

September 28, 2020

Mercari, Inc.

Chief Executive Officer: Shintaro Yamada

Inquiries: Corporate Division 03-6804-6907

Securities Code: 4385

<https://about.mercari.com/>

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**

Under the mission "Create value in a global marketplace where anyone can buy & sell," Mercari, Inc. and its subsidiaries aim to serve as a company that contributes to society by creating a circular economy.

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, 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.

### **Rationale for Not Implementing Certain Principles of the Corporate Governance Code**

The Company implements the Fundamental Principles of the Corporate Governance Code.

#### Supplementary Principle 4.1.2

The Company is in the internet industry, where the environment and technologies change rapidly. Therefore, the Company believes that a detailed and concrete mid- to long-term business plan is not suitable. Instead, the Company explains its mid- to long-term management strategies through efforts such as IR activities to promote shareholder understanding.

### **Disclosure Based on the Principles of the Corporate Governance Code**

#### Principle 1.4

The Company does not hold shares of other listed companies as cross-shareholding. If the Company were to hold shares of other listed companies, it would only be in the instance that it would improve the value of both companies involved.

#### Principle 1.7

Transactions that pose a conflict of interest between directors/the Company and transactions by directors in competition with the Company require resolution by the Board of Directors. Directors who have a vested interest in that resolution are prohibited from participating in the resolution process.

In addition, the Company confirms the necessity of any transaction by related parties beforehand, as well as the conditions and the propriety of the method for deciding to conduct such transaction. For any transactions that are determined particularly important, the Board will adequately deliberate regarding their necessity and appropriateness before approving.

#### Principle 2.6

The Company does not have a company pension fund.

Principle 3.1

(i) Company Objectives, Business Strategies, and Business Plans

Under the mission “Create value in a global marketplace where anyone can buy & sell,” Mercari, Inc. and its subsidiaries aim to serve as a company that contributes to society by creating a circular economy.

(ii) Basic Views and Guidelines on Corporate Governance Based on Each of the Principles of the Code

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, 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.

(iii) Board Policies and Procedures in Determining the Remuneration of Senior Management and Executive Directors

In realizing growth of the Company’s enterprise value in the mid/long term, the Company has introduced a share option as a form of incentive remuneration for Directors and Senior Vice Presidents, linking remuneration to shareholder value and investing in “people” to maximize Directors’ and Senior Vice Presidents’ performance and motivate them to contribute to the Company. In this way, it aims to enable more appropriate risk taking. The Company consults 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 Senior Vice Presidents, as well as ensure the independence, objectivity, and transparency of the process for determining remunerations.

(iv) Board Policies and Procedures for the Appointment/Dismissal of Senior Management and the Nomination of Executive Director and Auditor Candidates

When appointing and dismissing Directors and Senior Vice Presidents, importance is given to achieving a balance of knowledge, experience, and skills across the Board of Directors, and appointments and dismissals are determined based on the management environment surrounding the Company and by deliberation of the Board of Directors. Additionally, the Company ensures the independence, objectivity, and transparency of the process for determining remunerations by consulting the Nomination and Remuneration Advisory Committee, of which a majority is Outside Directors.

(v) Explanations with Respect to the Individual Appointments/Dismissals and Nominations Described in (iv)

The Company lists “Reasons for Nomination” for each nominated Executive Director or Auditor in the relevant election proposal in the Notification of Annual General Meeting of Shareholders (reference documents).

Supplementary Principle 4.1.1

The Board of Directors makes all final decisions regarding important business matters and audits the execution of operations in accordance with laws and regulations, articles of incorporation, and regulations related to the Company.

However, decisions regarding other individual business matters are to be handled by the Senior Vice Presidents, in order to ensure decisions are made promptly.

Principle 4.9

Candidates for independent Outside Directors are those who possess a wealth of professional knowledge, experience, and considerable insight, which are required for advising and supervision of the business management of the Company, and are selected among those who

meet the requirements stipulated by the Companies Act and Tokyo Stock Exchange, Inc.

**Supplementary Principle 4.11.1**

The Company strives to keep transparency and soundness of business management by appointing Outside Directors and Auditors, while maintaining a modest-sized Board of Directors to assure the practicality of the discussion in Board Meetings. Furthermore, the Company ensures the Board of Directors represents a variety of professional skills and knowledge as a whole in order for precise and prompt decision-making as well as appropriate supervision over management of corporate affairs. Regarding the appointment of Directors, the Company consults with the Nomination and Remuneration Advisory Committee, of which a majority is Outside Directors.

**Supplementary Principle 4.11.2**

The Company discloses information regarding the major duties concurrently performed by Executive Directors and Auditors in the Notification of Annual General Meeting of Shareholders every year. The Company confirms that those appointed have ample time and energy to fulfill their roles and duties with regards to the Company even if they hold other positions concurrently.

**Supplementary Principle 4.11.3**

The Company analyzes and evaluates the effectiveness of the Board of Directors Meetings every year by taking self-evaluations written by each Executive Director and Auditor as well as opinions from Outside Directors into consideration.

**Supplementary Principle 4.14.2**

The Company provides Outside Directors with the relevant opportunities to learn about the Company's business, finance, and organization to ensure that they are able to fulfill their roles and responsibilities.

**Principle 5.1**

The Company strives to disclose information appropriately and fairly and promote constructive dialogue with shareholders.

Under the CFO's management, the IR Department works to promote constructive dialogue with shareholders. As a part of these initiatives, the IR Department holds financial results presentations, ensures cooperation between each department to collect information necessary for promoting dialogues, and discusses shareholders' opinions and concerns shared through dialogues, as well as gives feedback to the Board of Directors and relevant Executive Directors. The IR Department does not share insider information with shareholders through dialogues and makes sure the content of the information is screened by the legal department and external advisors in advance.

## 2. Capital Structure

Foreign Stock Ownership Ratio	More than 30%
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**Major Shareholders**

Name or Title	Number of Shares Owned	Ratio (%)
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 acct.)	2,479,500	1.59

Controlling Shareholder Name	—
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Parent Company Name	—
Stock Exchange on which Parent Company is Listed	—

**Supplementary Explanation**

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**3. Company Attributes**

Stock Exchange Section	Mothers
End of Accounting Period	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	10–100 billion JPY
Consolidated Number of 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 a Supervisory Board
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#### Executive Directors

Maximum Number of Executive Directors Stipulated in Articles of Incorporation	No maximum number
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Representative Director
Number of Executive Directors	5
Appointment of Outside Directors	Appointed
Number of Outside Directors	3
Number of Independent Officers Designated from among Outside Directors	3

#### 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
Ken Takayama	From another company					△						
Masashi Namatame	From another company											
Makiko Shinoda	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.

- Executive of the Company or its subsidiary
- Non-executive director or executive of a parent company of the Company
- Executive of a fellow subsidiary of the Company
- Party whose major business partner is the Company or an executive thereof
- Major business partner of the Company or an executive thereof
- 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
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- Executive of a business partner of the Company (which does not correspond to any of d., e., or f.) (the Director himself only)
- Executive of a corporation to which outside officers are mutually appointed (the Director himself only)

- j. Executive of a corporation that receives donations from the Company (the Director himself only)
- k. Other

**Outside Directors' Relationship with the Company (2)**

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Ken Takayama	○	Mr. Takayama was an executor of operations at Mizuho Bank, Ltd. Although the Company does not have any capital relationship with Mizuho Bank, the Company does have loans with that bank, and that bank is a major business partner of the Company. As Mr. Takayama left Mizuho Bank more than 10 years ago in 1999, there is no particular conflict of interest in the relationship between Mr. Takayama and Mizuho Bank, and this meets the independence criteria set forth by Tokyo Stock Exchange, Inc.	Mr. Takayama possesses expert knowledge and extensive experience in the management of finance- and Internet-related businesses. The Company has appointed him as an Outside Director for his advice and opinions on management and finances from a neutral standpoint. Furthermore, the Company has appointed Mr Takayama as an independent officer, having determined that his appointment meets the requirements for independent officers set forth by Tokyo Stock Exchange, Inc., and there is no likelihood of any conflicts of interest arising with general shareholders.
Masashi Namatame	○	—	Mr. Namatame possesses specialized knowledge and extensive experience in the banking, securities, and investment industries. The Company has appointed him as an Outside Director for his advice and opinions on management- and finance-related matters

			<p>from a neutral standpoint.</p> <p>Furthermore, the Company has appointed Mr. Namatame as an independent officer, having determined that his appointment meets the requirements for independent officers set forth by Tokyo Stock Exchange, Inc., and there is no likelihood of any conflicts of interest arising with general shareholders.</p>
Makiko Shinoda	○		<p>Ms. Shinoda possesses extensive experience working in financial institutions and as a CFO, as well as specialized knowledge of governance, stocks, and finance. The Company has appointed her as an Outside Director for the advice and opinions on business management she can provide from a neutral standpoint.</p> <p>Furthermore, the Company has appointed Ms. Shinoda as an independent officer, having determined that her appointment meets the requirements for independent officers set forth by Tokyo Stock Exchange, Inc., and there is no likelihood of any conflicts of interest arising with general shareholders.</p>

**Voluntary Committee**

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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**Committee's Name, Composition, and Attributes of Chairperson**

## Voluntary Establishment of Nomination Committee

Committee's Name			Nomination and Remuneration Advisory Committee			
All Committee Members	Full-time Members	Inside Directors	Outside Directors	Inside Experts	Other	Chairperson
3	1	1	2	—	—	Inside Director

## Voluntary Establishment of Remuneration Committee

Committee's Name			Nomination and Remuneration Advisory Committee			
All Committee Members	Full-time Members	Inside Directors	Outside Directors	Inside Experts	Other	Chairperson
3	1	1	2	—	—	Inside Director

Supplementary Explanation

As an advisory body to the Board of Directors, the Nomination and Remuneration Advisory Committee deliberates the following matters to create proposals for the Board.

- (1) Matters related to the appointment or dismissal of Directors and Senior Vice Presidents (matter requiring resolution at the General Meeting of Shareholders)
- (2) Matters related to the selection or removal of the Board's Representative Director
- (3) Matters related to the selection or removal of titled Directors
- (4) Matters related to remuneration systems/policies and individual remuneration for Directors and Senior Vice Presidents
- (5) Matters related to Directors' remuneration amounts (matter requiring resolution at the General Meeting of Shareholders)
- (6) Matters related to succession plans (including development)
- (7) Other important business matters which the Board recognizes as requiring the Nomination and Remuneration Advisory Committee's advice

**Supervisory Board**

Establishment of Supervisory Board	Established
Maximum Number of Supervisory Board Members	No maximum number
Number of Supervisory Board Members	4

**Cooperation among the Supervisory Board, Accounting Auditors, and Internal Audit Department**

The Internal Audit Office and Supervisory Board aim to mutually cooperate by holding meetings regularly and as necessary, and exchanging information and opinions regarding the audit structure, audit planning, audit status, etc. Additionally, the Internal Audit Office and Supervisory Board aim to mutually cooperate with the Company's Accounting Auditor, Ernst & Young ShinNihon LLC,



by holding meetings regularly (quarterly) and as necessary, and exchanging information and opinions regarding the audit structure, audit planning, audit status, etc. Furthermore, the Internal Audit Office and Supervisory Board aim to organically cooperate with the divisions in charge of establishing and maintaining internal controls by regularly exchanging information, requesting investigations as necessary, etc.

Appointment of Outside Supervisory Board	Appointed
Number of Outside Supervisory Board Members	3
Number of Outside Supervisory Board Members Designated Independent Officers	3

#### Outside Supervisory Board Members' Relationships with the Company (1)

Name	Attribute	Relationship with the Company (*1)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Fumiyuki Fukushima	CPA													
Toshihiro Igi	Attorney													
Takahiro Shinozaki	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.

- Executor of operations
- Non-executive director or accounting advisor of the Company or its subsidiary
- Non-executive director or executive of a parent company of the Company
- Auditor of a parent company of the Company
- Executive of a fellow subsidiary of the Company
- Party whose major business partner is the Company or an executive thereof
- Major business partner of the Company or an executive thereof
- 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
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- Executive of a business partner of the Company (which does not correspond to any of f., g., or h.) (the Supervisory Board member himself only)
- Executive of a corporation to which outside officers are mutually appointed (the Supervisory Board member himself only)
- Executive of a corporation that receives donations from the Company (the Supervisory Board member himself only)
- Other

## Outside Supervisory Board Members' Relationships with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Fumiyuki Fukushima	○	—	As a certified public accountant, Mr. Fukushima has experience auditing large and small companies, and extensive knowledge concerning finance and accounting. The Company has appointed him as an Outside Supervisory Board Member to seek advice and opinions with regards to implementing appropriate internal process controls. Furthermore, the Company has appointed Mr. Fukushima as an independent officer, having determined that his appointment meets the requirements for independent officers set forth by Tokyo Stock Exchange, Inc., and there is no likelihood of any conflicts of interest arising with general shareholders.
Toshihiro Igi	○	—	Mr. Igi has extensive knowledge in corporate legal affairs and compliance as an attorney. The Company has appointed him for his advice and opinions with regards to auditing from a legal perspective. Furthermore, the Company has appointed Mr. Igi as an independent officer, having determined that his appointment meets the requirements for independent officers set forth by Tokyo Stock Exchange, Inc., and there is no likelihood of any conflicts of interest arising with general shareholders.
Takahiro Shinozaki	○	—	The Company has appointed Mr. Shinozaki for his advice and opinions as an individual with management experience, to overcome issues related to the organization and governance at each stage of our company growth. Furthermore, the Company has appointed Mr. Shinozaki as an independent officer, having determined that his appointment meets the requirements for independent officers set forth by Tokyo Stock Exchange, Inc.,

			and there is no likelihood of any conflicts of interest arising with general shareholders.
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**Independent Officers**

Number of Independent Officers	6
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## Other Matters Relating to Independent Officers

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**Incentives**

Incentive Policies Implemented for Executive Directors	Implemented a share option as a form of performance-linked incentive remuneration
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## Supplementary Explanation

In realizing growth of the Company's enterprise value in the mid/long term, starting from FY2020, the Company has introduced a share option as a form of incentive remuneration for Directors (excluding Outside Directors), linking remuneration to shareholder value and investing in "people" to maximize directors' performance and motivate them to contribute to the Company. In this way, it aims to enable more appropriate risk taking. The Company consults with the Nomination and Remuneration Advisory Committee, of which a majority is Outside Directors, in order to ensure the appropriateness of the remuneration plan and levels for Directors, as well as ensure the independence, objectivity, and transparency of the process for determining remunerations.
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Recipients of Share Options	Inside Directors
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## Supplementary Explanation

The Company introduced a share option as a new form of incentive remuneration starting from FY2020. This share option is granted to Directors in charge of business execution and aims to increase shareholder value and enable more appropriate risk taking.
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**Remuneration for Executive Directors**

Disclosure of Individual Directors' Remuneration	Undisclosed
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## Supplementary Explanation

The total remuneration, etc. for each Director and Company Auditor and the total remuneration, etc. by type are disclosed in the Annual Securities Report.				
Officer Classification	Total remuneration, etc. (millions of JPY)	Total amount of remuneration, etc. by type (millions of JPY)		
		Fixed remuneration	Performance-linked remuneration	Retirement bonus
Directors (Excluding Outside Directors)	150	150	—	—
Company Auditors (Excluding Outside Company Auditors)	26	26	—	—

Outside Officers	62	62	—	—	
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Policy on Determining Remuneration Amounts and Calculation Methods	Established
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#### Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Remuneration for Directors of the Company (excluding Outside Directors) consists of a fixed compensation as well as a performance-linked share option as a form of mid- to long-term incentive remuneration. Remuneration for Outside Directors consists of a fixed compensation. A representative director, who has the confidence of the Board of Directors, determines the remuneration amounts taking into account the duties, abilities, and results of each Director as well as the performance and financial situation of the Company, after consultation with the Nomination and Remuneration Advisory Committee, of which a majority is Outside Directors, in order to ensure the appropriateness of the remuneration plan and levels for Directors, as well as ensure the independence, objectivity, and transparency of the process for determining remunerations.

#### Supporting System for Outside Directors (and Outside Supervisory Board Members)

Outside Directors and Supervisory Board members are called to meet as appropriate to report and discuss various matters. Furthermore, business information sessions are held for Outside Directors and Supervisory Board members to deepen their understanding of the Company's business matters.

#### 2. Matters Regarding Management of Corporate Affairs, Audits/Supervision, Nominations, and Remuneration Decisions (Outline of the Current Corporate Governance System)

As an institution as defined in the Companies Act, the Company holds shareholders meetings and has a Board of Directors, a Board of Company Auditors, and a Financial Auditor. The Company has determined that a system in which the Board of Directors, made up primarily of Directors who have thorough knowledge of the Company's business, makes decisions regarding basic management policies and execution of material business operations and where Financial Auditors with strong legal authority audit the Directors' execution of duties from an independent perspective is effective in ensuring management productivity and soundness of management, and thus, the Company has adopted a Company with Board of Company Auditors structure. Furthermore, the Company operates in accordance with relevant laws and regulations by establishing an Internal Audit Group and engaging in timely collaboration. The Company also works with legal advisors on compliance and important legal decisions.

##### (a) Board of Directors

The Board of Directors is composed of five Executive Directors (including three Outside Directors). The Board determines important matters related to management, such as management objectives, as well as matters defined in laws and ordinances or articles of incorporation. The Board also supervises the management of corporate affairs. A Board of Directors meeting is held once per month, where Director(s) give a report on the state of business execution. The Board of Directors also holds additional meetings as necessary.

During the 8th period (July 1, 2019–June 30, 2020), there were a total of 14 meetings of the Board of Directors. The attendance of the Directors and Auditors was as follows.

- Director Shintaro Yamada: 14/14
- Director Fumiaki Koizumi: 14/14
- Director Yuki Hamada: 14/14
- Director John Lagerling: 14/14
- Director Naoki Aoyagi: 14/14
- Director Hirohisa Tamonoki: 10/10
- Director Ken Takayama: 14/14
- Director Masashi Namatame: 14/14
- Auditor Mayumi Tochinoki: 10/10

- Auditor Fumiya Fukushima: 14/14
- Auditor Toshihiro Igi: 14/14
- Auditor Takahiro Shinozaki: 13/14

(b) Supervisory Board

The Company's Supervisory Board is composed of two full-time members and two part-time members, for a total of four members. Three Supervisory Board members are Outside Auditors. The Supervisory Board members, including Outside Auditors, attend Board of Directors meetings and scrutinize the decision-making status of the Board of Directors, as well as the performance of the supervision duties of each individual Director. Additionally, the Supervisory Board audits the Directors' performance of duties through interviews with executives and staff, examination of important approval documents, periodic hearings with directors and auditors of major subsidiaries of the Company, etc. Each member individually carries out appropriate supervision of business management and shares information at the Supervisory Board meetings. The Supervisory Board strives to perform their duties as efficiently as possible.

During the 8th period (July 1, 2019–June 30, 2020), there were a total of 14 meetings of the Board of Company Auditors. The attendance of the Auditors was as follows.

- Auditor Mayumi Tochinoki: 10/10
- Auditor Fumiya Fukushima: 14/14
- Auditor Toshihiro Igi: 14/14
- Auditor Takahiro Shinozaki: 13/14

(c) Internal Audit Department

The Company has established an Internal Audit Office under the direct control of the Representative Director with four members. The Internal Audit Office performs internal audits of each department's work in accordance with the internal audit regulations as well as the internal audit schedule determined every quarter. The results of these internal audits are reported to the Representative Director. The Representative Director uses these results to instruct the departments audited regarding how to make improvements, and the progress and results of the improvements are reported in written documents, thus ensuring the Internal Audit Department's efficiency.

(d) 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.

### 3. Rationale for Our Current Corporate Governance System

The Company adopts the Company with Board of Company Auditors structure. The Company aims to enrich its corporate governance and contribute to enhancing its corporate value in the mid-to-long term with a system in which the Board of Directors, made up primarily of Directors who have thorough knowledge of the Company's business and Outside Directors who provide objective perspectives, make decisions regarding basic management policies and execution of essential business operations, while separating supervision and execution and promoting the transfer of business execution authority to the executive division centered around Senior Vice Presidents. The Company has also determined that a system where Financial Auditors audit the Directors' execution of duties from an independent perspective is effective in ensuring management productivity and transparency, maximizing corporate value, and ensuring continued growth, and thus, the Company has adopted its current structure. Furthermore, the Company ensures fairness, transparency, and objectivity in procedures regarding decisions of nomination, remuneration, etc. of executives by establishing a voluntary advisory committee with independent Outside Directors as main members.

With respect to the structure of the Company's Board of Directors, the Company ensures transparency and fairness of management by appointing three Outside Directors for the two Internal Directors, and three Outside Auditors along with one Internal Auditor. The Company appoints those experienced in business administration and specialists such as lawyers and certified accountants to these positions for a specialized and objective point of view, thus ensuring thoroughness in the supervision of the Executive Directors' execution of their duties.

### III. Policies for Shareholders and Other Stakeholders

#### 1. Initiatives to Facilitate the Annual Shareholder Meeting and Exercising of Voting Rights

	Supplementary Explanation
Early Notification of Annual Shareholders Meeting	The Company strives to disclose notices for shareholders meetings early so that shareholders are able to have sufficient time to consider proposals. For the 8th Annual General Meeting of Shareholders, both the Japanese and English language versions of the notice were disclosed on the Company's website one day before the legal deadline.
Scheduling Annual Shareholder Meeting to Avoid Peak Time	The Company avoids peak times when scheduling shareholder meetings. The 8th Annual General Meeting of Shareholders was held on Friday, September 25, 2020.
Exercising Voting Rights Electronically	The Company implemented the exercising of voting rights over the internet for the 8th Annual General Meeting of Shareholders.
Electronic Voting Platforms and Other Initiatives to Facilitate the Exercising of Voting Rights by Institutional Investors	The Company implemented an Electronic Voting Platform for shareholders to exercise their voting rights for the 8th Annual General Meeting of Shareholders.
Provision of Notifications (Summarized) in English	The Company posts English language versions (full text) of notifications of shareholders' meetings on the Company's website on the same day as the Japanese versions.
Other	Notification The Company prints the notification for annual shareholders meeting 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 annual general shareholders' meetings on the Company's website and strives to facilitate these meetings and the exercising of voting rights.

## 2. Current IR Activities

	Supplementary Explanation	Explanation from the Representative Himself
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. <a href="https://about.mercari.com/en/ir/strategy/policy/">https://about.mercari.com/en/ir/strategy/policy/</a>	
Regular Information Sessions for Individual Investors	The Company provides business descriptions during annual general shareholders meetings, providing an opportunity for dialogue between the Company and 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. To assure fair disclosure, the Company hosts live broadcasts of these information sessions in both English and Japanese.	None
Regular Information Sessions for Overseas Investors	To assure fair disclosure, the Company hosts live broadcasts of information sessions with simultaneous interpreting. Furthermore, the Company holds periodic teleconferences with overseas investors every quarter, runs IR activities overseas, and provides opportunities for overseas investors to visit the Company.	None
Publishing Documents on our IR Website	The Company strives for fair disclosure on the Company's website in both Japanese and English. <a href="https://about.mercari.com/en/ir/">https://about.mercari.com/en/ir/</a>	
Establishment of Department in Charge of IR	The Company employs people to be exclusively responsible for IR.	
Other	The Company actively posts information regarding its culture, services, and initiatives on company media such as Mercari and Mervoli.	

## 3. Initiatives Regarding Our Respect for Stakeholders

	Supplementary Explanation
Implementation of Environmental Conservation Initiatives and CSR Initiatives	<p>The Company is taking on initiatives in the following 5 areas for sustainable business growth, in order to achieve a more abundant society.</p> <ol style="list-style-type: none"> <li>1. Creating a Circular Economy Mercari aims to eliminate waste and achieve a society in which needed items are passed to the hands of those who need it, in the amount needed.</li> <li>2. Culture and Education for Realizing a Circular Economy To achieve a circular economy, Mercari will take a proactive role in promoting education and the culture that fosters this type of mindset.</li> <li>3. Local Empowerment</li> </ol>



	<p>By finding solutions to issues unique to regions across the country, Mercari aims to contribute to local economies and empower individuals and businesses.</p> <p>4. Safe, Secure, and Fair Transactions Mercari strives to provide a platform for secure and fair transactions so our users, merchants, and business partners feel at ease using our service.</p> <p>5. Compliance and Risk Management Mercari aims to establish a sound and transparent internal management system to earn the trust of not only our users and business partners, but from society as a whole.</p> <p>Details of these and other initiatives related to sustainability can be found on the Company website: <a href="https://about.mercari.com/en/sustainability/">https://about.mercari.com/en/sustainability/</a></p>
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#### IV. Regarding Our Internal Control System

##### 1. Our Internal Control System - Basic Stance and Status

The Company maintains an internal control and risk management system as stipulated by our Basic Policy for the Establishment of an Internal Control System determined by the Board of Directors.

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

- i. The Company ensures that Executive Directors 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, in cooperation with attorneys, the police, and other professionals, takes a resolute stance against anti-social forces that threaten the order and safety of civil society.
- iii. Business decisions and the duties of Executive Directors are audited to ensure that the Board of Directors acts in accordance with laws, ordinances, and other regulations, and makes decisions with an adequate level of business judgment.
- iv. Auditors exercise their authority as stipulated by laws and regulations to audit Executive Directors' performance.
- v. The Company provides an internal reporting system for consultation and internal compliance reporting (hereafter referred to as a whistleblowing system).
- vi. Executive Directors and employees who violate laws or regulations are subject to punishment in accordance with the company's Rules of Employment.

(b) Items Related to the Storage and Management of Information Related to the Performance of Executive Directors' Duties

- i. The Company has established Document Management Regulations and appropriately retains and manages minutes of important meetings and other important documents containing information relating to the performance of duties by Executive Directors (including electromagnetic records) in accordance with the provisions of said regulations.
- ii. The Company has established Information Management Regulations and protects and manages information assets.

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

- i. The Executive Directors recognize the importance of identifying various risks associated with the Company's business, and as such, practice comprehensive risk management and endeavor to identify, assess, and manage various risks.



ii. The Company establishes a risk management system to prepare against disasters, accidents, systems failure, and other unforeseen circumstances.

(d) Systems for Ensuring the Efficient Performance of Duties by Executive Directors

i. The Board of Directors operates in accordance with the articles of incorporation and Board of Directors Regulations and holds ordinary meetings monthly and additional meetings as necessary.

ii. The Executive Directors 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 Directors, the Company has established Organization Regulations, Division of Duties Regulations, and Approval Regulations.

(e) Systems Ensuring Employees' Compliance with Laws, Ordinances, and Articles of Incorporation in Performing Their Duties

i. The Company stipulates official authority, clearly defines responsibilities and authority, and establishes a system for the performance of duties in each department.

ii. The Company prepares, disseminates, and operates the necessary approval systems, internal regulations, and manuals.

iii. 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.

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

The Company and the group made up of its subsidiaries (hereafter known as the Company Group) share the same missions and values, and endeavor to make the most of business resources throughout the Company Group to maximize the value of the Company Group's business as a whole.

i. In order to ensure the propriety of management throughout the Company 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 Company Group.

ii. The aforementioned regulations and other systems concerning management of the risk of losses (c) apply to all companies within the Company Group, allowing the Company to manage the risk of the Company 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 Company's Internal Audit Group carries out an internal audit of the Company Group's business activities to ensure they are appropriate and in compliance with laws, regulations, and the articles of incorporation. The audit results are reported to the Chief Executive Officer and shared with the Auditor and Accounting Auditor.

(g) Matters Related to Employees who are Requested by Auditors to Assist with Their Duties and Matters Related to the Independence from Directors of Employees Assisting with the Duties of Auditors

i. The Auditor can request that the Board of Directors station employees to assist with their audit (hereafter referred to as employees assisting the Auditor).

ii. Employees assisting the Auditor shall exclusively work under the Auditor and shall not concurrently perform duties for other divisions and departments. Employees assisting the Auditor will comply with the Auditor to collect all necessary information.

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

iv. Employees assisting audit can accompany the Auditor to Board of Directors Meeting and other important meetings, as well as take part in regular meetings held with the Chief Executive Officer and Accounting Auditor to exchange opinions. Furthermore, if necessary, they may receive advice on performing auditing tasks from legal professionals, certified public accountants, and other professionals.

(h) Structures for Executive Directors and Employees to Report to Auditors

i. Executive Directors and employees will, in addition to matters required by law, also report the following matters to Auditors without delay: matters that could have a significant impact on the Company, matters decided at important meetings, the status of the whistleblowing system and internal auditing system, etc.

ii. Executive Directors and employees will promptly report information related to the performance of their duties when demanded by the Auditor.

(i) System for Executive Directors of Subsidiaries, Subsidiary Employees, and Those who Have Received Reports from Them to Report to the Auditor of the Company

i. Executive Directors and employees of subsidiaries will promptly report items related to the performance of their duties when demanded by the Auditor.

ii. Executive Directors and employees of subsidiaries 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 without delay.

iii. Employee evaluations and disciplinary action taken against those who have made reports must not take into account the fact that they filed a report. The individual who filed the report may request the Auditor to investigate into the reasons behind their employee evaluation and/or disciplinary action.

(j) Matters Related to the Policy Surrounding Liability for Expenses Incurred by the Auditor in Performing Their Duties

The Company will promptly process expenses claimed by the Auditor through regular auditing practices. Other auditing expenses such as emergency audit expenses and expenses incurred through hiring professionals for new investigations must be notified by the Auditor to the relevant Director in advance.

(k) Other Systems to Ensure that Audits by Auditors are Performed Effectively

i. The Auditor will periodically exchange opinions with the Chief Executive Officer. Furthermore, they will hold interviews with Executive Directors and employees in key positions as necessary.

ii. The Company Auditor will exchange opinions with Financial Auditors as necessary.

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

iv. The Auditor will periodically exchange opinions and work on improving cooperation with the Internal Audit Group.

(l) Systems to Ensure the Reliability of Financial Reporting

The Company stipulates a basic policy regarding maintaining the Company's internal control system, and establishes and puts into practice internal controls regarding financial reporting.

(m) Basic Policy and Status of Basic Policy on the Exclusion of Anti-Social Forces

i. The Company's basic policy is to have absolutely no ties with anti-social forces and to refuse all unjust demands. This policy is made clear to all people within the Company. If a business partner of the Company is discovered to be an individual, company, association, etc. that is involved with an anti-social force, the Company will cease transacting with that business partner.

ii. The department in charge of compliance is responsible for policies on the exclusion of anti-social forces and manages and stores all information on anti-social forces. Furthermore, the Corporate Division develops systems to prevent the Company from suffering damage as a result of an anti-social force and provides education and training to officers and employees to ensure that they comply with the Company's basic policy.

iii. If an anti-social force makes an unjust demand of the Company, the Company collaborates with external specialist institutions including the police and attorneys, and develops cooperative

systems in the event of an incident.

## 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 Code of Ethics.

### 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 Dow Jones, 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
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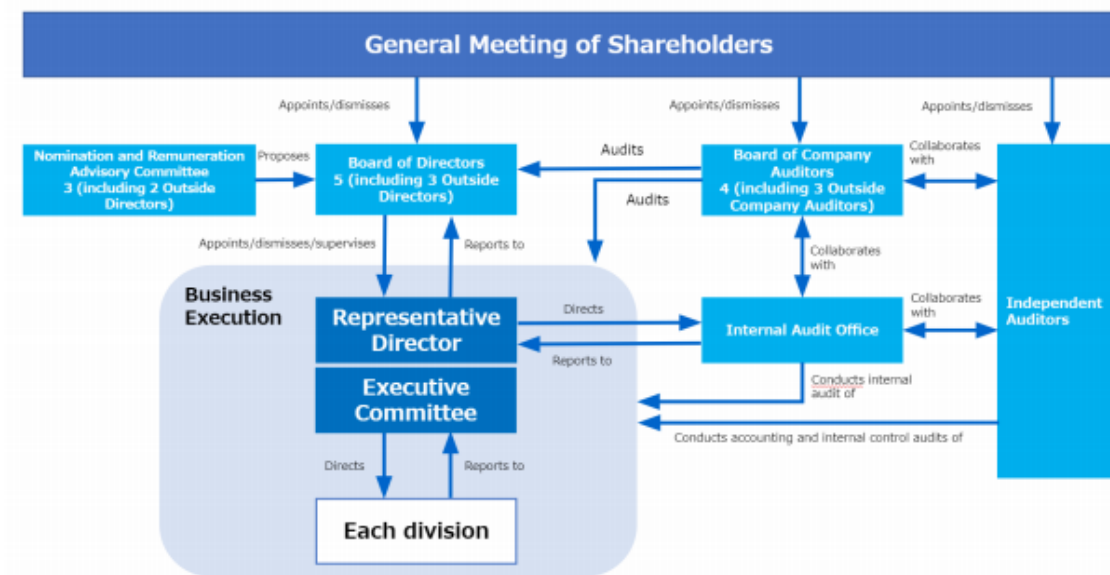
#### Supplementary Explanation

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

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## Governance Structure



## Timely Disclosure System

