mixi group annual report 2021

mixi
GROUP

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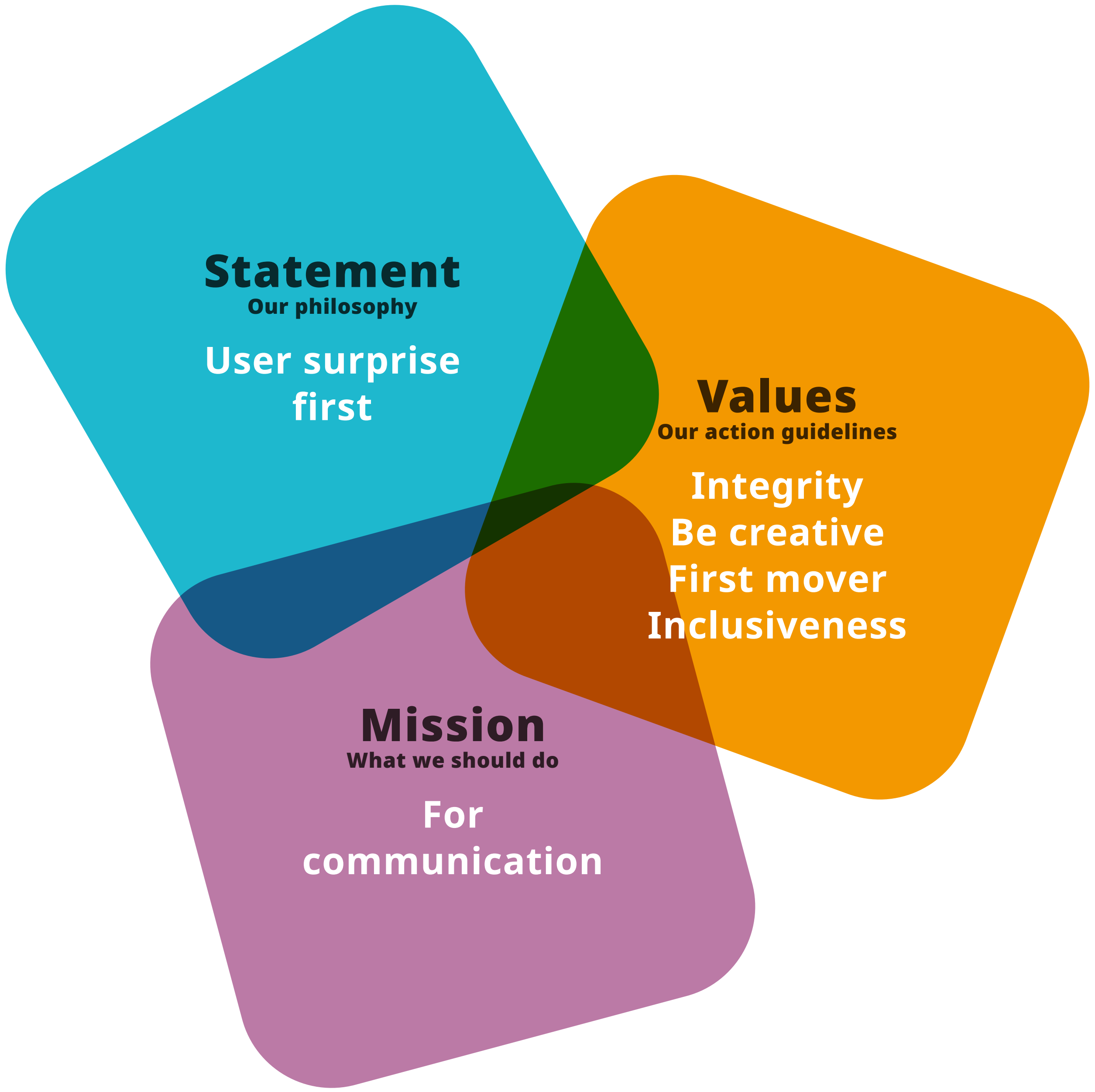
Disclaimer Regarding Future-Oriented Statements
This report contains future-oriented statements concerning plans, predictions, projections, strategies, and operating results. These future-oriented statements reflect management assumptions based on information available to management as of the date of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

Note: The content of this report is based on mixi Group's consolidated results for fiscal year 2021, ended March 31, 2021. However, some information is from April 2021 or later.

mixi Group's Corporate Philosophy

We aim to always respond sincerely to the feelings and requests of the users of our services and to provide value that exceeds users' imagination and expectations through communication services.

To make the world more vibrant through communication: This is mixi Group's mission.



mixi Group's Approach to Value Creation

Technical innovations in IT, such as AI, are occurring at a rapid pace. As such, there is even greater demand for interpersonal communication and the creation of culture that can inspire deeper human connections.

mixi Group deeply values the act of people coming together and connecting, and stands at the center of this interaction by providing opportunities for communication.

mixi's goal is to give opportunities for people to laugh together and be happy. We aim to create "new culture" through the power of technology. Our services, which continue to change the way people communicate, have become intertwined with people's lives throughout the world and will continue to grow with and support this new culture.

In our medium-term management policy, we aim to create entertainment that friends and family can enjoy together by refining our technology and expertise to provide opportunities for communication that create deeper human connections. Guided by our philosophy of "user surprise first," we will enrich communication throughout the world by creating entertainment that amazes people and expanding our business based on people gathering to have fun and share experiences.

Sources of Value

Manufacturing capital

Ability to create and manage IPs and content that enrich communication

- Wide range of technical human resources (planners, engineers, designers, creators) 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 business foundation that supports 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 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 culture dedicated to the goal of "user surprise first"
- Support system for the diverse activities and workstyles of our human resources
- Framework and system that enable each individual to take on challenges

Social and relationship capital

A passionate user base

- Our users use our services as a way to gather and have fun (game apps, publicly-managed betting sports-related apps, 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 keirin stadium and sports team management

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 cash equivalents of approximately ¥150 billion
- A high equity ratio of 83.2% (as of March 31, 2021)

Medium-term management policy

Enriching global communication through the combination of entertainment and technology

Business Models

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

- 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

- 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

- Project development based on unique service positioning
- Design that encourages the exponential growth of services
- Service planning that embodies "user surprise first"

mixi GROUP

Creating new culture through communication that creates deeper human connections

Business Domains

Sports Segment

TIPSTAR, netkeirin, チャリロト, CHIBAJETS, netkeiba.com, Unlim Sports Gifting

Lifestyle Segment

FamilyAlbum, mixi, SFIDANTE, FINDJOB!, minimo

Digital Entertainment Segment

MONSTER STRIKE, コトダマン, Disney STAR SMASH

Value Created

Manufacturing 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

Enriching global communication through the combination of entertainment and technology

Social and relationship 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

Management Foundation for Supporting Sustainable Growth / ESG Management

▶ P. 22

- Corporate Governance ▶ P. 29
- Risk Management ▶ P. 37

mixi Group's History

milestones

- Sports Segment
- Digital Entertainment Segment
- Lifestyle Segment
- Corporate Action

Nov. 1997
Official launch of the job search website *Find Job!*

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

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

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

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 photo book creation service provider nohana, Inc. established as a consolidated subsidiary

Oct. 2013
Official launch of the mobile game *Monster Strike*

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

Jan. 2014
Official launch of the direct salon staff booking app *minimo*

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

Apr. 2015
Official launch of *FamilyAlbum*

Sept. 2015
Monster Strike takes the No. 1 spot* for the first time in the sales ranking

* "App Annie Worldwide Index" games sales ranking

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

July 2018
All shares of Diverse, Inc. are transferred

Feb. 2019
All shares of online keirin betting ticket service provider Chariloto Co., Ltd. are acquired, making it a subsidiary

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

June 2019
All shares of photo printing business SFIDANTE Inc. are acquired, making it a subsidiary

Oct. 2019
All shares of Chiba Jets Funabashi Co., Ltd., the operator of the Chiba Jets professional basketball team, are acquired, making it a subsidiary

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

Oct. 2019
Launch of *FamilyAlbum New Year Cards* (officially *Mitene Nengajo* in Japanese), a service for creating traditional Japanese New Year greeting cards with photos

Nov. 2019
All shares of Net Dreamers Co., Ltd., the owner of keirin media site netkeiba.com, are acquired, making it a subsidiary

Feb. 2020
Athlete Flag Foundation established and sports gifting service *Unlim* is released

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

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

Dec. 2020
Official launch of the keirin media site netkeirin

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

Mar. 2021
Private family photo and video sharing app, *FamilyAlbum*, surpasses 10 million users

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

Apr. 2021
Official launch of *Fansta*, a service that allows fans to search for food and drink venues ideal for sports viewing

Apr. 2021
Monster Strike surpasses 55 million users

mixi Group's Business Domains

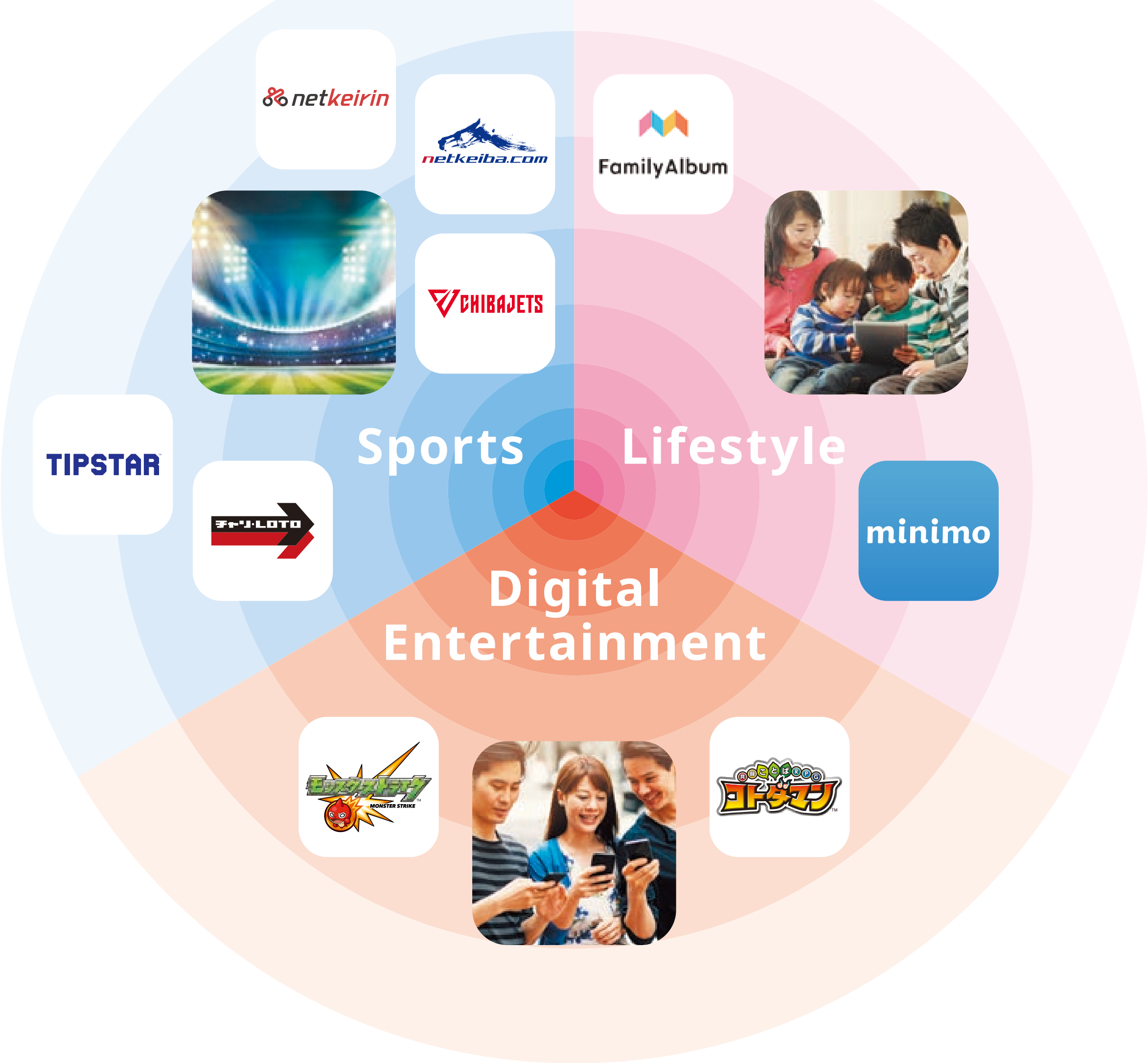
Aiming to create services that enrich global communication through the combination of entertainment and technology

mixi Group develops and provides a diverse range of services that encourage communication between users and the friends and family members that they are close to. We are currently engaging in business in the three segments of Sports, Lifestyle, and Digital Entertainment.
The business details of each segment are outlined as follows.

Sports: Management of professional sports teams and business development related to publicly-managed betting sports

Lifestyle: Provision of lifestyle-focused services for Internet users

Digital Entertainment: Provision of games with a focus on smartphone games

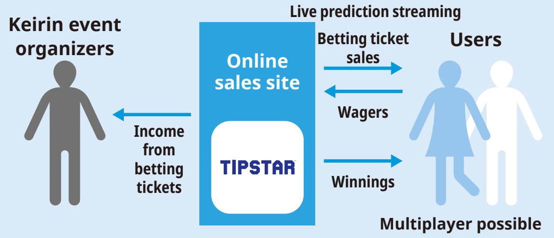


Business Models of Our Main Services

Sports Segment

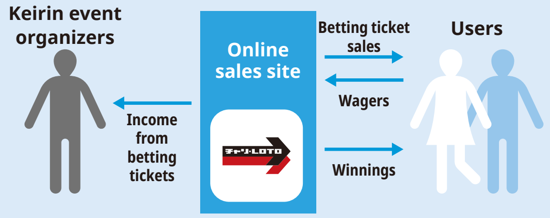
TIPSTAR

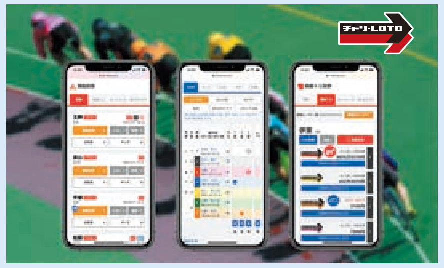
TIPSTAR service overview



TIPSTAR is a sports betting service for keirin and auto racing that allows users to watch live races, enjoy online betting, and listen to predictions by streamers. In addition to allowing users to make paid bets via the in-game currency "TIP Money," users can bet on races completely free of charge by using "TIP medals." It is the only betting service in Japan in which users can enjoy betting together with their friends, and it boasts high entertainment value with features such as "mirror betting," which lets users place bets that match the predictions of the presenters or other users.

Chariloto service overview

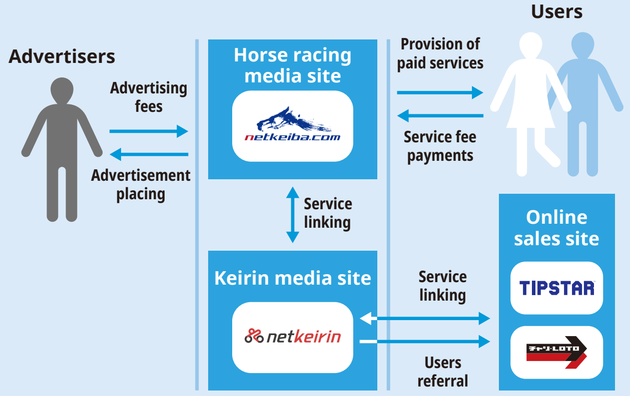




Aside from operating "chariloto.com," an online sales site for keirin and auto racing, Chariloto operates outlets for purchasing betting tickets in physical locations called "Chariloto Plaza," and as of August 2021, there are 31 locations throughout Japan such as keirin stadiums and their external betting ticket sales buildings. By utilizing the expertise gained through these operations, Chariloto has been able to achieve stable earnings as the overall business operator of Tamano Velodrome and Takamatsu Velodrome, and as the owner and operator of Toyama Velodrome and Ito Onsen Velodrome. In addition, by using these facilities as bases for entertainment, Chariloto will continue to boost its presence in the keirin market while engaging in regional revitalization.

netkeiba.com netkeirin

Overview of netkeiba.com and netkeirin services

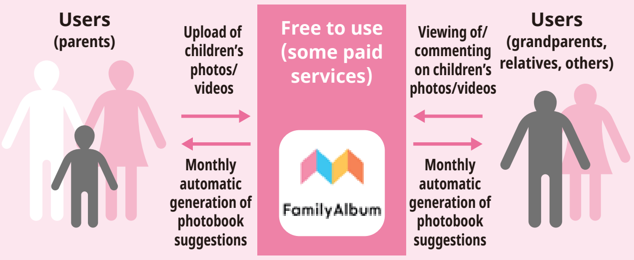


netkeiba.com has been in operation since 1999, and is currently one of the largest websites for horse racing in Japan. With monthly users surpassing 13 million, it has a wide range of content including the latest race information and a data base of racehorses and jockeys. Via the paid premium membership 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.

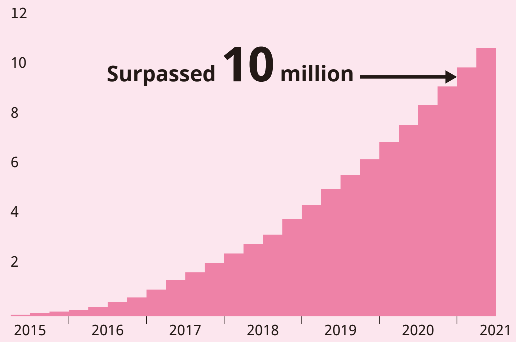
Lifestyle Segment

FamilyAlbum

FamilyAlbum, private family photo and video sharing app



Cumulative number of users of *FamilyAlbum*
(Millions of users)



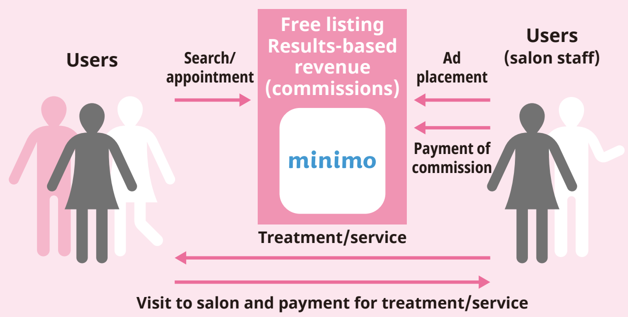
This app helps parents share photos and videos of their children in real time while keeping it all in the family. It is well received for being free to use, offering unlimited storage, and facilitating fun communication among family members. The service was launched in April 2015 in Japan, with English support starting in July 2017. The service is currently offered in seven languages and has surpassed 10 million users in March 2021.

Steadily improving profitability

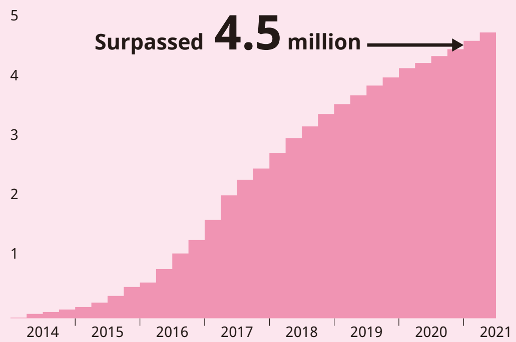
In April 2019, we launched a premium service with monthly subscription fee that offers more features than the traditional service. In June 2019, we acquired SFIDANTE Inc., which engages in the smartphone photo printing business, making it a subsidiary, and using its expertise we began providing *FamilyAlbum 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 called *OKURU* to provide services where photographs on *FamilyAlbum* can be used for gifts. These include gift services for Mother's Day and Father's Day, as well as an e-commerce service for children's gifts. 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)

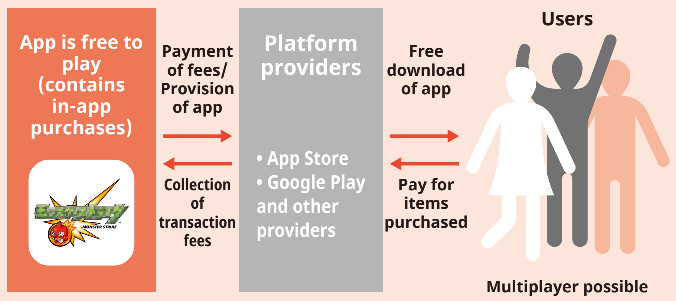


This app, launched in January 2014, allows customers to book appointments directly with individual salon staff such as hairstylists, nail artists, and eye makeup artists 24 hours a day. Ignoring the convention of booking appointments for a salon, *minimo* allows customers to choose and book salon staff 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 4.5 million downloads in December 2020.

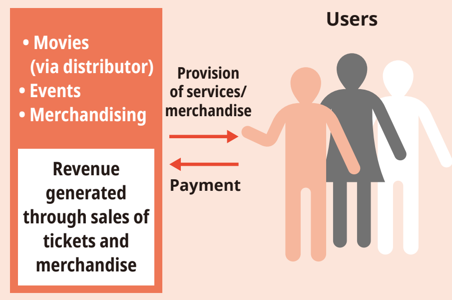
Digital Entertainment Segment

MONSTER STRIKE

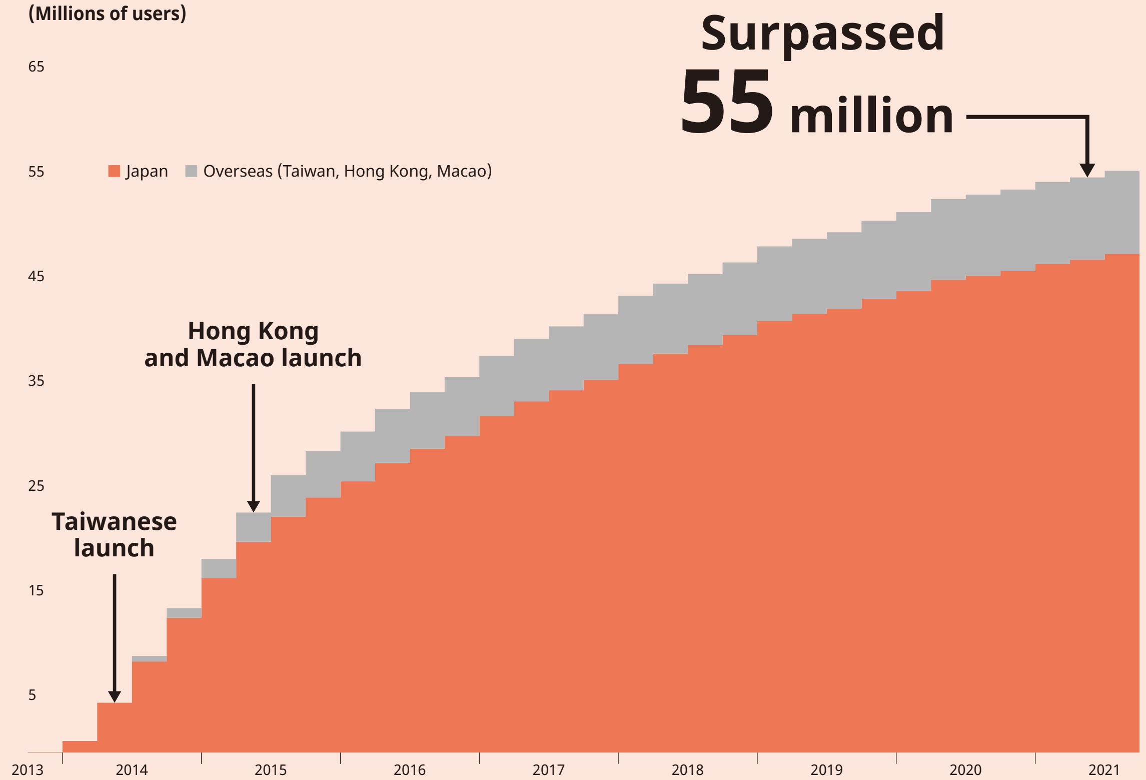
***Monster Strike*, hunting action role-playing game (RPG)**



***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 on 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 55 million downloads in April 2021.

Creating new culture by enriching customer communication

To Our Stakeholders

challenge

Providing the value of communication to a global society

mixi Group's medium-term management policy calls for "enriching global communication through the combination of entertainment and technology." With this in mind, we aim to create services that will amaze users, making them want to share their excitement with others. Our focus on the entertainment field stems from the belief that we can provide richer experiences for users by allowing them to share the excitement and enjoyment of game and sports content with each other.

Technical innovations are occurring in areas of IT such as AI at a rapid pace. Consequently, there is now even greater demand for communication and the creation of culture that can inspire deeper human connections. Like the oxygen that sustains us, without communication we cannot continue our lives, and the value we provide as a business lies in this indispensable form of interaction.

Communication needs were made immediately evident as a result of the COVID-19 pandemic, with the pandemic's restrictions bringing an increasing demand for entertainment as a means to clear away emotional exhaustion.

By laying a firm foundation now, we can contribute to considerable growth in the Group's future.

Koki Kimura
President and Representative Director
mixi, Inc.

Increased sales and earnings for the first time in five years in FY2021

In fiscal year 2021, we achieved an increase in sales and earnings for the first time in five years, with earnings significantly exceeding the revised results forecast.

The sales increase in the Sports segment was a result of sales growth within Chariloto Co., Ltd., and Net Dreamers Co., Ltd., which became consolidated subsidiaries last fiscal year, as well as sales from *TIPSTAR,* our new sports betting service that allows friends to bet together in real time. The Group is poised for further growth, expanding the ways in which friends can enjoy watching sports together. We are engaging in a variety of different initiatives, including *TIPSTAR*'s collaboration with comprehensive keirin media provider netkeirin, forming a capital and business alliance with English-style pub operator HUB CO., LTD., and becoming a sales agent for sports streaming service DAZN.

Multiplayer sports betting service *TIPSTAR*

In the Lifestyle segment, *FamilyAlbum* has performed well. Its number of users has surpassed 10 million, and we are steadily building a platform for expanding its sales. Bookings in *minimo*, our salon artist booking app, have risen dramatically, exceeding those in fiscal year 2020 after a drop at the beginning of the fiscal year due to COVID-19.

In the Digital Entertainment segment, sales greatly exceeded the initial forecast and we achieved a significant increase in earnings by actively engaging in collaborations with intellectual properties (IPs) for *Monster Strike* and *Kotodaman*, as well as streamlining spending on advertising within *Monster Strike*.

Collaboration with the anime *Attack on Titan*

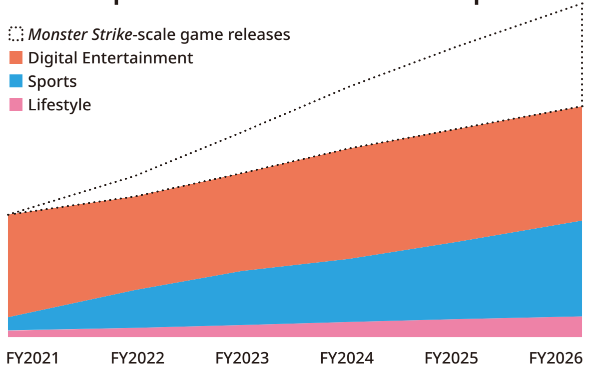
Collaboration with the anime *Neon Genesis Evangelion*

Collaboration with the anime *Demon Slayer: Kimetsu no Yaiba*

Accelerating business growth through M&As focused on synergies

Based on our new medium-term management policy of "enriching global communication through the combination of entertainment and technology," we are working to increase sales while transforming and expanding our business portfolio.

Business portfolio transformation and expansion



In the Sports segment, which we are aiming to position as the Group's second pillar of business, we will engage in aggressive investment and achieve profitability within three years. In publicly-managed betting sports, we will refine our services by enhancing our streaming contents and updating our multiplayer sports betting service *TIPSTAR*. We aim to revitalize keirin, an international sport that originated in Japan. We will achieve this by advancing digital transformation (DX) that utilizes the Group's IT expertise and allows us to develop new fan bases centered on women and young people. In addition, we will continue to provide services that raise the value of hybrid communication by investing in the fusion of real and digital experiences via initiatives such as our operation of keirin stadiums and the construction of arenas for professional sports teams.

In the Lifestyle segment, we are working to diversify our global marketing measures and monetization strategies for *FamilyAlbum*, aiming to capture more users throughout the world and increase its sales. We are also continuing our focus on the autonomous communication robot *Romi*, which was launched in April 2021, aiming to capture a unique position by marketing it as an AI service that is like both a pet and a family member who provides comfort and understanding.

FamilyAlbum Gifts, an e-commerce service for children's gifts that allows families to keep and share special memories

Autonomous communication robot *Romi*

For our *Monster Strike* in our Digital Entertainment segment, we will implement measures to promote the staying power of its IP. We plan to expand the *Monster Strike* ecosystem by releasing spin-off games and creating new game experiences that emulate its core value of being a space to have fun with friends. For new titles, we will aim for a hit on the scale of *Monster Strike* by carefully selecting titles that focus on the Group's strengths of social and simultaneous cooperative (multi) play.

In addition, we are actively investing through M&As and capital participation in deals that bring synergistic growth to our focus business areas. Since the transition to the current management structure in June 2018, we have engaged in M&As with four companies and one business, totaling approximately ¥24 billion and bringing considerable growth to our Group companies and businesses. Furthermore, having launched multiple synergistic businesses such as *TIPSTAR* by combining the assets of each company with our own, we are becoming increasingly confident that we can accelerate business growth by engaging in M&As.

Tapping into the attractive sports market through socialization strategies

Our current focus area is sports. Your team scores, but the other team scores right back. The emotional highs and lows that come with victory and defeat. Like a high five after a tense moment, the feelings that come with sports can never be replaced. The adrenaline-pumping excitement people gain from sports is something that no other entertainment can provide.

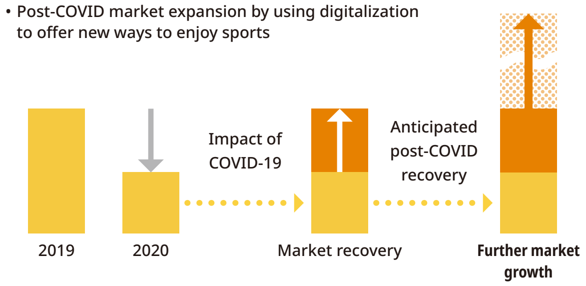
We believe that sports, representing a large-scale market that is highly sustainable and has potential for further growth, is the ideal area in which we can build businesses that will become our future pillars of income.

Our Sports segment is made up of businesses involved in the management of professional teams and businesses associated with publicly-managed betting sports. In the spectator sports market, we can create a post-COVID opportunity by using digitalization to offer new ways of enjoying sports that will stir the excitement of fans. We are currently involved in the management of the B.League team Chiba Jets, as its owner. In the future we intend to enter arena and stadium management, with a vision to create new spaces for communication. The publicly-managed betting sports market has boasted a high growth rate driven by online activity amid the COVID-19 pandemic. As a large market that is set to expand even more in the future due to digitalization, it represents an extremely exciting business environment.

©B.LEAGUE Chiba Jets, the champion at the B.LEAGUE FINALS 2020–21

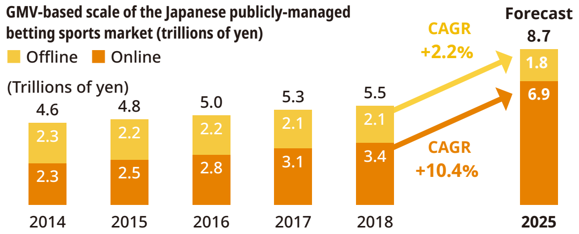
Spectator sports market growth

- COVID-19 has a large impact on sports spectating
- Post-COVID market expansion by using digitalization to offer new ways to enjoy sports



Publicly-managed betting sports market growth

- An attractive market experiencing overall growth
- Boasts a high growth rate driven by online activity



Note: Based on our survey

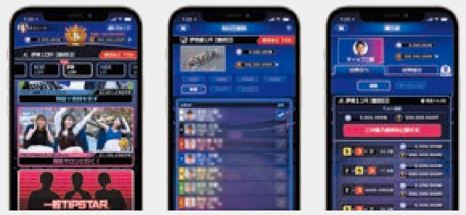
A large appeal of the sports market is its sustainability. Professional sports such as baseball and soccer have long been a part of Japanese culture, and publicly-managed betting sports are a vital source of revenue for local governments, offering jobs and other opportunities that support the economy of local communities. We are contributing to the revitalization of regional areas through the operation of keirin stadiums and management of professional sports teams.

We aim to differentiate ourselves in the sports market through our socialization strategy. Instead of focusing on the solo personalization experience, we will establish a unique position in the sports market and increase our market share by bringing the socialization expertise we have honed through the provision of services, including the social network *mixi*, *Monster Strike*, and *FamilyAlbum*.

TIPSTAR is a one-of-a-kind betting service that provides a way for friends to enjoy a social betting experience. We also launched *Fansta* in April 2021—a unique service that allows users to easily search for venues where they can enjoy watching sports and share the excitement of them with like-minded friends over a drink or meal. We will also tap into future markets while examining the activities of leading sports businesses outside Japan.

Socialization strategy

- **A unique social betting service that can be enjoyed with friends**



TIPSTAR

- **A unique social viewing service that allows users to share the best sporting moments and atmosphere**
- **Live viewing can be enjoyed in different venues**

Fansta

Passing on viral marketing know-how

For mixi Group to achieve our vision of creating communication services that energize the world through the combination of entertainment and technology, it is essential that we refine our expertise in AI and blockchain technology. Although AI technology is one of the Group's strong points, having already been utilized for editing during live streams of keirin races, we are further developing it with the aim of applying it to sports betting services and more complex sports such as soccer and baseball. To develop new businesses, ensuring sufficient human resources—especially engineering staff—is a priority management issue.

Moving forward, we will actively hire talent for these new business areas such as sports. We intend to spread our expertise in service expansion and viral marketing to our new group members with the intention of incorporating it into our corporate culture.

Becoming a company that creates culture essential to our lives

Can the progression of civilization, which is focused on technology, laws, and regulations, enrich our lives? Though mixi Group can be seen as a technology business, we aspire to utilize technology to create culture that emotionally inspires people, rather than just progressing civilization. Through sports, games, and social networking services, we aim to be a company that can culturally enrich people's lives, especially the connections among family and friends. Article 25 (1) of the Constitution of Japan states that "All people shall have the right to maintain the minimum standards of wholesome and cultured living." If we only focus on progress, rather than culture, then this basic right can never be fulfilled. To create this culture mentioned in Japan's constitution, we will confidently strive for greater growth via our three business areas of sports, lifestyle, and digital entertainment.

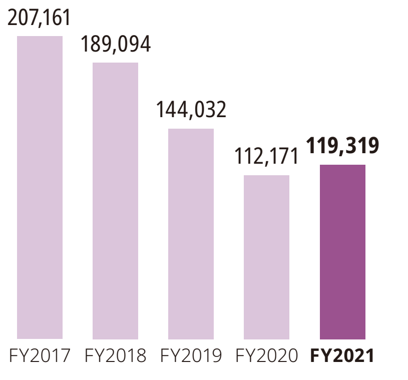
I would like to thank all of our stakeholders for their continued support.

August 2021

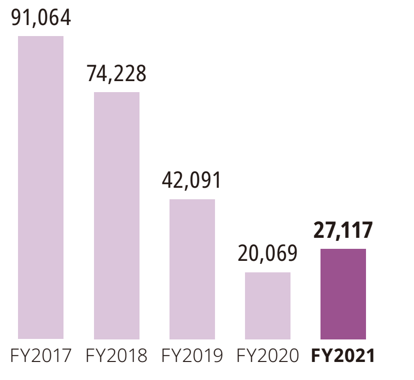
President and Representative Director
mixi, Inc.

Financial Highlights

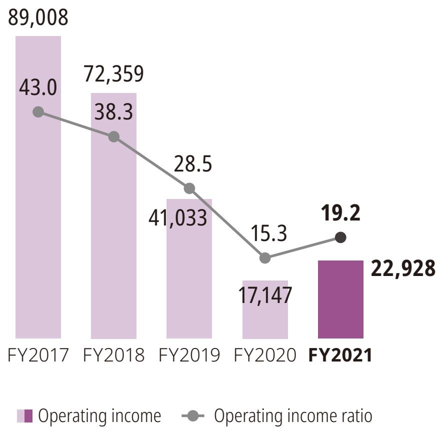
Net sales (millions of yen)



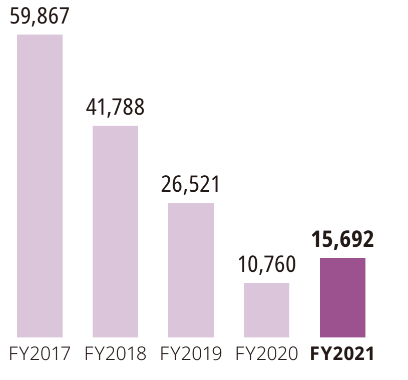
EBITDA (millions of yen)



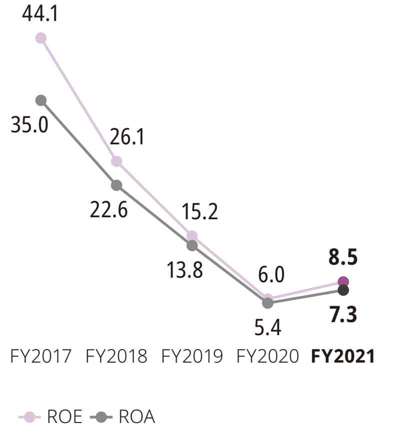
Operating income (millions of yen) / **Operating income ratio** (%)



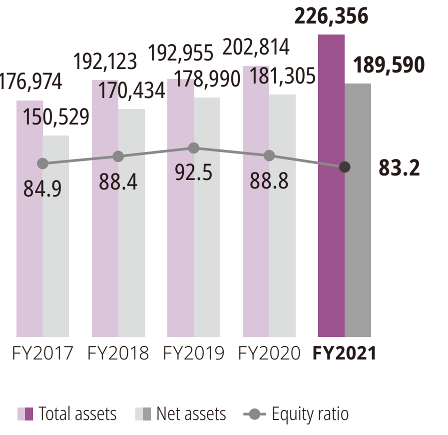
Profit attributable to owners of parent (millions of yen)



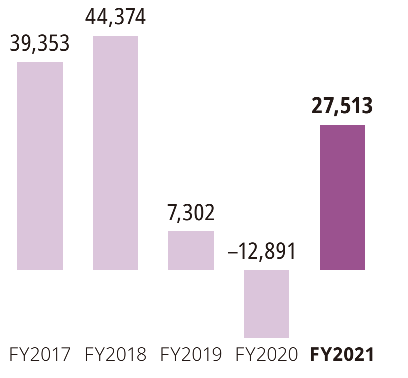
ROE (%) / **ROA** (%)



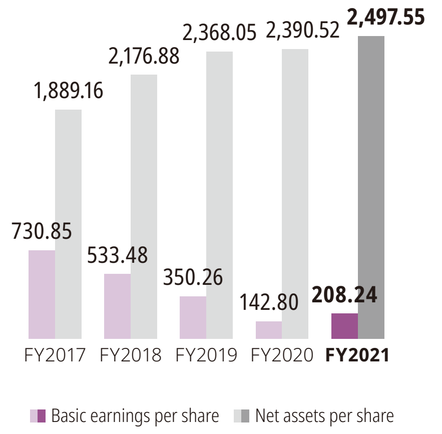
Total assets (millions of yen) / **Net assets** (millions of yen) / **Equity ratio** (%)



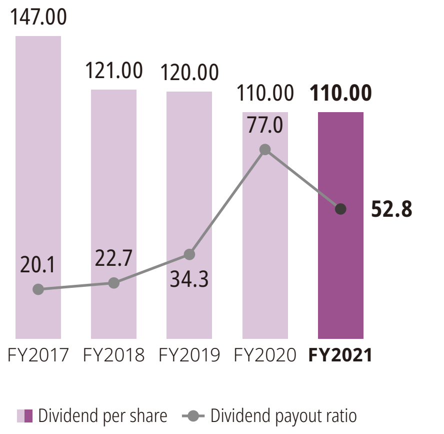
Free cash flow (millions of yen)



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

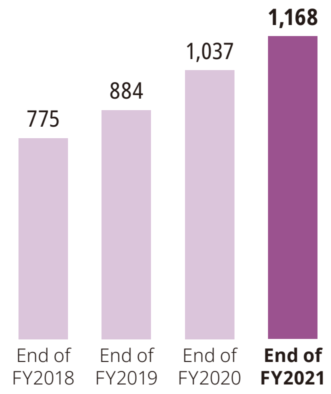


Dividend per share (yen) / **Dividend payout ratio** (%)



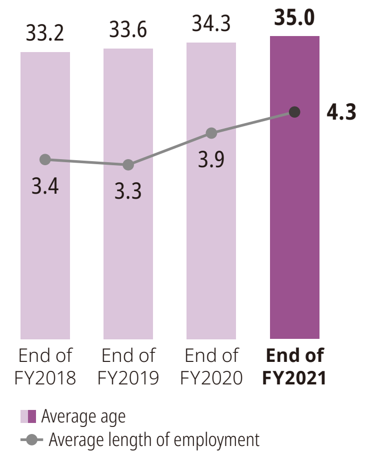
Non-financial Information

Number of employees*



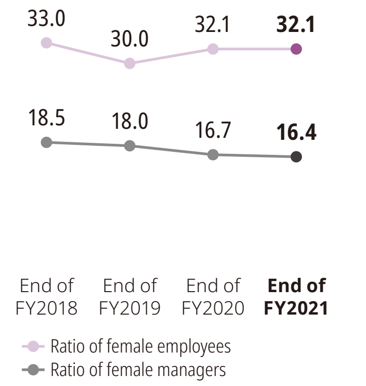
* The number of employees is the total of (consolidated) full-time employees.

Average length of employment (years) / **Average age**



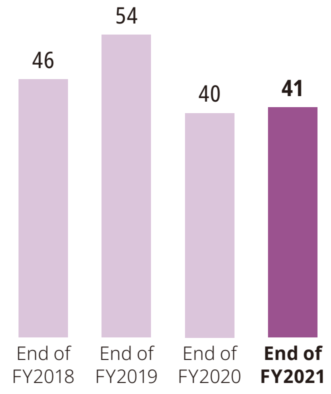
* The calculation scope covers only mixi, Inc.

Ratio of female employees (%) / **Ratio of female managers** (%)



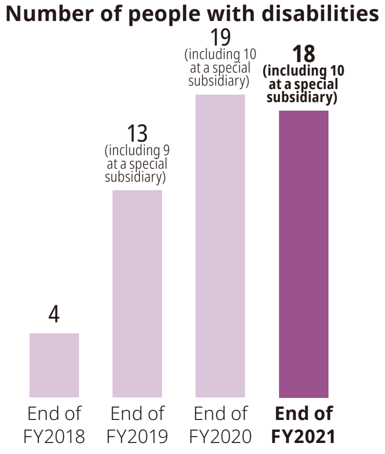
* The calculation scope covers only mixi, Inc.

Number of non-Japanese employees

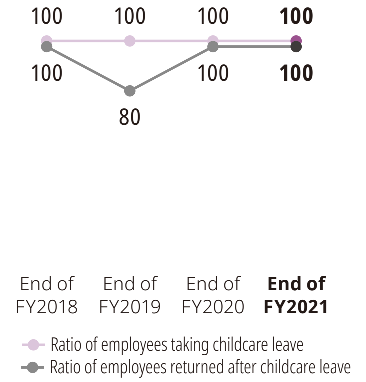


* The calculation scope covers only mixi, Inc.

Number of people with disabilities

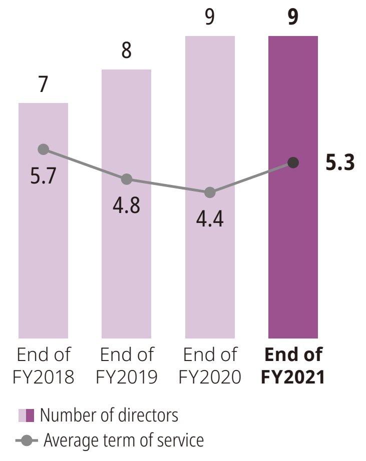


Ratio of employees taking childcare leave (%) / **Ratio of employees returned after childcare leave** (%)

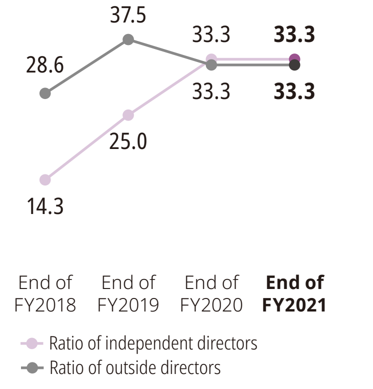


* The calculation scope covers only mixi, Inc.

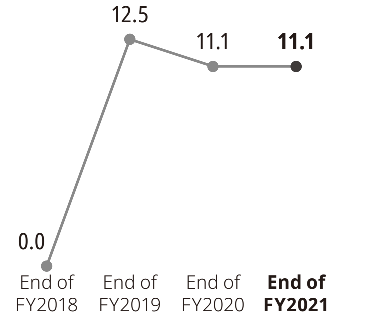
Number of directors / Average term of service (years)



Ratio of independent directors (%) / **Ratio of outside directors** (%)



Ratio of female directors (%)



Transforming and expanding our business portfolio through proactive investment

mixi Group's Financial Strategy

Hiroyuki Osawa
Director and CFO
mixi, Inc.

Overview of FY2021 consolidated financial results

In fiscal year 2021, mixi Group recorded net sales of ¥119,319 million (up 6.4% year on year), EBITDA of ¥27,117 million (up 35.1%), operating income of ¥22,928 million (up 33.7%), and profit attributable to owners of parent of ¥15,692 million (up 45.8%). With an increase in both sales and profits achieved for the first time in five years, net sales were largely in line with the revised forecast released on November 6, 2020, while profits exceeded it significantly.

Summary of FY2021 financial results

(Millions of yen)	FY2019	FY2020	FY2021	YoY change
Net sales	144,032	112,171	119,319	6%
Gross profit	123,808	90,878	93,310	3%
Gross profit margin	86.0%	81.0%	78.2%	
SG&A expenses	82,774	73,730	70,381	–5%
SG&A margin	57.5%	65.7%	59.0%	
EBITDA	42,091	20,069	27,117	35%
Operating income	41,033	17,147	22,928	34%
Operating income margin	28.5%	15.3%	19.2%	
Ordinary income	41,120	16,915	23,019	36%
Profit attributable to owners of parent	26,521	10,760	15,692	46%

Breakdown of SG&A expenses for FY2021

(Millions of yen)	FY2019	FY2020	FY2021	YoY change
SG&A expenses	82,774	73,730	70,381	–5%
Personnel	6,067	7,347	8,120	11%
Advertising	24,419	19,556	16,033	–18%
Outsourcing	4,946	6,643	5,214	–22%
Rents on properties	1,508	3,144	3,253	3%
Settlement fees	40,842	29,619	29,897	1%
Depreciation	814	1,880	2,662	42%
Amortization of goodwill	—	622	1,063	71%
Taxes and public charge	837	571	787	38%
Others	3,337	4,344	3,347	–23%

Note: Provisional accounting treatment was conducted during the previous consolidated fiscal year with respect to the business combination with Chiba Jets Funabashi Co., Ltd., on October 31, 2019, and the business combination with Net Dreamers Co., Ltd., on November 29, 2019. However, the allocation of acquisition costs to assets and liabilities was completed during fiscal year 2021, and comparative analysis was carried out using the figures obtained following retrospective adjustment.

Summary of FY2021 results by segment

■ Sports Segment

Net sales from the management of professional sports teams and publicly-managed betting sports-related business were ¥12,699 million (up 145.3% year on year), while the segment loss was ¥5,347 million (compared to a segment loss of ¥2,769 million in fiscal year 2020).

This was largely due to growth in our consolidated subsidiaries, Chariloto Co., Ltd. and Net Dreamers Co., Ltd., as well as in *TIPSTAR*, which was launched in June 2020.

We also opened netkeirin in December 2020, a sister-site to netkeiba.com, which has exceeded 10 million monthly active users (MAU). By positioning it as a total media service for keirin, we aim to quickly achieve profitability and drive further growth through collaboration with *TIPSTAR*.

focus

■ Lifestyle Segment

Driven mainly by the social networking service *mixi*, the private family photo and video sharing app *FamilyAlbum*, and *minimo*, our salon artist booking app, net sales in the Lifestyle segment were ¥6,030 million (up 21.7% year on year), while the segment loss was ¥398 million (compared to a segment loss of ¥620 million in fiscal year 2020).

FamilyAlbum now has a diverse range of monetization methods. With the launch of a gift service and strong performance by *FamilyAlbum New Year Cards* (officially *Mitene Nengajo* in Japanese), there are clear paths to increased profitability. Although bookings made through *minimo* fell in the beginning of the fiscal year due to the impact of COVID-19, they recovered to a level higher than the previous year, achieving an increase in sales and profit.

■ Digital Entertainment Segment

Centered on *Monster Strike*, net sales of the Digital Entertainment segment were ¥100,590 million (down 1.4% year on year), while segment profit was ¥44,764 million (up 33.6%).

With *Monster Strike*, proactive collaboration activities have been successful. We were able to sustain a level of sales in line with the previous year and achieve profit growth by driving greater efficiency through the review of advertising expenses.

We also engaged in collaborations with popular IPs for *Kotodaman*, which saw quarterly sales surpass ¥1 billion and achieved a significant sales increase throughout the fiscal year.

Summary of results by segment

(Millions of yen)	FY2020	FY2021	FY2022 forecast
Segment net sales			
Sports Segment	5,177	12,699	25,000
Lifestyle Segment	4,954	6,030	7,000
Digital Entertainment Segment	102,040	100,590	83,000 –88,000
Segment profit (loss)*			
Sports Segment	–2,769	–5,347	
Lifestyle Segment	–620	–398	
Digital Entertainment Segment	33,498	44,764	

Note: As the names and the method for classifying segments were altered in fiscal year 2021, result disclosures based on the new segmentation cover only two fiscal years. The method for calculating the profit of each business segment was based on earnings before interest, taxes, depreciation, and amortization (EBITDA).

Medium-term management policy and the basis for fiscal year 2022 consolidated financial results forecasts

We are actively investing in the Sports segment, guided by our medium-term management policy of "enriching global communication through the combination of entertainment and technology." By establishing it as the second pillar of business for the medium term, we are engaging in expansion and transformation across the entire company to create a stable and sustainable business portfolio.

In the Sports segment, we plan to accelerate growth for *TIPSTAR*. On top of the update that was released in April 2021, we will enhance its multiplayer capabilities. This will be followed by proactive investment in marketing, aiming to expand its user base and significantly increase its sales.

In the Lifestyle segment, we will begin extensive global expansion, and we aim to achieve profitability within our existing businesses in Japan by further expanding the scale of sales for *FamilyAlbum*.

In the Digital Entertainment segment, we will strengthen our appeal to new and existing users for *Monster Strike* by promoting the brand throughout the year via television commercials and continuing to collaborate with leading IPs. Alongside continuing to aim for an upside in sales by introducing these high-profile initiatives, we will improve cost efficiency by optimizing advertising expenses. For *Kotodaman*, we will target further growth by making improvements to the game to ensure new users who have registered as a result of collaboration with popular IPs continue to play it over the long term.

FY2022 consolidated earnings forecasts

(Millions of yen)	FY2022 (Apr. 2021–Mar. 2022)
Net sales	115,000–120,000
EBITDA	14,000–17,000
Operating income	12,000–15,000
Profit attributable to owners of parent	8,500–10,000

Note: We decided to take business volatility into consideration in our earnings forecasts from fiscal year 2022 and disclose range forecasts.

Strengthening M&A activities and investment

By actively engaging in M&As and investment that can create synergy with existing businesses, we will accelerate the growth of our priority businesses and increase the success probability of new businesses.

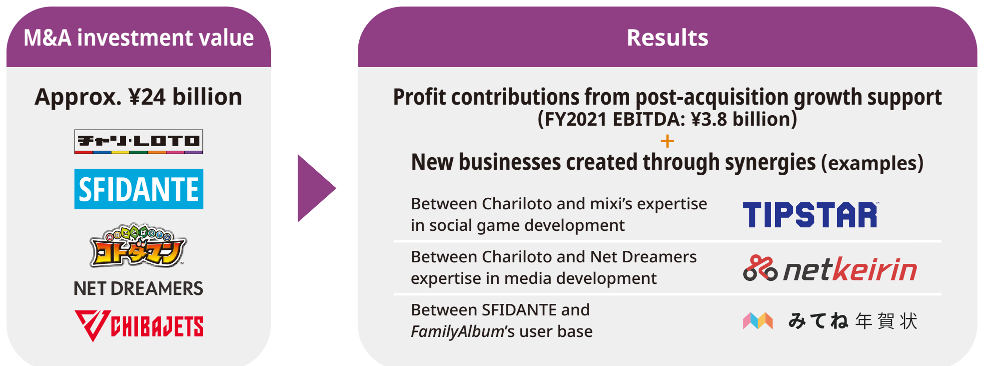
Since 2019, we have completed five M&As (four companies and one business), totaling approximately ¥24 billion.

Following their integration with the Group, we examined business strategies together with each company and implemented a range of measures, allowing us to significantly expand each company and business and resulting in a profit contribution of ¥3.8 billion to EBITDA in fiscal year 2021. In addition, we have been able to create multiple synergistic businesses, such as *TIPSTAR* and *FamilyAlbum New Year Cards* (officially *Mitene Nengajo* in Japanese), by combining the assets of each company with our own.

This was achieved by ensuring consistency in research, post-merger integration (PMI), and value-adding measures at the initiative of the Investment and Business Promotion Operations, and our expertise continues to develop. Looking ahead, we will continue to make investments that lead to further growth and also examine large-scale opportunities. In addition to investing using cash on hand, we will consider financial leverage strategies such as the use of borrowings.

When investing, we verify the return on investment based on unconsolidated revenue, while recognizing the potential to create further upside through synergies. The Sports segment is an area in which we are particularly active. If we can create new customer experiences in the enormous spectator sports and publicly-managed betting sports markets, we will be able to build significant revenue over the long term.

Our most recent M&As



Shareholder returns and future investment

mixi Group will continue to provide stable shareholder returns while engaging in investment activities and M&As. In fiscal year 2022, we plan to pay annual dividends of ¥110 per share based on a dividend on equity (DOE) ratio of 5%. This is equal to the dividend value in fiscal year 2021. In addition, at the meeting of the Board of Directors in May 2021, we resolved to repurchase ¥7.5 billion of our own shares to improve capital efficiency and implement flexible capital policy.

In regard to the repurchased shares, we will hold a portion of treasury stock to utilize in employee stock options, and also consider its use for stock swap M&As and a new stock award system.

Although it is essential to have ample working capital to overcome volatility in the Digital Entertainment segment and fill the gap between income and expenditure in publicly-managed betting sports, we also intend to actively utilize cash on hand and treasury stock for investments focused on M&As.

As we continue to transform and expand our business portfolio, we will work to build a framework that allows us to easily communicate with our stakeholders in regard to the aims of our investments, features of our new business models, and key performance indicators that outline the financial status of each of our businesses. Thank you for your continued support of the Group.

mixi Group believes that there is value in the communication that occurs within the close relationships between family and friends. Guided by our company's philosophy of "user surprise first," we aim to create communication services that amaze our users and exceed their imaginations and expectations.

We have designated the three areas below as key categories for ESG activities that help to realize our Group's medium-term management policy of "enriching global communication through the combination of entertainment and technology."

Developing a management foundation:
Developing a management foundation based on recruiting and developing exceptional human resources

Ensuring safe and secure services:
Allowing users to enjoy our services safely and securely

Solving social issues through business activities:
Helping to solve social issues through initiatives that utilize our entertainment and technology expertise

To enrich communication for people throughout the world, we believe that it is vital to recruit and develop exceptional human resources with the necessary knowledge and skills, and to ensure safe and secure services. With regard to solving social issues, we address them earnestly through activities that utilize our entertainment and technology expertise, fulfilling our duty as a member of society.

Looking ahead, mixi Group will continue to create new user experiences, business areas, and culture, while working to solve social issues and improve sustainable corporate value by enriching communication among people.

ESG at mixi Group

harmony

mixi Group's ESG activities and relevant SDGs

Activity Area	ESG Area	Main Initiatives	Relevant SDGs
Developing a management foundation	S P. 24–25	Recruiting and developing exceptional human resources	4, 5, 8, 9
	G P. 29–38	Building a corporate governance system that can flexibly adapt to changes in society's needs and the business environment	16
		Strengthening compliance and risk management	
Ensuring safe and secure services	S P. 26	Contributing to the realization of a safe and secure Internet society	3, 9, 12
		Preventing minors from racking up large charges in games	
		Preventing game and gambling addiction	
Solving social issues through business activities	E P. 28	Reducing the environmental impact of publicly-managed betting sports facilities	12, 13, 15
	S P. 27–28	Providing communication services that comfort and protect people	3, 9
		Helping to develop the IT industry and IT professionals	4, 8, 9
		Regional revitalization through investment in sports-related business	3, 11

Note: E = Environmental, S = Social, G = Corporate governance

Developing a Management Foundation:
Recruiting and developing exceptional human resources

S
(Social)

To enrich communication for our users, mixi Group is welcoming and developing outstanding talent, as well as creating a working environment and systems where all employees can work comfortably.

Message from the Corporate Officer of Personnel Affairs

The most important thing for mixi Group employees is to create products that exceed user expectations.

Shuhei Yanamoto
Corporate Officer,
Chief General Manager of HR
mixi, Inc.

Everything starts with employee independence and autonomy

mixi Group's corporate philosophy is "user surprise first." This idea is not simply about putting users first, but rather about putting "surprise" first. What we value most is challenging ourselves to create generation-leading products that far exceed user imaginations and expectations.

The idea of "user surprise first" is born from our corporate culture and working environment, which are based on freedom, openness, and flatness and are without discrimination based on factors such as hierarchy, gender, or nationality. Based on the principles of independence and autonomy, our employees freely share their opinions and ideas with each other.

One-on-one meetings are embedded in our corporate culture

The one-on-one meetings that take place within the Company between employees and their peers or supervisors are symbolic of our emphasis on independence, autonomy, and communication. The meetings are not part of our human resource policy, but are a system that began spontaneously in 2007 and has since become firmly embedded in our corporate culture. Each department carries out one-on-one meetings independently, where work-related topics are discussed with each employee, and employees are also able to raise private matters. The meetings usually occur between employees and their supervisors, but one unique characteristic is that the meetings can also take place with employees of other departments, and between employees regardless of rank, whether it be with a corporate officer or a general manager.

If all of our employees can work with independence, productivity increases and it leads to better results. Our employees share the belief that they can do a better job if they are passionate about what they are doing, and we are striving to develop a working environment and systems that are able to support and strengthen their work motivation.

Office designed for deepening communication and promoting creativity

We have designed an office based on the concept of "for communication," which is our corporate mission. Aiming to create an environment where employees can feel at ease when they work, we have allowed for plenty of freely usable space on each floor. It provides an environment that promotes creativity and motivation, where employees can gather to easily communicate or concentrate on their work in a relaxed manner.

Supporting diverse ways of working through a "Marble Work Style"

In July 2020, we tested our "Marble Work Style" as a new post-COVID way of working. This is an initiative designed to boost productivity by allowing each employee to choose whether they work in the office or remotely. The basic principle behind it is to maintain working in the office as the standard, while incorporating remote work. The approach stems from our belief that communication between employees is vital to creating communication-enriching services. Looking ahead, we will support diverse and flexible work styles through initiatives such as introducing "workations," where employees can choose to work at holiday destinations, to further evolve this "Marble Work Style."

Increasing corporate value by optimizing human resource management between businesses

As we expand our business in accordance with the medium-term management policy, we intend to apply the communication know-how we have developed through our work in social media and games to the Sports segment and the Lifestyle segment. One challenge when doing this, from a personnel perspective, is the optimization of human resource management during cross-business collaboration. To support our operations, we will improve our systems so that capable employees can be quickly trained. Although the HR department is responsible for basic company-wide training, such as for viral marketing, training for specialist department-specific skills will be conducted by human resource business partners (HRBPs)* who have begun to be appointed within each business department.

M&As are also vital to expanding our business. We consider the new members of our Group as partners who will work together with us on our goal of "user surprise first." Within our diverse range of businesses, which have been created through synergy and collaboration, there are many opportunities to help employees build their careers. We aim to create a framework that allows each employee to take on new challenges, while simultaneously increasing our corporate value.

* The position is focused not on employee benefits or labor management, but rather on developing and implementing human resource measures that are based on corporate and business strategies.

Promoting the participation of diverse employees: mixi empowerment, Inc.

As a company that values diversity, mixi Group considers the creation of employment opportunities for people with disabilities as one of our social responsibilities. In October 2017, we established mixi empowerment, Inc. as a special subsidiary to help fulfill this duty.

The company also values the independence and autonomy of employees, and leaders are selected from employees with disabilities and are entrusted with allocating duties and managing progress.

Indispensable to the Group, mixi empowerment is responsible for vital tasks, such as data creation and entry, back office support, and conducting surveys and quality assurance work during app development. It will continue to help improve the Group's services, expand our business areas, and enhance our corporate value.

Leaders are selected from employees with disabilities and carry out duties independently and autonomously.

Ensuring Safe and Secure Services

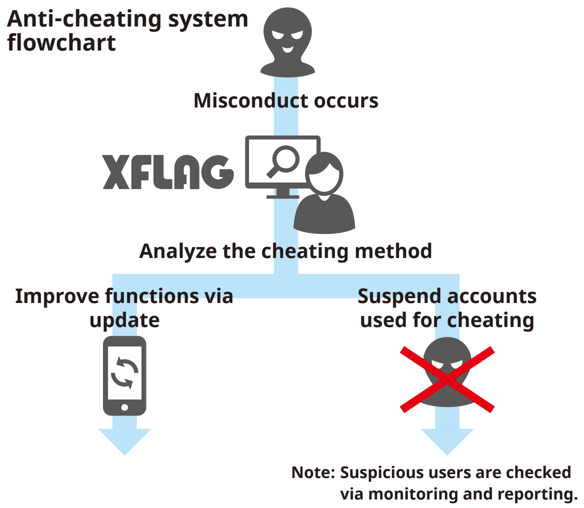
Focusing on awareness-raising activities and measures that enrich communication between our users, while simultaneously ensuring the safety and security of our online society and the services we provide.

Contributing to the realization of a safe and secure Internet society

Use of the Internet, and especially social media, has led to many issues. It can be a way for children and students to get caught up in crime and other incidents, and it has also created a hotbed of verbal abuse, bullying and other such harmful behavior. mixi Group is helping to establish an environment where the Internet can be used safely and securely by implementing two different initiatives: strengthening the security and monitoring of our services' systems, and conducting classes on information ethics for junior and senior high school students that explain how to use social media appropriately.

We have appointed several of our specialist engineers to monitor our systems and check thoroughly for any misconduct. In the information ethics classes, we are encouraging students to be careful to avoid posting information that could lead to misunderstanding and abuse. We are also raising awareness to prevent crime by explaining to students the risks of posting photos, such as how images of school uniforms can cause people to be identified, and that setting posts to "friends only" will not guarantee security. Through these activities we aim to empower children and students to make judgments that allow them to avoid harm.

Anti-cheating system flowchart



"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)

Information ethics classes
Total number of participants between 2017 and July 2021: 1,437

Preventing minors from racking up charges in games

Incidents are occurring where children are using their parents' credit cards or other payment methods without permission to purchase in-game items. Within these have also been cases where large charges are being incurred while parents are unaware. To prevent minors from spending excessive amounts of money in games, we have established a maximum monthly spending limit of ¥5,000 for minors 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) has 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. Against this background, 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 can not only cause significant harm to a person's and their family's life at home and within society, but can also lead to serious societal problems including crime and the accrual of multiple debts. 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.

Solving Social Issues through Business Activities

mixi Group contributes to solving global social issues by utilizing its unique ability to combine entertainment and technology.

Providing communication services that comfort and protect people

With the spread of COVID-19 set to continue over the long term, issues arising from isolation and loneliness are becoming increasingly serious throughout the world. mixi Group provides a wide range of communication services to help comfort and protect those suffering from loneliness and isolation and assist them in feeling more connected with their families.

FamilyAlbum

FamilyAlbum is a closed social media service that allows users to share their photos and videos with invited family members only. Due to the COVID-19 pandemic, use of *FamilyAlbum* has increased rapidly, with approximately 80% of users using the app at least once per week.

FamilyAlbum has been designed so that it can be operated easily by elderly users and does not require the registration of an ID or password. In the current situation where family members are unable to meet each other, *FamilyAlbum* is helping to deepen family bonds by allowing users to share the activities of their children and other family members on a daily basis. Furthermore, users are able to check when family members have last viewed the album through the Visits section.

FamilyAlbum, private family photo and video sharing app

FamilyAlbum Gifts

Within *FamilyAlbum*, we have launched an online shopping service titled *FamilyAlbum Gifts*. Popular among grandparents, it provides gift recommendations in accordance with a child's age and development. The service is being used to help deepen family relationships by allowing family members to exchange messages and upload and share photos and videos of the children enjoying the presents after they arrive.

GPS Guardian

FamilyAlbum GPS Guardian is a service that provides a compact and lightweight global positioning system (GPS) device that parents can give their children to monitor children's location at any time via the connected smartphone app. Utilizing the global standard GPS satellites and the Japanese GPS (Quasi-Zenith Satellite System), the device boasts best-in-class tracking precision by harnessing the power of five different GPSs—the most ever used in a child-focused device. We are also hoping to use the device to help protect the elderly in the future.

Autonomous communication robot *Romi*

Differing from conventional communication robots equipped with fixed responses, *Romi* utilizes our cutting-edge proprietary communication AI to always keep a conversation going. *Romi* can be spoken with like a real human and possesses a rich range of emotional expressions created through more than 100 different types of facial and body movements. The robot can provide comfort for its owner like a pet, or understanding as if it were a real family member. Through *Romi*, we aim for those who live alone to feel as if they were living together with someone who is kindly watching over them.

Autonomous communication robot *Romi*

Helping to develop the IT industry and IT professionals

BIT VALLEY

With the development of AI and the IoT, many industries now require IT professionals, and it is expected that there will be a considerable shortage of them in the future. Against this backdrop, the BIT VALLEY project was launched by four IT companies* based in Shibuya, Japan in July 2018. With the vision of "transcending corporate boundaries to encourage the development of Japan's IT industry," the companies are engaging in activities via the project to foster IT talent and raise the standard of the skills of those involved in creating IT-related products and services.

In 2018, the first year of the project, the companies held a technology conference for working adults. In 2019 we expanded the range of activities and the targeted age range, offering support for startups and launching Kids VALLEY, a programming class aimed at elementary and junior high school students. In 2020 we also began working together to employ IT professionals, and in 2021 we launched a new project titled Youth Valley to support the career development of senior high school students.

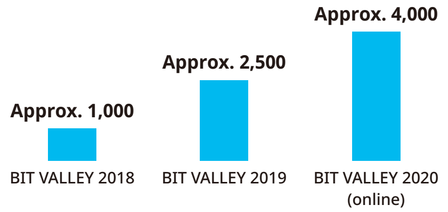
S
(Social)

Held as an online conference, BIT VALLEY 2021 carries the theme of "Changing Work Styles and Culture, Changing Technology," and will run between July and November 2021. The conference offers participants throughout Japan an opportunity to explore topics such as future work styles and the use of new technologies.

Through BIT VALLEY, mixi Group supports the Japanese IT industry so that it can reach the next level of development by engaging in activities that target a wide range of ages, from elementary school students to adults.

* CyberAgent Inc., DeNA Co., Ltd., GMO Internet, Inc., and mixi, Inc.

Conference participants



Regional revitalization through investment in sports-related business

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. Against this backdrop, mixi Group is engaging in regional revitalization efforts by possessing and managing keirin stadiums. keirin events are organized by the local governments, and event proceeds become a source of revenue for them. This contributes greatly to improving each region's financial situation, with funds being used for public facility construction and other such initiatives.

In preparation for launch in spring 2022, mixi Group subsidiary Chariloto Co., Ltd., is redeveloping the Tamano Velodrome and the connected hotel, located in Tamano City, Okayama Prefecture. The Tamano Velodrome is the first keirin stadium built with a connected hotel in Japan, and will allow guests to relax and enjoy watching races from rooms during the daytime while enjoying views of the Seto Inland Sea. Tamano City has excellent access to popular tourist destinations in the Seto Inland Sea such as Naoshima (Kagawa Prefecture), and the hotel is expected to provide an ideal base for sight-seeing. By holding a variety of events other than just keirin races, such as *Bon-odori* dance festivals, fireworks, and varied sporting events, we hope to position the stadium as an entertainment base in the area, where locals as well as people from outside the region can gather to enjoy different occasions.

In March 2021, Chariloto assumed ownership of Ito Onsen Velodrome (Ito City, Shizuoka Prefecture), and we are also aiming to utilize it effectively as a site that can provide entertainment to tourists and locals who visit the hot spring town. Through these different measures, mixi Group is leveraging its entertainment expertise to revitalize regional areas by creating employment opportunities and energizing areas that have keirin stadiums.

Reducing environmental impact at publicly-managed sports facilities: Tamano Velodrome

Climate change threatens our way of life through negative environmental events such as large-scale natural disasters and droughts that can lead to food shortages. In the redevelopment of the Tamano Velodrome, mixi Group is seeking to alleviate climate change by reducing the environmental footprint.

With online sales for betting tickets expected to become mainstream, the total floor area of the new main stand will be reduced by 40% compared to the previous stand, leading to a reduction in construction materials. We have also adopted environmentally friendly designs for the new facility—benches from the former stadium will be reused as restaurant chairs, and material waste will be utilized for the interior of the hotel.

E
(Environmental)

The exterior wall will be comprised of both cement and timber. Materials that are difficult to use in construction such as thinned wood* and wood offcuts are being utilized for the timber. Through effective processing, the material can be made suitable for use and the CO_2 inside the wood can remain trapped. Alongside this, we are aiming to increase the carbon sequestration by using trees, by participating in a forest growing project carried out by companies that produce materials for exterior walls. We will also work to reduce power usage following the completion of the facility by implementing measures such as reducing air conditioning power consumption through the improvement of heat insulation and adopting LED lighting for signs and stadium illumination.

mixi Group will continue to redevelop the Tamano Velodrome, guided by the goal of creating a facility that can exist in harmony with the environment.

* Wood material from trees felled during forest thinning carried out with the aim of encouraging tree growth

Construction site of the Tamano Velodrome

Corporate Governance: Directors

G
(Corporate governance)

(As of June 28, 2021)

Koki Kimura
President and Representative Director

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)

Kosuke Taru
Director

Aug. 2008 Joined livedoor Co., Ltd.
Jan. 2012 Joined NHN Japan Co., Ltd. (currently LINE Corporation)
Feb. 2014 Joined the Company
Feb. 2014 Manager of Planning Group of Monster Strike Studio of the Company
Jan. 2015 General Manager of Planning and Operations Division, Monster Strike Studio of the Company
Aug. 2015 General Manager of Planning and Operations Division, XFLAG Studio Operations of the Company
July 2016 General Manager of XFLAG GAMES, XFLAG Studio Operations of the Company
Apr. 2017 Chief General Manager of Monster Strike Business Operations of the Company
June 2017 Director of the Company (current)
Apr. 2018 Corporate Officer of the Company
Apr. 2018 Chief General Manager of Digital Entertainment Business Operations of the Company

Hiroyuki Osawa
Director and CFO

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, Corporate Officer and CFO of the Company
Apr. 2019 Chief General Manager of Corporate Support Operations of the Company
Apr. 2020 Director and CFO of the Company (current)
July 2020 Chief General Manager of Investment and Business Promotion Operations of the Company (current)
May 2021 Outside Director of HUB CO., LTD. (current)

Masahiko Okuda
Director

Feb. 2004 Joined Yahoo Japan Corporation
Sept. 2008 Joined Pitcrew Co., Ltd.
Feb. 2011 Vice President and Director of Pitcrew Co., Ltd.
Apr. 2013 Joined the Company
Jan. 2015 Chief General Manager of MS Operations of the Company
Apr. 2016 Chief General Manager of Orange Studio Operations of the Company
Apr. 2018 Corporate Officer of the Company
Apr. 2018 Chief General Manager of General Administration Operations (currently CS Operations) of the Company (current)
June 2018 Director of the Company (current)
July 2020 Chief General Manager of Live Experience Operations of the Company (current)

Tatsuma Murase
Director and CTO

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 (current)
Apr. 2018 Corporate Officer and CTO of the Company
June 2019 Director, Corporate Officer and CTO of the Company
Apr. 2020 Director and CTO of the Company (current)
Jan. 2021 Chief General Manager of Design Operations of the Company (current)

Kenji Kasahara
Director and Founder

June 1999 Established E-Mercury, Inc. (currently mixi, Inc.) Director of E-Mercury, Inc.
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
Feb. 2006 Company name changed to mixi, Inc. President and Representative Director of the Company
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.
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)

Directors

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 the House of Representatives, Japan; elected as such for the following three consecutive terms
- 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)

Naoko Shimura
Outside Director

- Apr. 1999 Registered as a lawyer
- Apr. 1999 Joined Nishimura & Partners (currently Nishimura & Asahi)
- Sept. 2004 Worked at Debevoise & Plimpton LLP
- Apr. 2005 Registered as a lawyer in New York
- Oct. 2005 Returned to Nishimura & Partners (currently Nishimura & Asahi)
- Jan. 2008 Partner of Nishimura & Asahi (current)
- May 2016 Outside Audit and Supervisory Board Member of Tabikobo Co. Ltd. (current)
- June 2018 Director of the Company (current)
- June 2019 Outside Audit and Supervisory Board Member of NIPPON SIGNAL Co., Ltd. (current)

Masuo Yoshimatsu
Outside Director

- Apr. 1982 Joined Mitsubishi Electric Corporation
- Mar. 2000 General Manager of the Finance Division of KVH Telecom Co., Ltd.
- Dec. 2000 Member of the Board and Finance Director of Sun Microsystems, Inc. (currently Oracle Information Systems (Japan) G.K.)
- July 2003 Corporate Officer and General Manager of the Finance Division of Nippon Boehringer Ingelheim Co., Ltd.
- Oct. 2004 Member of the Board and Finance Director of SSP Co., Ltd.
- Jan. 2008 Advisor of Nidec Corporation
- June 2008 Member of the Board of Directors and Vice President of Nidec Corporation
- June 2009 Member of the Board of Directors, Senior Vice President and CFO of Nidec Corporation
- Apr. 2013 Member of the Board of Directors, First Senior Vice President and CFO of Nidec Corporation
- June 2016 General Manager of the Global PMI Promotion Division and First Senior Vice President of Nidec Corporation
- June 2018 Advisor of Nidec Corporation
- Apr. 2019 Specially Appointed Professor of the Graduate School of Management at Tokyo Metropolitan University Graduate School (current)
- Dec. 2019 Founder of CFO Support Co., Ltd. Representative Director, President, and CEO of CFO Support Co., Ltd. (current)
- Mar. 2020 Outside Director of HOSHIZAKI CORPORATION (current)
- June 2020 Director of the Company (current)

Composition of Officers

Officers			Male / Female	Independence (outside officers only)	Expertise and experience: Corporate management, management strategy	M&As	Business strategy, marketing	Technological research, development	Finance, accounting	Legal affairs, compliance	Internal control
Directors	**Koki Kimura**		Male		●		●				
	Kosuke Taru		Male		●		●				
	Hiroyuki Osawa		Male		●	●			●		●
	Masahiko Okuda		Male		●	●	●			●	●
	Tatsuma Murase		Male		●			●			
	Kenji Kasahara		Male		●		●	●			
	Satoshi Shima	Outside	Male	●	●	●					
	Naoko Shimura	Outside	Female	●		●				●	
	Masuo Yoshimatsu	Outside	Male	●	●	●	●		●	●	●
Audit & Supervisory Board Members	**Yuichiro Nishimura**	Outside	Male	●						●	●
	Takako Kato	Outside	Female	●					●		●
	Hiroyuki Wakamatsu	Outside	Male	●					●		●
	Nozomi Ueda	Outside	Female	●						●	●

Note: The above table is not a complete presentation of all expertise and experience possessed by these officers.

Audit & Supervisory Board Members

(As of June 28, 2021)

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)

Takako Kato
Outside Audit & Supervisory Board Member (Full-time)

- Apr. 1970 Joined Japan Radio Co., Ltd.
- June 2000 Director of Naval Research Co., Ltd.
- Mar. 2004 Joined Eto Building Management Co., Ltd.
- Aug. 2004 Audit & Supervisory Board member (full-time) E-Mercury, Inc. (currently mixi, Inc.) (current)

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)

Nozomi Ueda
Outside Audit & Supervisory Board Member

- Apr. 1999 Registered as a lawyer
- Apr. 1999 Joined Tokyo Themis (currently Kioizaka Themis)
- Mar. 2013 Partner of Kioizaka Themis Law & Patent Firm (currently 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)

Message from Outside Directors

G
(Corporate governance)

Comments from the three outside directors on the corporate governance structure, their roles in the Board of Directors, and the challenges and hopes for future business expansion

Taking the next leap forward based on strategic discussion

Over the last few years, the Board of Directors has engaged in constructive discussions focused on business strategy. One example of the fruits of these discussions is our medium-term management policy, in which we clearly express our aim to take risks and follow a growth-oriented approach. This course of direction can be seen in our Sports segment. Post-COVID, I forecast that on-site sports events with spectators will begin to make a recovery, and now is the time for mixi to prepare for this. The next two to three years will be crucial, and the management team and employees will work as one to take the next leap forward.

What I would like to see mixi Group strive toward next is solving social issues through business. For example, the revitalization of publicly-managed betting sports within the Sports segment can lead to the growth of regional areas. Not only that, but through its unique differentiation strategy of "socialization," mixi will also be able to make a definite contribution to solving the increasingly serious issue of social isolation throughout the world. I will strive to support the Group so that it can realize sustainable growth and expand as a business while meeting the needs of society.

Satoshi Shima
Outside Director, mixi, Inc.

Naoko Shimura
Outside Director, mixi, Inc.

Proactive discussion by sharing advice and information to take the lead

Proactive discussions are taking place at meetings of the Board of Directors, which Audit & Supervisory Board members also attend. Meeting materials are also organized and shared at an early stage and updated as necessary. As a result, we have been able to reduce the amount of time needed to present proposals and hold discussions more effectively. Our governance structure is well balanced, with a key feature of it being that outside directors and Audit & Supervisory Board members utilize their diverse range of backgrounds to share effective advice.

Going forward, we must focus on our branding strategy and increasingly boost brand recognition within society in order to establish the Sports segment as our second pillar of business. Our risk management, including for M&As, is being carried out carefully from legal and other perspectives, and our officers in charge have a high level of awareness. With overseas expansion expected in the years to come, it is vital that we develop human resources who are capable of properly performing contract negotiations. I understand that there is a strong need for me to fulfill my role as a lawyer in supporting protective governance, and I will offer suggestions to ensure that we exercise caution when it is necessary. However, I will also constantly keep in mind the growth-oriented aspect of our governance, and work to ensure that excessive caution does not hinder us from achieving the growth we are pursuing.

Building trust with the market while carrying out our medium- to long-term strategy

As an outside director with managerial experience, it is my role to conduct management monitoring and supervision, as well as offer advice to the executives. At meetings of the Board of Directors, I spoke about the importance of making disclosures to the market and devising a medium- to long-term strategy that included the transformation of our business portfolio. As a result of this, we could clearly outline our true potential in the medium-term management policy announced in May 2021. Going forward, I feel that it is important to continue to engage in proactive and proper dialogue with the market and work to build further trust.

The management team is responding swiftly to the recommendations and advice of outside directors, engaging in a high level of investment management, and carefully managing performance based on the Silicon Valley motto of "hope for the best, prepare for the worst." Due to such efforts, I believe that the management team is performing excellently and the potential of the entire Group is steadily increasing. I will continue to support mixi Group as an outside director to ensure that we can communicate the progress of our medium-term management policy to the market as clearly as possible.

Masuo Yoshimatsu
Outside Director, mixi, Inc.

Corporate Governance Structure

(As of June 28, 2021)

Continuing to strengthen and enhance our governance structure

FY2020
- Established the Nomination and Compensation Committee
- Audit & Supervisory Board members increased by one (from three to four)
- Established the criteria for judging independence of outside members of the Board of Directors and Audit & Supervisory Board
- Commenced evaluations on the effectiveness of the Board of Directors

FY2021
- Formulated a policy for deciding the compensation for directors

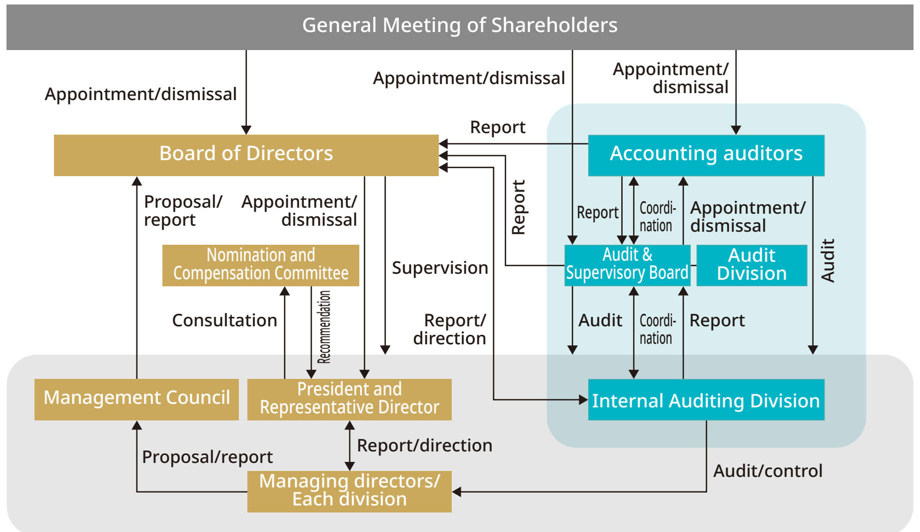
Basic approach to corporate governance

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 IR activities using our website and other means.

Our corporate governance report is posted on our website (https://mixi.co.jp/esg /governance/overview/) in Japanese.

Corporate governance structure



Board of Directors

The Board of Directors has nine members, consisting of six 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 Audit & Supervisory Board members as stipulated in Japan's Companies Act. Our Audit & Supervisory Board has four outside members (including two female Audit & Supervisory Board members), two of whom are full-time (including one female Audit & Supervisory Board member), and in principle meets once monthly. Audits are conducted based on a yearly plan. The results of audits are reported and deliberated in meetings of the Audit & Supervisory Board, which offers appropriate advice to the directors. Overall audits of the Company are conducted in coordination with internal auditors, the Internal Auditing Division, and accounting auditors.

Nomination and Compensation Committee

We have established the Nomination and Compensation Committee consisting of all outside directors and the President and Representative 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 (one internal director, three outside directors)

Committee chair: Koki Kimura
Member: Satoshi Shima (outside director)
Member: Naoko Shimura (outside director)
Member: Masuo Yoshimatsu (outside director)

Nomination and Compensation Committee responsibilities:
(1) Nominations for and appointments of director candidates along with HR 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.

The Nomination and Compensation Committee has met twice so far this fiscal year to make decisions regarding director nominations, the compensation amount for individual directors, director compensation structure, and conditions for director compensation. The Company recognizes that there is room for improvement in how compensation was determined by the Nomination and Compensation Committee this fiscal year and plans to improve on it.

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 (except outside directors) are given considering both the diversity and appropriate size of the Board of Directors, with directors possessing a good overall balance of the knowledge, experience, and abilities to efficiently fulfill their roles and responsibilities.

■ Proposals for the position of directors (except outside directors) who are to be in charge of business execution are given for the persons who can make forward-looking, accurate, appropriate, and swift business decisions and execution 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.

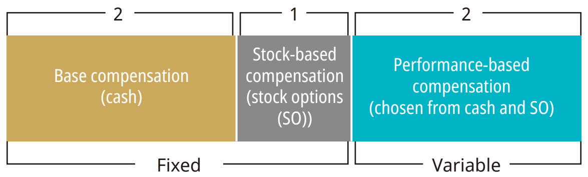
(2) Compensation system

Based on this policy, compensation for directors (excluding outside directors) consists of two components: monthly cash compensation and stock compensation (stock options) issued annually after the Ordinary General Meeting of Shareholders. More specifically, compensation can be categorized as base compensation, stock-based compensation, or performance-based compensation. Base compensation consists of cash compensation; stock-based compensation consists of stock options; performance-based compensation gives the recipient the choice of either monthly cash compensation or stock compensation (stock options) issued annually after the Ordinary General Meeting of Shareholders. Compensation proposals for base compensation and stock-based compensation ratio are determined by the Company's past results and shared compensation data of companies listed on the Tokyo Stock Exchange compiled by specialist companies, discussed by the Nomination and Compensation Committee, and then voted on by the Board of Directors.

To maintain their independent status, compensation for outside directors consists of monthly cash compensation only.

Furthermore, there is no retirement benefit system for directors.

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



(3) Calculating compensation

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 authority and the director's position. Stock options that can only be used after a set period or retirement are issued as a form of stock-based compensation for the purpose of improving medium- to long-term corporate value and sharing value with shareholders. Performance-based compensation is determined by first considering the director's position, a comprehensive evaluation of their department's performance in the previous period, and their personal contribution to the department's performance, as well as the Company's performance as a whole. The base amount for performance compensation (based on the director's base compensation) is multiplied by a performance coefficient to determine the final amount of performance compensation. Performance evaluations are based on company and department sales and operating income, comparing actual results against forecasts, and year-on-year change.

Calculating performance-based compensation

	Performance evaluation		Contribution evaluation	
	Entire company	Division responsible	Entire company	Division responsible
Evaluation indicator	Consolidated net sales / Consolidated operating income	Net sales of division responsible / Operating income of division responsible	—	—
Evaluation ratio for the President and Representative Director	50%	—	50%	—
Evaluation ratio for directors in charge of business	60%		40%	
Evaluation ratio for directors in charge of management	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 the net sales and operating income of divisions supervised by directors in question as indicators.
2 With respect to consolidated net sales and consolidated operating income, which are performance indicators for the entire company, evaluations were scored as standard except for consolidated operating income, which exceeded the standard rate of the budget achievement rate (consolidated net sales were ¥119,319 million, and consolidated operating income was ¥22,928 million for fiscal year 2021). With respect to both the net sales and operating income of the division managed by the individual in question, which act as performance indicators for that division, the budget achievement rate fell below standard, except for certain divisions, which were scored as standard.

• Outside director compensation

The amount of cash compensation is decided in accordance with factors including the position 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 listening to the opinions and advice of outside directors during deliberation by the Nomination and Compensation Committee, whose members consist of all outside directors and the President and Representative Director, Koki Kimura. All actions are carried out from the perspective of ensuring objectivity and transparency in the decision-making process.

Through resolutions at the general meeting of shareholders and meetings of the Board of Directors, and within the scope of the policy for determining director compensation, the Board of Directors has resolved to entrust decisions regarding compensation for individual directors to the discretion of the President and Representative Director. Decisions have been entrusted to the President and Representative Director, as he is most suited to evaluating the fields overseen by the directors with a broad view of the entire company.

Decisions in regard to outside directors are deliberated by the Nomination and Compensation Committee before being decided by the President and Representative Director.

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)	10 (4)	216 (19)	266	64	546 (19)
Audit & Supervisory Board members (outside members)	4 (4)	38 (38)	—	—	38 (38)

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 (¥304 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 FY2021

Between December 2020 and January 2021, a survey was conducted among all directors and Audit & Supervisory Board members. We ensured anonymity by having an external organization record the results. The results of the survey were analyzed, discussed, and evaluated at the provisional Board of Directors' meeting held in March 2021.

Survey focus points:
- Composition of the Board of Directors
- Management of the Board of Directors
- Quality of the Board of Directors' discussions
- How to monitor the Board of Directors
- Director and Audit & Supervisory Board member support systems
- Director and Audit & Supervisory Board member training
- Discussions with shareholders (investors)

Analysis/Evaluation of Board of Directors effectiveness survey

The responses to the questionnaire were generally positive and respondents believe that the Board of Directors' effectiveness as a whole is adequately ensured. Highly evaluated points have been listed below:

- Sufficient time is allotted for deliberations.
- Discussions are held openly and constructively without rigid formalities.
- Outside directors feel that their opinions are properly reflected in decisions.

Along with the above points, the effectiveness of the Board of Directors has been rated more favorably overall when compared to the previous fiscal year; its effectiveness is confirmed to be continuously improving through proactive measures.

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
Documents for Board of Directors' meetings are distributed earlier to allow directors ample time to examine proposals. By making deliberations at Management Council meetings, points of discussion are clarified and information necessary for decisions can be prepared before Board of Directors' meetings, resulting in meaningful discussions. In addition, resolutions made by the Management Council, the content of their discussions, and the status of executions are reported by director members of the Management Council when relevant to best ensure informed decision-making at Board of Directors' meetings.

• Feedback collection through discussions with shareholders (investors)
The director in charge has reported on the state of discussions with shareholders (investors) when appropriate, sharing shareholder (investor) feedback at Board of Directors' meetings.

Future initiatives

We plan to continue improving the management of the Board of Directors and recognize the importance of strengthening discussions regarding governance and medium- and long-term strategies. Using the results of this evaluation, we will continue striving to improve the effectiveness of the Board of Directors as a whole.

Risk Factors

mixi Group has reviewed the risks surrounding the Group that could have a great impact on investors' decisions. Future concerns regarding risks are based on the Company's judgment as of the 22nd Ordinary General Meeting of Shareholders (held on June 25, 2021) and may differ from actual results due to inherent uncertainty.

1. Business environment-related risk

(1) Mobile market
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 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 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 does 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 maintaining agreements with these providers may become difficult or changes to their operational policies, fees, etc., may arise. 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 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 games to global markets, 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 mixi Group and mixi Group's products, services, and businesses
Unsubstantiated rumors among users may damage the reputation and trust of 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 mixi Group or its services may decline.

mixi Group's brand value may also decline if mixi 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, 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, etc., 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 mixi Group cannot be completely ruled out. In consideration of this, mixi 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 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, etc., 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. Intellectual property rights-related risk
Accompanying the possibility that intellectual property rights which mixi Group has not recognized could already be established or that new intellectual property rights could be established, it is possible that mixi Group could be subject to claims for compensation for damages or injunctions due to infringement of the intellectual property rights of third parties or that there could be claims against mixi Group for royalties for the intellectual property rights. Furthermore, it is also possible that the usage of intellectual properties in open-source software we use in systems development may be restricted for unforeseeable reasons.

7. Investment and lending-related risk
mixi Group invests in expanding our business portfolio with the expectation of realizing business synergies between individual investee companies and mixi Group or contributions to profits by investee companies. However, an impairment may be recorded due to issues relating to 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 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&A with companies that are highly compatible with 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 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, etc., it may affect mixi Group's businesses, performance, and financial position.

10. Trends in financial results
Since fiscal year 2017, 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 fiscal year 2020. Having achieved an increase in sales and profits in fiscal year 2021, 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)

	FY2020 (As of March 31, 2020)	**FY2021 (As of March 31, 2021)**
Assets		
Current assets		
Cash and deposits	125,427	**149,812**
Notes and accounts receivable — trade	14,254	**11,706**
Merchandise	256	**156**
Consumption taxes receivable	1,248	**—**
Other	4,977	**4,493**
Allowance for doubtful accounts	(44)	**(46)**
Total current assets	146,119	**166,121**
Non-current assets		
Property, plant and equipment		
Buildings	7,352	**7,496**
Accumulated depreciation	(815)	**(385)**
Buildings, net (Note 5 (*1))	6,537	**7,110**
Tools, furniture and fixtures	5,323	**5,329**
Accumulated depreciation	(2,350)	**(2,838)**
Tools, furniture and fixtures, net	2,973	**2,491**
Land (Note 5 (*1))	714	**2,691**
Construction in progress	113	**702**
Other	—	**2**
Accumulated depreciation	—	**(0)**
Other, net	—	**2**
Total property, plant and equipment	10,338	**12,998**
Intangible assets		
Goodwill	11,937	**10,873**
Customer-related assets	7,671	**6,993**
Trademark right	3,302	**3,011**
Other	2,503	**2,418**
Total intangible assets	25,413	**23,297**
Investments and other assets		
Investment securities	9,917	**13,928**
Deferred tax assets	6,111	**5,686**
Other	4,915	**4,326**
Allowance for doubtful accounts	(2)	**(1)**
Total investments and other assets	20,942	**23,939**
Total non-current assets	56,694	**60,234**
Total assets	202,814	**226,356**

(Millions of yen)

	FY2020 (As of March 31, 2020)	**FY2021 (As of March 31, 2021)**
Liabilities		
Current liabilities		
Short-term borrowings (Note 5 (*1))	671	**1,021**
Accounts payable — other	8,186	**9,188**
Income taxes payable	124	**6,111**
Accrued consumption taxes	—	**1,638**
Provision for bonuses	1,262	**1,736**
Other	3,515	**4,803**
Total current liabilities	13,759	**24,498**
Non-current liabilities		
Long-term borrowings (Note 5 (*1))	2,952	**7,905**
Deferred tax liabilities	3,418	**3,357**
Other	1,379	**1,004**
Total non-current liabilities	7,749	**12,267**
Total liabilities	21,508	**36,766**
Net assets		
Shareholders' equity		
Paid-in capital	9,698	**9,698**
Capital surplus	9,660	**9,656**
Retained earnings	171,138	**178,502**
Treasury shares	(10,905)	**(10,811)**
Total shareholders' equity	179,592	**187,046**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	330	**1,013**
Foreign currency translation adjustment	201	**191**
Total accumulated other comprehensive income	532	**1,205**
Subscription rights to shares	971	**1,281**
Non-controlling interests	209	**56**
Total net assets	181,305	**189,590**
Total liabilities and net assets	202,814	**226,356**

Consolidated Statements of Income

(Millions of yen)

	FY2020 (April 1, 2019 to March 31, 2020)	**FY2021 (April 1, 2020 to March 31, 2021)**
Net sales	112,171	**119,319**
Cost of sales	21,292	**26,009**
Gross profit	90,878	**93,310**
SG&A expenses (Note 6 (*1))	73,730	**70,381**
Operating income	17,147	**22,928**
Non-operating income		
Interest income	1	**0**
Foreign exchange gains	7	**30**
Interest on tax refund	33	**44**
Gain on adjustment of account payable	60	**16**
Sponsorship money income	64	**35**
Dividend income	—	**7**
Other	69	**136**
Total non-operating income	237	**271**
Non-operating expenses		
Interest expenses	10	**26**
Loss on investments in partnership	400	**88**
Commission fee	—	**7**
Restoration cost	—	**29**
Other	59	**28**
Total non-operating expenses	469	**181**
Ordinary income	16,915	**23,019**
Extraordinary income		
Reversal of provision for business restructuring	81	**—**
Gain on sales of non-current assets (Note 6 (*2))	3	**0**
Gain on sales of investment securities	—	**903**
Gain on reversal of subscription rights to shares	16	**—**
Total extraordinary income	101	**903**
Extraordinary losses		
Extra retirement payments	—	**113**
Head office relocation expenses	619	**—**
Loss on withdrawal from business (Note 6 (*3))	147	**—**
Loss on sales and retirement of non-current assets (Note 6 (*4))	55	**44**
Impairment loss (Note 6 (*5))	216	**29**
Loss on valuation of investment securities	—	**524**
Loss on cancellation of rental contracts	—	**9**
Total extraordinary losses	1,039	**721**
Income before income taxes	15,978	**23,201**
Income taxes — current	4,833	**7,489**
Income taxes — deferred	383	**20**
Total income taxes	5,216	**7,509**
Period net income	10,761	**15,692**
Profit (loss) attributable to non-controlling interests	1	**(0)**
Profit attributable to owners of parent	10,760	**15,692**

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2020 (April 1, 2019 to March 31, 2020)	**FY2021 (April 1, 2020 to March 31, 2021)**
Period net income	10,761	**15,692**
Other comprehensive income		
Valuation difference on available-for-sale securities	(334)	**682**
Foreign currency translation adjustment	(33)	**(10)**
Total other comprehensive income (Note 7 (*1))	(367)	**672**
Comprehensive income	10,393	**16,364**
Comprehensive income (loss) attributable to:		
Owners of parent	10,392	**16,365**
Non-controlling interests	1	**(0)**

Consolidated Statements of Changes in Shareholders’ Equity

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders’ equity				
	Paid-in capital	Capital surplus	Retained earnings	Treasury shares	Total share-holders’ equity
Balance at beginning of period	9,698	9,668	169,069	(10,905)	177,531
Changes of items during period					
Dividends of surplus			(8,665)		(8,665)
Profit attributable to owners of parent			10,760		10,760
Change in ownership interest of parent due to transactions with non-controlling interests		(8)			(8)
Others			(25)		(25)
Net changes of items other than shareholders’ equity					—
Total changes of items during period	—	(8)	2,069	—	2,060
Balance at end of period	9,698	9,660	171,138	(10,905)	179,592

	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	665	234	900	555	3	178,990
Changes of items during period						
Dividends of surplus						(8,665)
Profit attributable to owners of parent						10,760
Change in ownership interest of parent due to transactions with non-controlling interests						(8)
Others						(25)
Net changes of items other than shareholders’ equity	(334)	(33)	(367)	415	206	253
Total changes of items during period	(334)	(33)	(367)	415	206	2,314
Balance at end of period	330	201	532	971	209	181,305

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders’ equity				
	Paid-in capital	Capital surplus	Retained earnings	Treasury shares	Total share-holders’ equity
Balance at beginning of period	**9,698**	**9,660**	**171,138**	**(10,905)**	**179,592**
Changes of items during period					
Dividends of surplus			**(8,289)**		**(8,289)**
Profit attributable to owners of parent			**15,692**		**15,692**
Disposal of treasury shares		**(40)**		**94**	**54**
Transfer to capital surplus from retained earnings		**40**	**(40)**		**—**
Change in ownership interest of parent due to transactions with non-controlling interests		**(3)**			**(3)**
Net changes of items other than shareholders’ equity					**—**
Total changes of items during period	**—**	**(3)**	**7,363**	**94**	**7,454**
Balance at end of period	**9,698**	**9,656**	**178,502**	**(10,811)**	**187,046**

	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	**330**	**201**	**532**	**971**	**209**	**181,305**
Changes of items during period						
Dividends of surplus						**(8,289)**
Profit attributable to owners of parent						**15,692**
Disposal of treasury shares						**54**
Transfer to capital surplus from retained earnings						**—**
Change in ownership interest of parent due to transactions with non-controlling interests						**(3)**
Net changes of items other than shareholders’ equity	**682**	**(10)**	**672**	**310**	**(153)**	**830**
Total changes of items during period	**682**	**(10)**	**672**	**310**	**(153)**	**8,284**
Balance at end of period	**1,013**	**191**	**1,205**	**1,281**	**56**	**189,590**

Consolidated Statements of Cash Flows

(Millions of yen)

	FY2020 (April 1, 2019 to March 31, 2020)	**FY2021 (April 1, 2020 to March 31, 2021)**
Cash flows from operating activities		
Income before income taxes	15,978	**23,201**
Depreciation	1,482	**1,466**
Amortization of goodwill	622	**1,063**
Amortization of intangible assets	816	**1,658**
Impairment loss	216	**29**
Loss on withdrawal from business	147	**—**
Increase (decrease) in allowance for doubtful accounts	17	**1**
Increase (decrease) in provision for bonuses	386	**473**
Interest income and dividend income	(1)	**(8)**
Interest expenses	10	**26**
Foreign exchange losses (gains)	4	**(10)**
Loss (gain) on investments in partnership	400	**88**
Loss (gain) on valuation of investment securities	—	**524**
Loss (gain) on sales of investment securities	—	**(903)**
Loss (gain) on sales and retirement of non-current assets	51	**43**
Decrease (increase) in notes and accounts receivable — trade	(4,371)	**2,548**
Decrease (increase) in inventories	117	**99**
Increase (decrease) in accounts payable — other	662	**717**
Increase (decrease) in accrued consumption taxes	—	**1,638**
Other, net	3,423	**3,366**
Subtotal	19,967	**36,027**
Interest income received	5	**8**
Interest expenses paid	(10)	**(28)**
Income taxes paid	(2,170)	**(1,220)**
Extra retirement payments	—	**(113)**
Net cash provided by (used in) operating activities	17,792	**34,672**
Cash flows from investing activities		
Proceeds from sales of intangible assets	15	**—**
Proceeds from withdrawal of time deposits	302	**—**
Purchase of property, plant and equipment	(9,381)	**(4,110)**
Purchase of intangible assets	(553)	**(688)**
Purchase of investment securities	(4,545)	**(4,534)**
Proceeds from sales of investment securities	100	**1,097**
Proceeds from share of profits on investment securities	329	**790**
Payments for acquisition of businesses	(1,030)	**—**
Payments of leasehold and guarantee deposits	(121)	**(1,174)**
Proceeds from refund of leasehold and guarantee deposits	10	**1,414**
Payment for acquisition of the subsidiary resulting in change in scope of consolidation (Note 9 (*2))	(15,825)	**—**
Other, net	16	**46**
Net cash provided by (used in) investing activities	(30,683)	**(7,159)**
Cash flows from financing activities		
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(196)	**(177)**
Net increase (decrease) in short-term borrowings	287	**250**
Proceeds from long-term borrowings	2,486	**6,090**
Repayments of long-term loans payable	(26)	**(1,037)**
Cash dividends paid	(8,663)	**(8,287)**
Other, net	27	**19**
Net cash provided by (used in) financing activities	(6,085)	**(3,141)**
Effect of exchange rate change on cash and cash equivalents	(14)	**14**
Net increase (decrease) in cash and cash equivalents	(18,990)	**24,384**
Cash and cash equivalents at beginning of period	144,417	**125,427**
Cash and cash equivalents at end of period (Note 9 (*1))	125,427	**149,812**

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: 24

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

mixi Entertainment Fund, Inc. and four other companies are newly established companies and have been included in the scope of consolidation from the fiscal year ended March 31, 2021. Kuto, Inc. and one other company have been liquidated, and as such have been removed from the scope of consolidation.

(2) Names of major non-consolidated subsidiaries and others

E-Mercury, Inc.

(Reason for exclusion from the scope of consolidation)
E-Mercury, Inc. and three 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

There is no relevant information.

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

E-Mercury, Inc.

(Reason for not applying the equity method)
E-Mercury, Inc. and seven 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 related to the fiscal year of consolidated subsidiaries

Among consolidated subsidiaries, the balance sheet date of Scrum Ventures Fund I, L.P. and five other companies is December 31, and the balance sheet date of AA Fund Investment LPS 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 dates. 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
Available-for-sale securities with market value
Stated at market value based on the market price as of the final balance sheet date. (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.)

Available-for-sale securities without market value
Stated at cost using the moving-average method.
Investments in investment partnerships and others are based on the financial statements for the most recent balance sheet date using the net amount proportionate to mixi's ownership interests.

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

(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:	6 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).
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, assuming no residual value.

(3) Accounting standards for significant allowances and provisions

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

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

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

(5) Amortization method and amortization period of goodwill

Amortization of goodwill is estimated for each period in which it is expected to emerge, and then equally amortized over the designated amortization period (5 to 13 years).

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

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

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

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

2. Significant accounting estimates

Impairment of investment securities

Investment securities stood at ¥13,928 million as of March 31, 2021. The Group assesses whether it is necessary to recognize an impairment. Assessment is carried out according to the types of securities as described below.

In the case of listed securities, if the fair value at the fiscal year-end declined more than 50% compared with the acquisition cost, an impairment loss is recognized for the amount deemed necessary, taking into consideration recoverability of individual securities.

In the case of unlisted securities whose fair values are deemed to be extremely difficult to measure, if net asset value of securities (net assets per share multiplied by the number of shares held) declined approximately 50% or more compared with the acquisition cost, it is judged that the net asset value declined significantly and 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 is approximately 50% or less of 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 other intangible assets

Goodwill, customer-related assets, trademark right and operation right stood at ¥21,870 million as of March 31, 2021. 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 ¥21,870 million stated above, ¥1,631 million pertains to the asset group of Chiba Jets Funabashi Co., Ltd. Profit and cash flows from operating activities remained negative for the fiscal year ended March 31, 2021 and profit for the most recent period fell short of the business plan at the time of acquisition. As such, 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 the undiscounted future cash flow are based on the business plan at the time of acquisition and 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 incorporate changes reflected in the budget for the next fiscal year approved by the management, and changes that are likely to persist, including the impact of the COVID19 pandemic and additional costs due to revision of athletes' compensation. The 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. Accounting standards, etc. not applied

- "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021)

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) have jointly developed comprehensive accounting standards for revenue recognition and issued "Revenue from Contracts with Customers" (IFRS 15 for IASB; and Topic 606 for FASB) in May 2014. IFRS 15 is effective for fiscal years beginning on or after January 1, 2018, and Topic 606 is effective for fiscal years beginning after December 15, 2017. In light of this, the ASBJ has developed comprehensive accounting standards for revenue recognition and issued them together with the implementation guidance (hereinafter referred to as the "Accounting Standards for Revenue Recognition").

The Accounting Standards for Revenue Recognition consists of a five-step revenue recognition model that applies to all revenue arising from contracts with customers regardless of the type of transaction or industry, with some exceptions. The Group believes that the conventional recognition and measurement of sales revenue will remain appropriate under the Accounting Standards for Revenue Recognition, except mainly for the following services.

In applying the Accounting Standards for Revenue Recognition, the cumulative effects of retrospectively applying the new accounting policy prior to the beginning of the fiscal year ending March 31, 2022 will be added to or deducted from retained earnings at the beginning of the fiscal year ending March 31, 2022, in accordance with the provisional treatments prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The evaluation of the impact of the application of the Accounting Standards for Revenue Recognition has been completed.

(2) Scheduled date of application

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

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

<u>*Monster Strike*</u>

The Company has made the following changes to the point of revenue recognition and the allocation of transaction prices for net sales of *Monster Strike*, a leading smart device game in its Digital Entertainment Business. Other revenues have been omitted as they have insignificant impact on the consolidated financial statements.

1 The timing of revenue recognition

For net sales of *Monster Strike*, revenue was conventionally recognized when users consumed the in-game currency "orbs" to obtain characters, etc. However, in line with the application of the Accounting Standards for Revenue Recognition, revenue is currently recognized over the period of use of characters obtained by consuming orbs.

Under the conventional standards, revenue was recognized based on the realization principle, deeming the point in time when users consume orbs to obtain characters as the realization of revenue.

On the other hand, as stated above, the Accounting Standards for Revenue Recognition requires the identification of performance obligations under contracts with customers. In this regard, the Group determines that the performance obligations under contracts with customers are to maintain an environment in which the users can use the characters. Therefore, the Group believes that revenue should be recognized over an estimated period of use of characters obtained by users by consuming orbs.

However, the characters that users continue to use are limited to those with high rarity, and other characters are rarely used for a long period of time after acquisition. Therefore, the Group determines that the recognition of revenue under the Accounting Standards for Revenue Recognition will not result in significant differences compared to the conventional revenue recognition.

2 Allocation of transaction prices

For net sales of *Monster Strike*, revenue was conventionally recognized at deposit amounts to purchase paid orbs when users consumed paid orbs and obtained characters, etc. However, in line with the application of the Accounting Standards for Revenue Recognition, transaction prices are currently allocated to the performance obligations to maintain an environment in which users can use characters acquired by consuming paid orbs or free orbs distributed at the time of purchase of paid orbs. This is because under the Accounting Standards for Revenue Recognition, paid orbs and free orbs do not have significant functional differences and are equivalent in value, maintaining an environment in which users can use characters obtained in exchange for each type of orb is identified as a separate performance obligation, and the transaction price should be allocated to each performance obligation.

As a result, for the balance of unconsumed orbs at a certain point in time, the unit price per orb calculated based on the deposited amount will be lower than it would have been under the conventional standards where the liability was composed solely of the amount deposited to purchase the paid orbs, due to the allocation of the transaction prices to the performance obligations for each of the paid orbs and the free orbs distributed at the time of purchase of paid orbs. In such case, under the Accounting Standards for Revenue Recognition, when an entity receives consideration from customers before fulfilling a contract with the customers, the entity is required to record the consideration as contract liabilities based on the relationship between the entity's performance and the customers' payment, and to present it as an appropriate account title on the balance sheet. Therefore, the balance of unconsumed orbs at the end of the fiscal year, which was previously presented as advances received, is presented as contract liabilities under the Accounting Standards for Revenue Recognition. Accordingly, due to the application of the Accounting Standards for Revenue Recognition, the beginning balance of contract liabilities for the fiscal year ending March 31, 2022 will decrease by ¥667 million and sales will increase by the same amount. This will also lead to an increase of the beginning balance of retained earnings after tax effect for the fiscal year ending March 31, 2022 by the same amount.

4. Changes in presentation

Change in line with the application of "Accounting Standard for Disclosure of Accounting Estimates"

The Company applies the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) from the consolidated fiscal year ended March 31, 2021 and discloses the notes on accounting estimates.

However, in accordance with the provisional treatments prescribed in the proviso of Paragraph 11 of the said accounting standard, the contents related to the previous consolidated fiscal year are not described in the relevant notes.

Notes in relation to consolidated statements of cash flows

"Proceeds from refund of leasehold and guarantee deposits" presented in "Other, net" under "Cash flows from investing activities" for the previous fiscal year ended March 31, 2020 have increased in importance, and as such, the Company has decided to report this item separately from the fiscal year ended March 31, 2021.

As a result, ¥26 million presented in "Other, net" under "Cash flows from investing activities" in the consolidated statement of cash flows for the previous fiscal year ended March 31, 2020 is reclassified as ¥10 million of "Proceeds from refund of leasehold and guarantee deposits" and ¥16 million of "Other, net."

5. Consolidated balance sheets

*1. Assets pledged as collateral and secured liabilities
Assets pledged as collateral

(Millions of yen)

	FY2020 (April 1, 2019 to March 31, 2020)	**FY2021 (April 1, 2020 to March 31, 2021)**
Buildings	—	**2,649**
Land	—	**2,691**
Total	—	**5,340**

Secured liabilities

(Millions of yen)

	FY2020 (April 1, 2019 to March 31, 2020)	**FY2021 (April 1, 2020 to March 31, 2021)**
Short-term borrowings	—	**343**
Long-term borrowings	—	**4,611**
Total	—	**4,954**

6. Consolidated statements of income

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

(Millions of yen)

	FY2020 (April 1, 2019 to March 31, 2020)	**FY2021 (April 1, 2020 to March 31, 2021)**
Advertising expenses	19,556	**16,033**
Settlement fees	29,619	**29,897**

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

(Millions of yen)

	FY2020 (April 1, 2019 to March 31, 2020)	**FY2021 (April 1, 2020 to March 31, 2021)**
Tools, furniture and fixtures	0	**0**
Other	2	**0**

*3. Loss on withdrawal from business
FY2020 (April 1, 2019 to March 31, 2020)
This is a loss resulting from the withdrawal from the wellness business, including mainly ¥82 million for contract revisions and terminations, and ¥64 million for loss on non-current assets.

FY2021 (April 1, 2020 to March 31, 2021)
There is no relevant information.

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

(Millions of yen)

	FY2020 (April 1, 2019 to March 31, 2020)	**FY2021 (April 1, 2020 to March 31, 2021)**
Buildings	0	**3**
Tools, furniture and fixtures	42	**22**
Software	12	**15**
Other	—	**2**
Total	55	**44**

*5. Impairment loss
For the consolidated fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
mixi Group posted impairment loss on the following assets in the consolidated fiscal year ended March 31, 2020.

Business	Application	Place	Classification	Amount (Millions of yen)
Digital Entertainment Business	Store	Ota Ward, Tokyo	Buildings	30
			Tools, furniture and fixtures	23
		Osaka City, Osaka Prefecture	Buildings	105
			Tools, furniture and fixtures	51
	Business assets	Shibuya Ward, Tokyo	Tools, furniture and fixtures	5

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 Digital Entertainment Business was recorded due to the fact that the revenue initially expected for a store operated by mixi can no longer be expected, and also due to the cancellation of the development of a new service.

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

For the consolidated fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
mixi Group posted impairment loss on the following assets in the consolidated fiscal year ended March 31, 2021.

Business	Application	Place	Classification	Amount (Millions of yen)
Digital Entertainment Business	**Business assets**	**Shibuya Ward, Tokyo**	**Software**	**29**

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 Digital Entertainment Business was recorded due to the fact that the e-commerce site operated by mixi will be redesigned in the consolidated fiscal year ending March 31, 2022 and cessation of the use of the software related to construction of the current e-commerce site in the consolidated fiscal year ending March 31, 2022 is certain.

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

7. Consolidated statements of comprehensive income

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

(Millions of yen)

	FY2020 (April 1, 2019 to March 31, 2020)	**FY2021 (April 1, 2020 to March 31, 2021)**
Valuation difference on available-for-sale securities:		
Gains (losses) arising during the period	(480)	**1,530**
Reclassification adjustments	—	**(503)**
Amount before income tax effect	(480)	**1,027**
Income tax effect	146	**(344)**
Valuation difference on available-for-sale securities	(334)	**682**
Foreign currency translation adjustment:		
Gains (losses) arising during the period	(33)	**(10)**
Reclassification adjustments	—	**—**
Amount before income tax effect	(33)	**(10)**
Income tax effect	—	**—**
Foreign currency translation adjustment	(33)	**(10)**
Total other comprehensive income	(367)	**672**

8. Consolidated statements of changes in shareholders' equity

For the consolidated fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
1. Matters related to class and total number of issued shares

Class of shares	As of April 1, 2019	Increase	Decrease	As of March 31, 2020
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, 2019	Increase	Decrease	As of March 31, 2020
Common shares (Shares)	2,881,300	—	—	2,881,300

(Summary of causes of changes)
There is no relevant information.

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, 2020 (Millions of yen)
			As of April 1, 2019	Increase	Decrease	As of March 31, 2020	
mixi, Inc.	Subscription rights to shares as stock option			—			971
Total				—			971

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

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors Meeting on May 10, 2019	Common shares	4,520	60	March 31, 2019	June 11, 2019
Board of Directors Meeting on November 8, 2019	Common shares	4,144	55	September 30, 2019	December 9, 2019

(2) Dividends with record dates within the consolidated fiscal year ended March 31, 2020, 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 15, 2020	Common shares	Retained earnings	4,144	55	March 31, 2020	June 11, 2020

For the consolidated fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
1. Matters related to class and total number of issued shares

Class of shares	As of April 1, 2020	Increase	Decrease	As of March 31, 2021
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, 2020	Increase	Decrease	As of March 31, 2021
Common shares (Shares)	**2,881,300**	**—**	**24,900**	**2,856,400**

(Summary of causes of changes)
Decrease due to disposal of shares upon exercise of subscription rights to shares: 24,900 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, 2021 (Millions of yen)
			As of April 1, 2020	Increase	Decrease	As of March 31, 2021	
mixi, Inc.	**Subscription rights to shares as stock option**			**—**			**1,281**
Total				**—**			**1,281**

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 15, 2020	**Common shares**	**4,144**	**55**	**March 31, 2020**	**June 11, 2020**
Board of Directors Meeting on November 6, 2020	**Common shares**	**4,144**	**55**	**September 30, 2020**	**December 7, 2020**

(2) Dividends with record dates within the consolidated fiscal year ended March 31, 2020, 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 7, 2021	**Common shares**	**Retained earnings**	**4,145**	**55**	**March 31, 2021**	**June 10, 2021**

9. 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)

	FY2020 (April 1, 2019 to March 31, 2020)	**FY2021 (April 1, 2020 to March 31, 2021)**
Cash and deposits account	125,427	**149,812**
Cash and cash equivalents	125,427	**149,812**

*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, 2020 (April 1, 2019 to March 31, 2020)
SFIDANTE Inc.

(Millions of yen)

Current assets	197
Non-current assets	95
Total assets	292
Current liabilities	81
Non-current liabilities	115
Total liabilities	196

Chiba Jets Funabashi Co., Ltd.

(Millions of yen)

Current assets	697
Non-current assets	30
Total assets	728
Current liabilities	595
Non-current liabilities	22
Total liabilities	617

Net Dreamers Co., Ltd.

(Millions of yen)

Current assets	2,058
Non-current assets	331
Total assets	2,390
Current liabilities	409
Total liabilities	409

For the consolidated fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
There is no relevant information.

10. Lease transactions

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

(Millions of yen)

	FY2020 (April 1, 2019 to March 31, 2020)	**FY2021 (April 1, 2020 to March 31, 2021)**
Less than 1 year	3,063	**2,969**
More than 1 year	10,108	**6,984**
Total	13,172	**9,953**

11. Financial instruments

1. Matters related to status of financial instruments

(1) Policy on financial instruments

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

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

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

Financial liabilities consist mainly of accounts payable — other, income taxes payable, long-term borrowings (including the current portion of long-term borrowings), and long-term accounts payable - other (including the current portion of long-term accounts payable — other). 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.

2. Matters related to fair value and others of financial instruments

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

For the consolidated fiscal year ended March 31, 2020 (as of March 31, 2020)

(Millions of yen)

	Amount recorded on consolidated balance sheets*	Fair value*	Difference
(1) Cash and deposits	125,427	125,427	—
(2) Accounts receivable — trade	14,245		
Allowance for doubtful accounts	(44)		
	14,200	14,200	—
(3) Consumption taxes receivable	1,248	1,248	—
(4) Investment securities			
Available-for-sale securities	507	507	—
(5) Accounts payable — other	(7,766)	(7,766)	—
(6) Short-term borrowings	(409)	(409)	—
(7) Income taxes payable	(124)	(124)	—
(8) Long-term borrowings (including the current portion of long-term borrowings)	(3,214)	(3,206)	(7)
(9) Long-term accounts payable — other (including the current portion of long-term accounts payable — other)	(1,796)	(1,800)	4

* Items recorded as liabilities are denoted by ( ).

For the consolidated fiscal year ended March 31, 2021 (as of March 31, 2021)

(Millions of yen)

	Amount recorded on consolidated balance sheets*	Fair value*	Difference
(1) Cash and deposits	**149,812**	**149,812**	**—**
(2) Accounts receivable — trade	**11,706**		
Allowance for doubtful accounts	**(46)**		
	11,659	**11,659**	**—**
(3) Investment securities			
Available-for-sale securities	**1,592**	**1,592**	**—**
(4) Short-term borrowings	**(650)**	**(650)**	**—**
(5) Accounts payable — other	**(8,773)**	**(8,773)**	**—**
(6) Income taxes payable	**(6,111)**	**(6,111)**	**—**
(7) Accrued consumption taxes	**(1,638)**	**(1,638)**	
(8) Long-term borrowings (including the current portion of long-term borrowings)	**(8,276)**	**(8,276)**	**(0)**
(9) Long-term accounts payable — other (including the current portion of long-term accounts payable — other)	**(1,419)**	**(1,455)**	**35**

* Items recorded as liabilities are denoted by ( ).

(Notes)
1. Matters related to the calculation method of fair value of financial instruments
(1) Cash and deposits and (2) Accounts receivable — trade:
As these are based on short-term settlements, their fair values approximate their book values, and therefore their book values are used.

(3) Investment securities:
Regarding these fair values, the shares are based on the price on the stock exchange.
(4) Short-term borrowings, (5) Accounts payable — other, (6) Income taxes payable and (7) Accrued consumption taxes:
As these are based on short-term settlements, their fair values approximate their book values, and therefore their book values are used.
(8) Long-term borrowings (including the current portion of long-term borrowings)
The fair value of long-term borrowings is calculated based on 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.
The current portion of long-term borrowings (¥371 million is included in "short-term borrowings" under current liabilities on the consolidated balance sheet) is included in long-term borrowings.
(9) Long-term accounts payable — other (including the current portion of long-term accounts payable — other)
Long-term accounts payable — other is calculated based on the present value of future cash flows discounted at an interest rate obtained when taking into account the remaining period and credit risks.
The current portion of long-term accounts payable — other (¥415 million is included in "Accounts payable — other" under current liabilities on the consolidated balance sheets) is included in long-term accounts payable — other.

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

(Millions of yen)

Classification	As of March 31, 2020	**As of March 31, 2021**
Unlisted shares and others	4,212	**6,516**
Contribution to investment partnerships	5,197	**5,819**

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

3. Scheduled redemption amount of monetary receivables after the consolidated balance sheet date
For the consolidated fiscal year ended March 31, 2020 (as of March 31, 2020)

	Less than 1 year (Millions of yen)	More than 1 year and less than 5 years (Millions of yen)	More than 5 years and less than 10 years (Millions of yen)	More than 10 years (Millions of yen)
Cash and deposits	125,427	—	—	—
Accounts receivable — trade	14,245	—	—	—
Total	139,672	—	—	—

For the consolidated fiscal year ended March 31, 2021 (as of March 31, 2021)

	Less than 1 year (Millions of yen)	More than 1 year and less than 5 years (Millions of yen)	More than 5 years and less than 10 years (Millions of yen)	More than 10 years (Millions of yen)
Cash and deposits	**149,812**	**—**	**—**	**—**
Accounts receivable — trade	**11,706**	**—**	**—**	**—**
Total	**161,518**	**—**	**—**	**—**

4. Scheduled repayment amount of 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, 2020 (as of March 31, 2020)

	Less than 1 year (Millions of yen)	More than 1 year and less than 5 years (Millions of yen)	More than 5 years and less than 10 years (Millions of yen)	More than 10 years (Millions of yen)
Long-term borrowings (including the current portion of long-term borrowings)	272	1,282	1,669	—
Total	272	1,282	1,669	—

For the consolidated fiscal year ended March 31, 2021 (as of March 31, 2021)

	Less than 1 year (Millions of yen)	More than 1 year and less than 5 years (Millions of yen)	More than 5 years and less than 10 years (Millions of yen)	More than 10 years (Millions of yen)
Long-term borrowings (including the current portion of long-term borrowings)	**371**	**2,101**	**3,234**	**2,569**
Total	**371**	**2,101**	**3,234**	**2,569**

12. Securities

1. Available-for-sale securities
For the consolidated fiscal year ended March 31, 2020 (as of March 31, 2020)

(Millions of yen)

Classification	Amount recorded on consolidated balance sheets (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Amount recorded on consolidated balance sheets that exceeds acquisition cost			
Shares	507	30	477
Total	507	30	477

For the consolidated fiscal year ended March 31, 2021 (as of March 31, 2021)

(Millions of yen)

Classification	Amount recorded on consolidated balance sheets (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Amount recorded on consolidated balance sheets that exceeds acquisition cost			
Shares	**1,592**	**87**	**1,504**
Total	**1,592**	**87**	**1,504**

2. Available-for-sale securities sold

For the consolidated fiscal year ended March 31, 2020 (as of March 31, 2020)

Classification	Amount sold (Millions of yen)	Total gain on sale (Millions of yen)	Total loss on sale (Millions of yen)
Shares	100	—	—
Total	100	—	—

For the consolidated fiscal year ended March 31, 2021 (as of March 31, 2021)

Classification	Amount sold (Millions of yen)	Total gain on sale (Millions of yen)	Total loss on sale (Millions of yen)
Shares	**1,097**	**903**	**—**
Total	**1,097**	**903**	**—**

3. Securities for which impairment loss is recognized

For the fiscal year ended March 31, 2020, there were no securities for which impairment loss was recorded.

For the fiscal year ended March 31, 2021, an impairment loss of ¥524 million was recorded for securities (shares classified as available-for-sale securities).

13. 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 ¥72 million for the previous consolidated fiscal year and ¥103 million for the current consolidated fiscal year.

14. Stock options

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

(Millions of yen)

	FY2020	**FY2021**
SG&A expenses	431	**364**

2. Amount reported as profit due to forfeiture of unexercised stock options

(Millions of yen)

	FY2020	**FY2021**
Gain on reversal of subscription rights to shares	16	**—**

3. 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: 38,500 shares	Common shares: 205,500 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: 28,900 shares	Common shares: 368,900 shares	Common shares: 21,000 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
Classification and number of persons granted stock options	mixi's executive officers: 5 persons	mixi's corporate officers: 5 persons
Number of stock options (Note)	Common shares: 285,500 shares	Common shares: 33,500 shares
Grant date	July 13, 2020	July 13, 2020
Vesting conditions	No conditions	Same as on the left
Period of service eligible	No requirement for period of service	Same as on the left
Exercise period	From July 14, 2020 to July 13, 2050	From July 14, 2021 to July 13, 2026

(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, 2021). 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, 2020	—	—	—
Granted	—	—	—
Expired	—	—	—
Vested	—	—	—
Not vested	—	—	—
After vesting of stock options (Shares)			
As of March 31, 2020	47,000	38,500	205,500
Vested	—	—	—
Exercised	—	—	—
Expired	—	—	—
Not vested	47,000	38,500	205,500

	2018 Stock Option 2	2019 Stock Option 1	2019 Stock Option 2
Before vesting of stock options (Shares)			
As of March 31, 2020	—	—	—
Granted	—	—	—
Expired	—	—	—
Vested	—	—	—
Not vested	—	—	—
After vesting of stock options (Shares)			
As of March 31, 2020	49,200	368,900	32,200
Vested	—	—	—
Exercised	17,000	—	7,900
Expired	3,300	—	3,300
Not vested	28,900	368,900	21,000

	2020 Stock Option 1	2020 Stock Option 2
Before vesting of stock options (Shares)		
As of March 31, 2020	—	—
Granted	285,500	33,500
Expired	—	—
Vested	285,500	33,500
Not vested	—	—
After vesting of stock options (Shares)		
As of March 31, 2020	—	—
Vested	285,500	33,500
Exercised	—	—
Expired	—	—
Not vested	285,500	33,500

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)	—	—	—
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)	2,649	—	2,630
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
Exercise price (Yen)	1	1
Average stock price at exercise (Yen)	—	—
Fairly evaluated unit price (as of grant date) (Yen)	1,065	A: 2,012 B: 2,000 C: 1,903

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

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

(1) Method used for evaluation: Black-Scholes model
(2) Major basic figures used and method of estimation

	2020 Stock Option 1
Stock price volatility (Note 1)	64.80%
Expected remaining period (Note 2)	15.00 years
Expected dividends (Note 3)	¥110 per share
Risk-free interest rate (Note 4)	0.24%

(Notes) 1. Calculated based on the actual stock prices during the period from September 11, 2006 to July 13, 2020
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, 2020
4. Interest rate of government bonds corresponding to the expected remaining period

	2020 Stock Option 2
Stock price volatility (Note 1)	A: 39.75% B: 36.15% C: 33.37%
Expected remaining period (Note 2)	A: 1 year B: 2 years C: 3 years
Expected dividends (Note 3)	¥110 per share
Risk-free interest rate (Note 4)	A: (0.18)% B: (0.14)% C: (0.15)%

(Notes) 1. Stock price volatility is calculated based on the actual stock prices during the following three periods that correspond to the expected remaining periods.
A: July 14, 2019 to July 13, 2020
B: July 14, 2018 to July 13, 2020
C: July 14, 2017 to July 13, 2020
2. As reasonable estimation is difficult due to insufficient historical data, the expected remaining periods are assumed to be the three periods from the date of calculation to the time when the applicable subscription rights to shares can be exercised in each phase, and their fairly evaluated unit prices are calculated accordingly.
A: July 13, 2020 to July 14, 2021
B: July 13, 2020 to July 14, 2022
C: July 13, 2020 to July 14, 2023
3. Based on the dividends forecast to be paid for the fiscal year ended March 31, 2021
4. Interest rate of government bonds corresponding to the expected remaining period
A: Redemption date — July 1, 2021
B: Redemption date — July 1, 2022
C: Redemption date — June 20, 2023

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

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

15. Tax effect accounting

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

(Millions of yen)

	FY2020 (As of March 31, 2020)	**FY2021** **(As of March 31, 2021)**
Deferred tax assets:		
Overdepreciation	135	**78**
Tax losses carried forward	495	**276**
Software	4,383	**4,019**
Investment securities	703	**788**
Enterprise tax payable	50	**350**
Provision for bonuses	378	**531**
Subscription rights to shares	297	**392**
Advances received	212	**237**
Other	1,387	**1,345**
Subtotal of deferred tax assets	8,042	**8,019**
Valuation allowance	(1,717)	**(2,101)**
Total deferred tax assets	6,325	**5,918**
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(146)	**(490)**
Valuation difference related to business combination	(3,485)	**(3,099)**
Total deferred tax liabilities	(3,631)	**(3,589)**
Net deferred tax assets	2,693	**2,328**

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

(%)

	FY2020 (As of March 31, 2020)	**FY2021 (As of March 31, 2021)**
Statutory tax rate	30.6	**30.6**
(Adjustment)		
Amortization of goodwill	0.7	**1.4**
Valuation allowance	(15.7)	**1.8**
Dividend income	(0.3)	**(0.0)**
Per capita inhabitants' tax	0.1	**0.0**
Impact of liquidation of consolidated subsidiaries	17.4	**0.0**
Tax rate difference	0.2	**0.2**
Other	(0.3)	**(1.4)**
Effective tax rate of income taxes and others after application of tax effect accounting	32.7	**32.7**

16. Business combinations

Finalization of provisional accounting treatment related to business combinations

Chiba Jets Funabashi Co., Ltd.

Regarding the business combination with Chiba Jets Funabashi Co., Ltd. conducted on October 31, 2019, the provisional accounting treatment applied during the consolidated fiscal year ended March 31, 2020 was finalized during the consolidated fiscal year ended March 31, 2021. Following the finalization of the provisional accounting treatment, significant revisions have been made to the allocation of acquisition costs in the comparative information included in the consolidated financial statements for the consolidated fiscal year ended March 31, 2021.

As a result, customer-related assets under intangible assets increased, and the amount of goodwill calculated tentatively at ¥939 million decreased by ¥897 million to ¥42 million, due to the finalization of the accounting treatment.

Net Dreamers Co., Ltd.

Regarding the business combination with Net Dreamers Co., Ltd. conducted on November 29, 2019, the provisional accounting treatment applied during the consolidated fiscal year ended March 31, 2020 was finalized during the consolidated fiscal year ended March 31, 2021. Following the finalization of the provisional accounting treatment, significant revisions have been made to the allocation of acquisition costs in the comparative information included in the consolidated financial statements for the consolidated fiscal year ended March 31, 2021.

As a result, customer-related assets under intangible assets increased, and the amount of goodwill calculated tentatively at ¥13,019 million decreased by ¥4,628 million to ¥8,391 million, due to the finalization of the accounting treatment.

17. Asset retirement obligations

For the consolidated fiscal years ended March 31, 2020 and March 31, 2021

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.

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.

In making these estimates, 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 amount of leasehold deposit which was ultimately expected not to be recovered belonging to the fiscal year ended March 31, 2020 was ¥175 million and as of March 31, 2020, the amount ultimately deemed unrecoverable was ¥2,578 million.

The amount of leasehold deposit which was ultimately expected not to be recovered belonging to the fiscal year ended March 31, 2021 was ¥92 million and as of March 31, 2021, the amount ultimately deemed unrecoverable was ¥2,455 million.

18. 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 three reportable segments, namely "Digital Entertainment Business," "Sports Business" and "Lifestyle 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*.

(Matters related to changes in reportable segments)

The Group redefined its business domains in line with changes in the business portfolio in the consolidated fiscal year ended March 31, 2021. Accordingly, names of reportable segments and the classification method have been changed as follows.

Previous segment names and the classification method of "Entertainment Business" and "Lifestyle Business" were changed to "Digital Entertainment Business," "Sports Business," and "Lifestyle Business" in the consolidated fiscal year ended March 31, 2021. Seven consolidated subsidiaries, which were previously classified under the "Entertainment Business," have been reclassified into the "Sports Business." The segment information for the consolidated fiscal year ended March 31, 2020 is presented based on the reportable segment classification used for the consolidated fiscal year ended March 31, 2021.

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

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

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

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

For the consolidated fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Millions of yen)

	Reportable segment				Adjustment (Note 1)	Amount recorded in consolidated financial statements (Note 2)
	Digital Entertainment Business	Sports Business	Lifestyle Business	Total		
Net sales						
Net sales to external customers	102,039	5,177	4,954	112,171	—	112,171
Inter-segment net sales or transfers	1	—	0	1	(1)	—
Total	102,040	5,177	4,954	112,172	(1)	112,171
Segment profit/loss	33,498	(2,769)	(620)	30,108	(12,960)	17,147
Other						
Depreciation	568	791	175	1,535	764	2,299
Amortization of goodwill	—	516	105	622	—	622
Impairment loss	216	—	—	216	—	216

(Notes) 1. The segment profit adjustment of ¥(12,960) million includes depreciation of ¥(1,535) million, amortization of goodwill of ¥(622) million, and company-wide expenses of ¥(10,802) million not allocated to each reportable segment. Company-wide expenses comprise mainly costs relating to mixi's administrative departments not belonging to any reportable segment.
2. Segment profit is adjusted with operating income in the consolidated statements of income.

For the consolidated fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segment				Adjustment (Note 1)	Amount recorded in consolidated financial statements (Note 2)
	Digital Entertainment Business	Sports Business	Lifestyle Business	Total		
Net sales						
Net sales to external customers	**100,590**	**12,699**	**6,030**	**119,319**	**—**	**119,319**
Inter-segment net sales or transfers	**—**	**—**	**—**	**—**	**—**	**—**
Total	**100,590**	**12,699**	**6,030**	**119,319**	**—**	**119,319**
Segment profit/loss	**44,764**	**(5,347)**	**(398)**	**39,018**	**(16,090)**	**22,928**
Other						
Depreciation	**445**	**1,354**	**282**	**2,082**	**1,042**	**3,125**
Amortization of goodwill	**—**	**936**	**126**	**1,063**	**—**	**1,063**
Impairment loss	**29**	**—**	**—**	**29**	**—**	**29**

(Notes) 1. The segment profit adjustment of ¥(16,090) million includes depreciation of ¥(2,082) million, amortization of goodwill of ¥(1,063) million, and company-wide expenses of ¥(12,943) million not allocated to each reportable segment. Company-wide expenses comprise mainly costs relating to mixi's administrative departments not belonging to any reportable segment.
2. Segment profit is adjusted with operating income in the consolidated statements of income.

[Related information]

For the consolidated fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

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, 2021 (April 1, 2020 to March 31, 2021)

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, 2020 (April 1, 2019 to March 31, 2020)

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

For the consolidated fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

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, 2020 (April 1, 2019 to March 31, 2020)

(Millions of yen)

	Reportable segment				Corporate / Elimination	Total
	Digital Entertainment Business	Sports Business	Lifestyle Business	Total		
Amortization for the year	—	516	105	622	—	622
Balance at end of the year	—	11,027	909	11,937	—	11,937

For the consolidated fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segment				Corporate / Elimination	Total
	Digital Entertainment Business	Sports Business	Lifestyle Business	Total		
Amortization for the year	**—**	**936**	**126**	**1,063**	**—**	**1,063**
Balance at end of the year	**—**	**10,091**	**782**	**10,873**	**—**	**10,873**

[Information regarding negative goodwill by reportable segment]

For the consolidated fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

There is no relevant information.

For the consolidated fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

There is no relevant information.

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

For the consolidated fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
There is no relevant information.

For the consolidated fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
There is no relevant information.

19. Per share information

(Yen)

	FY2020 (April 1, 2019 to March 31, 2020)	**FY2021 (April 1, 2020 to March 31, 2021)**
Net assets per share	2,390.52	**2,497.55**
Basic earnings per share	142.80	**208.24**
Diluted earnings per share	141.68	**205.72**

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

Item	FY2020 (April 1, 2019 to March 31, 2020)	**FY2021 (April 1, 2020 to March 31, 2021)**
Basic earnings per share (Yen)		
Profit attributable to owners of parent (Millions of yen)	10,760	**15,692**
Amount not attributable to common shareholders (Millions of yen)	—	**—**
Profit attributable to owners of parent relating to common shares (Millions of yen)	10,760	**15,692**
Average number of common shares for the period under review (Shares)	75,349,550	**75,360,540**
Diluted earnings per share (Yen)		
Amount of adjustment to profit attributable to owners of parent (Millions of yen)	—	**—**
Number of increased common shares (Shares)	598,623	**922,079**
[Subscription rights to shares] (Shares)	[598,623]	**[922,079]**
Summary of potential shares not included in diluted earnings per share due to their lack of dilutive effect	—	**—**

20. Significant subsequent events

Conversion of an entity into an equity-method associate through share acquisition

At the Board of Directors meeting held on March 22, 2021, a resolution was passed for mixi's consolidated subsidiary Tech Growth Capital LLP ("Tech Growth Capital") to subscribe to third-party allotment of shares of HUB CO., LTD. ("HUB"), and Tech Growth Capital acquired shares of HUB on April 14, 2021. Following Tech Growth Capital's subscription to new shares issued by HUB, mixi has 20.02% of voting rights in HUB and HUB has become an equity-method associate of mixi.

1. Purpose of share acquisition
By operating an "exciting culture creation business" through their chain of British pubs across Tohoku, Kanto, Chubu, Kansai, and Kyushu, HUB provides places of positivity for stakeholders. HUB aims to enrich life in Japan by spreading British pub culture even in a world of accelerating digitalization. mixi aims to offer enjoyable communication services for friends and family such as the social network mixi and the smartphone game *Monster Strike*. Starting last year, mixi focused on business growth in the field of entertainment in order to pursue its medium-term policy of enriching global communication by combining entertainment with technology. mixi and HUB have formed a business alliance that plans to utilize both companies' management resources and expertise in creating enjoyable places for communication to improve corporate value. The synergy between HUB's expertise in offline places of communication and mixi's expertise in online communication services will lead to business growth for both companies.

2. Summary of share acquisition
(1) Name of the entity whose relationship with mixi changed, description of its business, and scale of the entity
Name: HUB CO., LTD.
Description of the business: British pubs, etc.
Scale: Capital ¥1,132 million
(2) Date of share acquisition
April 14, 2021
(3) Class and number of shares acquired
1,564,900 shares of common stock
(4) Acquisition cost
¥639 per share (total cost of ¥999,971,100)
(5) Number of shares owned and ratio of voting rights after the change
Number of shares owned: 2,517,600 shares
Ratio of voting rights: 20.02% (mixi's indirect ownership ratio: 19.96%)

Repurchase of own shares

At the Board of Directors meeting held on May 7, 2021, a resolution was passed relating to repurchase of own shares based on the Articles of Incorporation pursuant to the 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 3,800,000 shares
(5.04% of the total outstanding shares, other than treasury shares)
(3) Total share repurchase cost: Up to ¥7,500 million
(4) Repurchase period: From May 10, 2021 to March 31, 2022
(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 March 31, 2020 (Millions of yen)	As of March 31, 2021 (Millions of yen)	Average interest rate (%)	Deadline for repayment
Short-term borrowings	671	1,021	0.5	—
Current portion of lease obligations	2	1	—	—
Long-term borrowings (excluding current portion)	2,952	7,905	0.7	From April 2022 to January 2041
Lease obligations (excluding current portion)	2	0	—	From April 2022 to December 2022
Total	3,627	8,929	—	—

(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, 2021 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. Due to quantitative insignificance, current portion of lease obligations is included in "Other" under "Current liabilities" in the consolidated balance sheets, and lease obligations (excluding current portion) are included in "Other" under "Non-current liabilities" in the consolidated balance sheets.
5. Scheduled repayment amounts of long-term borrowings (excluding current portion) and lease obligations (excluding current portion) after the consolidated balance sheet date are as follows:

Classification	More than 1 year and less than 2 years (Millions of yen)	More than 2 years and less than 3 years (Millions of yen)	More than 3 years and less than 4 years (Millions of yen)	More than 4 years and less than 5 years (Millions of yen)	More than 5 years (Millions of yen)
Long-term borrowings	523	545	516	516	5,803
Lease obligations	0	—	—	—	—

[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 FY2021	2Q of FY2021	3Q of FY2021	FY2021
Net sales (Millions of yen)	29,360	58,752	87,737	119,319
Income before income taxes (Millions of yen)	7,224	13,994	15,811	23,201
Profit attributable to owners of parent (Millions of yen)	4,923	9,333	10,433	15,692
Basic earnings per share (Yen)	65.35	123.86	138.46	208.24

(Accounting period)	1Q of FY2021	2Q of FY2021	3Q of FY2021	4Q of FY2021
Basic earnings (loss) per share (Yen)	65.35	58.52	14.60	69.77

(Note) During the second quarter of the current consolidated fiscal year, the provisional accounting treatment relating to business combinations was finalized, and the quarterly financial information for the first quarter represents amounts after reflection of the significant revision made to the initial allocation of acquisition costs in conjunction with the finalization of the provisional accounting treatment.

Financial Statements

Balance Sheets

(Millions of yen)

	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
Assets:		
Current assets		
Cash and deposits	119,154	**135,499**
Accounts receivable — trade (Note 4 (*1))	12,803	**9,406**
Merchandise	159	**127**
Advance payments — trade (Note 4 (*1))	790	**16**
Prepaid expenses (Note 4 (*1))	1,814	**1,975**
Other (Note 4 (*1))	3,105	**4,765**
Allowance for doubtful accounts	(44)	**(42)**
Total current assets	137,783	**151,748**
Non-current assets		
Property, plant and equipment		
Buildings	5,302	**4,692**
Accumulated depreciation	(768)	**(293)**
Buildings, net	4,533	**4,399**
Tools, furniture and fixtures	5,074	**5,075**
Accumulated depreciation	(2,228)	**(2,703)**
Tools, furniture and fixtures, net	2,846	**2,372**
Construction in progress	108	**1**
Other	—	**2**
Accumulated depreciation	—	**(0)**
Other, net	—	**2**
Total property, plant and equipment	7,489	**6,775**
Intangible assets		
Software	244	**404**
Other	1,074	**721**
Total intangible assets	1,318	**1,125**
Investments and other assets		
Investment securities	7,813	**9,911**
Shares of subsidiaries and associates	24,242	**24,462**
Investments in capital	—	**11**
Investments in capital of subsidiaries and associates	2,783	**5,936**
Long-term loans receivable from subsidiaries and associates (Note 4 (*1))	3,022	**1,862**
Claims provable in bankruptcy, claims provable in rehabilitation and other	1	**1**
Long-term prepaid expenses	257	**171**
Deferred tax assets	6,042	**5,605**
Lease and guarantee deposits	4,473	**3,352**
Other (Note 4 (*1))	59	**48**
Allowance for doubtful accounts	(2,379)	**(977)**
Total investments and other assets	46,317	**50,385**
Total non-current assets	55,125	**58,287**
Total assets	192,908	**210,035**

(Millions of yen)

	FY2020 (As of March 31, 2020)	FY2021 (As of March 31, 2021)
Liabilities:		
Current liabilities		
Accounts payable — other (Note 4 (*1))	6,545	**7,455**
Accrued expenses	7	**10**
Income taxes payable	—	**5,254**
Accrued consumption taxes	—	**1,376**
Advances received (Note 4 (*1))	1,868	**2,075**
Deposits received	555	**1,040**
Lease obligations	2	**2**
Provision for bonuses	1,157	**1,570**
Provision for point card certificates	—	**284**
Total current liabilities	10,137	**19,070**
Non-current liabilities		
Lease obligations	2	**0**
Long-term accounts payable — other	1,376	**1,003**
Total non-current liabilities	1,379	**1,004**
Total liabilities	11,516	**20,075**
Net assets:		
Shareholders' equity		
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	—	**138**
Retained earnings brought forward	171,628	**179,459**
Total retained earnings	171,628	**179,597**
Treasury shares	(10,905)	**(10,811)**
Total shareholders' equity	180,090	**188,153**
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	331	**525**
Total valuation and translation adjustments	331	**525**
Subscription rights to shares	971	**1,281**
Total net assets	181,392	**189,960**
Total liabilities and net assets	192,908	**210,035**

Statements of Income

(Millions of yen)

	FY2020 (April 1, 2019 to March 31, 2020)	**FY2021 (April 1, 2020 to March 31, 2021)**
Net sales	105,495	**106,722**
Cost of sales	18,461	**20,210**
Gross profit	87,034	**86,512**
SG&A expenses (Note 5 (*1))	68,705	**63,872**
Operating income	18,328	**22,639**
Non-operating income		
Interest income	80	**31**
Foreign exchange gains	7	**30**
Interest on tax refund	33	**44**
Gain on adjustment of account payable	26	**16**
Sponsorship money income	64	**35**
Other	32	**109**
Total non-operating income	246	**266**
Non-operating expenses		
Restoration cost	—	**29**
Loss on investments in partnership	258	**203**
Other	9	**25**
Total non-operating expenses	267	**258**
Ordinary income	18,307	**22,648**
Extraordinary income		
Gain on sales of non-current assets (Note 5 (*2))	3	**—**
Gain on sales of investment securities	—	**318**
Gain on reversal of subscription rights to shares (Note 5 (*3))	16	**—**
Reversal of allowance for doubtful accounts (Note 5 (*4))	—	**606**
Gain on liquidation of subsidiaries and associates (Note 5 (*5))	141	**—**
Gain on forgiveness of debts	1	**—**
Total extraordinary income	162	**925**
Extraordinary losses		
Head office relocation expenses	619	**—**
Loss on sales and retirement of non-current assets (Note 5 (*6))	46	**38**
Impairment loss	216	**29**
Loss on valuation of investment securities	—	**330**
Loss on valuation of shares of subsidiaries and associates (Note 5 (*7))	12	**—**
Provision of allowance for doubtful accounts (Note 5 (*8))	953	**—**
Loss on forgiveness of debts	47	**—**
Other	—	**28**
Total extraordinary losses	1,895	**427**
Income before income taxes	16,574	**23,146**
Income taxes — current	4,459	**6,497**
Income taxes — deferred	924	**350**
Total income taxes	5,384	**6,848**
Period net income	11,189	**16,297**

Cost of Sales Statements

	FY2020 (April 1, 2019 to March 31, 2020)		**FY2021 (April 1, 2020 to March 31, 2021)**	
Classification	Amount (Millions of yen)	Composition ratio (%)	**Amount (Millions of yen)**	**Composition ratio (%)**
(I) Labor cost	2,471	13.9	**3,353**	**16.9**
(II) Costs[*1]	15,333	86.1	**16,436**	**83.1**
Total manufacturing costs	17,804	100.0	**19,790**	**100.0**
Beginning goods	292		**159**	
Cost of purchased goods	523		**388**	
Total	18,620		**20,338**	
Ending goods	159		**127**	
Cost of sales	18,461		**20,210**	

*1. Major breakdown of costs is as follows:

(Millions of yen)

Item	FY2020 (April 1, 2019 to March 31, 2020)	**FY2021 (April 1, 2020 to March 31, 2021)**
Subcontract expenses	13,331	**14,126**
Rent expenses	1,445	**1,642**
Content expenses	64	**79**
Depreciation	259	**295**

Statements of Changes in Shareholders' Equity

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(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	—	169,104	169,104
Change of items during period							
Dividends of surplus						(8,665)	(8,665)
Period net income						11,189	11,189
Net changes of items other than shareholders' equity							
Total changes of items during period	—	—	—	—	—	2,524	2,524
Balance at end of period	9,698	9,668	—	9,668	—	171,628	171,628

	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	(10,905)	177,566	665	665	555	178,788
Change of items during period						
Dividends of surplus		(8,665)				(8,665)
Period net income		11,189				11,189
Net changes of items other than shareholders' equity		—	(334)	(334)	415	80
Total changes of items during period	—	2,524	(334)	(334)	415	2,604
Balance at end of period	(10,905)	180,090	331	331	971	181,392

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(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	—	171,628	171,628
Change of items during period							
Dividends of surplus						(8,289)	(8,289)
Period net income						16,297	16,297
Disposal of treasury shares			(40)	(40)			
Provision of reserve for open innovation incentive					138	(138)	
Transfer to capital surplus from retained earnings			40	40		(40)	(40)
Net changes of items other than shareholders' equity							
Total changes of items during period	—	—	—	—	138	7,830	7,968
Balance at end of period	9,698	9,668	—	9,668	138	179,459	179,597

	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	(10,905)	180,090	331	331	971	181,392
Change of items during period						
Dividends of surplus		(8,289)				(8,289)
Period net income		16,297				16,297
Disposal of treasury shares	94	54				54
Provision of reserve for open innovation incentive		—				—
Transfer to capital surplus from retained earnings		—				—
Net changes of items other than shareholders' equity		—	194	194	310	504
Total changes of items during period	94	8,062	194	194	310	8,567
Balance at end of period	(10,811)	188,153	525	525	1,281	189,960

Notes to Financial Statements

1. Matters related to significant accounting policies

1. Valuation standards and valuation methods of securities

(1) Shares of affiliates and associates
Stated at cost using the moving-average method.

(2) Available-for-sale securities
Available-for-sale securities with market value
Stated at market price as of the final balance sheet date using the market value method. (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.)

Available-for-sale securities without market value
Stated at cost using the moving-average method. Investments in investment partnerships and others are based on the financial statements for the most recent balance sheet date using the net amount proportionate to mixi's ownership interests.

2. Valuation standards and valuation methods of inventories

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

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:	6 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, assuming no residual value.

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

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

5. Accounting standards for allowances and provisions

(1) 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. Other important matters that form the basis for preparing financial statements

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

2. Significant accounting estimates

Impairment of investment securities

Investment securities stood at ¥9,911 million as of March 31, 2021. The Company assesses whether it is necessary to recognize an impairment. Assessment is carried out according to the types of securities as described below.

In the case of listed securities, if the fair value at the fiscal year-end declined more than 50% compared with the acquisition cost, an impairment loss is recognized for the amount deemed necessary, taking into consideration recoverability of individual securities.

In the case of ¥3,410 million of unlisted securities or shares of subsidiaries whose fair values are deemed to be extremely difficult to measure, if net asset value of securities (net assets per share multiplied by the number of shares held) declined approximately 50% or more compared with the acquisition cost, it is judged that the net asset value declined significantly and 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 is approximately 50% or less of 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 presentation

Change in line with the application of "Accounting Standard for Disclosure of Accounting Estimates"

The Company applies the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) from the fiscal year ended March 31, 2021 and discloses the notes on accounting estimates.

However, in accordance with the provisional treatments prescribed in the proviso of Paragraph 11 of the said accounting standard, the contents related to the previous fiscal year are not described in the relevant notes.

4. Balance sheets

*1. Monetary receivables and payables in relation to subsidiaries and associates
Commitment to guarantee was entered into for the subsidiary below concerning its borrowings from financial institutions.

(Millions of yen)

	FY2020 (April 1, 2019 to March 31, 2020)	**FY2021 (April 1, 2020 to March 31, 2021)**
Short-term monetary receivables	141	**3,806**
Long-term monetary receivables	3,080	**1,910**
Short-term monetary payables	29	**811**

2. Guarantee obligation
Commitment to guarantee was entered into for the subsidiary below concerning its borrowings from financial institutions.

(Millions of yen)

	FY2020 (April 1, 2019 to March 31, 2020)	**FY2021 (April 1, 2020 to March 31, 2021)**
Chariloto Co., Ltd.	—	**5,835**

5. Statements of income

*1. Approximate ratio of selling expenses to SG&A expenses was 70.3% and 70.5% for the previous fiscal year and the current fiscal year, respectively. Approximate ratio of general and administrative expenses to SG&A expenses was 29.7% and 29.5% 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)

	FY2020 (April 1, 2019 to March 31, 2020)	**FY2021 (April 1, 2020 to March 31, 2021)**
Advertising expenses	18,788	**15,620**
Settlement fees	29,420	**29,363**

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

(Millions of yen)

	FY2020 (April 1, 2019 to March 31, 2020)	**FY2021 (April 1, 2020 to March 31, 2021)**
Tools, furniture and fixtures	3	**—**

*3. Gain on reversal of subscription rights to shares
For the fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
Refers to the gain on reversal due to the forfeiture of the subscription rights to shares by the employees who hold the subscription rights to shares.

For the fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
There is no relevant information.

*4. Reversal of allowance for doubtful accounts
For the fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
There is no relevant information.

For the fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
Refers to a reversal due to an increase in the estimated recoverable amount of receivables from i-mercury Capital, Inc.

*5. Gain on liquidation of subsidiaries and associates
For the fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
Refers to gain associated with the liquidation of Hunza, Inc.

For the fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
There is no relevant information.

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

(Millions of yen)

	FY2020 (April 1, 2019 to March 31, 2020)	**FY2021 (April 1, 2020 to March 31, 2021)**
Buildings	—	**0**
Tools, furniture and fixtures	33	**22**
Software	12	**15**
Other	—	**1**
Total	46	**38**

*7. Loss on valuation of shares of subsidiaries and associates
For the fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
These items are related to investments in, and loans to, SmartHealth, Inc. and Ratel Payment, Inc., whose financial status deteriorated.

For the fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
There is no relevant information.

*8. Provision of allowance for doubtful accounts
For the fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
These items are related to investments in, and loans to, i-mercury Capital, Inc., HECATE, Inc. and SmartHealth, Inc., whose financial status deteriorated.

For the fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
There is no relevant information.

6. Securities

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

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

(Millions of yen)

Classification	FY2020 (As of March 31, 2020)	**FY2021 (As of March 31, 2021)**
Shares of subsidiaries	24,242	**24,462**
Investments in capital of subsidiaries	2,783	**5,936**
Total	27,026	**30,398**

7. Tax effect accounting

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

(Millions of yen)

	FY2020 (As of March 31, 2020)	**FY2021 (As of March 31, 2021)**
Deferred tax assets:		
Overdepreciation	125	**—**
Software	4,306	**4,019**
Investment securities	307	**393**
Allowance for doubtful accounts	741	**312**
Accounts payable — other	394	**361**
Enterprise tax payable	45	**285**
Rent expenses on land and buildings	489	**435**
Provision for bonuses	354	**480**
Asset retirement obligations	145	**21**
Subscription rights to shares	297	**392**
Advances received	212	**237**
Other	345	**263**
Subtotal of deferred tax assets	7,765	**7,203**
Valuation allowance	(1,576)	**(1,366)**
Total deferred tax assets	6,188	**5,837**
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(146)	**(231)**
Total deferred tax liabilities	(146)	**(231)**
Net deferred tax assets	6,042	**5,605**

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

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

8. Business combinations

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

9. Significant subsequent events

Repurchase of own shares

At the Board of Directors meeting held on May 7, 2021, a resolution was passed relating to repurchase of own shares based on the Articles of Incorporation pursuant to the 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 3,800,000 shares
(5.04% of the total outstanding shares, other than treasury shares)
(3) Total share repurchase cost: Up to ¥7,500 million
(4) Repurchase period: From May 10, 2021 to March 31, 2022
(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, 2020	Amount of depreciation	Difference at end of period
Property, plant and equipment							
Buildings	5,302	99	710 (—)	4,692	293	234	4,399
Tools, furniture and fixtures	5,074	654	653 (—)	5,075	2,703	1,106	2,372
Construction in progress	108	71	178 (—)	1	—	—	1
Other	—	2	— (—)	2	0	0	2
Total property, plant and equipment	10,486	827	1,542 (—)	9,772	2,996	1,340	6,775
Intangible assets							
Software	496	326	143 (29)	679	275	121	404
Other	1,229	12	161 (—)	1,079	358	204	721
Total intangible assets	1,725	338	304 (29)	1,759	633	326	1,125

(Notes) 1. Major components of the increase during the period are as follows:
Tools, furniture and fixtures: Purchase of tools, furniture and fixtures in the preparation of remote work environments (¥124 million)
Software: Acquisition of software in the introduction of workflow system (¥159 million)
2. Major components of the decrease during the period are as follows:
Buildings: Disposal of buildings in the relocation of the head office (¥653 million)
Tools, furniture and fixtures: Disposal of tools, furniture and fixtures in the withdrawal of XFLAG STORE (¥297 million)
3. Figures in the parentheses in decrease during the period represent the amount of impairment loss recorded.

(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	2,423	56	828	630	1,020
Provision for bonuses	1,157	1,570	1,157	—	1,570
Provision for point card certificates	—	3,738	3,454	—	284

(Note) Decrease during the period (other) of allowance for doubtful accounts includes reversed amount of ¥630 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 activities

In order to engage shareholders and investors in active dialogue, we hold an earnings 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. In light of COVID-19, we are engaging in dialogue with investors in Japan and abroad through means such as the web and telephone meetings.

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

Going forward, we will continue to conduct IR activities from a medium- to long-term perspective, strengthening engagement and valuing dialogue with shareholders and investors with the aim of achieving sustainable growth in corporate value.

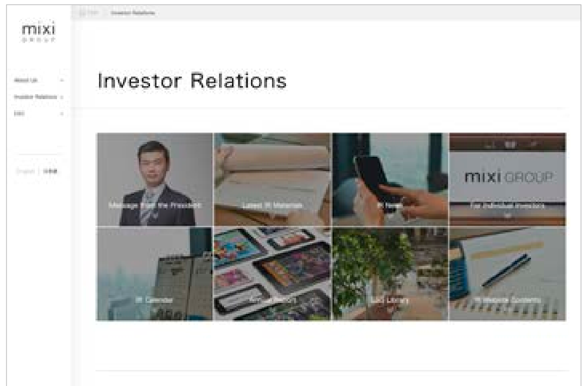
Principal IR activities in FY2021

Details	Annual frequency
Financial results briefing sessions for securities analysts and institutional investors	4
Small group meetings for securities analysts and institutional investors	0
Meetings and conference calls with domestic investors	125
Meetings and conference calls with overseas investors	37

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

Investor relations web page

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



Investor Information

(As of March 31, 2021)

Corporate information

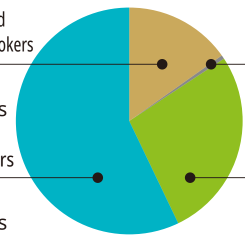
Company name	mixi, Inc.
Representative	Koki Kimura, President and Representative Director
Establishment	June 3, 1999
Paid-in capital	¥9,698 million
Head office	36F, Shibuya Scramble Square, 2-24-12 Shibuya, Shibuya-ku, Tokyo 150-6136, Japan
Number of employees	1,168 (consolidated, full-time only)
Group companies	Chariloto Co., Ltd. Net Dreamers Co., Ltd. Chiba Jets Funabashi Co., Ltd. SFIDANTE Inc. mixi recruitment, Inc. mixi empowerment, Inc.
Corporate website	http://mixi.co.jp/en
Stock exchange listing	First Section of Tokyo Stock Exchange
Securities code	2121
Fiscal year end	March 31
Annual ordinary general meeting of shareholders	June
Independent public accountants	PricewaterhouseCoopers Aarata LLC
	Common stock Authorized: 264,000,000 shares Issued: 78,230,850 shares
Number of shareholders	17,060
Stock transfer agent	Sumitomo Mitsui Trust Bank, Limited

Principal shareholders

Name	Number of shares held	Percentage of total
Kenji Kasahara	33,001,900	43.78
The Master Trust Bank of Japan, Ltd. (Trust account)	3,587,000	4.76
THE BANK OF NEW YORK MELLON 140051 (standing proxy: Mizuho Bank, Ltd.)	2,978,000	3.95
Custody Bank of Japan, Ltd. (Trust account)	1,757,700	2.33
STATE STREET BANK AND TRUST COMPANY 505038 (standing proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	1,678,102	2.23

Note: The Company has 2,856,400 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 the total.

Breakdown of shareholders by type



Note: A total of 2,856,400 treasury shares (28,564 units) are included in "Individuals and others."