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To whom it may concern:

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**Explanatory Materials Regarding Mercari's Investment Policy
for Enhancing Enterprise Value in the Mid-to-Long Term**

As announced in a separate disclosure today, as of today, Mercari, Inc. (the "Company") has received approval from Tokyo Stock Exchange, Inc. ("TSE") to change its listing from the Growth Market segment to the Prime Market segment, and will do so on June 7, 2022.

To maximize future profits, Mercari Group is currently making aggressive upfront investments to create further growth opportunities for the Group by promoting the development of new domains in Japan and overseas—such as Souzoh, Mercoin, Merlogi, Kashima Antlers, and global expansion—while also continuing to grow and strengthen its three pillars of Mercari Japan, Mercari US, and Merpay. Furthermore, through business activities that have a positive impact on the environment and the world, the Group aims to use the planet's limited resources carefully and build a world where anyone can create value.

As a result, while the Company expects sales to grow favorably, it anticipates an operating loss for this consolidated fiscal year due to upfront investments. The Group's investment policy and future outlook are outlined below.

1. Main Investment Targets

The majority of the Group's upfront investment costs are promotion costs to maintain and acquire users for both new and existing businesses, as well as labor costs involved in product development.

Promotion costs include various promotions and online advertisements carried out mainly to acquire new users (referral/listing promotions to acquire new users and listers for Mercari JP, point-back promotions to acquire new fixed-amount payment users and increase the amount of credit for Merpay, no-selling-fee promotions to acquire new shops for Mercari Shops, listing advertisements to acquire new listers for Mercari US, etc.), as well as media investments to strengthen brand awareness. The Group carries out initiatives both online and offline, while measuring cost-effectiveness.

Labor costs involved in product development are used to continuously enhance the hiring of engineers and promote the simplification of listing for Mercari JP and Mercari US, the development and improvement of credit services based on each user's Mercari usage history for Merpay, the improvement of features for Mercari Shops, and the development of new businesses and services such as Mercoin and Merlogi. By investing in talent in these areas, the Group continues to build a stronger foundation for the organization. While Mercari JP already has a strong revenue base due to being in a different phase of growth, the Group's

other businesses are expected to require upfront investments to strengthen that revenue base.

2. Investment Amounts (Consolidated Across Mercari Group)

The itemization of promotion costs and labor costs for each fiscal year from FY2020.6 to FY2022.6 is as follows:

(Millions of yen)	Fiscal year ended June 30, 2020 (Actual)	Fiscal year ended June 30, 2021 (Actual)	Fiscal year ending June 30, 2022 (Forecast)
Promotion costs	34,307	31,485	38,400
Promotion costs attributable to Mercari	11,205	15,582	20,400
Promotion costs attributable to entities other than Mercari	23,102	15,903	18,000
Labor costs	10,063	10,846	11,800
Labor costs attributable to Mercari	5,256	5,480	5,600
Labor costs attributable to entities other than Mercari	4,807	5,366	6,200

3. Aim of Investments to Enhance Enterprise Value, Investment Policy, and Future Investment Plans

The Group has established mid-term milestones leading the way to a circular economy combining primary and secondary distribution and achieving further global expansion, including Mercari US.

Mercari JP has a user base of more than 20 million MAU, but still has a high potential for growth, with the value of unneeded items in Japan estimated to be 7.6 trillion JPY per year¹ and the number of lister prospects estimated to be 36 million². Additionally, the Group believes that it can grow further by utilizing Mercari JP's strong user base to promote unique new businesses such as Merpay's payment and credit businesses and Souzoh's Mercari Shops business, as well as by maximizing the synergy between the Group's businesses. The Mercari US business also has high potential for growth; while it has surpassed 5 million MAU, the US population is expected to continue growing, and the online reuse market is predicted to grow from 56 billion USD in 2020 to 196 billion USD in 2030³.

Even outside of Japan and the US, the reuse market is expected to expand, driven by growing interest in environmental issues arising due to global warming. The Group believes that it can introduce further growth by expanding into global markets outside of Japan and the US.

Given these strengths, the market environment, and recent business trends, the Company will update its investment discipline, clarify its future priorities, and make carefully selected investments. Specifically, the Company will carry out investments with steadily accumulating results, such as new user acquisition and product improvements, to realize further mid- to long-term growth and enhance the Company's enterprise value and shareholder value.

Merpay's credit business requires a large working capital due to the nature of the business, but the Group plans to give consideration to financing by ensuring a stable working capital through liquidization of claims,

etc., while continuing upfront investments in these areas going forward.

4. Details of Performance Trends, Future Outlook, etc., for Mercari Group Based on These Investments

For consolidated results, while the Group recorded an operating loss of 19.3 billion JPY in FY2020.6, it recorded an operating profit of 5.1 billion JPY in FY2021.6. The Group achieved profitability in FY2021.6 due to temporarily curbing investments in response to the COVID-19 pandemic. However, in FY2022.6 the Group has been carrying out upfront investments in areas such as marketing to acquire new users and increase brand awareness, and talent acquisition to improve and develop its products, in order to maximize future profits. As a result, the Company anticipates a consolidated operating loss of 4.5 billion JPY. However, as explained in section 3 above, the Company has updated its investment discipline, clarified its priorities, and made carefully selected investments. The Company has carried out investments with steadily accumulating results to promote mid- to long-term growth as it works toward maximizing future profits.

(Notes)

1. Source: Ministry of Economy, Trade and Industry (April 2018). Estimated total value of items described as “items that became no longer needed over the past year.” Excludes aggregate value of automobiles, motorcycles, and motor scooters.
2. Source: Based on a survey conducted in April 2021 that polled 9,189 men and women aged 18 to 74. Lister prospects recognize Mercari and intend to list items, but have not listed anything yet; the survey does not take into consideration app DL or buying experience. (Survey contractor: Macromill)
3. Source: GlobalData market analysis and forecasts. Data for 2021 and beyond is projection data. Includes all consumer spending relating to resale and secondhand items. Includes automobile parts, but not automobiles.