

FY2022.6

# Sustainability Report

**mercari**

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**Reporting Period**

This report mostly covers initiatives for FY2022 (July 1, 2021 to June 30, 2022), but also contains information on some activities which happened outside this period.

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## Circulate our limited resources to build a future where anyone can unleash their potential.

Before I founded this company, I took a trip around the world. I saw firsthand how people living in developing countries lacked the freedom to live the way they want, and I felt that with this planet's limited resources, it would be difficult to create a world where people in developed and developing countries enjoy the same standard of living.

If we can utilize smartphones and other technology to seamlessly circulate the planet's limited resources, can't we expand what is possible for each of us? That line of questioning led me to creating Mercari.

Mercari is a marketplace where items that someone no longer needs are passed on to someone else who needs them. Growing this business into a service used around the world will lead to a "circular economy," where all of us use our limited resources more smartly.

Achieving that circular economy is essential—the foundation on which we can achieve Mercari's dream of building a world where anyone can demonstrate their potential.

The concept of "planetary boundaries"—that is, the limit to our planet's resources—is gaining traction. We are pursuing what we call "planet positive," or a world where we can solve environmental issues through business, where the planet's limited resources are shared across generations, and people continue to create new value.

Mercari, Inc.  
Representative Director,  
Chief Executive Officer

山田進太郎



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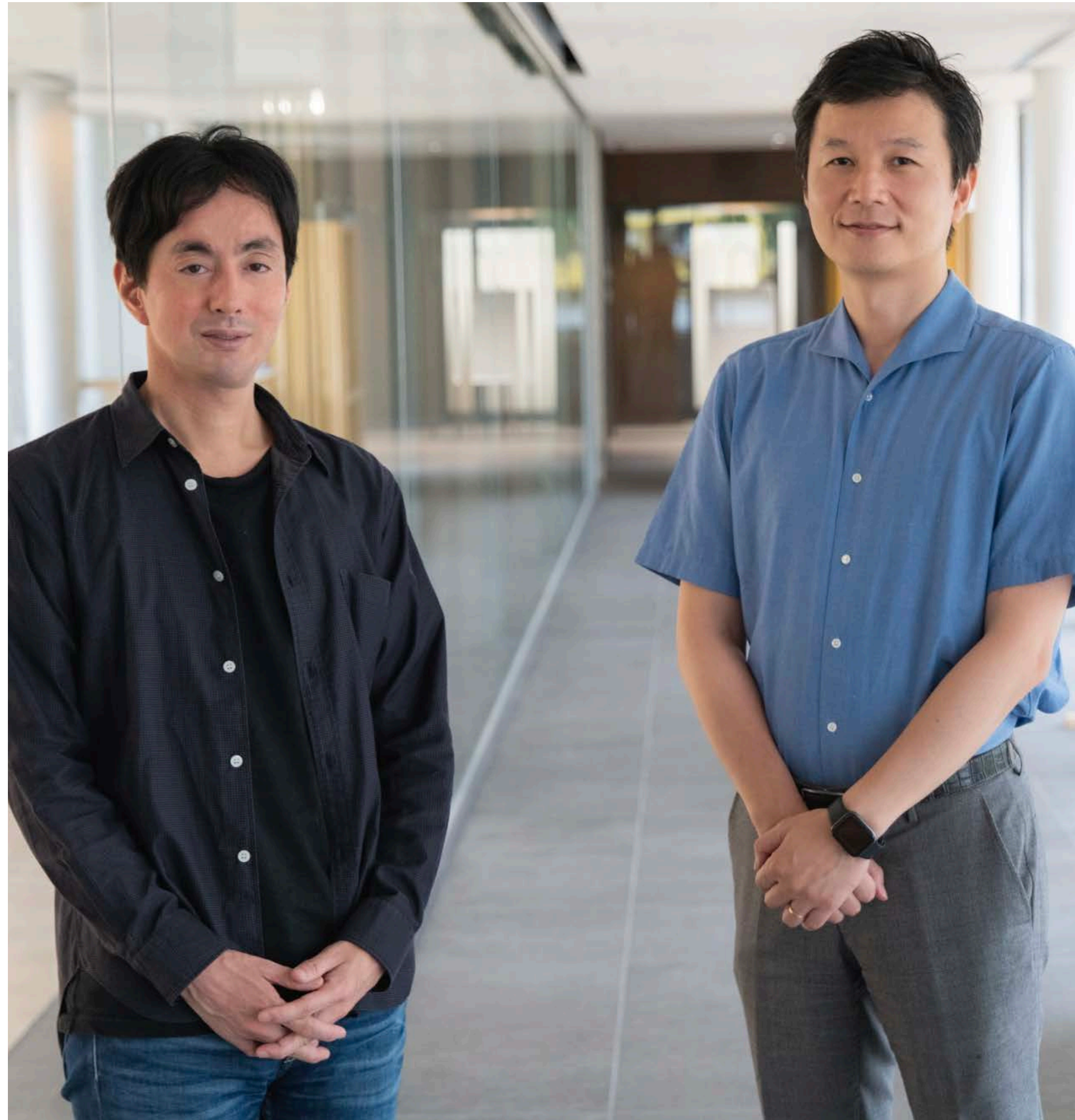
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## Exclusive Interview

### Yoshihiro Kawahara

Professor at The University of Tokyo's  
Graduate School of Engineering  
Mercari R4D Head of Research

### Shintaro Yamada

Mercari, Inc.  
Representative Director and CEO

Where does Mercari fit in your ideal future? What should Mercari do in pursuit of "planet positive"?

We asked Mercari Representative Director and CEO Shintaro Yamada and Tokyo University Graduate School of Engineering Professor/Mercari R4D Head of Research Yoshihiro Kawahara their thoughts.

## Aiming for "planet positive" through business activities

### –What's the intention behind a phrase like "planet positive"?

**Shintaro:** We had been wondering for a while if there was a word that could better convey our mission of becoming essential to a circular economy. "Planetary boundaries" denotes the thresholds of the earth's limited resources within which humankind can survive safely. In contrast with this idea, Mercari decided to adopt the term "planet positive" to instill the idea of being a company that has a positive impact on the environment through our growth. By pursuing planet-positive ideals, we will realize a circular economy, allowing the planet's limited resources to be shared across generations. And on the bedrock of that foundation, we aim to create a world where anyone can demonstrate their potential.

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–What impression do you get from the phrase “planet positive,” Yoshihiro?

**Yoshihiro:** The first thing that really struck me when I heard of the concept was its “scientific-ness,” backed by quantitative metrics. We throw around words like “wasteful” and “green” a lot, but I think it’s great that “planet positive” brings its scientific stance on the matter.

–There are a lot of external factors, like social conditions, entangled with this idea of planet positive, but what changes have you seen over the last year?

**Shintaro:** The COVID-19 pandemic, Russia’s invasion of Ukraine, and economic inflation have caused sweeping changes to our world. However, I don’t think that what Mercari is doing has changed much. It’s clear that our planet’s resources are limited, and people in developed nations are able to enjoy these limited resources fully. So we’re dealing with this kind of structural disparity. Now as social interest in sustainability continues to increase, we’re moving in earnest to create an experience where users can truly feel “planet positive” in their use of Mercari’s product.

–What do you think about the changes to our world we’ve seen in recent years, Yoshihiro?

**Yoshihiro:** There has long been a push to make better use of our resources, but this argument is more often linked to an ever clearer and more present danger nowadays. Mass production and mass consumption were once seen as the driving forces behind building a better world, leading us as humans to directly associate energy consumption with economic growth.



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**Yoshihiro:** There was definitely a time where it felt good to just “put the pedal to the metal,” so to speak. Now a dark cloud has descended upon that thinking, and we have a rising sense of urgency to create this circular economy. However, there’s a sense of hesitation about putting on the brakes, and things won’t change dramatically just yet. At the same time though, we either we put on the brakes, or we barrel headfirst into a wall. We’re starting to see people’s values organically begin to change, with a sense that we can let off the gas and still enjoy fulfilling lives.



## A circular economy is the means to an end, a foundation

–When you imagine this ideal “planet positive,” how far ahead are you imagining?

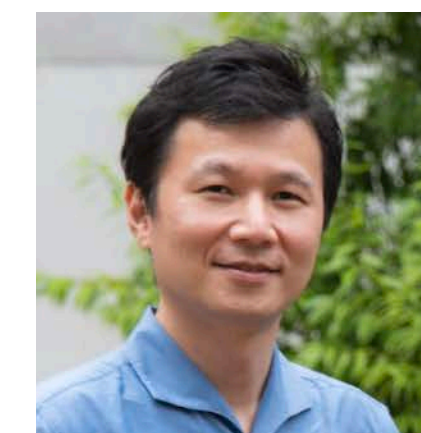
**Shintaro:** Rather than “by when,” I see the promotion of Mercari’s business itself being linked to “planet positive.” Mercari’s business promotes reuse, and that positive impact will lead to the creation of a circular economy. That will also help mitigate climate change, making it ultimately essential to achieving “planet positive.”

–What is Mercari’s plan beyond achieving a circular economy?

**Shintaro:** A circular economy is the foundation, something we need to achieve no matter what. What we’re building on that foundation is the ability for anyone to achieve their dreams. Drawing out people’s potential is ultimately what Mercari is aiming for, and the circular economy is just the means to that end. Building that future is the whole reason Mercari is pursuing “planet positive.”

You can read this full interview on our company blog, Mercan. ([link](#))

## Yoshihiro Kawahara



Professor at The University of Tokyo's Graduate School of Engineering. Dr. Kawahara completed his doctoral thesis at The University of Tokyo's Graduate School of Information Science and Technology in 2005. He obtained Ph.D. in Information Science and Technology. After acting as assistant, adjunct professor, lecturer, and associate professor of The University of Tokyo's Graduate School of Information Science and Technology, he was appointed Professor of the Graduate School of Engineering in 2019. He also served as Project Director of the JST ERATO Kawahara Universal Information Network Project from 2015 to 2022. He became Director of the Research Institute for an Inclusive Society through Engineering (RIISE) in 2019. He has also served as a member of Mercari R4D's Advisory Board since 2019. He was appointed Mercari R4D's Head of Research in 2022.

# Mercari's five material topics (materiality)

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Mercari's material topics are those that we must take on in order to realize our long-term vision.

Following internal and external changes, Mercari's materiality was updated in 2021 from how it was originally defined in 2019.

Mercari has defined the following five topics as our materiality, as they relate to creating value to contribute to resolving social and environmental issues through our business, and creating the management foundation necessary for continuous growth.

## 1 Creating a Circular Economy/Mitigating Climate Change

We will continue to pursue our idea of planet positive, where Mercari not only minimizes its environmental burden but helps solve environmental issues through business and creates a circular economy where our finite resources are used sparingly.

## 2 Diversity & Inclusion

We tackle structural discrimination and inequality issues by building a work environment where people of all backgrounds can achieve their maximum potential. We also strive to realize a service accessible to all.

## 3 Local Empowerment

By finding solutions to issues unique to regions across the country, we aim to contribute to local economies and empower individuals and businesses.

## 4 Safe, Secure, and Fair Transactions

We strive to provide a platform for secure and fair transactions so our users, merchants, and business partners feel at ease using our services.

## 5 Corporate Governance and Compliance

We aim to establish a sound and transparent internal decision-making process to earn the trust of not only our users and business partners, but society as a whole.

# Our approach to materiality assessment

We have assessed our materiality (the most important issues Mercari has to resolve through its business activities) by referring to all types of ESG documentation, such as guidelines, and evaluations by the company and our stakeholders.

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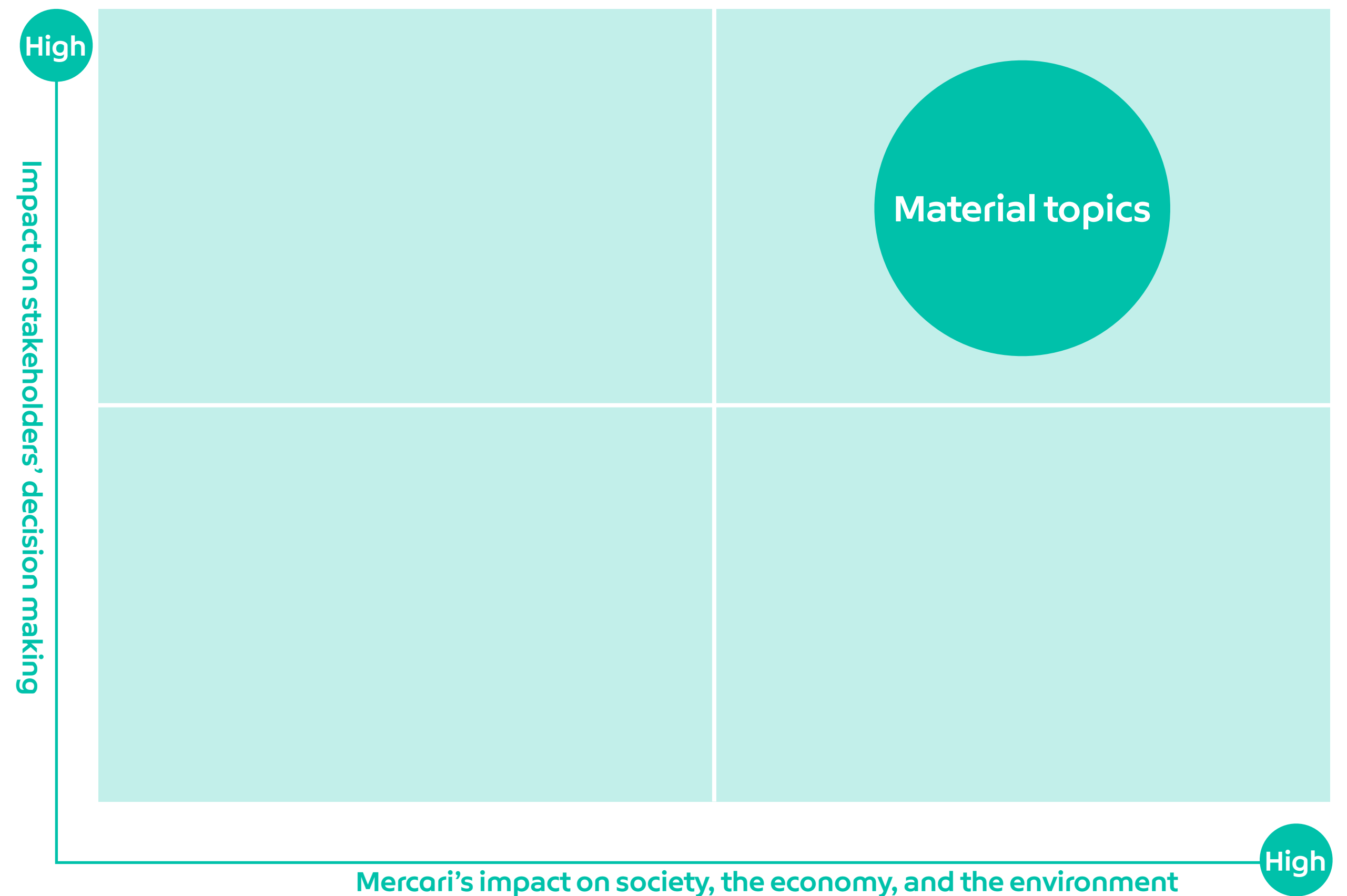
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- 1 Identify potential issues
- 2 Impact assessment by Mercari
- 3 Assessment by stakeholders
- 4 Priority assessment by Mercari
- 5 Determine materiality





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## Work to maximize opportunities and minimize risk for each material topic, aiming for sustainable growth

Material topics	Opportunities	Risks
<b>01 Creating a circular economy/mitigating climate change</b>	<ul style="list-style-type: none"> <li>• Growth of Mercari users associated with spreading a planet-positive way of consumption</li> <li>• Creating new reasons to use Mercari (contributing to the environment) → Expand the range of users and increase usage frequency</li> <li>• Improving corporate value and mitigating capital procurement costs through proactive efforts to show consideration for the environment</li> </ul>	<p>Transition risk</p> <ul style="list-style-type: none"> <li>• Increase in item transport costs due to increased fuel prices following the introduction of carbon pricing</li> <li>• Damage to reputation among financial institutions/investors due to insufficient efforts to mitigate climate change</li> </ul> <p>Physical risk</p> <ul style="list-style-type: none"> <li>• Data centers, etc., going down due to increasingly volatile natural disasters</li> </ul>
<b>02 Diversity &amp; inclusion</b>	<ul style="list-style-type: none"> <li>• Increase in usage opportunities and new user acquisitions thanks to offering products and services that are easier for users from diverse backgrounds to utilize</li> <li>• Improved image of the company/brand</li> <li>• Ability to accelerate mission completion by acquiring professional talent from a wide variety of locales worldwide and use employees' combined knowledge</li> <li>• Reduced hiring costs and decreased turnover thanks to increased engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Limiting the user base or damaging sales because we've offered a product or service that is difficult for specific users to utilize</li> <li>• Damage to brand value due to biased corporate messaging or marketing initiatives</li> <li>• Loss of employees, impeding work that demonstrates values, and falling behind on product development due to a failure to address an office environment that makes it hard for some employees to excel</li> </ul>
<b>03 Local empowerment</b>	<ul style="list-style-type: none"> <li>• Improved company image and acquisition of stakeholder trust thanks to working to collaborate with local governments and solve social issues</li> <li>• Empowerment of local communities and increased transaction volume thanks to Mercari Shops helping bring small local businesses online</li> <li>• Empowerment of local communities and increased opportunities to use Merpay thanks to the service helping make local transactions cashless</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of stakeholders' trust and accompanying damage to business opportunities due to a failure to collaborate with local communities and governments</li> <li>• Loss of Kashima Antlers fans and profit due to damaged trust with local residents and partner companies following a failure to collaborate with local communities</li> </ul>
<b>04 Safe, secure, and fair transactions</b>	<ul style="list-style-type: none"> <li>• Increased usage opportunities and new user acquisitions thanks to earning users' trust</li> <li>• Earning the public's trust and raising corporate value</li> </ul>	<ul style="list-style-type: none"> <li>• Falling user numbers/sales and damage to corporate value following a loss of trust</li> <li>• Increased response costs due to incidents and occurrences of unauthorized transactions</li> </ul>
<b>05 Corporate governance and compliance</b>	<ul style="list-style-type: none"> <li>• Obtaining stakeholders' trust (such as users, society, shareholders, and investors)</li> <li>• Ensuring transparency of decision making and establishing stable management structure through increased resilience</li> </ul>	<ul style="list-style-type: none"> <li>• Business slump, fall from public favor, and damage to corporate value due to compliance violations</li> <li>• Business continuity risk and damage to corporate value alongside non-functioning governance structure</li> </ul>

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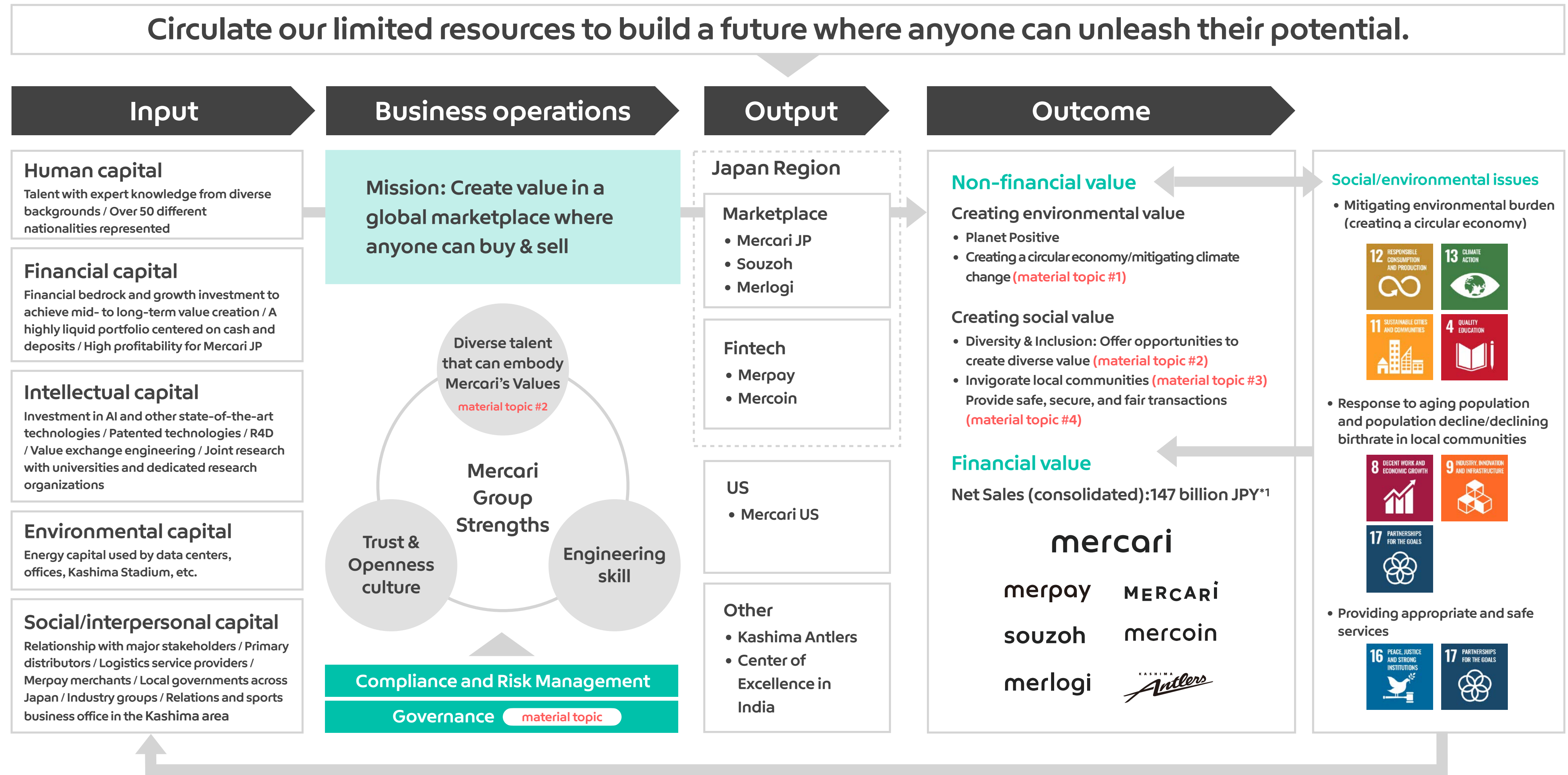
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We work to sustainably increase corporate value by strategically allocating resources to maximize opportunities and minimize risks associated with each material topic.





## Aiming for a “planet-positive” world

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Electric power, naturally-occurring materials, and the planet’s other resources form an essential foundation not only for Mercari to continue its business, but for the continued livelihoods of people all over the world. However, it’s said that humankind is currently consuming our natural resources at a rate 1.6 times faster than they can renew. We believe that creating a circular economy, where we use our limited resources smartly, is a fundamental mission we must complete.

Mercari is a marketplace where items that someone no longer needs are passed on to someone else who needs them. That means that the more Mercari users we have, the more able we are to affect positive impact on the environment. From the experience of reusing items and increasing interest in sustainability, people will gradually take on a more sustainable approach to buying, using, and disposing of items, ultimately leading to a new form of production/sales and changes all along the value chain. We believe that by encouraging this change around the world, we not only help achieve a circular economy, but help reduce environmental burden and mitigate climate change.

The concept of “planetary boundaries,” referring to the limits of our earth’s resources, is becoming more widespread. We use the word “planet positive” to express our desire to help solve environmental issues by continuing to generate positive impact on the environment through our business. Mercari will continue to pursue “planet-positive” action to create a world where anyone can demonstrate their value.



# The road to planet positive

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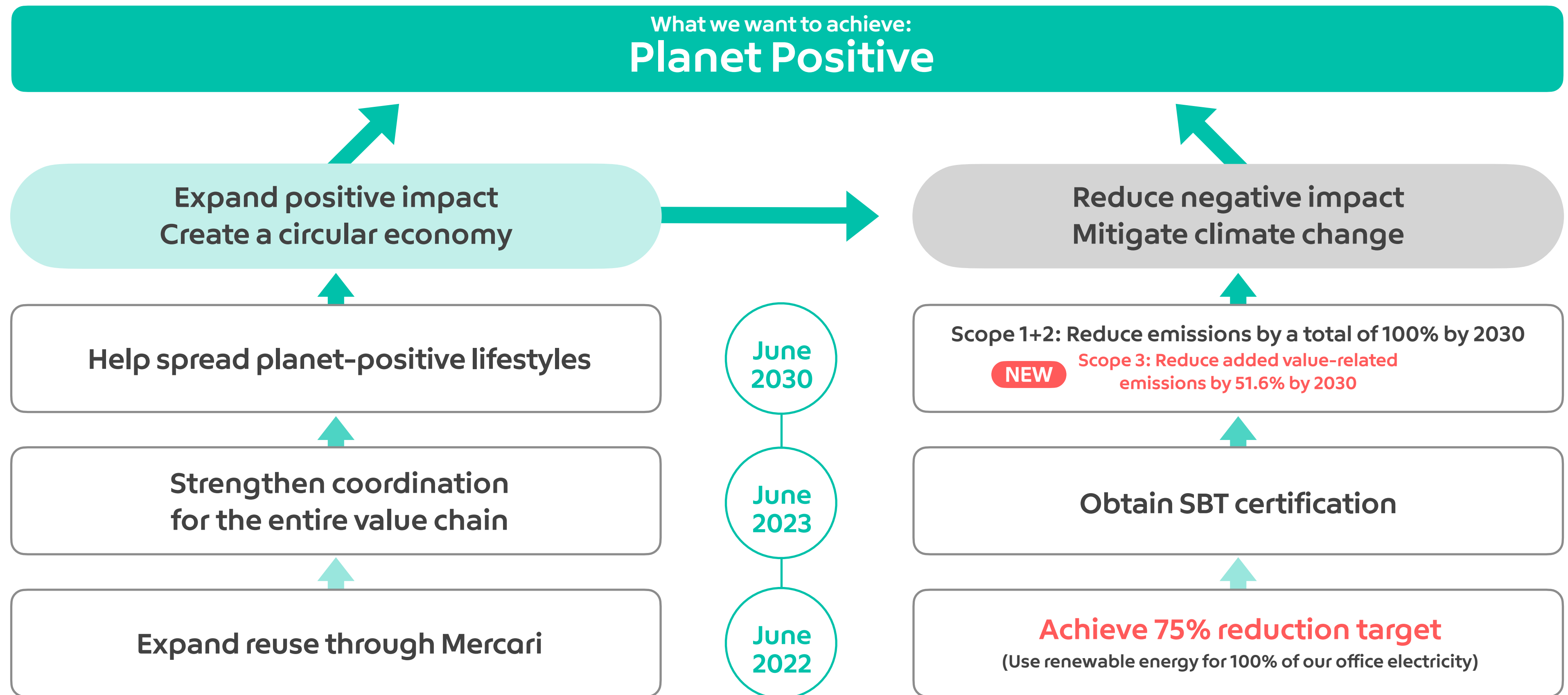
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We are aiming to be planet positive both in terms of creating a circular economy and mitigating climate change. **We also set new Scope 3 targets for mitigating climate change this year, in accordance with SBT<sup>1</sup>.**



1. Short for “science-based targets.” The greenhouse gas emissions reduction target set by our company in accordance with the standards called for by the Paris Accord (limiting global warming to 1.5° C-2° C from pre-industrial levels), to be achieved in 5-15 years’ time. 2. Scope 1: Direct emissions from fuel use by our company 3. Scope 2: Indirect emissions accompanying use of electricity/heat provided by another company 4. Scope 3: Supply chain emissions from company activities, excluding those covered in Scope 1 and Scope 2. Our targets fall under category 1, “Purchased Goods and Services”

# Creating a circular economy

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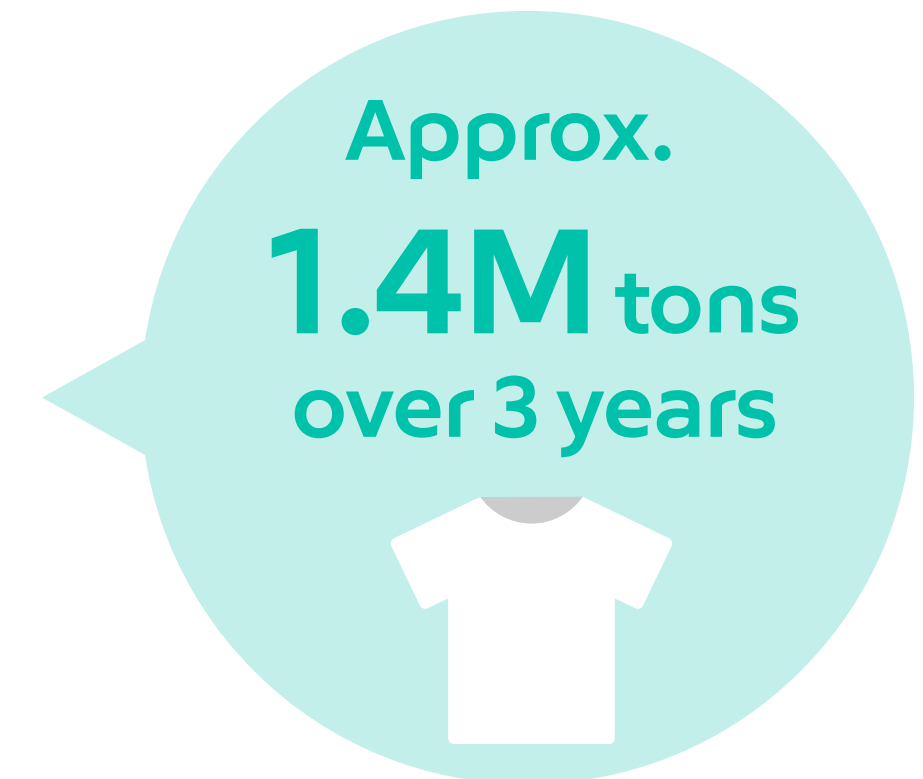
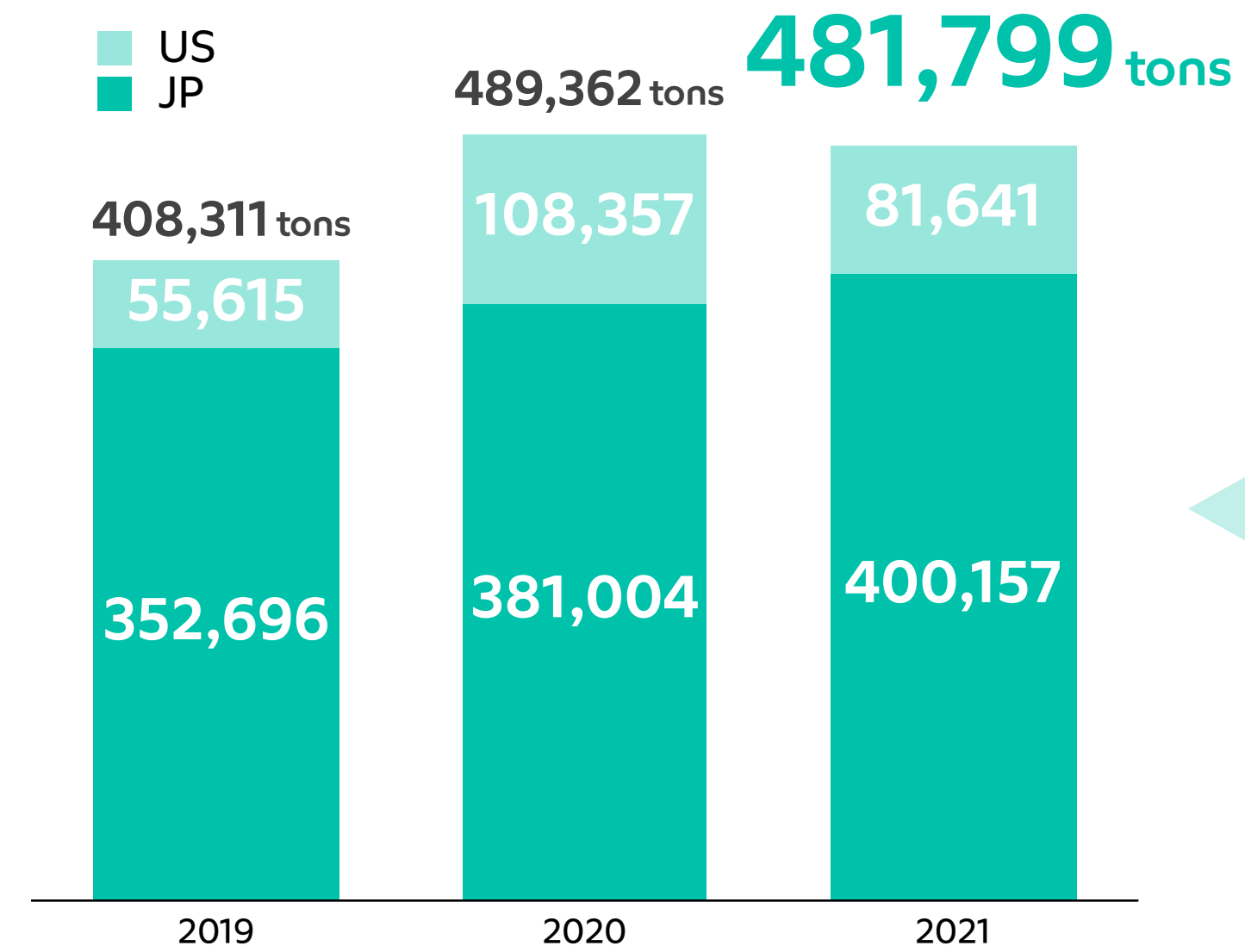
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## In clothing alone, approximately **480K tons** of CO<sub>2</sub> emissions avoided by transactions on Mercari<sup>2</sup>

After calculating CO<sub>2</sub> emissions **exclusively for clothing categories**<sup>1</sup> for the first time, as the category type with the largest number of transactions on the service, we found that users' transactions on Mercari were able to avoid approximately **480K tons of CO<sub>2</sub>** emissions in 2021. In the last three years, we saw a **total of approximately 1.4M tons of avoided CO<sub>2</sub>** emissions in the clothing categories alone. We believe that we are steadily contributing to the creation of a circular economy while continuing to grow our business. The positive impact of our Mercari marketplace business on the environment increases the more users use our service. As a result, the growth of our business itself helps solve environmental issues.

1. Includes secondhand items that had been sold under the Women's, Men's, and Kids' categories for both Mercari JP and Mercari US over the three years from April 2019 to March 2022.  
 2. CO<sub>2</sub> emissions avoided on the assumption that items bought and sold under the categories in question are used in place of new items, calculated by applying an adjustment factor and with consideration for the item lifecycle (item production, distribution, use, and disposal). (CO<sub>2</sub> that can be avoided = (CO<sub>2</sub> emissions when new items are used to an equivalent level of that of secondhand items) - (CO<sub>2</sub> emissions from use of secondhand items)). Per-unit CO<sub>2</sub> emissions for clothing taken from the Ministry of the Environment's data. (Source: Ministry of the Environment "[Results of Survey on Fashion & the Environment](#)." ) Also used Ministry of the Environment for estimates found in the results of our analysis of CO<sub>2</sub> emissions for Mercari US. Calculations looked only at the clothing categories as a first survey, since clothing makes up the largest volume of transactions on Mercari and the data was readily available. (Supervised by: Moon Dami, Project Researcher at Tokyo University's Value Exchange Engineering Social Research Division) As a long-term project, we plan to continue to research the environmental impact of secondhand item use for each manufacturing category.  
 3. CO<sub>2</sub> equivalent to one covered baseball stadium: 2436 t-CO<sub>2</sub> (covered baseball stadium volume: 1.24M KL; 1 mol = 22.4 L = 44 g-CO<sub>2</sub>; Source: [Tokyo Dome](#))



CO<sub>2</sub> emissions avoided, assuming items were bought on Mercari instead of buying new products (2021; for clothing only)

**Approx. 480K tons CO<sub>2</sub> =**

CO<sub>2</sub> equivalent to approx. 200 covered baseball stadiums<sup>3</sup>



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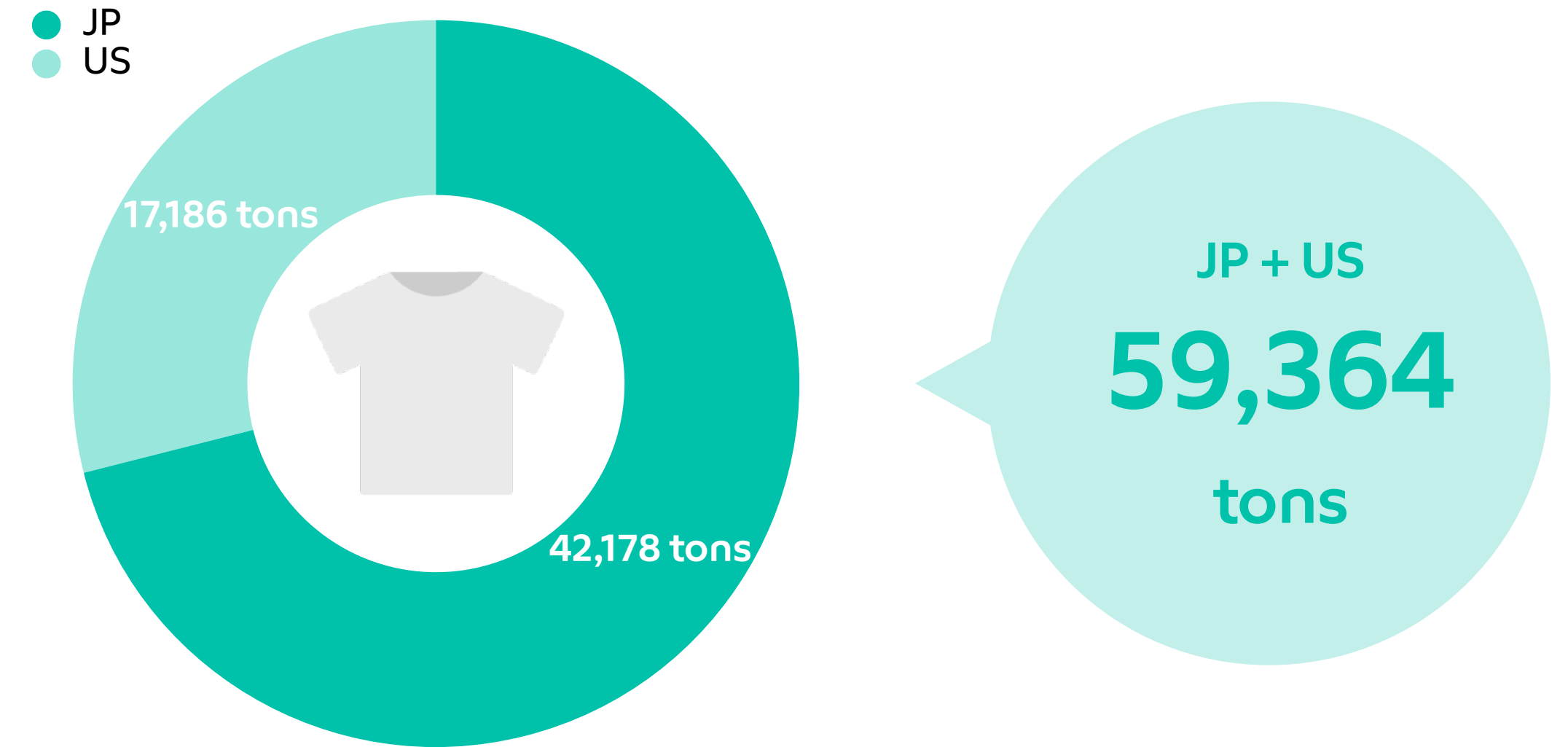
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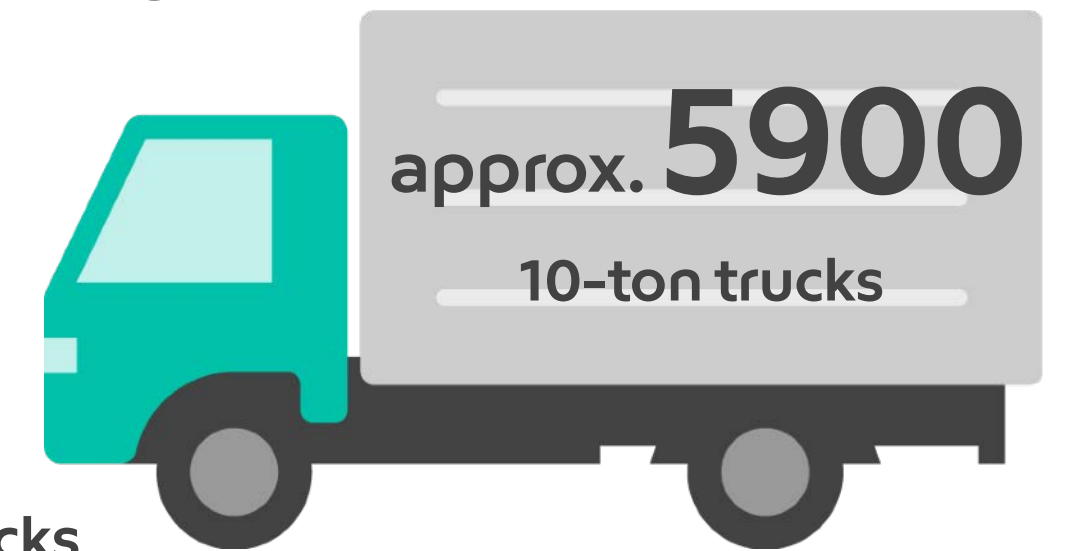
Approximately **59K tons** of clothing in Japan each year is able to find a new happy home after being listed on Mercari<sup>1</sup>.

Just in Japan, users avoided approximately **42K tons<sup>1</sup>** of clothing waste (by weight) by listing items on Mercari. This is **approximately 8.8%** of the total **480K tons<sup>2</sup>** of clothing thrown away yearly in Japan. By buying and selling clothing that is no longer worn on Mercari instead of throwing it away, users can reduce the burden on the environment and move closer to creating a circular economy.



Weight of clothing waste avoided thanks to its listing on Mercari (only clothing)

Approx. **59K tons** clothing waste =



Equivalent to approx. 5,900 10-ton trucks

1. Calculated based on the number of items listed in the Women's, Men's, and Kids' categories for both Mercari JP and Mercari US from April 2021 to March 2022. Weight of clothing taken from the Ministry of Economy, Trade and Industry's data. (Source: [Ministry of Economy, Trade and Industry "Survey on Measures to Revitalize the Textile and Clothing Industry"](#)) Also used the Ministry of Economy, Trade and Industry's data for weight of clothing for Mercari US. 2. Source: Ministry of the Environment, "[Sustainable Fashion](#)"

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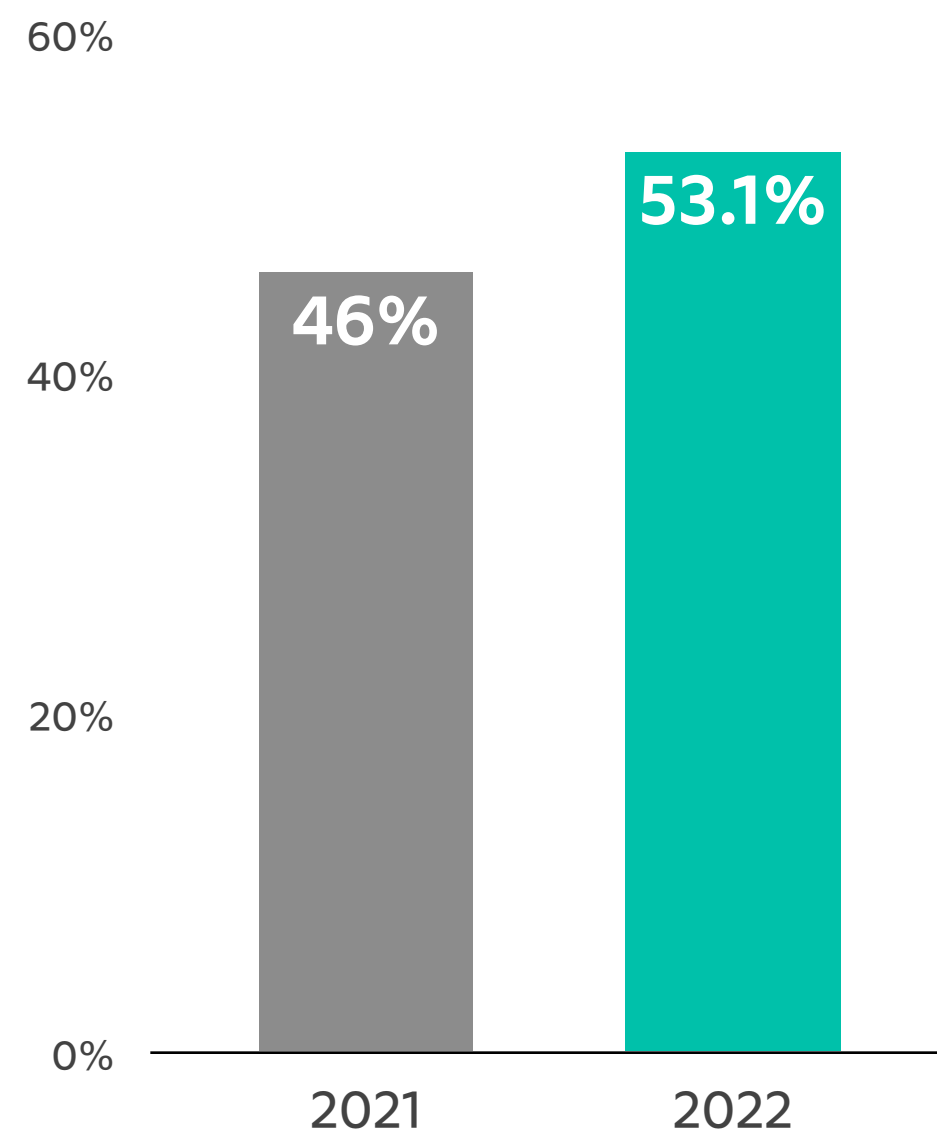
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The number of people who have purchased a secondhand item is up 7.1 ppts from a study conducted last year, with the number of people who throw away unnecessary items dropping by 2.8 ppts in the same study. Thanks to continued use of Mercari, the population's approach to consumer activity is becoming more sustainable.

## Changes in people's attitudes toward buying

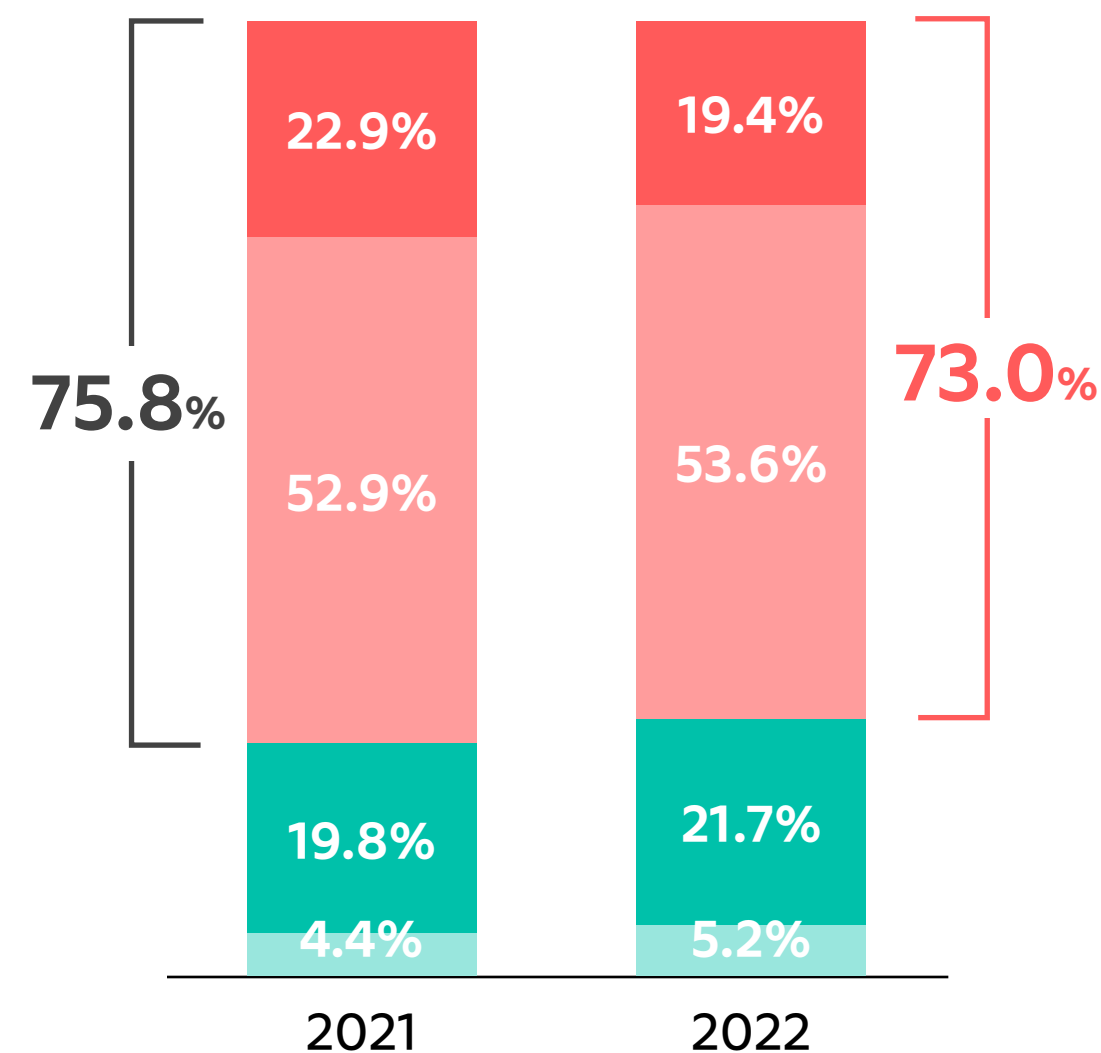
People who have purchased an item secondhand in the last year<sup>1</sup>



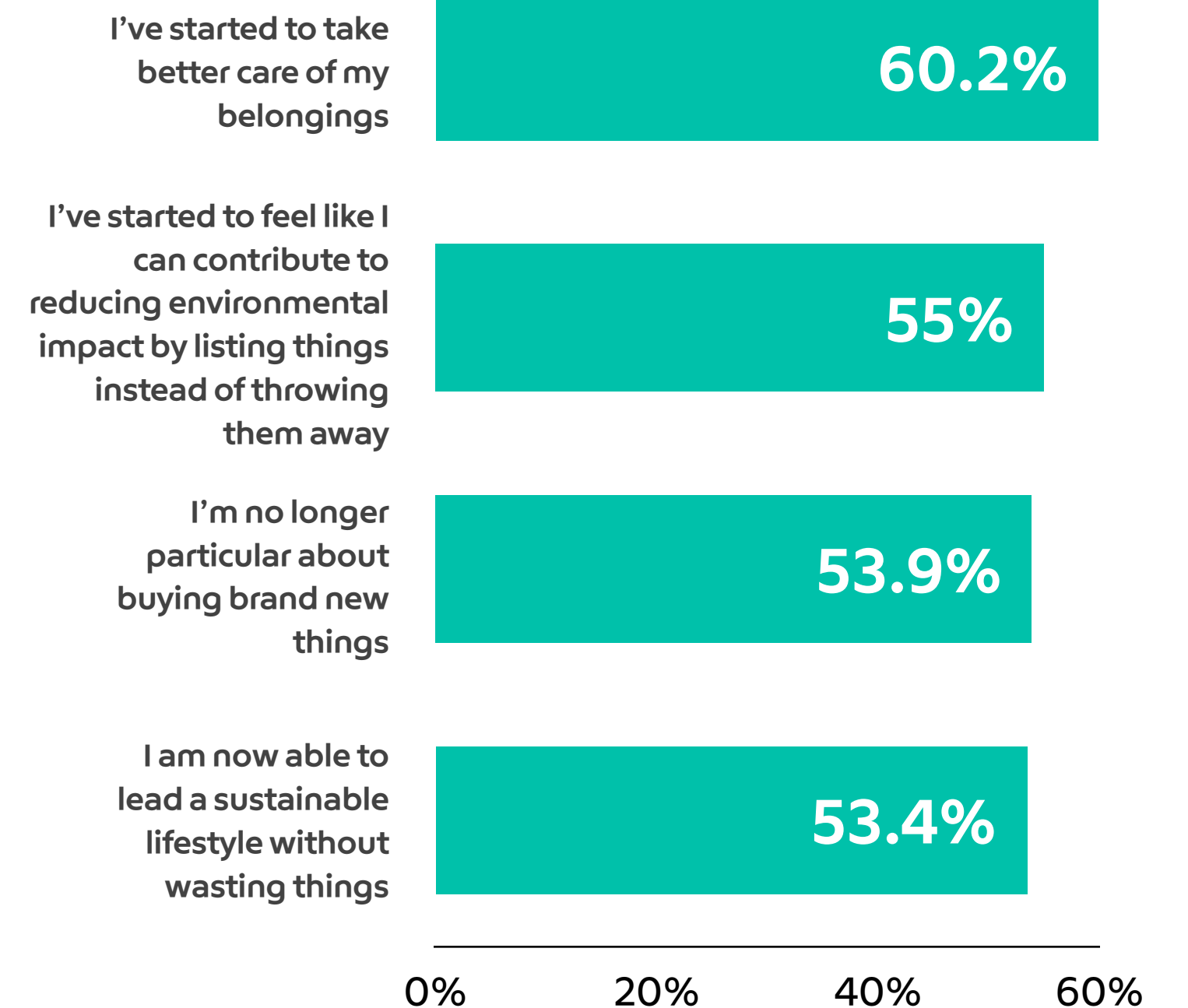
## Changes in how people get rid of unwanted items

"I'm someone who chooses to throw away items that I no longer use"<sup>1</sup>

Not at all Not really Somewhat Very much



## How has your life or mindset changed after using Mercari<sup>2</sup>



1. Based on a survey carried out through an external research company on men and women across Japan between the ages of 15 and 69, both in June 2022 (3,000 people) and July 2021 (3,000 people)

2. Of that number, people who said they have experience using Mercari (1,552)



# Creating a circular economy: FY2022 initiatives

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In the mid-to-long term, we are working to change people's mindset when it comes to the cycle of buying, using, and throwing away their items.

## Awareness

### Make alternatives to throwing items away feel easier

- Developing the Mercari Eco Pack
- Developing the Mercari Ecobox
- Opening the Sustain-a-Store
- Selling items upcycled from the Kashima Antlers anniversary banner
- Changing our water bottles for guests
- Reusing equipment needed to film commercials



## Education

### Provide an environment for learning sustainable behavior

- Providing educational programs through classroom visits
- Releasing six programs for free on our education portal



## Collaboration

### Create a circular economy throughout all links of the value chain

- Announcing the Mercari Price Index
- Expanding Mercari Workshops
- Installing Mercari Post mailboxes
- Expanding Mercari Stations
- Carrying out a proof of concept for our pick-up and package service



# Mitigating climate change: Targets for reducing greenhouse gas emissions

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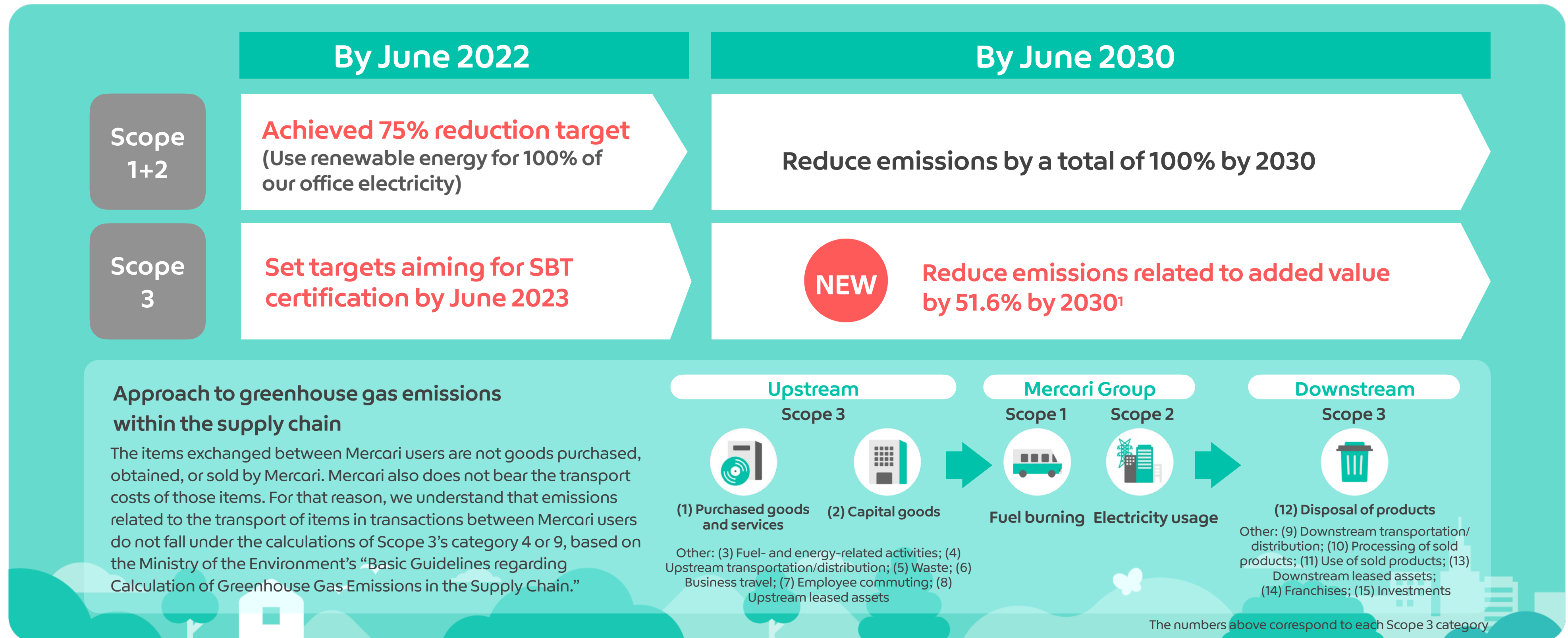
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## By 2030, aim to reduce Scope 1+2 emissions by 100% and emissions related to added value for Scope 3 by 51.6%<sup>1</sup>

We achieved the 75% reduction in Scope 1+2<sup>2,3</sup> that we committed to last year by using carbon offsetting to procure renewable energy-based electricity. We now aim to **reduce Scope 1+2 by 100% (compared to our 2020 benchmark) by 2030**, by continuing to switch office electricity over to renewable energy and working to reduce Scope 1. Following discussions over several ESG Committee meetings, we set a new target for Scope 3<sup>4</sup> **for 2030, aiming to reduce emissions related to added value<sup>1</sup> by 51.6% from 2020 levels**. We plan to obtain SBT certification for these targets by June 2023. Leading up to 2030, we will reduce emissions overall for Scope 1+2 and with regard to added value (specific consumption) for Scope 3.



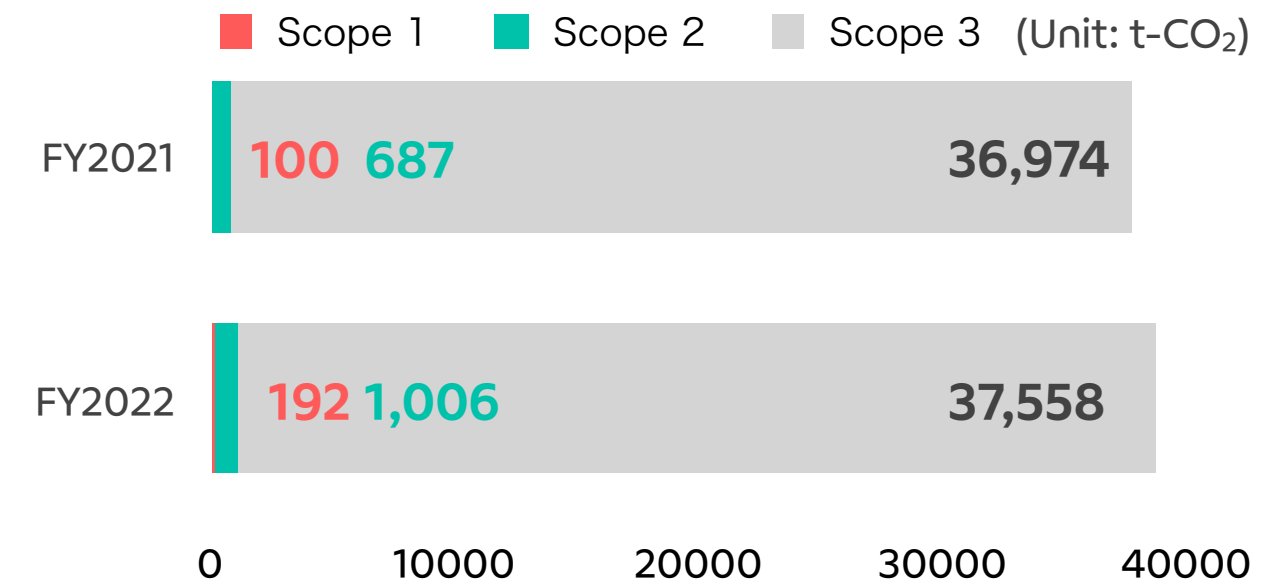
1. Our targets fall under category 1, "Purchased goods and services" 2. Scope 1: Direct emissions from fuel use by our company 3. Scope 2: Indirect emissions accompanying use of electricity/heat provided by another company 4. Scope 3: Supply chain emissions from company activities, excluding those covered in Scope 1 and Scope 2

# Mitigating climate change: FY2022 greenhouse gas emissions

Annual greenhouse gas emissions for Mercari Group as a whole total approx. 38K tons. Since last fiscal year, we have reduced Scope 1+2 emissions by 75% and Scope 3 emissions by 17% on a specific consumption basis.

## Scope 1+2

Scope 1 includes emissions from the Kashima Antlers FC's company-owned vehicles, heating at related facilities, etc. Scope 2 includes emissions resulting from electricity usage at our office or facilities related to the Kashima Antlers FC. More employees were working from the office this fiscal year and using office equipment, raising emissions slightly over last year's total. However, we will continue to explore options for switching to renewable energy and use of planet positive fuels. Regarding our Scope 2 emissions for FY2021, we implemented **carbon offsetting**.



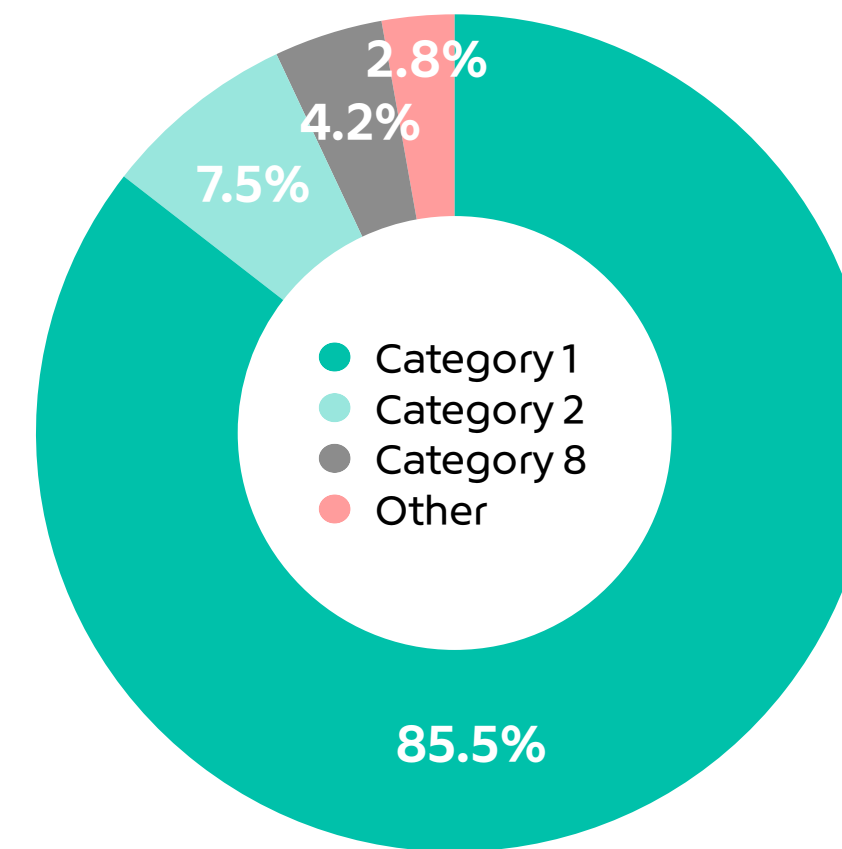
Scope 3 makes up **97%** of our total GHG emissions

## Scope 3

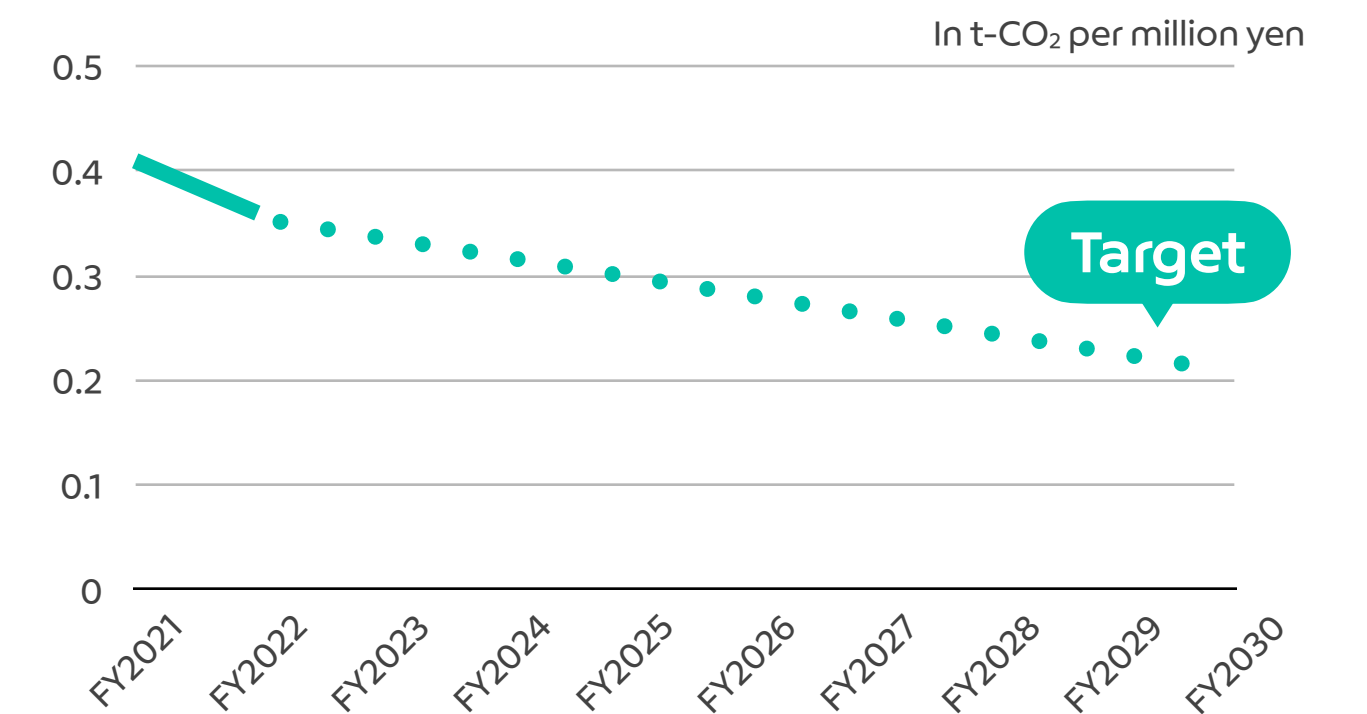
Category 1 emissions make up 85% of our Scope 3 emissions, which makes sense given the particular features of our business primarily being in the internet industry. For this reason, we are aiming to reduce **emissions related to added value in Category 1 ("Purchased goods and services")**, managing to reduce emissions for FY2022 to **0.34** (t-CO<sub>2</sub>/million JPY) from the **0.41** seen during benchmark year FY2021 (a **17% reduction from last year**).

Category 1: Purchased goods and services (emissions accompanying use of advertising, software, data centers, etc)  
 Category 2: Capital goods (emissions accompanying construction/transport, etc. of capital goods purchased or obtained by our company)  
 Category 8: Upstream leased assets (CO<sub>2</sub> emissions related to use of fuel, electricity, or other energy sources at Kashima Antlers-related facilities)

### Scope 3 Emissions Breakdown



### Emissions related to added value on purchased goods and services



1. Calculated based on the "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain" of the Ministry of the Environment/Ministry of Economy, Trade and Industry and related regulations  
 2. Period: FY2021 (July 1, 2020–June 30, 2021) and FY2022 (July 1, 2021–June 30, 2022) 3. Scope: Mercari, Inc.; Merpay, Inc.; Kashima Antlers F.C. Co., Ltd.; Mercari, Inc. (US); Mercoin, Inc.; Souzoh, Inc.; and Merlogi, Inc.  
 4. Categories 3, 4, 5, 6, 7, and 12 are included in the "Other" category

# Mitigating climate change: FY2022 initiatives

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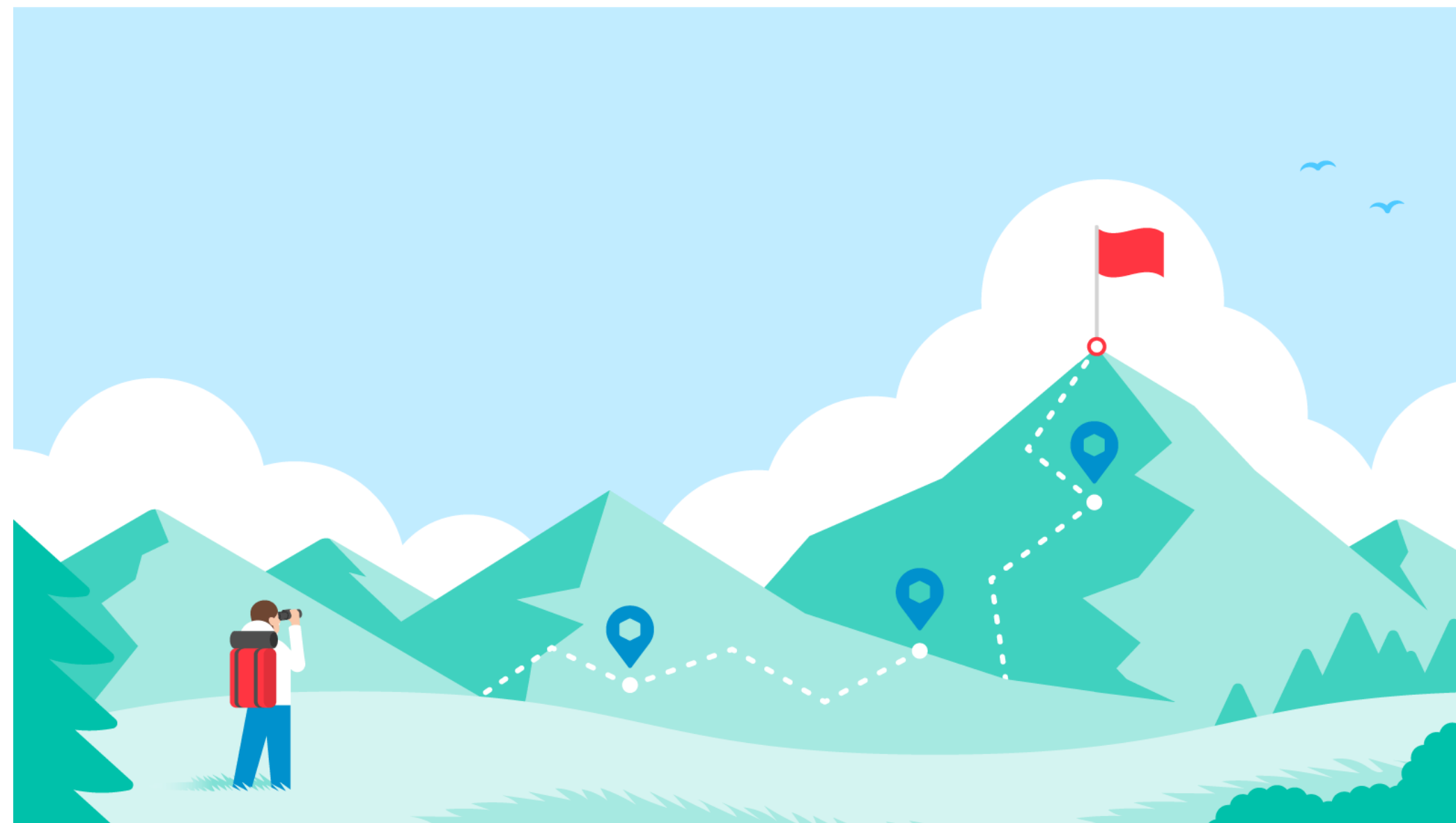
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## We will continue to take action to achieve our 2030 targets

- Carbon offsetting for Scope 2 emissions
- Submitting our commitment letter for the Science Based Targets initiative
- Starting communications with suppliers involved in Scope 3 emissions



## Planned future actions for CO<sub>2</sub> reduction

Mercari will work on reducing CO<sub>2</sub> emissions based on the action ideas below. Our ESG Committee will hold discussions to decide on and execute specific actions, while taking into account how much each action would contribute to growing our business and achieving our reduction targets in the mid-to-long term.

- Renewable energy for our office electricity
- Carbon offsetting
- Reviewing the fuel consumption of company cars, etc.
- Expanding supplier engagement
- Rolling out reusable packing materials
- Considering package-less transactions
- Looking into low-carbon shipping methods
- Offering a no-rush delivery option
- Spreading awareness of sustainable shopping
- Promoting more reusable and recyclable packaging, and less plastic packaging
- Promoting item upcycling and recycling

# Information disclosure based on the TCFD recommendations

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Mercari Group recognizes climate change to be one of the key challenges faced by our business. Our entire Group is actively working to mitigate climate change, and we have also made these efforts part of our management strategy. In June 2021, we announced our support for TCFD (Task Force on Climate-related Financial Disclosures).

The TCFD has financial disclosure recommendations for all companies structured around the four areas of governance, strategy, risk management, and metrics and targets. Mercari Group will disclose climate-related information in accordance with these four areas recommended by the TCFD.

## 1. Governance

In order to better incorporate ESG perspectives into management decisions and execution processes, in December 2021, Mercari established an ESG Committee to advise our Senior Executive Committee.

Mercari considers ESG and climate change to be an important management topic. The ESG Committee aims to ensure sufficient time for regular discussions regarding ESG in order to enable better discussions and enhance the quality of decisions made by the Senior Executive Committee. We have also appointed ESG officers for each of our companies. Having these officers offer an ESG perspective in business-related management decisions allows us to balance our businesses and materiality-focused ESG initiatives, and ensures a structure that allows us to swiftly implement and promote these initiatives. Our ESG officers also take part in discussions and decision-making for sustainability strategies across Mercari Group as members of the ESG Committee. An overview of the past three ESG Committee meetings are available on our website.

## Role of executives

With Mercari CEO Shintaro Yamada as chairperson, the ESG Committee is composed of the CEOs of each Mercari Group company, as well as ESG officers and other members nominated by the chairperson. They meet four times per year to formulate ESG-related implementation plans and monitor progress on each of the material topics.

## 2. Strategy

We conducted a scenario analysis to identify the climate-related transition risks, physical risks, and opportunities for Mercari Group as a whole.

In this analysis, we set two scenarios—a 1.5°C/2°C scenario and 4°C scenario—according to scientific bases provided by organizations like the Intergovernmental Panel on Climate

Change (IPCC) and International Energy Agency (IEA).

Looking ahead, we are examining how both Mercari Group and the society surrounding us will look in 2030 and beyond. Below are the main climate-related risks and opportunities we found based on the scenario analysis.

Category		Impact of climate change on Mercari Group		Business mplication	Our plan of action
Risks	Physical risk	Acute	<ul style="list-style-type: none"> <li>Data centers, etc., going down due to increasingly volatile natural disasters</li> <li>If any data centers or power companies suffer damage from increasingly volatile natural disasters, it will cause the electricity and network to be suspended as well as data centers to go down, and our users (both sellers and buyers) will not be able to sell and buy things online</li> </ul>	Medium	<ul style="list-style-type: none"> <li>Create a BCP to shorten the length of shutdown period</li> <li>Consider disaster recovery plans</li> </ul>
	Transition risk	Policy and Legal	<ul style="list-style-type: none"> <li>Increase in item transport costs due to increased fuel prices following the introduction of carbon pricing</li> <li>An increase in item transport costs due to increased fuel prices from the introduction of carbon pricing will impact our users (both sellers and buyers), and also impact the demand for items sold on our marketplace</li> </ul>	Low	<ul style="list-style-type: none"> <li>Work to strengthen supplier engagement</li> </ul>
	Transition risk	Reputati on	<ul style="list-style-type: none"> <li>Damage to reputation among financial institutions/investors due to insufficient efforts to mitigate climate change</li> <li>As there are increased demands from investors and financial institutions for information disclosure and actions to mitigate climate change, if companies fail to meet those demands, it will likely impact funding or cause a drop in stock prices</li> </ul>	Medium	<ul style="list-style-type: none"> <li>Ensure complete and sufficient information disclosure</li> <li>Eliminate 100% of Scope 1+2 emissions by 2030</li> <li>Reduce emissions related to added value for Scope 3 by 51.6% by 2030<sup>1</sup></li> </ul>
Opportunities		Reputati on	<ul style="list-style-type: none"> <li>Competitive advantage from changes in consumer preferences due to increased environmental awareness</li> <li>We can increase the number of Mercari users in accordance with the spread of a planet-positive way of consumption and create new motives (contributing to the environment) for people to use Mercari</li> </ul>	High	<ul style="list-style-type: none"> <li>Increase the number of Mercari users in accordance with the spread of a planet-positive way of consumption</li> </ul>

1. Our targets fall under category 1, “purchased goods and services”

# Information disclosure based on the TCFD recommendations

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Evaluation of business implications/financial impact

- High (3 billion yen or more): Expected to have significant impact on finances or business strategies
- Medium (100 million yen or more, but less than 30 billion yen): Expected to have mid-level impact on finances or business strategies
- Low (less than 100 million yen): Expected to have little impact on finances or business strategies

As shown above, as it relates to Mercari Group’s business activities, we have assessed the market opportunities created from changes in the way people consume and their increased environmental awareness due to climate change to be larger than the potential impact of climate-related risks. With regard to the “competitive advantage from changes in consumer preferences due to increased environmental awareness,” we see this as an opportunity to increase the number of Mercari users in accordance with the spread of a planet-positive way of consumption and create new motives (contributing to the environment) for people to use Mercari.

### 3. Risk management

Mercari Group has conducted a scenario analysis to understand and assess the impact of climate change on our Group’s business and identify the different climate-related risks and opportunities. We are monitoring the identified risks and opportunities under our structure for promoting sustainability, which includes the ESG Committee. In this structure, there is also a process for reporting and making suggestions to the Board of Directors as necessary, depending on the project.

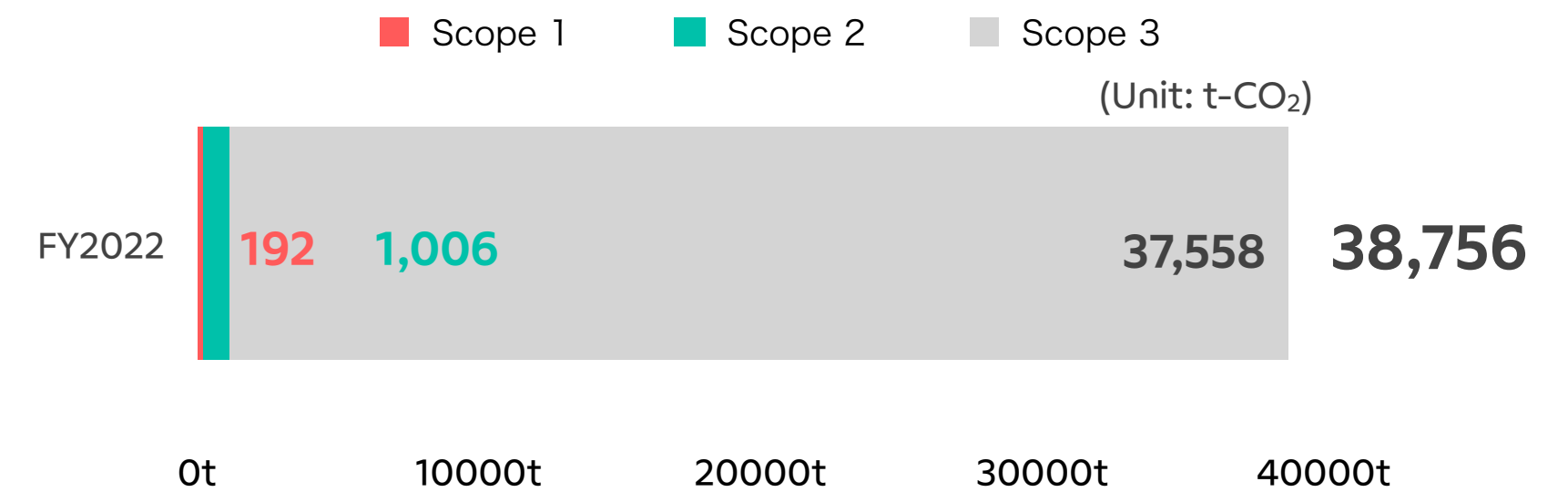
The Compliance and Risk Committee is also in charge of identifying and managing the key risks for the entire company. This committee takes into account the climate-related risks that may have a significant impact on the business, considers what issues should be handled, determines the priority, and puts together a response policy.

### 4. Metrics and targets

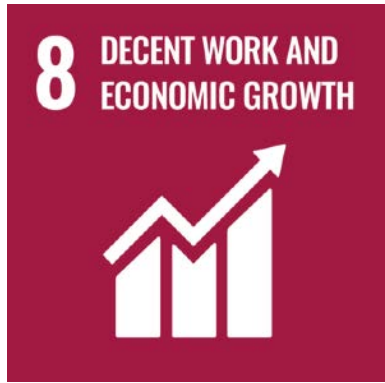
By 2030, we will aim to eliminate 100% of Scope 1+2<sup>1,2</sup> emissions, and reduce emissions related to added value for Scope 3<sup>3,4</sup> by 51.6% compared to the amount in 2020. We are planning to obtain SBT certification for these targets by June 2023.

Actual Amount of Emissions in FY2022 (July 2021–June 2022):

In FY2022, Mercari Group as a whole had about 38,000 tons of greenhouse gas emissions (see below). Since last fiscal year, we were able to reduce Scope 1+2 emissions by 75% and the intensity of Scope 3 emissions by 10.5%. We will continue to work on various initiatives to achieve our 2030 targets.



1. Scope 1: Direct emissions from fuel use by our company
2. Scope 2: Indirect emissions accompanying use of electricity/heat provided by another company
3. Scope 3: Supply chain emissions from company activities, excluding those covered in Scope 1 and Scope 2
4. Our targets fall under category 1, “purchased goods and services”



Material Topic 2

# Diversity & Inclusion

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There is more diversity in the world than any of us can imagine. Gender identity, gender expression, sexual orientation, religion or creed, neurological characteristics, physical ability, ethnicity, nationality, race, and age are just a few of a countless number of diverse backgrounds people can have.

Mercari intends to realize a world where no one's possibilities are limited by their background, and everyone is able to have transactions with everyone else, having the means to create value freely. To that end, Mercari Group strives to develop inclusive products and services.

And in order to develop products and services that are easy to use for as many people as possible, the people building them must be diverse, and the company must have a culture of inclusion. That is why we focus on diversity and inclusion inside the company as well, considering diversity beyond what meets the eye—promoting Mercari's take on how to achieve D&I.





# Developing inclusive products and services

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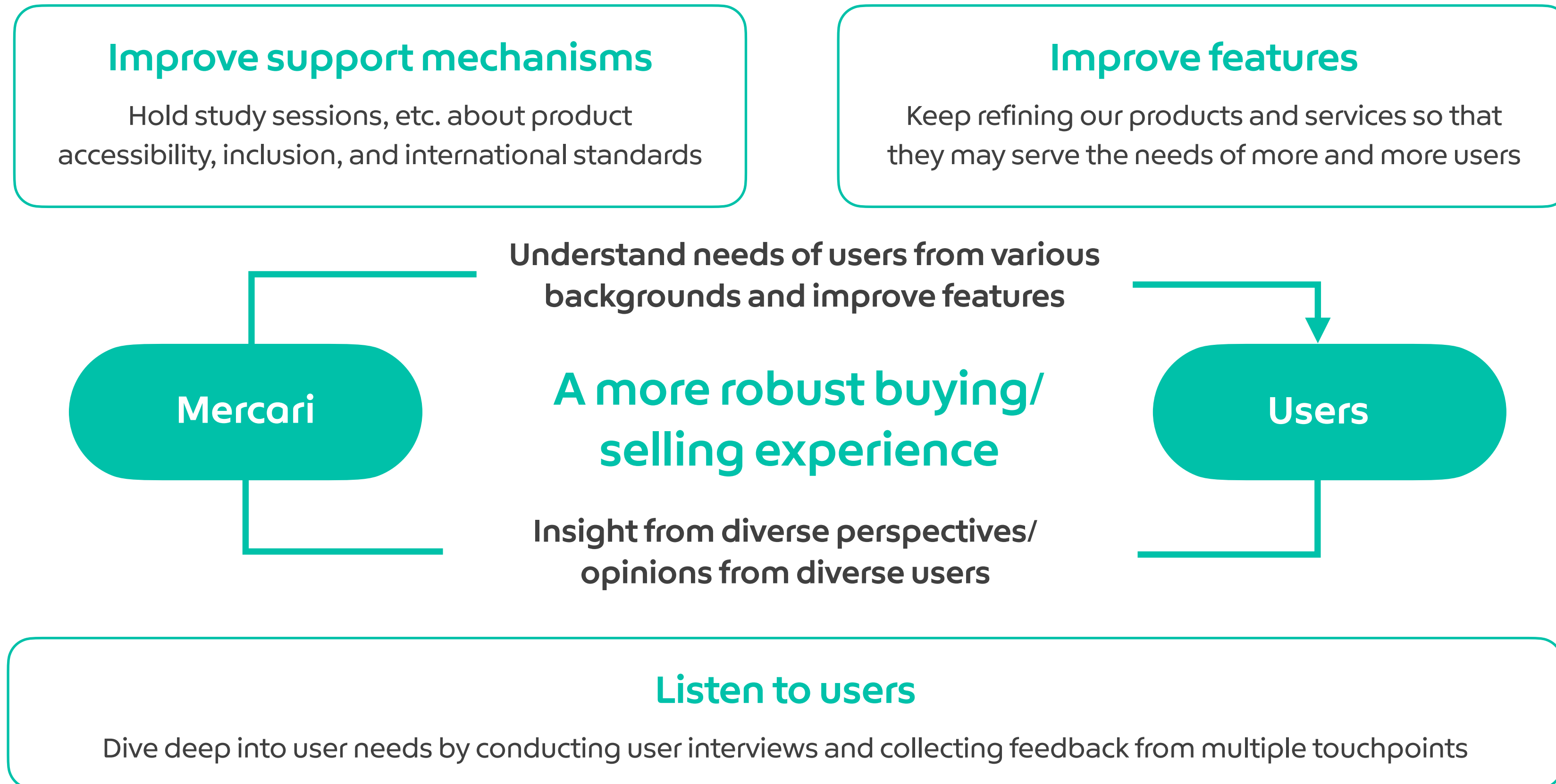
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In order to achieve our mission,  
Mercari Group releases products and services that are easy to use and develop for more and more people



# Developing inclusive products and services

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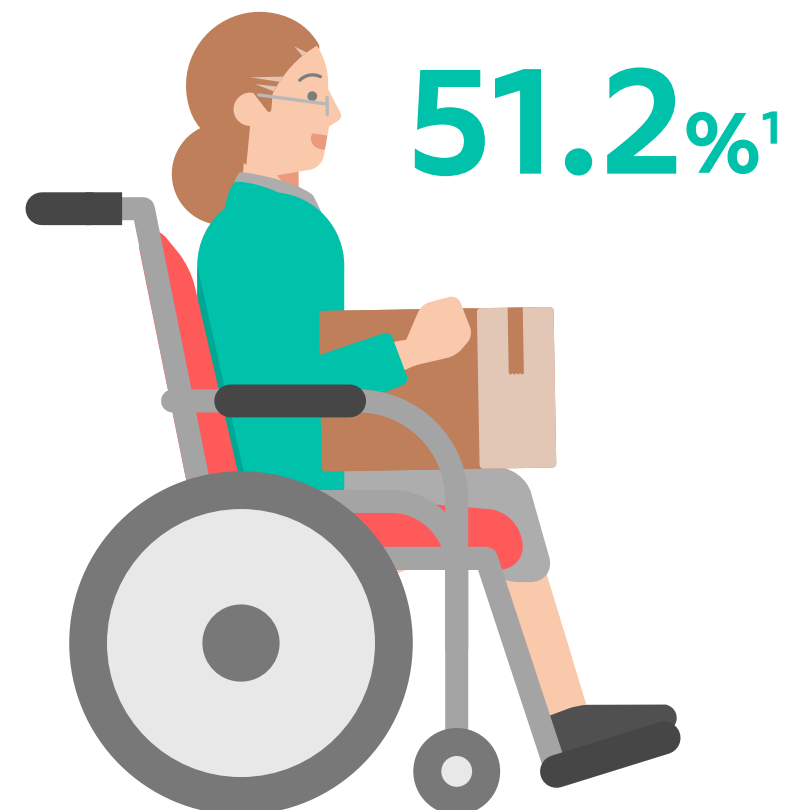
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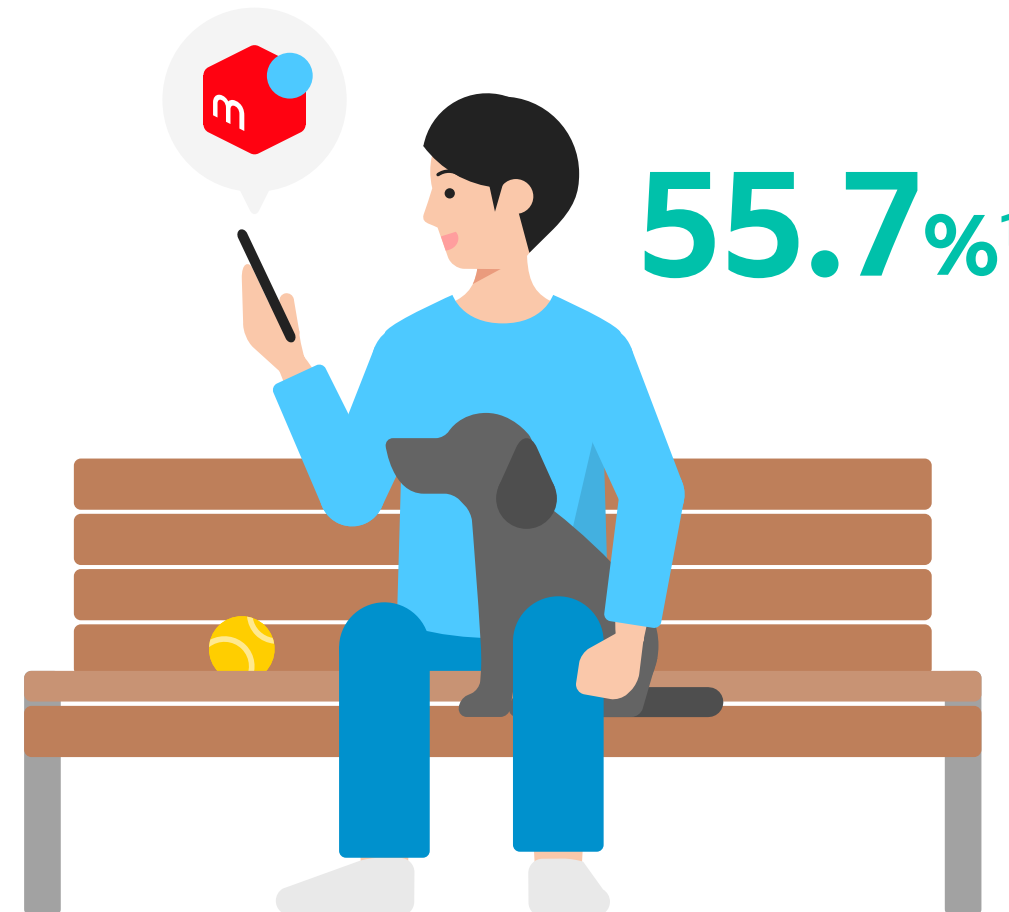
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## Mercari creates opportunities for people with varying backgrounds to come together in exchanging value

I am able to buy the things I want, regardless of my situation (injury/illness disability pregnancy/ medical care/etc.)



I can buy things that I felt uncomfortable buying at physical shops without worry



### User comments collected through surveys

#### I am now able to buy the things I want, regardless of my situation

- I live outside of the city and am battling illness, which prevents me from going outside. Pain used to cloud my every thought, but since Mercari came into my life, I can now buy things for my hobbies, and even go shopping online as a hobby. It has given me something to enjoy in life. (Man, 40s)

#### I can buy things that I felt uncomfortable buying at physical shops without worry

- It's easier to shop for clothing, as the whole process is anonymous. (Woman, 20s)

#### Other user feedback

- It's almost like communicating with people I don't know has opened up a new world for me. I feel like Mercari supports my values of not letting things go to waste. (Woman, 60s)
- I am more comfortable communicating with strangers online now. (Man, 40s)
- Sometimes the item that arrives is wrapped so delicately, and sometimes there is even a little letter attached. It makes me happy to see so many kind-hearted people out there. (Woman, 50s)
- When I put in the extra effort to provide a good experience for the other person, a word of thanks makes it all worth it. When someone does the same for me, I also feel gratitude and positivity. (Woman, 50s)

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**Keep refining our products and services so that they may serve the needs of more and more users**

## Improvements to development and support structures

- Held study sessions, etc. about product accessibility, inclusion, and international standards
- Initiatives for Customer Service: Currently running a project to rewrite all user-directed CS messages in “Yasashii” Japanese, which is Japanese easy to understand for people who don’t speak it as a first language
- Initiatives under marketing strategies
  - Revised brand guidelines (Added D&I checklist for marketing content)
  - Built processes for reviewing marketing strategies from a D&I standpoint, and made the reviews mandatory
  - Held in-house study sessions for implementing D&I in our marketing

## Feature improvements

- Now considering a feature for Mercari Web that allows users who find it difficult to use a mouse to navigate the site with simple keystrokes, such as the Tab key

## Understanding diverse needs

- Conducting interviews with users who have low vision or color blindness

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In our efforts for promoting D&I, one thing we do not do is setting quotas or numbers as objectives. This is because we believe that making decisions over numbers does not necessarily get to the most essential of solutions.

In order to promote substantial D&I initiatives that actually lead to the growth of the organization and the business, we believe that each member's journey from recruitment to performing in the company, as well as the state of the organization, should be visualized via HR data, and systematic unfairness must be continuously addressed. We commit to substantial actions by collecting the experiences, knowledge, and opinions of our diverse cast of members through the acts of each employee.

Currently, in Mercari's Tokyo office alone<sup>1</sup>, we have members hailing from **more than 50 countries**<sup>2</sup>. We implement programs such as language training, Yasashii Communication Training, and Unconscious Bias Workshops to help facilitate an environment where employees can come together and perform together, without facing obstacles stemming from differences in culture, language, and values.

1. Employees registered under the Tokyo Office

2. Number of countries Mercari employees come from, as of July 1, 2022



# Diversity and inclusion in the company

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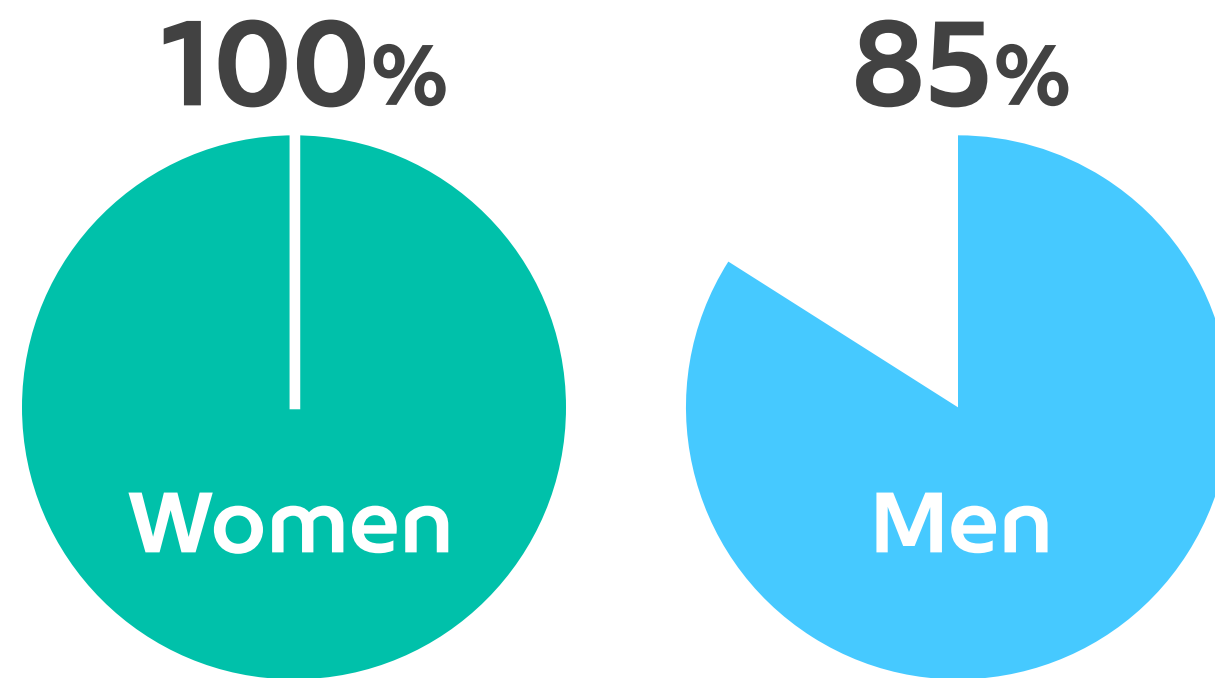
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## Building a comfortable work environment is conducive to higher performance for all

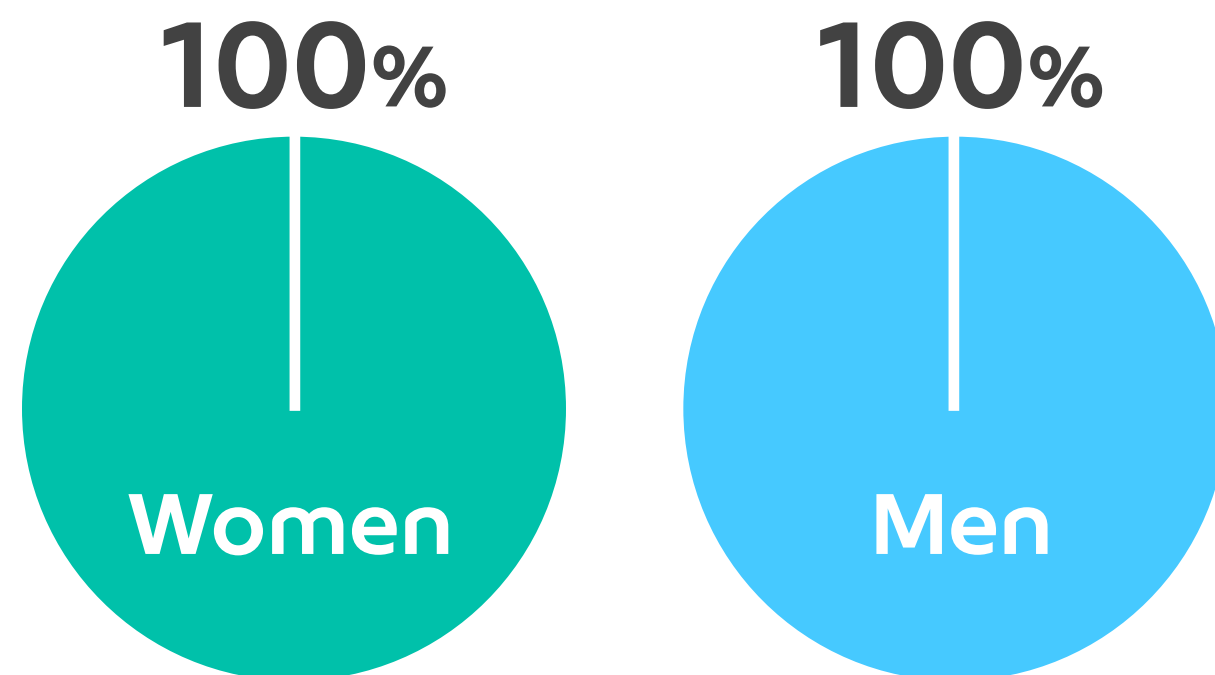
Percentage of childcare leave usage<sup>1</sup>



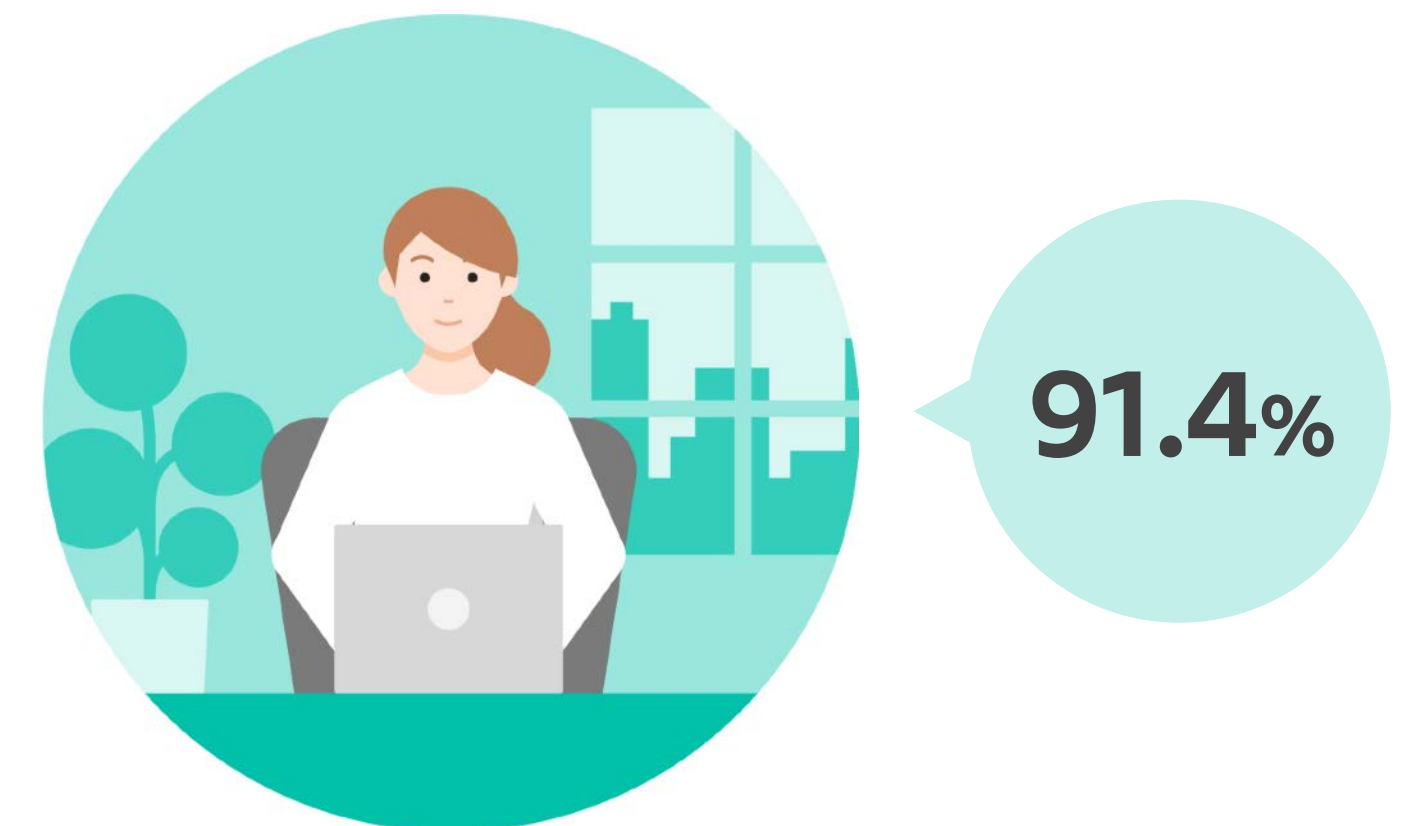
The percentage of employees who answered that the Your Choice system<sup>3</sup> (a system that allows members to choose where they would like to work from) was a positive influence over or the key factor in their decision of joining Mercari<sup>4</sup>:



Percentage of employees who return to work after childcare leave<sup>2</sup>



The percentage of employees who answered that the Your Choice system<sup>3</sup> (a system that allows members to choose where they would like to work from) helped increase their performance<sup>5</sup>:



1. Percentage of eligible employees (by gender) who took childcare leave in the one-year period from July 2021 to June 2022 2. Percentage of people (by gender) who returned from childcare leave in the one-year period from July 2021 to June 2022 3. “Your Choice” is Mercari’s new normal work style. With “Your Choice,” each employee is able to select the work style that maximizes performance and value for both themselves and their organization. The policy gives employees the freedom to decide whether to work remotely or in the office, what kind of environment to work in, and other working conditions. 4. From a survey of employees who joined since September 16, 2021 (113 respondents) 5. From an employee survey conducted in May 2022 (313 respondents)

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## Mechanisms to provide a work environment where our diverse members can thrive, maximizing the performance of both the organization and the workforce

### Work environment benefits (excerpted<sup>1</sup>)

- Introduction of full flextime<sup>2</sup> (no core hours)
- The “Your Choice” system

With “Your Choice,” each employee is able to select the work style that maximizes performance and value for both themselves and their organization.

The policy gives employees the freedom to decide whether to work remotely or in the office, what kind of environment to work in, and other working conditions.

- Encouraging side jobs

We encourage members to take on side jobs like writing, event appearances, angel investing, outside director positions/consultant positions, etc.

### Support for life events (excerpted<sup>1</sup>)

- Merci Box (a benefits package introduced in February 2016 in order to provide an environment where employees can perform to their fullest)

#### Providing financial support for egg freezing

We provide financial support to cover the cost of egg freezing, such as ovarian stimulation, egg retrieval, anesthetic, cryopreservation, frozen egg thawing, and cryopreservation extension to extend the egg storage period. To counter situations where members might give up on pregnancy and childbirth to prioritize their careers, this benefit provides support to mitigate our employees’ uneasiness for the future by offering them assistance to expand their life plan options. Moreover, all Mercari employees, as well as spouses or partners of Mercari employees, are eligible for this benefit, and as a part of the support offered for fertility treatments, we make available a maximum of 2 million yen per child.

#### Financial support for daycare for sick children

We provide financial support to employees whose children have fallen ill and require babysitting or temporary care in an institution, without restrictions on the number of hours.

#### Providing financial support for early childcare

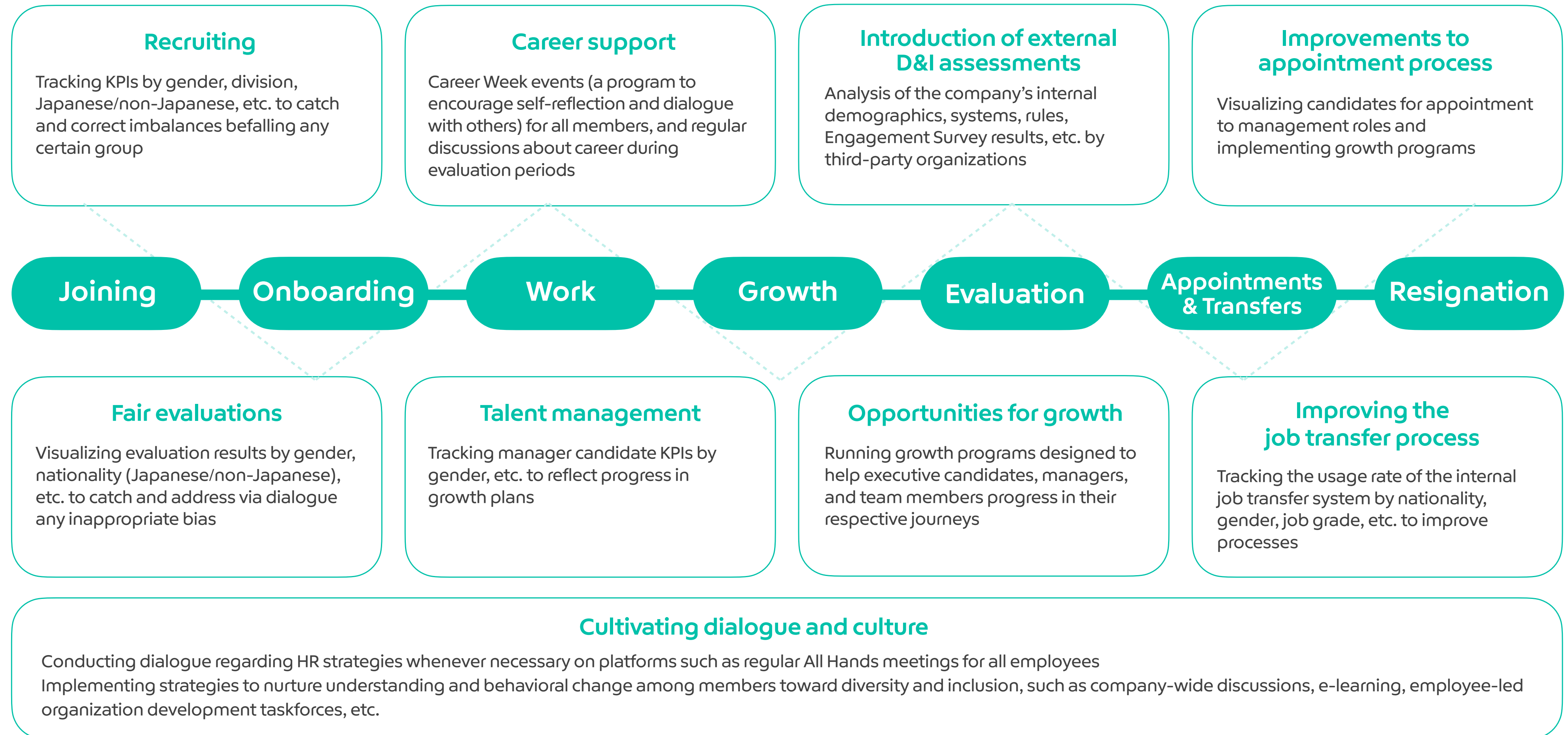
We provide financial support for the costs related to using a registered or non-registered daycare, or a babysitting service, during the period from when the employee returns from childbirth leave until the child’s first birthday. By offering financial support for childcare costs, this benefit increases the options available to employees when they want to return from childbirth leave early and provides them with more flexibility in building their career and life plan. Moreover, all Mercari employees, as well as spouses or partners of Mercari employees, are eligible for this benefit, for which we make available a maximum of 100,000 yen per month.

#### Financial support for non-registered daycare

If your child is unable to get into registered daycare, we will pay the difference when enrolling them into a non-registered one.

# Diversity and inclusion in the company

By visualizing the state of the organization via HR data, we are able to create mechanisms to catch and address any structural inequality (if it exists) at an early stage, and implement strategies to promote inclusivity between members of diverse backgrounds towards one another.



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# Diversity and inclusion in the company: FY2022 initiatives

## Internal-facing activities (HR systems, culture building)

- Introduced "[Your Choice](#)" as Mercari's new normal work style policy, which allows each individual and team to choose the work style that best enables them to demonstrate greater value and that leads to the highest performance for themselves/their organization
- [Updated Merci Box \(Added financial support for egg freezing and early childcare\)](#)
- Published the "[Mercari Culture Doc,](#)" which summarizes the values and perspectives shared by Mercari and its members

## External-facing activities

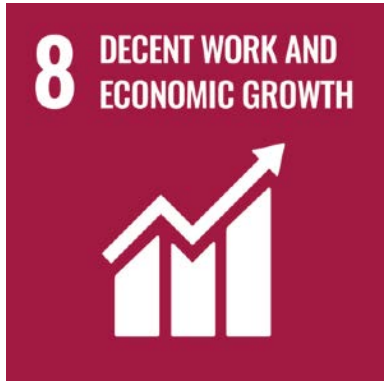
- Held "[Build@Mercari 2022,](#)" a software engineering training program for minorities in the tech industry
- Support for gender minorities in STEM fields: Sponsored the Build Your Future program
- Started the [Mercari Restart Program](#), a support program for people who temporarily left the workforce for reasons such as childcare or nursing and are now looking to restart their career
- Implemented "[Mercari Pride e-Learning,](#)" internal training regarding LGBT+ topics
- [Carried out Pride Month initiatives on Mercari and Mercari Shops](#)
- [Sponsored and opened booth at Tokyo Rainbow Pride 2022](#)

## External acknowledgements

- Received a gold rating in the [PRIDE Index 2021](#), an index used to evaluate LGBT+ friendly companies in Japan
- Received the [grand prize](#) in the Startup Company category in the Diversity & Inclusion Awards 2021







Material Topic 3

# Local Empowerment

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We believe that Mercari can empower individuals and businesses, stimulate regional economies, and help solve the issues that society faces.

Mercari allows people to buy and sell things easily, regardless of what region they live in. Mercari gives people the opportunity to open up new sources of income from selling items, use their skills to make and sell handmade items, and find self-fulfillment by taking on new challenges.

Through Mercari Shops, we are now able to support the e-commerce experience of not just individuals, but also local businesses by cooperating with local governments and other institutions.

As Merpay's coverage grows wider, cashless payments help stimulate local economies. Through the efforts of Kashima Antlers, the technologies and assets owned by Mercari Group are utilized to maximum effect, establishing the club as a supportive force in solving regional challenges.



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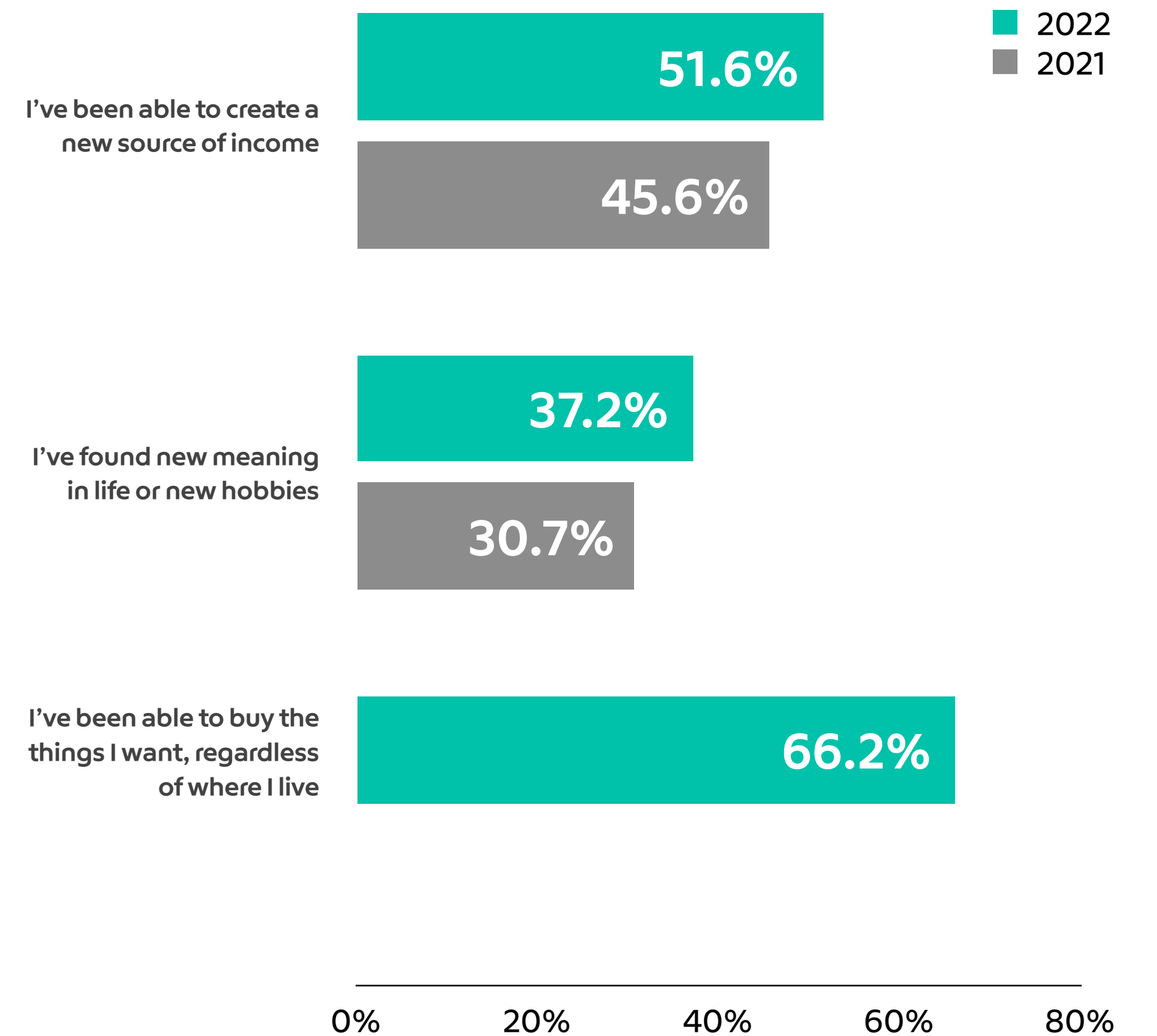
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## We are creating opportunities for empowerment through the use of Mercari, and triggering positive changes in the lives of individuals

In a survey conducted by Mercari in 2022, when asked “How has your life or mindset changed after using Mercari?”, **approx. 66.2%** of respondents answered “I’ve been able to buy the things I want, regardless of where I live”<sup>1</sup>, which shows that the number of people experiencing this positive change is growing year by year. This indicates that Mercari contributes to enriching people’s lives by creating opportunities for empowerment.



1. From a survey conducted by a research company in June 2022 targeting the general public (3,000 respondents)

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# Local empowerment: FY2022 initiatives

## Agreements and partnerships with 43 local governments

- Encouraging reuse on the waste collection calendars and other materials distributed by local governments
- Running Mercari Workshops
- Welcoming local government employees as dispatched workers
- Handing out free Mercari Ecoboxes to local residents as a proof of concept



## Expanded Mercari Donation feature

- 22 local governments
- 13 charities
- 59 organizations promoting a circular economy



## Supporting local businesses to open online shops with Mercari Shops

- After the full-scale launch on October 7, 2021, there were over 200,000 shops opened in the first six months
- Percentage of first-time online store openings: 55%
- Holding over 150 seminars to support business owners opening online shops on Mercari Shops
- Featuring shops from three Tohoku prefectures to support their disaster relief efforts
- Helping local governments sell oversized garbage, etc.



## Contributions to regional growth through Kashima Antlers

- Setting up a permanent recycling drop-off facility
- Conducting beach cleanups
- Offering career support for middle schoolers in the community
- Choosing eco-friendly products that are good for the ocean





Material Topic 4

# Safe, Secure, and Fair Transactions

mercari



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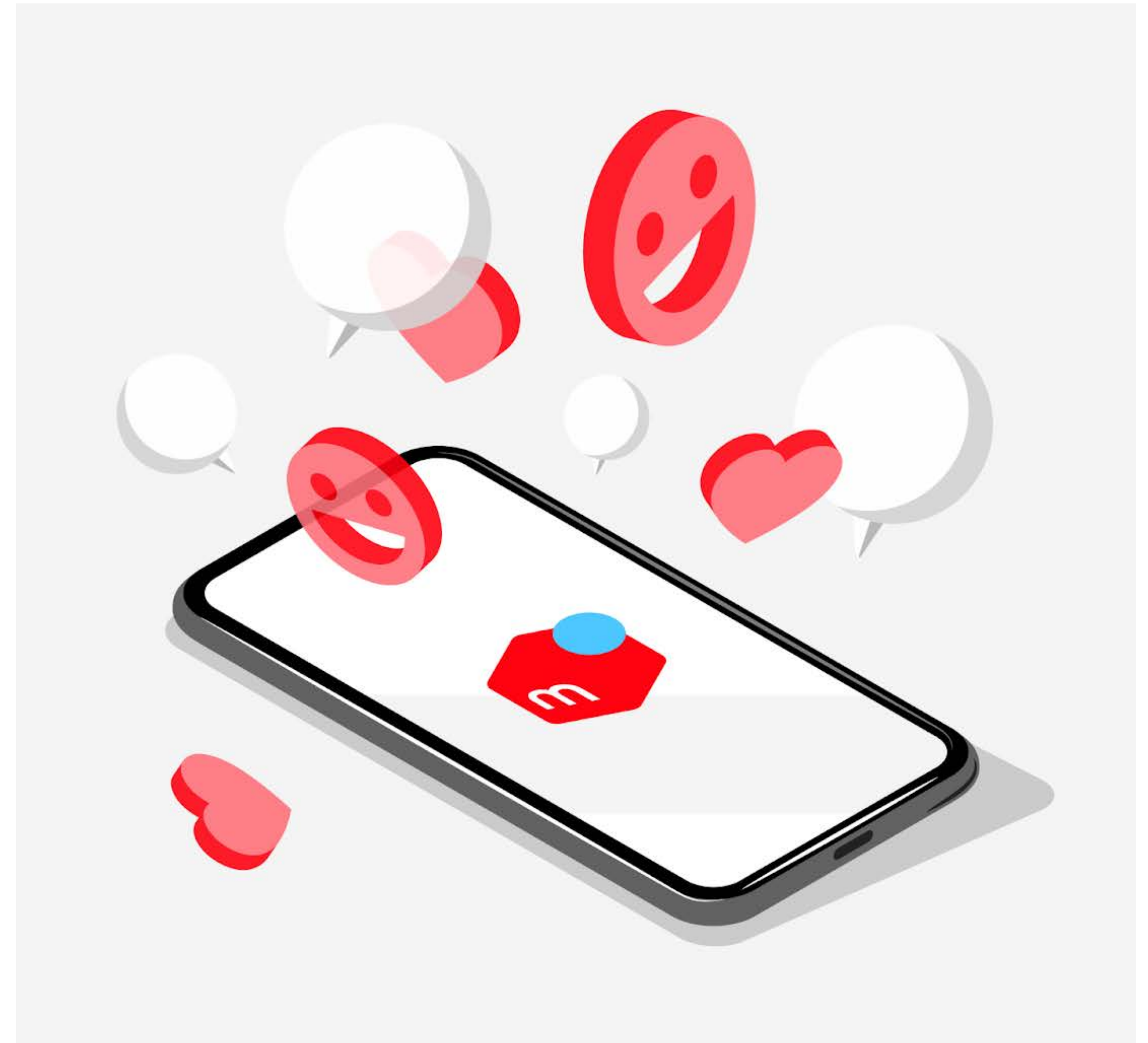
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We believe that for our services to be used by many, it is important not only that we maintain a fair marketplace where individuals and organizations can freely buy and sell, but even more so that we establish a safe environment for transactions that all of our stakeholders—users, merchants, business partners, and more—are able to feel at ease using. To achieve this, we work to maintain a platform for safe, secure, and fair transactions to prevent any kind of physical, mental, or financial trouble before it happens, and deal with anything that does happen swiftly and appropriately. To realize a safe, secure, and fair environment for transactions, we strive not only for better interactions with our users, but to utilize technology to root out and prevent transactions that may lead to issues as early on as possible. We also work with government agencies, consumer groups, NGOs, academics, and other corporations to keep our policies up-to-date and to constantly improve our ability to detect malicious transactions.



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## Percentage of survey respondents who answered that they think Mercari provides a safe, secure, and fair service

# 89.2% (-3.2pt YoY)

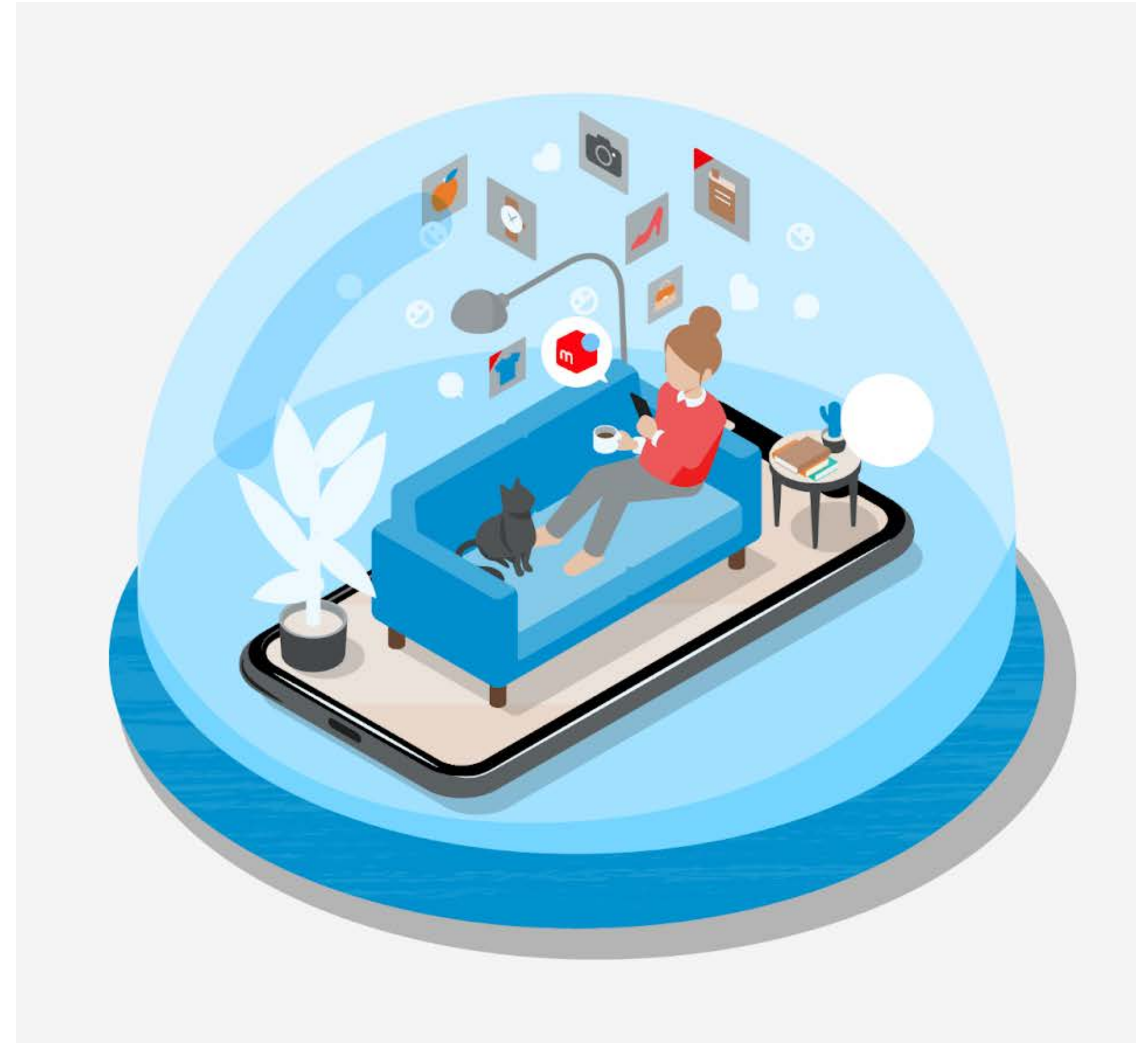
In a survey<sup>1</sup> carried out by Mercari in June 2022, 89.2% of Mercari users surveyed answered that they think Mercari provides a safe, secure, and fair service.

We believe the decrease compared to last year is because of the following incidents that have occurred since:

(1) User information exposure due to the Codecov unauthorized third-party access incident and its impact on Mercari

(2) Phishing emails and SMS claiming to be Mercari/Merpay

The incidents above are detailed on page 44.



1. From a survey of Mercari users in June 2022 (1,931 respondents)

# Initiatives for realizing safe, secure and fair transactions

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## Utilizing technology to create safe and secure systems

### Anti-fraud measures

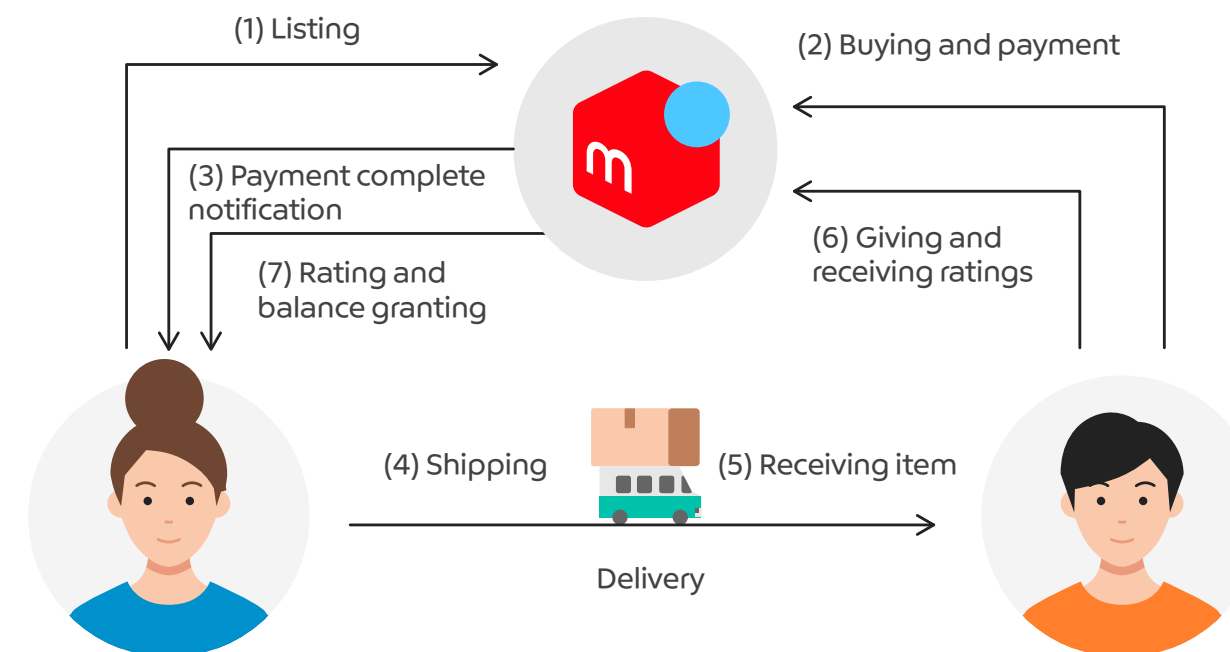
#### A constantly evolving fraud detection system

We use a fraud detection system to identify fraudulent transactions and prevent them before damage is done. By combining big data with AI technology, we continuously improve the accuracy of our detection systems.



#### Secure handling of money

Mercari uses an escrow system for all transactions. We hold on to funds during the transaction, ensuring both parties hold up their end of the deal before money changes hands.



#### Anonymous shipping

With Mercari's original shipping methods, RakuRaku Mercari Shipping and YuYu Mercari Shipping, sellers can ship items without either party needing to see the other's name and address. Mercari also provides support if items are lost or damaged during shipping.





# Initiatives for realizing safe, secure and fair transactions

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## Initiatives for customer service

### Initiatives for creating a safe and secure environment

#### Quick removal of illegal items and accounts

Our customer service team works 24/7 to make sure any listings or accounts that violate our terms of service are removed as soon as possible, before they are seen by our users.



#### Prevention of future incidents by analyzing user reports

We analyze the reports we receive from our users to find ways to prevent the same issue or similar suspicious activity from happening in the future.



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## Keeping our policies up to date with social change

### Main activities in FY2022



Mercari has created a Market Policy Committee to ensure illegal and inappropriate items stay off of our platform. This committee formulates and acts on policies and detection rules for prohibited listings and behavior.

#### Released the price alert feature (End of Aug. 2021)

- Released a price alert feature that notifies users of temporary jumps in price, to ensure that they don't inadvertently buy items at high prices in cases where demand temporarily outpaces supply for an item, causing prices to surge.

#### Held the Advisory Board on the Ideal Form of a Marketplace (Mar. 2022)

- The Board evaluated how Mercari has operated the marketplace based on the Marketplace Principles established, and held discussions on how to further improve the Marketplace

#### Topics

- Evaluating how the marketplace is operated
- Taking actions to build a better marketplace
- Reviewing basic policies

#### Conclusion

- It was agreed that the Principles do not need to be revised at this time.

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## Information collected through a network of authorities, organizations, and businesses

### Entered into comprehensive partnership agreements with seven companies

- Signed comprehensive partnership agreement “Addendum for Co-Building a Marketplace,” which includes various cooperative initiatives to establish a safe and secure transaction environment

### Continued programs as part of safe and secure initiatives

- Intellectual Property (IP) Protection Program
- Mercari’s Product Safety Support Program

### Collaborated with NITE

- Accepted secondments from NITE (National Institute of Technology and Evaluation) and launched initiatives to update Mercari item monitoring rules and share information with users through news and notifications on the app regarding points of caution when making listings or purchases

### Conducted education programs to help build a safe and secure environment for the service

- Published learning materials about safe use of marketplace apps
- Published study materials about safe use of cashless payments, following the lowering of the legal age of adulthood and stronger focus on financial education included in the new curriculum guidelines
- Held study sessions in collaboration with Consumer Affairs Center consultants and instructors

### Membership in JC3 (Japan Cybercrime Control Center)

- Strengthened connections with JC3 and fraud prevention measures, as well as our means of eliminating fraudulent users through collaboration with investigative organizations associated with JC3
- Contributed to industry-wide cybercrime prevention efforts by sharing information about cybercrime methods with JC3

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## Basic policy and examples of concrete action

### (1) User information exposure due to the Codecov unauthorized third-party access incident and its impact on Mercari

#### Basic policy

We ran a detailed investigation regarding the scope of impact of this issue, which concluded on August 6, 2021. We took reparative actions for people whose information was exposed and established a dedicated consultation window. Going forward, we will implement stronger security measures and continue our investigations regarding this incident. If we discover any new information that needs to be disclosed, we will report the details in a timely manner.

#### Concrete examples of preventive countermeasures

- Strengthening security in the software development life cycle (SDLC) to provide safe and secure services
- Improving awareness and educating employees about security and privacy
- Strengthening security across the company, making further improvements on the incident response processes, investigating supply chain risks on the codebase, etc.

Related announcements:

- [Mercari's Response to the Codecov Vulnerability and Related Notification on Personal Information Exposure](#)
- [\[Investigation Report\] Mercari's Response to the Codecov Vulnerability and Related Notification on Personal Information Exposure](#)

### (2) Phishing emails and SMS claiming to be Mercari/Merpay

#### Basic policy

The reason for authentication is now stated in the body of the authentication SMS messages sent to the phone number registered to the Mercari account. Mercari/Merpay implements various security measures to ensure safe and secure use of our services.

- Monitoring via a system combined with experts on staff
- Measures such as usage restrictions on accounts deemed highly likely to be fraudulent
- Early detection of and shutdown requests for phishing sites

We will continue to take measures such as further strengthening authentication and other security initiatives to prevent fraudulent use.

#### Concrete examples of preventive countermeasures

- Implemented additional authentication (via phone number or email) when making payments or changing settings
- Strengthened phone number verification (the reason for authentication is now included in the SMS, additional authentication is unavailable for a certain period of time after login, etc.)
- Implemented SDK-using EMV-3D Secure
- Strengthened fraud detection systems
- Added safe payment settings
- Sent out warnings to users
- Detected and took down phishing sites
- Established a countermeasure team

Related announcements:

- [Regarding suspicious emails and SMS claiming to be from Mercari and temporary usage restrictions on certain merchants](#)
- [Apology regarding the inquiries made to Merpay and announcement for future plans](#)
- [Watch out for phishing email and advertisements claiming to be Mercari/Merpay](#)
- [Check SMS messages carefully to protect yourself from phishing scams](#)





Material Topic 5

# Corporate Governance and Compliance

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To achieve our mission of "create value in a global marketplace where anyone can buy & sell," Mercari Group aims to contribute to society by creating a circular economy based on our values of Go Bold, All for One, and Be a Pro.

We also believe that in order to acquire the trust of stakeholders and sustainably enhance our corporate value, it is essential to improve the fairness and transparency of management and promote sound risk-taking by continuously enhancing our corporate governance structure.

We have established a basic corporate governance policy with the goal of enhancing effectiveness by discussing, carrying out, and continuously improving corporate governance measures.

We have also established a new ESG Committee and appointed one officer for each of our companies, for a total of seven ESG officers. Having these officers offer an ESG perspective in business-related management decisions allows us to balance our businesses and materiality-focused ESG initiatives, and ensures a structure that allows us to swiftly implement and promote these initiatives.



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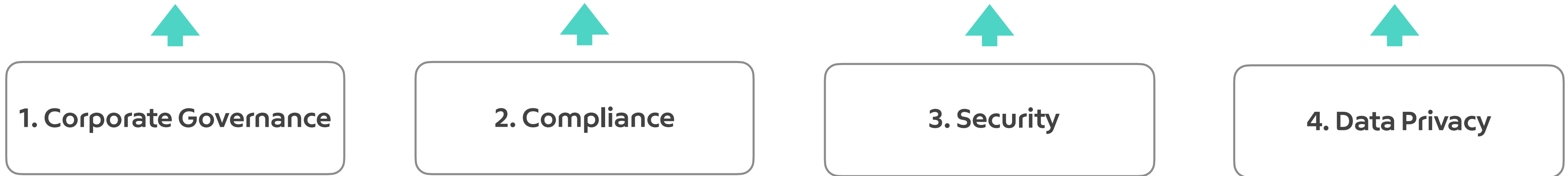
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**Achieve the trust of Mercari Group stakeholders (such as users, society, shareholders, and investors)  
Improve the resilience of Mercari Group (adaptability to societal changes and unpredictable situations)**



By defining execution structures, continuously considering strategies, and enhancing the effectiveness of these four areas, we work to realize the following:

- Making quick decisions that accurately reflect financial and social conditions
- Maintaining the legitimacy, health, and transparency of management
- Appropriately protecting and utilizing user information
- Reducing the risk and impact of incidents that may affect management



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# 1. Structure and strategies for corporate governance

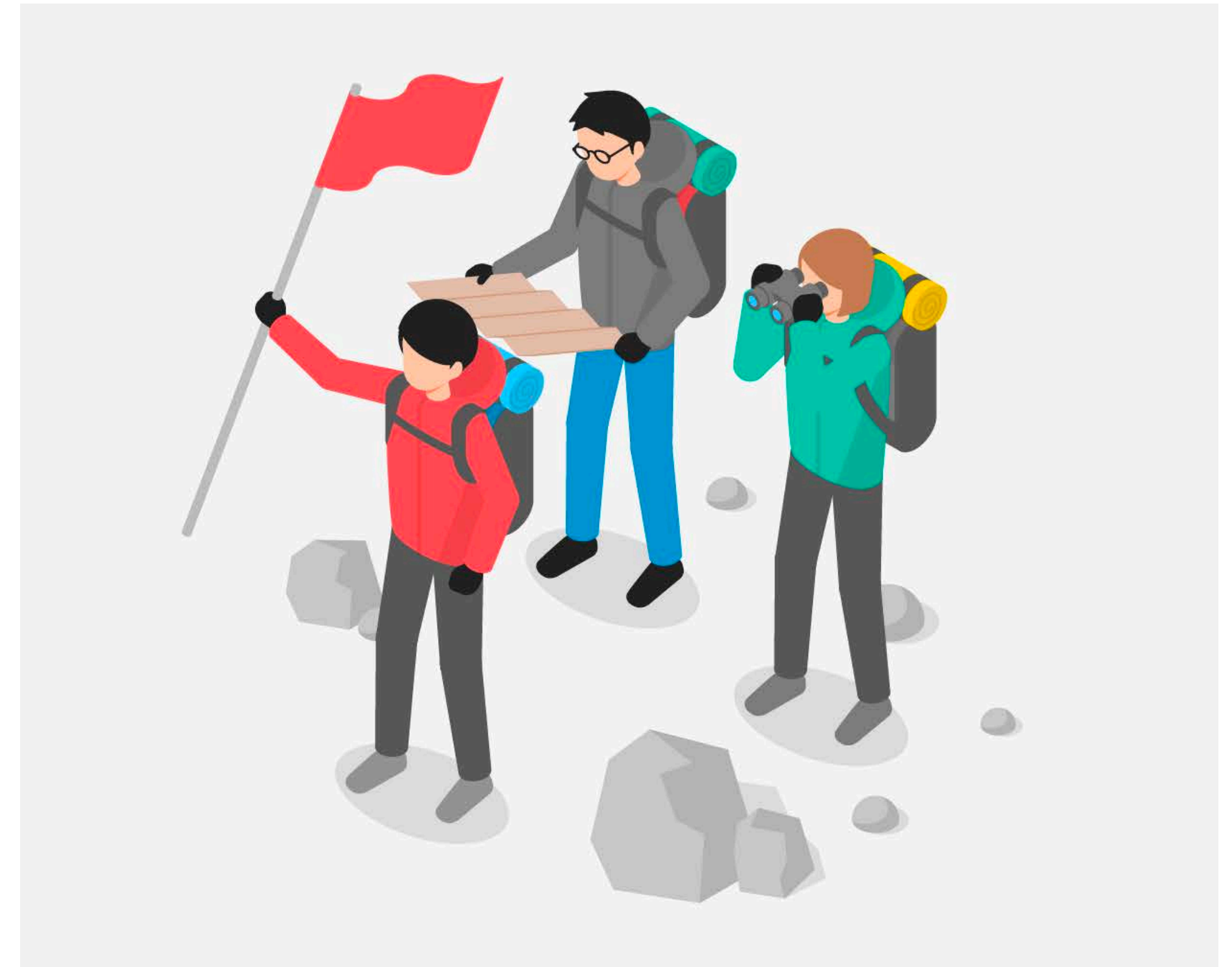
The Board of Directors, composed of directors well-versed in business and outside directors with an objective point of view, leads business management direction and makes executive business decisions, while the Audit and Supervisory Board audits the Board of Directors from an independent standpoint. Moreover, through the establishment of the Nomination and Remuneration Committee mostly composed of independent outside directors, we have ensured the fairness and transparency of decisions regarding the nomination and remuneration of top management.

## Main initiatives in FY2022

- Creating and announcing a skill matrix for directors

The Board of Directors determines the content of the skill matrix by defining skill areas in which directors are expected to make a particular contribution and after deliberation by the Nomination and Remuneration Advisory Committee. In order to improve the effectiveness of information disclosure to stakeholders, the skill matrix is disclosed in both the Corporate Governance Report and the Notice of the Annual General Meeting of Shareholders as information regarding candidates for director positions.

- Uplisting to the TSE Prime Market
- Formulating and announcing the Basic Corporate Governance Policy
- Carrying out and announcing an evaluation of the effectiveness of the Board of Directors
- Establishing the ESG Committee





## 2. Structure and strategies for compliance

For us to fulfill our social responsibilities, achieve continuous growth, and enhance our corporate value, we consider securing and training talent and adhering to compliance to be major topics for the future growth of our businesses. We strive for thorough adherence to compliance through not only the recruitment of well-experienced experts in each field, but also continuous training for our employees.

### Main initiatives in FY2022

#### Reforming the Group Compliance and Risk Management Committee

- Establishing a procedure for significant incidents, including reporting to the Board of Directors

Given the recent heightened risk of fraudulent use, personal information exposure, and natural disasters, we listed up risks faced by Mercari Group, identified the largest risks among them, and established a procedure for reporting them to the Board of Directors.

- Improving risk assessment and reporting (major revisions to risk scenarios, selection of largest risks, etc.)
- Improving risk survey methodology (strengthening surveys and hearings, etc.)
- Improving the report content and frequency of Group Compliance and Risk Management Committee meetings

#### Creating compliance programs and carrying out monitoring

- Carrying out compliance training (monthly e-learning programs for all employees, training programs for certain levels/tasks)
- Carrying out monitoring of adherence to laws and ordinances, etc. (carried out according to regulations relevant to the business)
- Carrying out compliance checks and risk assessments when releasing new services
- Carrying out legal/compliance checks of advertisement content when running promotions
- Carrying out periodic risk management (comprehensive verification based on a risk matrix)



### 3. Structure and strategies for security

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To live up to the trust placed in us by our users and society at large, and provide a service which people can feel at ease using, we have announced and adhere to our Information Security Policy. Specifically, we take on initiatives to continuously improve security measures and send out alerts for security matters across the Group.

#### Main initiatives in FY2022

- Response to the exposure of a portion of user information due to unauthorized access to the external tool Codecov

In May 2021, part of our source code was accessed without authorization by a third party due to a vulnerability identified in Codecov, resulting in a limited set of our users' personal information being exposed. After the incident was discovered, we swiftly established an incident response structure across the Group, investigated the impact, worked to solve the problem, and announced the incident publicly. We then established mid- to long-term security initiatives across the Group to prevent similar incidents from happening again in the future.

Our response:

- Investigating and resetting credentials, as well as migrating to a more secure method of credential management
- Strengthening security in the software development life cycle (SDLC)
- Improving awareness and educating employees about security and privacy

- Strengthening our security incident response structure across the Group (CSIRT)
- Strengthening security in the software supply chain
- Carrying out security risk assessments and security measures based on reviews of information assets
- Carrying out security training for all employees and for engineers



## 4. Structure and strategies for data privacy

By collecting information about the users of the various services offered by Mercari Group, we can adapt our services to provide a better experience. At the same time, Mercari Group is aware of the major responsibility that comes with collecting user information. We adhere to all laws, ordinances, and guidelines, such as the Act on the Protection of Personal Information, and have the utmost regard for user privacy while collecting said information.

### Main initiatives in FY2022

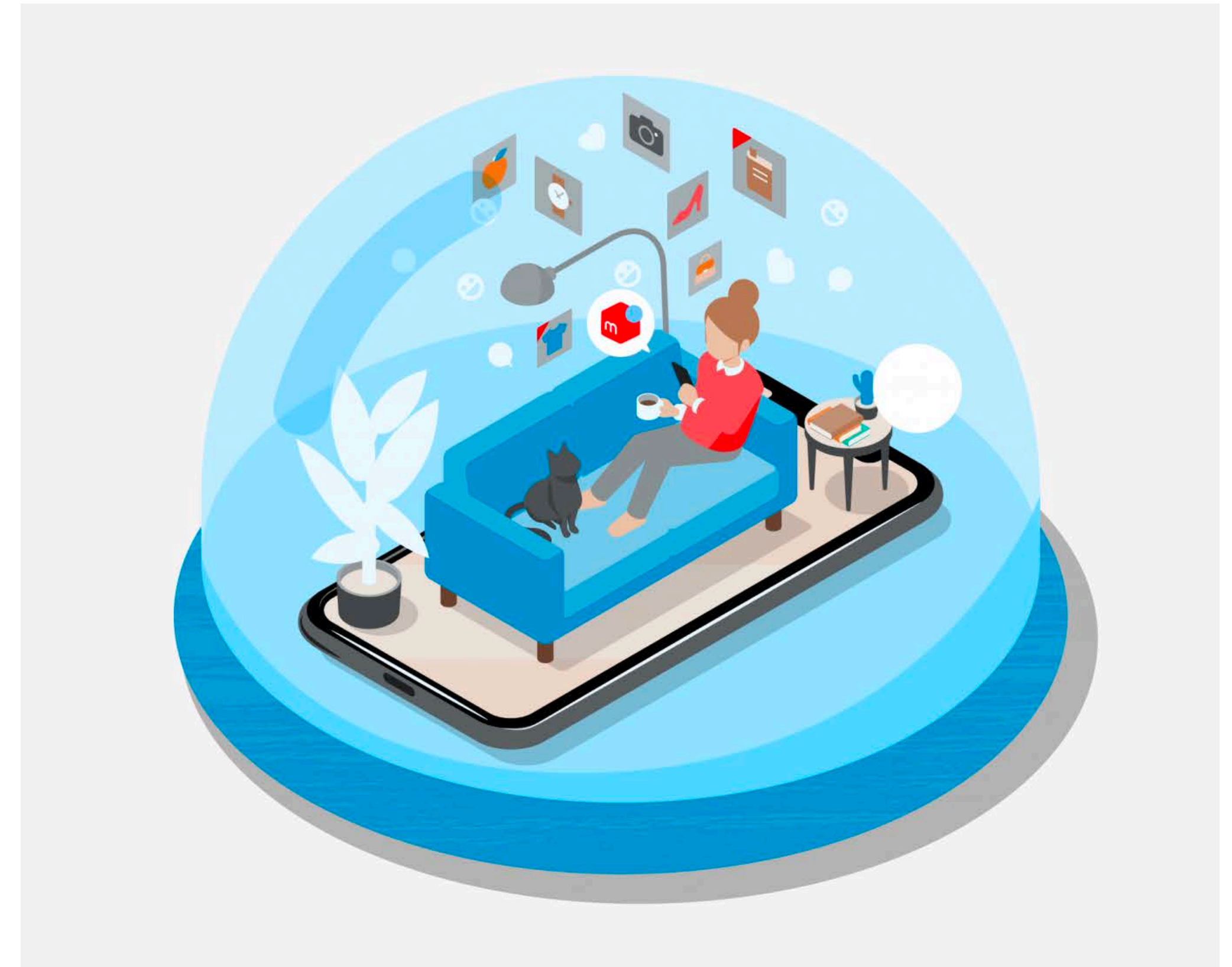
- **Checking compliance with the revised Act on the Protection of Personal Information**

The revised Act on the Protection of Personal Information, which went into effect in April 2022, expanded the rights held by individuals and the obligations required of businesses. Mercari Group launched a Group-wide project to recheck how we manage user information and update internal management rules and processes to match the revised Act on the Protection of Personal Information.

Our response:

- Rechecking how we manage user information at Mercari Group
- Updating internal regulations and manuals to match the revised Act on the Protection of Personal Information
- Revising our Privacy Policies and Privacy Guide
- Carrying out company-wide employee training regarding the revised Act on the Protection of Personal Information, etc.

- **Strengthening protection of personal information and strengthening our data governance structure**
- **Updating our Privacy Policies and Privacy Guide**
- **Carrying out training regarding protection of personal information (e-learning)**



# Our structure for promoting ESG

In order to better incorporate ESG perspectives into management decisions and execution processes, Mercari established an ESG Committee in December 2021 to advise our Senior Executive Committee. We have also appointed ESG officers for each of our companies. Having these officers offer an ESG perspective in business-related management decisions allows us to balance our businesses and materiality-focused ESG initiatives, and ensures a structure that allows us to swiftly implement and promote these initiatives.

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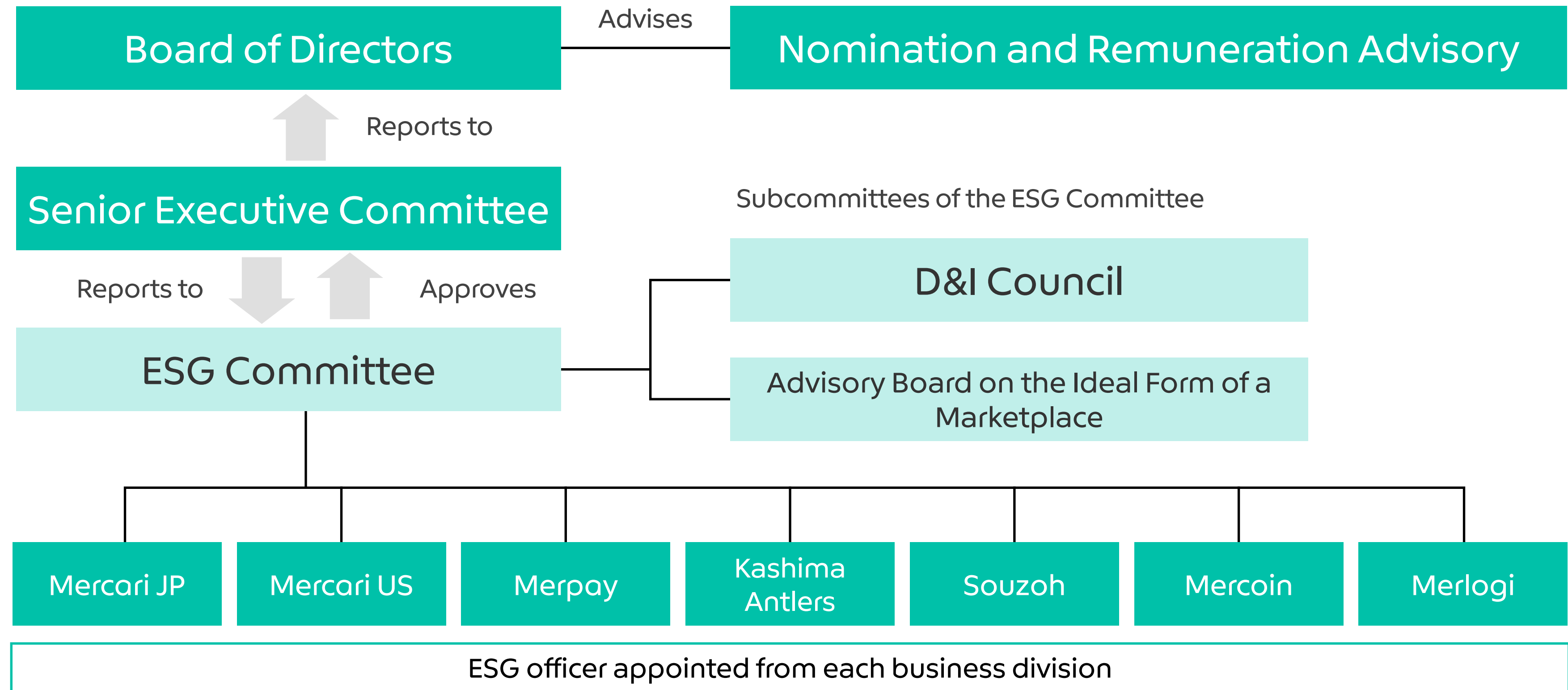
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## ESG Committee

Mercari considers ESG to be an important management topic. The ESG Committee aims to ensure sufficient time for regular discussions regarding ESG in order to enable better discussions and enhance the quality of decisions made by the Senior Executive Committee. With Mercari CEO Shintaro Yamada as chairperson, this committee is composed of the CEOs of each Mercari Group company, as well as ESG officers and other members nominated by the chairperson. They meet four times per year to formulate ESG-related implementation plans and monitor progress on each of the material topics.

### 1st ESG Committee Meeting (February 1, 2022)<sup>1</sup>

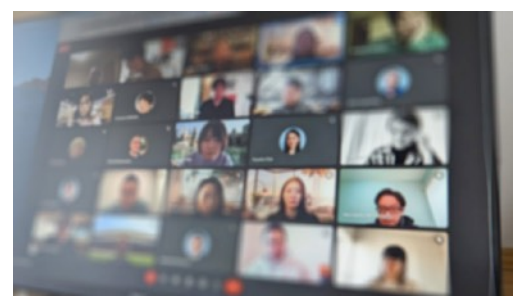
Topics discussed:

1. Mercari's aims for ESG management
2. Results of each business's materiality-based risk/opportunity assessment
3. How to reflect ESG in each company's roadmap

### 2nd ESG Committee Meeting (May 10, 2022)<sup>2</sup>

Topics discussed:

1. How to reflect ESG in each company's roadmap
2. Greenhouse gas emission calculation results and each company's plan of action to reduce emissions
3. Climate change risks/opportunities and our approach based on the TCFD recommendations
4. Our policy for calculating positive impact



[Mercari's Ideal ESG Management: A Behind-the-Scenes Look at the ESG Committee's Formation and First Meeting](#)  
(Japanese)

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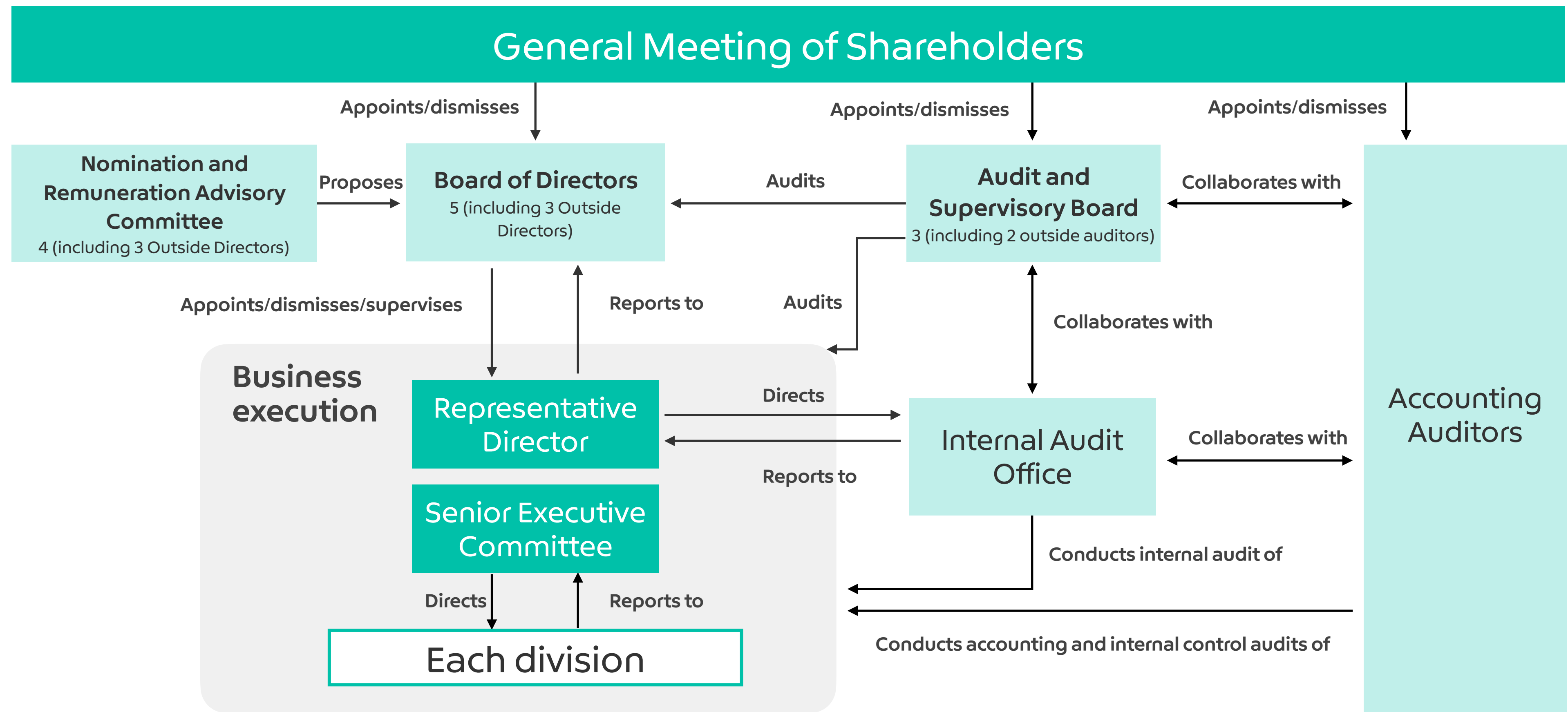
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Mercari adopts the “Company with the Audit and Supervisory Board” structure as defined in the Companies Act. The company incorporates a board of directors, made up of directors who have thorough knowledge of Mercari’s business and outside directors who provide objective perspectives. The board makes decisions regarding basic management policies and execution of essential business operations, while separating supervision and execution and promoting the transfer of business execution authority to the executive division centered around senior vice presidents. Furthermore, Mercari ensures fairness, transparency, and objectivity in procedures regarding decisions of nomination, remuneration, etc., of directors and senior vice presidents by establishing a voluntary advisory committee with independent outside directors as main members.



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	Name	Shintaro Yamada	Fumiaki Koizumi	Ken Takayama	Makiko Shinoda	Norio Murakami
Attributes	Re-appointment or new appointment	Re-appointment	Re-appointment	Re-appointment	Re-appointment	New appointment
	Independent Outside Director			●	●	●
Skills	Corporate management	●	●	●	●	●
	ESG	●	●		●	
	Technology	●				●
	Global management	●		●		●
	Business	● (General)	● (General)	● (General)	● (Internet, finance)	● (Internet)
	Finance/accounting		●	●	●	
	Corporate governance/compliance		●	●	●	

### Skill definitions:

Item	Overview
Corporate management	General management strategy
ESG	Sustainability strategy and ESG initiatives
Technology	R&D and technical strategy in the tech industry
Global management	International expansion of business
Business	Mercari's business operations, such as the internet, commerce, and finance
Finance/accounting	Finance and accounting
Corporate governance/compliance	Corporate governance, risk management, internal control, and compliance

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### **Mercari is included in the MSCI Japan ESG Select Leaders Index and the MSCI Japan Empowering Women Index.**

MSCI Japan ESG Select Leaders Index: This index is composed of companies recognized for significant achievement in addressing environmental, social, and governance-related issues, chosen from the MSCI Japan IMI Top 700 index by MSCI. It has already been selected for inclusion among the ESG indices used in the Japan Government Pension Investment Fund (GPIF)'s asset management.

MSCI Japan Empowering Women Index: This index is composed of companies recognized for outstanding gender diversity in their industry based on a newly developed gender diversity score, chosen from the MSCI Japan IMI Top 700 index by MSCI.

**2022** CONSTITUENT MSCI JAPAN  
ESG SELECT LEADERS INDEX

**2022** CONSTITUENT MSCI JAPAN  
EMPOWERING WOMEN INDEX (WIN)

## Recognition by external organizations

We were recognized by many evaluation organizations for our initiatives in FY2022.



### Material Topic 1: Creating a Circular Economy/Mitigating Climate Change

- Received the Special Award in the Environmental Sustainable Company Category in the 3rd ESG Finance Awards Japan



### Material Topic 2: Diversity & Inclusion

- Received a gold rating in the PRIDE Index 2021, an index used to evaluate LGBT+ friendly companies in Japan
- Received the grand prize in the Startup Company category in the Diversity & Inclusion Awards 2021



### Material Topic 4: Safe, Secure, and Fair Transactions

- Received an award at the 7th Information Security Incident Response Awards

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## Greenhouse gas emissions

(Unit: t-CO<sub>2</sub>)

			FY2021	FY2022
Scope 1			100	192
Scope 2			687	1,006
Subtotal (Scope 1 + Scope 2)			787	1,198
Scope 3	Category 1	Purchased goods and services	33,537	32,102
	Category 2	Capital goods	1,362	2,818
	Category 3	Fuel- and energy-related activities	125	161
	Category 4	Upstream transportation/distribution	63	110
	Category 5	Waste	34	33
	Category 6	Business travel	272	564
	Category 7	Employee commuting	69	140
	Category 8	Upstream leased assets	1,428	1,585
	Category 9	Downstream transportation/distribution	N/A	N/A
	Category 10	Processing of sold products	N/A	N/A
	Category 11	Use of sold products	N/A	N/A
	Category 12	Disposal of sold products	84	45
	Category 13	Downstream leased assets	N/A	N/A
	Category 14	Franchises	N/A	N/A
	Category 15	Investments	N/A	N/A
Subtotal (Scope 3)			36,974	37,558
<b>Total (Scope 1 + 2 + 3)</b>			<b>37,761</b>	<b>38,756</b>

1. Calculated based on the “[Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain](#)” of the Ministry of the Environment/Ministry of Economy, Trade and Industry and related regulations / 2. Period: FY2021 (July 1, 2020–June 30, 2021) and FY2022 (July 1, 2021–June 30, 2022) / 3. Scope of calculations: Mercari, Inc.; Merpay, Inc.; Kashima Antlers F.C. Co., Ltd.; Mercari, Inc. (US); Souzoh, Inc.; Mercoin, Inc.; and Merlogi, Inc. / 4. Some FY2021 calculation results have been revised from the numbers published last year due to revising the calculation scope, changing calculation methods, and refining part of category 1 / 5. Calculations exclude categories in which we have no relevant activities, as well as areas that meet GHG protocol standards such as making up a negligible proportion of Scope 3 and having few items to which we can contribute to reducing / 6. Some parts of Scope 3 are estimates / 7. Category 1 numbers calculated using an independent unit that meets the Ministry of the Environment’s guidelines

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## Mercari Group employee data for FY2022.6

Gathering diverse experiences, knowledge, and opinions	● Consolidated headcount <sup>1</sup>	2,209
	● Age ranges <sup>1</sup>	20s: 24.8% / 30s: 54.6% / 40s: 17.3% / 50s: 3.0% / 60s: 0.4%
	● Percentage of women employees <sup>1</sup>	32.0%
	● Percentage of women in leadership <sup>2</sup>	25.0%
	● Percentage of women in management positions <sup>1</sup>	22.7%
	● Types of employee programs encouraging inclusion <sup>4</sup>	<ul style="list-style-type: none"> <li>• <a href="#">Language study programs</a></li> <li>• <a href="#">Yasashii Communication Training</a></li> <li>• <a href="#">Unconscious Bias Workshop</a></li> <li>• Diversity &amp; Inclusion e-learnings (general diversity &amp; inclusion/Pride E-Learning)</li> <li>• Dedicated translation and interpretation team</li> </ul>
Providing flexible choices	● Rate of childcare leave usage (by gender) <sup>3</sup>	89%: 33 men (84% of eligible men) / 18 women (100% of eligible women)
	● Percentage of employees who returned to work after childcare leave (by gender) <sup>3</sup>	100%: 38 men (100% of eligible men) / 16 women (100% of eligible women)
	● Percentage of employees who feel re-acclimated to the company 12 months after returning from childcare leave (by gender) <sup>3</sup>	83%: 29 men (78% of eligible men) / 20 women (91% of eligible women)
Helping employees demonstrate results as pros	● Skills development programs for employees <sup>4</sup>	<ul style="list-style-type: none"> <li>• Leadership training</li> <li>• Problem-solving training</li> <li>• OKR training</li> <li>• New age apt training</li> <li>• Evaluation feedback training</li> <li>• Team management training</li> <li>• 1-on-1 training</li> <li>• Coaching training</li> <li>• Project management</li> <li>• Effective remote work</li> <li>• Lunch &amp; Learns                             <ul style="list-style-type: none"> <li>• Mercari values</li> <li>• Well-being</li> <li>• Positive psychology</li> </ul> </li> </ul>

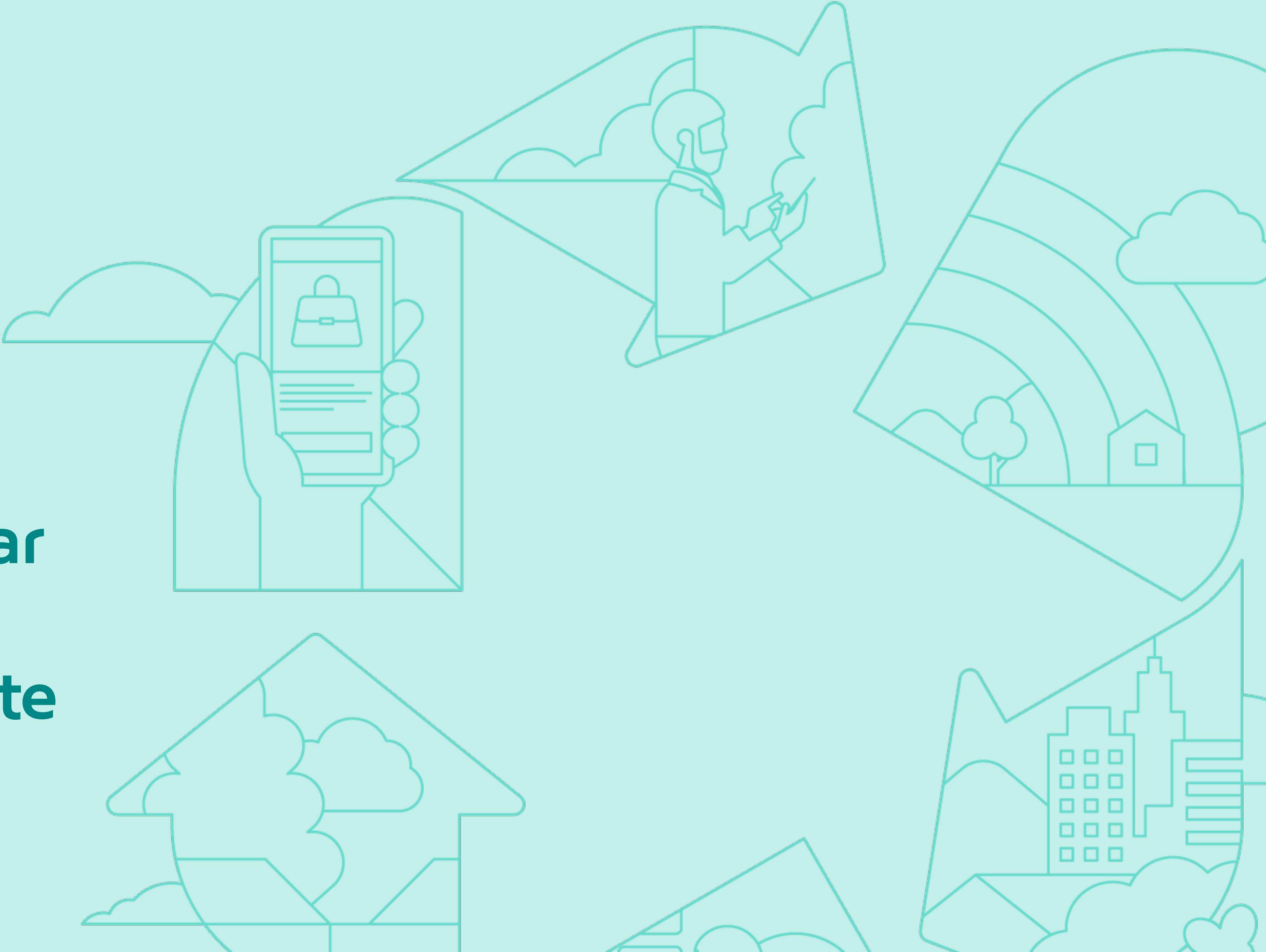
1. Includes Mercari, Inc.; Merpay, Inc.; Souzoh, Inc.; Mercoin, Inc.; Kashima Antlers F.C. Co., Ltd.; and Mercari, Inc. (US) / 2. Percentage of leadership (directors, Audit and Supervisory Board members) in Mercari, Inc. (does not include any other Mercari Group companies) / 3. Only applies to Mercari, Inc. (does not include any other Mercari Group companies) / 4. Mercari, Inc.; Merpay, Inc.; Souzoh, Inc.; and Mercoin, Inc.

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Material Topic 1

# Creating a Circular Economy/ Mitigating Climate Change

mercari



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In the mid-to-long term, we are working to change people's mindset when it comes to the cycle of buying, using, and throwing away their items.

## Awareness

### Make alternatives to throwing items away feel easier

- Developing the Mercari Eco Pack
- Developing the Mercari Ecobox
- Opening the Sustain-a-Store
- Selling items upcycled from the Kashima Antlers anniversary banner
- Changing our water bottles for guests
- Reusing equipment needed to film commercials



## Education

### Provide an environment for learning sustainable behavior

- Providing educational programs through classroom visits
- Releasing six programs for free on our education portal



## Collaboration

### Create a circular economy throughout all links of the value chain

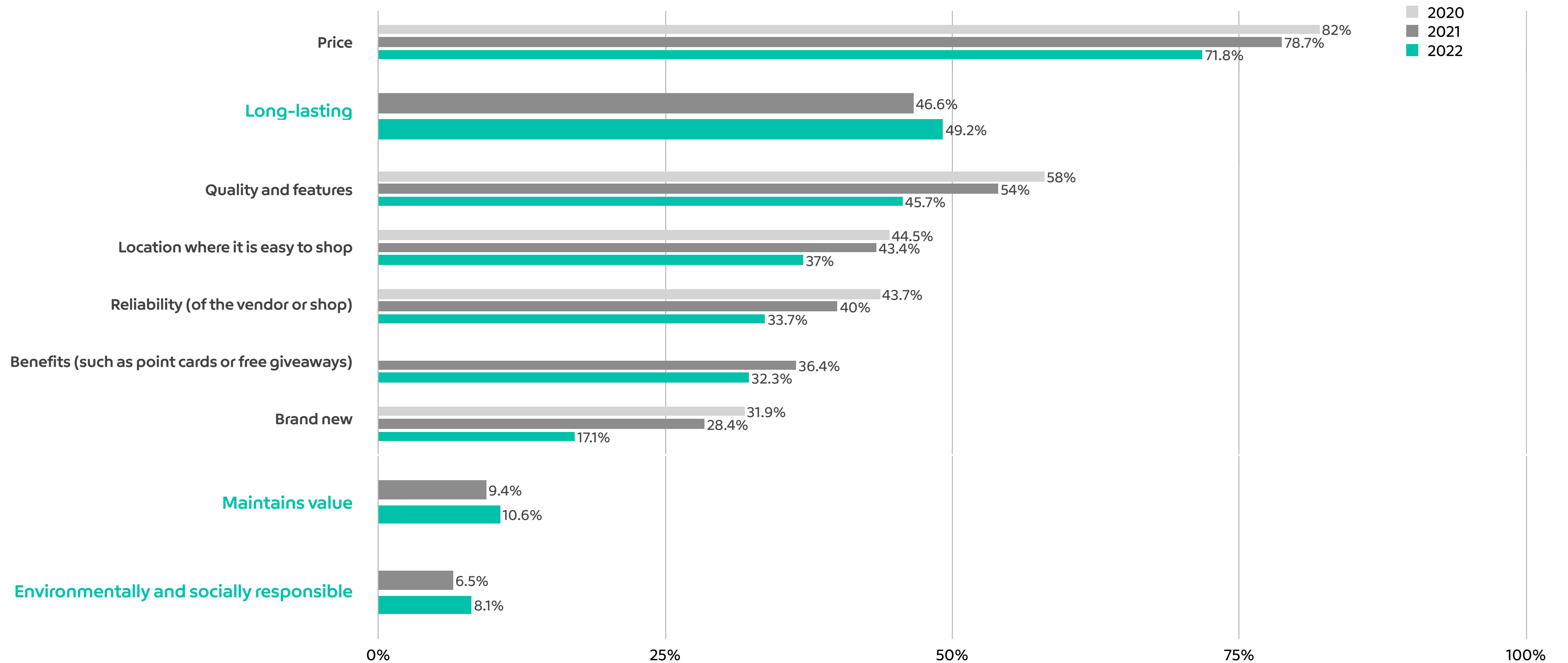
- Announcing the Mercari Price Index
- Expanding Mercari Workshops
- Installing Mercari Post mailboxes
- Expanding Mercari Stations
- Carrying out a proof of concept for our pick-up and package service



# Changes in people's attitudes toward buying

When asked what areas they focus on when buying products, not only did the number of people who responded “brand new” go down, the results showed that **more people care about finding items that are “long-lasting” and “environmentally and socially responsible.”**

## Areas of focus when buying a product



Based on a survey carried out through an external research company on men and women across Japan between the ages of 15 and 69 in June 2022 (3,000 people), July 2021 (3,000 people), and June 2020 (2,400 people). The responses that were not included in the FY2020 survey are not shown here.

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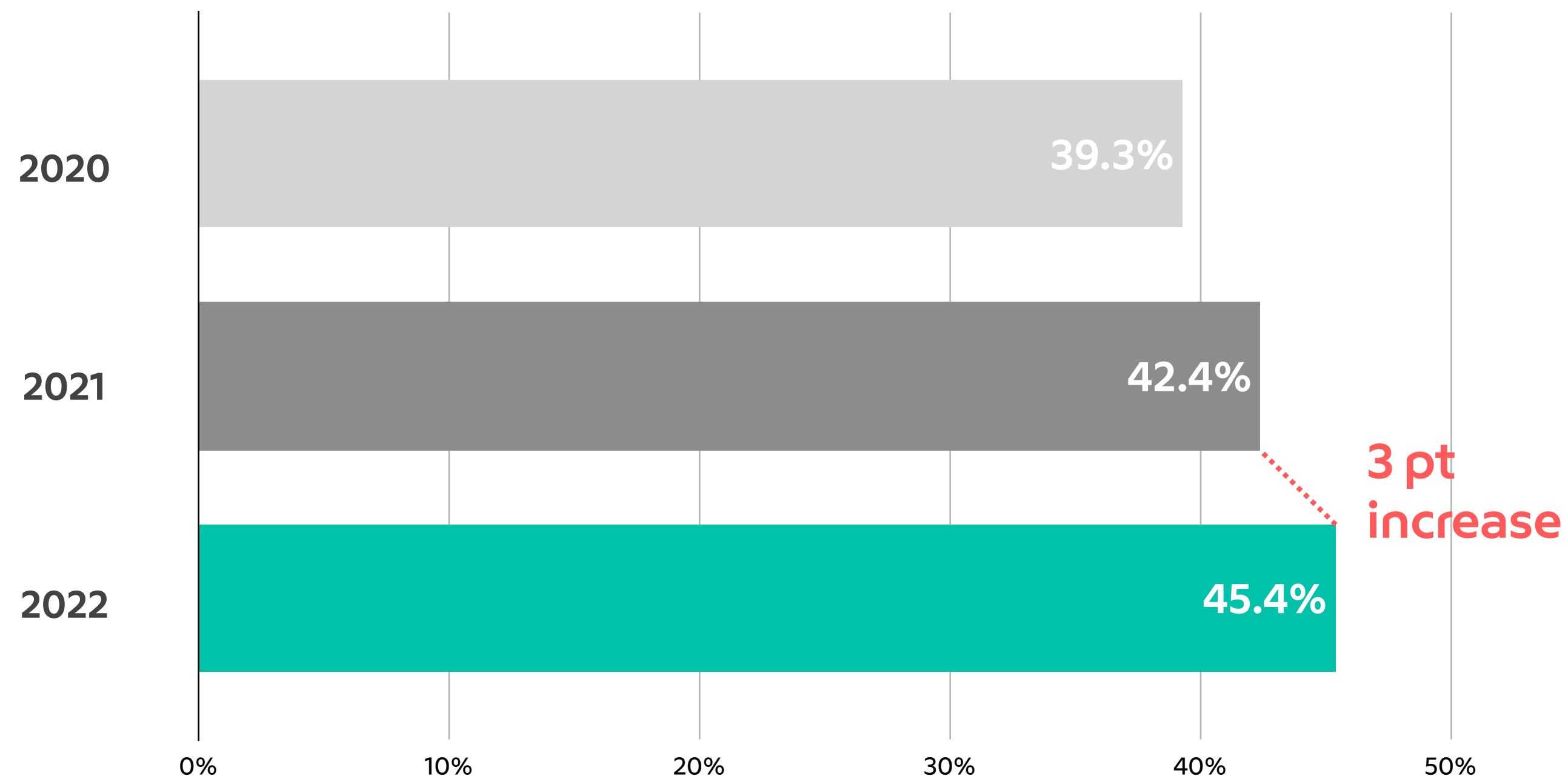
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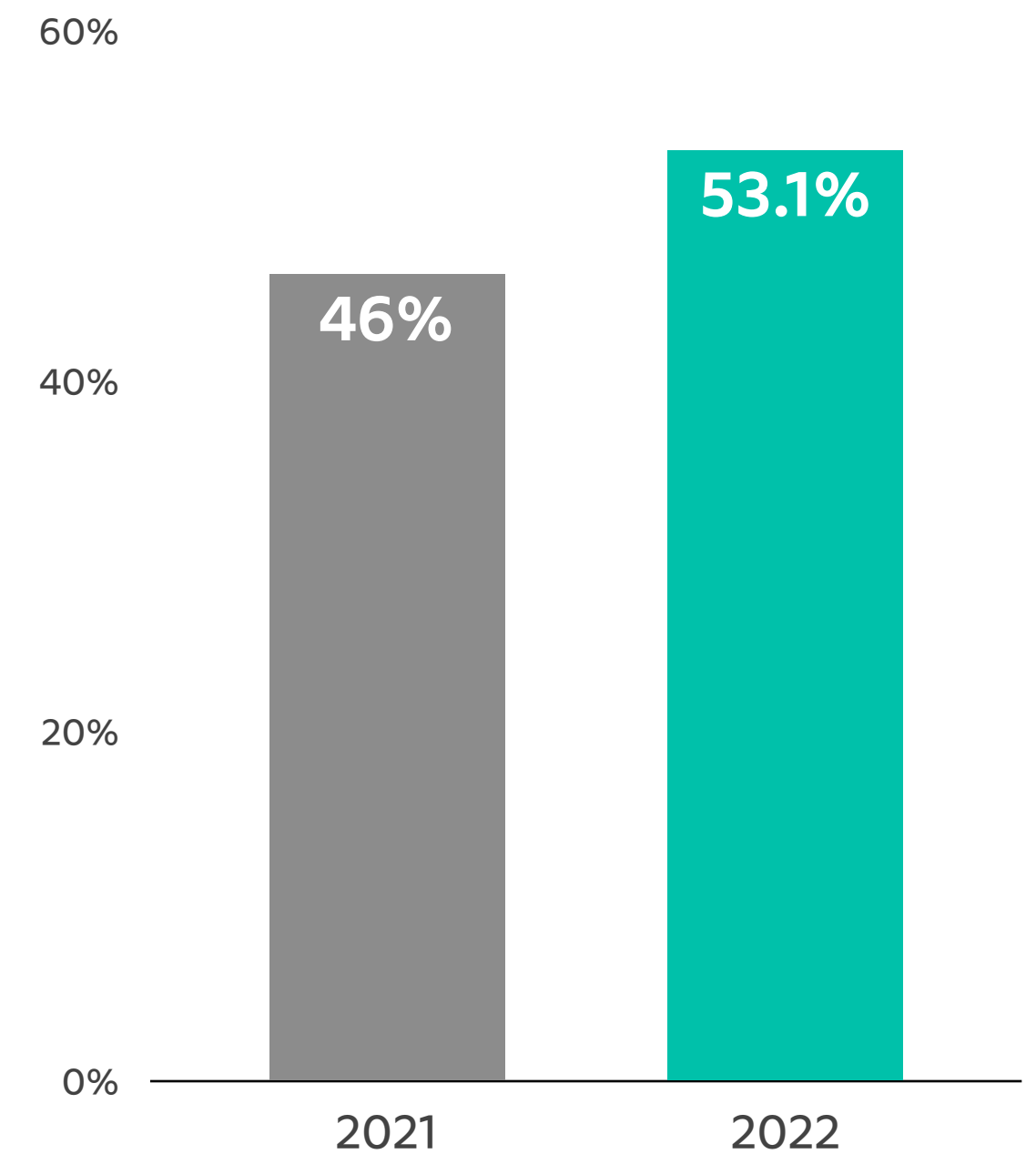
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The percentage of people who are comfortable buying secondhand products increased by **3 ppts YoY to 45.4%**, and it is on an increasing trend over the past few years. If we look at the numbers, it is not just that they are comfortable with the idea—the percentage of people who have bought a secondhand product in the past year rose from 46.0% to **53.1% (7.1% increase from last year)**, demonstrating that more people are actually buying secondhand each year.

## People who are comfortable buying secondhand products



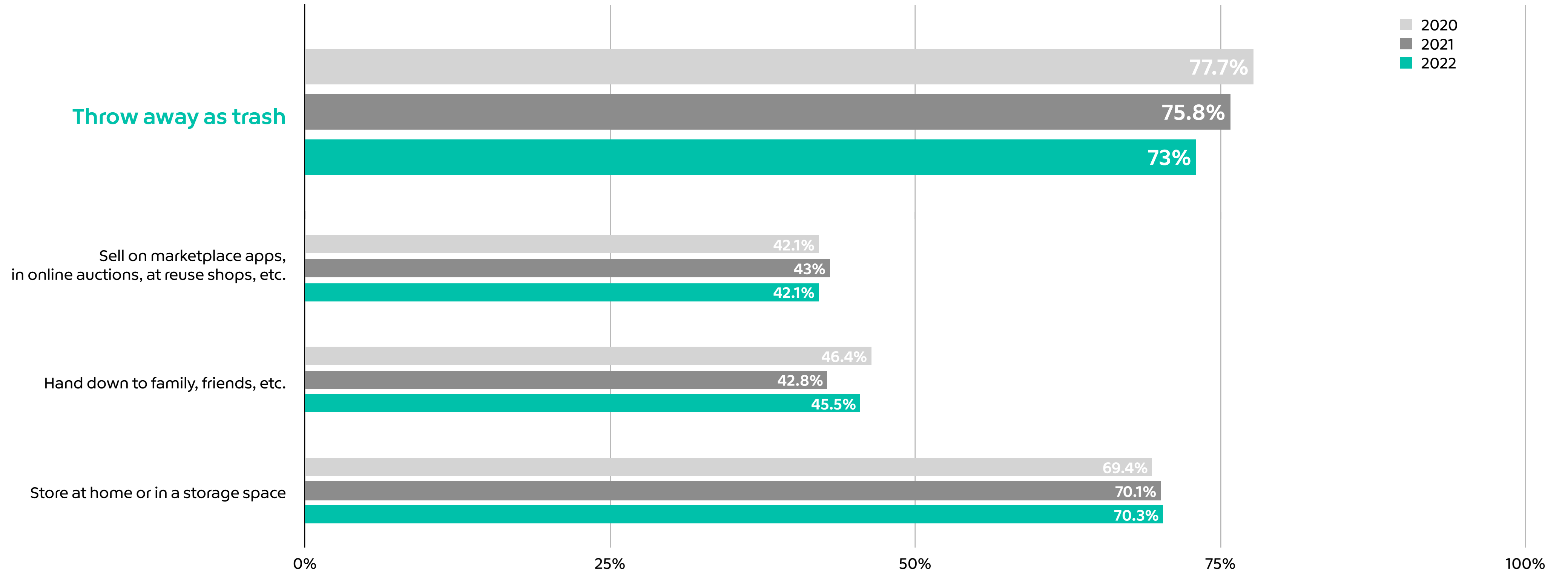
## People who have bought a secondhand product in the past year



# Changes in how people get rid of unwanted items

Currently, **about 73.0%** of people choose to throw away their unwanted items as trash. This is a **2.8 ppt decrease** from the same survey conducted **last year**, and we are seeing the number go down each year.

## What do you do with your unwanted items?



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## Using Mercari for a more sustainable lifestyle



**Interview: Mihochi**

Seven years of experience using Mercari. Mainly focuses on listing items and has over 1,700 ratings. When she's not listing things on Mercari, she works as a minimalism-oriented decluttering coach.

I started using Mercari over seven years ago, after my friend told me about it and how easy it is to list items. My kids were still small at the time, and I was wondering what to do with all their outgrown clothes, so I started using the service. Fast forward to now, and I've completed over 1,700 transactions and use Mercari mostly to list things.

Since I've started using Mercari, I've noticed I've developed some new habits. For example, I am now more mindful of keeping my belongings clean—I make sure to use a book cover, and I take out the batteries of any electronics I don't use for a long time to prevent leakage. The thing is, I was not always like this. I think I gradually started to build more sustainable habits as I continued to use Mercari.

One big reason I use Mercari is to give any unwanted items from my home to people who need them. My family often receives food from others because of our jobs. Food is different from other items in that it comes with an expiration date. When my kids were little, I often shared this food with their friends, but there are fewer opportunities to do so now that they've gotten older. And, if no one is able to eat this food, it will turn into food waste. In moments like these, I am thankful for Mercari, since I can list items that I no longer need and pass them on to people who need them.

Recently, since I am completing more transactions on Mercari, I am trying to reuse my packing materials. I receive a lot of calendars, so I've been using them to wrap things I've sold on Mercari. It doesn't take any drastic changes to make an impact. I hope to continue thinking about small things I can do for the environment.

# Changes in people's attitudes when packing up items for Mercari

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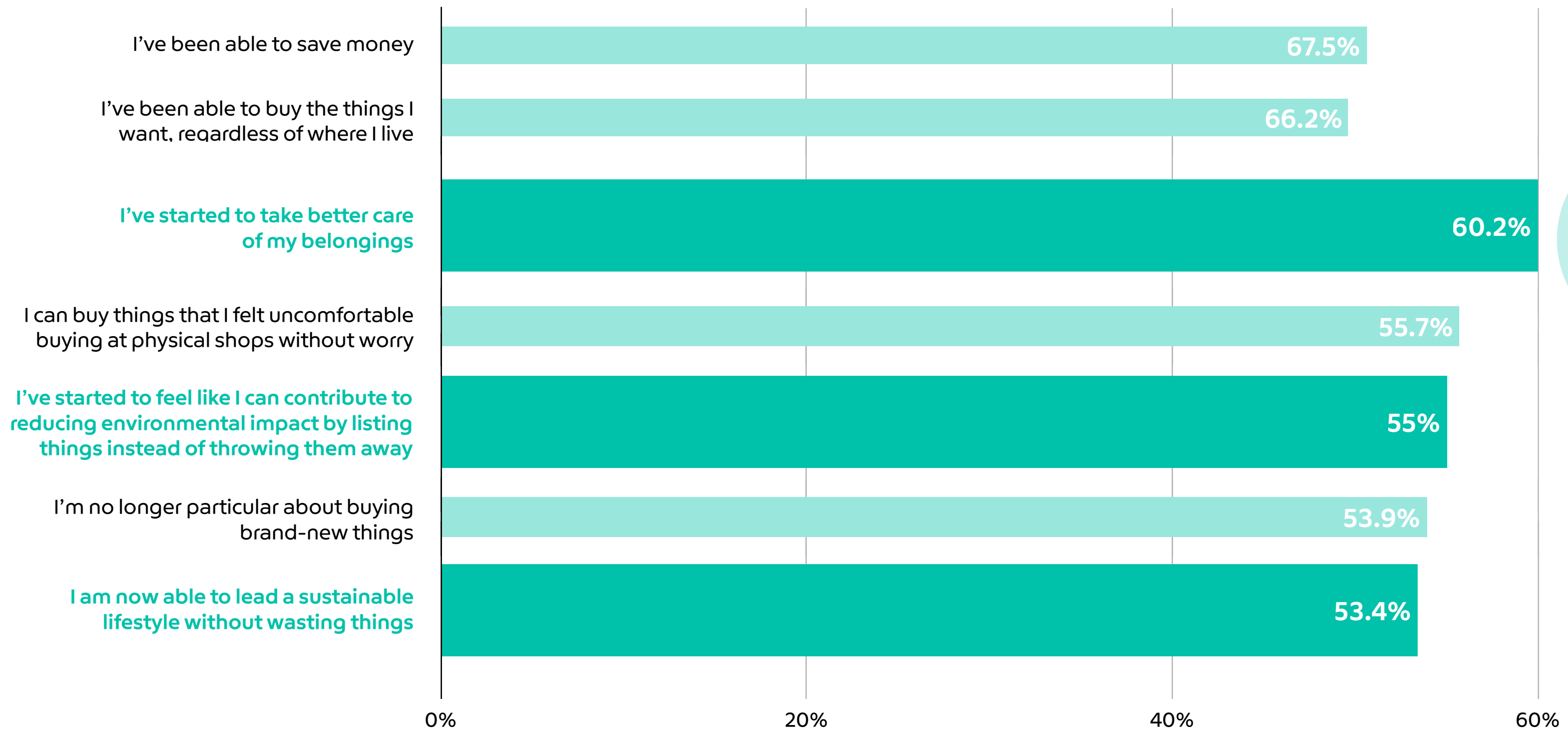
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Among the people who have used Mercari before, **60.2%** named “I’ve started to take better care of my belongings” as a change they noticed after starting to use Mercari. **55%** of them said “I’ve started to feel like I can contribute to reducing environmental impact,” and **53.9%** no longer feel very particular about buying brand-new things. Additionally, an impressive **53.4%** responded “I’m now able to lead a sustainable lifestyle without wasting things.” These results show how using Mercari has helped people become more conscious of sustainability in their everyday lives.

## How has your life or mindset changed after using Mercari?



I was able to realize that others may be looking for some of the things I no longer need, and I came to see the beauty of those items continuing to be used without going to waste.



Woman in her 60s

# Changes in people's attitudes when packing up items for Mercari

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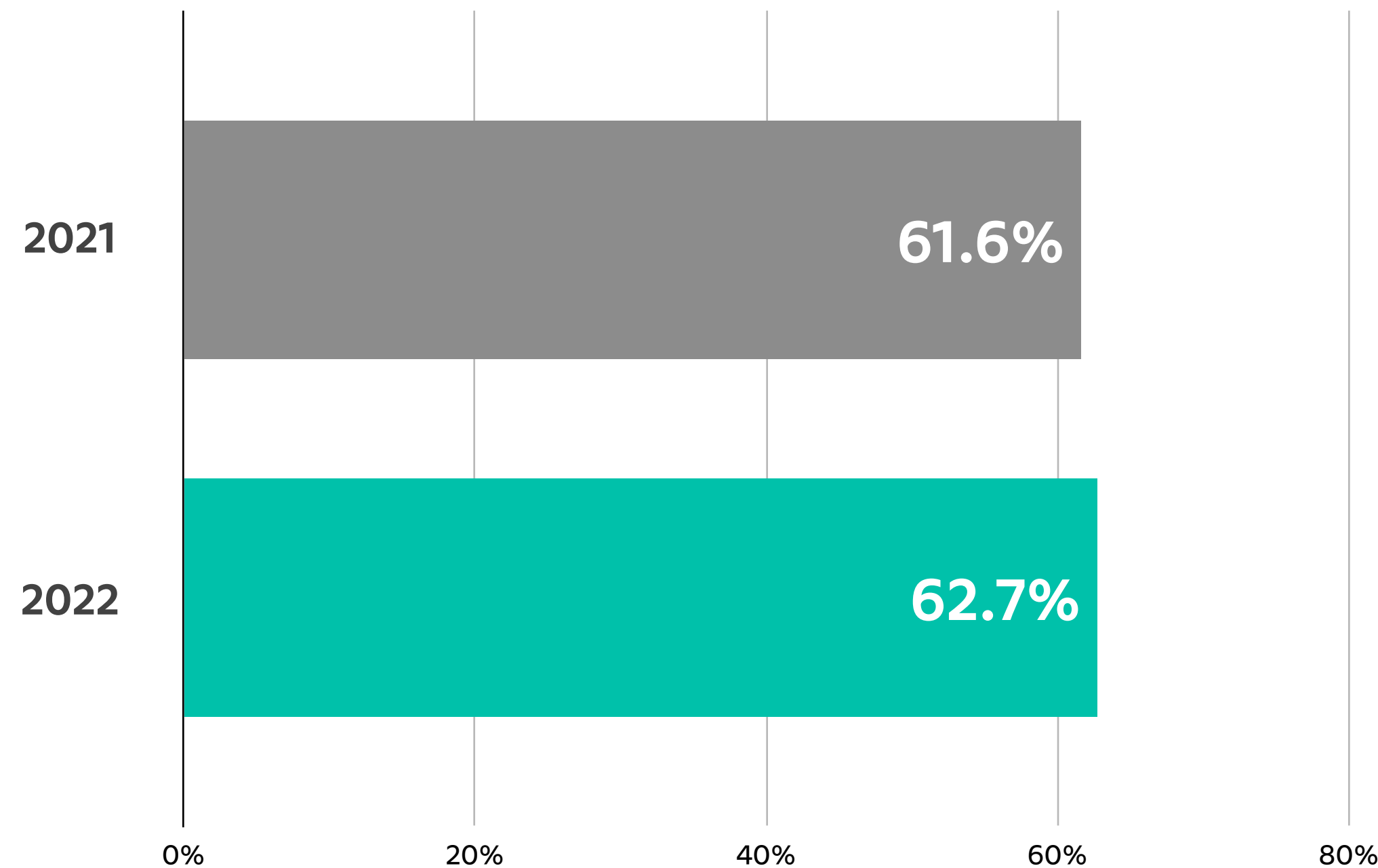
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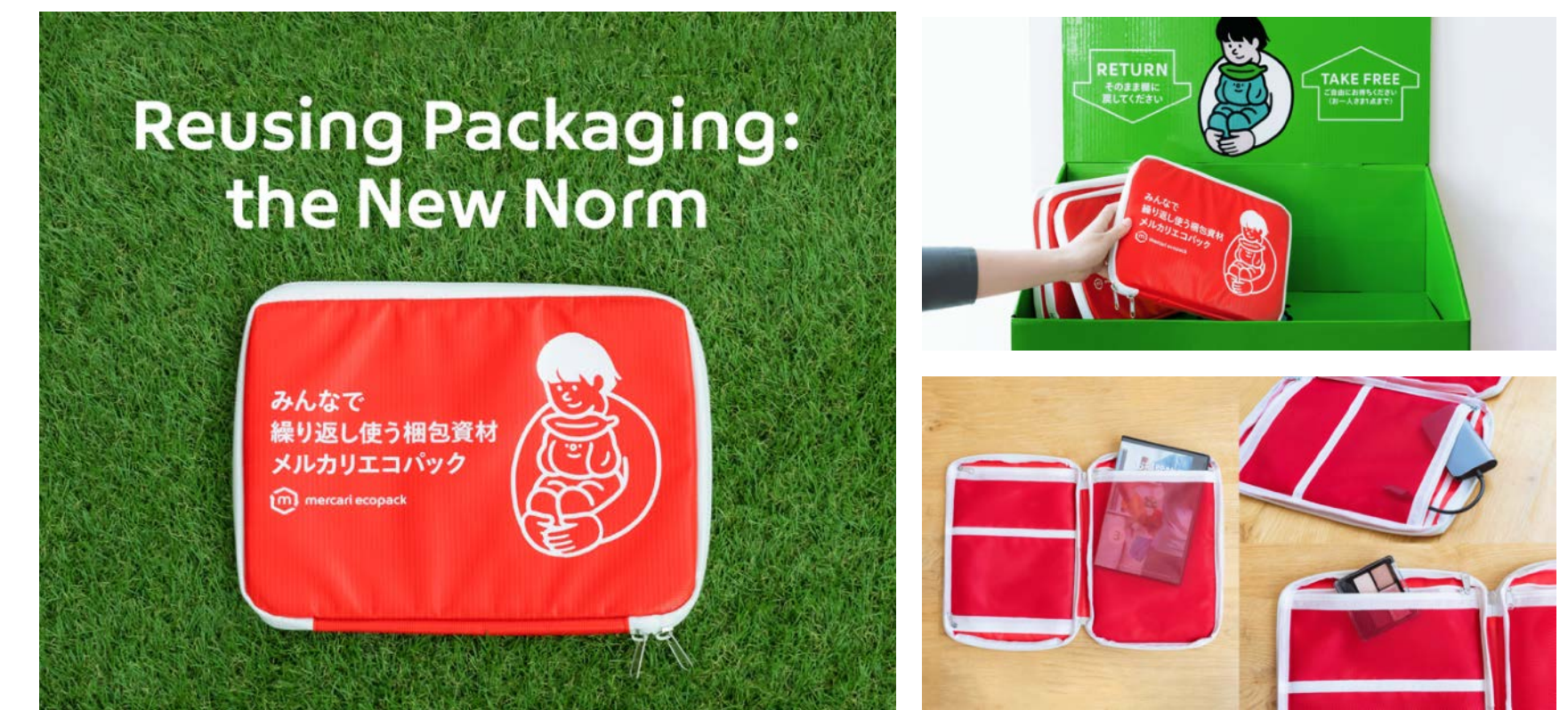
In FY2022, **62.7% (+1.1 ppt YoY)** of respondents said that they reuse packing materials when shipping items, and this number continues to grow.

## Percentage of people reusing packing materials<sup>1</sup>



## Developing the Mercari Eco Pack

In 2019, Mercari launched the Mercari Eco Pack—a reusable pack that can be used hundreds of times—to promote the reuse of packing materials. Taking the feedback we got on this first edition, we released a new and improved second edition in June 2022. For a limited time, we introduced a system that allows users to return any unused Mercari Eco Packs at nine Mercari Stations nationwide, in addition to other promotions to encourage circulation. We also updated the design by adding three inner pockets of different sizes, so that sellers can pack up cosmetics and other small items without any extra packaging.



1. Based on a survey carried out through an external research company on men and women across Japan between the ages of 15 and 69, both in June 2022 (3,000 people) and July 2021 (3,000 people)

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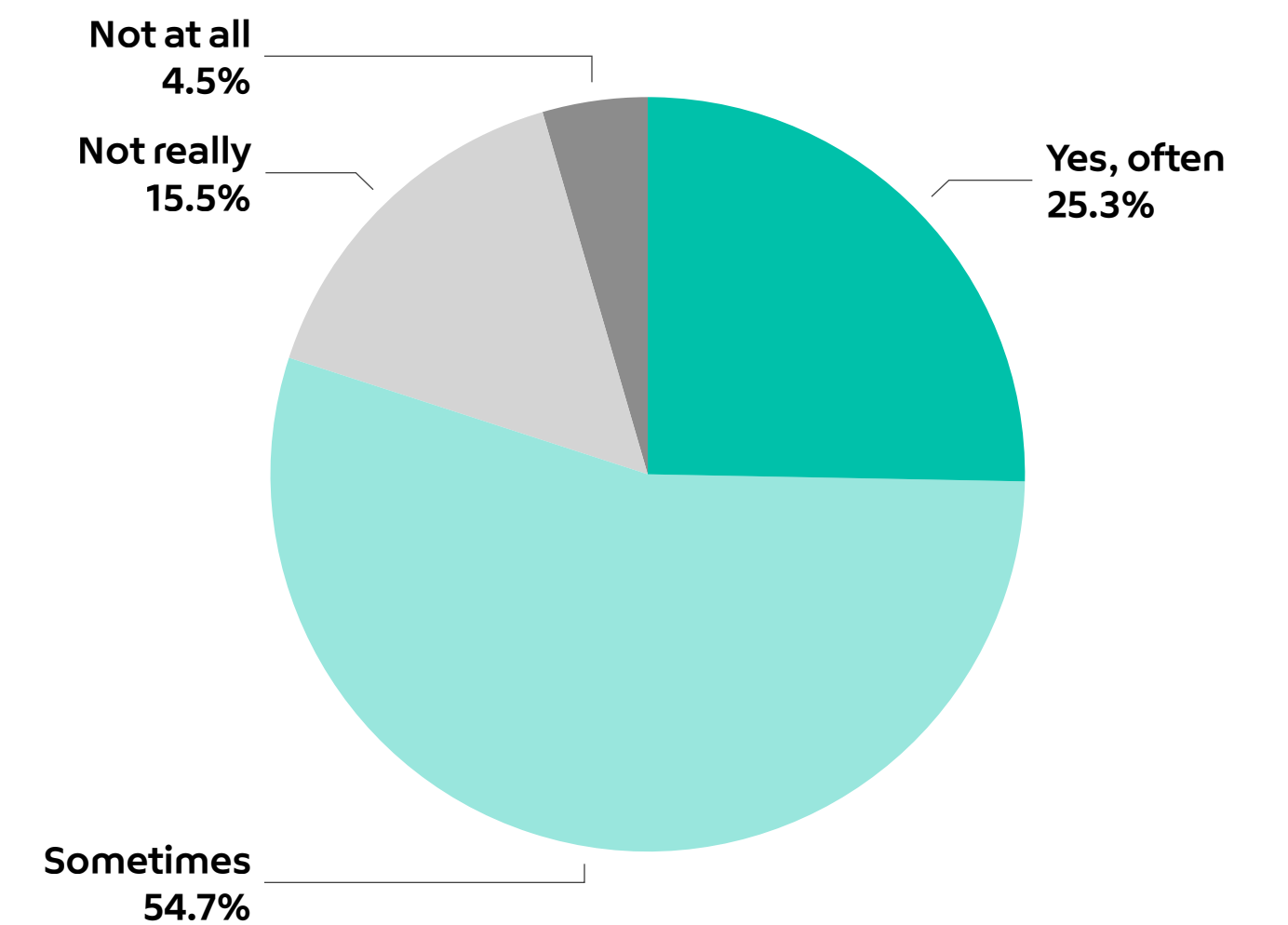
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## Encouraging new habits and making reuse the new normal

The Mercari Ecobox is a place for people to temporarily store and periodically look over the clothes, books, trinkets, dishes, and other items they no longer use but cannot bring themselves to throw away as trash. In a survey conducted by Mercari in 2022<sup>1</sup>, about 73% of people responded that they choose to throw away items they no longer use. However, among these respondents, **about 80% said that they felt it was a waste to throw these items away**. Given these results, we wanted to find a way to help people move away from disposing of the usable items they no longer have use for, and that's how the Mercari Ecobox came to be, released in May 2022.



### Do you feel it's a waste to throw items away?<sup>1</sup>



1. Based on a survey carried out through an external research company in June 2022 on 3,000 men and women across Japan between the ages of 15 and 69

# FY2022 initiatives: Mercari Experiments

## Creating opportunities to learn and reflect on ways to realize a more rich and sustainable lifestyle

At Mercari, we have built an experimental framework called Mercari Experiments. As part of this project, we conduct various initiatives to create opportunities for each individual to learn and reflect on the circular use of materials, as well as ways to realize a more rich and sustainable lifestyle in which the earth's limited resources are used effectively. This past year, we worked on several initiatives with the aim of making sustainability feel easier and more relevant to our users.

### Opening the Sustain-a-Store

In November 2021, we opened Mercari's first Sustain-a-Store in Omotesando, a brick-and-mortar fashion store that allows users to experience sustainability firsthand by purchasing used items. We held this event for three days to coincide with Green Friday, which is an initiative to encourage sustainable consumption that is gaining popularity mainly around Europe.



### Selling items upcycled from the Kashima Antlers anniversary banner

The Kashima Antlers celebrated its 30th anniversary in 2021, and a banner was made to commemorate this event. Instead of disposing of the banner after the season ended, Mercari and the Kashima Antlers collaborated to create and sell tote bags and other upcycled products from the material. That way, fans could also get their hands on special items of their favorite team that can't be found anywhere else.



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# FY2022 initiatives: Changes made within the company

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## Encouraging employees to think about their own attitude toward buying, using, and throwing things away, and start with the changes they can make

### Changing our water bottles for guests

For our office, we've changed the water bottles that we provide to guests from plastic bottles to aluminum, which have a high horizontal recycling rate (percentage converted into the same product once collected and reused).

### Reusing equipment needed to film commercials

The process of filming a commercial produces a lot of waste, since it's common to build the set of the commercial from scratch, and then get rid of it once filming is done. In order to minimize the amount of waste, we are working on initiatives to circulate our resources as much as possible, such as reusing sets and renting the outfits worn.





# FY2022 initiatives: Providing educational programs

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## Teaching children about the world through fun, hands-on educational programs

In order to change people’s behavior, **it’s important to first change the way they think about buying, using, and throwing things away.** That’s why Mercari is developing and providing educational programs that provide hands-on experiences to teach lessons on the value of things and money that go beyond textbooks. The excitement of buying and selling that our users are experiencing everyday on Mercari and Merpay will ultimately lead to the creation of a circular economy, where new life and value are found in things that would have otherwise been thrown away and our limited resources are used sparingly. By sharing various learnings around the buying and selling experience on Mercari, we hope to give kids a fun, hands-on lesson on how things that they no longer need can be useful for someone else who needs them.



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## Providing Mercari's programs directly to over 1,000 children in one year

Mercari provides six different programs that are available to a wide age range, from students in elementary school all the way up to high school. These programs cover three themes: learning the value of things and money, learning how to use internet services safely and securely, and learning about social issues and how companies are addressing them. In just one year, we had **over 1,000** children and students participate in our educational programs, which were mainly done in the form of online classroom visits.

### Programs provided by Mercari



Mercari Observation Notebook



Using Marketplace Apps Safely & Securely



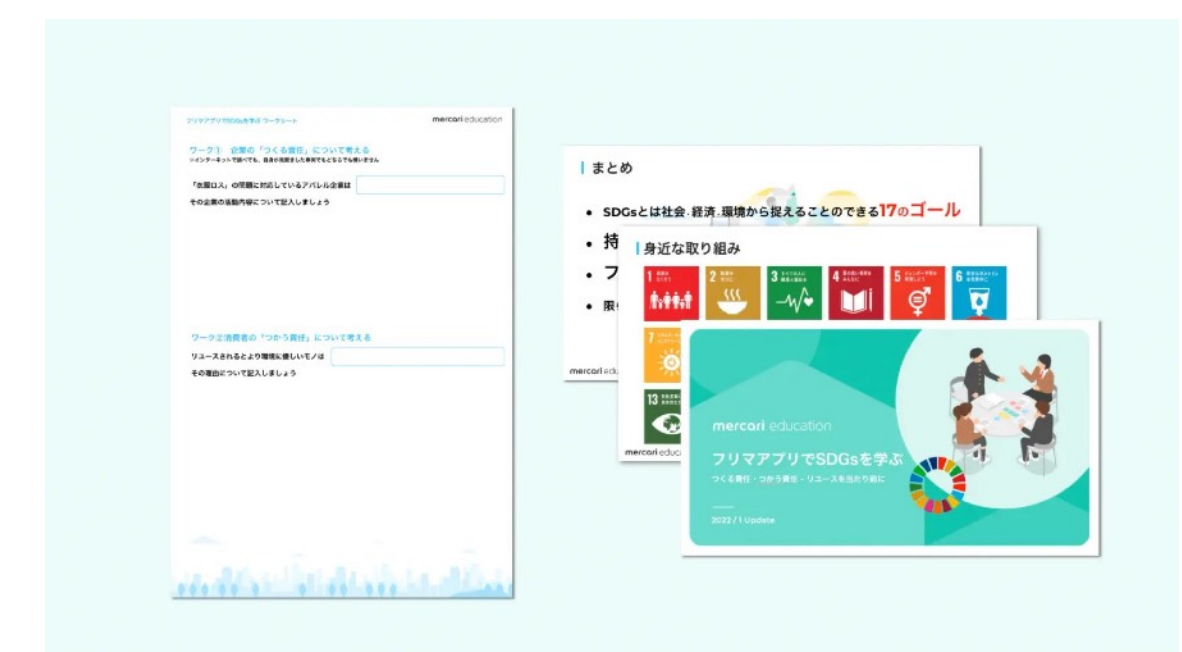
Managing Credit and Household Finances From the Perspective of Cash Flow



Let's Learn About Marketplace Apps and How to Reuse Things



A Safe and Secure Cashless Society With Merpay



Learn About Sustainable Development Goals (SDGs) Using a Marketplace App

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## Releasing six programs for free on our education portal

In order to allow even more children to learn about the value of things and money, in February 2022, we released Mercari's educational programs for free on our education portal site **Mercari Education**. In the six months after the release, over **300<sup>1</sup>** teachers and parents have downloaded Mercari's programs to use them for lessons at home or at school.



[Click here to access our educational portal site Mercari Education](#)

1. Among the people who downloaded our programs from our portal site between February 17, 2022, and July 31, 2022, the total number of people who selected “I want to use it for my lessons” or “I want to use it to teach my kids at home” as the purpose of use

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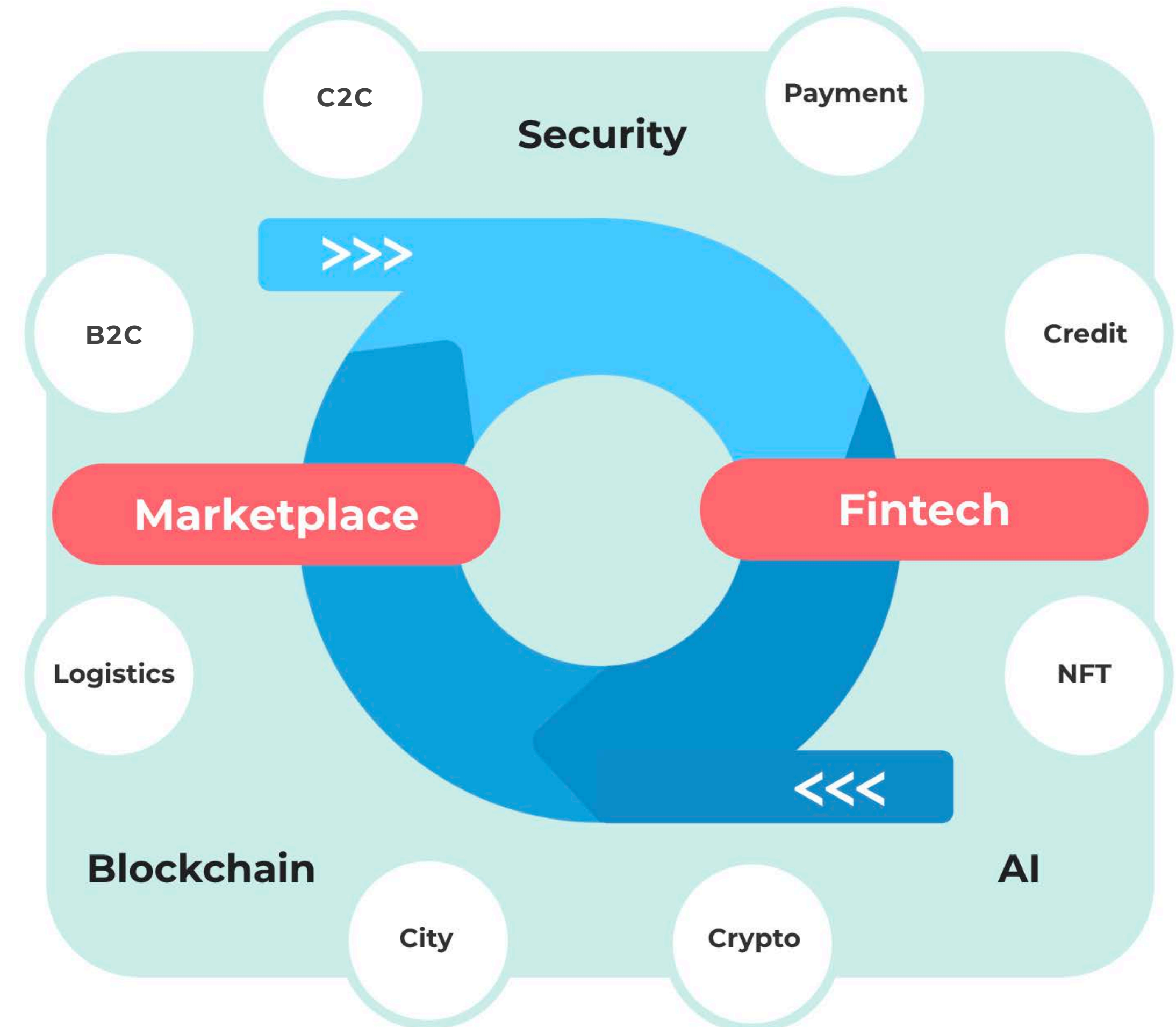
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## Working with external partners to create an ecosystem for the realization of a circular economy

According to a survey conducted by Mercari, approximately **49.2%**<sup>1</sup> of people want to buy items that they can use for longer. There were also a certain number of people who said that they were able to discover new brands through buying items secondhand, fell in love with those brands, and then ended up buying new products from the companies that produce those brands.

We believe that by providing a wide range of information to retailers, manufacturers, and other primary distribution companies, such as what kind of items users want and how purchased items are being used, we can create a production-consumption cycle that is more planet positive throughout the value chain.

In order to create a circular economy, it is essential for us to collaborate with even more external partners. We will keep exploring and expanding the possibilities by working together with various companies and people outside of Mercari.



1. Based on a survey carried out through an external research company in June 2022 on 3,000 men and women across Japan between the ages of 15 and 69

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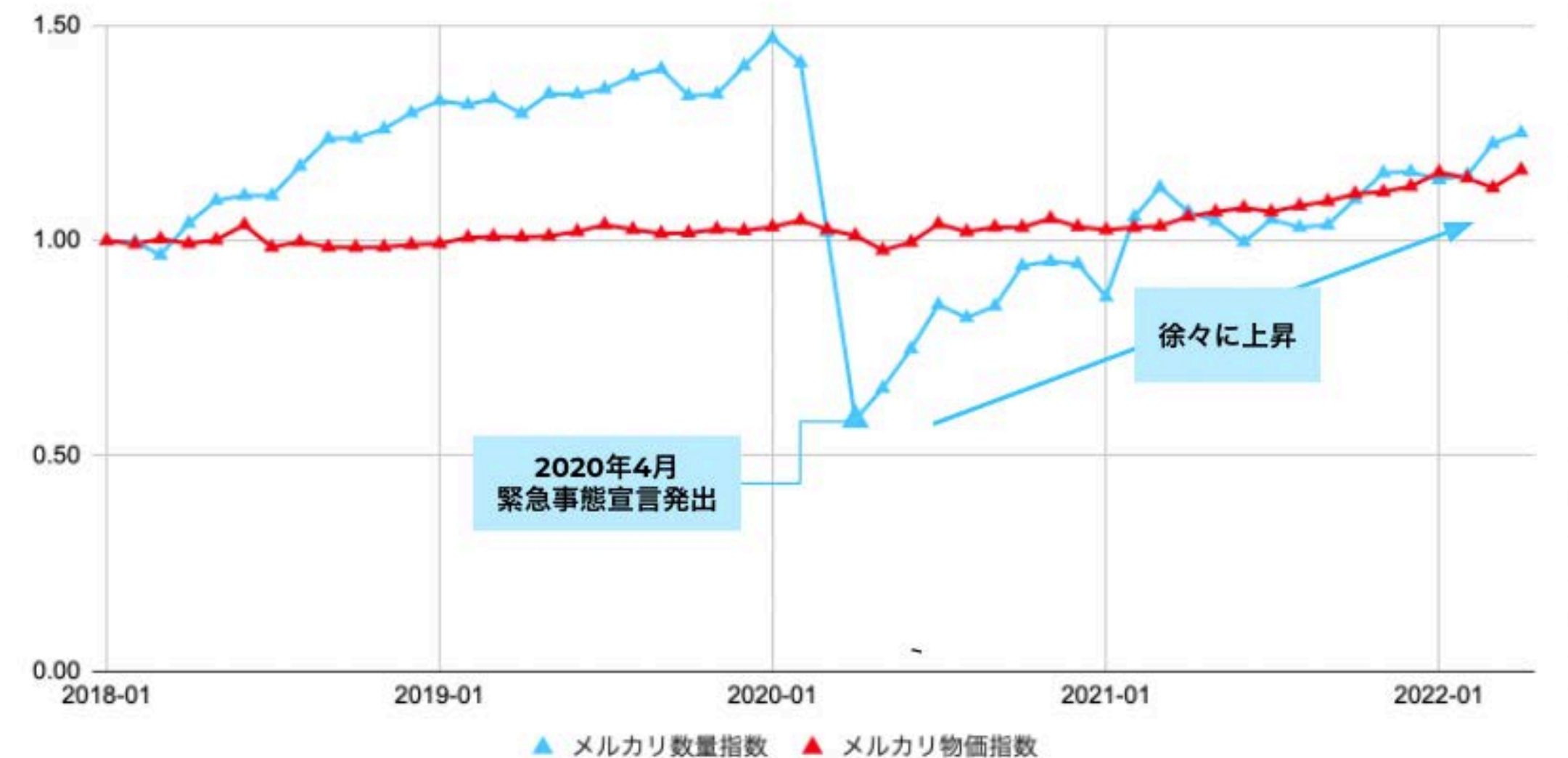
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## Visualizing consumer demand in the secondary distribution market, and contributing to economic and research activities in areas such as consumer behavior and marketing

According to a study released by The Reuse Business Journal in September 2021<sup>1</sup>, the reuse market was estimated to be worth 2,416.9 billion yen in 2020. It is expected to keep growing in size, as there will likely be an increase in consumers utilizing the secondary distribution market, including C2C transactions, and categories of listed items are also expected to expand. On the other hand, as the consumer spending sector of the secondary distribution market continues to grow, it will become increasingly difficult to accurately identify consumer trends using only primary distribution market data, as has been done until now. Additionally, there is not yet an established method for obtaining the data required to understand trends in the secondary distribution market, with the exception of used houses, used cars, and some other miscellaneous products. That's why we announced the Mercari Price & Volume Index in May 2022—by visualizing fluctuations in the price and distribution volume on our C2C service using indices, we aim to share information on consumer behavior and help further invigorate research activities. By making this kind of data public, we hope to encourage collaboration across the entire value chain to enable a circular economy.



### Overall picture of the price index

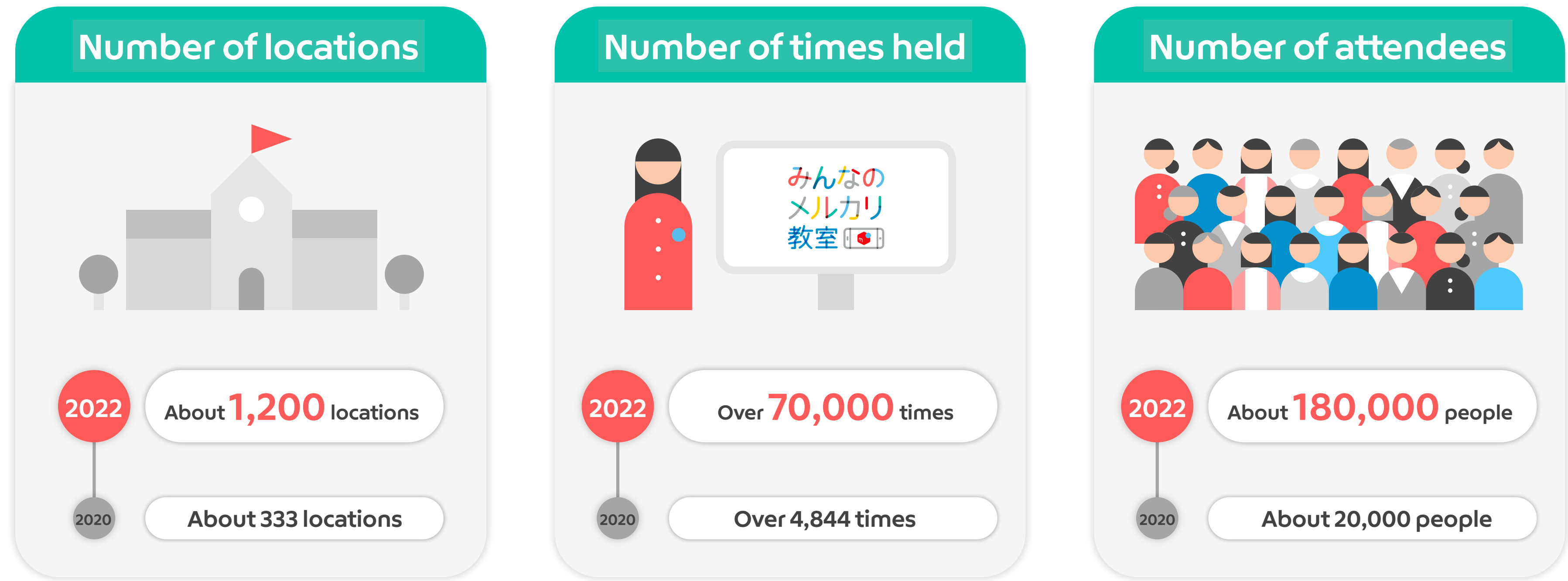


1. [The Reuse Business Journal, "Estimated Market Size of the 2021 Reuse Industry" \(2020 version\)](#)

# Results of FY2022 initiatives: Expanding Mercari Workshops

## Together with our partners, making Mercari Workshops more widely available for people to learn how to use Mercari

We offer Mercari Workshops, where our certified instructors teach and make it easy to use Mercari. In FY2022, we partnered with NTT Docomo (Docomo shops) and Welcia to make these workshops available at a total of about 1,200 locations. So far, they have been held over 70,000 times and attended by about 180,000 people.<sup>1</sup>



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# Results of FY2022 initiatives: Installing Mercari Posts

Since 2020, we have been installing Mercari Posts at convenience stores, drugstores, and other locations nationwide to offer users a contactless option of shipping their items

Since its launch in 2020, we have been expanding our Mercari Post service to locations nationwide, including convenience stores, drugstores, and supermarkets. This service offers a simple and contactless shipping method to users, allowing them to ship items without having to line up at the cash register. Having more Mercari Post locations is not just convenient for our users—businesses like supermarkets also benefit, as it means more customers are visiting their stores.

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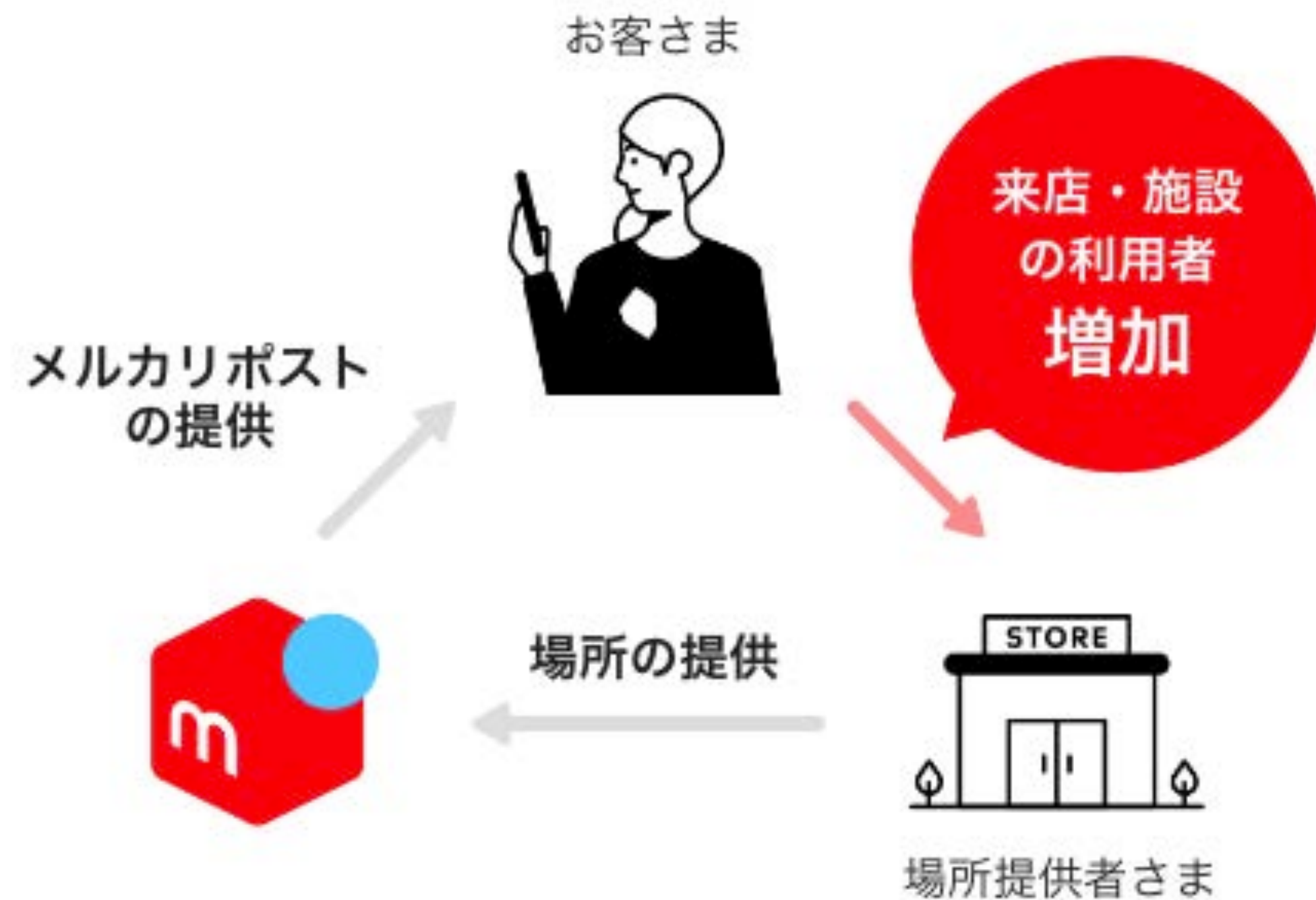
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## Partnering with companies to improve user experience

There are a variety of services offered at different Mercari Stations, including staff members who can help visitors register or list items on Mercari, Mercari Workshops that share the different ways of enjoying Mercari, or Mercari Post units available for contactless shipping. In FY2022, we also formed new partnerships with companies such as Mister Minit, NTT Docomo, and Hakuyosha, and are conducting proof of concepts so that we can improve the user experience and encourage further use of our service.





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## Carrying out a proof of concept to improve the listing experience for users by eliminating the obstacle of needing to pack up and ship items

In a survey conducted by Mercari, we found that the number of users who are interested in listing items but have never tried it increased to 36.1 million<sup>1</sup>. The most common reason for not listing items was that the process of packing up and shipping the items seems difficult<sup>2</sup>.

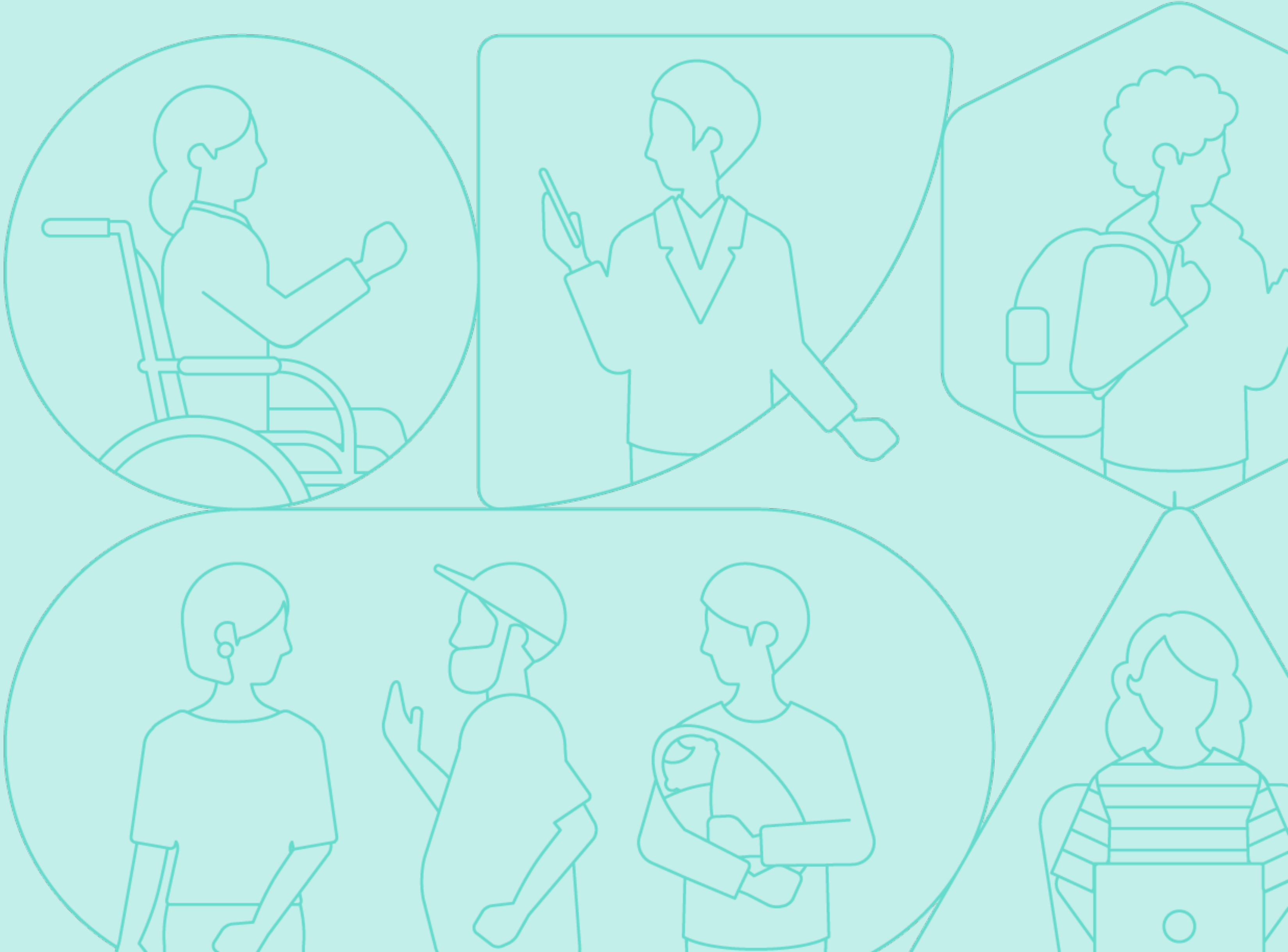
Considering these findings, we launched a proof of concept for a pick-up and pack-up service<sup>3</sup> in collaboration with Yamato Transport in some areas of Tokyo. When using this service, all sellers need to do is wait at home until their item gets picked up and shipped for them.

1. Based on a survey carried out in April 2019 by Dentsu Macromill Insight on 1,260 men and women between the ages of 18 and 74

2. Based on a survey carried out on users who have never listed items on the Mercari marketplace app (n=600)

3. Proof of concept period: May 23, 2022, to June 30, 2022





Material Topic 2

# Diversity & Inclusion

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“Thanks to Mercari, we have more options to choose from on this island”

**The Ohiras are a couple living on Chichijima of the Ogasawara Islands. They often use Mercari to buy vegetables, and on the weekends, they enjoy planting seedlings they bought on Mercari. They also found their car on Mercari, which they use to move around the island. We asked these two avid Mercari users what kind of tips they have for using our service.**

**How did you first start buying vegetables on Mercari?**

I wanted to gift some fava beans to my mom for Mother’s Day, but most of the sites I found were selling them using Cool TA-Q-BIN<sup>1</sup>, which can’t be sent to Ogasawara. That’s when I found a farmer who sells fava beans on Mercari, and ships them without using Cool TA-Q-BIN. Some farmers I know told me that it shouldn’t be a problem to ship them at room temperature, so I asked the seller to do so, telling them I live on a remote island. I thought it was great how I could communicate directly with the seller and ask them for certain requests, and so from that point on, I started buying other vegetables on Mercari, as well as seedlings to farm.

**Why Mercari over your local supermarket?**

The produce sold at supermarkets go through the long process of getting shipped out by the farmer, handled by some intermediaries, and then being put on a boat and delivered to the market—so they just aren’t very fresh. However, the vegetables I buy on Mercari get sent to me straight from the farmer without going through all those steps, so most of them are fresher than the produce sold at our local supermarkets. I’d say I can get vegetables on Mercari three to four days faster than if I were to get them at the market. So by using Mercari, I’ve been able to get my hands on great things that aren’t sold on the island. It’s nice that I now have options that otherwise were not available to me living on Chichijima. Many online shops won’t ship all the way to Ogasawara for reasons like reduced freshness, but on Mercari, if I negotiate with sellers and explain my situation, they do their best to send me their products. Another great thing is that I’m able to get reliable advice directly from the sellers, who are experts on the vegetables they are selling.

Through communicating with sellers on Mercari and looking at their profiles, I’m able to meet dedicated farmers who are passionate about growing their vegetables, see which vegetables they recommend, and buy and enjoy those vegetables.

**Is there a transaction you had with a farmer that stood out to you in particular?**

There was one farmer who asked if they can send me their vegetables both at room temperature and using Refrigerated Yu-Pack<sup>2</sup>. They wanted to check how fresh the vegetables would be by the time they arrived in Ogasawara. There was also a farmer who sent me a bunch of their vegetables, saying they’d send me more if they were not fresh when they arrived. The boat that ships things to Ogasawara only departs once a week, so it takes any item at least a week to get here. These transactions made me realize how much the sellers care, and how considerate they are of the people who buy their products. I think it’s really something unique to C2C transactions.

There was another time where a farmer in Hokkaido sent me a lot more potatoes than I ordered, because they had some left over. They sent me these extra potatoes out of kindness, since on Mercari, the weight of the package doesn’t matter. It’s a flat shipping fee no matter where you’re shipping to, as long as the size of the Mercari Shipping box is the same. I was really impressed that Mercari Shipping is offered at such a reasonable and flat fee nationwide, since other sites usually refuse or charge more to ship to remote islands. Through communicating with these farmers, I’ve been able to meet lots of nice, generous people and enjoy many heartwarming moments.

Interview: **Leo Ohira + Ayako Ohira**

Over 7 years of experience using Mercari. Live on Chichijima of the Ogasawara Islands. Avid Mercari users, mainly buying vegetable seedlings and listing clothes and books they no longer need.



1. Cool TA-Q-BIN is Yamato Transport’s refrigerated freight service. There is a chilled type that ships products at a temperature of 0-10°C and a frozen type that ships at -15°C or below.  
2. Refrigerated Yu-Pack is Japan Post’s refrigerated freight service. It delivers Yu-Pack parcels that should be kept cool under a refrigerated temperature.

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## At Mercari, we have various HR systems to help our diverse members maximize their potential

Below are some excerpts from an interview we had with four of our members who have taken childbirth/childcare leave using our benefits system Merci Box, come back from leave, or are working remotely utilizing our Your Choice policy.

### — Merci Box

**Kumata:** There are many options and it depends on each person, but I personally am very glad I took childcare leave, because I was able to be there for important milestones, like when my kid first rolled over. A big reason I took childcare leave was because it was always a dream of mine to raise my own kids. Work is important, but I want to enjoy raising my kids, too!



Yuma Kumata  
(Creative Team)

### — Worries during childbirth/childcare leave

**Akagawa:** For me, both my wife and I were taking childcare leave at the same time, so I was worried if we'd have enough income. Before going on leave, I kept thinking to myself, "Am I really going to be able to commit myself fully to childcare, just because I take time off?" or "Wouldn't it be better for our family if I keep working and bring home money instead?" However, Merci Box helped me decide to take short-term leave, since it offers some financial support to parents after returning from childcare leave. Without this system, I might have not been comfortable taking leave.



Hisao Akagawa  
(Creative Team)

### — Merci Box

**Hirata:** I think Mercari is a very family-friendly workplace. There have been more benefits to provide support not just for childbirth, but for fertility treatments as well. I feel that the company wants its employees to prioritize their own happiness. So as employees, we should feel comfortable making full use of the benefits, and then fully support the business when we are working.



Manami Hirata  
(Product Management Team)

### — Your Choice policy

**Ohyama:** Up until now, I thought moving to a remote island was not possible until after I retire. However, thanks to Your Choice, I was able to make this dream a reality, while also continuing to work at Mercari. I'm grateful for being able to work in this kind of environment, where I can take breaks during the day to decompress at the beach or in the mountains, without needing to travel far.



Natsumi Ohyama  
(Sustainability Team)

# Diversity and inclusion in the company

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## Applying D&I in developing the next generation of talent

### Executed a partnership for education with Kamiyama Marugoto Kosen (tentative name) to promote D&I

Through this partnership, we plan to create a curriculum for Kamiyama Marugoto Kosen that incorporates the knowledge of Mercari's D&I efforts to help the school develop "people who make an impact through the power of creating things."

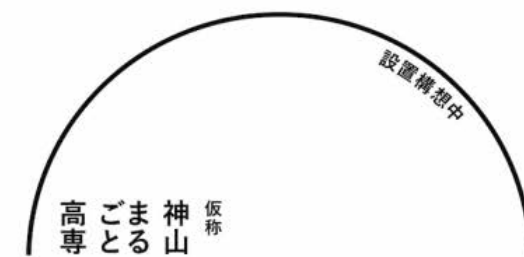
• Initiatives completed so far:

- Donated 100 million yen using the corporate Furusato Nozei program (Japan's hometown tax donation program)
- Held workshops and events for school stakeholders to share Mercari's knowledge related to D&I
- Jointly held unconscious bias workshops
- Gave a lecture at [the Schools of the Future Festival](#) put on by Kamiyama Marugoto Kosen

• Initiatives in the works:

- Dispatch Mercari employees as lecturers at [Kamiyama Marugoto Kosen's Summer School Program](#)
- Jointly design special classes to promote D&I and invite employees to give lectures once the school opens
- Hold regular meetings to exchange opinions
  - Note: This information is subject to change based on future discussions.

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### Held Build@Mercari 2022, a software engineering training program for minorities in the tech industry

Mercari launched the software engineering training program Build@Mercari in 2020 in the hopes of addressing some of the issues that face the tech industry, such as how women make up only 20% of software engineers<sup>1</sup>, as well as the overall tech talent shortage in Japan. We hope this program can be at least a small step toward promoting diversity & inclusion across our industry. This year, we will also be providing free online training programs to about 100 people.

• Program outline:

- A software engineer training program made up of the Build Training Program and the Build Internship
- In the first half, trainees will participate in the Build Training Program, which covers topics such as data structures and algorithms. Once they learn the essential technical skills, those who pass the screening process will move on to the Build Internship.



1. Japan Information Technology Services Industry Association's "[Basic Statistical Survey on the Information Services Industry, 2020 Edition](#)" (March 2021)

Material Topic 3

# Local Empowerment

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## Mercari Group (Mercari, Merpay, and Souzoh) has entered into agreements and business partnerships with local governments across Japan

### List of local governments

#### ● Prefectures (6)

Kanagawa Prefecture, Mie Prefecture, Kumamoto Prefecture, Gunma Prefecture, Oita Prefecture, Wakayama Prefecture

#### ● Cities (31)

Gifu City (Gifu), Sendai City (Miyagi), Chiba City (Chiba), Minoo City (Osaka), Kobe City (Hyogo), Fukuoka City (Fukuoka), Kamakura City (Kanagawa), Kashima City (Ibaraki), Namegata City (Ibaraki), Funabashi City (Chiba), Seto City (Aichi), Unzen City (Nagasaki), Hokuto City (Yamanashi), Yamagata City (Yamagata), Gamagori City (Aichi), Kamo City (Niigata), Tokushima City (Tokushima), Miyakonojo City (Miyazaki), Kuwana City (Mie), Rikuzentakata City (Iwate), Kawanishi City (Hyogo), Matsusaka City (Mie), Fujiidera City (Osaka), Matsudo City (Chiba), Toshima City (Tokyo), Setagaya City (Tokyo), Yao City (Osaka), Tanabe City (Wakayama), Amami City (Kagoshima), Kanoya City (Kagoshima), Annaka City (Gunma)

#### ● Towns and Villages (6)

Yamada Town (Iwate), Kawamata Town (Fukushima), Tomioka Town (Fukushima), Iitate Village (Fukushima), Okuma Town (Fukushima), Naraha Town (Fukushima)

These are local governments that have entered into an agreement or some kind of business partnership with Mercari, Merpay, or Souzoh as of June 30, 2022. See [this page](#) for the most updated list of partnerships.



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## Asking Gamagori City: What's it like to work with Mercari?



Gamagori City aims to become a circular city that promotes the transition to a circular economy. We want to build a city of hope and happiness that our residents are proud to be a part of, while contributing to the realization of a sustainable society.

In April 2022, we signed a comprehensive partnership agreement with Mercari, Inc. and Souzoh, Inc., as we felt that both sides are working toward a common goal. Since then, we have been able to work together on various initiatives—for Zero Waste Day (May 30) this year, we listed oversized garbage on Mercari Shops to prevent it from going to disposal sites, and also handed out Mercari Ecoboxes to residents of our city.

Through these initiatives, I think we were able to encourage a reuse mindset and sustainable behavior among our residents. For me personally, through working with everyone at Mercari Group, I was also reminded of the importance of continuing to think about and create value for the future we are envisioning.



**Hironori Sugiura**  
Circular City Promotion Team, Policy Planning Section,  
Gamagori City Planning Division



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## Encouraging reuse on the waste collection calendars and other materials distributed by local governments

Included our article promoting reuse on the waste collection calendars of Setagata City (Tokyo) and Unzen City (Nagasaki)



## Welcomed local government employees as dispatched workers

Currently have four members from Gifu City (Gifu) and one from Tokushima City (Tokushima)



## Running Mercari Workshops

Held workshops in Kanagawa Prefecture, Kobe City (Hyogo), Chiba City (Chiba), Funabashi City (Chiba), and Gamagori City (Aichi)



## Handing out free Mercari Ecoboxes to local residents as a proof of concept

Currently completing a proof of concept after handing out free Mercari Ecoboxes to residents of Gamagori City (Aichi) and Kamo City (Niigata)



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Mercari provides a service called Mercari Donations, where users can donate their sales balance to an organization such as a local government of their choosing. Currently, there are 95 potential recipients to choose from in this program.

Local governments (22)

Kamakura City (Kanagawa), Seto City (Aichi), Miyakonojo City (Miyazaki), Gifu City (Gifu), Kuwana City (Aichi), Mie Prefecture, Rikuzentakata City (Iwate), Yamada Town (Iwate), Kawamata Town (Fukushima), Kawanishi City (Hyogo), Matsusaka City (Mie), Fujiidera City (Osaka), Tomioka Town (Fukushima), Kashima City (Ibaraki), Matsudo City (Chiba), Funabashi City (Chiba), Iitate Village (Fukushima), Okuma Town (Fukushima), Naraha Town (Fukushima), Unzen City (Nagasaki), Toshima Ward (Tokyo), Gamagori City (Aichi)

Charities (14)

Nippon Foundation, Ashinaga, National Federation of UNESCO Associations in Japan, Save the Children Japan, Japan for UNHCR, Japan Committee for UNICEF, Japan Guide Dog Association, Japan Association of New Public, Japanese Red Cross Society, Japan Marrow Donor Program, World Wide Fund for Nature Japan, Medecins Sans Frontieres Japan Association, Central Community Chest of Japan, READYFOR

Organizations promoting the circular economy (59)

The University of Tokyo, Waseda University, Environmental Restoration and Conservation Agency, etc.

The Ukraine Emergency Fund (Japan Committee for UNICEF) and Ukraine Crisis Children’s Emergency Fund (Save the Children) have also been added to the selection of recipients. The money donated to these funds support children in Ukraine and their families who are facing a serious humanitarian crisis, having been forced to evacuate or having lost access to basic needs like water and electricity as well as opportunities to education.



# Mercari Shops

## Supporting local businesses to open online shops with Mercari Shops



After the full-scale launch on October 7, 2021, there were over **200,000** shops opened in the first six months

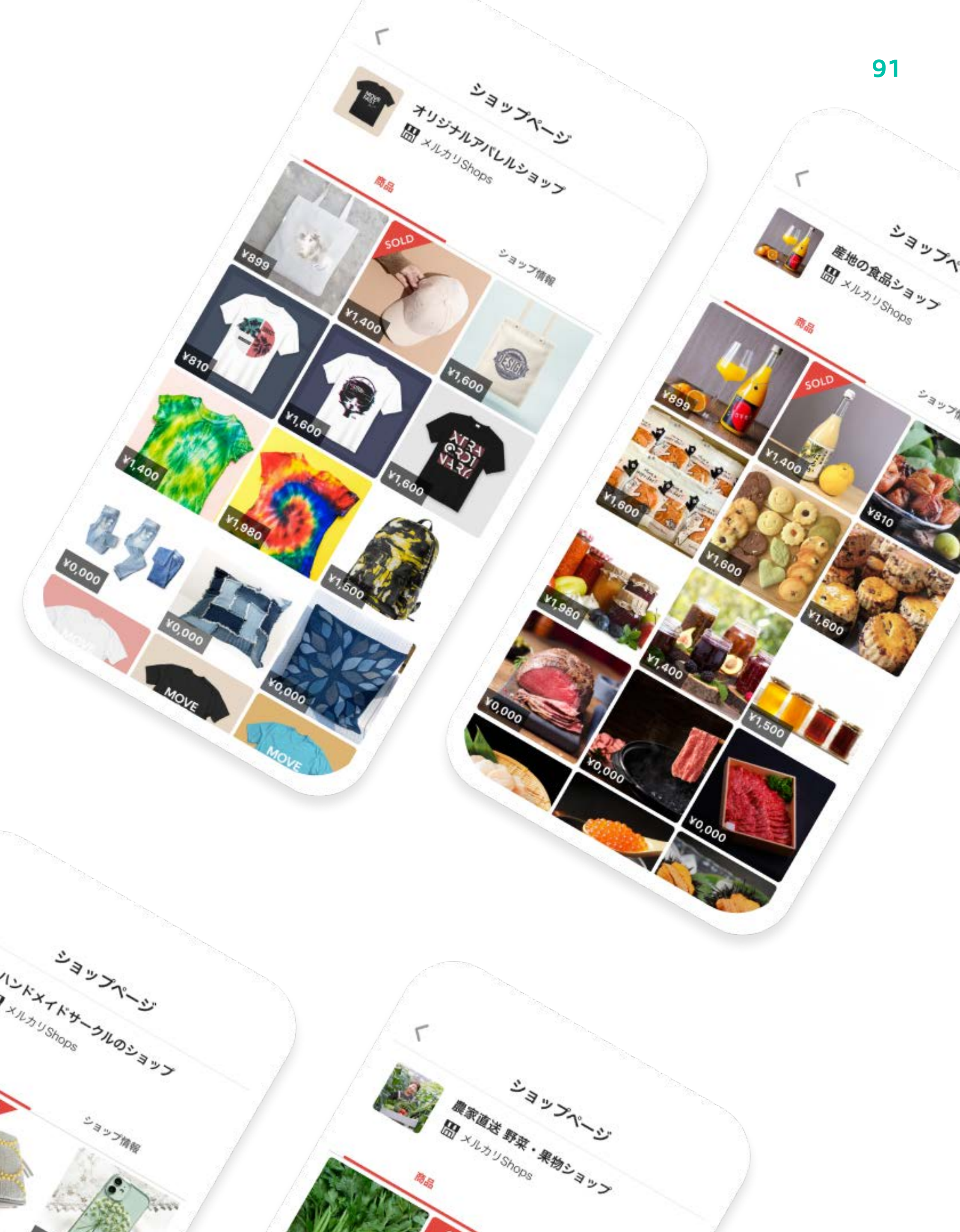
First online shop: **55%**<sup>1</sup>

For over half of shop owners, Mercari Shops was their first time opening an online shop

Held **over 150** seminars to support business owners opening online shops on Mercari Shops

At these seminars, we go over the key points and importance of opening an online shop, as well as teach local small business owners how to list products or open a shop on Mercari Shops to help them take their businesses online.

1. From a survey conducted of Mercari Shops shop owners in July 2022



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# Examples of our Mercari Shops initiatives (1)

## Featuring shops from three Tohoku prefectures to support their disaster relief efforts

As a part of our efforts to support areas still recovering from the Great East Japan Earthquake 11 years ago, we launched “Featured Shops: Supporting the Relief Efforts of Three Tohoku Prefectures!” for a limited time. Fifteen shops selling local specialties from Fukushima, Miyagi, and Iwate prefectures were featured.



## Helping local governments sell oversized garbage

We partnered with Gamagori City, Aichi, and Kamo City, Niigata, to list and encourage the reuse of oversized garbage that can still be used, which a local government had never done before. This proof of concept was started with the aim of reducing the amount of oversized garbage and empowering regional communities by securing funds.



## Helping local governments sell equipment from closed-down schools

We sold local specialties and agricultural products at rest stops and shops specializing in local products called antenna shops set up by the local government or affiliated organizations. By delivering these products across the country, we were able to support local businesses and expand their market reach through online stores, while also reducing the financial burden of local governments.



## Examples of our Mercari Shops initiatives (2)

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### Selling products made at vocational centers for people with disabilities

Nanairo Shop is a Support for Continuous Employment Type A Business in Nihommatsu City, Fukushima, that sells handmade accessories and products made by the workers who use their service.

These workers are in charge of most of the process, from taking the photos to managing account ledgers. Their shop is loved by many, with over 300 followers and more than 100 ratings.



### Holding promotions on Good Meat Day and Fish Day

Due to the COVID-19 pandemic, meat suppliers had fewer opportunities to sell wholesale to restaurants and retail. To support the meat industry and boost their online presence, we held promotions to coincide with Good Meat Day (11/29). Additionally, on Fish Day (3/7), we launched Refrigerated Mercari Shipping—the first service of its kind launched by any of the main e-commerce sites in Japan—to support business operators in the fisheries industry expand their market reach with an online presence.



### Opening pop-up shops at rest stops

We listed equipment on Mercari Shops from schools that closed down in Yamada Town, Iwate, and Seto City, Aichi. For example, we listed and sold various items that went unused after an elementary school and middle school were merged together—these included small taiko drums, wooden chairs from the arts and crafts rooms, beakers and other science supplies, and books from the library that were going to be thrown away, among other items. These sales are being used as funds for the local government.



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## The voices of Mercari Shops shop owners

### Eri Takeshita, owner of Tenyomaru Shop in Nagasaki

I myself was already a Mercari user, so the registration process was smooth and easy. Our shop registered several items, but the Tachibana Bay Snacks series was the first to gain popularity. Thanks to all the likes they were getting, many people found and bought these snacks. Our Tenyomaru Re Net also continues to be one of our best sellers. We are doing our best to think outside the box and not limit ourselves to being just a fishing business. Mercari Shops makes it easy for shops to communicate directly with buyers, so it's nice to be able to get direct feedback from them. It's very rewarding for us shop operators, and motivates us to do our best to develop new products.



### Tomohiro Kitagawa, owner of Setouchi Local Market in Kagawa

We are a private community-focused trading company that aims to create value inside and outside the community. Our business is focused on two keywords: "Setouchi" and "udon." We decided to open a shop on Mercari Shops, thinking it would help us reach even more people. I feel like businesses who open up online shops only act as sellers. But they're businesses, so they should know about all kinds of great products and finds. If there is greater collaboration between the sellers on Mercari Shops, I'm hoping it will create a larger movement of sparking more life into the industry, and eventually, the community."



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# FY2022 initiatives: Examples from the Kashima Antlers

## The Kashima Antlers is aiming to develop the city of Kashima and create a circular economy together with city residents, its partner companies, and soccer fans

### Setting up a permanent recycling drop-off facility

We had Toyo Seikan Group set up a permanent “eco station” at the Kashima Antlers Tsukuba Academy Center. By sorting and collecting resources at this new facility, we hope to have the kids attending the academy, as well as their parents and other community residents, experience how plastic gets recycled and reused.



Club partner  
Toyo Seikan Group Holdings

### Choosing eco-friendly products that are good for the ocean

We chose to use eco-friendly Kaneka Biodegradable Polymer Green Planet™ cutlery (straws, spoons, and forks) at our stadium.



Official club partner  
Kaneka Corporation

### Conducting beach cleanups

We conducted beach cleanups along the coast of Kashima City to reduce the amount of plastic debris in the ocean. About 80 people participated from Kaneka’s headquarters and Kashima factory.

Official club partner Kaneka Corporation



### Offering career support for middle schoolers in the community

We collaborated with the Board of Education in the Rokko area to hold a total of three career design workshops for middle school students at five different schools.



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Version	Published on	Revision details
1.0	2022/8/9	Released Ver 1.0
1.1	2022/9/29	Corrected the number on Page 29 regarding our percentage of childcare leave usage of Man





**Mercari, Inc.**

Roppongi Hills Mori Tower, 6-10-1 Roppongi,  
Minato-ku, Tokyo 106-6118, Japan

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