

## Financial Results for FY2023.6 Q1 - FAQ

### Consolidated

#### **Q1. What is the status of the fraudulent transaction situation, and what is the future outlook?**

A1. As a result of the countermeasures taken in FY2022.6, such as implementing EMV-3D Secure and establishing a dedicated department across Mercari Group, the financial impact of fraudulent use decreased to 700 million JPY across Mercari Group in FY2023.6 Q1 (compared to 1.6 billion JPY in FY2022.6 Q4). We expect this number to continue to decrease going forward and return to normal levels in the second half of FY2023.6.

### Marketplace

#### **Q2. Are you seeing an impact from inflation in Japan as well?**

A2. While there is a possibility that the widespread price increases of various items in the primary distribution market could impact secondary distribution going forward, we have not seen any clear effects at the present time, and will continue to monitor the situation.

#### **Q3. To what extent do B2C sales contribute to Marketplace GMV?**

A3. At present, we have not disclosed any quantitative targets for B2C. We are first focusing on expanding features to enhance convenience for business owners, with the goal of making B2C a major business for Mercari Group in the mid-to-long term rather than emphasizing short-term growth. Just as it took time for *Mercari* to build up GMV and increase user numbers, a source of sustainable growth, in its initial stages, we believe that *Mercari Shops* will require a certain amount of time before significantly contributing to GMV.

#### **Q4. What is the expected financial impact of Merlogi's merger into Mercari? Are there any changes to your business objectives going forward?**

A4. As part of our management policy to balance growth and profits, we determined that merging Merlogi into Mercari and operating as one business was the most suitable choice to optimize management and streamline decision-making. There is no change in our policy to continue to promote simplifying packing and listing, which Merlogi has been working on, but the details are still under consideration.

### Fintech

#### **Q5. You're a latecomer to the credit card business. Why are you entering this business? How do you plan to succeed? Also, what investments do you expect to make in the credit card business going forward, and how large do you expect those investments to be?**

A5. To date, *Merpay* has offered mainly *Mercari* users services such as *Merpay Smart Payments* (lump-sum payment and fixed-amount payment), which utilizes a unique form of credit based on factors such as *Mercari* usage history, and has achieved good progress. We decided to enter the credit card business as the next move to expanding our credit business.

First, we will focus on *Mercari* users, and promote the three actions of paying, buying, and selling by offering features that provide users with even more options for using their sales balance (a source of funds unique to Mercari Group) in addition to the functions of a regular credit card. Additionally, we aim to create group synergy, such as increasing the use of payment within *Mercari* to reduce external payment processing fees. We believe that this business will boost the growth of the entire Japan Region. We plan to announce further details regarding this at the business strategy presentation scheduled for November 8.

**Q6. Your balance sheet continues to expand year after year. What are your expectations going forward? How is the quality of your receivables?**

A6. Our balance sheet is expanding as a result of the steady growth of fixed-amount payment. Going forward, we expect it to continue expanding alongside business growth, but we are working to control risks at healthy levels, in addition to liquidating claims. *Merpay* offers appropriate credit based on each user's usage status, leveraging *Mercari* usage history and AI technology. We believe that this unique form of credit allows us to realize high collection rates and a safe and secure usage environment. We maintain an appropriate level of quality, as shown by the credit collection rate remaining in range of our expectations.

**US**

**Q7. Why is GMV growth slowing down?**

A7. While we are steadily maintaining indicators such as MAU and number of listings, GMV growth is slowing down mainly due to a slowdown in buying, driven by external factors such as rising inflation exceeding our expectations causing an increase in unit price and users to prioritize spending money on daily necessities. We aim to optimize the balance between listing and buying through efforts such as initiatives to reduce the burden on buyers in order to get back on track for growth.

**Q8. What level of deficit are you allowing for in your investment plan for Q2 and beyond? Do you have any specific criteria?**

A8. Our policy continues to be to manage the business in a way that aims to balance growth and profits, and we will focus our investments on areas where the results will accumulate in the mid-to-long term. We are also working on reviewing all of our costs, including fixed expenses such as personnel expenses, to improve the balance between growth and profits, taking into consideration the current US business environment. However, from a mid-to-long term perspective, the size of the US economy is several times larger than that of Japan's, and the secondary distribution market is expected to grow significantly in various market predictions; we believe that the potential of the US market is still large.

**Q9. There have been changes to the competitive landscape in the US, such as acquisitions among other companies in the same industry. Does this impact your strategy?**

A9. We are constantly monitoring trends and movements among other companies in the same industry. However, we are working to establish a unique position as a cross-category C2C service with highly convenient features, and we do not expect any large impact on our business strategy.

**Disclaimer**

This material has been prepared based on information gathered at the time of its preparation and is not in any way intended as a commitment to future implementation.