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Items Disclosed Online in Relation to the Notice of the 10th Annual General Meeting of Shareholders

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Mercari, Inc.

In accordance with the provisions of laws and regulations as well as Article 17 of the Articles of Incorporation, Mercari, Inc. has provided these documents to shareholders on its website (<https://about.mercari.com/en/ir/stock/shareholdermeeting/>).

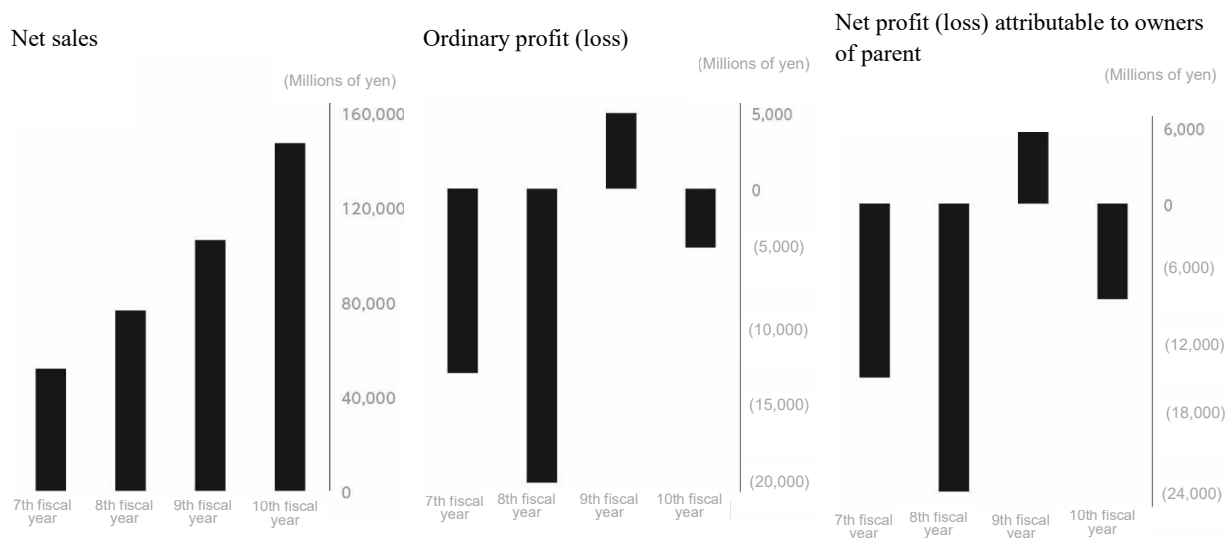
Business Report

1. Assets and profit (loss)

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

	7th fiscal year (Fiscal year ended June 2019)	8th fiscal year (Fiscal year ended June 2020)	9th fiscal year (Fiscal year ended June 2021)	10th fiscal year (Fiscal year ended June 2022)
Net sales (Millions of yen)	51,683	76,275	106,115	147,049
Ordinary profit (loss) (Millions of yen)	(12,171)	(19,391)	4,975	(3,896)
Net profit (loss) attributable to owners of parent (Millions of yen)	(13,764)	(22,772)	5,720	(7,569)
Basic earnings (loss) per share (Yen)	(94.98)	(147.86)	36.43	(47.34)
Total assets (Millions of yen)	163,685	198,014	262,529	339,862
Net assets (Millions of yen)	50,936	35,368	40,013	37,998
Net assets per share (Yen)	337.88	222.78	247.52	228.57

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) from the beginning of the fiscal year (July 1, 2021). All figures for the fiscal year reflect the application of this accounting standard.

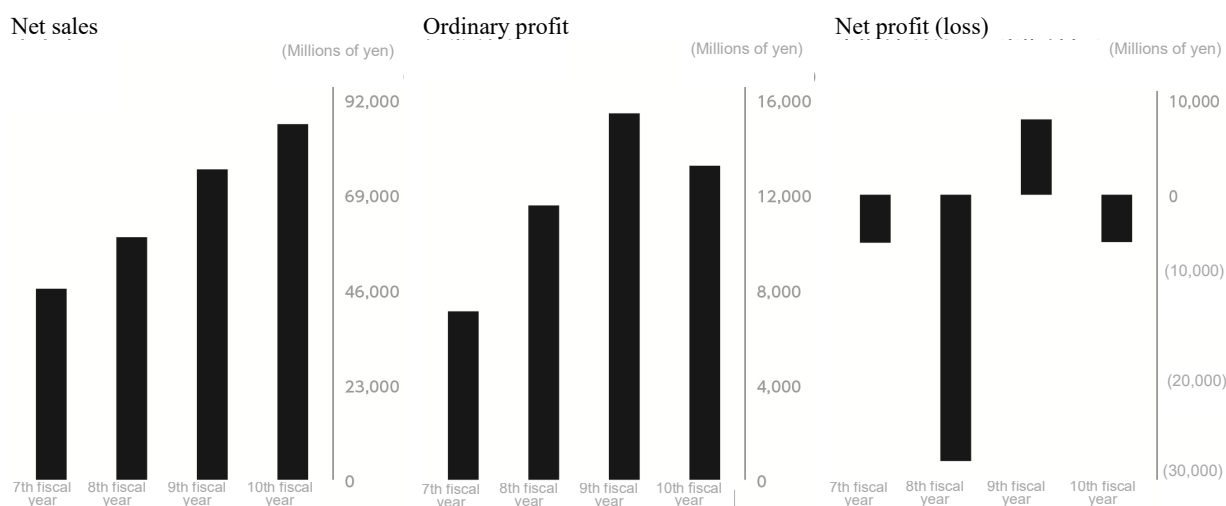


(25,000)

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

	7th fiscal year (Fiscal year ended June 2019)	8th fiscal year (Fiscal year ended June 2020)	9th fiscal year (Fiscal year ended June 2021)	10th fiscal year (Fiscal year ended June 2022)
Net sales (Millions of yen)	46,254	58,744	75,152	86,107
Ordinary profit (Millions of yen)	7,090	11,550	15,426	13,221
Net profit (loss) (Millions of yen)	(5,046)	(28,014)	7,926	(4,965)
Basic earnings (loss) per share (Yen)	(34.82)	(181.89)	50.48	(31.05)
Total assets (Millions of yen)	125,742	104,683	119,376	137,359
Net assets (Millions of yen)	60,242	38,884	45,760	45,152
Net assets per share (Yen)	399.61	249.02	286.39	275.01

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) from the beginning of the fiscal year (July 1, 2021). All figures for the fiscal year reflect the application of this accounting standard.



2. Major business (as of June 30, 2022)

(i) Mission

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

“I want to circulate our limited resources to help society thrive.” The *Mercari* marketplace app was born out of this realization by our founder Shintaro Yamada as he traveled the world. Thanks to the power of technology, people around the world can easily link up and enjoy the experience of buying and selling with each other. With this, we aim to realize a circular economy where limited resources are shared across generations, and build a society where all people can fulfill their potential based on this foundation.

(ii) Overview of services

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

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

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

(iii) Services operated by the Group

The Group consists of the Company, its consolidated subsidiaries Mercari, Inc. (US), Souzoh, Inc., Merlogi, Inc., Merpay, Inc., Mercoin, Inc., Kashima Antlers F.C. Co., Ltd., and others (as of June 30, 2022). Effective from January 1, 2022, the Group has newly set its businesses in Japan excluding Kashima Antlers as the Japan Region to promote the creation of synergy between businesses and has been working toward further growth of the Group. Information by business segment is omitted as the Group operates a single segment— i.e., the marketplace business.



The Mercari Japan business operates the consumer-to-consumer (C2C) marketplace app *Mercari*, on which it has been working since the Company was founded. This service provides a unique user experience that enables anybody to buy and sell items easily and simply, with its MAU reaching 20.40 million users at the end of June 2022.

In the Souzoh business, the Group launched the full rollout of the B2C marketplace *Mercari Shops* in October 2021. As a result of focusing on product improvements and marketing to acquire shops, the number of registered shops in *Mercari Shops* exceeded 200,000 as of April 19, 2022, showing strong progress.

With the *Merpay* mobile payment service, the Group has been striving to expand the business in association with the creation of new credit centered on the credit business, utilizing its high technological prowess and unique user and information bases of Mercari. 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.

The Mercari US business operates *Mercari (US)* as a marketplace where anybody can easily and safely sell a variety of items, under the “Mercari: Your Marketplace” initiative. In addition to increasing brand recognition and capturing new users, the Group is working to optimize listing and delivery processes, and by the end of June 2022, Mercari’s MAU exceeded 4.90 million.

3. Major offices (as of June 30, 2022)

(i) The Company

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

(ii) Domestic subsidiaries

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

(iii) Overseas subsidiaries

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

4. Employees (as of June 30, 2022)

(i) Employees of the Group

Number of employees	Increase (decrease) from previous fiscal year-end
2,209 [467]	Increase of 457 [Increase of 181]

- (Notes)
1. The number of employees stated indicates working employees, and the average number of temporary employees in the past year is stated separately in square brackets.
 2. Information by business segment is not stated as the Group operates a single segment— i.e., the marketplace business.
 3. The number of employees has increased by 457 employees over the most recent year. This is mainly attributable to an increase in employees associated with business expansion.

(ii) Employees of the Company

Number of employees	Increase (decrease) from previous fiscal year-end	Average age	Average years of service
1,232 [290]	Increase of 172 [Increase of 86]	34.6 years old	2.9 years

- (Notes)
1. The number of employees stated indicates working employees, and the average number of temporary employees in the past year is stated separately in square brackets.
 2. The number of employees has increased by 172 employees over the most recent year. This is mainly attributable to an increase in employees associated with business expansion.

5. Major lenders (as of June 30, 2022)

(Millions of yen)

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

6. Other significant matters pertaining to the current condition of the Group

Not applicable.

7. Stock acquisition rights

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

Name (Issue date)	Number of stock acquisition rights (Units)	Class and number of shares to be issued upon exercise of stock acquisition rights (Shares)	Amount paid per unit	Exercise price per share (Yen)	Exercise period of stock acquisition rights
5th series stock acquisition rights (August 20, 2014)	200	Common stock 2,000	Without contribution	20	From August 21, 2016, to August 19, 2024
10th series stock acquisition rights (February 14, 2015)	100	Common stock 1,000	Without contribution	20	From February 15, 2017, to August 19, 2024
11th series stock acquisition rights (February 14, 2015)	3,400	Common stock 34,000	Without contribution	20	From February 15, 2017, to August 19, 2024
13th series stock acquisition rights (June 27, 2015)	386	Common stock 3,860	Without contribution	20	From June 27, 2015, to June 27, 2025
14th series stock acquisition rights (August 22, 2015)	200	Common stock 2,000	Without contribution	20	From August 23, 2017, to August 21, 2025
15th series stock acquisition rights (August 22, 2015)	2,500	Common stock 25,000	Without contribution	20	From August 23, 2017, to August 19, 2024
18th series stock acquisition rights (February 13, 2016)	760	Common stock 7,600	Without contribution	102	From February 14, 2018, to February 12, 2026
21st series stock acquisition rights (June 25, 2016)	19,500	Common stock 195,000	Without contribution	102	From June 26, 2018, to February 12, 2026
25th series stock acquisition rights (August 31, 2016)	665	Common stock 6,650	Without contribution	332	From September 1, 2018, to August 30, 2026
26th series stock acquisition rights (August 31, 2016)	868	Common stock 8,680	Without contribution	332	From September 1, 2018, to August 30, 2026
30th series stock acquisition rights (February 24, 2017)	905	Common stock 9,050	Without contribution	353	From February 25, 2019, to February 23, 2027
32nd series stock acquisition rights (February 24, 2017)	1,125	Common stock 11,250	Without contribution	353	From February 24, 2017, to February 24, 2027

Name (Issue date)	Number of stock acquisition rights (Units)	Class and number of shares to be issued upon exercise of stock acquisition rights (Shares)	Amount paid per unit	Exercise price per share (Yen)	Exercise period of stock acquisition rights
34th series stock acquisition rights (June 23, 2017)	185,489	Common stock 1,854,890	Without contribution	353	From June 24, 2019, to February 23, 2027
35th series stock acquisition rights (June 23, 2017)	7,352	Common stock 73,520	Without contribution	353	From June 24, 2019, to February 23, 2027
36th series stock acquisition rights (June 23, 2017)	924	Common stock 9,240	Without contribution	353	From June 23, 2017, to June 23, 2027
38th series stock acquisition rights (November 29, 2017)	517,650	Common stock 517,650	Without contribution	3,000	From November 30, 2019, to November 28, 2027
39th series stock acquisition rights (March 13, 2018)	9,500	Common stock 9,500	Without contribution	3,000	From March 14, 2020, to March 12, 2028
40th series stock acquisition rights (October 12, 2020)	265,522	Common stock 265,522	Without contribution	1	From September 25, 2023, to September 24, 2030
41st series stock acquisition rights (October 12, 2020)	189,868	Common stock 189,868	Without contribution	1	From June 1, 2022, to December 31, 2025
42nd series stock acquisition rights (March 25, 2021)	23,882	Common stock 23,882	Without contribution	1	From September 1, 2021, to March 31, 2023
43rd series stock acquisition rights (March 25, 2021)	11,087	Common stock 11,087	Without contribution	1	From September 1, 2021, to September 30, 2023
44th series stock acquisition rights (September 30, 2021)	18,064	Common stock 18,064	Without contribution	1	From March 1, 2022, to September 30, 2023
45th series stock acquisition rights (September 30, 2021)	42,370	Common stock 42,370	Without contribution	1	From March 1, 2022, to September 30, 2024
46th series stock acquisition rights (September 30, 2021)	33,445	Common stock 33,445	Without contribution	1	From March 1, 2022, to September 30, 2024
47th series stock acquisition rights (March 31, 2022)	40,439	Common stock 40,439	Without contribution	1	From September 1, 2022, to March 31, 2024

Name (Issue date)	Number of stock acquisition rights (Units)	Class and number of shares to be issued upon exercise of stock acquisition rights (Shares)	Amount paid per unit	Exercise price per share (Yen)	Exercise period of stock acquisition rights
48th series stock acquisition rights (March 31, 2022)	10,830	Common stock 10,830	Without contribution	1	From September 1, 2022, to March 31, 2025
49th series stock acquisition rights (March 31, 2022)	3,530	Common stock 3,530	Without contribution	1	From September 1, 2022, to March 31, 2025
50th series stock acquisition rights (March 31, 2022)	77,784	Common stock 77,784	Without contribution	1	From September 1, 2022, to March 31, 2024
Total	1,468,345	Common stock 3,487,711	—	—	—

(2) Stock acquisition rights held by Directors and Audit and Supervisory Board Members of Mercari, Inc. (the “Company”) which were issued as consideration for their performance of duties (as of June 30, 2022)

1) Stock acquisition rights held by Directors (excluding Outside Directors)

Name (Issue date)	Number of holders	Number of stock acquisition rights held (Units)	Class and number of shares to be issued upon exercise of stock acquisition rights (Shares)
21st series stock acquisition rights (June 25, 2016)	1	19,500	Common stock 195,000
34th series stock acquisition rights (June 23, 2017)	2	178,415	Common stock 1,784,150
40th series stock acquisition rights (October 12, 2020)	2	265,522	Common stock 265,522

(Notes) 1. On October 20, 2017, the Company conducted a 10:1 stock split of its common stock, pursuant to the resolution of the Board of Directors on September 14, 2017. As a result, the number of shares to be issued upon exercise of stock acquisition rights, amount to be paid upon exercise of stock acquisition rights, and share issue price and amount of additional paid-in capital if shares are issued owing to the exercise of stock acquisition rights have been adjusted.

2. The conditions for exercising the 21st series and 34th series stock acquisition rights are as follows:

- 1) Concerning the stock acquisition rights to be exercised or their right holders, the stock acquisition rights may be exercised as long as the circumstances for the Company’s acquisition of the stock acquisition rights provided in the Guidance for Issuing Stock Acquisition Rights have not occurred. The stock acquisition rights may not be exercised if the aforementioned circumstances have occurred, unless otherwise permitted by the Company in exceptional circumstances.
- 2) The exercise of the stock acquisition rights requires that the right holders are alive, and in cases where the right holders are deceased, the stock acquisition rights will not be succeeded and can no longer be exercised, unless otherwise permitted by the Company in exceptional circumstances.
- 3) Other conditions concerning the exercise of the stock acquisition rights shall be governed by agreements on the allotment of the stock acquisition rights entered into between the Company and a person who has received the allotment of the stock acquisition rights based on the resolution of the Board of Directors where the issuance of the stock acquisition rights was decided.

3. The conditions for exercising the 40th series stock acquisition rights are as follows:

- 1) The right holders may exercise the Stock Options from the day following the date on which the condition that the Market Capitalization of the Company (calculated by the following formula) 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) is fulfilled during the period lasting from the allocation date to September 24, 2030.

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

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

- 2) The right holders may, to the extent that each condition stipulated in the following Items is fulfilled, exercise the stock acquisition rights only during the period (each period includes the first day and the last day of this period; hereinafter the same in this Paragraph) from the day following the date on which the condition is fulfilled to the expiration date of the exercise period for these stock acquisition rights, up to the number stipulated in the following Items (provided, however, that if the Board of Directors of the Company deems legitimate, the right holders may exercise the stock acquisition rights). If there is any fraction less than one share with respect to the number of the exercisable Stock Options obtained in accordance with the following Items, (a) the number of the Stock Options which may be exercised during the period shall be rounded down to the nearest whole number and (b) the number of the Stock Options which may be exercised during the period stipulated in Item (iii) shall be the total of all fractions rounded down in accordance with (a) above and the number of Stock Options obtained in accordance with such Item:
 - (i) If the right holders continuously hold a position of Director of the Company until the conclusion of the Annual General Meeting of Shareholders for the last business year which ends within three years from the allotment date:
a third of the total number of allotted Stock Options;
 - (ii) If the right holders continuously hold a position of Director of the Company until the conclusion of the Annual General Meeting of Shareholders for the last business year which ends within four years from the allotment date:

- a third of the total number of allotted Stock Options; and
- (iii) If the right holders continuously hold a position of Director of the Company until the conclusion of the Annual General Meeting of Shareholders for the last business year which ends within five years from the allotment date:
a third of the total number of allotted Stock Options.

- 3) Concerning the stock acquisition rights to be exercised or their right holders, the stock acquisition rights may be exercised as long as the circumstances for the Company's acquisition of the stock acquisition rights provided in the Guidelines for Issuing Stock Acquisition Rights have not occurred. The stock acquisition rights may not be exercised if the aforementioned circumstances have occurred, unless otherwise permitted by the Company in exceptional circumstances.
- 4) The exercise of the stock acquisition rights requires that the right holders are alive, and in cases where the right holders are deceased, the stock acquisition rights will not be succeeded and can no longer be exercised, unless otherwise permitted by the Company in exceptional circumstances.
- 5) Other conditions concerning the exercise of the stock acquisition rights shall be governed by agreements on the allotment of the stock acquisition rights entered into between the Company and a person who has received the allotment of the stock acquisition rights based on the resolution of the Board of Directors where the issuance of the stock acquisition rights was decided.

2) Stock acquisition rights held by Audit and Supervisory Board Members

Name (Issue date)	Number of holders	Number of stock acquisition rights held (Units)	Class and number of shares to be issued upon exercise of stock acquisition rights (Shares)
11th series stock acquisition rights (February 14, 2015)	1	3,400	Common stock 34,000
15th series stock acquisition rights (August 22, 2015)	1	2,500	Common stock 25,000
18th series stock acquisition rights (February 13, 2016)	1	600	Common stock 6,000
25th series stock acquisition rights (August 31, 2016)	1	300	Common stock 3,000
30th series stock acquisition rights (February 24, 2017)	1	150	Common stock 1,500
34th series stock acquisition rights (June 23, 2017)	1	300	Common stock 3,000
38th series stock acquisition rights (November 29, 2017)	1	750	Common stock 750

(Notes) 1. On October 20, 2017, the Company conducted a 10:1 stock split of its common stock, pursuant to the resolution of the Board of Directors on September 14, 2017. As a result, the number of shares to be issued upon exercise of stock acquisition rights, amount to be paid upon exercise of stock acquisition rights, and share issue price and amount of additional paid-in capital if shares are issued owing to the exercise of stock acquisition rights have been adjusted.

2. The conditions for exercising the 11th series, 15th series, 18th series, 25th series, 30th series, 34th series, and 38th series stock acquisition rights are as follows:

- 1) Concerning the stock acquisition rights to be exercised or their right holders, the stock acquisition rights may be exercised as long as the circumstances for the Company's acquisition of the stock acquisition rights provided in the Guidance for Issuing Stock Acquisition Rights have not occurred. The stock acquisition rights may not be exercised if the aforementioned circumstances have occurred, unless otherwise permitted by the Company in exceptional circumstances.
- 2) The exercise of the stock acquisition rights requires that the right holder is alive, and in cases where the right holder is deceased, the stock acquisition rights will not be succeeded and can no longer be exercised, unless otherwise permitted by the Company in exceptional circumstances.
- 3) Other conditions concerning the exercise of the stock acquisition rights shall be governed by agreements on the allotment of the stock acquisition rights entered into between the Company and a person who has received the allotment of the stock acquisition rights based on the resolution of the Board of Directors where the issuance of the stock acquisition rights was decided.

(3) Stock acquisition rights delivered to employees (excluding Officers) of the Company which were issued as consideration for their performance of duties during the current fiscal year

Name (Issue date)	Number of persons subject to granting	Number of stock acquisition rights delivered (Units)	Class and number of shares to be issued upon exercise of stock acquisition rights (Shares)
44th series stock acquisition rights (September 30, 2021)	49	29,142	Common stock 29,142
45th series stock acquisition rights (September 30, 2021)	17	67,400	Common stock 67,400

Name (Issue date)	Number of persons subject to granting	Number of stock acquisition rights delivered (Units)	Class and number of shares to be issued upon exercise of stock acquisition rights (Shares)
46th series stock acquisition rights (September 30, 2021)	12	56,176	Common stock 56,176
47th series stock acquisition rights (March 31, 2022)	46	40,439	Common stock 40,439
48th series stock acquisition rights (March 31, 2022)	3	10,830	Common stock 10,830
49th series stock acquisition rights (March 31, 2022)	1	3,530	Common stock 3,530
50th series stock acquisition rights (March 31, 2022)	108	80,754	Common stock 80,754

(Notes) 1. The conditions for exercising the 44th series stock acquisition rights are as follows:

- 1) The right holders may exercise the stock acquisition rights only if the right holders, until the exercise, continuously hold any of the positions stipulated in the following Items; provided, however, that if the Board of Directors of the Company deems legitimate, the right holders may exercise the stock acquisition rights.
 - (i) Directors or Audit and Supervisory Board Members of the Company or its subsidiaries (meaning subsidiaries prescribed in Article 2, item (iii) of the Companies Act; hereinafter the same)
 - (ii) Employees of the Company or its subsidiaries
- 2) The right holders may exercise the stock acquisition rights only during the period (each period includes the first day and the last day of this period), up to the number stipulated in the following Items. If there is any fraction less than one share with respect to the number of the exercisable Stock Options obtained in accordance with the following Items, (a) the number of the Stock Options which may be exercised during the period shall be rounded down to the nearest whole number and (b) the number of the Stock Options which may be exercised during the period stipulated in Item (iv) shall be the total of all fractions rounded down in accordance with (a) above and the number of Stock Options obtained in accordance with such Item:
 - (i) From March 1, 2022, to March 31, 2022:
a third of the total number of allotted Stock Options;
 - (ii) From September 1, 2022, to September 30, 2022:
a third of the total number of allotted Stock Options;
 - (iii) From March 1, 2023, to March 31, 2023:
a sixth of the total number of allotted Stock Options; and
 - (iv) From September 1, 2023, to September 30, 2023:
a sixth of the total number of allotted Stock Options.
- 3) Concerning the stock acquisition rights to be exercised or their right holders, the stock acquisition rights may be exercised as long as the circumstances for the Company's acquisition of the stock acquisition rights provided in the Guidelines for Issuing Stock Acquisition Rights have not occurred. The stock acquisition rights may not be exercised if the aforementioned circumstances have occurred, unless otherwise permitted by the Company in exceptional circumstances.
- 4) The exercise of the stock acquisition rights requires that the right holders are alive, and in cases where the right holders are deceased, the stock acquisition rights will not be succeeded and can no longer be exercised, unless otherwise permitted by the Company in exceptional circumstances.
- 5) Other conditions concerning the exercise of the stock acquisition rights shall be governed by agreements on the allotment of the stock acquisition rights entered into between the Company and a person who has received the allotment of the stock acquisition rights based on the resolution of the Board of Directors where the issuance of the stock acquisition rights was decided.

2. The conditions for exercising the 45th series stock acquisition rights are as follows:

- 1) The right holders may exercise the stock acquisition rights only if the right holders, until the exercise, continuously hold any of the positions stipulated in the following Items; provided, however, that if the Board of Directors of the Company deems legitimate, the right holders may exercise the stock acquisition rights.
 - (i) Directors or Audit and Supervisory Board Members of the Company or its subsidiaries (meaning subsidiaries prescribed in Article 2, item (iii) of the Companies Act; hereinafter the same)
 - (ii) Employees of the Company or its subsidiaries

- 2) The right holders may exercise the stock acquisition rights only during the period (each period includes the first day and the last day of this period), up to the number stipulated in the following Items. If there is any fraction less than one share with respect to the number of the exercisable Stock Options obtained in accordance with the following Items, (a) the number of the Stock Options which may be exercised during the period shall be rounded down to the nearest whole number and (b) the number of the Stock Options which may be exercised during the period stipulated in Item (vi) shall be the total of all fractions rounded down in accordance with (a) above and the number of Stock Options obtained in accordance with such Item:
 - (i) From March 1, 2022, to March 31, 2022:
a fourth of the total number of allotted Stock Options;
 - (ii) From September 1, 2022, to September 30, 2022:
a fourth of the total number of allotted Stock Options;
 - (iii) From March 1, 2023, to March 31, 2023:
a sixth of the total number of allotted Stock Options;
 - (iv) From September 1, 2023, to September 30, 2023:
a sixth of the total number of allotted Stock Options;
 - (v) From March 1, 2024, to March 31, 2024:
a 12th of the total number of allotted Stock Options; and
 - (vi) From September 1, 2024, to September 30, 2024:
a 12th of the total number of allotted Stock Options.
 - 3) Concerning the stock acquisition rights to be exercised or their right holders, the stock acquisition rights may be exercised as long as the circumstances for the Company's acquisition of the stock acquisition rights provided in the Guidelines for Issuing Stock Acquisition Rights have not occurred. The stock acquisition rights may not be exercised if the aforementioned circumstances have occurred, unless otherwise permitted by the Company in exceptional circumstances.
 - 4) The exercise of the stock acquisition rights requires that the right holders are alive, and in cases where the right holders are deceased, the stock acquisition rights will not be succeeded and can no longer be exercised, unless otherwise permitted by the Company in exceptional circumstances.
 - 5) Other conditions concerning the exercise of the stock acquisition rights shall be governed by agreements on the allotment of the stock acquisition rights entered into between the Company and a person who has received the allotment of the stock acquisition rights based on the resolution of the Board of Directors where the issuance of the stock acquisition rights was decided.
3. The conditions for exercising the 46th series stock acquisition rights are as follows:
 - 1) The right holders may exercise the stock acquisition rights only if the right holders, until the exercise, continuously hold any of the positions stipulated in the following Items; provided, however, that if the Board of Directors of the Company deems legitimate, the right holders may exercise the stock acquisition rights.
 - (i) Directors or Audit and Supervisory Board Members of the Company or its subsidiaries (meaning subsidiaries prescribed in Article 2, item (iii) of the Companies Act; hereinafter the same)
 - (ii) Employees of the Company or its subsidiaries
 - 2) The right holders may exercise the stock acquisition rights only during the period (each period includes the first day and the last day of this period), up to the number stipulated in the following Items. If there is any fraction less than one share with respect to the number of the exercisable Stock Options obtained in accordance with the following Items, (a) the number of the Stock Options which may be exercised during the period shall be rounded down to the nearest whole number and (b) the number of the Stock Options which may be exercised during the period stipulated in Item (vi) shall be the total of all fractions rounded down in accordance with (a) above and the number of Stock Options obtained in accordance with such Item:
 - (i) From March 1, 2022, to March 31, 2022:
a sixth of the total number of allotted Stock Options;
 - (ii) From September 1, 2022, to September 30, 2022:
a sixth of the total number of allotted Stock Options;
 - (iii) From March 1, 2023, to March 31, 2023:
a sixth of the total number of allotted Stock Options;
 - (iv) From September 1, 2023, to September 30, 2023:
a sixth of the total number of allotted Stock Options;
 - (v) From March 1, 2024, to March 31, 2024:
a sixth of the total number of allotted Stock Options; and
 - (vi) From September 1, 2024, to September 30, 2024:
a sixth of the total number of allotted Stock Options.
 - 3) Concerning the stock acquisition rights to be exercised or their right holders, the stock acquisition rights may be exercised as long as the circumstances for the Company's acquisition of the stock acquisition rights provided in the Guidelines for Issuing Stock Acquisition Rights have not occurred. The stock acquisition rights may not be exercised if the aforementioned circumstances have occurred, unless otherwise permitted by the Company in exceptional circumstances.
 - 4) The exercise of the stock acquisition rights requires that the right holders are alive, and in cases where the right holders are deceased, the stock acquisition rights will not be succeeded and can no longer be exercised,

- unless otherwise permitted by the Company in exceptional circumstances.
- 5) Other conditions concerning the exercise of the stock acquisition rights shall be governed by agreements on the allotment of the stock acquisition rights entered into between the Company and a person who has received the allotment of the stock acquisition rights based on the resolution of the Board of Directors where the issuance of the stock acquisition rights was decided.
4. The conditions for exercising the 47th series stock acquisition rights are as follows:
- 1) The right holders may exercise the stock acquisition rights only if the right holders, until the exercise, continuously hold any of the positions stipulated in the following Items; provided, however, that if the Board of Directors of the Company deems legitimate, the right holders may exercise the stock acquisition rights.
 - (i) Directors or Audit and Supervisory Board Members of the Company or its subsidiaries (meaning subsidiaries prescribed in Article 2, item (iii) of the Companies Act; hereinafter the same)
 - (ii) Employees of the Company or its subsidiaries
 - 2) The right holders may exercise the stock acquisition rights only during the period (each period includes the first day and the last day of this period), up to the number stipulated in the following Items. If there is any fraction less than one share with respect to the number of the exercisable Stock Options obtained in accordance with the following Items, (a) the number of the Stock Options which may be exercised during the period shall be rounded down to the nearest whole number and (b) the number of the Stock Options which may be exercised during the period stipulated in Item (iv) shall be the total of all fractions rounded down in accordance with (a) above and the number of Stock Options obtained in accordance with such Item:
 - (i) From September 1, 2022, to September 30, 2022:
a third of the total number of allotted Stock Options;
 - (ii) From March 1, 2023, to March 31, 2023:
a third of the total number of allotted Stock Options;
 - (iii) From September 1, 2023, to September 30, 2023:
a sixth of the total number of allotted Stock Options; and
 - (iv) From March 1, 2024, to March 31, 2024:
a sixth of the total number of allotted Stock Options.
 - 3) Concerning the stock acquisition rights to be exercised or their right holders, the stock acquisition rights may be exercised as long as the circumstances for the Company's acquisition of the stock acquisition rights provided in the Guidelines for Issuing Stock Acquisition Rights have not occurred. The stock acquisition rights may not be exercised if the aforementioned circumstances have occurred, unless otherwise permitted by the Company in exceptional circumstances.
 - 4) The exercise of the stock acquisition rights requires that the right holders are alive, and in cases where the right holders are deceased, the stock acquisition rights will not be succeeded and can no longer be exercised, unless otherwise permitted by the Company in exceptional circumstances.
 - 5) Other conditions concerning the exercise of the stock acquisition rights shall be governed by agreements on the allotment of the stock acquisition rights entered into between the Company and a person who has received the allotment of the stock acquisition rights based on the resolution of the Board of Directors where the issuance of the stock acquisition rights was decided.
5. The conditions for exercising the 48th series and 49th series stock acquisition rights are as follows:
- 1) The right holders may exercise the stock acquisition rights only if the right holders, until the exercise, continuously hold any of the positions stipulated in the following Items; provided, however, that if the Board of Directors of the Company deems legitimate, the right holders may exercise the stock acquisition rights.
 - (i) Directors or Audit and Supervisory Board Members of the Company or its subsidiaries (meaning subsidiaries prescribed in Article 2, item (iii) of the Companies Act; hereinafter the same)
 - (ii) Employees of the Company or its subsidiaries
 - 2) The right holders may exercise the stock acquisition rights only during the period (each period includes the first day and the last day of this period), up to the number stipulated in the following Items. If there is any fraction less than one share with respect to the number of the exercisable Stock Options obtained in accordance with the following Items, (a) the number of the Stock Options which may be exercised during the period shall be rounded down to the nearest whole number and (b) the number of the Stock Options which may be exercised during the period stipulated in Item (vi) shall be the total of all fractions rounded down in accordance with (a) above and the number of Stock Options obtained in accordance with such Item:
 - (i) From September 1, 2022, to September 30, 2022:
a sixth of the total number of allotted Stock Options;
 - (ii) From March 1, 2023, to March 31, 2023:
a sixth of the total number of allotted Stock Options;
 - (iii) From September 1, 2023, to September 30, 2023:
a sixth of the total number of allotted Stock Options;
 - (iv) From March 1, 2024, to March 31, 2024:

- a sixth of the total number of allotted Stock Options;
 - (v) From September 1, 2024, to September 30, 2024:
 - a sixth of the total number of allotted Stock Options; and
 - (vi) From March 1, 2025, to March 31, 2025:
 - a sixth of the total number of allotted Stock Options.
 - 3) Concerning the stock acquisition rights to be exercised or their right holders, the stock acquisition rights may be exercised as long as the circumstances for the Company's acquisition of the stock acquisition rights provided in the Guidelines for Issuing Stock Acquisition Rights have not occurred. The stock acquisition rights may not be exercised if the aforementioned circumstances have occurred, unless otherwise permitted by the Company in exceptional circumstances.
 - 4) The exercise of the stock acquisition rights requires that the right holders are alive, and in cases where the right holders are deceased, the stock acquisition rights will not be succeeded and can no longer be exercised, unless otherwise permitted by the Company in exceptional circumstances.
 - 5) Other conditions concerning the exercise of the stock acquisition rights shall be governed by agreements on the allotment of the stock acquisition rights entered into between the Company and a person who has received the allotment of the stock acquisition rights based on the resolution of the Board of Directors where the issuance of the stock acquisition rights was decided.
6. The conditions for exercising the 50th series stock acquisition rights are as follows:
- 1) The right holders may exercise the stock acquisition rights only if the right holders, until the exercise, continuously hold any of the positions stipulated in the following Items; provided, however, that if the Board of Directors of the Company deems legitimate, the right holders may exercise the stock acquisition rights.
 - (i) Directors or Audit and Supervisory Board Members of the Company or its subsidiaries (meaning subsidiaries prescribed in Article 2, item (iii) of the Companies Act; hereinafter the same)
 - (ii) Employees of the Company or its subsidiaries
 - 2) The right holders may exercise the stock acquisition rights only during the period (each period includes the first day and the last day of this period), up to the number stipulated in the following Items. If there is any fraction less than one share with respect to the number of the exercisable Stock Options obtained in accordance with the following Items, (a) the number of the Stock Options which may be exercised during the period shall be rounded down to the nearest whole number and (b) the number of the Stock Options which may be exercised during the period stipulated in Item (iv) shall be the total of all fractions rounded down in accordance with (a) above and the number of Stock Options obtained in accordance with such Item:
 - (i) From September 1, 2022, to September 30, 2022:
 - a fourth of the total number of allotted Stock Options;
 - (ii) From March 1, 2023, to March 31, 2023:
 - a fourth of the total number of allotted Stock Options;
 - (iii) From September 1, 2023, to September 30, 2023:
 - a fourth of the total number of allotted Stock Options; and
 - (iv) From March 1, 2024, to March 31, 2024:
 - a fourth of the total number of allotted Stock Options.
 - 3) Concerning the stock acquisition rights to be exercised or their right holders, the stock acquisition rights may be exercised as long as the circumstances for the Company's acquisition of the stock acquisition rights provided in the Guidelines for Issuing Stock Acquisition Rights have not occurred. The stock acquisition rights may not be exercised if the aforementioned circumstances have occurred, unless otherwise permitted by the Company in exceptional circumstances.
 - 4) The exercise of the stock acquisition rights requires that the right holders are alive, and in cases where the right holders are deceased, the stock acquisition rights will not be succeeded and can no longer be exercised, unless otherwise permitted by the Company in exceptional circumstances.
 - 5) Other conditions concerning the exercise of the stock acquisition rights shall be governed by agreements on the allotment of the stock acquisition rights entered into between the Company and a person who has received the allotment of the stock acquisition rights based on the resolution of the Board of Directors where the issuance of the stock acquisition rights was decided.

(4) Other important matters regarding stock acquisition rights

The payment for bonds with stock acquisition rights of which the issuance was resolved at the Board of Directors meeting held on June 28, 2021, was completed on July 14, 2021 (London time), and the status as of June 30, 2022 is as follows.

Security titles	Remaining bonds with stock acquisition rights	Number of stock acquisition rights	Class of shares to be issued upon exercise of stock acquisition rights	Exercise period of stock acquisition rights	Exercise price of stock acquisition rights
Zero Coupon Convertible Bonds due in 2026	¥25,000 million	2,500 units	Common stock	From July 28, 2021, to June 30, 2026	¥9,346
Zero Coupon Convertible Bonds due in 2028	¥25,000 million	2,500 units	Common stock	From July 28, 2021, to June 30, 2028	¥9,346

8. Independent Auditor

(i) Name Ernst & Young ShinNihon LLC

(ii) Amount of remuneration, etc.

	Amount of remuneration, etc. (Millions of yen)
Independent auditor's remuneration, etc. for the current fiscal year	90
Total amount of money and other financial benefits to be paid to the independent auditor by the Company and its subsidiaries	167

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

(iii) Description of non-audit services

Non-audit services for which the Company pays remuneration to the independent auditor mainly consist of various advisory services.

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

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

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

(v) Summary of details of limited liability agreement

Not applicable.

(vi) Summary of details of indemnity agreement

Not applicable.

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

(1) System to ensure the appropriateness of business operations

Below is a summary of matters decided in relation to the system to ensure that the performance of duties by the Directors conforms with laws, regulations, and the Articles of Incorporation, and other systems for ensuring appropriateness of the Company's operations.

- 1) System to ensure that Directors and employees comply with laws, regulations, and the Articles of Incorporation in performing their duties
 - a. The Company ensures that Directors and employees have a sufficient awareness of compliance and abide by laws, regulations, the Articles of Incorporation, and internal regulations in performing their duties.
 - b. The Company, in cooperation with attorneys, the police, and other professionals, takes a resolute stance against anti-social forces that threaten the order and safety of civil society.
 - c. The Company stipulates official authority, clearly defines responsibilities and authority, and establishes a system for the performance of duties in each division.
 - d. The Company provides an internal reporting hotline and establishes a system for consultation and internal compliance reporting ("Whistleblowing System").
 - e. Directors and employees who violate laws or regulations are subject to discipline in accordance with the Rules of Employment, etc.
- 2) System to ensure that Directors comply with laws, regulations, and the Articles of Incorporation in performing their duties
 - a. In order to satisfy compliance with laws, regulations, and other rules, as well as propriety in accordance with management decisions, the Board of Directors supervises decisions in executing business and supervises the duties of Directors.
 - b. Audit and Supervisory Board Members exercise their authority as stipulated by laws and regulations to audit Directors' performance of their duties.
- 3) System related to the storage and management of information for the performance of Directors' duties
 - a. The Company establishes the Document Management Regulations and appropriately retains and manages important documents containing information relating to the performance of duties by Directors (including electromagnetic records), such as minutes of important meetings, in accordance with the provisions of those regulations.
 - b. The Company establishes the Information Management Regulations to protect and manage information assets.
- 4) Regulations and other systems concerning management of the risk of losses
 - a. Directors ascertain the various risks associated with the Company's business and endeavor to identify, assess, and manage these risks with an understanding of the importance of performing risk management in an integrated manner.
 - b. The Company establishes a risk management system to prepare for disasters, accidents, system failures, and other unforeseen circumstances.
- 5) System to ensure the efficient performance of duties by Directors
 - a. The Board of Directors operates in accordance with the Articles of Incorporation and Board of Directors Regulations and holds meetings regularly every month, with additional meetings as necessary.
 - b. Directors perform their duties efficiently, flexibly, and swiftly by working closely to exchange opinions and share information.

- c. To ensure the efficient performance of duties by Directors, the Company establishes the Regulations for Company Organization, the Regulations for Administrative Authority, and the Approval Regulations.
- 6) System to ensure that employees comply with laws, regulations, and the Articles of Incorporation in performing their duties
- a. The Company prepares and uses the necessary approval systems, internal regulations, manuals, etc. and makes these known to employees.
 - b. The Company establishes a personal information protection system and designates a personal information protection manager who plays a central role in the operation of the system. Furthermore, the Company establishes an administrative office under the direction of the manager and endeavors to continuously improve the protection of personal information.

- 7) System to ensure the appropriateness of the business operations of the Group consisting of the Company and its subsidiaries

The Company employs the following measures in order for the Company and its subsidiaries to share the same mission and values and make the most of business resources throughout the Group to maximize the value of the Group's business as a whole.

- a. In order to promote the propriety of management throughout the Group, the Company stipulates Regulations for Group Companies Management. The Company respects the autonomy of subsidiaries, but the Company requires the subsidiaries to share information on operations regarding important matters with the Company in advance as provided for by the same regulations to ensure appropriate business operations as part of the Group under the Company's involvement.
 - b. The regulations and other systems concerning management of the risk of losses as described in 4) apply to all companies within the Group, and the Company manages the risk of the Group as a whole in an all-encompassing and comprehensive manner.
 - c. The authority and responsibilities of subsidiaries in performing their duties are clearly stipulated in the Regulations for the Division of Duties, Regulations for Administrative Authority, and other internal regulations in order for subsidiaries to carry out business operations efficiently.
 - d. The person in charge of internal auditing of the Company carries out an internal audit of the Group's business activities to ensure they are appropriate and in compliance with laws, regulations, and the Articles of Incorporation. The audit results are reported to the Representative Director and shared with Audit and Supervisory Board Members and the independent auditor.
- 8) Matters related to employees who are requested by Audit and Supervisory Board Members to assist with their duties, matters related to the independence of those employees from Directors, and matters related to ensuring effectiveness of directions to those employees
- a. Audit and Supervisory Board Members can request the assignment of employees ("Employees Assisting Audit and Supervisory Board Members") to assist with their duties to the Board of Directors.
 - b. Employees Assisting Audit and Supervisory Board Members shall exclusively work under Audit and Supervisory Board Members and shall not concurrently perform duties for other divisions or departments. Employees Assisting Audit and Supervisory Board Members will follow the directions and instructions of Audit and Supervisory Board Members to collect all necessary information.
 - c. Reassignment, performance evaluations, and disciplinary action related to Employees Assisting Audit and Supervisory Board Members require the prior consent of Audit and Supervisory Board Members.
 - d. Employees Assisting Audit and Supervisory Board Members can accompany Audit and Supervisory Board Members to participate in Board of Directors meetings and other important meetings, as well as regular meetings held with the Representative Director and the independent auditor to exchange opinions. Furthermore, if necessary, they may receive advice on auditing tasks from attorneys, certified public accountants, and other professionals.

- e. The Company grants investigation authority and information gathering authority necessary for execution of operations to Employees Assisting Audit and Supervisory Board Members.

9) System for Directors and employees to report to Audit and Supervisory Board Members

- a. Directors and employees will report the following matters to Audit and Supervisory Board Members without delay: matters required by laws, matters that may have a significant impact on the Company, matters decided at important meetings, the status of the Whistleblowing System and internal auditing system, etc.
- b. Directors and employees will promptly report the status of the performance of their duties when requested by an Audit and Supervisory Board Member.
- c. When making decisions regarding employee evaluations and disciplinary action involving a whistleblower, the whistleblowing must not be taken into account, and the whistleblower may request an Audit and Supervisory Board Member to investigate the reasons behind their employee evaluation, reassignment, and/or disciplinary action.

10) System for Directors and employees of subsidiaries, or those who have received reports from either of the foregoing, to report to Audit and Supervisory Board Members of the Company

- a. Directors and employees of subsidiaries will promptly report matters related to the performance of their duties when requested by an Audit and Supervisory Board Member of the Company.
- b. Directors and employees of subsidiaries will report matters that may have a significant impact on the Company or the Company's subsidiaries such as violations of laws and regulations, etc., without delay upon discovery of such matters.
- c. When making decisions regarding employee evaluations and disciplinary action involving a whistleblower, the whistleblowing must not be taken into account, and the whistleblower may request an Audit and Supervisory Board Member to investigate the reasons behind their employee evaluation, reassignment, and/or disciplinary action.

11) Matters related to the policy for expenses and liabilities that arise as a result of Audit and Supervisory Board Members performing their duties

The Company will promptly process expenses arising from regular auditing practices when Audit and Supervisory Board Members submit requests for payment of such expenses. Other than usual audit expenses, if emergency audit expenses or expenses to hire professionals for new investigations arise, Audit and Supervisory Board Members must notify the relevant Officer in advance.

12) Other systems to ensure that audits by Audit and Supervisory Board Members are performed effectively

- a. Audit and Supervisory Board Members will periodically exchange opinions with the Representative Director. Furthermore, they will hold interviews with Directors and employees in key positions as necessary.
- b. Audit and Supervisory Board Members will exchange opinions with the independent auditor as necessary.
- c. Audit and Supervisory Board Members can independently seek the advice of attorneys, certified public accountants, and other professionals as necessary.
- d. Audit and Supervisory Board Members will periodically exchange opinions and work on improving cooperation with the person in charge of internal auditing.

13) System to ensure the reliability of financial reporting

The Company sets out a basic policy relating to the establishment of the internal control system, establishes the internal controls relating to financial reporting, and puts these policies and controls into operation.

14) Basic policy and status of implementation of efforts toward exclusion of anti-social forces

- a. The Company has established a basic policy that it will have no association whatsoever with anti-social forces and absolutely rejects any improper solicitation. The Company has clearly stated this policy in writing and disseminates it throughout the Company. If a business partner is deemed to be

an individual, company, or group with ties to anti-social forces, all business with that business partner will be terminated.

- b. The Company assigns responsibilities concerning exclusion of anti-social forces to the department in charge of compliance, which centrally manages and collects, etc. pertinent information. While building systems that prevent incidents involving loss due to anti-social forces, the Company conducts education and training to ensure Officers and employees comply with the basic policy.
- c. If improper solicitation is received from anti-social forces, the Company shall work with external specialist bodies such as the police and attorneys in order to build a structure of cooperation in case of such event.

(2) Status of implementation of the system to ensure the appropriateness of business operations

In the current fiscal year, the Company carried out its operations in accordance with the aforementioned “System to ensure the appropriateness of business operations.” Below is an overview of these efforts.

1) Performance of duties of the Board of Directors

The Company ensures that Directors act in accordance with laws, regulations, and the Articles of Incorporation, and strengthens its supervisory functions by appointing multiple Outside Directors and by providing opportunities for the Outside Directors to actively communicate through the Board of Directors’ meetings and other such occasions. 14 meetings of the Board of Directors were held in the current fiscal year, and Outside Directors that have no conflict of interest with the Company were always in attendance to ensure that Directors performed their duties lawfully and to improve the appropriateness and efficiency of the Directors’ performance of duties.

2) Implementation of an internal audit

Internal audits are conducted by the Internal Audit Office, which is an independent organization under the direct control of the Representative Director, Chief Executive Officer. In the current fiscal year, the Internal Audit Office performed audits of departments including significant subsidiaries in accordance with the internal audit regulations and the internal audit schedule approved by the Board of Directors. Audit results are reported to the Representative Director, the Board of Directors, and Standing Audit and Supervisory Board Members. In addition, a notice is given to audited departments, and the progress and results of improvements are confirmed at a later day.

3) Performance of duties of Audit and Supervisory Board Members

In addition to holding 13 meetings of the Audit and Supervisory Board, Audit and Supervisory Board Members worked to improve and enhance the audit functions by carrying out audits in accordance with the audit schedule set forth at a meeting of the Audit and Supervisory Board, attending meetings of the Board of Directors, and regularly holding meetings with the Representative Director. Also, through audits in collaboration with the independent auditor and person in charge of internal auditing, and by verifying the status of internal audits, Audit and Supervisory Board Members monitor the Company’s internal control system as a whole and provide advice regarding more efficient operations.

Consolidated Financial Statements

10. Consolidated Statement of Changes in Equity

(from July 1, 2021, to June 30, 2022)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings (Accumulated deficit)	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	42,630	42,585	(46,149)	(0)	39,065
Cumulative effects of changes in accounting policies			(38)		(38)
Restated balance	42,630	42,585	(46,188)	(0)	39,027
Changes of items during the period					
Issuance of new shares	1,998	1,997			3,996
Net loss attributable to owners of parent			(7,569)		(7,569)
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	1,998	1,997	(7,569)	(0)	(3,573)
Balance at the end of current period	44,628	44,582	(53,757)	(0)	35,453

	Accumulated other comprehensive income		Stock acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance at the beginning of current period	(5)	(5)	566	386	40,013
Cumulative effects of changes in accounting policies					(38)
Restated balance	(5)	(5)	566	386	39,974
Changes of items during the period					
Issuance of new shares					3,996
Net loss attributable to owners of parent					(7,569)
Purchase of treasury stock					(0)
Net changes of items other than shareholders' equity	1,308	1,308	360	(72)	1,597
Total changes of items during the period	1,308	1,308	360	(72)	(1,976)
Balance at the end of current period	1,303	1,303	926	314	37,998

11. Notes to Consolidated Financial Statements

1. Notes on basis of preparation of consolidated financial statements

(1) Scope of consolidation

- 1) Number of consolidated subsidiaries: 8

Names of major consolidated subsidiaries:

Mercari, Inc. (US)

Merpay, Inc.

Kashima Antlers F.C. Co., Ltd.

Souzoh, Inc.

Mercoin, Inc.

Merlogi, Inc.

Merlogi, Inc. has been included in the scope of consolidation from the current fiscal year, following its establishment.

- 2) Names of unconsolidated subsidiaries

Not applicable.

(2) Application of equity method

Not applicable.

(3) Fiscal year ends of consolidated subsidiaries

Because the fiscal year end of major consolidated subsidiary Kashima Antlers F.C. Co., Ltd., is January 31, which is more than three months away from the consolidated fiscal year end, that company is consolidated based on the provisional settlement of accounts as of April 30.

When significant transactions occur at that subsidiary between its fiscal year end and the consolidated fiscal year end, the necessary adjustments are made in the consolidated financial statements.

(4) Accounting policies

- 1) Valuation standards and methods for significant assets

Valuation standards and methods for securities

Available-for-sale securities

Available-for-sale securities other than shares, etc. without market prices:

Stated at fair value (valuation differences are directly charged or credited to net assets, and cost of securities sold is determined by the moving average method).

Shares, etc. without market prices:

Stated at cost using the moving average method.

- 2) Method of depreciation and amortization of significant depreciable and amortizable assets

- a. Property and equipment (except for leased assets)

The declining balance method is applied (however, the straight line method is applied for buildings (except for facilities attached to buildings) and for facilities attached to buildings acquired on or after April 1, 2016).

- b. Intangible assets

Software for internal use is amortized by the straight line method over its estimated useful life (5 years).

Trademark rights are amortized by the straight line method based on the effective period (20 years).

c. Leased assets

For leased assets related to finance lease transactions that do not transfer ownership, the straight line method is applied assuming the lease period as the useful life without residual value.

3) Standards for recognition of significant reserves

a. Allowance for doubtful accounts

For loss arising from uncollectible debt, an estimated amount of irrecoverable debt is provided as an allowance for doubtful accounts based on the historical write-off rate for ordinary receivables, and based on the recoverability of individual cases for specified receivables such as debt with a possibility of default. Note that for claims provable in bankruptcy, rehabilitation, etc., the estimated unrecoverable amount is directly deducted from the claim amount.

b. Provision for bonuses

For payment of employee bonuses, an allowance is provided for the portion of the total anticipated bonuses that are attributable to the current fiscal year.

c. Provision for point certificates

As preparation for utilization of points granted to users, the amount that is expected to be utilized in the future is provided.

d. Provision for share-based compensation

A provision has been made for the amount of expected monetary claims resulting from contribution in kind in the form of share issuances to Group employees and others, based on Regulations for Granting Incentives.

4) Standards for recognition of revenues and expenses

In marketplace services, the Group assumes a performance obligation to provide services such as the *Mercari* online marketplace, which is a place and opportunity to buy and sell goods, to customers. Since this performance obligation is satisfied at the point of time when delivery of goods and ratings between the seller and the buyer are completed, sales commissions calculated by multiplying the transaction price by a certain rate are recognized as revenue at the said point. In addition, in delivery services accompanying marketplace services, the Group assumes a performance obligation to deliver goods overseas and to entrust delivery of goods to delivery firms as an agency in Japan. Because this performance obligation is satisfied at the point of time when delivery of goods between the seller and the buyer is completed, the total amount of delivery charges or the net amount after deduction of delivery charges paid to delivery firms according to the delivery size is recognized as revenue at the said point. Transaction consideration is received within one year after performance obligations are satisfied, and does not contain a significant financial component.

5) Other significant matters for the preparation of consolidated financial statements

Standards for translation of foreign currency-denominated assets and liabilities into Japanese yen

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rate on the closing date of the accounting period, with the difference arising from translation being treated as profit or loss.

Assets and liabilities of the foreign subsidiaries are translated into Japanese yen at the spot exchange rate as of the closing date of the consolidated accounting period. Revenues and expenses of foreign subsidiaries are translated into Japanese yen at the average rate of exchange during the fiscal year. Differences arising from these translations are included in foreign currency translation adjustments under the net assets section.

2. Change in accounting policy

Application of Accounting Standard for Revenue Recognition, etc.

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021, Accounting Standards Board of Japan) from the beginning of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

The main changes resulting from the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations are as follows.

Revenue recognition for transactions of entity acting as principal

For services related to delivery carried out as part of the Group’s marketplace services, the amount of revenue was previously calculated by deducting the delivery costs from the amount received from the customer. However, as a result of applying the Accounting Standard for Revenue Recognition and relevant ASBJ regulations and evaluating whether each entity in the Group that has a delivery function acts as principal or agent when providing goods or services to their customers, the Company’s US subsidiary shall be treated as an entity acting as a principal. As a result, for the aforementioned transactions, the method of calculating the amount of revenue has changed to the method in which the full amount of consideration received from the customer is recognized as revenue.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the start of the current fiscal year, was added to or subtracted from the opening balance of retained earnings of the current fiscal year, and thus the new accounting policy was applied from such opening balance; this condition applies provided that the new accounting policy was not retrospectively applied to contracts where nearly all the revenue amounts had been recognized according to the previous treatment in periods prior to the start of the current fiscal year, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result, for the fiscal year ended June 30, 2022, net sales increased by ¥22,203 million, cost of sales increased by ¥23,062 million, and selling, general and administrative expenses decreased by ¥897 million, while operating loss, ordinary loss, and net loss before income taxes each decreased by ¥38 million. In addition, retained earnings as of the beginning of the current fiscal year decreased by ¥38 million.

Application of Accounting Standard for Fair Value Measurement, etc.

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the current fiscal year, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no impact on the consolidated financial statements from the application of this standard.

In addition, notes regarding the breakdown by level of fair values of financial instruments and other information are provided in “Notes to financial instruments.”

3. Notes on accounting estimates

Allowance for doubtful accounts

(1) Amount recorded in the consolidated financial statements for the current fiscal year

Allowance for doubtful accounts	¥4,807 million
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- (2) Class and number of shares to be delivered upon exercise of stock acquisition rights outstanding as of the end of the current fiscal year (excluding those for which the exercise period has not started)

Common stock	2,770,890 shares
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6. Notes to financial instruments

- (1) Status of financial instruments

- 1) Company policy for financial instruments

The Group invests one-time surplus funds in short-term deposits and highly secure financial assets, and mainly uses its own capital, borrowings from financial institutions, issuance of bonds, and liquidation of receivables for its financing needs.

- 2) Nature and extent of risks arising from financial instruments and risk management system

Trade accounts receivable and other receivable, which constitute trade receivables, are exposed to credit risks of customers and business partners. The Group mitigates such risks by monitoring and managing the payment terms and outstanding balances.

Deposits paid are exposed to credit risks of business partners. The Group mitigates such risks by monitoring and managing the outstanding balances.

The holding status of investment securities is reviewed on an ongoing basis by regularly monitoring the financial position and other aspects of issuers.

Lease deposits are exposed to credit risks of lessors. The Group determines the credit status of lessors when entering lease contracts.

Guarantee deposits are primarily deposits paid to the Legal Affairs Bureau under the Payment Services Act and the Group believes the credit risk of these deposits is remote.

Borrowings with variable interest rates are vulnerable to risk of interest rate fluctuations.

Trade payables, borrowings, and convertible-bond-type bonds with stock acquisition rights are vulnerable to liquidity risk. The Group manages liquidity risk mainly by checking the cash flow on a timely basis.

- 3) Supplementary information on fair values of financial instruments

Fair values of financial instruments are based on the quoted price in active markets. If a quoted price is not available, fair values are based on prices that are reasonably estimated. Since variable factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value.

(2) Fair values of financial instruments

Carrying amounts, fair values, and the differences between them as of June 30, 2022, are as follows.

	(Millions of yen)		
	Carrying amounts	Fair values	Differences
Trade accounts receivable	4,454		
Other receivable	80,287		
Allowance for doubtful accounts (*2)	(4,651)		
	80,090	90,323	10,233
Lease deposits	1,614	1,537	(77)
Total assets	81,705	91,860	10,155
Long-term borrowings (*4)	27,097	27,096	(0)
Convertible-bond-type bonds with stock acquisition rights	50,000	41,519	(8,480)
Total liabilities	77,097	68,616	(8,480)

(*1) Because cash on hand and in banks, deposits paid, short-term borrowings, accounts payable, accrued expenses, income taxes payable, and deposits received are cash, and settled in a short period of time, and thus their fair values approximate the carrying amounts, the information is omitted.

(*2) Allowance for doubtful accounts for trade accounts receivable and other receivable have been deducted.

(*3) Because guarantee deposits are primarily deposits paid to the Legal Affairs Bureau as security deposits under the Payment Services Act, the credit risk of these deposits is remote. In addition, because guarantee deposits are financial assets that protect deposits received from users and settled in a short period of time, and thus their fair values approximate the carrying amounts, the information is omitted.

(*4) Current portion of long-term borrowings is included in long-term borrowings.

(*5) Carrying amounts of shares, etc. without market prices are as follows.

	(Millions of yen)	
	Carrying amounts	
Investment securities		117

(3) Breakdown by level of fair values of financial instruments

Fair values of financial instruments are classified into the following three levels in accordance with observability and significance of inputs for fair value measurement.

Level 1 fair value: Fair values determined using quoted prices that are formed in an active market for the asset or liability whose fair values are being measured, of observable inputs for fair value measurement

Level 2 fair value: Fair values determined using inputs for fair value measurement other than Level 1 inputs, of observable inputs for fair value measurement

Level 3 fair value: Fair values determined using unobservable inputs for fair value measurement

If multiple inputs that have significant impact on fair value measurement are used, the fair value is classified into the lowest priority level of fair value measurement in which each input belongs.

1) Financial instruments recorded at fair value on the consolidated balance sheet

Not applicable.

2) Financial instruments other than financial instruments recorded at fair value on the consolidated balance sheet

Current fiscal year (As of June 30, 2022)

(Millions of yen)

	Fair value			
	Level 1	Level 2	Level 3	Total
Trade accounts receivable and other receivable	–	–	90,323	90,323
Lease deposits	–	1,537	–	1,537
Long-term borrowings	–	27,096	–	27,096
Convertible-bond-type bonds with stock acquisition rights	–	41,519	–	41,519

(Note) Explanation of valuation techniques and inputs for fair value measurement used to measure fair values

Trade accounts receivable and other receivable

Fair values of receivables for fixed-amount payments (receivables for which there is a fixed-amount payment commission on the principal) that are included in trade accounts receivable and other receivable are based on the present value of the future cash flows based on the estimated collectable amount classified by user, discounted using the risk-free interest rate, and credit risk is taken into account on the basis of the future cash flows. The credit risk, etc. are classified as Level 3 fair value because they are unobservable. As for delinquent receivables, etc., the estimated uncollectible amount is calculated in consideration of the collectability. Therefore, their fair values approximate the amounts calculated by deducting the write-off amounts from the amounts of receivables, and these amounts are shown as the fair values.

In addition, as for those trade accounts receivable and other receivable which are settled in a short period of time, because their fair values approximate their carrying amounts, the fair values are based on the carrying amounts.

Lease deposits

Fair values of lease deposits are determined using the present value of the refund amount based on the agreed period, discounted using the risk-free interest rate, and are classified as Level 2 fair value.

Long-term borrowings

In terms of long-term borrowings, those with variable interest rates are calculated based on the carrying amounts as they promptly reflect market interest rates and their fair values approximate the carrying amounts.

Those with fixed interest rates are calculated by discounting the total amount of principal and interest at an interest rate that would be charged for similar new loans, and their fair values are classified as Level 2 fair value.

Convertible-bond-type bonds with stock acquisition rights

Fair values of convertible-bond-type bonds with stock acquisition rights are based on market prices. However, since they are not necessarily traded in active markets, their fair values are classified as Level 2 fair value.

7. Notes to per share information

(1) Net assets per share	¥228.57
(2) Basic loss per share	¥(47.34)

8. Notes to revenue recognition

(1) Information on disaggregation of revenue from contracts with customers

(Millions of yen)

Major services	Japan	Overseas	Total
Marketplace services	85,322	41,611	126,934
Others	20,115	–	20,115
Total	105,437	41,611	147,049

(Note) “Net sales” of ¥147,049 million recorded in the consolidated statement of income is mainly “revenue recognized from contracts with customers.” Revenue recognized from other sources is financial revenue principally arising from credit service. Because its amounts are insignificant, it is included in information on disaggregation of revenue from contracts with customers for disclosure.

(2) Information that forms a basis for understanding revenue from contracts with customers

The information is provided in “4) Standards for recognition of revenues and expenses” under “(4) Accounting policies” of “1. Notes on basis of preparation of consolidated financial statements.”

(3) Information on the relation between satisfaction of performance obligations based on contracts with customers and cash flows arising from the contracts, and amount and timing of revenue that is expected to be recognized in and after the following fiscal year from contracts with customers that existed in the current fiscal year

(i) Balance of contract liabilities

(Millions of yen)

Contract liabilities (beginning balance)	1,925
Contract liabilities (ending balance)	2,560

Contract liabilities are recorded in “other current liabilities” in the consolidated balance sheet. Contract liabilities are mainly advances received from customers. Contract liabilities are reversed upon the recognition of revenue.

Of the revenue amount recognized in the current fiscal year, the amount included in the beginning balance of contract liabilities was ¥1,925 million.

(ii) Transaction price allocated to the remaining performance obligations

The Group does not have any significant transactions for which the initially expected contractual period exceeds one year. In addition, there are no significant amounts of consideration arising from contracts with customers that were not included in transaction prices. A practical expedient has been applied to the notes regarding the transaction price allocated to the remaining performance obligations and this information is not included in the notes for contracts for which the initially expected contractual period is within one year.

9. Notes to significant subsequent events

Not applicable.

Non-consolidated Financial Statements

12. Non-consolidated Statement of Changes in Equity

(from July 1, 2021, to June 30, 2022)

(Millions of yen)

	Shareholders' equity					
	Capital stock	Capital surplus			Retained earnings (Accumulated deficit)	
		Legal capital reserve	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings
				Retained earnings brought forward		
Balance at the beginning of current period	42,630	42,609	0	42,609	(40,045)	(40,045)
Changes of items during the period						
Issuance of new shares	1,998	1,998		1,998		
Net loss					(4,965)	(4,965)
Purchase of treasury stock						
Net changes of items other than shareholders' equity						
Total changes of items during the period	1,998	1,998	-	1,998	(4,965)	(4,965)
Balance at the end of current period	44,628	44,607	0	44,607	(45,011)	(45,011)

	Shareholders' equity		Stock acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity		
Balance at the beginning of current period	(0)	45,194	566	45,760
Changes of items during the period				
Issuance of new shares		3,997		3,997
Net loss		(4,965)		(4,965)
Purchase of treasury stock	(0)	(0)		(0)
Net changes of items other than shareholders' equity			360	360
Total changes of items during the period	(0)	(968)	360	(608)
Balance at the end of current period	(0)	44,225	926	45,152

13. Notes to Non-consolidated Financial Statements

1. Notes to significant accounting policies

(1) Valuation standards and methods for significant assets

Valuation standards and methods for securities

Shares of subsidiaries:

Shares of subsidiaries are stated at cost using the moving average method.

Available-for-sale securities

Available-for-sale securities other than shares, etc. without market prices:

Stated at fair value (valuation differences are directly charged or credited to net assets, and cost of securities sold is determined by the moving average method).

Shares, etc. without market prices:

Stated at cost using the moving average method.

(2) Method of depreciation and amortization of significant depreciable and amortizable assets

1) Property and equipment (except for leased assets)

The declining balance method is applied (however, the straight line method is applied for buildings (except for facilities attached to buildings) and for facilities attached to buildings acquired on or after April 1, 2016).

2) Intangible assets

Software for internal use

Software for internal use is amortized by the straight line method over its estimated useful life (5 years).

3) Leased assets

For leased assets related to finance lease transactions that do not transfer ownership, the straight line method is applied assuming the lease period as the useful life without residual value.

(3) Standards for recognition of reserves

1) Allowance for doubtful accounts

For loss arising from uncollectible debt, an estimated amount of irrecoverable debt is provided as an allowance for doubtful accounts based on the historical write-off rate for ordinary receivables, and based on the recoverability of individual cases for specified receivables such as debt with a possibility of default.

2) Provision for bonuses

For payment of employee bonuses, an allowance is provided for the portion of the total anticipated bonuses that are attributable to the current fiscal year.

3) Provision for point certificates

As preparation for utilization of points granted to users, the amount that is expected to be utilized in the future is provided.

4) Provision for share-based compensation

A provision has been made for the amount of expected monetary claims resulting from contribution in kind in the form of share issuances to Group employees and others, based on Regulations for Granting Incentives.

(4) Contingent liabilities

In relation to a subsidiary in the US, the Company has pledged to overseas authorities that it will manage the businesses of this subsidiary in a sound manner as the parent company and oversee this subsidiary's management so that the obligations borne by the subsidiary may be fulfilled.

4. Notes to Non-consolidated Statement of Income

Transactions with subsidiaries and associates

Net sales	¥398 million
Operating expenses	¥11,114 million
Transactions from non-operating transactions	¥40 million

5. Notes to Non-consolidated Statement of Changes in Equity

Class and total number of treasury stock as of the end of the current fiscal year

Common stock	103 shares
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6. Notes to tax effect accounting

Components of deferred tax assets and deferred tax liabilities

	(Millions of yen)
Deferred tax assets	
Accrued enterprise tax	16
Accrued expenses	498
Depreciation and amortization	467
Loss on valuation of shares of subsidiaries and associates	26,489
Loss on devaluation of investment securities	183
Provision for bonuses	296
Provision for point certificates	32
Stock acquisition rights	262
Other	118
Subtotal deferred tax assets	28,367
Valuation allowance	(26,769)
Total deferred tax assets	1,598

7. Notes to related party transactions

(1) Subsidiaries and associates, etc.

Category	Name	Percentage of voting rights owning or owned (%)	Relationship	Details of transaction	Transaction amount (Millions of yen)	Account title	Ending balance (Millions of yen)
Subsidiary	Mercari, Inc. (US)	Directly owning 100.0	Interlocking of officers, financial assistance	Investment	14,092	–	–
Subsidiary	Merpay, Inc.	Directly owning 100.0	Contracting of operations, interlocking of officers, financial assistance	Contracting of operations (Note 1)	9,848	Accounts payable	2,113
				Guarantee of obligation (Note 2)	78,000	–	–
Subsidiary	Kashima Antlers F.C. Co., Ltd.	Directly owning 71.2	Interlocking of officers, advertising transactions, financial assistance	Lending of funds Receipt of interest (Note 3)	– 6	Short-term loans receivable	1,800
Subsidiary	Souzoh, Inc.	Directly owning 100.0	Interlocking of officers, financial assistance	Investment	7,100	–	–
Subsidiary	Mercoin, Inc.	Directly owning 100.0	Financial assistance	Investment	1,600	–	–

(Notes) 1. Transaction is carried out with the same general transaction conditions as a transaction with an independent third party.

2. Guarantee of obligation is provided for the guarantee contract of security deposit entered into with a financial institution of Merpay, Inc. for providing Funds Transfer Services under the Payment Services Act and for liabilities payable to business partners. The transaction amounts represent the outstanding balances of guarantees as of the end of the current fiscal year. The Company does not receive guarantee fees.

3. In regard to lending of funds, it is determined by taking into account market interest rates.

(2) Officers and individual shareholders, etc.

Category	Name	Percentage of voting rights owning or owned	Relationship	Details of transaction	Transaction amount (Millions of yen)	Account title	Ending balance (Millions of yen)
Officer	Shintaro Yamada	Directly (owned) 23.97	Representative Director of the Company	Exercise of the stock acquisition rights (Note 1)	43	–	–
Officer	Fumiaki Koizumi	Directly (owned) 0.93	Director of the Company	Exercise of the stock acquisition rights (Note 2)	11	–	–
Officer	John Lagerling	Directly (owned) 0.02	Senior Vice President of the Company	Exercise of the stock acquisition rights (Note 3)	152	–	–
Officer	Naoki Aoyagi	Directly (owned) 0.04	Senior Vice President of the Company	Exercise of the stock acquisition rights (Note 4)	1,350	–	–
Officer	Jun Yokota	Directly (owned) 0.04	Senior Vice President of the Company	Exercise of the stock acquisition rights (Note 5)	26	–	–

- (Notes) 1. Exercise of stock acquisition rights in the current fiscal year concerning those granted pursuant to the resolutions at the Board of Directors meetings held on December 12, 2014, and June 24, 2016. Transaction amounts listed above are amounts paid upon exercise of stock options in the current fiscal year.
2. Exercise of stock acquisition rights in the current fiscal year concerning those granted pursuant to the resolutions at the Board of Directors meetings held on June 24, 2016, and June 22, 2017. Transaction amounts listed above are amounts paid upon exercise of stock options in the current fiscal year.
3. Exercise of stock acquisition rights in the current fiscal year concerning those granted pursuant to the resolutions at the Board of Directors meetings held on June 22, 2017, and September 25, 2020. Transaction amounts listed above are amounts paid upon exercise of stock options in the current fiscal year.
4. Exercise of stock acquisition rights in the current fiscal year concerning those granted pursuant to the resolutions at the Board of Directors meetings held on November 28, 2017, and September 25, 2020. Transaction amounts listed above are amounts paid upon exercise of stock options in the current fiscal year.
5. Exercise of stock acquisition rights in the current fiscal year concerning those granted pursuant to the resolutions at the Board of Directors meetings held on June 22, 2017, November 28, 2017, and September 25, 2020. Transaction amounts listed above are amounts paid upon exercise of stock options in the current fiscal year.

8. Notes to per share information

Net assets per share	¥275.01
Basic loss per share	¥(31.05)

9. Notes to revenue recognition

Information that forms a basis for understanding revenue from contracts with customers

The information is provided in “(4) Standards for recognition of revenues and expenses” of “1. Notes to significant accounting policies.”

10. Notes to significant subsequent events

Not applicable.