

FY2024.6 Q2

Presentation Material

mercari

Group Mission



**Circulate all forms of value
to unleash the potential in all people**

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Summary

FY2024.6 Q2—Progress & Highlights

Consolidated

- Achieved our highest-ever revenue as a result of the steady growth of each of our businesses and the creation of Group synergy
- Executed management that consciously balanced profitability while investing in future growth and, as a result, recorded core operating profit as expected

| Marketplace | Fintech | US |
|--|--|---|
| <ul style="list-style-type: none"> • Initiatives for the loyalty program and for areas to enhance (crossborder transactions, category growth, B2C) contributed to GMV growth • As a result, GMV growth rate was +10%, and adjusted¹ core operating profit² was 37% roughly as expected | <ul style="list-style-type: none"> • Due to strengthened investment in <i>Mercard</i>, we reached 2.5 million cards issued³ • Credit balance⁴ exceeded 150B JPY, and collection rate⁵ was 99.1% matching the stable growth of our credit business | <ul style="list-style-type: none"> • MAU increased QoQ for the second quarter in a row; due to the effects of external factors, including inflation, purchases showed a slowing trend, and the GMV growth rate was -12% YoY • Maintained effective marketing investment, and as a result, adjusted⁶ operating losses continued to show a falling trend YoY |

1. Profit after deduction of internal transactions with Fintech (outsourced payment processing fees)

2. Core operating profit is defined as IFRS operating profit excluding other income/expenses, etc. (see p. 45)

3. As of January 3, 2024

4. *Merpay Smart Payments* (lump-sum payment or fixed-amount payment) and *Smart Money* credit balance as of December 31, 2023 (excludes debt converted into bankruptcy reorganization debt)

5. Weighted average rate of the quarterly cumulative collections completed within the past 11 months compared to the amount of *Merpay Smart Payments* (lump-sum payment and fixed-amount payment) and *Smart Money* billed in the past 11 months (excludes bankruptcy reorganization debt)

6. Adjusted operating profit after non-cash items (i.e., stock-based compensation and depreciation) are deducted

1 FY2024.6 Q2—KPI Summary

| Marketplace | Fintech | US |
|---|---|---|
| GMV¹ 280.9 billion JPY YoY +10% | Users⁴ 16.83 million | GMV¹ 239 million USD YoY -12% |
| Adjusted² Core Operating Margin³ 37% (YoY -5 ppts) | Credit Balance⁵ 154.9 billion JPY | MAU⁷ 5.07 million (YoY -2%) |
| | Collection Rate⁶ 99.1% | |

1. Aggregate transaction value after adjusting for cancellations; the value for Marketplace aggregates C2C and B2C figures

2. Profit after deduction of internal transactions with Fintech (outsourced payment processing fees)

3. Core operating profit is defined as IFRS operating profit excluding other income/expenses, etc. (see p. 45)

4. As of December 31, 2023, the aggregated number of unique users (excludes users who have deleted their accounts) who had registered for *Merpay Electronic Money*, set up *Virtual Card*, applied for *Mercard*, opened an account for exchanging cryptoassets, or used *Merpay QR Code Payments*, *Online Payments*, or *Merpay Smart Payments* (lump-sum payment or fixed-amount payment), etc.

5. *Merpay Smart Payments* (lump-sum payment or fixed-amount payment) and *Smart Money* credit balance as of December 31, 2023 (excludes debt converted into bankruptcy reorganization debt)

6. Weighted average rate of the quarterly cumulative collections completed within the past 11 months compared to the amount of *Merpay Smart Payments* (lump-sum payment and fixed-amount payment) and *Smart Money* billed in the past 11 months (excludes bankruptcy reorganization debt)

7. Quarterly average number of users who browsed our service (app or web) at least once during a given month

FY2024.6 Q2 Consolidated Revenue & Core Operating Profit¹ by Business (IFRS)

(Billion JPY)

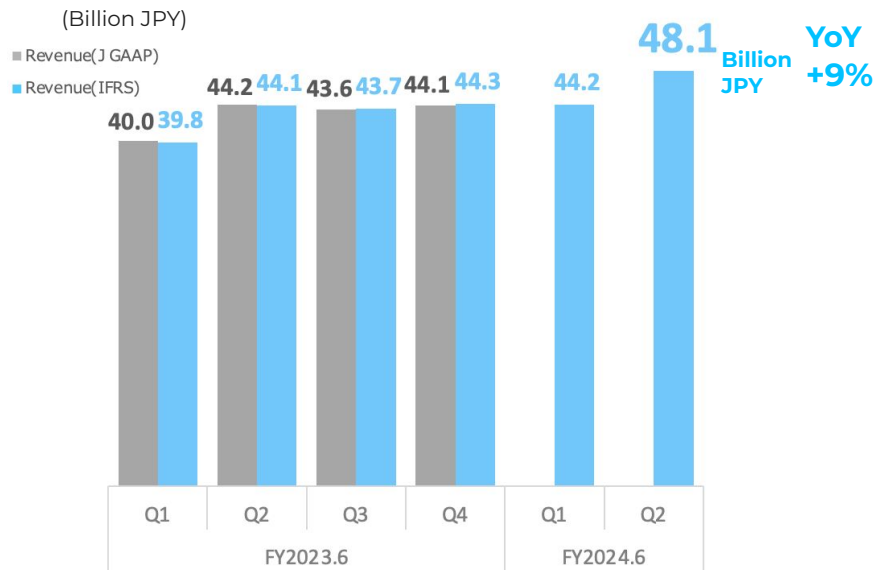
| Segment | | FY2023.6 Q2 | | FY2024.6 Q2 | | YoY | |
|--------------|-----------------------|--|---|---------------------------------|--|---------------------------------|--|
| | | Revenue/ Adjusted ² Revenue | Core Operating Profit/ Adjusted ² Core Operating Profit | Revenue/ Adjusted Revenue | Core Operating Profit/ Adjusted Core Operating Profit | Revenue/ Adjusted Revenue | Operating Profit/ Adjusted Core Operating Profit |
| Japan Region | | 30.9 | 8.3 | 35.7 | 7.2 | +15% | -14% |
| Marketplace | | 26.3 | 8.1 / 10.9 | 28.2 | 7.2 / 10.5 | +7% | -12% / -3% |
| Fintech | | 7.4 / 4.6 | 0.2 / -2.5 | 10.8 / 7.4 | 0.02 / -3.3 | +46%/+60% | -90% / - |
| US | IFRS (Billion JPY) | 11.9 | -3.3 | 11.0 | -1.4 | -7% | - |
| | US GAAP (Million USD) | 84 | -22 / -18 | 75 | -9 / -5 | -11% | - |
| Other | | 1.2 | -0.1 | 1.6 | -0.1 | +26% | - |
| Adjustments | | -0.04 | -1.9 | -0.3 | -1.7 | - | - |
| Consolidated | | 44.1 | 2.9 | 48.1 | 3.9 | +9% | +33% |

FY2024.6 Q2
Financial Highlights

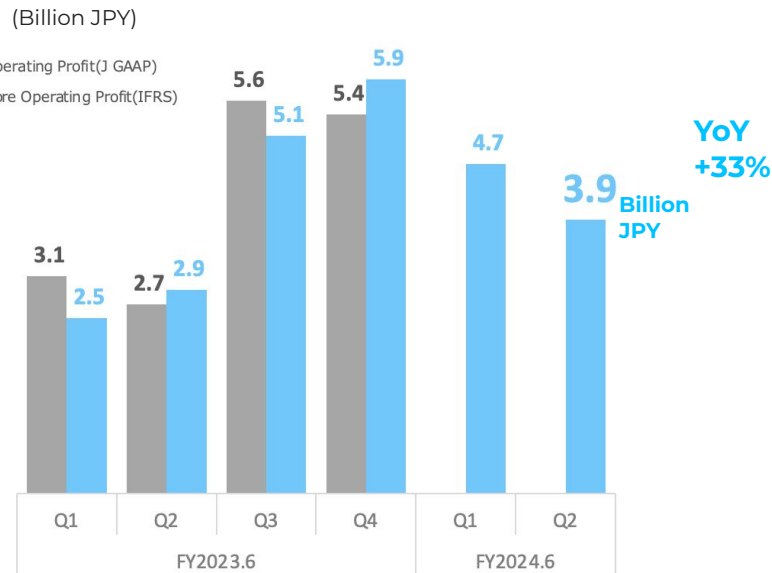
Consolidated Revenue & Core Operating Profit (Quarterly)

- Achieved our highest-ever revenue, and continuing from Q1, core operating profit grew substantially YoY as expected
- However, because we plan to increase investment for the purpose of obtaining more *Mercard* users and to increase incremental investment in our on-demand labor business, a YoY increase in profits is not expected for the full fiscal year

Revenue



Core Operating Profit¹



Marketplace—FY2024.6 Q2 Progress

Business Objectives at the Start of FY2024.6

Focus on top-line growth while continuing disciplined investments.

Aim to achieve GMV growth of 10% or higher and adjusted¹ core operating margin² of 30–40% by focusing on strengthened areas in addition to marketing investments and product developments.

Note: The target lower limit for GMV growth of +10% and the target lower limit for adjusted core operating margin of 30% should not be interpreted as paired values.

Initiatives involving such things as the loyalty program³ and areas to enhance (crossborder transactions, category growth, and B2C) contributed to the GMV growth rate of +10% YoY. Adjusted core operating margin was 37%, and we continued to achieve stable growth and high profitability.

- Creation of Group synergies continued as a result of the loyalty program as seen by such things as a rise in ARPU⁴ thanks to *Mercard* holders
- Initiatives for GMV growth in areas to enhance progressed favorably

1. Figures after adjustment exclude internal transactions between Marketplace and Fintech (outsourced payment processing fees)

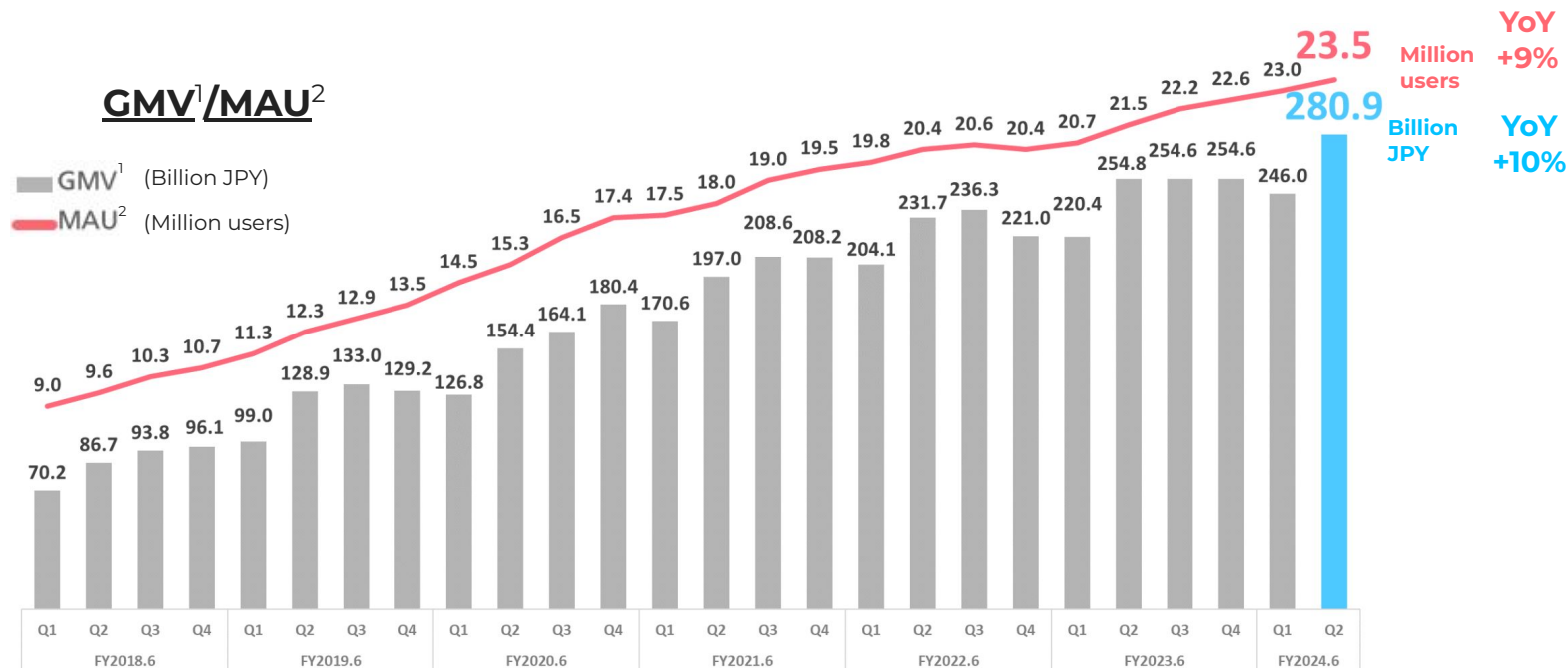
2. Core operating profit is defined as IFRS operating profit excluding other income/expenses, etc. (see p. 45)

3. Point-back rewards program that depends on *Mercard* usage; the regular point-back rate is 1% but can be increased to as high as 4% by taking pay, buy, and sell actions (cross-use) for transactions within *Mercari*

4. Average revenue (purchase amount) per user

Marketplace—GMV/MAU (Quarterly)

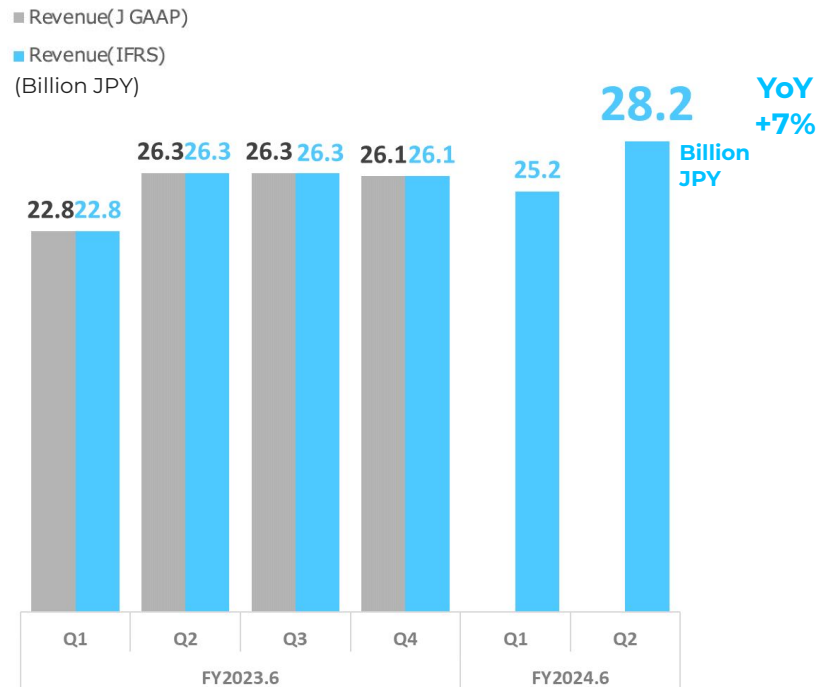
- Marketing initiatives for such things as the loyalty program and areas to enhance (crossborder transactions, category growth, and B2C) contributed to the GMV growth rate of 10% YoY
- MAU grew owing to such things as increased media exposure through offline initiatives for our promotional campaigns and the launch of services involving the Mercari 10th Anniversary Project



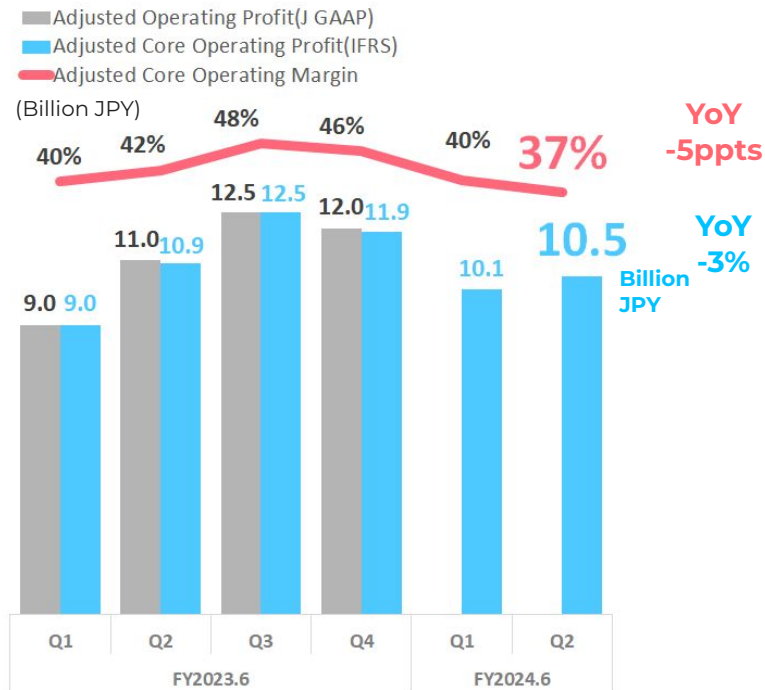
Marketplace—Revenue & Adjusted Core Operating Profit (Quarterly)

- In association with an increase in GMV, we achieved steady growth of revenue and high profitability

Revenue

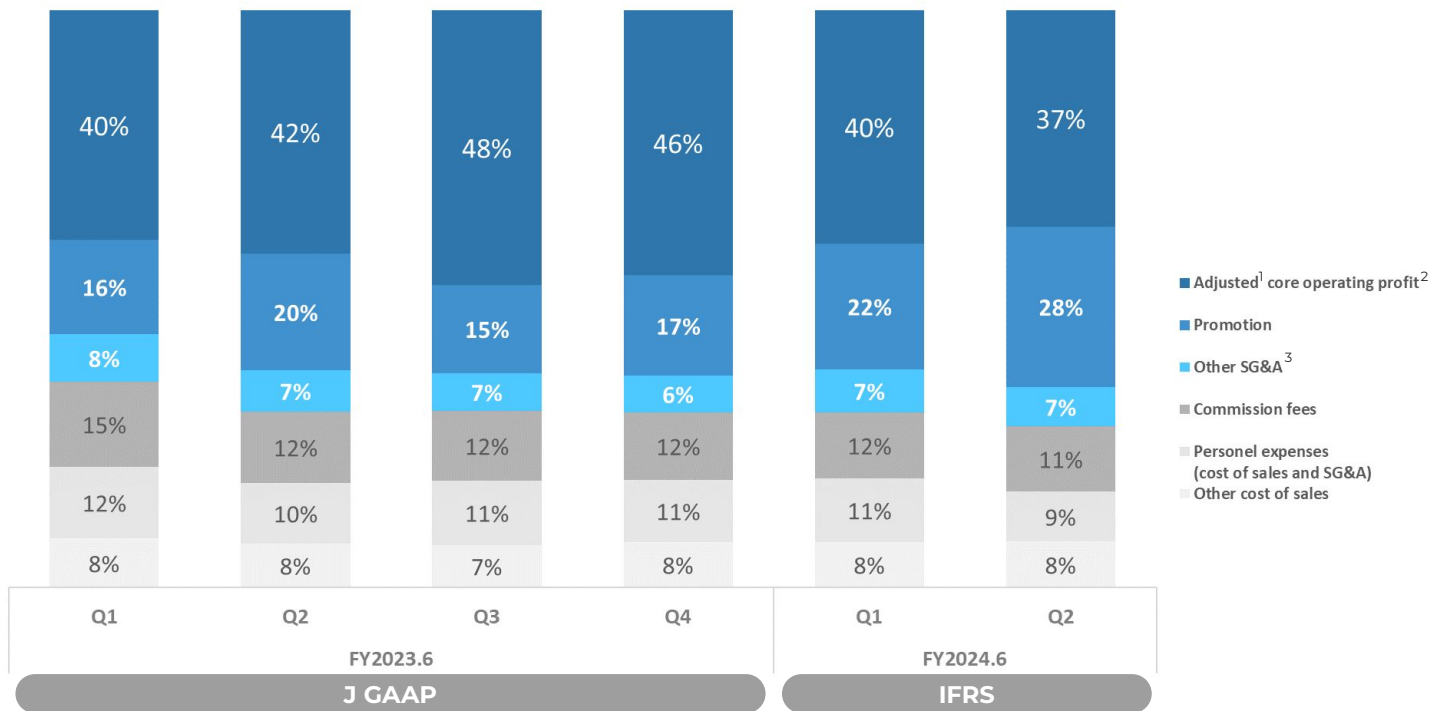


Adjusted¹ Core Operating Profit/Margin²



Marketplace—Cost Composition (Quarterly)

- Promotional cost ratio increased QoQ due to the strengthening of investment in areas to enhance and other initiatives that will contribute to mid-to-long-term growth (leveraging multiple categories and the cross-use of the actions of pay, buy, and sell)

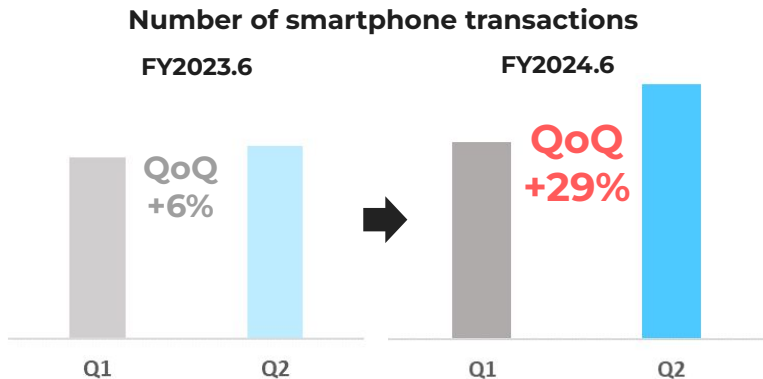


Marketplace—Progress of Product Initiatives for GMV Growth

- In the first half of the fiscal year, we focused on both marketing investment and product enhancement coinciding with the high-demand period
- In particular, for areas to enhance such as category growth, the promotion of UX improvements for which we anticipate mid-to-long-term growth contributed to GMV growth

Electronics category (smartphones)

- As a result of starting our smartphone data deletion and buyback services, together with marketing strategies such as the implementation of a listing fees refund promotion, the number of smartphone transactions increased by 29% QoQ.



Fashion and entertainment categories

- In addition to a new bundle purchase feature, which we added to meet high demand in these categories, we also implemented promotions for fashion categories
- Started providing Yu Packet Post Mini, suitable for shipping small items such as CDs, DVDs, and trading cards



Advertisement for Yu Packet Post Mini
(shipping cost: 160 JPY)

2 Marketplace—The Strengths of Our New Business (On-Demand Labor Business)

- Mercari is joining the on-demand labor business in order to add time and skills to the Mercari ecosystem and accelerate the circulation of all forms of value
- We are now working on product development and partner acquisition ahead of the launch of the service in spring 2024
- After the launch of the service, we will make gradual investments in order to fuel growth

1

Multi-generation base of over 23.54 million users across Japan

- Our partners can acquire effective crew from the ranks of over 23.54 million potential users (15.15 million verified) across Japan
- Through surveys¹, we have confirmed that there is interest in on-demand labor from *Mercari* users across a wide range of age demographics

2

Pay, Buy, Sell, Work: four actions, one app

- By paying wages digitally, we aim to provide an experience in the future that eliminates the need to withdraw funds from a bank, allows users to make purchases within and outside of *Mercari*, and also allows them to make *Merpay* repayments seamlessly
- It's easy to use the service because it inherits the Identity verification information and banking information registered on *Mercari*

3

A safe and secure usage environment

- Mercari has built trust as a prime listed company and with a track record of operating a safe and secure marketplace for over 10 years

2 Fintech—FY2024.6 Q2 Progress

Business Objectives at the Start of FY2024.6

Focus on acquiring *Mercard* holders and aim to enhance Group synergy

Strengthened investment to acquire *Mercard* holders and successfully reached 2.5 million cards issued. Also continued to see the effects of *Mercard* on increasing ARPU¹ on *Mercari*, and Group synergy that included contributions to GMV expanded. In light of this, starting in the second half of the fiscal year we will strive for growth by further strengthening investment.

- As the credit balance² of our credit services surpasses 150 billion JPY, the collection rate³ remains high at 99.1%. Through the periodic liquidation of receivables, we have received a total 59 billion JPY in non-recourse financing. In doing so we have built both a sound service and a financial foundation.
- The number of cryptoasset trading accounts surpassed one million accounts just seven months after the launch of the service⁴, leading the growth in the number of accounts within Japan's cryptoasset industry⁵. In order to make cryptoassets more accessible to users, we are in the process of developing a feature that will allow users to make payments on *Mercari* in bitcoin.

1. Average revenue (purchase amount) per user

2. *Merpay Smart Payments* (lump-sum payment or fixed-amount payment) and *Smart Money* credit balance as of December 31, 2023 (excludes debt converted into bankruptcy reorganization debt)

3. Weighted average rate of the quarterly cumulative collections completed within the past 11 months compared to the amount of *Merpay Smart Payments* (lump-sum payment and fixed-amount payment) and *Smart Money* billed in the past 11 months (excludes bankruptcy reorganization debt)

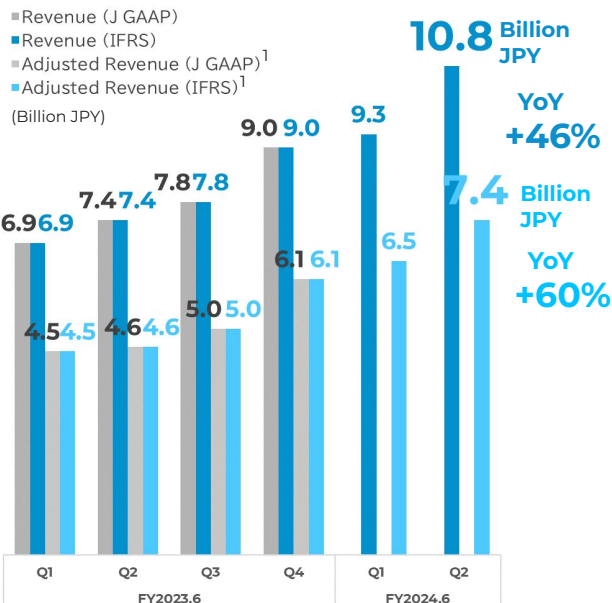
4. As of October 2023

5. Number of new cryptoasset accounts reacted from the end of February to the end of October 2023: 1.77 million accounts (according to cryptoasset monthly trading data of the Japan Virtual and Crypto assets Exchange Association)

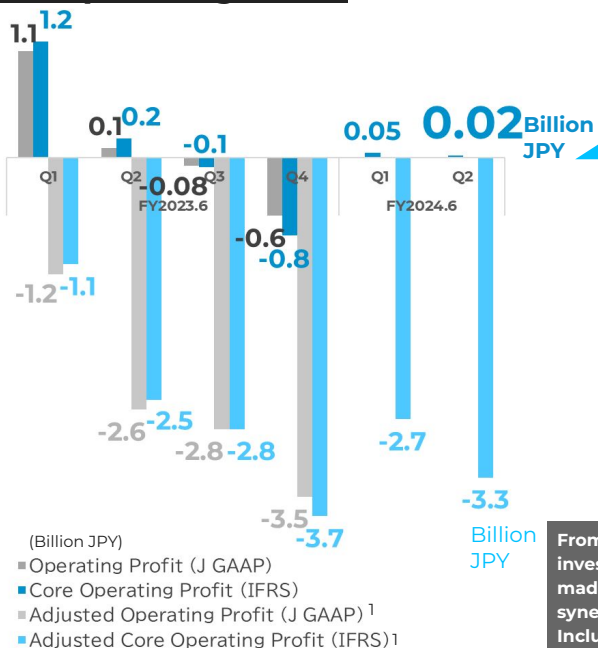
Fintech—Revenue and Core Operating Profit (Quarterly)

- Revenue increased due to the growth of fixed-amount payment and *Mercard*
- In light of the creation of fruitful Group synergy associated with *Mercard*, in the second half of the fiscal year we plan to further strengthen investments with a focus on acquiring users

Revenue

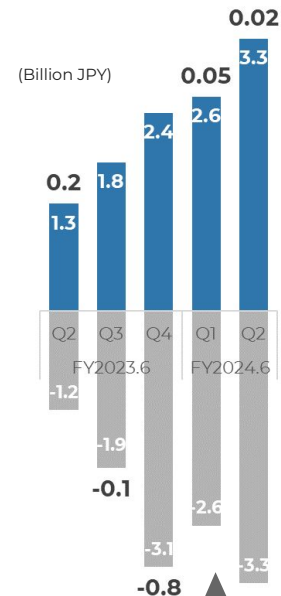


Core Operating Profit²



Breakdown of core operating profit³

- Profit Excluding Investment for New Services
- Investment for New Services



From Q1, transitioned *Mercard*-related investments to a framework in which they are made jointly with Marketplace, as they create synergy such as an increase in *Mercari* GMV. Including Marketplace's investments, the total amount of *Mercard*-related investments has continued to increase in Q1 and beyond.

1. Figures after adjustment exclude internal transactions between Marketplace and Fintech (outsourced payment processing fees)

2. Core operating profit is defined as IFRS operating profit excluding other income/expenses, etc. (see p. 45)

3. Investment for new services: For management accounting purposes, total of costs related to the promotion of *Mercard* and bitcoin trading services, and point-back rewards related to *Mercard* usage; profit excluding investment for new services: Core operating profit (IFRS) minus the amount invested in new services

Fintech—Growth of *Mercard*

- Since the November 2022 launch of *Mercard*, we have issued more than 2.5 million cards by employing effective marketing strategies that leverage our user base
- Taking advantage of the features of *Mercard*, in the second half of the fiscal year, we will further promote the acquisition of cardholders by launching such things as promotions targeting Gen Z users and large-scale campaigns that capitalize on seasonality

The five features of *Mercard*

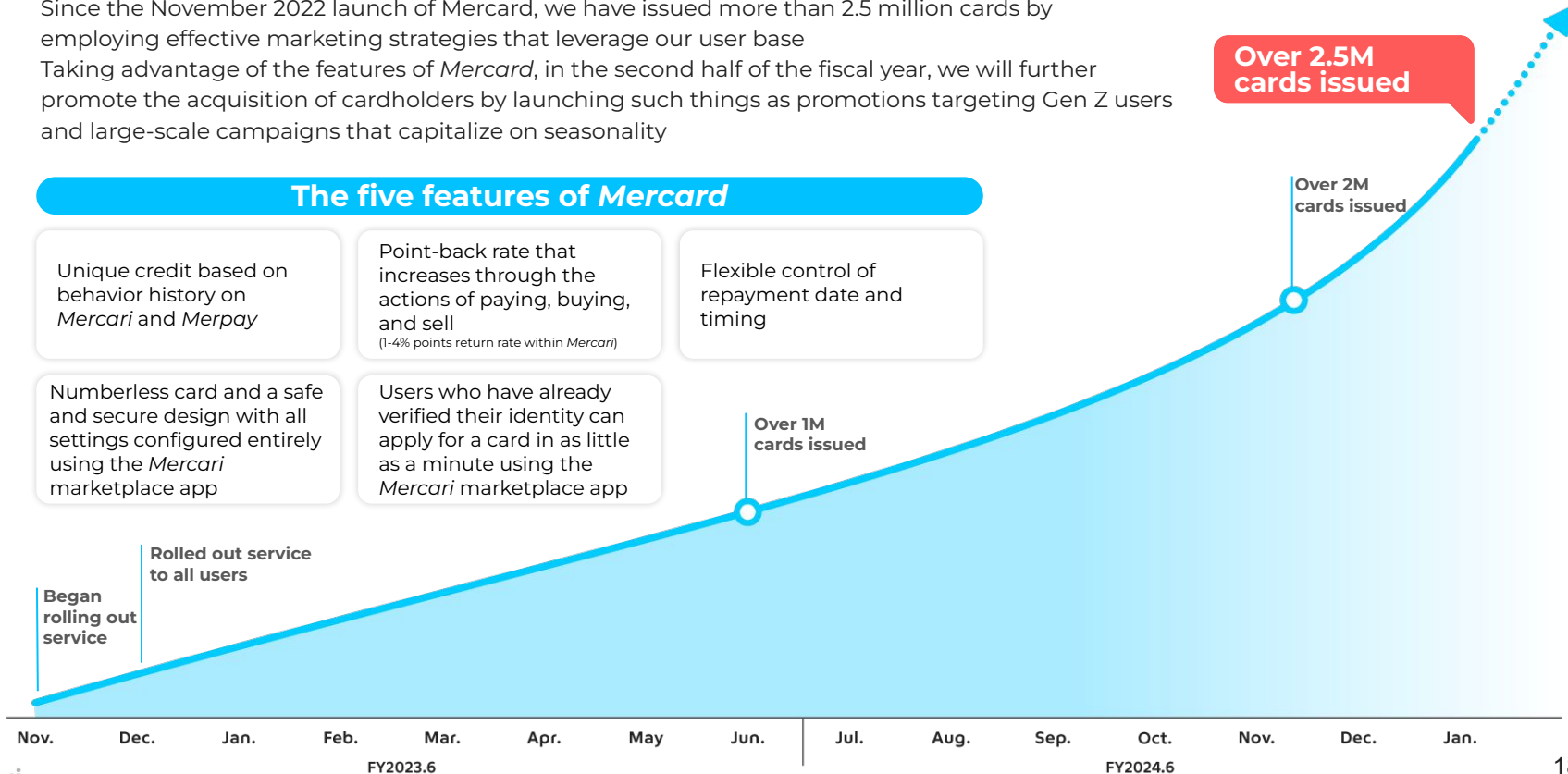
Unique credit based on behavior history on *Mercari* and *Merpay*

Point-back rate that increases through the actions of paying, buying, and sell
(1-4% points return rate within *Mercari*)

Flexible control of repayment date and timing

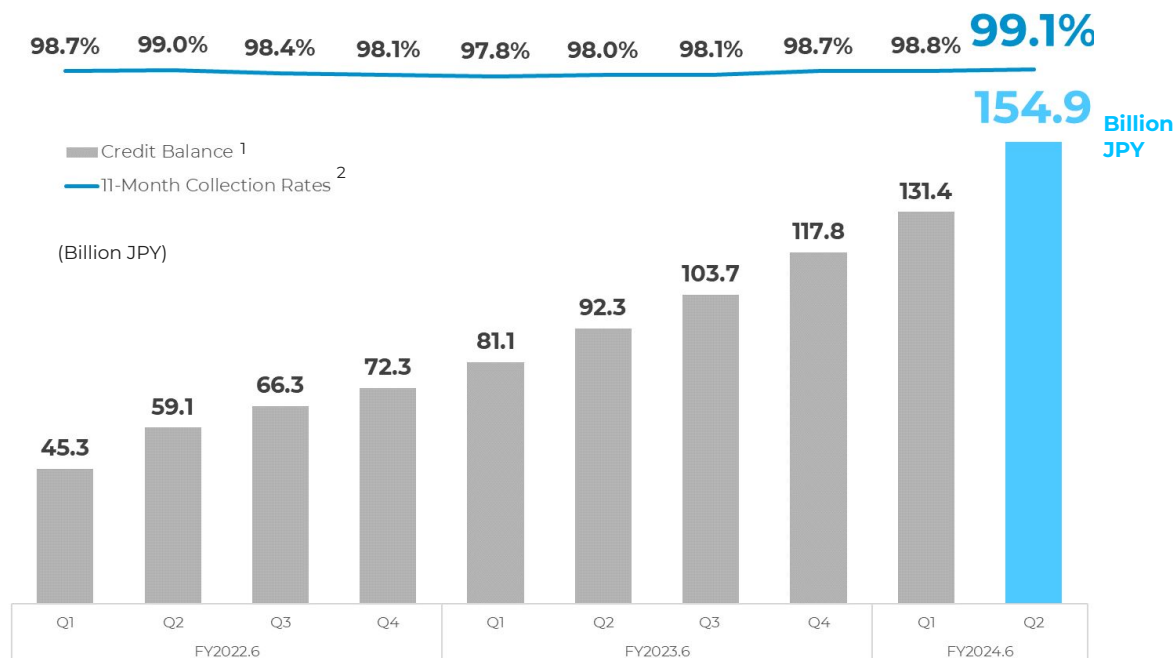
Numberless card and a safe and secure design with all settings configured entirely using the *Mercari* marketplace app

Users who have already verified their identity can apply for a card in as little as a minute using the *Mercari* marketplace app



Fintech—Credit Balance and Collection Rate of Credit Services (Quarterly)

- Continued to expand credit balance due to the growth of fixed-amount payment and *Mercard*
- Achieved the highest ever 11-month collection rates by updating credit logic periodically and strengthening collection actions



1. *Merpay Smart Payments* (lump-sum payment or fixed-amount payment) and *Smart Money* credit balance as of December 31, 2023 (excludes debt converted into bankruptcy reorganization debt)

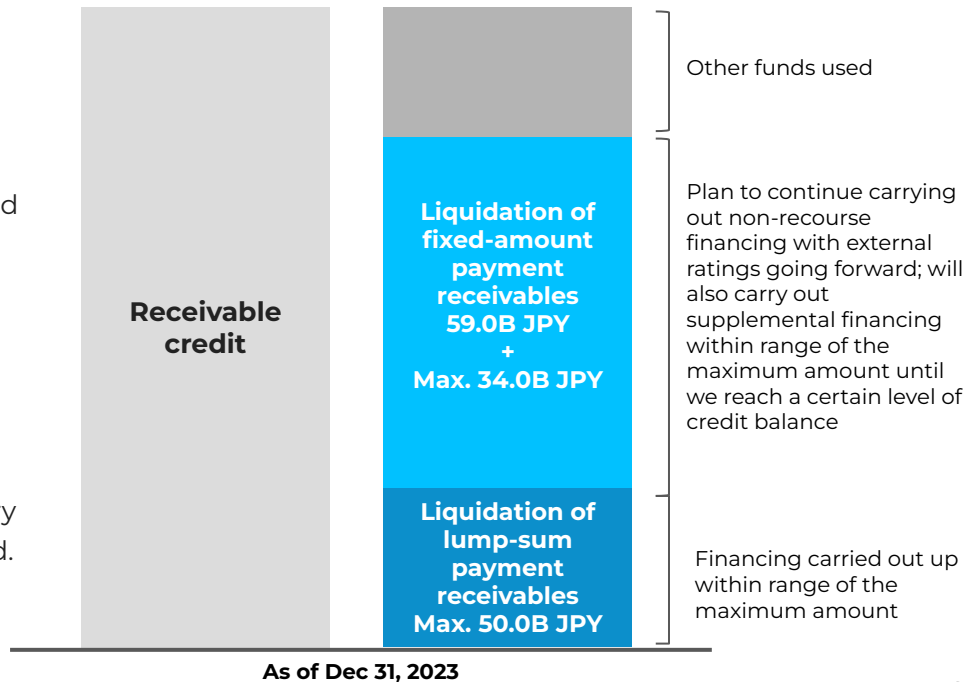
2. Weighted average rate of the quarterly cumulative collections completed within the past 11 months compared to the amount of *Merpay Smart Payments* (lump-sum payment and fixed-amount payment) and *Smart Money* billed in the past 11 months (excludes bankruptcy reorganization debt)

Fintech—Approach to Financing for Credit Services

- From FY2023.6, we have introduced non-recourse financing¹, which allows us to finance based on confidence in *Merpay Smart Payments* credit itself rather than company credit, enabling us to expand our financing alongside the growth of our credit services
- Going forward, we will continue to diversify our financing methods centered around non-recourse receivable liquidation

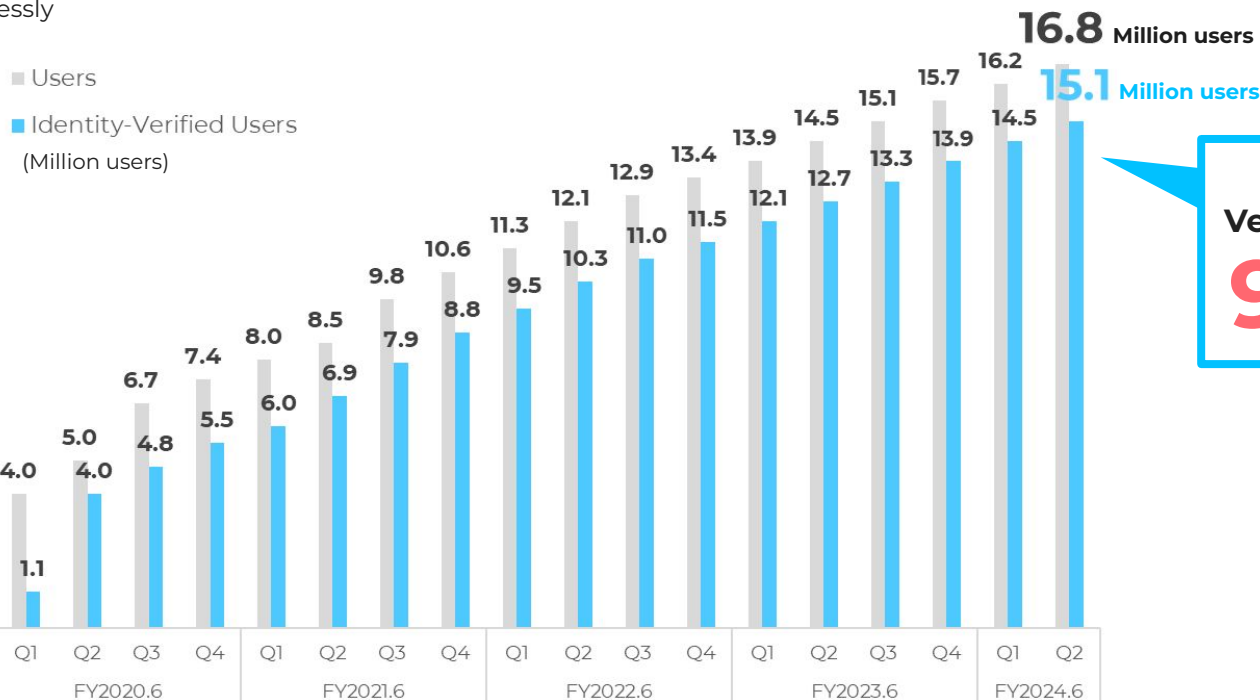
Liquidation of receivables

- We have received an external rating for Merpay Smart Payments fixed-amount payment receivables and carried out non-recourse financing for a total of 59.0B JPY.
- Additionally, we have liquidated receivables in line with the growth of our credit balance per month, with the maximum amount set to 34.0B JPY for fixed-amount payment and 50.0B JPY for lump-sum payment, and improved the efficiency of our funds.
- We plan to carry out non-recourse financing as necessary to match the growth of our credit services going forward.



Fintech—Number of Users¹/Verified Users (Quarterly)

- The numbers of both users and verified users continued to increase steadily, with the identity verification rate breaking 90%
- In addition to building an environment for safe and secure transactions, increasing the percentage of verified users also contributes to business growth since being verified allows users to start using credit, crypto, and on-demand labor services seamlessly



1. As of December 31, 2023, the aggregated number of unique users (excludes users who have deleted their accounts) who had registered for Merpay Electronic Money, set up Virtual Card, applied for Mercard, opened an account for exchanging cryptoassets, or used Merpay QR Code Payments, Online Payments, or Merpay Smart Payments (lump-sum payment or fixed-amount payment), etc.

**Business Objectives
at the Start of
FY2024.6**

**Focus on refining the product to strengthen retention of
existing users and aim to get back on track for growth
Focus on engaging Gen Z for future growth**

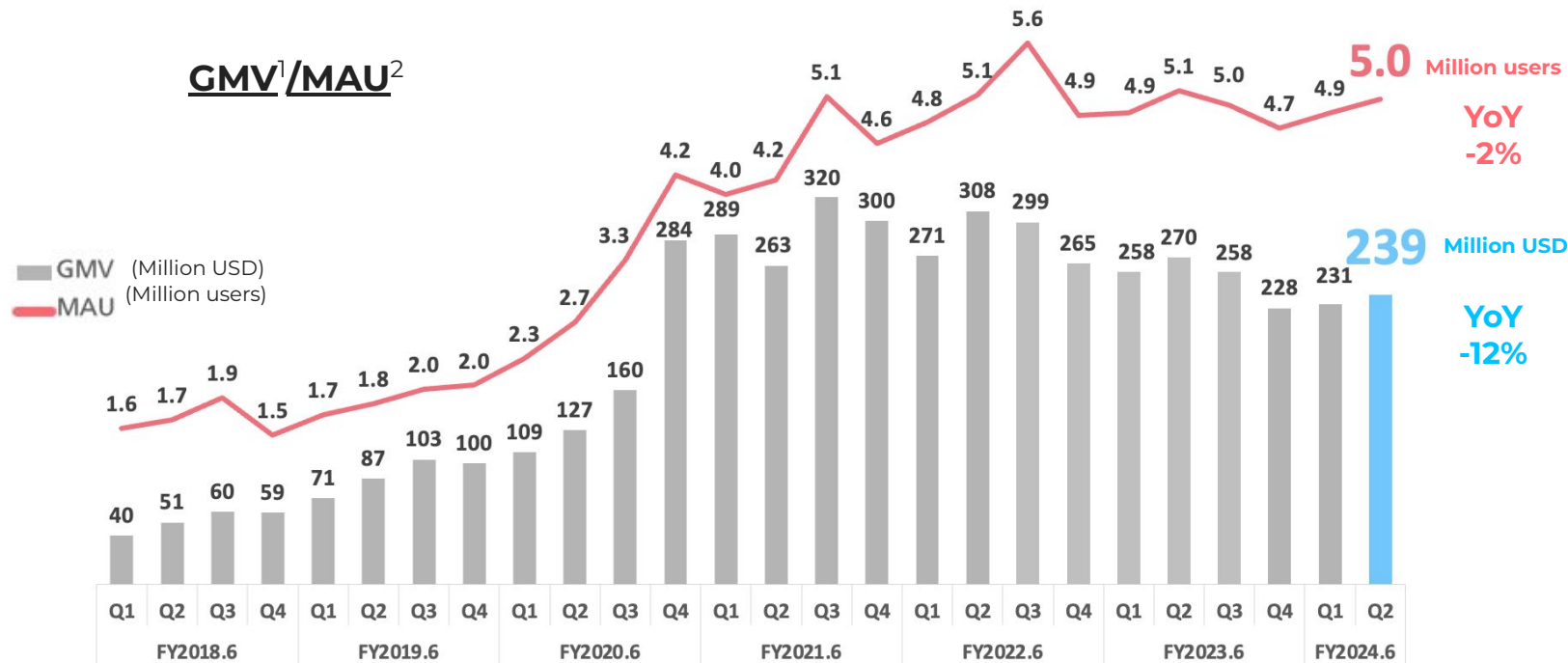


**Adjusted operating loss¹ continued to shrink YoY as a result of
continuing disciplined investment despite the holiday season.
Promoted product development mainly aimed at attracting Gen Z.**

- Conducted product initiatives, such as a proof of concept of face-to-face transactions in certain areas and the launch of a community feature, mainly to attract Gen Z
- Expanded the scope of the new plan to reduce shipping costs² previously introduced in Q1 to promote purchasing

US—GMV/MAU (Quarterly)

- MAU increased QoQ for the second quarter in a row thanks to effective marketing initiatives
- As expected at the beginning of FY2024.6, GMV growth landed at -12% YoY due to the continued slowdown in purchases caused by external factors such as prolonged inflation

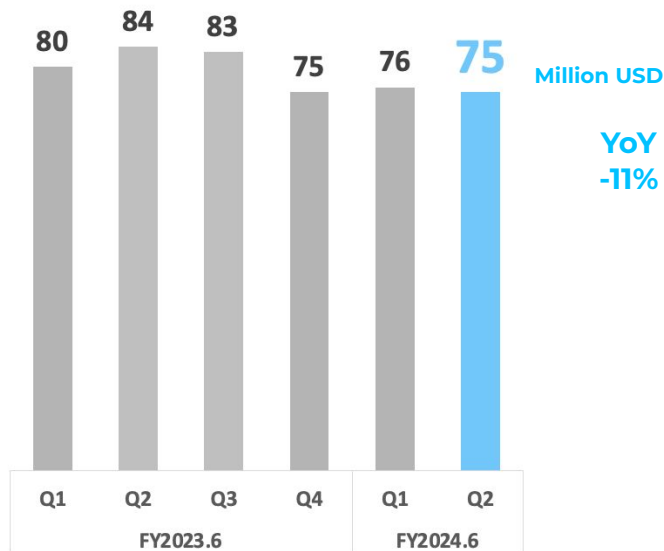


US—Revenue/Adjusted Operating Profit (US GAAP/Quarterly)

- Adjusted operating loss improved significantly YoY due to robust management, including ongoing selective investments

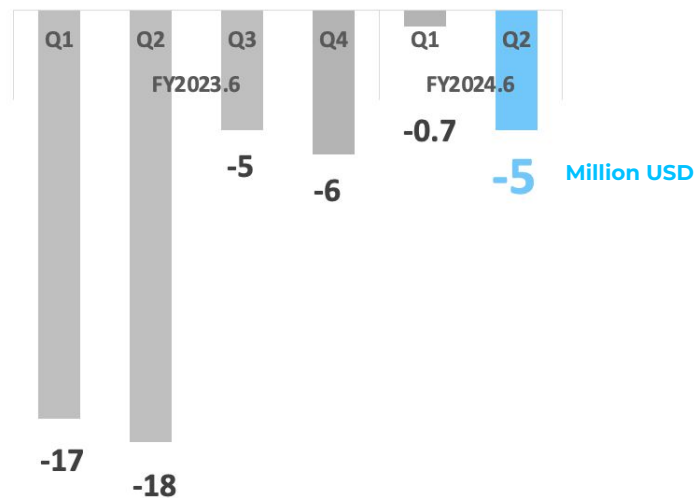
Revenue

(Million USD)



Adjusted Operating Profit¹

(Million USD)



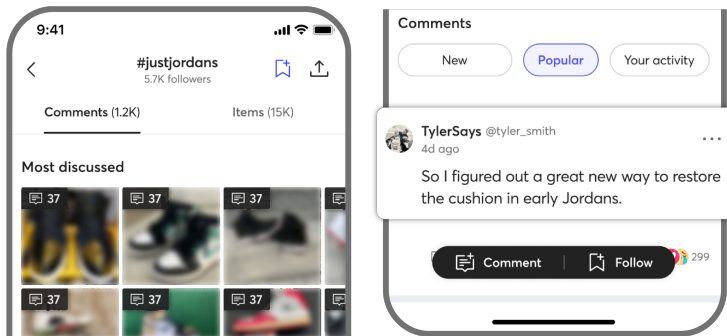
2

US—Progress on Product Initiatives to Attract Gen Z

Launched a Community Feature¹

- Launched a community feature to encourage interaction between users interested in a specific category
- Aiming to activate transactions by providing a place for users to enjoy discussing their hobbies

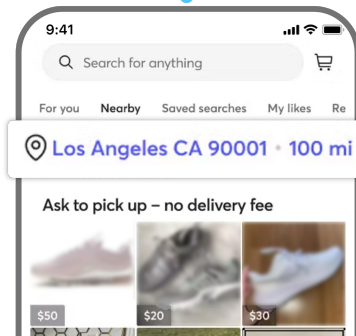
Users can discuss items in select categories



Launched a Proof of Concept of Face-to-Face Transactions²

- Launched a proof of concept of a face-to-face transaction feature, which enables users to save on shipping costs and payment fees, in certain areas of Los Angeles
- Aiming to capture the strong demand for face-to-face transactions in the US

Buyers can search for items within a certain distance of their home and request a face-to-face transaction (with the lister's agreement)



| | |
|--------------|--|
| Consolidated | <ul style="list-style-type: none"> ■ Anticipating mid-to long-term growth, expect to increase investment for the purpose of obtaining more <i>Mercard</i> users aiming to create further Group synergy, and also expect to incrementally increase investment in our on-demand labor business; as a result, we do not expect a year-on-year increase in profit for the full year |
| Market-place | <ul style="list-style-type: none"> ■ Will continue disciplined marketing and promote product initiatives, mainly in areas to enhance ■ After the on-demand labor business service launch in early spring 2024, will gradually invest to support growth |
| Fintech | <ul style="list-style-type: none"> ■ Will further strengthen investments to acquire <i>Mercard</i> holders in line with demand as many people enter new chapters of their lives in spring, as well as due to the expansion of Group synergy, such as increased ARPU on <i>Mercari</i>; as investment amounts in H2 are expected to increase compared to H1, anticipating an unadjusted core operating loss for FY2024.6 |
| US | <ul style="list-style-type: none"> ■ Anticipating similar levels of adjusted operating profit as H1 in line with our policy to continue strict cost control |

Financial Policies

| Consolidated | <ul style="list-style-type: none"> Strengthen our capital through management focused on balancing growth with profitability Diversify debt financing methods, lengthen financing periods, and spread out repayment periods to strengthen our financial foundation |
|--|---|
| Fintech | <ul style="list-style-type: none"> Promote non-recourse¹ receivable liquidation as our basic financing policy Maintain/enhance our collection rate Strengthen balance sheet management through asset and liability management (ALM)² |
| Approach to Shareholder Returns | <ul style="list-style-type: none"> For the time being, we will prioritize strengthening our financial foundation through investment in growth opportunities and our internal reserves; we do not have plans to pay dividends at present |



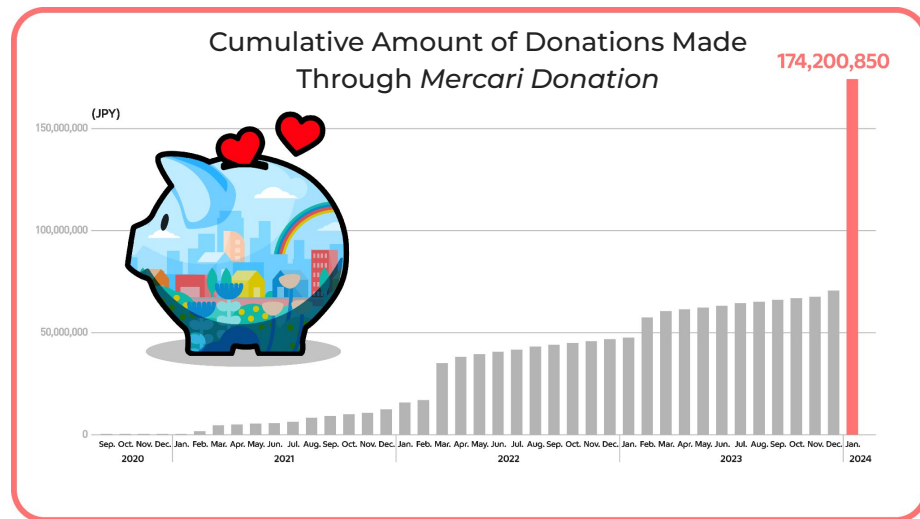
ESG

4 ESG—Making Donations Easier

- Launched the *Mercari Donation: Easy Donation Setting*¹ feature, which enables users to automatically donate an amount of their choice from their sales proceeds, as a step toward realizing a society where people can donate money regularly and seamlessly
- On January 2, 2024, added support for areas affected by the 2024 Noto earthquake as a *Mercari Donation* recipient; approximately 90% of users who made donations did so with sales proceeds obtained by selling items they no longer needed²

Mercari Donation Recipient Numbers
(as of Jan 31, 2024)

| | |
|-------------------------|----|
| Local governments | 31 |
| Charities | 14 |
| Universities | 4 |
| Circular economy groups | 56 |



ESG—Impact Report and ESG Information Session

- In September 2023, we published the [FY2023.6 Impact Report](#) summarizing our ESG initiatives and results in FY2023.6
- In December 2023, we held our first ESG Information Session for institutional investors and analysts, where we explained Mercari Group's approach and initiatives for tackling ESG issues



Focus Areas and Objectives for each Material Topic

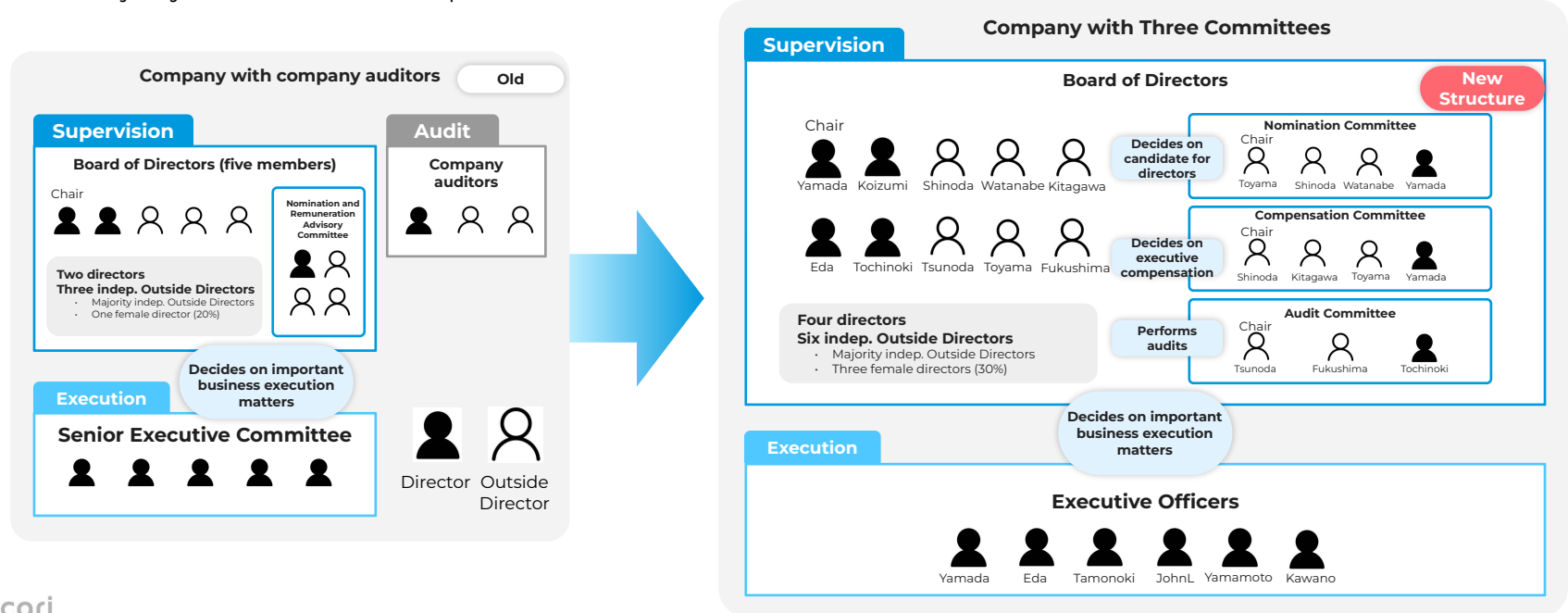
| Material Topic | Focus Areas | FY2024.6 Objective |
|---|---|--|
| 1 Empowerment of Individuals and Society | Realize a world where all people's potential is unleashed | |
| 2 Creating a World That Circulates All Forms of Value | <ul style="list-style-type: none"> Achieving sustainable business growth Fostering culture to support the creation of a circular economy Mitigating climate change | Work across the Group to maximize Marketplace GMV growth, expand the B2C reuse market, expand the crossborder market, and collaborate with external partners to strengthen our market share in the C2C market |
| 3 Creating a New User Experience Through Technology | <ul style="list-style-type: none"> Providing a seamless user experience using data and AI Promoting circular finance Creating innovation through R&D on value exchange | <p>Marketplace: Provide an advanced user experience leveraging generative AI/LLM. Enhance the user experience and strengthen marketing to acquire new users and encourage listing.</p> <p>Fintech: Create Group synergy by acquiring <i>Mercard</i> holders and by enhancing the UX through such things as enabling users to make bitcoin payments within <i>Mercari</i> US. Focus on refining the product to strengthen retention of existing users and engaging Gen Z for future growth.</p> |
| 4 Building Long-Term Public Trust | <ul style="list-style-type: none"> Realizing safe, secure, and fair transactions Enhancing the effectiveness of corporate governance and ensuring compliance Earning the trust of users and stakeholders (society, investors, media, etc.) | <p>Strengthen our internal audit structure in advance of the transition to a Company with Three Committees</p> <p>Strengthen our structures for data and privacy governance and cybersecurity</p> <p>Strengthen collaboration with external partners (local governments, primary distribution companies, universities, NPOs)</p> |
| 5 Unleashing the Potential in Diverse Talent Worldwide | <ul style="list-style-type: none"> Acquiring and developing professional talent from all over the world Building a company culture and environment that allows us to take on bold challenges in pursuit of our mission Embodying inclusion & diversity | <p>Promote I&D</p> <p>Strengthen new grad hiring to secure diverse talent</p> <p>Build a work environment and prepare a compensation system to expand the India Center of Excellence</p> <p>Update and ensure understanding of our culture, which encourages members to demonstrate Mercari's values</p> |

Appendix

5

Transition to a Company with Three Committees, a Global Standard

- Separated supervisory and executive functions of the company to clarify their roles, and built a structure that realizes the timely and resolute decision-making and business promotion of the executive function while strengthening the supervisory function of the Board of Directors from FY2024.6
- Implemented highly transparent and effective supervision by establishing a Board of Directors comprising diverse directors together with a Nomination Committee, Compensation Committee, and Audit Committee for which the majority of members are independent Outside Directors



5 New Board of Directors Structure

- Appointing Outside Directors with a wealth of knowledge and experience in a variety of areas to realize a transparent and highly diverse organization

10 Directors

Directors (4)



Shintaro Yamada

Representative Executive
and CEO



Fumiaki Koizumi

Officer, President / CEO of
Kashima Antlers F.C. Co.,
Ltd.



Sayaka Eda

Executive Officer, Senior Vice President
of Corporate, and CFO



Mayumi Tochinoki

Independent Outside Directors (6)



Makiko Shinoda



**Masayuki
Watanabe**



Takuya Kitagawa



Daiken Tsunoda



**Kazuhiko
Toyama**



**Fumiyuki
Fukushima**

5 Strong Governance Structure (Independent Outside Directors)



Makiko Shinoda

Chair of the
Compensation
Committee



Masayuki Watanabe



Takuya Kitagawa

Background

- The Long-Term Credit Bank of Japan, Limited (currently SBI Shinsei Bank, Limited)
- McKinsey & Company, Inc.
- Novartis Pharma K.K.
- Head of Finance of Nestlé Nutrition K.K. (currently Nestlé Health Science)
- Director CFO of Hobonichi Co., Ltd.
- Director of YeLL Inc. (current position)
- McKinsey & Company, Inc.
- Co-founder of DeNA Co., Ltd.
- CEO of Quipper Ltd.
- Director of FOODCODE, LTD. (current position)
- Managing Executive Officer, CDO of Technology Division of Rakuten Group, Inc.
- Director of Rakuten Data Marketing, Inc.,
- Co-founder and Director, Public Interest Well-being for Planet Earth Foundation (current position)
- President and Director, QuEra Computing (current position)

Reasons for Selection as Outside Directors

- Professional knowledge and deep experience in I&D, ESG, finance, etc.
- Knowledge of global expansion of business in tech companies
- Knowledge in technology areas such as AI and data science
- Experience in the use of AI and data for business creation and social issues

Strong Governance Structure (Independent Outside Directors)



Daiken Tsunoda

Chair of the Audit Committee



Kazuhiko Toyama

Chair of the Nominating Committee



Fumiyuki Fukushima

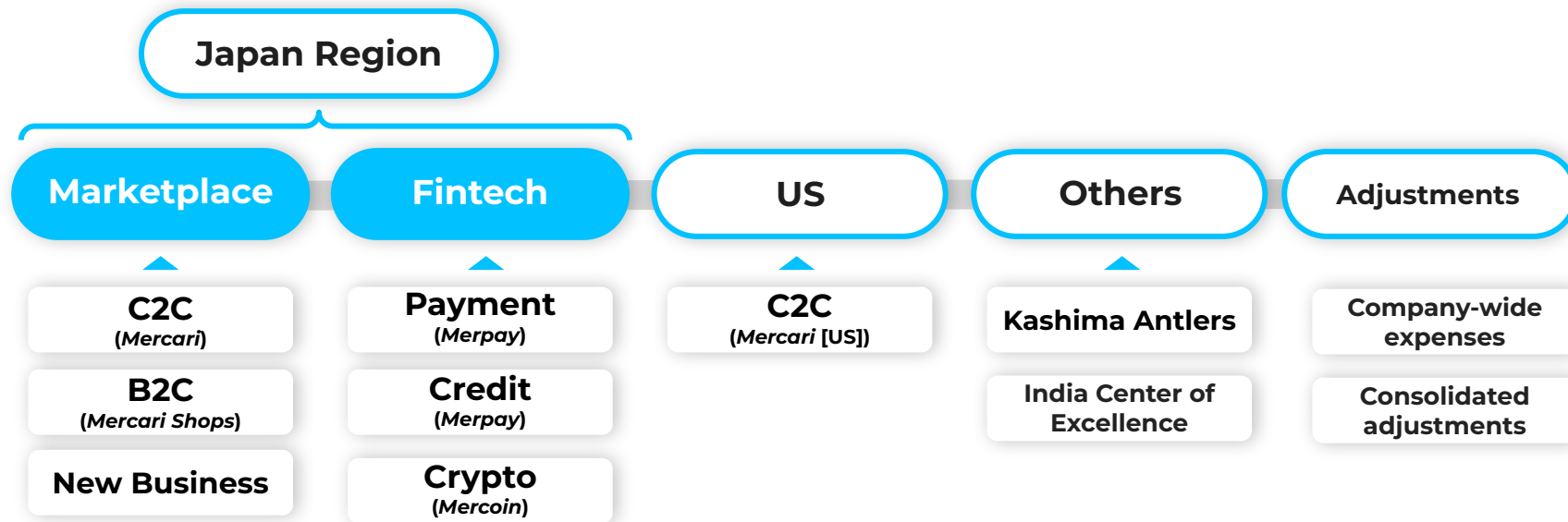
Background

- Admitted to the Tokyo Bar Association, Partner of Mori Sogo Nakamura & Tsunoda (currently Nakamura, Tsunoda & Matsumoto)
- Outside Corporate Auditor of INES Corporation
- Outside Corporate Auditor and Outside Director of Mitsui Sumitomo Insurance Group Holdings, Incorporated (currently MS&AD Insurance Group Holdings, Inc.)
- Outside Director of Culture Convenience Club Co., Ltd. (current position)
- Outside Director of Eisai Co., Ltd. (Audit Committee Member)
- Outside Director (Member of the Audit and Supervisory Committee) of Sumitomo Mitsui Banking Corporation (Audit & Supervisory Committee Member) (current position)
- Established Daiken Tsunoda Law Office, Lawyer (current position)
- Boston Consulting Group
- Representative Director and President of Corporate Direction Inc.
- Representative Director, CEO of Industrial Growth Platform, Inc., Outside Director of Panasonic Corporation (currently Panasonic Holdings Corporation) (current position)
- Outside Director of Tokyo Electric Power Company Holdings, Inc.
- Representative Director, President of Japan Platform of Industrial Transformation, Inc. (current position)
- Chairman of Industrial Growth Platform, Inc. IGPI Group (current position)
- Chairman of General Incorporated Association Japan Association of Corporate Directors
- Outside Director of Kuroda Precision Industries Ltd. (current position)
- Koyo Audit Firm
- KPMG AZSA & Co. (currently KPMG AZSA LLC)
- Audit & Supervisory Board Member of Findy Inc. (current position)
- Outside Audit & Supervisory Board Member of Kashima Antlers F.C. Co., Ltd. (current position)
- Outside Director (Member of the Audit and Supervisory Committee) of Chatwork Co., Ltd. (current position)

Reasons for Selection as Outside Directors

- Strong insight in the areas of corporate law and corporate governance
- Extensive knowledge and deep insight in the areas of management and corporate governance
- Deep experience in promoting innovation to solve social issues
- Experience in auditing and extensive knowledge of accounting and internal controls

5 Business Segments



Medium-Term Targets & Investment Plans

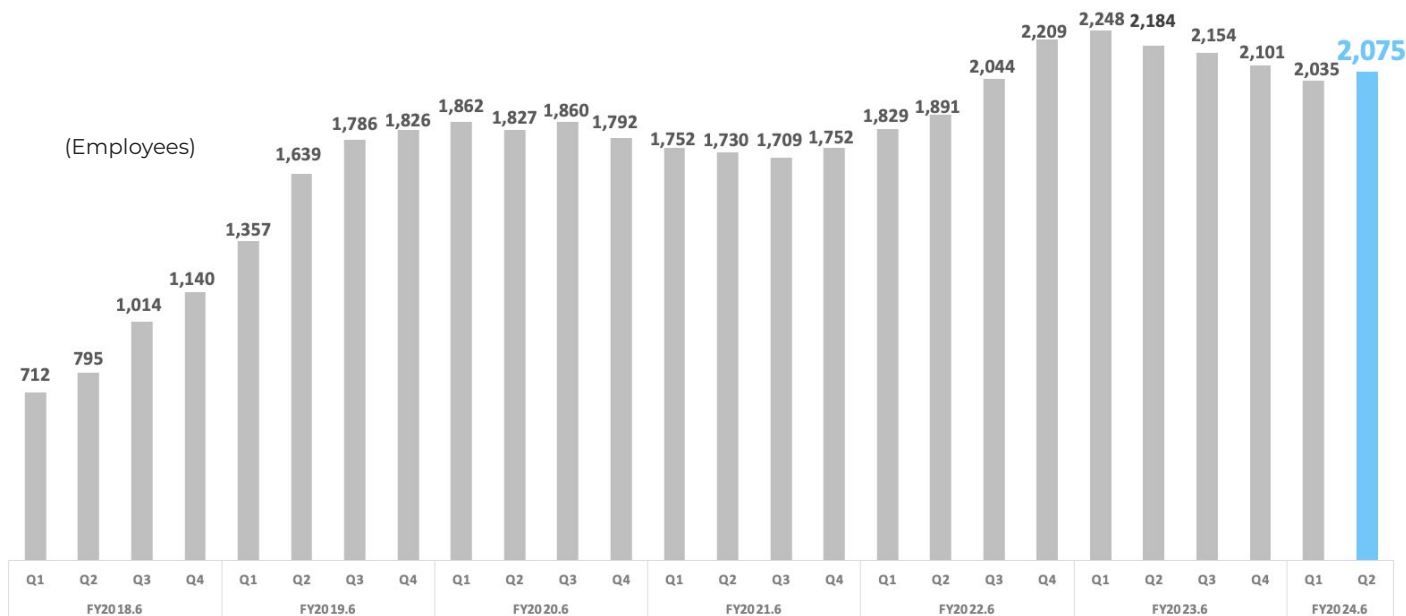
| Business Area | Medium-Term Objectives | Future Major Investment Areas |
|---------------|---|--|
| Group-wide | <ul style="list-style-type: none"> ■ Work with external partners to realize an ecosystem that leads the move to a circular economy ■ Create a borderless organization where talent from all over the world can thrive ■ Promote further global expansion | <ul style="list-style-type: none"> ● Strengthening AI, LLM, and data infrastructure ● Strengthening safety and security of the service for users ● Maintaining information security ● Promoting I&D ● Building global business |
| Market-place | <ul style="list-style-type: none"> ■ Acquire a sturdy position in the C2C market, lead the market as an essential service to the creation of a circular economy, and accelerate this by collaborating with external partners ■ Expecting three-year GMV CAGR of 15% and an adjusted operating margin over 40% through the creation of Group synergy | <ul style="list-style-type: none"> ● Promoting cross-use by improving the UX and strengthening AI ● Strengthening engagement, centered around the loyalty program ● Moving ahead with areas to enhance (crossborder transactions, category growth, and B2C) ● Promoting the on-demand labor business |
| Fintech | <ul style="list-style-type: none"> ■ Contribute to maximizing <i>Mercari's</i> GMV and decreasing payment processing fees to drive Marketplace growth ■ Become the second pillar of profitability in Mercari Group | <ul style="list-style-type: none"> ● Acquiring <i>Mercard</i> holders and encouraging use ● Strengthening credit (AI credit, etc.) ● Enhancing UX using blockchain |
| US | <ul style="list-style-type: none"> ■ Engage Gen Z and establish name recognition and the reputation as "the easiest and safest selling app" | <ul style="list-style-type: none"> ● Expanding the user base and activating existing users ● Enhancing UX, including simplifying listing ● Expanding transaction methods |

| | Through FY2022.6 H1 | FY2022.6 H2–FY2023.6 | FY2024.6 |
|-----------------------|---|--|--|
| Mid-term objectives | <ul style="list-style-type: none"> ■ Work with external partners to create an ecosystem that leads the move to a circular economy ■ Establish a borderless organization where talent from all over the world can thrive ■ Promote further global expansion | | |
| View of profitability | <ul style="list-style-type: none"> ■ Prioritize strong top-line growth | <ul style="list-style-type: none"> ■ Aim to balance growth and profitability | <ul style="list-style-type: none"> ■ Focus on growth while continuing management that balances growth and profitability |
| Investment policy | <ul style="list-style-type: none"> ■ Invest aggressively in areas that contribute to mid- to long-term growth | <ul style="list-style-type: none"> ■ Clarify priorities and make investments in areas that will have steadily accumulating results in order to achieve mid- to long-term growth ■ Consider necessary investments in Fintech to maximize future profits | <ul style="list-style-type: none"> ■ Invest in creating new businesses and accelerating growth of existing businesses with sights set on the next ten years |

| | Investment policy and main investments |
|-------------|---|
| Marketplace | <p>Focus on top-line growth while continuing disciplined investments</p> <ul style="list-style-type: none"> ■ Acquiring new users ■ Strengthening the loyalty program ■ Accelerating GMV growth through UX evolution and areas to enhance such as crossborder transactions, category growth, and B2C ■ Promoting the on-demand labor business |
| Fintech | <p>Make disciplined investments in <i>Mercard</i> and the credit business, aiming to maximize Group synergy and further enhance profitability</p> <ul style="list-style-type: none"> ■ Acquiring <i>Mercard</i> holders and encouraging use ■ Enhancing accuracy of AI credit and strengthening collection ability ■ Popularizing the bitcoin trading service on <i>Mercari</i> and providing features that enhance the UX, such as enabling users to make bitcoin payments |
| US | <p>Invest in product development and effective marketing to activate existing users</p> <ul style="list-style-type: none"> ■ Carrying out marketing with the main goal of strengthening retention of existing users ■ Simplifying listing and expanding transaction methods to engage Gen Z |

Number of Employees (Consolidated)

- Headcount increased QoQ as a result of hiring to grow our existing businesses and create new businesses
- Focusing mainly on engineers, we will continue to hire the talent we need to match the growth of our businesses going forward



| (Million JPY) | FY2023.6 Q4 | FY2024.6 Q2 |
|-------------------------------|----------------|----------------|
| Cash and cash equivalents | 201,822 | 185,173 |
| Trade and other receivables | 126,752 | 165,836 |
| Total current assets | 338,645 | 362,123 |
| Guarantee deposits | 61,608 | 76,607 |
| Total non-current assets | 79,704 | 94,454 |
| Total assets | 418,349 | 456,578 |
| Trade and other payables | 20,862 | 22,485 |
| Borrowings | 71,834 | 41,150 |
| Deposits received | 163,712 | 183,403 |
| Total current liabilities | 274,912 | 261,385 |
| Bonds and borrowings | 84,533 | 129,683 |
| Total non-current liabilities | 87,777 | 133,276 |
| Total liabilities | 362,689 | 394,662 |
| Total equity | 55,659 | 61,915 |
| Total liabilities and equity | 418,349 | 456,578 |

Major Itemization of Consolidated BS

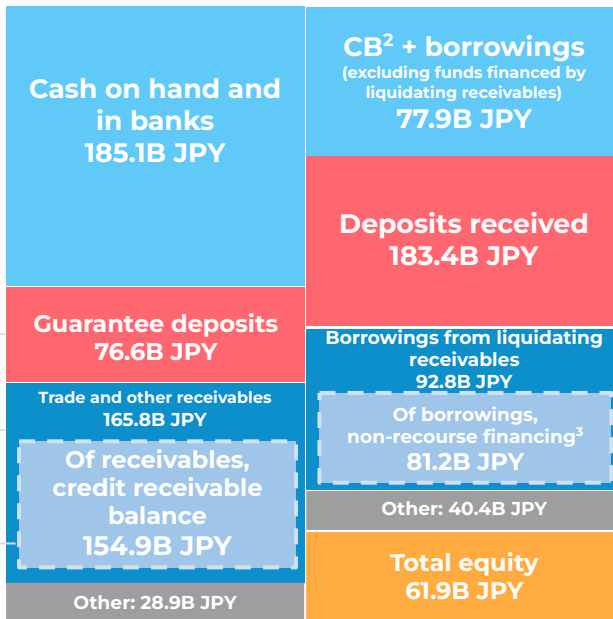
- We will continue to leverage various methods of financing and appropriately control our balance sheet to maintain a sound financial foundation
- Our basic policy for financing our credit services is to primarily carry out financing by liquidating receivables
 - In particular, we will aim to enhance our financial stability by expanding non-recourse¹ receivable liquidation

Mainly deposits related to user funds

With regard to preservation of user funds, we act in accordance with laws regarding funds transfer services, etc., by depositing funds to the authorities and concluding a Guarantee Contract for Security Deposits for Providing Funds Transfer Services with financial institutions

Mainly credit from transactions within *Mercari* (formerly under “Other receivable”), items formerly under “Trade accounts receivable”, items formerly under “Allowance for doubtful accounts”, etc.

Credit balance from *Merpay*’s credit services



CB² and long-term borrowings

Mainly *Mercari* sales balance (including US) and wallet balance from users adding funds from banks

Funds financed by liquidating receivables

Liquidated lump-sum payment and fixed-amount payment receivables for *Merpay Smart Payments*. Starting FY2023.6, we have carried out non-recourse¹ financing for a portion of liquidated receivables.

Total assets at end of FY2024.6 Q2: 456.5B JPY

Transition to Disclosure Based on IFRS

- With the objective of enhancing international comparability, we transitioned to using IFRS in FY2024.6 Q1
- Japan Region now uses core operating profit (defined as IFRS operating profit excluding other income/expenses, etc.) as a KPI, but the impact of the change is negligible

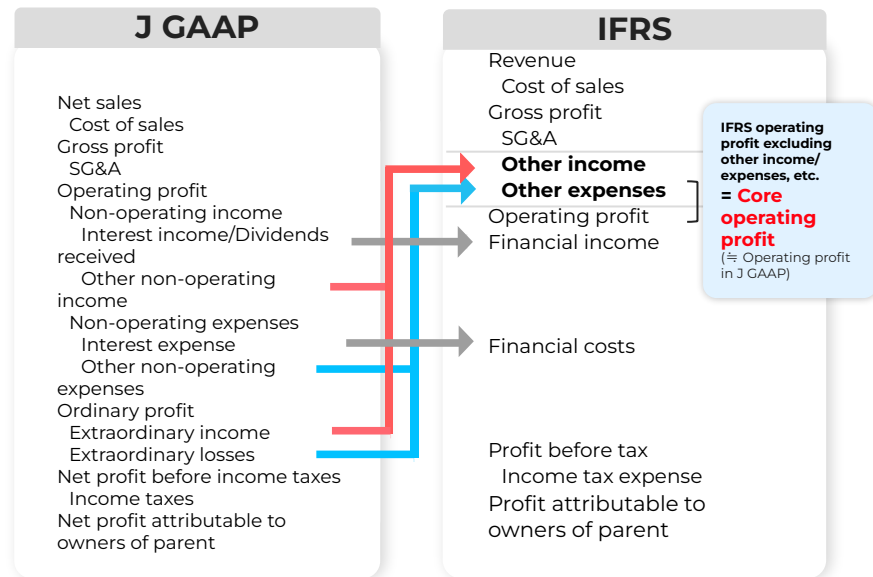
Differences With J GAAP¹

(Billion JPY)

| Consolidated | FY2023.6 J GAAP | FY2023.6 IFRS | Difference | Cause of the difference |
|--|--------------------|------------------|------------|--|
| Revenue | 172.0 | 171.9 | -0.09 | Reclassification of transfer fees and removal of discrepancy in consolidation period of the Other segment (Kashima Antlers) |
| Operating profit/ Core operating profit | 17.0 | 16.7 | -0.3 | <ul style="list-style-type: none"> -0.8B JPY due to difference in standards for stock-based compensation costs, carryover of reserves for paid time off, etc. +0.3B JPY due to difference in standards for contract acquisition costs in the Fintech business +0.3B JPY due to difference in standards for taxes and dues |
| Net profit after income taxes | 12.9 | 13.0 | +0.1 | <ul style="list-style-type: none"> -0.3B JPY difference in operating profit +0.3B JPY difference due to difference in standards for method of valuation of investments in securities |

¹ Numbers are pre-audit and yet to be finalized

Core Operating Profit



5 Consolidated Quarterly PL (IFRS)

| (Million JPY) | FY2023.6 Q2 (Oct-Dec) | FY2024.6 Q2 (Oct-Dec) |
|---|--------------------------|--------------------------|
| Revenue | 44,141 | 48,115 |
| YoY | N/A | +9.0% |
| EBITDA ¹ | 3,637 | 4,505 |
| Margin (%) | 8.2% | 9.4% |
| Core Operating Profit ² | 2,962 | 3,947 |
| Margin (%) | 6.7% | 8.2% |
| Profit attributable to owners of parent | 538 | 1,739 |
| Margin (%) | 1.2% | 3.6% |
| IFRS Operating Profit | 2,293 | 3,344 |
| Margin (%) | 5.2% | 7.0% |

| (Million JPY) | FY2023.6 Q2 (Jul-Dec) | FY2024.6 Q2 (Jul-Dec) |
|--|--------------------------|--------------------------|
| Cash flows from operating activities | -21,054 | -29,579 |
| Cash flows from investing activities | -455 | -270 |
| Cash flows from financing activities | 12,369 | 13,683 |
| Effect of exchange rate changes on cash and cash equivalents | -427 | -483 |
| Change in cash and cash equivalents | -9,566 | -16,648 |
| Cash and cash equivalents at the beginning of period | 211,758 | 201,822 |
| Cash and cash equivalents at the end of period | 202,192 | 185,173 |

5 Marketplace Quarterly PL (IFRS)

| (Million JPY) | | FY2023.6 Q2(Oct-Dec) | FY2024.6 Q2(Oct-Dec) |
|-----------------------|------------------------------------|-------------------------|-------------------------|
| GMV | | 254,844 | 280,991 |
| YoY | | +10.0% | +10.3% |
| Net Sales | | 26,313 | 28,272 |
| as % of GMV | | 10.3% | 10.1% |
| Unadjusted | Core Operating Profit ¹ | 8,186 | 7,210 |
| | Margin (%) | 31.1% | +25.5% |
| | IFRS Operating Profit | 7,532 | 6,842 |
| | Margin (%) | 28.6% | +24.2% |
| Adjusted ² | Core Operating Profit ¹ | 10,958 | 10,581 |
| | Margin (%) | 41.6% | +37.4% |
| | IFRS Operating Profit | 10,305 | 10,213 |
| | Margin (%) | 39.2% | +36.1% |

Fintech Quarterly PL (IFRS)

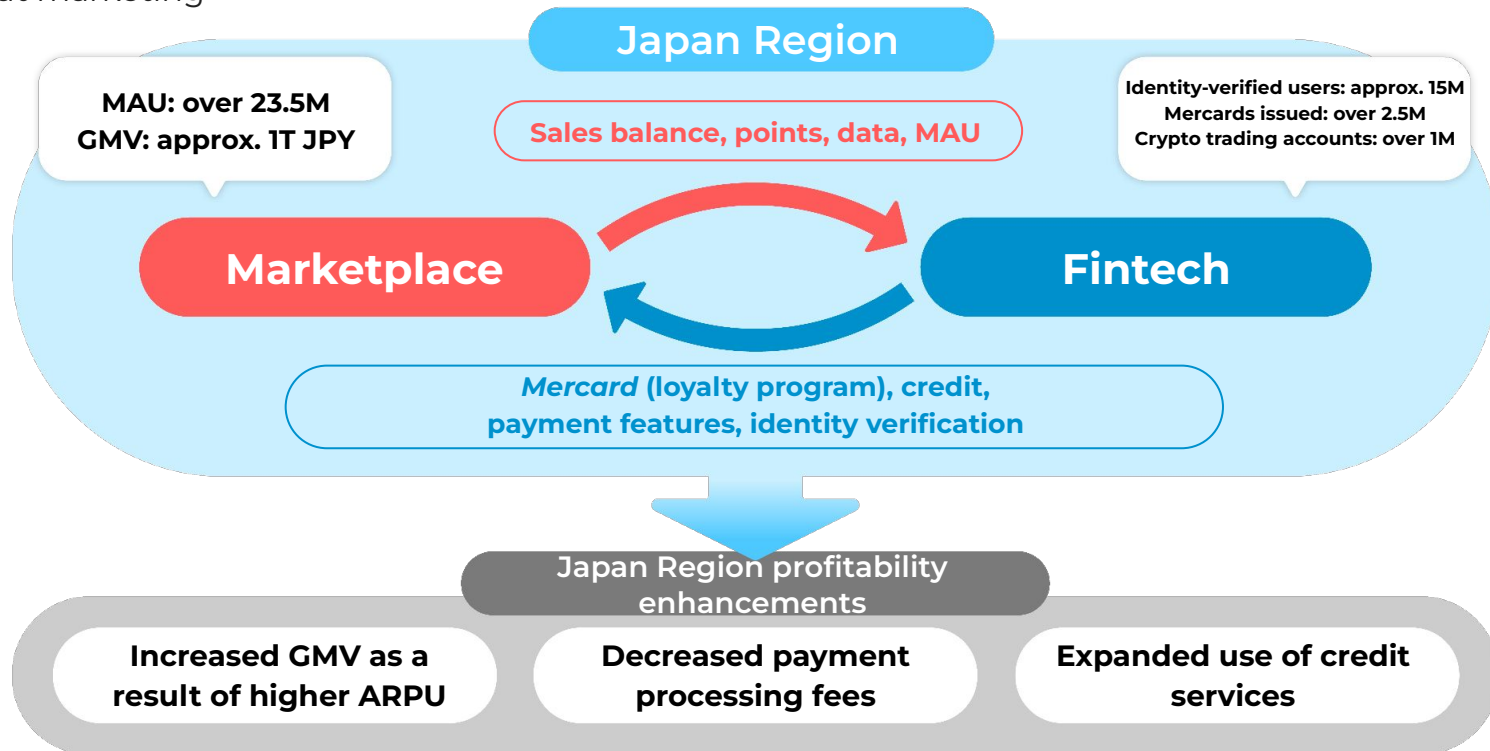
| (Million JPY) | | FY2023.6 Q2(Oct-Dec) | FY2024.6 Q2(Oct-Dec) |
|-----------------------|------------------------------------|-------------------------|-------------------------|
| Unadjusted | Revenue | 7,428 | 10,808 |
| | YoY | N/A | +45.5% |
| | Core Operating Profit ² | 209 | 20 |
| | YoY | N/A | -90.1% |
| | IFRS Operating Profit | 209 | 20 |
| | YoY | N/A | -90.1% |
| Adjusted ¹ | Revenue | 4,655 | 7,437 |
| | YoY | N/A | +59.7% |
| | Core Operating Profit ² | -2,563 | -3,350 |
| | YoY | N/A | N/A |
| | IFRS Operating Profit | -2,563 | -3,350 |
| | YoY | N/A | N/A |

US Quarterly PL (US GAAP)

| (Million USD) | FY2023.6 Q2(Oct-Dec) | FY2024.6 Q2(Oct-Dec) |
|--|-------------------------|-------------------------|
| GMV | 270 | 239 |
| YoY | -12.4% | -11.5% |
| Revenue | 84 | 75 |
| as % of GMV | 31.2% | 31.4% |
| Operating Profit | -22 | -9 |
| Margin (%) | -27.1% | -12.7% |
| Adjusted Operating Profit ¹ | -18 | -5 |
| Margin (%) | -22.5% | -7.8% |

Japan Region—Group Synergy Overview

- Aiming to create synergy with Marketplace and Fintech working together to enhance UX and carry out marketing

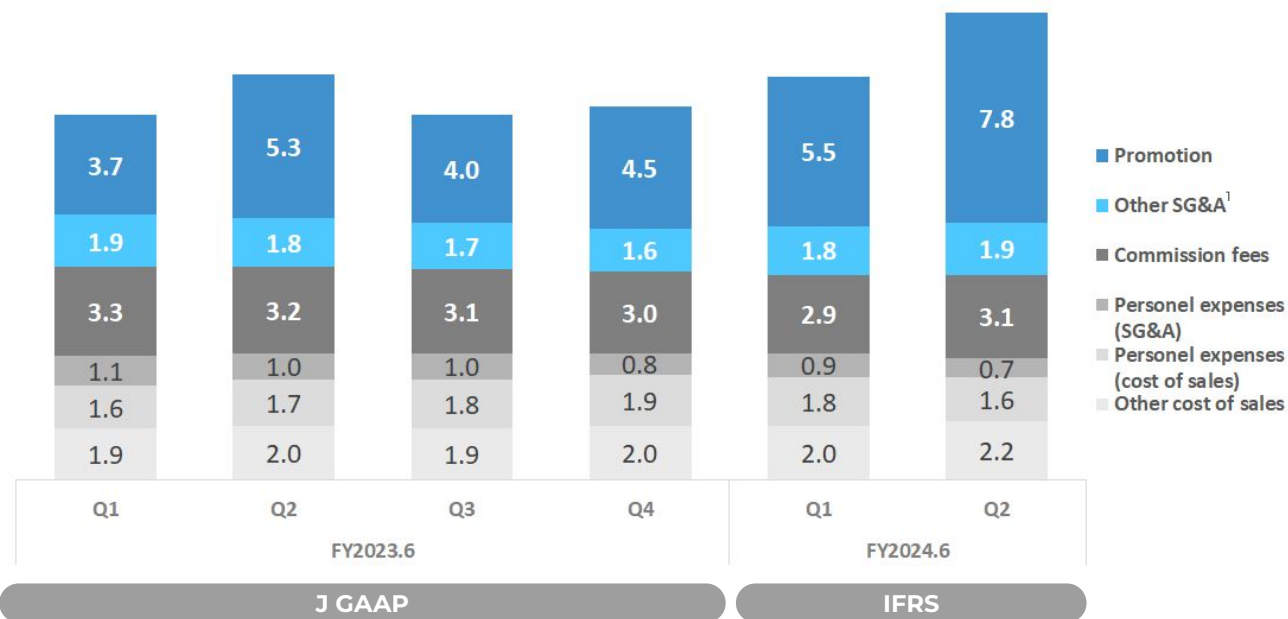


5

Marketplace—Cost Composition (Quarterly)

- Promotional cost ratio increased QoQ due to the strengthening of investment in areas to enhance and other initiatives that will contribute to mid-to-long-term growth (leveraging multiple categories and the cross-use of the actions of pay, buy, and sell)

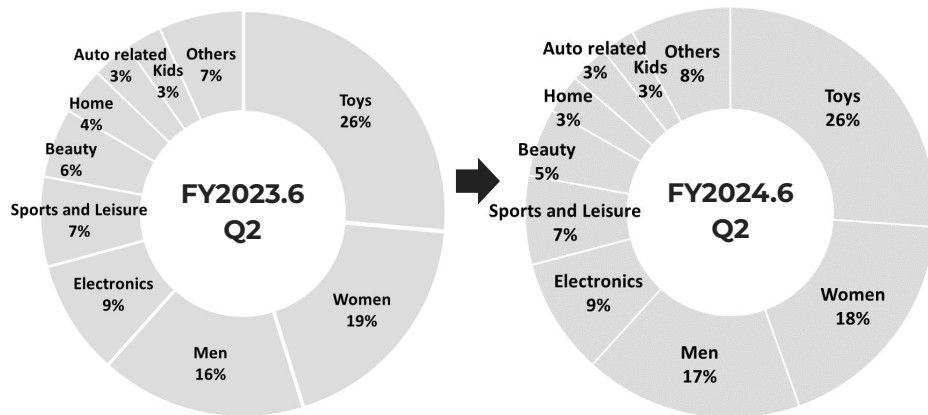
(Billion JPY)



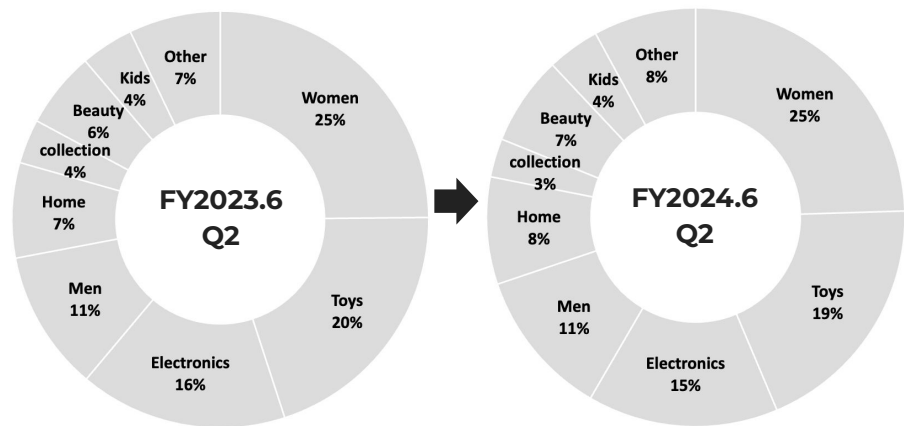
5 Q2 (Oct-Dec)—Category Shift



Marketplace

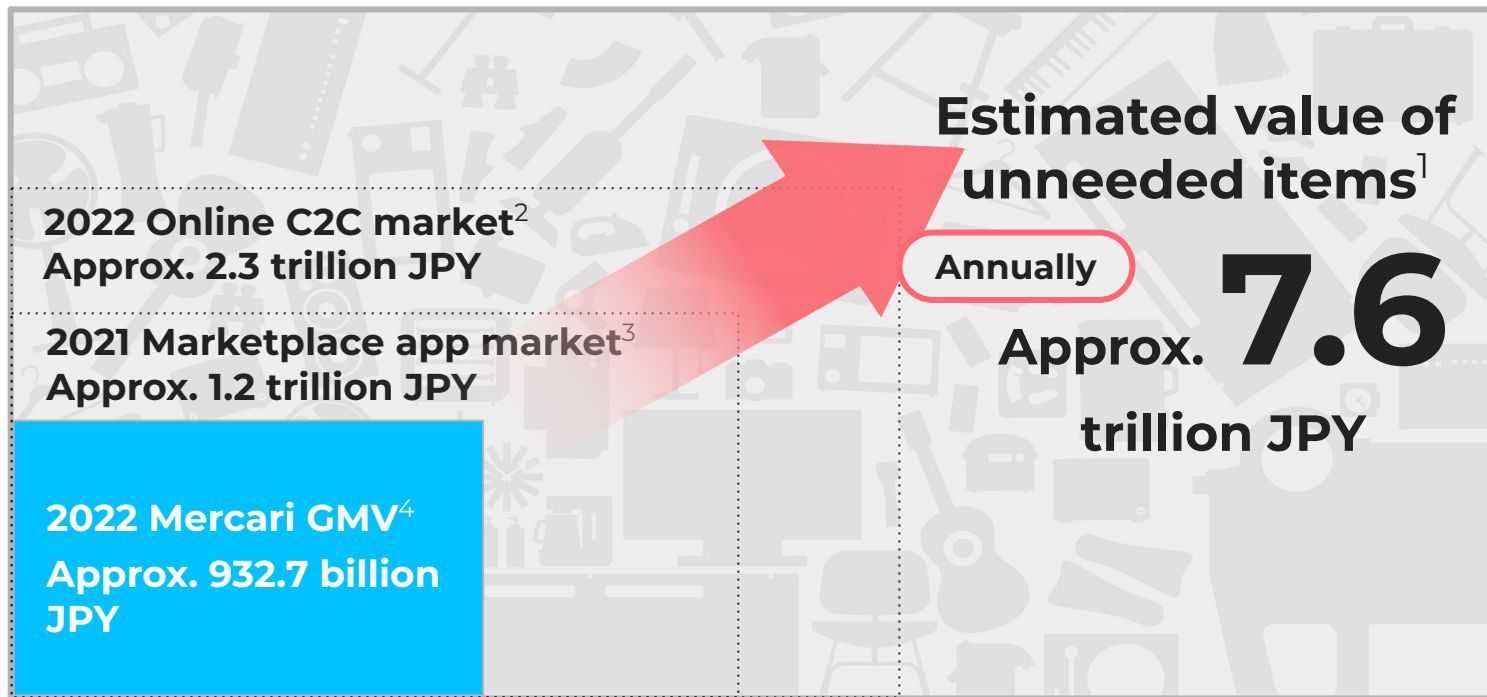


US



5 Marketplace App Market Data

- Mercari's GMV share continues to grow in the expanding online C2C market



1. Source: Ministry of Economy, Trade and Industry (April 2017, April 2018). The total market size of sales of secondhand goods in stores, sales of secondhand goods online, auctions, etc. Excludes automobiles, motorcycles, and motor scooters.

2. Source: "FY2022 E-Commerce Market Survey Report", Ministry of Economy, Trade and Industry (published August 31, 2023). Includes B2B and B2C transactions in addition to C2C transactions.

3. Source: "FY2021 E-Commerce Market Survey Report", Ministry of Economy, Trade and Industry (published August 12, 2022). Includes B2B and B2C transactions in addition to C2C transactions.

4. Source: Company materials; C2C and B2C GMV from January 2022 to December 2022

Payment

Various payment methods available

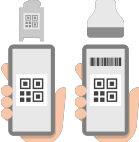
iD payment

Hold your phone over a reader



Code payment

Scan the code



Credit Card



Virtual Card

Input a number



Credit

Various services that utilize unique credit based on behavior history such as usage history on *Mercari*

Smart Payments

Lump-Sum Payment

Pay for everyday purchases all at once the following month



Fixed-Amount Payment

Pay over several months at a fixed amount of your choice; Interest rate (annual): 15%

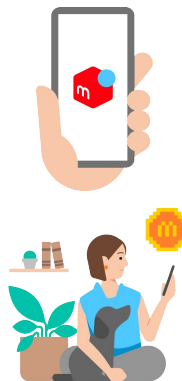


Smart Money

Borrow when needed and repay flexibly; interest rates fluctuate depending on the borrower's usage of *Mercari*; Interest rate (annual): 3-15%

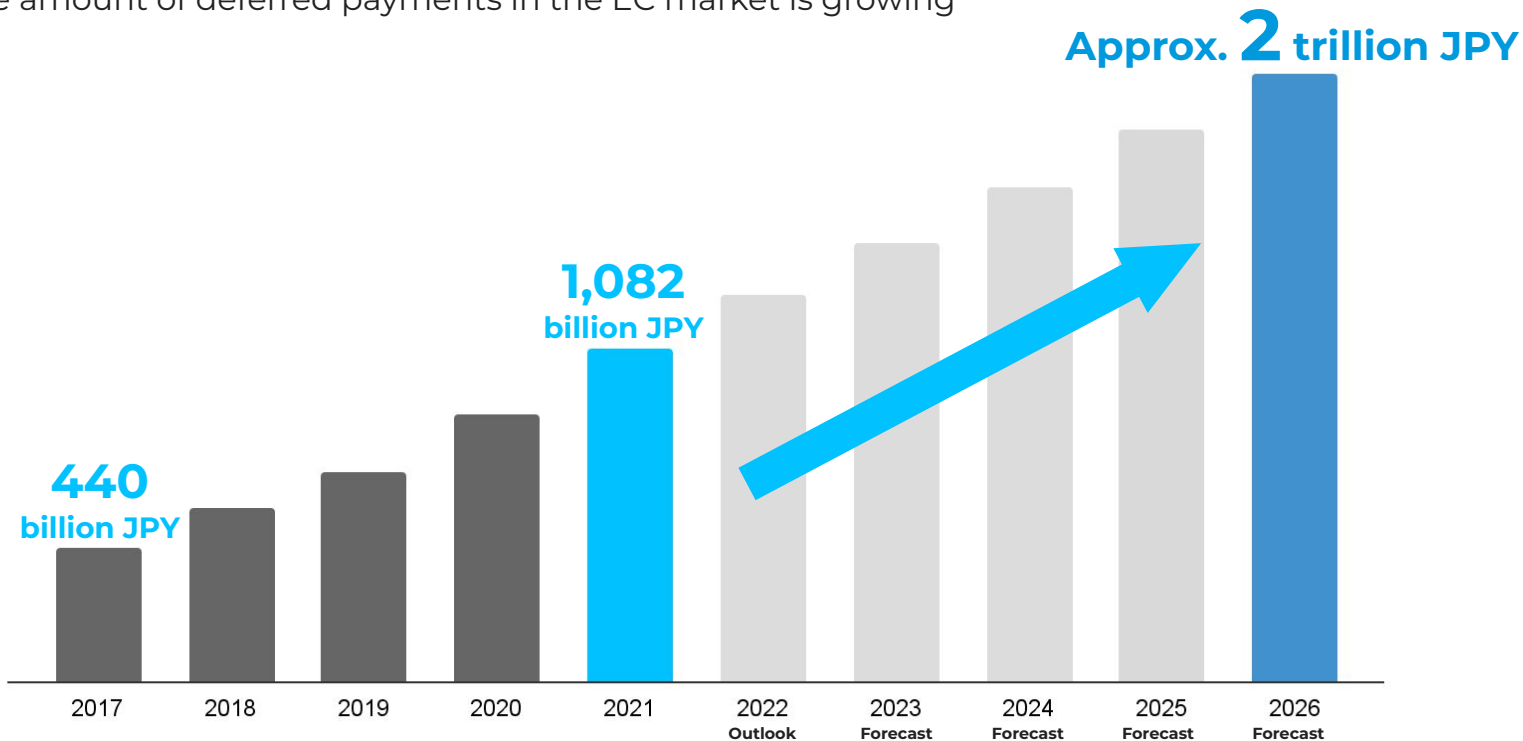
Asset Management

Service that allows users to buy and sell bitcoin from within *Mercari*



Fintech—Credit Volume of Deferred Payment in the EC Market¹

- The amount of deferred payments in the EC market is growing



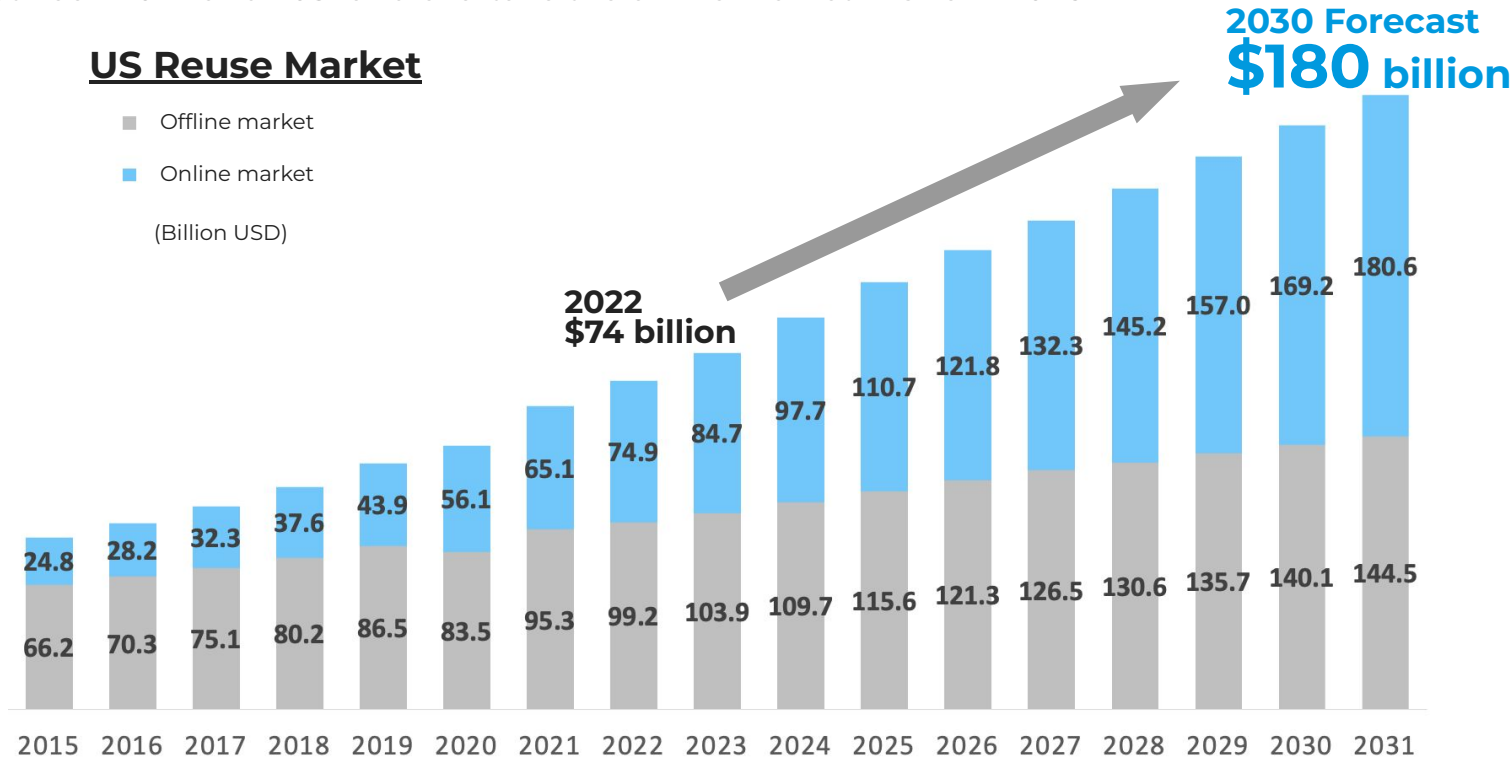
1. Source: E-commerce Payment Services (Payment Gateway) Market in Japan: Key Research Findings 2022. Survey by Yano Research Institute
(note: based on the transaction amount of deferred payment service providers)

US—US Reuse Market

- The US online reuse market is expected to grow at a pace approximately triple that of the offline market between 2022 and 2031 and overtake the offline market in size in 2026

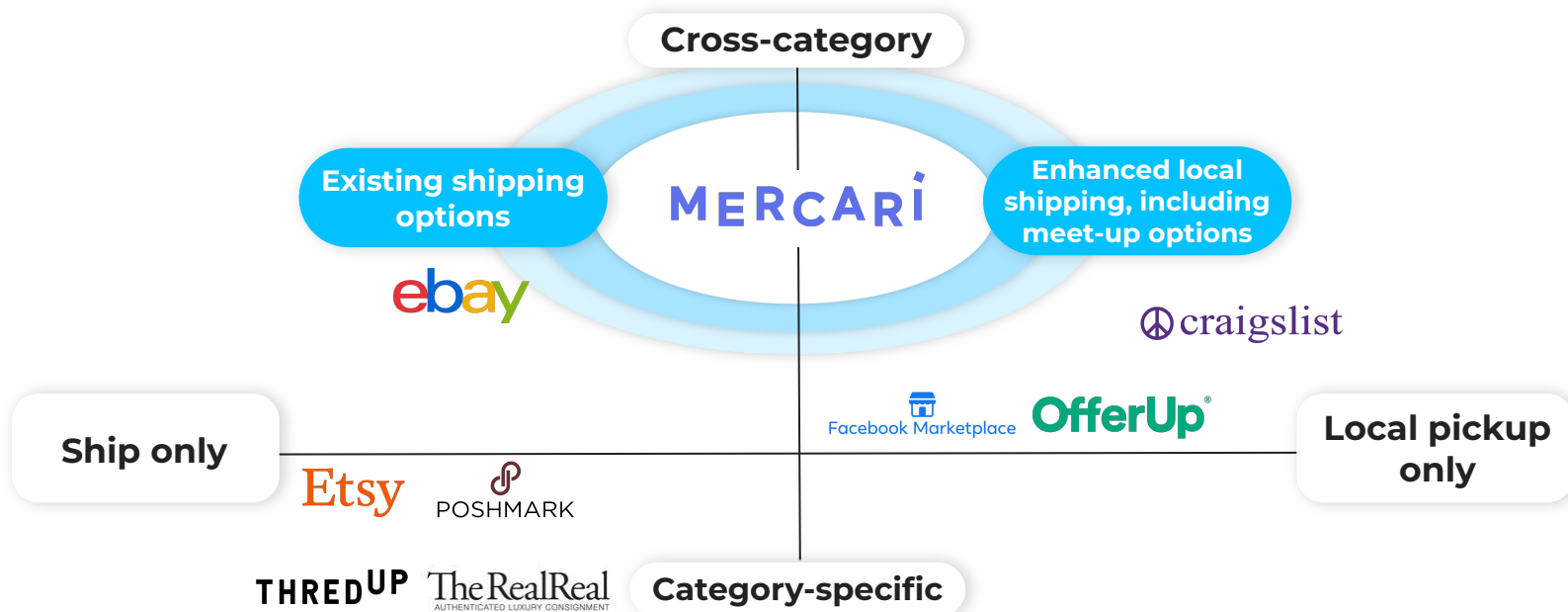
US Reuse Market

■ Offline market
■ Online market
(Billion USD)



US—Market Positioning

- Aiming to be "the easiest and safest selling app" by providing a variety of delivery options in addition to continuing to pursue ease of use toward establishing a unique positioning in the US market
- Strengthening regular delivery and expanding transaction methods to enhance user convenience, including meet-up options

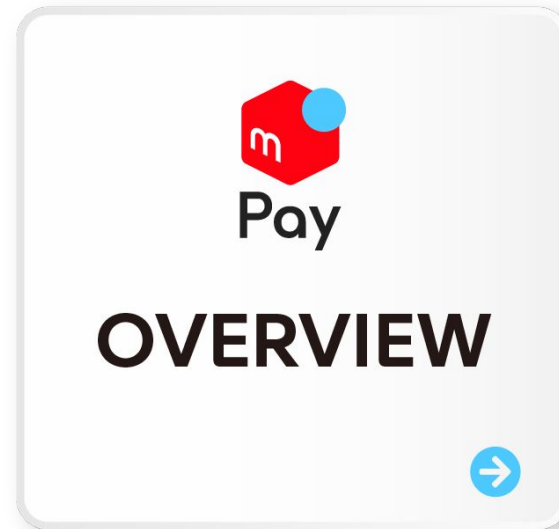


5 For Investors New to Mercari

- Materials that cover basic information regarding Mercari Group



Fact Book link
https://speakerdeck.com/mercari_inc/mercari-fact-book-en



Overview link
https://speakerdeck.com/mercari_inc/merpay-overview-en

Disclaimer

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The FY2024.6 Q3 financial results are scheduled to be released at 15:00 or later on May 9, 2024.

mercari

Mercari, Inc. TSE: 4385