

FAQ on Q3 FY2023/9 Results

We have prepared a list of questions that shareholders and investors are likely to ask about our Q3 FY2023/9 results. Please refer to our answers below, along with our Financial Statements and Financial Results Briefing Materials.

Review of Financial Results

Q1: How did you perform relative to the plan in Q3 (standalone quarter)? Additionally, please tell us how you internally assess that performance.

Q3 performance was largely in line with the plan. The gross amount of “support” pre-orders increased by 11.2% QoQ to JPY4,569 million as the creation of the framework for a repeatable customer experience started to yield results, leading to a higher number of published projects by repeat project owners and an increase in the amount of repeat “support” pre-orders. Net sales finished at JPY 990 million, up 12.5% QoQ, driven by the rise in the gross amount of “support” pre-orders and higher sales of related services. Furthermore, the operating loss, at JPY 81 million, came in smaller than the plan due to rigorous SG&A expense management in line with internal ROI standards.

Q2: You had the Golden Week holiday period during the third quarter. Did it have any impact on your performance?

We recognize that domestic travel spending during the Golden Week holidays has surpassed the levels seen in 2019, and there has been a gradual recovery trend in overseas travel spending as well. Under these circumstances, we saw a temporary impact during the holidays such as a decrease in the number of published projects, reduced access UUs (unique users), and a decline in CVR. That said, as mentioned in our answer to question 1 in “Review of Financial Results,” we believe our Q3 performance was largely in line with the plan, and the impact was limited in nature.

Q3: I understand that you have released a coupon functionality to encourage repeat business from users, granting them coupons with specific conditions. What was the extent of your advertising and promotion expenses that were incurred as a result of your coupon usage in Q3?

We do not separately disclose the amount of advertising and promotion expenses we incurred on coupon distribution and redemption, so we cannot provide a precise answer. However, it accounted for a small percentage of our total advertising and promotion expenses.

In distributing coupons, we employ user segmentation by multiple criteria such as the user's frequency of Makuake use, the timing of this use, and the user's history of "support" pre-orders. We also measure the effectiveness of each distributed coupon. In the future, we will continue to maintain an efficient operation by designing coupons that promote repeat use and contribute to the increase in the gross amount of "support" pre-orders.

Review of KPIs

Q1: I believe you are focusing on increasing the number of published projects by repeat project owners and the amount of repeat "support" pre-orders as the most important KPIs this fiscal year. How did these metrics perform in Q3?

In Q3, the number of published projects by repeat project owners increased by 13.6% QoQ to 1,085 as we established and rolled out a support program based on project owners' repeat potential. In addition, various CRM initiatives such as campaigns and coupons contributed to an 8.9% increase in the amount of repeat "support" pre-orders which reached JPY 3,409 million.

Q2: The rate of decline in access UUs is slowing down. Do you believe that the decline in access UUs due to economic re-opening has run its course?

With the impact of the shift of consumer spending to offline due to economic reopening showing signs of waning, access UUs came in at 11,806,705 persons, representing a marginal decline of 0.2% QoQ. On the other hand, travel, primarily domestic travel-related, and food and beverage consumption continue to show an upward trend, making it difficult to conclude that the decline in access UUs has run its course.

We anticipate that the peak impact from travel demand for this year will be in August, and

we will carefully monitor its effects in Q4.

Q3: Did the number of gadget- and service-related projects increase in the total number of published projects in Q3?

In Q3, there was an increase in gadget-related projects that use China as their production base, with numerous projects exceeding JPY 10 million in pre-orders. The number of service-related projects also rose, particularly in the food and beverage genre.

*Please note that we do not disclose the specific number of projects or the amount of “support” pre-orders by genre.

On Full-Year Results Expectations

Q1: Based on your gross amount of “support” pre-orders through Q3, I feel Q4 will present a high hurdle for achieving your full-year target of JPY 18 billion. How do you see the situation? Is it within your expectations?

While the gross amount of "support" pre-orders planned for Q4 is the largest quarterly amount planned for this fiscal year, it is in line with our expectations, and at the present time, we consider it achievable.

The logic behind determining the gross amount of "support" pre-orders and growth rate for Q4 is as follows:

Prerequisite: the expansion and enhancement of support for project owners and the strengthening of project supporter care by project owners

- Improvement in project owners’ satisfaction→Increase in repeat use by project owners
→**Increase in the number of published projects by repeat project owners**→Increase in “support” pre-order amount per project→Increase in the gross amount of “support” pre-orders
- Addressing of project supporters’ complaints→Improvement in project supporters’ satisfaction→Increase in repeat use by project supporters→**Increase in “support” pre-order amount**→Increase in the gross amount of “support” pre-orders

Given that the two indicators, which are prerequisites for increasing the gross amount of "support" pre-orders, namely the number of projects by repeat project owners and the amount of repeat "support" pre-orders, are improving from Q3 as planned, we believe that our Q4 plan for the gross amount of "support" pre-orders is achievable.

Q2: Are you planning significant investments in recruitment in Q4?

We already have a sufficient number of curator and screening/monitoring personnel for the number of published projects. In Q4, we are planning to hire an appropriate number of staff for development roles as well as other administrative departments.

Q3: With Q3 over and less than 3 months remaining in the fiscal year, what operating loss do you expect to post?

Through Q3, we have continued to control our SG&A expenses, which resulted in a smaller operating loss compared to the plan. Moving forward, we will continue to carefully balance the growth of the gross amount of "support" pre-orders and net sales against our costs in order to achieve our plan.

On Medium-Term Management Plan

Q1: I believe you are aiming to achieve 2,200 monthly active projects and a monthly project unit value of JPY 1.46 million for the month of September of FY2025/9. How was the progress in each of these KPIs in Q3?

In Q3, the average monthly active project count increased by 7.3% QoQ to 1,442 as we implemented visualization of project supporters' project evaluations and improved our operational systems for project owners. Additionally, the average monthly project unit value increased by 3.6% QoQ to approximately JPY 1.05 million, with enhancements to our system for increasing the 1st-day amount of "support" pre-orders for projects with high target amounts and the development of consulting capabilities.

Q2: You have disclosed your mid-range target of JPY 30 billion for the gross amount of "support" pre-orders in FY2025/9. What growth trajectory do you envision for the gross amount of "support" pre-orders until 2025?

We are considering two major phases for implementing key initiatives to achieve our medium-term management plan goals. Firstly, in Phase 1 (by the first half of FY2024/9), we plan to "eliminate negative experiences" as much as possible. Then, in Phase 2 (starting from the second half of FY2024/9), we will proceed with "strategic investments in mechanisms to convert project supporters into fans". We aim to boost the gross amount of "support" pre-orders by establishing a solid growth foundation by the first half of

FY2024/9 and then deploying effective strategies on that foundation to accelerate growth from the second half of FY2024/9. Therefore, we expect the growth in the gross amount of "support" pre-orders to accelerate faster during Phase 2 compared to Phase 1.

Q3: I understand that you are targeting an operating profit margin of approximately 7.5% to 13.5% for FY2025/9. When do you anticipate achieving profitability during your medium-term management plan?

As stated on page 23 of the Financial Results Briefing Materials for Q3 FY2023/9, we are aiming to achieve profitability in FY2024/9.

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Disclaimer and Cautions Regarding Future Outlook

While the content of this document has been prepared based on generally recognized economic and social conditions as of July 25, 2023 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 financial reports and other documents released by us 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.

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