

FAQ on Q2 FY2023/9 Results

We prepared a list of questions shareholders and investors are likely to ask about our Q2 FY2023/9 results. Please see our answers below in conjunction with our Financial Statements and Financial Results Briefing Materials.

Review of Financial Results

Q1: Please provide a review of your financial results through Q2. Also, please explain how they compare to your original plan.

As was the case in Q1, the gross amount of "support" pre-orders, net sales, and operating loss in Q2 were largely in line with our plan. Q2 typically sees a gradual resumption of operations by businesses after the start of the year, and due to the fewer number of business days in February, there is a decrease in the number of published projects. As a result, the gross amount of "support" pre-orders tends to decline in January and February. But March brings a seasonal recovery in the gross amount of "support" pre-orders, accompanied by an increase in the number of published projects. That trend manifested itself this year as well.

Q2: How was your external environment in Q2? Were there any significant changes and what was their impact on your financial results?

There were no significant changes in the external environment in Q2 compared to Q1, with consumption for travel and hotel/lodging services continuing to increase. That said, following a major shift in the Chinese government's policies towards the pandemic in early December 2022, we saw an increase in new product development by companies in the Greater China region and an uptick in inquiries directed at expanding their new product lineup for Japanese consumers. We expect that these inquiries will have some impact on our financial results in the second half of the year, as these projects are published after a thorough review and approval process.

Review of KPIs

Q1: The overall number of published projects as well as the number of projects done by repeat project owners declined compared to Q1. Please explain the reasons for this decline.

As stated in the answer to question 1 in the “Review of Financial Results” section, there is typically a seasonal decrease in the number of published projects in Q2 as businesses slowly return to operations after the New Year and due to fewer business days in February. Although we were able to bring the number of published projects back to a growth trend in March, the total number of published projects for Q2 decreased 17.0% compared to the previous quarter, while the number of published projects from repeat project owners declined 14.4%.

Q2: The amount of repeat “support” pre-orders is not growing. Please explain the reason for this, given that your CVR was up 0.1 pt compared to Q1.

The number of published projects decreased in Q2, due to seasonal factors, which in turn led to declines in both the gross amount of “support” pre-orders and the amount of repeat “support” pre-orders. That said, the rate of decline in the number of published projects by repeat project owners was lower than that for the total number of published projects, as we were able to secure a certain number of projects by repeat project owners who have accumulated customers within our company. Moreover, we were able to raise our CVR by 0.1pt in Q2 thanks to increased “support” pre-orders placed by high-loyalty project supporters in March through the implementation of CRM measures utilizing “support” pre-order coupons and other incentives.

Further, while the number of published projects by repeat project owners was down 14.4% QoQ, the decrease in the amount of repeat “support” pre-orders was limited to 2.9%. This was achieved by implementing measures specifically targeted towards project supporters to mitigate the impact of seasonal fluctuations.

Q3: Access UUs remain on a declining trend. What are your expectations as to how long this trend will persist?

As stated in the answer to question 2 in the “Review of Financial Results” section, the impact of economic reopening persisted into Q2, and we saw a continued decline in access UUs. We expect this environment to remain in place for a period of time, and while the

decrease in access UUs may be gradual, we think it may continue. That said, despite the decline in access UUs, we believe that implementing CRM measures to encourage repeat site use will allow us to increase the number of UUs who place “support” pre-orders and the monthly amount of “support” pre-orders per UU. As a result, we believe that our targets are within an achievable range.

On Full-Year Results Expectations

Q1: I understand that you are focusing this fiscal year on creating a framework for repeatable user experience. When will we see results of your initiatives to promote repeated use by project supporters?

We believe that we are already seeing some results given that the rate of decline in the gross amount of “support” pre-orders in Q2 was lower than that of the number of published projects. We expect to see the results in terms of an increase in repeat “support” pre-orders from Q3 of this fiscal year.

Q2: I believe that, in order to achieve your target of JPY 18 billion, you will need to create an upward trend in the gross amount of “support” pre-orders from Q3. Please outline your plan to achieve this.

While we cannot talk about specific numbers for each quarter, the cumulative gross amount of “support” pre-orders through Q2 was JPY 8.3 billion. We aim to achieve our target by covering the remainder through increased growth in Q3 and Q4.

Q3: Given the progress in your Q2 results, are there any changes in your full-year estimates? Please tell us of any potential upsides or downsides to your estimates.

There are no changes to our full-year estimates given that our cumulative financial performance through Q2 was largely in line with the plan. At this point, we don’t see significant upside or downside possibilities.

On Medium-Term Business Plan

Q1: I believe you are expecting an operating loss for the full year. When do you expect to move into the black?

We expect to return to profitability in FY2024/9. While profits are likely to be small in FY2024/9, we are targeting an operating profit margin between 7.5% and 13.5% for FY2025/9.

Q2: Please explain the challenges in executing the company's vision in the medium-term and measures to deal with these challenges.

We believe that the challenges in executing our vision in the medium-term are:

1. Establishing a business structure that is not greatly influenced by the external environment
2. Continuing growth of the gross amount of "support" pre-orders and enhancing our capacity to achieve targets for the gross amount of "support" pre-orders
3. Improving productivity
4. Actualizing a large-scale TAM (Total Addressable Market)

Please refer to pp. 17-42 of our Financial Results Briefing Materials for detailed information on how we are addressing each challenge.

Q3: What are the most important KPIs to assess progress towards your medium-term business plan targets?

The number of active projects and the Monthly project unit value are the factors that determine the gross amount of "support" pre-orders. We aim to achieve 2,200 active projects and a Monthly project unit value of JPY 1.46 million in September of FY2025/9.

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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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