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MEMBERSHIP

October 24, 2023

Non-consolidated Financial Results for the Fiscal Year Ended September 30, 2023 <under Japanese GAAP>

Company name: Makuake, Inc.
 Listing: Tokyo Stock Exchange
 Stock code: 4479
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 Scheduled date of annual general meeting of shareholders: December 7, 2023
 Scheduled date to commence dividend payments: –
 Scheduled date to file annual securities report: December 8, 2023
 Preparation of supplementary materials for financial results: Yes
 Holding of financial results presentation meeting: Yes

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Performance for the fiscal year ended September 30, 2023 (from October 1, 2022 to September 30, 2023)

(1) Operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
September 30, 2023	3,810	(9.4)	(489)	–	(482)	–	(491)	–
September 30, 2022	4,206	(9.0)	(324)	–	(302)	–	(1,347)	–

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/total assets	Operating profit/net sales
Fiscal year ended	Yen	Yen	%	%	%
September 30, 2023	(38.98)	–	(9.3)	(6.0)	(12.8)
September 30, 2022	(107.55)	–	(21.8)	(3.3)	(7.7)

Reference: Share of profit (loss) of entities accounted for using equity method

For the fiscal year ended September 30, 2023: ¥– million

For the fiscal year ended September 30, 2022: ¥– million

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2023	7,955	5,105	63.5	399.72
September 30, 2022	8,255	5,576	67.0	439.84

Reference: Equity

As of September 30, 2023 ¥5,051 million

As of September 30, 2022 ¥5,528 million

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
September 30, 2023	(339)	(582)	14	6,414
September 30, 2022	(827)	(475)	33	7,321

2. Cash dividends

	Annual dividends					Total cash dividends (Total)	Dividend payout ratio	Ratio of dividends to net assets
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended September 30, 2022	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ended September 30, 2023	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending September 30, 2024 (Forecast)	–	0.00	–	0.00	0.00		–	

3. Earnings forecasts for the fiscal year ending September 30, 2024 (from October 1, 2023 to September 30, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending September 30, 2024	3,925	3.0	16	–	21	–	5	–	0.40

Note: As the Company manages its operations on an annual basis, earnings forecasts for the first six months are omitted. For further details, please refer to the attached materials, “(4) Future outlook” under “1. Overview of operating results and others.”

*** Notes**

(1) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(2) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2023	12,636,700 shares
As of September 30, 2022	12,568,700 shares

(ii) Number of treasury shares at the end of the period

As of September 30, 2023	130 shares
As of September 30, 2022	130 shares

(iii) Average number of shares during the period

For the fiscal year ended September 30, 2023	12,598,066 shares
For the fiscal year ended September 30, 2022	12,528,045 shares

* Financial results reports are exempt from audits conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not purport that the Company pledges to realize such statements. Actual business and other results may differ substantially due to various factors.

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1. Overview of operating results and others

(1) Overview of operating results for the fiscal year

Based on its vision of “Create a world where worthy things can come to be, grow and endure,” the mission of Makuake, Inc. (the Company) is to “Connect the world through the creation of the ‘new.’ ” We operate the Makuake service, a “support” pre-order platform to connect project owners (Businesses) who are providing something new to the world with project supporters (Consumers) who purchase new items and experiences based on their knowledge of the background and the ideas of the project owners.

As ancillary services, we also provide Makuake Incubation Studio, which supports the generation of new businesses that leverage research and development technology owned by companies; agency operations for the distribution of advertisements to facilitate the growth of “support” pre-order value at Makuake; Makuake STORE, which enables continued sales on e-commerce sites even after projects have ended; Makuake Global, which accepts “support” pre-orders from overseas; and Makuake SHOP, which works with partner companies in a variety of formats nationwide to enable products launched on Makuake to be displayed and sold in real-world stores.

During the fiscal year ended September 30, 2023 (from October 1, 2022 to September 30, 2023), the Japanese economy moved slowly toward recovery into a new “co-existence with COVID-19” phase amid normalizing economic activities due to the effects of various policies. Personal consumption, in particular, has been on a moderate recovery trend, mainly in terms of travel and dining out, backed by the government’s domestic travel subsidy program. Meanwhile, uncertainty toward the future remained, reflecting the risk of a downturn in overseas economies putting downward pressure on the Japanese economy amid ongoing global monetary tightening as well as continuing rising in prices of raw materials, a continuing rise in commodity prices due to supply constraints, and the fluctuation in the financial and capital markets.

Our business is affected by the e-commerce market for debuting new products and the e-commerce market for pre-ordering new services. During the period from 2020 to 2021, demand in these markets grew rapidly due to changes in lifestyles and working styles, which emerged as a result of the spread of COVID-19, and subsequently, with the normalization of economic activities in Japan, demand has calmed down but continues to grow in a more stable and consistent manner. Therefore, going forward, we believe that the e-commerce market for debuting new products and services has extraordinarily high growth potential.

Against this backdrop, in the current fiscal year, as measures to realize the basic growth policy for the current fiscal year of “expanding the foundations for stable business growth generated by repeat customers through the reinforcement of measures to raise customer satisfaction while at the same time building an organization specializing in capturing repeat customers, further expanding the customer base, and actualizing the Total Addressable Market (TAM),” the Company went ahead and established systems for repeatable customer experience for owners and supporters.

For owners, we have reduced the burden until the project is published by improving and streamlining operations based on their needs while developing functions. We have also visualized the opinions of supporters toward the owners and created a foundation for the owners themselves to consider measures to connect supporters who have made purchases with their fans, and we continue to work with them to improve satisfaction by proposing measures in response to their opinions. We also structured and deployed a support program based on the likelihood of repeat publication by owners, and for owners with particularly high target amounts, we strengthened the system to increase the amount of “support” pre-orders on the first day in order to improve the satisfaction level of owners and increase the unit price per project.

For supporters, we conducted regular user interviews to improve the quality of services provided in cooperation with owners based on the real voices of supporters as well as offered events where participants could trial project products offline to increase opportunities for supporters to gain an in-depth understanding of Makuake’s “support” pre-orders. In addition, we provided an opportunity for repeat “support” pre-orders through various CRM measures, including a coupon function. We have continued to provide a fun experience that makes users want to utilize Makuake again, while reducing

negative experiences to zero as much as possible by posting projects in collaboration with major IPs and releasing new features to improve the experience of obtaining project information.

As a result of these initiatives, the number of publications from repeat owners, which has been the most important indicator since the current fiscal year, totaled 4,378, and the amount of repeat “support” pre-orders totaled ¥13,325,854 thousand. Meanwhile, the “support” pre-orders declined by 11.0% year on year to ¥17,609,329 thousand as real consumption accelerated due to the reopening from the second half of the previous fiscal year and the scale of total “support” pre-orders decreased significantly from the fourth quarter of the previous fiscal year.

As a result, for the fiscal year under review, the Company recorded net sales of ¥3,810,185 thousand (down 9.4% year on year), an operating loss of ¥489,032 thousand (operating loss of ¥324,080 thousand in the previous year), an ordinary loss of ¥482,471 thousand (ordinary loss of ¥302,562 thousand in the previous year) and a loss of ¥491,076 thousand (loss of ¥1,347,356 thousand in the previous year).

(2) Overview of financial position for the fiscal year

Assets

At the end of the fiscal year under review, total assets decreased by ¥299,923 thousand from the previous fiscal year-end to ¥7,955,211 thousand.

Current assets decreased by ¥831,240 thousand to ¥7,061,287 thousand. The main components included a decrease of ¥1044,809 thousand in cash and deposits.

Non-current assets increased by ¥538,278 thousand to ¥891,998 thousand. The main components included increases of ¥346,386 thousand in software and ¥195,233 thousand in software in progress, respectively.

Liabilities

At the end of the fiscal year under review, liabilities increased by ¥170,609 thousand from the previous fiscal year-end to ¥2,849,394 thousand.

Current liabilities increased by ¥174,394 thousand to ¥2,790,834 thousand. The main components included an increase of ¥162,674 thousand in deposits received.

Non-current liabilities decreased by ¥3,784 thousand to ¥58,560 thousand. The main components included a decrease of ¥5,553 thousand in provision for continuous services benefits.

Net assets

At the end of the fiscal year under review, net assets decreased by ¥470,532 thousand from the previous fiscal year-end to ¥5,105,816 thousand. The main components included a decrease of ¥491,076 thousand in retained earnings due to the recording of a loss.

(3) Overview of cash flows for the fiscal year

The balance of cash and cash equivalents (“cash”) at the end of the fiscal year under review amounted to ¥6,414,469 thousand, down ¥907,328 thousand compared with the previous fiscal year-end. The respective cash flow positions and the factors thereof in the fiscal year under review are as follows.

Cash flows from operating activities

Net cash used in operating activities was ¥339,218 thousand (¥827,321 thousand was used in the previous fiscal year). This was primarily due to loss before income taxes of ¥503,768 thousand and an increase in deposits received of ¥162,674 thousand.

Cash flows from investing activities

Net cash used in investing activities was ¥582,118 thousand (¥475,792 thousand was used in the previous fiscal year). This was primarily due to purchase of intangible assets of ¥575,278 thousand.

Cash flows from financing activities

Net cash provided by financing activities was ¥14,008 thousand (¥33,658 thousand was provided in the previous fiscal year). This was primarily due to proceeds from issuance of shares of ¥14,008 thousand.

(4) Future outlook

For the fiscal year ending September 30, 2024, the Company expects net sales to increase by 3.0% from the fiscal year under review to ¥3,925 million. We forecast operating profit of ¥16 million, ordinary profit of ¥21 million, and profit of ¥5 million.

Furthermore, the above-mentioned earnings forecasts are based on information available at this time, and actual results may differ substantially due to various factors.

(5) Significant events regarding premise of going concern

No applicable items.

2. Basic rationale for selection of accounting standards

The Company adopts the generally accepted accounting standards in Japan (Japanese GAAP), taking into account the year-on-year comparability and intercompany comparability of financial statements.

3. Financial statements and significant notes thereto

(1) Balance sheet

(Thousands of yen)

	As of September 30, 2022	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	5,193,507	4,148,698
Cash segregated as deposits	2,128,290	2,265,771
Accounts receivable - trade	339,328	483,759
Prepaid expenses	121,814	79,408
Other	116,869	90,932
Allowance for doubtful accounts	(7,282)	(7,282)
Total current assets	7,892,528	7,061,287
Non-current assets		
Property, plant and equipment		
Buildings	15,214	15,214
Accumulated depreciation	(15,214)	(15,214)
Buildings, net	-	-
Tools, furniture and fixtures	24,429	31,206
Accumulated depreciation	(24,429)	(26,541)
Tools, furniture and fixtures, net	-	4,664
Total property, plant and equipment	-	4,664
Intangible assets		
Software	-	346,386
Software in progress	-	195,233
Total intangible assets	-	541,620
Investments and other assets		
Investment securities	153,984	129,587
Investments in capital	330	330
Long-term prepaid expenses	8,073	1,153
Leasehold and guarantee deposits	191,331	190,888
Deferred tax assets	-	23,754
Other	7,537	7,537
Allowance for doubtful accounts	(7,537)	(7,537)
Total investments and other assets	353,719	345,713
Total non-current assets	353,719	891,998
Deferred assets		
Share issuance costs	8,886	1,924
Total deferred assets	8,886	1,924
Total assets	8,255,134	7,955,211

(Thousands of yen)

	As of September 30, 2022	As of September 30, 2023
Liabilities		
Current liabilities		
Accounts payable - other	381,679	372,707
Accrued expenses	81,027	83,980
Advances received	775	4,211
Income taxes payable	14,565	28,866
Deposits received	2,138,393	2,301,067
Total current liabilities	2,616,440	2,790,834
Non-current liabilities		
Provision for retirement benefits	1,658	2,435
Provision for continuous services benefits	60,685	55,132
Other	–	992
Total non-current liabilities	62,344	58,560
Total liabilities	2,678,784	2,849,394
Net assets		
Shareholders' equity		
Share capital	3,120,279	3,127,283
Capital surplus		
Legal capital surplus	3,120,279	3,127,283
Total capital surplus	3,120,279	3,127,283
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(711,764)	(1,202,840)
Total retained earnings	(711,764)	(1,202,840)
Treasury shares	(625)	(625)
Total shareholders' equity	5,528,170	5,051,101
Share acquisition rights	48,179	54,715
Total net assets	5,576,349	5,105,816
Total liabilities and net assets	8,255,134	7,955,211

(2) Statement of income

(Thousands of yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Net sales	4,206,839	3,810,185
Cost of sales	847,925	750,708
Gross profit	3,358,913	3,059,477
Selling, general and administrative expenses	3,682,993	3,548,509
Operating loss	(324,080)	(489,032)
Non-operating income		
Interest income	2	5
Dividend income	17	38
Lecture's fee income	9,398	7,529
Subsidy income	20,744	3,996
Other	2,916	1,951
Total non-operating income	33,079	13,522
Non-operating expenses		
Amortization of share issuance costs	11,510	6,961
Other	51	-
Total non-operating expenses	11,561	6,961
Ordinary loss	(302,562)	(482,471)
Extraordinary income		
Gain on sale of investment securities	97,500	-
Gain on reversal of share acquisition rights	-	3,100
Total extraordinary income	97,500	3,100
Extraordinary losses		
Impairment losses	1,009,307	-
Loss on valuation of investment securities	49,768	24,397
Total extraordinary losses	1,059,076	24,397
Loss before income taxes	(1,264,138)	(503,768)
Income taxes - current	9,708	11,062
Income taxes - deferred	73,508	(23,754)
Total income taxes	83,217	(12,691)
Loss	(1,347,356)	(491,076)

(3) Statement of changes in equity

Fiscal year ended September 30, 2022

(Thousands of yen)

	Shareholders' equity							Share acquisition rights	Total net assets
	Share capital	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity		
		Legal capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings				
Balance at beginning of period	3,103,387	3,103,387	3,103,387	635,591	635,591	(499)	6,841,867	31,464	6,873,332
Changes during period									
Issuance of new shares - exercise of share acquisition rights	16,892	16,892	16,892				33,784		33,784
Purchase of treasury shares						(125)	(125)		(125)
Loss				(1,347,356)	(1,347,356)		(1,347,356)		(1,347,356)
Net changes in items other than shareholders' equity								16,714	16,714
Total changes during period	16,892	16,892	16,892	(1,347,356)	(1,347,356)	(125)	(1,313,697)	16,714	(1,296,983)
Balance at end of period	3,120,279	3,120,279	3,120,279	(711,764)	(711,764)	(625)	5,528,170	48,179	5,576,349

Fiscal year ended September 30, 2023

(Thousands of yen)

	Shareholders' equity							Share acquisition rights	Total net assets
	Share capital	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity		
		Legal capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings				
Balance at beginning of period	3,120,279	3,120,279	3,120,279	(711,764)	(711,764)	(625)	5,528,170	48,179	5,576,349
Changes during period									
Issuance of new shares - exercise of share acquisition rights	7,004	7,004	7,004				14,008		14,008
Loss				(491,076)	(491,076)		(491,076)		(491,076)
Net changes in items other than shareholders' equity								6,535	6,535
Total changes during period	7,004	7,004	7,004	(491,076)	(491,076)	-	(477,068)	6,535	(470,532)
Balance at end of period	3,127,283	3,127,283	3,127,283	(1,202,840)	(1,202,840)	(625)	5,051,101	54,715	5,105,816

(4) Statement of cash flows

(Thousands of yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Cash flows from operating activities		
Loss before income taxes	(1,264,138)	(503,768)
Depreciation	157,240	28,459
Impairment losses	1,009,307	-
Amortization of goodwill	4,000	-
Increase (decrease) in provision for retirement benefits	1,321	776
Increase (decrease) provision for continuous services benefits	18,169	(5,553)
Amortization of share issuance costs	11,510	6,961
Interest and dividend income	(20)	(44)
Decrease (increase) in trade receivables	212,002	(144,431)
Loss (gain) on sale of investment securities	(97,500)	-
Loss (gain) on valuation of investment securities	49,768	24,397
Gain on reversal of share acquisition rights	-	(3,100)
Increase (decrease) in advances received	775	3,436
Increase (decrease) in accounts payable - other	(222,312)	(1,391)
Increase (decrease) in accrued expenses	19,738	2,953
Increase (decrease) in deposits received	(514,069)	162,674
Increase (decrease) in accrued consumption taxes or consumption taxes refund receivable	(57,660)	4,134
Other, net	(58,754)	36,094
Subtotal	(730,621)	(388,401)
Interest and dividends received	19	46
Income taxes refund	38	51,725
Income taxes paid	(96,758)	(2,588)
Net cash provided by (used in) operating activities	(827,321)	(339,218)
Cash flows from investing activities		
Purchase of property, plant and equipment	(20,546)	(7,320)
Purchase of intangible assets	(488,544)	(575,278)
Purchase of investment securities	(80,020)	-
Proceeds from sale of investment securities	112,500	-
Payments of leasehold and guarantee deposits	(4,729)	(650)
Proceeds from refund of leasehold and guarantee deposits	5,877	1,130
Payments for investments in capital	(330)	-
Net cash provided by (used in) investing activities	(475,792)	(582,118)
Cash flows from financing activities		
Proceeds from issuance of shares	33,784	14,008
Purchase of treasury shares	(125)	-
Net cash provided by (used in) financing activities	33,658	14,008
Net increase (decrease) in cash and cash equivalents	(1,269,455)	(907,328)
Cash and cash equivalents at beginning of period	8,591,254	7,321,798
Cash and cash equivalents at end of period	7,321,798	6,414,469

(5) Notes to financial statements**Notes on premise of going concern**

No applicable items.

Changes in accounting policiesApplication of Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter, “the Implementation Guidance”) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has applied the new accounting policy provided for by the Implementation Guidance prospectively in accordance with the transitional measures provided for in paragraph 27-2 of the Implementation Guidance.

There is no effect on the financial statements.

Profit or loss of entities accounted for using equity method

(Thousands of yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Investments in associates	40,000	15,602
Investments if the equity method is applied	39,331	15,602
Investment losses if the equity method is applied	(668)	(23,729)

Segment information

As the Company consists of a single business segment, the Makuake service, a platform for people to place “support” pre-orders of new things and experiences, this information is omitted.

Per share information

(Yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Net assets per share	439.84	399.72
Basic loss per share	(107.55)	(38.98)

Notes: 1. Although dilutive shares exist, diluted earnings per share for the fiscal year under review have been omitted, as the Company reported a basic loss per share.

2. The basis of calculating basic loss per share is as follows:

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Basic loss per share		
Loss (Thousands of yen)	(1,347,356)	(491,076)
Profit (loss) not attributable to common shareholders (Thousands of yen)	–	–
Loss available to common shares (Thousands of yen)	(1,347,356)	(491,076)
Average number of common shares outstanding during the period (Shares)	12,528,045	12,598,066

Significant subsequent events

No applicable items.