



FY2021.6

SUSTAINABILITY REPORT

mercari

Ver1.1



For a society where finite resources are used sparingly, and everyone can create new value.

When Shintaro Yamada, during his trip around the world, saw the children of developing countries unable to enjoy the prosperity of more developed countries, he felt how difficult it was for everyone to prosper in a world where resources are limited. This was the origin of the Mercari service.

The potential hidden in the value that people can create is infinite. But the resources necessary to realize that potential are finite.

If we could use the resources currently available in a more effective way and give everyone the opportunity to create new value, would that not create a world where everyone can achieve their infinite potential?

To that end, Mercari Group is using technology to disrupt the conventions that govern value exchange and create value in a global marketplace where anyone can buy and sell.

Mercari's Major Topics (Materiality)

■ Updating Our Materiality

Mercari's "Material Topics" are those that we must take on in order to realize our long-term vision. Following internal and external changes, Mercari has updated its materiality from how it was defined in 2019.

Update Process

- 1 Top management held multiple discussions over the course of a year about Mercari's long term vision.
- 2 They compared and contrasted the ideal of the society we want to create in the future and the goals of SDGs, and also evaluated the risks and opportunities within Mercari's corporate value creation process.
- 3 After interviews with stakeholders and surveys were conducted, the weight of each material topic was evaluated in relation to stakeholder decision-making
- 4 After 2 and 3 were evaluated, our materiality was defined in a Global Exec Meeting.

Our Old Materiality (FY2019-FY2021)



Mercari's Major Topics (Materiality)

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■ Materiality re-assessed

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

1. Creating a Circular Economy/ Mitigating Climate Change

We work to contribute to resolving environmental issues by not only minimizing Mercari's impact on the environment, but also making consumer activities more sustainable through our business.

2. Diversity & Inclusion

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

3. Local Empowerment

By finding solutions to issues unique to local communities, aim to contribute to local economies and empower individuals and businesses.

4. Safe, Secure, and Fair Transactions

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

5. Corporate Governance/Compliance

Mercari aims to establish a sound and transparent internal management system to earn the trust of not only our users and business partners, but from society as a whole.

Mercari's Major Topics (Materiality)

For a society where finite resources are used sparingly, and everyone can create new value.

Mission: Create value in a global marketplace where anyone can buy & sell

Materiality

Creating social and environmental value through our business
(Maximize our positive impact/Minimize our negative impact)

**1. Creating a Circular Economy/
Mitigating Climate Change**

2. Diversity & Inclusion
(Providing opportunities for creating diverse value)

3. Local Empowerment

Creating economic value through our business

Consolidated net sales:

106.1B JPY¹



E

S

G

A management system to support business continuity

4. Safe, Secure, and Fair Transactions

5. Corporate Governance/Compliance

2. Diversity & Inclusion
(Providing opportunities for creating diverse value)

1. FY2021.6 (2020/7-2021/6)

Creating a Circular Economy/Mitigating Climate Change mercari



**For a society where finite resources are used sparingly,
and everyone can create new value.**

We believe that our environment forms the foundation for all human activity.

Electric power, naturally-occurring materials, and the planet's other resources are essential not only to providing food, shelter, and clothing so that people may lead their lives, but also for Mercari to continue its business.

However, data shows us that humanity is depleting natural resources 1.6 times faster than the ecosystem can regenerate them.¹ Moreover, the collection, production, and usage methods of natural resources are affecting greenhouse gas (GHG) emissions, leading to the acceleration of global warming and climate change.²

For these reasons, we aim to revise our practices to an extent that allows us to continue our business while minimizing our environmental impact as much as possible.

We also intend to change people's consumption habits to be more sustainable by expanding the Mercari marketplace, which allows disused items to be passed along to the next user, to the entire globe.

We aim to be a Planet-Positive business that can contribute to solving environmental issues and help to share the earth's limited resources among people and every living thing on the planet for generations to come.



1. Source: *Living Planet Report 2020*, WWF

2. Source: *Resource Efficiency and Climate Change: Material Efficiency Strategies for a Low-carbon Future* - "Fact Sheet"

Positive Impact

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“I can sell items that I don’t need anymore to someone else who might need them”
“I can purchase items that I want—not just brand-new, but handmade as well”

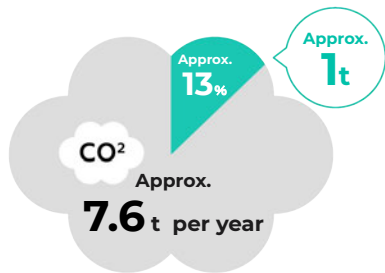
Mercari aims to help realize a circular economy where finite resources are used efficiently, by making buying and selling a simpler, more immediate experience.

For example, the carbon footprint of one t-shirt is approx. 20kg-CO₂¹, with the manufacturing process generating approx. 13kg-CO₂ of that total. If someone lists on Mercari a t-shirt they don't wear anymore, and it is purchased by someone else who needs it, that means reducing new CO₂ emissions to 7kg.



According to research conducted by IGES, the average lifestyle carbon footprint of one common Japanese household is 7.6t-CO₂ per person per year. Of this amount, the lifestyle carbon footprint per person per year that is left by consumer goods popular on Mercari, such as apparel and home appliances, is 1t-CO₂, which is approx. 13% of the total².

This example shows us that if we can shift each person's lifestyle towards a Planet Positive direction, we can create an impact that can help solve environmental issues.



1. According to an Australian research team, the carbon footprint of one t-shirt is 20.56kg-CO₂. Of that amount, 64% is from making it, and 36% is from transporting it, using it, and disposing of it. Shadia Moazzem et al., “Baseline Scenario of Carbon Footprint of Polyester T-Shirt”, Journal of Fiber Bioengineering and Informatics 11:1 (2018). (Because carbon footprint calculations differ depending on the material and prerequisites, this data is only taken as one reference point.)

2. (Reference) 1.5-Degree Lifestyles: Targets and options for reducing lifestyle carbon footprints, IGES

Negative Impact

Overall by scope

Mercari Group as a whole has a yearly GHG emission of **44,000t^{1,2,3}** and Scope 3 comprises 95% of that amount.

Detail by scope

Scope 1: 548 t

Vehicles owned by Kashima Antlers F.C., the boiler at Kashima Stadium, etc.

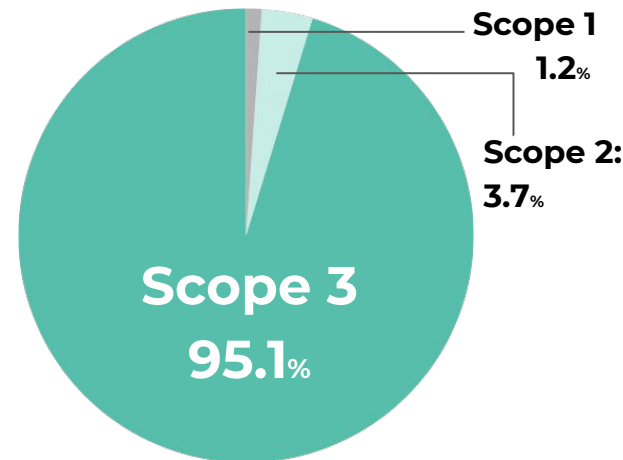
Scope 2: 1,659 t

Electricity usage at our offices in Japan, electricity usage at Kashima Stadium, etc.

Scope 3: 42,423 t

Advertising fees, Mercari's specialized packaging, data center usage, etc.

▼CO2 emission by scope



▼ Breakdown of emissions of Scope 3



(1) CO2 emissions concerning the power usage of data centers; (2) CO2 emissions concerning the manufacture, shipping, and disposal of Mercari's specialized packaging materials; (3) CO2 emissions generated when advertising Mercari; (4) Other emissions

Opportunities and risks in the mid-to-long term involving the environment

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■ Opportunities

- **Growth of Mercari users associated with spreading a Planet Positive way of consumption**

- **Creating new reasons to use Mercari (contributing to the environment)**
 - ↳ **Expanding the range of users and increasing usage frequency**

- **Improving corporate value capital provision costs by proactive initiatives for considering the environment**

■ Risks

Transition risks

- Limitations on the number of distribution transactions and lost sales associated with the strengthening of climate change-related restrictions
- Loss of brand value due to insufficiently responding to climate change
- Increase of shipping costs associated with the implementation of carbon taxes

Physical risks

- Power shortages due to the strengthening of restrictions associated with data center downtime and fuel (increase in supply chain logistics costs)
- Distribution shutdown and loss of items associated with the frequent occurrence of natural disasters

Goals

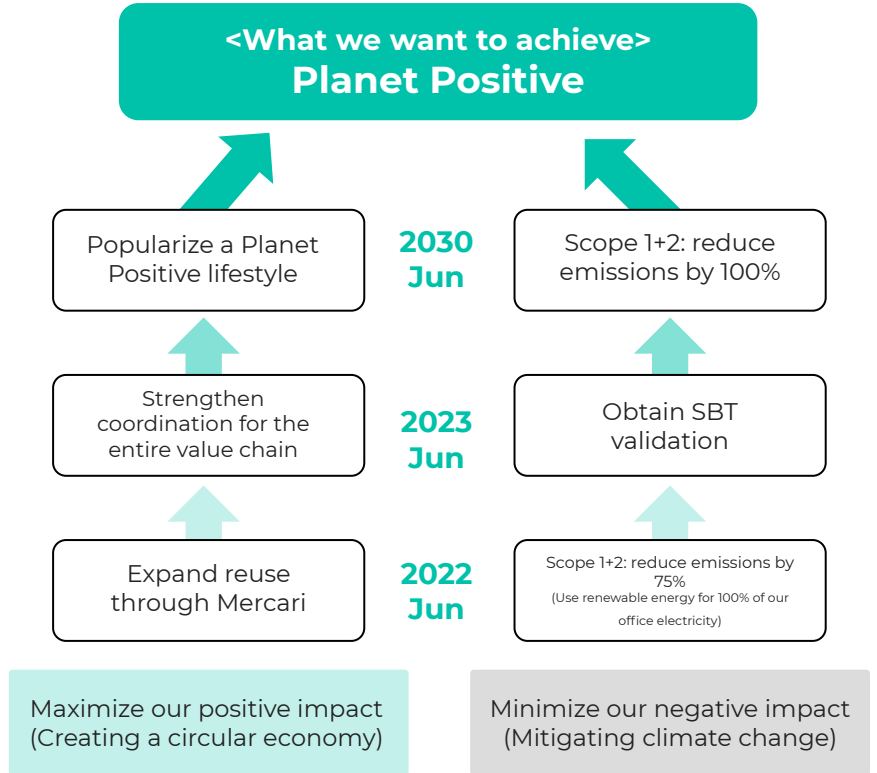
■ Maximize our positive impact

The following indicators have grown over the years *As measured by the annual ESG survey

- Ratio of people choosing methods other than throwing away to dispose of disused items
- Ratio of people buying second-hand instead of brand-new
- Ratio of people choosing to purchase items with longer lifetimes and less value reduction
- Ratio of people reusing packing materials when shipping an item

■ Minimize our negative impact

- Scope 1+2: 75% reduction by June 2022 (Shift to powering the office using 100% renewable energy) and 100% reduction by 2030
- Scope 3: Deepen stakeholder engagement, refine our investigations and targets of actions, and obtain SBT certification within two years



Actions / Maximize our positive impact

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Transform the way we buy and sell for a more sustainable, circular future.

Awareness

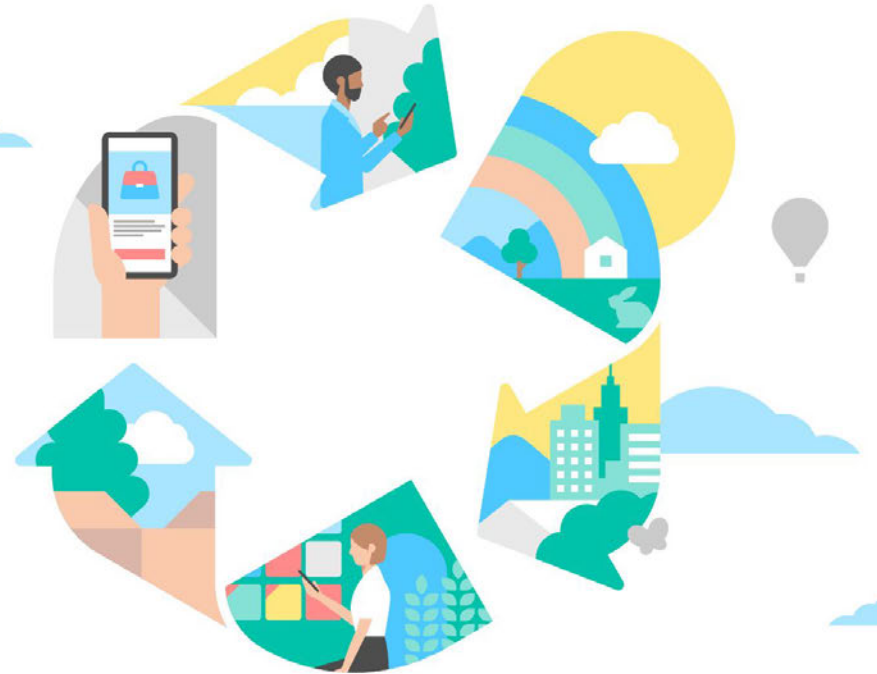
Make alternatives to throwing items away feel easier

Education

Provide an environment for learning sustainable behavior

Collaboration

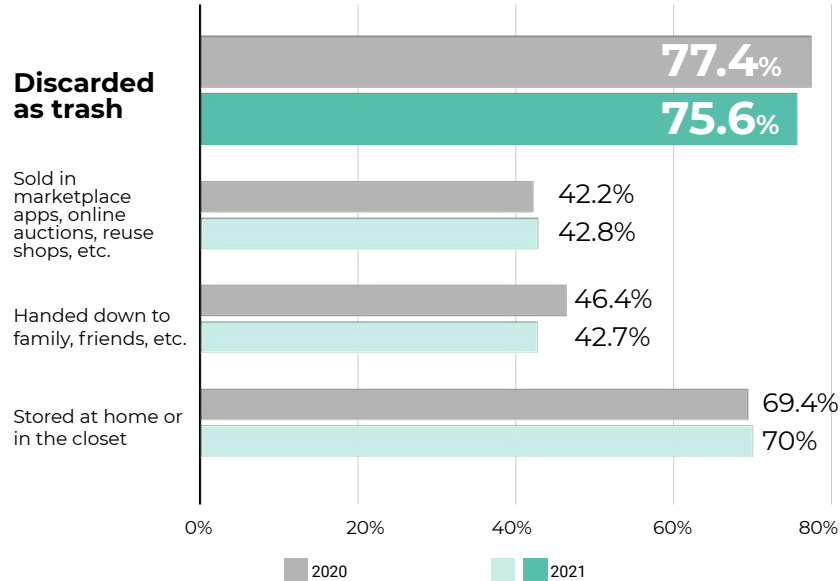
Create a circular economy throughout all links of the value chain



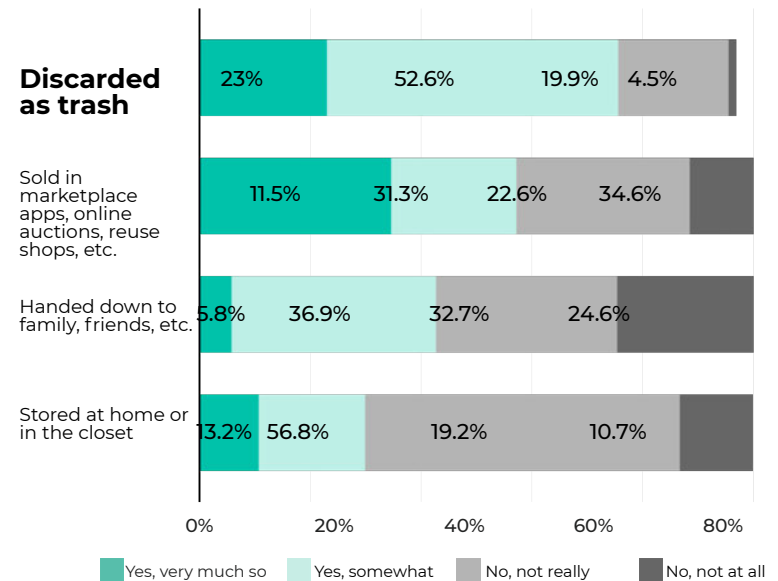
Awareness / Make alternatives to throwing items away feel easier

Currently, when asked what they do with items that they no longer have any use for, **about 75.6%** of people choose to answer “throw it away” (a drop of 1.8% YoY²), and this number has been decreasing year on year.

▼ What do you do with things that you no longer use?
(compared to FY2020.06)



▼ Breakdown of responses to “What do you do with things that you no longer use?” (FY2021.06)



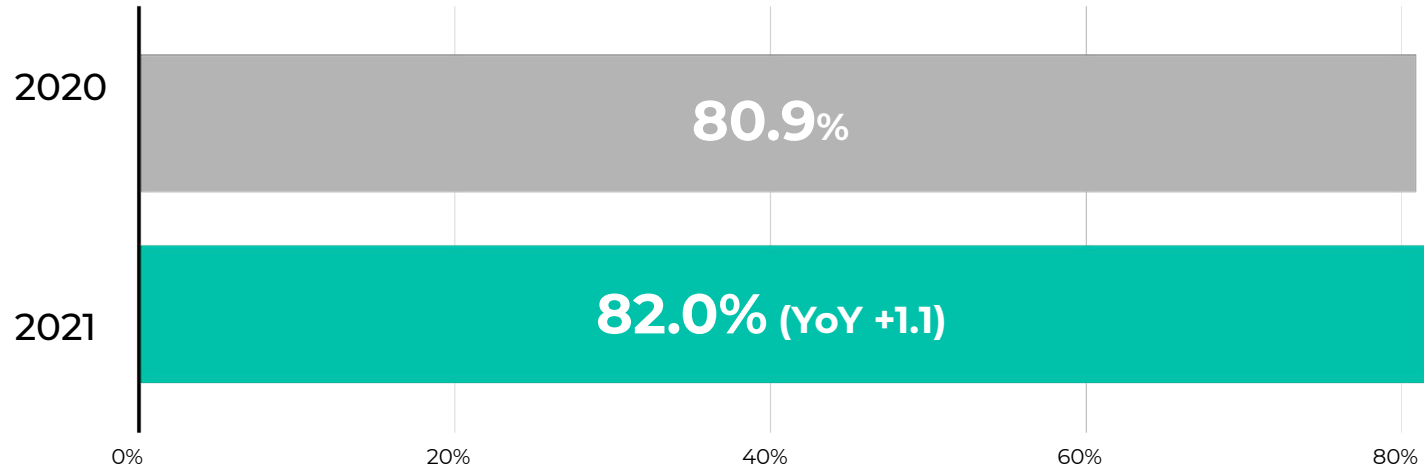
1. From a survey conducted by a research company in July 2021 targeting the general public (Respondents: 3,098 people)
 2. From a survey conducted by a research company in June 2020 targeting the general public (Respondents: 2,400 people)

Awareness / Make alternatives to throwing items away feel easier

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What's more, the results¹ revealed that among people who answered that they throw away items that can still be used if they have no use for them, **82%** said that they felt it was a waste to throw the items away. This percentage increased by **1.1%** over last year².

▼ Percentage of people who said that they felt it was a waste to throw away items that can still be used if they have no use for them



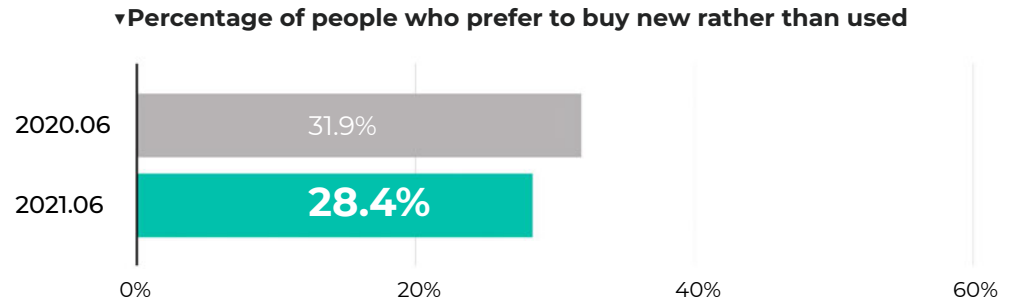
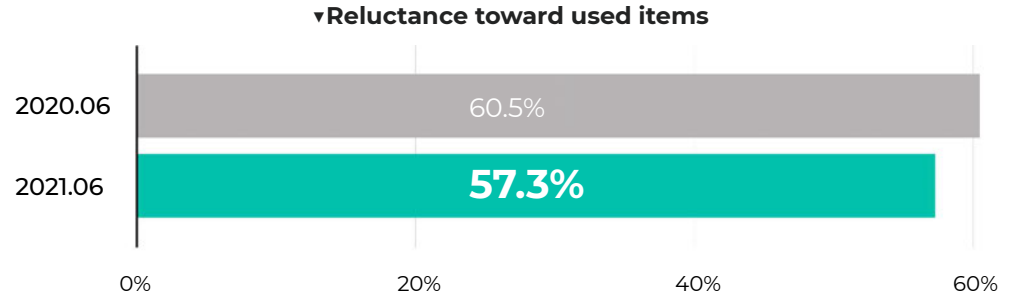
1. From a survey conducted by a research company in July 2021 targeting the general public (Respondents: 3,098 people)
2. From a survey conducted by a research company in June 2020 targeting the general public (Respondents: 2,400 people)

Awareness / Make alternatives to throwing items away feel easier

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We also see hesitation towards used items, which previously enjoyed a surge last year due to the spread of the pandemic, falling from its previous position² by **3.2pt** this year, to **57.3%**¹.

People who prefer to buy new items dropped **3.5pt** from last year, to **28.4%**, and it is believed that the number of people buying secondhand in the future will continue to grow.

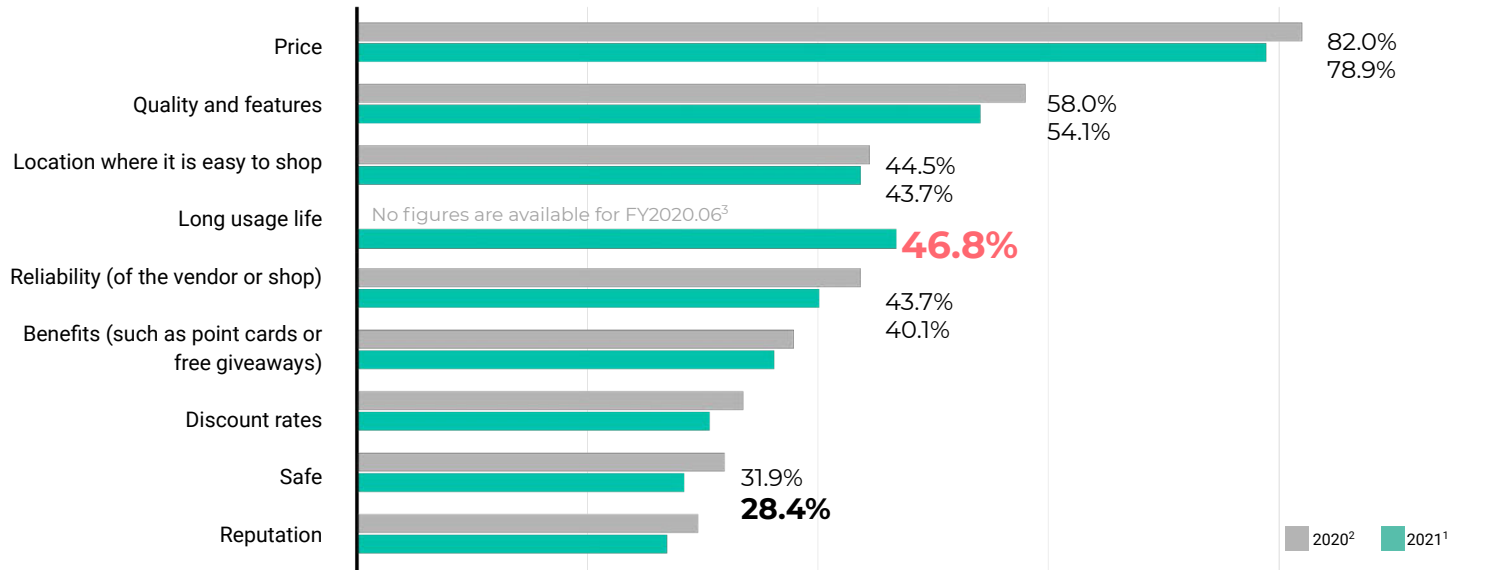


1. From a survey conducted by a research company in July 2021 targeting the general public (Respondents: 3,098 people)
2. From a survey conducted by a research company in June 2020 targeting the general public (Respondents: 2,400 people)

Awareness / Make alternatives to throwing items away feel easier

Not only did the number of people drop who answered that, when buying an item, they value the item being new; we also learned that “long usage life,” “value,” “quality,” and “location” were all important factors.

▼ Areas of focus when buying an item



1. From a survey conducted by a research company in July 2021 targeting the general public (Respondents: 3,098 people)
 2. From a survey conducted by a research company in June 2020 targeting the general public (Respondents: 2,400 people)
 3. The option of “long usage life” was not included in the FY2020.06 survey.

Awareness / Results of FY2021 initiatives

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■ Green Friday

In recent years, clothing has attracted attention as an industry characterized by overproduction and overconsumption. Our "Green Friday Fashion Show" features no newly produced clothing, instead using professional styling to suggest how reusing items can lead people to rediscover the value of items they have on hand.

■ No-Waste Cleanup

Develop a service that provides instruction and support on how to list and buy items and that sorts items to post on Mercari or sell to the Book Off pickup sales service so that when a user uses the "Katazuke Meijin Plan" (Cleanup Masters Plan) provided by professional organizing service Kajitaku, unwanted items are not thrown away.

■ Happy Earth Day

April 22 is established as Earth Day, a day when we give thanks to the beauty of the natural environment. It also coincides with our three-pronged celebration of the earth called the "学べる・広げる・届けるHAPPY EARTH DAY!プロジェクト" (Learn, Expand, and Deliver Happy Earth Day Project). The project consists of our key workshop "身近なエコ探し" (Look Local for Eco Solutions), a social media campaign by the same name, and the distribution of our original packaging materials.



Education / FY2021 Achievements

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In order to change the behavior of individuals, people need to understand how important it is to use their possessions with care. To that end, at Mercari, we have developed an education program for kids with workshops available throughout Japan.

Level 1

Learn the importance of possessions and money



For elementary school students:

- Developed and implemented Mercari Challenge, a hands-on value exchange program

Level 2

Start using Mercari in everyday life as a means to reuse items



For elementary school students:

- Develop and plan contest for Mercari Hands-On: Learning the Value of Possessions and Money + Mercari Observation Notebook

For junior and senior high school students:

- Held the course "How to Use Marketplace Apps Safely and Securely"
- Held the course "Using Cashless Payment Safely and Securely"

Level 3

Gain interest in social and environmental issues, and start proactively working towards solutions



For junior and senior high school students:

- Developed and implemented the program "Learn the SDGs through Mercari"
- Taught problem-based learning classes using Mercari and Merpapay as an educational theme

■ For elementary school students: Program to learn about circular economies: “Mercari Challenge”

Together with an NPO called Houkago NPO Afterschool, we held this hands-on circular economy program for **approximately 300** elementary school students at 14 schools¹, giving students the chance to learn about the value of their belongings and money. More than **90%**² of participants said that they were satisfied with the program.

Comments from participants:

- “I learned about how many people might want my unneeded items. It was surprising and fun!”
- “I came to understand that my unneeded belongings might be useful to someone else.”
- “Even though I don’t need it, there’s someone out there who does.”

1. Held online

2. From a post-program survey of 300 participants



■ For junior high/high school students: Implemented educational programs to teach about circular economy and SDGs

Our programs go beyond just teaching participants how to safely and securely use marketplace apps and cashless payment services.

We also hold classes at several high schools to introduce the specific initiatives Mercari is implementing to create a circular economy, as well as why companies need to work towards the SDGs.

Comments from participants:

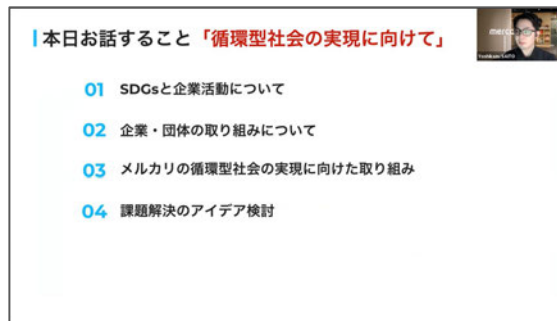


I don't want to just throw my belongings out when I don't need them anymore; I want to do what I can to make this world a better place.



I felt I wanted to know more about the SDGs and understand what Mercari and other companies are doing to achieve them.

Mercari will continue these initiatives to educate people about marketplace apps, finance, and similar domains from the perspective of environmental conservation, the SDGs, etc.



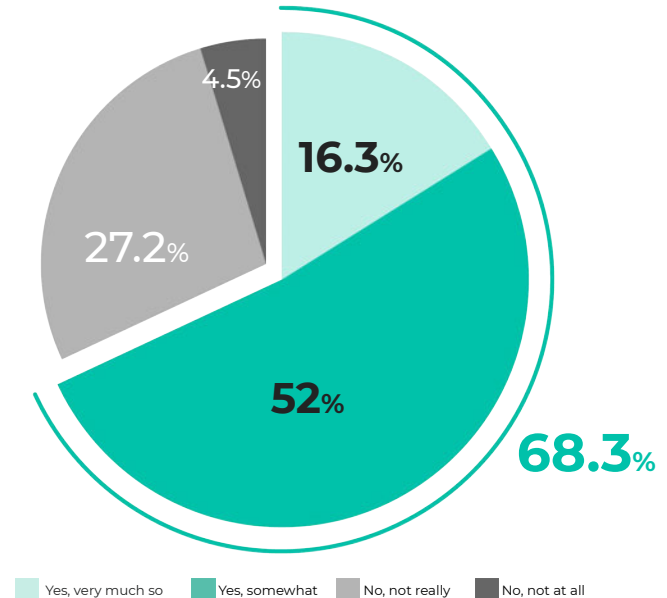
■ Create a circular economy throughout all links of the value chain

According to a survey conducted by Mercari, approximately **46.8%**¹ of people want to buy items that they can use for longer. Furthermore, **68.3%**¹ of people have regretted a purchase once they stopped using the item.

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

Additionally, by showing users how they can easily sell their unneeded items on Mercari, users who would usually buy the cheapest item they could find may gradually start to shift their mindset to buy slightly more expensive, higher quality items. This will promote new buying habits and help invigorate the economy overall.

▼ Regretted purchasing an item after no longer using it



1. From a survey conducted by a research company in July 2021 targeting the general public (Respondents: 3,098 people)

Collaborations / FY2021 Achievements

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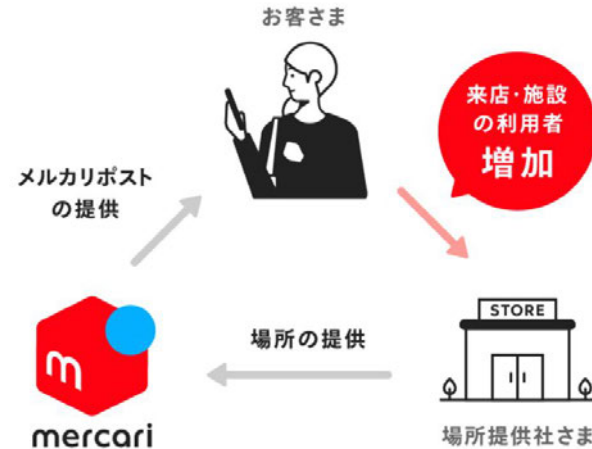
■ Mercari Repair Shops

Store clerks explain to customers how to list items in Mercari and help them pack sold items. Packaging materials are also available for purchase at these locations. Moreover, benefits are available for registered Mercari users such as 10% discounts on care and repair services, and Mercari Posts installed, which allow for easy shipping. These services are also expected to attract more customers to these repair shops.



■ Mercari Posts

We are installing more units of Mercari Post, the unattended mailbox for shipping sold Mercari items, in not just repair shops, but also locations like dry cleaners.



■ Mercari Donation for a Circular Economy

Mercari provides a service called Mercari Donation, where users can donate their *Mercari* sales balance to an organization such as a local government of their choosing. Currently, 23 organizations including local governments and businesses for public interest purposes are included in this program as potential recipients.

Between May 28 and June 21, 2021, we opened up the program for applications from organizations that promote a circular economy, such as NPOs, to be included as donation recipients. By including such organizations in the program, Mercari users will be able to not only contribute to more reusing, but also directly donate to institutions that promote a circular economy through the service.



■ Joining Global Initiatives

We have joined various global initiatives for climate change. In July 2021, we announced our support for TCFD, and responded to CDP's questionnaire.



Actions / Minimize our negative impact

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Transform the way we run our company to be more sustainable

By June 2022 By June 2023 By June 2030

Scope
1+2

Reduce emissions
by 75% by June 2022
(Use renewable energy for 100%
of our office electricity)

Reduce emissions by a total of 100% by 2030

Scope
3

Deepen engagement with stakeholders, delve into
actions, refine target numbers, and receive SBT
validation within two years

Carry out concrete actions



Actions / Minimize our negative impact

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Roadmap

| By June 2022 | By June 2023 | By June 2030 | 2030 or later |
|--|---------------------------------------|--|-----------------|
| Scope 1+2: 75% reduction (Office running 100% off of renewable energy) | Stakeholder engagement/SBT validation | Scope 1+2: 100% reduction Scope 3: Carry out concrete actions | Planet Positive |

| | | |
|----------------------------|--|---|
| SCOPE 1 | Fuel | Review and reconsider the fuel that goes into the stadium, facilities, and company cars owned by Kashima Antlers F.C. |
| | | Utilize carbon offsetting |
| | | Promote Planet Positive choices for transportation methods during business trips |
| SCOPE 2 | Heat and electricity | Implement renewable energy (Non-Fossil Fuel Certificate, J-Credit, etc.) |
| SCOPE 3 | Procurement (Data centers, advertisements, and others) | Review supplier engagement Following the procurement policy to select environment-aware suppliers |
| | | Packaging materials (Mercari exclusive boxes) |
| | Packaging materials (Mercari exclusive boxes) | Develop packaging materials built for reuse Consider package-less transactions |
| CO2 from user transactions | Shipping | Promote short-distance transactions and research low-carbon shipping |
| | | Utilize carbon offsetting (credits for renewable energy, carbon sinks, etc.) |
| | Transactions Packaging Disposal | Spread awareness of sustainable shopping |
| | | Promote more reusable and recyclable packaging, and less plastic packaging |
| | | Promote item upcycling and recycling |



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Diversity & Inclusion

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Aim to create a marketplace full of diversity

Aim to create a marketplace full of diversity

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At Mercari, we are taking on challenges in order to fulfill our mission of creating value in a global marketplace where anyone can buy & sell.

There is more diversity in the world than any of us can imagine. The ideas of Diversity & Inclusion are essential for Mercari to achieve its mission because they are key in creating a society where everyone can be themselves and reach their fullest potential. We work toward 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 toward 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. We will commit to actions to resolve structural issues and create a diverse and inclusive organization as well as culture.

[※ D&I Statement](#)



Opportunities and risks in the mid-to-long term involving D&I

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■ Opportunities

- **Promoting D&I within our organization gives rise to an environment and culture where members of various backgrounds can work comfortably. This makes it easier to acquire more diverse, professional talent from a wider variety of fields.**
- **By augmenting systems that identify members' diverse needs, we can expect maximized retention and utilization of existing talent.**
- **By improving product and service accessibility, we can provide even more users with a seamless buying/selling experience. It may also lead to the creation of new, easy-to-use features.**

■ Risks

- Receiving criticism regarding products/services that are hard for specific groups of people to use
- Receiving criticism from a D&I perspective regarding corporate messaging and marketing strategies

■ Pursue ease of use for all users

Develop products/services that are easier for our diverse user base to use by pursuing a more robust buying/selling experience and facilitating greater communication between users

We believe that by understanding the diverse needs of our users, we will not only make the app easier to use, but also facilitate the spread of more inclusive approaches and communication methods through use of Mercari.

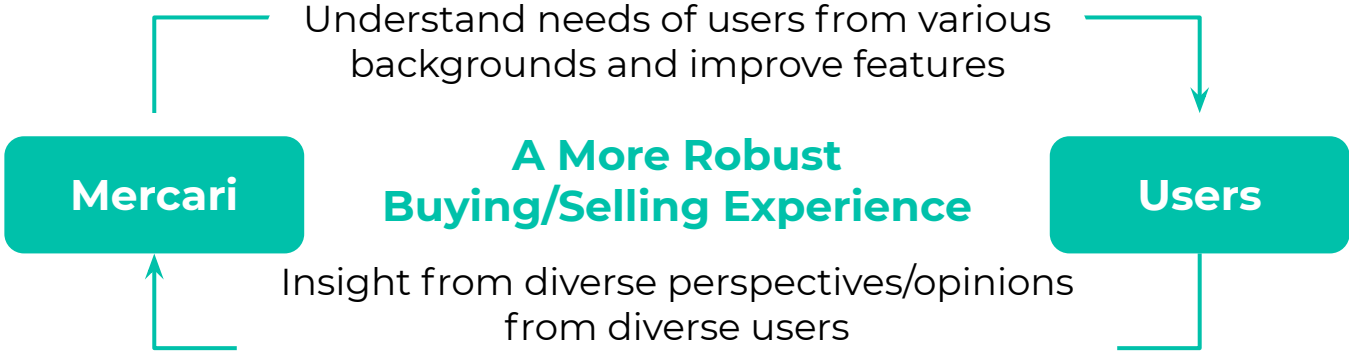
■ Build an organization that provides fair opportunities to all employees

Visualize structural inequality through HR data, and build self-cleansing mechanisms and culture for equality

We understand our responsibility as a company to help build a fairer world, and we will continue to share examples of our successes and failures externally. We believe that in doing so, we can help spread understanding of D&I and have a positive impact on society.

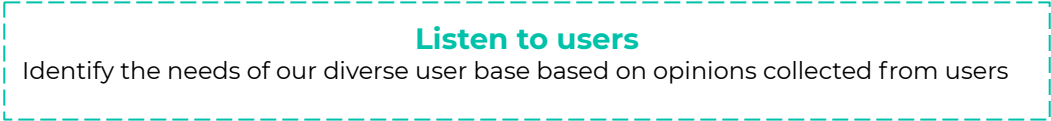


Pursue ease of use for all users



In progress

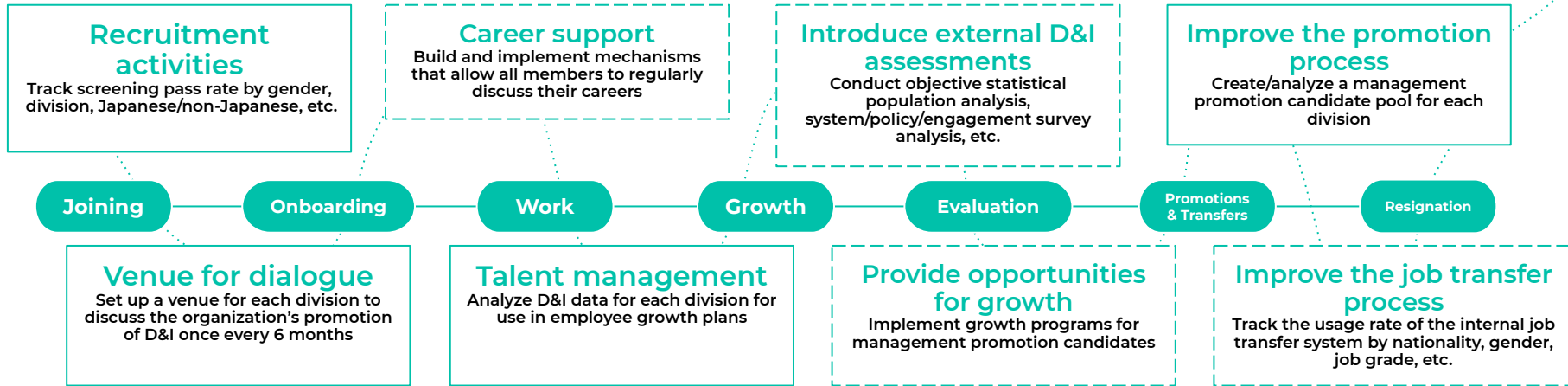
Planned



Actions / Build an organization that provides fair opportunities to all employees

Visualize structural inequality through HR data, and build self-cleansing mechanisms and culture for equality

SUSTAINABILITY REPORT



In progress

Planned

Mercari Group Employee Data for FY2021.6

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| | |
|---|--|
| ● Consolidated headcount ¹ | 1,744 |
| ● Age ranges ¹ | 20s: 24.8% / 30s: 54.6% / 40s: 17.3% / 50s: 3.0% / 60s: 0.4% |
| ● Percentage of female employees ¹ | 32.5% |
| ● Percentage of women in leadership ¹ | 22% |
| ● Percentage of women in management positions ¹ | 17.7% |
| ● Rate of childcare leave usage ² | 89%: 41 men (84% of eligible men) / 22 women (100% of eligible women) |
| ● Percentage of employees who return to work after childcare leave ² | 95%: 15 men (100% of eligible men) / 23 women (92% of eligible women) |
| ● Percentage of employees who feel re-acclimated to the company 12 months after returning from childcare leave ² | 93%: 49 men (91% of eligible men) / 22 women (100% of eligible women) |
| ● Skills development programs for employees ³ (MGR: For managers) | <ul style="list-style-type: none"> - People management training (MGR) - Coaching training (MGR) - Language study programs - Yasashii Communication Training - Unconscious Bias Workshop |

1. See the FY2021.6 Q3 Financial Results. Includes Mercari, Inc.; Merpay, Inc.; Souzoh, Inc.; Mercoin, Inc.; Kashima Antlers F.C. Co., Ltd., and Mercari, Inc. (US)

2. Only applies to Mercari, Inc. (does not include any other Mercari Group companies).

3. Mercari, Inc.; Merpay, Inc.; Souzoh, Inc.; and Mercoin, Inc.

Local Empowerment

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Contribute to solving regional issues through empowering individuals and businesses

Contribute to solving regional issues through empowering individuals and businesses

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We believe that Mercari can empower individuals and businesses to help solve the issues that society faces.

Our marketplace app not only enables the elimination of waste, but is a method for individuals to find self-fulfillment. Mercari gives people the opportunity to try new things. People can enjoy hobbies and luxuries through the funds earned from selling items and the items purchased at affordable prices, use their skills to make and sell handmade items, and more.

Additionally, small and medium-sized businesses, as well as individuals, are able to expand their market reach through opening up an online store in Mercari Shops and selling their items with ease. We also believe we can provide further opportunities for business growth through the convenient payment services offered by Merpay and services utilizing data.

Some of Japan's largest social issues, including population decline, low birth rate, and aging population, are particularly serious in rural areas. Increasing the flow of people to these areas, creating active local economies and stable employment, and empowering youth and families with children are all extremely important tasks.

Through working with local governments, we aim to empower individuals and businesses and support the establishment of systems that will allow local communities to solve the issues they face.



Opportunities and risks in the mid-to-long term involving local community issues

■ Opportunities

- **This can help not only stimulate local economies but lead to increased business for our company.**
- **By working with public organizations and taking on resolving social issues, we can improve our image as a company**
- **As a public institution of society, we can build trust with and encourage use of our services by people who are reluctant to make the move to digital services by working with local governments and utilizing the trust they have cultivated with their residents**

■ Risks

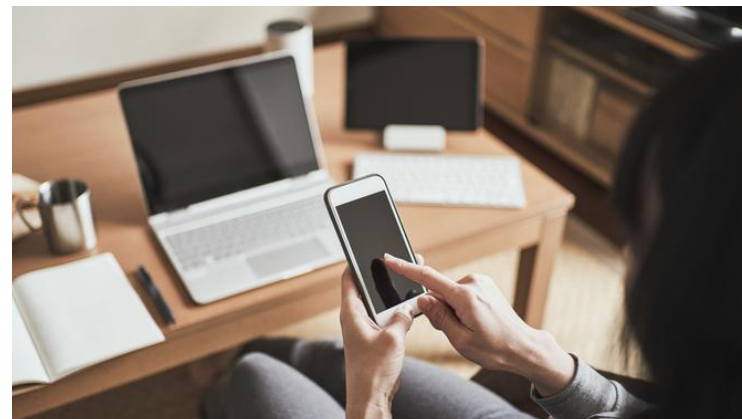
- Focusing on local governments/areas isn't necessarily the optimal way to realize connections with promising small or medium-sized businesses. We need to work together in ways that actually contribute to local empowerment.
- Increasing donations and partnerships doesn't lead to large donation amounts or business contribution right away. We need to come up with strategies that reflect real needs.

■ Promote regional economies and create opportunities for local empowerment

Yearly increase in the percentage of users who have experienced positive changes in their lives by using Mercari

In a survey¹ carried out by Mercari in 2021, we asked the question: “Which of the following experiences or lifestyle/mindset changes have you had by using Mercari?” Of the users who answered this question:

Approx. 46% answered that they **were able to gain a new source of income**, and approx. 63% answered that they were able to save money. This indicates that Mercari contributes to enriching people’s lives by creating the opportunity for individuals to sell things. Additionally, **approx. 31%** of users answered that they **were able to find new meaning in life or new hobbies**, and approx. 43% of users answered that they are now able to enjoy their hobbies/fashion more easily. Approx. 24% of users answered that they were able to connect with more people (virtually or otherwise). We believe that this shows Mercari contributes to enriching users’ lives not only financially, but mentally as well.



1. From a survey conducted by a research company in July 2021 targeting the general public (Respondents: 3,098 people)

Partnership agreements with local governments

Mercari Group partners with local governments to solve problems and bring a higher level of convenience to residents and those involved with local communities. To date, we have entered partnership agreements with **10**

local governments: Gifu City (Gifu), Sendai (Miyagi), Chiba City (Chiba), Minoh (Osaka), Kobe (Hyogo), Fukuoka City (Fukuoka), Kamakura (Kanagawa), Kashima (Ibaraki), Namegata (Ibaraki), and Kanagawa Prefecture.

Examples:

- Welcoming civil servants from Gifu City as part of a dispatch training program
- Carrying out more than 20 proposal meetings with local governments and relevant central government agencies as part of our efforts toward working with local governments to expand use of Mercari Shops
- Entering a school education partnership to provide donations to Kamiyama Marugoto Technical College (tentative name), which will be founded in Kamiyama, Tokushima using the corporate version of Hometown Tax, and promote diversity and inclusion



Actions

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Adding local governments to the Mercari Donation program

Mercari provides a service called Mercari Donation, where users can donate their sales balance to an organization such as a local government of their choosing. Currently,

13 local governments are included in this program as potential recipients.

Additionally, on March 11, 2021, Rikuzentakata City and Yamada Town of Iwate Prefecture and Kawamata Town of Fukushima Prefecture, all areas affected by the Tohoku Earthquake, were added to the Mercari Donation feature. Following that, Tomioka Town of Fukushima Prefecture was also included on August 1. Donations made through the feature are utilized for local government activities such as reconstruction support and disaster relief.



Safe, secure, and fair transactions

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16 PEACE, JUSTICE AND STRONG INSTITUTIONS



17 PARTNERSHIPS FOR THE GOALS



Becoming a service people feel at ease using

Becoming a service people feel at ease using

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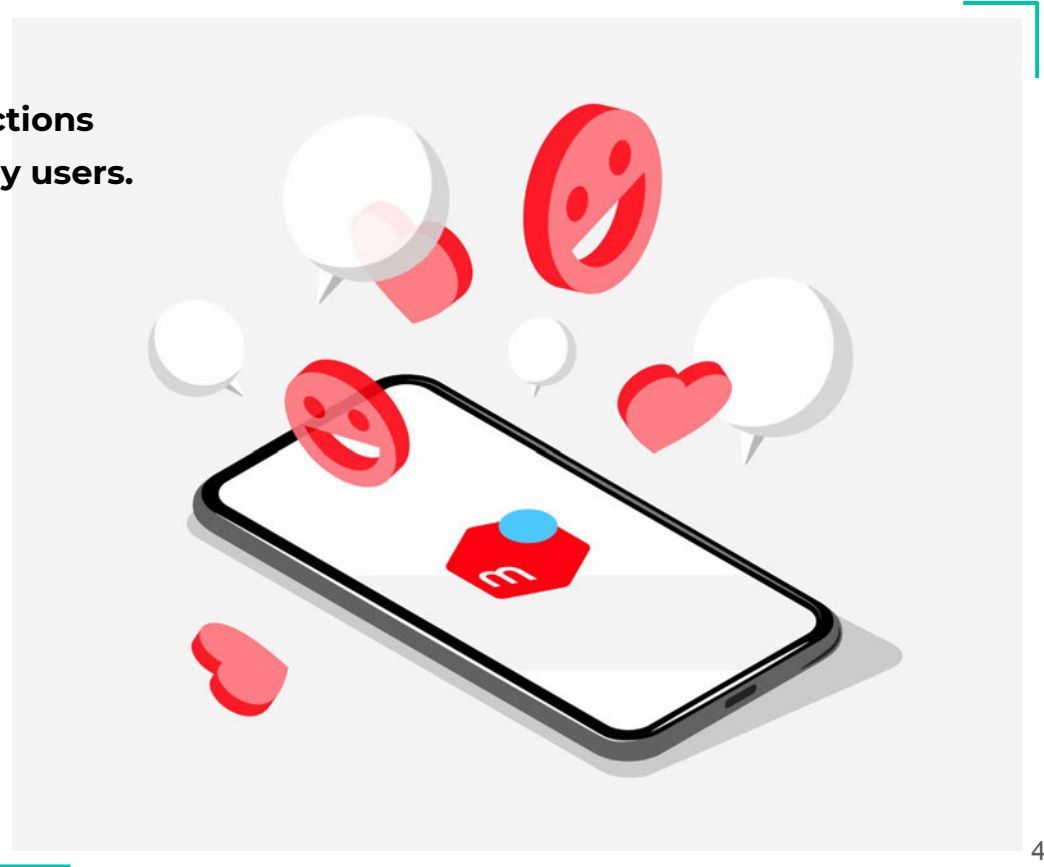
We strive to build a platform for transactions that is safe, secure, and fair for our many users.

We believe that for our services to be used by many, it is not only important that we maintain a fair marketplace where individuals can freely buy and sell, but even more so that we establish a safe environment for transactions that all of our stakeholders—users, merchants, business partners, and more—are able to feel at ease using.

To achieve this, we work to maintain a platform for secure and fair transactions to prevent any kind of physical, mental, or financial trouble before it happens, and deal with anything that does happen swiftly and appropriately.

To realize a safe, secure, and fair environment for transactions, we strive not only for better interactions with our users, but to utilize technology to root out and prevent transactions that may lead to issues as early on as possible.

We also work with government agencies, consumer groups, NGOs, academics, and other corporations to keep our policies up-to-date and to constantly improve our ability to detect malicious transactions.

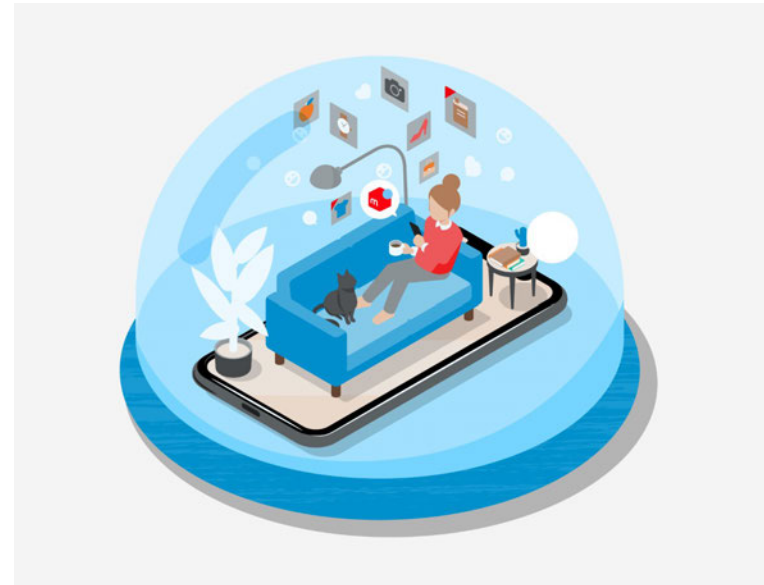


■ Increase the number of users who think of Mercari as a safe, secure, and fair service

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

92.4% (+3.9pt YoY)

In a survey¹ carried out by Mercari in March 2021, 92.4% of Mercari users surveyed answered that they think Mercari provides a safe, secure, and fair service.



Utilizing technology to create safe and secure systems

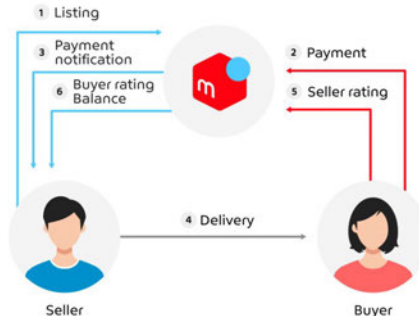
■ A constantly evolving fraud detection system

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



■ Secure handling of money

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



■ Anonymous shipping

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



Keeping our policies up to date with social change

Mercari has created a market policy committee to ensure illegal and inappropriate items stay off of our platform. With the Mercari Japan CEO as committee chairman, this committee formulates and acts on policies and detection rules for prohibited listings and behavior.



Main activities in FY2021

- Established the Expert Committee Meeting on the Ideal Form of a Marketplace
- Held discussions with users regarding the ideal form of a marketplace
- Formulated and announced the Marketplace Principles
- Updated the Mercari Help Center based on our Marketplace Principles
- Entered a comprehensive partnership agreement with Fast Retailing to build a safe and secure environment for transactions
- Established and ran the Advisory Board on the Ideal Form of a Marketplace

Future activities

- Implement an alert feature to help realize a safe and secure environment for transactions
- Update our operation policies based on discussions by the Advisory Board on the Ideal Form of a Marketplace

Our Marketplace Principles (Published in January 2021)

In order to create a diverse and free marketplace, it's important that we share a fundamental mindset that all participants can refer to and rely on, while respecting each other's values and views to the utmost extent.

We created these Marketplace Principles ("Principles") to serve that purpose. Going forward, these Principles will evolve to match ever-changing social conditions with feedback from all of you, our users. Let's work together to make the Mercari marketplace the best it can be!

The 3 Basic Principles

■ **Trustworthy**



■ **Safe**



■ **Humane**



Actions

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

To prevent our users from running into trouble on our service, Mercari actively exchanges information with the National Consumer Affairs Center and other consumer affairs centers, and holds educational seminars and events for students.

Mercari takes part in industry groups and government associations, and uses the knowledge gained regarding recent trends in prohibited items, such as counterfeit items and medical supplies, items with safety issues, and fraudulent transactions, to keep our policies up to date and develop new measures to prevent them.

Main activities in FY2021

- Launching a website for Mercari's Intellectual Property Protection Program
- Simplifying the processes for filing a claim and enrolling in the program with the website
- Explaining our Marketplace Principles to and discussing future plans for working together with relevant government agencies, organizations, and companies
- Authorities: Discussing information sharing regarding essential items during emergencies
- Launching the Product Safety Support Program and receiving a METI Product Safety Award (Committee Award)
- National Shoplifting Prevention Organization (NSPO): Discussing ways to work with the retail industry to handle stolen items
- National Institute of Technology and Evaluation (NITE): Human exchange to enhance product safety measures

Maintaining a safe and secure platform with customer service

■ Quick removal of illegal items and accounts

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



■ Prevention of future incidents by analyzing user reports

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





16 PEACE, JUSTICE AND STRONG INSTITUTIONS



17 PARTNERSHIPS FOR THE GOALS



Establishing a management structure to support globalization

Establishing a management structure to support globalization

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Under the mission "Create value in a global marketplace where anyone can buy & sell," Mercari Group has mid-term goals of serving as an entity that contributes to society by creating a circular economy, and establishing a management structure to support the globalization of our businesses.

With the purpose of further improving our decision-making processes, transparency, and business management efficiency in order to realize these goals, we strive to put in place a business management system that can fulfill society's expectations in a way that aligns with all laws, ordinances, and guidelines, as well as discussions with regulatory organizations. We do this while also continuously discussing the ideal form of our management structure and taking on initiatives to improve our compliance and corporate governance.



Goals

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

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



Structure and Strategies for Corporate Governance

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

- **Appointing three independent outside directors**
- **Introducing the senior vice president system to separate execution and supervision**
- **Establishing the Nomination and Remuneration Committee**

Main initiatives in FY2021

- Turning over authority for business execution to the Senior Executive Committee so the Board of Directors can focus on discussing mid/long-term management strategy and supervising management
- Discussing remuneration and selection of directors, auditors, and senior vice presidents in the Nomination and Remuneration Committee

Structure and Strategies for Compliance and Risk Management

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

- **Establishing the Compliance and Risk Committee**
- **Creating compliance programs and carrying out monitoring**

Main initiatives in FY2021

- 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 features
- Carrying out legal/compliance checks of advertisement content when running promotions
- Solidly executing compliance programs
- Carrying out periodic risk management (comprehensive verification based on a risk matrix)

Structure and Strategies for Security

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

Main initiatives in FY2021

- Implementing measures to strengthen security across the group, centered on the Chief Information Security Officer (CISO)



Structure and Strategies for Data Privacy

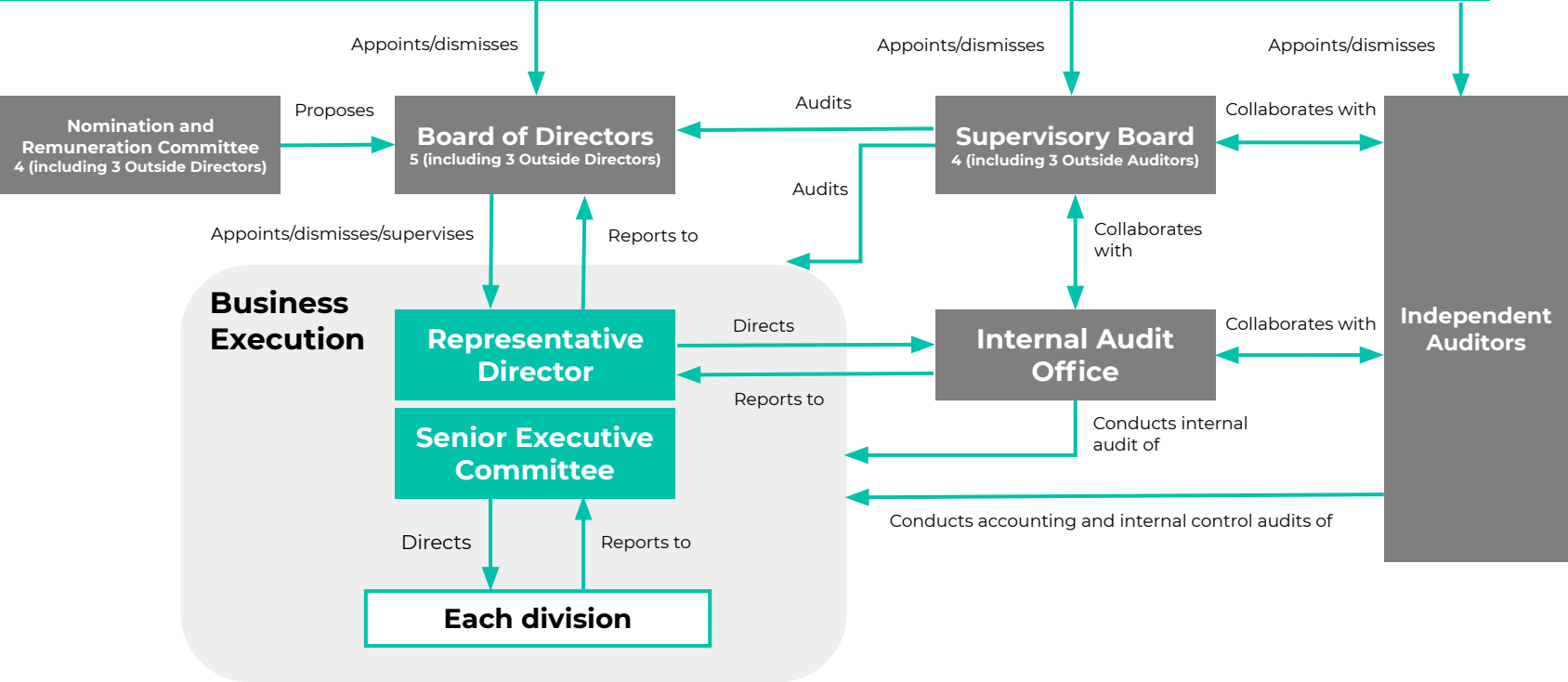
By collecting information about the users of the various services offered by Mercari Group, we can adapt the services to provide a better experience. At the same time, Mercari Group is aware of the major responsibility that comes with collecting user information. We adhere to all laws, ordinances, and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

Main initiatives in FY2021

- Publicly announcing how we collect and utilize user information, as part of our Privacy Policy
- Using diagrams and concrete examples in the Privacy Guide to offer a more detailed, easier-to-understand explanation of the Privacy Policy
- Having experts within the company discuss and consider initiatives related to the use of users' personal information

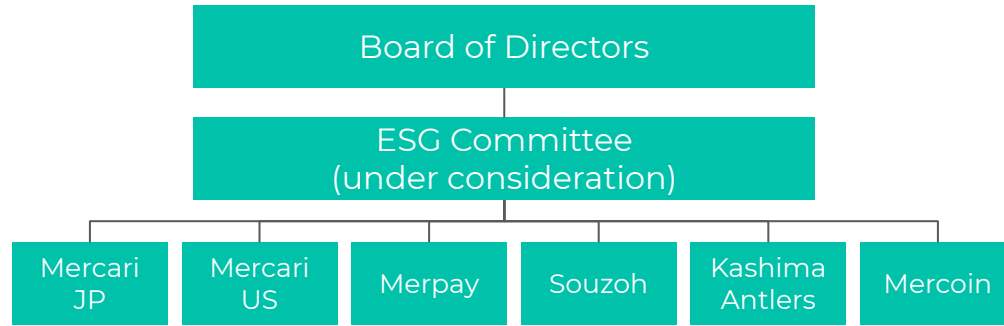


General Meeting of Shareholders



Our Structure for Promoting ESG

Following our materiality updates, Mercari will continue to improve the structures in place to promote work on these topics. Specifically, we will assign owners to each of the material topics and manage our KGI/KPIs. We are also considering the establishment of an ESG committee that will include top management. This will allow us to build the proper structures to make better decisions and take speedier action. Once the specifics of this organizational structure are decided, we will announce them on our corporate site.



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

Material Topic 2: Diversity & Inclusion

Material Topic 3: Local Empowerment

Material Topic 4: Safe, Secure, and Fair Transactions

Material Topic 5: Corporate Governance and Compliance

Establish KGI/KPI together with stakeholders (assume executive-level stakeholders) and continue to manage using PDCA

Recognition by External Organizations

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Since November 2019, Mercari has been included in the MSCI Japan ESG Select Leaders index.

2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

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

Version history

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| Version | Published on | Revision details |
|---------|--------------|---|
| 1.0 | 2021/8/12 | Released Ver 1.0 |
| 1.1 | 2021/8/13 | Corrected the text and numbers on Page 8 regarding our impact |



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Mercari, Inc.

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