

A grayscale background image of a modern office interior. The space is open-plan with a high ceiling, exposed ductwork, and recessed lighting. In the foreground and middle ground, there are several round tables with modern chairs, some of which are occupied by people working. The overall atmosphere is bright and collaborative.

# **mercari**

## **Materials about Growth Potential**

June 2018

## Our Mission

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

# What We Offer



**mercari**

**Cross-Category C2C Marketplace**

Launched: Jul 2013



Launched: Sep 2014



**mercari**

Launched: Mar 2017

(Subsidiaries of Mercari)



Specialized C2C Marketplace



Launched: May 2017



MAISONZ

Launched: August 2017



Offline C2C service



Launched: February 2018

**teacha**

Launched: April 2018

**merpay**

Payment Service

**merpay**

Upcoming

# Proven Management Committed to Driving Innovation



Shintaro Yamada  
Global CEO



Fumiaki Koizumi  
Japan CEO



Yuki Hamada  
CPO



John Lagerling  
CBO  
US CEO



Naoki Aoyagi  
merpay CEO

Background

**Unoh** **zynga**  
(Social Gaming)  
Founder

**mixi** **Daiwa**  
(Social Networking) **Securities**  
CFO

**CYBRIDGE**  
(Internet Media)  
Founder

**facebook**  
VP of Business  
Development,  
Mobile and  
Product Partnerships

**Google**  
Senior Director,  
Android Global  
Partnership

**GREE**  
(Gaming)  
CFO  
GREE International Inc.  
CEO

# Strong Growth in both MAU and GMV

## Japan MAU<sup>(1)</sup> and Japan GMV

(JPY Bn) (MM)

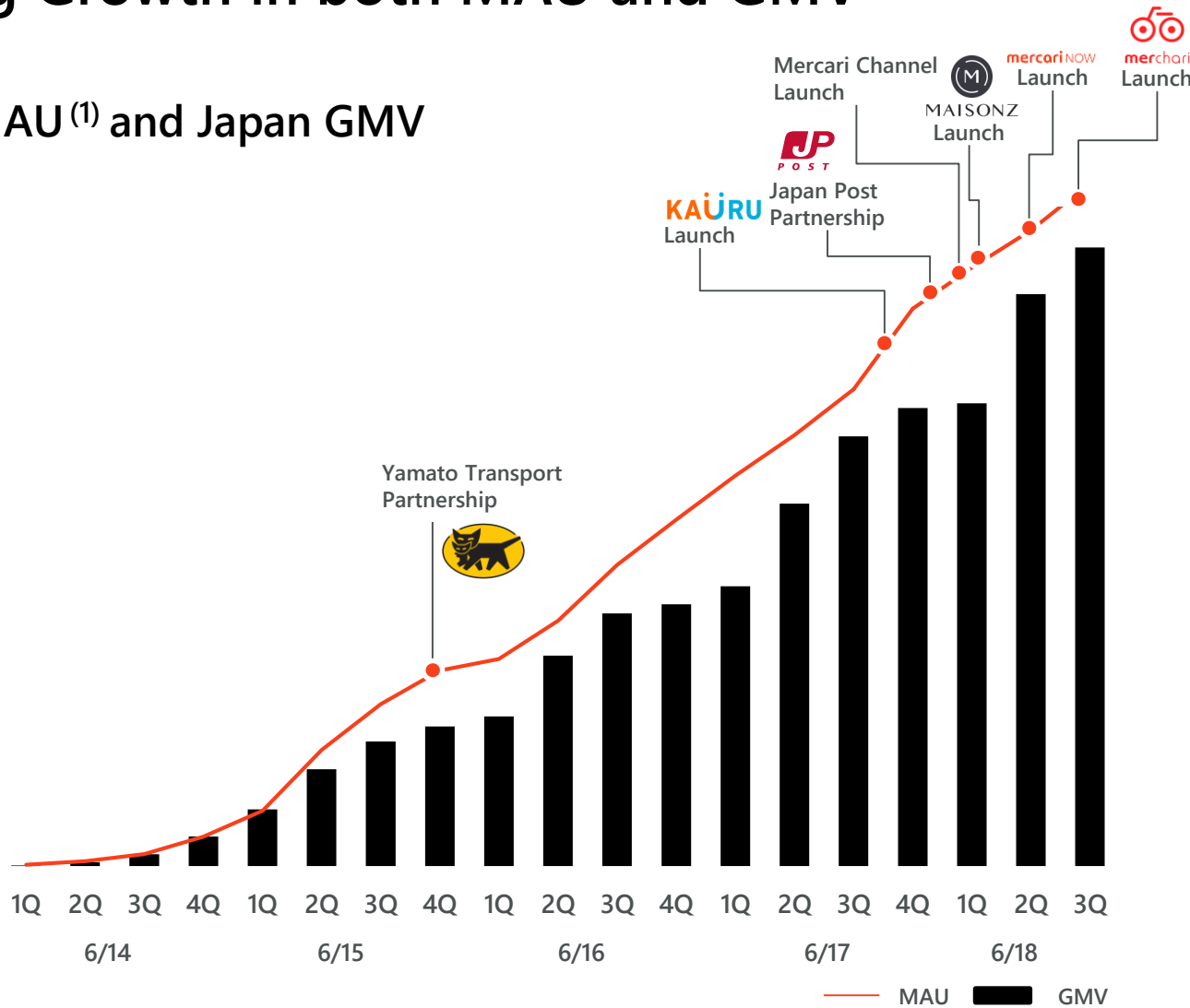
100 10

75 7.5

50 5

25 2.5

0 0



Latest Snapshot of Our Scale

Japan MAU<sup>(2)</sup>

10.5MM

Japan Monthly GMV<sup>(2)</sup>

JPY 32.4Bn

Japan Cumulative Downloads<sup>(3)</sup>

c. 71.0MM

Source: Company Information





Notes:

1. Quarterly average Japan registered MAU. MAUs of Atte, Kauru, Maisonz, merchari and teacha are not included in Japan registered MAU

2. Japan registered MAU and Monthly Japan GMV for March 2018. GMV generated through Kauru and Maisonz is included in Monthly Japan GMV

3. As of March 2018. Japan Cumulative Downloads do not include Atte, Kauru, Maisonz, merchari and teacha

# High Growth x Strong Engagement

 <b>mercari</b> (Japan Only)		Selected Peers	
GMV Growth (LTM) <sup>(1)</sup>	<b>+58.3%</b>	 <b>Alibaba Group</b> (as of March, 2018)	<b>+28.0%</b>
Monthly Time Spent per Mobile User <sup>(2)</sup>	<b>5.3hrs</b>	<b>facebook</b> (Japan Only)	<b>4.1hrs</b>
DAU/MAU Ratio <sup>(3)</sup>	<b>40.6%</b>	 <b>Alibaba Group</b> Mobile Taobao (June 2016)	<b>40%</b>
Daily Number of Products Viewed per DAU <sup>(4)</sup>	<b>23.4</b>	 <b>Alibaba Group</b> Mobile Taobao (April 2016)	<b>18.9</b>

Notes:

1. Source: Company Information. GMV Growth of Mercari is based on Japan business for the LTM as of March 2018. GMV Growth of Alibaba is based on Chinese yuan and the sum of Taobao and Tmall for the LTM as of March 2018. As the definition of GMV may differ for each company, GMV growth may not be directly comparable across companies
2. Source: Nielsen Digital Co., Ltd. The average time spent per month on the app by monthly unique Mercari users in Japan in January 2018. Includes mobile app data only
3. Source: Company Information. The average ratio of registered DAU (Daily Active Users) to registered MAU in Japan for the third quarter of FY6/18. DAU/MAU ratio for Alibaba's Mobile Taobao for June 2016. There is no standard definition of DAU and MAU, and the definitions used by each company may differ, potentially significantly. The DAU/MAU ratios presented may not be directly comparable across companies, and you should not place undue reliance on such presentation
4. Source: Company Information. Average daily number of products viewed per registered DAU for Mercari in Japan (for the third quarter of FY6/18). Daily number of browsed products per viewer for Alibaba's Mobile Taobao for April 2016. There is no standard definition of daily number of products viewed, and the definitions used by each company may differ, potentially significantly and as such daily number of products viewed may not be comparable across companies

# Company Highlights

# Company Highlights

- 1 Fast-growing Mobile C2C Pioneer
- 2 Platform Scale Reinforced by High User Engagement
- 3 Drive Mercari's Further Growth by Capturing Expanding TAM
- 4 Additional Growth Opportunities from Mercari Ecosystem and International Expansion
- 5 Attractive Financial Model



# 1 Growth Outpacing Other Japan EC Leaders

## Rapid GMV Growth Drives Scale

GMV Growth (3/17 LTM→3/18 LTM)

58.3%

mercari<sup>(1)</sup>

27.6%

START TODAY CO.,LTD.

13.7%

YAHOO!  
JAPAN

13.2%

Rakuten

GMV  
(3/18LTM) **JPY320.2Bn**

JPY270.5Bn

JPY2.1Tn

JPY3.4Tn

## Proven Popularity

C2C Marketplace App User Survey <sup>(2)</sup>

94.0%



mercari

22.1%



Rakuma

19.4%



FRIL

Source: Company Information, Macromill "Flea Market App User Survey" (May 2017)

Notes :

1. Mercari's Japan GMV includes GMV generated through Kauru and Maisonz. As the definition of GMV may differ for each company, GMV growth and GMV may not be directly comparable across companies

2. Survey of 1,000 current C2C marketplace app users in Japan (May 15-17, 2017). Approximately 94% of surveyed users responded that they used Mercari, which was significantly more than any other app

3. The survey was conducted in May 2017 and Rakuma was merged with FRIL in February 2018.

# 1 Differentiated User Experience

## Easy

- ✓ Just snap and post!
- ✓ Stress-free shipping
- ✓ Immediate sales

## Secure

- ✓ Escrow payment
- ✓ 24/7 customer support
- ✓ Rating and review

## Fun

- ✓ Treasure hunting
- ✓ Chat function
- ✓ "Like" and "Follow"

# 1 Stress-free, Affordable Shipping

Nationwide Coverage  
of Last One Mile

QR Code-Backed  
Seamless Interface<sup>(1)</sup>

Significantly  
More Affordable

As of May 2018



c.4,000  
Outlets



Convenience Stores  
c.37,000  
Outlets

c.74,000  
outlets



c.20,000  
Outlets



Convenience Store  
c.13,000  
Outlets



Anonymous Shipping  
One-Touch Payment

As of May 2018

**mercari**  
RakuRaku Mercari-bin<sup>(2)</sup>



< Small size <sup>(3)</sup>	JPY195	~JPY378 <sup>(5)</sup>
< 60 size <sup>(4)</sup>	JPY600	JPY907~1,339
< 100 size <sup>(4)</sup>	JPY900	JPY1,361~2,441

**mercari**  
Yuyu Mercari-bin<sup>(2)</sup>

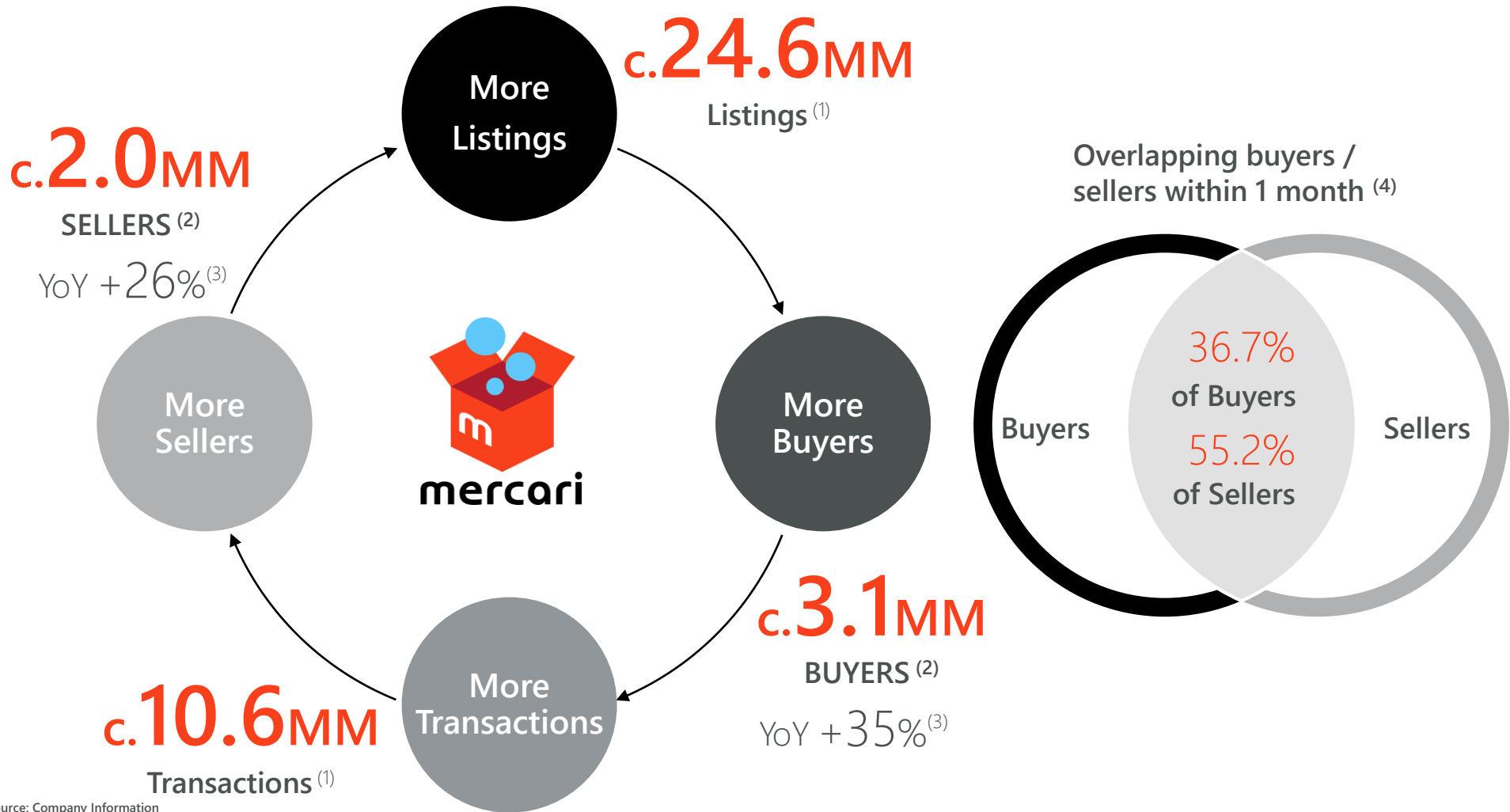


< Small size <sup>(3)</sup>	JPY175	JPY250~350
< 60 size <sup>(4)</sup>	JPY600	JPY800~1,330
< 100 size <sup>(4)</sup>	JPY900	JPY1,260~1,870

Source: Company Information

- Notes:
1. Users can ship an item with a barcode at some shipping outlets
  2. Shipping solutions offered in partnership with Yamato Transport and JP Post
  3. For RakuRaku Mercari-bin, width less than 2.5cm. For Yuyu Mercari-bin, width less than 3.0cm
  4. Total package size less than 60 cm or 100 cm. Total package size is the sum of the width, depth and height of the package. RakuRaku Mercari-bin is also available for over 100 size items
  5. Shipping price depends on quantity, pick up/drop off location

## 2 Platform Growth Accelerated by Powerful C2C Network Effects



Source: Company Information

Notes:

1. Quarterly average of monthly listings and monthly transactions from January 2018 to March 2018, data for Japan only

2. Quarterly average of monthly unique sellers and buyers from January 2018 to March 2018, data for Japan Only. Sellers defined as Mercari users that have listed goods in the month. Buyers defined as Mercari users that have purchased goods in the month

3. YoY growth from FY6/17 3Q average to FY6/18 3Q average

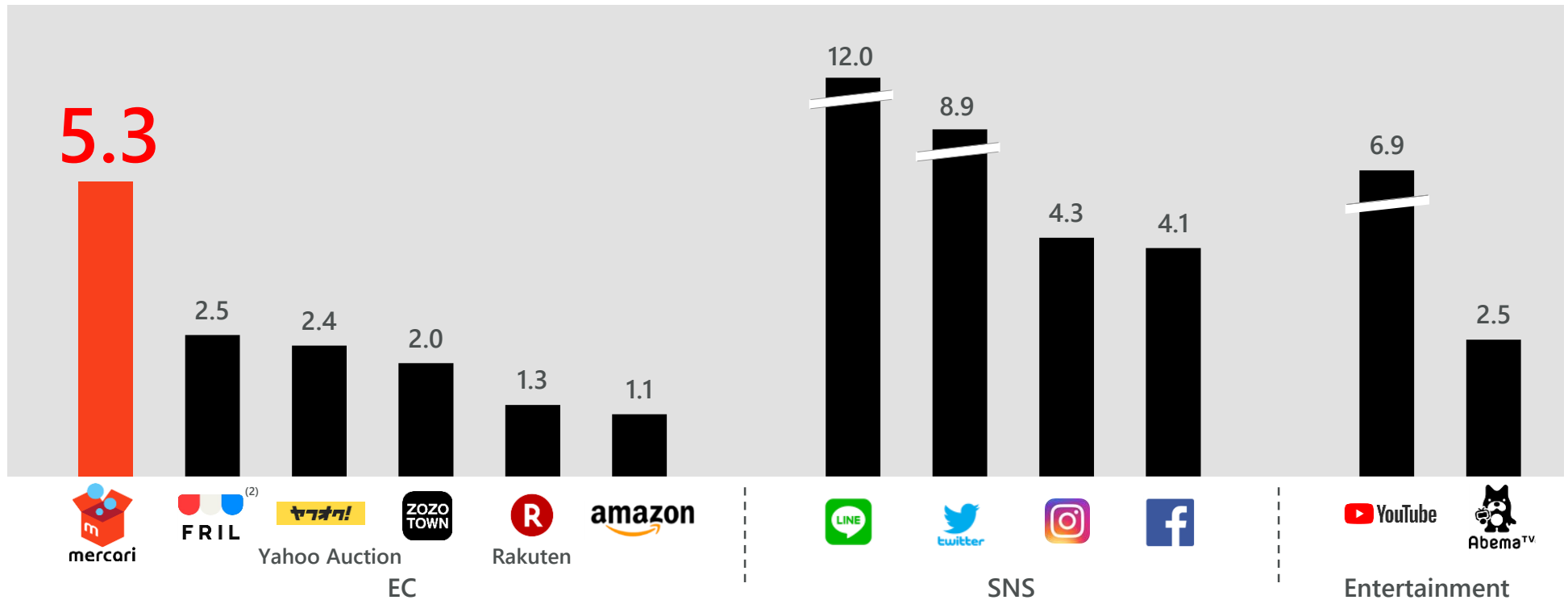
4. Average Mercari users per month that has listed at least one item and purchased at least one item on Mercari during the month (for the third quarter of FY6/18)

5. Quarterly average from January 2018 to March 2018, data for Japan only. Overlapping users defined as Mercari users that have both purchased and listed goods in the same month

## 2 Significantly High Engagement

### Japan

Average Time Spent per Mobile User per Month (hours) <sup>(1)</sup>



Source: Nielsen Digital Co., Ltd. (January 2018)

Notes:

1. Nielsen Data for mobile app only (not including PC browsers). Average time spent per monthly unique user per month in January 2018

2. In February 2018, Rakuma was merged with FRIL

### 3 Extensive C2C Market Opportunities in Japan



Notes:

1. Source: Ministry of Economy, Trade and Industry (April 2017, April 2018). Total market size of secondhand stores, online platforms, auction services, etc. Excludes aggregate value of automobiles, motorcycles and mopeds

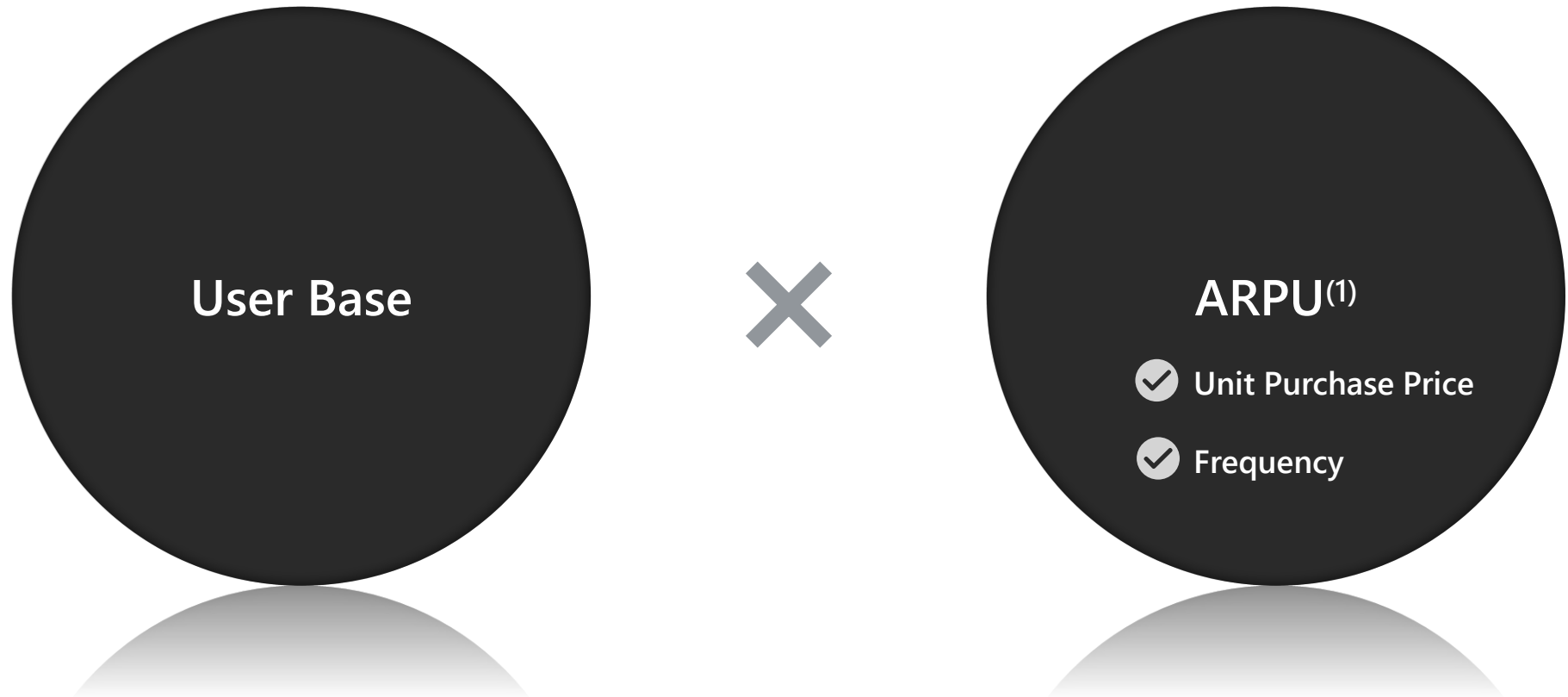
2. Source: Ministry of Economy, Trade and Industry (April 2017, April 2018). Total market size of online C2C platforms, C2C marketplace apps, online auction services, etc

3. Source: Ministry of Economy, Trade and Industry (April 2017, April 2018)

4. Company information. Japan GMV from January to December 2017 (including purchases through Mercari Kauru and Mercari Maisonz)

5. Source: Ministry of Economy, Trade and Industry (April 2018). Estimated total value of items described as "items that became no longer needed over the past year". Excludes aggregate value of automobiles, motorcycles and mopeds

### 3 Key Initiatives to Drive Mercari's Further Growth



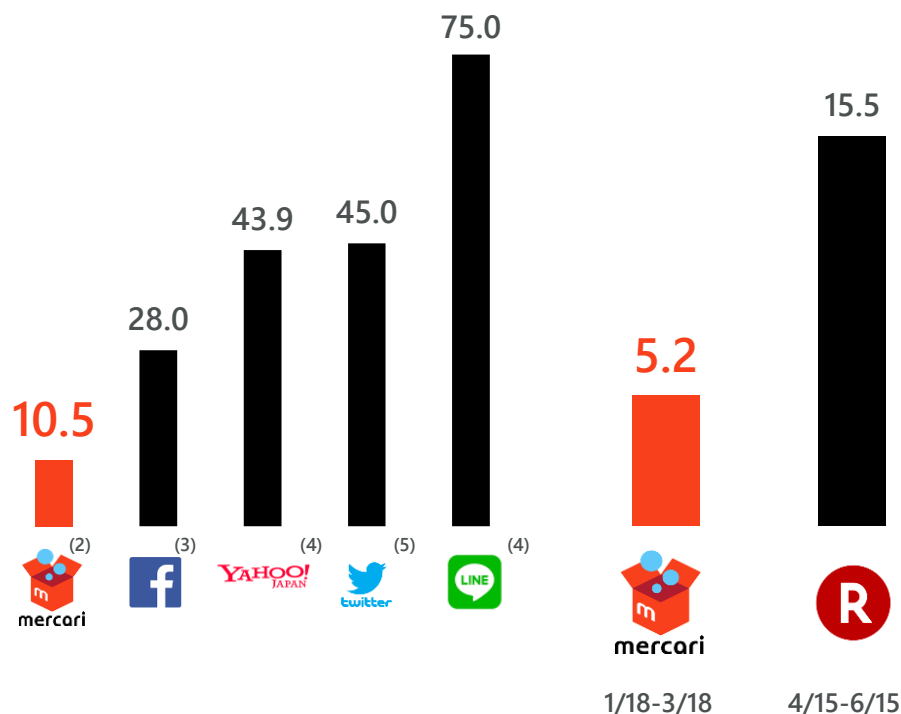
Note:  
1. Average Revenue per User

### 3 Significant Potential to Scale Japan User Base

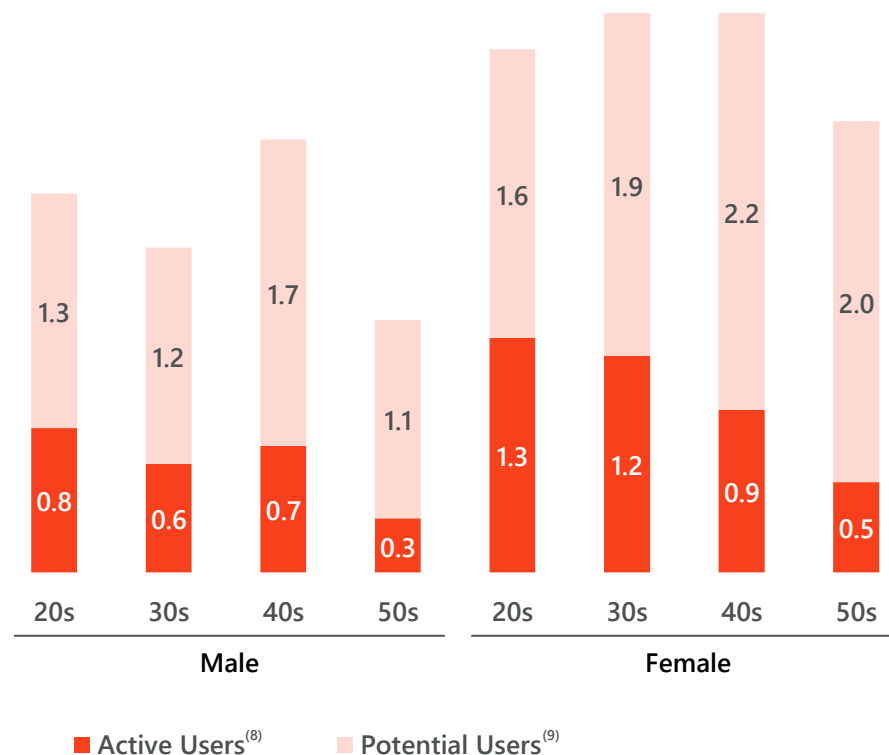
#### Japan User Base Benchmarking (MM)

MAU <sup>(1)</sup>

Quarterly Unique Buyers <sup>(6)</sup>



#### Untapped Potential to Grow Active Users<sup>(7)</sup> (MM)



Source: Company Information, Mercari outsourced user survey to Nielsen Digital Co., Ltd.

Notes:

1. As the definition of MAU may differ for each company, MAU may not be directly comparable

2. Mercari: Japan Registered MAU for March 2018

3. Facebook: Japan MAU for September 2017

4. Yahoo Japan, LINE: Japan MAU for March 2018

5. Twitter: Japan MAU for October 2017

6. The latest available quarterly Unique Buyer (QUB) for Mercari and Rakuten. QUB is defined as user who has bought items at least once in the quarter. QUB for Mercari from January 2018 to March 2018. QUB for Rakuten for Rakuten Ichiba from April 2015 to June 2015. As the definition of QUB may differ for each company, QUB may not be directly comparable

7. Based on an online survey conducted by Nielsen Digital Co., Ltd. in February 2018 of 5,000 people (between ages 18 to 59). Estimated figures for Active Users and Potential Users have been extrapolated from the survey results assuming a total population of smartphone users (between ages 18 to 59) of 45.71 million users

8. The number of people who used mercari within the past month based on Nielsen's online survey in February 2018

9. Respondents who: (1) know Mercari; (2) did not use Mercari during the preceding one month; and (3) stated that they would use Mercari if UI/UX is improved or new services/functions are added

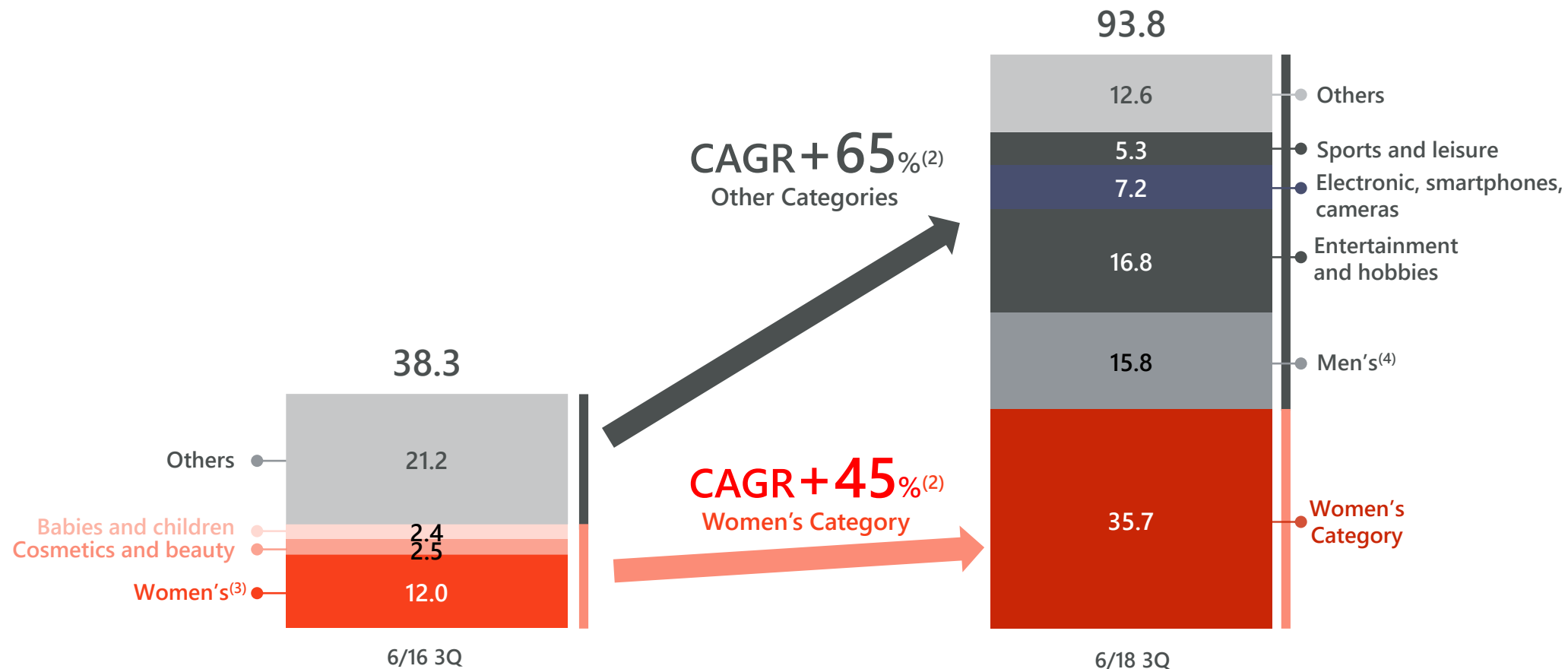


3

# Diversify Away from Women's Category by Targeting Other Categories' Growth

## Targeted Category's GMV

JPY Bn <sup>(1)</sup>



Source: Company Information

Note:

1. Mercari's Japan GMV for FY6/16 3Q and for FY6/18 3Q

2. CAGR of Category GMV from FY6/16 3Q to FY 6/18 3Q

3. Includes apparel, accessory, and other women's goods

4. Includes apparel, accessory, and other men's goods

## 4 Merpay Will Aim to Redefine the Wallet

merpay<sup>(1)</sup>

Source

Sales Proceeds



KAÜRU



Deposit



Payment Platform

Use

Buy Items



Service



3rd Party



Withdraw



Note:

1. Merpay has not yet launched payment services and the services presented above are only illustrative of potential services that merpay may provide in the future.

4

# Proven US Management Committed to Driving US Business

Driven by a Committed Management Team

mercari US App



**John Lagerling**

CBO and US CEO

facebook Google



**Scott Levitan**

CMO

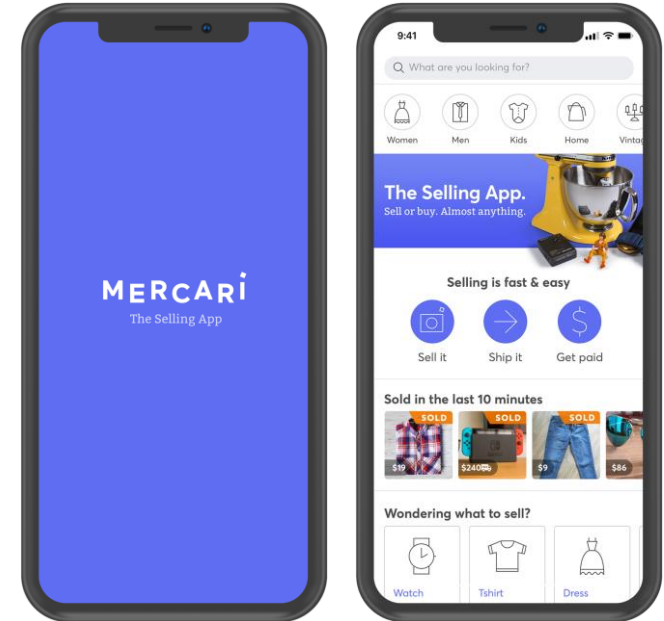
Google



**Mok Oh, PhD.**

CTO

SAMSUNG PayPal



**Shida Schubert**

VP of Product










Digital Garage

**Sho Masuda**

VP of Growth

POSHMARK

## 4 Strategically Differentiated and Uniquely Positioned

	 MARKETPLACE			 CLASSIFIEDS			
							
Mobile First <sup>(1)</sup>	✓	✗	✓	✗	✓	✓	✓
C2C Focus <sup>(2)</sup>	✓	✗	✓	✗	✓	✓	✗
Cross Category <sup>(3)</sup>	✓	✓	✗	✓	✓	✓	✓
Market Place Reach (Nation-wide)	✓	✓	✓	✗	✗	✗	✗
Everything Ships <sup>(4)</sup>	✓	✓	✓	✗	✗ <sup>(5)</sup>	✗	✗
Commission Revenue Model <sup>(6)</sup>	✓	✓	✓	✗	✗	✗	✓

Notes:

As defined by Mercari, utilizing the following criteria:

1. Mobile First: services developed primarily for mobile-use rather than desktop-use

2. C2C Focus: services provided primarily to individual consumers, rather than business-oriented users

3. Cross category: not only fashion categories but multiple product categories simultaneously accessible via the shopping interface.

4. Everything Ships: desired shipping options are selectable and necessary shipping information easily shared within the shopping interface

5. Some limited goods available for shipping

6. Commission Revenue Model: range of payment options, such as credit card, bank transfers and third party payment (ex. PayPal), are seamlessly embedded into the shopping interface

5

## Attractive Financial Model with Significant Operating Leverage



Key platform metrics continue to grow



Operating leverage offers a path to profitability



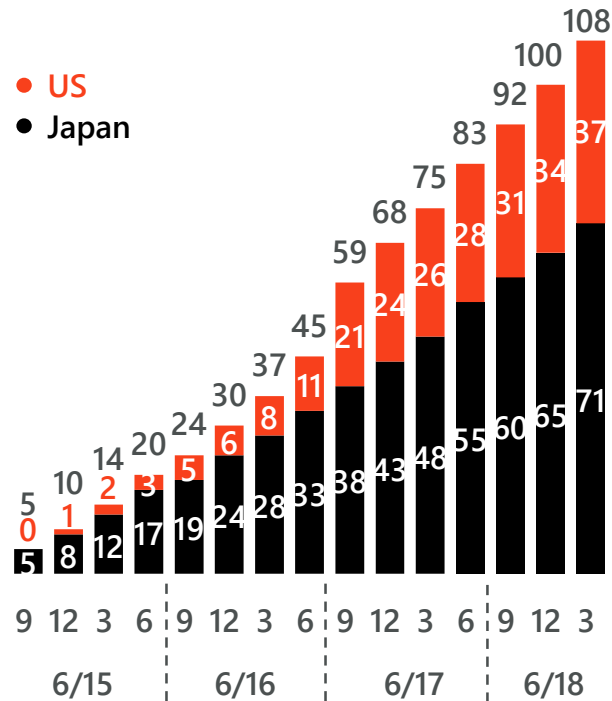
Committed to growth through bold, disciplined investments

# Financial Highlights

# Top-line KPI Drivers Gaining Scale

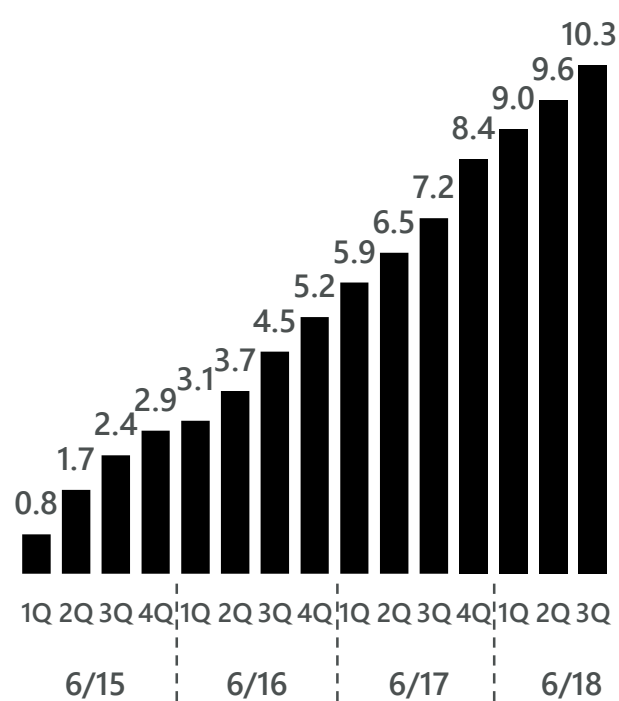
## Cumulative Downloads (1)

MM



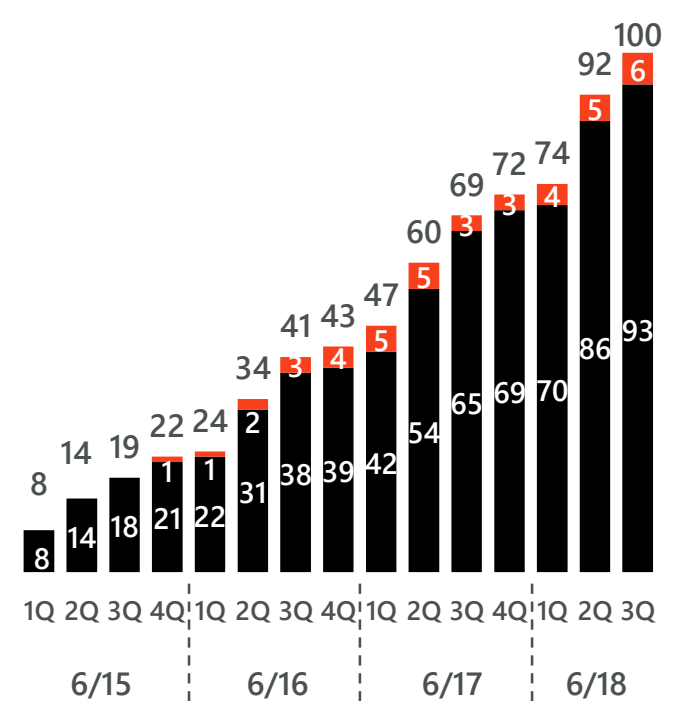
## MAU (1)(2)

MM



## GMV (3)

JPY Bn



Source: Company Information

Notes:

1. Excludes downloads of Atte, Kauru, Maisonz, merchari and teacha

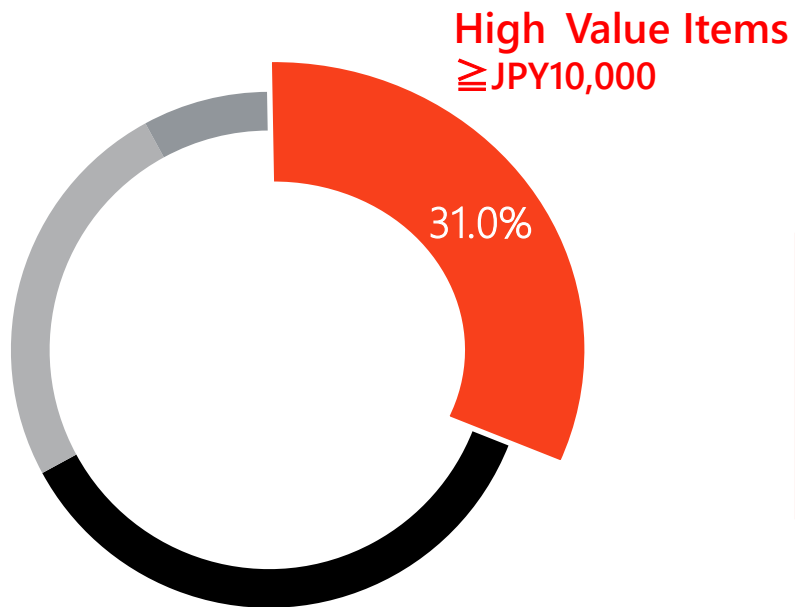
2. Quarterly average Japan registered MAU

3. Applies each month's average USD/JPY FX rate for GMV

# Product Value Breakdown

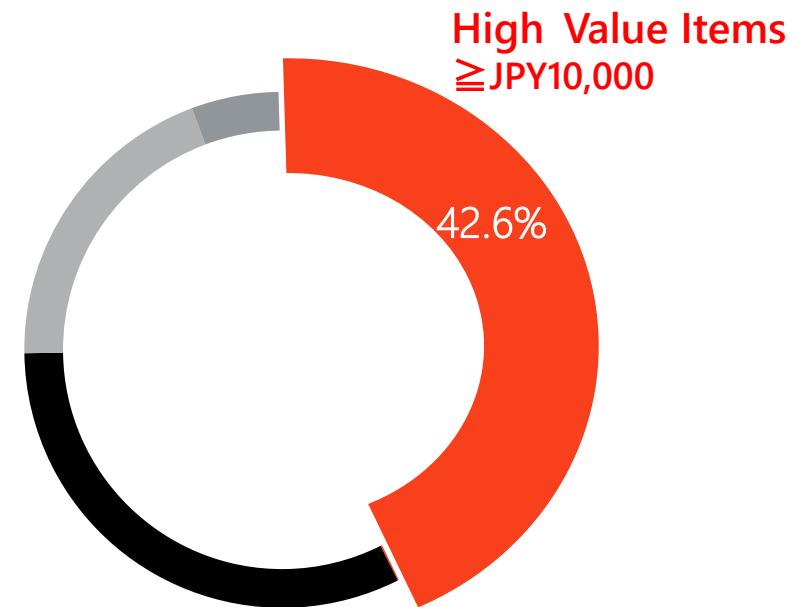
Annual GMV: JPY63.4Bn (FY6/15)

Japan



GMV: JPY250.7Bn (FY6/18 1Q-3Q)

Japan



■ ≤JPY999

■ JPY1,000~2,999

■ JPY3,000~9,999

Source: Company Information



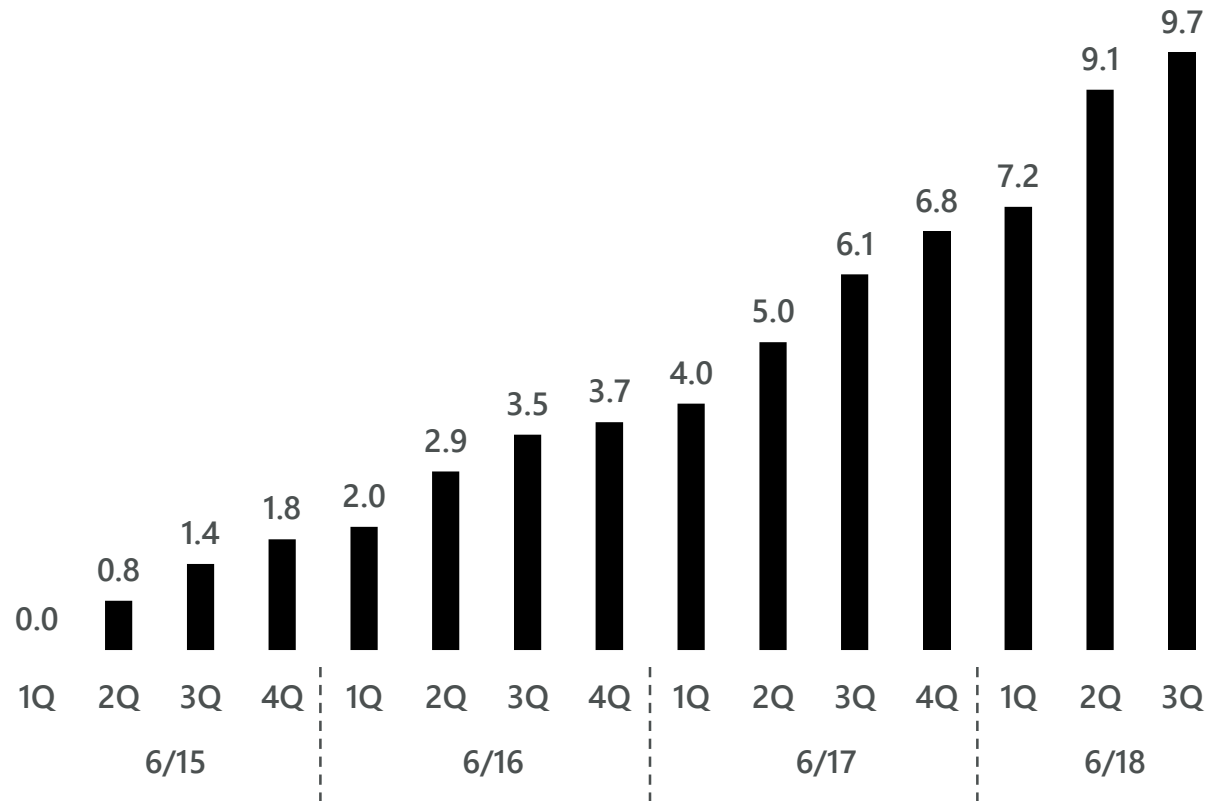
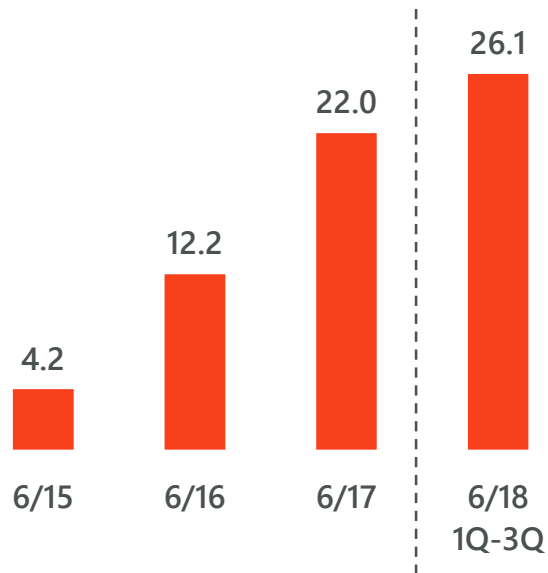
# Rapid Revenue Growth

Consolidated Net Sales (JPY Bn)

Annual / Quarterly Cumulative

Quarterly

CAGR <sup>(1)</sup> +128%



Source: Company Information

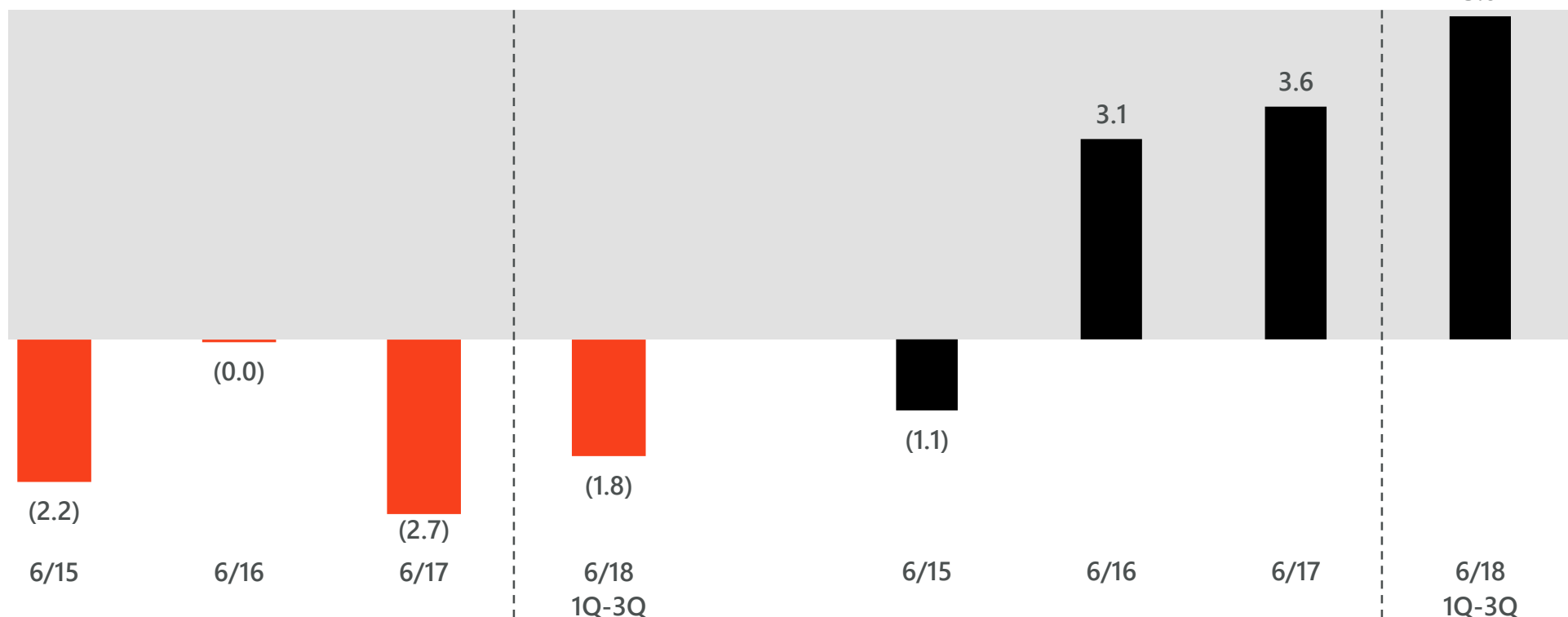
Note:  
1. CAGR of annual net sales from FY6/15 to FY6/17

# Operating Profit Expansion Continues in Japan

Operating Income (Loss) (JPY Bn)

Consolidated

Combined Japan Business <sup>(1)</sup>



Source: Company Information

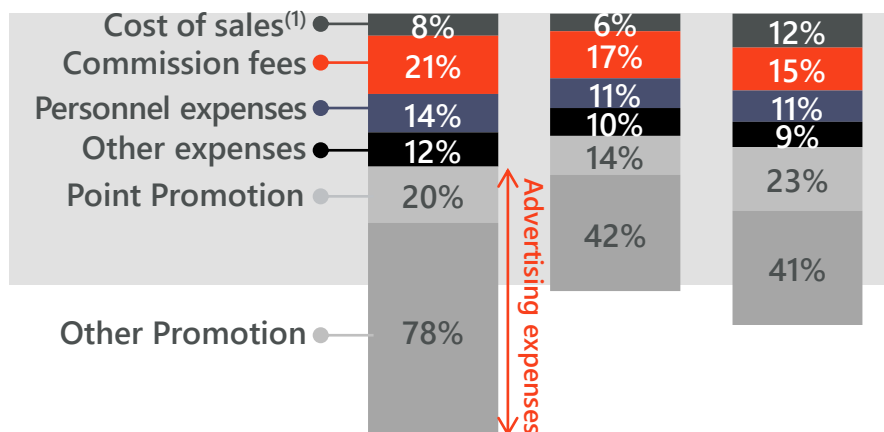
Notes:

1. Unaudited combined results of the non-consolidated financial information of Mercari, Inc., Souzoh, Inc. and merpay, Inc. (as applicable for the relevant period) including certain adjustments to eliminate intercompany transactions of the companies. Such adjustments do not include all adjustments for intercompany transactions or other consolidation adjustments that are applied when preparing consolidated financial information

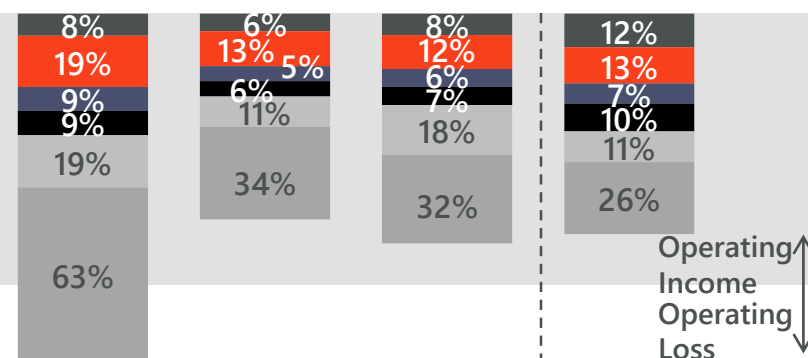
# Attractive Operating Leverage & Disciplined Cost Control

## Cost Structure Breakdown (% of Sales)

### Consolidated



### Combined Japan Business <sup>(2)</sup>



	6/15	6/16	6/17	6/18 1Q-3Q	6/15	6/16	6/17	6/18 1Q-3Q
Promotion Cost / Net Sales	98%	56%	64%	49%	82%	44%	50%	37%
Operating Income (Loss) / Net Sales	(53)%	(0.3)%	(13)%	(7)%	(26)%	26%	17%	20%

Source: Company Information

Notes:

1. Includes engineers' personnel expenses

2. Unaudited combined results of the non-consolidated financial information of Mercari, Inc., Souzoh, Inc. and merpay, Inc. (as applicable for the relevant period) including certain adjustments to eliminate intercompany transactions of the companies. Such adjustments do not include all adjustments for intercompany transactions or other consolidation adjustments that are applied when preparing consolidated financial information

# Profit and Loss Statement

## Consolidated

JPY Bn	6/15	6/16	6/17	6/18 1-3Q
GMV <sup>(2)</sup>	65.5	144.1	250.1	267.6
<i>YoY Growth</i>	-	120%	74%	-
Net sales	4.2	12.2	22.0	26.1
<i>YoY Growth</i>	-	189%	80%	-
EBITDA <sup>(3)</sup>	(2.2)	0.0	(2.5)	(1.5)
<i>% of Sales</i>	(53)%	0%	(12)%	(6)%
Operating income (loss)	(2.2)	(0.0)	(2.7)	(1.8)
<i>% of Sales</i>	(53)%	(0)%	(13)%	(7)%
Net income(loss)	(2.2)	(0.3)	(4.2)	(3.4)
<i>% of Sales</i>	(54)%	(3)%	(19)%	(13)%

## Combined Japan Business<sup>(1)</sup>

JPY Bn	6/15	6/16	6/17	6/18 1-3Q
GMV <sup>(2)</sup>	63.4	132.6	232.0	250.7
<i>YoY Growth</i>	-	109%	75%	-
Net sales	4.2	12.2	21.2	24.6
<i>YoY Growth</i>	-	189%	73%	-
EBITDA <sup>(3)</sup>	(1.0)	3.1	3.7	5.2
<i>% of Sales</i>	(26)%	26%	18%	21%
Operating income (loss)	(1.1)	3.1	3.6	5.0
<i>% of Sales</i>	(26)%	26%	17%	20%
Net income(loss)	(1.1)	2.8	(7.8)	2.1
<i>% of Sales</i>	(26)%	23%	(37)%	9%

### Notes:

1. Unaudited combined results of the non-consolidated financial information of Mercari, Inc., Souzoh, Inc. and merpay, Inc. (as applicable for the relevant period) including certain adjustments to eliminate intercompany transactions of the companies. Such adjustments do not include all adjustments for intercompany transactions or other consolidation adjustments that are applied when preparing consolidated financial information

2. The aggregate value of Japan GMV and U.S. GMV

3. EBITDA=Operating income + Depreciation + Amortization

# Balance Sheet

## Consolidated

JPY MM	6/15	6/16	6/17	6/18 3Q
Cash and cash equivalents	7,449	23,823	50,863	53,585
Total current assets	9,347	24,671	53,039	58,184
Net property and equipment	82	148	313	395
Total investments and other assets	174	642	1,136	1,672
Total assets	9,605	25,463	54,489	60,252
Other payable	7,529	14,231	24,064	25,401
Short-term debt <sup>(1)</sup>	1,233	1,046	9,502	9,461
Long-term debt	-	-	12,887	14,801
Total liabilities	9,179	17,067	50,072	54,335
Total net assets	425	8,395	4,416	5,916
Total liabilities and net assets	9,605	25,463	54,489	60,252

Source: Company Information

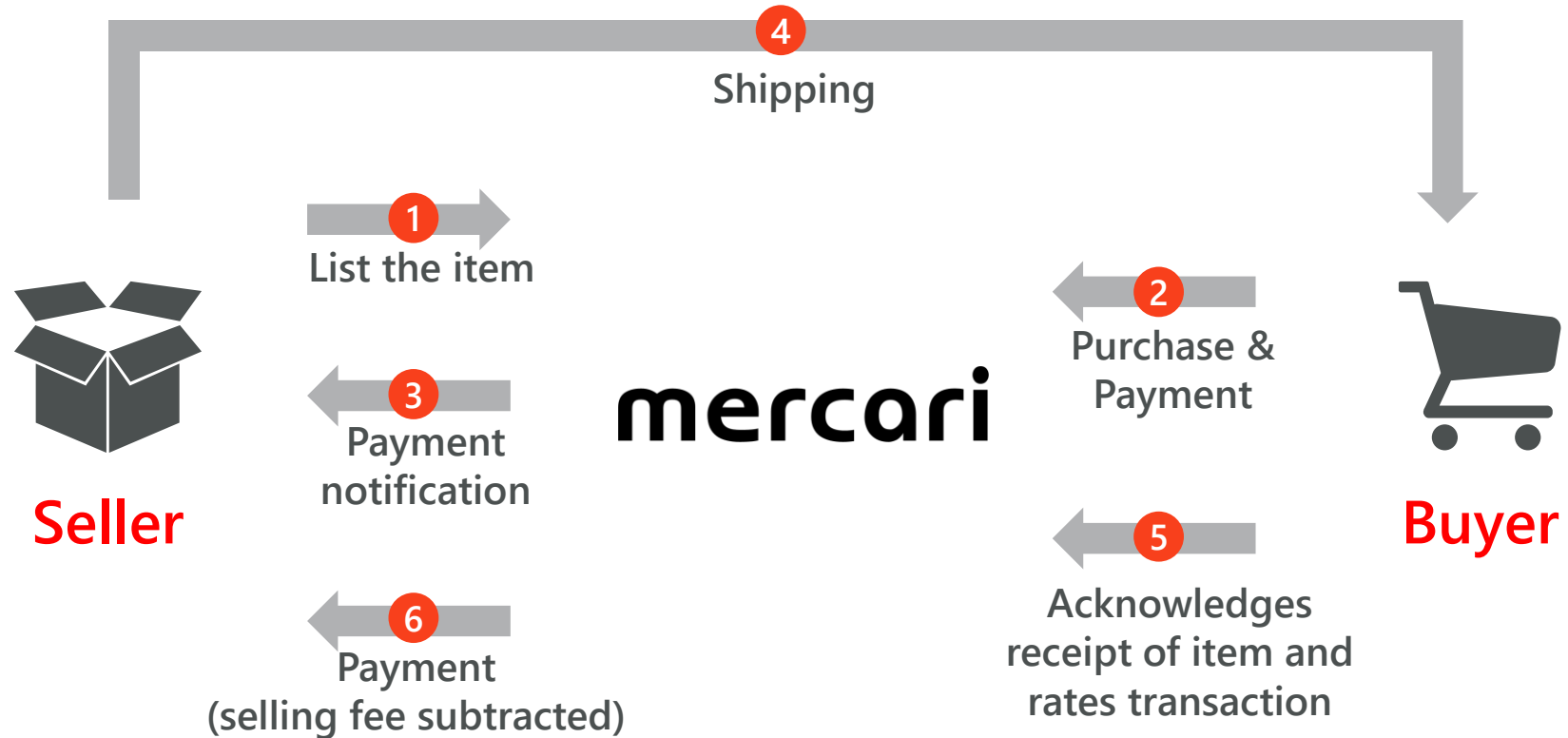
Note:

1. Includes current portion of long-term borrowings

# **Appendix**

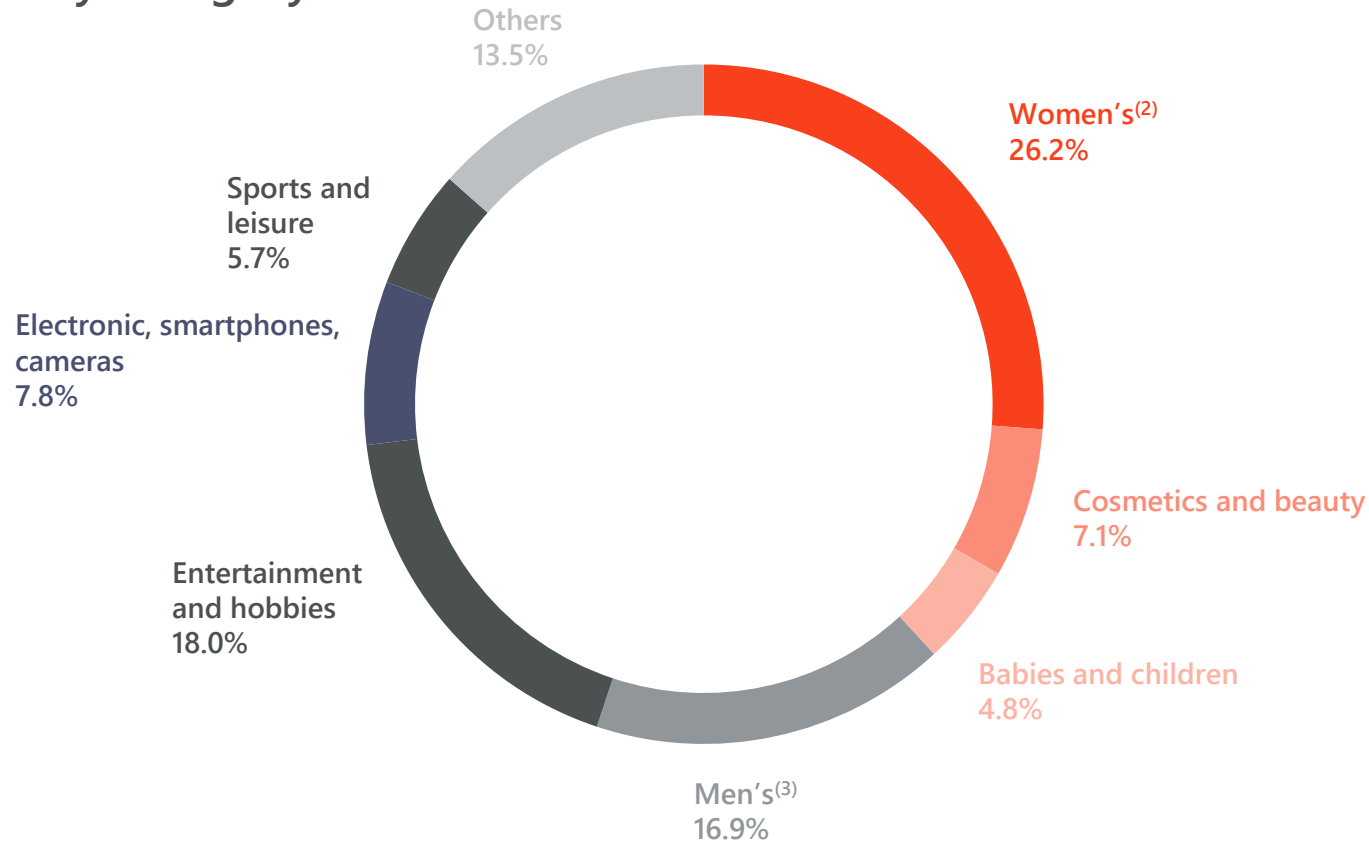
## **Supplementary Slides**

# Secure & Safe Escrow System



# Cross Category, Diversified Products

## Japan GMV by Category<sup>(1)</sup>



Source: Company Information

Note:

1. Based on Japan GMV for FY6/18 3Q

2. Includes apparel, accessory and other women's goods

3. Includes apparel, accessory and other men's goods



# Disclaimer

This document is compiled for the purpose of providing information only, and is not intended to solicit readers to purchase securities in the Company. Statements on future forecasts contained in this document are based on our judgements and assumptions in accordance with currently available information. Statements on future forecasts include estimate figures regarding the Company's business plans, market scale, situation with competitors, information related to the industry, potential for growth, and financial indicators. Statements regarding future forecasts are based on our opinions and information available as of the date the forecasts were made; therefore, the forecasts may change in the future. Due to factors such as known or unknown risks and uncertainty, the actual performance data and similar information may differ from the forecasts presented herein. The Company neither explicitly nor implicitly guarantees its ability to achieve financial estimates.

In addition, the Company disclaims any obligation to update or revise these materials whether as a result of new information, future events or otherwise.

This document contains past financial information, or financial information based on past financial statements, or management data that is not based on financial statements, that have not been audited by an independent certified public accountant or corporate auditor.

This document contains statistical information and survey results related to the Company's competitive environment, industry trends, and general economic trends, as well as information about other companies from external sources. The Company has not independently verified the accuracy or rationality of the information or their sources and does not guarantee the accuracy or rationality of any of the information given. In addition, any indices related to the business or financial affairs of other companies may not be comparable to the same indices of the Company due to differences in calculation method, time period used as reference, or other reasons.