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For immediate release

Address	5-27-5 Sendagaya, Shibuya-ku, Tokyo
Corporate name	Demaecan Co., Ltd
Representative	Hideo Fujii, President & CEO (JASDAQ Code : 2484)
Contact	Finance and Accounting Group TEL: 050-5445-5390 URL: http://corporate.demaecan.com/en/

Notice Regarding the Submission of Correction Report to Internal Control Report

Demaecan Co., Ltd. (the "Company"), as mentioned in the "Notice of Submission of Amendment Report (Correction Report) on Annual Securities Reports, etc. for Past Fiscal Year and Partial Corrections to the Summary of Financial Results for the Year Ended August 2021" announced today, it has made amendments to its Financial Results for the Year Ended August 2021 and disclosed the details of the amendments.

Accordingly, the Company hereby announces that it has submitted an "Amendment Report to Internal Control Report" to the Kanto Local Finance Bureau today in accordance with Article 24-4-5, Paragraph 1 of the Financial Instruments and Exchange Act.

1. Internal control report subject to amendments

21st period (from September 1, 2019, to August 31, 2020)

2. Details of amendments

Of the above Internal Control Report, the Company has made the following amendments to 3[Matters Concerning Evaluation Results]. The amended parts are underlined.

3 Matters Relating to the Results of the Assessment

(Before correction)

As a result of the above assessment, the Company concluded that its internal control over financial reporting is effective as of the end of this fiscal year.

(After correction)

The Company determined that the matters relating to internal control over financial reporting described below have a material impact on financial reporting and fall under the category of material weakness that should be disclosed. Accordingly, the Company concluded that its internal control over financial reporting as of the end of this fiscal year is not effective.

Details

Because the accounting firm engaged in the audit indicated that it had determined the existence of an error in the balance of accounts receivables and accounts payables, the Company has established an internal

investigation committee on November 30, 2021 and continued the investigation since then.

On December 28, 2021, the Company received the investigation report from the internal investigation committee and was informed that the balance of accounts receivable and accounts payable were overstated and the cost of sales (agency fee costs etc.) were understated since the past years.

After examining the details of the investigation report, the Company, in order to amend the overstatement of accounts receivable and accounts payable and the understatement of cost of sales (agency fee costs, etc.), amended

its Annual Securities Report for the fiscal year ended August 31, 2020, and the Quarterly Reports for the first quarter of the fiscal year ended August 31, 2020, through the third quarter of the fiscal year ended August 31, 2021 and submitted an amendments report on December 28, 2021.

The direct causes of errors mentioned above lies in the inappropriate treatment of accounts receivable at the end of the quarters and inadequate management of the balance of accounts payable, however, the Company acknowledges that it did not adequately recognize the risks of high-volume and complex accounting process arising from the rapid expansion of the Company's Demae-can business, and consequently, it delayed establishing the framework to address such risks and therefore an operational process or a manual to ensure proper accounting process were never developed.

The Company has determined that these weaknesses of internal control have a material impact on financial reporting, and thus, they are considered material weakness that should be disclosed with respect to company-wide internal control, internal control over accounting and financial reporting process and merchant process

As the above facts were identified after the end of the fiscal year under review, these errors could not be amended by the end of the fiscal year under review. All the necessary amendments concerning the above material weakness to be disclosed have been reflected in the financial statements and the consolidated financial statements.

The Company recognizes the importance of internal control over financial reporting, and it will endeavor to maintain and operate proper internal control by taking the following improvement measures based on the suggestions and recommendations of the internal investigation committee to amend this material weakness to be disclosed.

1. Holding regular cross-departmental risk assessment meetings including the Finance and Accounting Group
2. Increasing the number of employees in the Finance and Accounting Group to strengthen its accounting structure
3. Developing accounting process manuals for transactions with franchisees and settlement agents
4. Strengthening and thoroughly managing accounts receivable and accounts payable by counterparty
5. Strengthening ratio analysis of agency fee costs
6. Strengthening journal entries in the franchisee process