

FY2023.6

Impact Report



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Starting this year, we have changed the name of our “Sustainability Report” to the “Impact Report.” This year, in commemoration of our tenth anniversary, we announced a new Group mission and updated our material topics. At Mercari, we remain committed to achieving our mission and making a positive impact on society through our business. With this Impact Report, we reaffirm this commitment and share our initiatives and progress toward these goals.

Published: September 2023

Reporting Period: This report mostly covers initiatives for FY2023 (July 1, 2022 to June 30, 2023), but also contains information on some activities which happened outside this period.

Regarding information disclosure

Financial information: For timely disclosures, financial results, and other financial information, please see our [IR site](#).

Non-financial information: For other non-financial information, see our [official Sustainability site](#).

Mercari's Past Ten Years—What We Envisioned and Where We Are Now

A Special Conversation With Makiko Shinoda and Shintaro Yamada (1/2)

–The year 2023 marks the tenth anniversary of the founding of the company and the start of its services, as well as five years since its initial public offering (IPO). Looking back, what are your thoughts on the progress you have made so far?

Shintaro: When we listed Mercari, we placed a newspaper ad to announce the achievement, and in the ad, we said that we would continue to invest in three areas that are core to Mercari's business: people, technology, and overseas investments. At that time, our only solid revenue base was from our Japan-based Mercari marketplace app, so we were in a phase of directing our investments in order to form new business pillars. As such, we needed to invest in our overseas business in the US, and aggressively invest in technology and people with the goal of creating a global standard for manufacturing as a tech company.

Five years have passed since then, and I believe that we have made progress in each of these three areas. We have especially strengthened our investment in people and have nearly doubled the number of employees across the entire Mercari Group. In technology, we have continued to refine the Mercari marketplace app, launched our Fintech business, and most recently released Mercoin and Mercard. Currently, our business in the US is also experiencing some headwinds, but it has become a service of substantial scale, distributing 150 billion JPY-worth of items each year and I think it was significant that we were able to lay the foundation for developing the business on a global scale.

–This year, the company renamed the Sustainability Report that Mercari has released annually for the past three years to the "Impact Report." What is the background and intent behind this change?

Shintaro: Originally, this was supposed to be a report focused on Mercari Group's efforts and initiatives in sustainability. However, when people say "sustainability," our minds tend to focus on just the "Environment" part of ESG, so Mercari has made a concerted effort to also work on the "Social" and "Governance" parts. That's why we decided to change the name to "Impact Report"—because Mercari is determined to make a positive impact on the environment and society.

–In February 2023, Mercari released its new group: "Circulate all forms of value to unleash the potential in all people." I understand that you have also revisited Mercari's purpose in the context of this new mission, is that right?

Shintaro: Yes. Our previous mission was "to create value in a global marketplace where anyone can buy & sell" which focused on the "what" part of the question; it looked at what Mercari is trying to



accomplish. However, as our business has diversified, that mission no longer fully expresses the reality of what we do as a company. We then returned to the essential question, "What is Mercari's purpose?" We came to the conclusion that our purpose is to unleash the yet undiscovered potential of goods, things, and people around the world. Through our discussions, we were able to reiterate that the most important thing is to "expand the possibilities of all people," and that we aim to realize "the circulation of all values" as the foundation for this.

Striving to Become a Company That Unleashes the Potential in All People

A Special Conversation With Makiko Shinoda and Shintaro Yamada (2/2)

–As an Outside Director, what is your opinion on the role that Mercari should play?

Makiko: These days, companies are expected to do more than simply provide services or create jobs—they are also expected to become a positive force for society. I think that continuing to respond to these expectations is Mercari’s purpose. Companies must also clearly explain and implement their initiatives and strategies in a way that is convincing to stakeholders. When we receive harsh feedback, we must correct the situation, and be consistent and transparent with our words and actions. I believe that our Group mission has created a foundation of trust with various stakeholders by allowing us to convey our unique raison d’être to the world.



Shintaro: Sometimes, because I’m the CEO and founder, I can use my authority to make things happen. That can work for better or for worse, which is something that I need to properly manage. In order to continue to drive the business toward accomplishing our mission when I am no longer CEO in the not-too-distant future, I would like the company to transition to a Company with Three Committees, oriented toward optimal governance. We discussed this for more than six months—including experts in our discussions—and were able to reach a consensus.

Makiko: In terms of the governance structure, I feel that we have been able to make speedy decisions—after all, the main focus is on the successor to the CEO position and how to create a good structure that will allow that person to build trust with shareholders. We approached the problem by first solving the issue of quickly creating the executive structure necessary for expanding the business globally.

As a result, we were able to choose the best method under Japanese corporate law.

Shintaro: Succession is a very important part of creating the mechanism that will support an organization capable of indefinite growth; this is true of the CEO position and also other leadership positions, so we are working on succession for all management positions, including mine. As the business continues to grow and move toward achieving the mission, the current management members will regularly need to explore new and different domains. Whenever you start to work on something new, you will naturally need successors in place, so we should build that mechanism into the organization, right?

–What is your vision for the next ten years?

Shintaro: In the next ten years, we will focus on the core of our Group mission: unleash the potential in all people. What we need to achieve this is, for the value of all kinds of things to be discovered through the Mercari ecosystem. I believe that this will lead to a world in which people can do whatever they want to do, to whatever degree they want to do it. When we formulated the new mission, we set it to be something that could be achieved in ten years. So, now we are working backward from our final vision and reworking the roadmap so that we can visualize it in stages of one year from now, three years from now, and ten years from now.

–Last question, what does the keyword “unleash” mean to you?

Shintaro: My dream for Mercari is for it to be the kind of company that can unleash the potential in people all around the world. Nowadays, the concept of “value” is inevitably linked with “money,” but the way it should be is that diverse people have diverse values—not just “money.” In environments where that is achieved, people feel like they belong, which gives meaning to life, and in turn leads to better things and values. That is what unleash means to me.



Makiko Shinoda

After graduating from Keio University, Makiko Shinoda joined the Long-Term Credit Bank of Japan (currently Shinsei Bank). She received an MBA from the Wharton School of the University of Pennsylvania, and an M.A in International Relations from Johns Hopkins University, then later went on to work as a management consultant at McKinsey & Company. Following this, she worked for Novartis and Nestlé to create and execute their business plans, build their internal management system, and lead the PMI. She joined Hobonichi in 2008 and led their IPO as CFO, Director & Manager-Administration. She left the company in 2018 to recharge, and joined YeLL’s Board of Directors in March 2020. Makiko is also the translation supervisor for the book “You’re Not Listening: What You’re Missing and Why It Matters” and has been an Outside Director at Mercari since September 2020.

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

Toward achieving our mission

mercari



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

“What can I do to help society thrive with the finite resources we have?”

The Mercari marketplace app was born in 2013 out of this thought by our founder Shintaro Yamada as he traveled the world. We believe that by circulating all forms of value, not just physical things and money, we can create opportunities for anyone to realize their dreams and contribute to society and the people around them. Mercari aims to use technology to connect people all over the world and create a world where anyone can unleash their potential.

Mercari's vision for the future

On February 1, 2023, Mercari celebrated ten years since the company's founding. In all aspects of our user experience, Mercari has pursued four elements: "safe and reliable," "easy for all," "more fun each time," and "do good, feel good."

Founded on the strong network formed by users of the Mercari C2C marketplace, since our inception we have evolved (and continue to evolve) our user experience to include services such as our mobile payment service Merpay, our own credit card Mercard, and the B2C element of our business Mercari Shops.

To mark the milestone of our tenth anniversary, after more than a year of broad discussions, we decided to establish a new Mercari Group mission.

"Circulate all forms of value to unleash the potential in all people."

Our new Group mission is meant to go beyond Mercari's founding mission of "Create value in a global marketplace where anyone can buy & sell," which encapsulated "what" we do. Mercari's new mission goes beyond "what" we're doing and focuses on "why" we're doing it—to contribute to society in a meaningful way.

We have quantified the positive impact that Mercari's business has on the world and published these numbers. As calls for a more sustainable society grow stronger, the growth of Mercari's business itself has demonstrated society's move to a circular economy.

We will continue to draw out undiscovered value in people and things all over the world and help people who need that value to find it. We want to unleash the potential in all people by creating an ecosystem that circulates all forms of value, both tangible and intangible.

In the fiscal year ended June 30, 2023, we reviewed our material topics and changed the name of this document to the "Impact Report." With this report and through Mercari's business, we intend to make a positive impact on society and convey our efforts to the public going forward.

Mercari, Inc.
Representative Director and CEO 山田進太郎



At Mercari, we have three core values that act as guidelines for what we need to do to achieve our mission. All decisions, from those about daily work to management decisions, are made based on these three values.

Go Bold

- In order to achieve great success, we need to think outside the box and keep trying new things again and again. If we just do the same things as others, we can never innovate. Taking on bold challenges like this, we bring Mercari to new heights.
- We don't fear change; we proactively accept and incorporate new things through trial and error.
- We commend failure as a step toward success.
- We deep dive into where we have failed, document lessons learned, and share our findings, regardless of the result. In doing so, the whole organization can learn from what we have attempted in the past and use it to fuel new innovation.

All for One

- We prioritize working toward our shared goal of achieving the mission as a team. This allows us to realize greater success than we can as individuals, even if it means going outside of our scope of expertise.
- Each of us demonstrates a diverse set of strengths, trust, and respect for each other, and in doing so we are able to achieve extraordinary results together that would not be possible alone.
- Those in positions of responsibility take ownership over making decisions in a timely manner. We commit to the final decision, even if we disagree with it.

Be a Pro

- We all demonstrate strong expertise and abilities as a professional in our field, but we also hold ourselves to strong ethics and maintain responsible behavior.
- We remain professional in discussions, giving our opinions and contributing in a constructive way.
- We are always curious and ambitious; we continue to grow by learning and stretching ourselves in our work, overcoming difficulties along the way.
- We are users of Mercari Group's services, but also use other companies' services, and leverage that experience to continuously contribute to improving our own services. We remain committed to take action as Mercari employees rather than simply giving criticism.

Message From the Chief Human Resources Officer (CHRO)

The one thing Mercari has focused on more than anything else is investment in people

In order to achieve our mission, the one thing Mercari has focused on more than anything else is investment in people. My commitment as the company’s CHRO is to maximize the impact of that investment.

In our material topics we’ve stated that our overall policy is “Unleashing the Potential in Diverse Talent Worldwide.” This is because when it comes to hiring diverse talent from around the world, we like to think of the diversity of our members as a well source of creativity. Mercari’s policy is to hire professionals from around the world by providing market-competitive compensation and to train our people by providing continuous learning opportunities. We now employ talented members from more than 50 countries and territories, and our engineering organization in Japan is especially diverse, with no less than 50% of our engineering-related jobs being filled by members of foreign nationalities.

And, in order to be an organization that can bring out the best from this diverse talent, there are mechanisms that encourage our members to take on bold challenges on an ongoing basis. In any number of situations, all of our members are rigorous in asking themselves, based on our values, “am I taking on bold challenges to achieve our mission?” and “am I quick to learn from failure and success?”

You could say that the results of this can be seen in the sections of this report that examine what Mercari has accomplished over the past ten years.

We have put together mechanisms to increase opportunities for bold selection and promotion based on the extent to which members demonstrate our values and to provide competitive compensation regardless of our members’ attributes. Eliminating the gender pay gap is a commitment in line with this policy.

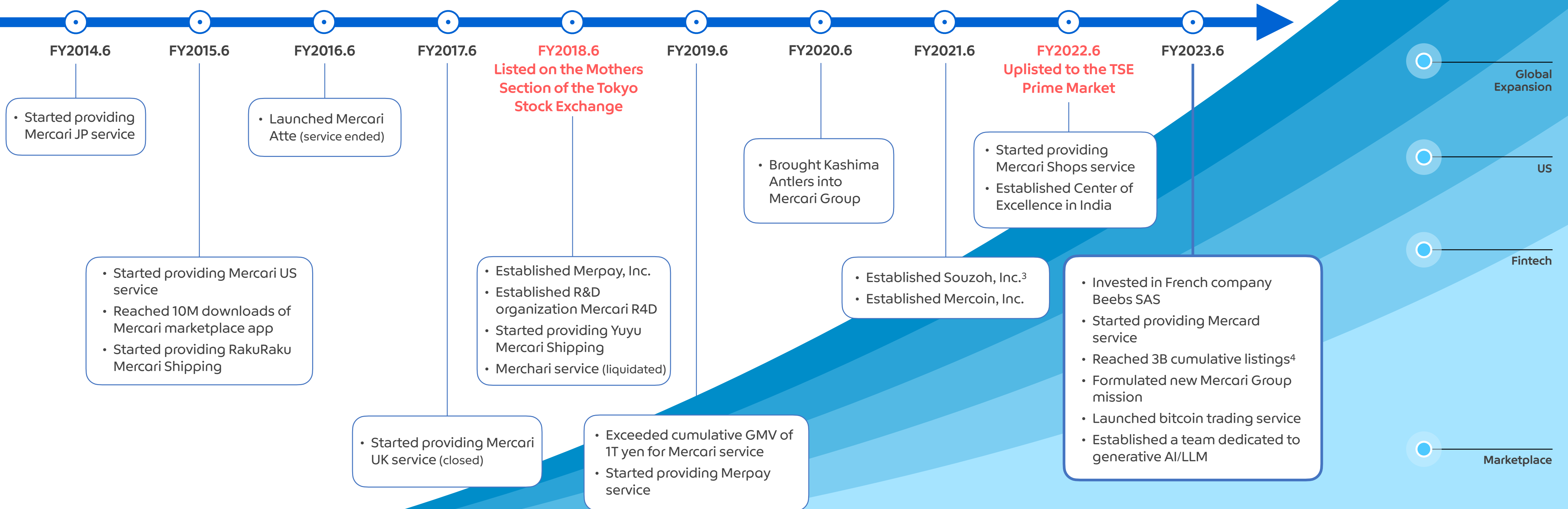
Going forward, Mercari will make further efforts to balance investment judgement that maximizes the aggregate results of members demonstrating the company’s values over the long term. Therefore, as part of our culture, we will continue to clarify and constantly update the expectations we hold for our members based on our values. At Mercari, this is our concrete judgement criteria for investing in our people.

Chief Human Resources Officer
Tatsuo Kinoshita



For details, see [Material Topic 5: Unleashing the Potential in Diverse Talent Worldwide](#)

Five years after Mercari IPO Net sales: Approx. 4x increase¹ MAU: Approx. 2x increase²



Business growth = Expansion of social impact

1. Comparison of consolidated net sales and total MAU of JP and US for FY2018.6 Q4 and FY2022.6 Q4 2. Quarterly average number of users who browsed our service (app or web) at least once during a given month
 3. Souzoh, Inc. was established in 2015, dissolved in 2019, and re-established in January 2021 4. The cumulative number of items listed on the Japan marketplace since the launch of the service (July 2, 2013) Note: This diagram represents a potential map of our future growth

FY2026.6

FY2033.6

Medium-term objectives

Build an ecosystem for the circular economy

- Collaborate with external partners to create an ecosystem that will lead the creation of the circular economy
- Leverage leading technology that incorporates AI and LLM, and create new user experiences and business value
- Acquire a strong position in the C2C market, and maximize Marketplace GMV by creating Group synergy

Global expansion

- Advance the growth of US business and further develop our global business

Unleashing the potential in diverse talent worldwide

- Acquire and train diverse professional talent from around the world who share the belief of our mission
- Create a borderless organization where talent from all over the world can thrive and embody a high-level governance model in order to achieve continuous growth

Investment policy

- Focus on growth while continuing balanced management
- Invest in creating new businesses and accelerating growth of existing businesses with sights set on the next ten years



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

Mercari has created a planet-positive¹ world in which people can continue to create new value by sharing the limited resources of the earth across generations.



Business growth
||
Expansion of social impact

1. Planet positive: The concept of “planetary boundaries,” referring to the limits of our earth’s resources, is becoming more widespread. We use this term to express our desire to help solve environmental issues by making a positive impact on the environment and society through our business.



Initiatives for each material topic

Five Material Topics

Mercari defines our materiality as important topics that relate to creating value to contribute to resolving social and environmental issues through our business, and creating the management foundation necessary for continuous growth.

Following the establishment of the new Group mission earlier this year, we updated our materiality. (See P61 for the specifics of our approach to our material topics.)

1 Empowerment of Individuals and Society



By creating opportunities for anyone to realize their dreams and contribute to society and the people around them, we will achieve a world that unleashes the potential in all people.

2 Creating a World That Circulates All Forms of Value



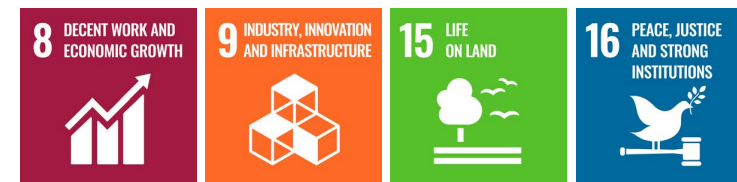
We strive to be a planet-positive company that contributes to solving environmental issues through its business activities by realizing a society in which all forms of value—not just physical goods and money—circulate seamlessly.

3 Creating a New User Experience Through Technology

We utilize data, AI, and other innovative technologies to constantly evolve our products and create new user experiences through the seamless exchange of value.



4 Building Long-Term Public Trust



We fulfill our responsibilities as a public entity and build public trust by establishing a robust and highly transparent decision-making process, and through more effective corporate governance and thorough compliance. We contribute to the realization of healthy internet services around the world by achieving a safe, secure, and fair transaction environment, and also by educating and sharing information throughout the industry.

5 Unleashing the Potential in Diverse Talent Worldwide

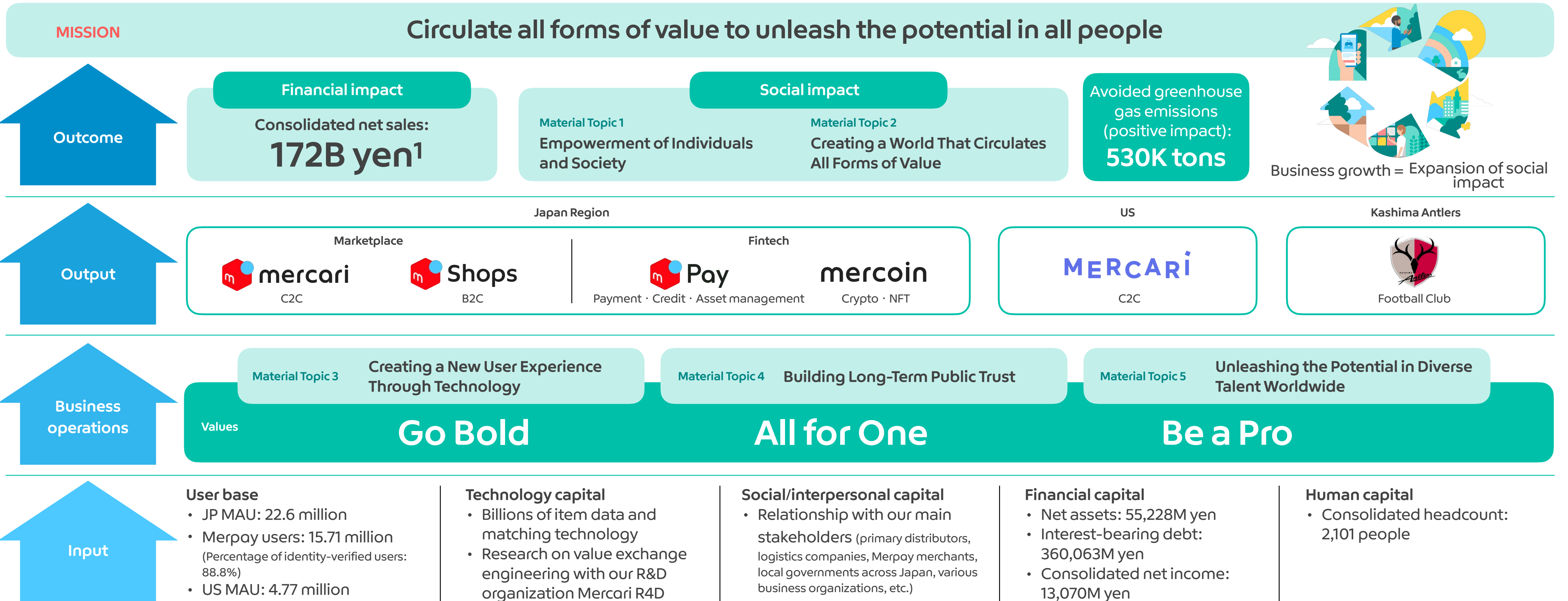


We will aim to be a company that can continue to grow sustainably by creating an environment in which people from diverse backgrounds all around the world can reach their full potential.

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



We strive to balance the expansion of both financial and social impact, while driving business growth through various forms of capital and value in order to realize the sustainable enhancement of corporate value.



1. FY2023.6 (2022/7-2023/6)



Material Topic 1

Empowerment of Individuals and Society

mercari





Create opportunities for Mercari to empower people and contribute to the enrichment of their lives

65.4%¹
 “I’ve been able to buy the things I want, regardless of where I live”



51.2%¹
 “I’ve created a new source of income”

52.6%¹
 “I’m now able to buy the things I want, regardless of my situation (injury, illness, disability, pregnancy, medical care, etc.)”



43.4%¹
 “I feel like I am serving a purpose for people and society”



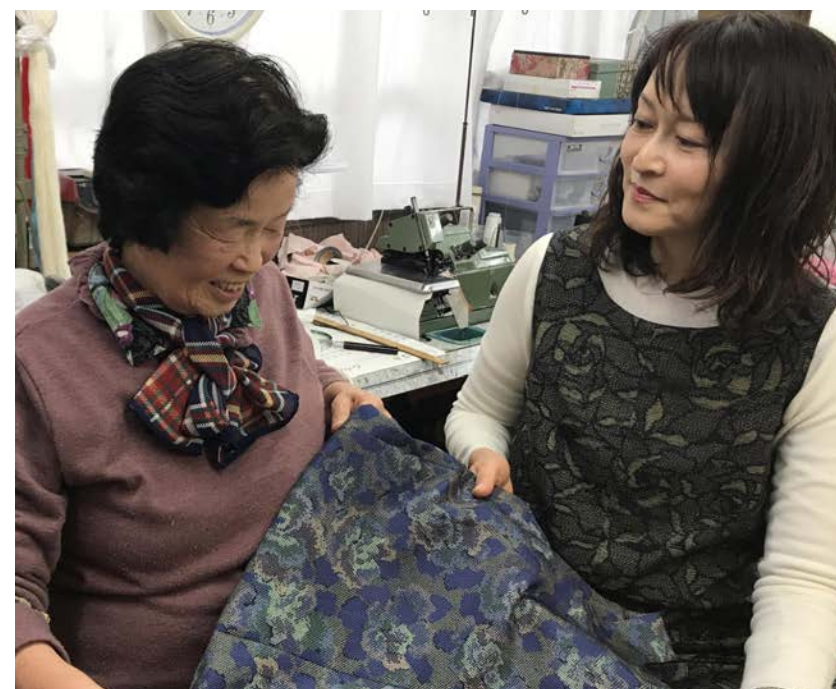
By creating opportunities for anyone to realize their dreams and contribute to society and the people around them, we will achieve a world that unleashes the potential in all people.

1. Based on the results of a survey carried out through an external research company in May 2023 on 3,000 men and women across Japan between the ages of 15 and 69

Finding a new purpose in life with Mercari

The Hikawas

“My mother (left), now in her 80s, is a seamstress who ran a sewing factory for 60 years. My father ran the sewing factory with her for many years, but after he passed away, my mother decided to retire, and I wanted to help her find a new passion in life. That’s when we started selling her redesigned clothing on Mercari. My mother made beautiful dresses out of a kimono’s ooshima tsumugi fabric, and when we listed them on Mercari, we were delighted to see many people buying them. They also sent comments to thank my mother and share how much they loved the dresses. Seeing these comments, my mother said: “If they are this happy with my sewing, I’ll need to keep making more!” This has given her a new purpose in life. Before, she was starting to have difficulties walking and moving around. However, ever since she started using Mercari, I feel that she is thriving with a lot more energy. She has even been going to the store herself to order fabrics. I’m very grateful to Mercari for giving her a new place to use the craftsmanship that she has honed over decades. Thanks to Mercari, my mother has been able to find joy in taking on a worthwhile new challenge.”



Discovering new hobbies and connections with Mercari

Kazumi Nagano

“Whenever I want to buy something, I always start by searching on Mercari. I had always wanted to try golfing, and Mercari helped make this happen for me. I first became interested in golf once my son turned 20, and I said I’m officially done with mom duties. I figured I should find a new hobby to enjoy this next chapter of my life. I had never played before, so I was a little worried about how much money it would cost me to get all of the necessary golf equipment and gear. However, Mercari helped me get everything I needed at reasonable prices. Through practicing golf, I’ve also been able to meet many new people and expand my network. I am now a part of a new community, where we play golf together and get together for things like year-end parties. Mercari has brought more fun and excitement into my life, and I can’t imagine my life without it!”



Making the dream family road trip happen with Merpay

The Ishiis

“I think the great thing about Merpay is that users are not screened based only on attributes like age or nationality. This was huge for our family, because my husband is not from Japan, which unfortunately made it hard for us to get approved for a loan. Not being able to get a loan put us in a tough spot, since we have five kids, and sometimes we need to spend large amounts of money at once. That’s why it was a sigh of relief when we passed the loan screening for Merpay, thanks to our good transaction history on Mercari. Now, when we are going through a period of high spending or find ourselves in a tough spot financially, we use the fixed-amount payment service on Merpay. It has also allowed us to make big purchases, too, like a secondhand car. It was always a dream of ours to go on a family road trip, and Merpay helped us make that happen. Next, we are thinking about buying a DSLR camera to capture all of our family memories.”



Helping a mother-son duo sell their products online on Mercari Shops

Kazuko and Rikuto Mouri

“Our family has been running our traditional sweets shop for over 80 years. We had always wanted to open up an online shop, but whenever we tried to create a website, it was too difficult for us. We gave up given how much time and energy it would take. With Mercari Shops, the process is easy. We simply create an item description page, just like we would to list an item on Mercari. There are also helpful features that allow us to do things like manage our listings all at once by adjusting our inventory numbers on Mercari Shops. I think the best part about using Mercari Shops is being able to hear from our customers directly. It fills me with both joy and motivation. Before starting to sell our products on Mercari Shops, we were actually thinking about closing shop once my father retired. However, we were encouraged by the number of people buying our products online and the warm feedback we received from them. Mercari Shops breathed new life into our shop, and my son decided to take over and continue the family business. We were able to pass the torch on to the next generation.”





Material Topic 2

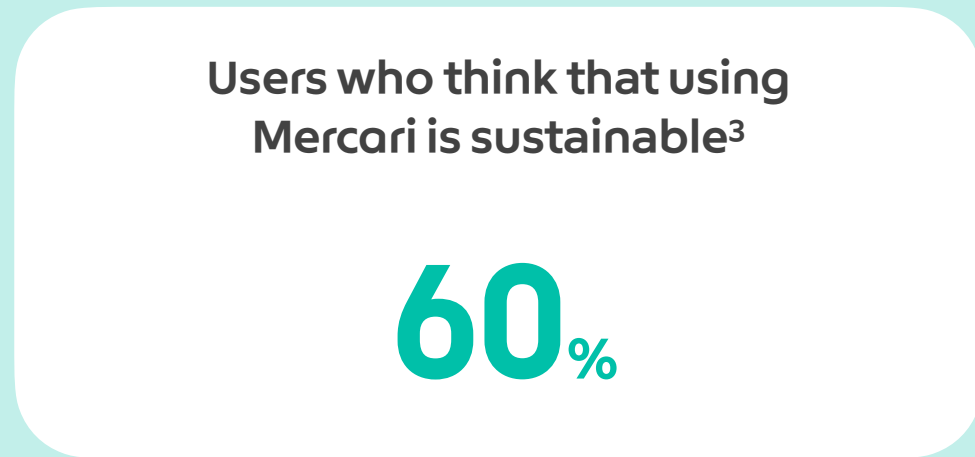
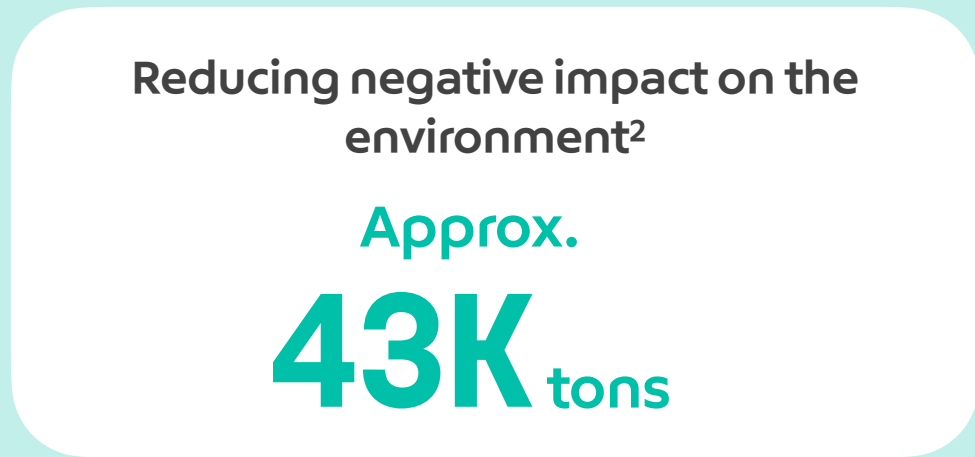
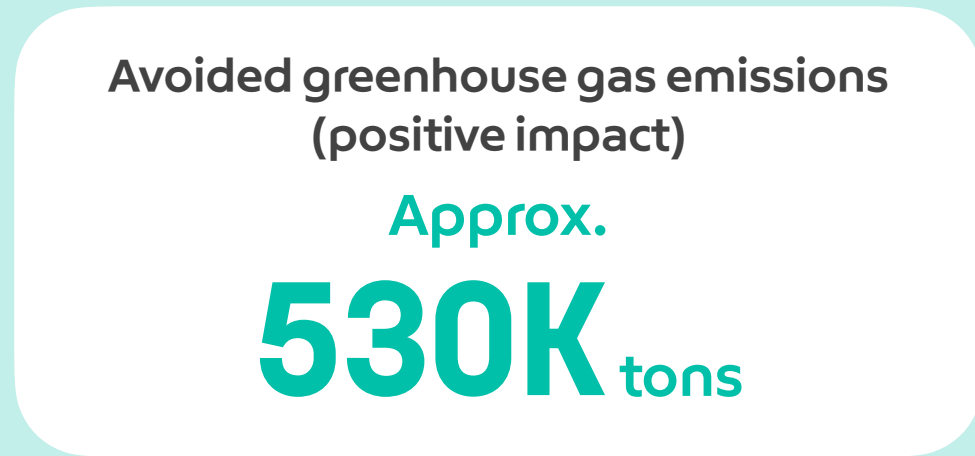
Creating a World That Circulates All Forms of Value

We strive to be a planet-positive company that contributes to solving environmental issues through its business activities by realizing a society in which all forms of value—not just physical goods and money—circulate seamlessly.

Focus Areas

- Achieving sustainable business growth
- Forming a culture that will lead to the creation of a circular economy
- Mitigating climate change

Results for Material Topic 2



1. FY2023.6 of Marketplace (984.6B yen) and Mercari US (139.5B yen) 2. Unit: t-CO₂e 3. Based on the results of a survey carried out through an external research company in May 2023 on 3,000 men and women across Japan between the ages of 15 and 69

Summary of FY2023.6

Toward our mission of creating a world that circulates all forms of value, we scaled the Mercari ecosystem by expanding our platform's payment methods and launching a service for trading bitcoin. In addition, we expanded steadily not just within Japan, but also overseas through cross-border sales and by making a series A-round investment in the France-based marketplace app “Beebs.”



Plan for FY2024.6

We will work across the Group to maximize Marketplace GMV growth, expand the cross-border market, expand the B2C reuse market, and collaborate with external partners to strengthen our market share in the C2C market.

Generating a Planet-Positive Impact on the Environment and Society Through Our Business

What does “planet positive” mean?

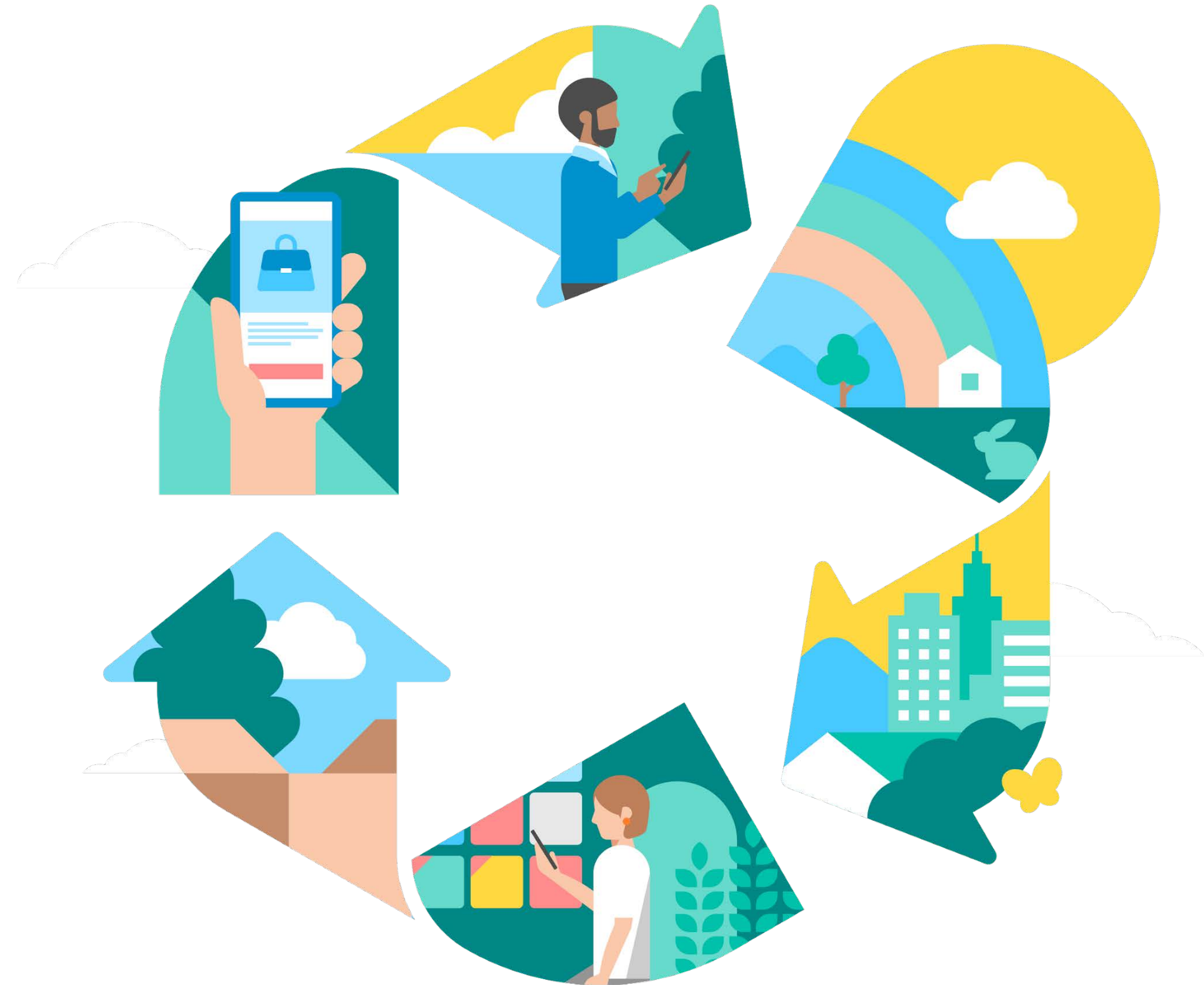
The concept of “planetary boundaries,” referring to the limits of our earth’s resources, is becoming more widespread. We use the word “planet positive” to express our desire to help solve environmental issues by continuing to generate a positive impact on the environment and society through our business.

Looking ahead to the creation of a circular economy

Mercari strives to be a planet-positive company that contributes to solving environmental and societal issues through its business activities by realizing a society in which all forms of value—not just physical goods and money—circulate seamlessly. In order to measure our positive impact, we calculated how much our business is helping avoid greenhouse gases by looking at a number of our major categories. We found that Mercari transactions in these categories alone contributed to an total of approximately 530,000 tons of greenhouse gas emissions being avoided annually in Japan and the US.

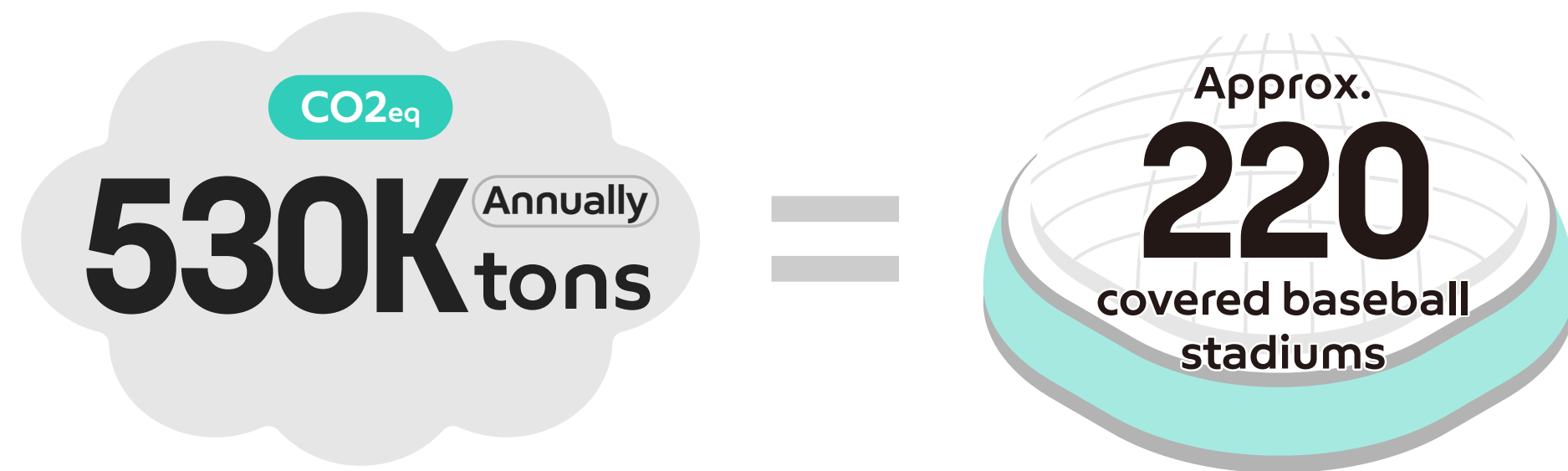
In this way, we were able to quantify the positive impact that Mercari’s business has on the world, and show how the growth of Mercari’s business itself demonstrates society’s move to a circular economy.

Going forward, Mercari will strive to do our part in creating a circular economy that makes the most of the world’s finite resources. We will continue to take action to promote reuse and provide alternatives to throwing items away.

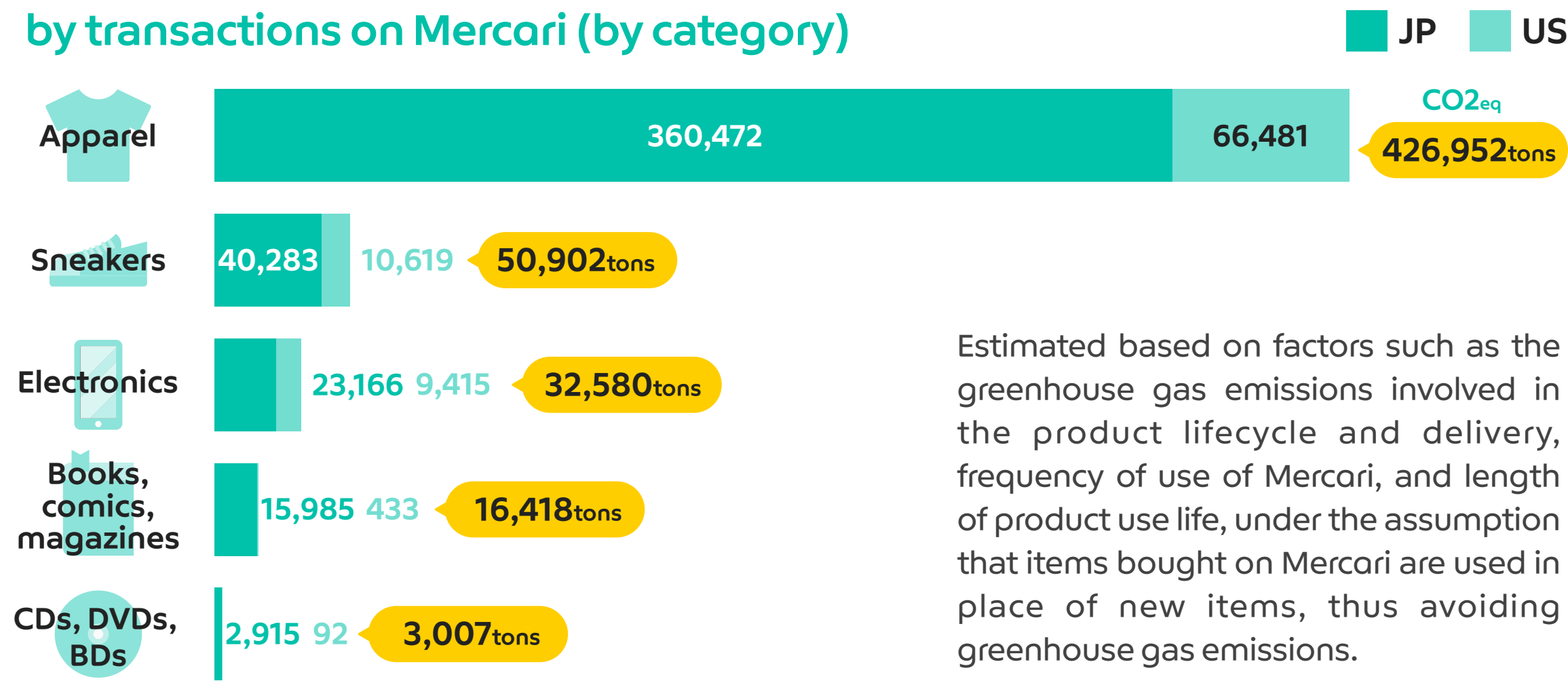


Positive Impact of Mercari's Business (Avoided Greenhouse Gas Emissions)¹

In our calculations, we found that approximately 530,000 tons of greenhouse gas emissions were avoided in one year by transactions in select categories on Mercari. By encouraging the concept of reuse through growing our business, Mercari strives to be a planet-positive company that contributes to the creation of a circular economy in which all forms of value circulate seamlessly.

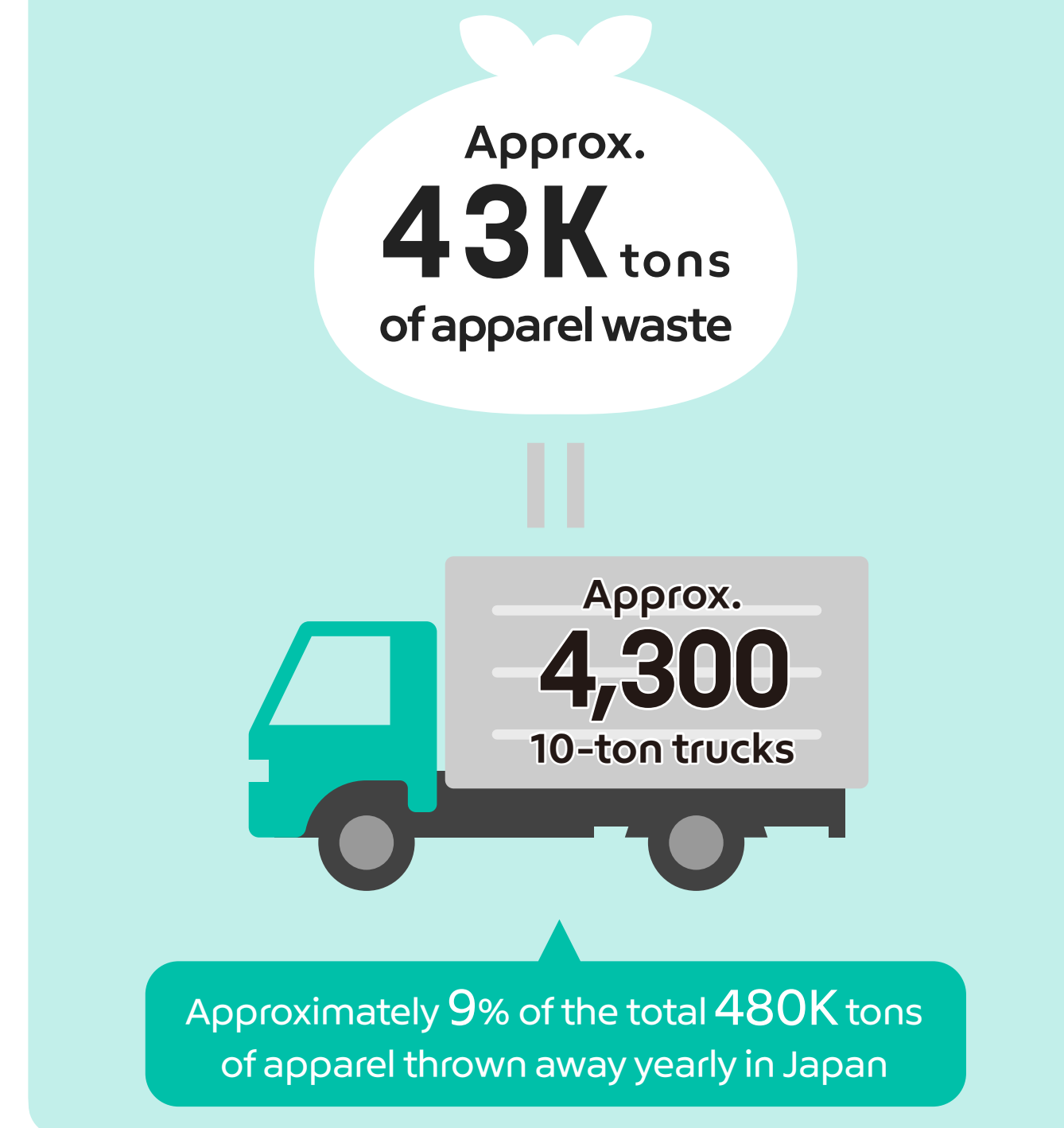


Greenhouse gas emissions avoided by transactions on Mercari (by category)



Estimated based on factors such as the greenhouse gas emissions involved in the product lifecycle and delivery, frequency of use of Mercari, and length of product use life, under the assumption that items bought on Mercari are used in place of new items, thus avoiding greenhouse gas emissions.

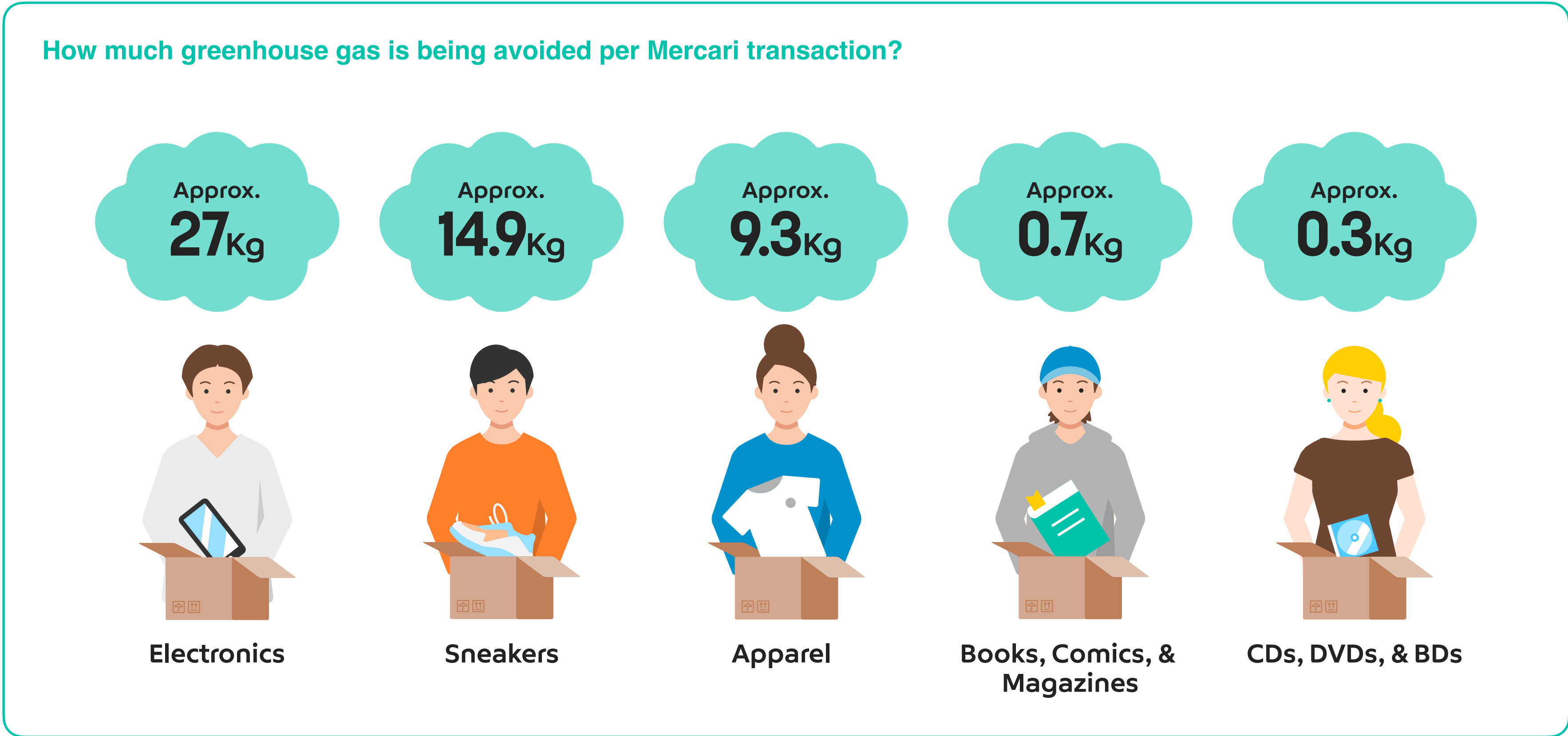
Weight of apparel waste avoided thanks to its listing on Mercari (Japan only)



1. Calculated using CO₂eq as a measure. See P67 for details on how these numbers were calculated.

Positive Impact of Mercari's Business (Avoided Greenhouse Gas Emissions)¹

Selling or buying one item of clothing on Mercari helps avoid approximately 9.3 kg of greenhouse gas emissions, and it also **extends the usage life of each item of clothing by 3.2 years** instead of replacing them with only new items of clothing. Through transactions on Mercari, each of us can contribute to reducing waste and achieving a circular economy where the earth's finite resources are treated with care.



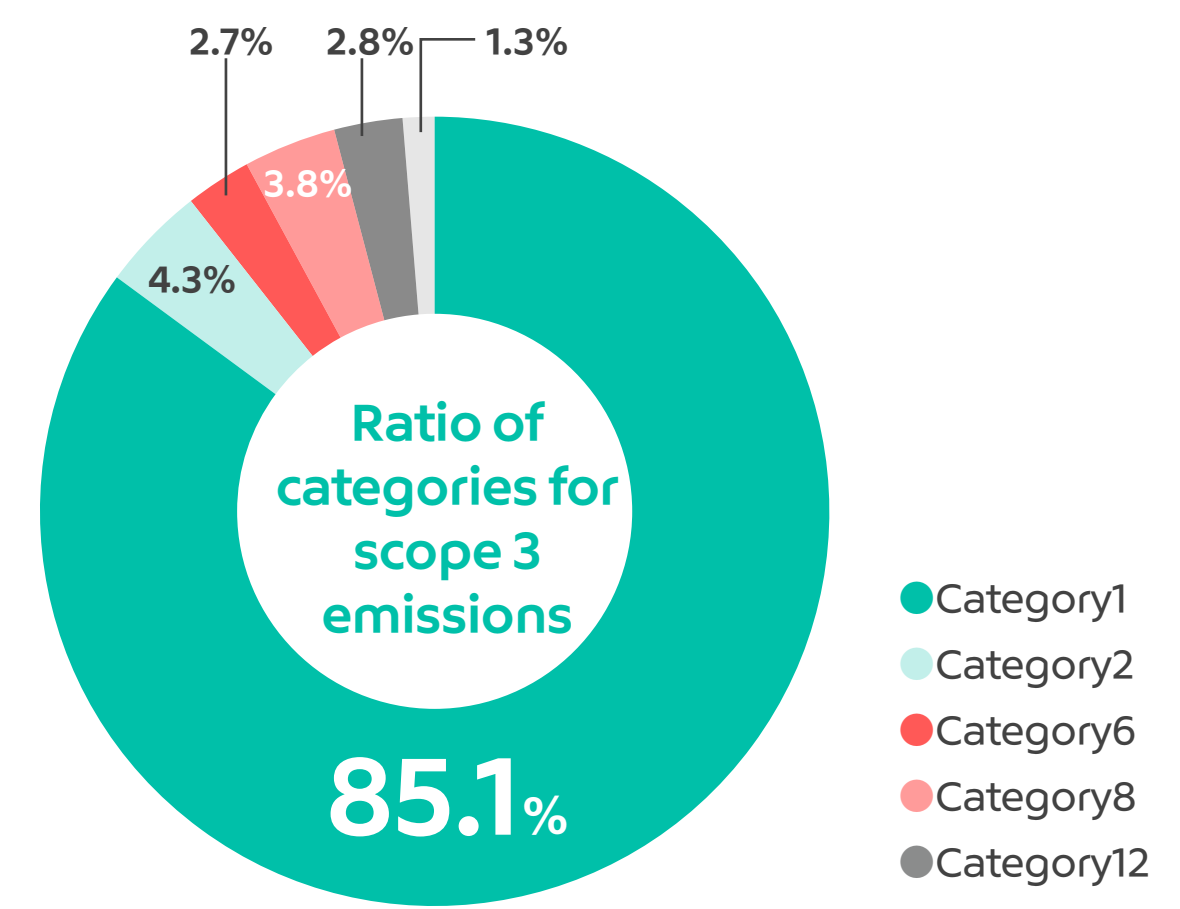
1. Calculated using CO₂eq as a measure. See P67 for details on how these numbers were calculated.

Reducing Negative Impact On The Environment

Reduction target Reduce scope 1+2 emissions by 100% and emissions related to added value¹ for scope 3 by 51.6%² by 2030
 (Screening for SBT certification is ongoing)

Amount of greenhouse gas emissions

Annual greenhouse gas emissions for the entire Mercari Group were a total of **approximately 43,000 tons, with scope 3 emissions comprising 98%.**

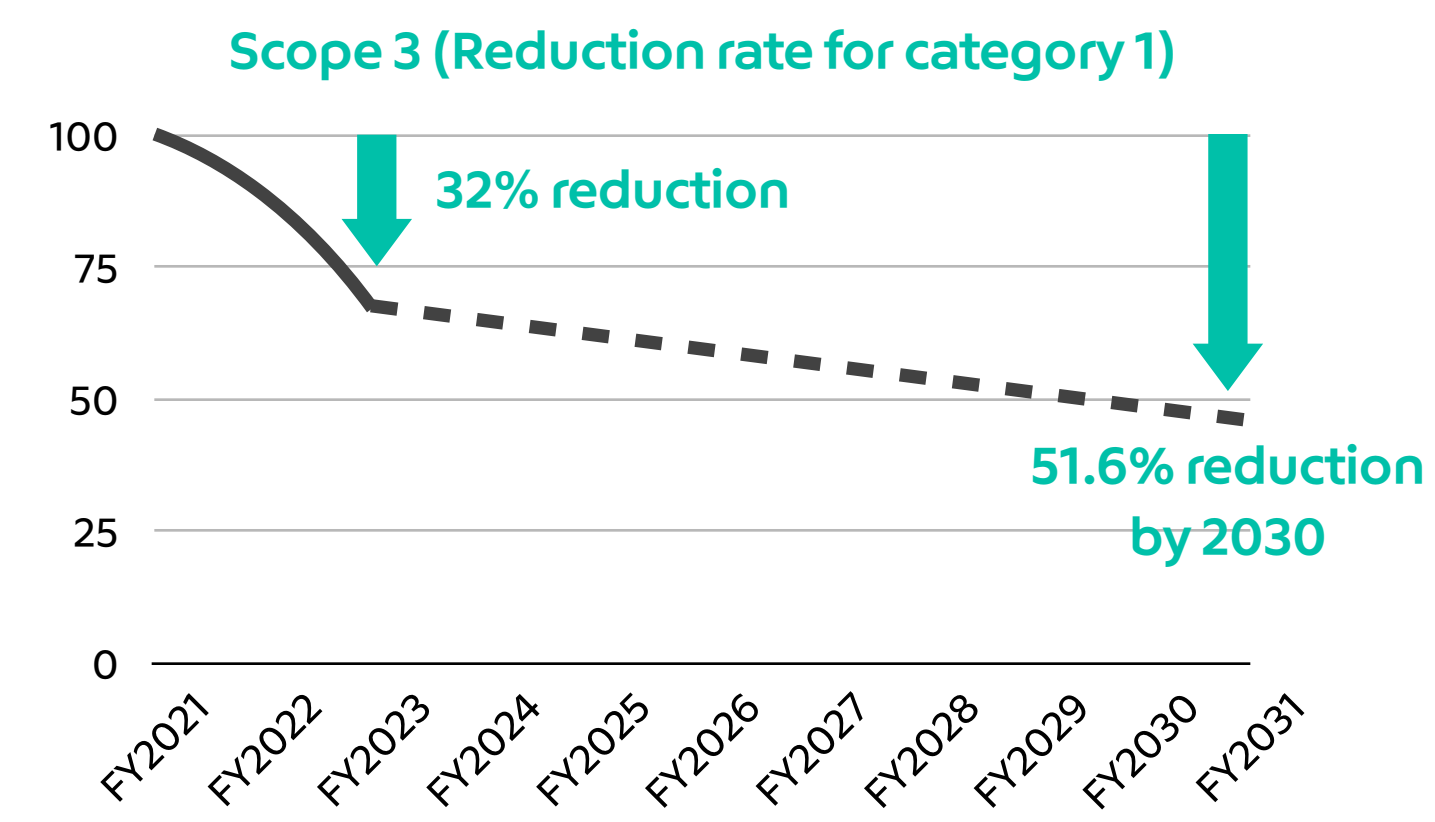


Scope 1: 207 tons
Scope 2: 645 tons
Scope 3: 42,696 tons

Category 1 also makes up **85%** of scope 3 emissions.

Amount reduced this year

Compared to our benchmark year (FY2021.6), we were able to reduce scope 1+2 emissions by 70% and the intensity of scope 3 emissions by 32%.



Action plan going forward

Mercari will work on reducing greenhouse gas emissions based on the action ideas on the right. We 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 targets in the mid-to-long term.

- Scope 1+2**
- Reviewing the fuel consumption of company cars, etc.
 - Implementing renewable energy for our office electricity
 - Utilizing J-credits, non-fossil fuel energy certificates, etc.

- Scope 3**
- Promoting supplier engagement
 - Rolling out reusable packing materials
 - Considering package-less transactions

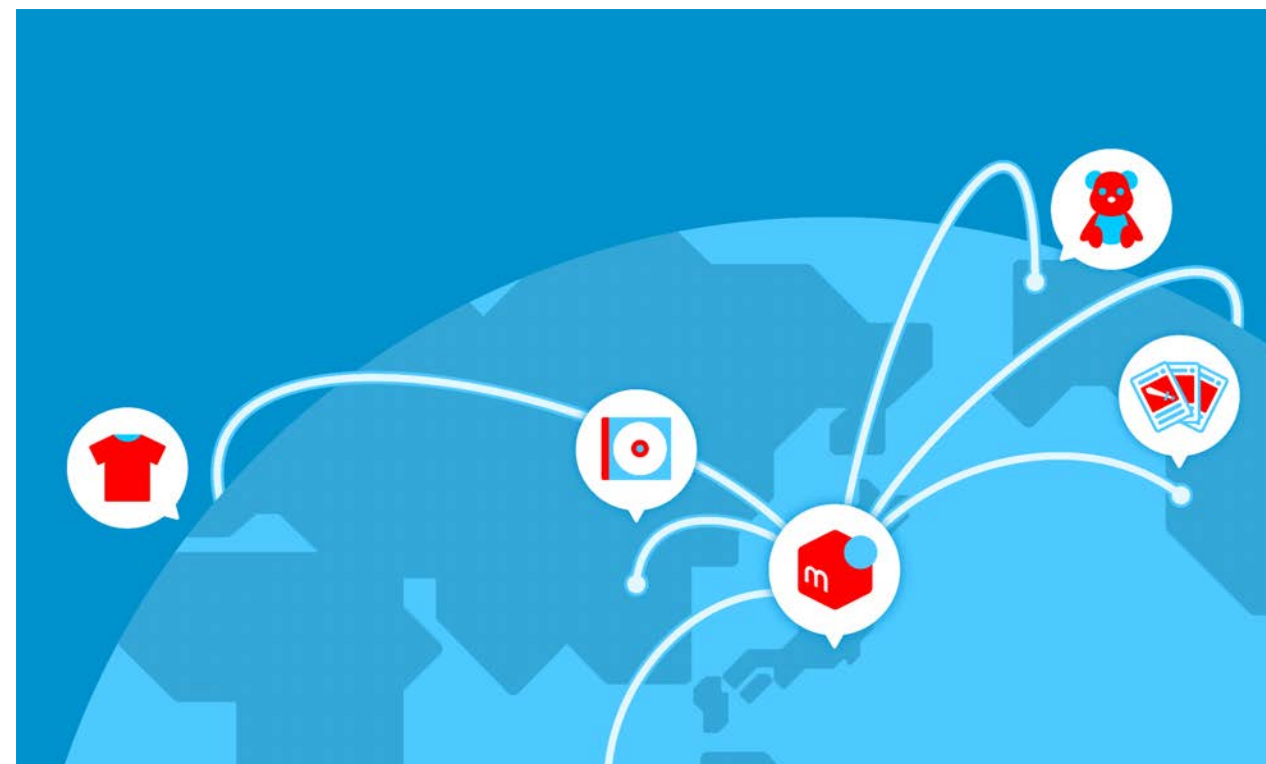
1. Amount of emissions in relation to sales and total profit (CO2/million yen) 2. Our targets fall under category 1, “purchased goods and services”

Expanding Cross-Border Sales / Investing in the French Company Beebs

Mercari will draw out undiscovered value in people and things all over the world and help people who need that value find it.

Expanding cross-border sales

- We started offering cross-border sales in 2019, and we have been focused on expanding our sales channels globally ever since.
- Currently, we have partnerships with ten cross-border e-commerce business operators¹ to allow users from over 110 countries and regions worldwide to purchase things from Mercari.
- In 2022, the weak yen provided a tailwind as the number of Mercari users outside of Japan increased by approximately 2.8 times² and the number of overseas transactions by approximately 3.2 times². In particular, there was a strong demand for “oshikatsu” (fan culture) from users overseas, with a notable increase in transactions for entertainment/hobby goods such as those related to J-Pop and K-Pop idols as well as anime and manga characters.



Investing in the French company Beebs

- We made a series A round investment (minority investment) of €1.4 million in Beebs SAS, the France- and Belgium-based company responsible for the planning, development, and operations of Beebs, a marketplace app specializing in products for babies and kids.
- Beebs shows steady growth as a C2C marketplace operating in the French market and is aiming to expand to the entire European market in the future. This is highly compatible with Mercari's mission and is one of the main reasons behind this investment.

About Beebs SAS
 Beebs SAS is a French company that was founded in 2020. It operates in France and Belgium, and the Beebs marketplace has over 400 categories of baby and kids products, including clothing, toys, and games. At present, Beebs has a cumulative GMV total³ of more than €10 million and a total of about 1.6 million users.



1. As of June 2023 2. Comparison of February 2022 and February 2023 3. Cumulative GMV total across both France and Belgium from January 2021 to July 2023



Material Topic 3

Creating a New User Experience Through Technology

mercari

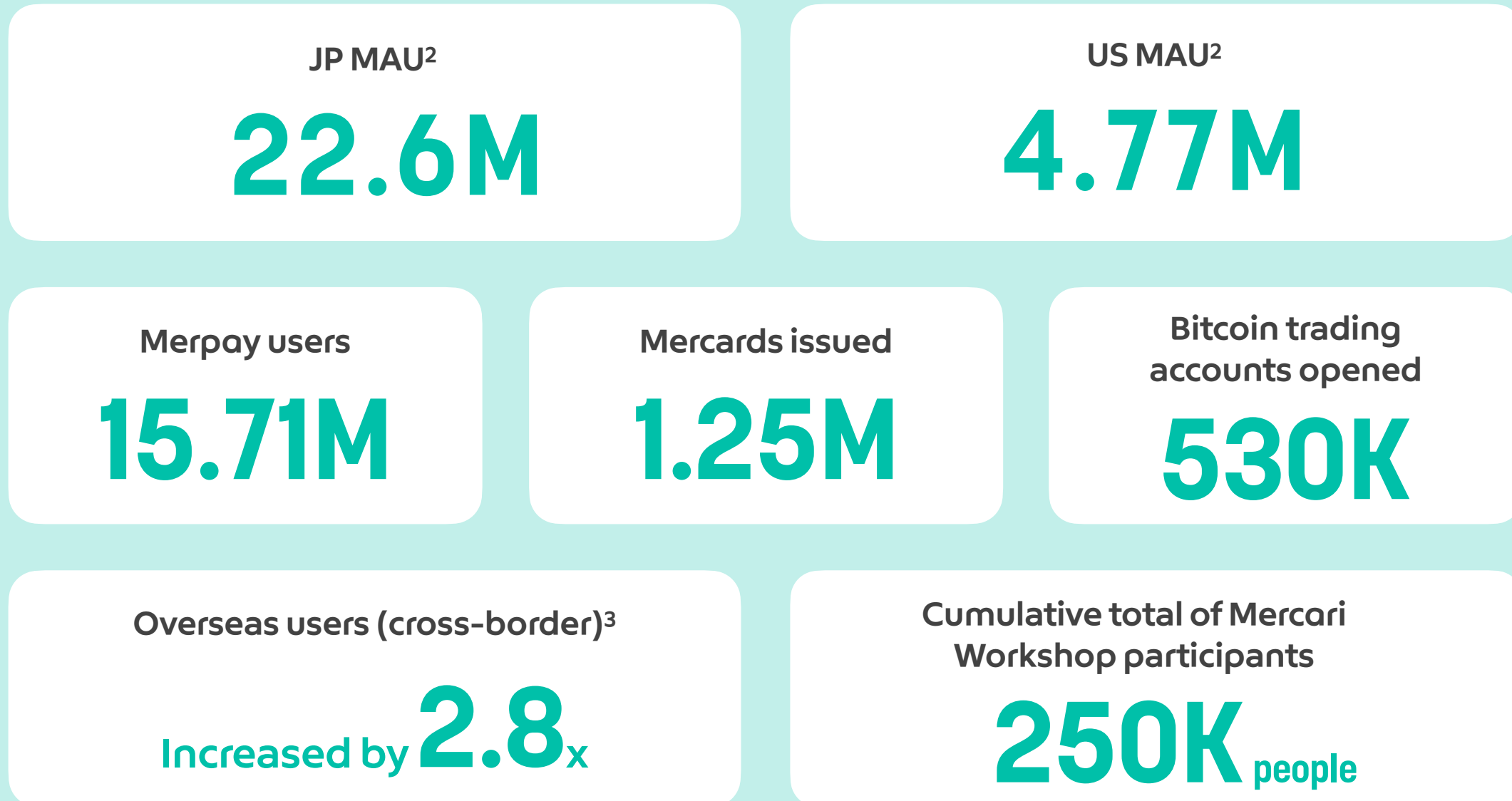


We will utilize data, AI, and other innovative technologies to constantly evolve our products and create new user experiences through the seamless exchange of value.

Focus Areas

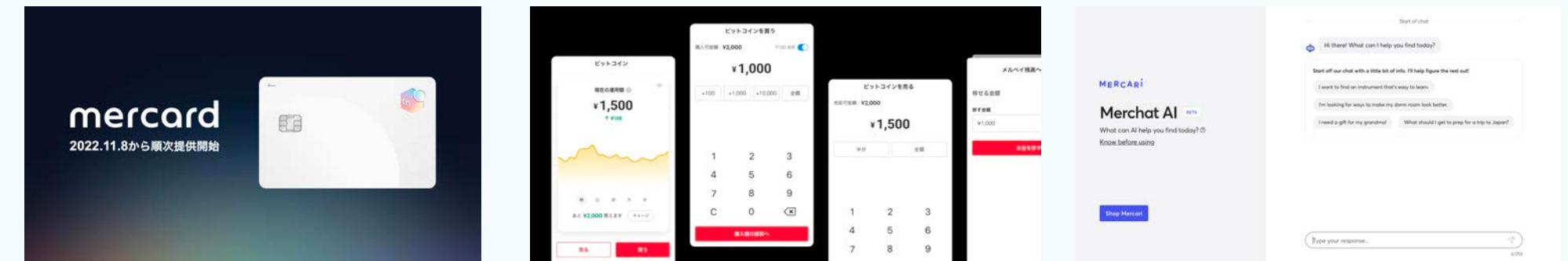
- Utilizing data/AI to deliver a seamless user experience
- Promoting circular finance
- Creating innovation through research and development on value exchange

Results for Material Topic 3¹



Summary of FY2023.6

Mercari Group launched Mercard as well as a bitcoin transaction service to further promote circular finance. We completed the “GroundUp App” project—referred to internally by its development code name—to revamp the company’s flagship app and improve development efficiency. Our organization also established a new team dedicated to generative AI and LLM and started offering new features that use ChatGPT.



Plan for FY2024.6

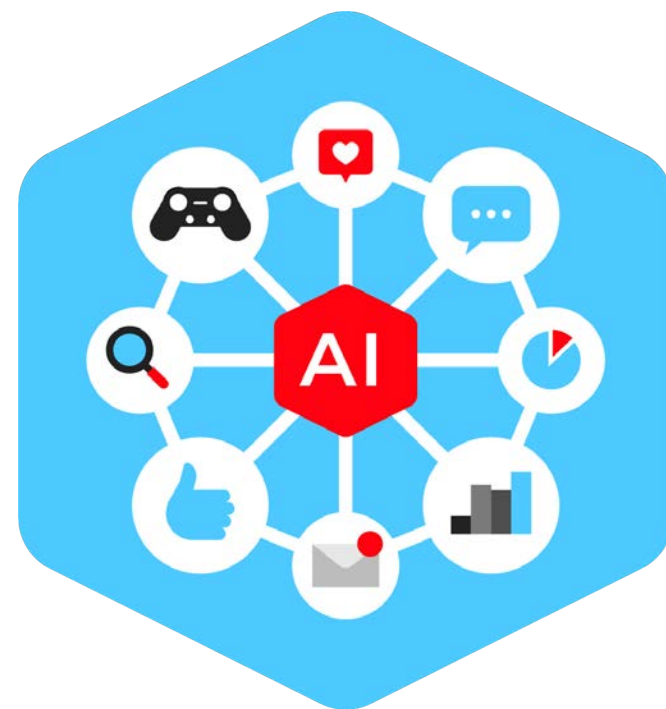
- Marketplace: Continue to make disciplined investments while focusing on GMV growth by investing in marketing, further evolving our product, and putting more emphasis on our areas of improvement.
- Fintech: Create Group synergy by acquiring Mercard holders and by enhancing the UX through such things as enabling users to make bitcoin payments within Mercari
- US: Refine the product to better retain existing users while also carrying out initiatives to reach more users among Generation Z for future growth

1. As of June 30, 2023 2. Monthly Active Users: the number of active users per month 3. Comparison of February 2022 and February 2023

Utilizing Data and AI to Provide a Seamless User Experience and Sparking Innovation With R&D on Value Exchange

Generative AI and LLM

- We launched a new team dedicated to generative AI and LLM that includes members from across Mercari Group.
- We started offering a ChatGPT plug-in that enables users to search for items on Mercari using ChatGPT.
- Together with Mercari R4D, the team will formulate and implement guidelines that take into account factors such as data security, governance, privacy, and AI ethics.
- In the US, Mercari US has begun a beta launch of Mercari AI, a personal shopping assistant powered by ChatGPT.



Our R&D organization Mercari R4D

- Mercari R4D is our research and development organization established in December 2017. The organization aims to deploy practical implementations of Mercari’s findings into society.
- Together with the University of Tokyo, R4D has helped establish the Value Exchange Engineering division within the university’s Research Institute for an Inclusive Society through Engineering (RIISE). This will allow us to conduct a wide range of research without being bound only to existing academic disciplines so that we can get closer to our goal of creating a circular economy.
- R4D continued to promote the Quantum Internet Taskforce (QITF) and further develop Poimo, its inflatable electric mobility device designed to move all types of people and items.



Revamp of development platform with Groundup App

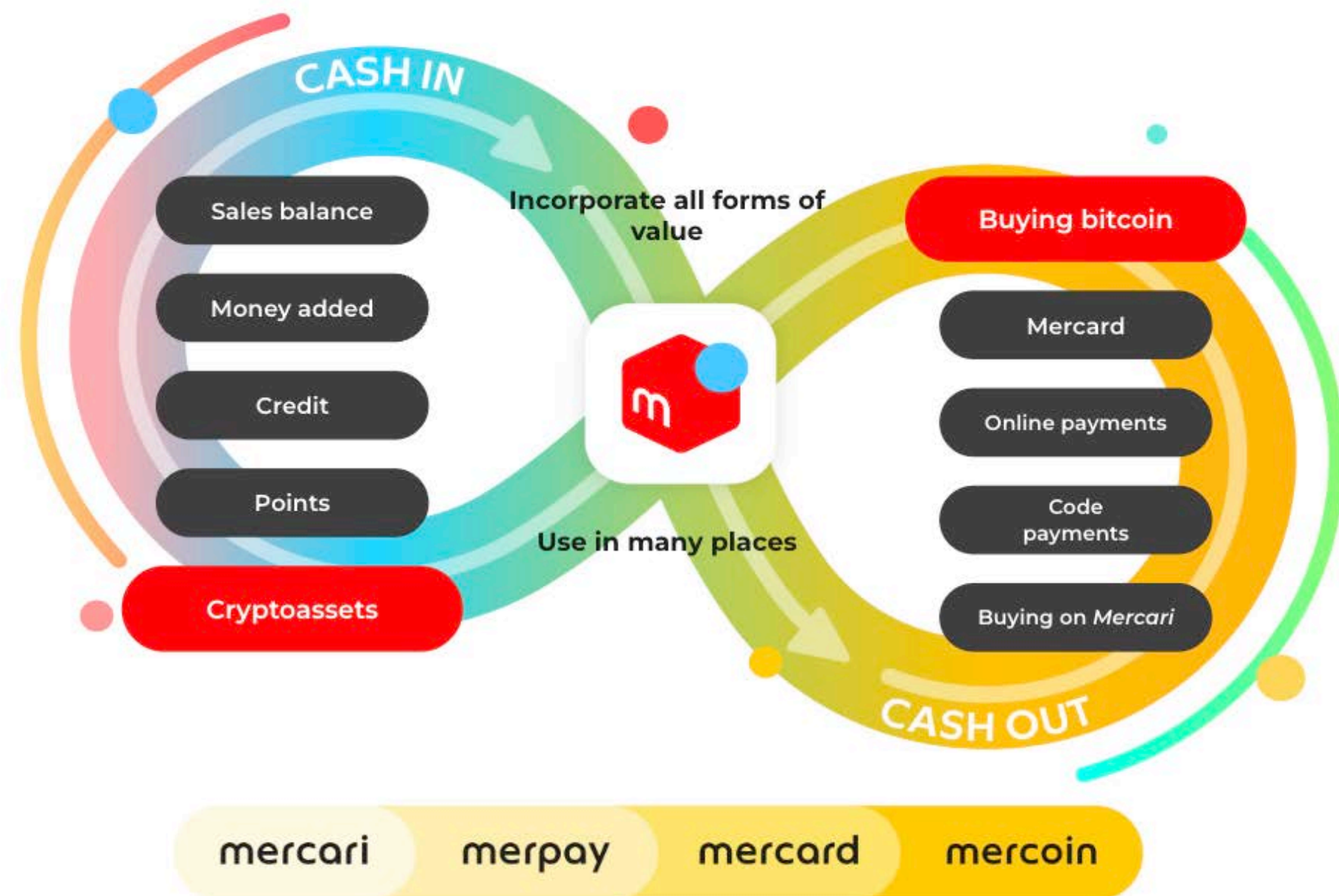
We completed the GroundUp App project to revamp the company’s flagship app and improve development efficiency. Below are some of the improvements made through this project:

- Incorporated modern frameworks
- Adopted a new design system
- Added a dark mode setting



Promoting Circular Finance

In addition to the value circulation that Mercari provides, we have added credit card (credit) and cryptoasset trading services. This has expanded the highly versatile and flexible nature of circular finance.



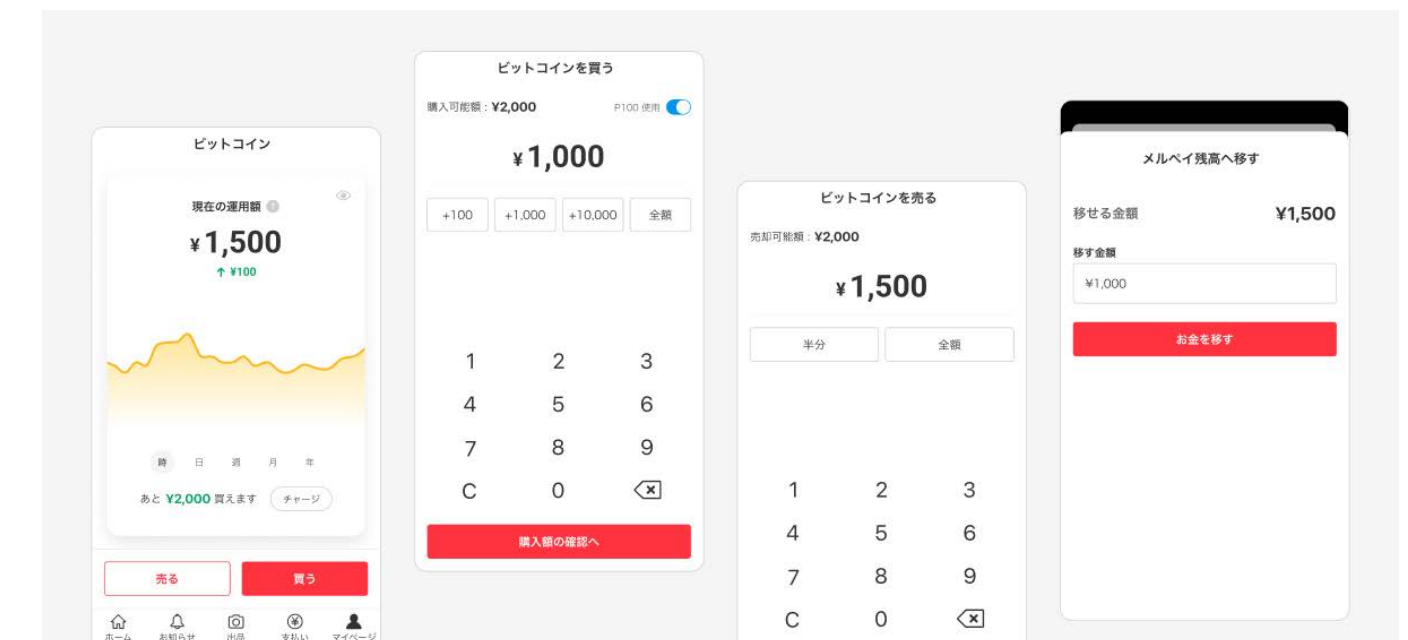
Launched Mercard and issued more than 1.25 million¹ cards

- Started providing Mercard, a credit card whose credit limit is determined by the user's Mercari usage history and which can be used and managed within the Mercari marketplace app
- Allows cardholders to pay when they wish and also allows them to use their Mercari sales balance to make card payments
- Seven months after launching the service, exceeded 1.25 million Mercards issued and were on pace to issue 2 million cards per year, making Mercari the top credit card issuer in Japan



Launched Mercari's bitcoin trading service and exceeded 530,000 user accounts just over three months after launch²

- Allows users to use Mercari sales balance and points to purchase bitcoin in increments as small as 1 yen
- 79% of users³ who created an account said trading on Mercari was their first experience trading cryptoassets



1. As of June 30, 2023 2. Number of users who created accounts for trading bitcoin on Mercari since March 16, 2023, the date the service became available to all users (as of June 30, 2023)
3. Results of a survey conducted at the time of application for the bitcoin trading service on Mercari (as of June 30, 2023)

Celebrating Mercari's Tenth Year Anniversary with Promotions and Offline Projects

Mercari marketplace app celebrates its tenth anniversary

Toward the next ten years, we provided new features and user experiences to allow even more users to accomplish what they like and want.

- Inaugurated a special tenth anniversary website and held several promotions
- Published information regarding Mercari usage, revealing regional trends by prefecture
- Toward the next ten years, we released new features in order for our users to use our services even more enjoyably and easily

- Profile icon setting feature
- Desired price registration feature
- Emoji (stamp) feature
- Transaction message suggestions feature



Held Mercari Workshops online as well as at locations throughout Japan, and also started “money courses”

Since the release of Mercari Workshops in September 2019, a total of more than a quarter of a million have joined one of our +71,000 sessions at any one of the 1,200+ locations where they are offered. We also partnered with local governments to hold Mercari Workshops for residents across Japan.





Material Topic 4

Building Long-Term Public Trust

mercari

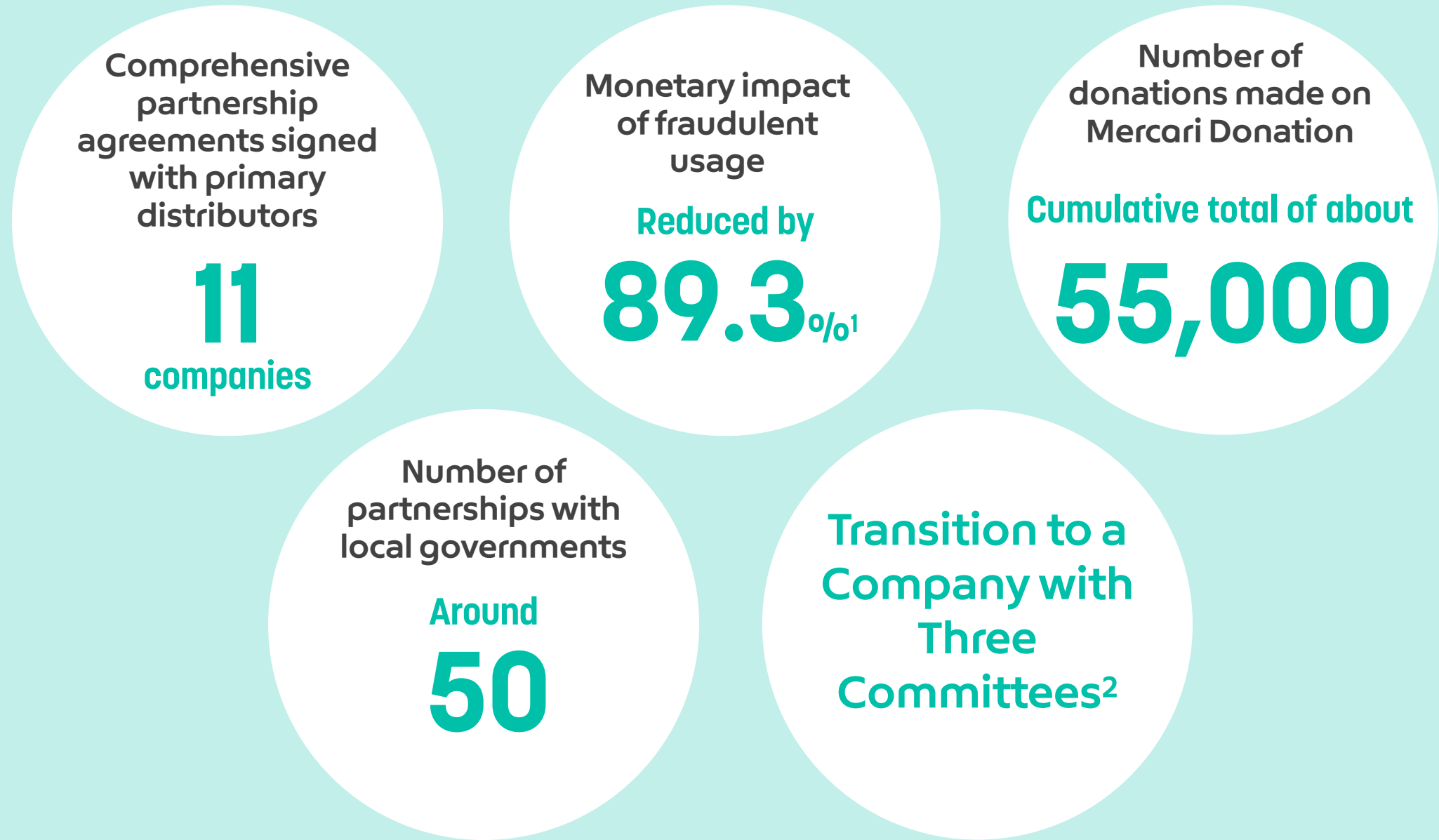


We fulfill our responsibilities as a public entity and build public trust by establishing a robust and highly transparent decision-making process, and through more effective corporate governance and thorough compliance. We contribute to the realization of healthy internet services around the world by achieving a safe, secure, and fair transaction environment, and also by educating and sharing information throughout the industry.

Focus Areas

- Building an environment for safe, secure, and fair transactions
- Enhancing the effectiveness of corporate governance and ensuring compliance
- Earning the trust of stakeholders (society, investors, media, etc.)

Results for Material Topic 4



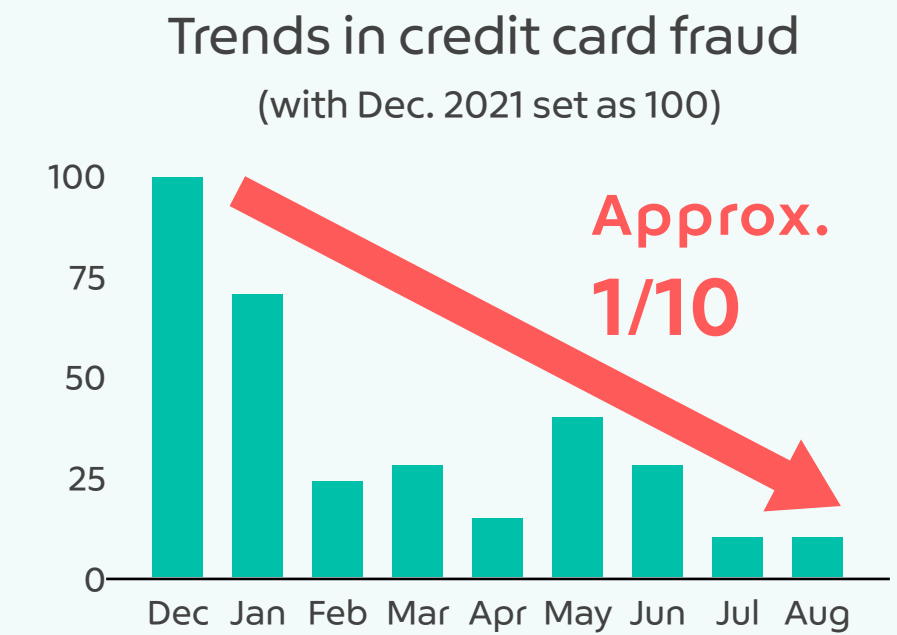
Summary of FY2023.6

Mercari carried out various initiatives to provide an environment for safe, secure, and fair transactions for our users. We significantly enhanced our governance structure by transitioning to a Company with Three Committees, which is a global standard. We strengthened our anti-fraud measures to reduce the monetary impact coming from fraudulent usage of our services. In addition, we joined the FIDO Alliance and enhanced collaboration with external stakeholders. We also worked to form more partnerships with local governments and primary distributors.



Plan for FY2024.6

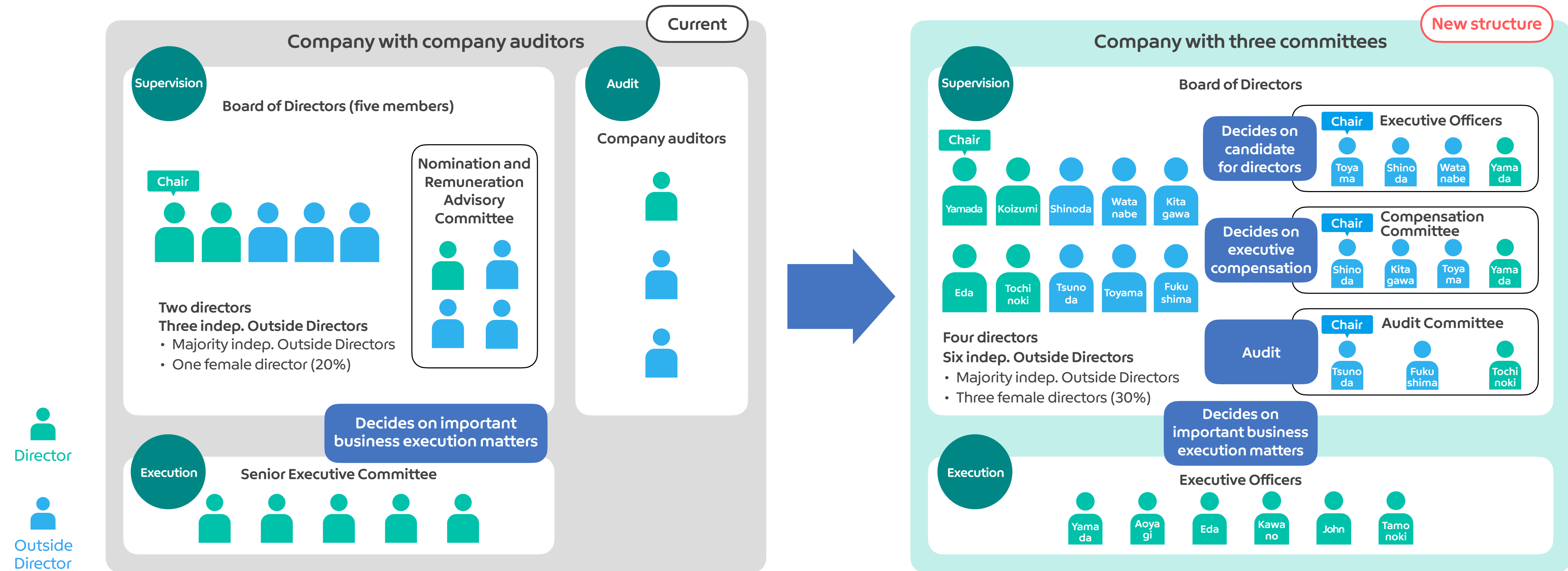
- Strengthen our internal audit structure in advance of the transition to a Company with Three Committees
- Strengthen our structures for data and privacy governance and cybersecurity
- Strengthen collaboration with local governments, primary distributors, universities, and non-profit organizations



1. YoY comparison between 2022 Q4 (as of June 2022) and 2023 Q4 (as of June 2023) figures. 2. Subject to approval at the General Meeting of Shareholders scheduled to be held in September 2023

Transitioning to a Company with Three Committees, a Global Standard¹

In order to further strengthen our corporate governance, we separated supervisory and executive functions of the company to clarify their roles, and built a structure that realizes the timely and resolute decision-making and business promotion of the executive function while strengthening the supervisory function of the Board of Directors. Furthermore, in order to achieve highly transparent and effective supervision, we established a Board of Directors comprising diverse directors together with a Nomination Committee, Compensation Committee, and Audit Committee for which the majority of members are independent Outside Directors. We also put systems in place to clarify the selection process for Board of Directors candidates, ensure objectivity in deciding the compensation of executives, and strengthen collaboration between the Audit Committee and internal audit division. (For more details, see P55)



1. Subject to approval at the General Meeting of Shareholders scheduled to be held in September 2023

Safe, Secure, and Fair Transactions

Establishing our Marketplace Principles and holding our advisory board meeting

- In 2021, we established our three Marketplace Principles: “Safe,” “Trustworthy,” and “Humane.”
- In March 2023, the Advisory Board on the Ideal Form of a Marketplace held their third meeting together with outside experts.

Providing product safety support in order to improve the safety of reused products

- In total, 11 companies (as of June 30, 2023) now provide product safety information on a pinpoint basis for Mercari users who own their products.

Participating companies (partial list)



Entering comprehensive partnership agreements to build a safe and secure environment for transactions (11 total)

- Signed new agreements with five companies including The Pokémon Company and Feiler Japan Co., Ltd.

株式会社 **ポケモン**

FEILER

- In the agreement we signed in June 2023, the Pokémon Company, which releases the trading card game known as “Pokémon Trading Card Game,” shares advance product and sales information with Mercari, which acts as a secondary distributor of Pokémon products, aiming for a close partnership on such things as notifications on special new products before and after the start of sales and measures against products that violate (intellectual property) rights.

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

- Distributed free educational materials on the safe use of marketplaces and cashless payments through “Mercari Education,” the company’s education portal website; total number of downloads: 1,876 (from July 2022 to June 2023)
- Awarded the Minister of State for Consumer Affairs Award for Excellence at the 16th Kids Design Award for creating a fun education program for learning about the circular economy and using the internet safely and securely
- Partnered with such organizations as educational institutions (from elementary schools to universities) and consumer affairs centers across Japan to conduct classes and training sessions in 26 locations to over 2,500 attendees over the course of one year

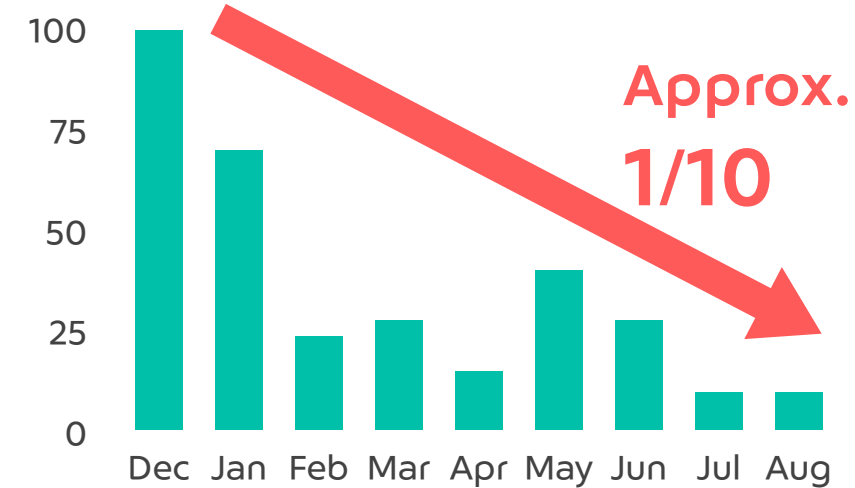


Security Initiatives

Decreasing the monetary impact of unauthorized usage by implementing EMV 3-D Secure devices

- From around the end of 2021, we saw an increase in the fraudulent usage of our company’s services. In addition to paying compensation to users and other affected parties for financial damages, and in order to prevent further fraudulent usage, we worked continuously on implementing fraud countermeasures and on warning our users.
- As a result of introducing such things as EMV-3D Secure and of implementing appropriate anti-fraud measures, the amount of fraudulent use fell to one-tenth of what it was compared to December 2021.

Trends in credit card fraud (with Dec. 2021 set as 100)



- In September 2022, in a partnership between the public and private sectors, such as the National Police Agency, we held an event on the status and measures against phishing and credit card fraud where we shared information and measures on these topics.



Strengthening Mercari’s security and privacy systems

Making the development lifecycle secure with shift left testing

We strengthened “shift left” initiatives, which are involved in security from the early stages of service development. In applying a multi-faceted approach to verifying the security of our app, we have implemented such things as design reviews and threat model creation, static and dynamic analysis automation, and penetration tests carried out by the Product Security Team.

Establishing the Threat Detection and Response Team

We have established an engineering team dedicated to developing automated and internal tools to strengthen our ability to detect cyber attacks and respond to incidents.

The Security Champion program

Security Champion is a role that we have established as part of a program that instills security best practices on development teams. The program issues periodic training contents, spreads security principles to engineering teams, and strives to make product engineering safe and secure.



Handling passkeys

Implemented passkeys, a password-free biometric authentication feature, in the Mercari marketplace, which improved safety as well as the user experience by enabling seamless authentication across multiple devices



Joining the JC3 (Japan Cybercrime Control Center) and the FIDO Alliance

- In July 2022, we became official joining members of JC3, a non-profit organization for countering threats in cyberspace.
- In November 2022, we became a sponsoring member of the FIDO Alliance, a non-profit organization promoting the standardization of online authentication technology meant to replace conventional passwords.

Material Topic 4: Building Long-Term Public Trust

Strengthen Partnerships With Local Regions, Government Ministries and Agencies, and Nonprofit Organizations to Create a Circular Economy

In celebration of World Environment Day on June 5, we jointly held a private and public partnership forum to promote the SDGs and circular economy.

- Together with the Ministry of the Environment, we jointly held an event with the United Nations and local governments that reached across existing borders to contemplate partnerships toward realizing a circular economy and sustainable development goals (SDGs).
- Eight new local governments joined Mercari Shops for a total of 21 local governments that have started to sell unnecessary items on the platform.



Forum held with a key message of reducing waste and creating a society where the earth's finite resources are used with care

Partnership agreements and business agreements with approximately 50 local governments (of those, we signed agreements with 24 local governments)

- Sold equipment and oversized garbage using Mercari Shops
- Started a proof of concept with Mercari Box, a tool for sorting unnecessary items at home. The usage rate of Mercari Box was 89%. About 74% of people used it to store unnecessary items, and about 55% reused items.
- Published an article promoting reuse on garbage collection calendars
- Provided education programs to schools, ranging from elementary schools to high school
- Carried out Mercari Workshops hosted by local governments



Recognized for “FY2022 Best Practice of SDGs for Regional Revitalization With Public-Private Partnerships” for promoting waste reduction and reuse through the online sale of oversized garbage by regional governments

Sale of prison-made products on Mercari Shops

The Japanese Correctional Association has started selling products made in prisons on Mercari Shops. A portion of the sales will go toward buying materials and paying for business expenses and will also contribute to funding the activities of the Crime Victims' Support Center.



Support through Mercari Donations

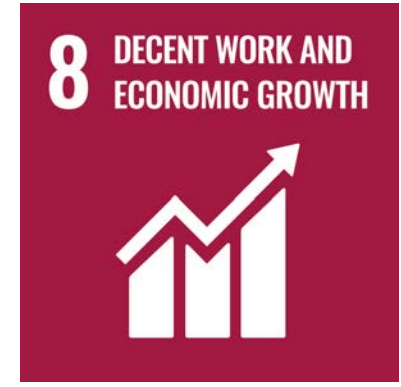
- Actual cumulative donation data of Mercari Donation: **55,000 donations**
- Total of **100** beneficiaries (sent to local government organizations, universities, etc.)
- Provided support for the humanitarian crisis in Ukraine
- Provided support for countries that have suffered disasters, such as Turkey, Syria, and Pakistan



Contributions to regional growth through Kashima Antlers

- Setting up a permanent recycling drop-off facility
- Conducting beach cleanups
- Choosing eco-friendly products that are good for the ocean
- Offering career support for middle schoolers in the community
- Signing a comprehensive partnership agreement with the Kashima Police Station





Material Topic 5

Unleashing the Potential in Diverse Talent Worldwide



We aim to be a company that can continue to grow sustainably by creating an environment in which people from diverse backgrounds all around the world can reach their full potential.

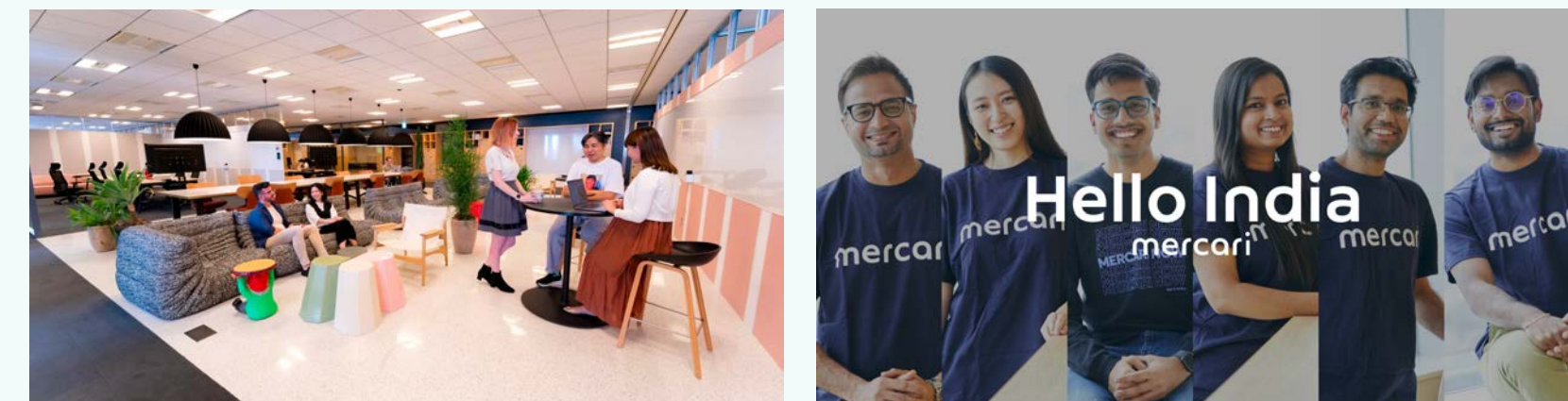
Focus Areas

- Recruit and train professionals from around the globe
- Embrace diversity & inclusion
- Build a culture that makes it possible for our members to take on bold challenges to achieve our mission



Summary of FY2023.6

To coincide with our tenth anniversary, we established a new Mercari Group mission to “circulate all forms of value to unleash the potential in all people.” We reaffirmed our commitment to promoting D&I, which is an essential to achieving our mission, and became the first company in Japan to obtain “EDGE Assess” level certification, a globally recognized standard that evaluates initiatives regarding gender equality in the workplace. We implemented corrective measures to address the gender pay gap. We opened up our new office, Mercari Base Tokyo, and established Mercari India to continue building our development capacity with more diverse talent and locations.



Plan for FY2024.6

- Strengthen new graduate hiring for a more diverse team of talent
- Establish the necessary working environment and compensation system to expand our India office
- Update our D&I policies and develop new initiatives for a more inclusive workplace
- Update our culture and communicate it across the organization to make it easier for members to demonstrate our values



At Mercari, we have a total of **2,101** members working toward a shared mission

Of those members, **26.4%** joined through employee referrals in FY2023.6

Mercari is home to talented professionals from approximately **50** countries worldwide

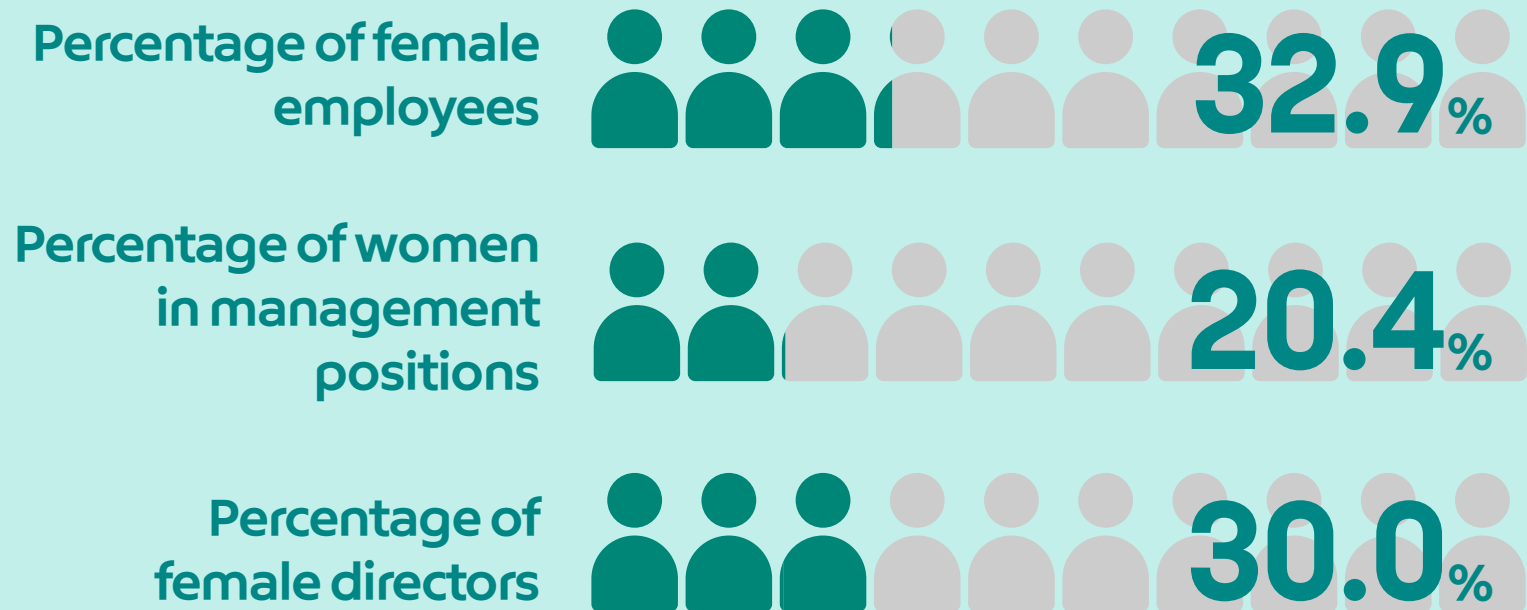


Percentage of employees of foreign nationality

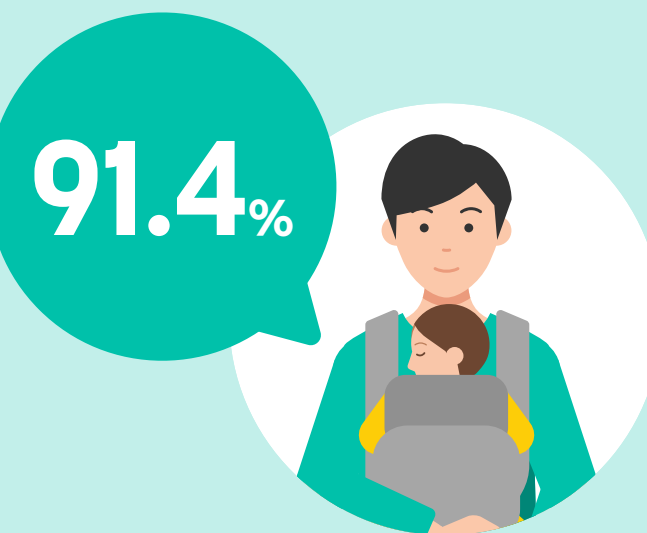
Overall **25.7%**
 Management positions **25.7%**
 Engineers **53.8%**

These numbers continue to grow, especially among our engineering organization

In order to increase the percentage of female employees, we have defined and are working on KPIs for our hiring, appointment, and promotion candidate pools



Percentage of male employees who take childcare leave

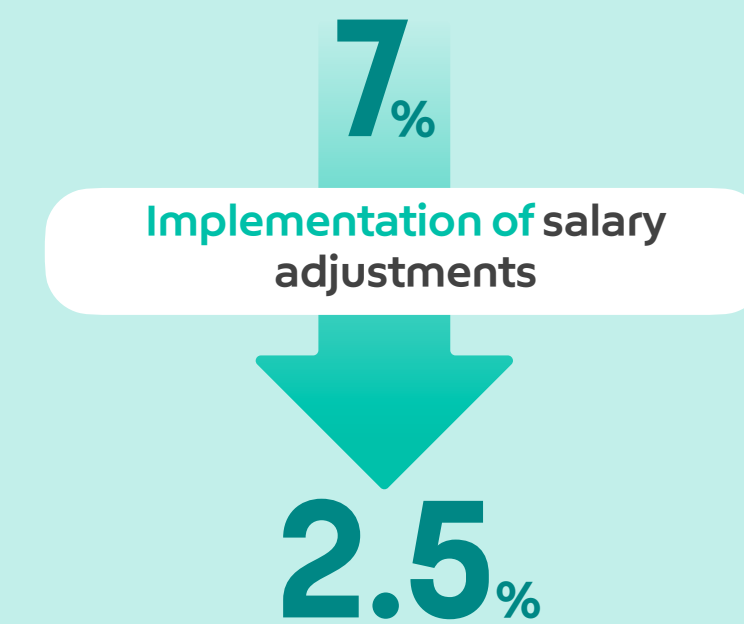


Average number of days of childcare leave taken by male employees



Taking action to close the gender pay gap

Unexplained pay gap



We implemented individual salary adjustments to reduce the “unexplained pay gap,” which is the gap not due to differences in things such as role, grade, or job type

For more details, see P43

Scope of disclosure: Full-time employees and contract employees of Mercari, Inc. For more details, see P52.

Embracing Diversity & Inclusion



Diversity & Inclusion at Mercari

The diversity of our members is a well source of creativity. Mercari provides equal opportunity for all members to be able to embody our three values to the fullest. We do not stand for discrimination or unfair treatment stemming from someone’s background and continue using relevant data in order to improve the environment we share. (For the status of our D&I Council, see [P54](#))

- Focusing on equal opportunity rather than equal outcomes
- Setting and monitoring process-focused goals instead of outcome-focused goals like employee ratios

Initiatives for a fair workplace

- Formulating a [Basic Human Rights Policy](#)
- Implementing a process to assess, correct, and communicate on the gender pay gap, and conducting salary adjustments (see [P43](#) for more details)
- Improving the transparency of the promotion and appointment process, and communicating it to all employees
- Implementing a mechanism to ensure equal opportunities to access career-critical assignments ("Bold Choice" system)

Initiatives for a diverse workplace

- Monitoring the KPIs defined for our hiring and appointment candidate pools ("Process KPIs")
- Identifying issues and creating a cross-organizational action plan
- Strengthening hiring initiatives
- Holding [Build@Mercari 2023](#), our training program for software engineers
- Continuing our partnership for education with [Kamiyama Marugoto College of Design, Technology, and Entrepreneurship](#) to promote diversity & inclusion
- Running the [Mercari Restart Program](#) to help people restart their careers

Initiatives for an inclusive workplace

- Providing [language learning programs](#)
- Having a [dedicated translation and interpretation team](#)
- Running [Yasashii Communication](#) trainings
- Holding [Unconscious Bias](#) workshops and expanding their target audience

The first Japanese company to attain a global gender equality certification at the EDGE Assess level

The Economic Dividends for Gender Equality (EDGE) Certification is a global assessment standard. Mercari received the EDGE Assess certification level, which recognizes organizations who are committed to an impactful action plan for the achievement of gender equality. In its audit, EDGE conducts an assessment including the following five perspectives: equal pay for equivalent work; recruitment and promotion; leadership development, training, and mentoring; flexible working arrangements; and organizational culture. We are the first Japanese company to attain this certification.



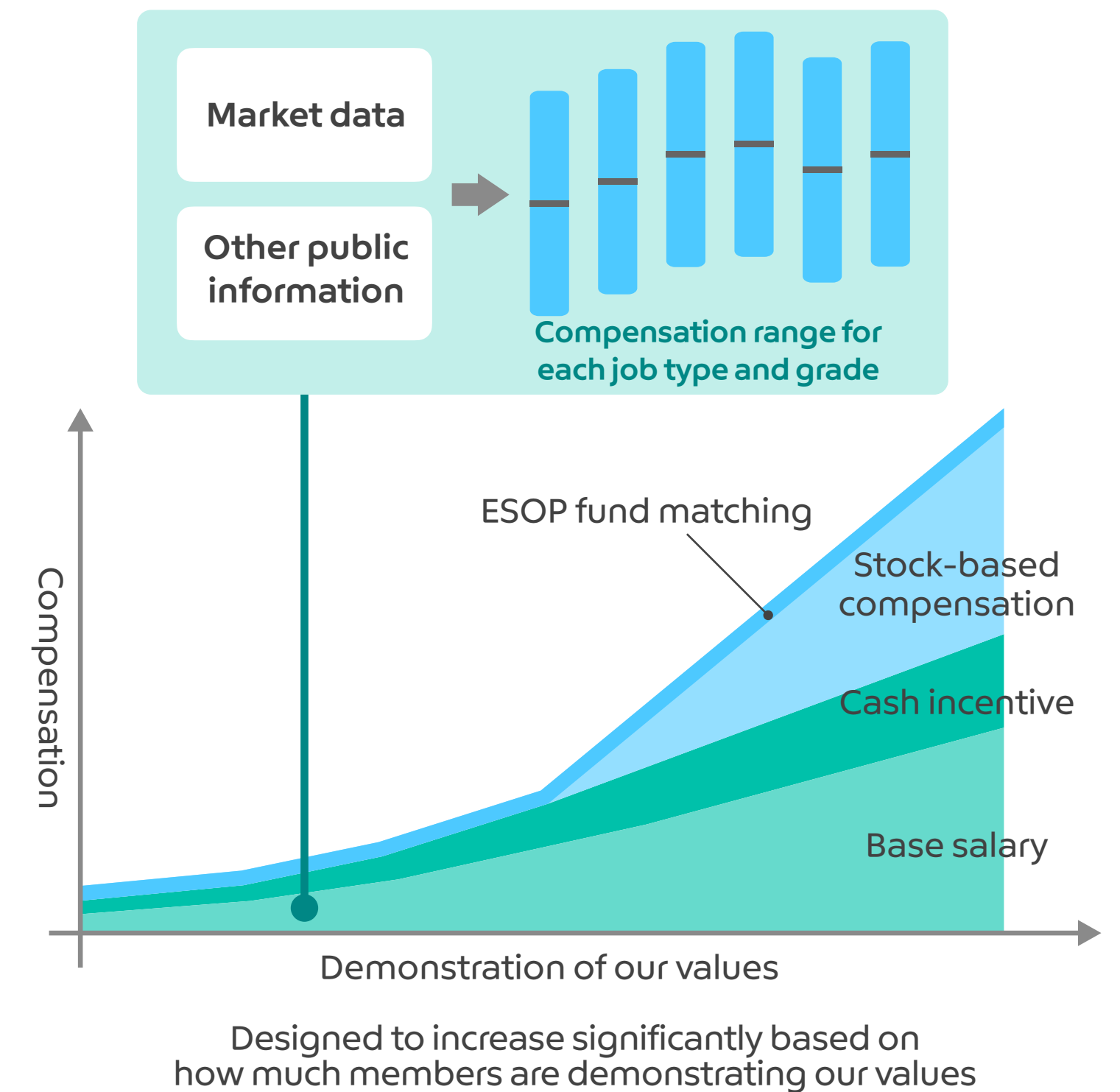
Our Mechanism for Providing Competitive Compensation

At Mercari, we actively provide opportunities for the bold selection and promotion of our employees according to the level to which they demonstrate our values. We also have mechanisms in place to provide competitive compensation regardless of our members' attributes. The values are an integral part of Mercari's culture—we clearly define what kind of actions we expect from our members in terms of demonstrating our values, and these actions serve as our concrete judgement criteria for investing in our people.

The compensation system at Mercari

<p>Base salary</p>	<p>Cash</p> <ul style="list-style-type: none"> We set a competitive compensation range for each job type and grade. Every six months, we review and fine tune our levels of compensation while referencing the latest market data and public information. Pay is increased based on the extent to which our members demonstrate our values, so that strong results are rewarded with strong compensation.
<p>Incentive</p>	<ul style="list-style-type: none"> A coefficient is stipulated for each grade. The coefficient is set high based on the level to which the company's values are to be demonstrated, and it is designed to reward powerful results with strong incentives. For employees who demonstrate our values at a high level, we reflect their efforts with a higher percentage of pay raise to their base salary and in their incentive coefficient, allowing top performers to receive especially high increases. <p>Stock-based compensation (SOs)</p> <ul style="list-style-type: none"> The higher your grade, the more stock-based compensation you will be eligible to receive. The amount of compensation awarded as stock options (SOs) varies based on the company's stock price, which means that the value of SOs is affected by the growth of the company and leverage linked to the stock price. This system has been designed to encourage members to commit to the mid- to long-term growth of the company. Employees who are not eligible for stock-based compensation are still eligible for up to 25% fund matching under the employee stock ownership plan (ESOP). Our ESOP also aims to encourage all members to commit to the mid- to long-term growth of the company.

A competitive compensation range is set for each job type and grade



Building a Work Environment for Diverse Members to Go Bold

Mercari has an HR policy that rewards members through their compensation during positive times. During difficult times, we provide additional support through a benefits system called “Merci Box.” In addition to these systems, we recently established the “Your Choice” system to provide an environment that allows members of all backgrounds to thrive, and redesigned our office—now called “Mercari Base Tokyo”—with the intention to foster communication between members.

Merci Box

Mercari’s Merci Box benefit system was introduced in 2016 to provide an environment where employees can Go Bold and give 100% at work by providing them with as much support as possible during difficult times¹. In providing this support, our goal is to mitigate people’s uneasiness about being able to continue working.

Financial support for fertility treatment

We know that fertility treatments can be expensive, which is why we provide monetary support (up to a certain amount) for the various treatments available, regardless of income or age. This support is available to all employees as well as their spouse or partner.

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. Moreover, all Mercari employees, as well as spouses or partners of Mercari employees, are eligible for this benefit. 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, for early childcare, and for non-certified daycare
- Lump-sum allowance to employees returning from childbirth/childcare leave, nursing care leave, or medical leave
- Special types of leave including child nursing leave or nursing care leave (excerpt)

Your Choice

The Your Choice system was introduced in 2021 to provide an environment that allows members of all backgrounds to thrive, maximizing individual and organizational performance.

1. Freely choose your own working space

- We do not limit the workspace to just the office; instead, we design our vision of the workplace as one that allows our members to flexibly select from various options.

2. Freely choose where you live

- Mercari employees can reside anywhere they want within Japan.
- All public transportation is eligible for commute support by the company, including airplanes, bullet trains, express trains, express buses, and ferries (employees are entitled to a commuting allowance of up to 150,000 yen per month).

3. Freely choose your own working hours

- Employees can enjoy full flexibility in their working hours—24 hours a day, 7 days a week, 365 days a year. (However, there are exceptions for certain positions and types of work.)

Mercari Base Tokyo

In September 2022, we completely renovated our office into what is now called “Mercari Base Tokyo.” Every corner of Mercari Base Tokyo has been designed with the intention of bringing the entire organization together and fostering communication and collaboration to achieve our Group mission, whether online, offline, or anywhere in between. The new office is filled with spaces for members to do work on their own or as a team, such as a project area that teams can reserve to work together offline, several lounge spaces with big tables and sofas for casual chats, a spacious shoes-free zone to sit back and relax, and individual booths for focus work.



¹ Difficult times: Negative circumstances that we all face at some point in our lives. Situations in which, regardless of individual efforts, the psychological or economic load that a person must overcome is substantial while any potential solutions are limited, eventually affecting the work performance of the individual.

Taking Action to Close the Gender Pay Gap

Our investigation revealed that the portion of the raw gender pay gap known as "unexplained" was 7%, so we conducted individual salary adjustments to reduce it. This is part of the mechanisms that we have in place to provide competitive compensation regardless of our members' attributes.

The gender pay gap

Aware of the fact that the gender pay gap only shows the average difference in pay between men and women within an organization, at Mercari we also calculate for "unexplained pay gap," which is the gap not due to differences in things such as role, grade, or job type, in order to ascertain the situation of the gender pay gap at our company more accurately.

Gender pay gap analysis results¹

The raw gender pay gap was calculated to be **37.5%**. Additionally, upon using regression analysis, we learned that the unexplained gap was roughly **7%**.

- The explainable portion of the gap was mainly caused by the difference in the distribution of grades among men and women.
- The results of analyzing the causes of the pay gap revealed that the factor that had the most impact on it was the differences in the salaries of men and women upon entering the company (at the time of joining the company, there existed an unexplained pay gap of roughly 9%).

Implemented measures and future initiatives

- Implemented periodic pay gap monitoring using regression analysis
- At all-hands meetings in July 2023, the leadership team communicated on the company's plan to proactively ensure gender pay equity
- In August 2023, reduced the unexplained pay gap found at Mercari **from 7.0% to 2.5%**
- Revised our hiring practices to break the chain of pay gaps being carried over from outside our organization at the time of hiring

Taking Action to Close the Gender Pay Gap

Unexplained pay gap

7%

Implementation of salary adjustments



2.5%

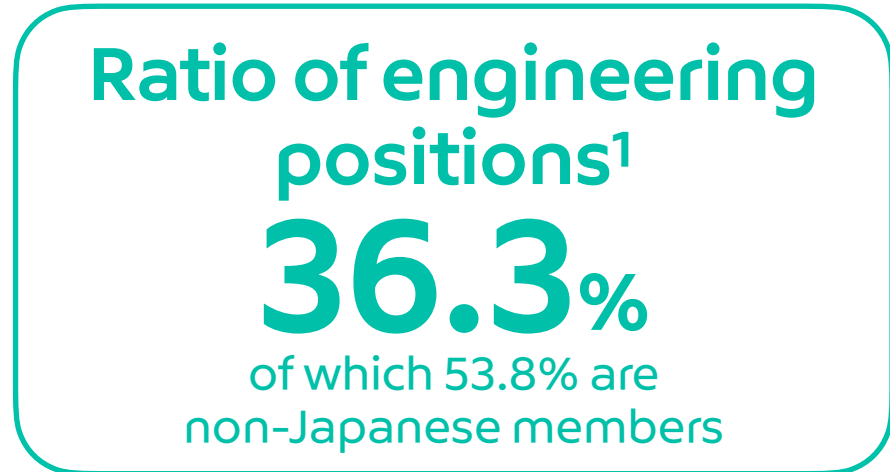
We implemented individual salary adjustments to reduce the "unexplained pay gap," which is the gap not due to differences in things such as role, grade, or job type

1. Target: Full-time employees of Mercari, Inc. (including employees seconded to Group companies)

Unleashing the Potential of Our Engineering Organization

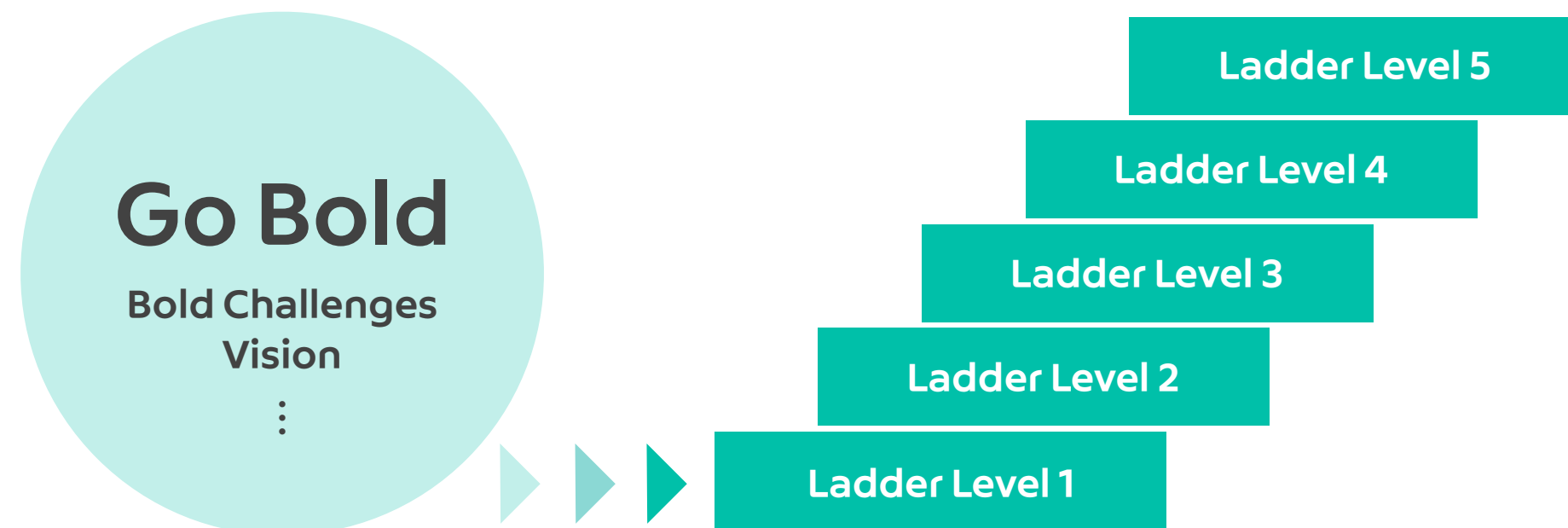
Everyone is a Software Engineer

At Mercari, we refer to all engineers who are involved in software development as software engineers. As a company, we believe all software engineers should be able to use the most appropriate technology available, so we don't limit people to particular roles or technology. This does not mean that we don't believe in specialization, but we think that someone's work should not be limited by their job title.



Engineering Ladder

The Engineering Ladder clarifies the behaviors expected during each stage of an engineer's path for growth. We have created this Engineering Ladder to understand and respect the unique skills, characteristics, and diversity of one another, while also creating a strong culture and aligning on the ideal direction of the organization. It is used in performance reviews, goal setting, and career planning.



Mercari India

In June 2022, we established a new overseas subsidiary named Software Technologies India Private Limited in Bengaluru, Republic of India. The tech talent at this Center of Excellence, namely software engineers, work on development for Mercari's Japan businesses. Members on our recruitment team are currently posted at our India office as well. There continues to be proactive communication and strong collaboration between our Tokyo and India offices.



Hack Fest

Held once every six months, Hack Fest is a technology-focused event for engineers. Members who attend have a chance to drop their regular work, allowing them to develop passion projects during the festival.



1. Percentage of employees in engineering positions among full-time employees at Mercari, Inc.



ESG information

mercari

Environment

530,000 tons
of greenhouse gas emissions avoided as a result of Mercari's business¹

Published TCFD disclosures

Greenhouse gas emissions (Scope 1/2/3)

43,000 tons

Making steady progress toward reduction targets

(2030 targets)

- Scope 1 + 2: 100% reduction
- Scope 3: 51.6% reduction of added value-related emissions²

1. Calculated using CO2eq as a measure. See P67 for details on how these numbers were calculated.
2. Our targets fall under category 1, "purchased goods and services"

Governance

Transitioned to a Company With Three Committees³

Percentage of Outside Directors³

60%

3. Subject to approval at the General Meeting of Shareholders scheduled to be held in September 2023

Social

Percentage of female directors³

30%

Became the first Japanese company to receive EDGE Assess certification⁴

Formulated a Basic Human Rights Policy

Implemented corrective measures to address the gender pay gap

Ranked first as the company with the best reputation for developer experience, as chosen by engineers⁵

Impact of fraudulent usage⁶

Reduced by **89.3%**

Number of partnerships with local governments

Around **50**

Number of donations made on Mercari Donation

Cumulative total of about **55,000**

Joined the FIDO Alliance⁷

4. A global certification that recognizes efforts to achieve gender equality in the workplace
5. From Japan CTO Association's Developer eXperience AWARD 2023 rankings
6. YoY comparison of FY2022.6 Q4 (as of June 30, 2022) and FY2023.6 Q4 (as of June 30, 2023)
7. A nonprofit organization that promotes the standardization of online authentication technology to replace passwords

Recognition by External Organizations

Selected as a constituent stock of four ESG investment indexes adopted by the Government Pension Investment Fund (GPIF), two of which were newly adopted in 2023. Additionally, in September of 2022, Mercari received an MSCI ESG Rating of “AA” and was also elected as a constituent stock of the MSCI ESG Leaders Indexes.

Indexes that the GPIF adopts that include our company in ESG investment indexes as a target Japanese stock

2023 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

Developed by MSCI, this index selects stocks from each industry that have a high ESG rating

2023 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

Also developed by MSCI, this index selects companies deemed exceptional based on the information they disclose regarding gender diversity



Developed jointly by Standard & Poor’s (S&P) and Japan Exchange Group (JPX), this index focuses on an organization’s status of environmental disclosure and level of carbon efficiency to determine the allocation rate of its constituent stocks



Japan ex-REIT Gender Diversity
Tilt Index

TOP CONSTITUENT 2023



Morningstar, Inc. provides an index on companies that focus on spreading a gender diversity policy as a matter of corporate culture as well as companies that promise to offer equal opportunities to their employees regardless of gender

Other ratings Mercari has received this year

MSCI
ESG RATINGS



CCC B BB BBB A AA AAA

Received an “AA” rating

MSCI ESG Ratings analyze the ESG initiatives of companies and grade them according to a seven-level grade scale from highest (AAA) to lowest (CCC) ranking

2023 MSCI ESG Leaders
Indexes Constituent

Developed by MSCI, this globally recognized index selects companies that have implemented exceptional ESG initiatives



Note: Mercari, Inc.’s inclusion of MSCI indexes and the use of the MSCI logo, trademark, and service logo in this document does not constitute any form of support, recommendation, or promotion of Mercari Inc. by MSCI or its affiliates. MSCI indexes are the exclusive property of MSCI. The names and logos of MSCI indexes are trademarks and service marks of MSCI and its subsidiaries.

Recognition by and Initiatives Shared With External Organizations

Recognition by external organizations

- Recognized for “FY2022 Best Practice of SDGs for Regional Revitalization With Public-Private Partnerships” for initiatives to promote waste reduction and reuse through the online sale of oversized garbage by regional government in Urabe City, Kamo City, and Nishinomiya City
- Awarded the "Minister of State for Consumer Affairs Award for Excellence" at the 16th Kids Design Award for creating a fun Mercari Education program for learning about the circular economy
- Recognized by GPIF’s asset managers entrusted with domestic equity investment for publication of FY2022.6 Sustainability Report as a most-improved integrated report
- The first Japanese company to attain a global gender equality certification at the EDGE Assess level
- Selected as the number-one company for the engineer-adjudicated “Developer eXperience AWARD 2023”



Links to initiatives with other external agencies

- Disclosure of greenhouse gas emissions avoided due to reuse of information and communication equipment based on the Ministry of the Environment’s Project to Demonstrate the Effectiveness of Decarbonization-Type 2R Businesses Using Digital Technology
- Participation in the Ministry of Economy, Trade and Industry GX League
- Participation in the Japan Reuse Affairs Association



Information Disclosure Based on the TCFD Recommendations

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 important management topics. 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 officers for each of our material topics. Having these officers offer an ESG perspective in business-related management decisions allows us to plan each of Mercari’s business strategies in alignment with our material topics, 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.



With Mercari Representative Director and 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 implications	Our plan of action
Risks	Physical risk Acute	Data centers, etc., going down due to increasingly volatile natural disasters 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 will not be able to sell and buy things online	Medium	<ul style="list-style-type: none"> Create a BCP to shorten the length of shutdown period Consider disaster recovery plans
	Transition risk Policy and Legal	Increase in item transport costs due to increased fuel prices following the introduction of carbon pricing 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	Low	<ul style="list-style-type: none"> Work to strengthen supplier engagement
	Transition risk Reputation	Damage to reputation among financial institutions/investors due to insufficient efforts to mitigate climate change 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	Medium	<ul style="list-style-type: none"> Ensure complete and sufficient information disclosure Reduce 100% of scope 1+2 emissions by 2030 Reduce emissions related to added value for scope 3 by 51.6% by 2030¹
Opportunities	Reputation	Competitive advantage from changes in consumer preferences due to increased environmental awareness We can increase the number of Mercari users in accordance with the spread of sustainable consumption and create new motives (contributing to the environment) for people to use Mercari	High	<ul style="list-style-type: none"> Increase the number of Mercari users in accordance with the spread of sustainable consumption

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

Information Disclosure Based on the TCFD Recommendations

(Continued from previous page)

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 3 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 sustainable consumption and create new motives (contributing to the environment) for people to use Mercari.

3. Risk management

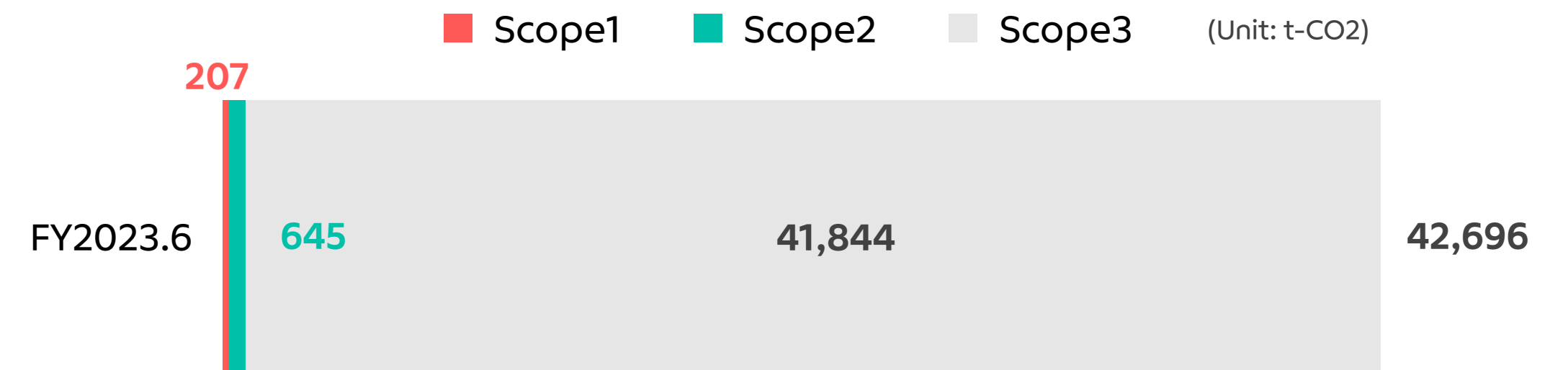
Mercari Group has conducted a scenario analysis to understand and assess the impact of climate change on our Group’s business and identify the different climate-related risks and opportunities. We are monitoring the identified risks and opportunities under our structure for promoting sustainability, 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 reduce 100% of scope 1+2^{1,2} emissions compared to our benchmark year (FY2021.6), and reduce emissions related to added value for scope 3^{3,4} by 51.6%.

Actual Amount of Emissions in FY2023 (July 2022–June 2023):

In FY2023, Mercari Group as a whole had about 43,000 tons of greenhouse gas emissions (see below). Compared to our benchmark year (FY2021.6), we were able to reduce scope 1+2 emissions by 70% and the intensity of scope 3 emissions by 32%. 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”

Amount of Greenhouse Gas Emissions

			FY2021.6	FY2022.6	FY2023.6
Scope1			100	192	207
Scope2			687	1,006	645
Subtotal (Scope 1+ Scope 2)			787	1,198	852
Scope3	Category 1	Purchased goods and services	37,578	39,508	35,609
	Category 2	Capital goods	1,362	2,818	1,782
	Category 3	Fuel and energy activity	125	161	127
	Category 4	Transport and shipping (upstream)	63	110	114
	Category 5	Waste generated from doing business	34	33	35
	Category 6	Business trips	272	564	1,143
	Category 7	Employee commuting	69	140	262
	Category 8	Lease assets (upstream)	1,428	1,585	1,576
	Category 9	Transport and shipping (downstream)	Not applicable	Not applicable	4
	Category 10	Processing of sold products	Not applicable	Not applicable	Not applicable
	Category 11	Usage of sold products	Not applicable	Not applicable	Not applicable
	Category 12	Disposal of sold products	84	45	1,190
	Category 13	Lease assets (downstream)	Not applicable	Not applicable	Not applicable
	Category 14	Franchises	Not applicable	Not applicable	Not applicable
	Category 15	Investment	Not applicable	Not applicable	2
Subtotal (Scope 3)			41,015	44,962	41,844
Total (Scope 1+ Scope 2 + Scope 3)			41,802	46,162	42,696

(Units: t-CO2)

Notes) 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: FY2021.6 (July 1, 2020–June 30, 2021), FY2022.6 (July 1, 2021–June 30, 2022), and FY2023.6 (July 1, 2022–June 30, 2023) 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 and FY2022 calculation results have been revised from the numbers published last year due to refining part of category 1 5. Calculations exclude categories in which we have no relevant activities, as well as areas that meet greenhouse gas 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 were calculated using an independent unit that meets the Ministry of the Environment’s guidelines

Human Capital Information

Employee information of Mercari, Inc. (FY2023.6)

Basic information	● Consolidated headcount ¹	2,101 people
	● Age ranges	20s: 22.2% / 30s: 57.1% / 40s: 18.3% / 50s: 2.2% (Average age: 35.6)
	● Average annual salary	10,357,750 yen
Diversity-related information	● Percentage of female employees	32.9%
	● Percentage of women in management positions	20.4%
	● Percentage of female directors ²	30.0%
	● Pay gap seen between full-time male and female employees ³	37.5%
	● Pay gap seen between male and female employees that cannot be explained ³	7%
	● Percentage of employees in engineering positions	Overall: 36.3% (Men: 89.4%, Women: 10.6%) (Foreign nationals: 53.8%)
	● Number of nationalities of people working at the Tokyo office	Approximately 50
	● Percentage of employees of foreign nationality	25.7%
	● Initiatives encouraging inclusion	Team dedicated to promoting D&I / Team dedicated to translation and interpretation / Unconscious Bias Workshop / Yasashii Communication Training
Information regarding childcare leave and paid holidays	● Usage rate of annual paid holidays ⁴	85.0%
	● Percentage of male employees who take childcare leave ⁴	91.4%
	● Average number of days of childcare leave taken by male employees ⁴	80.5 days
	● Percentage of employees who feel re-acclimated to the company 12 months after returning from childcare leave (by gender) ⁴	Overall: 83.3% (Men: 31 people, or 83.8%; Women: 14 people, or 82.4%)
Helping employees demonstrate results as professionals	● Skills development programs for employees	<ul style="list-style-type: none"> • Leadership training • Problem-solving training • OKR training • New manager training • Evaluation feedback training • 1-on-1 training • Project management training • Lunch & Learn • Mercari's Values • Career development training • Interviewer training • Coaching training • Dedicated language education team <ul style="list-style-type: none"> • English education programs • Japanese education programs

Scope of disclosure: Full-time employees and contract employees of Mercari, Inc.

1. Includes Mercari, Inc., Souzoh, Inc., Mervay, Inc., Mercoin, Inc., Kashima Antlers F.C. Co., Ltd., Mercari, Inc. (US), and Mercari Software Technologies India Private Limited 2. Subject to approval at the General Meeting of Shareholders scheduled to be held in September 2023 3. Target: Full-time employees of Mercari, Inc. (including employees seconded to Group companies) 4. Includes full-time employees, contract employees, part-time employees, and interns at Mercari, Inc.

Diversity & Inclusion Statement and Basic Human Rights Policy

Diversity & Inclusion Statement

At Mercari, we are taking on challenges in order to fulfill our mission of “Circulate all forms of value to unleash the potential in all people.”

There is more diversity in the world than any of us can imagine. The ideas of Diversity & Inclusion are essential for Mercari in order to achieve its mission because they are key in creating a society where everyone can be themselves and reach their fullest potential. We work towards promoting Diversity & Inclusion in true Mercari fashion, utilizing our unique combination of the experiences, knowledge, and views of our diverse members and our culture as a Japanese company.

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. We strive to provide equal chances without dividing people into groups, and to create an organization and environment where everyone can perform at their best.

In addition, we believe that it is important not to set quantitative goals when promoting Diversity & Inclusion. This is because making decisions based on numbers goes against our ideal of respecting the diversity inherent to all individuals. Meaningful efforts towards diversity are reflected not in the quantitative goals many companies and organizations tend to rely on, but in the thoughts and behavior of every person within.

That is why we are committed to the following:

- **Providing fair chances for members of all backgrounds**
- **Fostering a culture of learning to allow everyone to reach their full potential**
- **Creating an organization built on trust so that everyone working here feels like they truly belong**

Our first step is for Diversity & Inclusion to take root in the thoughts and actions of all members within Mercari.

Basic Human Rights Policy (excerpt)

Commitment to Human Rights

At Mercari Group, we are guided by the ideals described in our Diversity & Inclusion Statement, which serves as a moral compass for how we conduct business. Based on these ideals, Mercari Group commits to respecting the human rights of all people working at our organization, from executives to employees (including part-time and temporary employees), as well as subcontracted and outsourced partners. We will maintain a working environment without discrimination or inequality of opportunity based on factors such as (though not limited to) gender identity, gender expression, sexual orientation, religion or creed, neurological characteristics, physical ability, ethnicity, nationality, race, or age. This commitment is guided by the principles set forth in the International Bill of Human Rights and ILO Declaration on Fundamental Principles and Rights at Work. See our [website](#) for the full policy.

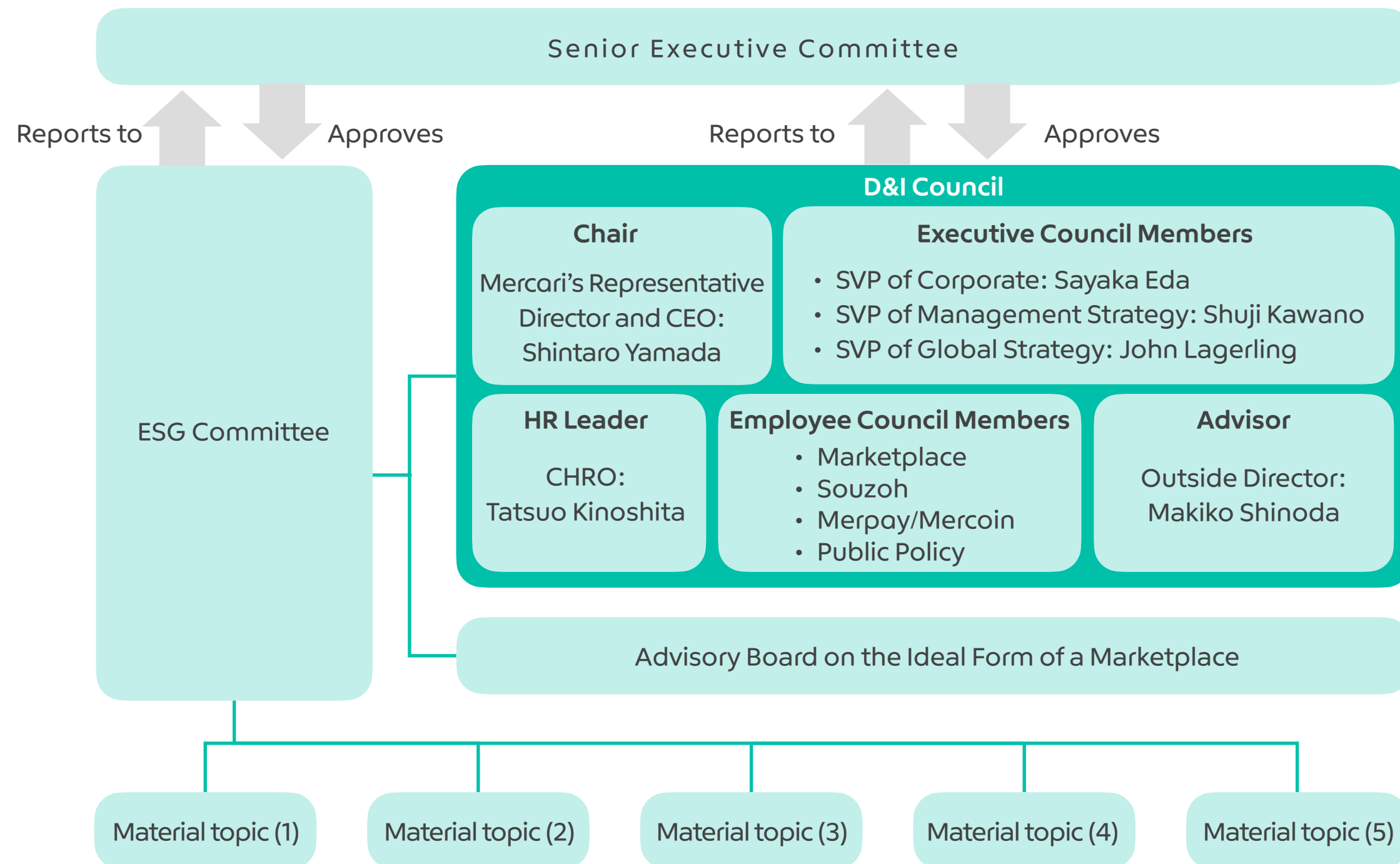


D&I Council Status

Since January 2021, we have operated the “D&I Council” internally in order to further promote diversity and inclusion. We established the council as a forum for discussing D&I topics across Mercari Group’s entire organization, focusing on the most important points relative to our management environment.

Main roles and functions

- Set mid-to-long-term goals regarding D&I
- Discuss the priority of D&I initiatives for the entire company based on our business, organizational, and talent-training needs
- Identify D&I-related issues of each team and promote D&I initiatives



We updated the D&I Council this fiscal year and held six sessions

Main updates

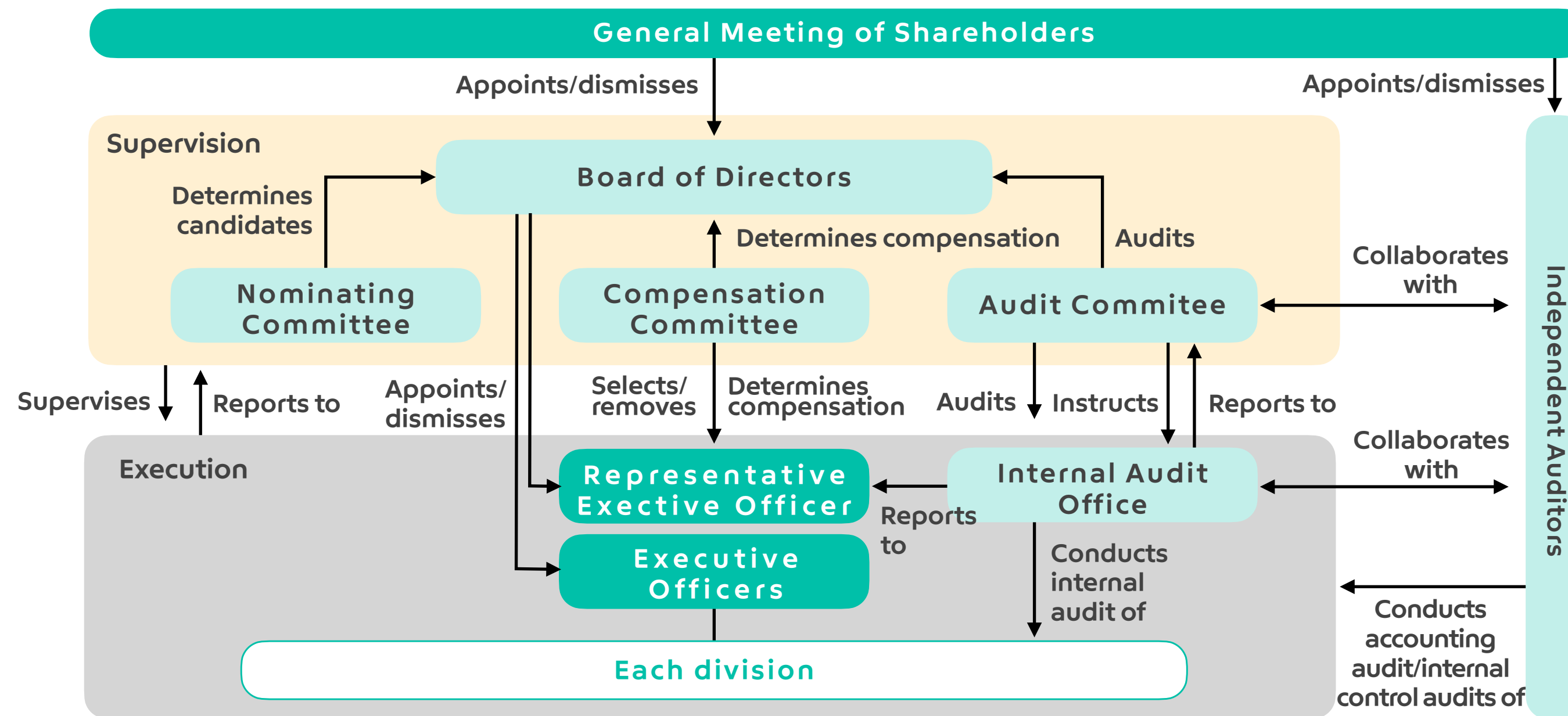
- Introduced a mechanism for the D&I Council to report discussion contents to the Senior Executive Committee once a quarter
- Expanded the scope of participation of council members in order to reflect external knowledge and the perspectives and opinions of diverse employees
 - External experts: 1
 - Employee council members: 4

Discussion content

- The position of Mercari’s D&I in light of our new mission
- The meaning of "all people" (as stated in our mission) and of "a diverse organization"
- Defining and verbalizing our policy and direction
- Our Basic Human Rights Policy

Corporate Governance Structure Chart

The company plans to transition to a Company with Three Committees subject to approval at the September 2023 General Meeting of Shareholders. Furthermore, in order to achieve highly transparent and effective supervision, we established a Nomination Committee, Compensation Committee, and Audit Committee for which the majority of members are independent Outside Directors. We also put systems in place to clarify the selection process for Board of Directors candidates, ensure objectivity in deciding the compensation of executives, and strengthen collaboration between the Audit Committee and internal audit division.



Board of Directors

The Board of Directors is comprised of ten people (six of whom are Outside Directors). The Board decides on matters stipulated by laws and ordinances, the company's Articles of Incorporation, and the Regulations for the Board of Directors such as important topics related to management including management policy. The Board also delegates the decision-making for other business execution to executive officers. Furthermore, the Board receives reports on the status of business execution from the executive officers and monitors business execution.

<p>Directors</p> <ul style="list-style-type: none"> • Shintaro Yamada • Fumiaki Koizumi • Sayaka Eda • Mayumi Tochinoki 	<p>Outside Directors</p> <ul style="list-style-type: none"> • Makiko Shinoda • Masayuki Watanabe • Takuya Kitagawa 	<ul style="list-style-type: none"> • Daiken Tsunoda • Kazuhiko Toyama • Fumiyuki Fukushima
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Audit Committee

Comprised of three directors, (including two Outside Directors) The Audit Committee audits the business operations of directors and executive officers and also creates audit reports.

Chair: Daiken Tsunoda, Mercari (Outside Director)
 Member: Fumiyuki Fukushima (Outside Director)
 Member: Mayumi Tochinoki (Director)

Nomination Committee

Comprised of four directors (including three Outside Directors), the Nomination Committee appoints and dismisses company officers and makes decisions on proposals for appointing directors.

Chair: Kazuhiko Toyama (Outside Director)
 Member: Makiko Shinoda (Outside Director)
 Member: Masayuki Watanabe (Outside Director)
 Member: Shintaro Yamada (Director)

Compensation Committee

Comprised of four directors (including three Outside Directors), the Compensation Committee carries out decision-making on such things as the compensation policy for directors and executive officers as well as the individual compensation information for directors and executive officers.

Chair: Makiko Shinoda, Mercari (Outside Director)
 Member: Takuya Kitagawa (Outside Director)
 Member: Kazuhiko Toyama (Outside Director)
 Member: Shintaro Yamada (Director)

Policies Involving the Selection of Candidates for Director

In promoting management that aims for the sustainable growth and improvement of the corporate value of Mercari Group, we select candidates for Director whom we believe to be suitable and who possess the right balance of knowledge, experience, and ability necessary to allow the Board of Directors to carry out highly effective supervision of the Group and to preserve the overall diversity of the Board of Directors. In addition to having the core skills for leading management in order to achieve our Group mission of “Circulate all forms of value to unleash the potential in all people,” persons selected as candidates for Director should also hold the expertise and experience to employ a multifaceted approach to discussions on focus areas that Mercari should work on in order to aim for the larger direction and mission involved in our management policy and strategy. All of the core skills that we demand of candidates for Director are as follows:

- **Leadership:** Experience demonstrating exceptional leadership in various situations such as articulating and disseminating a vision, transforming an organization, and growing a business within the contexts of corporations, legal and accounting firms, agencies, and other similar organizations
- **Shared belief in and desire to contribute to our mission:** Has a strong interest and shared belief in Mercari’s mission and desires to contribute to improving our corporate value through the achievement of our mission
- **Compatibility with the company’s culture and values:** Shares a belief in Mercari’s culture and possesses the values and behavior principles needed to embody the company’s three values
- **Integrity and high ethical standards:** Possesses solid ethical standards that allow them to execute their work duties, prioritizing integrity in any situation or scenario

With regard to the expertise and experience of its members, the Board of Directors secures diverse perspectives and specifies concrete items, while adapting to changes in the management environment, aiming to create a Board of Directors that can demonstrate a highly effective supervisory function. In order to strive for sustainable growth and improved corporate value by working suitably with stakeholders to resolve social issues, Directors must be skilled in company management, sustainability, talent development and fostering of an organization’s culture, corporate governance, and policy and public relations. From the perspective of encouraging the creation of new markets and services to achieve our mission, Mercari seeks to become a global business and to create new innovations and technologies. In addition, Directors are required to have experience in finance and accounting as well as risk management and

compliance from the perspective of promoting fair corporate activities that link to gaining the trust of society while supporting aggressive and healthy risk-taking. Concrete information on the expertise and experience that Mercari demands for each of these items is detailed below.

- **Corporate management:** Experience and knowledge obtained in positions of top management such as Director or upper management (e.g., CEO or CFO)
- **Global business:** Experience and knowledge of launching products and services globally, conducting global operations of a global business, and getting involved in global expansion through M&As, etc.
- **Innovation and technology:** Experience and knowledge regarding the creation and innovation of business models toward resolving social issues, as well as experience and knowledge of technological trends in the latest fields such as digital areas, AI, and Web 3.0
- **Sustainability:** Experience promoting mid- to long-term sustainability initiatives for such things as businesses, international agencies, and NGOs as well as substantial experience and knowledge relating to fields involving the company’s material topics (important issues that Mercari must take on in order to realize our long-term vision)
- **Finance and accounting:** Experience planning, executing, and supporting the capital policy, capital procurement, and financial restructuring of a company, and experience as a certified public accountant leading the auditing of financial statements and conducting internal audits
- **Talent development and fostering of an organization’s culture:** Experience playing leading roles in developing leadership and nurturing talent at the executive level, designing organizations, as well as building, establishing, and innovating corporate culture
- **Corporate governance:** Substantial knowledge regarding corporate governance, experience designing a management compensation policy, and experience leading succession planning for a position such as CEO
- **Risk management and compliance:** Substantial experience and knowledge related to enterprise risk management and crisis management, as well as substantial experience and knowledge working to ensure thorough and systematic compliance with laws, ordinances, and corporate ethics
- **Policy and public relations:** Experience working on rulemaking for compliance with policies, laws, and regulations targeting social and economic issues

Expertise and Experience Expected of Directors (Skill Matrix)

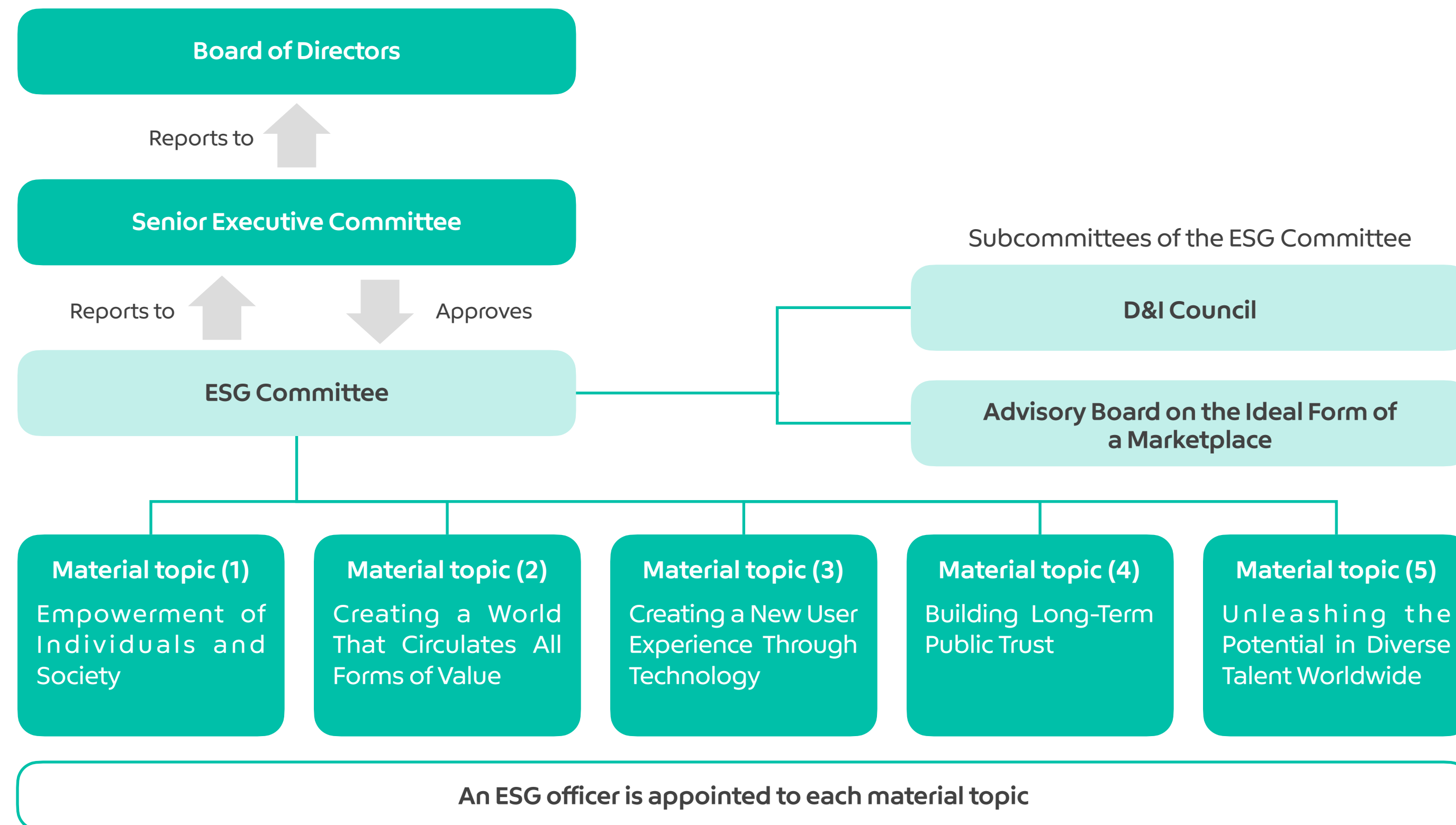
The expertise and experience that each Director is expected to demonstrate in light of their role is shown below.

Name	Expertise and experience								
	Corporate management	Global business	Innovation and technology	Sustainability	Finance and accounting	Talent development and fostering of an organization's culture	Corporate governance	Risk management and compliance	Policy and public relations
Shintaro Yamada (Reappointment, business execution)	●	●	●	●		●	●		
Fumiaki Koizumi (Reappointment)	●			●	●	●			●
Sayaka Eda (New appointment, business execution)	●				●		●		
Mayumi Tochinoki (New appointment)					●			●	
Makiko Shinoda (Reappointment, Independent Outside Director)	●			●	●	●	●		
Masayuki Watanabe (Reappointment, Independent Outside Director)	●	●							
Takuya Kitagawa (New appointment, Independent Outside Director)		●	●	●		●			
Daiken Tsunoda (New appointment, Independent Outside Director)							●	●	
Kazuhiko Toyama (New appointment, Independent Outside Director)	●		●				●	●	●
Fumiyuki Fukushima (New appointment, Independent Outside Director)					●			●	

The table above describes the particular expertise and experience that each Director is expected to demonstrate in light of their role; however, it is not an exhaustive list of all the knowledge and experience of each Director.

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 material topics. 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.



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 Representative Director and 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 about four times per year to formulate ESG-related implementation plans and monitor progress on each of the material topics.

Information Security, Risk Management, Taxation, and Privacy Policies

Information security policy

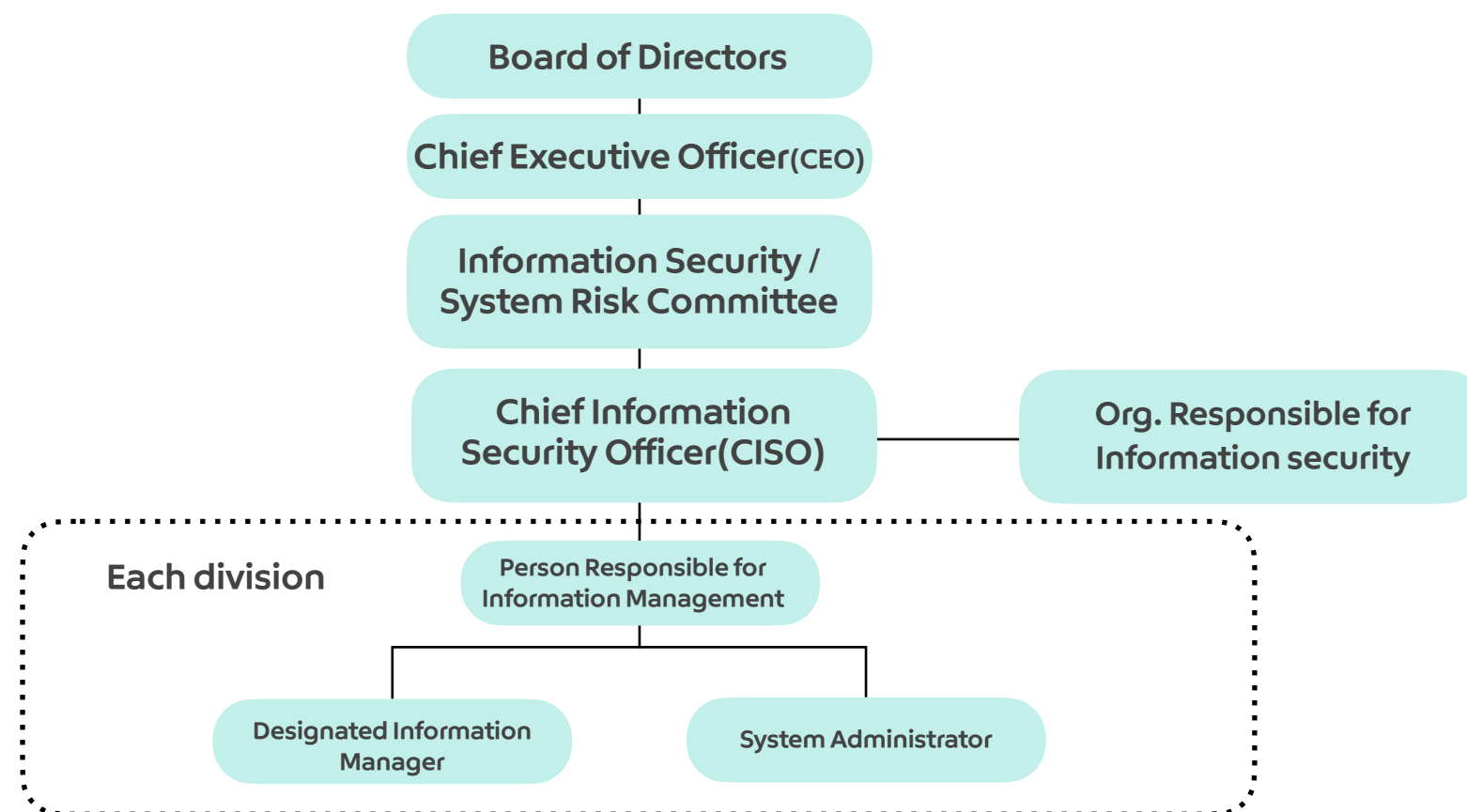
As part of our security initiatives, we are committed to following our Information Security Policy to ensure that users can feel at ease using our services. To that end, we operate information security management based on ISO/IEC 27001.

Building an information security management organization

In order to drive information security measures encompassing the entire company, Mercari Group has established an Information Security/System Risk Committee and has appointed a Chief Information Security Officer (CISO). We also assign a person responsible for information management in each company to ensure appropriate decision-making regarding relevant policies. Through this, we have built an organization that can carry out information security measures swiftly. For details, see our [official website](#).

Implementing information security training

Furthermore, we deliver orientation training when new employees join the company, once a year we implement information security training for all employees as well as secure coding training for engineers. In addition to giving explanations of Mercari's rules and best practices regarding information security, employees are encouraged to execute their work while maintaining a constant awareness of information security risks and to report potential security incidents promptly. The completion rate of our March 2023 training was approximately 90%.



Information Security Management Organization Chart

Risk management policy

Mercari maintains an internal control system and risk management structure based on the “Basic Policy for Establishing Internal Control Systems” defined by the Board of Directors. In order to ensure that business is executed with the appropriate controls and appropriate risk-taking, the Board of Directors establishes policies such as a Basic Policy for Establishing Internal Control Systems, a Basic Compliance Policy, and a Basic Risk Management Policy. In addition to appropriately establishing internal controls and a risk management structure, the Board of Directors also regularly or as necessary receives reports regarding important compliance and risk management matters and provides supervision to ensure that such controls and structures function effectively.

Tax policy

Basic approach to taxation

Mercari Group has developed its business under our mission, “circulate all forms of value to unleash the potential in all people.” As we continue to take on bold challenges, we recognize that taxation is one of our major social responsibilities and will strive to execute our taxation obligations appropriately. For details, see our [official website](#).

Basic policy on privacy

Mercari is aware of the great responsibility involved in acquiring and handling customer information and observes various rules, ordinances, and guidelines including the Act on the Protection of Personal Information. Mercari Group has a team dedicated to protecting user information and respecting user privacy. We have internal rules and systems in place to ensure that we handle user information with the utmost respect for privacy. We also make decisions involving user privacy very carefully, considering not just legality, but also social standards and whether we believe the decision is truly acceptable. We also carry out internal training and information/knowledge sharing to ensure appropriate handling of user information. We work continuously to make sure our user privacy protection systems are effective and suited to a constantly-changing society. For details, see our [official website](#).

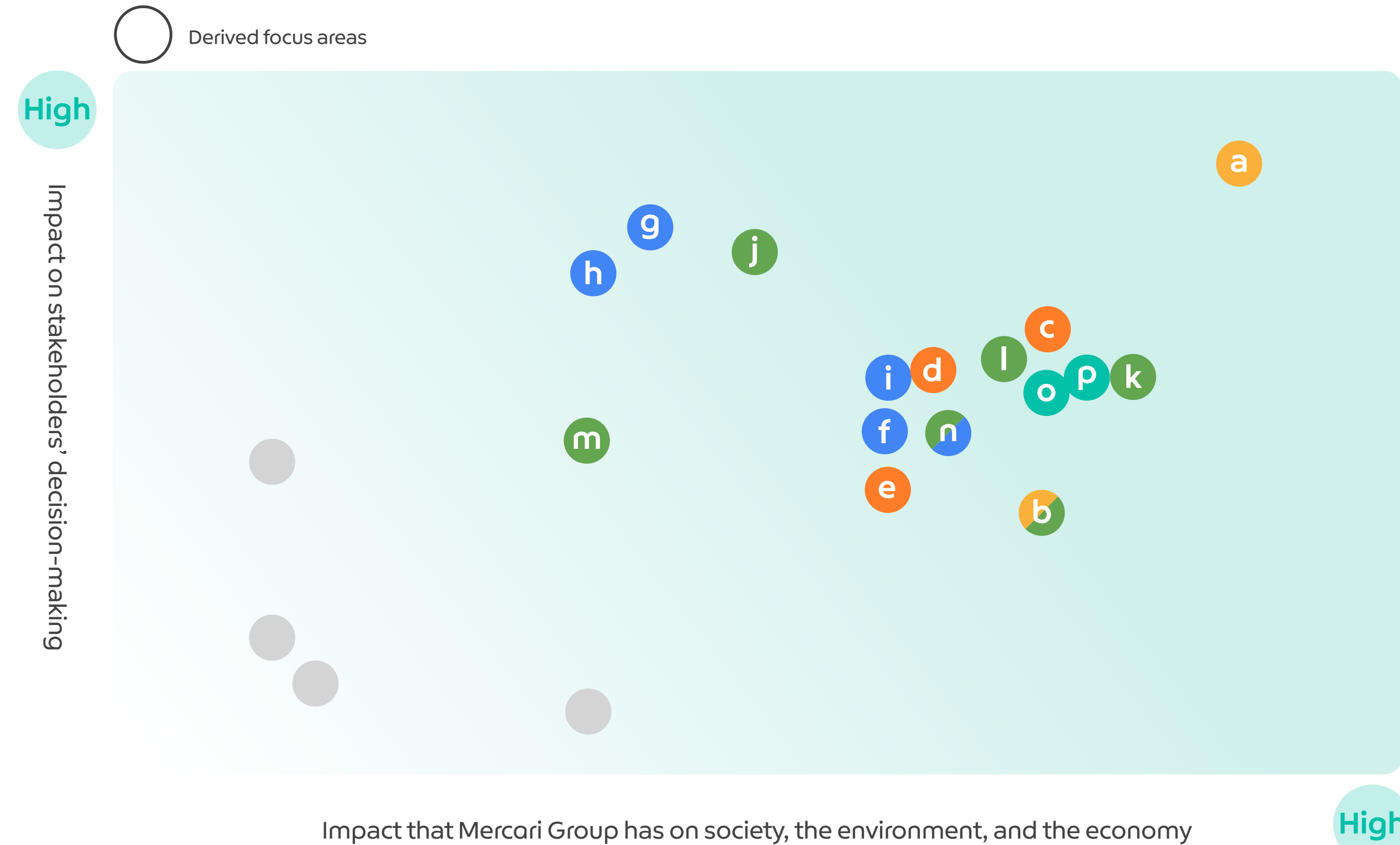
Creating compliance programs and carrying out monitoring

- 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)

Appendix

Our Approach to Materiality Assessment

We have identified our material topics (the most important issues that Mercari has to resolve through its business activities) by deriving the social and environmental issues in which our company is involved and evaluating our company and stakeholders, all while referring to various types of ESG documentation.



Following the release of our Group mission, we have identified focus areas to resolve with a more mid- to long-term perspective and updated our materiality.

New material topics and focus areas

Empowerment of Individuals and Society

- a** Creating a world where anyone can unleash their potential
- b** Earning the trust of our users and stakeholders

Creating a World That Circulates All Forms of Value

- c** Achieving sustainable business growth
- d** Mitigating climate change
- e** Forming a culture that will lead to the creation of a circular economy

Creating a New User Experience Through Technology

- f** Promoting circular finance
- g** Utilizing data/AI to deliver a seamless user experience
- h** Creating innovation through research and development on value exchange
- i** Creating a more accessible product

Building Long-Term Public Trust

- j** Building an environment for safe, secure, and fair transactions
- k** Earning the trust of stakeholders (society, investors, media, etc.)
- l** Ensuring effective corporate governance and compliance
- m** Achieving a transaction environment that takes ecosystem conservation into consideration
- n** Ensuring appropriate use of AI

Unleashing the Potential in Diverse Talent Worldwide

- o** Embodying diversity and inclusion
- p** Building a company culture and environment that allows us to take on bold challenges

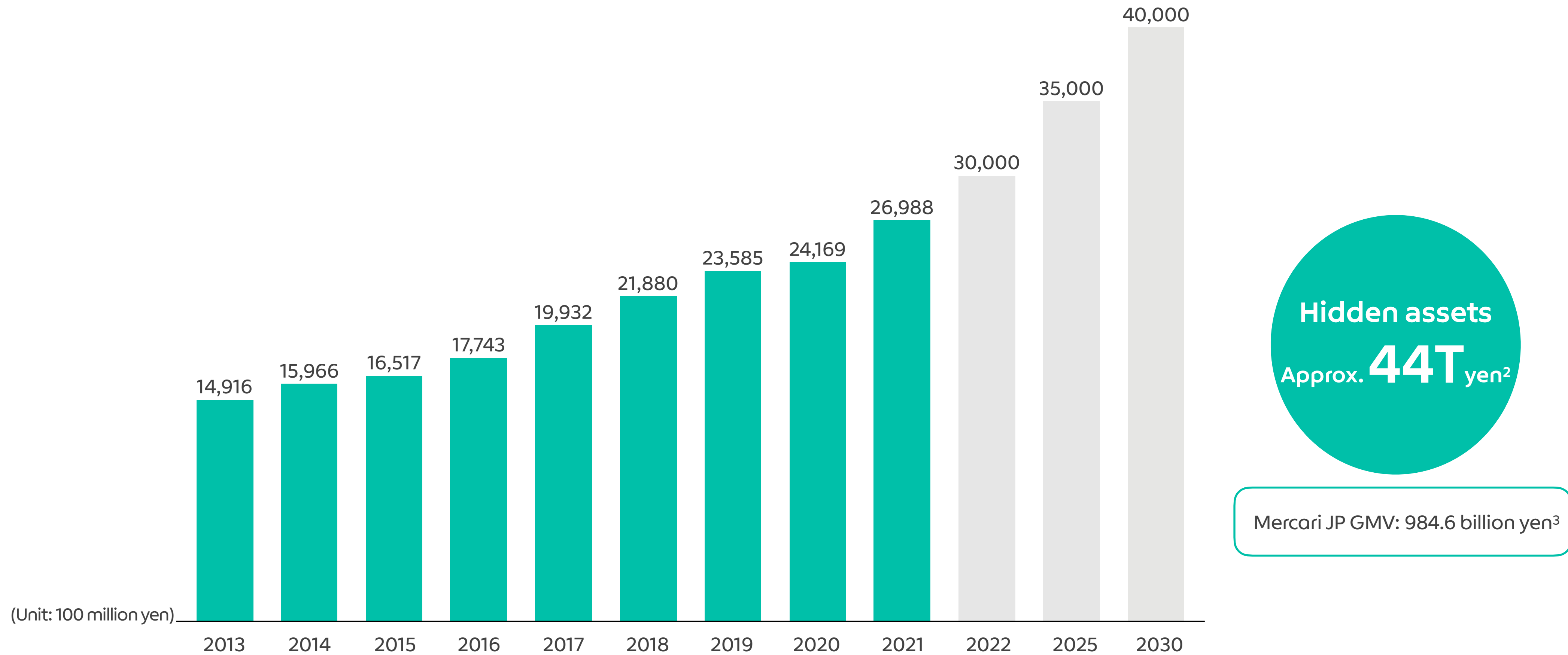
Our Focus Areas, Results, and Plans for Each Material Topic

We will carry out action plans for each of our material topics, which we revised in FY2023.6.

Material Topic	Focus Areas	Results of FY2023.6	Plans for FY2024.6
1 Empowerment of Individuals and Society	Create a world where anyone can unleash their potential		
2 Creating a World That Circulates All Forms of Value	<ul style="list-style-type: none"> Achieving sustainable business growth Forming a culture that will lead to the creation of a circular economy Mitigating climate change 	<ul style="list-style-type: none"> GMV: 1.1241 trillion yen Avoided greenhouse gas emissions: approx. 530,000 tons Environmental impact: approx. 43,000 tons Users who think that using Mercari is sustainable: 60% 	Work across the Group to maximize Marketplace GMV growth, expand the B2C reuse market, expand the cross-border market, and collaborate with external partners to strengthen our market share in the C2C market
3 Creating a New User Experience Through Technology	<ul style="list-style-type: none"> Using data/AI to achieve a seamless user experience Promoting circular finance Creating innovation through R&D on value exchange 	<ul style="list-style-type: none"> JP MAU: 22.6 million US MAU: 4.77 million Merpay users: 15.71 million Mercards issued: 1.25 million Number of bitcoin trading service users: 530,000 	Marketplace: Continue to make smart investments while focusing on GMV growth by investing in marketing, further evolving our product, and putting more emphasis on our areas of improvement Fintech: Create Mercari Group synergy by acquiring more Mercard users and enhancing our UX with such features as allowing users to make bitcoin payments on Mercari
4 Building Long-Term Public Trust	<ul style="list-style-type: none"> Realizing safe, secure, and fair transactions Enhancing the effectiveness of corporate governance and ensuring compliance Earning the trust of users and stakeholders (society, investors, media, etc.) 	<ul style="list-style-type: none"> Comprehensive partnership agreements signed with primary distributors: 11 Number of partnerships with local governments: around 50 Monetary impact of fraudulent usage: reduced by 89.3% Number of donations made on Mercari Donation: Cumulative total of 55,000 Decision to transition to a Company with Three Committees 	Strengthen our internal audit structure in advance of the transition to a Company with Three Committees Strengthen our structures for data and privacy governance and cybersecurity Strengthen collaboration with external partners (local governments, primary distributors, universities, NPOs)
5 Unleashing the Potential in Diverse Talent Worldwide	<ul style="list-style-type: none"> Recruiting and training professionals from around the globe Building a culture that makes it possible for our members to take on bold challenges to achieve our mission Embodying diversity & inclusion 	<ul style="list-style-type: none"> Consolidated headcount: 2,101 people · Average age: 35.6 Annual percentage of employees who join Mercari Group by referral: 26.4% (47.2% of whom are foreign nationals) Number of nationalities: approximately 50 Proportion of foreign nationals in the software engineering organization: 53.8% Implementation of gender wage gap correction 	Update and implement D&I policies to strengthen inclusion Strengthen new grad hiring to secure diverse talent Build a work environment and prepare a compensation system to expand the India Center of Excellence Update and ensure understanding of our culture, which encourages members to demonstrate Mercari's values

Growth Potential of the Reuse Market in Japan (Reuse Market Databook)

The reuse market has shown incredible growth—it was worth approximately 2.7 trillion yen¹ in 2021 based on the sales of consumer goods, and it is projected to grow to 4 trillion yen in 2030. The growth potential of the reuse market is expected to climb even higher in the coming years.



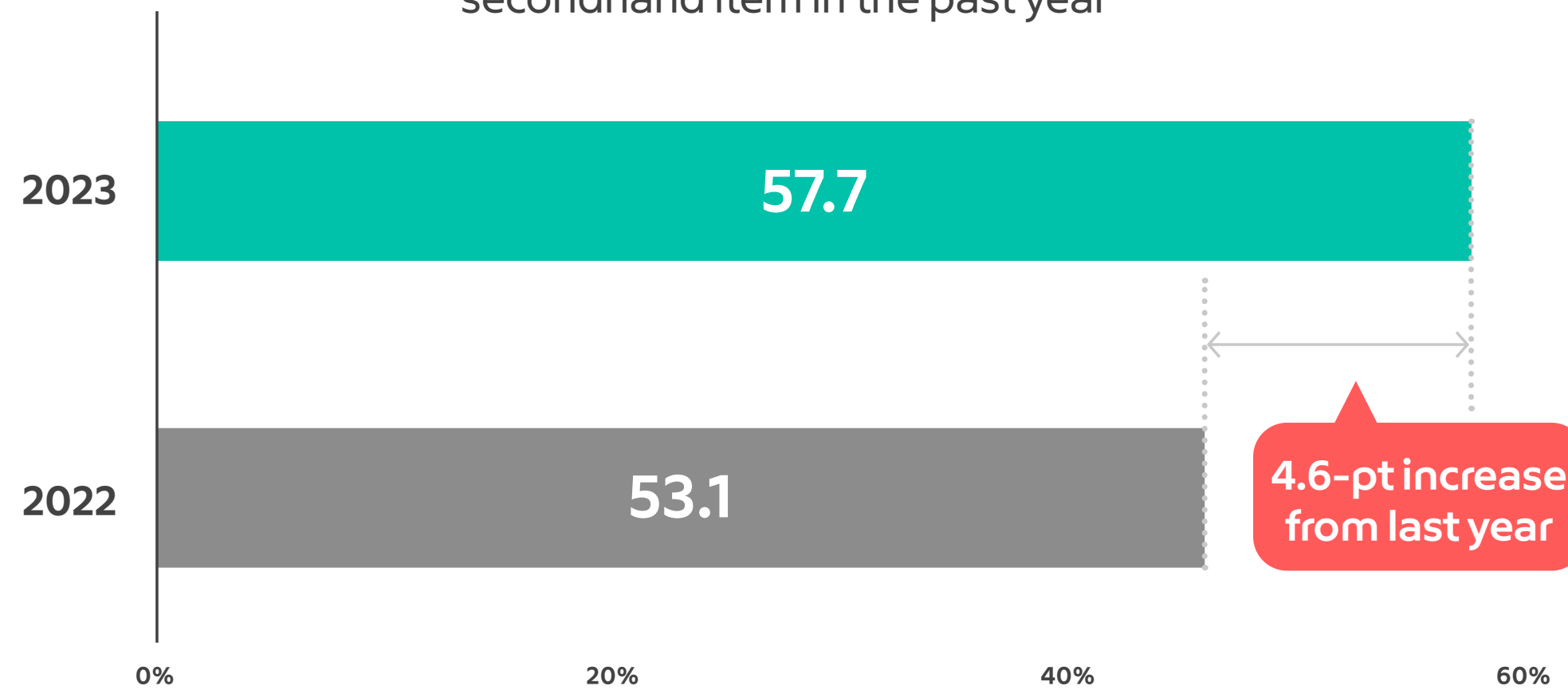
1. Based on figures in the Reuse Market Databook 2022 published by The Reuse Business Journal. This does not include figures related to exported goods or sales/purchases made between corporations. It also does not include sales in such categories as automobiles or homes.
 2. Based on joint research between Mercari and NLI Research Institute. 3. FY2023.6 (July 2022–June 2023)

Making Consumption More Sustainable By Using Mercari (Sustainability-Related Research)

This year, the number of people who have purchased secondhand items has increased by approximately 4.6 ppts to 57.7% compared to last year. Additionally, 60.7% of respondents said that they felt using Mercari is sustainable, demonstrating how Mercari is helping users be more conscious of their consumption and engage in sustainable behavior.

Changes in people's attitudes toward buying¹

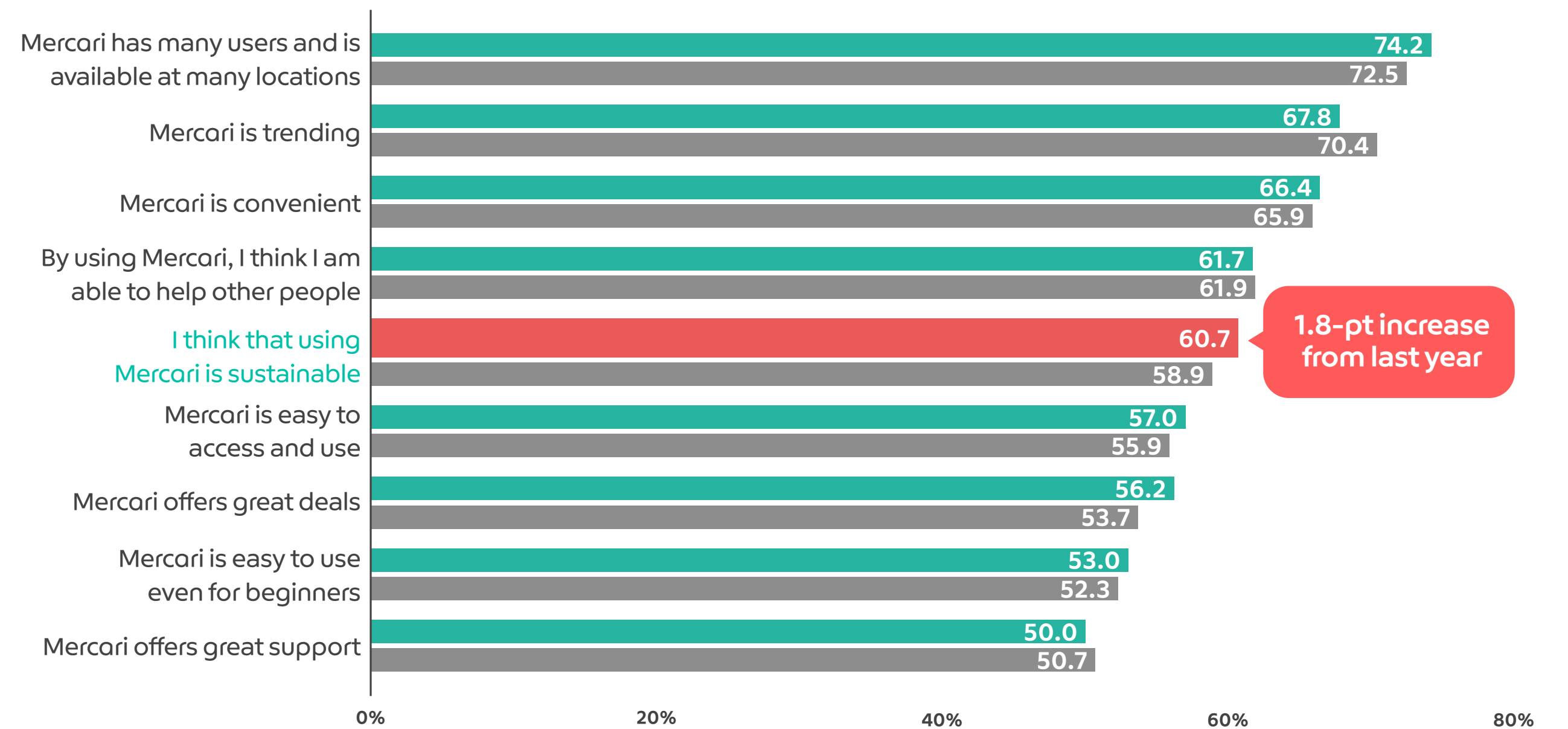
Percentage of people who have purchased a secondhand item in the past year



57.7% of respondents said that they have purchased secondhand goods in the past year, which is 4.6 ppts more than last year.

Changes in people's perception toward Mercari

■ 2023 (n=2,928)
■ 2022 (n=2,854)



When asked about their perception of Mercari, 60.7% of respondents said that they think that using Mercari is sustainable, which is 1.8 ppts more than last year.

1. Based on the results of a survey carried out through an external research company in May 2023 on 3,000 men and women across Japan between the ages of 15 and 69 (See Mercari [press release](#) for more details)

Widespread Surge of Reuse Culture Among Gen Z in Japan and the US (Survey on Consumption Habits and Asset Recognition by Generation)

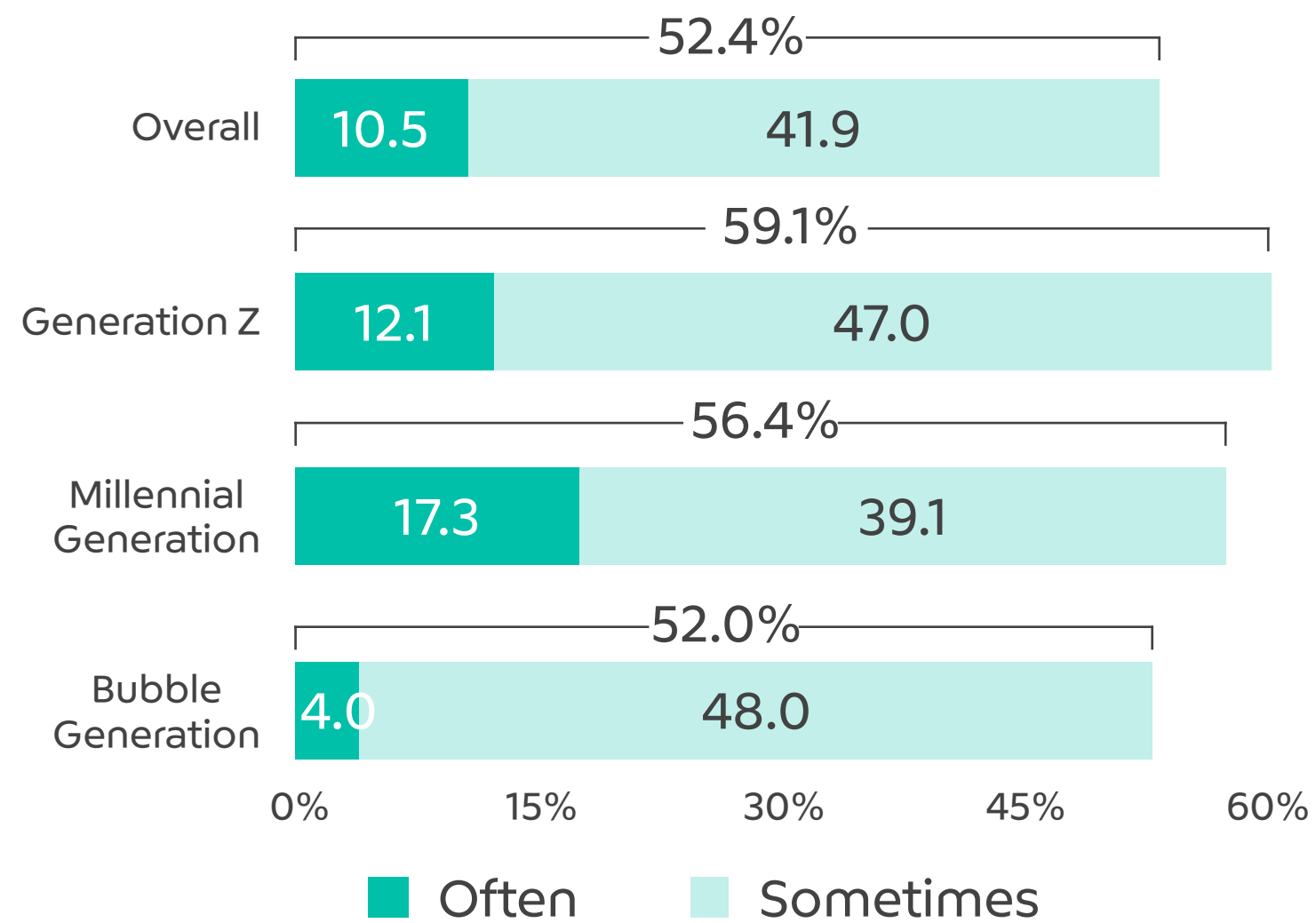
We have seen the emergence of new consumption habits among Generation Z (or Gen Z for short). For example, they are more likely to see their belongings as assets and buy with the intention to sell. Consumers in the US have also placed a great emphasis on sustainability, and communities of buying and selling secondhand are becoming more prominent among Gen Z.

Japan

Changes in attitudes toward buying¹

In a survey of 582 users that asked respondents whether they think about resale value when buying new items, Gen Z had the highest percentage of positive answers. Looking at the results by generation, 59.1% of Gen Z respondents and 56.4% of Millennial respondents said they think about resale value when shopping.

Percentage of people who think about resale value when buying new items



US

Changes in attitudes toward buying²

Reasons for buying secondhand items

Below overall percentage Above or equal to overall percentage

When looking at the reasons for buying secondhand items by generation, Gen Z had the highest response rate for “To reduce my environmental impact.”

	All consumers	Gen Z	Millennial	Gen X	Baby Boomer
To save money	71.9	61.4	60.6	77.6	85.2
To find vintage items	34.3	33.5	31.4	34.5	38.4
A way to find something unavailable elsewhere	28.3	23.0	27.7	29.5	31.7
A way to discover new items - like a treasure hunt	25.8	27.7	24.4	25.7	26.4
To reduce my environmental impact	21.1	26.4	22.6	19.5	18.9
A way to find popular or trending items	15.5	21.8	19.1	15.2	7.7

Changes in attitudes toward reuse²

Reasons for selling secondhand items

Gen Z and Millennials tend to be the most drawn to communities of secondhand shopping.

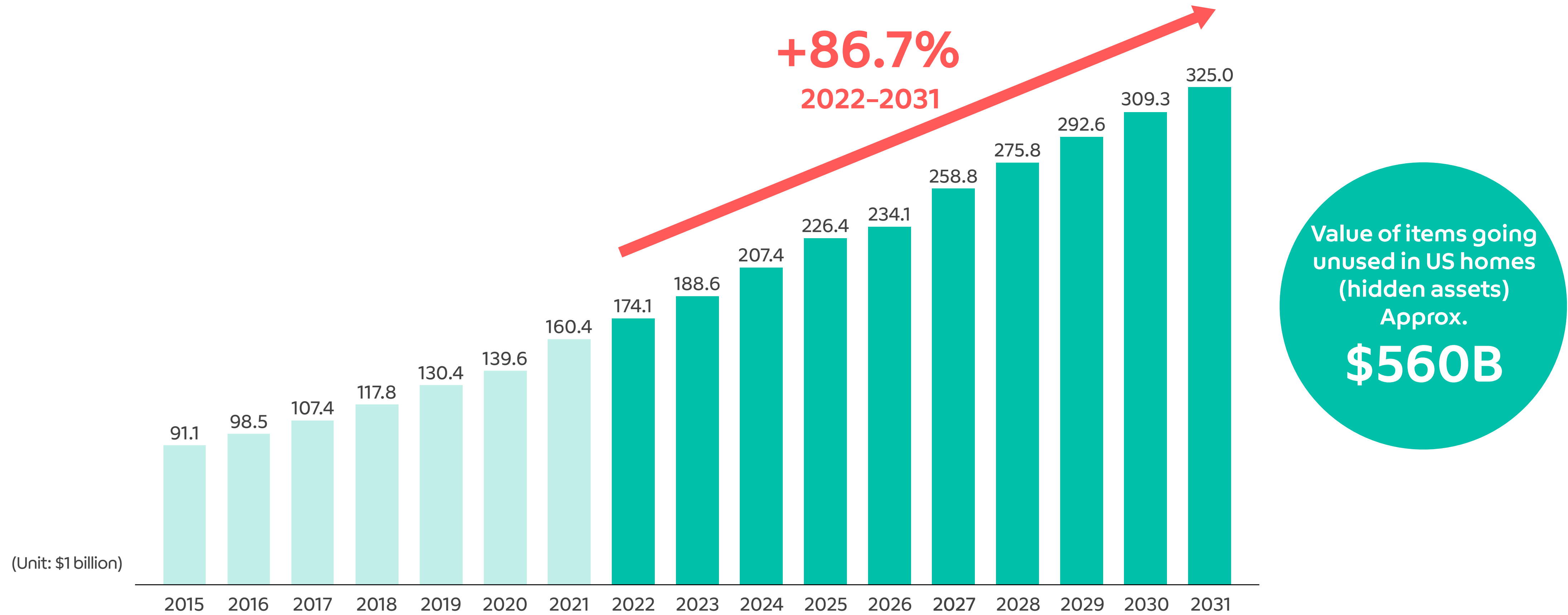
	All consumers	Gen Z	Millennial	Gen X	Baby Boomer
To make extra money	57.6	46.1	50.5	61.9	79.5
Cleaning & decluttering	49.3	38.9	44.4	50.4	69.5
Allows me to get rid of things quickly	32.0	31.1	25.4	33.5	44.2
I enjoy it	30.5	28.5	33.3	28.9	28.8
To reduce my environmental impact	19.7	21.7	22.8	18.7	12.7
I love the community	19.7	24.4	25.1	20.3	3.4
To buy something I couldn't otherwise afford	16.9	18.9	19.4	19.0	7.2

1. Based on Mercari’s survey on consumption habits and asset recognition by generation (see Mercari [press release](#) for more details)

2. Based on GlobalData’s market analysis and forecast as well as GlobalData’s research on consumption (see Mercari [press release](#) for more details)

Rapid Growth Expected to Continue in the US Resale Market (Mercari US 2023 Reuse Report)

The US reuse market was worth a total of \$174 billion in 2022¹, which is almost double the size the market was in 2015. It is projected to reach \$325 billion by 2031 with a 54% higher growth rate than the retail market at large.



1. Based on GlobalData's market analysis and forecast as well as GlobalData's research on consumption (see Mercari [press release](#) for more details)

Mercari and the University of Tokyo RIISE’s collaborative research division “Value Exchange Engineering” worked together to calculate the amount of greenhouse gas emissions avoided through Mercari transactions. Researchers calculated the reduction contributions under the assumption that the items bought and sold for each category were used instead of new products, thereby avoiding greenhouse gas emissions. Taking into account product lifecycle, such as item production, distribution, usage, and disposal, researchers estimated the contributions to avoiding greenhouse gas emissions by calculating the amount of greenhouse gas emissions generated in the shipping of items between Mercari users as well as based on the frequency of use of Mercari and the product use life (in years) calculated from the results of a Mercari user survey.

Greenhouse gas emissions avoided through Mercari transactions

The amount of greenhouse gas (GHG) emissions avoided by reusing items in place of buying new items = Amount of GHG emissions generated by using new items - Amount of GHG emissions generated by reusing items = (Number of new items equivalent to secondhand items x GHG emissions generated by new items) - (Number of secondhand items x GHG emissions generated by secondhand items)

The amount of greenhouse gas (GHG) emissions avoided by reusing electronics (extending their product use life) = Amount of GHG emissions generated by using only new items - Amount of GHG emissions generated by reusing items = (Number of devices when only using new items x GHG emissions generated by new items) - (Number of devices when using both new and secondhand items and extending the product use life x GHG emissions generated through using new and secondhand items)

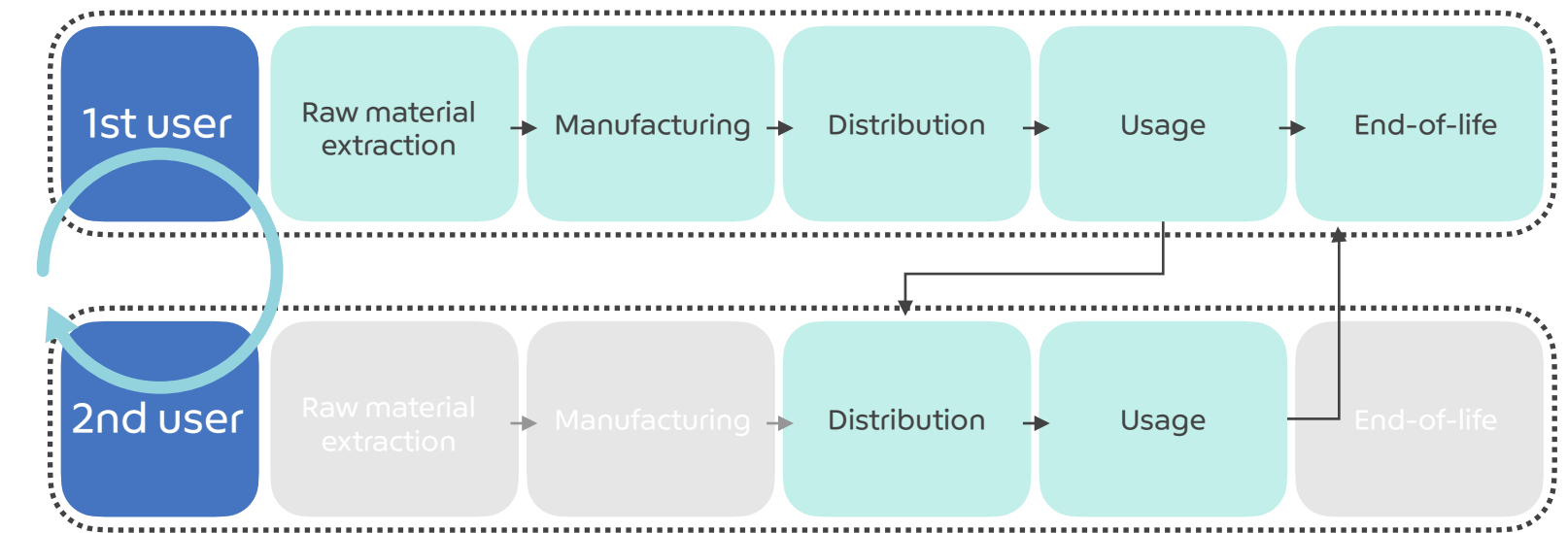
The calculation includes secondhand items purchased on the Japan and US Mercari marketplace apps for which transactions were completed from April 2022 to March 2023 in the following categories: Women’s Fashion, Men’s Fashion, Babies & Kids (the preceding three categories include the Sneakers category); Computers, Smartphones, and Tablets; Books, Comics & Graphic Novels, and Magazines; CDs, DVDs, and BDs.

Summary of Mercari user survey

<p>Apparel and Sneakers categories Period: January 30 to February 3, 2023 Target: Users who listed or purchased an item on the Mercari marketplace app in an apparel category Method: Mercari app survey Number of respondents: Listers: 18,137, Buyers: 13,696</p>	<p>Electronics category Period: January 19 to January 25, 2023 Target: Users who listed or purchased an item on the Mercari marketplace app in an electronics category Method: Mercari app survey Number of respondents: Listers: 16,174, Buyers: 10,699</p>	<p>Books and Music categories Period: June 26 to July 2, 2023 Target: Users who listed or purchased an item on the Mercari marketplace app in a books or music category Method: Mercari app survey Number of respondents: Listers: 4,264, Buyers: 2,812</p>
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The amount of GHG emissions generated from materials and energy used to calculate the amount of GHG emissions cited in this release were based on figures referenced mainly from the “IDEA v3.2” LCI database.

US numbers were calculated independently for Mercari US by referencing the calculations used as the basis for analyzing data for the Mercari app in Japan.



Weight of apparel waste avoided thanks to its listing on Mercari

Calculated based on the number of items listed in the Women’s, Men’s, and Kids’ categories for Mercari in Japan from April 2022 to March 2023. Figures for weight of apparel were referenced from Ministry of Economy, Trade and Industry data (Source: Ministry of Economy, Trade and Industry “[Survey on Measures to Revitalize the Textile and Clothing Industry](#)”)

Volume of CO2 equivalent to one covered baseball stadium: Approx. 2,436 t -CO2 (Volume of Tokyo Dome: 1.24M m3 = 1.24M kL, 1 mol = 22.4 L = 44 g -CO2, Source: [Tokyo Dome](#))

Version	Date	Revised Content
1.0	September 21, 2023	Released Ver 1.0
1.1	October 27, 2023	Page 24: Edited the graph for this year's reduction data. Page 51: Edited a number of values that were incorrect. Page 59: Edited the chart and explanation related to the Information Security Management System.
1.2	December 5, 2023	Page 55: Edited the explanation related to the Corporate Governance Structure Chart.



Disclaimer

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

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