mixi GROUP

FY2018
Earnings Result Briefing Session

Apr 1, 2017–Mar 31, 2018

May 10, 2018

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- Financial Results

Consolidated Income Statement

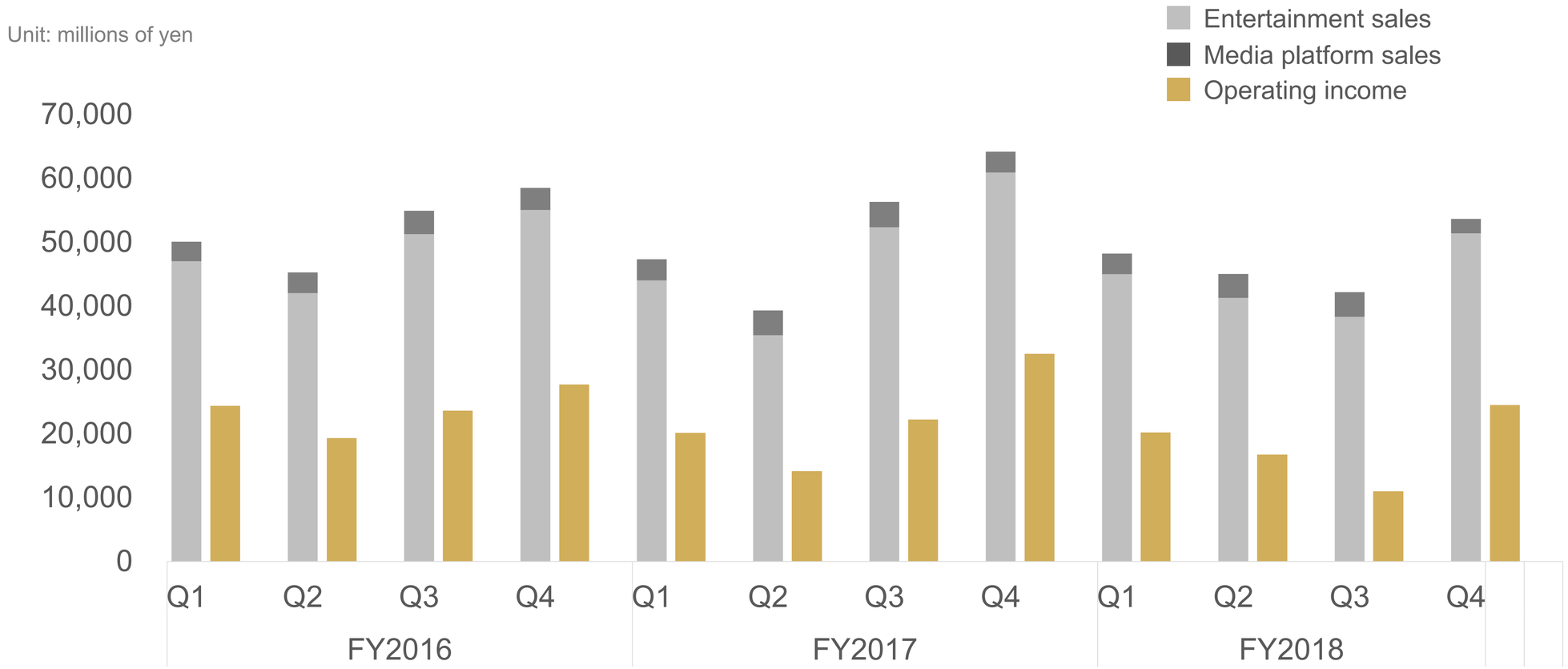
■ While profits came in higher than forecast, sales fell short

Unit: millions of yen

	FY2018 (Apr 2017-Mar 2018)		% Target	FY2017 (Apr 2016-Mar 2017)	Change (YoY)
	Actual	Forecast		Actual	
Net Sales	189,094	200,000	94.5%	207,161	▼ 8.7%
Operating Income	72,359	70,000	103.4%	89,008	▼ 18.7%
Ordinary Income	72,717	70,000	103.9%	88,472	▼ 17.8%
Profit Attributable to Owners of Parent	41,788	40,200	104.0%	59,867	▼ 30.2%

Quarterly Consolidated Sales and Operating Income

Unit: millions of yen



	FY2016				FY2017				FY2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Entertainment sales	47,002	42,025	51,276	55,051	44,022	35,429	52,353	60,898	44,981	41,271	38,306	51,388
Media platform sales	3,078	3,246	3,656	3,462	3,322	3,895	3,967	3,272	3,247	3,755	3,872	2,269
Operating income	24,345	19,329	23,630	27,728	20,130	14,153	22,227	32,497	20,209	16,699	10,949	24,501

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Operational Issues by Business

- Entertainment Business
- Media Platform Business

Q4 Topics

Jan	・**Held “Monster Strike Year-end and New Year Campaign '17-'18**
Feb	・Held the second in-game collaboration between “Final Fantasy” and Monster Strike ・Showed “XFLAG BATTLE STADIUM” at the XFLAG booth at “Game Party Japan 2018” Also held e-sports competitions such as “Monster Strike Grand Prix 2018 Game Party Japan Cup Final” ・XFLAG concluded a new sponsorship contract with the “F.C. Tokyo” J.League club
Mar	・**Monster Strike exceeded a cumulative 45 million users globally** ・Held Monster Strike “Shall we Monst?” spring campaign ・Held in-game collaboration between Monster Strike and “Doraemon the Movie 2018: Nobita’s Treasure Island” ・Launched Monster Strike trading card game ・Facilitated a collaboration between Monster Strike and the Japanese Red Cross Society’s “LOVE in Action” blood donation promotion project ・Monster Strike won Gold prizes in two media categories at ADFEST 2018, one of Asia’s largest advertising festivals ・Hosted “Lyrics Reenactment Karaoke Battle Super Monster Strike Festival,” with a total of ¥300 million in prize money to be won ・Held Monster Strike “spring market” product exhibitions (Tokyo, Fukuoka, Aichi, Miyagi, Osaka)

Q4 Returns to Users

Game Party Japan 2018

Held on February 10-11 (Saturday and Sunday)

- Showed “XFLAG BATTLE STADIUM” at the special XFLAG booth
- At the “Monster Strike Grand Prix 2018 Game Party Japan Cup Final,” the first ever Monster Strike pro licenses were issued, paving the way for the next level of e-sports competitions



“Lyrics Reenactment Karaoke Battle Super Monster Strike Festival”

Broadcasted on March 9-10 (Friday and Saturday)

- A special program commemorating the new in-game characters was streamed live on YouTube Live, Twitter Live, and BS SKY Perfect! TV
- The equivalent of around ¥300 million in prizes was made available for those who accurately predicted the results using the Monster Strike app



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Operational Issues by Business

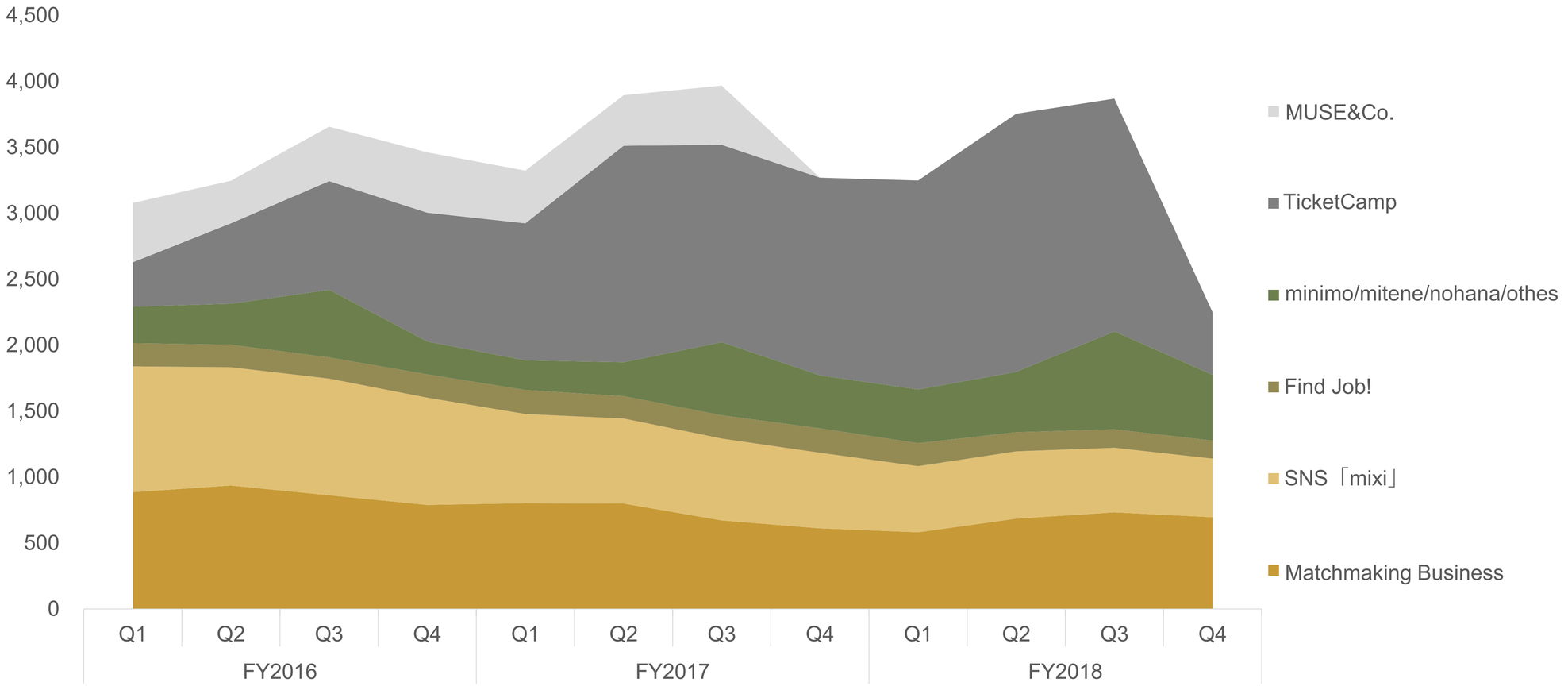
- Entertainment Business
- Media Platform Business

Media Platform Business

■ Sales fell as a result of the decision to close the TicketCamp service

Unit: millions of yen

Media Platform Business Sales



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- Matters Identified by the Independent Investigation Committee and Measures Implemented

Matters Identified by the Independent Investigation Committee and Measures Implemented

Recommendations by the Independent Investigation Committee		Response of the Company and Course of Action Going Forward
Prompt decision-making that takes into consideration corporate reputation		• Appointment of corporate officers with designated areas of specialization • Ensuring that the Board of Directors focuses more on discussions and decision-making related to business strategy and risk management
Implementation of measures aimed at strengthening governance of subsidiaries etc.	Setting up of a dedicated department or designating an individual within mixi for managing subsidiaries	• Department dedicated to supervision of subsidiaries to be set up • Policy for management of subsidiaries in the process of being drawn up
	Further clarification of reporting standards for subsidiaries	• Meeting structure through which subsidiaries report to be set up, with the content of such reports to be clarified in rules and detailed guidelines
	Setting up Boards of Directors and reorganizing composition of directors at subsidiaries, etc.	• Boards of Directors to be set up, governance structure for subsidiaries in the process of being set up, which will include a majority of directors being sent from the parent company
	Selection of director to be in charge of mixi's management department	• Two candidates in charge of the risk/compliance and group management departments respectively have been selected for the role of director
	Increasing the number of personnel in the internal audit office, and implementing regular inspections	• Audit and supervisory section newly established • The number of personnel in the internal audit office to be also increased
	Thorough education for officers and employees	• In the process of strengthening the educational programs for risk/compliance
	Verification of various terms of use agreements	• System in place and both verification and review in progress

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- Shareholder Returns Policy

Shareholder Returns Policy

While on the one hand we will prioritize investments in the growth of the business, such as in business development/M&A, with the aim of achieving sustainable improvements in corporate value, on the other hand our policy is to generate stable, continuous returns for shareholders

Dividends

- ✓ Annual dividend in FY2018 of ¥121 (First half ¥64, second half ¥57)
- ✓ Work to return profits to shareholders using dividend payout ratio of 20% and debt-to-equity ratio of 5% as guidelines

Purchases of Treasury Shares

Class of shares purchased	Common shares
Total purchase value	¥10.0 billion (maximum)
Purchase period	May 15, 2018 to September 30, 2018
Purchase method	Purchases in the market using ToSTNeT-3 and discretionary trading agreements

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Management Policy

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Concentrate management resources in our areas of strength

Preparation for Concentrating Management Resources

1. Redefine the business domain

2. Rebuild the structure

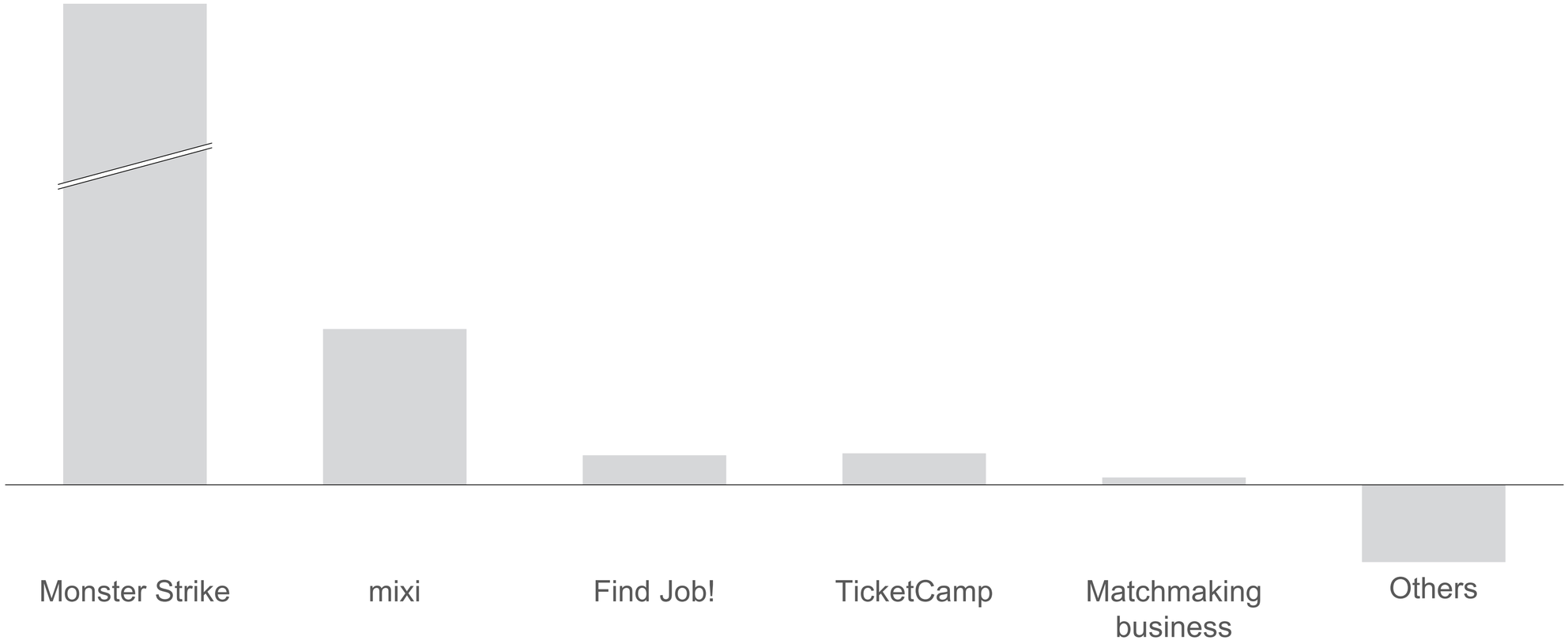
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Our business domain is

“communication services”

1. Redefine the Business Domain

Cumulative Operating Income for Past 10 Years



* Cumulative figures for FY09 - FY18

1. Redefine the Business Domain

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

Actual MAU



Growth factors

Designing viral communications

- A service that makes you want to tell friends and acquaintances about it
- A setup that is easy to explain to friends and acquaintances

1. Redefine the Business Domain

The following five areas have been selected as businesses for development, in which management resources will be concentrated

Live experiences



XFLAG PARK

XFLAG STORE

etc.

communication services

Digital entertainment



モンスターストライク MONSTER STRIKE

etc.

Sports



F.C.TOKYO ESTD 1999 *

CHIBA JETS SONIC BOOM SINCE 2011 *

©CHIBA JETS FUNABASHI

Media



みてね

minimo

etc.

Wellness



Smart Health

*Partnership

1. Redefine the Business Domain
- Live experiences -

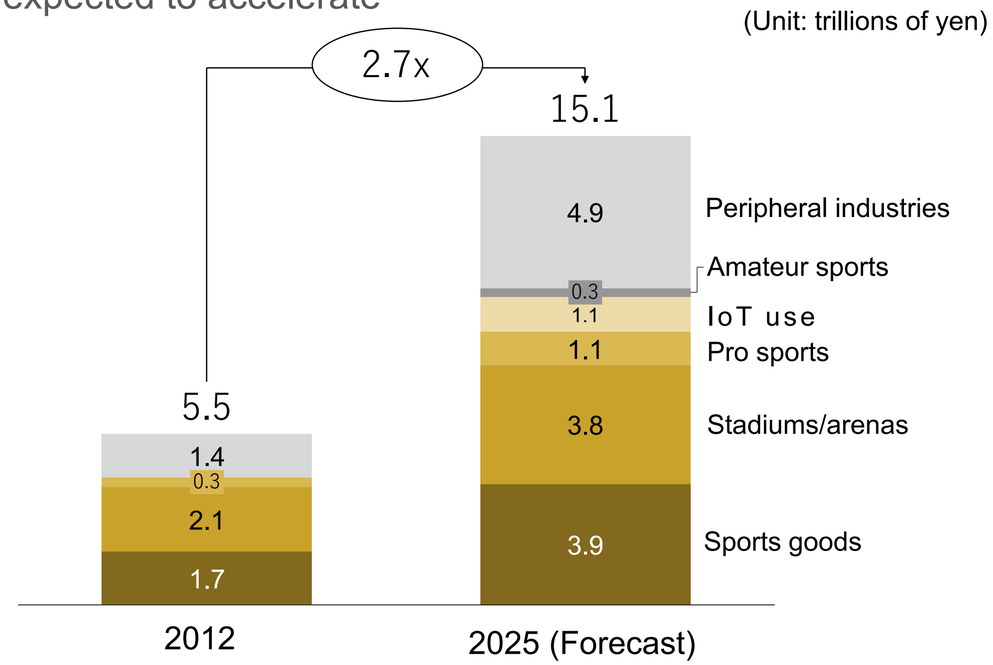


1. Redefine the Business Domain
- Sports -

Maximizing the appeal of sports through entertainment and communication

Size of the domestic sports market

Due to various governmental measures, market growth is expected to accelerate



Source: METI, Japan Sports Agency, Cabinet Office materials

The appeal of sports

- Real-time nature means that consumers can enjoy the same content at the same time
- The heat and excitement of savoring scoring moments with friends and family

Course of action for initiatives

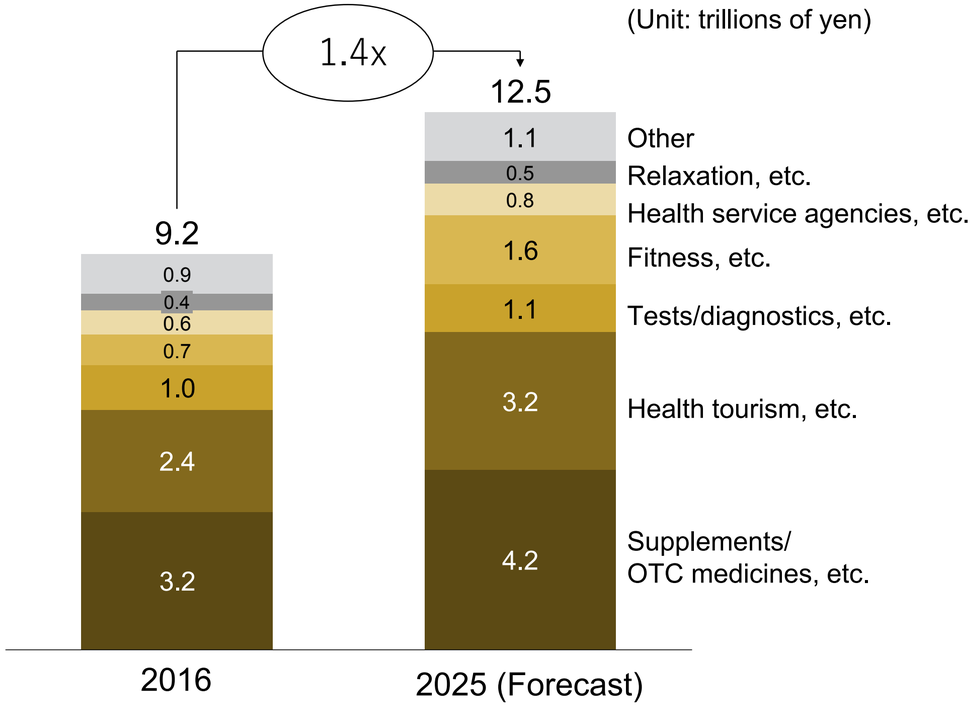
- Expand the entertainment experience in places where people gather together, so that emotions run high
- Create opportunities for teams, players and users to communicate
- Establish environments in which sports can be experienced more intimately and more frequently by using IT technologies such as apps

1. Redefine the Business Domain
- Wellness -

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

Size of the domestic wellness market

Market is growing steadily due to the ageing of the population etc.



Source: METI

Communications and health

- It is possible to improve health and enhance happiness by increasing communication and driving out social isolation*1

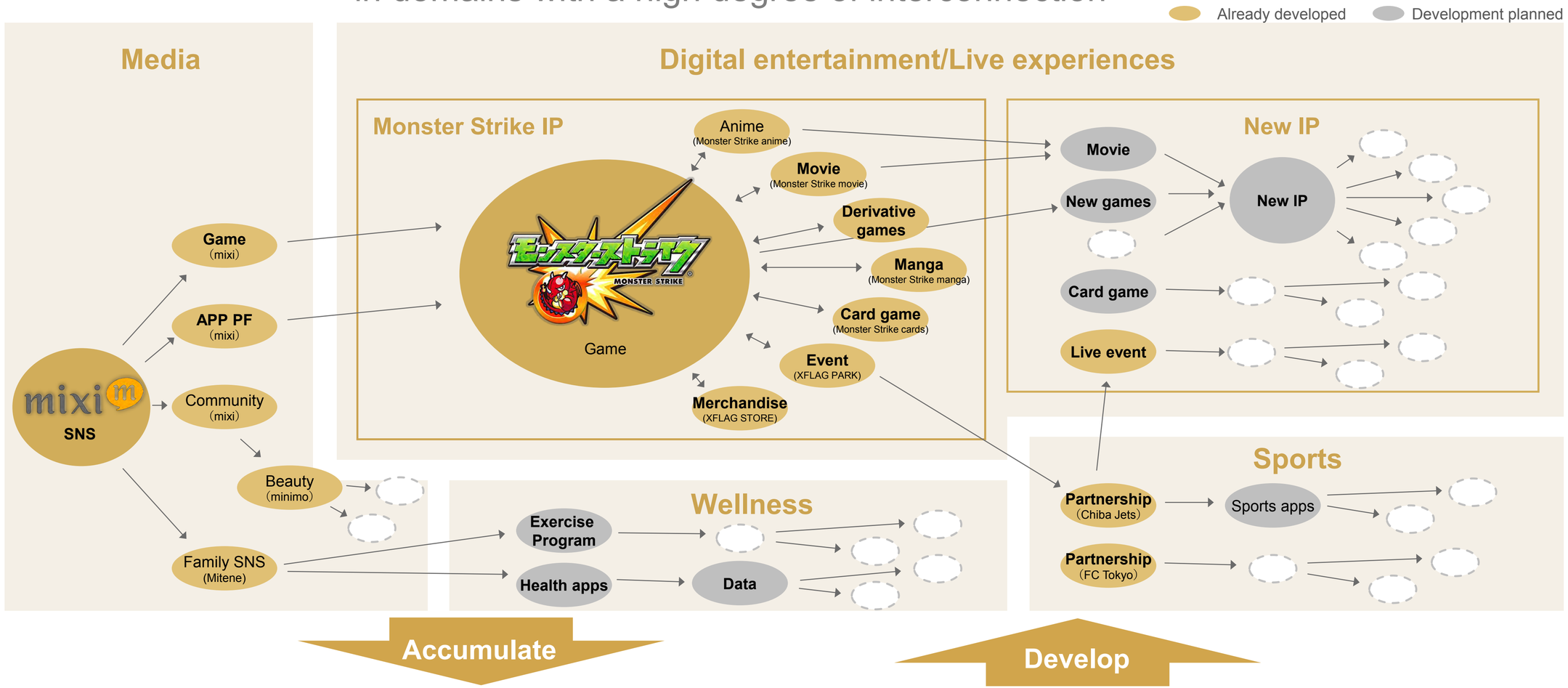
Course of action for initiatives

- Enhance connections between people in rural communities etc. by creating spaces and opportunities for communication
- Establish environments in which users can communicate with each other about health issues by using IT technologies such as apps
- Possible to provide services to a broad customer base for each of the services in the market

*1 According to results from Brigham Young University research, etc.

1. Redefine the Business Domain
(Reference) Network Map of Businesses

Going forward, building new pillars of the business in domains with a high degree of interconnection



*IP: Intellectual Property Rights such as characters

1. Redefine the business domain

2. Rebuild the structure

2. Rebuild the Structure - Corporate Officers

	Organization Name	Corporate Officer Name
Business Organization	Digital entertainment	Kosuke Taru
	Live experiences	Masaya Tamura
	Sports	Koki Kimura
	Wellness	Yasuhiro Ogino
	Media	Kenji Kasahara
Functional Organization	Marketing	Yuko Nemoto
	Technology	Tatsuma Murase
	Art and design	Hiroaki Kato
	Human resources	Shuhei Yanamoto
	Finance and Group management	Hiroyuki Osawa
	Compliance and operations	Masahiko Okuda
	Assistant to the President	Koji Ishii

2. Rebuild the Structure - Management Board

	Title	Name of Executive
Director	Representative Director	Koki Kimura
	Director	Kosuke Taru
	Director	Hiroyuki Osawa*
	Director	Masahiko Okuda*
	Director and Founder	Kenji Kasahara
	Outside Director	Tatsuya Aoyagi
	Outside Director	Satoshi Shima
	Outside Director	Naoko Shimura*
Audit and Supervisory Board Members	Audit and Supervisory Board Member	Takako Kato
	Outside Audit and Supervisory Board Member	Takayuki Sato
	Outside Audit and Supervisory Board Member	Hiroyuki Wakamatsu

*Candidates for new appointments

FY2019 Initiatives

Summary of Initiatives for Each Business Area in FY2019

In addition to the regular initiatives for FY2018, we will invest a total of ¥15 billion, and make preparations for a future earnings expansion

Digital entertainment — ¥11.0 billion

Move to national content for Monster Strike and generate new IP

- ✓ Broadening the media mix area and expanding the fan base for Monster Strike
- ✓ Developing services with the aim of developing new game titles and generating IP

Media — ¥1.5 billion

Invest in services with visible growth prospects, and begin new services from multiple small starts

- ✓ Investing in the growth of Mitene
- ✓ Developing multiple new services

Live experiences — ¥1.0 billion

Create spaces where people can meet and have fun together

- ✓ Opening new stores
- ✓ Planning and expanding events

Sports — ¥1.0 billion

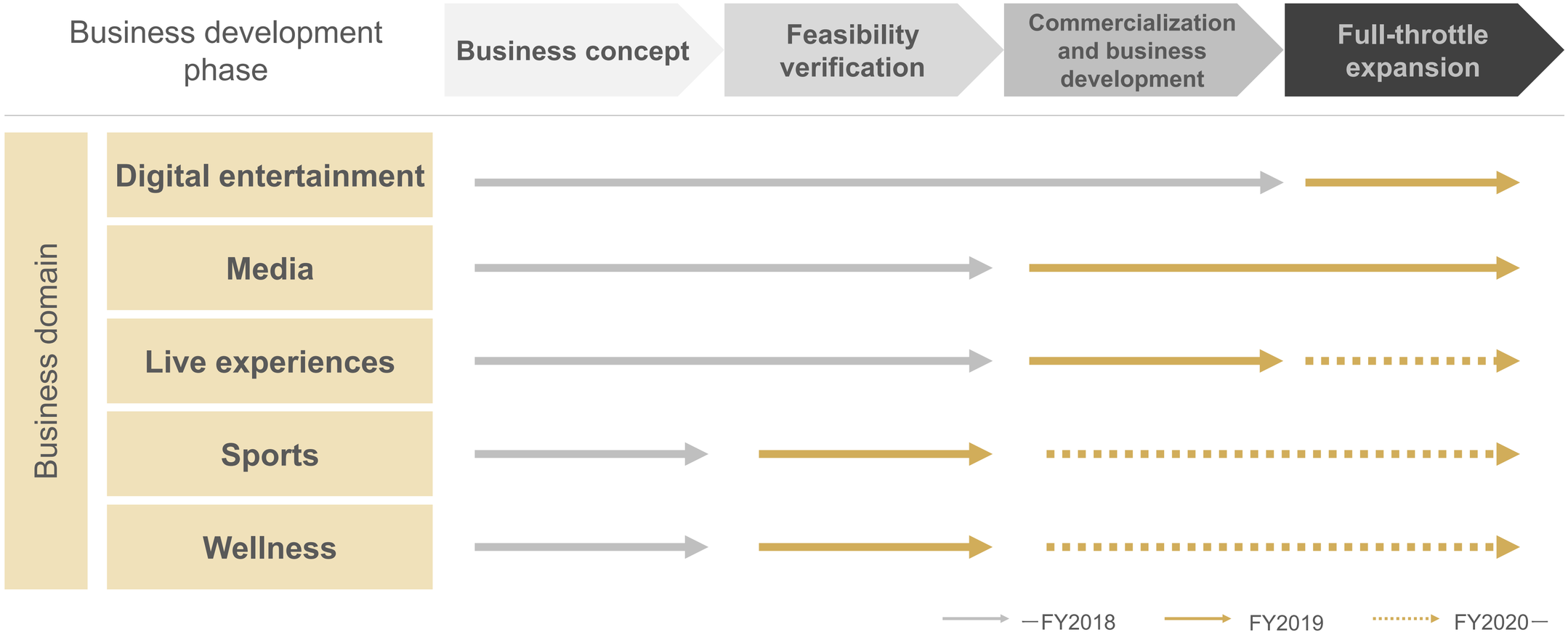
Build relations with the sports industry
Accelerate growth of the clubs that we support

Wellness — ¥500 million

Develop exercise program services for the elderly, and begin verifying various scenarios for future growth

Approach to investment matched to business development phase

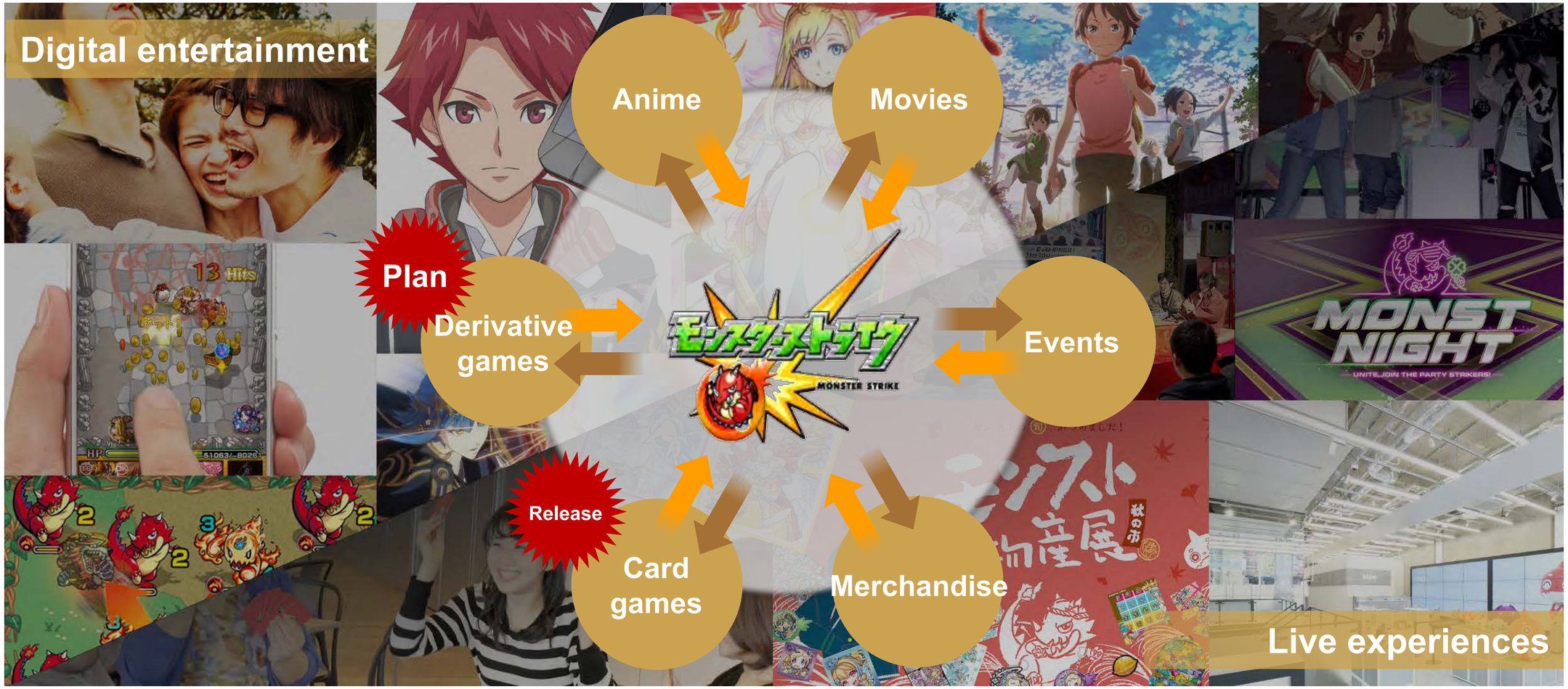
In FY2019, the volume of investments outside the digital entertainment domain will be relatively small, but going forward we will open the throttle for expansion as soon as the winners become visible



Digital Entertainment/Live Experiences Area
- Move to National Content for Monster Strike -

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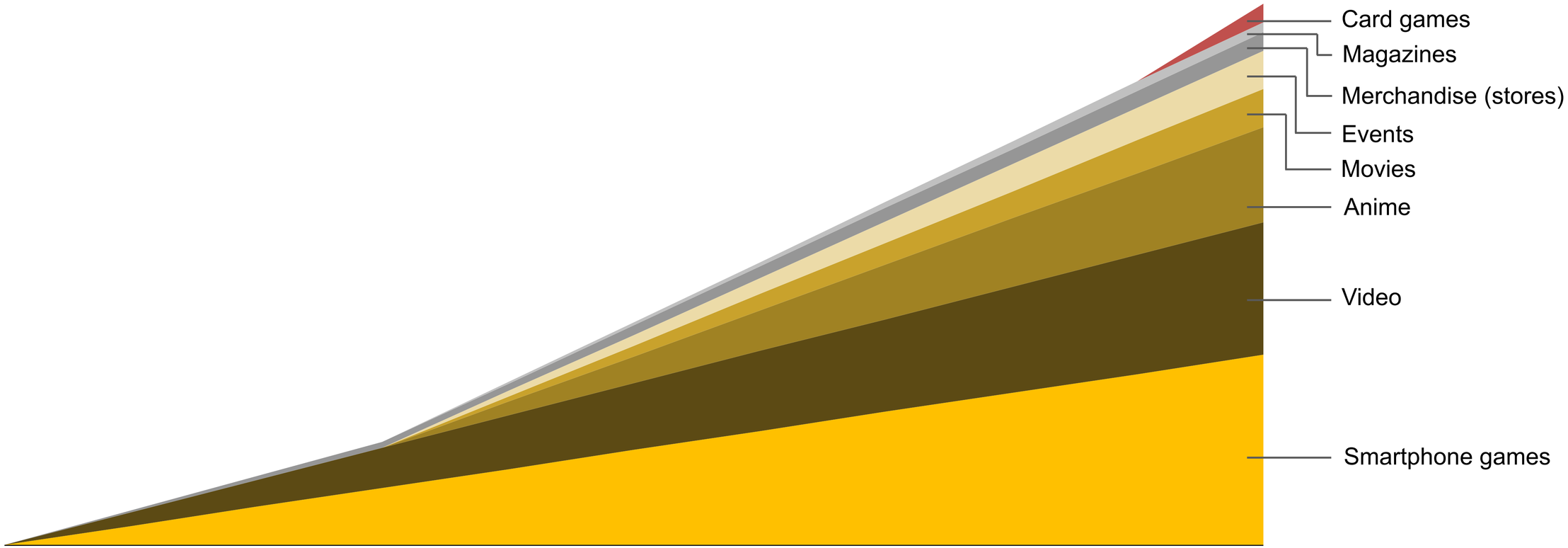
We are moving ahead with the development of Monster Strike on multiple fronts



Digital Entertainment/Live Experiences Area
- Move to National Content for Monster Strike -

Multifaceted development of Monster Strike has borne fruit, and the user base remains solid

Monster Strike users (conceptual drawing)



Digital Entertainment/Live Experiences Area
- Move to National Content for Monster Strike -



Monster Strike card game tops cumulative 3 million units in the first two months after launch!
Second installment in the series to go on sale on July 13

Digital Entertainment/Live Experiences Area
- Move to National Content for Monster Strike -

Overview of Monster Strike (mobile game) measures for FY2019
Tie-ups between various plans in preparation
for 5th anniversary of Monster Strike

- ✓ Further strengthening of cooperative play (multi-play) with friends
- ✓ Updates and refreshes that modify the play environment
- ✓ Launch of third season of YouTube anime
- ✓ Release of second Monster Strike anime movie
- ✓ Marketing plans that catch the public's attention

Digital Entertainment/Live Experiences Area
- Building Pillars of the Business using New IP -

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In addition to initiatives for creating new IP both inside and outside games, we will build and grow new pillars of the business using multifaceted development

Initiatives aimed at creating new IP

New game development

Build business platform aimed at creating IP outside of games

Utilization of know-how derived from Monster Strike's multifaceted development



Create new IP through initiatives both inside and outside games

Build and grow new pillars of the business using know-how derived from Monster Strike's multifaceted development

Sports Area

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Investment in F.C. Tokyo



Implement sponsored games and game tie-ins



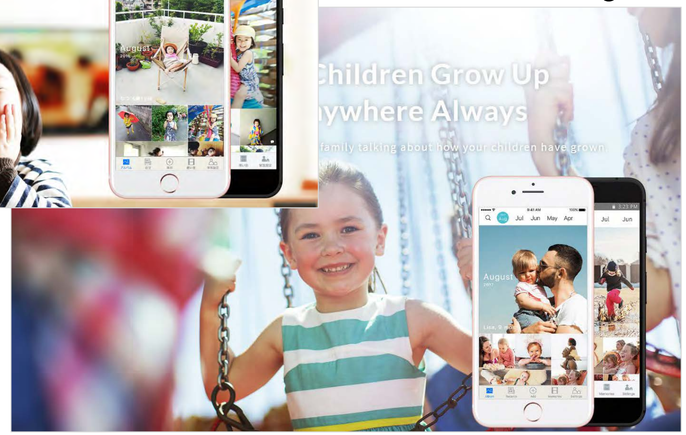
Alliance with F.C. Tokyo and Chiba Jets as business/marketing partners
Plan is to develop communication services in the sports area

Media Area

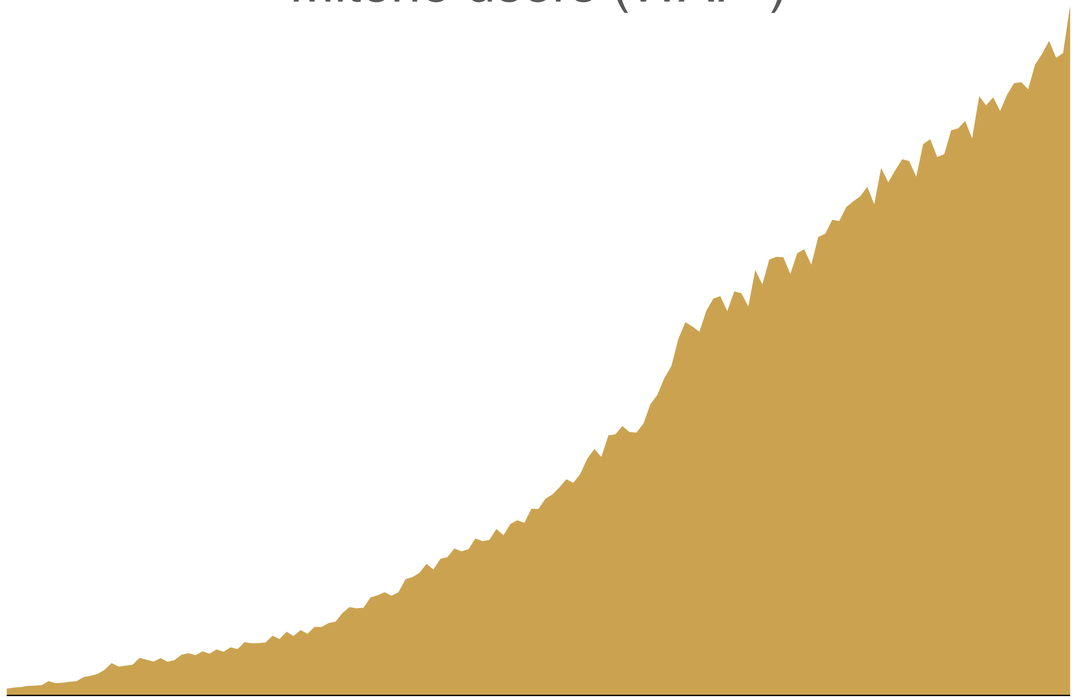
Japanese



English



Mitene users (WAF*)



Conduct marketing in the US and implement new monetization measures
Further additions to countries in which it has been launched are planned for this fiscal year

* Weekly Active Families

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Extend healthy lifespans through communication services and exercise

Smart Health

×

KYOTO UNIVERSITY FOUNDED 1897 KYOTO JAPAN

京都大学
KYOTO UNIVERSITY

Establish a course with Kyoto University as a form of cooperation between industry and education
Provide new exercise program service by leveraging IT and communications

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FY2019 Results Forecasts

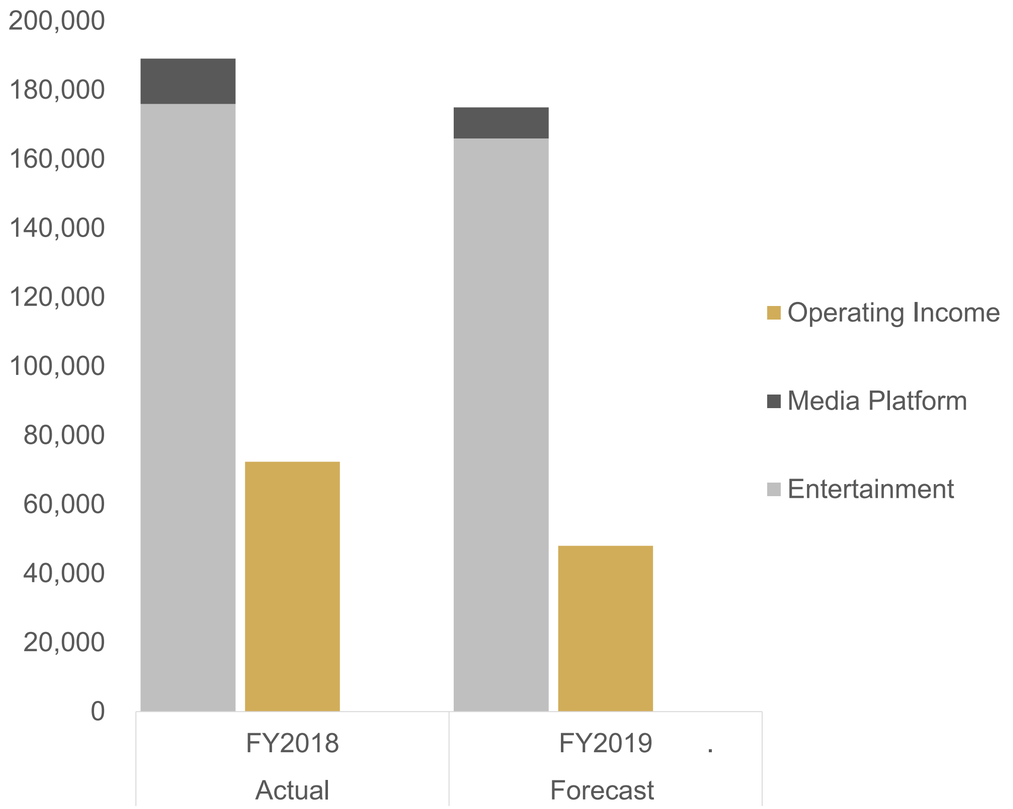
FY2019 Results Forecasts

- Sales forecasts : Entertainment ¥166 billion, Media Platform ¥9 billion
- Operating Income: ¥48 billion

Unit: millions of yen

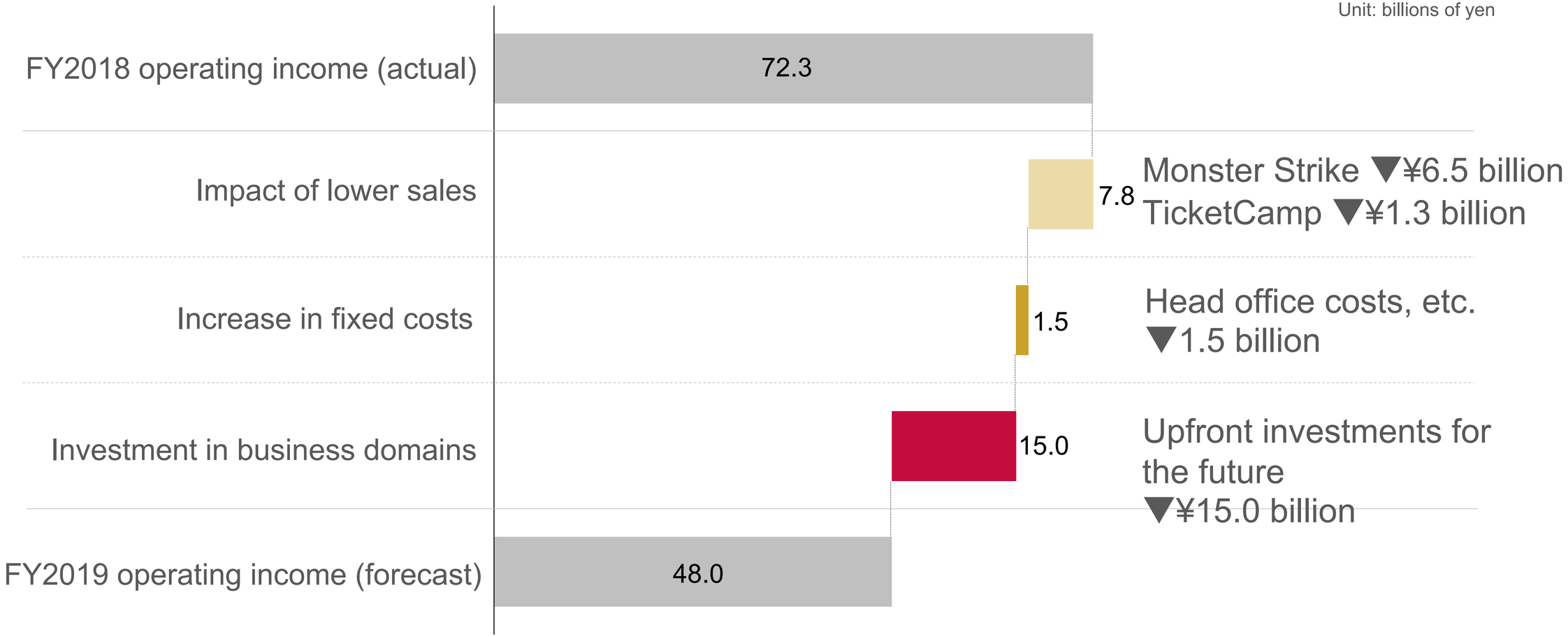
	FY2019 (Apr 2018 - Mar 2019)
Net Sales	175,000
Operating Income	48,000
Ordinary Income	48,000
Profit Attributable to Owners of Parent	31,000

Unit: millions of yen



Breakdown of the Difference in Operating Income between FY2018 and FY2019

Unit: billions of yen



Medium- to Long-term Investment Plan

Going forward, the plan is to invest ¥100 billion
over 3-5 years in new business development and M&A,
in order to build a new pillar for the business

Appendix

Quarterly Consolidated Income Statement

Unit: millions of yen

	FY2018／Q4 (Jan-Mar 2018)	FY2017／Q4 (Jan-Mar 2017)	Change (YoY)
Net Sales	53,658	64,171	▼ 16.4%
Operating Income	24,501	32,497	▼ 24.6%
Ordinary Income	24,511	32,401	▼ 24.3%
Profit Attributable to Owners of Parent	16,662	21,003	▼ 20.7%

Segment Adjusted EBITDA

■ Segment operating income before depreciation and amortization (EBITDA)

Unit: millions of yen

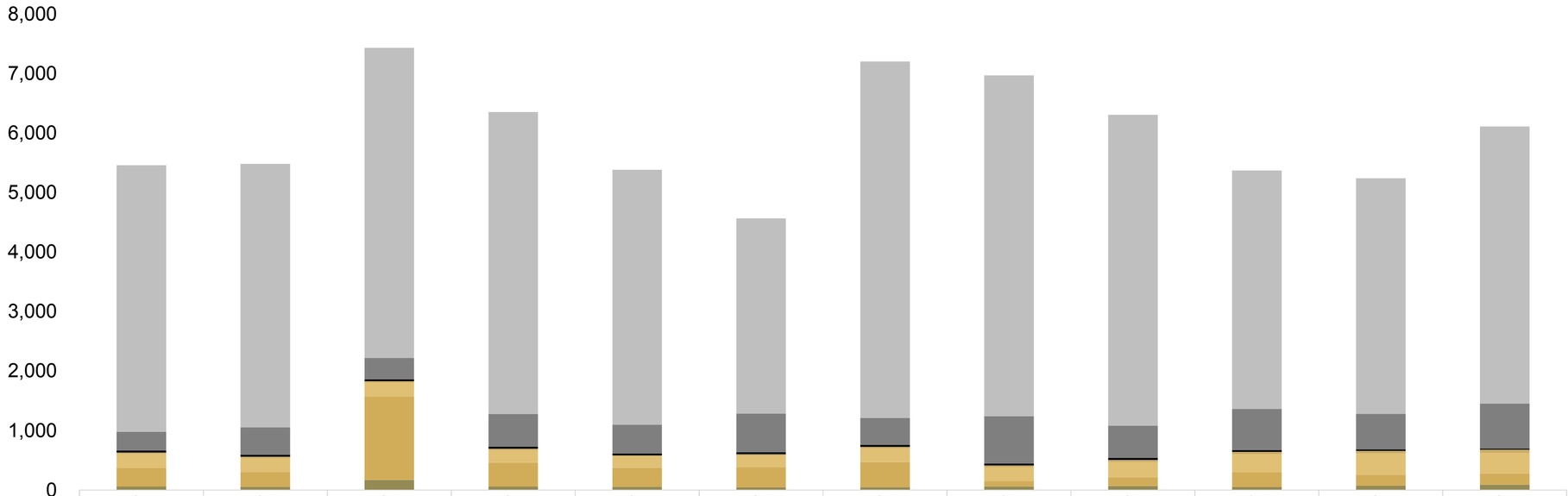
	FY2018 (Apr 2017 – Mar 2018)	FY2017 (Apr 2016 – Mar 2017)	Change (YoY)
Entertainment Business			
Net Sales	175,948	192,703	▼ 8.7%
Segment Operating Income (EBITDA)	78,438	94,267	▼ 16.8%
Media Platform Business			
Net Sales	13,146	14,457	▼ 9.1%
Segment Operating Income (EBITDA)	1,564	1,806	▼ 13.4%

Quarterly Consolidated Cost of Sales

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■ Personnel expenses for development: temporary increase due to bonus payments

Unit: millions of yen



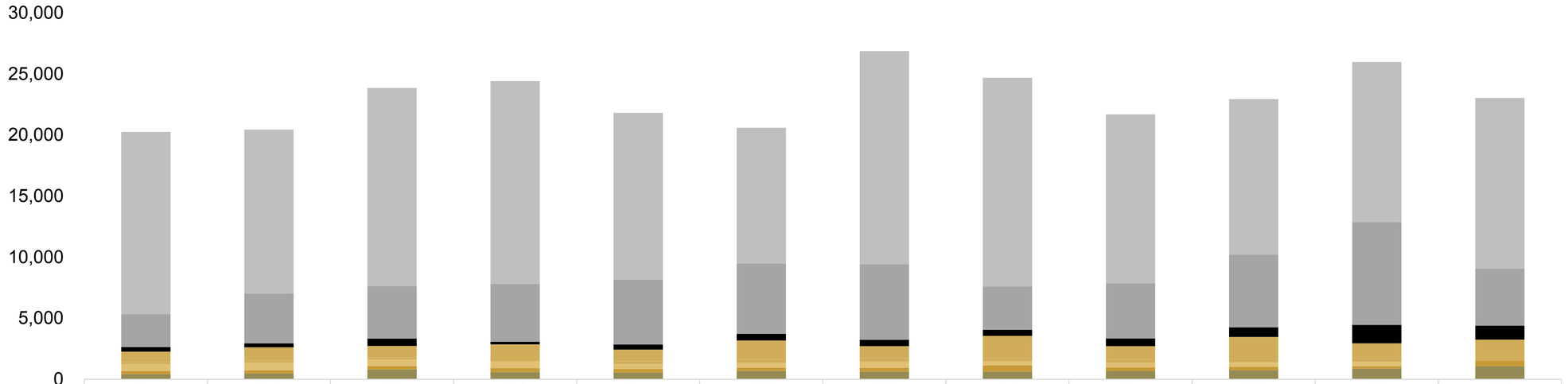
	FY2016				FY2017				FY2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Outsourcing	4,482	4,428	5,212	5,076	4,284	3,284	5,990	5,730	5,226	4,010	3,961	4,660
Personnel expenses for development	314	461	358	551	483	649	455	796	543	690	596	753
Content procurement expenses	34	34	33	33	33	33	34	33	33	32	27	19
Depreciation	23	25	25	26	19	20	23	28	34	36	40	53
Rental charges	232	237	237	208	189	197	233	235	259	301	364	347
Purchases	319	243	1,400	403	321	340	422	91	145	253	183	189
Others	58	57	170	59	56	45	49	61	69	52	72	92

Quarterly Consolidated SG&A Expenses

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■ Personnel expenses: temporary increase due to bonus payments

Unit: millions of yen



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	FY2016				FY2017				FY2018			
Settlement fees	14,938	13,429	16,235	16,599	13,632	11,095	17,454	17,090	13,832	12,746	13,097	13,958
Advertising	2,693	4,075	4,299	4,750	5,341	5,776	6,184	3,562	4,529	5,947	8,429	4,687
Outsourcing	376	326	594	217	418	554	531	495	626	788	1,517	1,145
Personnel	843	1,083	929	1,200	951	1,536	970	1,764	1,082	1,756	1,160	1,363
Rents on properties	162	183	189	190	237	291	303	294	288	327	346	358
Amortization of Goodwill	585	621	544	566	409	409	499	361	361	361	361	-
Tax and public charge	255	250	257	311	283	254	316	497	319	289	193	454
Others	413	484	814	589	550	680	622	631	665	735	879	1,071

Balance Sheet/Cash Flow Statement

Unit: millions of yen

	FY2018 (end of Mar 2018)	FY2017 (end of Mar 2017)
Current assets	172,256	154,130
Non-current assets	19,866	22,844
Total assets	192,123	176,974
Current liabilities	21,641	26,300
Non-current liabilities	47	143
Net assets	170,434	150,529

	FY2018 (Apr 2017-Mar 2018)	FY2017 (Apr 2016-Mar 2017)
CFs from operating activities	49,975	41,303
CFs from investing activities	▼ 5,601	▼ 1,950
CFs from financing activities	▼ 22,447	▼ 31,386
Cash and cash equivalents at end of period	156,190	134,278

Company Overview

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Company name	mixi, Inc.			
Establishment	June 3, 1999			
Capital	9.69 billion yen			
Location of main office	Sumitomo Shibuya First Tower Building 7F, 1-2-20 Higashi, Shibuya-ku, Tokyo, 150-0011			
Executive officers and directors	President	Hiroki Morita	Outside Director	Tatsuya Aoyagi
	Director	Yasuhiro Ogino	Outside Director	Satosi Sima
	Director	Koki Kimura	Corporate Auditor	Takako Kato
	Director	Kosuke Taru	Outside Corporate Auditor	Takayuki Sato
	Director and Founder	Kenji Kasahara	Outside Corporate Auditor	Hiroyuki Wakamatsu
Employees	775(regular employee only)			
Total number of shares issued	78,230,850 shares			
Major Shareholders	Kenji Kasahara			46.47%
	THE BANK OF NEW YORK			2.11%
	STATE STREET BANK AND TRUST COMPANY			1.75%
	THE BANK OF NEW YORK MELLON 140044			1.25%
	SKANDINAVISKA ENSKILDA BANKEN S.A. 127200			1.19%

As of Mar 31, 2018

Group Companies

Business Units

mixi, Inc.

SNS mixi and Monster Strike

mixi recruitment, Inc.

Find Job!, a platform for matching companies and job-seekers, specializing in Internet sector personnel

nohana, Inc.

nohana family photo book service, fostering family communication through photographs

Diverse, Inc.

Matching platform focused on marriage

Kuto, Inc.

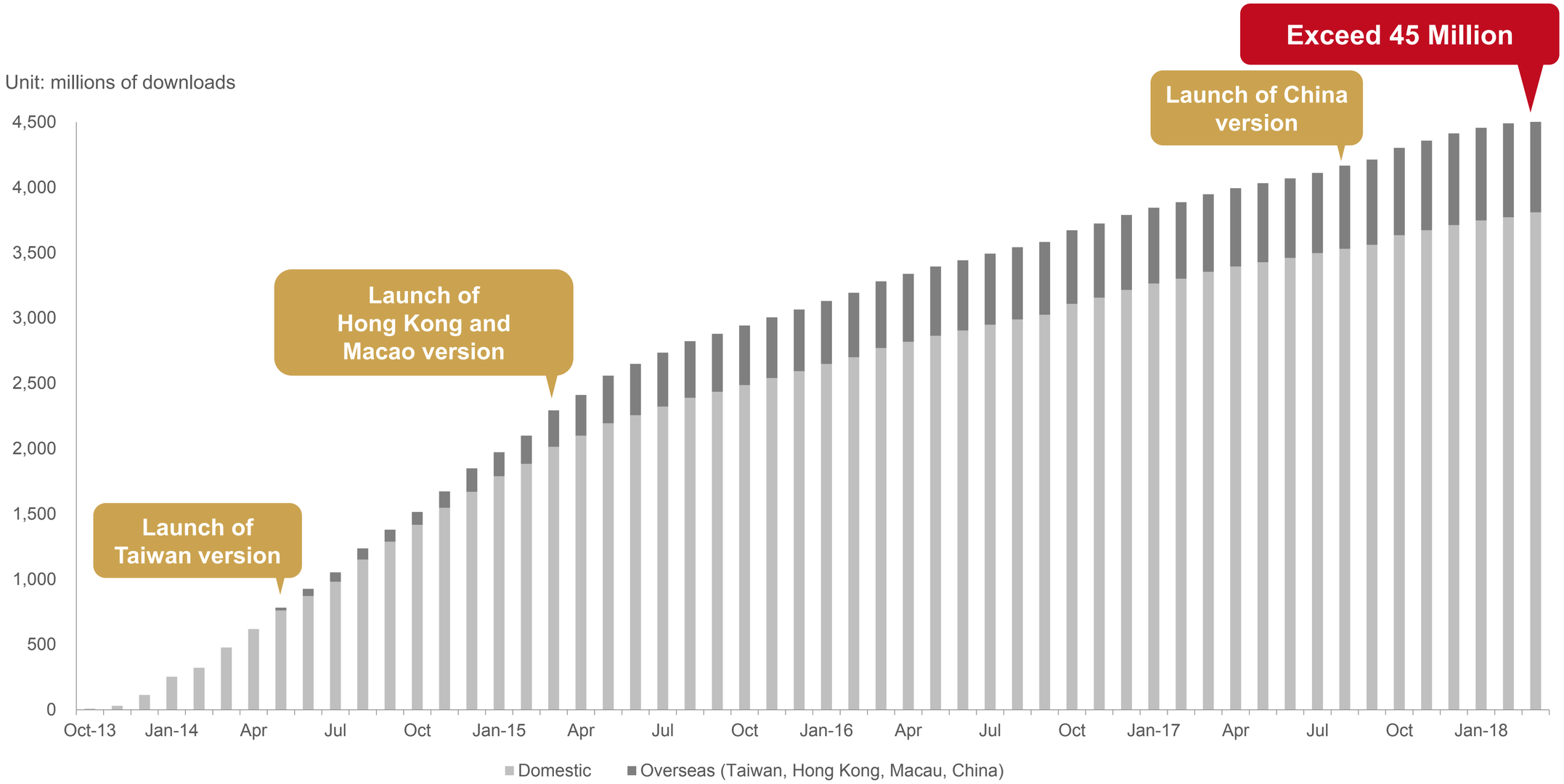
Pancy, matching app that performs a deep diagnosis of potential partners

Investment companies

I-Mercury Capital, Inc.

mixi America, Inc.

Monster Strike Number of Downloads



*Number of downloads does not include multiple downloads to the same device
*Exceeded a cumulative 45 million users globally on March 8, 2018

Systems Supporting a Healthy mixi group

mixi group systems for keeping the network clean and healthy

We are taking further measures to improve the healthiness of our services,
so all of our users can continue to enjoy them in safety and confidence. In so doing, we hope to contribute to
the improvement the health and safety of the Internet community.

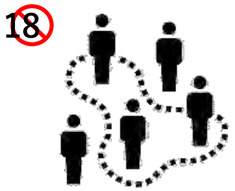
SNS“mixi”

Patrolling by humans, systems



■Proprietary tools for oversight
■Inquiries, comments round-the-clock, every day

Zoning of young users



■Access controls based on user age
■Ability to block ads, etc.

Education, enlightenment activities



■Setting up user education content inside services
■Participation in symposia, lectures

Monster Strike

Illicit actions



Investigation and analysis of cheating tools



Improved functionality through updates



Blocking accounts



* Checks and responses: supervision and reporting of malevolent users

■Took measures against actions that clearly upset the
■balance of the game, as some users used cheating tools to
■alter game data and gain illicit access to items and higher levels

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