

FAQ on Q1 FY2024/9 Results

We have prepared a list of questions that shareholders and investors are likely to ask about our Q1 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: Please provide a review of GMV and financial results for the first quarter compared to your plan.

GMV and net sales came in largely in line with the plan. Although the gross profit margin temporarily declined due to a lesser effectiveness of web advertising at year-end—impacted by various e-commerce companies' Black Friday campaigns, leading to a higher cost ratio—as well as due to increased costs in related services, our business structure, capable of delivering a gross profit margin of around 80%, remains unchanged. Furthermore, we narrowed operating profit loss through continued control of SG&A expenses.

Q2: You have successfully reduced SG&A expenses from Q4 FY2023/9. Please provide details of the changes, with a focus on the main items.

- Personnel expenses decreased by 6.3% QoQ, reflecting a reduction of 6 employees. Additionally, this decline was due to our focus on optimal internal employee placement and limiting hiring only to the personnel necessary to fill required positions.
- Advertising and promotion expenses declined by 18.6% QoQ as we closely adhered to our internal ROI standards for advertising and dynamically reallocated investment funds based on the effectiveness of each advertising method.
- Payment fees and other expenses: Payment fees decreased slightly QoQ due to a 1.9% decline in GMV, while other expenses, such as those related to the general meeting of shareholders, increased 4.6% QoQ.

Q3: Given that the number of curators declined, was there any impact on your financial results from the reduced headcount?

The number of curators decreased by 5 persons YoY and by 2 persons QoQ, for a total decrease of 7 employees from the peak period (Q3 FY2022/9: 69 employees). This decline resulted from factors such as optimal personnel placement, position reassignments due to changes in organizational structure, and retirements prompted by shifts in the company's positioning.

For us, the crucial reason for securing curator personnel is to have dedicated curators for every project who provide support from the initial inquiry through to the end of project publication, and then assist with subsequent publications. The primary criterion for determining the necessary personnel is the number of published projects, which stood at 1,799 in Q1 FY2024/9 (a decrease of 13.8% YoY and 7.8% QoQ). We believe that the reduction in personnel is not at a level that would impact project support, GMV, and our financial results.

Furthermore, our strategy for FY2024/9 focuses on improving the monthly project unit value rather than increasing the number of published projects or the number of active projects during the month. For the fiscal year, we do not anticipate any reduction in GMV attributable to factors related to curator personnel.

Review of KPIs

Q1: Did the external environment in Q1 have an impact on your GMV?

In Q1, access UUs (unique users) continued to decline, impacted by the ongoing trend of experience-centric offline consumption as well as Black Friday extending for longer than in a typical year for various e-commerce businesses. Furthermore, we believe that higher raw material costs and sharp increases in shipping expenses increased the burden on businesses in the development and production of new products, partly contributing to the reduction in the number of published projects. While we presume these factors exerted downward pressure on our GMV during Q1, we think that their monetary impact does not significantly exceed our initial expectations.

Q2: Your monthly project unit value continues to increase. Which of your initiatives to raise the unit value is contributing the most?

During Q1, we focused on implementing the following initiatives to boost the monthly project unit value:

- Enhanced support to maximize GMV on the first day of project publication
- Strengthened support proposals for GMV growth after two days of project publication, with a focus on advertising distribution agency services
- Promoted placement of “support” pre-orders by project supporters through the “Coming Soon” functionality
- Deployed various CRM initiatives, including coupon distribution tailored to project supporter needs

Q3: The number of active projects during the month continues to decrease. Is the bottleneck related to acquiring new projects, or is it about promoting repeat use?

In Q1, the percentage of published projects by repeat project owners in the total number of published projects reached a record high of 59.5%, and we believe that acquiring new project owners is currently a more critical task. To achieve this, in Q1, we engaged in outreach to major businesses with the potential for high-quality project publications through sales efforts and exposure on media targeting businesses that utilize e-commerce platforms. From Q2 onward, we plan to intensify the acquisition of new project owners by strengthening our sales efforts in specific genres and holding offline events.

On FY2024/9 Financial Forecasts

Q1: How do you anticipate GMV to develop in FY2024/9?

While we cannot disclose specific GMV figures from our plan, we expect GMV to grow in the second half of the fiscal year, as it tends to decline in the first half, particularly in Q2, due to a seasonal decrease in the number of published projects, especially around year-end and the New Year period.

Q2: Will the reduction in SG&A expenses continue into Q2 and beyond in FY2024/9?

When do you expect to achieve operating profit?

We plan to maintain strict control over SG&A expenses in Q2 and beyond, mirroring our

approach in Q1. For the full fiscal year, we aim to achieve an operating profit of JPY 16 million.

Q3: I understand you are targeting 1,499 projects for the number of active projects during the month in Q4 FY2024/9. However, with the recent downward trend in that metric, reaching your goal seems challenging. In light of this, do you see your GMV target for the full year as achievable? Additionally, could you explain what initiatives you plan to implement to increase the number of active projects during the month going forward?

At this point, there are no plans to revise our full-year GMV and financial results forecasts. While the number of active projects during the month came in at 1,319 due to the decrease in the number of published projects, our strategy for FY2024/9 focuses on increasing the monthly project unit value rather than growing the number of published projects or the number of active projects during the month. We anticipate that the improvement in the monthly project unit value will allow us to achieve our GMV plan even if the target for the number of active projects during the month is not met.

On Medium-Term Management Plan

Q1: Please share the key points of the strategy for achieving your medium-term targets.

We plan to advance with Phase 1—aiming to eliminate negative experiences for project supporters and establish a mechanism for their retention—through the end of the first half of FY2024/9. From the second half of the year, in Phase 2, we intend to strategically invest in a mechanism to turn the retained project supporters into fans.

- Eliminating negative experiences: strengthening project supporter care by project owners and promoting their understanding of project supporters' "support" pre-order experience
- Strategic investments in mechanisms to turn project supporters into fans: strengthening communication functionalities and deploying loyalty programs

Q2: Winning repeat business from project supporters is crucial for your medium-term management plan. What specific metrics are available to confirm the successful progress of your initiatives in this regard?

That would be the monthly project unit value, one of the key KPIs, along with the amount of repeat "support" pre-orders, a continuously watched KPI. As we secure repeat business from project supporters, the number of project supporters navigating and engaging with Makuake grows, leading to an increased "support" pre-order amount per project, i.e., the project unit value (the monthly project unit value). Additionally, the amount of repeat "support" pre-orders, which represents the total of "support" pre-orders placed by repeat project supporters in a given quarter, also rises.

Q3: Are you planning a substantial increase in workforce in the future in order to achieve your medium-term management plan?

At present, we expect to achieve our plan without a significant workforce increase.

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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 30, 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 documents released by us before making any decision, at your own judgment, 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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