Business combinations through acquisition

CONNECTIT Inc.

1. Summary of business combination
   (1) Name of the acquired entity and description of the acquired business
   Name: CONNECTIT Inc.
   Description of the acquired business: New Year's card online ordering service
   (2) Reason for the business combination
   MIXI acquired shares of CONNECTIT Inc. to expand its market share by combining the assets of the New Year's card online ordering service provided by CONNECTIT Inc. and the New Year's card app service provided by MIXI.
   (3) Date of the business combination
   October 21, 2022 (The stock acquisition date), September 30, 2022 (The deemed acquisition date)
   (4) Legal form of the business combination
   Acquisition of shares
   (5) Name of the entity after the business combination
   CONNECTIT Inc.
   (6) Ratio of voting rights acquired
   100%
   (7) Primary ground for determining the acquiring company
   Due to the acquisition by MIXI of all of the voting rights of CONNECTIT Inc. and its conversion to a consolidated subsidiary

2. Period of business performance of the acquired company which is included in the consolidated financial statements
   From October 1, 2022 to March 31, 2023

3. Acquisition cost of the acquired company and its breakdown by type of consideration

(Millions of yen)

Consideration for the acquisition	Cash	700
Acquisition cost		700

4. Details and amounts of major acquisition-related expenses
   Advisory fees and research cost: ¥21 million

5. Amount of goodwill arising from business combination, reason for recognizing goodwill, method and period of amortization
   (1) Amount of goodwill arising from business combination
   ¥361 million
   (2) Reason for recognizing goodwill
   Goodwill was generated due to the difference between the value of equity interest held by the acquiring company in the acquired company and the acquisition cost.
   (3) Method and period of amortization
   Goodwill is amortized using the straight line method over a period of 4 years.

6. Amount of assets accepted and liabilities assumed on the date of the business combination and major breakdown thereof
   Please refer to the notes of the consolidated statements of cash flows.

7. Approximate amount of impact on the consolidated statements of income for the fiscal year ended March 31, 2023, and the calculation method thereof, assuming that the business combination was completed on the commencement date of the fiscal year
   The approximate amount of such impact is omitted as it is immaterial.

18. Asset retirement obligations

Asset retirement obligations reported on the consolidated balance sheets

1. Overview of asset retirement obligations

The Group recognizes liabilities relating to the restoration of a building to its original state when vacating the premises, based on the real estate leasing contract of the building, as asset retirement obligations.

For part of the asset retirement obligations, instead of recognizing these asset retirement obligations as liabilities, the Group has adopted the method of making reasonable estimates of leasehold and guarantee deposits relating to real estate leasing contracts which are ultimately expected not to be recovered and reporting the amount belonging to the current fiscal year as expenses.

2. Calculation method for the amount of the asset retirement obligations

The average number of years in business is used as the expected period of use, upon taking into account business strategies, terms and conditions of the real estate leasing contract and other factors. Additionally, the Group uses the yield of the government bonds as the discount rate corresponding to the expected period of use to calculate the amount of asset retirement obligations.

3. Changes in the total amount of asset retirement obligations

(Millions of yen)

	FY2022 (Apr. 1, 2021 to Mar. 31, 2022)	**FY2023 (Apr. 1, 2022 to Mar. 31, 2023)**
Balance at beginning of period	—	**68**
Increase due to purchase of property, plant and equipment	24	**—**
Increase due to business combinations	44	**—**
Adjustments due to passage of time	—	**1**
Appropriation for payment due to performance	—	**(25)**
Balance at end of period	68	**44**

In addition, regarding the obligations that adopt the method of making reasonable estimates of leasehold deposits that are ultimately expected to be unrecoverable and reporting the amount belonging to the previous fiscal year as expenses instead of recognizing these asset retirement obligations as liabilities, the amount belonging to the consolidated fiscal year ended March 31, 2023 was ¥52 million, and the amount of leasehold deposits ultimately deemed unrecoverable as of March 31, 2023 was ¥2,364 million.

(Revenue recognition)

(1) Disaggregation of revenue from contracts with customers

Please refer to "Notes to Consolidated Financial Statements (Segment information)."

(2) Basic information for understanding revenue

Please refer to "Notes to Consolidated Financial Statements (Important matters that form the basis of preparing consolidated financial statements) 4. Matters related to accounting policies."

(3) Information for understanding the amounts of revenue for the fiscal year ended March 31, 2023 and subsequent fiscal years

• Balances of contract assets and contract liabilities

(Millions of yen)

	FY2022 (Apr. 1, 2021 to Mar. 31, 2022)	**FY2023 (Apr. 1, 2022 to Mar. 31, 2023)**
Receivables from contracts with customers (beginning of period)	11,706	**11,580**
Receivables from contracts with customers (end of period)	11,580	**13,736**
Contract liabilities (beginning of period)	1,506	**1,935**
Contract liabilities (end of period)	1,935	**2,199**

Revenue recognized in the fiscal year ended March 31, 2022 that was included in the contract liability balance at the beginning of the period was ¥1,506 million.

• Transaction prices allocated to the remaining performance obligations

The Group has applied the practical expedient to the notes on transaction prices allocated to the remaining performance obligations, and do not include contracts with an original expected duration of one year or less in the notes.

19. 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.

The Group has four reportable segments, namely Digital Entertainment Business, Sports Business, Lifestyle Business and Investment Business.

The Digital Entertainment Business is engaged in providing games for smart devices, primarily *MONSTER STRIKE*, along with organizing related events and producing and selling various goods, among other services. The Sports Business is engaged in professional sports team management, businesses related to publicly operated competitions and other services. The Lifestyle Business provides services including the family-focused photo- and video-sharing app *FamilyAlbum* and beauty staff direct appointment application *minimo*. The Investment Business invests in startups and venture capital funds.

2. Matters related to changes in reportable segments

In light of MIXI's decision to engage in the Investment Business as one of its main businesses, changes have been made to report information on the Investment Business as a separate reportable segment effective from the fiscal year ended March 31, 2023. This is because MIXI decided to expand the scale of investment in the Investment Business, by strengthening its engagement, in addition to realize its contribution to MIXI's sustainable growth centered on investment activities. In line with this change, as described in (Changes in accounting policies), the accounting policy regarding the treatment of revenue and expenses related to the Investment Business was changed effective from the fiscal year ended March 31, 2023.

Segment information for the fiscal year ended March 31, 2022 was prepared based on the revised names and segmentation.

3. 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.

4. Information on net sales, profit or loss and other items and disaggregation of revenue by reportable segment

For the consolidated fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segment					Adjustment (Note 1)	Amount recorded in consolidated financial statements (Note 2)
	Digital Entertainment Business	Sports Business	Lifestyle Business	Investment Business	Total		
Net sales	91,219	18,504	8,375	—	118,098	0	118,099
Revenue from contracts with customers (Note 3)	—	—	—	3,930	3,930	—	3,930
Other revenue	91,219	18,504	8,375	3,930	122,029	0	122,030
Net sales to external customers	—	—	—	—	—	—	—
Inter-segment net sales or transfers	91,219	18,504	8,375	3,930	122,029	0	122,030
Total	38,848	(5,148)	(71)	1,460	35,089	(17,280)	17,808
Segment profit (loss)							
Other							
Depreciation	364	1,576	261	0	2,202	924	3,127
Amortization of goodwill	—	1,001	136	—	1,138	—	1,138
Impairment loss	—	753	—	—	753	—	753

(Notes) 1. The segment profit (loss) adjustment of ¥(17,280) million includes depreciation of ¥(2,202) million, amortization of goodwill of ¥(1,138) million, and company-wide expenses of ¥(13,940) 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 (loss) is adjusted with operating income in the consolidated statements of income.

3. Net sales of MIXI Group mainly consists of *MONSTER STRIKE*, a game for smart devices in the Digital Entertainment Business.

For the consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segment					Adjustment (Note 1)	Amount recorded in consolidated financial statements (Note 2)
	Digital Entertainment Business	Sports Business	Lifestyle Business	Investment Business	Total		
Net sales							
Revenue from contracts with customers (Note 3)	**104,374**	**28,643**	**11,663**	**—**	**144,681**	**161**	**144,843**
Other revenue	**—**	**—**	**—**	**2,023**	**2,023**	**—**	**2,023**
Net sales to external customers	**104,374**	**28,643**	**11,663**	**2,023**	**146,705**	**161**	**146,867**
Inter-segment net sales or transfers	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total	**104,374**	**28,643**	**11,663**	**2,023**	**146,705**	**161**	**146,867**
Segment profit (loss)	**43,502**	**(1,100)**	**(84)**	**553**	**42,871**	**(18,051)**	**24,820**
Other							
Depreciation	**323**	**1,753**	**310**	**0**	**2,386**	**981**	**3,368**
Amortization of goodwill	**—**	**957**	**335**	**—**	**1,293**	**—**	**1,293**
Impairment loss	**396**	**111**	**—**	**—**	**508**	**—**	**508**

Notes) 1. The segment (loss) profit adjustment of ¥(18,051) million includes depreciation of ¥(2,386) million, amortization of goodwill of ¥(1,293) million, company-wide net sales of ¥161 million and company-wide expenses of ¥(14,533) 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 (loss) is adjusted with operating income in the consolidated statements of income.
3. Net sales of MIXI Group mainly consists of *MONSTER STRIKE*, a game for smart devices in the Digital Entertainment Business.

[Related information]

For the consolidated fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

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, 2023 (April 1, 2022 to March 31, 2023)

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, 2022 (April 1, 2021 to March 31, 2022)

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

For the consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

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

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

For the consolidated fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segment					Corporate / Elimination	Total
	Digital Entertainment Business	Sports Business	Lifestyle Business	Investment Business	Total		
Amortization for the year	—	1,001	136	—	1,138	—	1,138
Balance at end of the year	—	9,264	1,473	—	10,737	—	10,737

For the consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segment					Corporate / Elimination	Total
	Digital Entertainment Business	Sports Business	Lifestyle Business	Investment Business	Total		
Amortization for the year	**—**	**957**	**335**	**—**	**1,293**	**—**	**1,293**
Balance at end of the year	**—**	**8,306**	**1,499**	**—**	**9,806**	**—**	**9,806**

[Information regarding negative goodwill by reportable segment]

For the consolidated fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

Gain on bargain purchase was recognized in the Sports Business segment as MIXI acquired shares of TOKYO FOOTBALL CLUB Co., Ltd. and converted it into a consolidated subsidiary. The recorded amount of gain on bargain purchase related to this matter is ¥145 million. Gain on bargain purchase is not included in segment profit as it is an extraordinary income.

For the consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

There is no relevant information.

[Information regarding related parties]

1. Transactions with related parties

(1) 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, 2022 (April 1, 2021 to March 31, 2022)

Type	Name of company or individual	Location	Paid-in capital or investments	Description of business or occupation	Ownership ratio of voting rights	Relationships with related parties	Detail of transactions	Transaction amount (Millions of yen)	Item	Year-end balance (Millions of yen)
Executive officer	Kenji Kasahara	—	—	Director and Founder of the Company	(Ownership) Direct 45.49%	—	Acquisition of shares of associates	1,170	Investment securities	1,170

(Note) The acquisition of shares of associates was determined reasonably upon consultations based on the price calculated by an independent third-party institution.

For the consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

There is no relevant information.

(2) Non-consolidated subsidiaries and associates of the company submitting the consolidated financial statements

For the consolidated fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

There is no relevant information.

For the consolidated fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

Type	Name of company or individual	Location	Paid-in capital or investments	Description of business or occupation	Ownership ratio of voting rights	Relationships with related parties	Detail of transactions	Transaction amount (Millions of yen)	Item	Year-end balance (Millions of yen)
Associate	**CALL DOCTOR Co., Ltd**	**Shibuya Ward, Tokyo**	**¥102 million**	**Online medical services, after-hours on-call medical services**	**(Ownership) Direct 39.9%**	**Underwriting of convertible bonds**	**Underwriting of convertible bonds (Note)**	**1,333**	**Investment securities**	**2,666**

(Note) Terms of transactions are decided based on mutual negotiations

2. Notes on the parent company or significant associates

(1) Summary of financial information of significant associates

The significant associate is bitbank, inc. and the summary of its financial information is as follows:

(Millions of yen)

	FY2022	FY2023
Total current assets	247,831	**136,420**
Total non-current assets	257	**307**
Total current liabilities	235,387	**125,883**
Total non-current liabilities	—	**59**
Total net assets	12,701	**10,784**
Net sales	10,120	**930**
Income before income taxes	5,183	**(2,562)**
Period net income	3,683	**(1,937)**

20. Per share information

(Yen)

	FY2022 (Apr. 1, 2021 to Mar. 31, 2022)	FY2023 (Apr. 1, 2022 to Mar. 31, 2023)
Net assets per share	2,524.13	**2,480.51**
Basic earnings per share	139.85	**70.87**
Diluted earnings per share	137.78	**70.08**

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

Item	FY2022 (Apr. 1, 2021 to Mar. 31, 2022)	FY2023 (Apr. 1, 2022 to Mar. 31, 2023)
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	10,262	**5,161**
Amount not attributable to common shareholders (Millions of yen)	—	**—**
Profit attributable to owners of parent relating to common shares (Millions of yen)	10,262	**5,161**
Average number of common shares for the period under review (Shares)	73,383,614	**72,837,560**
Diluted earnings per share		
Amount of adjustment to profit attributable to owners of parent (Millions of yen)	—	**—**
Number of increased common shares (Shares)	1,101,966	**820,070**
[Subscription rights to shares] (Shares)	(1,101,966)	**(820,070)**
Summary of potential shares not included in diluted earnings per share due to their lack of dilutive effect	—	**—**

21. Significant subsequent events

Repurchase of own shares

At the Board of Directors meeting held on May 12, 2023, MIXI resolved matters relating to repurchase of own shares based on provisions of Article 459, Paragraph 1, Item 1 of the Companies Act.

1. Reason for repurchase of own shares

In order to improve capital efficiency as well as to enhance returns to shareholders

2. Outline of the matters relating to the repurchase

(1) Class of shares to be repurchased: Common shares of MIXI
(2) Total number of shares to be repurchased: Up to 3,750,000 shares (5.14% of the total outstanding shares, other than treasury shares)
(3) Total share repurchase cost: Up to ¥7,500 million
(4) Repurchase period: From May 15, 2023 to March 31, 2024
(5) Repurchase method: Market purchases on the Tokyo Stock Exchange

Consolidated Supplementary Schedules

[Schedule of bonds]
There is no relevant information.

[Schedule of borrowings and others]

Classification	As of April 1, 2022 (Millions of yen)	As of March 31, 2023 (Millions of yen)	Average interest rate (%)	Deadline for repayment
Short-term borrowings	645	912	0.61	—
Current portion of lease obligations	18	14	—	—
Long-term borrowings (excluding current portion)	7,477	6,873	0.73	From April 2024 to January 2041
Lease obligations (excluding current portion)	15	—	—	—
Total	8,155	7,800	—	—

(Notes) 1. "Average interest rate" is the weighted average interest rate on the balance of borrowings at end of period.
2. For those with a floating interest rate, the interest rate as of March 31, 2023 is used.
3. 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.
4. Scheduled repayment amounts of long-term borrowings (excluding current portion) after the consolidated balance sheet date are as follows:

(Millions of yen)

Classification	More than 1 year and less than 2 years	More than 2 years and less than 3 years	More than 3 years and less than 4 years	More than 4 years and less than 5 years	More than 5 years
Long-term borrowings	532	525	1,840	351	3,623

[Schedule of asset retirement obligations]
The schedule of asset retirement obligations is omitted as the items to be stated in this schedule are stated as notes provided for in Article 15-23 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

Other

Quarterly financial information and others for the current consolidated fiscal year

(Cumulative period)	1Q of FY2023	2Q of FY2023	3Q of FY2023	FY2023
Net sales (Millions of yen)	31,022	65,734	104,802	146,867
Income before income taxes (Millions of yen)	5,326	4,046	6,395	11,254
Profit attributable to owners of parent (Millions of yen)	3,524	1,960	2,020	5,161
Basic earnings per share (Yen)	48.57	26.96	27.76	70.87

(Accounting period)	1Q of FY2023	2Q of FY2023	3Q of FY2023	4Q of FY2023
Basic earnings per share (Yen)	48.57	(21.44)	0.82	43.05

FINANCIAL STATEMENTS

Balance Sheets

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Assets		
Currenat assets		
Cash and deposits	99,779	**100,193**
Accounts receivable — trade (Note 5 (*1))	8,371	**10,873**
Operational investment securities	8,768	**11,834**
Merchandise	599	**318**
Advance payments — trade (Note 5 (*1))	238	**35**
Prepaid expenses (Note 5 (*1))	2,497	**1,835**
Consumption taxes receivable	288	**—**
Other (Note 5 (*1))	12,674	**12,045**
Allowance for doubtful accounts	(236)	**(34)**
Total current assets	132,981	**137,102**
Nown-current assets		
Property, plant and equipment		
Buildings	4,802	**4,745**
Accumulated depreciation	(543)	**(745)**
Buildings, net	4,258	**4,000**
Tools, furniture and fixtures	5,220	**5,418**
Accumulated depreciation	(3,182)	**(3,756)**
Tools, furniture and fixtures, net	2,038	**1,662**
Construction in progress	18	**5**
Other	2	**0**
Accumulated depreciation	(0)	**(0)**
Other, net	1	**0**
Total property, plant and equipment	6,316	**5,668**

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Liabilities		
Current liabilities		
Accounts payable — other (Note 5 (*1))	8,713	**10,703**
Accrued expenses	11	**8**
Income taxes payable	1,946	**4,066**
Accrued consumption taxes	—	**1,134**
Contract liabilities	1,168	**1,301**
Deposits received	3,385	**3,092**
Provision for bonuses	1,338	**2,733**
Provision for point card certificates	62	**30**
Other	0	**49**
Total current liabilities	16,626	**23,122**
Non-current liabilities		
Asset retirement obligations	24	**—**
Long-term accounts payable — other	588	**173**
Other	0	**1**
Total non-current liabilities	613	**174**
Total liabilities	17,240	**23,297**
Net assets		
Shareholders' equity		

Intangible assets		
Software	325	**249**
Other	540	**89**
Total intangible assets	866	**338**
Investments and other assets		
Shares of subsidiaries and associates	39,137	**34,794**
Bonds of subsidiaries and associates	1,333	**2,666**
Investments in capital	11	**111**
Investments in capital of subsidiaries and associates	8,184	**10,004**
Long-term loans receivable from subsidiaries and associates (Note 5 (*1))	4,104	**5,303**
Claims provable in bankruptcy, claims provable in rehabilitation and other	1	**2**
Long-term prepaid expenses	1,814	**1,466**
Deferred tax assets	5,579	**6,973**
Lease and guarantee deposits	3,297	**3,274**
Other (Note 5 (*1))	75	**49**
Allowance for doubtful accounts	(3,234)	**(1,586)**
Total investments and other assets	60,306	**63,061**
Total non-current assets	67,489	**69,068**
Total assets	200,470	**206,171**

Paid-in capital	9,698	**9,698**
Capital surplus		
Legal capital surplus	9,668	**9,668**
Total capital surplus	9,668	**9,668**
Retained earnings		
Other retained earnings		
Reserve for open innovation incentive	2,011	**2,391**
Retained earnings brought forward	178,393	**176,705**
Total retained earnings	180,405	**179,097**
Treasury shares	(18,248)	**(16,900)**
Total shareholders' equity	181,524	**181,564**
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	200	**181**
Total valuation and translation adjustments	200	**181**
Subscription rights to shares	1,506	**1,127**
Total net assets	183,230	**182,873**
Total liabilities and net assets	200,470	**206,171**

Statements of Income

(Millions of yen)

	FY2022 (Apr. 1, 2021 to Mar. 31, 2022)	**FY2023 (Apr. 1, 2022 to Mar. 31, 2023)**
Net sales	102,598	**118,617**
Cost of sales	21,693	**25,196**
Gross profit	80,905	**93,421**
SG&A expenses (Note 6 (*1))	64,182	**67,372**
Operating income	16,722	**26,048**
Non-operating income		
Interest income	38	**43**
Foreign exchange gains	79	**11**
Gain on adjustment of account payable	5	**—**
Sponsorship money income	43	**33**
Outsourcing service income from subsidiaries and associates	—	**24**
Other	96	**79**
Total non-operating income	263	**192**
Non-operating expenses		
Loss on investments in partnership	130	**621**
Commission fee	22	**0**
Other	6	**40**
Total non-operating expenses	159	**662**
Ordinary income	16,827	**25,579**
Extraordinary income		
Gain on sales of non-current assets	—	**0**
Reversal of allowance for doubtful accounts (Note 6 (*2))	—	**1,074**
Other	0	**1**
Total extraordinary income	0	**1,075**
Extraordinary losses		
Loss on sales and retirement of non-current assets (Note 6 (*3))	64	**13**
Impairment loss	—	**396**
Loss on valuation of shares of subsidiaries and associates (Note 6 (*4))	872	**6,295**
Provision of allowance for doubtful accounts (Note 6 (*5))	2,456	**—**
Cancellation penalty (Note 6 (*6))	190	**—**

Loss on withdrawal from business (Note 6 (*7))	—	**7,530**
Other	—	**20**
Total extraordinary losses	3,584	**14,256**
Income before income taxes	13,243	**12,398**
Income taxes — current	5,068	**6,307**
Income taxes — deferred	(124)	**(1,385)**
Total income taxes	4,943	**4,922**
Period net income	8,299	**7,476**

Cost of Sales Statements

	FY2022 (Apr. 1, 2021 to Mar. 31, 2022)		**wwFY2023 (Apr. 1, 2022 to Mar. 31, 2023)**	
Classification	Amount (Millions of yen)	Composition ratio (%)	**Amount (Millions of yen)**	**Composition ratio (%)**
(I) Labor cost	3,426	17.6	**4,356**	**17.8**
(II) Costs*1	16,063	82.4	**20,065**	**82.2**
Total manufacturing costs	19,490	100.0	**24,422**	**100.0**
Beginning goods	127		**599**	
Cost of purchased goods	1,039		**493**	
Total	20,657		**25,515**	
Ending goods	599		**318**	
Cost of sales	20,058		**25,196**	

*1. Major breakdown of costs is as follows:

(Millions of yen)

Item	FY2022 (Apr. 1, 2021 to Mar. 31, 2022)	**FY2023 (Apr. 1, 2022 to Mar. 31, 2023)**
Subcontract expenses	13,563	**16,733**
Rent expenses	1,841	**1,946**
Content expenses	91	**48**
Depreciation	248	**207**

Statements of Changes in Shareholders' Equity

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity						
		Capital surplus			Retained earnings		
					Other retained earnings		
	Paid-in capital	Legal capital surplus	Other capital surplus	Total capital surplus	Reserve for open innovation incentive	Retained earnings brought forward	Total retained earnings
Balance at beginning of period	9,698	9,668	—	9,668	138	179,459	179,597
Cumulative effects of changes in accounting policies						667	667
Restated balance	9,698	9,668	—	9,668	138	180,126	180,264
Changes of items during period							
Dividends of surplus						(8,135)	(8,135)
Period net income						8,299	8,299
Purchase of treasury shares							
Disposal of treasury shares			(23)	(23)			—
Provision of reserve for open innovation incentive					1,873	(1,873)	—
Transfer to capital surplus from retained earnings			23	23		(23)	(23)
Net changes of items other than shareholders' equity							
Total changes of items during period	—	—	—	—	1,873	(1,733)	140
Balance at end of period	9,698	9,668	—	9,668	2,011	178,393	180,405

	Shareholders' equity		Valuation and translation adjustments			
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
Balance at beginning of period	(10,811)	188,153	525	525	1,281	189,960
Cumulative effects of changes in accounting policies		667				667
Restated balance	(10,811)	188,821	525	525	1,281	190,627
Changes of items during period						
Dividends of surplus		(8,135)				(8,135)
Period net income		8,299				8,299
Purchase of treasury shares	(7,499)	(7,499)				(7,499)
Disposal of treasury shares	62	38				38
Provision of reserve for open innovation incentive		—				—
Transfer to capital surplus from retained earnings		—				—
Net changes of items other than shareholders' equity		—	(325)	(325)	224	(100)
Total changes of items during period	(7,437)	(7,296)	(325)	(325)	224	(7,397)
Balance at end of period	(18,248)	181,524	200	200	1,506	183,230

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity						
		Capital surplus			Retained earnings		
					Other retained earnings		
	Paid-in capital	Legal capital surplus	Other capital surplus	Total capital surplus	Reserve for open innovation incentive	Retained earnings brought forward	Total retained earnings
Balance at beginning of period	**9,698**	**9,668**	**—**	**9,668**	**2,011**	**178,393**	**180,405**
Cumulative effects of changes in accounting policies							
Restated balance	**9,698**	**9,668**	**—**	**9,668**	**2,011**	**178,393**	**180,405**
Changes of items during period							
Dividends of surplus						**(8,001)**	**(8,001)**
Period net income						**7,476**	**7,476**
Purchase of treasury shares							
Disposal of treasury shares			**(782)**	**(782)**			
Provision of reserve for open innovation incentive					**379**	**(379)**	
Transfer to capital surplus from retained earnings			**782**	**782**		**(782)**	**(782)**
Net changes of items other than shareholders' equity							
Total changes of items during period	**—**	**—**	**—**	**—**	**379**	**(1,687)**	**(1,307)**
Balance at end of period	**9,698**	**9,668**	**—**	**9,668**	**2,391**	**176,705**	**179,097**

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	**(18,248)**	**181,524**	**200**	**200**	**1,506**	**183,230**
Cumulative effects of changes in accounting policies						**—**
Restated balance	**(18,248)**	**181,524**	**200**	**200**	**1,506**	**183,230**
Changes of items during period						
Dividends of surplus		**(8,001)**				**(8,001)**
Period net income		**7,476**				**7,476**
Purchase of treasury shares	**(0)**	**(0)**				**(0)**
Disposal of treasury shares	**1,348**	**566**				**566**
Provision of reserve for open innovation incentive		**—**				**—**
Transfer to capital surplus from retained earnings		**—**				**—**
Net changes of items other than shareholders' equity		**—**	**(18)**	**(18)**	**(378)**	**(397)**
Total changes of items during period	**1,348**	**40**	**(18)**	**(18)**	**(378)**	**(356)**
Balance at end of period	**(16,900)**	**181,564**	**181**	**181**	**1,127**	**182,873**

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

Securities other than shares, etc. without market value

Stated at market value (all valuation gains or losses are treated as a component of net assets, with the cost of securities sold calculated according to the moving-average method).

Shares, etc. 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).

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:	8 to 50 years
Tools, furniture and fixtures:	2 to 15 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 and assuming no residual value, is applied.

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) Allowance for doubtful accounts

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

(2) Provision for bonuses

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

6. Accounting standards for revenue and expenses

The Company recognizes revenue based on the following five-step model.

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

The Company is mainly engaged in the operation of services for smart device games *MONSTER STRIKE* and *Kotodaman* in the Digital Entertainment Business, the operation of sports betting service *TIPSTAR* in the Sports Business, and the operation of services for FamilyAlbum, the New Year Cards app *FamilyAlbum New Year Cards*, and a beauty staff direct appointment app *minimo* in the Lifestyle Business.

The revenue recognition standard for each of the major revenue categories is as follows. The amount of variable considerations such as discounts, rebates and returns included in revenue is immaterial. In addition, the amount of considerations promised is generally received within one year and does not include significant financing component.

(1) Operation of services for smart device games such as *MONSTER STRIKE*

The Company operates services for smart device games such as *MONSTER STRIKE*. The Company determines that the performance obligations under contracts with customers are to maintain an environment in which the users can use the characters, etc. Therefore, the Company recognizes revenue over an estimated period of use of characters, etc. obtained by users by consuming the in-game currency "orbs" etc. However, the characters, etc. that users continue to use are limited to those with high rarity, and other characters, etc. are rarely used for a long period of time after acquisition. Therefore, the Company determines that there will be no significant differences between the amount of revenue recognized over an estimated period of use of characters, etc. obtained and the amount of revenue recognized when "orbs" are consumed.

Under the revenue recognition standard, etc., paid "orbs," etc. and free orbs, etc. do not have significant functional differences and are equivalent in value. Therefore, transaction prices are allocated regardless of whether consumed orbs, etc. are paid or free.

(2) Operation of *TIPSTAR*, a sports betting service

The Company provides online voting systems to users through the use of *TIPSTAR*, a sports betting service. Revenue related to them is recognized on the day when a race is finished, as performance obligations are deemed to be satisfied when the payout and settlement on betting tickets is completed on the same day after the race is held.

(3) Operation of services for *FamilyAlbum*

The Company provides a monthly service *FamilyAlbum Premium* that allows users to use the app more conveniently and sells photo books, DVDs and other merchandise through the use of *FamilyAlbum*. Revenue related to *FamilyAlbum Premium* is recognized over a contract period, as performance obligations are satisfied over time. With respect to the sale of photo books, DVDs and other merchandise, while performance obligations are deemed to be satisfied when goods are delivered to users, the Company determines that the period from the time of shipment to the time when control of the product is transferred to the customer is a normal period and therefore recognizes revenue at the time of shipment.

(4) Operation of services for the New Year Cards app *FamilyAlbum New Year Cards*

The Company provides a service of creating New Year's cards for printing through the use of the New Year Cards app *FamilyAlbum New Year Cards*. With respect to this service, while performance obligations are deemed to be satisfied by manufacturing New Year's cards for printing according to the order received from a user and delivering them to the user, the Company determines that the period from the time of shipment to the time when control of the product is transferred to the customer is a normal period and therefore recognizes revenue at the time of shipment.

(5) Operation of services for a beauty staff direct appointment app *minimo*

The Company provides a salon reservation support service to users through the use of a beauty staff direct appointment app *minimo*. Revenue related to this service is recognized on the day when a general consumer visits the salon, as performance obligations are deemed to be satisfied when the reservation made by the general consumer at the salon or other listed service provider is fulfilled.

2. Significant accounting estimates

Impairment of operational investment securities, shares of subsidiaries and associates, and bonds of subsidiaries and associates

Operational investment securities, shares of subsidiaries and associates, and bonds of subsidiaries and associates stood at ¥11,834 million, ¥34,794 million, and ¥2,666 million, respectively, as of March 31, 2023. MIXI assesses impairment on unlisted shares of ¥4,034 million of operational investment securities, shares of subsidiaries and associates, and bonds of subsidiaries and associates as described below.

If the net asset value of shares (net assets per share multiplied by the number of shares held) declined approximately 50% or more compared with the acquisition cost, an impairment loss is recognized unless recoverability is supported by sufficient evidence. In the case that shares of a company were purchased at a price higher than the net asset value per share, which can be obtained from financial statements, reflecting excess earning power of the company, if the excess earning power can no longer be expected and if the net asset value reflecting the loss of excess earning power declined approximately 50% or more compared with the acquisition cost, an impairment loss is recognized.

Moreover, a loss that is not reflected in the current book value or unrecoverability of the book value may arise owing to future decline in fair value or poor performance or deterioration of the financial condition of an investee and it may become necessary to recognize an impairment loss.

3. Changes in accounting policies

MIXI applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Guidance") effective from the beginning of the fiscal year ended March 31, 2023, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. The application of the above accounting standard, etc. has no impact on the non-consolidated financial statements.

4. Changes in presentation

MIXI decided to expand the scale of investment in the Investment Business, by strengthening its engagement. In addition, to realize its contribution to MIXI's sustainable growth centered on investment activities, the Investment Business was classified as a separate reportable segment with its designation as a main line of business, effective from the fiscal year ended March 31, 2023.

With regard to gains and losses on securities acquired for the primary purpose of financial return, MIXI previously recorded dividend income in non-operating income, gain or loss on sales of securities in extraordinary income or losses, and loss on valuation of securities in extraordinary losses. As a result of the above change to the Investment Business, however, effective from the fiscal year ended March 31, 2023, the accounting method was changed to state dividend income and proceeds from sales in net sales, and book values, valuation losses, etc. of securities sold in cost of sales. In addition, with regard to gains and losses on investments in investment limited partnerships and similar partnerships, amounts corresponding to equity interests were previously recorded on a net basis in non-operating income or expenses, but effective from the fiscal year ended March 31, 2023, the accounting method was changed to state profits in net sales and losses in cost of sales for each partnership. Securities acquired for the primary purpose of financial return, which were previously included in investments and other assets under non-current assets, are listed as operational investment securities under current assets on the balance sheets effective from the fiscal year ended March 31, 2023. To reflect this change in presentation, the non-consolidated financial statements for the previous fiscal year are reclassified.

Balance sheets

The ¥8,768 million presented in "Investment securities" under "Investments and other assets" in the balance sheet for the fiscal year ended March 31, 2022 is reclassified as "Operational investment securities" under "Current assets."

Statements of income

In the statements of income for the fiscal year ended March 31, 2022, ¥798 million in "Gain on investments in partnership" under "Non-operating income," ¥442 million in "Gain on sales of investment securities" under "Extraordinary income" and ¥1,357 million in "Loss on valuation of investment securities" under "Extraordinary losses" are reclassified, resulting in increases of ¥1,649 million in "Net sales," ¥1,634 million in "Cost of sales" and ¥130 million in "Loss on investments in partnership" under "Non-operating expenses."

5. Balance sheets

*1. Monetary receivables and payables in relation to subsidiaries and associates

(Millions of yen)

	FY2022 (Apr. 1, 2021 to Mar. 31, 2022)	**FY2023** **(Apr. 1, 2022 to Mar. 31, 2023)**
Short-term monetary receivables	7,933	**6,756**
Long-term monetary receivables	5,513	**5,775**
Short-term monetary payables	2,422	**2,408**

*2. Guarantee obligation

(Millions of yen)

	FY2022 (Apr. 1, 2021 to Mar. 31, 2022)	**FY2023 (Apr. 1, 2022 to Mar. 31, 2023)**
Commitment to guarantee for borrowings from financial institutions		
Chariloto Co., Ltd.	5,658	**5,366**
Joint and several guarantees on trade payables		
SFIDANTE Inc. (Note)	1,200	**1,200**
CONNECTIT Inc. (Note)	—	**530**

(Note) The total amount of joint and several guarantees is stated.

In addition to the above, MIXI has concluded a guarantee contract with a government authority that promises to maintain the bank guarantee for an affiliated company at a specified level in MIXI's overseas business.

6. Statements of income

*1. Approximate ratio of selling expenses to SG&A expenses was 67.8% and 69.7% for the previous fiscal year and the current fiscal year, respectively. Approximate ratio of general and administrative expenses to SG&A expenses was 32.2% and 30.3% for the previous fiscal year and the current fiscal year, respectively

Major components and amounts of SG&A expenses are as follows:

(Millions of yen)

	FY2022 (Apr. 1, 2021 to Mar. 31, 2022)	**FY2023 (Apr. 1, 2022 to Mar. 31, 2023)**
Advertising expenses	16,367	**15,452**
Settlement fees	27,057	**31,368**

*2. Reversal of allowance for doubtful accounts
For the fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Refers to a reversal due to an increase in the estimated recoverable amount of receivables from PIST6 Inc.

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

(Millions of yen)

	FY2022 (Apr. 1, 2021 to Mar. 31, 2022)	**FY2023 (Apr. 1, 2022 to Mar. 31, 2023)**
Buildings	2	**0**
Tools, furniture and fixtures	59	**6**
Software	3	**7**
Total	64	**13**

*4. Loss on valuation of shares of subsidiaries and associates
For the fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)
These items are related to investments in, and loans to, Music Securities, Inc., XPocke, Inc., and PIST6 Inc., whose financial status deteriorated.

For the fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
These items are related to investments in, and loans to bitbank, inc. and BS YOSHIMOTO CO., LTD., whose financial status deteriorated.

*5. Provision of allowance for doubtful accounts
For the fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)
These items are related to investments in, and loans to, PIST6 Inc., whose financial status deteriorated.

*6. Cancellation penalty
For the fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)
¥190 million of cancellation penalty that arose from the suspension of new product developments was reported under extraordinary losses.

*7. Loss on withdrawal from business
For the fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
¥7,530 million of loss on withdrawal from business that arose from the suspension of new product developments was reported under extraordinary losses.

7. Securities

Shares of subsidiaries and associates
For the fiscal year ended March 31, 2022 (as of March 31, 2022)
Fair value of shares of subsidiaries and associates is not presented as market value is not available.
Balance sheet amounts of shares of subsidiaries and associates whose fair values are not available are as follows:

(Millions of yen)

Classification	FY2022 (As of March 31, 2022)
Shares of subsidiaries	28,238
Shares of associates	10,898
Investments in capital of subsidiaries	8,184
Total	47,321

For the fiscal year ended March 31, 2023 (as of March 31, 2023)

(Millions of yen)

Classification	Balance sheet amount	Fair value	Difference
Shares of associates	1,898	1,880	(18)

(Note) Balance sheet amounts of shares of subsidiaries and associates without market value that are not included in the above table are as follows:

(Millions of yen)

Classification	**FY2023 (As of March 31, 2023)**
Shares of subsidiaries	**28,292**
Shares of associates	**4,603**
Investments in capital of subsidiaries	**10,004**
Total	**42,900**

8. Tax effect accounting

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

(Millions of yen)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Deferred tax assets:		
Software	4,031	**4,621**
Operational investment securities	734	**614**
Shares of subsidiaries and associates	246	**2,089**
Allowance for doubtful accounts	1,062	**496**
Accounts payable — other	634	**1,157**
Enterprise tax payable	161	**207**
Rent expenses on land and buildings	307	**180**
Provision for bonuses	409	**837**
Subscription rights to shares	461	**345**
Contract liabilities	129	**141**
Other	253	**255**
Subtotal of deferred tax assets	8,432	**10,945**
Valuation allowance	(2,765)	**(3,892)**
Total deferred tax assets	5,667	**7,053**
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(88)	**(79)**
Total deferred tax liabilities	(88)	**(79)**
Net deferred tax assets	5,579	**6,973**

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

(%)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Statutory tax rate	30.6	**30.6**
(Adjustment)		
Entertainment and other non-deductible expenses	0.2	**0.1**
Dividend and other non-taxable income	—	**(0.1)**
Recognition of donations	0.8	**2.0**
Income taxes due to amended tax returns	0.8	**(0.6)**
Tax deduction under the open innovation promotion tax program	(4.0)	**(0.9)**
Tax deduction	(0.6)	**(0.1)**
Valuation allowance	10.5	**9.1**
Other	(1.0)	**(0.3)**
Effective tax rate of income taxes and others after application of tax effect accounting	37.3	**39.7**

(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, notes for the fiscal year ended March 31, 2021 are omitted.

9. Business combinations

As this contains the same information stated under “Notes to Consolidated Financial Statements (Business combinations),” the note is omitted.

10. Revenue recognition

As this contains the same information stated under “Notes to Consolidated Financial Statements (Revenue recognition),” the information is omitted.

11. Significant subsequent events

Repurchase of own shares

At the Board of Directors meeting held on May 12, 2023, MIXI resolved matters relating to repurchase of own shares based on provisions of Article 459, Paragraph 1, Item 1 of the Companies Act.

1. Reason for repurchase of own shares
In order to improve capital efficiency as well as to enhance returns to shareholders

2. Outline of the matters relating to the repurchase
(1) Class of shares to be repurchased: Common shares of MIXI
(2) Total number of shares to be repurchased: Up to 3,750,000 shares (5.14% of the total outstanding shares, other than treasury shares)
(3) Total share repurchase cost: Up to ¥7,500 million
(4) Repurchase period: From May 15, 2023 to March 31, 2024
(5) Repurchase method: Market purchases on the Tokyo Stock Exchange

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, 2023	Amount of depreciation	Difference at end of period
Property, plant and equipment							
Buildings	4,802	22	78 (2)	4,745	745	277	4,000
Tools, furniture and fixtures	5,220	623	425 (131)	5,418	3,756	833	1,662
Construction in progress	18	24	37 (—)	5	—	—	5
Other	2	1	3 (1)	0	0	1	0
Total property, plant and equipment	10,043	672	544 (135)	10,170	4,501	1,112	5,668
Intangible assets							
Software	622	54	34 (3)	642	393	118	249
Other	1,103	33	278 (257)	858	768	205	89
Total intangible assets	1,726	87	313 (260)	1,500	1,162	324	338

(Notes) 1. Major components of the increase during the period are as follows:
Tools, furniture and fixtures: Purchase of additional PCs (¥259 million)
Tools, furniture and fixtures: Expansion and replacement of servers (¥132 million)
2. Major components of the decrease during the period are as follows:
Tools, furniture and fixtures: Transfer and retirement of PCs (¥136 million)
3. Figures in parentheses of the decrease during the period column represent the amount of impairment loss recognized, which is included in the amount of the decrease indicated above.

(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	3,471	72	802	1,120	1,620
Provision for bonuses	1,338	2,733	1,338	—	2,733
Provision for point card certificates	62	2,172	2,204	—	30

(Note) Decrease during the period (other) of allowance for doubtful accounts includes reversed amount of ¥1,120 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.

SUMMARY OF IR ACTIVITIES

Investor relations (IR) activities

In order to engage shareholders and investors in active dialogue, we hold a financial results briefing session for securities analysts and institutional investors after each quarterly financial results announcement. Committed to making disclosures that are fair to all investors, we quickly post meeting materials and videos to our website. We also engage in dialogue with investors in Japan and abroad through means such as web conferencing and teleconferencing.

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

Going forward, we will continue to conduct IR activities that focus on the medium to long term while strengthening engagement and valuing dialogue with shareholders and investors with the aim of achieving sustainable growth in corporate value.

Principal IR activities in FY2023

Details	Annual frequency
Meetings and conference calls with domestic investors	135
Meetings and conference calls with overseas investors	31
Small-scale Q&A sessions with securities analysts and institutional investors	2
Financial results briefing sessions for securities analysts and institutional investors	4

Note: "Domestic investors" are investors with an office in Japan. All other investors are regarded as "overseas investors."

INVESTOR INFORMATION

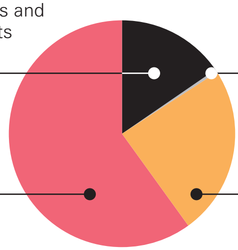
(As of March 31, 2023)

Corporate information

Company name	MIXI, Inc.
Representative	Koki Kimura, President and Representative Director
Establishment	June 3, 1999
Paid-in capital	¥9,698 million
Head office	36F, Shibuya Scramble Square, 2-24-12 Shibuya, Shibuya-ku, Tokyo 150-6136, Japan
Number of employees	1,556 (consolidated, full-time only)
Group companies	Chariloto Co., Ltd. Net Dreamers Co., Ltd. Chiba Jets Funabashi Co., Ltd. TOKYO FOOTBALL CLUB Co., Ltd. SFIDANTE Inc. MIXI RECRUITMENT, Inc. MIXI EMPOWERMENT, Inc.
Corporate website	http://mixi.co.jp/en
Stock exchange listing	Prime Market, Tokyo Stock Exchange
Securities code	2121
Fiscal year-end	March 31
Annual Ordinary General Meeting of Shareholders	June
Independent public accountants	PricewaterhouseCoopers Aarata LLC
Total number of shares	Authorized: 264,000,000 shares Issued: 78,230,850 shares
Number of shareholders	20,457
Stock transfer agent	Sumitomo Mitsui Trust Bank, Limited

Breakdown of shareholders by type

(Number of shares per unit: 100 shares)



Financial institutions and financial instruments brokers: 15.44%, 120,734 shares

Other corporations: 0.32%, 2,485 shares

Individuals and others: 60.06%, 469,652 shares

Foreign corporations: 24.18%, 189,120 shares

Principal shareholders (as of March 31, 2023)

Name	Number of shares held	Percentage of total
Kenji Kasahara	33,001,900	45.22
The Master Trust Bank of Japan, Ltd. (trust account)	6,649,200	9.11
THE BANK OF NEW YORK MELLON 140051 (standing proxy: Mizuho Bank, Ltd.)	3,412,800	4.68
Custody Bank of Japan, Ltd. (trust account)	2,132,200	2.92
THE BANK OF NEW YORK 133612 (standing proxy: Mizuho Bank, Ltd.)	1,609,800	2.21

Note: The Company has 5,257,825 treasury shares. As these shares carry no voting rights, they are omitted from the principal shareholders above and subtracted from calculations for the percentage of total.

IR web page

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

Connection with meaning.