

FAQ on Q3 FY2022/9 Results

We prepared a list of questions shareholders and investors are likely to ask about our Q3 FY2022/9 results. Please see our answers below in conjunction with our Financial Statements and Financial Results Briefing Materials.

Review of Financial Results

Q: Were the gross amount of “support” pre-orders (“GMV”) and net sales in Q3 in line with your plan?

A: While we do not disclose Q3 figures in our plan for GMV and net sales, both were largely in line with the plan.

Q: Your personnel expenses have continued to rise from Q2. You had explained in your Q2 presentation materials that hiring was largely complete. Please explain the reason for the increase.

A: Q3 personnel expenses rose as the talent who were offered jobs in Q2 continued to join the company. As explained when announcing Q2 results, we did not recruit aggressively in Q3. Also note that the personnel who joined us in Q3 will mainly work to advance our initiatives to acquire project owners.

Q: Did you see any impact of economic “reopening” in Q3?

A: We are aware that economic reopening, domestically, started to accelerate from May. Accordingly, we are seeing a trend where the proportion of “money” and “time” spent by consumers on offline shopping, eating and drinking, and travel is rising. We think this has had some impact on the decline in inquiries and access UUs seen in Q3.

The above developments are expected to expand in Q4: the return to offline may exert a temporary effect on our business, possibly leading to a decline in the number of published projects, access UUs and CVR. Further, it is possible that our GMV may decrease on lower KPIs.

KPIs

Q: Your conversion rate (“CVR”) appears to be improving. Can we conclude that your operational improvements are beginning to produce results?

A: We think of CVR as a results indicator of improving user experience. We believe we have put CVR on an improving trend not only through operational improvements but through a synergistic effect of recruitment from the 1st half of the year, development of new functionalities and bolstering of platform soundness.

Q: The total number projects is growing but I have an impression that it is becoming difficult to grow the number of new projects in that total. Is it that you are seeing a limit in your total addressable market, or is it that your initiatives to acquire new projects are not yet in place?

A: As the demand is coming back after cooling down from its pandemic surge, the number of published projects by new project owners stands at a negative 19.0% compared to the previous year when the pandemic still exerted its effect. This said, the number is up some 1.9 times from Q2 FY2020/9 (January-March 2020), a period prior to the pandemic’s full-blown impact. For that reason, we do not believe we are seeing a decline in the growth rate of project publications or a limit in our market. Quite the opposite, we believe that the size of our total addressable market—the online market for the launch of new products—is growing from its estimated domestic size of JPY 1 trillion. We are seeing expansion—from the growth spurred by economic reopening (at the moment, in travel tour products, lodging, eating/dining-out certificates and similar) to, over the medium term, overseas demand for Japan-originated new products, and new products and services that can be used in the Metaverse.

In this Q3, we have secured PR/marketing talent and personnel for our new businesses in order to deploy new initiatives to more proactively acquire project owners for these markets that have plenty of potential for further development.

Q: Your Access UUs have continued to decline from Q2. Is it the case where Access UUs would not grow unless there is a large investment in advertising and promotion expenses?

A: Access UUs tend to grow on inflow of existing users thanks to a higher number of published projects, inflow as a result of product searches, also due to ads by project owners (we handle advertising), and our own WEB ads. This said, while the number of published projects increased this Q3, our operational training in making ad proposals and managing media exposure was still a work in progress, leading to lower advertising agency sales and media exposure. In the end, that resulted in lower access UUs. In addition, we think economic reopening, as mentioned above, has had some impact.

Growth Strategy for the 2nd Half of FY2022/9

Q: Are you planning to continue hiring in Q4?

A: We have completed our advance hiring to prepare for future growth in the 1st half of the year. In Q4, as in Q3, we will keep our hiring to a minimum and work on building a foundation to raise efficiency and improve profitability through personnel training.

Q: Please explain the situation with training of curators and screening/monitoring personnel.

A: Curators and screening/monitoring personnel are put through a 6-month and 3-month training respectively. Currently, the number of curators who have finished their training and stand on their own feet is 62 (89.9% of company total), and the number of screening/minoring staff members—21 (100% of company total).

Q: I would like to know about the progress with the development of new functionalities to improve user experience and about your next development plan.

A: In Q3, we released “Beginner’s Guide” that promotes the understanding of the site’s culture and enhances our credibility to those who visit Makuake for the first time, “Search History Functionality” that provides for smoother and speedier searches for products one wishes to find, and “Delivery Status Display Functionality” that makes the production and shipments status of a product easier to grasp. All these have led to improved user experience—from encountering new products to their delivery, resulting in higher CVR.

From now on, we will focus on the development of operation system used by project owners, curators and screening/monitoring/legal in order to support creation of attractive projects by aiming to streamline operation flow, and the development of expanded support to project owners covering all steps—from the end of the project publication through product delivery.

Q: Are you planning to increase advertising and promotion expenses in Q4 to grow GMV?

A: We are not planning large upfront investments in advertising and promotion expenses in Q4.

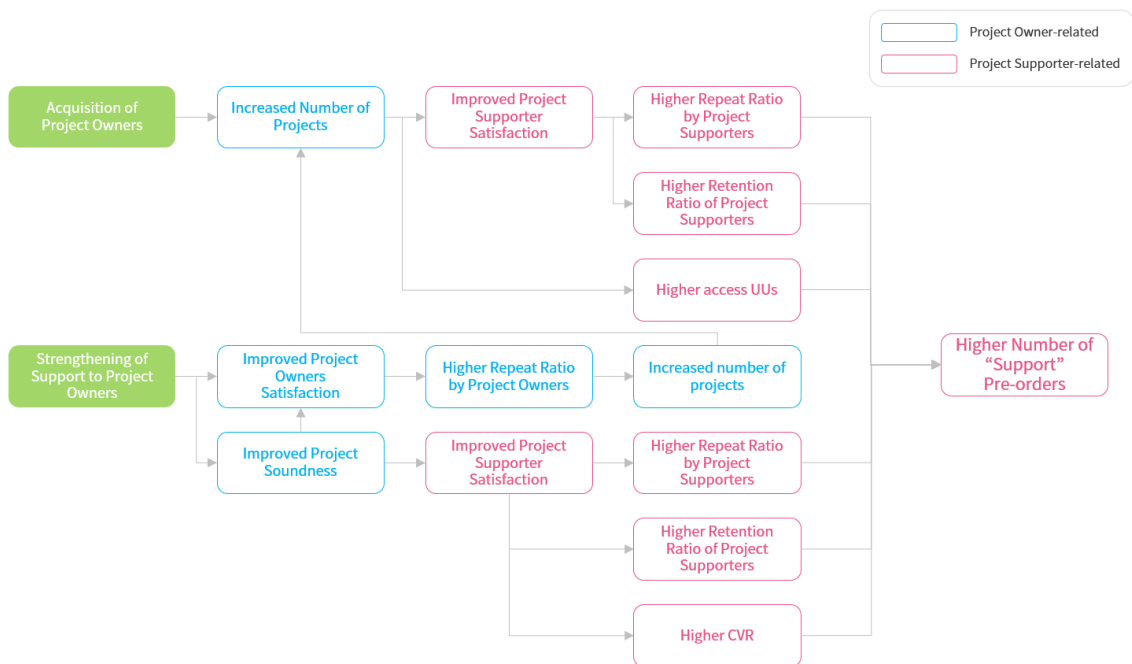
On Medium-Term Business Plan

Q: I believe you are aiming to achieve ¥80 billion in GMV in FY2025. But that will be difficult to achieve unless you post an average annual growth rate of some 55%. Please describe to us your growth scenario to achieve the goal.

A: While we have posted an average annual growth rate of 76.7% for the last four years (FY2018/9 through FY2021/9), annual growth rates vary as our businesses grow. Going forward, we will aim to achieve GMV of 80 billion by FY2022 by setting annual growth targets for all of our businesses based in-house growth progress, market environment and timing of upfront investments, rather than setting up a target for an average and stable growth rate and grow our business according to it.

Q: Among your medium-term KPI targets, you are lagging behind most on the number of “support” pre-orders. What are the issues with raising that number?

A: We think that further improvement of user (project owners and project supporters) experience is needed to grow the number of “support” pre-orders. We have been bolstering our internal systems and further building up our strengths, aiming to improve user experience. In addition, we will move forward with the strengthening of project owner acquisition and expansion of support to project owners, aiming for improved user experience of both project owners and project supporters.



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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 July 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.