

FAQ on FY2024/9 Full-Year Results

We have prepared a list of questions that shareholders and investors are likely to ask about our full-year results for FY2024/9. 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 Q4 and full-year FY2024/9 results.

For FY2024/9, we recorded net sales of JPY 3,652 million, an operating loss of JPY 62 million, an ordinary loss of JPY 60 million, and a net loss of JPY 103 million. Both net sales and profits exceeded the full-year earnings forecasts released on July 30, 2024, with overshoots of 30% or more in the case of profits. Thus, when reporting FY2024/9 results on October 29, 2024, we also issued a “Notice of Differences Between Financial Forecasts and Results for Fiscal Year Ended September 2024.”

The differences were mainly due to growth in profits accompanying an increase in net sales as the result of a partial change in the revenue structure in Q4 following a revision to Makuake commissions received from project owners as success fees and the introduction of a system for receiving secure system usage fees from project supporters, as well as ongoing efforts to optimize the cost structure through thorough management of SG&A expenses.

While we had anticipated some defection of project owners and project supporters due to the aforementioned changes in commissions and fees, defection rates were more modest than we expected, which also partially affected the differences.

From Q4, we began applying a secure system usage fee (tax included) to all projects launched after August 2024, in line with which we began disclosing “total transaction volume (currently the sum of “support” pre-orders and secure system usage fees)” as a new indicator of the total amount handled across all of our services.

For Q4, we recorded total transaction volume of JPY 3,992 million, net sales of JPY 921 million (+5.7% QoQ), and operating profit of JPY 51 million (a loss of JPY 15 million in Q3), thereby achieving a QoQ shift to profit.

Q2: How would you describe the external and internal environments in Q4 and full-year FY2024/9?

With regard to the external environment, offline consumption and experiential consumption remained strong throughout FY2024/9 (October 2023 to September 2024). In addition, accelerating yen depreciation and persistent increases in raw material and commodity prices created a tough environment for businesses and project owners looking to provide something new. Furthermore, throughout the second half of FY2024/9, there was a decline in consumer appetite for luxury goods owing to rising prices caused mainly by exchange rate fluctuations. In short, circumstances were by no means favorable for either project owners (businesses) or project supporters (consumers). We also expect this to remain the case for some time.

Internally, we emphasized increasing the unit value of each project to grow revenue rather than looking to boost productivity through an increase in the number of active projects. As a result, the number of active projects during the month fell 18.9% YoY in Q4, while the monthly project unit value increased 4.0% YoY. As the decrease in the number of active projects was steeper than expected and because issues remain in the acquisition of high-quality new and repeat projects, we plan to diversify the services provided to project owners and focus on acquiring projects in genres well-suited to Makuake, with a view to increasing the number of active projects.

Review of KPIs

Q1: In Q4, the number of active projects decreased slightly despite growth in the number of projects published. Why was that?

The number of active projects in any given quarter is partially influenced by the number of project publications in the previous quarter, as a certain number of projects published in the latter half of the previous quarter continue to be active in the following quarter.

In Q2 FY2024/9, an increase in the number of project publications in March, the final month of the quarter, boosted the number of active projects in Q3. Across Q3, though, there was negligible variation in the number of project publications each month and thus no impact on the number of active projects in Q4. For this reason, the number of active projects in Q4 appears relatively low despite the higher number of project publications, however, in reality, the number of active projects was level with Q3.

Q2: In FY2024/9 and in the second half in particular, you appear to have struggled to grow the number of active projects. Do you believe that the market size and your business model might preclude any further growth in the number of active projects?

In Japan, many businesses with new products continue to struggle with initial customer acquisition, PR/marketing, and finding a place to debut products with exposure to a wide range of consumers. In the manufacturing industry alone, we believe there are at least a million companies that we could target.

In FY2024/9, though, we emphasized increasing the unit value of each project to grow revenue rather than looking to boost productivity through an increase in the number of active projects. There will be no change to this policy in FY2025/9. By offering stellar support for the projects of high-quality project owners who are motivated to grow, we aim to provide a higher-quality consumption experience in line with the shift in consumer behavior whereby consumers will purchase products and services that match their values and preferences even if slightly more expensive, thereby generating revenue.

Q3: If there is no further growth in the number of active projects, does this prevent you from achieving significant growth in “support” pre-orders and secure system usage fees?

The value of Makuake business “support” pre-orders is calculated by multiplying the number of active projects by project unit value. Therefore, it should be possible to increase “support” pre-orders and secure system usage fees (which move in perfect correlation with “support” pre-orders) simply by increasing the project unit value. Increasing both the number of active projects and the project unit value, though, would deliver exponential growth in “support” pre-orders. Therefore, we will continue making efforts not only to improve project unit value but also to resolve issues hindering growth in the number of active projects.

FY2025/9 Financial Forecasts

Q1: What is the thinking behind your FY2025/9 earnings forecast?

For FY2025/9, we forecast a total transaction volume of JPY 15,460 million, net sales of JPY 3,800 million (+4.0% YoY), operating profit of JPY 120 million (a loss of JPY 62 million in FY2024/9), ordinary profit of JPY 120 million (a loss of JPY 60 million), and net profit of JPY 70 million (a loss of JPY 103 million). We aim to grow net sales and profits and achieve profitability for the full fiscal year by maintaining the same level of revenue YoY from the

Makuake business while laying the groundwork for expanding revenue from our various ancillary services.

Q2: How do you envision SG&A expenses and profit levels for each quarter of FY2025/9?

While we do not disclose profit figures on a quarterly basis, we plan to remain vigilant in our management of SG&A expenses. Therefore, we do not expect any significant increase in either personnel expenses or advertising and promotion expenses from the second half of FY2024/9.

Q3: Does your forecast for FY2025/9 include any plans to expand revenue from services other than Makuake?

Our earnings forecast for FY2025/9 does not incorporate any plans for increasing revenue from ancillary services. However, in FY2025/9, we plan to lay the groundwork for expanding revenue from ancillary services from FY2026/9 onward. In the process, we expect to form a better idea of these services' future growth potential and scale, etc.

Medium-Term Management Plan

Q1: You announced changes in (resignations by) officers. What were the reasons for these resignations?

We announced changes to the management structure, pending approval at the 12th Annual General Meeting of Shareholders scheduled for December 12, 2024.

In order to streamline but also strengthen the management structure and facilitate swifter decision making, while realizing our vision of “Creating a world where worthy things can come to be, grow, and endure,” we are transitioning from a four-member management team (comprising three co-founders—President and Representative Director Ryotaro Nakayama, Directors Fumiaki Kiuchi and Kana Bogaki—and CTO Yohei Ikunai) to two (President and Representative Director Ryotaro Nakayama and Representative Director Fumiaki Kiuchi).

At the same time, we will transfer authority to executive officers to strengthen our corporate management capabilities and business management capabilities.

Q2: When do you intend to release a new Medium-Term Management Plan?

Currently, we are analyzing and fine-tuning our assumptions concerning the revenue and growth trajectory of the Makuake service.

Additionally, we are carefully assessing the future revenue impact and growth prospects for ancillary services.

We will notify investors promptly once our work in this respect is ready for disclosure.

Q3: Do you plan to maintain a focus on growing the Makuake service, or will you allocate resources to expanding revenue from other services?

Our plan is to continue generating revenue through the Makuake business while also utilizing data accumulated via our various ancillary services (Makuake included) in creating and expanding new services that provide end-to-end support for project owners' business expansion, thereby expanding the transaction amount per project owner and extending the transaction period. By strengthening the profitability of the entire ecosystem stemming from the Makuake service, we think we can increase market penetration for the Makuake business while generating growth synergies for other businesses.

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 29, 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.