

FAQ on Q1 FY2023/9 Results

We prepared a list of questions shareholders and investors are likely to ask about our Q1 FY2023/9 results. Please see our answers below in conjunction with our Financial Statements and Financial Results Briefing Materials.

Review of Financial Results

Q1: How are your results for Q1 relative to your original plan? Also, please explain the reasons for any large variances relative to the plan.

For Q1, sales, including the gross amount of “support” pre-orders, and operating profit both came in largely in line with the plan. Further, there were no large increases or decreases relative to the plan.

Q2: Your gross profit margin came in at 82.0%, showing a significant increase from the previous quarter. What are the reasons?

In FY2022/9, we booked a fixed asset impairment loss of some JPY 1 billion on software and software in progress. As a result, software depreciation charges in our costs have declined significantly and our gross operating margin came in at 82%.

Q3: Your overall SG&A expenses appear to be under control. Taking a closer look, however, your payment fees/other expenses are increasing. What expenses are increasing, specifically?

Payment fees are commissions paid to payment agencies for clearing transactions. These expenses move in complete lockstep with the gross amount of “support” pre-orders. In Q1, the gross amount of “support” pre-orders increased from the previous quarter and, accordingly, so did payment fees. Further, other fees, which include expenses such as for outsourcing and those related to shareholders’ meetings, rose and, as a result, “payment fees/others” expenses increased.

Review of KPIs

Q1: The number of projects by repeat project owners is growing. Are you beginning to see the results of your initiatives to focus on raising repeat use of the platform by project owners?

In Q1, we set up new cross-functional teams encompassing all of Makuake's divisions and focused on establishing a framework for promoting repeat use of the platform through expanding/strengthening support to project managers and raising their satisfaction. While the framework is still a work in progress, the number of published projects done by project owners who had implemented projects with us before has begun to increase thanks to our efforts to strengthen support to repeat project managers based on their track record. In the future, we expect these results to grow as we proceed with implementing the framework.

Q2: I understand that you are growing not just products that are goods but products that are services. Did the number of service-related products increase in Q1?

While we do not disclose the specific number of service-related projects, they have increased in Q1 from the previous quarter. At this time, given the continued impact of economic reopening, we think the number of projects offering experiences centering on travel, accommodations and restaurants/eating establishments and all the way to saunas and local revitalization will continue to grow.

Q3: While on the one hand the number of projects by repeat project owners is increasing, the amount of repeat "support" pre-orders is declining. How would you assess this?

As we move ahead with creating a framework to support project owners in providing project supporter care, this framework—as mentioned in our answer to Q1 in the "Review of KPIs" section—is a current work in progress, and we recognize that we are in a phase where we are beginning to see a slight impact to the increase in the number of repeat project managers. To emphasize, we believe there are stages in creating a framework for repeatable customer experience. We expect that the expansion and strengthening of support to project managers will lead to/go through the following stages: "higher satisfaction of project supporters→project supporters becoming repeat customers→increased amount of repeat "support" pre-orders." We think that the amount of repeat "support" pre-orders will be in an uptrend from the second half of the year. The fact that we are not seeing an increase in the amount of repeat "support" pre-orders at this point is in line with expectations.

On the other hand, we saw the publication of new large projects in Q1 and were able to increase the amount of “support” pre-orders by new project supporters.

On Full-Year Results Expectations

Q1: Given the progress in your business results for Q1, are there any changes in your expectations for the full year? Please explain both potential upsides and downsides.

As mentioned above, Q1 results were largely in line with the plan and there are no changes to our full-year estimates. At this point, we are not seeing large upsides or downsides.

Q2: How is your current external environment?

We are cognizant that, in a trend continued from the previous quarter, consumption of services provided by the travel and hotels/lodging industries is increasing due to continued support for nationwide travel and, further, offline consumption of catering/restaurants services and shopping continues to rise. While we recently are seeing signs that the depreciation of the yen and high prices are calming down, the outlook remains uncertain.

Q3: Any changes in your expectations—due to shifts in the world situation—as to the number of projects by overseas project managers?

Among overseas project managers, we are seeing big changes in the activity of project managers from the Greater China region. Specifically, we know that companies that could not operate due to the Covid restrictions are moving to start full-scale operations. Our team that handles the Greater China Region is receiving more new inquiries.

On Medium-Term Business Plan

Q1: When will you announce the new medium-term management plan?

We will promptly announce it when we are able to estimate, with some precision, the impact of changes in the external environment on our future business results.

Q2: Will GMV generated by Makuake Store and Makuake Global be reflected in the new medium-term management plan?

We believe that Makuake ecosystem will expand greatly thanks to Makuake Store and Makuake Global. That said, given that their roll-out as standalone services had just started, we are cognizant of the difficulty in estimating the scale of their GMV.

We will consider the above 2 points when we announce our medium-term business plan.

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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 January 24, 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 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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