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MEMBERSHIP

October 27, 2020

Non-consolidated Financial Results for the Fiscal Year Ended September 30, 2020 <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 10, 2020
 Scheduled date to commence dividend payments: –
 Scheduled date to file annual securities report: December 15, 2020
 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, 2020 (from October 1, 2019 to September 30, 2020)

(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, 2020	3,225	139.9	510	308.5	512	302.2	369	315.3
September 30, 2019	1,344	40.3	124	(19.1)	127	(18.5)	89	(21.1)

	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, 2020	33.03	30.88	25.1	13.5	15.8
September 30, 2019	8.91	–	37.0	10.8	9.3

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended September 30, 2020: ¥– million
 For the fiscal year ended September 30, 2019: ¥– 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, 2020	6,173	2,673	43.1	228.20
September 30, 2019	1,399	285	20.4	28.57

Reference: Equity

As of September 30, 2020

¥2,662 million

As of September 30, 2019

¥285 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, 2020	2,564	(247)	1,913	5,109
September 30, 2019	388	(223)	20	879

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, 2019	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ended September 30, 2020	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending September 30, 2021 (Forecast)	–	0.00	–	0.00	0.00		–	

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	5,172	60.4	620	21.5	617	20.6	450	21.8	38.61

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, 2020	11,667,700 shares
As of September 30, 2019	9,986,000 shares

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

As of September 30, 2020	24 shares
As of September 30, 2019	– shares

(iii) Average number of shares during the period

For the fiscal year ended September 30, 2020	11,190,371 shares
For the fiscal year ended September 30, 2019	9,986,000 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.

Attached materials**Index**

1. Overview of operating results and others	2
(1) Overview of operating results for the fiscal year	2
(2) Overview of financial position for the fiscal year	2
(3) Overview of cash flows for the fiscal year	3
(4) Future outlook	3
(5) Significant events regarding premise of going concern	3
2. Basic rationale for selection of accounting standards	4
3. Financial statements and significant notes thereto.....	5
(1) Balance sheet.....	5
(2) Statement of income	7
(3) Statement of changes in equity.....	8
(4) Statement of cash flows.....	10
(5) Notes to financial statements.....	11
Notes on premise of going concern	11
Notes on significant changes in the amount of shareholders' equity.....	11
Profit or loss of entities accounted for using equity method	11
Segment information	11
Per share information	12
Significant subsequent events.....	12

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, 2020, the Japanese economy remained on a path of moderate recovery amid improvements in corporate performance as well as employment and income environments. However, there are concerns about the impact of the consumption tax hike on consumer sentiment, and given the global spread of novel coronavirus disease (COVID-19), the outlook for business conditions is 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 has extraordinarily high growth potential.

Accordingly, in addition to holding events in partnership with financial institutions throughout Japan to publicize the brand nationwide during the fiscal year under review, the Company continued a program of exposure in the media and so forth. As a result, brand recognition was broadened among project owners (business operators), increasing the number of project owners using Makuake for the purpose of new product marketing (surveying customer needs and eliciting feedback before new products go on sale, branding, etc.) and PR prior to mass production, as well as leading to a rise in the number of new projects posted. With regard to project supporters (users), online advertisements, media exposure, and the spreading of information on social media by project owners led to wider awareness of the platform as a place where new and enjoyable products and services appear every day, resulting in increases in unique users and members. In addition, the use of a tag function to register favorite product genres, newsletters, activity reports on the production process from project owners and other measures resulted in supporters making return trips to Makuake, thus further establishing the mechanism for support buying, raising new inflows, and maintaining high repeat rates.

During the third and fourth quarters, which were affected by COVID-19, changes in consumer lifestyles and working styles generated new needs and an increase in project owners (business operators) wanting new products to be listed. In addition, there was a strengthening of the trend by business operators struggling to debut new products at exhibitions, trade fairs, or offline physical stores, to use Makuake as a space to debut new products online, leading to a further acceleration in the growth in the number of new projects posted. At the same time, more consumers (project supporters) have been visiting Makuake, seeking new approaches to consumption in the form of enjoying, searching for and support purchasing new products online that fit their tastes and preferences, and the number of unique users has expanded even further.

As a result, for the fiscal year under review, the Company recorded net sales of ¥3,225,281 thousand (up 139.9% year on year), operating profit of ¥510,249 thousand (up 308.5% YoY), ordinary profit of ¥512,054 thousand (up 302.2% YoY) and profit of ¥369,670 thousand (up 315.3% YoY).

(2) Overview of financial position for the fiscal year

Assets

At the end of the fiscal year under review, total assets increased by ¥4,774,407 thousand from the previous fiscal year-end to ¥6,173,446 thousand.

Current assets increased by ¥4,569,092 thousand to ¥5,647,838 thousand. The main components included an increase of ¥4,230,011 thousand in cash and deposits.

Non-current assets increased by ¥192,974 thousand to ¥513,267 thousand. The main components included an increase of ¥155,850 thousand in intangible assets.

Liabilities

At the end of the fiscal year under review, liabilities increased by ¥2,386,660 thousand from the previous fiscal year-end to ¥3,500,429 thousand.

Current liabilities increased by ¥2,373,581 thousand to ¥3,472,093 thousand. The main components included an increase of ¥1,544,786 thousand in deposits received.

Non-current liabilities increased by ¥13,078 thousand to ¥28,336 thousand. This was due to an increase of ¥13,078 thousand in provision for continuous services benefits.

Net assets

At the end of the fiscal year under review, net assets increased by ¥2,387,747 thousand from the previous fiscal year-end to ¥2,673,017 thousand. As a result of the public offering accompanying the stock market listing, and a capital increase implemented through the third-party allotment, amongst other factors, share capital and capital surplus each increased by ¥1,003,852 thousand, while retained earnings grew by ¥369,670 thousand due to profit recorded.

(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 ¥5,109,351 thousand, up ¥4,230,011 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 ¥2,564,340 thousand (¥388,352 thousand was provided in the previous fiscal year). This was primarily due to profit before income taxes of ¥512,054 thousand and an increase in deposits received of ¥1,544,786 thousand.

Cash flows from investing activities

Net cash used in investing activities was ¥247,561 thousand (¥223,661 thousand was used in the previous fiscal year). This was due to purchase of property, plant and equipment of ¥6,736 thousand and purchase of intangible assets of ¥213,397 thousand.

Cash flows from financing activities

Net cash provided by financing activities was ¥1,913,232 thousand (¥20,000 thousand was provided in the previous fiscal year). This was primarily due to proceeds from issuance of shares of ¥1,990,848 thousand.

(4) Future outlook

For the fiscal year ending September 30, 2021, the Company expects net sales to rise 60.4% to ¥5,170 million. We forecast operating profit of ¥620 million, ordinary profit of ¥610 million, and profit of ¥450 million. Interim earnings forecasts have not been disclosed due to the 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, 2019	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	879,340	5,109,351
Accounts receivable - trade	194,694	530,318
Prepaid expenses	8,280	12,721
Other	–	2,443
Allowance for doubtful accounts	(3,569)	(6,996)
Total current assets	1,078,746	5,647,838
Non-current assets		
Property, plant and equipment		
Buildings	40,010	38,404
Accumulated depreciation	(3,225)	(6,849)
Buildings, net	36,784	31,554
Tools, furniture and fixtures	19,149	25,886
Accumulated depreciation	(5,623)	(10,471)
Tools, furniture and fixtures, net	13,526	15,414
Total property, plant and equipment	50,310	46,969
Intangible assets		
Software	116,134	291,441
Software in progress	84,474	65,017
Total intangible assets	200,608	356,458
Investments and other assets		
Investment securities	–	10,001
Leasehold and guarantee deposits	48,746	63,919
Deferred tax assets	20,626	35,918
Other	7,537	7,537
Allowance for doubtful accounts	(7,537)	(7,537)
Total investments and other assets	69,373	109,839
Total non-current assets	320,292	513,267
Deferred assets	–	12,340
Total assets	1,399,039	6,173,446

(Thousands of yen)

	As of September 30, 2019	As of September 30, 2020
Liabilities		
Current liabilities		
Short-term borrowings	50,000	–
Current portion of long-term borrowings	27,500	–
Accounts payable - other	131,100	793,421
Accrued expenses	49,819	77,819
Accrued consumption taxes	7,750	99,767
Income taxes payable	31,524	155,480
Deposits received	800,817	2,345,603
Total current liabilities	1,098,511	3,472,093
Non-current liabilities		
Provision for continuous services benefits	15,257	28,336
Total non-current liabilities	15,257	28,336
Total liabilities	1,113,769	3,500,429
Net assets		
Shareholders' equity		
Share capital	132,995	1,136,847
Capital surplus		
Legal capital surplus	132,995	1,136,847
Total capital surpluses	132,995	1,136,847
Retained earnings		
Other retained earnings		
Retained earnings brought forward	19,279	388,949
Total retained earnings	19,279	388,949
Treasury shares	–	(115)
Total shareholders' equity	285,270	2,662,529
Share acquisition rights	–	10,488
Total net assets	285,270	2,673,017
Total liabilities and net assets	1,399,039	6,173,446

(2) Statement of income

(Thousands of yen)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Net sales	1,344,217	3,225,281
Cost of sales	258,808	568,845
Gross profit	1,085,408	2,656,435
Selling, general and administrative expenses	960,505	2,146,185
Operating profit	124,903	510,249
Non-operating income		
Lecture fees and other income	3,445	4,707
Subsidy income	–	2,225
Other	333	858
Total non-operating income	3,779	7,790
Non-operating expenses		
Interest expenses	370	111
Commission expenses	1,000	–
Amortization of share issuance costs	–	4,515
Loss on retirement of non-current assets	–	1,359
Total non-operating expenses	1,370	5,985
Ordinary profit	127,312	512,054
Profit before income taxes	127,312	512,054
Income taxes - current	39,256	157,676
Income taxes - deferred	(959)	(15,291)
Total income taxes	38,297	142,384
Profit	89,014	369,670

(3) Statement of changes in equity

Fiscal year ended September 30, 2019

(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	(69,735)	(69,735)	–	196,255	–	196,255
Changes during period									
Issuance of new shares	–	–	–				–		–
Issuance of new shares - exercise of share acquisition rights	–	–	–				–		–
Purchase of treasury shares						–	–		–
Profit				89,014	89,014		89,014		89,014
Net changes in items other than shareholders' equity								–	–
Total changes during period	–	–	–	89,014	89,014	–	89,014	–	89,014
Balance at end of period	132,995	132,995	132,995	19,279	19,279	–	285,270	–	285,270

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	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
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

(4) Statement of cash flows

(Thousands of yen)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes	127,312	512,054
Depreciation	30,515	65,409
Increase (decrease) in allowance for doubtful accounts	3,469	3,426
Increase (decrease) provision for continuous services benefits	5,896	13,078
Interest expenses	370	111
Amortization of share issuance costs	–	4,515
Decrease (increase) in trade receivables	(55,479)	(335,624)
Increase (decrease) in accounts payable - other	76,819	663,177
Increase (decrease) in accrued expenses	(15,789)	28,000
Increase (decrease) in deposits received	293,393	1,544,786
Increase (decrease) in accrued consumption taxes	(24,097)	92,017
Other, net	3,856	20,756
Subtotal	446,266	2,611,710
Interest paid	(354)	(97)
Income taxes refund	459	–
Income taxes paid	(58,019)	(47,272)
Net cash provided by (used in) operating activities	388,352	2,564,340
Cash flows from investing activities		
Purchase of property, plant and equipment	(56,449)	(6,736)
Purchase of intangible assets	(167,211)	(213,397)
Purchase of investment securities	–	(10,001)
Payments of leasehold and guarantee deposits	–	(17,426)
Net cash provided by (used in) investing activities	(223,661)	(247,561)
Cash flows from financing activities		
Proceeds from issuance of shares	–	1,990,848
Proceeds from short-term borrowings	50,000	–
Repayments of short-term borrowings	–	(50,000)
Repayments of long-term borrowings	(30,000)	(27,500)
Purchase of treasury shares	–	(115)
Net cash provided by (used in) financing activities	20,000	1,913,232
Net increase (decrease) in cash and cash equivalents	184,691	4,230,011
Cash and cash equivalents at beginning of period	694,649	879,340
Cash and cash equivalents at end of period	879,340	5,109,351

(5) Notes to financial statements

Notes on premise of going concern

No applicable items.

Notes on significant changes in the amount of shareholders' equity

The Company's shares were listed on the Tokyo Stock Exchange Mothers market on December 11, 2019. At the listing, the issuing of 980,000 new shares through a public offering (book-building method) with a payment date of December 10, 2019, caused share capital and capital surplus to increase by ¥698,740 thousand each. Also, the capital increase from the third-party allotment of 381,700 new shares in relation to the secondary offering through an over-allotment scheme with a payment date of January 14, 2020, caused share capital and capital surplus to increase by ¥272,152 thousand each.

The exercise of share acquisition rights resulted in share capital and capital surplus increasing by ¥32,960 thousand each.

As a result, at the end of the fiscal year under review, share capital came to ¥1,136,847 thousand, and capital surplus was ¥1,136,847 thousand.

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 pre-market platform, this information is omitted.

Per share information

(Yen)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Net assets per share	28.57	228.20
Basic earnings per share	8.91	33.03
Diluted earnings per share	–	30.88

Notes: 1. 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. The basis of calculating basic earnings per share is as follows:

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020
Basic earnings per share (Yen)	8.91	33.03
Profit (Thousands of yen)	89,014	369,670
Profit not attributable to common shareholders (Thousands of yen)	–	–
Profit available to common shares (Thousands of yen)	89,014	369,670
Average number of common shares outstanding during the period (Shares)	9,986,000	11,190,361
Diluted earnings per share (Yen)	–	30.88
Adjustment to profit (Thousands of yen)	–	–
Increase in number of common shares (Shares)	–	781,284
[Share acquisition rights included in the above] (Shares)	[–]	[781,284]
Outline of diluted shares not included in the calculation of diluted earnings per share as they are non-dilutive	–	–

3. The basis of calculating net assets per share is as follows:

	As of September 30, 2019	As of September 30, 2020
Total net assets (Thousands of yen)	285,270	2,673,017
Amount deducted from total net assets (Thousands of yen)	–	10,488
[Share acquisition rights included in the above] (Thousands of yen)	[–]	[10,488]
Net assets attributable to common shares at the fiscal year-end (Thousands of yen)	285,270	2,662,529
Number of common shares at the fiscal year-end used for the calculation of net assets per share (Shares)	9,986,000	11,667,676

Significant subsequent events

No applicable items.