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Securities Code: 2121

June 9, 2021

To Shareholders:

Koki Kimura, President and Representative Director
mixi, Inc.

Shibuya Scramble Square
2-24-12 Shibuya, Shibuya-ku, Tokyo

CONVOCATION NOTICE FOR THE 22ND ORDINARY GENERAL MEETING OF SHAREHOLDERS

We hereby give notice regarding the holding of the 22nd Ordinary General Meeting of Shareholders of mixi, Inc. (the “Company”). The meeting will be held as described below.

Since there are ongoing concerns regarding the spread of the novel coronavirus (COVID-19), the Company has 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 requests that you refrain, to the extent possible, from attending this ordinary general meeting of shareholders in person and that you exercise your voting rights in writing or via the Internet by 7:00 p.m. on Thursday, June 24, 2021 (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 25, 2021, 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 accounting auditors and the audit & supervisory board for the 22nd fiscal year (from April 1, 2020 to March 31, 2021)
			2.	The non-consolidated financial statements for the 22nd fiscal year (from April 1, 2020 to March 31, 2021)
		Items to be resolved:	Agenda Item No. 1:	Election of nine directors
			Agenda Item No. 2:	Issuance to directors of subscription rights to shares as share compensation-type stock options

End of document

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- * For those attending, please present the enclosed voting rights exercise form at the reception desk on arrival at the 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/en/>) in accordance with laws and regulations, and Article 14 of the Company's articles of incorporation: "Matters concerning the Company's subscription rights to shares, etc.," "Matters concerning accounting 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 & supervisory board members and by the accounting 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 revision 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/en/>).

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 24, 2021.
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.

End of document

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% (19 of 19 meetings)
2	To be reelected	Kosuke Taru	Director	100% (19 of 19 meetings)
3	To be reelected	Hiroyuki Osawa	Director Chief General Manager of Investment Business Promotion	100% (19 of 19 meetings)
4	To be reelected	Masahiko Okuda	Director Chief General Manager of CS Chief General Manager of Life Experience Business	100% (19 of 19 meetings)
5	To be reelected	Tatsuma Murase	Director Chief General Manager of Development Chief General Manager of Design	100% (19 of 19 meetings)
6	To be reelected	Kenji Kasahara	Chairperson Chief General Manager of the Vantage Studio	100% (19 of 19 meetings)
7	To be reelected	Satoshi Shima	<div>Outside Independent</div> Director	95% (18 of 19 meetings)
8	To be reelected	Naoko Shimura	<div>Outside Independent</div> Director	100% (19 of 19 meetings)
9	To be reelected	Masuo Yoshimatsu	<div>Outside Independent</div> Director	100% (15 of 15 meetings)

Candidate
number

1

Koki Kimura

To be reelected

Date of birth	December 9, 1975
Number of Company shares owned	1,200,339 shares
Number of years in office as director	6 years
Attendance at meetings of the board of directors	100% (19 of 19 meetings)



Career summary: positions and responsibilities; and significant concurrent posts

February 2003	Joined Mobileproduction Co., Ltd.	November 2014	Corporate Officer of the Company
March 2005	Joined Index Corporation	January 2015	Chief General Manager of Monster Strike Studio at the Company
June 2008	Joined the Company	June 2015	Director of the Company
August 2012	Product owner of the Product Development Division of the Company	August 2015	Chief General Manager of XFLAG Studio at the Company
November 2013	Producer of Monster Strike Studio at the Company	April 2017	Chief General Manager of XFLAG Business at the Company
April 2014	General Manager of Monster Strike Studio at 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 being instated in 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 was instated in 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	450,136 shares
Number of years in office as director	4 years
Attendance at meetings of the board of directors	100% (19 of 19 meetings)



Career summary: positions and responsibilities; and significant concurrent posts

August 2008	Joined livedoor Co., Ltd.	July 2016	General Manager of XFLAG GAMES, XFLAG Studio at the Company
January 2012	Joined NHN Japan Co., Ltd (currently LINE Corporation)	April 2017	Chief General Manager of Monster Strike Business at the Company
February 2014	Joined the Company	June 2017	Director of the Company (current)
February 2014	Manager of planning group of Monster Strike Studio at the Company	April 2018	Corporate Officer of the Company
January 2015	General Manager of Planning and Operation Division, Monster Strike Studio at the Company	April 2018	Chief General Manager of Digital Entertainment Business at the Company
August 2015	General Manager of Planning and Operation Division, XFLAG Studio at 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	200,034 shares
Number of years in office as director	3 years
Attendance at meetings of the board of directors	100% (19 of 19 meetings)



Career summary; positions and responsibilities; and significant concurrent posts

October 2006	Joined KBMJ, Inc. (currently Appirits Inc.)	April 2018	Corporate Officer of the Company
June 2007	Joined the Company	June 2018	Director of the Company (current)
November 2011	General Manager of the Accounting and Finance Department of Corporate Promotion at the Company	April 2019	Chief General Manager of Corporate Support at the Company
April 2014	General Manager of the Management Promotion Office of Corporate Promotion at the Company	July 2020	Chief General Manager of Investment Business Promotion at the Company (current)
June 2017	Chief General Manager of Corporate Promotion at the Company	May 2021	Outside Director of HUB CO., LTD. (current)

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

Mr. Hiroyuki Osawa has successively held a number of positions in corporate 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	200,102 shares
Number of years in office as director	3 years
Attendance at meetings of the board of directors	100% (19 of 19 meetings)



Career summary; positions and responsibilities; and significant concurrent posts

February 2004	Joined Yahoo Japan Corporation	January 2017	Representative director of Marshal Co., Ltd. (current)
September 2008	Joined Pitcrew Co., Ltd.	April 2018	Corporate Officer of the Company
February 2011	Vice president and director of Pitcrew Co., Ltd.	April 2018	Chief General Manager of Unified Administration (currently CS at the Company (current))
April 2013	Joined the Company	June 2018	Director of the Company (current)
January 2015	Chief General Manager of the Member Support Division of the Company	July 2020	Chief General Manager of Alliance Unification (currently Life Experience Business) at the Company (current)
April 2016	Chief General Manager of Orange Studio at the Company		

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 a Chief General Manager in 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	200,034 shares
Number of years in office as director	2 years
Attendance at meetings of the board of directors	100% (19 of 19 meetings)



Career summary; positions and responsibilities; and significant concurrent posts

January 2005	Joined E-Mercury, Inc. (currently the Company)	July 2016	General Manager of Game Development Division of XFLAG Studio at the Company
December 2009	Director of KH2O Inc.	January 2018	Chief General Manager of XFLAG Development (currently Development) at the Company (current)
January 2012	Joined Q-Games Ltd.	April 2018	Corporate Officer of the Company
February 2013	Joined the Company	June 2019	Director of the Company (current)
May 2014	Manager of Group 2, System Coordination Department of Cross Function at the Company	January 2021	Chief General Manager of Designat 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 as a Chief General Manager 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	33,001,900 shares
Number of years in office as director	22 years
Attendance at meetings of the board of directors	100% (19 of 19 meetings)



Career summary; positions and responsibilities; and significant concurrent posts

June 1999	Established E-Mercury, Y.K. (currently the Company)	April 2011	Representative director of mixi recruitment, Inc.
	Director of E-Mercury, Y.K.	July 2011	Corporate Officer of the Company
October 2000	Reorganization (change from <i>yugen kaisha</i> to <i>kabushiki kaisha</i>) of E-Mercury, Inc. (currently the Company)	June 2013	Chairperson of the Company (current)
	President and representative director of E-Mercury, Inc.	April 2016	Chief General Manager of Vantage Studio at the Company (current)
February 2006	Company name changed to mixi, Inc.	April 2018	Corporate Officer of the Company
	President and representative director of the Company		
May 2008	Chairperson at mixi Shanghai, Inc.		
October 2008	Representative director of NexPAS, Inc. (currently Torchlight Inc.)		

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 resigning from the office of the president and representative director of the Company, he has led 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	51 shares
Number of years in office as director	4 years
Attendance at meetings of the board of directors	95% (18 of 19 meetings)



Career summary; positions and responsibilities; and significant concurrent posts

April 1986	Graduated from The Matsushita Institute of Government and Management (MIGM)	April 2017	Outside Director of Minrevi Co., Ltd. (currently Yoriso Co., Ltd.)
April 1994	Representative of Tokyo Institute of Government and Management, MIGM	June 2017	Director of the Company (current)
October 1996	Elected as a member of the House of Representatives, Japan; elected as such for the following three consecutive terms	June 2017	Outside Director of Vortex Co., Ltd.
		December 2017	External Director of Aucfan Co., Ltd. (current)
November 2005	Senior vice-president of CEO's office, SoftBank Corp. (currently SoftBank Group Corp.)	October 2018	Outside Director of i-mobile Co., Ltd. (current)
April 2014	Advisor of SoftBank Corp. (currently SoftBank Group Corp.)	December 2018	Outside Director of NEO CAREER Co., Ltd. (current)
April 2014	Special Advisor of SoftBank Mobile Corp. (currently SoftBank Corp.)	August 2019	Outside Director of Outsourcing Technology Inc. (current)
April 2015	Visiting Professor of Tama University	March 2020	Outside Director of Hanwha Solutions Corporation (current)

Reason why the Company selected Mr. Satoshi Shima as a candidate for Outside Director and outline of anticipated roles

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 because of those qualities he has served 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 the anticipation that he

will fulfill the roles of determining matters related to management and supervising and advising on the execution of operations 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 officers 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 officer, 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 officer.

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 years in office as director	3 years
Attendance at meetings of the board of directors	100% (19 of 19 meetings)



■ Career summary; positions and responsibilities; and significant concurrent posts

April 1999	Registered as a lawyer Joined Nishimura & Partners (currently Nishimura & Asahi)	October 2005	Returned to Nishimura & Partners (currently Nishimura & Asahi)
September 2004	Worked at Debevoise & Plimpton LLP	January 2008	Partner of Nishimura & Asahi (current)
April 2005	Registered as a lawyer in New York	May 2016	External Auditor of Tabikobo Co. Ltd. (current)
		June 2018	Director of the Company (current)
		June 2019	Outside audit & supervisory board member of Nippon Signal Co., Ltd. (current)

■ Reason why the Company selected Ms. Naoko Shimura as a candidate for Outside Director and outline of anticipated roles

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 have enabled her to serve a sufficient role with respect 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 the anticipation that she will fulfill the roles of strengthening the effectiveness of decision-making functions and the function of supervision of the Company's board of directors from a standpoint independent from the management, as a legal professional, 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 officers 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 officer, 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 officer.

Date of birth	April 28, 1958
Number of Company shares owned	130 shares
Number of years in office as director	1 year
Attendance at meetings of the board of directors	100% (15 of 15 meetings)



Career summary; positions and responsibilities; and significant concurrent posts

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

Reason why the Company selected Mr. Masuo Yoshimatsu as a candidate for Outside Director and outline of anticipated roles

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 because of those qualities he has served a sufficient role with respect to matters including determination of managerial matters, 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 reelection as outside director in the anticipation that he will fulfill the roles of determining managerial matters and supervising and advising on the execution of operations 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 officers that companies are required to retain, the Company has determined that Mr. Masuo Yoshimatsu is unlikely to have conflicts of interest with general shareholders, has designated him an independent officer, and has notified the Exchange. Since Mr. Masuo Yoshimatsu's status does not conflict with the criteria for judging independence established by the Company as of April 22, 2020, if Mr. Masuo Yoshimatsu is reelected at this general meeting of shareholders, the Company will again designate him an independent officer.

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" state the actual number of shares held by each candidate, including the shares owned in the mixi Officers' Shareholding Association established in February 2021, and is the number of shares as of April 30, 2021.
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, Ms. Naoko Shimura, and Mr. Masuo Yoshimatsu 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 laws and regulations are fulfilled. If Mr. Satoshi Shima, Ms. Naoko Shimura, and Mr. Masuo Yoshimatsu are reelected at this general meeting of shareholders, then those [individual] agreements will continue.
4. The Company will execute with an insurance company a directors' and officers' liability insurance contract, prescribed in Article 430-3, Paragraph 1 of the Companies Act, and will cover any damages and expenses regarding disputes (including shareholders' derivative suits and third-party suits) incurred by the officers and the like insured as a result of a claim for damages arising from his or her execution of duties. All candidates for Directors will be included among the insured under this insurance contract. The Company also intends to renew the insurance contract with the same terms and conditions at the time of its renewal in September 2021.
5. With regards to the conduct by an employee of the corporate business division of Tabikobo Co. Ltd., where Ms. Naoko Shimura serves as an External Auditor, pertaining to the postponement of the announcement

of financial results for the fiscal year ended March 2020 and the revision of past financial results of Tabikobo Co. Ltd., Ms. Naoko Shimura was not aware of that conduct; however, she has regularly made recommendations from the perspective of compliance with laws and regulations and called attention toward compliance. Since the discovery of the conduct, she has taken necessary actions as an External Auditor and fulfilled her responsibilities, including making recommendations for the prevention of reoccurrence.

Agenda Item 2 Issuance to directors of subscription rights to shares as share compensation-type stock options

The Company has issued to directors (excluding outside directors), by the resolution of the board of directors, subscription rights to shares as share compensation-type stock options approved at the 13th ordinary general meeting of shareholders held on June 26, 2012 and the 14th ordinary general meeting of shareholders held on June 25, 2013, within the compensation framework “1,000 million yen per year (including compensation to be paid on a monthly basis and excluding employees’ salary for directors concurrently serving as employees, which includes the amount of compensation for the outside directors, which in turn will be no more than 100 million yen)” approved at the 17th ordinary general meeting of shareholders held on June 28, 2016.

Matters to be approved at the general meeting of shareholders are specifically provided for under the “Act for Partial Amendment of the Companies Act (Act No. 70 of 2019)” enforced on March 1, 2021 with respect to the granting of subscription rights to shares as compensation for directors; therefore, approval under the relevant laws and regulations is requested in relation to the following details of the subscription rights to shares in order to continue the stock option system approved at the 14th general meeting of shareholders. If this Agenda Item is approved, the Company will not thereafter issue subscription rights to shares pursuant to the resolution of approval at the 13th ordinary general meeting of shareholders, which have never been issued to the current directors.

The number of current directors of the Company to be granted subscription rights to shares is five (excluding the outside directors), and if Agenda Item 1 is approved and adopted in its original form, the number of such directors will be five (excluding the outside directors).

Particulars

Specific details of subscription rights to shares as share compensation-type stock options

1. Total number of subscription rights to shares

The maximum number of subscription rights to shares to be issued within one year after the date of the ordinary general meeting of shareholders of the Company for each fiscal year will be 5,000.

2. Class and number of shares subject to subscription rights to shares

The class of shares subject to the subscription rights to shares will be shares of the Company’s common stock, and the number of shares subject to each subscription right to shares (the “**Number of Shares Granted**”) will be 100 shares.

However, if the Company carries out a stock split (*kabushiki-bunkatsu*) (including the allotment of shares without contribution for shares of the Company’s common stock; the same applies to all references to stock splits (*kabushiki-bunkatsu*) below or stock consolidation (*kabushiki-heigou*) with respect to shares of the Company’s common stock after the allotment of subscription rights to shares, the Number of Shares Granted will be adjusted in accordance with the following formula, and any fraction less than one share resulting from that adjustment will be rounded down.

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

If the Company carries out a merger (*gappei*), stock split (*kabushiki-bunkatsu*), stock transfer (*kabushiki-iten*), allotment of shares without contribution (*kabushiki-no-mushou-wariate*) or any other adjustment of the Number of Shares Granted is necessary, the

Company may adjust the Number of Shares Granted to a reasonable extent.

When adjusting the Number of Shares Granted, the Company will directly or publicly give notice to each person who holds subscription rights to shares stated in the original register of subscription rights to shares (a “**Rights Holder**”) of necessary matters by the date immediately preceding the date on which the Number of Shares Granted after adjustment is to be applied. However, if the Company is unable to give such direct or public notice by the date immediately preceding the effective date of such adjustment, the Company will promptly give direct or public notice thereafter.

3. Value of assets to be contributed upon exercise of subscription rights to shares

The value of assets to be contributed upon exercise of each subscription right to shares will be the amount obtained by setting the paid-in amount per share of stock to be delivered through exercise of each subscription right to shares at one yen and multiplying that amount by the Number of Shares Granted.

4. Period for exercise of subscription rights to shares

The period for exercise of subscription rights to shares is 30 years from the date immediately following the allotment date of subscription rights to shares. If the final date of the exercise period falls on a non-business day of the Company, then the business day immediately preceding that date will be the final date.

5. Restriction on acquisition by transfer of subscription rights to shares

Acquisition by transfer of subscription rights to shares requires approval by resolution of the board of directors of the Company.

6. Main terms and conditions for exercise of subscription rights to shares

Each Rights Holder may, during the period set out in “4.” above, exercise all of his or her subscription rights to shares collectively only for a period of ten days immediately following the date on which that Rights Holder loses his or her status as a director of the Company (if the board of directors of the Company separately determines the date when the Rights Holder loses not only his or her status as a director of the Company, but all of his or her status as a corporate officer of the Company, then that date). However, if the Rights Holder’s term as a director of the Company falls short of a period separately stipulated by the board of directors of the Company, the Rights Holder may not exercise subscription rights to shares, unless that exercise of subscription rights to shares is approved by the board of directors of the Company.

7. Paid-in amount for subscription rights to shares

Payment of money in exchange for subscription rights to shares is not required.

8. Call options for subscription rights to shares

If any of the agenda items in (1), (2), (3), (4), or (5) set out below is approved by the general meeting of shareholders of the Company (if resolution by the general meeting of shareholders of the Company is not required, then if resolved by the board of directors of the Company), the Company may acquire, without contribution, subscription rights to shares on the date separately determined by the board of directors of the Company:

- (1) agenda item for approval of merger agreement by which the Company will dissolve;
- (2) agenda item for approval of company split agreement or company split plan by which the Company becomes the split company;

- (3) agenda item for approval of share exchange agreement or stock transfer plan by which the Company is to become a wholly owned subsidiary;
- (4) agenda item for approval of amendment to the articles of incorporation to the effect that acquisition by transfer of all shares issued by the Company requires the Company's approval; or
- (5) agenda item for approval of amendment to the articles of incorporation to the effect that the acquisition by transfer of the shares in the class subject to the subscription rights to shares requires the Company's approval or the Company acquires all of the shares in that class by the resolution of the general meeting of shareholders.

9. Other matters relating to subscription rights to shares

Other matters relating to subscription rights to shares are to be determined at a board of directors meeting to resolve subscription requirements for subscription rights to shares.

End.

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

Officers			<div> <div>●Male</div> <div>●Female</div> </div>	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		●		●		●				
	Kosuke Taru		●		●		●				
	Hiroyuki Osawa		●		●	●			●		●
	Masahiko Okuda		●		●	●	●			●	●
	Tatsuma Murase		●		●			●			
	Kenji Kasahara		●		●		●	●			
	Satoshi Shima	Outside	●	●	●	●					
	Naoko Shimura	Outside	●	●		●				●	
	Masuo Yoshimatsu	Outside	●	●	●	●	●		●	●	●
Audit and Supervisory Board Members	Takako Kato	Outside	●	●					●		●
	Hiroyuki Wakamatsu	Outside	●	●					●		●
	Yuichiro Nishimura	Outside	●	●						●	●
	Nozomi Ueda	Outside	●	●						●	●

* 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.

(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 performance of responsibilities by directors, and enhancing internal control functions that prevent improprieties in the performance of responsibilities.

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. The audit and supervisory board is composed of four outside audit and supervisory board members (of whom two are women), which includes two standing audit and supervisory board members (of whom one is 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 and independent auditors.

- 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.

Composition of the nomination and compensation committee (one inside director and three outside directors)

Chairperson: Koki Kimura

Member: Satoshi Shima (outside director)

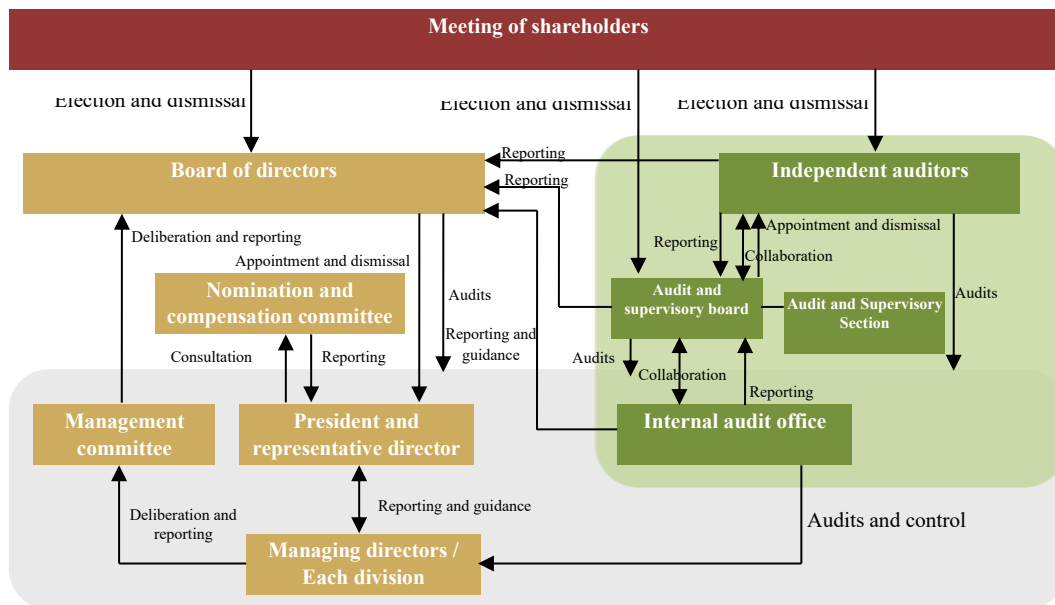
Member: Naoko Shimura (outside director)

Member: Masuo Yoshimatsu (outside director)

The deliberative scope of the nomination and compensation committee is as follows:

- (1) personnel proposals regarding individual directors (including matters related to election and dismissal) and proposals for basic policies regarding personnel affairs;
- (2) proposals for basic policies regarding compensation systems for directors;
- (3) proposals for the compensation framework for directors (including the calculation method);
- (4) proposals for specific amounts of compensation for individual directors (including the calculation method); and
- (5) other inquiries from the president and director.

In the fiscal year ended March 31, 2021, two meetings of the nomination and compensation committee were held, and deliberations were conducted with respect to personnel proposals regarding individual directors, the amount of compensation for individual directors, the composition of compensation for directors, and formulation of a policy for deciding the compensation for directors. In the meetings of the nomination and compensation committee held in the fiscal year ended March 31, 2021 it was pointed out that there was room for improvement in the method of evaluation of the outcome-based compensation; therefore, we recognize that matter as an issue to be addressed and are seeking to make improvements regarding the issue.



- Evaluating the effectiveness of the board of directors

The Company conducts on an ongoing basis annual 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.

- Method for evaluating the effectiveness of the board of directors for the fiscal year ended March 31, 2021

During the period from December 2020 to January 2021, 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 an external organization. Analysis, deliberation, and evaluation was conducted at the March 2021 extraordinary board of directors meeting, taking into consideration the external organization's report on the collected results.

Main topics in the questionnaire:

- composition of the board of directors
- operation of the board of directors
- quality of discussions at the board of directors meetings
- monitoring functions of the board of directors
- support system for directors and audit and supervisory board members
- training for directors and audit and supervisory board members and dialogue with shareholders (investors)

- Outline of results of self-analysis and self-evaluation regarding the effectiveness of the board of directors

A generally positive evaluation was obtained from the responses to the questionnaire, and the Company's self-evaluation was that the board of directors is operating effectively overall. The following points in particular were highly commended.

- Sufficient time necessary for deliberations is secured
- Free, open-minded, and constructive discussions and exchanges of opinions are conducted rather than those that are overly formal or perfunctory
- (Outside officers) Their opinions are appropriately reflected in decision-making and determinations

In addition to the above, overall improvements were seen in scores in comparison with the evaluation of the board of directors for the previous fiscal year, and we confirmed that progress has been made with improving the effectiveness of the board of directors through reform activities.

- Measures taken for the fiscal year ended March 31, 2021 to improve the effectiveness of the board of directors

The board of directors and the secretariat of the board of directors worked on the following matters, taking into consideration the results of evaluation of the effectiveness of the board of directors for the previous fiscal year.

- Operational reform of the board of directors
 - Improvements were made to ensure that each director had sufficient time to examine agenda items by distributing materials for the board of directors earlier. In addition, prior deliberations were conducted at the management meetings, in principle, prior to the board of directors meetings to enhance discussions at the

board of directors meetings and thereby clarify points to be discussed, and directors were encouraged to prepare for board of directors meetings with respect to any information lacking for decision-making. In addition, directors who were members of the management meeting reported as necessary to the board of directors on matters to be resolved and the details of deliberations at management meetings in order to share the status of the execution of their duties, and thereby endeavored to enhance information necessary for decision-making at the board of directors meetings.

- Provision of feedback to the board of directors regarding the status of dialogue with shareholders (investors)

At the board of directors meetings, the responsible director reported as necessary on the status of dialogue with shareholders (investors) and shared with the board of directors the opinions of, and matters pointed out by, shareholders (investors).

- Measures to be taken in the future

The Company recognizes that a priority issue to be addressed in the future is the enhancement of discussions regarding governance and mid- to long-term strategies while also continuing improvement in the operation of the board of directors.

Based on the results of the evaluation, 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 appointed 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

Please see "5. Matters related to the policy for deciding compensation" in "IV. Matters concerning the Company's officers" in the Business Report.

(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, 2021 were 119,319 million yen (an increase of 6.4% compared to the previous consolidated fiscal year). In addition, the Company's operating income was 22,928 million yen (an increase of 33.7% compared to the previous consolidated fiscal year), the ordinary income was 23,019 million yen (an increase of 36.1% 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, 2021 was 15,692 million yen (an increase of 45.8% compared to the previous consolidated fiscal year).

The status of each segment is set out below.

Net Sales by Business Segment

Business Segment	21st Fiscal Year		22nd Fiscal Year		YoY Comparison (%)
	Net Sales (millions of yen)	Composition Ratio (%)	Net Sales (millions of yen)	Composition Ratio (%)	
Digital Entertainment Business	102,040	91.0	100,590	84.3	(1.4)
Sports Business	5,177	4.6	12,699	10.6	145.3
Lifestyle Businesses	4,954	4.4	6,030	5.1	21.7
Total	112,172	100.0	119,319	100.0	6.4

(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) Digital Entertainment business

The digital entertainment business has generated income mainly through the smart device game "Monster Strike." "Monster Strike" continued to perform strongly, with the addition of new quests, collaboration with other prominent IP, and the like being the key to success. In addition, the smart device game "Kotodaman" has seen steady expansion as a result of collaboration with other popular IP, and monetization of services other than "Monster Strike" is also progressing. Further, we are also advancing with the development of new app games, including commencing distribution of "Star Smash," with the aim of stabilizing income and improving profitability.

As a result, net sales for the digital entertainment business were 100,590 million yen (a decrease of 1.4% compared to the previous consolidated fiscal year), and the segment profit was 44,764 million yen (an increase of 33.6% compared to the previous consolidated fiscal year).

(ii) Sports business

In the sports business, the Company has been conducting investment in professional sports team management and businesses related to government-controlled competitive sports

events. Net sales increased in comparison with the previous consolidated fiscal year due to strong transaction volumes in the sale of betting tickets for the consolidated subsidiary Chariloto Co., Ltd., and the sports betting service “TIPSTAR” released in June 2020 and due to the effect of acquiring Net Dreamers Co., Ltd. as a subsidiary. On the other hand, expenses increased due to up-front investments, such as development expenses advertising and promotional expenses for “TIPSTAR.”

As a result, net sales for the sports business were 12,699 million yen (an increase of 145.3% compared to the previous consolidated fiscal year), and the segment loss was 5,347 million yen (the segment loss for the previous consolidated fiscal year was 2,769 million yen).

(iii) Lifestyle businesses

The Company operates a variety of services among its lifestyle businesses, with “mixi,” a social networking service, “FamilyAlbum,” an app for sharing photos and videos for families, and “minimo,” a salon artist booking app, being the main focus. Efforts to bolster monetization of “FamilyAlbum” have progressed, and as a result of expansion of gift services in collaboration with the Company’s subsidiary Sfidante Inc. and the strong performance of the New Year Cards app “FamilyAlbum New Year Cards” net sales increased compared to the previous consolidated fiscal year. Also, the number of users of “FamilyAlbum” broke through the 10 million mark, and a framework for improving profitability has been put in place.

As a result, net sales for the lifestyle businesses were 6,030 million yen (an increase of 21.7% compared to the previous consolidated fiscal year), and the segment loss was 398 million yen (the segment loss for the previous consolidated fiscal year was 620 million yen).

Note 1: The name and classification method for the reported segments have been changed for the fiscal year ended March 31, 2021, and the performance figures for the previous consolidated year have been reclassified into the new segments.

2. 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	19th Fiscal Year (ended March 2018)	20th Fiscal Year (ended March 2019)	21st Fiscal Year (ended March 2020)	22nd Fiscal Year (the relevant consolidated fiscal year) (ended March 2021)
Net Sales (millions of yen)	189,094	144,032	112,171	119,319
Ordinary Income (millions of yen)	72,717	41,120	16,915	23,019
Profit Attributable to Owners of Parent (millions of yen)	41,788	26,521	10,760	15,692
Basic Earnings per Share (yen)	533.48	350.26	142.80	208.24
Total Assets (millions of yen)	192,123	192,955	202,814	226,356
Net Assets (millions of yen)	170,434	178,990	181,305	189,590
Net Assets per Share (yen)	2,176.88	2,368.05	2,390.52	2,497.55

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.
3. The Company conducted provisional accounting treatment during the previous consolidated fiscal year with respect to the business combination with Chiba Jets Funabashi Co., Ltd. conducted on October 31, 2019 and the business combination with Net Dreamers Co., Ltd. conducted on November 29, 2019; however, the Company completed allocation of the acquisition costs to assets and liabilities during the consolidated fiscal year ended March 31, 2021. Accordingly, the related figures for the previous consolidated fiscal year have been retrospectively adjusted.

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

Category	19th Fiscal Year (ended March 2018)	20th Fiscal Year (ended March 2019)	21st Fiscal Year (ended March 2020)	21st Fiscal Year (the relevant consolidated fiscal year) (ended March 2021)
Net Sales (millions of yen)	178,813	141,427	105,495	106,722
Ordinary Income (millions of yen)	71,873	43,219	18,307	22,648
Profit (millions of yen)	41,363	26,319	11,189	16,297
Basic Earnings per Share (yen)	528.06	347.60	148.50	216.26
Total Assets (millions of yen)	189,683	190,213	192,908	210,035
Net Assets (millions of yen)	170,454	178,788	181,392	189,960
Net Assets per Share (yen)	2,177.19	2,365.40	2,394.46	2,503.22

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.
3. Issues to be addressed

The Company's group has set "Enriching Global Communication through the Combination of Entertainment and Technology" as its mid-term management policy and will endeavor to transform and expand the business portfolio of the whole consolidated group into a more stable and sustainable business portfolio by actively investing in the sports business and growing it into the second pillar of revenue in the mid term.

During the next fiscal year, in the sports business, we will actively invest in "TIPSTAR," which was released in the previous fiscal year. In addition to business growth in both of the consolidated subsidiaries Chariloto and Net Dreamers, we will aim to grow further by generating more enhanced synergies in the services of each company.

In the digital entertainment business, we will continue to endeavor to increase the users's

usage and strengthen the revenue base by further bolstering planning, marketing, and the media mix policy for “Monster Strike” and promote the continued growth of existing games, including “Kotodaman,” and planning and development of new games.

In the lifestyle businesses, we will continue endeavoring to grow “FamilyAlbum” and “minimo.”

4. Main businesses (as of March 31, 2021)

Business Segment	Details of Business
Digital Entertainment Business	Providing services with a focus on smart device games
Sports Business	Promotion of professional sports team management and businesses related to government-controlled competitive sports events
Lifestyle Businesses	Operating services that utilize the Internet and that are closely related to people's everyday lifestyles

5. Main offices (as of March 31, 2021)

The Company	Head office	Shibuya-ku, Tokyo
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6. Status of employees (as of March 31, 2021)

(i) Status of the corporate group's employees

Number of Employees	Increase or Decrease from the Previous Consolidated Fiscal Year
1,168 (355)	increase of 131 (increase of 133)

Note: The number of employees stated above refers to the number of workers, and the average number of contingent workers (including part-time employees and temporary employees) for the consolidated fiscal year ended March 31, 2021 is presented in parentheses.

(ii) Status of the Company's employees

Number of Employees	Increase or Decrease from the Previous Fiscal Year	Average Age	Average Length of Service
974 (86)	Increase of 93 (Increase of 3)	35.0 years old	4.3 years

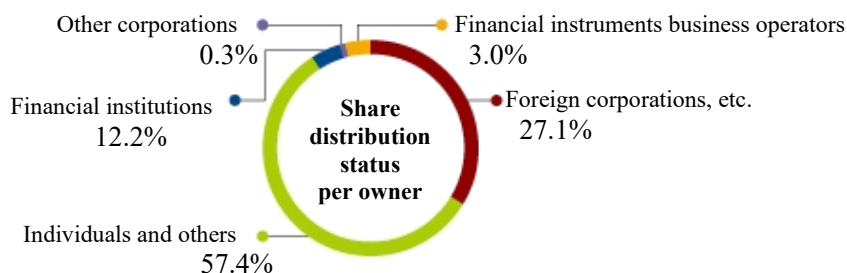
Note: The number of employees stated above refers to the number of workers, and the average number of contingent workers (including part-time employees and temporary employees) for the fiscal year ended March 31, 2021 is presented in parentheses.

7. Status of capital expenditures

The total amount of capital expenditures outlaid during the consolidated fiscal year ended March 31, 2021 was 4,110 million yen (a decrease of 64.7% compared to the previous consolidated fiscal year). The main components of these capital expenditures were 2,859 million yen spent on acquiring Ito-onsen Keirin Stadium and 688 million yen spent on the redevelopment of Tamano Keirin Stadium by Chariloto Co., Ltd.

II. Matters concerning the Company's shares (as of March 31, 2021)

1. Total number of authorized shares 264,000,000 shares
2. Total number of issued shares 78,230,850 shares
(including 2,856,400 shares of treasury stock)
3. Number of shareholders 17,060 shareholders



4. Principal shareholders (top ten shareholders)

Name of Shareholder	Number of Shares (shares)	Percentage of Shareholding (%)
Kenji Kasahara	33,001,900	43.78
The Master Trust Bank of Japan, Ltd. (trust account)	3,587,000	4.76
The Bank of New York Mellon 140051	2,978,000	3.95
Custody Bank of Japan, Ltd. (trust account)	1,757,700	2.33
State Street Bank And Trust Company 505038	1,678,102	2.23
The Bank of New York 133612	1,460,600	1.94
Koki Kimura	1,200,000	1.59
BNYM AS AGT/CLTS 10 PERCENT	918,100	1.22
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	763,966	1.01
STATE STREET BANK AND TRUST COMPANY 505103	701,554	0.93

Note: The percentages of shareholding were calculated by excluding 2,856,400 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 subscription rights to shares, etc.

(1) Status of subscription rights to shares, etc. held by the Company's officers as of the last day of the fiscal year ended March 31, 2021

Name	The 13th subscription rights to shares	The 14th subscription rights to shares	The 15th subscription rights to shares
Date of the board resolution	August 5, 2016	August 8, 2017	August 9, 2018
Occupation and number of the holders of the subscription rights to shares	One director (excluding outside directors)	Two directors (excluding outside directors)	Four directors (excluding outside directors)
Number of subscription rights to shares	470 (see Note 1)	385 (see Note 1)	2,055 (see Note 1)
Class and number of shares subject to the subscription rights to shares	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 subscription rights to shares	One yen (see Note 2)	One yen (see Note 2)	One yen (see Note 2)
Issuance price of a stock upon exercise of subscription rights to shares	1,898 yen	3,944 yen	1,380 yen
Exercise period of the subscription rights to shares	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 subscription rights to shares	See Note 3	See Note 3	See Note 3

Name	The 17th subscription rights to shares	The 19th subscription rights to shares
Date of the board resolution	June 26, 2019	June 26, 2020
Occupation and number of the holders of the subscription rights to shares	Five directors (excluding outside directors)	Five directors (excluding outside directors)
Number of subscription rights to shares	3,689 (see Note 1)	2,855 (see Note 1)
Class and number of shares subject to the subscription rights to shares	368,900 shares of common stock (see Note 1)	285,500 shares of common stock (see Note 1)
Amount to be paid upon exercising subscription rights to shares	One yen (see Note 2)	One yen (see Note 2)
Issuance price of a stock upon exercise of subscription rights to shares	928 yen	1,065 yen
Exercise period of the subscription rights to shares	From: July 17, 2019 Until: July 16, 2049	From: July 14, 2020 Until: July 13, 2050
Terms and conditions in relation to the subscription rights to shares	See Note 3	See Note 3

Notes:

1. If the Company carries out a stock split (*kabushiki-bunkatsu*) or stock consolidation (*kabushiki-heigou*) after the issuance of subscription rights for shares, the number of the shares subject to the subscription rights for shares 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.

$$\begin{array}{ccccc} \text{Number of shares after} & & \text{Number of shares before} & & \text{Ratio of stock split or stock} \\ \text{adjustment} & = & \text{adjustment} & \times & \text{consolidation} \end{array}$$

2. The Company may adjust the number of shares granted within a reasonable extent if, after the issuance of subscription rights to shares, any of the following occurs: the Company carries out a merger (*gappei*), corporate split (*kaisha-bunkatsu*), share exchange (*kabushiki-koukan*) or stock 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 subscription rights to shares as stated in the register of subscription rights to shares (a “**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 Rights Holder may exercise his or her subscription rights to shares for subscription during the “Exercise period of the subscription rights to shares” 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 subscription rights to shares 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 Rights Holder may not exercise his or her subscription rights to shares if he or she falls under any of the following:
 - (a) if the 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 subscription rights to shares;
 - (b) if the 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 Rights Holder falls under Article 331, Paragraph 1, Item (iii) or (iv) of the Companies Act;
 - (d) if the Rights Holder is in breach of the “agreement on subscription of all subscription rights to shares allotted” that is entered into between the Company and the Rights Holder (a “**Subscription Agreement**”) or if the Company’s board of directors decides that the Rights Holder has committed an act severely damaging the relationship of trust between the Company and the Rights Holder; and
 - (e) if the Rights Holder submits in writing his or her intention to waive the subscription rights to shares for subscription he or she holds, in whole or in part.
- (3) If a person to whom subscription rights to shares are allotted dies, his or her heir may exercise the subscription rights to shares upon the condition that the decedent Rights Holder does not fall under any of the items in the preceding paragraph and as long as the exercise of the subscription rights to shares 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 Rights Holder exercises his or subscription rights to shares, he or she must exercise, as a whole, all of the subscription rights to shares that he or she holds.
- (5) Other terms and conditions for exercising the subscription rights to shares will be determined in each “Subscription Agreement” to be executed between the Company and each Rights Holder.

(2) Status of subscription rights to shares, etc. granted to the Company's employees during the fiscal year ended March 31, 2021

Name	The 20th subscription rights to shares
Date of the board resolution	June 26, 2020
Occupation and number of the persons to whom the subscription rights to shares are granted	Five corporate officers
Number of subscription rights to shares	335 (see Note 1)
Class and number of shares subject to the subscription rights to shares	33,500 shares of common stock (see Note 1)
Amount to be paid upon exercising subscription rights to shares	One yen (see Note 2)
Issuance price of a stock upon exercise of subscription rights to shares	-
Exercise period of the subscription rights to shares	From: July 14, 2021 Until: July 13, 2026
Terms and conditions in relation to the subscription rights to shares	See Note 3

Notes:

1. If the Company carries out a stock split (*kabushiki-bunkatsu*) or stock consolidation (*kabushiki-heigou*) after the issuance of subscription rights to shares, the number of the shares subject to the subscription rights to shares 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.

$$\begin{array}{ccccc} \text{Number of shares} & & \text{Number of shares before} & & \text{Ratio of share split or} \\ \text{after adjustment} & = & \text{adjustment} & \times & \text{stock consolidation} \end{array}$$

2. The Company may adjust the number of shares granted within a reasonable extent if, after the issuance of subscription rights to shares, any of the following occurs: the Company carries out a merger (*gappei*), corporate split (*kaisha-bunkatsu*), share exchange (*kabushiki-koukan*) or stock 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 subscription rights to shares as stated in the register of subscription rights to shares (a “**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 Rights Holder may exercise his or her subscription rights to shares 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 subscription rights to shares (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 subscription rights to shares.
- (2) Each Rights Holder may exercise his or her subscription rights to shares within the period set out below and up to the percentage set out below inclusive of subscription rights to shares 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 subscription rights to shares in the number obtained after rounding down such fraction.

- (a) One year from the first day of the exercise period of the subscription rights to shares:
30% of the total number of the subscription rights to shares allotted to such Rights Holder
 - (b) One year from the day following the end of the period in (a) above:
60% of the total number of the subscription rights to shares allotted to such 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 subscription rights to shares:
All of the total number of the subscription rights to shares allotted to such Rights Holder
- (3) A 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 subscription rights to shares; 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 Rights Holder may not exercise his or her subscription rights to shares if he or she falls under any of the following:
- (a) if the 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 Rights Holder falls under Article 331, Paragraph 1, Item (iii) or (iv) of the Companies Act;
 - (c) if the Rights Holder is in breach of the “Subscription Agreement” to be executed between the Company and the Rights Holder or if the Company’s board of directors decides that the Rights Holder has committed an act severely damaging the relationship of trust between the Company and the Rights Holder; and
 - (d) if the Rights Holder submits in writing his or her intention to waive the subscription rights to shares he or she holds, in whole or in part.
- (5) If a person to whom subscription rights to shares are allotted dies, his or her heir may exercise the subscription rights to shares upon the condition that the decedent Rights Holder does not fall under any of the items in the preceding paragraph and as long as the exercise of the subscription rights to shares 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 Rights Holder exercises his or subscription rights to shares, he or she must exercise, as a whole, all of the subscription rights to shares that he or she holds.
- (7) Other terms and conditions for exercising the subscription rights to shares will be determined in each “Subscription Agreement” to be executed between the Company and each Rights Holder.

IV. Matters concerning the Company's officers

- Names of, and other information regarding, directors and audit and supervisory board members (as of March 31, 2021)

Position in Company	Name	Responsibilities and Significant Concurrent Posts
President and Representative Director	Koki Kimura	-
Director	Kosuke Taru	-
Director	Hiroyuki Osawa	Chief General Manager of Investment Business Promotion
Director	Masahiko Okuda	Chief General Manager of Unified Administration Chief General Manager of Alliance Unification
Director	Tatsuma Murase	Chief General Manager of Development and Chief General Manager of Design
Director and Chairperson	Kenji Kasahara	Chief General Manager of Vantage Studio
Director	Satoshi Shima	Outside Director of Aucfan Co., Ltd.
Director	Naoko Shimura	Partner of Nishimura & Asahi
Director	Masuo Yoshimatsu	Representative Director and President and CEO of CFO Support Co. Ltd. Outside Director of Hoshizaki Corporation Specially Appointed Professor of Graduate School of Management at Tokyo Metropolitan University
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	Partner of Kioizaka Themis

Notes:

- Director Satoshi Shima, Director Naoko Shimura, and Director Masuo Yoshimatsu are outside directors.
- 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.
- 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.
- Standing Audit and Supervisory Board Member Yuichiro Nishimura has built up experience in personnel and general affairs over many years and possesses considerable expertise regarding administrative operations.
- 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.
- Audit and Supervisory Board Member Nozomi Ueda is qualified as a lawyer and possesses considerable expertise regarding law and compliance.

7. The Company has notified the Tokyo Stock Exchange that Director Satoshi Shima, Director Naoko Shimura, Director Masuo Yoshimatsu, 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, 2021

Position in Company at Time of Retirement	Name	Responsibilities and Significant Concurrent Posts at Time of Retirement	Reason for Retirement	Retirement Date
Director	Tatsuya Matsunaga		Expiry of term of office	June 26, 2020

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

Category	Number of Officers Eligible for Compensation	Compensation Amount, etc. by Type			Aggregate Compensation Amount, etc.
		Basic Compensation	Share-Based Basic Compensation	outcome-based compensation	
Director (Outside Director)	10 (4)	216 million yen (19 million yen)	266 million yen	64 million yen	546 (19 million yen)
Audit and Supervisory Board Member (Outside Audit and Supervisory Board Member)	4 (4)	38 million yen (38 million yen)	—	—	38 million yen (38 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). The number of directors present at the meeting for the resolution was six (including two 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. The number of audit and supervisory board members present at the meeting for the resolution was one.
4. Each compensation amount, etc. above includes the expenses reported for the fiscal year in relation to stock acquisition rights granted as stock options (304 million yen for directors).

4. Outline of non-monetary compensation (subscription rights to shares)

The Company resolved at the board of directors meeting held on June 26, 2020 to issue to the directors of the Company (excluding outside directors) subscription rights to shares as share compensation-type stock options under Articles 236, 238, and 240 of the Companies Act.

Name of subscription rights to shares	19th subscription rights to shares
Classification and number of holders	Five directors (excluding outside directors)

Number of stock acquisition rights	2,855
Class and number of shares subject to subscription rights to shares	Shares of common stock: 285,500 shares (Note)
Amount to be paid upon exercising subscription rights to shares	One yen
Exercise period of the subscription rights to shares	From July 14, 2020 until July 13, 2050
Terms and conditions set out at the time of allotment	It is provided in the “Subscription Agreement” to be executed between the Company and each Rights Holder that under certain circumstances, each Rights Holder may not exercise his or her subscription rights to shares.

Note : If the Company carries out a stock split (*kabushiki-bunkatsu*) or stock consolidation (*kabushiki-heigou*) after the issuance of subscription rights to shares, the number of shares subject to subscription rights to shares will be adjusted in accordance with the following formula, and any fraction less than one share after such adjustment will be rounded down.

$$\begin{array}{ccccc} \text{Number of shares} & & \text{Number of shares} & & \text{Ratio of stock split or} \\ & & \text{before adjustment} & \times & \text{stock consolidation} \\ \text{after adjustment} & = & & & \end{array}$$

5. Matters related to the policy for deciding compensation

(i) Basic policy

The basic policy for compensation for directors is to establish 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.

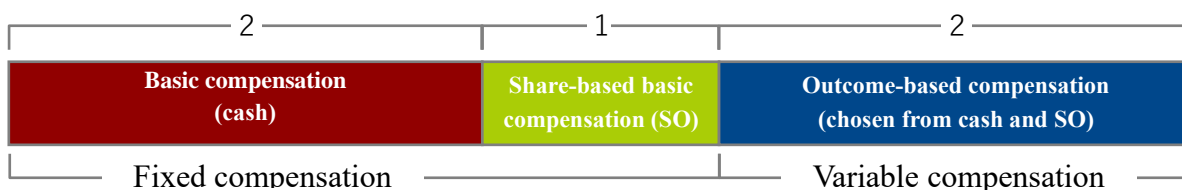
(ii) Compensation system

Based on the basic policy, compensation for directors (excluding outside directors) is provided in two forms: “cash compensation” paid on a monthly basis; and “share-based compensation (share compensation-type stock options)” delivered once a year after the ordinary general meeting of shareholders for the relevant fiscal year. 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 (share compensation-type stock options),” and “cash compensation” paid on a monthly basis or “share-based compensation (share compensation-type stock options)” delivered once a year after the ordinary general meeting of shareholders for the relevant fiscal year may be chosen as “outcome-based compensation.” The ratio of “basic compensation” and “share-based basic compensation” is determined, with an emphasis on “share-based basic compensation,” by the president and representative director through the formulation of a proposal based on each officer’s title and like with reference to the past performance of the Company and compensation market survey data for Japanese listed companies provided by external professional organizations and after deliberation by the nomination and compensation committee.

From the perspective of ensuring adequate supervisory functions for the execution of business, the compensation structure for outside directors is composed solely of cash compensation.

There is no retirement bonus system for directors.

Composition of compensation for directors (in the case where evaluation regarding outcome-based compensation is standard)



(iii) Method for deciding compensation

Each method for deciding compensation for directors is set out below.

– Compensation for directors (excluding outside directors)

Compensation amounts are decided based on whether the officer has the right of representation, the officer's title, and the like for "basic compensation" and "share-based basic compensation." With respect to "share-based basic compensation," subscription rights to shares as share compensation-type stock options are delivered with the purpose of promoting measures for enhancing corporate value in the mid- to long-term and sharing of value with the shareholders of the Company, on the condition that the director in question's term as a director is more than a certain period and the subscription rights to shares may be exercised at the time of retirement. With respect to "outcome-based compensation," compensation amounts are decided by (i) predetermining the evaluation ratio in accordance with the title of the individual in question and the division managed by the individual and (ii) multiplying the base amount of outcome-based compensation determined in accordance with the basic compensation by the evaluation coefficient in accordance with the combined evaluation of the performance of the Company overall and the division managed by the individual in question and that individual's degree of contribution in the previous fiscal year. Performance evaluation is conducted by evaluating the net sales and operating income of the Company overall and the division managed by the individual in question against the budget achievement rate and the rate of increase or decrease compared with the previous fiscal year.

Method for deciding outcome-based compensation

	Performance evaluation		Contribution evaluation	
	Company overall	Division	Company overall	Division
Evaluation indicator	Consolidated net sales / Consolidated operating income	Net sales of division / Operating income of division	-	-
Evaluation ratio for President and Representative Director	50%	-	50%	-
Evaluation ratio for director in charge of business	60%		40%	
Evaluation ratio for director in charge of management	40%	-	60%	

Note 1: Because we recognize the performance evaluation as an important indicator for improvement of performance and corporate value, consolidated net sales, consolidated operating income, and the net sales and operating income of the division managed by the individual in question are used as an indicator.

Note 2: As an outline of each indicator for outcome-based compensation, with respect to consolidated net sales and consolidated operating income, which are performance indicators for the Company overall, standard evaluations were made except for consolidated operating income, which exceeded the standard rate of the budget achievement rate (consolidated net sales were 119,319 million yen, and consolidated operating income was 22,928 million yen for the fiscal year ended March 31, 2021). With respect to both the net sales and operating income of the division managed by the individual in question, which is a performance indicator for the division managed by the individual in question, the budget achievement rate fell below standard, except for certain divisions, whose evaluations were standard.

– Compensation for outside directors

The amount of compensation in cash is decided in accordance with the title and the like of the individual in question, taking into consideration compensation market survey data for domestic listed companies and the like provided by external professional organizations.

(iv) Decision-making process

The compensation system and method for deciding compensation for directors (excluding outside directors) is determined by the board of directors after deliberation by the nomination and compensation committee (whose members consist of all outside directors and the president and representative director) from the perspective of securing objectivity and transparency in the decision-making process.

The board of directors resolved to entrust decisions regarding compensation for individual directors to the discretion of the president and representative director. Compensation for directors (excluding outside directors) must be deliberated by the nomination and compensation committee before being decided by the president and representative director.

(v) Reason why the board of directors determined that the details of compensation for individual directors, etc., for the fiscal year ended March 31, 2021 are in line with the decision-making policy

The compensation for individual directors and the like is decided by the president and representative director in accordance with the decision-making policy upon entrustment by the board of directors. The nomination and compensation committee deliberates on and examines compensation for individual directors (excluding outside directors) and the like from various perspectives, including consistency with the decision-making policy, before deciding the details. The board of directors, in principle, defers to the report from the nomination and compensation committee and determines that the details of compensation for individual directors and the like are in line with the decision-making policy.

6. Matters related to policy for entrustment of decision of compensation by the board of directors

With respect to compensation for directors for the fiscal year ended March 2021, the board

of directors resolved to entrust to the president and representative director Koki Kimura decisions regarding the specific details of compensation for individual directors, and the president and representative director made those decisions within the scope of entrustment by the resolution of the general meeting of shareholders and the board of directors and the decision-making policy for compensation for directors.

The reason why those decisions are entrusted to the president and representative director is that the president and representative director is the person most suited to evaluating the fields overseen by the directors and their responsibilities while also having a broader view of the performance of the Company overall.

The Company has established the nomination and compensation committee composed of all outside directors and the president and representative director in order to ensure that such authority is appropriately exercised by the president and representative director and bolsters transparency and objectivity by obtaining opinions and advice from outside directors prior to deciding compensation for individual directors and the like.

7. Matters related to Company directors' and officers' liability insurance contract

(i) Scope of insured

All directors and audit and supervisory board members of the Company and all of its subsidiaries

(ii) Outline of details of insurance contract

The Company will execute with an insurance company a company directors' and officers' liability insurance contract prescribed in Article 430-3, Paragraph 1 of the Companies Act and will cover any damages and expenses regarding disputes (including shareholders' derivative suits and third-party suits) incurred by the insured officers and the like as a result of a claim for damages arising from his or her execution of duties.

8. 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	External director of Aucfan Co., Ltd. Outside director of i-mobile Co., Ltd. Outside director of Neo Career Co., Ltd. Outside director of Outsourcing Technology Inc 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.
Director	Masuo Yoshimatsu	Specially Appointed Professor of Graduate School of Management at Tokyo Metropolitan University Representative Director and President and CEO of CFO Support Co., Ltd. Outside Director of Hoshizaki Corporation
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. Audit & supervisory board member of Nohara Holdings, Inc.
Audit and Supervisory Board Member	Nozomi Ueda	Partner of Kioizaka Themis

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

(ii) Main activities during the fiscal year ended March 31, 2021

Position	Name	Board of directors meetings attendance status	Audit and supervisory board meetings attendance status	Activities
Director	Satoshi Shima	95% Attended 18 of 19 meetings	-	He possesses abundant insights and achievements related to corporate activities and is expected to perform his role making management decisions and conducting monitoring functions for execution of business from that perspective. He has performed an appropriate role as an outside director of the Company in supervising, advising, and the like the execution of business, including proactively providing comments from that perspective at board of directors meetings.
Director	Naoko Shimura	100% Attended 19 of 19 meetings	-	She possesses professional knowledge and experience as a lawyer and is expected to perform her role strengthening decision-making and monitoring functions of the board of directors of the Company from that perspective. She performs an appropriate role as an outside director of the Company in supervising, advising, and the like the execution of business, including proactively providing comments from that perspective at board of directors meetings.
Director	Masuo Yoshimatsu	100% Attended 15 of 15 meetings	-	He possesses abundant insights and achievements related to corporate activities, and is expected to perform his role making management decisions and conducting monitoring functions for execution of business from that perspective. He performs an appropriate role as an outside director of the Company in supervising, advising, and the like the execution of business, including proactively providing comments from that perspective at the board of directors meetings.
Audit and Supervisory Board Member (Standing)	Takako Kato	100% Attended 19 of 19 meetings	100% Attended 19 of 19 meetings	She conducts on a daily basis activities for improving the governance and enhancing internal control as a standing audit and supervisory board member and provided comments necessary for deliberation at the board of directors meetings and audit and supervisory board meetings as appropriate. In addition, she contributed to securing the soundness and properness of management by collaborating closely with independent auditors and internal audit office.
Audit and Supervisory Board Member (Standing)	Yuichiro Nishimura	100% Attended 19 of 19 meetings	100% Attended 19 of 19 meetings	He conducts on a daily basis activities for improving the governance and enhancing internal control as a standing audit and supervisory board member and provided comments necessary for deliberation at the board of directors meetings and audit and supervisory board meetings as appropriate. In addition, he contributed to securing the soundness and properness of management by collaborating closely with independent auditors and internal audit office.
Audit and Supervisory Board Member	Hiroyuki Wakamatsu	95% Attended 18 of 19 meetings	100% Attended 19 of 19 meetings	He provided necessary comments at the board of directors meetings and audit and supervisory board meetings as appropriate from his extensive professional knowledge as a certified public accountant and experience as an outside officer of other companies, and contributed to improving

				effectiveness and enhancing governance of the board of directors and audit and supervisory board.
Audit and Supervisory Board Member	Nozomi Ueda	100% Attended 19 of 19 meetings	100% Attended 19 of 19 meetings	She provided necessary comments at the board of directors meetings and audit and supervisory board meetings as appropriate utilizing her professional knowledge and experience as a lawyer and contributed to improving effectiveness and enhancing governance of the board of directors and audit and supervisory board.

(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, 2021

	Payment
Independent auditors' compensation for the fiscal year ended March 31, 2021	49 million yen
The aggregate amount of money and other financial benefits to be paid by the Company and its subsidiaries	49 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, 2021 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, 2021.

(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 occur, 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. The Company appoints the President and Representative Director as the chief executive of the system for promoting risk management and also appoints a director or corporate officer in charge of risk and compliance (the “**Officer in Charge of Risk Management, Etc.**”) who supports the chief executive of the system for promoting risk management. The Company shall endeavor to ascertain, assess, and minimize risks relevant to the business operations that the Company Group conducts by establishing a “risk management committee” overseen by the Officer in Charge of Risk Management, Etc. In addition, 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 administering 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 cause information related to the status of business of each division and each group company to be reported or shared among the directors, including the President and Representative Director of the Company, and the chief general managers and shall provide in a timely manner 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, 2021 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 meetings of the board of directors. In addition, outside directors and audit and supervisory board members utilized their expertise and experience to monitor and supervise the execution of duties of the board of directors.

The Company appropriately maintains and manages the minutes of important meetings, such as board of directors meetings, and other important records and documents related to decision-making for execution of business and the like, such as records of approval and the like, in accordance with the document management rules and rules relating to information security.

(2) Compliance initiatives

The Company endeavored to ensure compliance in each business of the Company Group by establishing a division for the purposes of building a compliance system for the Company Group and supporting the retention of compliance in execution of individual businesses.

In addition, based on internal rules, such as the “Ethical Code,” the Company provided officers and employees of the Company Group with compliance and information security education and other training tailored to duties.

In addition, the Company operated a whistleblower system whose contact point is an external law firm 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

The Company continued to conduct risk management activities with respect to important business of the Company Group, which involved, for example, ascertaining, assessing, and giving directions regarding countermeasures for risk, by electing an officer in charge of management and the like and also establishing a risk management committee overseen by the officer in charge of management and the like. 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 administering 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, information regarding important matters concerning the execution of business of the Company Group is shared with directors, audit and supervisory board members, corporate officers, and the like.

(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) Auditing by audit and supervisory board members

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, management 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, 2021 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, 2021 are 110 yen per share.

The annual dividends for the following fiscal year (ending March 31, 2022) 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, 2021)

(Unit: ¥ million)

Description	Amount	Description	Amount
Assets		Liabilities	
Current assets	166,121	Current liabilities	24,498
Cash and deposits	149,812	Short-term borrowings	1,021
Notes and accounts receivable - trade	11,706	Accounts payable - other	9,188
Merchandise	156	Income taxes payable	6,111
Other	4,493	Accrued consumption taxes	1,638
Allowance for doubtful accounts	(46)	Provision for bonuses	1,736
Non-current assets	60,234	Other	4,803
Property, plant and equipment	12,998	Non-current liabilities	12,267
Buildings	7,110	Long-term borrowings	7,905
Tools, furniture and fixtures	2,491	Deferred tax liabilities	3,357
Other	2	Other	1,004
Land	2,691	Total liabilities	36,766
Construction in progress	702	Net assets	
Intangible assets	23,297	Shareholders' equity	187,046
Goodwill	10,873	Paid-in capital	9,698
Customer-related assets	6,993	Capital surplus	9,656
Trademark right	3,011	Retained earnings	178,502
Other	2,418	Treasury shares	(10,811)
Investments and other assets	23,939	Accumulated other comprehensive income	1,205
Investment securities	13,928	Valuation difference on available-for-sale securities	1,013
Deferred tax assets	5,686	Foreign currency translation adjustment	191
Other	4,326	Subscription rights to shares	1,281
Allowance for doubtful accounts	(1)	Non-controlling interests	56
Total assets	226,356	Total net assets	189,590
		Total liabilities and net assets	226,356

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

Consolidated Statements of Income

(April 1, 2020 to March 31, 2021)

(Unit: ¥ million)

Description	Amount	
Net sales		119,319
Cost of sales		26,009
Gross profit		93,310
Selling, general and administrative expenses		70,381
Operating income		22,928
Non-operating income		
Interest income	0	
Foreign exchange gains	30	
Sponsorship money	35	
Interest on tax refund	44	
Gain on adjustment of account payable	16	
Dividend income	7	
Other	136	271
Non-operating expenses		
Interest expenses	26	
Loss on investments in partnership	88	
Restoration cost	29	
Other	35	181
Ordinary income		23,019
Extraordinary income		
Gain on sales of non-current assets	0	
Gain on sales of investment securities	903	903
Extraordinary losses		
Extra retirement payments	113	
Loss on sales and retirement of non-current assets	44	
Impairment loss	29	
Loss on valuation of investment securities	524	
Loss on cancellation of rental contracts	9	721
Income before income taxes		23,201
Income taxes – current	7,489	
Income taxes – deferred	20	7,509
Profit		15,692
Loss attributable to non-controlling interests		(0)
Profit attributable to owners of parent		15,692

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

Consolidated Statements of Changes in Shareholders' Equity

(April 1, 2020 to March 31, 2021)

(Unit: ¥ million)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance on April 1, 2020	9,698	9,472	171,103	(10,905)	179,369
Effect of finalization of provisional accounting treatment		188	35		223
Balance on April 1, 2020 reflecting finalization of provisional accounting treatment	9,698	9,660	171,138	(10,905)	179,592
Changes of items during period					
Dividends of surplus			(8,289)		(8,289)
Profit attributable to owners of parent			15,692		15,692
Disposal of treasury shares		(40)		94	54
Transfer to capital surplus from retained earnings		40	(40)		—
Change in ownership interest of parent due to transactions with non-controlling interests		(3)			(3)
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	(3)	7,363	94	7,454
Balance on March 31, 2021	9,698	9,656	178,502	(10,811)	187,046

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance on April 1, 2020	330	201	532	971	65	180,938
Effect of finalization of provisional accounting treatment					143	367
Balance on April 1, 2020 reflecting finalization of provisional accounting treatment	330	201	532	971	209	181,305
Changes of items during period						
Dividends of surplus						(8,289)
Profit attributable to owners of parent						15,692
Disposal of treasury shares						54
Transfer to capital surplus from retained earnings						—
Change in ownership interest of parent due to transactions with non-controlling interests						(3)
Net changes of items other than shareholders' equity	682	(10)	672	310	(153)	830
Total changes of items during period	682	(10)	672	310	(153)	8,284
Balance on March 31, 2021	1,013	191	1,205	1,281	56	189,590

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: 24
- Names of the major consolidated subsidiaries: Chariloto Co., Ltd.
Net Dreamers Co., Ltd.

2) Name of the major non-consolidated subsidiary

eMercury, Inc.

(Reason for exclusion from the scope of consolidation)

eMercury, Inc. and three other companies have been excluded from the scope of consolidation as they are small-scale companies and 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 and associates to which the equity method is not applicable

Names, etc. of major companies

eMercury, Inc.

(Reason for not applying the equity method)

eMercury, Inc. and seven other 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 Scrum Ventures Fund I, L.P. and five 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 it uses the financial statement based on a provisional settlement of accounts.

(4) Matters Related to Accounting Policies

1) Valuation standards and valuation methods of significant assets

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: 6 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

Trademark rights: Amortized based on economic useful life (5 to 13 years)

Customer-related assets: Amortized based on economic useful life (5 to 18 years)

Other intangible assets: Amortized based on economic useful life (4 to 5 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 (5 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

(Change in line with the application of “Accounting Standard for Disclosure of Accounting Estimates”)

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

3. Notes on Accounting Estimates

(Impairment of investment securities)

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

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

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

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

(Impairment of goodwill and other intangible fixed assets)

Goodwill and other intangible fixed assets (hereinafter collectively referred to as “intangible fixed assets”) stood at ¥21,870 million as of March 31, 2021. The Group assesses whether it is necessary to recognize an impairment. Assessment is carried out by means of the following four steps.

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

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

(2) Identification of indication of impairment

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

(3) Recognition of impairment

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

(4) Measurement of impairment

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

Of ¥21,870 million stated above, ¥1,631 million pertains to the asset group of Chiba Jets Funabashi Co., Ltd. Profit and cash flows from operating activities remained negative for the fiscal year ended March 31, 2021 and profit for the most recent period fell short of the business plan at the time of acquisition, and thus indication of impairment was identified in accordance with (2) above. Then, undiscounted future cash flow was calculated based on the forecast of future sales and expenses and assumptions of the operating income ratio and other indicators in accordance with (3). As undiscounted future cash flow exceeded the book value of the asset group, without proceeding to (4), recognition of an impairment loss was judged not to be required.

Forecasts of future sales and expenses and the operating income ratio and other assumptions used for calculation of undiscounted future cash flow are determined according to management’s best estimates and judgment based on the historical data and the business plan approved by the Company’s management, which is based on the business plan at the time of acquisition and incorporates the impact of the COVID-19 pandemic, additional cost due to revision of athletes’ compensation, changes reflected in the budget for

the next fiscal year approved by the management, and changes that are likely to persist. Assumptions may be affected by change of the business strategy and change of the market environment. If any change to assumptions is required, there may be a significant impact on the amount of an impairment loss to be recognized.

4. Notes on Consolidated Balance Sheets

(1) Accumulated depreciation of property, plant and equipment: ¥3,224 million

(2) Assets pledged as collateral and secured liabilities

1) Assets pledged as collateral

Buildings	¥2,649 million
<u>Land</u>	<u>¥2,691 million</u>
Total	¥5,340 million

2) Secured liabilities

Short-term borrowings	¥343 million
<u>Long-term borrowings</u>	<u>¥4,611 million</u>
Total	¥4,954 million

5. Notes on Consolidated Statements of Income

(1) Impairment loss

mixi Group posted impairment loss on the following assets in the consolidated fiscal year ended March 31, 2021.

Business	Application	Place	Classification	Amount (¥ million)
Digital Entertainment Business	Business assets	Shibuya-ku, Tokyo	Software	29

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

Recoverable value of these assets, 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.

6. 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, 2020	Increase	Decrease	As of March 31, 2021
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 15, 2020	Common shares	4,144	55	March 31, 2020	June 11, 2020
Board of Directors Meeting on November 6, 2020	Common shares	4,144	55	September 30, 2020	December 7, 2020

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

(3) Matters related to the subscription rights to shares as of March 31, 2021

	Class of shares to be issued	Number of shares to be issued
13 th issuance of subscription rights to shares (resolved at the Board of Directors Meeting on August 5, 2016)	Common shares	47,000 shares
14 th issuance of subscription rights to shares (resolved at the Board of Directors Meeting on August 8, 2017)	Common shares	38,500 shares
15 th issuance of subscription rights to shares (resolved at the Board of Directors Meeting on August 9, 2018)	Common shares	205,500 shares
16 th issuance of subscription rights to shares (resolved at the Board of Directors Meeting on November 8, 2018)	Common shares	28,900 shares
17 th issuance of subscription rights to shares (resolved at the Board of Directors Meeting on June 26, 2019)	Common shares	368,900 shares
18 th issuance of subscription rights to shares (resolved at the Board of Directors Meeting on June 26, 2019)	Common shares	21,000 shares
19 th issuance of subscription rights to shares (resolved at the Board of Directors Meeting on June 26, 2020)	Common shares	285,500 shares
20 th issuance of subscription rights to shares (resolved at the Board of Directors Meeting on June 26, 2020)	Common shares	33,500 shares

7. 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, 2021 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	149,812	149,812	—
(2) Accounts receivable – trade Allowance for doubtful accounts	11,706		
	(46)		
	11,659	11,659	—
(3) Investment securities Available-for-sale securities	1,592	1,592	—
(4) Short-term borrowings	(650)	(650)	—
(5) Accounts payable – other	(8,773)	(8,773)	—
(6) Income taxes payable	(6,111)	(6,111)	—
(7) Accrued consumption taxes	(1,638)	(1,638)	—
(8) Long-term borrowings (including the current portion of long-term borrowings)	(8,276)	(8,276)	(0)
(9) Long-term accounts payable – other (including the current portion of long-term accounts payable – other)	(1,419)	(1,455)	35

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

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

(1) Cash and deposits, (2) Accounts receivable – trade

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

(3) Investment securities

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

(4) Short-term borrowings, (5) Accounts payable – other, (6) Income taxes payable, (7) Accrued consumption taxes

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.

(8) Long-term borrowings (including the current portion of long-term borrowings)

The fair value of long-term borrowings is calculated based on the present value of the total amount of principal and interest discounted at the interest rate that would be expected if a new similar loan were made. The current portion of long-term borrowings (¥371 million is included in “short-term borrowings” under current liabilities on the consolidated balance sheet) is included in long-term borrowings.

(9) Long-term accounts payable – other (including the current portion of long-term accounts payable – other)

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 (¥415 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 ¥6,516 million) and investments in investment partnerships (amount recorded on consolidated balance sheet is ¥5,819 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.

8. Notes on Business Combinations

(Finalization of provisional accounting treatment related to business combinations)

Chiba Jets Funabashi Co., Ltd.

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

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

Net Dreamers Co., Ltd.

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

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

9. Notes on Per Share Information

- (1) Net assets per share: ¥2,497.55
- (2) Profit per share: ¥208.24

10. Notes on Significant Subsequent Events

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

At the Board of Directors meeting held on March 22, 2021, a resolution was passed for mixi's consolidated subsidiary Tech Growth Capital LLP ("Tech Growth Capital") to subscribe to third-party allotment of shares of HUB CO., LTD. ("HUB"), and Tech Growth Capital acquired shares of HUB on April 14, 2021. Following Tech Growth Capital's subscription to new shares issued by HUB, mixi's investment ratio in HUB is 19.96% and HUB has become an equity-method associate of mixi.

(1) Purpose of share acquisition

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

(2) Summary of share acquisition

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

(Repurchase of own shares)

At the Board of Directors meeting held on May 7, 2021, a resolution was passed relating to repurchase of own shares based on the Articles of Incorporation pursuant to the provisions of Article 459, Paragraph 1, Item 1 of the Companies Act.

(1) Reason for repurchase of own shares

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

(2) Outline of the matters relating to the repurchase

- 1) Class of shares to be repurchased: Common shares of mixi
- 2) Total number of shares to be repurchased: Up to 3,800,000 shares
(5.04% of the total outstanding shares, other than treasury shares)
- 3) Total share repurchase cost: Up to ¥7,500 million
- 4) Repurchase period: From May 10, 2021 to March 31, 2022
- 5) Repurchase method: Market purchases on the Tokyo Stock Exchange

Non-consolidated Financial Statements

Balance Sheets

(As of March 31, 2021)

(Unit: ¥ million)

Description	Amount	Description	Amount
Assets		Liabilities	
Current assets	151,748	Current liabilities	19,070
Cash and deposits	135,499	Accounts payable – other	7,455
Notes and accounts receivable – trade	9,406	Accrued expenses	10
Merchandise	127	Advances received	2,075
Advance payments – trade	16	Income taxes payable	5,254
Prepaid expenses	1,975	Accrued consumption taxes	1,376
Short-term loans receivable	3,148	Deposits received	1,040
Other	1,616	Provision for bonuses	1,570
Allowance for doubtful accounts	(42)	Provision for point card certificates	284
Non-current assets	58,287	Lease obligations	2
Property, plant and equipment	6,775	Non-current liabilities	1,004
Buildings	4,399	Long-term accounts payable – other	1,003
Tools, furniture & fixtures	2,372	Lease obligations	0
Construction in progress	1	Total liabilities	20,075
Other	2	Net assets	
Intangible assets	1,125	Shareholders' equity	188,153
Software	404	Capital stock	9,698
Other	721	Capital surplus	9,668
Investments and other assets	50,385	Legal capital surplus	9,668
Investment securities	9,911	Retained earnings	179,597
Shares of subsidiaries and associates	24,462	Other retained earnings	179,597
Investments in capital	11	Reserve for open innovation incentive	138
Investments in capital of subsidiaries and associates	5,936	Retained earnings brought forward	179,459
Long-term loans receivable	1,862	Treasury shares	(10,811)
Claims provable in bankruptcy, claims provable in rehabilitation and other	1	Valuation and translation adjustments	525
Long-term prepaid expenses	171	Valuation difference on available-for-sale securities	525
Lease and guarantee deposits	3,352	Subscription rights to shares	1,281
Deferred tax assets	5,605		
Other	48		
Allowance for doubtful accounts	(977)	Total net assets	189,960
Total assets	210,035	Total liabilities and net assets	210,035

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

Statements of Income

(April 1, 2020 to March 31, 2021)

(Unit: ¥ million)

Description	Amount	
Net sales		106,722
Cost of sales		20,210
Gross profit		86,512
Selling, general and administrative expenses		63,872
Operating income		22,639
Non-operating income		
Interest income	31	
Foreign exchange gains	30	
Sponsorship money	35	
Interest on tax refund	44	
Gain on adjustment of account payable	16	
Other	109	266
Non-operating expenses		
Loss on investments in investment partnership	203	
Restoration cost	29	
Other	25	258
Ordinary income		22,648
Extraordinary income		
Gain on sales of investment securities	318	
Reversal of allowance for doubtful accounts	606	925
Extraordinary losses		
Loss on sales and retirement of non-current assets	38	
Loss on valuation of investment securities	330	
Impairment loss	29	
Other	28	427
Income before income taxes		23,146
Income taxes - current	6,497	
Income taxes - deferred	350	6,848
Profit		16,297

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

Statements of Changes in Shareholders' Equity

(April 1, 2020 to March 31, 2021)

(Unit: ¥ million)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings
					Reserve for open innovation incentive	Retained earnings brought forward	
Balance on April 1, 2020	9,698	9,668	-	9,668	-	171,628	171,628
Changes of items during period							
Dividends of surplus				-		(8,289)	(8,289)
Profit				-		16,297	16,297
Disposal of treasury shares			(40)	(40)			-
Provision of reserve for open innovation incentive				-	138	(138)	-
Transfer to capital surplus from retained earnings			40	40		(40)	(40)
Net changes of items other than shareholders' equity				-			-
Total changes of items during period	-	-	-	-	138	7,830	7,968
Balance on March 31, 2021	9,698	9,668	-	9,668	138	179,459	179,597

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance on April 1, 2020	(10,905)	180,090	331	331	971	181,392
Changes of items during period						
Dividends of surplus		(8,289)				(8,289)
Profit		16,297				16,297
Disposal of treasury shares	94	54				54
Provision of reserve for open innovation incentive		-				-
Transfer to capital surplus from retained earnings		-				-
Net changes of items other than shareholders' equity		-	194	194	310	504
Total changes of items during period	94	8,062	194	194	310	8,567
Balance on March 31, 2021	(10,811)	188,153	525	525	1,281	189,960

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: 6 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

(Change in line with the application of “Accounting Standard for Disclosure of Accounting Estimates”)

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

3. Notes on Accounting Estimates

(Impairment of investment securities)

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

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

In the case of unlisted securities or shares of subsidiaries whose fair values are deemed to be extremely difficult to measure, if net asset value of securities (net assets per share multiplied by the number of shares held) declined approximately 50% or more compared with the acquisition cost, it is judged that the net asset value declined significantly and an impairment loss is recognized unless recoverability is supported by sufficient evidence. In the case that shares of a company were purchased at a price higher than the net asset value per share, which can be obtained from financial statements, reflecting excess earning power of the company, if the excess earning power can no longer be expected and if the net asset value reflecting the loss of excess earning power is approximately 50% or less of the acquisition cost, an impairment loss is recognized.

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

4. Notes on Balance Sheets

(1) Accumulated depreciation of property, plant and equipment: ¥ 2,996 million

(2) Monetary receivables and payables in relation to subsidiaries and associates

Short-term monetary receivables: ¥3,806 million

Long-term monetary receivables: ¥1,910 million

Short-term monetary payables: ¥811 million

(3) Guarantee obligation

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

Chariloto Co., Ltd. ¥5,835 million

5. Notes on Statements of Income

(1) Transaction volume with subsidiaries and associates

Transaction volume of operating transactions

Operating revenue: ¥1,554 million

Operating expenses: ¥701 million

Transaction volume of non-operating transactions: ¥43 million

(2) Impairment loss

mixi posted impairment loss on the following assets in the fiscal year ended March 31, 2021.

Business	Application	Place	Classification	Amount (¥ million)
Digital Entertainment Business	Business assets	Shibuya-ku, Tokyo	Software	29

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

Recoverable value of these assets, 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.

6. Notes on Statements of Changes in Shareholders' Equity

Class and number of treasury shares at the end of the year ended March 31, 2021

Common shares: 2,856,400 shares

7. Notes on Tax Effect Accounting

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

Deferred tax assets	
Software	¥4,019 million
Investment securities	393 million
Allowance for doubtful accounts	312 million
Provision for bonuses	480 million
Accounts payable – other	361 million
Enterprise tax payable	285 million
Rent expenses on land and buildings	435 million
Asset retirement obligations	21 million
Subscription rights to shares	392 million
Advances received	237 million
Other	263 million
Subtotal of deferred tax assets	7,203 million
Valuation allowance	(1,366 million)
Total deferred tax assets	5,837 million
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(231 million)
Total deferred tax liabilities	(231 million)
Net deferred tax assets	5,605 million

8. Notes to Related Party Transactions

Subsidiaries and associates

Type	Company name	Location	Capital or investment	Business line	Voting rights	Relationship with related party	Details of transactions	Amount of transaction (¥million)	Account	Balance at year-end (¥million)
Subsidiary	Chariloto Co., Ltd.	Shinagawa-ku, Tokyo	¥10 million	Online sales of keirin and auto race betting tickets	Direct ownership 100.0%	Interlocking directorate Provision of loans	Provision of loans *1	3,148	Short-term loans receivable	3,148
							Receipt of interest *1	1	-	-
							Commitment to guarantee *2	5,835	-	-

Transaction terms and conditions and policy on determining the transaction terms and conditions

- (Notes) 1. Interest rates for loans provided to Chariloto Co., Ltd. are determined reasonably, taking into consideration market interest rates. No collateral has been received.
2. Commitment to guarantee was entered into concerning borrowings of ¥5,835 million from Sumitomo Mitsui Banking Corporation.

9. Notes on Per Share Information

- (1) Net assets per share: ¥2,503.22
- (2) Net income per share: ¥216.26

10. Notes on Significant Subsequent Events (Repurchase of own shares)

At the Board of Directors meeting held on May 7, 2021, a resolution was passed relating to repurchase of own shares based on the Articles of Incorporation pursuant to the provisions of Article 459, Paragraph 1, Item 1 of the Companies Act.

- (1) Reason for repurchase of own shares
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