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MEMBERSHIP

April 20, 2021

Non-consolidated Financial Results for the Six Months Ended March 31, 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: April 21, 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 six months ended March 31, 2021 (from October 1, 2020 to March 31, 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	%
Six months ended								
March 31, 2021	2,100	87.2	63	(73.6)	62	(73.9)	40	(75.4)
March 31, 2020	1,122	–	239	–	240	–	164	–

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
March 31, 2021	3.44	3.27
March 31, 2020	15.24	14.14

- Notes: 1. As the Company has not prepared quarterly financial statements for the six months ended March 31, 2019, the percentage indicating year-on-year changes is not shown for the six months ended March 31, 2020.
2. For the diluted earnings per share for the six months ended March 31, 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	%
March 31, 2021	9,837	6,618	67.1
September 30, 2020	6,173	2,673	43.1

Reference: Equity

As of March 31, 2021

¥6,597 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	5,172	60.4	620	21.5	617	20.6	450	21.8	38.61

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, 2021	12,214,700 shares
As of September 30, 2020	11,667,700 shares

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

As of March 31, 2021	24 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 six months ended March 31, 2021	11,788,431 shares
For the six months ended March 31, 2020	10,806,244 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.

Attached materials**Index**

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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 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 six 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 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, using the quality assurance system that we focused on and strengthened in the first quarter as a foundation, we worked on measures to grow total support purchase value. Specifically, we made efforts to grow the number of projects posted and expand the number of unique users and the number of support purchases by increasing our exposure by showing television commercials and television programs, etc., and by rolling out strengthened recommendation and other functions on Makuake.

As a result, for the period under review, the Company recorded net sales of ¥2,100,387 thousand (up 87.2% year on year), operating profit of ¥63,362 thousand (down 73.6% YoY), ordinary profit of ¥62,911 thousand (down 73.9% YoY) and profit of ¥40,597 thousand (down 75.4% 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 position

Assets

At the end of the quarter under review, total assets increased by ¥3,663,723 thousand from the previous fiscal year-end to ¥9,837,169 thousand.

Current assets increased by ¥3,396,672 thousand to ¥9,044,510 thousand. The main components included an increase of ¥3,384,347 thousand in cash and deposits.

Non-current assets increased by ¥253,260 thousand to ¥766,528 thousand. The main components included an increase of ¥126,994 thousand in investments and other assets.

Liabilities

At the end of the quarter under review, liabilities decreased by ¥281,303 thousand from the previous fiscal year-end to ¥3,219,125 thousand.

Current liabilities decreased by ¥287,983 thousand to ¥3,184,109 thousand. This was due mainly to accounts payable - other included in other decreasing by ¥336,320 thousand.

Non-current liabilities increased by ¥6,680 thousand to ¥35,016 thousand. This was due to an increase of ¥6,680 thousand in provision for continuous services benefits.

Net assets

At the end of the quarter under review, net assets increased by ¥3,945,026 thousand from the previous fiscal year-end to ¥6,618,044 thousand. The main components of this were increases in share capital and capital surplus of ¥1,946,970 thousand each as a result of the issuance of new shares through an international offering, among other factors, and an increase of ¥40,597 thousand in retained earnings due to the recording of profit.

(3) Explanation of cash flows

The balance of cash and cash equivalents (“cash”) at the end of the period under review, increased by ¥3,384,347 thousand compared with the previous fiscal year-end, to ¥8,493,699 thousand. The respective cash flow positions and the factors contributing thereto in the period under review are as follows.

Cash flows from operating activities

Net cash used in operating activities was ¥200,286 thousand (¥725,433 thousand was provided in the same period of the previous fiscal year). This was primarily due to a decrease in accounts payable - other of ¥314,125 thousand.

Cash flows from investing activities

Net cash used in investing activities was ¥293,512 thousand (¥100,642 thousand was used in the same period of the previous fiscal year). This was primarily due to purchase of intangible assets of ¥140,121 thousand.

Cash flows from financing activities

Net cash provided by financing activities was ¥3,876,335 thousand (¥1,879,914 thousand was provided in the same period of the previous fiscal year). This was due to proceeds from issuance of shares of ¥3,876,335 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, 2021 from the forecasts announced on October 27, 2020.

2. Quarterly financial statements and significant notes thereto

(1) Quarterly balance sheet

(Thousands of yen)

	As of September 30, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	5,109,351	8,493,699
Accounts receivable - trade	530,318	442,506
Other	15,164	115,301
Allowance for doubtful accounts	(6,996)	(6,996)
Total current assets	5,647,838	9,044,510
Non-current assets		
Property, plant and equipment	46,969	49,361
Intangible assets	356,458	480,332
Investments and other assets		
Other	117,376	244,370
Allowance for doubtful accounts	(7,537)	(7,537)
Total investments and other assets	109,839	236,833
Total non-current assets	513,267	766,528
Deferred assets	12,340	26,131
Total assets	6,173,446	9,837,169
Liabilities		
Current liabilities		
Income taxes payable	155,480	46,796
Deposits received	2,345,603	2,581,817
Other	971,008	555,495
Total current liabilities	3,472,093	3,184,109
Non-current liabilities		
Provision for continuous services benefits	28,336	35,016
Total non-current liabilities	28,336	35,016
Total liabilities	3,500,429	3,219,125
Net assets		
Shareholders' equity		
Share capital	1,136,847	3,083,817
Capital surplus	1,136,847	3,083,817
Retained earnings	388,949	429,547
Treasury shares	(115)	(115)
Total shareholders' equity	2,662,529	6,597,067
Share acquisition rights	10,488	20,976
Total net assets	2,673,017	6,618,044
Total liabilities and net assets	6,173,446	9,837,169

(2) Quarterly statement of income

(Thousands of yen)

	Six months ended March 31, 2020	Six months ended March 31, 2021
Net sales	1,122,081	2,100,387
Cost of sales	221,016	361,654
Gross profit	901,064	1,738,733
Selling, general and administrative expenses	661,196	1,675,370
Operating profit	239,868	63,362
Non-operating income		
Lecture fees and other income	2,427	3,344
Other	205	19
Total non-operating income	2,633	3,364
Non-operating expenses		
Interest expenses	111	–
Amortization of share issuance costs	1,700	3,815
Total non-operating expenses	1,811	3,815
Ordinary profit	240,690	62,911
Profit before income taxes	240,690	62,911
Income taxes - current	78,067	25,206
Income taxes - deferred	(2,103)	(2,891)
Total income taxes	75,963	22,314
Profit	164,727	40,597

(3) Quarterly statement of cash flows

(Thousands of yen)

	Six months ended March 31, 2020	Six months ended March 31, 2021
Cash flows from operating activities		
Profit before income taxes	240,690	62,911
Depreciation	27,773	43,671
Amortization of goodwill	–	666
Increase (decrease) in allowance for doubtful accounts	3,426	–
Increase (decrease) provision for continuous services benefits	7,452	6,680
Interest expenses	111	–
Amortization of share issuance costs	1,700	3,815
Decrease (increase) in trade receivables	(84,635)	87,812
Increase (decrease) in accounts payable - other	71,141	(314,125)
Increase (decrease) in accrued expenses	(17,338)	(25,552)
Increase (decrease) in deposits received	457,014	236,213
Increase (decrease) in accrued consumption taxes	37,694	(79,192)
Other, net	5,559	(86,928)
Subtotal	750,590	(64,029)
Interest paid	(97)	–
Income taxes paid	(25,049)	(136,405)
Income taxes refund	–	148
Net cash provided by (used in) operating activities	725,443	(200,286)
Cash flows from investing activities		
Purchase of property, plant and equipment	(503)	(7,678)
Purchase of intangible assets	(90,137)	(140,121)
Purchase of investment securities	(10,001)	(83,176)
Payments of leasehold and guarantee deposits	–	(62,536)
Net cash provided by (used in) investing activities	(100,642)	(293,512)
Cash flows from financing activities		
Proceeds from issuance of shares	1,957,414	3,876,335
Repayments of short-term borrowings	(50,000)	–
Repayments of long-term borrowings	(27,500)	–
Net cash provided by (used in) financing activities	1,879,914	3,876,335
Net increase (decrease) in cash and cash equivalents	2,504,714	3,382,537
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	3,384,054	8,493,699

(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

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 ¥4,120 thousand each.

As a result, at the end of the quarter under review, share capital came to ¥3,083,817 thousand, and capital surplus was ¥3,083,817 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.