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October 18, 2018

To whom it may concern:

Company Name: Mercari, Inc.
Representative: Shintaro Yamada, Chief Executive Officer
(Code Number: 4385, Mothers Section of Tokyo Stock Exchange)
Contact: Kei Nagasawa, Chief Financial Officer
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**Announcement of Making Michael Inc. a Wholly-owned Subsidiary
by Exchanging Shares through Simplified Procedure**

Mercari, Inc. (the "Company") announces that it has resolved at the meeting of the board of directors held today to implement a share exchange (the "Share Exchange") through which the Company will be a wholly-owning parent company of Michael Inc. ("Michael") and Michael will be a wholly-owned subsidiary of the Company and the Company has executed a share exchange agreement (the "Share Exchange Agreement") with Michael today concerning the Share Exchange. The Company plans to conduct the Share Exchange through the simplified procedure for share exchange (*kani kabushiki kōkan*) under the provision of Article 796, Paragraph (2) of the Companies Act, without obtaining approval by resolution of its general meeting of shareholders.

Some matters and details required to be disclosed are omitted herein since the value of net assets of Michael which will be the wholly-owned subsidiary as of the end of its last fiscal year is less than 10% of the value of the net assets of the Company which will be a wholly-owning parent company as of the end of its last fiscal year and Michael's gross sales in its last fiscal year is less than 3% of the Company's gross sales in its last fiscal year.

1. Purpose of the Share Exchange

The Company is pushing ahead with its efforts to enhance every category on its C2C marketplace, "Mercari". The Company, among others, has been making efforts to increase the distribution volume of items in the automotive categories, including the launch of services that allow users to list automotive parts for sale in July 2013 and automobile bodies for sale in May 2016.

Michael has plentiful information concerning automobiles and automotive parts posted by users and off-line and on-line communities composed of users across a wide range of age groups through the operation of its automobile-related SNS service, "CARTUNE".

The Share Exchange enables the Company, together with Michael, to combine the automotive categories of the Company with the user base, communities and operation know-how of "CARTUNE" of Michael and thereby accelerating the enhancement of the automotive categories with an increase in the number of automotive parts listed for sale.

2. Outline of the Share Exchange

(1) Schedule for the Share Exchange

Date of the resolution of the board of directors for the Share Exchange (the Company)	October 18, 2018
Date of execution of the Share Exchange Agreement	October 18, 2018
Date of the extraordinary general meeting of shareholders to approve the Share Exchange (Michael)	November 7, 2018 (scheduled)
Scheduled date of the Share Exchange	November 8, 2018 (scheduled)

(2) Method of the Share Exchange

Through the Share Exchange, the Company will be the wholly-owning parent company and Michael will be the wholly-owned subsidiary. The Company plans to conduct the Share Exchange through the simplified procedure for share exchange (*kani kabushiki kokan*) under the provision of Article 796, Paragraph (2) of the Companies Act, without obtaining approval by resolution of its general meeting of shareholders. Michael plans to conduct the Share Exchange after obtaining approval by resolution of its extraordinary general meeting of shareholders to be held on November 7, 2018.

(3) Allotment in the Share Exchange

Company name	Mercari, Inc. (Wholly-owning parent company)	Michael Inc. (Wholly-owned subsidiary)
Share exchange ratio in the Share Exchange	1	194.83
Number of shares to be delivered for the Share Exchange	Common shares: 392,582 shares (expected)	

(*1) In the Share Exchange, the Company will allot and deliver 194.83 common shares in the Company per common share in Michael to those who are the shareholders of Michael as of the time immediately prior to the Company's acquisition of all the issued shares in Michael, except for those held by the Company in Michael, through the Share Exchange (the "Reference Time"). This share exchange ratio is subject to change through consultation between both companies if any material change occurs with respect to any factors based on which the share exchange ratio is calculated.

(*2) The current shareholders of Michael to whom such fractional common shares less than one share in the Company are allotted under the Share Exchange are to be treated in accordance with the provisions of Article 234 of the Companies Act and other related laws and regulations.

(4) Handling of Stock Acquisition Rights and Bonds with Stock Acquisition Rights under the Share Exchange
All stock acquisition rights issued by Michael will be exercised within seven business days from the date of execution of the Share Exchange Agreement and there will be no outstanding stock acquisition rights as of the Reference Time.

3. Basis of the Calculation for Allotment in the Share Exchange

(1) Basis and Reason for the Calculation for Allotment in the Share Exchange

As the Company is a listed company, the Company's share value has been valued by the average market price analysis at JPY 3,820.8 per share (the simple average of the daily closing prices of the share on the Mothers market of the Tokyo Stock Exchange for the preceding trading days in the three months prior to the reference date for the calculation which is October 17, 2018).

As Michael is a private company, the Company has requested a third party institution independent from both companies to value Michael's share value in order to ensure the fairness and appropriateness in determining the share exchange ratio to be used for the Share Exchange.

The Company has reached the conclusion and agreed with Michael that it is appropriate and beneficial to the interests of their respective shareholders to use the share exchange ratio stated in 2. (3) above for the Share Exchange, as a result of careful discussions between both companies, with reference to the valuation result of Michael's share value, and taking into account the financial condition, condition of assets, financial forecasts and other forward-looking information with respect to Michael.

(2) Matters Concerning the Calculation

The discounted cash flow method has been used to value Michael's share value per share based on which the share exchange ratio to be used for the Share Exchange is calculated. According to such valuation, the range of Michael's share value per share based on which the share exchange ratio is calculated is from JPY 590,389 to JPY 888,574. Referencing to such valuation result, the Company and Michael has discussed and determined that it is appropriate to value Michael's share value per share at JPY 744,400.

(3) Possibility of and Reasons for Delisting

As the Company will be the wholly-owning parent company through the Share Exchange and Michael which will be the wholly-owned subsidiary is a private company, there are no matters to be disclosed under this item.

4. Outline of the Parties to the Share Exchange

	Wholly-owning parent company resulting from the Share Exchange	Wholly-owned subsidiary resulting from the Share Exchange
(1) Trade name	Mercari, Inc.	Michael Inc.
(2) Address	10-1, Roppongi 6-chome, Minato-ku, Tokyo	Kotobuki Dogenzaka Building 401, 19-11, Dogenzaka 1-chome, Shibuya- ku, Tokyo
(3) Name and title of representative	Shintaro Yamada Chief Executive Officer	Makoto Fukuyama Representative Director
(4) Description of business	C2C marketplace-related business	Development and operation of community applications
(5) Amount of share capital	JPY 34,803 million (*1) (as of June 30, 2018)	JPY 91 million (*2) (as of July 31, 2018)

(6)	Date of incorporation	February 1, 2013	December 5, 2016
(7)	Number of issued shares	135,339,722 shares (*1) (as of June 30, 2018)	Common shares: 2,010 shares Class A preferred shares: 127 shares (*2) (as of July 31, 2018)
(8)	End of each fiscal year	June 30	July 31
(9)	Major shareholders and shareholding percentages	Shintaro Yamada 25.38% UNITED, Inc. 7.76% Hiroshi Tomishima 6.72% suadd K.K. 4.85% Global Brain V Investment Limited Partnership 3.52% WiL Fund I, L.P. 2.69% East Ventures Investment Limited Partnership 2.62% Globis IV Fund Investment Limited Partnership 2.35% STATE STREET BANK AND TRUST COMPANY 2.03% Japan Trustee Services Bank, Ltd. (Trust Account) 1.71% (*3) (As of June 30, 2018)	Makoto Fukuyama 42.67% Industrial Growth Platform, Inc. 37.32% Mercari, Inc. 11.22% Tetsuhiro Ueda 3.75% Yohei Nishimura 2.83% Shinya Kuno 2.21% (as of October 18, 2018)
(10)	Business results and financial position in the last fiscal year (*4)		
Fiscal year		Fiscal year ended on June 30, 2018 (Consolidated)	Fiscal year ended on July 31, 2018
Net assets		JPY 54,422 million	JPY 88 million
Total assets		JPY 117,752 million	JPY 133 million
Net assets per share (JPY)		JPY 402.12	(JPY 3,008.62)
Gross sales		JPY 35,765 million	JPY - million
Operating loss		(JPY 4,422 million)	(JPY 197 million)

Ordinary loss	(JPY 4,741 million)	(JPY 197 million)
Net income (loss) (*5)	(JPY 7,041 million)	(JPY 197 million)
Net income (loss) per share (JPY)	(JPY 60.61)	(JPY 119,004.16)

- (*1) Mercari, Inc. has JPY 38,918 million of share capital and 141,266,642 issued shares as of October 18, 2018 resulting from a domestic offering of shares conducted in association with the listing of the Company's common stock on the Mothers Section of the Tokyo Stock Exchange and an offering of shares by over-allotment related to a domestic offering of shares by firm commitment underwriting, which were resolved at the meetings of the board of directors held on May 14, 2018 and June 1, 2018, respectively as well as the exercise of stock options on July 5, 2018, July 25, 2018, August 27, 2018 and September 21, 2018.
- (*2) Michael Inc. has JPY 139 million of share capital and 2,264 issued shares as of September 28, 2018 resulting from an issuance of new shares on the same day.
- (*3) As of September 30, 2018, the major shareholders of Mercari, Inc. and their shareholding percentages are as follows: Shintaro Yamada - 26.33%; UNITED, Inc. - 7.43%; Hiroshi Tomishima - 6.48%; suadd K.K. - 4.65%; Global Brain V Investment Limited Partnership - 3.37%; WiL Fund I, L.P. - 2.58%; Japan Trustee Services Bank, Ltd. (Trust Account) - 2.57%; East Ventures Investment Limited Partnership - 2.51%; Globis IV Fund Investment Limited Partnership - 2.25%; and SSBTC CLIENT OMNIBUS ACCOUNT - 2.08%.
- (*4) For Mercari, Inc., consolidated business results and consolidated financial position are stated.
- (*5) For Mercari, Inc., net loss attributable to owners of parent is stated.

5. Status after the Share Exchange

(1)	Trade name	Mercari, Inc.
(2)	Address of the head office	10-1, Roppongi 6-chome, Minato-ku, Tokyo
(3)	Name and title of representative	Shintaro Yamada Chief Executive Officer
(4)	Description of business	C2C marketplace-related business
(5)	Amount of share capital	TBD
(6)	End of each fiscal year	June 30

6. Future Outlook

The Share Exchange may have only a minor impact on the consolidated business results in the fiscal year to be ended on June 30, 2019.

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