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The 14th Annual General Meeting of Shareholders Other Matters Subject to Measures for Electronic Provision (Matters Excluded From Delivered Paper-based Documents)

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Mercari, Inc.

In accordance with the provisions of laws and regulations and the Articles of Incorporation of Mercari, Inc. (the "Company"), the above matters are excluded from the paper-based documents delivered to shareholders who have made a request for delivery of documents stating matters subject to measures for electronic provision.

Business Report

1. Assets and profit (loss)

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

IFRS

	11th fiscal year (Fiscal year ended June 2023)	12th fiscal year (Fiscal year ended June 2024)	13th fiscal year (Fiscal year ended June 2025)	14th fiscal year (Fiscal year ended June 2026)
Revenue (Millions of yen)	171,967	187,407	192,633	229,293
Profit attributable to owners of parent (Millions of yen)	13,113	13,461	26,114	35,401
Basic earnings per share (Yen)	81.28	82.48	159.05	214.74
Total assets (Millions of yen)	418,349	501,773	543,763	726,622
Total equity (Millions of yen)	55,659	72,145	99,640	137,468
Equity attributable to owners of parent per share (Yen)	340.67	438.33	603.28	829.62

(Note) The Company has adopted the International Financial Reporting Standards (IFRS) from the 12th fiscal year. Figures for the 11th fiscal year that have been converted to the IFRS format have also been included for reference.

Japanese GAAP

	11th fiscal year (Fiscal year ended June 2023)
Net sales (Millions of yen)	172,064
Ordinary profit (Millions of yen)	17,449
Net profit attributable to owners of parent (Millions of yen)	13,070
Basic earnings per share (Yen)	81.01
Total assets (Millions of yen)	415,292
Net assets (Millions of yen)	55,228
Net assets per share (Yen)	329.80

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

	11th fiscal year (Fiscal year ended June 2023)	12th fiscal year (Fiscal year ended June 2024)	13th fiscal year (Fiscal year ended June 2025)	14th fiscal year (Fiscal year ended June 2026)
Net sales (Millions of yen)	101,671	107,891	111,511	129,959
Ordinary profit (Millions of yen)	27,203	22,639	22,127	32,428
Net profit (Millions of yen)	7,274	9,775	20,674	21,816
Basic earnings per share (Yen)	45.09	59.89	125.92	132.34
Total assets (Millions of yen)	160,680	166,185	165,478	207,051
Net assets (Millions of yen)	55,596	68,186	90,000	113,547
Net assets per share (Yen)	335.48	410.29	541.52	683.77

2. Major business (as of June 30, 2026)

(i) Mission

The Company was established out of our founder's desire "to create a world in which people everywhere can live more prosperous lives by using the power of the internet to connect individuals and enabling them to make the most of the world's limited resources," and we have continued to grow through advanced product development utilizing technology and bold investments based on a disciplined approach. We are striving to achieve the Group mission of "Circulate all forms of value to unleash the potential in all people," which includes our belief that Mercari enables people to unleash their potential through the services we provide. We aim to actively utilize advanced technology centered around artificial intelligence (AI)/large language models (LLMs), which are currently undergoing rapid technological innovation, to provide new user experiences, such as transactions involving skills and digital assets, not only material items. By creating an ecosystem that circulates all forms of value, both tangible and intangible, we want to be a company that unleashes the potential in people.

(ii) Overview of services

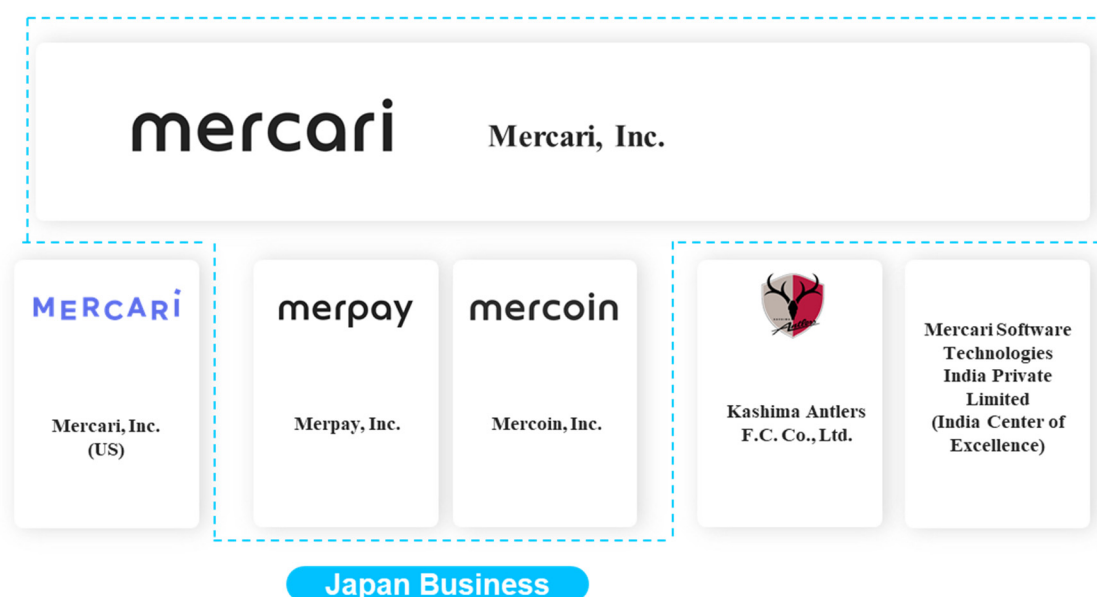
The *Mercari* service operated by the Company functions as a marketplace for consumer-to-consumer (C2C) transactions, offering users a unique and unprecedented experience by enabling anyone to readily and simply buy and sell secondhand items.

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

The *Mercari* service, on the other hand, enables anyone and everyone to readily buy and sell items using their smartphones or the website. The service also offers convenient and affordable shipping options through its alliances with shipping companies and convenience stores. In addition, both sellers and buyers are mainly individuals, allowing the service to offer anyone both the fun of easily converting their unnecessary possessions into cash and the "treasure-hunt" experience that users feel when searching for unique secondhand items. Through the prevention of fraud by requiring sellers to register their personal information (address, name, and birthdate) when they sign up, employing AI technology to automatically detect transactions that violate our terms of service, and other measures, we strive to ensure that users feel at ease using our marketplace.

(iii) Services operated by the Group

The Group consists of the Company, its consolidated subsidiaries Mercari, Inc. (US), Merpay, Inc., Mercoin, Inc., Kashima Antlers F.C. Co., Ltd., India Center of Excellence, and others (as of June 30, 2026). The Group has set its businesses in Japan, excluding Kashima Antlers, as the Japan Business. In addition, the explanations of the businesses in the Japan Business have been provided based on the two domains of Marketplace and Fintech.



In the Marketplace domain, the Group operates the consumer-to-consumer (C2C) marketplace app *Mercari*, which it has been developing since the Company was founded. In October 2019, we began crossborder transactions that allow overseas buyers to purchase items listed in Japan, and in September 2025, we launched a universal *Mercari* Global App. Furthermore, since October 2021, we have also been operating *Mercari Shops*, a business-to-consumer (B2C) marketplace. These services provide a unique user experience that enables anyone to buy and sell items easily and simply, with their gross merchandise value (GMV) reaching ¥1.2856 trillion and their monthly active users (MAU) exceeding 24.00 million in the fiscal year ended June 30, 2026.

In the Fintech domain, the Group operates the *Merpay* mobile payment service. The Group has been striving to expand the business in association with the creation of new forms of credit centered on credit services, utilizing its high technological prowess and the unique user and information bases of the *Mercari* service. The *Mercard* credit card, launched in November 2022, utilizes AI credit based on an individual's usage and behavioral history on the *Mercari* and *Merpay* services and has surpassed 6.30 million issued cards, indicating continued steady expansion and progress in creating Group synergies. In March 2025, we also released *Mercard Gold* to increase payment income and expand credit use, and we are advancing various measures with the aim of becoming a product that is chosen by users for all payment/credit use cases.

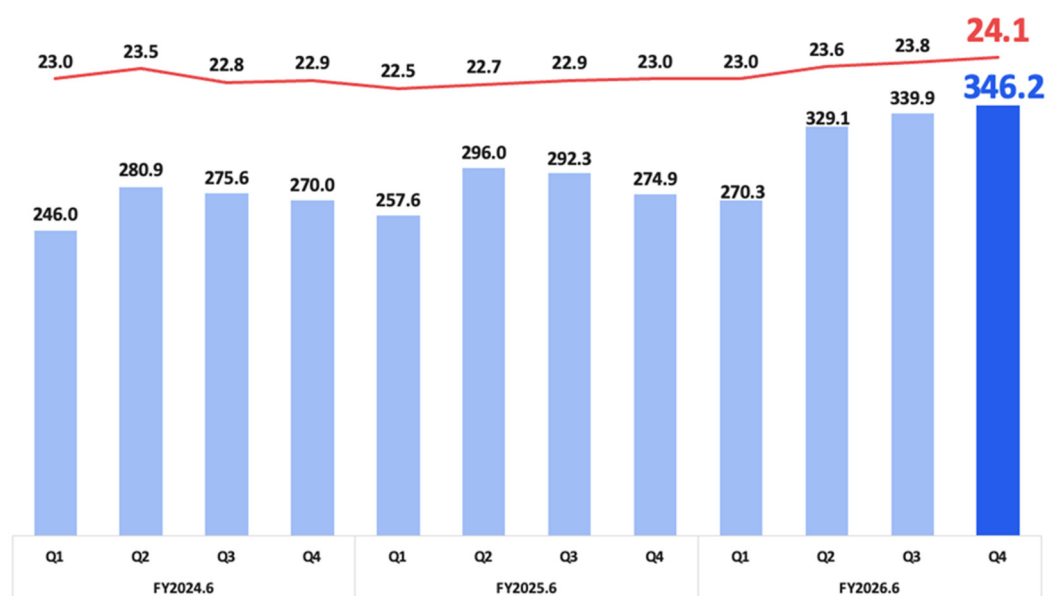
The Mercari US business operates *Mercari* (US) as a marketplace where anybody can easily and safely sell a variety of items. The synergistic effect of enhancing the core product experience and effective marketing has resulted in a business foundation that allows us to maintain a break-even position while continuing to achieve positive GMV growth.

Marketplace's growth to date

Since its launch in 2013, *Mercari* has been continuously growing, primarily in Japan. Our MAU exceeds 24.00 million, and our annual GMV surpasses ¥1.2 trillion.

GMV¹/MAU²

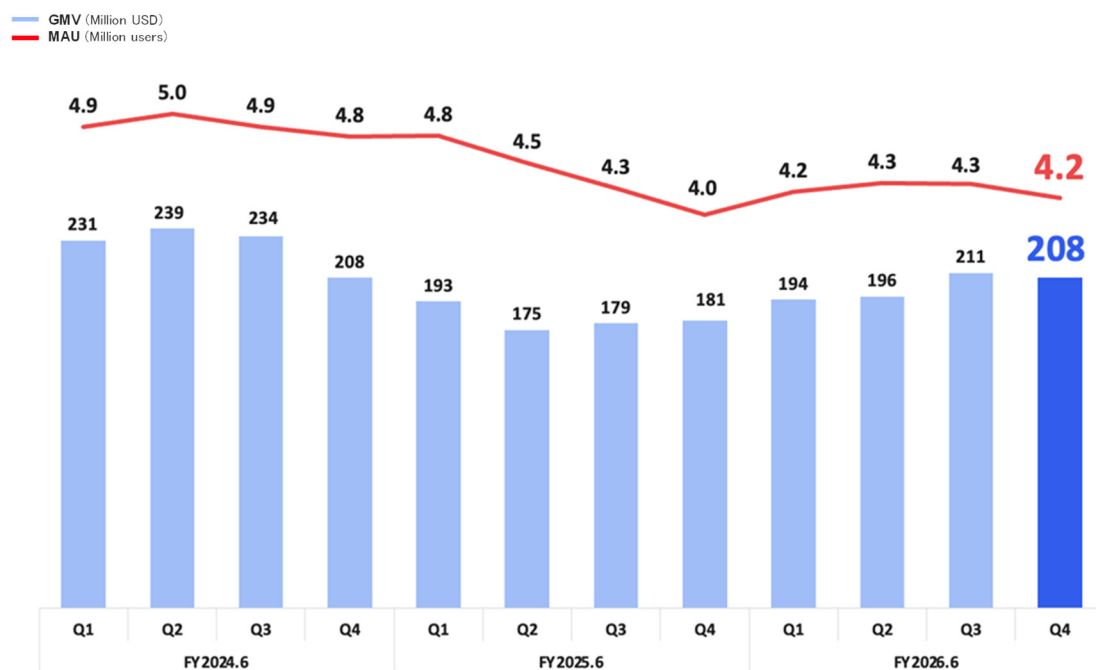
— GMV (Billion JPY)
— MAU (Million users)



Growth of *Mercari* US to date

Since our rebranding in 2018, we have focused on improving the convenience of our services while establishing recognition and reputation, aiming to become an indispensable presence in realizing a circular economy in the United States.

GMV³/MAU²



- (Notes)
1. Gross merchandise value (GMV) is the sum of transaction amounts after considering cancellations, etc. (including *Mercari NFT*).
 2. Monthly active users (MAU) is the quarterly average number of registered users who browsed our service (app or web) at least once during a given month, both domestically and internationally. (Note: Does not include crossborder transactions performed through overseas partner sites)
 3. Gross merchandise value (GMV) is the sum of transaction amounts after considering cancellations, etc.

3. Major offices (as of June 30, 2026)

(i) The Company

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

(ii) Domestic subsidiaries

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

(iii) Overseas subsidiaries

Company name	Location
Mercari, Inc. (US) (Head Office)	Palo Alto, California, United States
Mercari Software Technologies India Private Limited (Head Office)	Bengaluru, India

4. Employees (as of June 30, 2026)

(i) Employees of the Group

Segment name	Number of employees	Increase (decrease) from previous consolidated fiscal year-end
Japan Business	1,368 [393]	Decrease of 219 [Decrease of 9]
US	123 [0]	Increase of 2 [Decrease of 6]
Reportable segments total	1,491 [393]	Decrease of 217 [Decrease of 15]
Others	231 [46]	Increase of 69 [Decrease of 5]
Company-wide (common)	343 [43]	Increase of 54 [Increase of 2]
Total	2,065 [482]	Decrease of 94 [Decrease of 18]

- (Notes) 1. The number of employees stated indicates working employees, and the annual average number of temporary employees is stated separately in square brackets.
2. The number in the Company-wide (common) segment indicates employees in administration divisions that cannot be categorized into specific segments.

(ii) Employees of the Company

Number of employees	Increase (decrease) from previous fiscal year-end	Average age	Average years of service
1,345 [290]	Decrease of 198 [Decrease of 49]	37.2 years old	4.5 years

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

5. Major lenders (as of June 30, 2026)

(Millions of yen)

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

- (Note) Other than the above, the Group has raised funds in the amount of ¥211,216 million through liquidation of receivables.

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

Not applicable.

7. Stock acquisition rights

(1) Status of stock acquisition rights (as of June 30, 2026)

Name (Issue date)	Number of stock acquisition rights (Units)	Class and number of shares to be issued upon exercise of stock acquisition rights (Shares)	Amount paid per unit	Exercise price per share (Yen)	Exercise period of stock acquisition rights
25th series stock acquisition rights (August 31, 2016)	35	Common stock 350	Without contribution	332	From September 1, 2018, to August 30, 2026
30th series stock acquisition rights (February 24, 2017)	60	Common stock 600	Without contribution	353	From February 25, 2019, to February 23, 2027
34th series stock acquisition rights (June 23, 2017)	68,508	Common stock 685,080	Without contribution	353	From June 24, 2019, to February 23, 2027
38th series stock acquisition rights (November 29, 2017)	32,700	Common stock 32,700	Without contribution	3,000	From November 30, 2019, to November 28, 2027
39th series stock acquisition rights (March 13, 2018)	2,000	Common stock 2,000	Without contribution	3,000	From March 14, 2020, to March 12, 2028
40th series stock acquisition rights (October 12, 2020)	81,699	Common stock 81,699	Without contribution	1	From September 25, 2023, to September 24, 2030
60th series stock acquisition rights (July 31, 2023)	3,113	Common stock 3,113	Without contribution	1	From December 1, 2023, to June 30, 2027
62nd series stock acquisition rights (October 31, 2023)	7,805	Common stock 7,805	Without contribution	1	From March 1, 2024, to September 30, 2026
63rd series stock acquisition rights (January 31, 2024)	1,318	Common stock 1,318	Without contribution	1	From June 1, 2024, to December 31, 2026
64th series stock acquisition rights (April 30, 2024)	21,444	Common stock 21,444	Without contribution	1	From September 1, 2024, to March 31, 2027
65th series stock acquisition rights (July 31, 2024)	1,442	Common stock 1,442	Without contribution	1	From December 1, 2024, to June 30, 2027
66th series stock acquisition rights (July 31, 2024)	12,754	Common stock 12,754	Without contribution	1	From December 1, 2024, to June 30, 2027
67th series stock acquisition rights (July 31, 2024)	25,679	Common stock 25,679	Without contribution	1	From December 1, 2024, to June 30, 2028
69th series stock acquisition rights (October 31, 2024)	33,837	Common stock 33,837	Without contribution	1	From March 1, 2025, to September 30, 2027
70th series stock acquisition rights (April 30, 2025)	32,038	Common stock 32,038	Without contribution	1	From September 1, 2025, to March 31, 2028
71st series stock acquisition rights (October 31, 2025)	5,039	Common stock 5,039	Without contribution	1	From March 1, 2026, to September 30, 2026
72nd series stock acquisition rights (April 30, 2026)	18,122	Common stock 18,122	Without contribution	1	From September 1, 2026, to September 30, 2026

Name (Issue date)	Number of stock acquisition rights (Units)	Class and number of shares to be issued upon exercise of stock acquisition rights (Shares)	Amount paid per unit	Exercise price per share (Yen)	Exercise period of stock acquisition rights
Total	347,593	Common stock 965,020	—	—	—

(2) Stock acquisition rights held by Officers of the Company that were issued as consideration for their performance of duties (as of June 30, 2026)

1) Stock acquisition rights held by Directors (excluding Outside Directors) and Executive Officers

Name (Issue date)	Number of holders	Number of stock acquisition rights held (Units)	Class and number of shares to be issued upon exercise of stock acquisition rights (Shares)
34th series stock acquisition rights (June 23, 2017)	1	68,218	Common stock 682,180
40th series stock acquisition rights (October 12, 2020)	1	81,699	Common stock 81,699
60th series stock acquisition rights (July 31, 2023)	1	3,113	Common stock 3,113
67th series stock acquisition rights (July 31, 2024)	2	25,679	Common stock 25,679

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

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

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

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

- (1) The right holders may exercise the stock acquisition rights from the day following the date on which the condition that the Market Capitalization of the Company (calculated by the following formula) exceeds ¥1 trillion on each day of a certain five consecutive business days (excluding the days on which ordinary transactions of the Company's common stock cannot take place) is fulfilled during the period lasting from the allocation date to September 24, 2030.

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

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

- (2) The right holders may, to the extent that each condition stipulated in the following Items is fulfilled, exercise the stock acquisition rights only during the period (each period includes the first day and the last day of this period; hereinafter the same in this Paragraph) from the day following the date on which the condition is fulfilled to the expiration date of the exercise period for these stock acquisition rights, up to the number stipulated in the following Items (provided, however, that if the Board of Directors of the Company deems it legitimate to do so, the right holders may exercise the stock acquisition rights). If there is any fraction less than one share with respect to the number of the exercisable stock acquisition rights obtained in accordance with the following Items, (a) the number of the stock acquisition rights that may be exercised during the period shall be rounded down to the nearest whole number and (b) the number of the stock acquisition rights that

may be exercised during the period stipulated in Item (iii) shall be the total of all fractions rounded down in accordance with (a) above and the number of stock acquisition rights obtained in accordance with such Item:

- (i) If the right holders continuously hold a position of Director of the Company until the conclusion of the General Meeting of Shareholders for the last business year that ends within three years from the allotment date:
a third of the total number of allotted stock acquisition rights;
 - (ii) If the right holders continuously hold a position of Director of the Company until the conclusion of the General Meeting of Shareholders for the last business year that ends within four years from the allotment date:
a third of the total number of allotted stock acquisition rights; and
 - (iii) If the right holders continuously hold a position of Director of the Company until the conclusion of the General Meeting of Shareholders for the last business year that ends within five years from the allotment date:
a third of the total number of allotted stock acquisition rights.
 - (3) Concerning the stock acquisition rights to be exercised or their right holders, the stock acquisition rights may be exercised as long as the circumstances for the Company's acquisition of the stock acquisition rights provided in the Guidelines for Issuing Stock Acquisition Rights have not occurred, unless otherwise permitted by the Company in exceptional circumstances.
 - (4) The exercise of the stock acquisition rights requires that the right holders are alive, and in cases where the right holders are deceased, the stock acquisition rights will not be inherited and can no longer be exercised, unless otherwise permitted by the Company in exceptional circumstances.
 - (5) Other conditions concerning the exercise of the stock acquisition rights shall be governed by agreements on the allotment of the stock acquisition rights entered into between the Company and a person who has received the allotment of the stock acquisition rights based on the resolution of the Board of Directors where the issuance of the stock acquisition rights was decided.
4. The conditions for exercising the 60th series stock acquisition rights are as follows:
- (1) The right holders may exercise the stock acquisition rights only if the right holders, until the exercise, continuously hold a position of Senior Vice President of the Company; provided, however, that if the Board of Directors of the Company deems it legitimate to do so, the right holders may exercise the stock acquisition rights.
 - (2) The right holders may exercise the stock acquisition rights only during the period (each period includes the first day and the last day of this period), up to the number stipulated in the following Items. If there is any fraction less than one share with respect to the number of the exercisable stock acquisition rights obtained in accordance with the following Items, (a) the number of the stock acquisition rights that may be exercised during the period shall be rounded down to the nearest whole number and (b) the number of the stock acquisition rights that may be exercised during the period stipulated in Item (viii) shall be the total of all fractions rounded down in accordance with (a) above and the number of stock acquisition rights obtained in accordance with such Item:
 - (i) From December 1, 2023, to December 31, 2023:
an eighth of the total number of allotted stock acquisition rights;
 - (ii) From June 1, 2024, to June 30, 2024:
an eighth of the total number of allotted stock acquisition rights;
 - (iii) From December 1, 2024, to December 31, 2024:
an eighth of the total number of allotted stock acquisition rights;
 - (iv) From June 1, 2025, to June 30, 2025:
an eighth of the total number of allotted stock acquisition rights;
 - (v) From December 1, 2025, to December 31, 2025:
an eighth of the total number of allotted stock acquisition rights;
 - (vi) From June 1, 2026, to June 30, 2026:
an eighth of the total number of allotted stock acquisition rights;
 - (vii) From December 1, 2026, to December 31, 2026:
an eighth of the total number of allotted stock acquisition rights; and
 - (viii) From June 1, 2027, to June 30, 2027:
an eighth of the total number of allotted stock acquisition rights.
 - (3) Concerning the stock acquisition rights to be exercised or their right holders, the stock acquisition rights may be exercised as long as the circumstances for the Company's acquisition of the stock acquisition rights provided in the Guidelines for Issuing Stock Acquisition Rights have not occurred, unless otherwise permitted by the Company in exceptional circumstances.

- (4) The exercise of the stock acquisition rights requires that the right holders are alive, and in cases where the right holders are deceased, the stock acquisition rights will not be inherited and can no longer be exercised, unless otherwise permitted by the Company in exceptional circumstances.
 - (5) Other conditions concerning the exercise of the stock acquisition rights shall be governed by agreements on the allotment of the stock acquisition rights entered into between the Company and a person who has received the allotment of the stock acquisition rights based on the resolution of the Board of Directors where the issuance of the stock acquisition rights was decided.
5. The conditions for exercising the 67th series stock acquisition rights are as follows:
 - (1) The right holders may exercise the stock acquisition rights only if the right holders, until the exercise, continuously hold a position of Executive Officer of the Company; provided, however, that if the Board of Directors of the Company deems it legitimate to do so, the right holders may exercise the stock acquisition rights.
 - (2) The right holders may exercise the stock acquisition rights only during the period (each period includes the first day and the last day of this period), up to the number stipulated in the following Items. If there is any fraction less than one share with respect to the number of the exercisable stock acquisition rights obtained in accordance with the following Items, (a) the number of the stock acquisition rights that may be exercised during the period shall be rounded down to the nearest whole number and (b) the number of the stock acquisition rights that may be exercised during the period stipulated in Item (viii) shall be the total of all fractions rounded down in accordance with (a) above and the number of stock acquisition rights obtained in accordance with such Item:
 - (i) From December 1, 2024, to December 31, 2024:
an eighth of the total number of allotted stock acquisition rights;
 - (ii) From June 1, 2025, to June 30, 2025:
an eighth of the total number of allotted stock acquisition rights;
 - (iii) From December 1, 2025, to December 31, 2025:
an eighth of the total number of allotted stock acquisition rights;
 - (iv) From June 1, 2026, to June 30, 2026:
an eighth of the total number of allotted stock acquisition rights;
 - (v) From December 1, 2026, to December 31, 2026:
an eighth of the total number of allotted stock acquisition rights;
 - (vi) From June 1, 2027, to June 30, 2027:
an eighth of the total number of allotted stock acquisition rights;
 - (vii) From December 1, 2027, to December 31, 2027:
an eighth of the total number of allotted stock acquisition rights; and
 - (viii) From June 1, 2028, to June 30, 2028:
an eighth of the total number of allotted stock acquisition rights.
 - (3) Concerning the stock acquisition rights to be exercised or their right holders, the stock acquisition rights may be exercised as long as the circumstances for the Company's acquisition of the stock acquisition rights provided in the Guidelines for Issuing Stock Acquisition Rights have not occurred, unless otherwise permitted by the Company in exceptional circumstances.
 - (4) The exercise of the stock acquisition rights requires that the right holders are alive, and in cases where the right holders are deceased, the stock acquisition rights will not be inherited and can no longer be exercised, unless otherwise permitted by the Company in exceptional circumstances.
 - (5) Other conditions concerning the exercise of the stock acquisition rights shall be governed by agreements on the allotment of the stock acquisition rights entered into between the Company and a person who has received the allotment of the stock acquisition rights based on the decision of the Representative Executive Officer as delegated by Board of Directors where the issuance of the stock acquisition rights was decided.
6. Stock acquisition rights held by Directors and Executive Officers include those granted to them while they were employees of the Company.

2) Stock acquisition rights held by Outside Directors

Not applicable.

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

Name (Issue date)	Number of persons subject to granting	Number of stock acquisition rights delivered (Units)	Class and number of shares to be issued upon exercise of stock acquisition rights (Shares)
71st series stock acquisition rights (October 31, 2025)	29	13,051	Common stock 13,051
72nd series stock acquisition rights (April 30, 2026)	111	18,122	Common stock 18,122

(Notes) 1. The conditions for exercising the 71st series stock acquisition rights are as follows:

- (1) The right holders may exercise the stock acquisition rights only if the right holders, until the exercise, continuously hold any of the positions stipulated in the following Items; provided, however, that if the Board of Directors of the Company deems it legitimate to do so, the right holders may exercise the stock acquisition rights.
 - (i) Directors or Audit Committee Members of the Company or its subsidiaries (meaning subsidiaries prescribed in Article 2, item (iii) of the Companies Act; hereinafter the same)
 - (ii) Employees of the Company or its subsidiaries
- (2) The right holders may exercise the stock acquisition rights only during the period (each period includes the first day and the last day of this period), up to the number stipulated in the following Items. If there is any fraction less than one share with respect to the number of the exercisable stock acquisition rights obtained in accordance with the following Items, (a) the number of the stock acquisition rights that may be exercised during the period shall be rounded down to the nearest whole number and (b) the number of the stock acquisition rights that may be exercised during the period stipulated in Item (ii) shall be the total of all fractions rounded down in accordance with (a) above and the number of stock acquisition rights obtained in accordance with such Item:
 - (i) From March 1, 2026, to March 31, 2026:
a half of the total number of allotted stock acquisition rights; and
 - (ii) From September 1, 2026, to September 30, 2026:
a half of the total number of allotted stock acquisition rights.
- (3) Concerning the stock acquisition rights to be exercised or their right holders, the stock acquisition rights may be exercised as long as the circumstances for the Company's acquisition of the stock acquisition rights provided in the Guidelines for Issuing Stock Acquisition Rights have not occurred, unless otherwise permitted by the Company in exceptional circumstances.
- (4) The exercise of the stock acquisition rights requires that the right holders are alive, and in cases where the right holders are deceased, the stock acquisition rights will not be inherited and can no longer be exercised, unless otherwise permitted by the Company in exceptional circumstances.
- (5) Other conditions concerning the exercise of the stock acquisition rights shall be governed by agreements on the allotment of the stock acquisition rights entered into between the Company and a person who has received the allotment of the stock acquisition rights based on the decision of the Representative Executive Officer as delegated by Board of Directors where the issuance of the stock acquisition rights was decided.

2. The conditions for exercising the 72nd series stock acquisition rights are as follows:

- (1) The right holders may exercise the stock acquisition rights only if the right holders, until the exercise, continuously hold any of the positions stipulated in the following Items; provided, however, that if the Board of Directors of the Company deems it legitimate to do so, the right holders may exercise the stock acquisition rights.
 - (i) Directors or Audit Committee Members of the Company or its subsidiaries (meaning subsidiaries prescribed in Article 2, item (iii) of the Companies Act; hereinafter the same)
 - (ii) Employees of the Company or its subsidiaries
- (2) The right holders may exercise the stock acquisition rights only during the period (each period includes the first day and the last day of this period), up to the number stipulated in the following Items.
 - (i) From September 1, 2026, to September 30, 2026:
all of the total number of allotted stock acquisition rights.
- (3) Concerning the stock acquisition rights to be exercised or their right holders, the stock acquisition rights may be exercised as long as the circumstances for the Company's acquisition of the stock acquisition rights provided in the Guidelines for Issuing Stock Acquisition Rights have not occurred, unless otherwise permitted by the Company in exceptional circumstances.

- (4) The exercise of the stock acquisition rights requires that the right holders are alive, and in cases where the right holders are deceased, the stock acquisition rights will not be inherited and can no longer be exercised, unless otherwise permitted by the Company in exceptional circumstances.
- (5) Other conditions concerning the exercise of the stock acquisition rights shall be governed by agreements on the allotment of the stock acquisition rights entered into between the Company and a person who has received the allotment of the stock acquisition rights based on the decision of the Representative Executive Officer as delegated by Board of Directors where the issuance of the stock acquisition rights was decided.

(4) Other important matters regarding stock acquisition rights

The payment for bonds with stock acquisition rights of which the issuance was resolved at the Board of Directors meeting held on June 28, 2021, was completed on July 14, 2021 (London time), and the status as of June 30, 2026, is as follows. Furthermore, the Zero Coupon Convertible Bonds due in 2026, which were resolved to be issued at the Board of Directors meeting held on June 28, 2021, had their exercise period expire on June 30, 2026, and were redeemed on July 14, 2026.

Security titles	Remaining bonds with stock acquisition rights	Number of stock acquisition rights	Class of shares to be issued upon exercise of stock acquisition rights	Exercise period of stock acquisition rights	Exercise price of stock acquisition rights
Zero Coupon Convertible Bonds due in 2026	¥13,310 million	1,331	Common stock	From July 28, 2021, to June 30, 2026	¥9,346
Zero Coupon Convertible Bonds due in 2028	¥15,640 million	1,564	Common stock	From July 28, 2021, to June 30, 2028	¥9,346

8. Independent Auditor

(i) Name Ernst & Young ShinNihon LLC

(ii) Amount of compensation, etc.

	Amount of compensation, etc. (Millions of yen)
Independent auditor's compensation, etc. for the fiscal year under review	86
Total amount of money and other financial benefits to be paid to the independent auditor by the Company and its subsidiaries	151

- (Notes)
1. In the audit agreement between the Company and the independent auditor, the Company does not keep accounts by each category of the amount of audit fees, etc. for auditing services under the Companies Act and under the Financial Instruments and Exchange Act. As the amount of auditing services cannot be practically distinguished, the Company states the total amount thereof in the amount of compensation, etc. of the independent auditor for the fiscal year under review.
 2. The Audit Committee decided to agree on the amount of compensation, etc. of the independent auditor after making necessary examinations of whether the content of the independent auditor's audit plan, performance of duties, and a basis for calculation of estimated compensation are appropriate.
 3. Among major subsidiaries of the Company, Mercari, Inc. (US) and Mercari Software Technologies India Private Limited are audited by Ernst & Young LLP and S. R. Batliboi & Associates LLP, respectively.
 4. Other than the above, an additional compensation of ¥3 million related to the audit of the previous fiscal year has been paid.

(iii) Description of non-audit services

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

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

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

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

(v) Summary of details of limited liability agreement

Not applicable.

(vi) Summary of details of indemnity agreement

Not applicable.

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

(1) System to ensure the appropriateness of business operations

The Company has set forth the Basic Policy for Establishing Internal Control Systems as follows:

- 1) System to ensure that Executive Officers and employees comply with laws, regulations, and the Articles of Incorporation in performing their duties
 - a. Under the Basic Compliance Policy, the Company ensures that Executive Officers and employees have a sufficient awareness of compliance and abide by laws, regulations, the Articles of Incorporation, and internal regulations in performing their duties.
 - b. The Company defines the scope of authority, clarifies responsibilities and authority, establishes an execution system in each division, and prepares the necessary approval systems, internal regulations, and manuals, ensuring that they are well known and operated effectively.
 - c. 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.
 - d. The Company strictly deals with violations of laws and regulations by Executive Officers and employees in accordance with the Employment Regulations, Executive Officers Regulations, etc.
 - e. The Company establishes a personal information protection system and designates a personal information protection manager who plays a central role in the operation of the system. Furthermore, the Company establishes an administrative office under the direction of the manager and endeavors to continuously improve the protection of personal information.
 - f. The Company has established a basic policy to ensure appropriate financial reporting and ensures the appropriateness and reliability of statements in financial reports by maintaining and operating internal control over financial reporting.
 - g. The Company's basic policy is to have no relationship with antisocial forces and to reject any unreasonable demands, and this policy is clearly stated and communicated internally and appropriately enforced.
 - h. The Internal Audit Division audits the status of business execution and reports the results to the Representative Executive Officer, the Audit Committee, and the Board of Directors.
 - i. Audit Committee Members exercise their authority as stipulated by laws and regulations to audit Executive Officers' performance of their duties.
- 2) System to ensure the efficient performance of duties by Executive Officers
 - a. The Board of Directors operates in accordance with the Articles of Incorporation and the Board of Directors Regulations, deliberates and decides on important matters stipulated in laws and regulations, the Articles of Incorporation, and the Board of Directors Regulations, etc., and supervises the performance of duties by Executive Officers.
 - b. Executive Officers regularly hold Executive Officers' meetings, attended by all Executive Officers, to closely exchange opinions and share information, thereby executing their duties efficiently, dynamically, and promptly.
 - c. To ensure the efficient performance of duties by Executive Officers, the Company establishes the Regulations for Company Organization, the Regulation for the Division of Duties, and the Approval Regulations.
- 3) System related to the storage and management of information for the performance of Executive Officers' duties
 - a. The Company appropriately stores and manages important documents (including electronic records) related to the performance of duties by Executive Officers, such as minutes of important meetings, in accordance with the Document Management Regulations, etc.
 - b. The Company protects and manages information assets in accordance with the Information Security Management Regulations, etc. under the Basic Information Security Policy.

- 4) Regulations and other systems concerning management of the risk of losses
 - a. Under the Basic Risk Management Policy, and in accordance with the Risk Management Regulations, the Company ascertains the various risks associated with the Company's business and endeavors to identify, assess, and manage these risks with an understanding of the importance of performing risk management in an integrated manner.
 - b. The Company establishes a risk management division to prepare for any unforeseen circumstances such as disasters, accidents, system failures, etc., and establishes and strengthens the operation of the risk management system.
- 5) System to ensure the appropriateness of the business operations of the Group consisting of the Company and its subsidiaries

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

- a. In order to promote the propriety of management throughout the Group, the Company stipulates Regulations for Group Companies Management. The Company respects the autonomy of subsidiaries, but the Company requires the subsidiaries to share information on operations regarding important matters with the Company in advance as provided for by the same regulations to ensure appropriate business operations as part of the Group under the Company's involvement.
 - b. The regulations and other systems concerning management of the risk of losses as described in the previous paragraph apply to all companies within the Group, and the Company manages the risk of the Group as a whole in an all-encompassing and comprehensive manner.
 - c. The authority and responsibilities of subsidiaries in performing their duties are clearly stipulated in the Regulations for the Division of Duties, Regulations for Administrative Authority, and other internal regulations in order for subsidiaries to carry out business operations efficiently.
 - d. The Internal Audit Division carries out an internal audit of the Group's business activities to ensure they are appropriate and in compliance with laws, regulations, and the Articles of Incorporation. The audit results are reported to the Representative Executive Officer, the Audit Committee, and the Board of Directors, and shared with the independent auditor.
- 6) Matters related to employees who assist the duties of the Audit Committee, matters related to the independence of such employees from the Executive Officers, and matters related to securing the effectiveness of directions to such employees who assist the duties of the Audit Committee
 - a. The Audit Committee may appoint assistants to assist it in its duties (hereinafter, "Audit Committee Assistants").
 - b. Audit Committee Assistants follow the instructions and orders of the Audit Committee, are not allowed to concurrently hold other duties, perform administrative tasks related to the operation of the Audit Committee, and collect information necessary for the Audit Committee's audits.
 - c. Reassignment, performance evaluations, and disciplinary action related to Audit Committee Assistants require the prior consent of Audit Committee Members.
 - d. The Company grants investigation authority and information gathering authority necessary for execution of operations to Audit Committee Assistants.
- 7) System for reporting to the Audit Committee
 - a. System for Directors (excluding Directors who are Audit Committee Members), Executive Officers, and employees to report to the Audit Committee
 - (a) Directors (excluding Directors who are Audit Committee Members), Executive Officers, and employees will report the following matters to the Audit Committee or Audit Committee Members without delay: in addition to matters required by laws, matters that may have a significant impact on the Company, matters decided at important meetings, and the status of the internal whistleblowing system and internal audits, etc.
 - (b) Directors (excluding Directors who are Audit Committee Members), Executive Officers, and employees will promptly report on the status of business execution and other related matters to the Audit Committee or Audit Committee Members upon request.

- b. System for officers and employees of subsidiaries, or those who have received reports from either of the foregoing, to report to the Audit Committee
 - (a) When officers or employees of subsidiaries, or those who have received reports from them, are requested by the Audit Committee or Audit Committee Members to report on matters related to business execution, they will promptly provide an appropriate report.
 - (b) Officers or employees of subsidiaries, or those who have received reports from them, upon discovering any acts that violate laws and regulations or other matters that could have a significant impact on the Company or its subsidiaries, will promptly report such matters to the Audit Committee or Audit Committee Members without delay.
- 8) System to ensure that a person making a report as described in the aforementioned items does not face any disadvantageous treatment for making such a report
 - a. The Audit Committee or Audit Committee Members ensure that no disadvantageous treatment is faced by people who have made the aforementioned items on the basis of such report or whistleblowing, and this policy shall be thoroughly enforced throughout all Group companies.
 - b. When making decisions regarding performance evaluations and disciplinary action involving a person who has made the aforementioned items, the report or whistleblowing must not be taken into account, and the person who made the report in the preceding paragraph may request that the Audit Committee investigate the reasons behind their reassignment, performance evaluation, and/or disciplinary action.
- 9) Matters related to the policy for the handling of expenses and liabilities arising from the performance of duties by Audit Committee Members

The Company bears the necessary expenses for the performance of duties by Audit Committee Members. These expenses include the fees for outside experts such as external attorneys, certified public accountants, and consultants appointed by the Audit Committee as needed.
- 10) Other systems to ensure that audits by Audit Committee Members of the Company are performed effectively
 - a. The Audit Committee or Audit Committee Members regularly exchange opinions with the Representative Executive Officer. Furthermore, they will hold interviews with Directors (excluding Directors who are Audit Committee Members), Executive Officers, and employees in key positions as necessary.
 - b. The Audit Committee or Audit Committee Members will exchange opinions with the independent auditor as necessary.
 - c. The Audit Committee and Audit Committee Members can independently seek the advice of attorneys, certified public accountants, and other professionals as necessary.
 - d. The Audit Committee issues instructions regarding audits to the Internal Audit Division and continuously receives reports from the Internal Audit Division on the status of the performance of duties and findings, etc.
 - e. Reassignment, performance evaluations, and disciplinary action related to the head of the Internal Audit Division require the consent of the Audit Committee.

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

In accordance with the system described above, the Company is making efforts toward the development and appropriate operation of its internal control systems. The major initiatives undertaken during the fiscal year under review were as follows.

1) Ensuring appropriateness in execution of duties

By ensuring that all of its Directors, Executive Officers, Vice Presidents, and employees of the Group are fully aware of the Company's mission, values, Group Code of Conduct, etc., the Company aims to promote not only compliance with laws and regulations but also actions with integrity and ethical responsibility, whereby the personnel serve the needs of society with an awareness of being a constituent member of society. Moreover, the Company conducts training regularly, including e-learning courses, on laws and regulations, government ordinances and notices in relation to corporate

activities, and internal rules and regulations, promoting understanding of their purpose and objectives and requesting their compliance.

2) Internal audit

Internal audits are conducted by the Internal Audit Office, which reports directly to the Audit Committee. The Internal Audit Office conducts audits in accordance with the internal audit plan approved by the Audit Committee, and the audit results are reported to the Representative Executive Officer, Audit Committee, and the Board of Directors, and shared with the independent auditor.

3) Audit Committee

The Audit Committee conducts audits in accordance with the Audit Committee's audit standards, standards for conducting Audit Committee audits of internal control systems, and audit plans established by the Audit Committee. The Audit Committee Members receive reports as needed from the Representative Executive Officer, Executive Officers, and others on information necessary for audits, thereby ensuring timely and accurate information gathering and strengthening the audit function. Also, the Audit Committee Members, working in close collaboration with the independent auditor and the Internal Audit Office, periodically conduct audits, verify the status of internal audits, and exchange opinions.

10. Policy on determination of dividends of surplus and others

The Group is still in the process of growth, and we believe that enhancing our corporate value over the medium-to-long term through business expansion and efficiency improvement will lead to the greatest return of profits to our shareholders. Based on this philosophy, while securing the necessary capital and funds for business operations, we will compare growth investments, including M&A, with investments in the Company through the acquisition of treasury shares, and prioritize capital allocation that contributes to long-term corporate value enhancement.

We will flexibly consider and carry out acquisition of treasury shares, taking into account investment opportunities, stock price levels, and other factors. We do not have plans to pay dividends at present.

Consolidated Financial Statements

11. Consolidated Statement of Changes in Equity

(from July 1, 2025, to June 30, 2026)

(Millions of yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	
					Share award rights	Stock acquisition rights
Balance as of July 1, 2025	48,176	50,998	(3,014)	(0)	–	1,321
Profit			35,401			
Other comprehensive income						
Comprehensive income			35,401			
Issuance of shares	1,005	12			(129)	(846)
Purchase of treasury shares				(1)		
Share-based payment transactions		875			264	234
Transfer from other components of equity to retained earnings			40			
Total transactions with owners	1,005	888	40	(1)	134	(611)
Balance as of June 30, 2026	49,182	51,887	32,426	(2)	134	709

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Other components of equity				Total equity attributable to owners of parent		
	Exchange differences on translation of foreign operations	Effective portion of change in fair value of cash flow hedges	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Total			
Balance as of July 1, 2025	840	12	934	3,109	99,269	371	99,640
Profit					35,401	27	35,428
Other comprehensive income	477	90	416	983	983	(0)	982
Comprehensive income	477	90	416	983	36,384	26	36,411
Issuance of shares				(975)	42		42
Purchase of treasury shares					(1)		(1)
Share-based payment transactions				499	1,374		1,374
Transfer from other components of equity to retained earnings			(40)	(40)			
Total transactions with owners			(40)	(516)	1,415		1,415
Balance as of June 30, 2026	1,317	103	1,310	3,575	137,069	398	137,468

12. Notes to Consolidated Financial Statements

Notes on basis of preparation of consolidated financial statements

1. Standards for the preparation of the consolidated financial statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter referred to as “IFRS”) pursuant to the provisions of Article 120, Paragraph (1) of the Regulation on Corporate Accounting. In accordance with the latter part of the said paragraph, certain descriptions and notes required under IFRS are omitted from these consolidated financial statements.

2. Scope of consolidation

(1) Number of consolidated subsidiaries: 5

Names of consolidated subsidiaries:

Mercari, Inc. (US)

Merpay, Inc.

Kashima Antlers F.C. Co., Ltd.

Mercoin, Inc.

Mercari Software Technologies India Private Limited

(2) Names of unconsolidated subsidiaries

Not applicable.

3. Application of equity method

Not applicable.

4. Accounting policies

(1) Basis of Consolidation

1) Subsidiary

A subsidiary is an entity controlled by the Group.

The Group considers that it has control over an entity when it has exposure or rights to variable returns resulting from its involvement in the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date control is acquired to the date control is lost.

When the accounting policies applied by a subsidiary differ from those applied by the Company, the financial statements of the subsidiary are adjusted as necessary.

In cases where the closing date of a subsidiary differs from the consolidated closing date of the Group, the financial statements of the subsidiary based on a provisional settlement of accounts conducted as of the consolidated closing date are used for consolidation.

2) Transactions eliminated in consolidation

Intragroup receivables and payables balances and transactions, as well as unrealized gains and losses arising from intragroup transactions, are eliminated in the preparation of the consolidated financial statements.

(2) Business Combination

Business combinations are accounted for using the acquisition method. The consideration for the acquisition is measured as the sum of the assets transferred in exchange for control of the acquired entity, the liabilities assumed, and the acquisition-date fair value of the equity financial instruments issued by the Company. Transaction-related costs incurred in connection with a business combination are recognized as profit or loss when incurred.

Identifiable assets and liabilities in the acquired entity are measured at fair value at the acquisition date in principle.

If the consideration for the acquisition exceeds the fair value of identifiable assets and liabilities in the acquired entity, it is recorded as goodwill in the consolidated statement of financial position, whereas when the consideration of the acquisition is below the fair value of identifiable assets and liabilities in the acquired entity, the amount is immediately recognized in profit or loss in the consolidated statement of profit or loss.

If the initial accounting for the business combination has not been completed by the end of the consolidated fiscal year in which the business combination occurred, items for which accounting has not been completed are recorded at their provisional amounts. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted to reflect new information obtained about facts and circumstances that existed at the acquisition date and that, had they been known, would have affected the measurement of the amounts recognized at the acquisition date. The measurement period shall not exceed one year from the date of acquisition.

The acquisition of additional non-controlling interest was accounted for as an equity transaction and therefore no goodwill was recognized from this transaction.

(3) Foreign currency translation

1) Translation of foreign currency transactions

Foreign currency transactions are translated into the functional currency by applying the exchange rate prevailing on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the fiscal-year-end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies measured at fair value are translated into the functional currency at the exchange rate prevailing at the measurement date of such fair value. Non-monetary assets and liabilities measured at cost are not translated.

Translation differences arising from the settlement and translation of foreign currency transactions are recognized in profit or loss. However, if gains or losses on the revaluation of non-monetary assets and liabilities are recognized in other comprehensive income, exchange differences are also recognized in other comprehensive income.

2) Translation of foreign operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisitions, are translated into the presentation currency at the exchange rates prevailing at the consolidated closing date. Income and expenses of foreign operations are translated into the presentation currency at the average monthly rate, except in cases of significant fluctuations in exchange rates.

Exchange differences arising from the translation of financial statements of foreign operations are recognized as other comprehensive income. For disposals of entire interests in foreign operations and partial disposals of interests in foreign operations that result in the loss of control or significant influence, exchange differences are recognized in profit or loss as part of the gain or loss on disposal.

(4) Financial instruments

1) Financial assets excluding derivatives

a. Initial recognition and measurement

Trade and other receivables are recognized at the date incurred, while other financial assets are recognized at the date of the transaction in which the Company becomes a party to the contract related to the financial asset.

All financial assets are measured at fair value plus transaction costs, unless they are classified as financial assets measured at fair value through profit or loss.

b. Classification and post-measurement

Financial assets are classified as either “financial assets measured at amortized cost,” “equity financial assets measured at fair value through other comprehensive income,” or “financial assets measured at fair value through profit or loss.” This classification is determined at the time of initial recognition and the financial asset is measured after initial recognition as follows, depending on its classification.

(a) Financial assets measured at amortized cost

A financial asset is classified as a financial asset measured at amortized cost if both of the following requirements are met.

- The assets are held based on a business model where the objective is to hold the assets to collect contractual cash flows.
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal balance on a specific date.

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method, with amortization of the effective interest method recognized in profit or loss for the current period. The gain or loss on derecognition of such financial assets is recognized in profit or loss for the current period.

(b) Equity financial assets measured at fair value through other comprehensive income

Equity financial assets that are designated to recognize changes in fair value through other comprehensive income at initial recognition are classified as equity financial assets measured at fair value through other comprehensive income.

Equity financial assets measured at fair value through other comprehensive income are measured at fair value with changes in fair value recognized in other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss recognized in other comprehensive income is transferred to retained earnings and not recognized in profit or loss. Dividends from such financial assets are recognized in profit or loss for the current period as part of financial income.

(c) Financial assets measured at fair value through profit or loss

Financial assets not classified as any of the above are classified as financial assets measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. The gain or loss on derecognition of such financial assets is recognized in profit or loss for the current period. Dividends from equity financial assets classified as such financial assets are recognized in profit or loss for the current period as part of financial income.

c. Impairment of financial assets

For financial assets measured at amortized cost and debt financial assets measured at fair value through other comprehensive income, an allowance for expected credit losses is recognized. Such provision of allowance for expected losses is recognized in profit or loss. If an event occurs in subsequent periods that reduces the allowance, a reversal of the allowance is recognized in profit or loss.

At the end of the period, the Group assesses whether the credit risk associated with the financial assets has increased significantly from the time of initial recognition. If the credit risk associated with a financial asset has not increased significantly since initial recognition, the allowance for credit losses on the financial asset is measured at an amount equal to the expected credit loss for the 12 months following the end of the period. On the other hand, if the credit risk associated with a financial asset has increased significantly since initial recognition, the allowance for credit losses on the financial asset is measured at an amount equal to the expected credit loss over the entire expected remaining life of the instrument. However, for trade receivables and contract assets, the

allowance for doubtful accounts is always measured at an amount equal to the expected credit loss for the entire period.

The Group determines whether credit risk has increased significantly based on changes in the risk of default, and in making this determination, the Group considers information such as past due dates.

Expected credit losses on financial instruments are estimated based on historical collection experience, future recoverable amounts, and other reasonably available forward-looking information.

When it is reasonably certain that all or part of a financial asset cannot be recovered, the carrying amount of the financial asset is written off directly.

d. Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when the Group transfers almost all the risks and economic value of ownership of the financial asset. If the Group continues to have control over the transferred financial asset, it recognizes the asset and the related liability to the extent of its continuing involvement.

2) Financial liabilities excluding derivatives

a. Initial recognition and measurement

The Group initially recognizes debt securities issued on the date of their issuance. Other financial liabilities are initially recognized at the transaction date when the Group becomes a party to the contract for the financial instrument.

All financial liabilities are initially measured at fair value, except for financial liabilities measured at amortized cost, which are measured at fair value less directly attributable transaction costs. Transaction costs for financial liabilities measured at fair value through profit or loss are recognized in profit or loss.

b. Classification and post-measurement

Financial liabilities are classified as either “financial liabilities measured at amortized cost” or “financial liabilities measured at fair value through profit or loss.” This classification is determined at the time of initial recognition, and the financial liability is measured after initial recognition as follows, depending on its classification.

(a) Financial liabilities measured at amortized cost

Financial liabilities that are not classified as financial liabilities measured at fair value through profit or loss are classified as financial liabilities measured at amortized cost.

Financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method, with amortization of the effective interest method recognized in profit or loss for the current period. The gain or loss on derecognition of such financial liability is recognized in profit or loss for the current period.

(b) Financial liabilities measured at fair value through profit or loss

Financial liabilities that are not classified as the above are classified as financial liabilities measured at fair value through profit or loss.

Financial liabilities measured at fair value through profit or loss are measured at fair value, and changes in fair value are recognized in profit or loss for the current period. The gain or loss on derecognition of such financial liability is recognized in profit or loss for the current period.

c. Discontinuation of recognition

The Group derecognizes a financial liability when it is extinguished, in such cases where the obligation identified in the contract is discharged, canceled, or forfeited.

3) Presentation of financial assets and liabilities

Financial assets and liabilities are offset and presented net in the consolidated statement of financial position only when the Group has a legally enforceable right to offset the recognized amounts and has the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

4) Compound financial instruments

The liability portion of compound financial instruments is measured at the fair value of a similar liability with no option to convert to equity at initial recognition. The equity portion is measured at the fair value of the entire instrument less the fair value of the liability at initial recognition. Direct transaction costs are allocated according to the ratio of the initial carrying amount of the liability and equity portions.

After initial recognition, the liability portion of compound financial instruments is measured at amortized cost using the effective interest method. The equity portion of compound financial instruments is not remeasured after initial recognition.

Interest on the liability portion is recognized in profit or loss as finance costs. Upon conversion, the liability portion is transferred to equity and no gain or loss is recognized.

5) Derivatives and hedge accounting

The Group uses derivatives such as forward exchange contracts to hedge foreign exchange risks.

These derivatives are initially recognized at fair value when the contracts are entered into and subsequently measured at fair value. Changes in the fair value of derivatives are in principle recognized in profit or loss.

When certain derivatives are designated as cash flow hedges and meet the requirements for hedge accounting, the effective portion of the change in fair value of the derivative hedging instrument is recognized in other comprehensive income and the ineffective portion is recognized in profit or loss.

Amounts related to hedging instruments recorded in other comprehensive income are reclassified to profit or loss when the hedged transactions affect profit or loss.

However, if the hedge of a forecasted transaction results in the subsequent recognition of a non-financial asset or non-financial liability, the amount recognized in other comprehensive income is treated as an adjustment to the original carrying amount of the non-financial asset or non-financial liability.

When a cash flow hedge designates a derivative as a hedging instrument to hedge changes in cash flows attributable to a specific risk associated with a recognized asset or liability that could affect profit or loss, the hedge effective portion of the change in fair value of the derivative is included in other components of equity. The balance of the cash flow hedge is deducted from other comprehensive income in the consolidated statement of comprehensive income and reclassified to profit or loss in the same period as the hedged cash flow affects profit or loss. The hedge ineffective portion of changes in the fair value of derivatives is recognized in profit or loss immediately.

If a cash flow hedge does not qualify for hedge accounting, or if the hedging instrument expires, is sold, terminated, or exercised, hedge accounting is discontinued prospectively, and the amount recognized in other comprehensive income is reclassified from other components of equity to profit or loss.

In addition, the Company's consolidated subsidiary, Mercoin, Inc., as a cryptoasset exchange service provider, applies IFRS 9 "Financial Instruments" ("IFRS 9") for transactions in which it buys and sells cryptoassets, and the cryptoassets are accounted for as derivatives. Judgments regarding the application of IFRS 9 are described in "(18) Other significant matters for the basis of the preparation of consolidated financial statements 1) Buying and selling cryptoassets as a cryptoasset exchange service provider."

6) Fair value of financial instruments

The fair value of financial instruments traded in an active market is measured at the quoted market price or other quoted market price. The fair value of financial instruments for which there is no active market is measured using appropriate measurement techniques.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits that can be withdrawn on demand, and short-term investments with maturities of three months or less at the time of purchase that are readily convertible into cash and are exposed to insignificant risk of changes in value.

(6) Property, plant and equipment (except for right-of-use assets)

1) Recognition and measurement

Property, plant and equipment are measured using the “cost model” and are carried at cost less accumulated depreciation and accumulated impairment losses. Acquisition cost includes costs directly related to the acquisition of the assets, as well as demolition and removal and land restoration costs.

2) Depreciation

Depreciation is calculated based on the depreciable value. The depreciable amount is calculated by subtracting the residual value from the acquisition cost or an amount equivalent to the acquisition cost of the asset.

Depreciation of property, plant and equipment other than land and construction in progress is computed using the straight-line method over the estimated useful lives of the respective assets.

The estimated useful lives of major property, plant and equipment are as follows.

- Buildings (including facilities attached to buildings) 2 to 38 years
- Tools, furniture and fixtures 1 to 20 years

Estimated useful lives, residual values, and depreciation methods are reviewed at the end of each period, and any changes are applied prospectively as changes in accounting estimates.

(7) Intangible assets (except for right-of-use assets)

Intangible assets are measured using the “cost model” and are carried at cost less accumulated amortization and accumulated impairment losses.

1) Individually acquired intangible assets

Individually acquired intangible assets are measured at their acquisition cost at the time of initial recognition.

2) Intangible assets acquired through business combinations

For intangible assets acquired through a business combination, their acquisition costs are measured at their fair value as of the acquisition date.

3) Internally generated intangible assets

Expenditures for research activities are recognized as expenses on the consolidated statement of profit or loss in the fiscal year they are incurred.

Costs incurred during the development process (or the development phase of an internal project) are capitalized only if all of the following can be demonstrated:

- a. The technical feasibility of completing the intangible asset so that it will be available for use or sale
- b. The Company's intention to complete the intangible asset and use or sell it
- c. The ability to use or sell the intangible asset
- d. How the intangible asset will generate probable future economic benefits
- e. The availability of adequate technical, financial, and other resources necessary to complete the development of the intangible asset and to use or sell it
- f. The ability to reliably measure the expenditures attributable to the intangible asset during its development period

The value of an internally generated intangible asset is initially recognized at the total cost incurred from the date the intangible asset first met all of the above recognition conditions until the completion of its development.

If internally generated intangible assets are not recognized, development costs are recognized as expenses on the consolidated statement of profit or loss in the fiscal year they are incurred.

After initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are amortized on a straight-line basis over their respective estimated useful lives, except for intangible assets with indefinite useful lives.

The estimated useful life of major intangible assets are as follows.

- Software 5 years
- Player registration rights 2 to 5 years

Trademark rights with indefinite useful lives are classified as intangible assets with indefinite useful lives because they will essentially last as long as the business continues and there is no foreseeable limit to the period over which future economic benefits can be expected.

Estimated useful lives, residual values, and amortization methods are reviewed at the end of each period, and any changes are applied prospectively as changes in accounting estimates.

(8) Leases

The Group determines at the time the contract is entered into whether the contract is a lease or contains a lease. A contract that does not legally take the form of a lease is considered to be a lease or to contain a lease if, in light of the substance of the contract, the contract transfers the right to control the use of an identified asset in exchange for consideration over a specified period of time.

As a lessee, a right-of-use asset representing the right to use the underlying asset and a lease liability representing the obligation to pay lease payments are recognized in the consolidated statement of financial position for all leases in principle under a single model.

At the inception of the lease, the lease liability is measured at the present value of the total outstanding lease payments over the lease term, and the right-of-use asset is measured at the initial measurement of the lease liability, adjusted for initial direct costs, prepaid lease payments, and other costs, including restoration obligations required under the lease contract.

Right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term, unless the Group reasonably expects to obtain ownership by the end of the lease contract. Lease payments are allocated between finance costs and repayment of lease liabilities based on the effective interest method, and finance costs are presented separately from depreciation and amortization related to right-of-use assets in the consolidated statement of profit or loss.

The lease term is the non-cancelable lease term plus the period subject to the option to extend or terminate the lease. The period covered by such options is added to the non-cancelable period only if it is reasonably certain that the Group will exercise the extension option or will not exercise the cancellation option.

For short-term leases with a lease term of 12 months or less and leases with a small underlying asset, the right-of-use asset and lease liability are not recognized, and the lease payments associated with such leases are recognized as expenses over the lease term either on a straight-line basis or on some other regular basis.

The estimated useful life or lease term of right-of-use assets is 2 to 31 years.

Estimated useful lives or lease terms are reviewed at the end of each period, and any changes are applied prospectively as a change in accounting estimate.

(9) Impairment of non-financial assets

For the Group's non-financial assets excluding deferred tax assets, etc., the existence of any indication of impairment is assessed at the end of each period. If there is any indication of impairment, the Group estimates the recoverable amount of the asset and implements an impairment test. Intangible assets with an indefinite useful life or not yet available for use are tested for impairment at least annually, or whenever there is an indication of impairment.

The recoverable amount of an asset or cash-generating unit is to be the larger amount of either value in use or fair value less costs of disposal. Value in use is calculated by discounting estimated future cash flows to the present value using the pre-tax discount rate that reflects time value of money and risks specific to the asset or cash-generating unit.

Impairment is assessed for each asset, cash-generating unit, or group of cash-generating units. If the recoverable amount of an asset, cash-generating unit, or group of cash-generating units is lower than the carrying amount, the difference is recognized as an impairment loss in profit or loss.

When multiple assets together generate cash inflows, and the recoverable amount of individual assets cannot be estimated, the smallest unit that generates cash inflows that are largely independent of cash inflows from other assets or asset groups is deemed to be a cash-generating unit, and the assets are included in the cash-generating unit for impairment test.

For impairment recognized in the past, the existence of any indication of reversal of impairment is assessed at the end of each period. When there is any indication of reversal of impairment, the recoverable amount of the asset, cash-generating unit, or group of cash-generating units is estimated. If the recoverable amount exceeds the carrying amount, reversal is made to the recoverable amount. In addition, reversal of an impairment loss is up to the carrying amount less amortization or depreciation that would have been if no impairment loss had been recognized in past years.

(10) Employee benefits

Short-term employee benefits refer to employee benefits that become due for settlement within 12 months after the final day of the period in which an employee provided related service. When an employee provides service during a fiscal year, the Group recognizes short-term employee benefits in the undiscounted amount that is expected to be paid in exchange for the service. Short-term employee benefits of the Group consist of those related to bonuses and to compensated absences.

Expected costs of employee benefits related to cumulative compensated absences are recognized when the employee renders service that increases the entitlement to compensated absences in the future. In addition, the Group measures expected costs for cumulative compensated absences as an additional amount expected to be paid by the Group as a result of unused rights that have been accumulated at the end of the consolidated fiscal year.

Bonuses are recognized as liabilities if the Group has a legal or constructive obligation to pay them as a result of past service rendered by employees and the obligation can be estimated reliably.

Certain subsidiaries of the Company have defined contribution plans as post-retirement benefit plans for employees. Contributions for defined contribution retirement benefits are recognized as expenses at the time when employees provide service.

(11) Provisions

Provisions are recognized if the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation, and the obligation can be estimated reliably. The amount recognized as a provision is the best estimate

taking into account risks and uncertainty related to the obligation. When the impact of the time value of money is material, a provision is measured at the present value of expenditure that is expected to be required for settlement of the obligation.

The content of provisions is asset retirement obligations. Asset retirement obligations are recorded for the expected amount of restoration cost for rental offices for which there are obligations to restore them to their original state at the time of termination of the agreement.

(12) Share-based payment

The Group has introduced equity-settled share-based compensation plans and cash-settled share-based compensation plans as share-based compensation plans for Directors, Executive Officers, and certain employees.

1) Equity-settled share-based compensation plans

The Group has adopted a stock option plan and restricted stock units (RSU) and measures them at fair value on the date of granting rights. Fair value determined on the date of granting rights is recognized as expenses in profit or loss over the period from the date of granting rights to the vesting date, taking into account estimates of the expected number of stock options and units that are expected to be eventually vested, and the same amount is recognized as an increase in equity on the consolidated statement of financial position.

2) Cash-settled share-based compensation plans

The Company has adopted a share price-linked bonus program and a phantom stock plan. Fair value of the payment amount is recognized as liabilities, and changes in fair value of the liabilities are recognized as profit or loss until the liabilities are settled.

(13) Revenue

The Group recognizes revenue based on the following five-step approach, except as otherwise provided in other standards.

- Step 1: Identify the contract with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when the entity satisfies a performance obligation.

Respective revenue recognition criteria in major categories of revenue are as follows.

In the Marketplace domain, the Group assumes a performance obligation to provide services such as the *Mercari* marketplace, which is a platform for buying and selling items, mainly to users. Since this performance obligation is satisfied at the point of time when delivery of goods and ratings between the seller and the buyer are completed, transaction fees calculated by multiplying the transaction price by a certain rate are recognized as revenue at the said point. In addition, in delivery services accompanying Marketplace's services, the Group assumes a performance obligation to deliver goods overseas and to entrust delivery of goods to delivery firms as an agency in Japan. Because this performance obligation is satisfied at the point of time when delivery of goods between the seller and the buyer is completed, the total amount of delivery charges or the net amount after deduction of delivery charges paid to delivery firms according to the delivery size is recognized as revenue at the said point.

In the Fintech domain, the Group principally provides users with a payment service and a credit service. As the principal revenue from the payment service is received as consideration for providing a means of payment for transactions between *Merpay* users and merchants, and the satisfaction of the performance obligation for this is deemed to occur at the time the payment is determined to be settled, revenue is recognized at that time. The principal revenue from the credit service is received as consideration for providing specified amounts of payment as the system for advance payments offered to *Merpay* users and as consideration for providing a personal loan service to *Merpay* users, and this consideration is interest in nature.

In the payment service, costs paid as commissions at the time of acquiring merchant contracts based on agency contracts for acquisition of merchants, as well as support money paid to merchants for the purpose of compensating for initial costs and system renovation expenses to connect to the payment system upon signing the merchant contract, are costs incurred in relation to contracts. In view of this, the Group recognizes contract acquisition costs consisting of these considerations paid as assets and amortizes the costs over five years.

Transaction consideration is received within one year after performance obligations are satisfied, and does not contain a significant financial component.

In addition, the Group grants points to app users through promotional campaigns aimed to increase the number of users and activate transactions for the *Mercari* marketplace app service and *Merpay* mobile payment service, among others. Users can use the points to buy items from sellers in the marketplace app service and make payments at external merchants. Of the points granted, the portion corresponding to consideration paid to customers is deducted from transaction price in revenue, except for the portion of consideration for goods or services received from customers. For other points granted, the amount expected to be used in the future is recorded in selling, general and administrative expenses.

(14) Finance income and finance costs

Finance income mainly consists of interest income, dividend income, foreign exchange gain, and changes in fair value of financial assets measured at fair value through profit or loss. Interest income is recognized as earned, using the effective interest method.

Finance costs mainly consist of interest expense, foreign exchange loss, and changes in fair value of financial assets measured at fair value through profit or loss. Interest expense is recognized as incurred, using the effective interest method.

(15) Income taxes

Income taxes consist of current taxes and deferred taxes. These taxes are recognized in profit or loss, except for items recognized directly in equity or in other comprehensive income.

1) Current taxes

Current taxes are measured in the amount expected to be paid to or refunded from tax authorities. The tax amount is determined in accordance with the tax rates and tax law enacted or substantially enacted by the end of the period in countries where the Group conducts business activities and earns or incurs profit or loss that is subject to taxation.

2) Deferred taxes

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amount of assets and liabilities for accounting purposes and their amount for tax purposes, tax loss carryforwards, and tax credit carryforwards at the end of the period. Deferred tax assets are recognized for deductible temporary differences, tax loss carryforwards, and tax credit carryforwards to the extent that it is probable that future taxable profit that is sufficient to recover them will be available. Deferred tax liabilities are recognized for all taxable temporary differences in principle.

The carrying amount of deferred tax assets is reviewed in each period, and the carrying amount is reduced for the portion for which it is probable that sufficient taxable profit to realize tax credits for all or part of deferred tax assets will not be earned. Unrecognized deferred tax assets in the past are revalued in each period. Deferred tax assets that were unrecognized are recognized to the extent that it has become probable that tax credits for the deferred tax assets can be realized by future taxable profit.

For the following temporary differences, deferred tax assets and liabilities are not recorded.

- Taxable temporary differences arising from initial recognition of goodwill
- Temporary differences arising from initial recognition of assets or liabilities in a transaction that is not a business combination, affects neither accounting profit nor taxable profit at the time of transaction, and does not give rise to the same amount of taxable temporary differences and deductible temporary differences at the time of transaction

- Of taxable temporary differences related to investments in subsidiaries, those for which the timing of reversal can be controlled and it is probable that the temporary differences will not be reversed within a predictable period
- Of deductible temporary differences related to investments in subsidiaries, those for which it is not probable that the temporary differences will be reversed within a predictable period

Deferred tax assets and liabilities are measured in accordance with the tax rates expected to be applied in a period when the deferred tax assets are realized or when the liabilities are settled based on the tax rates and tax law enacted or substantially enacted by the end of the period.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities and income taxes are levied by the same tax authority on the same taxable entity.

The Company and some domestic consolidated subsidiaries have applied the group tax sharing system.

(16) Equity

1) Share capital and capital surplus

As for common stock, the price of issue is recorded in share capital and capital surplus. In addition, stock issuing expenses are deducted from the price of issue.

2) Treasury shares

When treasury shares are acquired, their acquisition cost is recognized as a deduction from equity. When treasury shares are sold, a difference between the carrying amount and consideration at the time of sale is recognized as capital surplus, and no gain or loss is recognized.

(17) Earnings per share

Basic earnings per share are calculated by dividing profit attributable to owners of parent by the weighted average number of issued shares of common stock adjusted for treasury shares in the period. Diluted earnings per share are calculated by adjusting the effect of all dilutive shares that have a dilutive effect.

(18) Other significant matters for the basis of the preparation of consolidated financial statements

1) Buying and selling cryptoassets as a cryptoasset exchange service provider

As a cryptoasset exchange service provider, the Company's consolidated subsidiary Mercoin, Inc. buys and sells cryptoassets based on instructions from users. In addition, to respond to instructions from users for buying and selling cryptoassets, Mercoin, Inc. conducts buying and selling transactions of cryptoassets with multiple cryptoasset exchanges, both in Japan and overseas (hereinafter referred to as "cover transactions").

IFRS 9, Paragraph 2.4 states that IFRS 9 "shall be applied to those contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, with the exception of contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements." These latter exceptions would be deemed "exceptions for personal use."

The cryptoassets that Mercoin, Inc. buys and sells in exchange for cash fall under the category of non-financial instruments, as they do not meet the definitions of cash or financial assets such as equity instruments of other entities as defined in IAS 32, Paragraph 11. In addition, we have judged that the business activities of Mercoin, Inc., which earns a certain spread through the trading of cryptoassets based on instructions from users, are covered by IFRS 9, Paragraph 2.6 (c), and do not fall under the "exceptions for personal use" as described above. For these reasons, Mercoin, Inc. applies IFRS 9 to its accounting for cryptoasset trading and cover transactions with users.

2) Regarding the cryptoassets for which Mercoin, Inc. accepts deposits from users

The Company's consolidated subsidiary Mercoin, Inc. is engaged in the business of trading cryptoassets as a cryptoasset exchange service provider as defined by the Payment Services Act. However, as there are no clear standards for transactions involving cryptoassets under IFRS, the Group has adopted the accounting policy for cryptoassets held as a cryptoasset exchange service provider of Mercoin, Inc. in accordance with the requirements of IAS No. 8 "Accounting Policies, Changes in Accounting Estimates and Errors," referring to the "Conceptual Framework for Financial Reporting" and other standards that deal with similar matters.

The majority of the cryptoassets held by Mercoin, Inc. are cryptoassets that Mercoin, Inc. received from users as deposits in its capacity as a cryptoasset exchange service provider. Based on a comprehensive consideration of the following matters, the Company has determined that it does not possess control over the cryptoassets in question. These cryptoassets are therefore not recognized as assets on the consolidated statement of financial position, and the corresponding liabilities are also not recognized.

- a. The laws and regulations of Japan do not directly include cryptoassets in the concept of ownership. On the other hand, the Payment Services Act defines the property value of cryptoassets and requires that cryptoasset exchange service providers manage them as "users' property," separately from the cryptoassets they hold in their own accounts. In addition, the Payment Services Act stipulates that in the event of the bankruptcy of a cryptoasset exchange service provider, users have priority repayment rights for the cryptoassets they have deposited.
- b. Mercoin, Inc. manages each user's balance by clearly separating the cryptoassets deposited by users from the cryptoassets held on its own account. In addition, Mercoin, Inc. stores the cryptoassets deposited by users in a cold wallet for users, appropriately managing the private keys necessary for the transfer of cryptoassets.
- c. Mercoin, Inc. will transfer cryptoassets according to users' orders based on the Terms of Use for cryptoasset trading, but cannot sell deposited cryptoassets without the user's permission.

The economic benefits of the cryptoassets deposited by users belong to the users, and as long as the Company adequately performs its obligation to maintain separate management of cryptoassets as stipulated in the Payment Services Act, the Group is not exposed to significant risks of fluctuations in the fair value of the cryptoassets.

In addition, Mercoin, Inc. is subject to multiple obligations, including the obligation to maintain separate management as based on the Payment Services Act, the Cabinet Office Order on Cryptoasset Exchange Service Providers, and its own Terms of Use. In particular, a serious incident such as a breach of cyber security resulting in the leak of the private keys or other information necessary for the transfer of cryptoassets and the subsequent external transfer of cryptoassets deposited by users may have a significant impact on the Company's financial position and business performance. As of the end of the consolidated fiscal year under review, the Company is in full compliance with the obligations for the separate management of cryptoassets, etc., required of cryptoasset exchange service providers under the Payment Services Act, and is appropriately managing the cryptoassets deposited by users in their cold wallets. In addition, there is no record of serious incidents such as breaches of cyber security ever having occurred in the past at Mercoin, Inc. Therefore, as of the end of the consolidated fiscal year under review, the possibility that an outflow of resources with economic benefits will be required to settle the liabilities associated with the occurrence of the aforementioned risks is not high, and no liabilities associated with the aforementioned risks have been recognized.

The balance of cryptoassets deposited by users that are not recorded in the consolidated statement of financial position at the end of the consolidated fiscal year under review is ¥23,529 million. These amounts are calculated based on the trading prices on major cryptoasset exchanges as of the end of each fiscal period.

Notes on accounting estimates

1. Allowance for doubtful accounts

The consolidated statement of financial position for the consolidated fiscal year under review includes an allowance for doubtful accounts of ¥24,264 million (which is directly deducted from “trade and other receivables”). The Group recognizes expected credit losses on financial assets measured at amortized cost for the present value of differences between contractual future cash flows received in accordance with the contract and future cash flows expected to be received. In estimating future cash flows, the Group takes into consideration possibilities of default based on information such as past due dates, past trend of losses incurred, reasonably expected future events, and other factors. Although such judgments and assumptions are the best estimate at this point in time, there is uncertainty in assumptions used for the estimation, and if credit risk of debtors changes due to changes in economic conditions, etc., the amounts of financial assets measured at amortized cost in the consolidated financial statements for the next consolidated fiscal year may be affected significantly.

2. Deferred tax assets

Deferred tax assets of ¥17,518 million have been recorded in the consolidated statement of financial position for the consolidated fiscal year under review. Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that future taxable profit sufficient to recover them will be available. Deferred tax liabilities are recognized for all taxable temporary differences in principle. Furthermore, the Company and some of its domestic subsidiaries have applied the group tax sharing system, and the recoverability is determined by taking into account the expected taxable income based on the future profitability of the entire consolidated group.

The estimated amount of taxable income is calculated based on future business plans and is based on the judgments and assumptions made by management in light of the external environment. Deferred tax assets related to deductible temporary differences are mainly recognized by the consolidated subsidiary Merpay, Inc. The main assumptions in the business plan of Merpay, Inc. are the growth rates of payment transaction volumes, etc., which form the basis for net sales and operating profit, and are formulated based on past performance, the mid-term policy, and the current market environment.

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available to offset future deductible temporary differences, but the amount of deferred tax assets considered to be recoverable may change due to fluctuations in the assumptions of future taxable income.

Notes to Consolidated Statement of Financial Position

1. Allowance for doubtful accounts directly deducted from assets

Trade and other receivables	¥24,264 million
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2. Accumulated depreciation on assets

Property, plant and equipment	¥4,477 million
Right-of-use assets	¥2,992 million

(Note) The accumulated depreciation amount includes accumulated impairment losses.

3. Assets pledged as collateral

Of funds raised through liquidation of receivables, those which were accounted for as financial transactions are short-term borrowings and current portion of long-term borrowings of ¥128,786 million and long-term borrowings of ¥82,429 million, and receivables contributed to trust to back the fundraising through liquidation of receivables are trade and other receivables of ¥350,947 million.

Funds entrusted to us by customers are managed separately from the Company's own assets in accordance with the Payment Services Act. The balance of deposits from corresponding customers as of the end of the consolidated fiscal year under review was ¥158,289 million. In addition, pursuant to the Payment Services Act, we have made deposits of ¥720 million in cash, ¥30,021 million in bonds, and

¥56,500 million in performance guarantee trusts. This deposit, etc. is pledged as collateral for the fulfillment of obligations to customers.

Notes to Consolidated Statement of Profit or Loss

1. Impairment loss

During the consolidated fiscal year under review, the Group recorded impairment losses for the following asset groups:

(1) Summary of assets for which impairment losses were recognized

Location	Use	Category
Minato-ku, Tokyo	Office	Right-of-use assets

The asset is an idle asset and does not belong to any specific reportable segment.

(2) Circumstances leading to the recognition of impairment losses

Due to a change in the office floor used, the asset is no longer expected to be used in the future. Therefore, the carrying amount has been reduced to the recoverable amount, and the amount of this reduction has been recognized as an impairment loss.

(3) Amount of impairment loss

Right-of-use assets ¥282 million

(4) Methods of grouping assets

The Group groups business assets based on management accounting units, using the smallest unit that generates independent cash flows as the basis for asset groups. Furthermore, idle assets are grouped on an individual asset basis.

(5) Method for calculating recoverable amount

The recoverable amount of the asset group is primarily measured by its value in use. However, because the value in use based on future cash flows within the remaining economic useful life of the major assets is negative, the recoverable amount is valued at zero. The discount rate used to calculate the value in use is omitted because the future cash flows are negative.

Notes to Consolidated Statement of Changes in Equity

1. Class and total number of issued shares as of the end of the consolidated fiscal year under review
Common stock 165,220,952 shares
2. Class and number of shares related to the share award rights as of the end of the consolidated fiscal year under review
Common stock 108,280 shares
3. Class and number of shares to be delivered upon exercise of stock acquisition rights outstanding as of the end of the consolidated fiscal year under review (excluding those for which the exercise period has not started)
Common stock 802,429 shares

Notes to financial instruments

1. Status of financial instruments

- (1) Company policy for financial instruments

The Group is exposed to financial risks (credit risks, liquidity risks, and interest rate risks), and conducts risk management in accordance with certain policies to mitigate these financial risks.

In addition, the Group uses derivative transactions to hedge the risk of future fluctuations in foreign exchange rates and has a policy of not engaging in transactions for speculative purposes or for the purpose of gaining short-term trading profit.

- (2) Credit risk management

Trade and other receivables are exposed to credit risks of users and business partners. The Group mitigates such risks by monitoring and managing the payment terms and outstanding balances.

In using derivative transactions and setting deposits for the purpose of fund management, the Group conducts transactions only with financial institutions with high credit standing to mitigate counterparty risks. Furthermore, when purchasing securities, the Group engages in transactions while paying careful attention to sound management of issuers of the securities.

The Group strives to prevent or mitigate credit risks through the above risk management procedures, and has no overly concentrated exposure to credit risks.

The carrying amount of financial assets after impairment presented in the consolidated statement of financial position represents the maximum exposure to credit risk, which does not take into account collateral and other credit enhancements held.

- (3) Liquidity risk management

The Group manages liquidity risks by having the fund management division regularly prepare and update a financial plan based on reports from each division, and secure liquidity in hand according to the status of cash inflows and outflows, and other means.

In addition, the Group raises working capital through the use of internal funds, loans from financial institutions, liquidation of bonds or receivables, and others.

- (4) Interest rate risk management

While the Group's interest-bearing debts are mainly borrowings and raised with variable interest rates, it maintains cash and cash equivalents at the same level as the interest-bearing debts. The impact of interest payment on the Group is immaterial at present.

2. Fair values of financial instruments

(1) Financial instruments measured at amortized cost

Carrying amounts and fair values of financial instruments are as follows.

	Carrying amount (Millions of yen)	Fair value (Millions of yen)
Financial assets		
Trade and other receivables (Note 1)	363,953	420,010
Lease deposits	1,262	1,137
Securities	30,021	29,948
Financial liabilities		
Bonds and borrowings (Note 2)	172,821	171,370

(Note 1) Allowance for doubtful accounts for trade and other receivables have been deducted.

(Note 2) Includes current portion of bonds and borrowings of ¥49,935 million.

Information on cash and cash equivalents, deposits paid, short-term borrowings, income taxes payable, and deposits received (sales proceeds temporarily held after sellers sell their item on the *Mercari* service, money held through users adding money from bank accounts to *Merpay*, and sales proceeds of merchants temporarily held in payment at merchants using *Merpay*) is omitted, since they are cash and are settled in a short period and thus their fair values approximate their carrying amounts.

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

Fair values of loans receivable included in trade and other receivables are based on the present value of the amounts of receivables classified by user, discounted using the remaining period to maturity and the risk-free interest rate, and credit risk is taken into account on the basis of the cash flows. The credit risk, etc. are classified as Level 3 fair value because they are unobservable. As for delinquent receivables, etc., the estimated uncollectible amount is calculated in consideration of the collectability. Therefore, their fair values approximate the amounts calculated by deducting the write-off amounts from the amounts of receivables, and these amounts are shown as the fair values.

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

Fair values of lease deposits are calculated based on the present value of future cash flows discounted using the current market rate of interest, and classified as Level 2.

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

Securities are government bonds, for which fair value is based on market price. Since they are traded in active markets, their fair values are classified as Level 1.

Convertible-bond-type bonds with stock acquisition rights are included in bonds and borrowings on the consolidated statement of financial position.

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

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

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

Information on lease liabilities is omitted, since disclosure of their fair value is not required by IFRS 7 (Financial Instruments: Disclosures).

Additionally, information on trade and other receivables, lease deposits (other financial assets), securities (other financial assets), convertible-bond-type bonds with stock acquisition rights, and financial instruments measured at amortized cost other than long-term borrowings is omitted, since their fair values approximate the carrying amounts.

(2) Financial instruments measured at fair value

Fair value hierarchy for financial instruments

For financial instruments measured at fair value on a recurring basis after initial recognition, the fair value hierarchy is classified into the following three levels in accordance with observability and significance of inputs used for measurement.

Level 1: Fair values measured using market prices in an active market for the same asset or liability

Level 2: Fair values measured using directly or indirectly observable inputs other than Level 1 inputs

Level 3: Fair values measured using significant unobservable inputs

If multiple inputs are used for the fair value measurement, the level of the fair value is determined based on the lowest level of significant input in the entire measurement of the fair value.

Transfers between levels of the fair value hierarchy are recognized as if they had arisen at the end of the period.

In the consolidated fiscal year under review, there was no transfer from Level 1 to Level 3.

(Millions of yen)

	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative transactions	—	127	—	127
Other	—	—	57	57
Equity financial assets measured at fair value through other comprehensive income				
Shares, etc.	—	—	8,639	8,639
Total	—	127	8,696	8,824

As for shares, etc. (other financial assets), since their quoted price in an active market is not available, their fair values are determined using the discounted cash flow method or other appropriate valuation techniques, and are classified as Level 3.

Derivative transactions (other financial assets), which are mainly forward exchange contracts, are determined using fair values provided by financial institutions, etc., and are classified as Level 2.

For financial instruments classified as Level 3, the division in charge determines the method of assessing fair values to be measured and measures the fair values in accordance with policies and procedures for fair value measurement established by the Group. When information on prices from recent independent third-party transactions or prices determined by external experts is available, such prices are used as fair value. In addition, results of fair value measurement are approved by an appropriate responsible person.

Notes to revenue recognition

1. Information on disaggregation of revenue from contracts with customers

(Millions of yen)			
Major services	Japan	Overseas	Total
Marketplace	129,526	40,782	170,308
Fintech	51,201	—	51,201
Other	7,783	—	7,783
Total	188,511	40,782	229,293
Revenue from contracts with customers			188,855
Revenue from other sources (Note)			40,437

(Note) Revenue from other sources is mainly interest income based on IFRS 9.

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

The information is provided in “(13) Revenue” under “4. Accounting policies” of “Notes on basis of preparation of consolidated financial statements.”

3. Information on the relation between satisfaction of performance obligations based on contracts with customers and cash flows arising from the contracts, and amount and timing of revenue that is expected to be recognized in and after the next consolidated fiscal year from contracts with customers that existed in the consolidated fiscal year under review

(1) Balances of receivables arising from contracts with customers and contract liabilities

(Millions of yen)		
	Balance at the beginning of period	Balance at the end of period
Receivables arising from contracts with customers	7,933	9,313
Contract liabilities	2,445	3,038

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

Of the revenue amount recognized in the consolidated fiscal year under review, the amount included in the beginning balance of contract liabilities was ¥2,445 million.

Among revenues recognized in the consolidated fiscal year under review, there is no revenue arising from performance obligations that were satisfied (or partially satisfied) in past periods.

(2) Transaction price allocated to the remaining performance obligations

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

Notes to per share information

1. Equity attributable to owners of parent per share	¥829.62
2. Basic earnings per share	¥214.74
3. Diluted earnings per share	¥209.06

Notes to significant subsequent events

Not applicable.

Non-consolidated Financial Statements

13. Non-consolidated Balance Sheet

(as of June 30, 2026)

		(Millions of yen)	
Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current assets	153,744	Current liabilities	52,316
Cash on hand and in banks	125,908	Current portion of long-term borrowings	1,150
Trade accounts receivable	12,609	Current portion of bonds with stock acquisition rights	13,310
Prepaid expenses	1,468	Accounts payable	19,711
Other receivable	11,978	Accrued expenses	691
Short-term loans receivable from subsidiaries and associates	1,200	Income taxes payable	11,398
Other	579	Deposits received	798
Non-current assets	53,307	Provision for bonuses	2,172
Property and equipment	1,418	Provision for point certificates	551
Buildings	741	Provision for share-based compensation	167
Tools, furniture and fixtures	666	Other provisions	337
Construction in progress	10	Other	2,027
Intangible assets	2,312	Non-current liabilities	41,187
Software	1,785	Convertible-bond-type bonds with stock acquisition rights	15,640
Software in progress	524	Long-term borrowings	25,000
Other	2	Other	547
Investments and other assets	49,576	Total liabilities	93,504
Investment securities	5,142	NET ASSETS	
Shares of subsidiaries and associates	8,574	Shareholders' equity	112,871
Long-term loans receivable from subsidiaries and associates	30,640	Capital stock	49,182
Deferred tax assets	4,248	Capital surplus	49,160
Other	971	Legal capital reserve	49,160
		Other capital surplus	0
		Retained earnings	14,530
		Other retained earnings	14,530
		Retained earnings brought forward	14,530
		Treasury shares	(2)
		Valuation and translation adjustments	102
		Deferred gains or losses on hedges	102
		Share award rights	6
		Stock acquisition rights	567
		Total net assets	113,547
Total assets	207,051	Total liabilities and net assets	207,051

14. Non-consolidated Statement of Income

(from July 1, 2025, to June 30, 2026)

(Millions of yen)

Item	Amount	
Net sales		129,959
Cost of sales		18,903
Gross profit		111,056
Selling, general and administrative expenses		79,042
Operating profit		32,013
Non-operating income		
Interest income	424	
Fiduciary obligation fee for subsidiaries and associates	136	
Foreign exchange gain	150	
Other	72	784
Non-operating expenses		
Interest expense	353	
Other	16	370
Ordinary profit		32,428
Extraordinary income		
Gain on sales of investment securities	41	
Gain on reversal of stock acquisition rights	5	46
Extraordinary losses		
Loss on devaluation of investment securities	107	
Office relocation expenses	375	483
Net profit before income taxes		31,992
Income taxes - current	11,140	
Income taxes - deferred	(964)	10,175
Net profit		21,816

15. Non-consolidated Statement of Changes in Equity

(from July 1, 2025, to June 30, 2026)

(Millions of yen)

	Shareholders' equity					
	Capital stock	Capital surplus			Retained earnings	
		Legal capital reserve	Other capital surplus	Total capital surplus	Other retained earnings (Accumulated deficit) Retained earnings brought forward (Accumulated deficit)	Total retained earnings (Total accumulated deficit)
Balance at the beginning of current period	48,176	48,155	0	48,155	(7,286)	(7,286)
Changes of items during the period						
Issuance of new shares	1,005	1,005		1,005		
Net profit					21,816	21,816
Purchase of treasury shares						
Net changes of items other than shareholders' equity						
Total changes of items during the period	1,005	1,005	—	1,005	21,816	21,816
Balance at the end of current period	49,182	49,160	0	49,160	14,530	14,530

	Shareholders' equity		Valuation and translation adjustments			Share award rights	Stock acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Deferred gains or losses on hedges	Valuation difference on available-for-sale securities	Total valuation and translation adjustments			
Balance at the beginning of current period	(0)	89,044	12	48	61	—	894	90,000
Changes of items during the period								
Issuance of new shares		2,011						2,011
Net profit		21,816						21,816
Purchase of treasury shares	(1)	(1)						(1)
Net changes of items other than shareholders' equity			89	(48)	40	6	(326)	(279)
Total changes of items during the period	(1)	23,826	89	(48)	40	6	(326)	23,547
Balance at the end of current period	(2)	112,871	102	—	102	6	567	113,547

16. Notes to Non-consolidated Financial Statements

Notes to significant accounting policies

1. Valuation standards and methods for significant assets

Valuation standards and methods for securities

Shares of subsidiaries:

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

Available-for-sale securities

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

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

Shares, etc. without market prices:

Stated at cost using the moving average method.

2. Method of depreciation and amortization of significant depreciable and amortizable assets

(1) Property and equipment

The straight line method is applied.

(2) Intangible assets

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

Of the software development costs, those that are deemed certain to generate future revenue or reduce costs are recorded as intangible assets.

3. Standards for recognition of reserves

(1) Allowance for doubtful accounts

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

(2) Provision for bonuses

For payment of bonuses to employees, etc., an allowance is provided for the portion of the total anticipated bonuses that are attributable to the fiscal year under review.

(3) Provision for point certificates

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

(4) Provision for share-based compensation

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

(5) Other provisions

The amount expected to arise in the future is recorded to provide for compensation to our customers.

4. Standards for recognition of revenues and expenses

In the Marketplace domain, the Company assumes a performance obligation to provide services such as the *Mercari* marketplace, which is a platform for buying and selling items, mainly to users. Since this performance obligation is satisfied at the point of time when delivery of goods and ratings between the seller and the buyer are completed, transaction fees calculated by multiplying the transaction price by a certain rate are recognized as revenue at the said point.

In addition, in delivery services accompanying Marketplace's services, the Company assumes a performance obligation to entrust delivery of goods to delivery firms as an agency. Because this performance obligation is satisfied at the point of time when delivery of goods between the seller and the buyer is completed, the net amount after deduction of delivery charges paid to delivery firms according to the delivery size is recognized as revenue at the said point.

5. Principal method for hedge accounting

- ### Deferred hedge accounting

- Hedging instruments Forward exchange contracts

(3) Hedging policy

(4) Method for assessing the hedge effectiveness

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

Notes to Non-consolidated Balance Sheet

- ## 2. Guarantee obligations

Merpay, Inc.

3. Monetary receivables from and payables to subsidiaries and associates (excluding those separately disclosed)

Short-term monetary receivables

¥22,773 million

Short-term monetary payables

- 46 -

4. Contingent liabilities

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

Notes to Non-consolidated Statement of Income

Transactions with subsidiaries and associates

Operating expenses	¥17,817 million
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Transactions from non-operating transactions	¥480 million
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Notes to Non-consolidated Statement of Changes in Equity

Class and number of treasury shares as of the end of the fiscal year under review

Common stock	656 shares
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Notes to tax effect accounting

1. Components of deferred tax assets and deferred tax liabilities

	(Millions of yen)
Deferred tax assets	
Loss on valuation of shares of subsidiaries and associates	24,041
Excess of depreciation and amortization	1,686
Accrued expenses	1,052
Accrued enterprise tax	617
Loss on devaluation of investment securities	538
Provision for bonuses	459
Provision for point certificates	173
Stock acquisition rights	164
Other	160
Subtotal deferred tax assets	28,894
Valuation allowance	(24,599)
Total deferred tax assets	4,295
Deferred tax liabilities	
Deferred gains or losses on hedges	(46)
Total deferred tax liabilities	(46)
Net deferred tax assets	4,248

2. Accounting treatment of corporate tax and local corporation tax and accounting treatment of related tax effect accounting

The Company has applied the group tax sharing system and performs accounting treatment of corporate tax and local corporation tax, or performs accounting treatment and disclosure of tax effect accounting related to these pursuant to the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ Practical Issues Task Force Report No. 42, August 12, 2021).

Notes to related party transactions

1. Subsidiaries and associates, etc.

Category	Name	Percentage of voting rights owning or owned (%)	Relationship	Details of transaction	Transaction amount (Millions of yen)	Account title	Ending balance (Millions of yen)
Subsidiary	Merpay, Inc.	Directly owning 100.0	Contracting of operations, interlocking of officers, financial assistance	Contracting of operations (Note 1)	13,940	Accounts payable	2,903
				Lending of funds	13,300	Long-term loans receivable from subsidiaries and associates	30,640
				Collection of funds	13,300		
				Receipt of interest (Note 2)	206	Other receivable	20
				Guarantee of obligation (Note 3)	136,637	—	—

- (Notes) 1. Transaction is carried out with the same general transaction conditions as a transaction with an independent third party.
2. In regard to lending of funds, it is determined by taking into account market interest rates.
3. Guarantee of obligation is provided for the guarantee contract of security deposit entered into with a financial institution of Merpay, Inc. for providing Funds Transfer Services under the Payment Services Act and for liabilities payable to business partners. The transaction amounts represent the outstanding balances of guarantees as of the end of the fiscal year under review. The Company does not receive guarantee fees.

Notes to per share information

- | | |
|-------------------------------|---------|
| 1. Net assets per share | ¥683.77 |
| 2. Basic earnings per share | ¥132.34 |
| 3. Diluted earnings per share | ¥128.83 |

Notes to revenue recognition

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

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

Notes to significant subsequent events

Not applicable.

Audit Reports

17. Independent Auditor's Audit Report on the Consolidated Financial Statements

(English translation)

Independent Auditor's Report	
	July 31, 2026
To the Board of Directors Mercari, Inc.	
	Ernst & Young ShinNihon LLC Tokyo Office, Japan Yasuo Matsuura Certified Public Accountant Designated and Engagement Partner Keiji Tanaka Certified Public Accountant Designated and Engagement Partner Taisuke Horie Certified Public Accountant Designated and Engagement Partner
<u>Audit opinion</u>	
Pursuant to Article 444, paragraph (4) of the Companies Act, we have audited the consolidated financial statements (the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity, and the notes to consolidated financial statements) of Mercari, Inc. (the "Company") for the consolidated fiscal year of the Company, which spanned from July 1, 2025, to June 30, 2026. In our opinion, the consolidated financial statements mentioned above fairly present, in all material respects, the financial position and results of operations of the corporate group that consists of Mercari, Inc. and its consolidated subsidiaries, for the period covered by the consolidated financial statements, in accordance with accounting standards prepared by omitting certain items required to be disclosed by the designated International Financial Reporting Standards and pursuant to the provisions of the latter part of Paragraph 1, Article 120 of the Regulation on Corporate Accounting.	
<u>Basis for audit opinion</u>	
We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in "The responsibility of independent auditors for the audit of the consolidated financial statements" section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements (including the provisions applicable to audits of financial statements of public interest entities) that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.	
<u>Other information</u>	
Other information comprises the business report and the supplementary schedules thereto. Management is responsible for the preparation and disclosure of the other information. Meanwhile, the Audit Committee is responsible for overseeing the performance of duties of Executive Officers and Directors, as they relate to the design and operation of reporting processes for the other information. Our audit opinion on the consolidated financial statements does not cover such other information, and we do not provide an opinion on the other information. In connection with our audit of the consolidated financial statements, our responsibility is to look over the other information and, in doing so, consider whether the other information is materially inconsistent with	

the consolidated financial statements or our knowledge obtained over the course of our audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact.

We have nothing to report regarding the other information.

Responsibilities of management and the Audit Committee for the consolidated financial statements

Management is responsible for preparing consolidated financial statements in accordance with accounting standards prepared by omitting certain items required to be disclosed by the designated International Financial Reporting Standards and pursuant to the provisions of the latter part of Paragraph 1, Article 120 of the Regulation on Corporate Accounting. This responsibility includes the establishment and operation of internal controls deemed necessary by management for the preparation of consolidated financial statements, free of material misstatement due to fraud or error, and the presentation of appropriate accounting information.

In preparing the consolidated financial statements, management is responsible for assessing the appropriateness of use of the going concern basis of accounting in the preparation of the consolidated financial statements, and if it is necessary to disclose matters related to the going concern based on accounting standards that omit certain items required to be disclosed by the designated International Financial Reporting Standards and pursuant to the provisions of the latter part of Paragraph 1, Article 120 of the Regulation on Corporate Accounting, management is responsible for disclosing such matters.

The Audit Committee is responsible for overseeing the performance of duties of Executive Officers and Directors within the maintenance and operation of the financial reporting process.

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

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

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

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

- Assess whether the presentation and notes to the consolidated financial statements are in accordance with the accounting standards that omit certain items required to be disclosed by the designated International Financial Reporting Standards and pursuant to the provisions of the latter part of Paragraph 1, Article 120 of the Regulation on Corporate Accounting, as well as whether the presentation, composition, and content of the consolidated financial statements, including the related notes, and the transactions and accounting events on which the consolidated financial statements are based are properly presented.
- Plan and perform audit of the consolidated financial statements to obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to provide a basis for our opinion on the consolidated financial statements. We are responsible for the direction, supervision, and inspection of the audit of the consolidated financial statements.

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

We also provide the Audit Committee with a statement that we have complied with provisions related to professional ethics in Japan regarding independence and communicate with them about matters that may reasonably be thought to bear on our independence and, where applicable, safeguards that are in place to reduce or eliminate obstacles.

Interests in the Company

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

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

(English translation)

Independent Auditor's Report	
	July 31, 2026
To the Board of Directors Mercari, Inc.	
	Ernst & Young ShinNihon LLC Tokyo Office, Japan Yasuo Matsuura Certified Public Accountant Designated and Engagement Partner Keiji Tanaka Certified Public Accountant Designated and Engagement Partner Taisuke Horie Certified Public Accountant Designated and Engagement Partner
<u>Audit opinion</u>	
Pursuant to Article 436, paragraph (2), item (i) of the Companies Act, we have audited the non-consolidated financial statements (the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, the notes to non-consolidated financial statements, and the supplementary schedules (collectively, the “non-consolidated financial statements, etc.”)) of Mercari, Inc. (the “Company”) for the 14th fiscal year of the Company, which spanned from July 1, 2025, to June 30, 2026.	
In our opinion, the above non-consolidated financial statements, etc. fairly present, in every material aspect, the financial position and results of operations of the Company for the relevant term of the non-consolidated financial statements, etc., in accordance with the business accounting standards generally accepted in Japan.	
<u>Basis for audit opinion</u>	
We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in “The responsibility of independent auditors for the audit of the non-consolidated financial statements, etc.” section of our report. We are independent of the Company in accordance with the ethical requirements (including the provisions applicable to audits of financial statements of public interest entities) that are relevant to our audit of the non-consolidated financial statements, etc. in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.	
<u>Other information</u>	
Other information comprises the business report and the supplementary schedules thereto. Management is responsible for the preparation and disclosure of the other information. Meanwhile, the Audit Committee is responsible for overseeing the performance of duties of Executive Officers and Directors, as they relate to the design and operation of reporting processes for the other information.	
Our audit opinion on the non-consolidated financial statements, etc. does not cover such other information, and we do not provide an opinion on the other information.	
In connection with our audit of the non-consolidated financial statements, etc., our responsibility is to look over the other information and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements, etc. or our knowledge obtained over the course of our audit, or otherwise appears to be materially misstated.	

If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact.

We have nothing to report regarding the other information.

Responsibilities of management and the Audit Committee for the non-consolidated financial statements, etc.

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

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

The Audit Committee is responsible for overseeing the performance of duties of Executive Officers and Directors within the maintenance and operation of the financial reporting process.

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with provisions related to professional ethics in Japan regarding independence and communicate with them about matters that may reasonably be thought to bear on our independence and, where applicable, safeguards that are in place to reduce or eliminate obstacles.

Interests in the Company

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

19. Audit Committee's Audit Report

(English translation)

Audit Report

The Audit Committee has audited the performance of duties by the Directors and Executive Officers during the 14th fiscal year from July 1, 2025, to June 30, 2026. The method and results are reported as follows.

1. Method and contents of audit

The Audit Committee received regular reports from Directors, Executive Officers, and employees on the content of the resolutions of the Board of Directors regarding the matters listed in Article 416, Paragraph 1, Item 1 (b) and (e) of the Companies Act, as well as the status of the establishment and operation of the systems (internal control systems) established based on these resolutions. The Audit Committee also requested explanations as necessary, expressed its opinions, and conducted audits in the following manner.

- (i) In accordance with the audit policy and division of duties determined by the Audit Committee, and in cooperation with the Company's internal control division, we attended important meetings, received reports from Directors and Executive Officers regarding the performance of their duties, requested explanations as necessary, examined important documents for approval, and investigated the status of operations and assets at the head office. With respect to the subsidiaries, each Audit Committee Member endeavored to facilitate mutual understanding and exchanged information with the Directors, Auditors, etc. of each subsidiary and received from subsidiaries reports on their respective business as necessary.
- (ii) In addition to monitoring and verifying whether the independent auditor kept its independent position and whether it performed proper audit, we received reports from the independent auditor concerning the performance of its duties and requested additional explanation as necessary. Moreover, we were informed of the arrangement of the systems for ensuring that the performance of independent auditors is being carried out correctly (matters stipulated in the items of Article 131 of the Regulation on Corporate Accounting) in accordance with the Quality Control Standards for Audits (Business Accounting Council) from the independent auditor and requested explanations as necessary.

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

2. Results of audit

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

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

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

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

(3) Results of audit of the consolidated financial statements

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

August 3, 2026

Audit Committee, Mercari, Inc.	
Shiho Konno	[Seal]
Chairperson of the Audit Committee	
Mayumi Tochinoki	[Seal]
Audit Committee Member	
Mayumi Umezawa	[Seal]
Audit Committee Member	
Masahiro Kotosaka	[Seal]
Audit Committee Member	

(Note) Audit Committee Members Shiho Konno, Mayumi Umezawa, and Masahiro Kotosaka are Outside Audit Committee Members as defined in Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.