Corporate Governance Report

Mercari, Inc.

February 6, 2025

Mercari, Inc.
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https://about.mercari.com/en/

The Company's corporate governance situation is as follows.

I . Our Basic Policy on Corporate Governance, Capital Structure, Company Attributes, and Other Basic Information

1. Our Principle

To achieve our mission of "Circulate all forms of value to unleash the potential in all people," Mercari Group (the "Group") aims to "unleash" the potential in all people by using technology to create an ecosystem that circulates all forms of value (both tangible and intangible). In order to collaborate with various stakeholders to achieve this mission, the Company will pursue the best Corporate Governance and continually strive to enhance it.

As part of our efforts to pursue and enhance the best Corporate Governance, we have chosen to establish a company with three committees (Nominating Committee, Compensation Committee, and Audit Committee). By clarifying the separation of the supervisory and the executive functions, we will build a system that supports swift and decisive decision-making as well as active and sound risk-taking of the executive function while strengthening the supervisory function of the Board of Directors.

Rationale for Not Implementing Certain Principles of the Corporate Governance Code

Supplementary Principle 2.4.1 (Ensuring Diversity at the Company, Including the Empowerment of Women in the Workplace)

The Group believes that diversity among its members is the source of innovation needed to achieve the Group mission of "Circulate all forms of value to unleash the potential in all people." The Group aims to create equal opportunities so that all employees can embody its three values (Go Bold, All for One, and Be a Pro).

Since the Group's hiring and promotion focuses on equal opportunities rather than equal outcomes, it does not set any Group-wide standards for promotion, such as aiming for a certain number of nationalities or genders to be represented. However, the Group does set "process KPIs" for each organization and monitors the progress of those KPIs.

The Company recognizes that inclusion and diversity are essential to the achievement of the Group mission. As part of these initiatives, since the fiscal year ended June 30, 2023, the Company has continued to implement correction measures to eliminate the gender pay gap between men and women.

Details of the Company's efforts to address inclusion and diversity, as well as information on employees' nationalities and the gender ratio, have been disclosed in the Impact Report found on the page linked below, as well as on the Company's corporate website.

https://about.mercari.com/en/inclusion-diversity/
https://about.mercari.com/en/sustainability/

Principle 2.6

The Company has not adopted a corporate pension plan. Therefore, there is no situation in which the Company functions as an asset owner of a corporate pension plan.

Supplementary Principle 4.1.2

By disclosing mid-term CAGR targets for revenue and core operating profit through its financial reports, the Company strives to promote shareholders' and investors' understanding of our mid- to long-term vision.

Disclosure Based on the Principles of the Corporate Governance Code

The Company's corporate website linked below contains the Corporate Governance Guidelines, Policy for Appointment and Dismissal of Directors and Officers, and Policy for Determining the Details of Compensation for Individual Directors and Officers (the "Directors/Officers Compensation Policy").

https://about.mercari.com/en/ir/governance/basic-policy/

Principle 1.4 (Cross-Shareholdings)
The Company's stance is described in Article 6 of the Corporate Governance Guidelines.

Principle 1.7 (Related Party Transactions)
The Company's stance is described in Article 7 of the Corporate Governance Guidelines.

Principle 3.1 (Appropriately Disclosing Information and Ensuring Transparency)

(1) Corporate Philosophy, Strategy, and Planning
The Company's Corporate Philosophy is stated in 1. Our Principle above.
For more information about the Company's Corporate Strategy and Planning, see the "Mid-Term Policy" section in the FY2024 Q4 financial results materials posted to the corporate website.

(2) Basic Policy and Basic Approach to Corporate Governance
The Company's stance is described in Article 1 of the Corporate Governance Guidelines.

(3) Policy and Procedures for Determining Directors' and Executive Officers' Compensation
The Company's stance is described in the Directors/Officers Compensation Policy.

(4) Policy and Procedures for Determining Directors' and Executive Officers' Appointment and Dismissal
The Company's stance is described in the Policy for Appointment and Dismissal of Directors and Officers.

(5) Explanation of Individual Nominations of Candidates for Directors
The Company's stance can be found under the proposal, "Election of Twelve (12) Directors", in the reference documents for the general meeting of shareholders included in the Notice of the 12th Annual General Meeting of Shareholders found on the Company's corporate website linked below.
https://about.mercari.com/en/ir/stock/shareholdermeeting/

Supplementary Principle 3.1.3 (Addressing Sustainability Issues)
The Company's investment in sustainability and human capital, as well as efforts to address climate change based on the TCFD recommendations, is disclosed in the Impact Report found on the page linked below, as well as on the Company's corporate website.
https://about.mercari.com/en/sustainability/

The Group also recognizes that intellectual property is a significant asset to the management of the Group and strives to both protect its own intellectual property and respect the intellectual property of third parties. To do so, the Group adopts an "Open & Defensive" strategy with regard to intellectual property.
"Open" means establishing relationships with people outside the Company through intellectual property activities, such as collaborating with rights holders in taking measures against counterfeit items listed on Mercari. For example, the Company is currently working to build a system to address counterfeit items that will conform to legislation in various countries as the Company's crossborder transaction business expands. By doing so, the Company aims to build relationships of trust with rights holders around the world, not only within Japan.
"Defensive" means utilizing intellectual property to protect the foundation of the Group's mission to circulate all forms of value. For example, the Company's on-demand work service offers a feature that enables businesses to connect with workers who have worked for that business in the past and invite them to work for the business again. The Company has selected this feature as important technology and has already acquired a patent. By building an intellectual property network through actions such as acquiring patents for features in development, the Company aims to maximize opportunities for business growth. This will help ensure that the Company is not left in an unfavorable position compared to its competitors.

Supplementary Principle 4.1.1 (Matters Decided by the Board of Directors and Scope of Delegation to Executive Officers)
The Company's stance is described in Article 9 of the Corporate Governance Guidelines.

Principle 4.9 (Criteria for Independent Outside Directors)
The Company's stance is described in the Policy for Appointment and Dismissal of Directors and Officers.

Supplementary Principle 4.11.1 (Skills Matrix for the Board of Directors)
The Company's stance can be found under "Election of Twelve (12) Directors" in the reference documents for the general meeting of shareholders included in the Notice of the 12th Annual General Meeting of Shareholders found on the Company's corporate website linked below.
https://about.mercari.com/en/ir/stock/shareholdermeeting/

Supplementary Principle 4.11.2 (Concurrent Executive Positions at Other Listed Companies Held by Directors)
The Company's stance can be found under "Election of Twelve (12) Directors" in the reference documents for the general meeting of shareholders included in the Notice of the 12th Annual General Meeting of Shareholders found on the Company's corporate website linked below.
https://about.mercari.com/en/ir/stock/shareholdermeeting/

Supplementary Principle 4.11.3 (Evaluation of the Effectiveness of the Board of Directors)
The Company discloses information regarding the evaluation of the effectiveness of its Board of Directors at the following link:

https://about.mercari.com/en/ir/governance/board-evaluation/

Supplementary Principle 4.14.2 (Training Policy for Directors)
The Company's stance is described in Article 20 of the Corporate Governance Guidelines.

Principle 5.1 (Policy for Constructive Dialogue with Shareholders)
The Company's stance is described in Article 2 of the Corporate Governance Guidelines.

Actions to Achieve Management Conscious of Capital Costs and Stock Price
Beginning in FY2022.6 H2, we incorporated an approach to profitability into our management policy, consciously balancing top-line growth and profitability in our management to strengthen Mercari Group's profitability.
In FY2025.6 and beyond, we will move one step further and aim essentially for strong top-line growth associated with increased profitability. For our C2C business, which continues to show stable growth, we will pursue high profitability while maintaining steady growth going forward. Meanwhile, for high growth areas such as our B2C business, crossborder transactions, our on-demand work service, Fintech, and Mercari US, we aim to build growth, striving for a double-digit sales revenue growth rate over the next three years across the Group. We also aim for a core operating profit CAGR of 25% or higher by FY2027.6 for the entire Group.
Going forward, we will continue to consider publishing targets for return on capital and other factors, depending on business progress.
Further, through talks with shareholders and investors, we will strive to conduct appropriate information disclosure and IR activities in order to reduce information asymmetry and contribute to the optimization of capital costs.

2. Capital Structure

Foreign Stock Ownership Ratio	More than 20% but less than 30

Major Shareholders

Name or Title	Number of Shares Owned	Ratio (%)
Shintaro Yamada	39,058,207	23.83
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,621,400	8.92
Hiroshi Tomishima	8,110,900	4.95
Custody Bank of Japan, Ltd. (Trust Account)	7,116,500	4.34
suadd K.K.	6,567,000	4.01
OASIS JAPAN STRATEGIC FUND LTD.	6,500,000	3.97
DAIWA CM SINGAPORE LTD- NOMINEE ROBERT LUKE COLLICK	3,711,800	2.26
BNYM SA/NV FOR BNYM FOR BNYM GCM CLIENT ACCTS M ILM FE	2,810,713	1.72
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	2,588,774	1.58
HSBC HONG KONG-TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES	1,815,981	1.11

Controlling Shareholder (excluding parent company)	――
Parent Company	None

Supplementary Explanation

○ Major Shareholders:
(1) The ratio of shares owned compared to the total number of shares issued (excluding treasury stock) is rounded to the second decimal place.

(2) Some reports on large-volume holdings of share certificates, etc. have been disclosed for public inspection. However, the Company was unable to confirm the number of shares actually held at the end of Q4 of the accounting period. Thus, the Company has omitted the information in the reports from the list of major shareholders above. The main contents of the reports are as follows:

Holders: Mizuho Securities Co., Ltd. and one other entity
Date when filing obligation arose: October 13, 2023
Number of stock certificates, etc. held: 4,847,743 shares
Ratio of stock certificates, etc. held: 2.97%

Holders: Nomura Securities Co., Ltd. and one other entity

Date when filing obligation arose: June 28, 2024
Number of stock certificates, etc. held: 12,403,834 shares
Ratio of stock certificates, etc. held: 7.57%

Holders: Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other entity
Date when filing obligation arose: June 28, 2024
Number of stock certificates, etc. held: 11,484,100 shares
Ratio of stock certificates, etc. held: 7.01%

Holders: BofA Securities Japan Co., Ltd. and one other entity
Date when filing obligation arose: June 28, 2024
Number of stock certificates, etc. held: 9,789,303 shares
Ratio of stock certificates, etc. held: 5.98%

3. Company Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime
Fiscal Year-End	June
Sector	Information and Communication Technology
Consolidated Number of Employees as of Preceding Year-end	1000 or more employees
Consolidated Revenue as of Preceding Year-end	100 billion–1 trillion JPY
Number of Consolidated Subsidiary Companies as of Preceding Year-end	Less than 10 companies

4. Guidelines for Protection of Minority Shareholders in Transactions with Controlling Shareholders

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5. Other Special Circumstances Significantly Affecting Corporate Governance

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Ⅱ. Business Management Organization and Other Corporate Governance Systems Regarding Decision-Making, Execution of Business, and Supervision in Management

1. Organizational Composition and Operation

Organizational Form	Company with Three Committees (Nominating Committee, Compensation Committee, and Audit Committee)

Directors

Maximum Number of Directors Stipulated in Articles of Incorporation	No maximum number
Term of Office of Directors Stipulated in Articles of Incorporation	1 year
Chair of the Board of Directors	CEO
Number of Directors	12

Matters Regarding Outside Directors

Number of Outside Directors	8

Number of Independent Directors Designated From Among Outside Directors	8

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*1)									
		a	b	c	d	e	f	g	h	i	j	k
Makiko Shinoda	From another company											
Takuya Kitagawa	From another company											
Daiken Tsunoda	Attorney											
Kazuhiko Toyama	From another company											
Shiho Konno	Attorney											
Kumi Fujisawa	From another company											
Mayumi Umezawa	Certified public accountant											
Kikka Hanazawa	From another company											

*1 Categories for "Relationship with the Company"
A hollow circle (◯) signifies the individual currently or recently having that relationship with the Company, whereas a hollow triangle (△) signifies the individual having that relationship with the Company in the past.
A filled circle (●) signifies an immediate family member currently having that relationship with the Company, whereas a filled triangle (▲) signifies an immediate family member having that relationship with the Company in the past.

a. Person in charge of business execution of the Company or its subsidiary
b. Non-executive director or a person in charge of business execution of a parent company of the Company
c. Person in charge of business execution of a fellow subsidiary of the Company
d. Party whose major business partner is the Company or a person in charge of business execution thereof
e. Major business partner of the Company or a person in charge of business execution thereof
f. Consultant, accounting professional, or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director
g. Major shareholder of the Company (or a person in charge of business execution of the said major shareholder if the shareholder is a corporation)
h. Person in charge of business execution of a business partner of the Company (which does not correspond to any of d., e., or f.) (the Director themself only)
i. Person in charge of business execution of a corporation to which outside officers are mutually appointed (the Director themself only)
j. Person in charge of business execution of a corporation that receives donations from the Company (the Director themself only)
k. Other

Outside Directors' Relationship with the Company (2)

Name	Committee Participation			Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
	Nom.	Comp.	Audit			
Makiko Shinoda		○		○	——	Makiko Shinoda possesses specialized knowledge and extensive experience in diversity & inclusion, sustainability, finance, etc., which she draws upon to provide appropriate and valuable advice and suggestions for the management of the Company. As such, the Company expects that she will contribute to strengthening the supervising and decision-making functions of the Board of Directors of the Company. Furthermore, the Company has appointed Ms. Shinoda as an

						independent director, having determined that her appointment meets the requirements for independent directors set forth by Tokyo Stock Exchange, Inc., and there is no likelihood of any conflicts of interest arising with general shareholders.
Takuya Kitagawa	○			○	——	Takuya Kitagawa possesses specialized expertise in areas of technology, including artificial intelligence (AI) and data science. As an Outside Director, he has utilized his extensive experience and profound insights acquired through his endeavors in creating new businesses and addressing social issues through the utilization of AI and data to provide appropriate and valuable advice and suggestions for the management of the Company. As such, the Company expects that he will contribute to strengthening the supervising and decision-making functions of the Board of Directors of the Company. Furthermore, the Company has appointed Mr. Kitagawa as an independent director, having determined that his appointment meets the requirements for independent directors set forth by Tokyo Stock Exchange, Inc., and there is no likelihood of any conflicts of interest arising with general shareholders.
Daiken Tsunoda			○	○	——	Daiken Tsunoda possesses professional expertise in the fields of corporate legal affairs and corporate governance. He also possesses extensive knowledge and profound insight in the fields of risk management and compliance, cultivated through his experience as an outside officer of listed companies, which he draws upon to provide appropriate and valuable advice and suggestions for the management of the Company. As such, the Company expects that he will contribute to strengthening the supervising and decision-making functions of the Board of Directors of the Company. Furthermore, the Company has appointed Mr. Tsunoda as an independent director, having determined that his appointment meets the requirements for independent directors set forth by Tokyo Stock Exchange, Inc., and there is no likelihood of any conflicts of interest arising with general shareholders.

Kazuhiko Toyama	○	○		○	——	Kazuhiko Toyama possesses extensive knowledge and profound insight as a manager of corporate restructuring consulting firms, as well as a specialist in corporate governance. He has provided appropriate and valuable advice and suggestions for the management of the Company by utilizing the extensive experience he has acquired through his endeavors in promoting innovation to address social issues. As such, the Company expects that he will contribute to strengthening the supervising and decision-making functions of the Board of Directors of the Company. Furthermore, the Company has appointed Mr. Toyama as an independent director, having determined that his appointment meets the requirements for independent directors set forth by Tokyo Stock Exchange, Inc., and there is no likelihood of any conflicts of interest arising with general shareholders.
Shiho Konno			○	○	——	Shiho Konno possesses professional expertise in the fields of corporate legal affairs and corporate governance. She also possesses extensive knowledge and profound insight in the fields of risk management and compliance, cultivated through her experience as an outside officer of listed companies. The Company expects that she will draw on her knowledge and experience to provide appropriate and valuable advice and suggestions for the management of the Company and contribute to strengthening the supervising and decision-making functions of the Board of Directors of the Company. Furthermore, the Company has appointed Ms. Konno as an independent director, having determined that her appointment meets the requirements for independent directors set forth by Tokyo Stock Exchange, Inc., and there is no likelihood of any conflicts of interest arising with general shareholders.
Kumi Fujisawa		○		○	——	As the manager of an investment trust evaluation company and a think tank, Kumi Fujisawa possesses extensive experience in promoting innovations to address social issues. She also possesses extensive experience and profound insight in global business, corporate governance, and other fields, cultivated through her experience as an outside officer of listed companies. The Company expects that she will draw on her knowledge and experience to provide appropriate and valuable advice and suggestions for the management of the Company and contribute to strengthening the

						supervising and decision-making functions of the Board of Directors of the Company. Furthermore, the Company has appointed Ms. Fujisawa as an independent director, having determined that her appointment meets the requirements for independent directors set forth by Tokyo Stock Exchange, Inc., and there is no likelihood of any conflicts of interest arising with general shareholders.
Mayumi Umezawa			○	○	——	Mayumi Umezawa possesses professional expertise in the fields of finance and accounting through her work as a certified public accountant and in corporate accounting and finance departments. She also possesses profound insight into the fields of risk management, compliance, and corporate governance cultivated through her experience as an outside officer at listed companies. The Company expects that she will draw on her knowledge and experience to provide appropriate and valuable advice and suggestions for the management of the Company and contribute to strengthening the supervising and decision-making functions of the Board of Directors of the Company. Furthermore, the Company has appointed Ms. Umezawa as an independent director, having determined that her appointment meets the requirements for independent directors set forth by Tokyo Stock Exchange, Inc., and there is no likelihood of any conflicts of interest arising with general shareholders.
Kikka Hanazawa	○			○	——	Kikka Hanazawa possesses extensive experience in business management, primarily in the US, tackling social issues through businesses. She also possesses profound insight into the field of sustainability through her work operating multiple non-profits and launching philanthropic activities. The Company expects that she will draw on her knowledge and experience to provide appropriate and valuable advice and suggestions for the management of the Company and contribute to strengthening the supervising and decision-making functions of the Board of Directors of the Company. Furthermore, the Company has appointed Ms. Hanazawa as an independent director, having determined that her appointment meets the requirements for independent directors set forth by Tokyo Stock Exchange, Inc., and there is no likelihood of any conflicts of

						interest arising with general shareholders.

Committee Information

Committee Composition and Attributes of Chair

	All Committee Members	Full-Time Members	Inside Directors	Outside Directors	Chair
Nominating Committee	4	1	1	3	Outside Director
Compensation Committee	4	1	1	3	Outside Director
Audit Committee	4	0	1	3	Outside Director

Executive Officers

Number of Executive Officers	4

Concurrent Position Status

Name	Representation Rights	Additional Duties as Director			Concurrent Employee Position
			Nominating Committee Member	Compensation Committee Member	
Shintaro Yamada	Yes	Yes	○	○	No
Sayaka Eda (Sayaka Ando)	No	Yes	×	×	No
Masato Yamamoto	No	No	×	×	No
Shuji Kawano	No	No	×	×	No

Audit Structure

Presence of Director(s) and/or Employee(s) Assisting with the Duties of the Audit Committee	Present

Matters Regarding the Independence of Assisting Director(s) and/or Employee(s) from Executive Officers

The Company has established a dedicated organization to assist with the duties of the Audit Committee and assigns the necessary employees to this organization. The Company obtains the consent of the Audit Committee when determining human resources-related matters involving assisting employees.

Cooperation Among the Audit Committee, Accounting Auditors, and Internal Audit Department

The Audit Committee receives reports from the Accounting Auditors at the end of the fiscal year regarding the procedures and results of accounting audits and internal control audits. The Audit Committee and Accounting Auditors also exchange opinions at this time. Additionally, during the period, the Audit Committee holds regular meetings with the Accounting Auditors, such as three-way audit meetings. At these meetings, the Audit Committee receives reports from the Accounting Auditors on audit plans, important audit items, and audit status, as well as information regarding key audit matters (KAMs) to be included in accounting audit reports, exchanges information, and exchanges opinions to facilitate effective and efficient accounting audits and internal control audits.

The Audit Committee and Internal Audit Department hold meetings regularly and as necessary, report on audit structures and audit status, and exchange opinions and information to strive for mutual cooperation.

The Internal Audit Department and Accounting Auditors cooperate through regular three-way audit meetings and hold additional meetings as necessary to exchange opinions.

Independent Directors

Number of Independent Directors	8

Other Matters Relating to Independent Directors

The Company has appointed all Outside Directors that meet the qualifications as independent directors.
The Company's criteria for independence of Outside Directors is described in the Policy for Appointment and Dismissal of Directors and Officers linked at the end of the following webpage:
https://about.mercari.com/en/ir/governance/basic-policy/

Incentives

Incentive Policies Implemented for Directors and Executive Officers	Introduction of performance-linked compensation plan, stock option plan, and others

Supplementary Explanation

The Company granted stock options with share price conditions as incentive compensation in October 2020 to some Directors before the transition to a Company with Three Committees. The details of these stock options can be found in section A, chapter IV, part 4-(4) (Compensation of Officers, etc.) of the 12th Annual Securities Report.

Recipients of Stock Options	Outside Directors, Executive Officers

Supplementary Explanation

The Company has introduced a 1-yen stock option plan and a phantom stock plan for Executive Officers as mid- to long-term incentives. For Directors, the Company has introduced a 1-yen stock option plan with the goal of strengthening the supervisory function and sharing profits with shareholders in the mid- to long-term. Details of the compensation structure for Directors and Executive Officers are described in the Directors/Officers Compensation Policy.

Compensation for Directors and Executive Officers

Disclosure of Individual Directors' Compensation	Only the individual compensation of certain Directors is disclosed.
Disclosure of Individual Executive Officers' Compensation	Only the individual compensation of certain officers is disclosed.

Supplementary Explanation

The details of compensation of officers can be found in section A, chapter IV, part 4-(4) (Compensation of Officers, etc.) of the 12th Annual Securities Report.

Policy on Determining Compensation Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Compensation Amounts and Calculation Methods

The Company's policy on determining compensation for Directors and Executive Officers is described in the Directors/Officers Compensation Policy.

Support System for Outside Directors

The Company's support system for Outside Directors is described in Article 18 and Article 20 of the Corporate Governance Guidelines.
The Company's policy on compensation for Outside Directors is described in the Directors/Officers Compensation Policy.

2. Matters Regarding Management of Business Execution, Audits/Supervision, Nominations, and Compensation Decisions (Outline of the Current Corporate Governance System)

(a) Board of Directors

The Board of Directors of the Company discusses and decides upon fundamental corporate management matters, the core of the Company's strategies, and other important management matters, as well as supervises the Executive Officers' execution of duties, as the Company works to achieve its Group mission.
The Board of Directors is composed of twelve (12) Directors, including eight (8) independent Outside Directors.
In promoting management that aims for the sustainable growth and enhancement of the corporate value of the Group, the Company establishes a structure that ensures overall diversity of the Board of Directors and the right balance of knowledge, experience, and ability necessary to carry out highly effective supervision of the Group.
The status of the Board of Directors' activities in FY2024.6 can be found in section A, chapter IV, part 4-(1)-2) Outline of Corporate Governance System and Activities of the Board of Directors, etc. in the Fiscal Year Under Review of the 12th Annual Securities Report.

(b) Nominating Committee

The Nominating Committee deliberates evaluation of Directors, candidates for Directors, candidates for Executive Officer, Chief Executive Officer succession planning, and other topics, and determines policies for appointment and dismissal of officers, proposals for appointment and dismissal of Directors, and other items.

The Nominating Committee is composed of four (4) Directors, including three (3) Independent Outside Directors. The Chair is selected from the Independent Outside Directors in order to ensure objectivity and transparency in deliberation regarding nominations.

(c) Compensation Committee

The Compensation Committee fairly and transparently deliberates and determines policies for determining compensation, etc. of Directors and Executive Officers, as well as individual compensation, etc. for Directors and Executive Officers.

The Compensation Committee is composed of four (4) Directors, including three (3) Independent Outside Directors. The Chair is selected from the Independent Outside Directors in order to ensure objectivity and transparency in deliberation regarding Directors/Officers compensation.

(d) Audit Committee

The Audit Committee audits the execution of duties by Directors and Executive Officers, creates audit reports, evaluates and selects Accounting Auditors, and enhances the quality of audits by collaborating with the Internal Audit Department.

The Audit Committee is composed of four (4) Directors, including three (3) Independent Outside Directors. The Chair is selected from the Independent Outside Directors in order to ensure objectivity and transparency in audits.

(e) Executive Officers

Executive Officers receive significant delegation of authority regarding business execution from the Board of Directors, take charge of executing business in their area of responsibilities, and carry out business execution based on swift and bold decision-making and sound risk-taking. At the time this report was submitted, the Company had five (5) Executive Officers.

(f) Accounting Auditors

The Company has entered into an audit contract with Ernst & Young ShinNihon LLC, and in addition to undergoing periodic audits, the Company receives guidance from time to time on accounting issues and strives to implement appropriate accounting processes.

(g) 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 all Outside Directors and non-executive director Mayumi Tochinoki 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 is to be the amount stipulated in Article 425, paragraph (1) of the Companies Act.

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

The Company has entered into a directors and officers liability insurance policy with an insurance company, as provided for in Article 430-3, paragraph (1) of the Companies Act, which provides coverage for the Directors, Executive Officers, Auditors, and Vice Presidents of the Company and subsidiaries of the Company (however, this does not include Mercari, Inc. (US)). In the event that those insured incur losses arising from responsibilities related to the execution of their duties, or from claims being pursued in relation to said responsibilities, they shall be reimbursed under the terms of the policy. However, to ensure the appropriateness of the execution of duties of officers, the insurance policy stipulates that insurance payments shall not be made under certain circumstances, such as in cases of malicious intent or gross negligence.

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

3. Rationale for Our Current Corporate Governance System

The rationale for the Company's current corporate governance system is described in Article 1 of the Corporate Governance Guidelines.

III. Policies for Shareholders and Other Stakeholders

1. Initiatives to Facilitate the Annual General Meeting of Shareholders and Exercising of Voting Rights

	Supplementary Explanation
Early Notification of Annual General Meeting of Shareholders	The Company strives to disclose notices for general meetings of shareholders early so that shareholders are able to have sufficient time to consider proposals and exercise their voting rights appropriately. For the 12th Annual General Meeting of Shareholders held on September 25, 2024, the Japanese language version of the notice was disclosed on the Company's website on August 29, and the English language version of the notice was disclosed on the Company's website on September 5.

Scheduling Annual Shareholder Meeting to Avoid Peak Time	This year, the Annual General Meeting of Shareholders was held on Wednesday, September 25, 2024.
Exercising Voting Rights Electronically	The Company has implemented the exercising of voting rights over the internet since the 7th Annual General Meeting of Shareholders in 2019.
Electronic Voting Platforms and Other Initiatives to Facilitate the Exercising of Voting Rights by Institutional Investors	The Company has implemented an Electronic Voting Platform for shareholders to exercise their voting rights since the 7th Annual General Meeting of Shareholders in 2019.
Provision of Notifications (Summarized) in English	The Company posts English language versions of the full text of the Notice of the Annual General Meeting of Shareholders on the Company's website before the notification is mailed to shareholders.
Other	Notification: The Company prints the notification for general meetings of shareholders in color, with figures, photographs, and other visuals, in order to make all necessary information as easy to understand as possible for those who have made the decision to invest. Furthermore, the Company posts notifications of general meetings of shareholders on the Company's website and strives to facilitate these meetings and the exercising of voting rights. Since the 11th general meeting of shareholders, held in September 2023, the company has held general meetings of shareholders fully online taking into account equal participation opportunities, equality among attending shareholders, avoidance of physical limitations, support from shareholders, and efficient operations of the meeting.

2. Current IR Activities

	Supplementary Explanation	Explanation from the Representative Themself
Creation and Publication of Disclosure Policies	The Company has created an IR Policy, consisting of Basic Disclosure Policy, Information Disclosure Methods, Quiet Period, Our Future Outlook, and Dealing With The Spreading of Rumors to Influence Stock Prices. This IR Policy is posted on the Company's website. https://about.mercari.com/en/ir/strategy/policy/	
Regular Information Sessions for Individual Investors	The Company provides business descriptions during general meetings of shareholders, providing an opportunity for dialogue between the Company and individual investors. The Company has also established an inquiry form on the IR section of its website, through which it answers questions from individual investors.	Yes
Regular Information Sessions for Analysts and Institutional Investors	The Company holds regular information sessions for analysts and institutional investors alongside the announcement of the financial results. At these information sessions, the Company explains its management situation, strategies, initiatives, and forecast. Following information sessions, the Company promptly publishes video recordings of the session and summaries of the question and answer session.	Yes
Regular Information Sessions for Overseas Investors	To assure fair disclosure, the Company hosts live broadcasts of information sessions with simultaneous interpreting. Following information sessions, the Company promptly publishes video recordings of the session and summaries of the question and answer session. Furthermore, the Company organizes IR activities overseas utilizing online meetings and	Yes

	online conferences held for overseas investors organized by securities companies.	
Publishing Documents on Our IR Website	The Company strives for fair disclosure on the Company's website in both Japanese and English. https://about.mercari.com/en/ir/	
Establishment of Department in Charge of IR	The Company employs people to be exclusively responsible for IR.	
Other	The Company discloses (in both Japanese and English) records of interviews between the Representative Executive Officer and CEO and major shareholders, holds information sessions regarding certain areas led by heads of businesses as necessary, and publishes presentation materials and Q&A summaries from those sessions. The Company also actively posts information regarding its culture, services, and initiatives on company media such as Mercan, Merpoli, and the Mercari R4D YouTube channel, and in the Impact Report.	

3. Initiatives Regarding Our Respect for Stakeholders

	Supplementary Explanation
a.Regulations regarding our respect for stakeholders in internal regulations, etc.	The Company's policy is described in Article 2 and Article 8 of the Corporate Governance Guidelines, as well as the Compliance Policy linked below. https://static.jp.mercari.com/compliance
b. Implementation of environmental preservation activities, CSR activities, etc.	The Company discloses reports to stakeholders regarding the Company's social responsibilities, such as the implementation status of CSR activities, including environmental preservation activities, in the Impact Report found on the page linked below. https://about.mercari.com/en/sustainability/ The Company has also published pages about sustainability on its corporate website. https://about.mercari.com/en/sustainability/
c. Establishment of policies, etc. for providing information to stakeholders	The Company strives to appropriately disclose information in accordance with the following IR Policy, which includes a Basic Disclosure Policy. https://about.mercari.com/en/ir/strategy/policy/ In addition, the Company discloses important information in both Japanese and English simultaneously.
d. Other	The Company has set "Unleashing the Potential in Diverse Talent Worldwide" as one of its material topics. The Company believes that diversity among its members is the source of innovation needed to achieve its Group mission and aims to create equal opportunities so that all employees can embody its three values (Go Bold, All for One, and Be a Pro). As part of these initiatives, since the fiscal year ended June 30, 2023, the Company has continued to implement correction measures to eliminate the gender pay gap between men and women. Details of measures the Company has taken, including efforts to address diversity and inclusion, have been disclosed in the Impact Report found on the page linked below. https://about.mercari.com/en/sustainability/

IV. Regarding Our Internal Control System

1. Our Internal Control System - Basic Stance and Status

The Company maintains an internal control system and risk management structure based on the Basic Policy for Establishing Internal Control Systems defined by the Board of Directors.

(a) A System to Ensure that Executive Officers and Employees Comply with Laws, Ordinances, and Articles of Incorporation in Performing Their Duties

i. Under the Basic Compliance Policy, the Company ensures that Executive Officers and employees have a sufficient awareness of compliance and abide by laws, ordinances, articles of incorporation, and internal regulations in performing their duties.
ii. The Company stipulates official authority, clearly defines responsibilities and authority, and establishes a system for the performance of duties in each department. The Company also prepares, disseminates, and operates the necessary approval systems, internal regulations, and manuals.
iii. The Company establishes, disseminates, and appropriately operates a system for making reports to and consulting with internal and external points of contact as an internal whistleblowing system.
iv. The Company strictly addresses Executive Officers and employees who violate laws or regulations in accordance with the company's Rules of Employment and Executive Officer Regulations.
v. The Company designates a personal information protection manager who plays a central role in the development and operation of personal information protection systems. Furthermore, the Company institutes an office under the direction of the manager and endeavors to appropriately protect personal information and continuously improve personal information protection.
vi. The Company stipulates a basic policy to ensure appropriate financial reporting and establishes and puts into practice internal controls regarding financial reporting to ensure the appropriateness and reliability of the content of financial reporting.
vii. The Company's basic policy is to have absolutely no ties with anti-social forces and to refuse all unjust demands. This policy is documented in writing, made clear to all people within the Company, and followed appropriately.
viii. The Internal Audit Department audits the status of business execution and reports the results to the Representative Executive Officer, the Audit Committee, and the Board of Directors.
ix. Audit Committee members exercise their authority as stipulated by laws and regulations to audit Executive Officers' performance.

(b) Systems for Ensuring the Efficient Performance of Duties by Executive Officers

i. The Board of Directors operates in accordance with the articles of incorporation and Board of Directors Regulations, deliberates and determines important matters stipulated in laws and ordinances, the articles of incorporation, and the Board of Directors Regulations, etc., and supervises the execution of duties by Executive Officers.
ii. Executive Officers hold regular Executive Officers Meetings attended by all Executive Officers and efficiently, flexibly, and swiftly perform business duties by working together closely, exchanging opinions, and sharing information.
iii. To ensure the efficient performance of duties by Executive Officers, the Company has established Organization Regulations, Division of Duties Regulations, and Approval Regulations.

(c) Systems Related to the Storage and Management of Information Related to the Performance of Executive Officers' Duties

i. Based on document management regulations, etc., the Company appropriately retains and manages minutes of important meetings and other important documents containing information relating to the performance of duties by Executive Officers (including electromagnetic records).
ii. Under the Company's Basic Policy on Information Security, the Company protects and manages information assets based on its Regulations for Information Security Management, etc.

(d) Regulations and Other Systems Concerning Management of the Risk of Losses

i. Under the Basic Risk Management Policy, the Company recognizes the importance of identifying various risks associated with the Company's business, and as such, practices comprehensive risk management and endeavors to identify, assess, and manage various risks, based on risk management regulations.
ii. The Company establishes a risk management department and establishes and strengthens operations of a risk management system to prepare against disasters, accidents, system failures, and other unforeseen circumstances.

(e) Structure for Ensuring the Propriety of the Business Activities of the Corporate Group Consisting of the Company and its Subsidiaries

The Group shares the same mission and values and endeavors to make the most of business resources throughout the Group to maximize the value of the Group's business as a whole.

i. In order to ensure the propriety of management throughout the Group, the Company stipulates Regulations on the Management of Related Companies that respect the autonomy of subsidiaries while ensuring they abide by the same regulations on important matters. Subsidiaries will share their operations with the Company in advance to ensure appropriate business operations as part of the Group.
ii. The regulations and other systems concerning management of the risk of losses in the previous item apply to all companies within the Group, allowing the Company to manage the risk of the Group as a whole in an all-encompassing, comprehensive manner.

iii. The authority and liabilities of subsidiaries in performing their duties are clearly stipulated in the Regulations on the Division of Duties, Regulations on Administrative Authority, and other internal regulations in order to allow for the efficient performance of duties.

iv. The Internal Audit Department carries out audits of the Company Group's business activities to ensure they are appropriate and in compliance with laws, regulations, and the articles of incorporation. The results are reported to the Representative Executive Officer, the Audit Committee, and the Board of Directors, and shared with the Accounting Auditor.

(f) Matters Related to Employees Requested to Assist with the Duties of the Audit Committee, Matters Related to the Independence from Executive Officers of Employees Assisting with the Duties of the Audit Committee, and Matters Related to Ensuring the Effectiveness of Instructions Given to Employees Assisting with the Duties of the Audit Committee

i. The Audit Committee can station employees to assist with the Audit Committee's duties (hereafter referred to as employees assisting the Audit Committee).

ii. Employees assisting the Audit Committee shall comply with the Audit Committee's orders, shall not concurrently perform duties for other divisions or departments, and shall carry out administrative work related to the operation of the Audit Committee and collect necessary information for the Audit Committee's audit.

iii. Reassignment, performance evaluation, and disciplinary action related to employees assisting the Audit Committee require the prior consent of the Audit Committee.

iv. The Company will grant employees assisting the Audit Committee authority to investigate and gather information necessary in performing their duties.

(g) Structures for Reporting to the Audit Committee

i. Structures for Directors (excluding Directors who are members of the Audit Committee), Executive Officers, and employees to report to the Audit Committee

(i) Directors (excluding Directors who are members of the Audit Committee), Executive Officers, and employees will, in addition to matters required by law, also report the following matters to the Audit Committee or Audit Committee members without delay: matters that could have a significant impact on the Company, matters decided at important meetings, the status of the internal whistleblowing system and internal auditing system, etc.

(ii) Directors (excluding Directors who are members of the Audit Committee), Executive Officers, and employees will promptly report information related to the performance of their duties when demanded by the Audit Committee or Audit Committee members.

ii. System for those in managerial positions of subsidiaries and those who have received reports from them to report to the Audit Committee

(i) Those in managerial positions of subsidiaries and those who have received reports from them will promptly report items related to the performance of their duties when demanded by the Audit Committee or Audit Committee members.

(ii) Those in managerial positions of subsidiaries and those who have received reports from them will report violations of laws and regulations as well as matters that could have a significant impact on the Company or the Company's subsidiaries to the Audit Committee or Audit Committee members without delay.

(h) Structures to Ensure That Those Who Have Made Reports as Defined in the Previous Item Are Not Treated Unfairly Due to Their Report

i. The Company prohibits any kind of unfair treatment toward those who have made reports to the Audit Committee or Audit Committee members as defined in the previous item due to the fact that they filed a report. The Company enforces this in all Group companies.

ii. Employee evaluations and disciplinary action taken against those who have made reports as defined in the previous item must not take into account the fact that they filed a report. The individual who filed the report may request the Audit Committee to investigate into the reasons behind their employee evaluation and/or disciplinary action.

(i) Matters Related to the Policy Surrounding Liability for Expenses, Obligations, etc. Incurred by Audit Committee Members in Performing Their Duties

The Company bears the cost of expenses necessary for Audit Committee members to perform their duties. This includes expenses incurred through employing external professionals such as external attorneys, certified public accountants, and consultants as necessary by the Audit Committee.

(j) Other Systems to Ensure that Audits by the Company's Audit Committee Are Performed Effectively

i. The Audit Committee and Audit Committee members will exchange opinions with the Representative Executive Officer regularly. Furthermore, they will hold interviews with Directors (excluding Directors who are members of the Audit Committee), Executive Officers, and employees in key positions as necessary.

ii. The Audit Committee and Audit Committee members will exchange opinions with the Accounting Auditor as necessary.

iii. The Audit Committee and Audit Committee members can independently seek the advice of legal professionals, certified public accountants, and other professionals as necessary.

iv. The Audit Committee gives the Internal Audit Department instructions regarding audits and continuously receives reports from the Internal Audit Department regarding the status of execution of duties, discoveries, etc.

v. Reassignment, performance evaluation, and disciplinary action related to the person in charge of the Internal Audit Department require the consent of the Audit Committee.

2. Exclusion of Anti-Social Forces - Basic Policy and Implementation Status

a. Basic Policy on the Exclusion of Anti-Social Forces

The Company declares a resolute stance against anti-social forces, and the Company's policy of ensuring no ties with organized criminal organizations and all other forms of anti-social forces is stipulated in the Company's Basic Policy for Establishing Internal Control Systems, Code of Ethics, Compliance Policy, and other documents.

b. Status of the Company's Basic Policy on the Exclusion of Anti-Social Forces

(a) Status of Internal Regulations

Based on the above declaration, the Company has established Regulations on the Exclusion of Anti-Social Forces and Subsidiary Rules on Dealing with Anti-Social Forces, and prohibits all forms of contact with anti-social forces. The Company does not have and has never had any relation with anti-social forces.

(b) Supervisory Department for Dealing with Anti-Social Forces

The Company positions the department in charge of compliance as its supervisory department for eliminating anti-social forces, and provides a system for immediate reporting/consultation regarding the unfair demands of anti-social forces, organized crime, and criminal activity.

(c) Methods Used in Excluding Anti-Social Forces

The Company uses a database provided by an external specialized investigative organization, internet searches, and other databases to investigate whether or not there is any information to suggest stockholders, directors, or new business partners have any connections to anti-social forces before relationships are formed. Furthermore, if the Company discovers or suspects that existing business partners have connections to anti-social forces, the Company has structures in place to ensure the prompt cut-off of all business ties with them.

V. Other

1. Anti-Takeover Measures

Anti-Takeover Measures	No measures in place

Supplementary Explanation

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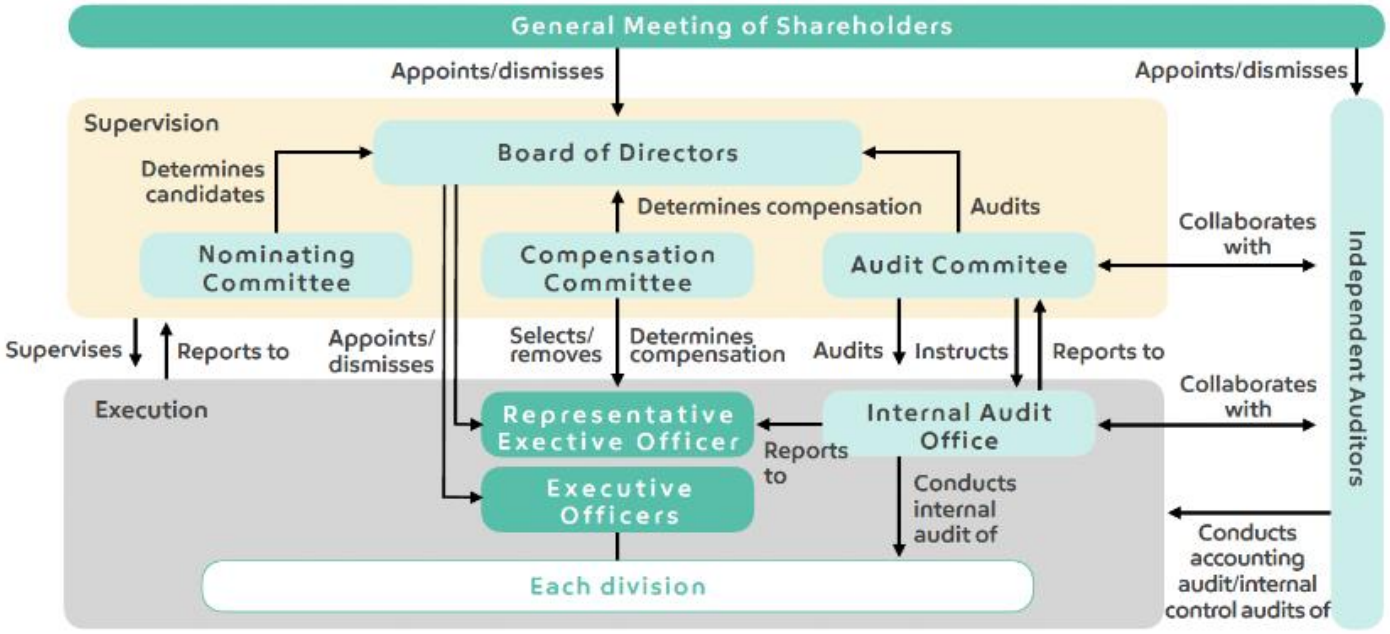
2. Other Items Related to Corporate Governance Systems, etc.

Structure



Timely Disclosure System

