

FAQ on Q3 FY2024/9 Results

We have prepared a list of questions that shareholders and investors are likely to ask about our Q3 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: Why did Q3 results fall short of plan?

The launch timing for high-quality new and former dormant projects we started to acquire in Q3 was deferred until Q4 or later. Further, there was some impact from a downturn in personal spending, and the average unit value of high-quality projects grew less than expected, so the gross amount of “support” pre-orders (GMV) and net sales fell short of forecasts. As a result, GMV was JPY 4,094 million (-10.4% YoY) and net sales were JPY 871 million (-12.0% YoY).

Meanwhile, we continued to optimize our cost structure through strengthened SG&A expense management, and were able to reduce overall SG&A expenses by 21.0% YoY.

Profit fell short of plan due to lower net sales. We posted an operating loss that narrowed by JPY 66 million YoY to JPY 15 million.

Q2: From your briefing materials, you seem to run the PDCA cycle every quarter, fine-tuning strategy, so why aren't earnings improving?

This year, in 1H we worked on targeting repeat project owners and repeat supporters, and from Q3 worked mainly to acquire high-quality new and repeat project owners, focusing on higher average project value rather than growth in the number of projects published.

We think the strategy of focusing on value rather than project count proved successful and outcomes were on target, but regarding growth in active project count, we feel that significant issues remain in creating solutions, besides benefits that can be provided by Makuake, that project owners can use as tools to expand their businesses.

In the search for a solution we looked into diversifying the services we provide, primarily to

project owners, and launched some trial operations from Q3. We think offering more multidimensional benefits to them will help secure new and repeat owners, with growth in active project count and average project unit value, driving higher GMV (a product of the two) and expanding net sales earned from new ancillary service offerings.

Q3: Tell us about the external environment in Q3.

Spending is increasingly focused on experiences, and this trend was particularly strong during Golden Week, which has a series of back-to-back holidays. Personal consumption is also trending sideways due to persistent inflation, and we see a more marked impact on discretionary items than necessities.

Review of KPIs

Q1: Your Q2 briefing materials said you would focus on acquiring high-quality new and repeat project owners. Why was growth in the number of active projects only slight?

Arrangements for acquiring project owners in Q3 were as follows.

- New (including former dormant) project owners: Our top priority was an organizational acquisition team, with project teams launched
- Repeat project owners: We abolished the 1H account-based management structure, shifting to project-based acquisition

However, as mentioned in the answer to Q1 of Review of Financial Results, the publishing of many high-quality new and former dormant projects we started to acquire in Q3 was deferred until Q4 or later, so growth in active project count was less than expected.

FY2024/9 Financial Forecasts

Q1: What are the reasons for the revised earnings forecast?

As mentioned previously, cumulative Q3 results were below plan. We expect the external environment to remain the same as in Q3, and think the timing of publishing high-quality projects may change due to their owners' circumstances, so revised the forecast released on October 24, 2023, to net sales of JPY 3,603 million (-5.4% YoY), an operating loss of JPY 97 million (a loss of JPY 489 million in FY2023/9), and an ordinary loss of JPY 93 million (a loss of JPY 482 million). We also revised our net loss forecast to JPY 152 million (a net loss of JPY

491 million) as we booked a loss on the valuation of investment securities under extraordinary loss in Q3.

Q2: Do the forecasts for this financial year include the impact of changes to project owner fees and secure system usage fees?

We expect the impact of the changes to project owner fees and secure system usage fees to emerge from August, and have adjusted forecasts to account for the risk of churn from project owners and supporters due to the fee changes and introduction of usage charges.

Q3: Do you think you will be able to continuously reduce SG&A expenses, including advertising expenses over the coming quarters and beyond?

We have made concerted efforts to strengthen our SG&A expense management since Q2 FY2023/9, and continued to optimize our cost structure through Q3. We currently still see room for optimization, primarily in advertising expenses, and think we can cut SG&A expenses some more.

Medium-Term Management Plan

In light of the revision of the full-year forecast and some changes in the earnings structure of the Makuake service, we have determined that it is necessary to closely review and revise the medium-term management plan previously disclosed through FY2025/9.

The company is preparing to release a new medium-term management plan reflecting updated calculation methods used for assumptions on Makuake service earnings and the earnings impact of other new services.

We will promptly disclose the new plan once it is formulated.

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 July 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 materials released by us before making any decision, at your own judgement, as an investor.

Risks and uncertainties 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, update or revise “outlook information” provided in this document if new information comes to light or material future events occur.