Makuake, Inc.

FAQ on FY2022/9 Full-Year Results

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

Review of Financial Results

Q1: GMV came in at JPY 19,776 million for FY2022/9, down 8.2% YoY. What is the main reason for the decline in GMV?

We have rapidly grown GMV over the last two fiscal years—FY2020/9 and FY2021/9—due to the pandemic-generated demand. In FY2022/9, we aimed to grow GMV further and, to this end, worked to aggressively hire new staff to keep pace with the number of project owners and project supporters, which had rapidly grown due to the pandemic, optimize internal operations, develop various systems and improve platform soundness. In the meantime, as the day-to-day life started to normalize thanks to wide adoption of COVID-19 vaccines, the so-called "economic reopening" accelerated and, from May 2022, began to produce a powerful impact on our business. Q4 in particular, saw the impact of economic reopening far exceed our company efforts-driven organic growth. A portion of the pandemic-generated demand fell off and, as a result, GMV for FY2022/9 came in at JPY 19,776 million, down 8.2% YoY.

Q2: Personnel expenses have jumped significantly in FY2022/9. How is this different from your hiring plan?

Our initial staffing plan for FY2022/9 called for increasing the number of curators and screening/monitoring personnel to 100 in order to provide high-quality service to project owners and project supporters, but we revised it down to 90 as we took note of our business performance. As of the end of FY2022/9, the number of curators and screening/monitoring personnel stood at 88 which is an adequate number to pursue our next stage of growth from FY2023/9.

Q3: Net loss came in significantly worse than your financial forecasts. Please explain why it came at a negative JPY 1,347 million.

Since we announced the revision of full-year financial forecasts for FY2022/9 on September 9, 2022, we have been carefully examining—while looking at the current business performance—the degree to which the uncertainty in the external environment surrounding us is impacting our business. Most recently, as the return of distribution channels and consumption back to offline due to economic reopening continues to manifest itself, the depreciation of the yen and skyrocketing raw material costs further increase the uncertainty as to future trends among businesses and consumers. For these reasons, we have reexamined our own potential, taking into account positive and negative factors in the external environment, and our future business plan and, for FY2023/9, forecast net sales of JPY 3,840 million (down 8.7% YoY), operating loss of JPY 880 million (compared to operating loss of JPY 324 million for the previous fiscal year), ordinary loss of JPY 880 million (compared to ordinary loss of JPY 302 million for the previous fiscal year) and net loss of JPY 890 million (compared to net loss of JPY 1,347 million for the previous fiscal year).

As a result, in accordance with the "Accounting Standard for Impairment of Fixed Assets," we conducted a comparative review of future cashflows, book value and remaining useful life of fixed assets and booked a fixed asset impairment loss of JPY 1,009 million, mainly on software. Accordingly, net loss came in at JPY 1,347 million.

Review of KPIs

Q1: The number of published projects and conversion rate ("CVR"), which looked like they were on the upswing, declined again in Q4. Why?

As the day-to-day life started to normalize thanks to wide adoption of COVID-19 vaccines, economic reopening accelerated and, from May 2022, began to produce a powerful impact on our business. Q4 in particular, saw the impact of economic reopening far exceed our company efforts-driven organic growth, with the result being the declining number of published projects and declining CVR.
We see the decline in CVR as being due to consumers spending a higher proportion of their "money" and "time" on offline travel, hotels/lodging, catering/restaurants and similar industries. As to the decline in the number of published projects, we understand that, in

addition to the “revival” of venues that use offline to launch new products, the number of cases where businesses shelve the development and launch dates of new products due to deteriorating domestic and international economic situation is increasing

Q2: Is the strengthening of your screening/monitoring operations to bolster soundness leading to a decline in the number of published projects?

We recognize that preventing trouble caused by inappropriate projects and maintaining a platform that users can turn to with confidence are important issues. For that reason, we have been—since we started the service—continuously reviewing examination items by category. In FY2022/9 in particular, in order to strengthen soundness of the platform, we made public Makuake Basic Policy and Makuake Quality Standards, and clearly laid out our standards for project publication. Our thinking is that a project goes into preparation for publication only after we have achieved a common understanding with the project owner regarding the necessary conditions for its publication. We think that the above contribute in part to improvements in efficiency of our support operations for project publication. Further, we believe that their impact on the decline in the number of published projects is quite limited.

Q3: In addition to the continued decline in the number of visitors to your site (access UUs), the growth rate in the number of members is also trending down. Isn’t it the sign that users are disengaging themselves from Makuake?

We have been able to substantially grow access UUs and the number of members over the last two fiscal years—FY2020/9 and FY2021/9—due to the pandemic-generated demand. As of FY2022/9, access UUs and the number of members are still at a high level even as the impact of economic reopening grew stronger in the 2nd half of year. When compared to the period prior to the pandemic (Q2 FY2020/9), access UUs and the number of members as of Q4 FY2022/9 are 2.3x and 2.7x higher, respectively. While the growth momentum has slowed, we believe that user acquisition is solid.

On Financial Forecasts for This Fiscal Year

Q1: The net sales number in your financial forecasts shows a second consecutive annual decline. Please explain the assumptions underlying your financial forecasts.

We once again carefully examined the positive impact of the pandemic on our results over the last two fiscal years and reassessed our own potential. Further, our plan for FY2023/9 was made based on the current conditions: as the return of distribution channels and consumption back to offline due to economic reopening continues to manifest itself, the depreciation of the yen and skyrocketing raw material costs further increase the uncertainty as to future trends among businesses and consumers. Our numbers were calculated accordingly.

Q2: Please tell us your thinking regarding hiring plans and personnel expenses.

We believe that we have secured an adequate number of personnel in FY2022/9 to pursue our next stage of growth and, therefore, our hiring plan for FY2023/9 limits recruitment only to essential personnel.

With regard to personnel expenses, we expect to make upfront investments in personnel expenses to accumulate human capital in order to raise customer satisfaction and acquire more repeat customers. As we train our existing employees, we plan to focus on their optimal placement, improving and properly running customer support operations and managing customer feedback.

Q3: Are you planning upfront investments in advertising and promotion expenses for large-scale promotions and similar initiatives? Is there anything else in the plans that involves large expenditures?

We are not planning large-scale spot promotions or other large expenditures.

Q4: What are the main factors behind your forecast of JPY 880 million operating loss?

In our case, SG&A expenses are mainly personnel expenses and advertising and promotion expenses. With regard to personnel expenses, as explained in Question 2 of “On Financial Forecasts for This Fiscal Year,” we are considering upfront investments in order to raise customer satisfaction and further accumulate repeat customers.

As to advertising and promotion expenses, these are for Makuake (mainly WEB ads) and project-related expenditures. Since these expenditures contribute to continuing

acquisition of users and building of the foundations for growth of future GMV, there will be no change in their size from that in FY2022/9.
For these reasons, our forecast for operating loss in FY2023/9 is JPY 880 million.

On Plans for KPIs

Q1: I think it's becoming more difficult to grow the number of published projects because of economic reopening.　What is your strategy for acquisition of project owners and raising the number of published projects?

In FY2022/9, we realized again that repeated use by project owners and project supporters is the foundation for stable growth of our business that is greatly contributing to our business growth.　For FY2023/9, we are aiming to make increasing customer satisfaction and promoting repeated use the linchpin of our growth.
Then again, in order to acquire new project owners, we will strive to beef up our marketing unit, put effort in broadening our customer base and grow the number of published projects.

Q2: It seems that the decline in access UUs will continue due to the ongoing difficult external environment.　What are your thoughts on how access UUs will progress this fiscal year?

We also think that the impact of economic reopening will continue for some time, and there is a possibility that a downward trend in access UUs will also persist for a while.　On the other hand, we believe that the impact from economic reopening, which is a reaction to the pandemic, will dissipate after a certain period of time.　With regard to the progression of access UUs in FY2023/9, we believe it important to steadily achieve our own organic growth.

Q3: Please tell us about the assumptions underlying your plan for CVR this fiscal year.

For FY2023/9, we are not forecasting GMV based on an assumed CVR due to the rising uncertainty, driven by the impact of the external environment, as to future trends among business and consumers.
In line with the strategy explained in Question 1 of "On Plans for KPIs," we are planning to "create" GMV by focusing on promoting repeated use by project owners and project supporters, and growing the number of published projects and the amount of "support"

pre-orders.

Q4: What are the indicators that would allow to confirm you are progressing in line with your full-year estimates for this fiscal year?

We believe that raising customer satisfaction, which is the paramount focus of our attention in FY2023/9, will lead to repeated use of Makuake. Further, indicators of repeated use pertaining to project owners and project supporters will be the most important indicators measuring the results of our growth initiatives. Therefore, as we understand, one can ascertain if there is progress or not by looking at the number of published projects by repeat project owners and the amount of repeat "support" pre-orders.

On Medium-Term Business Plan

Q1: Are you planning to revise your medium-term business plan?

Yes. In light of FY2022/9 financial results and the current external environment, we will be revising our medium-term business plan again. Further, we believe that it is difficult to disclose medium-term targets at this point as there are many uncertain variables in the external environment. After careful consideration, once we reach an acceptable level for disclosure, we will promptly disclose the numbers.

Q2: What will be the drivers for the next stage of growth once the medium-term business plan is revised?

Repeated use by project owners and project supporters. In order to achieve this, we need to raise the level of satisfaction with the use of the platform, our operations personnel, as well as curators, need to provide detailed and extensive support to project owners. As for project supporters, our CRM talent, various projects done by our development talent and other initiatives will be very important. Therefore, we recognize our human capital that will be executing all these tasks as another growth driver.

###

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 October 25, 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 financial reports and other documents released by us before making any decision, at your own judgement, as 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 Makuake, Inc., may, based on certain assumptions deemed reasonable by Makuake, Inc., update or revise “outlook information” provided in this document if new information comes to light or material future events occur.