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MEMBERSHIP

April 23, 2024

Non-consolidated Financial Results for the Six Months Ended March 31, 2024 <under Japanese GAAP>

Company name: Makuake, Inc.
 Listing: Tokyo Stock Exchange
 Stock code: 4479
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 Scheduled date to file quarterly securities report: April 24, 2024
 Scheduled date to commence dividend payments: –
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: Yes

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

1. Performance for the six months ended March 31, 2024 (from October 1, 2023 to March 31, 2024)

(1) Operating results (cumulative)

(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	%
Six months ended								
March 31, 2024	1,860	4.0	(98)	–	(96)	–	(76)	–
March 31, 2023	1,789	(20.2)	(378)	–	(374)	–	(379)	–

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
March 31, 2024	(6.07)	–
March 31, 2023	(30.20)	–

(2) Financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
March 31, 2024	6,620	5,039	75.3
September 30, 2023	7,955	5,105	63.5

Reference: Equity

As of March 31, 2024

¥4,988 million

As of September 30, 2023

¥5,051 million

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 30, 2023	–	0.00	–	0.00	0.00
Fiscal year ending September 30, 2024	–	0.00			
Fiscal year ending September 30, 2024 (Forecast)			–	0.00	0.00

Note: Revisions to the cash dividend forecasts most recently announced: None

**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: Revisions to the earnings forecasts most recently announced: None

*** Notes**

- (1) Application of special accounting treatments for the preparation of quarterly financial statements: None
- (2) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

(3) Number of issued shares (common shares)

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

As of March 31, 2024	12,704,700 shares
As of September 30, 2023	12,636,700 shares

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

As of March 31, 2024	180 shares
As of September 30, 2023	130 shares

(iii) Average number of shares during the period (cumulative from the beginning of the fiscal year)

For the six months ended March 31, 2024	12,679,594 shares
For the six months ended March 31, 2023	12,568,570 shares

* Quarterly financial results reports are exempt from quarterly review 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.

Attached materials

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1. Qualitative information on quarterly financial results

(1) Information on operating results

The forward-looking statements in this report were prepared based on information available as of the end of the quarter under review.

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 first six months of the fiscal year ending September 30, 2024, after the legal status of COVID-19 being downgraded to Class 5, the Japanese economy was on a moderate recovery trend, in terms of personal consumption amid an improving employment and income environment, partly due to the effects of various government policies; however, some stalling was seen in the Consumption Trend Index. Moreover, uncertainty toward the future remained amid a continuing rise in prices of raw materials due to global monetary tightening, the international situation, and other factors, as well as a continuing rise in commodity prices mainly due to supply constraints, in addition to the need to pay close attention to the impact of the Noto Peninsula Earthquake in January 2024 on the economy.

Regarding the market environment surrounding the Company, the reopening (restart of economic activities), which started mainly offline after various restrictions related to COVID-19 were lifted, has been observed in experiential consumption, particularly traveling, participation in events, and dining out. This trend is expected to continue in the current fiscal year.

Against this backdrop, during the six months ended March 31, 2024, the Company concentrated its efforts on increasing the unit price per project rather than increasing the number of project publications, and at the same time, pursued various initiatives mainly for repeat owners and repeat supporters. For owners, in order to encourage repeat owners to create fine-quality projects, we supported them through constant contact, and enhanced support primarily for projects with high target amounts of “support” pre-orders to increase the unit prices of such projects by leveraging various ancillary services. We also concentrated our efforts on maximizing the amount of “support” pre-orders on the first day for all projects as the amount on the first day greatly affects the growth of “support” pre-order value.

For supporters, an original symbol, which marks recommended owners certified based on the Company’s established standards, and supporter evaluations of owners are displayed on the project page. We have thereby enhanced the environment where supporters can enjoy making “support” pre-order purchases with a sense of increased security. We also offer various functions to enrich supporters’ experience of “support” pre-orders, such as the function of enabling supporters to receive notification about the start of publication of projects that they want to be quick to place “support” pre-orders for and a renewed top page on the Makuake website. In addition, we have facilitated repeat “support” pre-orders by implementing various CRM measures, primarily the distribution of various coupons that meet the needs of supporters.

As a result of these initiatives, the “support” pre-orders grew by 2.3% year on year to ¥8,549,560 thousand.

We have also thoroughly controlled various SG&A expenses, particularly advertising expenses, based on our internal ROI standards, and have proactively scrutinized unnecessary costs, while at the same time striving to improve cost effectiveness.

As a result, for the period under review, the Company recorded net sales of ¥1,860,065 thousand (up 4.0% year on year), an operating loss of ¥98,851 thousand (operating loss of ¥378,399 thousand in the same period of the previous fiscal year), an ordinary loss of ¥96,569 thousand (ordinary loss of ¥374,151 thousand in the same period of the previous fiscal year) and a loss of ¥76,935 thousand (loss of ¥379,577 thousand in the same period of the previous fiscal year).

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, information by segment is omitted.

(2) Information on financial position

Assets

At the end of the quarter under review, total assets decreased by ¥1,334,772 thousand from the previous fiscal year-end to ¥6,620,438 thousand.

Current assets decreased by ¥1,514,285 thousand to ¥5,547,001 thousand. The main components included a decrease of ¥1,192,637 thousand in cash segregated as deposits.

Non-current assets increased by ¥181,438 thousand to ¥1,073,436 thousand. The main components included an increase of ¥160,902 thousand in intangible assets.

Liabilities

At the end of the quarter under review, liabilities decreased by ¥1,268,710 thousand from the previous fiscal year-end to ¥1,580,684 thousand.

Current liabilities decreased by ¥1,262,333 thousand to ¥1,528,500 thousand. The main components included a decrease of ¥1,216,666 thousand in deposits received.

Non-current liabilities decreased by ¥6,377 thousand to ¥52,183 thousand. The main components included a decrease of ¥6,180 thousand in provision for continuous services benefits.

Net assets

At the end of the quarter under review, net assets decreased by ¥66,061 thousand from the previous fiscal year-end to ¥5,039,754 thousand. The main components included a decrease of ¥76,935 thousand in retained earnings due to the recording of a loss.

(3) Explanation of cash flows

The balance of cash and cash equivalents (“cash”) at the end of the period under review amounted to ¥4,978,032 thousand, down ¥1,436,436 thousand compared with the previous fiscal year-end. The respective cash flow positions and the factors thereof in the period under review are as follows.

Cash flows from operating activities

Net cash used in operating activities was ¥1,228,611 thousand (¥495,843 thousand was used in the same period of the previous fiscal year). This was primarily due to a decrease in deposits received of ¥1,216,666 thousand.

Cash flows from investing activities

Net cash used in investing activities was ¥221,798 thousand (¥295,341 thousand was used in the same period of the previous fiscal year). This was primarily due to purchase of intangible assets of ¥220,418 thousand.

Cash flows from financing activities

Net cash provided by financing activities was ¥13,974 thousand (no cash flows in the same period of the previous fiscal year). This was primarily due to proceeds from issuance of shares of ¥14,008 thousand.

(4) Explanation of forward-looking information including earnings forecasts

There is no change to the earnings forecasts for the fiscal year ending September 30, 2024 from the forecasts announced on October 24, 2023.

2. Quarterly financial statements and significant notes thereto

(1) Quarterly balance sheet

(Thousands of yen)

	As of September 30, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	4,148,698	3,904,899
Cash segregated as deposits	2,265,771	1,073,133
Accounts receivable - trade	483,759	439,068
Other	170,340	137,182
Allowance for doubtful accounts	(7,282)	(7,282)
Total current assets	7,061,287	5,547,001
Non-current assets		
Property, plant and equipment	4,664	4,798
Intangible assets	541,620	702,522
Investments and other assets		
Other	353,250	373,653
Allowance for doubtful accounts	(7,537)	(7,537)
Total investments and other assets	345,713	366,116
Total non-current assets	891,998	1,073,436
Deferred assets	1,924	–
Total assets	7,955,211	6,620,438
Liabilities		
Current liabilities		
Income taxes payable	28,866	26,470
Deposits received	2,301,067	1,084,401
Other	460,900	417,628
Total current liabilities	2,790,834	1,528,500
Non-current liabilities		
Provision for retirement benefits	2,435	3,230
Provision for continuous services benefits	55,132	48,952
Other	992	–
Total non-current liabilities	58,560	52,183
Total liabilities	2,849,394	1,580,684
Net assets		
Shareholders' equity		
Share capital	3,127,283	3,134,287
Capital surplus	3,127,283	3,134,287
Retained earnings	(1,202,840)	(1,279,776)
Treasury shares	(625)	(659)
Total shareholders' equity	5,051,101	4,988,139
Share acquisition rights	54,715	51,615
Total net assets	5,105,816	5,039,754
Total liabilities and net assets	7,955,211	6,620,438

(2) Quarterly statement of income

(Thousands of yen)

	Six months ended March 31, 2023	Six months ended March 31, 2024
Net sales	1,789,246	1,860,065
Cost of sales	326,193	434,798
Gross profit	1,463,052	1,425,266
Selling, general and administrative expenses	1,841,452	1,524,117
Operating loss	(378,399)	(98,851)
Non-operating income		
Interest income	1	4
Dividend income	24	–
Lecture's fee income	5,215	3,440
Subsidy income	3,326	340
Other	367	709
Total non-operating income	8,936	4,493
Non-operating expenses		
Amortization of share issuance costs	4,021	1,924
Other	666	287
Total non-operating expenses	4,687	2,212
Ordinary loss	(374,151)	(96,569)
Extraordinary income		
Gain on reversal of share acquisition rights	–	3,100
Total extraordinary income	–	3,100
Loss before income taxes	(374,151)	(93,469)
Income taxes - current	5,426	5,524
Income taxes - deferred	–	(22,058)
Total income taxes	5,426	(16,534)
Loss	(379,577)	(76,935)

(3) Quarterly statement of cash flows

(Thousands of yen)

	Six months ended March 31, 2023	Six months ended March 31, 2024
Cash flows from operating activities		
Loss before income taxes	(374,151)	(93,469)
Depreciation	2,712	49,502
Increase (decrease) in provision for retirement benefits	844	795
Increase (decrease) provision for continuous services benefits	(2,893)	(6,180)
Interest and dividend income	(26)	(4)
Amortization of share issuance costs	4,021	1,924
Decrease (increase) in trade receivables	(79,318)	44,690
Gain on reversal of share acquisition rights	–	(3,100)
Increase (decrease) in advances received	5,773	(4,211)
Increase (decrease) in accounts payable - other	(30,583)	(76,850)
Increase (decrease) in accrued expenses	2,740	7,146
Increase (decrease) in deposits received	(108,062)	(1,216,666)
Increase (decrease) in accrued consumption taxes or consumption taxes refund receivable	1,697	46,137
Other, net	32,237	32,455
Subtotal	(545,008)	(1,217,828)
Interest and dividends received	27	4
Income taxes paid	(2,588)	(10,787)
Income taxes refund	51,725	0
Net cash provided by (used in) operating activities	(495,843)	(1,228,611)
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,294)	(1,962)
Purchase of intangible assets	(291,177)	(220,418)
Proceeds from refund of leasehold and guarantee deposits	1,130	581
Net cash provided by (used in) investing activities	(295,341)	(221,798)
Cash flows from financing activities		
Proceeds from issuance of shares	–	14,008
Purchase of treasury shares	–	(33)
Net cash provided by (used in) financing activities	–	13,974
Net increase (decrease) in cash and cash equivalents	(791,185)	(1,436,436)
Cash and cash equivalents at beginning of period	7,321,798	6,414,469
Cash and cash equivalents at end of period	6,530,613	4,978,032

(4) Notes to quarterly financial statements

Notes on premise of going concern

No applicable items.

Notes on significant changes in the amount of shareholders' equity

No applicable items.

Additional information

In the quarter under review, the Company has shortened the remittance schedule for project owners in the Makuake service, a “support” pre-order platform. Previously, the remittance date was the third business day of the second month following the month in which projects had ended; however, it has been changed to the 25th of the month following the month in which projects end. This is expected to further enrich supporters' experience of “support” pre-orders by helping project owners improve their cash flows and facilitating the smooth provision of products and services for which “support” pre-orders are placed.

As a result, cash segregated as deposits and deposits received in the balance sheet and cash flows from operating activities and cash and cash equivalents at end of period in the statement of cash flows decreased by ¥724,819 thousand, respectively.

Segment information

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.