

mercari

Sustainability Report

FY 2020



What kind of world do we want to create?

There are people for whom prosperity stays out of reach, simply because of the country or the environment they were born into.

On the other hand, a developed country like Japan has electricity and water, and many people are able to live with more than they need.

I want to fix this imbalance.

But the world's resources are finite.

If everyone uses resources the way we do in developed countries, there won't be enough for the whole world to live prosperously.

We need to conserve our resources and put up with just a little less in our lives.

By doing so, the quality of life for people in emerging nations will improve. That's the world I envision.

People in emerging nations should be able to use things like smartphones and cars that are no longer needed by people in Japan. They should have a way to buy them.

I want to create a service that can make that a reality.

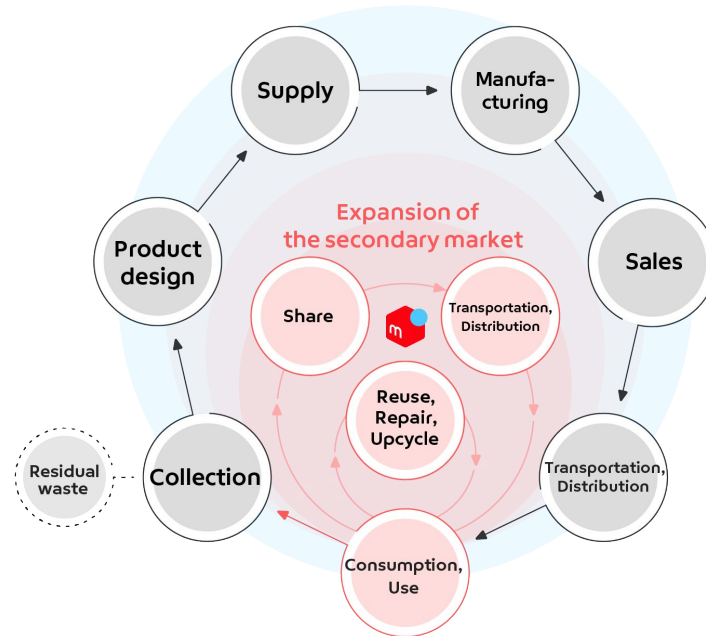
| What kind of world do we want to create?

A circular economy where the earth's finite resources are used efficiently and everyone can live more prosperously

| What kind of world do we want to create?

Shifting production and consumption from assuming eventual **disposal** of items to assuming **circular use** of products and materials

The circular economy that Mercari envisions



ESG Policy (Initiatives)

From the social and environmental issues that we believe could impact the Mercari Group's businesses in the long term, we identified three opportunity areas that will help us create value (1, 2, 3) and two risk areas for which we must create countermeasures (4, 5). These areas became our five ESG initiatives.



Mercari's ESG Initiatives — FY2020 Summary



Environment

Encouraging reuse (Creating a circular economy)

- **Encouraged reuse** through Mercari
- Developed and carried out **education programs** for elementary school students and high school students
- Distributed **Eco Packs** to users

Governance

Strengthening our management foundation to maximize our organizational capabilities

- Established the Nomination and Remuneration Committee

Society

Local empowerment

- Held **Mercari Workshops** in various regions
- **Promoted cashless payment** with Merpay in shopping districts in various regions
- **Contributed to the Kashima Antlers' hometown**

Safe, secure, and fair transactions

- **Enhanced** CS tasks and systems using technology
- Ran the Committee for Defining Prohibited Acts and Items and updated policies to respond to social changes

Compliance and risk management

- Carried out regular compliance training
- Carried out periodic risk assessments

1. Creating a Circular Economy

Plan

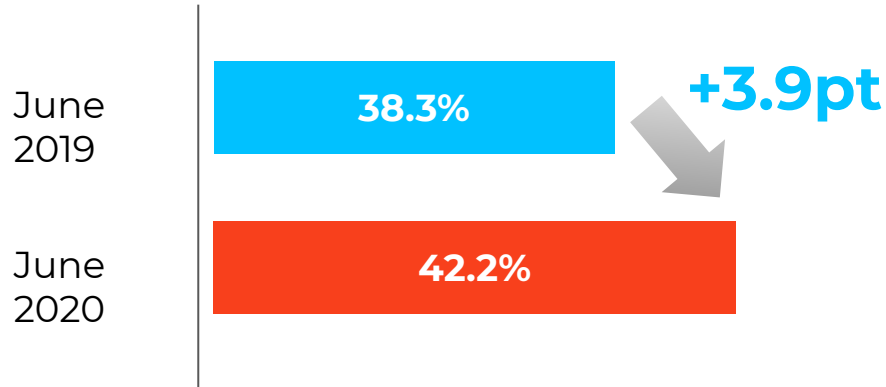
Through expanding the Mercari business, strengthening integration with primary distribution, developing reusable packaging materials, and more, create a circular economy in which items that are still of use can be passed on to the hands of those who need them, in the amount needed

Achievements (July 2019–June 2020)

- **Initiatives to encourage more people to use Mercari**
 - Held Mercari Workshops
 - Opened Mercari Station
- **Distributed Mercari Eco Pack (reusable packaging material) and measured its effects**

1. Creating a Circular Economy

Percentage of people who, when asked about items which still have utility but which they no longer need, answered that they would reuse them by listing them on a marketplace app or through some other method¹



Reducing packaging material waste with Mercari Eco Pack

Approx. **70%** of users said that they reused the Eco Pack they received from a previous Mercari purchase
 ⇨ Equivalent to approx. 10,980 items worth of packaging material (estimation based on the number of Eco Packs distributed)²



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

2. From a survey targeting 4.96 million Mercari users in March 2020 (Respondents: 238,000 people)

2. Culture and Education

Plan

Foster a culture in which eliminating the waste of resources is the norm
Make the education needed to work toward a circular economy widespread

Achievements (July 2019–June 2020)

- **Fostered culture through Mercari Workshops**
- **Developed educational programs themed around Mercari**

2. Culture and Education

Level 1

Learn the importance of possessions and money

For elementary school students:
Value Exchange Hands-On Program
(Mercari Challenge quiz edition/card game edition)



Level 2

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

For elementary school students:
Mercari Hands-On: Learning the Value of Possessions and Money + Mercari Observation Notebook
For middle and high school students:
How to Stay Safe and Secure On Your Smartphone

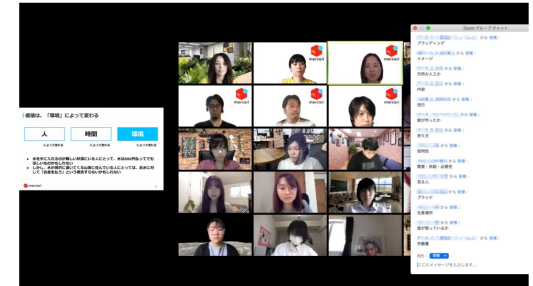
Level 3

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

For high school students:
- Problem-Based Learning: Perspectives on Services Supporting Value Exchange 20 Years from Now
- Mercari Education Through Problem-Based Learning

← Carried out trial classes at **5** after-school programs

→ **81.2%** of the 117 participants answered “I want to do something myself to help solve social and environmental issues”



3. Local Empowerment

Plan

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

Achievements (July 2019–June 2020)

- **Entered partnership agreements with local governments and provided support through these agreements**
 - Gifu City, Chiba City, Kobe, Kanagawa Prefecture
- **Carried out initiatives to promote the cashless movement in shopping districts in various regions**
 - Koenji Shopping Street, Sugamo Jizodori Shopping Street, Okamachi/Sakurazuka Shopping Street (Osaka), Shinsaibashi (Osaka)
- **Promoted the cashless movement in various regions by entering a business alliance with Shinkin Central Bank and bringing Origami into the Mercari Group**
- **Carried out a project to support the food industry in the Kashima Antlers' hometown region**



4. Safe, Secure, and Fair Transactions

Plan

Provide a platform for secure and fair transactions, so that our users, merchants, and business partners feel at ease using our service

Achievements (July 2019–June 2020)

- Continued to improve our existing fraud detection system
- Utilized technology to accurately handle items and accounts violating the terms of use
- Ran the Committee for Defining Prohibited Acts and Items
- Gathered information through networks with external organizations (both inside and outside of Japan) and improved our services accordingly
- Worked to quickly remove items and accounts violating the terms of use
- Accurately handled items and accounts violating the terms of use with CS

88.6%¹ (YoY +10pt)

of users answered that “Mercari provides a safe, secure, and fair environment”

1. From a survey targeting 50 thousand Mercari users in 2020 (Respondents: 1,936 people)

5. Compliance and Risk Management

Plan

Establish a sound and transparent internal management system

Achievements (July 2019–June 2020)

- Compliance training
- Carried out regular compliance training (23 times throughout the year)
- Monitoring of adherence to laws and ordinances, etc.
- Compliance checks and risk assessments when releasing new products and features
- Content checks for advertisements when carrying out promotions
- Solid execution of compliance programs
- Periodic risk management

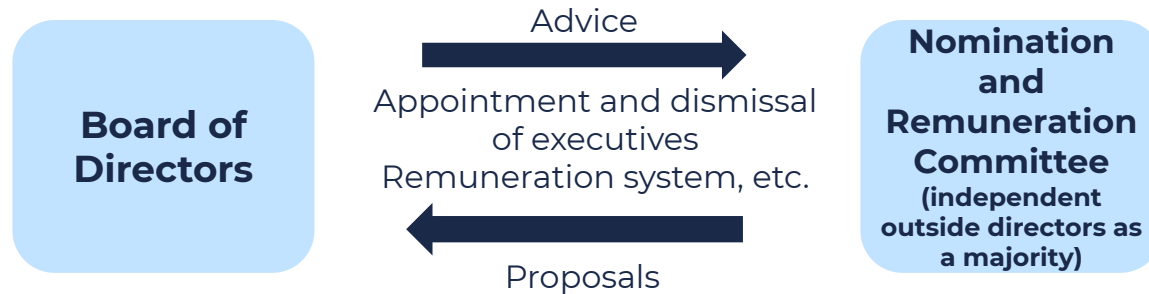
0 incidents

(no change from previous year)

Zero incidents serious enough to make the news (law violations, system outages, security incidents, etc.)

Strengthening Governance

- Established Nomination and Remuneration Committee as a non-mandatory advisory committee of Mercari's Board of Directors on April 30, 2020
- Independent board directors make up a majority of committee members
- Strengthened fairness, transparency, and objectiveness of decisions related to nomination and remuneration of executives, and others



Recognition by External Organizations

Included as a constituent of the MSCI Japan ESG Select Leaders Index in November 2019, in recognition for the ESG initiatives and communications which began in June of that year

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.