mercari

FY2024.6 Q4 Financial Results FAQ

Consolidated

Q1. Why did your results diverge from the full-year financial forecast disclosed in your financial results for FY2024.6 Q3?

A1. For revenue, the main reason is that GMV slowed more than anticipated due to the effects of product and marketing initiatives for Marketplace being weaker than expected. For core operating profit, we strengthened our investment discipline across the group given Marketplace's top-line situation, which led to a higher core operating profit than we had anticipated. For profit attributable to owners of parent, this was mainly due to the increase in core operating profit.

Q2. Why did your number of employees decrease QoQ in Q4? What is your current outlook?

A2. This is mainly due to carrying out a restructuring of the organization in the US, including reductions to the workforce. In FY2025.6, we will continue hiring in mainly areas of high growth, and we expect the number of employees to increase across the Group.

Q3. Why is there a large difference between core operating profit and IFRS operating profit for FY2024.6 Q4?

A3. This is because we recorded temporary expenses caused by the restructuring of the US organization as "Other expenses" in FY2024.6 Q4.

Marketplace

Q4. Why did your GMV growth rate for Q4 land at +6 YoY, a number far lower than the outlook disclosed in FY2024.6 Q3?

A4. In FY2023.6 Q4, GMV grew significantly, with a growth rate of +15% YoY, due to surges in prices as a result of the boom in popularity of the trading card industry. This raised the bar for GMV for FY2024.6. In FY2024.6 Q4, we planned to grow GMV through both marketing and product improvements, such as the Safe Appraisal feature, which should have had a positive effect on AOV. However, due to factors such as the features being unfamiliar to users, we were not able to see the effects that we hoped for within the quarter. As a result, GMV growth rate landed significantly lower than the outlook we had previously disclosed in Q3.

Q5. How likely are you to achieve your FY2025.6 target GMV growth rate of around +10%?

A5. A GMV growth rate of around +10% is a high target, but we will aim to achieve it with high growth areas such as crossborder and B2C, both of which have already shown significant growth in FY2024.6, as drivers. We will also activate C2C transactions by redesigning UI/UX using AI/LLM and strengthening high-price categories.

Q6. How much do you expect to invest in *Mercari Hallo* in FY2025.6?
A6. We do not plan to disclose the amount of investment in *Mercari Hallo*, but it is included in Marketplace's FY2025.6 guidance of an adjusted operating margin of 37–42%.

Fintech

Q7. What was the cause behind achieving a core operating profit of 0.9 billion JPY in FY2024.6 Q4?
A7. In the Fintech business, we have been working to establish a revenue base centered around our credit services. As credit balance has steadily accumulated, mainly through *Merpay Smart Payments* (fixed-amount payment), the collection rate has achieved a high level of 99.2% as of FY2024.6 Q4 as a result of enhancing the accuracy of our unique credit logic utilizing AI credit and taking stronger collection actions. This has significantly enhanced our profitability. Additionally, we placed strong emphasis on investment discipline across the Group, enabling us to record a core operating profit of 0.9 billion JPY.

US

Q8. In FY2024.6 Q4, why did revenue continue to drop, and why did adjusted operating losses increase?
A8. With regard to revenue, external factors, such as the extended period of inflation, continue to have a large impact. Additionally, in late March 2024, we changed our fee model from one in which sellers pay a 10% fee to one in which the buyer pays fees that fluctuate depending on category, brand, and other factors, and we are still in the process of finding appropriate fee rates; this change in take rate also had an impact on revenue. The decrease in revenue caused adjusted operating losses to increase. The temporary expenses caused by the restructuring of the organization in Q4 are recorded as "Other expenses" and have no impact on operating profit.

Q9. How will you drive the business going forward to break even in FY2025.6?
A9. By carrying out a restructuring of the organization, including reductions to the workforce, in FY2024.6 Q4, we minimized fixed costs and believe our organization is prepared to break even. In FY2025.6, we will continue robust management while carrying out product initiatives, such as crossborder transactions with *Mercari* in Japan and enhancing the accuracy of the new fee model, to aim to get back on track for growth.