

Consolidated Financial Results for the Year Ended August 31, 2021

Name of Company	Demaecan Co., Ltd
Stock exchange	JASDAQ Standard of Tokyo Stock Exchange (Code 2484)
URL	https://corporate.demaecan.com/en/
Representative	Hideo Fujii, President & CEO
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Scheduled ordinary general meeting of shareholders	November 29, 2021
Scheduled start of dividend payment	-
Scheduled release of fiscal 2020/8 business report	November 30, 2021

Notes: 1. The accompanying financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan.

2. Amounts are rounded down to the nearest million yen.

1. Consolidated financial highlights for the Year Ended August 31, 2021

(1) Operating results

Note: Percentages indicate changes from the same period of the previous fiscal year.

	Year ended			
	August 31, 2020	August 31, 2021		
		%	%	
Net sales (Millions of yen)	10,306	54.6	29,008	181.5
Operating profit (Millions of yen)	(2,623)	-	(17,991)	-
Ordinary profit (Millions of yen)	(2,919)	-	(17,981)	-
Profit attributable to owners of parent (Millions of yen)	(4,112)	-	(20,651)	-
Profit per share (Yen):				
Basic	(73.86)		(251.18)	
Diluted	-		-	
Return on equity (%)	(26.3)		(113.7)	
Ordinary income to total assets (%)	(13.6)		(61.3)	
Operating income to net sales (%)	(25.5)		(62.0)	
Comprehensive income:	Year ended August 31, 2021: (20,641) million yen, - %			
	Year ended August 31, 2020: (4,223) million yen, - %			
Profit/loss on equity method:	Year ended August 31, 2021: 15 million yen			
	Year ended August 31, 2020: 11 million yen			

(2) Financial position

	As of	
	August 31, 2020	August 31, 2021
Total assets (Millions of yen)	35,985	22,715
Total net assets (Millions of yen)	28,479	8,157
Equity ratio (%)	79.1	34.5
Net assets per share (Yen)	346.37	95.32
Equity:	7,837 million yen (as of August 31, 2021)	
	28,477 million yen (as of August 31, 2020)	

(3) Cash flows

	Year ended	
	August 31, 2020	August 31, 2021
Cash flows from operating activities	(1,498)	(16,419)
Cash flows from investing activities	(449)	(2,346)
Cash flows from financing activities	28,728	(3)
Cash and cash equivalents at end of period	28,966	10,196

2. Dividends

	Year ended August 31, 2020	Year ended August 31, 2021
1Q-end dividends per share (Yen)	-	-
2Q-end dividends per share (Yen)	0.00	0.00
3Q-end dividends per share (Yen)	-	-
Year-end dividends per share (Yen)	0.00	0.00
Annual dividends per share (Yen)	0.00	0.00
Total dividends (Millions of yen)	-	-
Payout ratio (%)	-	-
Dividend on equity (%)	-	-

Note: The forecast dividends for the fiscal year ending August 31, 2022 are yet to be determined. The Company will announce the specific dividend amounts as soon as the determination.

3. Financial forecasts for the fiscal year ending August 31, 2022

Note: Percentages indicate changes from the same period of the previous fiscal year.

	Year ending August 31, 2022	
		%
GMV (Billions of yen)	330	202.8
Operating profit (Billions of yen)	(50-55)	-

4. Notes

(1) Important changes in subsidiaries (Changes on specific subsidiaries associated with changes in scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates and restatements

1. Changes in accounting policies along with changes in accounting standards: None

2. Other changes of accounting policies besides the number 1 above: None

3. Changes in accounting estimates: None

4. Restatements: None

(3) Number of shares issued and outstanding (common share)

1. Number of shares issued and outstanding (including treasury shares)

As of August 31, 2021: 85,486,500 shares

As of August 31, 2020: 85,486,500 shares

2. Number of shares of treasury shares

As of August 31, 2021: 3,267,074 shares

As of August 31, 2020: 3,271,074 shares

3. Average number of shares outstanding

As of August 31, 2021: 82,217,782 shares

As of August 31, 2020: 55,680,830 shares

(Reference) Overview of Non-consolidated Financial Results
Non-consolidated Results for the Year ended August 31, 2021

(1) Operating results

Note: Percentages indicate changes from the same period of the previous fiscal year.

	Year ended			
	August 31, 2020		August 31, 2021	
		%		%
Net sales (Millions of yen)	9,375	73.8	28,465	203.6
Operating profit (Millions of yen)	(2,761)	-	(18,047)	-
Ordinary profit (Millions of yen)	(3,079)	-	(18,060)	-
Profit attributable to owners of parent (Millions of yen)	(4,217)	-	(20,710)	-
Profit per share (Yen):				
Basic	(75.75)		(251.90)	
Diluted	-		-	

(2) Financial position

	As of	
	August 31, 2020	August 31, 2021
Total assets (Millions of yen)	35,918	22,655
Total net assets (Millions of yen)	28,560	8,179
Equity ratio (%)	79.5	34.7
Net assets per share (Yen)	347.35	95.58
Equity:	7,858 million yen (as of August 31, 2021)	
	28,557 million yen (as of August 31, 2020)	

* **These Consolidated Financial Results are not subject to audits by certified public accountants or audit corporations.**

* **Explanation of the appropriate use of financial forecast and other notes:**

- The financial forecasts and estimates provided in these Consolidated Financial Results are based on information available at the time of report issuance and certain assumptions judged to be reasonable by the Company and are, therefore, not guarantees of future performance. Consequently, actual results may differ substantially from those described in these Consolidated Financial Results. Please refer to "1. Summary of Operating Results and Financial Position, (4) Future Forecast" on page 6 for further details.
- The Company plans to hold an earnings release conference for institutional investors and analysts on October 15, 2020 (Thursday). Supplementary presentation materials to be handed out at the conference will be posted simultaneously on the Company's website.

1. Summary of Operating Results and Financial Position

(1) Summary of Operating Results for the Fiscal Year under Review

In the fiscal year under review, the Group continued its efforts to expand the Demae-can business to attain the goal of making food delivery a part of consumers' daily routines. Measures to prevent the spread of infections such as a state of emergency are in effect in many regions amid the ongoing increase in COVID-19 cases, and restaurants continue to face a harsh business environment due in part to the government's request to reduce indoor dining business hours.

In this environment, the Company actively expanded its area of *Sharing Delivery* to increase the number of partner restaurants. The Company accelerated service development and began providing the service in an additional 22 prefectures. As a result, coverage of the Company's service expanded to 47 prefectures, and *Sharing Delivery* expanded across Japan in five years since the start of full operation in 2017. Merchant acquisition also accelerated as the *Sharing Delivery* service expanded. The Company improved its consultation service provided to increase sales of merchants, the number of whom was growing, by opening branch offices in major cities. The Company started collaborating with LINE accounts and providing Demae-can icon within the LINE application on November 10, 2020, in addition to brand advertising on TV and promotional measures to strengthen the appeal of Demae-can, which successfully raised the use and the number of users.

Consequently, consolidated net sales for the fiscal year under review increased by 181.5% year on year, to 29,008,957 thousand yen, reflecting continued business expansion. However, aggressive business development and investment resulted in operating loss of 17,991,062 thousand yen (operating loss of 2,623,102 thousand yen in the previous fiscal year). Meanwhile, factors such as the recording of share issuance expenses resulted in an ordinary loss of 17,981,882 thousand yen (ordinary loss of 2,919,717 thousand yen in the previous fiscal year), and factors such as the recording of a loss on valuation of non-current assets resulted in a loss attributable to owners of parent of 20,651,651 thousand yen (loss attributable to owners of parent of 4,112,361 thousand yen in the previous fiscal year).

(Thousands of yen)

Category	Year ended August 31, 2020		Year ended August 31, 2021		YoY	
	Amount	Sales ratio (%)	Amount	Sales ratio (%)	Amount	Change (%)
<i>Demae-can</i> business						
Demae-can service fee	5,724,575	55.5	10,966,249	37.8	5,241,674	91.6
Delivery commissions	2,324,379	22.6	16,016,193	55.2	13,691,814	589.1
Other transactions	1,326,304	12.9	1,482,980	5.1	156,675	11.8
Sub-total	9,375,259	91.0	28,465,423	98.1	19,090,164	203.6
Mail order business	931,203	9.0	543,533	1.9	(387,669)	(41.6)
Total	10,306,463	100.0	29,008,957	100.0	18,702,494	181.5

The business results for each segment are described below:

(Demae-can Business)

In the Demae-can business segment, GMV at the end of the fiscal year under review increased by 162.7 billion yen (up 58% year on year). In addition, the number of active users was 7.3 million (up 87% year on year), the number of partner restaurants was 84 thousand (up 156% year on year), and the household coverage rate of *Sharing Delivery* was 56%. The expansion was steady and in line with the Medium-term Management Plan. As a result, net sales in the Demae-can business segment came to 28,465,423 thousand yen (up 203.6% year on year) for the fiscal year under review, including 10,966,249 thousand yen as Demae-can service fees, 16,016,193 thousand yen as delivery commissions and 1,482,980 thousand yen from other transactions.

(Mail Order Business)

In the Mail Order business segment, net sales came to 543,533 thousand yen (down 41.6% year on year) from mail order sales of shochu and other products to restaurants. Demand, seriously affected by COVID-19, declined significantly.

(2) Summary of Financial Position in the Fiscal Year under Review

Current assets at the end of the fiscal year under review amounted to 22,377,943 thousand yen, a decrease of 13,202,308 thousand yen from the end of the previous fiscal year. This decrease was attributable mainly to a decrease of 18,769,258 thousand yen in cash and deposits despite an increase of 5,058,722 thousand yen in account receivable-other

Non-current assets at the end of the fiscal year under review amounted to 337,393 thousand yen, a decrease of 68,147 thousand yen from the end of the previous fiscal year. Key factors contributing to this decrease included a decrease of 75,728 thousand yen in guarantee deposits and 29,608 thousand yen in investments and other assets, despite an increase of 18,564 thousand yen in buildings and structures and 27,279 thousand yen in investment securities.

As a result, total assets at the end of the fiscal year under review amounted to 22,715,336 thousand yen, a decrease of 13,270,456 thousand yen from the end of the previous fiscal year.

Current liabilities at the end of the fiscal year under review amounted to 14,139,604 thousand yen, an increase of 6,677,912 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included an increase of 6,803,169 thousand yen in accounts payable-other and a decrease of 59,706 thousand yen in income taxes payable.

Non-current liabilities at the end of the fiscal year under review amounted to 418,283 thousand yen, an increase of 373,902 thousand yen. Key factors contributing to this increase included an increase of 362,661 thousand yen in guarantee deposits received

As a result, total liabilities at the end of the fiscal year under review amounted to 14,557,887 thousand yen, an increase of 7,051,815 thousand yen from the end of the previous fiscal year.

Net assets at the end of the fiscal year under review amounted to 8,157,449 thousand yen, a decrease of 20,322,271 thousand yen from the end of the previous fiscal year. The decrease was caused primarily a loss attributable to owners of parent of 20,651,651 thousand yen.

(3) Summary of Cash Flows in the Fiscal Year under Review

The balance of cash and cash equivalents ("cash") at the end of the fiscal year under review decreased 18,769,258 thousand yen from the end of the previous fiscal year to 10,196,926 thousand yen.

The status of each of the cash flow segments and contributing factors in the fiscal year under review is as follows:
(Cash flows from operating activities)

Net cash used in operating activities during the fiscal year under review was 16,419,301 thousand yen (a decrease of 1,498,913 thousand yen in the same period of the previous fiscal year). The change was mainly attributable to loss before income taxes of 20,565,351 thousand yen, impairment loss of 2,475,286 thousand yen, depreciation of 68,932 thousand yen, an increase in accounts receivable-other of 5,058,722 thousand yen, and an increase in accounts payable of 6,681,258 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities during the fiscal year under review was 2,346,773 thousand yen (a decrease of 449,248 thousand yen in the previous fiscal year). The change primarily reflects the purchase of intangible assets of 2,267,502 thousand yen.

(Cash flows from financing activities)

Net cash used in financing activities during the fiscal year under review was 3,183 thousand yen (28,728,621 thousand yen provided in the previous fiscal year). Key contributing factors included proceeds from the issuing share acquisition rights of 2,043 thousand yen and other payments of 5,677 thousand yen.

(Reference) Changes in cash flows related indicators

	Year ended August 31, 2017	Year ended August 31, 2018	Year ended August 31, 2019	Year ended August 31, 2020	Year ended August 31, 2021
Equity Ratio (%)	60.8	50.1	39.8	79.1	34.5
Equity Ratio at market value (%)	1,499.4	2,083.9	855.2	527.5	563.6
Interest-bearing debt to cash ratio (times)	0.1	1.9	8.2	-	-
Interest coverage ratio (times)	55.2	836.4	41.8	-	-

* Equity ratio: Equity / Total assets

* Equity ratio at market value: Market capitalization / Total assets

* Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows from operating activities

* Interest coverage ratio: Cash flows from operating activities / Interest expenses

1. Market capitalization is calculated based on the following formula: Closing stock price at fiscal year-end x Number of shares outstanding at fiscal year-end after deduction of treasury share.

2. The cash flow amount represents net cash provided by (used in) operating activities.

3. The interest-bearing debts include all interest-bearing liabilities that are listed on the consolidated balance sheet.

The interest payment represents the amount of interest expenses paid presented on the cash flow statement.

(4) Future Forecast

With regard to the future outlook, the Group determined that it is time to place the highest priority on building a business foundation for further growth, and have raised funds through financing in September 2021 to accelerate the expansion of the Demae-can business and realizes a world in which "food delivery as part of everyday life" by making large-scale investments in marketing, system development, and increasing the number of riders.

In consideration of these circumstances, consolidated financial forecast for the year ending August 31st 2022 is, based on current assumption, as follows:

(Billions of yen)	GMV	Operating Profit
Year ending August 31, 2022	330	(50-55)

The forecasts in this release are based on information available to the Company at the time of preparing this report, which may significantly vary from the actual results due to a number of uncertain factors.

(5) Fundamental Policy for Distribution of Profits and Dividends for the Current and Next Fiscal Years

The Company considers that its basic policy is to increase its corporate value by strengthening its business base and enhancing management efficiency based on active business development and to provide its shareholders with a continuous and stable return of profit. It aims for a payout ratio of approximately 30% and stable dividend while maintaining active investment in the future businesses at the same time.

The Company's basic policy for dividends of surplus is one payment a year distributed at the end of each fiscal year. To facilitate a flexible profit return to shareholders according to the business results, the Company has specified in its articles of incorporation that the Company may distribute dividends of surplus as interim dividends to shareholders or registered pledgees of shares with the last day of February as the record date upon a resolution of the Board of Directors. The organizations that determine the payment of these dividends of surplus are the General Meeting of Shareholders for year-end dividends and the Board of Directors for interim dividends.

For the fiscal year under review, the Company will suspend the payment of year-end dividends because it will put priority on investment in business as announced in "Notice Regarding the Revision of Cash Dividends Forecast (Non-dividend)" released on October 14, 2021.

(Reason for difficulty in forecasting dividends)

The Company comprehensively examines its business performance, financial position, dividend payout ratio, and the level of retained earnings for future business development to make flexible decisions. For this reason, the Company has not indicated a dividend forecast for the next fiscal year.

2. Basic Approach to the Selection of Accounting Standards

The Group's stakeholders consist largely of shareholders, creditors, business partners, and other parties based in Japan. For this reason, the Company has adopted the Japanese accounting standards for its financial statements.

2. Consolidated Financial Statements and Notes to Consolidated Financial Statement

(1) Consolidated Balance Sheets

	(Thousands of yen)	
	As of August 31, 2020	As of August 31, 2021
Assets		
Current assets		
Cash and deposits	28,966,185	10,196,926
Notes and accounts receivable—trade	134,904	290,586
Merchandise and finished goods	47,175	59,464
Accounts receivable-other	6,375,530	11,434,252
Other	128,830	499,389
Allowance for doubtful accounts	(72,374)	(102,677)
Total current assets	<u>35,580,251</u>	<u>22,377,943</u>
Non-current assets		
Property, plant, and equipment		
Buildings and structures	52,898	75,894
Accumulated depreciation	(37,146)	(41,577)
Buildings and structures, net	<u>15,751</u>	<u>34,316</u>
Other	213,809	226,365
Accumulated depreciation	(178,100)	(189,059)
Other, net	<u>35,708</u>	<u>37,306</u>
Total property, plant and equipment	<u>51,460</u>	<u>71,623</u>
Intangible assets		
Software	9,441	6,802
Other	138	138
Total intangible assets	<u>9,580</u>	<u>6,941</u>
Investments and other assets		
Investment securities	182,722	210,002
Guarantee deposits	111,275	35,547
Deferred tax assets	13,277	12,896
Other	38,790	9,182
Allowance for doubtful accounts	(1,567)	(8,800)
Total investments and other assets	<u>344,499</u>	<u>258,828</u>
Total non-current assets	<u>405,540</u>	<u>337,393</u>
Total assets	<u>35,985,792</u>	<u>22,715,336</u>

	(Thousands of yen)	
	As of August 31, 2020	As of August 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	54,026	26,604
Accounts payable - other	6,867,242	13,670,411
Income taxes payable	201,259	141,552
Provision for bonuses	82,184	131,909
Other	256,978	169,125
Total current liabilities	<u>7,461,691</u>	<u>14,139,604</u>
Non-current liabilities		
Guarantee deposits received	-	362,661
Other	44,380	55,622
Total non-current liabilities	<u>44,380</u>	<u>418,283</u>
Total liabilities	<u>7,506,071</u>	<u>14,557,887</u>
Net assets		
Shareholders' equity		
Capital stock	16,113,422	16,113,422
Capital surplus	15,645,037	12,980,932
Retained earnings	(2,697,306)	(20,684,640)
Treasury shares	(634,095)	(633,319)
Total shareholders' equity	<u>28,427,058</u>	<u>7,776,394</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	50,197	60,739
Total valuation and translation adjustments	<u>50,197</u>	<u>60,739</u>
share acquisition rights	<u>2,464</u>	<u>320,315</u>
Total net assets	<u>28,479,720</u>	<u>8,157,449</u>
Total liabilities and net assets	<u>35,985,792</u>	<u>22,715,336</u>

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

	(Thousands of yen)	
	Year ended August 31, 2020	Year ended August 31, 2021
Net sales	10,306,463	29,008,957
Cost of sales	3,023,560	15,808,544
Gross profit	7,282,902	13,200,412
Selling, general and administrative expenses	9,906,005	31,191,475
Operating profit	(2,623,102)	(17,991,062)
Non-operating income		
Interest income	112	229
Dividend income	2,780	1,652
Insurance claim income	350	6,057
Share of profit of entities accounted for using equity method	11,566	15,868
Subsidy income	17,176	10,884
Other	2,651	5,671
Total non-operating income	34,636	40,364
Non-operating expenses		
Interest expenses	1,802	452
Taxes and dues	1,402	-
Foreign exchange losses	2	-
Loss on cancellation of insurance policies		11,048
Stock issuance cost	326,480	-
Compensation for damage	649	17,938
Other	913	1,743
Total non-operating expenses	331,250	31,183
Ordinary profit	(2,919,717)	(17,981,882)
Extraordinary income		
Gain on sales of non-current assets	-	8
Gain on sales of investment securities	100,039	68
Total extraordinary income	100,039	76
Extraordinary losses		
Loss on retirement of non-current assets	95	69
Impairment loss	1,156,635	2,475,286
Retirement benefits for directors (and other officers)	-	100,000
Other		8,190
Total extraordinary losses	1,156,730	2,583,545
Profit before income taxes	(3,976,408)	(20,565,351)
Income taxes - current	78,480	85,918
Income taxes - deferred	57,472	380
Total income taxes	135,953	86,299
Profit	(4,112,361)	(20,651,651)
Profit attributable to owners of parent	(4,112,361)	(20,651,651)

Consolidated Statements of Comprehensive Income

	(Thousands of yen)	
	Year ended August 31, 2020	Year ended August 31, 2021
Profit	(4,112,361)	(20,651,651)
Other comprehensive income		
Valuation difference on available-for-sale securities	(111,527)	10,541
Total other comprehensive income	(111,527)	10,541
Comprehensive income	(4,223,889)	(20,641,110)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(4,223,889)	(20,641,110)
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statements of Changes in Equity

Year ended August 31, 2020

(Thousands of yen)

	Shareholder's equity				
	Capital stock	Capital surplus	Retained earning	Treasury shares	Total shareholder's equity
Balance at beginning of current period	1,113,382	651,365	1,562,423	(669,763)	2,657,407
Changes of items during period					
Issuance of new shares	15,000,040	15,000,040			30,000,080
Dividends of surplus			(147,367)		(147,367)
Profit (loss) attributable to owners of parent			(4,112,361)		(4,112,361)
Disposal of treasury shares		(6,368)		35,668	29,300
Net changes of items other than shareholders' equity					-
Total changes of items during period	15,000,040	14,993,671	(4,259,729)	35,668	25,769,650
Balance at end of current period	16,113,422	15,645,037	(2,697,306)	(634,095)	28,427,058

	Other comprehensive income		share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total other comprehensive income		
Balance at beginning of current period	161,725	161,725	20,740	2,839,873
Changes of items during period				
Issuance of new shares				30,000,080
Dividends of surplus				(147,367)
Profit (loss) attributable to owners of parent				(4,112,361)
Disposal of treasury shares				29,300
Net changes of items other than shareholders' equity	(111,527)	(111,527)	(18,275)	(129,803)
Total changes of items during period	(111,527)	(111,527)	(18,275)	25,639,847
Balance at end of current period	50,197	50,197	2,464	28,479,720

Year ended August 31, 2021

(Thousands of yen)

	Shareholder's equity				
	Capital stock	Capital surplus	Retained earning	Treasury shares	Total shareholder's equity
Balance at beginning of current period	16,113,422	15,645,037	(2,697,306)	(634,095)	28,427,058
Changes of items during period					
Deficit disposition		(2,664,317)	2,664,317		-
Profit (loss) attributable to owners of parent			(20,651,651)		(20,651,651)
Disposal of treasury shares		212		775	988
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	(2,664,104)	(17,987,334)	775	(20,650,663)
Balance at end of current period	16,113,422	12,980,932	(20,684,640)	△633,319	7,776,394

	Other comprehensive income		share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total other comprehensive income		
Balance at beginning of current period	50,197	50,197	2,464	28,479,720
Changes of items during period				
Deficit disposition				—
Profit (loss) attributable to owners of parent				(20,651,651)
Disposal of treasury shares				988
Net changes of items other than shareholders' equity	10,541	10,541	317,850	328,391
Total changes of items during period	10,541	10,541	317,850	(20,322,271)
Balance at end of current period	60,739	60,739	320,315	8,157,449

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Year ended August 31, 2020	Year ended August 31, 2021
Cash flows from operating activities		
Profit before income taxes	(3,976,408)	(20,565,351)
Depreciation	321,985	68,932
Impairment loss	1,156,635	316,502
Loss on retirement of non-current assets	95	2,475,286
Loss (gain) on sales of property, plant and equipment	-	69
Loss (gain) on sales of shares of subsidiaries and associates	-	(8)
Loss (gain) on sales of investment securities	(100,039)	(68)
Increase (decrease) in allowance for doubtful accounts	14,632	37,535
Increase (decrease) in provision for bonuses	32,151	49,725
Interest and dividend income	(2,892)	(1,882)
Stock issuance cost	326,480	-
Interest expenses	1,802	452
Share of (profit) loss of entities accounted for using equity method	(11,566)	(15,868)
Decrease (increase) in notes and accounts receivable - trade	86,467	(162,915)
Decrease (increase) in inventories	14,123	(12,066)
Increase (decrease) in notes and accounts payable - trade	(33,904)	(27,422)
Decrease (increase) in accounts receivable-other	(3,380,782)	(5,058,722)
Increase (decrease) in accounts payable-other	3,767,017	6,681,258
Other	278,500	(151,116)
Subtotal	(1,505,701)	(16,365,659)
Interest and dividend income received	10,910	5,568
Interest expenses paid	(1,986)	(452)
Income taxes paid	(80,957)	(64,319)
Income taxes refund	78,821	5,562
Net cash provided by) operating activities	(1,498,913)	(16,419,301)
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,365)	(108,584)
Purchase of intangible assets	(534,785)	(2,267,502)
Proceeds from sales of non-current assets	-	8
Proceeds from sales of investment securities	134,277	156
Payments for asset retirement obligations	-	(20,691)
Payments for leasehold and guarantee deposits	(39,485)	(57,262)
Proceeds from collection of leasehold and guarantee deposits	1,825	93,258
Other	(8,714)	13,842
Net cash provided by (used in) investing activities	(449,248)	(2,346,773)

(Thousands of yen)

	Year ended August 31, 2020	Year ended August 31, 2021
Cash flows from financing activities		
Increase in short-term loans payable	4,400,000	-
Decrease in short-term loans payable	(5,200,000)	-
Repayments of long-term loans payable	(3,634)	-
Proceeds from issuance of common shares	29,673,599	-
Proceeds from disposal of treasury shares of subsidiaries	28,624	672
Cash dividends paid	(147,377)	(221)
Proceeds from issuance of share acquisition rights	-	2,043
Purchase of issuance of share acquisition rights	(17,599)	-
Other	(4,991)	(5,677)
Net cash provided by (used in) financing activities	28,728,621	(3,183)
Effect of exchange rate change on cash and cash equivalents	(2)	-
Net increase (decrease) in cash and cash equivalents	26,780,456	(18,769,258)
Cash and cash equivalents at beginning of period	2,185,728	28,966,185
Cash and cash equivalents at end of period	28,966,185	10,196,926

(5) Notes to Consolidated Financial Statements

(Notes on the going concern assumption)

Not applicable.

(Segment information)

1) Overview of reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess their performance.

The reporting segments of the Group are the Demae-can business and the mail order business.

The Demae-can segment primarily operates a website for the door-to-door delivery service, and the mail order sales segment sells, in large part, high-quality Shochu to restaurants on the phone.

2) Calculation method of net sales, profits or losses, assets, liabilities and other items by reportable segment

The accounting methods for the reportable segments are the same as the accounting principles and procedures used to prepare the consolidated financial statements.

The profit of reporting segments is based on operating profit before depreciation and amortization (Earnings Before Interest Taxes, *Depreciation*, and *Amortization* (EBITDA)).

Intersegment sales and transfers are based on the prevailing market prices.

3) Net sales and profit or loss in reportable segments

Year ended August 31, 2020 (from September 1, 2019 to August 31, 2020)

(Thousands of yen)

	Reportable segments			Adjustments Note 1	Total Note 2
	Demae-can business	Mail order business	Segments total		
Sales					
Sales to external customers	9,375,259	931,203	10,306,463	-	10,306,463
Intersegment sales or transfers	84	410,217	410,302	(410,302)	-
Net sales	9,375,344	1,341,421	10,716,765	(410,302)	10,306,463
Segment profit	(2,455,849)	154,733	(2,301,116)	(321,985)	(2,623,102)
Segment assets	35,188,571	852,355	36,040,927	(55,134)	35,985,792
Segment debt	7,358,440	202,766	7,561,206	(55,134)	7,506,071
Other items					
Depreciation	305,680	16,305	321,985	-	321,985
Investment to entities accounted for using equity method	82,222	-	82,222	-	82,222
Increase in the amount of tangible and intangible fixed assets	560,060	8,494	568,554	-	568,554

Note: 1. The details of the adjustments are as follows:

- The adjustment of (321,985 thousand yen) in the segment profit (loss) includes depreciation and amortization expenses of (321,985 thousand yen).
- The adjustment of (55,134 thousand yen) in the segment assets represents the elimination of inter-segment transactions of (55,134 thousand yen).
- The adjustment of (55,134 thousand yen) in the segment liabilities represents the elimination of intersegment transactions of (55,134 thousand yen).

Note: 2. The total segment profit (loss) in each reporting segment and the total value of adjustment are

Note: 2. consistent with the operating loss in the consolidated income statement.

Year ended August 31, 2021 (from September 1, 2020 to August 31, 2021)

(Thousands of yen)

	Reportable segments			Adjustments Note 1	Total Note 2
	Demae-can business	Mail order business	Segments total		
Sales					
Sales to external customers	28,465,423	543,533	29,008,957	-	29,008,957
Intersegment sales or transfers	20	756,276	756,297	(756,297)	-
Net sales	28,465,444	1,299,810	29,765,254	(756,297)	29,008,957
Segment profit	(17,995,689)	73,558	(17,922,130)	(68,932)	(17,991,062)
Segment assets	21,937,481	861,584	22,799,065	(83,728)	22,715,336
Segment debt	14,476,061	165,554	14,641,616	(83,728)	14,557,887
Other items					
Depreciation	51,548	17,383	68,932	-	68,932
Investment to entities accounted for using equity method	94,405	-	94,405	-	94,405
Increase in the amount of tangible and intangible fixed assets	2,475,221	34,977	2,510,198	-	2,510,198

Note 1. The details of the adjustments are as follows:

- (a) The adjustment of (68,932 thousand yen) in the segment profit (loss) includes depreciation and amortization expenses of (68,932 thousand yen).
- (b) The adjustment of (83,728 thousand yen) in the segment assets represents the elimination of inter-segment transactions of (83,728 thousand yen).
- (c) The adjustment of (83,728 thousand yen) in the segment liabilities represents the elimination of intersegment transactions of (83,728 thousand yen).

Note: 2. The total segment profit (loss) in each reporting segment and the total value of adjustment are

Note: 2. consistent with the operating loss in the consolidated income statement.

(Related information)

Year ended August 31, 2020

1) Information on each product and service

(Thousands of yen)

	Demae-can business	Mail order business	Total
Net sales to external customers	9,375,259	931,203	10,306,463

2) Information on each geographic area

(a) Net sales

This information is omitted due to the amount of sales to external customers in Japan exceeding 90% of the sales on the consolidated income statement.

(b) Property, plant, and equipment

This information is omitted due to the total value of property, plant, and equipment located in Japan exceeding 90% of the value of property, plant, and equipment on the consolidated balance sheet.

3) Information on each key customer

This information is omitted due to the absence of external customers contributing to more than 10% of sales on the consolidated income statement.

Year ended August 31, 2021

1) Information on each product and service

(Thousands of yen)

	Demae-can business	Mail order business	Total
Net sales to external customers	28,465,423	543,533	29,008,957

2) Information on each geographic area

(a) Net sales

This information is omitted due to the amount of sales to external customers in Japan exceeding 90% of the sales on the consolidated income statement.

(b) Property, plant, and equipment

This information is omitted due to the total value of property, plant, and equipment located in Japan exceeding 90% of the value of property, plant, and equipment on the consolidated balance sheet.

3) Information on each key customer

This information is omitted due to the absence of external customers contributing to more than 10% of sales on the consolidated income statement.

(Information on impairment loss on non-current assets in each reporting segment)

Year ended August 31, 2020

(Thousands of yen)

	<i>Demae-can</i> business	Mail order business	Eliminations or general corporate	Total
Impairment loss	1,156,635	-	-	1,156,635

Year ended August 31, 2021

(Thousands of yen)

	<i>Demae-can</i> business	Mail order business	Eliminations or general corporate	Total
Impairment loss	2,475,286	-	-	2,475,286

(Information on amortization and unamortized balance of goodwill in each reporting segment)

Year ended August 31, 2020

Not applicable.

Year ended August 31, 2021

Not applicable.

(Information on gain on bargain purchase in each reporting segment)

Year ended August 31, 2020

Not applicable.

Year ended August 31, 2021

Not applicable.

(Per share information)

	Year ended August 31,2020	Year ended August 31,2021
Net assets per share (Yen)	346.37	95.32
Profit per share (Yen)	(73.86)	(251.18)
Fully diluted profit per share (Yen)	-	-

Note: 1. The basis of calculating the net assets per share is as follows:

	(Thousands of yen)	
	Year ended August 31,2020	Year ended August 31,2021
Net Assets	28,479,720	8,157,449
Amount subtracted from the total amount of net assets included	2,464	320,315
Share acquisition rights	(2,464)	(320,315)
Net asset value concerning common shares at the end of the period	28,477,256	7,837,133
The number of common shares at the end of the period used to calculate net assets per share	82,215,426	82,219,426

2. The basis of calculating the profit (loss) per share and fully diluted profit per share is as follows:

	(Thousands of yen)	
	Year ended August 31,2020	Year ended August 31,2021
Profit per share		
Profit attributable to owners of parent	(4,112,361)	(20,651,651)
Amount not attributable to common	-	-
Profit attributable to owners of parent related to common shares	(4,112,361)	(20,651,651)
Average number of shares outstanding of common share (Shares)	55,680,830	82,217,782
Fully diluted profit per share	-	-
Adjustment of profit attributable to owners of parent	-	-
Increase in the number of common shares	-	-
share acquisition rights (shares)	(-)	(-)
Overview of dilutive shares not included in the calculation of the amount of fully diluted profit per share due to the absence of the dilutive	-	-

(Significant subsequent event)

Significant Subsequent Events

At the meeting of the Board of Directors held on September 13, 2021, the Company passed a resolution to issue new shares and dispose of treasury shares through overseas offerings and issue new shares through a third-party allotment, and the payments were completed on September 30, 2021. The outlines are presented below.

1. Issuance of new shares through an overseas offering

(1) Class and number of shares to be issued	Common stock of the Company: 16,053,900 shares
(2) Issue price	1,736 yen per share
(3) Total amount of issue price	27,869,570,400 yen
(4) Amount to be paid	1,666.56 yen per share
(5) Total amount paid in	26,754,787,584 yen
(6) Increases in the share capital and legal capital surplus	Increase in the share capital: 13,377,393,792 yen Increase in the legal capital surplus: 13,377,393,792 yen

(7) Payment date September 30, 2021

2. Disposal of treasury shares through an overseas offering

(1) Class and number of shares to be disposed of Common stock of the Company: 3,240,000 shares
(2) Disposal price 1,736 yen per share
(3) Total amount of disposal price 5,624,640,000 yen
(4) Amount to be paid 1,666.56 yen per share
(5) Total amount paid in 5,399,654,400 yen
(6) Payment date September 30, 2021

3. Issuance of new shares through a third-party allotment to Z Holdings Corporation and Naver Corporation

(1) Class and number of shares to be issued Z Holdings Corporation:
Common stock of the Company: 19,158,900 shares
Naver Corporation:
Common stock of the Company: 10,368,600 shares
(2) Amount to be paid 1,736 yen per share
(3) Total amount paid in 51,259,740,000 yen
(4) Increases in the share capital and legal capital surplus Increase in the share capital: 25,629,870,000 yen
Increase in the legal capital surplus: 25,629,870,000 yen
(5) Payment date September 30, 2021

4. Use of funds

The total net amount of approximately 83 billion yen to be received from the issuing of new shares and disposal of treasury shares through overseas offerings and the issuing of new shares through a third-party allotment is scheduled to be allocated to working capital (marketing expenses) of approximately 68 billion yen by February 29, 2024, capital expenditure (system improvement and development expenses) of approximately 10 billion yen by February 29, 2024, and working capital (expenses for an increase and improvement of delivery personnel) of approximately 5 billion yen by February 29, 2024.