

FAQ on Q2 FY2022/9 Results

Here is a list of questions shareholders and investors are likely to ask about our Q2 FY2022/9 results. Please see below in conjunction with our Financial Statements and Financial Results Briefing Materials.

Review of Business Results

Q1: What is the reason for the decline in the gross amount of “support” pre-orders (GMV) and net sales in Q2 vs. Q1?

A: Our GMV is greatly influenced (see note below) by the number of published new projects, access UUs and CVR. In Q2, the number of published new projects and access UUs declined due to seasonality factors such as fewer number of business days and a slow start for the new calendar year by project owners. Further, a decline in our media exposure in February also contributed to lower access UUs (please see “Main KPIs” in this FAQ for variables affecting KPIs).

Moreover, while we were aiming for a recovery in CVR in Q2 through recruitment (which continued from Q1), operational improvements and development of new functionalities, more time was needed to implement all initiatives than we had originally anticipated. Even though CVR improved 0.1 pt vs. Q1 as we entered the second half of Q2, it was not a full-fledged recovery. For that reason, GMV declined 6.4% from Q1.

Note: GMV follows largely the same movement as the number of published new projects and access UUs, but that correlation is not perfect. CVR is a factor that can accelerate GMV but the movement of the two is not the same.

Q2: What about the progress of your business results as of Q2 vs. your plan?

A: GMV and net sales came in at approximately 80% compared to the plan. Operating profit significantly missed the plan—we posted an operating loss.

Q3: What is the reason for your operating loss in Q2 ?

A: In order to address the deterioration in user experience attributable to our rapid growth during the pandemic, we devoted ourselves to raising Makuake's media value and operational excellence. To lay the groundwork, we proceeded in the 1st half of the year with making upfront investments in aggressive recruitment. The reason was to avoid a repetition of the problems we are facing now. Since the accumulation of human assets was to prepare for the anticipated future growth, we did not engage in cost reductions but went ahead with our original plan of making upfront investments. This resulted in higher personnel expenses with our operating profit temporarily sliding into the red. On the other hand, thanks to aggressive hiring done through the 2nd half of the year, we now anticipate an accelerated pace of operational improvements that had been lagging due to staff shortages.

Main KPIs

Q1: You have been taking measures to improve conversion ratio (“CVR”) for half a year, but I don't see a recovery in the numbers. When will CVR improve substantially?

A: While operational improvements took longer than we had expected, optimization of the new operational structure in the 2nd half went well and we are advancing the development of new functionality that will significantly change the current user experience. For these reasons, we expect CVR to improve from the 2nd half of the year.

Q2: Why is the number of published new projects down significantly compared to Q1?

A: Traditionally, there is seasonality to Q2 in that there are fewer business days and businesses restart after New Year at a slower pace compared to other consecutive holidays, and similar events occurred this year as well. In addition, we strengthened screening/monitoring of overseas projects in that quarter, and we believe the impact of this action is one of the factors behind the decline in the number of published new projects.

Q3: Access UU numbers are declining. Is it possible the users' interest in Makuake is waning and the inflow of new users decreasing?

A: While, depending on the user, there are numerous channels to visit us, there are many users who are motivated to access us when new projects are published on the platform. As the number of published new projects in Q2 declined, access UU numbers showed no growth.

In addition, given that our exposure in various media propels growth of access UUs, a temporary decline in our media exposure in February meant we were not able to sufficiently grow access UUs.

This said, given that access UUs declined only slightly compared to the decline in the number of published new projects, we believe one cannot arrive to the conclusion that the users' interest in Makuake is waning.

Growth Strategy for FY2022/9

Q1: It is a steep revision of your earnings estimates compared to the original plan. Any thoughts on the assumptions used the plan?

A: As before, we will tackle internal issues and continue to improve our operational structure and develop new functionalities in order to strengthen the foundations for our growth from next fiscal year. At the same time, we will focus on robustness of Makuake, which is a premise underlying the utilization of the platform by the users, and promote repeat use by project owners and project supporters through strengthening of their understanding of our screening/monitoring structure and platform rules. We will continue to concentrate on laying the groundwork for a better user experience and the accumulation of customer assets.

Further, our earnings estimates were adjusted to include the following factors:

Net Sales

While we expect to see results due to operational improvements and releases of new functionalities from the 2nd half, we do not anticipate significant growth as we focus on strengthening of screening/monitoring, further optimizing the organizational structure and training of new personnel.

Operating Profit

Our costs are temporarily up as we went ahead with proactive recruitment to accumulate human assets in order to improve user experience and accelerate future growth. Given that we have secured enough personnel for operational improvements, new hiring will be kept to a minimum as we work to raise operational efficiency. On the other hand, there is no change from the original plan regarding advertising and promotion expenses for the Web as these contribute to ongoing user acquisition and acceleration of sales growth.

Q2: What are your expectations as to when GMV will return to previous growth rates on operational improvements, development of new functionalities, etc?

A: We expect GMV to return to previous growth rates from next fiscal year.

In the 1st half of the year, we worked on operational improvements and creating a framework for the development of new functionalities, while the 2nd half is the time to raise efficiency of the new organizational structure through personnel training, pursue further robustness of Makuake platform, and strengthen the operations that launch new products, which is our strength.

For the next fiscal year, we will come up with a strategy to aggressively capture the market by using our operational structure, which cannot be easily emulated by other companies trying to enter the pre-primary distribution market, as a weapon.

On Changes to Medium-Term Business Plan

Q1: I believe you have revised your medium-term business plan targets this time. As of now, given that there was a revision to your earnings forecasts for this fiscal year, is achievement of JPY 80 billion in GMV in 2025 possible?

A: The scale of the online pre-primary distribution market—the market for the online launch of new products—is some JPY 1 trillion and I think it is still very much in its frontier/development period. Further, very little of that JPY 1 trillion was moved online and so the potentiality is there and, for that reason, I believe our growth can lead to actualization of the market. Still further, this market has operational complexity—from inquiries about new products and services that do not yet exist to the completion of delivery—that is extremely high and, at this point, there are no competitors that pose a threat and therefore I see no competitive impediments to expanding our market share.

Accordingly, I expect the achievement of JPY 80 billion in GMV by 2025 to be possible through growing our user base (including project owners) by utilizing our strengths and maintaining our robustness that provides for the safe and sound use of the service.

Q2: Please comment on changes to your medium-term KPI targets.

A: We revised the number of published new projects and that of “support” pre-orders based actual results posted by these KPIs thus far. Here are the changes to specific numbers:

Number of published new projects: from 2,000/month to 1,300/month

Number of “support” pre-orders: from 2.5 million/Qtr to 2 million/Qtr

We are aiming to raise the quality of projects rather than their quantity and raise GMV value per project.

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Disclaimer and Cautions Regarding Forward-Looking Statements

While the content of this document has been prepared based on generally-recognized economic and social conditions as of April 26, 2022 and certain assumptions deemed reasonable by Makuake, Inc., it may change due to shifts in business environment and other factors.

When investing, please be sure to read our securities report before making any decision, at your own judgement, as an investor.

Risk and uncertainty include general domestic and international economic conditions such as general industry and market conditions, and fluctuations in interest and currency exchange rates.

Please note that going forward, Makuake, Inc. may, based on certain assumptions Makuake deems reasonable, update or revise “outlook information” when new information comes to light or material future events occur.