

Note: This document is an English translation of the original Japanese language document and has been prepared solely for reference purposes. No warranties or assurances are given regarding the accuracy or completeness of this English translation. In the event of any discrepancy between this English translation and the original Japanese language document, the original Japanese language document shall prevail in all respects.

Request to refrain from attending the meeting in person:

To prevent the spread of the novel coronavirus disease (COVID-19), we request that you refrain from attending the general meeting of shareholders in person.

- Attendance at the general meeting of shareholders is possible via the internet (internet attendance). Even when attending via the internet, participants may exercise their voting rights, ask questions, and propose motions.
- In principle, all attending company officers, including the chairperson of the meeting, will be participating remotely via a web conferencing system.
- The general meeting of shareholders will be broadcasted in real time on the internet.
- We ask you to refrain from attending the meeting, but those who do wish to attend in person must apply to do so beforehand. We plan to limit attendance to a maximum of 20 shareholders (accepted in the order that application is received).

* For details of COVID-19 measures for the operation of the general meeting of shareholders, please refer to the enclosed leaflet.



Notice of the 9th Annual General Meeting of Shareholders

Mercari, Inc.

Securities code: 4385

Date and time:

Wednesday, September 29, 2021, at 10:00 a.m. (JST)
(The reception desk is scheduled to open at 9:30 a.m.)

Venue:

The Company's Head Office Meeting Room
Roppongi Hills Mori Tower 18th Floor
6-10-1 Roppongi, Minato-ku, Tokyo

Proposals:

- No. 1 Partial Amendments to the Articles of Incorporation
- No. 2 Election of Five (5) Directors
- No. 3 Election of Two (2) Audit and Supervisory Board Members
- No. 4 Election of One (1) Substitute Audit and Supervisory Board Member

Please be aware that there will be no gifts prepared for the shareholders who attend this meeting.

Our Mission

Create value in a global marketplace where anyone can buy & sell

A Message to Our Shareholders

I would like to begin by expressing my sincerest appreciation for the strong and constant support received from you, our shareholders.

We express our sincere condolences for those who have passed away from the novel coronavirus disease (“COVID-19”) and our sympathy for the families and other people who have been affected.

During the fiscal year ended June 30, 2021, hit by the unexpected global phenomenon of COVID-19, we have engaged in management that placed an even greater emphasis on the speed and flexibility of business decisions, as well as on a disciplined approach to investments. Due to the uncertainty caused by the COVID-19 pandemic, we temporarily curtailed investment in the first half of the fiscal year, but resumed investment in the latter half of the second quarter. In the three mainstay businesses of Mercari Japan, Merpay, and Mercari US, we invested in marketing and other initiatives while also promoting product enhancements and the addition of new features aimed at improving convenience and the user experience; in doing so, we achieved a high rate of top-line growth. This culminated in steady improvements in profitability in the mainstay businesses, and in the first consolidated profit for the full fiscal year since Mercari was founded. In the fiscal year ended June 30, 2021, we took additional steps to build a safe and secure usage environment, by establishing “Marketplace Principles” and promoting user identity verification using eKYC and other approaches. I feel that these measures also reinforced the soundness of the platform during the fiscal year. Going forward, Mercari Group will seek sustainable growth and the maximization of future profits by prioritizing investments for growth, while taking a flexible approach to reviewing specifics based on the operating environment, and further enhancing the solidity of the earnings base with a focus on the mainstay businesses.

Mercari Group has always worked on initiatives to fulfill its mission to create value in a global marketplace where anyone can buy & sell. We founded our company in 2013 with the idea that by using the power of the internet to connect individuals, we can create a world where people everywhere use resources more carefully and can lead a more prosperous life and that concept has not changed. If we can provide opportunities to use existing resources more effectively, and to enable anybody to create new value, we can help bring about a world in which individuals can demonstrate their unlimited potential. Going forward, we will take on bold challenges to realize a world in which anybody can enjoy an authentic and creative life, and in doing so expand our business and enhance our corporate value over the medium to long term.

I thank you in advance for your continued support and encouragement.

Shintaro Yamada, Representative Director, CEO



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Securities code: 4385

September 9, 2021

To our shareholders:

Shintaro Yamada
Representative Director, CEO
Mercari, Inc.
6-10-1 Roppongi, Minato-ku, Tokyo

Notice of the 9th Annual General Meeting of Shareholders

We are pleased to announce that the 9th Annual General Meeting of Shareholders of Mercari, Inc. (the “Company”) will be held as indicated below.

1. **Date and Time:** Wednesday, September 29, 2021, at 10:00 a.m. (JST)
(The reception desk is scheduled to open at 9:30 a.m.)
2. **Venue:** The Company’s Head Office Meeting Room
Roppongi Hills Mori Tower 18th Floor, 6-10-1 Roppongi, Minato-ku, Tokyo

3. **Purpose of the Meeting**

Matters to be reported

1. The Business Report, the Consolidated Financial Statements, and the results of audits of the Consolidated Financial Statements by the independent auditor and the Audit and Supervisory Board for the 9th fiscal year (from July 1, 2020, to June 30, 2021)
2. The Non-consolidated Financial Statements for the 9th fiscal year (from July 1, 2020, to June 30, 2021)

Matters to be resolved

- Proposal No. 1:** Partial Amendments to the Articles of Incorporation
- Proposal No. 2:** Election of Five (5) Directors
- Proposal No. 3:** Election of Two (2) Audit and Supervisory Board Members
- Proposal No. 4:** Election of One (1) Substitute Audit and Supervisory Board Member

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- We ask that shareholders attending the Meeting present the enclosed voting form at the reception.
 - In accordance with the provisions of laws and regulations as well as Article 17 of the Company's Articles of Incorporation, of the information to be provided with this Notice, "Stock Acquisition Rights" and "System to Ensure the Appropriateness of Business Operations and the Status of its Implementation" in the Business Report, and the "Consolidated Statement of Changes in Equity" and "Notes to Consolidated Financial Statements" in the Consolidated Financial Statements as well as the "Non-consolidated Statement of Changes in Equity" and "Notes to Non-consolidated Financial Statements" in the Non-consolidated Financial Statements are posted on the Company's website* and therefore are not provided in this Notice. Accordingly, the Business Report, the Consolidated Financial Statements, and the Non-consolidated Financial Statements provided in this Notice constitute part of the Business Report, the Consolidated Financial Statements, and the Non-consolidated Financial Statements audited by the independent auditor and the Audit and Supervisory Board Member when preparing audit reports.
 - If any changes are made to items in the Reference Documents for the General Meeting of Shareholders and the Business Report, or to the Consolidated Financial Statements and the Non-consolidated Financial Statements, such changes will be posted on the Company's website*.
 - If any changes are made regarding the holding of the General Meeting of Shareholders, such information will be posted on the Company's website*.

*The Company's website can be found here: <https://about.mercari.com/en/>

Guide to Attendance via the Internet

It will be possible to attend this general meeting of shareholders without having to go to the venue in person. Participants may view the proceedings using a live stream from a website designated by the Company, and will be able to ask questions, propose motions, and exercise voting rights using this method of attendance. Internet attendance is deemed equivalent to in-person attendance at a general meeting of shareholders as stipulated by the Companies Act. For details, please refer to the enclosed leaflet.

Operating environment for attending the general meeting of shareholders via the internet

To attend via the internet, shareholders must have access to an online environment of the following specifications. In addition, shareholders should note that they are responsible for all costs related to communications equipment and communications charges associated with internet attendance.

	PC		Mobile device	
	Windows	Mac	Android	iOS
OS	Windows 10, Windows 8.1*1	Latest version of macOS	Android 6 or later	iOS 10 or later
Browser*2	Microsoft Edge, Internet Explorer 11, Mozilla Firefox, Google Chrome	Safari	Chrome	Safari

*1 For Windows 8.1/10, operation has only been confirmed under desktop mode. Please use these OSes in desktop mode.

*2 Please enable JavaScript and cookies in your browser. It is assumed that the latest updates have been applied to your browser.

Guide to Exercise of Voting Rights

If you are not attending the General Meeting of Shareholders

Exercise of voting rights in writing



Please indicate your approval or disapproval for each proposal on the enclosed voting form and return it to the Company by mail so that it arrives before the deadline.

Deadline: No later than 7:00 p.m. (JST) on Tuesday, September 28, 2021

Exercise of voting rights via the internet, etc.



Please access the website for exercising voting rights printed on the enclosed voting form and enter your approval or disapproval for each proposal by following the instructions provided on the next page.

Deadline: No later than 7:00 p.m. (JST) on Tuesday, September 28, 2021

Electronic voting platform

Shareholders registered in the name of a trust and custody bank, etc. (including standing proxies) may use the electronic voting platform operated by ICJ, Inc., provided that they have already filed applications for the use of the said platform.

* In the event that you exercise your voting rights diversely, please notify the Company in writing at least three days prior to the General Meeting of Shareholders stating your intention of diverse exercise and the reasons for doing so.

If you wish to attend the General Meeting of Shareholders

Attending the General Meeting of Shareholders in person



To prevent the spread of COVID-19, we ask you to refrain from attending the meeting in person and recommend that you attend via the internet.

Those who do wish to attend in person must apply to do so beforehand. We plan to limit attendance to a maximum of 20 shareholders (accepted in the order that application is received). For details, please refer to the enclosed leaflet.

Guide to Exercise of Voting Rights via the Internet

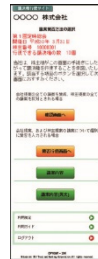
Method 1: Scanning your QR Code® (“Smart Vote”)

You can log in to the website for exercising voting rights without entering your voting code and password.

1. Please scan the QR Code® located on the bottom right of your voting form.
2. Indicate your approval or disapproval by following the instructions on the screen.



* “QR Code” is a registered trademark of DENSO WAVE INCORPORATED.



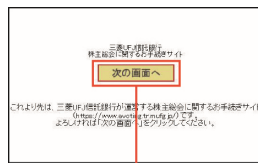
Note that your voting rights can be exercised only once by using the “Smart Vote” method.

If you need to make a correction to the content of your vote after you have exercised the voting rights, please access the desktop version of the website and log in by entering the login ID and temporary password printed on the voting form, and exercise the voting rights again.

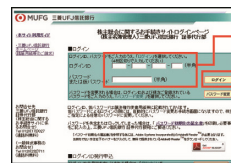
Method 2: Entering your login ID and temporary password

Website for exercising voting rights: <https://evote.tr.mufg.jp/>

1. Please access the website for exercising voting rights.
2. Enter the login ID and temporary password printed on your voting form and click “Login.”



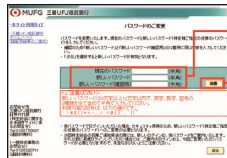
Click “Proceed”



Enter the login ID and temporary password

Click “Login”

3. Register a new password.



Enter the new password

Click “Send”

4. Indicate your approval or disapproval by following the instructions on the screen.

If you need instructions regarding how to operate your personal computer/smartphone/mobile phone in order to exercise your voting rights via the internet, please call the phone number on the right.



Mitsubishi UFJ Trust and Banking Corporation,
Stock Transfer Agency (Help Desk)
0120-173-027
(Toll free only from Japan / Business hours: 9:00 a.m. to 9:00 p.m. (JST))

Notes:

- If you exercise your voting rights both in writing and via the internet, the latter will prevail regardless of the date and time the written form was received by the Company.
- If you exercise your voting rights via the internet multiple times, only your last vote will be treated as valid.
- Connection fees payable to the providers and communication expenses payable to telecommunication carriers when accessing the website for exercising voting rights will be borne by the shareholders.

Reference Documents for the General Meeting of Shareholders

Proposal No. 1: Partial Amendments to the Articles of Incorporation

1. Reasons for the amendments

- (1) Following the establishment of Mercoin, Inc. on April 28, 2021, the Company proposes to amend Article 2 (Purpose) of the Articles of Incorporation to add business purposes that reflect the business of Mercoin, Inc.
- (2) Following the enactment of the “Act for Partial Amendment, etc. of the Act on Strengthening Industrial Competitiveness and Other Acts” on June 16, 2021, which newly permits the holding of “general meetings of shareholders for which no location is specified” (a so-called “fully virtual general meeting of shareholders”), the Company proposes to add paragraph (2) to Article 11 of the Articles of Incorporation.

We believe that the fully virtual general meeting of shareholders will make it easier for many shareholders including shareholders who reside in distant places to attend, which will lead to revitalization, efficiency, and smooth operation of the general meeting of shareholders, and contribute to countermeasures for the spread of infectious diseases such as COVID-19.

Article 11, paragraph (2) of the Articles of Incorporation shall take effect on the conditions that this amendment is resolved at this Annual General Meeting of Shareholders, and, pursuant to the ministerial ordinances of the Ministry of Economy, Trade and Industry and the Ministry of Justice, the Minister of Economy, Trade and Industry and the Minister of Justice confirm that such general meeting of shareholders for which no location is specified held by the Company falls under the requirements set forth by the said ministerial ordinances as something that contributes to strengthening industrial competitiveness, while giving consideration to securing interests of shareholders. The amendment shall take effect on the date that the aforementioned confirmation is received.

2. Details of the amendments

The details of the amendments are as follows:

(Amended parts are underlined.)












Current Articles of Incorporation	Proposed Amendments
<p>Article 2. (Purpose)</p> <p>1. The purpose of the Company shall be to engage in the following business activities:</p> <p>1. – 49. (Texts omitted)</p> <p>50. <u>Virtual currency</u> exchange service provider (New)</p> <p>(New)</p> <p>51. – 53. (Texts omitted)</p> <p>Article 3. – 10. (Texts omitted)</p> <p style="text-align: center;">Chapter III General Meeting of Shareholders</p> <p>Article 11. (Convocation of General Meeting of Shareholders)</p> <p>1. An annual general meeting of shareholders of the Company shall be convened in September every year. An extraordinary general meeting of shareholders shall be convened whenever necessary. (New)</p>	<p>Article 2. (Purpose)</p> <p>1. The purpose of the Company shall be to engage in the following business activities:</p> <p>1. – 49. (Same as current)</p> <p>50. <u>Crypto-assets</u> exchange service provider</p> <p><u>51. Conducting research and surveys regarding blockchain technology, providing the results of those research projects and surveys to third parties, and offering blockchain-related consulting services</u></p> <p><u>52. Planning, development, and operation of products and services that use blockchain technology</u></p> <p>53. – 55. (Same as current)</p> <p>Article 3. – 10. (Same as current)</p> <p style="text-align: center;">Chapter III General Meeting of Shareholders</p> <p>Article 11. (Convocation of General Meeting of Shareholders)</p> <p>1. An annual general meeting of shareholders of the Company shall be convened in September every year. An extraordinary general meeting of shareholders shall be convened whenever necessary.</p> <p><u>2. A general meeting of shareholders of the Company may be convened as a general meeting of shareholders for which no location is specified.</u></p>

Proposal No. 2: Election of Five (5) Directors

The terms of office of all five (5) Directors will expire at the conclusion of this Annual General Meeting of Shareholders.

Therefore, the Company proposes the election of five (5) Directors. In the interest of securing objectivity and transparency, the nomination of the candidates for Director has passed through the deliberation process of the Nomination and Remuneration Advisory Committee, a majority of whose members are independent Outside Directors.

The candidates for Directors are as follows:

Candidate No.	Name	Current position in the Company	
1.	Shintaro Yamada	Representative Director, CEO	
2.	Fumiaki Koizumi	Director President (Chairman of the Board)	
3.	Ken Takayama	Outside Director	  
4.	Makiko Shinoda	Outside Director	  
5.	Norio Murakami		  

Guide to abbreviations:

- R: Re-appointment
- N: New appointment
- O: Outside Director
- I: Independent Director

1 Shintaro Yamada

Date of birth: September 21, 1977

R

▶ Career summary and positions held in the Company

- Aug. 2001 Established Unoh Inc., Representative Director
- Feb. 2005 Trade name of Unoh Inc. changed to Unoh Co., Ltd.
- Sept. 2010 General Manager of Zynga Japan K.K.
- June 2012 Established suadd K.K., Representative Director (current position)
- Feb. 2013 Established Kouzoh Inc. (currently the Company), Representative Director and President
- Mar. 2014 Director of Mercari, Inc. (US) (current position)
- Apr. 2017 Representative Director and Chief Executive Officer of the Company
- Sept. 2019 Representative Director, CEO of the Company (current position)
- Jan. 2021 Director of Souzoh, Inc. (current position)

▶ Significant concurrent positions

- Director of Mercari, Inc. (US)
- Director of Souzoh, Inc.

▶ Reasons for nomination

Since the Company's founding in February 2013, Shintaro Yamada has led the management of the Group as Representative Director, and he has contributed to enhancing the enterprise value of the Group as a whole, including the global development of the *Mercari* C2C marketplace. Expecting that he can contribute to the further growth of the Group as a whole and improve enterprise value through his entrepreneurial ideas and strong leadership going forward, the Company has once again nominated him as a candidate for Director.



Number of Board of Directors meetings attended:

13/13

Number of the Company's shares owned:

37,812,530 shares

Number of shares to be issued upon exercise of the Company's stock acquisition rights owned:

1,903,823 shares

2 Fumiaki Koizumi

Date of birth: September 26, 1980

R

▶ Career summary and positions held in the Company

- Apr. 2003 Joined Daiwa Securities SMBC Co. Ltd. (currently Daiwa Securities Co. Ltd.)
- Dec. 2006 Joined mixi, Inc.
- June 2008 Director of mixi, Inc.
- Dec. 2013 Joined the Company
- Mar. 2014 Director and Head of Corporate Division of the Company
- Apr. 2017 Director, Chief Operating Officer, and Head of Corporate Division of the Company
- Aug. 2019 CEO of Kashima Antlers F.C. Co., Ltd. (current position)
- Sept. 2019 Director, President (Chairman of the Board) of the Company (current position)

▶ Significant concurrent positions

- CEO of Kashima Antlers F.C. Co., Ltd.

▶ Reasons for nomination

Since joining the Company in 2013, Fumiaki Koizumi has driven the growth of the Corporate Division. In addition, since his appointment as Director of the Company, while leading the management of the Company as a whole, he has worked hard especially in the fields of public relations, corporate communications, ESG, etc., and he has contributed to enhancing the enterprise value of the Group as a whole. Expecting that he can contribute to the further growth of the Group as a whole and improve enterprise value going forward through his extensive experience and keen insight, particularly in the field of public relations, as well as in the management of Kashima Antlers F.C. Co., Ltd., the Company has again nominated him as a candidate for Director.



Number of Board of Directors meetings attended:

13/13

Number of the Company's shares owned:

1,508,970 shares

Number of shares to be issued upon exercise of the Company's stock acquisition rights owned:

944,459 shares



▶ **Career summary and positions held in the Company**

- Apr. 1988 Joined The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.)
- Nov. 1999 Managing Director of Rakuten, Inc. (currently Rakuten Group, Inc.)
- Feb. 2010 Chief Financial Officer of Rakuten, Inc.
- July 2014 Outside Director of STAR FESTIVAL INC.
- June 2015 Outside Director (Audit and Supervisory Committee Member) of
TECHMATRIX CORPORATION (current position)
- Sept. 2018 Outside Director of the Company (current position)
- Nov. 2018 Outside Director (Audit and Supervisory Committee Member) of Metaps Inc.
- May 2019 Outside Director of MEDIA DO HOLDINGS Co., Ltd. (currently MEDIA DO
Co., Ltd.)

▶ **Significant concurrent positions**

Outside Director (Audit and Supervisory Committee Member) of TECHMATRIX CORPORATION

▶ **Reasons for nomination and overview of expected role**

Ken Takayama has been supervising and providing advice to the management of the Company as an Outside Director by utilizing his specialized knowledge and extensive experience in financial businesses and managing internet services companies. As a member of the Nomination and Remuneration Advisory Committee, he is also deeply involved in deliberating the assessment and remuneration of Directors, Audit and Supervisory Board Members, and Senior Vice Presidents, and in discussions aimed at enhancing the corporate governance system. The Company has nominated him to be re-appointed as Outside Director to contribute to the further strengthening of the Group's management structure.



Tenure as Outside Director:
3 years

Number of Board of Directors meetings attended:
13/13

Number of the Company's shares owned:
0 shares

Number of shares to be issued upon exercise of the Company's stock acquisition rights owned:
0 shares



▶ **Career summary and positions held in the Company**

- Apr. 1991 Joined The Long-Term Credit Bank of Japan, Limited (currently Shinsei Bank, Limited)
- Sept. 1998 Joined McKinsey & Company, Inc.
- Oct. 2002 Joined Novartis Pharma K.K.
- July 2007 Head of Finance for Nestlé Nutrition K.K.
- Dec. 2008 Director & CFO of Tokyo Itoi Shigesato Office (currently Hobonichi Co., Ltd.)
- Mar. 2020 Director at YeLL Inc. (current position)
- Sept. 2020 Outside Director of the Company (current position)



▶ **Significant concurrent positions**

Director at YeLL Inc.

▶ **Reasons for nomination and overview of expected role**

Makiko Shinoda has been supervising and providing advice to the management of the Company as an Outside Director by utilizing her specialized knowledge and extensive experience in D&I, ESG, finance, etc. As a member of the Nomination and Remuneration Advisory Committee, she is also deeply involved in deliberating the assessment and remuneration of Directors, Audit and Supervisory Board Members, and Senior Vice Presidents, and in discussions aimed at enhancing the corporate governance system. The Company has nominated her to be re-appointed as Outside Director to contribute to the further strengthening of the Group's management structure.

Tenure as Outside Director:
1 year

Number of Board of Directors meetings attended:
10/10

Number of the Company's shares owned:
0 shares

Number of shares to be issued upon exercise of the Company's stock acquisition rights owned:
0 shares



► **Career summary and positions held in the Company**

- Apr. 1970 Joined Hitachi Electric Inc. (currently Hitachi Kokusai Electric Inc.)
- Apr. 2003 Vice President of Google, Inc. (currently Google LLC) and Representative Director and President of Google Japan, Inc. (currently Google Japan G.K.)
- Jan. 2009 Honorary Chairman of Google Japan, Inc. (currently Google Japan G.K.)
- Jan. 2011 Established Norio Murakami Office Co., Ltd., Representative Director (current position)
- Mar. 2012 Outside Director of V-cube, Inc. (current position)
- Aug. 2013 External Director of Weathernews Inc.
- Dec. 2014 President and Representative Director of ENERES Co., Ltd.
- Oct. 2016 Chairman and Representative Director of ENERES Co., Ltd.
- Oct. 2017 Outside Director of CellSource Co., Ltd. (current position)



Tenure as Outside Director:
– years

Number of Board of Directors meetings attended:
-/-

Number of the Company's shares owned:
0 shares

Number of shares to be issued upon exercise of the Company's stock acquisition rights owned:
0 shares

► **Significant concurrent positions**

- Representative Director of Norio Murakami Office Co., Ltd.
- Outside Director of V-cube, Inc.
- Outside Director of CellSource Co., Ltd.

► **Reasons for nomination and overview of expected role**

Norio Murakami is expected to supervise and provide advice to the management of the Company as it continues to grow, by utilizing the experience of global corporate management and technical knowledge that he has accumulated in such roles as Representative Director and President and Honorary Chairman of Google Japan, Inc. (currently Google Japan G.K.) In the event that he is elected as a Director, as a member of the Nomination and Remuneration Advisory Committee he is also expected to be involved in deliberating the assessment and remuneration of Directors, Audit and Supervisory Board Members, and Senior Vice Presidents, and in discussions aimed at enhancing the corporate governance system.

- (Notes)
1. There is no special interest between any candidates and the Company.
 2. Ken Takayama, Makiko Shinoda, and Norio Murakami are candidates for Outside Director. The Company has entered into agreements, in accordance with Article 427, paragraph (1) of the Companies Act, with Ken Takayama and Makiko Shinoda to limit their liabilities to compensate damages under Article 423, paragraph (1) of the same Act. The limitation on liability to compensate damages under such agreement is set out to be the amount provided for in Article 425, paragraph (1) of the same Act. If the re-election of Ken Takayama and Makiko Shinoda is approved, the Company plans to renew the aforementioned limited liability agreements with them. Furthermore, if the election of Norio Murakami is approved, the Company plans to enter into a similar limited liability agreement with him.
 3. The Company has entered into a directors and officers liability insurance policy with an insurance company as provided for in Article 430-3, paragraph (1) of the Companies Act. In the event that those insured, including Directors of the Company, incur losses arising from responsibilities related to the execution of their duties, or from claims being pursued in relation to said responsibilities (excluding cases that are exempted under the insurance policy), they shall be reimbursed under the terms of the policy. All candidates elected as Directors will be covered under the terms of this insurance policy. Furthermore, when next renewing the policy, the Company intends to renew it under the same terms and conditions.
 4. The Company has submitted notification to Tokyo Stock Exchange, Inc. that Ken Takayama and Makiko Shinoda have been appointed as independent officers provided under the regulations of Tokyo Stock Exchange, Inc. Furthermore, if the election of Norio Murakami is approved, he is scheduled to be an independent officer as provided for by Tokyo Stock Exchange, Inc.

(Reference) Policies and procedures for the election of Directors

■ **Approach to the balance of knowledge, experience, and competency, as well as the diversity and scale of the Board of Directors as a whole**

- The candidates for Directors are elected in order to provide the Board of Directors as a whole with the necessary knowledge, experience, and competency to fulfill the role required of the Board of Directors of the Company.
- Directors are elected to achieve a degree of diversity and scale for the Board of Directors that is appropriate to the business and stage of growth of the Company.

■ **Role of Directors of the Company**

- Directors provide wide-ranging and varied perspectives of the Company’s future over the medium to long term that take into account changes in the structure of markets and industries, and participate in important strategic decisions of management aimed at achieving sustainable growth for the Company.
- They take responsibility for management and supervise the execution of duties.

■ **How candidates for Directors are elected**

- The Nomination and Remuneration Advisory Committee deliberates whether a candidate can be expected to execute duties appropriately as a director based on the following election criteria, the candidate’s curriculum vitae, interviews, and reference checks, and passes its proposals to the Board of Directors.
- In the case of those seeking reappointment, the results of their assessment during their terms of service are also taken into account.






■ **Election criteria**

Item	Overview
Willingness to improve corporate value	Has strong interest in the mission, willingness to contribute, and ability to execute strategy
Knowledge/experience/competency	Has a level appropriate for a Director of the Company, which aims to be a global tech company
Character and sense of ethics	Is a person of outstanding character who executes their duties with integrity
Compatibility of culture/values	Embodies the culture and values of the Company with their values and achievements Advances constructive criticism of existing arguments, and strives to contribute to better management decisions
Concurrent positions	Will not be serving concurrently at a direct competitor during the scheduled term of their service, and keeps the volume of concurrent work to a reasonable level
Diversity	Has a career track record that demonstrates their ability to contribute diverse perspectives to the management of the Company

(Reference) The skill matrix of the Directors assuming this proposal is approved will be as follows:

- **Skill positioning:** areas in which the candidate is expected to make a particular contribution to discussions
- **Skill mapping method:** determined by the Board of Directors after deliberation by the Nomination and Remuneration Advisory Committee
- **Skill definition:**

Item	Overview
Corporate management	General management strategy
ESG	Sustainability strategy, ESG initiatives
Technology	Research & development and technical strategy in the tech industry
Global management	International expansion of business
Business	The Company's business operations such as the internet, commerce, and finance
Finance/accounting	Finance and accounting
Corporate governance/compliance	Corporate governance, risk management, internal control, and compliance

						
	Name	Shintaro Yamada	Fumiaki Koizumi	Ken Takayama	Makiko Shinoda	Norio Murakami
Attributes	Re-appointment or new appointment	Re-appointment	Re-appointment	Re-appointment	Re-appointment	New appointment
	Independent Outside Director			●	●	●
Skills	Corporate management	●	●	●	●	●
	ESG	●	●		●	
	Technology	●				●
	Global management	●		●		●
	Business	● (General)	● (General)	● (General)	● (Internet, finance)	● (Internet)
	Finance/accounting		●	●	●	
	Corporate governance/compliance		●	●	●	

Proposal No. 3: Election of Two (2) Audit and Supervisory Board Members

The terms of office of three (3) out of the four (4) Audit and Supervisory Board Members will expire at the conclusion of this Annual General Meeting of Shareholders. Having taken into consideration the current audit arrangements of the Company, including cooperation with the Internal Audit Department, and having concluded that it will be able to maintain the effectiveness of audits by Audit and Supervisory Board Members, the Company proposes to reduce the number of Audit and Supervisory Board Members by one (1), resulting in a three-person structure, and accordingly proposes the election of two (2) Audit and Supervisory Board Members. The consent of the Audit and Supervisory Board has been obtained for this proposal.

The candidates for Audit and Supervisory Board Members are as follows:

1	Fumiyuki Fukushima	Date of birth: January 10, 1982	
<p>▶ Career summary and positions held in the Company</p> <p>Nov. 2005 Joined Koyo Audit Firm</p> <p>May 2006 Joined KPMG AZSA & Co. (currently KPMG AZSA LLC)</p> <p>Sept. 2014 Standing Outside Audit and Supervisory Board Member of the Company (current position)</p> <p>Jan. 2020 Audit & Supervisory Board Member of Findy Inc. (current position)</p>			
<p>▶ Significant concurrent positions</p> <p>Audit & Supervisory Board Member of Findy Inc.</p>			
<p>▶ Reasons for nomination</p> <p>As a certified public accountant, Fumiyuki Fukushima has extensive knowledge of finance and accounting, and as a Standing Audit and Supervisory Board Member of the Company, he has provided appropriate advice and opinions in relation to the building of an internal control system, for which reasons the Company believes he will continue to contribute to the Company's corporate governance, internal controls, and audit. Furthermore, although the candidate has not been directly involved in management of a company except through his past experience as an outside officer, based on the above points the Company judges that he will be able to execute his duties as Outside Audit and Supervisory Board Member appropriately. The Company therefore proposes that he be elected as Outside Audit and Supervisory Board Member in order for him to continue to contribute to the audit and supervision of Mercari.</p>			
			<p>Tenure as Outside Audit and Supervisory Board Member: 7 years</p> <p>Number of Board of Directors meetings attended: 13/13</p> <p>Number of Audit and Supervisory Board meetings attended: 12/12</p> <p>Number of the Company's shares owned: 0 shares</p> <p>Number of shares to be issued upon exercise of the Company's stock acquisition rights owned: 83,250 shares</p>

▶ **Career summary and positions held in the Company**

- Apr. 1994 Admitted to the Tokyo Bar Association
Attorney of Mori Sogo (currently Mori Hamada & Matsumoto)
- Jan. 2001 Partner of Mori Sogo
- Mar. 2003 Founder and Partner of Nakamura & Tsunoda (currently Nakamura, Tsunoda & Matsumoto) (current position)
- June 2005 Outside Corporate Auditor of INES Corporation
- Apr. 2008 Outside Corporate Auditor of Mitsui Sumitomo Insurance Group Holdings, Incorporated (currently MS&AD Insurance Group Holdings, Inc.)
- Apr. 2010 Outside Director of MS&AD Insurance Group Holdings, Inc.
- Apr. 2014 Outside Director of Culture Convenience Club Co., Ltd. (current position)
- June 2016 Outside Director of Eisai Co., Ltd.
- Aug. 2021 Outside Director (Member of the Audit and Supervisory Committee) of Sumitomo Mitsui Banking Corporation (current position)



Number of Board of Directors meetings attended:

-/-

Number of Audit and Supervisory Board meetings attended:

-/-

Number of the Company's shares owned:

0 shares

Number of shares to be issued upon exercise of the Company's stock acquisition rights owned:

0 shares

▶ **Significant concurrent positions**

- Partner of Nakamura, Tsunoda & Matsumoto
- Outside Director (Member of the Audit and Supervisory Committee) of Sumitomo Mitsui Banking Corporation

▶ **Reasons for nomination**

As a practicing partner at a law office possessing a high level of expertise in the area of corporate law, Daiken Tsunoda has experience as an outside audit and supervisory board member and outside director at other companies, and is particularly knowledgeable in the areas of the Companies Act and corporate governance, for which reasons the Company believes that he will contribute to the corporate governance, internal controls, and audit of the Company. Furthermore, although the candidate has not been directly involved in management of a company except through his past experience as an outside officer, based on the above points the Company judges that he will be able to execute his duties as Outside Audit and Supervisory Board Member appropriately. The Company therefore proposes that he be elected as Outside Audit and Supervisory Board Member.

- (Notes)
1. There is no special interest between Fumi-yuki Fukushima and the Company.
 2. Daiken Tsunoda is an Outside Director (Member of the Audit and Supervisory Committee) of Mercari's major partner financial institution Sumitomo Mitsui Banking Corporation, but because he is not an executive director of said company, there is no special interest between him and the Company.
 3. Fumi-yuki Fukushima and Daiken Tsunoda are candidates for Outside Audit and Supervisory Board Member. The Company has entered into an agreement, in accordance with Article 427, paragraph (1) of the Companies Act, with Fumi-yuki Fukushima to limit his liabilities to compensate damages under Article 423, paragraph (1) of the same Act. Under this agreement, the maximum amount of liability for damages is to be the higher amount of either ¥3 million or the amount stipulated in Article 425, paragraph (1) of the Companies Act. If the re-election of Fumi-yuki Fukushima is approved, the Company plans to renew the aforementioned limited liability agreement with him. Furthermore, if the election of Daiken Tsunoda is approved, the Company plans to enter into the same limited liability agreement with him.
 4. The Company has entered into a directors and officers liability insurance policy with an insurance company as provided for in Article 430-3, paragraph (1) of the Companies Act. In the event that those insured, including Audit and Supervisory Board Members of the Company, incur losses arising from responsibilities related to the execution of their duties, or from claims being pursued in relation to said responsibilities (excluding cases that are exempted under the insurance policy), they shall be reimbursed under the terms of the policy. All candidates elected as Audit and Supervisory Board Members will be covered under the terms of this insurance policy. Furthermore, when next renewing the policy, the Company intends to renew it under the same terms and conditions.
 5. The Company has submitted notification to the Tokyo Stock Exchange, Inc. that Fumi-yuki Fukushima has been appointed as an independent officer as provided for by Tokyo Stock Exchange, Inc. Furthermore, if the election of Daiken Tsunoda is approved, he is scheduled to be an independent officer as provided for by Tokyo Stock Exchange, Inc.

Proposal No. 4: Election of One (1) Substitute Audit and Supervisory Board Member

To guard against a situation in which the number of Audit and Supervisory Board Members falls below the statutory required number, the Company proposes to elect one (1) substitute Audit and Supervisory Board Member.

Furthermore, with regard to the point at which this election comes into effect, the election may be canceled by a resolution of the Board of Directors with the consent of the Audit and Supervisory Board, only before the candidate assumes office. The consent of the Audit and Supervisory Board has been obtained for this proposal.

The candidate for substitute Audit and Supervisory Board Member is as follows:

Toshihiro Igi		Date of birth: July 6, 1968
▶ Career summary and positions held in the Company		
Apr. 1998	Registered as an attorney at law Admitted to Daini Tokyo Bar Association Joined Mitsui, Yasuda, Wani & Maeda	Number of Board of Directors meetings attended: 13/13
Sept. 2009	Representative Director of Cyberbond Corporation (current position)	
July 2011	Established Igi Law Office (current position)	Number of Audit and Supervisory Board meetings attended: 12/12
Feb. 2013	Outside Audit and Supervisory Board Member of the Company (current position)	
June 2016	Outside Director of SAKURA internet Inc. (current position)	
▶ Significant concurrent positions		
	Igi Law Office	Number of the Company's shares owned: 360,000 shares
	Representative Director of Cyberbond Corporation	
	Outside Director of SAKURA internet Inc.	
▶ Reasons for nomination		
	Toshihiro Igi has experience as an attorney at law and as an outside director at another company, and has a high level of knowledge of corporate legal affairs and compliance. Moreover, having served as an Outside Audit and Supervisory Board Member of the Company since 2013, he has provided appropriate advice and opinions in relation to the building of an internal control system. For these reasons, the Company believes he will continue to contribute to the Company's corporate governance, internal controls, and audit.	Number of shares to be issued upon exercise of the Company's stock acquisition rights owned: 0 shares

- (Notes)
1. SAKURA internet Inc., at which Toshihiro Igi is an Outside Director, has a transactional relationship with the Company, but because the value of transactions amounted to less than 1% of the Company's consolidated net sales in the current fiscal year, and because he is not an executive director of said company, there is no special interest between him and the Company.
 2. Toshihiro Igi is a candidate for substitute Outside Audit and Supervisory Board Member.
 3. Toshihiro Igi is currently an Outside Audit and Supervisory Board Member of the Company, and at the conclusion of this Annual General Meeting of Shareholders he will have served as Audit and Supervisory Board Member of the Company for eight years. Furthermore, at the conclusion of this Annual General Meeting of Shareholders, he will resign as Audit and Supervisory Board Member.
 4. If Toshihiro Igi assumes the office of Audit and Supervisory Board Member, the Company plans to enter into an agreement, in accordance with Article 427, paragraph (1) of the Companies Act, with him to limit his liabilities to compensate damages under Article 423, paragraph (1) of the same Act. Under this agreement, the maximum amount of liability for damages is to be the higher amount of either ¥3 million or the amount stipulated in Article 425, paragraph (1) of the Companies Act.
 5. The Company has entered into a directors and officers liability insurance policy with an insurance company as provided for in Article 430-3, paragraph (1) of the Companies Act. In the event that those insured, including Audit and Supervisory Board Members of the Company, incur losses arising from responsibilities related to the execution of their duties, or from claims being pursued in relation to said responsibilities (excluding cases that are exempted under the insurance policy), they shall be reimbursed under the terms of the policy. The candidate elected as Audit and Supervisory Board Member will be covered under the terms of this insurance policy. Furthermore, when next renewing the policy, the Company intends to renew it under the same terms and conditions.

Attached Materials

Business Report (From July 1, 2020, to June 30, 2021)

1. Current Condition of the Group

(1) Status of operations for the current fiscal year

(i) Business progress and results

The Company and its group companies (collectively, the “Group”) have been working to realize the Group mission to create value in a global marketplace where anyone can buy & sell. In the fiscal year ended June 30, 2021, the Group continued to work toward this goal, aiming to provide services that are loved by a wide range of people while strengthening the safety and increasing the convenience of those services. The Group had temporarily curtailed its investment given circumstances posed by the novel coronavirus disease (COVID-19) pandemic, but subsequently resumed investment beginning in the latter half of the second quarter after taking into considerations that include user trends with respect to services the Company provides. The Group has been taking a disciplined approach to undertaking investment that will bring about growth going forward, with a focus on marketing initiatives. As a result, the Mercari Japan business and the Mercari US business have achieved substantial growth in terms of gross merchandise volume (GMV), and the Group has attained steady improvement in earnings potential among its three mainstay businesses: the Mercari Japan business, the Mercari US business, and the Merpay business. This has culminated in the first ever consolidated operating profit for the full fiscal year since the Company was founded. In addition, the Group established Souzoh, Inc. and Mercoin, Inc., subsidiaries that have been working on new businesses, during the fiscal year ended June 30, 2021, with the aim of achieving further growth and the Group mission. Going forward, the Group will seek sustainable growth and maximization of future profits, which will involve making investment that prioritizes growth while flexibly reviewing specifics based on the operating environment with respect to its existing businesses and creating businesses that fully leverage Group synergies with respect to its new businesses.

In the mainstay Mercari Japan business, the Group has been continuing to strengthen listings in pursuit of medium- to long-term growth and has furthermore taken action that involves improving the product, improving convenience particularly in terms of packaging and shipping, and increasing the number of monthly active users (MAU ^(Note 1)) through marketing initiatives. As a result, Mercari’s GMV in Japan for the fiscal year ended June 30, 2021, was ¥784.5 billion, an increase of ¥158.6 billion from the previous fiscal year, and MAU increased to 19.54 million.

With respect to the Merpay business and its mobile payment services, the Group has been working to strengthen earnings potential mainly in the credit area. The *Merpay Smart Payments (fixed-amount payment)* service, a strategic priority, achieved steady gains in its number of users and account balances, and the number of *Merpay* users reached 10.67 million ^(Note 2). Plans for *Merpay* involve providing new features and services going forward in the three areas of payment, credit, and *Growing Wallet* services. As part of these efforts, the Group will promote the important function of identity verification and will furthermore take steps to build a safe and secure user environment that employs anti-fraud measures.

For the Mercari US business, the Group has achieved substantial growth by increasing brand recognition and capturing new users, mainly through marketing initiatives, and optimizing listing and delivery. This was done as part of the “*Mercari: Your Marketplace*” initiative, which aims to generate expansion and growth of the *Mercari* marketplace services that make selling a variety of items easier and safer for everyone. As a result, the GMV of *Mercari* in the US for the fiscal year ended June 30, 2021, was ¥123.8 billion (the exchange rate conversion is calculated using the average rate during the Period, ¥106.53 against the US dollar), up ¥50.1 billion from the previous fiscal year, and MAU increased to 4.61 million. In addition, the Group achieved a quarterly operating profit for the first time ever as a result of having improved its earnings base by initiating collection of payment processing fees as well as selling fees during the fiscal year ended June 30, 2021.

As a result, for the fiscal year ended June 30, 2021, the Group recorded net sales of ¥106,115 million (39.1% increase year on year), operating profit of ¥5,184 million (compared to operating loss of ¥19,308 million in the previous fiscal year), ordinary profit of ¥4,975 million (compared to ordinary loss of

¥19,391 million in the previous fiscal year), and net profit attributable to owners of parent of ¥5,720 million (compared to net loss attributable to owners of parent of ¥22,772 million in the previous fiscal year).

Information by business segment is omitted as the Group operates a single segment—i.e., the marketplace business.

- (Notes)
1. MAU (Monthly Active Users) is defined as the quarterly average number of registered users who accessed the *Mercari* service via app or website at least once during a given month.
 2. Total of the number of users registered for *Merpay Electronic Money* and users of *QR Code Payments*, *Online Payments*, and *Merpay Smart Payments (lump-sum payment and fixed-amount payment)* as of June 30, 2021 (excluding overlaps)

(ii) Capital investments

Total capital expenditure undertaken during the fiscal year ended June 30, 2021, amounted to ¥380 million (including intangible assets), which was mainly allocated for the purchase of office equipment for the Company's head office and for the increase in space of the head office.

There have been no disposals or sales of major facilities during the current fiscal year.

(iii) Financing

Funds were raised in the current fiscal year through liquidation of receivables of a consolidated subsidiary. As a result, short-term borrowings totaled ¥19,602 million in the current fiscal year.

At the meeting of the Board of Directors held on June 28, 2021, a resolution was passed to issue Zero Coupon Convertible Bonds (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakukentzuki shasai*) due in 2026 for an amount of ¥25,000 million and Zero Coupon Convertible Bonds due in 2028 for an amount of ¥25,000 million, and the related payment was completed on July 14, 2021.

(iv) Business transfer, absorption-type company split, or incorporation-type company split

Not applicable.

(v) Acquisitions of other companies' businesses

Not applicable.

(vi) Successions of rights or duties related to the businesses of other legal entities, etc. due to absorption-type merger or absorption-type company split

Not applicable.

(vii) Acquisitions and disposals of stock, other equities, and stock acquisition rights in other companies

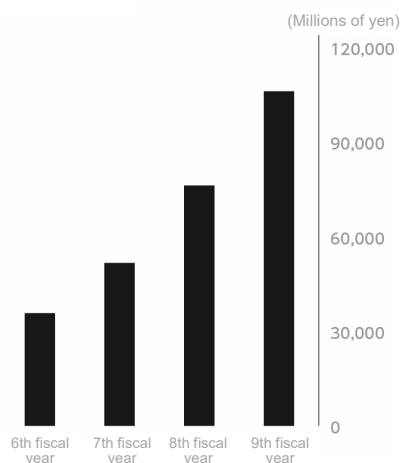
On July 22, 2020, the Company disposed of all of its 1,242,400 shares in BASE, Inc.

(2) Assets and profit (loss)

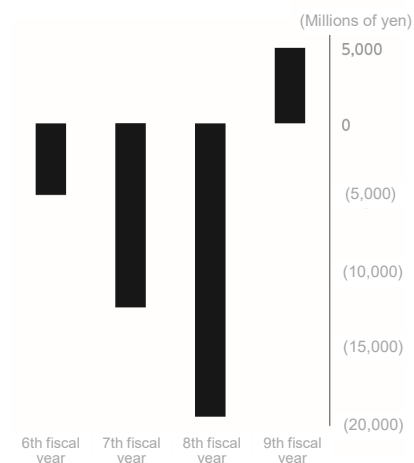
(i) Assets and profit (loss) of the Group

	6th fiscal year (Fiscal year ended June 2018)	7th fiscal year (Fiscal year ended June 2019)	8th fiscal year (Fiscal year ended June 2020)	9th fiscal year (Fiscal year ended June 2021)
Net sales (Millions of yen)	35,765	51,683	76,275	106,115
Ordinary profit (loss) (Millions of yen)	(4,741)	(12,171)	(19,391)	4,975
Net profit (loss) attributable to owners of parent (Millions of yen)	(7,041)	(13,764)	(22,772)	5,720
Basic earnings (loss) per share (Yen)	(60.61)	(94.98)	(147.86)	36.43
Total assets (Millions of yen)	117,752	163,685	198,014	262,529
Net assets (Millions of yen)	54,422	50,936	35,368	40,013
Net assets per share (Yen)	402.12	337.88	222.78	247.52

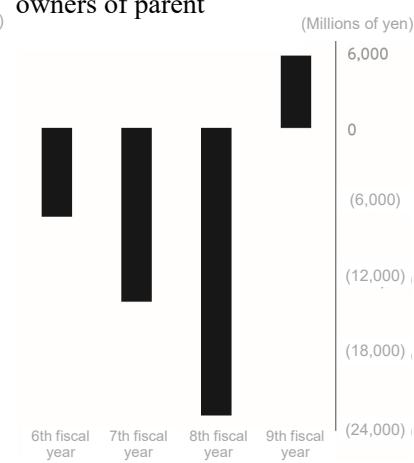
Net sales



Ordinary profit (loss)



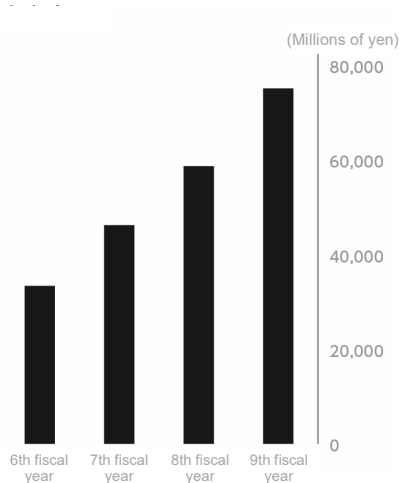
Net profit (loss) attributable to owners of parent



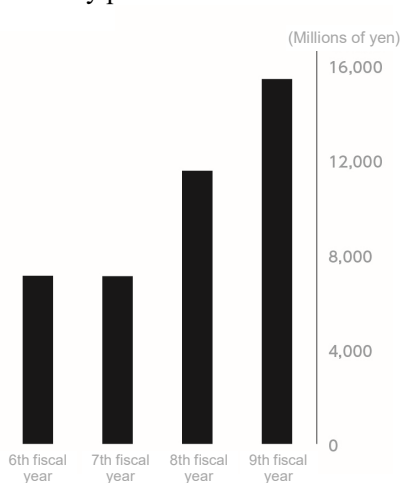
(ii) Assets and profit (loss) of the Company

	6th fiscal year (Fiscal year ended June 2018)	7th fiscal year (Fiscal year ended June 2019)	8th fiscal year (Fiscal year ended June 2020)	9th fiscal year (Fiscal year ended June 2021)
Net sales (Millions of yen)	33,424	46,254	58,744	75,152
Ordinary profit (Millions of yen)	7,107	7,090	11,550	15,426
Net profit (loss) (Millions of yen)	(8,428)	(5,046)	(28,014)	7,926
Basic earnings (loss) per share (Yen)	(72.55)	(34.82)	(181.89)	50.48
Total assets (Millions of yen)	115,414	125,742	104,683	119,376
Net assets (Millions of yen)	54,676	60,242	38,884	45,760
Net assets per share (Yen)	403.99	399.61	249.02	286.39

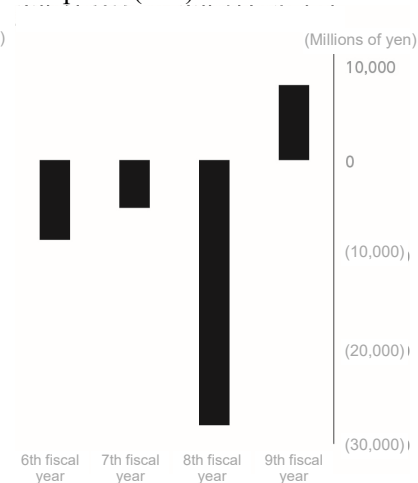
Net sales



Ordinary profit



Net profit (loss)



(3) Major subsidiaries

Name	Capital stock	Percentage of voting rights held by the Company	Main business
Mercari, Inc. (US)	US\$473,511 thousand	100%	Planning, development, and management of the <i>Mercari (US)</i> C2C marketplace in the US
Merpay, Inc.	¥100 million	100%	Planning, development, and management of financial-related business which includes funds transfer operations
Kashima Antlers F.C. Co., Ltd.	¥1,570 million	71.1%	<ol style="list-style-type: none">1. Management of the Kashima Antlers professional soccer team2. Planning and management of various entertainment, such as soccer games and other sporting events3. Management of sports facilities such as soccer stadiums
Souzoh, Inc.	¥50 million	100%	Planning, development, and operation of the e-commerce platform <i>Mercari Shops</i>
Mercoin, Inc.	¥50 million	100%	Planning and developing services related to crypto-assets and blockchain technology

(4) Issues to be addressed

(i) Ensuring the safety and soundness of services

The increasing prevalence of e-commerce services and social media appears to be giving rise to further mounting societal demands with respect to maintaining the safety of internet-based services. In order to provide a platform for carrying out safe and secure transactions, the Group regards ensuring the safety and soundness of its services as its most important challenge, and continually engages in efforts to safeguard personal information and combat infringement of intellectual property rights.

(ii) Developing talent

The Group recognizes that developing talent is a key challenge in its efforts to promote future growth, including global expansion of services. Accordingly, the Group will actively forge ahead with the development of development programs and HR systems, the promotion of diversity & inclusion (D&I), and other initiatives with the aim of enabling employees to work in a highly motivated fashion.

(iii) Enhancing technological strengths

As a provider of services over the internet, the Group recognizes the importance of managing its business in a manner that ensures consistent operations of systems involved in providing its services. The Group will persist with efforts to ensure system stability in part by reinforcing server equipment to better handle the increasing traffic to its services associated with the increasing number of listed items, and also by installing parallel processing systems in order to distribute processing loads.

In addition, the Group will focus on investing in innovative technologies to further improve the user experience. For instance, the Group will promote efforts geared toward heightening service convenience as well as maintaining and enhancing service safety and soundness through artificial intelligence (AI) and machine learning technologies using massive data sets encompassing past transaction histories and rating information. Moreover, the Group will also take action geared toward enhancing its technological strengths in part by introducing automated translation to encourage transactions between users speaking different languages, and also by investing in innovative technologies such as blockchain, virtual and augmented reality (VR/AR), quantum computing, and the Internet of Things (IoT).

(iv) Addressing overseas expansion

The Group has also promoted overseas expansion such as by entering the US market in 2014 with the aim of realizing its mission to create value in a global marketplace where anyone can buy & sell, and by starting cross-border sales of items listed on the *Mercari* marketplace in Japan to overseas buyers in 2019. Through steady growth of the *Mercari* marketplace provided in the US, and demand from overseas users for cross-border sales, the Group believes that there are business opportunities extending before it in areas that it has not yet entered. In addition to further expansion of the *Mercari* US business, the Group's policy is to take an aggressive approach to new overseas expansion while maintaining a disciplined approach to investment.

(v) Strengthening corporate governance

The Group has set forth the mission of improving enterprise value through working to enhance its monitoring management function and its internal control function while practicing strict compliance management as its basic policy. In order to meet the trust of all stakeholders, going forward, the Group will continue to work to improve the efficiency and transparency of management, maximize enterprise value, and achieve sustainable growth and development.

(vi) Enhancing the internal management system and practicing strict compliance

The Group believes that when pursuing its further business expansion, fulfilling its social responsibilities, and striving to achieve sustainable growth and improvement in enterprise value, securing and developing the human resources that will facilitate the Group's growth and practicing strict compliance are important management issues. In addition to hiring human resources with high levels of expertise and abundant experience in fields such as internal auditing, legal affairs, financial affairs, accounting, and information security, the Group will practice strict compliance while further strengthening internal management systems by implementing awareness-raising activities and training activities for employees on a continual basis.

(5) Major business (as of June 30, 2021)

(i) Mission

The Group works to realize its mission to create value in a global marketplace where anyone can buy & sell.

“I want to circulate our limited resources to help society thrive.” The *Mercari* marketplace app was born out of this realization by our founder Shintaro Yamada as he traveled the world. Thanks to the power of technology, people around the world can easily link up and enjoy the experience of buying and selling with each other. With this, we aim to establish a society where resources are circulated and where people can accomplish their goals.

(ii) Overview of services

The *Mercari* service operated by the Company functions as a marketplace for consumer-to-consumer (C2C) transactions, offering users a unique and never-before-available experience by enabling anyone to readily and simply buy and sell secondhand items.

Buying and selling used items at traditional secondhand stores has various disadvantages, including time needed to physically visit the retail location, limited product availability, and lack of transparency with respect to pricing (from the perspective of both the buyer and seller given that there is an intermediary involved). The sale of secondhand items via internet auction also has disadvantages, including complexity and difficulty of listing items and time necessary to engage in the bidding process.

The *Mercari* service, on the other hand, enables anybody and everybody to readily buy and sell items using their smartphones and the website. The service also offers convenient and affordable delivery options through its alliances with delivery companies and convenience stores. In addition, both sellers and buyers are mainly individuals, allowing the service to offer anyone both the fun of easily converting their unnecessary possessions into cash and the “treasure-hunt” experience that users feel when searching for unique secondhand items.

(iii) Services operated by the Group

The Group consists of the Company and its consolidated subsidiaries Mercari, Inc. (US), Souzoh, Inc., Merpay, Inc., Mercoin, Inc., and Kashima Antlers F.C. Co., Ltd. (as of June 30, 2021). Information by business segment is omitted as the Group operates a single segment-i.e., the marketplace business.



The Mercari Japan business operates the consumer-to-consumer (C2C) marketplace app *Mercari* on which it has been working since the Company was founded. This service provides a unique user experience that enables anybody to buy and sell items easily and simply, with its MAU reaching 19.54 million users at the end of June 2021.

Furthermore, in the area of payments, the foundation of transactions, the Group began providing its *Merpay* mobile payment service in February 2019. By utilizing Mercari Group's advanced technology and *Mercari*'s unique user and information base, the Group has worked to expand business centered on the creation of a new form of credit.

The Mercari US business operates *Mercari (US)* as a marketplace where anybody can easily and safely sell a variety of items, under the "*Mercari: Your Marketplace*" initiative. In addition to increasing brand recognition and capturing new users, the Group is working to optimize listing and delivery processes, and by the end of June 2021, *Mercari*'s MAU had risen rapidly to 4.61 million.

(6) Major offices (as of June 30, 2021)

(i) The Company

Office name	Location
Head Office	Minato-ku, Tokyo
Sendai Office	Aoba-ku, Sendai-shi, Miyagi
Fukuoka Office	Hakata-ku, Fukuoka-shi, Fukuoka

(ii) Domestic subsidiaries

Company name	Location
Merpay, Inc. (Head Office)	Minato-ku, Tokyo
Kashima Antlers F.C. Co., Ltd. (Head Office)	Kashima-shi, Ibaraki
Souzoh, Inc. (Head Office)	Minato-ku, Tokyo
Mercoin, Inc. (Head Office)	Minato-ku, Tokyo

(iii) Overseas subsidiaries

Company name	Location
Mercari, Inc. (US) (Head Office)	Palo Alto, California, United States

(7) Employees (as of June 30, 2021)

(i) Employees of the Group

Number of employees	Increase (decrease) from previous fiscal year-end
1,752 [286]	Decrease of 40 [Decrease of 116]

- (Notes)
1. The number of employees stated indicates working employees, and the average number of temporary employees in the past year is stated separately in square brackets.
 2. Information by business segment is not stated as the Group operates a single segment-i.e., the marketplace business.
 3. The workforce has decreased by 40 employees over the most recent year. This is mainly attributable to voluntary retirements for personal reasons.

(ii) Employees of the Company

Number of employees	Increase (decrease) from previous fiscal year-end	Average age	Average years of service
1,060 [204]	Decrease of 30 [Decrease of 73]	33.5 years old	2.9 years

- (Notes)
1. The number of employees stated indicates working employees, and the average number of temporary employees in the past year is stated separately in square brackets.
 2. The workforce has decreased by 30 employees over the most recent year. This is mainly attributable to voluntary retirements for personal reasons.

(8) Major lenders (as of June 30, 2021)

(Millions of yen)

Lender	Balance of borrowings
MUFG Bank, Ltd.	25,000
Mizuho Bank, Ltd.	15,000
Sumitomo Mitsui Banking Corporation	10,000

(9) Other significant matters pertaining to the current condition of the Group

Not applicable.

2. Current Condition of the Company

(1) Status of stock (as of June 30, 2021)

- (i) Shares authorized 459,250,000 shares
- (ii) Shares issued 157,807,344 shares

- (Notes)
1. The total number of issued shares has increased by 66,100 shares due to issuance of new shares related to Restricted Stock Units (RSU) on August 15, 2020, pursuant to a resolution of the Board of Directors on July 16, 2020.
 2. The total number of issued shares has increased by 78,321 shares due to issuance of new shares related to Restricted Stock Units (RSU) on November 15, 2020, pursuant to a resolution of the Board of Directors on October 15, 2020.
 3. The total number of issued shares has increased by 84,141 shares due to issuance of new shares related to Restricted Stock Units (RSU) on February 15, 2021, pursuant to a resolution of the Board of Directors on January 15, 2021.
 4. The total number of issued shares has increased by 68,098 shares due to issuance of new shares related to Restricted Stock Units (RSU) on May 15, 2021, pursuant to a resolution of the Board of Directors on April 22, 2021.
 5. The total number of issued shares has increased by 1,360,320 shares due to stock acquisition rights exercised during the current fiscal year.

(iii) Number of shareholders 32,567

(iv) Major shareholders

Name of shareholder	Number of shares held (Shares)	Ratio of shareholding
Shintaro Yamada	37,812,530	23.96%
Hiroshi Tomishima	8,542,900	5.41%
MSIP CLIENT SECURITIES	8,476,660	5.37%
GOLDMAN SACHS & CO. REG	8,462,993	5.36%
SSBTC CLIENT OMNIBUS ACCOUNT	6,781,331	4.30%
suadd K.K.	6,567,000	4.16%
UNITED, Inc.	4,690,000	2.97%
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	3,513,467	2.23%
MORGAN STANLEY & CO. LLC	3,419,067	2.17%
BNYM AS AGT/CLTS 10 PERCENT	2,986,786	1.89%

(Note) Ratio of shareholding is calculated after subtracting treasury stock (2 shares).

(2) Stock acquisition rights (as of June 30, 2021)

Number of stock acquisition rights	Number of shares to be issued upon exercise of stock acquisition rights	(Reference) Total number of issued shares
2,143,746	6,220,233 shares	157,807,344 shares

Details regarding the stock acquisition rights and related matters have been made available on the Mercari corporate website, pursuant to laws, regulations, and Article 17 of the Company's Articles of Incorporation.

⇒ <https://about.mercari.com/en/>

(3) Status of Company Officers

(i) Status of Directors and Audit and Supervisory Board Members (as of June 30, 2021)

Position in the Company	Name	Responsibility and significant concurrent positions outside the Company
Representative Director, CEO	Shintaro Yamada	CEO Director of Mercari, Inc. (US) Director of Souzoh, Inc.
Director President (Chairman of the Board)	Fumiaki Koizumi	President CEO of Kashima Antlers F.C. Co., Ltd.
Outside Director	Ken Takayama	Outside Director (Audit and Supervisory Committee Member) of TECHMATRIX CORPORATION
Outside Director	Masashi Namatame	Managing Executive Officer and Group Chief Digital Officer of Tokio Marine Holdings, Inc.
Outside Director	Makiko Shinoda	Director at YeLL Inc.
Standing Audit and Supervisory Board Member	Mayumi Tochinoki	Audit and Supervisory Board Member of Merpay, Inc. Audit and Supervisory Board Member of Mercoin, Inc.
Outside Standing Audit and Supervisory Board Member	Fumiyuki Fukushima	Audit & Supervisory Board Member of Findy Inc.
Outside Audit and Supervisory Board Member	Toshihiro Igi	Attorney at Law, Igi Law Office Representative Director of Cyberbond Corporation Outside Director of SAKURA internet Inc.
Outside Audit and Supervisory Board Member	Takahiro Shinozaki	Managing Director and Executive Director of Japan Association for University Athletics and Sport

(Notes) 1. Changes in Directors during the current fiscal year are as follows:

- (i) Directors Yuki Hamada, John Lagerling, Naoki Aoyagi, and Hirohisa Tamonoki resigned due to expiration of their terms of office effective as of the conclusion of the 8th Annual General Meeting of Shareholders held on September 25, 2020.
 - (ii) At the 8th Annual General Meeting of Shareholders held on September 25, 2020, Makiko Shinoda was newly elected as Director and assumed office.
2. Directors Ken Takayama, Masashi Namatame, and Makiko Shinoda are Outside Directors.
 3. Audit and Supervisory Board Members Fumiyuki Fukushima, Toshihiro Igi, and Takahiro Shinozaki are Outside Audit and Supervisory Board Members.
 4. Audit and Supervisory Board Member Fumiyuki Fukushima is a certified public accountant and has extensive knowledge in finance and accounting.
 5. The required notification pertaining to independent officers has been submitted to Tokyo Stock Exchange, Inc. for Directors Ken Takayama, Masashi Namatame, and Makiko Shinoda and Audit and Supervisory Board Members Fumiyuki Fukushima, Toshihiro Igi, and Takahiro Shinozaki.

(ii) Summary of details of limited liability agreement

Under provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into agreements with its respective Outside Directors and Audit and Supervisory Board Members limiting their liability for damages as provided for in Article 423, paragraph (1) of the Companies Act. Under these agreements, the maximum amount of liability for damages to be paid by the respective Outside

Audit and Supervisory Board Members is to be the higher amount of either ¥3 million or the amount stipulated in Article 425, paragraph (1) of the Companies Act, and that to be paid by the respective Directors and Audit and Supervisory Board Member Mayumi Tochinoki is to be the amount stipulated in Article 425, paragraph (1) of the Companies Act.

(iii) Overview of directors and officers liability insurance policy contents

The Company has entered into a directors and officers liability insurance policy with an insurance company, as provided for in Article 430-3, paragraph (1) of the Companies Act, which provides coverage for the Directors, Audit and Supervisory Board Members, and Executive Directors of the Company and its subsidiaries (however, this does not include Mercari, Inc. (US) and Kashima Antlers F.C. Co., Ltd.). In the event that those insured incur losses arising from responsibilities related to the execution of their duties, or from claims being pursued in relation to said responsibilities (excluding cases that are exempted under the insurance policy), they shall be reimbursed under the terms of the policy.

Moreover, the insurance premiums for this policy are paid by the Company in full, and there is, in effect, no burden on the insured themselves.

(iv) Remuneration, etc. for Directors and Audit and Supervisory Board Members

a. Policies related to determining the officer remuneration, etc.

The Company has set the following policies for determining individual remuneration, etc. for Directors and Audit and Supervisory Board Members by the resolution of the Board of Directors, after the deliberation and report by the Nomination and Remuneration Advisory Committee. Furthermore, the Board of Directors has confirmed that the method of determination and the determined details of remuneration, etc. for each individual Director in the fiscal year under review are in line with the policy of determination resolved by the Board of Directors, and that proper regard has been given to the report from the Nomination and Remuneration Advisory Committee. Therefore, it judged that the details of remuneration, etc. are in line with the aforementioned policy.

■ Basic policy

- Taking into account that the primary duty of Directors is to supervise the management of the Group as a whole, and to formulate and drive forward its global growth strategy over the medium to long term, the Company regards securing outstanding personnel at the global level as Directors of the Company and ensuring that their supervisory functions are functioning effectively to be the basic policy for determining the remuneration of Directors.
- Remuneration of Directors (excluding Outside Directors) consists of fixed remuneration and medium- to long-term incentive remuneration in the form of stock options with stock price conditions. The stock options with stock price conditions are set up with appropriate restrictions and conditions to maximize Director performance and their willingness to contribute, and to provide incentives that encourage more appropriate risk-taking by linking shareholder value to remuneration.
- Remuneration of Outside Directors and Audit and Supervisory Board Members consists of fixed remuneration only, so as to preserve their independence from the Company.

Type of remuneration	Overview
Fixed remuneration	<ul style="list-style-type: none"> • Determined by taking a comprehensive view of each Director's duties, abilities, results, and contribution to the Company, and of the performance and economic situation of the Company, etc.
Stock options with stock price conditions	<ul style="list-style-type: none"> • Granted with the aim of maximizing the performance of the individual and their willingness to contribute by investing in people as the Group continues to take up challenges in order to improve corporate value over the medium to long term, and also with the aim of linking the enhancement of shareholder value to remuneration in order to encourage more appropriate risk-taking • Granted only when conditions are met

■ Determination process

Representative Director Shintaro Yamada, who has the confidence of the Board of Directors, determines the remuneration amounts for each Director after taking into account the duties, abilities, and results of each Director as well as the performance and financial situation of the Company, based on the results of consultation with the Nomination and Remuneration Advisory Committee, of which a majority is Outside Directors, in order to ensure the appropriateness of the remuneration plan and levels for Directors, as well as to ensure the independence, objectivity, and transparency of the process for determining remuneration. The reason for delegating this duty is because the Board of Directors deems the Representative Director to be suitably positioned to conduct individual evaluation of each Director while taking into account the business results of the Mercari Group.

The remuneration amounts for each Audit and Supervisory Board Member are determined in the Audit and Supervisory Board meeting based on the results of consultation with the Nomination and Remuneration Advisory Committee.

The composition and activities of the Nomination and Remuneration Advisory Committee are as follows.

A. Composition of the Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee is composed of at least three Directors, of which the majority is independent Outside Directors who have been elected by a resolution of the Board of Directors.

The composition of the Nomination and Remuneration Advisory Committee is as follows.

Name	Position
Shintaro Yamada	Representative Director, CEO (Chairperson)
Ken Takayama	Outside Director
Masashi Namatame	Outside Director
Makiko Shinoda	Outside Director

B. Activities of the Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee met three times, in December 2020, January 2021, and April 2021. All committee members attended on each occasion.

The main matters deliberated were as follows.

- Matters concerning the assessment of Directors
- Matters concerning the assessment of Audit and Supervisory Board Members
- Matters concerning the remuneration structure and policies for Directors, and individual remuneration
- Matters concerning the enhancement of the Company's corporate governance
- Matters concerning the assessment and election of Senior Vice Presidents

■ Resolution of the General Meeting of Shareholders on remuneration, etc. for Directors and Audit and Supervisory Board Members

- At the 5th Annual General Meeting of Shareholders held on September 29, 2017, it was resolved that the annual remuneration, etc. for Directors would be less than or equal to ¥2,000 million (however, this figure does not include salary paid as an employee of the Company). The number of officers to whom this resolution applied was six Directors (including two Outside Directors).
- At the 8th Annual General Meeting of Shareholders held on September 25, 2020, it was resolved that the upper limit of remuneration, etc. relating to the stock acquisition rights as stock options (the “Stock Options”) to be granted to Directors (excluding Outside Directors) shall be ¥2,000 million. The number of officers who are subject to this resolution is two Directors.
- At the 5th Annual General Meeting of Shareholders held on September 29, 2017, it was resolved that the upper limit of annual remuneration, etc. to Audit and Supervisory Board Members shall be less than or equal to ¥100 million. The number of officers to whom this resolution applied was three Audit and Supervisory Board Members (including three Outside Audit and Supervisory Board Members).

■ Stock Options with stock price conditions

● Overview of the plan

The Group aims to continue to take on new challenges and realize the growth of its enterprise value over the medium to long term. Therefore, the Company has introduced a stock option plan linked to market capitalization of the Company for the Company’s Directors (excluding Outside Directors; the “Eligible Directors”) in order to invest in people and maximize their performance and willingness to contribute, as well as to take risks appropriately by linking remuneration to increased shareholder value.

● Calculation method for Stock Options with stock price conditions

A. Officers eligible for the provision

Two Eligible Directors of the Company are eligible.

B. Assets to be provided

Stock Options to which shares of the Company’s common stock are subject shall be provided. The Stock Options grant the right to acquire one share of common stock of the Company per Stock Option.

C. Number of Stock Options vested

The Company resolved to grant 265,522 Stock Options in total to officers eligible for the provision on October 12, 2020, as the allotment date.

D. Method for calculating the number of Stock Options provided individually

The method for calculating the number of Stock Options provided individually is as follows. The “number of Stock Options provided individually” stated herein means the number of Stock Options that become exercisable upon achievement of stock price conditions, among Stock Options allotted to each Eligible Director.

Number of Stock Options provided individually = base number of Stock Options by position x provision rate

The provision rate shall be one when the market capitalization of the Company (calculated by the following formula; hereinafter the same) exceeds ¥1 trillion on each day of a certain five consecutive business days (excluding the days on which ordinary transactions of the Company’s common stock cannot take place) during the period lasting from the allocation date to September 24, 2030, and otherwise be zero.

During the fiscal year ended June 30, 2021, the above target was not achieved.

Market capitalization = (Total number of issued shares of common stock of the Company* – Treasury stock held by the Company*) × Closing price of ordinary transactions of the Company's common stock on the Tokyo Stock Exchange

* Both shall be numerical values on each day of the aforementioned consecutive five business days.

● Other major conditions

A. Number of shares to be allotted upon exercise of a single Stock Option

The number of shares to be allotted upon exercise of a single Stock Option shall be one.

However, if the Company performs a stock split or stock consolidation, the number of shares to be allotted upon exercise of a single Stock Option with regard to Stock Options that are not exercised shall be adjusted according to the following formula. Any fraction less than one-hundredth of one share resulting from the adjustment shall be rounded off, and any cash adjustment shall not be made. The “stock split ratio” shall mean the number obtained by dividing the total number of issued shares of common stock after the stock split by the total number of issued shares of common stock before the stock split, and the “stock consolidation ratio” shall mean the number obtained by dividing the total number of issued shares of common stock after the stock consolidation by the total number of issued shares of common stock before the stock consolidation. The same shall apply hereinafter. The number of shares after the adjustment shall apply on and after the date following the record date for allotment of stock split in accordance with Article 183, paragraph (2), item (i) of the Companies Act in the case of stock split, and on and after the date following the effective date of stock consolidation in the case of stock consolidation.

Number of shares after adjustment = number of shares before adjustment x stock split or consolidation ratio

If it is appropriate to adjust the number of shares to be allotted upon exercise of a single Stock Option because of an issuance or disposal of the Company's stock through the shareholder allocation, an allotment of shares without contribution, a merger, a stock exchange, a company split, and/or other reasons deemed necessary, the Company shall make an adjustment that is deemed appropriate to the number of shares to be allotted upon exercise of a single Stock Option.

B. Amount to be paid upon exercise of the Stock Options and method of calculation thereof

The amount to be paid upon exercise of each Stock Option (the “Exercise Price”) shall be ¥1 per share. The amount to be paid for the Stock Option upon the exercise thereof shall be the amount obtained by multiplying the Exercise Price and the number of shares to be acquired upon exercise of the single Stock Option.

C. Period during which the Stock Options may be exercised

The period shall be from September 25, 2023, to September 24, 2030.

D. Conditions to exercise the Stock Options

The Eligible Directors may, to the extent that each condition stipulated in the following Items is fulfilled, exercise the Stock Options only during the period (each period includes the first day and the last day of this period; hereinafter the same in this D.) from the day following the date on which the condition is fulfilled to the expiration date of the period stipulated in the above C. and up to the number stipulated in the following Items (provided, however, that if the Board of Directors of the Company deems there to be a legitimate reason, such limitation shall not apply). If there is any fraction less than one share with respect to the number of the exercisable Stock Options obtained in accordance with the following Items, (i) the number of the Stock Options which may be exercised during the period shall be rounded down to the nearest whole number and (ii) the number of the Stock Options which may be exercised during

the period stipulated in Item (c) shall be the total of all fractions rounded down in accordance with (i) above and the number of Stock Options obtained in accordance with such Item:

(a) If the Eligible Directors continuously hold a position of Director of the Company until the conclusion of the Annual General Meeting of Shareholders for the last business year which ends within three years from the allotment date:

a third of the total number of allotted Stock Options;

(b) If the Eligible Directors continuously hold a position of Director of the Company until the conclusion of the Annual General Meeting of Shareholders for the last business year which ends within four years from the allotment date:

a third of the total number of allotted Stock Options; and

(c) If the Eligible Directors continuously hold a position of Director of the Company until the conclusion of the Annual General Meeting of Shareholders for the last business year which ends within five years from the allotment date:

a third of the total number of allotted Stock Options.

E. Events that enable the Company to acquire Stock Options

The Company may acquire Stock Options based on any of the following Items. If the Company acquires Stock Options for which any of acquisition events stipulated in the following Items has occurred, the Company shall acquire them on the date determined separately based on a resolution of the Board of Directors. In addition, the Company may acquire all or part of Stock Options for which any of acquisition events stipulated in the following Items has occurred. When the Company acquires part of Stock Options, Stock Options to be acquired shall be determined based on a resolution of the Board of Directors. If the Company acquires Stock Options, notwithstanding other provisions, Eligible Directors cannot exercise Stock Options and do not have the right to receive shares (or cash equivalent to the shares) in relation to Stock Options.

(a) With regard to an absorption-type merger or consolidation-type merger in which the Company is the disappearing company, an absorption-type company split or incorporation-type company split in which the Company is the divesting company, or stock exchange or stock transfer in which the Company becomes a wholly owned subsidiary (hereinafter collectively referred to as "Restructuring Activity"), when a resolution of approval of the Company's general meeting of shareholders which is required by laws and regulations or the Company's Articles of Incorporation (if approval of the general meeting of shareholders is not required, a resolution of the Board of Directors) is passed, the Company may acquire Stock Options without contribution.

(b) If any Eligible Director has become unable to exercise Stock Options before exercising the rights due to the provision in D. above or any other causes, the Company may acquire the Stock Options that have not been exercised without contribution.

F. Treatment in the event of Restructuring Activity

When the Company conducts any Restructuring Activity, the Company shall grant, to Eligible Directors who hold remaining Stock Options immediately before the effective date of the Restructuring Activity, Stock Options of the surviving company or newly-established company in the merger, or the successor company or newly-established company in the company split, or the wholly owning parent company in the stock exchange or stock transfer (in any case, a joint stock company only; hereinafter collectively referred to as the "Company Subject to Restructuring") depending on the procedures, in accordance with the following policy. However, this shall apply only if it is stipulated in an agreement or plan for the Restructuring Activity that Stock Options of the Company Subject to Restructuring are granted in accordance with the following policy.

(a) Number of Stock Options of the Company Subject to Restructuring to be granted

The same number of the Stock Options as the number of Stock Options owned by each Eligible Director shall be granted.

- (b) Class of shares of the Company Subject to Restructuring subject to Stock Options
The shares shall be common stock of the Company Subject to Restructuring.
- (c) Number of shares of the Company Subject to Restructuring subject to Stock Options
The number will be determined according to A. above after taking into account conditions of the Restructuring Activity and others.
- (d) Value of assets to be contributed upon exercise of Stock Options and method of calculation thereof
The number will be determined according to B. above after taking into account conditions of the Restructuring Activity and others.
- (e) Period during which the Stock Options may be exercised
The period shall be from the first date of the period during which Stock Options may be exercised as stipulated in C. above or the effective date of the Restructuring Activity, whichever is later, to the end of the period during which Stock Options may be exercised as stipulated in C. above.
- (f) Conditions to exercise the rights, acquisition events, and other details of Stock Options
These matters shall be specified in an agreement or plan for the Restructuring Activity, according to the details of Stock Options.
- (g) Approval for transfer by the Board of Directors
Transfer of Stock Options shall require approval of the Board of Directors of the Company Subject to Restructuring.
- (h) Treatment in the event of Restructuring Activity
This shall be determined according to this F. section.

G. Others

For other details of stock acquisition rights, please see “Stock acquisition rights.”

b. Total amount of remuneration, etc. for the current fiscal year

Category	Total amount of remuneration, etc. (Millions of yen)	Total amount of remuneration, etc. by type (Millions of yen)			Number of recipient Directors (and other officers)
		Basic remuneration	Performance-linked remuneration, etc.		
			Monetary remuneration, etc.	Non-monetary remuneration, etc.	
Directors (excluding Outside Directors)	300	77	–	223	6
Outside Directors	28	28	–	–	3
Audit and Supervisory Board Members (excluding Outside Audit and Supervisory Board Members)	34	34	–	–	1
Outside Audit and Supervisory Board Members	36	36	–	–	3

(Notes) 1. The aforementioned includes amounts of remuneration, etc. applicable during the terms of office of four Directors who resigned effective as of the conclusion of the 8th Annual General Meeting of Shareholders held on September 25, 2020.

2. Directors' remuneration, etc. does not include the amount paid as salary for employees to those Directors concurrently serving as employees.
3. No Outside Officers received officer remuneration, etc. from a subsidiary of the Company during the current fiscal year.
4. Non-monetary remuneration, etc. (stock options with stock price conditions) is stated in the expenses recorded for the current fiscal year.

(v) Outside Officers

- a. Significant concurrent positions at other organizations and relationships between the Company and such other organizations
 1. Audit and Supervisory Board Member Toshihiro Igi is an Outside Director of SAKURA internet Inc. Although the Company has a business relationship with SAKURA internet Inc., the transaction amount between the two companies is less than 1% of consolidated net sales of the Company for the current fiscal year.
 2. The status of other significant concurrent positions is described on page 31. There is no special interest between the Company and any concurrent positions outside the Company.

b. Major activities in the current fiscal year

Attendance and participation at meetings, and overview of duties performed in relation to expected roles for Outside Directors		
Director	Ken Takayama	Mr. Takayama attended all 13 meetings of the Board of Directors held during the current fiscal year. In the meetings, he provided supervision and advice regarding the management of the Company as Outside Director by utilizing his specialized knowledge and extensive experience in financial businesses and managing internet services companies. As such, he has fulfilled an appropriate role to ensure reasonableness and appropriateness of decision-making. In addition, he attended all three meetings of the Nomination and Remuneration Advisory Committee held during the current fiscal year, and also has been deeply involved in deliberations on evaluation and remuneration of Directors, Audit and Supervisory Board Members, and Senior Vice Presidents, and discussions, etc. for improvement of the corporate governance system.
Director	Masashi Namatame	Mr. Namatame attended all 13 meetings of the Board of Directors held during the current fiscal year. In the meetings, he provided supervision and advice regarding the management of the Company as Outside Director from his viewpoint principally as an expert in finance, based on his extensive experience and broad knowledge on a global scale related to the banking, securities, and investment industries. As such, he has fulfilled an appropriate role to ensure reasonableness and appropriateness of decision-making. In addition, he attended all three meetings of the Nomination and Remuneration Advisory Committee held during the current fiscal year, and also has been deeply involved in deliberations on evaluation and remuneration of Directors, Audit and Supervisory Board Members, and Senior Vice Presidents, and discussions, etc. for improvement of the corporate governance system.
Director	Makiko Shinoda	Ms. Shinoda attended all 10 meetings of the Board of Directors held during the period after she took office on September 25, 2020. In the meetings, she provided supervision and advice regarding the management of the Company as Outside Director by utilizing her specialized knowledge and extensive experience in diversity and inclusion (D&I), ESG, finance, and other fields. As such, she has fulfilled an appropriate role to ensure reasonableness and appropriateness of decision-making. In addition, she attended all three meetings of the Nomination and Remuneration Advisory Committee held during the current fiscal year, and also has been deeply involved in deliberations on evaluation and remuneration of Directors, Audit and Supervisory Board Members, and Senior Vice Presidents, and discussions, etc. for improvement of the corporate governance system.
Audit and Supervisory Board Member	Fumiyuki Fukushima	Mr. Fukushima attended all 13 meetings of the Board of Directors and all 12 meetings of the Audit and Supervisory Board held during the current fiscal year. In the meetings, he provided appropriate advice from his expert viewpoint principally as a certified public accountant.
Audit and Supervisory Board Member	Toshihiro Igi	Mr. Igi attended all 13 meetings of the Board of Directors and all 12 meetings of the Audit and Supervisory Board held during the current fiscal year. In the meetings, he provided appropriate advice from his expert viewpoint principally as an attorney.
Audit and Supervisory Board Member	Takahiro Shinozaki	Mr. Shinozaki attended all 13 meetings of the Board of Directors and all 12 meetings of the Audit and Supervisory Board held during the current fiscal year. In the meetings, he provided appropriate advice from his expert viewpoint principally as a corporate manager.

(4) Independent Auditor

(i) Name Ernst & Young ShinNihon LLC

(ii) Amount of remuneration, etc.

	Amount of remuneration, etc. (Millions of yen)
Independent auditor's remuneration, etc. for the current fiscal year	98
Total amount of money and other financial benefits to be paid to the independent auditor by the Company and its subsidiaries	151

- (Notes)
1. In the audit agreement between the Company and the independent auditor, the Company does not keep accounts by each category of the amount of audit fees, etc. for auditing services under the Companies Act and under the Financial Instruments and Exchange Act. As the amount of auditing services cannot be practically distinguished, the Company states the total amount thereof in the amount of remuneration, etc. of independent auditor for the current fiscal year.
 2. The Audit and Supervisory Board decided to agree on the amount of remuneration, etc. of the independent auditor after making necessary examinations of whether the content of the independent auditor's audit plan, performance of duties, and a basis for calculation of estimated remuneration are appropriate.
 3. A major subsidiary of the Company, Mercari, Inc. (US), is audited by Ernst & Young LLP.

(iii) Description of non-audit services

Non-audit services for which the Company pays remuneration to the independent auditor mainly consist of preparing comfort letters relating to issuance of bonds.

(iv) Policy on decision for dismissal or non-reappointment of independent auditor

The Audit and Supervisory Board is to make decisions on the content of proposals regarding the dismissal or non-reappointment of the independent auditor which are to be submitted to a General Meeting of Shareholders if deemed necessary, particularly in the event that execution of the independent auditor's duties has been impeded.

Moreover, the Audit and Supervisory Board is to dismiss the independent auditor upon gaining unanimous consent of the Audit and Supervisory Board Members if circumstances stipulated in respective items of Article 340, paragraph (1) of the Companies Act have been deemed applicable with respect to the independent auditor. Under such circumstances, an Audit and Supervisory Board Member selected by the Audit and Supervisory Board is to report on the dismissal of the independent auditor and the grounds for dismissal at the first General Meeting of Shareholders convened subsequent to the dismissal.

(v) Summary of details of limited liability agreement

Not applicable.

(vi) Summary of details of indemnity agreement

Not applicable.

3. Policy on Determination of Dividends of Surplus and Others

The Group regards its efforts to return profits to shareholders while simultaneously enhancing its financial standing and securing competitive strengths as key managerial challenges. At this point in time, the Group deems that it is in the process of achieving growth and has accordingly concluded that the best means of maximizing shareholder returns is by supplementing internal reserves and channeling such funds to investment geared to expanding business and streamlining operations. As such, the Company has not made any dividend payments since it was founded, and our policy going forward shall be that of striving to supplement internal reserves for the time being. Although the policy for the future is to consider the option of returning profits to shareholders taking into account operating results achieved in respective fiscal years, at this point in time the Group has yet to make any decision on distribution of dividends.

Consolidated Balance Sheet (as of June 30, 2021)

(Millions of yen)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current assets	227,926	Current liabilities	205,331
Cash on hand and in banks	171,463	Short-term borrowings	19,602
Trade accounts receivable	2,413	Current portion of long-term borrowings	35,398
Other receivable	47,001	Accounts payable	17,775
Prepaid expenses	2,336	Accrued expenses	1,147
Deposits paid	6,251	Income taxes payable	6,140
Other current assets	876	Deposits received	117,099
Allowance for doubtful accounts	(2,416)	Provision for bonuses	1,683
Non-current assets	34,603	Provision for point certificates	802
Property and equipment	2,623	Provision for share-based compensation	152
Intangible assets	658	Other current liabilities	5,529
Investments and other assets	31,321	Non-current liabilities	17,184
Investment securities	215	Long-term borrowings	16,148
Lease deposits	1,631	Retirement benefit liability	92
Deferred tax assets	2,362	Asset retirement obligations	126
Guarantee deposits	26,767	Deferred tax liabilities	183
Other assets	344	Other non-current liabilities	633
		Total liabilities	222,516
		NET ASSETS	
		Shareholders' equity	39,065
		Capital stock	42,630
		Capital surplus	42,585
		Retained earnings (Accumulated deficit)	(46,149)
		Treasury stock	(0)
		Accumulated other comprehensive income	(5)
		Foreign currency translation adjustments	(5)
		Stock acquisition rights	566
		Non-controlling interests	386
		Total net assets	40,013
Total assets	262,529	Total liabilities and net assets	262,529

Consolidated Statement of Income (from July 1, 2020, to June 30, 2021)

(Millions of yen)

Item	Amount	
Net sales		106,115
Cost of sales		24,312
Gross profit		81,802
Selling, general and administrative expenses		76,617
Operating profit		5,184
Non-operating income		
Interest income	30	
Consumption taxes refund	27	
Subsidy income	74	
Other	45	177
Non-operating expenses		
Interest expense	232	
Foreign exchange loss	31	
Bond issuance costs	111	
Other	11	387
Ordinary profit		4,975
Extraordinary income		
Gain on sales of investment securities	6,942	
Other	65	7,008
Extraordinary losses		
Loss on devaluation of investment securities	109	109
Net profit before income taxes		11,874
Income taxes - current	6,981	
Income taxes - deferred	(631)	6,349
Net profit		5,524
Net loss attributable to non-controlling interests		(195)
Net profit attributable to owners of parent		5,720

Non-consolidated Balance Sheet (as of June 30, 2021)

(Millions of yen)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current assets	91,259	Current liabilities	57,131
Cash on hand and in banks	73,174	Trade accounts payable	39
Trade accounts receivable	6,662	Short-term borrowings	300
Merchandise	11	Current portion of long-term borrowings	35,398
Prepaid expenses	1,358	Accounts payable	10,514
Other receivable	8,022	Accrued expenses	478
Short-term loans receivable	2,100	Income taxes payable	6,130
Other current assets	55	Deposits received	388
Allowance for doubtful accounts	(125)	Provision for bonuses	1,660
Non-current assets	28,117	Provision for point certificates	252
Property and equipment	1,053	Provision for share-based compensation	152
Buildings	296	Other current liabilities	1,815
Tools, furniture and fixtures	591	Non-current liabilities	16,485
Other	165	Long-term borrowings	16,148
Intangible assets	103	Other non-current liabilities	336
Software	103	Total liabilities	73,616
Investments and other assets	26,960	NET ASSETS	
Investment securities	129	Shareholders' equity	45,194
Shares of subsidiaries and associates	22,860	Capital stock	42,630
Deferred tax assets	2,397	Capital surplus	42,609
Lease deposits	1,571	Legal capital reserve	42,609
Other assets	0	Other capital surplus	0
		Retained earnings (Accumulated deficit)	(40,045)
		Other retained earnings (Accumulated deficit)	(40,045)
		Retained earnings brought forward (Accumulated deficit)	(40,045)
		Treasury stock	(0)
		Stock acquisition rights	566
		Total net assets	45,760
Total assets	119,376	Total liabilities and net assets	119,376

Non-consolidated Statement of Income (from July 1, 2020, to June 30, 2021)

(Millions of yen)

Item	Amount	
Net sales		75,152
Cost of sales		11,608
Gross profit		63,544
Selling, general and administrative expenses		47,868
Operating profit		15,675
Non-operating income		
Interest income	13	
Fiduciary obligation fee for subsidiaries and associates	32	
Subsidy income	74	
Other	6	126
Non-operating expenses		
Interest expense	208	
Foreign exchange loss	52	
Bond issuance costs	111	
Other	2	375
Ordinary profit		15,426
Extraordinary income		
Gain on sales of investment securities	6,942	
Other	35	6,977
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	7,922	
Loss on devaluation of investment securities	109	
Provision of allowance for doubtful accounts for subsidiaries and associates	125	8,156
Net profit before income taxes		14,247
Income taxes - current	6,979	
Income taxes - deferred	(658)	6,320
Net profit		7,926

Independent Auditor's Audit Report on the Consolidated Financial Statements

(English translation)

Independent Auditor's Report

August 24, 2021

To the Board of Directors
Mercari, Inc.

Ernst & Young ShinNihon LLC
Tokyo Office, Japan
Tomoka Nemoto [Seal]
Certified Public Accountant
Designated and Engagement Partner
Keiji Tanaka [Seal]
Certified Public Accountant
Designated and Engagement Partner
Naoki Tokita [Seal]
Certified Public Accountant
Designated and Engagement Partner

Audit opinion

Pursuant to Article 444, paragraph (4) of the Companies Act, we have audited the consolidated financial statements, that is, the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity, and the notes to consolidated financial statements of Mercari, Inc. (the "Company") for the fiscal year from July 1, 2020, to June 30, 2021.

In our opinion, the above consolidated financial statements fairly present, in every material aspect, the financial position and results of operations of the Group composed of Mercari, Inc. and its consolidated subsidiaries for the relevant term of the consolidated financial statements, in accordance with the business accounting standards generally accepted in Japan.

Basis for audit opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in "The responsibility of independent auditors for the audit of the consolidated financial statements" section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management, Audit and Supervisory Board Members, and the Audit and Supervisory Board for the consolidated financial statements

The responsibility of management is to prepare consolidated financial statements in accordance with business accounting standards generally accepted in Japan and present appropriate accounting information. This responsibility includes the establishment and operation of internal controls deemed necessary by management for the preparation of consolidated financial statements, free of material misstatement due to fraud or error, and the presentation of appropriate accounting information.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of the Group's ability to continue as a going concern and disclosing, as required by the business accounting standards generally accepted in Japan, matters related to going concern.

Audit and Supervisory Board Members and the Audit and Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

The responsibility of independent auditors for the audit of the consolidated financial statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's

report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider, in making those risk assessments, internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and the notes thereto are in accordance with the business accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly represent the underlying transactions and accounting events.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Board Members and the Audit and Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit and Supervisory Board Members and the Audit and Supervisory Board with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interests in the Company

Our firm and engagement partners have no interest in the Company and its consolidated subsidiaries, which shall be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Independent Auditor's Audit Report on the Non-consolidated Financial Statements

(English translation)

Independent Auditor's Report

August 24, 2021

To the Board of Directors
Mercari, Inc.

Ernst & Young ShinNihon LLC
Tokyo Office, Japan
Tomoka Nemoto [Seal]
Certified Public Accountant
Designated and Engagement Partner
Keiji Tanaka [Seal]
Certified Public Accountant
Designated and Engagement Partner
Naoki Tokita [Seal]
Certified Public Accountant
Designated and Engagement Partner

Audit opinion

Pursuant to Article 436, paragraph (2), item (i) of the Companies Act, we have audited the non-consolidated financial statements, that is, the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, and the notes to non-consolidated financial statements, and the supplementary schedules (collectively, the "non-consolidated financial statements, etc.") of Mercari, Inc. (the "Company") for the 9th fiscal year from July 1, 2020, to June 30, 2021.

In our opinion, the above non-consolidated financial statements, etc. fairly present, in every material aspect, the financial position and results of operations of the Company for the relevant term of the non-consolidated financial statements, etc., in accordance with the business accounting standards generally accepted in Japan.

Basis for audit opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in "The responsibility of independent auditors for the audit of the non-consolidated financial statements, etc." section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements, etc. in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management, Audit and Supervisory Board Members, and the Audit and Supervisory Board for the non-consolidated financial statements, etc.

The responsibility of management is to prepare non-consolidated financial statements, etc. in accordance with business accounting standards generally accepted in Japan and present appropriate accounting information. This responsibility includes the establishment and operation of internal controls deemed necessary by management for the preparation of non-consolidated financial statements, etc., free of material misstatement due to fraud or error, and the presentation of appropriate accounting information.

In preparing the non-consolidated financial statements, etc., management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements, etc. with the assumption of the Company's ability to continue as a going concern and disclosing, as required by the business accounting standards generally accepted in Japan, matters related to going concern.

Audit and Supervisory Board Members and the Audit and Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

The responsibility of independent auditors for the audit of the non-consolidated financial statements, etc.

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue

an auditor's report that includes our opinion on the non-consolidated financial statements, etc. based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the non-consolidated financial statements, etc.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider, in making those risk assessments, internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the non-consolidated financial statements, etc. is not expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the non-consolidated financial statements, etc. and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the non-consolidated financial statements, etc. or, if the notes to the non-consolidated financial statements, etc. on material uncertainty are inadequate, to express a qualified opinion with exceptions on the non-consolidated financial statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation of the non-consolidated financial statements, etc. and the notes thereto are in accordance with the business accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the non-consolidated financial statements, etc., including the related notes thereto, and whether the non-consolidated financial statements, etc. fairly represent the underlying transactions and accounting events.

We communicate with the Audit and Supervisory Board Members and the Audit and Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit and Supervisory Board Members and the Audit and Supervisory Board with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interests in the Company

Our firm and engagement partners have no interest in the Company which shall be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Audit and Supervisory Board's Audit Report

(English translation)

Audit Report

Regarding the execution of duties by the Directors for the 9th fiscal year from July 1, 2020, to June 30, 2021, we have prepared this Audit Report upon deliberation based on the audit reports prepared by each Audit and Supervisory Board Member and hereby report as follows:

1. Auditing methods used by Audit and Supervisory Board Members and the Audit and Supervisory Board, and details of audit
 - (1) The Audit and Supervisory Board specified audit policies, assigned duties to each Audit and Supervisory Board Member, and received reports from each Audit and Supervisory Board Member on the status of implementation and results of audit, as well as received reports from the Directors, etc. and the independent auditor on the status of the performance of their duties and asked them for explanations as necessary.
 - (2) In conformity with the auditing standards stipulated by the Audit and Supervisory Board, and in accordance with auditing policies and the assignment of duties, each Audit and Supervisory Board Member strived to achieve effective communication with the Directors, Internal Audit Department, and other employees, collected information, and improved the audit environment. In addition, each Audit and Supervisory Board Member conducted an audit in the following methods.
 - (i) Each Audit and Supervisory Board Member attended the meetings of the Board of Directors and other important meetings, received reports from the Directors and employees, etc. about the status of the performance of their duties, obtained explanations as necessary, reviewed important approval documents, and conducted investigations on the status of the business operations and assets at the head office and major offices. With respect to subsidiaries, we worked to facilitate communication and exchange information with Directors, Audit and Supervisory Board Members, and other relevant personnel of the subsidiaries, and received business reports from the subsidiaries as necessary.
 - (ii) In regard to the internal control system (systems necessary for ensuring that the performance of duties by the Directors conforms with laws and regulations and the Articles of Incorporation, as described in the Company's business report, and other items necessary for ensuring proper business conduct by a corporate group formed by the stock company and its subsidiaries making up the systems put in place based on content of resolutions made by the Board of Directors and the resolutions themselves concerning the development of systems prescribed in Article 100, paragraphs (1) and (3) of the Regulation for Enforcement of the Companies Act), Audit and Supervisory Board Members received reports periodically from the Directors and employees, etc. concerning its construction and operation, and as necessary asked for explanations and expressed opinions.
 - (iii) In addition to monitoring and verifying whether the independent auditor kept its independent position and whether it performed proper audit, we received reports from the independent auditor concerning the performance of its duties, and requested additional explanation as necessary. Moreover, we were informed of the arrangement of the systems for ensuring that the performance of independent auditors is being carried out correctly (matters stipulated in the items of Article 131 of the Regulation on Accounting of Companies) in accordance with the Quality Control Standards for Audits (Business Accounting Council, October 28, 2005) from the independent auditor and requested explanations as necessary.

In accordance with the procedures mentioned above, we reviewed the business report and the supplementary schedules thereto, the non-consolidated financial statements (the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, and the notes to non-consolidated financial statements) and the supplementary schedules thereto and the consolidated financial statements (the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity, and the notes to consolidated financial statements) for the current fiscal year.

2. Results of audit

(1) Results of audit of business report and other relevant documents

- (i) The business report and the supplementary schedules present fairly the financial condition of the Company in conformity with related laws and regulations and the Articles of Incorporation.
- (ii) Regarding the execution of duties by the Directors, there were no instances of misconduct or material matters in violation of laws and regulations, nor of the Articles of Incorporation.
- (iii) The resolution of the Board of Directors regarding the internal control system is fair and reasonable. There are no matters requiring additional comment regarding the contents of the business report on such internal control and the execution of duties by the Directors.

(2) Results of audit of the non-consolidated financial statements and the supplementary schedules

The auditing methods and results of the independent auditor, Ernst & Young ShinNihon LLC, are fair and reasonable.

(3) Results of audit of the consolidated financial statements

The auditing methods and results of the independent auditor, Ernst & Young ShinNihon LLC, are fair and reasonable.

August 27, 2021

Audit and Supervisory Board, Mercari, Inc.
Mayumi Tochinoki [Seal]
Standing Audit and Supervisory Board Member
Fumiyuki Fukushima [Seal]
Standing Audit and Supervisory Board Member
(Outside Audit and Supervisory Board Member)
Toshihiro Igi [Seal]
Outside Audit and Supervisory Board Member
Takahiro Shinozaki [Seal]
Outside Audit and Supervisory Board Member

ESG

Sustainability at Mercari

**For a society where finite resources are used sparingly,
and everyone can create new value**

By building a marketplace in which various items can be bought and sold, Mercari aims to create a circular system in which our planet's limited resources can be used more effectively and realize a society that brings about the endless possibilities that people have even with limited resources.

Results of the previous fiscal year's efforts based on major topics (materiality)

In order to realize the society described above, in 2018, we defined five major topics we should take on in the medium to long term as our materiality, and we have been working on these topics ever since.

Particularly during the previous fiscal year we worked on the following initiatives.

1. Creating a Circular Economy



Initiatives to encourage more people to use *Mercari*

- Holding Mercari Workshops
- Operating Mercari Station



2. Culture and Education



Culture

- Holding a sustainable fashion show with no new items as a Green Friday project
- Holding Mercari Workshops in comprehensive cooperation with local governments
- Surveying and analyzing various data on consumer behavior by Mercari Laboratory
- Holding “Happy Earth Day!,” a limited-time project to promote awareness of issues that affect the environment



Education

- “Learning the Value of Possessions and Money (card game/quiz)” for elementary school students
- “Mercari Hands-On: Learning the Value of Possessions and Money (with Mercari Observation Notebook)” for elementary school students
- “Mercari Education through Problem-Based Learning” for high school students
- Educational programs for using marketplace apps safely and securely
- “SDGs Corporate Initiatives” lecture for high school students
- Educational programs for using cashless payment systems safely and securely
- Collaborative promotion by academy, industry and government of initiatives for training people in cybersecurity



3. Local Empowerment



Collaborative measures with local governments and collaboration in creating opportunities for local empowerment using Mercari

- Adding local governments to the Mercari Donation feature where users can donate their sales balance to local governments and NPOs
- Donations for planned Kamiyama Marugoto Technical College (tentative name) to be established in Kamiyama, Tokushima Prefecture using a system to enable companies to contribute to tax revenue of a specified local government, and collaboration in a school education partnership for promoting diversity and inclusion



4. Safe, Secure, and Fair Transactions



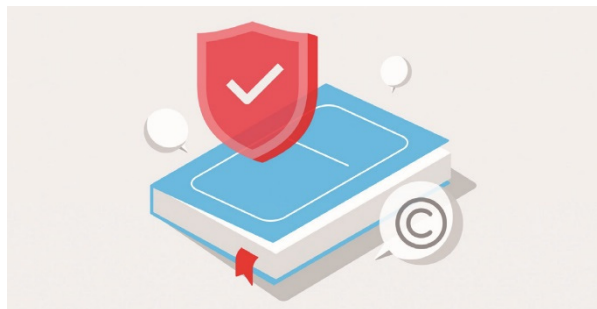
Keeping our policies up to date with social change

- Establishing the Expert Committee Meeting on the Ideal Form of a Marketplace
- Formulating and announcing the Marketplace Principles
- Entering a comprehensive partnership agreement with Fast Retailing to build a safe and secure environment for transactions
- Establishing and running the Advisory Board on the Ideal Form of a Marketplace



Information collected through a network of authorities, organizations, and businesses and following service improvements

- Launching a website for Mercari's Intellectual Property Protection Program
- Explaining our Marketplace Principles to and discussing future plans for working together with relevant government agencies, organizations, and companies



5. Compliance and Risk Management



Compliance

- Carrying out compliance training (monthly e-learning programs for all employees, training programs for certain levels/tasks)
- Carrying out monitoring of adherence to laws and ordinances, etc. (carried out according to regulations relevant to the business)
- Carrying out compliance checks and risk assessments when releasing new features
- Carrying out legal/compliance checks of advertisement content when running promotions
- Solidly executing compliance programs

Risk management

- Carrying out periodic risk management (comprehensive verification based on a risk matrix)
- Initiatives to protect personal information

Governance

- Turning over authority for business execution to the Senior Executive Committee so the Board of Directors can focus on discussing mid/long-term management strategy and supervising management
- Discussing remuneration and selection of Directors and Senior Vice Presidents at the Nomination and Remuneration Advisory Committee

Update on materiality

As it has been roughly two years since the Company first established the major topics (materiality) in 2018, Mercari has conducted an update of these major topics taking into account the changes that have occurred in environments inside and outside of the Company.

When conducting this update, Mercari followed the same process that was initially used in 2018, and reached a final decision at a global exec meeting after multiple discussions.

Examination process

1. Top management held multiple discussions over the course of a year about Mercari's long-term vision.
2. They compared and contrasted the ideal of the society we want to create in the future and the goals of SDGs, and also evaluated the risks and opportunities within the Company's corporate value creation process.
3. After interviews with stakeholders and surveys were conducted, the weight of each material topic was evaluated in relation to stakeholder decision-making.
4. After 2 and 3 were evaluated, the Company's materiality was defined at a global exec meeting.

Materiality re-assessed

The major change to the materiality was to add Mitigating Climate Change to the major topic of Creating a Circular Economy as an environment-related major topic, and to establish the new major topic of Diversity & Inclusion.

Climate change in particular is a topic that everyone in society is concerned about, and companies are increasingly being expected to take concrete actions to help contribute to a solution. Mercari believes it is important to set quantitative targets and to commit to meeting them. Mercari also believes Diversity & Inclusion to be an important topic for achieving its mission, in addition to recognizing a strong interest from society. Therefore, Mercari has made it a major topic of its materiality and plans to give high priority to pursuing such initiatives.

1. Creating a Circular Economy/Mitigating Climate Change

We work to contribute to resolving environmental issues by not only minimizing the impact of Mercari Group's business on the environment, but also making consumer activities more sustainable through our business.

2. Diversity & Inclusion

We tackle society-wide issues of structural discrimination and inequality by building a workplace where people of all backgrounds can achieve their maximum potential. We also strive to realize accessibility of products and services that can be easily used by as many users as possible by harnessing the insight of a wide range of human resources.

3. Local Empowerment

By finding solutions to issues unique to local communities, we aim to contribute to local economies and empower individuals and businesses.

4. Safe, Secure, and Fair Transactions

We strive to provide a platform for secure and fair transactions so our users, merchants, and business partners feel at ease using our service.

5. Corporate Governance/Compliance

Mercari aims to establish a sound and transparent internal management system to earn the trust of not only our users and business partners, but from society as a whole.