English Translation
This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

mercari

Consolidated Financial Results for the Nine Months Ended March 31, 2020 [Japanese GAAP]

April 30, 2020

Company name: Mercari, Inc.
Stock exchange listing: Tokyo Stock Exchange
Code number: 4385
URL: https://about.mercari.com/en/
Representative: Shintaro Yamada, Chief Executive Officer
Contact: Kei Nagasawa, Chief Financial Officer
Phone: +81-3-6804-6907
Scheduled date of filing quarterly securities report: May 14, 2020
Scheduled date of commencing dividend payments: -
Availability of supplementary briefing material on quarterly financial results: Available
Schedule of quarterly financial results briefing session: None

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Nine Months Ended March 31, 2020 (the "Period") (July 1, 2019 to March 31, 2020)

(1) Consolidated Operating Results (cumulative) (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2020	53,350	42.7	(20,292)	-	(20,320)	-	(22,212)	-
March 31, 2019	37,378	43.0	(5,981)	-	(5,993)	-	(7,341)	-

(Note) Comprehensive income: Nine months ended March 31, 2020: ¥(21,204) million [-%]
Nine months ended March 31, 2019: ¥(7,458) million [-%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
March 31, 2020	(144.82)	-
March 31, 2019	(51.28)	-

(Note) Information on diluted earnings per share is omitted since, although potential shares exist, the recorded figure was a loss.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2020	189,472	32,922	17.0
As of June 30, 2019	163,685	50,936	31.1

(Reference) Equity: As of March 31, 2020: ¥32,165 million
As of June 30, 2019: ¥50,936 million

English Translation
This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2019	-	0.00	-	0.00	0.00
Fiscal year ending June 30, 2020	-	0.00	-		
Fiscal year ending June 30, 2020 (Forecast)				-	-

(Note) Revisions to the forecasts of cash dividends most recently announced: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2020 (July 1, 2019 to June 30, 2020)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ending June 30, 2020	73,000 - 75,000	41.2 - 45.1	(25,000) - (23,000)	-	(25,000) - (23,000)	-	(27,600) - (26,100)	-

(Note) Revisions to the consolidated financial results forecast most recently announced: Yes

English Translation
This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

*** Notes:**

(1) Changes in significant subsidiaries during the Period (changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Application of special accounting treatments for preparing the quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatement
1) Changes in accounting policies due to revision of accounting standards: No
2) Changes in accounting policies other than 1) above: No
3) Changes in accounting estimates: No
4) Retrospective restatement: No

(4) Total number of issued shares (common stock)
1) Total number of issued shares at the end of the Period (including treasury stock):

March 31, 2020:	155,817,495 shares
June 30, 2019:	150,755,347 shares

2) Total number of treasury stock at the end of the Period:

March 31, 2020:	2 shares
June 30, 2019:	2 shares

3) Average number of shares during the Period:

Nine months ended March 31, 2020:	153,377,436 shares
Nine months ended March 31, 2019:	143,167,499 shares

* Quarterly Consolidated Financial Results are exempt from quarterly review conducted by certified public accountants or audit firms.

* Explanation of the proper use of financial results forecast and other notes

The forward-looking statements, including the financial results forecast, contained in these materials are based on information currently available to the Company and certain assumptions deemed reasonable by the Company. As such, they do not constitute guarantees by the Company of future performance. Details concerning the forward-looking statements are stated in “1. Qualitative Information Regarding Results for the Period (3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Statements” on page 3 of the Appendix.

English Translation
This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

Table of Contents

1. Qualitative Information Regarding Results for the Period 2
(1) Explanation of Operating Results 2
(2) Explanation of Financial Position 2
(3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Statements 3

2. Quarterly Consolidated Financial Statements and Primary Notes 4
(1) Quarterly Consolidated Balance Sheets 4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income 6
Quarterly Consolidated Statements of Income 6
Quarterly Consolidated Statements of Comprehensive Income 7
(3) Notes to the Quarterly Consolidated Financial Statements 8
Notes on going concern assumption 8
Notes on significant changes in the amount of shareholders' equity 8
Application of special accounting treatments for preparing the quarterly consolidated financial statements 8
Segment information, etc. 8
Business combination 9
Significant subsequent events 11

English Translation
This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

1. Qualitative Information Regarding Results for the Period

(1) Explanation of Operating Results

The Company and its group companies (collectively, the "Group") has positioned this year as the crucial year for establishing three core businesses: the *Mercari* Japan business, the *Merpay* business, and the *Mercari* US business; and making continued investment prioritizing business growth. The Group is now building a solid foundation for achieving its mission.

According to the FY2018 Survey of Infrastructure Development Status for Data-driven Society in Japan (E-Commerce Market Survey) released by the Ministry of Economy, Trade and Industry in May 2019, the Japanese domestic market for marketplace apps such as *Mercari* accounted for ¥639.2 billion in 2018, and this market is showing an ongoing expansion. In this business environment, the Group has focused particularly on optimizing the balance between listing and buying in the *Mercari* business in Japan with the aim of achieving continuous growth over the medium to long term. As a result, *Mercari*'s gross merchandise volume in Japan (Note 1) for the nine months ended March 31, 2020 was ¥445.4 billion, an increase of ¥84.3 billion compared with the corresponding period of the previous fiscal year.

Based on the technology and vast user and information base nurtured through *Mercari*, the Group launched *Merpay*, a mobile payment service, in February 2019. *Merpay* aims to become a payment service used in people's everyday life and is building a new ecosystem centered on trust, while working to gain more users and merchants. As a result of these efforts, the number of users has passed 6 million (Note 2) and is steadily increasing.

Meanwhile, the Group worked to expand the *Mercari* C2C marketplace in the US by increasing brand awareness and optimizing listing and shipping in order to meet the diverse needs of users.

As a result, the gross merchandise volume of *Mercari* in the US for the nine months ended March 31, 2020 was ¥43.0 billion (the exchange rate conversion is calculated by the average rate during the Period of ¥108.35 against the US dollar), up ¥13.7 billion from the corresponding period of the previous fiscal year.

In addition, the impact on operating results of the Group for the three months ended March 31, 2020 from the spread of COVID-19 was very little.

As a result, for the nine months ended March 31, 2020, the Group recorded net sales of ¥53,350 million (42.7% increase year on year), operating loss of ¥20,292 million (compared to operating loss of ¥5,981 million in the corresponding period of the previous fiscal year) primarily associated with the increases in advertising expenses and personnel expenses, ordinary loss of ¥20,320 million (compared to ordinary loss of ¥5,993 million in the corresponding period of the previous fiscal year), and loss attributable to owners of parent of ¥22,212 million (compared to loss attributable to owners of parent of ¥7,341 million in the corresponding period of the previous fiscal year). Information by business segment is omitted as the Group operates a single segment of the marketplace business.

(Note 1) Including purchases via *CARTUNE*

(Note 2) Total of the number of users registered for *Merpay Electronic Money* and users of *Merpay Code Payments, Online Payments,* and *Merpay Smart Payments* (excluding overlaps) as of January 2020.

(2) Explanation of Financial Position

(Assets)

Total assets as of March 31, 2020 increased by ¥25,787 million from the end of the previous fiscal year to ¥189,472 million. This is primarily attributable to a ¥6,895 million increase in cash and cash equivalents, a ¥1,661 million increase in other receivable, a ¥1,052 million increase in prepaid expenses, a ¥984 million increase in investment securities, a ¥12,138 million increase in guarantee deposits, despite a ¥1,022 million decrease in goodwill.

(Liabilities)

Total liabilities as of March 31, 2020 increased by ¥43,801 million from the end of the previous fiscal year to

¥156,550 million. This is primarily attributable to a ¥9,779 million increase in cash due to users and other payables and a ¥29,624 million increase in deposits received, despite a ¥1,586 million decrease in income taxes payable.

(Net assets)

Net assets as of March 31, 2020 decreased by ¥18,014 million from the end of the previous fiscal year to ¥32,922 million. This is primarily attributable to a ¥22,207 million decrease in retained earnings due to loss attributable to owners of parent.

(3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Statements

The Company has disclosed forecasts for the fiscal year ending June 30, 2020 (July 1, 2019 to June 30, 2020) in light of recent trends. For related details, please see “Notice Regarding Full-Year Consolidated and Non-Consolidated Earnings Forecasts for FY2020.6” announced today.

English Translation
This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of June 30, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and cash equivalents	125,578	132,474
Trade accounts receivable	1,341	1,660
Securities	5,196	5,311
Other receivable	14,176	15,837
Prepaid expenses	913	1,966
Deposits paid	5,383	6,283
Other current assets	319	1,489
Allowance for doubtful accounts	(1,094)	(1,805)
Total current assets	151,813	163,217
Non-current assets		
Property, plant and equipment	1,883	2,898
Intangible assets		
Goodwill	1,022	-
Other intangible assets	58	1,032
Total intangible assets	1,081	1,032
Investments and other assets		
Investment securities	533	1,517
Lease deposits	2,020	2,534
Deferred tax assets	1,825	1,503
Guarantee deposits	4,526	16,665
Other assets	0	104
Total investments and other assets	8,907	22,324
Total non-current assets	11,871	26,255
Total assets	163,685	189,472

English Translation
This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

(Millions of yen)

	As of June 30, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Current portion of long-term borrowings	1,261	1,067
Cash due to users and other payables	7,281	17,061
Accrued expenses	1,081	858
Income taxes payable	1,687	100
Deposits received	45,818	75,443
Provision for bonuses	673	389
Provision for point certificates	869	994
Provision for loss on business liquidation	82	384
Provision for share-based compensation	905	348
Other current liabilities	1,352	8,343
Total current liabilities	61,014	104,992
Non-current liabilities		
Long-term borrowings	51,447	50,647
Retirement benefit liability	-	70
Asset retirement obligations	-	126
Deferred tax liabilities	-	188
Other provisions	-	51
Other non-current liabilities	286	474
Total non-current liabilities	51,734	51,558
Total liabilities	112,748	156,550
Net assets		
Shareholders' equity		
Capital stock	40,110	41,326
Capital surplus	40,089	41,282
Retained earnings (Accumulated deficit)	(29,097)	(51,305)
Treasury stock	(0)	(0)
Total shareholders' equity	51,102	31,303
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-	1,030
Foreign currency translation adjustments	(165)	(169)
Total accumulated other comprehensive income	(165)	861
Non-controlling interests	-	757
Total net assets	50,936	32,922
Total liabilities and net assets	163,685	189,472

English Translation
This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Millions of yen)

	For the nine months ended March 31, 2019	For the nine months ended March 31, 2020
Net sales	37,378	53,350
Cost of sales	8,993	14,993
Gross profit	28,385	38,356
Selling, general and administrative expenses	34,366	58,649
Operating loss	(5,981)	(20,292)
Non-operating income		
Interest income	20	111
Foreign exchange gain	14	5
Other	17	41
Total non-operating income	53	158
Non-operating expenses		
Interest expense	65	183
Other	0	2
Total non-operating expenses	65	185
Ordinary loss	(5,993)	(20,320)
Extraordinary losses		
Impairment loss	-	922
Loss on devaluation of investment securities	55	204
Loss on step acquisitions	47	-
Loss on liquidation of business	190	-
Total extraordinary losses	294	1,127
Loss before income taxes	(6,287)	(21,447)
Income taxes	1,053	775
Loss	(7,341)	(22,223)
Loss attributable to non-controlling interests	-	(11)
Loss attributable to owners of parent	(7,341)	(22,212)

English Translation
This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the nine months ended March 31, 2019	For the nine months ended March 31, 2020
Loss	(7,341)	(22,223)
Other comprehensive income		
Valuation difference on available-for-sale securities	-	1,030
Foreign currency translation adjustment	(117)	(11)
Total other comprehensive income	(117)	1,019
Comprehensive income	(7,458)	(21,204)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(7,458)	(21,192)
Comprehensive income attributable to non-controlling interests	-	(11)

(3) Notes to the Quarterly Consolidated Financial Statements

Notes on going concern assumption

Not applicable.

Notes on significant changes in the amount of shareholders' equity

Not applicable.

Application of special accounting treatments for preparing the quarterly consolidated financial statements

Calculation of income tax expense

The Company reasonably estimated the effective tax rate following application of tax effect accounting on profit before income taxes for the fiscal year, which includes the current quarterly period, and applied this percentage to quarterly profit before income taxes to determine income taxes. However, a statutory effective tax rate was applied when such tax expenses were found to be very unreasonable after calculation based on the relevant estimated effective tax rate.

Segment information, etc.

Segment information, etc. is omitted as the Group operates a single segment of the marketplace business.

Business combination

Business combination through acquisition

(1) Finalization of provisional accounting treatment for business combination

The allocation of acquisition cost was not completed as of September 30, 2019 because the process of specifying assets and liabilities of Kashima Antlers F.C. Co., Ltd. identifiable on the date of the business combination and calculating their market value had not been completed. Therefore, a provisional accounting treatment was performed based on the reasonable information available.

The allocation of acquisition cost was completed as of March 31, 2020. The revised amount of goodwill for the nine months ended March 31, 2020 resulting from it is as follows.

Revised item	Revised amount of goodwill
Goodwill (before revision)	¥142 million
Trademark right	¥(548) million
Property, plant and equipment	¥112 million
Deferred tax liabilities	¥164 million
Non-controlling interests	¥89 million
Other	¥40 million
Total revised amount	¥(142) million
Goodwill (after revision)	- million

(2) Outline of the business combination

At a meeting of the board of directors held on July 30, 2019, the Company resolved to acquire 61.6% of the issued shares of Kashima Antlers F.C. Co., Ltd. from NIPPON STEEL CORPORATION and concluded a share transfer agreement with NIPPON STEEL CORPORATION. The procedures regarding the share acquisition were completed on August 30, 2019.

(i) Name and description of business of the acquired company

Name of the acquired company: Kashima Antlers F.C. Co., Ltd.

Description of business:

1. Management of the Kashima Antlers professional soccer team
2. Planning and management of various entertainment, such as soccer games and other sporting events
3. Management of sports facilities such as soccer stadiums

(ii) Purpose of the business combination

The Kashima Antlers began in October 1991 as the local team of the Rokko region of Japan, with its parent entity being the soccer team of Sumitomo Metal Industries, Ltd., and was one of the teams participating in the Japan Professional Football League (J.League). Having won the most titles among the three main domestic titles (J1. League, J.League Cup, and The Emperor's Cup), as well as having won the AFC Champions League in 2018 to become the number one club in Asia, the team is a leading soccer club not only in Japan but in Asia as well.

The Group's mission is to create value in a global marketplace where anyone can buy & sell by providing access in both Japan and the US to its marketplace app *Mercari*, which enables people to easily buy and sell second-hand items using their smartphones. In addition, in February 2019, it began providing mobile payment services through *Merpay*.

The Kashima Antlers' ambition to become a world-class soccer team resonates with Mercari, leading the Company to support them by becoming a sponsor in 2017. However, driven by a desire to create a close relationship with the Kashima Antlers, the Company recently came to an agreement for the Kashima Antlers to join the Mercari Group. Going forward, while respecting the Kashima Antlers' independence in club management, the Company will leverage its management know-how as a member of the Antlers family to support the further development of the Kashima Antlers as a globally competitive club that is loved by fans and supporters. In addition, the Company will use the power of the Kashima Antlers' strong brand to enhance the value of its own brand, as well as using it to further expand its user base for the *Mercari* and *Merpay* platforms operated by the Company. Moreover, working with the Kashima Antlers and the Kashima Antlers'

home region of Rokko, the Company will help promote the development of local communities and sports businesses, with the goal of becoming a well-loved member of the Antlers family.

Additionally, as a shareholder of Kashima Antlers F.C. Co., Ltd., the Company will observe the various rules of J.League, including its J.League contract, as well as the rules set by the Japan Football Association, while continuing to support the club so as to promote the J.League philosophy, J.League action programs, and the J.League 100-Year Vision.

(iii) Date of business combination
August 30, 2019 (deemed acquisition date: July 31, 2019)

(iv) Legal form of business combination
Acquisition of shares

(v) Name of the company after the business combination
Kashima Antlers F.C. Co., Ltd.

(vi) Percentage of voting rights acquired
Percentage of voting rights acquired on the date of business combination 61.6%
The percentage of voting rights as of March 31, 2020 is 71.1% due to the additional share acquisition after the date of business combination.

(vii) Main grounds for determination of the acquiring company
The Company acquired the shares in consideration for cash.

(3) Period of operating results of the acquired company included in the Quarterly Consolidated Statements of Income

Since the deemed date of acquisition was July 31, 2019, the operating results for the period from August 1, 2019 to January 31, 2020, have been included in Quarterly Consolidated Statements of Income for the nine months ended March 31, 2020.

(4) Matters relating to the calculation of the acquisition cost, etc.
Acquisition cost of the acquired company and breakdown thereof by consideration type

Consideration for the acquisition	Cash	¥1,588 million
Acquisition cost		¥1,588 million

The Company acquired additional shares at a cost of ¥246 million after the date of business combination.

(5) Details and amounts of main acquisition-related costs
Advisory fee, etc. ¥10 million

English Translation
This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

Significant subsequent events

Not applicable.