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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 ask questions, propose motions, and exercise their voting rights. Please note that shareholders who wish to attend the meeting via the internet must apply to do so beforehand.
 - 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 attendance via the internet and measures to prevent the spread of COVID-19 for the general meeting of shareholders, please refer to the enclosed leaflet.

mercari

Notice of the 10th Annual General Meeting of Shareholders

Mercari, Inc.

Securities code: 4385

Date and time:

Wednesday, September 28, 2022, 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 |

Deadlines:

- Deadline for receiving shareholder questions in advance
5:00 p.m. (JST) on Thursday, September 22, 2022
- Deadline for applications to attend via the internet
7:00 p.m. (JST) on Monday, September 26, 2022
- Deadline for advance exercise of voting rights via the internet
7:00 p.m. (JST) on Tuesday, September 27, 2022

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

On June 7, 2022, Mercari changed its listing from the Tokyo Stock Exchange's Growth Market to the Prime Market. I would like to express my gratitude to our shareholders and everyone else who has supported Mercari over the years, without whom this would not have been possible. While this is an achievement, we will not stop here; we will work to establish an even stronger business foundation and enhance our corporate value by growing our businesses.

For the fiscal year ended June 30, 2022, the external environment continued to change significantly continuing from last year, including the economies of both Japan and the US reopening following the COVID-19 pandemic, as well as rapid inflation in the US. In this context, our three core businesses—Mercari Japan, Merpay, and Mercari US—have been steadily expanding their user bases and continuing to achieve record sales. This result has come due to a number of factors, including reevaluating investment priorities, making disciplined investments for medium- and long-term growth, and focusing on product improvements that enhance the user experience, such as simplifying the UI as well as the processes for listing, packing, and shipping.

We are also concentrating on the improvement of profitability, as evidenced by the achievement of recording an operating profit on a consolidated basis in the fourth quarter. Additionally, in October of 2021, we officially began providing the *Mercari Shops* B2C marketplace service; the service quickly reached a milestone of 200,000 shops within its first six months, and has continued to plant many seeds of success that we fully expect to bear fruit in the future.

Mercari Group's mission is to create value in a global marketplace where anyone can buy & sell—we are still only halfway toward achieving this mission. However, by collaborating with various external partners, we aim to build and grow an ecosystem in which all kinds of value, not limited to just material items, can circulate seamlessly. As people use *Mercari*, their individual actions will gradually become increasingly sustainable, leading to the creation of a planet-positive world that makes effective use of the earth's limited resources. Mercari will continue its work to contribute to realizing this world. Mercari Group also intends to continue expanding across the globe in pursuit of our mission. We will work even harder to embody Diversity & Inclusion in order to establish a borderless organizational foundation, which will allow talent from all over the world to easily work with us.

Although changes in the external environment have impacted our performance for the time being, the potential for the medium- to long-term growth that the Group is aiming for remains as strong as ever, and as such there are no major changes to our action plan. We will continue to build an even stronger and more robust business foundation to achieve both growth and profitability for the Group, and we will continue to take on bold challenges to improve our enterprise value over the medium-to-long term. We are grateful for the continued support and encouragement from all of our shareholders. Thank you.

Shintaro Yamada, Representative Director, Chief Executive Officer



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Securities code: 4385

September 8, 2022

To our shareholders:

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

Notice of the 10th Annual General Meeting of Shareholders

We are pleased to announce that the 10th Annual General Meeting of Shareholders of Mercari, Inc. (the “Company”) will be held as indicated below.

1. **Date and Time:** Wednesday, September 28, 2022, 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 for the 10th fiscal year (from July 1, 2021, to June 30, 2022), and the results of audits of the Consolidated Financial Statements by the independent auditor and the Audit and Supervisory Board
 2. The Non-consolidated Financial Statements for the 10th fiscal year (from July 1, 2021, to June 30, 2022)
 - Matters to be resolved**
 - Proposal No. 1:** Partial Amendments to the Articles of Incorporation
 - Proposal No. 2:** Election of Five (5) Directors

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- Please note that this general meeting of shareholders will be conducted in Japanese only.
 - We ask that shareholders attending the Meeting present the enclosed voting form at the reception.
 - 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 operation of this general meeting of shareholders, such information will be posted on the Company's website*.
 - 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, the following items 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.

Business Report

Assets and profit (loss)

Main business

Major offices

Employees

Major lenders

Other significant matters pertaining to the current condition of the Group

Stock acquisition rights

Independent Auditor

System to ensure the appropriateness of business operations and the status of its implementation

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

Notes to Consolidated Financial Statements

Non-consolidated Financial Statements

Non-consolidated Statement of Changes in Equity

Notes to Non-consolidated Financial Statements

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

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. If you wish to attend this general meeting of shareholders via the internet, please submit the required application by the following deadline through Shareholder Meeting Portal. For details, please refer to the enclosed leaflet.

(i) Deadline for applications to attend via the internet

7:00 p.m. (JST) on Monday, September 26, 2022

(ii) Operating environment for attending the general meeting of shareholders via the internet

Please refer to the following website for recommended system requirements for attending the general meeting of shareholders via the internet. In addition, shareholders should note that they are responsible for all costs related to communications equipment and communications charges associated with internet attendance.

<https://jp.vcube.com/support/virtual-shareholders-meeting/requirements/>



(iii) Notes on attending the general meeting of shareholders via the internet

- To attend the general meeting of shareholders via the internet, you must be a shareholder of the Company.
- Sharing the URL, ID or password for internet attendance with a third party and audio recording, video recording and disclosure, etc. of the proceedings of this general meeting of shareholders are prohibited.
- In case of a network outage or other technical difficulties, live streaming and audio of the general meeting of shareholders could be disrupted or temporarily suspended. Please note that the Company shall not be held liable for any disadvantages suffered by shareholders attending the general meeting of shareholders via the internet due to such technical issues.
- If the Company deems it necessary, contents of the general meeting of shareholders for those in attendance via the internet could be changed or canceled.
- If you have any questions on how to watch the live streaming or related systems, please make inquiries as noted in the enclosed leaflet.
- At the beginning of the general meeting of shareholders, a resolution shall be made to the effect that, if proceedings of the general meeting of shareholders are significantly hampered by technical difficulties such as a network outage, the chairperson of the meeting may decide to postpone or adjourn the meeting. If the chairperson of the meeting decides on a postponement or adjournment based on this resolution, the Company shall announce that fact along with the date and time for the postponed meeting or adjourned meeting on its website* as soon as possible.

(iv) How advance exercise of voting rights will be treated

If a shareholder who exercised their voting rights in advance either in writing or via the internet attends the meeting via the internet, the prior exercise of voting rights shall be deemed void when the Company confirms that the shareholder has exercised their voting rights during the meeting.

If the Company cannot confirm that a shareholder in attendance via the internet has exercised their voting rights during the meeting, their advance exercise of voting rights shall be deemed valid.

Guide to Live Streaming

Proceedings of this general meeting of shareholders on the day of the meeting will be streamed live on the internet. If you only wish to watch the live streaming, you do not need to make an application in advance. Please check the Company's website* for more details

*The Company's website can be found here:

<https://about.mercari.com/en/ir/stock/shareholdermeeting/>

Guide to Exercise of Voting Rights

If you are not attending the General Meeting of Shareholders

[Recommendation] Exercise of voting rights via the internet



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: 7:00 p.m. (JST) on Tuesday, September 27, 2022

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: 7:00 p.m. (JST) on Tuesday, September 27, 2022

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 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. Please submit an application in advance if you wish to attend via the internet.

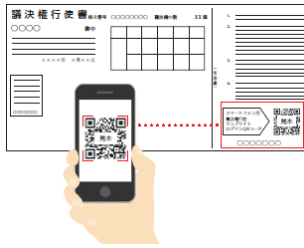
Those who do wish to attend in person must apply to do so beforehand. We plan to limit attendance to a maximum of 20 shareholders (accepted in the order that application is received). For details, please refer to the enclosed leaflet.

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.

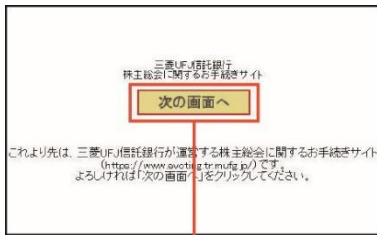


Note that your voting rights can be exercised only once by using the “Smart Vote” method.
If you need to make a correction to the content of your vote after you have exercised the voting rights, please access the desktop version of the website and log in by entering the login ID and temporary password printed on the voting form, and exercise the voting rights again.

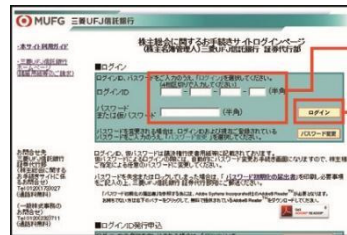
Method 2: Entering your login ID and temporary password

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.”



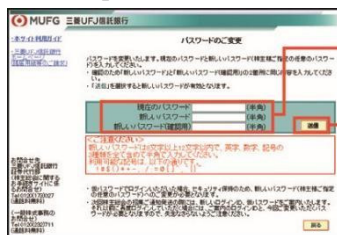
Click “Proceed to the next page”



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 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

Accompanying the enforcement of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) on September 1, 2022, which introduced a system for providing Reference Documents for the General Meeting of Shareholders and other documents (the “Shareholder Meeting Materials”) in electronic format, the Company proposes to amend its Articles of Incorporation as follows:

- (1) Article 17, paragraph (1) in “Proposed Amendments” below will be newly established in response to the Company’s new obligation to indicate in its Articles of Incorporation that it shall take measures for providing information that constitutes the content of Shareholder Meeting Materials in electronic format. Pursuant to this provision, the Company will publish Shareholder Meeting Materials on the Internet, such as on its website, and shareholders will be asked to review the information published on the Internet.
- (2) Article 17, paragraph (2) in “Proposed Amendments” below will stipulate how the Company will address shareholders who wish to receive Shareholder Meeting Materials as paper-based documents. This provision will enable the Company to continue providing some of the Shareholder Meeting Materials in electronic format if the Company had been permitted to provide them in electronic format before, even for shareholders who wish to receive Shareholder Meeting Materials as paper-based documents, to the extent permitted by laws and regulations.
- (3) Accompanying the establishment of the new Article 17 in “Proposed Amendments,” since the provisions for Internet Disclosure and Deemed Provision of Shareholder Meeting Materials (Article 17 of the current Articles of Incorporation) will no longer be required, they will be deleted.
- (4) Supplementary provisions will be established in relation to the effect of the aforementioned deleted provisions. These supplementary provisions shall be deleted after the specified date elapses.

2. Details of the amendments

The details of the amendments are as follows:

(Amended parts are underlined.)

| Current Articles of Incorporation | Proposed Amendments |
|--|---|
| Chapter III General Meeting of Shareholders | Chapter III General Meeting of Shareholders |
| <p><u>(Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.)</u></p> <p><u>Article 17.</u></p> <p><u>When the Company convenes a general meeting of shareholders, if it discloses information that is to be stated or presented in the Reference Documents for the General Meeting of Shareholders, Business Report, Non-consolidated Financial Statements and Consolidated Financial Statements through the Internet in accordance with the provisions prescribed by the Ministry of Justice Order, it may be deemed that the Company has provided this information to shareholders.</u></p> | (Deleted) |












| Current Articles of Incorporation | Proposed Amendments |
|-----------------------------------|---|
| (New) | <p><u>(Measures for Providing Information in Electronic Format, etc.)</u></p> <p><u>Article 17.</u></p> <p><u>1. When the Company convenes a general meeting of shareholders, it shall take measures for providing information that constitutes the content of Reference Documents for the General Meeting of Shareholders, etc. in electronic format.</u></p> <p><u>2. Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.</u></p> |
| (New) | <p><u>(Supplementary Provisions)</u></p> <p><u>1. Article 17 of the pre-amended Articles of Incorporation (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.) shall remain effective regarding any general meeting of shareholders held on a date within six (6) months from September 1, 2022.</u></p> <p><u>2. These Supplementary Provisions shall be deleted on the date when six (6) months have elapsed from September 1, 2022, or three (3) months have elapsed from the date of the general meeting of shareholders in the preceding paragraph, whichever is later.</u></p> |

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

The term 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, Chief Executive Officer |  |
| 2. | Fumiaki Koizumi | Director, President |  |
| 3. | Makiko Shinoda | Outside Director |    |
| 4. | Norio Murakami | Outside Director |    |
| 5. | Masayuki Watanabe | |    |

Guide to abbreviations:

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

▶ **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 Chairman of the Board, Chief Executive Officer of the Company |
| Sept. 2019 | Representative Director, Chief Executive Officer of the Company (current position) |
| Jan. 2021 | Director of Souzoh, Inc. |

▶ **Significant concurrent positions**

Director of Mercari, Inc. (US)

▶ **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 again nominated him as a candidate for Director.



Number of Board of Directors meetings attended:
14/14

Number of the Company's shares owned:
38,502,546 shares

Number of shares to be issued upon exercise of the Company's stock acquisition rights owned:
1,378,823 shares

▶ **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 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 fields of public relations and ESG, 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:
14/14

Number of the Company's shares owned:
1,487,580 shares

Number of shares to be issued upon exercise of the Company's stock acquisition rights owned:
865,849 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 Diversity & Inclusion, 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 again nominated her as a candidate for Outside Director to contribute to the further strengthening of the Group's management structure.



Tenure as Outside Director:
2 years

Number of Board of Directors meetings attended:
14/14

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) |
| Sept. 2021 | Outside Director of the Company (current position) |



Tenure as Outside Director:
1 year

Number of Board of Directors meetings attended:
11/11

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 has been supervising and providing advice to the management of the Company as an Outside Director by utilizing his experience in global corporate management and technical knowledge. 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 again nominated him as a candidate for Outside Director to contribute to the further strengthening of the Group's management structure.

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

- Apr. 1997 Joined McKinsey & Company, Inc.
- Aug. 1999 Co-founder of DeNA Co., Ltd.
- Dec. 2010 CEO of Quipper Ltd.
- Oct. 2019 Co-founder of FOODCODE, LTD.
- Oct. 2019 Director of FOODCODE, LTD. (current position)

▶ **Significant concurrent positions**

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

Masayuki Watanabe is expected to supervise and provide advice to the management of the Company as it continues to grow by utilizing his expertise in global business expansion, given that he has experience in founding and managing tech companies in and outside of Japan. 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.



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

- (Notes)
1. There is no special interest between any candidates and the Company.
 2. Makiko Shinoda, Norio Murakami, and Masayuki Watanabe are candidates for Outside Director. The Company has entered into agreements, in accordance with Article 427, paragraph (1) of the Companies Act, with Makiko Shinoda and Norio Murakami 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 Makiko Shinoda and Norio Murakami is approved, the Company plans to renew the aforementioned limited liability agreements with them. Furthermore, if the election of Masayuki Watanabe is approved, the Company plans to enter into a same 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, the Company intends to renew it under the same terms and conditions during the Directors' terms of office.
 4. The Company has submitted notification to Tokyo Stock Exchange, Inc. to designate all candidates for Outside Director as independent officers provided under the regulations of 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 definitions:

| Item | Overview |
|---------------------------------|---|
| Corporate management | General management strategy |
| Sustainability | Sustainability management |
| 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 | Makiko Shinoda | Norio Murakami | Masayuki Watanabe |
| Attributes | Re-appointment or new appointment | Re-appointment | Re-appointment | Re-appointment | Re-appointment | New appointment |
| | Independent Outside Director | | | • | • | • |
| Skills | Corporate management | • | • | • | • | • |
| | Sustainability | • | • | • | | |
| | Technology | • | | | • | |
| | Global management | • | | | • | • |
| | Business | • (General) | • (General) | • (Internet, finance) | • (Internet) | • (Internet) |
| | Finance/accounting | | • | • | | |
| Corporate governance/compliance | | • | • | | | |

Attached Materials

Business Report (From July 1, 2021, to June 30, 2022)

1. Current Condition of the Group

(1) Status of operations for the fiscal year ended June 30, 2022

(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, 2022, the Group continued to work toward this goal, focusing on creating further growth opportunities for the Group by promoting the development of new domains in Japan and overseas, such as Souzoh, Mercoin, Merlogi, and global expansion, while also continuing to grow its three pillars of Mercari Japan, Merpay, and Mercari US. There continued to be major changes in the external environment such as moves to restart the economy following the spread of COVID-19 in Japan and the US and the rapidly advancing inflation in the US. Under such changes, the Group implemented selective investments in accordance with its updated investment policy that better clarifies investment priorities. This resulted in a consolidated operating profit in the fourth quarter, making this a year of preparation for sustainable growth.

In addition, aiming to use the planet’s limited resources carefully and build a world where anyone can create value, the Group carried out various action plans in areas such as climate change mitigation and Diversity & Inclusion. This included achieving scopes 1 and 2^(Note 1) of the Group’s mid-term decarbonization targets, as well as introducing “Mercari’s New Normal Work Style ‘Your Choice,’” a work style policy that allows for diverse work styles.

In the mainstay Mercari Japan business, as a result of initiatives to acquire new users, strengthen listings, and improve retention, the number of monthly active users (MAU^(Note 2)) was 20.40 million. On the other hand, in addition to a decrease in time people spent at home and the impact of anti-fraud measures, the prioritization of investments made for mid- to long-term growth resulted in a slowdown of short-term gross merchandise value (GMV^(Note 3)). Despite this, Mercari Japan’s GMV for the fiscal year ended June 30, 2022, was ¥881.6 billion, an increase of ¥97.0 billion from the previous fiscal year.

In the Souzoh business, the full rollout of the business-to-consumer (B2C) marketplace *Mercari Shops* took place in October 2021, with the business getting off to a good start. In the second half of the fiscal year, as a result of focusing on product improvements and marketing to acquire shops, *Mercari Shops* exceeded 200,000^(Note 4) shops, showing strong progress.

With respect to the Merpay business providing its mobile payment services, the Group is seeing a steady growth in the payment and credit businesses^(Note 5). In particular, the growth of *Merpay Smart Payments* (fixed-amount payment) improved profitability, and the Merpay business recorded its first full-year unadjusted^(Note 6) operating profit. In addition, the Merpay business has been advancing convenience and the construction of a safe and secure user environment, with the percentage of users who have completed its continuously promoted identity verification exceeding 86% of all users.

For the Mercari US business, MAU grew with the success of effective marketing initiatives. In addition, *Mercari* brand awareness^(Note 7) achieved a record high, with the launch of campaigns to promote brand building over the medium-to-long term. However, short-term GMV growth rate slowed down due to the high hurdle of the previous fiscal year and external factors such as inflation, among other reasons. As a result, the GMV of *Mercari* in the US for the fiscal year ended June 30, 2022, was \$1,145 million (¥134.4 billion; the exchange rate conversion is calculated using the average rate for the fiscal year, ¥117.40 against the US dollar), down \$28 million from the previous fiscal year, and MAU was 4.90 million.

As a result, for the fiscal year ended June 30, 2022, the Group recorded net sales of ¥147,049 million (38.6% increase year on year), operating loss of ¥3,715 million (compared to operating profit of ¥5,184 million in the previous fiscal year), ordinary loss of ¥3,896 million (compared to ordinary profit of ¥4,975 million in the previous fiscal year), and net loss attributable to owners of parent of ¥7,569 million (compared to net profit attributable to owners of parent of ¥5,720 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. Reducing emissions by 75% by using renewable energy for 100% of our office electricity.
 2. 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.
 3. GMV (Gross Merchandise Value) is the total value of merchandise sold during a specified period.
 4. As of April 19, 2022.
 5. Refers to the payment and credit areas of Merpay.
 6. Amount before deducting internal transactions between Mercari Japan and Merpay.
 7. Number of respondents indicating they “know of” Mercari’s service name (third-party survey).

(ii) Capital investments

Total capital expenditure undertaken during the fiscal year ended June 30, 2022, amounted to ¥1,585 million (including intangible fixed assets), which was mainly allocated for the purchase of office equipment for the Company’s head office and for the acquisition of leased assets for shipping services.

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

(iii) Financing

Funds were raised in the fiscal year ended June 30, 2022 through liquidation of receivables of a consolidated subsidiary. As a result, short-term borrowings totaled ¥54,254 million in the current fiscal year.

Based on a resolution at the meeting of the Board of Directors held on June 28, 2021, the Company issued Zero Coupon Convertible Bonds (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuen-tsuki 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, with the due date for related payments on July 14, 2021 (London time).

(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

Not applicable.

(2) Major subsidiaries

| Name | Capital stock | Percentage of voting rights held by the Company | Main business |
|--------------------------------|-----------------------|---|--|
| Mercari, Inc. (US) | US\$588,511 thousand | 100% | Planning, development, and management of the <i>Mercari</i> (US) C2C marketplace |
| Merpay, Inc. | ¥100 million | 100% | Planning, development, and management of financial-related business which includes funds transfer operations |
| Kashima Antlers F.C. Co., Ltd. | ¥2,257 million (Note) | 71.2% | 1. Management of the Kashima Antlers professional soccer team 2. Planning and management of various entertainment, such as soccer games and other sporting events 3. Management of sports facilities such as soccer stadiums |
| Souzoh, Inc. | ¥100 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 |
| Merlogi, Inc. | ¥100 million | 100% | Planning, developing, and operating logistics services |

(Note) Kashima Antlers F.C. Co., Ltd. conducted a capital increase in May 2022. As a result, capital stock for that company increased from ¥1,570 million to ¥2,257 million.

(3) Issues to be addressed

(i) Ensuring the safety and soundness of services

The increasing prevalence of e-commerce services and social media, as well as ever-more sophisticated fraudulent use associated therewith, appear 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 talent development programs and HR systems, the promotion of Diversity & Inclusion, 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 with the aim of realizing its mission to create value in a global marketplace where anyone can buy & sell, such as by entering the US market in 2014 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 supervising 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 internal management systems 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.

(vii) Strengthening financial discipline

In order to achieve continued growth and expansion, the Group must further enhance and expand its revenue base and increase its capabilities to secure financing leveraging increased profits. By controlling the three core businesses, namely Mercari Japan, Merpay, and Mercari US, with appropriate financial discipline and by improving profitability, the Group will solidify its earnings base.

2. Current Condition of the Company

(1) Status of stock (as of June 30, 2022)

- (i) Shares authorized 459,250,000 shares
- (ii) Shares issued 160,813,967 shares

- (Notes)
1. The total number of issued shares has increased by 39,724 shares due to issuance of new shares related to Restricted Stock Units (RSU) on August 15, 2021, pursuant to a resolution of the Board of Directors on June 28, 2021, and a resolution of the Board of Directors on July 1, 2021.
 2. The total number of issued shares has increased by 56,590 shares due to issuance of new shares related to Restricted Stock Units (RSU) on November 15, 2021, pursuant to a resolution of the Board of Directors on October 19, 2021.
 3. The total number of issued shares has increased by 49,075 shares due to issuance of new shares related to Restricted Stock Units (RSU) on February 15, 2022, pursuant to a resolution of the Board of Directors on January 18, 2022.
 4. The total number of issued shares has increased by 52,839 shares due to issuance of new shares related to Restricted Stock Units (RSU) on May 15, 2022, pursuant to a resolution of the Board of Directors on April 1, 2022.
 5. The total number of issued shares has increased by 2,808,395 shares due to stock acquisition rights exercised during the fiscal year ended June 30, 2022.

(iii) Number of shareholders 75,879

(iv) Major shareholders

| Name of shareholder | Number of shares held | Ratio of shareholding |
|--|-----------------------|-----------------------|
| Shintaro Yamada | 38,502,546 | 23.94% |
| Hiroshi Tomishima | 8,510,900 | 5.29% |
| GOLDMAN SACHS INTERNATIONAL | 7,471,119 | 4.65% |
| suadd K.K. | 6,567,000 | 4.08% |
| Custody Bank of Japan, Ltd. (Trust Account) | 5,507,300 | 3.42% |
| MSIP CLIENT SECURITIES | 5,143,287 | 3.20% |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 4,721,500 | 2.94% |
| BNYM AS AGT/CLTS 10 PERCENT | 3,509,178 | 2.18% |
| GOLDMAN SACHS & CO. REG | 3,267,568 | 2.03% |
| UNITED, Inc. | 2,610,000 | 1.62% |

(Note) Ratio of shareholding is calculated after subtracting treasury stock (103 shares).

(2) Status of Company Officers

(i) Status of Directors and Audit and Supervisory Board Members (as of June 30, 2022)

| Position in the Company | Name | Responsibility and major concurrent positions outside the Company |
|---|--------------------|---|
| Representative Director, Chief Executive Officer | Shintaro Yamada | Chief Executive Officer Director of Mercari, Inc. (US) Director of Souzoh, Inc. |
| Director, President | 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 External Director of RENOVA, Inc. |
| Outside Director | Makiko Shinoda | Director at YeLL Inc. |
| Outside Director | Norio Murakami | Representative Director of Norio Murakami Office Co., Ltd. Outside Director of V-cube, Inc. Outside Director of CellSource Co., Ltd. |
| 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. Audit and Supervisory Board Member of Kashima Antlers F.C. Co., Ltd. |
| Outside Audit and Supervisory Board Member | Daiken Tsunoda | Partner of Nakamura, Tsunoda & Matsumoto Outside Director (Member of the Audit and Supervisory Committee) of Sumitomo Mitsui Banking Corporation |

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

- (i) Director Masashi Namatame and Audit and Supervisory Board Members Toshihiro Igi and Takahiro Shinozaki resigned due to expiration of their term of office effective as of the conclusion of the 9th Annual General Meeting of Shareholders held on September 29, 2021.
 - (ii) At the 9th Annual General Meeting of Shareholders held on September 29, 2021, Norio Murakami was newly elected as Director, and Daiken Tsunoda was newly elected as Audit and Supervisory Board Member, and each assumed office.
2. Directors Ken Takayama, Makiko Shinoda, and Norio Murakami are Outside Directors.
 3. Audit and Supervisory Board Members Fumiyuki Fukushima and Daiken Tsunoda 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 directors has been submitted to Tokyo Stock Exchange, Inc. for Directors Ken Takayama, Makiko Shinoda, and Norio Murakami and Audit and Supervisory Board Members Fumiyuki Fukushima and Daiken Tsunoda.

(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 Vice Presidents 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 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 Nomination and Remuneration Advisory Committee, a majority of whose members are independent Outside Directors, has confirmed that the details of remuneration, etc. for each individual Director in the current fiscal year are consistent with the policy of determination set by the resolution of the Board of Directors. Therefore, the Board of Directors has judged that the details of remuneration, etc. for each individual Director 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 enterprise 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 ● Realized only when conditions are met |

■ Determination process

Representative Director Shintaro Yamada, with the delegated authority by the Board of Directors, determines the remuneration amounts for each Director after taking into account the duties, abilities, and performance of each Director as well as financial performance of the Company and economic conditions, 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 authority 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 Mercari Group.

The remuneration amounts for each Audit and Supervisory Board Member are determined through discussion among the Audit and Supervisory Board Members 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, Chief Executive Officer (Chairperson) |
| Ken Takayama | Outside Director |
| Makiko Shinoda | Outside Director |
| Norio Murakami | Outside Director |

B. Activities of the Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee met four times, in July 2021, September 2021, January 2022, and April 2022. 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 Audit and Supervisory Board Members, 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 annual remuneration, etc. for 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.

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*

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

As the above stock price conditions were met during the fiscal year ended June 30, 2022, the Eligible Directors may, if each condition stipulated in the following Items is fulfilled, exercise the Stock Options during the period (each period includes the first day and the last day of this period) from the day following the date on which the condition is fulfilled to September 24, 2030, and for up to a third of the total number of Stock Options allotted to themselves.

- (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:
- (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:
- (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:

b. Total amount of remuneration, etc. for the fiscal year ended June 30, 2022

| Category | Total amount of remuneration, etc. (Millions of yen) | Total amount of remuneration, etc. by type (Millions of yen) | | Number of recipients |
|---|--|--|---|----------------------|
| | | Fixed remuneration | Stock Options with stock price conditions | |
| Directors (excluding Outside Directors) | 358 | 47 | 310 | 2 |
| Outside Directors | 28 | 28 | – | 4 |
| Audit and Supervisory Board Members (excluding Outside Audit and Supervisory Board Members) | 20 | 20 | – | 1 |
| Outside Audit and Supervisory Board Members | 28 | 28 | – | 4 |
| Total | 435 | 124 | 310 | 11 |

- (Notes)
1. Directors' remuneration, etc. does not include the amount paid as salary for employees to those Directors concurrently serving as employees.
 2. The total remuneration, etc. for Outside Directors includes amounts of remuneration, etc. applicable during the term of office of one Outside Director who resigned effective as of the conclusion of the 9th Annual General Meeting of Shareholders held on September 29, 2021.
 3. The total remuneration, etc. for Outside Audit and Supervisory Board Members includes amounts of remuneration, etc. applicable during the terms of office of two Outside Audit and Supervisory Board Members who resigned effective as of the conclusion of the 9th Annual General Meeting of Shareholders held on September 29, 2021.
 4. No Outside Officers received officer remuneration, etc. from a subsidiary of the Company during the current fiscal year.
 5. Stock options with stock price conditions are stated in the expenses recorded for the current fiscal year.

(v) Outside Officers

- a. Major concurrent positions at other organizations and relationships between the Company and such other organizations
 1. Outside Director Makiko Shinoda is Outside Director at YeLL Inc. Although the Company has a business relationship with YeLL 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. Outside Director Norio Murakami is Outside Director of V-cube, Inc. Although the Company has a business relationship with V-cube, Inc., the transaction amount between the two companies is less than 1% of consolidated net sales of the Company for the current fiscal year.

3. Outside Audit and Supervisory Board Member Daiken Tsunoda is Outside Director (Member of the Audit and Supervisory Committee) of Sumitomo Mitsui Banking Corporation. Sumitomo Mitsui Banking Corporation is a major lender for the Company, and all transactions with Sumitomo Mitsui Banking Corporation are carried out under terms equivalent to those for general transactions.
4. The status of other significant concurrent positions is described on page 25. There is no special interest between the Company and any concurrent positions outside the Company.

b. Major activities in the fiscal year ended June 30, 2022

| 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 14 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 4 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, as well as discussions, etc. for improvement of the corporate governance system. |
| Director | Makiko Shinoda | Ms. Shinoda attended all 14 meetings of the Board of Directors held during the current fiscal year. 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 & Inclusion, 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 4 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, as well as discussions, etc. for improvement of the corporate governance system. |
| Director | Norio Murakami | Mr. Murakami attended all 11 meetings of the Board of Directors held during the period after he took office on September 29, 2021. In the meetings, he provided supervision and advice regarding the management of the Company as Outside Director by utilizing his experience in global corporate management, technical knowledge, and extensive experience. As such, he has fulfilled an appropriate role to ensure reasonableness and appropriateness of decision-making. In addition, he attended all 4 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, as well as discussions, etc. for improvement of the corporate governance system. |
| Audit and Supervisory Board Member | Fumiyuki Fukushima | Mr. Fukushima attended all 14 meetings of the Board of Directors and all 13 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 | Daiken Tsunoda | Mr. Tsunoda attended all 11 meetings of the Board of Directors and all 9 meetings of the Audit and Supervisory Board held during the period after he took office on September 29, 2021. In the meetings, he provided appropriate advice from his expert viewpoint principally as an attorney. |

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 its 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, 2022)

(Millions of yen)

| Item | Amount | Item | Amount |
|-------------------------------------|----------------|---|-----------------|
| ASSETS | | LIABILITIES | |
| Current assets | 303,396 | Current liabilities | 224,722 |
| Cash on hand and in banks | 211,406 | Short-term borrowings | 54,254 |
| Trade accounts receivable | 4,454 | Current portion of long-term borrowings | 1,348 |
| Other receivable | 80,287 | Accounts payable | 18,217 |
| Prepaid expenses | 2,805 | Accrued expenses | 1,915 |
| Deposits paid | 7,093 | Income taxes payable | 1,525 |
| Other current assets | 2,156 | Deposits received | 139,094 |
| Allowance for doubtful accounts | (4,807) | Provision for bonuses | 1,389 |
| Non-current assets | 36,466 | Provision for point certificates | 359 |
| Property and equipment | 3,462 | Provision for share-based compensation | 91 |
| Intangible assets | 666 | Other current liabilities | 6,525 |
| Investments and other assets | 32,337 | Non-current liabilities | 77,141 |
| Investment securities | 117 | Convertible-bond-type bonds with stock acquisition rights | 50,000 |
| Lease deposits | 1,614 | Long-term borrowings | 25,749 |
| Deferred tax assets | 3,417 | Retirement benefit liability | 75 |
| Guarantee deposits | 26,774 | Asset retirement obligations | 126 |
| Other assets | 413 | Deferred tax liabilities | 162 |
| | | Other non-current liabilities | 1,028 |
| | | Total liabilities | 301,864 |
| | | NET ASSETS | |
| | | Shareholders' equity | 35,453 |
| | | Capital stock | 44,628 |
| | | Capital surplus | 44,582 |
| | | Retained earnings (Accumulated deficit) | (53,757) |
| | | Treasury stock | (0) |
| | | Accumulated other comprehensive income | 1,303 |
| | | Foreign currency translation adjustments | 1,303 |
| | | Stock acquisition rights | 926 |
| | | Non-controlling interests | 314 |
| | | Total net assets | 37,998 |
| Total assets | 339,862 | Total liabilities and net assets | 339,862 |

Consolidated Statement of Income (from July 1, 2021, to June 30, 2022)

(Millions of yen)

| Item | Amount | |
|---|---------|----------------|
| Net sales | | 147,049 |
| Cost of sales | | 51,905 |
| Gross profit | | 95,143 |
| Selling, general and administrative expenses | | 98,859 |
| Operating loss | | (3,715) |
| Non-operating income | | |
| Interest income | 50 | |
| Consumption taxes refund | 28 | |
| Subsidy income | 4 | |
| Other | 26 | 110 |
| Non-operating expenses | | |
| Interest expense | 129 | |
| Foreign exchange loss | 149 | |
| Bond issuance costs | 11 | |
| Other | 0 | 290 |
| Ordinary loss | | (3,896) |
| Extraordinary income | | |
| Gain on sales of investment securities | 15 | |
| Gain on liquidation of investment securities | 16 | |
| Other | 1 | 32 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 51 | |
| Loss on devaluation of investment securities | 82 | 133 |
| Net loss before income taxes | | (3,997) |
| Income taxes - current | 4,718 | |
| Income taxes - deferred | (1,075) | 3,642 |
| Net loss | | (7,640) |
| Net loss attributable to non-controlling interests | | (70) |
| Net loss attributable to owners of parent | | (7,569) |

Non-consolidated Balance Sheet (as of June 30, 2022)

(Millions of yen)

| Item | Amount | Item | Amount |
|---------------------------------------|----------------|---|-----------------|
| ASSETS | | LIABILITIES | |
| Current assets | 98,902 | Current liabilities | 15,518 |
| Cash on hand and in banks | 78,609 | Trade accounts payable | 2 |
| Trade accounts receivable | 7,152 | Short-term borrowings | 100 |
| Merchandise | 9 | Current portion of long-term borrowings | 1,348 |
| Prepaid expenses | 1,631 | Accounts payable | 10,564 |
| Other receivable | 9,208 | Accrued expenses | 538 |
| Short-term loans receivable | 1,900 | Income taxes payable | 56 |
| Other current assets | 392 | Deposits received | 265 |
| Non-current assets | 38,456 | Provision for bonuses | 1,364 |
| Property and equipment | 1,611 | Provision for point certificates | 106 |
| Buildings | 201 | Provision for share-based compensation | 91 |
| Tools, furniture and fixtures | 483 | Other current liabilities | 1,079 |
| Other | 926 | Non-current liabilities | 76,688 |
| Intangible assets | 74 | Long-term borrowings | 25,749 |
| Software | 74 | Convertible-bond-type bonds with stock acquisition rights | 50,000 |
| Investments and other assets | 36,770 | Other non-current liabilities | 940 |
| Investment securities | 46 | Total liabilities | 92,206 |
| Shares of subsidiaries and associates | 33,580 | NET ASSETS | |
| Deferred tax assets | 1,598 | Shareholders' equity | 44,225 |
| Lease deposits | 1,544 | Capital stock | 44,628 |
| Other assets | 0 | Capital surplus | 44,607 |
| | | Legal capital reserve | 44,607 |
| | | Other capital surplus | 0 |
| | | Retained earnings (Accumulated deficit) | (45,011) |
| | | Other retained earnings (Accumulated deficit) | (45,011) |
| | | Retained earnings brought forward (Accumulated deficit) | (45,011) |
| | | Treasury stock | (0) |
| | | Stock acquisition rights | 926 |
| | | Total net assets | 45,152 |
| Total assets | 137,359 | Total liabilities and net assets | 137,359 |

Non-consolidated Statement of Income (from July 1, 2021, to June 30, 2022)

(Millions of yen)

| Item | Amount | |
|---|--------|----------------|
| Net sales | | 86,107 |
| Cost of sales | | 13,753 |
| Gross profit | | 72,354 |
| Selling, general and administrative expenses | | 59,259 |
| Operating profit | | 13,094 |
| Non-operating income | | |
| Interest income | 7 | |
| Foreign exchange gain | 205 | |
| Fiduciary obligation fee for subsidiaries and associates | 33 | |
| Other | 11 | 258 |
| Non-operating expenses | | |
| Interest expense | 119 | |
| Bond issuance costs | 11 | |
| Other | 0 | 131 |
| Ordinary profit | | 13,221 |
| Extraordinary income | | |
| Gain on sales of investment securities | 15 | |
| Gain on liquidation of investment securities | 16 | |
| Reversal of allowance for doubtful accounts for subsidiaries and associates | 125 | |
| Other | 5 | 162 |
| Extraordinary losses | | |
| Loss on valuation of shares of subsidiaries and associates | 14,239 | |
| Loss on devaluation of investment securities | 82 | 14,321 |
| Net loss before income taxes | | (937) |
| Income taxes - current | 3,228 | |
| Income taxes - deferred | (799) | 4,028 |
| Net loss | | (4,965) |

Independent Auditor's Audit Report on the Consolidated Financial Statements

(English translation)

Independent Auditor's Report

August 23, 2022

To the Board of Directors
Mercari, Inc.

Ernst & Young ShinNihon LLC
Tokyo Office, Japan
Tomoka Nemoto
Certified Public Accountant
Designated and Engagement Partner
Keiji Tanaka
Certified Public Accountant
Designated and Engagement Partner
Naoki Tokita
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 (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 of the Company, which spanned from July 1, 2021, to June 30, 2022.

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.

Other information

Other information comprises the business report and the supplementary schedules thereto. Management is responsible for the preparation and disclosure of the other information. Meanwhile, Audit and Supervisory Board Members and the Audit and Supervisory Board are responsible for overseeing Directors' execution of duties, as they relate to the design and operation of reporting processes for the other information.

Our audit opinion on the consolidated financial statements does not cover such other information, and we do not provide an opinion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to look over the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained over the course of our audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact.

We have nothing to report regarding the other information.

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 matters related to going concern, as required by the business accounting standards generally accepted in Japan.

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 23, 2022

To the Board of Directors
Mercari, Inc.

Ernst & Young ShinNihon LLC
Tokyo Office, Japan
Tomoka Nemoto
Certified Public Accountant
Designated and Engagement Partner
Keiji Tanaka
Certified Public Accountant
Designated and Engagement Partner
Naoki Tokita
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 (the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, 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 10th fiscal year of the Company, which spanned from July 1, 2021, to June 30, 2022.

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.

Other information

Other information comprises the business report and the supplementary schedules thereto. Management is responsible for the preparation and disclosure of the other information. Meanwhile, Audit and Supervisory Board Members and the Audit and Supervisory Board are responsible for overseeing Directors' execution of duties, as they relate to the design and operation of reporting processes for the other information.

Our audit opinion on the non-consolidated financial statements, etc. does not cover such other information, and we do not provide an opinion on the other information.

In connection with our audit of the non-consolidated financial statements, etc., our responsibility is to look over the other information and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements, etc. or our knowledge obtained over the course of our audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact.

We have nothing to report regarding the other information.

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 matters related to going concern, as required by the business accounting standards generally accepted in Japan.

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 10th fiscal year from July 1, 2021, to June 30, 2022, 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 according to 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 26, 2022

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)
Daiken Tsunoda [Seal]
Outside Audit and Supervisory Board Member

Sustainability at Mercari

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

By creating a marketplace where people can buy and sell anything, Mercari aims to build mechanisms to more effectively use the earth’s limited resources and create a world where anyone can unleash their potential.

1 Materiality Goals

To realize the sustainable world that we envision, we defined our materiality as five (5) focus areas we believe we need to take on in the mid- to-long term, and have been taking on initiatives in these material topics since 2019. This section explains our goals for each of these five topics. Following internal and external changes, Mercari’s materiality was partially updated in 2021.

1. Creating a Circular Economy/Mitigating Climate Change

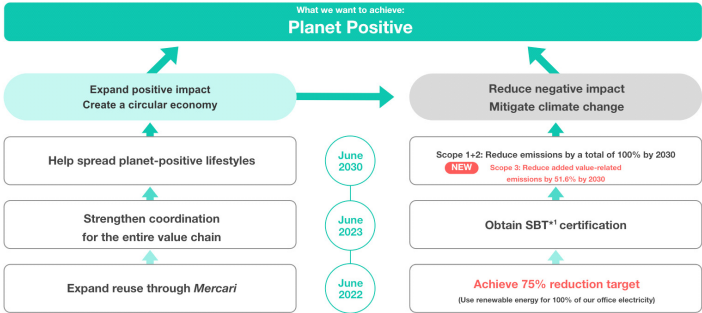


We believe that minimizing Mercari’s environmental burden and changing people’s consumption behavior through our business will help create a circular economy, solve environmental issues, and mitigate climate change.

We use the phrase “planet positive” to express our desire to reduce negative impact and continue generating positive impact on the environment through our business. Mercari will continue to pursue “planet-positive” action to contribute to creating a world where anyone can unleash their potential, solving environmental issues, and mitigating climate change.

- ◆ The road to planet positive
 - Expand positive impact (create a circular economy)
 - Reduce negative impact (mitigate climate change)

We are aiming to be planet positive both in terms of creating a circular economy and mitigating climate change. We also set new Scope 3 targets for mitigating climate change this year, in accordance with SBT¹.



1. Short for “science-based targets.” The greenhouse gas emissions reduction target set by our company in accordance with the standards called for by the Paris Accord (limiting global warming to 1.5°C–2°C from pre-industrial levels), to be achieved in 5–15 years’ time.
2. Scope 1: Direct emissions from fuel use by our company
3. Scope 2: Indirect emissions accompanying use of electricity/heat provided by another company
4. Scope 3: Supply chain emissions from company activities, excluding those covered in Scope 1 and Scope 2
5. Our targets fall under category 1, “Purchased Goods and Services”

Major initiatives in FY2022

- Developed Mercari Eco Pack (reusable packing material)
- Developed Mercari Ecobox, a box for sorting things before throwing them away, to encourage reuse
- Offset CO₂ emissions from electricity used in sports facilities and offices

2. Diversity & Inclusion



We tackle structural discrimination and inequality issues by building a work environment where people of all backgrounds can achieve their maximum potential. We also strive to realize a service accessible to all.

- ◆ Product: Create a product that is easy to use for all users
- ◆ Organization: Build an organization that provides fair opportunities to all employees and leverages diversity as a strength

Major initiatives in FY2022

- Introduced “Your Choice” as Mercari’s new normal work style policy
- Updated Merci Box (Added financial support for egg freezing and early childcare)
- Started the Mercari Restart Program, a support program for people who temporarily left the workforce for reasons such as childcare or nursing and are now looking to restart their career



3. Local Empowerment



By finding solutions to issues unique to regions across the country, we aim to contribute to local economies and empower individuals and businesses.

We believe that Mercari can empower individuals and businesses, stimulate regional economies, and help solve the issues that society faces. Through Mercari Shops, we are now able to support the e-commerce experience of not just individuals, but also local businesses by cooperating with local governments and other institutions.

- ◆ Promote regional economies and create opportunities for local empowerment

Major initiatives in FY2022

- Entered agreements and partnerships with 43 local governments
- Expanded Mercari Donation to 95 recipients



What is *Mercari Shops*?

An online shopping platform that allows anyone to easily open an online store using just their smartphone.

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 services.

We believe that it is important not only that we maintain a fair marketplace where individuals and organizations can freely buy and sell, but even more so that we establish a safe environment for transactions that all of our stakeholders—users, merchants, partners, and more—are able to feel at ease using.

- ◆ Build a platform for transactions that is safe, secure, and fair for our many users.



Major initiatives in FY2022

- Released the price alert feature
- Held the Advisory Board on the Ideal Form of a Marketplace
- Entered into comprehensive partnership agreements with seven companies
- Collaborated with JC3 (Japan Cybercrime Control Center)

5. Corporate Governance and Compliance



We aim to establish a sound and transparent internal decision-making process to earn the trust of not only our users and business partners, but society as a whole.

As we work to achieve our mission, we believe that in order to acquire the trust of stakeholders and sustainably enhance our enterprise value, it is essential to improve the fairness and transparency of management and promote sound risk-taking by continuously enhancing our corporate governance structure.

- ◆ Establish a management structure to support globalization (approach)
 - Build implementation structures and consider and carry out strategies for corporate governance, compliance, security, and data privacy



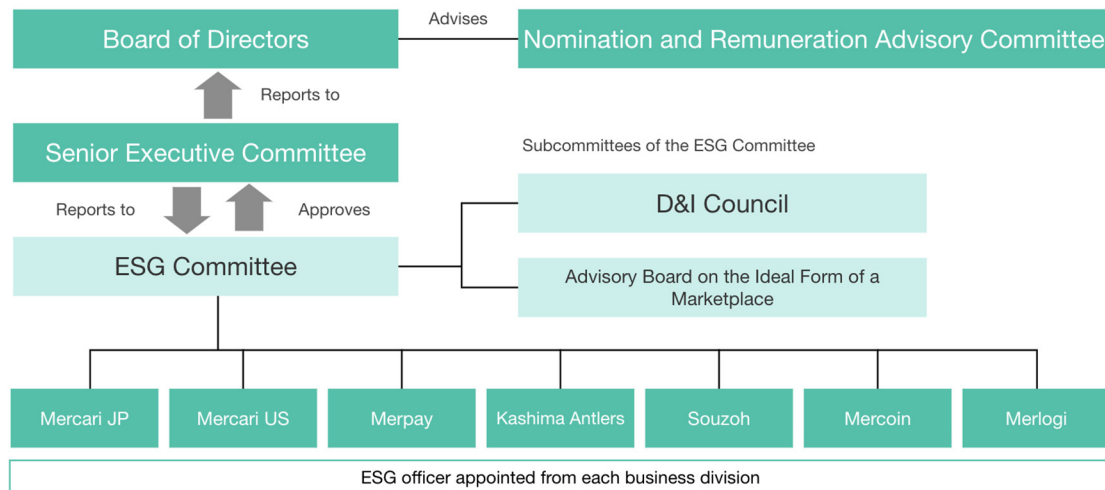
Major initiatives in FY2022

- Checked compliance with the revised Act on the Protection of Personal Information
- Strengthened protection of personal information and strengthened our data governance structure
- Updated our Privacy Policies and Privacy Guide
- Carried out training regarding protection of personal information (e-learning)

2

Our Structure for Promoting ESG

In order to better incorporate ESG perspectives into management decisions and execution processes, Mercari established an ESG Committee in December 2021 to advise our Senior Executive Committee. We have also appointed ESG officers for each of our companies. Having these officers offer an ESG perspective in business-related management decisions allows us to balance our businesses and materiality-focused ESG initiatives, and ensures a structure that allows us to swiftly implement and promote these initiatives.



ESG Committee

Mercari considers ESG to be an important management topic. The ESG Committee aims to ensure sufficient time for regular discussions regarding ESG in order to enable better discussions and enhance the quality of decisions made by the Senior Executive Committee. With Representative Director, Chief Executive Officer Shintaro Yamada as chairperson, this committee is composed of the CEOs of each business division, as well as ESG officers and other members nominated by the chairperson. They meet four (4) times per year to formulate ESG-related implementation plans and monitor progress on each of the material topics.

- ESG Committee meeting summaries
- 1st ESG Committee meeting (February 1, 2022)
 - 2nd ESG Committee meeting (May 10, 2022)
 - 3rd ESG Committee meeting (July 5, 2022)