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MEMBERSHIP

October 26, 2021

Non-consolidated Financial Results for the Fiscal Year Ended September 30, 2021 <under Japanese GAAP>

Company name: Makuake, Inc.
 Listing: Tokyo Stock Exchange
 Stock code: 4479
 URL: <http://www.makuake.com/>
 Representative: Ryotaro Nakayama, CEO
 Inquiries: Yuki Tamura, Corporate Officer and General Manager of Business Management Division
 TEL: +81-3-6328-4038 (from overseas)
 Scheduled date of annual general meeting of shareholders: December 9, 2021
 Scheduled date to commence dividend payments: —
 Scheduled date to file annual securities report: December 10, 2021
 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, 2021 (from October 1, 2020 to September 30, 2021)

(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, 2021	4,621	43.3	329	(35.5)	326	(36.3)	246	(33.3)
September 30, 2020	3,225	139.9	510	308.5	512	302.2	369	315.3

	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, 2021	20.44	19.58	5.2	4.0	7.1
September 30, 2020	33.03	30.88	25.1	13.5	15.8

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

For the fiscal year ended September 30, 2021: ¥— million

For the fiscal year ended September 30, 2020: ¥— million

Note: For the diluted earnings per share for the fiscal year ended September 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 fiscal year under review as the average share price for the period.

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2021	10,331	6,873	66.2	551.56
September 30, 2020	6,173	2,673	43.1	228.20

Reference: Equity

As of September 30, 2021 ¥6,841 million
As of September 30, 2020 ¥2,662 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, 2021	151	(586)	3,915	8,591
September 30, 2020	2,564	(247)	1,913	5,109

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, 2020	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ended September 30, 2021	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending September 30, 2022 (Forecast)	–	0.00	–	0.00	0.00		–	

3. Earnings forecasts for the fiscal year ending September 30, 2022 (from October 1, 2021 to September 30, 2022)

(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, 2022	6,200	34.2	465	41.3	460	41.1	350	41.9	28.22

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: None
- (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, 2021	12,404,700 shares
As of September 30, 2020	11,667,700 shares

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

As of September 30, 2021	87 shares
As of September 30, 2020	24 shares

(iii) Average number of shares during the period

For the fiscal year ended September 30, 2021	12,068,819 shares
For the fiscal year ended September 30, 2020	11,190,361 shares

* Financial results reports are exempt from audit 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 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 project owners (business operators) who are providing something new to the world with supporters (consumers) who purchase (support purchase) new items and experiences based on their knowledge of the background and the ideas of the creator.

In the fiscal year ended September 30, 2021, despite a resurgence in infections resulting from the emergence of novel coronavirus disease (COVID-19) variants, leading in some regions to declarations of a state of emergency and the introduction of priority measures to prevent proliferation, the Japanese economy showed signs of a recovery due to expedited vaccine programs both in Japan and overseas. However, personal consumption, corporate earnings, and the employment situation remained weak, and the outlook is still characterized by uncertainty.

The business of the Company is affected through the impact on the e-commerce market for debuting new products and on the e-commerce market for pre-ordering new services, but due to the changes in lifestyles and working styles we have seen as a result of the spread of COVID-19, demand in these markets is extraordinarily high and growth is continuing.

Under these conditions, during the fiscal year under review, in order to further enhance our quality assurance system in response to the sharp rise in the number of new projects posted and in the number of unique users following the growth in demand caused by COVID-19, we took a more defensive strategic stance and implemented an overhaul of our organizational structure. With the objective of acquiring new owners, generating inflows of new unique users, and stimulating repeat support purchases, we continued our program of active upfront investments in television commercials, Internet advertisements, and app advertisements. Not only did this lead to a rise in Makuake’s brand recognition, but also to a sustained increase in the number of new projects posted and further expansion in the number of unique users, resulting in total support purchase value growing by 46.9% year on year to ¥21,536,980 thousand.

On the other hand, due to the unexpectedly large increase in the number of new projects posted at a time of rapidly expanding sales we continued to experience personnel shortages in the Curator Division, which provides consulting support for project owners, and in the Quality Assurance Division, which is responsible for screening projects for feasibility. However, we put in the groundwork for achieving a more optimized organization during the fourth quarter of the fiscal year, by moving rapidly to secure human resources by modifying and bringing forward our hiring plans, while reorganizing the organizational structure.

As a result, for the fiscal year under review, the Company recorded net sales of ¥4,621,419 thousand (up 43.3% year on year), operating profit of ¥329,101 thousand (down 35.5% YoY), ordinary profit of ¥326,089 thousand (down 36.3% YoY) and profit of ¥246,642 thousand (down 33.3% YoY).

(2) Overview of financial position for the fiscal year

Assets

At the end of the fiscal year under review, total assets increased by ¥4,158,100 thousand from the previous fiscal year-end to ¥10,331,547 thousand.

Current assets increased by ¥3,621,724 thousand to ¥9,269,563 thousand. The main components included an increase of ¥3,188,338 thousand in cash and deposits.

Non-current assets increased by ¥528,320 thousand to ¥1,041,587 thousand. The main components included an increase of ¥294,755 thousand in investments and other assets.

Liabilities

At the end of the fiscal year under review, liabilities decreased by ¥42,215 thousand from the previous fiscal year-end to ¥3,458,214 thousand.

Current liabilities decreased by ¥56,732 thousand to ¥3,415,360 thousand. The main components included a decrease of ¥213,892 thousand in accounts payable - other.

Non-current liabilities increased by ¥14,517 thousand to ¥42,853 thousand. This was due to an increase of ¥14,180 thousand in provision for continuous services benefits.

Net assets

At the end of the fiscal year under review, net assets increased by ¥4,200,315 thousand from the previous fiscal year-end to ¥6,873,332 thousand. This was caused by increases in share capital and capital surplus of ¥1,966,540 thousand each as a result of the issuance of new shares through an international offering, among other factors, and an increase of ¥246,642 thousand in retained earnings due to the recording of profit.

(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 ¥8,591,254 thousand, up ¥3,480,092 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 provided by operating activities was ¥151,414 thousand (¥2,564,340 thousand was provided in the previous fiscal year). This was primarily due to profit before income taxes of ¥326,089 thousand, an increase in deposits received of ¥306,858 thousand, a decrease in accounts payable - other of ¥216,487 thousand, and income taxes paid of ¥214,897 thousand.

Cash flows from investing activities

Net cash used in investing activities was ¥586,413 thousand (¥247,561 thousand was used in the previous fiscal year). This was primarily due to purchase of intangible assets of ¥306,265 thousand, and purchase of investment securities of ¥148,731 thousand.

Cash flows from financing activities

Net cash provided by financing activities was ¥3,915,091 thousand (¥1,913,232 thousand was provided in the previous fiscal year). This was primarily due to proceeds from issuance of shares of ¥3,915,475 thousand.

(4) Future outlook

For the fiscal year ending September 30, 2022, the Company expects net sales to rise 34.2% to ¥6,200 million. We forecast operating profit of ¥460 million, ordinary profit of ¥460 million, and profit of ¥350 million. Interim earnings forecasts have not been disclosed due to the continued lack of visibility regarding the impact of COVID-19 in Japan and overseas.

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, 2020	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	2,761,604	5,949,943
Segregated deposits	2,347,747	2,641,311
Accounts receivable - trade	530,318	551,330
Prepaid expenses	12,721	79,585
Other	2,443	54,674
Allowance for doubtful accounts	(6,996)	(7,282)
Total current assets	5,647,838	9,269,563
Non-current assets		
Property, plant and equipment		
Buildings	38,404	39,169
Accumulated depreciation	(6,849)	(10,649)
Buildings, net	31,554	28,520
Tools, furniture and fixtures	25,886	32,236
Accumulated depreciation	(10,471)	(17,636)
Tools, furniture and fixtures, net	15,414	14,599
Total property, plant and equipment	46,969	43,119
Intangible assets		
Goodwill	–	17,333
Software	291,441	410,908
Software in progress	65,017	165,632
Total intangible assets	356,458	593,873
Investments and other assets		
Investment securities	10,001	138,733
Leasehold and guarantee deposits	63,919	192,351
Deferred tax assets	35,918	73,508
Other	7,537	7,537
Allowance for doubtful accounts	(7,537)	(7,537)
Total investments and other assets	109,839	404,594
Total non-current assets	513,267	1,041,587
Deferred assets		
Share issuance costs	12,340	20,396
Total deferred assets	12,340	20,396
Total assets	6,173,446	10,331,547

(Thousands of yen)

	As of September 30, 2020	As of September 30, 2021
Liabilities		
Current liabilities		
Accounts payable - other	793,421	579,528
Accrued expenses	77,819	61,288
Income taxes payable	155,480	72,286
Deposits received	2,345,603	2,652,462
Other	99,767	49,795
Total current liabilities	3,472,093	3,415,360
Non-current liabilities		
Provision for retirement benefits	–	337
Provision for continuous services benefits	28,336	42,516
Total non-current liabilities	28,336	42,853
Total liabilities	3,500,429	3,458,214
Net assets		
Shareholders' equity		
Share capital	1,136,847	3,103,387
Capital surplus		
Legal capital surplus	1,136,847	3,103,387
Total capital surplus	1,136,847	3,103,387
Retained earnings		
Other retained earnings		
Retained earnings brought forward	388,949	635,591
Total retained earnings	388,949	635,591
Treasury shares	(115)	(499)
Total shareholders' equity	2,662,529	6,841,867
Share acquisition rights	10,488	31,464
Total net assets	2,673,017	6,873,332
Total liabilities and net assets	6,173,446	10,331,547

(2) Statement of income

(Thousands of yen)

	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021
Net sales	3,225,281	4,621,419
Cost of sales	568,845	815,518
Gross profit	2,656,435	3,805,900
Selling, general and administrative expenses	2,146,185	3,476,799
Operating profit	510,249	329,101
Non-operating income		
Interest income	–	0
Lecture fees and other income	4,707	7,645
Subsidy income	2,225	–
Other	858	606
Total non-operating income	7,790	8,252
Non-operating expenses		
Interest expenses	111	–
Amortization of share issuance costs	4,515	9,549
Loss on retirement of non-current assets	1,359	1,447
Other	–	266
Total non-operating expenses	5,985	11,264
Ordinary profit	512,054	326,089
Profit before income taxes	512,054	326,089
Income taxes - current	157,676	117,038
Income taxes - deferred	(15,291)	(37,590)
Total income taxes	142,384	79,447
Profit	369,670	246,642

(3) Statement of changes in equity

Fiscal year ended September 30, 2020

(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	132,995	132,995	132,995	19,279	19,279	–	285,270	–	285,270
Changes during period									
Issuance of new shares	970,892	970,892	970,892				1,941,784		1,941,784
Issuance of new shares - exercise of share acquisition rights	32,960	32,960	32,960				65,920		65,920
Issuance of new shares - restricted share-based remuneration									
Purchase of treasury shares						(115)	(115)		(115)
Profit				369,670	369,670		369,670		369,670
Net changes in items other than shareholders' equity								10,488	10,488
Total changes during period	1,003,852	1,003,852	1,003,852	369,670	369,670	(115)	2,377,259	10,488	2,387,747
Balance at end of period	1,136,847	1,136,847	1,136,847	388,949	388,949	(115)	2,662,529	10,488	2,673,017

Fiscal year ended September 30, 2021

(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	1,136,847	1,136,847	1,136,847	388,949	388,949	(115)	2,662,529	10,488	2,673,017
Changes during period									
Issuance of new shares	1,937,793	1,937,793	1,937,793				3,875,585		3,875,585
Issuance of new shares - exercise of share acquisition rights	24,308	24,308	24,308				48,616		48,616
Issuance of new shares - restricted share-based remuneration	4,440	4,440	4,440				8,880		8,880
Purchase of treasury shares						(384)	(384)		(384)
Profit				246,642	246,642		246,642		246,642
Net changes in items other than shareholders' equity								20,976	20,976
Total changes during period	1,966,540	1,966,540	1,966,540	246,642	246,642	(384)	4,179,338	20,976	4,200,315
Balance at end of period	3,103,387	3,103,387	3,103,387	635,591	635,591	(499)	6,841,867	31,464	6,873,332

(4) Statement of cash flows

(Thousands of yen)

	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021
Cash flows from operating activities		
Profit before income taxes	512,054	326,089
Depreciation	65,409	99,305
Amortization of goodwill	–	2,666
Increase (decrease) in allowance for doubtful accounts	3,426	285
Increase (decrease) in provision for retirement benefits	–	337
Increase (decrease) provision for continuous services benefits	13,078	14,180
Interest expenses	111	–
Amortization of share issuance costs	4,515	9,549
Decrease (increase) in trade receivables	(335,624)	(21,011)
Increase (decrease) in accounts payable - other	663,177	(216,487)
Increase (decrease) in accrued expenses	28,000	(16,531)
Increase (decrease) in deposits received	1,544,786	306,858
Increase (decrease) in accrued consumption taxes	92,017	(49,972)
Other, net	20,756	(89,106)
Subtotal	2,611,710	366,163
Interest paid	(97)	–
Income taxes refund	–	148
Income taxes paid	(47,272)	(214,897)
Net cash provided by (used in) operating activities	2,564,340	151,414
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,736)	(7,114)
Purchase of intangible assets	(213,397)	(306,265)
Purchase of investment securities	(10,001)	(148,731)
Payments of leasehold and guarantee deposits	(17,426)	(124,301)
Net cash provided by (used in) investing activities	(247,561)	(586,413)
Cash flows from financing activities		
Proceeds from issuance of shares	1,990,848	3,915,475
Repayments of short-term borrowings	(50,000)	–
Repayments of long-term borrowings	(27,500)	–
Purchase of treasury shares	(115)	(384)
Net cash provided by (used in) financing activities	1,913,232	3,915,091
Net increase (decrease) in cash and cash equivalents	4,230,011	3,480,092
Cash and cash equivalents at beginning of period	879,340	5,109,351
Increase in cash and cash equivalents resulting from merger	–	1,810
Cash and cash equivalents at end of period	5,109,351	8,591,254

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

No applicable items.

Significant accounting estimates

The situation regarding the impact of the spread of COVID-19 remains unclear, but the business environment of the Company has more or less normalized, and at this point in time accounting estimates are based on the judgment that there is no material impact. Specific details of these estimates are as follows.

Moreover, the impact of COVID-19 infections is highly unpredictable and, depending on the spread of infection going forward, there could be a material impact on our financial position or on our operating results for the next fiscal year.

(1) Amounts recorded in financial statements for the fiscal year under review

Deferred tax assets	¥73,508 thousand
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(2) Information on details of significant accounting estimates related to identified items

For deferred tax assets, the Company makes a reasonable estimate of taxable income in future fiscal years and determines the amount to record after coming to a judgment regarding recoverability. Depending on future changes in the business environment, including the impact of COVID-19, next fiscal year there may be variations in the estimates for taxable income and the amount of deferred tax assets recorded in these future fiscal years.

Changes in presentationBalance sheet

“Segregated deposits” for project owners associated with the Makuake service, which in the previous fiscal year were included in “cash and deposits” under “current assets,” have been presented as a separate item for the fiscal year under review due to their growing financial importance and the desire for greater clarity. In order to reflect this change in presentation, financial statements for the previous fiscal year have been reclassified.

As a result, the ¥5,109,351 thousand presented as “cash and deposits” under “current assets” in the balance sheet for the previous fiscal year has been reclassified as “cash and deposits” of ¥2,761,604 thousand and “segregated deposits” of ¥2,347,747 thousand under “current assets.”

“Accrued consumption taxes” that were presented as a separate item in the previous fiscal year have been included in “other” under “current liabilities” for the fiscal year under review, due to their declining financial importance. In order to reflect this change in presentation, financial statements for the previous fiscal year have been reclassified.

As a result, the ¥49,795 thousand of “accrued consumption taxes” presented under “current liabilities” in the balance sheet for the previous fiscal year has been reclassified as “other” under “current liabilities.”

Profit or loss of entities accounted for using equity method

Because the Company has no associates, there are no items to report.

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.

Per share information

(Yen)

	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021
Net assets per share	228.20	551.56
Basic earnings per share	33.03	20.44
Diluted earnings per share	30.88	19.58

Notes: 1. For the diluted earnings per share for the previous fiscal year, 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 previous fiscal year as the average share price for the period.

2. The basis of calculating basic earnings per share and diluted earnings per share is as follows:

	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021
Basic earnings per share	33.03	20.44
Profit (Thousands of yen)	369,670	246,642
Profit not attributable to common shareholders (Thousands of yen)	—	—
Profit available to common shares (Thousands of yen)	369,670	246,642
Average number of common shares outstanding during the period (Shares)	11,190,361	12,068,819
Diluted earnings per share	30.88	19.58
Adjustment to profit (Thousands of yen)	—	—
Increase in number of common shares (Shares)	781,284	527,163
[Share acquisition rights included in the above] (Shares)	[781,284]	[527,163]
Outline of diluted shares not included in the calculation of diluted earnings per share as they are non-dilutive	—	—

Significant subsequent events

No applicable items.