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

Request to refrain from attending the meeting in person:

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

- All attending company officers, including the chairperson of the meeting, will not be attending in person and instead will be participating remotely via a web conferencing system.
- The proceedings of the general meeting of shareholders will be streamed in real time via the internet.
- We will receive questions to be asked at the meeting beforehand via the internet.
- We ask you to refrain from attending the meeting, but those who do wish to attend in person must apply to do so beforehand. We plan to limit attendance to a maximum of 20 shareholders (accepted in the order that application is received).

* For details, please refer to the enclosed leaflet.

mercari

Notice of the 8th Annual General Meeting of Shareholders

Mercari, Inc.

Securities code: 4385

Date and time:
Friday, September 25, 2020, at 10:00 a.m. (JST)
(The reception desk is scheduled to open at 9:30 a.m.)

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

Proposals:
No. 1 Partial Amendments to the Articles of Incorporation
No. 2 Election of Five (5) Directors
No. 3 Determination of Amounts and Details of Remuneration as Share Options to Directors (excluding Outside Directors)

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

Our Mission

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

A Message to Our Shareholders

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

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

The fiscal year ended June 30, 2020, was positioned as the crucial year for establishing three core businesses: the *Mercari* Japan business, the *Merpay* business, and the *Mercari* US business; and we actively made investments to build a solid foundation for achieving our mission. As a result, the *Mercari* Japan business steadily increased the number of items listed through listing initiatives. There was also, of course, the impact of COVID-19, which helped to re-accelerate the gross merchandise volume ("GMV") growth rate. For *Merpay*, we worked on developing the credit business while forming business alliances, which put us on course for enhancing profitability. The *Mercari* US business was also impacted by COVID-19, and achieved our GMV target of 100 million USD per month. Working to achieve our mission of "create value in a global marketplace where anyone can buy & sell," we steadily promoted each of our three core businesses, and we believe it was a positive year for the Mercari Group.

The COVID-19 pandemic has given rise to a new social era we describe as the "new normal." In this new normal, society is calling for radical transformations. We suddenly find that the future we have long anticipated—where online technologies have become the backbone of daily life—is quickly approaching. In addition, I feel that the momentum behind our efforts to create a circular economy through our business, which we have pursued since our founding days, is growing stronger than ever. In this environment, I believe we need to think about how we can make our services, such as *Mercari* and *Merpay*, useful to society and proactively channel Mercari Group's assets back into society, so that we can become an indispensable presence in society.

As a result of COVID-19, structural changes in society will be accelerated going forward. We will respond to these changes by continuing to take on bold challenges that will enable us to further expand our business and thereby improve our enterprise value over the medium to long term. I thank you in advance for your continued support and encouragement.

Shintaro Yamada, Representative Director and CEO



Request to refrain from attending the meeting in person:

To prevent the spread of COVID-19, we request that you refrain from attending the general meeting of shareholders in person.
- All attending company officers, including the chairperson of the meeting, will not be attending in person and instead will be participating remotely via a web conferencing system.
- Please exercise your voting rights, either in writing or via the internet, so that it reaches us no later than 7:00 p.m. (JST) on Thursday, September 24, 2020.
- The proceedings of the general meeting of shareholders will be streamed in real time via the internet.
- We will receive questions to be asked at the meeting beforehand via the internet.
- We ask you to refrain from attending the meeting, but those who do wish to attend in person must apply to do so beforehand. We plan to limit attendance to a maximum of 20 shareholders (accepted in the order that application is received).

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

Securities code: 4385
September 10, 2020

To our shareholders:

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

Notice of the 8th Annual General Meeting of Shareholders

We are pleased to announce that the 8th Annual General Meeting of Shareholders of Mercari, Inc. (the "Company") will be held as indicated below.

1. Date and Time: Friday, September 25, 2020, at 10:00 a.m. (JST)
(The reception desk is scheduled to open at 9:30 a.m.)

2. Venue: The Company's Head Office Meeting Room
Roppongi Hills Mori Tower 18th Floor, 6-10-1 Roppongi, Minato-ku, Tokyo
Please be aware that the venue is different from the previous meeting.

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 8th fiscal year (from July 1, 2019 to June 30, 2020)
2. The Non-consolidated Financial Statements for the 8th fiscal year (from July 1, 2019 to June 30, 2020)

Matters to be resolved

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

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

Proposal No. 3: Determination of Amounts and Details of Remuneration as Share Options to Directors (excluding Outside Directors)

- 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 not attending the General Meeting of Shareholders

Exercise of voting rights in writing

Please indicate your approval or disapproval for each proposal on the enclosed voting form and return it to the Company by mail so that it arrives before the deadline.
Deadline: No later than 7:00 p.m. (JST) on Thursday, September 24, 2020

Exercise of voting rights via the internet, etc.

Please access the website for exercising voting rights printed on the enclosed voting form and enter your approval or disapproval for each proposal by following the instructions provided on the next page.
Deadline: No later than 7:00 p.m. (JST) on Thursday, September 24, 2020

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.

If you wish to attend the General Meeting of Shareholders

Attending the General Meeting of Shareholders in person

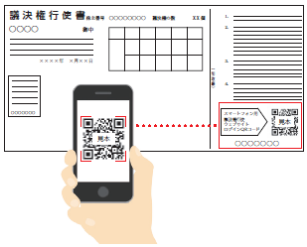
To prevent the spread of COVID-19, we ask you to refrain from attending the meeting, but those who do wish to attend in person must apply to do so beforehand. We plan to limit attendance to a maximum of 20 shareholders (accepted in the order that application is received). For details, please refer to the enclosed leaflet.

Guide to Exercise of Voting Rights via the Internet

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

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

1. Please scan the QR Code® located on the bottom right of your voting form.



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

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



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

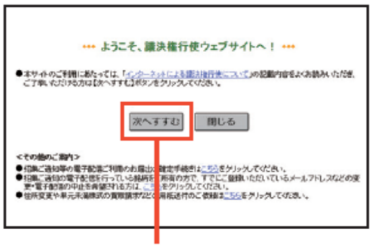
If you need to make a correction to the content of your vote after you have exercised the voting rights, please access the desktop version of the website and log in by entering the voting code and password printed on the voting form, and exercise the voting rights again.

* You can access the desktop version of the website by scanning the QR Code® again.

Method 2: Entering your voting code and password

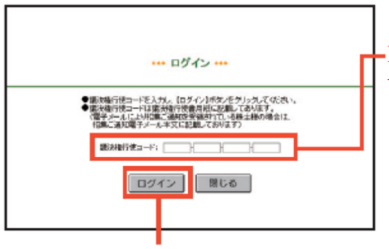
Website for exercising voting rights: https://www.web54.net

1. Please access the website for exercising voting rights.



Click “Proceed to the next”

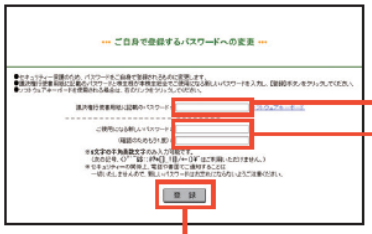
2. Enter the voting code printed on your voting form.



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: Partial Amendments to the Articles of Incorporation

1. Reasons for the amendments

To provide flexibility to the operation of the general meeting of shareholders and the Board of Directors meetings, the Company proposes changing the person with the right to convene and serve as chairperson of the shareholders meetings and the Board of Directors meetings specified in Articles 13 and 22 of the current Articles of Incorporation, to a Director for each role respectively, determined in advance by the Board of Directors.

2. Details of the amendments

The details of the amendments are as follows:

(Amended parts are underlined.)

Current Articles of Incorporation	Proposed Amendments
Article 13. (Convener and chairperson)	Article 13. (Convener and chairperson)
1. Except in cases separately provided for by laws and regulations, a Representative Director, based on a resolution of the Board of Directors, shall convene a general meeting of shareholders and act as its chairperson. If there are more than one Representative Directors, the convener and chairperson shall be determined at the Board of Directors meeting.	1. Except in cases separately provided for by laws and regulations, a Director determined in advance by the Board of Directors shall convene a general meeting of shareholders and act as its chairperson.
2. If the Representative Director is unable to attend to such duties, another Director who is designated in accordance with an order of priority determined in advance by the Board of Directors shall convene the Board of Directors meeting and act as its chairperson.	2. If the Director determined in the previous paragraph is unable to attend to such duties, another Director who is designated in accordance with an order of priority determined in advance by the Board of Directors shall convene the general meeting of shareholders and act as its chairperson.
Article 14. – 21. (Texts omitted)	Article 14. – 21. (Same as current)
Article 22. (Convener and chairperson of the Board of Directors meeting)	Article 22. (Convener and chairperson of the Board of Directors meeting)
1. Except in cases separately provided for by laws and regulations, a Representative Director shall convene a Board of Directors meeting and act as its chairperson. If there are more than one Representative Directors, the convener and chairperson shall be determined at the Board of Directors meeting.	1. Except in cases separately provided for by laws and regulations, a Director determined in advance by the Board of Directors shall convene a Board of Directors meeting and act as its chairperson.
2. If the Representative Director is unable to attend to such duties, another Director who is designated in accordance with an order of priority determined in advance by the Board of Directors shall convene the Board of Directors meeting and act as its chairperson.	2. If the Director determined in the previous paragraph is unable to attend to such duties, another Director who is designated in accordance with an order of priority determined in advance by the Board of Directors shall convene the Board of Directors meeting and act as its chairperson.

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

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

The Company has decided to separate the supervisory and execution functions of the Board of Directors and has encouraged the board to hand over authority for business execution to the organizational body in charge of business execution, to further strengthen corporate governance and raise corporate value in the mid-to-long term. In terms of concrete measures, the Company plans to introduce sweeping revisions to the structure of the Board of Directors. Therefore, the Company proposes the election of five (5) Directors.

The candidates for Directors are as follows:

Candidate No.	Name	Current position and responsibility in the Company			
1.	Shintaro Yamada	Representative Director, CEO	R		
2.	Fumiaki Koizumi	Director President (Chairman of the Board)	R		
3.	Ken Takayama	Outside Director	R	O	I
4.	Masashi Namatame	Outside Director	R	O	I
5.	Makiko Shinoda		N	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
Sept. 2019	Representative Director, CEO 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:
14/14

Number of the Company's shares owned:
37,612,530 shares

Number of shares to be issued upon exercise of the Company's stock acquisition rights owned:
1,920,000 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
Aug. 2019	CEO of Kashima Antlers F.C. Co., Ltd. (current position)
Sept. 2019	Director, President (Chairman of the Board) of the Company (current position)

Significant concurrent positions

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

Reasons for nomination

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

Number of Board of Directors meetings attended:
14/14

Number of the Company's shares owned:
1,516,330 shares

Number of shares to be issued upon exercise of the Company's stock acquisition rights owned:
980,400 shares

3 Ken Takayama

Date of birth: June 6, 1964

R O I



Tenure as Outside Director:
2 years

Number of Board of Directors meetings attended:
14/14

Number of the Company's shares owned:
0 shares

Career summary and positions held in the Company

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

Significant concurrent positions

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 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.

4 Masashi Namatame

Date of birth: September 27, 1964

R O I



Tenure as Outside Director:
2 years

Number of Board of Directors meetings attended:
14/14

Number of the Company's shares owned:
0 shares

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. 2020	Executive Officer and General Manager of Digital Strategy Dept. of Tokio Marine Holdings, Inc. (current position)

Significant concurrent positions

Executive Officer and General Manager of Digital Strategy 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 and global 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.

5 Makiko Shinoda

Date of birth: March 1, 1968

N O I



▶Career summary and positions held in the Company

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

▶Significant concurrent positions

Director at YeLL Inc.

▶Reasons for nomination

Makiko Shinoda is expected to contribute to the Company's continual growth from her experience working in a financial institution and as a CFO, her familiarity with governance, equities, and finance, and her broad-ranging experience from major global firms to startups. The Company has nominated her to be newly appointed as Outside Director to contribute to the further strengthening of the Group's management structure.

Tenure as Outside Director:
– years

Number of Board of Directors meetings attended:
–/–

Number of the Company's shares owned:
0 shares

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

2. Ken Takayama, Masashi Namatame, and Makiko Shinoda 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. Furthermore, if the election of Makiko Shinoda is approved, the Company plans to enter into a similar limited liability agreement with her.

3. 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. Furthermore, if the election of Makiko Shinoda is approved, she is scheduled to be an independent director as provided for by the Tokyo Stock Exchange.

Proposal No. 3: Determination of Amounts and Details of Remuneration as Share Options to Directors (excluding Outside Directors)

I Reason for the Proposal

The maximum amount of remuneration for Directors of the Company was approved at the 5th Annual General Meeting of Shareholders held on September 29, 2017, to be not more than ¥2,000 million per year (provided, however, that employee salaries of Directors who concurrently serve as employees are excluded). As the Group continues to take on new challenges and realize the growth of its enterprise value over the medium to long term, the Company will invest in people and hereby requests the approval for allocating the following stock acquisition rights as share options to Directors of the Company (excluding Outside Directors; hereinafter the same in this proposal) (the "Share Options"), separate to the aforementioned amount of remuneration for Directors with the purpose of providing an incentive to maximize their performance and willingness to contribute, as well as to encourage appropriate risk taking by linking remuneration to increased shareholder value. The Company also requests the approval for setting a cap of ¥2,000 million on the amount of remuneration in relation to the Share Options.

The Share Options are allotted for the purpose stated above and may be exercised on the condition that the Market Capitalization of the Company exceeds ¥1 trillion. In addition, the Share Options give comprehensive consideration to the Directors' roles in the execution of operations and their level of contribution along with other matters; therefore, their specific details are considered to be appropriate.

In introducing the Share Options, the Company is presenting this proposal after consulting with the Nomination and Remuneration Advisory Committee, of which a majority is Outside Directors, in order to ensure the appropriateness of the remuneration plan and levels for Directors, and the independence, objectivity, and transparency of the process for determining remunerations.

Assuming approval is granted for Proposal No. 2 (calling for "Election of Five (5) Directors") and excluding the Outside Directors, there will be two (2) Directors that will receive the Share Options ("Eligible Directors").

II Specific Details and Maximum Number of Share Options

1. Class and number of shares subject to the Share Options

   The class of shares to be allotted upon exercise of the Share Options shall be shares of common stock of the Company, with the number of shares of the Company to be allotted upon exercise of the Share Options limited to a total of one million shares.

2. Number of Share Options

   The number of the Share Options to be issued shall be limited to a total of one million Share Options. The number of shares to be allotted upon exercise of a single Share Option (the "Number of Allotted Shares") shall be one share of common stock of the Company; provided, however, that the Number of Allotted Shares might be adjusted by the following formula in the event of a split or consolidation of shares of common stock after the allotment date of the Share Options.

$$\begin{array}{l}\text{Number of Allotted}\\ \text{Shares after Adjustment}\end{array} = \begin{array}{l}\text{Number of Allotted}\\ \text{Shares before Adjustment}\end{array} \times \begin{array}{l}\text{Stock Split or Stock}\\ \text{Consolidation Ratio}\end{array}$$

   If it is appropriate to adjust the Number of Allotted Shares because of an issuance or disposal of the shares through the shareholder allocation, an allotment of shares without contribution, a merger, a share exchange, a company split, and/or other reasons deemed necessary, the Company shall adjust the Number of Allotted Shares appropriately. In the case that the Company adjusts the Number of Allotted Shares, the total number of shares to be allotted upon exercise of the Share Options stipulated in Paragraph 1 also shall be adjusted accordingly.

3. Amount to be paid for issuance of the Share Options

No cash payment is required for issuance of the Share Options. The Share Options are allotted as consideration for the performance of duties, and the issuance thereof does not constitute an issuance under advantageous conditions.

4. Amount to be paid upon exercise of the Share Options

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

5. Period during which the Share Options may be exercised

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

6. Conditions to exercise the Share Options

The Eligible Directors may exercise the Share Options, provided that all of the following requirements are met.

(1) The Eligible Directors may exercise the Share Options from the day following the date on which the condition that the Market Capitalization of the Company (calculated by the following formula; hereinafter the same) exceeds ¥1 trillion on each day of a certain five consecutive business days (excluding the days on which ordinary transactions of the Company's common stock cannot take place) is fulfilled during the period lasting from the allocation date to September 24, 2030; provided, however, that if it is appropriate to adjust the Market Capitalization because of a merger, company split, stock split or consolidation, issuance or disposal of shares, and/or other reasons deemed necessary, the Company shall, upon the resolution of the Board of Directors, adjust the Market Capitalization appropriately to the reasonable extent.

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 Eligible Directors may, to the extent that each condition stipulated in the following Items is fulfilled, exercise the Share Options 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 period stipulated in Paragraph 5 and up to the number stipulated in the following Items (provided, however, that if the Board of Directors of the Company deems there to be a legitimate reason, such limitation shall not apply). If there is any fraction less than one share with respect to the number of the exercisable Share Options obtained in accordance with the following Items, (a) the number of the Share Options which may be exercised during the period shall be rounded down to the nearest whole number and (b) the number of the Share 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 Share Options obtained in accordance with such Item:

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

a third of the total number of allotted Share Options;

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

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

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

a third of the total number of allotted Share Options.

7. Restrictions on acquisition of the Share Options by transfer

Acquiring the Share Options by means of transfer shall require the approval of the Board of Directors of the Company.

8. Other matters concerning the Share Options

Other matters concerning the Share Options shall be determined by the Board of Directors of the Company.

Attached Materials

Business Report (From July 1, 2019 to June 30, 2020)

1. Current Condition of the Group

(1) Status of operations for the current fiscal year

(i) Business progress and results

The Company and its group companies (collectively, the "Group") have positioned the current fiscal year as the crucial year for establishing three core businesses: the *Mercari* Japan business, the *Merpay* business, and the *Mercari* US business. The Group is now building a solid foundation for achieving its mission.

In the *Mercari* Japan business, the Group has focused particularly on optimizing the balance between listing and buying with the aim of achieving continuous growth over the medium to long term. In addition to this, the effects of the novel coronavirus disease ("COVID-19") pandemic have increased the number of users and the amount spent per user. As a result, *Mercari*'s gross merchandise volume in Japan (Note 1) for the fiscal year ended June 30, 2020, was ¥625.9 billion, an increase of ¥135.6 billion compared with the previous fiscal year, reflecting the growth rate accelerating again from the latter half of the year.

Based on the technology and vast user and information base nurtured through *Mercari*, the Group launched *Merpay*, a mobile payment service, in February 2019. *Merpay* aims to become a payment service used in people's everyday lives, and it is engaged in enhancing profitability by advancing its credit business and business alliances and building a new ecosystem centered on trust, while working to gain more users and merchants. As a result of these efforts, the number of users has passed 7 million (Note 2) and is steadily increasing.

The Group worked to expand the *Mercari* C2C marketplace in the US by strengthening marketing campaigns that pursued brand awareness and growth and by optimizing listing and shipping in order to meet the diverse needs of users. Additionally, in the same way as the *Mercari* Japan business, the effects of the COVID-19 pandemic have increased the number of users and the amount spent per user. As a result, the gross merchandise volume of *Mercari* in the US in the fiscal year ended June 30, 2020, was ¥73.6 billion (the exchange rate conversion is calculated by the average rate during the period of ¥108.16 against the US dollar), up ¥33.4 billion from the previous fiscal year. It also managed to achieve its target of a monthly gross merchandise volume of 100 million USD.

As a result of the above, for the fiscal year ended June 30, 2020, the Group recorded net sales of ¥76,275 million (47.6% increase year on year), operating loss of ¥19,308 million (compared to operating loss of ¥12,149 million in the previous fiscal year) primarily associated with the increases in advertising expenses and personnel expenses, ordinary loss of ¥19,391 million (compared to ordinary loss of ¥12,171 million in the previous fiscal year), and loss attributable to owners of parent of ¥22,772 million (compared to loss attributable to owners of parent of ¥13,764 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. Including purchases via *CARTUNE*

2. Total of the number of users registered for *Merpay Electronic Money* and users of *Merpay Code Payments*, *Online Payments*, *Merpay Smart Payments*, etc. (excluding overlaps) as of June 2020.

(ii) Capital investments

Total capital expenditure undertaken during the fiscal year ended June 30, 2020, amounted to ¥986 million (including intangible assets), which was mainly allocated for the purchase of office equipment for the Company's head office and for construction of the Kashima Antlers Academy House.

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

(iii) Financing

Not applicable.

(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

At a meeting of the Board of Directors held on July 30, 2019, the Company resolved to acquire 61.6% of the issued shares of Kashima Antlers F.C. Co., Ltd. from NIPPON STEEL CORPORATION and concluded a share transfer agreement with NIPPON STEEL CORPORATION. The procedures regarding the share acquisition were completed on August 30, 2019.

(2) Assets and profit (loss)

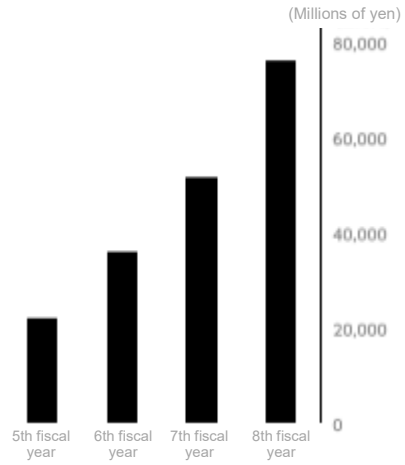
(i) Assets and profit (loss) of the Group

	5th fiscal year (Fiscal year ended June 2017)	6th fiscal year (Fiscal year ended June 2018)	7th fiscal year (Fiscal year ended June 2019)	8th fiscal year (Fiscal year ended June 2020)
Net sales (Millions of yen)	22,071	35,765	51,683	76,275
Ordinary loss (Millions of yen)	(2,779)	(4,741)	(12,171)	(19,391)
Loss attributable to owners of parent (Millions of yen)	(4,207)	(7,041)	(13,764)	(22,772)
Basic loss per share (Yen)	(36.65)	(60.61)	(94.98)	(147.86)
Total assets (Millions of yen)	54,489	117,752	163,685	198,014
Net assets (Millions of yen)	4,416	54,422	50,936	35,368
Net assets per share (Yen)	(70.15)	402.12	337.88	222.78

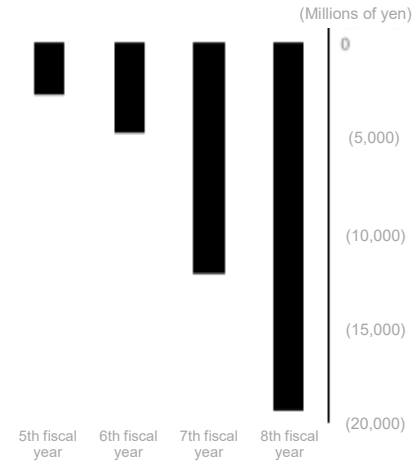
(Notes) 1. The Company prepares consolidated financial statements in accordance with the "Companies Act" beginning with the 6th fiscal year. In addition, the Company has prepared consolidated financial statements for the 5th fiscal year in accordance with the "Regulation on Terminology, Forms and Preparation 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 5th fiscal year.

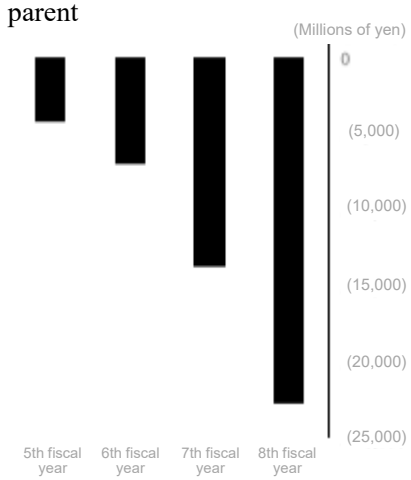
Net sales



Ordinary loss



Loss attributable to owners of parent

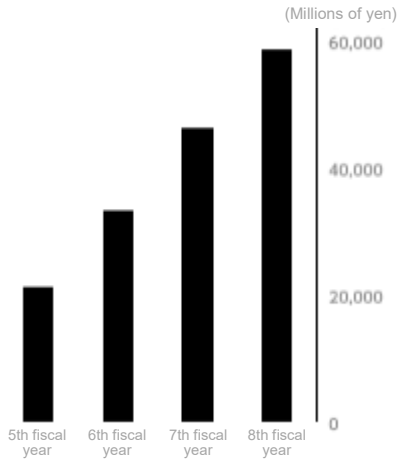


(ii) Assets and profit (loss) of the Company

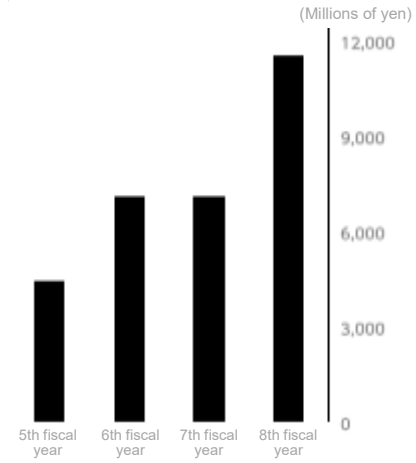
	5th fiscal year (Fiscal year ended June 2017)	6th fiscal year (Fiscal year ended June 2018)	7th fiscal year (Fiscal year ended June 2019)	8th fiscal year (Fiscal year ended June 2020)
Net sales (Millions of yen)	21,254	33,424	46,254	58,744
Ordinary profit (Millions of yen)	4,469	7,107	7,090	11,550
Loss (Millions of yen)	(6,990)	(8,428)	(5,046)	(28,014)
Basic loss per share (Yen)	(60.90)	(72.55)	(34.82)	(181.89)
Total assets (Millions of yen)	54,855	115,414	125,742	104,683
Net assets (Millions of yen)	6,071	54,676	60,242	38,884
Net assets per share (Yen)	(55.74)	403.99	399.61	249.02

(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 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 5th fiscal year.

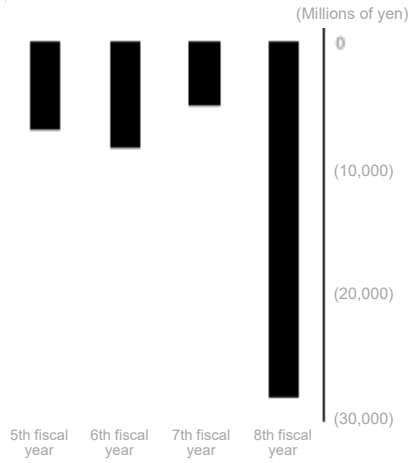
Net sales



Ordinary profit



Loss



(3) Major subsidiaries (as of June 30, 2020)

Name	Capital stock	Percentage of voting rights held by the Company	Main business
Mercari, Inc. (US)	US$463,511 thousand	100%	Planning, development, and management of the *Mercari (US)* C2C marketplace in the US
Merpay, Inc.	¥100 million	100%	Planning, development, and management of financial-related business which includes funds transfer operations
Kashima Antlers F.C. Co., Ltd.	¥1,570 million	71.1%	1. Management of the Kashima Antlers professional soccer team 2. Planning and management of various entertainment, such as soccer games and other sporting events 3. Management of sports facilities such as soccer stadiums

(Notes) 1. At a meeting of the Board of Directors held on July 30, 2019, the Company resolved to acquire 61.6% of the issued shares of Kashima Antlers F.C. Co., Ltd., and it became a consolidated subsidiary on August 30, 2019.

2. At a meeting of the Board of Directors held on May 26, 2020, the Company resolved to sell all shares of Michael Inc. and implemented the sale on June 30, 2020.

(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) Training talent

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

(iii) Enhancing technological strengths

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

In addition, the Group will focus on investing in innovative technologies to further improve the user experience. For instance, the Group will promote efforts geared toward heightening service convenience as well as maintaining and enhancing service safety and soundness through artificial intelligence (AI) and machine learning 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 aim to increase the number of users and improve recognition of the service, 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 practicing strict 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, 2020)

(i) Our mission

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

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

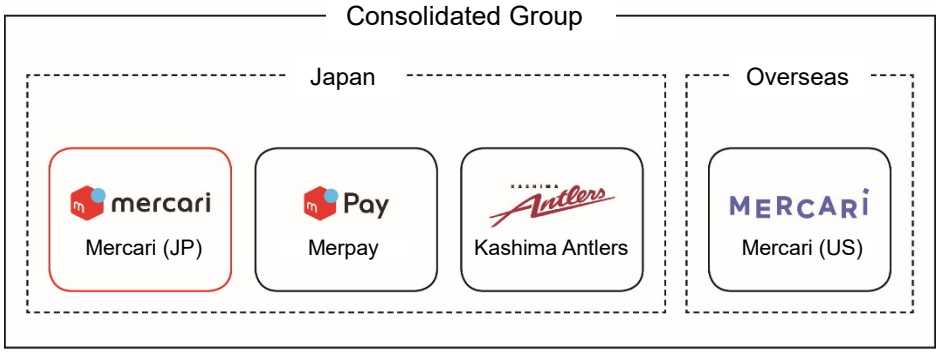
The *Mercari* service operated by the Company functions as a marketplace for consumer-to-consumer (C2C) transactions specifically using smartphones, offering users a unique and never-before-available experience by enabling anyone to readily and simply buy and sell secondhand items using their smartphones.

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, both sellers and buyers are mainly individuals, allowing the service to offer anyone both the fun of easily converting their unnecessary possessions into cash and the "treasure-hunt" experience that users feel when searching for unique secondhand items.

(iii) Services operated by the Group

The Group consists of the Company and its consolidated subsidiaries Mercari, Inc. (US), Merpay, Inc., and Kashima Antlers F.C. Co., Ltd. (as of June 30, 2020). Information by business segment is omitted as the Group operates a single segment of the marketplace business.



(Note) Kashima Antlers F.C. Co., Ltd. became a consolidated subsidiary on August 30, 2019.

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, which is geared to all types of items as well.

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 and the user and information bases cultivated through *Mercari*.

(6) Major offices (as of June 30, 2020)

(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

(iii) Overseas subsidiaries

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

(7) Employees (as of June 30, 2020)

(i) Employees of the Group

Number of employees	Increase (decrease) from previous fiscal year-end
1,792 [402]	Decrease of 34 [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 of the marketplace business.

3. The workforce has decreased by 34 employees over the most recent year. This is mainly attributable to voluntary retirements for personal reasons.

(ii) Employees of the Company

Number of employees	Increase (decrease) from previous fiscal year-end	Average age	Average years of service
1,090 [277]	Decrease of 88 [Increase of 103]	32.4 years old	2.2 years

(Notes) 1. The number of employees stated indicates working employees, and the average number of temporary employees in the past year is stated separately in square brackets.

2. The workforce has decreased by 88 employees over the most recent year. This is mainly attributable to voluntary retirements for personal reasons.

(8) Major lenders (as of June 30, 2020)

(Millions of yen)

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

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

Not applicable.

2. Current Condition of the Company

(1) Status of shares (as of June 30, 2020)

(i) Shares authorized 459,250,000 shares

(ii) Shares issued 156,150,364 shares

(Notes) 1. The total number of issued shares has increased by 78,853 shares due to issuance of new shares related to Restricted Stock Units (RSU) on August 16, 2019, pursuant to a resolution of the Board of Directors on July 30, 2019 and a resolution of the Board of Directors on August 1, 2019.

2. The total number of issued shares has increased by 322,733 shares due to issuance of new shares related to Restricted Stock Units (RSU) on August 23, 2019, pursuant to a resolution of the Board of Directors on July 30, 2019 and a resolution of the Board of Directors on August 1, 2019.

3. The total number of issued shares has increased by 91,228 shares due to issuance of new shares related to Restricted Stock Units (RSU) on November 15, 2019, pursuant to a resolution of the Board of Directors on September 19, 2019.

4. The total number of issued shares has increased by 60,114 shares due to issuance of new shares related to Restricted Stock Units (RSU) on February 15, 2020, pursuant to a resolution of the Board of Directors on January 17, 2020.

5. The total number of issued shares has increased by 62,849 shares due to issuance of new shares related to Restricted Stock Units (RSU) on May 15, 2020, pursuant to a resolution of the Board of Directors on April 15, 2020.

6. The total number of issued shares has increased by 4,779,240 shares due to stock acquisition rights exercised during the current fiscal year.

(iii) Number of shareholders 52,541

(iv) Major shareholders

Name of shareholder	Number of shares held (Shares)	Ratio of shareholding
Shintaro Yamada	37,612,530	24.09%
Hiroshi Tomishima	8,975,000	5.75%
MSIP CLIENT SECURITIES	8,540,859	5.47%
suadd K.K.	6,567,000	4.21%
UNITED, Inc.	5,250,000	3.36%
GOLDMAN, SACHS & CO. REG	4,360,148	2.79%
Morgan Stanley & Co. LLC	4,128,704	2.64%
MSCO CUSTOMER SECURITIES	3,400,504	2.18%
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	2,843,178	1.82%
Japan Trustee Services Bank, Ltd. (Trust Account)	2,479,500	1.59%

(Notes) 1. Japan Trustee Services Bank, Ltd. merged with JTC Holdings, Ltd. and Trust & Custody Services Bank Ltd. on July 27, 2020, and the corporate name of the surviving entity is Custody Bank of Japan, Ltd.

2. 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
1,798,300 units	6,952,150 shares	156,150,364 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, 2020)

Position in the Company	Name	Responsibility and significant concurrent positions outside the Company
Representative Director	Shintaro Yamada	CEO Director of Mercari, Inc. (US)
Director	Fumiaki Koizumi	President CEO of Kashima Antlers F.C. Co., Ltd.
Director	Yuki Hamada	Chief Innovation Officer
Director	John Lagerling	Chief Business Officer CEO of Mercari, Inc. (US)
Director	Naoki Aoyagi	Representative Director and CEO of Merpay, Inc.
Director	Hirohisa Tamonoki	CEO of Mercari Japan
Outside Director	Ken Takayama	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 Co., Ltd.
Outside Director	Masashi Namatame	Executive Officer and General Manager of Digital Strategy Dept. of Tokio Marine Holdings, Inc.
Standing Audit and Supervisory Board Member	Mayumi Tochinoki	Audit and Supervisory Board Member of Merpay, Inc.
Outside Standing Audit and Supervisory Board Member	Fumiyuki Fukushima	
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 Ken Suzuki resigned due to expiration of his term of office effective as of the conclusion of the 7th Annual General Meeting of Shareholders held on September 27, 2019.

(ii) At the 7th Annual General Meeting of Shareholders held on September 27, 2019, Hirohisa Tamonoki and Mayumi Tochinoki were newly elected as Director and Audit and Supervisory Board Member respectively and assumed office.

2. Directors 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/auditors has been submitted to the Tokyo Stock Exchange for Directors Ken Takayama and Masashi Namatame and Audit and Supervisory Board Members Fumiyuki Fukushima, Toshihiro Igi, and Takahiro Shinozaki.

(ii) Summary of details of limited liability agreement

Under provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into agreements with its respective Outside Directors and Audit and Supervisory Board Members limiting their liability for damages as provided for in Article 423, Paragraph 1 of the Companies Act. Under these agreements, the maximum amount of liability for damages to be paid by the respective Outside Audit and Supervisory Board Members is to be the higher amount of either ¥3 million or the amount stipulated in Article 425, Paragraph 1 of the Companies Act, and that to be paid by Directors Ken Takayama and Masashi Namatame and Audit and Supervisory Board Member Mayumi Tochinoki 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 [3]	180 [30]
Audit and Supervisory Board Members [Outside Audit and Supervisory Board Members]	4 [3]	59 [32]
Total [Outside Officers]	13 [6]	240 [62]

(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 7th Annual General Meeting of Shareholders held on September 27, 2019.

2. Directors' remuneration, etc. does 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. Audit and Supervisory Board Member Toshihiro Igi is an Outside Director of SAKURA internet Inc. Although the Company has a business relationship with SAKURA internet Inc., the transaction amount between the two companies is less than 1% of consolidated net sales of the Company for the current fiscal year.

2. The status of other significant concurrent positions is described on page 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 Takayama	Mr. Takayama attended all 14 meetings of the Board of Directors held during the current fiscal year. 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 14 meetings of the Board of Directors held during the current fiscal year. In the meetings, he provided appropriate advice from his viewpoint principally as an expert in finance, based on his extensive experience and broad knowledge on a global scale related to the banking, securities, and investment industries.
Audit and Supervisory Board Member	Fumiyuki Fukushima	Mr. Fukushima attended all 14 meetings of the Board of Directors and all 14 meetings of the Audit and Supervisory Board held during the current fiscal year. In the meetings, he provided appropriate advice from his expert viewpoint principally as a certified public accountant.
Audit and Supervisory Board Member	Toshihiro Igi	Mr. Igi attended all 14 meetings of the Board of Directors and all 14 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 13 out of 14 meetings of the Board of Directors and 13 out of 14 meetings of the Audit and Supervisory Board held during the current fiscal year. In the meetings, he provided appropriate advice from his expert viewpoint principally as a corporate manager.

(4) Independent Auditor

(i) Name Ernst & Young ShinNihon LLC

(ii) Amount of remuneration, etc.

	Amount of remuneration, etc. (Millions of yen)
Independent auditor's remuneration, etc. for the current fiscal year	75
Total amount of money and other financial benefits to be paid to the independent auditor by the Company and its subsidiaries	95

(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. Furthermore, Kashima Antlers F.C. Co., Ltd. is audited by KPMG AZSA LLC.

(iii) Description of non-audit services

Not applicable.

(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, 2020)

(Millions of yen)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current assets	**169,277**	**Current liabilities**	**110,128**
Cash and cash equivalents	135,747	Current portion of long-term borrowings	900
Trade accounts receivable	1,119		
Securities	5,260	Cash due to users and other payables	16,206
Other receivable	15,612		
Prepaid expenses	1,609	Accrued expenses	861
Deposits paid	9,718	Income taxes payable	1,427
Other current assets	1,614	Deposits received	83,954
Allowance for doubtful accounts	(1,404)	Provision for bonuses	1,314
		Provision for point certificates	522
Non-current assets	**28,736**	Provision for share-based compensation	177
Property, plant and equipment	**2,905**		
Intangible assets	**679**	Other current liabilities	4,764
Investments and other assets	**25,151**	**Non-current liabilities**	**52,516**
Investment securities	5,881	Long-term borrowings	51,547
Lease deposits	2,128	Retirement benefit liability	75
Deferred tax assets	108	Asset retirement obligations	126
Guarantee deposits	16,598	Deferred tax liabilities	191
Other assets	435	Other provisions	6
		Other non-current liabilities	570
		Total liabilities	**162,645**
		NET ASSETS	
		Shareholders' equity	**30,966**
		Capital stock	**41,440**
		Capital surplus	**41,396**
		Retained earnings (Accumulated deficit)	**(51,870)**
		Treasury stock	**(0)**
		Accumulated other comprehensive income	**3,819**
		Valuation difference on available-for-sale securities	**3,995**
		Foreign currency translation adjustments	**(175)**
		Non-controlling interests	**582**
		Total net assets	**35,368**
Total assets	**198,014**	**Total liabilities and net assets**	**198,014**

Consolidated Statement of Income (from July 1, 2019 to June 30, 2020)

(Millions of yen)

Item	Amount	
Net sales		**76,275**
Cost of sales		**20,661**
Gross profit		**55,613**
Selling, general and administrative expenses		**74,921**
Operating loss		**(19,308)**
Non-operating income		
Interest income	116	
Other	95	211
Non-operating expenses		
Interest expense	248	
Foreign exchange loss	31	
Other	15	295
Ordinary loss		**(19,391)**
Extraordinary losses		
Impairment loss	922	
Loss on devaluation of investment securities	204	1,127
Loss before income taxes		**(20,519)**
Income taxes - current	2,317	
Income taxes - deferred	123	2,440
Loss		**(22,959)**
Loss attributable to non-controlling interests		(186)
Loss attributable to owners of parent		**(22,772)**

Non-consolidated Balance Sheet (as of June 30, 2020)

(Millions of yen)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current assets	**75,636**	**Current liabilities**	**14,053**
Cash and cash equivalents	58,284	Trade accounts payable	43
Trade accounts receivable	5,685	Current portion of long-term borrowings	900
Merchandise	8		
Prepaid expenses	791	Cash due to users and other payables	8,379
Other receivable	10,334		
Short-term loans receivable	500	Accrued expenses	412
Other current assets	31	Income taxes payable	1,399
Non-current assets	**29,047**	Deposits received	136
Property, plant and equipment	**1,146**	Provision for bonuses	1,292
Buildings	370	Provision for point certificates	136
Tools, furniture and fixtures	675	Provision for share-based compensation	177
Other	101		
Intangible assets	**97**	Other current liabilities	1,173
Software	97	**Non-current liabilities**	**51,744**
Investments and other assets	**27,803**	Long-term borrowings	51,547
Investment securities	5,880	Other non-current liabilities	197
Shares of subsidiaries and associates	19,731	**Total liabilities**	**65,798**
		NET ASSETS	
Deferred tax assets	107	**Shareholders' equity**	**34,889**
Lease deposits	2,004	**Capital stock**	**41,440**
Other assets	78	**Capital surplus**	**41,420**
		Legal capital reserve	41,420
		Other capital surplus	0
		Retained earnings (Accumulated deficit)	**(47,971)**
		Other retained earnings (Accumulated deficit)	(47,971)
		Retained earnings brought forward (Accumulated deficit)	(47,971)
		Treasury stock	**(0)**
		Valuation and translation adjustments	**3,995**
		Valuation difference on available-for-sale securities	**3,995**
		Total net assets	**38,884**
Total assets	**104,683**	**Total liabilities and net assets**	**104,683**

Non-consolidated Statement of Income (from July 1, 2019 to June 30, 2020)

(Millions of yen)

Item	Amount	
Net sales		**58,744**
Cost of sales		**9,771**
Gross profit		**48,972**
Selling, general and administrative expenses		**37,316**
Operating profit		**11,655**
Non-operating income		
Interest income	33	
Fiduciary obligation fee for subsidiaries and associates	34	
Gain on sales of shares of subsidiaries and associates	39	
Other	24	132
Non-operating expenses		
Interest expense	208	
Foreign exchange loss	25	
Other	2	237
Ordinary profit		**11,550**
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	36,935	
Loss on devaluation of investment securities	202	37,137
Loss before income taxes		**(25,587)**
Income taxes - current	2,341	
Income taxes - deferred	86	2,427
Loss		**(28,014)**

Independent Auditor's Audit Report on the Consolidated Financial Statements

(English translation)

Independent Auditor's Report

August 24, 2020

To the Board of Directors
Mercari, Inc.

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

Audit opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated financial statements, that is, the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in shareholders' equity, and the notes to consolidated financial statements of Mercari, Inc. (the "Company") for the fiscal year from July 1, 2019 to June 30, 2020.

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 consolidated subsidiaries for the relevant term of the consolidated financial statements, in accordance with the business accounting standards generally accepted in Japan.

Basis for audit opinion

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

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

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

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

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

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

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

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

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

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

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

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

Interests in the Company

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

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

(English translation)

Independent Auditor's Report

August 24, 2020

To the Board of Directors
Mercari, Inc.

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

Audit opinion

Pursuant to Article 436, Paragraph 2, Item 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 (collectively, the "non-consolidated financial statements, etc.") of Mercari, Inc. (the "Company") for the 8th fiscal year from July 1, 2019 to June 30, 2020.

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

Basis for audit opinion

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

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

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

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

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

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

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the non-consolidated financial statements, etc. based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the non-consolidated financial statements, etc.

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

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

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

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

Interests in the Company

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

Audit and Supervisory Board's Audit Report

(English translation)

Audit Report

Regarding the execution of duties by the Directors for the 8th fiscal year from July 1, 2019, to June 30, 2020, 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 27, 2020

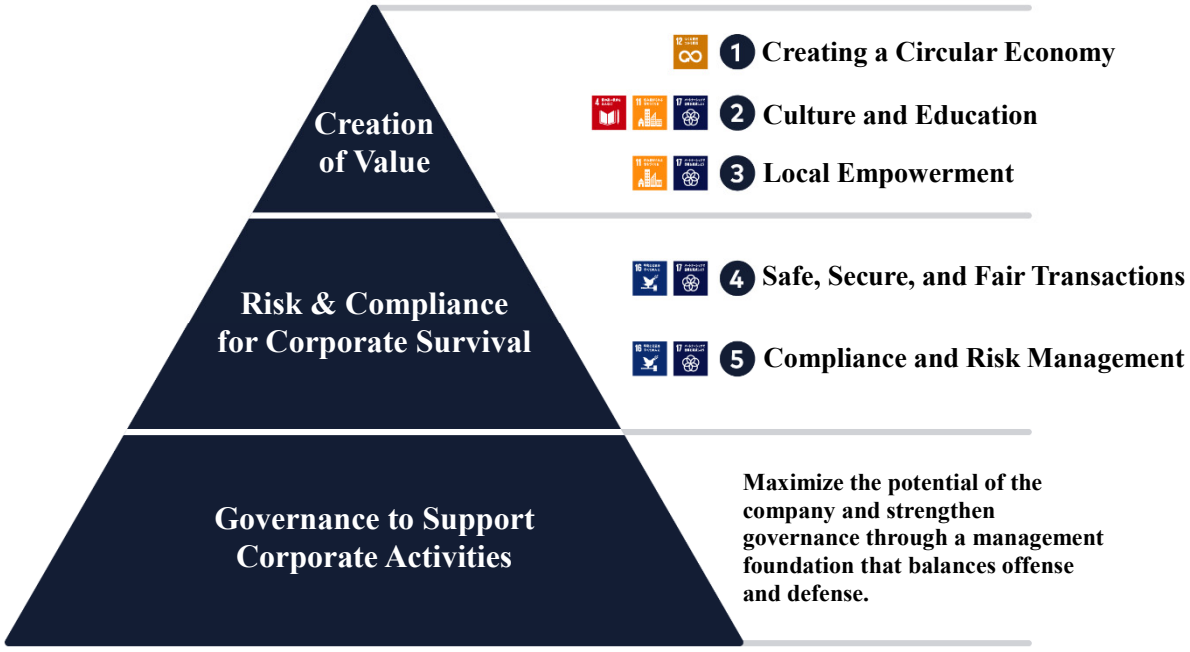
Audit and Supervisory Board, Mercari, Inc.
Mayumi Tochinoki [Seal]
Standing Audit and Supervisory Board Member
Fumiyuki Fukushima [Seal]
Standing Audit and Supervisory Board Member
(Outside Audit and Supervisory Board Member)
Toshihiro Igi [Seal]
Outside Audit and Supervisory Board Member
Takahiro Shinozaki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

ESG

Mercari's 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 aims to realize a society where things that are no longer valuable to someone can be delivered to someone else who needs them.

Mercari Eco Pack

Just like the items that *Mercari* handles, Mercari aims for packaging materials to be reused multiple times as well. Mercari experimented by distributing *Mercari Eco Pack* reusable packaging materials to see if users would embrace the custom and culture of reusing all manner of packaging materials.
When Mercari conducted a survey about *Mercari Eco Pack*, around 70% of users responded* that they reused the *Mercari Eco Pack* that they had received to send items.



* From the results of an original survey of *Mercari* users (Conducted in March 2020, 238,328 respondents)

2. Culture and Education

Educational Program for Using Marketplace Apps Safely & Securely

Mercari offers free seminars for junior high/high school students, parents/guardians, and teachers about the safe and secure use of C2C services such as marketplace apps. In the fiscal year ended June 30, 2020, Mercari held 17 seminars nationwide, with around 1,400 participants.



Value Exchange Hands-On Program for Learning about the Value of Possessions and Money

Mercari developed a *Mercari* simulation program for elementary school students at after-school programs using card games and online quiz content so that they can learn about the value of possessions and money. Mercari held trial lessons at five after-school programs.



Problem-Based Learning (PBL): Perspectives on Value Exchange 20 Years from Now

As a collaboration lesson with Kadokawa Dwango Educational Institute's N High School, Mercari ran a problem-based learning experience for creating a business or service that supports future value exchange, based on mercari R4D and the University of Tokyo's joint research theme of "value exchange engineering."



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), Fukuoka-shi (Fukuoka), Kamakura-shi (Kanagawa), Kanagawa Prefecture, and Kashima-shi (Ibaraki). The Group aims to empower local communities, including by providing educational programs using *Mercari*, realizing a cashless society, etc.



Local empowerment initiatives with Kashima-shi and the Kashima Antlers

In July 2019, Mercari acquired the management rights to the Kashima Antlers, and has been working to create a sustainable local community through cooperation with Kashima-shi and the Kashima Antlers. Mercari has conducted local empowerment initiatives through its food industry support project in the Rokko area* and Kashima Antlers crowdfunding projects, aiming to make the area a leading hub for regional revitalization.

* The five cities that are the hometowns of the Kashima Antlers (Kashima-shi, Itako-shi, Kamisu-shi, Namegata-shi, and Hokota-shi).



4. Safe, Secure, and Fair Transactions



Mercari is working to realize a safe, secure, and fair transaction environment by utilizing the power of technology to quickly eliminate problematic listings, accounts, and transactions before they cause issues.

- Appropriate action to deal with illegal listings and accounts, continuous improvement of fraud detection systems powered by AI and other technologies, and prevention of future incidents through user report analysis
- Operation of a committee that establishes standards on prohibited listings and behaviors, and updates to policies in response to societal changes
- Collection of information through a network of authorities, organizations, and businesses, and following service improvements
- Quick removal of illegal items and accounts

5. Compliance and Risk Management



Mercari aims to establish a sound and transparent internal management system, and to be a company that is highly trusted by users, business partners, and society.

- Regular monitoring of the status of risk management and legal compliance
- Regular compliance training (monthly e-learning courses, level-specific training, and operation-specific training for all employees)