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MEMBERSHIP

January 24, 2023

Non-consolidated Financial Results for the Three Months Ended December 31, 2022 <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: January 25, 2023
 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 three months ended December 31, 2022 (from October 1, 2022 to December 31, 2022)

(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	%
Three months ended December 31, 2022	908	(21.2)	(186)	–	(183)	–	(185)	–
December 31, 2021	1,152	16.1	38	(74.6)	38	(74.6)	90	(14.4)

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
December 31, 2022	(14.79)	–
December 31, 2021	7.29	7.08

(2) Financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2022	8,108	5,395	65.9
September 30, 2022	8,255	5,576	67.0

Reference: Equity

As of December 31, 2022

¥5,342 million

As of September 30, 2022

¥5,528 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, 2022	—	0.00	—	0.00	0.00
Fiscal year ending September 30, 2023	—				
Fiscal year ending September 30, 2023 (Forecast)		0.00	—	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, 2023 (from October 1, 2022 to September 30, 2023)

(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, 2023	3,840	(8.7)	(880)	—	(880)	—	(890)	—	(70.81)

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 December 31, 2022	12,568,700 shares
As of September 30, 2022	12,568,700 shares

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

As of December 31, 2022	130 shares
As of September 30, 2022	130 shares

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

For the three months ended December 31, 2022	12,568,570 shares
For the three months ended December 31, 2021	12,430,700 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 three months of the fiscal year ending September 30, 2023, while entering a new phase of co-existence with COVID-19, the Japanese economy witnessed increasing normalization of economic activities, thanks to the effects of various government policies, and expectations have been high for an economic recovery. Personal consumption, in particular, has been on a moderate recovery trend, mainly in terms of travel and dining out, backed by the government’s domestic travel subsidy program. Meanwhile, uncertainty toward the future remained, reflecting the increasing prices of raw materials caused by global monetary tightening and the prolonged situation in Ukraine, and the continuing rise in commodity prices due to supply constraints.

Our business is affected by the e-commerce market for debuting new products and the e-commerce market for pre-ordering new services. During the period from 2020 to 2021, demand in these markets grew rapidly due to changes in lifestyles and working styles, which emerged as a result of the spread of COVID-19, and subsequently, with the normalization of economic activities in Japan, demand has calmed down but continues to grow in a more stable and consistent manner. Therefore, going forward, we believe that the e-commerce market for debuting new products and services has extraordinarily high growth potential.

Against this backdrop, during the three months ended December 31, 2022, as measures to realize the basic growth policy for the current fiscal year (from October 1, 2022 to September 30, 2023) of “expanding the foundations for stable business growth generated by repeat customers through the reinforcement of measures to raise customer satisfaction while at the same time building an organization specializing in capturing repeat customers, further expanding the customer base, and actualizing the Total Addressable Market (TAM),” the Company went ahead and established systems for repeatable customer experience mainly on the owner side.

Specifically, we developed a framework of customer satisfaction survey for all owners to more accurately monitor the needs of owners; established a system that enables operational improvements based on the opinions of owners by utilizing systems to visualize the results of the survey; and improved operations and developed functions to lessen, as much as possible, the burden on owners until the projects are published. We also developed new tools that provide information on how owners can accumulate fan supporters through Makuake and how to build a system for the business to grow based on these fan supporters. As a result of these measures, the number of new project publications from repeat owners increased by 32 year on year to 1,116, compared to pre-implementation.

Furthermore, the effects of economic reopening, which began in the second half of the previous fiscal year, continued to be felt during the three months ended December 31, 2022, and while the CVR (Conversion Rate = “Support” pre-orders / Access UU) improved by 0.2 percentage points year on year to 3.0% due to enhanced owner support and measures to capture new owners, “support” pre-order value declined by 20.8% year on year to ¥4,251,611 thousand.

As a result, for the period under review, the Company recorded net sales of ¥908,438 thousand (down 21.2% year on year), an operating loss of ¥186,298 thousand (compared to an operating profit of ¥38,560 thousand in the same period of the previous fiscal year), an ordinary loss of ¥183,237 thousand (compared to an ordinary profit of ¥38,650 thousand in the same period of the previous fiscal year) and a loss of ¥185,900 thousand (compared to a profit of ¥90,561 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 ¥146,461 thousand from the previous fiscal year-end to ¥8,108,672 thousand.

Current assets decreased by ¥290,247 thousand to ¥7,602,280 thousand. The main components included a decrease of ¥379,092 thousand in cash and deposits.

Non-current assets increased by ¥146,254 thousand to ¥499,974 thousand. The main components included an increase of ¥147,534 thousand in intangible assets.

Liabilities

At the end of the quarter under review, liabilities increased by ¥34,621 thousand from the previous fiscal year-end to ¥2,713,405 thousand.

Current liabilities increased by ¥34,494 thousand to ¥2,650,934 thousand. The main components included an increase of ¥18,439 thousand in accrued consumption taxes or consumption taxes refund receivable included in other.

Non-current liabilities increased by ¥126 thousand to ¥62,470 thousand. The main components included an increase of ¥486 thousand in provision for retirement benefits.

Net assets

At the end of the quarter under review, net assets decreased by ¥181,082 thousand from the previous fiscal year-end to ¥5,395,267 thousand. The main components included a decrease of ¥185,900 thousand in retained earnings due to the recording of loss.

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

There is no change to the earnings forecasts for the fiscal year ending September 30, 2023 from the forecasts announced on October 25, 2022.

Quarterly financial statements and significant notes thereto

(1) Quarterly balance sheet

(Thousands of yen)

	As of September 30, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	5,193,507	4,814,415
Cash segregated as deposits	2,128,290	2,146,420
Accounts receivable - trade	339,328	387,464
Other	238,683	261,262
Allowance for doubtful accounts	(7,282)	(7,282)
Total current assets	7,892,528	7,602,280
Non-current assets		
Property, plant and equipment	–	1,564
Intangible assets	–	147,534
Investments and other assets		
Other	361,257	358,413
Allowance for doubtful accounts	(7,537)	(7,537)
Total investments and other assets	353,719	350,875
Total non-current assets	353,719	499,974
Deferred assets	8,886	6,417
Total assets	8,255,134	8,108,672
Liabilities		
Current liabilities		
Income taxes payable	14,565	12,047
Deposits received	2,138,393	2,148,641
Other	463,481	490,245
Total current liabilities	2,616,440	2,650,934
Non-current liabilities		
Provision for retirement benefits	1,658	2,145
Provision for continuous services benefits	60,685	60,325
Total non-current liabilities	62,344	62,470
Total liabilities	2,678,784	2,713,405
Net assets		
Shareholders' equity		
Share capital	3,120,279	3,120,279
Capital surplus	3,120,279	3,120,279
Retained earnings	(711,764)	(897,664)
Treasury shares	(625)	(625)
Total shareholders' equity	5,528,170	5,342,269
Share acquisition rights	48,179	52,997
Total net assets	5,576,349	5,395,267
Total liabilities and net assets	8,255,134	8,108,672

(2) Quarterly statement of income

(Thousands of yen)

	Three months ended December 31, 2021	Three months ended December 31, 2022
Net sales	1,152,566	908,438
Cost of sales	229,372	163,780
Gross profit	923,193	744,657
Selling, general and administrative expenses	884,633	930,956
Operating profit (loss)	38,560	(186,298)
Non-operating income		
Interest income	–	0
Dividend income	–	13
Lecture's fee income	2,749	2,844
Subsidy income	–	2,810
Other	310	29
Total non-operating income	3,059	5,699
Non-operating expenses		
Foreign exchange losses	91	169
Amortization of share issuance costs	2,877	2,468
Total non-operating expenses	2,969	2,637
Ordinary profit (loss)	38,650	(183,237)
Extraordinary income		
Gain on sale of investment securities	97,500	–
Total extraordinary income	97,500	–
Profit (loss) before income taxes	136,150	(183,237)
Income taxes - current	40,553	2,662
Income taxes - deferred	5,035	–
Total income taxes	45,588	2,662
Profit (loss)	90,561	(185,900)

(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

No applicable items.

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.