



FY2022.6 Q1

PRESENTATION MATERIAL

mercari

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FY2022.6 Q1 Summary

1 FY2022.6 Q1 Progress & Highlights

Consolidated		
<ul style="list-style-type: none"> Overall there have been no changes made to our business policy announced at the beginning of the fiscal year. All initiatives related to our three pillars and new businesses are progressing as planned. We are continuing to invest aggressively to achieve sustainable growth and maximize future profits. 		
Mercari JP	Merpay	Mercari US
<ul style="list-style-type: none"> Remain on track to hit our targets of +20% or higher YoY GMV growth rate and 30% or higher adjusted operating margin for the full year Achieved a significant milestone with 20 million MAU for a single month in September 	<ul style="list-style-type: none"> Achieved quarterly profitability¹ for the first time Growth in the number of users and total balance is as expected, with the credit area established as the profit base 	<ul style="list-style-type: none"> Launched new services such as <i>Mercari Local</i> (same-day delivery) and a buy now, pay later (BNPL) service GMV growth rate bottomed out in July and is now back on track to reach +20% or higher for the full year
Souzoh	Mercoin	Kashima Antlers
<ul style="list-style-type: none"> Response during the advance opening was better than expected, with many businesses requesting to open stores despite the limited number of stores and features 	<ul style="list-style-type: none"> Preparing to start our businesses Making good progress towards our recruitment target of 100 people this FY, with both the management layer progressing well and the foundation of the organization growing stronger 	<ul style="list-style-type: none"> Still impacted by COVID-19 restrictions, but steadily promoting businesses overall Promoting our second crowdfunding project (investment for ground maintenance for Antlers Academy)

1. Before excluding internal transactions with Mercari (outsourced payment processing fees)

1 FY2022.6 Q1 KPI Summary

Consolidated

Net
Sales

33.6 billion JPY
(YoY +52%)

Excluding the impact of
accounting policies on sales

28.8 billion JPY
(YoY +30%)

Operating
Income

0.8 billion JPY
(YoY +0.4 billion)

Mercari JP

GMV¹
YoY **+19%**

Adjusted Operating Margin
26% (YoY -3ppts)

Merpay

Number of Users²

11.3 million

Mercari US

GMV¹
YoY **-6%**

MAU³
4.8 million (YoY +18%)

1. Aggregated transaction value after adjusting for cancellations (the GMV of Mercari JP does not include the GMV of Mercari Shops)

2. Aggregated number of unique users who have registered for *Merpay Electronic Money* or used *QR Code Payments*, *Online Payments*, or *Merpay Smart Payments* (lump-sum payment or fixed-amount payment), etc. as of the end of September 2021.

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

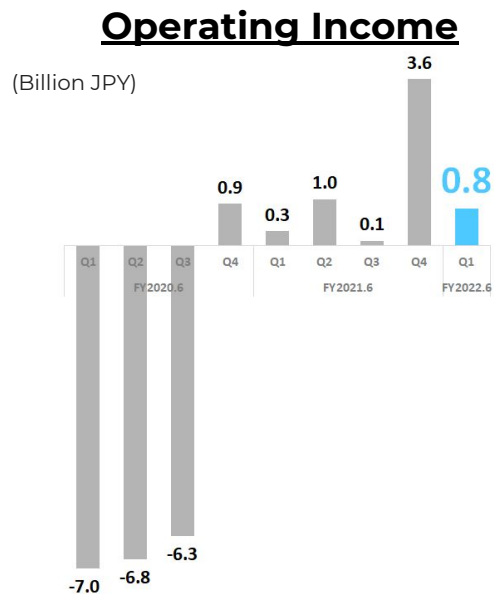
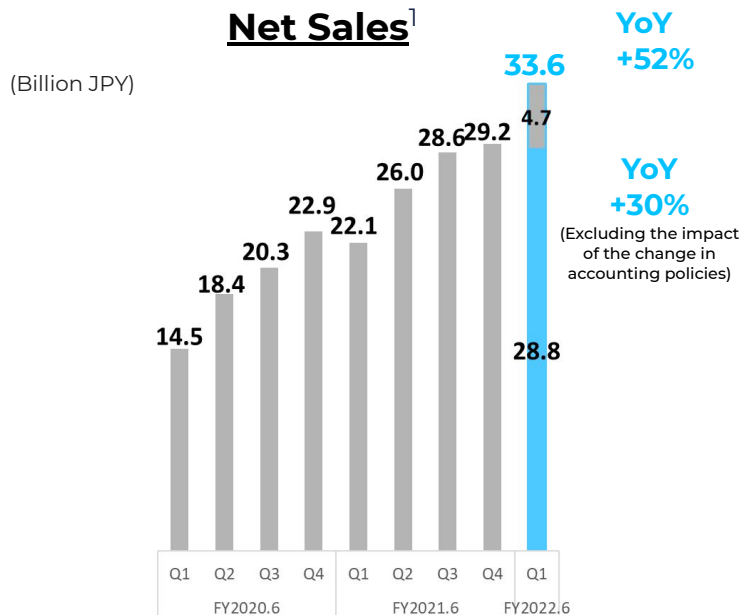


FY2022.6 Q1 Financial Highlights

Financial Highlights

Consolidated Net Sales & Operating Income

- In addition to steady growth of the three pillars, Q1 net sales increased mainly as a result of the change in accounting policies for recording sales of Mercari US.
 - Excluding the impact of accounting policy change, which totaled 4.7 billion yen, net sales for Q1 were 28.8 billion JPY (YoY growth rate +30%).

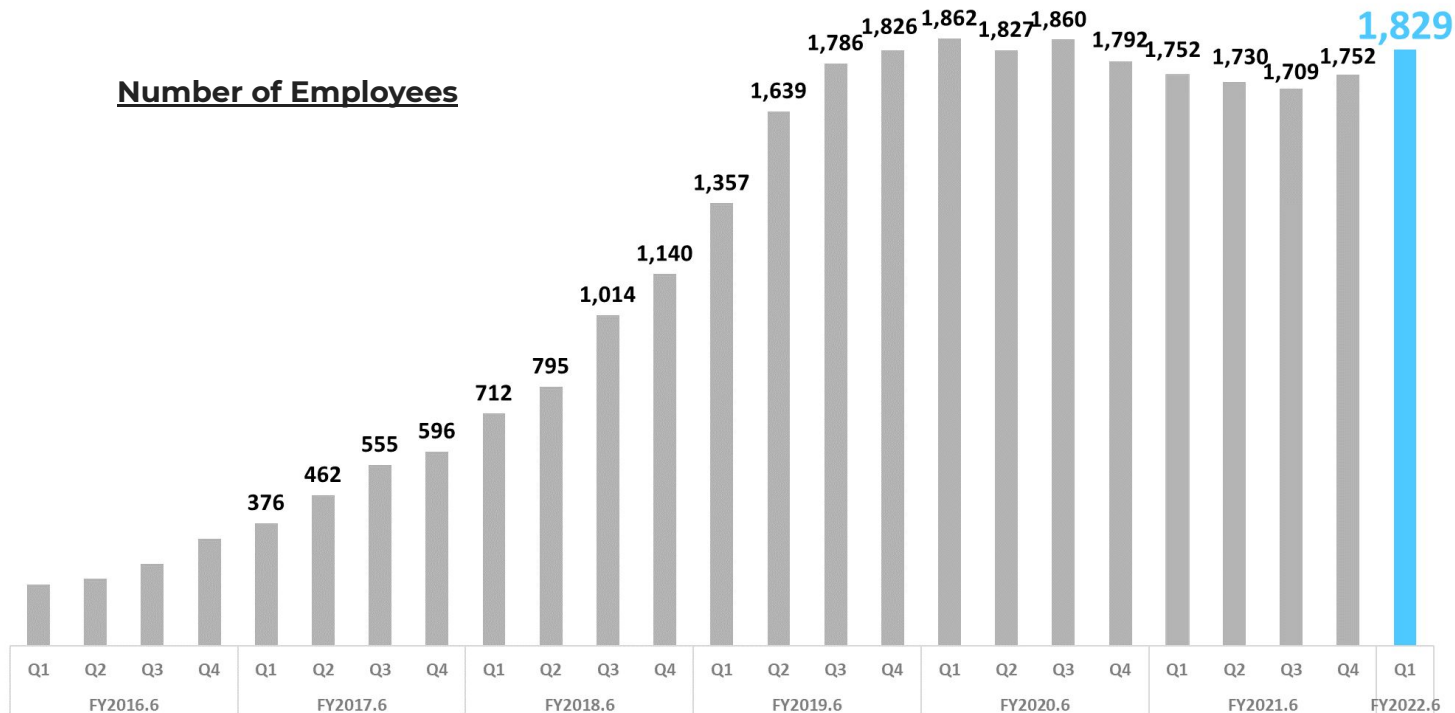


1. Due to the adoption of the new sales recognition standards under J GAAP, as of FY2022.6 Q1 Mercari US shipping revenue and costs are to be calculated based on gross results instead of net results. Net sales increased mainly due to this change. The gross results for Mercari US are nearly double those of the net results.

2 Talent Supporting Mercari's Growth

- Increased headcount in Q1 after strengthening hiring initiatives at the end of last year as a key step toward supporting our mid- to long-term vision.
- Expect to continue aggressively recruiting for key positions across the group.

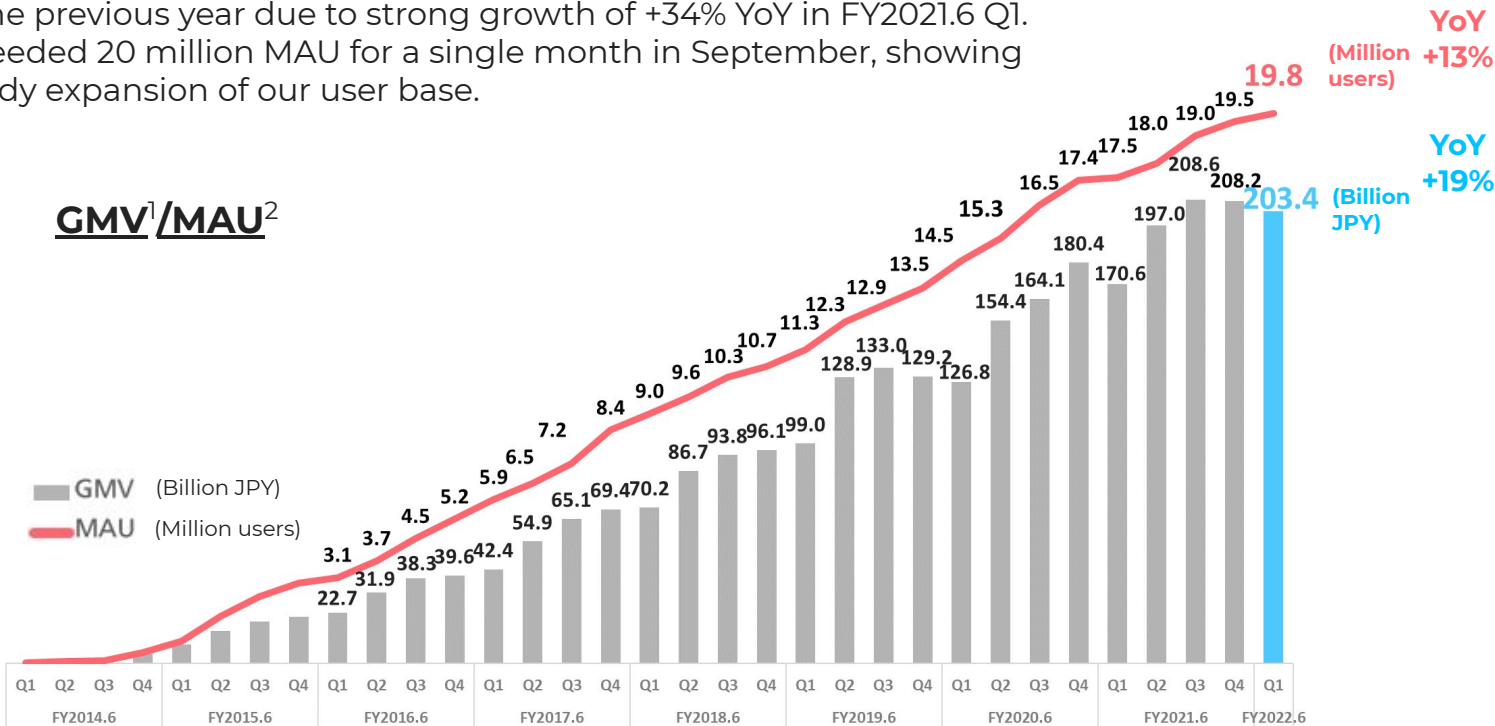
Number of Employees



Mercari JP—GMV/MAU

- GMV continued to grow at a high rate of +19% in Q1 despite the high hurdle of the previous year due to strong growth of +34% YoY in FY2021.6 Q1.
- Exceeded 20 million MAU for a single month in September, showing steady expansion of our user base.

GMV¹/MAU²

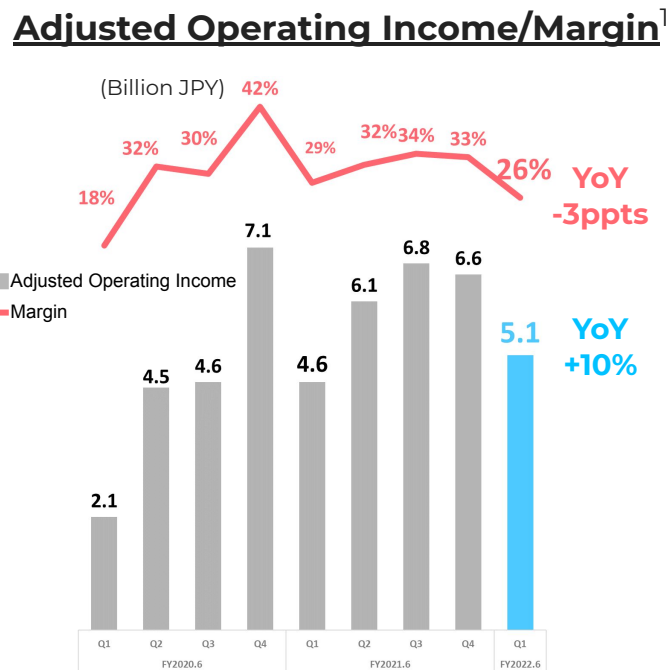
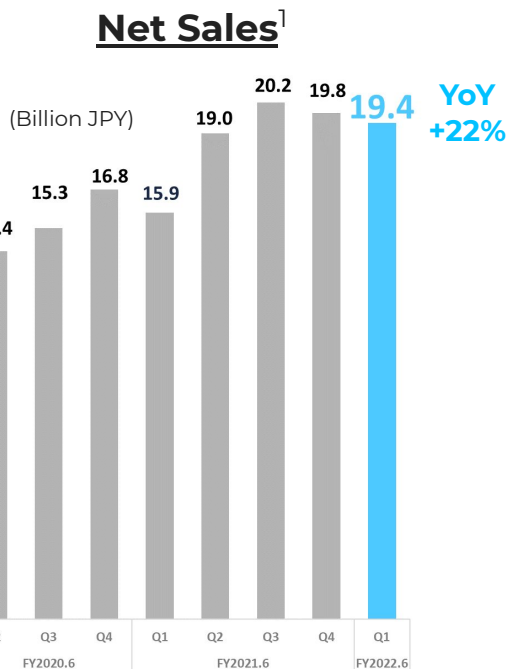


1. Does not include the GMV of Mercari Shops

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

Mercari JP—Net Sales/Adjusted Operating Income

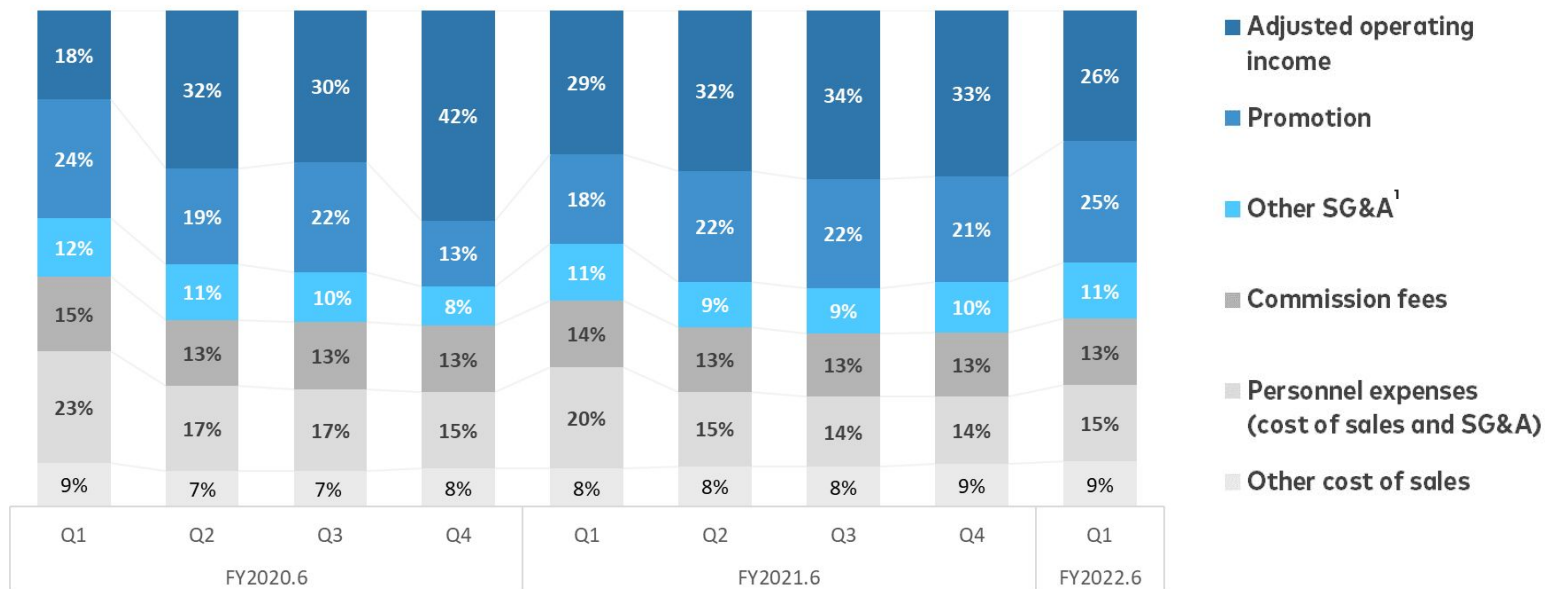
- Expect to see increased operating margin due to higher sales for our typical high season from Q2 onwards.
- No change in our policy of targeting an adjusted operating margin of 30% or higher.



1. From FY2022.6 Q1, to compare business results (YoY) exclusively for C2C transactions, the net sales shown here represent only the C2C results.

Mercari JP—Cost Structure Against Net Sales

- The increase in percentage of promotion costs was due in large part to investments to acquire new users and activate existing users for future growth.

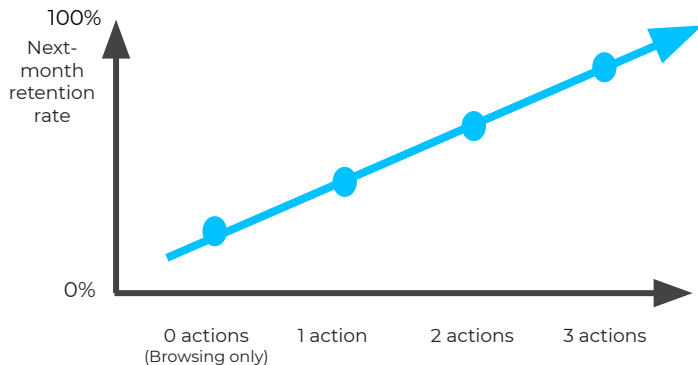


1. Outsourcing expenses, rent, and taxes & dues

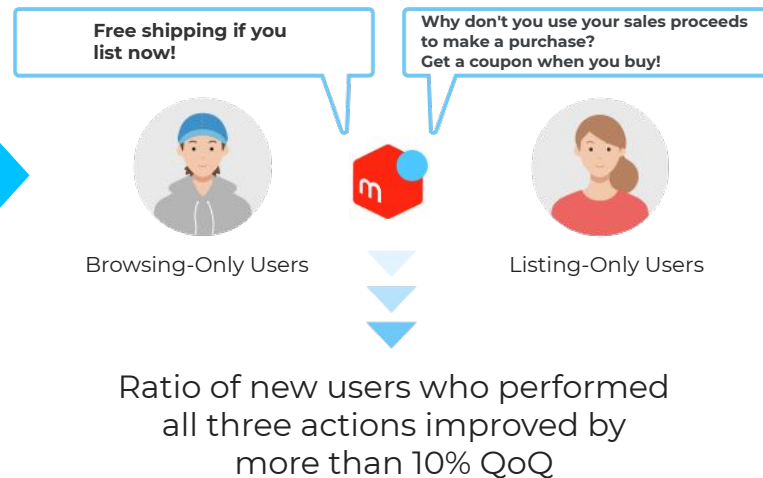
Mercari JP Promoting Cross-Use¹ to Lift User Retention Rate and ARPU

- In addition to acquiring new users through invitation campaigns, we have implemented cross-use initiatives (listing, buying, and *Merpay* payment) for new users since Q1 in order to increase retention of new users.
- We plan to promote cross-use for existing users as well as to increase ARPU from Q2 onwards.

Retention rate tends to increase as cross-use increases



Specific initiatives and their results

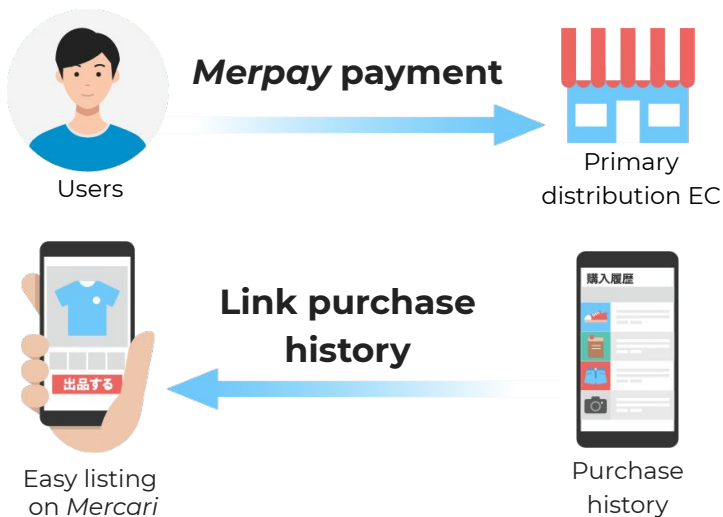


1. Initiatives encouraging users to use *Merpay* payment in addition to buying and listing items on *Mercari*.

Mercari JP Promoting Integration of Primary & Secondary Distribution

- Goods purchased on Marui's online store using *Merpay* payment can now be linked to *Mercari*'s "Inventory List" feature, enabling a seamless listing experience (a total of 14 companies support the Inventory List feature).
- We are continuing to strengthen cooperation with primary distribution to build a circular economy.

Inventory List integration



Collaboration with Marui to date

- In order to acquire the targeted 36 million potential listers, operating Mercari Stations at 11 stores currently¹
- In addition to Mercari Workshops, in which users can learn how to use *Mercari*, there are photo shooting and packing booths and Mercari Posts
- Mercari Station is an offline place where users can experience *Mercari* and learn more about our service



1. As of October 2021

2 Merlogi—Starting a Logistics Service Business

- As Mercari's GMV has grown over the years, there has also been an increased workload on shipping operations and more.
- In order for Mercari to see continuous growth, we have decided to launch a logistics service business to create sustainable shipping operations and improve the shipping UX.

Reducing the operational load on post offices / CVS¹

Example of past initiatives

Mercari Posts – installed in approx. 1,000 locations – allow users to ship items without having to line up at the counter

Example from a convenience store:
One package shipped from a Mercari Post saves approx. 60 seconds of work at the register

Improving shipping UX

While we have worked on offline initiatives and ways to simplify how users send packages, there are still issues in the overall shipping process



I know how to list items, but shipping is hard because the size of the item determines how it is shipped and where I drop it off...



It's hard to list items because I don't know how much shipping is going to cost...

Reducing environmental burden when shipping

Mercari is working to advance the creation of a circular economy where finite resources are used sparingly

Example of past initiatives

Developed the Mercari Eco Pack reusable packaging materials



¹ Convenience stores

2 Merlogi—Focus Areas and Strengths

- Planning to focus on some of the initial steps of package logistics
- Working with other logistics partners to create an assetless logistics business that does not require large-scale investment

Focus Areas

- Will take on the new challenge of optimizing and providing added value to the package pickup process in collaboration with logistics partners
- Will continue to work with partner companies to optimize last-mile delivery solutions



Merlogi's Strengths

Using Mercari data to expand

- Can maximize efficiency of pickup by focusing on areas with high volumes of items shipped

Leveraging Mercari's touchpoints

- Mercari Posts are now available at approx. 1,000 locations (Expecting to expand to 8,000 touchpoint locations by the end of 2024)

Providing added value in the pickup process

- Packaging-free shipping (in testing since Apr 2021)
- Services providing high added value in Mercari's package pickup logistics network, such as cleaning/repair (to be launched in spring 2022)

2

Souzoh—Response to the Advance Opening of Mercari Shops

- Response to the advance opening exceeded projections, with many businesses applying to open shops despite the limited number of stores accepted and features.
- Popular categories so far include food, handmade goods, apparel, and goods for home use.
- First-time online store openings represent 57% of Mercari Shops accounts¹, showing steady progress toward our objective of providing a place where anyone can easily sell products online.

Popular categories



Food

Local specialties from farmers, fishermen, and restaurants



Handmade

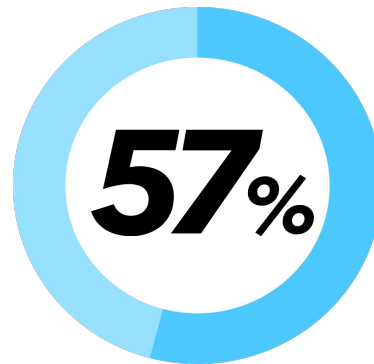
Original handmade products



Apparel

Apparel brands from creators

Percentage of first-time online store openings¹



1. Based on the results of a survey at the time of application for advance store opening. Survey period: August 1, 2021–September 22, 2021

2

Souzoh

Mercari Shops Full Rollout Details & Future Initiatives

- Following the full rollout on October 7, all businesses (individuals and companies) can now open their own store. Functionality was expanded with added support for RakuRaku Mercari Shipping, which was something many store owners were requesting.
- In order to continue attracting more new store owners, we are running a promotion to charge no selling fees from October 7 to December 31.
- On the functionality side, we will continue to improve shipping options and leverage the web to attract new store owners.

Current feature expansion

Added RakuRaku Mercari Shipping

- Flat-rate nationwide
- Anonymous shipping
- No need to fill out shipping labels

Expanded listing categories

- Support for listing of liquor products

Launched follow feature

- Buyers receive a notification when the sellers they follow list an item

Planned future updates

Shipping

- Improve Mercari Shipping for businesses
- Provide refrigerated shipping support for Mercari Shipping

Leveraging the web

- Allow the creation of custom web pages for stores
- Offer the ability to manage listings on the web

2 Merpay—A Single Wallet

- A single wallet for payment, credit, and Growing Wallet.

Payment

Various payment methods available:
iD payment, code payment, and virtual card

Virtual Card

Input a number



iD Payment

Hold your phone
over a reader



Code Payment

Scan the code



Credit

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

Lump-Sum Payment

Pay for everyday
purchases all at once
the following month



Fixed-Amount Payment

Treat yourself now and pay
over several months at a
fixed amount of your choice



NEW

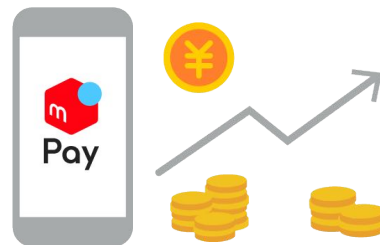
Smart Money¹

Borrow when needed and repay flexibly:
interest rates fluctuate depending on the
borrower's usage of *Mercari*

Growing Wallet

Started services allowing users to use
their *Merpay* balance for asset
management and more

Asset Management



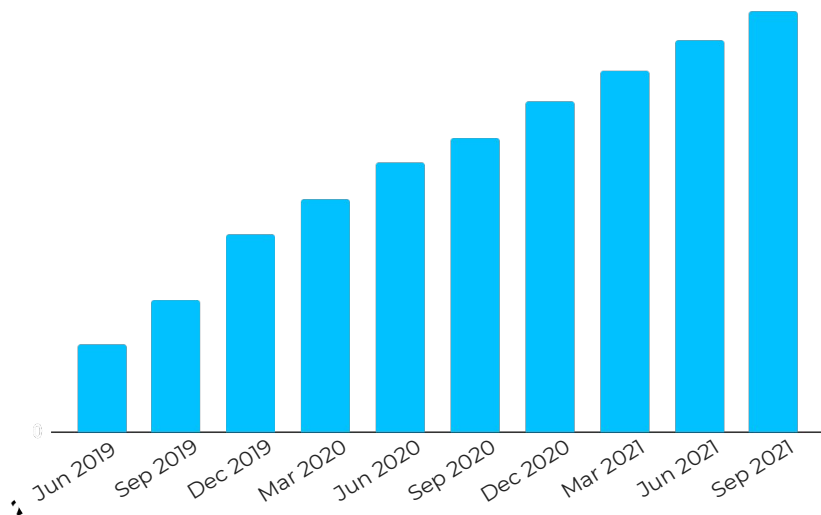
1. Launched on August 3, 2021

Merpay—Credit

Merpay Smart Payments (lump-sum/fixed-amount payment)¹

User growth progress

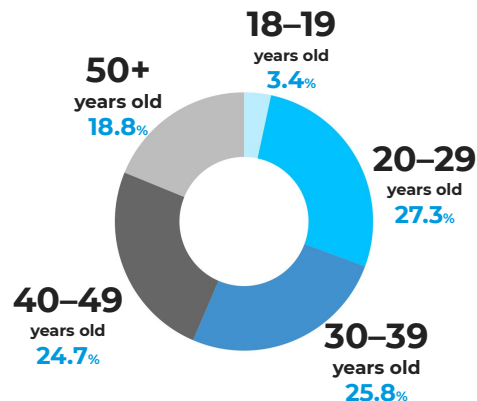
Steady growth in number of users since the service launched



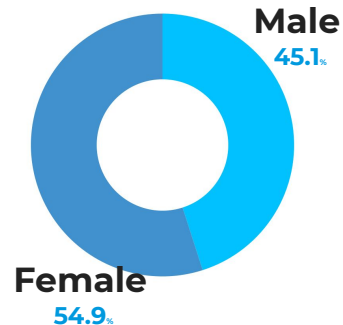
User demographics²

Users of all ages and genders

Age



Gender



1. Lump-sum payment: Not available for persons under 18 years old. For persons ages 18 and 19 years old, the maximum usage amount is 50,000 yen and parental consent is required.

Fixed-amount payment: Not available for persons under 20 years old. The usage limit is 300,000 yen in total for lump-sum payment and fixed-amount payment.

2. As of September 2021

Merpay—Credit

AI Credit

- Became the first company in Japan to be certified for AI credit¹ on August 27, 2021.
- Able to more flexibly and appropriately grant credit and design services than before.

- Estimated payable amount for payment can be calculated based on the usage history of *Mercari*
- Appropriate credit can be provided based on behavior information held internally such as usage history without using information from credit information agencies



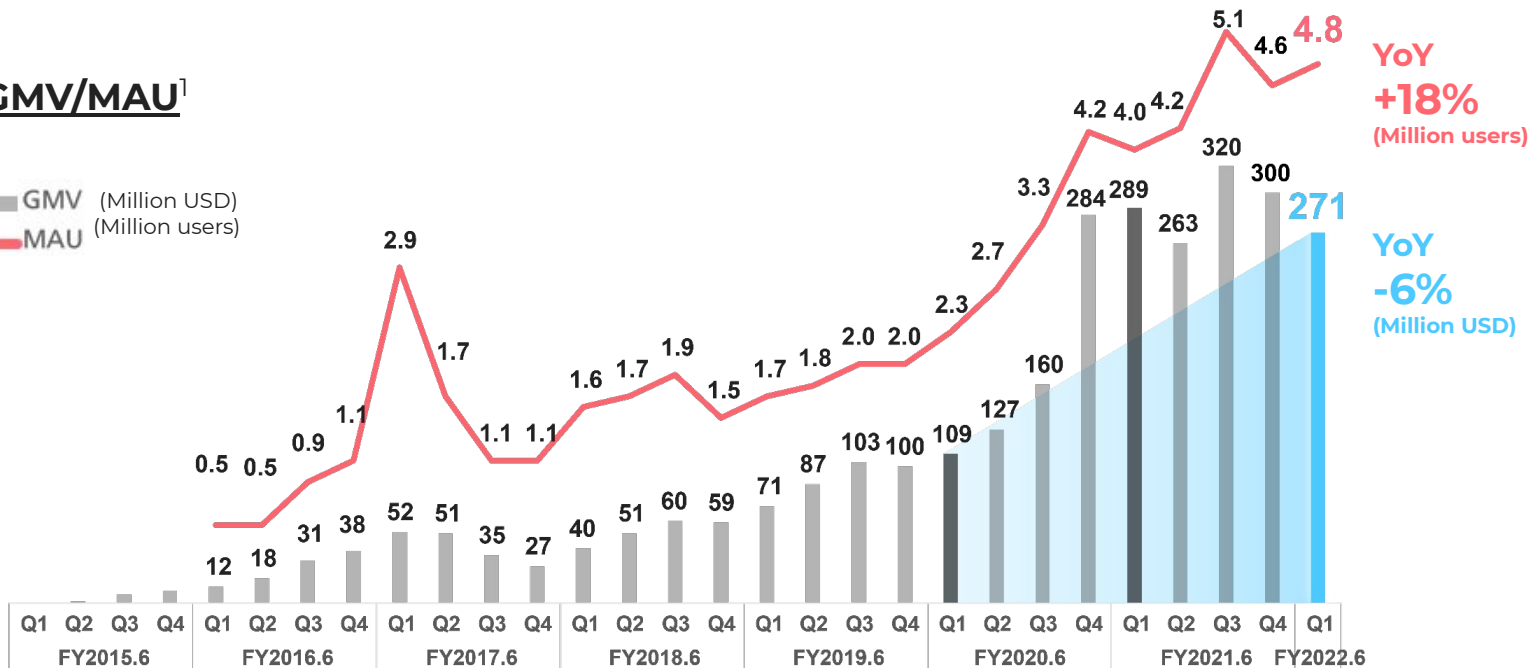
1. "Comprehensive Credit Purchase Intermediary" in Installment Sales Act. ((Certification) No.1 / Registration date: August 27, 2021)

Mercari US—GMV/MAU

- The Q1 result of -6% YoY GMV was within the range of expectations and due to the significant growth in FY2021.6 Q1 (YoY +165%) impacted by COVID-19. The rapid growth a year ago was mainly supported by a temporary increase in buying frequency, which has now normalized to pre-COVID levels.

GMV/MAU¹

■ GMV (Million USD)
— MAU (Million users)



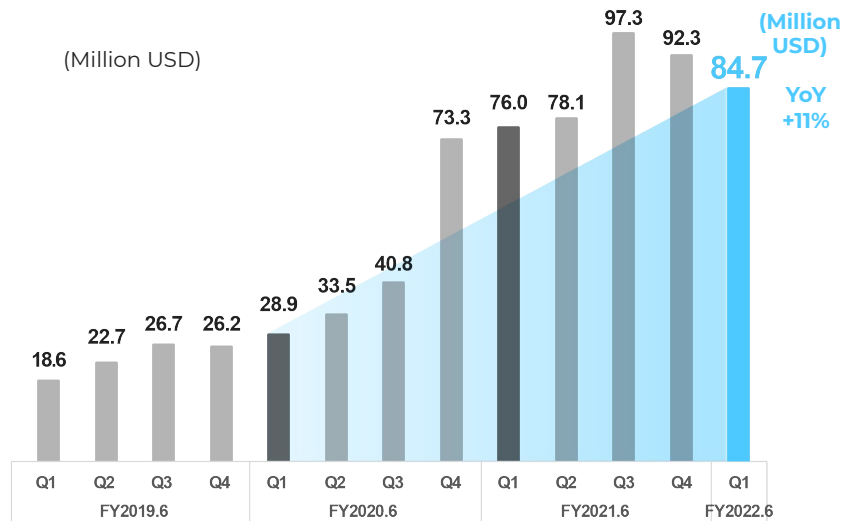
1. Quarterly average number of users who browsed our service (app or web) at least once during a given month.

Mercari US—Q1 Sales/Adjusted OP (US GAAP)

- Sustained positive YoY sales growth despite negative GMV growth, due to PPF adoption in FY2021.6 Q2.

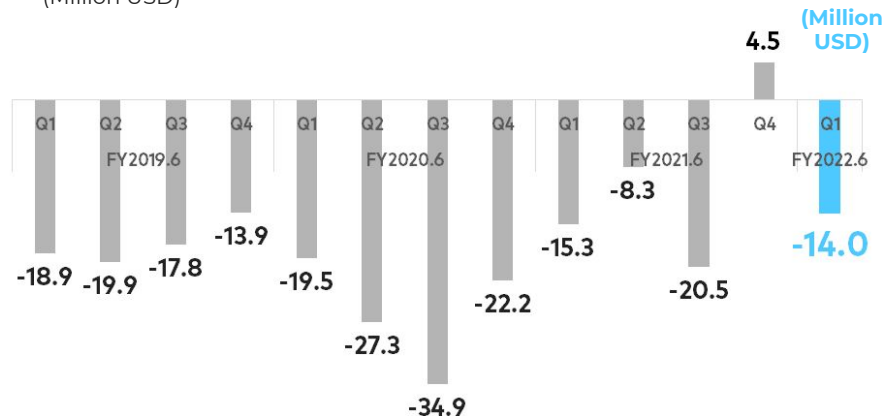
Sales

(Million USD)



Adjusted Operating Profit¹

(Million USD)



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

Mercari US—Q1 Business Objectives Update

- Objectives progressing as planned, including the key area of strengthening the organization with a significant increase in Q1 in engineering capability, which remains an area of focus for further enhancement.
- Planning an acceleration in marketing spending towards the holiday season to support initiatives.

Automation & Personalization

- Development of automation for more effective and targeted messaging (based on timing, content, etc.) is showing signs of lifting retention of both buyers and sellers

Shipping Innovation

- *Mercari Local* (same-day delivery service) is showing positive early signs including driving transaction volume of higher unit price goods

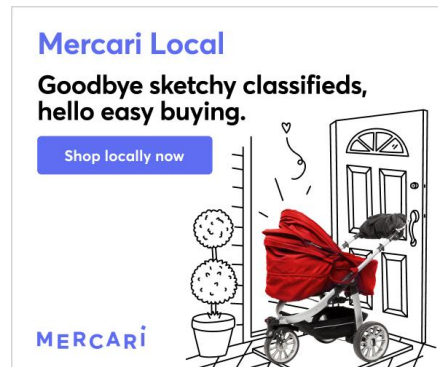
Ease of Use

- The buy now, pay later (BNPL) service launched in September in partnership with Zip is showing strong buyer adoption and contributing to the acquisition of users and significant increases in transaction unit price

Mercari US

Growth Strategy to Achieve a Full-year GMV Growth Rate of 20% or More

- Accelerating GMV growth rate on a monthly basis following the bottoming out in July.
- Remain confident in achieving 20% full-year growth in part due to enhanced initiatives going into the holiday season and expected expansion of *Mercari Local* and our BNPL payment service.



- Anticipating logistics networks being strained during the end-of-year holiday period, we are working steadily to capitalize on increasing demand for secondhand gifts by strengthening Mercari's unique shipping methods such as *Mercari Local*.
- Leveraging *Mercari Local* and BNPL payment service initiatives to help acquire users and unlock new inventory going into and beyond the holiday season.



Appendix

Board of Directors Structure

- Aiming to globalize our business, we have invited a new director with expertise in global management to serve as one of the independent outside directors.

5 Directors

Directors (2)



Shintaro Yamada
(Re-appointment)
Chief Executive Officer



Fumiaki Koizumi
(Re-appointment)
President
CEO of Kashima Antlers F.C.
Co., Ltd.

Independent Outside Directors (3)



Ken Takayama
(Re-appointment)



Makiko Shinoda
(Re-appointment)



Norio Murakami
(New appointment)

Strong Governance Structure (Independent Outside Directors)



Ken Takayama



Makiko Shinoda



**Norio
Murakami**

Background

- The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.)
- Chief Financial Officer of Rakuten, Inc.
- Outside Director of STAR FESTIVAL INC. (current position)
- Outside Director (Audit and Supervisory Committee Member) of TECHMATRIX CORPORATION (current position)
- Outside Director (Audit and Supervisory Committee Member) of Metaps Inc.
- Outside Board Member of MEDIA DO Co., Ltd. (current position)
- The Long-Term Credit Bank of Japan, Limited (currently 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)
- Hitachi Electronics Corporation (now Hitachi Kokusai Electric Inc.)
- Chairman Emeritus of Google Japan, Inc. (currently Google Japan G.K.)
- External Director, V-cube, Inc. (current position)
- External Director, Weathernews Inc.
- Chairman and Representative Director, ENERES Co., Ltd.
- Outside Director, CellSource Corporation (current position)

Reasons for Selection as Outside Directors

- Specialized knowledge and extensive experience in the financial business and managing internet services companies.
- Professional knowledge and deep experience in D&I, ESG, finance, etc.
- Management experience and technical knowledge of global companies

(Million JPY)	FY2020.6 Q4	FY2021.6 Q4	FY2022.6 Q1
Total current assets	169,277	227,926	252,302
Cash and cash equivalents	135,747	171,463	191,349
Other receivable	15,612	47,001	54,359
Total fixed assets	28,736	34,603	46,643
Total assets	198,014	262,529	298,945
Total liabilities	162,645	222,516	256,653
Other payables	16,206	17,775	18,650
Deposits received	83,954	117,099	123,459
Short-term debt¹	900	55,000	28,373
Long-term debt	51,547	16,148	26,098
Total net assets	35,368	40,013	42,292
Total liabilities and net assets	198,014	262,529	298,945

1. Includes long-term borrowings planned to be repaid within 1 year.

(Million JPY)	FY2020.6 Q1	FY2021.6 Q4	FY2022.6 Q1	Growth YoY	QoQ
Net sales	22,156	29,214	33,634	+51.8%	+15.1%
EBITDA ¹	587	3,847	1,049	+78.6%	-72.7%
Margin (%)	2.7%	13.2%	3.1%	-	-
Operating income	364	3,656	849	+133.4%	-76.8%
Margin (%)	1.6%	12.5%	2.5%	-	-
Loss attributable to owners of parent	4,281	2,144	-119	-	-

1. Operating income + Depreciation and Goodwill amortization

(Billion JPY)	FY2021.6 Q1(Jul-Sep)	FY2021.6 Q4(Apr-Jun)	FY2022.6 Q1(Jul-Sep)
GMV	170.6	208.2	203.4
YoY	34.5%	15.4%	19.3%
Net sales	15.9	19.8	19.4
as % of GMV	9.4%	9.5%	9.6%
Operating income	2.7	4.3	2.8
Margin(%)	17.0%	21.8%	14.7%
Adjusted operating income	4.6	6.6	5.1
Margin(%)	28.9%	33.4%	26.2%

1. From FY2022.6 Q1, to compare business results (YoY) exclusively for C2C transactions, the net sales shown here represents only the C2C results.

2. Excludes internal transactions with Merpay (outsourced payment processing fees)

Mercari US P&L (US GAAP)¹

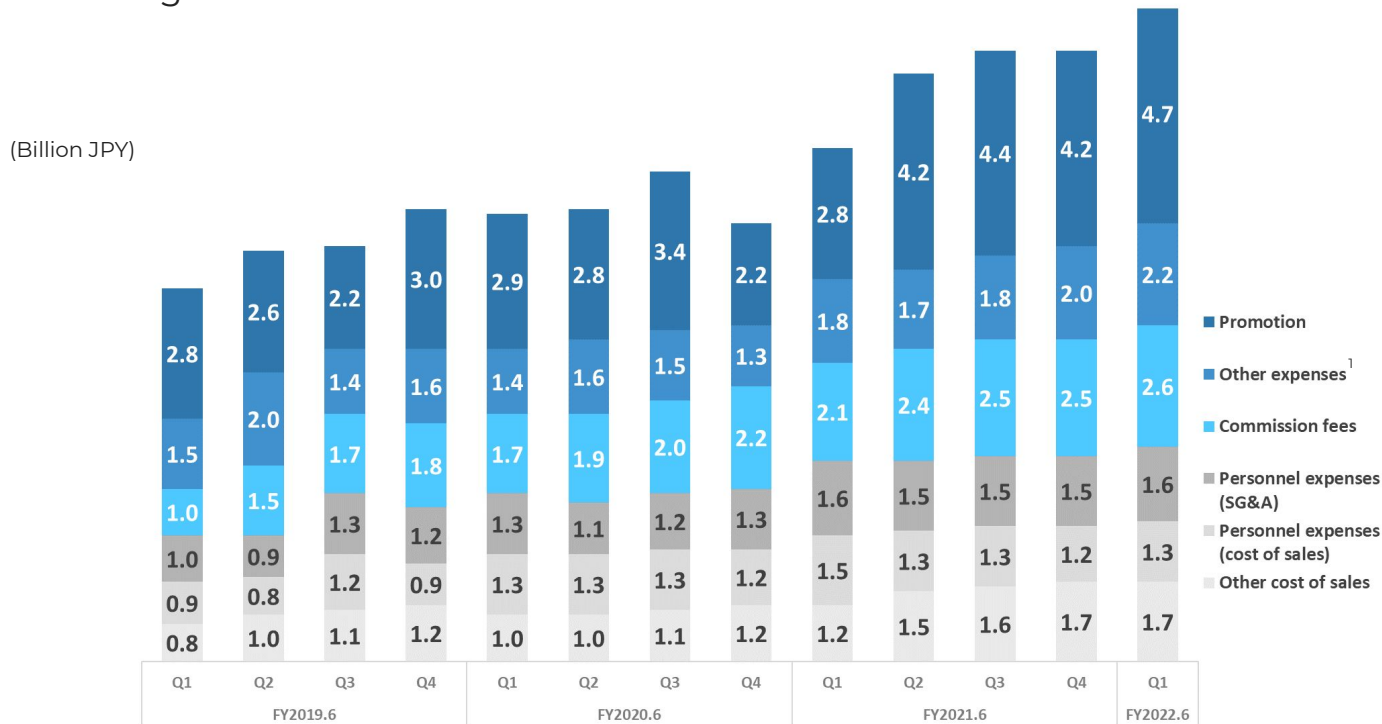
(Million USD)	FY2021.6 Q1(Jul-Sep)	FY2021.6 Q4(Apr-Jun)	FY2022.6 Q1(Jul-Sep)
GMV	289	300	271
YoY	165.3%	5.7%	-6.4%
Net Sales	76	92	84
as % of GMV	26.2%	30.7%	31.2%
Operating income	-18	1	-16
Margin (%)	-23.9%	1.8%	-19.6%
Adjusted operating income ²	-15	4	-14
Margin (%)	-20.1%	5.0%	-16.5%

1. Based on US GAAP. Different in booking method from the figures of Mercari US included in Consolidate PL (J GAAP).

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

3 Mercari JP—Q1 Cost Structure

- The increase of promotion costs was due in large part to investments to acquire new users for future growth.

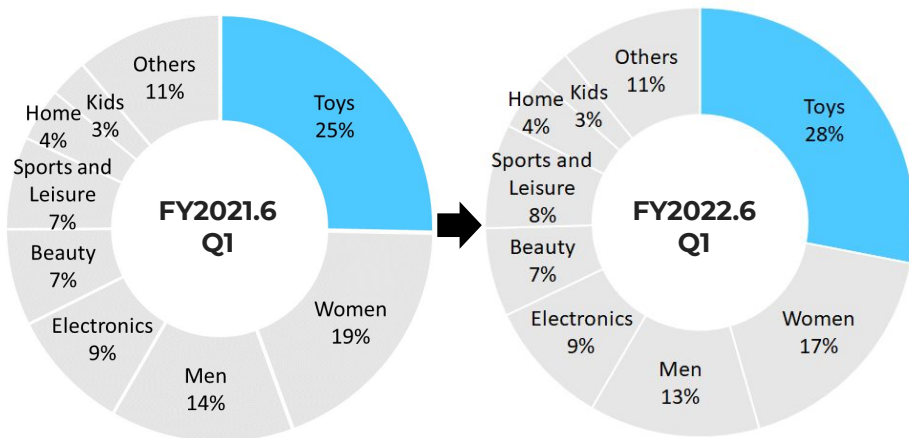


1. Outsourcing expenses, rent, and taxes and dues

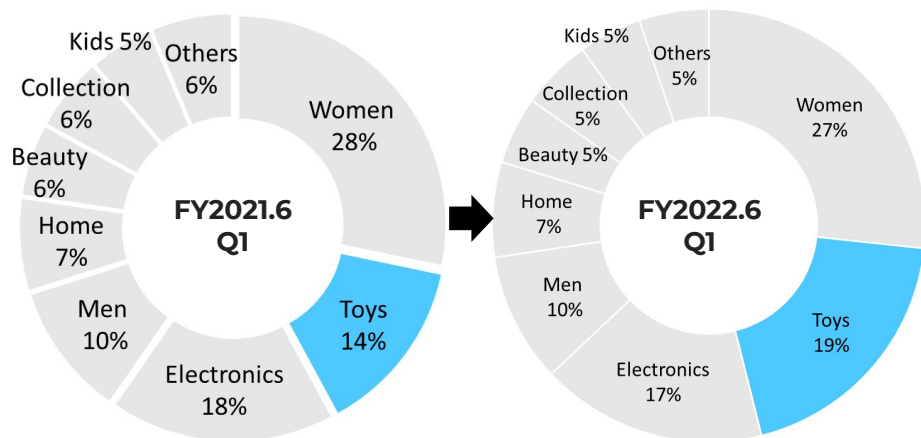
3 Q1 (Jul-Sep)—Category Shift



Toys increased YoY



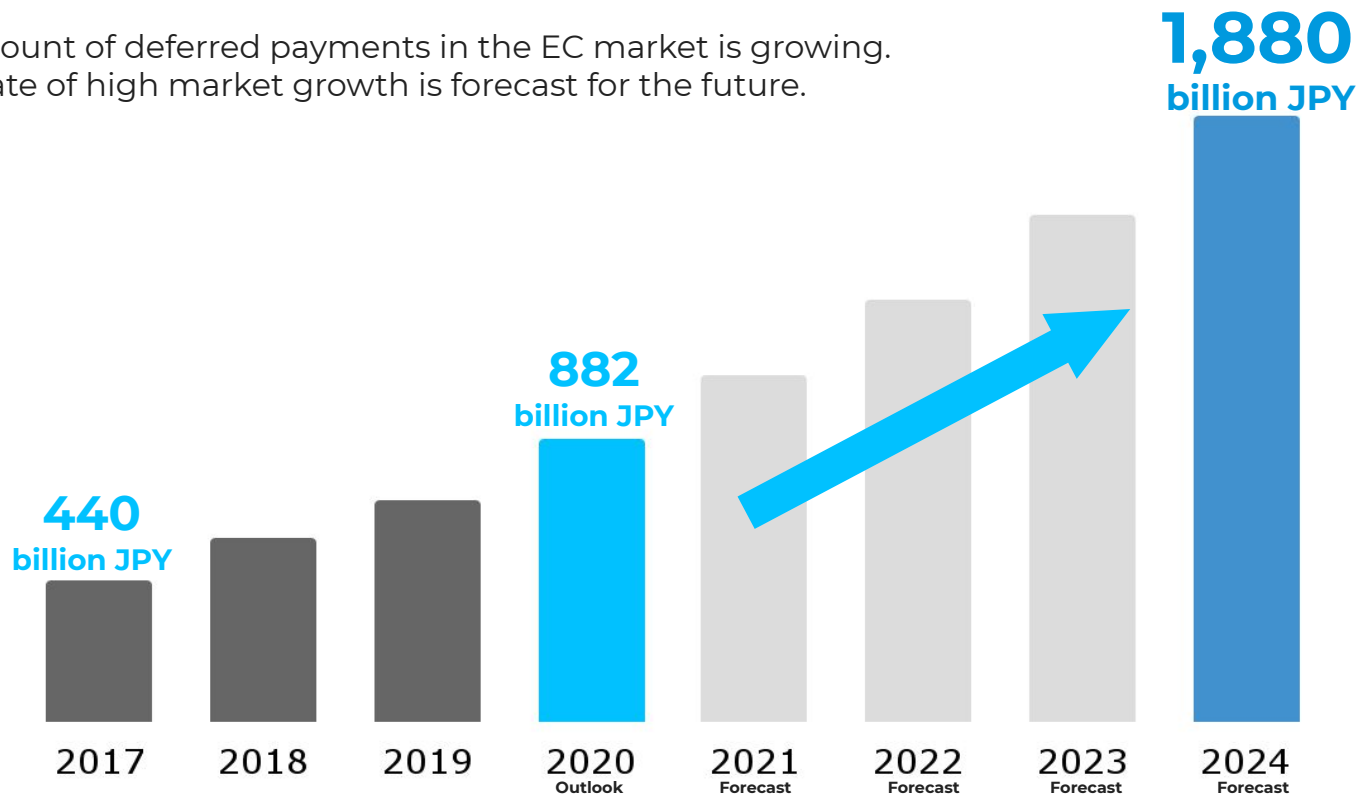
Toys, including trading cards, grew significantly YoY



Merpay—Credit

Volume of Deferred Payment in the EC Market¹

- Amount of deferred payments in the EC market is growing.
- A rate of high market growth is forecast for the future.

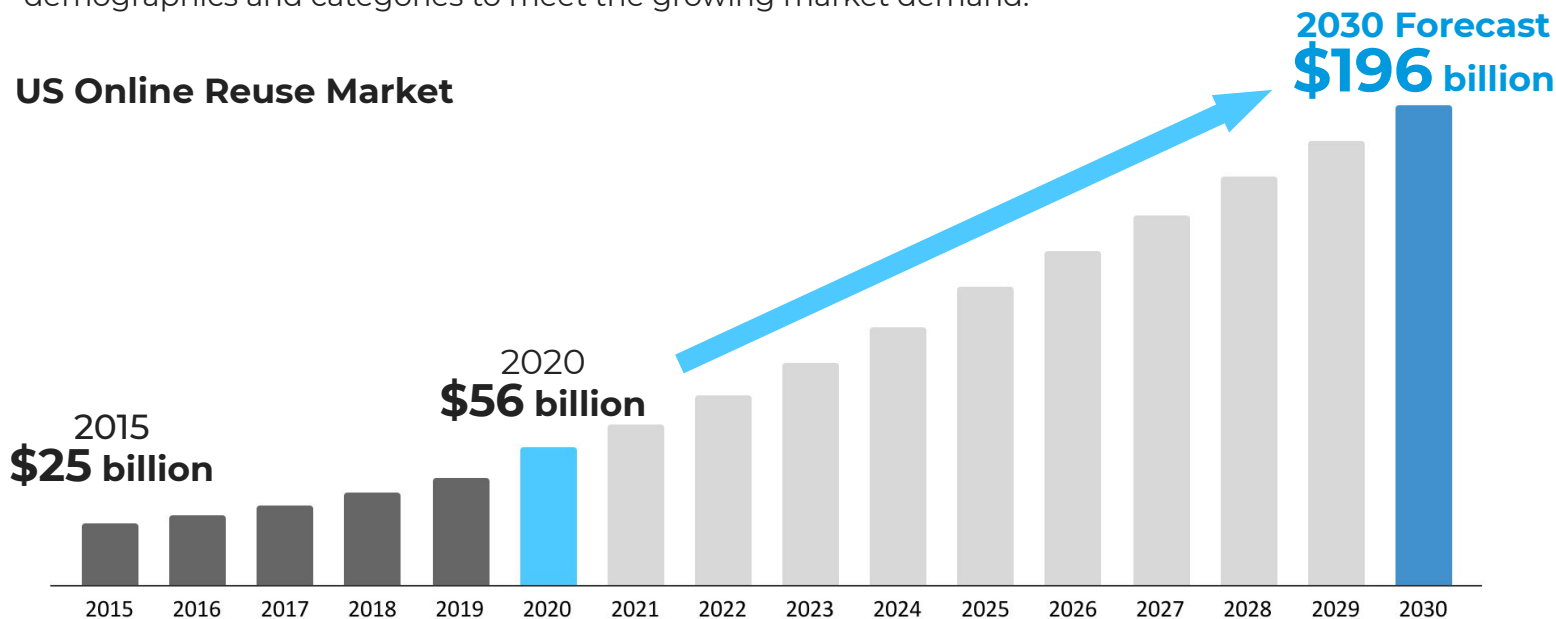


Source: E-commerce Payment Services (Payment Gateway) Market in Japan: Key Research Findings 2021. Survey by Yano Research Institute (notice: based on the transaction amount of deferred payment service providers)

3 Mercari US—US Reuse Market

- The US online reuse market has more than doubled since 2015 and is expected to reach approx. 200 billion USD by 2030.
- Key categories to watch include apparel and electronics, some of our strongest areas, while the data overall supports our strategy of continuing to strengthen our horizontal marketplace covering a wide range of demographics and categories to meet the growing market demand.

US Online Reuse Market



Source: [Mercari US "The Reuse Report"](#)

ESG—Initiatives in Q1 for Each Material Topic

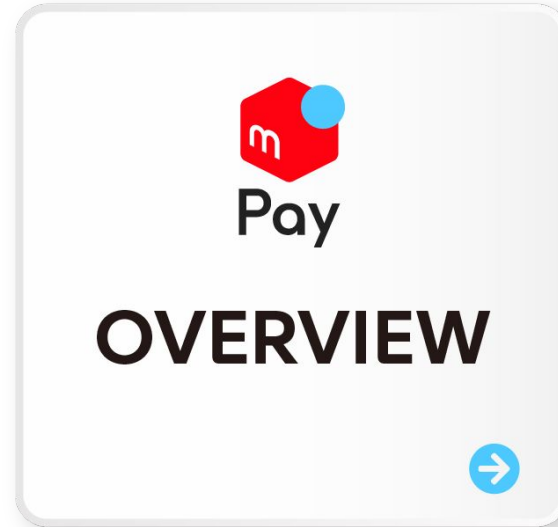
Material Topic	Initiatives in Q1
1 Creating a Circular Economy/Mitigating Climate Change	<ul style="list-style-type: none"> • Took part in global initiatives (supported the TCFD and replied to CDP questionnaires) • Added 59 groups that promote Mercari and the circular economy as recipients of the funds collected through the Mercari Donation feature
2 Diversity & Inclusion	<ul style="list-style-type: none"> • Entered into a school education partnership with Kamiyama College (tentative name) for the promotion of Diversity & Inclusion (D&I) • Implemented Mercari's new normal "Your Choice" policy to accommodate diverse working styles. • Released the Mercari Culture Doc externally. This internally drafted document summarizes the values shared among our employees
3 Local Empowerment	<ul style="list-style-type: none"> • Kicked off the advance opening of Mercari Shops, a service that helps companies start offering online sales and establish their own online shops, through Group company Souzoh • Formed partnership agreements with Souzoh and the communities of Funabashi, Yamada, and Seto • Developed donation packing materials* jointly with the Nippon Foundation as a new way to stimulate donations (Note: Part of the proceeds from buying the packing materials go to the Foundation)
4 Safe, Secure, and Fair Transactions	<ul style="list-style-type: none"> • Ran the first ever Advisory Board on the Ideal Form of a Marketplace • Entered a comprehensive partnership agreement with Asahi Beer to build an environment for safe and secure transactions and to pursue customer satisfaction
5 Corporate Governance/Compliance	<ul style="list-style-type: none"> • Invited Norio Murakami, who is experienced in global corporate management, to join the company as an independent outside director. With his appointment, we aim to foster global business. • Updated the Group's report on corporate governance

3 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

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The FY2022.6 Q2 financial results are scheduled to be released at 15:00 or later on February 3.

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Mercari, Inc. TSE: 4385