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Notice of the 7th Annual General Meeting of Shareholders

Mercari, Inc.

Securities code: 4385

Date and time:

Friday, September 27, 2019, at 10:00 a.m. (JST)
(The reception desk is scheduled to open at 9:00 a.m.)

Venue:

Hall A, Tokyo Midtown Hall
Tokyo Midtown East B1 Floor, 9-7-2 Akasaka, Minato-ku, Tokyo

Proposals:

- No. 1 Election of Eight (8) Directors
- No. 2 Election of One (1) Audit and Supervisory Board Member

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

Our Mission

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

A Message to Our Shareholders

I would like to begin by expressing my sincerest appreciation for the strong and constant support received from you, our shareholders. Mercari's mission is to "create value in a global marketplace where anyone can buy & sell." Everyone has clothes lying unused in their homes and things which they throw away once they no longer find value in them, but we believe that we can create new value by delivering these things to the people who need them. We aim to develop this kind of marketplace globally.

Since the very beginning, we have always invested in people and technology as a tech company and provided services that enable anyone to enjoy simple and safe buying and selling. As a result, we are growing as a presence that can shape consumer trends, such as buying new items with the intention of selling them through Mercari. We are also working to expand the Mercari ecosystem, and in February 2019, we launched *Merpay*, a mobile payment service built upon the technological capabilities and user base we have cultivated through *Mercari*. Furthermore, in order to grow into a service used globally going forward, we will approach our role as a public platform for society, through actions such as strengthening governance in addition to the efforts toward realizing a circular economy that we have been engaging in through our business since our founding, in a sincere and forward-looking manner.

Going forward, we will continue to aim for large growth in the medium to long term rather than short-term profitability. To realize this, we will strive for further business expansion and to increase our enterprise value by taking on bold challenges. I thank you in advance for your continued support and encouragement.

Shintaro Yamada, CEO



September 12, 2019

To our shareholders:

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

Notice of the 7th Annual General Meeting of Shareholders

You are cordially invited to attend the 7th Annual General Meeting of Shareholders of Mercari, Inc. (the “Company”), which will be held as indicated below.

If you are unable to attend the Meeting in person, you can exercise your voting rights in writing or via the internet. Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights before 7:00 p.m. (JST) on Thursday, September 26, 2019.

1. **Date and Time:** Friday, September 27, 2019, at 10:00 a.m. (JST)
(The reception desk is scheduled to open at 9:00 a.m.)
2. **Venue:** Hall A, Tokyo Midtown Hall
Tokyo Midtown East B1 Floor, 9-7-2 Akasaka, Minato-ku, Tokyo

3. Purpose of the Meeting

Matters to be reported

1. The Business Report, the Consolidated Financial Statements, and the results of audits of the Consolidated Financial Statements by the independent auditor and the Audit and Supervisory Board for the 7th fiscal year (from July 1, 2018 to June 30, 2019)
2. The Non-consolidated Financial Statements for the 7th fiscal year (from July 1, 2018 to June 30, 2019)

Matters to be resolved

Proposal No. 1: Election of Eight (8) Directors

Proposal No. 2: Election of One (1) Audit and Supervisory Board Member

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

Guide to Exercise of Voting Rights

If you are able to attend the General Meeting of Shareholders

Attending the General Meeting of Shareholders in person



Please present the enclosed voting form at the reception.

Date and time: Friday, September 27, 2019, at 10:00 a.m. (JST)

(The reception desk is scheduled to open at 9:00 a.m.)

If you are unable to attend the General Meeting of Shareholders

Exercise of voting rights in writing



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

Deadline: No later than 7:00 p.m. (JST) on Thursday, September 26, 2019

Exercise of voting rights via the internet



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

Deadline: No later than 7:00 p.m. (JST) on Thursday, September 26, 2019

Electronic voting platform

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

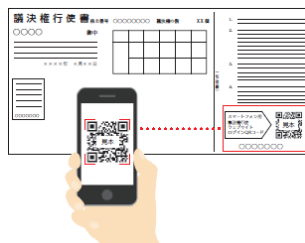
* In the event that you exercise your voting rights diversely, please notify the Company in writing by three days prior to the General Meeting of Shareholders stating your intention of diverse exercise and the reasons for doing so.

Guide to Exercise of Voting Rights via the Internet

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

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

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



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



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

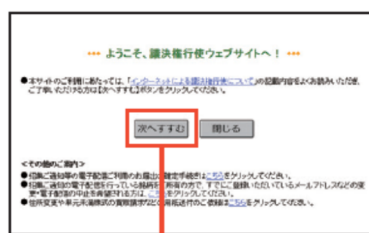
If you need to make a correction to the content of your vote after you have exercised the voting rights, please access the desktop version of the website and log in by entering the voting code and password printed on the voting form, and exercise the voting rights again.

* You can access the website for personal computer by scanning the QR Code® again.

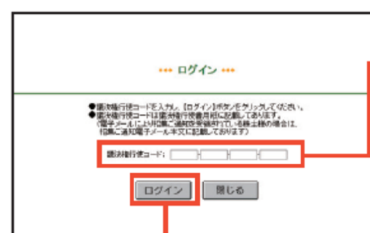
Method 2: Entering your voting code and password

Website for exercising voting rights: <https://www.web54.net>

1. Please access the website for exercising voting rights.
2. Enter the voting code printed on your voting form.



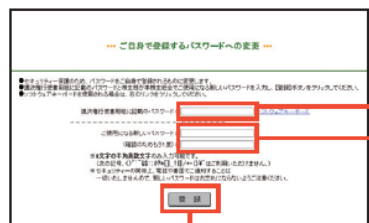
Click “Proceed to the next”



Enter the voting code

Click “Login”

3. Enter the password printed on the voting form.



Enter the initial password

Enter the new password that you will actually use

Click “Register”

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

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



Sumitomo Mitsui Trust Bank, Securities Agent
Web Support Hotline
0120-652-031 (toll free only from Japan)
(Business hours: 9:00 a.m. to 9:00 p.m.) (JST)

Notes:

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

Reference Documents for the General Meeting of Shareholders

Proposal No. 1: Election of Eight (8) Directors

The terms of office of all eight (8) Directors will expire at the conclusion of this Annual General Meeting of Shareholders. Therefore, the Company proposes the election of eight (8) Directors.

The candidates for Directors are as follows:

Candidate No.	Name	Current position and responsibility in the Company	
1.	Shintaro Yamada	Representative Director Chief Executive Officer	R
2.	Fumiaki Koizumi	Director Chief Operating Officer Head of Corporate Division	R
3.	Yuki Hamada	Director Chief Product Officer Head of Product Division	R
4.	John Lagerling	Director Chief Business Officer	R
5.	Naoki Aoyagi	Director	R
6.	Hirohisa Tamonoki	Vice President Mercari Japan CEO	N
7.	Ken Takayama	Outside Director	R O I
8.	Masashi Namatame	Outside Director	R O I

Guide to abbreviations:

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

1 Shintaro Yamada

Date of birth: September 21, 1977

R

▶ Career summary and positions held in the Company

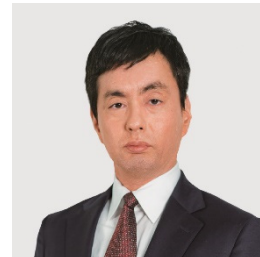
Aug. 2001 Established Unoh Inc., Representative Director
Feb. 2005 Trade name of Unoh Inc. changed to Unoh Co., Ltd.
Sept. 2010 General Manager of Zynga Japan K.K.
June 2012 Established suadd K.K., Representative Director (current position)
Feb. 2013 Established Kouzoh Inc. (currently the Company), Representative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

▶ Significant concurrent positions

Director of Mercari, Inc. (US)

▶ Reasons for nomination

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



Number of Board of Directors meetings attended:
17/17

Number of the Company's shares owned:
37,192,530 shares

Number of shares to be issued upon exercise of the Company's stock acquisition rights owned:
2,500,000 shares

2 Fumiaki Koizumi

Date of birth: September 26, 1980

R

▶ Career summary and positions held in the Company

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

▶ Significant concurrent positions

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

▶ Reasons for nomination

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



Number of Board of Directors meetings attended:
17/17

Number of the Company's shares owned:
1,246,730 shares

Number of shares to be issued upon exercise of the Company's stock acquisition rights owned:
1,500,000 shares

3 Yuki Hamada

Date of birth: April 7, 1983

R

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

May 2004 Established CYBRiDGE, Co., Ltd. (currently CYBRiDGE GROUP CORPORATION.), Director and Executive Vice President

Nov. 2014 Joined the Company

Jan. 2015 Vice President of the Company

Feb. 2016 Vice President and Head of Product Division of the Company

Mar. 2016 Director, Chief Product Officer, and Head of Product Division of the Company (current position)

Sept. 2019 Outside Director of Caster Co. Ltd. (current position)

▶ **Significant concurrent positions**

Outside Director of Caster Co. Ltd.

▶ **Reasons for nomination**

Since joining the Company in 2014, Yuki Hamada has driven the growth of the Product Division as a whole by utilizing his experience at an internet services company. In addition, since his appointment as Director and Chief Product Officer in March 2016, he has formulated the product strategy of the Company and worked hard to introduce AI and other advanced technologies, and he has contributed to enhancing the enterprise value of the Group as a whole. Expecting that he can contribute to the further growth of the Group as a whole and improve enterprise value going forward through his specialist expertise, the Company has again nominated him as a candidate for Director.



Number of Board of Directors meetings attended:
17/17

Number of the Company's shares owned:
846,270 shares

Number of shares to be issued upon exercise of the Company's stock acquisition rights owned:
913,730 shares

4 John Lagerling

Date of birth: July 19, 1976

R

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

May 2002 Joined NTT DoCoMo, Inc. (currently NTT DOCOMO, INC.)

May 2010 Senior Director Android Global Partnerships of Google, Inc.

May 2014 VP Business Development, Mobile and Product Partnerships of Facebook, Inc.

June 2017 Vice President and Chief Business Officer of the Company

July 2017 Non Executive Director of Digital Domain 3.0 (current position)

Sept. 2017 Director and Chief Business Officer of the Company (current position)

Sept. 2017 CEO of Mercari, Inc. (US) (current position)

▶ **Significant concurrent positions**

CEO of Mercari, Inc. (US)

▶ **Reasons for nomination**

Since his appointment as CEO of Mercari, Inc., the US subsidiary of the Company, in 2017, John Lagerling has worked hard to achieve business growth in the US by using his in-depth knowledge in the telecommunications and internet industries and his management experience gained at international IT corporations, and he has contributed to enhancing the enterprise value of the Group as a whole. Expecting that he can contribute to the further growth of the Group as a whole and improve enterprise value going forward through his extensive business experience and international outlook, the Company has again nominated him as a candidate for Director.



Number of Board of Directors meetings attended:
17/17

Number of the Company's shares owned:
94,090 shares

Number of shares to be issued upon exercise of the Company's stock acquisition rights owned:
1,505,910 shares

5 Naoki Aoyagi

Date of birth: August 22, 1979

R

▶ Career summary and positions held in the Company

Apr. 2002 Joined Deutsche Securities Limited (currently Deutsche Securities Inc.)
 Mar. 2006 Joined GREE, Inc.
 July 2006 Director of GREE, Inc.
 Jan. 2011 CEO and Board Member of GREE International, Inc.
 Nov. 2017 Vice President of the Company
 Nov. 2017 Representative Director of Merpay, Inc. (current position)
 Sept. 2018 Director of the Company (current position)



▶ Significant concurrent positions

Representative Director of Merpay, Inc.

▶ Reasons for nomination

Since his appointment as the Representative Director of Merpay, Inc. in 2017, Naoki Aoyagi has worked hard to formulate business plans for Merpay and achieve new business growth by using his experience gained at securities companies and internet service companies, and he has contributed to enhancing the enterprise value of the Group as a whole. Expecting that he can contribute to the further growth of the Group as a whole and improve enterprise value going forward through his abundant business experience and specialist expertise, particularly in the field of financial businesses, the Company has again nominated him as a candidate for Director.

Number of Board of Directors meetings attended:
12/12

Number of the Company's shares owned:
0 shares

Number of shares to be issued upon exercise of the Company's stock acquisition rights owned:
1,000,000 shares

6 Hirohisa Tamonoki

Date of birth: May 4, 1981

N

▶ Career summary and positions held in the Company

Apr. 2004 Joined GMO Hosting and Technologies, Inc. (currently GMO CLOUD K.K.)
 Mar. 2010 Joined pixiv Inc.
 Jan. 2013 Executive Officer of pixiv Inc.
 Sept. 2014 Director and COO of pixiv Inc.
 Oct. 2014 Representative Director and Vice President of animateLAB, Inc.
 Jan. 2016 Representative Director and President of animateLAB, Inc.
 Feb. 2017 Vice President of the Company
 Oct. 2018 Vice President of the Company
 CEO of Mercari Japan (current position)



▶ Significant concurrent positions

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▶ Reasons for nomination

Since joining the Company in 2017, Hirohisa Tamonoki has worked hard to improve the Company's customer service by using his extensive experience gained at internet service companies. In addition, he has driven the business growth of the Company's *Mercari* in Japan since his appointment as Vice President of the Company and CEO of Mercari Japan in October 2018. Expecting that he can contribute to the further growth of the Company's services and improve enterprise value of the Group going forward through his keen business insight, the Company has newly nominated him as a candidate for Director.

Number of Board of Directors meetings attended:
—/—

Number of the Company's shares owned:
0 shares

Number of shares to be issued upon exercise of the Company's stock acquisition rights owned:
100,000 shares

7 Ken Takayama

Date of birth: June 6, 1964



► Career summary and positions held in the Company

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



Tenure as Outside Director:
1 year

Number of Board of Directors meetings attended:
11/12

Number of the Company's shares owned:
0 shares

► Significant concurrent positions

Outside Director of STAR FESTIVAL INC.
 Outside Director (Audit and Supervisory Committee Member) of TECHMATRIX CORPORATION
 Outside Director (Audit and Supervisory Committee Member) of Metaps Inc.
 Outside Director of MEDIA DO HOLDINGS Co., Ltd.

► Reasons for nomination

Ken Takayama has been providing advice and opinions regarding the management and finance of the Company as Outside Director by utilizing his specialized knowledge and extensive experience in financial businesses and managing internet services companies. The Company has nominated him to be re-appointed as Outside Director to contribute to the further strengthening of the Group's management structure.

8 Masashi Namatame

Date of birth: September 27, 1964



► Career summary and positions held in the Company

Apr. 1988 Joined The Long-Term Credit Bank of Japan, Limited (currently Shinsei Bank, Limited)
 May 1998 Joined KPMG Peat Marwick (currently KPMG LLP)
 Oct. 1998 Advisor of Financial Supervisory Agency (currently Financial Services Agency)
 Jan. 2000 Director of Investment Banking Department of Deutsche Securities Limited (currently Deutsche Securities Inc.)
 Aug. 2004 Executive Director of Morgan Stanley Japan Limited (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)
 Nov. 2007 Managing Director of Investment Banking Division of Deutsche Securities Inc. Head of Public Sector Group/ Financial Institutions Group
 June 2012 Head of Business Development of Visa Worldwide Japan Co., Ltd.
 Sept. 2015 Member of the Board of Directors, Managing Director of BlackRock Japan Co., Ltd.
 Sept. 2018 Outside Director of the Company (current position)
 Apr. 2019 Executive Officer and General Manager of Risk Management Dept. of Tokio Marine Holdings, Inc. (current position)



Tenure as Outside Director:
1 year

Number of Board of Directors meetings attended:
12/12

Number of the Company's shares owned:
0 shares

► Significant concurrent positions

Executive Officer and General Manager of Risk Management Dept. of Tokio Marine Holdings, Inc.

► Reasons for nomination

Masashi Namatame has been providing advice and opinions regarding the management and financial business of the Company as Outside Director by utilizing his specialized knowledge and extensive experience in the banking, securities, and investment industries. The Company has nominated him to be re-appointed as Outside Director to contribute to the further strengthening of the Group's management structure.

- (Notes)
1. Yuki Hamada is an Outside Director of Caster Co. Ltd. Although the Company has a business relationship with Caster Co. Ltd., the transaction amount between the two companies is less than 1% of consolidated net sales of the Company for the current fiscal year.
 2. Ken Takayama is an Outside Director of STAR FESTIVAL INC. Although the Company has a business relationship with STAR FESTIVAL INC., the transaction amount between the two companies is less than 1% of consolidated net sales of the Company for the current fiscal year.
 3. There is no special interest between any other candidates and the Company.
 4. Ken Takayama and Masashi Namatame are candidates for Outside Director. The Company has entered into agreements, in accordance with Article 427, Paragraph 1 of the Companies Act, with Ken Takayama and Masashi Namatame to limit their liabilities to compensate damages under Article 423, Paragraph 1 of the same Act. The limitation on liability to compensate damages under such agreement is set out to be the amount provided for in Article 425, Paragraph 1 of the same Act. If the re-election of Ken Takayama and Masashi Namatame is approved, the Company plans to renew the aforementioned limited liability agreements with them.
 5. The Company has submitted notification to the Tokyo Stock Exchange that Ken Takayama and Masashi Namatame have been appointed as independent directors provided under the regulations of the Tokyo Stock Exchange.

Proposal No. 2: Election of One (1) Audit and Supervisory Board Member

The Company proposes the election of one (1) Audit and Supervisory Board Member, increasing the number of Audit and Supervisory Board Members by one (1) to enhance the management system and to ensure transparency.

The consent of the Audit and Supervisory Board has been obtained for the submission of this proposal.

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

Mayumi Tochinoki

Date of birth: October 25, 1967

N

▶ Career summary and positions held in the Company

- Sept. 1991 Joined Deloitte Touche Tohmatsu Limited
- Oct. 1995 Joined J.P. Morgan Securities Asia Ltd. (currently JPMorgan Securities Japan Co., Ltd.)
- Mar. 2003 Head of Internal Audit Department of JPMorgan Securities Japan Co., Ltd.
- June 2007 Head of Compliance Testing Group in Asian Region of JPMorgan Securities.
- Mar. 2013 Head of Compliance and Risk Assessment in Asian Region of JPMorgan Securities.
- Sept. 2013 Executive Officer, Chief Administrative Officer, and Chief Compliance Officer of Standard & Poor's Ratings Japan K.K. (currently S&P Global Ratings Japan Inc.)
- Jan. 2019 Vice President, Head of Internal Audit of the Company (current position)

▶ Significant concurrent positions

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▶ Reasons for nomination

After working at an accounting firm and holding positions of responsibility in compliance departments in the finance industry, Mayumi Tochinoki was appointed as a Vice President of the Company in January 2019. Since then, she has led the Internal Audit Department. The Company has newly nominated her to be appointed as an Audit and Supervisory Board Member in order for her to contribute to the further strengthening and improvement of the Company's audit structure based on her extensive experience and high level of insight related to financial accounting, legal compliance, and risk management.



Number of Board of Directors meetings attended:

—/—

Number of Audit and Supervisory Board meetings attended:

—/—

Number of the Company's shares owned:

0 shares

(Notes) 1. There is no special interest between the candidate and the Company.

2. If the election of Mayumi Tochinoki is approved, the Company plans to enter into an agreement, in accordance with Article 427, Paragraph 1 of the Companies Act, with Mayumi Tochinoki to limit her liability to compensate damages under Article 423, Paragraph 1 of the same Act. The limitation on liability to compensate damages under such agreement is set out to be the amount provided for in Article 425, Paragraph 1 of the same Act.

Attached Materials

Business Report (From July 1, 2018 to June 30, 2019)

1. Current Condition of the Group

(1) Status of operations for the current fiscal year

(i) Business progress and results

According to the “FY2018 Survey of Infrastructure Development Status for Data-driven Society in Japan (E-Commerce Market Survey)” released by the Ministry of Economy, Trade and Industry in May 2019, the size of the Japanese domestic market for marketplace apps such as *Mercari* was ¥639.2 billion in 2018, and this market is showing an ongoing expansion.

In this business environment, in an effort to continuously grow the *Mercari* C2C marketplace, the Company carried out CRM measures ^(Note 1) and measures to strengthen categories, in addition to marketing measures centered on TV commercials and online advertising. As a result, MAU ^(Note 2) and unit prices have been steadily increasing. As part of measures to strengthen categories, the Company introduced the *Mercari Automobile Warranty* system, which enables the buying and selling of automobiles safely, securely, and simply, and a *Vehicle Inspection Certificate Two-Dimensional Barcode Listing* feature to the Automobile category. Looking to tap into new groups of potential users, the Company has been trialing measures such as holding workshops for participants to learn how to use the *Mercari* app. In addition, in the belief that an increase in listings is important for *Mercari* to achieve sustained growth, the Company has been promoting efforts to make item listing and packing easier. As part of these efforts, as well as continually improving AI listing ^(Note 3), the Company is also proceeding with such measures as expanding categories that support barcode listings and the packing areas *TsutsuMer Spots*, which offer packing materials that can be used free of charge. In June 2019, the Company started trialing the placement of photography booths at laundromats that enable users to take photographs for listings such as clothes right after they have been washed. As a result, *Mercari*'s gross merchandise volume in Japan ^(Note 4) for the fiscal year ended June 30, 2019 was ¥490.2 billion, an increase of ¥143.4 billion compared with the previous fiscal year.

Meanwhile, the Company worked to expand the *Mercari (US)* C2C marketplace in the US by implementing efforts to improve the convenience of its services by continuously focusing on developing and improving features. In addition to providing a feature that proposes the optimal listing price and changing to a user interface focused on listing, the Company has worked to increase the number of sellers and buyers through new campaigns on online media, TV commercials, and other media, aiming to further expand recognition and user numbers. As a result, MAU of *Mercari (US)* surpassed 2 million and the gross merchandise volume of *Mercari (US)* in the fiscal year ended June 30, 2019 was ¥40.2 billion (the exchange rate conversion is calculated by the average rate during the period of ¥111.11 against the US dollar), up ¥16.7 billion from the previous fiscal year.

The “Cashless Vision” announced by the Ministry of Economy, Trade and Industry in April 2018 sets out a goal of achieving a 40% cashless payment ratio by 2025 and industry, the government, and academia have been promoting efforts to realize a cashless society. Based on the technology and vast user and information base nurtured through *Mercari*, the Company and its group companies (collectively, the “Group”) launched *Merpay*, a mobile payment service, in February 2019. In addition to having expanded the number of merchants through its strategy of “openness,” which promotes neutral and open partnerships across business categories and industries, the Group has been opening up *Merpay Deferred Payments* to merchants and expanding online payments. As a result, as of June 18, 2019, the number of *Merpay* registered users ^(Note 5) exceeded 2 million, and continues to steadily increase. In addition, *Merpay* has received strong support from users, as reflected by it being ranked first in the “Overall Satisfaction” index in the July 2019 QR Code Payment Customer Satisfaction Survey ^(Note 6).

As a result of the above, for the fiscal year ended June 30, 2019, the Group recorded net sales of ¥51,683 million (44.5% increase year on year), operating loss of ¥12,149 million (compared to operating loss of ¥4,422 million in the previous fiscal year) primarily associated with the use of advertising expenses and increase in personnel expenses, ordinary loss of ¥12,171 million (compared to ordinary loss of ¥4,741

million in the previous fiscal year), and loss attributable to owners of parent of ¥13,764 million (compared to loss attributable to owners of parent of ¥7,041 million in the previous fiscal year).

Information by business segment is omitted as the Group operates a single segment of the marketplace business.

- (Notes)
1. CRM (Customer Relationship Management) measures: Measures aimed at raising user activation
 2. MAU (Monthly Active Users): Number of users that use *Mercari* or *Mercari (US)* more than once in a month
 3. AI listing: A listing support feature that identifies images of items to be listed and displays their titles and brands in real time
 4. Including purchases via *Mercari Kauru* (service ended in December 2018), *Mercari Maisonz* (service ended in August 2018), and *CARTUNE*
 5. Total number of users who have registered for *Merpay Electronic Money* excluding code payments
 6. Announced in July 2019 by MMD LABO, which is operated by MMD Labo, Inc.

(ii) Capital investments

Total capital expenditure undertaken during the fiscal year ended June 30, 2019 amounted to ¥1,565 million (including intangible assets), mainly allocated to relocation of the Fukuoka office and increase in space of the head office.

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

(iii) Financing

The Company raised funds amounting to ¥8,138 million through a secondary offering of a 2,840,500 share over-allotment in the current fiscal year in conjunction with the Company's initial public offering of its common stock on the Mothers Section of the Tokyo Stock Exchange in the previous fiscal year.

In addition, in order to increase working capital, the Company procured long-term borrowings of ¥50,000 million from financial institutions. On the same date, the Company repaid ¥16,726 million for existing borrowings.

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

Not applicable.

(v) Acquisitions of other companies' businesses

Not applicable.

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

Not applicable.

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

The Company implemented a share exchange through which the Company became a wholly-owning parent company of Michael Inc. and Michael Inc. became a wholly-owned subsidiary of the Company, with an effective date of November 8, 2018. The share exchange enables the Company, together with Michael Inc., to combine the automotive categories of the Company with the user base, communities, and operation know-how of *CARTUNE* of Michael Inc., thereby accelerating the enhancement of the automotive categories.

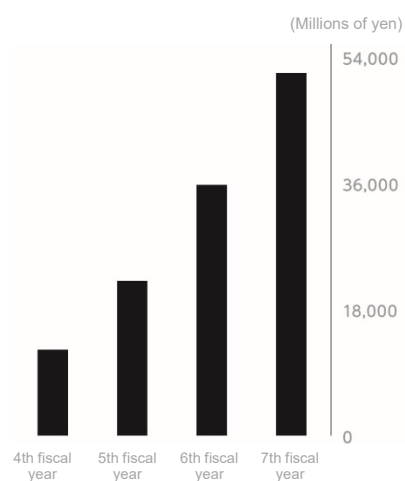
(2) Assets and profit (loss)

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

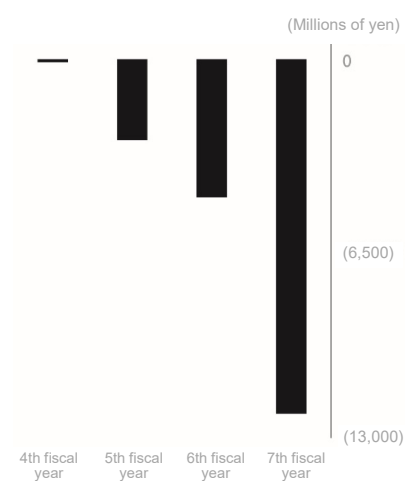
	4th fiscal year (Fiscal year ended June 2016)	5th fiscal year (Fiscal year ended June 2017)	6th fiscal year (Fiscal year ended June 2018)	7th fiscal year (Fiscal year ended June 2019)
Net sales (Millions of yen)	12,256	22,071	35,765	51,683
Ordinary loss (Millions of yen)	(97)	(2,779)	(4,741)	(12,171)
Loss attributable to owners of parent (Millions of yen)	(348)	(4,207)	(7,041)	(13,764)
Basic loss per share (Yen)	(3.18)	(36.65)	(60.61)	(94.98)
Total assets (Millions of yen)	25,463	54,489	117,752	163,685
Net assets (Millions of yen)	8,395	4,416	54,422	50,936
Net assets per share (Yen)	(35.49)	(70.15)	402.12	337.88

- (Notes) 1. The Company prepares consolidated financial statements in accordance with the “Companies Act” beginning with the 6th fiscal year. In addition, the Company has prepared consolidated financial statements for the 4th fiscal year and the 5th fiscal year in accordance with the “Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (Order of the Ministry of Finance No. 28 of 1976), and the values presented for those periods have been provided for reference purposes only.
2. In accordance with a resolution of the Board of Directors held on September 14, 2017, the Company conducted a 10:1 stock split, where every one share of common stock was converted to ten shares of common stock on October 20, 2017. Basic loss per share and net assets per share have been calculated based on the assumption that the stock split was implemented at the beginning of the 4th fiscal year.

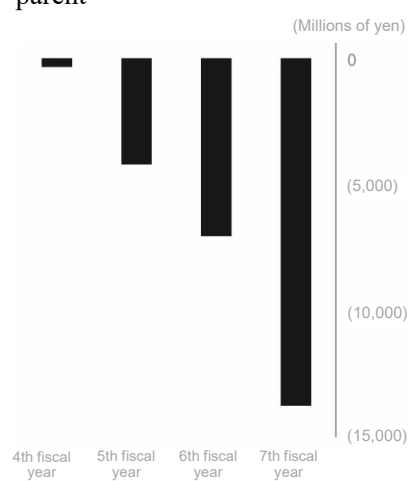
Net sales



Ordinary loss



Loss attributable to owners of parent

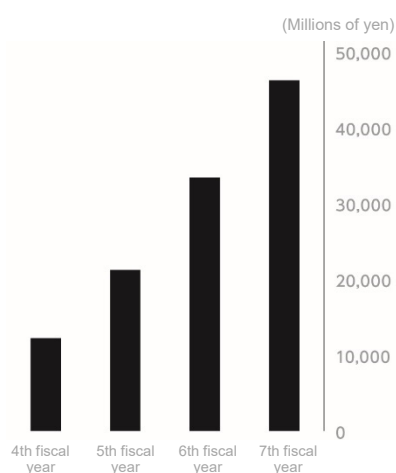


(ii) Assets and profit (loss) of the Company

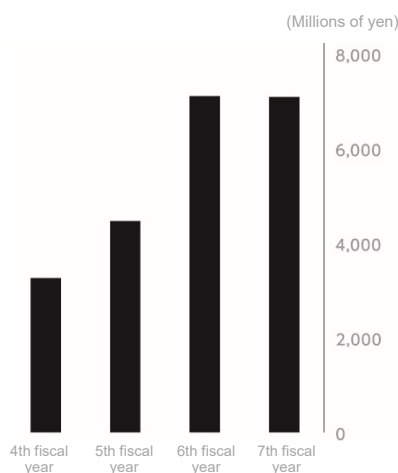
	4th fiscal year (Fiscal year ended June 2016)	5th fiscal year (Fiscal year ended June 2017)	6th fiscal year (Fiscal year ended June 2018)	7th fiscal year (Fiscal year ended June 2019)
Net sales (Millions of yen)	12,256	21,254	33,424	46,254
Ordinary profit (Millions of yen)	3,262	4,469	7,107	7,090
Profit (loss) (Millions of yen)	3,011	(6,990)	(8,428)	(5,046)
Basic earnings (loss) per share (Yen)	27.56	(60.90)	(72.55)	(34.82)
Total assets (Millions of yen)	29,171	54,855	115,414	125,742
Net assets (Millions of yen)	13,061	6,071	54,676	60,242
Net assets per share (Yen)	5.16	(55.74)	403.99	399.61

(Note) In accordance with a resolution of the Board of Directors held on September 14, 2017, the Company conducted a 10:1 stock split, where every one share of common stock was converted to ten shares of common stock on October 20, 2017. Basic earnings (loss) per share and net assets per share have been calculated based on the assumption that the stock split was implemented at the beginning of the 4th fiscal year.

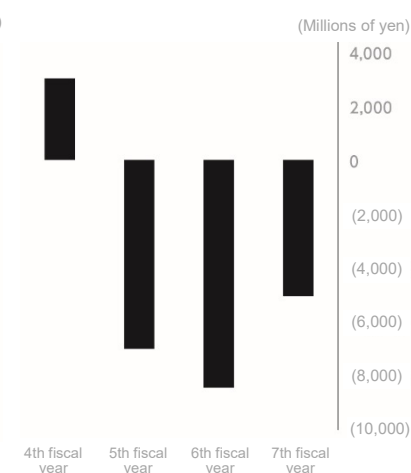
Net sales



Ordinary profit



Profit (loss)



(3) Major subsidiaries (as of June 30, 2019)

Name	Capital stock	Percentage of voting rights held by the Company	Main business
Mercari, Inc. (US)	US\$320,606 thousand	100%	Planning, development, and management of the <i>Mercari (US)</i> C2C marketplace in the US
Merpay, Inc.	¥6,000 million	100%	Planning, development, and management of financial-related business which includes funds transfer operations
Michael Inc.	¥100 million	100%	Development and management of automobile-related social networking service <i>CARTUNE</i>

- (Notes)
1. At a meeting of the Board of Directors held on December 18, 2018, the Company resolved to dissolve and liquidate Mercari Europe Ltd. (UK). In addition, at a meeting of the Board of Directors held on July 25, 2019, the Company resolved to sell all shares of Merpay Ltd. (UK).
 2. At a meeting of the Board of Directors held on June 13, 2019, the Company resolved to transfer the services related to the bicycle-sharing service *Merchari* operated by Souzoh, Inc. to neuet, Inc., a company to be newly established as a consolidated sub-subsidiary of the Company via company split, and issue new shares of neuet, Inc. with a third-party allocation of shares with the recipient of these shares being CLARA ONLINE, Inc. As a result of the third-party allocation of shares, neuet, Inc. will be outside the scope of consolidation of the Company.
 3. At a meeting of the Board of Directors held on June 13, 2019, the Company resolved to dissolve and liquidate Souzoh, Inc.

(4) Issues to be addressed

(i) Ensuring the safety and soundness of services

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

(ii) Recruiting and training outstanding talent

The Group recognizes that a key challenge it faces is that of recruiting outstanding and enthusiastic talent in a timely manner in order to promote future growth, including global expansion. Accordingly, the Group will forge ahead with strengthening recruitment efforts as well as developing and managing work environments and systems that enable employees to work in a highly motivated fashion. Going forward, the Group intends to continue recruiting outstanding talent while investing in further employee development.

(iii) Enhancing technological strengths

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

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

(iv) Addressing overseas expansion

The Group intends to aggressively carry out overseas expansion while maintaining a disciplined approach to investment in response to the expansion of the secondhand market against a backdrop of shifting consumption behavior among people worldwide.

The Group will press ahead in passing along its expertise and gaining more users with respect to its consolidated subsidiary Mercari, Inc. (US), established in the US in January 2014. The Group will initially aim to increase the number of users, which will involve tailoring the service to the preferences and needs of users in the US, while drawing on the product and marketing expertise that the Group has accumulated in Japan thus far.

(v) Strengthening corporate governance

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

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

The Group believes that when pursuing its further business expansion, when fulfilling its social responsibilities, and when striving to achieve sustainable growth and improvement in enterprise value, securing and nurturing the human resources that will facilitate the Group's growth and practicing strict compliance are important management issues. In addition to hiring human resources with high levels of expertise and abundant experience in the fields of internal auditing, legal affairs, financial affairs, accounting, etc., the Group will practice strict compliance while further strengthening internal

management systems by implementing awareness-raising activities and training activities for employees on a continual basis.

(5) Major business (as of June 30, 2019)

(i) Our mission

The Company's mission is to create value in a global marketplace where anyone can buy & sell.

According to the FY2018 Survey of Infrastructure Development Status for Data-driven Society in Japan (E-Commerce Market Survey) released by the Ministry of Economy, Trade and Industry in May 2019, the size of the Japanese domestic market for marketplace apps such as *Mercari* was ¥639.2 billion in 2018, and this market is showing an ongoing expansion.

In providing access to its marketplace app *Mercari*, which enables people to readily buy and sell unnecessary possessions using their smartphones, the Company is able to take advantage of the ability of individuals nowadays to buy and sell items and disseminate information using their smartphones brought about by the prevalence of such devices and social media. The Group aims to create a circular economy by providing an easy-to-use, fun, and secure C2C marketplace that connects sellers of items that are no longer needed with buyers who can better appreciate their value.

(ii) Overview of services

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

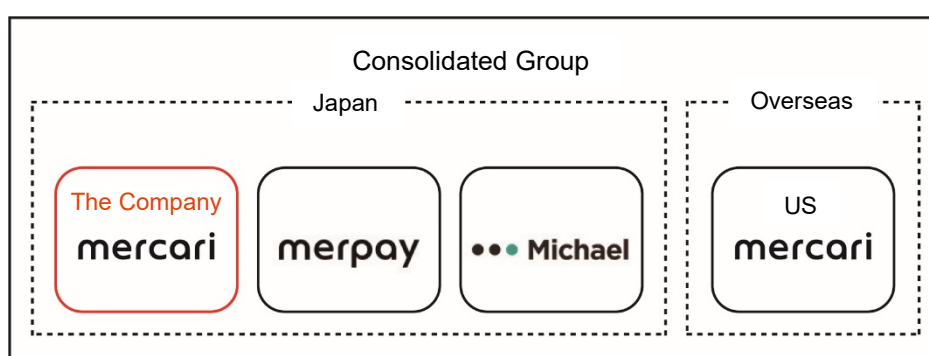
Buying and selling used items at traditional secondhand stores has various disadvantages, including time needed to physically visit the retail location, limited product availability, and lack of transparency with respect to pricing from the perspective of both the buyer and seller given that there is 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. The service also offers convenient and affordable delivery options through its alliances with delivery companies and convenience stores. In addition, as users, both sellers and buyers, are mainly individuals, the service offers 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 six companies, encompassing the Company and its consolidated subsidiaries Mercari, Inc. (US), Merpay, Inc., Michael Inc., Souzoh, Inc., and Merpay Ltd. (UK). Information by business segment is omitted as the Group operates a single segment of the marketplace business.

- (Notes)
1. The Company has changed the name of business segment from “flea market app business” to “marketplace business” during the previous fiscal year with the aim to reflect the Company’s business operations.
 2. At a meeting of the Board of Directors held on December 18, 2018, the Company resolved to dissolve and liquidate Mercari Europe Ltd. (UK) and Merpay Ltd. (UK).
 3. At a meeting of the Board of Directors held on June 13, 2019, the Company resolved to transfer the services related to the bicycle-sharing service *Merchari* operated by Souzoh, Inc. to neuet, Inc., a company to be newly established as a consolidated sub-subsidiary of the Company via company split, and issue new shares of neuet, Inc. with a third-party allocation of shares with the recipient of these shares being CLARA ONLINE, Inc. As a result of the third-party allocation of shares, neuet, Inc. will be outside the scope of consolidation of the Company.
 4. At a meeting of the Board of Directors held on June 13, 2019, the Company resolved to dissolve and liquidate Souzoh, Inc.



(Note) Souzoh, Inc. and Merpay Ltd. (UK) are not included in the above illustration.

With respect to the Group’s operations, the Company operates the *Mercari* C2C marketplace, which handles all types of items. In addition, the Company’s local subsidiary in the US operates the *Mercari (US)* C2C marketplace geared to all types of items.

The Group charges selling fees calculated on the basis of selling prices. This has been the case since October 2014 for *Mercari* in Japan, and since October 2016 for *Mercari (US)*. When an item is sold, the Group collects a selling fee from the seller amounting to 10% of the sales price, meaning that the seller ultimately receives proceeds equal to the amount paid by the buyer minus the applicable selling fee. That selling fee portion of the sales price is then recorded by the Group under net sales.

Furthermore, the Group is striving to expand its business, and in February 2019 it began providing *Merpay*, a mobile payment service built upon the technological capabilities the user and information bases cultivated through *Mercari*.

(6) Major offices (as of June 30, 2019)

(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
Michael Inc. (Head Office)	Shibuya-ku, Tokyo

(iii) Overseas subsidiaries

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

(7) Employees (as of June 30, 2019)

(i) Employees of the Group

Number of employees	Increase (decrease) from previous fiscal year-end
1,826 [221]	Increase of 686 [Increase of 178]

- (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 of the marketplace business.
 3. The workforce has increased by 686 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
1,178 [174]	Increase of 422 [Increase of 146]	31.9 years old	1.5 years

- (Notes)
1. The number of employees stated indicates working employees, and the average number of temporary employees in the past year is stated separately in square brackets.
 2. The workforce has increased by 422 employees over the most recent year. This is mainly attributable to an increase in employees associated with business expansion.

(8) Major lenders (as of June 30, 2019)

(Millions of yen)

Lender	Balance of borrowings
MUFG Bank, Ltd.	25,000
Mizuho Bank, Ltd.	15,000
Sumitomo Mitsui Banking Corporation	10,000
Shinsei Bank, Limited	1,543
Resona Bank, Limited	1,166

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

Not applicable.

2. Current Condition of the Company

(1) Status of shares (as of June 30, 2019)

- (i) Shares authorized 459,250,000 shares
- (ii) Shares issued 150,755,347 shares

- (Notes)
1. The total number of issued shares has increased by 2,840,500 shares by means of a third-party allotment related to an offering by over-allotment on July 19, 2018, pursuant to resolutions of the Board of Directors on May 14, 2018, and June 1, 2018.
 2. The total number of issued shares has increased by 392,582 shares due to a share exchange conducted on November 8, 2018, pursuant to a resolution of the Board of Directors on October 18, 2018.
 3. The total number of issued shares has increased by 137,185 shares due to issuance of new shares related to Restricted Stock Units (RSU), pursuant to a resolution of the Board of Directors on January 17, 2019.
 4. The total number of issued shares has increased by 165,458 shares due to issuance of new shares related to Restricted Stock Units (RSU), pursuant to a resolution of the Board of Directors on April 12, 2019.
 5. The total number of issued shares has increased by 11,879,900 shares due to stock acquisition rights exercised during the current fiscal year.

- (iii) Number of shareholders 64,055

(iv) Major shareholders

Name of shareholder	Number of shares held (Shares)	Ratio of shareholding
Shintaro Yamada	37,192,530	24.67%
UNITED, Inc.	9,470,000	6.28%
Hiroshi Tomishima	9,450,000	6.27%
suadd K.K.	6,567,000	4.36%
Japan Trustee Services Bank, Ltd. (Trust Account)	4,418,000	2.93%
MSIP CLIENT SECURITIES	3,787,364	2.51%
WiL Fund I, L.P.	3,640,080	2.41%
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,843,400	1.89%
Goldman Sachs International	2,518,811	1.67%
GOLDMAN, SACHS & CO. REG	2,444,894	1.62%

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

(2) Stock acquisition rights

Number of stock acquisition rights	Number of shares to be issued upon exercise of stock acquisition rights	(Reference) Total number of issued shares
2,409,080 units	12,125,300 shares	150,755,347 shares

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

⇒ <https://about.mercari.com/en/>

(3) Status of Company Officers

(i) Status of Directors and Audit and Supervisory Board Members (as of June 30, 2019)

Position in the Company	Name	Responsibility and significant concurrent positions outside the Company
Representative Director	Shintaro Yamada	Chief Executive Officer Director of Mercari, Inc. (US)
Director	Fumiaki Koizumi	Chief Operating Officer Head of Corporate Division
Director	Yuki Hamada	Chief Product Officer Head of Product Division
Director	John Lagerling	Chief Business Officer CEO of Mercari, Inc. (US)
Director	Naoki Aoyagi	Representative Director of Merpay, Inc.
Outside Director	Ken Suzuki	Co-Founder and CEO of SmartNews, Inc. President of SmartNews International, Inc.
Outside Director	Ken Takayama	Outside Director of STAR FESTIVAL INC. Outside Director (Audit and Supervisory Committee Member) of TECHMATRIX CORPORATION Outside Director (Audit and Supervisory Committee Member) of Metaps Inc. Outside Director of MEDIA DO HOLDINGS Co., Ltd.
Outside Director	Masashi Namatame	Executive Officer and General Manager of Risk Management Dept. of Tokyo Marine Holdings, Inc.
Outside Standing Audit and Supervisory Board Member	Fumiyuki Fukushima	Audit and Supervisory Board Member of Merpay, Inc.
Outside Audit and Supervisory Board Member	Toshihiro Igi	Attorney at Law, Igi Law Office Representative Director of Cyberbond Corporation Outside Director of SAKURA internet Inc.
Outside Audit and Supervisory Board Member	Takahiro Shinozaki	Managing Director and Executive Director of Japan Association for University Athletics and Sport

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

- (i) Director Taiga Matsuyama resigned due to expiration of his term of office effective as of the conclusion of the 6th Annual General Meeting of Shareholders held on September 28, 2018.
 - (ii) At the 6th Annual General Meeting of Shareholders held on September 28, 2018, Naoki Aoyagi, Ken Takayama, and Masashi Namatame were newly elected as Director and assumed office.
2. Directors Ken Suzuki, Ken Takayama, and Masashi Namatame are Outside Directors.
 3. Audit and Supervisory Board Members Fumiyuki Fukushima, Toshihiro Igi, and Takahiro Shinozaki are Outside Audit and Supervisory Board Members.
 4. Audit and Supervisory Board Member Fumiyuki Fukushima is a certified public accountant and has extensive knowledge in finance and accounting.
 5. The required notification pertaining to independent directors has been submitted to the Tokyo Stock Exchange for Directors Ken Suzuki, Ken Takayama, and Masashi Namatame.

(ii) Summary of details of limited liability agreement

Under provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into agreements with its respective Outside Directors and Audit and Supervisory Board Members limiting their liability for damages as provided for in Article 423, Paragraph 1 of the Companies Act. Under these agreements, the maximum amount of liability for damages to be paid by the respective Audit and Supervisory Board Members is to be the higher amount of either ¥3 million or the amount stipulated in Article 425, Paragraph 1 of the Companies Act, and that to be paid by Directors Ken Suzuki, Ken Takayama, and Masashi Namatame is to be the amount stipulated in Article 425, Paragraph 1 of the Companies Act.

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

Category	Number of Officers	Amount of remuneration, etc. (Millions of yen)
Directors [Outside Directors]	9 [4]	177 [27]
Audit and Supervisory Board Members [Outside Audit and Supervisory Board Members]	3 [3]	25 [25]
Total [Outside Officers]	12 [7]	202 [52]

- (Notes)
1. The aforementioned includes amounts of remuneration, etc. applicable during the term of office of one Director who resigned effective as of the conclusion of the 6th Annual General Meeting of Shareholders held on September 28, 2018.
 2. Directors' remuneration, etc. do not include amount paid as salary for employees to those Directors concurrently serving as employees.
 3. At the 5th Annual General Meeting of Shareholders held on September 29, 2017, it was resolved that the upper limit of annual remuneration to Directors would be less than or equal to ¥2,000 million (however, this figure does not include salary paid as an employee of the Company).
 4. At the 5th Annual General Meeting of Shareholders held on September 29, 2017, it was resolved that the upper limit of annual remuneration to Audit and Supervisory Board Members would be less than or equal to ¥100 million.
 5. No Outside Officers received officer remuneration, etc. from a subsidiary of the Company during the current fiscal year.

(iv) Outside Officers

- a. Significant concurrent positions at other organizations and relationships between the Company and such other organizations
1. Director Ken Suzuki is Co-Founder and CEO of SmartNews, Inc. Although the Company has a business relationship with SmartNews, Inc., the transaction amount between the two companies is less than 1% of consolidated net sales of the Company for the current fiscal year.
 2. Director Ken Takayama is an Outside Director of STAR FESTIVAL INC. Although the Company has a business relationship with STAR FESTIVAL INC., the transaction amount between the two companies is less than 1% of consolidated net sales of the Company for the current fiscal year.
 3. Audit and Supervisory Board Member Toshihiro Igi is an Outside Director of SAKURA internet Inc. Although the Company has a business relationship with SAKURA internet Inc., the transaction amount between the two companies is less than 1% of consolidated net sales of the Company for the current fiscal year.
 4. Audit and Supervisory Board Member Fumiyuki Fukushima is Audit and Supervisory Board Member of Merpay, Inc., a subsidiary of the Company.
 5. The status of other significant concurrent positions is described on page 26. There is no special interest between the Company and the concurrent positions outside the Company.

b. Major activities in the current fiscal year

Attendance and comments		
Director	Ken Suzuki	Mr. Suzuki attended all 17 meetings of the Board of Directors held during the current fiscal year. In the meetings, he provided appropriate advice from his expert viewpoint principally as a corporate manager based on his extensive experience and broad knowledge as a corporate manager of an internet services company.
Director	Ken Takayama	Mr. Takayama attended 11 out of 12 meetings of the Board of Directors held during the period after he took office on September 28, 2018. In the meetings, he provided appropriate advice from his viewpoint principally as an expert in financial affairs, based on his extensive experience and broad knowledge related to the financial and internet industries.
Director	Masashi Namatame	Mr. Namatame attended all 12 meetings of the Board of Directors held during the period after he took office on September 28, 2018. In the meetings, he provided appropriate advice from his viewpoint principally as an expert in finance, based on his extensive experience and broad knowledge related to the banking, securities, and investment industries.
Audit and Supervisory Board Member	Fumiyuki Fukushima	Mr. Fukushima attended all 17 meetings of the Board of Directors and all 13 meetings of the Audit and Supervisory Board held during the current fiscal year. In the meetings, he provided appropriate advice from his expert viewpoint principally as a certified public accountant.
Audit and Supervisory Board Member	Toshihiro Igi	Mr. Igi attended 16 out of 17 meetings of the Board of Directors and all 13 meetings of the Audit and Supervisory Board held during the current fiscal year. In the meetings, he provided appropriate advice from his expert viewpoint principally as an attorney.
Audit and Supervisory Board Member	Takahiro Shinozaki	Mr. Shinozaki attended all 17 meetings of the Board of Directors and all 13 meetings of the Audit and Supervisory Board held during the current fiscal year. In the meetings, he provided appropriate advice from his expert viewpoint principally as a corporate manager.

(Note) Since Directors Ken Takayama and Masashi Namatame were appointed at the 6th Annual General Meeting of Shareholders held on September 28, 2018, the total number of meetings of the Board of Directors held differs from that of other Directors and Audit and Supervisory Board Members.

(4) Independent Auditor

(i) Name Ernst & Young ShinNihon LLC

(ii) Amount of remuneration, etc.

	Amount of remuneration, etc. (Millions of yen)
Independent auditor's remuneration, etc. for the current fiscal year	61
Total amount of money and other financial benefits to be paid to the independent auditor by the Company and its subsidiaries	78

- (Notes)
1. In the audit agreement between the Company and the independent auditor, the Company does not keep accounts by each category of the amount of audit fees, etc. for auditing services under the Companies Act and under the Financial Instruments and Exchange Act. As the amount of auditing services cannot be practically distinguished, the Company states the total amount thereof in the amount of remuneration, etc. of independent auditor for the current fiscal year.
 2. 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 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 which are to be submitted to a General Meeting of Shareholders if deemed necessary, particularly in the event that execution of the independent auditor's duties has been impeded.

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

(v) Summary of details of limited liability agreement

Not applicable.

3. Policy on Determination of Dividends of Surplus and Others

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

Consolidated Balance Sheet (as of June 30, 2019)

(Millions of yen)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current assets	151,813	Current liabilities	61,014
Cash and cash equivalents	125,578	Cash due to users and other payables	7,281
Securities	5,196	Accrued expenses	1,081
Trade accounts receivable	1,341	Income taxes payable	1,687
Other receivable	14,176	Deposits received	45,818
Prepaid expenses	913	Current portion of long-term borrowings	1,261
Deposits paid	5,383	Provision for bonuses	673
Other current assets	319	Provision for point certificates	869
Allowance for doubtful accounts	(1,094)	Provision for loss on business liquidation	82
Non-current assets	11,871	Provision for share-based compensation	905
Property, plant and equipment	1,883	Other current liabilities	1,352
Intangible assets	1,081	Non-current liabilities	51,734
Goodwill	1,022	Long-term borrowings	51,447
Other intangible assets	58	Other non-current liabilities	286
Investments and other assets	8,907	Total liabilities	112,748
Investment securities	533	NET ASSETS	
Lease deposits	2,020	Shareholders' equity	51,102
Deferred tax assets	1,825	Capital stock	40,110
Guarantee deposits	4,526	Capital surplus	40,089
Other assets	0	Retained earnings (Accumulated deficit)	(29,097)
		Treasury stock	(0)
		Accumulated other comprehensive income	(165)
		Foreign currency translation adjustments	(165)
		Total net assets	50,936
Total assets	163,685	Total liabilities and net assets	163,685

Consolidated Statement of Income (from July 1, 2018 to June 30, 2019)

(Millions of yen)

Item	Amount	
Net sales		51,683
Cost of sales		12,864
Gross profit		38,818
Selling, general and administrative expenses		50,968
Operating loss		(12,149)
Non-operating income		
Interest income	66	
Other	25	91
Non-operating expenses		
Interest expense	78	
Foreign exchange loss	34	
Other	0	112
Ordinary loss		(12,171)
Extraordinary losses		
Loss on devaluation of investment securities	159	
Loss on step acquisitions	47	
Loss on liquidation of business	189	396
Loss before income taxes		(12,567)
Income taxes - current	2,394	
Income taxes - deferred	(1,197)	1,197
Loss		(13,764)
Loss attributable to owners of parent		(13,764)

Non-consolidated Balance Sheet (as of June 30, 2019)

(Millions of yen)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current assets	99,177	Current liabilities	13,930
Cash and cash equivalents	83,620	Trade accounts payable	45
Trade accounts receivable	4,324	Current portion of long-term borrowings	1,261
Merchandise	6	Cash due to users and other payables	7,502
Prepaid expenses	512	Accrued expenses	647
Other receivable	6,491	Income taxes payable	1,621
Short-term loans receivable	4,200	Deposits received	122
Other current assets	25	Provision for bonuses	636
Allowance for doubtful accounts	(2)	Provision for point certificates	418
Non-current assets	26,564	Provision for share-based compensation	905
Property, plant and equipment	1,408	Other current liabilities	769
Buildings	617	Non-current liabilities	51,569
Tools, furniture and fixtures	791	Long-term borrowings	51,447
Intangible assets	36	Other non-current liabilities	121
Software	11	Total liabilities	65,500
Other intangible assets	25	NET ASSETS	
Investments and other assets	25,119	Shareholders' equity	60,242
Investment securities	533	Capital stock	40,110
Shares of subsidiaries and associates	20,747	Capital surplus	40,089
Deferred tax assets	1,825	Legal capital reserve	40,089
Lease deposits	1,841	Other capital surplus	0
Other assets	171	Retained earnings (Accumulated deficit)	(19,957)
		Other retained earnings (Accumulated deficit)	(19,957)
		Retained earnings brought forward (Accumulated deficit)	(19,957)
		Treasury stock	(0)
		Total net assets	60,242
Total assets	125,742	Total liabilities and net assets	125,742

Non-consolidated Statement of Income (from July 1, 2018 to June 30, 2019)

(Millions of yen)

Item	Amount	
Net sales		46,254
Cost of sales		8,280
Gross profit		37,973
Selling, general and administrative expenses		30,838
Operating profit		7,135
Non-operating income		
Fiduciary obligation fee for subsidiaries and associates	34	
Other	27	62
Non-operating expenses		
Interest expense	78	
Foreign exchange loss	28	
Other	0	107
Ordinary profit		7,090
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	10,372	
Loss on devaluation of investment securities	159	
Provision of allowance for doubtful accounts for subsidiaries and associates	419	10,952
Loss before income taxes		(3,861)
Income taxes - current	2,382	
Income taxes - deferred	(1,197)	1,185
Loss		(5,046)

Independent Auditor's Audit Report on the Consolidated Financial Statements

(English translation)

Independent Auditor's Report	
August 22, 2019	
To the Board of Directors Mercari, Inc.	
	Ernst & Young ShinNihon LLC Tomoka Nemoto [Seal] Certified Public Accountant Designated and Engagement Partner Naoya Yabe [Seal] Certified Public Accountant Designated and Engagement Partner Hiroshi Minagawa [Seal] Certified Public Accountant Designated and Engagement Partner
Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated financial statements, that is, the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in shareholders' equity, and the notes to consolidated financial statements of Mercari, Inc. (the "Company") for the fiscal year from July 1, 2018 to June 30, 2019.	
<u>The responsibility of management concerning the consolidated financial statements</u>	
The responsibility of management is to prepare consolidated financial statements in accordance with business accounting standards generally accepted in Japan and present appropriate accounting information. This responsibility includes the establishment and operation of internal controls deemed necessary by management for the preparation of consolidated financial statements, free of material misstatement due to fraud or error, and the presentation of appropriate accounting information.	
<u>The responsibility of independent auditors</u>	
Our responsibility is to express an opinion on the consolidated financial statements independently based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatement.	
In audits, procedures are conducted in order to obtain audit evidence supporting the amounts and disclosures in the consolidated financial statements. Audit procedures are chosen and applied in accordance with our judgment, based on the risk assessment of material misstatement in the consolidated financial statements due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of internal controls. However, we examine internal controls related to the preparation of consolidated financial statements, and the appropriate presentation in the course of conducting risk assessment, in order to plan audit procedures appropriate to the circumstances. An audit includes assessing the accounting policies used, its application method and estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.	
We believe that we have obtained sufficient and appropriate audit evidence to support our audit opinion.	
<u>Audit opinion</u>	
In our opinion, the above consolidated financial statements fairly present, in every material aspect, the financial position and results of operations of the Group comprised of Mercari, Inc. and its subsidiaries for the relevant term of the consolidated financial statements, in accordance with the business accounting standards generally accepted in Japan.	
<u>Interests in the Company</u>	
Our firm and engagement partners have no interest in the Company which shall be disclosed pursuant to the provisions of the Certified Public Accountants Act.	

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

(English translation)

Independent Auditor's Report	
To the Board of Directors Mercari, Inc.	August 22, 2019
	Ernst & Young ShinNihon LLC Tomoka Nemoto [Seal] Certified Public Accountant Designated and Engagement Partner Naoya Yabe [Seal] Certified Public Accountant Designated and Engagement Partner Hiroshi Minagawa [Seal] Certified Public Accountant Designated and Engagement Partner
<p>Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the non-consolidated financial statements, that is, the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in shareholders' equity, and the notes to non-consolidated financial statements, and the supplementary schedules of Mercari, Inc. (the "Company") for the 7th fiscal year from July 1, 2018 to June 30, 2019.</p> <p><u>The responsibility of management concerning the non-consolidated financial statements</u></p> <p>The responsibility of management is to prepare non-consolidated financial statements and the supplementary schedules in accordance with business accounting standards generally accepted in Japan and present appropriate accounting information. This responsibility includes the establishment and operation of internal controls deemed necessary by management for the preparation of non-consolidated financial statements and the supplementary schedules, free of material misstatement due to fraud or error, and the presentation of appropriate accounting information.</p> <p><u>The responsibility of independent auditors</u></p> <p>Our responsibility is to express an opinion on the non-consolidated financial statements and the supplementary schedules independently based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the non-consolidated financial statements and the supplementary schedules are free of material misstatement.</p> <p>In audits, procedures are conducted in order to obtain audit evidence supporting the amounts and disclosures in the non-consolidated financial statements and the supplementary schedules. Audit procedures are chosen and applied in accordance with our judgment, based on the risk assessment of material misstatement in the non-consolidated financial statements and the supplementary schedules due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of internal controls. However, we examine internal controls related to the preparation of non-consolidated financial statements, and the supplementary schedules, and the appropriate presentation in the course of conducting risk assessment, in order to plan audit procedures appropriate to the circumstances. An audit includes assessing the accounting policies used, its application method and estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the supplementary schedules.</p> <p>We believe that we have obtained sufficient and appropriate audit evidence to support our audit opinion.</p> <p><u>Audit opinion</u></p> <p>In our opinion, the above non-consolidated financial statements and the supplementary schedules fairly present, in every material aspect, the financial position and results of operations of the Company for the relevant term of the non-consolidated financial statements and the supplementary schedules, in accordance with the business accounting standards generally accepted in Japan.</p>	

Interests in the Company

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

Audit and Supervisory Board's Audit Report

(English translation)

Audit Report

Regarding the execution of duties by the Directors for the 7th fiscal year from July 1, 2018 to June 30, 2019, we have prepared this Audit Report upon deliberation based on the audit reports prepared by each Audit and Supervisory Board Member and hereby report as follows:

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

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

2. Results of audit

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

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

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

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

(3) Results of audit of the consolidated financial statements

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

August 26, 2019

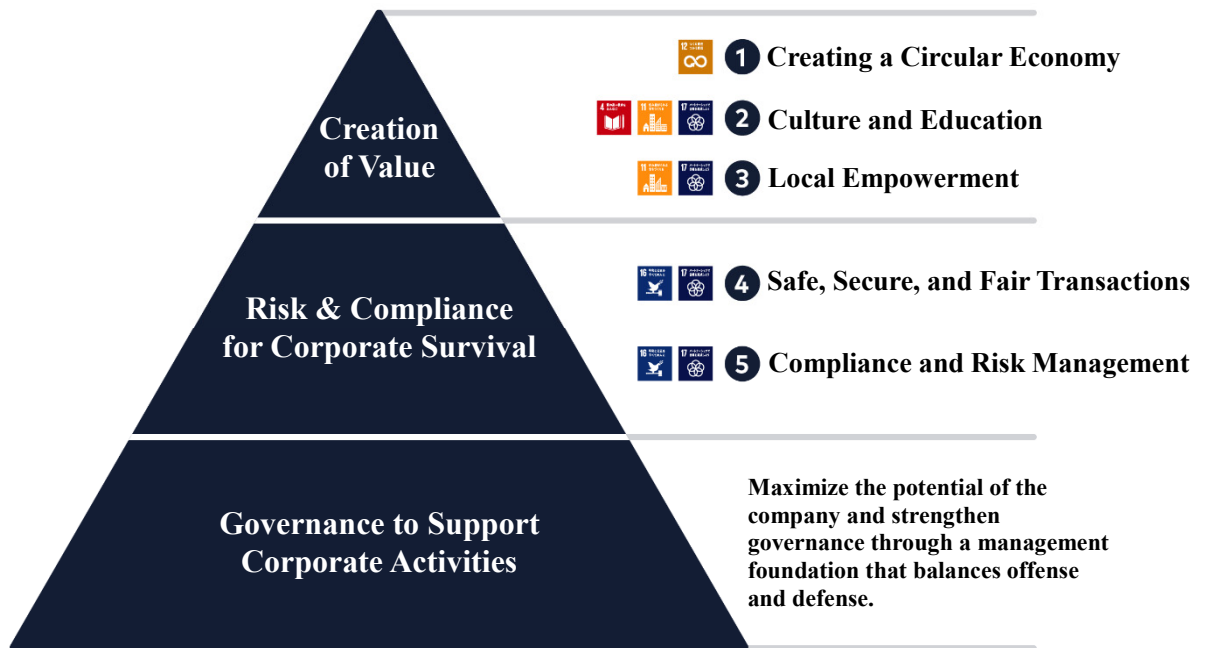
Audit and Supervisory Board, Mercari, Inc.
Fumiyuki Fukushima [Seal]
Standing Audit and Supervisory Board Member
(Outside Audit and Supervisory Board Member)
Toshihiro Igi [Seal]
Outside Audit and Supervisory Board Member
Takahiro Shinozaki [Seal]
Outside Audit and Supervisory Board Member

ESG

Mercari's Approach to Sustainability

Mercari is taking on initiatives in five areas for sustainable business growth aimed at a more abundant society.

1. **Creating a Circular Economy**
2. **Culture and Education**
3. **Local Empowerment**
4. **Safe, Secure, and Fair Transactions**
5. **Compliance and Risk Management**



1. Creating a Circular Economy



Mercari Eco Pack

Mercari Eco Pack is made of tarpaulin, a material used in products like tent, that can be used multiple times.

It is designed to be passed on from user to user like a relay. In this way, it will be used over and over again while encouraging users to build the habit of reusing the packaging they receive and passing it on.



2. Culture and Education



Development and implementation of a learning program for safe and secure smartphone use

To encourage minors to use *Mercari* safely, Mercari offers free educational seminars for students and parents. At these seminars, participants can learn about the operation of marketplace apps and how to use them safely.



3. Local Empowerment



Partnerships with local governments

The Group partners with local governments to solve problems and bring a higher level of convenience to residents and those involved with local communities. To date, it has entered into partnership agreements with Gifu-shi (Gifu), Sendai-shi (Miyagi), Chiba-shi (Chiba), Minoh-shi (Osaka), Kobe-shi (Hyogo), and Fukuoka-shi (Fukuoka).



Individual empowerment through *Mercari* and *Merpay* (senior citizens, youth, families with children)

Mercari hosts regional workshops to educate local communities on how to use the *Mercari* app. It holds classes in cultural centers all over the country for senior citizens and people who have never used the app. In 2019, it hosted workshops in Shizuoka, Kanagawa, Chiba, and Tokyo.



4. Safe, Secure, and Fair Transactions



Utilizing technology to create safe and secure systems

! A constantly evolving fraud detection system

Mercari uses a fraud detection system to identify fraudulent transactions and prevent them before damage is done. By combining big data with AI technology, Mercari continuously improves the accuracy of our detection systems.

¥ Secure handling of money

Mercari uses an escrow system for all transactions. It holds on to funds during the transaction, ensuring both parties hold up their end of the deal before money changes hands.

👁 Anonymous shipping

With Mercari's original shipping methods, *RakuRaku Mercari Shipping* and *YuYu Mercari Shipping*, sellers can ship items without either party needing to see the other's name and address. Mercari also provides support if items are lost or damaged during shipping.

Keeping our policies up to date with social change

🚫 A committee to establish standards for prohibited listings and behavior

Mercari has created a committee that establishes standards for prohibited listings and behavior to ensure illegal items stay off of its platform. With the Mercari Japan CEO as committee chairman, this committee formulates and acts on policies and detection rules for prohibited listings and behavior.

🏢 Information collected through a network of authorities, organizations, and businesses

To prevent users from running into trouble on our service, Mercari actively exchanges information with the National Consumer Affairs Center and other consumer affairs centers, and holds educational seminars and events for students.

Mercari takes part in industry groups and government associations, and uses the knowledge gained regarding recent trends in prohibited items, such as counterfeit items and medical supplies, items with safety issues, and fraudulent transactions, to keep our policies up to date and develop new measures to prevent them.

Maintaining a safe and secure platform with customer service

🚗 Quick removal of illegal items and accounts

Mercari's customer service team works 24/7 to make sure any listings or accounts that violate Mercari's terms of service are removed as soon as possible, before they are seen by users.

📊 Prevention of future incidents by analyzing user reports

Mercari analyzes the reports from users to find ways to prevent the same issue or suspicious activity from happening in the future.



5. Compliance and Risk Management



🛡️ Regular risk management

🧑🏫 Regular compliance training

