

## FAQ on Q1 FY2022/9 Results

We prepared a list of questions shareholders and investors are likely to ask about our Q1 FY2022/9 results. Please see our answers below in conjunction with our Financial Statements and Financial Results Briefing Materials.

### Review of Financial Results

**Q1 . Was the gross amount of “support” pre-orders (GMV) in Q1 largely in line with your plan?**

While the gross amount of “support” pre-orders (GMV) in Q1 came in several percent below the plan, it was within the scope of the plan and we view the progress towards the full-term as satisfactory.

**Q2 . Looking at the breakdown of SG&A, can you explain why the ratio of personnel expenses is increasing this fiscal term?**

In the first half of this year, we are making upfront investments in recruiting and training in preparation for the acceleration of growth in the 2nd half of the year to maximize GMV through operational excellence. For that reason, the ratio of personnel expenses in SG&A is increasing.

**Q3 . You didn’t run TV ads in Q1, correct? Are you planning to run TV ads this fiscal term?**

We didn’t run TV ads during Q1. Because large-scale ads such those for TV are a means to raise visibility of Makuake and increase inflow of users when they are run, we would like to continue to use them going forward. This said, from the standpoint of maximizing results vs costs, we are aware of the need to carefully consider their timing, the environment under which they are run, and how we do it. For that reason, we have not decided yet on the specific timing for running TV ads this fiscal year. We will make a decision on the timing and scale as we watch the progress with CVR.

**Q4. Do you believe that the situation with reopening the economy impacted your Q1 results?**

When a state of emergency and priority spread preventions, measures were lifted in all prefectures starting October 2021, there were expectations of economic reopening and return of demand to real storefronts. However, since the worldwide spread of Omicron—a new variant of coronavirus—in December, the situation remains one of uncertainty about the timing of economic reopening and its strength.

With regard to the impact on our company, there are many things we do not yet know. For that reason, we cannot say anything concrete as to the impact of economic reopening on our Q1 results.

**KPIs**

**Q1. Please explain why your take rate declined from the previous quarter.**

Since we have only one segment—“support” pre-order service (Makuake), take rate is calculated as follows:  $\text{Net Sales} \div (\text{Gross Amount of “Support” Pre-Orders (Tax Included)} \div 1.1)$ . Net sales are composed of the 20% commission we get from the gross amount of “support” pre-orders on Makuake and commissions we get from a range of other related services. Makuake’s commission rate—at 20%—has been unchanged since we started offering the service. To the extent take rate exceeds 20% by several percent, it is due to due to those other related services.

Therefore, the decline in take rate in Q1 from the previous quarter is due to the decline in sales of other related services relative to the gross amount of “support” pre-orders.

**Q2. While the repeat ratios for project owners and project supporters are in an uptrend, isn’t inflow of new users falling?**

The repeat ratio by project owners does not exceed 50% yet, so most of our projects are from new project owners. As we continue to operate our service, the fact that the repeat ratio by project owners is rising means that their satisfaction with the use of Makuake is high, and that we can acquire project owners who will publish a steady stream of projects to offer new products and services. Going forward, we will continue to raise the repeat ratio while acquiring new project owners.

With regard to the repeat “support” pre-order rate, it was our highest ever this quarter.

While we appreciate the fact that we were able to secure many repeat users who placed “support” pre-orders thus contributing to GMV, the ratio of new unique access users who visited our site and placed a “support” pre-order declined. We believe this is related to our ability to evoke fun and interest in projects, ability to encounter projects and ease-of-use service issues. Continuing from Q1, we will work to improve on that from Q2 forward.

**Q 3 . Please explain the issues causing the decline in conversion rate (“CVR”) and the measures taken to address it.**

We believe the main reason for the decline in CVR is twofold:

1. While the number of published new projects and access UU increased, there were no releases—they were being readied—of new functionalities in Q1 that improved ease of encountering projects of interest and ease-of-use of the service.
2. Due to delays in recruiting screening/monitoring staff members, we were unable to reduce the workload of curators related to screening and monitoring and, as result, the issues with securing time for consulting continued to impact our ability to raise the quality of projects.

To deal with these issues, we will implement the following in Q2:

1. Continue releasing new functionalities centered on our app—heavily utilized by our core users—that we started this January.
2. As new screening/monitoring staff members and, of course, curators join the company, we will continue to focus on training and reducing the number of projects one is responsible for, as well as on reducing the workload of curators related to screening/monitoring by adjusting the forcefulness of our approach to the riskiness of the project in question as revealed by screening.

**Q 4 . While the growth in the number of published new projects and access UU is slowing down, are you seeing falling demand from project owners and project supporters?**

The number of published new projects and access UU surged in the second half of FY2020/9 on demand expansion related to the pandemic. That demand expansion, driven by external factors, calmed down in Q1 of FY2021/9 and, since then, we have been acquiring new users through advertising such as TV ads, in addition to our organic growth. In Q2 of FY2021, we aired TV ads directed at project supporters and, in Q4 of the same year, conducted a small-scale campaign of TV ads, limited to specific localities, directed at project owners. With this growth foundation in place, we are expanding naturally even in a period with no impact from

TV ads. Further, with the number of published new projects and access UU increasing, I believe we will continue to grow but the growth “rate” will be slowing.

**Q5. What is the reason for merging Makuake Incubation Studio (MIS) personnel into the curator organization?**

MIS will continue as a service for large companies. On the other hand, in our new organizational structure that got under way in Q1, a larger portion of the work done by MIS overlaps with that of curators and, for that reason, we merged the personnel.

### **Growth Strategy for FY2022/9**

**Q1. When will we see concrete results of your growth strategy?**

We believe you will see results in improved CVR from the second half of the year.

**Q2. You will continue to prioritize topline (GMV and sales) growth but please explain how you see the balance of this growth vs operating profit.**

We believe Makuake is operating in a market with extremely high growth potential, and we are not changing our plans to continue upfront investments prioritizing GMV growth. Our management philosophy is one of growth while maintaining a solid structure that produces profit and, for that reason, upfront investments are made under the prerequisite of adequate cost performance with a thorough follow-up that examines results and considers ways to improve. Further, running a loss-making operation is not in our plans—we will exercise costs controls as long as they do not hinder topline growth—and we intend to grow our profits.

**Q3. What is the progress status of “Support” Purchase Service for Buyer?**

“Support” Purchase Service for Buyer that we provide is not an offline arrangement where procurement of new products is done at trade shows and fairs, but a completely new arrangement where one can check on how new products are selling online, saving the buyer the burden of travel and reducing the risk inherent in selecting products. In addition, through this service, Makuake’s project owners can secure a sales channel for the mass production phase of their product at the same time their product is debuting on our platform.

As to the progress status, we have had a great response from all over Japan to our new distribution channel—“Support” Purchase Service for Buyer, with the number of registered

buyer members already exceeding one hundred. Further, we started conducting online trade fairs in mid-December where selected products published on Makuake's platform are offered to buyers, with over 20 products offered thus far, which we intend to increase (trade fairs will continue through the end of February).

By offering a differentiated product from the existing retail and e-commerce that overrides established distribution channels between businesses and buyers, we are aiming to increase the number of high-quality published new projects and expand our user base.

**Q4 . Please explain the background for establishing Makuake Data Lab and the promising roles it can play.**

Our platform has been attracting attention as the one that can foresee near-term trends—not only because we have visibility on the users' response to new products and services through the amount "support" pre-orders they place, but also because we have accumulated qualitative data such as the reason for placing a pre-order and other data, e.g. age, gender and the area of residence. Further, MIS, which helps "produce" products that utilize R&D of large companies, uses our data for their product proposals: MIS has contributed to the birth of over 200 new products. Over and above, the world at large is paying great attention to trends that can be discerned from new products—we are receiving many inquiries, mainly from large makers, from a wide variety of industries.

It is against this background that we established Makuake Data Lab aiming to promote utilization of data accumulated by Makuake and further accelerating the growth of our platform.

How we plan to use the data:

- Provide project owners with success case analysis data
- Provide data useful to project owners in their product planning
- Strengthen information dissemination on trends in new products and services
- Use it to improve Makuake services
- Use it in our new business endeavors

#### 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 25, 2022 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 statements and other documents prepared by us before making any decision, at your own judgement, as investor.
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