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MEMBERSHIP

October 29, 2024

Non-consolidated Financial Results for the Fiscal Year Ended September 30, 2024 <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 12, 2024
 Scheduled date to commence dividend payments: –
 Scheduled date to file annual securities report: December 13, 2024
 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, 2024 (from October 1, 2023 to September 30, 2024)

(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, 2024	3,652	(4.1)	(62)	–	(60)	–	(103)	–
September 30, 2023	3,810	(9.4)	(489)	–	(482)	–	(491)	–

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Fiscal year ended					
September 30, 2024	(8.16)	–	(2.1)	(0.8)	(1.7)
September 30, 2023	(38.98)	–	(9.3)	(6.0)	(12.8)

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

For the fiscal year ended September 30, 2024: ¥4 million
 For the fiscal year ended September 30, 2023: ¥(23) million

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2024	6,645	5,014	74.7	390.21
September 30, 2023	7,955	5,105	63.5	399.72

Reference: Equity

As of September 30, 2024 ¥4,966 million

As of September 30, 2023 ¥5,051 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, 2024	(1,094)	(276)	18	5,061
September 30, 2023	(339)	(582)	14	6,414

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, 2023	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ended September 30, 2024	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending September 30, 2025 (Forecast)	–	0.00	–	0.00	0.00		–	

3. Earnings forecasts for the fiscal year ending September 30, 2025 (from October 1, 2024 to September 30, 2025)

(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, 2025	3,800	4.0	120	–	120	–	70	–	5.49

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, 2024	12,726,700 shares
As of September 30, 2023	12,636,700 shares

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

As of September 30, 2024	180 shares
As of September 30, 2023	130 shares

(iii) Average number of shares during the period

For the fiscal year ended September 30, 2024	12,696,325 shares
For the fiscal year ended September 30, 2023	12,598,066 shares

* Financial results reports are exempt from audits 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 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 fiscal year ended September 30, 2024 (from October 1, 2023 to September 30, 2024), the Japanese economy continued to experience a gradual recovery in personal consumption, partly due to the effects of various government policies on the employment and income environment. However, rising raw material prices due to the weak yen and the international situation, supply constraints, and other factors continued to drive up commodity prices, which resulted in a slowdown in personal consumption. Moreover, business conditions remain difficult for small and medium-sized enterprises, as the expanding interest rate gap between Japan and the United States, ongoing global inflation, and rising interest rates due to the Bank of Japan’s monetary policy slowed the pace of economic recovery, leaving the future still uncertain. In addition, close attention must be paid to the economic impact of the Noto Peninsula Earthquake in January 2024.

Regarding the market environment surrounding the Company, the reopening (restart of economic activities), which started mainly offline after various restrictions related to COVID-19 were lifted, has been observed in experiential consumption, particularly traveling, participation in events, and dining out. This trend continued in the current fiscal year.

Against this backdrop, during the fiscal year ended September 30, 2024, the Company pursued various initiatives for repeat owners and repeat supporters up until the first six months. From the third quarter onward, we implemented measures primarily aimed at acquiring high-quality new and repeat owners. Our emphasis was placed on increasing the unit price per project rather than increasing the number of project publications.

For project owners, in order to encourage the creation of fine-quality projects, we acquired high-quality new customers, established constant contact with high-quality repeat owners, and enhanced support primarily for projects with high target amounts of “support” pre-orders to increase the unit prices of such projects by leveraging various ancillary services, by means of increasing the amount of “support” pre-orders through the distribution of advertisements and promoting “support” pre-orders using coupons. We also concentrated our efforts on improving the accuracy of curator support to maximize the amount of “support” pre-orders on the first day for all projects as the amount on the first day is very important for the growth of “support” pre-order value.

For project supporters, an original symbol, which marks recommended owners certified based on the Company’s established standards, and supporter evaluations of owners are displayed on the project page. We have thereby enhanced the environment where supporters can enjoy making “support” pre-order purchases with a sense of increased security. We have also continuously released new functions to enrich supporters’ experience of “support” pre-orders, such as the function of enabling supporters to receive notification about the start of publication of projects that they want to be quick to place “support” pre-orders for and displaying recommended projects based on analysis of supporter behavior, as well as a renewed top page and a dedicated ranking page on the Makuake website. In addition, we have facilitated repeat “support” pre-orders by implementing various CRM measures, primarily the distribution of coupons and email newsletters that meet the needs of supporters.

Although these measures led to higher-than-expected growth in the unit price per project, the number of project publications did not increase as expected due to external factors such as the weak yen and high commodity prices, and internal factors related to ongoing issues with the project acquisition system. As a result, the “support” pre-orders decreased by 5.8% year on year to ¥16,588,533 thousand. The total transaction volume, including secure system usage fees applied from August to the total amount of “support” pre-orders, amounted to ¥16,637,373 thousand.

We have thoroughly controlled SG&A expenses, particularly advertising expenses, based on our internal ROI standards, and have proactively scrutinized unnecessary costs, while at the same time striving to improve cost effectiveness.

As a result, for the fiscal year under review, the Company recorded net sales of ¥3,652,808 thousand (down 4.1% year on year), an operating loss of ¥62,640 thousand (operating loss of ¥489,032 thousand in the previous year), an ordinary loss of ¥60,223 thousand (ordinary loss of ¥482,471 thousand in the previous year) and a loss of ¥103,603 thousand (loss of ¥491,076 thousand in the previous year).

(2) Overview of financial position for the fiscal year

Assets

At the end of the fiscal year under review, total assets decreased by ¥1,309,335 thousand from the previous fiscal year-end to ¥6,645,875 thousand.

Current assets decreased by ¥1,415,774 thousand to ¥5,645,513 thousand. The main components included a decrease of ¥1,162,223 thousand in cash segregated as deposits.

Non-current assets increased by ¥108,363 thousand to ¥1,000,362 thousand. The main components included an increase of ¥297,795 thousand in software.

Liabilities

At the end of the fiscal year under review, liabilities decreased by ¥1,218,038 thousand from the previous fiscal year-end to ¥1,631,356 thousand.

Current liabilities decreased by ¥1,208,992 thousand to ¥1,581,841 thousand. The main components included a decrease of ¥1,190,593 thousand in deposits received.

Non-current liabilities decreased by ¥9,045 thousand to ¥49,515 thousand. The main components included a decrease of ¥9,600 thousand in provision for continuous services benefits.

Net assets

At the end of the fiscal year under review, net assets decreased by ¥91,297 thousand from the previous fiscal year-end to ¥5,014,519 thousand. The main components included a decrease of ¥103,603 thousand in retained earnings due to the recording of a loss.

(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 ¥5,061,552 thousand, down ¥1,352,917 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 used in operating activities was ¥1,094,710 thousand (¥339,218 thousand was used in the previous fiscal year). This was primarily due to loss before income taxes of ¥132,152 thousand and a decrease in deposits received of ¥1,190,593 thousand.

Cash flows from investing activities

Net cash used in investing activities was ¥276,713 thousand (¥582,118 thousand was used in the previous fiscal year). This was primarily due to purchase of intangible assets of ¥383,834 thousand.

Cash flows from financing activities

Net cash provided by financing activities was ¥18,506 thousand (¥14,008 thousand was provided in the previous fiscal year). This was primarily due to proceeds from issuance of shares of ¥18,540 thousand.

(4) Future outlook

For the fiscal year ending September 30, 2025, the Company expects net sales to increase by 4.0% from the fiscal year under review to ¥3,800 million. We forecast operating profit of ¥120 million, ordinary profit of ¥120 million, and profit of ¥70 million.

Furthermore, the above-mentioned earnings forecasts are based on information available at this time, and actual results may differ substantially due to various factors.

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, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	4,148,698	3,958,004
Cash segregated as deposits	2,265,771	1,103,548
Accounts receivable - trade	483,759	420,701
Prepaid expenses	79,408	63,518
Other	90,932	107,023
Allowance for doubtful accounts	(7,282)	(7,282)
Total current assets	7,061,287	5,645,513
Non-current assets		
Property, plant and equipment		
Buildings	15,214	15,214
Accumulated depreciation	(15,214)	(15,214)
Buildings, net	–	–
Tools, furniture and fixtures	31,206	33,500
Accumulated depreciation	(26,541)	(29,588)
Tools, furniture and fixtures, net	4,664	3,911
Total property, plant and equipment	4,664	3,911
Intangible assets		
Software	346,386	644,181
Software in progress	195,233	155,851
Total intangible assets	541,620	800,033
Investments and other assets		
Investment securities	129,587	51,346
Investments in capital	330	330
Long-term prepaid expenses	1,153	–
Leasehold and guarantee deposits	190,888	81,223
Deferred tax assets	23,754	63,517
Other	7,537	7,537
Allowance for doubtful accounts	(7,537)	(7,537)
Total investments and other assets	345,713	196,417
Total non-current assets	891,998	1,000,362
Deferred assets		
Share issuance costs	1,924	–
Total deferred assets	1,924	–
Total assets	7,955,211	6,645,875

(Thousands of yen)

	As of September 30, 2023	As of September 30, 2024
Liabilities		
Current liabilities		
Accounts payable - other	372,707	266,824
Accrued expenses	83,980	78,542
Advances received	4,211	7,031
Income taxes payable	28,866	35,451
Deposits received	2,301,067	1,110,474
Other	–	83,516
Total current liabilities	2,790,834	1,581,841
Non-current liabilities		
Provision for retirement benefits	2,435	3,982
Provision for continuous services benefits	55,132	45,532
Other	992	–
Total non-current liabilities	58,560	49,515
Total liabilities	2,849,394	1,631,356
Net assets		
Shareholders' equity		
Share capital	3,127,283	3,136,553
Capital surplus		
Legal capital surplus	3,127,283	3,136,553
Total capital surplus	3,127,283	3,136,553
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(1,202,840)	(1,306,444)
Total retained earnings	(1,202,840)	(1,306,444)
Treasury shares	(625)	(659)
Total shareholders' equity	5,051,101	4,966,004
Share acquisition rights	54,715	48,515
Total net assets	5,105,816	5,014,519
Total liabilities and net assets	7,955,211	6,645,875

(2) Statement of income

(Thousands of yen)

	Fiscal year ended September 30, 2023	Fiscal year ended September 30, 2024
Net sales	3,810,185	3,652,808
Cost of sales	750,708	875,335
Gross profit	3,059,477	2,777,472
Selling, general and administrative expenses	3,548,509	2,840,112
Operating loss	(489,032)	(62,640)
Non-operating income		
Interest income	5	8
Dividend income	38	22
Lecture's fee income	7,529	3,995
Subsidy income	3,996	340
Referral fees	-	693
Other	1,951	868
Total non-operating income	13,522	5,928
Non-operating expenses		
Foreign exchange losses	-	1,586
Amortization of share issuance costs	6,961	1,924
Total non-operating expenses	6,961	3,511
Ordinary loss	(482,471)	(60,223)
Extraordinary income		
Gain on sale of non-current assets	-	111
Gain on reversal of share acquisition rights	3,100	6,200
Total extraordinary income	3,100	6,311
Extraordinary losses		
Loss on valuation of investment securities	24,397	78,240
Total extraordinary losses	24,397	78,240
Loss before income taxes	(503,768)	(132,152)
Income taxes - current	11,062	11,213
Income taxes - deferred	(23,754)	(39,763)
Total income taxes	(12,691)	(28,549)
Loss	(491,076)	(103,603)

(3) Statement of changes in equity

Fiscal year ended September 30, 2023

(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	3,120,279	3,120,279	3,120,279	(711,764)	(711,764)	(625)	5,528,170	48,179	5,576,349
Changes during period									
Issuance of new shares - exercise of share acquisition rights	7,004	7,004	7,004				14,008		14,008
Loss				(491,076)	(491,076)		(491,076)		(491,076)
Net changes in items other than shareholders' equity								6,535	6,535
Total changes during period	7,004	7,004	7,004	(491,076)	(491,076)	-	(477,068)	6,535	(470,532)
Balance at end of period	3,127,283	3,127,283	3,127,283	(1,202,840)	(1,202,840)	(625)	5,051,101	54,715	5,105,816

Fiscal year ended September 30, 2024

(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				
				Retained earnings brought forward					
Balance at beginning of period	3,127,283	3,127,283	3,127,283	(1,202,840)	(1,202,840)	(625)	5,051,101	54,715	5,105,816
Changes during period									
Issuance of new shares - exercise of share acquisition rights	9,270	9,270	9,270				18,540		18,540
Purchase of treasury shares						(33)	(33)		(33)
Loss				(103,603)	(103,603)		(103,603)		(103,603)
Net changes in items other than shareholders' equity								(6,200)	(6,200)
Total changes during period	9,270	9,270	9,270	(103,603)	(103,603)	(33)	(85,097)	(6,200)	(91,297)
Balance at end of period	3,136,553	3,136,553	3,136,553	(1,306,444)	(1,306,444)	(659)	4,966,004	48,515	5,014,519

(4) Statement of cash flows

(Thousands of yen)

	Fiscal year ended September 30, 2023	Fiscal year ended September 30, 2024
Cash flows from operating activities		
Loss before income taxes	(503,768)	(132,152)
Depreciation	28,459	118,854
Increase (decrease) in provision for retirement benefits	776	1,547
Increase (decrease) provision for continuous services benefits	(5,553)	(9,600)
Amortization of share issuance costs	6,961	1,924
Interest and dividend income	(44)	(31)
Decrease (increase) in trade receivables	(144,431)	63,057
Loss (gain) on valuation of investment securities	24,397	78,240
Gain on reversal of share acquisition rights	(3,100)	(6,200)
Loss (gain) on sale of non-current assets	-	(111)
Increase (decrease) in advances received	3,436	2,819
Increase (decrease) in accounts payable - other	(1,391)	(96,149)
Increase (decrease) in accrued expenses	2,953	(5,438)
Increase (decrease) in deposits received	162,674	(1,190,593)
Increase (decrease) in accrued consumption taxes or consumption taxes refund receivable	4,134	87,246
Other, net	36,094	2,630
Subtotal	(388,401)	(1,083,953)
Interest and dividends received	46	31
Income taxes refund	51,725	0
Income taxes paid	(2,588)	(10,787)
Net cash provided by (used in) operating activities	(339,218)	(1,094,710)
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,320)	(2,720)
Proceeds from sale of property, plant and equipment	-	111
Purchase of intangible assets	(575,278)	(383,834)
Payments of leasehold and guarantee deposits	(650)	(14,605)
Proceeds from refund of leasehold and guarantee deposits	1,130	124,336
Net cash provided by (used in) investing activities	(582,118)	(276,713)
Cash flows from financing activities		
Proceeds from issuance of shares	14,008	18,540
Purchase of treasury shares	-	(33)
Net cash provided by (used in) financing activities	14,008	18,506
Net increase (decrease) in cash and cash equivalents	(907,328)	(1,352,917)
Cash and cash equivalents at beginning of period	7,321,798	6,414,469
Cash and cash equivalents at end of period	6,414,469	5,061,552

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

No applicable items.

Additional information

In the three months ended March 31, 2024, the Company has shortened the remittance schedule for project owners in the Makuake service, a “support” pre-order platform. Previously, the remittance date was the third business day of the second month following the month in which projects had ended; however, it has been changed to the 25th of the month following the month in which projects end. This is expected to further enrich supporters’ experience of “support” pre-orders by helping project owners improve their cash flows and facilitating the smooth provision of products and services for which “support” pre-orders are placed.

As a result, cash segregated as deposits and deposits received in the balance sheet and cash flows from operating activities and cash and cash equivalents at end of period in the statement of cash flows decreased by ¥996,502 thousand, respectively.

Profit or loss of entities accounted for using equity method

(Thousands of yen)

	Fiscal year ended September 30, 2023	Fiscal year ended September 30, 2024
Investments in associates	15,602	15,602
Investments if the equity method is applied	15,602	20,145
Investment profit or losses if the equity method is applied	(23,729)	4,542

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.

Per share information

(Yen)

	Fiscal year ended September 30, 2023	Fiscal year ended September 30, 2024
Net assets per share	399.72	390.21
Basic loss per share	(38.98)	(8.16)

Notes: 1. Although dilutive shares exist, diluted earnings per share for the previous fiscal year and the fiscal year under review have been omitted, as the Company reported a basic loss per share.

2. The basis of calculating basic loss per share is as follows:

	Fiscal year ended September 30, 2023	Fiscal year ended September 30, 2024
Basic loss per share		
Loss (Thousands of yen)	(491,076)	(103,603)
Profit (loss) not attributable to common shareholders (Thousands of yen)	–	–
Loss available to common shares (Thousands of yen)	(491,076)	(103,603)
Average number of common shares outstanding during the period (Shares)	12,598,066	12,696,325

Significant subsequent events**Reduction of legal capital surplus and appropriation of surplus**

At the meeting of the Board of Directors held on October 29, 2024, the Company resolved to submit a proposal for the “Reduction of Legal Capital Surplus and Appropriation of Surplus” to the 12th Annual General Meeting of Shareholders scheduled for December 12, 2024.

1. Purpose of reduction of legal capital surplus and appropriation of surplus

To compensate for the current deficit in retained earnings brought forward and to improve the financial soundness of the Company, the Company has decided to reduce the amount of legal capital surplus and transfer it to other capital surplus pursuant to the provisions of Article 448, Paragraph 1 of the Companies Act, and to transfer other capital surplus to retained earnings brought forward to be appropriated for the deficit in retained earnings brought forward pursuant to the provisions of Article 452 of the Companies Act.

2. Details of reduction of legal capital surplus and appropriation of surplus**(1) Reduction of legal capital surplus**

Amount of legal capital surplus to be reduced

Legal capital surplus ¥1,306,444,058

Amount of other capital surplus to be increased

Other capital surplus ¥1,306,444,058

Amount of legal capital surplus after reduction

Legal capital surplus ¥1,830,109,870

(2) Appropriation of surplus

Item and amount of surplus to be reduced

Other capital surplus ¥1,306,444,058

Item and amount of surplus to be increased

Retained earnings brought forward ¥1,306,444,058

3. Schedule

- | | |
|---|-----------------------------|
| (1) Resolution by the Board of Directors: | October 29, 2024 |
| (2) Resolution at the Annual General Meeting of Shareholders: | December 12, 2024 (planned) |
| (3) Effective date: | December 12, 2024 (planned) |