

## FAQ on Q2 FY2024/9 Results

We have prepared a list of questions that shareholders and investors are likely to ask about our Q2 FY2024/9 results. Please refer to our answers below, in conjunction with our Financial Statements and Financial Results Briefing Materials.

### Review of Financial Results

**Q1: You said the gross amount of “support” pre-orders and net sales fell short of plans in Q2, but in the first half of the fiscal year they grew YoY. How far behind are you compared to the plan?**

As we do not disclose quarterly plans, we cannot provide specific figures for comparison, but we expected the same level as in Q2 FY2023/9. However, in addition to traditional seasonal factors expected when formulating the initial plan, the external environment in Q2 was more challenging than anticipated due partially to the impact of the Noto Peninsula earthquake. Internally, the acquisition of high-quality new and repeat project owners fell short of plans, resulting in a 3.7% and 5.7% YoY decline in the gross amount of “support” pre-orders and net sales, respectively. The reason the decline in net sales was larger than the decline in the gross amount of “support” pre-orders was that the Makuake service take rate declined as a result of the prompt development of a special plan to support reconstruction following the Noto Peninsula earthquake and the elimination of platform usage fees other than settlement fees (5% tax included) for repeat project owners who were affected by the earthquake.

**Q2: You explained that Q2 results declined due to traditional seasonal factors and the partial impact of the Noto Peninsula earthquake. To what degree did the earthquake impact performance, and will this continue to affect performance in the second half of the fiscal year?**

Although it is difficult to clearly quantify the impact of the earthquake, it was difficult for local businesses and businesses with offices in the affected areas to publish projects. Additionally, some project supporters have also been affected during the period following the earthquake,

as consumers have become more restrained in their spending habits, and we believe this impact is reflected in the number of projects published, access UUs, CVRs, and other indicators. The impact of the earthquake was analyzed and appears to have been strong in January and February, but all indicators have recovered since March.

**Q3: The scale of advertising expenses was considerably smaller, are you also curtailing up-front investments for future growth?**

We manage SG&A expenses based on internal ROI standards and continue to make efforts to improve operational efficiency, particularly with respect to advertising expenses. To improve operational efficiency, we are reducing short-, medium-, and long-term initiatives that we judge to be inefficient. At the same time, costs are incurred when up-front investments are expected to produce benefits, and advertising expenses in Q2 include up-front investments for future growth.

Advertising expenses are mainly used to gain exposure for projects published on Makuake in social media. Advertising efficacy is affected by various factors, including the number of published projects, the number of active projects during the month, and the genre and topicality of the project. We adjust the amount of expenditures in line with these indicators. In Q2, due to weak progress in the number of published projects and the number of active projects during the month, we adjusted advertising expenses.

## **Review of KPIs**

**Q1: The number of active projects during the month continues to decline. What is the main reason for this?**

As briefly touched upon in the answer to the first question under Review of Financial Results, Q2 (January–March) is traditionally affected by seasonal factors, with fewer business days than other quarters and an especially slow start by companies immediately after the New Year holidays. In the period under review, this was exacerbated by an increase in negative factors in the external environment caused by the Noto Peninsula earthquake.

Additionally, there were internal issues with the operation of our system for acquiring high-quality new and repeat project owners, and we were unable to increase the acquisition of project owners as planned.

As a result, the number of published projects in January and February was weak, resulting in

a 13.5% YoY decline in Q2 published projects. This resulted in a drop in the number of active projects during the month, down 14.6% YoY.

**Q2: The monthly project unit value, which had been growing, has slightly decreased. Does this indicate difficulty in further increasing unit values?**

Project unit value can be increased by a variety of elements, including thorough curator support, as well as the impact of project owner and project potential, supporter consumption trends, and other factors. Monthly project unit value in Q2 reached 104.6% of the target for Q4 FY2024/9 due to thorough, ongoing curator support. The slight QoQ decline was due to issues related to the acquisition of high-quality project owners and factors in the external environment.

### **FY2024/9 Financial Forecasts**

**Q1: Considering the number of monthly active projects in Q2, is it possible to achieve your performance plan this fiscal year?**

In the second half of the fiscal year, in addition to strengthening our system for acquiring high-quality new and repeat project owners, we intend to expand the scale of sales outside Makuake with enhanced service offerings. At this point in time, we expect these measures will enable us to achieve our performance plan for the current fiscal year.

**Q2: What are your specific plans for increasing the number of monthly active projects in the second half of the fiscal year and beyond?**

The management structure for acquiring repeat project owners by account up to Q2 has been eliminated, and a new organizational structure is in place to focus on these acquisitions. At the same time, with regard to the acquisition of high-quality new project owners, we believe the main reason for sluggish performance was insufficient resources, and we are making efforts to acquire the sufficient number of sales personnel required for acquisitions.

Conversely, at present, the benefits that can be provided to businesses in acquiring high-quality project owners, increasing repeat projects, and increasing the number of monthly active projects are limited to pre-primary distribution. Due to this limitation, it is difficult to accumulate and sufficiently expand the pool of repeat project owners. For this reason, we are also considering expanding other related services so that we can provide benefits to

businesses throughout the distribution market.

**Q3: The number of curators increased in Q2; do you plan on increasing curators at the same pace in the second half of the fiscal year? Do you need to increase curator numbers to achieve your financial forecasts for FY2024/9?**

We plan to increase the number of employees as needed in all positions, including curators, but only a few people at a time, and we will limit increases to positions that are definitely required for the future. We have no plans at this time to increase employee numbers on an ongoing basis in order to achieve the FY2024/9 plan.

### **Medium-Term Management Plan**

**Q1: I understand that, in the second half of the fiscal year, you will focus efforts on acquiring high-quality new and repeat project owners, while increasing the number of monthly active projects. I would like to know how monthly active projects and monthly project unit values will progress going forward.**

While gross amount of “support” pre-orders comprises monthly active projects multiplied by monthly project unit values, there is a partial tradeoff as fewer projects equates to more time to improve project unit values. Accordingly, we expect to see a temporary decrease in unit values when internal resources are leveraged to increase the number of monthly active projects.

However, in Q2 there were 1,147 monthly active projects, and the monthly project unit value was JPY 1.14 million, compared to the medium-term KPI targets of 1,643 monthly active projects and monthly project unit value of JPY 1.15 million in Q4 FY2025/9, with the monthly project unit price almost reaching the medium-term KPI target. Based on these factors, we believe that the number of monthly active projects and monthly project unit values will rise and fall, while steadily advancing toward medium-term KPI targets.

**Q2: If performance had progressed according to the original plan, you would have moved to Phase 2 of the medium-term management plan in the second half of the fiscal year, but, the launch of Phase 2 has been pushed back. Am I correct in assuming that the various development projects for supporters will be moved to FY2025/9 or later?**

Yes, that is our thinking. We have decided that the priority is to strengthen the recurring

revenue base by addressing the problem of insufficient monthly active project numbers, which became apparent in Q2, and have revised the timing of the transition to Phase 2 and the developments related to the loyalty program for supporters to FY2025/9 or later.

**Q3: Do you consider medium-term management plan operating profit margin targets to be achievable at this juncture?**

Yes, in addition to improving Makuake's profitability, we will start expanding service offerings in the second half of FY2024/9 and have begun considering other related services to provide benefits to businesses throughout the distribution market. We believe that an operating profit margin of between 7.5% and 13.5% is achievable in FY2025/9.

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 April 23, 2024, and certain assumptions deemed reasonable by Makuake, Inc., it may change due to shifts in the business environment and other factors.

When investing, please be sure to read our financial reports and other materials released by us before making any decision, at your own judgment, as an investor.

Risks 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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