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MEMBERSHIP

July 27, 2021

Non-consolidated Financial Results for the Nine Months Ended June 30, 2021 <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: July 28, 2021
 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 nine months ended June 30, 2021 (from October 1, 2020 to June 30, 2021)

(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	%
Nine months ended June 30, 2021	3,332	59.3	201	(62.1)	200	(62.2)	129	(63.5)
June 30, 2020	2,092	128.2	530	842.7	530	795.1	355	747.0

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
June 30, 2021	10.86	10.37
June 30, 2020	32.21	29.99

Note: For the diluted earnings per share for the nine months ended June 30, 2020, because the Company's shares were listed on the Mothers section of the Tokyo Stock Exchange on December 11, 2019, the figure is calculated using the average share price from the date the shares were newly listed to the end of the quarter under review as the average share price for the period.

(2) Financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2021	10,416	6,733	64.4
September 30, 2020	6,173	2,673	43.1

Reference: Equity

As of June 30, 2021

¥6,707 million

As of September 30, 2020

¥2,662 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, 2020	—	0.00	—	0.00	0.00
Fiscal year ending September 30, 2021	—	0.00	—		
Fiscal year ending September 30, 2021 (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, 2021 (from October 1, 2020 to September 30, 2021)

(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, 2021	4,670	44.8	311	(39.0)	309	(39.5)	205	(44.3)	17.06

Note: Revisions to the earnings forecasts most recently announced: Yes

*** 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 June 30, 2021	12,316,700 shares
As of September 30, 2020	11,667,700 shares

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

As of June 30, 2021	64 shares
As of September 30, 2020	24 shares

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

For the nine months ended June 30, 2021	11,960,170 shares
For the nine months ended June 30, 2020	11,037,876 shares

* Quarterly financial results reports are exempt from quarterly review conducted by 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.

For matters regarding the above earnings forecasts, please refer to “(3) Explanation of forward-looking information including earnings forecasts” in “1. Qualitative information on quarterly financial results” on page 3.

Attached materials

Index

1. Qualitative information on quarterly financial results	2
(1) Information on operating results	2
(2) Information on financial position	3
(3) Explanation of forward-looking information including earnings forecasts.....	3
2. Quarterly financial statements and significant notes thereto	4
(1) Quarterly balance sheet	4
(2) Quarterly statement of income	5
(3) Notes to quarterly financial statements	6
Notes on premise of going concern	6
Notes on significant changes in the amount of shareholders' equity.....	6
Segment information	6

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 all the good things are born, spread, and continue to exist,” the mission of Makuake, Inc. (the “Company”) is to “Connect the world through the creation of new things.” We operate the “Makuake” platform to connect business operators who want to create and spread new things with consumers who wish to find new items that fit their own tastes and preferences.

The first nine months of the fiscal year ending September 30, 2021, saw a continuation of the difficult conditions caused by the effects of the novel coronavirus disease (COVID-19), but the Japanese economy is expected to follow a path of recovery, as measures to prevent the spread of COVID-19 are being taken and vaccination programs are being expedited both in Japan and overseas. However, we must pay close attention to the risk of global economic decline caused by future changes in the spread of infection, and the future remains uncertain.

The business environment for the Company is affected by multiple markets, including the new product offline debut market, the e-commerce market for debuting new products, and the e-commerce market for pre-ordering new services. We believe that the e-commerce market for debuting new products and services has extraordinarily high growth potential.

Under these conditions, the Company is accelerating innovation in its previous business model, helped by the tailwind of the digital transformation of Japanese society, providing a place for business operators (project owners) to debut new products and services online for test marketing and PR prior to mass production. In this way the Company continues to provide support for the introduction to the world, in a way that was difficult under the primarily off-line business models of the past, of products and services that use wonderful technology and ideas.

In addition, we are providing to consumers (project supporters), and spreading awareness of, a new form of consumption called “support purchases.” This provides consumers with something that could not be experienced in the past, namely a sense of specialness that is derived from being able to acquire products that fit their own tastes and preferences before anybody else as well as a sense of connectedness with business operators (project owners), and that allows them to enjoy the sense of trust and expectation that comes from knowing the story behind the product being created.

In the period under review, the spread of COVID-19 led to restrictions on offline venues for debuting new products. However, the number of new projects posted on Makuake rose significantly due to a rising awareness of the benefits of debuting new products and services on Makuake without incurring inventory risk. This approach also enables confirmation of consumer needs and the acquisition of purchaser data before mass production, while at the same time making it possible to manufacture only the required volume after securing initial customers, and to then move on to the mass-production phase. Moreover, brand recognition rose as a result of television commercials, and we increased our exposure on television programs and strengthened our Internet and app advertisements. This led to a further expansion in unique users, and total support purchase value at Makuake grew 67.1% year on year.

However, having put the highest priority on growth in total support purchase value and having moved forward with upfront investments in promotions and in the hiring of personnel, the unexpectedly large increase in the number of new projects posted resulted in a rise in the operational burden for curators. We became aware that there were issues related to the hiring and development of curators and of inspection, legal and monitoring personnel, as well as in the examination of operational flows and the development of operations systems.

As a result, for the period under review, the Company recorded net sales of ¥3,332,990 thousand (up 59.3% year on year), operating profit of ¥201,096 thousand (down 62.1% YoY), ordinary profit of ¥200,403 thousand (down 62.2% YoY) and profit of ¥129,918 thousand (down 63.5% YoY).

As the Company consists of a single business segment, the Makuake service, a platform for people to make support purchases of new things and experiences, information by segment is omitted.

(2) Information on financial positionAssets

At the end of the quarter under review, total assets increased by ¥4,243,552 thousand from the previous fiscal year-end to ¥10,416,999 thousand.

Current assets increased by ¥3,894,501 thousand to ¥9,542,339 thousand. The main components included an increase of ¥3,758,502 thousand in cash and deposits.

Non-current assets increased by ¥338,118 thousand to ¥851,385 thousand. The main components included an increase of ¥181,276 thousand in intangible assets.

Liabilities

At the end of the quarter under review, liabilities increased by ¥183,189 thousand from the previous fiscal year-end to ¥3,683,619 thousand.

Current liabilities increased by ¥172,236 thousand to ¥3,644,329 thousand. This was due mainly to deposits received increasing by ¥643,349 thousand and accounts payable - other included in other decreasing by ¥257,471 thousand.

Non-current liabilities increased by ¥10,953 thousand to ¥39,289 thousand. The main components included an increase of ¥10,840 thousand in provision for continuous services benefits.

Net assets

At the end of the quarter under review, net assets increased by ¥4,060,362 thousand from the previous fiscal year-end to ¥6,733,379 thousand. The main components of this were increases in share capital and capital surplus of ¥1,957,476 thousand each as a result of the issuance of new shares through an international offering, among other factors, and an increase of ¥129,918 thousand in retained earnings due to the recording of profit.

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

The Company puts the highest priority on growth in the total support purchase value for the Makuake service, and aims to establish a position for itself as the largest marketplace for the online debut of new products. To this end, it is moving forward with upfront investments, primarily in promotions and in the hiring of personnel.

The earnings forecasts announced on October 27, 2020, were based on trends such as the increase in inquiries from business operators wanting projects posted, which continued even after the rapid growth recorded in the fiscal year ended September 30, 2020, the expansion in the number of active unique users visiting Makuake, and the rise in consumption via online marketplaces. At this point in time, earnings continue to grow but results have undershot the levels projected, and we have therefore revised our forecast for net sales to ¥4,670 million (up 44.8% year on year). In addition, as we have continued to move forward with various upfront investments aimed at maximizing total support purchase value, we have revised operating profit to ¥311 million (down 39.0% YoY), ordinary profit to ¥309 million (down 39.5% YoY), and profit to ¥205 million (down 44.3% YoY).

2. Quarterly financial statements and significant notes thereto

(1) Quarterly balance sheet

(Thousands of yen)

	As of September 30, 2020	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	5,109,351	8,867,854
Accounts receivable - trade	530,318	507,033
Other	15,164	174,448
Allowance for doubtful accounts	(6,996)	(6,996)
Total current assets	5,647,838	9,542,339
Non-current assets		
Property, plant and equipment	46,969	46,858
Intangible assets	356,458	537,735
Investments and other assets		
Other	117,376	274,329
Allowance for doubtful accounts	(7,537)	(7,537)
Total investments and other assets	109,839	266,791
Total non-current assets	513,267	851,385
Deferred assets	12,340	23,273
Total assets	6,173,446	10,416,999
Liabilities		
Current liabilities		
Income taxes payable	155,480	23,713
Deposits received	2,345,603	2,988,952
Other	971,008	631,663
Total current liabilities	3,472,093	3,644,329
Non-current liabilities		
Provision for retirement benefits	–	113
Provision for continuous services benefits	28,336	39,176
Total non-current liabilities	28,336	39,289
Total liabilities	3,500,429	3,683,619
Net assets		
Shareholders' equity		
Share capital	1,136,847	3,094,323
Capital surplus	1,136,847	3,094,323
Retained earnings	388,949	518,868
Treasury shares	(115)	(357)
Total shareholders' equity	2,662,529	6,707,158
Share acquisition rights	10,488	26,220
Total net assets	2,673,017	6,733,379
Total liabilities and net assets	6,173,446	10,416,999

(2) Quarterly statement of income

(Thousands of yen)

	Nine months ended June 30, 2020	Nine months ended June 30, 2021
Net sales	2,092,494	3,332,990
Cost of sales	373,111	558,716
Gross profit	1,719,383	2,774,273
Selling, general and administrative expenses	1,188,685	2,573,177
Operating profit	530,697	201,096
Non-operating income		
Lecture fees and other income	2,950	5,325
Other	211	654
Total non-operating income	3,161	5,980
Non-operating expenses		
Interest expenses	111	-
Amortization of share issuance costs	3,107	6,672
Total non-operating expenses	3,218	6,672
Ordinary profit	530,640	200,403
Profit before income taxes	530,640	200,403
Income taxes - current	181,546	74,115
Income taxes - deferred	(6,431)	(3,629)
Total income taxes	175,114	70,485
Profit	355,525	129,918

(3) Notes to quarterly financial statements

Notes on premise of going concern

No applicable items.

Notes on significant changes in the amount of shareholders' equity

Due to the issuance of 1,000 new shares as restricted share-based remuneration with a payment date of January 22, 2021, share capital and capital surplus each increased by ¥4,440 thousand. In addition, due to the issuance of 500,000 new shares through an international offering with a payment date of February 24, 2021, share capital and capital surplus each increased by ¥1,937,792 thousand.

The exercise of share acquisition rights resulted in share capital and capital surplus increasing by ¥15,244 thousand each.

As a result, at the end of the quarter under review, share capital came to ¥3,094,323 thousand, and capital surplus was ¥3,094,323 thousand.

Segment information

Segment information

As the Company consists of a single business segment, the Makuake service, a platform for people to make support purchases of new things and experiences, this information is omitted.