Securities Code: 2121
June 10, 2020

To Shareholders:

Koki Kimura, President and Representative Director
mixi, Inc.
Shibuya Scramble Square
2-24-12 Shibuya, Shibuya-ku, Tokyo

CONVOCATION NOTICE FOR THE 21ST ORDINARY GENERAL MEETING OF SHAREHOLDERS

We hereby give notice regarding the holding of the 21st Ordinary General Meeting of Shareholders of mixi, Inc. (the "Company"). The meeting will be held as described below.

Given the current circumstances, the Japanese government and the prefectural governors have requested that appropriate care and measures be employed to prevent the spread of novel coronavirus (COVID-19) infections. In response, the Company has conducted careful deliberation and decided to hold this ordinary general meeting of shareholders upon implementing appropriate measures to prevent infection.

From the viewpoint of preventing the spread of infections, the Company strongly requests that, with respect to this ordinary general meeting of shareholders, you exercise your voting rights in writing or via the Internet, etc. prior to the meeting and refrain from attending in person to the extent possible, regardless of your health condition.

Please review the reference material for the general meeting of shareholders below and exercise your voting rights by 7:00 p.m. on Thursday, June 25, 2020 (JST).

Exercise of Voting Rights by Mail (in Writing)	Please send back the enclosed voting rights exercise form to the Company expressing your approval or disapproval of the agenda items by the above deadline.
Exercise of Voting Rights via the Internet, etc. (Electronic Methods)	Please access the website for exercising voting rights (https://www.web54.net), and after entering the "voting rights exercise code" and "password" printed on the enclosed voting rights exercise form, indicate your approval or disapproval of the agenda items by following the on-screen guidance. Please see page 3 for details.

Particulars

1.	Date and time	Friday, June 26, 2020, at 11:00 a.m.		
2.	Place	The basement floor, Hall of Belle Salle Shibuya First, Sumitomo Fudosan Shibuya First Tower, 1-2-20 Higashi, Shibuya-ku, Tokyo (Please see the map to the venue for the general meeting of shareholders attached at the end of this notice.)		
3.	Agenda items	Items to be reported:	1.	The business report, consolidated financial statements and results of audits of the consolidated financial statements by the independent auditors and the audit and supervisory board for the 21st fiscal year (from April 1, 2019 to March 31, 2020)
			2.	The non-consolidated financial statements for the 21st fiscal year (from April 1, 2019 to March 31, 2020)
		Items to be resolved:	Agenda Item No. 1:	Election of nine directors
			Agenda Item No. 2:	Election of one audit and supervisory board member

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* For those attending, please present the enclosed voting rights exercise form at the reception desk on arrival at the general meeting.

* This convocation notice does not include, as provided documents, the following documents, because they are posted on the Company's website (https://mixi.co.jp/) in accordance with laws and regulations, and Article 14 of the Company's articles of incorporation: "Matters concerning the Company's stock acquisition rights, etc.," "Matters concerning independent auditors," and "Systems that ensure the properness of operations; the operational status of those systems", which are in the business report; "Consolidated Statements of Changes in Shareholders' Equity" and "Notes to the Consolidated Financial Statements," which are in the consolidated financial statements; and "Statements of Changes in Shareholders' Equity" and "Notes to the Non-Consolidated Financial Statements," which are in the non-consolidated financial statements. The business report, and the consolidated and non-consolidated financial statements, audited by audit and supervisory board members and by the independent auditors are the matters posted on the Company's website above in addition to each document described in the provided document of this convocation notice.

* Any change in the reference material for the general meeting of shareholders, business report and consolidated and non-consolidated financial statements will be reported on the Company's website (https://mixi.co.jp/).
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How to Exercise Voting Rights via the Internet, etc. (Electronic Methods)

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

1. You can exercise your voting rights via the Internet, etc. (electronic methods) only by using the system of Sumitomo Mitsui Trust Bank, Limited, which is the shareholder registry administrator, and by using the electronic voting platform operated by ICJ, Inc.
2. The deadline for exercising voting rights via the Internet, etc. (electronic methods) is 7:00 p.m. on Thursday, June 25, 2020.
3. If you have exercised your voting rights both in writing and via the Internet, etc. (electronic methods), your vote via the Internet, etc. (electronic methods) will be the effective vote.
4. If you have exercised your voting rights via the Internet, etc. (electronic methods) multiple times, then your last vote made via the Internet, etc. (electronic methods) will be the effective vote.
5. Connection fees to be paid to a provider and communications fees (telephone, etc.) to be paid to a telecommunications carrier may be required to use the website for exercising voting rights. In that case, the fees shall be borne by the shareholder.

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[Translation]

Agenda Item 1 Election of nine directors

When this general meeting of shareholders ends, the terms of office of all current nine directors will expire. Accordingly, the Company proposes the election of nine directors.

The candidates for director are as follows:

Candidate number		Name		Positions and responsibilities in the Company	Attendance at meetings of the board of directors
1	To be reelected	Koki Kimura		President and Representative Director	100% (17 of 17 meetings)
2	To be reelected	Kosuke Taru		Director	100% (17 of 17 meetings)
3	To be reelected	Hiroyuki Osawa		Director	100% (17 of 17 meetings)
4	To be reelected	Masahiko Okuda		Director Executive General Manager of the Unified Administration Headquarters	100% (17 of 17 meetings)
5	To be reelected	Tatsuma Murase		Director Executive General Manager of Development Division	100% (13 of 13 meetings)
6	To be reelected	Kenji Kasahara		Chairman Executive General Manager of the Vantage Studio	100% (17 of 17 meetings)
7	To be reelected	Satoshi Shima	Outside Independent	Director	100% (17 of 17 meetings)
8	To be reelected	Naoko Shimura	Outside Independent	Director	100% (17 of 17 meetings)
9	To be newly elected	Masuo Yoshimatsu	Outside Independent	-	-

Candidate number **1** Koki Kimura

To be reelected

Date of birth	December 9, 1975
Number of Company shares owned	800,000 shares
Number of Company shares subject to the Company's stock acquisition rights owned	301,100 shares
Number of years in office as director	5 years
Attendance at meetings of the board of directors	100% (17 of 17 meetings)

Brief career history; positions and responsibilities; and significant concurrent posts

February 2003	Joined Mobileproduction Co., Ltd.
March 2005	Joined Index Corporation
June 2008	Joined the Company
August 2012	Product owner of the Product Development Division of the Company
November 2013	Producer of Monster Strike Studio at the Company
April 2014	General Manager of Monster Strike Studio at the Company
November 2014	Corporate Officer of the Company
January 2015	Executive General Manager of Monster Strike Studio at the Company
June 2015	Director of the Company
August 2015	Executive General Manager of XFLAG Studio at the Company
April 2017	Executive General Manager of XFLAG Business Division of the Company
April 2018	Corporate Officer of the Company
June 2018	President and Representative Director of the Company (current)

Reason why the Company selected Mr. Koki Kimura as a candidate for Director

Mr. Koki Kimura has demonstrated strong leadership since assuming the office of Corporate Officer of the Company in 2014 and has made a great contribution to the Company's group's improved performance, while also leading efforts to improve the corporate value of the Company's group after he assumed the office of President and Representative Director of the Company in June 2018. The Company's board of directors proposes Mr. Koki Kimura as a candidate for reelection as director in order to utilize his outstanding leadership to strengthen the function of the Company's board of directors and to promote the further growth of the Company's group.

Candidate number **2** Kosuke Taru

To be reelected

Date of birth	November 22, 1978
Number of Company shares owned	350,000 shares
Number of Company shares subject to the Company's stock acquisition rights owned	167,000 shares
Number of years in office as director	3 years
Attendance at meetings of the board of directors	100% (17 of 17 meetings)

Brief career history; positions and responsibilities; and significant concurrent posts

August 2008	Joined livedoor Co., Ltd.
January 2012	Joined NHN Japan Co., Ltd (currently LINE Corporation)
February 2014	Joined the Company
February 2014	Manager of planning group of Monster Strike Studio at the Company
January 2015	General Manager, Planning and Operation Division, Monster Strike Studio of the Company
August 2015	General Manager, Planning and Operation Division, XFLAG Studio Division of the Company
July 2016	General Manager, XFLAG GAMES, XFLAG Studio Division of the Company
April 2017	Executive General Manager, Monster Strike Business Division of the Company
June 2017	Director of the Company (current)
April 2018	Corporate Officer of the Company
April 2018	Executive General Manager, Digital Entertainment Business Division of the Company

Reason why the Company selected Mr. Kosuke Taru as a candidate for Director

Mr. Kosuke Taru has successively held posts as a person in charge within the digital entertainment business, which is the Company's group's core business, and he possesses abundant knowledge and experience in that core business of the Company. The Company's board of directors proposes Mr. Kosuke Taru as a candidate for reelection as director in order to utilize his knowledge and experience to strengthen the function of the Company's board of directors and to promote further growth of the Company's group.

Candidate number **3**

Hiroyuki Osawa

To be reelected

Date of birth	June 27, 1977
Number of Company shares owned	0 shares
Number of Company shares subject to the Company's stock acquisition rights owned	74,200 shares
Number of years in office as director	2 years
Attendance at meetings of the board of directors	100% (17 of 17 meetings)

Brief career history; positions and responsibilities; and significant concurrent posts

October 2006	Joined KBMJ, Inc. (currently Appirits Inc.)
June 2007	Joined the Company
November 2011	General manager of accounting and finance division of the Administrative Headquarters of the Company
April 2014	Department manager of administrative department of the Administrative Headquarters of the Company
June 2017	Executive General Manager of the Administrative Headquarters of the Company
April 2018	Corporate Officer of the Company
June 2018	Director of the Company (current)
April 2019	Executive General Manager of the Corporate Support Headquarters

Reason why the Company selected Mr. Hiroyuki Osawa as a candidate for Director

Mr. Hiroyuki Osawa has successively held a number of posts at administration and management divisions of the Company, including the accounting and finance division, and has an abundance of knowledge and experience in relation to the overall administration and management of the Company's group. The Company's board of directors proposes Mr. Hiroyuki Osawa as a candidate for reelection as director in order to utilize his knowledge and experience to strengthen the function of the Company's board of directors and to promote further growth of the Company's group.

Candidate number **4**

Masahiko Okuda

To be reelected

Date of birth	April 25, 1978
Number of Company shares owned	0 shares
Number of Company shares subject to the Company's stock acquisition rights owned	74,200 shares
Number of years in office as director	2 years
Attendance at meetings of the board of directors	100% (17 of 17 meetings)

Brief career history; positions and responsibilities; and significant concurrent posts

February 2004	Joined Yahoo Japan Corporation
September 2008	Joined Pitcrew Co., Ltd.
February 2011	Vice president and director of Pitcrew Co., Ltd.
April 2013	Joined the Company
January 2015	Executive General Manager of MS Headquarters of the Company
April 2016	Executive General Manager of Orange Studio Headquarters of the Company
January 2017	Representative director of Marshal Co., Ltd. (current)
April 2018	Corporate Officer of the Company
April 2018	Executive General Manager of the Unified Administration Headquarters of the Company (current)
June 2018	Director of the Company (current)

Reason why the Company selected Mr. Masahiko Okuda as a candidate for Director

Mr. Masahiko Okuda has abundant experience dealing with risk management and compliance related matters and has successively held a number of offices as an executive general manager of the Company, so he is well acquainted with the overall business of the Company's group. The Company's board of directors proposes Mr. Masahiko Okuda as a candidate for reelection as director in order to utilize his knowledge and experience to strengthen the function of the Company's board of directors and to promote further growth of the Company's group.

Candidate number **5**

Tatsuma Murase

To be reelected

Date of birth	September 13, 1985
Number of Company shares owned	0 shares
Number of Company shares subject to the Company's stock acquisition rights owned	51,600 shares
Number of years in office as director	1 year
Attendance at meetings of the board of directors	100% (13 of 13 meetings)

Brief career history; positions and responsibilities; and significant concurrent posts

January 2005	Joined eMercury, Inc. (currently the Company)
December 2009	Director of KH2O Inc.
January 2012	Joined Q-Games Ltd.
February 2013	Joined the Company
May 2014	Manager of Group 2, System Coordination Department of the Cross Function Headquarters of the Company
July 2016	Department manager of Game Development Department of XFLAG Studio Division of the Company
January 2018	Executive General Manager of XFLAG Development Division (currently Development Division) of the Company (current)
April 2018	Corporate Officer of the Company
June 2019	Director of the Company (current)

Reason why the Company selected Mr. Tatsuma Murase as a candidate for Director

Mr. Tatsuma Murase has successively held a number of posts within technical divisions of the Company, including the development division, and has an abundance of knowledge and experience from technical perspectives. The Company's board of directors proposes Mr. Tatsuma Murase as a candidate for reelection as director in order to utilize his knowledge and experience to strengthen the function of the Company's board of directors and to promote further growth of the Company's group.

Candidate number 6 **Kenji Kasahara** To be reelected

Date of birth	December 6, 1975
Number of Company shares owned	34,101,900 shares
Number of Company shares subject to the Company's stock acquisition rights owned	0 shares
Number of years in office as director	21 years
Attendance at meetings of the board of directors	100% (17 of 17 meetings)

Brief career history; positions and responsibilities; and significant concurrent posts

June 1999	Established eMercury, Inc. (currently the Company)
	Director of eMercury, Inc.
October 2000	Reorganization (change from *yugen kaisha* to *kabushiki kaisha*) of eMercury, Inc. (currently the Company)
	President and representative director of eMercury, Inc.
February 2006	Company name changed to mixi, Inc.
	President and representative director of the Company
May 2008	Chairperson at mixi Shanghai, Inc.
October 2008	Representative director of NexPas, Inc. (currently Torchlight, Inc.)
April 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 (current)
April 2016	Executive General Manager of Vantage Studio at the Company (current)
April 2018	Corporate Officer of the Company

Reason why the Company selected Mr. Kenji Kasahara as a candidate for Director

As founder of the Company, Mr. Kenji Kasahara has served as the president and representative director for many years in the past and has extensive knowledge and experience in relation to the management and the overall business of the Company's group. Even after retiring from the office of the president and representative director of the Company, he leads the development of new businesses for the Company based on the knowledge and experience he has accumulated. The Company's board of directors proposes Mr. Kenji Kasahara as a candidate for reelection as director in order to utilize his knowledge and experience to strengthen the function of the Company's board of directors and to promote further growth of the Company's group.

Candidate number 7 **Satoshi Shima** To be reelected Outside Independent

Date of birth	April 25, 1958
Number of Company shares owned	0 shares
Number of Company shares subject to the Company's stock acquisition rights owned	0 shares
Number of years in office as director	3 years
Attendance at meetings of the board of directors	100% (17 of 17 meetings)

Brief career history; positions and responsibilities; and significant concurrent posts

April 1986	Graduated from The Matsushita Institute of Government and Management (MIGM)
April 1994	Representative of Tokyo Institute of Government and Management, MIGM
October 1996	Elected as a member of the House of Representatives, Japan; elected as such for the following three consecutive terms
November 2005	General Manager of CEO Office, SoftBank Corp. (currently SoftBank Group Corp.)
April 2014	Advisor of SoftBank Corp. (currently SoftBank Group Corp.)
April 2014	Special Advisor of SoftBank Mobile Corp. (currently SoftBank Corp.)
April 2015	Visiting Professor of Tama University (current)
April 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. (current)
December 2017	External Director of Aucfan Co., Ltd. (current)
October 2018	Outside Director of i-mobile Co., Ltd. (current)
December 2018	Outside Director of NEO CAREER Co., Ltd. (current)
March 2020	Outside Director of Hanwha Solutions Corporation (current)

Reason why the Company selected Mr. Satoshi Shima as a candidate for Director

Mr. Satoshi Shima, in addition to experience as a member of the House of Representatives, possesses from his past career an abundance of insights and achievements related to corporate activities. The Company judges that those qualities would serve a sufficient role with respect to matters including determination of matters related to the management of, and supervision of the execution of operations for, the Company's group. The Company's board of directors proposes Mr. Satoshi Shima as a candidate for reelection as outside director in order to promote further growth of the Company's group.

Matters regarding independence

Since Mr. Satoshi Shima's status does not conflict with the criteria prescribed by the Tokyo Stock Exchange as attributes of independent directors that companies are required to retain, the Company has determined that Mr. Satoshi Shima is unlikely to have conflicts of interest with general shareholders, has designated him an independent director, and has notified the Exchange. Since Mr. Satoshi Shima's status does not conflict with the criteria for judging independence established by the Company as of April 22, 2020, if Mr. Satoshi Shima is reelected at this general meeting of shareholders, the Company will again designate him an independent director.

Candidate number **8** Naoko Shimura

To be reelected | Outside | Independent

Date of birth	June 5, 1974
Number of Company shares owned	0 shares
Number of Company shares subject to the Company's stock acquisition rights owned	0 shares
Number of years in office as director	2 years
Attendance at meetings of the board of directors	100% (17 of 17 meetings)

Brief career history; positions and responsibilities; and significant concurrent posts

April 1999	Registered as a lawyer Joined Nishimura & Partners (currently Nishimura & Asahi)
September 2004	Worked at Debevoise & Plimpton LLP
April 2005	Registered as a lawyer in New York
October 2005	Returned to Nishimura & Partners (currently Nishimura & Asahi)
January 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)

Reason why the Company selected Ms. Naoko Shimura as a candidate for Director

Ms. Naoko Shimura possesses specialist knowledge and abundant experience in relation to law and compliance matters that she cultivated as a lawyer, and the Company has judged that these qualities will enable her to fully contribute to strengthening the function of supervision of the Company's board of directors. The Company's board of directors proposes Ms. Naoko Shimura as a candidate for reelection as outside director in order to promote further growth of the Company's group. Although Ms. Naoko Shimura has not been involved in corporate management in any way other than as being outside director or outside audit and supervisory board member, the Company has judged that she can properly perform her duties as an outside director in accordance with the reason stated above.

Matters regarding independence

Since Ms. Naoko Shimura's status does not conflict with the criteria prescribed by the Tokyo Stock Exchange as attributes of independent directors that companies are required to retain, the Company has determined that Ms. Naoko Shimura is unlikely to have conflicts of interest with general shareholders, has designated her an independent director, and has notified the Exchange. Since Ms. Naoko Shimura's status does not conflict with the criteria for judging independence established by the Company as of April 22, 2020, if Ms. Naoko Shimura is reelected at this general meeting of shareholders, the Company will again designate her an independent director.

Candidate number **9** Masuo Yoshimatsu

To be newly elected | Outside | Independent

Date of birth	April 28, 1958
Number of Company shares owned	0 shares
Number of Company shares subject to the Company's stock acquisition rights owned	0 shares
Number of years in office as director	0 years
Attendance at meetings of the board of directors	-% (- of - meetings)

Brief career history; positions and responsibilities; and significant concurrent posts

April 1982	Joined Mitsubishi Electric Corporation
March 2000	General Manager of finance division of KVH Telecom Co., Ltd.
November 2000	Director and Executive General Manager of accounting and finance division of Sun Microsystems, Inc. (currently Oracle Information Systems Japan Godo Kaisha)
July 2003	Corporate Officer and General Manager of finance division of Nippon Boehringer Ingelheim Co., Ltd.
October 2004	Director and Executive General Manager of finance and accounting division of SSP Co. Ltd.
January 2008	Advisor of Nidec Corporation
June 2008	Member of the Board of Directors and Vice President (in charge of accounting, finance, public relations, IR) of Nidec Corporation
June 2009	Member of the Board of Directors, Senior Vice President, and Chief Financial Officer of Nidec Corporation
April 2013	Member of the Board of Directors and First Senior Vice President and Chief Financial Officer of Nidec Corporation
June 2016	General Manager of Global PMI promotion division and First Senior Vice President of Nidec Corporation
June 2018	Advisor of Nidec Corporation
April 2019	Assistant professor of Graduate School of Management at Tokyo Metropolitan University Graduate School (current)
July 2019	Outside Director of MIG Inc. (current)
December 2019	Established CFO Support Co. Ltd. Representative Director and President and CEO (current)
March 2020	Outside Director of Hoshizaki Corporation (current)

Reason why the Company selected Mr. Masuo Yoshimatsu as a candidate for Director

Mr. Masuo Yoshimatsu has been engaged in corporate management on a global scale as manager for two companies that are listed on the First Section of the Tokyo Stock Exchange and the like, and possesses from his past career an abundance of insights and achievements related to corporate activities. The Company judges that those qualities will enable him to fully contribute to matters including determination of managerial matters of, and supervision of the execution of operations for, the Company's group. The Company's board of directors proposes Mr. Masuo Yoshimatsu as a candidate for election as outside director in order to promote further growth of the Company's group.

Matters regarding independence

Since Mr. Masuo Yoshimatsu's status does not conflict with the criteria prescribed by the Tokyo Stock Exchange as attributes of independent directors that companies are required to retain or the criteria for judging independence established by the Company as of April 22, 2020, the Company has determined that Mr. Masuo Yoshimatsu is unlikely to have conflicts of interest with general shareholders, and if this Agenda Item 1 is approved, the Company will designate him an independent director and notify the Exchange.

Notes:

1. There is no special interest between any candidate and the Company.
2. Each candidate's number of shares stated in each of the columns titled "Number of Company shares owned" and "Number of Company shares subject to the Company's stock acquisition rights owned" is the number of shares as of March 31, 2020.
3. With respect to the liability for damages under Article 423, Paragraph 1 of the Companies Act, the Company has entered into individual agreements for limitation of liability with Mr. Satoshi Shima and Ms. Naoko Shimura that limit the liability for damages (the maximum amount of damages is the higher of a predetermined amount of 10,000 yen or more and the minimum liability amount stipulated in laws and regulations) if the requirements stipulated under law and regulations are fulfilled. If, at this general meeting of shareholders, Mr. Satoshi Shima and Ms. Naoko Shimura are reelected at this general meeting of shareholders, then those individual agreements will continue.
4. If this Agenda Item 1 is approved, the Company intends, with respect to the liability for damages under Article 423, Paragraph 1 of the Companies Act, to enter into an individual agreement for limitation of liability with Mr. Masuo Yoshimatsu that limits the liability for damages (the maximum amount of damages is the higher of a predetermined amount of 10,000 yen or more and the minimum liability amount stipulated in laws and regulations) if the requirements stipulated under law and regulations are fulfilled.

Agenda Item 2 Election of one audit and supervisory board member

When this general meeting of shareholders ends, the term of office of one audit and supervisory board member will expire. Accordingly, the Company proposes the election of one audit and supervisory board member.

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

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

Candidate number **1** **Hiroyuki Wakamatsu** To be reelected Outside Independent

Date of birth	September 20, 1971
Number of Company shares owned	0 shares
Number of Company shares subject to the Company's stock acquisition rights owned	0 shares
Number of years in office as audit and supervisory board member	8 years
Attendance at meetings of the board of directors	100% (17 of 17 meetings)
Attendance at meetings of the audit and supervisory board	100% (17 of 17 meetings)

Brief career history; positions and responsibilities; and significant concurrent posts

April 1995	Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)
April 1998	Registered as a certified public accountant
October 2008	Managing partner of Wakamatsu CPA Office (current)
April 2010	Lecturer in the Faculty of Business Administration, Business Breakthrough University
June 2010	Outside audit and supervisory board member of With us Corporation (current)
August 2010	Registered as a certified public tax accountant
June 2011	Outside audit and supervisory board member of Eastern Company Ltd.
June 2012	Audit and supervisory board member of the Company (current)
September 2014	Lecturer in the Graduate School of Finance, Accounting and Law, Waseda University
March 2015	Outside audit and supervisory board member of Castalia Co., Ltd. (current)
June 2015	Outside audit and supervisory board member of Pioneer Corporation
June 2015	Non-member supervisor of the Tokyo Palsystem Consumers' Co-operative Union
August 2017	Outside audit and supervisory board member of RENOVA, Inc. (current)
July 2018	Representative director of Generys Inc. (current)

Reason why the Company selected Mr. Hiroyuki Wakamatsu as a candidate for outside audit and supervisory board member

As well as having successively held a number of outside audit and supervisory board member posts at business companies and possessing an abundance of insights and experience related to corporate activities, Mr. Hiroyuki Wakamatsu also possesses, among other qualities, specialist knowledge and experience that he cultivated as a certified public accountant. For those reasons, the Company's board of directors proposes Mr. Hiroyuki Wakamatsu as a candidate for election as outside audit and supervisory board member in order to have him reflect that experience, knowledge, and the like into the auditing system of the Company. Although Mr. Hiroyuki Wakamatsu does not have experience participating in corporate management other than as being an outside director or an outside audit and supervisory board member, the Company has judged that, he can properly perform his duties as an outside audit and supervisory board member in accordance with the reason stated above.

Matters regarding independence

Since Mr. Hiroyuki Wakamatsu's status does not conflict with the criteria prescribed by the Tokyo Stock Exchange as attributes of independent auditors that companies are required to retain, the Company has determined that Mr. Hiroyuki Wakamatsu is unlikely to have conflicts of interest with general shareholders, designated him an independent auditor, and notified the Exchange. Since Mr. Hiroyuki Wakamatsu's status does not conflict with the criteria for judging independence established by the Company as of April 22, 2020, if Mr. Hiroyuki Wakamatsu is reelected at this general meeting of shareholders, the Company will again designate him an independent auditor.

Notes:

1. There is no special interest between the candidate and the Company.
2. The candidate's number of shares stated in each of the columns titled "Number of Company shares owned" and "Number of Company shares subject to the Company's stock acquisition rights owned" is the number of shares as of March 31, 2020.
3. With respect to the liability for damages under Article 423, Paragraph 1 of the Companies Act, the Company has entered into an individual agreement for limitation of liability with Mr. Hiroyuki Wakamatsu that limits the liability for damages (the maximum amount of damages is the higher of a predetermined amount of 10,000 yen or more and the minimum liability amount stipulated in laws and regulations) if the requirements stipulated under law and regulations are fulfilled. If Mr. Hiroyuki Wakamatsu is reelected at this general meeting of shareholders, then the agreement will continue.

(Reference) Composition of Officers (Planned Composition After Closing of this Ordinary General Meeting of Shareholders)

Officers			●Male ●Female	Independence (Outside only)	Expertise and experience anticipated by the Company						
					Corporate management; Managerial strategy	M&A	Business strategy; Marketing	Technology; R&D	Finance; Accounting	Legal affairs; Compliance	Internal control
Directors	Koki Kimura		Male		●		●				
Directors	Kosuke Taru		Male		●		●				
Directors	Hiroyuki Osawa		Male		●	●			●		●
Directors	Masahiko Okuda		Male		●	●				●	●
Directors	Tatsuma Murase		Male		●			●			
Directors	Kenji Kasahara		Male		●		●	●			
Directors	Satoshi Shima	Outside	Male	●	●	●					
Directors	Naoko Shimura	Outside	Female	●		●				●	
Directors	Masuo Yoshimatsu	Outside (Newly elected)	Male	●	●	●	●		●	●	●
Audit and Supervisory Board Members	Takako Kato	Outside	Female	●					●		●
Audit and Supervisory Board Members	Hiroyuki Wakamatsu	Outside	Male	●					●		●
Audit and Supervisory Board Members	Yuichiro Nishimura	Outside	Male	●						●	●
Audit and Supervisory Board Members	Nozomi Ueda	Outside	Female	●						●	

* The chart above does not represent all of the expertise and experience possessed by individual candidates.
* The chart above also includes current audit and supervisory board members other than the aforementioned candidate for audit and supervisory board member.

(Reference) The Company's Criteria for Judging Independence

Based on a reasonable amount of research by the Company and the criteria for judging independence prescribed by the Tokyo Stock Exchange, the Company's policy is to deem its outside officers and outside officer candidates to have sufficient independence as long as they do not fall under any of the following categories.

1. Business executives of the Company or one of the Company's subsidiaries
2. Business executives of counterparties of the Company that exceed the standards set by the Company (Note 1)
3. Consultants, accountants, or jurists that receive large amounts of cash or other assets aside from officer compensation (Note 2) (If the recipient is a corporate body or organization, then this refers to members of that corporate body or organization)
4. Major shareholders of the Company (Note 3) or their business executives
5. Business executives of major lenders and banks that work with the Company
6. Business executives of lead underwriters of the Company
7. Business executives of auditing firms that work with the Company
8. Close relatives of individuals that fall into categories 1-3 above (Note 4)
9. Individuals that fell into categories 1-7 in the past three years

Note 1: "Counterparties of the Company that exceed the standards set by the Company" means counterparties whose transactions with the Company exceed 2% of the Company's consolidated net sales.

Note 2: The value of "large amounts of cash or other assets aside from officer compensation" is an amount more than or equal to 10 million yen for individuals, or an amount more than or equal to 2% of the Company's consolidated net sales for corporate bodies or organizations.

Note 3: In accordance with Article 163, Paragraph 1 of the Financial Instruments and Exchange Act, "major shareholders of the Company" means any shareholder that holds voting rights (excluding those specified by a Cabinet Office Ordinance in consideration of the manner of acquisition or holding thereof or other circumstances) exceeding 10% of the voting rights held by all the shareholders, etc. in the name of himself/herself or another person (or under a fictitious name).

Note 4: "Close relatives" means any relatives up to the second degree.

(Reference) Approach to, and framework, for corporate governance

- Fundamental approach to corporate governance
  The Company positions corporate governance as a managerial and governance function intended to maximize corporate value. Consequently, as the Company expands its business, it conducts appropriate reviews of its organization and seeks to clarify management of profits and losses for each of its businesses and management authority and responsibility. The Company is focused on enhancing the functions of its board of directors, which is the Company's decision-making organ, enhancing the supervisory function of the audit and supervisory board members and the audit and supervisory board over the execution of operations by directors, and enhancing internal control functions that prevent improprieties in the execution of operations.
  In addition, it is the Company's policy to appropriately release statutory disclosure documents and to actively conduct investor relations activities using the Company's website and the like in an ongoing effort to improve managerial transparency and fairness. The Company's corporate governance reports are published on its website (https://mixi.co.jp/ir/governance/).

- Corporate governance framework
  The Company's corporate governance framework is as follows:

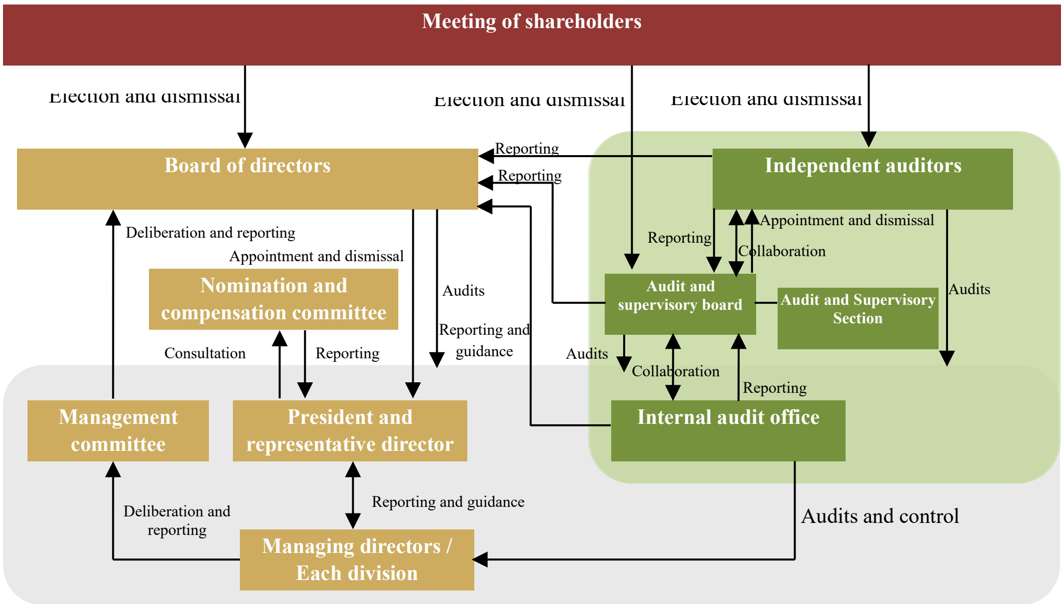
  ■ Directors and board of directors
  If a resolution is adopted approving Agenda Item No. 1, the board of directors will be composed of nine directors in total, with six inside directors (none of whom will be women) and three outside directors (one of whom will be a woman). In principle, a board of directors meeting is regularly held once a month, and the board of directors is structured in a way that enables swift and efficient decision-making. Further, each director's term of office is set at one year, in order to clarify each director's managerial responsibilities and to develop a managerial framework that is able to swiftly respond to changes in the managerial environment.

  ■ Management committee
  The management committee deliberates and makes decisions regarding important matters related to business operations, and while in principle it meets regularly once a month, it also holds meetings at other times as required.

  ■ Audit and supervisory board
  The Company is a company with company auditors under the Companies Act. If a resolution is adopted approving Agenda Item No. 2, the audit and supervisory board will be composed of four outside audit and supervisory board members (of whom two will be women), which will include two standing audit and supervisory board members (of whom one will be a woman). In principle, an audit and supervisory board meeting is regularly held once a month. In addition, audit and supervisory board members conduct audits in accordance with each fiscal year plan, conduct reporting and consultation in audit and supervisory board meetings, express to the directors opinions as appropriate, and implement general audits through collaboration with internal auditors or the internal audit office.

  ■ Nomination and compensation committee
  The Company has established a nomination and compensation committee composed of all outside directors and the president and representative director for the purpose of bolstering transparency and objectivity by obtaining the opinions and advice of outside directors on matters related to individual personnel proposals regarding directors (excluding outside directors) and matters related to compensation and the

like in advance of deliberation by the board of directors.



- Evaluating the effectiveness of the board of directors
  The Company conducts self-evaluations and analysis regarding the effectiveness of the board of directors for the purpose of improving the performance of the board of directors and, in turn, increasing corporate value.
  Self-evaluations and analysis are conducted as follows with the assistance of an external organization.
  In February 2020, the Company conducted a questionnaire for the members of the board of directors, which is composed of all directors, and audit and supervisory board members. Anonymity was maintained by having the responses sent directly to the external organization. Analysis, deliberation, and evaluation was conducted at the April 2020 ordinary meeting of the board of directors, taking into consideration the external organization's report on the collected results. A generally positive evaluation was obtained from the responses to the questionnaire, and the Company perceives that the board of directors is operating effectively overall.
  The Company will continue to seek further improvement in the effectiveness of the board of directors overall in the future.

- Policy on electing directors, and nomination procedures
  The Company's policy for deciding candidates for, and election of, directors (excluding outside directors) is as follows.
  - ■ Personnel proposals regarding directors (excluding outside directors) must heed the requirement to strike a sound balance between the knowledge, experience and ability needed by each director to effectively execute his or her role and duties and the requirement to form a board of directors that is diverse and optimally scaled.
  - ■ Personnel proposals regarding directors (excluding outside directors) who are in charge of executing operations must heed the requirement to elect persons with foresight who are able to accurately, appropriately and swiftly make managerial judgements and execute operations in order to contribute to the Company's continued growth and to contribute to improvement in the Company's corporate value over the mid- to long-term.

  Each candidate for director (excluding outside director) is selected in accordance with this policy and is determined by resolution of the board of directors after deliberation by the nomination and compensation committee.

- Policy and procedures for deciding officer compensation
  The Company's policy regarding the compensation of directors (excluding outside directors) is as follows.
  - ■ The Company establishes an appropriate balance between compensation in cash and the Company's shares to function as a sound incentive toward the continued growth of the Company.

  Based on this policy, compensation for directors (excluding outside directors) is provided in two forms: "cash compensation" paid on a monthly basis; and "share-based compensation (stock options as share-based compensation)" linked to mid- to long-term corporate value.
  Specifically, compensation is composed of the three elements "basic compensation," "share-based basic compensation," and "outcome-based compensation," and with respect to each form of compensation, "basic compensation" is "cash compensation," "share-based basic compensation" is "share-based compensation (stock options as share-based compensation)," and "cash compensation" or "share-based compensation (stock options as share-based compensation)" may be chosen as "outcome-based compensation."
  Compensation amounts are decided based on the officer's responsibilities and the like for "basic compensation" and "share-based basic compensation," but with respect to "outcome-based compensation," compensation amounts are decided based on a combined evaluation of the performance of the Company overall and the division managed by the individual in

question and that individual’s level of contribution in the previous fiscal year.
From the perspective of securing objectivity and transparency in the decision-making process, compensation systems and compensation levels for directors (excluding outside directors) are decided by the president and representative director, to whom those decisions are entrusted by resolution of the board of directors after deliberation by the nomination and compensation committee.
From the perspective of independence, the compensation structure for outside directors is composed solely of cash compensation.
In light of their roles as company auditors who are mainly in charge of legal compliance audits, the compensation structure for audit and supervisory board members is composed solely of cash compensation.

(Provided Documents)

Business Report

I. Matters concerning corporate group's current status

1. Course and results of the business

The Company's net sales for the consolidated fiscal year ended March 31, 2020 were 112,171 million yen (a decrease of 22.1% compared to the previous consolidated fiscal year). In addition, the Company's operating income was 17,165 million yen (a decrease of 58.2% compared to the previous consolidated fiscal year), the ordinary income was 16,933 million yen (a decrease of 58.8% compared to the previous consolidated fiscal year) and the profit attributable to the owners of the parent for the consolidated fiscal year ended March 31, 2020 was 10,724 million yen (a decrease of 59.6% compared to the previous consolidated fiscal year).

The status of each segment is set out below.

Net Sales by Business Segment

Business Segment	20th Fiscal Year		21st Fiscal Year		YoY Comparison (%)
	Net Sales (millions of yen)	Composition Ratio (%)	Net Sales (millions of yen)	Composition Ratio (%)	
Entertainment Business	138,607	96.2	107,218	95.6	(22.6)
Lifestyle Businesses	5,427	3.8	4,954	4.4	(8.7)
Total	144,035	100.0	112,172	100.0	(22.1)

(Method for measuring profits of the business segments)

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

(i) Entertainment business

The entertainment business has generated income mainly through the smartphone native game "Monster Strike," while at the same time conducting prior investment in the sports domain.

Net sales for "Monster Strike" fell in comparison with the previous consolidated fiscal year as a result of declining average revenue per user (ARPU) and other factors, but initial performance forecasts were ultimately surpassed, due in part to the effect of collaboration with other popular IP. In addition, monetization of services other than "Monster Strike" is also progressing, evidenced by the smartphone native game "Kotodaman" acquired from Sega Games Co., Ltd. navigating a path towards growth. The entertainment business generates income mainly through the smartphone native game "Monster Strike," while at the same time conducting prior investment aimed at business growth in the sports business market.

In the sports domain, the Company has been conducting investment in professional sports team management and businesses related to government-controlled competitive sports events. In terms of professional sports team management, the Company made K.K. Chiba Jets Funabashi a subsidiary in October 2019. With respect to government-controlled competitive sports events, in addition to making Chariloto Co., Ltd. a subsidiary in the previous fiscal year, the Company acquired all shares in Net Dreamers Co., Ltd. in

November 2019 and is jointly proceeding with development of new services.

As a result, the entertainment business's net sales were 107,218 million yen (a decrease of 22.6% compared to the previous consolidated fiscal year) and the segment profit was 31,569 million yen (a decrease of 38.8% compared to the previous consolidated fiscal year).

(ii) Lifestyle businesses

The Company operates a variety of services among its lifestyle businesses, with "mixi," a social networking service, "Family Album Mitene," an app for sharing photos and videos for families, and "minimo," a salon artist booking app, being the main focus. "Family Album Mitene" has bolstered monetization efforts through the commencement of a premium service with a monthly fee based rate structure in April 2019 that is more user-friendly than the conventional service and through provision of "Mitene Nengajo" in collaboration with the Company's subsidiary Sfidante Inc. in October 2019.

As a result, the lifestyle businesses' net sales were 4,954 million yen (a decrease of 8.7% compared to the previous consolidated fiscal year) and the segment loss was 675 million yen (the segment loss for the previous consolidated fiscal year was 1,690 million yen).

2. Status of capital expenditures

The total of capital expenditures spent during the consolidated fiscal year ended March 31, 2020 was 11,650 million yen (an increase of 208.2% compared to the previous consolidated fiscal year). The main components of the capital expenditures were 10,091 million yen spent on acquiring office equipment following the relocation of the head office.

3. Status of acquiring or disposing of other companies' shares, other equities, or stock acquisition rights

The Company acquired 2,342 shares in Sfidante Inc. (100% of the total number of issued shares) for 1,599 million yen and made Sfidante Inc. a wholly owned subsidiary.

The Company acquired 11,803 shares in K.K. Chiba Jets Funabashi (72.81% of the total number of issued shares) for 1,019 million yen and made K.K. Chiba Jets Funabashi a subsidiary. An additional acquisition of shares was conducted after the date of business combination, and the proportion of voting rights held as of the consolidated fiscal year ended March 31, 2020 was 87.35%.

The Company acquired 2,375 shares in Net Dreamers Co., Ltd. (100% of the total number of issued shares) for 15,000 million yen and made Net Dreamers Co., Ltd. a wholly owned subsidiary.

4. Change in the status of assets and income and loss

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

Category		18th Fiscal Year (ended March 2017)	19th Fiscal Year (ended March 2018)	20th Fiscal Year (ended March 2019)	21st Fiscal Year (the relevant consolidated fiscal year) (ended March 2020)
Net Sales	(millions of yen)	207,161	189,094	144,032	112,171
Ordinary Income	(millions of yen)	88,472	72,717	41,120	16,933

Profit Attributable to Owners of Parent	(millions of yen)	59,867	41,788	26,521	10,724
Basic Earnings per Share	(yen)	730.85	533.48	350.26	142.33
Total Assets	(millions of yen)	176,974	192,123	192,955	199,978
Net Assets	(millions of yen)	150,529	170,434	178,990	180,938
Net Assets per Share	(yen)	1,889.16	2,176.88	2,368.05	2,387.56

Notes:

1. The basic earnings per share were computed by using the average number of shares outstanding for the period.
2. The net assets per share were computed by using the total number of shares outstanding as of the end of the fiscal year.

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

Category		18th Fiscal Year (ended March 2017)	19th Fiscal Year (ended March 2018)	20th Fiscal Year (ended March 2019)	21st Fiscal Year (the relevant consolidated fiscal year) (ended March 2020)
Net Sales	(millions of yen)	195,756	178,813	141,427	105,495
Ordinary Income	(millions of yen)	88,373	71,873	43,219	18,307
Profit	(millions of yen)	60,097	41,363	26,319	11,189
Basic Earnings per Share	(yen)	733.66	528.06	347.60	148.50
Total Assets	(millions of yen)	171,507	189,683	190,213	192,908
Net Assets	(millions of yen)	150,944	170,454	178,788	181,392
Net Assets per Share	(yen)	1,894.43	2,177.19	2,365.40	2,394.46

Notes:

1. The basic earnings per share were computed by using the average number of shares outstanding for the period.
2. The net assets per share were computed by using the total number of shares outstanding as of the end of the fiscal year.

5. Issues to be addressed

With “communication services” as its field of business, the Company had until now conducted business investment in the digital entertainment, life experience, sports, media, and wellness business domains; however, the Company has once again positioned its entertainment business as a core business and decided on a policy of further concentration of management resources, with sustained expansion in the scale of income from “Monster Strike” and income growth in the sports business as primary matters of concern.

In terms of the Company’s approach to sustaining expansion in income from “Monster Strike,” the Company will endeavor to more thoroughly align game planning, marketing, and media mix policies to revitalize the game with the aim of “Monster Strike” continuing to be a beloved brand even beyond the tenth anniversary of its launch. In addition, the Company intends to target upside benefits through collaboration with external IP. The Company will seek a recovery in business performance by providing new game experiences that embody the essential value of “Monster Strike,” in addition to maintaining the aforementioned ongoing measures. However, in planning for the next fiscal period, the Company has taken a conservative approach in estimating the influence of these measures, and so taking into account the recent trend of decreasing sales, the Company is planning for a reduction in income.

In the sports business, the Company will seek to expand its business by utilizing know-how accumulated in the entertainment business and by promoting accelerated growth of, and joint business development with its subsidiaries Net Dreamers Co., Ltd. and Chariloto Co., Ltd. among others. While the Company is expecting growth in sales from its subsidiaries, it also anticipates conducting preliminary investment related to joint business development.

While the Company will conduct a certain amount of investment in other services in light of overall income, it will continue to proceed with business selection and consolidation by, for example, making early determinations regarding business withdrawal and the like when the Company is unable to conceive growth strategies for certain businesses due to changes in the market environment or for other reasons.

6. Main businesses (as of March 31, 2020)

Business Segment	Details of Business
Entertainment Business	Providing services with a focus on smartphone native games
Lifestyle Businesses	Operating services that utilize the Internet and that are closely related to people’s everyday lifestyles

7. Main offices (as of March 31, 2020)

The Company	Head office	Shibuya-ku, Tokyo

8. Status of employees (as of March 31, 2020)

(i) Status of the corporate group’s employees

Number of Employees	Increase or Decrease from the Previous Consolidated Fiscal Year
1,130	increase of 163

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

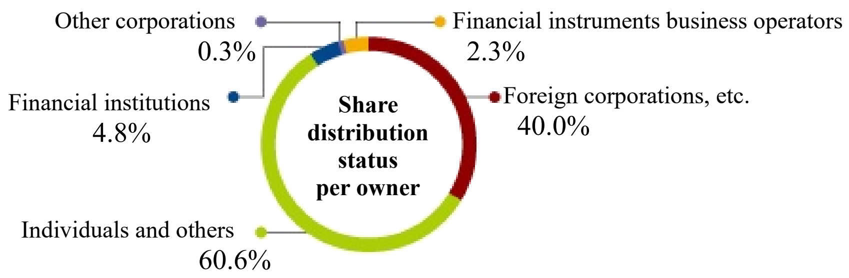
(ii) Status of the Company's employees

Number of Employees	Increase or Decrease from the Previous Fiscal Year	Average Age	Average Length of Service
952	increase of 47	34.3 years old	3.9 years

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

II. Matters concerning the Company’s shares (as of March 31, 2020)

1. Total number of authorized shares — 264,000,000 shares
2. Total number of issued shares — 78,230,850 shares (including 2,881,300 shares of treasury stock)
3. Number of shareholders — 18,681 shareholders



4. Principal shareholders (top ten shareholders)

Name of Shareholder	Number of Shares (shares)	Percentage of Shareholding (%)
Kenji Kasahara	34,101,900	45.26
The Bank of New York Mellon 140051	2,766,900	3.67
State Street Bank And Trust Company 505038	1,750,867	2.32
The Bank of New York 133612	1,448,200	1.92
SAJAP	1,088,100	1.44
GOLDMAN, SACHS & CO. REG	1,082,571	1.44
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	1,011,617	1.34
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	1,011,207	1.34
Japan Trustee Services Bank, Ltd. (Trust Account 9)	867,300	1.15
Koki Kimura	800,000	1.06

Note: The percentages of shareholding were calculated by excluding 2,881,300 shares of treasury stock and are rounded to the nearest one-hundredth of one percent.

5. Other important matters related to shares

Not applicable

III. Matters concerning the Company's stock acquisition rights, etc.

(1) Status of stock acquisition rights, etc. held by the Company's officers as of the last day of the fiscal year ended March 31, 2020

Name	The 13th stock acquisition rights	The 14th stock acquisition rights	The 15th stock acquisition rights
Date of the board resolution	August 5, 2016	August 8, 2017	August 9, 2018
Occupation and number of the holders of the stock acquisition rights	One director (excluding outside directors)	Two directors (excluding outside directors)	Four directors (excluding outside directors)
Number of stock acquisition rights	470	385	2,055
Class and number of shares subject to the stock acquisition rights	47,000 shares of common stock (see Note 1)	38,500 shares of common stock (see Note 1)	205,500 shares of common stock (see Note 1)
Amount to be paid upon exercising stock acquisition rights	One yen	One yen	One yen
Issuance price of a stock upon exercise of stock acquisition rights	1,898 yen	3,944 yen	1,380 yen
Exercise period of the stock acquisition rights	From: August 30, 2016 Until: August 29, 2046	From: August 30, 2017 Until: August 29, 2047	From: August 30, 2018 Until: August 29, 2048
Terms and conditions in relation to the stock acquisition rights	See Note 3	See Note 3	See Note 3

Name	The 17th stock acquisition rights
Date of the board resolution	June 26, 2019
Occupation and number of the holders of the stock acquisition rights	Five directors (excluding outside directors)
Number of stock acquisition rights	3,689
Class and number of shares subject to the stock acquisition rights	368,900 shares of common stock (see Note 1)
Amount to be paid upon exercising stock acquisition rights	One yen
Issuance price of a stock upon exercise of stock acquisition rights	928 yen
Exercise period of the stock acquisition rights	From: July 17, 2019 Until: July 16, 2049

Terms and conditions in relation to the stock acquisition rights	See Note 3

Notes:

1. If the Company carries out a share split or share consolidation after the issuance of stock acquisition rights, the number of the shares subject to the stock acquisition rights ("Number of Shares Granted") will be adjusted in accordance with the following formula, and any fraction of less than one share resulting from such adjustment will be rounded down.

$$\begin{array}{c}\text{Number of Shares Granted}\\\text{after adjustment}\end{array} = \begin{array}{c}\text{Number of Shares Granted}\\\text{before adjustment}\end{array} \times \begin{array}{c}\text{Ratio of share split or}\\\text{share consolidation}\end{array}$$

2. The Company may adjust the Number of Shares Granted within a reasonable extent if, after the issuance of stock acquisition rights, any of the following occurs: the Company carries out a merger (*gappei*), corporate split (*kaisha-bunkatsu*), share exchange (*kabushiki-koukan*) or share transfer (*kabushiki-iten*); the Company carries out an allotment of shares without contribution; or any other adjustment of the Number of Shares Granted becomes necessary.

   If the Company adjusts the Number of Shares Granted, the Company shall, either directly or publicly, give notice of all necessary matters to each person who holds stock acquisition rights for subscription as stated in the register of stock acquisition rights (a "Stock Acquisition Rights Holder") by the date immediately preceding the effective date of the adjustment of the Number of Shares Granted; however, if the Company fails to give such notice by the date immediately preceding such effective date of such adjustment, the Company shall thereafter promptly give such notice.

3. (1) Each Stock Acquisition Rights Holder may exercise his or her stock acquisition rights for subscription during the "Exercise period of the stock acquisition rights" set forth above, upon the condition that such exercise is conducted no later than ten days after the date immediately following the date when he or she ceased to be the Company's director (however, if the exercise of the stock acquisition rights for subscription is permitted under the proviso in paragraph (2), item (a) below, the date after which the ten-day period is to be counted will be the date when he or she ceased to be any of the following: the Company's audit and supervisory board member, corporate officer or employee; or a director, auditor, corporate officer or employee of the Company's subsidiary).

   (2) Notwithstanding paragraph (1) above, each Stock Acquisition Rights Holder may not exercise his or her stock acquisition rights for subscription if he or she falls under any of the following:

   (a) if the Stock Acquisition Rights Holder's term as a director is less than three years; unless, after he or she loses the status of director, (i) he or she holds a position as the Company's audit and supervisory board member, corporate officer or employee or a director, auditor, corporate officer or employee of the Company's subsidiary and (ii) the Company's board of directors permits the exercise of the stock acquisition rights for subscription;

   (b) if the Stock Acquisition Rights Holder is dismissed from his or her position as a director or audit and supervisory board member or auditor of either the Company or its subsidiary, or is subject to disciplinary dismissal, resignation under instruction or any other sanction of a similar degree as an employee (including as a corporate officer) of the Company or its subsidiary;

   (c) if the Stock Acquisition Rights Holder falls under Article 331, Paragraph 1, Item (iii) or (iv) of the Companies Act;

   (d) if the Stock Acquisition Rights Holder is in breach of the "agreement on subscription of all stock acquisition rights allotted" that is entered into between the Company and the Stock Acquisition Rights Holder (a "Subscription Agreement") or if the Company's board of directors decides that the Stock Acquisition Rights Holder has committed an act severely damaging the relationship of trust between the Company and the Stock Acquisition Rights Holder; and

   (e) if the Stock Acquisition Rights Holder submits in writing his or her intention to waive the stock acquisition rights for subscription he or she holds, in whole or in part.

   (3) If a person to whom stock acquisition rights are allotted dies, his or her heir may exercise the stock acquisition rights for subscription upon the condition that the decedent Stock Acquisition Rights

Holder does not fall under any of the items in the preceding paragraph and as long as the exercise of the stock acquisition rights is conducted no later than the date on which three months will have passed since the date immediately following the date of the decedent's death.

(4) If a Stock Acquisition Rights Holder exercises his or stock acquisition rights for subscription, he or she must exercise, as a whole, all of the stock acquisition rights for subscription that he or she holds.

(5) Other terms and conditions for exercising the stock acquisition rights will be determined in each Subscription Agreement.

(2) Status of stock acquisition rights, etc. granted to the Company's employees during the fiscal year ended March 31, 2020

Name	The 18th stock acquisition rights
Date of the board resolution	June 26, 2019
Occupation and number of the persons to whom the stock acquisition rights are granted	Seven corporate officers
Number of stock acquisition rights	368
Class and number of shares subject to the stock acquisition rights	36,800 shares of common stock (see Note 1)
Amount to be paid upon exercising stock acquisition rights	One yen
Issuance price of a stock upon exercise of stock acquisition rights	-
Exercise period of the stock acquisition rights	From: July 17, 2020 Until: July 16, 2025
Terms and conditions in relation to the stock acquisition rights	See Note 3

Notes:

1. If the Company carries out a share split or share consolidation after the issuance of stock acquisition rights, the number of the shares subject to the stock acquisition rights ("Number of Shares Granted") will be adjusted in accordance with the following formula, and any fraction of less than one share resulting from such adjustment will be rounded down.

$$\begin{array}{c}\text{Number of Shares Granted}\\\text{after adjustment}\end{array} = \begin{array}{c}\text{Number of Shares Granted}\\\text{before adjustment}\end{array} \times \begin{array}{c}\text{Ratio of share split or}\\\text{share consolidation}\end{array}$$

2. The Company may adjust the Number of Shares Granted within a reasonable extent if, after the issuance of stock acquisition rights, any of the following occurs: the Company carries out a merger (*gappei*), corporate split (*kaisha-bunkatsu*), share exchange (*kabushiki-koukan*) or share transfer (*kabushiki-iten*); the Company carries out an allotment of shares without contribution; or any other adjustment of the Number of Shares Granted becomes necessary.

   If the Company adjusts the Number of Shares Granted, the Company shall, either directly or publicly, give notice of all necessary matters to each person who holds stock acquisition rights for subscription as stated in the register of stock acquisition rights (a "Stock Acquisition Rights Holder") by the date immediately preceding the effective date of the adjustment of the Number of Shares Granted; however, if the Company fails to give such notice by the date immediately preceding such effective date of such adjustment, the Company shall thereafter promptly give such notice.

3. (1) Each Stock Acquisition Rights Holder may exercise his or her stock acquisition rights for subscription only if the closing price of the Company's shares of common stock on the Tokyo Stock Exchange on the business day immediately preceding the date on which he or she exercises his or her stock acquisition rights for subscription (or, if there are no transactions in relation to the Company's shares on such business day, the closing price on the day immediately preceding such business day; the same applies hereinafter) is higher than the closing price on the Tokyo Stock Exchange on the allotment date of the stock acquisition rights for subscription.

   (2) Each Stock Acquisition Rights Holder may exercise his or her stock acquisition rights for subscription within the period set out below and up to the percentage set out below inclusive of

stock acquisition rights for subscription already exercised. In this case, if any fraction less than one exercisable stock acquisition right for subscription results from the calculation based on such percentage, he or she may only exercise his or her stock acquisition rights for subscription in the number obtained after rounding down such fraction.

(a) One year from the first day of the exercise period of the stock acquisition rights for subscription:

30% of the total number of the stock acquisition rights for subscription allotted to such Stock Acquisition Rights Holder

(b) One year from the day following the end of the period in (a) above:

60% of the total number of the stock acquisition rights for subscription allotted to such Stock Acquisition Rights Holder

(c) From the day following the end of the period in (b) above to the last day of the exercise period of the stock acquisition rights for subscription:

All of the total number of the stock acquisition rights for subscription allotted to such Stock Acquisition Rights Holder

(3) A Stock Acquisition Rights Holder is required to be a director, audit and supervisory board member or auditor or employee (including a corporate officer) of the Company or its subsidiary even when exercising his or her stock acquisition rights for subscription; however, this does not apply if the board of directors decides that there is a just reason, such as retirement due to expiration of term of office or mandatory retirement.

(4) Notwithstanding preceding three paragraphs above, each Stock Acquisition Rights Holder may not exercise his or her stock acquisition rights for subscription if he or she falls under any of the following:

(a) if the Stock Acquisition Rights Holder is dismissed from his or her position as a director or audit and supervisory board member or auditor of either the Company or its subsidiary, or is subject to disciplinary dismissal, resignation under instruction or any other sanction of a similar degree as an employee (including as a corporate officer) of the Company or its subsidiary;

(b) if the Stock Acquisition Rights Holder falls under Article 331, Paragraph 1, Item (iii) or (iv) of the Companies Act;

(c) if the Stock Acquisition Rights Holder is in breach of the "agreement on subscription of all stock acquisition rights allotted" that is entered into between the Company and the Stock Acquisition Rights Holder (a "Subscription Agreement") or if the Company's board of directors decides that the Stock Acquisition Rights Holder has committed an act severely damaging the relationship of trust between the Company and the Stock Acquisition Rights Holder; and

(d) if the Stock Acquisition Rights Holder submits in writing his or her intention to waive the stock acquisition rights for subscription he or she holds, in whole or in part.

(5) If a person to whom stock acquisition rights are allotted dies, his or her heir may exercise the stock acquisition rights for subscription upon the condition that the decedent Stock Acquisition Rights Holder does not fall under any of the items in the preceding paragraph and as long as the exercise of the stock acquisition rights is conducted no later than the date on which three months will have passed since the date immediately following the date of the decedent's death.

(6) If a Stock Acquisition Rights Holder exercises his or stock acquisition rights for subscription, he or she must exercise, as a whole, all of the stock acquisition rights for subscription that he or she holds.

(7) Other terms and conditions for exercising the stock acquisition rights will be determined in each Subscription Agreement.

IV. Matters concerning the Company's officers

1. Names of, and other information regarding, directors and audit and supervisory board members (as of March 31, 2020)

Position in Company	Name	Responsibilities and Significant Concurrent Posts
President and Representative Director	Koki Kimura	-
Director	Kosuke Taru	-
Director	Hiroyuki Osawa	Executive General Manager of the Corporate Support Headquarters
Director	Masahiko Okuda	Executive General Manager of the Unified Administration Headquarters
Director	Tatsuma Murase	Executive General Manager of the Development Division
Director and Chairperson	Kenji Kasahara	Executive General Manager of the Vantage Studio
Director	Satoshi Shima	Visiting professor of Tama University
Director	Naoko Shimura	Partner of Nishimura & Asahi
Director	Tatsuya Matsunaga	Representative Director and President of TMA Consulting Co., Ltd.
Audit and Supervisory Board Member (Standing)	Takako Kato	-
Audit and Supervisory Board Member (Standing)	Yuichiro Nishimura	
Audit and Supervisory Board Member	Hiroyuki Wakamatsu	Managing partner of Wakamatsu CPA Office Representative director of Generys Inc.
Audit and Supervisory Board Member	Nozomi Ueda	Kioizaka Themis

Notes:

1. Director Satoshi Shima, Director Naoko Shimura, and Director Tatsuya Matsunaga are outside directors.
2. Standing Audit and Supervisory Board Member Takako Kato, Standing Audit and Supervisory Board Member Yuichiro Nishimura, Audit and Supervisory Board Member Hiroyuki Wakamatsu, and Audit and Supervisory Board Member Nozomi Ueda are outside audit and supervisory board members.
3. Standing Audit and Supervisory Board Member Takako Kato has built up experience in accounting operations over many years and possesses considerable expertise regarding finance and accounting.
4. Audit and Supervisory Board Member Hiroyuki Wakamatsu is qualified as a certified public accountant and a certified public tax accountant and possesses considerable expertise regarding finance and accounting.
5. The Company has notified the Tokyo Stock Exchange that Director Satoshi Shima, Director Naoko Shimura, Director Tatsuya Matsunaga, Standing Audit and Supervisory Board Member Takako Kato, Standing Audit and Supervisory Board Member Yuichiro Nishimura, Audit and Supervisory Board Member Hiroyuki Wakamatsu, and Audit and Supervisory Board Member Nozomi Ueda are independent directors or auditors.

2. Directors and Audit and Supervisory Board Members who retired during the fiscal year ended March 31, 2020

Position in Company at Time of Retirement	Name	Responsibilities and Significant Concurrent Posts at Time of Retirement	Reason for Retirement	Retirement Date
Director	Tatsuya Aoyagi	Representative director of Heartworth Partners, Inc.	Expiry of term of office	June 26, 2019
Audit and Supervisory Board Member	Takayuki Sato	Managing partner of Satoh Business Law Office	Expiry of term of office	June 26, 2019

3. Compensation amount, etc. for directors and audit and supervisory board members

Category	Number of Officers	Amount	Remarks
Director	10	667 million yen	(18 million yen for four outside directors)
Audit and Supervisory Board Member	5	34 million yen	(34 million yen for five outside audit and supervisory board members)
Total	15	701 million yen	

Notes:

1. The aggregate compensation amount, etc. for directors does not include salaries for employees 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 compensation amount, etc. for directors (monthly-paid compensation and stock options combined) is 1,000 million yen per annum (including a maximum amount of 100 million yen per annum for outside directors). This compensation, etc. does not include salaries for employees payable to directors concurrently serving as employees.
3. It was resolved at the extraordinary general meeting of shareholders held on August 26, 2004, that the maximum compensation amount, etc. for audit and supervisory board members is 50 million yen per annum.
4. Each compensation amount, etc. above includes the expenses reported for the fiscal year in relation to stock acquisition rights granted as stock options (342 million yen for directors).

4. Matters regarding outside officers

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

Position	Name	Name of Other Corporations and Details of Concurrent Posts
Director	Satoshi Shima	Visiting professor of Tama University Outside director of Vortex. Co., Ltd. External director of Aucfan Co., Ltd. Outside director of i-mobile Co., Ltd. Outside director of Neo Career Co., Ltd. Outside director of Hanwha Solutions Corporation.
Director	Naoko Shimura	Partner of Nishimura & Asahi External auditor of Tabikobo Co. Ltd. Outside audit & supervisory board member of Nippon Signal Co., Ltd.
Audit and Supervisory Board Member	Hiroyuki Wakamatsu	Managing partner of Wakamatsu CPA Office Outside audit and supervisory board member of With us Corporation Outside audit and supervisory board member of Castalia Co., Ltd. Outside audit and supervisory board member of RENOVA, Inc. Representative director of Generys Inc.

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

(ii) Main activities during the fiscal year ended March 31, 2020

Position	Name	Board of directors meetings attendance status	Audit and supervisory board meetings attendance status	Activities
Director	Satoshi Shima	100% Attended 17 of 17 meetings	-	He provided comments based mainly on his abundant insights and achievements related to corporate activities.
Director	Naoko Shimura	100% Attended 17 of 17 meetings	-	She provided comments mainly from her professional viewpoint as a lawyer.
Director	Tatsuya Matsunaga	100% Attended 13 of 13 meetings	-	He provided comments based mainly on his professional and abundant insights in relation to the IT service industry
Audit and Supervisory Board Member (Standing)	Takako Kato	100% Attended 17 of 17 meetings	100% Attended 19 of 19 meetings	She provided comments necessary for deliberation on agenda items as appropriate.
Audit and Supervisory Board Member (Standing)	Yuichiro Nishimura	100% Attended 13 of 13 meetings	100% Attended 13 of 13 meetings	He provided comments necessary for deliberation on agenda items as appropriate.
Audit and Supervisory Board Member	Hiroyuki Wakamatsu	100% Attended 17 of 17 meetings	100% Attended 19 of 19 meetings	He provided comments mainly from his professional viewpoint as a certified public accountant.
Audit and Supervisory Board Member	Nozomi Ueda	100% Attended 13 of 13 meetings	100% Attended 13 of 13 meetings	She provided comments mainly from her professional viewpoint as a lawyer.

(iii) Outline of the agreements for limitation of liability

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

V. Matters concerning independent auditors

(1) Name of independent auditors

PricewaterhouseCoopers Aarata LLC

(2) Independent auditors' compensation for the fiscal year ended March 31, 2020

	Payment
Independent auditors' compensation for the fiscal year ended March 31, 2020	40 million yen
The aggregate amount of money and other financial benefits to be paid by the Company and its subsidiaries	40 million yen

Notes:

1. Under the audit contract between the Company and the independent auditors, compensation is not clearly divided into compensation for the audit under the Companies Act and for the audit under the Financial Instruments and Exchange Act, and it is impractical to allocate the compensation between those two audits. Therefore, the aggregate amount of compensation for those audits for the fiscal year ended March 31, 2020 is stated in the table above.
2. The audit and supervisory board gave the consent under Article 399, Paragraph 1 of the Companies Act regarding compensation for the independent auditors after it (i) confirmed the records of the audit times by audit items and by auditor hierarchies and changes in compensation in the audit plans for the previous fiscal years, as well as the status of the independent auditors' performance of their duties, and (ii) reviewed the appropriateness of the audit plan and compensation for the fiscal year ended March 31, 2020.

(3) Details of non-audit services

The Company has not assigned to the independent auditors any duties other than those under Article 2, Paragraph 1 of the Certified Public Accountants Act.

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

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

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

(5) Outline of the agreements for limitation of liability

Not applicable

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

Systems that ensure the properness of operations:

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

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

(i) The Company Group shall emphasize the importance of compliance with the "Ethical Code" and thoroughly make the details of this code known to all officers and employees through an information system, training, and the like.

(ii) The Company Group shall endeavor to ensure that duties are properly executed by directors and employees by developing operation processes and internal rules as well as strengthening the assessment and supervision system of the internal audit office.

(iii) The Company Group shall establish a whistleblower system to curb acts that violate any law, regulation, articles of incorporation, or the like and shall seek to prevent misconduct, while also developing a system for eliminating antisocial forces.

(iv) If an act that violates any law, regulation, articles of incorporation, or the like occurs or is likely to oocur, the Company Group shall swiftly ascertain that information and make efforts to deal with that matter.

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

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

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

The Company Group shall develop rules to ascertain and manage various risks surrounding the Company Group and develop and strengthen a system that is necessary for managing risks. In addition to endeavoring to ascertain, assess, and minimize risks relevant to the business operations that the Company Group conducts by appointing the President and Representative Director as the chief executive of the system for promoting risk management and also by establishing an "internal control committee" overseen by the executive general manager of the Unified Administration Headquarters who supports the chief executive of the system for promoting risk management, the Company Group shall swiftly and appropriately handle incidents when they occur.

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

(i) To clarify the details of the duties to be assigned and administrative authority, the Company Group shall develop rules regarding the division of duties and administrative authority and shall endeavor to ensure that directors of the Company Group efficiently execute their duties by, among other things, introducing a group-wide information sharing system.

(ii) The Company Group shall prepare budgets and set goals for the Company Group in each fiscal year after taking into account the current and future business environment. Each division of the Company and each group company in the Company Group shall implement various measures to achieve those goals. In addition, monthly actual results of the budget of the entire Company Group will be reported at the Company's board of directors, and the board of directors of the Company shall verify the status of goal achievement for each division of the Company and each group company in the Company Group.

(5) System to ensure the properness of execution of operations in the Company Group

(i) The Company shall establish a division to administer the group companies and shall, pursuant to the rules for administrating group companies, monitor the progress of group companies' operations and the status of duty execution by the directors, et al., of the group companies.

(ii) The Company shall hold ordinary meetings attended by the directors, including the President and Representative Director of the Company, and the executive general managers, receive reports related to the status of business from each group company, and shall provide appropriate direction and advice regarding important matters as necessary.

(iii) The internal audit office of the Company shall, pursuant to the internal audit rules, implement an internal audit of the group companies from perspectives such as the level of conformance with laws and regulations, the articles of incorporation, the internal rules and the like.

(6) Matters relating to employees assisting duties of audit and supervisory board members of the Company when appointment of those employees is requested by the audit and supervisory board members of the Company

In order to assist in the duties of audit and supervisory board members, the Company shall establish a division for assisting in the duties of audit and supervisory board members (the "Audit and Supervisory Section") and assign, at the request of audit and supervisory board members or the audit and supervisory board, employees to assist audit and supervisory board members. Audit and supervisory board members may instruct those employees on matters required to conduct audits.

(7) Matters relating to independence from the Company's directors of employees assisting duties of the Company's audit and supervisory board members and matters relating to ensuring the effectiveness of instructions given by the Company's audit and supervisory board members to those employees

(i) In providing assistance to audit and supervisory board members, employees assisting in the duties of audit and supervisory board members shall follow only the instructions of audit and supervisory board members and shall not receive instructions from directors or employees.

(ii) The appointment of, the appraisal of, and the transfer of an employee assisting in the duties of audit and supervisory board members shall be determined after hearing the opinions of the audit and supervisory board.

(8) System for reporting by the Company's directors and employees to the Company's audit and supervisory board members

(i) Audit and supervisory board members may attend board of directors meetings, management committee meetings, and other important meetings and hear explanations from directors and employees.

(ii) Audit and supervisory board members shall inspect important documents and other documents and, as necessary, may request directors and employees to explain those documents.

(iii) Directors and employees shall immediately report to audit and supervisory board members facts that might materially affect the management or business results of the Company.

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

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

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

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

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

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

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

(i) The Company Group's directors and employees shall deepen understanding of the audits conducted by audit and supervisory board members and cooperate in those audits to ensure the efficiency of the auditing system.

(ii) Audit and supervisory board members shall conduct effective audits by regularly exchanging opinions with directors and the independent auditors as well as coordinating with the internal audit office.

(iii) The Company Group shall develop a system in which audits are conducted effectively by, for example, ensuring opportunities for the exchange of opinions and information between audit and supervisory board members and the independent auditors and, at the request of audit and supervisory board members, holding interviews with the Company's representative director, directors, and corporate officers, liaison conferences with outside directors, and periodic meetings with executive officers, representative directors of subsidiaries, and the like.

Operational status of the systems that ensure the properness of operations

An outline of the operational status of the systems that ensure the properness of operations in the fiscal year ended March 31, 2020 is set out below.

(1) Execution of directors' duties

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

(2) Compliance initiatives

Based on the "Ethical Code," the Company provided, as appropriate, legal education and other training tailored to duties.

In addition, the Company operated a whistleblower system and, at an early stage, the Company identified acts that might violate a law or regulation, the articles of incorporation or an internal rule and responded to those acts in an appropriate and timely manner.

(3) Risk management initiatives

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

(4) Administering the Company Group

In accordance with the rules for administrating group companies, the Company Group has established a department for the administration of group companies and monitors the status of the progress of business and the status of execution of duties by directors and the like at each company of the Company Group. In addition, the Company's directors, including the Company's representative director, and Company's executive general managers hold ordinary meetings where reporting on important matters is received from each group company.

(5) Implementing internal audits

Based on the internal audit plan, the internal audit office inspects documents and implements an onsite inspection to check whether the Company and each company of the Company Group is executing its duties in accordance with laws and regulations, the articles of incorporation and internal rules. In addition, the internal audit office seeks to mutually coordinate with the audit and supervisory board, reports on the status of internal auditing to the audit and supervisory board, and holds meetings as necessary at which opinions and information were exchanged.

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

Based on the annual plan formulated by the audit and supervisory board, audit and supervisory board members of the Company attended board of directors meetings and other important meetings, exchanged opinions with the Company's directors, directors of corporate groups, the internal audit office, and other employees as necessary, and audited the duties executed by the directors.

VII. Policy for determining dividends from surplus

The Company recognizes that providing a return to shareholders is an important management issue, and the Company's basic policy is to aim for dividend payouts totaling 20% of the Company's consolidated net income or a dividend on equity ratio (DOE) of 5% while seeking to achieve sustained increases in corporate value by making investments (including business development, research and development and M&As) that are necessary for future growth.

Based on the above policy, the year-end dividend for the fiscal year ended March 31, 2020 is 55 yen per share. The Company has distributed an interim dividend of 55 yen per share in the interim period, so the annual dividends for the fiscal year ended March 31, 2020 are 110 yen per share.

The annual dividends for the following fiscal year (ending March 31, 2021) are expected to be 110 yen per share (of which, 55 yen are interim dividends), based on the policy above.

While seeking to achieve sustained increases in corporate value and taking into consideration the business performance in each fiscal year, the Company will continue to consider measures for providing returns to shareholders.

Consolidated Financial Statements

Consolidated Balance Sheets

(As of March 31, 2020)

(Unit: ¥ million)

Description	Amount	Description	Amount
Assets		**Liabilities**	
Current assets	**146,119**	**Current liabilities**	**13,759**
Cash and deposits	125,427	Short-term borrowings	671
Notes and accounts receivable - trade	14,254	Accounts payable - other	8,186
Merchandise	256	Income taxes payable	124
Consumption taxes receivable	1,248	Provision for bonuses	1,262
Other	4,977	Other	3,515
Allowance for doubtful accounts	(44)	**Non-current liabilities**	**5,280**
Non-current assets	**53,859**	Long-term borrowings	2,952
Property, plant and equipment	**10,338**	Deferred tax liabilities	949
Buildings	6,537	Other	1,379
Tools, furniture and fixtures	2,973	**Total liabilities**	**19,040**
Land	714	**Net assets**	
Construction in progress	113	**Shareholders' equity**	**179,369**
Intangible assets	**22,510**	**Paid-in capital**	**9,698**
Goodwill	17,315	**Capital surplus**	**9,472**
Customer-related assets	2,536	**Retained earnings**	**171,103**
Other	2,658	**Treasury shares**	**(10,905)**
Investments and other assets	**21,009**	**Accumulated other comprehensive income**	**532**
Investment securities	9,917	Valuation difference on available-for-sale securities	330
Deferred tax assets	6,179	Foreign currency translation adjustment	201
Other	4,915	**Subscription rights to shares**	**971**
Allowance for doubtful accounts	(2)	**Non-controlling interests**	**65**
		Total net assets	**180,938**
Total assets	**199,978**	**Total liabilities and net assets**	**199,978**

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

Consolidated Statements of Income

(April 1, 2019 to March 31, 2020)

(Unit: ¥ million)

Description	Amount	
Net sales		**112,171**
Cost of sales		**21,292**
Gross profit		**90,878**
Selling, general and administrative expenses		**73,712**
Operating income		**17,165**
Non-operating income		
Interest income	1	
Foreign exchange gains	7	
Sponsorship money	64	
Interest on tax refund	33	
Gain on adjustment of account payable	60	
Other	69	**237**
Non-operating expenses		
Interest expenses	10	
Loss on investments in partnership	400	
Other	59	**469**
Ordinary income		**16,933**
Extraordinary income		
Gain on sales of non-current assets	3	
Reversal of provision for business restructuring	81	
Gain on reversal of subscription rights to shares	16	**101**
Extraordinary losses		
Loss on withdrawal from business	147	
Loss on sales and retirement of non-current assets	55	
Impairment loss	216	
Head office relocation expenses	619	**1,039**
Income before income taxes		**15,996**
Income taxes – current	4,833	
Income taxes – deferred	433	**5,266**
Profit		**10,729**
Profit attributable to non-controlling interests		**4**
Profit attributable to owners of parent		**10,724**

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

Consolidated Statements of Changes in Shareholders' Equity

(April 1, 2019 to March 31, 2020)

(Unit: ¥ million)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance on April 1, 2019	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			10,724		10,724
Change in ownership interest of parent due to transactions with non-controlling interests		(196)			(196)
Other			(25)		(25)
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	(196)	2,034	-	1,837
Balance on March 31, 2020	9,698	9,472	171,103	(10,905)	179,369

	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 on April 1, 2019	665	234	900	555	3	178,990
Changes of items during period						
Dividends of surplus						(8,665)
Profit attributable to owners of parent						10,724
Change in ownership interest of parent due to transactions with non-controlling interests						(196)
Other						(25)
Net changes of items other than shareholders' equity	(334)	(33)	(367)	415	62	109
Total changes of items during period	(334)	(33)	(367)	415	62	1,947
Balance on March 31, 2020	330	201	532	971	65	180,938

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

Notes to Consolidated Financial Statements

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

(1) Matters Related to the Scope of Consolidation

1) Number and names of consolidated subsidiaries

- Number of consolidated subsidiaries: 20
- Names of the major consolidated subsidiaries: Chariloto Co., Ltd.
  Net Dreamers Co., Ltd.

We have newly established MKP, Inc. and one other company, and acquired the shares in SFIDANTE Inc. and three other companies, all of which have been included in the scope of consolidation from the fiscal year ended March 31, 2020. Hunza, Inc. and three other companies have been excluded from the scope of consolidation, as a result of liquidation.

2) Name of non-consolidated subsidiaries and others

eMercury, Inc. and 3 other companies

(Reason for exclusion from the scope of consolidation)

eMercury, Inc. and other three companies have been excluded from the scope of consolidation as they are small-scale companies and total of their total assets, net sales, profit or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest) and others have no significant impact on the consolidated financial statements.

(2) Matters Related to the Application of Equity Method

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

Not applicable.

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

Names, etc. of major companies

eMercury, Inc. and 3 other companies

(Reason for not applying the equity method)

eMercury, Inc. and other three companies are excluded from the scope of application of the equity method since their exclusion has an insignificant impact on the consolidated financial statements in terms of profit or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest) and others.

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

Among consolidated subsidiaries, the balance sheet date of Chiba Jets Funabashi Co., Ltd. is June 30, the balance sheet date of Scrum Ventures Fund I, L.P. and two other companies is December 31, and the balance sheet date of AA Fund Investment LPS is the end of February, and their financial statements as at their respective balance sheet dates are used. However, necessary adjustments are made to reflect important transactions that occurred between their balance sheet dates and the consolidated balance sheet date. In addition, the balance sheet date of Chiba Jets Funabashi Co., Ltd. is June 30, although they use the financial statement based on a provisional settlement of accounts.

Among consolidated subsidiaries, Chariloto Co., Ltd., which had a balance sheet date of December 31, used the financial statements as of the same date. Necessary adjustments were made to reflect important transactions that occurred during its consolidated balance sheet date, however, from the fiscal year ended March 31, 2020 the balance sheet date has been revised to March 31.

(4) Matters Related to Accounting Policies

1) Valuation standards and valuation methods of significant assets

Valuation standards and valuation methods of securities

Available-for-sale securities

Available-for-sale securities with market value:

Stated at fair value based on market price as of the balance-sheet date (valuation differences are included directly in net assets, and cost of sales is measured using 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.

Valuation standards and valuation methods of inventories

Merchandise:

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

2) Depreciation and amortization methods of significant depreciation assets

a. Property, plant and equipment (excluding leased assets):

The declining balance method is primarily applied.

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

The principle useful lives are as follows:

Buildings: 5 to 50 years

Tools, furniture and fixtures: 2 to 15 years

b. Intangible assets (excluding leased assets):

The straight line method is applied.

The principle useful lives are as follows:

Software for internal use: 5 years

Customer-related assets: Amortized based on economic useful life (10 years)

c. Leased assets:

Leased assets pertaining to finance leases not involving the transfer of ownership

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

d. Goodwill

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

3) Accounting standards for significant allowances and provisions

a. Allowance for doubtful accounts:

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

b. Provision for bonuses:

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

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

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

2. Notes on Changes in Presentation Method

(Consolidated Statements of Income)

"Commission fee," which was presented separately under "Non-operating expenses" for the previous fiscal year, is included in "Other" for the fiscal year under review as it decreased in importance.

3. Notes on Consolidated Balance Sheets

Accumulated depreciation of property, plant and equipment: ¥3,165 million

4. Notes on Consolidated Statements of Income

(1) Head office relocation expenses

They were for the relocation of the head office of the Company and some of its consolidated subsidiaries, and consist primarily of duplicate rent incurred before and after the relocation, moving expenses, etc.

(2) Impairment loss

mixi Group posted impairment loss on the following assets in the consolidated fiscal year ended March 31, 2020.

Business	Application	Place	Classification	Amount (¥ million)
Entertainment Business	Store	Ota-ku, Tokyo	Buildings	30
			Tools, furniture and fixtures	23
		Osaka-shi, Osaka	Buildings	105
			Tools, furniture and fixtures	51
	Business assets	Shibuya-ku, Tokyo	Tools, furniture and fixtures	5

Assets are grouped based on managerial accounting segmentation where income and expenses are recognized on continuous basis. Idle assets and assets to be disposed of are grouped by relevant asset.

Impairment loss in the 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 that development of new services were discontinued.

Recoverable value of these assets, which is calculated based on utility value, is zero due to the fact that no future cash flow can be anticipated from any of these assets.

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

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

Class of shares	As of April 1, 2019	Increase	Decrease	As of March 31, 2020
Common shares	78,230,850 shares	- shares	- shares	78,230,850 shares

(Summary of causes of changes)

Not applicable.

(2) Matters related to dividends of surplus

1) Dividends paid

Resolution	Class of shares	Total amount of dividends (¥ million)	Dividends per share (¥)	Record date	Effective date
Board of Directors Meeting on May 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 year ended March 31, 2020, but with effective dates in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (¥ million)	Dividends per share (¥)	Record date	Effective date
Board of Directors Meeting on May 15, 2020	Common shares	Retained earnings	4,144	55	March 31, 2020	June 11, 2020

(3) Matters related to the subscription rights to shares as of March 31, 2020

	Class of shares to be issued	Number of shares to be issued
13th issuance of subscription rights to shares (resolved at the Board of Directors Meeting on August 5, 2016)	Common shares	47,000 shares
14th issuance of subscription rights to shares (resolved at the Board of Directors Meeting on August 8, 2017)	Common shares	38,500 shares
15th issuance of subscription rights to shares (resolved at the Board of Directors Meeting on August 9, 2018)	Common shares	205,500 shares
16th issuance of subscription rights to shares (resolved at the Board of Directors Meeting on November 8, 2018)	Common shares	57,400 shares
17th issuance of subscription rights to shares (resolved at the Board of Directors Meeting on June 26, 2019)	Common shares	368,900 shares
18th issuance of subscription rights to shares (resolved at the Board of Directors Meeting on June 26, 2019)	Common shares	36,800 shares

6. Notes on Financial Instruments

(1) Matters Related to Status of Financial Instruments

1) Policy on Financial Instruments

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

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

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

Financial liabilities consist mainly of, accounts payable – other, income taxes payable, and long-term borrowings (including the current portion of long-term borrowings). Accounts payable – other are mainly due within one month. Long-term borrowings (including the current portion of long-term borrowings) are mainly for financing capital investment of subsidiaries. In regard to liquidity risk whereby financing is no longer possible, the Company has abundant cash reserves and has secured liquidity. For consolidated subsidiaries, the department responsible manages the liquidity risk by preparing and updating the cash management plan in a timely manner.

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

The amounts recorded in the consolidated balance sheets, fair value and the difference between the two as of March 31, 2020 are as follows. Items for which it is extremely difficult to determine the fair value are not included in the following table. (See (Note 2)).

(Unit: ¥ million)

	Amount recorded on consolidated balance sheet*	Fair value*	Difference
(1) Cash and deposits	125,427	125,427	
(2) Accounts receivable – trade	14,245		
Allowance for doubtful accounts	(44)		
	14,201	14,201	
(3) Consumption taxes receivable	1,167	1,167	
(4) Investment securities Available-for-sale securities	507	507	
(5) Accounts payable – other	(7,766)	(7,766)	
(6) Income taxes payable	(124)	(124)	
(7) Long-term borrowings (including the current portion of long-term borrowings)	(3,214)	(3,206)	(7)
(8) Long-term accounts payable – other	(1,796)	(1,800)	4

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

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

(1) Cash and deposits (2) Accounts receivable – trade (3) Consumption taxes receivable

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

(4) Investment securities

The fair values of stock is measured using the market price quoted by the stock exchange.

(5) Accounts payable – other (6) Income taxes payable

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

(7) 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.

(8) Long-term accounts payable – other

It 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 (¥419 million is included in "accounts payable – other" under current liabilities on the consolidated balance sheet) is included in long-term accounts payable – other.

2. Notes for unlisted shares (amount recorded on consolidated balance sheet is ¥4,212 million) and investments in investment partnerships (amount recorded on consolidated balance sheet is ¥5,197 million) are not included in the above table as the market price for those is not available, future cash flows cannot be estimated, and the fair value is deemed extremely difficult to determine.

7. Notes on Business Combinations

(1) Finalization of provisional accounting treatment related to business combinations

(Chariloto Co., Ltd.)

Regarding the business combination with Chariloto Co., Ltd. conducted on February 28, 2019, the provisional accounting treatment applied during the consolidated fiscal year ended March 31, 2019 was finalized during the consolidated fiscal year ended March 31, 2020.

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 quarterly consolidated financial statements for the consolidated fiscal year ended March 31, 2020.

As a result, the amount of goodwill calculated tentatively at ¥5,121 million decreased by ¥2,010 million to ¥3,110 million, due to the finalization of the accounting treatment. The decrease in goodwill is due to an increase of ¥2,898 million in customer-related assets and an increase of ¥887 million in deferred tax liabilities. In addition, as of March 31, 2019, goodwill decreased by ¥2,010 million, and customer-related assets and deferred tax liabilities increased by ¥2,898 million and ¥887 million, respectively.

(2) Business Combinations through Acquisition

(SFIDANTE Inc.)

1) Summary of the Business Combination

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

Name: SFIDANTE Inc.

Description of the acquired business: Smartphone-photo print business

b. Reasons for the business combination

The Company acquired SFIDANTE's shares to offer users greater value and a better area for fun family communication by combining SFIDANTE's app services that allow users to create high-quality New Year cards from a large selection of designs with mixi's family-focused photo- and video-sharing app "Family Album."

c. Date of the business combination

June 28, 2019

d. Legal form of the business combination

Acquisition of shares

e. Name of the entity after the business combination

SFIDANTE Inc.

f. Ratio of voting rights acquired

100.0%

g. Primary ground for determining the acquiring company

Due to the acquisition by mixi of all of shares of SFIDANTE Inc. and its conversion to a consolidated subsidiary.

2) Period for which the business results of the acquiree are included in the consolidated financial statements

From June 1, 2019 to March 31, 2020

3) Acquisition cost of the acquiree and breakdown of considerations by type

Considerations for the acquisition	Cash ¥1,599 million
Acquisition Costs	¥1,599 million

4) Details and amount of major acquisition-related expenses

Advisory fees and research cost ¥15 million

5) Amount of goodwill arising from business combination, reason for recognizing goodwill, and method and period of amortization

a. Amount of goodwill arising from business combination

¥1,014 million

The amount of goodwill was recorded tentatively because the allocation of acquisition cost had not been completed at the end of the nine months ended December 31, 2019, but it was finalized by the end of the consolidated fiscal year ended March 31, 2020. With the finalization, the amount of goodwill decreased by ¥489 million due to the ¥705 million increase in intangible assets.

b. Reason for the goodwill arising

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

c. Method and period of amortization

Goodwill is amortized using the straight-line method over 8 years.

6) Amounts of assets accepted and liabilities assumed on the date of the business combination and major breakdown thereof

Current Assets:	¥197 million
Non-current assets:	¥95 million
Total assets:	¥292 million
Current liabilities:	¥81 million
Non-current liabilities:	¥115 million
Total liabilities:	¥196 million

(Chiba Jets Funabashi Co., Ltd.)

1) Summary of the Business Combination

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

Name: Chiba Jets Funabashi Co., Ltd.

Description of the acquired business: Management of a professional basketball team

b. Reasons for the business combination

As the field of sports is one of mixi's focus business areas, mixi acquired shares of "Chiba Jets Funabashi," which has pioneered the market expansion of the B.LEAGUE, based on the judgment that further business growth can be achieved by incorporating the expertise that mixi has gained in the entertainment industry into the team.

c. Date of the business combination

October 31, 2019

d. Legal form of the business combination

Acquisition of shares

e. Name of the entity after the business combination

Chiba Jets Funabashi Co., Ltd.

f. Ratio of voting rights acquired

72.81%

Following the date of business combination, with the acquisition of additional shares, the Company's ratio of voting rights in Chiba Jets Funabashi Co., Ltd. is 87.35% as of the end of the consolidated fiscal year under review.

g. Primary ground for determining the acquiring company

Due to the acquisition by mixi of shares of Chiba Jets Funabashi Co., Ltd. and its conversion to a consolidated subsidiary.

2) Period for which the business results of the acquiree are included in the consolidated financial statements

The acquisition date was deemed to be December 31, 2019, and as such, business performance from January 1, 2020 to March 31, 2020 is included.

3) Acquisition cost of the acquiree and breakdown of considerations by type

Considerations for the acquisition	Cash ¥1,222 million
Acquisition Costs	¥1,222 million

Following the date of business combination, the Company acquired additional shares at an acquisition cost of ¥203 million.

4) Details and amount of major acquisition-related expenses

Advisory fees and research cost	¥48 million

5) Amount of goodwill arising from business combination, reason for recognizing goodwill, and method and period of amortization

a. Amount of goodwill arising from business combination

¥939 million

The amount of goodwill is calculated tentatively because calculation of specific and fair value of identifiable assets and liabilities at the date of the business combination is yet to be completed, and the allocation of acquisition cost has not been completed.

b. Reason for the goodwill arising

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

c. Method and period of amortization

Goodwill is amortized using the straight-line method over the period during which goodwill generates its effect. Amortization period will be determined based on the result of the allocation of acquisition cost.

6) Amounts of assets accepted and liabilities assumed on the date of the business combination and major breakdown thereof

Current Assets:	¥697 million
Non-current assets:	¥30 million
Total assets:	¥728 million
Current liabilities:	¥595 million
Non-current liabilities:	¥22 million
Total liabilities:	¥617 million

(Net Dreamers Co., Ltd.)

1) Summary of the Business Combination

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

Name: Net Dreamers Co., Ltd.

Description of the acquired business: Management, etc. of horse racing and baseball media

b. Reasons for the business combination

The Company acquired the shares of Net Dreamers Co., Ltd. to further business growth in the sports industry by combining the management expertise it has gained through the social network mixi, the smartphone app Monster Strike, etc. with Net Dreamers' media management expertise in sports and publicly operated competitions.

c. Date of the business combination

November 29, 2019

d. Legal form of the business combination

Acquisition of shares

e. Name of the entity after the business combination

Net Dreamers Co., Ltd.

f. Ratio of voting rights acquired

100.0%

g. Primary ground for determining the acquiring company

Due to the acquisition by mixi of all of shares of Net Dreamers Co., Ltd. and its conversion to a consolidated subsidiary.

2) Period for which the business results of the acquiree are included in the consolidated financial statements

From January 1, 2020 to March 31, 2020

3) Acquisition cost of the acquiree and breakdown of considerations by type

Considerations for the acquisition	Cash ¥15,000 million
Acquisition Costs	¥15,000 million

4) Details and amount of major acquisition-related expenses

Advisory fees and research cost ¥226 million

5) Amount of goodwill arising from business combination, reason for recognizing goodwill, and method and period of amortization

a. Amount of goodwill arising from business combination

¥13,019 million

The amount of goodwill is calculated tentatively because calculation of specific and fair value of identifiable assets and liabilities at the date of the business combination is yet to be completed, and the allocation of acquisition cost has not been completed.

b. Reason for the goodwill arising

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

c. Method and period of amortization

Goodwill is amortized using the straight-line method over the period during which goodwill generates its effect. Amortization period will be determined based on the result of the allocation of acquisition cost.

6) Amounts of assets accepted and liabilities assumed on the date of the business combination and major breakdown thereof

Current Assets:	¥2,058 million
Non-current assets:	¥331 million
Total assets:	¥2,390 million
Current liabilities:	¥409 million
Total liabilities:	¥409 million

8. Notes on Per Share Information

(1) Net assets per share: ¥2,387.56
(2) Profit per share: ¥142.33

9. Notes on Significant Subsequent Events

Not applicable.

Non-consolidated Financial Statements

Balance Sheets

(As of March 31, 2020)

(Unit: ¥ million)

Description	Amount	Description	Amount
Assets		**Liabilities**	
Current assets	**137,783**	**Current liabilities**	**10,137**
Cash and deposits	119,154	Accounts payable – other	6,545
Notes and accounts receivable – trade	12,803	Accrued expenses	7
Merchandise	159	Advances received	1,868
Advance payments – trade	790	Deposits received	555
Prepaid expenses	1,814	Provision for bonuses	1,157
Short-term loans receivable	15	Lease obligations	2
Consumption taxes receivable	1,151	**Non-current liabilities**	**1,379**
Other	1,939	Long-term accounts payable – other	1,376
Allowance for doubtful accounts	(44)	Lease obligations	2
Non-current assets	**55,125**		
Property, plant and equipment	**7,489**		
Buildings	4,533		
Tools, furniture & fixtures	2,846	**Total liabilities**	**11,516**
Construction in progress	108	**Net assets**	
Intangible assets	**1,318**	**Shareholders' equity**	**180,090**
Software	244	**Capital stock**	**9,698**
Other	1,074	**Capital surplus**	**9,668**
Investments and other assets	**46,317**	Legal capital surplus	9,668
Investment securities	7,813	**Retained earnings**	**171,628**
Shares of subsidiaries and associates	27,007	Other retained earnings	171,628
Investments in capital	1	Retained earnings brought forward	171,628
Investments in capital of subsidiaries and associates	18	**Treasury shares**	**(10,905)**
Long-term loans receivable	3,022	**Valuation and translation adjustments**	**331**
Claims provable in bankruptcy, claims provable in rehabilitation and other	1	**Valuation difference on available-for-sale securities**	**331**
Long-term prepaid expenses	257	**Subscription rights to shares**	**971**
Lease and guarantee deposits	4,473		
Deferred tax assets	6,042		
Other	58		
Allowance for doubtful accounts	(2,379)	**Total net assets**	**181,392**
Total assets	**192,908**	**Total liabilities and net assets**	**192,908**

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

Statements of Income

(April 1, 2019 to March 31, 2020)

(Unit: ¥ million)

Description	Amount	
Net sales		**105,495**
Cost of sales		**18,461**
Gross profit		**87,034**
Selling, general and administrative expenses		**68,705**
Operating income		**18,328**
Non-operating income		
Interest income	80	
Foreign exchange gains	7	
Sponsorship money	64	
Interest on tax refund	33	
Gain on adjustment of account payable	26	
Other	32	**246**
Non-operating expenses		
Loss on investments in investment partnership	258	
Other	9	**267**
Ordinary income		**18,307**
Extraordinary income		
Gain on sales of non-current assets	3	
Gain on forgiveness of debts	1	
Gain on reversal of subscription rights to shares	16	
Gain on liquidation of subsidiaries and associates	141	**162**
Extraordinary losses		
Loss on sales and retirement of non-current assets	46	
Head office relocation expense	619	
Impairment loss	216	
Loss on valuation of shares of subsidiaries and associates	12	
Provision of allowance for doubtful accounts	953	
Other	47	**1,895**
Income before income taxes		**16,574**
Income taxes - current	4,459	
Income taxes - deferred	924	**5,384**
Profit		**11,189**

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

Statements of Changes in Shareholders' Equity

(April 1, 2019 to March 31, 2020)

(Unit: ¥ million)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings		
Balance on April 1, 2019	9,698	9,668	-	9,668	169,104	169,104	(10,905)	177,566
Changes of items during period								
Dividends of surplus					(8,665)	(8,665)		(8,665)
Profit					11,189	11,189		11,189
Net changes of items other than shareholders' equity								-
Total changes of items during period	-	-	-	-	2,524	2,524	-	2,524
Balance on March 31, 2020	9,698	9,668	-	9,668	171,628	171,628	(10,905)	180,090

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance on April 1, 2019	665	665	555	178,788
Changes of items during period				
Dividends of surplus				(8,665)
Profit				11,189
Net changes of items other than shareholders' equity	(334)	(334)	415	80
Total changes of items during period	(334)	(334)	415	2,604
Balance on March 31, 2020	331	331	971	181,392

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

Notes to Non-consolidated Financial Statements

1. Notes on Matters Related to Significant Accounting Policies

(1) Valuation Standards and Valuation Methods of Securities

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

Stated at cost using the moving-average method.

2) Available-for-sale securities
Available-for-sale securities with market value:

Stated at fair value based on market price as of the balance-sheet date (valuation differences are included directly in net assets and cost of sales is measured using the moving average method).

Available-for-sale securities without market value:

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

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

Buildings: 5 to 50 years
Tools, furniture and fixtures: 2 to 15 years

2) Intangible assets (excluding leased assets):

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

3) Leased assets:

Leased assets pertaining to finance leases not involving the transfer of ownership
The straight line method, substituting the lease term for the useful life, assuming no residual value.

(4) 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.

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

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

2. Notes to Changes in Presentation Methods

Not applicable.

3. Notes on Balance Sheets

(1) Accumulated depreciation of property, plant and equipment: ¥ 2,997 million

(2) Monetary receivables and payables in relation to subsidiaries and associates
Short-term monetary receivables: ¥141 million
Long-term monetary receivables: ¥3,080 million
Short-term monetary payables: ¥29 million

4. Notes on Statements of Income

(1) Transaction volume with subsidiaries and associates
Transaction volume of operating transactions
Operating revenue: ¥117 million
Operating expenses: ¥619 million
Transaction volume of non-operating transactions: ¥83 million

(2) Head office relocation expenses
They were for the relocation of the head office of the Company and some of its consolidated subsidiaries, and consist primarily of duplicate rent incurred before and after the relocation, moving expenses, etc.

(3) Impairment loss

mixi posted impairment loss on the following assets in the fiscal year ended March 31, 2020.

Business	Application	Place	Classification	Amount (¥ million)
Entertainment Business	Store	Ota-ku, Tokyo	Buildings	30
			Tools, furniture and fixtures	23
		Osaka-shi, Osaka	Buildings	105
			Tools, furniture and fixtures	51
	Business assets	Shibuya-ku, Tokyo	Tools, furniture and fixtures	5

Assets are grouped based on managerial accounting segmentation where income and expenses are recognized on continuous basis. Idle assets and assets to be disposed of are grouped by relevant asset.

Impairment loss in the 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 that development of new services were discontinued.

Recoverable value of these assets, which is calculated based on utility value, is zero due to the fact that no future cash flow can be anticipated from any of these assets.

5. Notes on Statements of Changes in Shareholders' Equity

Class and number of treasury shares at the end of the year ended March 31, 2020

Common shares: 2,881,300 shares

6. Notes on Tax Effect Accounting

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

Deferred tax assets	
Buildings	¥125 million
Software	4,306 million
Lump sum depreciable assets	71 million
Investment securities	307 million
Shares of subsidiaries and associates	45 million
Allowance for doubtful accounts	741 million
Enterprise tax payable	45 million
Provision for bonuses	354 million
Asset retirement obligations	145 million
Subscription rights to shares	297 million
Advances received	212 million
Other	1,112 million
Subtotal of deferred tax assets	7,765 million

Valuation allowance	(1,576 million)
Total deferred tax assets	6,188 million
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(146 million)
Total deferred tax liabilities	(146 million)
Net deferred tax assets	6,042 million

7. Notes to Related Party Transactions
Not applicable

8. Notes on Per Share Information

(1) Net assets per share: ¥2,394.46
(2) Net income per share: ¥148.50

9. Notes on Significant Subsequent Events
Not applicable.