

TRANSLATION, For Your Reference Purpose Only

<DISCLAIMER> This English version is not an official translation of the original Japanese document and may be used for reference purposes only. In cases where any differences occur between the English version and the original Japanese version shall prevail. This translation is subject to change without notice. Minkabu, Inc., its subsidiaries and/or their affiliates shall individually or jointly accept no responsibility or liability for damage or loss caused by any error, inaccuracy, misunderstanding, or changes with regard to this translation.

To Shareholders with Voting Rights:

**INTERNET DISCLOSURE
RELATED TO THE NOTICE OF
THE 13TH ANNUAL GENERAL SHAREHOLDERS' MEETING**

Stock Acquisition Rights of the Company

Statement of Statement of Changes in Equity

Notes to the Financial Statements

This is an internet disclosure pursuant to provision of laws and regulations as well as Article 14 of the Articles of Incorporation, followings are not presented in this appendix.

MINKABU THE INFONOID, Inc.

Stock Acquisition Rights of the Company

(1) Stock Acquisition Rights as Stock Options held by Directors at the end of the fiscal year ended March 31, 2019

	Series 7		Series 8	
Date of resolution to issue	June 25, 2015		June 25, 2015	
Number of stock options	6,150		50	
Underlying stock	615,000 Common stocks (100 Common stocks/stock option)		5,000 Common stocks (100 Common stocks/stock option)	
Issue price	Free of charge		Free of charge	
Exercise price	50,000JPY/stock option (500JPY/common stock)		50,000JPY/stock option (500JPY/common stock)	
Exercise period	On and after June 25, 2015		From June 26, 2017 to June 24, 2025	
Restriction for exercise	(a)		(b)	
Number of directors granted				
Non-Audit and Supervisory	#stock option	6,150	#stock option	50
	#underlying	615,000	#underlying	5,000
	#director	3 (c)	#director	1 (d)
Audit and Supervisory	—		—	

Note:

- a. Stock acquisition rights of the person to whom the stock acquisition rights are issued shall not be inherited.
- b. Conditions for exercise of stock acquisition rights are:
 - The person to whom the stock acquisition rights are issued may exercise their stock acquisition rights only while they are in the office of managing directors, audit & supervisory board members, employees of the Company or subsidiaries of the Company. Provided, however, that in the case the Board of Director approves, foregoing shall not be applicable.
 - Common stocks of the Company shall be listed on a stock exchange in Japan or overseas.
 - Stock acquisition rights shall not be inherited.
- c. For one out of 3 directors, #7 was allocated prior to serving as a director.
- d. Number of underlying stock and exercise price are adjusted due to a 100-for-1 stock split on January 16, 2019.

	Series 15		Series 16	
Date of resolution to issue	October 30, 2017		July 17, 2018	
Number of stock options	300		500	
Underlying stock	30,000 Common stocks (100 Common stocks/stock option)		50,000 Stocks (100 Common stocks/stock option)	
Issue price	Free of charge		Free of charge	
Exercise price	60,000JPY/stock option (600JPY/common stock)		60,000JPY/stock option (600JPY/common stock)	
Exercise period	On and after October 30, 2017		On and after July 20, 2018	
Restriction for exercise	(a)		(a)	
Number of directors granted				
Non-Audit and Supervisory	#stock option	300	#stock option	500
	#underlying	30,000	#underlying	50,000
	#director	1	#director	3
Audit and Supervisory	—		—	

Note:

- a. Stock acquisition rights of the person to whom the stock acquisition rights are issued shall not be inherited.
- b. Number of underlying stock and exercise price are adjusted due to a 100-for-1 stock split on January 16, 2019.

(2) Stock Acquisition Rights issued to Employees of the Company and officers as Stock Options during the fiscal year ended March 31, 2019

	Series 16		Series 17	
Date of resolution to issue	July 17, 2018		July 17, 2018	
Number of stock options	1,825		163	
Underlying stock	182,500 Common stocks (100 Common stocks/stock option)		16,300 Common Stocks (100 Common stocks/stock option)	
Issue price	Free of charge		Free of charge	
Exercise price	60,000JPY/stock option (600JPY/common stock)		60,000JPY/stock option (600JPY/common stock)	
Exercise period	On and after July 20, 2018		From July 18,2020 to July 17,2028	
Restriction for exercise	(a)		(b)	
Number of employees granted				
Employees of the Company	#stock option	1,325	#stock option	163
	#underlying	132,500	#underlying	16,300
	# employee	7	# employee	39

Note:

- a. Stock acquisition rights of the person to whom the stock acquisition rights are issued shall not be inherited.
- b. Conditions for exercise of stock acquisition rights are:
 - The person to whom the stock acquisition rights are issued may exercise their stock acquisition rights only while they are in the office of managing directors, audit & supervisory board members, employees of the Company or subsidiaries of the Company. Provided, however, that in the case the Board of Director approves, foregoing shall not be applicable
 - Common stocks of the Company shall be listed on a stock exchange in Japan or overseas
 - Stock acquisition rights shall not be inherited.
- c. Number of underlying stock and exercise price are adjusted due to a 100-for-1 stock split on January 16, 2019.

(3) Other material information regarding Stock Acquisition Rights

The #12 Stock Acquisition Rights which was issued pursuant to the resolution of the Board of Directors Meeting on May 23 2016, was extinguished due to the expiration of exercise period.

Statements of changes in shareholders' equity

For the Year Ended March 31, 2019

(Thousand JPY)

	Shareholders' equity						
	Capital	Capital surplus			Retained earnings		Total shareholders' equity
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings Accumulated retained earnings	Total retained earnings	
Balance at April1, 2018	801,000	801,000	2,023,241	2,624,241	-2,706,246	-2,706,246	918,994
Changes							
Issuance of stock	757,228	757,228		757,228			1,514,456
Net loss					253,141	253,141	253,141
Transfer from reserve to surplus account		-800,000	800,000	—			—
Changes other than Shareholders' equity							
Total changes during the period	757,228	-42,772	800,000	757,228	253,141	253,141	1,767,597
Balance at March 31, 2019	1,558,228	758,228	2,823,241	3,581,469	-2,453,104	-2,453,104	2,686,592

	Valuation and translation adjustments		Total Net Asset
	Valuation difference on available-for-sale securities	Total value and translation adjustments	
Balance at April1, 2018	-97	-97	918,897
Changes			
Issuance of stock			1,514,456
Net loss			253,141
Transfer from reserve to surplus account			—
Changes other than Shareholders' equity	343	343	343
Total changes during the period	343	343	1,767,941
Balance at March 31, 2019	246	246	2,686,839

Notes to Financial Statements

1. Notes regarding matters related to significant accounting policies
 - (1) Valuation rules and methods for assets
 - ① Investment in affiliates
Cost accounting approach with a moving-average method.
 - ② Investment securities without market value
Cost accounting approach with a moving-average method.
 - ③ Inventory
Work in progress: Cost method based on the specific identification method
(Values on the balance sheet are subject to the book value reduction method in accordance with decreased profitability.)
Supplies: Cost method based on the specific identification method.
 - (2) Depreciation and amortization methods of fixed assets
 - ① Fixed assets: Declining-balance method, however straight-line method is applied for building and accompanying facilities purchased on and after April 1, 2016.
Buildings and accompanying facilities 8 - 15 years
Equipment and fixtures 2 - 15 years
 - ② Intangible fixed assets: Straight-line method:

Software	3 - 5 years
	based on its useful service life in the Company
Trademark and contract asset	10 years
Technology asset	10 - 15 years
Client related asset	10 - 15 years
 - (3) Treatment method of deferred asset
Stock issuance costs are treated as expenses when incurred.
 - (4) Basis for adjustment of foreign currency assets and debt
Foreign currency assets and debt are valued in Japanese yen based on the market price on the accounting closing date. Valuation differences are booked as profit or loss.
Other investment securities denominated in foreign currencies are valued in Japanese yen based on the market price on the accounting closing date. Valuation differences are booked in the net asset classification.
 - (5) Basis for provisions
 - ① Allowance for doubtful accounts:
To provide for losses due to bad debt, the Company reserves an estimated allowance for doubtful accounts that is provided at an amount based on the actual ratio of bad debts in the past for general receivables. For specific doubtful receivables, the individual collectability with default possibility is considered.
 - ② Allowance for business restructuring losses:
To provide for losses due to business restructuring by shifting the business strategy from globalization of media business to domestic fintech solution business, the Company reserves an estimated allowance for business restructuring losses.
 - ③ Allowance for product warranties:
To provide for losses due to product warranties, the Company reserves an estimated allowance for losses on warranties product delivered.
 - (6) Basis for recognition of revenues
Basis for recognition of revenues of made-to-order software development is as follows:
 - ① The Company applied the percentage-of-completion method (the construction

- cost-percentage method for estimating the degree of completion of software development)
for contracts whose outcome at the end of the fiscal year under review is deemed certain.
- ② The Company applied the completed contract method to contracts other than the above.
- (7) Amortization of goodwill
Goodwill and negative goodwill are amortized in equal amounts over an estimated period of 10 years in which investment effects will be revealed.
- (8) Other significant basic matters for the preparation of financial statements
Accounting treatment of consumption tax: Consumption taxes and local consumption taxes are excluded from revenues and expenses.
2. Notes regarding matters related to accounting policies
Not applicable.
3. Notes regarding matters related to disclosure method
The Company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018)” from the beginning of the Fiscal Year ended March 31, 2019, and therefore deferred tax assets and deferred tax liabilities are categorized and included in “investment and others” and “fixed asset”, respectively.
4. Notes to Balance Sheet
- (1) Asset provided as collateral and Collateralized liability
- | | |
|---------------------------------|---------------------|
| ① Asset provided as collateral: | |
| <u>Fixed time deposit</u> | 10,000 thousand JPY |
| Total | 10,000 thousand JPY |
-
- | | |
|---|----------------------|
| ② Collateralized liability | |
| Short-term borrowing | 300,000 thousand JPY |
| Bonds (current portion included) | 120,000 thousand JPY |
| <u>Long-term borrowing (current portion included)</u> | 91,660 thousand JPY |
| Total | 511,660 thousand JPY |
-
- (2) Credits and debits to affiliates
- | | |
|----------------------------------|--------------------|
| ① Short-term monetary claim | 54 thousand JPY |
| ② Short-term monetary obligation | 4,121 thousand JPY |
-
- (3) Commitment line agreement and its financial covenants
The Company have entered into commitment line contracts with two commercial banks to ensure flexible funding for working capital and other purposes.
- ① Commitment line
- | | |
|-------------------------------|----------------------|
| Committed amount | 400,000 thousand JPY |
| <u>Borrowings outstanding</u> | 400,000 thousand JPY |
| Balance | — thousand JPY |
-
- ② Financial covenants clause
Either of the following financial covenants (a) or (b) for two consecutive fiscal years, the lender may call the aforementioned commitment line based short term borrowings.
- a) Net asset in the non-consolidated balance sheets shall be kept at 75% or more compared to that of the previous Fiscal Year-end.
- b) Ordinary losses presented in the non-consolidated statement of income for the fiscal year shall not be allowed to become a loss for two consecutive fiscal years.

TRANSLATION, For Your Reference Purpose Only

5. Notes to profit and loss statement

(1) Gain on sales of securities

Gain on sales of securities is the gain on sales of shares the Company held.

(2) Loss on impairment

① Asset groups which recognized impairment loss

Purpose	Asset class	location
Idle asset	Software	Chiyoda-ku, Tokyo
	Trademark	

② Reason of recognizing impairment loss

The Company recognized impairment losses on idle asset with respect to limited recoverability due to the review its status.

③ Amount of impairment loss

Software	24 thousand JPY
<u>Trademark</u>	<u>138 thousand JPY</u>
Total	163 thousand JPY

④ Grouping method

The Company mainly groups assets in accordance with each service. As for asset for common use, the Company recognized impairment loss within a larger group including such asset for common use.

⑤ Calculation method of asset recoverability

The Company recognized no recoverability or zero amount for idle assets due to no planned future use.

6. Notes to Statements of changes in shareholders' equity

(1) Type and number of issued shares

Type	As of April 1, 2018	Increases	Decreases	As of March 31, 2019
Common stock (a)(b)(c)	96,420	12,881,480	—	12,977,900
Class B Preferred stock (a)	17,000	—	17,000	—
Total	113,420	12,881,480	17,000	12,977,900
Own stock				
Class B Preferred stock (a)	—	17,000	17,000	—
Total	—	17,000	17,000	—

Note:

- a. The Company issued common stocks with a resolution of the Board of Directors' Meeting in exchange that the Company receive Class B Preferred Stocks, and simultaneously cancelled Class B Preferred Stocks as of December 31, 2018.
- b. The Company conducted 100-for-1 stock split of its common stock on January 16, 2019
- c. The number of increase of common stock (12,881,480) is a result of the issuance of new shares in exchange of Class B Preferred Stock to common stock (17,000), stock splits (11,421,531), public offering (1,000,000), the third-party allotment (412,949) and exercise of stock acquisition rights (30,000)

(2) Distribution of surplus for the end the Fiscal Year ended March 31, 2019

Not applicable.

(3) Type and number of shares for stock options

Series	Type of underlying shares	Number of shares for stock options			
		As of April 1, 2018	Increases	Decreases	As of March 31, 2019
The 6 th stock acquisition rights	Common stock	100,000	—	—	100,000
The 7 th stock acquisition rights	Common stock	805,000	—	30,000	775,000
The 8 th stock acquisition rights	Common stock	67,900	—	—	67,900
The 9 th stock acquisition rights	Common stock	10,000	—	—	10,000
The 10 th stock acquisition rights	Common stock	5,000	—	—	5,000
The 12 th stock acquisition rights	Common stock	65,200	—	65,200	—
The 15 th stock acquisition rights	Common stock	30,000	—	—	30,000
The 16 th stock acquisition rights	Common stock	—	182,500	—	182,500
Total		1,083,100	182,500	95,200	1,170,400

- The Company conducted a 100-for-1 stock split of its common stock on January 16, 2019. The number of underlying shares indicated the table above is calculated as if this stock split took place at the beginning of the fiscal year ended March 31, 2019.
- The number of decrease of the 7th stock acquisition rights is a result of exercise of conversion rights.
- The number of decrease of the 12th stock acquisition rights is a result of extinguishment due to the expiration of exercise period.

7. Notes regarding tax effect accounting

The major components causing deferred tax assets and deferred tax liabilities.

The main reason for recording deferred tax assets is temporary differences arising on the excess amount of depreciation, and the Company deducted valuation allowance for deferred tax assets of 446,662 thousand JPY. Deferred tax liabilities with total amount of 38,940 thousand JPY is offset by deferred tax assets.

8. Notes on Lease Transactions of fixes assets
Not applicable.

9. Notes on Financial Instruments

(1) Financial instruments

① Basic policy

The Company limit money management activities to short-term deposits, and funds are procured primarily through bank loans and issuance of corporate bonds. A part of the loans and bonds are used for working capital (mainly short-term) and business investment (long-term). The Company has a policy not to use derivatives.

② Risk and risk management

The Company recognizes the trade receivables includes credit risk of the counterparty, and therefore manage those risks based introducing an internal rule of “Credit management regulations”. Borrowing and bonds are for the purpose of raising working capital and capital investment. The Company recognizes borrowings with floating rate includes risks of interest rate changes. In addition, the Company manages liquidity risk for the borrowings by managing repayment schedule.

(2) Fair value of financial instruments

The amount in the balance sheet at March 31, 2019, and the related fair value, and difference is as follows. Financial instruments that are extremely difficult to obtain their fair values are not included.

	Amount on balance sheet (Thousands JPY)	Fair value (Thousands JPY)	Difference (Thousands JPY)
(1) Cash and deposit	2,045,173	2,045,173	—
(2) Account receivables	305,040	305,040	—
Total assets	2,350,214	2,350,214	—
(1) Short-term liabilities	400,000	400,000	—
(2) Current portion of Bonds	50,000	50,237	237
(3) Current portion of Long-term liabilities	230,982	234,864	3,882
(4) Bonds	70,000	69,748	-251
(5) Long-term liabilities	211,840	209,077	-2,762
Total liabilities	962,822	963,928	1,106

Note:

1. Calculation of fair value of financial instruments:

Assets

(1) Cash and cash equivalents, (2) Account receivables

Due to the settlement in short periods, the carrying amount is used as fair value because fair value resembles the carrying amount.

Liabilities

(1) Short-term liabilities

Due to the settlement in short periods, the fair value is almost equal to their book value.

(2) Current portion of Bonds and (4) Bonds

The market value is calculated by applying a discount rate which is determined by a reasonable estimation taking into account credit risk and term of the bonds, to the total of principal and interest.

(3) Current portion of Long-term liabilities and (5) Long-term liabilities

The market value is calculated by applying a discount rate which is determined by a reasonable estimation assuming the same kind of borrowing, to the total of principal and interest.

Derivatives

Not Applicable.

2. Financial instruments that are extremely difficult to obtain their fair values are as follows:

items	Amount on balance sheet (Thousand JPY)
Unlisted shares	24,783
Investment in affiliates	0
Convertible bonds	11,101
Allowance for doubtful accounts*	-10,746
Sub-total	355
Total	25,138

These items are not included because these items do not have market prices and are extremely difficult to comprehend current values.

Allowance for doubtful accounts for Convertible bonds is deducted.

TRANSLATION, For Your Reference Purpose Only

10. Notes to real estate for leasing

Not applicable.

11. Notes regarding transactions with related parties

Subsidiaries

(Thousand JPY)

Attribution	Name of company	% of voting rights held	Relationship with the related party	Content of transactions	Transaction amount *1	Items	Balance at the end of FY
Subsidiary	sharewise GmbH	Direct holding	Payment of maintenance outsourcing	Maintenance outsourcing (a)(d)(e)	–	Accounts payable	1,400
		100%	Payment of software development	Outsourcing of software development (a)(d)(e)	–	Accounts payable	2,721
			advance payment of costs and expenses	advance payment of costs and expenses (a)(d)(e)	–	Advanced paid	54
Subsidiary	UPDOWN Financial Technologies Inc.	Direct holding 100%	Financing	Debt waiver of loans (b)(c)(d)(e)	161,810	–	–

- Liquidation procedures for sharewise GmbH (German) is in process. The Company will settle all receivables and payables between the Company and sharewise GmbH at the completion of the liquidation.
- Liquidation of UPDOWN FINANCIAL TECHNOLOGIES INC. (Canada) was completed on August 24, 2018. Accordingly, it is not a related party at the end of Fiscal Year ended March 31, 2019, and figures indicated in the table above show the status when it was a related party.
- Interest rate receivable of the loan is not booked according to Article 28 of the accounting standard for financial instruments for the fiscal year ended March 31, 2019.
- Terms and conditions of transaction are determined in the same fashion as common business transaction
- Consumption tax is excluded from transaction amount, included in the balance at the end of Fiscal Year.

12. Notes to per share information

Net assets per share 207.03 JPY

Net income per share (a)(b)(c) 22.04 JPY

(Basis for calculation)

Net income 253,141 Thousand JPY

Amount not attributable to common shareholders – Thousand JPY

Net income on common share 253,141 Thousand JPY

Average number of common shares outstanding (a)(b)(c) 11,486,965 shares

Note:

- Net income per share is calculated based on the average number of outstanding common share plus the number of shares calculated based on the conversion of assumption method for Class B Preferred Stock for the period of the fiscal year ended March 31, 2019.
- The Company issued 17,000 common stocks with a resolution of the Board of Directors' Meeting in exchange that the Company receive Class B Preferred Stocks, and simultaneously cancelled Class B Preferred Stocks as of December 31, 2018.
- The Company conducted 100-for-1 stock split on January 16, 2019. Net income per share is

TRANSLATION, For Your Reference Purpose Only

calculated as if this stock split took place for both common stock and Class B Preferred Stock at the beginning of the fiscal year ended March 31, 2019.

13. Significant Subsequent Events
Not Applicable.